

Borouge PLC

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

30 JUNE 2023

DIRECTORS' REPORT, REVIEW REPORT AND INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD
ENDED 30 JUNE 2023

	Pages
Directors' report	
Report on review of interim financial information	
Interim condensed consolidated statement of financial position	2
Interim condensed consolidated statement of profit or loss and other comprehensive income	3
Interim condensed consolidated statement of changes in equity	4
Interim condensed consolidated statement of cash flows	5
Notes to the interim condensed consolidated financial statements	6 - 15

BOROUGE PLC
DIRECTORS' REPORT
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 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 six month period ended 30 June 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 430.64 million (Period ended 30 June 2022: USD 178.2 million) as presented in these interim condensed consolidated financial statements.

for the **Board of Directors**



Chairman

27 July 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 30 June 2023, comprising of the interim consolidated statement of financial position as at 30 June 2023 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, for the three and six month periods then ended and the related interim condensed consolidated statement of changes in equity and cash flows for the six 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

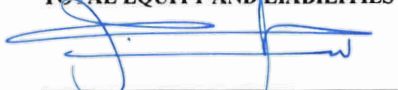

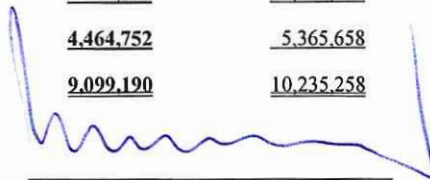
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Signed by
Ahmad Al Dali
Partner
Ernst & Young

27 July 2023
Abu Dhabi

Borouge PLC

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at 30 June 2023

	Notes	30 June 2023 USD'000 (unaudited)	31 December 2022 USD'000 (audited)
Assets			
Non-current assets			
Property, plant and equipment	3	6,872,919	7,053,196
Intangible assets		59,278	55,616
Right-of-use assets		22,681	25,208
Investment in sublease	7	139,880	135,052
Amounts due from related parties	7	-	2,606
Loans to employees		23,024	22,665
Deferred tax asset		3,747	-
Total non-current assets		7,121,529	7,294,343
Current assets			
Inventories	4	696,298	654,639
Amounts due from related parties	7	211,575	193,762
Trade receivables	5	741,943	890,339
Loans to employees		11,474	11,276
Prepayments and other receivables		35,299	47,059
Cash and cash equivalents	6	281,072	1,143,840
Total current assets		1,977,661	2,940,915
TOTAL ASSETS		9,099,190	10,235,258
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		10,858	10,846
Translation reserve		(7,175)	(3,982)
Retained earnings		4,056,464	4,279,574
Equity attributable to the owners of the Company		4,621,723	4,848,014
Non-controlling interests		12,715	21,586
Total equity		4,634,438	4,869,600
Non-current liabilities			
Provision for employees' end of service benefit		96,540	93,926
Other liabilities		934	-
Lease liabilities		158,183	158,884
Deferred tax liability		43,004	33,265
Bank loans	8	3,286,000	3,983,999
Amounts due to related parties	7	68,014	67,441
Total non-current liabilities		3,652,675	4,337,515
Current liabilities			
Trade and other payables		292,993	369,761
Amounts due to related parties	7	472,562	613,621
Lease liabilities		4,337	4,494
Income tax payable		42,185	40,267
Total current liabilities		812,077	1,028,143
Total liabilities		4,464,752	5,365,658
TOTAL EQUITY AND LIABILITIES		9,099,190	10,235,258
			
H.E. Dr. Sultan Ahmed Al Jaber Chairman	Hazeem 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.

