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**PLASTICS FOR THE FUTURE**

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This is an expanded version of the statutory Danish-language annual report, which was approved on March 4, 2004, and will be filed with the Danish Commerce and Companies Agency.

For more information see Facts & Figures 2004 and [www.borealisgroup.com](http://www.borealisgroup.com).

## Borealis: creating & delivering value

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Borealis' main business is the sale, marketing, distribution and production of today's fastest-growing plastics - polyethylene (PE) and polypropylene (PP). Collectively, these are known as polyolefins. Borealis also produces certain hydrocarbons including ethylene, propylene and phenol.

PE and PP are highly versatile plastics which are converted by our customers into thousands of everyday products from food packaging and personal hygiene, to toys, wire and cable insulation, automotive components, building materials, and pipes for water and gas. Polyolefins are constantly evolving in properties and performance as they replace conventional materials like paper, glass, concrete and metal, as well as other plastics.

Borealis' own Borstar® process technology is bringing PE and PP into even more new areas of application. These are plastics for the future that add value to our everyday lives.

### 40 years in plastics

2004 will mark our 10th anniversary as Borealis, formed in 1994 when the Norwegian oil company Statoil and the Finnish oil company Neste merged their petrochemical operations in Europe. However, we have been important suppliers in the polyolefins industry for over 40 years under different names like Unifos, Esso Chemical, Pekema, Himont, Saga, BP and Danubia.

Innovation has been key to Borealis' development. Our focus on differentiated polymers, rather than commodity polymers, has only been possible through the enhanced grades

of PE and PP that we produce with our Borstar technology. We are committed to continued innovation by aligning research and development activities closely with our customers' needs.

### Strong positioning

Borealis is a strong European company, producing olefins in Belgium, Finland, Portugal, Sweden, and in a joint venture in Norway. Polyolefins are produced at plants in Austria, Belgium, Finland, Germany, Norway, Portugal and Sweden. Our Borouge joint venture with the Abu Dhabi National Oil Company (ADNOC) located in Ruwais, UAE, produces olefins and polyolefins. We also have compounding units in Brazil, Italy and the USA. The Borealis head office is located in Denmark.

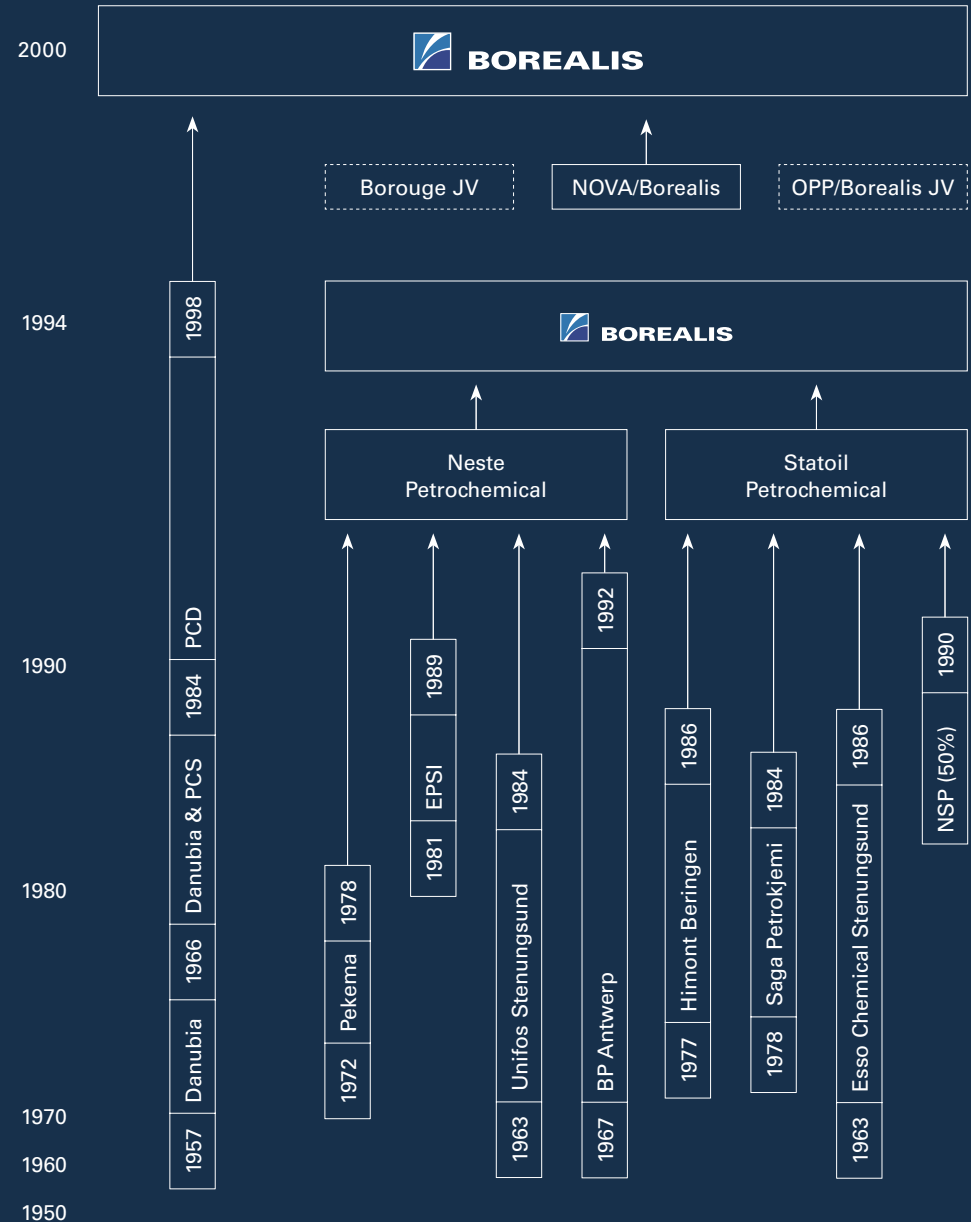
We serve customers through nine Customer Service Centres. Borealis and Borouge products are marketed jointly in the Middle East and Asia-Pacific through the Borouge marketing company based in Singapore. Our entire technology organisation is consolidated at four Innovation Centres to speed the time to market of new products.

Borealis A/S today is owned 50% by the Norwegian oil company, Statoil, and 50% by IOB Holdings, owned equally by OMV, the Austrian oil and natural gas group, and by the International Petroleum Investment Company (IPIC) of Abu Dhabi.

Together, we employ around 5,000 people and produce more than 3.5 million tonnes of PE and PP per year as the second-largest polyolefins producer in Europe.

## History

Borealis' growth through mergers & acquisitions



## Report of the Board of Directors



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



**Erling Øverland**  
Vice Chairman  
Executive Vice President,  
Statoil ASA



**Mohamed Al Khaily**  
Board Member  
Managing Director,  
International Petroleum  
Investment Company



**Finn Kulås**  
Board Member  
Senior Vice President,  
Statoil ASA

### Financial Result

The last three years, especially 2003, have been very challenging for the European petrochemical industry. The combination of the Iraq war, high feedstock prices, economic recession in a number of European countries, a strengthening euro, SARS in Asia, and an industry beset with excess capacity led to a highly volatile and competitive market place with the lowest industry margins since 1993.

In 2001 Borealis finalised an updated strategy with the mission “to become a leading, profitable integrated polyolefins supplier.” This was launched in October 2001 in combination with a nine-quarter transformation programme. Borealis’ response to the increasingly hostile economic environment has been the continued, dedicated implementation of the nine-quarter transformation programme, augmented with additional reductions in cost and capital expenditure. The programme is on track and we appreciate everyone’s commitment and hard work dedicated to transforming the company to achieve an 11% trend return on capital employed (ROCE) by 2004.

Unfortunately, the actual profitability for 2003 is disappointing. Borealis achieved an increase in net profit to EUR 16 million compared with EUR 6 million in 2002 primarily due to the encouraging performance of our Borouge joint venture with ADNOC, a significant decrease in net financial expenses and deferred tax adjustments. However, the underlying operating profit (EBIT) was down from EUR 85 million in 2002 to EUR 39 million, yielding a return on sales of around 1% which if continued, would not support continued investments in innovation, technology and capacity to meet our customers’ demands.

Borealis continued tight cash management in 2003, decreasing net debt by EUR 89 million and reducing the gearing ratio to 72% in 2003. During the course of the year, the company successfully raised more than EUR 750 million in two syndicated facilities to replace existing loans.

The net result for 2003 corresponds to a return on capital employed (ROCE) after tax of 3% in line with 2002. The Board proposes that no dividend be paid for the year.

### Safety performance

The Board strongly supports management’s ambition to be a leader in health, safety and environmental performance, fully embracing the global chemical industry’s Responsible Care principles.

Borealis continued its progress in 2003 with the first accident-free month recorded in June, and sustainable world-class safety performance demonstrated in Austria and Norway. Aided by a comprehensive “Step Change in Safety” programme, Borealis reduced the total recordable injuries (TRIs) per million working hours from 8.4 in 2000 to 4.0 in 2002, and 3.8 in 2003.

### Strengthening competitiveness through owners feedstock integration

A key element of Borealis’ strategy to “build a strong platform in hydrocarbons” is to strengthen the competitiveness of the business through long-term feedstock integration with the company’s owners. Significant progress was made in 2003 with the finalisation of agreements with Statoil to supply North Sea ethane from Kårstø to the Noretyl (50%



Borealis' Executive Board, from left: Henry Sperle, Technology & Projects; Herbert Willerth, Operations & Procurement; David Rolph, Polyolefins; John Taylor, Chief Executive; Clive Watson, Chief Financial Officer; Staffan Lennström, Hydrocarbons.

Borealis, 50% Hydro Polymers) cracker in Norway and Stenungsund in Sweden. Agreements were also finalised with OMV to supply additional volumes of ethylene and propylene from their refinery/cracker expansion in Schwechat, Austria, in 2005. Our Borouge joint venture (60% ADNOC, 40% Borealis) agreed to acquire the outstanding 25% share of the Ruwais cracker rights to supply the Borstar PE expansions in early 2005.

Additionally Borealis has announced a plan to invest EUR 60 million in Norway to increase the competitiveness of this location as a key supplier to the Nordic/northern European markets. This includes a 100,000 tonnes/year expansion of the Noretyl cracker based on gases supplied from the Norwegian Continental Shelf coupled with expansion of existing polyolefins plants.

