

Annual Report 1999



BOREALIS

Contents

3	Polyolefins – plastics for the future
4	Highlights of 1999
5	Key figures and ratios
6	Letter from the CEO
8	Growing into the future
10	Ethics and values
12	Report of the Board of Directors
16	Financial review
20	Research & Development
24	Borstar – technology for leadership
26	Performance Products – Wire & Cable
27	Performance Products – Pipe
28	Performance Products – Engineering Applications
30	Polypropylene
31	Polyethylene
32	Olefins, Phenol & Aromatics
34	Health, safety and the environment
37	Accounts for 1999
38	Accounting principles
40	Signatures to the accounts
41	Consolidated income statement
42	Consolidated balance sheet
44	Consolidated cash flow statement
45	Income statement – Borealis A/S
46	Balance sheet – Borealis A/S
48	Notes to the accounts
60	Addresses
62	Board and management

This is an expanded version of the statutory Danish-language annual report, which was approved on March 13, 2000, and will be filed with the Danish Commerce and Companies Agency.

Highlights

- Net profit was EUR 141 million, compared to EUR 119 million in 1998.
- Return on capital employed after tax was 9%, the same as in 1998.
- 1998 results were reduced by EUR 54 million in restructuring costs.
Excluding these, results in 1999 were slightly lower, due mainly to higher feedstock costs which contributed to a lower integrated margin.
- Fixed costs decreased 8% due to progress in the Site Development programme and synergies from the integration of PCD.

This 1999 Annual Report is also available at www.borealisgroup.com.
Click News/Financial Performance/Annual Report 1999.



Oil and gas production

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



Refining

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

Borealis' production chain



Cracking

'Cracking' is a process in which large hydrocarbon molecules (naphtha, ethane and liquefied petroleum gases) are broken down into smaller ones.

These include the gases ethylene and propylene, which are ready for polymerisation into plastics raw material.

Borealis owns crackers in Finland, Portugal and Sweden.



Polymerisation

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

An example is Borstar, Borealis' own process and catalyst technology.

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



Polyethylene and polypropylene

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



Customers: Plastics converters

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

Polyolefins - plastics for the future

- plastics for the future

Borealis is one of the world's leading producers of polyolefin plastics – polyethylene (PE) and polypropylene (PP). These are environmentally superior plastics which, thanks to our innovative Borstar process, are pushing the limits in properties and performance.

More and more polyolefins are replacing conventional materials in products that touch our everyday lives, from personal hygiene to the cars we drive.

PE and PP are plastics for the future as we work toward a more sustainable environment.

The Borealis Group

The Borealis Group's output covers an integrated mix of petrochemicals (ethylene, propylene, and phenol & aromatics) and polyolefins. Borealis employs some 5,400 people and produces over three million tonnes of polyolefins per year.

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

The corporate head office is in Kongens Lyngby, a suburb of Copenhagen, Denmark. Production, however, comes from main sites in

Austria, Belgium, Finland, Germany, Norway, Portugal and Sweden, plus smaller locations in Italy and France. Borealis and Nova Chemicals Ltd. of Canada operate a joint venture in the USA to compound PE for the wire and cable business in North and South America.

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

Our owners

Established in 1994, Borealis today is owned 50% by the Norwegian oil company Statoil, one of the world's largest net sellers of crude oil and a major supplier of natural gas to Europe. The other half is owned by IOB Holdings, which represents a 25% share by OMV, the Austrian oil and natural gas group, and the remaining 25% by the International Petroleum Investment Company (IPIC) of Abu Dhabi.

Performance products

Performance PE and PP products from Borealis can be found in an extremely wide range of applications – everything from food packaging and construction materials, to housewares, cars, aircraft, pipes and cables. A network of sales offices in more than 25 countries serves customers around the globe.

Our strength in technology is Borstar, a process which yields PE and PP products that are substantially stronger and more easily processed than conventional materials.

Skill Centres are an integral part of each Business Unit in order to serve customers better. Research & Development is concentrated at Borealis locations in Austria, Finland and Norway, and at special technical support centres. These provide new, unique products and technical services, and help Borealis achieve manufacturing excellence.

We believe in close, creative partnerships with customers, suppliers and local communities. Borealis also devotes substantial resources to improving our performance in health, safety and the environment.

All Borealis employees contribute to adding value for our customers, controlling costs and boosting our financial performance to be even more competitive in the cyclical polyolefins industry.

It's an attitude.

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

Highlights of 1999

4

February

Borealis, Elenac and Solvay launch the PE100+ Association to guarantee the highest quality and safety in the production and usage of PE100 pipe material. This is today's benchmark product for demanding applications such as water and gas pipes.

September

Borealis launches its corporate website: www.borealisgroup.com. The key objective is to provide existing and potential customers with useful information on Borealis' products, people, services and locations.

November

Borealis sells its compounding facility near Hamburg to RECO GmbH in a move aimed at improving Borealis' competitiveness in the Engineering Applications business.

December

Borealis sells its glass-mat reinforced thermoplastics (GMT) business to Symalit, a subsidiary of the Quadrant Group. GMT compounds offer wide possibilities for the automotive industry.

Borealis changes the name of a large number of its polymer grades to simplify its product mix. The aim is to improve production efficiency, product availability and consistency.

Volkswagen recognises Borealis with its "Corporate Supplier Award – The Leading Edge," for quality in the supply of plastics raw material for VW Golf bumpers.

Borealis donates EUR 67,000 to Médecins Sans Frontières (Doctors Without Borders) as part of the company's ongoing support of the international relief organisation. MSF was awarded the 1999 Nobel Peace Prize.

Key figures and ratios

Income and profitability

		1999	1998	1997	1996	1995
Net sales	EUR million	2,987	2,739	2,516	2,134	2,404
Operating profit	EUR million	216	177	235	113	403
Operating profit as percentage of net sales	%	7	6	9	5	17
Profit before taxation	EUR million	179	156	216	124	367
Net profit for the year	EUR million	141	119	180	107	290
Return on capital employed, net after tax	%	9	9	14	9	19

Cash flow and investments

Cash flow from operating activities	EUR million	186	392	325	122	503
Investments in tangible fixed assets	EUR million	547	193	196	192	99
				130		

Financial position

Total assets	EUR million	3,203	2,659	2,205	2,024	2,300
Net interest bearing debt	EUR million	766	314	180	252	329
Capital employed	EUR million	2,246	1,788	1,573	1,503	1,713
Equity	EUR million	1,290	1,157	1,161	1,081	998
Solvency ratio	%	41	44	53	53	47
Gearing	%	58	27	16	23	33

Number of employees		5,424	5,848	5,001	5,045	6,702
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Comparative figures have been restated due to a change in an accounting principle as described on page 38.

Definitions:

Capital employed = Total assets less non-interest-bearing debt, exclusive of payable dividend

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

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

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

Letter from the CEO

6

A strategy for creating value

In the last year of the millennium we saw the fastest concentration yet of the polyolefins industry into fewer, larger and more competitive corporations. 1999 was also the first year of the "New World of Borealis" – finalising the integration of PCD that we began in 1998 when we added more than one-third to our polyolefins capacity. We celebrated Borealis' fifth anniversary in March, recognising that our company's estimated market value had almost doubled since 1994. We remain firmly committed to a strategy of creating shareholder value.

In 1999, we saw substantial results from re-engineering programmes initiated in 1997. We delivered major cost and manning reductions to compete more effectively in the European market, and we did it without forced lay-offs. We also implemented Manufacturing Teams in our production sites to improve cost-effectiveness by relying on multiple skills and a flatter organisation.

The synergies from the integration of PCD were realised fully and ahead of schedule in 1999. We saw solid progress in customer satisfaction benchmarks, and we gained momentum in simplifying our product grades offering. We optimised our asset portfolio even further by divesting our compounding activities near Hamburg, Germany, and the GMT business in Linz, Austria.



Delivering results was the rule, but we also faced setbacks in two critical areas.

Our progress in health, safety and the environment continued, although at a slower pace. In our pilot plant in Porvoo, Finland, one Borealis colleague died of burns after a fire. We are taking actions in Porvoo and across Borealis to learn from this tragedy. Never again!

Three of our four major investment projects progressed on budget and on time. However, the cracker expansion in Stenungsund met serious delays in start-up, and there were substantial cost overruns. The cracker is now operating smoothly and according to plans.

Leveraging our Borstar PE and PP technology is a main thrust of Borealis' value creation strategy. We progressed on schedule in 1999 in building new Borstar PE capacity in Stenungsund, Sweden, and in Ruwais, Abu Dhabi, together with our joint venture partner, ADNOC. In Schwechat, Austria, we began building the first Borstar PP plant. These new capacities will come on stream in 2000 and 2001. By then, more than 20% of our total capacity will be based on Borstar technology.

Experience from our first Borstar PE plant in Porvoo, Finland, confirms that customers appreciate Borstar products' superior properties in a wide range of applications. Our Borstar licence offerings, especially in Asia, show several promising opportunities.



Executive Board

Left to right

The number of polyolefins companies in Europe is approaching half what it was five years ago, and these companies' average sales volumes have almost tripled. The companies which have been leading this concentration drive have strengthened their cost-competitiveness, market penetration and frequently, their positions in process and catalyst technology. This makes it ever more demanding to compete in the future world of polyolefins. Only the best companies will survive and prosper.

Borealis has been a key driver of this industry restructuring. Our value creation strategy relies on growth as a top priority for the future. During 1999, Borealis people reconfirmed our ability to merge cultures, competence and systems, and to emerge as a single, stronger company.

Our ability to successfully grow through mergers and acquisitions is a major asset for further M&A growth, and this is our strategic intention. Borealis' European strength in performance product applications such as wire and cable, pipe, and engineering applications, is also a platform for further globalisation. Our newly formed partnership with OPP of Brazil for certain applications to the Latin American markets is a good example of this strategy.

To "Win Through Our People" is at the heart of Borealis' approach to global growth. We are now using a Human Capital Index to measure our strengths and weaknesses. We emphasise both individual and organisational competencies, as well as effectiveness and spirit. These are what guide our efforts to improve.

Judging by our progress in the world of 1999, I see a promising – and demanding – future for Borealis, and for our people.

Svein Rennemo
Chief Executive Officer

Walter Kadl

Executive Vice President,
Polyolefins & Chemicals Division

Harald Ynnesdal

Executive Vice President,
Manufacturing Division

Franz Wurm

Chief Financial Officer

Svein Rennemo

Chief Executive Officer

Staffan Lennström

Executive Vice President,
Performance Products Division

Henry Sperle

Executive Vice President,
Business Development Division

Growing into the future

Consolidation and globalisation are propelling our industry into the 21st century. A few global leaders will emerge, driven by cost improvements, strengthened research and development, globalised markets and the ambition to grow.

Borealis is a dedicated olefins and polyolefins producer, guided by creating value for its owners. Our target is to create an average 12%-15% in additional value each year in line with industry leaders.

In recent years, Borealis has reinforced its overall competitiveness, strengthened the commercial position of its Borstar PE and PP technology, and enlarged its polyolefins business in Europe. We are also building production capacity in the Middle East for expansion into the growing Asian markets. Our financial performance has improved in relation to the industry.

Borealis' strategy for more value creation relies on three main thrusts:

European position

There is still untapped potential. We are taking actions to improve our cost-competitiveness and to develop Borealis' leading market position. Our goal is to be a European leader in customer satisfaction, in cost-effectiveness and in matters that affect people's health, safety and environment.

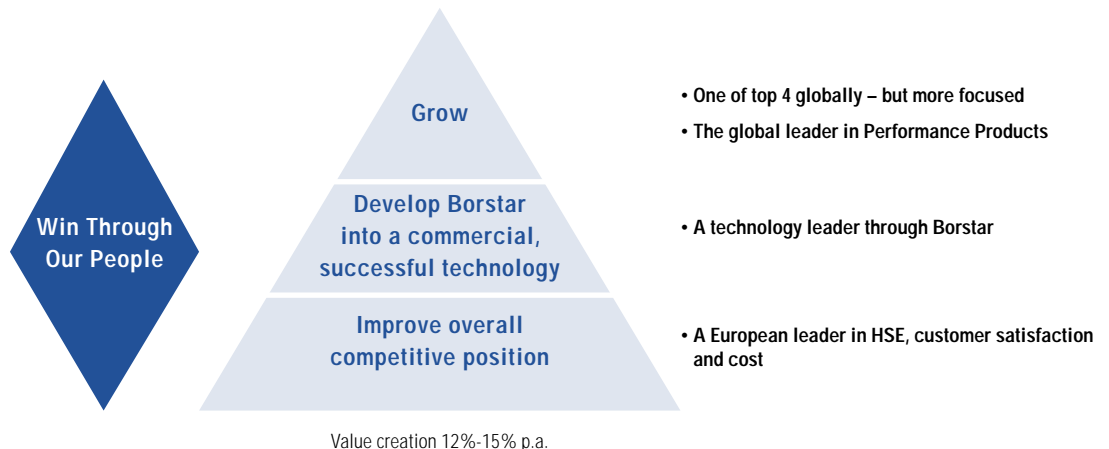
Borstar technology

We will continue to commercialise Borstar in the market place and by selling licences to third parties. Our goal is to be a technology leader through Borstar.

