# Borouge 9M/Q3 2023 Earnings Call

### 30th OCTOBER 2023

### CORPORATE PARTICIPANTS

**Samar Khan** – *Borouge – VP Investor Relations*

**Hazeem Sultan Al Suwaidi** – *Borouge – Chief Executive Officer*

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**Rainer Hoefling** – *Borouge – Chief Marketing Officer*

**Dr. Hasan Karam** – *Borouge – Chief Operating Officer*

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## PRESENTATION

**Samar Khan** – *Borouge – Vice President Investor Relations*
A warm welcome to everyone and thank you for joining us today. My name is Samar Khan, and I am the Vice President of Investor Relations at Borouge. With me today, I have Hazeem Al Suwaidi our CEO, Rainer Hoefling, Chief Marketing Officer, Jan-Martin Nufer, Chief Financial Officer, and Dr. Hasan Karam, Chief Operating Officer.

We will begin with a short presentation by the management team in respect to performance for the period, as well as our outlook for the last quarter of 2023. We will then open the call to your questions. I will now hand over to our CEO, Hazeem, to discuss highlights from the third quarter and the nine months of the year. Hazeem, over to you, please.

**Hazeem Al Suwaidi** – *Borouge – Chief Executive Officer*
Thank you, Samar, and thank you all for joining us today. Q3 has been another challenging quarter, yet Borouge has managed to deliver a strong operational and financial performance. Strong production, high sales volumes and disciplined cost management helped Borouge display resilience in the face of a subdued global environment and challenging polyolefins market. Borouge reported a net profit of $282 million in Q3, representing an increase of 22 percent quarter-on-quarter driven by sales volumes.

On a year-on-year basis, net profit was down 9 percent, primarily due to a 15 percent decline in average selling prices over the period. Adjusted EBITDA in Q3 is $592 million, up 14 percent on a quarter-on-quarter basis.

The Value Enhancement Programme continues to 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. We are raising the Value Enhancement Program target to $500 million as a measure to further support in mitigating the polyolefin price decline. Strong cash conversion and a robust balance sheet support our commitment to pay $1.3 billion in dividends for 2023, out of which $650 million have already been paid in September 2023

I'll now hand over to Rainer to discuss the market and provide an update on pricing and premia.

**Rainer Hoefling** – *Borouge – Chief Marketing Officer*
Thank you, Hazeem, and good afternoon, everyone. As just mentioned, we continue to operate in a challenging market environment. Average selling prices across polyethylene and polypropylene were down 15 percent from the levels in Q3 2022. On a quarter-on-quarter basis, average selling prices were down 7 percent.

Benchmark prices for both polyethylene and polypropylene are down by 5 percent and 9 percent, respectively on a year-on-year basis. Whereas on a quarter-on-quarter basis, benchmark prices for polyethylene remained flat and polypropylene dropped by 3 percent. Despite this challenging environment, Borouge was able to command a healthy premium over benchmark prices, reflecting the Company’s strong market positioning in key segments.

In Q3 2023, premia was below our over-the-cycle guidance for both polyethylene and polypropylene. Premia for polyethylene was $174 per tonne versus $249 in the previous quarter and premia for polypropylene was $107 per tonne versus $150 in the previous quarter. However, on a nine-month basis, premia for polyethylene was $225 per tonne and premia for polypropylene was $130 per tonne.

The outlook for polyolefins for the remainder of 2023 remains subdued and we expect Q4 2023 pricing for both polyethylene and polypropylene to remain broadly in-line with the levels achieved in Q3 2023. We expect pricing to operate within a narrow band of volatility during the quarter. That said, Borouge remains well-positioned versus industry peers and is expected to continue to deliver product premia above benchmarks.

I’ll now briefly discuss sales volumes for the period before I ask Hasan to take us through some operational highlights from the third quarter. Quarter 3 2023 sales volumes are up by 16 percent versus the prior quarter reflecting the strength and breadth of Borouge’s extensive international distribution and sales network and our ability to tactically move volumes in difficult market conditions. Our sales volumes from energy and infrastructure solutions represent 38 percent of overall sales volumes in Q3. This is part of Borouge’s strategy to focus on durable products for industrial applications.