### **Investing in innovation**

Innovation is at the centre of Borealis' strategy to "create and deliver value to our customers." In 2003 the company successfully re-organised its technology resources in four Innovation Centres in Austria,

Finland, Norway and Sweden, launched a new Innovation Process, increased the long range R&D budget and rationalised the project portfolio while increasing the anticipated value.

Borealis' proprietary Borstar process technology for PE and PP has proved to be a commercial success due to the enhanced properties provided to our customers. In 2003 we approved the investment of EUR 200 million in a new 350,000 tonnes/year Borstar PE plant in Austria coupled with a 90,000 tonnes/year expansion of the existing Borstar PP plant. The original Borstar PE plant in Finland will also be expanded.

Borouge completed a very successful second year of operation with sales of Borstar PE pipe grades for water and steel pipe coating far exceeding expectations, especially in the Middle East. Production was above nameplate capacity, and Borouge approved a 130,000 tonnes/year de-bottleneck to start up in early 2005.

### **Future prospects**

2003 has certainly been a demanding year, but

we remain confident that Borealis' recent nine-quarter transformation and its initiatives for further improvements set the correct course for the future. We are encouraged by the company's improving financial performance in the fourth quarter of 2003 and the early indications for 2004. The outlook for 2004 may be improving, but there are still a number of storm clouds ahead. However, irrespective of the overall environment, it is imperative that we earn a reasonable return on our "investments in innovation" to ensure that polyolefins continue as a material of choice in the 21st century.

Copenhagen, February 19, 2004

# Key figures & ratios

		2003	2002	2001	2000	1999
<b>Income and profitability</b>						
Net sales	EUR million	3,673	3,514	3,708	3,711	2,964
Operating profit	EUR million	39	85	54	52	184
Operating profit as percentage of net sales	%	1	2	1	1	6
Profit before taxation	EUR million	15	30	-24	76	179
Net profit for the year	EUR million	16	6	-41	42	141
Return on capital employed, net after tax	%	3	3	2	3	9
<b>Cash flow and investments</b>						
Cash flow from operating activities	EUR million	159	350	291	-44	238
Investments in tangible fixed assets	EUR million	119	103	147	225	434
<b>Financial position</b>						
Total assets	EUR million	3,131	3,201	3,437	3,647	3,180
Net interest-bearing debt	EUR million	918	1,007	1,304	1,305	765
Capital employed	EUR million	2,297	2,349	2,653	2,783	2,246
Equity	EUR million	1,282	1,276	1,284	1,340	1,336
Solvency ratio	%	41	40	38	37	42
Gearing	%	72	79	102	97	57
<b>Number of employees (Full time equivalent at year-end)</b>		<b>5,037</b>	<b>5,085</b>	<b>5,297</b>	<b>5,188</b>	<b>5,424</b>

## Definitions:

Return on capital employed

= Operating profit, profit and loss from sale of operations, net result in associated companies, plus interest income, after imputed tax, divided by average capital employed

Capital employed

= Total assets less non-interest-bearing debt

Solvency ratio

= Equity plus negative goodwill, divided by total assets

Gearing

= Interest-bearing debt, including subordinated loans, less cash and cash equivalents divided by equity

Borouge operates a cracker and two Borstar PE units at Ruwais, UAE. Plans are to expand the site significantly to meet rapidly growing demand for enhanced polymers in the Middle East and Asia.



## A journey in transformation

Borealis has undergone significant restructuring over the past nine quarters on its mission to become a leading, profitable, integrated polyolefins supplier. The journey to improved profitability has been a difficult one in a volatile petrochemicals market characterised by low polyolefins margins, high feedstock costs, excess capacity and recessionary economies. In the context of this challenging environment, Borealis has weathered the storm.

However, it has also been a journey with lively challenges and satisfying achievements. We have addressed issues which will help us to be more competitive in the future.

### A commitment to value

Borealis unveiled its updated strategy of becoming “a leading, profitable, integrated polyolefins supplier” at K 2001, the tri-annual world plastics and rubber industry fair. This strategy was based on a commitment to:

- 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 improvement in safety and quality.
- Transform Borealis into “one customer-oriented company”... which is aligned, high-performing and demonstrates strong values.

The creation of a customer-oriented culture throughout Borealis was at the heart of the updated strategy. The company embarked on a nine-quarter transformation programme in all areas of operation, with a financial target of delivering a “trend” return on capital employed of 11% by 2004. Among the many initiatives, Borealis has:

- Streamlined the Customer Service Organisation.
- Reorganised the Polyolefins Business Group to create five specialised Business Units with Film & Fibre and Moulding joining the existing units for Pipe, Wire & Cable and Engineering Applications, and the establishment of the Commercial Services Business Unit.

- Reorganised R&D and technical resources, and implemented a new Innovation Process consolidated at four Innovation Centres.
- Achieved a step-change improvement in safety among Borealis employees and many of our contractors.
- Increased capacity and operability of our olefins and polyolefins plants.
- Established a Hydrocarbons Business Group focused on the supply of low-cost feedstocks and olefins (ethylene and propylene).
- Expanded its Financial Shared Services Centre to centralise transaction processes and drive operational efficiency. It now incorporates activities such as supplier administration and payments, general ledger accounting and VAT/Intrastat reporting.

### Growth in the Middle East & Asia

Borealis strengthened its presence in the rapidly-growing markets of the Middle East and Asia even further through the Borouge joint venture. The new petrochemical complex at Ruwais, Abu Dhabi, began commercial operation in 2002 with a 600,000 tonnes/year ethylene cracker and two 225,000 tonne/year Borstar PE plants.

Borealis' Customer Service Centres offer a single point of contact in the customer's own language.



In 2003, production volumes and financial performance were well ahead of targets as the new complex exceeded nameplate capacity. The PE units produce Borstar enhanced polyethylene for high-performance packaging, pipe, and wire and cable.

Sales of Borstar pipe grades for water and steel pipe coating far exceeded expectations, especially in the Middle East, and helped reinforce Borealis' position in the region.

In China, the first third-party licensee of Borealis' Borstar technology, Shanghai Petrochemical Company, signed the "certificate of acceptance" of its new Borstar PE plant in Jinshanwei after the successful completion of the last performance test run.

### Improved customer services

Borealis consolidated all customer services at nine Customer Service Centres throughout Europe to provide customers one point of contact, simpler communication and faster filling of orders. Today, a Borealis Customer Service Representative at a Customer Service Centre also handles the logistic and financial aspects of the order-to-cash process. According to independent surveys, customer

satisfaction has remained at a consistently high level by industry standards throughout the transition.

### Strengthening innovation

Innovation is key for the future success of Borealis and its customers. During 2002 and 2003, the entire R&D technology organisation was redesigned, streamlined and aligned closer with the market to increase the pace of innovation and ensure our future leadership in enhanced polyolefins.

R&D activities are now based at four Innovation Centres located in Austria, Finland, Norway and Sweden, devoted to developing the next generation of polyolefins. We have increased our long-range R&D budget to 25% of the total. New PE and PP products now account for some 20% of Borealis' turnover.

### Partnerships & consolidation

Speciality Polymers Antwerp, a joint venture between Borealis and DuPont, carried out restructuring to ensure the long-term future of operations. The compounding units and material handling came under Borealis' management as of



The Innovation Centre at Linz, Austria, specialises in enhanced polymers for automotive applications and home appliances.

December 1, 2003, in the new company, Borealis Antwerpen Compounding N.V. The partnership with DuPont continues in the PE reactor.

Borealis and Jacobs Engineering Netherlands entered a partnership in 2003 to provide engineering, procurement, and construction





Many people were honoured at Borealis' 2003 Annual Innovation Day.

management services for small projects and modifications to Borealis sites, beginning in Belgium and Sweden. The engineering staff in Sweden transferred to Jacobs as part of the agreement. The partnership intends to deliver efficiency and value through a consistent, one-company approach to engineering projects across Borealis.

### Awards & distinctions in 2003

Customers have noted their appreciation of Borealis' transformation in customer satisfaction surveys. In 2003, PP converters rated Borealis very high on product performance, delivery and the competence of the sales force. They were particularly impressed with the processability and consistency of Borealis' PP products.

Sony named Borealis a Green Partner on the basis of ISO 9001 quality certification and ISO 14001 environmental systems, to guarantee that our products are free of controlled substances like cadmium, lead and mercury. The IKEA retail furniture chain enthusiastically endorsed Borealis on the basis of our health, safety, environmental and human resource practices.

The IF Insurance Group bestowed its national Finnish Safety Award 2002 on Borealis in Finland for its efforts in achieving long-term improvements.

As 2003 drew to a close, Borealis earned runner-up honours as "Financial Management Team of the Year" in a competition sponsored by the journal Financial Management in Belgium. It recognised Borealis for efficient and innovative financial management, a clear signal that the financial world believes we are doing the right things in a turbulent market.

### Developing Borealis people

A critical element of our strategy is to transform Borealis into "one customer-oriented company" which is aligned, high-performing and demonstrates strong values. In 2003 Borealis continued to develop tools for people and performance management to ensure that:

- Company goals are understood by all employees and teams, and are translated into measurable targets.
- Clarity and structure characterise employees' job requirements, career management and personal development.

- Borealis values - Responsible, Respect, Exceed and Nimblivity™ - are an integral part of working life, guiding all aspects of our actions.

The Borealis Business Academy continues to expand as a forum for training by encompassing basic skills, sales and marketing, and leadership development. In 2003 Borealis and IMD in Switzerland began a jointly-developed leadership programme integrating Borealis projects with high-level theory.

A committed workforce is a key driver of high performance. The overall results of the annual Borealis People Survey 2003 showed that employee commitment is on par with the industry sector of oil and chemicals, but still below the high-performing companies. According to the results, Borealis leads and manages its people well for its sector, has a more empowering and co-operative culture than most companies, and offers employees better opportunities for personal development.

## Borealis' key market sectors

### Engineering Applications

PP has evolved from a commodity plastic to an engineering thermoplastic for the automotive and household appliance industries over the last 20 years, with Borealis' roots coming from Statoil and PCD. Today, Borealis is a development partner in advanced PP grades and compounds for zero-gap auto body parts, scratch-resistant surfaces, and lower weight for reduced fuel and energy consumption.

In the early 1980s, when PP proved to be a cost-efficient plastic for fluid containers and air ducts, the amount of thermoplastics in a typical European car was about 10 kg. But mile after mile, PP has conquered more sophisticated applications like interior trim and claddings, bumpers and underbody platforms. Today, the same car carries about 60 kg of thermoformed PP.

