

BOROUGE Q1 2025 EARNINGS CALL TRANSCRIPT

BOROUGE PARTICIPANTS

Samar Khan – Head of Investor Relations

Hazeem Al Suwaidi – Chief Executive Officer

Roland Janssen – Chief Marketing Officer

Dr Hasan Karam – Chief Operating Officer

Jan-Martin Nufer – Chief Financial Officer

PRESENTATION

Samar Khan – *Borouge – Vice President Investor Relations*

Good afternoon to everyone and thank you for joining us today for Borouge's first quarter 2025 results call. My name is Samar Khan, Vice President of Investor Relations at Borouge.

I'm pleased to be joined today by our senior management team. Chief Executive Officer, Hazeem Sultan Al Suwaidi; Chief Marketing Officer, Roland Janssen; Chief Operating Officer, Dr Hasan Karam; and Chief Financial Officer, Jan-Martin Nufer.

We'll begin today's session with a presentation by the Management Team in respect to performance for the first quarter, as well as our outlook for the year. We'll then open the call to your questions.

As a reminder, today's presentation is available on our Investor Relations website. With that, I'd like to hand over to our CEO to present the highlights.

Hazeem Al Suwaidi – *Borouge – Chief Executive Officer*

Thank you, Samar, and thank you all for joining us today. I am pleased to share that Borouge has delivered a strong performance in the first quarter of 2025, despite the ongoing global macro uncertainty and recent volatility in the markets.

Borouge achieved a net profit of \$281 million in Q1, representing an increase of 3% on a year-on-year basis, driven by higher sales volumes, strong production, and continued cost discipline. We recorded an adjusted EBITDA of \$564 million, delivering a minimum 40% EBITDA margin consistently over the last seven quarters, as we sustain the efficiencies from the Value Enhancement Program.

We also paid the 2024 final dividend of \$650 million on 28 April, enabled by our strong cash flow generation. At our recent AGM we increased our dividend guidance for the year 2025 to 16.2 fils per share, representing an aggregate dividend of \$1.33 billion.

Looking ahead, we are excited about the proposed formation of Borouge Group International, bringing together Borouge, Borealis and Nova Chemicals into one integrated platform. This transaction is on track to close in Q1 2026, subject to regulatory and antitrust approvals, and will position the combined company for global growth, innovation, and long-term value creation.

I will speak more about this later. But first let me hand over to Roland Janssen who has taken over as Chief Marketing Officer from Rainer. Roland will provide an overview of pricing and commercial performance.

Roland Janssen – Borouge – Chief Marketing Officer

Thank you, Hazeem, and good afternoon, everyone.

To briefly introduce myself, I had the privilege of rejoining Borouge in March this year, succeeding Rainer Hoefling as Chief Marketing Officer. With over 25 years of global experience in the chemicals' industry, including 16 years with the Borealis and Borouge family, I'm honoured and deeply committed to lead the marketing organisation at such an important time.

Now let's take a look at the Business. From a pricing perspective, Quarter 1 saw some encouraging trends, despite underlying benchmark flatness. Average selling prices improved +2% quarter-on-quarter, supported by stronger pricing in February and March. We saw consistent improvement in premia.

Both metrics remain above our through-the-cycle guidance. Demonstrating the strength of our premium product mix and pricing resilience we retain in targeted applications, such as infrastructure and advanced packaging. The market remained relatively subdued, but our pricing execution was well supported by product mix optimisation and active regional management of netbacks, particularly in Asia and Middle East.

In terms of sales volumes, we delivered 1,252 kilo tonnes in Quarter 1, representing a plus 10% increase year-on-year. Compared to Quarter 4, volumes declined 15%, which aligns with typical seasonality, primarily due to Chinese New Year, and this year Ramadan, along with a higher base at Q4.

Our ability to tactically allocate volumes to the most attractive markets remained key. 59% of our sales volumes were directed to Asia Pacific, where infrastructure demand remained resilient, and 31% to the Middle East, which continues to offer strong logistics and pricing advantages. We also continued to prioritise high-value applications, with over 38% of our volumes in Quarter 1 coming from value-added Energy and Infrastructure.

