Borealis Values

Responsible

Respect

Exceed

Nimblicity™

BOREALIS

Annual Report 2002

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This is an expanded version of the statutory Danish-language annual report, which was approved on March 11, 2003 and will be filed with the Danish Commerce and Companies Agency.

THE POLYMER CHAIN

Borealis' main business is the supply of plastics raw materials: Polyethylene (PE) and polypropylene (PP). Because of their molecular structure, these are called polymers. This illustration shows the role Borealis plays in the polymer chain.

Oil and gas production >

Polyolefins begin with oil and natural gas, most of which are exploited for energy. Only 4% become plastics raw material.

Refining >

In the refinery, the oil and gas mixture is separated into different products (fractions) by distillation. Naphtha (the light fraction from oil) is the major petrochemical feedstock.

Cracking >

"Cracking" is a process in which hydrocarbon molecules (naphtha, ethane and liquefied petroleum gases) are modified at high temperatures into new molecules with other properties. These include the gases ethylene and propylene, which are feedstocks for polymerisation into plastics raw material. Borealis has crackers in Finland, Portugal and Sweden, and joint ventures in Norway (Noretyl) and Abu Dhabi, UAE (Borouge).

Polymerisation >

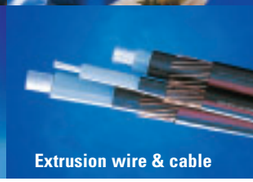
Ethylene and propylene form long chains, called polymers, in a reaction process aided by chemical catalysts. Each polymerisation plant is designed to operate at certain conditions with special catalyst systems to make its own product mix. An example is Borstar®, Borealis' own process and catalyst technology. Borealis has polymerisation plants in Austria, Belgium, Finland, Germany, Norway, Portugal and Sweden, and a joint venture in Abu Dhabi, UAE.

Polyethylene and polypropylene >

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. In some cases materials pass through a compounding step before delivery to our customers.

Customers

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 houseware.



Borealis: An integrated polyolefins supplier

Borealis' main business is the manufacture, distribution, sale and marketing of polyolefin plastics, namely polyethylene (PE) and polypropylene (PP). The Borealis Group also includes a mix of hydrocarbons: Ethylene, propylene and phenol.

Borealis' mission is to be a leading, profitable, integrated polyolefins supplier. To get there, we embarked on a nine-quarter transformation programme in 2001 aimed at delivering value to our customers and owners. We employ 5,085 people, and produce over 3.4 million tonnes of PE and PP per year.

Pushing the limits

Polyolefins are today's fastest-growing plastics. They are pushing the limits in properties and performance as they replace more and more conventional materials.

PE and PP are converted by our customers into thousands of everyday products – from food packaging and personal hygiene, to toys, wire and cable, automotive components and building materials, including water and gas pipes. Borealis' own Borstar® process technology is pioneering even more new application areas.

Serving customers globally

The Borealis head office is located near Copenhagen, Denmark. Production comes from sites in Austria, Belgium, Finland, Germany, Norway, Portugal, Sweden, and from our Borouge joint venture in Abu Dhabi, United Arab Emirates. We also operate special compounding units in Brazil, Italy and the USA.

Borealis offers customers a single point of contact through one of nine new Customer Service Centres in Europe. Borealis and Borouge products are marketed jointly in the Middle East and Asia-Pacific regions through the Borouge marketing company in Singapore.

Established in 1994, Borealis today is owned 50% by the Norwegian oil company, Statoil. The other half is owned by IOB Holdings, which is jointly owned by OMV, the Austrian oil and natural gas group; and the International Petroleum Investment Company (IPIC) of Abu Dhabi.

John Taylor
Chief Executive

Creating & delivering value to our customers

Borealis' mission is to be a leading, profitable, integrated polyolefins supplier. To achieve this, we will:

- **Strengthen our European position by creating and delivering value to our customers.**
- **Build our presence in the Middle East and Asia, primarily from our Borouge base.**
- **Reinforce polyolefin market leadership in key segments.**
- **Build a strong platform in hydrocarbons.**
- **Pursue operational excellence with a step change in safety and quality.**
- **Transform Borealis into "One Company" which is aligned, high-performing and demonstrates strong values.**

Our goal is to create value for our owners by achieving a trend-line return on capital employed (ROCE) of 11% by 2004.

Borealis has embarked on a number of major improvement projects to achieve this goal and meet the challenges of a volatile global economy.

Highlights of 2002

Record in safety performance
Total Recordable Injuries (TRIs) per million working hours were reduced by more than 50% from 8.4 in 2000 to 4.0 in 2002, two years ahead of schedule.

Positive result in a difficult year
2002 was another difficult year for the polyolefins industry with market prices 8% lower than in 2001. Nevertheless, Borealis achieved a net profit of EUR 6 million compared with a net loss of EUR 41 million in 2001.

New innovative products
New product highlights during the year included:
- First PP dishwasher tub, resulting in reduced manufacturing costs, better corrosion resistance and less noise.
- High-strength jacketing material based on our Casico™ technology, with the potential for downsizing of building cables.
- Heat-resistant PP grade for blow-moulded bottles for food applications with excellent stiffness, material savings, and increased production efficiency during moulding and hot filling.

Better service and accelerated innovation
Nine Customer Service Centres were established to raise customer service levels through improved logistics. R&D and technical resources are being reorganised to accelerate innovation.

Improved operations
Overall plant operability increased by 3% during the year to 95%, and the level of prime grade production rose to over 97%.

Successful Borouge start-up
The Borouge joint venture petrochemical complex in Abu Dhabi shipped its first Borstar® polyethylene, and production reached design capacity. The plant was officially inaugurated and ISO certified in October with royal attendance.

Borstar PE unit started up in China
The Shanghai Petrochemical Company in China started up production under the first third-party licence for Borealis' Borstar technology.

Largest propylene producer in Belgium
At the beginning of 2003 Borealis acquired Shell's 50% interest in NSPO. Borealis now fully owns the propane dehydrogenation plant and associated Refinery Grade Propylene splitter in Belgium.

Catalyst partnership with Grace Davison
Borealis sold its catalyst production facilities in Sweden, and manufacturing equipment for catalysts and carriers in Finland, to Grace Davison. Borealis will continue to focus on the development of advanced catalysts for high-performance polyolefins.

New Risk Management and Corporate Governance function established
This function is dedicated to developing strategies for managing risk and ensuring a robust internal control environment.

The most "People-Friendly Company 2002" in Belgium
Borealis achieved the award for its efforts in safety, health, stress and environment, open communication, and a flexible work culture that facilitates a balanced professional and private life.

Revitalised Values
Borealis revitalised its Values to: Responsible, Respect, Exceed and Nimblicity™ .

Key figures & ratios

		2002	2001	2000	1999	1998
Income and profitability						
Net sales	EUR million	3,514	3,708	3,711	2,964	2,725
Operating profit	EUR million	85	54	52	184	152
Operating profit as percentage of net sales	%	2	1	1	6	6
Profit before taxation	EUR million	30	-24	76	179	156
Net profit for the year	EUR million	6	-41	42	141	119
Return on capital employed, net after tax	%	3	2	3	9	9
Cash flow and investments						
Cash flow from operating activities	EUR million	350	291	-44	238	459
Investments in tangible fixed assets	EUR million	103	147	225	434	193
Financial position						
Total assets	EUR million	3,201	3,437	3,647	3,180	2,663
Net interest-bearing debt	EUR million	1,007	1,304	1,305	765	317
Capital employed	EUR million	2,349	2,653	2,783	2,246	1,788
Equity	EUR million	1,276	1,284	1,340	1,336	1,236
Solvency ratio	%	40	38	37	42	45
Gearing	%	79	102	97	57	26
Number of employees (year-end)		**5,085**	**5,297**	**5,188**	**5,424**	**5,848**

Definitions:

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

Return on capital employed = Operating profit, profit and loss from sale of operations, net result in associated companies, 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

Gerhard Roiss
Chairman,
Vice Chairman of the Executive Board,
OMV Aktiengesellschaft

Erling Øverland
Vice Chairman,
Executive Vice President,
Statoil ASA

Borealis'
Board of Directors

Report of the Board of Directors

Financial result

In reviewing the performance of Borealis, the Board was pleased to see the Group delivering a net profit of EUR 6 million compared to a net loss of EUR 41 million in 2001. This is against the background of the polyolefins industry experiencing another difficult year characterised by excess capacity, and high volatility in demand, raw material costs and sales prices.

The Group's polyolefins sales volume followed the market and grew by more than 4% from 2001 to 3.4 million tonnes in 2002. In addition to the volume growth, the positive result was achieved by the recognition of benefits arising from the continued implementation of the nine-quarter transformation programme, including the exercise of tight control over fixed and variable costs.

Cash flow generated during the year was also strong, benefiting from the focus on reducing inventory and receivables. This helped drive the gearing ratio down to 79% from 102% at the end of 2001, as reported net debt fell by EUR 297 million to close the year at just over EUR 1 billion.

Borealis achieved a return on capital employed (ROCE) after tax of 3% in 2002, up from 2% in 2001. The Board proposes that no dividend be paid for the year.

Overall, the Board is satisfied with the Group's performance in light of the challenging market environment. Additionally, we are highly appreciative of the hard work and personal endeavors of all those involved in turning the company's performance around.

Comprehensive transformation

To implement Borealis' updated strategy and achieve its mission of becoming a leading, profitable, integrated polyolefins supplier, the Group embarked on a nine-quarter transformation programme in the fourth quarter of 2001.

The first step in the programme was to establish a Hydrocarbons Business Group to strengthen the focus on feedstock and olefins. This group has already achieved significant results. As an example, the proportion of advantageous feedstock using Borealis feedstock flexibility was increased, resulting in a reduction in production costs.

The second step was to reorganise the Polyolefins Business Group and establish two new Business Units for Film & Fibre and Moulding to increase the focus on premium products. The sales organisation has been substantially reorganised to offer customers a single point of contact and increase the level of service through nine Customer Service Centres in Europe. The Polyolefins Business Group is making good progress in pursuing its primary objective of creating and delivering value for our customers.

The third step involved Borealis reorganising its R&D and technical resources to accelerate innovation. Research and product development have been consolidated, and a new Innovation Process has been implemented to accelerate the time-to-market and ensure higher value from the innovation pipeline

The major part of the transformation programme took place in 2002 and in early 2003. Implementation of the comprehensive changes is in line with the plan to deliver a trend ROCE of 11% by 2004.

Mohamed Al Khaily
Managing Director,
International Petroleum
Investment Company

Finn Kulås
Senior Vice President,
Statoil ASA

John Taylor
Chief Executive

Staffan Lennström
Executive Vice President
Hydrocarbons

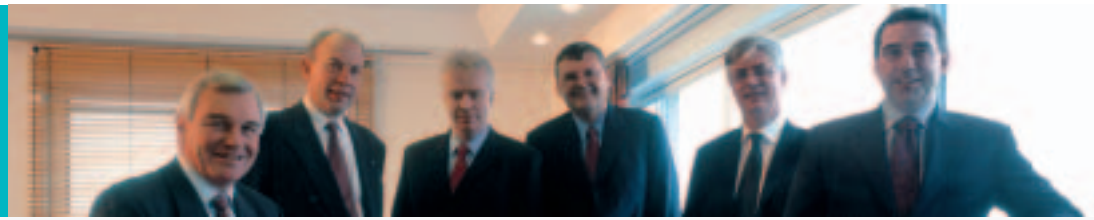
David Rolph
Executive Vice President
Polyolefins

Herbert Willerth
Executive Vice President
Operations and Procurement

Henry Sperle
Executive Vice President
Technology and Projects

Clive Watson
Chief Financial Officer

Borealis'
Executive Board



Safety record

In 2002, Borealis launched a "Step Change in Safety" programme for all Borealis employees, beginning with the management, based on changing people's safety behaviour. The target was to reduce total recordable injuries (TRIs) per million working hours from 8.4 in 2000 to 4.0 in 2004, placing Borealis among the leaders. Borealis achieved the target of 4.0 in 2002, two years ahead of schedule; now the challenge is to make this improvement sustainable.

Despite this focus on safety, Borealis had one fatality. An external driver died in December when his truck overturned while transporting Borealis products from Sweden to a customer in Romania.

Operating plant performance

Borealis made tangible progress in 2002. Overall plant operability increased by 3% during the year to 95%, and the level of prime grade production rose to over 97%. The Borstar® plants in Austria and Sweden have demonstrated the potential of Borstar technology by achieving high monthly production records. Again this year, operability of the steam cracker in Sweden improved significantly.

Site re-engineering programmes in Norway, Portugal and Sweden enhanced their cost efficiency in 2002. Borealis will continue to streamline all processes in operations and procurement in 2003.

Borouge inaugurated

An important part of Borealis' strategy is building a presence in the Middle East and Asia. In January 2002, Borouge, a joint venture between Borealis and the Abu Dhabi National Oil Company (ADNOC), successfully started a new EUR 1.4 billion petrochemical complex in Ruwais, Abu Dhabi, and shipped its first commercial batch of Borstar PE to customers.

The Ruwais facility earned ISO 9001 certification in October. During the same month, it was officially inaugurated by His Highness Sheikh Khalifa Bin Zayed Al Nahyan, the Crown Prince of Abu Dhabi with about 700 customers, contractors, suppliers, dignitaries and members of the news media in attendance.

Future prospects

The current outlook for global economies is fragile, and we anticipate that 2003 will prove to be another volatile year. Benefits arising from the transformation programme, as well as its continued execution will place Borealis in a strong position to weather the harsher consequences of this volatility.

Copenhagen, February 24, 2003

Borealis Values – strong and revitalised

A key element of our strategy is to transform Borealis into "One Company" which is aligned, high-performing and demonstrates strong values. To support this process we have revitalised the Borealis Values.