In 2003, Borealis compounds formed the bumpers, dashboards and door claddings of the Fiat Panda and Idea models, and the Lancia Y11. The new VW Golf uses Borealis materials in the under-bonnet shielding, tailgate trims and sub-floor construction. You will also find Borealis products in the VW Touran, BMW X3, and in Volvo car models.

A modern European car carries an average of 60 kg of PP. In the 1980s, the typical car carried only 10 kg.



A comparable development has taken place in the appliance industry where PP has replaced steel in washing machine tubs and basements. Chemical resistance and diversity now make PP compounds a material of choice for tubs, which can attain spin speeds of up to 1,500 rpm.

Washing machine basements in mineral-filled PP compounds integrate up to 10 previously metal parts, offering lower weight, better corrosion resistance, and reduced noise. The basement of new BSH dishwasher models is formed with a Borealis PP compound, and Whirlpool uses a fiberglass-reinforced PP compound for its washing machine tubs. Kärcher selected an advanced, high-crystallinity PP from Borealis for a steam-jet cleaner housing.

State-of-the-art support in computer-assisted engineering and design, combined with continued innovations in Borstar PP materials, ensure Borealis a growing market position as a high-performance supplier for automotive applications and home appliances.

### Film & Fibre

Borealis' expertise in the film and fibre industry dates back to the early 1960s when we, under the

Borstar PE is specially suited for durable and tear-resistant deepfreeze pouches.



names Chemie Linz and Hercules, introduced the first PE and PP grades for film applications in the European market.

In 2003 we saw further market growth in Europe of our Borstar linear low density PE (LLDPE) for film applications such as freezer films, heavy-duty shipping sacks and shrink film. We will concentrate innovation in PE film on our Borstar LLDPE product range and the Borstar product mix through new grades produced with metallocene-based catalysts. These products will enable us to satisfy customers' needs for more advanced grades for applications like lamination films, food packaging and technical films.



Today's plastic syringes are light and disposable. Yesterday's syringes were made of glass and steel, requiring cleaning and autoclaving for repeated use.

PE pipes for drinking water is a growing industry, replacing conventional pipes of concrete and clay.



In PP, Borealis has become a leading supplier for cast film. Our range of speciality products like Borsoft™, Bormod™ and Borclear™ will help us serve the emerging markets for food packaging, medical, and twist- and stand-up pouch films. The introduction of high melt-strength, PP-based coating materials has also enabled us to enter new applications such as liquid and food packaging for the substitution of metal and aluminium, and thermoformed foam for food packaging and automotive applications.

The innovation pipeline for films and fibres includes the introduction of enhanced grades with very low sealing temperature in 2004. This will enable the food packaging industry to increase packaging line speed and thus, profitability.

Our business vision states that exceeding our film, fibre and coating customers' expectations will make Borealis their number-one polyolefins supplier.

### Moulding

Borealis began producing standard, high-density PE for injection moulding applications in the early 1960s under the name Unifos. Since then, we have developed a broad range of tailored PE and PP solutions for thin-wall packaging, closures, transport packaging, houseware, and bottles for domestic, industrial, chemical and health-care use. We also supply raw materials for moulded products like toys, sporting goods and medical devices.

We were the first company in Europe to offer metallocene PE, under the trade name Borecene™, for the rotational moulding of industrial bulk containers, crates and drums. Borealis has maintained a leading position in this segment for more than 15 years.

Today, Borpact™ PP for thin-wall packaging provides unique benefits in mechanical properties and processability for manufacturers. Bormod PP for transport packaging delivers improved stiffness and production economy. Our "random copolymer" PP products for bottle applications deliver superior transparency combined with stiffness and hot-filling possibilities.

Borealis' proprietary Borstar process technology

for PE and PP is producing new generations of polymers for injection and compression moulding, thereby opening new possibilities for polyolefins in the caps and closures industry. Our technology and development capabilities help create and drive the market demand for these products.

In 2004, Borstar continues to provide ever more unique PE and PP material properties with significant improvements for our customers and their end-products. This technology has helped Borealis develop from an injection and blow-moulding polymer supplier, into a solution provider for selected customers and applications in the demanding polyolefin moulding market.

This strength stems from an in-depth understanding of the moulding industry and years of close collaboration with leading members of the value chain.

### Pipe

Borealis has produced and marketed polyolefins and compounds for the manufacture of pipe since 1965, when we introduced the first pipe grade of low-density PE at the Unifos plant in Stenungsund, Sweden. The next product was a high-density PE, after installation of the Unipol process.

Polyolefin compounds have replaced rubber and fabric for electric wire and cable insulation, and jacketing.



Under changing names, Borealis has built expertise in virtually all pipe products and applications. We are the leading supplier in the European polyolefin pipe industry and have the broadest product portfolio.

Recent innovations include “low-sag” Borstar PE100 for large-diameter pipes, Borstar PE80 with exceptional crack resistance, high-stiffness BorECO™ PP for sewage applications, specialised Borcoat™ PP compounds for demanding offshore steel pipe coating, and BorPEX™ for floor heating.

Despite turbulent times of booming and lagging construction markets, we have seen steady growth in polyolefin pipes as they replace an increasing share of conventional materials like concrete, iron, copper and steel. Polyolefins accounted for about 17% of the European pipe market in 1998, and we expect that to exceed 20% by 2006 in a total market of roughly 3 billion metres per year. Pipes fulfil the basic needs of society, and polyolefin pipes offer valuable advantages in installation, performance and life-cycle cost.

Borealis will contribute to this trend by developing the understanding of the market through forums like the PE100+ Association, Plastic Pipes XII

Conference and local presentations. We will continue to develop pipe innovations in close cooperation with our customers and pursue improvements in the entire value chain. Our own innovation pipeline promises a new generation of PP products for plumbing & heating systems, extra high-stiffness BorECO PP grades for sewage pipes, and new generations of PE for pressure pipes.

### Wire & Cable

Borealis is a market leader in polyolefins and compounds for the wire and cable industry. Our expertise has grown since the 1960s, when low-density PE began replacing PVC and paper insulation for telecommunication cables.

In the 1970s, new compounds with low-density PE expanded the market into medium-voltage cables, then to high-voltage (HV), and in the 1990s to extra-high (EHV), with cables carrying 500,000 volts to cities like Berlin and Copenhagen.

Borealis has introduced Casico™ flame retardant compounds for cables in buildings, Supercure™ technology for high-voltage, and Visico™ and Ambicat™ technologies for lower voltage ranges that offer significant improvements in cable production

economy. Today, there is strong market demand for the new generation of cross-linked PE (XLPE), which improves production economy and extends product life. Our Borstar technology is providing ever more unique combinations of properties for tomorrow's wire and cable products.

Our most competitive technology is in high-performance power cables such as direct current, sub-sea cables, and HV and EHV.

Borealis' experience in wire and cable leads to a deep understanding of our customers' needs for increased productivity and high quality. Our customers' customers, who are all of us, demand uninterrupted, high-speed communication and the power to supply it.

Read more on [www.borealisgroup.com/customer\\_centre](http://www.borealisgroup.com/customer_centre).



Phenol from Borealis Finland has found its way into high-tech applications like CDs and DVDs.

The Borealis cracker in Sweden underwent a major maintenance turnaround in 2003 that involved 135,000 man-hours by contractors and Borealis employees.

### Hydrocarbons

Borealis' olefins plants deliver ethylene and propylene as raw material to our polyolefins plants. About 67% of Borealis' annual consumption of 3.5 million tonnes of olefins is produced in our own production units, and the remainder is supplied by our owners or purchased on the open market.

Borealis is the third-largest olefins producer in Europe. As of 2003, a propane dehydrogenation unit in Belgium, producing propylene, also became 100% owned by Borealis.

We are steadily increasing the size of our crackers to satisfy growing demand from the polyolefins sector. The Borealis cracker in Finland was debottlenecked in 2002 and 2003. We have also

announced a 100,000 tonnes/year expansion of the Noretyl (50% Borealis, 50% Hydro Polymers) cracker in Norway.

To reduce the cost of olefins, Borealis is using an increasing share of gases as feedstock in crackers, rather than naphtha, which is the major feedstock in European olefin production. We are continuously searching for new, advantageous feedstock sources and better use of technology to increase our olefin yields.

### Phenol

In addition to ethylene and propylene, Borealis crackers also produce significant amounts of co-products which are used for products like

phenol and acetone. Our phenol plant is located in Finland, supplying mainly the Nordic, UK and Benelux markets. Phenol is used in adhesives, fibres, epoxy resin and polycarbonates for applications like plywood and mineral wool, textiles, carpets, cars, computers, mobile phones and household appliances. Acetone has its main outlets in engineering plastics, acrylics, and in solvents for paints and pharmaceutical use.

In 2003, the Phenol Unit achieved production records with a perfect safety record. Borealis also hosted the first Phenol Safety Seminar, organised by CEFIC, the European chemical industry association.

## Progress in health, safety & the environment

Constantly measuring plant emissions of volatile organic compounds (VOCs) is part of Borealis' commitment to the chemical industry's code of Responsible Care, such as in Norway (left) and Portugal (right).



Borealis' policy on health, safety and the environment (HSE) has always embraced the global chemical industry's code of Responsible Care. Learn more at [www.cefic.org](http://www.cefic.org).

### A step change in safety

Borealis in 2002 began a comprehensive, company-wide behavioural training programme called "Step Change in Safety." Overall, this focus on safety has led to a drop in total recordable injuries among Borealis employees, to 3.8 per million working hours in 2003 from 4.0 in 2002, 6.9 in 2001 and 8.4 in 2000.

Our aim is to be among the leaders in the industry in safety. This commitment is exemplified by the high success rate in performing safety observation tours, a total of 14,000 in 2003, exceeding our target of 12,000. Borealis employees received some 20,000 hours of safety training in 2003.

### Climate change & greenhouse gases

Borealis is developing a strategy on climate change and "greenhouses gases" (GHG) that includes both a group-wide effort and local site activities geared to the individual country's approach. The EU and national governments are setting targets to meet the 1997 Kyoto summit goals for reducing GHG

emissions. The main greenhouse gas in Borealis is carbon dioxide (CO<sub>2</sub>) which comes from our use of energy. Thus, reducing CO<sub>2</sub> will primarily mean reducing our energy consumption. Borealis' CO<sub>2</sub> emissions per tonne of product in 2003 remained at the same level as in 2002, at 0.35 kg.

### Hydrocarbon emissions slightly lower

Borealis' monitored emissions of volatile organic compounds (VOCs) to air were slightly lower at 5,700 tonnes in 2003, from 5,800 tonnes in 2002. All sites have improved leak-detection and repair procedures that have gradually reduced emissions under normal operations.

