



**ANNUAL  
REPORT  
2000**

## CONTENTS

Borealis – A technology leader in polyolefins .....	3
The polymer chain .....	4
Highlights of 2000 .....	6
Key figures and ratios .....	7
Letter from the CEO .....	8
Winning through people .....	11
Report of the Board of Directors .....	13
Financial review .....	17
eBusiness – Adding new value .....	20
Research & Development .....	22
Borstar® – Borealis' leading technology .....	25
Performance Products – Pipe .....	26
Performance Products – Wire & Cable .....	28
Performance Products – Engineering Applications .....	30
Polyolefins – Polypropylene .....	32
Polyolefins – Polyethylene .....	34
Olefins, Phenol & Aromatics .....	36
Health, Safety and the Environment .....	38
Accounts for 2000 .....	41
Accounting principles .....	42
Signatures to the accounts .....	44
Consolidated income statement .....	45
Consolidated balance sheet .....	46
Consolidated cash flow statement .....	48
Income statement – Borealis A/S .....	49
Balance sheet – Borealis A/S .....	50
Notes to the accounts .....	52
Addresses .....	64
Board and management .....	66

This is an expanded version of the statutory Danish-language annual report, which was approved on March 14, 2001, and will be filed with the Danish Commerce and Companies Agency.

# BOREALIS – A TECHNOLOGY LEADER IN POLYOLEFINS

Performance Products from Borstar® technology drive Borealis' future growth.

Borealis is a leading producer of polyolefin plastics: polyethylene (PE) and polypropylene (PP). Our platform for growth lies in Performance Products from our innovative Borstar process technology. Borstar yields superior plastics that are pushing the limits in properties and processability.

Today, PE and PP are replacing more and more conventional materials in products that touch our everyday lives. These are plastics for the future as we work toward a more sustainable environment.

## Performance Products

PE and PP Performance Products from Borealis can be found in countless applications – from food packaging and personal hygiene, to construction materials, houseware, cars, aircraft, pipes and cables. Our sales network in more than 25 countries serves customers around the globe.

Skill Centres are an integral part of each Business Unit in order to better meet our customers' needs. Our Research & Development is concentrated at Borealis locations in Austria, Finland and Norway, and at special technical support centres. These provide new,

unique products and technical services, and help Borealis and its customers achieve manufacturing excellence.

## The Borealis Group

The Borealis Group is organised around six Business Units. The Performance Products Division encompasses Wire & Cable, Pipe and Engineering Applications. The Polyolefins and Chemicals Division comprises Polyethylene, Polypropylene, and an Olefins, Phenol & Aromatics unit.

Our total output covers an integrated mix of petrochemicals (ethylene, propylene, and phenol & aromatics) and polyolefins. Borealis employs some 5,200 people and in 2000, produced over 3 million tonnes of polyolefins.

The Borealis corporate head office is located near Copenhagen, Denmark. Production comes from main sites in Austria, Belgium, Finland, Germany, Norway, Portugal and Sweden, plus compounding units in Brazil, France, Italy and USA.

In 2001, Borealis and the Abu Dhabi National Oil Company (ADNOC) are scheduled to begin joint production of Borstar PE from a new petrochemical complex under construction in Abu Dhabi. The joint-venture company, named Borouge, has begun marketing these products in Asia.

## The Borealis attitude

Borealis has high ambitions and a challenging strategy. We see only one way of winning – and that is with, and through, our people. Our strategy aims to build clarity on where we are going, plus the capability and commitment to get there. We measure our progress through an annual Borealis People Survey.

Borealis devotes substantial resources to improving our performance in issues affecting health, safety and the environment. We aspire to be an industry leader in this regard. We believe in a Zero Mindset, which means the determination to achieve zero work-related accidents, injuries and illnesses, and the steady reduction of plant emissions.

It's an attitude.

Borealis is owned 50% by the Norwegian oil company Statoil, one of the world's largest net sellers of crude oil and a major supplier of natural gas to Europe. The other half is owned by IOB Holdings, which represents a 25% share owned by OMV, the Austrian oil and gas group; and 25% by the International Petroleum Investment Company (IPIC) of Abu Dhabi.

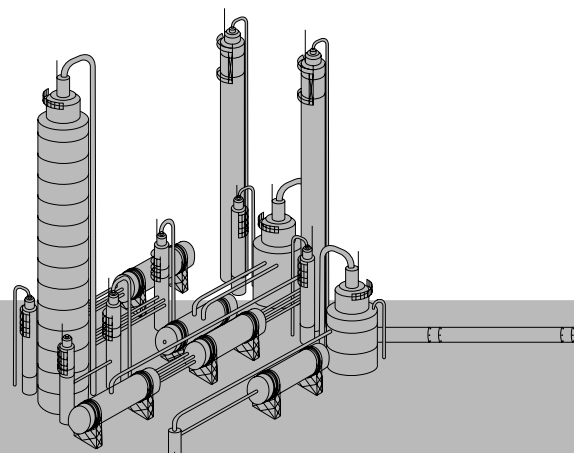
Borstar® is a registered trademark of Borealis A/S.

## THE POLYMER CHAIN

Borealis' main business is production and sales of polyolefin plastics raw materials – polyethylene (PE) and polypropylene (PP). Because of their molecular structure, these are also called polymers. The illustration below shows the role Borealis plays in the 'polymer chain.'

### REFINING

In the refinery, the oil and gas mixture is separated into different products (fractions) by distillation, mainly transportation fuels. Naphtha (the light fraction from oil), and ethane and liquefied petroleum gases (the heavier fractions from gas), are suitable for petrochemicals and plastics.



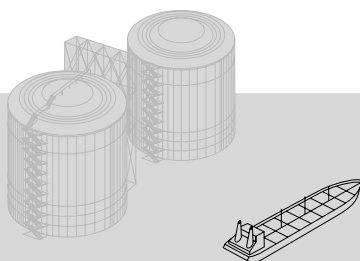
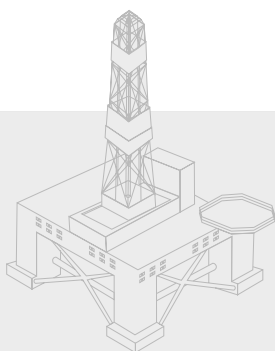
### CRACKING

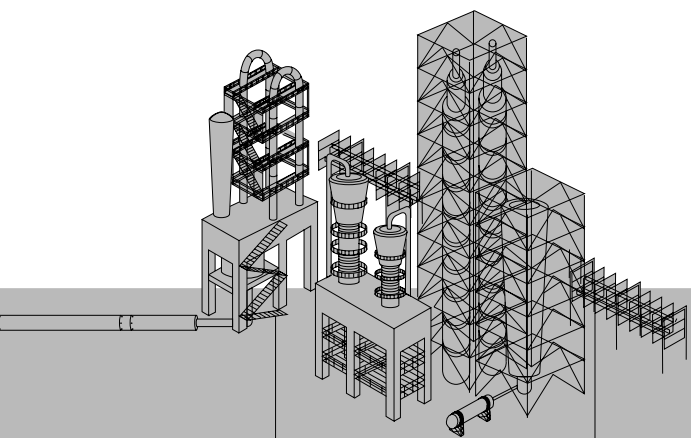
'Cracking' is a process in which large hydrocarbon molecules (naphtha, ethane or liquefied petroleum gases) are broken down into smaller ones. These include the gases ethylene and propylene, which are ready for polymerisation into plastics raw material.

Borealis has crackers in Finland, Portugal and Sweden.

### OIL AND GAS PRODUCTION

Polyolefins begin with oil and natural gas, most of which are exploited for energy. Only 4% become plastics raw material. Some gases, like methane, are passed directly from the field for energy consumption. The remaining mixture is sent to refineries.





**POLYMERISATION**

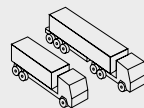
Ethylene and propylene form long chains, called polymers, in a reaction process aided by chemical catalysts. Each polymerisation plant is designed to operate at certain conditions with special catalyst systems to make its own product mix. An example is Borstar®, Borealis' own process and catalyst technology.

Borealis has polymerisation plants in Austria, Belgium, Finland, Germany, Norway, Portugal and Sweden.



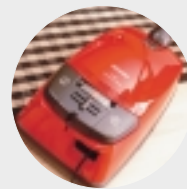
**POLYETHYLENE AND POLYPROPYLENE PELLETS**

The polymers, polyethylene (PE) and polypropylene (PP), are delivered to customers in the plastics converting industry usually as 2-3 mm particles. These are pellets or granules, packed in bags or in bulk.



**BOREALIS' CUSTOMERS: PLASTICS CONVERTERS**

Our customers melt Borealis PE and PP, and process them into the plastic products we use every day - packages, bags, films, ropes, fibres, pipes, wire and cables, and moulded parts for cars, appliances, furniture, toys and housewares.



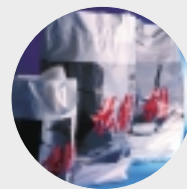
**INJECTION MOULDING**



**BLOW MOULDING**



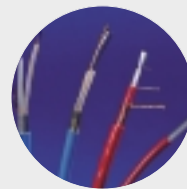
**ROTO MOULDING**



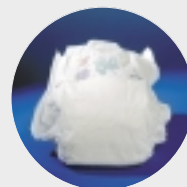
**FILM EXTRUSION**



**EXTRUSION COATING**



**EXTRUSION**



**FIBRE SPINNING**

## HIGHLIGHTS OF 2000

Borealis sold its first Borstar® PE licence, inaugurated its first Borstar® PP plant and established some significant joint ventures in 2000.

### January

Borealis and DuPont sign a Memorandum of Understanding for a manufacturing joint venture of high-pressure copolymers at Borealis' plant near Antwerp, Belgium.

Borealis signs a joint marketing agreement with Huntsman in automotive applications and electrical appliances, to serve customers in the U.S., Canada, Mexico and Europe.

### February

Borealis acquires a stake in ChemConnect, the largest global chemical and plastics exchange on the Internet.

The China Petrochemical Company (SINOPEC) selects Borealis' Borstar PE technology for a 250,000 tonnes/year polyethylene plant at Shanghai. It will be the largest polyolefin production unit in China.

### March

Construction is completed of Borealis' first Borstar polypropylene plant at Schwechat, Austria. The EUR 140 million project was finished ahead of budget and with a good safety record.

### May

Successful start-up of Borealis' first Borstar PP plant occurs ahead of schedule.

### July

Erling Øverland of Statoil is appointed Chairman of Borealis' Board of Directors. He succeeds Terje Vareberg who had been Chairman of Borealis since it was founded in 1994.



Borstar® PP plant in Austria

Borealis and Norsk Hydro sign a Letter of Intent for a joint venture company, Noretyl AS, to own and operate an ethylene cracker previously operated by Hydro Polymers in Rafnes, Norway. The company is operational from 2001.

Repsol YPF and Borealis sign a Letter of Intent to establish a new company combining Borealis' site and Repsol's polyolefin assets on the Iberian Peninsula.\*

### September

Svein Rennemo announces his resignation as Borealis' CEO by the end of March 2001. Rennemo was a key participant in the founding

of Borealis in 1994, and also served as its first CFO. He was appointed CEO in 1997.

### October

Borealis and DuPont launch their 50-50 manufacturing joint venture, Speciality Polymers Antwerp N.V., in Zwijndrecht, Belgium.

Austria's Minister of Economy and Labour, Martin Bartenstein, pushes the ceremonial start button of Borealis' new Borstar PP plant. It marks the introduction of a new generation of PP with superior properties at a competitive production cost, with less burden on the environment.

Borealis and OPP Petroquímica S.A. of the Odebrecht Group agree to establish a joint-venture compounding company in Brazil to serve customers in the automotive and appliance industries in South America. Borealis-OPP is owned 80% by Borealis, and becomes operational in December 2000.

### November

Borealis launches a new web site dedicated to the rotomoulding industry, [www.borecene.com](http://www.borecene.com), at the first Pan-European Rotomoulding Conference in Brussels.

Borealis announces plans to increase the capacity of its ethylene cracker in Porvoo, Finland, by 10% to 310,000 tonnes a year in 2002.

\* As of March 1 2001, negotiations were continuing. Borstar® is a registered trademark of Borealis A/S.

## KEY FIGURES AND RATIOS

		2000	1999	1998	1997	1996
<b>INCOME AND PROFITABILITY</b>						
Net sales	EUR million	3,756	2,987	2,739	2,516	2,134
Operating profit	EUR million	92	216	177	235	113
Operating profit as percentage of net sales	%	2	7	6	9	5
Profit before taxation	EUR million	64	179	156	216	124
Net profit for the year	EUR million	42	141	119	180	107
Return on capital employed, net after tax	%	3	9	9	14	9
<b>CASH FLOW AND INVESTMENTS</b>						
Cash flow from operating activities	EUR million	-16	186	392	325	122
Investments in tangible fixed assets	EUR million	521	547	193	196	192
<b>FINANCIAL POSITION</b>						
Total assets	EUR million	3,720	3,203	2,659	2,205	2,024
Net interest bearing debt	EUR million	1,300	766	314	180	252
Capital employed	EUR million	2,783	2,246	1,788	1,573	1,503
Equity	EUR million	1,340	1,336	1,236	1,253	1,123
Solvency ratio	%	37	43	47	56	54
Gearing	%	97	57	26	15	23
<b>NUMBER OF EMPLOYEES</b>		<b>5,188</b>	<b>5,424</b>	<b>5,848</b>	<b>5,001</b>	<b>5,045</b>

Comparative figures have been restated due to the change in treatment of dividend as described in note 15.

**Definitions:**

Capital employed = Total assets less non-interest-bearing debt.

Return on capital employed = Operating profit, profit and loss from sale of operations plus interest income, after tax, divided by average capital employed.

Solvency ratio = Equity plus negative goodwill plus subordinated loans divided by total assets.

Gearing = Interest-bearing debt less cash and cash equivalents divided by equity.

## LETTER FROM THE CEO

2000 was a challenging year for Borealis, but with measurable progress in a number of key areas.

In 2000, Borealis' profits fell short of expectations, and our overall financial performance for the year was not satisfactory.

This was mainly due to high feedstock costs, in addition to cost overruns, a delayed start-up and operational problems after the upgrade of our "cracker" unit in Stenungsund, Sweden. As we entered 2001, the root causes had been identified and corrective actions taken. At our production site in Schwechat, Austria, a prolonged shutdown of a polyethylene line and limitations in feedstock supplies further weakened our earnings.

But at the same time, the Borealis team made excellent progress in strengthening our platform for future earnings and growth.

- We recorded the lowest number of personnel injuries in our seven-year history.
- Customer surveys confirmed our solid progress in improving customer satisfaction.
- Borealis' position in Performance Products was significantly strengthened in 2000 through increased sales in Europe.

- We took steps to simplify and improve our manufacturing structure. In Belgium, one of our plants was included in a new production joint venture with DuPont.

We also passed some decisive milestones in implementing our strategy of technology leadership and growth outside Europe.

- Our teams successfully started up two new plants based on our proprietary Borstar technology, and we remain on track to start up another two in 2001.
- Our Licensing team sold a Borstar PE licence to Shanghai Petrochemicals of China.
- Our new joint-venture agreement with OPP in Brazil to produce compounds for the automotive sector in South America boosts our unique Performance Products' strength for global growth.

2000 was our second year of applying a new, systematic approach to developing our people and our organisation – the Human Capital approach. We saw progress from 1999,

notably in the areas of process effectiveness, and in practising an open working environment. At the same time, however, we have seen a higher stress level throughout the organisation, and this calls for remedial action. Overall, our Human Capital approach clearly supports Borealis' declared goal to "Win through people."

When I resign from Borealis at the end of March 2001, I will have worked for and with Borealis for seven exciting and rewarding years. A clear corporate strategy is under implementation, and major business achievements and milestones are behind us. It is with pride and satisfaction that I wish my Borealis colleagues the very best of luck in the future.



Svein Rennemo  
Chief Executive Officer



**BOREALIS  
EXECUTIVE BOARD**



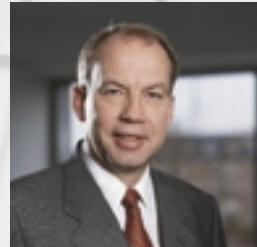
Svein Rennemo  
Chief Executive Officer



Franz Wurm  
Chief Financial Officer



Herbert Willerth  
Executive Vice President,  
Manufacturing Division



Staffan Lennström  
Executive Vice President,  
Performance Products Division  
Polyolefins & Chemicals Division



Henry Sperle  
Executive Vice President,  
Business Development Division



Teamwork is the key to Borealis' success.

# WINNING THROUGH PEOPLE

Borealis has four basic values which guide all our activities:

- To build one company which is new, different and better
- To be a responsible corporate citizen
- To increase value for our owners and customers
- To win through our people

Our values have been essential in helping Borealis come together as one company. They have guided our direction, both in terms of strategy and everyday behaviour.

## Delivering strategy

Our ambition is to be a leader in the polyolefin industry. We will get there by further strengthening our competitive position in Europe, by building a leading technology position through our Borstar process, and by continuing to develop our business.

It is our own organisation and our own people who will deliver this challenging strategy. We see only one way of winning, and that is through, and with, our people.

It is only our people who can make us a leader in issues of health, safety and the environment. Only people can earn customer satisfaction and achieve cost efficiency. It is people who are developing and marketing our Borstar technology and its products. If there is a better way, it is people who will find it and make it work. People are at the heart of everything we do.

But to deliver results, people must know where to go, be able to go, and be willing to go. Thus, getting results requires clarity, capability and commitment.

## A winning formula

Establishing **clarity** means communicating our values, strategy, goals and performance. It means clarity on roles and responsibilities, and on what is required from each of us.

We translate Borealis' business strategy into operational objectives and targets, and we use "balanced scorecards" across the company to communicate objectives and performance. The scorecard is our means of monitoring and steering the drivers of ultimate financial performance.

Borealis is also replacing thousands of detailed job descriptions with about 100 "role profiles." These are broader descriptions of what is required from our employees, emphasising results and behaviour over formal qualifications.

We are building **capability** in several areas. In 2001 and 2002, nearly all Borealis people will participate in our new Ambassador Programme. This is an interactive,



computer-based training course that improves knowledge of, and pride in, our products and their role in a sustainable society. It enables employees to truthfully and positively promote Borealis and the polyolefins industry in their own communities.

In our Manufacturing Division, our main priority is "Teaming Up," aiming at more self-managed and multi-skilled teams. In 2000, our employees went through 15,000 hours of training under this programme. In our business divisions, a Borealis Business Academy has been designed to further strengthen the competence of our people.

People Focused Leadership training continued in Borealis during 2000, with special emphasis on feedback and coaching. A key achievement for Borealis in 2000 was the successful recruitment and expatriation of

nearly 100 well-qualified employees to our Borouge joint venture in Abu Dhabi.

Clarity and capability mean nothing without **commitment**. We have started the journey towards "employeeeship," in which our people take more charge of their own performance, development and careers. A new Human Resource system will help employees take on this responsibility.

