

SABIC Fourth Quarter 2020 Earnings

Fourth Quarter 2020 Highlights:

- Revenue of SAR 32.85 billion [\$ 8.76 billion], a 12% increase quarter-over-quarter and a 4% increase year-over-year.
- EBITDA of SAR 6.67 billion [\$ 1.78 billion], an 18% increase quarter-over-quarter and a 15% increase year-over-year.
- Income from operations of SAR 3.69 billion [\$ 0.99 billion] was higher than the income from operations of SAR 2.10 billion [\$ 0.56 billion] in the previous quarter and higher than the loss from operations of SAR 1.44 billion [\$ 0.38 billion] in the fourth quarter of 2019.
- Net income of SAR 2.22 billion [\$ 0.59 billion] was higher than the net income of SAR 1.09 billion [\$ 0.29 billion] in the previous quarter and the net loss of SAR 0.89 billion [\$ 0.24 billion] in the fourth quarter of 2019.
- After adjusting for non-recurring gains, fourth quarter net income was SAR 1.77 billion [\$ 0.47 billion], which was higher than the net income of SAR 0.40 billion [\$ 0.11 billion] in the previous quarter.
- \$ 1.5 billion - \$ 1.8 Billion of expected recurring annual value creation and synergy with Saudi Aramco by 2025.

Comparisons with the fourth quarter of 2020 are available in the following table:

Table 1 – Summary Financial Results

Item	Three Months Ended			Twelve Months Ended		
	Dec. 31, 2020	Sep. 30, 2020	Change Q/Q	Dec. 31, 2020	Dec. 31, 2019 ³	Change %
Revenue	32.85	29.30	12%	116.96	135.40	-14%
EBITDA ¹	6.67	5.67	18%	20.19	29.62	-32%
Income (loss) from operations	3.69	2.10	76%	4.48	11.52	-61%
Net Income (loss) ²	2.22	1.09	104%	0.04	5.20	-99%
Earnings (Loss) Per Share ²	0.74	0.36	104%	0.01	1.73	-99%
Free Cash flow	3.06	2.76	11%	8.46	15.20	-44%

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.

¹Income from operations plus depreciation, amortization and impairment.

²Attributable to equity holders of the parent.

³Restated figures due to change in accounting treatment as announced in Q2 20.

Saudi Basic Industries Corporation (“SABIC”) (2010-SA) today announced its financial results for the fourth quarter of 2020. The company’s revenue reached SAR 32.85 billion [\$ 8.76 billion] representing an increase of 12% compared with the third quarter of 2020. Product prices rose during the fourth quarter of 2020 driven by healthy demand and a tightness in the supply/demand balance for some of our key products, which resulted from outages and rising oil prices. These factors led to higher margins for SABIC during the fourth quarter of 2020.

Our operational performance remained robust, despite sales volumes in the fourth quarter being slightly lower (-1%) than the high level achieved during the third quarter of 2020. In comparison to the previous year, sales volumes throughout 2020 were 1% higher overall. The fourth quarter of 2020 also saw average sales prices increase by 13% compared with the third quarter. For the whole year 2020, average sales prices decreased by 15% compared to 2019.

Brent crude oil prices increased by 3% in the fourth quarter compared with the third quarter of 2020. Both Japanese and European naphtha prices increased by around 2% in the fourth quarter of 2020, quarter-over-quarter, broadly in line with an increase in oil price. Meanwhile, Japanese propane and butane prices increased by more than 30% in the fourth quarter of 2020 compared with the previous quarter. The cost of sales of SAR 24.73 billion [\$ 6.59 billion] in the fourth quarter of 2020 was 9% higher than the third quarter of 2020 mainly due to an increase in feedstock prices.

SABIC’s EBITDA amounted to SAR 6.67 billion [\$ 1.78 billion] in the fourth quarter of 2020, representing an increase of 18%, quarter-over-quarter. This was mainly due to higher average sales prices, which were partially offset by increasing feedstock prices during the fourth quarter of 2020. This resulted in an EBITDA margin of 20% in the fourth quarter of 2020, which was higher than 19% obtained during the third quarter of 2020. Excluding Hadeed, our EBITDA margins were 22% in the fourth quarter.

Fourth quarter net income was SAR 2.22 billion [\$ 0.59 billion], or SAR 0.74 per share [\$ 0.20 per share] which was higher than the net income of SAR 1.09 billion [\$ 0.29 billion], or SAR 0.36 per share [\$ 0.10 per share] achieved during the third quarter of 2020.

The non-recurring gains in the fourth quarter netted to SAR 0.45 billion [\$ 0.12 billion] compared with the non-recurring gains of SAR 0.69 billion [\$ 0.18 billion] in the previous quarter. This was primarily due to the adjustments to certain impairment provisions.

