

FOR IMMEDIATE RELEASE

## **MPHC reports net profit of QR 330 million for the nine months period ended 30 September 2020**

*Net profit for Q3-20 significantly up by 150% on Q2-20 to reach QR 195 million*

- *Robust liquidity position with closing cash and cash equivalents at QR 1.6 billion as at 30 September 2020*
- *Challenging macroeconomic conditions continued to weigh on the financial and operational performance*
- *Total assets stood at QR 15.9 billion as at 30 September 2020*
- *Continued focus on OPEX and CAPEX optimization initiatives to withstand market volatilities and maintain competitiveness*
- *Several measures in place to contain the spread of COVID-19 and ensure business continuity*
- *Earnings per share (EPS) of QR 0.026 for the nine months period ended 30 September 2020, as compared to QR 0.039 for the same period last year*
- *Appointment of CEO of Q-Chem and Q-Chem II*

**Doha, Qatar; October 28, 2020:** Mesaieed Petrochemical Holding Company (“MPHC” or “the Group”; QE: MPH), one of the region’s premier diversified petrochemical conglomerates, today reported a net profit of QR 330 million for the nine months period ended 30 September 2020.

### **Business performance and macroeconomic backdrop**

During the year, macroeconomic headwinds continued to weigh on the Group’s business performance amid slower GDP growth, weaker crude oil environment and trade frictions. This negative environment was further deteriorated with the outbreak of COVID-19, which had material unfavourable effects on consumer and industrial demand due to lockdowns implemented across all the major markets. This led to an increased pressure on MPHC’s product prices, and negatively affected the Group’s year-to-date performance.

MPHC responded by leveraging its inherent strengths: its competitive advantage of having uninterrupted, long-term access to competitively priced feedstock; low operating cost base; stronger liquidity position; and its sales and marketing partnership with a leader in chemical product marketing and distribution which improved Group’s access to global markets.

In the current distressed situation, the dedicated sales and marketing team was able to provide MPHC wider access to geographies in the most competitive means and thereby limiting the impact of such vulnerabilities and creating several arbitrage opportunities, including successful identification of new markets to divert volumes effectively and working closely with partners, customers and other government agencies so as to ensure production, operations and supply chain activities remained uninterrupted.

The operational performance for the nine months period ended 30 September 2020 was also impacted by the planned turnaround and preventive maintenance shutdowns implemented in certain MPHC's joint venture facilities, which caused the production volumes to decline, by 12% as compared to the same period last year, to reach 729 thousand MT.

These preventive maintenance programs are essential to ensure HSE standards, plant life, quality assurance and reliability to maintain long-term operational efficiency targets leading towards optimum plant performance. Also, there were no plant stoppages due to any demand related reasons, nor, were there any changes to the planned maintenance timelines, amid COVID-19 spread. All of the facilities successfully completed their respective planned turnarounds within their planned timelines, with lower than budgeted CAPEX and operating expenditures.

Commenting on the financial and operational performance for the nine months period of 2020, **Mr. Ahmad Saif Al-Sulaiti, Chairman of the Board of Directors, MHPC**, said: *“Despite distressed market conditions, we remained resilient and continued to implement our business strategy to contain cost and specifically implemented OPEX and CAPEX optimization measures in order to negate the challenges arising out of the pandemic and weaker economic environment. During this year, we successfully implemented our planned turnarounds within the defined timelines and budget.*

*In response to contain the pandemic situation, we continued to ensure safety of our employees and spur business continuity. Our marketing partner worked diligently while closely monitoring the evolving situation and acted prudently to minimize the disruptions to our supply chain.*

*Looking ahead, we are well positioned to solidify our market position with a focus on generating improved shareholder returns, through leveraging our competitive advantages together with our flexibility in operations and diversified portfolios, with a leaner cost base.”*

### **Financial performance and financial position**

MPHC reported a net profit of QR 330 million for the nine months period ended 30 September 2020, down by 33%, compared to the same period last year, with total revenues of QR 1.6 billion (assuming proportionate consolidation), down by 29%, compared to the same period last year. MPHC recorded earnings per share (EPS) of QR 0.026 for the nine months period ended 30 September 2020, as compared to QR 0.039 for the same period last year.

The financial performance was impacted by current global macroeconomics, including unprecedented adversities amid COVID-19 outbreak. These external forces, outside Group's control, exerted pressure on the product prices, and witnessed a decline by 20% year-on-year basis.

Group's sales volumes declined by 11%, versus 9M-19, driven by a combination of reasons including lockdowns of key market geographies, weaker demand and lower production due to periodic planned maintenance shutdowns.

The decline in selling prices and sales volumes, on a combined basis, contributed to a decrease of QR 659 million in the net profits for the nine months period ended 30 September 2020, as compared to the same period last year.