We have also introduced a Borealis Incentive Plan which focuses on and rewards performance as we measure it on our balanced scorecards.

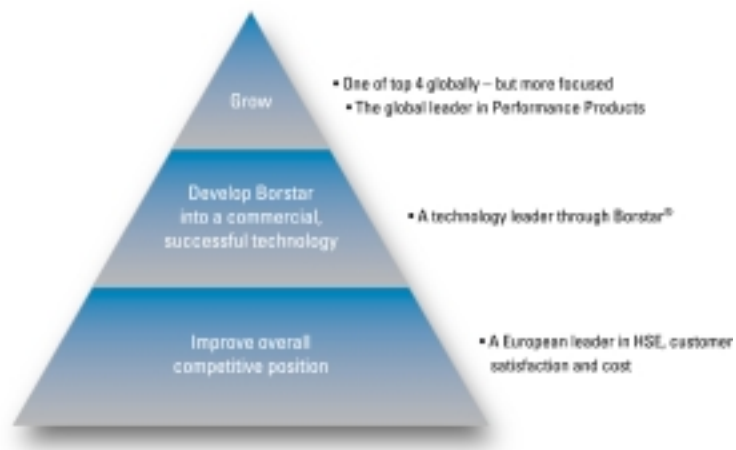
### Human Capital Index

We monitor our progress through an annual Borealis People Survey, in which we benchmark the strength of our organisation on both team and company level.

Results of the People Survey are summed up in a Human Capital Index, which measures individual motivation and responsibility, as well as authority, co-operation and our leadership quality.

We lifted our Human Capital Index in 2000 to 542 from 529 the previous year. This is slightly above average in our external benchmarks, but still short of our own target.

In today's world, technology and capital are moving faster and faster, but people still need time to change and grow. We respect this, and strive to place a long-term perspective on all initiatives that involve winning through our people.



## REPORT OF THE BOARD OF DIRECTORS

The Borealis Group moved closer to its strategic goals in 2000 although financial performance was weakened mainly due to production disturbances.

Average polyolefin market prices rose significantly over the previous year, but they were offset by higher raw material costs. Naphtha prices increased along with the strong crude oil market. Demand for polyolefins remained strong but polyolefin margins reached very low levels.

Also in 2000, Borealis showed improved health, safety and environmental (HSE) performance, including a reduced number of injuries and the lowest rate of employee sick leave in many years.

Sales volumes were 4.5% lower than in 1999, constrained by planned maintenance shutdowns and production disturbances. The newly-expanded cracker in Stenungsund, Sweden, was delayed in starting, then shut down again repeatedly for repairs.

Nevertheless, the Group saw continued European growth in its Performance Products business, which was also strengthened through a new joint venture in Brazil. Industry surveys point to further improvement in Borealis' customer satisfaction ratings.

Borealis has made good progress in improving the Group's manufacturing structure through newly-established joint ventures and in the commercialisation of Borealis' proprietary Borstar technology by successfully starting up two new Borstar plants in Austria and Sweden, and selling a Borstar licence to a company in China.

By the end of March 2001, Svein Rennemo will resign as CEO of Borealis. The Board of Directors wishes to thank Mr. Rennemo for his contribution to Borealis' growth and development since the formation of the company in 1994.

### Financial performance

The year 2000 ended with an operating profit of EUR 92 million, a 57% decrease compared with EUR 216 million in 1999.

Net profit amounted to EUR 42 million, compared to EUR 141 million in 1999. This equals a return on capital employed (ROCE) after tax of 3%, down from 9% in 1999. With an average, after-tax ROCE of 10% since start-up in 1994, the company is 1 percentage point below the target set when Borealis was established.

Capital employed increased significantly in 2000, by 24% to EUR 2,782 million, mainly due to major investments in Sweden, Austria and Abu Dhabi, and higher working capital.

Total capital expenditure in 2000 remained at a high level of EUR 521 million, a decrease of 5% from 1999. Cash flow from operations amounted to EUR minus 16 million in 2000, down from EUR 186 million in 1999. This was caused by the weakened results, and higher receivables and inventories due to increased prices. The solvency ratio stood at 37% compared to 41% at the end of 1999.

The Board proposes that EUR 4 million be distributed as dividends.

### Industry consolidation

The global polyolefins industry continues to see numerous mergers and acquisitions, with major players becoming fewer and larger. Borealis was formed by a merger in 1994, and has grown mainly through partnerships and acquisitions ever since. In 2000, Borealis improved its manufacturing structure in Europe, as well as its growth platform for Performance Products.

Borealis and Repsol YPF signed a Letter of Intent to establish a new company combining Borealis' site and Repsol's polyolefin assets on the Iberian Peninsula. Negotiations were continuing in early 2001.

Borealis and Norsk Hydro revised their joint venture for equal ownership in Noretyl ANS which operates a cracker (ethylene plant) at Rafnes, Norway. The unit has an ethylene production capacity of 450,000 tonnes/year, and supplies feedstock to the partners.

Borealis also entered a manufacturing joint venture with DuPont, named Speciality Polymers Antwerp N.V., in Zwijndrecht, Belgium. It produces polyethylene and ethylene copolymers at the existing 125,000 tonnes/year plant, formerly owned by Borealis.

In the automotive sector, Borealis (80%) and the Brazilian company OPP Petroquímica (20%) established a compounding joint venture, Borealis-OPP S.A., to serve South American markets. Thus, Borealis took a further step in its strategy to serve its Performance Products' customers from a global platform.

### Markets and customers

Polyolefin prices increased by 33.5% over 1999. However, substantially increased feedstock costs resulted in lower polyolefin margins.

Due to production problems, the past year saw Borealis' polyolefins sales volumes decrease by 4.5%, which was considerably more than the overall market decline of 1.5% in Western Europe.

In the Performance Product areas, which include Wire & Cable, Pipe and Engineering Applications, Borealis strengthened its position further in 2000 with a 6% growth in sales volume. This increased the share of Performance Products to 31% of the Group's total polyolefins sales volume.

The continuous effort to add value for customers reflected itself in improved customer satisfaction ratings in industry benchmark surveys. Borealis is intensifying its efforts toward further improvement.

### Health, safety and environmental performance

In 2000, the Group again made progress in its health, safety and environment (HSE) record, but there is still room for further improvements.

Total Recordable Injuries (TRI), including Borealis employees and contractors, declined by 12% to an unprecedented low of 8.4 per million working hours. The Group's sick leave percentage of 2.8% was even lower than the 3.0% recorded in 1999. Total plant emissions decreased as targeted.

In 2000, Borealis invested EUR 13 million in projects where HSE considerations were the sole or dominant issues.

### Projects

Borealis and the Abu Dhabi National Oil Company (ADNOC) in 2000 proceeded on schedule with their joint venture, Borouge, to build and operate a world-scale petrochemical complex at Ruwais, Abu Dhabi. When completed in late 2001, it will consist of a 600,000 tonnes/year ethane cracker and two Borstar PE lines with a combined capacity of 450,000 tonnes/year. A Borouge sales company in Singapore has begun pre-marketing activities in Asia.

**BOREALIS  
BOARD OF DIRECTORS**



Erling Øverland  
Chairman



Gerhard Roiss  
Vice Chairman



Mohamed Al Khaily



Finn Kulås

At Schwechat, Austria, Borealis successfully started up its first Borstar PP plant ahead of schedule and below budget. The plant has a capacity of 200,000 tonnes/year. This was the most important step for the new generation of PP based on Borstar technology.

The expanded cracker at Stenungsund came on stream in the first quarter of 2000 after significant cost overruns and start-up delays. The plant was then subject to repeated shutdowns for repairs during the year. Several corrective actions have been taken to ensure normalised operability as from the first half of 2001.

A newly-retrofitted Borstar PE plant at Stenungsund was also started up in 2000, adding 225,000 tonnes/year of Borstar capacity.

#### **Operation and production**

Total polyolefins output in 2000 was 3,015 tonnes, compared with 3,112 tonnes in 1999. The lower output was due to monomer losses

as a result of cracker problems, planned maintenance shutdowns, a nation-wide strike in Finland, lack of feedstock supply in Austria and various technical problems.

Olefins output was 1,754 tonnes, compared with 1,615 tonnes olefins in 1999.

#### **Borstar® technology**

Borealis' proprietary technology, Borstar, gained significant strength in 2000 with the sale of the first third-party licence, to the Shanghai Petrochemical Company of China, and the opening of the first Borstar PP plant in Schwechat, Austria. A new Borstar PE production unit also started up in Stenungsund, Sweden.

Borealis aims to become a technology leader through Borstar. At the end of 2000, the Group's total Borstar capacity stood at 585,000 tonnes/year. In late 2001, two new Borstar PE lines in Abu Dhabi will increase this figure to 1,035,000 tonnes/year.

#### **Future prospects**

Starting with a weakened U.S. economy, a slowdown in overall economic growth rates is predicted for most parts of the world. Still, growth in total demand for polyolefins is expected to remain strong.

Borealis will continue to focus on improving capacity utilisation and cost performance to compensate for the pressure on margins. It will also continue to develop a leading technology position through its Borstar process for PE and PP.

Borealis will pursue its active growth strategy outside Europe by starting up the Borouge plants and by emphasising the globalisation of its Performance Products business.

Copenhagen, February 20, 2001.



## FINANCIAL REVIEW

- Polyolefin prices increased throughout the year and were 34% higher than in 1999, though offset by feedstock prices 80% above 1999 level.
- Net profit was EUR 42 million, compared to EUR 141 million in 1999, and return on capital employed after tax was 3%, compared to 9% in 1999. The main driver behind the lower result was lower sales volumes due to production disturbances and lower margins.

### Market development

Polyolefin market prices rose significantly during the year and reached an average 34% more than in 1999. The average price of naphtha, the main feedstock, increased dramatically, resulting in a net feedstock price increase in EUR of 80% for a standard naphtha cracker. The Western European market for polyolefins decreased by 1.5% compared to 1999.

### REVIEW OF RESULTS

#### Sales

Net sales amounted to EUR 3,756 million, an increase of 26% compared to 1999. This was due to the higher polyolefin prices. Polyolefin sales volumes were 3,015 tonnes, down 4.5% compared to 1999, constrained by planned maintenance shut-downs and production disturbances.

#### Cost development

Fixed costs remained at the 1999 level, despite commissioning and start-up costs for our two new Borstar plants. Research and development costs amounted to EUR 39 million, of which EUR 14 million has been capitalised.

### Operating profit

Operating profit amounted to EUR 92 million. The change compared to 1999 is analysed below:

CHANGE IN OPERATING PROFIT	(EUR MILLION)	
	2000	1999
Operating profit last year	216	177
Margins	-33	-128
Volumes	-30	89
Depreciation	-38	-10
Change in accounting policies	14	54
Other	-37	34
<b>OPERATING PROFIT CURRENT YEAR</b>	<b>92</b>	<b>216</b>

### Return on capital employed

The return on capital employed after tax amounted to 3%, down from 9% in 1999. The average for 1994–2000 is 10%, slightly below the long-term target of 11%.

### Sensitivity analysis

The table below illustrates the approximate effect of changes in market conditions on Borealis' pre-tax profits, as at the end of 2000.

SENSITIVITY	(EUR MILLION)	
	2000	1999
Polyolefins prices +/-5 pf/kg	+/-78	+/-81
Polyolefins sales volumes +/-5%	+/-30	+/-34
Naphtha prices +/- 10 USD/tonne	+/-22	+/-21

### Financial income and expenses

Net financial expenses amounted to EUR 48 million compared to EUR 30 million in 1999, mainly due to increase in interest bearing debt. Foreign exchange differences showed a gain of EUR 19 million, compared to EUR 9 million in 1999.

### Taxes

The provision for income taxes amounted to EUR 22 million (EUR 38 million in 1999), corresponding to an effective tax rate of 35% (compared to the extraordinarily low 1999 rate of 21%). Borealis paid corporate taxes of EUR 37 million, compared to EUR 60 million in 1999.

**Net profit and distribution of dividend**

Net profit for the year amounted to EUR 42 million, compared to EUR 141 million in 1999. The Board of Directors proposes to distribute EUR 4 million (EUR 46 million in 1999) as dividends. In accordance with IAS 10, the dividend is not included as a liability.

**FINANCIAL POSITION**

**Total assets/capital employed**

Total assets and capital employed stood at EUR 3,720 million and EUR 2,783 million, respectively, at year-end, compared to EUR 3,203 million and EUR 2,246 million at year-end 1999. The increases of 16% and 24%, respectively, are due to higher capital expenditure and current assets (inventories and accounts receivables), the latter being an effect of higher price levels. The change in working capital was EUR 992 million.

The solvency ratio was 37% at year-end 2000, compared to 43% at year-end 1999. The gearing ratio increased to 97% at year-

end 2000, up from 57% in 1999, due to increase of debts caused by the high investment level.

**Cash flows and liquidity reserves**

Cash flow from operations was negative with EUR 16 million (EUR +186 million). The decrease was caused by reduced profit and increased inventories and receivables, due to higher prices at year-end. This was only partly offset by higher accounts payables.

Liquidity reserves, made up of undrawn, long-term committed credit facilities and cash balances, amounted to EUR 525 million at year-end 2000 (EUR 1,050 million).

Net interest-bearing debt was increased by EUR 534 million during 2000, and stood at EUR 1,300 million at year-end. The increase is due to the high investment level in 2000. The change in net interest-bearing debt is analysed in the following table:

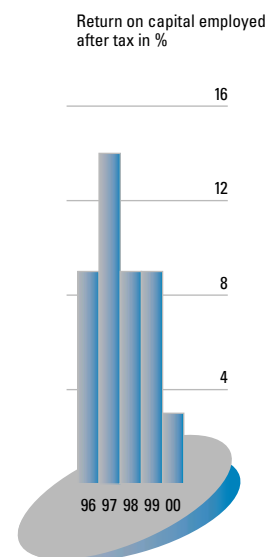
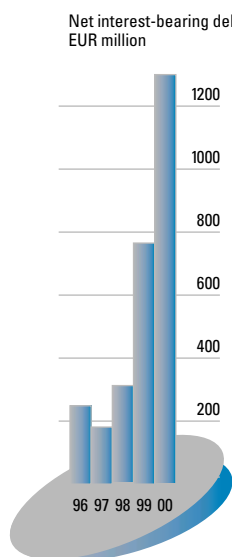
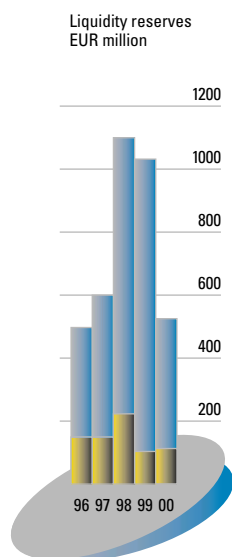
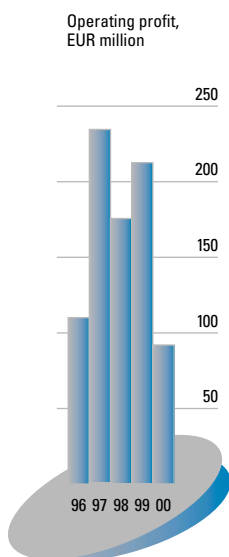
**CHANGE OF NET**

INTEREST-BEARING DEBT	EUR MILLION	
	2000	1999
Cash flow provided by operating activities	-16	186
Capital expenditure	-521	-547
Other	49	-12
Dividend paid	-46	-79
<b>TOTAL (INCREASE)</b>	<b>-534</b>	<b>-452</b>

**Capital expenditure**

Investments in tangible fixed assets amounted to EUR 521 million in 2000, compared to EUR 547 million in 1999. The most significant investments were the Stenungsund Borstar PE retrofit, the Schwechat Borstar PP plant and investments in the Borouge joint venture. HSE capital expenditure was EUR 13 million.

Depreciation and amortisation amounted to EUR 199 million, compared to EUR 161 million in 1999.



■ Undrawn credit  
■ Cash

### Shareholders' equity

The equity at year end 2000 was EUR 1,340 million (EUR 1,336 million).

EQUITY DEVELOPMENT	EUR MILLION	
	2000	1999
Net result	42	141
Exchange adjustment, net	8	38
Gross increase	50	179
Dividend paid	46	79
Net increase	4	100
Opening equity	1,336	1,236
<b>ENDING EQUITY</b>	<b>1,340</b>	<b>1,336</b>

### Financial risk management

The objective of financial risk management is to support core businesses of Borealis. It operates within the framework of the Financial Policy, approved by the Board of Direc-

tors. Borealis aims to minimise effects related to foreign exchange, interest rate, credit and refinancing risks. The use of any financial instruments shall be based on commercial needs or identified risks as defined in the policy.

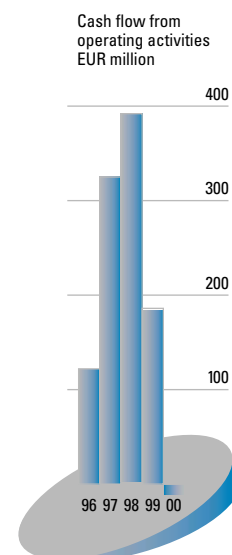
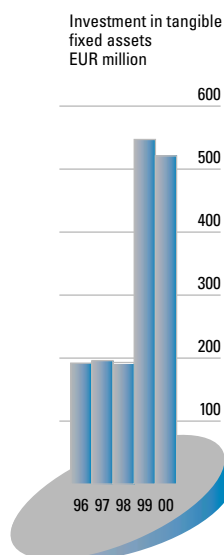
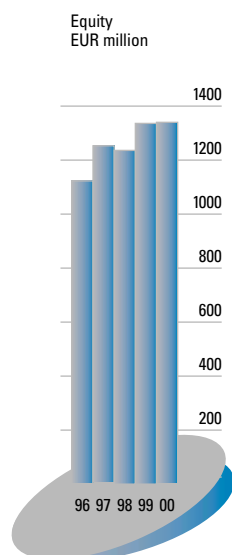
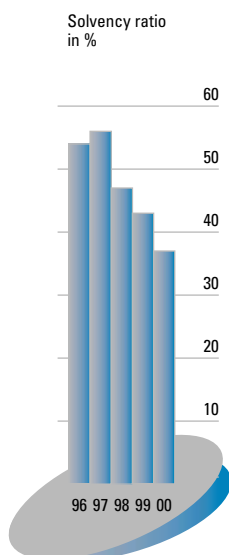
The financial risk management is centralised in Group Finance where the exposures of the operating entities are hedged.

The foreign exchange risks related to short-term commercial cash flows are hedged. Limits for long-term foreign exchange exposures are established. Interest rate risks are managed through duration benchmark. Foreign exchange translation differences relating to Borealis A/S' long-term investments in subsidiaries are charged directly to the equity. The exposures are partly hedged by long-term borrowings in the same currencies.

Borealis' cash balances are invested in liquid instruments. Counterpart credit risks are managed by mandatory credit limits and external credit rating requirements. A real-

time treasury system is used to monitor exposures and risk limits.