In 2002 a work group with members from across Borealis was given the task of revitalising the Four Founding Values which were launched when Borealis was established in 1994:

- To create 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 people

To ensure that the revitalised Values cover the needs of Borealis' many stakeholders, we involved customers, owners, employees, unions and others in the process. It was especially important to listen to the many different cultures in Borealis. Several "Values workshops" were held in most Borealis locations, involving more than 400 people.

The revitalised Borealis Values were launched in early 2003. The challenge is to incorporate them into the daily work life of every employee.

Over the months ahead all employees will participate in workshops to discuss what the Values mean, and which changes are needed to live according to them. Actions will be included in each employee's yearly performance contract, and the Values will be incorporated into Borealis' management system.

Responsible

We are leaders in Health, Safety and the Environment
We are good neighbours wherever we operate
We do business according to high ethical standards

Respect

We involve people and communicate in a straightforward way
We work together – helping and developing each other
We are "One Company" – building on diversity

Exceed

Our customers' and owners' success is our business
We win through commitment and innovation
We deliver what we promise – and a little bit more

Nimblicity™

We are fit, fast and flexible
We create and capture opportunities
We seek the smart and simple solutions

Growing a high-performance culture

One of Borealis' strengths is its cultural diversity. Drawing on this, we are in the process of building a fully-aligned company culture, crossing geographical and organisational frontiers. We achieved a step change in managing and monitoring people's performance in 2002 by establishing a Performance Management process for cascading company goals to all employees and teams in Borealis.

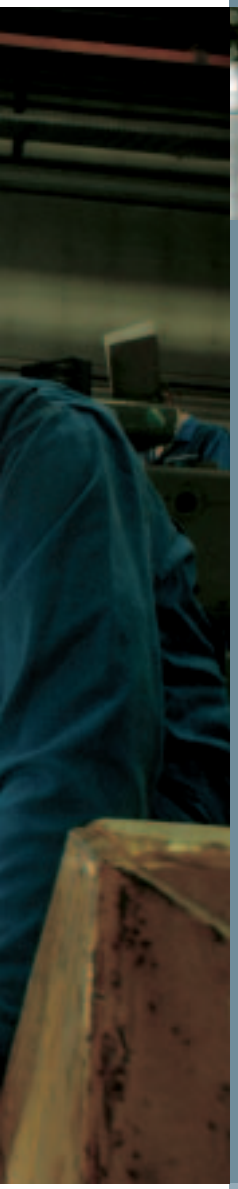
Setting and communicating goals

The goal-setting starts with business plans on a company-wide level. These are then cascaded throughout the organisation and translated into specific, measurable goals at all levels.

Performance contracts personalise the goals of the respective unit, and individuals can commit themselves to these goals because they understand their own contributions. More than 600 managers and supervisors were trained in Borealis' Performance Management System as of 2002, and 150 received special training in coaching and feedback skills.

Focusing on training and development

We expanded the Borealis Business Academy (BBA) in 2002. This is our development concept, which covers all of the company's organisational units and provides basic training for non-managerial staff. The BBA will become a global Borealis training & development platform in 2003.



Borealis is the most 'people-friendly company'

The Flemish Minister of Well-being, Health and Equal Opportunities, Mieke Vogels, declared Borealis in Belgium as the most "People-Friendly Company 2002," ahead of 70 others. Site Belgium received a lot of media attention, and almost every national and regional news medium published flattering articles about us.

The minister had invited human resources managers throughout Belgium to present their companies' innovative activities concerning work, family, care and leisure time. Borealis was singled out for its efforts in safety, health, stress and environment, flexible work culture to combine work and private life, and open communication.

Naturally, Borealis is proud of this award, especially considering the enormous competition. It confirms Borealis' belief in winning through people.

Dialogue and learning

We will continue to learn by maintaining a healthy dialogue among all levels of management, employees and labour unions. When Borealis was founded in 1994 we created the Corporate Co-operation Council, a forum where representatives from our locations in Europe meet with the Borealis Executive Board, Human Resources and Communications. This co-operation has been highly successful, and in 2002 we intensified the dialogue as a further means of developing Borealis into a high-performing organisation.

Measuring commitment

Human resource management and communication will continue to play key roles in the ongoing processes of change and transformation in Borealis.

Our Human Capital Index, a yardstick for employee commitment derived from an annual, group-wide People Survey, decreased from index 601 to 590 in 2002 after an increase in 2001 from 543. The lower result is somewhat disappointing, of course, but in view of the many organisational changes in 2002, the result is satisfactory. Outstanding was the high response rate – nearly 80% compared with 74% in 2001, especially considering that the 2002 survey was conducted solely on Borealis' intranet for the first time.

Borealis' progress in Responsible Care

Borealis' policy on health, safety and the environment (HSE) embraces the code of Responsible Care. This is the chemical industry's commitment to continuous improvement in the way we care for people, for nature and for the world in which we live.

A step change in safety

In 2002 Borealis began a comprehensive, company-wide behavioural training programme called "Step Change in Safety" with the support of DuPont Safety Resources. Overall, this focus on safety led to a 40% drop in total recordable injuries in Borealis, to 4.0 per million working hours from 6.9 in 2001 and from 8.4 in 2000. This development brings us among the leaders in the industry in safety.

Fewer fires and leaks

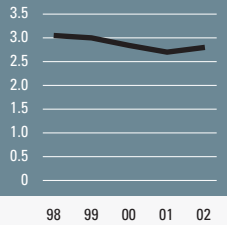
Fires and leaks at Borealis sites also fell due to increased focus on HSE. A total of 42 fires, and 27 liquid and gas leaks, were reported in 2002. This is a decrease of 30% and 70%, respectively, from 2001.

Process safety also in focus

Borealis has a group-wide unit dedicated to the function of operational process safety. In 2002 it:

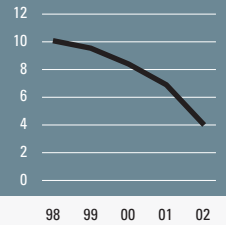
- Introduced a new, proactive process safety key performance indicator.
- Developed a revised risk-management tool in co-operation with our insurance broker.
- Improved the reporting and investigation of process safety incidents, and the follow-up on all actions taken.
- Promoted cross-learning among sites and companies through technical networks.

Sick leave percentage

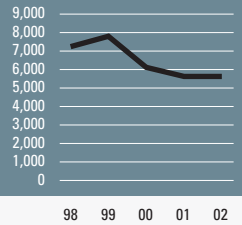


Total recordable injuries frequency*,

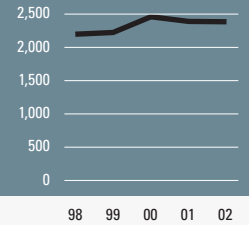
*Per milion working hours. Includes Lost Time Accidents, Restricted Work Cases and Medically Treated Cases, incl. contractors from 2000.



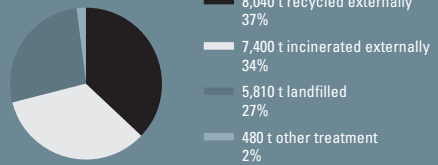
VOC emissions, tonnes/year



CO_2 emissions, tonnes/year



13,690 tonnes disposed waste and 8,040 tonnes recycled waste



Preventing illness and disease

Borealis has a systematic health programme whose aim is to prevent work-related illnesses and diseases. It consists of three main elements:

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

We monitor employees' health through a comprehensive, group-wide Workplace Survey every third year. The results are translated into action plans so risk groups can receive special attention.

Low sick leave

Sick leave in the Borealis Group amounted to 2.8% of total hours worked in 2002, up slightly from 2.7% in 2001 but still low for the industry. Some Borealis employees show a special risk of back pain and heart disease, and we address these on an individual or group basis. Another concern is job-related stress with complaints over the strain of balancing private life and work.

Throughout the year, Borealis sites held a range of employee activities including "Health Circles" to help workplace improvements, stop-smoking campaigns, a bullying symposium, safe driving courses, radon measurements of buildings, food promotions and fitness exercises.

Climate change and greenhouse gases

Borealis is developing a strategy on climate change and "greenhouse gases" (GHG) that includes both a group-wide effort and local site activities geared to the individual country's approach. The main greenhouse gas in Borealis is carbon dioxide (CO_2) that comes from our use of energy. Thus, reducing CO_2 will primarily mean reducing our energy consumption. Borealis' CO_2 emissions per tonne of product in 2002 remained at the same level as in 2001, at 0.35 kg.

Level hydrocarbon emissions

Borealis' monitored emissions of volatile organic compounds (VOCs) to air stayed at the same level in 2002 as in 2001, at about 5,800 tonnes. Emissions were lower at Sites Austria and Finland where emission-reduction projects have been completed. But flaring, which releases hydrocarbons, was higher in 2002 due to plant maintenance turnarounds. All sites have improved Leak Detection and Repair procedures that have gradually reduced emissions under normal operations.

Less benzene and butadiene

Borealis' emissions of benzene were 25% lower in 2002 at 150 tonnes, and butadiene emissions were 8% lower at 170 tonnes. These improvements stem from a concerted VOC reduction programme because they are known carcinogens and are closely monitored.

Flaring slightly higher

Flaring volumes were 55,000 tonnes in 2002, up from 53,000 tonnes in 2001. Flaring was reduced in Austria and Sweden because of technical investments and improved operation. However, other sites had increases, mainly due to a cracker fire in Finland in June, and maintenance turnarounds in two of the crackers and several polymer plants.

HSE investments

In 2002 Borealis invested EUR 10 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 figure.

Borealis gave employees approximately 77,000 hours of HSE training in 2002. Programmes are developed on the basis of reported incidents, audits and the needs identified by Borealis' HSE management system.

On our way to operational excellence

Safety and operational efficiency in plant operations are essential for Borealis to be a leading, profitable, integrated polyolefins supplier. We have set ambitious targets, and our goals are clear:

- To be an industry leader in safety
- To be number one in product consistency

Borealis made tangible progress in 2002. Overall plant operability increased by 3% during the year to 95%, and the level of prime grade production rose to over 97%.

Making a safer workplace

We launched a "Step Change in Safety" programme for all Borealis employees in 2002, beginning with management, based on the DuPont principles of changing people's safety behaviour. Our target was to reduce total recordable injuries (TRIs) per million working hours from 6.9 in 2001 to 4.0 in 2004.

In 2002, two years before schedule, we managed to cut our TRI frequency down to 4.0, which places us among the leaders in the industry. Now the challenge is to make this major improvement sustainable.

Aiming at no. 1 in product consistency

Borealis' goal is to be the industry leader in product consistency as measured by our customers. In 2001 we conducted benchmark studies, and in 2002 we launched cross-functional projects to improve all processes that influence the consistency of Borealis' products and services. Customer surveys in 2002 show that our efforts are clearly appreciated.

Hydrocarbons: New opportunities upstream

Borealis' strategy is to build a strong platform in hydrocarbons. We made a good start in 2002.

We strengthened our organisation in feedstock procurement and olefin commercial operations. Thus, we were able to extend our capability and take advantage of light feedstock flexibility, which accounted for 40% of our total feedstock supplies.

We benefited from better feedstock integration with our owners and with local refineries. These feedstocks fuelled a significant part of our polyolefin production via our olefin plants. Our phenol business also benefited from upstream integration, and significantly contributed to the positive result for Borealis' hydrocarbons business.

Borealis paid increased attention in 2002 to the cost-effective, third-party supply of olefins in a market of ever-more integrated suppliers.

Owners as suppliers

A significant share of Borealis' traditional feedstocks comes from our owners, mainly Statoil. Borealis' operations in Norway, Sweden and Belgium are well positioned to receive feedstocks from the North Sea. Large amounts of ethane, propane, butane, mixed LPGs, refinery grade propylene and liquid feeds came from gas separation units and refineries around the North Sea basin in 2002.

Borealis produced about 60% of its own olefins last year from three wholly-owned steam crackers and from two joint ventures, Noretyl and NSPO. In 2002 we successfully completed a 10% expansion of our Finnish cracker. A major share of the remaining olefins supply came from another Borealis owner, OMV.

The way ahead

Our objectives for 2003 and beyond are to be an industry leader in safety and to continually raise the operational performance of Borealis' plants. We will strive to obtain more competitive sourcing of feedstocks through integration with our owners and local refineries, to increase feedstock flexibility, and to improve commercial performance in feedstock procurement.

Borealis will increase the share of its own olefin supplies through better plant operability and increased output capacity. At the beginning of 2003, Borealis became a 100% owner of NSPO, adding some 250,000 tonnes per year of propylene production capacity to make Borealis the largest propylene producer in Belgium. We will also seek more flexible and competitive sourcing of purchased olefins and feedstocks from third parties by being a more active player in these markets.

Innovation for the value chain

Flexible packaging, with its wide variety of applications, is one of the most complex areas in the world of polyolefins. The industry demands constant innovation, differentiation and cost-conscious efficiency. Borealis is a European leader in PE and PP for the cast and blown film, extrusion coating, thermoforming, fibre and BOPP (biaxially oriented PP) film industries.

In 2002, Borealis formed a separate Film & Fibre Business Unit to bring a special focus to this large and growing market. Our strategy is to:

- Reinforce market leadership in applications where we hold a strong position.
- Deliver the best value propositions to meet customers' needs.
- Maximise our development and customer focus on speciality and value-added markets.

Replacing conventional materials

The market growth in 2002 for PE and PP film and fibre was around 4%. The driving force in this growth is the substitution of other packaging materials such as white tin, aluminium and paper.

Producers strive for cost-improved, down-gauged films and lighter-weight fibres. New properties such as improved stiffness, better optics and easier sealing enable our customers

"Today, about 90% of our film products are made from Borstar® grades. This has helped us beat our toughest competitors. Now supermarkets are actually asking for Borstar bags by name."

