BOROUGE Q2 / H1 2024 EARNINGS CALL TRANSCRIPT

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Dr Hasan Karam – Chief Operating Officer

Jan-Martin Nufer – Chief Financial Officer

PRESENTATION

Samar Khan – *Borouge – Vice President Investor Relations*

A warm welcome to everyone and thank you for joining Borouge's second quarter earnings call. My name is Samar Khan, and I'm the Vice President of Investor Relations at Borouge. I have with me today the Borouge management team, Chief Executive Officer Hazeem Al Suwaidi, Chief Marketing Officer Rainer Hoefling, Chief Operating Officer Dr Hasan Karam, and Chief Financial Officer Jan-Martin Nufer.

We'll begin with a short presentation by the management team in respect to performance for the second quarter, as well as our outlook for the rest of the year. We'll then open the call to your questions. I'll now hand over to Hazeem to present highlights from the quarter. Over to you Hazeem.

Hazeem Al Suwaidi – *Borouge – Chief Executive Officer*

Thank you Samar and thank you all for joining us today. I'm pleased to announce that Borouge has delivered yet another outstanding set of results. During the second quarter, we achieved the highest ever quarterly production volumes, strong sales volumes, and healthy pricing premium while maintaining cost discipline and continuing to drive efficiencies throughout the business.

Borouge reported a net profit of $308 million in Q2 representing an increase of 33% on a year on year basis. On a half-year basis, net profit increased by a significant 35% year on year to $581 million. On the next slide, I want to cover Borouge's excellence track record since its IPO. I would like to strongly emphasise two main messages.

First, that Borouge has delivered resilient results and outperformed its peers and market expectations in a very challenging polyolefins market. Borouge's ability to maintain industry-leading profitability margins stem from its robust business model and management through actively navigating dynamic markets and driving efficiencies.

As a result, the Company benefits from high cash generation and a strong balance sheet which enables the distribution of a substantial dividend contributing to the highest total shareholder return among our industry peers since the IPO.

The second key message is that Borouge is in a good position both strategically and financially to pursue accelerated growth. As you are aware, we are pursuing several growth initiatives, and I will cover this topic in the later part of the presentation. With that, I would now like to hand over to Rainer to provide the commercial update.

Rainer Hoefling – *Borouge – Chief Marketing Officer*

Thank you, Hazeem, and good afternoon, everyone. In quarter 2, 2024, blended average selling price across polyethylene and polypropylene were relatively flat versus the previous quarter and down 2% year on year. In quarter 2, benchmark prices for both polyethylene and polypropylene improved slightly by 2% and 4% respectively. While on a year on year basis, benchmark prices for polyethylene remained flat and for polypropylene increased by 4%.

During the quarter, Borouge was able to achieve premium above benchmark prices for both polyethylene and polypropylene in line with management's over-the-cycle premium guidance of US$200 per tonne for polyethylene and US$140 per tonne for polypropylene. On a half yearly basis, premium for both polyethylene and polypropylene remained above management guidance at US$209 per tonne and US$149 per tonne respectively.

Polyolefin prices remained stable during quarter 2 2024 due to upbeat crude oil prices, generally low operating rates at marginal producer and various logistic related constraints. In quarter 3, we expect polyethylene prices to remain within a narrow band supported by ongoing global logistic bottlenecks and elevated feedstock costs.

That said, Borouge remains well positioned versus industry peers and confirms to deliver product premier above benchmarks over the cycle based on a strategic focus on differentiated and [storable] products. Geographic optimisation and its agility to manage current and upcoming market challenges. I will now discuss sales volumes for the period before I ask Dr Hasan to take us through some operational highlights from the second quarter.

Quarter 2, 2024 sales volumes remained healthy at 1,311 kilo tonnes, up 16% versus the previous quarter and 9% on a year on year basis. Sales volumes for polyethylene were up by 9% and for polypropylene were up by 25% respectively on a quarter on quarter basis. Our sales volumes for energy and infrastructure solution represent 41% of our overall sales volumes in quarter 2.

