



BOROUGE

ANALYST & INVESTOR PRESENTATION

FOR THE THREE-MONTH PERIOD ENDED
31 MARCH 2023

28 April 2023

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AGENDA AND PRESENTERS

Q1 23 Results

Market Update

Operational Highlights

Financial Highlights

Outlook

Concluding remarks



Hazeem Sultan Al Suwaidi
Chief Executive Officer



Rainer Hoefling
Chief Marketing Officer



Jan-Martin Nufer
Chief Financial Officer



Louis Roland R. Desal
Chief Operating Officer



Q1 23 RESULTS



SUCCESSFUL COMPLETION OF PLANNED BOROUGE 2 TURNAROUND, IMPROVING POLYOLEFIN PRICES IN THE QUARTER AND STRONG PERFORMANCE FROM VALUE ENHANCEMENT PROGRAMME

Highlights from the three months ended 31 March 2023



Revenue declined 13% q-o-q, driven by 18% fall in quarterly sales volumes, primarily **due to planned turnaround of Borouge 2 facility**



Net profit fell 19% q-o-q driven by lower sales volumes, partially **offset by higher product selling prices and cost savings. Profit margins remained stable**



Improved PE and PP pricing q-o-q, reflecting strong positioning in our markets and demand for differentiated products



Successful launch of value enhancement programme is delivering material cost efficiencies and revenue optimisation, **supporting margins**



Strong cash conversion of 82%

\$1.38bn

Q1 23 revenue, **-13.1% q-o-q**

\$460m

Q1 23 Adjusted EBITDA, **33.3% margin**

\$199m

Q1 23 profit for the period, **-19.5% q-o-q**

\$378m

Q1 23 operating free cashflow, **82.1% cash conversion**



Value Enhancement Program already delivering significant cost savings and revenue enhancements

Exploring international expansion in geographies and markets that align with existing strategic priorities

MACROECONOMIC CHALLENGES AND OPPORTUNITIES

While global, industry-wide challenges exist...

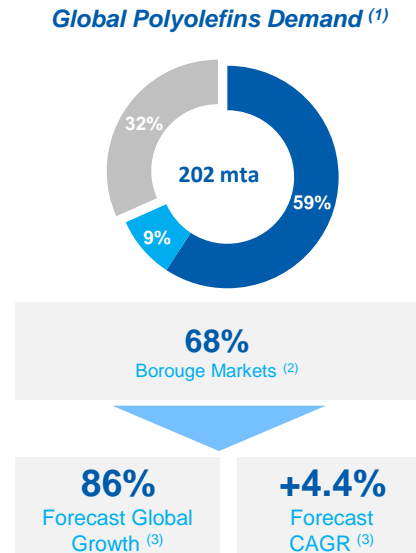


IMPACTS

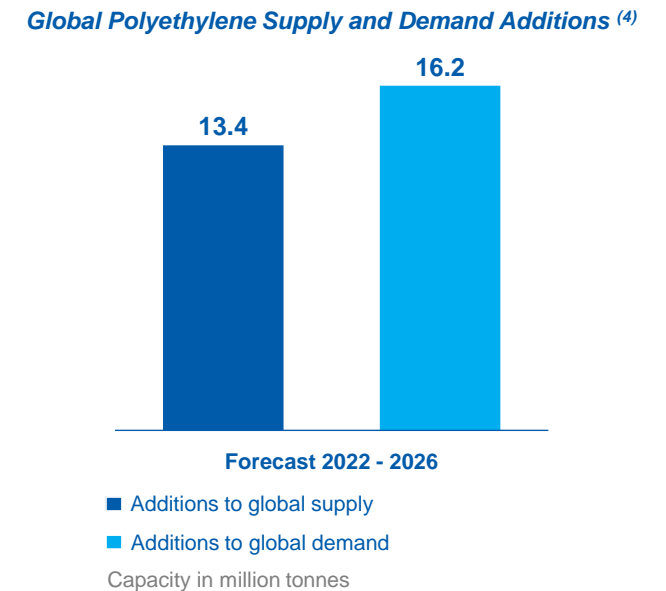
...Borouge is addressing global megatrends



