SABIC First Quarter 2020 Earnings

First Quarter 2020 Highlights:

- Revenue of SAR 30.83 billion [$ 8.22 billion], a 6% decrease quarter-over-quarter and a 18% decrease year-over-year.
- EBITDA of SAR 5.70 billion [$ 1.52 billion], a 20% decrease quarter-over-quarter and a 44% decrease year-over-year.
- Profit from operations of SAR 0.48 billion [$ 0.13 billion] was higher than loss from operations of SAR 0.81 billion [$ 0.21 billion] in the previous quarter but a 92% decrease, year-over-year.
- Net loss of SAR 0.95 billion [$0.25 billion] was higher than net loss of SAR 0.79 billion [$ 0.21 billion] in the previous quarter and lower than net profit of SAR 3.41 billion [$ 0.91 billion] in the first quarter of 2019.

Comparisons with first quarter 2020 is available in the following table:

Table 1 – Summary Financial Results

Item	Three Months Ended			Three Months Ended		
	Mar. 31, 2020	Dec. 31, 2019	Change Q/Q	Mar. 31, 2020	Mar. 31, 2019	Change %
Revenue	30.83	32.81	-6%	30.83	37.37	-18%
EBITDA[1]	5.70	7.13	-20%	5.70	10.15	-44%
Income (loss) from operations	0.48	-0.81	NM	0.48	6.15	-92%
Net Income (loss)[2]	-0.95	-0.79	NM	-0.95	3.41	NM
Earnings (Loss) Per Share[2]	-0.32	-0.26	NM	-0.32	1.14	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.
[2]Attributable to equity holders of the parent.

Saudi Basic Industries Corporation ("SABIC") (2010-SA) today announced its financial results for the first quarter of 2020 with revenue of SAR 30.83 billion [$ 8.22 billion], which represents a decrease of 6 % compared to the fourth quarter of 2019. Certain non-recurring charges, a challenging product-pricing environment and lower demand underpinned by COVID-19 negatively affected the results of the first quarter of 2020.

In the first quarter of 2020, sales volumes decreased by 4% and average sales prices by 2% compared to the fourth quarter of 2019. A decline in Brent price of more than 20% drove a decrease in feedstock prices. Both Japanese and European naphtha prices decreased by more than 18% in the first quarter of 2020, quarter-over-quarter. This translated into higher margins for our Naphtha based crackers later in the first quarter of 2020. Japanese propane price decreased by around 15% in the first quarter of 2020, however, due to a one-month lag in the pricing formula in our Saudi operations, we expect part of this decrease in feedstock cost will be reflected in the second quarter of 2020. A cost of sales of SAR 25.12 billion [$ 6.69 billion] in the first quarter of 2020 was 11 % lower than the fourth quarter of 2019 due to lower non-recurring charges and sales volume.

There were non-recurring charges in the first quarter netting to SAR 1.07 billion [$ 0.29 billion] in certain capital and financials assets including mainly impairments associated with SABIC's intention to suspend the production of ULTEM™ in Cartagena plant during 2020 as part of the optimization of our global operations.

EBITDA of SAR 5.70 billion [$ 1.52 billion] decreased by 20 % mainly due to lower sales volumes and average sales prices that were partially offset by lower operating costs in the first quarter of 2020, quarter-over-quarter. This resulted in EBITDA margins of 18% in the first quarter of 2020 lower than 22% in the fourth quarter of 2019.

First quarter net loss was SAR 0.95 billion [$ 0.25 billion], or SAR 0.32 per share [$ 0.08 per share] which was higher than the net loss of SAR 0.79 billion [$ 0.21 billion], or SAR 0.26 per share [$ 0.07 per share] from the fourth quarter of 2019.

"Product prices remain challenged with no improvement in the supply / demand balance for key products in the first quarter of 2020 compared to the previous quarter. This was further aggravated by COVID-19 becoming a global pandemic and the significant decline in Brent price towards the end of the quarter," said Yousef Abdullah Al-Benyan, Vice Chairman and Chief Executive Officer of SABIC.

He continued, "Health and safety is always the priority for SABIC. We have spared no effort in safeguarding our people and their families as they perform their duties and ensure safe and reliable operations in challenging conditions amid COVID-19. SABIC is part of the essential industries that are fighting the coronavirus pandemic. More than ever, we are on the front lines and actively contributing to the response in Saudi Arabia and globally. I would like to thank SABIC's employees for putting in extra effort to ensure reliable and safe operations and enabling us to continue delivering our products and meeting our customers and communities' requirements."

