

**METHANOL CHEMICALS COMPANY**  
**(A Saudi Joint Stock Company)**

CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021  
AND REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

**METHANOL CHEMICALS COMPANY**  
**(A Saudi Joint Stock Company)**  
**CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021**

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## Report on review of Interim Financial Information

To the shareholders of Methanol Chemicals Company  
(A Saudi Joint Stock Company)

### Introduction

We have reviewed the accompanying condensed interim statement of financial position of Methanol Chemicals Company (the “Company”) as of 31 March 2021 and the related condensed statements of comprehensive income, changes in equity and cash flows for the three-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 - “Interim Financial Reporting” (IAS 34), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity”, as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

### PricewaterhouseCoopers

Ali A. Alotaibi  
License Number 379

10 May 2021



**METHANOL CHEMICALS COMPANY**  
**(A Saudi Joint Stock Company)**  
**Condensed interim statement of comprehensive income**  
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the three-month period ended 31 March	
		2021 (Unaudited)	2020 (Unaudited)
Revenue		194,793,329	120,297,653
Cost of sales		(133,089,583)	(116,064,759)
<b>Gross profit</b>	1	<b>61,703,746</b>	4,232,894
Selling and distribution expenses		(15,023,635)	(12,615,014)
General and administrative expenses		(9,994,184)	(9,778,670)
Other operating expenses - net		(844,057)	(572,026)
<b>Operating profit (loss)</b>		<b>35,841,870</b>	(18,732,816)
Finance costs	5	(4,279,804)	(9,398,303)
Finance income		55,593	405,989
Finance costs - net		(4,224,211)	(8,992,314)
<b>Profit (loss) before zakat</b>		<b>31,617,659</b>	(27,725,130)
Zakat expense		(1,741,667)	(875,001)
<b>Profit (loss) for the period</b>		<b>29,875,992</b>	(28,600,131)
Other comprehensive income for the period		-	-
<b>Total comprehensive income (loss) for the period</b>		<b>29,875,992</b>	(28,600,131)
<b>Earnings (loss) per share:</b>			
Basic and diluted	8	<b>0.25</b>	(0.24)

The accompanying notes are an integral part of this condensed interim financial information.

The condensed interim financial information including other explanatory notes was authorized for issue by the Board of Directors on 9 May 2021 and was signed on their behalf by:



Abdullah A. Al-Hajri  
Chief Financial Officer



Ali Al-Asiri  
Chief Executive Officer



Abdullah Al Sanea  
Chairman

**METHANOL CHEMICALS COMPANY**  
**(A Saudi Joint Stock Company)**  
**Condensed interim statement of financial position**  
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at 31 March 2021 (Unaudited)	As at 31 December 2020 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		1,317,263,288	1,327,756,532
Right-of-use assets		21,400,726	21,893,266
Intangible assets		5,272,847	5,442,675
<b>Total non-current assets</b>		<b>1,343,936,861</b>	<b>1,355,092,473</b>
<b>Current assets</b>			
Inventories		81,934,329	98,516,049
Trade and other receivables		189,149,929	140,211,951
Cash and cash equivalents		61,407,382	84,082,213
<b>Total current assets</b>		<b>332,491,640</b>	<b>322,810,213</b>
<b>Total assets</b>		<b>1,676,428,501</b>	<b>1,677,902,686</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	1	1,206,000,000	1,206,000,000
Share premium		72,850,071	72,850,071
Statutory reserve	6	44,118,693	44,118,693
Accumulated deficit		(514,561,042)	(544,437,034)
<b>Total equity</b>		<b>808,407,722</b>	<b>778,531,730</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long-term borrowings	5	556,599,691	-
Lease liabilities		23,234,601	22,924,115
Employee benefit obligations		49,193,958	48,892,233
<b>Total non-current liabilities</b>		<b>629,028,250</b>	<b>71,816,348</b>
<b>Current liabilities</b>			
Trade and other payables		89,858,848	87,186,455
Current portion of long-term borrowings	5	139,200,228	732,191,522
Current portion of lease liabilities		1,191,786	1,176,631
Zakat payable	9	8,741,667	7,000,000
<b>Total current liabilities</b>		<b>238,992,529</b>	<b>827,554,608</b>
<b>Total liabilities</b>		<b>868,020,779</b>	<b>899,370,956</b>
<b>Total equity and liabilities</b>		<b>1,676,428,501</b>	<b>1,677,902,686</b>

The accompanying notes are an integral part of this condensed interim financial information.