...Serving high growth markets



...And market demand is outstripping supply



Sources: Company Information, IHS Markit

1) As at 2022

2) Figure not reconciling with Global Polyolefins Demand chart due to rounding

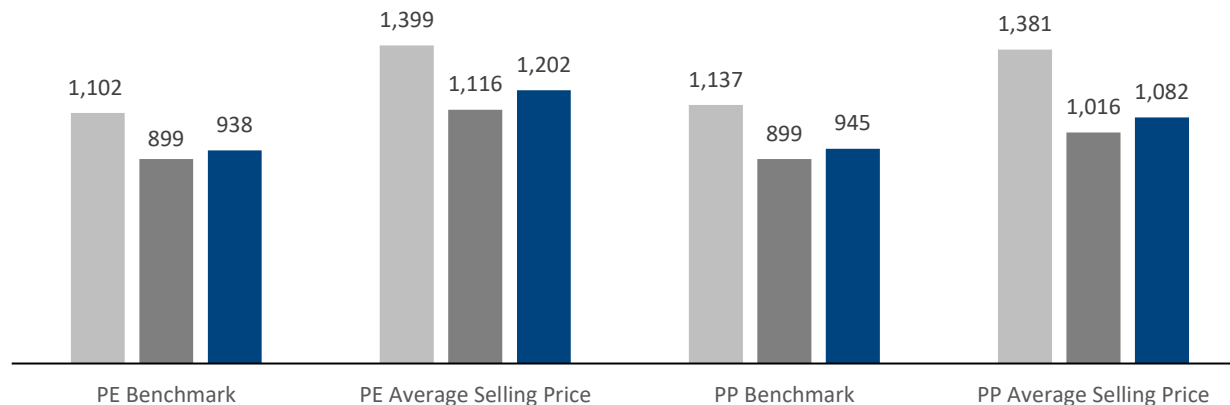
3) 2022 – 2026 CAGR (capacity on million tonnes)

4) 2022 – 2026 Based on announced capacity only

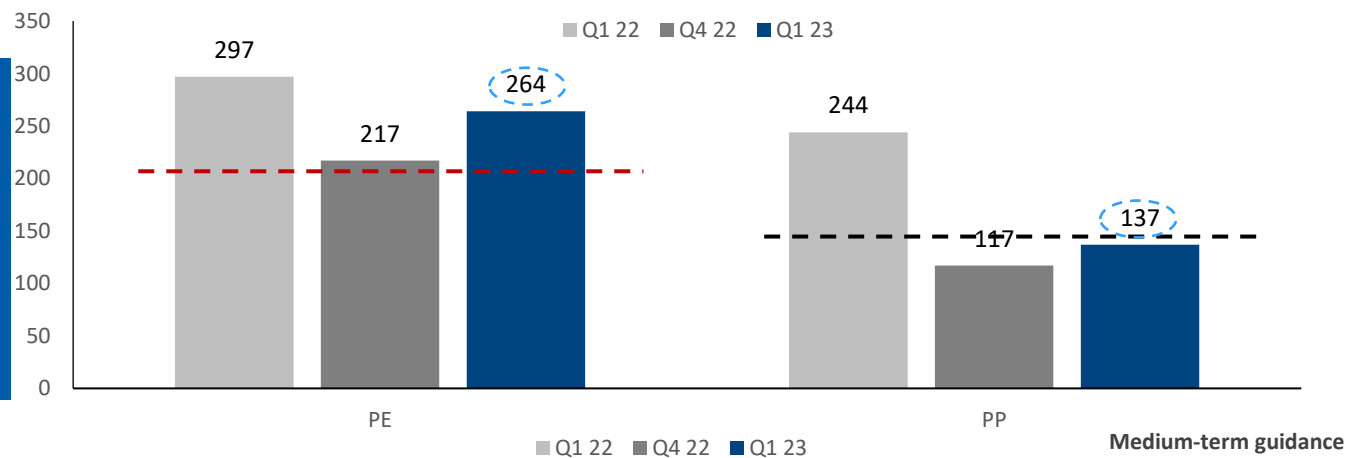
POLYOLEFINS MARKET & PREMIA UPDATE

Product Prices and Premia Evolution

Benchmark Prices vs Avg. Selling Price⁽¹⁾
(\$/t)



Premia Over Benchmark Prices⁽¹⁾
(\$/t)



Medium-term guidance

- - PE > \$200
- - PP > \$140

Sources: Company Information.