The Asia Pacific market continues to be the largest destination for sales, with 62 percent of total sales volumes, followed by the Middle East and Africa with 30 percent. Other regions represent 6 percent.

For Q4 2023, we would expect our sales volumes to be lower than the exceptionally high levels achieved in Quarter 3 2023 and to be more in-line with the polyolefin sales volumes realised in Quarter 2 2023. Now over to you Hasan.

**Dr. Hasan Karam** *– Borouge – Chief Operating Officer*

Thank you, Rainer, and good afternoon, everyone. In Q3, production operated at very high utilisation rates of 104 percent and 109 percent for polyethylene and polypropylene, respectively. The Olefin Conversion Unit, which allows Borouge to internally produce large amounts of propylene from ethylene, also operated at a high utilisation rate in Q3 of 109 percent. As you are aware, Ethylene is typically prioritised for use in maximizing polyethylene production and the additional quantities are sent to the OCU.

As an update on our plant maintenance program, the Borouge 3 plant and feedstock-related operations are being scheduled in 2024, with an expected total volume impact of 500kt. The feedstock-related operational stop will take place in Q1 2024, with an estimated volume impact of 170kt and the Borouge 3 planned shutdown will take place for a 47-day period in Q4 with an estimated volume impact of approximately 330kt. We remain committed to operational and commercial excellence, with a detailed efficiency enhancement strategy focused on safety, plant reliability, and integrity, and cash flow optimization. I’ll now hand over to Jan-Martin, to discuss our financials. Thank you.

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

Thank you, Hasan and good afternoon, everyone. Q3 revenue increased by 6 percent quarter-on-quarter, to $1.5 billion, and declined on a year-on-year basis by 11 percent. Net income stood at $282 million in the third quarter, increasing by 22 percent versus Q2 2023 but decreased by 9 percent compared to Q3 2022.

On a nine-month basis, revenue is down 16 percent to $4.3 billion in the first nine months of 2023 versus $5.1 billion in the same period 2022. This is primarily due to a significant 20 percent decline in prices during this period. While top and bottom-line performance in Q3 experienced pressure on a year-on-year basis, due to significantly lower comparative market pricing, we delivered a healthy EBITDA margin in Q3 2023 of 40 percent versus 37 percent in the prior quarter. This is reflecting our improved operational efficiencies.

Pressures created by market weakness were partially offset by the positive impact of the Value Enhancement Programme -- and we will delve deeper into that in the upcoming slide -- and healthy sales volumes. On to the next slide.

We will now look at costs -- an area where we have made solid progress. Our overall cost base declined by 14 percent as compared to Q3 2022. We have been successful in reducing our selling and distribution expenses in Q3 2023 despite higher volumes, recording a decline of 51 percent year-on-year, primarily because of lower freight costs.

General and admin expenses increased by 16 percent from $34 million to $40 million on a year-on-year basis due to non-recurring one-off items, however on a quarter-on-quarter basis, general and admin expenses decreased by 19 percent.

Borouge’s first quartile position in the polyethylene and polypropylene cost curves is an important component that, when combined with premia against benchmarks, supports a strong margin profile.

I’ll now discuss the progress on our Value Enhancement Programme. As we had announced during our last earnings cycle, we have introduced a targeted Value Enhancement Programme to counter the market impact, support future growth opportunities and enhance our competitive positioning. In light of the challenging market conditions, our focus is on managing conversion, logistics and fixed costs as well as on revenue optimisation. I’m pleased to report that we have already outperformed our $400 million target by achieving $420 million year-to-date.

In response to the ongoing market weakness, we are raising the Value Enhancement Program target to $500 million as a measure to further support in mitigating the steep polyolefin price decline. This has been an excellent year so far for our highly ambitious programme, and we look forward to providing you with further updates on progress during the last quarter.

