



SABIC EARNINGS

SECOND QUARTER 2023

August 03, 2023

Second Quarter 2023 Highlights



Revenue of SAR 37.17 billion [\$ 9.91 billion], a 6% decrease quarter-over-quarter and a 34% decrease year-over-year.



Income from Operations (EBIT¹) of SAR 1.43 billion [\$ 0.38 billion], 15% lower than prior quarter's EBIT of SAR 1.69 billion [\$ 0.45 billion], 86% lower compared to SAR 10.25 billion [\$ 2.73 billion] in the second quarter of 2022.



EBITDA² of SAR 5.13 billion [\$ 1.37 billion], a 2% decrease quarter-over-quarter and a 63% decrease year-over-year.



Net income of SAR 1.18 billion [\$ 0.31 billion], an increase of 79% versus net income of SAR 0.66 billion [\$ 0.18 billion] in prior quarter and an 85% decrease compared to the net income of SAR 7.93 billion [\$ 2.11 billion] in the second quarter of 2022.



Net cash³ position of SAR 7.97 billion [\$ 2.12 billion] by June 30, 2023, a 53% decrease from SAR 17.00 billion [\$ 4.53 billion] as per March 31, 2023.



SABIC's value capture associated with Saudi Aramco through June 2023 (since the date of acquisition of 70% of SABIC shares by Saudi Aramco on June 16th, 2020) is SAR 5.65 billion [\$ 1.51 billion] including synergies of SAR 0.49 billion [\$ 0.13 billion] realized in the second quarter 2023.

Table 1 – Summary Financial Results

Item	Three Months Ended			Six Months Ended		
	Jun 30, 2023	Mar 31, 2023	Change %	Jun 30, 2023	Jun 30, 2022	Change %
Revenue	37.17	39.69	-6%	76.86	108.62	-29%
Income from operations (EBIT ¹)	1.43	1.69	-15%	3.12	19.72	-84%
EBITDA ²	5.13	5.21	-2%	10.33	26.68	-61%
Net Income ⁴	1.18	0.66	79%	1.84	14.40	-87%
Earnings Per Share ⁴	0.39	0.22	79%	0.61	4.80	-87%
Free cash flow ⁴	0.41	3.73	-89%	4.15	12.00	-65%

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

- 1 Earnings before Interest and Tax
- 2 Income from operations (EBIT) plus depreciation, amortization and impairment
- 3 Cash and cash equivalents plus short-term investments minus borrowings and lease liabilities
- 4 Attributable to equity holders of the parent

Second Quarter 2023 Performance

Saudi Basic Industries Corporation (“SABIC”) (2010-SA) today announced its financial results for the second quarter of 2023. The company’s revenue reached SAR 37.17 billion [\$ 9.91 billion] in the second quarter of 2023, a decrease of 6% compared to the first quarter of 2023.

Global chemicals market continues to witness a decline in global macroeconomic demand and an increase in supply for most of the company’s products, which led to a continues decline in the average selling price by 7% quarter-over-quarter, Agri-Nutrients products prices declined by 35%. Across the entire portfolio sales volumes were maintained at the same level in the second quarter of 2023 against first quarter of 2023.

SABIC’s EBITDA amounted to SAR 5.13 billion [\$ 1.37 billion] in the second quarter of 2023, representing a decrease of 2% quarter-over-quarter while EBITDA margin slightly improved to 14% supported by lower cost of sales driven primarily by lower feedstock prices. North East Asian Butane & Propane prices declined by 25% and 22% respectively and Naphtha decreased by 13%.

Net income in the second quarter of 2023 was at SAR 1.18 billion [\$ 0.31 billion], or SAR 0.39 per share [\$ 0.10 per share], which was higher than the net income of SAR 0.66 billion [\$ 0.18 billion], or SAR 0.22 per share [\$ 0.06 per share] achieved during the first quarter of 2023. In the second quarter, financial result was positively impacted by the valuation of options rights in our joint venture agreements.

A free cash flow of SAR 0.41 billion [\$ 0.11 billion] was generated in the second quarter, a decrease by 89% versus prior quarter’s free cash flow of SAR 3.73 billion [\$ 1.00 billion]. The decrease in free cash flow mainly attributed to out of period Zakat and income tax payment of SAR 2.5 billion [\$ 0.66 billion]. Further working capital optimization, through significant reduction of inventory, which took place in the first quarter 2023 was maintained.

Despite current market challenges, SABIC aims to maintain a stable to growing dividends. In June 2023, SABIC’s Board approved a cash dividend distribution of SAR 1.80 per share for the first half of 2023.

