Annual Report 2008

BOREALIS

2008 at a glance

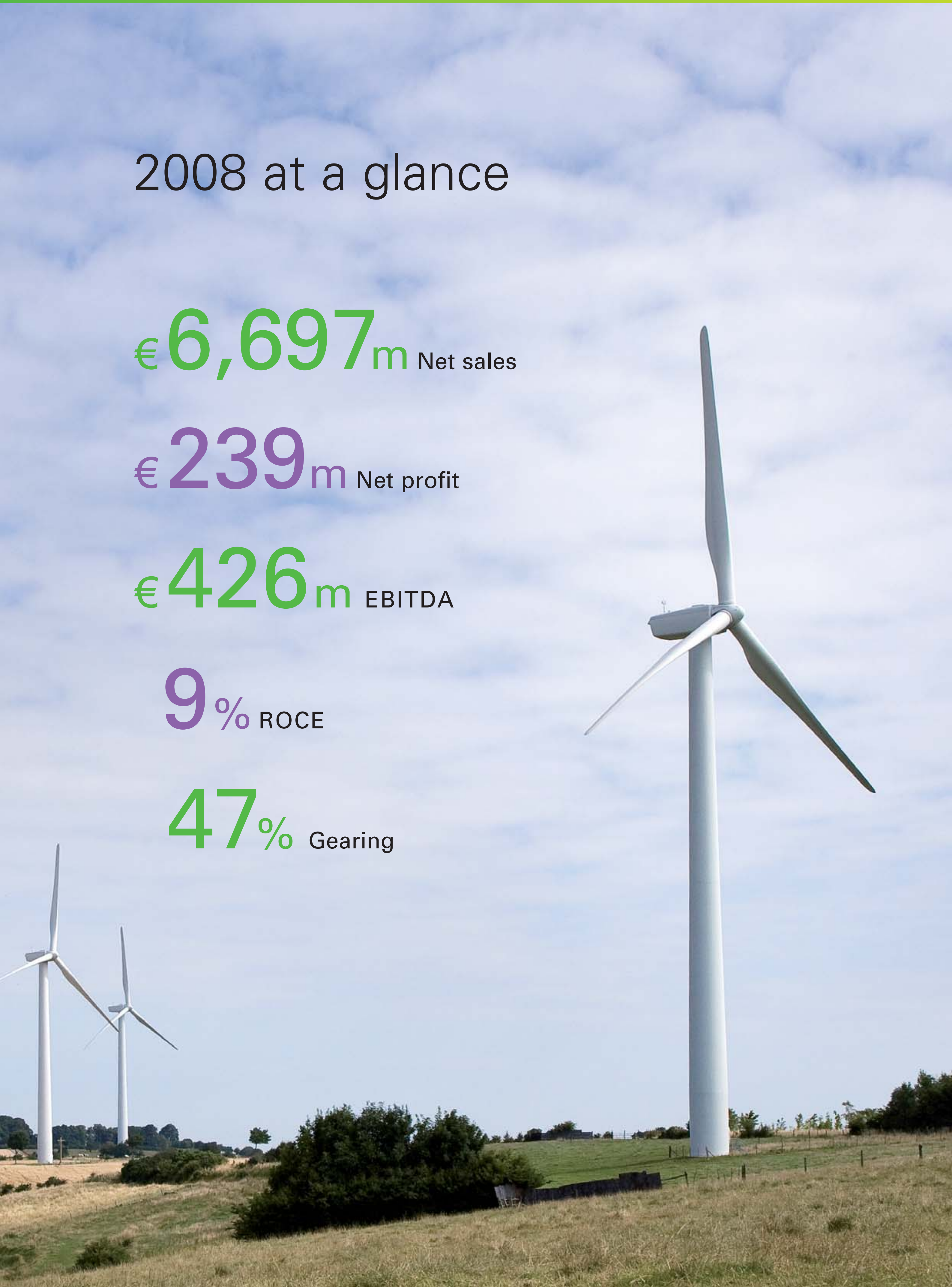
€6,697m Net sales

€239m Net profit

€426m EBITDA

9% ROCE

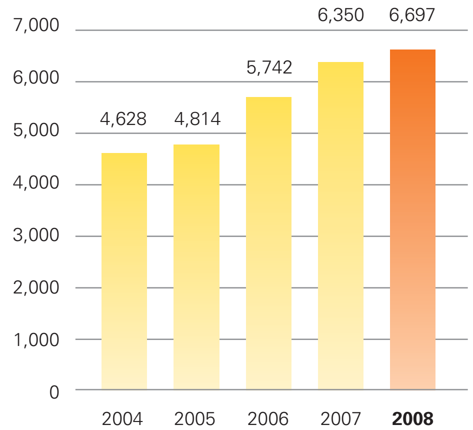
47% Gearing



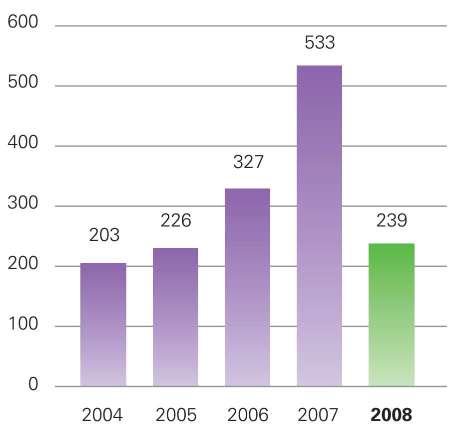
Milestones

- Continued leadership in safety
- Global financial crisis begins to impact profit performance
- Accelerated innovation activity bringing tailor-made products to market quicker
- Launch of second-generation Borstar technology
- Low-density polyethylene plant in Sweden poised for start-up in 2009
- Water for the World launched in Asia
- Groundbreaking for Borealis Innovation Headquarters in Austria
- Borouge 2 on track for start-up in 2010
- Successful turnaround of melamine and plant nutrients businesses
- Executive Board reorganised to ensure long-term growth potential

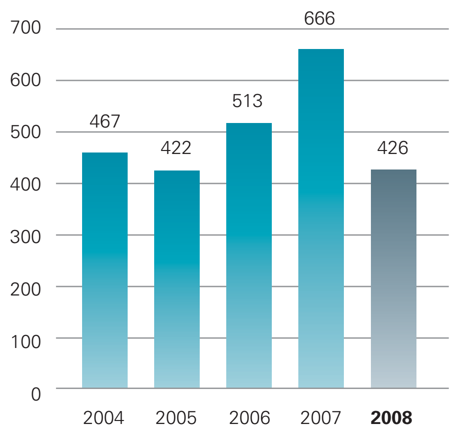
Net sales (EUR million)



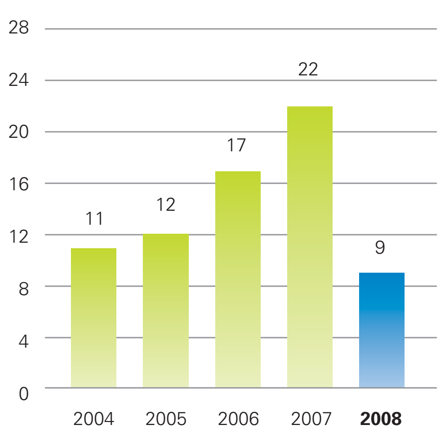
Net profit (EUR million)



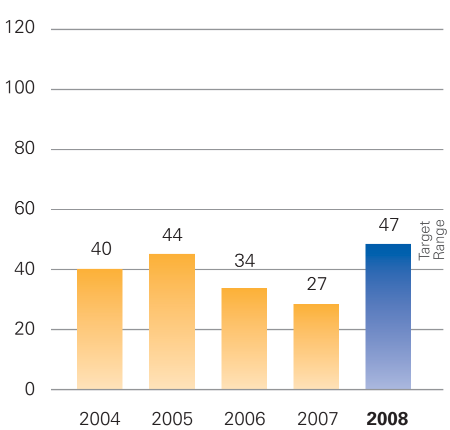
EBITDA (EUR million)



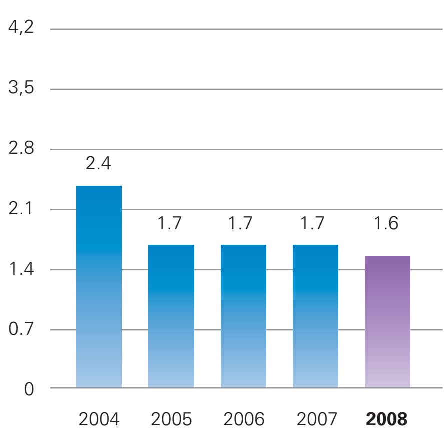
ROCE (%)



Gearing (%)



Occupational Safety Performance
(Number/million work hours[1])



(1) Includes own employees and contractors

Table of Contents

"We will continue to pursue our Value Creation through Innovation path and to work closer than ever with our customers"

Mark Garrett, Chief Executive

Our values

Responsible

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

Respect

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

Exceed

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

Nimblicity™

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

Our strategy is clear

We will ...

Grow our business in **infrastructure**, **automotive and advanced packaging**

Expand the **Abu Dhabi complex** to supply growth in the Middle East and Asia

Strengthen our **European base**, ensuring cost competitiveness from feedstocks to customers

Develop our **Base Chemicals** business

Pursue **operational excellence**, considering safety at all times

Achieve a step change in **innovation**

Exceed in serving our customers with a focus on **quality** and **reliable execution**

Build a **cross-cultural** organisational capability

Outperform financially ...

11% + average Return on Capital Employed (ROCE) after tax

40% – 60% debt to equity ratio

Our Executive Board

Mark Garrett
Chief Executive

Daniel Shook
Chief Financial Officer

Lorenzo Delorenzi
Executive Vice President, Polyolefins

Henry Sperle
Executive Vice President, Middle East and Asia

Herbert Willerth
Deputy CEO; Executive Vice President, Operations; Ad interim Executive Vice President, Base Chemicals

Our world

Borealis Locations

Customer Service Centres/Representative Offices
Abu Dhabi, Austria, Belgium, Finland, Germany, Italy, Russia, Singapore, Turkey, United States

Production Plants
Austria, Belgium, Brazil, Finland, Germany, Italy, Sweden, United States

Innovation Centres
Austria, Finland, Sweden

Head Office
Austria

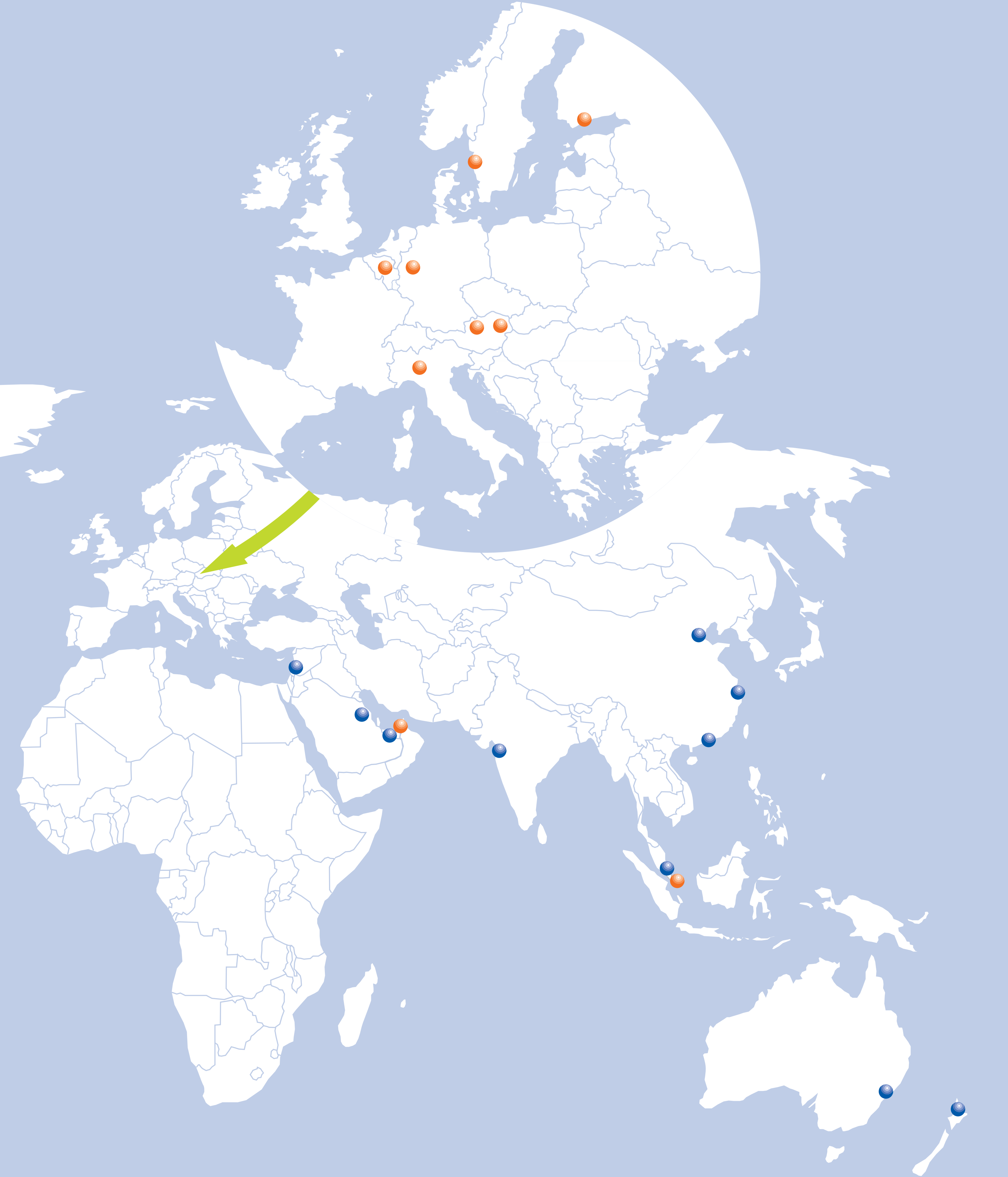
Borouge Locations

Customer Service Centres/Representative Offices
Abu Dhabi (UAE), China, India, Singapore

Sales Offices
Abu Dhabi (UAE), Australia, China, Lebanon, New Zealand, Saudi Arabia

Production Plants
Ruwais (UAE)

Head Offices
Abu Dhabi (UAE), Singapore



Statement of the Supervisory Board

Borealis finished 2008 with a solid performance. The first three quarters showed good earnings, which then deteriorated dramatically in the last quarter. Borealis produced and marketed high volumes and achieved an outstanding safety performance. With its focus on growth projects, technology and innovation, the company is ready to face the challenges of the business environment ahead.

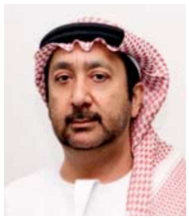
Leading in safety and corporate social responsibility
Borealis is a leader in safety and further improved its leading indicators in 2008. This successful development lies in the efforts of each and every employee of the company. The continuing efforts in personal and process safety make the company a safe place to work and ensure operational excellence in the delivery of outstanding results.

Water is one of the most important global challenges the world faces today. One year after the launch of their Water for World programme, Borealis and Borouge continue to go beyond business and build upon their expertise to help enhance access to safe drinking water around the world. Borealis Management believes that the long-term success of the company is based on sustainable development and Responsible Care.

Showing a solid performance
Borealis delivered a solid profit in 2008 even though the unexpected economic climate impacted its business dramatically in the last quarter. With additional capacities coming on stream in the future, especially in the Middle East, the company is well prepared for the new, challenging market conditions. The focus is on strengthening the financial performance by streamlining the organisation, continuing the successful partnerships with customers in innovating new product solutions and making investment a clear priority. AMI Agrolinz Melamine International GmbH, which was acquired in 2007, is being successfully

Gerhard Roiss
Chairman

Khadem A. Al-Qubaisi
Vice Chairman



Mohammed A. Al-Azdi
Board Member

integrated and has contributed substantially to the 2008 bottom line. With a solid investment strategy, supported by financial discipline, Borealis finished the year with a strong balance sheet.

Investing in the future

Borealis continues to invest in its innovation capability with a new Borstar polypropylene pilot plant in Schwechat, Austria, and strengthened Innovation Centres in Austria and Finland. It will also establish a new Innovation Centre in Abu Dhabi in cooperation with Borouge. Additionally, the Borstar technology will be further developed and the innovation pipeline secured to ensure a sound basis for future growth.

With its expertise in polyolefins and base chemicals, Borealis is moving forward with its strategic projects in Europe and the Middle East. The completed expansion of the polypropylene plant in Burghausen, Germany, as well as the construction of a world-scale low density, high pressure polyethylene plant in Stenungsund, Sweden, strengthen the company's European polyolefin asset base. Borealis' expansion in the Middle East together with its joint venture Borouge is progressing well with the start-up of Borouge 2 expected in 2010. Furthermore, the company's knowledge and expertise in base chemicals is enabling a strong partnership in building up Chemaweyaat, a newly created industrial chemical city in Abu Dhabi.

Borealis Management will continue to work on maintaining its leading position in safety by focusing on growth projects and working closely with customers to provide them with innovative, value-creating solutions. These milestones will strengthen the company's competitive position and guarantee its success in “Shaping the Future with Plastics” and developing its base chemicals business.

David C. Davies
Board Member

Mohamed H. Al Mehairi
Board Member

Meet our CEO

We have seen increased volatility in the international markets in 2008, especially in the second half of the year. How has this impacted Borealis?

There was a dramatic, unexpected turn of events in the financial markets during 2008, and many parts of the world economy fell into the worst recession we have seen in decades. Of course this in turn led to a significant reduction in consumer and industry demand, resulting, directly or indirectly, in a dramatic softening of our polyolefin markets. To mitigate the effects of this situation, we have remained focused on our Value Creation through Innovation strategy and concentrated our efforts on innovation and commercial excellence in our value-adding key market segments of infrastructure, automotive and advanced packaging. We have also prioritised our cost competitiveness, particularly in Europe, and operational excellence, without compromising on safety. In addition we have a strong focus on liquidity to ensure we maintain balance sheet strength. Borouge, our joint venture with the Abu Dhabi National Oil Company (ADNOC) in the Middle East, performed very well, and we benefited from favourable developments in the plant nutrients markets as well. In addition, our solid performance in the first three quarters of the year certainly helped our overall performance in 2008.

In spite of these challenging market conditions, Borealis has ambitious growth plans both in Europe as well as in the Middle East and Asia. How are these plans advancing?

Our projects in both Europe and the Middle East and Asia are on track to be completed as planned. In Germany, we inaugurated an expanded polypropylene plant based on our proprietary second-generation Borstar PP 2G technology to supply the growing advanced packaging markets. In Sweden, the construction of a 350,000 t/y low-density polyethylene plant, our largest European investment to date, is on track for completion in 2009 to supply the expanding wire and cable market. Meanwhile in the Middle East, the construction of Borouge 2 is proceeding as planned to be finished in 2010, enabling Borouge to triple its production capacity to 2 million t/y of Borstar polyolefins. We are also assessing the feasibility of additional growth projects such as Borouge 3 and participation in the development of a new Chemicals Industrial City, both to be located in Abu Dhabi, the United Arab Emirates, as well as a world-scale plant nutrients complex in Uzbekistan together with one of our owner's, the International Petroleum Investment Company (IPIC).

Last year, you created a new Base Chemicals business group. How is it progressing?

Our Base Chemicals business group has had a very successful year, completing the six-quarter transformation programme, which has integrated Agrolinz Melamine International (AMI) into the Borealis Group, getting them up to speed on safety and operational excellence. To date, we are very pleased with the performance of this business group, especially in the area of plant nutrients, which has been very profitable. We look forward to an exciting future as the strategy of this group begins to crystallise and take off in the months ahead while at the same time ensuring that it is integrated into our overall group strategy.

Borealis' mission is to be THE leading provider of innovative, value creating plastics solutions. What progress has been made, and what more needs to be done to achieve this?

Though we have not yet achieved our mission to be THE leading provider, we are moving in that direction, and we are determined to get there. We will continue to pursue our Value Creation through Innovation path and to work closer than ever with our customers to ensure that we continue providing them with the value-adding solutions they have come to expect from us.

This year, we appointed Lorenzo Delorenzi to the Executive Board to lead the way forward for our Polyolefins business group. He has many years experience heading up our Pipe business unit and is certainly up to meeting the challenges that lay ahead.

To reach our goals in the months and years ahead, we will need to focus on some core areas. We must ensure that our growth projects in Europe and the Middle East are successful while prioritising our cost competitiveness, especially in Europe, and leveraging our feedstock flexibility. Our emphasis on innovation must be accelerated, and operational and commercial excellence are essential to our success. If we do these things well, we will get much closer to achieving our ambitious mission.

Do you still consider Borealis a safety leader in the industry?

