SABIC Third Quarter 2019 Earnings

Third Quarter 2019 Highlights:

- Revenue of SAR 33.69 billion [$ 8.98 billion], a 6% decrease quarter-over-quarter and a 23% decrease year-over-year.
- EBITDA of SAR 9.06 billion [$ 2.42 billion], flat quarter-over-quarter and a 36% decrease year-over-year.
- Income from operations of SAR 4.66 billion [$ 1.24 billion], a 4% decrease quarter-over-quarter and a 53% decrease year-over-year.
- Net income of SAR 0.83 billion [$ 0.22 billion], a 61% decrease quarter-over-quarter and an 86% decrease year-over-year.

Comparisons with third quarter 2019 are available in the following table:

Table 1 – Summary Financial Results

Item	Three Months Ended			Nine Months Ended		
	Sep. 30, 2019	June 30, 2019	Change Q/Q	Sep. 30, 2019	Sep. 30, 2018	Change %
Revenue	33.69	35.87	-6%	106.93	128.86	-17%
EBITDA[1]	9.06	9.07	0%	28.29	41.28	-31%
Income from operations	4.66	4.83	-4%	15.64	29.73	-47%
Net Income[2]	0.83	2.12	-61%	6.36	18.30	-65%
Earnings (Loss) Per Share[2]	0.28	0.71	-61%	2.12	6.10	-65%

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 third quarter of 2019, with a revenue of SAR 33.69 billion [$ 8.98 billion], which represents a decrease of 6% compared to the second quarter of 2019. This was driven by slower global growth, new capacity coming on-stream and a decrease in oil prices that further pressured petrochemical prices.

Despite a decrease in SABIC's sales volumes by 4% and average prices by 2%, EBITDA of SAR 9.06 billion [$ 2.42 billion] in the third quarter of 2019 was flat quarter-over-quarter as benefited from lower feedstock and operating costs. A decrease in Brent price of more than 10% resulted in lower feedstock costs. SABIC reported cost of sales of SAR 24.06 billion [$ 6.42 billion] in the third quarter of 2019, which represents a decrease of 7% compared to the second quarter of 2019. This resulted into EBITDA margins of 26.9% in the third quarter of 2019, 162 basis points higher than 25.3% in the second quarter of 2019.

As part of a quarterly review, management is assessing the carrying value of its assets. During the third quarter 2019, SABIC reassessed the carrying value of its investment in Clariant AG comparing to the higher of fair value less cost of disposal and value in use approach. The assessment is based on publicly available information and average analyst consensus regarding the development of the 12-month forecast of the Clariant share price, including a reasonable premium, given the fact that SABIC has significant influence on this investment through its 24.99% share. As a result of this, SABIC has recorded an impairment provision of SR 1.51 billion as at 30 September 2019, as part of 'share of results of associates and joint ventures' in the interim condensed consolidated statements of income. SABIC is reviewing the carrying value of all of its assets as a part of its annual business plan in the fourth quarter of 2019.

Third quarter net income was SAR 0.83 billion [$ 0.22 billion], or SAR 0.28 per share [$ 0.07 per share] which was 61% lower than SAR 2.12 billion [$ 0.56 billion], or SAR 0.71 per share [$ 0.19 per share] from the second quarter of 2019.

"A challenging environment due to slower global growth coupled with additional new capacities in key product lines (PE, MEG, PC) coming on-stream together with a decline in oil prices exerted a downward pressure on petrochemical prices in the third quarter of 2019," said Yousef Abdullah Al-Benyan, Vice Chairman and Chief Executive Officer of SABIC.

He continued, "Capital discipline remains a priority and we will continue to invest in the reliability and safety of our assets and support our dividends. We are confident about the long-term prospects of the industry and remain focused on prioritizing our discretionary growth projects while retaining our strong credit rating. We recently celebrated the groundbreaking ceremony for the petrochemical joint venture project with Exxon Mobil in the U.S. Gulf Coast.

"In addition, optimizing operations, increasing efficiencies and unlocking value are key focus areas for SABIC. Recently, we obtained all the relevant regulatory approvals to merge Saudi Petrochemical Company (SADAF) with Arabian Petrochemical Company (PETROKEMYA). This is an important step towards increased efficiency and operational competeviness".

