

Rights Issue Prospectus

Methanol Chemicals Company

Methanol Chemicals Company is a Saudi joint-stock company established under the Ministry Decision No. (Q/286) dated 04/11/1428H (corresponding to 11/14/2007G) and with Commercial Registry No. (2050057828) issued from Jubail on 28/12/1409H (corresponding to 08/01/1989G).

Offering of (48,000,000) ordinary shares at an offering price of 10 Saudi Riyals per share through the issuance of Right Issue shares with a total value of (480,000,000) Saudi Riyals, which represents an increase in the company's capital by about (71.16%) so that the company's capital becomes (1,154,508,630) Saudi Riyals.

Trading period: starts on **/~/**H (corresponding to **/~/****G) and ends on **/~/****H (corresponding to **/~/****G).**

Subscription period: starts on **/~/**H (corresponding to **/~/****G) and ends on **/~/****H (corresponding to **/~/****G).**



Methanol Chemicals Company ("Chemanol" or "the Company") is a Saudi joint-stock company, which was initially established as a limited liability company with commercial registration No. (205001870) and dated 28/12/1409H (corresponding to 08/01/1989G) under the name "Saudi Formaldehyde Chemical Company Limited". On 20/7/1427H (corresponding to 08/15/2006G), the company's Articles of Association were changed so the name of the company becomes "Methanol Chemicals Company Ltd.", then it was transformed into a Saudi joint-stock company according to the Ministry Decision No. (Q / 286) dated 04/11/1428H (corresponding to 11/14/2007G) and its new commercial registration was issued (2050057828). On 20/09/1441H (corresponding to 05/13/2020G), the extraordinary general assembly of the company agreed to move the main headquarters of the company from Dammam to Jubail Industrial City. The company's capital is six hundred seventy-four million, five hundred eight thousand, six hundred thirty (674,508,630) Saudi Riyals, divided into sixty-seven million, four hundred fifty thousand, eight hundred and sixty-three (67,450,863) ordinary shares ("the shares") with a nominal value of ten (10) Riyals per share paid in full value (referred to individually as "current share" and collectively as "current shares"). As at the date of this prospectus (the "prospectus"), the major shareholders in the company (who own 5% or more of the company's shares) are: Mohammed Jalal and Sons Company Ltd. which owns (5%). The company's board of directors recommended in its decision on 24/02/1442H (corresponding to 10/11/2020G) to increase the company's capital by offering Right Issue shares of four hundred and eighty million (480,000,000) Saudi Riyals conditional on the approval of the extraordinary general assembly to reduce the company's capital from one billion, two hundred and six million (1,206,000,000) Saudi Riyals to six hundred seventy-four million, five hundred eight thousand, six hundred and thirty (674,508,630) Saudi Riyals.

On **/~/****H (corresponding to **/~/****G), the extraordinary general assembly of the company agreed to increase the company's capital through the issue of Right Issue shares ("subscription") to offer forty-eight million (48,000,000) new ordinary shares ("Right Issue Shares" or "new shares") at an offer price of ten (10) Saudi Riyals per share (with a nominal value of ten (10) Saudi Riyals, in order to increase the company's capital from six hundred seventy-four million, five hundred and eight thousand, six hundred and thirty (674,508,630) Saudi Riyals divided into sixty-seven million, four hundred fifty thousand, eight hundred and sixty-three (67,450,863) ordinary shares to one billion, one hundred fifty-four million, five hundred and eight thousand, six hundred and thirty (1,154,508,630) Saudi Riyals divided into one hundred fifteen million, four hundred fifty thousand, eight hundred and sixty-three (115,450,863) ordinary shares, after the approval of the extraordinary general assembly at the same meeting to reduce the company's capital from one billion, two hundred and six million (1,206,000,000) to six hundred seventy-four million, five hundred and eight thousand, six hundred and thirty (674,508,630) Saudi Riyals.

Right Issue will be issued as tradable securities (collectively referred to as "Rights Shares" and separately as "Rights Share") to shareholders who own shares at the end of trading on the extraordinary general assembly that includes approval of the capital increase (the "eligibility date") and who are registered on the register of the company's shareholders with the Depository Center by the end of the second trading day following the day of the extraordinary general assembly meeting that includes the approval of the capital increase on **/~/****H (corresponding to **/~/****G) (collectively referred to as "registered shareholders" and individually as "registered shareholder") provided that those rights are deposited in the portfolios of registered shareholders after the extraordinary general assembly meeting, taking into account the settlement procedures of approximately 0.712 rights for each (1) share of the company's shares, each right shall grant its holder eligibility to subscribe for new share at the offer price.

Registered shareholders and other general investors ("new investors") - who may trade rights and subscribe to new shares - will be able to trade and subscribe to right issue shares in the Saudi Stock Exchange ("Tadawul" or "Stock Exchange"). The trading period and the subscription period begin on **/~/****H (corresponding to **/~/****G), provided that the trading period ends on **/~/****H (corresponding to **/~/****G) ("trading period"), while the subscription period continues until the end of **/~/****H (corresponding to **/~/****G) ("Subscription Period"). It should be noted that the trading period and the subscription period will start on the same day, while the trading period will continue until the sixth day of the beginning of the period, while the subscription period will continue until the end of the ninth day from the beginning of the same period.

The registered shareholders will be able to trade the right issue during the trading period, by selling the acquired rights or part thereof, or buying additional rights through the stock exchange. They also have the right not to take any action regarding the rights they own. Also, new investors during the trading period will be able to buy rights through the market and sell the rights that are bought during the trading period.

The subscription for the new shares will be available in one stage as follows:

- 1- During this period, all registered shareholders and new investors will be able to subscribe to the new shares.

- 2- The registered shareholder will be allowed to subscribe directly with the number of their shares or less than the number of their shares during the subscription period. In the event that they purchase new rights, they will be able to subscribe to them after the end of the settlement period (two working days).
- 3- New investors will be able to subscribe to the new shares immediately after the rights purchase is settled (two working days).
- 4- The subscription will be made available electronically through the investment portfolio in the trading platforms and applications through which the buy and sell orders are entered in addition to subscribing to the channels and other means available to the broker.

In the event that shares remain unsubscribed after the end of the subscription period (the "rump shares"), those shares will be offered to a number of institutional investors (referred to as "Institutional Investors") (this offering is referred to as a "Rump Offering"). These investment institutions submit their bids to purchase the Rump Shares. These offers will be received from 10:00 AM of **/~/****H (corresponding to **/~/****G) until 5:00 PM of the day of **/~/****H (corresponding to **/~/****G) ("Rump Offering Period"). The remaining shares will be allocated to the Institutional Investors with the highest offer, then the lowest and the lowest (provided that it is not less than the offering price), with shares being allocated proportionately to the investment institutions that submit the same offer. As for the stock fractions, they will be added to the remaining shares and be treated similarly, and the total offering price obtained from the remaining shares offering will be paid to the company, and the remaining proceeds of the offering process will be distributed without taking into account any fees or deductions (beyond the offering price) to the recipients of each according to what they deserve no later than **/~/****H (corresponding to **/~/****G).

In the event that the Institutional Investors do not subscribe to all the rump shares and stock fractions, the remaining shares will be allocated to the underwriter who will purchase them at the offering price (Please refer to Section (12) "Subscription terms, conditions and instructions"). The final allotment process will be announced no later than **/~/****H (corresponding to **/~/****G) ("Date of Allotment") (Please refer to Section (12) "Subscription terms, conditions and instructions"). After the completion of the subscription process, the company's capital will be one billion, one hundred fifty-four million, five hundred eight thousand, six hundred and thirty (1,154,508,630) Saudi Riyals, divided into one hundred and fifteen million, four hundred fifty thousand, eight hundred and sixty-three (115,450,863) ordinary shares. The net proceeds from the offering will be used to finance working capital, repay loans and prepare preliminary designs for future projects. (Please see Section (6) "Use of proceeds"). All shares of the company are of one class, and no share gives its holder preferential rights. The new shares will be fully value-paid and equal to the existing shares. Each share gives its holder the right to one vote, and every shareholder in the company ("the shareholder") has the right to attend the shareholders' general assembly ("the general assembly") (whether ordinary or extraordinary) and vote in it. Owners of the new shares will be entitled to any dividends that the company announces after the date of their issuance (if any).

The extraordinary general assembly of the company decided on 13/07/1429H (corresponding to 07/16/2008G) to increase the company's capital from 603,000,000 Riyals to 1,206,000,000 Riyals by issuing 603,000,000 new shares with a nominal value of 10 Riyals per share (hereinafter referred to as "subscription shares"). And the subscription was at a price of 12 Riyals per share, and the company's shares were listed and started trading in the Saudi Stock Exchange (Tadawul) on 16/09/1429H (corresponding to 09/16/2008G) after obtaining the approval of both the Ministry of Commerce and the Financial Market Authority.

The company reduced its capital on **/~/****H (corresponding to **/~/****G) from one billion, two hundred and six million (1,206,000,000) Saudi Riyals to six hundred seventy-four million, five hundred eight thousand, six hundred and thirty (674,508,630) Saudi Riyals, thus reducing the number of the company's shares from one hundred twenty million, six hundred thousand (120,600,000) shares to sixty-seven million, four hundred fifty thousand, eight hundred and sixty-three (67,450,863) shares by canceling fifty-three million, one hundred and forty-nine thousand, one hundred and thirty-seven (53,149,137) shares, with a capital reduction of (44.07%), and at a rate of reduction of one share for every (2,269) shares.

You should read this prospectus completely and study the "Important Notice" section on Page (i) and Section (2) "Risk Factors" mentioned in this prospectus before making an investment decision related to the rights or new shares.

Financial Advisor



Lead Manager



Underwriter



The offering of priority rights shares under this prospectus depends on the shareholders' approval of the capital increase in accordance with the recommendation of the Board of Directors and the company's obtaining of the regulatory approvals. A call for the extraordinary general assembly of the company has been published to approve the issue of priority rights shares on **/~/****H (corresponding to **/~/****G), and the shareholders should know that if the shareholders' consent is not obtained for the offering of the rights issue shares, the issue of these rights will automatically stop, and at that time this prospectus will be considered void and shareholders will be notified of the same.

This prospectus includes information submitted within the application for registration and securities offering according to the requirements of the securities offering rules and continuing obligations issued by the Capital Market Authority in the Kingdom of Saudi Arabia (referred to as the "CMA") and a request for acceptance of the listing of securities according to the requirements of the listing rules of the Saudi Stock Exchange. The members of the Board of Directors whose names appear on Page (iv) jointly and separately bear full responsibility for the accuracy of the information contained in this prospectus, and they confirm, according to their knowledge and belief, after conducting all possible studies and to a reasonable extent, that there are no other facts that failure to include in this prospectus could lead to making any statement in it misleading. The Authority and the Saudi Stock Exchange do not assume any responsibility for the contents of this prospectus, nor do they give any assurances regarding its accuracy or completeness, and expressly disclaim themselves of any liability whatsoever for any loss resulting from what is stated in this prospectus or relying on any part of it.

This unofficial English language translation of the official Arabic language Prospectus is provided for information purposes only. The Arabic language Prospectus published on the CMA's website (www.cma.org.sa) remains the only official, legal binding version and shall prevail in the event of any conflict between the two texts.

This prospectus was issued on 24/09/1442H (corresponding to 06/05/2021G).





Important Notice

This prospectus (the “**Prospectus**”) contains full details of the Methanol Chemicals Company and the Rights Issue offered for subscription. Upon submitting an application to subscribe to the new shares, investors will be treated on the basis that their requests are based on the information contained in this prospectus, of which a copy can be obtained from the company’s headquarters and from the Lead Manager, or by visiting the company’s websites (www.chemanol.com), the financial advisor (www.wasatah.com.sa), and the CMA website (www.cma.org.sa).

The prospectus will be published and made sure that it is made available to the public within a period of not less than (14) days before the date of the extraordinary general assembly meeting for the capital increase. In the event that the extraordinary general assembly does not approve it within six months from the date of the Authority’s approval of the registration and offering of priority rights, the authority’s approval shall be considered revoked.

The company has appointed Al Wasatah Al Maliah (“**Wasatah Capital**”) as a financial advisor (“**Financial Advisor**”) and Al Nefae Investment Group Company as the Lead Manager (“**Lead Manager**”). The company has also appointed Wasatah Capital to act as underwriter in connection with the offering of priority rights shares to increase the company’s capital under this prospectus (Please refer to Section (10) “**Underwriting**” of this prospectus).

The prospectus contains information provided according to the requirements of the rules for offering securities and continuing obligations issued by the board of the Capital Market Authority under Resolution No. 3-123-2017 and dated 09/04/1439H (corresponding to 12/27/2017G) based on the Capital Market Law issued by the Royal Decree M/30 dated 02/06/1424H (corresponding to 07/31/2003G), as amended by Resolution of the Capital Market Authority Board No. 1-104-2019 dated 01/02/1441H (corresponding to 09/30/2019G). The members of the Board of Directors, whose names appear on page (iv), collectively and separately, bear full responsibility for the accuracy of the information contained in this prospectus, and they confirm, according to their knowledge and belief, after conducting the possible studies and to a reasonable extent, that there are no other facts that their failure to include in this prospectus would make any statement in it misleading. The Capital Market Authority and the Saudi Stock Exchange Company (Tadawul) do not assume any responsibility for the contents of this prospectus, nor do they give any assurances regarding its accuracy or completeness, and expressly disclaim themselves of any liability whatsoever for any loss resulting from what is stated in this prospectus or for reliance on any part of it.

Although the company has carried out all reasonable studies to investigate the validity of the information contained in this prospectus on the date of its issuance, part of the information contained in this prospectus was obtained from external sources. And although the company or any of its directors or members of its board of directors, the financial advisor, or any of the company’s advisors listed on Page (v) (“**the advisors**”) does not have any reason to believe that the abovementioned information is inaccurate in its essence, the said information has not been independently verified, and therefore it is not possible to provide any obligation or representation regarding its accuracy or completeness.

The information contained in this prospectus as on the date of its issuance is subject to change, especially since the company’s financial position and the value of the subscription shares may be negatively affected as a result of future developments such as inflation factors, interest rates, taxes or other economic and political factors or other factors beyond the company’s control. (Please refer to Section (2) “**Risk Factors**”). The submission of this prospectus or any oral or written information related to the offering shares or their interpretation or reliance on them in any way shall not be considered as a promise, confirmation or acknowledgment regarding the realization of any future revenues, results or events.

This prospectus may not be considered as a recommendation on the part of the company, members of its board of directors, or any of its advisors to participate in the subscription process for priority rights shares. The information contained in this prospectus is considered to be of a general nature and has been prepared without regard to individual investment objectives, financial position or special investment needs. Each recipient of this prospectus, before making an investment decision, is responsible for obtaining professional advice from a financial advisor licensed by the Authority regarding the subscription to assess the suitability of this investment and the information contained in it to their objectives, conditions and financial needs.

Registered shareholders and other general investors (“**new investors**”) - who may trade rights and subscribe to new shares - will be able to trade and subscribe to priority rights shares in the Saudi Stock Exchange (“**Tadawul**” or “**Stock Exchange**”). The trading period and the subscription period begin on/...H (corresponding to/...G), provided that the trading period ends on/...H (corresponding to/...G) (“**trading period**”), while the subscription period continues until the end of/...H (corresponding to/...G) (“**Subscription Period**”). It should be noted that the trading period and the subscription period will start on the same day, while the trading period will continue until the 6th day of the beginning of the period, while the subscription period will continue until the end of the 9th day from the beginning of the same period.

The registered shareholders will be able to trade the rights issue during the trading period, by selling the acquired rights or part thereof, or buying additional rights through the market. Also, new investors during the trading period will be able to buy rights through the market and sell the rights that are purchased during the trading period.



The subscription for the new shares will be available in one stage as follows:

- 1- During this period, all registered shareholders and new investors will be able to subscribe to the new shares.
- 2- The registered shareholder will be allowed to subscribe directly with the number of their shares during the subscription period. In the event that they purchase new rights, they will be able to subscribe to them after the end of their reconciliation period (two working days).
- 3- New investors will be able to subscribe to the new shares immediately after the rights purchase is reconciled (two working days).
- 4- The subscription will be made available electronically through the investment portfolio in the trading platforms and applications through which the buy and sell orders are entered in addition to subscribing to the channels and other means available to the broker.

In the event that shares remain unsubscribed after the end of the subscription period (the “**rump shares**”), those shares will be offered to a number of institutional investors (referred to as “**Institutional Investors**”) (this offering is referred to as a “**Rump Offering**”). These investment institutions submit their bids to purchase the Rump Shares. These offers will be received from 10:00 AM on ••/••/••••H (corresponding to ••/••/••••G) until 5:00 PM of the next day ••/••/••••H (corresponding to ••/••/••••G) (“**Rump Offering Period**”). The remaining shares will be allocated to the Institutional Investors with the highest offer, then the lowest and the lowest (provided that it is not less than the offering price), with shares being allocated proportionately to the investment institutions that submit the same offer. As for the share fractions, they will be added to the remaining shares and be dealt with in the same manner, and the total offering price obtained from the remaining shares offering will be paid to the company and the remaining proceeds of the shares offering process (if any) will be distributed (beyond the offering price) to those who are entitled to it, each according to what they owe not later than ••/••/••••H (corresponding to ••/••/••••G), noting that the investor who did not subscribe or sell their rights, and the owners of fractional shares, may not get any compensation if the sale is made in the remaining offering period at the offering price.

In the event that the investment institutions have not subscribed to all the remaining shares and share fractions, the remaining shares will be allocated to the underwriter who will purchase them at the offering price (Please refer to Section (12) “**Subscription terms, conditions and instructions**”). The final allotment process will be announced not later than ••/••/••••H (corresponding to ••/••/••••G) (“**Date of Allotment**”) (please refer to Section (12) “**Subscription terms, conditions and instructions**”).

Financial Information

The financial statements of the company for the years 2017G, 2018G and 2019G were prepared in accordance with the International Financial Reporting Standards (IFRS) approved in the Kingdom and other standards and publications issued by the Saudi Organization for Certified Public Accountants, and were reviewed by the company’s auditor (PricewaterhouseCoopers Chartered Accountants) as mentioned in their audit reports. In addition to the company’s interim condensed financial information for the three and nine-month periods ending on September 30, 2020G, prepared in accordance with International Accounting Standard No. 34.

The financial information of the company for the years ended December 31, 2017G, 2018G, and 2019G, and the nine-month period ended September 30, 2020G included in this prospectus were extracted from the financial statements for the years 2017G, 2018G, and 2019G, and the interim condensed financial information for the three and nine-month periods ending on September 30, 2020G, consecutively, and this information has not been subject to any material modification unless otherwise indicated. The company’s financial information for the nine-month period ended September 30, 2019G was extracted from the comparative data for the interim condensed financial information for the three and nine-month periods ending on September 30, 2020G, and this information has not been subject to any material modification.

The company issues its financial statements in Saudi Riyals. Starting with the fiscal year ending on December 31, 2017G, the company prepared its financial statements in accordance with International Financial Reporting Standards (IFRS) approved in the Kingdom and other standards and publications issued by the Saudi Organization for Certified Public Accountants.



Future Projections and Statements

The future projections included in this prospectus have been prepared on the basis of specific, announced assumptions mentioned in the relevant sections. Operating circumstances may differ from the assumptions used, and accordingly, there is no assurance or guarantee as to the accuracy or completeness of any of these projections. The company confirms that the statements contained in this prospectus were made based on the due professional care.

Some of the statements included in this prospectus represent forward-looking statements. These forward-looking statements are generally inferred through the use of words such as “intend/plan”, “estimate”, “believe”, “expect”, “may”, “will”, “intend”, “should” or “expected”, “may”, or “believe” or structures that give the opposite meaning of these words and other vocabulary items that are close to or opposite to them in meaning. These forward-looking statements reflect the current view of the company and its management regarding future events, but are not a guarantee of future performance. There are many factors that may lead to the actual results, performance, or accomplishments achieved by the company, being significantly different from any future results, performance or achievements that may be expressed explicitly or implicitly in the forward-looking statements. The most important risks or factors that could lead to such an impact have been reviewed in more detail in other sections of this prospectus (Please refer to Section (2) “**Risk Factors**”). If one or more of these risks or uncertainties are realized, or if any of the assumptions that were relied upon are proven incorrect or inaccurate, the actual results may differ materially from those mentioned in this prospectus in terms of expectations, beliefs, estimates or plans.

Subject to the requirements of the rules for the offering of securities and continuing obligations, the company must submit a supplementary prospectus to the Authority if the company becomes aware at any time after the date of the publication of this prospectus and before the completion of the offering of any of the following: (1) There is a significant change in material matters mentioned in the prospectus, or (2) any significant issues that should have been included in the prospectus have arisen. With the exception of these two cases, the company does not intend to update or amend any information contained in this prospectus, whether as a result of new additional information or as a result of future incidents or otherwise related to the company, sector or risk factors. As a result of these and other risks and assumptions, the events and conditions of future expectations set forth in this prospectus may not occur as expected by the company, or may not happen at all, and therefore potential investors should study all future forward-looking statements in light of these interpretations, along with no undue reliance on forward-looking statements.



Company Guide

Members of the Board of Directors[†]:

| Name | Position | Representing | Nationality | Age | Status | Designation | Shares Owned As of the Date of the Prospectus ^{**} | | Date of Membership |
|--------------------------------|---------------|--------------|-------------|-----|-----------------|---------------|---|---------|--------------------|
| | | | | | | | Direct ^{***} | Ratio | |
| Abdullah Ali Al-Sanea | Chairman | - | Saudi | 63 | Independent | Non-Executive | 1,054 | 0.0009% | 11/12/2018G |
| Sami Abdulaziz Al-Suweigh | Vice Chairman | - | Saudi | 65 | Independent | Non-Executive | 1,000 | 0.0008% | 11/12/2018G |
| Ziyad Abdullatif Al-Barrak | Member | - | Saudi | 45 | Independent | Non-Executive | - | - | 11/12/2018G |
| Adel Saleh Al-Ghasab | Member | - | Saudi | 57 | Independent | Non-Executive | - | - | 11/12/2018G |
| Abdullah Abdulrahman Bu Ali | Member | - | Saudi | 63 | Non-Independent | Non-Executive | - | - | 11/12/2018G |
| Muhammad Farhan Nader | Member | - | Saudi | 42 | Independent | Non-Executive | 1,000 | 0.0008% | 11/12/2018G |
| Saud Abdullah Al-Sanea | Member | - | Saudi | 63 | Non-Independent | Non-Executive | - | - | 11/12/2018G |
| Yasser Abdulrahman Al-Luhaidan | Member | - | Saudi | 45 | Independent | Non-Executive | 2,426 | 0.0020% | 11/12/2018G |
| Abdulsalam Mazroua Al Mazroua | Member | - | Saudi | 61 | Independent | Non-Executive | 1,000 | 0.0008% | 11/12/2018G |

Source: Company Management

[†] The company's Ordinary General Assembly, in its meeting held on 23/02/1440H (corresponding to 11/01/2018G), agreed to elect the abovementioned members of the Board of Directors for a three-Gregorian-years-period that starts from 11/12/2018G until 11/11/2021G.

^{**} Means the shares owned by directors, directly or indirectly, in the company through their ownership in companies that own shares in the company or shares owned by relatives of members of the board of directors, either directly or through their ownership in companies that own shares in the company.

^{***} The members of the Board of Directors do not have indirect ownership of the company.^{***}

Company Address

Methanol Chemicals Company

P.O. Box 2101, Jubail 31951

Jubail Industrial City - Road 218

Phone: +966 13 3438211

Fax: +966 13 1131853

Website: www.chemanol.com

Email: investorrelations@chemanol.com



The First Authorized Representative of the Company

Name: Abdullah Ali Al-Sanea

Position: Chairman of the Board of Directors

Methanol Chemicals Company

Jubail Industrial City - Road 218

P.O. Box 2101 Jubail 31951

Phone: +966 505822737

Fax: +966 13 3581311

Website: www.chemanol.com

Email: Abdullahalsanea@chemanol.com

The Second Authorized Representative of the Company

Name: Ali Muhammad Al-Asiri

Position: CEO

Methanol Chemicals Company

Jubail Industrial City - Road 218

P.O. Box 2101 Jubail 31951

Phone: +966 133438080

Fax: +966 13 3581311

Website: www.chemanol.com

Email: asiri@chemanol.com

Stock Market

The Saudi Stock Exchange Company (Tadawul)
King Fahd Road - Olaya 6897
Unit No. 15
Riyadh 12211-3388
Kingdom of Saudi Arabia
Phone: +966 920001919
Fax: +966 11 2181220
Website: www.tadawul.com.sa
Email: csc@tadawul.com.sa



Advisors

Financial Advisor and Underwriter

Al Wasatah Al Maliah Company (Wasatah Capital)
Riyadh - Olaya Main Street
P.O. Box 50315, Riyadh 11523
Kingdom of Saudi Arabia
Phone: +966 11 4944067
Fax: +966 11 4944205
Website: www.wasatah.com.sa
Email: info@wasatah.com.sa



Lead Manager

Al-Nefae Investment Group Company
Jeddah - Tahlia Street - Bin Hamran Center
P.O. Box 17381, Riyadh 21484
Kingdom of Saudi Arabia
Phone: +966 12 6655071
Fax: +966 12 6655723
Website: www.nefaie.com.sa
Email: ipo@nefaie.com.sa



مجموعة النفيعي للاستثمار
Al-Nefae Investment Group

Legal Advisor

Alsaleh & Alsahli Law Firm
King Abdullah Road, Al-Worood District
P.O. Box 90549, Riyadh 11623
Kingdom of Saudi Arabia
Phone: +966 11 2054555
Fax: +966 11 2054222
Website: www.ssfirm.com.sa
Email: corporate@ssfirm.com.sa



الصالح والسهلي
للمحاماة والاستشارات القانونية
Alsaleh & Alsahli Law Firm
In co-operation with *Daher Firm*

Note: All the aforementioned bodies have given their written consent to refer to their names, logos and statements in the context stated in this prospectus, and that approval has not been withdrawn as at the date of this prospectus.

The Auditor of the Company for the years 2017G,2018G,2019G and for the period ends 30 Sept 2020G

PricewaterhouseCoopers Certified Public Accountants
Al Hugayet Tower, King Abdulaziz Road
P.O.Box 467, Al-Khobar 31932
Kingdom of Saudi Arabia
Phone: +966 (13) 849 6311
Fax: +966 (13) 849 6281
Website: www.pwc.com/middle-east
Email: ali.alotaibi@pwc.com



Note: The auditor of the aforementioned company gave their written consent to publish their name and logo in this prospectus, and that approval was not withdrawn as at the date of this prospectus.