Yes, this year's total recordable injury frequency of 1.6 per million hours worked is evidence that we remain an industry leader in safety, but as long as we still have people getting hurt on the job, we are not where we should be. Safety is still number one at Borealis and will continue to be so in the future. We simply can't get comfortable with our good safety record, because as soon as we do, sure enough an accident will happen. That is why we continue to be proactive in preventing accidents from happening in the first place and never compromise!

Last year, Borealis and Borouge launched Water for the World™. How successful has this initiative been?

We are pleased about the progress of the Water for the World programme, which we created with Borouge to help address the global water crisis. Through the support of and participation in local projects and activities, we are now leveraging our expertise and know-how to take action. In less than one year since its launch, 30,000 people in rural India have gained access to safe water thanks to this programme, and several large-scale water access projects in urban slums are being developed with our partner Water and Sanitation for the Urban Poor. Through our co-foundership of the Stockholm Water Prize and working with the World Business Council for Sustainable Development, we are now pioneering water footprint management in our operations and working with a key customer to do the same with our products. Water for the World is gaining recognition within the water community, but even more importantly, the programme is strongly backed by our own people and is starting to make a difference to people in need.

With substantial capacity coming on stream in 2009 and 2010, how well do you think Borealis will weather this storm, specifically in Europe?

In the next few years, there are approximately 6 to 8 million tonnes of additional polyolefin capacity coming on stream, mainly in the Middle East. This will have dramatic effects on the industry, especially in Europe, where we have a higher cost base than in the Middle East and where we are disadvantaged due to our distance from the growing markets in Asia. This makes it crucial that our joint venture Borouge in Abu Dhabi and the various growth projects we are undertaking in this region are successful. In Europe, we are increasing the efficiency of our operations and simplifying our organisation. We firmly believe that successful companies do not wait until they are in trouble to make changes; they take preventative action to minimise the impact. Finally, we will continue with our strategic focus on innovation, which gives us the edge and makes us a go-to provider for the value-creating solutions that our customers have come to expect. Through the dedication of our people and a commitment to quality, we will achieve our goals for long-term growth.

Water for the World is a trademark of Borealis A/S.

Our business

Borealis works closely with its customers and industry partners to provide innovative, value creating solutions through two business groups, Polyolefins and Base Chemicals. The company aims to exceed in quality and reliable execution while offering products that enhance society and address global challenges such as providing clean drinking water and sanitation to millions of people around the globe and safe, light, energy-saving components for cars and aeroplanes.

From simple everyday products that make life easier to step-changing technological developments, Borealis and its Borouge joint venture with the Abu Dhabi National Oil Company (ADNOC) are leading the way and Shaping the Future with Plastics.

Polyolefins

Infrastructure

Pipe systems

Borealis is the leading global provider of advanced polyolefin plastics solutions for the pipe industry. Through close dialogue with customers and other stakeholders, the company has developed a broad and innovative product and service portfolio. The applications cover water and gas distribution, waste and sewage disposal, chemical and industrial projects, in-house plumbing and heating as well as oil and gas exploration and transport.

Energy and communication cables

As a leading provider of polyolefin compounds for the global wire and cable industry, Borealis' solutions are widely used in low, medium and high-voltage energy transmission and distribution cables, in data and communication cables, and in building and automotive wires.

Automotive

Borealis supplies a wide range of plastics solutions to the automotive industry that are used for dashboards, door side claddings, front ends, air vent systems, bumpers and under-body shieldings. These solutions are at the leading edge in areas such as zero gap applications for bumpers, off-line painted body panels and scratch resistant materials for car interiors and exteriors.

Advanced packaging

The superior properties and flexibility of Borealis polyolefins make them the advanced packaging material of choice for applications as diverse as healthcare, courier bags, food packaging, flexible and rigid transport packaging, bottles, crates, boxes, trays, large containers and pallets.

Base Chemicals

Feedstocks and olefins

As an integrated polyolefins company, Borealis ensures a secure, cost-efficient supply of hydrocarbon feedstocks for its crackers, and olefins for its PE and PP plants.

It then converts these into ethylene and propylene through its olefin units. The company has steam crackers in Finland, Sweden and Abu Dhabi (Borouge) that produce both ethylene and propylene, while propylene is also produced in a propane dehydrogenation plant in Belgium. Besides purchasing from the markets, the balance of feedstock and olefins required for Borealis' plants and those of its joint ventures are sourced from its owners or joint venture partners. A range of co-products from the steam cracking process such as pygas and butadiene are also sold to international markets.

Phenol and aromatics

Phenol, benzene and cumene as well as acetone are produced in Finland and are sold mainly to the adhesive, fibre, epoxy resin and polycarbonate industries in northern Europe. Phenol is used in adhesives, construction materials, carpets, CDs, DVDs, mobile phones and household appliances. Borealis is the leading phenol producer in the Nordic and Baltic regions. Acetone is commonly used in solvents for paints, acrylics, fibres and pharmaceuticals. Benzene and cumene are feedstocks for other chemical processes.

Melamine and plant nutrients

Melamine is produced at Borealis' facilities in Piesteritz, Germany, as well as in Linz, Austria, where plant nutrients are also manufactured. Melamine products include coatings, compounds for houseware, concrete liquefiers, paint resins, fiberboard binders, special resins for textile and paper finishing, and fireblockers. Borealis is currently the melamine market leader in Europe and a leading provider of plant nutrients in the Danube region.

Borstar® – Our leading edge technology

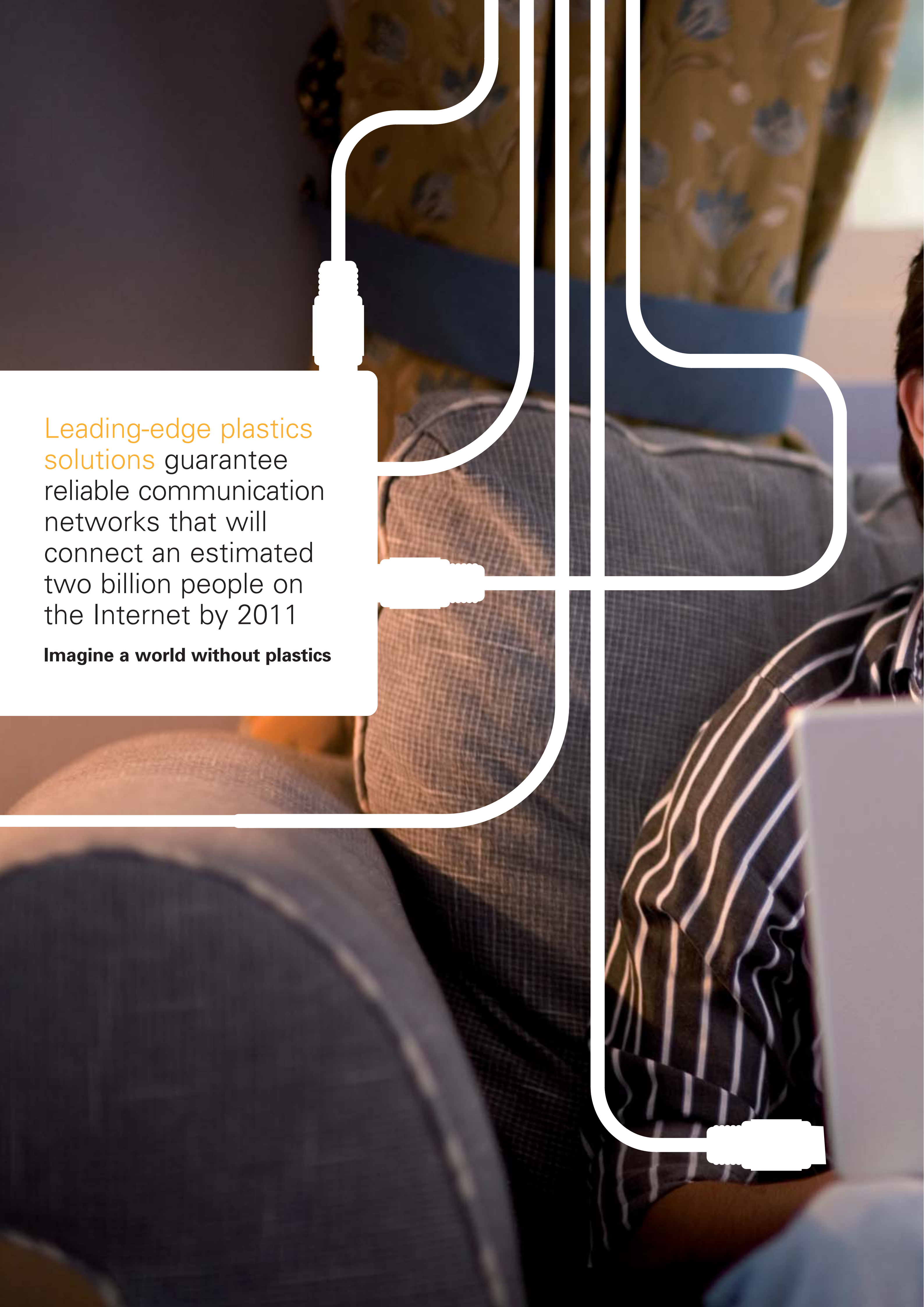
In satisfying today's growing demand for advanced plastics, Borealis' leading edge Borstar technology is a critical element in developing the next generation of innovative, value creating plastics.

Borstar is the company's proprietary process and catalyst technology that supports the production of a wide range of enhanced PE and PP products.

Now, Borstar PE 2G and Borstar PP 2G, Borealis' next generation technology, represent a leap forward in polymer design – from bi-modal to multi-modal PE/PP – facilitating the development of an ever-widening range of new plastics that outperform alternative materials in meeting the needs of manufacturers and end users.

By tailoring the molecular structure of PE and PP to precisely match the application requirements, Borstar PE 2G and Borstar PP 2G extend the product range with more sophisticated, customer-oriented solutions, which are characterised by an outstanding combination of mechanical properties and excellent processability.

Borstar is a registered trademark of Borealis A/S.



Leading-edge plastics solutions guarantee reliable communication networks that will connect an estimated two billion people on the Internet by 2011

Imagine a world without plastics

Shaping the Future with Plastics

Borealis' Polyolefins business group began 2008 with the appointment of Lorenzo Delorenzi, formerly Vice President of the Pipe business unit, as its Executive Vice President. The year got off to a good start but progressively worsened as market volatility started to rear its ugly head, and the overall financial crisis started to take hold. Having anticipated stormy conditions, Borealis had already begun preparing and continued to prepare itself over the year while at the same time growing its polyolefins business through strategic investments and commercial excellence, ensuring that the right innovations were successfully brought to market as quickly as possible.

Investments and products

This year, Borealis continued to progress its ambitious asset investment programme to meet future customer demand in Europe, the Middle East and Asia. In Europe, there was also a keen focus on cost competitiveness and operational excellence. In the Middle East and Asia, the major expansion projects being advanced with Borealis' joint venture Borouge made good progress.

Europe

The EUR 200 million PP plant expansion based on the company's proprietary second-generation Borstar technology (Borstar PP 2G) was inaugurated in Burghausen, Germany. The result is an increase of PP capacity by 330,000 t/y to 570,000 t/y, enabling Borealis to supply the growing advanced packaging markets. The facility will also benefit from its proximity to the Ethylene Pipeline South, which is being built between Münchsmünster and Ludwigshafen and is expected to be commissioned in

2009. Borealis, through close collaboration with its owner OMV at the Burghausen site, will be linked to this important network, ensuring supply security and feedstock flexibility, thereby increasing its competitiveness. Borstar PP 2G multi-modal technology will enable the production of highly sophisticated products offering a step change in purity, processing output and performance, stretching the boundaries of polymer design. Borclear™ is one of the innovative grades produced at the plant, which offers high-clarity and aesthetics for cosmetics, toiletries and food packaging.

In Stenungsund, Sweden, the new 350,000 t/y high-pressure, low-density PE plant is on track to come on stream at the end of 2009 and will supply the growing wire and cable markets. This year, Borealis launched the highly innovative Visico FX™ low-voltage cable insulation material that promises to deliver increased productivity and cost efficiency while delivering higher output and profitability for manufacturers.

Middle East and Asia

The new year started with the announcement that Henry Sperle, who after many years running Borealis' Hydrocarbons business, would take over the new position of Executive Vice President for the Middle East and Asia. A Vice President for Major Projects and a Vice President for Group Expansion and Development were also appointed to support the company's expansion goals beyond Borouge. In support of this new leadership and the current and future expansion projects, Borealis opened new and expanded offices in Abu Dhabi.

In the span of one year, there were major changes to the leadership team at Borouge. The production company, Abu Dhabi Polymers Ltd, appointed Abdulaziz Abdulla Alhajri as its new Chief Executive Officer, while the marketing company, Borouge Pte Ltd in Singapore, brought on William Yau as its Chief Executive Officer. These two are providing crucial leadership of the monumental expansion plans currently being progressed at the company, which include Borouge 2 and potentially Borouge 3. The existing plant, Borouge 1, continued to be profitable, safe and efficient, exceeding expected production volumes. Construction of Borouge 2 continued to progress as planned for start-up in 2010. The output of this new facility will triple the annual polyolefin capacity at the complex to 2 million tonnes. At peak construction time, there will be more than 15,000 workers on site.

Looking towards the future, it was announced this year that a feasibility study would be completed to assess a further expansion of Borouge's polyolefin operations to add 2.5 million tonnes per year of capacity by 2014.

This Borouge 3 expansion would include the construction of two Borstar plants, one PE and one PP, as well as a high-pressure, low-density PE unit to produce high-performance materials for wire and cable applications, reinforcing Borouge's leadership in this important market.

Borclear and Visico FX are trademarks of Borealis A/S.

In Asia, Borouge is also expanding its logistics capabilities in preparation for the start-up of Borouge 2 by establishing new logistics hubs in Shanghai and Guangzhou, China. When operational in 2010, the Shanghai facility will receive more than 600,000 t/y of PP and PE, serving mainly the China market with applications such as extruded pipe, film and packaging, terraforming and fibres as well as household and white goods. At the same site, Borouge is building a compound manufacturing unit, which will produce 50,000 t/y of polyolefins for use in automotive, appliances, power tools and electrical applications, serving mainly customers in the Shanghai area.

Borouge continues to be a leader in safety and Responsible Care® and an industry model to follow in the Middle East and Asia.

Commercial Excellence

One of the main challenges for any business is to offer the right products and services at the right price within the right markets. Commercial excellence is all about exceeding in identifying, understanding and meeting the customers' current and future market needs and translating these needs into new business opportunities that create value for Borealis and its customers. To achieve this, the Commercial Excellence Programme

Responsible Care is a registered trademark of the European Chemical Industry Council (CEFIC) in Europe.

manages a wide range of projects across different functions and businesses within Polyolefins.

Key customers are crucial to bottom-line results and in periods of market instability, they are close partners in weathering the storm. In 2008, as the downturn began to set in, Commercial Excellence re-energised the Key Customer Leadership Programme to ensure alignment with customers on clearly understood targets. Another initiative was put into place to define how Polyolefins should use the distribution channel to achieve the highest possible returns when implementing its sales strategies. Driven by the same objective of maximising financial results, a strategy and related initiatives were agreed upon for the Central and Eastern European region. A process was furthermore established to gain insight into customer expectations and perceptions, providing valuable feedback on customer satisfaction and where improvements can be made.

In an effort to support all Borealis businesses in establishing and institutionalising best practices, a handbook on commercial excellence was prepared containing tools, methodologies and processes necessary to attain an excellent commercial organisation. At the General Sales Manager and Marketing Forum, as well as at sales trainings and trainee programmes, commercial excellence is now an important subject on the agenda, ensuring that the commercial functions understand the importance of the customer, their very unique needs and how Borealis can best respond to these needs.

The use of plant nutrients provides for 48% of the current global food supply

Imagine a world without plant nutrients

New horizons for Base Chemicals

This was a key year for Borealis' recently established Base Chemicals business group as it progressed well with the integration of AMI and assessed the feasibility of key expansion projects in Abu Dhabi (UAE) and Uzbekistan. Borealis is now actively pursuing near and long-term growth opportunities in base chemicals.

Integration

The Base Chemicals business group, which includes feedstocks and olefins, phenol and aromatics as well as melamine and plant nutrients, was formed in November 2007. The first step was to integrate AMI into Borealis through a six-quarter transition programme, which was largely completed during the year. This enabled AMI's melamine and plant nutrient businesses to get fully up to speed with Borealis' demanding organisational and health, safety and environment (HSE) standards. The world's second largest producer of melamine and the Danube region's market leader in plant nutrients is now contributing profitably to the group's results and have been performing very well in terms of safety.

Expansion

Looking towards the future, Borealis began to evaluate and develop several key international growth initiatives in Abu Dhabi and Uzbekistan, which would vastly expand the company's base chemicals offering worldwide.

Abu Dhabi (UAE)

Borealis is actively participating in the development of the first complex in the new Chemicals Industrial City, called Chemaweyaat, about 50 km from Abu Dhabi City. This multi-billion dollar venture will comprise a world-scale naphtha cracker, downstream propylene and ethylene derivatives, a world-scale reformer, xylene, benzene, cumene and phenol as well as derivative units. In addition, it is envisaged to include an ammonia-urea-melamine integrated nitrogen chain. This would be the largest and most integrated complex of its kind worldwide, making Abu Dhabi a significant player in the international base chemicals markets.

The melamine project announced last year for Borouge, Borealis' joint venture with the Abu Dhabi National Oil Company (ADNOC), has been transferred to Chemaweyaat.

This exciting new venture will provide the opportunity to build on Base Chemicals' existing product portfolio in line with Borealis' overall expansion plans.

Uzbekistan

Also this year, Borealis and IPIC signed a memorandum of understanding with Uzkimyosanoat, Uzbekistan's State Joint-Stock Company, to conduct a feasibility study for the construction of a world-scale plant nutrients complex in Uzbekistan. Scheduled to start up in 2012, this would be the largest plant nutrients complex in Central Asia and would include one ammonia unit and one urea plant. This marks the first step in Borealis' strategic plans to expand its plant nutrients business internationally after the recent integration of AMI.

With the melamine and plant nutrient businesses now fully integrated into Borealis' newest business group, the company is poised to tap into the rapidly expanding base chemicals markets around the world.

Value Creation through Innovation

With new leadership, key appointments, important investments and cutting-edge innovation and technological advances, Borealis' innovation and technology programme forged ahead in 2008 with its strategy based on Value Creation through Innovation.

Leadership for a step change

Alfred Stern was appointed Vice President of Innovation and Technology, taking charge at a crucial time of expansion for the programme. Stern joined Borealis after several years in leadership roles at E.I. Du Pont de Nemours. At the beginning of the year, a Science and Technology Advisory Board was also appointed to ensure that Borealis' innovation programme delivers world-class results. In the area of research and development (R&D) leadership, Eberhard Dreher was assigned to be the third Chief Scientist to focus on base chemicals innovation and joins Bill Gustafsson and Gunilla Herrgård, who are the other two Chief Scientists in charge of polyolefin R&D. Herrgård was given the honour this year to be appointed to the prestigious Giulio Natta Award Scientific Committee, which recognises senior researchers whose scientific activities contribute substantially to improving our quality of life and leave a significant mark on society. The Giulio Natta award is named after Italian chemist Giulio Natta, the 1963 Nobel Prize-winning inventor of polypropylene.

Investments and highlights

In Linz, Austria, Borealis celebrated the groundbreaking of the EUR 50 million expansion of its Innovation Headquarters, making it an international hub for its research and development activities. Scheduled for completion by the end of 2009, the expansion includes a new office building, an application hall, a warehouse and a new polymerisation laboratory.

An additional EUR 5.5 million has been invested in Linz's new PP polymerisation reactors, which will enable accelerated product development for the core markets of infrastructure, automotive and advanced packaging. Other activities this year in Linz included the recruitment of 71 new employees in the area of innovation and technology, the establishment and strengthening of collaboration with Johannes Kepler University, and stepped-up patenting activities. Among other innovations, the Borclear advanced packaging grade RE936CF and other advanced bimodal random copolymers were developed based on lab polymerisations at the Innovation Headquarters and are now being produced at the expanded Burghausen plant, protected by a range of patents.

Other innovation highlights in Linz included the introduction of a 100% plastic module solution to replace the use of metal for the rear seat carrier on a future BMW Series. The Daplen™ one-material dashboard solution for the FIAT 500, which won the Car of Year award for 2007, resulted in innovative market differentiation and sustainable weight-reduction benefits. Daplen™ material was also used for the smart fortwo car, making the distinction as the first commercialised car to have full-body panels made of PP.

