

Borouge PLC

DIRECTORS' REPORT, REVIEW REPORT AND INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2023

DIRECTORS' REPORT, REVIEW REPORT AND INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD
ENDED 31 MARCH 2023

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BOROUGE PLC

DIRECTORS' REPORT

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2023

The Directors present their report together with the interim condensed consolidated financial statements of Borouge PLC ("the Company") and its subsidiaries (the "Group") for the three month period ended 31 March 2023.

Principal activities

The purpose of the Company is to serve as a holding company for Abu Dhabi Polymers Co. Ltd (Borouge) L.L.C. ("ADP") and Borouge Pte Ltd. which are engaged in the principal activities of production of ethylene, propylene, polyethylene, polypropylene and trading of polyolefins, respectively.

Financial results

The financial results of the Company represent a profit for the period of USD 199.28 million as presented in these interim condensed consolidated financial statements.

For the Board of Directors



Chairman

27 April 2023
Abu Dhabi, UAE





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**REPORT ON THE REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS OF BOROUGE PLC**

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Borouge PLC (the “Company”) and its subsidiaries (the “Group”) as at 31 March 2023, comprising of the interim consolidated statement of financial position as at 31 March 2023 and the related interim consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three month period then ended and explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard IAS 34, *Interim Financial Reporting* (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standards on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

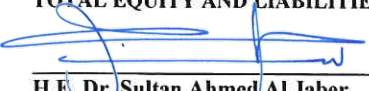

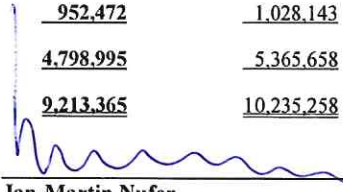
Signed by
Ahmad Al Dali
Partner
Ernst & Young

27 April 2023
Abu Dhabi

Borouge PLC

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Notes	31 March 2023 USD'000 (unaudited)	31 December 2022 USD'000 (audited)
Assets			
Non-current assets			
Property, plant and equipment	3	7,005,568	7,053,196
Intangible assets		53,994	55,616
Right-of-use assets		24,270	25,208
Investment in sublease	7	138,866	135,052
Amounts due from related parties	7	-	2,606
Loans to employees		21,988	22,665
Deferred tax asset		<u>3,358</u>	-
Total non-current assets		<u>7,248,044</u>	<u>7,294,343</u>
Current assets			
Inventories	4	657,304	654,639
Amounts due from related parties	7	213,644	193,762
Trade receivables	5	675,676	890,339
Loans to employees		11,800	11,276
Prepayments and other receivables		35,746	47,059
Cash and cash equivalents	6	<u>371,151</u>	<u>1,143,840</u>
Total current assets		<u>1,965,321</u>	<u>2,940,915</u>
TOTAL ASSETS		<u>9,213,365</u>	<u>10,235,258</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		4,809,231	4,809,231
Merger reserve		(4,446,467)	(4,446,467)
Restricted reserve		186,322	186,322
Capital reserve		12,490	12,490
Actuarial reserve		10,846	10,846
Translation reserve		(2,760)	(3,982)
Retained earnings		<u>3,827,501</u>	<u>4,279,574</u>
Equity attributable to the owners of the Company		4,397,163	4,848,014
Non-controlling interests		<u>17,207</u>	<u>21,586</u>
Total equity		<u>4,414,370</u>	<u>4,869,600</u>
Non-current liabilities			
Provision for employees' end of service benefit		95,334	93,926
Lease liabilities		159,405	158,884
Deferred tax liability		39,454	33,265
Bank loans	8	3,484,315	3,983,999
Amounts due to related parties	7	<u>68,015</u>	<u>67,441</u>
Total non-current liabilities		<u>3,846,523</u>	<u>4,337,515</u>
Current liabilities			
Trade and other payables		373,904	369,761
Amounts due to related parties	7	534,037	613,621
Lease liabilities		4,524	4,494
Income tax payable		<u>40,007</u>	<u>40,267</u>
Total current liabilities		<u>952,472</u>	<u>1,028,143</u>
Total liabilities		<u>4,798,995</u>	<u>5,365,658</u>
TOTAL EQUITY AND LIABILITIES		<u>9,213,365</u>	<u>10,235,258</u>
			
H.E. Dr. Sultan Ahmed Al Jaber Chairman	Hazem Sultan Al Suwaidi Chief Executive Officer	Jan-Martin Nufer Chief Financial Officer	

The accompanying notes form an integral part of the interim condensed consolidated financial statements.