The Group continued to benefit from the supply of competitively priced feedstock, under long-term supply agreements. These contracting arrangements are an important value driver for the Group's performance in a competitive market environment. The feedstock cost savings on account of lowered unit prices and volumes contributed QR 136 million to the bottom-line earnings of the Group for the nine months period ended 30 September 2020, as compared to the same period last year.

Current year profitability was also impacted by excess tax payment over provision in Q-Chem II for 2019, recorded during Q2-20, amounting to QR 37 million, which contributed positively to the bottom line profitability.

Compared to the previous quarter of 2020, the Group revenue and net profits increased by 36% and 150%, respectively. The recovery was mainly attributed to the improved product prices in the current quarter. This sequential increase in prices across key products was noted on the back of crude price recovery, supply shortages due to back-to-back hurricanes in the US causing disruptions for many producers and an overall deferral of new capacity additions amid uncertainties as a result of the spread of COVID-19 pandemic. On the demand side, recent recoveries were evident amid continuous unprecedented stimulus and lifting of lockdown in major markets. Operating costs also have generally declined in line with the optimization initiatives implemented across the Group. Production volumes also improved during the quarter, as there were no major shutdowns during the quarter.

The gradual recovery of the global economy that began during later part of Q2-20 is factored in the Group's financial and operational performance with notable price recoveries in Q3-20. However, the risk of COVID-19 pandemic has not been fully eradicated, which may hamper these early signs of recoveries.

Liquidity remained robust as cash and cash equivalents of MPHC for the first nine months of operations amounted to QR 1.6 billion as at 30 September 2020. The total assets as at 30 September 2020 reached QR 15.9 billion, compared to QR 16.4 billion as at 31 December 2019.

### **Cost optimization updates**

Given the current sluggish market and macroeconomic outlook due to the spread of COVID-19 pandemic, in the start of the year, MPHC kicked off several cost optimization initiatives, where the producing entities reviewed its operating expenditures and identified OPEX which are non-critical. These measures included optimizing human capital structure revisions, reducing direct costs in relation to utilities and maintenance, reducing non-production related expenditures including corporate and administrative expenses. Similarly, the producing entities reviewed their respective CAPEX programs across and identified expenditures that can either be avoided or deferred, while ensuring HSE standards remained buoyant.

### **Operational highlights by segment**

**Petrochemicals:** During the nine months period, the segment reported total revenue of QR 1.2 billion, a decrease of 30% from 9M-19. Net profit amounted to QR 237 million, with a decline of 66% compared to the same period last year. Revenue and earnings were impacted by a drop in sales volumes by 13% and selling prices by 20%. The reduction in sales volumes was primarily due to the planned periodic turnaround of QChem-II facilities during Q1-20, while decline in selling prices was attributed to softening demand for petrochemical products arising from the current macroeconomic backdrop. Production volumes dropped by 13% compared to 9M-19, amid periodic planned turnarounds, which are necessary to maintain the plant life and ensure HSE standards.

**Chlor-alkali segment:** Segment revenue for 9M-20, declined by 25% compared to 9M-19, to reach QR 377 million. The decline in revenue was due to lowered sales volumes which declined by 8% and selling prices by 19%, compared to the same period last year. Sales volumes fell due to the planned shutdown of the facilities in Q1-20 and non-availability of access to the core markets for Chlor-Alkali products, due to COVID-19 lockdowns in the first part of Q2-20. For such period, the segment continued with the production, and built inventories by holding bulk liquids via floating storage. The decline in selling prices was mainly due to the adverse macroeconomic sentiments, causing supply-demand imbalances leading to negative effects on the commodity prices.

During 9M-20, the segment reported a net profit of QR 42 million, with a decline of 70% from 9M-19 mainly attributable to the overall drop in revenue, while production volumes dropped by 10% due to the periodic planned shutdowns.

### **Appointment of CEO of Q-Chem and Q-Chem II**

Mr. Khalid Sultan Al-Kuwari has been appointed as the Chief Executive Officer (CEO) of Qatar Chemical Company Limited (Q-Chem) and Qatar Chemical Company II Limited (Q-Chem II) with effect from 01 November 2020.

### **Earnings Call**

MPHC will host an IR earnings call with investors to discuss its 9M-20 results, business outlook and other matters on 3<sup>rd</sup> November 2020 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.

This presentation may contain forward-looking statements concerning the financial condition, results of operations and businesses of Mesaieed Petrochemical Holding Company Q.P.S.C. All statements other than statements of historical fact are deemed to be forward-looking statements, being statements of future expectations that are based on current expectations and assumptions, and involve known and unknown risks and uncertainties that could cause actual results, operations and business performance or events impacting the group to differ materially from those expressed or as may be inferred from these statements.

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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#### **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