

FOR IMMEDIATE RELEASE

## **MPHC reports QR 1.2 billion net profit for the year ended 31 December 2019**

*Board of Directors recommends cash dividend of QR 0.07 per share*

- *Cost optimization remains in focus with investments in select capital projects*
- *Strong liquidity position with closing cash and bank balances of QR 1.8 billion at 31 December 2019*
- *Earnings per share (EPS) of QR 0.095 for the year ended 31 December 2019, as compared to QR 0.111 in the previous year*
- *Group's total assets stood at QR 15.5 billion as of 31 December 2019*
- *Challenging market conditions impacted the financial and operational performance*
- *The Group received a tax exemption, effective from 1 January 2019*

**Doha, Qatar; February 20, 2020:** Mesaieed Petrochemical Holding Company ("MPHC" or "the Group"; QE: MPHC), one of the region's premier diversified petrochemical conglomerates, today announced a net profit of QR 1.2 billion for the year ended 31 December 2019, as it delivered on its core objectives of operational excellence and cost optimization.

### **Business performance and outlook**

MPHC's business performance in 2019 reflected the challenging conditions affecting the region and global markets. The Group responded by leveraging its inherent strengths: its competitive advantage of having uninterrupted, long-term access to competitively priced feedstock, and its partnership with Muntajat, a leader in chemical product marketing and distribution, which aided maintaining the sales volumes at 1.1 million MT per annum, and improved Group's access to global markets. In addition, MPHC launched a series of major new cost optimization initiatives across its businesses that will generate efficiencies for years to come, while maintaining its exemplary HSE record.

### **Operational excellence and HSE Programs**

MPHC demonstrated superior operational agility by accelerating its cost-optimization drives and achieving optimal production targets, while ensuring HSE standards remained buoyant. The cost optimization program set out roadmaps for further performance gains. In HSE, Q-Chem and Q-Chem II improved safety processes while logging a 12<sup>th</sup> consecutive year without a single recordable incidence of heat stress. In MPHC's chlor-akali segment, the QVC venture completed a challenging summer maintenance shutdown with excellent safety results.

## **Q-Chem Ethylene Expansion**

Looking to the future, Q-Chem shareholders approved an expansion of the venture's ethylene production facilities in Mesaieed. Upon completion in 2022, the Sixth Furnace project will provide a sustained increase in ethylene production of approximately 7%, better utilizing Q-Chem's existing derivatives production capacity. With an estimated investment of QR 391 million, the expansion is expected to generate positive capital returns and increased operational flexibility.

Commenting on the financial results, **Mr. Ahmad Saif Al-Sulaiti, Chairman of the Board of Directors, MHPC**, said: *"In a difficult market, we successfully navigated challenging macroeconomic headwinds to increase operational reliability and efficiency, while laying the groundwork for future growth. Entering 2020, we remain focused on our five-year business strategy to strengthen MPHC's market position, while driving cost optimization and generating improved shareholder value."*

## **Financial and operational performance – YTD 2019 and Q4 2019**

MPHC reported a net profit of QR 1.2 billion for the year ended 31 December 2019, down by 15% compared to the last year, amid declining selling prices and declining sales volumes. Global economic uncertainty, slowing GDP growth and trade conflicts all weighed on demand for MPHC products, with a rising surplus capacity, which created an imbalance in supply-demand dynamics and pressured the Group's product prices.

During the year, selling prices declined by 15% and sales volumes fell by 5% as compared to the last year, both translated into a decrease in revenue of 19%. The production drop of 3% resulted from maintenance shutdowns. These shutdowns are part of the Group's commitment to HSE, ensuring plant life, quality and reliability standards, which ultimately improves and maintains Group operational efficiency.

During the year, the Group also received an income tax exemption, with effect from 1 January 2019, where its share of profit in all of the Group's joint ventures will be fully exempt from income tax liability.

In the fourth quarter, the Group reported a net profit of QR 698 million, which was 270% up from QR 189 million profit reported in the third quarter of 2019. The increase was mainly due to the adjustment for income tax exemption, which was effective retrospectively from 1 January 2019 for the full year. However, selling prices, Group revenue and profits all reflected the downward trend against the backdrop of challenging macroeconomic conditions.

Liquidity remained robust throughout the year and the Group's balance sheet strengthened. Cash held by MHPC (including proportionate share of joint ventures) at the end of 31 December 2019 reached QR 1.8 billion and total assets stood at QR 15.5 billion, compared to QR 15.3 billion at the end of 2018, after accounting for dividend pay-outs for the financial year 2018.

## **Proposed Dividend Distribution**

After reviewing the year's financial performance in light of current macroeconomic conditions, the Group's liquidity position and future investing and financing needs, the Board of Directors proposed a total annual dividend distribution for the year ended 31 December 2019 of QR 0.9 billion, equivalent to a payout of QR 0.07 per share and representing a payout ratio of 74%.