Inauguration and celebration were the themes of the year in Porvoo, Finland. The new Aurora building for catalyst and process research, a EUR 10 million investment, was inaugurated at the Innovation Centre, resulting in a more centralised and efficient operation and providing increased capacity and a new work culture. Significant progress was made at the new facility in high-speed experimentation to accelerate time to market and enable scanning of a wide range of potential solutions. The first milestone in this project was the start-up of the parallel pressure reactor research tool, which was supplied by Symyx Technologies. This tool is an automated workflow system that comprises 48 mini-reactors, which will enable Borealis to bring innovations to market faster than ever before. The Porvoo location also celebrated the 20th anniversary of its Borstar pilot plant, which has provided invaluable contributions to Borealis' R&D progress over the years.

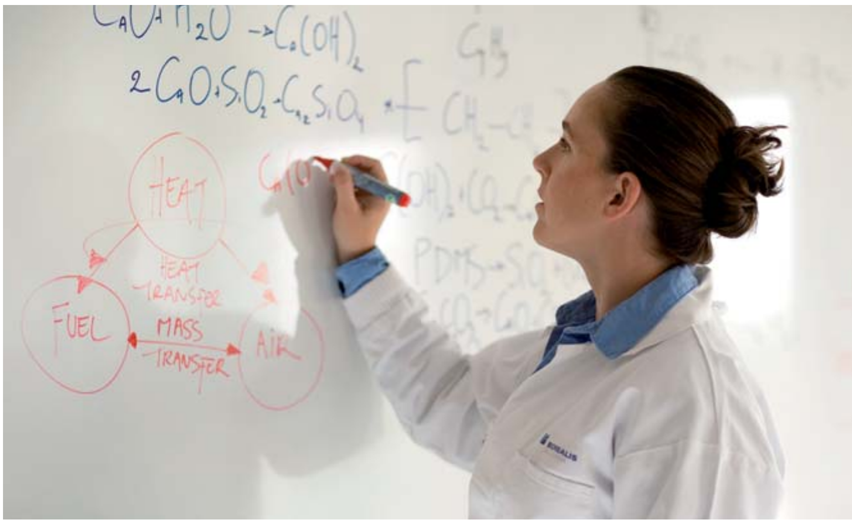
In Stenungsund, Sweden, specialised research in wire and cable, and pipe applications continued during the year with the main innovation, Visico FX, being launched at the Wire 2008 conference. Visico FX is a low-voltage, moisture-cured XLPE cable insulation material that boosts productivity, leading to higher output and increased profitability for manufacturers and benefiting both grid owners and installers. The innovative material also brings environmental benefits such as reduced energy usage and minimised handling and production space requirements.

The EUR 30 million investment in a Borstar PP pilot plant at Schwechat, Austria, is on track for completion in 2009, strengthening Borealis' capability to provide advanced, multi-modal PP solutions for the expanding automotive, pipe and advanced packaging industries mainly in Central and Eastern Europe.

This was a big year for innovation in Burghausen, Germany, as the newly expanded polypropylene plant based on second-generation Borstar PP 2G multi-modal technology was inaugurated, doubling capacity to 570,000 t/y. The facility produces advanced packaging products that offer a step change in purity, processing output and performance. The highly innovative Sirius catalyst technology will enable the production of enhanced grades for film and fibre as well as for moulding solutions.

Borouge made good progress this year on advancing its project to build an Innovation Centre in Abu Dhabi, United Arab Emirates. The new centre is scheduled for completion in 2010 and will initially employ approximately 45 people. The high-tech application development conducted their will support Borouge's major expansion plans, enabling the company to meet the rapidly growing demand for innovative plastics in the Middle East and Asia.

The Gulf Plastics Pipe Academy (GPPA), also located in Abu Dhabi, continued to play an important role in developing pipe standards and innovation in the Middle East and Asia markets. By the end of last year, 60 organisations had signed up with the Academy from Egypt, South Africa, Saudi Arabia and Iran, and the first-ever GPPA General Assembly was held in June.



Daplen is a trademark of Borealis A/S.

Energy cables ensure a reliable, vital source of electricity to hospitals worldwide, enabling nearly 234 million major operations each year

Imagine a world without plastics

Building a cross-cultural organisational capability

This was a crucial year for Human Resources (HR) as it appointed a new Vice President, realigned its organisation and processes in line with the objectives of the European Cost Competitiveness programme, stepped up major recruitment initiatives, conducted the biannual People Survey and commenced with the integration of AMI into the Borealis HR structure. These initiatives were designed to enhance the company's cross-functional and cross-cultural organisational capabilities and develop its people potential to the fullest while meeting its current and future strategic and operational challenges.

New leadership

A new year brought new leadership. Claus Haar, with 25 years experience in global HR, most recently with Lenzing AG, was appointed to lead the department into a challenging but exciting time of change and expansion both in Europe and the Middle East and Asia. Despite the worsening market conditions towards the end of 2008, Borealis will move forward with its ambitious investment projects, many of which require substantial augmentation of personnel.

Talent for innovation

In support of the company's strategy to achieve a step change in innovation, 71 people from many different countries were recruited in Linz, Austria to bring the entire innovation staff complement up to 443 people spread across the three innovation centres in Austria, Finland and Sweden. Seventy-five percent of the new recruits were engaged to conduct highly specialised polymer research at Borealis' expanded Innovation Headquarters in Linz, Austria. To make these new recruits feel a little bit more at home, a dedicated On Boarding programme was offered to provide general information on Linz, Austria and the company. A new English-language website, www.come2linz.com, was also launched, providing a wide array of tourism and practical information for those relocating to the city. In addition, efforts were intensified to garner support for the establishment of an international kindergarten and the upgrading of an existing international school for the children of these newly recruited international staff members.

Recruiting for the Middle East and Asia

This year, good progress was made on meeting the increased demand for personnel to staff the major expansion projects in the Middle East and Asia.

A dedicated Business HR partner was appointed in Abu Dhabi to handle the substantial increase in staffing needs for the Borouge 2 project, which is scheduled to come on stream in 2010, as well as the future Innovation Centre in 2010. It is estimated that overall, 15,000 workers will be required on-site at peak construction time, with Borealis providing predominantly key project and technical experts for both the project and start-up phases. Further down the road, there will be another wave of recruitment for Chemaweyaat, the Chemicals Industrial City, in Abu Dhabi, and potentially Borouge 3. In order to deploy the right candidates with the required skills and capabilities, a successful recruitment road show was conducted to attract qualified talent from Borealis locations across Europe.

As a future cornerstone for potential strategic growth opportunities in the Middle East and Asia, the first comprehensive and integrated strategic workforce planning process was developed. The goal was to obtain a better perspective on the quantity and quality of employees required, along with locations and timelines, to successfully build and then operate the upcoming production plants, and commercialise and distribute future products on a global basis. This process will guide both Borealis and its partners in satisfying expected people requirements based on robust and realistic manpower plans.

Hearing the voice of the employees

One of Borealis' values is Respect, and this includes involving its employees in a culture of open communication. This year, several initiatives were carried out to make this value a living reality at the company. The Head Office Open Forum is held four times a year to give employees an opportunity to hear about the company's performance and to ask questions to the Chief Executive and other senior executive staff. Similar Open Forums are held at all Borealis locations. This is a win-win situation, benefiting both the employee, who receives valuable high-level information on the company, as well as the executive staff, who are able to hear what is on the minds of the people. A similar outreach effort is the Executive Board Road Show in which Executive Board members travel to the production sites and Innovation Centres to give presentations and updates to the local staff and receive input and concerns. Finally the People Survey, which is carried out every two years, was held again this year with an 80% response rate, matching the record participation rate of 2006. The survey takes the pulse of the employees as they voice their opinions on issues such as leadership, management, personal development, empowerment and involvement. The results will drive numerous actions during 2009 to address issues and areas of improvement with the objective of enhancing employee engagement at the company.

Growing the Base Chemicals family

This year, significant progress was made on the process to welcome and integrate AMI employees into the Borealis family and Base Chemicals business group. The alignment process included bringing them up to speed on Borealis HR policies, company values, and the ambitious health, safety and environment standards. More than 90% of the new employees from Austria, Germany and Hungary participated in 29 workshops in which they learned how to apply Borealis' values – Responsible, Respect, Exceed, and Nimblicity – into their daily business. Results show that these workshops as well as those held on health, safety and environmental standards have paid off and are helping make melamine and plant nutrients a profitable part of Borealis' Base Chemicals business.

Making a difference

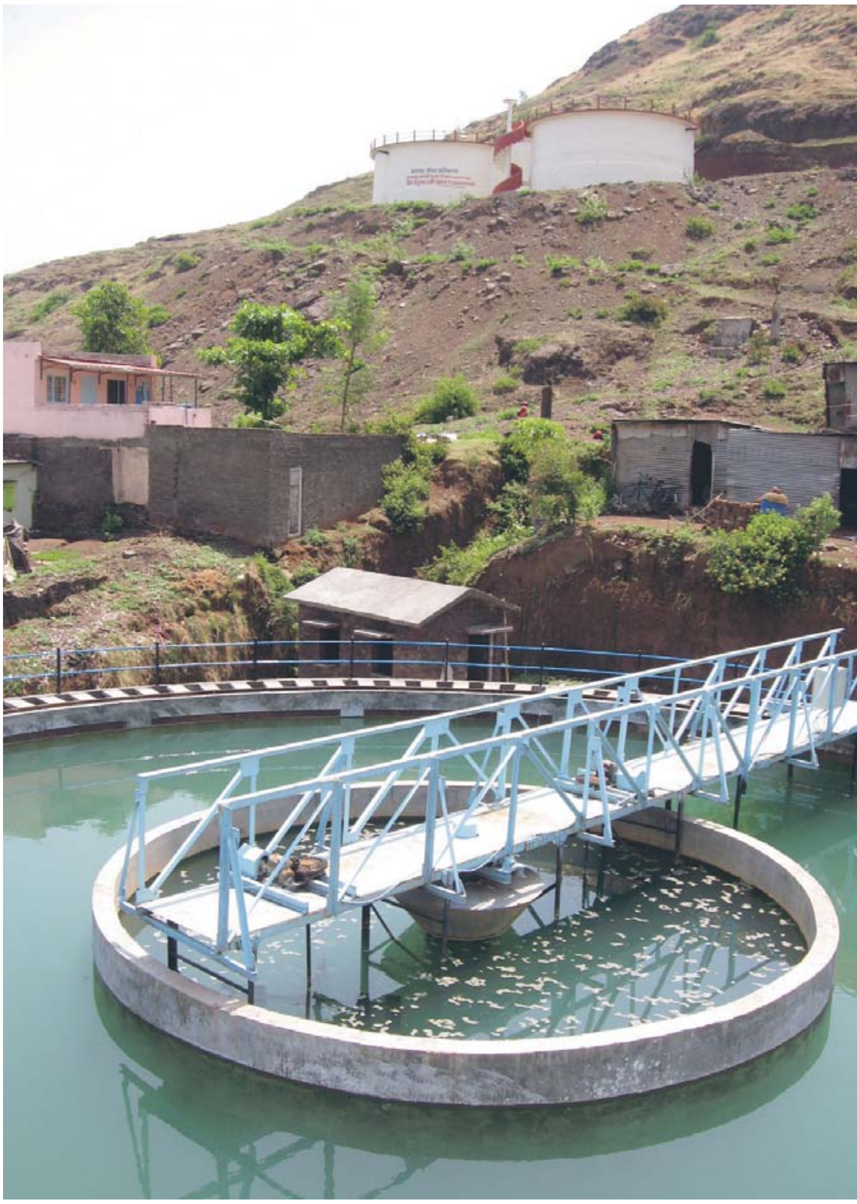
2008 marked the first year of implementation for Borealis and Borouge's Corporate Social Responsibility programme Water for the World, which addresses the global water challenge by fostering local knowledge and partnerships throughout the value chain to deliver sustainable solutions for the availability of fresh water and sanitation.

This initiative is rooted in the companies' vision that innovative plastics solutions can make a substantial difference to global sustainability challenges like water and sanitation. Durable and leak-tight plastic pipes prevent massive wastage of scarce water resources, and advanced packaging better protects water-intensive food from farm to fork. Put simply, Borealis and Borouge believe it is their corporate social responsibility to leverage their solutions and business capability to benefit society. It is not about philanthropy, it is about sustainable business leadership.

Listening to stakeholders and strengthening partnerships have been the programme priorities for the first year. Following its European launch at the end of 2007, Water for the World was launched regionally in Abu Dhabi and at the first Singapore International Water Week. Borealis and Borouge engaged with the international water community at global water forums, participating in the Stockholm World Water Week's business and sanitation debates and supporting dialogues with development organisations at the IWA World Water Congress in Vienna. Besides these events, stakeholder dialogues were organised with experts to guide the programme's approach on water footprinting and sustainable water management as well as on the role the industry can play to drive sustainable investments for water and sanitation.

The partnership with Water and Sanitation for the Urban Poor (WSUP) illustrates how business can leverage its expertise to support community projects. As a coalition of leading businesses, academic organisations and non-governmental organisations (NGOs), WSUP focuses on improving access to water and sanitation in the world's poorest urban areas and supports capacity building of local utilities. With eight projects in development or in the pilot implementation phase, the WSUP project portfolio is reaching over one million people. Water for the World has supported the development of a financial model, which enables water utilities in developing countries to better plan and manage water and sanitation services to some of the poorest in Brazil, Africa and India. Technical advice and introductory sessions on plastics pipe technology were provided to local project managers and operators, and the Borealis and Borouge team assisted in the scoping of development projects.

Advancing science and best practices is among the key objectives of the programme. Co-founders of the Stockholm Water Prize, which was awarded to Professor Anthony Allen for his virtual water work,



Borealis and its key customer Uponor initiated the first pilot of the water footprinting concept for plastics industry applications. This resulted in a better understanding of how much water is needed across the value chain to manufacture advanced plastics solutions and how water preservation will be central to improving the ecological performance of products in an increasingly water-stressed world. Building upon a review of Borealis' operational water usage, this groundbreaking research will be carried over into 2009 in cooperation with leading academic organisations, environmental organisations and businesses as part of the Water Footprint Network.

Leveraging company expertise has also led to furthering the development of innovative concepts such as the Wat'Air Award-winning collection device, which is designed to capture humidity in the air and provide vital water supply in the most arid conditions. Borealis technical experts assisted the concept developers by specifying and supplying advanced plastics film material for the development of a prototype in order to test the concept. In India, Borouge experts led the technology transfer and successful deployment of a 54 km-long PE pipe network, which provides an around-the-clock, secured fresh water supply to 30,000 villagers in Malkapur, located in the State of Maharashtra. The project was featured on CNBC's Responsible Business television documentary series.

Raising awareness among employees and mobilising them for sustainable water management is another key component of Water for the World. This year, water sustainability messages were broadly communicated across the companies. The annual employee People Survey showed a high degree of support for the programme, which will be the umbrella programme for community relations initiatives across Europe. Activities have started with communities near Borealis' Belgian sites and will be rolled out at other locations as well, including Central Europe, in partnership with the International Commission for the Protection of the Danube River.

As projects are further deployed in 2009, the programme will demonstrate how business leadership can be leveraged to make a difference addressing one of the most vital challenges the world is facing: the water crisis.

Durable plastic pipes offer the most effective solution for renovating ageing water distribution networks, reducing installation costs by up to 50%

Imagine a world without plastics

Responsible Care®

From carbon emissions to energy efficiency, and from workplace safety to chemicals management, Borealis has always embraced the health, safety and environment (HSE) challenges that shape the petrochemical industry.

The Responsible Care Global Charter, which Borealis and Borouge signed in December of 2006, sets the frame-work for the journey towards a more sustainable business, continuously improving the HSE performance in operations and enhancing the contribution products make to advancing sustainability across their value chains.

Strengthened governance

2008 was a landmark year as Borealis integrated Responsible Care (RC) into its renewed governance principles and management system. As part of a review of the group policies, Borealis' Supervisory Board adopted RC as one of the ten policies that defines how the company works. All employees are expected to apply these policies in their daily work life. Serving as the RC Committee, the Executive Board sets targets and reviews progress. Built upon the existing HSE policy, the new RC Group Policy fully reflects the charter objectives to:

- Continuously improve the HSE knowledge and performance of technologies, processes and products over their life cycles
- Use resources efficiently and minimise waste
- Report openly on performance; listen, engage and work with people to understand and address their expectations
- Cooperate with governments and organisations in the development and implementation of effective regulations, and to meet or go beyond them

- Provide help and advice to foster the responsible management of chemicals by all those who manage and use them along the product chain

Within this policy framework and under the responsibility of the Deputy CEO, the HSE department has four core missions:

- Health and Safety, and Chemicals Control
- Process Safety
- Energy and Environment
- Product Stewardship

Agrolinz Melamine International's HSE department and experts were integrated into Borealis during the year, and therefore this report includes the key developments and performance of the melamine and plant nutrients businesses.

2008 highlights

Maintaining world-class HSE performance in operations is the foundation and a prerequisite for leadership in RC. Borealis strived in 2008 to continue improving people and process safety, and the results achieved are a testimony to the commitment of the HSE team and employees who continue to help make Borealis one of the safest companies in the industry.

The implementation of the new European Union regulation on the Registration, Evaluation and Authorisation of Chemicals (REACH) has mobilised the Product Stewardship and Chemicals Control teams in coordination with businesses and other support functions. The first critical deadline for pre-registering product and process substances was successfully met on December 1, 2008, despite the challenges operators have been facing with the REACH information systems. This step was critical for business continuity, and Borealis is now set to enter the second phase of registering substances.

Climate change and energy efficiency are probably the most important challenges that the petrochemical industry is facing in the years to come. The European energy and climate change policy has set clear goals to be achieved by year 2020: to reduce greenhouse gas emissions by 20%, improve energy efficiency by 20% and use 20% of renewable energy sources. This year, to further prepare its operations for a carbon-constrained world, Borealis continued to actively implement energy efficiency measures and raise awareness along the value chain. Energy efficiency is essential for maintaining the long-term competitiveness of the company's European petrochemicals production, which will be subject to a tougher emissions trading scheme from 2012 onwards.

Whether it is chemicals management or climate change, HSE challenges can also create opportunities for the business as many base chemical and plastics solutions enable sustainable development across the value chain. As the European Chemicals Agency distributed its first list of substances of very high concern, Borealis proactively issued a comprehensive "black list" of hazardous chemicals that are banned from being used in the company's production processes and products. The publication of the first comprehensive report on the company's polyolefins carbon footprint and management also reflects the Borealis approach to environmental leadership and to open communication addressing stakeholders' expectations.

To further its journey towards sustainability, Borealis welcomes your feedback on this 2008 Responsible Care report.

Health, safety and environment in operations

Health

Businesses measure employee health mainly using the sick leave rate. Over the years, the Borealis sick leave rate has been at or below 3%, which is generally below the rates for the industry in the countries where the company operates. Health is, however, more than just measuring sick leave, and Borealis uses several other tools to safeguard the good health and well being of its employees.

Each department regularly takes Work Place Surveys in which the working environment is assessed in detail. The creation of action plans to correct deficiencies is mandatory. In 2008, Borealis furthered the implementation of the three-year action plan initiated in 2007 for the general improvement of employee health. Actions are selected locally in cooperation with employee representatives according to local needs. Initiatives were taken to promote physical fitness, healthy eating, a good work/life balance, stress management training as well as the reduction of smoking and alcohol usage.

Personal safety

Personal safety is central to the new Responsible Care Policy and a guiding principle at Borealis, which lives by the credo "if we can't do it safely, we don't do it at all." The company tracks the frequency of recordable injuries (TRI), which is a broadly accepted criteria in the industry that measures the number of injuries per million working hours. Borealis is today recognised among the industry leaders in safety with a TRI frequency per million hours worked below 2 since 2005 (contractors included). In 2008, the TRI frequency further improved to reach 1.6, with a total number of 20 injuries. Despite this improvement, the severity of the injuries, measured through a severity rating, and the Lost Time Accident frequency of 1.1 remain a concern. Regular training and observation tours are conducted to visit colleagues and contractors at work, and open discussions are held on safety issues and practices. These actions are key to accident prevention and awareness raising. In 2008, over 13,000 observation tours were performed across all operations and departments. The *Take 2 – think first, then act* campaign, re-launched in 2007, was rolled out further across the company. A broad campaign entitled *Don't slip, trip or fall* was initiated to raise awareness on accidents that cause 27% of first-aid cases.

Personal safety awareness and initiatives at Borealis extend beyond what happens within the operations. This year, employees continued to receive training on road transport safety and car accident prevention as well as on domestic accident prevention and how to utilise fire extinguishers.

Process safety

Borealis' petrochemical operations handle large amounts of flammable material under elevated pressure and temperature. Process safety is therefore of prime importance to ensure that the plants are properly designed, maintained and operated to avoid accidents.

In 2008, the Process Safety team continued to conduct the retrospective hazards review, initiated in 2006, of old plants to ensure full compliance with Borealis' strict operational requirements.