Onto capex and cash flow. Adjusted operating free cash flow in Q3 was $573 million and $1.5 billion year-to-date. Cash conversion in Q3 was 97 percent. Net debt stood at $3.2 billion at the period, end implying a ratio of 1.5 times Net Debt to EBITDA on an LTM basis.

Borouge’s robust operating model plays an instrumental role in achieving premia above benchmark prices over the cycle, which ultimately contributes to strong operating free cashflows and high dividend paying capacity.

I will hand over to Hazeem to summarize and conclude.

**Hazeem Al Suwaidi** – *Borouge – Chief Executive Officer*

Thank you, Jan-Martin. As mentioned earlier, we are currently navigating a challenging market environment. A slower macro-economic recovery in Asian markets, increased supply due to capacity additions and regional price convergences towards lower levels are contributing towards a muted short-term outlook for polyolefin demand and prices. We expect a soft pricing environment to remain until our key markets recover. Despite this, we are well positioned to maintain premia above benchmark prices. We remain focused on our differentiated product mix, which is one of our key competitive advantages and an important value driver. We expect production volumes to remain at high utilisation levels and the OCU will be maintained at high capacity to continue to support our margin enhancement.

As our results have shown, our business continues to be resilient within a challenging operating environment supported by strong production output and asset reliability supporting healthy sales volumes.

Our ambitious Value Enhancement Programme outperformed its $400 million target and we have upsized the programme to $500 million in response to continuing market challenges.

Our commitment to product innovation and differentiation continues to enable sustained premia over benchmarks, despite a weaker pricing environment and we remain well-positioned versus our industry peers.

We are pleased to reaffirm our dividend commitment of $1.3 billion for 2023, out of which $650 million has already been disbursed in September 2023.

With that, we will open the floor for your questions.

**Conference Call Operator**

Thank you. If you would like 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 your line is muted locally.

Our first question comes from Ricardo Rezende from Morgan Stanley. Ricardo, your line is now open. Please go ahead.

**Ricardo Rezende** – *Morgan Stanley*

Hello, good afternoon and thanks for taking my questions. A couple of questions on my side. First one, the sales volumes have been very strong in the third quarter, but then at the same time, we see quite a strong sequential decline in the product premia. So if you could please just comment on the demand elasticity that we've seen during the quarter for product.

And then the second question is on the Value Enhancement Programme. You've been quite solid on the execution of this program, just surpassing the original target and now updating your target. What have been the major levers on this new target of the $500 million? What have been the major surprises that you've seen compared to the original expectations? Thank you.

**Hazeem Al Suwaidi** – *Borouge – Chief Executive Officer*

Thank you for the questions. I would direct the question to Rainer on sales volume and then on the Value Enhancement Programme to our CFO Jan-Martin.

**Rainer Hoefling** – *Borouge – Chief Marketing Officer*

Perhaps on the on the sales volume and demand, I'll elaborate a little bit on the market as such. But on a global perspective, the economy remains soft that we have seen during the whole year. You know, the inflation, interest rates, PMI index is relatively low across the board in the Eurozone, in U.S., China, and other regions. Specifically in our core region Asia-Pacific, we see a stable -- let's say a stable polyolefin demand growth. It's continued to grow but on a currently lower pace than everybody expected.

In China, specifically, the economy uncertainty, we see also, too, slowing economy recovery after post pandemic. The real estate sector is a concern; it's weak. It has some impact on the infrastructure business as such. GDP growth is forecasted relatively low. This also spills in Southeast Asia. So the demand remains a bit constrained.

So if you if you look a bit forward, there's some light in the end of the tunnel, also in China the government, they will issue a $137 billion new bonds to support some infrastructure projects. This gives hopes of spurring to the economy and then some infrastructure projects launched.

Also, if you look at the U.S., they grew stronger than expected, 4.9 percent year on year. This could bring a bit more exports from the Asia-Pacific region also into the U.S. due to better consumer spending.