Growth

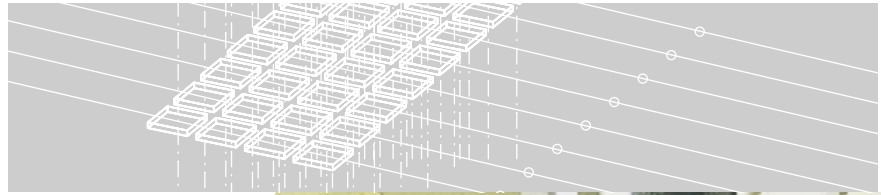
We will develop our European leadership in Performance Products (pipe, wire and cable, and engineering applications) into global leadership. We will also rely on joint ventures and local manufacturing outside Europe. An important element in our growth strategy is to develop and respond to opportunities through mergers and acquisitions. Our goal is to be one of the top four polyolefins companies in the world – but more focused, and the undisputed leader in Performance Products.

We can only achieve this by emphasising value creation through our employees. We will win through Borealis people's competence and motivation.



Our future in this Information Age will become ever more dependent on communication and computers. Wireless transmission will give us increased mobility. However, the electronics will still need to be physically connected to a backbone, such as the Internet. Borealis is leading the way in developing materials for wire and cable with increased bandwidth and ever-higher performance.

future



Ethics and values

10

Four basic values guide all Borealis operations and serve as the foundation for our future.

To build one company which is new, different and better

Borealis is the product of successful mergers and acquisitions. The Group was founded in 1994 through the merger of the Neste and Statoil petrochemical businesses.

In 1999 we finalised the successful integration of the former PCD Polymere of Austria, which Borealis acquired in 1998. At the same time, Neste sold its 50% shareholding of Borealis to OMV of Austria and to the International Petroleum Investment Company of Abu Dhabi. They became our new co-owners along with Statoil.

We were able to integrate PCD while getting a new corporate organisation up and running. We are proud of this.

To be a responsible corporate citizen

We want to be a leader in ethical business practices in the polyolefins industry. Such standards are an integral part of being a responsible corporate citizen. We strive to reflect this in our transactions with customers and suppliers, in our relations with authorities and the public, and in our relations with colleagues within the company.

We are also committed to making constant improvement in the areas of health, safety and the environment – both within Borealis and in the communities where we live and work. Our progress does not always meet our targets, but this makes us redouble our efforts.

Borealis chooses to support the international medical relief organisation, Médecins Sans Frontières (MSF), with financial contributions, products and application know-how. MSF won the 1999 Nobel Peace Prize, a well-deserved honour.

To increase value for our owners and customers

Value is created in the quality of the products and services we provide. Customer satisfaction makes Borealis a more valuable company for all parties, including owners. Cost effectiveness is a key element in this.

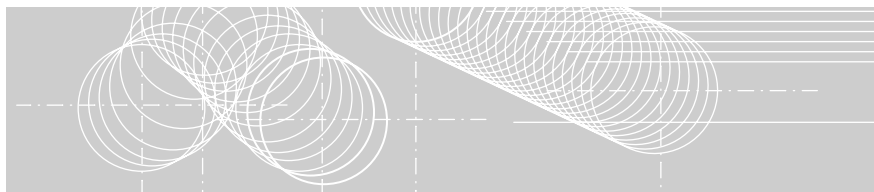
In our Site Development programme, we are reaching our targets in cost and manpower reduction without forced layoffs – and with high local involvement and high standards of how we treat our people. We are changing the way we work in manufacturing by introducing multi-skilling and manufacturing teams at all our production sites.

To win through our people

The success of a company ultimately depends on the quality of its people. The importance of physical assets and capital is decreasing. Knowledge, leadership and human skills are emerging as scarce and critical resources.

In 1999 we broadened our People Focused Leadership programme and increased our use of role profiling, a new method of describing jobs for many different purposes such as recruitment, training and development, and performance management. Borealis also launched an annual Group-wide people survey which will become a key tool in directing our future human resource activities. And finally, our Human Resources department began the journey towards a common, integrated HR system.

We see only one way of winning – through our people, and with our people.



Polyethylene (PE) is used in everything from heavy industry to baby care. Its light weight and environmentally-friendly properties make it a superior successor to many conventional materials. And sometimes, PE is just more fun.



Report of the Board of Directors

12

The Borealis Group emerged from its sixth year of operations as a stronger company due to the successful integration of PCD, acquired in 1998, and substantial progress in implementing Borealis' Site Development programme. This is aimed at reducing costs and improving productivity at the main production sites.

The Group saw healthy growth in its Performance Products business, and industry surveys recorded a tangible improvement in Borealis' customer satisfaction ratings.

The global market for polyolefins was stronger than originally expected, but this was more than offset by higher feedstock costs due to tight markets and increased crude oil prices. Despite lower margins, the operating profit before restructuring charges could be kept nearly at the same level as 1998, reflecting substantial improvements in cost efficiency, realised synergies and increased sales.

Borealis in 1999 could record further improved health, safety and environmental (HSE) performance. It suffered its second workplace fatality, however, underlining the need to intensify and prioritise efforts toward constant HSE improvement.

Industry consolidation

The global polyolefins industry continues to see a high level of merger and acquisition activity. The major players are becoming fewer and larger, and competition intensifies.

Nevertheless, Borealis remains strong in the markets where it operates, and in 1999 it reinforced its leading position in Performance Products.

Borealis was formed by a merger in 1994 of Neste's and Statoil's petrochemical activities, and has grown both organically and through partnerships and acquisitions. Its ability to merge has resulted in the successful integration of PCD and the realisation of planned synergies ahead of schedule.

Financial performance

The year 1999 ended with an operating profit of EUR 216 million, compared to EUR 231 million before restructuring charges in 1998. Reduced margins have been compensated successfully in 1999 by substantially lower costs and increased sales volumes.

1999 net profit amounted to EUR 141 million, an 18% increase compared with EUR 119 million in 1998. This equals a return on capital employed (ROCE) after tax of 9%, the same as in 1998. With an average, after-tax ROCE of 11% since start-up in 1994, the company is on par with the target set when Borealis was established.

Capital employed increased significantly in 1999, by 26% to EUR 2,246 million, due to major investments in Sweden, Austria and Abu Dhabi, in addition to higher receivables and inventory values caused by increased price levels.

Total capital expenditure in 1999 was EUR 547 million, reflecting the Group's high level of investment. This is an increase of 183% from 1998. Cash flow from operations amounted to EUR 186 million in 1999, down from EUR 392 million in 1998, caused by a significant increase in current assets due to the price development. The solvency ratio stands at 41% compared to 44% at the end of 1998.

The Board proposes that EUR 46 million be distributed as dividends.



of Directors

Markets and customers

Polyolefin prices increased throughout the year, starting from an extremely weak level. However, average polyolefin prices for all of 1999 remained slightly lower compared to 1998. Substantially increased feedstock costs resulted in lower margins.

The past year saw Borealis increase its polyolefins sales volumes by 9%, which was slightly above market growth in western Europe.

In the Performance Product areas, which include Wire & Cable, Pipe, and Engineering Applications, Borealis strengthened its position further in 1999 with a 14% growth in sales volume. This increased the share of Performance Products to 28% of the Group's total polyolefins sales volumes.

The integration of PCD and the new organisation strengthened Borealis' competence, and improved its position for polyolefins markets in Central and Eastern Europe, and in Italy. The continuous effort to add value for customers reflected itself in improved customer satisfaction ratings in industry benchmark surveys. Borealis is intensifying its efforts toward further improvement.

Health, safety and environmental performance

In 1999 the Group made relatively modest progress in its HSE record, but suffered a workplace fatality in Porvoo, Finland. This points to the need for further improvements in safety on a priority basis.

Lost time accident frequency for Borealis employees improved to 3.1% in 1999, which represents the average for the European chemical industry. Total recordable injuries, also for Borealis employees, declined by 10% to 9.5 per million working hours. Total plant emissions decreased and further improvements are targeted.

The Group's sick leave percentage of 3.0% remained at the same level as in 1998. This represents a relatively low rate of absenteeism in view of the major organisational changes and reduction of personnel throughout the Group.

In 1999, Borealis invested EUR 19 million in projects where HSE considerations were the sole or dominant issues.

Board of Directors

Left to right

Terje Vareberg
(Chairman)

Erling Øverland

Mohamed Al Khaily

Gerhard Roiss
(Vice Chairman)

Projects

Borealis and ADNOC in 1999 proceeded on schedule with their joint venture, Borouge, to build and operate a world-scale petrochemical complex in Abu Dhabi, to go on stream in 2001. This will consist of a cracker and two Borstar PE lines with a combined annual capacity of 450,000 tonnes. A Borouge sales company in Singapore has started pre-marketing activities in Asia.

Borealis also progressed on schedule with building new Borstar PE capacity in Stenungsund, Sweden, and with its Borstar PP project in Schwechat, Austria. A highly complex cracker expansion project in Stenungsund faced significant cost overruns and delays in start-up. The Board is concerned about the development in this project and is following it closely. The cracker is now operating according to plans.

Operation and production

Total output in 1999 was 3,276 thousand tonnes of polyolefins compared to 3,107 thousand tonnes in 1998. Olefins output was 1,615 thousand tonnes, compared to 1,850 thousand tonnes olefins in 1998. The lower olefins production was related mainly to the shutdown for the cracker expansion in Sweden.

Operational regularity was reduced in 1999 due to an increase in technical downtime. Quality performance improved further compared to 1998.

Proprietary technology

Borealis' proprietary technology, Borstar, is seeing a growing position in the polyolefins world. The Group is offering Borstar in a comprehensive package to potential licencees. Customers' acceptance of Borstar PE products in a wide range of applications has been highly positive.

Borealis is on schedule with building new Borstar PE and PP capacities. The company has already developed a first-phase Borstar PP product portfolio.

Future prospects

Relatively high overall economic growth rates are predicted for the next three years in most parts of the world, leading to further growth in the total demand for polyolefins. However, the cyclical development of this business will continue.

Borealis expects to further strengthen its competitive position in 2000, and will continue to focus on improving cost performance to compensate for the pressure on margins. It will continue to develop a leading position in technology by relying on its unique, proprietary Borstar process for PE and PP. Not least, the company will pursue its active growth strategy outside Europe by emphasising the globalisation of Borealis' Performance Products business.

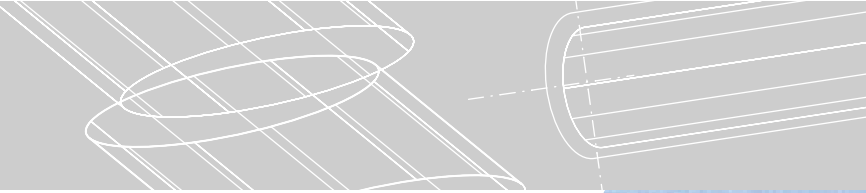
This report was approved by the Board of Directors in Copenhagen on February 15, 2000.

Borealis' remarkable Borstar PE technology has made possible a new generation of PE100 materials for high-pressure pipes.

This one has a diameter of 1.6 metres and can withstand 10 bar. It has

enabled us to synthesise polymers with so-called "low-sag" properties.

The gravimetric sagging that can occur during thick-wall pipe extrusion is avoided.



Highlights

- Net profit was EUR 141 million, compared to EUR 119 million in 1998.
- Return on capital employed after tax was 9%, the same as in 1998.
- 1998 results were reduced by EUR 54 million in restructuring costs. Excluding these, results in 1999 were slightly lower, due mainly to higher feedstock costs which contributed to a lower integrated margin.
- Fixed costs decreased 8% due to progress in the Site Development programme and synergies from the integration of PCD.

Financial review

Market developments

Demand was strong in all business segments. Polyolefins sales volumes were approximately 3.2 million tonnes, up 9% compared to 1998. Polyolefins market prices developed favourably during 1999, starting at a very low level. Average polyolefin prices, however, remained slightly lower than in 1998. The average price of naphtha, the main feedstock, increased drastically, resulting in a net feedstock increase of 27% for a standard naphtha cracker. The integrated margin fell by 12%.

Review of results

Sales

Net sales amounted to EUR 2,987 million, a 9% increase from 1998, due to higher sales volumes.