Training and competence are vital to maintaining a high standard of process safety. In 2008, Borealis continued to provide training courses at all production locations. Examples include the Hazard Study Leader training on how to conduct hazard studies for projects; Layer of Protection Analysis to learn how to identify risks and set standards on how accidents can be prevented; Explosion Safety on how to prevent explosions (in view of the European Union ATEX Workplace Directive). One challenge ahead is to set clear competence requirements for each function and to develop a training matrix accordingly. It is also very important to identify and share best practices as was done this year with the electronic work permit system, volatile hydrocarbons in polymer pellets, the reliability of safety valves in reactors and sprinkler activation after gas leaks. All process safety incidents are classified according to their inherent severity.

Auditing

Regular audits on occupational health and safety risks are conducted at all operational locations based on Borealis' audit procedure called Borealis Blue. Audit results are benchmarked with the company's ambition levels, and action plans are developed to close detected gaps. In order to maintain certification according to ISO and OHSAS standards, additional regular audits are conducted by accredited external bodies and by dedicated internal auditors to ensure group-wide compliance.

2008 marked the completion of operational auditing of AMI operations within the scope of its integration into Borealis.

AMI Integration

Initiated in 2007, the HSE integration of AMI's melamine and plant nutrient businesses was achieved this year through a Step Change in Safety and Operational Excellence project. The entire organisation was involved in implementing 45 milestones and establishing monthly reviews of leading indicators, which were cascaded via newly formed HSEQ committees. This project has already resulted in a major improvement in safety with the LTA frequency reduced from 5.6 in 2007 to 0.9 in 2008, and the TRI rate down to 2.7.

Environment

Reducing losses from flaring

A major material loss in the production of olefins and polyolefins comes from flaring. The flare is a necessary safety installation to burn excess gas during operational problems. Flares are also used for burning more continuous streams with various components like purge streams where there have been no efficient solutions to recover them. Flaring performance was further improved in 2008, in particular with the recovery, as cracker feedstock, of off-gas from a Stenungsund PE plant.

Water efficiency

As part of the Water for the World programme, Borealis, with the assistance of independent experts, has reviewed the water consumption and processes at all its installations and will be developing local water management plans where required. The development of activities at Stenungsund has already led to water efficiency measures, which will offset the additional water use at the future low-density polyethylene plant.

Production waste

Production waste is created from routine operations and project activities. During the year, there were several big projects and turnarounds that created waste. Since the integration of the melamine and plant nutrients operations into Borealis, waste production has slightly increased in absolute terms but remains on a reduction path.

Volatile organic compound emissions

Borealis conducts ongoing activities to detect fugitive emissions in its piping and equipment, and repairs leaks when they are detected. This has resulted in a reduction of the overall emissions by 14% in 2008.

Nitrogen oxide emissions

Nitrogen oxide (NOx) emissions are created by burners for steam boilers and cracker furnaces. During the year, a modern burner with low NOx emissions was installed at one of Borealis' plants, and the plan is to continue this process in the years to come in order to reduce emissions.

Energy efficiency and greenhouse gases

Energy key performance indicator
Improving the energy efficiency of its operations is a strategic objective for Borealis from both environmental and cost-saving standpoints. The company is striving for a group-wide 20% improvement in energy efficiency by 2020 compared to 1990. This objective is to be rolled out across the company's operations with a dedicated energy efficiency key performance indicator.

Turnarounds and other major investments carried out over the past years have contributed to a significant improvement in group-wide energy efficiency in 2008, on track with group targets for 2020. In 2008, Borealis energy investments were approximately EUR 6 million.

Despite these improvements, running operations at a high level of energy efficiency will prove particularly challenging in a period of economic downturn during which plant production and cost-effectiveness can be adversely impacted.

Greenhouse gas emissions
As with energy efficiency, the reduction of greenhouse gas (GHG) emissions is a strategic objective for both environmental and cost competitiveness reasons. All company operations will indeed fall under the scope of the EU Emissions Trading Scheme (ETS) in 2012. To this end, GHGs are managed at the group level, and objectives are cascaded at the sites. Borealis aims to achieve an absolute GHG reduction measured in the CO_2 equivalent of 20% by 2020 compared to 1990.

In 2008, CO_2 emissions from practically all combustion activities have been placed under the EU ETS and accounted for 1.48 million tonnes.

N_2O Reduction
Over the past couple of years, a significant reduction of N_2O emissions from nitric acid plants has been achieved, down to 1,050 tonnes in 2008 from 2,850 tonnes in 2003.

As N_2O has a global warming potential 298 times higher than CO_2, the reduction achieved by the plant nutrient operations represents an abatement of over 500,000 tonnes of CO_2 equivalent. Plans targeting a further reduction of N_2O emissions were developed in 2008.

Product stewardship

Borealis' Responsible Care Policy governs the health, safety and environmental aspects of products throughout their life cycle within the value chain. It covers the environmental performance of the supply chain, transport and logistical aspects, the environmental profile of products and waste management.

Supply chain

Environmental performance indicators are defined for the entire supply chain and are further extended with the implementation of a green Supply Chain Operations Reference model (SCOR). 40% of Borealis' suppliers (raw materials and packaging) and 53% of transport contractors have an environmental management system or ISO 14001 certification.

Logistics and transport

Borealis aims to minimise HSE risks from transport and logistical operations. Incidents from transport and logistical operations in Borealis plants are reported as part of the Borealis Group's total recordable injury (TRI) rate. Wherever possible, the company seeks to transport products off-road via rail or ship. 35% of Borealis' polyolefin products and 82% of melamine and plant nutrients products were shipped via inter-modal transport.

Waste management

Borealis implements a range of best practices to reduce waste generated by the distribution of its products to customers. Packaging reduction initiatives include the development of bulk shipment, participation in the pallet return system and in national waste management organisations, as well as the control and reduction of bag slitting. Bulk shipment further increased to represent 50% of the tonnage transported to Borealis' polyolefins customers and about 36% of the tonnage transported to melamine and plant nutrients customers.

Chemicals management

Product stewardship principles are applied to chemicals management and the implementation of REACH, the European Chemicals regulation. In total, Borealis has successfully completed 431 pre-registrations for 146 substances and 16 legal entities as of December 1, 2008, and chemicals management performance indicators will be reported as the regulation enters into its registration phase.

REACH also requires closer cooperation and exchange of information between chemical producers and users. In 2008, Borealis continued the work initiated in 2007 with the European Plastics Converters Association (EuPC) to assist in the development of the REACH exposure scenario and actively supported the inaugural programme of the Belgium Chemical Industry Federation (Essencia) in assisting small and medium-sized enterprises in their preparations for the regulation. The adaptation of the safety data sheets according to REACH requirements was also continued with the goal of having all sheets reviewed by 2010.

As the European Chemicals Agency released its first list of substances of very high concern, Borealis published a comprehensive list of chemical substances banned from its processes and products. Aiming for clear, transparent and proactive communication with customers and suppliers, this "black list" of hazardous substances will be regularly reviewed in light of regulatory and scientific developments.

Environmental performance of products

To address stakeholder requests for carbon footprint information on plastics (i.e. the amount of CO_2 emissions required for the manufacture of a product unit), Borealis published in 2008 a booklet on the carbon footprint of polyolefins and management practices.

Within PlasticsEurope, Borealis contributed to the preparation of environmental product declarations (EPDs), a simplified form of eco-profiles, providing updated information on the environmental impacts of key polyolefin products.

Certificates and product statements

A number of certificates and statements are produced for customers, including safety data sheets, medical compliance, food law compliance, compliance to legislation on toys and others.

Health, safety and environment performance indicators

Issue	Definition	2008	2007	2006	2005	2004	2003
Total Recordable Injuries (HC and PO) [1]	number/million work hours	1.6	1.7	1.7	1.7	2.4	3.8
Total Recordable Injuries (PN and M) [2]	number/million work hours	2.7					
Sick leave (HC and PO)	% of total hours worked	3.1	2.9	2.9	2.9	2.8	2.8
Sick leave (PN and M)	% of total hours worked	3.9	4,0				
Direct carbon dioxide emissions (HC and PO)	kilotonnes	1,480	1,540	1,600	1,630	2,340	2,440
Direct carbon dioxide emissions (PN and M) *) [3]	kilotonnes	83	79	87			
Primary energy consumption (HC and PO)	GWh	15,100	15,500	16,200	15,900	20,600	19,100
Primary energy consumption (PN and M)	GWh	6,200	5,700	5,700*			
Volatile organic compound emissions (HC and PO)	tonnes	3,250	3,800	4,160	4,210	6,100	5,800
Volatile organic compound emissions (PN and M)	tonnes	n.a.	n.a.	n.a.			
Waste generation (HC and PO)	tonnes	15,010	15,560	15,140	15,800	18,430	21,780
Waste generation (PN and M)	tonnes	820 *)	1,750	2,380			
Flaring (HC and PO)	tonnes	51,000	57,600	59,600	49,400	65,000	65,600
Flaring (PN and M)	tonnes	n.a.	n.a.	n.a.			
NOx emissions (HC and PO)	tonnes	1,230	1,330	1,580	1,620	3,090	2,640
NOx emissions (PN and M)	tonnes	510 *)	430	670			
Water consumption (HC and PO)	m^3 (million)	16,800	18,700	15,900			
Water consumption (PN and M)	m^3 (million)	180	160	180			
N_2O emissions (HC and PO)	tonnes	n.a.	n.a.	n.a.			
N_2O emissions (PN and M)	tonnes	1,050 *)	870	900			
Response rate on process safety incidents (HC and PO)	% actions timely completed	98	95	100	91		
Response rate on process safety incidents (PN and M)	% actions timely completed	91	100				
Response rate on HSE incidents (HC and PO)	% of approved and closed cases	95	93	90			
Response rate on HSE incidents (PN and M)	% of approved and closed cases	98	99				

[1] *HC and PO: Hydrocarbon and Polyolefins operations (Borealis group in 2007)*
[2] *PN and M: Plant Nutrients and Melamine operations (reported by AMI in 2007), data prior to 2006 are not available according to Borealis definition*
[3] *Direct CO_2 emissions from combustion process*
*) *Data marked with an asterix are partial – please contact Borealis to receive updated information as available*
n.a. not applicable

Total Recordable Injuries (TRI)
Accidents resulting in absence from work, the need to do a different type of work or any other case in which medical treatment is required. The frequency is calculated as the number of accidents per million working hours. Borealis employees and contractors working on company premises are included in the calculation.

Direct carbon dioxide emissions
CO_2 emissions from stationary sources on company premises, including emissions from fuel consumption, combustion of other hydrocarbon streams as well as flaring.

Primary energy consumption
Consumption of energy from electricity, fuels and steam. When electricity and steam are derived from a fuel, the conversion factors are: electricity 40% and steam 90%.

Volatile Organic Compound (VOC) emissions
Emission of all organic compounds (from C1 to Cn) with a vapour pressure of 0.01kPa or more at either room temperature or at actual temperature when processed. The quantification is based on measurements and estimates.

Waste generation
Generation of all waste at company locations during normal operation as well as during special projects. Any substance or object that is to be discarded is included in the definition of waste. Exceptions are atmospheric emissions, liquid effluents and by-products with commercial value.

Flaring
All streams sent to the flare, except streams that assure a constant flame (e.g. fuel gases to pilot burners, fuel gas purges to flare lines for safety reasons, steam, nitrogen).

Nitrogen Oxide (NOx) emissions
Emissions of all nitrogen oxides from all relevant sources, including flares. The emissions are quantified as NO_2. When NOx measurements are not done, emission factors correlated to the fuel type and heating value are used.

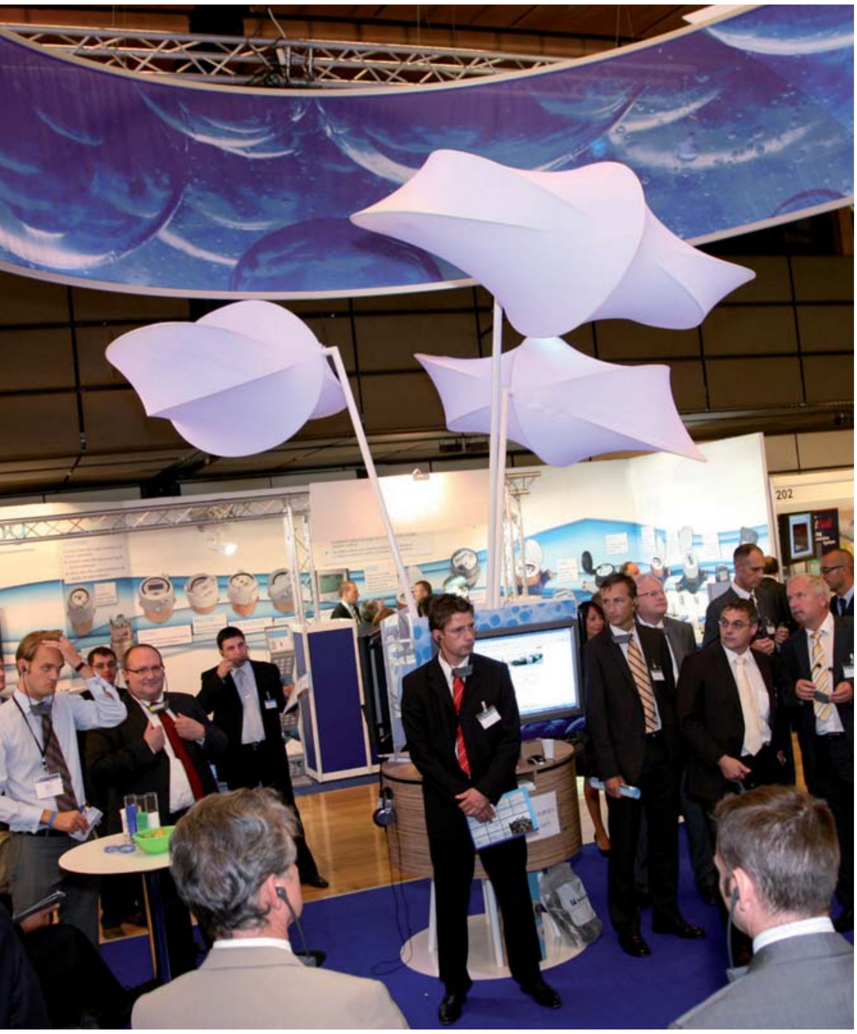
Nitrous Oxide (N_2O) emissions
Emissions of N_2O (also known as laughing gas) are generated by the production of nitric acid in the fertilizer plants. N_2O is a greenhouse gas with a global warming potential (GWP) 298 times higher than CO_2.

Water consumption
Fresh water consumption of any type (e.g. cooling, steam generation, flushing, sanitary use).

Response rate of process safety incidents
Process safety incidents of a certain severity or risk potential are recorded and investigated through root cause analysis. Corrective actions are defined to prevent re-occurrence. The response rate of process safety incidents is measured as the ratio (%) of corrective actions completed within a defined time period.

Response rate of HSE incidents
Major or minor HSE incidents that lead to, or can lead to, an accident of any kind are recorded, and decisions on actions for follow-up are made, establishing an approved case. Incident cases are closed once actions have been implemented. The response rate of HSE incidents is measured as the ratio (%) of approved and closed incident cases.

Relations with stakeholders



As part of its Responsible Care policy, Borealis is committed to listen, engage and work with stakeholders to understand and address their concerns and expectations, and to advance sustainable development within the whole industry value chain.

Trade association activities

Borealis takes a leading role in a number of industry organisations: European Association of Plastics Manufacturers (PlasticsEurope); the European Chemical Industry Council (CEFIC); the Association of Petrochemicals Producers in Europe (APPE) and the European Fertilisers Manufacturer Association (EFMA); and co-chairs the water project of the World Business Council for Sustainable Development (WBCSD).

Stakeholder engagement and communication

In 2008, Borealis hosted two stakeholder dialogues dedicated to sustainable water management. The first took place in conjunction with the Stockholm World Water Week to address water footprint concepts and the second during the IWA World Water Congress in Vienna focused on sustainable water investments.

In an effort to maintain good relations with neighbouring communities, Borealis production sites regularly inform and discuss operational, safety and environmental developments with local communities and authorities. Community relations activities included the organisation of open house days, neighbour committee meetings and the distribution of neighbourhood newsletters.

Ethics

Ethics is an important element of Borealis' core values, and since the Ethics Excellence Programme was successfully launched in late 2005, significant effort has gone into ensuring that all employees know what is expected of them in their daily work.

Borealis currently has 54 employees designated and trained as Ethics Ambassadors throughout the group. Their role is to facilitate workshops conducted together with line managers and to help employees find answers to any ethics questions they may have. The Ethics Ambassadors are from different locations and functions, and their ethics responsibilities are in addition to their normal work. The QuestionLine telephone service is fully operational and staffed internally by specially trained members of the Legal and Internal Audit departments.

In 2008, a special focus was placed on anti-corruption awareness training, which was covered at specific ethics workshops held at various locations. Additionally, regular ethics workshops for newcomers were held throughout Borealis, an ethics e-learning course was made available for all employees and a special ethics review was facilitated for the Executive Board. The annual Ethics Certification was carried out, and the appropriate Gift Registers have been maintained.

The Ethics Excellence Programme calls for two to three year training cycles. Although almost all employees are aware of the Ethics Policy and have received some basic training, ongoing education and awareness sessions must be conducted so that every employee is exposed to ethics on a regular basis.

Borealis' approach to ethics and compliance is seen by the wider corporate community and opinion leaders as an example of what can be accomplished in this area without a large budget or a dedicated organisation, establishing the company as a benchmark for the efficient and effective implementation of ethical corporate behaviour.

Financial Statements

Management report

Borealis again achieved an excellent safety performance, reducing the number of Total Recordable Injuries (TRI) per million working hours to 1.6 (excluding the melamine and plant nutrients operations) from 1.7 the prior year. A step change in safety was attained in the melamine and plant nutrient operations, where the Lost Time Accident (LTA) frequency reached a level of 0.9, compared to 5.6 in 2007. During 2008, the Borealis safety principles were implemented in the melamine and plant nutrient business, which was acquired in 2007, and as of 2009, this business will be included in the TRI frequency measurement of the company. While these results are encouraging, safety remains the top priority of management with further measures being taken to increase process and personal safety.

2008 was one of the most volatile and difficult years in the history of Borealis. The industry faced a dramatic rise in feedstock prices in the first half of the year, followed by an unprecedented drop in sales prices and demand during the fourth quarter. Operating profit decreased by 64% to EUR 163 million, compared to EUR 451 million in 2007, and the net profit decreased by 55% to EUR 239 million. Return on capital employed after tax was 9%, compared to 22% (18% excluding the one-off gain on the sale of Norway) in 2007.

The European polyolefins industry experienced a year-on-year decrease in demand of 7 to 9%, mainly driven by a severe demand shock in the fourth quarter as a result of the economic crisis. Borealis polyolefins sales decreased from 3.4 million tonnes in 2007 to 3.2 million tonnes in 2008. Borealis polyolefin prices were, on average, EUR 40 per tonne (3%) up compared to 2007, however, as a result of higher feedstock costs and lower demand, polyolefin margins declined.

The feedstock and olefins business was also challenged by the shifting economic environment during 2008. Brent crude oil dropped by 57% year-on-year from an average level of USD 91 per barrel in December last year to USD 43 per barrel after having peaked at an all-time record of almost USD 150 per barrel in July. Naphtha, the main feedstock used to produce polyolefins, followed crude oil and dropped from an average level of USD 838 per tonne at the end of last year to USD 258 per tonne in December 2008 after climbing to a level close to USD 1,100 per tonne by mid-2008. As a result of these turbulent market developments, the first half of the year was characterised by shrinking cracker margins, which turned negative by June. Cracker margins recovered in the second half of the year and peaked in December, although this margin was not fully obtainable due to the decrease in polyolefin demand, resulting in limited production. The business was able to deliver additional profitability during the year by leveraging its cracker feedstock flexibility.

Borealis' melamine and plant nutrients business also experienced some volatility, particularly during the last quarter, although overall market conditions were generally favourable. 2008 profitability reached an all-time high, supported by the market and solid plant operability. Borealis sales volumes grew to 1.24 million tonnes for the year, which represents an increase of 3% compared to 2007.

Although debt levels increased during the year, Borealis' financial position remains solid. Net debt increased by EUR 453 million, due primarily to the ongoing investments to strengthen the European asset base and a dividend payment in March. As of December 2008, gearing was at 47%, still comfortably within the company's target range. Borealis has undrawn committed bank lines in excess of EUR 500 million and minimal debt maturities over the next several years.

Plant operating rates have been in line with expectations, with some plants even setting new monthly production records. However, the operating rates were negatively influenced towards the end of the year due to the decrease in demand, resulting in several units running at technical minimum or being stopped.