Offering Summary

Investors wishing to subscribe to the shares of this offering must read the entire prospectus before making their investment decision related to subscribing to priority rights shares, as the offering summary is not sufficient to make an investment decision. The following is a summary of the offering:

| Company or Chemanol | Methanol Chemicals Company (“Chemanol” or “The Company”) was initially established as a limited liability company with commercial registry number (2055001870) on 28/12/1409H (corresponding to 08/01/1989G), then it transformed into a Saudi joint stock company according to the Ministerial Resolution No. (Q/286) dated 04/11/1428H (corresponding to 11/14/2007G). On 16/09/1429H (corresponding to 09/16/2008G), the company’s shares were listed in the Saudi Stock Exchange (Tadawul - Main Market), and on 20/09/1441H (corresponding to 05/13/2020G) the extraordinary general assembly of the company agreed to transfer the main office of the company from Dammam to Jubail Industrial City. | | | | | | | | | | | | | | | | | | |
|--------------------------------------|--|----------------------|-------------------------------|----------------------|--|-------------|------------------------------|--|-------------------------------|--|-------------------|----------------------|------------------|----------------------|--------------------------------------|-----------|-------|-----------|-------|
| Company Activities | <p>The main purposes of the company, according to its articles of association, are summarized in the production and marketing of the following materials and their derivatives:</p> <ol style="list-style-type: none"> Liquid Formaldehyde & liquid Urea Formaldehyde, or any mixture thereof, in different concentrations; Paraformaldehyde; Formaldehyde resins (liquid and powder); Hexamethylene Tetramine (Hexamine); Phenol-formaldehyde resins; Sulphonated Naphthalene Formaldehyde (SNF) and its derivatives; Methanol and its derivatives; Carbon Monoxide; The first, second and third methyl amine and its derivatives; Disimethylformamide; Dimethylcarbon.; Pentaerythritol; Sodium formate; Acetaldehyde; Ammonia; Specialty petrochemical products. <p>The company carries out its activities according to the followed regulations and after obtaining the necessary licenses from the competent authorities, if any.</p> | | | | | | | | | | | | | | | | | | |
| Major Shareholders | <p>The major shareholders of the company, who own 5% or more of the company’s shares, and as of the date of this prospectus, are Muhammad Jalal and Sons Ltd., who owns three million, three hundred seventy-two thousand, five hundred and forty-three (3,372,543) shares, that is, the proportion of (5.00%) before the offering.</p> <table border="1"> <thead> <tr> <th rowspan="2">Shareholder</th> <th colspan="2">Before the Offering Directly</th> <th colspan="2">After the Offering** Directly</th> </tr> <tr> <th>Number of Shares*</th> <th>Ownership Percentage</th> <th>Number of Shares</th> <th>Ownership Percentage</th> </tr> </thead> <tbody> <tr> <td>Muhammad Jalal and Sons Company Ltd.</td> <td>3,372,543</td> <td>5.00%</td> <td>5,772,444</td> <td>5.00%</td> </tr> </tbody> </table> <p>* The number of shares after the capital reduction process. ** In the event that Muhammad Jalal and Sons Ltd. Co. subscribed to the full percentage of its entitlement to the new shares, and in the event that Muhammad Jalal and Sons Ltd. Co. subscribed to more than what was allotted to it by purchasing rights through Tadawul, its ownership percentage will change.</p> | | | | | Shareholder | Before the Offering Directly | | After the Offering** Directly | | Number of Shares* | Ownership Percentage | Number of Shares | Ownership Percentage | Muhammad Jalal and Sons Company Ltd. | 3,372,543 | 5.00% | 5,772,444 | 5.00% |
| Shareholder | Before the Offering Directly | | After the Offering** Directly | | | | | | | | | | | | | | | | |
| | Number of Shares* | Ownership Percentage | Number of Shares | Ownership Percentage | | | | | | | | | | | | | | | |
| Muhammad Jalal and Sons Company Ltd. | 3,372,543 | 5.00% | 5,772,444 | 5.00% | | | | | | | | | | | | | | | |
| The Public | <p>In the Rules for the Offer of Securities and Continuing Obligations, the term “The Public” means the persons other than the ones mentioned below:</p> <ol style="list-style-type: none"> Affiliates to the issuer. Major contributors to the issuer. Board members and senior executives of the issuer. Board members and senior executives of affiliates of the issuer. Board members and senior executives of the major shareholders of the issuer. Any relatives of the persons referred to in (1, 2, 3, 4 or 5) above. Any company controlled by any of the persons referred to in (1, 2, 3, 4, 5, or 6) above. or Persons who act together in agreement and collectively own (5%) or more of the class of shares to be listed. | | | | | | | | | | | | | | | | | | |
| Nature of the Offering | Increasing the capital through the issue of priority rights shares. | | | | | | | | | | | | | | | | | | |
| The Purpose of the Offering | The company aims, by increasing its capital through a rights issue, to raise its financial solvency and reduce borrowing rates and the costs incurred from them. | | | | | | | | | | | | | | | | | | |



| | |
|---|---|
| The Total Number of Shares of the Company Existing and Issued Prior to the Offering | Sixty-seven million, four hundred fifty thousand, eight hundred and sixty-three (67,450,863) |
| The Nominal Value of the Share | Ten (10) Saudi Riyals per share. |
| The Company's Capital Before the Offering | Six hundred and seventy-four million, five hundred eight thousand, six hundred and thirty (674,508,630) Saudi Riyals. |
| The Total Number of New Shares Offered for Subscription | Forty-eight million (48,000,000) ordinary shares. |
| The Offering Price | Ten (10) Saudi Riyals per share. |
| The Total Value of the Offering | Four hundred and eighty million (480,000,000) Saudi Riyals. |
| Adjusted Price | The company's share price in the financial market has been amended to (••) Saudi Riyals per share, before trading the next day of the day of the extraordinary general assembly for the capital increase. This amendment represents a decrease in the share price by (••) Saudi Riyals per share. |
| The Registered Shareholders | The shareholders who own the shares at the end of the trading day of the extraordinary general meeting for the capital increase and those registered in the company's register at the end of the trading on the second trading day following the convening of the extraordinary general assembly for the capital increase. |
| New Investors | All individual and institutional investors - other than the registered shareholders - who purchased priority rights during the trading period. |
| The Target Investors | Registered shareholders and new investors. |
| Priority Rights | Priority Rights are negotiable securities that give their holder the right to subscribe to new shares after agreeing to the capital increase, being a vested right for all registered shareholders. This right may be traded during the trading period. Each priority right gives its holder the right to subscribe to one share of the new shares at the offering price. The priority rights will be deposited in the portfolios of registered shareholders after the extraordinary general meeting of the capital increase. These rights will appear in the registered shareholders' portfolios under a new symbol for priority rights. |
| The New Shares | Forty-eight million (48,000,000) ordinary shares, which will be issued as a result of the capital increase. |
| Eligibility Factor | Each registered shareholder shall be given about (0.712) right for every (1) one share they own, and this factor is the result of dividing the number of new shares by the number of the current shares of the company. |
| The Number of Issued Priority Rights | Forty-eight million (48,000,000) rights. |
| The Number of New Pledged Shares to Underwrite | Forty-eight million (48,000,000) ordinary shares. |
| The Total Value of the New Shares Pledged to Underwrite | Four hundred and eighty million (480,000,000) Saudi Riyals. |
| The Number of Issued Shares After the Capital Increase | One hundred fifteen million, four hundred fifty thousand, eight hundred and sixty-three (115,450,863) ordinary shares. |
| The Capital of the Company After the Capital Increase | One billion, one hundred fifty-four million, five hundred and eight thousand, six hundred and thirty (1,154,508,630) Saudi Riyals. |
| The Percentage of Shares Offered in the Company's Capital | Approximately (71.16%). |



| | | | |
|---|---|------------------------|-------------------|
| The Total Proceeds Expected to Be Obtained and the Analysis and Description of the Proposed Use of Them | <p>The total proceeds of the subscription to the priority rights shares is expected to reach four hundred and eighty million (480,000,000) Saudi Riyals.</p> <p>The net underwriting proceeds, after deducting all offering costs, will be used mainly to finance working capital, repay part of the loans, and finance the preparation of preliminary engineering designs for future projects. For more details, please refer to Section (6) "Use of Proceeds".</p> <p>The following table shows the expected use of the offering proceeds:</p> | | |
| | | In Saudi Riyals | Percentage |
| | Repayment of Loans | 445,000,000 | 92.71% |
| | Offering Fees | 15,000,000 | 3.13% |
| | The Working Capital | 11,500,000 | 2.39% |
| | Preliminary Engineering Designs for Methanol Plant Expansion Project | 8,500,000 | 1.77% |
| | Total | 480,000,000 | |
| Offering Costs | <p>The value of the offering costs is about fifteen million (15,000,000) Saudi Riyals, noting that this amount is estimated (please refer to Section (6) "Use of Proceeds").</p> | | |
| The Net Proceeds of the Offering After Deducting the Costs of the Offering | <p>It is expected that the net proceeds of the offering will reach about four hundred and sixty-five million (465,000,000) Saudi Riyals, after deducting all the costs of the offering of fifteen million (15,000,000) Saudi Riyals, noting that this amount is an estimate (please refer to Section (6) "Use of Proceeds").</p> | | |
| Use of the Offering Proceeds | <p>The company will use the net proceeds of the offering to finance working capital and prepare preliminary engineering designs for Methanol plant expansion project (please refer to Section (6) "Use of Proceeds").</p> | | |
| The Eligibility Date | <p>For the shareholders who own the shares at the end of the trading day of the extraordinary general meeting for the capital increase and who are registered in the company's shareholders' register at the end of the trading on the second trading day following the convening of the extraordinary general assembly for the capital increase, on the date **/**/****H (corresponding to **/**/****G).</p> | | |
| The Trading Period | <p>The trading period begins on **/**/****H (corresponding to **/**/****G) and continues until the end of **/**/****H (corresponding to **/**/****G). It is permissible during this period for all holders of priority rights - whether they are registered investors or new investors - to trade in priority rights.</p> | | |
| The Subscription Period | <p>The subscription period starts on **/**/****H (corresponding to **/**/****G) and continues until the end of **/**/****H (corresponding to **/**/****G). It is permissible during this period for all holders of priority rights - whether they are registered investors or new investors - to exercise their right to subscribe to new shares.</p> | | |
| Rump Shares | <p>The remaining shares that have not been subscribed for during the subscription period.</p> | | |
| Rump Offering | <p>In the event that shares remain unsubscribed after the end of the subscription period (the rump shares), those shares will be offered to a number of institutional investors (investment institutions). These investment institutions submit their bids to purchase the remaining shares. These offers will be received from 10 A.M. on **/**/****H (corresponding to **/**/****G) until 5:00 P.M. of the next day **/**/****H (corresponding to **/**/****G) (the remaining offering period). The remaining shares will be allotted to the investment institutions with the highest offer, then the lowest and the lowest (provided that it is not less than the offering price), provided that the shares are allotted proportionately to the investment institutions that submit the same offer. As for the stock fractions, they will be added to the remaining shares and treated similarly.</p> | | |
| Payment of Compensation Amounts (If Any) | <p>The monetary compensation amounts will be paid to eligible persons who have not exercised their right to subscribe in whole or in part to the new shares and to those entitled to fractional shares without any deductions, no later than **/**/****H (corresponding to **/**/****G), noting that the monetary compensation amounts represent the amount that exceeds the offering price of the net proceeds of the sale of the remaining shares and stock fractions.</p> | | |
| Listing and Trading of rights issue | <p>The priority rights are listed in Tadawul and traded during the trading period of the priority rights. The priority rights shall have a symbol that is independent and separate of the current share symbol of the company on the Tadawul screen.</p> <p>The registered shareholders have several options during the trading period, which include selling the rights or part of them in the market, buying additional rights through the market, or not taking any action on the priority rights, whether by selling them or buying additional rights. During the trading period, new investors will have the right to buy rights through the market, sell those rights or part of them, or not take any action regarding the rights purchased during the trading period.</p> <p>The "Tadawul" system will cancel the company's priority rights symbol on the trading screen after the end of the priority rights trading period, and thus the priority rights trading will stop at the end of that period.</p> | | |
| Method of Subscription | <p>Eligible persons wishing to subscribe to new shares must submit their subscription applications electronically through the online brokerage sites and platforms that provide these services to subscribers or through any other means provided by the brokers.</p> | | |



| | |
|---|--|
| Exercising Subscription to rights issue | <p>Eligible persons are entitled to exercise their right to subscribe to priority rights shares by subscribing electronically through the brokers' websites and online platforms that allow these services to subscribe or through any other means provided by brokers. Eligible persons can also exercise priority rights as follows:</p> <ol style="list-style-type: none"> 1- Shareholders registered during the subscription period are entitled to exercise the rights granted to them on the eligibility date and any additional rights that they purchased during the trading period by subscribing to new shares. They also have the right not to take any action regarding their rights. 2- During the subscription period, new investors have the right to exercise the rights that they purchased during the trading period by subscribing to new shares. They also have the right not to take any action regarding their rights. <p>In the event that none of the registered shareholders or new investors exercise their right to subscribe to the new shares during the subscription period, the shares associated with those rights will be offered in the remaining offering period.</p> |
| The indicative value of the right | <p>The difference between the market value of the company's share during the trading period and the offering price. Tadawul will calculate and publish the indicative value of the right during the trading period on its website five minutes late. Market information service providers will also publish this information so that investors can see the indicative value of the right when entering orders.</p> |
| The Trading Price of the Right | <p>It is the price at which the right is traded, noting that it is determined through the mechanism of supply and demand, and therefore it may differ from the indicative value of the right.</p> |
| Date of Allotment | <p>Shares will be allotted no later than 09/16/2008H (corresponding to 09/16/2008G).</p> |
| Allotment of Shares | <p>Shares will be allotted to each investor based on the number of rights that they have exercised correctly and completely. Fractions of the shares will be added to the remaining shares and then offered to the investment institutions during the remaining offering period.</p> <p>The company will obtain the total offering price collected from the sale of the remaining shares, while the remaining proceeds of the remaining offering will be distributed without taking into account any fees or deductions (that is, exceeding the offering price) to its beneficiaries who did not fully or partly subscribe to the new shares and to those entitled to fractional shares (please see section (12) "Subscription terms, conditions and instructions").</p> |
| Trading of New Shares | <p>Trading of new shares begins in Tadawul after completing all procedures related to registering, allotting and listing the new shares.</p> |
| Entitlement to Dividends | <p>Owners of the new shares will be entitled to any dividends the company announces after the date they are issued.</p> |
| The Voting Rights | <p>All shares of the company are of one class, and no share gives its holder preferential rights. The new shares will be fully value-paid and equal to the existing shares. Each share gives its holder the right to one vote, and every shareholder in the company has the right to attend the shareholders' general assembly (whether ordinary or extraordinary) and vote in it.</p> |
| Restrictions Imposed on the Trading of Shares | <p>There are no restrictions imposed on trading the company's shares, with the exception of regulatory restrictions imposed on publicly listed shares.</p> |
| The Restrictions Imposed on the Trading of Rights | <p>There are no restrictions imposed on the trading of rights except with the exception of foreign shareholders, who are not entitled to purchase additional rights without the approval of the concerned authorities.</p> |
| The Shares That Are Pre-listed by the Issuer | <p>The company's shares were listed on the market (sixty million, and three hundred thousand (60,300,000) shares, with a nominal value of ten (10) Riyals per share) on 16/09/1429H (corresponding to 09/16/2008G).</p> |
| The Risk Factors | <p>Investing in right issue shares involves certain risks, and these risks can be classified into: (1) risks related to the company's business, (2) risks related to the market and sector and (3) risks related to new shares, and these risks have been reviewed in Section (2) The "Risk Factors" of this prospectus, which must be carefully studied before making any investment decision in the rights or new shares.</p> |



| Total Proceeds Previously Obtained in the Last Issuance of Subscription Shares, Their Analysis, Description and Uses | The total proceeds obtained by the company at the last issuance of the subscription shares on 13/07/1429H (corresponding to 07/16/2008G) amounted to 723,600,000 Saudi Riyals. | | | | |
|--|--|--|---------------------------|------------------|---|
| | Whereas, the company increased its capital from 603,000,000 Saudi Riyals to 1,206,000,000 Saudi Riyals by issuing subscription shares in a number of 60,300,000 new shares and a nominal value of (10) Riyals per share, and the subscription was at a price of 12 Riyals per share (10 Riyals as a nominal value and 2 Riyals as share premium) representing in total 50% of Chemanol's capital after the offering, and the proceeds from the subscription were used for the following: | | | | |
| | No. | Description | The Declared Amount (SAR) | Actual Use (SAR) | Ratio of Actual Disbursement to Planned Expenditure |
| | 1 | Partial financing of a package of the company's projects * | 603,000,000 | 603,000,000 | 100% |
| | 2 | Payment of subscription costs | 32,000,000 | 32,000,000 | 100% |
| 3 | Partial repayment of existing loans and facilities | 88,600,000 | 88,600,000 | 100% | |
| Total | | 723,600,000 | 723,600,000 | 100% | |
| Source: Company Management | | | | | |
| * Expansion projects of Formaldehyde, methyl amine, and methylformamide, pentaerythritol, methanol, infrastructure, pre-production expenditures and contingency allocations. For more details, please see Section (6) "Use of Proceeds". | | | | | |
| Conditions for Subscription in Priority Rights Shares | Eligible persons wishing to subscribe for new shares must fulfill the relevant subscription conditions. To view the subscription terms, conditions and instructions, please refer to Section (12) "Subscription terms, conditions and instructions". | | | | |

Note: The section "Important Notice" on page (i) and Section (2) "Risk Factors" of this Prospectus should be carefully studied before making any investment decision in the rights or new shares.



Important Dates and Subscription Procedures

| Milestone | Date |
|--|---|
| The holding of the extraordinary general assembly that includes the approval of the capital increase and the determination of the eligibility date and the eligible shareholders, noting that the eligible shareholders are the shareholders registered in the company registry and they shall not be registered until two days after the meeting date | ••/••/••••H (corresponding to ••/••/••••G). |
| The Trading Period | The trading period begins on ••/••/••••H (corresponding to ••/••/••••G) and continues until the end of ••/••/••••H (corresponding to ••/••/••••G). It is permissible during this period for all right issue holders - whether they are registered or new investors - to trade in right. |
| The Subscription Period | The subscription period begins on ••/••/••••H (corresponding to ••/••/••••G) and continues until the end of ••/••/••••H (corresponding to ••/••/••••G). It is permissible during this period for all right issue holders - whether they are registered or new investors - to exercise their right to subscribe to new shares. |
| The End Date of the Subscription Period | The subscription period ends and the receipt of subscription requests terminates with the end of ••/••/••••H (corresponding to ••/••/••••G). |
| The Rump Offering Period | This period starts at 10:00 AM of ••/••/••••H (corresponding to ••/••/••••G) and continues until 5:00 PM of ••/••/••••H (corresponding to ••/••/••••G). |
| Notification of Final Allotment | on ••/••/••••H (corresponding to ••/••/••••G). |
| Payment of Compensation Amounts (If Any) to Eligible Persons Who Did Not Participate Fully or Partially in the Subscription and Who Are Entitled to Fractional Shares | on ••/••/••••H (corresponding to ••/••/••••G). |
| The Expected Date to Start Trading in the New Shares | After completing all the necessary procedures, the start date of trading in the new shares will be announced on the Tadawul website. |

Disclaimer: All dates mentioned in the above timeline are approximate, and actual dates will be announced on Tadawul website (www.tadawul.com.sa).



Important Announcement Dates

| Announcement | Made By | Date of Announcement |
|--|-------------|--|
| Announcement of the invitation to the extraordinary general meeting of the company's capital increase | The Company | on **/**/1442H (corresponding to **/**/2021G). |
| Announcing the results of the extraordinary general assembly regarding the company's capital increase | The Company | on **/**/1442H (corresponding to **/**/2021G). |
| Announcing the amendment of the company's share price, depositing the rights and the indicative value of the right | Tadawul | on **/**/1442H (corresponding to **/**/2021G). |
| Announcement of Addition of right issue to Methanol Chemicals Company Deposit | Edaa | on **/**/1442H (corresponding to **/**/2021G). |
| Announcing the specification of the rights trading period and the subscription period | The Company | on **/**/1442H (corresponding to **/**/2021G). |
| Announcement of the start of the rights trading period and the subscription period | The Company | on **/**/1442H (corresponding to **/**/2021G). |
| Reminder announcement about the start of the rights trading period and the subscription period | The Company | on **/**/1442H (corresponding to **/**/2021G). |
| Reminder announcement about the last day for trading of priority rights and noting the importance of those who do not wish to subscribe to sell the rights that they own | The Company | on **/**/1442H (corresponding to **/**/2021G). |
| Announcement of: <ul style="list-style-type: none"> • Results of the subscription • Details of the sale of shares that have not been subscribed for (if any) and the start of the remaining shares offering period | The Company | on **/**/1442H (corresponding to **/**/2021G). |
| Announcing the results of the Rump offering and notification of the final allotment | The Company | on **/**/1442H (corresponding to **/**/2021G). |
| Announcement of depositing new shares in investors' portfolios | Edaa | on **/**/1442H (corresponding to **/**/2021G). |
| Announcing the distribution of compensation amounts (if any) | The Company | on **/**/1442H (corresponding to **/**/2021G). |

Note: All the dates mentioned in the above schedule are approximate, and the actual dates will be announced on the Tadawul website (www.tadawul.com.sa) in coordination with the Securities Depository Center Company (Edaa) to determine the date of depositing the rights and shares.

It should also be noted that in the event that an announcement related to the offering is published in a local newspaper after the publication of the prospectus, the announcement must include the following: 1) the name of the issuer and their commercial registration number, 2) the securities, their value, type and category that are included in the securities registration and offer request, 3) addresses and locations where the public can obtain the prospectus, 4) the date of publication of the prospectus, 5) a statement that the announcement is for information only and does not constitute an invitation or offer to acquire securities by buying or subscribing to them and 6) the name of the Lead Manager, the underwriter (if any) and the financial and legal advisors, and 7) disclaimer of responsibility in the following form: "The Capital Market Authority and the Saudi Stock Exchange Company (Tadawul) do not assume any responsibility for the contents of this announcement, and they do not give any assurances regarding its accuracy or completeness, and they expressly disclaim any responsibility whatsoever for any loss resulting from what is stated in this announcement or from reliance on any part of it."

How to Apply for Subscription

Subscription to priority rights shares is restricted to eligible persons, whether they are registered shareholders or new investors. In the event that the priority rights of the eligible persons are not exercised, any remaining shares that have not been subscribed to by the eligible persons will be offered to the investment institutions through their offering in the remaining shares offering period, and the eligible persons wishing to subscribe to the new shares must submit applications for subscription through the means and services provided by the broker to the investors, provided that the eligible person has an investment account with one of the brokers who provide these services.

Subscription requests are submitted through the investment portfolio in the trading platforms through which the buy and sell orders are entered, in addition to the possibility of subscription through any other means provided by the broker to the investors and the custodian of shares. The company reserves the right to reject any application to subscribe to new shares in whole or in part, in the event that it does not meet any of the conditions or requirements of the subscription. It is not permissible to amend or withdraw the subscription application after its delivery. The application for subscription when submitting it represents a binding contract between the company and the entitled shareholder.



Questions and answers on rights issue

What is a rights issue?

Rights are negotiable securities that give their holder the right to subscribe to the new shares offered upon approval of the capital increase, and it is a right acquired for all shareholders owning the shares on the day of the extraordinary general assembly meeting for the capital increase and who are registered in the company's shareholders' register at the Depository Center by the end of the second trading day following the date of the extraordinary general assembly. Each right gives its holder the right to subscribe to one share, at the offering price.

To whom are the rights granted?

Rights are granted to all shareholders registered in the company's shareholders' registry by the end of trading on the second trading day following the date of the extraordinary general assembly.

When are the rights deposited?

After the extraordinary general assembly convenes and its approval of the capital increase through the offering of right issue shares, the rights are deposited as securities in the shareholders' own portfolios in the company's shareholders' register at the Depository Center by the end of the second trading day after the extraordinary general meeting, and the shares will appear in their portfolios under a new symbol for priority rights. Trading or subscribing to these rights will not be permitted until the beginning of the trading and subscription periods.

How are the investor notified of depositing the rights in the portfolio?

The notification is made through an announcement on the Tadawul website, as well as through the (Tadawulati) service provided by the Securities Depository Center Company, and short text messages sent through the brokerage firms.

How many rights will the registered shareholder get?

The number of such priority rights depends on the percentage of what each shareholder owns in the capital according to the company's shareholders register at the Depository Center by the end of the second trading day after the extraordinary general assembly.

What is the eligibility factor?

It is the factor that enables registered shareholders to know the number of priority rights due to them in exchange for the shares they own by the end of the second trading day after the extraordinary general assembly. This factor is calculated by dividing the number of new shares by the number of current shares of the company. Therefore, the eligibility factor is approximately (0.712) right for every (1) share owned by the registered shareholder on the eligibility date. Accordingly, if a registered shareholder owns one thousand (1,000) shares on the eligibility date, they will be allotted seven hundred and twelve (712) rights in exchange for the shares they own.

Will the name and symbol for trading these rights differ from the name and symbol of the company's shares?

Yes, as the acquired right will be added to the investors' portfolios under the name of the original share, with the addition of the word priority rights, in addition to a new symbol for these rights.

What is the value of the right at the beginning of trading it?

The opening price of the right will be the difference between the closing price of the Company's share on the day prior to listing the right and the offering price (the indicative value of the right). For example, if the closing price of the company's share on the previous day was fifteen (15) Saudi Riyals, and the offering price is ten (10) Saudi Riyals, then the opening price of the right would be five (5) Saudi Riyals.

Who is the registered shareholder?

It is any shareholder who appears in the company's shareholders' register by the end of the second trading day following the extraordinary general assembly.

Can registered shareholders subscribe to additional shares?

Yes, registered shareholders can subscribe to additional shares by purchasing new rights through the Market during the trading period.

Is it possible for a shareholder to lose their eligibility to subscribe even if they have the right to attend the extraordinary general assembly and vote to increase the capital through the issuance of priority rights shares?

Yes, the shareholder loses their right to subscribe if they sell their shares on the day of the extraordinary general assembly meeting or one business day before it.



How does the subscription process take place?

Subscription requests are submitted through the investment portfolio in the trading platforms through which the buy and sell orders are entered, in addition to the possibility of subscription through any other means provided by the broker to the investors and the custodian of shares.

Can the eligible person subscribe to more shares than the rights owned by them?

The eligible person cannot subscribe to more shares than the rights owned by them.

In the event that the company's shares are acquired through more than one investment portfolio, in which portfolio is the rights deposited?

The rights will be deposited in the same portfolio in which the company's shares are held. For example, if a shareholder owns one thousand (1,000) shares in the company as follows: eight hundred (800) shares in portfolio (A) and two hundred (200) shares in portfolio (B), then the sum of the rights to be deposited is seven hundred and twelve (712) rights, given that each share has approximately (0.712) rights. Accordingly, five hundred and sixty-nine (569) rights will be deposited in Portfolio (A), and one hundred and forty-two (142) rights in Portfolio (B).

Are holders of share certificates entitled to subscribe and trade?

Yes, holders of share certificates are entitled to subscribe, but they will not be able to trade except after depositing the certificates in electronic portfolios through the recipient authorities or the Securities Depository Center Company ("the Depository Center"), and bringing the necessary documents.

Is it permissible for those who bought additional rights to trade them again?

Yes, they have the right to sell them and buy other rights only during the trading period.

Is it possible to sell part of the rights?

Yes, the investor can sell part of these rights and subscribe to the remaining part.

When can a shareholder subscribe to the rights that they bought during the rights trading period?

After the end of the rights purchase reconciliation (which is two business days), provided that subscription to the priority rights takes place during the subscription period.

Can the holder of the rights sell or assign the right after the end of the trading period?

No, they cannot. After the expiry of the trading period, the right owner shall be entitled only to exercise or not to exercise the right to subscribe to the priority rights shares. In the event that the right is not exercised, the investor may be subject to a loss or decrease in the value of their investment portfolio.

What happens to the rights that are not sold or subscribed to during the trading and subscription period?

In the event that the new shares are not fully subscribed during the subscription period, the remaining new shares shall be offered for a subscription organized by the Lead Manager, and the compensation value (if any) shall be calculated for the rights owner after deducting the subscription price, noting that the investor may not receive any consideration if the sale is made in the remaining shares offering period at the offering price.

Who has the right to attend the extraordinary general assembly and vote to increase the company's capital by offering rights shares?

A shareholder registered in the company's shareholders' register at the Depository Center shall have the right, after the end of the trading day of the Extraordinary General Assembly, to attend the extraordinary general assembly and vote on increasing the company's capital by offering priority rights shares.

When is the share price adjusted as a result of the company's capital increase by offering right issue shares?

The share price is adjusted via the Market before the start of trading on the day following the day of the extraordinary general assembly.

If an investor purchases securities on the day of the assembly, will they be entitled to obtain the priority rights arising from the increase in the issuer's capital?

Yes, as the investor will be registered in the company's shareholders' register two business days after the date of the shares' purchase (i.e. by the end of the second trading day following the day of the extraordinary general assembly), bearing in mind that priority rights will be granted to all shareholders registered in the company's shareholders' register by the end of trading on the second trading day following the date of the extraordinary general assembly. However, they will not be entitled to attend or vote in the extraordinary general assembly of the capital increase.



If the investor has more than one portfolio with more than one brokerage firm, how will the rights be calculated for them?

The investor's share will be distributed among the portfolios that the investor owns, according to the percentage of ownership in each portfolio, and in the event that there are fractions, those fractions will be added together, and if they complete one or more integer numbers, the correct number will be added to the portfolio in which the investor owns the largest amount of rights.

What are the trading and subscription periods?

The trading and subscription of rights begin at the same time until the end of trading on the sixth day, while the subscription continues until the ninth day, according to what is mentioned in this prospectus and the company's announcements.

Is it possible to subscribe during the weekend?

No, it is not.

Can public investors other than registered shareholders subscribe to priority rights shares?

Yes, after completing the purchase of the priority rights during the trading period.

Additional help:

In the event of any inquiries, please contact the company on the e-mail: investorrelations@chemanol.com. For legal reasons, the company will only be able to provide the information contained in this prospectus and will not be able to provide advice on the merits of issuing rights or even provide financial or tax, legal or investment advice.

For more information on the terms and conditions of the subscription, please refer to Section (12) "Subscription terms, conditions and instructions" and the rest of the information contained in this prospectus.

Summary of Key Information

This summary provides a brief overview of the key information included in this prospectus. Since it is summary, it does not include all the information that may be of interest to shareholders and other general institutional and individual investors. The recipients of this prospectus must read it in full before making an investment decision related to the new rights or shares.

Company Profile

Methanol Chemicals Company ("Chemanol" or "The Company") is a Saudi joint stock company, established as a limited liability company with commercial registry No. (2055001870) and dated 28/12/1409H (corresponding to 08/01/1989G), then it transformed into a Saudi joint stock company according to Ministerial Resolution No. (Q/286) dated 04/11/1428H (corresponding to 11/14/2007G), and on 20/09/1441H (corresponding to 05/13/2020G) the extraordinary general assembly of the company agreed to move the main headquarters of the company from Dammam to Jubail Industrial City in the Kingdom of Saudi Arabia.

A summary of the company's activities

The main purposes of the company, according to its articles of association, are summarized in the production and marketing of the following materials and their derivatives:

- a. Liquid Formaldehyde & liquid Urea Formaldehyde, or any mixture thereof, in different concentrations;
- b. Paraformaldehyde;
- c. Formaldehyde resins (liquid and powder);
- d. Hexamethylene Tetramine (Hexamine);
- e. Phenol-formaldehyde resins;
- f. Sulphonated Naphthalene Formaldehyde (SNF) and its derivatives;
- g. Methanol and its derivatives;
- h. Carbon Monoxide;
- i. The first, second and third methyl amine and its derivatives;
- j. Disimethylformamide;
- k. Dimethylcarbon.;
- l. Pentaerythritol;
- m. Sodium formate;
- n. Acetaldehyde;



- o. Ammonia;
- p. Specialty petrochemical products.

The company carries out its activities according to the followed regulations and after obtaining the necessary licenses from the competent authorities, if any.