Corporate world-wide insurance programmes are established for risk related to property damage and business interruption, liability exposures, cargo, and for our employees when travelling for Borealis.



The Internet is providing new opportunities for serving our customers. eBusiness is an integral part of Borealis' overall business strategy.

Doing business via the Internet gives us new opportunities to develop closer customer relationships. We can operate more flexibly and effectively than by phone, fax or post-office mail.

In 2000, Borealis established an eBusiness programme with a dedicated, full-time team, who have initiated a number of Internet solutions. The prime objectives are to increase customer satisfaction by providing easier access to existing and entirely new services, and to improve our own internal efficiency.

Considerable investments were made in 2000 to upgrade our tightly-integrated Enterprise Resource Planning (ERP) system, SAP, to the latest standards. It is now an excellent platform for eBusiness, and enables us to be among the first companies to establish a direct integration of SAP and Internet commerce. We are also preparing for a direct integration of our SAP system with key customers' and suppliers' ERP systems to further improve the efficiency in transactions.

When fully implemented, a range of eBusiness solutions will facilitate the daily work of our customers, suppliers and employees.

### **Instant customer benefits**

Customers will be able to place orders electronically any time, day or night, from wherever

in the world, via a secure web solution, directly into our SAP system. Confirmation is instantaneous. Customers will also gain access to electronic, order-related documents and product literature, plus technical and other services. Web-enabled monitoring of customers' stocks of Borealis materials is just one example.

All such customer services will be made available through Borealis' corporate web site, [www.borealisgroup.com](http://www.borealisgroup.com).

To support our strategy for growth and globalisation, we develop information web sites to serve specific target industries. In November 2000, Borealis launched the first web site dedicated to the rotational moulding industry, [www.borecene.com](http://www.borecene.com). We also plan to take the Internet lead in other industries where we have a strong competitive advantage and growing market potential.

### **Buying and selling on the Internet**

Borealis is taking advantage of web-based tools for procurement, as well, such as purchasing through Internet-based supplier catalogues. We expect to gain greater transactional efficiency and closer integration with suppliers.

A number of industry-specific eMarketplaces have appeared on the Internet, providing auctions, exchange services, and online catalogues for the sale and purchase of


products and services. We continuously evaluate how these can add value for our customers and our operations. Borealis actively uses eMarketplaces, and has acquired a stake in ChemConnect, the largest global chemical and plastics exchange on the Internet.

### **Adapting to eBusiness**

Our main focus in 2000 was to define eBusiness priorities and their scope, and to establish a technical platform. Pilot tests were initiated in close co-operation with selected business partners. In 2001, we will implement more solutions, and expand them to cover more partners and services.

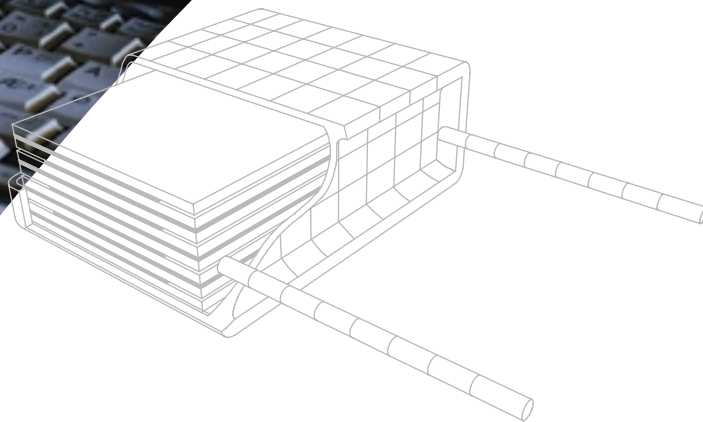
eBusiness does not just rely on technology, but also on being able to offer services that add value to each link in the value chain. Thus, we are optimising our work flows and business processes to meet the new demands of the eBusiness world.

By the end of 2001, Borealis expects that a significant portion of our sales and purchasing transactions will take place via eBusiness channels.



Borealis' superclean PP grades are excellent for producing film for capacitors, which store electrical energy.

Capacitors are high-tech components used in electronic devices, power stations, plant energy systems, appliances, even aerospace applications.



## RESEARCH & DEVELOPMENT

Leading technology is a prerequisite for a company's growth in today's polyolefins industry.

The polyolefins industry has seen major consolidation over the past five years. Fewer producers are putting out larger and larger volumes, and the cost performance of the leaders has almost levelled out. eBusiness is creating a new, exciting, yet relatively anonymous marketplace.

How can a company stand out? By being a leader in technology. In today's industry, technology is a prerequisite for growth.

Borealis' Research & Development team creates value by providing new, enhanced products for our customers, solutions for improved operations in polyolefin production, and future business opportunities for the Borealis Group.

### Leading with Borstar®

A prime example is Borstar, the patented technology for PE and PP developed by Borealis. Borstar yields an entirely new range of polyolefins materials that combine superior final-product properties with competitive production costs, and lead to less burden on the environment. The technology is now available to other companies on licence from Borealis.

Another is Borealis' Advanced Process Control – BorAPC – which ensures Borealis' capability to enhance production and improve product consistency.

In 2000, we marked a number of R&D milestones:

- Start-up of the first Borstar PP plant
- Improvements in health, safety and environmental performance
- Filing, approval and successful defence of several key patents
- Legal clarification linked to our own single site catalyst technology
- Creation of an integrated, global R&D organisation
- Recruitment of new people with impressive competence
- Creation of a "Technology Company"

### Enhancing people

Borealis R&D comprises some 350 people who work primarily at research locations in Porvoo, Finland; Linz, Austria; and Rønningen, Norway. Their average education level is high, and Borealis sends many promising candidates to universities to improve their knowledge even further.

Skilled and committed people of many nationalities comprise Borealis' cross-functional development teams. This has helped create an open, inspiring atmosphere in which we set targets high and challenge our scientists. We promote innovation and reward people who make a contribution.

### Meeting the future

The trends of rising R&D costs and shorter product life cycles require major investments. Only a few companies can afford to be R&D leaders. Borealis is open to partnerships and alliances if they contribute to developing superior products at more competitive cost.

Borealis is committing major resources to protecting and exploiting our intellectual property rights. In 2000, we filed 43 new patent applications, eight new oppositions and won three earlier opposition cases.

Borealis' leadership in technology will ensure us a crucial, competitive advantage.

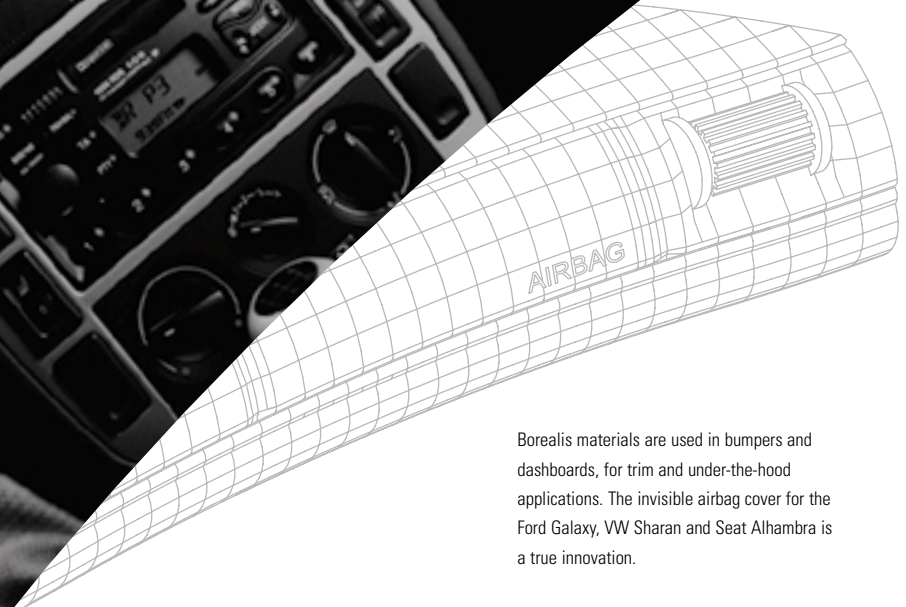
Our approach focuses on:

- Satisfying customers by supplying consistent, high-performance products
- Focusing on speciality segments
- Developing technology according to our market ambitions
- Expanding Borstar technology into new business areas
- Creating more synergy between our PE and PP technologies
- Shortening product time to market
- Working for the sustainable growth of the Borealis Group

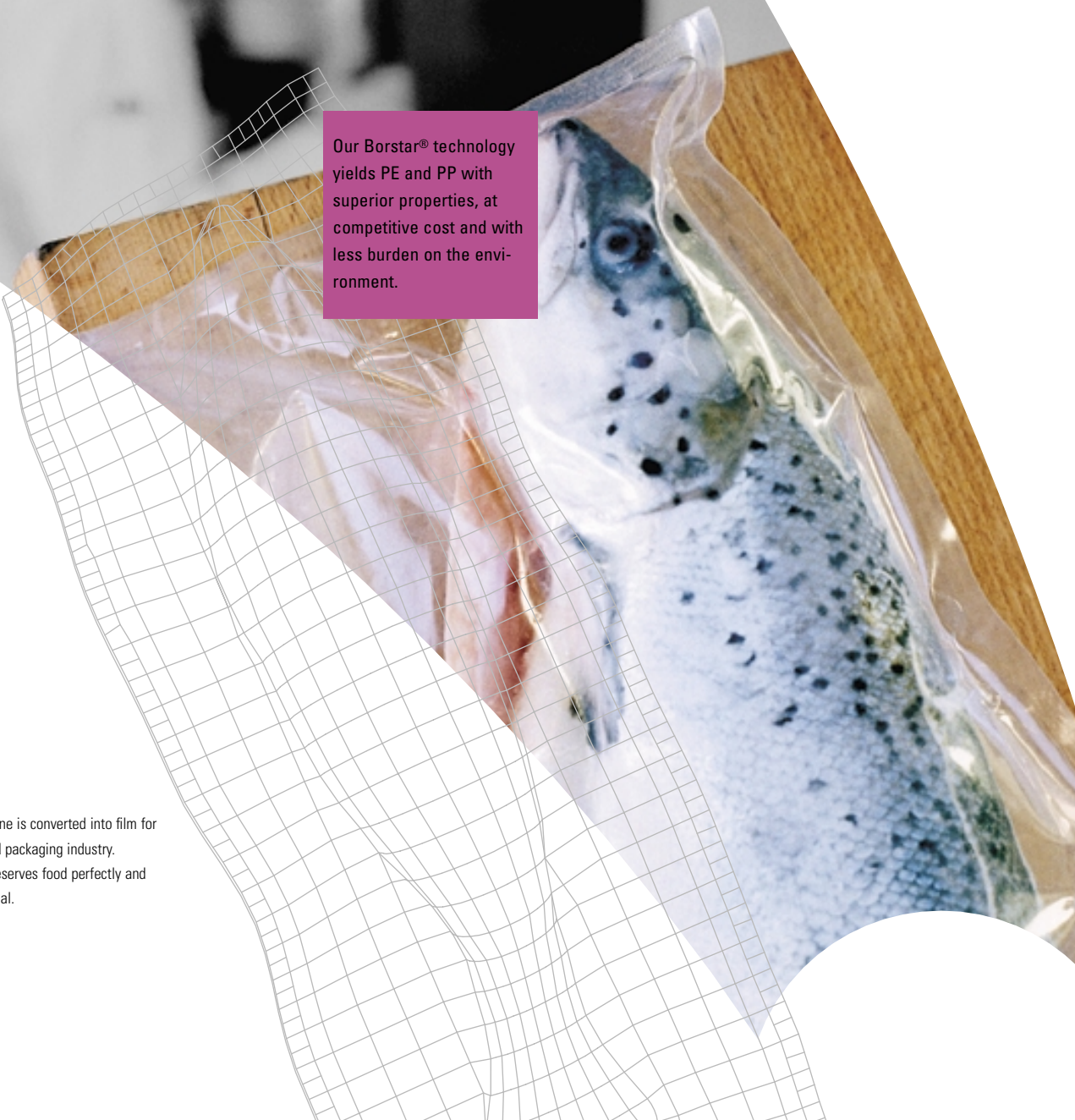
Borealis' R&D will remain innovative by continuously pushing the borders of polymer technology in the challenging years ahead.



Borealis continuously develops innovative Performance Products for the global automotive industry in partnership with major manufacturers.



Borealis materials are used in bumpers and dashboards, for trim and under-the-hood applications. The invisible airbag cover for the Ford Galaxy, VW Sharan and Seat Alhambra is a true innovation.



Our Borstar® technology yields PE and PP with superior properties, at competitive cost and with less burden on the environment.

Borstar® polyethylene is converted into film for the demanding food packaging industry.

Borstar® PE film preserves food perfectly and requires less material.



2000 was a significant year for Borstar®, Borealis' technology for leadership in polyolefin performance.

Borealis' innovative Borstar process yields PE and PP with superior properties, at competitive cost and with less burden on the environment.

2000 was a significant year in the commercial success of this proprietary technology. We sold our first, third-party Borstar licence to the Shanghai Petrochemical Company Ltd. (SPC), a unit of SINOPEC. SPC plans to build a 250,000 tonne/year Borstar PE plant near Shanghai for completion in 2002, which will be the biggest polyolefin production unit in China.

Zhang Zhiliang, SPC Executive Director and Vice President, explained his company's decision:

"The selection of Borstar will enable us to provide a wide range of advanced polyethylene grades for demanding applications like pipe, wire and cable, film and moulding. This means we will be able to decrease the country's reliance on imported materials, and strengthen the position of Shanghai Petrochemical Company as a leader in the polyolefins business in China."

Also in 2000, we started up the first Borstar PP plant at Schwechat, Austria, ahead of schedule and below budget. We retrofitted a high-density PE plant at Stenungsund,

Sweden, to manufacture bimodal Borstar PE. In the meantime, the Borstar Training Centre at Porvoo, Finland, has been training Borstar licensees with good results in state-of-the-art simulators for both PE and PP.

In 2001, two additional 225,000 tonne/year Borstar PE lines will go on stream at a new, joint venture petrochemical complex under construction at Ruwais in the United Arab Emirates. The new company is named Borouge, and is already marketing these new Borstar products in Asia.

These milestones prove that Borstar is increasingly recognised as a leading polyolefin technology.

### **Bimodal process**

Development of Borstar PE technology was started by Borealis scientists in the mid-1980s. The process is a combination of a loop reactor, operated at supercritical conditions, in series with a gas-phase reactor. This produces high-performance, bimodal PE covering the entire density range.

The Borstar concept has been developed further for PP. Homopolymers and random copolymers are produced in the basic loop/gas-phase module. For production of heterophasic copolymers, another gas-phase reactor is added.

This reactor set-up produces all three types of PP. While the Borstar PE concept is bimodal, the PP products are "multimodal," since they may contain more than two different polymer fractions. Borstar PE and PP technologies use Borealis' proprietary high-yield, Ziegler-Natta catalysts.

### **The licence for leadership**

An investment in Borstar is an investment in the future. A Borstar licensee can:

- Set the trend in his local market with performance products
- Attract advanced customers with leading-edge products
- Lead manufacturing with a complete product range from one plant
- Achieve more profitable sales
- Strengthen company image

The Borstar licence package contains full Borealis support from basic engineering, personnel training at our Borstar Training Centre, to plant start-up and the development of tailor-made products.

For obvious reasons, we call the Borstar licence, "The licence for leadership."

Borealis is the European leader in supplying polyolefin plastics to the pipe manufacturing industry.

Borealis' Pipe Business Unit offers a unique and complete product range in PE and PP grades for pipe applications. We take responsibility for progress in the pipe industry, and this demands a new approach to the entire value chain.

### PE pipe

The polyethylene pipe industry is turning to bimodal materials from Borealis' Borstar polymer technology. Borstar enables our customers to produce pipes with remarkably enhanced properties compared to earlier generations of PE. They can expand their product portfolios with larger-diameter pipes, and replace traditional materials such as concrete and clay.

Borealis recently launched the latest development in "low-sag technology" to prevent the sagging behaviour of large-diameter pipes. Until now, PE materials had faced the problem of gravity-flow. These new, high-performance pipes are finding their markets in all current pressure applications, such as drinking water transportation, natural gas distribution and sewage delivery.

Borealis is a founding member of the PE100+ Association, a marketing platform for PE100 materials. Thanks to our Borstar technology, we are a leading supplier of PE100 world-wide. In other applications like steel pipe coating, Borstar materials have already proven their performance and established Borealis as a global market leader in this segment.

### PP pipe

The success of our tailor-made polypropylene, Stiff-PP, for sewage applications has continued in the Nordic region, gaining more market share in replacing conventional materials and showing market growth overall. New PP sewage systems have been launched in several European countries, and Borealis will support this by providing polymer expertise and market knowledge. We also succeeded in introducing PP random pipe systems on the Chinese market.

PP for window frames is a successful spin-off application from our Market and Development Team. Thanks to co-operation with the plastic window industry, we developed a competitive product and launched it as a substitute for other materials.