This is part of Borouge's strategy to focus on durable and high value-add products and that we can realise higher pricing premium. Borouge remains committed in its focus on innovation and strives to generate at least 20% of annual sales volumes from new products. The 2024 product pipeline includes new products offering differentiated solutions to our customers.

The Asia Pacific market continues to be the largest destination for sales in quarter 2, with 66% of total sales volume, followed by the Middle East and Africa with 29%. Other regions represent 6%.

Finally, I would like to add to what Hazeem was earlier saying in relation to delivering on the equity story. In particular, Borouge commercial excellence has been demonstrated very consistently in the final performance of the Company. In a challenging environment, moving sales volumes between markets with better margins while keeping cost in check and innovation at a high pace is a unique feature of Borouge's business model.

This is the result of Company-wide collaboration driven by the tremendous efforts and commitment of our talented people. With that, I will hand over to Dr Hasan.

Hasan Karam – *Borouge – Chief Operating Officer*

Thank you, Rainer, and good afternoon, everyone. I would like to begin with a few words on our continued leadership in safety performance, which is one of the foundations of our successful and sustainable business.

Here today, Borouge has recorded a TRI rate of 0.08. Our safety metrics continue to hold a leading position in our industry. I want to congratulate our team for their outstanding safety performance. On operational KPIs, I am happy to share that in Q2 we achieved the highest ever quarterly production volume of 1,355 kilo tonnes from utilisation rate of PE and PP of 114% and 103% respectively.

At the same time, we are able to maintain an industry-leading asset reliability of 97%. The oilfield conversion unit operated at high capacity utilisation rate during the quarter. As a part of our leading operation expense program, we are constantly striving to optimise resources, improve efficiency, and create incremental value by challenging capital expenditure plan including [tier rounds].

The Borouge 3 tier round which was previously planned for Q4 2024 with an estimated 320 kilo tonnes production volume impact will now take place in Q2 2025. This is driven by the opportunity to optimise the feedstock supply and create on top of the shift effect from 2024 into 2025 an incremental value of US$20 million to US$40 million in EBITDA above our plan.

This is a great demonstration of value creation in our operation business in addition to the ongoing cost and capital deployment optimisation. Our planned operational maintenance tier round are a key part of Borouge's regular asset management which keeps the Company's world-class assets base well maintained and support our high utilisation rate. Industry leading asset availability and efficient and safe operation. I will now hand over to Jan-Martin to discuss our financials.

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

Thank you, Hasan, and good afternoon, everyone. We're excited to report a very strong net profit of US$308 million for the second quarter, representing a 33% increase from the previous year and a 13% increase on a quarter on quarter basis.

Q2 revenue was recorded at US$1.5 billion, a 6% increase on a year on year basis and a 15% increase from the previous quarter. Strong top line was supported by healthy sales volumes enabled by our outstanding operations performance and stable average selling prices during the quarter.

As highlighted before, Borouge delivered another exceptional EBITDA margin in the quarter of 41%. This reflects our ongoing operational efficiencies. On a half-year basis, revenue remains flat at US$2.8 billion. Focused cost discipline helps in delivering a strong adjusted EBITDA of US$1.2 billion and the net profit of US$581 million. Which is up 21% and 35% respectively versus the same period last year. On to the next slide.

We will now look at cost, an area where we continued to make progress after the very successful completion of our ambitious value enhancement program in 2023 that delivered US$607 million through revenue optimisation and strategic cost management. In Q2, our overall cost base, excluding depreciation and amortisation remained flat as compared to the same period last year and increased 21% from the previous quarter due to increased production and sales volumes during the quarter.

Total cost of goods sold excluding depreciation and amortisation decreased by 1% on a year on year basis and increased 24% versus the previous quarter due to higher production following a successfully completed feedstock-related maintenance in Q1. Our overall selling and distribution expenses in Q2 remain flat on a year on year basis despite a 9% increase in sales volumes during the same period.