The Company's Capital Structure

The company's shares were listed on the market (with sixty million, three hundred thousand (60,300,000) shares, with a nominal value of ten (10) Riyals per share) on 13/07/1429H (corresponding to 07/16/2008G). The company also reduced its capital on 01/01/1442H (corresponding to 01/01/2021G) from one billion, two hundred and six million (1,206,000,000) Saudi Riyals to six hundred seventy-four million, five hundred eight thousand, six hundred and thirty (674,508,630) Saudi Riyals. Therefore, reducing the number of the company's shares from one hundred twenty million, six hundred thousand (120,600,000) shares to sixty-seven million, four hundred fifty thousand, eight hundred and sixty-three (67,450,863) shares by canceling fifty-three million, one hundred and forty-nine thousand, one hundred and thirty-seven (53,149,137) shares, with a reduction in the capital of (44.07%), and at the rate of reducing one share for every (2.269) shares.

Company Vision

Chemanol is looking forward to becoming a specialized and pioneering petrochemical company in the field of producing specialized chemical products in the Gulf Cooperation Council countries.

Company Message

To utilize resources within the Kingdom of Saudi Arabia for the manufacture of high-value specialty products and to be a major supplier catering to clientele around the globe at the most competitive prices.

Company strategy

Chemanol's strategic plan is based on developing its existing business and exploring new and more sustainable investment opportunities by enhancing its leadership position in the field of manufacturing speciality chemicals from methanol derivatives or derivatives from other products, as well as entering into partnerships with the owners of advanced technologies inside and outside the Kingdom to produce high value speciality products. Consequently, the Management decided to develop the Company's strategy and explore new growth opportunities in speciality petrochemical materials such as Methanol Derivatives (DMDS) and Speciality Amines (MDEA) to diversify its products base and to optimize the use of methanol derivatives of the to align with the Saudi Vision 2030 whose main objective is the diversification of petrochemical products and supporting the national industries.

The Company obtained the approval of the Ministry of Energy on March 01, 2020G for allocating the required feedstock to expand the Methanol plant to increase its output by around 100,000 metric tons per year, and to achieve the objectives of the Saudi Energy Efficiency Program. The output increase will be used to establish new plants, including a Dimethyl Disulfide (DMDS) plant and a Methyl Diethanolamine (MDEA) plant, in line with Saudi Vision 2030. The plants are considered the first-of-their-kind in the Kingdom and the Gulf region, and their products will be used in on oil, gas, and other manufacturing industries such as pharmaceuticals and agricultural chemicals.

With a view to achieving the Company's strategic plans, strengthening its financial position and to write off accumulated losses, the Board of Directors made a recommendation on 24/02/1442H (corresponding to 11/10/2020G) to the General Assembly to reduce the Company's capital by 27% and subsequently increase it through offering SAR 480 million rights issue. In this regard, the Company appointed Al Wasatah Al Maliah Company (Wasatah Capital) as the financial advisor for the offering.

Following the announcement of Q3 of 2020G results, the accumulated losses reached 44.07% of the capital. Accordingly, the Board of Directors decided to modify its earlier recommendation of reducing the capital and increasing it through rights issue, to accommodate the volume of losses reported in that quarter. On December 28, 2020G, the Company submitted its application for capital reduction and rights issue for approval to the Capital Market Authority (CMA).

The Strengths and Competitive Advantages of the Company

- One of the best integrated and reliable methanol and formaldehyde companies on the global level.
- One of the largest formaldehyde producers in one location in the world.
- Low investment costs with reasonable payback periods.
- It owns 22 units to produce various products of methanol, formaldehyde and their derivatives.
- It owns a fully automatic plant that provides environmentally clean production processes, without harmful flows to the environment, and operates around the clock, in compliance with the highest international standards.



- ◆ Chemanol enjoys a competitive advantage within the Kingdom of Saudi Arabia and the countries of the Gulf Cooperation Council, especially in the production of specialized petrochemical products derived from methanol, as the main feedstock for these products, which is methanol, is produced within the company's factories, which means rationalizing production costs compared to other factories operating in the same sector. Thus, it is considered a major catalyst for the production of some specialized chemical products derived from methanol, and this enhances its competitive strength in this field.
- ◆ The company also enjoys its operational and technical experience of more than thirty years in this sector, as Chemanol was one of the leading companies in the Gulf Cooperation Council countries in the production of formaldehyde in addition to its distinguished market share, as the company has a well-established marketing and distribution network through which it reaches to a customer base in about 52 countries. This helps the company to periodically develop its strategy to match the requirements and trends of the market and to explore new products and additional business opportunities that have a positive impact on the company's performance.

Introduction to the Market

The global demand for methanol products and their derivatives is witnessing a remarkable improvement after the recession that prevailed in the markets during the Corona outbreak, especially since the current prices are similar to those before the pandemic due to the reopening of global markets and the return of commercial activities, especially with the news of the discovery of a vaccine for the Corona virus. Also, expectations indicate that the demand for methanol will increase in the coming years by 4.8% annually, which represents about 4 million additional tons every year.¹

The main reasons for the high demand for methanol are the following factors:

- ◆ The growth in demand for methanol and its derivatives is directly related to the global population, which is expected to grow by 1-2%.²
- ◆ International regulations and legislations that work to reduce emissions by using alternative energy such as methanol, supported by a steady growth of promising uses such as alternative energy for merchant ships. The International Maritime Organization announced that it has set a goal to reduce emissions from the use of heavy oil in commercial ships by a percentage of 50% by 2050. China also announced in 2019G that it is determined to produce engines that use methanol with a production capacity of 500,000 cars annually.³
- ◆ The establishment of giant government projects such as NEOM, Qiddiya, the Red Sea, Amaala and other projects related to the Kingdom's vision 2030, which will raise the demand for many products such as formaldehyde naphthalene sulfur liquid and formaldehyde aqueous solution, which is expected to increase the annual growth by 2.5% and 3.4%, respectively.
- ◆ Restrictions on the production of methanol using coal in China, which reduces domestic production in China and increases the demand for methanol imports.⁴
- ◆ The increase in the gross domestic product in most countries of the world for the year 2021G, which is an indicator of the development of commercial activity with the improvement in the standard of living. According to the International Monetary Fund, the global growth rate is expected to be 5.4%, the GDP growth of Saudi Arabia will be 3.1% and the GDP growth of India, the second largest market for Chemanol products, will be 8.8%.⁵

In general, the petrochemical sector witnessed a growth of 34% by the end of 2020G compared with the levels at the beginning of the year⁶ (the beginning of the spread of the new corona virus), which reflects the growth in most petrochemical products. The annual growth of dimethylformamide, penta-erythritol, formaldehyde derivatives, hexamine and amines, is expected to increase during the coming period.

Summary of Risk Factors

There are a number of risks related to the issue of priority rights shares, and they are summarized as follows:

- ◆ Risks related to the company's business.
- ◆ Market and sector risks.
- ◆ Risks related to new shares.

1 IHS Markit

2 United Nations

3 The International Maritime Organization

4 ICIS – Independent Commodity Intelligence Services

5 International Monetary Fund

6 IHS Markit



Summary of Financial Information

The summary of the company's financial information listed below, as in and for the financial years ending on December 31, 2017G, 2018G, and 2019G and as on and for the nine-month period ending on December 30, 2020G, has been extracted from the financial statements. The summary of the financial information should be read in conjunction with the information provided in the section "Risk Factors", the section "Management's discussion and analysis of the company's financial position and the results of its operations", the financial statements and other financial statements contained in any other part of this prospectus.

| Statement of financial position Thousand Saudi Riyals | The Fiscal Year Ending on December 31 | | | The Nine-Month Period Ending on September 30, 2020G |
|--|---------------------------------------|------------------|------------------|--|
| | 2017G | 2018G | 2019G | |
| The Assets | | | | |
| Current Assets | 525,395 | 463,847 | 344,587 | 308,378 |
| Non-Current Assets | 1,731,673 | 1,656,881 | 1,598,450 | 1,377,825 |
| Total Assets | 2,257,068 | 2,120,728 | 1,943,038 | 1,686,203 |
| Liabilities | | | | |
| Current Liabilities | 281,331 | 253,235 | 228,456 | 489,622 |
| Non-Current Liabilities | 880,320 | 726,445 | 660,769 | 405,104 |
| Total Liabilities | 1,161,651 | 979,680 | 889,225 | 894,725 |
| Total Equity | 1,095,417 | 1,141,048 | 1,053,813 | 791,477 |
| Total Equity and Liabilities | 2,257,068 | 2,120,728 | 1,943,038 | 1,686,203 |

Source: Financial Statements

| Income Statement Thousand Saudi Riyals | The Fiscal Year Ended December 31 | | | The Nine-Month Period Ended September 30 | |
|---|-----------------------------------|----------------|-----------------|--|------------------|
| | 2017G | 2018G | 2019G | 2019G | 2020G |
| Income, Net | 683,215 | 701,613 | 527,240 | 419,028 | 351,075 |
| Cost of Revenue | (550,155) | (506,041) | (467,781) | (349,397) | (355,886) |
| Impairment Losses | - | - | - | - | (157,099) |
| Total (Loss) Profit | 133,060 | 195,571 | 59,459 | 69,631 | (161,909) |
| Net Profit (Loss) for the Year before Zakat | (22,700) | 55,300 | (78,168) | (36,952) | (256,723) |
| Net Profit (Loss) | (27,700) | 46,154 | (84,076) | (41,252) | (262,335) |

Source: Financial Statements

| Cash Flow Statement Thousand Saudi Riyals | Fiscal Year Ended December 31 | | | | The Nine-Month Period Ended September 30 |
|---|-------------------------------|------------------|----------------|-----------------|---|
| | 2017G | 2018G | 2019G | 2019G | |
| Net Cash (out) Received from Operating Activities | 69,094 | 163,617 | 82,042 | 79,350 | (19,470) |
| Net Cash Issued from Investing Activities | (49,840) | (112,126) | 25,944 | (79,925) | (32,659) |
| Net Cash Issued from Financing Activities | - | (172,769) | (114,723) | (64,718) | (863) |
| Net Change in Cash and Cash Equivalents | 19,255 | (121,278) | (6,737) | (65,293) | (52,991) |
| Cash and Cash Equivalents at the Beginning of the Period | 221,847 | 241,102 | 119,824 | 119,824 | 113,086 |
| Cash and Cash Equivalents at the End of the Period | 241,102 | 119,824 | 113,086 | 54,531 | 60,095 |

Source: Financial Statements



| Key Performance Indicators (KPIs) | Presentation Unit | Fiscal Year Ended December 31 | | | | The Nine-Month Period Ended September 30 |
|---|-------------------|-------------------------------|-------------|-------------|-------------|--|
| | | 2017G | 2018G | 2019G | 2019G | 2020G |
| Revenue Growth Rate | % | 7.4% | 2.7% | (24.9%) | (22.4%) | (16.2%) |
| Earning (Loss) Per Share | # | (0.23) | 0.38 | (0.70) | (0.34) | (2.18) |
| General and Administrative Expenses As a Percentage of Revenues | % | 6.1% | 6.1% | 8.2% | (7.8%) | 8.3% |
| Gross Margin (Loss) Profit | % | 19.5% | 27.9% | 11.3% | 16.6% | (46.1%) |
| Operating Profit (Loss) Margin | % | 3.0% | 13.4% | (7.7%) | (2.0%) | (65.9%) |
| Net Profit (Loss) Margin | % | (3.3%) | 7.9% | (14.8%) | (8.8%) | (73.1%) |
| Return on Equity | % | (2.5%) | 4.0% | (8.0%) | (3.8%) | (33.1%) |
| Current Assets / Current Liabilities | X | 1.87 | 1.83 | 1.51 | 2.05 | 0.63 |
| Non-Current Assets / Non-Current Liabilities | X | 1.97 | 2.28 | 2.42 | 2.21 | 3.40 |
| Liabilities / Equity | X | 1.06 | 0.86 | 0.84 | 0.85 | 1.13 |
| Return on Assets | % | (1.2%) | 2.2% | (4.3%) | (2.0%) | (15.6%) |
| Debt to Total Equity | X | 0.94 | 0.74 | 0.72 | 0.74 | 0.97 |
| Total Assets / Total Liabilities | X | 1.94 | 2.16 | 2.19 | 2.17 | 1.88 |

Source: Management Information

X: This symbol is used to indicate that the rate is a number (times) and not a percentage



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1- Definitions and Terms

| The Term | Definition |
|---|--|
| “The Company” or “Chemanol” or “The Issuer” | Methanol Chemicals Company, a Saudi public joint stock company registered in the commercial register in Jubail under Certificate No. (2050057828) on 04/11/1428H (corresponding to 11/14/2007G), and on 20/09/1441H (corresponding to 05/13/2020G), the extraordinary general assembly of the company agreed to move the headquarters of the company from Dammam to Jubail Industrial City. |
| The Group | Methanol Chemicals Company (collectively referred to as the “Company”). |
| The Advisors | Advisors to the company whose names are shown on page (v). |
| Management | The management of the company. |
| The Board or the Board of Directors | The company’s board of directors, whose names appear on page (iv). |
| Major Shareholders | Shareholders who own 5% or more of the company’s shares, and they are: Mohammed Jalal and Sons Company Ltd., who owns 5.00%. |
| Related Parties | Related parties are: <ol style="list-style-type: none"> 1. Affiliates of the company. 2. Major shareholders in the company. 3. Board members and senior executives of the company. 4. Board members and senior executives of the company’s affiliates. 5. Board members and senior executives of the major shareholders of the company. 6. Any relatives of the persons referred to in (1, 2, 3, 4, or 5) above. 7. Any company controlled by any of the persons mentioned in (1, 2, 3, 4, 5, or 6) above. 8. Persons who work in agreement together and collectively own (5%) or more of the class of shares to be listed. |
| Senior Executive | Any natural person who is assigned (alone or with others) by the company’s administrative apparatus or by a member of the company’s administrative apparatus with supervision and management tasks, and their reference is any of the following: (1) directly, the administrative apparatus, (2) member of the administrative apparatus, and (3) the CEO. |
| The Administrative Apparatus | The group of individuals who make strategic decisions for the company. The board of directors of the joint-stock company is considered its administrative apparatus. |
| Compound Annual Growth Rate | One of the methods used to calculate the growth rate of a specific item over a specified period of time. |
| Articles of Association | Articles of Association of the company. |
| The Royal Commission for Jubail and Yanbu | A Saudi commission established by Royal Order in 1395H (1975) concerned with planning and encouraging investment, developing and managing the petrochemical industry and energy-intensive industries cities, through focus and integration with customers, investors, employees, society and the rest of the partners, including the industrial cities of Jubail and Yanbu, Ras Al-Khair and the Jazan Economic City. |
| The Capital Market Authority or the Authority | The Capital Market Authority in the Kingdom of Saudi Arabia. |
| The Companies Law | The Companies Law in the Kingdom of Saudi Arabia issued by Royal Decree No. (M/3) dated 28/01/1437H (corresponding to 11/10/2015G) and which entered into force on 25/07/1437H (corresponding to 05/02/2016G) And amended by Royal Decree No. (M/79) dated 25/07/1439H (corresponding to 04/11/2018G). |
| The Stock Market | The Saudi Stock Exchange (Tadawul). |
| The Founding Shareholders | The founding shareholders of the company. |
| The General Assembly | The general assembly of the shareholders of the company. |
| The Ordinary General Assembly | The ordinary general assembly meeting of the shareholders of the company, which is held in accordance with the articles of association of the company. |
| The Extraordinary General Assembly | The extraordinary general assembly meeting of the shareholders of the company, which is held in accordance with the articles of association of the company. |
| Gulf Cooperation Council | Cooperation Council for the Arab States of the Gulf. |
| The GDP | The GDP of the Kingdom of Saudi Arabia. |
| The Government | The government of the Kingdom of Saudi Arabia. |



| The Term | Definition |
|--|--|
| The Corporate Governance Regulations | The Corporate Governance Regulations in the Kingdom of Saudi Arabia issued by the Board of the Capital Market Authority under Resolution No. (8-16-2017) dated 16/05/1438H (corresponding to 02/13/2017G) based on the Companies Law issued by Royal Decree No. M/3 dated 28/1/1437H (corresponding to 11/10/2015G) and amended by the CMA Board Resolution No. (1-7-2021) dated 01/06/1442H (corresponding to 14/01/2021G) and any subsequent amendments until the date of publication of the prospectus. |
| The Kingdom, or Saudi Arabia | The Kingdom of Saudi Arabia. |
| The Rights or rights issue | Negotiable securities that give their holder the right to subscribe to new shares upon approval of the capital increase. It is an acquired right for all registered shareholders, and each right gives its holder the right to subscribe to one share of the new shares at the offering price. The rights are deposited after the extraordinary general meeting for a capital increase. These rights will appear in shareholder accounts registered under a new symbol for priority rights. Registered shareholders will be informed of the deposit of rights in their portfolios. |
| The Capital Market Law | The Capital Market Law issued by Royal Decree No. M/30 dated 02/06/1424H (corresponding to 08/01/2003G). |
| Rules for the Offer of Securities and Continuing Obligations | Rules for the Offer of Securities and Continuing Obligations issued by the Board of the Capital Market Authority pursuant to Resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 12/27/2017G) based on the Capital Market Law issued by Royal Decree No. M/30 dated 02/06/1424H, as amended by the Commission's Board Resolution No. (1-7-2021) and dated 01/06/1442H (corresponding to 14/01/2021G). |
| The Listing Rules | The listing rules issued by the Saudi Stock Exchange (Tadawul) and approved by the Capital Market Authority Board Decision No. 3-123-2017 dated 09/04/1439H (corresponding to 12/27/2017G) and amended pursuant to its Resolution No. (1-104-2019), dated 01/02/1441H (corresponding to 09/30/2019G). |
| The Listing | The listing of securities on the Main Market or - as the context permits to do so - submitting a listing application to the Saudi Stock Exchange (Tadawul). |
| The Lead Manager | Al-Nefae Investment Group Company. |
| Net Offering Proceeds | Net offering proceeds net of offering expenses. |
| The Offering / Subscription Price | 10 Saudi Riyals per share. |
| The Shares Offered for Subscription | 48,000,000 ordinary shares. |
| The Indicative Value of the Right | The indicative value of the right is the difference between the market value of the company's share during the trading period and the offering price. |
| The Offering Period | The period starting from **/**/****H (corresponding to **/**/****) to **/**/****H (corresponding to **/**/****G). |
| The Remaining Shares Offering | The offering of any remaining unsubscribed shares by eligible persons to investment institutions through offering them in the remaining shares offering period. |
| The Remaining Offering Period | In the event that shares remain unsubscribed after the end of the subscription period ("remaining shares"), those shares will be offered to a number of institutional investors (referred to as "investment institutions") (and this offering process is referred to as a "remaining shares offering"). These investment institutions submit their bids to purchase the remaining shares. These offers will be received from 10:00 AM on **/**/****H (corresponding to **/**/****G) until 5:00 PM on **/**/****H (corresponding to **/**/****G) ("the remaining shares offering period"). The remaining shares will be allotted to the investment institutions with the highest offer, then the lowest and the lowest (provided that it is not less than the offering price), provided that the shares are allotted proportionately to the investment institutions that submit the same offer. As for the stock fractions, they will be added to the remaining shares and treated similarly. |
| Eligible Persons | All holders of rights, whether they are registered shareholders or those who have purchased rights during the trading period. |
| The Registered Shareholders | The shareholders who own shares on the day of the extraordinary general meeting for the capital increase and are registered in the company's shareholders' register at the end of trading on the second trading day following the holding of the extraordinary general assembly meeting. |
| A Person | A natural person. |
| Prospectus | This document prepared by the company in connection with the rights shares. |
| Riyal | The Saudi Riyal, the official currency of the Kingdom of Saudi Arabia. |
| The Functional Currency | The Saudi Riyal, in which the consolidated financial statements are presented. |
| The US Dollar | The official currency of the United States of America. |
| The Euro | The standard currency of the European Union countries. |
| The Pound Sterling (the Pound) | The official currency of the United Kingdom. |



| The Term | Definition |
|---|--|
| The UAE Dirham | The official currency of the United Arab Emirates. |
| The Bahraini Dinar | The official currency of the Kingdom of Bahrain. |
| The Shareholder | The owner or holder of the shares as of any specified time. |
| The Shares | The ordinary shares of the company amounting to forty-eight million (48,000,000) shares, with a nominal value of ten (10) Riyals per share. |
| Al Wasatah Al Maliah Company or Wasatah Capital | Al Wasatah Al Maliah Company, a closed Saudi joint stock company licensed by the Capital Market Authority with license No. (08125-37) which permits it to deal in principal and to undertake to cover, manage, arrange and keep securities. |
| Al-Nefae Investment Group Company | Al-Nefae Investment Group Company is a closed Saudi joint stock company licensed by the Capital Market Authority with license number (07082-37), which allows it to deal as principal, agent and pledge to cover, manage, arrange, advise and maintain securities. |
| Brokers | Market institutions licensed by the Capital Market Authority to engage in the activity of dealing in securities as an agent. |
| Investment institutions | Investment institutions include a group of institutions, which are as follows: <ol style="list-style-type: none"> 1. Governmental entities and companies owned by the government, directly or through a private portfolio manager, or any international body recognized by the authority, the market, and any other financial market recognized by the authority or the depository center. 2. Public investment funds established in the Kingdom that are publicly offered in addition to private funds that invest in securities listed on the Saudi Stock Exchange if the fund's terms and conditions allow it to do so, while adhering to the provisions and restrictions stipulated in the investment funds regulations. 3. Persons authorized to deal in securities as principal, while adhering to the requirements of financial sufficiency. 4. Agents of a person authorized to conduct management business, provided that that authorized person has been appointed under conditions that enable them to take decisions regarding accepting participation in the offering and investment in the Saudi Stock Exchange on the client's behalf without the need to obtain prior approval from them. 5. Any other legal persons who may open an investment account in the Kingdom and an account with the Depository Center, taking into account the investment controls of companies listed in securities, provided that the participation of the company does not lead to any conflict of interest. 6. Gulf investors with legal personality, which includes companies and funds established in the countries of the Cooperation Council for the Arab States of the Gulf. 7. Eligible foreign investors. 8. An ultimate beneficiary of legal persons in a swap agreement concluded with a licensed person in accordance with the terms and conditions of the swap agreements. |
| The Saudi Organization for Certified Public Accountants (SOCPA) | The Saudi Organization for Certified Public Accountants (SOCPA). |
| The International Financial Reporting Standards (IFRS) | The International Financial Reporting Standards that have been adopted in the Kingdom of Saudi Arabia, and other standards and publications issued by the Saudi Organization for Certified Public Accountants. |
| The Fiscal Year | The company's fiscal year, which starts from January 1 to December 31 of each fiscal year. |
| The Financial Statements | The financial statements for the years 2017G, 2018G, and 2019G, and the interim condensed financial information for the three and nine-month periods ending on September 30, 2020G. |
| The Financial Statements for the Year 2017G | The audited financial statements of the company for the fiscal year ending on December 31, 2017G (with comparative data for the fiscal year ending on December 31, 2016G) prepared in accordance with the International Financial Reporting Standards (IFRS) approved in the Kingdom of Saudi Arabia and other standards and publications approved by the Saudi Organization for Certified Public Accountants |
| The Financial Statements for the Year 2018G | The audited financial statements of the company for the fiscal year ending on 31 December 2018G (with comparative data for the financial year ending on 31 December 2017G) prepared in accordance with the International Financial Reporting Standards (IFRS) approved in the Kingdom of Saudi Arabia and other standards and publications approved by the Saudi Organization for Certified Public Accountants. |
| The Financial Statements for the Year 2019G | The audited financial statements of the company for the fiscal year ending on 31 December 2019G (with comparative data for the financial year ending on 31 December 2018G) prepared in accordance with the International Financial Reporting Standards (IFRS) approved in the Kingdom of Saudi Arabia and other standards and publications approved by the Saudi Organization for Certified Public Accountants |



| The Term | Definition |
|--|--|
| The Interim Condensed Financial Information for the Three and Nine-Month Periods Ending on September 30, 2020G | The Company's condensed interim financial information for the three and nine-month periods ending on September 30, 2020G (unaudited) (with comparative data for the three and nine-month periods ending on September 30, 2019G) prepared in accordance with the International Accounting Standard No. 34. |
| International Accounting Standard No. 34 | International Accounting Standard No. 34 "Initial Financial Reports" adopted in the Kingdom of Saudi Arabia. |
| The Auditor | PricewaterhouseCoopers Chartered Accountants, the Company's independent external auditor. |
| Ministry of Commerce | Ministry of Commerce in the Kingdom of Saudi Arabia (the name "Ministry of Commerce and Investment" has been changed to become "Ministry of Commerce"). |
| Subscriber | Any person subscribing to shares offered for subscription. |
| Tadawul | An automated system for buying and selling Saudi shares. |
| The Industrial Fund | The Saudi Industrial Development Fund. |
| The External Manpower | The manpower hired from local manpower supply companies through the Ajeer system. |
| Value Added Tax (VAT) | The Council of Ministers decided on 02/05/1438H to approve the unified agreement for the value-added tax of the countries of the Cooperation Council for the Arab States of the Gulf, which came into force on January 1, 2018G, as a new tax added to the system of taxes and other fees that must be applied by specific sectors in the Kingdom, and in the countries of the Cooperation Council for the Arab States of the Gulf. The amount of this tax is (5%), and the Kingdom's government decided to increase the value-added tax rate from 5% to 15%, starting from July 2020G, and a number of products were excluded from it (basic foods and services related to health care and education). |
| The Underwriter | Al Wasatah Al Maliah Company (Wasatah Capital). |
| The Underwriting Agreement | The underwriting agreement between the company and the underwriter. |
| Methanol | Methanol is the simplest form of alcoholic products in the group of organic chemicals. It is a clear, colorless liquid that dissolves in water with ease and is biodegradable. It is one of the basic chemical elements with multiple uses, and it enters into the production of thousands of products that affect our daily life, such as building materials, foams, resins, and the manufacture of plastics, paints, polyester and a wide range of health and pharmaceutical products. It is also considered a clean fuel that is combustible and biodegradable, and the bulk of it is used in the production of formaldehyde, which in turn is converted into resins, adhesives, and various plastic materials. It is also involved in the production of acetic acid, upon which the manufacture of polyester fibers and plastic materials (polyethylene terephthalate) mainly depends. |
| Concrete Improvers (SNF) | Sulphonated Naphthalene Formaldehyde (SNF) / Liquid / Powder is condensed polymers, mainly used as a water reducing agent in concrete and are also called chemical plasticizer. They give concrete high strength and performance, and help maintain a low percentage of water in concrete without affecting its durability and elasticity, as well as being a good factor in the process of distributing concrete. |
| Dimethylformamide (DMF) | A colorless/pale yellow liquid with a pungent amino odor. It has a moisture absorption property, so direct exposure to the atmosphere should be avoided. It is a versatile organic solvent and is known as a universal solvent, and it is miscible in water and many other solvents that are used in many industrial applications. Dimethylformamide is used in the chemical industry as a solvent, a catalyst or an additive, for example in the production of medicines, and synthetic fibers, resins, agrochemicals, petrochemical field. |
| Dimethylamines (DMA) | Secondary alkyl amines that are produced jointly with mono methylamine and trimethylamine, which is a versatile basic chemical element and is involved in the production of a wide range of important chemicals that are used in many applications, for example solvents, pharmaceuticals, and agrochemical materials, aggregate particles, surfactants, chemicals extracted from rubber, polyurethane catalysts, etc., for example, dimethylformamide, dimethylethanolamine, dimethyl acetamide, dithiocarbamate, and dimethyl hydrochloride. |
| Pentaerythritol (PENTA-MONO) | Pentaerythritol (Penta-mono grade) is a white, crystalline, alcoholic powder that contains four hydroxyl components, and provides distinct properties in relation to the nature of the hydroxyl group composition and its high density. Pentaerythritol is used in the production of alkyd resins, and in the manufacture of explosives PETN (pentaerythritol tetranitrate), pentaerythritol (petrin), norstrol, and pentaerythritol tetra acryl (cross-linkers used in polymers). |



| The Term | Definition |
|--|--|
| Formaldehyde Resins UF-, MF-, & MUF- Resins | Urea-formaldehyde resins are one of the most important amino thermal hardening resins, and they are produced from the reaction of urea with formaldehyde to different degrees depending on the end use. It is preferred over other resins due to its high reactivity and good performance in the manufacture of final products, as well as its relatively low prices. Urea-formaldehyde resins are used in the manufacture of adhesives, finishing materials, and casting dies, and are used as an adhesive with particleboard and medium-density fiberboard (MDF), melamine-formaldehyde resins are one of the most important amino thermal hardening resins, and are produced from the reaction of melamine with formaldehyde in various degrees depending on end use. Urea-formaldehyde resins are condensation polymers resulting from the reaction of formaldehyde with urea and melamine. These resins are distinguished by their containment of a large amount of water and their resistance to climatic conditions, which makes them suitable for use in the manufacture of exterior decoration panels in climates where humidity prevails. These resins also give the decorative panels distinctive durability properties, which makes their prices competitive compared to the relatively high raw material costs. These resins are the most widely used in the production of materials used in the construction sector. |
| Sodium Formate | Sodium Formate is the sodium salt extracted from formic acid, and it comes in the form of a white crystalline powder that can be used as a final product, as a feedstock or as a catalyst for the production of other chemical products. |
| Hexamine HMT | Hexamine HMT is a formaldehyde derivative, which is a white granular substance produced from the reaction of ammonia with formaldehyde, and is characterized by a high solubility property in water and organic polar solvents. Hexamethylene tetramine is used in the production of other chemical compounds such as plastics, medicines, and additives in the rubber industries. Hexamine offers a host of benefits to producers such as cross-linking (and waterproofing), and as an alternative to formaldehyde when used in an acidic aqueous environment. |
| Paraformaldehyde PARA | Paraformaldehyde is a formaldehyde polymer that can be used in the same areas as aqueous formaldehyde solution. The main advantage of using paraformaldehyde is that it can be converted into different concentrations as needed such as high concentration to manufacture resins with solid content. Paraformaldehyde is mainly used in the manufacture of various types of resins such as amino resins (UF, MUF, and MF resins), and phenolic resins. |
| Accumulated Losses | The company's results for the current period in addition to the company's results carried over from previous periods, which collectively represent a loss, and which appears as a separate item within the shareholders' equity in the balance sheet. On 09/30/2020G, the accumulated losses amounted to 531,491,370 Saudi Riyals, which is equivalent to 44.07% of the company's capital of 1,206,000,000 million Saudi Riyals. |
| Capital | The balance that appears as a separate item within the shareholders' equity in the balance sheet. |
| Litigation | Resorting to the courts or judicial and quasi-judicial committees to reach a settlement of a dispute. |
| The Rules Governing Qualified Foreign Financial Institutions' Investment in Listed Securities | These are rules for regulating investment in securities by non-Saudi persons residing outside the Kingdom issued by the Board of the Capital Market Authority pursuant to Resolution (1-42-2015) and dated 15/07/1436H (corresponding to 05/04/2015G) and amended by the Authority's Board Resolution No. (3-65-2019) and on 14/10/1440H (corresponding to 06/17/2019G). |
| Procedures and Instructions for Companies Whose Shares Are Listed in the Market Whose Accumulated Losses Amounted to (20%) or More of Their Capital | Rules for companies with accumulated losses issued by the Board of the Authority under Resolution (4-48-2013) and dated 15/01/1435H (corresponding to 11/18/2013G) and amended by the Authority's Board Resolution No. (1-77-2018) dated 5/11/1439H (corresponding to 07/18/2018G). |



2- Risk Factors

In addition to the other information contained in this prospectus, anyone wishing to invest in the shares offered for subscription must carefully study all the information contained in this prospectus, including the risk factors set out below in this section, before deciding to purchase the offering shares, noting that the risks described below may not include all the risks that the company may face, but it is possible that there may be additional risks that are not known to the company at the present time, or that the company may consider not essential, or that they may not hinder its operations. The company's activity, financial position, results of operations, cash flows and future prospects may be affected negatively and substantially in the event that one of the risk factors referred to below occurs or is realized.