Abdullah A. Al-Hajri  
Chief Financial Officer



Ali Al-Asiri  
Chief Executive Officer



Abdullah Al Sanea  
Chairman

**METHANOL CHEMICALS COMPANY**  
**(A Saudi Joint Stock Company)**  
**Condensed interim statement of changes in equity for the three-month period ended**  
**31 March 2020 and 2021**  
(All amounts in Saudi Riyals unless otherwise stated)

	<b>Share capital</b>	<b>Share premium</b>	<b>Statutory reserve</b>	<b>Accumulated deficit</b>	<b>Total</b>
<b>At 1 January 2020 (Audited)</b>	1,206,000,000	72,850,071	44,118,693	(269,156,000)	1,053,812,764
Loss for the period	-	-	-	(28,600,131)	(28,600,131)
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(28,600,131)	(28,600,131)
<b>At 31 March 2020 (Unaudited)</b>	<b>1,206,000,000</b>	<b>72,850,071</b>	<b>44,118,693</b>	<b>(297,756,131)</b>	<b>1,025,212,633</b>
<b>At 1 January 2021 (Audited)</b>	1,206,000,000	72,850,071	44,118,693	(544,437,034)	778,531,730
Profit for the period	-	-	-	29,875,992	<b>29,875,992</b>
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	29,875,992	<b>29,875,992</b>
<b>At 31 March 2021 (Unaudited)</b>	<b>1,206,000,000</b>	<b>72,850,071</b>	<b>44,118,693</b>	<b>(514,561,042)</b>	<b>808,407,722</b>

The accompanying notes are an integral part of this condensed interim financial information.



Abdullah A. Al-Hajri  
Chief Financial Officer



Ali Al-Asiri  
Chief Executive Officer



Abdullah Al Sanea  
Chairman

**METHANOL CHEMICALS COMPANY**  
**(A Saudi Joint Stock Company)**  
**Condensed interim statement of cash flows**  
(All amounts in Saudi Riyals unless otherwise stated)

	<b>For the three-month period ended 31 March</b>	
	<b>2021 (Unaudited)</b>	<b>2020 (Unaudited)</b>
<b>Cash flows from operating activities</b>		
Profit (loss) before zakat	<b>31,617,659</b>	(27,725,130)
<u>Adjustments for:</u>		
Depreciation and amortisation	<b>27,079,192</b>	33,012,255
Finance costs - net	<b>4,224,211</b>	8,992,314
Provision for employee benefit obligations	<b>1,608,233</b>	1,753,284
<u>Changes in operating assets and liabilities:</u>		
Decrease (increase) in inventories	<b>16,229,521</b>	(7,989)
Increase in trade and other receivables	<b>(48,929,065)</b>	(17,413,060)
Increase in trade and other payables	<b>2,672,390</b>	15,289,336
Cash generated from operations	<b>34,502,141</b>	13,901,010
Finance costs paid on long-term borrowings	<b>(5,330,622)</b>	(1,109,056)
Finance income received on short-term deposits	<b>46,681</b>	310,295
Employee benefit obligations paid	<b>(1,306,507)</b>	(1,114,640)
<b>Net cash inflow from operating activities</b>	<b>27,911,693</b>	11,987,609
<b>Cash flows from investing activities</b>		
Payments for purchase of property, plant and equipment	<b>(15,571,380)</b>	(24,547,967)
Placements in short-term murabaha deposits	-	(22,576,000)
<b>Cash outflow from investing activities</b>	<b>(15,571,380)</b>	(47,123,967)
<b>Cash flows from financing activities</b>		
Repayments of long-term borrowings	<b>(35,015,144)</b>	-
Principal elements of lease payments	-	(1,576,394)
<b>Cash outflow from financing activities</b>	<b>(35,015,144)</b>	(1,576,394)
<b>Net decrease in cash and cash equivalents</b>	<b>(22,674,831)</b>	(36,712,752)
Cash and cash equivalents at beginning of period	<b>84,082,213</b>	113,086,237
<b>Cash and cash equivalents at end of period</b>	<b>61,407,382</b>	76,373,485

The accompanying notes are an integral part of this condensed interim financial information.