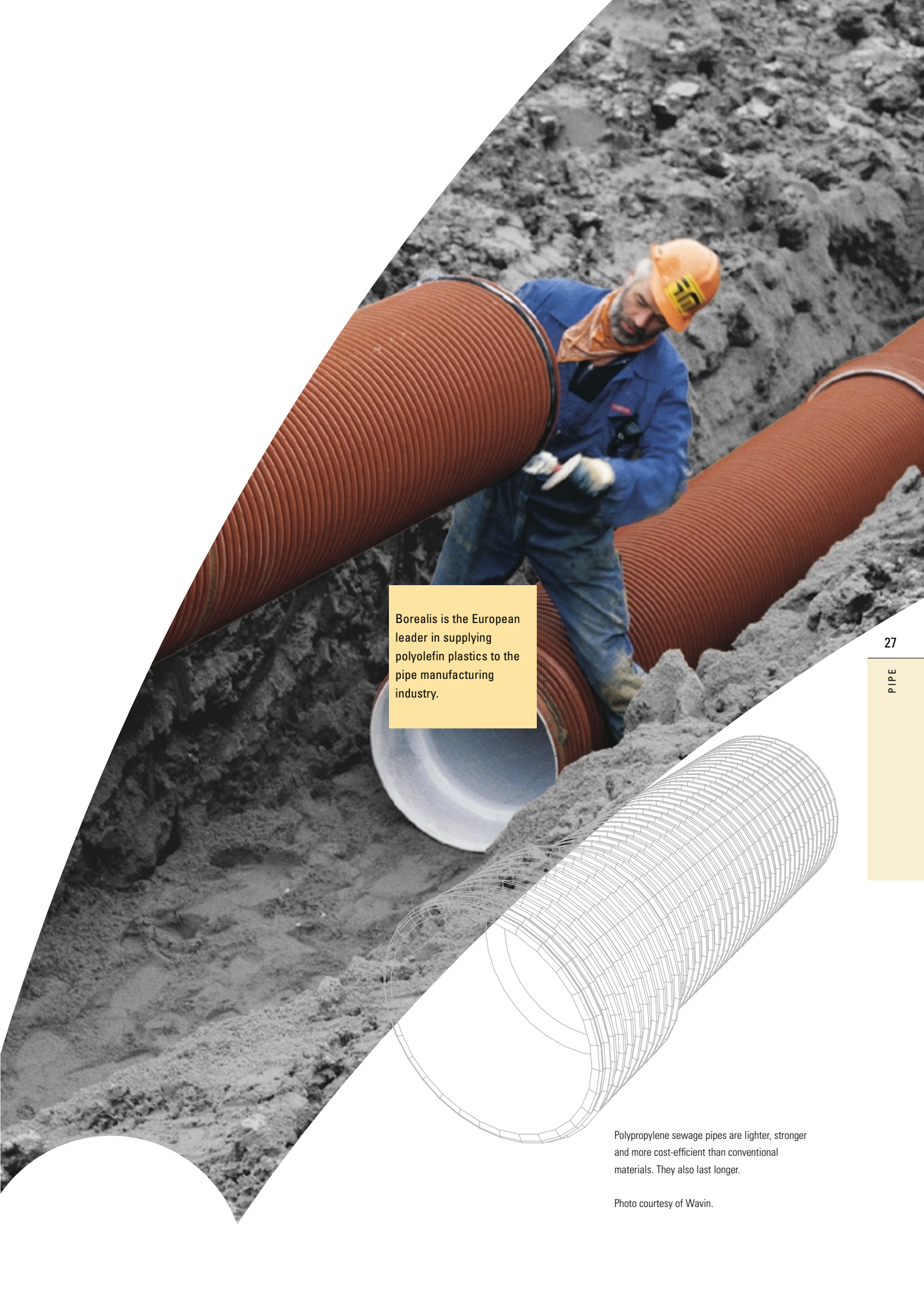
### Global growth

Thanks to our well-established position in Europe, we see highly promising opportunities in other world markets.

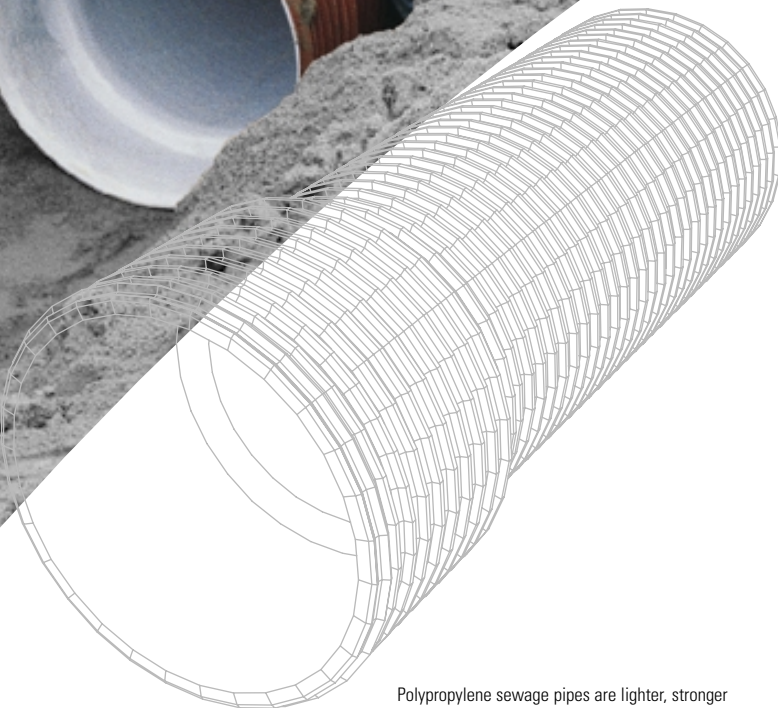
Borealis' Borouge joint venture in Abu Dhabi, which is scheduled to go on stream with two new Borstar plants in 2001, will play a major role in expanding both the PE100 and PE80 markets. Borouge is already marketing these products from its sales office in Singapore. We are also evaluating local production opportunities in South America and the Far East.

The challenge for a raw material supplier in today's pipe industry is to support the entire value chain with polymer know-how. The supplier must be a preferred speaking partner in new projects and ideas. Borealis meets this challenge by applying dedicated forces in defined areas to provide experience and the openness to discuss entirely new pipe ideas on a global scale.

Borealis has proven its leadership in pipe by organising numerous seminars and by taking the podium at international conferences. We field a highly motivated team who has made Borealis a world-wide partner in leading pipe technology.



Borealis is the European leader in supplying polyolefin plastics to the pipe manufacturing industry.



Polypropylene sewage pipes are lighter, stronger and more cost-efficient than conventional materials. They also last longer.

Photo courtesy of Wavin.

There is powerful demand for high-performance insulation materials for the electric and telecommunications cable industry.

In April 2000, Borealis' unit celebrated its 35th anniversary as a major supplier of polyolefins to the wire and cable (W&C) industry.

Borealis stands for clear technology leadership in high-performance compounds for power and telecommunication cable manufacturing.

We continued to increase our market share in 2000 against the backdrop of more industry restructuring and a boom in fibre-optic cable manufacturing. Our W&C Business Unit realised an overall 6% growth in sales volume over 1999, driven by strong increases in the Middle East and in American markets. Sales volumes in Europe and Asia developed in line with market growth.

Strong sales were not enough to offset sharply higher prices for raw material feedstocks, however. This was driven by unprecedented crude oil prices, and it weakened profit margins significantly. We are taking a number of steps to remedy this, including streamlining our European compounding operations and simplifying product sourcing.

2000 saw a number of positive developments for W&C, as well. Borealis' joint venture with DuPont in Antwerp, Belgium, to produce acrylate co-polymers based on our Borflex technology, started up in October. It is a main feature of our restructuring effort in the LDPE manufacturing area.

The globalisation of our W&C manufacturing base was also high on our agenda during 2000. We have strengthened our operational base in North America, and this will support our ambitions for growth in this area. Establishing manufacturing bases in Asia and South America are key targets for the future.

### Technology leadership

The commercial success of some novel product families launched in 1999 have contributed to the growth of our business in 2000. The sales volume of Visico/Ambicat (ambient moisture curing technology for low- and medium-voltage cables) increased by 28%, setting a benchmark in the market. Sales of our NHFR (non-halogen flame retardant) products increased by 16%, proving the technical and economical viability of our low-cost Casico technology.

In North America, Borealis in 2000 launched its novel WTR XLPE (water tree retardant) insulation technology. Independent testing by customers and the authorities has proven the performance of these products, and they have seen increasing success in the marketplace.

Jacketing products based on Borealis' Borstar technology have also penetrated deeper into the market. They have shown their unique properties in demanding applications such as submarine and fibre-optic cable systems. The start-up of a retrofitted PE plant with Borstar technology in Stenungsund, Sweden, will increase the availability of these products and help meet a growing demand.

### Further growth

Borealis sees a strong future for W&C products due to higher overall power consumption and increased demand for high-speed communication lines. The substitution of traditional materials, such as paper, oil and rubber, by polyolefin compounds promises even more growth for our business.

The vigorous expansion in fibre-optics, combined with a downsizing of insulation in conventional power cables, will only increase the demand for high-performance products. Here, Borealis is a technology leader.

Ambicat™, Casico™ and Visico™ are trademarks of Borealis A/S.



Borealis is a global leader in supplying thermoplastic and cross-linkable PE Performance Products to the world-wide wire and cable industry.

The Internet is rapidly raising world demand for global communication via fibre optic cable. Borealis is a world leader in wire and cable jacketing, also for submarine cables as deep as 8,000 meters.

Photo courtesy of Alcatel.

Borealis is a leading supplier of polyolefins and advanced compounds for the automotive and appliance industries.

Borealis' sales volumes grew significantly in the automotive and appliance segments in 2000, but profitability was weak due to increased rates for raw material feedstocks.

Nevertheless, our Engineering Applications (EA) Business Unit took a number of important steps on the road to global coverage. We established a joint venture with OPP in Brazil for the production of compounds for the South American market. This will help us offer our global customers product consistency and better service in this region.

EA concentrated manufacturing by moving one compounding line from our site in Linz, Austria, to Monza, Italy. The transfer of ownership of the Hamburg compounding facilities also was accomplished with uninterrupted supplies to customers. More restructuring of non-integrated compounding and a more focused product portfolio will further increase our production cost efficiency.

### Automotive market

Borealis' automotive sales rose by 15% compared to just 0.8% growth in European passenger car production.

Many new models were launched in 2000 with Borealis materials on board. The compact mini-van, Fiat Doblo, was introduced at the Paris Motor Show with the highest amount of Daplen compounds per car ever sold. We deliver materials for the bumper,

dashboard, door side claddings and cowl vent grille, and a high-performance compound that replaces metal die cast for the pedal carrier.

In addition, the face-lifted ranges of the VW Sharan, Ford Galaxy and Seat Alhambra multi-purpose vehicles are fitted with Daplen materials for the bumpers, instrument panel carriers and door pockets.

### Appliance market

The appliance market recovered from 1999. Borealis' sales in this segment increased by 21% compared with an industry growth of approximately 8%.

Major achievements in 2000 included the development of a new dishwasher interior which offers improved cost per unit with simpler assembly by the manufacturer.

For vacuum cleaners, a new high-gloss, scratch-resistant Xmod grade was developed for replacing ABS polymers. It offers a good stiffness/impact balance, combined with high temperature resistance and strikingly good aesthetics.

### Product development

EA has introduced a new class of high-performance compounds for auto interior applications, such as door side claddings and instrument panels. These materials improve scratch resistance and feature a unique balance of mechanical properties with low odour and emission.

Borealis has expanded its position in the fast-growing automotive front-end segment. Our advanced compounds for Long-Fibre Technology (LFT) offer tangible benefits in processing, and Peugeot and Skoda now incorporate them.

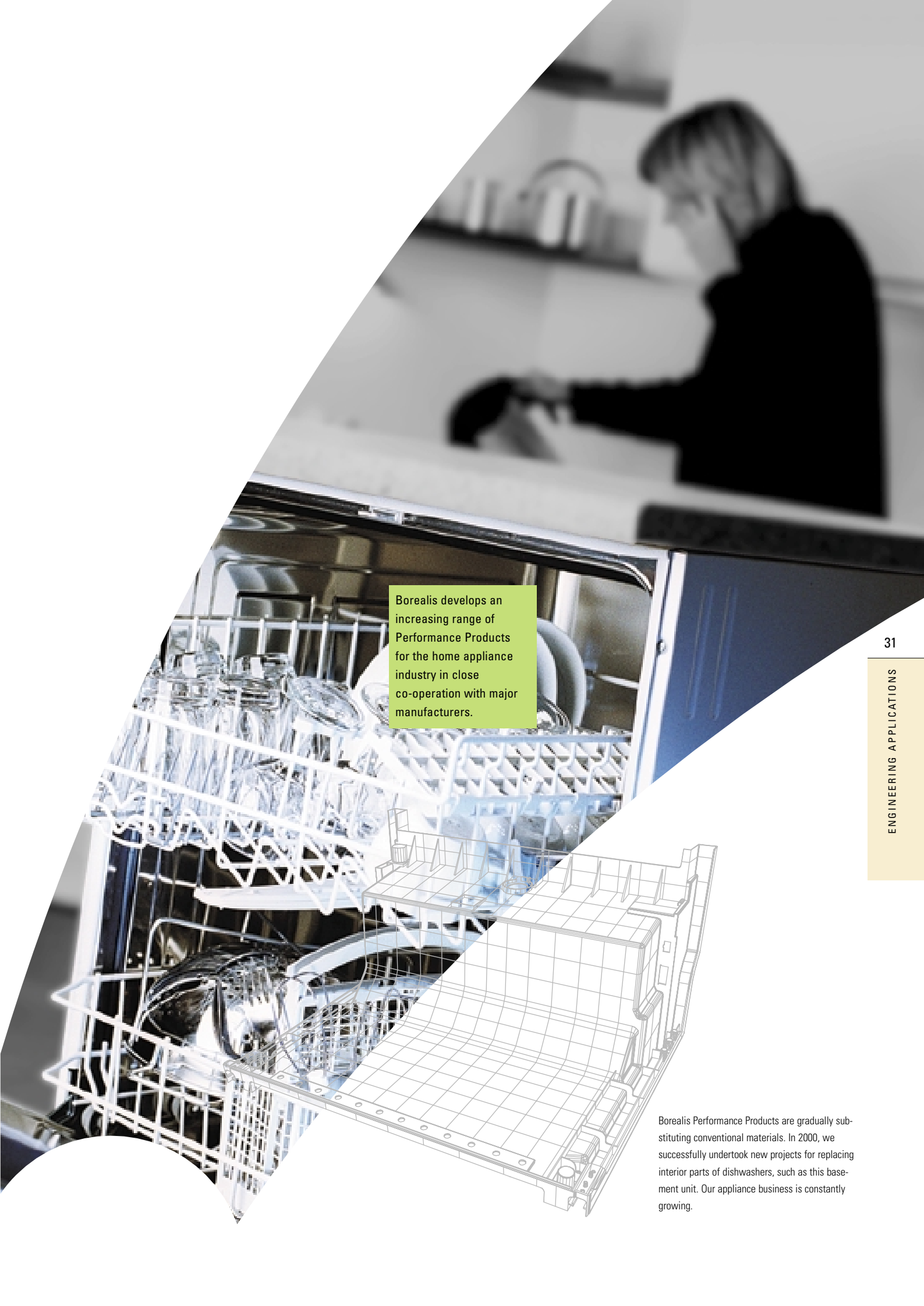
EA also received the development contract for a new, hybrid front-end concept using our long, glass-fibre material, Nepol, from a major systems supplier. New glass-fibre materials were also launched for washing machine tub applications, raising the possibility for higher spin-speeds.

### Customer awards

Our efforts were recognised by our customers again in 2000. The white goods manufacturer, Bosch Siemens Hausgeräte GmbH, honoured Borealis with its "1st Appliance Award" as a main supplier of primarily PP compounds for the group's dishwashers, washing machines and refrigerators. The Turkish white goods manufacturer, Arcelik, also awarded Borealis its supplier award for the second year in a row.

Borealis was the first raw material producer to be audited to the new automotive quality standard TS16949. This is the extended and harmonised quality system between VDA 6.1 and QS9000.

Daplen® and Nepol® are registered trademarks of Borealis A/S. Xmod™ is a trademark of Borealis A/S.

A woman in a dark top is seen in profile, looking towards a kitchen counter. In the foreground, a dishwasher is open, showing its interior racks filled with clean dishes. A white wire mesh overlay is positioned over the bottom rack of the dishwasher. A green text box is placed over the middle section of the dishwasher's interior.

Borealis develops an increasing range of Performance Products for the home appliance industry in close co-operation with major manufacturers.

Borealis Performance Products are gradually substituting conventional materials. In 2000, we successfully undertook new projects for replacing interior parts of dishwashers, such as this base-ment unit. Our appliance business is constantly growing.

Polypropylene has untapped potential as a material of choice for many new applications.

For many years, polypropylene (PP) has shown impressive growth but in 2000, the industry experienced slightly reduced sales volumes compared to 1999. Demand was very low during the first half of 2000, but the market again returned to healthy growth by the end of the year.

Despite such fluctuations, Borealis still believes PP has great potential as the future material of choice for a growing number of demanding applications.

Prices increased rapidly in April and May, and remained high at the end of the year. Margins did not follow this trend, however, as propylene feedstock prices rose even faster. This resulted in negative margins during the last quarter. The business suffered further in 2000 from an uneven availability of both polymers and monomers due to production disturbances.

#### **Borstar® PP**

Borealis reached an important milestone in October when the first Borstar PP plant was inaugurated in Schwechat, Austria. It marked the commercial launch of our proprietary Borstar process for PP, based on the same successful technology that led to Borstar PE.

The new plant, PP5, constitutes one loop and two gas phase reactors with a capacity of 200,000 tonnes/year. The start-up was highly successful, as the project was ahead of schedule and below budget, and it met all of our volume and quality targets.

#### **Commitment to customers**

Borealis' Polypropylene Business Unit works through an application- and customer-oriented approach. Developing polymers in close collaboration with our customers has resulted in new opportunities for market growth and increased capabilities of realising PP's true value.

Borealis' PP Business Unit has organised a number of customer seminars to emphasise our commitment to specific market segments. In 2000, we arranged the "Pharma" pharmaceutical packaging conference, and introduced our Borflow products during a seminar on melt-blown fibres. At the same time, we are developing our eBusiness capabilities and are actively exploring new eCommerce solutions. This will help us serve our customers better and further develop our customer base.

#### **Sales growth**

In 2000, we achieved record sales in capacitor film. Volumes increased by 30%, and we managed a sales breakthrough in Asia.

Melt-blown products also developed well as Borealis strengthened its global position. In larger market segments, we advanced in blow-moulding, cast film, transport packaging and thin-wall packaging.