The members of the company's board of directors acknowledge, according to their knowledge and belief, that there are no material risks that the failure to mention could affect the decision of potential shareholders and investors, and they will have knowledge of up to the date of this prospectus other than what is disclosed in this section. Investing in the shares offered is only suitable for investors who are able to assess the risks and benefits of that investment and who have sufficient resources to absorb any loss that may result from that investment, and the potential investor who has any doubts about the decision to invest in the company should seek the assistance of a financial advisor licensed by the Capital Market Authority to obtain appropriate advice on investing in the offered shares.

In the event of the occurrence or realization of any of the risk factors that the company believes at the present time to be important, or the occurrence of any other risks that the company has not been able to identify, or which it considers at the present time to be non-essential, this may lead to a decrease in the share price in the market, and the potential investor may lose all or part of their investment in these shares.

The risks listed below are listed in an order that does not express their importance, and additional risks that are unknown or which are considered not currently significant may have the effects described in this prospectus.

2-1 Risks Related to the Company

2-1-1 Risks Related to the Impact of the Coronavirus (Covid-19) Pandemic

Coronavirus (Covid-19) has swept the world during the year 2020G. The negative effects of its exorbitant costs hit most business sectors around the world. With the outbreak of the virus, many countries of the world have taken precautionary measures to limit its rapid spread. The government of the Kingdom of Saudi Arabia was proactive in taking several precautionary measures to prevent the spread of the virus. Therefore most activities in the Kingdom of Saudi Arabia and the countries of the world were affected by these precautionary measures which include, for example but are not limited to, the following: partial and complete closure, quarantine, restricting or preventing travel, difficulty of movement, and employees contacting the Corona virus, and the subsequent recession in the global economy in various sectors. All the above negatively affected the global trade movement in general, and because of that the company's sales volume to most countries of the world was affected in addition to the decrease in the prices of many of the company's main products during that period, which negatively affected the business and results of the company. During the third quarter, product prices started to improve in addition to the increase in demand in reflection of the economic improvement that gradually began to occur after the trend to lift restrictions on the movement of trade between countries. Nothing guarantees the continuation period or impact of the pandemic. It may require the application of more precautionary measures, and therefore if anything occurs that would affect the continuity of the company's business, this will negatively affect the company's business, the results of its operations, its financial position and its future prospects.

2-1-2 Risks Related to Revenue Concentration

The sales of the company's main products represent 84%, 85%, 85%, and 83% of total revenues as in 2017G, 2018G, and 2019G, and for the period ending on September 30, 2020G, respectively. (For more details, please see Sub-paragraph No. (3-7-1) "The Company's Products, Production Capacity and Percentage of Sales" in Section (3) "Background on the Company and the Nature of Its Business" of this bulletin. The following table shows the revenues of the main products of the company.

| Product | 2017G | 2018G | 2019G | 30 September 2020G |
|--|-------|-------|-------|--------------------|
| Dimethylformamide | 33% | 32% | 33% | 37% |
| Penta erythritol | 16% | 18% | 17% | 09% |
| Formaldehyde | 13% | 15% | 15% | 11% |
| Methanol | 10% | 14% | 13% | 14% |
| Liquid / Sulfur formaldehyde naphthalene | 12% | 6% | 7% | 6% |

The demand for the company's main products may change as a result of changing supply, demand and competition for the selling of these products. The decrease in demand for the company's main products will have a negative impact on its business, the results of its operations, its financial position and its future prospects.



2-1-3 The Risks Related to the Change in the Prices of the Company's Products

The company's sales consist mainly of dimethylformamide, pentaerythritol, concentrated formaldehyde naphthalene, methanol, and urea formaldehyde. The prices of the company's products change as a result of changing supply, demand and competition for these products. The decrease in the market prices of the company's products will have a negative impact on its business, the results of its operations, its financial position and its future prospects.

The following table shows the average prices of the company's main products, as in 2017G, 2018G, and 2019G, and the period ending on September 30, 2020G, respectively.

| Products | The Average Selling Price of the Company's Main Products in Dollars (Per Metric Ton) | | | |
|--|--|-------|-------|-----------------|
| | 2017G | 2018G | 2019G | September 2020G |
| Dimethylformamide | 795 | 850 | 717 | 750 |
| Penta erythritol | 1605 | 1699 | 1621 | 1262 |
| Formaldehyde | 269 | 297 | 252 | 203 |
| Methanol | 276 | 356 | 238 | 159 |
| Liquid / Sulfur Formaldehyde Naphthalene | 296 | 381 | 329 | 292 |

2-1-4 Risks Related to Exporting the Company's Products

The company's exports outside the Kingdom of Saudi Arabia amounted to about (77%), (79%), (79%) and (75%) of the total sales for the years 2017G, 2018G, 2019G and the period ending on September 30, 2020G, respectively. Any change in the laws of these countries or any other country to which the company is exporting or any change in the local laws and regulations in the Kingdom of Saudi Arabia regarding the export of the company's products will affect the company's ability to provide its products to its customers in those countries and thus raise the cost of its products and affect the net profit margins, which will have a negative and material impact on the company's future business, financial results, prospects and financial position.

2-1-5 Risks Related to the Concentration of the Company's Sales in Southeast Asian Countries

Sales to Southeast Asian countries represent (35%), (40%), (43%) and (39%) of total sales for the years 2017G, 2018G and 2019G, and the period ending on September 30, 2020G, respectively (for more details please refer to the sub-paragraph No. (3-7-2) "Geographical Analysis of the Company's Sales" of Section (3) "Background on the Company and the Nature of its Business" of this prospectus. Any change in the laws of this region / countries or any other country to which the company is exporting or any change in the local laws and regulations in the Kingdom of Saudi Arabia regarding the export of the company's products to this region / countries will affect the company's ability to provide its products to its customers in those countries and thus the loss of its customers in this region / countries, which will have a negative and material impact on the company's revenues and business, its financial results, its prospects and its financial position.

2-1-6 Risks Related to Availability of Main Raw Materials and Changes in Their Prices

Urea (which is supplied from SABIC), ammonia (which is supplied from SABIC), caustic soda (which is supplied from SABIC), naphthalene (which is supplied from the global market), and ethanol (which is supplied from the global market) are considered the main raw materials of the company and these materials represent (95%) of the total requirements of the company of raw materials.

The following table shows the change in the prices of the main raw materials of the company for the years 2017G, 2018G and 2019G, and for the period ending on September 30, 2020G.

| Material | Weighted Average Price of the Main Raw Materials in Dollars (Per Metric Ton) | | | |
|--------------|--|-------|-------|-----------------|
| | 2017G | 2018G | 2019G | September 2020G |
| Urea | 236 | 252 | 244 | 202 |
| Ammonia | 271 | 317 | 257 | 230 |
| Caustic Soda | 245 | 275 | 165 | 133 |
| Naphthalene | 554 | 739 | 627 | 551 |
| Ethanol | 731 | 726 | 661 | 649 |

The company mainly depends on the availability of these materials, and its operations may be affected directly and negatively in the event of any delay in those supplies or any change in the terms of their provision or interruption. Also, the change in the prices of the main raw materials used in the production of the company will affect the results of the company's operations. The profitability of the company may be affected by the rise in the prices of raw materials if the company does not succeed in raising the selling prices of its products or covering the deficit by reducing other operational costs, which will have a negative impact on the company's business, financial position and future prospects.



2-1-7 Risks Related to Availability and Price Change of Utilities

The company's operations depend heavily on the availability of utilities (mainly water, electricity and natural gas) at competitive prices and in very large quantities. Therefore, any interruption or reduction in these supplies, or any increase in the prices of utilities, would greatly affect the volume of production and the degree of profitability of the company's operations.

The company conducts its activities in an environment governed by specific legislations and regulations related to setting gas prices from time to time, and with the increase in gas prices from \$0.75 to \$1.25 per million British thermal units since 2016G, the company's financial results and cash flows have been negatively affected. So, any future increase in energy material prices may adversely and materially affect the company's business, its financial position, the results of its operations, its cash flows, and its future projects.

2-1-8 Risks Related to Dependence on Major Suppliers

The company depends on supplying the main raw materials from major suppliers, as the company relies mainly on SABIC to supply urea, ammonia and caustic soda materials through periodic contracts that are renewed annually. The company also depends on Aramco to supply natural gas through a long-term contract (for more details, please refer to subparagraph NO. (9-8) "Material Contracts" of Section (9) "Legal Information" of this prospectus).

The company also relies on (5) suppliers from Japan, Spain, India, Germany and the Netherlands to supply more than (90%) naphthalene, and the company also relies on (6) suppliers from the United States of America, the United Kingdom, Japan, Singapore and Pakistan to supply more than (90%) ethanol.

The cancellation of the supply agreement or the company's non-compliance with the terms of the agreements or in the event of a change in the terms of the prices or the quality of the supplied materials, or a sudden interruption in the supply, or if the company fails to maintain its contractual relationship with these suppliers for any reason that may negatively and materially affect the company's profits and results of its operations, financial position and future prospects.

2-1-9 Risks Related to Reliance on Major Customers

The company's major customers are from the petrochemical sector. Sales to (3) major customers (Helm, Perstorp, and SABIC), have reached 47% in 2017G, 46% in 2018G, 31% in 2019G, and 20% in the period ending on September 30, 2020G, of the company's total sales. The company also markets its products by seizing available opportunities by reducing sales to main customers and selling to other customers whenever it is believed that the return is greater than those sales. Accordingly, the occurrence of any disagreement with the main customers for any reason would have affected the revenues and profits of the company, and this would have a negative, material impact on its operations, financial position and operating results.

2-1-10 Risks Related to Not Obtaining Approval from Lenders to Reschedule Their Loans

The company's business plan relies on rescheduling its debts to enhance the financial and operational position of the company. The company obtained the approval of the Industrial Development Fund to reschedule the remaining loan balance of (245) million Riyals so that the repayment would be due in 2022G. The company is also currently working on rescheduling its facilities and loans with other financing agencies. The company did not obtain the approval of those banks until the date of this prospectus.

The failure of the company to obtain the approval of the funding agencies to reschedule its loans will affect the availability of liquidity necessary for the company's business and expansion plans and will negatively affect the results of its operations and its financial position.

2-1-11 The Risks Related to the High Indebtedness of the Company

The company's trade receivables amounted to (144.38) million Riyals, (138.04) million Riyals, (80.16) million Riyals, and (112.77) million Riyals, as on December 31, 2017G, December 31, 2018G, December 31, 2019G, and September 30, 2020G, respectively. The company's debts represented (13.1%), (12.1%), (7.6%) and (14.2%) of the total shareholders' equity as of December 31, 2017G, December 31, 2018G, December 31, 2019G and September 30, 2020G respectively. If the company is not able to reduce its indebtedness, this will negatively affect the results of its operations, its financial position and its future prospects.

2-1-12 Liquidity Risks

The company faces liquidity risks when it is unable to provide the necessary funds to meet its financial obligations arising from operating activities and liabilities on time. The company's liquidity ratio reached (1.87) times as in December 2017G, (1.84) times as in December 2018G, (1.51) times as in December 2019G, and (0.63) times as in the period ending on September 30, 2020G. There is no guarantee of the company's ability to fulfill its obligations on maturity dates. Liquidity risks may also result from the company's inability to sell financial assets quickly and at an amount close to their fair value, which may affect the company's operating performance and its financial position.



2-1-13 Risks of Interest Rate Fluctuation

The company entered into several loan facilities amounted to seven hundred thirty-five (735) million Saudi Riyals with variable interest rate. The increase in profit rates, whether fixed or variable (i.e. the profits that are taken from the borrowing rate among Saudi banks as a basis for their calculation, or what is known as "SIBOR") which is due to the company financiers, will lead to an increase in the financing cost that the company needs in financing its business, which will negatively affect its profitability rate and financial results.

2-1-14 Risks of Fluctuating Foreign Exchange Rates

Currency exchange risks are represented by the company when it has commercial relations with international parties, including dealing with them in their currency when purchasing machinery, equipment and materials from them or when selling its products in foreign markets. The company sells its products in the two currencies of the Saudi Riyal and the US dollar. The percentage of sales made in US dollars represents (77%), (79%), (79%) and (75%) of the total sales for the years 2017G, 2018G and 2019G and the period ending on September 30, 2020G, respectively. Raw materials, machinery and equipment are purchased in a number of currencies, which include the US Dollar, the Euro, the Pound Sterling, the UAE Dirham and the Bahraini Dinar. The percentage of purchases made in foreign currencies represents (6%) of the total purchases for the year 2019G. Therefore, the company is exposed to foreign exchange rate risks, as in case the state decides not to peg the Saudi Riyal price to the US Dollar, and that any unexpected large fluctuations in the exchange rates would negatively affect the financial performance of the company.

2-1-15 Risks Related to Product Quality

The quality of products depends on the effectiveness of the quality control system, which in turn depends on a number of factors, including the design of the system, the training program on quality control and ensuring that employees adhere to quality control policies and standards. The failure of the company to maintain the level and quality of the products it provides will negatively affect its reputation in the market and among its customers and their reluctance to deal with it, which will weaken its ability to maintain its competitive advantages, which will negatively affect its business, operations and financial position, as well as in the event that the company loses the quality certificates that are in its possession, this will affect the volume of demand for the company's products.

2-1-16 Risks Related to the Company's Inability to Keep Pace with Technical Developments

The company uses advanced and costly technologies and systems to manufacture its products. And to keep pace with the development in the petrochemical industry, it is necessary to make frequent improvements to the products and the use of advanced technologies. The company does not guarantee the disruption of these systems or its ability to quickly provide new technologies and apply its own systems to its products in a timely and appropriate manner, as it will incur high costs in this area, which will affect the production of the products required by its customers on the specified dates, and this will have a negative impact on the results of its operations, financial and operating performance, and future prospects.

2-1-17 The Risks of Unforeseen Accidents

The company's plants consist of several production lines and machines. There has been no interruption in the company's business in the past period. In the event of any defect, malfunction or sudden interruption in the work of these lines, this would negatively affect the company's production throughout the period of the defect, breakdown or interruption, and thus negatively affect the company's business and its prospects and the results of its operations throughout the period of production interruption.

Accordingly, the business and results of the company depend completely on the work and continuity of its plants. Therefore, if anything occurs that would negatively affect its business, whether for technical reasons (such as cutting electricity, energy or water supplies) or exposing it to any accident or emergency that affects the continuity of its business, whether temporarily or permanently, or any of the natural disasters (such as floods), this will materially affect the company's operational and financial results.

2-1-18 Risks Related to Incentives Provided to Industrial Establishments

The company benefited from the services provided to the industrial establishments located in the Royal Commission for Jubail and Yanbu, and from the appropriate utility supplies provided to them by the Royal Commission for Jubail and Yanbu, at a cost lower in terms of the annual rent compared to those provided to industrial establishments outside the city.

And although the rent contracts of land leased by the Royal Commission for Jubail and Yanbu extend for a period of (30) years (for more details please refer to subparagraph No. (9-8) "Material Contracts" of Section (9) "Legal Information" of this prospectus), except that the Royal Commission in Jubail and Yanbu has the right to re-evaluate the rent price per square meter every 10 years. In 2005G, the square meter was rented for one Riyal, and in 2015G the rent was re-evaluated to become four Riyals and one half per square meter.

The company also benefited from Council of Ministers' Resolution No. (74) dated (25/01/1441H) from exempting industrial establishments from the Expatriates' Employment Fee for a period of five years, starting from October 01, 2019G. The company also benefited from the Employment Support Program "Hadaf" supported by the HR Development Fund.



Nothing guarantees the continuation of these incentives for industrial establishments, and the company cannot guarantee that future changes will not affect these incentives and the value of service fees, which will negatively affect the company's business, the results of its operations, and its financial position.

2-1-19 Credit Sources Risks

Credit risks arise when one party is unable to fulfill a specific financial obligation to the other party. The company may face credit risks in several temporary or permanent cases, including the existence of debit balances from customers, and despite the existence of guarantees against third-party obligations with the company, for example, and without limitation, to bonds of order and bank credits, but the company does not guarantee the failure of other creditor parties to fulfill their obligations towards the company, etc.

The company cannot guarantee that the parties dealing with it will not fail to fulfill their obligations, and it also cannot accurately predict their future ability to comply. In the event that the creditors fail to pay the company's dues, this will negatively and materially affect the company, its financial position and the results of its operations.

2-1-20 Funding Source Risks

The company's financing needs depend on its capital, its financial position, the results of its operations, its cash flows, and the financing it obtains from the parties and banks that finance it. The company does not guarantee obtaining the necessary financing in a timely manner on acceptable terms if the company's need for that arises, which will negatively affect the performance of its operations.

| Period | 2017G | 2018G | 2019G | 30 Sep 2020G |
|----------------------|---------------|---------------|---------------|---------------|
| Total Liabilities | 1,161,650,545 | 979,680,188 | 889,224,816 | 894,725,493 |
| Total equity | 1,095,417,375 | 1,141,047,568 | 1,053,812,764 | 791,477,391 |
| Total assets | 2,257,067,920 | 2,120,727,756 | 1,943,037,580 | 1,686,202,884 |
| Debt to equity ratio | 106% | 85.86% | 84.38% | 113% |
| Debt to assets ratio | 51.5% | 46.19% | 45.76% | 53.06% |

It is also possible for the company to incur capital expenditures to conduct maintenance and continuous improvement of its assets and equipment, either with the aim of complying with any new legal or regulatory requirements that require carrying out these works, or with the aim of adhering to new standards adopted by the company's management in production.

In the event of failure to obtain or delay in securing this financing when needed, or the availability of financing but under conditions that are not appropriate to the company's conditions, this will negatively affect the implementation of its projects, the company's financial performance and the results of its operations.

2-1-21 The Risks Related to the Company's Losses

The company reduced the capital from one billion, two hundred and six million Saudi Riyals (1,206,000,000) to six hundred seventy-four million five hundred eight thousand six hundred thirty (674,508,630) Saudi Riyals, thus reducing the number of the company's shares from one hundred twenty million, six hundred thousand (120,600,000) shares to sixty-seven million, four hundred fifty thousand, eight hundred and sixty-three (67,450,863) shares by canceling fifty-three million, one hundred and forty-nine thousand, one hundred and thirty-seven (53,149,137) shares, at a reduction rate of about (44.07%), and at a reduction rate of (2.269) shares for each (1) share, after obtaining all the approvals required by law and the extraordinary general assembly held on ••/••/••••H (corresponding to ••/••/••••G). The capital reduction was announced on ••/••/2020G, where the shareholders decided to reduce the company's capital by 44.07%, and the accumulated losses as at 03/31/2021G amounted to (514,561,042) million Saudi Riyal which represents 42.67% of the capital.

If the company incurs additional losses in the future, this will affect the availability of liquidity necessary for the company's business and expansion plans, and it will negatively affect the results of its operations and its financial position.

2-1-22 Risks of Reliance on Key Personnel

The management of the company depends mainly on qualified employees to occupy key positions in the company and they represent 16% of the total number of employees (12% Saudis and 4% non-Saudis). The percentage of Saudi citizens of company labor is 64% at the company level compared to 36% of expatriate workers as of 09/09/1442H Corresponding to 21/04/2021G. The management does not guarantee the success of its endeavors to attract such employees to work for the company and keep them. In the event that the company is not able to keep these employees and loses them due to resignation in light of strong competition in the labor market or dismissal, this may affect its business and the results of its operations.



2-1-23 Risks Related to the Inability to Implement the Strategy

The company's ability to increase its revenues and improve its profitability depends on the effective implementation of its business plans and the successful implementation of its strategy, for example, but not limited to improving existing production lines or expanding into new products and markets.

The company's ability to expand its business in the future depends on its ability to continue implementing and improving the operational, financial and administrative information systems in an efficient and timely manner, as well as on its ability to increase, train, motivate and manage its workforce. Moreover, any business expansion plans that the company intends to undertake in the future will be subject to the estimated costs and the schedule of implementation set for them, and the company may need additional funding to complete any expansion plans, and if it is not able to implement the expansion plans according to the schedule set for them and in accordance with the estimated costs of the project or in the event that the desired profitability of these projects is not achieved, which may be due to various reasons, including a change in the market situation at the time of implementation of these projects or a defect in the feasibility study, this will affect the competitive position of the company, and thus the results of its business and profitability.

The company's ability to implement its current strategy is subject to various factors, including what is outside its control such as economic, political and organizational conditions. And there are no guarantees that no defect, failure or sudden interruption in the work of production lines will occur during the expansion process, or that the employees appointed by the company or the systems, procedures and controls adopted by it will be sufficient to support the future growth and expansion and the successful realization of its strategy. And in the event that the company fails to implement any part of its strategy for any reason, this will have a negative and material impact on the company's business, the results of its operations, its financial position and its future prospects.

2-1-24 Risks Related to Dumping

The company manufactures many high-quality methanol derivatives, including the Sulphonated Naphthalene Formaldehyde (SNF) product, which is in high demand and its use varies widely as it is an essential component of the construction industry in addition to contributing to the preparation of a wide range of concrete types. This product was widely accepted in the local and Gulf market, and was a fundamental factor in the company's revenues due to the company's excellence in the quality of its product at the level of the Gulf Cooperation Council countries. However, since 2016G, imports of SNF product from China to the GCC countries with low prices increased, which negatively affected the company's results, as the volume of quantities sold decreased from 116,262 tons in 2016G to 47,275 tons in 2019G.

Accordingly, since the beginning of 2017G, the company submitted its complaint to the General Secretariat of the Gulf Cooperation Council countries for the purpose of achieving prevention and imposing preventive fees, in accordance with the unified Gulf Anti-Dumping, Countervailing and Preventive Measures Law, its Executive Regulations and the World Trade Organization law. And the company is still awaiting the Secretariat's decisions to take preventive measures for the national industry until the date this prospectus was prepared.

2-1-25 Risks Related to Future Projects

The company's strategies include continuing to expand its business, as the company is working to establish a DMDS plant and MDEA plant, and it is expected that commercial operation of these two plants will start during 2024G (the two plants were announced on the Tadawul site on March 2, 2020G (for more details, please refer to sub-paragraph No. (3-3) "**Vision, Mission and Strategy**" of Section (3) "**Background on the Company and the Nature of Its Business**" of this prospectus). The company may face many challenges and obstacles, for example - but not limited to, the delay in the completion of the establishment of the plants or the decrease in the demand for the products of the plants to be established. This does not give any guarantee that the expansion of the company and its entry into new activities will achieve success and will have the ability to achieve revenues and cover operating expenses and other costs, which negatively affects the business of the company, its operations results, its financial performance and its future prospects.

2-1-26 Risks of imposing a fine for violating labor laws

The total number of employees reached (441) employees according to the social insurance certificate, and it was found that there is a difference of (19) employees between the internal company data and social insurance, and the reason is due to the end of the labor relationship. (For more details about the number of employees working for the company according to the data of government agencies, please see On sub-paragraph (9-7-3): "**Ongoing Commitments according to the requirements of the Ministry of Human Resources and Social Development ("Ministry of Human Resources")**" from Section (9) "**Legal Information**"). The company did not adhere to the work system and its executive regulations in terms of Failure to match the data and numbers of workers at various government agencies, and in the event that the company does not comply with what was mentioned above, it may be considered a violation of the work system and its executive regulations and ministerial decisions related to work and workers. Table of violations and penalties issued pursuant to Ministerial Resolution No. (178743) dated 09/27/1440H (corresponding to 06/01/2019G), which will negatively affect the company's business and the results of its social operations.



2-1-27 The risks of not extracting or not renewing government licenses, certificates, and permits

The company is required to obtain and maintain the various regulatory permits, licenses and approvals regarding its activities. These licenses include, but are not limited to: company registration certificate issued by the Ministry of Commerce, Chamber of Commerce membership certificates, trademark registration certificates, Saudization certificates, zakat and income certificates and a certificate of registration in the value-added tax and social insurance (and for more details about the licenses and certificates obtained by them). The Company, please see sub-paragraph (6-9): “Government approvals and licenses” from Section (9) “Legal Information”).

As on the date of publishing this Bulletin, the company did not obtain a municipal license for its administrative office, and any violation in this regard will expose the company to the penalties and fines stipulated in the Fines and Penalties Regulations for Municipal Violations (issued by Cabinet Resolution No. 218 dated 06/08/1422H), which specified fines ranging from Between (1,000) one thousand riyals with a minimum to (5,000) five thousand riyals as a maximum, and the site (offices) may be closed in addition to suspending the electronic services of the labor office, which negatively affects the company’s operations, the results of its operations and its financial position. The company stated that it is not obligated to obtain the license, since a license for the building was obtained completely by the lessor.

The company did not obtain security and safety licenses from the civil defense of its administrative office, and any violation in this regard will expose the company to the penalties and fines stipulated in Article (30) of the civil defense system issued by Royal Decree No. (M/10) dated 5-10-1406H (corresponding to 01/21/1986G) and amended by Royal Decree No. (M/66) dated 02/10/1424H (corresponding to 11/26/2003G) which provides for the imposition of a penalty on the violator of any of the provisions of this system or its bylaws or the decisions issued pursuant thereto by imprisonment A period not exceeding six months, or a fine not exceeding 30,000 riyals or both for each violation, and failure of the company to obtain civil defense licenses will result in the company not being able to obtain new municipal licenses or renew the existing licenses and in the event that it is unable to obtain Security and safety licenses from civil defense This may lead to the closure of the company’s headquarters until the formal procedures for obtaining civil defense licenses are completed, which will negatively and fundamentally affect the company’s business, its financial position, the results of its operations and its future expectations. The company stated that it is not obligated to obtain a safety license, as a permit for the building was issued in full by the lessor.

The insuring company may also be required to provide the insured (the company) with a valid civil defense permit and maintain it as a condition for securing coverage, and since the company did not obtain a civil defense permit as on the date of publishing this document, which will lead to material losses that the company will not be able to compensate in the event of a fire accident in This will have a negative impact on the company’s operations and its ability to bear the amounts resulting from losses in addition to the temporary suspension of its operations, which will have a negative impact on its financial results and profits.

The inability of the company to renew its current licenses, permits and certificates and (for more details about licenses and certificates obtained by the company, please see paragraph and subsection (9-6) “Government approvals and licenses” from section (9) “Legal Information”) or obtain On any of the licenses necessary for its business, or if any of its licenses is suspended or expired, or if any of those licenses are renewed under conditions that are not appropriate for the company, or in the event that the company is unable to obtain the licenses, permits and additional certificates that may be required from it in the future, then that it may expose the company to stopping and preventing it from carrying out its business, such as closing the company’s headquarters or freezing part or all of the services provided by the supervisory authorities of the company, which will result in disruption of the company’s operations and incur additional costs, which will negatively affect the results of its operations and its financial status.

2-1-28 Risks of employee mistakes or misconduct

The company has an internal work regulation bylaw (the regulation of work organization) and it was presented to the Ministry of Human Resources and Social Development (Labor Office) for their approval, and it was approved on 06/01/2016G. The regulation includes policies and internal controls related to work and workers.

All employees of the company were informed of the list by placing it in a visible place in the workplace. However, the company cannot guarantee that employees’ misconduct or mistakes, such as fraud, intentional mistakes, embezzlement, fraud, theft, forgery, misuse of its property and disposing of its properties and acting on its behalf, will be avoided without obtaining the required administrative authorizations. Consequently, these actions may entail consequences and responsibilities for the company, or statutory penalties, or financial liability, which will negatively affect the reputation of the company. Therefore, the company cannot guarantee that the misconduct of its employees will not materially harm its financial position or the results of its operations.