Cost development

Fixed costs fell during the year, and were 8% lower than in 1998. This decrease was more than satisfactory, thanks to substantial

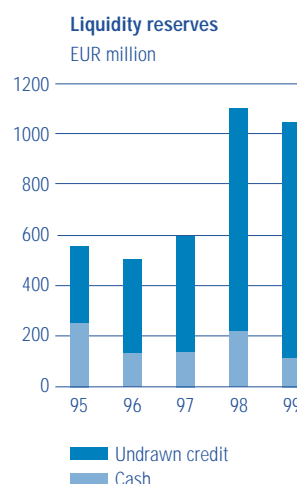
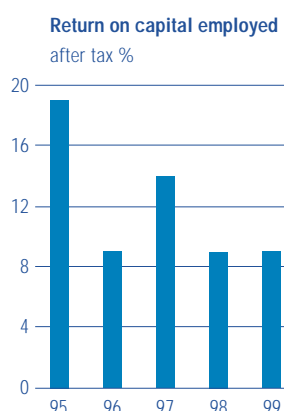
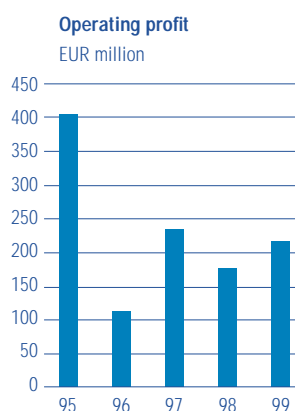
progress in the Site Development programme which aims to reduce costs significantly and improve productivity at Borealis' main European sites. The Group also reduced costs through synergies realised in the successful integration of PCD.

Research and development costs amounted to approximately EUR 37 million, compared to EUR 36 million in 1998.

Operating profit

Operating profit amounted to EUR 216 million. The change compared to 1998 is listed below.

Change in operating profit (EUR million)	
Operating profit 1998	177
Margins	-128
Volumes	89
Depreciation	-10
Restructuring charges	54
Other	34
Operating profit 1999	216



Return on capital employed

The return on capital employed after tax amounted to 9%, the same as in 1998. The average for 1994-1999 is 11%, on par with the long-term target.

Sensitivity analysis

The table below illustrates the approximate effect of changes in market conditions on Borealis' pre-tax profits, as at the end of 1999.

Sensitivity (EUR million)

Polyolefins prices +/- 5 pf/kg	+/- 81
Polyolefins sales volumes +/- 5%	+/- 34
Naphtha prices +/- 10 USD/tonne	-/+ 21

Financial income and expenses

Net financial expenses amounted to EUR 30 million compared to EUR 21 million in 1998.

Foreign exchange differences showed a gain of EUR 9 million compared to EUR 5 million in 1998.

Taxes

The provision for income taxes amounted to EUR 38 million (EUR 37 million in 1998), corresponding to an effective tax rate of 21% (24%). Borealis paid corporate taxes of EUR 60 million, compared with EUR 54 million in 1998.

Net profit and distribution of dividend

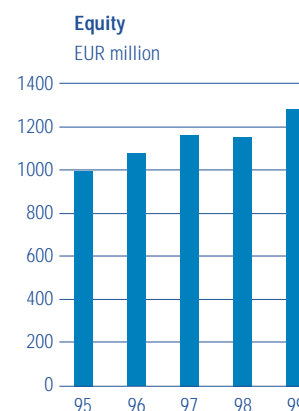
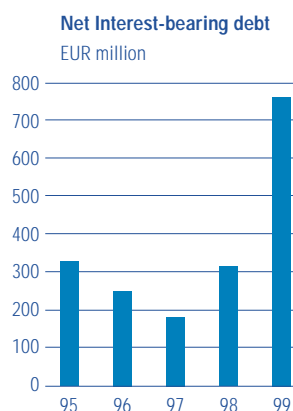
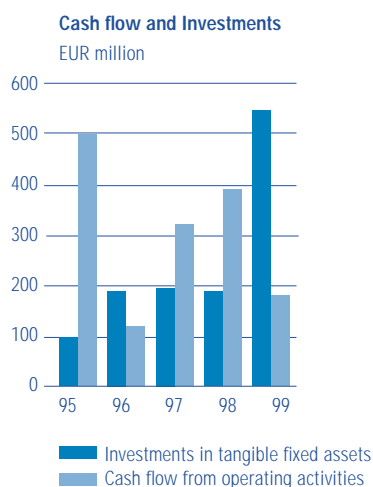
Net profit for the year amounted to EUR 141 million, compared to EUR 119 million in 1998. The Board of Directors proposes to distribute EUR 46 million (EUR 79 million in 1998) as dividends, corresponding to 33% of the net profit.

Financial position

Total assets/capital employed

Total assets and capital employed stood at EUR 3,203 million and EUR 2,246 million, respectively, at year-end, compared to EUR 2,659 million and EUR 1,788 million at year-end 1998. The increases of 20% and 26%, respectively, were due to increased capital expenditure and increased current assets (inventories and accounts receivables), the latter being an effect of higher price levels at year end.

The solvency ratio was 41% at year-end 1999, compared to 44% at year-end 1998. The gearing ratio increased to 58% at year-end 1999, up from 27% in 1998, due to an increase of debts caused by the high investment level.



Cash flows and liquidity reserves

Cash flow from operations amounted to EUR 186 million (EUR 392 million in 1998). The decrease was caused by the increased inventories and receivables due to higher prices at year-end, only partly offset by higher accounts payables.

Investments totalled a record EUR 547 million in 1999 (EUR 193 million).

Liquidity reserves, made up of undrawn, long-term committed credit facilities and cash balances, amounted to EUR 1,050 million at year-end 1999 (EUR 1,108 million).

Net interest-bearing debt was increased by EUR 452 million during 1999, and stood at EUR 766 million at year end. The major increase is due to the high investment level in 1999. The change in net interest-bearing debt is analysed in the following table:

Change of net interest-bearing debt (EUR million)	
Cash flow provided by operating activities	186
Capital expenditure	-547
Other	-12
Dividend payment	-79
Total (increase)	-452

The major portion of increase is in short-term debt at very competitive interest rates. However, this short-term financing can be substituted by long-term committed credit facilities at any time.

Capital expenditure

Investments in tangible fixed assets amounted to EUR 547 million in 1999, compared to EUR 193 million in 1998. The most significant investments were the Stenungsund cracker expansion, the Stenungsund Borstar PE retrofit, the Schwechat Borstar PP plant and investments in the Borouge joint venture.

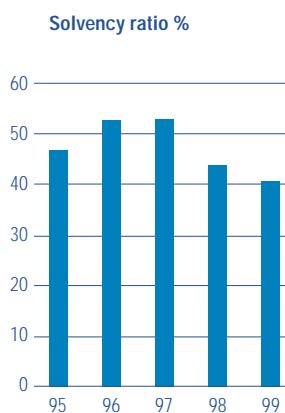
HSE capital expenditure amounted to EUR 19 million.

Depreciation and amortisation amounted to EUR 161 million, compared to EUR 151 million in 1998.

Shareholders' equity

The equity at year-end 1999 was EUR 1,290 million (EUR 1,157 million in 1998), after the dividend allocation of EUR 46 million (EUR 79 million).

Equity development	EUR million
Net result	141
Exchange adjustment, net	38
Gross increase	179
Dividend	-46
Net increase	133
Equity, end 1998	1,157
Equity, end 1999	1,290



Financial risk management

The objective of financial risk management is to support core businesses of the Borealis Group. It operates within the framework of the Financial Policy, approved by the Board of Directors, and from detailed guidelines. Borealis aims to minimise effects related to foreign exchange, interest rates, credit and funding risks.

The handling of all foreign exchange and interest risks, as well as insurable risks, is fully centralised in Group Finance. The operating entities hedge their exposures via the internal bank.

Risks related to known commercial cash flows, as well as part of forecast exposures, are eliminated.

Limits for open, short-term foreign exchange and interest rate risk positions are established, and long-term interest positions are benchmarked. Exposure limits are set by counterpart. A real-time position-, valuation- and risk-limit monitoring treasury system is being used. Generally, the use of any financial instrument shall be based on defined commercial needs.

Handling of Borealis' cash balances is based on liquid instruments, and only rated counterparts are used.

Conversion difference relating to Borealis A/S' long-term investments in subsidiaries is taken directly into equity, and no active hedging is carried out for this purpose.

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

Research & Development

20

Technology is the key word for the next millennium. It's also the key decider in Borealis' market position and growth potential. We create value for our customers by opening today's performance window on polymer technology.

Our Research & Development (R&D) team ensures the quality and depth of Borealis' technology, and paves the way for its immediate use.

The R&D team focuses on PE and PP properties in order to meet and exceed customers' needs. We promote the substitution of other polymers and take advantage of new business opportunities. And not least, we develop proprietary technology which can be sold or licenced to third parties.

A prime example is Borstar, our patented process for PE and PP. This technology yields a new range of polyolefins grades that combines superior properties with competitive production costs and less burden on the environment.

Our manufacturing processes are crucial for our competitiveness, so we also focus on process technology. Borealis Advanced Process Control – BorAPC – has been implemented at a number of Borealis' production sites, and now comes with our Borstar licence package.

BorAPC demands a solid process understanding, the use of models and advanced process control systems. This, in turn, will ensure Borealis cost-efficient products and plants, and the capability to produce enhanced polymers through safe, reliable operation with consistent products.

Partnerships

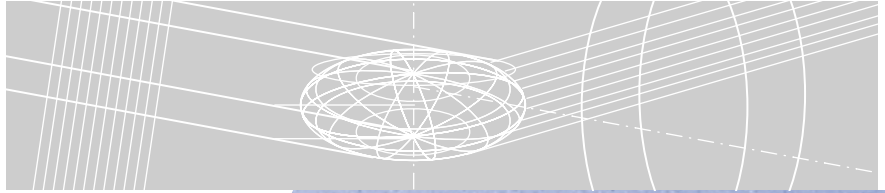
The trend towards higher development costs and shorter product life cycles requires significant investment, and only a few companies can afford being R&D leaders. Partnerships and alliances are becoming the rule, and Borealis is no exception.

Today's mergers and acquisitions in the polyolefins industry can be felt in the field of intellectual rights. New companies are formed, and technology assets are transferred and recreated.

Borealis is committing major resources to protecting the results of our R&D efforts, and to supporting our business and licencing activities. We are broadening our rights to operate freely by increasing patent activity and agreements with external parties.

Borealis has developed its own project management system called Product Development and Introduction (PD&I). It has proven its strength and our R&D portfolio has become highly focused. The PD&I system now covers all research and product development in Borealis.

pment



Borealis is a global supplier to major manufacturers of bumpers, instrument panels and interior trim for automotive giants such as Volkswagen. VW in 1999 bestowed its "Corporate Supplier Award – The Leading Edge" on Borealis for the second time. We also won the contract to supply raw material for the new VW Polo's bumpers.



**New products,
new developments**

Borealis R&D can report a number of recent achievements. In 1999 we:

- Proved the single site catalyst concept for PE and PP at our Borstar Pilot plant.
- Developed a new generation of Ziegler-Natta catalysts.
- Developed our basic range of Borstar PP products.
- Launched the concept for large-diameter, low-sag pipe.
- Developed new, high-impact PP resins.
- Developed the first PE-based DC insulation material for high-voltage cable.
- Won the contract for Volkswagen's Polo FL bumper.

Using a newly-designed catalyst within our BC 200 family, our Borstar PE technology enabled us to further develop our pressure pipe resins. This led to synthesising polymers with so-called "low sag" properties. The result is that thinner-wall pipe can be used with larger diameters, avoiding the gravimetric sagging that can occur during thick-wall pipe extrusion.

Winning through people

Without people, hardware has no value. Skilled and committed people of many nationalities comprise Borealis' cross-functional development teams. This has helped create an open, inspiring atmosphere in which we set our targets high and challenge our scientists.

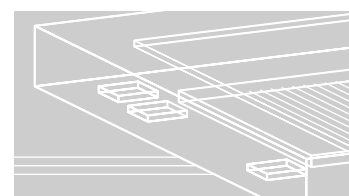
In 1999 we recruited several highly-educated researchers into our R&D team. We presented a number of papers at national and international conferences, and several of these

papers were judged "Best in Class."

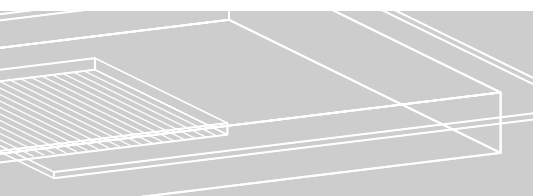
Borealis' R&D researchers and scientists work at facilities in Porvoo, Finland; Rønningen, Norway; and Linz, Austria. These project teams can see the fruits of their labour when new technology is commercialised.

Borealis promotes innovation and rewards people who make contributions to product and technological development. In 1999, Borealis filed 33 new patent applications and internally, received 90 invention disclosures.

We are winning through our people.



Polypropylene (PP) is one of the plastics that will help us achieve a more sustainable society. This injection-moulded PP foldable crate is a Returnable Transport Item, or RTI. It saves resources in the food industry, among others, by replacing one-way packaging and reducing handling costs.