You see on the Egypt, I think they are going to secure a $5 billion, new deposit from the UAE and also from the Saudi to boost central bank reserves that will ease a little bit the U.S. dollar availability. So these are things that -- which will help us.

On the other hand, in Europe, the PMI index in October showed the lowest since three years and with some oversupply also in our market. But overall, I would say the outlook for polyolefins remains cautious. On the other hand, we have shown that specifically also in Quarter 3 when the opportunity's there and there are some -- buying behaviour popping up that we can take the opportunity. And we had an extremely strong Quarter 3 sales. So this feel to come down a little bit again towards Quarter 4 and will normalize. So overall cautious outlook on pricing side, I would say a narrow band of volatility in that.

**Jan-Martin Nufer** – *Borouge – Chief Financial Officer*
Good, Ricardo then I go to your question around the Value Enhancement Programme. And thanks for that question. Look, when we set the very ambitious target on the Value Enhancement Programme, we had been looking at, you know, two sets of major levers, one coming from the cost side, which is revolving predominantly around logistics-variable cost, then the conversion-variable cost and the fixed-cost. And then approximately one-third on the revenue side.

Now, if we look at the increased size, I would say in general, keep the same focus areas and also the same distribution of the various targets. In essence, if you look at the, you know, strongest contributors, LVC, the logistics-variable cost, contribute by 50 percent plus. If you look also at the slide, the cost slide of the presentation, you can see the significant decrease of the selling and distribution cost from 2022 to 2023 by 46 percent for the first nine months in here. Now, why is now the programme running so well and why we're confident now to raise the target? You know, behind that program is a very, very large number of initiatives and three major project streams or program streams, which are contributing to that one. And during the process of the idea generation, additional initiatives came up which contribute now positively to the program. We need, clearly, to make sure that we can maintain the biggest levers, which is not an easy walk. But, you know, we're making very good progress as you can see. So from that perspective, you know, we feel confident now to raise the target. A lot of the initiatives are there to mitigate the negative effects from the market, to compensate to a to a large extent. And that's why I think we keep focused on that program as one of the contributors to, you know, redress the situation.

**Ricardo Rezende** – *Morgan Stanley*
Okay, that's clear. Thank you.

**Conference Call Operator**
Our next question comes from Faisal Al Azmeh from Goldman Sachs. Faisal, your line is now open. Please go ahead.

**Faisal Al Azmeh** – *Goldman Sachs*
Yes, hi, and congratulations on the strong set of numbers. Just two questions for my end. When we think about the shutdown or the planned turnaround that you have in mind, how does that impact volumes for the quarter? I guess you're going to have to build up inventory towards that. Should we expect the Q4 volumes to be as weak as what we saw in the first half? Or should we -- how should we think about volumes in Q4? And how should we think about the premia in Q4 as well? Because I guess to a certain extent, I see you expect the premia to remain kind of in line with the historical guidance that you've provided. But how should we think about it for the quarter? That's my first question.

And my second question relates to the 80 million of additional value enhancement potential. Should we expect all of that to take place in Q4 this year? And what's the cost for implementing the value enhancement program? Should we think about some one-off costs associated with that? Thank you.

**Hazeem Al Suwaidi** – *Borouge – Chief Executive Officer*
Yes. I think -- Dr. Hasan take the first question on the impact on sales.

**Rainer Hoefling** – *Borouge – Chief Marketing Officer*
Hasan will start and then I will continue after that.

**Dr. Hasan Karam** – *Borouge – Chief Operating Officer*
Okay. First of all, thanks for the question. As I presented previously, the total, sort of, the deposit of 500 kt will be in 2024, 170kt will be in Quarter 1 because of the RCC turnaround and the rest of the 330 kt will be on the Q4 2024 and that's because of the 47 days of our Borouge 3 turnaround. Knowing that we are going to have a challenging year in the 2024, we had a great collaboration with our colleagues in ADNOC Refining in order to think out of the box and how

to increase the inventories of our propylene in Q4 2024 where it will help us to have some inventories in our tanks and their tanks for the Quarter 1 2024. At the same time, there is also an idea that to think about how to import also propylene from outsiders so that we can mitigate the RCC impact. So in a nutshell, we are having this sort of collaboration approach discussion with our colleagues and to mitigate as much as you can the deposit of 500 kt in 2024.