Overall, we are seeing strong customer retention and continued preference for Borouge's differentiated solutions. We are also proactively looking to support our customers in regions that have been impacted by tariffs, which we see in the near-term as an opportunity for Borouge.

With that, I'll hand over to Dr Hasan for an update on operational performance.

Hasan Karam – Borouge – Chief Operating Officer

Thank you, Roland, and good afternoon, everyone.

Operationally, Borouge delivered another quarter of strong performance and reliability. Utilisation rates remained high at 101% for PE and 98% for PP during the quarter. We produced a total of 1.3 million tonnes, up 7% year-on-year, driven by a 23% increase in PP production. Importantly, March marked our highest ever monthly production on record, which is a testament to the quality and resilience of our asset base.

I would like to emphasise the central role of our operational excellence program in maximising production volume while maintaining the highest safety standards. In relation to our ongoing maintenance planning, we are progressing on schedule with the planned Borouge 3 turnaround in Q2. This turnaround is the largest and most complex turnaround project ever undertaken in Borouge.

The key strategic objective of this mega event includes major overhauling of all B3 critical assets, 88 debottlenecking modifications to enhance asset performance and more than 400 tie-ins related to our growth project for Borouge 4, PE4, PE5 revamp and hydrogen extraction project. We are fully prepared to manage the with minimal commercial disruptions as we coordinate our turnarounds timing proactively to optimise our production and in full alignment with our sales and logistics teams.

With that, I'll now pass over to Jan-Martin to take you through the financial performance.

Jan-Martin Nufer – *Borouge – Chief Financial Officer*

Thank you, Hasan. Good afternoon, everyone. Turning to the financials, total revenue for Quarter 1 came in at \$1.42 billion, reflecting a 9% year-on-year increase, supported primarily by higher sales volumes. On a sequential basis, revenue declined 12%, consistent with the seasonality we've discussed and lower sales volumes relative to Q4.

Adjusted EBITDA was \$564 million, on the same level as Q1 last year. Importantly we sustain our 40% EBITDA margin, demonstrating continued pricing discipline and sustained positive benefits of our Value Enhancement Program, which structurally improved our cost base. Net income increased by 3% year-on-year to \$281 million, with our strong cost control and commercial focus helping to offset macro softness.

We continue to generate high-quality earnings and the Business remains well positioned to maintain profitability across cycles.

On to the next slide. Let me now turn to our cost performance. Cost of sales increased 20% year-on-year reflecting higher production and sales volumes. However, as a percentage of revenue, cost of sales remained relatively stable. Selling and distribution expenses were down 38% quarter-on-quarter, due to a one-off item. On a year-on-year basis, S&D was down 6%, which we view as a strong result, given the volume increase.

G&A expenses increased 19% year on year, and 87% quarter-on-quarter, largely due to timing of certain expenses. That said, our structural cost base remains lean, and we continue to look for new avenues to drive efficiencies.

On to CapEx and cash flow. On capital expenditure, we spent \$41 million in Q1, mostly related to the B3 turnaround and planned upgrades. Our overall CapEx management is very efficient, and we continue to maintain flexibility to deploy capital in a disciplined and return-focused manner. Adjusted operating free cash flow was \$523 million in Q1, translating to a very strong 93% cash conversion ratio.

Following approval at the AGM, we have successfully commenced our share buyback. This reflects our strong confidence in the compelling value of our shares, supported by tangible growth prospects.

Our net debt to EBITDA as of 31 March 2025, stood at 0.9x and we have ample liquidity to support our dividend, share buyback and future investment needs. We remain committed to preserving a strong balance sheet while enhancing shareholder returns.

With that, I'll hand back to Hazeem to walk through our outlook and strategic direction.

Hazeem Al Suwaidi – *Borouge – Chief Executive Officer*

Thank you, Jan-Martin.

