SABIC Fourth Quarter 2019 Earnings

Fourth Quarter 2019 Highlights:

- Revenue of SAR 32.81 billion [$ 8.75 billion], a 3 % decrease quarter-over-quarter and a 19 % decrease year-over-year.
- EBITDA of SAR 7.39 billion [$ 1.97 billion], an 18 % decrease quarter-over-quarter and a 29 % decrease year-over-year.
- Loss from operations of SAR 0.64 billion [$ 0.17 billion] was lower both quarter-over-quarter and year-over-year.
- Net loss of SAR 0.72 billion [$ 0.19 billion] was lower both quarter-over-quarter and year-over-year.

Comparisons with fourth quarter and full year 2019 are available in the following table:

Table 1 – Summary Financial Results

Item	Three Months Ended			Year Ended		
	Dec. 31, 2019	Sep 30, 2019	Change Q/Q	Dec. 31, 2019	Dec. 31, 2018	Change %
Revenue	32.81	33.69	-3%	139.74	169.13	-17%
EBITDA[1]	7.39	9.06	-18%	35.68	51.78	-31%
Income from operations	-0.64	4.66	NM	15.00	36.28	-59%
Net Income[2]	-0.72	0.83	NM	5.63	21.52	-74%
Earnings (Loss) Per Share[2]	-0.24	0.28	NM	1.88	7.17	-74%

All amounts in SAR billion unless otherwise stated, USD/SAR conversion used is 3.75. Certain figures and percentages included in this document have been subject to rounding adjustments.
[1]Income from operations plus depreciation, amortization and impairment.
[2]Attributable to equity holders of the parent.

Saudi Basic Industries Corporation ("SABIC") (2010-SA) today announced its financial results for the fourth quarter of 2019, with revenue of SAR 32.81 billion [$ 8.75 billion], which represents a decrease of 3% compared to the third quarter of 2019. Despite an uptick in Brent oil prices in the fourth quarter, the results were negatively impacted by a further decline in petrochemical prices driven by oversupply in the key products and slowing global growth coupled with seasonal impacts.

Sales volumes increased by 5% in the fourth quarter of 2019, quarter-over-quarter. With an increase in Brent price by around 3% there was an increase in feedstock prices. Both Japanese and European naphtha prices increased by more than 8% and KSA propane and butane prices were higher by more than 10% in the fourth quarter of 2019, quarter-over-quarter. This together with the higher sales volumes translated in a higher cost of sales of SAR 28.20 billion [$ 7.52 billion] in the fourth quarter of 2019, an increase of 17 % compared to the third quarter of 2019.

In addition, there were non-recurring charges in the fourth quarter netting to SAR 1.3 billion [$ 0.35 billion] including mainly impairments and other charges partially offset by Zakat/Tax adjustments and other credits. The impairments resulted from our review of the carrying value of SABIC's assets as a part of the annual business plan process, completed in the fourth quarter. This included an impairment related to SABIC's affiliate Ibn Rushd assets in the amount of SAR 1.3 billion [$ 0.35 billion] 'SABIC's share', associated with restructuring the company which involves the closure of certain assets during 2020. This will make Ibn Rushd more competitive in a challenging market environment and continue to serve the local demand.

EBITDA of SAR 7.39 billion [$ 1.97 billion] decreased by 18 % mainly due to lower petrochemical prices, higher costs and non-recurring items in the fourth quarter of 2019, quarter-over-quarter. SABIC's average prices decreased by 8% in the fourth quarter of 2019 compared to the third quarter of 2019. This resulted into EBITDA margins of 23 % in the fourth quarter of 2019, compared to 27 % in the third quarter of 2019.

Fourth quarter net loss was SAR 0.72 billion [$ 0.19 billion], or SAR 0.24 per share [$ 0.06 per share] which was lower than net income of SAR 0.83 billion [$ 0.22 billion], or SAR 0.28 per share [$ 0.07 per share] from the third quarter of 2019.

"The petrochemical industry was negatively impacted in 2019 by additional new supply in key products coming on-stream coupled with a moderation in global growth compared to 2018. However, our strong focus on cost controls and safe and reliable operations mitigated some of these negative factors in 2019. This is evident by the reduction in our SG&A by 5 % in 2019 compared to 2018," said Yousef Abdullah Al-Benyan, Vice Chairman and Chief Executive Officer of SABIC.

He continued, "Providing strong and competitive dividends reliably to our shareholders is important. Despite a decrease in earnings in the second half of 2019, the SABIC Board announced a dividend distribution of SAR 2.2 per share for the second half of 2019 similar to the first half of 2019. Going forward our dividend will continue to be supported by a disciplined approach to capital allocation and by sustaining a strong balance sheet".

In-line with SABIC's strategic initiatives to improve competitiveness, SABIC announced a share purchase agreement with SAFCO in December 2019. According to this agreement, SAFCO will acquire SABIC's share of 50% in National Chemical Fertilizers Company (Ibn Al Baytar) and Al Jubail Fertilizer Company (Al Bayroni) and 33.33% of Gulf Petrochemical Industries Company (GPIC). In return, SABIC will receive additional shares in SAFCO which will increase SABIC's ownership in SAFCO to 50.1%.

He added, "Sustainability and innovation remain critical success factors. They have been key drivers for the continued growth of our brand value which increased by 9.3% to US$ 4.33 billion in the last year, according to the independent brand valuation consultancy, Brand Finance".