**Rainer Hoefling** – *Borouge – Chief Marketing Officer*

And, perhaps, let me compliment this on volumes to Quarter 4. We need to see that the Quarter 3 was an extraordinary sales quarter, either based on the fantastic production performance what we have. Either we could also take the opportunity in Quarter 3 with some increasing feedstock prices, where then the market started to do buy-in and we took the opportunity based on our setup to say this will come down in Quarter 4 again to the normal levels, what you have seen more in Quarter 2 levels. So do we need to restock and constrain sales in Quarter 4? The answer is no because we based on a fantastic production either we have some buffer, either to bridge and also the Quarter 1 next year.

When it comes to the to the premium, I think on the premium side, we need to see two elements. The one is that this is a measurement versus a benchmark of China prices. One is blow-moulding, the other one is Raffia. And the second is, this is also a guidance over a full business cycle with upcycle and downcycle. We are now in a downcycle. And as we have seen those in Quarter 3, premium were coming down basically on nonbond effect that we have seen some more normalization of prices across the region. So the differentiation across the region went down a bit. So we bring it right up again a bit more. But you have seen over the full year in polyethylene, we are still over the guidance in polypropylene a little bit below. I think this is the picture of what we will see in the next couple of quarters to come because the market will be still oversupplied. But on the other hand, we will keep our differentiation level high as we in the past and we recently also launched a new high voltage XLP submarine grade either for the market, which gives additional premium that shows our dedication to our durable segments what we have.

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

If I meet and take the lead on answering the question on the value enhancement program. First answer is it's straightforward. It's 2023. We have been setting up our program and the ambitions in terms of the delivery of the program within the current year. So from that perspective, we're also assuming that we can get the additional improvements bedded down in the current year.

Now on to the second part of the question. Let me just elaborate a bit again on the distribution. So we have certain revenue levers which are then comparing the situation to 2022 and what improvements we have been doing in terms of the product portfolio, in terms of the regional mix and other levers in that respect.

For the cost part, which is then directly accretive to the bottom line, we're looking into the various parts that we have been concentrating on. For the fixed cost part. We do, at current, not foresee any large structural set up costs due to the fact that the main part of the fixed cost initiatives are evolving around cost avoidance and other programs which do not need, at that point of time, a structural implementation costs which would then yield a result in the outer years.

For the logistics variable cost and the CVC, the conversion variable, costs similar. We have here major levers which are around, you know, the renegotiation of contracts, the usage of packaging materials at that end so from that perspective also here, there might be costs associated to the initiatives, but nothing which I would right now point out is a structural cost element which we would need to take into consideration for the period of 2023.

**Conference Call Operator**

Thank you. Our next question comes from Prateek Bhatnagar from HSBC. Prateek, your line is now open. Please go ahead.

**Prateek Bhatnagar** – *HSBC*

Thanks for taking my question. I have two. The first is regarding the feedstock related shutdown which you are planning to do. You say there will be 170 kt impact. How much will be because of lower ethane supply, and how much would be lower propylene supply? And what were the issues you could not do this B3 turnaround at the same time as when there was a feedstock related shut down. So that's my question number one.

Question number two is regarding the B4 plant. Do you have an idea how well the plant is progressing and also if we can get any colour on the fair value of the plant, how you are thinking about it. Thanks. These are my two questions.

**Hazeem Al Suwaidi** *– Borouge – Chief Executive Officer*
Well, just to get the first question clear, this is around Borouge 3, I think, turnaround. So what was specifically asked on that. Dr. Hasan, maybe you give a brief on Borouge 3 planned turnaround for next year.

