



BOROUGE PLC Q1 2025

# Management Discussion & Analysis

## Table of Contents

1. Summary of Operational & Financial Performance
2. Operational Review
3. Revenue & Pricing
4. Costs
5. Cash Generation
6. Current Trading & Outlook
7. Management Q1 2025 Earnings Call

## 1. Summary of Operational and Financial Performance

Borouge reported first-quarter revenue of \$1,420 million, representing a year-on-year increase of 9 percent supported primarily by strong sales volumes. Overall sales volumes are up by 10 percent on a year-on-year basis, whereas sales volumes for Polyethylene (PE) and Polypropylene (PP) were up by 8 percent and 13 percent, respectively, versus the same period last year. The company continues to maintain high utilisation rates in the quarter of 101 percent for PE and 98 percent for PP.

On a quarter-on-quarter basis, overall sales volumes are down by 15 percent in the first quarter. Sales volumes for PE and PP are down by 10 percent and 21 percent, respectively, largely due to seasonality factors (driven by Chinese New Year and Ramadan in March). Average selling prices for PE and PP improved by 2 percent, respectively, versus the previous quarter.

Borouge achieved a premium above the benchmark price of \$224 per tonne for PE and \$154 per tonne for PP during the first quarter. Premium above benchmark for PE is up 26 percent while premium for PP improved by 10 percent, respectively, versus the previous quarter. On a year-on-year basis, premium above benchmark for PE is up by 1 percent and premium for PP is down by 5 percent.

The company reported an adjusted EBITDA of \$564 million, down 5 percent on a year-on-year basis and EBITDA margin of 40 percent in the first quarter. Total operating costs (excluding depreciation & amortisation) in the first quarter decreased by 11 percent on a quarter-on-quarter basis and are up by 13 percent on a year-on-year basis, driven by lower volumes during the quarter. The company maintained a high cash conversion of 93 percent during the quarter.

Net Debt stood at \$2,348 million as of 31 March 2025.

|  | Q1<br>2025                 | Q1<br>2024                 | YoY<br>(%)   | Q4<br>2024                 | QoQ<br>(%)  |
|--|----------------------------|----------------------------|--------------|----------------------------|-------------|
| <b>Revenue</b>                           | <b>\$m</b><br><b>1,420</b> | <b>\$m</b><br><b>1,302</b> | <b>9%</b>    | <b>\$m</b><br><b>1,621</b> | <b>-12%</b> |
| Cost of Sales                            | (712)                      | (594)                      | 20%          | (837)                      | -15%        |
| <b>Gross Profit</b>                      | <b>574</b>                 | <b>572</b>                 | <b>0.3%</b>  | <b>649</b>                 | <b>-12%</b> |
| General & Administrative Expenses        | (61)                       | (51)                       | 18%          | (32)                       | 87%         |
| Selling & Distribution Expenses          | (90)                       | (96)                       | -6%          | (145)                      | -38%        |
| Other Income & Expenses                  | 6                          | 4                          | 46%          | 37                         | -84%        |
| <b>Operating Profit</b>                  | <b>430</b>                 | <b>429</b>                 | <b>0.1%</b>  | <b>510</b>                 | <b>-16%</b> |
| <b>Profit for the Period</b>             | <b>281</b>                 | <b>273</b>                 | <b>3%</b>    | <b>331</b>                 | <b>-15%</b> |
| Profit Margin (%)                        | 20%                        | 21%                        | 34%          | 20%                        | 0%          |
| <b>Total Comprehensive Income</b>        | <b>277</b>                 | <b>277</b>                 | <b>0.2%</b>  | <b>335</b>                 | <b>-17%</b> |
| <b>EBITDA</b>                            | <b>564</b>                 | <b>566</b>                 | <b>-0.4%</b> | <b>650</b>                 | <b>-13%</b> |
| <b>Adjusted EBITDA</b>                   | <b>564</b>                 | <b>567</b>                 | <b>-0.6%</b> | <b>650</b>                 | <b>-13%</b> |
| <b>Adjusted EBITDA Margin (%)</b>        | 40%                        | 44%                        | -9%          | 40%                        | -1%         |
| <b>Basic Earnings per Share (US\$)</b>   | 0.01                       | 0.01                       |              | 0.01                       |             |
| <b>Diluted Earnings per Share (US\$)</b> | 0.01                       | 0.01                       |              | 0.01                       |             |
| <b>Net Debt</b>                          | <b>2,348</b>               | <b>2,423</b>               | <b>-3%</b>   | <b>2,691</b>               | <b>-13%</b> |