After adjusting for non-recurring gains, fourth quarter net income was SAR 1.77 billion [\$ 0.47 billion], which was higher than the net income of SAR 0.40 billion [\$ 0.11 billion] achieved in the previous quarter.

“The fourth quarter benefited from sustained economic recovery, which translated into a healthier demand for our products. Our global business model and the strength of our global supply chain continue to demonstrate their resilience and flexibility, positioning us well for long-term growth,” said Yousef Abdullah Al-Benyan, Vice Chairman and Chief Executive Officer of SABIC.

Mr. Al-Benyan continued, “Distributing competitive dividends to our shareholders continues to be paramount and this is supported by our firm commitment to maintaining capital discipline, as well as our ability to uphold a strong balance sheet and credit rating.”

In December 2020, SABIC's Board announced a dividend distribution of SAR 1.5 per share for the second half of 2020, which was same as the dividend for the first half of 2020.

SABIC completed the share purchase agreement with SAFCO, which was first revealed in December 2019. The resulting new entity, named 'SABIC Agri-Nutrients Company', now also owns SABIC's share in National Chemical Fertilizers Company (Ibn Al Baytar), Al Jubail Fertilizer Company (Al Bayroni) and 33.33% of Gulf Petrochemical Industries Company (GPIC). This strategic move will provide more focus and agility for the agri-nutrients business and provide SABIC with a platform for sustainable growth as both a national champion and a global leader in the agri-nutrients Industry.

As a part of its transformation program, SABIC established its specialties business as a standalone business. This is a major milestone that should support the company's ambitions to be a leader in the specialty chemicals industry. The move generates value for SABIC by making specialties more agile and focused, better able to capture the value associated with its unique business and customer requirements.

Since Saudi Aramco's acquisition of a 70% majority stake in SABIC in June 2020, SABIC and Saudi Aramco have been working together to explore areas of synergies that will maximize value for both parties. At a strategic level, SABIC is now the chemicals arm of Saudi Aramco, which reinforces the company's vision to be the preferred world leader in chemicals and maintain its role as a national champion.

SABIC's collaboration with Saudi Aramco represents an excellent opportunity for both companies to align and harness value - for their mutual benefit and for the benefit of their respective customers, stakeholders and shareholders. SABIC's share in the value creation and synergy is expected to amount to recurring annual value of \$1.5 billion to \$ 1.8 billion, which SABIC expects to achieve by 2025. Approximately 80% of this value is set to be generated from six key business areas, which include Procurement, Sales and Marketing, Supply Chain, Stream Integration, Feedstock Optimization and Maintenance.

The alignment with Saudi Aramco will bring additional scale, technology, investment potential and growth opportunities to SABIC. As part of the broader long-term strategy, there will be additional opportunities to capture value through growth projects optimization, joint venture management and one service delivery model.

Moving forward, sustainability and innovation will remain vital in helping SABIC achieve its long-term growth ambitions. The company recently received a platinum medal for sustainability from EcoVadis - a leader in evaluating the sustainable performance of businesses around the world. As the highest possible distinction, the platinum medal is only awarded to companies that score in the top 1% for sustainability practices. This recognition comes at a time when our customers increasingly make procurement and partnership choices based on sustainability considerations.

Outlook

In most parts of the world, we expect economic activity to continue improving as witnessed during the second half of 2020, and estimate the global GDP growth rate to increase between 4.5% and 5% in 2021. This assumes the effective and widespread use of the COVID vaccine around the world.

For 2021, SABIC expects sales volumes to be approximate 2%-5% higher compared to the previous year. For 2021, SABIC's earnings before interest, taxes, depreciation, amortization, and impairment (EBITDA) before any non-recurring items is expected to be moderately higher than the previous year. The company expects capital expenditures for SABIC in 2021 to be similar to 2020.

In Environmental Social and Governance (ESG), SABIC is evaluating at all levels of the organization to be able to commit to the "Science Based Targets (SBTs)" during 2021 - an initiative, which aims to achieve carbon emissions reduction.

SABIC remains fully committed to contributing to a more sustainable global economy. As we continue to drive excellence in environmental performance, we aim to expand our ESG-linked incentives to the leadership contributing to our Energy Efficiency and Carbon Management realization targets.

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			Twelve Months Ended		
	Dec. 31, 2020	Sep. 30, 2020	Change Q/Q	Dec. 31, 2020	Dec. 31, 2019 ²	Change %
Revenue	28.99	25.55	13%	101.85	117.49	-13%
EBITDA ¹	6.27	5.31	18%	18.55	26.42	-30%
Income (loss) from operations	3.64	2.09	74%	4.47	10.50	-57%

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.