**Dr. Hasan Karam** *– Borouge – Chief Operating Officer*
Yeah, of course. For the Borouge 3 turnaround in Q4 2024 where we are having a turnaround of 47 days and that's based on the business plan agreed along with our colleagues in ADNOC Gas where we club it together. Our turnaround along with the ADNOC Gas turnaround and we found that it is a very important to collaborate with the ADNOC Gas. So, it would be for 47 days where the Borouge 3 associated with the five downstream plans which equivalent to our 330kt. Having said that, to us also your question, I think also you ask about the RCC. For the RCC propylene feedstock this is -- they have their own plan turnaround which, subjected in Q1 2024, and because of their reliability -- sort of the integrity turnaround which supposed to be in Q1 2024. This is -- I'm not sure about your question.

**Samar Khan** *– Borouge – Vice President of Investor Relations*
B4. B4 related.

[Cross Talk]

**Prateek Bhatnagar** *– HSBC*
Sorry. So the shutdown in Q1 will be just because of lower propylene supply. Right. Not ethane?

**Dr. Hasan Karam** *– Borouge – Chief Operating Officer*
Yes, because in Q1 we will have a shortage.

**Prateek Bhatnagar** *– HSBC*
Q1?

**Dr. Hasan Karam** *– Borouge – Chief Operating Officer*
Q1, yes.

**Hazeem Al Suwaidi** *– Borouge – Chief Executive Officer*
Yes. Q1. You are right sir. For Borouge 4. Jan-Martin, do you want to take this?

**Jan-Martin Nufer** *– Borouge – Chief Financial Officer*
Yeah sure.

**Hazeem Al Suwaidi** *– Borouge – Chief Executive Officer*
Your evaluation.

**Jan-Martin Nufer** – *Borouge – Chief Financial Officer*
Yeah. So if I understood correctly, you wanted to ask about the fair value of Borouge 4. So, essentially, as you know, we have been setting out a mechanism where there will be a valuation of Borouge 4 at the point in time, closer to recontribution based on the set-out mechanism that it is currently carved out and run and constructed by the shareholders, ADNOC and Borealis.

Now, we have not set up an exact value at that point of time. The only reference that we can make and what we had been communicating earlier is the following. If you look a little bit at the cost side that was so far anticipated and communicated externally, you can talk around a cost of roughly 6.2 to 6.4 billion USD, then include some interest during construction. And it gets you that approximately to the point where the cost of the erection of the plant would be. The exact mechanism, as I said, for the determination, of at which value we will then take over Borouge 4 into Borouge 123. That is still to be determined.

We have also communicated clearly that our shareholders have so far always been taking a very considerate approach and very mindful of the minority, as they call us in the company, so that we're pretty confident that we're going to find a mutually acceptable and positive mechanism for the contribution. But you will understand that at that point of time we cannot put an exact value to that question.

**Prateek Bhatnagar** – *HSBC*
Thank you so much.

**Conference Call Operator**
As a reminder, if you'd like to ask a question today, please press star followed by one on your telephone keypad. Our next question comes from Nitin Garg from SICO. Nitin, your line is now open. Please go ahead.

**Nitin Garg** – *SICO*
Yeah. Hi. This is Nitin. Sorry I joined the call a bit late. My question is on [inaudible]. My question is on premium. So just wanted to understand, you know, how the premium declined. You know, meaningfully from Q2. Is this a function of oversupply or are there any other reasons associated with that?

And my second question is, again, on Borouge 4. I mean, just wanted to understand, you know, the milestone, you know, in terms of percentage of completion where the project has reached. Thank you.