Looking ahead, we remain optimistic. While macroeconomic conditions remain uncertain, the fundamentals in our core markets remain supportive, particularly in Asia and the Middle East. We expect continued resilience in infrastructure-led demand, driven by global megatrends and are actively managing our volume allocation in response to regional pricing signals and logistics costs. Our cost base remains lean, our margin profile is strong, and our high-value product strategy continues to deliver. We have increased our full year 2025 dividend guidance to 16.2 fils per share, which represents an attractive yield of over 6% at the current share price.

To conclude, Q1 2025 was a strong quarter for Borouge. Demonstrating once again the resilience of our business model and the consistency of our execution.

Since its IPO, Borouge has distributed \$3.6 billion in dividends, offering one of the highest dividend yields on the ADX. Further, we have successfully commenced a share buyback on 8 April, demonstrating our strong confidence in the value of our Business, our tangible growth agenda and our proactive approach to shareholder returns.

With the creation of Borouge Group International, shareholders are expected to benefit from significant earnings growth and an attractive new dividends policy. ADNOC and OMV, the main shareholders in Borouge Group International, have announced their intention to offer a minimum of 16.2 fils per share, annually from 2026 to 2030.

I would like to reiterate that BGI brings not only global scale but also enhances our cost advantage through integrated access to global feedstock and creating a globally efficient platform, allowing us to achieve the best netbacks. Our product leadership, expanding beyond infrastructure into automotive, energy, and sustainable packaging. Our technology and R&D depth, through proprietary technology and innovation across all three companies and our sustainability impact, through global ESG leadership and circularity platforms.

The combined entity will have a through-the-cycle EBITDA of \$7 billion, which represents substantial growth coming from near-term completed projects, efficiency programs, de-risked synergies of at least \$500 million per annum and market normalisation. We remain focused on delivering this transition smoothly and continuing to execute at the highest level along the way, as you can see from our strong performance this quarter.

Thank you, and we welcome your questions.

Q&A SESSION

Operator:

To ask a question, please press star, followed by one on your telephone keypad now. If you change your mind, please press star followed by two. When preparing to ask your question, please ensure that your device is unmuted locally.

Our first question comes from the line of Ricardo Rezende of Morgan Stanley. Please go ahead.

Ricardo Rezende - Morgan Stanley - Analyst

Hi, good afternoon, thanks for taking my question. Just going back on one of the points you mentioned on the resilience of your demand, would you say that given your product exposure in the segments that you are more selling to you would be a bit more isolated from any potential impacts of tariffs on pet chems?

Then the second question is on the CapEx. As we have the turnaround on the second quarter, would you mind commenting on how should we think about the CapEx breakdown for the year and how much would the second quarter represent on total CapEx for the year? Thank you.

Hazeem Al Suwaidi – Borouge – Chief Executive Officer

Thank you for the question. Roland, do you want to - I think the first part, if I got it correct was on the product mix we have. Then the second half of that question is on the impact on tariffs. Right, Roland.

Roland Janssen – Borouge – Chief Marketing Officer

Yes, so thank you for the question. So, regarding the product mix, so we have a very robust mix, which is very resilient in the market and let's say less exposed to the fluctuations.

When it comes to the, as I say, the tariff situation, I mean we are monitoring those developments across the world very closely. We continue to support our customers around the world and as you know, this situation is evolving very rapidly. So, we're very close on to that. We, ourselves, have very minimal sales into the United States, so we are not that much exposed as a company.

While we saw some impact from the situation, we also see actually opportunities coming our way that are created as a result of this - let's say the tariffs. Despite any short-term market changes - and I believe this is important - we remain focused on the long-term picture, which we believe continues to be very robust. We continue to position ourselves for the long-term growth and are optimistic about the long term fundamental demands in the polyolefin market.

Hazeem Al Suwaidi – *Borouge – Chief Executive Officer*

Perhaps Dr Hasan can answer or maybe give updated, Dr Hasan on how the progress we make on the turnaround. Then Jan-Martin can also complement it with the CapEx execution. Go ahead, Dr Hasan.

Hasan Karam – *Borouge – Chief Operating Officer*

Thank you, Hazeem. First of all, we did a great sort of preparation ahead of time in order to have sort of the readiness toward a turnaround. So far with a great collaboration with the contractors, we are progressing in an advanced stage. We were comfortable that will be on the plan with the turnaround.