Göran Palmer, Managing Director of HP-Plast

HP-Plast: Borstar® bags – by popular demand

Borealis customers achieve market success with Borstar PE film products due to a unique balance of properties that delivers value from producer to consumer. One such customer is HP-Plast of Sweden, who manufactures rolls of freezer and trash bags sold in supermarkets in the Nordic countries.

Back in 1996, one of HP-Plast's customers complained that conventional freezer bags were just not strong enough. The rate of breakage was high, and consumers were complaining. This resulted in an extensive testing programme that included several film recipes and a variety of real-life simulations.

"Borealis came up with an excellent new PE material called Borstar. Now we could achieve a thinner gauge of film, but with higher strength," explains Göran Palmer, Managing Director of HP-Plast. "Today, about 90% of our film products are made from Borstar grades. This has helped us beat our toughest competitors, all of whom are located in Asia. Now, supermarkets are actually asking for Borstar bags by name."

to deepen their market penetration. New packaging features such as peeling and push-through opening, and longer product shelf life, are meeting the demands for more consumer-friendly, single-unit packaging.

Achievements in 2002

Borealis can report a number of accomplishments in film and fibre during the past year:

- New grades of Borclear™ PP cast film were able to replace conventional materials in candy wrap and metallised packagings.
- Daploy™ PP grades with high melt strength entered new sheet applications such as foamed trays for food packaging and automotive interior.
- Extension of the Borseal™ terpolymer grade range for sealing layers in BOPP films.
- First use of PP fibre for easy-to-bond, soft fibre applications.

Shaping competitive advantages

Moulded polyolefin products make our everyday life more convenient through a wide variety of packaging products for food protection and conservation, and cost-effective logistics systems using crates, boxes and pails. We also use moulded products in the form of bottles, toys, sporting goods and medical devices.

Borealis is a European leader in PE grades for the blow moulding and rotational moulding industries, and in PP for caps and closures, thin-wall packaging and blow moulding. The marriage of technology and innovation creates value-added products for new markets and new business opportunities.

In 2002 Borealis formed a separate Moulding Business Unit to focus resources on growth in this sector. Our strategy is to:

- Create business in application areas where polyolefins do not yet exist by substituting other materials, and by developing completely new applications.
- Offer creative solutions to our customers that combine the needs and requirements of the entire value chain.
- Translate technological know-how in products and applications into economic benefits.

"We clearly defined our expectations, and Borealis adjusted the blending to come up with a product that enables us to offer something different to our customer."

Philip Jones, General Manager of Sales & Marketing, RPC

RPC: Borpact™ lets the customer see the colour

The versatility of polyolefins has led to the ongoing substitution of traditional materials. RPC Group of the UK, Europe's leading supplier of rigid plastic packaging, is already reaping the benefits of polyolefins in its consumer and industrial products. As a result, RPC is able to deliver light-weight, recyclable packaging with fewer processing steps and other cost benefits throughout the value chain.

RPC and Borealis have further developed transparent packaging solutions through Borpact. This PP innovation offers a combination of stiffness and product visibility to RPC's customer, ICI Paints, which has chosen Borpact for the "cans" in its newly-launched range of consumer paint products.

"This is a novel new packaging concept, a clear container so the customer can see the colour of the paint," says Philip Jones, General Manager of Sales & Marketing, RPC. "We clearly defined our expectations, and Borealis adjusted the blending to come up with a product that enables us to offer something different to our customer."

Borstar® broadens the portfolio

Our Borstar process technology for PE and PP creates new opportunities by meeting customer requirements through an ever-broader property portfolio. Borealis' key achievements in moulding in 2002 included:

- Replacement of ABS plastic through high-impact, ultra-high-stiffness PP.
- Introduction of a heat-resistant PP grade for blow moulded bottles for food applications with excellent stiffness, material savings, and increased production efficiency during moulding and filling.
- Development of a higher melt-flow product in thin-wall packaging, leading to improved productivity for the customer.
- Introduction of Bormod™ products for transport packaging, creating new market opportunities due to an improved stiffness/impact balance.
- Use of new technology in the production of Borstar PE grades for the closures industry, enabling downgauging and higher output rates for drink and food applications.
- PP block copolymers for caps and closures that offer stability with different colours, thereby reducing scrap production and transition time for customers during colour changes.

Borealis innovations benefit the pipe industry

Borealis' proprietary Borstar® technology has resulted in highly specialised PE products with unique benefits for water, sewer and gas pipe producers, and ultimately, the end-users. Our broad portfolio also includes high-performance PP, cross-linkable BorPEX™, Borecene Compact™ products for rotational moulding, and PE and PP products for steel pipe coating.

We aim to be the leader in the speciality pipe market. Our strategy is to:

- Focus on value-added applications where innovation counts and high, long-term product performance is clearly specified.
- Continue to form partnerships with customers, installers and end-users to develop the right pipe solutions that enable a lower total lifetime cost.

Potential for growth

Polyolefins continue to replace old-generation materials like concrete, iron and steel in infrastructure development and buildings. Public utilities and building engineers appreciate the advantages of PE and PP, including the extraordinary properties provided by the Borstar PE process. The share of polyolefin pipe systems is expected to increase from 18% of total pipes installed in 2000 to 22% in 2005. PP materials are expected to grow fastest, especially in sewage, wastewater and drainage applications.

"Uponor uses only the best materials available. Borstar® ME3441 was designed for good performance, so Borealis is now one of our resin suppliers for the UK gas network's PE pipes."

Dr. Jeremy Bowman, Product Development Director of Uponor IEE

Uponor Ltd.: Borstar® goes underground in the UK

Borstar PE will play an important role in the UK natural gas network as the country has begun a 30-year project to remove all cast iron pipes within 30 metres of residential buildings and replace them with PE material with proven reliability.

Originally the network manager, Transco, and the pipe supplier, Uponor Ltd., almost left Borealis out of the competition because they felt that the existing Borealis PE80 resin was not equivalent to the best PE80 resins from other resin producers. But Borealis teamed up to develop a bimodal grade (Borstar ME3441) for gas pipes that convinced Transco and Uponor of the advantages: strength under pressure and a greater safety factor.

"Uponor uses only the best materials available, and we approve them according to the procedures required by Transco," says Dr. Jeremy Bowman, Product Development Director of Uponor Infrastructure & Environment Europe. "Borstar ME3441 was designed for good performance, so Borealis is now one of our resin suppliers for the gas network's PE pipes."

New products, better processing, increased capacity

Borealis achieved a number of milestones in the pipe business in 2002:

- We improved the performance of our Borcoat™ steel pipe coating system by introducing an improved adhesive, giving a broader processing window and higher peel strength.
- We strengthened our global leadership by launching new coloured Borstar products for gas and water applications, and extending the availability of existing Borstar black PE products.
- We launched new Borecene Compact™ black pellets for rotomoulding applications, featuring easier handling, less dust for the moulder by completely bypassing the grinding stage, and better mechanical strength and surface finish on the end-product.

In 2002 we held an international pipe seminar in Sweden on how polyolefins create value and provide cost benefits. It earned positive feedback from all players in the value chain. In 2003 we will continue to focus on innovative PE and PP product development for our customers in pipe and the supply of pipe systems around the world.

PP materials that are stronger, safer and lighter

Borealis is one of Europe's biggest suppliers of PP and PP-based compounds to the automotive and home appliance industries. We are an innovative, long-term partner of original equipment manufacturers and system suppliers, providing advanced materials and engineering support.

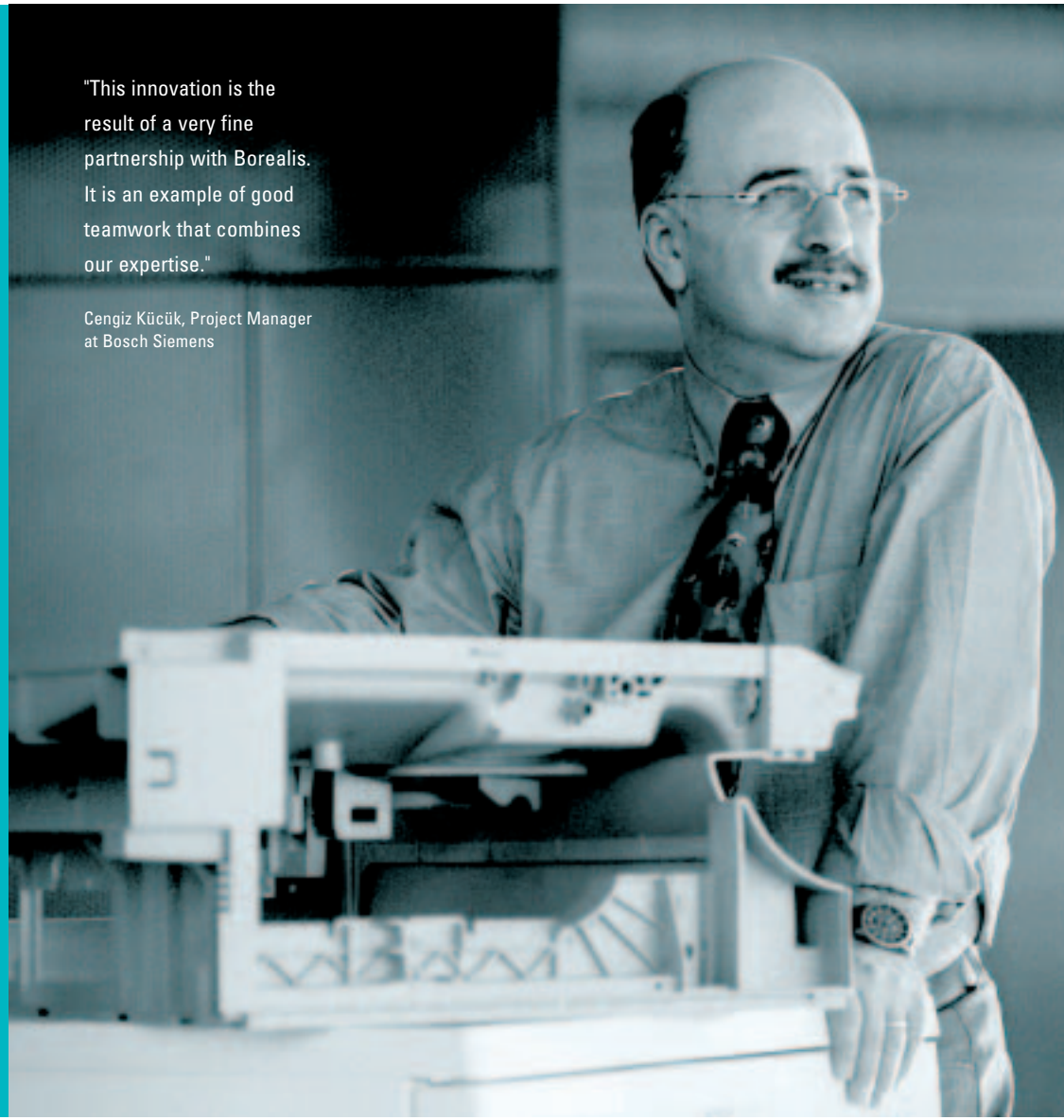
PP and PP quality compounds increase safety in the final product and reduce weight, leading to less energy consumption. They offer a unique cost/benefit ratio as they consolidate the number of parts and speed the introduction of new products to the market.

The automotive and appliance industries are characterised by highly competitive, consumer-oriented markets, both of which are served by increasingly fewer but global producers.

New automotive customers

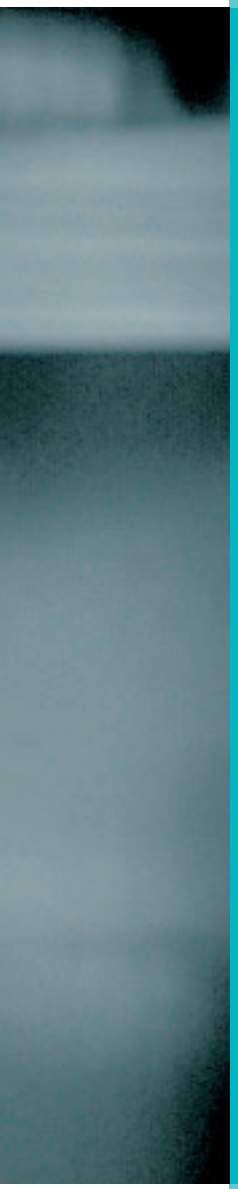
Western European car production decreased by nearly 2% in 2002 in a continued weak economy but Borealis' sales to the industry increased. Highlights included:

- The fast-growing market for long fibre technology (LFT) in new cars, such as the running changes in the new VW Golf front end, and new model launches like the Citröen C3 and VW Touareg.
- Series approval for new Mercedes E and CLK models' bumper crash box. The material belongs to our "zero-gap" product family that helps body parts fit tightly, providing part integration that absorbs crash energy and enhances the car's safety.



"This innovation is the result of a very fine partnership with Borealis. It is an example of good teamwork that combines our expertise."

Cengiz Kücük, Project Manager at Bosch Siemens



Bosch Siemens: PP replaces stainless steel in dishwasher tub

Borealis and leading household appliance manufacturer Bosch Siemens worked in close partnership to develop the first PP dishwasher tub in Europe, replacing stainless steel. The result is not only a marked reduction in manufacturing costs, but further improvements in product properties such as corrosion resistance and noise reduction.

Although standard PP already has a high level of chemical resistance, the in-use environment of a dishwasher tub, which combines rinse aids, hot water and detergent, required enhanced properties. The new PP grade, based on a high-talc "stabilisation package," features excellent heat and chemical resistance, outstanding stiffness and impact performance, along with minimal discolouration after prolonged use.