In anticipation of the current downturn, Borealis initiated a series of efficiency programmes to drive improvements in its European cost base. Most of these programmes have now been implemented, including a restructuring of the company's support functions, which is delivering significant savings while freeing up resources to support growth projects outside Europe. The company continues to promote a close collaboration between Management and labour through the Corporate Cooperation Council (CCC).

The European regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) became effective as of June 1, 2007, and applies to the chemical industry's entire value chain. Compliance with REACH requires a regulatory evaluation and approval for all chemical substances to be introduced into the European market. Borealis has demonstrated its leadership in preparing for REACH by initiating a programme to facilitate its implementation, creating a multidisciplinary team that works in close cooperation with all the federations in its value chain. During the summer, Borealis submitted to the European Chemicals Agency the first in a series of pre-registrations needed to cover all substances the company is manufacturing or importing into the European Union.

Borealis and Borouge, its joint venture with the Abu Dhabi National Oil Company (ADNOC), continued to advance the Water for the World initiative, which aims to deliver sustainable solutions for the availability of safe drinking water and sanitation. Launched in 2007, Water for the World, the first programme of its kind in the plastics industry, focuses on five key areas, including sustainable water management initiatives, building standards and technical capacity for local infrastructures, rewarding best practices and progress via the co-founded Stockholm Water Prize, supporting community field projects led by Water and Sanitation for the Urban Poor (WSUP), and engaging in awareness-raising activities at local and regional levels.

Borouge continued to perform extremely well during the year, advancing its reputation and business throughout the Middle East and Asia. In addition to the Borouge 2 project, which will expand Borouge's production capacity from 600,000 tonnes per year of polyethylene to 2 million tonnes of both polyethylene and polypropylene by 2010, Borouge announced the initiation of a feasibility study for Borouge 3 to add an additional 2.5 million tonnes of capacity by 2014. The proposed expansion would enable Borouge to meet the growing demand for polyolefins in the Middle East and Asia. Through Borouge's growing presence in these markets, Borealis will be well positioned to capture the growth opportunities and further strengthen its leadership positions in infrastructure, automotive and advanced packaging.

Borealis is actively participating in the development of the first complex in the new Chemicals Industrial City, called Chemaweyaat, about 50 km from Abu Dhabi City. This multi-billion-dollar project comprises a world-scale naphtha cracker, downstream propylene and ethylene derivatives; a world-scale reformer, xylene, benzene, cumene, phenol and derivative units. Upon completion of the first phase, expected in 2013, the complex will be the largest and most integrated of its kind in the world.

The Executive Board structure was revised in September with Herbert Willerth assuming the newly created role of Deputy Chief Executive. Willerth will provide leadership in managing the overall competitiveness of the European plants and support Chief Executive Mark Garrett, who has increased his involvement in the company's significant strategic activities outside of Europe.

2008 was an important year for the company's asset investment programme in Europe, highlighted by the inauguration of the expanded Borstar® polypropylene plant in Burghausen, Germany, and the beginning of construction at the new polyethylene plant in Stenungsund, Sweden. The latter, Borealis' largest-ever investment in Europe, is progressing towards a planned start-up at the end of 2009.

In May, Borealis celebrated the groundbreaking for the expansion of its Innovation Headquarters in Linz, Austria, supporting its path of Value Creation through Innovation. With an investment of approximately EUR 50 million, Linz is becoming the international hub of Borealis' research activities, focusing on the innovation of compounding as well as polymer solutions for the pipe, automotive and advanced packaging industries.

Borealis' Executive Board and senior management continue to prepare the company for the challenges and opportunities of the coming years and feel confident that the company will be successful in achieving its ambitious long-term goals in Shaping the Future with Plastics and developing its Base Chemicals business.

Review of results

Sales

In 2008, Borealis sold over 3.2 million tonnes of polyolefins, 6% less than in the previous year, partly due to the divestment of the Norwegian operations in August 2007. Despite lower volumes, the effect of price increases in the first three quarters, net sales increased to EUR 6,697 million, a 5% increase over 2007.

Cost development

Fixed costs were EUR 41 million higher than in 2007, mainly an effect of the contribution of AMI group. Research and development costs amounted to EUR 80 million. The number of full-time equivalent employees (FTE) by the end of 2008 was 5,395, a decrease of 72 compared to last year.

Operating profit
Operating profit amounted to EUR 163 million, compared to EUR 451 million in 2007.

Return on capital employed
The return on capital employed after tax amounted to 9%, compared to 22% in 2007, as a result of lower operating profits and a one-off gain from the sale of the Norwegian operations in 2007 (18%, excluding the profit from the divestment).

Financial income and expenses
Net financial expenses increased to EUR 46 million, compared to EUR 41 million in 2007, mainly driven by higher net debt.

Taxes
The provision for income taxes amounted to an expense of EUR 24 million (EUR 121 million in 2007). Borealis paid income taxes of EUR 86 million in 2008, compared to EUR 92 million paid in the previous year.

Net profit and distribution of dividend
The net profit for the year amounted to EUR 239 million, compared to a net profit of EUR 533 million in 2007. During 2008, Borealis paid a dividend of EUR 110 million on the 2007 result. The Management proposes no dividend to be paid from the results of 2008.

Financial position

Total assets/capital employed
At year end, total assets and capital employed stood at EUR 4,828 million and EUR 3,483 million respectively, compared to EUR 4,631 million and EUR 2,996 million at year end 2007. The increase in capital employed is mainly due to the continuing investment programme.

The solvency ratio was 48% at year end 2008, virtually unchanged from year end 2007. The gearing ratio increased to 47% at year-end 2008, up from 27% in 2007, as result of higher net debt, mainly driven by the investment programme.

Cash flows and liquidity reserves
Cash flow from operations was EUR 144 million, driven by lower sales margins and volumes. Liquidity reserves, made up of undrawn, long-term committed credit facilities and cash balances, amounted to EUR 600 million at year end 2008, compared to EUR 1,079 million at year end 2007.

Net interest-bearing debt increased to EUR 1,086 million at year end, up from EUR 633 million at the end of 2007. The change in net interest-bearing debt is analysed in the following table.

Change of net interest-bearing debt (EUR million)	2008	2007
Cash flow provided by operating activities	144	647
Capital expenditure	-480	-500
Repayment of loans by associated companies	0	0
Proceeds from the sales of operations	-4	188
Acquisition of new companies	0	-313
Other (mainly relating to foreign exchange differences)	-3	16
Dividend paid	-110	-45
Total decrease/increase	**-453**	**-7**

Capital expenditure

Investments in tangible fixed assets amounted to EUR 445 million in 2008, compared to EUR 457 million in 2007. The most significant investments were the new high-pressure polyethylene unit in Stenungsund, Sweden, and the expansion of the facilities in Porvoo, Finland, and in Schwechat, Austria. HSE capital expenditure was EUR 25 million. Depreciation and amortisation amounted to EUR 263 million, compared to EUR 215 million in 2007.

Shareholders' equity

The shareholders' equity at year end 2008 was EUR 2,323 million.

Equity development (EUR million)	2008	2007
Net result attributable to the parent	238	533
Exchange and fair value adjustment (net)	-112	-59
Gross increase/decrease	126	474
Dividend paid	-110	-45
Contribution by shareholders	0	59
Net increase/decrease	16	488
Opening equity	2,307	1,819
Ending equity	**2,323**	**2,307**

Risk

Borealis has a documented risk management process that ensures that all parts of the Group routinely identify and assess their risks, and develop and implement appropriate mitigation actions to control key risks, that the risk landscape is periodically consolidated, reported and reviewed. Borealis distinguishes between strategic and operational risks.

Strategic risks are risks that may severely impact Borealis' strategy or reputation. In most cases, strategic risks are related to unfavourable long-term developments, such as market or industry developments, a change in the competitive environment or a threat to the reputation of the Group.

Operational risks usually refer to unfavourable and unexpected short-term or mid-term developments, and include all risks that may have a direct impact on the Group's daily business operations. All operating risk are assessed according to documented guidelines and procedures that are administered by the respective business functions. The list of operational risks below is not exhaustive.

Financial risks can be associated with liquidity, interest rate, foreign exchange rate, credit, commodity price and insurance. The assessment of financial risk is described in detail in Borealis' Finance Procedure. The Director of Treasury is responsible for reporting and coordinating the management of all financial risks.

All Health Safety and Environment risk shall be assessed according to the procedures and framework described in Borealis' Risk-Based Inspection Manual. The Vice President of HSE is responsible for managing all HSE-related risks and reports Borealis' HSE risk landscape periodically to the Executive Board.

As part of Borealis' project approval process, all key risks related to an individual project, including financial, market, technical, legal, patent infringement, strategic, operational, country risk, and political factors, shall be assessed. The risk assessment also reflects the probability that the project will be completed within the estimated time frame and with the estimated resource requirements as well as the probability that the key project objectives will be achieved. Project-related risks are managed by the Project Manager and reported to the Project Steering Committee.

Information security risk relates to confidentiality, integrity and availability, being the primary elements of information security risks. The Director of IT&S and Vice President Legal Counsel shall support line managers on the assessment of information security risk and the development and implementation of risk mitigation actions.

The Supervisory Board is responsible for reviewing the effectiveness of Borealis' risk management practices and processes, the risk tolerance levels, the risk exposure of the Group, and the effectiveness of mitigation actions. The Supervisory Board delegates these responsibilities to the Audit Committee, which is a sub-committee of the Supervisory Board.

The Executive Board periodically reviews the Group's key risks, defines the Group's risk tolerance levels, monitors the implementation of mitigation actions and reports the key risks and mitigation steps to the Supervisory Board. The Executive Board owns the Group's Risk Landscape and safeguards the integration of the risk assessment into the strategic planning.

All Borealis employees shall be responsible for managing risk within their authority and in their field of work to ensure that risk management is properly embedded in the organisation and is reflected in the day-to-day decision-making process.

Economical		2008	2007	2006	2005
Safety, Health and Environment					
Total Recordable Injuries	number/million work hours	1.6	1.7	1.7	1.7
Sick leave	% of total hours worked	3.1	2.9	2.9	2.9
Direct carbon dioxide emissions	kilotonne	1,480	1,539	1,605	1,628
Primary energy consumption	GWh	15,100	15,500	16,200	15,903
Volatile organic compounds emissions	tonne	3,250	3,800	4,158	4,210
Waste generation	tonne	15,010	15,555	15,143	15,796
Number of employees (Full-time equivalent at year end)		5,395	5,467	4,639	4,536
Income and profitability					
Net sales	EUR million	6,697	6,350	5,742	4,814
Operating profit	EUR million	163	451	353	236
Operating profit as percentage of net sales	%	2	7	6	5
Net profit attributable to the equity holders of the parent	EUR million	238	533	327	226
Return on capital employed, net after tax	%	9	22	17	12
Cash flow and investments					
Cash flow from operating activities	EUR million	144	647	277	227
Investments in tangible fixed assets	EUR million	445	457	234	221
Financial position					
Net interest-bearing debt	EUR million	1,086	633	626	684
Equity attributable to owners of the parent	EUR million	2,323	2,307	1,819	1,541
Gearing	%	47	27	34	44

Definitions:	
Capital employed	Total assets, less non-interest-bearing debt
Return on capital employed	Operating profit, profit and loss from sale of operations, net result in associated companies, plus interest income, after imputed tax, divided by average capital employed
Gearing	Interest-bearing debt, including subordinated loans, less cash and cash equivalents, divided by total equity
Energy	Electrical, steam and fuels
Waste	Non-hazardous and hazardous

Vienna, February 24, 2009

Management

Mark Garrett
Chief Executive

Daniel Shook
Chief Financial Officer

Lorenzo Delorenzi

Henry Sperle

Herbert Willerth

Report of the Auditors

Report on the consolidated financial statements

We have audited the accompanying Consolidated Financial Statements of Borealis AG, Vienna, Austria, for the financial year from January 1 to December 31, 2008. Those Consolidated Financial Statements comprise the Consolidated Balance Sheet as of December 31, 2008, and the Consolidated Income Statement, Consolidated Statement of Changes in Equity, Consolidated Statement of Recognised Income and Expense and Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing and International Standards on Auditing, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluation of the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. Based on the results of our audit in our opinion the Consolidated Financial Statements present fairly, in all material respects, the financial position of the Group as of December 31, 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Report on Other Legal Requirements

Laws and regulations applicable in Austria require us to perform audit procedures to determine whether the Group Management Report is consistent with the Consolidated Financial Statements and whether the other disclosures made in the group management report do not give rise to misconception of the economic situation of the group.

In our opinion, the Group Management Report is consistent with the Consolidated Financial Statements.

Vienna, February 24, 2009
KPMG
Wirtschaftsprüfungs- und Steuerberatungs GmbH

Mag. Bernhard Mechtler

Mag. Helmut Kerschbaumer

Wirtschaftsprüfer
(Austrian Chartered Accountants)

Report of the Supervisory Board

In the year under review, the Supervisory Board received a comprehensive overview of the activities of the Management of Borealis AG and performed its duties and exercised its powers under the law and the articles of association in seven plenary sessions.

The Supervisory Board was informed regularly, in a timely fashion and comprehensively, both in writing and verbally, on relevant issues of business development as well as on the state and strategy of the company and the important group companies, including risk conditions and risk management.

The Management of Borealis AG submitted the Financial Statements as of December 31, 2008, including Management Report and the Consolidated Financial Statements as of December 31, 2008, including the Consolidated Management Report to the Supervisory Board and explained it thoroughly.

The Financial Statements of Borealis AG were drawn up in accordance with the applicable provisions of the Enterprise Act (Unternehmensgesetzbuch) and KPMG Wirtschaftsprüfungs- und Steuerberatungs GmbH, Wien, issued the unqualified audit opinion (uneingeschränkter Bestätigungsvermerk) on the Financial Statements.

Further, the Consolidated Financial Statements of Borealis AG were drawn up in accordance with the International Financial Reporting Standards (IFRS) and KPMG Wirtschaftsprüfungs- und Steuerberatungs GmbH, Vienna, issued the unqualified audit opinion (uneingeschränkter Bestätigungsvermerk) on the Consolidated Financial Statements.

The (Consolidated) Financial Statement documents and the audit reports were submitted to the Audit Committee and the Supervisory Board in due time. After a thorough examination and debate by the Audit Committee and by the Supervisory Board, the Supervisory Board reached the final agreement that no material objections shall be raised, and the drawn up Financial Statements, the Management Report, the proposal for the distribution of the profits, the proposal for the appointment of the auditor for the Financial Year 2009, the Consolidated Financial Statements and the Consolidated Management Report were approved.

Vienna, February 25, 2009

Dr. Gerhard Roiss
Chairman of the Supervisory Board

Accounts

Consolidated income statement

EUR million	2008	2007	Note
Net sales	**6,697**	**6,350**	1
Production costs	-5,716	-5,183	2,3,7
Sales and distribution costs	-539	-477	3, 7
Administration costs	-279	-239	3, 7
Operating profit	**163**	**451**	
Profit from sale of operations	2	112	4
Net results in associated companies after tax	144	132	18
Financial expenses, net	-46	-41	8
Profit before taxation	**263**	**654**	
Taxes	-24	-121	9
Net profit for the year	**239**	**533**	
Attributable to:			
Minority interest	1	0	
Equity holders of the parent	238	533	

Consolidated statement of recognised income and expense

EUR million	2008	2007	Note
For the year ended December 31			
Net loss on translation of financial statements of foreign subsidiaries	-44	-52	
Net gain/loss on long-term loans to subsidiaries and associated companies	-27	-33	
Net gain/loss on loans and financial contracts to hedge investments in foreign subsidiaries	0	15	
Fair value adjustment of cash flow hedges	-78	15	17
Actuarial gains and losses	6	1	11
Tax recognised directly in equity	29	-4	
Net expense recognised directly in equity	**-114**	**-58**	
Net profit for the year	**239**	**533**	
Total recognised income and expense	**125**	**475**	
Attributable to:			
Minority interest	-2	1	
Equity holders of the parent	127	474	

Consolidated balance sheet

Assets

EUR million	31.12.2008	31.12.2007	Note
Non-current assets			
Intangible fixed assets	194	160	2, 5
Tangible fixed assets			6
Production plants	1,896	1,956	
Machinery and equipment	36	38	
Construction in progress	378	173	
	2,310	2,167	
Investments in associated and jointly controlled companies	585	417	18
Other investments	14	18	18
Other long-term receivables	85	75	18
Deferred tax assets	106	69	9
Total non-current assets	**3,294**	**2,906**	
Current assets			
Inventories	700	793	10
Receivables			
Trade receivables	221	384	19, 22
Receivables from associated companies	311	208	19
Taxes	40	5	
Assets held for sale	16	19	
Other receivables	180	267	
	768	883	
Cash and cash equivalents	66	49	
Total current assets	**1,534**	**1,725**	
Total assets	**4,828**	**4,631**	

Liabilities

EUR million	31.12.2008	31.12.2007	Note
Shareholders' equity			
Share capital and contributions by shareholders	1,899	1,899	20
Reserves	-212	-100	
Retained Earnings	636	508	
	2,323	2,307	
Minority interests	7	9	
Total equity	**2,330**	**2,316**	
Liabilities			
Subordinated loans	103	103	21, 28
Non-current liabilities			
Loans and borrowings	380	353	21
Deferred tax	222	253	9
Employee benefits	165	182	11
Provisions	103	141	12
	870	929	
Current liabilities			
Loans and borrowings	669	226	21
Trade payables	519	651	
Taxes	17	19	9
Provisions	26	18	12
Liabilities held for sale	15	4	
Other liabilities	279	365	
	1,525	1,283	
Total liabilities	**2,498**	**2,315**	
Total equity, minority interests and liabilities	**4,828**	**4,631**	
Assets pledged			14
Contingent liabilities			15
Financial instruments			24

Consolidated statement of changes in equity

Shareholders' equity

EUR million	Share capital* and contributions by shareholders	Reserve for revaluation of non-monetary assets and liabilities	Hedging reserve	Reserve for unrealised exchange gains	Retained earnings	Total attributable to parent	Attributable to minority interest holders	Total equity
Balance as of December 31, 2006	**1,840**	**-42**	**6**	**-5**	**20**	**1,819**	**8**	**1,827**
Profit of the period	0	0	0	0	533	**533**	0	**533**
Income and expense directly in equity	0	1	14	-74	0	**-59**	1	**-58**
Dividend payment by subsidiaries	0	0	0	0	0	**0**	0	**0**
Dividend payment	0	0	0	0	-45	**-45**	0	**-45**
Capital in/decrease	59	0	0	0	0	**59**	0	**59**
Balance as of December 31, 2007	**1,899**	**-41**	**20**	**-79**	**508**	**2,307**	**9**	**2,316**
Profit of the period	0	0	0	0	238	**238**	1	**239**
Income and expense directly in equity	0	5	-59	-58	0	**-112**	-2	**-114**
Dividend payment by subsidiaries	0	0	0	0	0	**0**	-1	**-1**
Dividend payment	0	0	0	0	-110	**-110**	0	**-110**
Capital in/decrease	0	0	0	0	0	**0**	0	**0**
Balance as of December 31, 2008	**1,899**	**-36**	**-39**	**-137**	**636**	**2,323**	**7**	**2,330**

The Management proposes that no dividend be paid for 2008.

The share capital and contributions by shareholders amounts to EUR 1,899 million. None of the shares has special rights. Borealis AG is owned 61% by IPIC Denmark Holdings ApS, Holbergsgade 14, 1057 Copenhagen, Denmark, 3% by International Petroleum Investment Company, Sheikh Zayed 1 street, Abu Dhabi, United Arab Emirates, 33% by OMV Refining & Marketing GmbH, Lassallestrasse 3, 1020 Vienna, Austria and 3% by OMV AG, Otto-Wagner-Platz 5, 1090 Vienna, Austria. The ultimate controlling party is International Petroleum Investment Company (IPIC), United Arab Emirates.

* Share capital of Borealis AG (parent company) amounts to EUR 300,000.00. (EUR 300,000.00) and is divided over 300,000 (300,000) shares, of which none have special voting rights.

Consolidated cash flow

EUR million	2008	2007	Note
Cash flows from operating activities			
Payments from customers	6,686	6,242	
Payments to employees and suppliers	-6,410	-5,462	
Interest income received	43	43	8
Interest and financial expenses paid	-89	-84	8
Income taxes paid	-86	-92	9
	144	**647**	
Cash flows from investing activities			
Investments in tangible fixed assets	-445	-457	6
Proceeds from sale of assets, net of cash	-4	188	4
Other investments	-35	-43	5, 18
	-484	**-312**	
Cash flows from financing activities			
Long-term loans obtained	72	288	
Short-term loans obtained	496	93	
Loans to associated companies	0	3	
Long-term loans repaid	-40	-240	
Short-term loans repaid	-57	-417	
Dividends paid	-110	-45	
	361	**-318**	
Net cash flow for the year	**21**	**17**	
Cash and cash equivalents as of January 1	49	31	
Effect of exchange rate fluctuations on cash held	-4	1	
Cash and cash equivalents as of December 31	**66**	**49**	

Notes to the consolidated financial statements

Reporting entity
Borealis AG (the "Company") is a company domiciled in Austria. The address of the Company's registered office is Wagramerstrasse 17-19, 1220 Vienna, Austria. Borealis is a leading provider of innovative plastics solutions.