He added, "Sustainability and innovation remain critical success factors".

SABIC recently launched its TRUCIRCLE™ initiative which encompasses circular materials and technologies and enables brand owners to develop p consumer products that leverage SABIC's certified circular polymer solutions.

Outlook

As expected, the projected global GDP growth rate is lower for 2019 versus 2018 (2.6% vs 3.1%). The new capacities in key products lines that pressured SABIC's product prices and margins in the nine months of 2019 are expected to continue to impact the company's earnings in the fourth quarter of 2019 and impact 2020.

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			Nine Months Ended		
	Sep. 30, 2019	June 30, 2019	Change Q/Q	Sep. 30, 2019	Sep. 30, 2018	Change %
Revenue	29.71	31.50	-6%	93.51	114.23	-18%
EBITDA[1]	8.38	8.27	1%	25.76	37.88	-32%
Income from operations	4.46	4.49	-1%	14.55	27.67	-47%

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 29.71 billion [$ 7.92 billion] was down in the third quarter, representing a quarter-over-quarter decrease of 6%, driven by lower petrochemical prices and sales volumes. Despite a decrease in revenues, EBITDA in the third quarter was SAR 8.38 billion [$ 2.24 billion], an increase of 1% from the second quarter of 2019 mainly due to lower feedstock and operating costs.

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

In the **Chemical's** business unit, methyl tert-butyl ether (MTBE) prices supported from rise in gasoline price that translated into a higher EBITDA (quarter-over-quarter). For mono ethyl glycol (MEG), prices remained at low levels through most of the third quarter of 2019 due to new capacities even though MEG inventories declined, primarily in China in the third quarter of 2019. Methanol industry remained in downtrend with soft demand from the key end markets, lower demand from Methanol-to-Olefin (MTO) plants due to weak economics and a decrease in oil price.

For the **Polyethylene's** business unit, there was a decrease in polyethylene prices due to soft demand and new capacities in the U.S. and Asia.

In the **Performance Polymers & Industrial Solution's** business unit, polycarbonate (PC) market remained challenged due to overcapacity concerns, weaker demand from Automotive and other key end markets. Polypropylene (PP) industry dynamics remained better versus some of the other polymers benefited from lower feedstock prices.

2. Agri-Nutrients

Table 3 – Agri-Nutrients Financial Overview

Item	Three Months Ended			Nine Months Ended		
	Sep. 30, 2019	June 30, 2019	Change Q/Q	Sep. 30, 2019	Sep. 30, 2018	Change %
Revenue	1.68	1.80	-7%	5.29	5.98	-12%
EBITDA[1]	0.62	0.66	-6%	2.04	2.15	-5%
Income from operations	0.42	0.47	-11%	1.44	1.61	-10%

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 1.68 billion [$ 0.45 billion] was down 7% in the third quarter compared to the second quarter of 2019. EBITDA in the third quarter was SAR 0.62 billion [$ 0.17 billion], a decrease of 6% from the second quarter of 2019. Indian tenders were one of the key drivers for urea demand and offset lower demand from parts of Australia and South East Asia in the third quarter of 2019. There was an increase in availability of urea for exports from China on the back of easing in domestic demand coupled with a currency devaluation that made exports more competitive.

3. Hadeed

Table 4 – Hadeed Financial Overview

Item	Three Months Ended			Nine Months Ended		
	Sep. 30, 2019	June 30, 2019	Change Q/Q	Sep. 30, 2019	Sep. 30, 2018	Change %
Revenue	2.31	2.56	-10%	8.12	8.65	-6%
EBITDA[1]	0.06	0.13	-56%	0.49	1.25	-61%
Income from operations	-0.22	-0.14	NM	-0.35	0.45	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 2.31 billion [$ 0.61 billion] was down by 10% quarter-over-quarter in the third quarter of 2019, due to a decrease in both sales volumes and product prices. EBITDA of SAR 0.06 billion [$ 0.02 billion] was down 56% quarter-over-quarter.

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