He added, "SABIC is committed to capital discipline and maintaining a strong balance sheet and has suspended all capex, but non-discretionary capex for safe and reliable operations and late stage projects. We are confident in the resilience and strength of our operations and supply chain, and on opportunities which exist for long term growth."

In the first quarter of 2020, SABIC purchased additional shares in Clariant and increased its stake to 31.5% from 24.9%, the transaction is subject to obtaining regulatory approvals. The investment is part of SABIC's growth strategy in specialties and designed to support its aim of achieving a leadership position among global Specialty peers and increase this segment's contribution to SABIC.

We have a continuous focus on sustainability and innovation.

As a part of our continuous efforts in this area, SABIC has joined forces with the World Economic Forum's Collaborative innovation for Low-Carbon Emitting Technologies initiative. This is a CEO led initiative to accelerate the development and upscaling of the low carbon-emitting technologies for chemical production and the related value chain. SABIC is leading the Waste Processing technology cluster, which is one of the five prioritized technology clusters that will aim at fostering the formation of alliances for the collaborative implementation of the identified technologies.

SABIC has been participating in the CDP's program (formerly the 'Carbon Disclosure Project') for reporting data relevant to climate protection since 2013. In the first quarter of 2020, we received a 'B' rating for 2019. This is the highest rating awarded in Saudi Arabia and recognizes SABIC as one of the best performers in the Middle East and among the top 17% of responding companies worldwide. The recognition also underlines SABIC's contribution to help make our customers' supply chains more sustainable.

Outlook

In 2020, the global GDP growth rate is expected to be negative as the GDP of many countries are expected to contract from 2019 primarily due to the negative impacts of COVID-19. While, we have seen some improvement in business activity in China, a deterioration in other parts of the world, influenced by lockdowns, will impact demand and market sentiment in the second quarter of 2020 and potentially later in the year. This along with an oversupply in our key products will put further pressure on product prices and margins.

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			Three Months Ended		
	Mar. 31, 2020	Dec. 31, 2019	Change Q/Q	Mar. 31, 2020	Mar. 31, 2019	Change %
Revenue	26.59	28.32	-6%	26.59	32.30	-18%
EBITDA[1]	5.07	6.49	-22%	5.07	9.04	-44%
Income (loss) from operations	0.33	-0.70	NM	0.33	5.53	-94%

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. Certain figures are including year end adjustments for the three months period ending 31 Dec 2019. [1]Income from operations plus depreciation, amortization and impairment.

Revenue of SAR 26.59 billion [$ 7.09 billion] was down in the first quarter, representing a quarter-over-quarter decrease of 6 %, primarily driven by lower average petrochemical sales prices and sales volumes. EBITDA of SAR 5.07 billion [$ 1.35 billion] in the first quarter was 22% lower than SAR 6.49 billion [$ 1.73 billion] in the fourth quarter of 2019 primarily driven by above mentioned lower sales volumes and average petrochemical sales prices.

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

In the **Chemical** business unit, mono ethylene glycol (MEG) price was negatively impacted by lower demand underpinned by COVID-19, and a decrease in oil price coupled with an increase in inventories especially at Chinese ports which more than doubled since the start of the year. In addition, logistical restrictions and work force shortages especially in China also negatively affected the global petrochemical industry in the first quarter of 2020. Methanol prices benefited from a tightness in supply earlier in the first quarter of 2020 and decreased as supply eased and oil price declined. MTBE prices were negatively impacted by a lower demand with a decrease in miles travelled due to COVID-19 related lockdowns and curfews globally in the first quarter of 2020.

For the **Polyethylene** business unit, demand was relatively better than some of the other polymers while supply was tight as a result of planned outages in Asia and Middle East in the first quarter of 2020. There was a higher demand for applications such as flexible packaging and medical supplies driven by COVID-19 that offset lower demand from other industry segments e.g. pipe.