Statement of compliance
The consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards issued by the IASB as adopted by the EU and additional Austrian disclosure requirements. The financial statements were authorised for issue by the Management on February 24, 2009.

In 2007 IPIC and OMV contributed their interests in Agrolinz Melamine International GmbH (AMI) to Borealis AG without changing the control over Borealis. This restructuring was a transaction under common control and therefore not under the scope of IFRS 3. In absence of specific guidance under IFRS, management applied IAS 8 § 10-11. These consolidated financial statements are prepared similar to the former uniting of interests method. The interests of Borealis AG in AMI are set off against the equity of AMI. Any difference is recognised directly in the equity of Borealis AG. Intra-group balances, transactions, income and expenses are eliminated in full. The results of operations of the AMI group for the period commencing August 2007 are included in the consolidated financial statements under the Base Chemicals segment.

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

Consolidation principles
The consolidated financial statements include the accounts of Borealis AG, the parent company, and all the companies over which Borealis AG has control. Control is generally indicated when Borealis AG, either directly or indirectly, has a majority voting interest. Companies in which the Group has significant influence (interest of 20% or more), but no control are considered as associated companies. Jointly controlled operations are considered as associated companies.

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

Acquired subsidiaries and associated companies are included in the consolidated financial statements from the date of control and until control ceases. A revaluation of the acquired net assets is made on the date of acquisition, using the purchase accounting method to state acquired assets and liabilities at fair value. Any remaining positive difference between the fair value of the assets and liabilities and the purchase price of subsidiaries and associated companies is capitalised as goodwill and is subject to an annual impairment test. Any remaining negative goodwill is recognised in the income statement.

Foreign currency
Assets and liabilities denominated in foreign currencies have been translated into Euro (EUR) at the exchange rates quoted on the balance sheet date. As the Group's activities are mainly based throughout Europe, EUR is used as presentation currency. Financial statements of foreign entities in functional currencies, other than EUR, have been translated at the exchange rates quoted on the balance sheet date for assets and liabilities. The income

statements of foreign entities have been translated 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 equity: conversion of the net assets of foreign entities and associated companies as of January 1 using the closing rate on December 31, translation of long-term intra-group receivables that are considered part of investments in subsidiaries or associated companies, conversion of long-term loans hedging net assets of foreign subsidiaries and associated companies or intra-group receivables considered part of investments in subsidiaries and associated companies, and conversion of the net income of foreign entities calculated on monthly rates to figures converted on the exchange rates applicable on the balance sheet date.

Income statement

Revenue recognition

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

Net sales comprise sales invoiced during the year excluding value-added tax and after deduction of goods returned and discounts and allowances, as well as the proceeds from non-core business activities.

Research and development

Research costs are charged to the income statement in the year they are incurred.

Development costs relating to a definable product or process that is demonstrated to be technically and commercially feasible are recognised as an intangible fixed asset to the extent that such costs are expected to be recovered from future economic benefits. The expenditure capitalised includes the costs of materials, direct labour and an appropriate proportion of overheads.

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

Results from associated companies

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

Net financial items

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

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

Income tax

The income tax charged to the income statement comprises expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, adjusted for the change in provision for deferred tax assets and liabilities for the year and adjusted for any tax payable in respect of previous years. Income tax that relates to items recognised directly in equity is recognised in equity as well.

Balance sheet

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

Goodwill arising on an acquisition represents the excess of the costs of the acquisition over the fair value of the net identifiable assets acquired. Goodwill is not amortised, but is subject to an annual impairment test.

Licences and patents externally acquired are stated at cost less accumulated amortisation. Amortisation is according to the straight-line method based on the estimated useful life or 3-20 years.

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

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

Emission rights are reported as intangible fixed assets. They are measured at cost if purchased in the market, or at fair value if received through government grants. A liability to return emission rights for actual emissions made, is recognised as well.

Tangible fixed assets
Tangible fixed assets are valued at cost less accumulated depreciation and impairment losses. Cost comprises purchase price, site preparation and installation. Day-to-day servicing expenses are not included in the cost of the assets. If certain conditions are met, the costs of major inspections and overhauls are recognised in the carrying amount of the property, plant and equipment.

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

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

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

Land is not depreciated. Buildings are depreciated over 20-50 years, production facilities over 15-20 years and machinery and equipment over 3-15 years. Gains and losses from the disposal of tangible fixed assets are recorded as adjustments to depreciation in the income statement.

Assets leased under finance leases are recognised in the balance sheet and depreciated over the shorter of the lease period or useful life. The cost of assets leased under finance leases are stated at the lower of fair value and the present value of the future lease payments at the time of acquisition.

Impairment losses
The carrying values of both tangible and intangible assets, other than inventories, deferred tax assets and certain financial assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated as the greater of net selling price and value in use. The value in use is based on a 3 to 5 year business plan extended to 15 years with a stable growth rate. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Cash-generating units are groups of similar production facilities.

Non-current assets held for sale and discontinued operations.
Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are re-measured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting

policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Associates and joint ventures
Associates and joint ventures are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees.

Cash and cash equivalents
Cash and cash equivalents comprise cash in bank and liquid short-term deposits.

Other investments
Other investments are valued at fair value or at cost if fair value cannot be reliably estimated in absence of an active market.

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

Government grants
Government grants include grants for research and development as well as investment grants. Research and development grants are recognised in the income statement on a systematic basis to offset the related cost, or offset against capitalised development costs. Investment grants are recognised in the balance sheet as deferred income and recognised as income over the useful life of the asset.

Provisions
A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions reflect the present value of future cash outflows.

Deferred tax
The provision for deferred income tax is computed individually for each company in accordance with the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised, based on the business plan and similar forward looking information available to the Management. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Reserves
A reserve has been established under the consolidated equity for unrealised exchange differences related to deferred foreign exchange gains and losses on inter-company loans, hedge loans and the equity of foreign subsidiaries. The hedging reserve contains fair value adjustments to financial instruments. The reserve for revaluation of non-monetary items contains the actuarial gains and losses on employee benefit plans.

Employee benefits

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

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

All actuarial gains and losses are recognised directly in equity.

Financial instruments

Derivative financial instruments

The Group uses derivative financial instruments to reduce its exposure to foreign exchange, interest rate and commodity risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

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

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

Cash flow hedges

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

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

Hedge of monetary assets and liabilities

When derivative financial instruments are used to economically hedge the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instruments are recognised in the income statement.

Hedge of net investment in foreign operation

Where a foreign currency liability hedges a net investment in a foreign operation and fulfils the requirement for hedge accounting, foreign exchange differences arising on translation of the liability are recognised directly in equity.

Trade and other receivables

Receivables are stated at amortised cost, less impairment losses. For short-term receivables we assume that the effect of the discounting is not material. Therefore we assume that book value equals the fair value.

Trade and other payables

Payables are recorded at cost.

Loans and borrowings

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

Cash flow statement

The consolidated cash flow statement shows the Group's cash flow provided by/used in operating, investing and financing activities.

The cash flow from operating activities is calculated using the direct method. The cash flow from investing activities comprise payments made on the purchase and disposal of undertakings and activities and the purchase and disposal of tangible and intangible fixed assets. The cash flow from financing activities comprise changes in the Group's share capital, as well as loans, repayments of principals of interest-bearing debt and payment of dividends. Cash and cash equivalents consist of cash and bank deposits.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's risks and rates of return are affected predominantly by differences in products. Therefore the primary format for reporting segment information is business segments, with secondary information reported geographically.

New accounting standards

In 2008 the following accounting standards and interpretation became effective and have been adopted by the Company:

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained. The adoption of IFRIC 11 did not result in any impact on the consolidated financial statements.

IFRIC 12 – Service Concession Arrangements provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. The adoption of IFRIC 12 did not have any effect on the consolidated financial statements.

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. The adoption of IFRIC 14 did not have any effect on the consolidated financial statements.

The IASB adopted the following new accounting standards and interpretations, which are not compulsory for Borealis in the preparation of the consolidated financial statements for 2008 and have not been adopted early by Borealis in preparing these consolidated financial statements.

Standards and Interpretations adopted by EU:

IFRS 8 – Operating Segments introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the Group's 2009 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business and geographical segments (see note 1). Under the management approach, the Group will present segment information in respect of polyolefins and base chemicals.

Amendment to IFRS 2 Share-Based Payment: Vesting Conditions and Cancellations introduces the concept of "non-vesting conditions" and provides the accounting treatment for non-vesting conditions and cancellations. It also clarifies the definition of vesting conditions. The amended standard becomes effective for annual periods beginning on or after January 1, 2009. As Borealis does not use share-based payments, the adoption of the amended standard will not have any material impact on the consolidated financial statements.

Amendments to IAS 1 – Presentation of Financial Statements: A revised presentation will become effective for annual periods beginning on or after January 1, 2009.

Revised IAS 23 – Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Group's 2009 financial statements. Borealis has adopted the allowed alternative treatment of IAS 23 (currently effective) and has started to capitalise borrowing costs related to major investment projects as of January 1, 2007. Therefore, the revised IAS 23 will constitute no change in accounting policy for the Group.

IFRIC 13 – Customer Loyalty Programmes addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the Group's 2009 financial statements, is not expected to have any impact on the consolidated financial statements.

Standards and Interpretations not yet adopted by the EU:

Revised IFRS 3 – Business Combinations and amended IAS 27 Consolidated and Separate Financial Statements changes the accounting for business combinations and minority interests in consolidated financial statements. The revised and amended standards will become effective for annual periods beginning on or after July 1, 2009. Borealis has not yet completed its evaluation of the impact on the consolidated financial statements.

Amendments to IFRS 1 – First Time Adoption of International Financial Reporting Standards and IAS 27 – Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (2008) address issues related to the accounting for investments in subsidiaries, jointly controlled entities and associates in separate financial statements at cost in accordance with IAS 27.38(a); and particularly to allow first-time adopters relief from certain requirements of IAS 27. The amendments become effective for annual periods beginning on or after January 1, 2009. Borealis is currently evaluating the impact of the amended standards.

Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Instruments – Puttable Financial Instruments and Obligations Arising on Liquidation relate to the financial reporting of particular types of financial instruments that have characteristics similar to ordinary shares but are under the existing IAS 32, classified as liabilities. The amendments are effective for annual periods beginning on or after January 1, 2009, and are not expected to have a significant impact on the consolidated financial statements.

IAS 39 – Financial Instruments: Recognition and Measurement: Eligible Hedged Items (Amended 2008) will become effective for annual periods beginning on or after July 1, 2009, and revised the guidance for transactions eligible for hedge accounting. Borealis has not yet completed its evaluation of the impact on the consolidated financial statements.

IFRIC 15 – Agreements for the Construction of Real Estate provides guidance on the revenue recognition relating to the construction of real estate. The interpretation is effective for annual periods beginning on or after January 1, 2009, and will not have any impact on the consolidated financial statements.

IFRIC 16 – Hedges of a Net Investment in A Foreign Operation provides interpretative guidance regarding the eligible holder of hedging instruments assigned to hedge a net investment in a foreign operation. Borealis has not yet completed its evaluation of the impact on the consolidated financial statements. The interpretation is effective for annual periods beginning on or after October 1, 2008.

IFRIC 17 – Distribution of Non-Cash Assets to Owners provides interpretative guidance on the accounting treatment of non-cash distributions to owners. The interpretation is effective for annual periods beginning on or after July 1, 2009, and is not expected to have a significant impact on the consolidated financial statements.

Amounts

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

1. Segment reporting (EUR million)

	Polyolefins		Base Chemicals		Non-Allocated		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
Net sales by business:								
Total sales	4,385	4,533	5,728	5,227	75	40	10,188	9,800
Group internal sales	0	0	-3,491	-3,450	0	0	-3,491	-3,450
	4,358	**4,533**	**2,237**	**1,777**	**75**	**40**	**6,697**	**6,350**

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

	Polyolefins 2008	Polyolefins 2007	Base Chemicals 2008	Base Chemicals 2007	Non-Allocated 2008	Non-Allocated 2007	Consolidated 2008	Consolidated 2007
Result:								
Operating profit	-98	365	318	123	-57	-37	163	451
Profit/loss from sale of operations					2	112	2	112
Net result in associated companies					144	132	144	132
Net financial items					-46	-41	-46	-41
Income tax					-24	-121	-24	-121
Minority interest					-1	0	-1	0
Net profit for the year attributable to equity holders of the parent							**238**	**533**
Other information:								
Segment assets	2,691	2,741	1,566	1,703	571	187	4,828	4,631
Segment liabilities					2,498	2,315	2,498	2,315
Investment in tangible fixed assets	401	285	44	163	0	9	445	457
Depreciation and amortisation	150	139	108	70	5	6	263	215

Over 90% of the above relate to segment EU countries

	Polyolefins 2008	Polyolefins 2007	Base Chemicals 2008	Base Chemicals 2007	Non-Allocated 2008	Non-Allocated 2007	Consolidated 2008	Consolidated 2007
Net sales by geographic segment:								
EU countries	3,227	3,352	2,073	1,642	56	30	5,356	5,024
Non-EU countries in Europe	543	588	75	75	0	0	618	663
USA	62	77	39	33	0	0	101	110
Middle East and Asia	274	266	26	19	19	10	319	295
Other regions	279	250	24	8	0	0	303	258
	4,385	**4,533**	**2,237**	**1,777**	**75**	**40**	**6,697**	**6,350**

2. Research and Development

A total of 443 people were engaged in research and development at the end of the year, compared with 388 in 2007. The total cost of these activities amounted to EUR 80 million (EUR 71 million). EUR 15 million (EUR 16 million) was capitalised as development cost.

3. Personnel (EUR million)

	2008	2007
Costs		
Salaries and wages	323	316
Pension costs	29	34
Other social security costs	82	81
Other personnel expenses	16	22
Total	**450**	**453**
Average number of employees by country		
Austria	1,617	1,122
Belgium	942	975
Finland	890	884
Norway	38	362
Germany	328	280
Sweden	1,055	1,003
Other	515	434
Total	**5,385**	**5,060**
Remuneration included in personnel costs of former and current management		
Salaries and wages management	4	6
Pension costs management	0	3
Salaries and wages other key manangement	2	2
Pension costs other key manangement	0	0
Total	**6**	**11**

No loans were granted to actual or former members of management. The remuneration paid to members of the Supervisory Board amounted to EUR 1 million (EUR 0.4 million).

4. Acquisition and disposal of subsidiaries (EUR million)

On February 29, 2008, Borealis sold 100% of the shares in Norner Innovation AS (Norway)

Consideration received (paid)	**-1**

- Cash included in the current assets disposed of	-3
- Other current assets disposed of	-3
- Non-current assets disposed of	-2
+ Current liabilities disposed of	3
+ Non-current liabilities disposed of	7
- Net assets disposed of	**2**
Final settlement on sale of Borealis AS Norway	1
Profit on the sale of operations	**2**

On August 8, 2007, Borealis AG acquired 100% of the shares in Agrolinz Melamine International GmbH through a contribution by its shareholders.

The net assets acquired were as follows:

Cash and cash equivalents	14
Receivables	136
Inventories	65
Total current assets	**215**

Deferred tax assets	37
Other investments	1
Production plants	293
Machinery and equipment	12
Construction in progress	9
Intangible assets	2
Total non-current assets	**354**

- Current loans and borrowings	-97
- Payables	-128
- Total current liabilities	**-225**

- Non-current loans and borrowings	-230
- Deferred tax liabilities	-6
- Other non-current liabilities	-49
- Total non-current liabilities	**-285**
Net assets acquired	**59**

On September 1, 2007, Borealis sold 100% of the shares in Borealis AS (Norway)

Consideration received	**236**

- Current assets disposed of	-104
- Non-current assets disposed of	-110
+ Current liabilities disposed of	64
+ Non-current liabilities disposed of	6
- Net assets disposed of	**-144**
- Transaction costs	-4
Realisation of deferred translation effects	25
Realisation of other net losses recognised directly in equity	-1
Profit on the sale of operations	**112**

Consideration received	**236**
- cash included in the current assets disposed of	-48
Proceeds from sale of operations, net of cash	**188**

5. Intangible fixed assets (EUR million)

	Goodwill		Development costs		Capitalised software		Others	
	2008	2007	2008	2007	2008	2007	2008	2007
Cost								
As of January 1	45	45	111	102	39	30	85	74
Exchange adjustments	0	0	0	0	0	0	-1	-1
Additions	0	0	18	16	8	10	31	18
Disposals	0	0	-3	0	0	-1	0	-13
Transfers	0	0	0	-7	0	0	0	7
	45	45	126	111	47	39	115	85
Accumulated amortisation								
As of January 1	-16	-16	-27	-17	-20	-14	-57	-44
Exchange adjustments	0	0	0	0	0	0	0	0
Disposals	0	0	3	0	0	0	0	5
Amortisation	0	0	-10	-10	-7	-6	-5	-18
	-16	-16	-34	-27	-27	-20	-62	-57
Book value as of December 31	**29**	**29**	**92**	**84**	**20**	**19**	**53**	**28**

Goodwill refers to the assets in Brazil, EUR 7 million and Belgium, EUR 22 million and is included in the yearly impairment test performed on the tangible and intangibles fixed assets of the Group (see note 7).

6. Tangible fixed assets (EUR million)

	Production plants		Machinery and equipment		Construction in progress	
	2008	2007	2008	2007	2008	2007
Cost						
As of January 1	4,197	3,696	115	98	173	227
Change in group of consolidated companies	-5	279	0	12	0	10
Exchange adjustments	-132	-57	-8	1	-25	-2
Additions	20	0	6	0	419	471
Disposals (including change in consolidation group)	-71	-230	-1	-12	0	-7
Transfers	184	509	5	16	-189	-526
	4,193	4,197	117	115	378	173
Accumulated depreciation						
As of January 1	-2,241	-2,284	-77	-76	0	0
Exchange adjustments	95	35	4	0	0	0
Disposals (including change in consolidation group)	81	182	1	10	0	0
Depreciation	-232	-174	-9	-11	0	0
	-2,297	-2,241	-81	-77	0	0
Book value as of December 31	**1,896**	**1,956**	**36**	**38**	**378**	**173**

The figures for production plants include capitalised finance leases with a net value of EUR 2 million (EUR 5 million) comprising acquisition costs of EUR 6 million (EUR 8 million) and depreciation of EUR 4 million (EUR 3 million). The lease obligation is included in loans and borrowings (see note 21). In 2008, borrowing costs amounting to EUR 10 million (EUR 4 million) have been capitalised using a 5% interest rate.

Future capital expenditure approved (tangible and intangible) by Management totals EUR 315 million (EUR 510 million) out of which EUR 93 million (EUR 139 million) is contractually committed.

The major part of the additions relates to the ongoing investment in a new high-pressure polyethylene plant in Stenungsund, Sweden, and several large projects at the Schwechat plant in Austria.

7. Depreciation and amortisation (EUR million)

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

	Group	
	2008	2007
Production costs	212	177
Sales and distribution costs	17	11
Administration costs	34	27
Total	**263**	**215**

The 2008 depreciation charge includes an impairment of EUR 24 million (EUR 12 million) on production lines for which the carrying values of the assets exceeded the present value of expected future cash flows for the next 15 years, discounted at a Weighted Average Cost of Capital of 8% of the impairment losses, EUR 12 million (EUR 12 million) relates to segment Polyolefins and EUR 12 million (EUR 0 million) relates to segment Base Chemicals and both are reported as production costs.

8. Financial income/expenses, net (EUR million)

	Group	
	2008	2007
Interest income from:		
Cash and cash equivalents	15	7
Derivatives	28	36
	43	43
Interest expenses to:		
Financial institutions	-80	-56
Derivatives	-24	-30
Exchange adjustments, net	5	2
Other financial expenses and income	10	0
	-89	-84
Total	**-46**	**-41**

9. Taxation (EUR million)

	Group	
	2008	**2007**
Taxes		
Income tax payable	51	88
Change in deferred tax	-25	32
Adjustment to prior year's tax charge	-2	1
Tax expense	**24**	**121**

Calculation from tax expense at statutory rates to accounting tax expense at the effective group tax rate.