"This innovation is the result of a very fine partnership with Borealis. It is an example of good teamwork that combines our expertise," says Cengiz Kücük, Project Manager at Bosch Siemens. "I hope we will continue this partnership in the future."

Driving this development was Bosch Siemens' triple objectives of improved performance, increased customer value and manufacturing cost reduction. The dishwasher is now in commercial production in Poland.

- Further market penetration of Borealis' zero-gap products for bumper fascias. This earned us contracts for the Fiat Ducato, Seat Ibiza, Porsche Cayenne and VW Touareg bumpers, together with technical approval of an entirely new grade for the Ford Fiesta bumper.
- Development grades for automotive interiors, with excellent scratch-resistance, state-of-the-art mechanical performance and low fogging/emission. This brought new contracts for the Fiat Punto and Lancia Y11 dashboards.

Innovations in home appliances

The appliance market in western Europe was flat in 2002 but Borealis strengthened its position in some key areas:

- Glass fibre-reinforced PP materials for the tubs in Whirlpool washing machines, offering reduced weight and easier assembly.
- Development of a PP grade that resists corrosion, detergents and discolouration, approved for washing machine tubs by our customer, Merloni.
- Joint development of a new air conditioner by Whirlpool and Borealis-OPP. The PP material, with excellent UV stability and stiffness/impact balance, is quieter than metal models, and does not rust.

The power to deliver profitable growth

Borealis is the recognised leader in polyolefin insulation and jacketing materials to the global wire and cable industry, with over 35 years of experience. We develop material solutions that offer superior productivity and end-user value in partnership with leading cable producers. Our strategy is to:

- Create and deliver value by providing customers with sustainable and profitable growth.
- Develop innovative wire and cable solutions that broaden the market for polyolefins.
- Maintain our leadership in Europe, and strengthen our positions in North and South America, the Middle East and Asia.

Strong demand for power cables

The market for power cables continued to grow in 2002 by over 7%, driven by the steady growth in electric power consumption and the increasing use of underground cables instead of overhead lines. Demand also remained strong for high-voltage cables, where Borealis holds the global benchmark. To keep pace with these developments, we continued to increase production capacity for all materials needed for cross-linked polyethylene (XLPE) cables.

The low-voltage market has also seen stable growth in recent years. Our Visico™ and Ambicat™ cross-linking technology has become a recognised insulation concept, providing

"We have developed solutions and solved problems in close contact with our Borealis partners."

Frank Lübbe, Pirelli's leader of Energy Cable Research, Development & Engineering

Pirelli Energy Cable Germany: Working together to become technical leaders

Prices for low voltage cables have been driven down by overcapacity in the cable production industry. Manufacturers are faced with huge competition and are forced to find greater efficiency in production.

Borealis developed the Visico™ and Ambicat™ system of cross-linked PE to help producers of low- and medium-voltage cable achieve superior quality at competitive cost. The unique system enables them to optimise production through longer campaigns, less scrap, higher output and improved safety.

Pirelli is a major force in the European cable industry and a significant player on the world market. Pirelli Energy Cable Germany, formerly Siemens, has used Visico from the beginning in 1990 and introduced the Ambicat catalyst in 2000.

"We have been able to modify our technology in the direction of shorter production cycles with the Ambicat catalyst system from Borealis," says Frank Lübbe, Pirelli's leader of Energy Cable Research, Development & Engineering in Germany. "We have developed solutions and solved problems in close contact with our Borealis partners. Today, we are one of the technical leaders in Europe."

production economics and the potential for cable downsizing. Telecommunication continued to be the weakest market sector in 2002 with reduced investments in networks.

The fire safety of electric cables in buildings is receiving increased attention, especially smoke evolution and the toxicity of smoke gases. Borealis made a tangible contribution with our low-smoke Casico™ products.

Superior properties

In 2002 we launched:

- More Borstar® grades in our medium- and high-density PE jacketing family, providing an unrivalled combination of processing, installation and end-use properties.
- High-strength jacketing material based on our Casico technology, with the potential for downsizing of building cables.
- PP-based material for loose tube, fibre-optic cables, with the potential for material cost savings.
- A Casico-based grade for automotive primary cable on the U.S. market.

Borealis' experience in wire and cable is reflected in our Wire & Cable vision: "To be a leading supplier, delivering profitable growth."

Borstar® PE from the new Borouge plant is shipped to customers all over the Middle East, India and Asia.

Borouge: A new player in the Middle East & Asia

In 2002 Borealis strengthened its presence in the rapidly growing markets of the Middle East and Asia through the Borouge joint venture with the Abu Dhabi National Oil Company (ADNOC). We reached a milestone in January when the new petrochemical complex at Ruwais, UAE, shipped its first commercial batch of Borstar® PE to customers.

The EUR 1.4 billion project was completed within budget, on schedule, and with an excellent safety record. The 600,000 tonnes-per-year ethylene cracker and both 225,000 tonne PE plants have now shown that they can run at design capacity on a sustained basis, producing more than 300,000 tonnes of prime quality Borstar PE in the first year of operation.

The Ruwais facility earned ISO 9001 certification in October, and was officially inaugurated by His Highness Sheikh Khalifa Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi, with about 700 customers, dignitaries and news media in attendance.

Borouge customer Dabur Ltd. in India switched to Borstar® HDPE because it could reduce the weight of blow moulded bottles.

Ambitious goals for an integrated sales force

The first Borstar plant outside Europe produces high-, medium- and linear low-density PE for the flexible and rigid packaging, wire and cable, and pipe industries. About 60% of the production is targeted for Asia, 30% for the Middle East and 10% for India, where Borouge aims to capture at least a third of the region's bimodal PE market.

Borouge Pte Ltd in Singapore, a separate joint venture with ADNOC, is responsible for marketing, sales and technical servicing of Borouge and Borealis' entire product ranges throughout the Middle East and Asia.

A good start with challenges ahead

Borouge's operations and sales of high-performance polyolefin products exceeded expectations for the first year of operation, with highly positive customer response.

However, a number of challenges still lie ahead:

- Making the joint venture a commercial success by capturing a leading position for Borouge and Borealis value-added products in the key markets.
- Streamlining the organisation and operations for greater efficiency and improvement in the supply chain. The production goal for 2003 is to approach full nameplate capacity in volume.
- Expansion of the total PE capacity from 450,000 to 600,000 tonnes, for which a pre-study was initiated in 2002.

With its new Borstar PE plants, and a committed staff of more than 30 nationalities, Borouge is now a major player in the polyolefins industry in the Middle East and Asia.

Researchers working
on the next generation
of catalysts

Accelerating innovation

Innovation plays a critical role in Borealis' strategy of creating and delivering value to our customers. Our goal is to be the clear market leader in key segments, and to build on our established track record in product and technology development.

To achieve this, Borealis reorganised its research and development to strengthen the focus on high-performance, cost-effective, differentiated polymers. Our innovation process has been enhanced, and the technology organisation has been streamlined and will be consolidated into four innovation centres to accelerate the time-to-market of new products:

- One Centre for Catalysis & Process Research and Borstar® pilot plants in Finland, where Borealis' proprietary Borstar technology was born.
- Three Centres for Polymer Design and Applications Development with Moulding (Norway), Film & Fibre (Norway and Austria), Pipe, Wire & Cable (Sweden), and Automotive & Home Appliances (Austria).

We have also increased investments in long-range research to provide a strong platform for future innovations.

Designing advanced polymers

Borealis developed 13 new PE products and 10 PP products in 2002, including four based on single-site catalysts. To reach this positive result we have applied a deeper understanding of structure and property relationships for improved product performance, such as the balance between melt strength and elasticity in designing innovative new grades for blow moulding applications.

Another example is our knowledge of enhanced homogeneity in bimodal polymers, like those from our Borstar technology. This enables us to produce superior grades for a variety of applications from film to pressure pipes.

Successful new Borstar plants

The start-up of two Borstar licensees in 2002, the Borouge joint venture in Abu Dhabi and the Shanghai Petrochemical Company in China, clearly demonstrated the capability of Borstar technology. To ensure excellent polymerisation operations, we installed our leading, multi-variable control software, BorAPC. Both PE plants moved successfully from project stage to full operation, and the products have been well received in the Asian and Middle Eastern markets.

Milestones in 2002

Borealis marked a number of milestones in research and technology. In 2002 we:

- Recorded zero workplace injuries.
- Established a partnership in catalyst manufacturing and proprietary catalyst activities with Grace Davison.
- Filed almost 50 new patent applications and 10 oppositions against competitors. We also won three previous opposition cases.
- Plotted the necessary steps in our next generation of catalyst systems, including process improvement to meet the requirements of tomorrow's products.
- Presented a number of noteworthy papers at national and international conferences, along with articles published in leading magazines.
- Began a number of measures to implement systematic knowledge-sharing across Borealis.

Risk management & corporate governance

In 2002 Borealis established a Risk Management & Corporate Governance (RMCG) unit in response to the new demands placed on businesses by the insurance and finance sectors after recent acts of terrorism and incidents of corporate scandal.

One of the top priorities of the new Risk Management function is to ensure an effective system of internal controls throughout Borealis. This will help safeguard the company's assets and reduce the risk of not achieving the group's business objectives.

It is Borealis' belief that:

- Raising risk awareness throughout Borealis will increase site operability, and reduce the frequency and severity of accidents.
- Risks relating to Business, Finance, Legal, and Human Resources need to be addressed in a manner consistent with risks related to health, safety and the environment. This will allow for a better prioritisation.
- Internal Borealis functions and external bodies will increasingly require us to demonstrate how risks are managed.

More focus on risk management

Borealis' aim is not only to minimise the cost of risk transfer, but to improve our risk profile and safeguard Borealis' business by protecting its people, its reputation and its financial worth.

In addition to establishing the RMCG, other measures have included:

- Integrating structured risk assessment as part of Borealis' business planning process.
- Identifying and assessing Borealis' risk landscape.
- Reviewing the internal control environment in the Group.
- Launching a process safety auditing tool, named Borealis Blue, at all sites to measure ourselves against industry best practices and find areas for improvement.

Taking risk is an integral part of doing any business. Borealis' aim is not to become totally averse to risk, but to better understand the risks we are taking and have a strategy in place for minimising both their likelihood and impact.

Better corporate governance

Good corporate governance supports business and stakeholder value creation. Many countries are now introducing legislation along the lines of the UK Combined Code of Corporate Governance. This requires Boards of Directors to look more closely at internal controls, risk assessment and management systems to safeguard assets and company value.

Borealis' ambition is to have a fully-documented and regularly-evaluated internal control system which benefits the organisation and helps us achieve our objectives.

Communication, awareness, documentation, and the linking of internal controls to key performance indicators will take Borealis to a new level of corporate governance and fulfil the requirements of our stakeholders.

Borealis' risk landscape

The following is a snapshot of some of the risks identified together with the measures Borealis is taking to minimise them. This list is constantly being reviewed and updated.

- **Incidents or accidents at own plants:** Borealis is conducting a vigorous employee-training programme in safety behaviour. We have also established Borealis Blue, a process safety auditing tool.
- **Failure of product supply through plant breakdown or process failure:** Borealis implemented a new plant maintenance strategy in 2002 and improved operational excellence.
- **Competitor action, such as holding a patent in a key development area:** Borealis does extensive patenting work to protect its innovations. R&D activities will be consolidated and a new Innovation Process will be applied to speed the time-to-market and ensure higher value from the innovation pipeline.
- **EU directives and environmental legislation:** Borealis adheres to the chemical industry's principles of Responsible Care, and strives to meet or exceed all regulatory requirements.
- **Inadequate competence of personnel, leading to a minor failure:** Borealis provides professional development and safety training, and is introducing a new, improved system of internal controls.
- **Security of internal supply of raw material feedstock:** In 2001 Borealis established a Hydrocarbons Business Group whose task is to obtain more competitive sourcing of feedstocks, to increase feedstock flexibility and improve commercial value in feedstock procurement.
- **Marine transportation – losses or delays in delivery:** Borealis transfers the financial impact either through contractual arrangements or by means of insurance.
- **Reorganisation – leading to loss of focus, experience or knowledge:** A properly-managed people process is at the heart of any major change programme. "Respect" is one of Borealis' Values, and it involves straightforward communication acknowledging our cultural diversity. This, combined with the new internal control system, ensures that we will not lose focus.

Financial review

Highlights

- After a strong increase in the first half of the year, polyolefin market prices decreased throughout the second half and were on average 8% lower than in 2001.
- Net profit was EUR 6 million, compared with a net loss of EUR 41 million in 2001, and return on capital employed after tax was 3%, compared with 2% in 2001. The main drivers behind the better result were higher volumes, improved margins and lower finance charges.

Review of results

Sales and sales margins

Borealis sales grew by 4% in line with the overall market. While polyolefin market prices were on average 8% lower, Borealis prices were only 6% lower. Similarly, although the average price of napthta, the main feedstock, remained of 2001 levels reducing the industry average margin, Borealis managed to mitigate this impact through feedstock flexibility. Thus, overall, Borealis' average margin increased.

Cost development

Fixed costs were slightly higher than 2001 due to the ongoing transformation. Research and development costs amounted to EUR 39 million, of which EUR 16 million have been capitalised.

The number of employees by the end of 2002 was 5,085, a reduction of 212 compared with last year due to the sales of operations in Sweden and France and the transformation programme.

Operating profit

Operating profit amounted to EUR 85 million, compared with EUR 54 million in 2001. Volumes had a positive impact on the 2002 result.

Return on capital employed

The return on capital employed after tax amounted to 3%, up from 2% in 2001. The average for 1994-2002 is 8%.

Sensitivity analysis

The table below illustrates the approximate effect of changes in market conditions on Borealis' pre-tax profits, as at the end of 2002.