1) Benchmark prices represent HDPE Blow Molding NEA CFR and PP Raffia NEA CFR prices as per IHS Markit data.

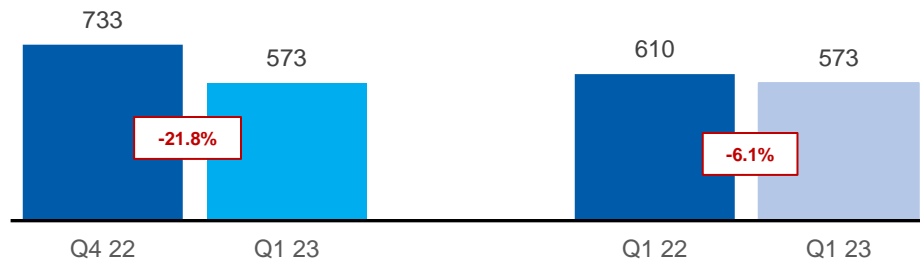
Commentary

- Q1 average selling prices strengthened, driven by healthy demand
- PE: avg. selling price up 8% in Q1 to reach \$1,202/t
 - Q1 premia of \$264/t (+22%)
- PP: avg. selling price up 6% in Q1 to reach \$1,082/t
 - Q1 premia of \$137/t (+17%)

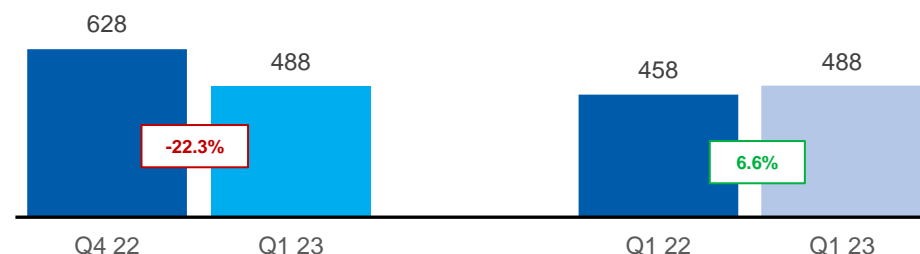
OPERATIONAL PERFORMANCE

Sales Volumes⁽¹⁾

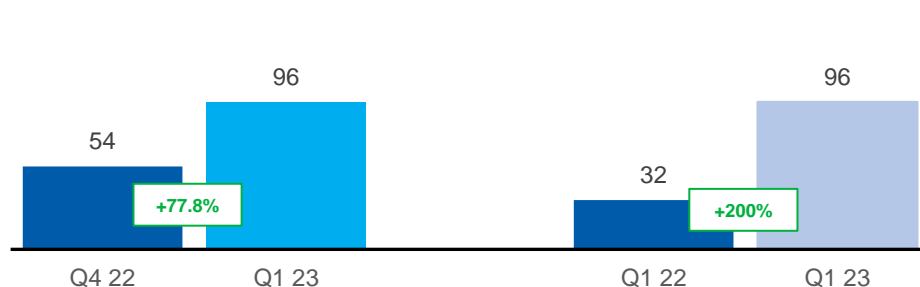
Polyethylene
(kt)



Polypropylene
(kt)



Ethylene & Others⁽²⁾
(kt)



Sources: Company Information.

1) Proforma combined ADP and PTE for Q1 22. Borouge plc actuals for Q1 23 and Q4 22.

2) Consists of ethylene and byproducts.