Borouge PLC

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three month ended 31 March 2023

	<i>Notes</i>	<i>31 March 2023 USD'000 (unaudited)</i>
Revenue	9	1,381,717
Cost of sales	10	<u>(914,284)</u>
Gross profit		467,433
Other income		5,193
General and administrative expenses		(46,117)
Selling and distribution expenses		<u>(99,510)</u>
Operating profit		326,999
Finance income		10,141
Finance costs		(53,113)
Foreign exchange loss		<u>(1,050)</u>
Profit for the period before tax		282,977
Income tax expense	11	<u>(83,696)</u>
Profit for the period		<u>199,281</u>
Profit for the period attributable to:		
Owners of the Company		197,780
Non-controlling interests		<u>1,501</u>
		<u>199,281</u>
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operation		<u>1,442</u>
Total other comprehensive income for the period		<u>1,442</u>
Total comprehensive income for the period		<u><u>200,723</u></u>
Total comprehensive income for the period attributable to:		
Owners of the Company		199,002
Non-controlling interests		<u>1,721</u>
		<u><u>200,723</u></u>
Earnings per share:		
Basic and diluted (USD)	13	<u><u>0.01</u></u>

The accompanying notes form an integral part of the interim condensed consolidated financial statements.

Borouge PLC

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

31 March 2023

	<i>Share capital USD'000</i>	<i>Merger reserve USD'000</i>	<i>Restricted reserve USD'000</i>	<i>Capital reserve USD'000</i>	<i>Actuarial reserve USD'000</i>	<i>Translation reserve USD'000</i>	<i>Retained earnings USD'000</i>	<i>Equity attributable to Owners of the Company USD'000</i>	<i>Non- controlling interests USD'000</i>	<i>Total equity USD'000</i>
Balance at 1 January 2023	4,809,231	(4,446,467)	186,322	12,490	10,846	(3,982)	4,279,574	4,848,014	21,586	4,869,600
Profit for the period	-	-	-	-	-	-	197,780	197,780	1,501	199,281
Other comprehensive income for the period	-	-	-	-	-	<u>1,222</u>	-	<u>1,222</u>	<u>220</u>	<u>1,442</u>
Total comprehensive income for the period	-	-	-	-	-	<u>1,222</u>	<u>197,780</u>	<u>199,002</u>	<u>1,721</u>	<u>200,723</u>
Dividends (note 7)	-	-	-	-	-	-	<u>(649,853)</u>	<u>(649,853)</u>	<u>(6,100)</u>	<u>(655,953)</u>
Balance at 31 March 2023 (unaudited)	<u>4,809,231</u>	<u>(4,446,467)</u>	<u>186,322</u>	<u>12,490</u>	<u>10,846</u>	<u>(2,760)</u>	<u>3,827,501</u>	<u>4,397,163</u>	<u>17,207</u>	<u>4,414,370</u>

The accompanying notes form an integral part of the interim condensed consolidated financial statements.