### Fewer fires & leaks

The number of Fires and leaks at Borealis sites also fell due to increased focus on HSE performance. A total of 49 fires, and liquid and gas leaks, were reported in 2003, a decrease of 28% from 2002.

### 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 Borealis amounted to 3.0% of total hours worked in 2003, up from 2.8% in 2002 but still low for the industry.

### HSE investments

Borealis in 2003 invested EUR 16.5 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.



In early 2004, Borealis broke ground for the construction of the biggest Borstar PE plant to date, located in Schwechat, Austria. It will go on stream in 2005 and meet the growing demand for LLDPE.

## Challenges & opportunities beyond 2004

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Borealis' efforts to continuously improve remain high on the agenda. We are carrying out profit improvement programmes at our production sites to boost the performance and profitability of operations long-term. Market-sector business plans will help deliver further improvements as all Business Units sharpen their focus on creating and delivering value to our customers. A sales and marketing excellence programme carries on in 2004 by sharing best practices and optimising the capabilities, processes and tools of the Borealis sales force. There are other ongoing projects throughout the organisation designed to increase Borealis' overall competitiveness.

### Expanding Borstar capacity

Growing demand for the versatile, innovative PE and PP products from Borealis' patented Borstar process also demands that production capacity keep pace. Borealis is building the biggest Borstar PE plant so far, a 350,000 tonnes/year unit in Schwechat, Austria, to go on stream in late 2005. It will replace three older PE units. At the same location, the successful Borstar PP plant will also be expanded by a further 90,000 tonnes/year.

The increased capacity in Austria will bring the superior processability and end-properties of Borstar PE and PP products to growing markets, especially in Germany, Italy and France. It is a step forward in

state-of-the-art technology that will boost Borealis' size and competitive position.

In Finland, the existing Borstar PE plant will be expanded in 2004 from 180,000 tonnes/year to 240,000 tonnes, employing a technological improvement that also reduces hydrocarbon emissions. In addition, Borealis will double the capacity of a compounding unit to 12,000 tonnes/year to meet the market growth of polyolefin adhesives for steel pipe coating.

Borouge, our joint venture, is already expanding its Borstar PE capacity and is studying further expansion. After only two years of operation, the growing market demand for enhanced polyolefins,

and more feedstock coming on stream, allows Borealis to build on its success in the Middle East and Asia. The initial expansion will increase the existing Borstar units from 450,000 tonnes/year to 580,000 tonnes by mid-2005. In 2003, ADNOC and Borealis began a feasibility study for a new world-scale cracker and downstream polyolefin plants. The expansion is based on two ADNOC natural gas developments, providing the ethane equivalent of approximately 1.4 million tonnes of additional ethylene per year.

Borealis' Borstar family also includes a 225,000 tonnes/year unit in Stenungsund, Sweden. In China, a 250,000 tonnes/year facility at Shanghai Petrochemical Co., the first third-party licensee of Borstar PE technology, began commercial operation in 2003.

### Climate change

Climate change refers to the greenhouse effect of global warming. It is believed that greenhouse gas (GHG) emissions are trapping heat in the atmosphere

and raising the earth's temperature. The most common is CO<sub>2</sub>, which comes from the use of energy, from breathing and organic oxidation. It is also the primary emission from Borealis plants. So for us, reducing CO<sub>2</sub> will mean a combination of reducing both plant emissions and energy consumption.

The Kyoto summit in 1997 set important goals for reducing GHG emissions. Today, the EU and national governments are setting targets for meeting these. Borealis is taking both a group-wide and a site-by-site approach geared to the local country's requirements.

Among key tools in the protocol is "emission trading." A permit to emit one tonne of CO<sub>2</sub>, for instance, would carry a price like a commodity, which a company could sell after it makes plant improvements that reduce emissions by one tonne. The EU Directive on Emission Trading has set the broad rules, but the precise implications for Borealis will become clear in 2004 as individual European governments enact their own emission trading directives.

Borealis is committed to measures for ensuring a sustainable, clean environment.



### The R&D pipeline

In 2003, Borealis increased investment in long-range research to over 25% of total R&D expenditures to sustain our competitiveness in the future. The R&D pipeline will develop the next generations of PE and PP, including Borstar product, process and catalyst innovations. We believe that molecular tailoring is essential for the products of the future, and that Borstar technology is the right technology to build on.

One long-range project will expand the Borstar PP window to utilise the full potential of Borstar PP technology. We have already seen the advantages of Borstar PP in many applications, for instance in cast film, with improved optical properties, sealing and softness. Borealis is in the process of launching a range of new Borstar PP products for applications in the automotive, housing, pipe, moulding and thermoforming industries.

In 2003, Borealis collaborated with Lurgi and Statoil to produce the first PP products made from natural gas, rather than from petroleum products: plastic drinking cups.





Borstar PE makes it possible for large-diameter pipe to have thinner walls and low-sag properties.

In PE, new catalyst systems are yielding a step-change in polymer design. Introduction of single-site catalysts into the Borstar PE process will combine excellent mechanical and optical properties with processability and other tailoring possibilities of multi-stage technology. In another long-range project, Borealis will develop enhanced products for pipe, packaging, and wire and cable applications.

## Plastics: from cellulose to superpolymers

The history of plastics is actually a history of man-made polymers, which are compounds, or mixtures of compounds, consisting essentially of repeating structural units. People have been using “natural polymers” like amber, tortoiseshell and horn for centuries.

In 1862 Alexander Parkes unveiled the world’s first semi-synthetic plastic material at the Great International Exhibition in London. It was cellulose nitrate - cellulose fibres modified with nitric acid - which could be moulded, become transparent and carved into all kinds of objects like knife handles, ornaments, and flexible cuffs and collars. But the material, called Parkesine, was expensive to produce and never became a commercial success.

The next great moment in plastics came in a billiard hall in America where John Wesley Hyatt came up with celluloid, which put a better spin on billiard balls than ivory. He then added camphor, and celluloid in 1870 was patented as the first

thermoplastic. It found its way into false teeth, then eventually went to Hollywood as the first flexible photographic film for still and motion pictures.

### Bakelite finds an industry

Leo Baekeland changed the world in 1907 when he mixed together the first fully-synthetic polymer, Bakelite. When hardened, Bakelite proved to be almost indestructible and it soon found its way into a vast number of industrial and consumer products, and into most of the weaponry of World War Two. It is still used today in electrical insulators.

The discoveries of rayon in France, cellophane in Switzerland and the basic principles of producing polyvinyl chloride (PVC) in Germany came in the early 20th century. The world went through another plastics craze that led to the development of cellophane into nylon at DuPont laboratories in the 1920s. Nylon replaced animal fibre in toothbrushes and silk stockings, and was modified into a range



The King of Sweden, Gustav VI Adolf (above at left), inaugurated two of Borealis’ first production plants, under previous names, back in 1964. Nylon revolutionised the ‘silk stocking’ industry in the 1940s (below), because vast amounts of silk had gone to war as parachutes.



Teflon cookware, with its non-stick properties, eliminated the need for pot-scrubbing in the kitchen.



Celluloid was patented as the world's first thermoplastic in 1870, and was quickly adopted for use in billiard balls and later, in movie film.

of synthetics that substituted exhausted natural materials in the 1940s.

In the 1930s, scientists at Dow Chemical discovered the cling film, Saran, and DuPont developed Teflon, bringing polymers further into consumers' kitchens.

#### **Polyolefins revolutionise plastics**

In 1933, two chemists at the Imperial Chemical Industries Research Laboratory discovered polyethylene (PE) while testing the reaction between ethylene and benzaldehyde under extreme pressure. The revolutionary substance would grow into the largest volume plastic in the world.

In the 1950s, the use of new catalysts made PE take off on the consumer market, and it became the basic material for Tupperware. Its development eventually led to the invention of polypropylene (PP) by several different scientists in the early 1950s.

In 1953 Hermann Ziegler discovered high-density

PE (HDPE) and the following year, Giulio Natta used Ziegler's catalysts for PP. Their inventions earned them a joint Nobel Prize and opened the way for a broad range of everyday PE and PP applications in films, fibres, bottles and containers, toys and appliances.

The Space Race and the 1973 oil crisis accelerated the development of plastics and "superpolymers" that could replace metal and other conventional materials in a new era of technology. Products like Formica and Velcro revolutionised their own industries.

The 1980s saw the dawn of the Information Age. Computers, smart appliances and modern telecommunications owe their very existence to high-performance polymers.

Metallocene catalysts launched a new era in the production of polyolefins (PE and PP) in 1992 by enabling producers to precisely define the polymer structure and thus, the physical properties. Today,

Borealis' successful Borstar process technology is pushing the envelope in enhanced polyolefin performance.

Over 160 years, plastics have created thousands of new industries and revolutionised almost every material aspect of human endeavour.

### Plastics in the future

Is an all-plastic car really so far down the road? The full potential of plastics in general - and polyolefins in particular - is still relatively unexplored. However, polyolefins are being introduced in more and more applications where they provide additional advantages over conventional materials due to their price-performance ratio and environmental benefits, thereby becoming an important tool for sustainable development. In particular, PE and PP are non-hazardous materials, and contain safe additives. At the end of their life cycle, they are also suitable for material recycling or energy recovery, as they serve as clean fuel.



Borealis is moving from “bimodal” Borstar PE and PP process technology to “supermodal,” where the products consist of compositions of carefully tailored polymer structures. There is almost no limit to their potential applications in our everyday lives. So why not an all-plastic car? Or bicycle? Or golf clubs?

The new generation of Borstar products will be targeted to meet the needs of future society. Consumers demand environmental excellence and convenience at the same time. Food packaging, for instance, must be easy to open and to close, to handle in refrigeration and heat, maintain product freshness and be attractive in appearance. This requires a combination of different and often contradictory properties in one product, and is the unique advantage of Borealis' evolving Borstar products.

The trend in future plastics is clear: stronger, lighter, cleaner and environmentally friendly throughout the entire product life cycle.

Who can predict what the next 40 years will bring?

Learn more about plastics at [www.apme.org](http://www.apme.org).



The classic Bakelite telephone (left) employed the first fully-synthetic polymer. Today's telephones employ polyolefins and other modern polymers for wire insulation, housing and internal parts.

## **Accounts – Borealis A/S**

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## Financial review

### Highlights

- 2003 was a year with volatile feedstock costs and polyolefin prices. After a strong increase in the first quarter of the year polyolefin market prices decreased heavily during summer, to recover in the last quarter.
- Net profit was EUR 16 million, compared to a net profit of EUR 6 million in 2002, and return on capital employed after tax was 3%, as in 2002. The main drivers behind the better result were continued cost control, good results from the Borouge joint venture and lower finance charges.