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

For the six month ended 30 June 2023

		<i>For the three-month period ended 30 June 2023</i>	<i>For the period from 28 April 2022 (date of inception) to 30 June 2022</i>	<i>For the six-month period ended 30 June 2023</i>	<i>For the period from 28 April 2022 (date of inception) to 30 June 2022</i>
	<i>Notes</i>	<i>USD'000 (unaudited)</i>	<i>USD'000 (unaudited)</i>	<i>USD'000 (unaudited)</i>	<i>USD'000 (unaudited)</i>
Revenue	9	1,416,055	730,170	2,797,772	730,170
Cost of sales	10	<u>(899,080)</u>	<u>(394,446)</u>	<u>(1,813,364)</u>	<u>(394,446)</u>
Gross profit		516,975	335,724	984,408	335,724
Other income		5,042	5,148	10,235	5,148
General and administrative expenses		(48,501)	(7,733)	(94,618)	(7,733)
Selling and distribution expenses		(104,783)	(73,454)	(204,293)	(73,454)
Impairment loss on property, plant and equipment		<u>-</u>	<u>(8,037)</u>	<u>-</u>	<u>(8,037)</u>
Operating profit		368,733	251,648	695,732	251,648
Finance income		3,944	373	14,085	373
Finance costs		(52,177)	(6,268)	(105,290)	(6,268)
Foreign exchange (loss) gain		<u>(806)</u>	<u>72</u>	<u>(1,856)</u>	<u>72</u>
Profit for the period before tax		319,694	245,825	602,671	245,825
Income tax expense	11	<u>(88,331)</u>	<u>(67,645)</u>	<u>(172,027)</u>	<u>(67,645)</u>
Profit for the period		<u>231,363</u>	<u>178,180</u>	<u>430,644</u>	<u>178,180</u>
Profit for the period attributable to:					
Owners of the Company		228,963	175,517	426,743	175,517
Non-controlling interests		<u>2,400</u>	<u>2,663</u>	<u>3,901</u>	<u>2,663</u>
		<u>231,363</u>	<u>178,180</u>	<u>430,644</u>	<u>178,180</u>
Other comprehensive loss					
<i>Items that may be not be reclassified to profit or loss</i>					
Defined benefit plan remeasurements		14	(49)	14	(49)
<i>Items that may be reclassified to profit or loss</i>					
Exchange differences on translation of foreign operation		<u>(5,209)</u>	<u>(440)</u>	<u>(3,767)</u>	<u>(440)</u>
Total other comprehensive loss for the period		<u>(5,195)</u>	<u>(489)</u>	<u>(3,753)</u>	<u>(489)</u>
Total comprehensive income for the period		<u>226,168</u>	<u>177,691</u>	<u>426,891</u>	<u>177,691</u>
Total comprehensive income for the period attributable to:					
Owners of the Company		224,560	175,103	423,562	175,103
Non-controlling interests		<u>1,608</u>	<u>2,588</u>	<u>3,329</u>	<u>2,588</u>
		<u>226,168</u>	<u>177,691</u>	<u>426,891</u>	<u>177,691</u>
Earnings per share:					
Basic and diluted (USD)	13	<u>0.01</u>	<u>0.01</u>	<u>0.01</u>	<u>0.01</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

For the six month ended 30 June 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 (audited)	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	-	-	-	-	-	-	426,743	426,743	3,901	430,644
Other comprehensive loss for the period	-	-	-	-	12	(3,193)	-	(3,181)	(572)	(3,753)
Total comprehensive income for the period	-	-	-	-	12	(3,193)	426,743	423,562	3,329	426,891
Dividends (note 7)	-	-	-	-	-	-	(649,853)	(649,853)	(12,200)	(662,053)
Balance at 30 June 2023 (unaudited)	<u>4,809,231</u>	<u>(4,446,467)</u>	<u>186,322</u>	<u>12,490</u>	<u>10,858</u>	<u>(7,175)</u>	<u>4,056,464</u>	<u>4,621,723</u>	<u>12,715</u>	<u>4,634,438</u>
Balance at incorporation (unaudited)	-	-	-	-	-	-	-	-	-	-
Share capital introduced	50	-	-	-	-	-	-	50	-	50
Issuance of additional share capital on transfer of ADP and PTE	4,809,181	-	-	-	-	-	-	4,809,181	-	4,809,181
Equity contributed upon transfer of subsidiaries	-	(4,446,467)	185,730	12,490	(8,294)	(234)	3,880,620	(376,155)	12,464	(363,691)
Profit for the period	-	-	-	-	-	-	175,517	175,517	2,663	178,180
Other comprehensive loss for the period	-	-	-	-	(42)	(373)	-	(415)	(74)	(489)
Total comprehensive income for the period	-	-	-	-	(42)	(373)	175,517	175,102	2,589	177,691
Balance at 30 June 2022 (unaudited)	<u>4,809,231</u>	<u>(4,446,467)</u>	<u>185,730</u>	<u>12,490</u>	<u>(8,336)</u>	<u>(607)</u>	<u>4,056,137</u>	<u>4,608,178</u>	<u>15,053</u>	<u>4,623,231</u>