2-1-29 Risks of differences in the amounts of Zakat

The company, like other registered establishments and companies operating in the Kingdom, is obliged to submit its zakat and tax returns within 120 days of the end of the fiscal year for the purpose of renewing the certificate issued by the General Authority for Zakat and Income. The company was registered as a taxpayer under the distinct tax number (3004581673), and it obtained a zakat certificate for the year 2019G upon submitting the Zakat declaration until 2021G with the number (1110836854) and the date 08/03/1441H (corresponding to 3/27/2020G), which expires on 9/18/1442H (corresponding to 04/30/2021G).



The company did not receive the final zakat assessments for previous years, and the company stated that during the three-month period ending on September 30, 2020G, the General Authority for Zakat and Income issued an additional Zakat assessment for the years from 2014G to 2018G, amounting to SR 8.2 million, as the company paid an amount of 0.3 million riyals. A Saudi woman and filed an appeal with the Authority on the remaining amount of 7.9 million SAR, and no final decision was issued by the Authority as of the date of publishing this prospectus.

Since the zakat assessments for these years of the company have not yet become final, there is a risk that the company will be obligated to pay the General Authority for Zakat and Income in excess of what has been allocated for those years, which will negatively affect the profitability and performance of the company.

2-1-30 Risks related to the adequacy of insurance coverage

The company has comprehensive insurance agreements, a property and machinery property insurance policy, marine freight, general liability, funds, and errors of the leading employees. The Saudi Marsh Company has been appointed as an intermediary between the company and the Wala'a Cooperative Insurance Company.

It is possible that the company, its businesses, its branches, or the industrial facilities affiliated to it may be exposed to many accidents that are beyond its control and that may affect the conduct of its business, including natural disasters, accidents, terrorist acts, and war-related events for which there is insufficient insurance coverage or that are not provided with conditions Commercially reasonable, in addition to that, the recurrence of various other events such as sudden accidents, work interruptions or potential damage to the company's facilities, property and equipment resulting from bad conditions, human error, pollution, labor disputes or natural disasters, all of which will lead to the company incurring large losses.

In some cases, it may be exposed to additional financial obligations that are not included in the insurance policy and related to the damaged property, and likewise, in the event that any assessment is made against the company beyond any insurance coverage it maintains, its assets may be subject to seizure or confiscation under various judicial procedures. Any of these incidents will have a negative impact on the future business of the company, its subsidiary industrial facilities and its production capacity, and therefore the company does not provide guarantees to investors that none of these events will occur that may result in damages that lead to material losses that the company will not be able to compensate partially or completely due to the absence of any Appropriate insurance coverage, which will negatively affect the company's operations and its ability to bear the amounts resulting from losses in addition to the temporary suspension of its operations, which will have an impact on its financial results and profits.

The company provided medical insurance for its employees and their families through a health insurance document dated 07/01/2020G, which expires on 06/30/2021G signed with the Cooperative Insurance Company. The company's insurance contract includes deductible amounts and factors excluded from the insurance coverage, in addition to other restrictions related to the insurance cover that are negotiated with the insurance companies, and the company's ability to obtain the compensation due to it by the relevant insurance company depends on its financial solvency and its ability to meet the value of this Compensation, so the insurance may not cover all the losses incurred by the company, and no guarantee is given that the company will not incur losses that exceed the limits of the insurance policies or outside the scope of coverage contained in these documents. Cases may arise in which the value of the claim exceeds the value of the insurance held by the company, or the compensation claim submitted by the company to the relevant insurance company is rejected, or the claim and compensation period may be prolonged, which will negatively affect the company's business, future expectations, results of its operations, and its financial position (for more Information about insurance coverage, as well as refer to sub-paragraph (9-11) "Insurance" from Section (9) "Legal Information" of this Bulletin).

2-1-31 Litigation and Lawsuits Risks

The company may have to -the course of its business- to issues and lawsuits related to its operations, and the company does not guarantee that there will be no conflict between it and other parties it deals with, such as suppliers, distributors, and others, in addition to labor disputes, which may lead to cases being filed with the competent judicial authorities. As a result, the company may be vulnerable to court claims from government agencies and departments, and investigations. Of course, the company cannot anticipate the results of such claims in the event they occur, nor does it guarantee that such claims will not have a material impact on its business, financial position and the results of its operations. Also, the company cannot accurately forecast the cost of the lawsuits or the judicial procedures that can be assessed or instituted against it, the final results of those lawsuits or the judgments that are issued in them and the compensation and penalties they contain, and therefore any negative consequences of such cases will negatively affect the company.

As on the date of publishing this Bulletin, the company is not a party to any litigation, claim, arbitration, or combined or individual administrative proceedings that exist or are likely to be established, that would materially affect the company's business or financial position.



2-1-32 Risks of related party transactions

The company may be exposed in the course of carrying out its business to the existence of dealings with related parties that are presented to the general assembly without giving the right to shareholders who have an interest in those contracts to vote on them, and the members of the board of directors not to compete with the company's business and to deal with related parties on a competitive basis. Also, in the event that any member of the board decides to withdraw from the company, dealings with the companies related to that member may be suspended, or the terms of the agreement or dealings may be requested to be modified on terms that do not satisfy the company, which will force it to choose other companies to contract with and may not obtain the same treatment from them. This will negatively affect the company's business and profitability.

It should be noted that the company did not deal with any of the related parties for the year 2018G and 2019G until the date of publishing this prospectus.

2-1-33 Trademark Protection Risks

The ability of the company and its branches to market its products and develop its business depends on the use of its name, logo and trademarks, which support its business and its competitive position and give it a clear distinction in the market among customers. The company has registered a trademark in the name (Chemanol) ((for more details please refer to subsection (9-10) "Trademarks" from Section (9) "Legal Information"). Any breach of property rights or unlawful use of the company's trademarks will affect the reputation of the company, filing lawsuits and claims before the competent courts to protect these rights. It is an expensive process and requires a great deal of time and effort on the part of the administration to follow it up. And in the event that the company fails to effectively protect its trademarks when renewing the registration certificate or following similar signs, this will negatively affect its value, which will negatively affect the company's business, the results of its operations, its financial status and its future prospects.

2-1-34 Protection Risks by Applying Corporate Governance

The Corporate Governance Regulations were issued pursuant to the Authority's Board Decision No. (8-16-2017) dated 05/16/1438H (corresponding to 02/13/2017G) based on the Companies Law issued by Royal Decree No. M/3 dated 01/28/1437H. And amended by Resolution of the Capital Market Authority Board No. (3-57-2019) dated 09/15/1440H (corresponding to 05/20/2019G), and the amended regulation includes mandatory clauses and more detailed provisions than those included in the previous regulation, and includes mandatory clauses about the formation of boards of directors and their committees, their competencies, responsibilities, and meetings, the rights and duties of their members and provisions that deal with cases of conflict of interest between its members and the company and to ensure the clarity of the relationship between the shareholders and the company's board of directors on the one hand, and the board of directors and the executive management team on the other hand, and has also taken care of the rights of shareholders in these companies, such as the right to fair treatment without discrimination, and to obtain information transparently to enable them to fully exercise their statutory rights.

It should be noted that the company is committed to all the mandatory articles in the Corporate Governance Regulations issued by the Authority. (For more details about governance and the extent of the company's commitment, please see sub-paragraph (9-8-7) "Ongoing Obligations According to the Requirements of the Capital Market Authority" of Section (9) "Legal Information").

The company's failure to implement the Corporate Governance Regulations issued by the Authority may expose it to fines imposed by the Authority, which may have a negative and material impact on the company's business, the results of its operations, its financial position and its future aspirations.

2-1-35 Risks of non-compliance with credit facilities and loans agreements

The company relies on loan facilities to finance its operations. The company has entered into agreements with local banks and other lending parties to provide short and long term facilities. (For more details about loans, please refer to sub-paragraph (9-8-3) of Section (9) "Legal Information").

The company has not adhered to some of the terms and conditions of loan agreements, as the provisions of some short and long-term loan agreements require maintaining the financial position at specific levels, as the financing agreements concluded by the company contain provisions requiring advance notice to the funding bodies when any change in control occurs in the company. Or in the company's ownership structure or upon an amendment in the capital or the articles of association of the company and provisions requiring the prior approval of the funding bodies before any of this occurs. As on the date of the publication of this prospectus, the company has not complied with the contractual procedures with the financing authorities regarding the process of restructuring the capital by reducing the capital by writing off shares, provided that the capital increase will be followed by the offering of priority rights shares. The accumulated losses of the company also exceeded a percentage (44.7%) of its capital, representing an amount of (531.49) million Saudi riyals, and this will be considered a breach of the company's pledges in terms of maintaining the percentages set for the company's financial solvency. This will give the lenders the right to oblige the company to request immediate payment of all dues amounting to seven thousand thirty-two (732) million Saudi Riyals, which will have a material negative impact on the company's business and its financial position. (For more details, please refer to the sub-paragraph "Loans and Credit Facilities" from Section (9-8-3) of this Bulletin it should be noted that on 10/20/2020G, the company notified HSBC Bank of its intention to restructure the capital by reducing the capital



and then increasing it, after obtaining the approval of the regulatory authorities and the approval of the extraordinary general assembly, and the bank notified the rest of the listed lending banks. Under the convention. The company did not notify the Industrial Development Fund until the date of publishing this prospectus.

2-1-36 Risks related to not conducting feasibility studies for future projects

The company intends, by increasing its capital through the issue of priority rights shares (the subject of this prospectus) to finance the working capital, repay part of the loans, and finance the preparation of preliminary engineering designs for the expansion of the Methanol plant (please refer to section (6) "Use of Proceeds"). The company did not conduct feasibility study for the projects it intend to use part of the Proceeds of the Offering for engineering designs thereof. Since the company considers such project as its core business. It is possible that the non availability of feasibility study for those projects to negatively affect the company's financial position and future prospects in case those projects become nonviable during their execution or after completion and start-up.

2-2 Risks related to the market and the sector

2-2-1 Risks related to environmental regulations and standards for the petrochemical industry

The company's business related to the manufacture and marketing of petrochemical products of all kinds requires compliance with the legislation and instructions issued by the Royal Commission in Jubail and Yanbu and the environmental regulations and instructions applied in the Kingdom of Saudi Arabia, as the company, in its endeavor to reduce these risks, follows the highest standards of industrial safety and security regarding It is related to storing and transporting products and raw materials, and for this the company undertakes continuous training of workers in the fields of safety and industrial security, in addition to insuring all its assets and business. And commitment to environmental regulations, including environmental standards, health, occupational, and safety of industrial establishments and their workers. For example, the company's operations may result in a number of waste materials and polluting materials emitted that, if not properly controlled and managed, could lead to a risk of environmental pollution, which would result in harm to the environment and human health.

Failure to adhere to and fully comply with environmental legislation and regulations could lead to the closure of the industrial facilities of the company and will also expose the company to violations, fines or penalties that the supervisory authorities may impose on it, which will negatively affect its operations so as to limit the growth of its revenues or suspend its work or licenses, This will affect its ability to conduct its business, and thus negatively affect its financial results and profitability.

2-2-2 Risks of revoking licenses

The company's activities are subject to the regulations of the Royal Commission in Jubail and Yanbu, the Ministry of Industry and the Ministry of Energy, and fall within the scope of the Royal Commission in Jubail and Yanbu, and the company is committed to these regulations up to the date of this circular. The applicable laws and regulations may change from time to time, and the company cannot guarantee that future changes in these laws and regulations will not negatively affect its work. In the event that the company is unable to comply with these regulations.

2-2-3 Political Risks

The tense political situations in the Middle East and Africa may negatively affect the Kingdom's economy, and thus the ability of the company's clients to renew their relationship with it, and its inability to obtain new clients, and thus negatively affect its revenues, profits and results of its operations. These risks would have a negative impact on the financial markets, and thus would lead to a material negative impact on the company's share price and the loss of the investor in full or part of the value of his investment. The company's sales to the Middle East and Africa amounted to (18%), (21%), (21%) and (20%) of the total sales for the years 2017G, 2018G, and 2019G, and the period ending on September 30, 2020G, respectively.

2-2-4 Competition Risks

The company operates in a competitive environment and faces strong competition and there is no guarantee that the company will continue to be able to compete effectively with other companies in the market. In addition, the company's competitors' pricing policies affect its financial performance, and furthermore, the increase in supply for the products it manufactures compared to the demand for them will lead to negative pressure on its prices, thus negatively affecting the company's business, future expectations, results of its operations, and its financial position in general.

The company's competitiveness depends on distinguishing the company's products from other products offered in the market, by providing high-quality products at reasonable prices.

In the event that current or potential competitors provide products of higher quality or of competitive prices better than those offered by the company, the company does not guarantee that they are rapidly adapted and adapted to the evolving industry trends or changing market requirements, which will have a negative impact on the financial results of the company and its profitability.



2-2-5 Risks related to non-Saudi employees

The total number of the company's employees reached (444), including (169) foreign employees as of 9/30/2020G, and the company relies a lot on non-Saudi employees. It must be noted that the Kingdom's government has taken more stringent measures and procedures to regulate the work of non-Saudi employees in accordance with the labor system and residence regulations, and the Ministry of Human Resources and Social Development conducts inspection visits and imposes measures against foreign companies and employees who do not work for the employer who assigns them or do work that does not match with the job title according to their residence permits.

A fine or penalties imposed on the company in the event of non-compliance with the work system and its implementing regulations and the decisions and instructions applied in this regard will have a negative impact on the company's business, the results of its operations, its financial position and its future prospects.

The company has stated that until the preparation of this prospectus, the company does not have any violations in this regard.

2-2-6 Saudization requirements

The company is within the "platinum" domain of the Saudization domains program that was launched by the Ministry of Labor (please refer to Section (3-10) "Employees and Saudization" of Section (3) "Background on the Company and the Nature of its Business". The Saudization percentage is affected, as there are not many employees working in their jobs in the company, and in light of the possibility of providing qualified local manpower, there is no guarantee by the company to maintain the required Saudization percentage in the future. In the event of a high percentage of Saudization, its high costs make you swing to make it reach a new version, which leads to high costs of operating employees, and stopping its operation in governmental, governmental, governmental, governmental, and other governmental facilities, which makes it turn into government revenues. Other. Negatively affect operations and their performance.

2-2-7 Risks related to current laws and regulations, and new laws and regulations that come out

The company is undergoing to the supervision of a number of government agencies in the Kingdom, including but not limited to; The Ministry of Industry, the General Authority of Meteorology and Environmental Protection, the Royal Commission for Jubail and Yanbu, the Financial Market Authority, the Ministry of Commerce and others. Consequently, the company is subject to the risks of changes in laws, regulations, circulars and policies in the Kingdom. The legislative and regulatory environment in the Kingdom witnesses the issuance of a number of laws and regulations, meaning that they are more subject to change and development. The costs of compliance with these systems are high. In the event of changes to the current laws or regulations or the issuance of new laws or regulations, this will lead to the company incurring and unforeseen additional financial expenses for purposes related to adherence to those regulations and meeting the requirements of these laws, or they may be subject to the penalties and fines imposed by the competent supervisory authorities in If it does not adhere to these rules and regulations on an ongoing basis, which will negatively affect its business, the results of its operations, and its expected financial position.

2-2-8 The risks associated with VAT

The Kingdom issued a value-added tax system, which came into effect on January 1, 2018G. This system imposes an added value of 5% on a number of products and services, according to what is contained in the system. The decision to raise the value-added tax rate to 15% came into effect on July 1, 2020G. Accordingly, the company must adapt to the changes resulting from the application of the value-added tax, which include its collection and delivery, and the effect of applying the added value on the company's business. Because of the recent application of this system, any violation or wrong application of it by the company's management or its employees may increase the costs and operational expenses that will be borne by the company or expose the company to fines or penalties or lead to damage to its reputation, which can reduce the competitive position of the company And the level of demand for its products, which will have a material negative impact on its business, financial position, results of operations and future expectations.

2-2-9 Risks of the required reports

The company is required to announce its quarterly and annual financial statements and the Board of Directors report within the time period determined by the Capital Market Authority. The company is also required to disclose any material information as soon as it occurs. The company may be subject to penalties and fines if it does not meet the requirements of the Capital Market Authority and the rules for offering securities and obligations. The continuous issued by the Capital Market Authority and the listing rules issued by the Saudi Stock Exchange (Tadawul), which will have a negative and material impact on the company's business, results of its operations, its financial position and its future prospects.



2-3 The risks of the currently offered securities

2-3-1 The risks associated with the potential fluctuation in the price of priority rights

The market price of the initial shares may get to large fluctuations due to a change in factors affecting a company's stock. This fluctuation may be due to the difference in the The permissible daily volatility range for the rights issue trading price exceeds the permissible daily volatility range for the market price (which represents in 10% up and down from the previous day's closing price). The rights trading price depends on the trading price of the company's shares and the market's view of the fair price of the rights. These factors were combined from the factors.

2-3-2 Risks related to possible fluctuations in the share price

The market price of the shares during the trading period may not be an indication of the market price of the Company's shares after the offering. Likewise, the company's share price may not be stable and may be greatly affected due to fluctuations resulting from market conditions related to the current rights or shares of the company. These fluctuations may also result from many factors, including but not limited to: stock market conditions, poor company performance, inability to implement the company's future plans, entry of new competitors into the market, change in the vision or estimates of experts and analysts of the stock market, and any announcement of the company or any of its competitors related to strategic mergers and acquisitions or alliances.

The sale of large quantities of shares by shareholders or the belief that such a sale will take place will negatively affect the market price of the company's shares. In addition, shareholders may not be able to sell their shares in the market without negatively affecting the share price. There is no guarantee that the market price of the company's shares will not be less than the offering price, and if this matter occurs after investors subscribe to the new shares, the subscription cannot be canceled or modified. Accordingly, investors may incur losses as a result. In addition to the foregoing, there is no guarantee that a shareholder will be able to sell his shares at a price equal to or higher than the offering price after subscribing to the new shares.

2-3-3 Risks of not profitability or selling of initial shares

There is no guarantee of earnings per share by trading it at a higher price. In addition, there is no guarantee of being able to sell it in the first place, which indicates that there is no guarantee of sufficient demand in the market to exercise priority rights or receive compensation by the company, bearing in mind that the investor who did not subscribe or sell his rights, and the owners of fractional shares, may not obtain On any consideration if the sale was made in the remaining offering period at the offering price.

2-3-4 Risks related to future data

Future results and performance data of the company cannot be actually anticipated and may differ from what is contained in this prospectus. As the achievements and ability of the company to develop are what determine the actual results, which cannot be expected or determined. The inaccuracy of data and results is one of the risks that the shareholder must know so as not to affect his investment decision. Whereas, in the event that future results and performance data differ materially from what is mentioned in this prospectus, this will lead to the shareholders losing part or all of their investment in the company's shares.

2-3-5 Risks related to the possibility of issuing new shares

In the event that the company decides to issue new shares (other than the initial shares mentioned in this Bulletin), and the current shareholders do are not able have their rights upon the issuance of new initial shares, the ownership of the shares will decrease proportionally in addition to the right to vote and the right to obtain profits, and it may be for any additional offering Afflict my impact on the market price of the share.

2-3-6 Risks related to a decrease in the demand for the company's shares and rights

There is no guarantee that there will be sufficient demand for priority rights during the trading period to enable the holder of the priority rights (whether it is a restricted shareholder or a new investor) to sell the priority rights and make a profit from them, or enable him to sell the rights at all. Also, there is no guarantee that there will be sufficient demand for the company's shares by investment institutions during the remaining offering period. In the event that the investment institutions do not submit offers for the remaining shares at a high price, there may not be sufficient compensation to be distributed to the holders of priority rights who have not exercised their right to subscribe and who are entitled to fractional shares. Moreover, there is no guarantee that there will be sufficient market demand for shares acquired by a subscriber either through the exercise of the priority rights for these shares, or through a residual offering or through the open market.



2-3-7 Risks of low ownership ratios

If the holders of initial shares do not fully register to their right to the new shares, their ownership and voting rights will decrease. Also, there is no guarantee that if the restricted rights holder wishes to sell his priority rights during the trading period, that the return he receives will be sufficient to fully compensate him for the decrease in his ownership percentage in the company's capital as a result of the increase in its capital.

2-3-8 Risks of not exercising priority rights in a timely manner

The subscription period starts on **/**/****H (corresponding to **/**/****G) and ends on **/**/****H (corresponding to **/**/****G). The rights owners and the financial intermediaries they represent must take appropriate measures to follow all necessary instructions before the subscription period expires. If the eligible shareholders are not able to properly exercise the subscription rights by the end of the subscription period, based on their priority rights, there is no guarantee that there will be a compensation amount distributed to the deserving shareholders who are not participating or who have not performed the procedures for practicing the subscription properly or to the fractional holders. Stocks.

2-3-9 Risks of dividend distribution to shareholders

Future earnings per share depend on a number of factors, including the company's profitability, maintaining its good financial position, capital needs and distributable reserves, the company's available credit strength, and general economic conditions. An increase in the company's capital may lead to a decrease in earnings per share in the future due to the fact that the company's profits will be distributed to a greater number of shares as a result of the increase in its capital.

The company does not guarantee that any dividends will be actually distributed, nor does it guarantee the amount that will be distributed in any given year. Profit distribution is subject to certain restrictions and conditions stipulated in the articles of association of the company.

2-3-10 Risks related to speculation in recourse rights

Speculation in pre-emptive rights is subject to risks that could cause core losses. The permissible daily volatility range for the rights issue trading price exceeds the permissible daily volatility range for the market price (which represents in 10% up and down from the previous day's closing price). There is also a direct relationship between the company's share price and the right's indicative value. Accordingly, the daily price limits (by other words the daily fluctuation range) for rights trading will be affected by the daily price limits for stock trading. In the event that the speculator does not sell the rights before the end of the trading period, and does not exercise these rights to subscribe to the new shares, he may incur some losses. Consequently, investors must review the full details of the mechanism for listing and trading new rights and shares and their method of operation, and be aware of all the factors affecting them, in order to ensure that any investment decision is based on full awareness and awareness.

2-3-11 Risks related to not publishing the financial statements and information

In accordance with Article 63 of the Rules on the Offer of Securities and Continuing Obligations: the issuer must prepare its interim financial statements in accordance with the accounting and auditing standards adopted by SOCPA, and disclose them to the public within a period not exceeding 30 days after the end of the financial period included in such financial statements. Also, the issuer must prepare its annual financial statements in accordance with the accounting and auditing standards adopted by SOCPA, and disclose them to the public within a period not exceeding three months after the end of the annual financial period included in such financial statements. The issuer must disclose annual financial statements not less than 21 calendar days before the date of convening the issuer's annual general assembly. In accordance with Article 36 of the Listing Rules, the Capital Market Authority may suspend the trading of the issuer's securities upon its noncompliance with the disclosure of its periodic financial information within the specified period pursuant to the relevant implementing regulations. Where the suspension continues for six months without the issuer taking appropriate action to resolve the reasons that lead to the suspension, the Authority may cancel that issuer's listing. Suspension of trading the issuer's securities will negatively affect the process the of the Offering which in its turn will affect the company's financial position and future prospects.



3- Background on the company and the nature of its business

3-1 Company Profile

The company was incorporated as a Saudi limited liability company located in Jubail, and the company operates under the registry (2055001870) issued in Dammam on 28/12/1409H (corresponding to 01/08/1989G). Its Memorandum of Association has been amended to read the Company Name» Methanol Chemicals Company Limited on the date of: 20/07/1409H (corresponding to 15/08/2006G), and then the company was transformed from a limited liability company to a Saudi joint stock company according to His Excellency the Minister of Commerce Decision No. (Q/286) on 04/11/1428H corresponding to (11/14/2007G) and its new commercial registry number (2050057828) was issued, and the company's shares were listed on the Saudi Stock Exchange (Tadawul) on 16/09/1429H (corresponding to 16/09/2008G).

On 20/09/1441H (corresponding to 13/05/2020G) the extraordinary general assembly of the company agreed to transfer the company's headquarters from Dammam to Jubail Industrial City, Kingdom of Saudi Arabia, P.O. Box: 2101, Postal Code: 31951.

The current capital of the company is six hundred seventy-four million five hundred eight thousand six hundred thirty (674,508,630) Saudi riyals, divided into sixty-seven million four hundred fifty thousand eight hundred and sixty-three (67,450,863) ordinary shares with a nominal value of ten (10) riyals per share, paid in full.

The company has only one large shareholder, which is: Mohammed Jalal and Sons Company Ltd., who owns three million three hundred seventy-two thousand five hundred and forty-three (3,372,543)* shares, i.e., the percentage of (5.00%) before the offering.

* The number of shares after the capital reduction process

3-2 The history of the company and the most important developments in its capital structure

- The company was established as a Saudi limited liability company, located in Jubail, and the company operates under the registry (20 55 00 18 70) issued in Jubail on 28/12/1409H) corresponding to 01/08/1989G. (Under the name of the Saudi Formaldehyde Chemicals Company Ltd.
- Its articles of incorporation have been amended to become the name of the company (Methanol Chemicals Company Ltd.) on 20/07/1427H corresponding to 15/08/2006G.
- The company was transformed from a limited liability company to a Saudi joint stock company according to His Excellency the Minister of Commerce Decision No. (Q/286) on 04/11/1428H corresponding to (14/11/2007G), and its new commercial register was issued with No. (2050057828).
- The extraordinary general assembly of the company decided to increase the company's capital by listing sixty million three hundred thousand (60,300,000) shares in the Saudi Stock Exchange (Tadawul), which represents 50% of the company's capital of six hundred and three million (603,000,000) million Saudi riyals, with a value of ten (10) riyals. Saudi per share on 13/07/1429H corresponding to (07/16/2008G), and the subscription was made at a price of 12 riyals per share.
- List and start trading of the company's shares in the Saudi Stock Exchange (Tadawul) on 16/09/1429H (corresponding to 16/09/2008G).
- The company's extraordinary general assembly agreed, during its meeting held on 20/09/1441H (corresponding to 13/05/2020G), to transfer the main headquarters of the company from Dammam to Jubail Industrial City.
- On 20/09/1441H (corresponding to 13/05/2020G) the company's extraordinary general assembly approved the recommendation of the company's board of directors to reduce the company's capital from one billion two hundred and six million (1,206,000,000) riyals. Saudi Arabia to six hundred seventy-four million five hundred and eight thousand six hundred and thirty (674,508,630) Saudi riyals, at the rate of canceling one share for every two comma two hundred and sixty-nine (2.269) shares, so the number of shares becomes sixty-seven million four hundred fifty thousand eight hundred and sixty-three (67,450,863) shares. Capital reduction ratio to 44.07%.



3-3 Vision, Mission and Strategy

Company vision

Chemanol is looking forward to becoming a specialized and pioneering petrochemical company in the field of producing specialized chemical products in the Gulf Cooperation Council countries.

Company message

To utilize resources within the Kingdom of Saudi Arabia for the manufacture of high-value specialty products and to be a major supplier catering to clientele around the globe at the most competitive prices.

Company strategy

Chemanol's strategic plan is based on developing its existing business and exploring new and more sustainable investment opportunities by enhancing its leadership position in the field of manufacturing speciality chemicals from methanol derivatives or derivatives from other products, as well as entering into partnerships with the owners of advanced technologies inside and outside the Kingdom to produce high value speciality products. Consequently, the Management decided to develop the Company's strategy and explore new growth opportunities in speciality petrochemical materials such as Methanol Derivatives (DMDS) and Speciality Amines (MDEA) to diversify its products base and to optimize the use of methanol derivatives of the to align with the Saudi Vision 2030 whose main objective is the diversification of petrochemical products and supporting the national industries.

The Company obtained the approval of the Ministry of Energy on March 01, 2020G for allocating the required feedstock to expand the Methanol plant to increase its output by around 100,000 metric tons per year, and to achieve the objectives of the Saudi Energy Efficiency Program. The output increase will be used to establish new plants, including a Dimethyl Disulfide (DMDS) plant and a Methyl Diethanolamine (MDEA) plant, in line with Saudi Vision 2030. The plants are considered the first-of-their-kind in the Kingdom and the Gulf region, and their products will be used in on oil, gas, and other manufacturing industries such as pharmaceuticals and agricultural chemicals.

With a view to achieving the Company's strategic plans, strengthening its financial position and to write off accumulated losses, the Board of Directors made a recommendation on 24/02/1442 (corresponding to 11/10/2020G) to the General Assembly to reduce the Company's capital by 27% and subsequently increase it through offering SAR 480 million rights issue. In this regard, the Company appointed Al Wasatah Al Maliah Company (Wasatah Capital) as the financial advisor for the offering.

Following the announcement of Q3 of 2020G results, the accumulated losses reached 44.07% of the capital. Accordingly, the Board of Directors decided to modify its earlier recommendation of reducing the capital and increasing it through rights issue, to accommodate the volume of losses reported in that quarter. On December 28, 2020G, the Company submitted its application for capital reduction and rights issue for approval to the Capital Market Authority (CMA).

3-4 The company's branches

This part provides a summary of the branches of the company that are branching from the company under an industrial license or a commercial registry or both, so that they are 100% owned by the company. These branches do not own a legal entity independent of the legal entity of the company, nor do they have capital or debt instruments issued by them:

| The Company's name | Activity | Place of incorporation/country | Chemanol share |
|------------------------------------|---|----------------------------------|----------------|
| Methanol Chemicals Company Factory | Manufacture of basic organic chemicals, including acetylene other than fertilizers and nitrogenous (nitrogenous) compounds, production of primary gases, including (oxygen and hydrogen), and plastic industry (plastics) in their primary forms. | Jubail Industrial - Saudi Arabia | 100% |

3-5 Affiliated companies

The company does not own any stakes, directly or indirectly, in subsidiary companies.