First Half 2023 Summary

Global economy continues to witness a slowdown as a result of tightening global monetary policies to counter global inflation. This led to a decrease in the average selling prices of the company's products by 26%. The sales volumes also decreased by 4% due to scheduled maintenance activities.

Lower prices contributed primarily to the decline in gross profit margin and EBITDA margin, despite a reduction in average cost of sales by 18% and selling and distribution expenses by 32%.

SABIC's share in the results of non-integral joint ventures and associate companies decreased by 2.04 billion Saudi Riyals, translated to 89%.

Abdulrahman Al-Fageeh, Chief Executive Officer, said: "In the second quarter, we maintained our sales volume despite challenging economics environment with increased supply in our main products. Our EBITDA margin have improved from 13% achieved in last quarter to 14% in second quarter of 2023. We achieved the minimum target of our synergies with Saudi Aramco **2 years** ahead of time by reaching \$ 1.51 billion in accumulative basis"

Eng. Al-Fageeh also added, "SABIC is committed to innovation and sustainability as key pillars for our growth. A good testimony this quarter is the conversion of oil from plastic waste to certified circular polymers in Saudi Arabia, being the first company in MENA to commit to it. In addition, we successfully completed the first certified commercial shipments of low-carbon ammonia to India and Taiwan, reflecting our determination to deliver meaningful solutions for our customers and to advance markets for important net-zero solutions like low-carbon ammonia."

Outlook

Looking ahead, we expect an average global GDP growth rate of 2.4% for 2023. We continue to execute our strategic priorities for the year: Value Creation, Synergy Benefits with Saudi Aramco and progress on our Growth Strategy despite challenging global market. We remain discipline in managing our CAPEX and we estimate 3.3 to 3.8 Billion USD spend in 2023.

Sustainability and Innovation

SABIC is committed to innovation and sustainability as driving force to our growth and our sustainable solutions for our customers. This is demonstrated by our recent reaffirmation as a constituent company in the FTSE4Good Index Series. The FTSE4Good Index Series is designed to identify companies that demonstrate strong environmental, social, and governance practices measured against globally recognized standards.

In addition, SABIC completed the conversion of oil derived from plastic waste into ISCC+ certified circular polymers for the first time in the Middle East and North Africa, in cooperation with Saudi Aramco, and Total Energies. The process allows the use of non-sorted plastics, which can be difficult to recycle mechanically, and consequently contributes to solving the challenge of end-of-life plastics.

SABIC is also committed to securing key innovation partnerships. Most recently SABIC, along with BASF, Covestro, Dow, LyondellBasell, Mitsubishi Chemical and Solvay signed an agreement with renowned Dutch innovation organization (TNO), which will host Research & Development (R&D) hub to drive progress toward plastic waste processing and advance mechanical and chemical recycling routes. The R&D Hub is the first project launched out of the Low-Carbon Emitting Technologies (LCET) initiative promoted by the World Economic Forum (WEF). In addition, we officially opened our New European Pipe Innovation Center on May 9, 2023, located near SABIC's manufacturing site at Geleen, The Netherlands. It complements our existing Pipe Innovation Centers in Saudi Arabia and China. With customized pipe material development, testing, sampling and validation capacities.

Another key milestone in our carbon neutrality journey last quarter were the first ever two certified commercial shipments of 5,000 metric tons each of low carbon Ammonia to Indian Farmers Fertilizer Cooperative Limited (IFFCO) in India, and Taiwan Fertilizer Co. (TFC) in Taiwan. The shipments underscore SABIC's public commitment to be carbon neutral by 2050, and it follows previous first time deliveries of low-carbon ammonia to Japan and South Korea.

Furthermore, SABIC sponsors Young Innovative Talent at the International Science and Engineering Fair 2023 (ISEF). The team of young talents won 27 awards during the event in Dallas, USA. The achievements of the young Saudi talents demonstrate the Kingdom's competitive advantage in science and innovation. Lastly, SABIC was awarded with the 2023 Sustainability Leadership Award for Exemplary Achievements in Circularity by the American Chemistry Council (ACC), recognizing the company's pioneering efforts to integrate ocean bound plastic (OBP) into the circular economy. ACC recognized SABIC for its collaborations with several partners, including Polivouga, Nueva Pescanova Group and Scientex, to create more sustainable food packaging for frozen seafood and noodle packs.