General and administrative expenses in Q2 increased by 10% from US$49 million to US$54 million on a year on year basis due to one-off items. In the first half year, total cost base excluding depreciation and amortisation, declined 11% despite higher production and sales volume. Borouge's first quarter position in the PE and PP cost curves when combined with its ability to command premium against benchmarks, supports a very strong margin profile that ultimately enables exceptional shareholder returns.

On to CapEx and cash flow. Adjusted operating free cash flow in Q2 was recorded at US$581 million, representing a substantial increase of 17% on a year on year basis. Cash conversion was strong at 95%. Net debt to EBITDA ratio stood at 1.2 times as of 30 June 2024.

With the additional prepayment of US$100 million under the commercial facility end of June, the successful management of the financing cost could be continued. Borouge maintains successfully premium above benchmark prices over the cycle in a challenging environment, which contributes to strong operating free cash flows and a very significant through the cycle dividend paying capacity.

The Company will make an interim dividend payment of US$650 million in September 2024, in line with management's commitment to pay US$1.3 billion dividend for the fiscal year 2024. I will hand over to Hazeem to summarise and conclude.

Hazeem Al Suwaidi – *Borouge – Chief Executive Officer*

Thank you, Jan-Martin. On slide 11, I would like to spend a moment on our growth agenda. As you are aware, we have announced several strategic investment projects at various stages of progress. I would like to explain how these projects fit together to form a comprehensive approach to creating value for Borouge shareholders.

Aligned with our existing business model, our growth projects focus on the production of differentiated and specialty polyolefins at scale. This is being executed through substantial organic capacity expansion as well as the geographic diversification of our production footprint creating proximity to our core markets.

Last week, Borouge signed a project collaboration agreement which aims to establish a complex in China to produce 1.6 billion tonnes of speciality polyolefins per annum. The project which is currently at the feasibility stage and on track will further expand production capacity and enhance our access to the fastest growing markets in the Asia-Pacific region.

Our flagship project Borouge 4 is progressing well and is scheduled to be completed by Q4 2025. Once complete, it will increase our polyolefins production capacity by 28% or 1.4 million tonnes per annum. Borouge 4 is being built with next generation Borstar technology and will further offer differentiated products.

Lastly, we continue to assess options for capacity optimisations within our existing assets. In this regard, we announced the EU2 Cracker revamp which will contribute over 230 kilo tonnes of a new capacity after full wrap-up by 2028. We are in advanced stages of assessing revamps across other assets and we'll provide those updates in due course. I'm confident that these investments coupled with polyolefins market recovery will position Borouge for significant value accretive growth and exceptional shareholder returns.

Allow me to summarise the second quarter and our outlook for the remainder of the year. We expect a stable macro environment in Borouge core markets. In the second half of the year with expectations of Chinese demand increase following stimulus efforts. We intend to maintain high utilisation rates to maximise our production volumes while keeping our asset base efficient and well maintained.

The Borouge pre-turnaround has been moved from Q4 2024 to Q2 2025. Polyolefins prices are expected to remain stable and within a narrow band for the rest of the year due to logistics bottlenecks and low operating rates in our addressable markets. The Company will continue to maintain a strategic focus on high value-added products.

Borouge is well positioned from an overall cost basis for the rest of 2024. We continue to monitor the various geopolitical situations and to proactively manage and mitigate any risks and impact to our business. We expect to pay our 2024 interim dividend of $650 million in September.

Finally, we wanted to invite you to our first Capital Markets Day in Abu Dhabi on 30 October. Further details will be shared by the investor relations team. Now with that, we are pleased to take your questions.

Operator

Thank you. We will now start today's Q&A session. To register a question, please press star followed by one on your telephone keypad. If you wish to withdraw your question, it's star followed by two. We will now take our first question from Ricardo Rezende from Morgan Stanley. Your line is now open. Please go ahead.