Jan-Martin Nufer – *Borouge – Chief Financial Officer*

Yes, Ricardo, thanks for the question on the CapEx. Let me also reiterate on that one. So, first of all the CapEx execution is going very well and according to plan. As I said in our last call, with the turnaround year we're going to be above the guidance that we have been giving in terms of the CapEx for the normal periods.

So, expect that to accelerate now for the rest of the year. But as said by Dr Hasan, we're well on track with the execution.

Ricardo Rezende - Morgan Stanley – Analyst:

Thank you.

Operator:

We have a question coming from the line of Afaq Nathani of International Securities. Please go ahead.

Afaq Nathani - International Securities - Analyst:

Good afternoon, thank you for taking my question. Just a couple of things from my side, please. Firstly, on the general and admin. I noticed something mentioned about the one-off and I just wanted to understand nature and magnitude of this, if you could, please.

Secondly, impressive product premiums in the first quarter. But just wondering how the overall market has been impacted following the tariffs and the lower oil prices. Also, if you could give some colour on how we should expect the ethane prices to change for you, following the sharp decline in oil prices recently. Thank you.

Hazeem Al Suwaidi – *Borouge – Chief Executive Officer*

Sorry, could you repeat the first question?

Afaq Nathani - International Securities - Analyst:

Yes, so the first was just on the general and admin expenses. You mentioned there was some one-time adjustment and I just was wondering what was the magnitude of this one and the nature of the adjustment?

Jan-Martin Nufer – *Borouge – Chief Financial Officer*

Okay, let me try to take that. It was acoustically hard to understand. But let me give it a shot. So, first of all, I think the one-off item that we have been mentioning was on S&D expenses, right. Where we have a one-off - effective one-off positive effect about an incentive payment, yes.

On the G&A side, the increase that we have been seeing were mainly related to service cost and personal cost.

Afaq Nathani - International Securities - Analyst:

Okay, all right. Just for the second question, please.

Hazeem Al Suwaidi – *Borouge – Chief Executive Officer*

Yes, go ahead Roland.

Roland Janssen – *Borouge – Chief Marketing Officer*

Yes, so for the second question. If I understand it correctly, so we see, of course at the moment with the oil price coming down, we see the market following in that direction. But if I look at our portfolio, again we are very resilient and we are operating in segments that are, from a pricing perspective, more resilient.

It allows us also to focus on the higher value or higher pricing type of applications. So, we continue to see a robust performance, both in terms of pricing and in terms of volumes. I hope that answers your question.

Afaq Nathani - International Securities - Analyst:

Yes, and if you could give some colour on how we should expect the ethane prices to change. Because it gets difficult for analysts to have some visibility on that. Given the decline in oil prices, should we expect the cost side of things to materially come down as well?

Jan-Martin Nufer – *Borouge – Chief Financial Officer*

So, did we understand the question correct that you have been investigating around the ethane price impact?

Afaq Nathani - International Securities - Analyst:

Yes, that's correct.

Jan-Martin Nufer – *Borouge – Chief Financial Officer*

Okay, so let me answer on the ethylene. So, we have, as you know, a long-term contract with ADNOC on the feedstock provision. There is no change in the ethylene price, expect for the price reset that we have been communicating at the IPO that will come into place end of 2027. But there is no change to the ethane price otherwise.

Afaq Nathani - International Securities - Analyst:

Understood, thank you.

Operator:

We have a question from Alex Comer of JP Morgan. Please go ahead.

Alex Comer - JP Morgan - Analyst:

So a couple of quick questions from my side. Firstly, in terms of the tariffs and what looks like a potential lock out from the Chinese market of US exports. Would you be in a position to benefit from higher premia in that situation for your sort of speciality products?

So, in other words, do you think your premia are likely to go up over the next couple of quarters? That's the first question.

