

BOROUGE REPORTS 22% Q3 2023 NET PROFIT INCREASE

Strong production performance, high sales volumes, targeted cost management and revenue optimisation from Value Enhancement Programme help Borouge mitigate impact of challenging global market conditions

Company reports Q3 2023 net profit of \$282 million (AED1.04 billion) and strong margins, demonstrating business resilience versus industry peers

As the Value Enhancement Programme surpasses target and delivers \$420 million positive impact in first nine months of 2023, Borouge further raises the programme's target to \$500 million

ABU DHABI, UAE – 30 October 2023: Borouge Plc, a leading petrochemicals company that provides innovative and differentiated polyolefins solutions, has delivered robust third-quarter performance, reporting a net profit of \$282 million (AED1.04 billion) for the quarter ended September 30, marking a 22% increase over the previous quarter.

Strong production performance, targeted cost management and revenue optimisation from its ambitious Value Enhancement Programme helped Borouge display resilience in the face of a subdued global environment and challenging polyolefins market. Borouge's Value Enhancement Programme delivered a \$420 million positive impact in the first nine months of 2023, surpassing its ambitious target of \$400 million **set for the 2023 financial year**.

Hazeem Sultan Al Suwaidi, Chief Executive Officer of Borouge, commented: "Borouge has delivered robust operating and financial performance this quarter, leveraging the company's competitive advantages and maintaining disciplined cost management. Consequently, sales volumes have grown, and we remain committed to innovation to expand market share and maintain strong pricing premia. We are pleased to announce that we have exceeded the target of our ambitious Value Enhancement Programme and as a result, we have committed to pursuing a higher target to further mitigate the current challenging market environment. The company is proving its resilience amid tough global conditions and is well placed to deliver further growth as the market cycle turns. Borouge has distributed an interim dividend of \$650 million in the third quarter."

In line with previous market communication, the company has committed a dividend of \$1.3 billion (15.9 fils per share) for the 2023 financial year, which equates to 6.3% current dividend yield.

Highlights for the three months ended 30 September 2023: Third-quarter revenue increased 6% quarter-on-quarter, reaching \$1.5 billion, and declined 11% on a year-on-year basis. Borouge reported a net profit of \$282 million in the third quarter of 2023, increasing by 22% quarter-on-quarter, supported by a 16% increase in sales volumes. On a year-on-year basis, net profit declined by 9%. While top- and bottom-line performance in the third quarter faced market related pricing challenges, Borouge delivered a healthy adjusted EBITDA margin of 40%, up 3% compared to the previous quarter, reflecting the company's improved operational efficiencies.

Cash conversion was very strong at 97%, with a healthy adjusted operating free cash of \$573 million, up 15% quarter-on-quarter. Pressures from the general market weakness were partially offset by the positive impact of the Value Enhancement Programme, as well as by healthy sales volumes on the back of strong operational performance. High production volumes of both polyethylene (PE) and polypropylene (PP) included 38% of total sales in the value-added infrastructure segment, representing the unique positioning of Borouge's products.

Highlights for the nine months ended 30 September 2023: In the first nine months of 2023, sales volume grew by more than 2% year-on-year to 3.8 million tonnes. Revenue for the period reached \$4.3 billion, with adjusted EBITDA reaching \$1.6 billion. Net profit for the period was \$713 million, impacted by a significant year-on-year decline in average selling prices compared to their peak levels in 2022, and partially offset by healthy additional volume.

Strong operational performance and global sales & distribution network delivering high sales volumes

Borouge achieved very high production utilisation rates with PE production at 104% and PP production at 109% for during the quarter. Complemented by its state-of-the-art manufacturing facilities in Ruwais, one of the world's largest integrated polyolefin complexes, Borouge's direct customer coverage, strong brand name and strategically located market presence across its target global sales markets enabled volume optimisation. This contributed to sales volumes of 1,395 kilo tonnes in the third quarter, representing a 16% quarter-on-quarter and 4% year-on-year increase. These higher volumes partially mitigated the impact of a 14% decline in average polyolefin selling prices during the period.