	2008 %	2008	2007 %	2007
Tax expense at statutory rates	**28%**	**76**	**27%**	**177**
Tax effect of result in associated companies	-15%	-40	-5%	-33
Tax effect of result from sale of operations	0%	0	-4%	-28
Tax effect of permanent differences	-2%	-6	-1%	-5
Adjustment of valuation allowance	0%	-1	1%	5
Benefits of tax losses	0%	0	0%	0
Prior year's adjustments	2%	4	0%	1
Change due to changes in tax rates	-3%	-8	0%	1
Other	0%	-1	1%	3
Tax expense	**10%**	**24**	**19%**	**121**

	2008	2007
Deferred tax, assets		
Financial assets	19	0
Fixed tangible assets	20	5
Fixed intangible assets	6	-2
Other assets	0	0
Tax values over book values	**45**	**3**
Other current assets	32	24
Pension and other provisions	27	12
Other temporary differences	**59**	**36**
Tax losses to be carried forward	**63**	**30**
Tax liabilities offset	**-61**	**0**
Capitalised tax assets	**106**	**69**

	Group 2008	Group 2007
Deferred tax, liabilities		
Fixed tangible assets	201	195
Fixed intangible assets	37	33
Accelerated depreciation on tangible fixed assets	**238**	**228**
Other current assets	19	16
Financial assets	4	0
Other assets	20	0
Pension and other provisions	2	9
Other	**45**	**25**
Tax assets offset	**-61**	**0**
Deferred tax liability	**222**	**253**
Taxes, payable		
Payable taxes as of January 1	19	15
Income tax payable for the year	51	88
Adjustment to prior year's payable tax charge	-2	1
Taxes paid (-)/received (+)	-86	-92
Movement in tax receivable	35	7
Payable taxes as of December 31	**17**	**19**

The Group has tax assets of EUR 11 million in addition to those that have been capitalised as tax assets, due to insufficient profit forecasts:

	2008	2007
Deductible temporary differences	0	15
Tax loss carry forwards	11	35
- Taxable temporary differences	0	0
Total unrecognised net tax assets	**11**	**50**

The capitalised deferred tax assets are expected to be utilised against future profits in the relevant jurisdictions. The benefit arising from previously unrecognised tax losses, tax credits or temporary differences of prior periods amounts to EUR 7 million (EUR 0 million). Dividend payment to Borealis AG, resp. Borealis A/S being still the subholding company for the Borealis subsidiaries, by one of its subsidiaries has no tax effect for Borealis AG resp. Borealis A/S. The Danish Borealis entities are part of a tax group with entities outside the Borealis Group. The temporary differences related to investments in associated companies amount to EUR 467 million, for which no deferred tax liability has been recognised in accordance with IAS 12.39 Income Taxes.

10. Inventories (EUR million)

Inventories of ethylene and propylene are included under finished products.

	2008	2007
Raw materials and consumables	165	182
Finished products	535	611
Total	**700**	**793**

The inventory value of finished products has been written down to its net realisable value. The inventory subject to devaluation amounted to EUR 239 million, on which a devaluation of EUR 106 million (EUR 11 million) is recognised.

11. Employee benefit plans (EUR million)

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

	2008	2007
Funded benefit plans		
Actuarial present value of benefits due to past and present employees	114	116
- Plan assets held in trusts at fair value	-84	-69
Plan assets below the present value of benefits recorded as a provision	30	47
Unfunded benefit plans		
Actuarial present value of benefits due to past and present employees recorded as a provision	135	135
Net liability recognised in the balance sheet	**165**	**182**

	2008	2007
Change in benefit obligation		
Benefit obligation at beginning of year	251	263
Current service costs	10	13
Current interest costs	12	11
Actuarial losses/gains	-2	-7
Net transfers in/(out)	0	-14
Exchange rate changes	-6	0
- Benefits paid from plan and settlements	-16	-15
Benefit obligation at end of year	**249**	**251**
Change in plan assets		
Fair value of plan asset at beginning of year	69	107
Expected return on plan assets	3	5
Employer contributions	19	10
Actuarial gains/losses	4	-8
Net transfers in/(out)	0	-33
Exchange rate changes	0	0
- Benefits paid from plan and settlements	-11	-12
Fair value of plan asset at end of year	**84**	**69**
Asset category		
Equity securities	15%	11%
Debt securities	65%	29%
Real estate	3%	3%
Other	17%	57%
	100%	**100%**

Movement in the net liability recognised in the balance sheet	2008	2007
Net liability as of January 1	182	156
- Contributions paid by the company and settlements	-20	-13
Net transfers in/(out)	0	19
Actuarial loss/gain recognised in equity (including exchange rate differences)	-12	1
Expense recognised in the income statement	15	19
Net liability on December 31	**165**	**182**

Expense recognised in the income statement for defined benefit plans	2008	2007
Service costs	10	13
Interest costs	12	11
Settlement (gain)/loss	-4	0
- Expected return on assets	-3	-5
Total	**15**	**19**
Actual return on plan assets	8	-5

The aggregated benefit cost charged to the income statement for 2008 amounted to EUR 25 million compared with EUR 34 million in 2007. Benefit costs relate to:

	2008	2007
Defined benefit plans	15	19
Defined contribution plans	10	15
Total	**25**	**34**

Discount rates, projected future salary and pension increases and expected rates of return on plan assets vary for the different defined benefit plans, as they are determined in light of local conditions. Assumptions regarding future mortality are based on published statistics and mortality tables. The principal assumptions used were in the following range:

	2008	2007
Discount rate	4% to 6%	5% to 5%
Projected future salary growth	2% to 4%	2% to 4%
Expected rate of return on plan assets	5% to 6%	5% to 6%
Expected pension increase	2% to 2%	2% to 2%

12. Other provisions (EUR million)

	Restructuring	Other	Total
As of January 1	45	114	159
Provisions made during the year	7	29	36
Provisions used during the year	-13	-39	-52
Exchange adjustments	-3	0	-3
Result of acquisition-disposals/transfers	-5	-6	-11
Balance as of December 31, 2008	**31**	**98**	**129**
Current	9	17	26
Non-current	22	81	103
	31	**98**	**129**

Restructuring
The provision for restructuring covers estimated costs for the on-going restructuring programmes in mainly Norway and Belgium.

Other
Other provisions mainly cover environmental and legal exposures and withdrawal premiums for mutual insurance companies, of which EUR 13 million was reversed during the year.

13. Government grants

Borealis was allowed government grants for the investment in new production plants, CO_2 emission allowances and research and development of EUR 18 million (EUR 9 million), which was recognised in the income statement.

14. Assets pledged

	2008	2007
Chattel mortgages	12	14
Others	16	18
Total	**28**	**32**

Assets pledged relates to tangible assets. The liabilities covered by the above assets amounted to EUR 28 million at the end of the year compared with EUR 32 million one year earlier.

15. Contingent liabilities (EUR million)

The Group has operating leases for certain operational assets. Total rental during the non-terminable periods amounted to:

Operating leases	2008	2007
1 year	12	11
2-5 years	31	30
Thereafter	6	8
Total	**49**	**49**
Operational lease payments during current year	14	12

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

The Borealis Group has no intention to terminate contracts for which contractual termination payments would materially affect the Group's financial position.

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

16. Financial risk management

The objective of financial risk management is to support the core businesses of Borealis. It operates within the framework of the treasury procedure. Borealis aims to minimise effects related to foreign exchange, interest rate, liquidity, credit, commodity price and refinancing risks. The use of any financial instruments is based on actual or forecasted underlying commercial or financial cash flows or identified risks as defined in the policy. Note 24 provides an overview of the financial instruments used by Borealis to manage risk.

Financial risk management is centralised in the Treasury and Funding department where the foreign exchange risks related to short-term commercial cash flows are hedged and limits for long-term foreign exchange exposures are established. Interest rate risks are managed through a duration benchmark. Foreign exchange translation differences relating to long-term investments in subsidiaries are charged directly to equity. The exposures are partly hedged by long-term borrowing in the same currencies. Hedges are generally placed in the legal entities where the underlying exposure exists. When certain conditions are met, Borealis applies IAS39 hedge accounting principles to foreign exchange and interest rate hedges.

Borealis' cash balances are deposited in the money market or invested in liquid instruments. Counterpart credit risks are managed by mandatory credit limits and external credit rating requirements. A real-time treasury system is used to monitor exposures and risk limits.

Commodity price risk is managed by the feedstock traders and monitored by Trade Support and Risk Management. The commodity price risk exposure is calculated by a trading software. On a daily basis, trade Support and Risk management makes a snapshot of all data in the trading system and retrieve the daily position out of the system. The position is analysed and compared with the trading limits. Traders are allowed to use financial derivatives (i.e. financial swaps) in order to stay within the limits.

A credit limit is determined for every Feedstock and Olefins customer based on an assessment of the financials of the company and past trading experiences. The credit exposure is calculated twice a week.

Group worldwide insurance programmes are established for risk related to property damage and business interruption, liability exposures, cargo, and for employees when travelling for Borealis.

17. Financial income and expense (EUR million)

Recognised in profit or loss	2008	2007
Change in fair value of commodity derivative contracts for feedstock	17	-7
Change in fair value of interest rate derivative contracts	-3	-1
Change in fair value of foreign exchange derivative contracts	-1	-1
Realised result on interest rate derivative contracts	0	0
Realised result on foreign exchange derivative contracts	4	4
Financial assets and liabilities at fair value through profit or loss	**17**	**-5**
Ineffective portion of change in fair value of cash flow hedge instruments		
Commodity derivative contracts for electricity	0	0
Interest derivative contracts	0	0
Foreign exchange derivative contracts	0	0
Amounts recognised in profit or loss		
Commodity derivative contracts for electricity	-9	-3
Interest derivative contracts	4	3
Foreign exchange derivative contracts	-1	4
Hedging instruments	**-6**	**4**
Interest income	0	0
Amounts removed from equity and recognised in profit or loss	0	0
Available for sale financial assets	**0**	**0**
Interest income on held to maturity investments	0	0
Held to maturity investments	**0**	**0**
Interest income on cash and deposits	17	1
Foreign exchange effects on cash and deposits	0	-10
Foreign exchange effects on receivables	-5	5
Amounts removed from equity and recognised in profit or loss relating to receivables that are part of a net investment in a foreign operation	0	0
Impairment losses on receivables	2	0
Loans and receivables	**14**	**-4**
Interest expense on financial liabilities	-73	-56
Fee expense on financial liabilities	-1	0
Foreign exchange effects on financial liabilities	-2	7
Amounts removed from equity and recognised in profit or loss relating to liabilities designated as hedge of net investment in foreign operation	0	0
Financial liabilities	**-76**	**-49**

Recognised directly in equity	2008	2007
Commodity derivative contracts for electricity designated as cash flow hedge	-50	16
Interest derivative contracts outstanding	-22	-2
Foreign exchange derivative contracts	-14	0
Foreign exchange effects on receivables part of net investment in foreign operations	2	-6
Foreign exchange effects on financial liabilities and derivatives designated as hedge of investment in foreign operations	-4	15
Amounts removed from equity		
Net investment in foreign operations	0	0
Commodity derivative contracts for electricity	9	3
Interest derivative contracts	0	0
Foreign exchange derivative contracts	1	-4
Effective portion of changes in fair value of hedging instruments	**-78**	**22**
Gains (losses) recognised directly in equity	NA	NA
Amounts removed from equity and recognised in profit or loss	NA	NA
Available for sale financial assets	**0**	**0**

18. Financial fixed assets (EUR million)

	Shares in associated companies		Other investments		Other long-term receivables		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Cost								
As of January 1	114	175	21	19	174	206	309	400
Investments	0	0	5	6	9	10	14	16
Disposals	0	-61	-12	-4	0	-42	-12	-107
	114	114	14	21	183	174	311	309
Adjustments								
As of January 1	303	158	-3	-3	-99	-93	201	62
Disposals	0	46	3	0	0	0	3	46
Exchange adjustments	24	-33	0	0	1	-6	25	-39
Dividends received	0	0	0	0	0	0	0	0
Net result of associated companies, after tax	144	132	0	0	0	0	144	132
	471	303	0	-3	-98	-99	373	201
Book value as of December 31	**585**	**417**	**14**	**18**	**85**	**75**	**684**	**510**

The disposals in other investments relate to the wind up of mutual insurance companies in which Borealis participated. Other investments include interests in environmental funds in Belgium and Germany, as well as investments in infrastructure. The other long-term receivables mainly consist of receivables from associated companies.

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

2008	Country	Ownership in %
Abu Dhabi Polymers Company Limited	United Arab Emirates	40
Borouge Pte Ltd	Singapore	50
Speciality Polymers Antwerp N.V.	Belgium	33
Borealis Financial Services Ltd	Jersey	25

Summary of financial information for equity accounted investees, adjusted for the percentage of ownership by the Group.

	Assets	Liabilities	Net sales	Profit after tax
2008	1,422	837	868	144
2007	875	458	724	132

19. Securitisation

Borealis has a Securitisation Programme under which the company sells certain trade receivables to external parties. The Company does not retain any major interest in the trade receivables, except for foreign currency risk and interest rate risk, and accordingly derecognises the receivables sold. As of December 31, 2008, receivables worth EUR 449 million (EUR 456 million) were sold. The Company continues to administer the relationship with the debtors and will compensate the purchaser for credit notes issued subsequent to the sale. To cover these obligations, a receivable of EUR 243 million (EUR 151 million) is outstanding at balance sheet date and reported under receivables from associated companies.

The interest element of the financing costs related to the Securitisation Programme is hedged with derivatives for a notional amount of EUR 280 million (EUR 292 million).

20. Share capital (EUR million)

	Share capital*		Contributions by shareholders	
	2008	**2007**	**2008**	**2007**
Balance as of January 1	0	0	1,899	1,840
Capital increase (decrease)	0	0	0	0
Contribution in kind	0	0	0	59
Balance as of December 31	**0**	**0**	**1,899**	**1,899**

* The share capital of Borealis AG (parent company) amounts to EUR 300,000.00 (EUR 300,000.00)

The Group's objectives when managing capital are to safeguard the entity's ability to continue as a going concern and to provide an adequate return to shareholders. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as interest-bearing debt, including subordinated loans, less cash and cash equivalents divided by total equity.

21. Loans and borrowings (EUR million)

The composition of interest-bearing loans and borrowings (short and long-term debt) at the year end in EUR million was as follows:

Maturities		2008					
Due		**Total**	Term loans	Utilised uncommitted facilities	Export credits	Finance leases	Unutilised committed revolving facilities
After	5 years	**90**	89			1	
Within	5 years	**91**	91				509
	4 years	**110**	110				25
	3 years	**133**	133				
	2 years	**59**	59				
	2-5 years	**0**				0	
Total long-term debt		**483**	482			1	534
Total short-term debt	1 year	**669**	502	35	130	2	0
Total debt		**1,152**	**984**	**35**	**130**	**3**	**534**

Maturities		2007					
Due		Total	Term loans	Utilised uncommitted facilities	Export credits	Finance leases	Unutilised committed revolving facilities
After	5 years	**178**	177			1	
Within	5 years	**57**	57				1,030
	4 years	**170**	170				
	3 years	**32**	32				
	2 years	**16**	16				
	2-5 years	**3**				3	
Total long-term debt		**456**	452			4	1,030
Total short-term debt	1 year	**226**	50	93	82	1	0
Total debt		**682**	**502**	**93**	**82**	**5**	**1,030**

The Group's financing is mainly comprised of committed credit lines, term loans, subordinated loans and export credits. The loans and borrowings are all measured at amortised cost. The subordinated loan of EUR 103 million has an 8-year term and matures in 2011. At the end of 2008, the Group has committed credit lines with syndicates of banks of EUR 1,030 million (EUR 1,030 million), of which EUR 496 million (EUR 0 million) has been utilised and is classified as short-term draw downs of the long-term committed facilities, which mature in 2012 and 2013. Some loan agreements have financial covenants, which are based on the gearing and solvency ratio.

Currency mix	2008	Percent	2007	Percent
Interest bearing (EUR million)				
USD	170	15%	81	12%
EUR	981	85%	600	88%
SEK	1	0%	1	0%
Interest bearing total	**1,152**	**100%**	**682**	**100%**

22. Credit risk (EUR million)

Trade receivables credit risk

Management has established a credit control procedure. Credit risk is monitored on an ongoing basis. Credit risk on a specific counterparty is the sum of all outstanding trade receivables, and is compared to the individual credit limit allocated to that counterparty. Credit limit evaluations are performed on a daily basis for the total customer portfolio, and all customers are at least reviewed once per year. Approval and escalation limits are used to authorise the available credit limits to customers. As of the balance sheet date, Borealis has no large concentrations of credit risks representing more than 5% of the total outstanding trade receivables. No credit risk is retained in the trade receivables sold under the Securitisation Programme.

Exposure to credit risk

The maximum exposure to credit risk for trade receivables on the reporting date by geographic region was:

	2008	2007
EU Countries	156	263
Non-EU in Europe	6	34
USA	8	13
Middle East and Asia	31	27
Other regions	20	47
	221	**384**

The maximum exposure to credit risk for trade receivables on the reporting date by type of customer was:

	2008	2007
Polyolefins	50	121
Base Chemicals	123	203
Other	48	60
	221	**384**

All customers are classified in risk categories based on criteria like their financial strength, ownership, size, payment behaviour and country of domicile.

The following categories exist

Risk category 1: preferred customers, customers with excellent credit standing and financial strength
Risk category 2: medium size customers with good reputation
Risk category 3: financially sound customers, but with history of slow payments
Risk category 4: all new customers and customers with repetitive slow payments or with weak financial situation
Others: customers with cash in advance or secured payment terms

The ageing of trade receivables at the reporting date was:

	2008 Gross	2008 Impairment	2007 Gross	2007 Impairment
Not past due				
Risk category 1	66	0	9	0
Risk category 2	14	0	32	0
Risk category 3	33	0	62	0
Risk category 4	51	0	47	0
Other	7	0	14	0
Past due 0-30 days				
Risk category 1	9	0	9	0
Risk category 2	1	0	33	0
Risk category 3	9	0	63	0
Risk category 4	11	0	48	0
Other	1	0	14	0
Past due 31-120 days				
Risk category 1	2	0	2	0
Risk category 2	0	0	8	0
Risk category 3	3	0	15	0
Risk category 4	4	0	12	0
Other	0	0	4	0
Past due over 120 days				
Risk category 1	9	0	1	0
Risk category 2	0	0	2	0
Risk category 3	1	-1	5	-1
Risk category 4	6	-5	8	-5
Other	0	0	1	0
	227	**-6**	**390**	**-6**

The movement in the allowance for impairment in respect to trade receivables	2008	2007
Balance as of January 1	6	6
Impairment loss recognised	0	0
Balance as of December 31	**6**	**6**

In 2008, the Group renegotiated the terms of trade receivables for an amount of EUR 2 million.

The total guarantees received (including bank guarantees and parental guarantees) in respect of above receivables amounts to EUR 115 million (EUR 73 million).

Other credit risk

Borealis cash balances are put on deposit with relationship banks or invested in liquid securities only with counterparties that have a credit rating above a predefined threshold. Counterparty credit risks for long-term financial treasury transactions are managed by mandatory credit limits and external credit rating requirements. A real time treasury system is used to monitor exposures and risk limits. Management does not expect any counterparty to fail to meet any of its current obligations.

	2008	2007
Available for sale financial assets	14	18
Held to maturity investments	2	2
Financial assets at fair value through profit and loss	41	105
Loans and receivables	67	66
Cash and cash equivalents	66	49
Interest rate swaps used for hedging		
Assets	0	7
Foreign exchange contracts used for hedging		
Assets	5	1
	195	**248**

The loans and receivables cover loans given to associated companies and are neither past due, nor impaired.

23. Liquidity risk (EUR million)

Liquidity is managed on a daily basis to ensure the Group's liquidity requirement is covered at all times with the lowest possible level of working capital. The following are the contractual maturities (EUR million) of non-derivative financial liabilities, including forecasted interest payments, and derivative financial assets and liabilities. All carrying amounts exclude the outstanding interest accruals at year end. Cash outflows are reported with a negative sign, cash inflows with a positive sign. Carrying amounts of liabilities are reported with a positive sign, and carrying amounts of assets are reported with a negative sign.