3-6 Major shareholders of the company

The following table shows the major shareholders of the company (shareholders who own 5% or more of the company's shares) as at the date of this prospectus:

Table No. (1): Major shareholders of the company

| NO. | Name | Nationality | The percentage of direct ownership is approx. * | Number of shares of direct ownership ** | Nominal value (SAR) |
|-----|---------------------------------|-------------|---|---|---------------------|
| 1 | Mohammed Jalal and Sons Company | Bahrain | 5.00% | 3,372,543 | 33,725,430 |

* Major shareholders do not have indirect shares in the company

** After reducing the capital

3-7 Company activity

Chemanol is one of the best and most integrated and reliable companies producing methanol and its derivatives at the global level, and it is also one of the largest producers of formaldehyde in the world and the largest in the GCC countries, as Chemanol is distinguished in the production and marketing of specialized petrochemical products that include (concrete improvers, and Penta erythritol). Hexa-methyltyramine (hexamine), methylamine, di-methylamine, triethylamine, Dimethylformamide, liquid formaldehyde, para-formaldehyde, acetaldehyde, formaldehyde resins - liquid and powder, carbon monoxide, sodium formate in addition to the production of methanol, which is the main feedstock for these products.

The company's products are characterized by the fact that they enter into an industry in many fields such as agricultural materials, automobile manufacturing, pharmaceuticals and the construction sector.

3-7-1 The company's products, production capacity and percentage of sales

Table No. (2): the company's products and the annual production capacity for each product

| Product Type | Annual production capacity (metric tons) | | |
|---|--|----------------|----------------|
| | 2017G | 2018G | 2019G |
| Marcat formaldehyde (85-UFC, 37-AF) | 300,000 | 300,000 | 300,000 |
| Methanol | 231,000 | 231,000 | 231,000 |
| SNF concrete improvers | 163,000 | 163,000 | 163,000 |
| Dimethylformamide DMF | 60,000 | 60,000 | 60,000 |
| Dimethylamine DMA | 50,000 | 50,000 | 50,000 |
| Carbon monoxide CO | 33,000 | 33,000 | 33,000 |
| MONO – PENTA | 20,000 | 20,000 | 20,000 |
| Formaldehyde Resins UF -, MF-, & MUF-Resins | 13,200 | 13,200 | 13,200 |
| Acetaldehyde | 12,000 | 12,000 | 12,000 |
| Sodium Formate | 12,000 | 12,000 | 12,000 |
| Hexamine HMT | 9,570 | 9,570 | 9,570 |
| Paraformaldehyde PARA | 4,950 | 8,000 | 8,000 |
| Total | 908,720 | 911,800 | 911,800 |



Table No. (3): the company's products and their percentage of sales

| The product | 2017G | 2018G | 2019G | 30 September 2020G |
|---|-------------|-------------|-------------|--------------------|
| Formaldehyde Center 85-UFC, 37-AF | 13% | 15% | 15% | 12% |
| Hexamine HMT | 5% | 7% | 6% | 6% |
| Paraformaldehyde PARA | 2% | 2% | 4% | 4% |
| Formaldehyde Resins UF -, MF-, & MUF-Resins | 4% | 1% | 1% | 1% |
| SNF concrete improvers | 17% | 11% | 11% | 14% |
| MONO-PENTA, SOFO & Mix | 16% | 18% | 17% | 10% |
| Dimethylformamide DMF | 33% | 32% | 33% | 39% |
| Methanol | 10% | 14% | 13% | 14% |
| Total | 100% | 100% | 100% | 100% |

3-7-2 Geographical analysis of the company's sales

Table No. (4): Geographical analysis of the company's sales

| S. L | Region / Country | 2017G | 2018G | 2019G | 30 September 2020G |
|------|------------------------|-------|-------|-------|--------------------|
| 1 | Southeast Asia | 35% | 40% | 43% | 39% |
| 2 | Middle East and Africa | 18% | 21% | 21% | 20% |
| 3 | Saudi | 23% | 22% | 21% | 24% |
| 4 | far East | 13% | 10% | 7% | 6% |
| 5 | The rest of the world | 11% | 7% | 8% | 11% |

3-8 Competitive Advantages

- One of the best, most integrated and reliable methanol and formaldehyde companies on the global level.
- One of the largest formaldehyde producers on one site in the world.
- Low investment costs with reasonable payback periods.
- It owns 22 units to produce various products of methanol, formaldehyde and their derivatives.
- It owns a fully automatic plant that provides environmentally clean production processes, without harmful flows to the environment, and operates around the clock, in compliance with the highest international standards.
- Chemanol enjoys a competitive advantage within the Kingdom of Saudi Arabia and the countries of the Gulf Cooperation Council, especially in the production of specialized petrochemical products derived from methanol, as the main feedstock for these products, which is methanol, is produced within the company's factories, which means rationalizing production costs compared to other factories operating in the same sector. It is a major catalyst for the production of some specialized chemical products derived from methanol, and this enhances its competitive strength in this field.
- The company also enjoys its operational and technical experience of more than thirty years in this sector, as Chemanol was one of the leading companies in the Gulf Cooperation Council countries in the production of formaldehyde in addition to its distinguished market share, as the company has a well-established marketing and distribution network through which it reaches a base Clients in more than 52 countries, and this helps the company to develop its strategy periodically to match the requirements and trends of the market and to explore new products and additional business opportunities that have a positive impact on the company's performance.



3-9 Business interruption

There was no interruption in the company's business that could affect or have had a significant impact on the financial situation during the last three years, with the exception of some scheduled maintenance procedures, which are carried out periodically.

3-10 Employees and Saudization

The number of Saudi employees reached (275) and non-Saudis (169) as of 30 September, 2020G, and the percentage of localization for Methanol Chemicals Company was (62.5%) and classified within the (platinum) scope of Nitaqat program, according to the Nitaqat program issued by the Ministry of Human Resources and Social Development.

3-11 Employee Shares Program

As of the date of publication of this prospectus, the company does not have any employee stock programs or any other arrangements involving employees in the company's capital.

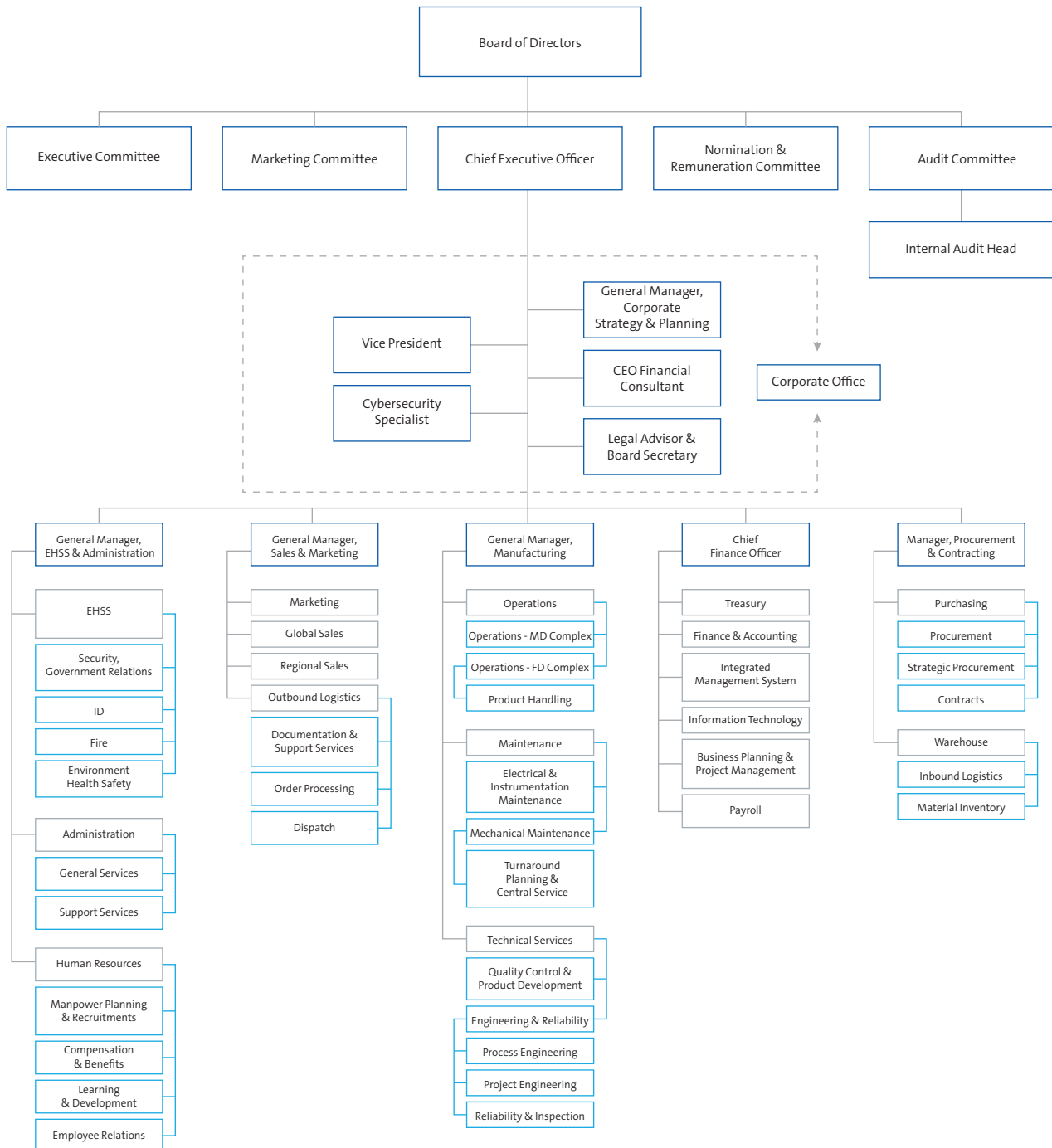


4- The organizational structure of the company

4-1 The Organizational Structure

The following figure shows the organizational structure of the company:

ORGANIZATIONAL CHART CHEMANOL



4-2 Board of Directors

The Ordinary General Assembly, at its meeting held on 1/11/2018G, agreed to appoint (9) members to the Board of Directors, provided that the appointment will take effect on 12/11/2018G for a period of three years ending on 12/11/2021G. The table shows the following is the members of the Board of Directors as of the date of this prospectus, and the following table shows the members of the Board of Directors:

Table No. (5): Members of the Board of Directors

| Name | The position | As representative of | Nationality | Age | Resign | Adjective | Shares owned as of the date of the prospectus ** | | Membership date |
|---------------------------------|----------------|----------------------|-------------|-----|-----------------|-----------------|--|---------|-----------------|
| | | | | | | | direct | Rate | |
| Abdullah Ali Al-Sanea | President | - | Saudi | 63 | independent | Non - executive | 1,054 | 0.0009% | 12/11/2018G |
| Sami Abdul Aziz Al-Suweigh | Vice President | - | Saudi | 65 | Independent | Non - executive | 1,000 | 0.0008% | 12/11/2018G |
| Ziad Abdul Latif Al-Barrak | member | - | Saudi | 45 | Independent | Non - executive | - | - | 12/11/2018G |
| Adel Saleh Al-Ghsab | member | - | Saudi | 57 | Independent | Non - executive | - | - | 12/11/2018G |
| Abdullah Abdul Rahman Bu Ali | member | - | Saudi | 63 | not independent | Non - executive | - | - | 12/11/2018G |
| Mohammed Farhan bin Nader | member | - | Saudi | 42 | Independent | Non - executive | 1,000 | 0.0008% | 12/11/2018G |
| Saud Abdullah Al-Sanea | member | - | Saudi | 63 | not independent | Non - executive | - | - | 12/11/2018G |
| Yasser Abdul Rahman Al-Luhaidan | member | - | Saudi | 45 | Independent | Non - executive | 2,426 | 0.0020% | 12/11/2018G |
| Abd al-Salam mazrue almazrue | member | - | Saudi | 61 | Independent | Non - executive | 1,000 | 0.0008% | 12/11/2018G |

Source: Company management

* Means shares indirectly owned by members of the board of directors in the company through their ownership in companies that own shares in the company or shares owned by relatives of members of the board of directors, either directly or through their ownership in companies that own shares in the company.

** Board members do not have indirect ownership of the company.

The number of board meetings in the last three years

| The administrative authority | 2017G | 2018G | 2019G |
|------------------------------|-------|-------|-------|
| Board of Directors | 8 | 3 | 6 |

Source: Company management

4-3 Compensation and remuneration for board members and senior executives

Responsibility for proposing compensation and bonuses for directors and senior executives falls within the framework of the Remuneration and Nomination Committee. The following table shows the value of salaries, bonuses and allowances that members of the Board of Directors received (during the past three years:

Table No. (6): Compensation and remuneration for members of the Board of Directors and senior executives

| In thousands of Saudi riyals | 2017G | 2018G | 2019G |
|------------------------------|-------|-------|-------|
| Board of Directors | 1,983 | 2,048 | 2,207 |
| Executives | 5,014 | 7,095 | 7,943 |

Source: Company management



4-4 Board committees

The Board has formed a number of specialized committees, whether according to the requirements of the companies' system, the Capital Market Authority's system and its implementing regulations, or in light of the need for work in the company, to help the board manage its tasks more effectively, and they are as follows:

4-4-1 The Executive Committee

The Executive Committee is responsible for overseeing the executive decision-making process and represents the supervisory board's role in the periods between management meetings. The Executive Committee specializes in the following:

- Discussing and making decisions related to issues that need urgent decision-making in emergency events within the limits of the powers granted to them.
- By the Board of Directors.
- Receive reports from management regarding legal issues and lawsuits of relative importance to the company.
- Ensure that the company's strategic plans have been translated into actual actions and actions aimed at achieving the company's goals.
- Reviewing the CEO's recommendations regarding the distribution of the company's resources aimed at achieving alignment between the company's strategic plans and its long-term operational goals.
- Periodically reviewing the company's strategic plans and operational goals to ensure that they are consistent with the company's mission and strategic goals.
- Preparing recommendations for the Board of Directors regarding strategic decisions related to operational priorities, including penetration into new markets and countries or exit from existing markets and countries.
- Preparing and reviewing recommendations made to the Board of Directors related to the company's profit distribution policy and how to implement it.
- Periodic review of capital and actual expenditures and their review with pre-approved budgets.
- An annual review and evaluation of its regulations with the aim of ensuring that it fulfills its duties and submits recommendations to the Board of Directors regarding making amendments to it.
- The committee submits a periodic report on its activities to the board of directors, not less than once every six months.

Table No. (7): Members of the Executive Committee

| Name | The position | Membership date |
|------------------------------|---------------|-----------------|
| Abdullah Ali Al-Sanea | The president | 15/11/2018G |
| Sami Abdul Aziz Al-Suweigh | Member | 15/11/2018G |
| Abd al-Salam mazrue almazrue | Member | 15/11/2018G |
| Saud Abdullah Al-Sanea | Member | 15/11/2018G |
| Abdullah Abdul Rahman Bu Ali | Member | 15/11/2018G |

Source: Company management

The number of board meetings in the last three years

| The administrative authority | 2017G | 2018G | 2019G |
|------------------------------|-------|-------|-------|
| The Executive Committee | 3 | 1 | 2 |

Source: Company management



4-4-2 The Audit Committee

The Board of Directors has formed an Audit Committee in accordance with the requirements of the Companies Law and the Corporate Governance Regulations. The audit committee specializes in the following:

- Monitor the company's business and activities to verify the integrity and integrity of the financial reports and the company's internal and financial control systems.
- Study the initial and annual financial statements of the company before submitting them to the Board of Directors and recommend in their regard to ensure their integrity, fairness and transparency.
- Searching for any issues raised by the financial director or the auditor.
- Supervising the company's internal audit unit and recommending to the Board of Directors the appointment of an internal audit officer.
- Study the internal audit reports and follow up on the implementation of corrective actions.
- Recommending to the Board of Directors to nominate and dismiss the auditors, determine their fees, verify their independence, and evaluate their performance.
- Study the accounting policies followed by the company and express opinion and recommendation to the Board of Directors in this regard.
- Verify the company's compliance with the relevant laws and regulations.
- Review the reports of the regulatory authorities and verify that the company has taken the necessary actions in this regard.
- Review the committee's work bylaw, evaluate tasks and controls from time to time, recommend any changes to the Board of Directors for study, and recommend to the General Assembly of shareholders the approval of the amendment.

Table No. (8): Members of the Audit Committee

| Name | The position | Membership date |
|----------------------------|---------------|-----------------|
| Mohammed Farhan bin Nader | The president | 12/11/2018G |
| Adel Saleh Al-Ghsab | Member | 12/11/2018G |
| Ziad Abdul Latif Al-Barrak | Member | 12/11/2018G |

Source: Company management

The number of board meetings in the last three years

| The administrative authority | 2017G | 2018G | 2019G |
|------------------------------|-------|-------|-------|
| Audit Committee | 8 | 7 | 8 |

Source: Company management

4-4-3 Remuneration and Nomination Committee

The Remuneration and Nomination Committee was formed in accordance with the requirements of the Corporate Governance Regulations issued by the Capital Market Authority, and the duties of the Nominations and Remuneration Committee include the following:

- Recommending to the Board of Directors the nomination for membership of the Board in accordance with the approved policies and standards.
- Annual review of the capabilities and qualifications required for appropriate skills for board membership, including timing Allocated to the work of the Board of Directors.
- Review the structure of the Board of Directors and submit recommendations to the Board regarding the changes that can be made.
- Identifying the strengths and weaknesses of the board of directors and proposing remedies in accordance with the company's interest.
- Ensure, on an annual basis, that the independent members are independent, and that there is no conflict of interest if the member is a member of the board of directors of another company.
- Establishing clear compensation and remuneration policies for members of the Board of Directors and senior executives.
- Submit suggestions regarding council members who will be appointed in each committee affiliated with the council.
- Reviewing the company's corporate governance annually and proposing any amendments.



- Reviewing the laws and procedures that must be followed in evaluating the performance of each member of the council or committee and submitting proposals related to them to the council.
- Review and suggest appropriate changes to the compensation policy and procedures.
- Evaluate the effectiveness of the compensation procedures used in the company in achieving the strategic objectives.
- Determine and approve CEO compensation.
- Evaluate the CEO's performance on the basis of set goals and objectives.
- Approving the compensation of the executive management specified by the CEO.
- Submit the committee's work results and recommendations to the Board of Directors.

Table No. (9): Members of the Remuneration and Nominations Committee

| Name | The position | Membership date |
|---------------------------------|---------------|-----------------|
| Sami Abdul Aziz Al-Suweigh | The president | 15/11/2018G |
| Yasser Abdul Rahman Al-Luhaidan | Member | 15/11/2018G |
| Ziad Abdul Latif Al-Barrak | Member | 15/11/2018G |

Source: Company management

The number of board meetings in the last three years

| The administrative authority | 2017G | 2018G | 2019G |
|---------------------------------------|-------|-------|-------|
| Remuneration and Nomination Committee | 3 | 2 | 4 |

Source: Company management

4-4-4 Marketing Committee

According to the directive issued on 11/15/2018G by the Board of Directors of Chemanol, a marketing committee for the company was formed in order to direct and support the company in selling and marketing its products (products). the following:

- Assist the Marketing and Sales Department to develop the annual marketing plan for the products, provided that this plan is submitted to the Board for approval.
- Reviewing the company's annual and quarterly plan related to production and sales of various products.
- Establish quarterly price forecasts to define economic sectors.
- Review product varieties and/or profitability of new items, and make recommendations on adding and removing products, as needed.
- Conducting a periodic review of the company's logistical costs (packaging, freight, and storage costs) and recommending improvements.
- Setting key performance indicators in coordination with the Marketing and Sales Department, through which the company measures and reviews the department's performance in light of these indicators.
- Review and make recommendations on the Marketing and Sales Department strategies and procedures related to compliance with laws (for example anti-trust laws, export and dumping regulations).
- Monitor the company's compliance with marketing and transportation agreements, and review and approve any amendments thereto, taking into account the necessary considerations.
- Provide recommendations to the company to conduct periodic or specialized marketing research to determine customer needs, levels of satisfaction, environmental factors, and competitive elements.
- Assist in setting up a long-term plan to market the company's current products and develop growth strategies.
- Assist in identifying potential opportunities and partnerships to improve marketing initiatives in order to achieve optimal results.

Table No. (10): Members of the Marketing Committee

| Name | The position | Membership date |
|---------------------------------|---------------|-----------------|
| Abd al-Salam mazrue alalmazrue | The president | 15/11/2018G |
| Saud Abdullah Al-Sanea | Member | 15/11/2018G |
| Yasser Abdul Rahman Al-Luhaidan | Member | 15/11/2018G |
| Adel Saleh Al-Ghassab | Member | 15/11/2018G |

Source: Company management



The number of committee meetings in the last two years

| The administrative authority | 2017G | 2018G | 2019G |
|------------------------------|----------------|-------|-------|
| Marketing Committee | Not Applicable | 1 | 3 |

Source: Company management

4-5 Executive Management

The following table shows the details of the executive management^{*} of the company:

Table No. (11): The executive management of the company

| Name | The position | Qualification | Nationality | Date of hiring |
|-----------------------------------|--|--|-------------|----------------|
| Ali Muhammad Maneh Al-Asiri | Chief Executive Officer |  Bachelor of Applied Chemical Engineering Executive Master of Business Administration | Saudi | 1/9/2019G |
| Abdullah Ali Hamad Al-Hajri | Chief Financial Officer |  Bachelor of Accounting, Master of Finance, Saudi Fellowship for Certified Public Accountants | Saudi | 1/1/2020G |
| Khaled Muhammad Muharram | Factories General Manager |  Bachelor of Applied Chemical Engineering | Saudi | 25/5/1996G |
| Abdul Aziz Mohammed Al-Zahrani | General Manager of Marketing and Sales |  Bachelor of Industrial Engineering | Saudi | 13/3/2017G |
| Eid Abdul Mohsen Al-Dossary | General Director of Administrative Affairs and Industrial Security |  Bachelor of Project Management | Saudi | 01/03/2008G |
| Osama Saeed Abdel Fattah | Legal advisor and secretary of the Board of Directors |  Bachelor of Laws - Department of English | Saudi | 1/9/2020G |
| Osama Ali Al-Sarouj | Head of Internal Audit (designated) |  Bachelor of Accounting and Certified Internal Auditor (CIA) | Saudi | 9/02/2020G |
| Ali Mutair Al-Huzali | Director of Information Technology Department (designated) |  Bachelor of Information Systems | Saudi | 21/9/2020G |

^{*} The executive management or employees do not have any ownership in the company, either directly or indirectly.



5- Management's discussion and analysis of the company's financial position and the results of its operations

5-1 Introduction

The Financial Information and Management Discussion and Analysis section includes an analytical review of the company's performance and financial position during the financial years ending on 31 December, 2017G, 2018G and 2019G, And the nine-month periods ending on September 30, 2020G and 2019G, hereinafter referred to as the "Analysis Period" It is based and should be read in conjunction with the section ("**Summary of Financial Information**") and the company's audited financial statements. The company's financial information has been extracted from the financial years ending 31 December, 2017G, 2018G and 2019G, and the nine-month period ending September 30, 2020G from the financial statements for the years 2017G, 2018G, and 2019G, and the interim condensed financial information for the three and nine-month periods ending on September 30, 2020G, respectively, and this information has not been subject to any material modification unless otherwise indicated. For the nine-month period ended 30 September, 2019G, from the comparative data for the interim condensed financial information for the three and nine-month periods ending on 30 September, 2020G, and this information has not been subject to any material modification.

The financial statements of the company for the years 2017G, 2018G, and 2019G were prepared in accordance with the International Financial Reporting Standards (IFRS) approved in the Kingdom and other standards and publications issued by the Saudi Organization for Certified Public Accountants, and were reviewed by the company's auditor (Price water house Coopers Chartered Accountants) As stated in their audit reports, in addition to the Company's condensed interim financial information for the three and nine-month periods ending on September 30, 2020G prepared in accordance with International Accounting Standard No. 34.

The financial statements for the years 2017G -2018G and 2019G were audited and reviewed, and the interim condensed financial information for the three and nine-month periods ending on September 30, 2020G was examined by Price water house Coopers Chartered Accountants.

Neither Price water house Coopers nor any of their sister companies has any shareholding or interest of any kind in the company as at the date of this prospectus. Price water house Coopers has expressed its written consent to use its name, logo, and statement that has not been withdrawn as at the date of this prospectus regarding the reference in this prospectus to its role as the company's auditor for the financial years ending on 31 December, 2017G, 2018G, 2019G and the nine-year period. Months ending on 30 September, 2020G.

Please note that the numbers shown in the tables of this section are in Saudi riyals, unless otherwise stated, and the percentages are rounded to the nearest decimal number, and therefore the calculation of the percentage increase/decrease using the numbers in the tables (displayed in thousands of riyals and rounded) may not be given. To the nearest whole number (exactly matching the percentages mentioned in the tables).

This section may include forward-looking statements related to the future expectations of the company depending on the current plans of the management and its expectations regarding the company's growth, the results of its operations, and its financial position, which may involve risks and uncertain perceptions. The company's actual results may differ materially from the results that have been referred to or included in these future statements due to various factors and future events, including those discussed below and elsewhere in this prospectus, especially in the "**Risk Factors**" section of this the prospectus.

5-2 Declarations of members of the Board of Directors regarding the financial information

The members of the company's board of directors acknowledge the following:

- 1- The financial information contained in this prospectus has been extracted from the financial statements without making any material amendment to them, and it includes financial information presented on a consolidated basis in a form consistent with the financial statements.
- 2- The company does not have any holdings in contractual securities or other assets whose value is subject to fluctuations or difficult to ascertain their value, which may adversely affect the evaluation of the financial position.
- 3- There has been no material negative change in the financial and commercial position of the company during the three fiscal years ending on 31 December, 2017G, 2018G and 2019G, and the nine-month period ending on 30 September, 2020G, which immediately precedes the date of submitting the application for registration and offering of securities subject to this prospectus.
- 4- With the exception of what was disclosed in Section (2) "**Risk Factors**" of this prospectus, there are no indications of any seasonal factors or economic cycles related to the activity that may have an impact on the business and the financial situation.
- 5- With the exception of what was disclosed in Section (2) "**Risk Factors**" of this prospectus, there is no information on



any governmental, economic, financial, monetary, political or any other factors that affect or have a material impact (directly or indirectly) on its operations.

- 6- The company did not witness any capital adjustments during the three years immediately prior to the date of submitting the registration application and offering the securities subject to this prospectus.
- 7- That the company does not have any capital included in the right of option as of the date of this prospectus.
- 8- That the company does not have any loans or other debts, including overdrafts from bank accounts, and they acknowledge that there are no guarantee obligations (including personal guarantee, or not covered by a personal guarantee, or secured by a mortgage or not guaranteed by a mortgage) or obligations under acceptance or Acceptance credit or hire-purchase obligations, except as disclosed in this section (Part 5-5-5 **contingent liabilities and engagements**) and the Legal Information section of this prospectus.
- 9- There are no mortgages, rights, burdens or costs on the company's property as at the date of this prospectus, except for what was disclosed in this section (Part 5-5-2-4-1 **long-term loans**) in the "Legal Information" section of This prospectus.
- 10- That the company does not have any potential liabilities, guarantees or any important fixed assets planned to be bought or leased.
- 11- No commissions, discounts, brokerage fees, or non-cash compensation were granted by the company to any of the board members, senior executives, those presenting or offering securities or experts during the three years immediately prior to the date of submitting the application for the issue of priority rights shares subject to this The Prospectus.
- 12- There was no interruption in the company's business, which could affect or have had a significant impact on the financial position during the last twelve (12) months from the date of this prospectus.
- 13- That all the material facts related to the company and its financial performance have been disclosed in this prospectus, and that there are no information, documents or other facts, if they were omitted, the data contained in this prospectus will become misleading data.
- 14- That the company owns working capital sufficient for the twelve (12) months immediately following the date of publishing this prospectus.

5-3 Summary of significant accounting policies

The most important accounting policies applied in preparing these financial statements of the company are listed below.

5-3-1 Basics of preparation

(A) Statement of compliance

These financial statements of the company have been prepared in accordance with international financial reporting standards adopted in the Kingdom of Saudi Arabia and other standards and publications issued by the Saudi Organization for Certified Public Accountants.

(B) The historical cost principle

The financial statements have been prepared according to the historical cost principle, except for what is disclosed in the accounting policy below.

(C) New and revised standards applied by the company

A number of new and revised standards have been applied for the current reporting period, and the company is required to change its accounting policies as a result of applying International Financial Reporting Standard (IFRS NO.16) - "Lease Contracts". International Financial Reporting Standard (IFRS NO. 16) is effective from 1 January 2019G. The other standards had no effect on the company's accounting policies and did not require retrospective adjustments.

The disclosure in note No. 2-9 in the audited financial statements report for the year ended December 31, 2019G, was disclosed about the impact of applying International Financial Reporting Standard (IFRS NO. 16) and the new accounting policies.

International Financial Reporting Standard (IFRS NO. 16)

The company has applied IFRS 16 from 1 January 2019G, and has not modified the comparative information or the opening equity rights as permitted in accordance with the provisions of the transition to IFRS 16. Accordingly, the company recorded rental liabilities and right-to-use assets arising when applying IFRS 16 in the balance sheet on 1 January, 2019G, and right-to-use assets were measured at the value equal to the rental liabilities, adjusted for the value of any prepaid or due rental payments related to with a lease contract affixed to the balance sheet immediately prior to the date of the initial application.