### Market development

2003 was a year with volatile feedstock costs and polyolefin prices. After a strong increase in the first quarter of the year polyolefin market prices decreased heavily during summer, to recover in the last quarter. On average the polyolefin prices were at the 2002 level. The average price of naphtha, the main feedstock, increased by more than USD 50/t (EUR 10/t) compared to 2002. Borealis polyolefins sales volume grew by 1% in total, same as the Western European polyolefin market growth in 2003.

## REVIEW OF RESULTS

### Sales

Net sales amounted to EUR 3,673 million, higher than the 2002 net sales of EUR 3,514 million. Polyolefin sales volumes were 3,404 million tonnes, up approx. 1%, while Borealis prices were on average at the 2002 level. Hydrocarbons sales were up 22% compared to last year.

### Cost development

Fixed costs were EUR 23 million lower than in 2002, thanks to continued cost control and the results of the transformation programme that was started in 2001. Research and development costs amounted to EUR 40 million, of which EUR 11 million have been capitalised. The number of employees by the end of 2003 was 5,037, a reduction of 48 compared to last year as a result of the nine-quarter transformation programmes.

### Operating profit

Operating profit amounted to EUR 39 million compared with EUR 85 million in 2002. Volumes have had a positive impact on the 2003 result while the decreased margins have had a reverse effect.

### Return on capital employed

The return on capital employed after tax amounted to 3%, same as in 2002. The average for 1994-2003 is 8%, below the trend line target of 11%.

### Sensitivity analysis

Sensitivity (EUR million)	2003	2002
Polyolefins prices +/- EUR 25/t	+/-85	+/-84
Polyolefins sales volumes +/-5%	+/-32	+/-36
Naphtha prices +/- USD 10/t	-/+22	-/+23

### Financial income and expenses

Net financial expenses amounted to EUR 55 million compared with EUR 67 million in 2002, due to a decrease in interest-bearing debt and decrease in rates. The strengthening in the Euro resulted in foreign exchange gains of EUR 7 million compared with EUR 3 million in 2002.

### Taxes

The provision for income taxes amounted to a credit of EUR 1 million (EUR 24 million expense in 2002). Borealis paid income taxes of EUR 5 million in 2003, compared to a repayment of EUR 14 million received in the previous year. In 2003 Borealis has recognised a liability for the Danish joint taxation and has recognised tax assets for all tax losses carried forward that can be offset by positive taxable income in the next three years.

### Net profit and distribution of dividend

The net profit for the year amounted to EUR 16 million, compared with a net profit of EUR 6 million in 2002. The Board of Directors proposes that no dividend be paid for 2003.

## FINANCIAL POSITION

### Total assets/capital employed

Total assets and capital employed stood at EUR 3,131 million and EUR 2,297 million, respectively, at year-end, compared to EUR 3,201 million and EUR 2,349 million at year-end 2002. The decreases of 2% are mainly due to the decrease in the financial fixed assets, an effect of lower USD compared to EUR.

The solvency ratio was 41% at year-end 2003, compared with 40% at year-end 2002. The gearing ratio decreased to 72% at year-end 2003, down from 79% in 2002, thanks to the continued reduction of interest bearing debt. The gearing ratio excluding subordinated loans was 64%.

### Cash flows and liquidity reserves

Cash flow from operations was EUR 159 million (EUR 350 million). The decrease came from lower sales margins, increased working capital and a reduction in the asset securitisation. Liquidity reserves, made up of undrawn, long-term committed credit facilities and cash balances, amounted

to EUR 500 million at year-end 2003 (EUR 505 million).

Net interest-bearing debt decreased and stood at EUR 918 million at year-end, down from 1,007 by end 2002.

The change in net interest-bearing debt is analysed in the following table

<b>Change of net interest-bearing debt, EUR million</b>	<b>2003</b>	<b>2002</b>
Cash flow provided by operating activities	159	350
Capital expenditure	-148	-134
Repayment of loans by associated companies	14	4
Other (mainly relating to foreign exchange differences)	64	77
Dividend paid	-	-
<b>Total decrease/increase</b>	<b>89</b>	<b>297</b>

### Capital expenditure

Investments in tangible fixed assets amounted to EUR 119 million in 2003, compared to EUR 103 million in 2002. HSE capital expenditure was EUR 13 million. Depreciation and amortisation amounted to EUR 191 million, compared to EUR 184 million in 2002.

### Shareholders' equity

The equity at year-end 2003 was EUR 1,282 million (EUR 1,276 million).

<b>Equity development, EUR million</b>	<b>2003</b>	<b>2002</b>
Net result	16	6
Exchange and fair value adjustment, net	-10	-14
Gross increase/(decrease)	6	-8
Dividend paid	-	-
Net increase/(decrease)	6	-8
Opening equity	1,276	1,284
<b>Ending equity</b>	<b>1,282</b>	<b>1,276</b>

### Financial Risk Management

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

### 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, 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 has control. Control is generally indicated when Borealis A/S, either directly or indirectly, has a majority voting interest. Companies in which the Group has significant influence, but no 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 normally 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 Groups 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 and until control ceases. A revaluation of the acquired net assets is made on the date of acquisition, using the purchase accounting method to state acquired assets and liabilities at fair value. Any positive difference between the fair book value of the assets and liabilities 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 recognised in the income statement.

### Foreign Currency

Assets and liabilities denominated in foreign currencies have been translated into Euro (EUR) at the exchange rates quoted on the balance sheet date. The Group's foreign operations are not considered an integral part of the parent company's operations. As the Group's activities are mainly based throughout Europe, EUR is used as both the functional and presentation 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 reduce 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. When incurred the cumulative gains or losses are removed from equity and recognised in the income statement together with 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, no hedge accounting is applied and any gain or loss on the hedging instruments are 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 and fulfils the requirement for hedge accounting, 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 and discounts and allowances.

#### **Research and Development**

Research costs are charged to 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.

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.

#### **Results from Associated Companies**

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

#### **Net Financial Items**

Interest income and expenses are included in 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 the 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**

Intangible fixed assets are stated at cost less accumulated amortisation and impairment losses.

Goodwill arising on an acquisition represents the excess of the costs of the acquisition over the fair value of the net identifiable assets acquired. The amortisation period is determined at the time of the acquisition, based upon the particular circumstances, and ranges 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 determined 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.

Assets leased under finance leases are recognised in the balance sheet and depreciated in the same way as the Group's other property. The cost of assets leased under finance leases is stated at the lower of fair value and the present value of the future lease payments at the time of acquisition.

**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 in Parent Company**

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

**Other Investments**

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

**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. The Group's risks and rates of return are affected predominantly by differences in products. Therefore the primary format for reporting segment information is business segments, with secondary information reported geographically.

**Amounts**

All amounts are in EUR million unless otherwise stated. The amounts in parentheses relate to the preceding year.

## Signatures to the accounts

### MANAGEMENT'S REPORT

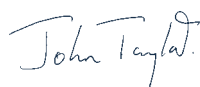
The Management and Board of Directors have today discussed and adopted the Annual Report for 2003 of Borealis A/S.

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, 2003. 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, 2003.

We recommend that the Annual Report be approved at the Annual General Meeting.

Copenhagen, February 19, 2004

#### Management:



John Taylor  
Chief Executive



Clive Watson  
Chief Financial Officer



Ruth Steinholtz  
General Counsel

#### Board of Directors:



Gerhard Roiss  
Chairman



Erling Overland  
Vice Chairman



Mohamed Al Khaily  
Board Member



Finn Kulås  
Board Member

### 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, 2003. 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 Danish 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, 2003, and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year then ended in accordance with the Danish Financial Statements Act, Danish Accounting Standards and International Financial Reporting Standards (IFRS).

Copenhagen, February 19, 2004

KPMG C. Jespersen

Statsautoriseret Revisionsinteressentskab



Torben Kristensen  
State Authorized Public Accountant



Søren P. Krejler  
State Authorized Public Accountant

## Consolidated income statement

EUR million	2003	2002	Note
<b>Net sales</b>	<b>3,673</b>	<b>3,514</b>	1
Production costs	-3,107	-2,886	2,3,9
Sales and distribution costs	-344	-351	3, 9
Administration costs	-183	-192	3, 9
<b>Operating profit</b>	<b>39</b>	<b>85</b>	
Profit/(loss) from sale of operations	0	16	4
Net results in associated companies	31	-4	10
Financial expenses, net	-55	-67	12
<b>Profit before taxation</b>	<b>15</b>	<b>30</b>	
Taxes	1	-24	13
Minority interests	0	0	
<b>Net profit for the year</b>	<b>16</b>	<b>6</b>	

## Consolidated statement of recognised gains & losses

EUR million	2003	2002	Note
<b>For the year ended 31 December 2003</b>			
Net gain/loss on translation of financial statements of foreign subsidiaries	-56	-79	
Net gain/loss on long-term loans to subsidiaries	0	20	
Net gain/loss on loans and financial contract to hedge investments in foreign subsidiaries	48	56	
Fair value adjustment of derivative financial instruments	-2	-11	
<b>Net gain/loss recognised directly in equity</b>	<b>-10</b>	<b>-14</b>	16
<b>Net profit/loss for the year</b>	<b>16</b>	<b>6</b>	16
<b>Total recognised gains and losses</b>	<b>6</b>	<b>-8</b>	

## Consolidated balance sheet

### ASSETS

EUR million	31.12.2003	31.12.2002	Note
<b>Fixed assets</b>			
Intangible fixed assets	123	115	2, 5
Deferred tax assets	87	50	13
Tangible fixed assets			7
Production plants	1,534	1,617	
Machinery and equipment	27	29	
Construction in progress	83	58	
	1,644	1,704	
Financial fixed assets	412	521	10
<b>Total fixed assets</b>	<b>2,266</b>	<b>2,390</b>	
<b>Current assets</b>			
Inventories	393	358	14
Receivables			
Trade receivables	126	106	15
Receivables from associated companies	154	171	15
Taxes	9	0	
Other	91	116	
	380	393	
Cash and cash equivalents	92	60	
<b>Total current assets</b>	<b>865</b>	<b>811</b>	
<b>Total assets</b>	<b>3,131</b>	<b>3,201</b>	