(1) Adjusted EBITDA is calculated as EBITDA plus adjustments on foreign exchange gain or loss and impairment loss on property, plant and equipment

|                                     | Q1 2025      | Q1 2024      | YoY (%)    | Q4 2024      | QoQ (%)     |
|-------------------------------------|--------------|--------------|------------|--------------|-------------|
| <b>Total Sales Volume (kt)</b>      | <b>1,252</b> | <b>1,135</b> | <b>10%</b> | <b>1,467</b> | <b>-15%</b> |
| Polyethylene                        | 740          | 688          | 8%         | 823          | -10%        |
| Polypropylene                       | 506          | 447          | 13%        | 640          | -21%        |
| Ethylene & Others                   | 7            | 0            | -          | 4            | 64%         |
| <b>Average Selling Price (\$/t)</b> | <b>1,068</b> | <b>1,095</b> | <b>-2%</b> | <b>1,045</b> | <b>2%</b>   |
| Polyethylene                        | 1,079        | 1,122        | -4%        | 1,059        | 2%          |
| Polypropylene                       | 1,050        | 1,051        | 0%         | 1,025        | 2%          |
| <b>Product Premia (\$/t)</b>        |              |              |            |              |             |
| Polyethylene                        | 224          | 222          | 1%         | 178          | 26%         |
| Polypropylene                       | 154          | 162          | -5%        | 140          | 10%         |

## 2. Operational Review

Borouge continued to maintain a high asset utilisation rate of 98 percent in the first quarter and delivered the highest-ever monthly production in March.

During the first quarter, utilisation rates were 101 percent for PE and 98 percent for PP, respectively.

The Olefin Conversion Unit (OCU) was maintained at a high-capacity utilization rate. Ethylene is typically prioritised for use in maximising PE production with the additional quantities are sent to the OCU. Any excess ethylene can be sold in the market.

|                                 | Q1 2025      | Q1 2024      | YoY (%) | Q4 2024      | QoQ (%) |
|---------------------------------|--------------|--------------|---------|--------------|---------|
| <b>Production Capacity (kt)</b> | <b>1,242</b> | <b>1,242</b> |         | <b>1,255</b> |         |
| Polyethylene                    | 686          | 686          |         | 693          |         |
| Polypropylene                   | 556          | 556          |         | 562          |         |
| <b>Utilisation Rate</b>         |              |              |         |              |         |
| Polyethylene                    | 101%         | 105%         |         | 113%         |         |
| Polypropylene                   | 98%          | 80%          |         | 98%          |         |

Borouge 3 planned turnaround will take place in second quarter of 2025 and will have an estimated impact of 320kt.

Our planned operational maintenance turnarounds are a key part of Borouge's regular asset management which keep the Company's world-class asset base well-maintained and support high utilisation rates, industry-leading asset reliability, and efficient, and safe operations.

Borouge maintains an unwavering focus on achieving the highest standards of health, safety and environmental performance.

### 3. Revenue and Pricing

|                                     | Q1 2025      | Q1 2024      | YoY (%)    | Q4 2024      | QoQ (%)     |
|-------------------------------------|--------------|--------------|------------|--------------|-------------|
| <b>Sales Volume by Product</b>      | <b>1,252</b> | <b>1,135</b> | <b>10%</b> | <b>1,467</b> | <b>-15%</b> |
| Polyethylene                        | 740          | 688          | 8%         | 823          | -10%        |
| Polypropylene                       | 506          | 447          | 13%        | 640          | -21%        |
| Ethylene & Others                   | 7            | 0            | -          | 4            | 64%         |
| <b>Polyethylene (US\$/t)</b>        |              |              |            |              |             |
| Average Sales Prices <sup>(2)</sup> | 1,079        | 1,122        | -4%        | 1,059        | 2%          |
| Premia <sup>(3)</sup>               | 224          | 222          | 1%         | 178          | 26%         |
| Benchmark <sup>(1)</sup>            | 855          | 901          | -5%        | 881          | -3%         |
| <b>Polypropylene (US\$/t)</b>       |              |              |            |              |             |
| Average Sales Prices <sup>(2)</sup> | 1,050        | 1,051        | 0%         | 1,025        | 2%          |
| Premia <sup>(3)</sup>               | 154          | 162          | -5%        | 140          | 10%         |
| Benchmark <sup>(1)</sup>            | 896          | 889          | 1%         | 885          | 1%          |