On application of IFRS 16, the Company recognized lease liabilities related to lease contracts that were previously classified as "operating leases" in accordance with the principles of IAS 17 "Leases". These liabilities were measured at the present value



of the remaining lease payments discounted using the Company's incremental borrowing rate as at 1 January 2019G. The weighted average incremental borrowing rate of the company applied to the rental liabilities on January 1, 2019G is 5.6%.

(1) Applicable practical means

When applying IFRS 16 for the first time, the Company used the following practical means permitted under the standard:

- Use a single discount rate for a lease portfolio with reasonably similar characteristics;
- Reliance on past assessments of whether the leases are expensive;
- Accounting for operating leases where the remaining operational lease maturities are less than 12 months old as on January 1, 2019G, as short-term leases; And the.
- Excluding the initial direct costs of measuring right-of-use assets as at the date of initial application.

The company also chose not to re-evaluate whether the contract represents or includes a lease as on the date of initial implementation. Instead, for the contracts it entered into prior to the date of initial application, the company relied on its evaluation made in accordance with previously applied accounting principles.

(2) Adjustments to operating lease commitments as at December 31, 2018G, and lease liabilities as on January 1, 2019G are recognized as follows:

| | Thousand Saudi riyals |
|---|-----------------------|
| Disclosed operating lease commitments as of December 31, 2018G | 16,424 |
| Modifications resulting from different treatment of extension options | 27,117 |
| Discounted using the company's incremental borrowing rate as at the date of initial application | (15,695) |
| Fixed rental liabilities as of January 1, 2019G | 27,846 |
| which are: | |
| Current rental liabilities | 1,055 |
| Non-current lease liabilities | 26,791 |
| | 27,846 |

Source: Financial Statements

(3) Right-of-use assets

Right-of-use assets relate to parcels, a warehouse and a reservoir. There were no costly leases that required adjustments to right-of-use assets on the date of initial application.

(4) Amendments confirmed in the balance sheet on January 1, 2019G

The change in the accounting policy affected the following items in the balance sheet on January 1, 2019G:

- Right-of-Use Assets - proven in the amount of SAR 29.6 million;
- Trade and other receivables - decreased by SAR 1.7 million (adjustment for prepaid rent); and
- Rental liabilities - proven in the amount of SAR 27.9 million.

(D) Standards issued but not effective

Some standards and interpretations of the new accounting standards that are not mandatory for the annual reporting period of December 31, 2019G have been published and were not early applied by the company. It is not expected that these standards will have a material impact on the company in the current or future reporting periods and on its foreseeable future transactions.

5-3-2 Revenues

Revenue from the sale of goods is measured at the fair value of the cash consideration received or receivable in the ordinary course of the company's activities. The company recognizes revenue when control of the goods is transferred, or when the goods are delivered to the customer, and the customer is completely free to choose the outlet and the sale price of the goods, and that there is no unfulfilled commitment that affects the customer's acceptance of the goods. Delivery takes place when the goods are shipped to the specified location and the risks of obsolescence and losses are transferred to the customer, and either the customer accepts the goods in accordance with the sales contract or with the expiration of the acceptance provisions or the company has objective evidence that all acceptance criteria are met.

Account receivable are recognized when the goods are delivered, as this is the point in time at which this corresponding consideration is unconditional, since only time is required before it is due to be paid.



5-3-3 Finance income

Finance income is calculated using the effective interest rate method.

5-3-4 Foreign Currency

(A) Functional and presentation currency

Items included in the financial statements are measured using the currency of the main economic environment in which the company operates (the “functional currency”). These financial statements are presented in Saudi riyals, which is the presentation and functional currency of the company.

(B) Transactions and balances

Transactions in foreign currencies are converted into Saudi riyals on the basis of the exchange rates prevailing on the dates of those transactions. Foreign exchange gains and losses resulting from the settlement of those transactions, as well as those resulting from the transfer of monetary assets and liabilities in a foreign currency other than the Saudi riyal, using the prevailing currency exchange rates as at the end of the year, are recognized in profit or loss.

Non-monetary items that are measured from their historical cost in a foreign currency are translated using the exchange rates on the dates of the initial transactions.

5-3-5 Zakat

The company is subject to zakat in accordance with the regulations of the General Authority for Zakat and Income (“the Authority”). Zakat is calculated based on the approximate Zakat base or adjusted profits, whichever is greater, and is charged to the profit or loss. Additional Zakat due, if any, is recognized when it is determined and requested to be paid.

Amounts due for the zakat expense for the year may have to be adjusted in a subsequent year if the expense estimates for the year change.

5-3-6 Segment Reports

The operating sector is one of the components of the company that participates in business activities from which it may generate revenues and incur expenses, including revenues and expenses related to transactions with any of the company's other components, which are reviewed by the main person responsible for making operational decisions with the company.

The company's board of directors has appointed a CEO, who is responsible for evaluating the financial performance and financial position of the company, and making strategic decisions. The CEO has been identified as the primary person responsible for making operational decisions.

The financial statements are prepared on a reportable segment basis in line with the information reviewed by those responsible for making operational decisions.

5-3-7 Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to the shareholders of the company, excluding any costs of equity services other than ordinary shares, by the weighted average number of shares outstanding during the financial year.

Reduced earnings per share adjusts the figures used in determining basic earnings per share to take into account the impact of income tax after interest on interest and other financing costs associated with discounted potential ordinary shares, and the weighted average number of additional ordinary shares that would be based on the assumption of transferring all potential diluted ordinary shares.

5-3-8 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditures that are directly related to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as necessary, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of that item can be measured reliably. The carrying value of any of the items that are accounted for as separate assets is de-recognized when de-recognized. Other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation of property, plant and equipment is calculated after deducting its estimated residual value of its cost apportionment using the straight-line method. Depreciation is charged to profit or loss.



Gains and losses from disposals are determined by comparing the proceeds with the carrying amount and are recorded in profit or loss.

Major spare parts and spare equipment are eligible to be recognized under property, plant and equipment when the company expects that it will have a useful life of more than one year.

The catalysts are treated as capital spare parts and are depreciated as they are used.

The costs of the planned periodic maintenance are deferred and depreciated over the period until the date of the next planned periodic maintenance. In the event that unexpected periodic maintenance occurs before the planned date, the un-amortized costs are charged to the expenses immediately and then the new periodic maintenance costs are consumed over the period until the date of the next scheduled periodical.

The assets' residual values and useful lives are reviewed, and adjusted if necessary, at the end of each annual reporting period.

When the carrying amount of the asset is greater than its expected recoverable amount, it is reduced immediately to the expected recoverable amount and is reviewed at each reporting date to determine the possibility of reversing the impairment loss.

The assets under construction or development are capitalized under the construction in progress account. Assets under construction or development are transferred to the appropriate category within property, plant and equipment when the assets are on site and in the condition necessary for their use as planned by the management. The cost of the construction-in-progress item consists of its purchase price, construction/development cost, and any other costs directly related to placing these assets on site and the condition required to be worked on as planned by management. Construction in progress is not depreciated.

5-3-9 Lease contracts

5-3-9-1 Accounting policy in effect as of January 1, 2019G

The company assesses whether the contract prepares, or includes, a lease agreement, at the inception of the contract. The Company recognizes right-of-use assets and corresponding lease liabilities in relation to all lease agreements in which the company is the lessee, except for short-term leases (defined as leases of 12 months or less) and leases for low-value assets. The company recognizes lease payments as operating expenses on a straight-line basis over the term of the lease agreement unless another regular basis is more representative of the time pattern in which the economic benefits from the leased assets are consumed.

Rental liabilities

The lease liability is initially measured at the net present value of the lease payments payable on the lease commencement date. Lease payments are discounted using the interest rate implicit in the lease. If this rate cannot be determined easily, as is the case with company leases, then the additional borrowing rate of the lessee is used, as it represents the rate that the lessee must pay to borrow the amounts necessary to obtain assets of similar value in a similar economic environment with similar terms, guarantees and conditions.

To determine the additional borrowing rate, the company must:

- ◆ Where possible, use recent quotations submitted by another party that have been modified to reflect changes in financing terms since the receipt of these offers, and
- ◆ Make adjustments to the lease agreement, for example the tenancy period, country, currency, and guarantee.

Lease liabilities include the net present value of the following lease payments:

- ◆ Fixed rent payments, minus any rent incentives receivable,
- ◆ variable rental payments that are based on an index or rate and are initially measured using the index or rate as on the start date,
- ◆ Amounts expected to be paid by the company under residual value guarantees,
- ◆ The price of exercising call options if the firm is reasonably certain that it will exercise the options,
- ◆ Payment of fines for termination of the lease, if the lease term reflects the exercise of the option to terminate the contract, and
- ◆ Lease payments are made under reasonably assured extension options.

The lease liability is subsequently measured by increasing the carrying amount to reflect the interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.



The company re-measures the lease liability (and makes a corresponding adjustment to the relevant right-to-use asset) when:

- The lease term changes or there is a change in the evaluation of the purchase option exercise, in which case the rental liabilities are re-measured by deducting the adjusted lease payments using a modified discount rate,
- The lease payments change due to changes in an index or rate or a change in the expected payments under a guaranteed residual value, in which case the lease liability is remeasured by deducting the adjusted lease payments using the initial discount rate (unless the lease payments change due to a change in the floating interest rate, and in this case the adjusted discount rate), and
- The lease agreement is amended, and the lease amendment is not counted as a separate lease contract, in which case the lease liability is remeasured by deducting the revised lease payments using a modified discount rate.

Right-of-use assets

Right-of-use assets include the initial measurement of the corresponding lease liability, lease payments made on or before the lease commencement date and any initial direct costs. It is subsequently measured at cost less accumulated depreciation and impairment losses, if any.

When the company bears an obligation for the costs of dismantling and removing a leased asset, restoring the location on which it is located, or restoring the underlying asset to the required condition under the terms and conditions of the lease contract, the provision is recognized and measured in accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets". Costs are included in the related right-of-use assets, unless these costs are incurred in producing the stock.

Right-of-use assets are depreciated over the lease term or the useful life of the underlying asset, whichever is the lower. If a lease transfer transfers ownership of the company's underlying asset or the cost of the right-to-use asset reflects that the company expects to exercise the purchase option, the value of the relevant right-to-use asset is depreciated over the useful life of the underlying asset. Depreciation begins on the date when the asset is ready for use.

5-3-9-2 Accounting Policy in effect until December 31, 2018G

Leases in which the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (after deducting any incentives received from the lessor) are charged to profit or loss using the straight-line method over the term of the contract. The financial information as at and for the year ended December 31, 2018G does not reflect the requirements of IFRS 16. It is not compared with the financial information presented as on and for the year ended December 31, 2019G.

5-3-10 Intangible assets

Intangible assets acquired separately are measured on initial recognition of cost. After initial recognition, intangible assets are stated at cost less any accumulated amortization and accumulated impairment losses, if any. The useful lives of intangible assets are classified and classified as finite.

Intangible assets with finite useful lives are amortized over their useful economic life and impairment is assessed when there is an indication that the intangible assets have decreased in value. The amortization period and the amortization method for intangible assets with finite useful lives are reviewed at least at the end of each annual reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic returns associated with the assets are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense for intangible assets with finite lives under the expense category is charged to profit or loss in line with the function of the intangible assets.

Profits or losses resulting from the disposal of intangible assets are measured by the difference between the net proceeds from disposal and the carrying amount of the assets, and the gain or loss is recognized when those assets are derecognized.

Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives between 4 years to 20 years.



5-3-11 Financial instruments

5-3-11-1 Financial assets

(A) Classification

The company's financial assets are classified and measured at amortized cost because those assets are held to collect contractual cash flows as those cash flows represent only payments of principal and interest.

(B) Evidence and annulment of evidence

On initial recognition, the company measures by measuring the financial asset at its fair value plus transaction costs directly related to the acquisition of the financial asset, if the financial asset is not valued at fair value, through profit or loss.

Financial assets are derecognized when the rights to receive cash flows from the financial assets expire or when they are transferred as the company transfers substantially all the risks and rewards of ownership.

(C) Measurement

The Company's financial assets are subsequently stated at amortized cost. Interest income from financial assets is measured and recognized in profit or loss, using the effective interest rate method. Any gain or loss arising from de-recognition is recognized in profit or loss.

(D) Impairment

The company evaluates the expected credit losses related to its financial assets on a prospective basis. The impairment method applied depends on whether there has been a significant increase in credit risk.

For trade receivables only, the company applies the simplified approach permitted by IFRS 9, which requires that expected losses be recognized over the life of these receivables, starting from the initial recognition of the related financial assets. The amount of the loss is charged to the profit or loss.

Loss rates are based on the probability of default based on historical trends in the collection of the Company's trade receivables. Loss rates are adjusted to reflect current and future information on macroeconomic factors that affect customers' ability to settle receivables. The company has determined the weighted average rate of increase in inflation for the next year in the regions where sales are concentrated as the most appropriate factor, and accordingly adjusts the loss rates based on these expected changes.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators indicating a lack of reasonable expectations of repayment include, among other things, a significant drop in the customer's creditworthiness, failure of the customer to agree on a payment plan with the company, and failure to make late contractual payments for a period greater than 365 days.

If the amount of the impairment loss decreases in any subsequent period, and the decrease can be related objectively to an event that occurred after the impairment loss was recognized, the reversal of the previously recognized impairment loss is recognized in profit and loss. The impairment loss is presented under 'general and administrative expenses' in the statement of comprehensive income.

As cash and cash equivalents are also subject to impairment requirements in accordance with IFRS 9, the impairment loss is not material.

5-3-11-2 Financial liabilities

All financial liabilities are recognized at the time the company becomes a party to the contractual terms of the instrument. Financial liabilities are recognized initially at fair value, net of any direct attributable transaction costs. After initial recognition, these liabilities are measured at amortized cost using the effective interest rate method.

Financial liabilities are derecognized when the obligation relating to the liability is discharged, canceled or expired. When an existing financial obligation is replaced by another from the same lender based on new conditions that are substantially different from the previous one or when the terms of the existing obligation are completely modified, this replacement or amendment is treated as a revocation of the original obligation and proof of a new commitment. The difference between the related book values is recognized in profit.

5-3-11-3 Offsetting the financial assets and liabilities

Offsetting the financial assets and liabilities and recording the net is done in the financial statements when the company has a legal right to set off the amounts confirmed and intend to settle on a net basis or to prove the assets and liabilities at the same time.



5-3-12 Impairment of non-financial assets

The company assesses, at each reporting date, whether there is any indication that the non-financial assets may be impaired. In the event that such an indicator exists, or when it is necessary to examine the impairment of the asset annually, the company estimates the asset's recoverable amount. The asset's recoverable value is represented by the fair value of the asset or the cash-generating unit minus the selling costs and the value from use, whichever is higher, and it is determined for each asset separately, unless the asset does not generate incoming cash flows that are largely independent of the cash flows of other assets or a group. Of the assets. When the carrying amount of the asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is reduced to its recoverable value. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks associated with the asset. In determining the fair value less costs to sell, an appropriate valuation method is used.

Impairment losses from continuing operations are charged to profit or loss in the expense categories in line with the function of the impaired assets.

For assets, at each reporting date, an assessment is made whether there is any indication that previously recorded impairment losses no longer exist or have decreased in value. If such an indicator exists, the company estimates the recoverable amount of the asset or the cash-generating unit. A previously recognized impairment loss is not reversed unless there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. This reversal is limited so that the asset's book value does not exceed its recoverable value or book value that would have been determined, after deducting depreciation, had no loss been computed for the decline in the asset's value during previous years. The opposite is evidenced in profit or loss.

5-3-13 Stock

Raw materials, consumables, work in progress and finished goods are shown at the lower of cost or net realizable value. Cost includes direct materials, direct labor and an appropriate percentage of fixed and variable indirect overheads. The latter is included on the basis of normal operating capacity. Costs are assigned to the individual items of stock on a weighted average cost basis. The costs of the stock items purchased are determined after deducting the discounts and rebates.

Net realizable value is the estimated selling price in the ordinary course of business minus the estimated costs to complete the process and the estimated expenses needed to complete the sale. Provision for slow moving stock is determined after taking into account various factors including stock of stock items, historical use and expected future use.

5-3-14 Trade receivables

Trade receivables are stated at the transaction price relating to the performance obligation less expected credit loss allowance for trade receivables. If these receivables are expected to be collected within one year or less, then they are classified as current assets. Otherwise, they are presented as non-current assets. The company maintains trade receivables for the purpose of collecting the contractual cash flows and accordingly measures them at amortized cost using the effective interest rate method.

5-3-15 Short-term Cost-plus deposits

Short-term cost-plus deposits include deposits in cost plus deposits with banks and other short-term, highly liquid investments, with original maturities of more than three months but not more than one year from the date of purchase. Short-term cost-plus deposits are placed with investment-rated financial institutions that are considered to have low credit risks, and therefore a provision is recorded in an amount equivalent to the expected credit loss within 12 months, unless there is evidence of a significant increase in the credit risk of the counterparty.

5-3-16 Cash and cash equivalents

Cash is cash on hand and demand deposits. The cash equivalent is short-term, highly liquid investments that are ready to convert into known amounts of cash and are not subject to significant risk of changing their value. Investments usually qualify for cash equivalent only if they are due for a short period of three months or less from the date of the acquisition.

For the purpose of presenting the statement of cash flows, cash and cash equivalents include cash in hand and demand deposits with banks, and other short-term, highly liquid investments with original maturities of three months or less that are ready to be converted into known cash amounts that are not affected significantly by risks Change in value.

5-3-17 Capital

Common shares are classified as equity. Transaction costs that are directly attributable to the issue of new shares are included in equity as a deduction from the proceeds.



5-3-18 Trade Payables

Trade payables are obligations to pay for goods or services that are obtained in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if these receivables are due within one year or less, otherwise they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

5-3-19 Loans

Borrowings are initially recognized at fair value (as proceeds received) net of eligible transaction costs incurred, if any. Following initial recognition, long-term borrowings are measured at amortized cost using the effective commission rate. Any difference between the proceeds is recognized (net of costs). The transaction (and recoverable amount in profit or loss over the life of the loans) using the effective interest rate method.

Loans are canceled from the balance sheet when the commitment specified in the contract is executed, canceled or expired. The difference between the carrying amount of the financial liability that was amortized or transferred to another party and the compensation paid, including any non-cash assets or contingent liabilities, is recognized in profit or loss as other income or financing costs. Loans are classified as current liabilities unless the company has an unconditional right to defer settlement of the obligation for a period of not less than 12 months after the reporting period.

5-3-20 Loan costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized over the period of time required to complete and prepare the asset for its intended use or sale. Qualifying assets are those that necessarily take a significant period of time to get ready for their intended use or sale. Investment income generated from the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from borrowing costs eligible for capitalization. Other borrowing costs are charged to profit or loss in the period in which they are incurred.

5-3-21 Employee benefit obligations

The company has an end-of-service benefits system for employees within a defined benefit plan consistent with the work system in the Kingdom of Saudi Arabia based on the last salary and the number of years of service.

The after-service reward programs are not funded. Liability assessments under the plan are performed by an independent actuary based on the projected unit credit method. The costs related to this plan consist mainly of the present value of the benefits attributed on an equal basis in each year of service and the interest on this commitment in relation to the employee's service in the previous years.

Current and past service costs relating to post-employment benefits and a reversal of the obligation are charged at the discount rates recognized in the statement of profit or loss.

The re-measurement of profits and losses that arise from adjustments to experience and changes in actuarial assumptions in the period in which they occur are recognized directly in other comprehensive income and are transferred to retained earnings in the statement of changes in equity in the period in which they occur.

Changes in the present value of defined benefit obligations resulting from modifications or reductions in the system are charged to profit or loss as past service costs. End of service payments are based on employees' final salaries, allowances and accumulated years of service, as defined in the Labor Law in the Kingdom of Saudi Arabia.

5-3-22 Impactful accounting estimates and assumptions

Preparing the financial statements in accordance with International Financial Reporting Standards requires the use of estimates and assumptions that affect the amounts presented for assets and liabilities, the disclosure of potential assets and liabilities as at the date of the financial statements, as well as the amounts presented for revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be appropriate in the circumstances. The company makes estimates and assumptions about the future. The results of accounting estimates are seldom equal, by definition, with the actual results related to them. The estimates that contain the risk of causing a material adjustment in the carrying amount of the assets during the next financial year are discussed below:

Decline in the value of property, plant and equipment

In accordance with the accounting policy stated in Note 12-2 in the notes to the financial statements for the year ended 31 December 2019G, management tests the cash-generating assets or units to determine impairment when there are indicators of impairment. Among other indicators, events or changes in circumstances that may indicate that the value of a cash-generating asset or unit has fundamentally decreased in value include the following:



- a substantial decrease in the market prices of the company's products;
- a material changes in the extent or manner in which the asset is used, or in its material condition, including a significant decrease in the current and projected sales volume; And the Current period operating loss combined with prior and projected operating losses.

Management determines the recoverable amounts for the cash generating units on the basis of value in use calculations. These calculations require the use of estimates regarding future cash flows and the use of an appropriate discount rate that applies to the company's conditions. As of December 31, 2019G, there has been no material change to these estimates.

Future events may negatively change the estimates used in the value in use calculations and this may have an impact on the future results of the company. Management has performed a sensitivity analysis of the estimates. Possible and reasonable changes in discount rates, growth rates and projected market prices may exceed the carrying amount of the recoverable value of the cash-generating units, resulting in an additional decline in the value in future periods.

5-4 Key Performance Indicators

The following table shows the company's key performance indicators for the financial years ending on December 31, 2017G, 2018G and 2019G, and the nine-month period ending on September 30, 2020G.

Table No. (12): Key Performance Indicators

| Thousand Saudi riyals | Display unit | Fiscal year ending December 31 | | | The nine-month period ended September 30 | |
|---|--------------|--------------------------------|-------------|-------------|--|-------------|
| | | 2017G | 2018G | 2019G | 2019G | 2020G |
| Revenue growth rate | % | 7.4% | 2.7% | (24.9%) | (22.4%) | (16.2%) |
| Earnings (loss) per share | # | (0.23) | 0.38 | (0.70) | (0.34) | (2.18) |
| General and administrative expenses as a percentage of revenues | % | 6.1% | 6.1% | 8.3% | (7.8%) | 8.3% |
| Gross margin (loss) profit | % | 19.5% | 27.9% | 11.3% | 16.6% | (46.1%) |
| Operating profit (loss) margin | % | 3.0% | 13.4% | (7.7%) | (2.0%) | (65.9%) |
| Net (loss) profit margin | % | (3.3%) | 7.9% | (14.8%) | (8.8%) | (73.1%) |
| Return on equity | % | (2.5%) | 4.0% | (8.0%) | (3.8%) | (33.1%) |
| Current assets / current liabilities | X | 1.87 | 1.83 | 1.51 | 2.05 | 0.63 |
| Non-current assets / non-current liabilities | X | 1.97 | 2.28 | 2.42 | 2.21 | 3.40 |
| Liabilities / Equity | X | 1.06 | 0.86 | 0.84 | 0.85 | 1.13 |
| Return on assets | % | (1.2%) | 2.2% | (4.3%) | (2.0%) | (15.6%) |
| Debt to total equity | X | 0.94 | 0.74 | 0.72 | 0.74 | 0.97 |
| Total assets / total liabilities | X | 1.94 | 2.16 | 2.19 | 2.17 | 1.88 |

Source: Management information



5-5 Operations Results

5-5-1 Statement of comprehensive income

The following table shows the company's income statement for the financial years ending on December 31, 2017G, 2018G and 2019G, and the nine-month periods ending on September 30, 2019G, and 2020G.

Table No. (13): The income statement

| Thousand Saudi riyals | Fiscal year ending December 31 | | | The nine-month period ended September 30 | | Increase / (decrease) | | | Compound annual growth rate |
|--|--------------------------------|-----------------|-----------------|--|------------------|-----------------------|-----------------|-----------------|-----------------------------|
| | 2017G | 2018G | 2019G | 2019G | 2020G | December 2018G | December 2019G | September 2020G | 2017G - 2019G |
| Revenues | 683,215 | 701,613 | 527,240 | 419,028 | 351,075 | 2.7% | (24.9%) | (16.2%) | (12.2%) |
| Sales cost | (550,155) | (506.41) | (467,781) | (349,397) | (355,886) | (8.0%) | (7.6%) | 1.9% | (7.8%) |
| Impairment losses | - | - | - | - | (157,099) | Not applicable | Not applicable | Not applicable | - |
| Total (loss) / profit | 133.06 | 195,571 | 59,459 | 69,631 | (161,909) | 47.0% | (69.6%) | (332.5%) | (33.2%) |
| Selling and distribution expenses | (87,730) | (60,921) | (53,366) | (43,153) | (37,441) | (30.6%) | (12.4%) | (13.2%) | (22.0%) |
| General and administrative expenses | (41,732) | (42,726) | (43,070) | (32,567) | (28,970) | 2.4% | 0.8% | (11.0%) | 1.6% |
| Other operating (expenses) income, net | 16,826 | 2,296 | (3,658) | (2,402) | (2,988) | (86.4%) | (259.4%) | 24.4% | - |
| (Loss) operating profit | 20,424 | 94,219 | (40,636) | (8,491) | (231,309) | 361.3% | (143.1%) | 2.624.1% | - |
| Financial costs | (44,532) | (41,956) | (41,230) | (31,429) | (25,988) | (5.8%) | (1.7%) | (17.3%) | (3.8%) |
| Financial revenue | 1,408 | 3,036 | 3,698 | 2,968 | 574 | 115.7% | 21.8% | (80.7%) | 62.1% |
| Financial costs - net | (43,124) | (38,919) | (37,532) | (28,460) | (25,414) | (9.8%) | (3.6%) | (10.7%) | - |
| Profit before zakat (loss) | (22,700) | 55,300 | (78,168) | (36,952) | (256,723) | (343.6%) | (241.4%) | 594.8% | |
| Zakat expense | (5,000) | (9,146) | (5,908) | (4,300) | (5,613) | 82.9% | (35.4%) | 30.5% | 8.7% |
| For the period / (loss) profit for the year | (27,700) | 46,154 | (84,076) | (41,252) | (262,335) | (266.6%) | (282.2%) | 535.9% | - |
| Other comprehensive income | | | | | | | | | |
| Items that will not be reclassified to profit or loss | | | | | | | | | |
| Re-measure employee benefit obligations | 1,430 | 243 | (3,159) | (800) | - | (83.0%) | (1,399.1%) | Not applicable | - |
| Total comprehensive income (loss) for the year / period | (26,270) | 46,397 | (87,235) | (42,051) | (262,335) | (276.6%) | (288.0%) | 523.8% | - |
| Earnings (loss) per share | 0.23 | 0.38 | 0.70 | (0.34) | (2.18) | 65.2% | 84.2 | 541.2% | 74.5% |
| As a percentage of revenue | | | | | | | | | |
| Sales cost | (80.5%) | (72.1%) | (88.7%) | (83.4%) | (101.4%) | | | | |
| Impairment losses | - | - | - | - | (44.7%) | | | | |
| Total (loss) / profit | 19.5% | 27.9% | 11.3% | 16.6% | (46.1%) | | | | |
| Selling and distribution expenses | (12.8%) | (8.7%) | (10.1%) | (10.3%) | (10.7%) | | | | |

| Thousand Saudi riyals | Fiscal year ending December 31 | | | The nine-month period ended September 30 | | Increase / (decrease) | | | Compound annual growth rate |
|---|--------------------------------|--------|---------|--|---------|-----------------------|-------------------|--------------------|--------------------------------|
| | 2017G | 2018G | 2019G | 2019G | 2020G | December 2018G | December 2019G | September 2020G | 2017G - 2019G |
| General and administrative expenses | (6.1%) | (6.1%) | (8.02%) | (8.7%) | (8.3%) | | | | |
| Other operating (expenses) income, net | 2.5% | 0.3% | (0.7%) | (0.6%) | (0.9%) | | | | |
| (Loss) operating profit | 3.0% | 13.4% | (7.7%) | (2.0%) | (65.9%) | | | | |
| Financial costs - net | (6.5%) | (6.0%) | (7.8%) | (7.5%) | (7.4%) | | | | |
| Zakat (loss) profit before | 0.2% | 0.4% | 0.7% | 0.7% | 0.2% | | | | |
| Zakat expense | (6.3%) | (5.5%) | (7.1%) | (6.8%) | (7.2%) | | | | |
| For the period / (loss) profit for the year | (3.3%) | 7.9% | (14.8%) | (8.8%) | (73.1%) | | | | |

Source: Financial Statements and Management Information

The company recorded a growth in total revenue of 2.7%, or the equivalent of 18.4 million Saudi riyals, from 683.2 million Saudi riyals in 2017G to 701.6 million Saudi riyals in 2018G. This increase was driven by the increase in sales of “methanol”, “hexamethylene tetramine (hexamine)” and “Penta erythritol”, as the company was able to achieve high selling prices for these products, and revenues witnessed a significant decrease between 2018G and 2019G as revenues decreased by 24.9% from 701.6 million Saudi riyals in 2018G to 527.2 million Saudi riyals in 2019G, and this decrease mainly resulted from the decline in sales of “dimethylformamide”, “Penta erythritol” and “methanol” due to a negative variation in the average selling price and sales quantity of these products. The company’s revenues decreased by 16.2% from 419.0 million Saudi riyals in the nine-month period ended 30 September 2019G to 351.1 million Saudi riyals in the nine-month period ending 30 September 2020G, primarily due to the decrease in sales of “penta-erythritol” and “Formaldehyde” by 48.4 million Saudi riyals and 22.0 million Saudi riyals, respectively, due to a negative discrepancy in the average prices and sales quantities of these products.”