### LIABILITIES

EUR million	31.12.2003	31.12.2002	Note
<b>Shareholders' equity</b>			16
Issued capital	536	536	
Reserves	84	5	
Retained Earnings	662	735	
	<b>1,282</b>	<b>1,276</b>	
<b>Minority interests</b>	<b>5</b>	<b>5</b>	
<b>Liabilities</b>			
Subordinated loans	100	0	20, 25
Non-current liabilities			
Financial institutions	629	792	20
Deferred tax	177	163	13
Pension	51	61	17
Provisions	47	42	18
Other liabilities	2	2	
	906	1,060	
Current liabilities			
Financial institutions	281	275	20
Trade payables	304	329	
Taxes	2	2	13
Provisions	14	28	18
Other liabilities	237	226	
	838	860	
<b>Total liabilities</b>	<b>1,844</b>	<b>1,920</b>	
<b>Total equity, minority interests and liabilities</b>	<b>3,131</b>	<b>3,201</b>	
Assets pledged			21
Contingent liabilities			22
Financial instruments			23

## Consolidated cash flow statement

EUR million	2003	2002	Note
<b>Cash flows from operating activities</b>			
Payments from customers	3,685	3,681	
Payments to employees and suppliers	-3,466	-3,278	
Interest income received	21	24	12
Interest and financial expenses paid	-76	-91	12
Income taxes paid	-5	14	13
	<b>159</b>	<b>350</b>	
<b>Cash flows from investing activities</b>			
Investments in tangible fixed assets	-119	-103	7
Proceeds from sales of assets	0	26	4
Acquisition of subsidiary, net of cash acquired	-11	-	4
Other investments	-18	-57	5, 10
	<b>-148</b>	<b>-134</b>	
<b>Cash flows from financing activities</b>			
Long-term loans obtained	296	132	
Short-term loans obtained	56	11	
Loans to associated companies	14	4	
Long-term loans repaid	-334	-247	
Short-term loans repaid	-11	-104	
Dividends paid	-	-	
	<b>21</b>	<b>-204</b>	
<b>Net cash flow for the year</b>	<b>32</b>	<b>12</b>	
Cash and cash equivalents as of January 1	60	48	
<b>Cash and cash equivalents as of December 31</b>	<b>92</b>	<b>60</b>	

## Income statement – Borealis A/S

EUR million	2003	2002	Note
<b>Net sales</b>	<b>2,845</b>	<b>2,803</b>	1
Other operating income	54	86	
Cost of sales	-2,760	-2,714	
Sales and distribution costs	-35	-59	3, 9
Administration costs	-96	-104	3, 9
Amortisation of negative goodwill	0	7	18
	<b>8</b>	<b>19</b>	
<b>Operating profit</b>	<b>8</b>	<b>19</b>	
Profit/(loss) from sale of operations	0	0	4
Net results in subsidiaries	24	8	11
Net results in associated companies	1	1	11
Financial expenses, net	-11	-22	12
	<b>22</b>	<b>6</b>	
<b>Profit before taxation</b>	<b>22</b>	<b>6</b>	
Taxes	-6	0	13
	<b>16</b>	<b>6</b>	
<b>Net profit for the year</b>	<b>16</b>	<b>6</b>	

## Balance sheet – Borealis A/S

### ASSETS

EUR million	31.12.2003	31.12.2002	Note
<b>Fixed assets</b>			
Intangible fixed assets	17	16	6
Tangible fixed assets			
Machinery and equipment	4	4	8
Financial fixed assets			11
Shares in subsidiaries	1,342	1,408	26
Shares in associated companies	3	2	
Receivables from subsidiaries	1,065	914	
Receivables from associated companies	0	0	
Other investments	13	14	
	<u>2,423</u>	<u>2,338</u>	
<b>Total fixed assets</b>	<b>2,444</b>	<b>2,358</b>	
<b>Current assets</b>			
Receivables			
Trade receivables	26	14	15
Receivables from subsidiaries	163	242	
Receivables from associated companies	148	165	15
Other	11	10	
	<u>348</u>	<u>431</u>	
Cash and cash equivalents	12	9	
<b>Total current assets</b>	<b>360</b>	<b>440</b>	
<b>Total assets</b>	<b>2,804</b>	<b>2,798</b>	

### LIABILITIES

EUR million	31.12.2003	31.12.2002	Note
<b>Shareholders' equity</b>			16
Issued capital	536	536	
Reserves	84	5	
Retained earnings	662	735	
	<u>1,282</u>	<u>1,276</u>	
<b>Liabilities</b>			
Subordinated loans	100	0	20, 25
Non-current liabilities			
Financial institutions	599	751	20
Deferred tax	21	0	
Pension	2	2	17
Provisions	0	2	18
	<u>622</u>	<u>755</u>	
Current liabilities			
Debt to subsidiaries	589	516	
Accounts payable	3	4	
Financial institutions	82	120	20
Other	126	127	
	<u>800</u>	<u>767</u>	
<b>Total liabilities</b>	<b>1,522</b>	<b>1,522</b>	
<b>Total shareholders' equity and liabilities</b>	<b>2,804</b>	<b>2,798</b>	
Contingent liabilities			22
Financial instruments			23

## Notes to the accounts

### 1. Segment reporting

	Polyolefins		Hydrocarbons		Non-Allocated		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002
<b>Net sales by business:</b>								
Total sales	2,866	2,847	2,927	2,506	8	10	5,801	5,363
Group internal sales			-2,128	-1,849			-2,128	-1,849
	<b>2,866</b>	<b>2,847</b>	<b>799</b>	<b>657</b>	<b>8</b>	<b>10</b>	<b>3,673</b>	<b>3,514</b>

#### Result:

Operating profit	33	85	31	55	-25	-55	39	85
Profit/ (loss) from sale of operations					0	16	0	16
Net result in associated companies					31	-4	31	-4
Net financial items					-55	-67	-55	-67
Income tax					1	-24	1	-24
Minority interest					0	0	0	0

#### Net profit for the year

**16 6**

#### Other information:

Segment assets	1,872	1,930	954	999	305	272	3,131	3,201
Segment liabilities					1,844	1,920	1,844	1,920
Capital expenditure	67	46	51	54	1	3	119	103
Depreciation and amortisation	124	115	64	56	3	13	191	184

#### Net sales by geographic region:

Europe	2,385	2,473	774	637	8	10	3,168	3,120
Other regions	481	374	25	20	0	0	505	394
	<b>2,866</b>	<b>2,847</b>	<b>799</b>	<b>657</b>	<b>8</b>	<b>10</b>	<b>3,673</b>	<b>3,514</b>

### 2. Research & Development

A total of 310 people were engaged in research and development at the end of the year, compared to 382 in 2002. The total cost of these activities amounted to EUR 40 million (EUR 39 million) of which EUR 11 million (EUR 16 million) was capitalised.

### 3. Personnel

	Group		Parent Company	
	2003	2002	2003	2002
<b>Costs:</b>				
Salaries and wages	263	274	18	25
Pension costs	17	29	2	3
Other social security costs	51	52	1	0
Other personnel expenses	21	19	0	-
<b>Total</b>	<b>352</b>	<b>374</b>	<b>21</b>	<b>28</b>

#### Average number of employees by country:

Austria	681	685		
Belgium	782	685		
Denmark	79	124	79	124
Finland	920	951		
Norway	488	527		
Portugal	494	531		
Sweden	1,052	1,070		
Other	538	594		
<b>Total</b>	<b>5,034</b>	<b>5,167</b>	<b>79</b>	<b>124</b>

Personnel costs include management remuneration of	2	2	2	2
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No remuneration was paid to the Board of Directors.



#### 4. Acquisition and disposal of subsidiaries

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

	<u>2002</u>
Consideration received	26
- Net assets disposed of	-10
<b>Profit from sales of operations</b>	<b>16</b>
	<u>2003</u>
Net assets acquired	11
- Consideration paid	-11
<b>Goodwill on acquisition</b>	<b>0</b>

The cash amount included in the net assets disposed of and acquired was insignificant.

#### 5. Intangible fixed assets, Group

	<b>Goodwill</b>		<b>Licences</b>		<b>Development costs</b>		<b>Capitalised Software</b>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
<b>Cost</b>								
As of January 1	45	45	64	70	45	29	6	4
Exchange adjustments			0	3				
Additions			2	3	14	16	5	2
Disposals			-1	0				
Transfers			0	-12				
	45	45	65	64	59	45	11	6
<b>Accumulated amortisation</b>								
As of January 1	10	6	34	28	1	0	0	0
Exchange adjustments			0	1				
Disposals			-1	-2				
Amortisation	3	4	6	7	2	1	2	0
	13	10	39	34	3	1	2	0
<b>Book value as of December 31</b>	<b>32</b>	<b>35</b>	<b>26</b>	<b>30</b>	<b>56</b>	<b>44</b>	<b>9</b>	<b>6</b>

## 6. Intangible fixed assets, Parent Company

	Goodwill		Software		Licences	
	2003	2002	2003	2002	2003	2002
<b>Cost</b>						
As of January 1	9	9	6	4	14	14
Additions			5	2		
	9	9	11	6	14	14
<b>Accumulated amortisation</b>						
As of January 1	2	1	0	0	11	9
Amortisation	0	1	2	0	2	2
	2	2	2	0	13	11
<b>Book value as of December 31</b>	<b>7</b>	<b>7</b>	<b>9</b>	<b>6</b>	<b>1</b>	<b>3</b>

## 7. Tangible fixed assets, Group

	Production plants		Machinery and equipment		Construction in progress	
	2003	2002	2003	2002	2003	2002
<b>Cost</b>						
As of January 1	3,755	3,614	116	134	58	75
Exchange adjustments	-14	54	-2	-9	-	-
Additions	4	64	-	-	119	103
Disposals	-15	-77	-3	-28	-	-1
Transfers	88	100	6	19	-94	-119
	3,818	3,755	117	116	83	58

	Production plants		Machinery and equipment		Construction in progress	
	2003	2002	2003	2002	2003	2002
<b>Accumulated depreciation</b>						
As of January 1	2,138	1,974	87	90		
Exchange adjustments	-10	29	-1			
Disposals	-15	-28	-3	-12		
Depreciation	171	163	7	9		
	2,284	2,138	90	87	-	-
<b>Book value as of December 31</b>	<b>1,534</b>	<b>1,617</b>	<b>27</b>	<b>29</b>	<b>83</b>	<b>58</b>

The figures for production plants include capitalised finance leases with a net value of EUR 8 million (EUR 8 million) comprising a cost of EUR 20 million (EUR 22 million) and depreciation of EUR 12 million (EUR 14 million). The lease obligation is included in debt to financial institutions.