#### **Simplification and consistency**

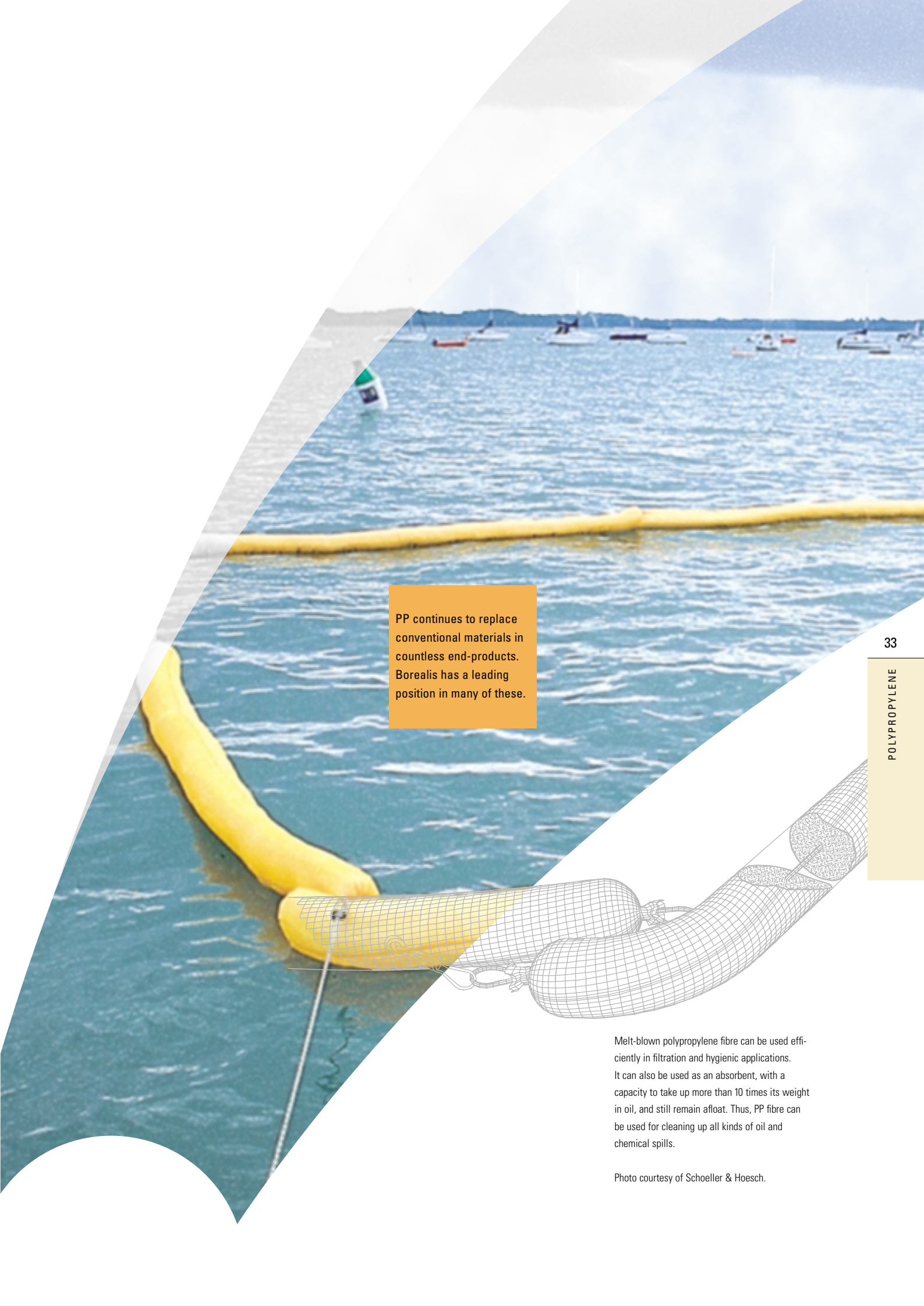
At the end of 2000, we completed the first phase of our PP grade rationalisation and sourcing project. The benefits are already surpassing our expectations. We not only cut costs through reduced inventories and simplified production cycles, but we are improving product consistency and flexibility.

This rationalisation project also carried the successful re-sourcing of products from Borealis' old slurry plants in Schwechat, which were shut down during spring 2000.

Borealis' PP business growth in 2001 will be realised through the full utilisation of our new Borstar PP plant. In addition, we have now assumed 100% of the production output of our previous joint-venture plant in Kallo, Belgium. This will supplement our PP volume with another 40,000 tonnes per year.

Borflow™ is a trademark of Borealis A/S.





PP continues to replace conventional materials in countless end-products. Borealis has a leading position in many of these.

Melt-blown polypropylene fibre can be used efficiently in filtration and hygienic applications. It can also be used as an absorbent, with a capacity to take up more than 10 times its weight in oil, and still remain afloat. Thus, PP fibre can be used for cleaning up all kinds of oil and chemical spills.

Photo courtesy of Schoeller & Hoesch.

Polyethylene continues to replace many conventional materials in high-performance applications.

Global demand for polyethylene (PE) in 2000 remained at or slightly below the 1999 level, mainly due to changing inventories in the supply chain, from producer to final consumer. This pipeline effect was the result of high and reasonably stable PE prices throughout the year.

However, the polyethylene industry saw gradually increasing raw material prices during 2000, which squeezed PE margins to unacceptably low levels by year-end. Moreover, Borealis suffered from plant disturbances which reduced our supply capability. This was partially offset by multi-sourcing from other Borealis units but it could not fully meet the shortage.

PE in 2000 continued to replace other materials in countless end-products. Plastic pallets are winning over wooden pallets in a growing number of critical applications. So are returnable transport boxes for vegetables, fish and other goods; and stronger and more easily processable PE films for heavy-duty applications.

PE offers high-performance properties, consumer convenience and ultimately, less impact on the environment. This has helped PE achieve a growth rate in excess of average gross domestic product (GDP) growth over any given business cycle.

## Borstar® and Borecene®

In 2000, we saw our Borstar product range grow broader. Borealis has developed several new market applications that can be commercialised when additional Borstar PE production capacity comes on stream during 2001. These include stress crack-resistant, injection-moulded articles for domestic use such as cleaning equipment, and improved coating solutions for paperboard.

Borealis' unique product range for rotational moulding, Borecene, continued to grow in 2000, nearly doubling for the second consecutive year. Containment tanks, toys and leisure equipment are increasingly manufactured with the rotational moulding technique. Borecene has proven its ability to create value and constantly increase market share.

In late 2000, we launched [www.borecene.com](http://www.borecene.com), a web site for the rotational moulding industry which brings together moulders, machine manufacturers, additive suppliers, mould manufacturers, designers and many others under Borealis' leadership. Borealis is investing in additional, tailored compounding capacity for Borecene which will strengthen today's leading position.

## PE in progress

In 2000, we saw tangible results from our focused efforts to improve customer satisfaction. A benchmarking study placed Borealis among the leaders.

eBusiness is making its first inroads into PE commerce via trading at eMarketplaces and [www.borecene.com](http://www.borecene.com), and through Internet sales directly into Borealis' Enterprise Resource Planning system. Use of the Internet in the PE business will accelerate as more companies begin to explore the potential.

Our work to improve operational efficiency is showing progress in lowering administrative costs, improving the efficiency of our product sourcing, and sharpening the focus of our product portfolio. In the future, this will enable us to deliver products more reliably, with more consistent product quality, more cost-efficiently.

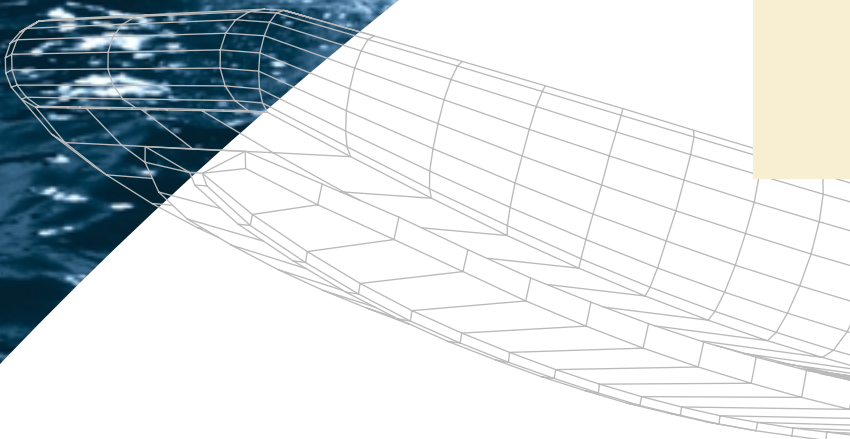
Borealis' Polyethylene Business Unit is pursuing numerous initiatives with customers to improve our PE product offering and increase value for all links in the production chain – from raw material supplier, to manufacturer, to final consumer.

We intend to remain a leading partner in value creation by constantly searching for new ways to improve PE business for our customers, and for Borealis.

Borecene® is a registered trademark of Borealis A/S.



Polyethylene continues to replace many conventional materials in countless end-products.



Rotational moulding of Borealis' Borecene® polyethylene yields an almost unlimited number of applications from boats to furniture, tubs, toys and tanks, to auto body parts.

Photo courtesy of Rotostøp.

## OLEFINS, PHENOL & AROMATICS

Borealis is increasing olefins capacity for the Group's polyolefins business.

### Olefins

Ethylene, propylene and butadiene, collectively known as olefins, are the primary products when cracking naphtha. Olefins are polymerised to produce polyolefin plastics: polyethylene and polypropylene.

It is Borealis' ambition to be an integrated polyolefins company. At present, however, we are buying approximately 30% of our olefins from third-party suppliers.

In 2000, we took important steps to increase our own olefin production by starting up a 200,000 tonnes/year expansion of the Borealis cracker at Stenungsund, Sweden. This unit now has an ethylene capacity of over 600,000 tonnes/year, and will also produce substantial amounts of propylene. In Norway, the joint-venture Noretyl cracker also started up after a 50,000 tonnes/year ethylene expansion in the spring. Borealis now owns 50% and Norsk Hydro 50%.

Despite these major capacity increases, olefin production fell significantly short of our expectations. This was primarily due to a delayed start-up after the Stenungsund expansion, followed by several operating problems during the year. A nation-wide strike in Finland also forced us to temporarily shut down our cracker in Porvoo.

This shortfall had significant impact on Borealis' earnings in 2000. It could only be partly compensated by better-than-expected output from the Noretyl cracker, and record output from our Antwerp dehydrogenation unit, which produced 420,000 tonnes of propylene.

Olefin prices started to rise during the second half of 1999, then were pushed higher by soaring crude oil prices and a strong dollar. This was compounded by an extremely tight supply-demand balance. Spot prices were well above the contract price during the first half of 2000, but the gap started to close towards the end of the year. Margins were under pressure.

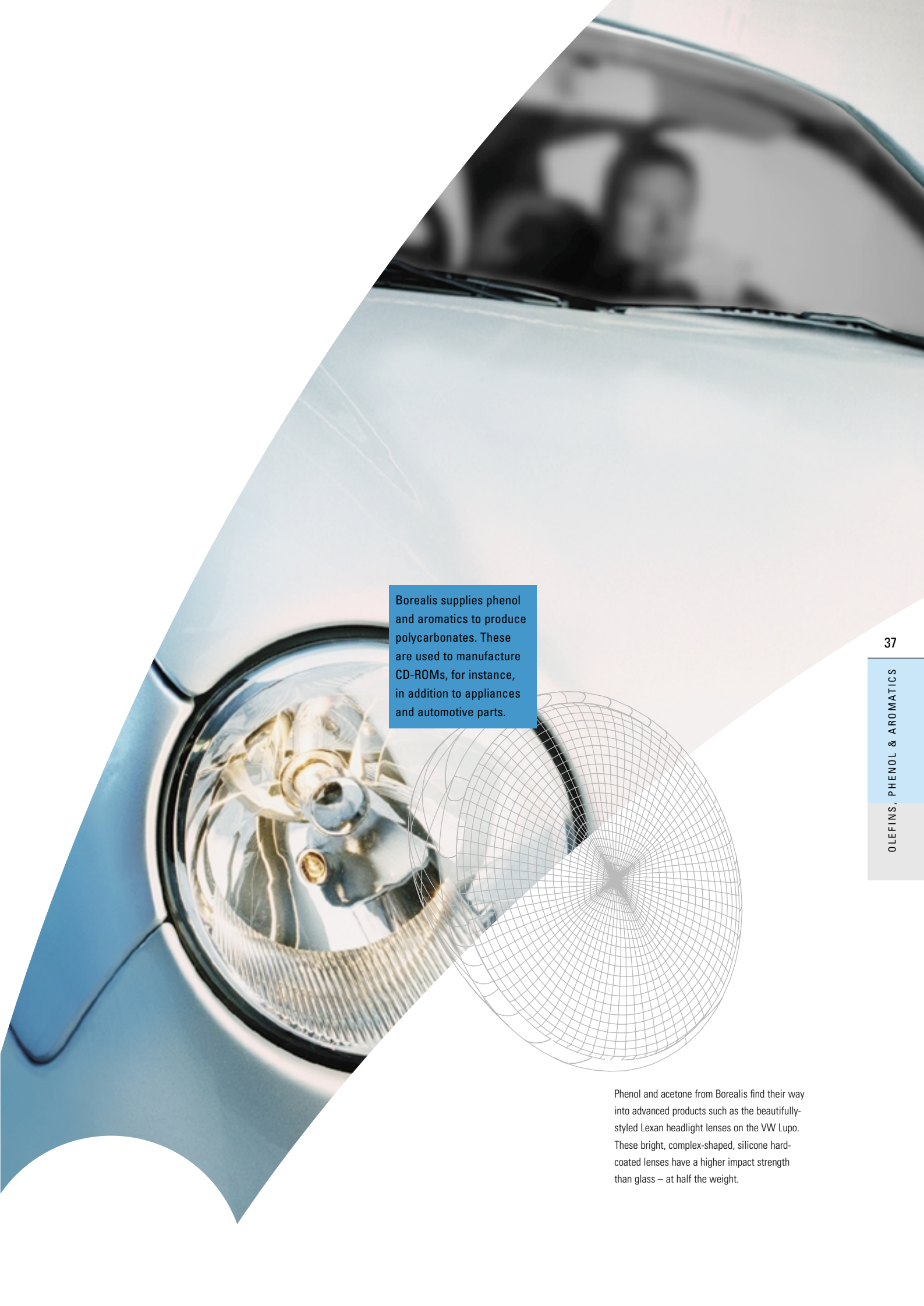
### Phenol & Aromatics

Borealis' production chain for aromatics – covering benzene, cumene, phenol and acetone – enjoyed excellent operability and reached a number of monthly production records in all the units. We set a production record for the year in phenol/acetone, and this was possible only through great commitment by the production team.

Demand was strong, and even the start-up of more than a half-million tonnes of new capacity was quickly absorbed by the market. Maximum production performance was needed all year to keep our customers supplied.

The global demand for phenol and acetone was phenomenal. In Europe, it exceeded all expectations as the market grew by almost 10%. The driving force was the consumption of polycarbonates, which are used mainly in the automotive, CD-ROM and appliance industries, as well as in blends for the IT segment.

Prices started a recovery late in 1999 and strengthened throughout 2000, as did those for feedstocks. Still, the profitability of phenol and aromatics improved considerably from the previous year, nearly reaching the 1998 level.



Borealis supplies phenol and aromatics to produce polycarbonates. These are used to manufacture CD-ROMs, for instance, in addition to appliances and automotive parts.

Phenol and acetone from Borealis find their way into advanced products such as the beautifully-styled Lexan headlight lenses on the VW Lupo. These bright, complex-shaped, silicone hard-coated lenses have a higher impact strength than glass – at half the weight.

# HEALTH, SAFETY AND THE ENVIRONMENT

We aim to be a leader in our industry in health, safety and environmental performance.

Borealis has published a comprehensive Health, Safety and Environment report for 2000. This report can also be found at [www.borealisgroup.com](http://www.borealisgroup.com). These pages give a summary.

## Borealis' Health, Safety and Environment Policy

As a responsible corporate citizen producing materials that promote a better standard of living:

- We aim to be a leader in our industry in health, safety and environmental performance.
- We give health, safety and the environment top priority in process and product development, plant operations and product delivery.
- We believe that our workplaces can be free from accidents and injuries, that emissions can be significantly reduced and that resources must be used efficiently.
- We aim to continuously improve our health, safety and environmental performance through our employees in partnership with suppliers, contractors and customers.
- We are committed to meeting or exceeding legal requirements when setting our standards.

## HSE targets

Borealis' HSE targets for 2001 were reviewed as part of our overall strategy, and new targets have been set for the years up to 2005.

### Health

Sick leave is relatively low in Borealis, and accounted for 2.8% of total hours in 2000. We attribute this to our HSE management system with improved procedures and training, and to our efforts in creating a culture of Zero Mindset – meaning zero work-related illnesses or injuries.

Borealis' health programme consists of three key elements:

- Workplace development
- Special precautions for people at risk
- Rehabilitation

The programme includes a comprehensive workplace survey (WPS) covering the entire organisation, including sales offices and the head office in Denmark. Our main concerns are job-related stress and the complaints that stem from the overall strain of balancing private life and work.

## Safety

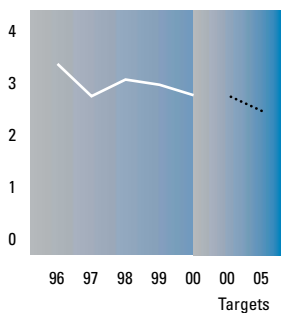
Borealis' overall safety performance has improved considerably, but we still experience too many accidents.

Our most important activities to improve safety in 2000 included new contractor safety-management systems and a so-called Take 2 campaign to support the Zero Mindset attitude of eliminating accidents. Take 2 emphasises the need to conduct a risk analysis before each task: "Engage your mind before your hands." We also implemented the effective near-miss reporting system, Synergi.

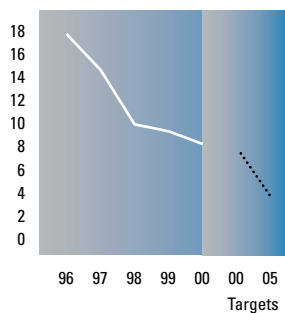
The frequency of Total Recordable Injuries (TRI) in Borealis improved substantially in 2000 to 8.4 per million working hours, including contractors. This was a decrease from 9.5 in 1999, excluding contractors. Nevertheless, the best-performing companies have frequency levels as low as 2-3.

Our own number of Lost Time Accidents (LTA) was not encouraging. LTA frequency in 2000 rose to 3.9 from 3.7 per million working hours in 1999. Our current performance is close to the average for major European chemical

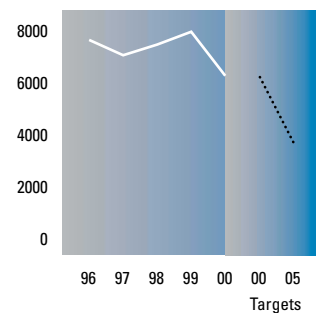
Sick leave percentage



Total Recordable Injuries frequency\*, per million hours



VOC emissions, tonnes/year



\* Includes Lost Time Accidents, Restricted Work Cases and Medically Treated Cases. Incl. contractors from 2000.

industries, but far from those with the best records, which have a frequency below 1.

A total of 55 fires, and 86 liquid and gas leaks, were reported in 2000. This represents a significant reduction of fires and a decrease in releases. Only one fire became an insurance case.

Near-miss reporting is a key element in reducing the frequency of incidents and accidents. Borealis has introduced a computerised registration and follow-up system named Synergi. It helps us identify the root causes of a potential accident, and any lack of control in our management system.

In 2000, our near-miss reporting frequency was 481, compared to 352 in 1999.

### Environment

All of Borealis' major production sites are now certified according to ISO14001. Rønningen, Norway; and Sines, Portugal; received certificates at the end of 2000, while Porvoo, Finland, was to receive its certification in early 2001 after correction of some minor non-conformities from the audit.

### VOC emissions

Borealis' investment programmes to reduce emissions of Volatile Organic Compounds (VOC) into the air continued in 2000, and we succeeded in cutting these by about 1,500 tonnes. Particularly large reduction projects are in operation at our sites in Schwechat, Austria; Porvoo, Finland; and Antwerp, Belgium.

Other companies' performance can only be compared on a plant-by-plant basis, since figures vary according to process and product. Borealis' performance is influenced by older plants, often with small reactors which cannot match a single reactor when total capacity is equal.

### Benzene/butadiene

These are the most critical of our VOC emissions because they are known carcinogens.

Emissions in Sines, Portugal, decreased significantly from 1999, thanks to a special reduction programme.