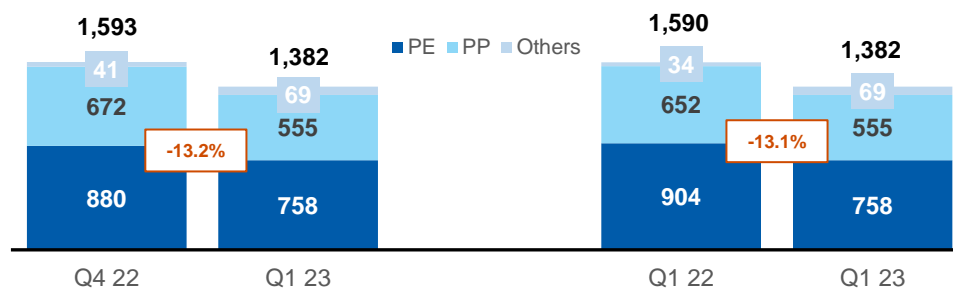
Commentary

- Production volumes increased by 6.7% year-on-year, and declined by 18.7% compared to the previous quarter, due to the planned turnaround of Borouge 2, which is now complete
- Successful and safe reinstatement of LDPE unit, resulting in XLPE starting up again utilizing LDPE base resin
- PP5: successful test run of differentiated grades as part of initiative to extend product portfolio
- Capacity utilisation impacted by Borouge 2 turnaround and coming from exceptional Q4 22 production levels
 - PE: 78% (Q4 22: 99%)
 - PP: 81% (Q4 22: 104%)

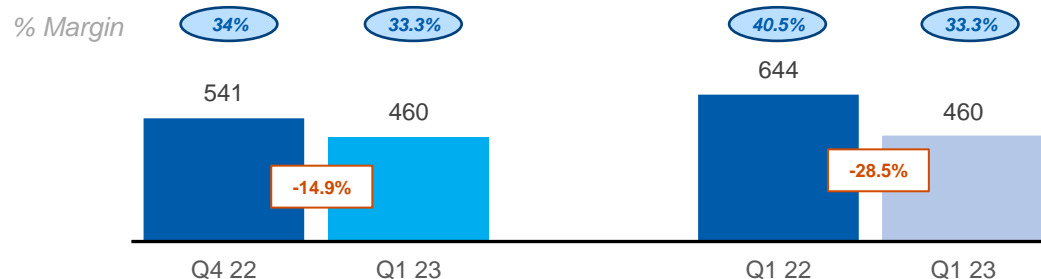
REVENUE & PROFITABILITY

Key Metrics⁽¹⁾

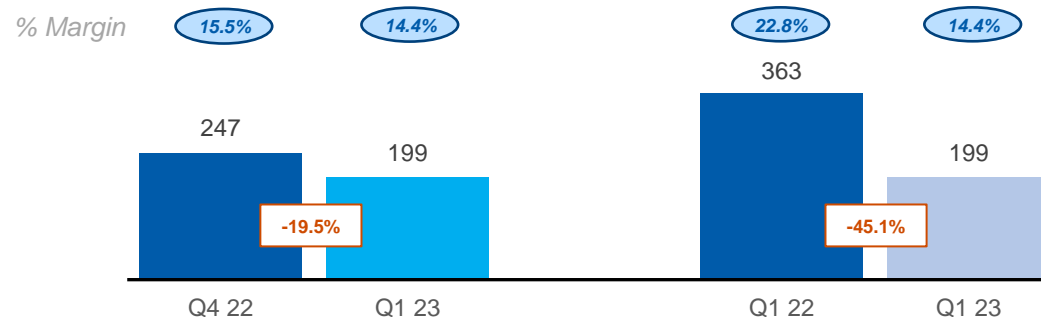
Revenue
(\$m)



Adj. EBITDA
(\$m)



Net Profit
(\$m)



Sources: Company Information.