Borstar - technology for leadership

- technology for leadership

Borstar is Borealis' unique bimodal technology that yields PE and PP with superior properties, at competitive cost and with less burden on the environment. More technically, the Borstar process makes it possible to produce polyolefins that combine high strength with good extrudability.

Borstar PE

The Borstar bimodal PE concept was developed by Borealis scientists in the early 1990s. It allows the manufacture of resins that are tough but with good processability. These products compete on the most advanced PE markets where the property "windows" are opening ever wider.

One striking feature of Borstar PE is the possibility to operate over the entire density range. Borealis has developed low, medium and high density films through Borstar, all of which have been well received by the market. Sales figures are extremely encouraging.

We have also seen rapid development of our bimodal resins for blow moulding and pipe. Our PE100 pipe grade, for instance, allows the construction of even thinner-walled PE pipes for advanced drinking water projects.

Borstar PP

Borstar was first commercialised for PE, but the time has come for Borstar PP. Our first Borstar PP plant is under construction in Austria, and is slated to go on stream in 2000.

Borstar PP utilises the same technology as Borstar PE. The basic process is a combination of a loop reactor, operated at supercritical or high-temperature conditions, in series with a gas-phase reactor. No other technology employs this unique combination.

Homopolymers and random copolymers are produced in the basic module. For production of heterophasic copolymers, an additional gas-phase reactor is included.

This reactor set-up produces all three types of PP. In the complete Borstar PP process, an additional gas-phase reactor is included to give the possibility of making heterophasic copolymers with tailored rubber. While the Borstar PE concept is bimodal, in PP we call the products "multimodal," since the products may contain more than two different polymer fractions.

As in PE, Borstar PP technology includes catalyst technology. We are developing high yield Ziegler-Natta and single site catalysts for specific Borstar PP product requirements. Some of these are already in commercial use.

Initial Borstar PP grades include a range from very stiff to very soft. Product properties which are adverse are combined. Thus, high stiffness is combined with high impact. Good impact is combined with good optical

properties. High stiffness and impact are combined with good processability, low creep and good melt strength.

The licence for leadership

An investment in Borstar is an investment in the future. Borealis is offering Borstar on licence to other manufacturers.

A Borstar licensee can:

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

The Borstar licence package contains full Borealis support from basic engineering, personnel training at our Borstar Training Centre, to plant start-up and the development of tailor-made products. Afterwards, Borealis experts are always available for technical assistance.

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

With excellent processability and superior mechanical properties, Borstar products give added value to customers. Continued research and development will bring even more superior products to the market.

Nature offers us ample 'free' energy resources such as hydropower, wind and the sun's rays. These are sustainable resources but the energy has to be harnessed, transferred and distributed to users. Borealis is a world leader in developing plastic materials for wires and cables that will bring this energy to us safely and efficiently.



Performance Products

Wire & Cable

Borealis is a global leader in supplying PE and PP jacketing to the wire and cable industry. We're by far the biggest in Europe, and are a major player in other parts of the world.

The global wire and cable industry saw further restructuring in 1999. This was driven by significant overcapacity and decreasing cable prices as a result of the deregulation that is opening up national utility markets.

Nevertheless, Borealis continued to meet customer demands in times of cost pressure and a growing need for more innovative products. The Wire & Cable Business Unit (W&C BU) reported a 15% growth in sales volume over 1998.

The strongest growth occurred in eastern and western Europe, the Middle East and Southeast Asia. In general, Asia showed the first signs of recovery in its local economies, as governments began to release funds again for infrastructure projects. W&C BU continued to look for local manufacturing facilities for wire and cable compounds in this region, and several potential projects are under evaluation for start-up in 2001.

Borealis needs to strengthen its W&C position in North and South America, as key customers are playing an increasingly global role. W&C BU is pursuing a number of options to expand our operational base in North America, and to establish manufacturing in South America.

Performance applications

Our 1999 growth in W&C volumes was most significant in XLPE (peroxide, cross-linkable insulation and semiconductive materials for medium- and high-voltage cables), moisture-curable products for low-voltage cables, and non-halogen flame retardants as a replacement for conventional materials in building wires.

The market introduction of jacketing products from Borealis' unique Borstar technology has been highly successful. The added Borstar capacity coming on stream in Sweden in 2000 will help fulfil a growing demand for these products in the future.

Despite the increased sales, margins suffered somewhat from decreasing prices in the first half of 1999, combined with increasing costs of feedstocks. This was partially offset by a strengthening price trend during the latter part of the year.

At the same time, W&C BU took important steps in improving internal efficiency. All application development activities were consolidated in Stenungsund, Sweden, and we agreed to form a joint venture to produce acrylate copolymers, based on our Borflex technology, at our high-pressure PE plant in Zwijndrecht, Belgium.

New product families

Borealis launched two novel product families in 1999 based on our proprietary technologies, Supercure and Ambicat. These are now setting industry standards as they help customers improve their cost-effectiveness in manufacturing low- and medium-voltage power cabling.

Borealis' ambition in the wire and cable industry is to consolidate our market position in Europe, and to grow in Asia, and North and South America. This means Borealis Wire & Cable will continue to focus on technology, application development and excellence in customer service.

Stiff-PP is yet another new, value-added product from Borealis'

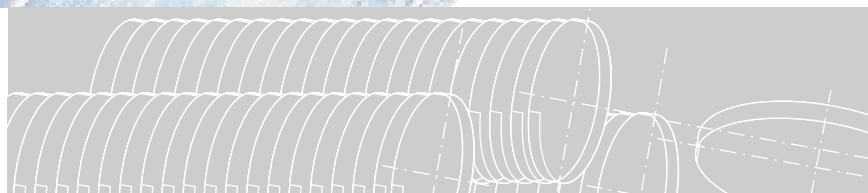
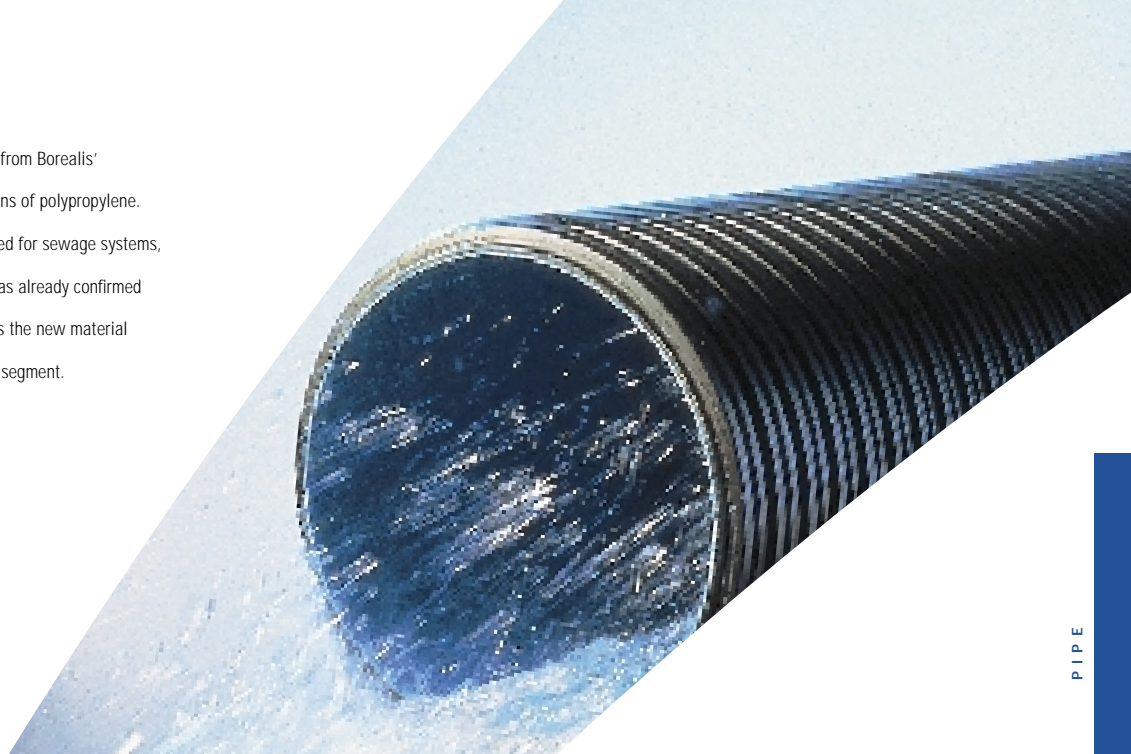
innovative new generations of polypropylene.

Especially designed for sewage systems,

the market has already confirmed

Stiff-PP as the new material

for this segment.



Pipe

Borealis is the world leader in PE and PP pipe. Our target is to double sales volumes by 2004.

Today, pipe applications account for more than 10% of Borealis' turnover. This business contributes to Borealis' profit stability due to the pipe industry's price continuity compared to commodity polyolefins.

The Pipe Business Unit's overriding goal is to grow outside Europe. It aims to bring enhanced technologies to other parts of the world and to set standards for future market development.

A complete and unique product range, backed by 30 years' experience in pipe applications, earns Borealis the title of industry leader. We focus on selected markets including drinking water distribution, hot water systems, pipeline protection and sewage disposal.

Enhanced pipe technologies

Borealis in 1999 made two major breakthroughs in future generations of pipe grades. Borstar technology enables our customers to produce larger-diameter PE pipes that do not sag. In sewage disposal, we brought "Stiff-PP" to the market to substitute traditional materials.

In northern Europe, Stiff-PP is becoming the favoured pipe material for new projects and the replacement of existing networks. Both of these breakthroughs come from our own Borstar technology, which is pacing the market penetration of polyolefin pipes.

Industry leadership

A key to success in the pipe industry is to promote the use of plastic pipes along the entire value chain. This requires close cooperation with our customers in all industry segments.

Borealis initiated a number of industry events and seminars in 1999. The Nordic Pipe seminar in Stenungsund, Sweden, brought together some 170 pipe industry decision-makers. Presentations by end-users confirmed Borealis' leading role. We held similar end-user seminars in Spain, Portugal, China and Chile.

Pipe BU is focused on reducing costs by optimising our product portfolio. This will further enhance our market leadership. Production resourcing programmes will also cut costs and improve operations by pooling production excellence.

Borealis fields a motivated team that leads progress in the plastic pipe industry. We must understand the markets if we are to keep, and increase, our competitive edge. Customer relationships and competence are essential.

Performance Products Polyolefins

28

Engineering Applications

Borealis' Engineering Applications Business Unit (EA BU) sells polyolefins mainly to the automotive and appliance industries. We're one of Europe's leading suppliers with an extensive product range.

Borealis saw 10% sales growth in these markets in 1999, mainly in the automotive segment, compared with a market growth of only 3%-4%. Appliances recovered strongly in the second half after a particularly weak first quarter. The profitability of performance products for engineering applications is steadily improving.

EA BU continues to work on cost positioning and sharpening the focus on key activities. We established a centre of scale-up, colouristics, piloting and compound process technology at Linz, Austria, in 1999. We sold our compounding facility at Norderstedt, Germany, allowing Borealis to concentrate compounding at integrated sites to improve competitiveness. We also sold our glass mat-reinforced thermoplastics business to Symalit.

New products

In 1999, we obtained a world-wide patent on scratch-resistant technology that puts us at the forefront. The latest developments in our high-gloss, scratch-resistant X-mod products have put us on the markets for vacuum cleaners and automotive climate control parts, among others. A customer partnership also led to the development of an attractive household iron from the manufacturer, Eugster.

Borealis is a supplier to major Original Equipment Manufacturers (OEMs) who produce bumpers, instrument panels and various interior trim for automotive giants such as Volkswagen and Fiat. VW for the second year bestowed its "Corporate Supplier Award" on Borealis for our performance. Another award came from the big Turkish appliance manufacturer, Arcelik, for our raw materials for their range of refrigerators, washing machines, vacuum cleaners and other domestic products.

Present and future investments in our Schwechat, Austria; and Beringen, Belgium; plants will lead to increased site efficiency. Our smaller sites at Monza, Italy; and Cublize, France; will ensure the necessary flexibility in our compounding network.

We are developing our industry and quality certifications, including ISO 9001, VDA6 and QS 9000. For EA BU, research and development will focus on Borstar PP technology in utilising reactor properties and in upgrading compounding lines.

Globalisation

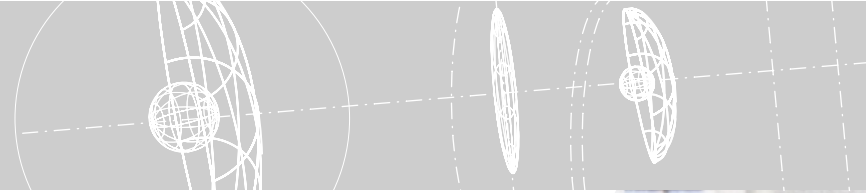
There is a growing demand from the automotive industry for global suppliers. Recent mergers and acquisitions, together with increasing influence from U.S. converters who are buying up key European players, point to the need for a position in North America and other selected regions.

