

# SABIC First Quarter 2019 Earnings

## First Quarter 2019 Highlights:

- Revenue of SAR 37.37 billion [\$ 9.97 billion], a 7% decrease quarter-over-quarter and an 11% decrease year-over-year.
- EBITDA of SAR 10.15 billion [\$ 2.71 billion], a 2% decrease quarter-over-quarter and a 28% decrease year-over-year.
- Income from operations of SAR 6.15 billion [\$ 1.64 billion], a 5% decrease quarter-over-quarter and a 31% decrease year-over-year.
- Net income of SAR 3.41 billion [\$ 0.91 billion], a 5% increase quarter-over-quarter and a 38% decrease year-over-year.

## 2019 Outlook:

- Economic growth rate likely to be slower in 2019 versus 2018.
- SABIC's performance in 2019 is expected to be in-line with the global petrochemical industry trends.

Comparisons with first quarter 2019 is available in the following table:

Table 1 – Summary Financial Results

Item	Three Months Ended			Three Months Ended		
	Mar. 31, 2019	Dec. 31, 2018	Change Q/Q	Mar. 31, 2019	Mar. 31, 2018	Change Y/Y
Revenue	37.37	40.13	-7%	37.37	41.86	-11%
EBITDA <sup>1</sup>	10.15	10.40	-2%	10.15	14.14	-28%
Income from operations	6.15	6.50	-5%	6.15	8.95	-31%
Net Income <sup>2</sup>	3.41	3.24	5%	3.41	5.51	-38%
Earnings (Loss) Per Share <sup>2</sup>	1.14	1.08	5%	1.14	1.84	-38%

All amounts in SAR billion unless otherwise stated, USD/SAR conversion used is 3.75.

<sup>1</sup>Income from operations plus depreciation and amortization expenses.

<sup>2</sup>Attributable to equity holders of the parent.

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Saudi Basic Industries Corporation (“SABIC”) (2010-SA) today announced financial results for the first quarter 2019. SABIC announced first quarter revenue of SAR 37.37 billion [\$ 9.97 billion], which represents a decrease of 7% compared to the last quarter of 2018. SABIC’s volumes increased by 1% and average prices decreased by 8% quarter-over-quarter, driven by global slowing demand growth coupled with a slow start of the year and relatively high level of inventories. EBITDA was SAR 10.15 billion [\$ 2.71 billion] for the first quarter of 2019, representing an EBITDA margin of 27.2%, up 125 basis points quarter-over-quarter, mainly driven by lower feedstock and operating costs, which offset a decline in petrochemical prices. First quarter income from operations was SAR 6.15 billion [\$ 1.64 billion], which represents a decrease of 5% compared to the last quarter of 2018. First quarter net income was SAR 3.41 billion [\$ 0.91 billion], or SAR 1.14 per share [\$ 0.30 per share]. The increase in net income (quarter-over-quarter) was primarily driven by strong operational performance and higher share of results from associates and joint ventures.

“SABIC has demonstrated strength and resiliency in our financial performance under challenging market conditions,” said Yousef Abdullah Al-Benyan, Vice Chairman and Chief Executive Officer of SABIC. “Though lower petrochemical prices negatively impacted SABIC’s first quarter results, we continued to deliver strong operational performance, including the highest quarterly sales volumes over the last four quarters.”

“SABIC remains on the path of transformation, which started three years ago. We are progressing work to carve out our Specialties business and remain on track with the transformation of our Agri-Nutrients business. In addition, we are merging the operations of SADAF and Petrokemya. This will bring more efficiencies in operations and boost competitiveness. This transaction is expected to be completed in the second half of 2019”.

He continued, “Sustainability is a key focus for SABIC. At the end of last year, and in support of the circular economy, we have signed a Memorandum of Understanding (MoU) on recycled petrochemical feedstock in Europe with Plastic Energy, a UK-based company. Since then, we reached another significant milestone in the production of certified circular polymers using a feedstock produced from mixed plastic waste. SABIC is also one of the 27 founding members of “The Alliance to End Plastic Waste”, which is a global initiative between major plastics makers and some consumer goods makers.”

## Outlook

The global economic growth is expected to moderate, from a revised 3.0% in 2018 to about 2.9% in 2019, according to the World Bank. Both advanced economies and emerging economies are expected to be impacted. In 2019, we expect SABIC’s performance to be in-line with the global petrochemical industry trends.

