Borouge

BOROUGE PLC Q2 2026

Management Discussion & Analysis

Table of Contents

1. Summary of Operational and Financial Performance

Borouge Plc (**Borouge**) reported revenue of $1,406 million for the three months ended 30 June 2026 (**Q2 2026**), up 8 percent year-on-year (**YoY**) and 20 precent quarter-on-quarter (**QoQ**), primarily driven by significantly higher average selling prices amid tight polyolefins market conditions and stable customer demand. Production volumes declined 24 percent YoY and 40 percent QoQ to 721 kt, reflecting the impact of asset damage sustained at the Ruwais complex on 5 April 2026 and the closure of the Strait of Hormuz, which restricted exports and led upstream suppliers to temporarily reduce output. Following the temporary suspension of production in the affected areas after the 5 April incident, an initial assessment was undertaken and repair work commenced at the Ruwais complex. Repair activities were accelerated throughout the quarter, enabling full production availability to be restored by the end of June.

Sales volumes declined 23 percent YoY and 20 percent QoQ to 873 kt. Despite operational disruptions during the period, Borouge successfully shipped all production volumes from Ruwais, as well as an additional 98 kt of product from inventory built in Q1 2026, reflecting the Company's successful development of alternative logistics routes and commitment to maintaining consistent deliveries to customers.

Blended average selling prices increased 45 percent YoY and 53 percent QoQ to $1,535 per tonne, driven by record premia and significantly higher benchmark prices. Reflecting the highly differentiated nature of the Company’s offering and superior product performance, Borouge achieved PE and PP premia of $438 per tonne and $282 per tonne, respectively, substantially above management's through-the-cycle guidance of $200 per tonne for PE and $140 per tonne for PP.

Borouge reported adjusted EBITDA[(1)] of $401 million in Q2 2026, down 9 percent YoY, with an EBITDA margin of 29 percent. Total operating costs were broadly flat YoY, as lower sales volumes were offset by higher propylene feedstock costs. Net profit declined 1 percent YoY to $191 million, while increasing 23 percent QoQ, supported by the recognition of approximately $25 million (pre-tax) in insurance claims proceeds recorded within other income, relating to expected payouts associated with the regional geopolitical disruption. This was partially offset by a $6 million impairment loss recognised during the period in respect of assets damaged in the 5 April incident. Adjusted operating free cash flow was $287 million (Q2 2025: $312 million), representing a cash conversion ratio of 71 percent.

For the six months ended 30 June 2026, Borouge reported revenue of $2,581 million, down 5 percent YoY, reflecting lower sales volumes of 1,958 kt (H1 2025: 2,390 kt), partially offset by a 17 percent increase in average selling prices. Adjusted EBITDA declined 26 percent YoY, with an EBITDA margin of 29 percent, while net profit for period declined 27 percent to $347 million. The company generated adjusted operating free cash flow of $581 million (H1 2025: 836 million) and achieved a cash conversion rate of 78 percent.

Net Debt increased to $3,275 million as at 30 June 2026 (30 June 2025: $2,694 million).

	Q2 2026	Q2 2025	YoY (%)	Q1 2026	QoQ (%)	H1 2026	H1 2025	YoY (%)
	$m	*$m*		*$m*		*$m*	*$m*	
Revenue	**1,406**	**1,305**	**+8%**	**1,175**	**+20%**	**2,581**	**2,725**	**-5%**
Total costs	(865)	(866)	-0%	(766)	+13%	(1,632)	(1,711)	-5%
Gross Profit	**541**	**439**	**+23%**	**409**	**+32%**	**950**	**1,013**	**-6%**
General & Administrative Expenses	(50)	(42)	+19%	(46)	+9%	(96)	(103)	-6%
Selling & Distribution Expenses	(222)	(101)	+119%	(125)	+78%	(347)	(191)	+81%
Other Income	31	6	+417%	6	+390%	37	12	+209%
Impairment Loss on PPE	(6)	0	-	0	-	(6)	0	-
Operating Profit	**293**	**302**	**-3%**	**244**	**+20%**	**538**	**732**	**-27%**
Profit for the Period	**191**	**193**	**-1%**	**156**	**+23%**	**347**	**474**	**-27%**
Profit Margin (%)	14%	15%		13%		13%	17%	
Total Comprehensive Income	**196**	**195**	**+1%**	**160**	**+23%**	**356**	**475**	**-25%**
Adjusted EBITDA (1)	**401**	**442**	**-9%**	**343**	**+17%**	**744**	**1,006**	**-26%**
Adjusted EBITDA Margin (%)	29%	34%		29%		29%	37%	
Basic Earnings per Share (US$)	0.01	0.01		0.01		0.01	0.02	
Diluted Earnings per Share (US$)	0.01	0.01		0.01		0.01	0.02	
Net Debt	**3,275**	**2,694**	**+22%**	**2,582**	**+27%**	**3,275**	**2,694**	**+22%**