Sensitivity, EUR million	2002	2001
Polyolefins prices +/-25 EUR/tonne	+/-84	+/-81
Polyolefins sales volumes +/-5%	+/-36	+/-33
Naphtha prices +/-10 USD/tonne	-/+23	-/+23

Financial income and expenses

Net financial expenses amounted to EUR 67 million, compared with EUR 81 million in 2001. This was due to a decrease in interest-bearing debt and average interest rates and a change in foreign exchange differences, which showed a profit of EUR 3 million, compared with a loss of EUR 3 million in 2001.

Taxes

The provision for income taxes amounted to an expense of EUR 24 million (EUR 18 million in 2001). Borealis received a repayment of income taxes of EUR 14 million in 2002, compared with a payment of EUR 48 million the previous year.

Net profit and distribution of dividend

The net profit for the year amounted to EUR 6 million, compared with a net loss of EUR 41 million in 2001. The Board of Directors proposes that no dividend be paid for 2002.

Financial position

Total assets/capital employed

Total assets and capital employed stood at EUR 3,201 million and EUR 2,349 million, respectively, at year-end, compared with EUR 3,437 million and EUR 2,653 million at year-end 2001. The decreases of 7% and 11%, respectively, are due to the decrease in current assets (inventories and accounts receivables), driven by a tighter credit management, control of inventory levels, the impact of lower prices and an increase in asset securitisation.

The solvency ratio was 40% at year-end 2002, compared with 38% at year-end 2001. The gearing ratio decreased to 79% at year-end 2002, significantly down from 102% in 2001, the effect of the reduction in interest-bearing debt.

Cash flows and liquidity reserves

Cash flow from operations was EUR 350 million (EUR 291 million). The increase came from decreased inventories and receivables. Asset securitisation also had a positive impact.

Liquidity reserves, made up of undrawn, long-term committed credit facilities and cash balances, amounted to EUR 505 million at year-end 2002 (EUR 411 million).

Net interest-bearing debt decreased strongly and stood at EUR 1,007 million at year-end, down from 1,304 at end-2001. The change in net interest-bearing debt is analysed in the following table:

Change of net interest bearing debt

EUR million	2002	2001
Cash flow provided by operating activities	350	291
Capital expenditure	-134	-144
Financing of associated companies	4	-129
Other	77	-13
Dividend paid	-	-4
Total decrease/increase	297	1

Capital expenditure

Of the EUR 134 million capital expenditure incurred in 2002, EUR 103 million was invested in tangible fixed assets (EUR 147 million in 2001). As in 2001, no major projects were started in 2002. HSE capital expenditure was EUR 10 million.

Depreciation and amortisation amounted to EUR 184 million, compared with EUR 173 million in 2001.

Shareholders' equity

The equity at year-end 2002 was EUR 1,276 million (EUR 1,284 million).

Equity development, EUR million	2002	2001
Net result	6	-41
Exchange adjustment, net	-14	-11
Gross increase/(decrease)	-8	-52
Dividend paid	-	-4
Net increase/(decrease)	-8	-56
Opening equity	1,284	1,340
Ending equity	**1,276**	**1,284**

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 Directors. Borealis aims to minimise effects related to foreign exchange, interest rate, liquidity, credit and refinancing risks. The use of any financial instruments is based on actual or forecasted underlying commercial or financial cash flows, or identified risks as defined in the policy.

Financial risk management is centralised in the Tax & Treasury department where the exposures of 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 a duration benchmark.

Foreign exchange translation differences relating to Borealis A/S' long-term investments in subsidiaries are charged directly to equity. The exposures are partly hedged by long-term borrowings in the same currencies. Hedges are generally placed in the legal entities where the underlying exposure exists. When certain conditions are met, Borealis applies IAS39 hedge accounting principles to foreign exchange and interest rate hedges.

Borealis' cash balances are deposited in the money market or 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.

Group 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.

Accounts for 2002

ACCOUNTING PRINCIPLES

Statement of compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), Danish accounting standards and the Danish Financial Statements Act for companies in class D. The financial statements have been prepared according to the same principles as previous year.

Basis of preparation
The financial statements are presented in Euro (EUR), rounded to the nearest million. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and investments held for trading. Recognised assets and liabilities that are hedged are stated at fair value in respect of the risk that is hedged.

Consolidation principles
The consolidated financial statements include the accounts of Borealis A/S, the Parent Company, and all the companies in which Borealis A/S, either directly or indirectly, has a majority voting interest. Companies in which the Group has significant influence, but not control are considered as associated companies. Companies which are not subsidiaries but in which the Group owns 20% or more, including jointly controlled operations, are also considered as associated companies.

The consolidated financial statements are based on audited financial statements of the parent company and each individual subsidiary. The accounts have all been prepared in accordance with the Group's accounting policies. Items of a similar nature have been combined. Intra-group transactions, unrealised intra-group profits, internal shareholdings, and intra-group balances have been eliminated.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Acquired subsidiaries and associated companies are included in the consolidated financial statements from the date of control. A revaluation 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 is capitalised as goodwill and amortised over its expected lifetime. Any negative goodwill is recorded under provisions and charged to the income statement.

Foreign currency
Assets and liabilities denominated in foreign currencies have been translated into 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. As the Group's activities are mainly based throughout Europe, EUR is used as both the measurement and reporting currency. 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 and associated companies as of January 1 using the closing rate on December 31, translation of long-term intra-group receivables that are considered part of investments in subsidiaries or associated companies, conversion of long-term loans hedging net assets of foreign subsidiaries and associated companies or intra-group receivables considered part of investments in subsidiaries and associated companies, 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
Derivative financial instruments
The Group uses derivative financial instruments to hedge its exposure to foreign exchange, interest rate and commodity risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. Recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price. The fair value of naphtha and electricity contracts is their quoted market price at the balance sheet date.

Cash flow hedges
Where derivative financial instruments are designated as a hedge of the variability in cash flows of a recognised liability, a firm commitment or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the firm commitment or forecasted transaction results in the recognition of an asset or liability, the cumulative gains or losses are removed from equity and included in the initial measurement of the asset or liability. Otherwise the cumulative gains or losses are removed from equity and recognised in the income statement at the same time as the hedged transaction. The ineffective parts of any gains or losses are recognised in the income statement immediately. Any gain or loss arising from changes in the time value of the derivative financial instruments are excluded from the measurement of hedge effectiveness and are recognised in the income statement immediately.

When a hedging instrument or hedge relationship is terminated but the hedged transaction still is expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

Hedge of monetary assets and liabilities
Where derivative financial instruments are used to economically hedge the foreign exchange exposure of a recognised monetary asset or liability, hedge accounting is not applied and any gain or loss on the hedging instruments is recognised in the income statement.

Hedge of net investment in foreign operation
Where a foreign currency liability hedges a net investment in a foreign operation, foreign exchange differences arising on translation of the liability are recognised directly in equity.

Income statement
Revenue recognition
Revenues from sales of goods are recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Net sales comprise sales invoiced during the year excluding value-added tax and after 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. The expenditure capitalised includes the costs of materials, direct labour and an appropriate proportion of overheads

Other development costs not meeting those criteria are recognised in the income statement as an expense as incurred.

Results from associated companies
Investments in associated companies and investments in jointly controlled operations are recorded under the equity method. A proportionate share of the profit/loss of these companies is included in the income statement.

Net financial items
Interest income and expenses are included in the income statement with the amounts relating to the financial year.

Net financial items also include borrowing costs and costs incurred on finance leases as well as realised and unrealised gains and losses from exchange and price adjustments of financial instruments, investments and items in foreign currencies.

Income tax

The income tax charged to income statement comprises expected tax on the taxable income tax for the year, adjusted for the change in provision for deferred tax assets and liabilities for the year.

Balance Sheet

Intangible fixed assets

Goodwill arising on an acquisition represents the excess of the costs of the acquisition over the fair value of the net identifiable assets acquired. Goodwill is stated at cost less accumulated amortisation and impairment losses. The amortisation period is determined at the time of the acquisition, based upon the particular circumstances, and range from 5 to 20 years.

Licences and patents externally acquired are stated at cost less accumulated amortisation. Amortisation is according to the straight-line method based on the estimated lifetime or 20 years, whichever is shorter.

Capitalised development costs are stated at cost less accumulated amortisation. Amortisation is charged to the income statement on a straight-line basis over the expected lifetime of the asset of 3-10 years.

Costs to purchase and develop software for internal use are capitalised and amortised on a straight-line basis over 3-7 years.

Tangible fixed assets

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

Production plants include land and buildings, and related non-movable machinery and equipment. Assets held under finance leases are also included.

Machinery and equipment includes purchase price and any directly attributable costs.

Depreciation is made on a straight-line basis over the expected useful life of the assets. The useful lives of major assets are fixed individually, while the lives of other assets are fixed in respect of groups of uniform assets.

Land is not depreciated. Buildings are depreciated over 20-50 years; production facilities over 15-20 years; and machinery and equipment over 3-15 years. Assets held under financial lease are depreciated over the lease period. 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, other than inventories, deferred tax assets and certain financial assets, are reviewed at each 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

Investments in subsidiaries, associated and jointly controlled 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 investments

Other investments are stated at fair value with any resultant gain or loss recognised in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are based on the first-in first-out principle (FIFO method), and comprises direct costs such as materials, utilities, salaries and wages, and a systematic allocation of fixed and variable production overhead costs.

Trade and other receivables

Receivables are stated at nominal value, less impairment losses.

Trade and other payables

Payables are recorded at nominal value.

Financial institutions

Interest-bearing borrowings are recognised initially at cost, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised costs.

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 balance sheet liability method.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. 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.

Negative goodwill

Negative goodwill arising on an acquisition represents the excess of the fair value of the net identifiable assets acquired over the cost of acquisition. Negative goodwill is amortised over 5 years.

Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Defined benefit plans

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine the present value of it, and the fair value of any plan assets is deducted. A qualified actuary, using the projected unit credit method, performs the calculation.

In calculating the obligation in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

Government grants

Government grants include grants for research and development as well as investment grants. Research and development grants are recognised in the income statement on a systematic basis to offset the related cost, or offset against capitalised development costs. Investment grants are recognised in the balance sheet 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. The cash flow from investing activities comprise payments made on the purchase and disposal of undertakings and activities and the purchase and disposal of tangible and intangible assets. The cash flow from financing activities comprise changes in the Group's share capital, as well as loans, repayments of principals of interest-bearing debt and payment and dividends. Cash and cash equivalents consist of cash and bank deposits.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

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 Management and Board of Directors have today discussed and adopted the annual report for 2002 of Borealis A/S.

The annual report has been prepared in accordance with the International Financial Reporting Standards (IFRS), the Danish Financial Statements Act and Danish accounting standards. We consider the accounting policies applied to be appropriate. Accordingly, the annual report gives a true and fair view of the Group's and the Company's assets, liabilities and financial position as of December 31, 2002. It also gives a true and fair view of the results of the Group's and the Company's activities and the Group's cash flows for the financial year ended December 31, 2002.

We recommend that the annual report be approved at the Annual General Meeting.

Copenhagen, February 24, 2003

Management:

John Taylor
Chief Executive

Clive Watson
Chief Financial Officer

Klaus Holme
Director

Board of Directors:

Gerhard Roiss
Chairman

Erling Øverland
Vice Chairman

Mohamed Al Khaily

Finn Kulås

Auditors' report

To the Shareholders of Borealis A/S

We have audited the annual report of Borealis A/S for the financial year ended December 31, 2002. The annual report is the responsibility of the Company's Board of Directors and Board of Executives. Our responsibility is to express an opinion on the annual report based on our audit.

Basis of Opinion

We conducted our audit in accordance with International Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual report. An audit also includes assessing the accounting policies used and significant estimates made by the Board of Directors and Board of Executives, as well as evaluating the overall annual report presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the annual report gives a true and fair view of the Group's and the Parent Company's financial position at December 31, 2002, and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year, in accordance with the Danish Financial Statements Act, Danish Accounting Standards and International Financial Reporting Standards (IFRS).

