

SABIC First Quarter 2023 Earnings

First Quarter 2023 Highlights:

- Revenue of SAR 39.69 billion [\$ 10.58 billion], an 8% decrease quarter-over-quarter and a 25% decrease year-over-year.
- Income from operations (EBIT¹) of SAR 1.69 billion [\$ 0.45 billion], 233% higher than prior quarter's EBIT of SAR 0.51 billion [\$ 0.14 billion], 82% lower compared to SAR 9.47 billion [\$ 2.53 billion] in the first quarter of 2022.
- EBITDA² of SAR 5.21 billion [\$ 1.39 billion], a 10% increase quarter-over-quarter and a 60% decrease year-over-year.
- Net income of SAR 0.66 billion [\$ 0.18 billion], an increase of 124% versus net income of SAR 0.29 billion [\$ 0.08 billion] in prior quarter and a 90% decrease compared to the net income of SAR 6.47 billion [\$ 1.73 billion] in the first quarter of 2022. There were no material non-recurring charges in the first quarter of 2023.
- Net cash³ position of SAR 17.00 billion [\$ 4.53 billion] by March 31, 2023, a 22% increase from SAR 13.93 billion [\$ 3.71 billion] as per December 31, 2022.
- SABIC's value capture associated with Saudi Aramco through March 2023 (since the date of acquisition of 70% of SABIC shares by Aramco on June 16th, 2020) is SAR 5.16 billion [\$ 1.38 billion] including synergies of SAR 0.85 billion [\$ 0.23 billion] realized in the first quarter 2023.

Table 1 – Summary Financial Results

Item	Three Months Ended			Three Months Ended		
	Mar. 31, 2023	Dec. 31, 2022	Change %	Mar. 31, 2023	Mar. 31, 2022	Change %
Revenue	39.69	42.98	-8%	39.69	52.64	-25%
Income from operations (EBIT ¹)	1.69	0.51	233%	1.69	9.47	-82%
EBITDA ²	5.21	4.73	10%	5.21	12.95	-60%
Net Income ⁴	0.66	0.29	124%	0.66	6.47	-90%
Earnings Per Share ⁴	0.22	0.10	124%	0.22	2.16	-90%
Free cash flow ⁴	3.73	6.87	-46%	3.73	5.84	-36%

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 Cash and cash equivalents plus short-term investments minus borrowings and lease liabilities

⁴ Attributable to equity holders of the parent

Saudi Basic Industries Corporation (“SABIC”) (2010-SA) today announced its financial results for the first quarter of 2023. The company’s revenue reached SAR 39.69 billion [\$ 10.58 billion] in the first quarter of 2023, a decrease of 8% compared to the fourth quarter of 2022.

The average sales prices in the first quarter of 2023 decreased by 2% compared to prior quarter largely due to lower sales prices in Agri-Nutrients. Sales volumes also decreased by 6% in the first quarter of 2023 against fourth quarter of 2022 driven by lower sales volumes in Polymers and Agri-Nutrients. Compared to the same quarter of 2022, average sales prices decreased by 22%, while sales volumes decreased by 3% year-over-year.

SABIC’s EBITDA amounted to SAR 5.21 billion [\$ 1.39 billion] in the first quarter of 2023, representing an increase of 10% quarter-over-quarter. This was primarily due to favorable operating costs. SABIC generated an EBITDA margin of 13% in the first quarter of 2023, higher than the EBITDA margin of 11% in the prior quarter.

Net income in the first quarter of 2023 was at SAR 0.66 billion [\$ 0.18 billion], or SAR 0.22 per share [\$ 0.06 per share], which was higher than the net income of SAR 0.29 billion [\$ 0.08 billion], or SAR 0.10 per share [\$ 0.03 per share] achieved during the fourth quarter of 2022.

Non-recurring charges were not material in the first quarter of 2023 compared with non-recurring loss net to SAR 0.37 billion [\$ 0.1 billion] in the previous quarter.

A free cash flow of SAR 3.73 billion [\$ 0.99 billion] was generated in the first quarter, a decrease by 46% versus prior quarter’s free cash flow of SAR 6.87 billion [\$ 1.83 billion] and a 36% decrease compared to the free cash flow of SAR 5.84 billion [\$ 1.55 billion] in the first quarter of 2022.