Borealis is building partnerships with Huntsman in North America and OPP in South America. This will support our OEMs' globalisation by supplying the necessary technology and products to meet their needs.

Performance products from Borealis add quality, safety, durability and appeal to the household appliances we use today – and tomorrow.

Appliances like this deep fryer achieve maximum value through a close partnership between raw material supplier (Borealis) and manufacturer (SEB).

Borealis' high-gloss, scratch-resistant X-mod products, for instance, have put us on the markets for a wide array of housewares, appliances and automotive applications.



Polyolefins

Polypropylene

Polypropylene (PP) is the fastest growing polyolefin. Borealis covers all PP markets and applications in western Europe. 1999 was the year in which we fully integrated the former PCD Polymere, which we acquired in 1998, along with its production capacity and special expertise in PP.

The year began with high overcapacity and low prices but the situation improved markedly after the first quarter. In March, PP prices were down to extremely low levels but sales were record high. This, in addition to some plant problems, decreased the high stock levels and the market came into balance.

After February, prices rose some 80% over 10 months. Margins did not follow the same upward trend as propylene feedstock prices also rose due to increasing oil prices and shortages due to cracker outages. Nevertheless, PP continued to show healthy growth during 1999. The market expanded by 8%-10%. PP's main advantages are as a superior replacement for conventional materials, and its evolution into entirely new product applications.

Rationalising and investing

Product consistency is a top demand from our customers. Borealis' PP Business Unit (PP BU) in 1999 continued a programme of grade rationalisation and sourcing to improve production cycles and reduce inventory. We expect to complete this by the end of 2000. This will not only improve product consistency, but reduce inventories, improve our flexibility and cut costs.

The major PP investment project in 1999 was the construction of our first Borstar PP plant in Schwechat, Austria. The bimodal Borstar process, which Borealis originally developed commercially for PE, gives PP the same unique combination of superior mechanical properties and easy processability. The Schwechat project is on budget and on schedule for start-up in mid-2000.

Being a leader in PP demands strong application know-how. This has helped Borealis increase market share in areas where we were already strong, such as capacitor and cast film.

Product development today involves not only our customers but their customers, the end-users, and machine suppliers. Examples are the development of co-extruded cast film for food packaging, and the introduction of new terpolymers for heat seal applications.

Borealis also made some major breakthroughs in PP coating and breathable film in 1999.

PP's development is dynamic, and the industry has yet to exploit all of its benefits. Borealis has proven this, even in conventional applications such as fibres, with the introduction of Meltblown 1200. Its high melt-flow rate is appreciated by customers all over the world.

Satisfying customers

Customer satisfaction is a top priority for Borealis. In 1999 a Townsend Tarnell market study showed that our customers rated us among the top suppliers, a substantial improvement from 1997.

This also shows that the integration of PCD into Borealis has gone well. With such encouragement, we will continue to improve our customers' satisfaction and loyalty in 2000.

A sustainable society recycles and conserves resources. Our

unique Borstar process offers excellent PE

grades for blow moulding, extrusion

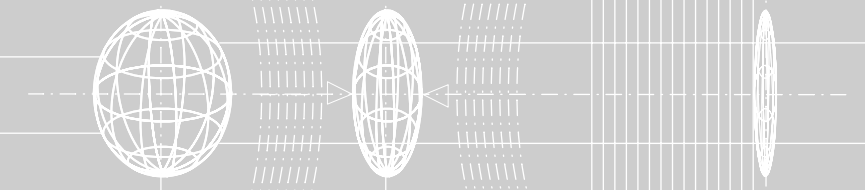
coating and blown film. A prime

example is a film bag that refills

Ariel's moulded, reusable bottle

for laundry detergent.

Both are made of Borstar PE.



Polyethylene

1999 was a year of remarkable turbulence in the polyethylene (PE) industry, with volatile price developments in PE and ethylene. Borealis saw an unexpected upturn in demand, both in Europe and Asia, which outstripped supply for most of the third and fourth quarters.

Borealis' Polyethylene Business Unit (PE BU) was affected by these developments but multi-sourcing helped us manage shortages with minimal impact on customers. The PE business showed healthy financial performance, driven by strong demand and widening margins towards the end of the year. This was aided by company-wide cost control.

The dramatic price fluctuations in 1999 were bound to upset the balance in the value chain. Borealis is working to reduce price variations in cooperation with customers.

Borstar success

Our successful introduction of Borstar PE film and moulding grades continued in 1999. It demonstrates the commercial success of Borealis' proprietary technology for PE with superior mechanical properties and greater processability. PE BU has defined a number of opportunities for further Borstar product development when more Borstar PE capacity comes on stream in late 2000.

Our Borecene rotational moulding range made its anticipated breakthrough in 1999, and is rapidly replacing older-generation rotational moulding raw materials from Borealis, and from competing producers. Borealis' product range is growing, improving in productivity, saving weight, and demonstrating our capability for novel products. The rotational moulding industry has already shown its appreciation.

Borealis' agricultural films, shrink films for beverage bottles and blow-moulded bottles gained market position during 1999. We saw sales growth in long-established businesses, such as polyethylene coating of paperboard, thanks to strong global demand.

Leading PE supplier

PE BU put a high priority on simplifying our product mix in 1999 by resourcing among similar Borealis plants. This helped us deliver more consistent product quality to our PE customers, and made for more cost-effective production.

We at Borealis are determined to remain the preferred supplier by our chosen customers. Their feedback on our efforts is positive. This will reinforce Borealis' position as a leading PE supplier.

Olefins, Phenol & Aromatics

Phenol & Aromatics

32

Olefins

Ethylene and propylene, known as olefins, are the primary products when cracking feedstocks such as naphtha. Olefins are polymerised to produce polyethylene and polypropylene, known as polyolefins.

Borealis has a total ethylene capacity of more than 1,200,000 tonnes at three fully-owned crackers, and as a partner in the Noretyl cracker in Norway. Borealis is also a partner in a joint venture dehydrogenation unit in Belgium. To balance our supply and demand in all market conditions, Borealis both buys and sells ethylene, as well as cracker by-products, to external customers.

Record production

In 1999, Borealis' ethylene production totalled 1,180,000 tonnes. Propylene production reached a record 770,000 tonnes. Ethylene output was lower than in 1998 because the cracker in Stenungsund, Sweden, was shut down for a long period during the latter part of 1999 for a major expansion project and regular

maintenance. The cracker in Porvoo, Finland, set a new production record in both ethylene and propylene, and we completed a major automation project at the cracker in Sines, Portugal, to increase its competitiveness.

1999 began with somewhat weak demand for olefins. This improved during the first quarter and was strong the rest of the year. Both our internal and external demand reached record levels.

Olefin prices increased gradually and by the end of 1999, stood at their highest in 10 years. However, feedstock costs also rose dramatically as a consequence of steadily increasing oil prices. This put pressure on the margins, but these returned to a satisfactory level by the last quarter of the year.

Looking ahead

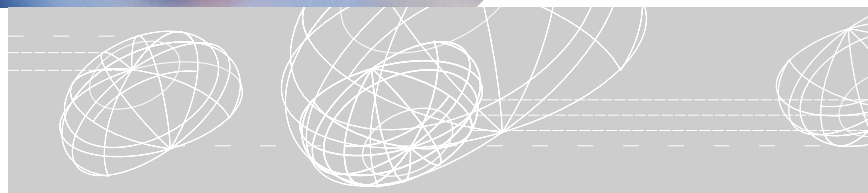
The new cracker production capacity in Sweden will be felt in 2000. The expansion by about 200,000 tonnes will become fully available by the end of the year, when the cracker's output is expected to reach 610,000 tonnes per year.

The Noretyl cracker, a joint venture with Norsk Hydro in Norway, will also be expanded in spring 2000. By adding a furnace and making small modifications, the capacity will increase to 450,000 tonnes of ethylene per year.

Both expansions are based on feedstock from the North Sea. Borealis is constantly looking for opportunities to utilise the favourable location of our crackers near these gas and oil fields. We are also working with eastern European suppliers to develop our feedstock positions there.

Borealis' internal olefins demand is growing. We are actively looking for opportunities for further cracker expansions.

PP has proven to be an effective replacement for aluminium foil lids and PVC blisters in packaging pharmaceutical products such as capsules and tablets. The health and personal hygiene industries stand for a wide range of PP packaging applications.



Phenol & Aromatics

Phenol and acetone are derived from feedstocks from oil refining and olefin cracking processes. These feedstocks are upgraded in three process stages at Borealis' phenol unit in Porvoo, Finland.

All plants performed well in the second year after a major revamp in autumn 1997. The phenol unit ran flat-out through most of 1999 while maintaining high and stable quality. Total phenol production was 132,000 tonnes, which actually exceeded the unit's nameplate capacity of 130,000 tonnes per year.

The Olefins, Phenol & Aromatics Business Unit (OPA BU) in 1999 focused on re-engineering operative processes and structures. An active response to customers' demands was a key factor in our success. OPA BU also put considerable effort into improving our record in health, safety and environmental performance.

Market recovery

Producers had bleak expectations of 1999, as the previous year saw a sharp downturn in the phenol and aromatics business. Prices for both had been cut in half, total output capacity in northern Europe had increased by 30%, and more capacity was coming on stream worldwide.

The slump continued into early 1999 but the market showed signs of recovery at the end of the first quarter. An upturn began to take hold, and the trend accelerated the rest of the year. 1999 ended with strong demand for all derivatives, and the market was growing by more than 5%. Borealis' phenol and aromatics sales were record high.

Prices recovered but not quickly enough to cover the rapidly increasing feedstock costs, even though the acetone market was in short supply. Our profitability did not reach the same level as in 1998, also due to numerous planned and unplanned plant shutdowns.

Our targets for improving environmental performance in 1999 were tough, but OPA BU applied considerable resources and met them. Our customers remained loyal, even as their expectations towards suppliers like Borealis are increasing.

The phenol and aromatics market is going global as it undergoes major restructuring. Borealis saw many changes in 1999, and we expect to see this business evolve further, and rapidly, in 2000.

Health, safety and the environment

34

Borealis has published a comprehensive Health, Safety and Environment (HSE) report for 1999. These pages are a summary.

Borealis' Health, Safety and Environment Policy

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

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

HSE targets

Borealis' HSE targets for 2000 were reviewed as part of our overall strategy, and new targets have been set for the years up to 2004. The number of parameters for improvement were increased from 12 to 14.

Health

Borealis' systematic health programme is aimed at preventing work-related diseases and illness. It includes a comprehensive work place survey (WPS) that covers the entire organisation, including sales offices and the head office in Denmark. Our experience is that the WPS is a good tool for workplace development, and we will expand it further.

The sick leave percentage in Borealis is relatively low at 3%. The HSE management system with its improved procedures and training, and a "zero mindset" attitude, supports the continuous reduction of absences due to injuries at work. Our long-range sick leave target is 2.5%.

Safety

Borealis' safety record improved in 1999 but we did not meet our goals. The most serious accident was the death of an employee after a fire in our pilot plant in Finland.

Our frequency of lost time accidents (LTA) per million working hours declined to 3.1 from 3.7 in 1998, including contractors. The frequency for contractors is about twice that of Borealis employees, however, and this remains a challenge.

Borealis' present safety performance is near the average for major European chemical industries. Nevertheless, it remains far behind those with the best records, which have a LTA frequency below 1.

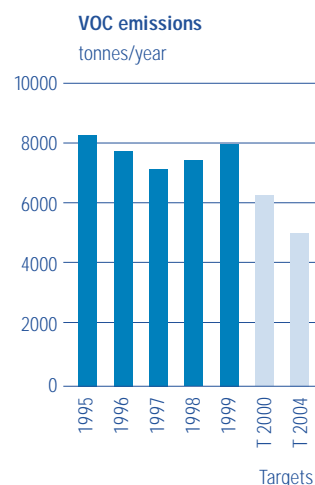
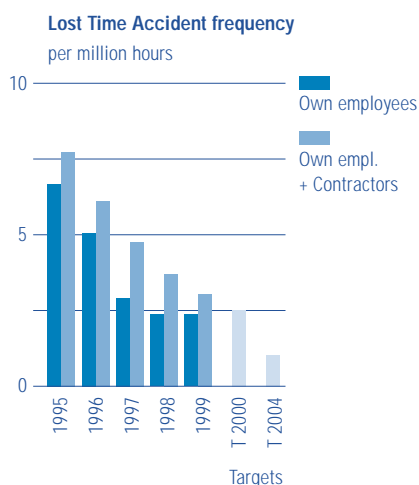
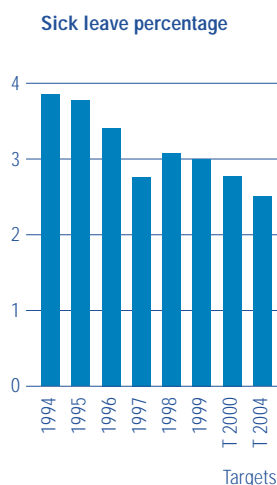
The frequency of total recordable injuries (TRI) decreased to 9.5 in 1999 from 10.1 in 1998. Still, the best-performing companies have frequency levels of 2-3.