Copenhagen, February 24, 2003

KPMG C. Jespersen

Torben Kristensen

Søren P. Krejler

State Authorized Public Accountants

CONSOLIDATED INCOME STATEMENT

EUR million	Note	2002	2001
Net sales	1	**3,514**	**3,708**
Production costs	2,3,9	-2,886	-3,141
Sales and distribution costs	3, 9	-351	-319
Administration costs	3, 9	-192	-194
Operating profit		**85**	**54**
Profit/loss from sale of operations	4	16	-2
Net results in associated companies	10	-4	5
Financial expenses, net	12	-67	-81
Profit before taxation		**30**	**-24**
Taxes	13	-24	-18
Minority interests		0	1
Net profit/loss for the year		**6**	**-41**

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

EUR million	Note	2002	2001
For the year ended December 31			
Net gain/loss on translation of financial statements of foreign subsidiaries		-79	37
Net gain/loss on long-term loans to subsidiaries		20	-40
Net gain/loss on loans and financial contracts to hedge investments in foreign subsidiaries		56	-1
Fair value adjustment of derivative financial instruments		-11	-7
Net gain/loss recognised directly in equity	16	**-14**	**-11**
Net profit/loss for the year	16	**6**	**-41**
Total recognised gains and losses		**-8**	**-52**

CONSOLIDATED BALANCE SHEET

Assets

EUR million	Note	31.12.2002	31.12.2001
Fixed assets			
Intangible fixed assets	2, 5	115	114
Deferred tax assets	13	50	53
Tangible fixed assets	7		
Production plants		1,617	1,640
Machinery and equipment		29	44
Construction in progress		58	75
		1,704	1,759
Financial fixed assets	10	521	546
Total fixed assets		**2,390**	**2,472**
Current assets			
Inventories	14	358	429
Receivables			
Trade receivables	15	106	184
Receivables from associated companies	15	171	22
Taxes		0	26
Other	15	116	256
		393	488
Cash and cash equivalents		60	48
Total current assets		**811**	**965**
Total assets		**3,201**	**3,437**

Liabilities

EUR million	Note	31.12.2002	31.12.2001
Shareholders' equity	16		
Issued capital		536	536
Reserves		740	748
		1,276	**1,284**
Minority interests		**5**	**9**
Liabilities			
Non-current liabilities			
Financial institutions	20	792	1,089
Deferred tax	13	163	141
Pension	17	61	62
Provisions	18	70	73
Other liabilities		2	13
		1,088	1,378
Current liabilities			
Financial institutions	20	275	263
Trade payables		329	308
Trade payable to shareholders		0	15
Taxes	13	2	2
Other liabilities		226	178
		832	766
Total liabilities		**1,920**	**2,144**
Total equity, minority interests and liabilities		**3,201**	**3,437**
Assets pledged	21		
Contingent liabilities	22		
Financial instruments	23		

CONSOLIDATED CASH FLOW STATEMENT

EUR million	Note	2002	2001
Cash flows from operating activities			
Payments from customers		3,681	4,099
Payments to employees and suppliers		-3,278	-3,673
Interest income received	12	24	22
Interest and financial expenses paid	12	-91	-103
Income taxes paid	13	14	-54
		350	**291**
Cash flows from investing activities			
Investments in tangible fixed assets	7	-103	-147
Proceeds from sales of assets	4	26	-2
Other investments	5, 10	-57	5
		-134	**-144**
Cash flows from financing activities			
Long-term loans obtained		132	1,667
Short-term loans obtained		11	104
Loans to associated companies		4	-129
Long-term loans repaid		-247	-1,556
Short-term loans repaid		-104	-289
Dividends paid		-	-4
		-204	**-207**
Net cash flow for the year		**12**	**-60**
Cash and cash equivalents as of January 1		48	108
Cash and cash equivalents as of December 31		**60**	**48**

INCOME STATEMENT – BOREALIS A/S

EUR million	Note	2002	2001
Net sales	1	**2,932**	**2,988**
Other operating income		86	67
Cost of sales		-2,714	-2,763
Sales and distribution costs	3, 9	-188	-172
Administration costs	3, 9	-104	-86
Amortisation of negative goodwill	18	7	7
Operating profit		**19**	**41**
Profit/loss from sale of operations	4	0	-9
Net results in subsidiaries	11	8	-53
Net results in associated companies	11	1	0
Financial expenses, net	12	-22	-23
Profit before taxation		**6**	**-44**
Taxes	13	0	3
Net profit/loss for the year		**6**	**-41**

BALANCE SHEET – BOREALIS A/S

Assets

EUR million	Note	31.12.2002	31.12.2001
Fixed assets			
Intangible fixed assets	6	16	16
Tangible fixed assets			
Machinery and equipment	8	4	4
Financial fixed assets	11		
Shares in subsidiaries	26	1,408	1,433
Shares in associated companies		2	1
Receivables from subsidiaries		914	950
Receivables from associated companies		0	27
Other investments		14	2
		2,338	2,413
Total fixed assets		**2,358**	**2,433**
Current assets			
Receivables			
Trade receivables	15	14	101
Receivables from subsidiaries		242	92
Receivables from associated companies	15	165	18
Other	15	10	142
		431	353
Cash and cash equivalents		9	8
Total current assets		**440**	**361**
Total assets		**2,798**	**2,794**

Liabilities

EUR million	Note	31.12.2002	31.12.2001
Shareholders' equity	16		
Issued capital		536	536
Reserve for net revaluation under the equity method		0	17
Retained earnings		740	731
		1,276	**1,284**
Liabilities			
Non-current liabilities			
Financial institutions	20	751	1,037
Provisions	18	4	16
		755	1,053
Current liabilities			
Debt to subsidiaries		516	352
Accounts payable		4	4
Financial institutions	20	120	9
Other		127	92
		767	457
Total liabilities		**1,522**	**1,510**
Total shareholders' equity and liabilities		**2,798**	**2,794**
Contingent liabilities	22		
Financial instruments	23		

1. Segment reporting

	Polyolefins		Hydrocarbons		Non-Allocated		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001
Net sales by business:								
Total sales	2,847	2,888	2,506	2,239	10	180	5,363	5,307
Group internal sales			-1,849	-1,599			-1,849	-1,599
	2,847	**2,888**	**657**	**640**	**10**	**180**	**3,514**	**3,708**
Result:								
Operating profit	85	-11	55	94	-55	-29	85	54
Profit/loss from sale of operations					16	-2	16	-2
Net result in associated companies					-4	5	-4	5
Net financial items					-67	-81	-67	-81
Income tax					-24	-18	-24	-18
Minority interest					0	1	0	1
Net profit/loss for the year							**6**	**-41**
Other information:								
Segment assets	1,930	2,378	999	646	272	413	3,201	3,437
Segment liabilities					1,920	2,144	1,920	2,144
Capital expenditure	46	101	54	31	3	15	103	147
Depreciation and amortisation	115	111	56	50	13	12	184	173
Net sales by geographic region:								
Europe	2,473	2,400	637	629	10	151	3,120	3,180
Other regions	374	488	20	11	0	29	394	528
	2,847	**2,888**	**657**	**640**	**10**	**180**	**3,514**	**3,708**

2. Research & Development

A total of 382 people were engaged in research and development at the end of the year, compared with 345 in 2001. The total cost of these activities amounted to EUR 39 million (EUR 38 million) of which EUR 16 million (EUR 15 million) was capitalised.

3. Personnel

	Group		Parent Company	
	2002	2001	2002	2001
Costs:				
Salaries and wages	274	254	25	19
Pension costs	29	29	3	7
Other social security costs	52	51	0	1
Other personnel expenses	19	13		
Total	**374**	**347**	**28**	**27**
Average number of employees by country:				
Austria	685	697		
Belgium	685	673		
Denmark	124	138	124	138
Finland	951	966		
Norway	527	554		
Portugal	531	552		
Sweden	1,070	1,078		
Other	594	586		
Total	**5,167**	**5,244**	**124**	**138**
Personnel costs include management remuneration of	2	2	2	2

No remuneration was paid to the Board of Directors.

4. Profit and loss from sale of operations

Profit from sale of operations in 2002, EUR 16 million, includes the profit from the sale of the catalyst production in Sweden and the compounding unit in France.

	2002
Consideration received	26
– Net assets disposed of	-10
Profit from sales of operations	**16**

5. Intangible fixed assets, Group

	Goodwill		Licenses		Development costs		Capitalised software	
	2002	2001	2002	2001	2002	2001	2002	2001
Cost								
As of January 1	45	36	70	58	29	14	4	
Exchange adjustments			3	11				
Additions	0	9	3	6	16	15	2	4
Disposals			0	-17				
Transfers			-12	12				
	45	45	64	70	45	29	6	4
Accumulated amortisation								
As of January 1	6	3	28	20	0		0	
Exchange adjustments			1					
Disposals			-2	3				
Amortisation	4	3	7	5	1	0	0	0
	10	6	34	28	1	0	0	0
Book value as of December 31	**35**	**39**	**30**	**42**	**44**	**29**	**6**	**4**

6. Intangible fixed assets, parent company

	Goodwill		Capitalised software		Licences	
	2002	2001	2002	2001	2002	2001
Cost						
As of January 1	9		3		14	14
Additions		9	4	3		
	9	9	7	3	14	14
Accumulated amortisation						
As of January 1	1		0		9	7
Amortisation	1	1	1	0	2	2
	2	1	1	0	11	9
Book value as of December 31	**7**	**8**	**6**	**3**	**3**	**5**

7. Tangible fixed assets, Group

	Production plants		Machinery and equipment		Construction in progress	
	2002	2001	2002	2001	2002	2001
Cost						
As of January 1	3,614	3,561	134	115	75	76
Exchange adjustments	54	-68	-9			2
Additions	118	65	3	8	36	107
Disposals	-77	-14	-28	-7	-1	-10
Transfers	46	70	16	18	-52	-100
	3,755	3,614	116	134	58	75

	Production plants		Machinery and equipment		Construction in progress	
	2002	2001	2002	2001	2002	2001
Accumulated depreciation						
As of January 1	1,974	1,861	90	85		
Exchange adjustments	29	-26		-1		
Disposals	-28	-15	-12	-5		
Depreciation	163	154	9	11		
	2,138	1,974	87	90		
Book value as of December 31	**1,617**	**1,640**	**29**	**44**	**58**	**75**

The figures for production plants include capitalised finance leases with a net value of EUR 8 million (EUR 10 million), comprising a cost of EUR 22 million (EUR 23 million) and depreciation of EUR 14 million (EUR 13 million). The lease obligation is included in debt to financial institutions.

Approved future capital expenditure is estimated at EUR 85 million (EUR 57 million), including EUR 14 million (EUR 20 million) for which contracts have been placed.

8. Machinery and equipment, parent company

	2002	2001
Costs:		
As of January 1	8	6
Additions	2	2
Disposals	-2	
	8	8
Accumulated depreciation		
As of January 1	4	3
Disposals	-2	
Depreciation	2	1
	4	4
Book value as of December 31	**4**	**4**

9. Depreciation and amortisation

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

	Group		Parent Company	
	2002	2001	2002	2001
Production costs	152	150		
Sales and distribution costs	12	10		
Administration costs	20	13	6	4
Total	**184**	**173**	**6**	**4**

10. Financial fixed assets, Group

	Shares in associated companies		Other investments		Other long-term receivables		Total	
	2002	2001	2002	2001	2002	2001	2002	2001
Cost								
As of January 1	160	204	25	24	329	203	514	431
Exchange adjustments	-13	-8		4	-37		-50	-4
Investments	21		15		17	126	53	126
Disposals		-36	-3	-3	-21		-24	-39
	168	160	37	25	288	329	493	514
Adjustments								
As of January 1	32	27					32	27
Net result of associated companies	-4	5					-4	5
	28	32					28	32
Book value as of December 31	**196**	**192**	**37**	**25**	**288**	**329**	**521**	**546**

Note 10 continues on page 48.

10. Financial fixed assets, Group (continued)

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

	Country	Ownership in %
Abu Dhabi Polymers Company Limited (Borouge)	Abu Dhabi	40%
Borouge Pte Ltd	Singapore	50%
Noretyl AS	Norway	50%
NSP Olefins N.V.	Belgium	50%
Speciality Polymers Antwerp N.V.	Belgium	50%
Borealis Financial Services Ltd	Jersey	40%

11. Financial fixed assets, parent company

	Shares in subsidiaries		Receivables from subsidiaries		Shares in associated companies		Receivables from associated companies		Other	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
Cost										
As of January 1	1,416	1,082	1,015	1,102	1	1	27		2	4
Investments/additions	44	334	338	182				27	12	
Disposals	-1		-394	-269			-27			-2
	1,459	1,416	959	1,015	1	1	-	27	14	2
Adjustments										
As of January 1	17	103	-65	-25						
Exchange and fair value adjustments	-58	34	20	-40						
Net result of subsidiaries	8	-53			1					
Dividend from subsidiaries	-18	-67								
	-51	17	-45	-65	1					
Book value as of December 31	**1,408**	**1,433**	**914**	**950**	**2**	**1**	**-**	**27**	**14**	**2**

12. Financial income/expenses net

	Group		Parent Company	
	2002	2001	2002	2001
Interest income from:				
Subsidiaries			52	56
Cash and cash equivalents	24	22	20	8
	24	22	72	64
Interest expenses to:				
Financial institutions	-93	-86	-74	-64
Subsidiaries			-19	-20
Finance lease	-1	-1		
Exchange adjustments, net	3	-3	2	1
Other financial expenses	0	-13	-3	-4
	-91	-103	-94	-87
Total	**-67**	**-81**	**-22**	**-23**

13. Taxation

	Group		Parent Company	
	2002	2001	2002	2001
Taxes				
Income tax payable	6	13	0	-3
Change in deferred tax	18	2	0	0
Adj. to prior year's tax charge	0	3	0	0
Tax expense	**24**	**18**	**0**	**-3**
Tax provision as a % of profit before taxation	**80.5%**	**n/a**		
Reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rates				
Tax provision at statutory rates	14	-8	0	-7
Tax effect of permanent differences	-6	0	0	0
Adjustment of valuation allowance	30	25	0	4
Benefits of tax losses	-14	-2	0	0
Prior-years adjustments	0	3	0	0
Tax expense	**24**	**18**	**0**	**-3**
Deferred tax, asset				
Tax over book values	19	20	0	0
Other temporary differences	2	5	0	0
Tax losses to be carried forward	29	28	0	0
Capitalised tax assets	**50**	**53**	**0**	**0**
Deferred tax, liability				
Accelerated depreciation on tangible fixed assets	155	157	0	0
Tax equilisation reserves in Swedish subsidiaries	9	11	0	0
Other	27	10	0	0
	191	178	0	0
Tax assets offset	-28	-37	0	0
Deferred tax liability	**163**	**141**	**0**	**0**
Taxes, payable				
Payable taxes as of January 1	2	7	0	0
Income tax payable for the year	6	17	0	-3
Taxes paid (-) / received (+)	14	-48	0	3
Movement in tax receivable	-20	26	0	0
Payable taxes as of December 31	**2**	**2**	**0**	**0**

The Group has tax assets of EUR 176 million (EUR 153 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.

The Group has recognised deferred tax assets of EUR 50 million in jurisdictions in which the Group has suffered losses in 2002. It is expected that these assets can be utilised against profits in these jurisdictions within the next few years.