Net cash advanced to SAR 17.00 billion [\$ 4.53 billion] by March 31, 2023, a 22% increase from SAR 13.93 billion [\$ 3.71 billion] as per December 31, 2022. SABIC’s long term credit rating of A1 or A+ was affirmed in March with a positive or stable outlook. On April 2, 2023 the company distributed dividends of 2 SAR [\$ 0.53] per share, translating to semi-annual dividend payments of SAR 6.00 billion [\$ 1.60 billion].

Abdulrahman Al-Fageeh, Chief Executive Officer, said: “We are closely monitoring the changes and the recovery of the global market demand. New capacities in Q1 2023 are adding more pressure on global prices, while there is limited relief on variable cost. We continue to keep our operating costs under control and maintain our strong balance sheet. Despite current market uncertainties, our determination to deliver on growth, innovation and sustainability remains intact.”

Eng. Al-Fageeh also added, “To that extent, the Shareek program will play a key role in the next growth phase of SABIC. The first package of initiatives was launched during this first quarter of 2023, whereby SABIC will contribute to the transformation of Saudi Arabia into a manufacturing hub for specialized materials through a strategic project to build and manufacture catalysts.”

He continued: “Our commitment to innovation and sustainability was demonstrated this quarter through winning three gold and two bronze awards in the prestigious Edison Awards. This is the third consecutive year being recognized, signifying our consistent leadership in new technology development and innovation that supports our continued business growth and a more sustainable planet.”

SABIC transformational initiative to its Agri-Nutrient business allows for more focus, resilience, and agility to develop additional growth opportunities beyond commodity nitrogen fertilizers across the value chain. This has been demonstrated by the acquisition of 49% stake in the ETG Inputs Holdco Limited (EIHL) by SABIC Agri-Nutrients Company (SABIC AN).

SABIC has also announced the startup of commercial operation of the polycarbonate plant in China, a 50/50 joint venture with (Sinopec), with an annual capacity of 260 thousand tons.

Sustainability and Innovation

SABIC is committed to continued leadership in innovation as a driving force to our growth and our sustainable solutions for our customers. This commitment has been recognized with five prestigious Edison Awards in 2023 in three different categories, reflecting SABIC's diverse range of innovative solutions: Food and Agriculture, Material Science and Sustainability. The awards honor excellence in new product and service development, marketing, design, innovation, and determination of addressing the world's biggest challenges.

We were also recognized with the second most innovative company in Saudi Arabia by Forbes (Middle East and North Africa) and the Research Development and Innovation Authority (RDIA), based on innovation, sustainability and ESG performance criteria.

Another key milestone in our carbon neutrality journey has been the successful commercial shipment of independently-certified blue ammonia from Saudi Arabia to Japan. This is the second shipment of its kind after the announced first shipment from Saudi Arabia to South Korea end of last year. The shipment is the result of a successful multiparty collaboration across the low-carbon ammonia value chain. Fully aligned with Saudi Vision 2030, it represents another milestone in the development of this lower-carbon solution for use as fuel in power generation.

In addition, in March, we announced an agreement with Coolbrook to assess their Roto Dynamic Reactor™ (RDR) technology to support the decarbonization of ethylene production. This new collaboration is one of SABIC's many active programs aimed at reducing, and ultimately eliminating, the CO₂ emissions from manufacturing facilities as well as supporting customers on their energy transition journeys. Through SABIC Ventures, our corporate venturing arm, we continue to invest in early stage technologies with the expectation that some of these, once fully developed, can be commercialized to support SABIC and the broader industry's transition towards carbon neutrality.

Also in March, SABIC joined the Value Balancing Alliance, a nonprofit organization which counts more than 25 international companies across multiple industries and sectors as members. We are collaborating with the VBA and its members to advance a methodology for measuring the value that companies provide to society, the economy, and the environment.

Outlook

SABIC expects an average global GDP growth rate of 2.1% for 2023. High inflation and interest rates continues to add to the uncertainty of global demand growth. We expect margins to remain under pressure in Q2 2023.