(1) Adjusted EBITDA is calculated as EBITDA plus adjustments on foreign exchange gain or loss and impairment loss on property, plant and equipment.

	Q2 2026	Q2 2025	YoY (%)	Q1 2026	QoQ (%)	H1 2026	H1 2025	YoY (%)
Total Sales Volume (kt)	**873**	**1,138**	**-23%**	**1,085**	**-20%**	**1,958**	**2,390**	**-18%**
Polyethylene	454	625	-27%	594	-24%	1,048	1,365	-23%
Polypropylene	419	507	-17%	491	-15%	910	1,012	-10%
Ethylene & Others	0	6	-	0	-	0	13	-
Average Selling Price ($/t)	**1,535**	1,056	**+45%**	**1,005**	**+53%**	**1,240**	**1,062**	**+17%**
Polyethylene	1,582	1,081	+46%	1,034	+53%	1,270	1,080	+18%
Polypropylene	1,484	1,025	+45%	969	+53%	1,205	1,038	+16%
Average Product Premia ($/t)								
Polyethylene	438	249	+76%	196	+123%	300	235	+28%
Polypropylene	282	141	+100%	107	+164%	187	148	+26%

2. Operational Review

Full production availability restored following successful repairs at the Ruwais complex

In Q2 2026, Borouge produced 721 kt of PE and PP, with plant utilisation averaging approximately 60 percent, and production split broadly between 45 percent PE and 55 percent PP. Production declined 24 percent YoY and 40 percent QoQ, primarily due to asset damage sustained at the Ruwais complex on 5 April 2026 and the closure of the Strait of Hormuz, which disrupted export flows and led upstream suppliers to temporarily reduce output.

Following the temporary suspension of production in the affected areas after the 5 April incident, an initial assessment was undertaken and repair work commenced at the Ruwais complex. Repair activities were accelerated throughout the quarter, enabling full production availability to be restored by the end of June. The repairs are expected to have only a limited impact on 2026 maintenance capex, which is guided to be below $300 million.

During Q2 2026, reduced feedstock availability and asset damage constrained PE production in particular, which declined 39 percent YoY and 51 percent QoQ, with PE utilisation averaging 48 percent during the quarter. Lower feedstock supply also resulted in the temporary idling of Borouge's 800 ktpa Olefins Conversion Unit (**OCU**), which converts low-cost ethane into propylene and typically supplies a significant portion of the Company's propylene feedstock requirements. PP production declined 4 percent YoY and 27 percent QoQ, with PP utilisation averaging 71 percent during the period.

For the first six months of 2026, total production stood at 1,929 kt (H1 2025: 2,201 kt), representing a 12 percent YoY decrease, with utilisation rates of 73 percent for PE and 84 percent for PP.

Borouge 4 megaproject

The Company continued to advance its strategic growth projects during the quarter. Commercial operations at XLPE 2, the first Borouge 4 facility to come online, commenced following the successful completion of performance testing, with initial product volumes delivered to customers in the region. Production from Borouge 4 is expected to ramp up through 2026, subject to feedstock availability, as the remaining facilities are commissioned and brought online. Under the Asset Usage Agreement signed in March 2026, Borouge operates the Borouge 4 assets on behalf of the project's owners, ADNOC and OMV, and will market all Borouge 4 production volumes in return for an at-cost asset utilisation fee. Payment of the asset utilisation fee commenced during the quarter following the start of commercial operations at XLPE 2. In connection with the commencement of commercial operations, the Company recognised a right-of-use asset and corresponding lease liability of approximately $56.5 million relating to the XLPE 2 plant.