Abdullah A. Al-Hajri  
Chief Financial Officer



Ali Al-Asiri  
Chief Executive Officer



Abdullah Al Sanea  
Chairman

**METHANOL CHEMICALS COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to the condensed interim financial information (Unaudited)**  
**For the three-month period ended 31 March 2021**

**1 General information**

Methanol Chemicals Company (the “Company” or “Chemanol”) is engaged in the production of Formaldehyde liquid and Urea Formaldehyde liquid or their mixture with different concentrations, Paraformaldehyde, liquid and powder Formaldehyde resins, Hexane Methylene Tetramine, Phenol Formaldehyde resins, concrete improvers, Methanol, Carbon monoxide, Di-methylamine, Mono-methylamine, Tri-mon-methylamine, Di-methyl Formamide, Di-methyl carbon, Penta Aritheretol, Sodium Formate and Acetaldehyde.

The Company is a joint stock company registered in the Kingdom of Saudi Arabia and operating under Commercial Registration (CR) number 2050057828 issued in Dammam on 30 Dhu al-Hijjah 1428 H (9 January 2008). The accompanying condensed interim financial information include the accounts of the Company and its branch registered in Jubail under CR No. 2055001870 dated 28 Dhu al-Hijjah 1409 H (1 August 1989). The registered address of the Company is P.O. Box 2101, Jubail 31951, Kingdom of Saudi Arabia.

During 2020, the Company’s revenues and net results were significantly impacted by the advent of COVID-19. This was mainly due to issues with logistics and decline in prices of the Company’s products as certain markets and countries were locked down by their respective governments as a measure to prevent the spread of COVID-19. Also, during the three-month period ended 31 March 2020, the Company shut down certain of its plants for scheduled periodic maintenance for a period of 23 days.

However, during the three-month period ended 31 March 2021, the Company has witnessed an increase in the prices of most of its products, primarily due to increase in demand of such products as lockdowns in key markets and countries have been relaxed. The increase in prices of such products has resulted in an increase in revenue and profitability for the period. However, the market conditions remain volatile and management continues to monitor the situation closely.

The Company’s management has also assessed other impacts of COVID-19 on its operations and continues to take preventative measures to ensure the health and safety of its employees and minimize the impact of the pandemic on its operations. However, as the situation is fluid and evolving, management continues to monitor and is taking necessary steps to ensure the continuity of its operations.

*Restructuring of long-term borrowings*

As explained in Note 5, during the three-month period ended 31 March 2021, the Company has signed agreements with the respective lender institutions to restructure its long-term borrowings.

*Equity restructuring*

On 11 October 2020, the Company’s Board of Directors recommended to the Company’s shareholders to restructure its equity structure by:

- reducing the Company’s share capital through cancelling a certain number of shares against the Company’s accumulated deficit; and
- increasing the Company’s share capital through a rights issue.

Subsequent to the Company’s Board of Directors’ recommendation, the Company appointed a financial advisor to assist in the equity restructuring process. The Company obtained the approval from the Capital Markets Authority on 6 May 2021 and is currently in the process of obtaining the remaining approvals from the authorities and its shareholders and expects to complete the restructuring process by 30 June 2021.

**2 Accounting policies**

The principal accounting policies applied in the preparation of condensed interim financial information of the Company are consistent with those of the previous financial year and corresponding interim reporting period.

**2.1 Basis of preparation**

This condensed interim financial information of the Company has been prepared in accordance with IAS 34 “Interim Financial Reporting” (“IAS 34”), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).



**METHANOL CHEMICALS COMPANY**  
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**Notes to the condensed interim financial information (Unaudited)**  
**For the three-month period ended 31 March 2021**

The condensed interim financial information does not include all the information and disclosures required in the annual financial statements. Accordingly, this condensed interim financial information is to be read in conjunction with the annual financial statements for the year ended 31 December 2020.