Then, look, just in terms of the buyback and the dividends. It seems to be that the buyback's probably going to be, I don't know, maybe \$400 million. You've got \$1.3 billion dividend last year, \$1.3 billion this year and then you're going to \$2.2 billion. So that means that you're paying out about \$5.2 billion. Then you're going to ask for most of it back with \$4.7 billion, I think, equity issue.

So, first of all, kind of what's the thinking there? Then when I look at this number for \$2.2 billion of the new dividend going forward, assuming that the 16.2 fils payout is locked as well, that seems to imply a very significant discount to any rights issue you do. So just maybe you could just talk me through the thinking and the maths on that. Thank you.

Roland Janssen – *Borouge – Chief Marketing Officer*

So, first of all, thank you for the questions and I will try to address the first question. So, to be very short, the answer is yes. You were asking for opportunities, particularly in China. I just want to come back to the comment I made earlier on that we are monitoring these developments on a very daily basis, or hourly basis, almost. That's how fast it changes.

Of course, what we see is - and I'll give you an example here. If shipments from the US into China are impacted by tariffs, that creates an immediate opportunity for Borouge to basically take over a position and help our customers in those kind of situations. So, that is a specific example, that we see with the tariffs coming up.

Jan-Martin Nufer – *Borouge – Chief Financial Officer*

So, let me take the question on the share buyback. Or do you have another question on the tariff to follow up?

Alex Comer - JP Morgan - Analyst:

No, that's fine.

Jan-Martin Nufer – *Borouge – Chief Financial Officer*

Okay very good. So, on the share buyback. Look, I think the general trajectory is very clear. We have a clear view on the value of the shares. Which here we see an opportunity, 2.5% is the total that we have been communicating.

It's reflecting, clearly, our confidence in the long-term growth prospects. We think that this is underpinning our delivery of superior returns to the shareholders. So, we think it's the right time to do so. The share buyback so far has been very successfully executed. Obviously, we reserve the right to look at the magnitude. What we're doing, 2.5% is the maximum that we have been communicating.

On the dividend proposal, you rightfully pointed out the 16.2 fils as an increased dividend. We think that this is a very good proposition in terms of further putting a minimum commitment in there as an intention for the dividend going forward.

Now, if it comes to the \$ 2.2 billion that you have been mentioning as a dividend upside. This is obviously based on the future growth prospects, which we are seeing as a potential for the Borouge Group International. That is a peg in terms of giving the 90% payout ratio that we're having communicated, versus the net profit. Everything forward looking on BGI we will then further communicate on that. But it gives you a strong profile in terms of a minimum dividend line as an intention. Plus, an upside potential for the shareholders in respect to generating additional shareholder value.

Alex Comer - JP Morgan - Analyst:

Okay, so to be clear. The \$2.2 billion is more of an aspirational number than a fixed number?

Jan-Martin Nufer – *Borouge – Chief Financial Officer*

So, what we have been communicating as a very good peg for our shareholders in terms of the intended minimum dividend as a floor is the 16.2 fils per share.

Alex Comer - JP Morgan - Analyst:

Right, okay. Then the logic of paying out big dividends and then asking for it back in an equity issue?

Jan-Martin Nufer – *Borouge – Chief Financial Officer*

Well, that's essentially then for the Borouge Group International progress to conclude. We wanted to make sure that we have a clear messaging out to the market in terms of the dividend accretion. That's why we have been putting together (a) an increase of the dividend from 15.8 fils to 16.2 fils on Borouge intention basis. Secondly, we have been putting that forward as the floor for Borouge Group International.

Alex Comer - JP Morgan - Analyst:

Okay, thank you.

Operator:

As a reminder, please press star followed by one on your telephone keypad now to ask your question.

We have a question from Prateek Bhatnagar of HSBC. Please go ahead.

Prateek Bhatnagar (HSBC, Analyst):

Yes, thanks for taking my questions, I have two. The first one is on your shutdown, the B3 shutdown. So, during the shutdown, how will the feedstock supply to you change?

So, do you continue to get the same quantity of ethane from ADNOC which will allow you to run your B1 and B2 plant at high operating rates? Would it happen? Or the ethylene supply also kind of reduces? That's question number one.