### SO<sub>2</sub> emissions

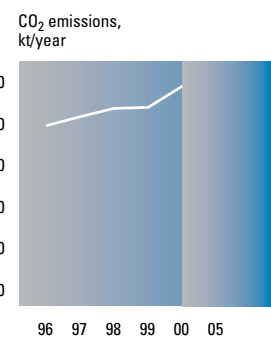
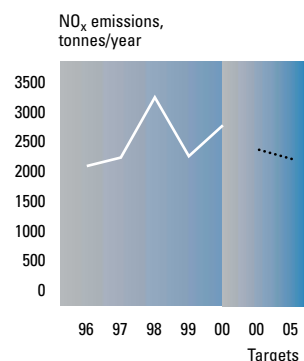
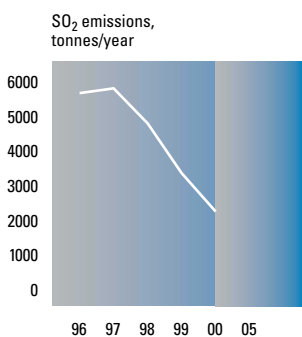
In Sines, a programme of converting to fuel oil with reduced sulphur content was completed in 2000.

### NO<sub>x</sub> emissions

These emissions remained at normal levels. Emissions from site Austria are minimal as all steam is purchased from local companies. In Stenungsund, Sweden, all cracker furnaces have modern, low-NO<sub>x</sub> burners, and at Borealis' other two crackers, one remaining burner, in Porvoo, is to be replaced. In the main boiler in Sines, the last burners were changed in 2000. In the phenol/aromatic unit in Porvoo, the benzene unit has new burners, but the hot-oil furnace has old ones.

### Flaring

Flaring volumes increased in 2000, mainly due to upsets in the newly-expanded cracker in Stenungsund. In Rønningen, experience from new flare measuring equipment will be evaluated for use at other sites to improve the control of flaring.



**CO<sub>2</sub>**

The cracker problem also increased our CO<sub>2</sub> emissions.

**Waste**

We use the CEFIC definition of waste. Based on national classification rules, hazardous waste is a part of total waste, and accounted for 32% of the Borealis total in 2000. This total remained largely unchanged from 1999, although there were reductions at the Austria and Belgium sites.

**HSE investments**

Borealis in 2000 invested a total of EUR 13 million in projects where HSE improvements were the sole or dominant issue. Most Borealis investments include HSE aspects, typically accounting for 10%-30% of the total investment figure.

**HSE costs**

The total HSE cost allocated to our staffs was EUR 18 million.

**HSE training**

Borealis gave employees about 87,500 hours of HSE training in 2000. Programmes are developed on the basis of reported incidents, audits and the needs identified by the HSE management system.

**Neighbour complaints**

We received a total of 101 complaints from our neighbours, an increase from 1999. Most of the complaints were related to the difficult start-up period for the Stenungsund cracker.

**Noise**

Noise regulations exist at our sites. Meeting them is difficult in many cases, despite numerous noise-reduction measures. In 2000, we disturbed our neighbours in Stenungsund with the noise of steam and flaring during the start-up of our cracker after a capacity increase. Unfortunately, this was followed by more disturbances due to operational problems.

**Soil studies**

In Belgium, a restoration plan from contamination of the Antwerp Right Bank ground was scheduled to be completed in early 2001.

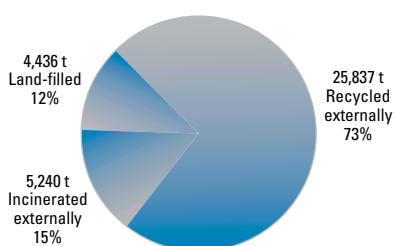
In Sines, hydrocarbon findings in the soil prompted the second phase of a soil contamination and ground water survey. This was conducted in 2000, and the results point to the need for further study in 2001.

In Porvoo, Borealis has several cases of soil contamination, and groundwater in selected areas is being pumped for treatment. A study that began in 1999 was expanded in 2000 to enlarge the area of testing, and to employ new testing techniques. This is part of a research programme which Borealis supports. The study will continue in 2001.

Also in Porvoo, a former landfill, closed in 1979, was not properly top-sealed. It will be sealed in 2001.

In Stenungsund, soil and groundwater studies have revealed local spots of oil contamination. No immediate action is deemed necessary. An ongoing sampling programme of groundwater wells continues.

10,100 tonnes waste and 26,000 tonnes recycled waste.

**Aggregated data****CONSUMPTION OF RESOURCES**

	2000	1999
Hydrocarbons, kt	5,083	5,219
<b>Energy:</b>		
Fuels, TJ	9,357	7,954
Electricity, GWh	2,524	2,508
Steam, TJ	2,832	2,951
Water <sup>1)</sup> , Mm <sup>3</sup>	63.0	60.0

**Packaging materials for polyolefins:**

Polyethylene, t	9,492	10,434
Cardboard, t	5,331	5,243
Wood, m <sup>3</sup>	55,583	59,830

**PRODUCTION AND EMISSIONS**

	2000	1999
Petrochemicals, kt	1,550	1,635
Polyolefins, kt	2,887	3,106
<b>Airborne emissions:</b>		
VOC, t	6,300	8,040
SO <sub>2</sub> , t	2,300	3,400
NO <sub>x</sub> , t	2,800	2,300
CO <sub>2</sub> , kt	2,470	2,220
Flaring, t	74,000	55,400
Waste water <sup>2)</sup> , t COD	785	700
Waste, t	10,100	19,700

Abbreviations: T=10<sup>12</sup>; G=10<sup>9</sup>; M=10<sup>6</sup>; k=10<sup>3</sup>; t=tonnes;  
kt=kilotonnes

COD=Chemical Oxygen Demand

Production is net combined figures for the Group's six petrochemical sites. No adjustment has been made for deliveries between sites. Emissions are total figures for the Group.

<sup>1)</sup> 45 million m<sup>3</sup> is for Rønningen, which uses river water for once-through cooling.

<sup>2)</sup> Estimated, as sites measure different parameters in accordance with local permit requirements.



**ACCOUNTS FOR 2000**



# ACCOUNTING PRINCIPLES

The financial statements have been prepared in accordance with the Danish Company Accounts Act, Danish accounting recommendations, and International Accounting Standards (IAS). The financial statements have been prepared according to the same principles as previous year except for an adjustment concerning development costs.

The group has adjusted its accounting principle on development costs, effective January 1, 2000, in order to comply with International Accounting Standards 38, Intangible Assets.

Development costs which relate to a definable product or process that is demonstrated to be technically and commercially feasible, and whose costs are expected to be recovered from future economic benefits, are capitalised in accordance with the requirements in International Accounting Standards 38.

The effects in 2000 comprise an increase in fixed assets of EUR 14 million and a decrease in production costs of EUR 14 million.

## Consolidation principles

The Group's consolidated financial statements include the accounts of the Parent Company and the companies in which Borealis, either directly or indirectly, has a majority voting interest.

The consolidated financial statements are based on audited financial statements for each subsidiary. Items of a similar nature have been combined; inter-company transactions, unrealised inter-company profits, internal shareholdings, and inter-company balances have been eliminated.

Companies which are not subsidiaries but in which the Group owns 20% or more of the share capital are considered as associated companies.

Investments in jointly controlled operations, joint ventures, are included in the respective income statement and balance sheet items under the rules of proportionate consolidation.

Acquired subsidiaries and associated companies are included in the consolidated financial statements from the date of acquisition. A revalua-

tion of the acquired net assets is made on this date, using the purchase accounting method. Any positive difference between book value and the purchase price of subsidiaries and associated companies, in the shape of goodwill, is capitalised and amortised over its expected lifetime. Any negative goodwill is recorded under provisions and charged to the income statement over 5 years.

## Foreign currency

Assets and liabilities denominated in foreign currencies have been translated into Euro (EUR) at the exchange rates quoted on the balance sheet date. The Group's foreign operations are not considered an integral part of the parent company's operations. Financial statements of foreign entities have been translated at the exchange rates quoted on the balance sheet date for assets and liabilities. The income statements of subsidiaries have been converted on the basis of monthly exchange rates.

All foreign exchange related gains and losses, both realised and unrealised, are recorded as financial items in the income statement. However, the exchange adjustments arising from the following items are charged directly to the equity: Conversion of the net assets of foreign subsidiaries as of January 1 using the closing rate on December 31; translation of long-term inter-company receivables that are considered part of investments in subsidiaries, conversion of long-term loans hedging net assets of foreign subsidiaries or inter-company receivables considered part of investments in subsidiaries; and conversion of the net income of foreign subsidiaries calculated on monthly rates to figures converted on the exchange rates applicable on the balance sheet date.

## FINANCIAL INSTRUMENTS

Off-balance sheet financial instruments such as forward exchange contracts and currency swaps used to hedge exchange rate exposures are valued at marked with resulting gain and losses taken to income when the gains and losses on the underly-

ing hedged transactions are recognised. The interest element is recorded in the income statement over the contract period. Interest differentials under swap arrangements and forward rate agreements used to manage interest exposure are recognised by adjustment to interest expense.

## INCOME STATEMENT

### Revenue recognition

Income from sales of goods and services is recognised in the income statement where delivery has been affected by the balance sheet date. Net sales represent income that have been realised, excluding value added tax and after the deduction of goods returned, discounts and allowances.

### Research and development

Research costs are charged as an expense in the income statement in the year they are incurred. Development costs which relate to a definable product or process that is demonstrated to be technically and commercially feasible are recognised as an intangible fixed asset to the extent that such costs are expected to be recovered from future economic benefits. Development costs not meeting those criteria are expensed.

Amortisation is made on a straight-line basis over the expected lifetime of the asset (3–10 years).

### Results of associated companies

Investments in associated companies are recorded under the equity method. A proportionate share of the profit/loss of these companies is included in the income statement.

### Financial items

Included in financial items are interest income and expenses, exchange differences, and calculated interest on finance leases.

**Taxation**

The income tax provision comprises payable income tax and changes in deferred tax assets and liabilities.

**BALANCE SHEET****Intangible fixed assets**

Externally acquired intangible assets such as licence and patents are capitalised and amortised over the lifetime or 20 years, whichever is shorter.

**Tangible fixed assets**

Production plants include land and buildings, and associated non-moveable machinery and equipment. Assets held under finance leases are also included. Assets held under financial lease are depreciated over the lease period.

Tangible fixed assets are valued at cost minus accumulated depreciation. Cost comprises purchase price, site preparation and installation.

Depreciation is made on a straight-line basis over the expected economic lifetime of assets. Land is not depreciated. Buildings are depreciated over 20–50 years; production facilities over 15–25 years; and machinery and equipment over 3–15 years. Minor tangible fixed assets are amortised fully in the year of acquisition. Gains and losses from disposals of tangible fixed assets are recorded as adjustment to depreciation in the income statement.

**Impairment losses**

The carrying values of both tangible and intangible assets are reviewed at balance sheet date to determine whether there is any indication of impairment. If any such indication exists the asset's recoverable amount is estimated as the greater of net selling price and value in use. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

**Investments in subsidiaries and associated companies in parent company**

Investments in subsidiaries and associated companies are recorded under the equity method, including goodwill. This means that the equity and net result of the parent company and the Group are identical.

**Other financial fixed assets**

Other investments are valued at purchase price less any write-down for reduction in value.

**Inventories**

Inventories are recorded at the lower of cost or net realisable value. Cost is stated in accordance with the FIFO method, and comprises direct costs such as materials, utilities, salaries and wages, and a systematic allocation of fixed and variable production overhead costs.

**Receivables**

Receivables are stated at nominal value, less write down for anticipated losses on an individual basis.

**Deferred tax**

The provision for deferred income tax is computed individually for each company on the basis of the current local tax rates in accordance with the liability method.

The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance representing the amount of any tax benefits for which it is not probable that the tax assets will be utilised.

**Reserve for unrealised exchange differences**

A reserve has been made under the parent company's equity for unrealised exchange differences related to long-term receivables from subsidiaries.

**Pension liabilities**

Employees' pension rights are mainly secured through pension schemes provided by insurance companies. The provision for other pensions, calculated as the projected benefit obligation, is determined using actuarial methods and is recorded at net present value.

**Government grants**

Government grants include grants for research and development as well as investment grants, etc. Research and development grants are credited to income to offset the related cost or offset against capitalised development costs. Investment grants are shown as deferred income and recognised as income over the useful life of the asset.

**Cash flow statement**

The consolidated cash flow statement shows the Group's cash flow provided by/used in operating, investing and financing activities. The cash flow from operating activities is calculated using the direct method.

Cash and cash equivalents consist of cash and bank deposits.

**Comparative figures**

Certain 1999 figures have been restated to conform to the 2000 presentation.

**Amounts**

All amounts are in EUR million unless otherwise stated, as the main part of the transactions are made in Euro. The amounts in parentheses relate to the preceding year.

## SIGNATURES TO THE ACCOUNTS

### MANAGEMENT'S REPORT

The Board of Directors and the Management have today discussed and approved the financial statements of the Group and the Parent Company for 2000, which are

recommended for adoption by the shareholders at the Annual General Meeting of Borealis A/S.

Copenhagen, February 20, 2001

### Management:



Svein Rennemo  
Chief Executive Officer



Franz Wurm  
Chief Financial Officer



Hans Byfeldt  
Director

### Board of Directors:



Erling Øverland  
Chairman



Gerhard Roiss  
Vice Chairman



Mohamed Al Khaily



Finn Kulås

### AUDITORS' REPORT

We have audited the consolidated financial statements and the financial statements of Borealis A/S for the year 2000 presented by the Board of Directors and the Management.

#### Basis of opinion

We planned and conducted our audit in accordance with generally accepted Danish auditing principles and international standards on auditing (ISA) to obtain reasonable assurance that the financial statements are free from material misstatement. Based on an evaluation of materiality and risk, during the audit, we tested the basis and documentation for the amounts and disclosures in the financial statements. An audit includes an assessment of

the accounting policies applied and the accounting estimates made. In addition, we evaluated the overall adequacy of the presentation in the financial statements.

Our audit did not result in any qualifications.

#### Opinion

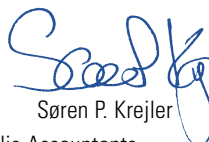
In our opinion, the consolidated financial statements and the financial statements of Borealis A/S have been presented in accordance with the accounting provisions of Danish legislation and International Accounting Standards (IAS) and give a true and fair view of the Group's and the Parent Company's assets and liabilities, financial position and profit for the year.

Copenhagen, February 20, 2001

### KPMG C. Jespersen



Torben Kristensen



Søren P. Krejler

State Authorised Public Accountants

## CONSOLIDATED INCOME STATEMENT

EUR MILLION	2000	1999	Note
<b>NET SALES</b>	<b>3,756</b>	<b>2,987</b>	1
Production costs	-3,132	-2,315	2, 3, 9
Sales and distribution costs	-330	-264	3, 9
Administration costs	-202	-192	3, 9
<b>OPERATING PROFIT</b>	<b>92</b>	<b>216</b>	1
Profit/(loss) from sale of operations	20	-7	4
Share of net results in associated companies	0	-	10
Financial expenses, net	-48	-30	12
<b>PROFIT BEFORE TAXATION</b>	<b>64</b>	<b>179</b>	
Taxes	-22	-38	13
<b>NET PROFIT FOR THE YEAR</b>	<b>42</b>	<b>141</b>	

## CONSOLIDATED BALANCE SHEET

### ASSETS

EUR MILLION	31.12.2000	31.12.1999	Note
<b>FIXED ASSETS</b>			
Intangible assets	106	73	2, 5
Deferred tax assets	46	54	13
Tangible assets			7
Production plants	1,731	1,249	
Machinery and equipment	31	33	
Construction in progress	464	594	
	2,226	1,876	
Financial fixed assets	36	43	10
<b>TOTAL FIXED ASSETS</b>	<b>2,414</b>	<b>2,046</b>	
<b>CURRENT ASSETS</b>			
Inventories	463	376	14
Receivables			
Trade receivables	545	510	
Other	185	150	
	730	660	
Cash and cash equivalents	113	121	
<b>TOTAL CURRENT ASSETS</b>	<b>1,306</b>	<b>1,157</b>	
<b>TOTAL ASSETS</b>	<b>3,720</b>	<b>3,203</b>	

**LIABILITIES**

<b>EUR MILLION</b>	<b>31.12.2000</b>	<b>31.12.1999</b>	<b>Note</b>
Shareholders' equity			15
Issued capital	536	537	
Reserves	804	799	
	<b>1,340</b>	<b>1,336</b>	
Minority interests	12	-	
Provisions			
Deferred tax	131	149	13
Pensions	62	67	16
Other	70	94	17
	<b>263</b>	<b>310</b>	

**LIABILITIES**

Long-term liabilities			
Financial institutions	833	394	19
Other	77	26	
	<b>910</b>	<b>420</b>	
Short-term liabilities			
Financial institutions	577	553	19
Trade payables	398	335	
Trade payable to shareholders	16	16	
Taxes	7	13	13
Other	197	220	
	<b>1,195</b>	<b>1,137</b>	
<b>TOTAL LIABILITIES</b>	<b>2,105</b>	<b>1,557</b>	

**TOTAL EQUITY, MINORITY INTERESTS,  
PROVISIONS AND LIABILITIES**

	<b>3,720</b>	<b>3,203</b>	
Assets pledged			20
Contingent liabilities			21
Financial instruments			22

## CONSOLIDATED CASH FLOW STATEMENT

EUR MILLION	2000	1999	Note
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments from customers	3,718	2,938	
Payments to employees and suppliers	-3,649	-2,662	
Interest income received	22	26	12
Interest and financial expenses paid	-70	-56	12
Income taxes paid	-37	-60	13
	-16	186	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investments in tangible fixed assets	-521	-547	7
Acquisition of subsidiary, net of cash acquired	-50	-	25
Proceeds from sales of assets	20	-	4
Other investments	-34	12	5, 10
	-585	-535	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long-term loans obtained	682	31	
Short-term loans obtained	463	359	
Long-term loans repaid	-123	-66	
Short-term loans repaid	-476	-	
Asset securitisation	93	-	
Dividends paid	-46	-79	
	593	245	
<b>NET CASH FLOW FOR THE YEAR</b>	-8	-104	
Cash and cash equivalents as of January 1	121	225	
<b>CASH AND CASH EQUIVALENTS AS OF DECEMBER 31</b>	113	121	



## INCOME STATEMENT – BOREALIS A/S

EUR MILLION	2000	1999	Note
<b>NET RESULT OF SUBSIDIARIES</b>	-331	132	11
Sales of services	69	53	1
Administration costs	-77	-64	3, 9
Amortisation of negative goodwill	7	8	17
<b>OPERATING PROFIT</b>	-332	129	
Profit from sale of operation	347	-	4
Financial income, net	30	11	12
<b>PROFIT BEFORE TAXATION</b>	45	140	
Taxes	-3	1	13
<b>NET PROFIT FOR THE YEAR</b>	42	141	

## BALANCE SHEET – BOREALIS A/S

### ASSETS

EUR MILLION	31.12.2000	31.12.1999	Note
<b>FIXED ASSETS</b>			
Intangible fixed assets	7	8	6
Tangible fixed assets			
Machinery and equipment	3	3	8
Financial fixed assets			
Shares in subsidiaries	1,186	1,260	11
Receivables from subsidiaries	1,077	528	11
Other investments	4	3	11
	2,267	1,791	
<b>TOTAL FIXED ASSETS</b>	<b>2,277</b>	<b>1,802</b>	
<b>CURRENT ASSETS</b>			
Receivables			
Receivables from subsidiaries	85	111	
Other	18	8	
	103	119	
Cash and cash equivalents	0	3	
<b>TOTAL CURRENT ASSETS</b>	<b>103</b>	<b>122</b>	
<b>TOTAL ASSETS</b>	<b>2,380</b>	<b>1,924</b>	

## BALANCE SHEET – BOREALIS A/S

### LIABILITIES

EUR MILLION	31.12.2000	31.12.1999	Note
Shareholders' equity			15
Issued capital	536	537	
Reserve for net revaluation under the equity method	103	451	
Reserve for unrealised exchange gains	-	27	
Retained earnings	701	321	
	1,340	1,336	
Provisions			
Deferred tax	-	2	13
Negative goodwill	15	22	17
Other	12	4	
	27	28	

### LIABILITIES

Long-term liabilities			
Financial institutions	764	218	19
Short-term liabilities			
Debt to subsidiaries	81	329	
Accounts payable	3	4	
Financial institutions	141	-	19
Other	24	9	
	249	342	

### TOTAL LIABILITIES

1,013	560
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### TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES

2,380	1,924
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Contingent liabilities			21
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# NOTES TO THE ACCOUNTS

All amounts are in EUR million unless otherwise stated.