**2.2 New and amended standards**

Certain amendments to existing standards became applicable for the current reporting period. The amendments did not have an impact on the condensed interim financial information of the Company and accordingly the Company did not have to change its accounting policies or make any retrospective adjustments.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2021 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

**3 Fair value of assets and liabilities**

As at 31 March 2021 and 31 December 2020, the fair values of the Company's financial instruments are estimated to approximate their carrying values since the financial instruments are short term in nature, carry interest rates which are based on prevailing market interest rates and are expected to be realized at their current carrying values within twelve months from the date of statement of financial position. The fair values of the non-current financial liabilities are estimated to approximate their carrying values as these carry interest rates which are based on prevailing market interest rates.

**4 Critical accounting estimates and judgements**

The preparation of condensed interim financial information in conformity with International Financial Reporting Standards ("IFRS"), that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no critical estimates that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve-month period.

**5 Long-term borrowings**

	<b>31 March 2021</b>	<b>31 December 2020</b>
Saudi Industrial Development Fund ("SIDF")	<b>245,000,000</b>	245,000,000
Murabaha facilities	<b>451,482,306</b>	486,497,450
Total principal amount outstanding	<b>696,482,306</b>	731,497,450
Add: accrued finance costs	<b>8,817,514</b>	3,236,006
Less: adjustment to long-term borrowings based on effective interest rate method	<b>(9,499,901)</b>	(2,541,934)
	<b>695,799,919</b>	732,191,522

Long-term borrowings are presented in the condensed interim statement of financial position as follows:

Long-term borrowings	<b>556,599,691</b>	-
Current maturity shown under current liabilities	<b>139,200,228</b>	732,191,522
	<b>695,799,919</b>	732,191,522

**METHANOL CHEMICALS COMPANY**  
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**Notes to the condensed interim financial information (Unaudited)**  
**For the three-month period ended 31 March 2021**

**Movement in long-term borrowings is as follows:**

	<b>2021</b>	<b>2020</b>
At beginning of period / year	<b>732,191,522</b>	732,249,618
Finance costs for the period / year	<b>6,415,648</b>	31,869,848
Gain on modification of terms of long-term borrowing agreements	<b>(2,461,485)</b>	-
Less: repayment of principal during the period / year	<b>(35,015,144)</b>	(3,750,000)
Less: repayment of finance costs during the period / year	<b>(5,330,622)</b>	(28,177,944)
At end of period / year	<b><u>695,799,919</u></b>	<u>732,191,522</u>

**5.1 SIDF borrowing**

The borrowing agreement with SIDF provided for a borrowing of Saudi Riyals 600.0 million to finance expansion and construction of the Company's production facilities, which was fully drawn by June 2010. Up-front and annual administrative fees are charged by SIDF under the borrowing agreements.

During the three-month period ended 31 March 2021, the Company signed a restructuring agreement with SIDF to principally reschedule the repayment of the principal amount of borrowing from 2021 to 2022. Such restructuring did not result in substantial modification of the terms of the previous borrowing agreement. The carrying amount of the borrowing was adjusted, as per the restructured terms, which resulted in a loss of Saudi Riyals 0.4 million.

The borrowing is secured by mortgage of the property, plant and equipment of the Company at 31 March 2021. The carrying value of the borrowing is denominated in Saudi Riyals.

The covenants of the borrowing require the Company to maintain certain level of financial conditions, limiting dividends distribution and annual capital expenditure above certain limits and certain other matters. As at 31 March 2021, the Company was compliant with covenants related to the SIDF borrowing.

**5.2 Murabaha facilities**

During 2007, the Company entered into an agreement with a syndicate of banks, namely, Arab Banking Corporation (B.S.C), Riyad Bank, Samba Financial Group, Saudi Hollandi Bank, National Commercial Bank and Saudi British Bank (collectively called as "Murabaha Facility Participants") to provide Murabaha Facilities and Syndicate and Bilateral borrowings for financing of expansion projects. The borrowing is denominated in Saudi Riyals and bears financial charges based on prevailing market rates which are based on Saudi inter-bank offer rates.