	2008						
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
EUR floating rate loans	728	-781	-419	-11	-37	-254	-60
EUR fixed rate loans	215	-242	-11	-11	-39	-148	-33
EUR financial leases	4	-4	-3				-1
USD floating rate loans	170	-190	-87	-1	-1	-34	-67
Trade and other payables	519	-519	-519				
Utilised uncommitted facilities	35	-35	-35				
	1,671	**-1,771**	**-1,074**	**-23**	**-77**	**-436**	**-161**
Derivative financial (assets) and liabilities							
Interest rate swaps							
outflow	19	-66	-13	-10	-18	-25	0
inflow	0	42	10	7	7	18	0
Cross currency interest rate swaps							
outflow	0	0	0	0	0	0	0
inflow	0	0	0	0	0	0	0
Foreign exchange contracts							
outflow	20	-422	-286	-124	-12	0	0
inflow	-5	406	274	120	12	0	0
Foreign exchange options							
outflow	0	-1	-1	0	0	0	0
inflow	0	1	1	0	0	0	0
Commodity contracts							
outflow		-26	-24	-2			
inflow	-15	41	39	2			
Electricity contracts							
outflow	26	-26	-5	-5	-14	-2	
inflow							
	45	**-51**	**-5**	**-12**	**-25**	**-9**	**0**

	2007						
Non-derivative financial liabilities	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
EUR floating rate loans	272	-311	-97	-31	-9	-173	-1
EUR fixed rate loans	230	-269	-5	-20	-22	-122	-100
EUR financial leases	5	-7	-1	-1	-1	-3	-1
USD floating rate loans	81	-118	-2	-2	-5	-14	-95
Trade and other payables	651	-651	-651				
Utilised uncommitted facilities	93	-93	-93				
	1,332	**-1,449**	**-849**	**-54**	**-37**	**-312**	**-197**
Derivative financial (assets) and liabilities							
Interest rate swaps							
outflow	1	-51	-14	-9	-16	-12	0
inflow	-7	53	15	13	14	11	0
Cross currency interest rate swaps							
outflow		-85	-85				
inflow	-1	87	87				
Foreign exchange contracts							
outflow		-439	-391	-37	-11		
inflow	1	438	390	37	11		
Foreign exchange options							
outflow		-14	-1	-13			
inflow	-1	13	1	12			
Commodity contracts							
outflow	2	-113	-113				
inflow		111	111				
Electricity contracts							
outflow							
inflow	-15	15	5	5	5		
	-20	**15**	**5**	**8**	**3**	**-1**	**0**

24. Cash flow hedges (EUR million)

The following table indicates the period in which the cash flows (EUR million) associated with derivatives that are cash flow hedges are expected to occur and impact P&L. All carrying amounts exclude the outstanding interest accruals at year end.

2008	Carrying amount	Expected cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Interest rate swaps							
Assets	0	38	7	6	7	18	0
Liabilities	-17	-59	-10	-8	-16	-25	0
Foreign exchange contracts (forwards and options)							
Assets	5	277	147	118	12	0	0
Liabilities	-18	-290	-157	-121	-12	0	0
Electricity contracts							
Assets							
Liabilities	-26	-26	-5	-5	-14	-2	

2007	Carrying amount	Expected cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Interest rate swaps							
Assets	6	42	11	10	10	11	0
Liabilities	-1	-41	-11	-7	-11	-12	0
Foreign exchange contracts (forwards and options)							
Assets	1	140	95	45	0		
Liabilities	0	-141	-95	-46	0		
Electricity contracts							
Assets	15	15	5	5	5		
Liabilities							

Of the foreign exchange cash flow hedges outstanding at the end of 2007, EUR 0.6 million was removed from equity during 2008. A loss of EUR 0.9 million was realised on the foreign exchange cash flow hedges in net sales during 2008. At the end of the reporting period, a negative market value of EUR 13.2 million is recognised in equity on the foreign exchange cash flow hedges.

Of the interest rate swaps outstanding at the end of 2007, a profit of EUR 3.9 million was realised in finance net during 2008. Two interest rate swaps matured over 2008, for which a profit of EUR 0.0 million was removed from equity during 2008. At the end of the reporting period, a negative market value of EUR 16.9 million is recognised in equity on the interest rate cash flow hedges.

Due to partial ineffectiveness of the foreign exchange cash flow hedges, a loss of EUR 0.0 million (EUR 0.2 million) of the total fair value was recognised in financial income and expenses at year end. On the interest rate swaps, which are used as cash flows hedges, a net loss of EUR 0.0 million (gain of EUR 0.3 million) was recognised in financial income and expenses at year end due to partial ineffectiveness.

Feedstock: At balance sheet date, Borealis had commodity derivative contracts with maturities up to 12 months forward to manage the price risk on feedstock. The notional volume of contracts held at December 31, 2008, was 805,000 tonnes (2,291,200 tonnes) with an average maturity of 3 months. No hedge accounting is applied for these contracts. Changes in the fair value of the derivative contracts are recognised in the income statement. The fair value of the derivative contracts for feedstock as of December 31, 2008, was EUR 15 million (EUR -2 million). EUR 26 million has been recognised in non-trade payables and EUR 41 million in non-trade receivables.

Electricity: Borealis hedges its forecasted electricity purchases with maturity up to 2011 using electricity swaps. The notional volume of the contracts held at December 31, 2008, was 221 MW (249 MW) with an average maturity of 18 months. Cash flow hedge accounting has been applied for these contracts. The net fair value of the electricity swap contracts used as hedges for firm commitments and forecasted transactions as of December 31, 2008, was EUR -25 million (EUR 15 million), comprising liabilities of EUR 25 million and no assets. These amounts were recognised in non-trade payables and directly to hedging reserves.

25. Foreign currency risk (EUR million)

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

Borealis hedges its trade receivables, trade payables, cash positions and forecasted positions denominated in the foreign currencies in which Borealis holds significant positions. At any time, Borealis may also hedge its long-term commercial exposures up to a predefined level and duration. Borealis normally hedges the currency positions using forward exchange contracts and foreign exchange options. The total notional value of outstanding foreign exchange forwards as of December 31, 2008, was EUR 398 million (EUR 439 million), of which EUR 285 million (EUR 143 million) relates to foreign currency risk management and EUR 113 million (EUR 296 million) is the notional amount of currency swaps used in liquidity management. The total notional value of outstanding foreign exchange options at December 31, 2008, was EUR 5.4 million (EUR 14 million) measured at the strike rate, of which 1.3 milion EUR is part of a zero-cost collar structure and EUR 4.1 million is plain vanilla options, which are out of the money at year end.

Firm commitments and forecasted transactions

Borealis classifies its foreign exchange forward contracts and options, which are hedging a forecasted currency position, as cash flow hedges and states them at fair value. The net fair value of foreign exchange forward contracts used as hedges of firm commitments and forecasted transactions as of December 31, 2008, was EUR -13.1 million (EUR 0.8 million). EUR -13.2 million has been recorded directly to hedging reserves at year end, from which EUR 4.6 million has been recognised in other receivables and EUR -17.8 million has been recorded in other payables.

Recognised assets and liabilities

Changes in the fair value of forward exchange contracts that hedge monetary assets and liabilities in foreign currencies and the forward legs of currency swaps used in liquidity management, and for which no hedge accounting is applied, are recognised in the income statement. Both changes in the fair value of the forward contracts and the foreign exchange gains and losses relating to the monetary items are recognised as part of "net financing costs." The fair value of forward exchange contracts used as hedges of monetary assets and liabilities in foreign currencies and the forward legs of currency swaps used in liquidity management for which no hedge accounting is applied at December 31, 2008, was EUR -1.9 million (EUR -0.8 million). EUR 0.3 million was recognised in non-trade receivables and EUR -2.2 million in non-trade payables.

Hedges of net investments in foreign subsidiaries

Borealis designates certain external loans and cross currency interest rate swaps as hedges of the Group's investments in its foreign subsidiaries. The designated USD hedge loans amount to EUR 169.8 million (EUR 81 million) as of December 31, 2008. EUR/USD cross currency interest rate swaps of notional EUR 0 million (EUR 84 million) were assigned as net investment hedges as of December 31, 2008. A foreign exchange loss of EUR 4 million (gain EUR 15 million) was recognised in equity during 2008 on the translation of these USD liabilities to EUR (including currency element of fair value of cross currency interest rate swaps). During 2008 a net amount of USD 0 million (USD 0 million) and SEK 0 million (SEK 560 million) of shareholder loans to associated companies and long-term inter company loans were repaid or reclassified. These were loans that where either net investment hedges or previously deemed as part of the permanent capital structure of the subsidiaries and for which currency revaluation effects have been charged to equity, resulting in a net gain recognised to the income statement of EUR 0 million (EUR 0.1 million gain). SEK 2,781 million (SEK 0 million) was converted from a shareholder loan into share capital, for which currency revaluation effects remained charged in equity.

Sensitivity analysis

Borealis invoices most of its sales in EUR and buys most of its raw materials in USD. It is estimated that a general strengthening of one percentage point of the USD against the EUR would decrease Borealis profit before tax for the following year by approximately EUR 12 million (EUR 10 million) if currency risk is seen in isolation. However, the prevailing polyolefin market pricing mechanisms reduce the foreign exchange risk in practice.

26. Interest rate risk (EUR million)

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

Of total interest-bearing debt, approximately 17% has a fixed interest rate and 83% is based on a floating interest rate before applying interest rate swaps. Approximately 67% has a fixed interest rate and 33% is based on a floating interest rate after applying interest rate swaps. The floating interest rates are set by adding a spread to the reference rates (mainly EURIBOR and LIBOR).

As of December 31, 2008, Borealis had outstanding interest rate derivatives for a notional amount of EUR 669 million (EUR 602 million) with interest rates ranging from 2.61% to 4.87% and maturities up to 2013. Three forward starting interest rate swaps have been concluded for an amount of EUR 130 million (EUR 0 million), which will start in 2009.

Borealis does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit and loss.

Borealis classifies the majority of the applied interest rate derivatives as cash flow hedges and states them at fair value. The total net fair value of the interest rate derivatives as of December 31, 2008, was EUR -19.4 million (EUR 5.5 million), comprising liabilities of EUR -19.4 million and assets of EUR 0.0 million. These amounts were recognised in other payables and receivables.

Effective interest rate

In respect of interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date.

	2008		2007	
	Effective interest rate	**Carrying amount**	**Effective interest rate**	**Carrying amount**
EUR floating rate loans	3.6%	-729	5.0%	-272
Effect of interest rate swaps	-0.2%	0	-1.5%	0
EUR fixed rate loans	3.4%	-215	3.6%	-230
EUR financial leases	5.8%	-3	5.2%	-5
USD floating rate loans	1.3%	-170	4.9%	-81
Effect of interest rate swaps	3.0%	0	-0.7%	0
Utilised uncommitted facilities	1.7%	-35	4.5%	-94
		-1,152		**-682**

Sensitivity analysis
In managing interest rate risks, Borealis aims to reduce the impact of short-term fluctuations on Borealis earnings. Over the long-term, permanent changes in interest rates will have an impact on consolidated earnings.

As of December 31, 2008, it is estimated that a general increase of one percentage point in interest rates would decrease Borealis profit before tax for the following year by approximately EUR 1 million (EUR 1 million). Interest rate derivatives have been included in this calculation. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

27. Fair values (EUR million)

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

	2008		2007	
	Carrying amount	Fair value	Carrying amount	Fair value
Derivative financial assets for which hedge accounting is not applied				
Commodity derivative contracts for feedstock	41	41	105	105
Interest derivative contracts	0	0	1	1
Foreign exchange derivative contracts	0	0	0	0
Financial assets at fair value through profit or loss	**41**	**41**	**106**	**106**
Financial assets for which hedge accounting is applied				
Commodity derivative contracts for electricity	0	0	15	15
Interest derivative contracts	0	0	6	6
Cross currency interest rate swaps	0	0	1	1
Foreign exchange derivative contracts	5	5	1	1
Long-term receivables on associated companies	0	0	0	0
Hedging instruments	**5**	**5**	**23**	**23**
Other investments	14	14	18	18
Available for sale financial assets	**14**	**14**	**18**	**18**
Bonds	2	2	2	2
Held to maturity investments	**2**	**2**	**2**	**2**
Deposits	0	0	7	7
Trade receivables	221	221	384	384
Long-term receivables on associated companies	67	67	66	66
Loans and receivables	**288**	**288**	**457**	**457**

	2008		2007	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Derivative financial liabilities for which hedge accounting is not applied				
Commodity derivative contracts for feedstock	-26	-26	-107	-107
Interest derivative contracts	-2	-2	0	0
Foreign exchange derivative contracts	-2	-2	-1	-1
Financial liabilities at fair value through profit or loss	**-30**	**-30**	**-108**	**-108**
Financial liabilities for which hedge accounting is applied				
Commodity derivative contracts for electricity	-26	-26	0	0
Interest derivative contracts	-17	-17	-1	-1
Cross currency interest rate swaps	0	0	0	0
Foreign exchange derivative contracts	-18	-18	0	0
Long-term liabilities to associated companies	0	0	0	0
Hedging instruments	**-61**	**-61**	**-1**	**-1**
Floating rate loans and borrowings	-937	-937	-452	-452
Fixed rate loans and borrowings	-215	-219	-230	-221
Trade payables	-519	-519	-651	-651
Interest accruals	-2	-2	-2	-2
Financial liabilities	**-1,673**	**-1,677**	**-1,335**	**-1,326**
Fair value over carrying amount		**-4**		**9**

Basis for determining fair values
The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments reflected in the table above. In general, fair value has been determined either by reference to the market value on the balance sheet date or by discounting the relevant cash flows using current interest rates for similar instruments.

Derivatives: The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using market interest rate on the reporting date. The fair value of interest rate swaps is estimated by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument on the reporting date. The fair value of commodity derivative contracts is the difference between the current forward price and contractual forward price.

Non-derivative financial liabilities: In 2008, most of the long and short-term loans and borrowings are based on variable interest rates, which correspond to the current market rate of interest. Therefore we estimate that the carrying amount of these liabilities equals fair value. Fair value for fixed rate loans and borrowings is calculated based on the present value of future principal and interest cash flows discounted at the market rate of interest on the reporting date. All fair values are excluding the outstanding interest accruals at year end. The fair value of trade and other payables is estimated to equal the carrying amount.

Investments: In absence of a quoted market price for investments in other companies, the fair value is estimated to equal historic cost.

Trade and other receivables: The fair value of trade and other receivables is estimated to equal the carrying amount.

28. Transactions with related parties

EUR 1,227 million of total feedstock (EUR 935 million) is purchased from the OMV group at market price, for which an accounts payable balance of EUR 117 million (EUR 90 million) was outstanding at year end. Borealis has received a loan from its shareholders for EUR 72 million. The loan is subordinated to and contingent upon the payment in full of all other liabilities. Repayment of the principal will be made in full in 2011. Interest is based on the EURIBOR rate plus a margin. Payment of interest is contingent upon meeting certain financial ratio tests.

There were no other material transactions with related parties in 2008.

29. Subsequent events

On February 3, 2009, Borealis agreed to sell its business and operations of AMI Agrolinz Melamine International Italia S.r.l. in Castellanza, Italy, to Borgo Olona.

30. Assets and liabilities held for sale

The assets and liabilities of AMI Agrolinz Melamine International Italia S.r.l are reported as held for sale. The assets and liabilities are measured at their realisable value and include an impairment charge of EUR 12 million that was included in production costs and part of segment Base Chemicals.

31. Subsidiaries included in the consolidated accounts

Company name	Country, City	Currency	Issued share capital	Percentage of shares owned	Net asset value (EUR million)	Net profit of the year (EUR million)
Borealis AG						
• Borealis A/S	Denmark, Copenhagen	DKK	4,000,000,000	100	1,860	133
• IOB Holdings A/S	Denmark, Copenhagen	DKK	2,000,000,000	100	599	0
• Borealis Insurance A/S	Denmark, Copenhagen	EUR	7,092,000	100	45	7
• Borealis GmbH (Austria) ApS	Denmark, Copenhagen	EUR	3,500,000	100	1	1
• Borealis N.V. (Belgium) ApS	Denmark, Copenhagen	DKK	2,000,000	100	472	0
•• Borealis Financial Services N.V.	Belgium, Mechelen	EUR	99,189,000	100	121	6
•• Borealis Polymers N.V.	Belgium, Beringen	EUR	359,445,611	100	500	-6
••• Borealis Kallo N.V.	Belgium, Kallo	EUR	40,575,176	100	64	0
••• Borealis Antwerpen Compounding N.V.	Belgium, Zwijndrecht	EUR	277,054	100	1	-2
• Borealis Sverige AB	Sweden, Stenungsund	SEK	1,063,000	100	300	0
•• Borealis Holding AB	Sweden, Stenungsund	SEK	1,300,050	100	1	-2
••• Borealis group services AS	Norway, Bamble	NOK	1,000,000	100	8	3
••• Borealis AB	Sweden, Stenungsund	SEK	65,000,000	100	529	31
•••• Etenförsörjning i Stenungsund AB	Sweden, Stenungsund	SEK	5,000,000	80	-1	0
• Borealis Portugal SGPS S.A.	Portugal, Sines	EUR	50,000	100	17	1

Company name	Country, City	Currency	Issued share capital	Percentage of shares owned	Net asset value (EUR million)	Net profit of the year (EUR million)
• Borealis Polyolefine GmbH	Austria, Schwechat	EUR	46,784,000	100	189	-137
• Borealis Italia S.p.A.	Italy, Monza	EUR	13,725,600	100	12	1
• Borealis France S.A.S	France, Suressnes	EUR	207,000	100	1	0
• Borealis Polymere Holding AG	Germany, Munich	EUR	2,001,000	100	120	11
•• Borealis Polymere GmbH	Germany, Burghausen	EUR	18,406,508	100	36	-5
•• Borealis Deutschland GmbH	Germany, Dusseldorf	EUR	154,000	100	-1	0
• Borealis Compounds Inc.	US, Rockport	USD	50,000	100	13	0
•• Borealis Compounds LLC	US, Rockport	USD	2,000	100	49	7
• Borealis Polymers Oy	Finland, Porvoo	EUR	108,321,644	100	644	46
• Borealis Technology Oy	Finland, Porvoo	EUR	43,728,860	100	189	14
•• Borealis Polyethylene Oy	Finland, Porvoo	EUR	210,000,000	100	200	11
• Borealis s.r.o.*	Czech Rep., Prague	CZK	500,000	100	0	0
• Borealis Plasticos S.A. de C.V.*	Mexico, Mexico	MXN	50,000	100	0	0
• Borealis Asia Ltd	Hong Kong, Hong Kong	HKD	500,000	100	0	0
• Poliolefinas Borealis Espana S.A.	Spain, Barcelona	EUR	60,000	100	1	0
• Borealis Polska Sp z.o.o.*	Poland, Warschau	PLN	40,000	100	0	0
• Borealis Brasil S.A.	Brazil, Itatiba	BRL	94,743,513	80	33	5
• Borealis UK Ltd	UK, Manchester	GBP	15,000	100	2	0
• Borealis Funding Company Ltd	Isle of Man, Ramsey	EUR	10	100	0	0
• AMI Agrolinz Melamine International GmbH	Austria, Linz	EUR	70,000,000	100	173	82
•• Agrolinz Melamine International Deutschland GmbH	Germany, Wittenberg	EUR	500,000	100	18	4
•• A.M.I. Finserv Ltd.	Isle of Man, Douglas	EUR	3,000	100	0	0
•• Agrolinz Melamine International Italia S.r.l.	Italy, Castellanza	EUR	10,500,000	100	11	-19
•• Agrolinz Melamine International North America Inc.*	US, Chicago	USD	100,000	100	0	0
•• Agrolinz Melamine International Asia Pacific Pte.Ltd.*	Singapore, Singapore	SGD	100,000	100	0	0
•• LINZER AGRO TRADE GmbH	Austria, Linz	EUR	35,000	100	12	5
••• LINZER AGRO TRADE Hungary Kft.	Hungary, Budapest	HUF	500,000,000	100	5	13
••• LINZER AGRO TRADE Czech Republic spol. s.r.o.*	Czech Rep., Budweis	CZK	2,000,000	100	0	0
••• LINZER AGRO TRADE Slovakia s.r.o.*	Slovakia, Chotin	EUR	446,000	100	1	0
••• LINZER AGRO TRADE ROMANIA S.R.L.*	Romania, Bucharest	RON	1,637,000	100	0	0
••• LINZER AGRO TRADE d.o.o.*	Serbia, Belgrado	RSD	433,000	100	1	0
••• LINZER AGRO TRADE d.o.o. za trgovinu*	Croatia, Klisa	HRK	21,000	100	0	0

* Excluded from the consolidation due to immateriality

32. Management and Supervisory Board

Management: Mark Garrett, Daniel Shook, Henry Sperle, Herbert Willerth, Lorenzo Delorenzi.
Supervisory Board: Gerhard Roiss, Khadem A. Al-Qubaisi, David C. Davies, Mohammed A. Al-Azdi, Mohamed H. Al Mehairi.

Vienna, February 24, 2009

Management

Mark Garrett
Chief Executive

Daniel Shook
Chief Financial Officer

Lorenzo Delorenzi

Henry Sperle

Herbert Willerth

Notes

Notes

Contact us

Open dialogue with our stakeholders is the only way we can continue to provide cutting-edge solutions to everyday problems. If you would like to learn more about Borealis, contact us at info@borealisgroup.com or visit www.borealisgroup.com.

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