Ricardo Rezende – *Morgan Stanley*

Hi. Good afternoon and thanks for taking my question. I guess the first question is to Hasan. We've seen another quarter where utilisation rates have been very strong and above 100%. So just wanted to check whether those rates are sustainable, and we should continue to assume that rates will be above 100%. Or there might be even a chance that you announce that your capacity is actually higher than what we assume at the current moment.

Then two follow-up questions that I have on the new project. The first one in the Chinese cracker, would you be able to give us some colour on the breakdown between the final products on polyethylene and polypropylene? The final question on the issue with the feasibility studies. Thank you.

Hasan Karam – *Borouge – Chief Operating Officer*

Okay, I can answer the first part. From the utilisation point of view, we as Borouge operation, we have a very clear reliability program strategy where we are sustaining the higher utilisation. I am confident also in the 2024 with this great asset reliability of the plant, we will continue with the high utilisation.

At the same time we did some sort of detailed due diligence for our performance of the Borouge 3 turnaround, and we found that the crackers will be well positioned for the high utilisation this year in Borouge.

Hazeem Al Suwaidi – *Borouge – Chief Executive Officer*

I can take the questions on - was it on a breakdown on the announcement we made in China. So I would like to just give a brief on this project. As we have been continuously communicated, our growth strategy in Borouge will always be value accretive to the business. Besides the Borouge 4 getting closer and closer, the Borouge 4 mega project 70% over completed now and it's due in Q4 2025.

We have been - as we have communicated, we have been evaluating very carefully options and accessing key markets in our international growth that has been mandated by our Board. Therefore, we have been assessing different options and giving our long track record. Our successful long track record in China in particular with the great technology that we have together from Borealis, our Borstar technology.

We will make sure the products mix that will be produced in this project, it gives us the highest premium. I understand the dynamics and the challenges around China, but we see China as a great opportunity for us. China for us has been great in terms also market size. It's a key market and we see there are still a lot of great opportunities for future growth. China represents 40% in total of polyolefins globally in demand.

Therefore, we as Borouge, we are well positioned in key specific applications to grow further with our partners in China, and therefore the announcements of 1.6 million have been evaluated very carefully. We are at advanced stage for our feasibility study, and we will be communicating more details of this project in due time.

Operator

We will now take our next question from Faisal Azmeh from Goldman Sachs. Your line is now open. Please go ahead.

Faisal Azmeh – *Goldman Sachs*

Yes, thank you for the opportunity to ask questions. It was just to follow up on the project in China. I guess maybe obviously we've seen some significant capacity additions in the market over there and a slowdown generally in demand and consumption as the country tackles different issues related to the economy. I guess maybe the question that I have is at this stage do you still see China as a good place to place more capital in the long-term versus what you could have potentially here or maybe, for example, in other cost advantageous markets like the US? That's my first question.

Then my second question relates to the delay in the outage or the shutdown that you're planning. In Q4, you've mentioned $20 million to $40 million of EBITDA. Maybe you can talk a bit about that because that wasn't very clear to me in terms of what that $20 million to $40 million even meant. Thank you.

Hazeem Al Suwaidi – *Borouge – Chief Executive Officer*

I just made a big comment on China. Then you can maybe elaborate further also on Borouge 3 as well. As I said, for us in Borouge, we have been very actively developing our capabilities in terms of together with the market in China. China represents 40% of the global demand with polyolefins. We have been also, I would say, realising premium in our products in China with a clearly also differentiated product that we continue to sell in China.

Therefore, this project, as I said, we will be communicating more details. However, we understand the challenges and certain - I would say, let me put it that way, polymer types and so on. However, in Borouge we'll make sure that as we are going through a feasibility study, this project really make a clear value. That part of our operating model in Borouge, ensuring that we bring a clear, tangible value accretive to our shareholders.

So we will be providing more detail. We have, besides, I would say, all - around all the challenges, issues, that we hear on macro level and so on in China. We see the polyolefins business, and particularly with our technology, the Borstar technology we have. In a very specific, I would say, specific applications, we see clear value for long-term for our shareholders and we will be providing more details in time.