## 1 SEGMENT REPORTING

	Polyolefins		Olefins		Non-allocated (incl. Phenol and Aromatics)		Consolidated	
	2000	1999	2000	1999	2000	1999	2000	1999
<b>NET SALES</b>								
<b>BY BUSINESS:</b>								
Total sales	2,741	2,350	2,490	1,558	237	160	5,468	4,068
- Group internal sales	-	-	-1,712	-1,081	-	-	-1,712	-1,081
	<b>2,741</b>	<b>2,350</b>	<b>778</b>	<b>477</b>	<b>237</b>	<b>160</b>	<b>3,756</b>	<b>2,987</b>
<b>BY GEOGRAPHIC REGION:</b>								
Europe	2,390	2,087	765	461	224	160	3,379	2,708
Other regions	351	263	13	16	13	-	377	279
	2,741	2,350	778	477	237	160	3,756	2,987
<b>RESULT</b>								
<b>OPERATING PROFIT:</b>	<b>11</b>	<b>172</b>	<b>92</b>	<b>49</b>	<b>-11</b>	<b>-5</b>	<b>92</b>	<b>216</b>
Profit/(loss) from sale of operations					20	-7	20	-7
Net financial items					-48	-30	-48	-30
Income tax					-22	-38	-22	-38
<b>NET PROFIT FOR THE YEAR</b>							<b>42</b>	<b>141</b>
<b>OTHER INFORMATION</b>								
Segment assets	2,479	2,206	675	681	566	316	3,720	3,203
Segment liabilities					2,105	1,603	2,105	1,603
Capital expenditure	437	273	54	214	30	60	521	547
Depreciation	131	72	54	45	14	44	199	161
Non-cash expenses other than depreciation						-19		-19

The Parent Company's sales of EUR 69 million (EUR 53 million) comprised intra-group and other fees charged to subsidiaries.

## 2 RESEARCH AND DEVELOPMENT

A total of 335 people were engaged in research and development at the end of the year, compared to 340 in 1999.

The total cost of these activities amounted to EUR 39 million (EUR 37 million) of which EUR 14 million were capitalised in 2000.

### 3 PERSONNEL

	Group		Parent Company	
	2000	1999	2000	1999
Costs:				
Salaries and wages	256	258	27	16
Pension costs	25	22	4	3
Other social security costs	48	57	1	1
Other personnel expenses	14	15	-	-
<b>Total</b>	<b>343</b>	<b>352</b>	<b>32</b>	<b>20</b>
Average number of employees by country:				
Austria	720	737		
Belgium	792	937		
Denmark	137	131	137	131
Finland	984	1,033		
Norway	566	591		
Portugal	565	653		
Sweden	1,057	1,103		
Other	485	453		
<b>Total</b>	<b>5,306</b>	<b>5,638</b>	<b>137</b>	<b>131</b>
Personnel costs include management remuneration.	1	1	1	1

No remuneration was paid to the Board of Directors.

### 4 PROFIT AND LOSS FROM SALE OF OPERATIONS

Profit from sale of operation, EUR 20 million, includes the profit from the sale of the Antwerp plant.

Profit from sale of operation in the parent company, EUR 347 million, includes the profit from the sale of Borealis Holding AB to a company within the group which has been eliminated in the group accounts.

### 5 INTANGIBLE FIXED ASSETS, GROUP

	Goodwill		Licences		Development costs	
	2000	1999	2000	1999	2000	1999
Cost						
As of January 1	38	81	52	35	-	-
Exchange adjustments	-1	-	-1	1	-	-
Additions	-	-	26	12	14	-
Disposals	-1	-	-	-11	-	-
Transfers	-	-43	2	15	-	-
	36	38	79	52	14	-
Accumulated amortisation						
As of January 1	3	1	14	12	-	-
Exchange adjustments	-	-	1	2	-	-
Disposals	-1	-	-	-4	-	-
Amortisation	1	2	5	4	0	-
	3	3	20	14	0	-
<b>Book value as of December 31</b>	<b>33</b>	<b>35</b>	<b>59</b>	<b>38</b>	<b>14</b>	<b>-</b>

**6 INTANGIBLE FIXED ASSETS, PARENT COMPANY**

	Licences	
	2000	1999
Cost		
As of January 1	14	14
	14	14
Accumulated amortisation		
As of January 1	6	4
Amortisation	1	2
	7	6
<b>Book value as of December 31</b>	<b>7</b>	<b>8</b>

**7 TANGIBLE FIXED ASSETS, GROUP**

	Production plants		Machinery and equipment		Construction in progress	
	2000	1999	2000	1999	2000	1999
	Cost					
As of January 1	3,084	2,935	119	127	594	211
Exchange adjustments	-26	18	-	7	-12	8
Additions	159	77	13	7	441	507
Disposals	-129	-95	-17	-27	-16	-6
Transfers	540	149	1	5	-543	-126
	3,628	3,084	116	119	464	594
Accumulated depreciation						
As of January 1	1,835	1,733	86	90		
Exchange adjustments	-16	29	-	2		
Disposals	-105	-67	-11	-21		
Depreciation	183	140	10	15		
	1,897	1,835	85	86		
<b>Book value as of December 31</b>	<b>1,731</b>	<b>1,249</b>	<b>31</b>	<b>33</b>	<b>464</b>	<b>594</b>

The figures for production plants include capitalised finance leases with a net value of EUR 11 million (EUR 13 million) comprising a cost of EUR 23 million (EUR 22 million) and depreciation of EUR 12 million (EUR 9 million). The lease obligation is included in debt to financial institutions.

Approved future capital expenditure is estimated at EUR 254 million (EUR 722 million), including EUR 128 million (EUR 510 million) for which contracts have been placed.

**8 MACHINERY AND EQUIPMENT, PARENT COMPANY**

	2000	1999
Cost		
As of January 1	6	6
Additions	2	1
Disposals	-2	-1
	6	6
Accumulated depreciation		
As of January 1	3	3
Disposals	-2	-1
Depreciation	2	1
	3	3
<b>Book value as of December 31</b>	<b>3</b>	<b>3</b>

## 9 DEPRECIATION AND AMORTISATION

Depreciation and amortisation are allocated as follows in the income statement:

	Group		Parent Company	
	2000	1999	2000	1999
Production costs	175	132		
Sales and distribution costs	12	10		
Administration costs	12	19	3	3
<b>Total</b>	<b>199</b>	<b>161</b>	<b>3</b>	<b>3</b>

## 10 FINANCIAL FIXED ASSETS, GROUP

	Shares in associated companies		Other investments		Total	
	2000	1999	2000	1999	2000	1999
Cost						
As of January 1	-		43	22	43	22
Exchange adjustments	-		2	-	2	-
Investments	12		11	21	23	21
Disposals	-		-32		-32	
	12		24	43	36	43
Adjustments						
Net result of associated companies	0				0	
	0				0	
<b>Book value as of December 31</b>	<b>12</b>	<b>-</b>	<b>24</b>	<b>43</b>	<b>36</b>	<b>43</b>

## 11 FINANCIAL FIXED ASSETS, PARENT COMPANY

	Shares in subsidiaries		Receivables from subsidiaries		Other	
	2000	1999	2000	1999	2000	1999
Cost						
As of January 1	809	653	508	449	3	3
Investments/additions	292	198	679	268	1	-
Disposals	-18	-42	-85	-209	-	0
	1,083	809	1,102	508	4	3
Adjustments						
As of January 1	451	401	20	-18		
Exchange adjustments	23	14	-45	38		
Net result of subsidiaries	16	132				
Internal gains	-347	-				
Dividend from subsidiaries	-40	-76				
Other	-	-20				
	103	451	-25	20		
<b>Book value as of December 31</b>	<b>1,186</b>	<b>1,260</b>	<b>1,077</b>	<b>528</b>	<b>4</b>	<b>3</b>

**12 FINANCIAL INCOME/EXPENSES, NET**

	Group		Parent Company	
	2000	1999	2000	1999
Interest income from				
subsidiaries	-	-	53	25
cash and cash equivalents	22	26	1	2
	22	26	54	27
Interest expenses to				
financial institutions	-72	-44	-32	-7
subsidiaries	-	-	-16	-11
finance lease	-1	-1	-	-
Exchange adjustments, net	19	9	25	6
Other financial expenses	-16	-20	-1	-4
	-70	-56	-24	-16
<b>Total</b>	<b>-48</b>	<b>-30</b>	<b>30</b>	<b>11</b>

**13 TAXATION**

	Group		Parent Company	
	2000	1999	2000	1999
Taxes				
Income tax payable	25	38	0	0
Change in deferred tax	-1	-3	3	-1
Adjustments to previous year's tax charge	-2	3	0	0
<b>Tax expense</b>	<b>22</b>	<b>38</b>	<b>3</b>	<b>-1</b>

**Tax provision as a percentage of profit before taxation**

<b>34.7%</b>	<b>21.2%</b>
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Reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rates

Tax provision at statutory rates	-1	48	3	1
Adjustment of valuation allowance	17	-1	0	0
Movement in deferred tax assets	9	0	0	0
Benefits of tax losses	-1	-13	0	0
Prior-year adjustments	-2	4	0	-2
<b>Tax expense</b>	<b>22</b>	<b>38</b>	<b>3</b>	<b>-1</b>

## Deferred tax, asset

Tax over book values	28	35	0	0
Other temporary differences	3	17	0	0
Tax losses to be carried forward	15	2	0	0
<b>Capitalised tax assets</b>	<b>46</b>	<b>54</b>	<b>0</b>	<b>0</b>

## Deferred tax, liability

Accelerated depreciation on tangible fixed assets	122	141	0	0
Tax equalisation reserves in Swedish subsidiaries	11	15	0	0
Other	27	44	0	2
	160	200	0	2
Tax assets offset	-29	-51		

**Deferred tax liability**

<b>131</b>	<b>149</b>	<b>0</b>	<b>2</b>
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Taxes, payable				
As of January 1	13	19	0	0
Exchange adjustments	0	0	0	0
Income tax payable for the year	23	41	0	0
Taxes paid	-37	-60	0	0
Taxes transferred to tax receivable	8	11	0	0
Taxes converted to deferred	0	2	0	0
	<b>7</b>	<b>13</b>	<b>0</b>	<b>0</b>

The Group has tax assets of EUR 100 million (EUR 106 million) in addition to those that have been capitalised as tax assets and have been offset against deferred tax liabilities. These assets mainly relate to tax losses carried forward, but have not been capitalised as they have been offset by valuation allowances.

#### 14 INVENTORIES, GROUP

Inventories of ethylene and propylene are included under Finished goods.

		<b>2000</b>	<b>1999</b>
Raw materials and consumables		138	103
Work in progress		3	59
Finished goods		322	214
<b>Total</b>		<b>463</b>	<b>376</b>

#### 15 SHAREHOLDERS' EQUITY

	<b>Issued capital</b>	<b>Reserve for net revaluation under the equity method</b>	<b>Reserve for unrealised exchange gains</b>	<b>Retained earnings</b>	<b>Total</b>
Balance as of January 1, 1999	537	401	-	219	1,157
Dividend adjustment <sup>1)</sup>				79	79
				<b>298</b>	<b>1,236</b>
Net profit for the year		132		9	141
Exchange adjustments related to investment in subsidiaries and long-term loans to hedge investments in subsidiaries, net after tax		14	27	-3	38
Dividend paid		-76		-3	-79
Transfer		-20		20	-
<b>Balance as of December 31, 1999</b>	<b>537</b>	<b>451</b>	<b>27</b>	<b>321</b>	<b>1,336</b>
Net profit for the year		-331		373	42
Exchange adjustments related to investment in subsidiaries and long-term loans to hedge investments in subsidiaries, net after tax		23	-27	13	9
Exchange adjustments	-1				-1
Dividend paid		-40		-6	-46
<b>Balance as of December 31, 2000</b>	<b>536</b>	<b>103</b>	<b>-</b>	<b>701</b>	<b>1,340</b>

The share capital is divided into shares of DKK 1,000 each and multiples thereof. No part of the share capital has special rights. Borealis A/S is owned on a 50-50 basis by IOB Holdings A/S, C/O Kromann Reumert, Rådhuspladsen 14, DK-1550 København K, Denmark, and Statoil Danmark A/S, Sankt Annæ Plads 13, DK-1298 København K, Denmark.

<sup>1)</sup> The equity as of January 1, 1999, has been adjusted in accordance with IAS 10, as dividend is accounted for in the year for which it is declared, and not at balance sheet date.

## 16 PENSION PLANS

Most group companies have pension plans, the forms and benefits of which vary with conditions and practices in the countries concerned. The plans include both defined contribution plans and plans that provide defined benefits based on employees' years of service and estimated salary at retirement. A summary of the status of defined benefit plans is shown below.

	2000	1999
Funded pension plans		
Actuarial present value of benefits due to past and present employees	66	69
Plan assets held in trusts at fair value	52	53
Plan assets below the present value of benefits	14	16
Unfunded pension plans		
Actuarial present value of benefits due to past and present employees recorded as a provision	48	51

The aggregated pension cost charged to the income statement for 2000 amounted to EUR 25 million compared to EUR 22 million in 1999. Pension costs relate to:

	2000	1999
Defined benefit plans	14	14
Defined contribution plans	11	8

Discount rates, projected rates of remuneration growth and expected rates of return on plan assets vary for the different defined benefit plans as they are determined in the light of local conditions. The principal assumptions used were in the following range:

	2000			1999		
Discount rate	5%	to	7%	5%	to	7%
Projected rate of remuneration growth	2%	to	5%	3%	to	4%
Expected rate of return on plan assets	6%	to	8%	6%	to	8%

## 17 OTHER PROVISIONS

	Restructuring	Negative goodwill	Other	Total
As of January 1	45	22	27	94
Provisions made during the year	3	2	16	21
Provisions used during the year	-31	-7	-7	-45
<b>Balance as of December 31, 2000</b>	<b>17</b>	<b>17</b>	<b>36</b>	<b>70</b>

### Restructuring

The provision for restructuring covers estimated costs for the site restructuring programme. The restructuring, which was implemented in 1999, continued in 2000 and will also be in effect in 2001.

### Negative goodwill

The negative goodwill amounts to EUR 17 million of which EUR 15 million (parent company) relate to the acquisition of PCD Polymere AG, and is charged to the income statement over 5 years (2000: EUR 7 million).

## 18 GOVERNMENT GRANTS

Borealis received government grants for research and development of EUR 3 million (EUR 3 million).

## 19 FINANCIAL INDEBTEDNESS

Maturities Due		2000				1999				
		Term loans	Utilised uncomm. facilities	Export credits	Finance leases	Unutilised committed revolving facilities	Term loans	Utilised uncomm. facilities	Export credits	Finance leases
After	5 years	129			9				11	372
Within	5 years	445				35				322
	4 years	144				271		35		
	3 years	78								
	2 years	22								235
	2-5 years				12				10	
		818			21	306		35	21	929
Within	1 year	204	242	131		106			3	0
	Finance charges				-6				-7	
<b>Net obligations</b>		<b>1,022</b>	<b>242</b>	<b>131</b>	<b>15</b>	<b>412</b>		<b>166</b>	<b>17</b>	<b>929</b>
Total long-term		833				394				
Total short-term		577				553				
<b>Total debt</b>		<b>1,410</b>				<b>947</b>				

### Significant components of corporate debt

Type	Currency	Amount EUR million	Fixed/ floating	Interest revision	Final maturity	Average interest rate 2000
Export Credits	EUR	131	Floating	Mar-01	2001	3.83%
Loan	USD	108	Floating	Jan-01	2005	7.19%
Loan	USD	108	Floating	Feb-01	2005	7.09%
Loan	EUR	100	Floating	Feb-01	2005	5.36%
Loan	EUR	80	Floating	Jun-01	2004	5.12%
Loan	EUR	67	Floating	Apr-01	2001	4.45%
Loan	SEK	56	Floating	Jan-01	2004	4.13%
Loan	EUR	55	Fixed		2005	4.37%
Loan	EUR	50	Fixed		2006	5.48%
Loan	EUR	50	Floating	Mar-01	2006	4.56%
<b>Total</b>		<b>805</b>				
Other		605				
<b>Total debt</b>		<b>1,410</b>				

**Schedule of interest resets for interest bearing loans**

	Balance EUR million	Percentage of the loans with interest reset in:			
		2001	2002	2003	2004 or later
EUR	271	12%	4%	1%	83%
SEK	11	0%	0%	0%	100%
Fixed rate loans, total	282	11%	4%	1%	84%
Floating rate loans	1,128	100%			
<b>Interest bearing loans, total</b>	<b>1,410</b>				

**Currency mix and weighted average interest rates**

	2000	Percent	Interest rate	1999	Percent	Interest rate
EUR	813	58%	4.3%	578	61%	4.7%
SEK	285	20%	4.7%	222	23%	4.1%
NOK	29	2%	7.9%	11	1%	6.3%
USD	219	15%	7.1%	46	5%	3.6%
DKK	64	5%	5.9%	90	10%	3.9%
Interest bearing total	1,410	100%	5.0%	947	100%	4.6%
<b>Total</b>	<b>1,410</b>	<b>100%</b>		<b>947</b>	<b>100%</b>	

**Parent company interest bearing debt**

	2000	1999
Inter-company short-term loans	67	316
Term loans and export credits	905	218
<b>Total</b>	<b>972</b>	<b>534</b>

Of the parent company's term loans and export credits, EUR 787 million are maturing within 5 years and EUR 118 million after 5 years.