Borealis in 1999 recorded a total of 80 fires and 96 liquid and gas leaks. This represents an unchanged number of fires and a decrease in leaks back to the 1997 level. Only one fire became an insurance case.

Reporting near-misses, in addition to actual occurrences, is a key element in reducing the frequency of incidents and accidents. Borealis began a campaign of reporting near-misses in 1996, and we have introduced a computerised registration and follow-up system called SYNERGI98.

This software combines a three-factor risk assessment, including the frequency of the job involved and the use of a loss-causation analysis. It identifies the root causes of an accident and locates the lack of control in the management system. It has shed new light on near-miss reporting, and on investigating accidents to improve safety.

In 1999 our near-miss reporting frequency was 352 compared with 300 in 1998. This was a noticeable improvement in reporting.



the environment

Environment

VOC emissions

Measured emissions in 1999 showed an increase of about 500 tonnes from 1998, primarily in data from our sites in Stenungsund, Sweden, and Porvoo, Finland. A new measuring technique was employed in Stenungsund which showed higher emissions, 250 tonnes per year, from flare stacks at the PE plants. The increase in Porvoo was related to a combination of measuring accuracy and a true increase.

SO₂ emissions

In Sines, Portugal, a programme of fuel oil with reduced sulphur content continued. This cut SO₂ emissions in 1999 by 1,400 tonnes.

NO_x emissions

These are back to normal after a 1998 increase at the Belgian production plants. Emissions from the Austrian site are minor, as all steam

is purchased from local companies. In Stenungsund, cracker furnaces are equipped with modern, low-NO_x burners. In Porvoo, one burner remains to be converted. In Sines, two burners were changed in 1999 and three remain to be converted. The benzene unit in Porvoo has new burners, but not the hot oil furnace.

CO₂

We also monitor our CO₂ emissions, which remained stable.

Waste

Borealis has used the CEFIC definition of waste since 1997. Based on national classification rules, hazardous waste is a part of total waste, and accounted for 27% of the 1999 total. At the Austrian and Belgian sites, waste reduction programmes gave positive results. At other sites, specific incidents kept our total waste in 1999 at the 1998 level.

HSE investments

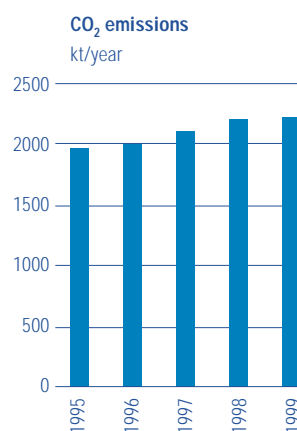
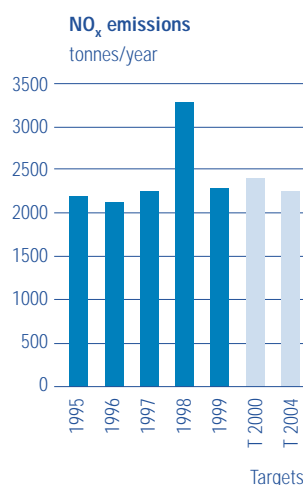
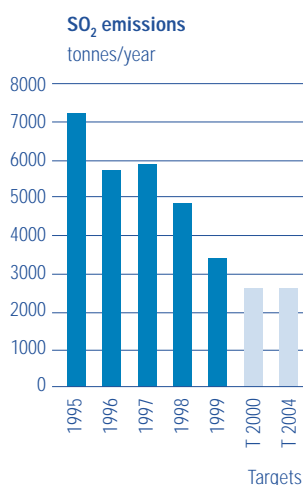
Borealis in 1999 invested EUR 19 million in projects where HSE improvements were the sole or dominant issue. Most Borealis investments include HSE aspects, typically accounting for 10%-30% of the total investment figure.

Legal compliance and environmental liabilities

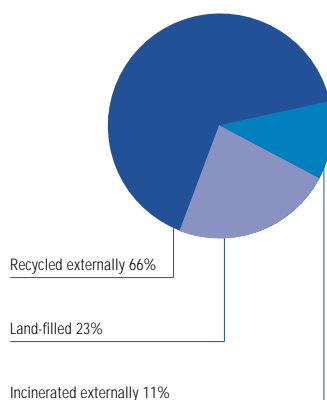
Operating in full compliance with local legislation and regulations is fundamental for Borealis. There is no current legal claim on our HSE performance.

Reported releases during 1999

We reported 12 releases to authorities during 1999, down from 14 in 1998.



19,700 tonnes waste and
36,700 tonnes recycled waste
figures in percent



Neighbour complaints

We received a total of 19 complaints from our neighbours, a slight increase from 1998. The main reasons were noise and odour disturbances. Most complaints were received in connection with shutdowns and plant disturbances, especially at the cracker in Stenungsund during an expansion project.

Soil studies

In Schwechat, Austria, a neighbouring plant contaminated part of our parking lot. Clean-up started in 1999 and will continue in 2000.

In Belgium, a soil investigation study and restoration plan for contamination of the Antwerp Right Bank ground was approved by authorities. Sanitation will begin by June 2000. The cost will be considerable but is not expected to be carried by Borealis.

In Sines, hydrocarbon findings in groundwater prompted the first phase of a soil contamination study. Completed in 1999, it examined the surface layer of soil at different areas of the site. The next phase, starting in 2000, will include deeper studies around the areas of highest contamination.

In Porvoo, there are several cases of soil contamination, and groundwater in selected areas is being pumped for treatment. A thorough soil investigation began in 1999 and was to be completed in early 2000.

In Stenungsund, earlier soil and groundwater studies have revealed local spots of oil contamination. An ongoing sampling of groundwater wells continues, and no major changes or movements have been detected.

Aggregated data

Consumption of resources

	1999	1998
Hydrocarbons, kt	5,219	5,422

Energy:

Fuels, TJ	7,954	5,917
Electricity, GWh	2,508	2,704
Steam, TJ	2,951	2,313
Water ¹⁾ , Mm ³	60,0	64,2

Packaging materials for polyolefins:

Polyethylene, t	10,434	10,380
Board, t	5,243	5,120
Wood, m ³	44,430	59,850

Production and emissions

	1999	1998
Petrochemicals, kt	1,635	2,000
Polyolefins, kt	3,106	3,048
Airborne emissions		
VOC, t	8,040	7,550
SO ₂ , t	3,400	5,200
NO _x , t	2,300	3,400
CO ₂ , kt	2,220	2,280
Flaring t	55,400	56,000
Waste water ²⁾ t COD	700	680
Waste t	19,700	17,400

Abbreviations: T=10¹²; G=10⁹; M=10⁶; k=10³; t=tonnes;

COD=Chemical Oxygen Demand

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

1) 44 million m³ is for Rønningen, which uses river water for once-through cooling.

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

Accounts for 1999

Accounting principles

The financial statements have been prepared in accordance with the Danish Company Accounts Act, Danish accounting recommendations, and International Accounting Standards (IAS). The financial statements have been prepared according to the same principles as previous years except for the accounting principle concerning accruals for major maintenance programmes.

Changes in Accounting Principle

The group has changed its accounting principle on accruals for major maintenance programmes, effective on January 1, 1999, in order to comply with International Accounting Standard 37, Provisions, Contingent Liabilities and Contingent Assets.

Under the previous principle, accruals for major maintenance programmes were set up on a straight-line basis and charged to production costs in the income statement. Under the new principle, costs for major maintenance programmes are capitalised and depreciated.

The effects of this change in accounting principle comprise an increase in fixed assets and deferred income taxes of EUR 23 million and EUR 17 million, respectively, and a decrease in provisions of EUR 34 million. Equity has increased by EUR 40 million. The net profits for 1998 and 1999 have increased by EUR 3 million for both years.

Consolidation Principles

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

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

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

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

Acquired subsidiaries and associated companies are included in the consolidated financial statements from the date of acquisition. A revaluation of the acquired net assets is made on this date, using the purchase accounting method and the assets are restated in accordance with Borealis' accounting principles. Any positive difference between book value and the purchase price of subsidiaries and associated companies, in the shape of goodwill, is capitalised and amortised over its expected lifetime. Any negative goodwill is recorded under provisions and charged to the income statement over five years. In the case of minor acquisitions, goodwill or negative goodwill is amortised fully in the year of acquisition.

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. Financial statements of foreign subsidiaries have been translated at the exchange rates quoted on the balance sheet date for assets and liabilities. The income statements of subsidiaries have been converted on the basis of monthly exchange rates.

All foreign exchange related gains and losses, both realised and unrealised, are recorded as financial items in the income statement. However, the exchange adjustments arising from the following items are charged directly to the equity: Conversion of the net assets of foreign subsidiaries as of January 1 using the closing rate on December 31; translation of long-term intercompany receivables which are considered part of

investments in subsidiaries; and conversion of the net income of foreign subsidiaries calculated on monthly rates to figures converted on the exchange rates that applied on the balance sheet date.

Financial Instruments

Off-balance sheet financial instruments such as forward exchange contracts and currency swaps used to hedge potential exchange rate exposures are valued at market with resulting gain and losses taken to income when the gains and losses on the underlying hedged transactions are recognised. The interest element is recorded in the income statement over the contract period. Gains and losses arising from the valuation at market of financial instruments that are not designated as hedges are taken to income in the period in which they arise. Interest differentials under swap arrangements and forward rate agreements used to manage interest exposure are recognised by adjustment to interest expense.

Income Statement

Revenue recognition

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

Research and Development

Research and development costs are treated as expenses under production costs in the income statement in the year they are incurred.

Results of Subsidiaries and Associated Companies

Investments in subsidiaries and associated companies are recorded under the equity method. A proportionate

share of the profit/loss of these companies is included in the income statement.

Financial Items

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

Taxation

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

Balance Sheet

Intangible Fixed Assets

Externally acquired intangible assets such as licences and patents are capitalised and amortised over the lifetime or 20 years, whichever is shorter. In the case of minor acquisitions, amortisation is made fully in the year of acquisition.

Tangible Fixed Assets

Production plants include land and buildings, and associated non-moveable machinery and equipment.

Assets held under finance leases are also included.

Assets held under financial lease are depreciated over the lease period.

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

Financing costs during construction are capitalised on significant capital projects.

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

tangible fixed assets are recorded as adjustments to depreciation 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. This means that the equity and net result of the parent company and the Group are identical.

Other Financial Fixed Assets

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

Inventories

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

Receivables

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

Deferred Tax

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

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

Reserve for Unrealised Exchange Differences

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

Pension Liabilities

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

Government Grants

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

Cash Flow Statement

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

Cash and cash equivalents consist of cash in hand and bank deposits.

Comparative Figures

Certain 1998 figures have been restated to conform with the 1999 presentation.

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 Board of Directors and the Management have today discussed and approved the financial statements of the Group and the Parent Company

for 1999, which are recommended for adoption by the shareholders at the Annual General Meeting of Borealis A/S.

Copenhagen, February 15, 2000

Management:


Svein Rennemo
 Chief Executive Officer


Walter Kadl

Board of Directors:


Terje Vareberg
 Chairman


Gerhard Roiss
 Vice Chairman


Erling Øverland


Mohamed Al Khaily

Auditors' Report

We have audited the financial statements of the Borealis Group and the Parent Company for the year 1999 presented by the Board of Directors and the Management.

disclosures in the financial statements. Our audit includes an assessment of the accounting policies applied and estimates made. In addition, we have evaluated the overall adequacy of the presentation in the financial statements.

Our audit has not resulted in any qualifications.

Basis of opinion

We have planned and conducted our audit in accordance with generally accepted auditing standards to obtain reasonable assurance that the financial statements are free of material misstatements. Based on an evaluation of materiality and risk, we have, during the audit, tested the basis and documentation for the amounts and

Opinion

In our opinion, the financial statements have been prepared in accordance with the accounting provisions of Danish legislation and give a true and fair view of the Group's and the Parent Company's assets and liabilities, financial position and profit for the year.