Borouge PLC

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS

31 March 2023

	<i>Notes</i>	<i>31 March 2023 USD'000 (unaudited)</i>
Cash flows from operating activities		
Profits before tax for the period		282,977
<i>Adjustments for:</i>		
Depreciation on property, plant and equipment	3	126,310
Depreciation on right-of-use assets		1,089
Amortisation of intangible assets		5,811
Provision for expected credit losses		1,212
Provision for slow moving and obsolete inventory		1,151
Loss on disposal of assets and modification of right-of-use assets		120
End of service benefits charge		2,138
Finance cost		54,007
Finance income		<u>(10,141)</u>
Net cash flows from operating activities before changes in working capital		464,674
Changes in working capital:		
Decrease in trade receivables		212,981
Increase in amounts due from related parties		(20,685)
Increase in inventories		(2,461)
Decrease in prepayments and other receivables		10,907
Increase in amounts due to related parties		(79,271)
Increase in trade and other payables		(32,133)
Decrease in other payables		44,699
Decrease in contract liabilities		<u>(7,341)</u>
Cash generated from operating activities		591,370
End of service benefits paid		(727)
Tax paid		<u>(81,062)</u>
Net cash generated from operating activities		<u>509,581</u>
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment		116
Payments for purchase of property, plant and equipment	3	(82,486)
Finance income received		<u>8,928</u>
Cash used in investing activities		<u>(73,442)</u>
Cash flows from financing activities		
Repayment of bank loan		(500,000)
Payment of dividends	7	(655,953)
Payment of interest on bank loan		(51,900)
Payment of lease liabilities		<u>(1,276)</u>
Cash used in financing activities		(1,209,129)
Changes in the translation reserve		301
Net decrease in cash and cash equivalents		(772,990)
Cash and cash equivalents at beginning of period		<u>1,143,840</u>
Cash and cash equivalents at end of period	6	<u>371,151</u>

The accompanying notes form an integral part of the interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

1 GENERAL INFORMATION

Borouge PLC (the “Company”) was incorporated on 28 April 2022 as a public company limited by shares, with registration number 000007602, pursuant to the Abu Dhabi Global Market Companies (Amendment No. 1) Regulations 2020. The Company has been established for the purpose of serving as a holding company for Abu Dhabi Polymers Co. Ltd and Borouge Pte. Ltd.

The Company is jointly controlled by Abu Dhabi National Oil Company (“ADNOC”) and Borealis Middle East Holding GmbH (“BMEH”, together with ADNOC, the “Shareholders”).

Details of the Company’s subsidiaries as at 31 March 2023 are as follows:

<i>Name of subsidiary</i>	<i>Ownership interest</i>	<i>Country of incorporation</i>	<i>Principal activities</i>
Abu Dhabi Polymers Co. Ltd (Borouge) L.L.C (“ADP”)	100%	U.A.E	Production of ethylene, propylene, polyethylene and polypropylene
Borouge Pte Ltd and its subsidiaries (“PTE”)	84.746%	Singapore	Trading of polyolefins

The Company together with its subsidiaries is referred to as the “Group”.

The interim condensed consolidated financial statements were approved by the Board of Directors and authorised for issuance on 27 April 2023.

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP’S ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements for the three month ended 31 March 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting. The Group has prepared the interim condensed consolidated financial statements on the basis that it will continue to operate as a going concern. The Directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2022.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES
continued

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group.

- IFRS 17 Insurance Contracts
- Amendments to IAS 1: Classification of liabilities as Current or Non-Current
- Amendments to IAS 8: Definition of Accounting Estimates
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies
- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12; and
- Lease liability in a sale and leaseback – Amendments to IFRS 16
- Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture

The Group does not expect that the adoption of these new and amended standards and interpretations will have a material impact on its interim condensed consolidated financial statements.

Corporate taxes

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023.

Based on recent developments in relation to the Cabinet of Ministers Decision No. 116 of 2022 specifying the threshold of income over which the 9% tax rate would apply, the CT Law is considered enacted. As per IAS12 (Income taxes), any change in tax laws should be recognized in the financial statements in the period in which the enactment occurs (i.e., Q1FY23) and therefore any tax implications (current and/or deferred) will need to be assessed accordingly.

The Group performed an assessment based on the information available at this point of time on the impact of the law on Borouge PLC Group. It was concluded that the corporate income tax law has no impact on Borouge PLC and its subsidiaries based on the facts currently available. The Group will continue to make assessments once additional information and clarification is released by the Cabinet.