Future capital expenditure approved by Management is estimated at EUR 184 million (EUR 85 million) including EUR 14 million (EUR 14 million) for which contracts have been placed.

### 8. Machinery and equipment, Parent Company

	2003	2002
<b>Cost</b>		
As of January 1	8	8
Additions	2	2
Disposals	0	-2
	10	8
<b>Accumulated depreciation</b>		
As of January 1	4	4
Disposals	0	-2
Depreciation	2	2
	6	4
<b>Book value as of December 31</b>	<b>4</b>	<b>4</b>

### 9. Depreciation and amortisation

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

	Group		Parent Company	
	2003	2002	2003	2002
Production costs	166	152		
Sales and distribution costs	11	12		
Administration costs	14	20	6	6
<b>Total</b>	<b>191</b>	<b>184</b>	<b>6</b>	<b>6</b>

### 10. Financial fixed assets, Group

	Shares in associated companies		Other investments		Other long-term receivables		Total	
	2003	2002	2003	2002	2003	2002	2003	2002
<b>Cost</b>								
As of January 1	168	160	37	25	288	329	493	514
Exchange adjustments	-26	-13			-49	-37	-75	-50
Investments	0	21	3	15	61	17	64	53
Disposals	-100		-15	-3	-14	-21	-129	-24
	42	168	25	37	286	288	353	493
<b>Adjustments</b>								
As of January 1	28	32					28	32
Disposals	0						0	
Net result of associated companies	31	-4					31	-4
	59	28	-	-	-	-	59	28
<b>Book value as of December 31</b>	<b>101</b>	<b>196</b>	<b>25</b>	<b>37</b>	<b>286</b>	<b>288</b>	<b>412</b>	<b>521</b>

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
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	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
<b>Cost</b>										
As of January 1	1,459	1,416	959	1,015	1	1	-	27	14	2
Investments/additions	3	44	329	338				-	-	12
Disposals	-	-1	-190	-394				-27	-1	-
	<u>1,462</u>	<u>1,459</u>	<u>1,098</u>	<u>959</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>13</u>	<u>14</u>
<b>Adjustments</b>										
As of January 1	-51	17	-45	-65	1	-			-	
Exchange and fair value adjustments	-75	-58	12	20	-	-			-	
Net result of subsidiaries	24	8			1	1			-	
Dividend from subsidiaries	-18	-18			-	-			-	
	<u>-120</u>	<u>-51</u>	<u>-33</u>	<u>-45</u>	<u>2</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Book value as of December 31</b>	<b>1,342</b>	<b>1,408</b>	<b>1,065</b>	<b>914</b>	<b>3</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>13</b>	<b>14</b>

## 12. Financial income/expenses, net

	Group		Parent Company	
	2003	2002	2003	2002
<b>Interest income from:</b>				
Subsidiaries			46	52
Cash and cash equivalents	21	24	18	20
	<u>21</u>	<u>24</u>	<u>64</u>	<u>72</u>
<b>Interest expenses to:</b>				
Financial institutions	-75	-93	-64	-74
Subsidiaries			-18	-19
Finance lease	-1	-1		
Exchange adjustments, net	7	3	13	2
Other financial expenses	-7	0	-6	-3
	<u>-76</u>	<u>-91</u>	<u>-75</u>	<u>-94</u>
<b>Total</b>	<b>-55</b>	<b>-67</b>	<b>-11</b>	<b>-22</b>

### 13. Taxation

	Group		Parent Company	
	2003	2002	2003	2002
<b>Taxes</b>				
Income tax payable	4	6	0	0
Change in deferred tax	-2	18	6	0
Adj. to prior year's tax charge	-3	0	0	0
<b>Tax expense</b>	<b>-1</b>	<b>24</b>	<b>6</b>	<b>0</b>
<b>Reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rates</b>				
Tax provision at statutory rates	4	14	-1	0
Tax effect of permanent differences	-5	-6	2	0
Adjustment of valuation allowance	17	30	0	0
Benefits of tax losses	-13	-14	0	0
Prior-years adjustments	-3	0	0	0
Other	-1	0	5	0
<b>Tax expense</b>	<b>-1</b>	<b>24</b>	<b>6</b>	<b>0</b>
<b>Deferred tax, asset</b>				
Tax over book values	4	19	0	0
Other temporary differences	0	2	0	0
Tax losses to be carried forward	83	29	0	0
<b>Capitalised tax assets</b>	<b>87</b>	<b>50</b>	<b>0</b>	<b>0</b>

	Group		Parent Company	
	2003	2002	2003	2002
<b>Deferred tax, liability</b>				
Accelerated depreciation on tangible fixed assets	137	155	-2	0
Tax equilisation reserves in Swedish subsidiaries	6	9	0	0
Other	34	27	22	0
	177	191	20	0
Tax assets offset	0	-28	0	0
<b>Deferred tax liability</b>	<b>177</b>	<b>163</b>	<b>20</b>	<b>0</b>
<b>Taxes, payable</b>				
Payable taxes as of January 1	2	2	0	0
Income tax payable for the year	1	6	0	0
Taxes paid (-) / received (+)	-5	14	0	0
Movement in tax receivable	4	-20	0	0
<b>Payable taxes as of December 31</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>0</b>

The Group has recognised deferred tax assets of EUR 87 million (EUR 50 million) in jurisdictions in which the Group has tax losses carried forward. It is expected that these assets can be utilised against profits in these jurisdictions within the next few years.

The Group has tax assets of EUR 79 million (EUR 176 million) in addition to those that have been capitalised. These assets mainly relate to tax losses carried forward.

Borealis A/S is jointly taxed with a number of Danish and foreign subsidiaries. The company and the other Danish jointly taxed companies are jointly liable for the taxes on the income subject to joint taxation.

#### 14. Inventories, Group

Inventories of ethylene and propylene are included under finished products

	2003	2002
Raw materials and consumables	128	97
Finished goods	265	261
<b>Total</b>	<b>393</b>	<b>358</b>

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 31 December, 2003 receivables worth EUR 371 million (EUR 398 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 113 million (EUR 119 million) is outstanding at balance sheet date.

78% of the funding cost for Borealis is hedged for 2004

#### 16. Shareholders' equity

	Issued capital	Reserve for net revaluation under the equity method	Reserve for unrealised exchange gains	Hedging reserve	Retained earnings	Total
<b>Balance as at January 1, 2002</b>	<b>536</b>	<b>17</b>	<b>-32</b>	<b>-8</b>	<b>771</b>	<b>1,284</b>
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		-58	77	-32	-1	-14
Transfers		51			-51	0
Dividends received from subsidiaries		-18			18	0
Dividend paid						-
<b>Balance as at December 31, 2002</b>	<b>536</b>	<b>0</b>	<b>45</b>	<b>-40</b>	<b>735</b>	<b>1,276</b>
Net profit for the year		24			-8	16
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		-76	63	16	-13	-10
Transfers		70			-70	0
Dividends received from subsidiaries		-18			18	0
Dividend paid						-
<b>Balance as at December 31, 2003</b>	<b>536</b>	<b>0</b>	<b>108</b>	<b>-24</b>	<b>662</b>	<b>1,282</b>

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.

<b>Funded pension plans</b>	<b>2003</b>	<b>2002</b>
Actuarial present value of benefits due to past and present employees	96	100
Plan assets held in trusts at fair value	-85	-88
Plan assets below the present value of benefits	11	12
<b>Unfunded pension plans</b>		
Actuarial present value of benefits due to past and present employees recorded as a provision	48	49
	59	61
Unrecognised actuarial losses	-8	-
<b>Net liability recognised in the balance sheet</b>	<b>51</b>	<b>61</b>
<b>Movement in the net liability recognised in the balance sheet</b>	<b>2003</b>	<b>2002</b>
Net liability at January, 1	61	62
Contributions received	-6	-12
Expense recognised in the income statement	-4	11
<b>Net liability at December, 31</b>	<b>51</b>	<b>61</b>
<b>Expense recognised in the income statement for defined benefit plans</b>	<b>2003</b>	<b>2002</b>
Service costs	6	8
Interest costs	6	9
Expected return on assets & amortisations	-16	-6
<b>Total</b>	<b>-4</b>	<b>11</b>

The aggregated pension cost charged to the income statement for 2003 amounted to EUR 17 million compared to EUR 29 million in 2002. Pension costs relate to:

	<b>2003</b>	<b>2002</b>
Defined benefit plans	-4	11
Defined contribution plans	21	18
<b>Total</b>	<b>17</b>	<b>29</b>

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:

	<b>2003</b>			<b>2002</b>		
Discount rate	5%	to	7%	5%	to	7%
Projected rate of remuneration growth	2%	to	3%	2%	to	5%
Expected rate of return on plan assets	5%	to	8%	4%	to	8%

## 18. Other provisions

	<b>Restructuring</b>	<b>Negative goodwill</b>	<b>Other</b>	<b>Total</b>
As of January 1	43	2	25	70
Provisions made during the year	15	0	4	19
Provisions used during the year	-24	-1	-3	-28
<b>Balance as of December 31, 2003</b>	<b>34</b>	<b>1</b>	<b>26</b>	<b>61</b>
Current	12	0	2	14
Non-current	22	1	24	47
	<b>34</b>	<b>1</b>	<b>26</b>	<b>61</b>

### Restructuring

The provision for restructuring covers estimated costs for the on-going nine-quarter transformation programme.

## 19. Government grants

Borealis received government grants for research and development of EUR 1 million (EUR 3 million).

## 20. Financial indebtedness

The composition of financial indebtedness (short and long-term debt) at the end of 2003 in EUR million was as follows:

Maturities		2003					2002					
		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
<b>Due</b>												
After	5 years	470				6	54				6	
Within	5 years	54					12					
	4 years	12					64					250
	3 years	65					242					195
	2 years	120					411					
	2-5 years					7					8	
		721				13	250	783			14	445
Within	1 year	92	56	131	2	158	131		11	131	2	
Finance charges						-5					-5	
<b>Net obligations</b>		<b>813</b>	<b>0</b>	<b>56</b>	<b>131</b>	<b>10</b>	<b>408</b>	<b>914</b>	<b>0</b>	<b>11</b>	<b>131</b>	<b>445</b>
Total long term debt		729						792				
Total short term debt		281						275				
<b>Total debt</b>		<b>1,010</b>						<b>1,067</b>				

The Subordinated Shareholder Loan of EUR 100 million has an 8 year term and matures in 2011.

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 67% has a fixed interest rate and 33% 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 2003 the Group has committed credit lines with syndicates of banks of USD 650 million and EUR 300 million of which USD 455 million and EUR 50 million have been utilised.