SABIC Business Results Discussion by Reporting Segment

1. Petrochemicals and Specialties

Table 2 – Petrochemicals and Specialties Financial Overview

Item	Three Months Ended			Six Months Ended		
	Jun 30, 2023	Mar 31, 2023	Change %	Jun 30, 2023	Jun 30, 2022	Change %
Revenue	31.60	34.01	-7%	65.61	90.49	-27%
Income from operations (EBIT ¹)	1.06	0.93	15%	1.99	13.52	-85%
EBITDA ²	4.27	3.97	8%	8.24	19.46	-58%

All amounts in SAR billion unless otherwise stated, USD/SAR conversion used is 3.75. Certain prior quarter and prior year figures have been subject to reclassifications. Please refer to the appendix of the Full Year 2022 Earnings Release as well as to Note 38 of the 2022 Annual Financial Statements. Absolute figures and percentages included in this document have been subject to rounding adjustments.

¹ Earnings before Interest and Tax

² Income from operations (EBIT) plus depreciation, amortization and impairment

³ The Petrochemicals SBU consists of three businesses: Chemicals, Polyethylene and Performance Polymers and Industrial Solutions.

In the second quarter, revenue of the Petrochemicals segment was at SAR 31.60 billion [\$ 8.43 billion], representing a quarter-over-quarter decrease of 7%, largely driven by lower sales volume and average sales prices versus prior quarter.

EBITDA of SAR 4.27 billion [\$ 1.14 billion] in the second quarter of 2023 increased by 8% against SAR 3.97 billion [\$ 1.06 billion] generated in the first quarter of 2023 driven by lower feedstock prices.

Chemicals prices declined quarter-over-quarter, Mono ethylene glycol (MEG) prices decreased by 10% globally as a result of higher supply and new capacities, despite improvement in the Polyester demand in China. Methanol prices decreased by 18% globally, driven mainly by higher supply across all regions although demand improved from key applications, such as Methanol To Olefins (MTO) and Formaldehyde. Methyl tertiary-butyl ether (MTBE) global prices decreased by 6%. MTBE prices showed different sentiments across the regions. In China, prices increased by 7% due to improved Gasoline demand.

Polyethylene (PE) global prices declined by 7%. PE market faced with low demand from downstream sectors while increased capacity from US and China.

For Performance Polymers and Industrial Solutions, Polypropylene (PP) global prices were lower by 8% driven mainly by lower demand. Low season prompted converters to operate at reduced rates. PP prices in US showed largest drop by 15% quarter-over-quarter. Polycarbonate (PC) global prices were lower by 5% driven mainly by high export quantiles from China to other regions although demand improved from automotive and passenger vehicles sectors.

2. Agri-Nutrients

Table 3 – Agri-Nutrients Financial Overview

Item	Three Months Ended			Six Months Ended		
	Jun 30, 2023	Mar 31, 2023	Change %	Jun 30, 2023	Jun 30, 2022	Change %
Revenue	2.49	2.43	3%	4.92	9.73	-49%
Income from operations (EBIT ¹)	0.66	0.92	-28%	1.58	5.67	-72%
EBITDA ²	0.87	1.12	-22%	1.99	6.11	-67%

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¹ Earnings before Interest and Tax

² Income from operations (EBIT) plus depreciation, amortization and impairment

Revenue of SAR 2.49 billion [\$ 0.67 billion] was higher than previous quarter by 3%, driven by higher sales volumes. Average sales prices decreased by 35% while sales volumes increased by 38% in the second quarter of 2023 compared with prior quarter.

EBITDA in the second quarter of 2023 was at SAR 0.87 billion [\$ 0.23 billion], representing a decrease of 22% compared with the first quarter of 2023.

Urea prices declined by 18% due to customers destocking and low consumption. Despite, producer's unplanned outages, scheduled maintenance, and limited Chinese exports which created a deficit in urea supply.

3. Hadeed

Table 4 – Hadeed Financial Overview

Item	Three Months Ended			Six Months Ended		
	Jun 30, 2023	Mar 31, 2023	Change %	Jun 30, 2023	Jun 30, 2022	Change %
Revenue	3.07	3.26	-6%	6.33	8.39	-25%
Income from operations (EBIT ¹)	-0.29	-0.16	-82%	-0.45	0.53	-186%
EBITDA ²	-0.02	0.12	-116%	0.10	1.12	-91%

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¹ Earnings before Interest and Tax

² Income from operations (EBIT) plus depreciation, amortization and impairment

Revenue of SAR 3.07 billion [\$ 0.82 billion] was down by 6% in the second quarter of 2023 against prior quarter as a results of lower sales volumes on the back of the complex turnaround, which decreased by 6%.

EBITDA decreased to SAR -18 million [\$ -5 million] in the second quarter of 2023 versus an EBITDA of SAR 116 million [\$ 31 million] in the first quarter of 2023 mainly driven by the decline in sales volumes.

Steel prices declined because of the drop in demand, among tough competitions and high inventory. Local producers have reduced prices in an effort to reduce inventory and maintain market shares.

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

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