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS

For the six month ended 30 June 2023

	Note	<i>For the six month period ended 30 June 2023 USD'000 (unaudited)</i>	<i>For the period from 28 April 2022 (inception) to 30 June 2022 USD'000 (unaudited)</i>
Cash flows from operating activities			
Profits before tax for the period		602,671	245,825
<i>Adjustments for:</i>			
Depreciation on property, plant, and equipment	3	264,908	41,304
Impairment of property, plant, and equipment		-	8,037
Depreciation on right-of-use assets		2,162	443
Amortization of intangible assets		15,397	1,572
Provision for expected credit loss on trade receivables	5	7,475	-
Provision for slow moving and obsolete inventory		1,362	-
Loss on disposal of asset and modification of right of use assets		119	-
End of service benefits charge		4,740	845
Finance cost		105,290	6,268
Finance income		(14,085)	-
Exchange loss differences		1,313	254
Net cash flows from operating activities before changes in working capital		991,352	304,548
Changes in working capital:			
Trade receivables		139,592	(149,571)
Amounts due from related parties		(21,035)	(21,745)
Inventories		(43,566)	85,308
Prepayments and other receivables		10,523	(651)
Amounts due to related parties		(140,270)	259,525
Trade and other payables		(74,666)	(59,773)
Cash generated from operating activities		861,930	417,641
End of service benefits paid		(2,110)	(90,840)
Tax paid		(164,214)	(60,228)
Net cash generated from operating activities		695,606	266,573
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		3	-
Payments for purchase of property, plant and equipment	3	(102,607)	(6,663)
Payments for purchase of intangible assets		(2,128)	-
Finance income received		14,085	-
Cash and cash equivalents acquired as part of business combination		-	347,564
Cash (used in) generated from investing activities		(90,647)	340,901
Cash flows from financing activities			
Issuance of share capital		-	50
Repayment of bank loan		(700,000)	-
Payment of dividends		(662,053)	-
Payment of interest on bank loan		(103,290)	(5,935)
Payment of lease liabilities		-	(648)
Cash used in financing activities		(1,465,343)	(6,533)
Changes in the translation reserve		(2,384)	-
Net (decrease) increase in cash and cash equivalents		(862,768)	600,941
Cash and cash equivalents at beginning of period		1,143,840	-
Cash and cash equivalents at end of period	6	281,072	600,941

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 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 30 June 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 authorized for issuance on 27 July 2023.

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

Basis of preparation

The interim condensed consolidated financial statements for the six month ended 30 June 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.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2023