Tax

An amount of USD 79,881 thousand for the period ended 31 March 2023 was paid to the Department of Finance by the Group as per the fiscal agreement with the Supreme Council for Financial and Economic Affairs in the Emirate of Abu Dhabi. As of 31 March 2023, an amount of USD 34,688 thousand was payable to the Department of Finance.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

3 PROPERTY, PLANT AND EQUIPMENT

	<i>Buildings</i> USD'000	<i>Plant and machinery</i> USD'000	<i>Furniture, fixtures and equipment</i> USD'000	<i>Motor vehicles</i> USD'000	<i>Capital work-in- progress</i> USD'000	<i>Total</i> USD'000
<i>Cost</i>						
Balance at 1 January 2023	708,385	12,446,908	173,648	14,093	322,197	13,665,231
Additions	-	-	-	-	82,486	82,486
Disposals	-	(3,754)	(355)	-	-	(4,109)
Transfers from capital work in progress	7,641	10,107	2,146	-	(19,894)	-
Transfers to intangibles	-	-	-	-	(4,162)	(4,162)
Exchange differences	<u>298</u>	<u>625</u>	<u>313</u>	<u>-</u>	<u>27</u>	<u>1,263</u>
At 31 March 2023 (unaudited)	<u>716,324</u>	<u>12,453,886</u>	<u>175,752</u>	<u>14,093</u>	<u>380,654</u>	<u>13,740,709</u>
<i>Accumulated depreciation and impairment</i>						
Balance at 1 January 2023	319,028	6,108,419	165,963	13,179	5,446	6,612,035
Depreciation	7,459	116,898	1,905	48	-	126,310
Disposals	-	(3,637)	(355)	-	-	(3,992)
Exchange differences	<u>116</u>	<u>350</u>	<u>287</u>	<u>-</u>	<u>35</u>	<u>788</u>
At 31 March 2023 (unaudited)	<u>326,603</u>	<u>6,222,030</u>	<u>167,800</u>	<u>13,227</u>	<u>5,481</u>	<u>6,735,141</u>
Net book Value At 31 March 2023 (unaudited)	<u>389,721</u>	<u>6,231,856</u>	<u>7,952</u>	<u>866</u>	<u>375,173</u>	<u>7,005,568</u>

During the three month ended 31 March 2023, additions of capital work in progress amounting to USD 82,486 thousand included USD 51,720 thousand in connection with the turnaround of Borouge 2 and USD 9,358 thousand relating to the re-installment of the LDPE reactor.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

4 INVENTORIES

	<i>31 March 2023 USD'000</i>	<i>31 December 2022 USD'000</i>
Finished goods	354,786	360,752
Spare parts	152,460	159,209
Raw materials	195,766	173,290
Goods in transit	-	310
Work in progress	<u>-</u>	<u>5,428</u>
	703,012	698,989
Less: allowance for slow moving and obsolete inventories	<u>(45,708)</u>	<u>(44,350)</u>
	<u>657,304</u>	<u>654,639</u>

5 TRADE RECEIVABLES

	<i>31 March 2023 USD'000</i>	<i>31 December 2022 USD'000</i>
Trade receivables	680,388	892,585
Less: allowance for expected credit losses	<u>(4,712)</u>	<u>(2,246)</u>
	<u>675,676</u>	<u>890,339</u>

Trade receivables are held within a held-to-collect business model consistent with the Group's continuing recognition of these trade receivables.

Movement in the allowance for expected credit losses against trade receivables during the period was as follows:

	<i>31 March 2023 USD'000</i>	<i>31 December 2022 USD'000</i>
At the beginning of the period	2,246	-
Charge for the period	<u>2,466</u>	<u>2,246</u>
At the end of the period	<u>4,712</u>	<u>2,246</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

6 CASH AND CASH EQUIVALENTS

For the purpose of the interim condensed statement of cash flows, cash and cash equivalents are comprised of the following:

	<i>31 March</i> <i>2023</i> <i>USD'000</i>	<i>31 December</i> <i>2022</i> <i>USD'000</i>
Bank balances	327,536	633,949
Short-term deposits	43,603	509,886
Cash on hand	<u>12</u>	<u>5</u>
Cash and cash equivalents	<u>371,151</u>	<u>1,143,840</u>

Included in the Group's cash and cash equivalents are cash and bank balances amounting to USD 3,214 thousand (2022: USD 4,267 thousand) that are denominated in Chinese Renminbi ("RMB"). RMB is not a freely convertible currency and the remittance of funds inward and outward of the People's Republic of China ("PRC") is subject to exchange control regulations by the PRC government.