During the three-month period ended 31 March 2021, the Company signed a restructuring agreement with the lender institutions to principally reschedule the repayment of the principal amount of borrowing from 2021 through 2022 to 2021 through 2028. Such restructuring did not result in substantial modification of the terms of the original borrowing agreement. The carrying amount of the borrowing was adjusted, as per the restructured terms, which resulted in a gain of Saudi Riyals 2.9 million.

The covenants of the Murabaha facilities require the Company to maintain certain level of financial conditions, limiting dividends distribution and annual capital expenditure above certain limits and certain other matters. At 31 March 2021, the Company was compliant with covenants related to the Murabaha facilities.

**METHANOL CHEMICALS COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to the condensed interim financial information (Unaudited)**  
**For the three-month period ended 31 March 2021**

**5.3 Maturity profile of long-term borrowings**

The restructured maturity profile of long-term borrowings is as follows:

**Years ending 31 March:**

2022	<b>140,322,404</b>
2023	<b>137,257,336</b>
2024	<b>19,009,781</b>
2025	<b>33,267,117</b>
2026	<b>38,019,563</b>
Thereafter	<b>337,423,619</b>
	<b><u>705,299,820</u></b>

**6 Statutory reserve**

In accordance with the Company's By-laws and Regulations for Companies in the Kingdom of Saudi Arabia, at each year end the Company is required to transfer 10% of the profit for the year, after adjusting for accumulated deficit, to a statutory reserve until such reserve equals 30% of its share capital. This reserve is currently not available for distribution to the shareholders of the Company.

**7 Related party transactions**

Related parties comprise the shareholders, directors, associated companies and key management personnel. Related parties also include business entities in which certain directors or senior management have an interest ("other related parties").

(a) Significant transactions entered into by the Company with its related parties comprise of costs and expenses charged by other related parties for the three-month period ended 31 March 2021 amounting to Saudi Riyals 54,399 (three-month period ended 31 March 2020: Saudi Riyals 81,104).

(b) Key management personnel compensation:

	<b>For the three-month period ended 31 March</b>	
	<b>2021</b>	<b>2020</b>
Salaries and other short-term employee benefits	<b>1,240,089</b>	1,802,589
Employee benefit obligations	<b>41,034</b>	48,847

**8 Basic and diluted earnings (loss) per share**

Basic earnings (loss) per share is calculated by dividing the profit (loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period. As the Company does not have any dilutive potential shares, the diluted earnings (loss) per share is the same as the basic earnings (loss) per share.

	<b>For the three-month period ended 31 March</b>	
	<b>2021</b>	<b>2020</b>
Profit (loss) for the period	<b>29,875,992</b>	(28,600,131)
Weighted average number of ordinary shares for basic and diluted loss per share	<b>120,600,000</b>	120,600,000
Earnings (loss) per share	<b>0.25</b>	(0.24)

**METHANOL CHEMICALS COMPANY**  
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**Notes to the condensed interim financial information (Unaudited)**  
**For the three-month period ended 31 March 2021**

**9 Contingencies and commitments**

- (i) At 31 March 2021, the Company was contingently liable for bank guarantees in the normal course of business amounting to Saudi Riyals 51.6 million (31 December 2020: Saudi Riyals 52.7 million).
- (ii) The capital expenditure contracted by the Company but not incurred till 31 March 2021 was approximately Saudi Riyals 9.5 million (31 December 2020: Saudi Riyals 19.6 million).
- (iii) During 2020, the Company received additional zakat assessments for the years 2014 through 2018 amounting to Saudi Riyals 8.2 million, out of which the Company paid Saudi Riyals 0.2 million in 2020 relating to 2017 and 2018. Management of the Company has filed an appeal with the General Authority of Zakat and Tax for the remaining amount of Saudi Riyals 8.0 million relating to the years 2014 through 2016, and believes that the maximum liability that may arise upon the ultimate resolution of the appeal is Saudi Riyals 2.0 million which was provided for in 2020 and is included in zakat payable as at 31 March 2021.