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

New standards, interpretations and amendments adopted by the Group continued

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
- 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., Q2FY23) 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 160,149 thousand (period ended 30 June 2022: USD 60,228 thousand) for the period ended 30 June 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 30 June 2023, an amount of USD 38,123 thousand (31 December 2022: USD 34,763) was payable to the Department of Finance.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 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
Cost:						
Balance at 1 January 2023 (audited)	708,385	12,446,908	173,648	14,093	322,197	13,665,231
Additions	-	-	3	-	102,604	102,607
Disposals	-	(4,369)	(591)	-	-	(4,960)
Transfers from capital work in progress	8,011	177,622	2,587	-	(188,220)	-
Transfers to intangible assets	-	-	-	-	(16,662)	(16,662)
Exchange differences	(762)	(1,663)	(293)	-	(124)	(2,842)
At 30 June 2023 (unaudited)	<u>715,634</u>	<u>12,618,498</u>	<u>175,354</u>	<u>14,093</u>	<u>219,795</u>	<u>13,743,374</u>
Accumulated depreciation and impairment:						
Balance at 1 January 2023 (audited)	319,028	6,108,419	165,963	13,179	5,446	6,612,035
Depreciation	13,863	248,000	2,948	97	-	264,908
Disposals	-	(4,251)	(589)	-	-	(4,840)
Exchange differences	(309)	(1,003)	(241)	-	(95)	(1,648)
At 30 June 2023 (unaudited)	<u>332,582</u>	<u>6,351,165</u>	<u>168,081</u>	<u>13,276</u>	<u>5,351</u>	<u>6,870,455</u>
Net book value:						
At 30 June 2023 (unaudited)	<u>383,052</u>	<u>6,267,333</u>	<u>7,273</u>	<u>817</u>	<u>214,444</u>	<u>6,872,919</u>
At 31 December 2022 (audited)	<u>389,357</u>	<u>6,338,489</u>	<u>7,685</u>	<u>914</u>	<u>316,751</u>	<u>7,053,196</u>

During the six month ended 30 June 2023, additions of capital work in progress amounting to USD 102,604 thousand included USD 64,037 thousand in connection with the turnaround of Borouge 2 and USD 32,300 thousand relating to the re-installment of the LDPE reactor.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2023

4 INVENTORIES

	<i>30 June 2023 USD'000 (unaudited)</i>	<i>31 December 2022 USD'000 (audited)</i>
Finished goods	402,533	360,752
Spare parts	160,117	159,209
Raw materials	180,603	173,290
Goods in transit	-	310
Work in progress	<u>-</u>	<u>5,428</u>
	743,253	698,989
<i>Less: allowance for slow moving and obsolete inventories</i>	<u>(46,955)</u>	<u>(44,350)</u>
	<u>696,298</u>	<u>654,639</u>

5 TRADE RECEIVABLES

	<i>30 June 2023 USD'000 (unaudited)</i>	<i>31 December 2022 USD'000 (audited)</i>
Trade receivables	751,664	892,585
<i>Less: allowance for expected credit losses</i>	<u>(9,721)</u>	<u>(2,246)</u>
	<u>741,943</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>30 June 2023 USD'000 (unaudited)</i>	<i>31 December 2022 USD'000 (audited)</i>
At the beginning of the period	2,246	-
Charge for the period	<u>7,475</u>	<u>2,246</u>
At the end of the period	<u>9,721</u>	<u>2,246</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2023

6 CASH AND CASH EQUIVALENTS

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

	<i>30 June 2023 USD'000 (unaudited)</i>	<i>31 December 2022 USD'000 (audited)</i>
Bank balances	236,586	633,949
Short-term deposits	44,479	509,886
Cash on hand	<u>7</u>	<u>5</u>
Cash and cash equivalents	<u>281,072</u>	<u>1,143,840</u>

Included in the Group's cash and cash equivalents are cash and bank balances amounting to USD 3,330 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 1.58% per annum (2022: 1.63% per annum) 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>For the three-month period ended 30 June 2023 USD'000 (unaudited)</i>	<i>For the period from 28 April 2022 (date of inception) to 30 June 2022 USD'000 (unaudited)</i>	<i>For the six-month period ended 30 June 2023 USD'000 (unaudited)</i>	<i>For the period from 28 April 2022 (date of inception) to 30 June 2022 USD'000 (unaudited)</i>
Shareholders				
Sale of goods	92,310	66,213	266,714	66,213
Purchase of goods	(445,857)	(133,699)	(1,017,777)	(133,699)
Other income and expenses	(22,635)	(237)	(50,837)	(237)
Other related parties				
Sale of goods	13,719	2,619	16,651	2,619
Purchase of goods	(181,529)	(6,235)	(206,758)	(6,235)
Other income and expenses	(30,313)	(15,546)	(81,393)	(15,564)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2023