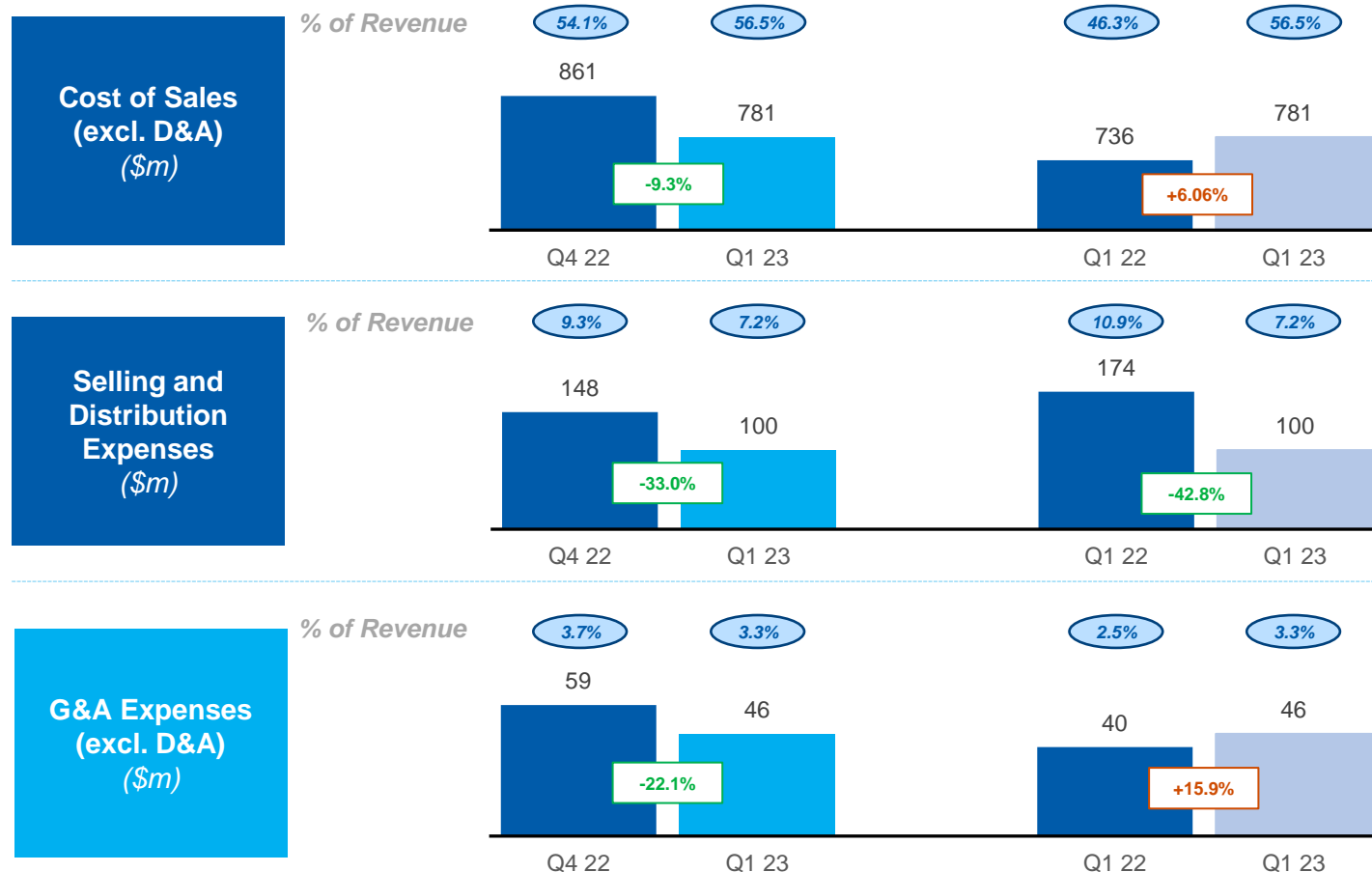
1) Proforma combined ADP and PTE for Q1 22. Borouge plc actuals for Q1 23 and Q4 22.