14. Inventories, Group

Inventories of ethylene and propylene are included under finished goods.

	2002	2001
Raw materials and consumables	97	121
Work in progress	0	0
Finished goods	261	308
Total	**358**	**429**

No inventories are stated at net realisable value.

15. Securitisation

Borealis A/S has a securitisation programme under which the company sells certain trade receivables to external parties. The company does not retain any financial interest in the trade receivables, except for foreign currency risk, and accordingly derecognises the receivables sold. At December 31, 2002, receivables worth EUR 398 million (EUR 318 million) were sold. The company continues to administrate the relationship with the debtors and will compensate the purchaser for credit notes issued subsequent to the sale. To cover these obligations, a receivable of EUR 119 million (EUR 101 million) is outstanding at balance sheet date.

16. Shareholders' equity

	Issued capital	Reserve for net revaluation under the equity method	Retained earnings	Total
Balance as of January 1, 2001	**536**	**103**	**701**	**1,340**
Net profit for the year		-53	12	-41
Exchange adjustments related to investment in subsidiaries, long-term loans to hedge investments in subsidiaries and fair value adjustments to hedging instruments, net after tax		34	-45	-11
Dividends received from subsidiaries		-67	67	0
Dividend paid			-4	-4
Balance as of December 31, 2001	**536**	**17**	**731**	**1,284**
Net profit for the year		8	-2	6
Exchange adjustments related to investment in subsidiaries, long-term loans to hedge investments in subsidiaries and fair value adjustments to hedging instruments, net after tax		-7	-7	-14
Dividends received from subsidiaries		-18	18	0
Dividend paid				-
Balance as of December 31, 2002	**536**	**0**	**740**	**1,276**

The share capital of DKK 4,000 million 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, Sundkrogsgade 5, 2100 Copenhagen Ø, Denmark, and Statoil A/S, Borgmester Christiansens Gade 50, 2450 Copenhagen SV, Denmark.

17. 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.

	2002	2001
Funded pension plans		
Actuarial present value of benefits due to past and present employees	81	74
Plan assets held in trusts at fair value	-70	-58
Plan assets below the present value of benefits	11	16
Unfunded pension plans		
Actuarial present value of benefits due to past and present employees recorded as a provision	50	46
Net liability at December 31	**61**	**62**
Movement in the net liability recognised in the balance sheet		
Net liability at January 1	62	62
Contributions received	-12	-12
Expense recognised in the income statement	11	12
Net liability at December 31	**61**	**62**

	2002	2001
Expense recognised in the income statement for defined benefit plans		
Service costs	8	9
Interest costs	9	9
Expected return on assets & amortisations	-6	-6
Total	**11**	**12**

The aggregated pension cost charged to the income statement for 2002 amounted to EUR 29 million, compared with EUR 29 million in 2001. Pension costs relate to:

Defined benefit plans	11	12
Defined contribution plans	18	17
Total	**29**	**29**

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:

	2002	2001
Discount rate	5% to 7%	5% to 7%
Projected rate of remuneration growth	2% to 5%	2% to 5%
Expected rate of return on plan assets	4% to 8%	4% to 8%

18. Other provisions

	Restructuring	Negative goodwill	Other	Total
As of January 1	28	9	36	73
Provisions made during the year	19	0	7	26
Provisions used during the year	-4	-7	-18	-29
Balance as of December 31, 2002	**43**	**2**	**25**	**70**

Restructuring
The provision for restructuring covers estimated costs for the ongoing site restructuring programme.

19. Government grants

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

20. Financial indebtedness

The composition of financial indebtedness (short and long-term debt) at the end of 2002 in EUR million was as follows:

Maturities		2002						2001					
Due		**Term loans**	**Short term bank loans**	**Utilised uncommitted facilities**	**Export credits**	**Finance leases**	**Unutilised committed revolving facilities**	**Term loans**	**Short term bank loans**	**Utilised uncommitted facilities**	**Export credits**	**Finance leases**	**Unutilised committed revolving facilities**
After	5 years	54				6		65				8	
Within	5 years	12						134					230
	4 years	64					250	346					133
	3 years	242					195	457					
	2 years	411						76					
	2-5 years					8						8	
		783				14	445	1,078				16	363
Within	1 year	131		11	131	2		26	3	100	131	3	
Finance charges						-5						-5	
Net obligations		**914**	**0**	**11**	**131**	**11**	**445**	**1,104**	**3**	**100**	**131**	**14**	**363**
Total long-term		792						1,089					
Total short-term		275						263					
Total debt		**1,067**						**1,352**					

The Group leases an ethylene terminal, gas tanks and warehouses under finance lease agreements. At the end of each lease the Group has the option to purchase the equipment at a beneficial price.

The Group's financing is mainly comprised of committed credit lines, term loans and export credits. Of total interest bearing debt, approximately 79% has a fixed interest rate and 21% is based on a floating interest rate. The floating interest rates were set by adding a spread to the reference rates (mainly EURIBOR and LIBOR). At the end of 2002 the Group has committed credit lines with syndicates of banks of USD 650 million and EUR 200 million of which USD 450 million has been utilised.

Currency mix

		2002	Percent	2001	Percent
Interest-bearing					
	USD	442	42%	589	44%
	EUR	492	46%	574	42%
	SEK	133	12%	122	9%
	NOK	0	0%	62	5%
	BRL	0	0%	3	0%
	DKK	0	0%	2	0%
Interest-bearing total		**1,067**	**100%**	**1,352**	**100%**

Parent company interest-bearing debt

	2002	2001
Inter-company short-term loans	102	118
Term loans and revolving facilities	871	1,046
Total	**973**	**1,164**

Of the parent company's term loans, EUR 819 million mature within 5 years and EUR 52 million after 5 years.

21. Assets pledged

	2002	2001
Chattel mortgages	15	14
Others	19	18
Total	**34**	**32**

The liabilities covered by the above assets amounted to EUR 34 million at the end of the year, compared with EUR 32 million one year earlier.

22. Contingent liabilities

	2002	2001
Guarantee commitments:		
The Parent Company guaranteed credit facilities of Group companies amounting to EUR	174	188
Operational leasing:		
The Company has an agreement concerning operational leasing of certain operational assets:		
Total rental during the non-terminable periods amounted to EUR:		
1 year:	6	6
2-5 years	11	8
Thereafter:	1	1
Total	**18**	**15**
The Parent Company's share of operational leasing commitments amounted to EUR	7	3

Note 22 continues on page 54.

22. Contingent liabilities (continued)

The Group leases cars and office buildings under operating leases. The leases typically run for an initial period of 3 to 5 years, with an option to renew the lease after that date.

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.

23. Financial instruments

Exposure to credit, interest rate, currency and commodity price risk arises in the normal course of Borealis' business. Derivative financial instruments are used to reduce exposure to fluctuations in interest rates, foreign exchange rates and commodity prices. While these are subject to the risk of market rate/price changes subsequent to acquisition, such changes are generally offset by opposite effects on the items being hedged.

Credit risk
Trade receivables credit risk: Management has established a credit control procedure. Credit risk is monitored on an ongoing basis. Credit risk on a counterparty is the sum of all outstanding trade receivables, and is compared with the individual credit limit allocated to that counterparty. Credit limit evaluations are performed on a daily basis with semi-annual reviews on total customer base. Approval and escalation limits are used to authorise available credit limits versus customers. At balance sheet date, Borealis Group has no large concentrations of credit risk representing more than 5% of total outstanding trade receivables at that date.

Other credit risk: Borealis cash balances are put on deposit with relationship banks or invested in liquid securities only with counterparties that have a credit rating of higher than a predefined threshold. Long term transactions involving derivative financial instruments are done with counterparties with whom Borealis has signed netting agreements, and who meet the credit rating thresholds. Management does not expect any counterparty to fail to meet any of its current obligations.

Interest rate risk
Borealis adopts a policy of managing its interest rate risk through a modified duration benchmark. Average modified duration is allowed to deviate from the benchmark within a predefined interval. Interest rate derivatives denominated in EUR, USD and SEK have been entered into to achieve this goal. All interest rate derivatives are on terms following the maturity and re-pricing terms of the underlying loans or future loan requirements.

At December 31, 2002, Borealis had outstanding interest rate derivatives for a notional amount of EUR 826 million (EUR 407 million) with interest rates ranging from 3.03% to 5.85%, and maturities up to 2008.

Borealis classifies the applied interest rate derivatives as cash flow hedges and states them at fair value. The fair value of the applied interest rate derivatives at January 1, 2002, was adjusted against the opening balance of the hedging reserve at that date. The net fair value of the interest rate derivatives on December 31, 2002, was negative by EUR 37 million (EUR -8 million), comprising liabilities of EUR 37 million. These amounts were recognised in non-trade payables.

Effective interest rates and repricing analysis
In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they are repriced.

				2002				
	Note	Effective interest rate	Total	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Cash and cash equivalents		5.1%	60	36			24	
EUR floating rate loans	20	3.6%	-133	-133				
SEK floating rate loans	20	4.7%	-35	-33	-2			
USD floating rate loans	20	2.2%	-49	-49				
USD floating rate loans	20	2.2%	-390	-390				
Effect of interest rate swaps / FRA		2.5%		243			-243	
EUR floating rate loans	20	3.5%	-204	-204				
Effect of interest rate swaps		1.6%		154			-102	-52
SEK floating rate loans	20	4.4%	-83	-83				
Effect of interest rate swaps		0.3%		83		-55	-28	
EUR fixed rate loans	20	4.9%	-151	-1	-1	-32	-117	
EUR financial leases	20	7.6%	-3		-3			
SEK financial leases	20	11.0%	-8		-1	-1	-1	-5
Utilised uncommitted facilities	20	3.5%	-11	-11				
			-1,007	**-388**	**-7**	**-88**	**-467**	**-57**

	Note	Effective interest rate	Total	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
				2001				
Cash and cash equivalents		5.0%	48	26			22	
EUR floating rate loans	20	3.7%	-211	-211				
SEK floating rate loans	20	4.1%	-113	-111	-2			
USD floating rate loans	20	3.5%	-367	-367				
USD floating rate loans	20	4.0%	-222	-222				
Effect of interest rate swaps / FRA		1.6%		222			-222	
EUR floating rate loans	20	3.8%	-154	-154				
Effect of interest rate swaps		1.5%		154			-75	-79
SEK floating rate loans	20	–						
Effect of interest rate swaps		–						
EUR fixed rate loans	20	5.0%	-167	-11	-1		-128	-27
EUR financial leases	20	6.3%	-5		-2	-3		
SEK financial leases	20	11.0%	-9		-1	-1	-2	-5
Utilised uncommitted facilities	20	7.0%	-104	-104				
			-1,304	**-778**	**-6**	**-4**	**-405**	**-111**

Foreign currency risk

Borealis incurs foreign currency risk on sales, purchases and borrowings that are denominated in other currencies than EUR. The currencies giving rising to risk are primarily USD, SEK, NOK and GBP in order of significance.

Borealis hedges its trade receivables, trade payables and cash positions and forecasted positions denominated in the foreign currencies in which Borealis holds significant positions. At any time Borealis may also hedge its long-term commercial exposures up to a predefined level and duration. Borealis normally hedges the currency positions using a mix of forward exchange contracts and foreign exchange options. The total notional value of outstanding foreign exchange forwards on December 31, 2002, was EUR 442 million (EUR 522 million), of which EUR 128 million (EUR 67 million) relates to foreign currency risk management and EUR 314 million (EUR 445 million) is the notional amount of currency swaps used in liquidity management. There were no outstanding foreign exchange options.

Firm commitments and forecasted transactions: Borealis classifies its foreign exchange forward and option contracts hedging a forecasted currency position as cash flow hedges, and states them at fair value. The net fair value of foreign exchange forward contracts used as hedges of firm commitments and forecasted transactions at December 31, 2002, was negative by EUR 2.5 million (nil). EUR 2.2 million has been recorded directly in equity. EUR 0.3 million, the ineffective part, is recognised in the income statement. Both amounts were recognised in non-trade receivables.

Recognised assets and liabilities: Changes in the fair value of forward exchange contracts that hedge monetary assets and liabilities in foreign currencies and the forward legs of currency swaps used in liquidity management, and for which no hedge accounting is applied, are recognised in the income statement. Both changes in the fair value of the forward contracts and the foreign exchange gains and losses relating to the monetary items are recognised as part of "net financing costs". The fair value of forward exchange contracts used as hedges of monetary assets and liabilities in foreign currencies, and the forward legs of currency swaps used in liquidity management for which no hedge accounting is applied at December 31, 2002, was EUR 1.2 million (EUR -1 million). The amount was recognised in non-trade receivables.

The following table shows when the gain and losses reported directly in equity are expected to enter into the determination of net profit and loss. When the derivatives hedge anticipated acquisitions of assets, the amounts will adjust the initial measurement of the underlying asset, and will therefore affect net profit and loss only when the underlying asset does so.

Adjustments to initial measurement of assets:

	Gains 2002	Losses 2002
Less than one year	-	2

The expected timing of recognition of the assets and liabilities for those gains and losses that will enter into the measurement of such assets and liabilities, is as follows:

	Gains 2002	Losses 2002
Less than one year	-	2

Hedges of net investments in foreign subsidiaries

Borealis designates external loans as hedges of the Group's investments in its foreign subsidiaries. Total designated loans amount to EUR 598 million, which is mainly comprised of USD and SEK loans. A foreign exchange gain of EUR 51 million was recognised in equity during 2002 on the translation of the loans to EUR.

Note 23 continues on page 56.

23. Financial instruments (continued)

Commodity price risk
Borealis incurs commodity price risk on purchase of feedstock and electricity.