## **Operational highlights by segment**

**Petrochemicals:** In 2019, the Petrochemicals segment reported revenue of QR 2.2 billion, a decrease of 18% from 2018. Net profit reached QR 874 million, compared to QR 1.1 billion in 2018, with a decline of 16%. Revenue and earnings were primarily impacted by the drop in selling prices, which declined by 16% as compared to the last year. This was mainly due to softening demand for petrochemical products in key markets, combined with overcapacities in various regions, which created an imbalance in supply-demand

curves and led to declining commodity prices. During 2019, production dropped by 2%, which led to a decline in sales volume of 2%. The drop in production volumes resulted primarily from maintenance shutdowns, which are necessary to maintain plant life and ensure HSE standards.

**Chlor-alkali segment:** Revenue in the Chlor-alkali segment declined in 2019 by 21% compared to 2018 to reach QR 680 million for the year ended 31 December 2019. The decline in revenue was mainly attributed to the decrease in selling prices of 13%, with sales volumes also declining by 9%. Selling prices and sales volumes fell amid the well-documented macroeconomic slowdown, which affected the industry globally.

During the year, the segment reported a net profit of QR 274 million compared to QR 141 million in 2018, with an increase of 94%. Net profits rose as operating costs fell and the Company executed additional feedstock supply agreements with international suppliers on terms that were favorable given the prevailing market conditions. The effects of the tax exemption for the full-year of 2019 also had a positive effect on profits.

### Earnings Call

MPHC will host an IR earnings call with investors to discuss its fourth-quarter and full-year 2019 results, business outlook and other matters on Thursday, February 27, 2019 at 1:30 p.m. Doha Time. The IR presentation that accompanies the conference call will be posted on the publications page of MPHC's website.

-Ends-

### About MHPC

Mesaieed Petrochemical Holding Company Q.P.S.C. ("MPHC") was incorporated as a Qatari joint stock company on May 29, 2013 with an agreed effective date for the transfer of Qatar Petroleum's previous shareholding in the joint ventures of September 1, 2013. The registered office is located at P.O. Box 3212, Doha, State of Qatar.

The main activity of MPHC is to act as a holding company: (i) Q-Chem is currently owned by MPHC (49%), Chevron Phillips Chemical International Qatar Holdings L.L.C. ("CPCIQH") (49%) and QP (2%), and has one wholly-owned subsidiary, Q-Chem Distribution Company Limited, (ii) Q-Chem II is currently owned by MPHC (49%), CPCIQH (49%) and QP (2%), and has one wholly-owned subsidiary, Q-Chem II Distribution Company Limited, and an effective ownership interest of 53.85% in a joint venture, Ras Laffan Olefins Company Limited, which supplies ethylene to Q-Chem II; and (iii) QVC, which was incorporated in 1997 as a joint venture, and is currently owned by MPHC (55.2%), Qapco (31.9%) and QP (12.9%).

For more information about the earnings announcement, e-mail [mphc@qp.com.qa](mailto:mphc@qp.com.qa) or visit [www.mphc.com.qa](http://www.mphc.com.qa)

### DISCLAIMER

The companies in which Mesaieed Petrochemical Holding Company Q.P.S.C. directly and indirectly owns investments are separate entities. In this press release, "MPHC" and "the group" are sometimes used for convenience in reference to Mesaieed Petrochemical Holding Company Q.P.S.C.

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There are a number of factors that could affect the realisation of these forward-looking statements such as: (a) price fluctuations in crude oil and natural gas, (b) changes in demand or market conditions for the group's products, (c) loss of market share and industry competition, (d) environmental risks and natural disasters, (e) changes in legislative, fiscal and regulatory conditions, (f) changes in economic and financial market conditions and (g) political risks. As such, results could differ substantially from those stated, or as may be inferred from the forward-looking statements contained herein. All forward-looking statements contained in this presentation are made as of the date of this presentation.

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future events or any reason whatsoever. Mesaieed Petrochemical Holding Company Q.P.S.C. does not guarantee the accuracy of the historical statements contained herein.

#### **GENERAL NOTES**

Mesaieed Petrochemical Holding Company's accounting year follows the calendar year. No adjustment has been made for leap years. Values expressed in QR billions and percentages have been rounded to 1 decimal point. All other values have been rounded to the nearest whole number. Values expressed in US \$'s have been translated at the rate of US \$1 = QR3.64.

Amounts relating to income statement, including revenue, net profits, production, sales volumes, have been computed and reported for the purposes of this press release on proportionate basis, based on the share of ownership of MPHIC in its respective joint ventures.

#### **DEFINITIONS**

Cash Realisation Ratio: Cash Flow From Operations / Net Profit x 100 • Debt to Equity: (Current Debt + Long-Term Debt) / Equity x 100 • Dividend Yield: Total Cash Dividend / Closing Market Capitalisation x 100 • EDC: Ethylene Dichloride • EPS: Earnings per Share (Net Profit / Number of Ordinary Shares outstanding at the year end) • EBITDA: Earnings Before Interest, Tax, Depreciation and Amortisation • Free Cash Flow: Cash Flow From Operations - Total CAPEX • HCL: Hydrochloric Acid • HDPE: High Density Polyethylene • NAO: Normal Alpha Olefins • NaOH: Caustic Soda • MT / PA: Metric Tons Per Annum • Payout Ratio: Total Cash Dividend / Net Profit x 100 • P/E: Price to Earnings (Closing market capitalisation / Net Profit) • Utilisation: Production Volume / Rated Capacity x 100 • VCM: Vinyl Chloride Monomer