	Q2 2026	Q2 2025	YoY (%)	Q1 2026	QoQ (%)	H1 2026	H1 2025	YoY (%)
Production Capacity (kt)	**1,242**	**1,242**		**1,288**		**2,470**	**2,470**	
Polyethylene	686	686		678		1,364	1,364	
Polypropylene	556	556		550		1,106	1,106	
Utilisation Rate								
Polyethylene	48%	78%		99%		73%	90%	
Polypropylene	71%	74%		98%		84%	86%	
Production Volume (kt)	**721**	**953**	**-24%**	**1,208**	**-40%**	**1,929**	**2,201**	**-12%**
Polyethylene	327	538	-39%	671	-51%	998	1,232	-19%
Polypropylene	394	410	-4%	537	-27%	931	956	-3%
Ethylene & Other	0	6	-	0	-	0	13	-

3. Revenue and Pricing

	Q2 2026	Q2 2025	YoY (%)	Q1 2026	QoQ (%)	H1 2026	H1 2025	YoY (%)
Sales Volume by Product	**873**	**1,138**	**-23%**	**1,085**	**-20%**	**1,958**	**2,390**	**-18%**
Polyethylene	454	625	-27%	594	-24%	1,048	1,365	-23%
Polypropylene	419	507	-17%	491	-15%	910	1,012	-10%
Ethylene & Others	0	6	-	0	-	0	13	-
Polyethylene (US$/t)								
Average Sales Prices (1)	1,582	1,081	+46%	1,034	+53%	1,270	1,080	+18%
Average Premia (2)	438	249	+76%	196	+123%	300	235	+28%
Average Benchmark (3)	1,144	832	+38%	838	+37%	970	845	+15%
Polypropylene (US$/t)								
Average Sales Prices (1)	1,484	1,025	+45%	969	+53%	1,205	1,038	+16%
Average Premia (2)	282	141	+100%	107	+164%	187	148	+26%
Average Benchmark (3)	1,202	884	+36%	862	+39%	1,018	890	+14%

	Q2 2026	Q2 2025	YoY (%)	Q1 2026	QoQ (%)	H1 2026	H1 2025	YoY (%)
Revenue by Product	*$m*	*$m*		*$m*		*$m*	*$m*	*$m*
Polyethylene	779	754	+3%	678	+15%	1,457	1,613	-10%
Polypropylene	627	538	+17%	490	+28%	1,117	1,084	+3%
Ethylene & Others	1	13	-95%	7	-90%	7	28	-73%
Total Revenues	**1,406**	**1,305**	**+8%**	**1,175**	**+20%**	**2,581**	**2,725**	**-5%**

(1) Average sales prices are equal to revenue over sales volumes (including commissions).
(2) Premia is equal to the difference between average sales prices and the benchmark prices.
(3) Benchmark prices represent HDPE Blow Molding NEA CFR for polyethylene and Raffia NEA CFR for polypropylene (as per CMA).

Total sales volumes declined 23 percent YoY and 20 percent QoQ to 873 kt. PE sales volumes decreased 27 percent YoY and 24 percent QoQ, while PP sales volumes declined 17 percent YoY and 15 percent QoQ. Despite the challenging operating environment, the Company successfully shipped 100 percent of Q2 production volumes and delivered sales volumes approximately 152 kt above production (including 54 kt of non-Ruwais sales) via alternative logistics routes, demonstrating the resilience of its supply chain and marketing network.