## Currency mix

	2003	Percent	2002	Percent
<b>Interest bearing</b>				
USD	369	37%	442	42%
EUR	604	59%	492	46%
SEK	37	4%	133	12%
NOK			0	0%
BRL			0	0%
DKK			0	0%
<b>Interest bearing total</b>	<b>1,010</b>	<b>100%</b>	<b>1,067</b>	<b>100%</b>

## Parent company interest bearing debt

	2003	2002
Inter-company short-term loans	107	102
Term loans and revolving facilities	781	871
<b>Total</b>	<b>888</b>	<b>973</b>

Of the parent company's term loans, EUR 681 million matures within 5 years and EUR 100 million after 5 years.

## 21. Assets pledged

	2003	2002
Chattel mortgages	15	15
Others	19	19
<b>Total</b>	<b>34</b>	<b>34</b>

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

## 22. Contingent liabilities

	2003	2002
<b>Guarantee Commitments:</b>		
The Parent Company guaranteed credit facilities of Group companies amounting to EUR:	164	174

### 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	11
Thereafter:	2	1
<b>Total</b>	<b>19</b>	<b>18</b>

The Parent Company's share of operational leasing commitments amounted to EUR:

<b>6</b>	<b>7</b>
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Note 22 continues on page 42.

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**

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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 specific counterparty is the sum of all outstanding trade receivables, and is compared to the individual credit limit allocated to that counterparty. Credit limit evaluations are performed on a daily basis with semi-annual reviews on the total customer base. Approval and escalation limits are used to authorise the available credit limits to customers. At balance sheet date, Borealis has no large concentrations of credit risks representing more than 9% of total outstanding trade receivables.

**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 above 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, 2003 Borealis had outstanding interest rate derivatives for a notional amount of EUR 969 million including forward starting swaps (EUR 826 million) with interest rates ranging from 1.98% to 5.86% 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, 2003 was adjusted against the opening balance of the hedging reserve at that date. The net fair value of the interest rate derivatives at December 31, 2003 was EUR -24 million (EUR -37 million) comprising liabilities of EUR 24 million and assets of EUR 0.2 million. These amounts were recognised in non-trade payables and receivables.

Of the EUR -24 million recognised in equity December 31, 2003, 68% is expected to enter into the determination of net profit and loss during 2004, 23% in 2005, 6% in 2006 and 3% in 2007

#### **Effective interest rates and re-pricing 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 re-priced.

2003	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		2.3%	92	70			22	
EUR floating rate loans	20	1.4%	-233	-233				
SEK floating rate loans	20	4.6%	-2		-2			
USD floating rate loans	20	1.6%	-45	-45				
USD floating rate loans	20	1.7%	-324	-324				
Effect of interest rate swaps / FRA		3.3%		243		-243		
EUR floating rate loans	20	2.5%	-186	-134	-52			
Effect of interest rate swaps		2.4%		186		-25	-161	
SEK floating rate loans	20	3.6%	-28		-28			
Effect of interest rate swaps		2.0%		28		-28		
EUR fixed rate loans	20	4.9%	-126	-11	-16	-56	-42	-1
EUR financial leases	20	6.3%	-2				-1	-1
SEK financial leases	20	11.0%	-8		-1	-1	-1	-5
Utilised uncommitted facilities	20	2.7%	-56	-56				
			<b>-918</b>	<b>-276</b>	<b>-99</b>	<b>-353</b>	<b>-183</b>	<b>-7</b>

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				
			<b>-1,007</b>	<b>-388</b>	<b>-7</b>	<b>-88</b>	<b>-467</b>	<b>-57</b>

Note 23 continues on page 44.

### 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 at December 31, 2003 were EUR 435 million (EUR 442 million) of which EUR 300 million (EUR 128 million) relates to foreign currency risk management and EUR 135 million (EUR 314 million) is the notional amount of currency swaps used in liquidity management. The total notional value of outstanding foreign exchange options at December 31, 2003 was EUR 52 million (EUR 0 million) measured at the strike rate.

**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 and options used as hedges of firm commitments and forecasted transactions at December 31, 2003 was EUR 1.4 million (EUR -2.5 million). EUR 1.2 million has been recorded directly to equity. EUR 0.2 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, 2003, was EUR 3.4 million (EUR 1.2 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 assets do so.

Adjustments to initial measurement of assets:

	Gains 2003	Losses 2003
Less than one year	1.2	0

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 2003	Losses 2003
Less than one year	1.2	0

### Hedges of net investments in foreign subsidiaries

Borealis designates certain external loans as hedges of the Group's investments in its foreign subsidiaries. The designated USD hedged loan amounts to EUR 350 million at December 31, 2003. A foreign exchange gain of EUR 73 million was recognised in equity during 2003 on the translation of this loan to EUR. During 2003 SEK 800 Million and USD 18 million of hedge loans were repaid resulting in a net gain recognised to the income statement of EUR 5.5 million (EUR 0 million)

### Commodity price risk

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

**Feedstock:** At balance sheet date, Borealis had commodity derivative contracts with maturities up to 1 year forward to manage the price risk on feedstock. (The notional volume of contracts held at December 31, 2003 was 155,000 tonnes with an average maturity of 3 months). 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, 2003 was EUR -3 million. EUR 4 million has been recognised in non-trade payables and EUR 1 million in non-trade receivables.

**Electricity:** Borealis hedges its forecasted electricity purchases with maturity up to 2005 using electricity swaps. The notional volume of the contracts held at December 31, 2003 was 252 MWh with an average maturity of 10 months. Hedge accounting has been 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, 2003 was EUR 2 million (EUR 21 million), comprising assets of EUR 2 million and no liabilities. This amount was recognised in non-trade receivables and in 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 long-term permanent changes in foreign exchange and interest rates will have an impact on consolidated earnings.

At December 31, 2003 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 7 million (EUR 4 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:

	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Note
	2003	2003	2002	2002	
Interest Rate Derivatives	-24	-24	-37	-37	23
Forward Exchange Contracts	5	5	-1	-1	23
Commodity derivatives	-1	-1	21	21	23
EUR Fixed Rate Loans	-127	-132	-148	-153	20
	<b>-147</b>	<b>-152</b>	<b>-165</b>	<b>-170</b>	
<b>Unrecognised losses</b>		<b>-5</b>		<b>-5</b>	

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

	2003	2002
Audit fees	0.2	0.2
Other services	0.3	0.7
<b>Total</b>	<b>0.5</b>	<b>0.9</b>

### 25. Transactions with related parties

30% of total feedstock (32% in 2002) is purchased from Borealis shareholders at market prices. Borealis A/S has received a loan from Statoil Danmark A/S and IOB Holdings A/S. The loan is subordinated to and contingent upon the payment in full of all other liabilities. Repayment of the principal will be made in full in 2011. Interest is based on EURIBOR rate plus a margin. Payment of interest is contingent upon meeting certain financial ratio tests.

There were no other material transactions with related parties in 2003.

## 26. Subsidiaries included in the consolidated accounts

Company name	Country	Currency	Issued share capital	Percentage of shares owned	Book value in Borealis (EUR million)
<b>Borealis A/S</b>					
• Borealis Insurance A/S	Denmark	DKK	52,786,000	100	21
• Borealis GmbH (Austria) Aps	Denmark	EUR	3,500,000	100	0
• Borealis N.V. (Belgium) ApS	Denmark	DKK	2,000,000	100	546
•• Borealis Coordination Center N.V.	Belgium	EUR	99,189,000	100	147
•• Borealis Polymers N.V.	Belgium	EUR	359,446,000	100	399
••• Borealis Kallo N.V.	Belgium	EUR	40,575,000	100	37
•••• Borealis Antwerpen Compounding N.V.	Belgium	EUR	277,054	100	1
• Borealis Sverige AB	Sweden	SEK	400,000	100	-310
•• Borealis Holding AB	Sweden	SEK	1,300,000	100	-8
••• Borealis AB	Sweden	SEK	65,000,000	100	245
•••• Etenförsörjning i Stenungsund AB	Sweden	SEK	5,000,000	80	1
• Borealis Portugal SGPS S.A.	Portugal	EUR	50,000	100	11
• Borealis Polimeros Lda	Portugal	EUR	268,353,000	100	146
•• Borealis Producao de Electricidade e Calor ACE	Portugal	EUR	25,000	66.7	0
• Borealis AS	Norway	NOK	3,050,000,000	100	394
•• Borealis Borouge AS	Norway	NOK	3,000,000	100	-69
•• Borealis Borouge Holding AS	Norway	NOK	850,500,000	100	133
• Borealis GmbH	Austria	EUR	32,610,000	100	26
•• PCD Polymere s.r.o.*	Czech Rep.	CZK	100,000	100	0
• Borealis Italia S.p.A.	Italy	EUR	13,726,000	100	10
• Borealis France S.A.S.	France	EUR	207,000	100	1
• Borealis Polymere Holding AG	Germany	EUR	337,000	100	38
•• Borealis Polymere GmbH	Germany	EUR	18,407,000	100	71
•• Borealis Deutschland GmbH	Germany	EUR	154,000	100	-1
• Borealis Compounds Inc.	US	USD	10	100	15
•• Borealis Compunds LLC	US	USD	0	100	14
• Borealis Polymers Oy	Finland	EUR	90,821,480	100	318
• Borealis Technology Oy	Finland	EUR	43,728,860	100	96
• Borealis Singapore Pte Ltd	Singapore	SGD	100,000	100	2
• Borealis s.r.o.*	Czech Rep.	CZK	500,000	100	0
• Borealis Asia Ltd	Hong Kong	HKD	500,000	100	0
• Poliiolefinas Borealis Espana S.A.	Spain	EUR	60,000	100	5
• Borealis Polska Sp z o.o.*	Poland	PLN	40,000	100	0
• Borealis OPP S.A.	Brazil	BRL	94,744,000	80	21
• 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



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2.2 mm



**Polypropylene (PP)**  
tailor-made compounds  
for cars, vacuum cleaners  
or mobile phones.

3.0 mm



**Polypropylene (PP)**  
film for shopping bags,  
food packaging or medical  
supplies.

2.6 mm



**High-density  
polyethylene (HDPE)**  
for drinking water pipes,  
or wire and cable insulation.

1.8 mm



**Medium-density  
polyethylene (MDPE)**  
for gas pipes, even toys  
or sporting goods.

1.8 mm



**Low-density  
polyethylene (LDPE)**  
for blow-moulded bottles,  
tubs or transport packaging.