SABIC's Sustainability and CSR was recently placed in the top 1% of best performers in the industrial category 'Basic Chemicals, Fertilizers, Plastics & Synthetic Rubber Companies' by EcoVadis, which evaluated the sustainability and CSR performance of over 30,000 companies worldwide. In addition, SABIC and its affiliate SAFCO received the Industry Stewardship Champion gold medal at International Fertilizer Association (IFA) Strategic Forum in France in the fourth quarter of 2019. SABIC has demonstrated leadership in sustainability by meeting the most recent benchmarking requirement related to employee safety, environmental performance, energy efficiency and CO2 emissions.

Outlook

In 2020, the global GDP growth rate is expected to be at a similar level as 2019. The new capacities in key products lines that pressured SABIC's product prices and margins in 2019 are expected to continue to impact the company's earnings in 2020. We remain committed to our long-term growth strategy while maintaining capital discipline, strong cost controls and safe and reliable operations at all times.

SABIC Business Results Discussion by Reporting Segment:

SABIC operates through three strategic business units (SBUs) and Hadeed, a wholly owned manufacturing business. The reporting segments are as follows: 1) Petrochemicals & Specialties, 2) Agri-Nutrients, and 3) Hadeed.

1. Petrochemicals & Specialties

Table 2 – Petrochemicals & Specialties Financial Overview

Item	Three Months Ended			Year Ended		
	Dec. 31, 2019	Sep 30, 2019	Change Q/Q	Dec. 31, 2019	Dec. 31, 2018	Change %
Revenue	28.50	29.71	-4%	122.01	150.42	-19%
EBITDA[1]	7.14	8.38	-15%	32.90	47.36	-31%
Income from operations	-0.34	4.46	NM	14.21	33.72	-58%

All amounts in SAR billion unless otherwise stated, USD/SAR conversion used is 3.75. Certain figures and percentages included in this document have been subject to rounding adjustments.

[1]*Income from operations plus depreciation, amortization and impairment.*

Revenue of SAR 28.50 billion [$ 7.60 billion] was down in the fourth quarter, representing a quarter-over-quarter decrease of 4 %, primarily driven by lower average petrochemical sales prices. With a decrease in revenues and higher feedstock cost, EBITDA in the fourth quarter was SAR 7.14 billion [$ 1.90 billion], a decrease of 15 % from the third quarter of 2019.

The Petrochemicals SBU consists of three business units: Chemicals, Polyethylene and Performance Polymers & Industrial Solutions.

In the **Chemical's** business unit, mono ethylene glycol (MEG) industry was supported by tighter than expected supply conditions due to a decrease in inventory, especially in Asia, coupled with certain outages. Methanol prices were negatively impacted by subdued demand from the key end markets and ample supply especially in Asia and Europe but prices benefited from unplanned shutdowns in the US. There was a seasonal decline in methyl tert-butyl ether (MTBE) demand with the end of the driving season.

For the **Polyethylene's** business unit, prices were negatively impacted by lower seasonal demand, new capacities coming on-stream in the fourth quarter of 2019 and concerns of additional new supply starting up in 2020.

In the **Performance Polymers & Industrial Solution's** business unit, polycarbonate (PC) prices remained in a downtrend with slowing growth from key end markets, concerns of overcapacity and lower feedstock cost. Polypropylene (PP) prices decreased due to reduction in monomer prices and slowing demand growth.

2. Agri-Nutrients

Table 3 – Agri-Nutrients Financial Overview

Item	Three Months Ended			Year Ended		
	Dec. 31, 2019	Sep 30, 2019	Change Q/Q	Dec. 31, 2019	Dec. 31, 2018	Change %
Revenue	1.78	1.68	6%	7.07	7.94	-11%
EBITDA[1]	0.61	0.62	-2%	2.65	3.01	-12%
Income from operations	0.39	0.42	-8%	1.83	2.26	-19%

All amounts in SAR billion unless otherwise stated, USD/SAR conversion used is 3.75. Certain figures and percentages included in this document have been subject to rounding adjustments.

[1]Income from operations plus depreciation, amortization and impairment.

Revenue of SAR 1.78 billion [$ 0.47 billion] was up 6 % primarily driven by higher sales volumes that offset a decrease in urea prices in the fourth quarter compared to the third quarter of 2019. EBITDA in the fourth quarter was SAR 0.61 billion [$ 0.16 billion], a decrease of 2 % from the third quarter of 2019.

The urea price was negatively impacted by supply / demand imbalances in the fourth quarter of 2019. India and Brazil supported the urea demand. However, the demand was negatively impacted in some other parts of the world due to poor weather conditions (e.g. United States of America and South East Asia) in the fourth quarter of 2019. In addition, there was ample supply underpinned by Chinese urea exports.

3. Hadeed

Table 4 – Hadeed Financial Overview

Item	Three Months Ended			Year Ended		
	Dec. 31, 2019	Sep 30, 2019	Change Q/Q	Dec. 31, 2019	Dec. 31, 2018	Change %
Revenue	2.54	2.31	10%	10.66	10.77	-1%
EBITDA[1]	-0.36	0.06	NM	0.13	1.41	-91%
Income from operations	-0.69	-0.22	NM	-1.04	0.29	NM

All amounts in SAR billion unless otherwise stated, USD/SAR conversion used is 3.75. Certain figures and percentages included in this document have been subject to rounding adjustments.

[1]Income from operations plus depreciation, amortization and impairment.

Revenue of SAR 2.54 billion [$ 0.68 billion] was up by 10 % quarter-over-quarter in the fourth quarter of 2019, due to an increase in sales volumes. EBITDA of negative SAR 0.36 billion [$ 0.10 billion] was down quarter-over-quarter mainly driven by lower product prices coupled with a higher feedstock cost.

For any further information, please contact SABIC Investors Relations at IR@SABIC.com and / or visit https://www.sabic.com/en/investors