Commentary

- Q1 23 revenue declined 13.3% q-o-q and 13.1% y-o-y, due to the planned turnaround of Borouge 2
- Q1 23 adjusted EBITDA margin was stable q-o-q at 33.3%, reflecting cost savings and revenue optimisation
- Net profit declined 19.5% from the previous quarter, driven by lower sales volume which was partially offset by strengthening product selling prices and Value Enhancement Programme

COSTS

Key Metrics⁽¹⁾



Commentary

- Overall cost base declined 12% q-o-q
- Decrease in cost line items for Q1 23 in comparison vs. previous quarter, led by significant cost efficiencies realised from the Value Enhancement Programme
- Reduction in selling and distribution expenses by 42.8% y-o-y and 33% q-o-q, as well as a decline in cost of sales by 9.3% for the period compared to the previous quarter
- Feedstock prices higher due to higher market rate of externally sourced propylene and Borouge 2 turnaround preventing utilisation of OCU for cost advantaged internal propylene production

Sources: Company Information.

1) Proforma combined ADP and PTE for Q1 22. Borouge plc actuals for Q1 23 and Q4 22.

VALUE ENHANCEMENT PROGRAMME

Reinforcing robust financial profile

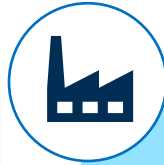
Positioning for sustainable future growth

Proactively addressing market challenges

\$400 million value enhancement programme, focused on high-impact cost efficiencies and revenue optimisation, directly supporting Borouge's sustainable growth strategy



LOGISTICS VARIABLE COSTS



CONVERSION VARIABLE COSTS



FIXED COSTS



REVENUE OPTIMISATION

Expected to sustain a 15% positive EBITDA impact from 2024, versus the 2022 baseline

Q1 23: +\$100m in cost savings and revenue optimisation

Logistics variable costs (57%)

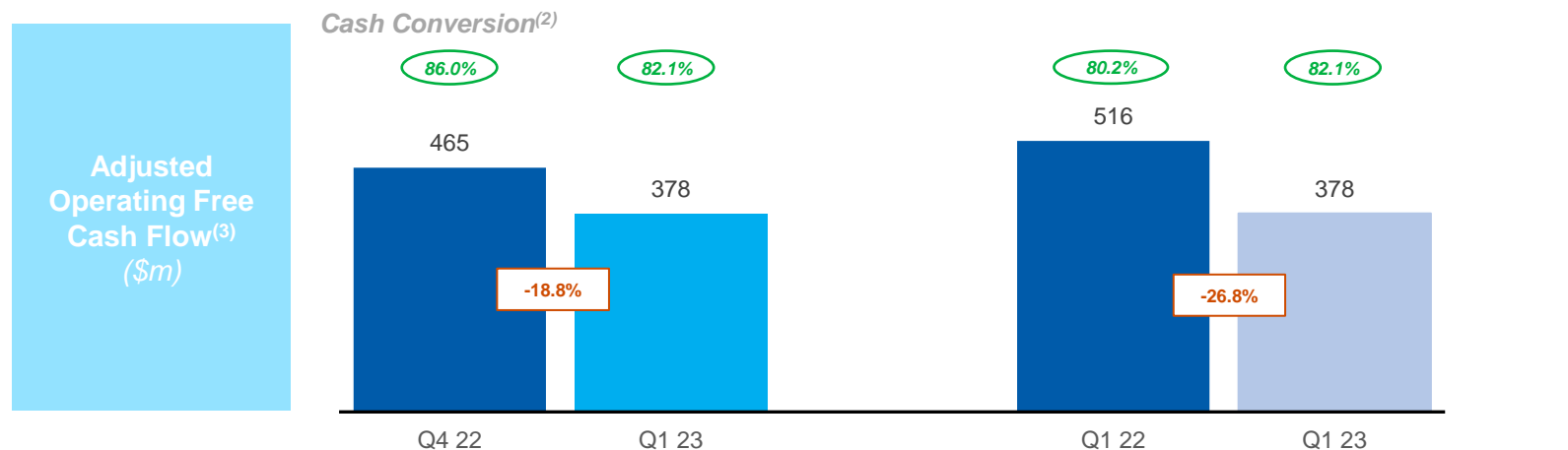
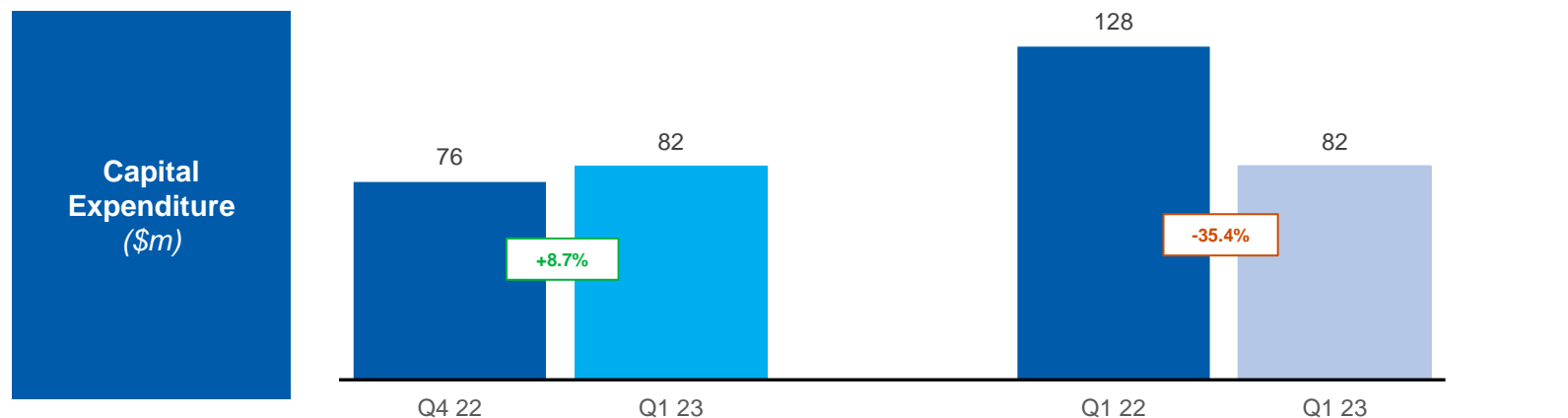
Revenue optimisation (28%)