**20 ASSETS PLEDGED**

	2000	1999
Chattel mortgages	15	16
Others	20	20
<b>Total</b>	<b>35</b>	<b>36</b>

The liabilities covered by the above assets amounted to EUR 35 million at the end of the year compared to EUR 36 million one year earlier.

## 21 CONTINGENT LIABILITIES

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### Guarantee commitments

The Parent Company guaranteed credit facilities of Group companies amounting to EUR 199 million (EUR 310 million).

### Lawsuits pending

While the Borealis Group has certain lawsuits pending, it is the management's opinion that these proceedings will not materially affect the Group's financial position.

### Leasing commitments

The Group has agreements covering operational leasing of certain assets. These agreements are non-terminable for periods of up to 115 months (108 months), and the total rentals during the non-terminable periods amounted to EUR 13 million at year-end 2000 (EUR 11 million). The Parent Company's share of operational leasing commitments amounted to EUR 2 million (EUR 3 million).

## 22 FINANCIAL INSTRUMENTS

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In the normal course of business the Group is a party to derivative financial instruments with off-balance sheet risk used to manage exposures to fluctuations in foreign currency exchange rates, interest rates, and commodity prices. To the extent that financial instruments are used to manage exposures, estimated fair values of these instruments, will offset, and be recognised concurrently with gains and losses associated with the underlying transaction.

	Currency derivatives		Interest rate derivatives		Commodity derivatives	
	2000	1999	2000	1999	2000	1999
Risk management						
Notional amounts	1,331	796	77	-	21	-
Fair value	12	2	-1	-	0	-
Credit risk	16	3	0	-	0	-
Trading						
Notional amounts	-	-	-	746	-	-
Fair value	-	-	-	0	-	-
Credit risk	-	-	-	0	-	-

## 23 FEES TO EXTERNAL AUDITORS, PARENT COMPANY

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	2000	1999
Audit fees	0.1	0.1
Other services	0.1	0.1
<b>Total</b>	<b>0.2</b>	<b>0.2</b>

## 24 TRANSACTIONS WITH RELATED PARTIES

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17% of total feedstock (16% in 1999) is purchased from Borealis shareholders at market prices.

There were no other material transactions with related parties in 2000.

## 25 ACQUISITION OF SUBSIDIARY

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On December 19, 2000 Borealis acquired 80% of the shares in OPP Polimeros Avancados S.A., Brazil. The company operates 2 compounding facilities in Brazil and mainly serves the automotive industry. The acquisition was accounted for using the purchase method of consolidation.

The acquisition had the following effect on the Group's assets and liabilities:

Property, plant and equipment	52
Inventories	9
Receivables	4
Trade payables and other short term liabilities	3
Minority interest	12

## 26 INTEREST IN JOINT VENTURES

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The Group has an interest in the following joint ventures:

- 50% in NSP Olefins N.V.
- 40% in Abu Dhabi Polymers Ltd. (Borouge)
- 50% in Borouge Pte. Ltd.
- 49% in Noretyl ANS

The Group's interest in the joint venture's balance sheet items and net profit for the year is included in the Group's consolidated balance sheet and income statement with the following amounts:

	2000	1999
Fixed assets	454	140
Current assets	92	103
<b>Total assets</b>	<b>546</b>	<b>243</b>
Long-term liabilities	439	189
Current liabilities	107	54
<b>Total liabilities</b>	<b>546</b>	<b>243</b>
Profit before tax	37	29
Income tax	-12	-
<b>Profit after tax</b>	<b>25</b>	<b>29</b>

## 27 COMPANIES INCLUDED IN THE CONSOLIDATED ACCOUNTS

Company name	Country	Currency	Issued share capital	Percentage of shares owned	Book value in Borealis (EUR mill)
Borealis A/S					
■ Borealis Insurance A/S	Denmark	DKK	25,000,000	100	4
■ Borealis N.V. (Belgium) ApS	Denmark	DKK	1,000,000	100	202
■ ■ Borealis Coordination Center N.V.	Belgium	BEF	4,001,250,000	100	126
■ ■ Borealis Polymers N.V.	Belgium	BEF	14,500,000,000	100	277
■ ■ ■ Borealis Kallo N.V.	Belgium	BEF	500,000,000	100	-4
■ ■ ■ ■ Borealis Antwerpen Compounding N.V.	Belgium	BEF	11,176,334	100	-1
■ ■ ■ ■ NSP Olefins N.V. *	Belgium	BEF	660,000,000	50	-14
■ Borealis Sverige AB	Sweden	SEK	400,000	100	-295
■ ■ Borealis Holding AB	Sweden	SEK	1,300,000	100	10
■ ■ ■ Borealis Compounds AB	Sweden	SEK	100,000	100	0
■ ■ ■ Borealis AB	Sweden	SEK	65,000,000	100	226
■ ■ ■ ■ Etenförsörjning i Stenungsund AB	Sweden	SEK	5,000,000	80	1
■ Borealis Portugal SGPS S.A.	Portugal	PTE	3,907,000,000	100	15
■ Borealis Polimeros Lda.	Portugal	PTE	53,800,000,000	100	260
■ ■ Companhia Nacional de Petroquimica S.A.	Portugal	PTE	11,500,000,000	100	140
■ ■ Borealis Producao de Electricidade e Calor ACE	Portugal	PTE	5,000,000	66.7	0
■ Borealis AS	Norway	NOK	2,950,000,000	100	440
■ ■ IS Norpolefin ANS	Norway	NOK	0	100	0
■ ■ Noretyl ANS *	Norway	NOK	0	49	163
■ ■ Borealis Borouge AS	Norway	NOK	50,000	100	7
■ ■ Borealis Borouge Holding AS	Norway	NOK	1,700,000,000	100	158
■ ■ ■ Abu-Dhabi Polymers Company Limited (Borouge) *	Abu-Dhabi	USD	360,000,000	40	156
■ Borealis GmbH	Austria	ATS	420,000,000	100	59
■ ■ Polydan GmbH	Austria	ATS	500,000	100	1
■ ■ PCD Polymere s.r.o. **	Czech Republic	CZK	100,000	100	0
■ Borealis Italia S.p.A.	Italy	ITL	26,600,000,000	100	12
■ Borealis Compounds S.A.S.	France	FRF	20,588,000	100	3
■ ■ Borealis France SA	France	FRF	1,360,538	100	1
■ Borealis Polymere Holding AG	Germany	DEM	660,000	100	33
■ ■ Borealis Polymere GmbH	Germany	DEM	36,000,000	100	47
■ ■ Borealis Deutschland GmbH	Germany	DEM	301,000	100	-1
■ Borealis Compounds Inc.	US	USD	39,918,904	100	15
■ ■ Nova-Borealis Compounds LLC	US	USD	2,000	100	15
■ Borealis Polymers Oy	Finland	EUR	90,821,480	100	294
■ Borealis Technology Oy	Finland	EUR	43,728,860	100	83
■ Borealis Singapore Pte Ltd	Singapore	SGD	100,000	100	6
■ Borouge Pte Ltd *	Singapore	SGD	2,000,000	50	1
■ Borealis s.r.o. **	Czech Republic	CZK	500,000	100	0
■ Borealis Hong Kong Ltd	Hong Kong	HKD	500,000	100	2
■ Poliolefinas Borealis España S.A.	Spain	ESP	10,000,000	100	3
■ Borealis Eesti OÜ	Estonia	EEK	128,000	100	0
■ Borealis Polska Sp z.o.o. **	Poland	PLN	40,000	100	0
■ Borealis-OPP	Brazil	BRL	233,528,000	80	46
■ Borealis Kft. **	Hungary	HUF	1,000,000	100	0
■ Borealis UK Ltd	UK	GBP	15,000	100	2

\* Consolidated on a pro-rata basis

\*\* Excluded from the consolidation due to immateriality

# ADDRESSES

<b>AUSTRIA</b>		<b>Borealis Hong Kong Ltd.</b>	Sales	<b>Borealis France S.A.</b>	Sales
<b>Borealis GmbH</b>	Production	14/F, 100 Canton Road		3 Place Gustave Eiffel	
Danubiastrasse 21-25		Tsimshatsui Kowloon		Silic 306	
A-2320 Schwechat-Mannswörth		Hong Kong		F-94588 Rungis Cédex	
Tel: +43 1 70 111-0		Tel: +852 2377 2688		Tel: +33 1 4173 1400	
Fax: +43 1 70 111-4100		Fax: +852 2314 2729		Fax: +33 1 4687 2410	
<b>Borealis GmbH</b>	Sales	<b>Borealis Hong Kong Ltd.</b>	Sales	<b>GERMANY</b>	
St -Peter-Strasse 25	Production	<b>Shanghai Representative Office</b>		<b>Borealis Deutschland GmbH</b>	Sales
A-4021 Linz	Research & Development	Room 1103 Shanghai Kerry Centre		Am Bonneshof 6	
Tel: +43 732 6981-0		1515 Nanjing Xi Lu		D-40474 Düsseldorf	
Fax: +43 732 6981 5826	(Sales)	Shanghai 200040		Tel: +49 211 479 9790	
Fax: +43 732 6981 5241		Tel: +86 21 627 93 466		Fax: +49 211 479 97 990	
<b>Polydan GmbH</b>	Logistics	<b>CZECH REPUBLIC</b>		<b>Borealis Polymere GmbH</b>	Production
Danubiastrasse 21-25		<b>Borealis s.r.o.</b>	Sales	Haiminger-Strasse 1	
A-2320 Schwechat-Mannswörth		Na Porici 25		D-84489 Burghausen	
Tel: +43 1 70 100-0		CZ-110 00 Praha 1		Tel: +49 86 779 770	
Fax: +43 1 70 100-675		Tel: +420 2 22 827 800		Fax: +49 86 779 77 111	
<a href="http://www.polydan.at">www.polydan.at</a>		Fax: +420 2 22 827 822		<b>Borealis Deutschland GmbH</b>	Sales
<b>BELGIUM</b>		<b>DENMARK</b>		<b>Borealis Polymere Holding</b>	Holding
<b>Borealis Coordination Center N.V.</b>	Financial Coordination	<b>Borealis A/S</b>	Head Office	Arabellastrasse 4	
Woluwe Garden 2nd floor		Lyngby Hovedgade 96	Sales	D-81925 München	
Woluwedal 26		DK-2800 Kongens Lyngby		Tel: +49 89 928 0090	
B-1932 Sint-Stevens-Woluwe		Tel: +45 45 96 60 00		Fax: +49 89 914 952	(Sales)
Tel: +32 2715 0411		Fax: +45 45 96 61 23		Fax: +49 89 928 00 927	(Holding)
Fax: +32 2715 0412		Fax: +45 45 96 60 14	(Sales)	<b>HUNGARY</b>	
<b>Borealis Kallo N.V.</b>	Production	<a href="http://www.borealisgroup.com">www.borealisgroup.com</a>		<b>Borealis Kft.</b>	Sales
Sint-Jansweg 2		<b>ESTONIA</b>		Csalogány utca 13-19/B. III. 15.	
Haven 1568		<b>Borealis Eesti OÜ</b>	Sales	H-1027 Budapest	
B-9130 Kallo-Kieldrecht		Madara 31		Tel: +36 1 2021 938	
Tel: +32 3570 5211		10613 Tallinn		Fax: +36 1 2147 823	
Fax: +32 3570 5239		Tel: +372 6 610 485		<b>INDIA</b>	
<b>Borealis Polymers N.V.</b>	Sales	Fax: +372 6 610 396		<b>Borealis Hong Kong Ltd.</b>	Sales
Industrieweg 148	Production	<b>FINLAND</b>		<b>India Liaison Office - India</b>	
B-3583 Beringen		<b>Borealis Polymers Oy</b>	Sales	101/102 A.N. Chambers	
Tel: +32 1145 9011		P.O.Box 330	Production	Turner Road	
Fax: +32 1145 9627	(Sales)	FIN-06101 Porvoo	Research & Development	Bandra (W)	
Fax: +32 1142 9884		Tel: +358 9 3949 00		Mumbai 400050	
<b>CHINA</b>		Fax: +358 9 3949 3910		Tel: +91 22 655 9206	
<b>Borealis Hong Kong Ltd.</b>	Sales	Fax: +358 9 3949 3006	(Sales)	Fax: +91 22 655 7727	
<b>Beijing Representative Office</b>	Projects	<b>FRANCE</b>		<b>Borealis Italia S.p.A</b>	Sales
1328 China World Tower 1		<b>Borealis Compounds S.A.S.</b>	Sales	Via Ercolano 8/10	Production
China World Trade Centre		21 Rue Saint-Jean	Production	I-20052 Monza	
1, Jian Guo Men Wai Avenue		F-69550 Cublize		Tel: +39 039 20 421	
Beijing 100004		Tel: +33 4 7489 5900		Fax: +39 039 20 422 54	(Sales)
Tel: +86 10 650 55 395		Fax: +33 4 7489 5914		Fax: +39 039 20 422 52	
Fax: +86 10 650 55 397					



**NORWAY****Borealis AS**

Rønningen

N-3960 Stathelle

Tel: +47 3557 7000

Fax: +47 3557 7561

Fax: +47 35 57 72 00

Sales  
Production  
Research & Development  
  
(Sales)**POLAND****Borealis Polska Sp.z.o.o.**

Ul. Bagatela 14

PL-00 585 Warsaw

Tel: +48 22 629 7723

Fax: +48 22 629 3498

Sales

**SPAIN****Poliolefinas Borealis España S.A.**

Rambla de Catalunya, 2 y 4 - 3º

E-08007 Barcelona

Tel: +34 93 270 1040

Fax: +34 93 302 3361

Sales

**SWEDEN****Borealis AB**

S-444 86 Stenungsund

Tel: +46 3038 6000

Fax: +46 3038 1746

Fax: +46 3038 6449

Sales  
Production  
  
(Sales)**TURKEY****Borealis S.A.**

Ayazmaderesi Cad. Saral Is Merkezi No:6 Kat:3

TR-80260 Istanbul

Tel: +90 212 275 7627

Fax: +90 212 267 49 29

Sales

**PORTUGAL****Borealis Polímeros, Lda.**

P.O. Box 2045

Avenue do Forte nº 3

Edifício Suécia 1 - Piso 2

Carnaxide

P-2795 504 Linda-a-Velha

Tel: +351 2 1424 5900

Fax: +351 2 1424 5919

Sales

**UNITED ARAB EMIRATES****Borealis A/S****Representative Office**

P.O.Box 6925

Al Muhairy Center Building

Office Tower 3rd Floor, office (304)

Abu Dhabi

Tel: +971 2632 6488

Fax: +971 2632 1536

Sales

**Borealis Polímeros, Lda.**

Apartado 41

Monte Feio

P-7520 954 Sines

Tel: +351 2 6986 0100

Fax: +351 2 6986 0121

Production

**JOINT VENTURES****BELGIUM****Speciality Polymers Antwerp N.V.**

Nieuwe Weg 1, bus 3

Haven 1053

B-2070 Zwijndrecht

Tel: +32 3 250 80 11

Fax: +32 3 250 85 00

Production

**NSP Olefins N.V.**

Sint-Jansweg 2

Haven 1568

B-9130 Kallo-Kieldrecht

Tel: +32 3570 5211

Fax: +32 3570 5239

Production

**BRAZIL****Borealis-OPP**

Av. das Nacoes Unidas 4777

05477-000 São Paulo, SP

Brazil

Tel: +55 11 3443 9000

Fax: +55 11 3023 0420

Sales

Production

**NORWAY****Noretly AS**

Rafnes

N-3966 Stathelle

Tel: +47 3500 7600

Fax: +47 3500 7505

Production

**RUSSIA****Borealis A/S****Representative Office Russia**

Parus Business Centre

23, 1st Tverskaya-Yamskaya Street

7th Floor, Office No. 9

125047 Moscow

Tel: +7 0 95 2321 876

Fax: +7 0 95 9568 216

Sales

**UNITED KINGDOM****Borealis UK Limited**

Borealis House, Water Lane

Wilmslow, Cheshire SK9 5AR

Tel: +44 1625 547300

Fax: +44 1625 547301

Sales

**U.S.A.****NOVA-BOREALIS Compounds LLC**

176 Thomas Road

Port Murray, NJ 07865

Tel: +1 908 850 6200

Fax: +1 908 850 6268

Fax: +1 908 850 1236

[www.nova-borealis.com](http://www.nova-borealis.com)Sales  
Production  
  
(Sales)**SINGAPORE****Borouge Pte Ltd.**

438A Alexandra Road #08-01

Alexandra Technopark

Singapore 119967

Tel: +65 275 4100

Fax: +65 377 1233

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

Sales

**SINGAPORE****Borealis Singapore Pte Ltd.**

438A Alexandra Road #08-01/02

Alexandra Technopark

Singapore 119967

Tel: +65 278 0555

Fax: +65 276 0555

Sales

**UNITED ARAB EMIRATES****Abu Dhabi Polymers Company Limited (Borouge)**

P.O.Box 6925

Al Muhairy Centre

7th floor, Zayed 1st Street

Abu Dhabi

Tel: +971 2 6312333

Fax: +971 2 6312999

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

Project

Sales

# BOARD AND MANAGEMENT

## BOARD OF DIRECTORS

**Erling Øverland**  
Chairman

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**Finn Kulås**

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**Franz Wurm**  
Chief Financial Officer

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Polyolefins & Chemicals Division

**Henry Sperle**  
Executive Vice President,  
Business Development Division

**Herbert Willerth**  
Executive Vice President,  
Manufacturing Division

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**Maarit Aarni**  
Olefins, Phenol & Aromatics BU

**Kent Abbås**  
Polypropylene BU

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Strategic Planning

**Walter Baumann**  
Engineering Applications BU

**Stig Blomberg**  
HSE&Q

**Bjarte Bogsnes**  
Human Resources

**Harri Bucht**  
Abu Dhabi Project

**Hans Byfeldt**  
Legal

**Johannes Fischer**  
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**Tore Glittum**  
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Polyethylene BU

**Björn Klofeldt**  
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Group Finance

**Gunnar Nielsen**  
Internal Audit

**Richard Pearson**  
IT&S

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Pipe BU

**Juhani Pulli**  
Manufacturing Borstar Technology & Services

**Willy Raymaekers**  
Wire & Cable BU

**Johan von Knorring**  
Research & Development

**Blenda Weibull**  
Operations Planning

**Espen Østmoe**  
New Ventures

## PRODUCTION SITE MANAGERS

**Thomas Abel**  
Site Austria

**Wim Roels**  
Site Belgium

**Johan Brenner**  
Site Porvoo, Finland

**Roy Vardheim**  
Site Rønningen, Norway

**Olav Aas**  
Site Sines, Portugal

**Lars Svensson**  
Site Stenungsund, Sweden

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**BOREALIS A/S**

Lyngby Hovedgade 96  
DK-2800 Kongens Lyngby  
Denmark

Tel: + 45 45 96 60 00

Fax: + 45 45 96 61 23

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