|                           | Q1 2025      | Q1 2024      | YoY (%)   | Q4 2024      | QoQ (%)     |
|---------------------------|--------------|--------------|-----------|--------------|-------------|
|                           | \$m          | \$m          |           | \$m          |             |
| <b>Revenue by Product</b> |              |              |           |              |             |
| Polyethylene              | 859          | 810          | 6%        | 933          | -8%         |
| Polypropylene             | 546          | 483          | 13%       | 676          | -19%        |
| Ethylene & Others         | 14           | 9            | 51%       | 13           | 13%         |
| <b>Total Revenues</b>     | <b>1,420</b> | <b>1,302</b> | <b>9%</b> | <b>1,621</b> | <b>-12%</b> |

(1) Benchmark prices represent HDPE Blow Molding NEA CFR for polyethylene and Raffia NEA CFR for polypropylene (as per CMA).

(2) Average sales prices are equal to revenue over sales volumes (including commissions).

(3) Premia is equal to the difference between average sales prices and the benchmark prices.

During the quarter, total sales volumes are up by 10 percent on a year-on-year basis and down by 15 percent versus the previous quarter. Quarterly sales volumes from Polyethylene (PE) and Polypropylene (PP) are down by 10 percent and 21 percent respectively versus the previous quarter due to seasonal fluctuations. Sales volumes from infrastructure solutions contributed 38 percent to total sales volumes. The Asia Pacific continues to be the region with highest sales with 59 percent of total sales volumes followed by Middle East and Africa at 31 percent. This is driven by company's strategic focus on differentiated, durable products, geographic optimization, and agility in navigating market challenges.

Borouge achieved a premia over benchmark of \$224 per tonne for PE and \$154 per tonne for PP. Both are above the management's through-the-cycle guidance of \$200 per tonne for PE and in-line with \$140 per tonne for PP.

In the first quarter, blended average prices were down 2 percent compared to the previous year and up by 2 percent on a quarter-on-quarter basis. Average selling prices for PE declined by 4 percent versus the previous year and remained flat on a quarter-on-quarter basis. Average selling prices for PP maintained the same level on year-on-year basis and improved by 3 percent on quarter-on-quarter

basis. Product benchmarks for PE decreased by 5 percent and 3 percent respectively on year-on-year and quarterly basis while benchmark prices for PE and PP remained flat. Premium above benchmark for PE and PP improved significantly by 26 percent and 10 percent, respectively, versus the previous quarter.

Borouge's commercial excellence, has been consistently reflected in the company's strong financial performance.

**Segmental revenue breakdown (includes polyolefins and olefins)**

|                                   | Q1 2025 | Q1 2024 | YoY (%) | Q4 2024 | QoQ (%) |
|-----------------------------------|---------|---------|---------|---------|---------|
| <b>By Product Group</b>           |         |         |         |         |         |
| Polyethylene                      | 60%     | 62%     |         | 58%     |         |
| Polypropylene                     | 38%     | 37%     |         | 42%     |         |
| Ethylene & Others                 | 1%      | 1%      |         | 1%      |         |
| <b>By End Market</b>              |         |         |         |         |         |
| Consumer Solutions <sup>(1)</sup> | 55%     | 49%     |         | 55%     |         |
| Infrastructure Solutions          | 41%     | 47%     |         | 42%     |         |
| Other <sup>(2)</sup>              | 3%      | 3%      |         | 3%      |         |
| <b>By Geography</b>               |         |         |         |         |         |
| Asia Pacific                      | 59%     | 57%     |         | 62%     |         |
| Middle East & Africa              | 31%     | 38%     |         | 30%     |         |
| Rest of World                     | 9%      | 4%      |         | 7%      |         |
| Ethylene & Others                 | 1%      | 1%      |         | 1%      |         |

(1) Consumer Solutions includes sales to the agriculture sector.

(2) "Other" in "By End Markets" includes mobility and healthcare sectors and ethylene and other products.