Copenhagen, February 15, 2000

KPMG C. Jespersen


Arne Nielsen


Torben Kristensen

State Authorized Public Accountants

Consolidated income statement

EUR million	1999	1998 restated	Note
Net sales	2,987	2,739	1
Production costs	-2,315	-2,025	2, 3, 9
Sales and distribution costs	-264	-275	3, 9
Administration costs	-192	-208	3, 9
Restructuring costs	0	-54	
Operating profit	216	177	1
Loss from sale of operations	-7	0	4
Share of net results in associated companies	-	0	10
Financial expenses, net	-30	-21	12
Profit before taxation	179	156	
Taxes	-38	-37	13
Net profit for the year	141	119	

Consolidated balance sheet

Assets

EUR million	31.12.1999	31.12.1998 restated	Note
Fixed assets			
Intangible fixed assets	73	103	5
Deferred tax	54	54	13
Tangible fixed assets			7
Production plants	1,249	1,202	
Machinery and equipment	33	37	
Construction in progress	594	211	
	1,876	1,450	
Financial fixed assets	43	22	10
Total fixed assets	2,046	1,629	
Current assets			
Inventories	376	316	14
Receivables			
Trade receivables	510	370	
Other	150	119	
	660	489	
Cash and cash equivalents	121	225	
Total current assets	1,157	1,030	
Total assets	3,203	2,659	

Liabilities

EUR million	31.12.1999	31.12.1998 restated	Note
Shareholders' equity			15
Share capital	537	537	
Reserves	753	620	
	1,290	1,157	
Minority interests	0	0	
Provisions			
Deferred tax	149	140	13
Pensions	67	60	16
Other	94	120	17
	310	320	
Liabilities			
Long-term liabilities			
Financial institutions	421	349	19
Other	30	57	19
	451	406	
Short-term liabilities			
Financial institutions	492	191	19
Trade payables	335	221	
Trade payable to shareholders	16	0	
Taxes	13	19	13
Other	250	266	19
Dividend	46	79	
	1,152	776	
Total liabilities	1,603	1,182	
Total shareholders' equity, provisions and liabilities	3,203	2,659	
Assets pledged			20
Contingent liabilities			21
Financial instruments			22

Consolidated cash flow statement

EUR million	1999	1998 restated	Note
Cash flows from operating activities			
Payments from customers	2,938	2,933	
Payments to employees and suppliers	-2,662	-2,466	
Interest income received	26	16	12
Interest and financial expenses paid	-56	-37	12
Income taxes paid	-60	-54	13
	186	392	
Cash flows from investing activities			
Investments in tangible fixed assets	-547	-193	7
Acquisitions of subsidiaries, net of cash acquired	-	-51	
Other investments	12	-9	
	-535	-253	
Cash flows from financing activities			
Long-term loans obtained	31	172	
Short-term loans obtained	359	91	
Long-term loans repaid	-66	-79	
Short-term loans repaid	-	-153	
Dividends paid	-79	-91	
	245	-60	
Net cash flow for the year	-104	79	
Cash and cash equivalents as of January 1	225	146	
Cash and cash equivalents as of December 31	121	225	

Income statement - Borealis A/S

EUR million	1999	1998 restated	Note
Net result of subsidiaries	132	104	11
Sales of services	53	48	1
Administration costs	-64	-60	9
Amortisation of negative goodwill	8	8	17
Operating profit	129	100	
Financial income, net	11	18	12
Profit before taxation	140	118	
Taxes	1	1	13
Net profit for the year	141	119	

Balance sheet - Borealis A/S

Assets

EUR million	31.12.1999	31.12.1998 restated	Note
Fixed assets			
Intangible fixed assets	8	10	6
Tangible fixed assets			
Machinery and equipment	3	3	8
Financial fixed assets			
Shares in subsidiaries	1,260	1,054	11
Receivables from subsidiaries	528	431	11
Other investments	3	3	
	1,791	1,488	
Total fixed assets	1,802	1,501	
Current assets			
Receivables			
Receivables from subsidiaries	111	108	
Other	8	8	
	119	116	
Cash and cash equivalents	3	2	
Total current assets	122	118	
Total assets	1,924	1,619	

Liabilities

EUR million	31.12.1999	31.12.1998 restated	Note
Shareholders' equity			15
Share capital	537	537	
Reserve for net revaluation under equity method	451	401	
Reserve for unrealised exchange gains	27	0	
Retained earnings	275	219	
	1,290	1,157	
Provisions			
Deferred tax	2	0	13
Negative goodwill	22	30	17
Other	4	-	
	28	30	
Liabilities			
Long-term liabilities			
Financial institutions	218	166	19
Short-term liabilities			
Debt to subsidiaries	329	176	
Accounts payable	4	4	
Other	9	7	
Dividend	46	79	
Total liabilities	606	432	
Total shareholders' equity, provisions and liabilities	1,924	1,619	
Contingent liabilities			21

Notes to the accounts

All amounts are in EUR million unless otherwise stated

1 Segment reporting

Net Sales	Polyolefins		Olefins		Non-allocated (incl. Phenol and Aromatics)		Consolidated	
	1999	1998	1999	1998	1999	1998	1999	1998
By business:								
Total sales	2,350	2,226	1,558	1,626	160	108	4,068	3,960
- Group internal sales	0	0	-1,081	-1,221	0	0	-1,081	-1,221
	2,350	2,226	477	405	160	108	2,987	2,739
By geographic region:								
Europe	2,087	2,057	461	391	160	108	2,708	2,556
Other areas	263	169	16	14	0	0	279	183
	2,350	2,226	477	405	160	108	2,987	2,739
Result								
Operating profit:	172	30	49	173	-5	-26	216	177
Loss from sale of operations					-7		-7	
Net financial items					-30	-21	-30	-21
Income tax					-38	-37	-38	-37
Net profit for the year							141	119
Other information								
Segment assets	2,206	1,921	681	450	316	288	3,203	2,659
Segment liabilities					1,603	1,182	1,603	1,182
Capital expenditure	273	59	214	66	60	68	547	193
Depreciation	72	67	45	29	44	55	161	151
Non-cash expenses other than depreciation					-19	110	-19	110

The Parent Company's sales of EUR 53 million (EUR 48 million) comprised intragroup and other fees charged to subsidiaries.

2 Research and development

A total of 340 people were engaged in research and development at the end of the year, compared to 354 in 1998.
The total costs of these activities amounted to EUR 37 million (EUR 36 million).

3 Personnel

	Group		Parent Company	
	1999	1998	1999	1998
Cost				
Salaries and wages	258	268	16	14
Pension costs	22	39	3	1
Other social security costs	57	56	1	1
Other personnel expenses	15	7	0	0
Total	352	370	20	16

Average number of employees by country:

Austria	737	748		
Belgium	937	952		
Finland	1,033	1,080		
Norway	591	622		
Portugal	653	744		
Sweden	1,103	1,182		
Other	584	600	131	129
Total	5,638	5,928	131	129

Personnel costs include management remuneration of	1	1	1	1
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No remuneration was paid to the Board of Directors.

4 Profit and loss from sale of operations

Loss from sale of operations includes the divestment of Borealis Compounds GmbH, Germany, and the GMT Business.

5 Intangible fixed assets, Group

	Goodwill		Licences		Total	
	1999	1998	1999	1998	1999	1998
Cost						
As of January 1	81	37	35	22	116	59
Additions regarding investment in subsidiaries	0	0	0	5	0	5
Exchange adjustments	0	0	1	0	1	0
Additions	0	44	12	8	12	52
Disposals	0	0	-11	0	-11	0
Transfers	-43	0	15	0	-28	0
	38	81	52	35	90	116
Accumulated amortisation						
As of January 1	1	1	12	3	13	4
Additions regarding investment in subsidiaries	0	0	0	3	0	3
Exchange adjustments	0	0	2	0	2	0
Disposals	0	0	-4	0	-4	0
Amortisation	2	0	4	6	6	6
	3	1	14	12	17	13
Book value as of December 31	35	80	38	23	73	103

6 Intangible fixed assets, Parent Company

	1999	1998
Cost		
As of January 1	14	14
Investments	0	0
	14	14
Accumulated amortisation		
As of January 1	4	2
Amortisation	2	2
	6	4
Book value as of December 31	8	10

7 Tangible fixed assets, Group

	Production plants		Machinery and equipment		Construction in progress	
	1999	1998	1999	1998	1999	1998
Cost						
As of January 1	2,935	2,200	127	85	211	93
Effect of change in accounting principle	-	59	-	-	-	-
Additions regarding investment in subsidiaries	-	664	-	36	-	7
Exchange adjustments	18	-70	7	-4	8	-3
Additions	77	31	7	12	507	186
Disposals	-95	-15	-27	-5	-6	-3
Transfers	149	66	5	3	-126	-69
	3,084	2,935	119	127	594	211
Accumulated depreciation						
As of January 1	1,733	1,191	90	60		
Change in accounting principle	-	36	-	-		
Investment in subsidiaries	-	414	-	28		
Exchange adjustments	29	-39	2	-3		
Disposals	-67	-2	-21	-7		
Depreciation/Amortisation	140	133	15	12		
	1,835	1,733	86	90		
Book value as of December 31	1,249	1,202	33	37	594	211

The figures for production plants include capitalised finance leases with a net value of EUR 13 million (EUR 9 million), comprising a cost of EUR 22 million (EUR 18 million) and depreciation of EUR 9 million (EUR 9 million). The lease obligation is included in debt to financial institutions. Approved future capital expenditure is estimated at EUR 722 million (EUR 807 million) including EUR 510 million (EUR 273 million) for which contracts have been placed.

8 Machinery and equipment, Parent Company

	1999	1998
Cost		
As of January 1	6	4
Additions	1	3
Disposals	-1	-1
	6	6
Accumulated depreciation		
As of January 1	3	2
Disposals	-1	0
Depreciation	1	1
	3	3
Book value as of December 31	3	3

9 Depreciation and amortisation

Depreciation and amortisation are allocated as follows in the income statement

	Group		Parent Company	
	1999	1998	1999	1998
Production costs	132	132		
Sales and distribution costs	10	7		
Administration costs	19	12	3	3
Total	161	151	3	3

10 Financial fixed assets, Group

	Shares in associated companies		Other investments		Total	
	1999	1998	1999	1998	1999	1998
	Cost					
As of January 1		4	22	18	22	22
Addition regarding investment in subsidiaries				6		6
Investments			21	3	21	3
Disposals		-4		-5		-9
		0	43	22	43	22
Adjustments						
As of January 1		-5				-5
Disposals		5				5
Net result of associated companies		0				0
		0				0
Book value as of December 31	-	0	43	22	43	22

11 Financial fixed assets, Parent Company

	Shares in subsidiaries		Receivables from subsidiaries		Other	
	1999	1998	1999	1998	1999	1998
	Cost					
As of January 1	653	388	449	437	3	7
Investments/additions	198	265	268	222	0	0
Disposals	-42	0	-209	-210	0	-4
	809	653	508	449	3	3
Adjustments						
As of January 1	401	334	-18	15		
Effect of change in accounting principle		37				
Exchange adjustments	14	-13	38	-33		
Net result of subsidiaries	132	104				
Dividend from subsidiaries	-76	-61				
Other	-20					
	451	401	20	-18		
Book value as of December 31	1,260	1,054	528	431	3	3

12 Financial income/expenses, net

	Group		Parent Company	
	1999	1998	1999	1998
Interest income from				
subsidiaries	-	-	25	24
cash and cash equivalents	26	16	2	0
	26	16	27	24
Interest expenses to				
financial institutions	-44	-31	-7	-2
subsidiaries	-	-	-11	-9
finance lease	-1	-1	0	0
Exchange adjustments, net	9	5	6	6
Other financial expenses	-20	-10	-4	-1
	-56	-37	-16	-6
Total	-30	-21	11	18

13 Taxation

	Group		Parent Company	
	1999	1998	1999	1998
Taxes				
Income tax payable for the year	38	46	0	1
Change in deferred tax assets	0	6	0	0
Change in deferred tax	-3	-21	-1	2
Adjustments to previous year's tax charge	3	6	0	-4
Tax expense	38	37	-1	-1

Tax provision as a percentage

of profit before taxation	21.2%	23.7%		
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Tax expense can be analysed as follows:

Tax expense				
Tax provision at statutory rates	48	49	1	2
Adjustment of valuation allowance	-1	-14	0	0
Withholding taxes paid	0	2	0	1
Benefits of tax losses	-13	0	0	0
Prior-year adjustments	4	0	-2	-4
Total	38	37	-1	-1
Deferred tax, asset				
Tax over book values	35	37	0	0
Other temporary differences	17	15	0	0
Tax losses to be carried forward	2	2	0	0
Total	54	54	0	0
Deferred tax, liability				
Accelerated depreciation on tangible fixed assets	141	117	0	0
Tax equalisation reserves in Swedish subsidiaries	15	16	0	0
Other	44	32	2	1
	200	165	2	1
Tax assets offset	-51	-25		-1
Total	149	140	2	0

Taxes, payable				
As of January 1	19	24	0	0
Exchange adjustments	0	-2		0
Income tax payable	41	52	0	1
Taxes paid	-60	-54	0	-1
Taxes converted to deferred	11	-2		0
Taxes transferred to receivable	2	1	0	0
Total	13	19	0	0

The Group has tax assets of EUR 106 million (EUR 136 million) in addition to those that have been capitalised as deferred tax assets or offset in deferred tax liabilities. These unrecorded assets mainly relate to tax losses carried forward.