¹Income from operations plus depreciation, amortization and impairment.

²Restated figures due to change in accounting treatment as announced in Q2 20.

Revenue of SAR 28.99 billion [\$ 7.73 billion] was up in the fourth quarter, representing a quarter-over-quarter increase of 13%, driven by higher average sales prices and sales volumes. Average sales prices increased by 11% and sales volumes increased by 2% in the fourth quarter of 2020 compared with the previous quarter. For 2020, average sales prices decreased by 14% but sales volumes increased by 1% compared with 2019. EBITDA of SAR 6.27 billion [\$ 1.67 billion] in the fourth quarter was 18% higher than SAR 5.31 billion [\$ 1.42 billion] in the third quarter of 2020.

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

In the **Chemicals** business unit, mono ethylene glycol (MEG) prices increased in the fourth quarter, led by healthy demand and coupled with tight supply resulting from outages and a decrease in inventories, especially in China. For methanol, unplanned outages in the fourth quarter supported prices considerably with healthy demand and reduced inventories. MTBE prices were almost flat in the fourth quarter following oil price trends and lower seasonal demand.

For the **Polyethylene** business unit, Polyethylene prices increased in the fourth quarter, driven by improved demand and an increase in feedstock costs. The market sentiment also improved, which supported higher demand in PE. In addition, COVID restrictions in some regions spurred an increase in online shopping which in turn supported demand - especially in both food and non-food packaging.

In the **Performance Polymers & Industrial Solutions** business unit, polypropylene (PP) prices increased in the fourth quarter supported by robust demand from key end industries such as consumer durables. There was an overall tightness in supply for most regions, quarter-over-quarter. Polycarbonate (PC)

prices saw a significant increase, especially in Asia in the fourth quarter, supported by stable demand from key end industries and a tighter supply resulting from outages in Asia and the US.

2. Agri-Nutrients

Table 3 – Agri-Nutrients Financial Overview

Item	Three Months Ended			Twelve Months Ended		
	Dec. 31, 2020	Sep. 30, 2020	Change Q/Q	Dec. 31, 2020	Dec. 31, 2019	Change %
Revenue	1.50	1.57	-4%	6.12	7.12	-14%
EBITDA ¹	0.51	0.60	-14%	2.23	2.92	-24%
Income (loss) from operations	0.37	0.46	-18%	1.56	2.01	-22%

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.

¹Income from operations plus depreciation, amortization and impairment.

Revenue of SAR 1.50 billion [\$ 0.40 billion] was down 4%, driven by a decrease in sales volumes, which offset the increase in average selling price in the fourth quarter of 2020 compared with the previous quarter. The fourth quarter of 2020 was negatively impacted by the temporary shutdown in SABIC Agri-Nutrients Company as announced on Tadawul. Average sales prices increased by 6% and sales volumes decreased by 10% in the fourth quarter of 2020 compared with the previous quarter. For 2020, average sales prices decreased by 21% and sales volumes increased by 7% compared with 2019. EBITDA in the fourth quarter of 2020 was SAR 0.51 billion [\$ 0.14 billion], a decrease of 14% from the third quarter of 2020.

Urea prices improved in the fourth quarter, supported by tighter supply and improved demand, especially starting from the middle of the fourth quarter. Urea demand was supported by two Indian tenders of more than 3 million metric tons, as well as healthy demand from Europe, US and Brazil later in the fourth quarter. Supply remained tight due to outages affecting certain production units, mainly in South East Asia and the Middle East.

3. Hadeed

Table 4 – Hadeed Financial Overview

Item	Three Months Ended			Twelve Months Ended		
	Dec. 31, 2020	Sep. 30, 2020	Change Q/Q	Dec. 31, 2020	Dec. 31, 2019	Change %
Revenue	2.35	2.18	8%	8.99	10.79	-17%
EBITDA ¹	-0.12	-0.24	50%	-0.59	0.28	-314%
Income (loss) from operations	-0.32	-0.44	28%	-1.55	-1.00	-56%

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.

¹Income from operations plus depreciation, amortization and impairment.

Revenue of SAR 2.35 billion [\$ 0.63 billion] was up by 8% quarter-over-quarter in the fourth quarter of 2020, driven by higher average sales price partially offset by a decrease in sales volumes. Average sales

prices increased by 18% but sales volumes decreased by 10% in the fourth quarter of 2020 compared with the previous quarter. For 2020, average sales prices decreased by 12% and sales volumes decreased by 5% compared with 2019. EBITDA of negative SAR 119 million [\$ 32 million] in the fourth quarter of 2020 was healthier than negative SAR 241 million [\$ 64 million] in the third quarter of 2020.

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