**Segmental volume breakdown (includes polyolefins and olefins)**

|                                   | Q1 2025 | Q1 2024 | YoY (%) | Q4 2024 | QoQ (%) |
|-----------------------------------|---------|---------|---------|---------|---------|
| <b>By Product Group</b>           |         |         |         |         |         |
| Polyethylene                      | 59%     | 61%     |         | 56%     |         |
| Polypropylene                     | 40%     | 39%     |         | 44%     |         |
| Ethylene & Others                 | 1%      | 0%      |         | 0%      |         |
| <b>By End Market</b>              |         |         |         |         |         |
| Consumer Solutions <sup>(1)</sup> | 59%     | 53%     |         | 59%     |         |
| Infrastructure Solutions          | 38%     | 45%     |         | 39%     |         |
| Other <sup>(2)</sup>              | 3%      | 2%      |         | 3%      |         |
| <b>By Geography</b>               |         |         |         |         |         |
| Asia Pacific                      | 59%     | 58%     |         | 63%     |         |
| Middle East & Africa              | 31%     | 39%     |         | 30%     |         |

|                   |    |    |    |  |
|-------------------|----|----|----|--|
| Rest of World     | 9% | 4% | 7% |  |
| Ethylene & Others | 1% | 0% | 0% |  |

(1) Consumer Solutions includes sales to the agriculture sector.

(2) "Other" in "By End Markets" includes mobility and healthcare sectors and ethylene and other products.

#### 4. Costs

|   | Q1 2025      | Q1 2024      | YoY (%)   | Q4 2024      | QoQ (%)     |
|---|--------------|--------------|-----------|--------------|-------------|
|   | \$m          | \$m          |           | \$m          |             |
| <b>Revenue</b>                                | <b>1,420</b> | <b>1,302</b> | <b>9%</b> | <b>1,621</b> | <b>-12%</b> |
| Cost of Sales (excl. D&A)                     | (712)        | (594)        | 20%       | (837)        | -15%        |
| ...Feedback Costs                             | (343)        | (252)        | 36%       | (338)        | 1%          |
| ...Other Variable & Fixed Production Costs    | (370)        | (343)        | 8%        | (499)        | -26%        |
| ... <i>as % of revenue</i>                    | 50%          | 46%          |           | 52%          |             |
| General & Administrative Expenses (excl. D&A) | (59)         | (50)         | 19%       | (27)         | 117%        |
| ... <i>as % of revenue</i>                    | 4%           | 4%           |           | 2%           |             |
| Selling & Distribution Expenses               | (90)         | (96)         | -6%       | (145)        | -38%        |
| ... <i>as % of revenue</i>                    | 6%           | 7%           |           | 9%           |             |
| Other Income & Expenses                       | 6            | 4            | 46%       | 37           | -84%        |
| Depreciation & Amortisation                   | (135)        | (137)        | -2%       | (140)        | -4%         |
| <b>Operating Profit</b>                       | <b>430</b>   | <b>429</b>   | <b>0%</b> | <b>510</b>   | <b>-16%</b> |
| ... <i>as % of revenue</i>                    | 30%          | 33%          | 0%        | 31%          | 0%          |

During the first quarter, overall operating costs (excluding depreciation & amortisation) increased 13 percent on a year-on-year basis driven by higher volumes as compared to Q1 2024.

Cost of sales (excluding depreciation and amortisation) decreased by 15 percent compared to the previous quarter. This decrease was supported by a 26 percent decline in other variable and fixed costs for the period.

General and administrative expenses are up both year-on-year and on a quarterly basis by 19 percent and 117 percent respectively due to one-off adjustments. Selling and distribution expense decreased on a quarter-on-quarter basis by 38 percent.

The overall cost base remained well positioned, reflecting the Company's focus on strategic cost management and sustained efficiencies following the completion of the Value Enhancement Program in 2023, that delivered \$607 million through revenue optimisation and cost reductions.