14 Inventories, Group

Inventories of ethylene and propylene are included under finished goods.

	1999	1998
Raw materials and consumables	103	60
Work in progress	59	2
Finished goods	214	254
Total	376	316

15 Shareholders' equity

	Share capital	Premium on issue	Reserve for net revaluation under the equity method	Reserve for unrealised exchange gains	Retained earnings	Total
As of January 1, 1998	537	228	334	10	15	1,124
Effect of changed accounting principle for major maintenance programmes			37			37
As of January 1, 1998, after restatement	537	228	371	10	15	1,161
Transfer of premium on issue to retained earnings		-228			228	0
Net profit for the year			104		15	119
Exchange adjustments related to investment in subsidiaries, net after tax			-13	-10	-21	-44
Dividend			-61		-18	-79
Balance as of December 31, 1998	537	0	401	0	219	1,157
Net profit for the year			132		9	141
Exchange adjustments related to investment in subsidiaries, net after tax			14	27	-3	38
Dividend			-76		30	-46
Transfer			-20		20	0
Balance as of December 31, 1999	537	0	451	27	275	1,290

The share capital is divided into shares of DKK 1,000 each and multiples thereof. No part of the share capital has special rights.

16 Pension plans

Most group companies have pension plans, the forms and benefits of which vary with conditions and practices in the countries concerned. The plans include both defined contribution plans and defined benefit plans which 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.

	1999	1998
Funded pension plans		
Actuarial present value of benefits due to past and present employees	69	58
Plan assets held in trusts at fair value	53	41
Plan assets below the present value of benefits	16	17
Unfunded pension plans		
Actuarial present value of benefits due to past and present employees recorded as a provision	51	43

The aggregated pension cost charged to the income statement for 1999 amounted to EUR 22 million compared to EUR 39 million in 1998. Pension costs relate to:

	1999	1998
Defined benefit plans	14	28
Defined contribution plans	8	11

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:

	1999				1998	
Discount rate	5%	to	7%	4.25%	to	6%
Projected rate of remuneration growth	3%	to	4%	2.5%	to	3%
Expected rate of return on plan assets	6%	to	8%	4.5%	to	7.5%

17 Other provisions

	Restructuring	Negative goodwill	Maintenance	Other	Total
As of January 1	69	30	34	21	154
Effect of change in accounting principle			-34		-34
Provisions made during the year	2			6	8
Provisions used during the year	-26	-8			-34
Balance as of December 31, 1999	45	22	0	27	94

Restructuring

The provision for restructuring covers estimated costs for the site restructuring programme. The restructuring was implemented in 1999 and will continue in 2000.

Negative goodwill

The negative goodwill relates to the acquisition of PCD Polymere AG and is charged to the income statement over five years (1999: EUR 8 million).

18 Government grants

Borealis received government grants for research and development of EUR 3 million (EUR 2 million).

19 Financial indebtedness

Maturities Due		1999					1998			
		Term loans	Utilised uncomm. facilities	Export Credits	Finance Leases	Unutilised committed revolving facilities	Term loans	Export Credits	Finance Leases	Unutilised committed revolving facilities
After	5 years	138			11	372	197		13	605
Within	5 years	88				322	20	32		
	4 years	30		35		0	36			
	3 years	40				0	46			224
	2 years	49				235	53			
	2-5 years				10				6	
		345		35	21	929	352	32	19	829
Within	1 year	100	319	131	3	0	151	131	2	54
Finance charges					-7				-10	
Net obligations		445	319	166	17	929	503	163	11	883
Committed facilities of which parent						835				792

Currency mix and weighted average interest rates during the year for term loans, export credits and finance leases

	1999		Interest rate	1998		Interest rate
	Percent			Percent		
Non-interest bearing						
EUR	84	9	0	132	19	0
USD				6	1	0
Non-interest bearing total	84	9		138	20	
Interest bearing						
EUR	494	52	4.7%	394	58	5.3%
SEK	222	23	4.1%	145	22	5.4%
NOK	11	1	6.3%			
USD	46	5	3.6%			
DKK	90	10	3.9%			
Interest bearing total	863	91	4.6%	539	80	5.4%
Total	947	100		677	100	

Significant components of corporate debt above EUR 13 million

Type	Curr	Amount EUR	Fixed / floating	Interest revision	Final maturity	Average interest rate 1999
Export credits	EUR	131	Floating	Mar-00	2000	2.8%
Export credits	SEK	35	Floating	Apr-00	2003	3.8%
Term loans	SEK	58	Floating	Jan-00	2004	3.3%
Term loans	EUR	55	Floating	Mar-00	2005	3.2%
Term loans	EUR	46	Fixed	none	2006	5.7%
Term loans	EUR	32	Fixed	Dec-01	2006	5.4%
Term loans	SEK	29	Floating	Mar-00	2006	3.8%
Term loans	EUR	27	Floating	Mar-00	2007	3.3%
Term loans	EUR	13	Floating	Jan-00	2000	3.1%
Term loans	SEK	13	Floating	Mar-00	2001	4.0%
Non-interest bearing term loans	EUR	43			2000	none
Non-interest bearing term loans	EUR	41			2002	none
Total		523				

Schedule of interest resets for interest bearing loans

	Balance mill. EUR	Percentage of the loans with interest reset in:			
		2000	2001	2002	2003 or later
EUR	156	26%	22%	8%	44%
SEK	12	0%	0%	0%	100%
Fixed rate loans, total	168	25%	20%	7%	48%
Floating rate loans	695	100%			

Interest bearing loans, total **863**

Parent company interest bearing debt

	1999	1998
Inter-company short-term loans	316	165
Term loans and export credits	218	166
Total	534	331

Of the parent company's term loans and export credits, EUR 118 million are maturing within five years and EUR 100 million after five years.

20 Assets pledged

	1999	1998
Chattel mortgages	16	14
Others	20	19
Total	36	33

The liabilities covered by the above assets amounted to EUR 36 million at the end of the year, compared to EUR 33 million one year earlier.

21 Contingent liabilities

Guarantee commitments

The Parent Company guaranteed credit facilities of Group companies amounting to EUR 310 million (EUR 364 million).

Law suits pending

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

Leasing commitments

The Group has agreements covering operational leasing of certain assets. These agreements are non-terminable for periods of up to 108 months (108 months), and the total rentals during the non-terminable periods amounted to EUR 11 million at year-end 1999 (EUR 10 million). The Parent Company's share of operational leasing commitments amounted to EUR 3 million (EUR 3 million).

22 Financial instruments

In the normal course of business the Group is a party to derivative financial instruments with off-balance sheet risk used to manage exposures to fluctuations in foreign currency exchange rates and interest rates. As a secondary and limited activity, and in conjunction with risk management, the Group also trades certain derivatives. To the extent that financial instruments are used to manage exposures, estimated fair values of these instruments, will offset, and be recognised concurrently with gains and losses associated with the underlying transaction. Derivatives held for trading purposes are stated at market to market and all gains and losses recognised in the income statement. The term of the currency and interest rate derivatives is usually less than one year.

	Currency derivatives		Interest rate derivatives	
	1999	1998	1999	1998
Risk management				
Notional amounts	4	1,795		
Fair value	2	-4		
Credit risk	3	12		
Trading				
Notional amounts		21		841
Fair value				1
Credit risk				13

23 Fees to external auditors, Parent Company

	1999	1998
Audit fees	0.1	0.1
Other services	0.1	0.3
Total	0.2	0.4

24 Transactions with related parties

Borealis makes significant purchases of feedstocks from its shareholders at market prices. There were no other material transactions with related parties in 1999.

25 Interest in joint ventures

The Group has an interest in the following joint ventures:

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

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

	1999	1998
Fixed assets	140	27
Current assets	103	54
Total assets	243	81
Equity, provisions and long-term liabilities	189	67
Current liabilities	54	14
Total liabilities	243	81
Profit before tax	29	23
Income tax	0	0
Profit after tax	29	23

26 Companies included in the consolidated accounts

Company name	Country	Currency	Issued share capital	Percentage of shares owned	Book value in Borealis (EUR mill)
Borealis A/S					
▪ Borealis Insurance A/S	Denmark	DKK	25,000,000	100	3
▪ PCD Scandinavia ApS	Denmark	DKK	299,000	100	0
▪ Borealis N.V. (Belgium) ApS	Denmark	DKK	1,000,000	100	211
▪▪ Borealis Coordination Center N.V.	Belgium	BEF	4,001,250,000	100	109
▪▪▪ Borealis Polymers N.V.	Belgium	BEF	14,500,000,000	100	324
▪▪▪▪ Borealis Kallo N.V.	Belgium	BEF	2,317,889,000	100	-16
▪▪▪▪▪ Borealis Antwerpen N.V.	Belgium	BEF	600,000,000	100	17
▪▪▪▪▪ NSP Olefins N.V.	Belgium	BEF	660,000,000	50	-33
▪ Borealis Holding AB	Sweden	SEK	1,300,000	100	21
▪▪ Borealis Compounds AB	Sweden	SEK	100,000	100	2
▪▪▪ Borealis AB	Sweden	SEK	65,000,000	100	235
▪▪▪▪ Etenförsörjning i Stenungsund AB	Sweden	SEK	5,000,000	80	1
▪ Borealis Portugal SGPS S.A.	Portugal	PTE	3,907,000,000	100	14
▪ Borealis Polimeros Lda	Portugal	PTE	53,800,000,000	100	279
▪▪ Companhia Nacional de Petroquímica S.A.	Portugal	PTE	11,500,000,000	100	133
▪▪ Borealis Producao de Electricidade Calor ACE	Portugal	PTE	5,000,000	67	0
▪ Borealis AS	Norway	NOK	650,000,000	100	260
▪▪ IS Norpolefin ANS	Norway	NOK	0	100	0
▪▪ Noretyl ANS	Norway	NOK	0	49	0
▪▪▪ Borealis Borouge AS	Norway	NOK	50,000	100	0
▪▪▪ Borealis Borouge Holding AS	Norway	NOK	1,650,000,000	100	216
▪▪▪▪ Abu-Dhabi Polymers Company Limited (Borouge)	Abu-Dhabi	USD	79,155,000	40	108
▪ Borealis GmbH	Austria	ATS	420,000,000	100	93
▪▪ Polydan GmbH	Austria	ATS	500,000	100	0
▪▪▪ PCD Polymere s.r.o.	Czech Rep.	CZK	100,000	100	0
▪▪▪ Borealis Middle East Ltd	Cyprus	CYP	10,000	100	0
▪ Borealis Italia S.p.A.	Italy	ITL	6,600,000,000	100	7
▪▪ Borealis Compounds S.p.A.	Italy	ITL	6,500,000,000	100	2
▪ Borealis Italia S.r.l.	Italy	ITL	300,000,000	100	1
▪ Borealis Polymere Holding AG	Germany	DEM	660,000	100	15
▪▪ Borealis Polymere GmbH	Germany	DEM	36,000,000	100	41
▪▪ Borealis Compounds GmbH	Germany	DEM	10,000,000	100	5
▪▪ Borealis Deutschland GmbH	Germany	DEM	300,000	100	-2
▪ Borealis Compounds S.A.S.	France	FRF	20,588,000	100	5
▪ Borealis Compounds Inc.	US	USD	6,050,000	100	7
▪▪ Nova-Borealis Compounds LLC	US	USD	2,000	50	7
▪ Borealis Polymers Oy	Finland	FIM	800,000,000	100	317
▪ Borealis Singapore Pte Ltd	Singapore	SGD	100,000	100	4
▪ Borouge Pte Ltd	Singapore	SGD	2,000,000	50	1
▪ Borealis S.A.	Switzerland	CHF	100,000	100	0
▪ Borealis s.r.o.	Czech Rep.	CZK	500,000	100	0
▪ Borealis Hong Kong Ltd	Hong Kong	HKD	500,000	100	1
▪ Poliolefinas Borealis Espana S.A.	Spain	ESP	10,000,000	100	1
▪ Borealis Eesti OÜ	Estonia	EEK	128,000	100	0
▪ Borealis Polska Sp z o.o.	Poland	PLN	40,000	100	0
▪ Borealis Kft.	Hungary	HUF	1,000,000	100	0
▪ Borealis UK Ltd	UK	GBP	15,000	100	1

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Franz Wurm
Chief Financial Officer

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Polyolefins & Chemicals Division

Staffan Lennström
Executive Vice President,
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Olefins, Phenol & Aromatics BU

Kent Abbås
Polypropylene BU

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Operations Planning

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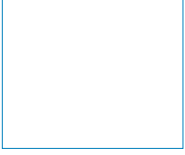
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Kindly send me more information

Yes, I would like to receive more information about the Borealis Group

My area of interest is:

- Financial
- Health, safety and environment
- Polyolefins plastics
- Petrochemicals
- Other

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