In the **Performance Polymers & Industrial Solutions** business unit, polypropylene (PP) and polycarbonate (PC) prices were negatively impacted by lower demand from key industry segments e.g. autos, consumer durables and electronics in the first quarter of 2020. However, as a part of our efforts to fight COVID-19, many of our products are widely used to produce healthcare products e.g. facemasks, plastic protective clothing or disposable medical gowns. In addition, there was a higher demand for our polyethylene terephthalate (PET) products to make hand sanitizer bottles and poly methyl methacrylate (PMMA) sheets to make emergency ventilators and many other products, including safety barriers for use at supermarkets, COVID-19 testing stations and pharmacies.

2. Agri-Nutrients

Table 3 – Agri-Nutrients Financial Overview

Item	Three Months Ended			Three Months Ended		
	Mar. 31, 2020	Dec. 31, 2019	Change Q/Q	Mar. 31, 2020	Mar. 31, 2019	Change %
Revenue	1.47	1.83	-20%	1.47	1.81	-19%
EBITDA[1]	0.56	0.79	-30%	0.56	0.78	-28%
Income (loss) from operations	0.36	0.48	-25%	0.36	0.57	-38%

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. Certain figures are including year end adjustments for the three months period ending 31 Dec 2019. [1]Income from operations plus depreciation, amortization and impairment.

Revenue of SAR 1.47 billion [$ 0.39 billion] was down 20 % driven by lower sales volumes and average sales prices in the first quarter of 2020 compared to the fourth quarter of 2019. EBITDA in the first quarter of 2020 was SAR 0.56 billion [$ 0.15 billion], a decrease of 30 % from the fourth quarter of 2019.

The key drivers of urea demand in the first quarter of 2020 were the strong US spring season, Indian tender, and active buying in Australia. These fundamentals offset subdued demand in South East Asia and the COVID-19 impact on Chinese domestic demand, which eventually improved later in the first quarter. On the other hand, Chinese urea exports were significantly reduced in the first quarter compared to the previous quarter and provided support to urea prices.

3. Hadeed

Table 4 – Hadeed Financial Overview

Item	Three Months Ended			Three Months Ended		
	Mar. 31, 2020	Dec. 31, 2019	Change Q/Q	Mar. 31, 2020	Mar. 31, 2019	Change %
Revenue	2.77	2.67	4%	2.77	3.26	-15%
EBITDA[1]	0.08	-0.15	NM	0.08	0.34	-78%
Income (loss) from operations	-0.21	-0.58	NM	-0.21	0.05	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. Certain figures are including year end adjustments for the three months period ending 31 Dec 2019. [1]Income from operations plus depreciation, amortization and impairment.

Revenue of SAR 2.77 billion [$ 0.74 billion] was up by 4% quarter-over-quarter in the first quarter of 2019, due to an increase in sales volumes which offset a decrease in average sales prices. EBITDA of SAR 0.08 billion [$ 0.02 billion] in the first quarter of 2020 was higher than negative SAR 0.15 billion [$ 0.04 billion] in the fourth quarter of 2019 due to higher sales volumes and lower feedstock costs.

Our commitment to overcome COVID-19

We know that COVID-19 has changed the world in unprecedented ways and SABIC is actively supporting global and national responses to the challenge. In these times, our core priority has been to protect our people and communities, commitment to operate as an essential industry, and the secure supply of basic and critical goods.

During the current challenging circumstances, SABIC maintains its commitment to protect the health and safety of our employees and the communities we serve by ensuring the safety and security of our workplaces, and continuing to supply our customers, especially in critical areas needed in light of the coronavirus pandemic. We have a responsibility to support the people and supply chains that are vital to containing COVID-19 and maintaining our collective well-being.

The vast majority of SABIC products are considered essential during this time of crisis. We are not only supplying material but we support our customers in the selection process for material needed for many life-critical applications including hygienic products, emergency ventilators and personal protection equipment for healthcare professionals, security bodies and supermarkets, but also food and non-food packaging, and more.

Most of our plants around the world remain in operation, albeit operating under increased health and safety standards aligned with government measures. The chemical sector is designated as critical infrastructure in many of the worlds' largest economies, therefore our manufacturing sites are widely excluded from governmental shutdown orders. We continue to follow all guidelines issued by the World Health Organization, as well as local laws and restrictions in specific countries around the world. Our office employees are working remotely at home in accordance with local mandates and recommendations.

In addition, we have made direct monetary contributions to several local and international organizations who lead and coordinate the international pandemic response.

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