## 5. Cash Generation

|   | Q1<br>2025               | Q1<br>2024               | YoY<br>(%) | Q4<br>2024               | QoQ<br>(%)  |
|---|--------------------------|--------------------------|------------|--------------------------|-------------|
| <b>Profit for the Period</b>                            | <b>\$m</b><br><b>281</b> | <b>\$m</b><br><b>273</b> | <b>3%</b>  | <b>\$m</b><br><b>331</b> | <b>-15%</b> |
| Income Tax Expense                                      | 113                      | 113                      | 0.5%       | 137                      | -18%        |
| Net Finance Cost  | 35                       | 44                       | -21%       | 42                       | -17%        |
| Realised Gain/Loss                                      | 0.7                      |                          | -          |                          | -           |
| Unrealised gain/Loss                                    | 0.04                     |                          | -          |                          | -           |
| Depreciation of PPE                                     | 128                      | 130                      | -2%        | 133                      | -3%         |
| Depreciation of Right-of-Use Assets                     | 0.9                      | 1.2                      | -27%       | 1.1                      | -18%        |
| Amortisation of Intangible Assets                       | 6                        | 5                        | 5%         | 6                        | -9%         |
| Impairment Loss on PPE                                  | -                        | 0.6                      | -100%      | 0.2                      | -100%       |
| <b>Adjusted EBITDA <sup>(1)</sup></b>                   | <b>564</b>               | <b>567</b>               | <b>0%</b>  | <b>650</b>               | <b>-13%</b> |
| <b>EBITDA</b>   | <b>564</b>               | <b>566</b>               | <b>0%</b>  | <b>650</b>               | <b>-13%</b> |
| Capital Expenditure <sup>(2)</sup>                      | 41                       | 15                       | 169%       | 78                       | -48%        |
| <b>Adjusted Operating Free Cash Flow <sup>(3)</sup></b> | <b>523</b>               | <b>552</b>               | <b>-5%</b> | <b>572</b>               | <b>-9%</b>  |
| <b>Cash Conversion (%)</b>                              | <b>93%</b>               | <b>97%</b>               |            | <b>88%</b>               |             |

(1) Adjusted EBITDA is calculated as EBITDA plus adjustments on foreign exchange gain or loss and impairment loss on property, plant and equipment.

(2) Capital expenditure is calculated as additions to property, plant and equipment for the period.

(3) Adjusted Operating Free Cash Flow is calculated as Adjusted EBITDA less capital expenditure.

Adjusted EBITDA for the first quarter decreased by 1 percent on a year-on-year basis to \$564 million, representing an industry leading margin of 40 percent. Adjusted operating free cash flow of \$523 million represented a decrease of 9 percent versus the same quarter last year. Strong cash conversion in the first quarter with 93 percent.

## 6. Current Trading & Outlook

Expectations of a stable macro environment in Borouge core markets with stable to positive outlook for our core markets. The company is well positioned for flexible regional allocation to support our customers in countries affected by tariffs.

Borouge remains committed to our focus on innovation and strives to generate at least 20 percent of annual sales volumes from new products. Management reiterates its over-the-cycle premia guidance of \$200 per tonne for PE and \$140 per tonne for PP.

For FY2025, management intends to pay a dividend of 16.2 fils per share.

Upon completion of the recently announced transactions, Borouge Group International intends to offer a highly attractive estimated total dividend of \$2.2 billion per year, equivalent to a minimum of 16.2 fils per share annually, for the period from 2026 to 2030. Borouge Group International transactions are expected to close in Q1 2026.

**Borouge management guidance summarised below:**

| Metric   | Management Guidance   |
|--|---|
| <b>Planned Turnaround of Borouge 3 (Q2 2025)</b>               | <ul style="list-style-type: none"> <li>Production volume impact in Q2 2025 of 320,000 tonnes</li> </ul>   |
| <b>Through-the-cycle product premia guidance<sup>(1)</sup></b> | <ul style="list-style-type: none"> <li><b>Polyethylene:</b> \$200 / tonne premia</li> <li><b>Polypropylene:</b> \$140 / tonne premia</li> </ul> |
| <b>FY 2025 Dividend</b>  | <ul style="list-style-type: none"> <li>16.2 fils per share</li> </ul>   |

(1) Premia is equal to the difference between average sales prices and the benchmark prices.

## 7. Management Q1 2025 Earnings Call

Borouge management will host its Q1 2025 earnings call on 30<sup>th</sup> April 2025 at 12:00 pm UAE time. Webcast and call access details are provided below.

### Webcast Link:

<https://webcast.openbriefing.com/borouge-q125/>

### Conference Call Dial-in Details:

Operator Assisted Dial-In:

United Arab Emirates (Toll-Free): +971 800 0357 04553

United Kingdom (Local): +44 20 3936 2999

United Kingdom (Toll-Free): +44 800 358 1035

United States (Local): +1 646 664 1960

United States (Toll-Free): +1 855 9796 654

### Global Dial-In Numbers

**Access Code: 914216**