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

If I may comment quickly on your question in respect to the clarification of the impact of the Borouge 3 turnaround move. So in essence, we have been looking at the optimal timing for the turnaround to happen. We will have two effects. The one effect is the pure move effect of the 320 kT, which would have been in 2024, into 2025.

In addition, supporting the decision to optimise, we found that we can optimise the feedstock supply and by this generate an additional EBITDA above our plan in the range of US$20 million to US$40 million. This together has then taken the basis for our decision to optimise and move the turnaround into 2025.

Faisal Azmeh – *Goldman Sachs*

Perfect. Thank you.

Hazeem Al Suwaidi – *Borouge – Chief Executive Officer*

Just to elaborate on Borouge 3, I think Mr Hasan, you want to add something? It has been for us part of our accelerate for growth journey also in Borouge, maximising and locking value across all value chain. We have assessed the situation for Borouge 3 postponement, and we believe we are unlocking value within this decision, ensuring the - of course the safety availability of our operations and ensuring we continue full utilisation for this year.

Therefore also not bringing just unlocking value for this year but also for next year giving the alignments on feedstock and so on. Dr Hasan maybe you want to elaborate?

Hasan Karam – *Borouge – Chief Operating Officer*

Yes, we as an operation, we unlock the value by looking to the higher utilisation this year in 2024, and that represents deciding after the very detailed due diligence and the assessment for performance of the turnaround to Q2 2025 and that reflected in creating a value of $20 million to $40 million extra in terms of the EBITDA. That gives us the clear mindset that we will not keep any stone unflipped, looking to all the aspects in order to create more value to our shareholders and investors.

Hazeem Al Suwaidi – *Borouge – Chief Executive Officer*

We are expecting to have a history record of production this year toward the year end, inshallah.

Operator

We will now take our next question from Prateek Bhatnagar from HSBC. Your line is now open, please go ahead.

Prateek Bhatnagar – *HSBC*

Yes, thanks for taking my question. I have two. The first is that we are seeing freight rates increasing in the industry, but it hasn't impacted you for now, selling and distribution expenses are flat year on year. So how you guys are managing it and whether we should expect an increase in these expenses with a delay for you? That's the first question.

The second question is on the B4 in terms of CapEx costs. Is it still tracking your initial estimate of $6.5 billion? Could you give some colour? When you say that the plant will start by the end of 2025 or complete by the end of 2025, do you mean mechanical completion or commercial operations will begin by the end of 2035? Could you give any details around that? Thank you.

Hazeem Al Suwaidi – *Borouge – Chief Executive Officer*

So maybe just to reflect also on your first questions on logistics, we have clearly also a focused working team around ensuring that we have a clear, strong cost controlling on our logistical variable costs that has been clearly established a few years ago with a clear focus that we need to make sure that our costs are also very much controlled.

You can see that and that reflecting in our EBITDA margins by Q2 - 41%, and that's cost discipline across all the elements that clearly been evidence in Borouge. One of the area that we have been focusing on, our logistical cost. With all the, let's say, different also geopolitical situations and challenges we're going through with the logistics, the team has truly managed it very well, it's well maintained.

Of course, I mean, we have seen also different challenges when it comes to also ensuring that our shipments on time and deliveries. Therefore also I want Rainer to give comments on this, but it's truly under control by the team.

Rainer Hoefling – *Borouge – Chief Marketing Officer*

Perhaps a very short comment. So far, it is under control. Of course, we are a bit impacted more towards the west when we talk shipments to Latin America, Europe, Turkey. So we are reshifting volumes a bit more to the East, Asia, North, and the Asia-South region to get the volume flow also under control. So with this, we are targeting quite good sales volumes also towards the second half of the year. The second quarter was already a testament that we can move the volume. So, so far, so good.

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

Maybe wrapping up from my side and then leading into your question, reflective of the Borouge 4 status, costs indeed are well under control, which is a testimony also to our ability to have the largest part of the outstanding effects from the value enhancement program in the previous year to be transpired into 2024. So we're working hard on that.