7 RELATED PARTIES continued

	<i>For the three-month period ended 30 June 2023 USD'000 (unaudited)</i>	<i>For the period from 28 April 2022 (date of inception) to 30 June 2022 USD'000 (unaudited)</i>	<i>For the six-month period ended 30 June 2023 USD'000 (unaudited)</i>	<i>For the period from 28 April 2022 (date of inception) to 30 June 2022 USD'000 (unaudited)</i>
<i>Compensation of key management personnel</i>				
Short-term benefits	<u>1,079</u>	<u>256</u>	<u>2,213</u>	<u>256</u>
Long-term benefits	<u>105</u>	<u>27</u>	<u>210</u>	<u>27</u>

Balances with related parties mainly comprise:

	<i>30 June 2023 USD'000 (unaudited)</i>	<i>31 December 2022 USD'000 (audited)</i>
<i>Amounts due to related parties</i>		
Shareholders	418,965	629,978
Related companies	<u>121,611</u>	<u>51,084</u>
Total	<u>540,576</u>	<u>681,062</u>
Current	472,562	613,621
Non-current	<u>68,014</u>	<u>67,441</u>
Total	<u>540,576</u>	<u>681,062</u>
<i>Amounts due from related parties</i>		
Shareholders	137,620	174,686
Related companies	<u>213,835</u>	<u>156,734</u>
Total	<u>351,455</u>	<u>331,420</u>
Current	211,575	193,762
Non-current	<u>139,880</u>	<u>137,658</u>
Total	<u>351,455</u>	<u>331,420</u>

At 30 June 2023, investment in sublease amounting to USD 139,880 thousand (31 December 2022: USD 135,052 thousand) represents the land subleased to affiliates, Borouge 4 LLC and ADNOC Global Trading Ltd.

Dividends

On 13 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 30 June 2023. Further, USD 12,200 thousand dividend to non-controlling interest was paid out during the period ended 30 June 2023.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2023

8 BANK LOANS

	30 June 2023	31 December 2022
	USD'000	USD'000
	(unaudited)	(audited)
Commercial term facility	2,950,000	3,650,000
Islamic facility	<u>350,000</u>	<u>350,000</u>
	3,300,000	4,000,000
Unamortized transaction costs	<u>(14,000)</u>	<u>(16,001)</u>
	<u>3,286,000</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 99,122 thousand and transaction costs amortized amounted to USD 2,001 thousand. During the period ended 30 June 2023, the Company repaid an amount of USD 700,000 thousand. There are no bank covenants or collateral maintained for the loans.

As at 30 June 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 six-month period ended 30 June 2023 amounted to USD 419 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.

	For the three-month period ended 30 June 2023	<i>For the period from 28 April 2022 (date of inception) to 30 June 2022</i>	For the six-month period ended 30 June 2023	<i>For the period from 28 April 2022 (date of inception) to 30 June 2022</i>
	USD'000	USD'000	USD'000	USD'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sale of goods				
Polyethylene	818,961	424,704	1,576,824	424,704
Polypropylene	591,557	280,144	1,146,523	280,144
Ethylene and others	<u>5,537</u>	<u>25,322</u>	<u>74,425</u>	<u>25,322</u>
	<u>1,416,055</u>	<u>730,170</u>	<u>2,797,772</u>	<u>730,170</u>
Timing of revenue recognition				
At a point in time	<u>1,416,055</u>	<u>730,170</u>	<u>2,797,772</u>	<u>730,170</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2023