Sales into the Middle East and Africa increased during the quarter, with the region accounting for 41 percent of total sales volumes (Q1 2026: 39 percent), supported by higher land freight shipments. Asia Pacific remained the Company's largest market, representing 49 percent of total sales, down from 52 percent in the prior quarter. Infrastructure solutions accounted for 34 percent of total sales volumes during the quarter, compared with 39 percent in the prior quarter, while consumer solutions increased to 63 percent of total sales volumes from 58 percent.

Borouge achieved record premia over benchmark prices of $438 per tonne for PE and $282 per tonne for PP, significantly above management's through-the-cycle guidance of $200 per tonne and $140 per tonne, respectively. The elevated premia during the quarter reflected the Company's differentiated product offering, strong customer demand and an acute global polyolefins supply shortage during the period.

Blended average selling prices increased 45 percent YoY, with PE and PP prices rising 46 percent and 45 percent, respectively. On a QoQ basis, blended average selling prices increased 53 percent, driven by higher benchmark prices and sustained quality price premium. PE benchmark prices increased 38 percent YoY and 37 percent QoQ, while PP benchmark prices rose 36 percent YoY and 39 percent QoQ.

Total sales volumes declined 18 percent YoY during the first six months of 2026. PE sales volumes decreased 23 percent, while PP sales volumes declined 10 percent. Average selling prices increased 18 percent for PE and 16 percent for PP, reflecting strong premia and elevated benchmark prices from March onwards. Borouge achieved average premia of $300 per tonne for PE and $187 per tonne for PP, both exceeding management's through-the-cycle guidance. The Company maintained its strategic focus on higher-value segments, with infrastructure solutions accounting for 37 percent of total sales volumes during the period.

Segmental revenue breakdown (includes polyolefins and olefins)[1]

	Q2 2026	Q2 2025	YoY (%)	Q1 2026	QoQ (%)	H1 2026	H1 2025	YoY (%)
By Product Group								
Polyethylene	55%	58%		58%		56%	59%	
Polypropylene	45%	41%		42%		43%	40%	
Ethylene & Others	0%	1%		1%		0%	1%	
By End Market								
Consumer Solutions [2]	59%	51%		53%		56%	53%	
Infrastructure Solutions	38%	45%		44%		41%	43%	
Other [3]	3%	4%		3%		3%	4%	
By Geography								
Asia Pacific	51%	58%		53%		52%	59%	
Middle East & Africa	39%	33%		38%		38%	32%	
Rest of World	10%	8%		9%		10%	8%	
Ethylene & Others	0%	1%		1%		0%	1%	

(1) Percentages may not total 100 percent due to rounding differences.
(2) Consumer Solutions includes sales to the agriculture sector.
(3) “Other” in “By End Markets” includes mobility and healthcare sectors and ethylene and other products.

Segmental volume breakdown (includes polyolefins and olefins)[1]

	Q2 2026	Q2 2025	YoY (%)	Q1 2026	QoQ (%)	H1 2026	H1 2025	YoY (%)
By Product Group								
Polyethylene	52%	55%		55%		54%	57%	
Polypropylene	48%	45%		45%		46%	42%	
Ethylene & Others	0%	1%		0%		0%	1%	
By End Market								
Consumer Solutions [2]	63%	56%		58%		60%	58%	
Infrastructure Solutions	34%	41%		39%		37%	39%	
Other [3]	3%	4%		2%		3%	3%	
By Geography								
Asia Pacific	49%	57%		52%		51%	58%	
Middle East & Africa	41%	34%		39%		40%	33%	
Rest of World	10%	8%		9%		9%	9%	
Ethylene & Others	0%	1%		0%		0%	1%	

(1) Percentages may not total 100 percent due to rounding differences.
(2) Consumer Solutions includes sales to the agriculture sector.
(3) “Other” in “By End Markets” includes mobility and healthcare sectors and ethylene and other products.