On the question in respect to Borouge 4, with a now completion status of roughly 70% achieved, we have good visibility on the project. Both in terms of a cost but also on a timeline basis. So indeed, as you mentioned, we have given some indications around the CapEx bracket, and we're in within that CapEx bracket that we have been communicating before.

So from that perspective, I can confirm that this is so far well on track. From the completion time, we're expecting to meet the completion tests end of 2025 beginning into 2026, which is also in line with what we have been communicating earlier. That will also stipulate then the next considerations around the Borouge 4 re-contribution into Borouge PLC.

Hazeem Al Suwaidi – *Borouge – Chief Executive Officer*

So Borouge 4 is really well on track, more than 70%. As we communicated always that this is our main mega project that has also the latest Technology that the third generation technology of Borealis is - clearly give will give us an opportunity to produce specialty products for Borouge 4. That is very key for us in bringing also more value and premium in our product mix and so forth.

Mechanical completions has the different packages, XLPE, polyolefins, cracker, and [XE], and so on. This is a mega project, and inshallah, will be completed, startup mechanical in Q4 2025.

Operator

As a reminder, if you would like to ask a question, please press star followed by one on your telephone keypad and star followed by two to withdraw. Our next question comes from Shabab Ashfaq from Al-Ramz. Your line is now open, please go ahead.

Shabab Ashfaq – *Al-Ramz*

Hi, congratulations on a good result. I have a couple of questions. First, we have noticed that there is a slight improvement in the benchmark price in quarter 2, but premium is down for both the polyethylene and polypropylene, and this leads to overall unchanged selling price for Borouge. So why are the premiums coming down for both the products, and what premium do you expect in the second half of the year?

Rainer Hoefling – *Borouge – Chief Marketing Officer*

So if I understood your question right, you're saying what is the premium coming down a bit in quarter 2 versus quarter 1?

Shabab Eshek – *Al-Ramz*

Yes.

Rainer Hoefling – *Borouge – Chief Marketing Officer*

The main reason for this is in quarter 1 we had a turnaround and there was also quite some less volume to be sold. So we were very selective on our volume where to place and in which segments we place it. With this we could bring the polyolefin prices, the Borouge prices more up than the market which ended in quite significant premiums. Specifically you have seen this on polypropylene, either because the higher volume was on polypropylene.

If you look now quarter on quarter, I think polypropylene we sold about 25% more. So we went also then into our normal other markets and then the premium came down a little bit, but it's still in the range of the cycle guidance in a down cycle which is a very good achievement.

If you're looking forward on the premium, we reiterate our premium guidance over the cycle. It's a cyclical business. It could come down a little bit now in quarter 3. The reason is due to the logistic constraints, but I said a bit more to the West, we need to go a little bit more to the East, selling a bit more in Asia North and Asia South.

Our Prices are a little bit lower versus the benchmark prices, but the margins are really good. So we will deliver still a substantial margin. Quarter 4 we go up again. So over the year I think we will be around the benchmark price guideline, what we have. Overall price levels, we see in a very narrow band, right. There are three elements into this.

The one is we see feedstock or oil prices fluctuating around the $80 per barrel, coming up a little bit, a bit below $80. NAFTA will remain on a reasonable level which triggers difficulties for marginal producers. What we see is that the production rate specifically on NAFTA-based producers but also BDH-based producers also in China came down significantly.

While it was in 2001 still around 95% it's now more to 75% and we think that will remain. We see in Japan they have problems, Korea they have problems, so operating rates will be low. With a bit these logistic constraints, what we see, high freight costs from the east to the west. Good is from the west from our side to the east, the freight costs remain on a relatively low level. So this will keep the prices in a relatively narrow band towards the end of the year.

Shabab Eshek – *Al-Ramz*

I have another question, Borouge has a contract with ADNOC for the exclusive provision of the feedstock and the existing agreement is due for repricing in 2027. Could you provide some information on this, and do we expect a revision in feedstock prices to be more in line with now the market price? Does the merger with Borealis have any impact on this agreement?