9 REVENUE continued

Geographical information

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

	<i>For the three-month period ended 30 June 2023 USD'000 (unaudited)</i>	<i>For the period from 28 April 2022 (date of inception) to 30 June 2022 USD'000 (unaudited)</i>	<i>For the six-month period ended 30 June 2023 USD'000 (unaudited)</i>	<i>For the period from 28 April 2022 (date of inception) to 30 June 2022 USD'000 (unaudited)</i>
Austria	91,949	43,384	200,451	43,384
Bangladesh	31,439	16,435	50,520	16,435
Egypt	54,735	95,239	101,118	95,239
India	221,150	82,504	464,543	82,504
Israel	17,451	14,553	40,703	14,553
Pakistan	58,783	29,168	104,331	29,168
People's Republic of China	440,362	219,035	795,076	219,035
Saudi Arabia	31,957	9,915	67,102	9,915
Singapore	35,895	9,223	60,407	9,223
United Arab Emirates	162,296	77,590	382,507	77,590
Vietnam	32,489	19,301	64,079	19,301
Indonesia	23,078	13,420	42,388	13,420
South Korea	24,599	9,032	41,352	9,032
Others	<u>189,872</u>	<u>91,371</u>	<u>383,195</u>	<u>91,371</u>
Revenue from contracts with end customers	<u>1,416,055</u>	<u>730,170</u>	<u>2,797,772</u>	<u>730,170</u>

10 COST OF SALES

	<i>For the three-month period ended 30 June 2023 USD'000 (unaudited)</i>	<i>For the period from 28 April 2022 (date of inception) to 30 June 2022 USD'000 (unaudited)</i>	<i>For the six-month period ended 30 June 2023 USD'000 (unaudited)</i>	<i>For the period from 28 April 2022 (date of inception) to 30 June 2022 USD'000 (unaudited)</i>
Cost of production and other related costs	757,103	332,552	1,586,356	332,552
Depreciation on property, plant and equipment	123,788	55,738	196,661	55,738
Royalty expenses	8,034	3,961	18,957	3,961
Amortisation of intangible assets	10,135	2,154	11,319	2,154
Depreciation on right-of-use assets	<u>20</u>	<u>41</u>	<u>71</u>	<u>41</u>
	<u>899,080</u>	<u>394,446</u>	<u>1,813,364</u>	<u>394,446</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2023

11 INCOME TAX EXPENSE

	<i>For the three-month period ended 30 June 2023 USD'000 (unaudited)</i>	<i>For the period from 28 April 2022 (date of inception) to 30 June 2022 USD'000 (unaudited)</i>	<i>For the six-month period ended 30 June 2023 USD'000 (unaudited)</i>	<i>For the period from 28 April 2022 (date of inception) to 30 June 2022 USD'000 (unaudited)</i>
Income tax expense	85,336	70,253	166,161	70,253
Deferred tax charge (credit)	<u>2,995</u>	<u>(2,608)</u>	<u>5,866</u>	<u>(2,608)</u>
	<u>88,331</u>	<u>67,645</u>	<u>172,027</u>	<u>67,645</u>

Income tax expense is recognized at an amount determined by multiplying the profit 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 consolidated financial statements may differ from management's estimate of the effective tax rate for the annual consolidated 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2023

12 SEGMENTAL ANALYSIS continued

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.

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>For the three-month period ended 30 June 2023 USD'000 (unaudited)</i>	<i>For the period from 28 April 2022 (date of inception) to 30 June 2022 USD'000 (unaudited)</i>	<i>For the six-month period ended 30 June 2023 USD'000 (unaudited)</i>	<i>For the period from 28 April 2022 (date of inception) to 30 June 2022 USD'000 (unaudited)</i>
Profit attributable to owners of the Company (USD '000)	<u>228,963</u>	<u>175,517</u>	<u>426,743</u>	<u>175,517</u>
Weighted average number of shares in issue (000)	<u>30,057,691</u>	<u>30,057,429</u>	<u>30,057,691</u>	<u>30,057,429</u>
Earnings per share (USD)	<u>0.01</u>	<u>0.01</u>	<u>0.01</u>	<u>0.01</u>

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

14 CONTINGENCIES AND CAPITAL COMMITMENTS

As at 30 June 2023, the Group had contingent liabilities amounting to USD 150 thousand (31 Dec 2022: 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 30 June 2023, the Group has authorized and committed estimated future capital expenditure amounting to USD 18,929 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.