Value Enhancement Programme outperforms, achieving a material \$420 million positive impact

Borouge's Value Enhancement Programme continues to successfully deliver cost efficiencies and revenue optimisation. Already exceeding its target of \$400 million, the programme has delivered a \$420 million positive impact year-to-date in 2023. The company is now pursuing a higher target of \$500 million for the Programme to mitigate the steep price decline in the current challenging market environment. The programme is one of the industry's most ambitious revenue enhancement and cost saving programmes, delivering a considerable positive impact to the bottom line in a challenging environment and positioning Borouge as a leader among its regional and international peers.

Shareholder returns supported by planned capacity growth projects and ongoing operational investments

The company continues to progress in expanding its polyethylene production capacity by 1.4 million tonnes per year with the Borouge 4 project, currently being built by Borouge's major shareholders, ADNOC and Borealis. The Borouge 3 plant and associated feedstock operations will undergo a planned maintenance shutdown in 2024, resulting in an estimated total volume impact of 500 kilo tonnes. This rigorous approach to maintenance ensures optimal reliability, contributing to the quality and operational excellence that provides a key comparative advantage for Borouge.

Focus on new product innovation supporting the sustainability agenda

The company continues to advance its sustainability agenda with a core focus on innovation and partnerships aimed at promoting the circular economy. In the third quarter, at ADIPEC, Borouge signed an agreement with Tadweer (Abu Dhabi Waste Management) to explore recycling opportunities in Abu Dhabi, with a focus on implementing best practices in polymer sorting and mechanical recycling. Borouge is also advancing its sustainability agenda and efforts to driving decarbonisation by launching initiatives to leverage its innovation capabilities to empower electrification through its solutions, including in the fast-growing sectors of wind and solar energy, electric vehicles and energy storage.

Outlook

The overall polyolefins market remains challenging, with pricing expected to operate within a narrow band of volatility throughout the fourth quarter of 2023. Borouge remains well-positioned to deliver product premia versus benchmarks through-the-cycle given the company's competitive and cost-advantaged feedstock position, economies of scale through one of the world's largest integrated polyolefins complexes, superior Borealis Borstar® proprietary technology and the company's leading position in key growing and sustainable market segments.

Borouge's management expects to deliver further gains from the Value Enhancement Programme in the fourth quarter of 2023.

Financial highlights

USD millions	Q3 2023	Q3 2022	YoY % Change	Q2 2023	QoQ % Change	9M 2023	9M 2022	YoY % Change
Sales Volume (kt) ⁽¹⁾	1,395	1,341	4%	1,206	16%	3,758	3,669	2%
Revenue	1,496	1,674	(11)%	1,416	6%	4,294	5,134	(16)%
Adj. EBITDA ⁽²⁾	592	593	-	518	14%	1,571	2,105	(25)%
Net Profit	282	308	(9)%	231	22%	713	1,161	(39)%
Adj. Operating FCF ⁽³⁾	573	564	2%	496	15%	1,446	1,992	(27)%

(1) PE, PP and ethylene sales (including Borealis volumes).

(2) Adj. EBITDA defined as EBITDA plus adjustments on foreign exchange gain or loss and impairment loss on Property, Plant and Equipment.

(3) Adj. Operating FCF defined as Adjusted EBITDA less capital expenditure.

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About Borouge Plc

Borouge Plc, listed on the Abu Dhabi Securities Exchange (ADX symbol: BOROUGE / ISIN AEE01072B225), is a leading petrochemicals company that provides innovative and differentiated polyolefin solutions for the infrastructure, energy, mobility, healthcare, agriculture and advanced packaging industries. Borouge employs more than 3,100 people and serves customers in over 86 countries across Asia, the Middle East and Africa.

Founded in 1998 through a strategic partnership between ADNOC and Borealis, Borouge was formed to build and operate a polyolefins complex in Al Ruwais Industrial City, United Arab Emirates, which today is one of the world's largest integrated polyolefin complexes. ADNOC owns a majority 54% stake and Borealis holds a 36% stake in Borouge.

To find out more, visit: borouge.com

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