Short-term deposits are mainly denominated in Chinese Renminbi ("RMB") and earn interest at floating rate of 1.53% per annum.(2022: 1.63%) with an original maturity of less than three months.

7 RELATED PARTIES

Related parties comprise the Government of Abu Dhabi and related departments and institutions (owner of the majority shareholder), associated companies, joint ventures, shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

During the period, the Group entered into the following significant transactions with related parties at prices and on terms agreed between the related parties:

Related party transactions

	<i>31 March</i> <i>2023</i> <i>USD'000</i>
<i>Shareholders</i>	
Sale of goods	174,404
Purchase of goods	(571,920)
Other income and expenses	(28,202)
<i>Other related parties</i>	
Sale of goods	2,932
Purchase of goods	(25,229)
Other income and expenses	(51,080)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

7 RELATED PARTIES continued

	<i>31 March 2023 USD'000</i>	
<i>Compensation of key management personnel</i>		
Short-term benefits		<u><u>1,134</u></u>
Long-term benefits		<u><u>105</u></u>
Balances with related parties mainly comprise:		
	<i>31 March 2023 USD'000</i>	<i>31 December 2022 USD'000</i>
<i>Amounts due to related parties</i>		
Shareholders	522,815	629,978
Related companies	<u>79,237</u>	<u>51,084</u>
Total	<u>602,052</u>	<u>681,062</u>
Current	534,037	613,621
Non-current	<u>68,015</u>	<u>67,441</u>
Total	<u>602,052</u>	<u>681,062</u>
<i>Amounts due from related parties</i>		
Shareholders	186,795	174,686
Related companies	<u>165,715</u>	<u>156,734</u>
Total	<u>352,510</u>	<u>331,420</u>
Current	213,644	193,762
Non-current	<u>138,866</u>	<u>137,658</u>
Total	<u>352,510</u>	<u>331,420</u>

At 31 March 2023, investment in sublease amounting to USD 138,866 thousand (31 December 2022: USD 135,052 thousand) represents the land subleased to affiliates, Borouge 4 LLC and ADNOC Global Trading Ltd.

Dividends

On 23 March 2023, the Board of Directors approved an annual dividend amounting to USD 649,853 thousand (amounting to AED 2,386,585 thousand or 7.94 fils per share) was paid out as at 31 March 2023. Further, USD 6,100 thousand dividend to non-controlling interest was paid out as at 31 March 2023.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

8 BANK LOANS

	<i>31 March 2023 USD'000</i>	<i>31 December 2022 USD'000</i>
Commercial term facility	3,150,000	3,650,000
Islamic facility	<u>350,000</u>	<u>350,000</u>
Unamortized transaction costs	3,500,000	4,000,000
	<u>(15,685)</u>	<u>(16,001)</u>
	<u>3,484,315</u>	<u>3,983,999</u>

This represents external facilities from a consortium of banks amounting to USD 4,000 million with a maturity of 5 years, comprising a commercial term facility of USD 3,650 million and an Islamic facility of USD 350 million. The full loan facility is availed by Abu Dhabi Polymer Ltd. The commercial term facility carries an interest rate of LIBOR + 0.90% margin per annum and the Islamic facility carries a profit margin amount. The repayment of the commercial term and Islamic finance facilities will be in full after 5 years. During the period, interest on this loan amounted to USD 51,680 thousand and transaction costs amortized amounted to USD 316 thousand. There are no bank covenants or collateral maintained for the loans.

As at 31 March 2023, the Group has an undrawn revolving loan facility with First Abu Dhabi Bank amounting to USD 500 million, valid up to 5 years. The loan bears an interest rate at LIBOR plus margin per annum of 0.8%. Total commitment fee recognized during the three-month period ended 31 March 2023 amounted to USD 250 thousand. There are no bank covenants or collateral maintained for this facility.

9 REVENUE

The Group derives its revenue from contracts with customers for the transfer of goods and services at a point in time in the following major lines of business.