Borouge

4. Costs

	Q2 2026	Q2 2025	YoY (%)	Q1 2026	QoQ (%)	H1 2026	H1 2025	YoY (%)
	$m	*$m*		*$m*				
Revenue	**1,406**	**1,305**	**+8%**	**1,175**	**+20%**	**2,581**	**2,725**	**-5%**
Cost of Sales (excl. D&A)	(766)	(728)	+5%	(670)	+14%	(1,437)	(1,441)	-0%
…Feedstock Costs	(391)	(230)	+70%	(370)	+6%	(761)	(572)	+33%
…Other Variable & Fixed Production Costs	(375)	(499)	-25%	(301)	+25%	(676)	(869)	-22%
…as % of revenue	55%	56%		57%		56%	53%	
General & Administrative Expenses (excl. D&A)	(47)	(40)	+19%	(44)	+9%	(91)	(99)	-8%
…as % of revenue	3%	3%		4%		4%	4%	
Selling & Distribution Expenses (excl. D&A)	(222)	(101)	+119%	(125)	+78%	(347)	(191)	+81%
…as % of revenue	16%	8%		11%		13%	7%	
Other Income & Expenses	24	6	+309%	6	+288%	31	12	+156%
Depreciation & Amortisation	(101)	(140)	-27%	(99)	+3%	(200)	(274)	-27%
Operating Profit	**293**	**302**	**-3%**	**244**	**+20%**	**538**	**732**	**-27%**
…as % of revenue	21%	23%		21%		21%	27%	

In Q2 2026, total operating costs were broadly flat YoY despite a 23 percent decline in sales volumes during the period. On a QoQ basis, operating costs increased 13 percent, while sales volumes declined 20 percent. Cost of sales (excluding depreciation and amortisation) increased 5 percent YoY and 14 percent QoQ. The increase was primarily driven by a 70 percent YoY and 6 percent QoQ rise in feedstock costs, reflecting higher propylene feedstock prices. Other variable and fixed production costs declined 25 percent YoY but grew 25 percent QoQ.

General and administrative expenses (excluding depreciation and amortisation) increased 19 percent YoY and 9 percent QoQ. Selling and distribution expenses (excluding depreciation and amortisation) increased 119 percent YoY and 78 percent QoQ, primarily reflecting higher freight and logistics costs during the quarter.

For the six months ended 30 June 2026, cost of sales (excluding depreciation and amortisation) was broadly flat YoY, reflecting a 22 percent reduction in variable and fixed production costs, which largely offset a 33 percent increase in feedstock costs. General and administrative expenses (excluding depreciation and amortisation) decreased 8 percent, while selling and distribution expenses rose 81 percent compared with the same period in the prior year due to increased logistics costs.

The Company’s overall cost base remains well positioned, reflecting its focus on disciplined cost management and sustained efficiencies following the successful completion of the Value Enhancement Program in 2023, which delivered $607 million through a combination of revenue optimisation and cost reductions. Building on this foundation and following strong momentum in 2025, Borouge will continue to implement strict cost control measures and targeted revenue improvement initiatives in 2026.

5. Cash Generation

	Q2 2026	Q2 2025	YoY (%)	Q1 2026	QoQ (%)	H1 2026	H1 2025	YoY (%)
	$m	*$m*		*$m*		*$m*	*$m*	*$m*
Profit for the Period	**191**	**193**	**-1%**	**156**	**+23%**	**347**	**474**	**-27%**
Income Tax Expense	62	73	-14%	54	+16%	116	186	-38%
Net Finance Cost	40	36	+11%	35	+14%	75	72	+5%
Depreciation of PPE	93	133	-30%	91	+2%	185	262	-29%
Depreciation of Right-of-Use Assets	3	1	+193%	1	+167%	4	2	+100%
Amortisation of Intangible Assets	6	5	+6%	6	-10%	12	11	+7%
Impairment Loss on PPE	6	0	-	0	-	6	0	-
Adjusted EBITDA (1)	**401**	**442**	**-9%**	**343**	**+17%**	**744**	**1,006**	**-26%**
Capital Expenditure (2)	114	130	-12%	48	+136%	163	170	-4%
Adjusted Operating Free Cash Flow (3)	**287**	**312**	**-8%**	**295**	**-3%**	**581**	**836**	**-30%**
Cash Conversion (%)	71%	71%		86%		78%	83%	

(1) Adjusted EBITDA is calculated as EBITDA plus adjustments on foreign exchange gain or loss and impairment loss on property, plant and equipment.
(2) Capital expenditure is calculated as additions to property, plant and equipment for the period.
(3) Adjusted Operating Free Cash Flow is calculated as Adjusted EBITDA less capital expenditure.