Question number two is on the Chinese polypropylene market. So, in the last few weeks, due to tariffs, are you seeing lower domestic Chinese polypropylene production because of lower propane availability? So needed your colour on that. Thanks a lot.

Hasan Karam – Borouge – Chief Operating Officer

Okay I can answer the first question. From the Borouge 1 and Borouge 2 we are assuring that it is running at a maximum utilisation, sweating assets at the maximum, so there is not any sort of the shortage of this ethane towards Borouge 1 and 2.

Having said that, with Borouge 3 we are having a clear sort of synchronised plan in order that if we are going also to optimise and came back with the Borouge 3, we will have a great coordination with the ADNOC Gas to supply as soon as possible, the ethane to the Borouge 3.

Prateek Bhatnagar - HSBC - Analyst:

The second question I had was on Chinese polypropylene market. In the last few weeks are you seeing lower Chinese domestic polypropylene production, due to lower propane availability in the country?

Hazeem Al Suwaidi – Borouge – Chief Executive Officer

Maybe perhaps you can talk a bit on PP in China.

Roland Janssen: Yes, so maybe if - again, so the sound quality was relatively poor. So, I hope I understood the question correctly and I'm going to address it correctly as well.

So, you were we asking for the local polypropylene situation in China and how it is impacted by the tariffs? Is that the correct understanding?

Prateek Bhatnagar - HSBC - Analyst:

Yes.

Roland Janssen – Borouge – Chief Marketing Officer

So again, so this is hypothetical because it doesn't really affect us. But if you follow the tariff situation and the products that are affected, and again I have to reiterate that this changes almost on a daily basis, it is very likely to assume that the production cost for producing polypropylene in China is going to increase because most of the feedstock, to our knowledge, that the Chinese polypropylene producers will utilise will come from the United States. As such will be subject to the tariffs.

So yes, that, again, might then find its way into the overall polypropylene market, which then, again, creates an opportunity for different pricing positions moving forward. But again, I have to say we are not affected by that. This is us speculating or trying to explain what we know about the market. We are monitoring, again, this on a daily basis. We are helping our customers here where we can, but we also utilise it as an opportunity, of course where we can.

I hope this answers your question.

Prateek Bhatnagar - HSBC - Analyst:

Yes it does, thanks a lot.

Roland Janssen – Borouge – Chief Marketing Officer

Thank you.

Operator:

We have a question from Alexander Estefanous of UBS. Congratulations on the results, team. Just one from me. How do you see the pricing environment changing in Q2? With a potential pick up in domestic and Asian demand, do you see that a potential tailwind?

Roland Janssen – *Borouge – Chief Marketing Officer*

Yes, let me take this question as well. So, it's difficult to say because there's so much or so many elements and so much fluctuation right here.

So overall, there's a few underlying drivers. So, we all see that oil prices are down. So that has an immediate impact, also on our market. But secondly, you know just coming back to the example I was just referring to in what we see in China. We also see drivers that actually would imply an increase in price.

We see, at the moment, a market that is wait and see. So, it's relatively soft. But we also see that, again, that there is a robust and continued demand in the segments that we operate.

So overall, a very volatile market but a market with opportunities. If we look at our own portfolio the segments that we serve, a strong market for us moving forward.

Operator:

We have a question from Harsh Kadam of ABI Analytics. When do you plan to consolidate Borealis into your financials?

Jan-Martin Nufer – *Borouge – Chief Financial Officer*

Thanks. Let me take that question. So, this is a question that relates to the formation of Borouge Group International. The current timeline that has been communicated in the framework of the transaction is around Q1 2026, subject to regulatory approvals.

Operator:

We currently have no further questions so I will hand back to Mr Hazeem Sultan Al Suwaidi, CEO, for closing remarks.

Hazeem Al Suwaidi – *Borouge – Chief Executive Officer*

I would like to thank you for being with us in this excellent, great results of Q1. We are looking forward really an excellent year 2025 and hope we see you [in reality] soon or we get together also on Q2 result.

Thank you for being with us, take care.

[END OF TRANSCRIPT]