	<i>31 March 2023 USD'000</i>
<i>Sale of goods</i>	
Polyethylene	757,863
Polypropylene	554,966
Ethylene and others	<u>68,888</u>
	<u>1,381,717</u>
<i>Timing of revenue recognition</i>	
At a point in time	<u>1,381,717</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

9 REVENUE continued

Geographical information

Revenue is based on the geographical location of end customers as follows:

	<i>31 March 2023 USD'000</i>
Austria	108,502
Bangladesh	19,081
Egypt	46,383
India	243,392
Israel	23,252
Pakistan	45,548
People's Republic of China	354,714
Saudi Arabia	35,144
Singapore	24,512
United Arab Emirates	220,211
Vietnam	31,590
Others	<u>229,388</u>
Revenue from contracts with end customers	<u>1,381,717</u>

10 COST OF SALES

	<i>31 March 2023 USD'000</i>
Cost of production and other related costs	829,254
Depreciation on property, plant and equipment	72,873
Royalty expenses	8,822
Amortisation of intangible assets	3,284
Depreciation on right-of-use assets	<u>51</u>
	<u>914,284</u>

11 INCOME TAX EXPENSE

	<i>31 March 2023 USD'000</i>
Income tax expense	80,825
Deferred tax charge	<u>2,871</u>
	<u>83,696</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

11 INCOME TAX EXPENSE continued

Income tax expense is recognized at an amount determined by multiplying the profit / loss before tax for the interim reporting period by management's best estimate of the weighted average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognized in full in the interim period. As such, the effective tax rate in the interim financial statements may differ from management's estimate of the effective tax rate for the annual financial statements.

The Company is subject to Abu Dhabi Income Tax on its taxable income attributable to its operations in respect of Borouge 1, Borouge 2 and Borouge 3.

12 SEGMENTAL ANALYSIS

The business activities of the Group are performed on an integrated basis. Therefore, any segmentation of operating income, expenses, assets and liabilities is not relevant and is not performed for internal management reporting purposes.

For internal management purpose, the Group is organized as one business unit based on the products and services and has only one reportable segment. The Group is managed as a single business unit and the financial performance is reported in the internal reporting provided to the Chief Operating Decision-maker ("CODM"). The Executive Committee, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the CODM that makes strategic decisions.

The financial information reviewed by the CODM is based on the IFRS financial information for the Group. The CODM monitors the operating results of its business unit separately for the purpose of making decisions about resource allocation and performance assessment.

The CODM regularly reviews the interim condensed consolidated statement of profit or loss and other comprehensive income. The CODM function is to allocate resources to and assess the performance of the operating segments of the Group. Based on the review and assessment of the CODM, the Group has a single operating segment, which is 'Polyolefin Business'.

There are no other economic characteristics within the Group that will lead to determination of other operating segments. This analysis requires significant judgement as to the circumstances of the Group.

The Group does not have any operating segments that are aggregated. The CODM has considered the following criteria in determining the operating segments of the Group:

- the nature of products and services;
- the nature of the production processes;
- the type or class of customer for their products and services; and
- the methods used to distribute their products or provide their services;

Based on the criteria and evaluation above, the CODM has determined that the Group has only one operating segment, which is consistent with the internal reporting and performance measurement.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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13 BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share amounts are calculated by dividing the profit attributable to shareholders of the Group by the weighted average number of share outstanding during the period.

	<i>31 March 2023</i>
Profit attributable to owners of the Company (USD '000)	<u><u>199,002</u></u>
Weighted average number of shares in issue	<u><u>30,057,691,583</u></u>
Earnings per share (USD)	<u><u>0.01</u></u>

There are no dilutive securities therefore diluted EPS is the same as basic EPS.

14 CONTINGENCIES AND CAPITAL COMMITMENTS

As at 31 March 2023, the Group had contingent liabilities amounting to USD 153 thousand in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

The Group is involved in various legal proceedings and claims arising in the ordinary course of business. While the outcome of these matters cannot be predicted with certainty, management does not believe that these matters will have a material adverse effect on the Group's interim condensed consolidated financial statements if concluded unfavorably.

At 31 March 2023, the Group has authorized and committed estimated future capital expenditure amounting to USD 100,217 thousand (31 December 2022: USD 75,581 thousand).

15 SEASONALITY OF RESULTS

There is no material impact of seasonality on the Group's operating results.

16 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Management considers that the carrying amounts of financial assets and liabilities approximate their fair values.