Borouge reported adjusted EBITDA(1) of $401 million in Q2 2026, down 9 percent YoY, representing an EBITDA margin of 29 percent. The decrease primarily reflected lower sales volumes and higher feedstock, freight and logistics costs during the quarter. Adjusted operating cash flow was $287 million, down 8 percent YoY. On a QoQ basis, adjusted EBITDA increased 17 percent, while adjusted operating cash flow decreased 3 percent.

Capital expenditure during Q2 2026 was $114 million, down 12 percent YoY but up 136 percent QoQ. The increase compared with the prior quarter primarily reflects the capitalisation of costs related to repair and restoration activities at the Ruwais complex following the incident on 5 April.

For the first six months of 2026, adjusted EBITDA was $744 million, down 26 percent YoY. Adjusted operating cash flow was $581 million, representing a 30 percent decrease compared with the same period in 2025, while capital expenditure was $163 million, down 4 percent YoY.

6. Current Trading & Outlook

Global polyolefin prices remained significantly elevated throughout Q2 2026, driven by a global supply shortage following the closure of the Strait of Hormuz, which disrupted regional and international shipping flows. Benchmark prices declined during July from the exceptionally high levels seen throughout the quarter. While market conditions remain dynamic, management expects benchmark prices in Q3 2026 to be lower than the elevated levels experienced in Q2 2026, while remaining above historical averages.

While operations were impacted by the security incident on 5 April, the Company completed the required asset repairs and restored full production availability by the end of June. Subject to feedstock and logistics availability, management is targeting high utilisation rates in the second half of 2026 to mitigate the impact of the disruption, supported by operational flexibility and disciplined production management.

However, a return to high levels of utilisation is dependent on the restoration of sustained free movement of commercial maritime traffic through the Strait of Hormuz.

Management reiterates its through-the-cycle premia guidance of $200 per tonne for PE and $140 per tonne for PP, underpinned by the Company's differentiated product offering and long-standing customer relationships. The Company expects to continue utilising alternative logistics routes in the near term to maintain reliable customer supply and support sales volumes, with continued higher distribution costs incurred until previous routes can be re-established.

For FY 2026, management intends to pay dividends amounting to 16.2 fils per share, in line with the Company's commitment to maintain a minimum dividend of 16.2 fils per share per annum until at least 2030.

Borouge management guidance:

Metric	Management Guidance
Production(1)	▪ **Targeting higher utilisation rates in H2 2026, subject to feedstock and logistics availability and freedom of navigation through the Strait of Hormuz**
Borouge 4	▪ **Production expected to ramp up through 2026, subject to feedstock availability, as units are commissioned and brought online**
Through-the-cycle product premia guidance(2)	▪ **Polyethylene: c. $200/t premia** ▪ **Polypropylene: c. $140/t premia**
Costs	▪ **Purchase propylene feedstock linked to market prices** ▪ **High distribution costs to persist whilst navigation through Strait of Hormuz remains disrupted**
FY 2026 Dividend	▪ **16.2 fils per share**

(1) Ruwais nameplate capacity: 5 Mtpa
(2) Premia is equal to the difference between average sales prices and the benchmark prices.

7. Management Q2 2026 Earnings Call

Borouge management will host its Q2 2026 earnings call on 31 July 2026 at 12:00pm UAE time.
Webcast and call access details are provided below.

Webcast Link:
https://webcast.openbriefing.com/brg-q226/

Conference Call Dial-in Details:
Operator Assisted Dial-In:
United Arab Emirates (Toll-Free): +971 800 0357 04553
United Kingdom (Local): +44 20 3936 2999
United Kingdom (Toll-Free): +44 808 189 0158
United States (Local): +1 646 233 4753
United States (Toll-Free): +1 855 9796 654
Global Dial-In Numbers
Access Code: 711255