SABIC Business Results Discussion by Reporting Segment:

1. Petrochemicals and Specialties

Table 2 – Petrochemicals and Specialties Financial Overview

Item	Three Months Ended			Three Months Ended		
	Mar. 31, 2023	Dec. 31, 2022	Change %	Mar. 31, 2023	Mar. 31, 2022	Change %
Revenue	34.01	35.30	-4%	34.01	44.28	-23%
Income from operations (EBIT ¹)	0.93	-1.66	156%	0.93	6.66	-86%
EBITDA ²	3.97	2.06	93%	3.97	9.63	-59%

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¹ Earnings before Interest and Tax

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

In the first quarter, revenue of the Petrochemicals segment was at SAR 34.01 billion [\$ 9.07 billion], representing a quarter-over-quarter decrease of 4%, largely driven by lower sales volume while average sales prices remained flat versus prior quarter. Compared with the same quarter in 2022, average sales prices decreased by 22% and sales volumes were down by 1% year-over-year.

EBITDA of SAR 3.97 billion [\$ 1.06 billion] in the first quarter of 2023 advanced by 93% against SAR 2.06 billion [\$ 0.55 billion] generated in the fourth quarter of 2022.

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

For Chemicals, Mono ethylene glycol (MEG) prices increased in the first quarter compared with the previous quarter due to higher demand caused by China reopening. Methanol prices stepped-up in the first quarter 2023 compared to prior quarter as the market shows early signs of recovery. Selling prices of Methyl tertiary-butyl ether (MTBE) increased in the first quarter compared to the previous quarter due to higher demand.

Polyethylene (PE) prices show slight increase in the first quarter versus previous quarter, demand did not recover as expected and new PE capacities entering the market put additional pressure on selling prices.

For Performance Polymers and Industrial Solutions, Polypropylene (PP) prices rose against prior quarter as market expected demand to improve after the Lunar New Year holiday. Polycarbonate (PC) prices decreased in the first quarter due to ample supply and slow demand recovery.

2. Agri-Nutrients

Table 3 – Agri-Nutrients Financial Overview

Item	Three Months Ended			Three Months Ended		
	Mar. 31, 2023	Dec. 31, 2022	Change %	Mar. 31, 2023	Mar. 31, 2022	Change %
Revenue	2.43	4.23	-43%	2.43	4.04	-40%
Income from operations (EBIT ¹)	0.92	2.24	-59%	0.92	2.63	-65%
EBITDA ²	1.12	2.44	-54%	1.12	2.85	-61%

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¹ Earnings before Interest and Tax

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

Revenue of SAR 2.43 billion [\$ 0.65 billion] was lower than previous quarter by 43%, driven by both pricing and volume effects. Average sales prices decreased by 28% and sales volumes seasonally decreased similarly by 21% in the first quarter of 2023 compared with prior quarter. Compared to the same quarter in 2022, average sales prices decreased by 38% and sales volumes decreased by 3% year-over-year.

EBITDA in the first quarter of 2023 was at SAR 1.12 billion [\$ 0.30 billion], representing a decrease of 54% compared with the fourth quarter of 2022.

Urea prices retreated to less than half the price they were in the same quarter of 2022 as global demand is weakening and stock levels remain high. However, prices are still at higher levels compared to years 2019 and 2020. Diammonium phosphate (DAP) prices declined quarter-over-quarter while Monoammonium phosphate (MAP) prices increased.

3. Hadeed

Table 4 – Hadeed Financial Overview

Item	Three Months Ended			Three Months Ended		
	Mar. 31, 2023	Dec. 31, 2022	Change %	Mar. 31, 2023	Mar. 31, 2022	Change %
Revenue	3.26	3.45	-5%	3.26	4.32	-24%
Income from operations (EBIT ¹)	-0.16	-0.07	-122%	-0.16	0.18	-191%
EBITDA ²	0.12	0.23	-50%	0.12	0.47	-75%

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¹ Earnings before Interest and Tax

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

Revenue of SAR 3.26 billion [\$ 0.87 billion] was down by 5% in the first quarter of 2023 against prior quarter on account of lower average sales prices, which decreased by 5%. Sales volumes remained flat in the first quarter of 2023 compared to the fourth quarter 2022. Compared with the same quarter in 2022, average sales prices decreased by 13% and sales volumes contracted by 13% year-over-year.

EBITDA decreased to SAR 0.12 billion [\$ 0.03 billion] in the first quarter of 2023 versus an EBITDA of SAR 0.23 billion [\$ 0.06 billion] in the fourth quarter of 2022 mainly driven by lower margins caused by the decline in average sales prices.

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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