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## 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, 2019	Dec. 31, 2018	Change Q/Q	Mar. 31, 2019	Mar. 31, 2018	Change Y/Y
Revenue	32.30	35.45	-9%	32.30	36.87	-12%
EBITDA <sup>1</sup>	9.04	8.93	1%	9.04	13.30	-32%
Income from operations	5.53	5.50	1%	5.53	8.56	-35%

All amounts in SAR billion unless otherwise stated, USD/SAR conversion used is 3.75.

<sup>1</sup>Income from operations plus depreciation and amortization expenses.

Revenue of SAR 32.3 billion [\$ 8.61 billion] was down in the first quarter, representing a quarter-over-quarter decrease of 9%, driven largely by lower petrochemical prices and slightly lower sales volumes. EBITDA in the first quarter was SAR 9.04 billion [\$ 2.41 billion], an increase of 1% from fourth quarter 2018 as a decline in petrochemicals prices was offset by lower raw material prices.

The Petrochemicals SBU consists of three business units: Chemicals, Polyethylene and Performance Polymers & Industrial Solutions. In the Chemical's business unit, there was a higher EBITDA contribution from methyl tert-butyl ether (MTBE), which benefited from higher prices later in 1Q19 underpinned by an increase in oil price and lower raw material cost. Mono ethyl glycol (MEG) remained challenged and its prices were under pressure on concerns of oversupply and high inventory in the supply chain. Methanol had a slow start of the year but industry dynamics improved later in the quarter on a tightening in global supply due to plant shutdowns and improved demand for Methanol-to-Olefin plants (MTO).

For the Polyethylene business unit, EBITDA was flat quarter-over-quarter as higher sales volumes broadly offset a decrease in sales prices.

In the Performance Polymers & Industrial Solution business unit, polycarbonate (PC) prices were under pressure on overcapacity concerns and slower demand growth for key end markets i.e. automotive and electronics. Polypropylene (PP) industry dynamics remained favorable versus some of the other polymers, which was supportive of Petrochemical's overall EBITDA.

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## 2. Agri-Nutrients

Table 3 – Agri-Nutrients Financial Overview

Item	Three Months Ended			Three Months Ended		
	Mar. 31, 2019	Dec. 31, 2018	Change Q/Q	Mar. 31, 2019	Mar. 31, 2018	Change Y/Y
Revenue	1.81	2.19	-17%	1.81	1.72	5%
EBITDA <sup>1</sup>	0.78	1.01	-23%	0.78	0.49	57%
Income from operations	0.57	0.82	-30%	0.57	0.32	78%

All amounts in SAR billion unless otherwise stated, USD/SAR conversion used is 3.75.

<sup>1</sup>Income from operations plus depreciation and amortization expenses.

Revenue of SAR 1.81 billion [\$ 0.48 billion] was down in the first quarter, representing a quarter-over-quarter decrease of 17%. Global urea prices decreased by more than 10% quarter-over-quarter, mainly due to soft demand with a lower than expected tender from India in 1Q 2019, bad weather (e.g. flooding in Mid-West in the USA, drought in Africa and Australia) and an increase in supply from the start-up of new capacities. In addition, continuous exports from China, which was expected to decline, further kept the pressure on urea prices. EBITDA in the first quarter was SAR 0.78 billion [\$ 0.21 billion], a decrease of 23% from the fourth quarter 2018 due to lower product prices and sales volumes, which translated into lower margins.

## 3. Hadeed

Table 4 – Hadeed Financial Overview

Item	Three Months Ended			Three Months Ended		
	Mar. 31, 2019	Dec. 31, 2018	Change Q/Q	Mar. 31, 2019	Mar. 31, 2018	Change Y/Y
Revenue	3.26	2.49	31%	3.26	3.27	0%
EBITDA <sup>1</sup>	0.34	0.46	-27%	0.34	0.34	0%
Income from operations	0.05	0.18	-72%	0.05	0.07	-29%

All amounts in SAR billion unless otherwise stated, USD/SAR conversion used is 3.75.

<sup>1</sup>Income from operations plus depreciation and amortization expenses.

Revenue of SAR 3.26 billion [\$ 0.87 billion] was up by 31% quarter-over-quarter in the first quarter of 2019, mainly due to an increase in sales volumes and flat product prices. EBITDA of SAR 0.34 billion [\$ 0.09 billion] were down 27% quarter-over-quarter, mainly due to higher operating costs.

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For any further information, please contact SABIC Investors Relations at [IR@SABIC.com](mailto:IR@SABIC.com) and / or visit <https://www.sabic.com/en/investors>

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