Feedstock: At balance sheet date, Borealis has commodity derivative contracts for a period up to 1 month forward, in order to manage the price risk on feedstock (6 contracts held on December 31, 2002, with average maturity of one month). No hedge accounting is applied for these contracts. Changes in the fair value of the derivative contracts are recognised in the income statement. The fair value of the derivative contracts for feedstock at December 31, 2002, was positive for EUR 0.3 million. EUR 0.6 has been recognised in non-trade payables and EUR 0.9 in non-trade receivables.

Electricity: Borealis hedges its forecasted electricity purchases for a period up to 2004 using electricity swaps (25 contracts held December 31, 2002, with average maturity of 11 months). Hedge accounting is applied for these contracts. The net fair value of the electricity swap contracts used as hedges for firm commitments and forecasted transactions at December 31, 2002 was EUR 21 million (nil), comprising assets of EUR 27 million and liabilities of EUR 6 million. These amounts were recognised in non-trade receivables and provisions for deferred taxes.

Sensitivity analysis
In managing interest rate and currency risks Borealis aims to reduce the impact of short term fluctuations on Borealis earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates would have an impact on consolidated earnings.

At December 31, 2002, it is estimated that a general increase of one percentage point in interest rates would decrease Borealis profit before tax for the following year by approximately EUR 4 million (EUR 4 million). Interest rate derivatives have been included in this calculation.

Borealis invoices most of its sales in EUR and buys most of its raw materials in USD. It is estimated that a general decrease of one percentage point of the EUR against USD would decrease Borealis profit before tax for the following year by approximately EUR 5 million (EUR 5 million). Foreign exchange contracts have been included in this calculation. For sensitivity analysis regarding feedstock, please refer to financial review.

Fair values
The following table indicates the fair values of the following financial instruments and their carrying amounts shown on the balance sheet:

	Note	Carrying amount 2002	Fair value 2002	Carrying amount 2001	Fair value 2001
Interest rate derivatives	23	-37	-37	-8	-8
Forward exchange contracts	23	-1	-1	-1	-1
Commodity derivatives	23	21	21		
EUR fixed rate loans	20	-148	-153	-168	-171
		-165	**-170**	**-177**	**-180**
Unrecognised losses			**-5**		**-3**

Fair value has been determined either by reference to the market value at the balance sheet date or by discounting the relevant cash flows, using current interest rates for similar instruments. For other financial assets and liabilities, the fair value equals the carrying amount.

24. Fees to external auditors, parent company

	2002	2001
Audit fees	0.2	0.1
Other services	0.7	0.2
Total	**0.9**	**0.3**

25. Transactions with related parties

32% of total feedstock (31%) is purchased from Borealis shareholders at market prices.

There were no other material transactions with related parties in 2002.

26. 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	52,795,000	100	20
▪ Borealis GmbH (Austria) Aps	Denmark	EUR	3,500,000	100	0
▪ Borealis N.V. (Belgium) ApS	Denmark	DKK	2,000,000	100	462
▪▪ Borealis Coordination Center N.V.	Belgium	EUR	99,189,000	100	141
▪▪ Borealis Polymers N.V.	Belgium	EUR	359,446,000	100	323
▪▪▪ Borealis Kallo N.V.	Belgium	EUR	12,395,000	100	11
▪▪▪▪ Borealis Antwerpen Compounding N.V.	Belgium	EUR	277,000	100	1
▪ Borealis Sverige AB	Sweden	SEK	400,000	100	-283
▪▪ Borealis Holding AB	Sweden	SEK	1,300,000	100	19
▪▪▪ Borealis AB	Sweden	SEK	65,000,000	100	260
▪▪▪▪ Etenförsörjning i Stenungsund AB	Sweden	SEK	5,000,000	80	1
▪ Borealis Portugal SGPS S.A.	Portugal	EUR	50,000	100	45
▪ Borealis Polimeros Lda	Portugal	EUR	268,353,000	100	181
▪▪ Companiha Nacional de Petroquimica S.A.	Portugal	EUR	57,362,000	100	0
▪▪ Borealis Producao de Electricidada e Calor ACE	Portugal	EUR	25,000	66.7	0
▪ Borealis AS	Norway	NOK	3,050,000,000	100	466
▪▪ Borealis Borouge AS	Norway	NOK	3,050,000	100	-59
▪▪ Borealis Borouge Holding AS	Norway	NOK	850,500,000	100	137
▪ Borealis GmbH	Austria	EUR	32,610,000	100	28
▪▪ Polydan GmbH	Austria	EUR	36,000	100	0
▪▪ PCD Polymere s.r.o.*	Czech Rep.	CZK	100,000	100	0
▪ Borealis Italia S.p.A.	Italy	EUR	13,726,000	100	12
▪ Borealis France S.A.	France	EUR	207,000	100	1
▪ Borealis Polymere Holding AG	Germany	EUR	337,000	100	42
▪▪ Borealis Polymere GmbH	Germany	EUR	18,407,000	100	75
▪▪ Borealis Deutschland GmbH	Germany	EUR	154,000	100	-1
▪ Borealis Compounds Inc.	USA	USD	10	100	14
▪▪ Borealis Compounds LLC	USA	USD	0	100	13
▪ Borealis Polymers Oy	Finland	EUR	90,821,480	100	314
▪ Borealis Technology Oy	Finland	EUR	43,728,860	100	73
▪ Borealis Singapore Pte Ltd	Singapore	SGD	100,000	100	8
▪ Borealis s.r.o.*	Czech Rep.	CZK	500,000	100	0
▪ Borealis Asia Ltd	Hong Kong	HKD	500,000	100	0
▪ Poliolefinas Borealis Espana S.A.	Spain	EUR	60,000	100	4
▪ Borealis Eesti OÜ	Estonia	EEK	128,000	100	0
▪ Borealis Polska Sp z.o.o.*	Poland	PLN	40,000	100	0
▪ Borealis OPP S.A.	Brazil	BRL	94,744,000	80	24
▪ Borealis Kft.*	Hungary	HUF	1,000,000	100	0
▪ Borealis UK Ltd	UK	GBP	15,000	100	3

* Excluded from the consolidation due to immateriality

BOREALIS

Head office

Copenhagen, Denmark

Production

Austria: Linz, Schwechat

Belgium: Antwerp (joint venture), Beringen, Kallo

Brazil: Triunfo and Itatiba near São Paolo (joint venture)

Finland: Porvoo

Germany: Burghausen

Italy: Monza

Norway: Rafnes (joint venture), Rønningen

Portugal: Sines

Sweden: Stenungsund

United Arab Emirates: Ruwais in Abu Dhabi (joint venture)

USA: Rockport, New Jersey (joint venture)

Customer Service Centres (CSC)

(S) **CSC Scandinavia**
Stenungsund, Sweden:
Denmark, Greenland, Iceland, Norway, Sweden

(NE) **CSC North East**
Porvoo, Finland:
Finland, Poland, Russia, Baltic Region

(C) **CSC Central**
Linz, Austria:
Austria, Bosnia & Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Macedonia, Montenegro, Romania, Serbia, Slovak Republic, Slovenia, Switzerland, Yugoslavia

(G) **CSC Germany**
Düsseldorf, Germany: Germany

(W) **CSC West**
Mechelen, Belgium:
Belgium, France, Ireland, Luxembourg, The Netherlands, United Kingdom

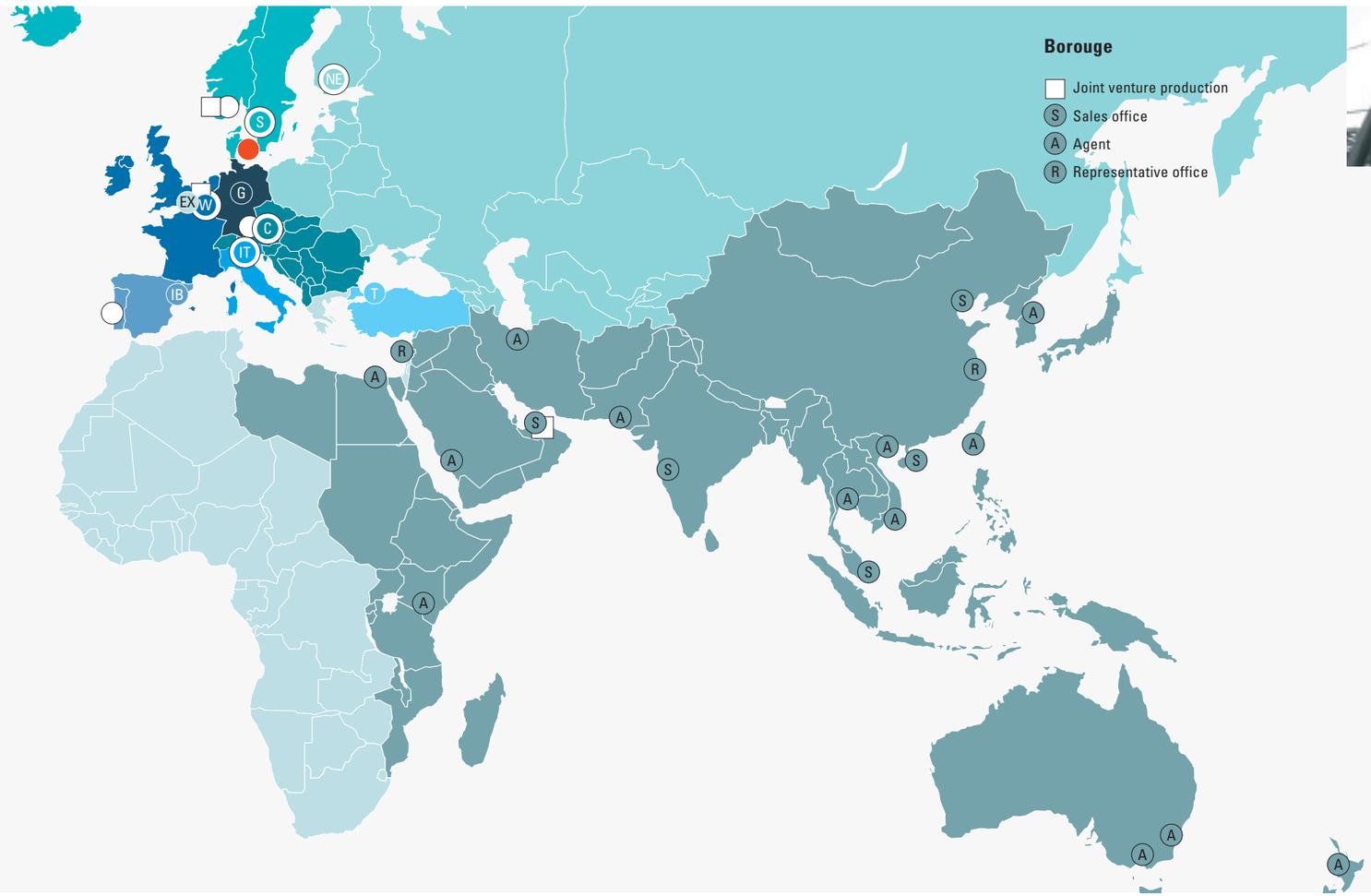
(IB) **CSC Iberia**
Barcelona, Spain: Spain, Portugal

(IT) **CSC Italy**
Monza, Italy: Italy

(T) **CSC Turkey**
Istanbul, Turkey: Turkey

(EX) **CSC Export**
Mechelen, Belgium:
Greece, Israel, as well as North, West, Central and South Africa, North and South America

More information on **www.borealisgroup.com**



Borealis trademarks

Ambicat™
Beta (ß)-PP™
Borstar®
Borair™
Borclean™
Borclear™
Borecene™
Borecene Compact™
BorECO™
Borcoat™
Borflow™
Bormod™
Borpact™
Borpeel™
BorPEX™
Borseal™
Borsoft™
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Softflex™
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Superclean™
Supercure™
Supersmooth™
SuperTR™
Visico™
Visiflex™
Xmod™

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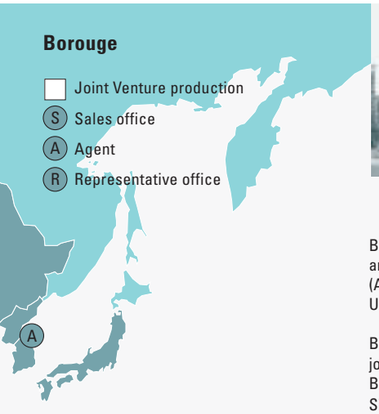
Borouge



Borouge is a joint venture between Borealis and the Abu Dhabi National Oil Company (ADNOC) with production in Abu Dhabi in the UAE.

Borealis and Borouge products are marketed jointly in the Middle East and Asia by the Borouge marketing company based in Singapore.

Production

United Arab Emirates: Ruwais in Abu Dhabi

Borouge sales and representative offices

China: Beijing, Shanghai
Hong Kong
India: Mumbai
United Arab Emirates: Abu Dhabi
Singapore
Lebanon: Kaslik

Borouge agents

Middle East and East Africa:
Egypt, Iran, Kenya, Pakistan, Saudi Arabia
Northeast Asia: Korea, Taiwan
Southeast Asia & Pacific
Australia, New Zealand, Thailand, Vietnam

More information on
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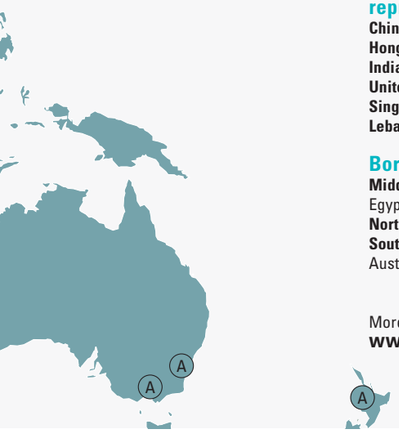

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