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

Okay, thanks for the question. Let me elaborate on that. If we understand correctly, it's about the feedstock price reset mechanism, which was communicated during the IPO phase. So indeed, we have the following mechanism to recap, which is at the end of 2027 the feedstock price mechanism will reset for Borouge PLC. Borouge 4 obviously will be on the new feedstock price from the start.

With that mechanism we have essentially the same structure, it's just on a new basis. This will keep, and that was also the main point that was communicated, that will still keep us comfortably in the first cost quartile in respect to the feedstock cost. In addition, we will have then at that time also pretty much the full impact from Borouge 4. As Hazeem has been pointing out, that will allow us then here also to deploy the new product slate based on the Borstar third generation technology.

Rainer Hoefling – *Borouge – Chief Marketing Officer*

Perhaps very briefly also on the premium side, I would like also to highlight that based on the differentiation, but also on the innovation capability what we have. We think that we can clearly reiterate the premium guidance and what we have. So we launched last year eight products. This year we launched seven products. We'll have the highest innovation value, which measures additional margins ever in history of Borouge.

Just to give you perhaps a few examples, but also on the circular side here, this recycling mix. We launched a project like pellets, which are produced in the UAE at Union Pipe. We are using that on Borouge side, which is 100% recycling. We launched a new grade, which will ensure us that we can mix recycling material with it and then keeping properties high.

We launched a new PP infrastructure grade for hot and cold water, which is used in the Cleveland Clinic in Abu Dhabi, for example, or Indoor Stadium in Singapore. In XLPE, we launched a new grade submarine. We will launch a new health care grade this year. So there's a number of things going on which will keep our premium on a decent level.

Operator

We now have a follow-up question from Prateek from HSBC. Your line is now open. Please go ahead.

Prateek Bhatnagar – *HSBC*

Yes, thanks. I just have two. The first, just wanted to confirm whether you said that the new B4 plant will get the feedstock at higher prices from the start of operation, so from 2026 it will be paying higher feedstock prices, is that right?

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

Yes, that's correct. That was communicated from the beginning. So the Borouge 4 plan is based on already the new feedstock price.

Prateek Bhatnagar – *HSBC*

All right. Just for modelling, could you also help us with at what operating rates did OCU operate in quarter 2?.

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

Operating rates for OCU was the question.

Hasan Karam – *Borouge – Chief Operating Officer*

Yes, I think the OCU with a great reliability. We are at maximum capacity of OCU. Also we are balancing sometimes with our sister company, but from reliability point of view, OCU is reliable, and we are maximising to the higher capacity.

Prateek Bhatnagar – *HSBC*

Thanks for that.

Operator

We have no further questions in the queue at this time so that concludes the Q&A session on today's call. I'll now hand back over to the management team for closing remarks.

Hazeem Al Suwaidi – *Borouge – Chief Executive Officer*

I want to thank for joining us for this call and looking forward for those who can make it in our invitation. Samar, we made it. When are we inviting everyone for this?

Samar Khan – Borouge **–** Vice President Investor Relations

Send something at the end of the week.

Hazeem Al Suwaidi – *Borouge – Chief Executive Officer*

Are we sending something formally?

Samar Khan – Borouge **–** Vice President Investor Relations

Yes. Send invites.

Hazeem Al Suwaidi – *Borouge – Chief Executive Officer*

So we'll be sending you a formal also, letter also, invitation. Please...

Hasan Karam – *Borouge – Chief Operating Officer*

We could not hear your voice.

Hazeem Al Suwaidi – *Borouge – Chief Executive Officer*

I just want to mention that our Borouge Capital Market Day is now set for 30 October. We as a management invite you in person to meet you, and we'll be looking forward to see you, inshallah in Abu Dhabi and engage more in person and we'll be happy also to update you more when we see each other inshallah in Borouge Capital Day. Thank you.

Operator

Thank you all for your participation. That concludes today's call. You may now disconnect your line.

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