Fixed costs (9%)

Conversion variable costs (6%)

CAPEX & FREE CASH FLOW

Key Metrics⁽¹⁾



Commentary

- Higher capex in Q1 23 at an 8% increase q-o-q, primarily reflects investment in Borouge 2 turnaround
- Strong cashflow conversion at 82% supports commitment to pay \$1.3 billion in dividends for FY 2023

Sources: Company Information.

1) Proforma combined ADP and PTE for Q1 22. Borouge plc actuals for Q1 23 and Q4 22.

2) Cash conversion defined as operating free cashflow (Adjusted EBITDA – Capital Expenditure) as a percentage of Adjusted EBITDA.

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

OUTLOOK

Market

- Activity in Borouge's core Asia Pacific and Middle East markets remains stronger than in developed markets, with economic growth rates ahead of developed economies
- Sales to energy & infrastructure customers remains strong, comprising 46%¹ of polyolefin sales volumes in 1Q 23

Prices

- Management re-affirms over-the-cycle premia guidance of \$200 / tonne for PE and \$140 / tonne for PP
- Analysts expecting stable demand growth in target markets – data for consumption in China are positive
- Higher oil prices to benefit Borouge's cost-efficient production advantages

Volumes & Mix

- Borouge will sell production volumes in 2023 with focus on differentiated products
- We will stay agile, taking growth opportunities across core markets

Costs & Margins

- Value enhancement programme achieving significant efficiencies in fixed and variable costs, and revenue optimisation to support margins
- Ethane costs remain effectively fixed and cost advantaged. Propylene costs remain elevated in-line with market. OCU playing important cost benefit role with internal propylene substitution – full utilization will be maintained post-Borouge 2 turnaround

Sources: Company Information.

1) Polyolefin only, excluding volume sales of ethylene and others

CONCLUDING REMARKS



Improved pricing in the quarter



Value enhancement programme delivering significant efficiencies



Strong balance sheet supporting future growth opportunities



Committed to product innovation and differentiation, while tactically placing volumes to meet demand



Reiterate commitment to paying \$1.3 billion in dividends for FY23



THANK YOU

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