**Rainer Hoefling** – *Borouge – Chief Marketing Officer*
Assume I will to take it.

**Hazeem Al Suwaidi** – *Borouge – Chief Executive Officer*
Go ahead.  Go ahead.  Yeah.

**Rainer Hoefling** – *Borouge – Chief Marketing Officer*
I'll take the first one.  But as answered already. So on the on the premium side, of course, this is a function of the oversupply of what we see in the market and then pressure on the prices overall. Predominantly the decline is coming from a kind of, let's say price normalization across the regions that the premium or the differentiation from between the region is declining more towards a Chinese price level. Because you need to understand that the premium is a benchmark -- is a price for the benchmark price of China.

How is it going forward.  In the market – will it remain to the certain level subdued. But on the other hand, we are delivering a still substantial premium in a down cycle. And as I said, but also in September a recent day, we launched a highly differentiated product, a high voltage product for a submarine cable. And this is what we are continuing to do in the future. You're right. It's a part of the function of an oversupplied market.

**Hazeem Al Suwaidi** *– Borouge – Chief Executive Officer*
Just also on Borouge 4. Just to also reassure everyone here, Borouge 4 is progressing very well. And executed by great team, Borouge. And we expect also a Insha'Allah the mechanical completion of this project, or this mega-project, by end of 2025. So, all going in the right direction for Borouge 4.

**Conference Call Operator**
Our next question comes from Shadab Ashaq from Al Ramz. Shadab, your line is now open. Please go ahead.

**Shadab Ashaq** *– Al Ramz*
Good afternoon, everyone. Congratulations for the strong set of results. And I have a two question first.  Like how is this current geopolitical situation is impacting the Borouge operations supply chains and market access?  And Borouge is primarily an exporter in the company. So how is the security of this transportation line being insured? So, what strategy or contingency plan does Borouge have in place to mitigate these risks? And my second question is that we simply had not tried to acquire the material –

**Hazeem Al Suwaidi** *– Borouge – Chief Executive Officer*
Could you to repeat your question again Ashaq?  Could you repeat your questions please?

**Shadab Ashaq** *– Al Ramz*
Like how the current geopolitical situation is impacting the Borouge operations, supply chain and market access.  And Borouge is primarily an export-oriented company. So how is the security of the transportation line being ensured? What strategies or contingency plan does Borouge have in place to mitigate those risk. And my second question is that ADNOC is Like trying to acquire material companies in Europe. So, this can potentially impact Borouge in terms of the integration. So, what would be the process for this acquisition if these go through?

**Hazeem Al Suwaidi** *– Borouge – Chief Executive Officer*
Maybe just on the first question. I understand your concern over the geopolitical. However, we in Borouge operate primarily in our core markets in Asia, North Asia, South and Southeast Asia and the sub-continents and Middle East area. We are – we have managed our business quite stable. We have great partners across the regions in Asia.  And when it comes to supply, we have great also partners that supply -- that deliver our materials out of UAE. We – in contrary, we have seen that Borouge overselling the volumes and we have great mitigations in place by having great partners to support us also to deliver our materials.

We -- as we as we have been always said that we are diversified in different markets. We understand there are always externalities across our business.  How the team and our sales and marketing always -- they have great opportunities to diverse the volumes and to overcome these challenges. So we have quite strongly positioned in managing these, I would say unpleasant situations.

We have seen it also during COVID. It was even the situation, it was much more difficult for us and we have managed it very resiliently and we have we have no impact whatsoever what's happening. And I would say externalities as a -- from geopolitical or situation. And contrary we are very stable and we are very confident in managing this business.

And I think we will remain -- I would say no -- not commenting on the question two, I think, on the current acquisitions that we are not associated with in Europe.

**Shadab Ashaq** – *Al Ramz*
Understood, sure.  Thank you.

**Conference Call Operator**
As one final reminder, if you would like to ask the question today, please press star followed one on your survey key pad now.

[Pause]

With no further questions, I'd like to hand it back to Hazeem Al Suwaidi, the CEO, for any closing remarks.

**Hazeem Al Suwaidi** – *Borouge – Chief Executive Officer*
I would like to thank and appreciate everybody who has joined us this call today. And I shall -- we will engage more face to face over the coming period. Thank you. Have a good day.

*[end of transcript]*