On the other hand, the cost of sales decreased by 8.0% from 550.2 million Saudi riyals in 2017G to 506.0 million Saudi riyals in 2018G, and this decrease came due to the decrease in the cost of materials so that the volume of consumption of some raw materials in production operations decreased, and the cost of sales also decreased by 7.6% from 506.0 million Saudi riyals in 2018G to 467.8 million Saudi riyals in 2019G. This decrease came due to a general decline in the volume of consumption of all raw materials used in manufacturing the company’s products in light of the decline in the company’s revenues during the same period. The cost of sales increased by 1.9% from 349,397 million Saudi riyals in the nine-month period ended 30 September 2019G to 355.9 million Saudi riyals in the nine-month period ended 30 September 2020G, mainly due to the high cost of depreciation of fixed assets used in the production processes in addition to the high cost of insuring these assets.

The gross profit increased significantly by 47.0% from 133.1 million Saudi riyals in 2017G to 195.6 million Saudi riyals in 2018G. This increase resulted from the increase in the volume of revenues as mentioned above. The company recorded a remarkable decrease in gross profit by 69.9% from 6,195 million Saudi riyals in 2018G to 59.5 million Saudi riyals in 2019G. This decrease is mainly due to the decrease in revenues as mentioned above. The gross profit witnessed a significant decrease of 332.5% from 69.6 million Saudi riyals in the nine-month period ended 30 September 2019G to a total loss of 161.9 million Saudi riyals in the nine-month period ended 30 September 2020G, mainly due to impairment losses Assets associated with revenue-generating units.

Selling and distribution expenses mainly consist of shipping and salaries for employees in the departments related to selling and distribution. Selling and distribution expenses decreased by 30.6% from 87.7 million Saudi riyals in 2017G to 60.9 million Saudi riyals in 2018G, and the reduction in operating freight expenses was the most prominent reason behind this change. Selling and distribution expenses again decreased by 12.4% to 53.4 million Saudi riyals in 2019G, and this change is mainly due to the decrease in the sales commission and the decrease in the rental cost in the context of the adoption of Standard No. 16 in the IFRS, starting from January 1, 2019G. Selling and distribution expenses continued to decrease by 13.2% from 43.2 million Saudi riyals during the nine-month period ended 30 September 2019G to 37.4 million Saudi riyals during the nine-month period ending 30 September 2020G, and this change resulted from the reduction of all expenses under this item in light of the company’s turnover and sales declined.



General and administrative expenses consist of the benefits of administrative and general employees (that is, employees who are not directly related to production or sales activities) and these expenses accounted for 48.8% of the total general and administrative expenses during the analysis period. General and administrative expenses increased by 2.4% from 41.7 million Saudi riyals in 2017G, to 42.7 million Saudi riyals in 2018G, primarily due to the increase in repair and general maintenance expenses. General and administrative expenses increased in the following year by 0.8% from 42.7 million Saudi riyals in 2018G to 43.1 million Saudi riyals in the year that followed. This was as a result of the increase in salaries and administrative and public benefits in light of the increase in annual bonuses related to the year 2018G, in addition to the increase in the cost of health insurance for the company's workers. To 29.0 million Saudi riyals in the nine-month period ending on September 30, 2020G, mainly due to the reduction in salaries and benefits. Current, general and the cost of professional and legal fees to adapt to the impact of the Corona pandemic on the company's business return.

Other operating income (expenses) - net - decreased by 86.4% from net revenues of 16.8 million Saudi riyals in 2017G to a net income of 2.3 million Saudi riyals in 2018G. The reason for this change is due to an exceptional source of income represented by liquidating guarantees. The value of the company amounted to 20.7 million Saudi riyals during the year 2017G, and the company did not witness an income of this type in 2018G. The (expenses) other operating income - net in 2019G decreased by 259.4% of the net income of 2.3 million Saudi riyals in 2018G to net Expenses of 3.7 million Saudi riyals in the year 2019G, and that was as a result of the company not obtaining compensation during the year 2019G, such as those obtained from one of its clients, the Swedish Pearstorp Company, with a value of 3.8 million Saudi riyals in exchange for the client's non-compliance with the minimum purchases agreed upon Both parties during the year 2018G. Other operating income (expenses) decreased by 24.4% from net expenses of 2.4 million Saudi riyals in the nine months period ended September 30, 2019G, to net expenses of 3.0 million Saudi riyals in the nine-month period It ended on September 30, 2020G, mainly due to the high cost of writing off some stock materials.

Financial costs - net mainly relate to fees and costs associated with the outstanding loans with the company. Financial costs - net have decreased by 5.8% from 44.5 million Saudi riyals in 2017G to 42.0 million Saudi riyals in 2018G. This change is due to the decrease in the size of the debt owed by the company in addition to the increase in the value of financial revenues driven by the increase in the volume of investments in Cost plus term deposits. Financial costs-net continued to decrease by 1.7% to 41.2 million Saudi riyals in 2019G, the reason for this change is due to the decrease in loan financing costs as a result of the decrease in the size of the company's debts. Financial costs - net, decreased by 17.3% from 31.4 million Saudi riyals during the nine-month period ended 30 September 2019G to 26.0 million Saudi riyals during the nine-month period ending 30 September 2020G, and this change resulted from a decrease in the profit rate associated with loans based on the company.

Zakat expense increased by 82.9% from 5.0 million Saudi riyals in 2017G to 9.1 million Saudi riyals in 2018G, due to the increase in adjustments related to previous provisions by 6.5 million Saudi riyals. Zakat expense decreased by 35.4% from 9.1 million Saudi riyals in 2018G to 5.9 million Saudi riyals in 2019G due to the decrease of the zakat base to 219.6 million Saudi riyals in 2019G. Zakat expense increased by 30.5% from 4.3 million Saudi riyals in the nine-month period ended 30 September 2019G to 5.6 million Saudi riyals in the nine-month period ended 30 September 2020G, primarily due to the General Authority for Zakat and Income issuing a zakat link. Additionally, the company's right for the years from 2014G to 2018G during the year 2020G.

The net profit for the year increased by 266.6% from a loss of 27.7 million Saudi riyals in 2017G to a profit of 46.2 million Saudi riyals in 2018G, as this change was supported by a decrease in the cost of sales and selling and distribution expenses for the aforementioned reasons. While the net profit for the year decreased by 282.2% of a profit of 46.2 million Saudi riyals in the year 2018G to a loss of 84.1 million Saudi riyals in 2019G, so that the decline in the company's revenues during the year 2019G was the most prominent factor behind the decline in net profits. On the other hand, the net loss increased by 535.9% from 41.3 million Saudi riyals in the nine-month period ended 30 September 2019G to 262.3 million Saudi riyals in the nine-month period ended 30 September 2020G, and this resulted from the decrease in the company's revenues accompanied by the decrease losses in the asset value as mentioned above.



5-5-1-1 Revenue by product

The following table shows the company's revenues by product for the financial years ending on December 31, 2017G, 2018G and 2019G, and the nine-month periods ending on September 30, 2019G, and 2020G.

Table No. (14): Revenue by product

| Thousand Saudi riyals | Fiscal year ending December 31 | | | The nine-month period ended September 30 | | Increase / (decrease) | | | Compound annual growth rate |
|--|--------------------------------|----------------|----------------|--|----------------|-----------------------|----------------|----------------|-----------------------------|
| | 2017G | 2018G | 2019G | 2019G | 2020G | 2018G | 2019G | 2020G | 2018G - 2019G |
| Formaldehyde | 89,011 | 108,111 | 80,778 | 64,299 | 42,320 | 21.5% | (25.3%) | (34.2%) | (4.7%) |
| Dimethylformamide | 224,665 | 224,701 | 173,035 | 135.51 | 139,792 | 0.0% | (23.0%) | 3.2% | (12.2%) |
| Hexamethylene tetramine (hexamine) | 34,146 | 48,950 | 33,450 | 25,298 | 20,895 | 43.4% | (31.7%) | (17.4%) | (1.0%) |
| Methanol | 70,982 | 97,774 | 68,576 | 55,274 | 48,373 | 37.7% | (29.9%) | (12.5%) | (1.7%) |
| Melamine Formaldehyde Resin / Powder Coating | 12,211 | 4,582 | 2,511 | 1,994 | 1,413 | (62.5%) | (45.5%) | (29.2%) | (54.7%) |
| Paraformaldehyde | 15,050 | 16,297 | 18,767 | 14,678 | 13,758 | 8.3% | 15.2% | (6.3%) | 11.7% |
| Penta erythritol | 111,453 | 125.98 | 89,500 | 82,449 | 34,068 | 13.0% | (29.0%) | (58.7%) | (10.4%) |
| Naphthalene sulfur formaldehyde / liquid | 79,498 | 42,551 | 36,407 | 24,226 | 25,922 | (46.5%) | (14.4%) | 7.0% | (32.3%) |
| Naphthalene Formaldehyde Sulfur / Powder Coating | 33,840 | 29,616 | 22,273 | 13,592 | 22,969 | (12.5%) | (24.8%) | 69.0% | (18.9%) |
| Urea-formaldehyde resin / powdery urea resin | 12,359 | 3,046 | 1,944 | 1,699 | 1,565 | (75.4%) | (36.2%) | (7.9%) | (60.3%) |
| TOTAL | 683,215 | 701,613 | 527,240 | 419,028 | 351,075 | 2.7% | (24.4%) | (16.2%) | (12.2%) |

Source: Management information

The "dimethylformamide" product constitutes the largest percentage of the total revenues by product, as it contributed to achieving 46.0% of the total revenues of the company during the analysis period. The "Penta erythritol" product, the "formaldehyde" product and the "methanol" product also constituted what it accounted for 19.0%, 9.17% and 16.9% of the company's total revenues during the same period respectively.

The company recorded a growth in total revenue of 2.7%, or the equivalent of 18.4 million Saudi riyals, from 683.2 million Saudi riyals in 2017G to 701.6 million Saudi riyals in 2018G. This increase was mainly due to higher revenues related to the sale of "methanol", "formaldehyde", "hexamethylene tetramine (hexamine)" and "Penta erythritol", valued at SAR 26.8 million, SAR 19.1 million, SAR 14.8 million and 14.5 million. One million Saudi riyals, respectively, while sales of "sulfur formaldehyde naphthalene / liquid" decreased by 36.9 million Saudi riyals. It is noteworthy that the increase in revenues achieved from the sale of the aforementioned products is a result of the company achieving high average selling prices during 2018G compared to 2017G.

Revenues witnessed a significant decline between 2018G and 2019G, as revenues decreased by 24.9% from 701.6 million Saudi riyals in 2018G to 527.2 million Saudi riyals in 2019G, and this decrease resulted from the decline in the revenues of the majority of products and it is mentioned that the largest share of the decline in revenues This came from a decrease in the sales of "dimethylformamide", "Penta erythritol" and "methanol" products by 51.7 million Saudi riyals, 36.5 million Saudi riyals and 29.2 million Saudi riyals, respectively due to a negative variation in the average selling price and quantity. Sales of these products.

The company's revenues also decreased by 16.2% from 419.0 million Saudi riyals in the nine-month period ended September 30, 2019G, to 351.1 million Saudi riyals in the nine-month period ended September 30, 2020G. This decrease mainly resulted from a decrease in the sales of "Penta erythritol" and "formaldehyde" by 4.48 million Saudi riyals and 22.0 million Saudi riyals, respectively, and compensated for the increase in the revenues of both "naphthalene formaldehyde / powdered powder" by 9.4 million Saudi riyals. Dimethylformamide at a value of SAR 4.3 million (partially) on the impact of the decrease in the revenues of the aforementioned products on public revenues during the same period, noting that the decrease in sales of "Penta erythritol" and "formaldehyde" resulted from a negative variation in average prices and quantities Sold.



5-5-1-2 Geographical distribution of revenue

The following table shows the geographical distribution of the company's revenues for the financial years ending on December 31, 2017G, 2018G and 2019G, and the nine-month periods ending on September 30, 2019G, and 2020G.

Table No. (15): Geographical distribution of revenues

| Thousand Saudi riyals | Fiscal year ending December 31 | | | The nine-month period ended September 30 | | Increase / (decrease) | | | Compound annual growth rate |
|-----------------------|--------------------------------|----------------|----------------|--|----------------|-----------------------|----------------|----------------|-----------------------------|
| | 2017G | 2018G | 2019G | 2019G | 2020G | 2018G | 2019G | 2020G | 2018G - 2019G |
| Export sales | 527,841 | 551,534 | 415,425 | 332,218 | 264,329 | 4.5% | (24.7%) | (20.5%) | (11.3%) |
| Domestic sales | 155,374 | 150,079 | 111,815 | 86,810 | 86,836 | (3.4%) | (25.5%) | 0.0% | (15.2%) |
| Total | 683,215 | 701,613 | 527,240 | 416,028 | 351,075 | 2.7% | (24.6%) | (16.2%) | (12.2%) |

Source: Financial Statements and Management Information

Export sales accounted for 77.7% of the company's total revenues during the analysis period, while domestic sales constituted 22.3% of the total revenues during the same period.

Revenue from export sales increased by 4.5% from 527.8 million Saudi riyals in 2017G to 551.5 million Saudi riyals in 2018G. Export sales decreased by 24.7% from 551.5 million Saudi riyals in 2018G to 415.4 million Saudi riyals in 2019G. The company witnessed a further decrease in the volume of export sales between the nine-month periods ending on September 30, 2019G by 20.5%, or the equivalent of 67.0 million Saudi riyals.

On the other hand, revenues generated from domestic sales decreased by 3.4% from 155.4 million Saudi riyals in 2017G to 150.1 million Saudi riyals in 2018G, while the year 2019G witnessed another decrease in domestic sales compared to 2018G, by 25.5% from 150.1 million Saudi riyals in 2018G, to 111.8 million Saudi riyals in 2019G. It is noteworthy that the total domestic revenues did not witness any material change between the nine-month periods ending on September 30, 2019G, and 2020G.

5-5-1-3 Cost of sales

The following table shows the details of the company's cost of sales for the fiscal years ending on December 31, 2017G, 2018G and 2019G, and the nine-month periods ending on September 30, 2019G, and 2020G.

Table No. (16): Cost of Sales

| Thousand Saudi riyals | Fiscal year ending December 31 | | | The nine-month period ended September 30 | | Increase / (decrease) | | | Compound annual growth rate |
|-----------------------------|--------------------------------|----------------|----------------|--|----------------|-----------------------|---------------|----------------|-----------------------------|
| | 2017G | 2018G | 2019G | 2019G | 2020G | 2018G | 2019G | 2020G | 2019G - 2017G |
| Material cost | 210,100 | 264,505 | 205,607 | 163,128 | 159,196 | (14.7%) | (22.3%) | (2.4%) | (18.6%) |
| Salaries, wages and bonuses | 104,390 | 99,006 | 112,087 | 80,937 | 79,544 | (5.2%) | 13.2% | (1.7%) | 3.6% |
| consumption | 110,521 | 115,543 | 116,664 | 86,064 | 92,780 | 4.5% | 1.0% | 7.8% | 2.7% |
| Extinguishing | 3,126 | 4,295 | 1,851 | 1,388 | 1,129 | 37.4% | (56.9%) | (18.7%) | (33.1%) |
| Repair and maintenance | 10,943 | 13,318 | 11,110 | 8,683 | 8,093 | 21.7% | (16.6%) | (6.8%) | 0.8% |
| rent | 2,531 | 2,139 | - | - | - | (15.5%) | (100.0%) | Not applicable | (100.0%) |
| Insurance | 5,108 | 4,992 | 6,053 | 4,563 | 7,317 | (3.2%) | 21.3% | 60.4% | 8.9% |
| Other | 3,436 | 2,243 | 14,409 | 4,635 | 7,826 | (34.7%) | 542.2% | 68.9% | 104.8% |
| Total | 550,155 | 506,041 | 467,781 | 349,397 | 355,886 | (80.0%) | (7.6%) | 1.4% | (7.8%) |

Source: Financial Statements and Management Information

The cost of materials, the cost of consumption, and the direct employee fees of the basic commercial activities formed the largest share of the total cost of sales during the analysis period, as they accounted for 50.0%, 23.2% and 21.0% of the total cost of sales during the mentioned period.

The cost of materials decreased by 14.7% from 310.1 million Saudi riyals in 2017G to 264.5 million Saudi riyals in 2018G despite the increase in the company's revenues during this period, and this was mainly due to the decrease in the volume of consumption of some raw materials in the production processes. The cost of materials decreased by 22.3% from 264.5 million Saudi riyals in 2018G to 205.6 million Saudi riyals in 2019G, and this change came in line with the decrease in revenues during the same period as the volume of raw material consumption decreased. The cost of materials continued to decrease by 2.4% from 163.1 million



Saudi riyals in the nine-month period ended 30 September 2019G to 159.2 million Saudi riyals in the nine-month period ended 30 September 2020G, in line with the decrease in revenues between these two periods.

Salary, wages and direct bonuses decreased by 5.2% from 104.4 million Saudi riyals in 2017G to 99.0 million Saudi riyals in 2018G, mainly as a result of the capitalization of wages associated with scheduled maintenance work. Salaries, wages and direct bonuses increased by 13.2% from 0.99 million Saudi riyals in 2018G to 112.1 million Saudi riyals in 2019G, and this was mainly related to the increase in annual bonuses related to the year 2018G in addition to the increase in the cost of health insurance for the employees of the company. Salaries, wages and direct bonuses decreased by 1.7% from 80.9 million Saudi riyals in the nine-month period ending 30 September 2019G to 79.5 million Saudi riyals in the nine-month period ending 30 September 2020G, and this decrease was mainly caused by a slight reduction in the salaries of employees.

The direct consumption cost increased by 4.5% from 110.5 million Saudi riyals in 2017G to 115.5 million Saudi riyals in 2018G, and the direct consumption cost increased by 1.0% from 115.5 million Saudi riyals in 2018G to 116.7 million Saudi riyals in 2019G. Direct depreciation cost continued to increase by 7.8% from 86.1 million Saudi riyals in the nine-month period ended 30 September 2019G to 92.8 million Saudi riyals in the nine-month period ended 30 September 2020G. The gradual increase in depreciation cost during the analysis period resulted from the company's acquisition of additional productive assets accompanied by capitalization of the costs of scheduled periodic maintenance.

The direct amortization cost increased by 37.4% from 3.1 million Saudi riyals in 2017G to 4.3 million Saudi riyals in 2018G, and this was a result of the company acquiring a new information program to serve the engineering aspects. The direct amortization cost decreased by 56.9% from 4.3 million Saudi riyals in 2018G to 1.9 million Saudi riyals in 2019G, and the reason for this decrease was related to the end of the useful life of some intangible assets. The direct amortization cost decreased by 18.7% from 1.4 million Saudi riyals in the nine-month period ended 30 September 2019G to 1.1 million Saudi riyals in the nine-month period ended 30 September 2020G, and this decrease resulted from the end of the useful life of an additional installment of intangible assets.

The direct repair and maintenance cost increased by 21.7% from 10.9 million Saudi riyals in 2017G to 13.3 million Saudi riyals in 2018G, as a result of the high cost of renting maintenance equipment. The cost of direct repair and maintenance decreased by 16.6% from 13.3 million Saudi riyals in 2018G to 11.1 million Saudi riyals in 2019G, and the reason for this decrease was related to the decrease in the cost of renting maintenance equipment. The cost of repair and maintenance for Direct again decreased by 6.8% from 8.7 million Saudi riyals in the nine-month period ended 30 September 2019G to 8.1 million Saudi riyals in the nine-month period ended September 30, 2020G, and this decrease resulted from the decrease in the cost of renting maintenance equipment.

The direct rental cost decreased by 15.5% from 2.5 million Saudi riyals in 2017G to 2.1 million Saudi riyals in 2018G. This change resulted from adjusting the rental cost for the year 2016G by 0.3 million Saudi riyals, while the rental cost associated with the years 2017G and 2018G remained equal to a large extent. The company has not recorded any direct operating lease cost since 2018G, as the company has adopted Standard No. 16 in the International Financial Reporting Standards, starting from January 1, 2019G, which requires operating leases to be treated in the accounting in the same way as finance leases are treated, which is reflected in the income statement as an expense. Depreciation and finance charges in place of rental costs.

The direct insurance cost decreased by 2.3% from 5.1 million Saudi riyals in 2017G to 5.0 million Saudi riyals in 2018G, as a result of the decrease in the cost of vehicle insurance. The direct cost of insurance increased by 21.3% from 5.0 million Saudi riyals in 2018G to 6.1 million Saudi riyals in 2019G, and the reason for this increase was related to the increase in the cost of property and vehicle insurance. The direct insurance cost increased by 60.4% from 4.6 million Saudi riyals in the nine-month period ended 30 September 2019G to 7.3 million Saudi riyals in the nine-month period ended 30 September 2020G, and this increase resulted from an additional increase in the cost of property and vehicle insurance.

Other costs included in the cost of sales consisted of various direct costs, and these other costs decreased by 34.7% from 3.4 million Saudi riyals in 2017G to 2.2 million Saudi riyals in 2018G, and this was mainly a result of one-off royalty fees incurred by the company in the year 2017G in favor of the Swedish company Peerstorp based on the terms of the contract between the two parties, and the company did not witness such costs in 2018G. Other direct costs increased by 542.2% from 2.2 million Saudi riyals in 2018G to 14.4 million Saudi riyals in 2019G, and this increase was primarily due to an increase in the slow-moving stock provision by 9.4 million Saudi riyals. Other direct costs also increased by 68.9% from 4.6 million Saudi riyals in the nine-month period ended 30 September 2019G to 7.8 million Saudi riyals in the nine-month period ended September 30, 2020G, and this increase resulted from additional allocations for slow-moving stock of SR 5.8 million.



5-5-1-4 Cost of Sales by Product

The following table shows the company's cost of sales by product for the fiscal years ending on December 31, 2017G, 2018G, and 2019G, and the nine-month periods ending on September 30, 2019G, and 2020G.

Table No. (17): Cost of Sales by Product

| Thousand Saudi riyals | Fiscal year ending December 31 | | | The nine-month period ended September 30 | | Increase / (decrease) | | | Compound annual growth rate |
|--|--------------------------------|----------------|----------------|--|----------------|-----------------------|---------------|-------------|-----------------------------|
| | 2017G | 2018G | 2019G | 2019G | 2020G | 2018G | 2019G | 2020G | 2018G - 2019G |
| Formaldehyde | 50,534 | 47,962 | 50,205 | 36,312 | 36,312 | (5.1%) | 4.7% | 2.7% | (0.3%) |
| Dimethylformamide | 168,278 | 157,594 | 150,891 | 115,207 | 115,207 | (6.3%) | (4.3%) | (2.6%) | (5.3%) |
| Hexamethylene tetramine (hexamine) | 30,783 | 36,964 | 30,553 | 22,041 | 22,041 | 20.1% | (17.3%) | 8.9% | (0.4%) |
| Methanol | 36,797 | 40,014 | 55,481 | 37,712 | 37,712 | 8.7% | 38.7% | 35.1% | 22.8% |
| Melamine Formaldehyde Resin / Powder Coating | 15,382 | 7,795 | 3,779 | 2,772 | 2,722 | (49.3%) | (51.5%) | 13.0% | (50.4%) |
| Paraformaldehyde | 17,521 | 21,315 | 23,492 | 17,622 | 17,622 | 21.6% | 10.2% | 7.8% | 15.8% |
| Penta erythritol | 113,003 | 123,129 | 88,182 | 73,942 | 73,942 | 9.0% | (28.4%) | (25.1%) | (11.7%) |
| Naphthalene sulfur formaldehyde / liquid | 68,807 | 43,891 | 36,276 | 25,667 | 25,667 | (49.3%) | 4.0% | 5.4% | (27.4%) |
| Naphthalene Formaldehyde Sulfur / Powder Coating | 35,930 | 28,982 | 23,748 | 14,391 | 14,319 | (19.3%) | (18.1%) | 62.8% | (18.7%) |
| Urea-formaldehyde resin / powdery urea resin | 13,121 | 7,396 | 5,172 | 3,783 | 3,783 | (43.6%) | (30.1%) | (6.1%) | (37.2%) |
| TOTAL | 550,155 | 506,041 | 467,781 | 349,397 | 349,397 | (8.0%) | (7.6%) | 1.9% | (7.8%) |

Source: Management information

The cost of sales associated with the "dimethylformamide" product formed the largest percentage of the total cost of sales by product, as the costs of selling this product accounted for 31.3% of the total cost of sales during the analysis period. Formaldehyde and the methanol producer accounted for 20.2%, 9.9% and 9.7% of the company's total cost of sales during the same period respectively.

The decrease in the cost of sales by 8.0% or equivalent to 44.1 million Saudi riyals between 2017G and 2018G was mainly related to the decrease in the cost of sales of both "Naphthalene Formaldehyde Sulfur / Liquid" and "Dimethylformamide" products by 33.9 million Saudi riyals and 10.7 million Saudi Riyal, respectively, as the decrease in the cost of sales of these two products was in line with the decrease in the volume of revenues resulting from selling them between the two.

The decrease in the cost of sales by 7.6% or the equivalent of 38.3 million Saudi riyals between 2018G and 2019G resulted periods mainly from the decrease in the cost of sales of the "Penta erythritol" product by 34.9 million Saudi riyals, as the decrease in the cost of sales of this product was in line with the decrease in the volume of sales associated with it.

On the other hand, the increase in the cost of sales by 16.2% or the equivalent of 6.5 million Saudi riyals between the nine-month periods ending on September 30, 2019G and 2020G was mainly associated with an increase in the cost of sales of both "methanol" and "naphthalene formaldehyde / powdered powder" products by 13.2 million And SAR 9.0 million, respectively, as the assets associated with these two products bore the largest share of the impairment losses as mentioned in the analysis of the following item "Impairment Losses."



5-5-1-5 Impairment losses

The following table shows details of impairment losses related exclusively to the nine months period ended 30 September 2020G.

Table No. (18): Impairment loss

| Thousand Saudi Riyals (As of September 30, 2020G) | Book value of assets | Recoverable value | Impairment losses |
|---|----------------------|-------------------|-------------------|
| Cash generating units | | | |
| Methanol | 626,830 | 124,478 | 91,210 |
| Penta erythritol | 167,308 | 12,384 | 43,830 |
| Hexamethylene tetramine (hexamine) | 18,749 | 4,313 | 6,365 |
| Naphthalene Formaldehyde Sulfur / Powder Coating | 9,340 | 24,685 | 5.27 |
| Paraformaldehyde | 36,351 | | 11,667 |
| Total | 858,577 | 701,478 | 157,099 |

Source: Management information

Based on the company's updated five-year business plan, the company has updated the value in use of its cash generating units and determined that the recoverable amount of non-current assets related to the products presented in the above table, which are considered separate cash generating units, is lower than their carrying values due to the decrease in the expected future net cash flows of the associated assets.

5-5-1-6 Total (loss) / profit by product

The following table shows the total (loss) / profit of the company by product for the financial years ending on December 31, 2017G, 2018G and 2019G, and the nine-month periods ending on September 30, 2019G and 2020G.

Table No. (19): Total (loss) / profit by product

| Thousand Saudi riyals | Fiscal year ending December 31 | | | The nine-month period ended September 30 | | Increase / (decrease) | | | Compound annual growth rate |
|--|--------------------------------|----------------|---------------|--|------------------|-----------------------|----------------|-----------------|-----------------------------|
| | 2017G | 2018G | 2019G | 2019G | 2020G | 2018G | 2019G | 2020G | 2018G - 2019G |
| Formaldehyde | 38,477 | 60,150 | 30,572 | 27,987 | 5,020 | 56.3% | (49.2%) | (82.1%) | (10.9%) |
| Dimethylformamide | 56,388 | 67,107 | 22,144 | 20,312 | 27,633 | 256.4% | (67.0%) | 36.0% | (37.3%) |
| Hexamethylene tetramine (hexamine) | 3,363 | 11,985 | 2,896 | 3,257 | (9,481) | 69.0% | (75.8%) | (391.1%) | (7.2%) |
| Methanol | 34,185 | 57,760 | 13,095 | 17,562 | (93,793) | 1.3% | (77.3%) | (634.1%) | (38.1%) |
| Melamine Formaldehyde Resin / Powder Coating | (3,171) | (3,213) | (1,268) | (728) | (1,663) | 103.3% | (60.5%) | 128.5% | (36.8%) |
| Paraformaldehyde | (2,471) | (5,018) | (4,725) | (2,944) | (16,900) | (284.2%) | (5.8%) | 474.0% | 38.3% |
| Penta erythritol | (1,550) | 2,855 | 1,318 | 8,508 | (64,132) | (28.4%) | (53.8%) | (853.8%) | Not applicable |
| Naphthalene sulfur formaldehyde / liquid | 10,691 | 7,660 | 131 | (1,441) | (1,128) | (28.4%) | (89.3%) | (21.8%) | (88.9%) |
| Naphthalene Formaldehyde Sulfur / Powder Coating | (20,090) | 634 | (1,475) | (799) | (5,479) | (130.3%) | (332.7%) | 586.0% | (16.0%) |
| Urea-formaldehyde resin / powdery urea resin | (762) | (4,350) | (3,228) | (2,048) | (1,988) | 47.6% | (25.8%) | (4.6%) | (105.8%) |
| TOTAL | 133.60 | 195,571 | 59,459 | 69,631 | (161,909) | 47.0% | (69.6%) | (332.5%) | (33.2%) |

Source: Management Information

The gross profit related to the "dimethylformamide" and "formaldehyde" producers represented the largest percentage of the total profit by product, as each of them accounted for 76.6% and 59.3% of the total profit of the company during the analysis period, respectively.



The increase in the gross profit by 47.0% or 62.5 million Saudi riyals between 2017G and 2018G was mainly related to the increase in the gross profit of the “methanol” and “formaldehyde” products by 23.6 million Saudi riyals and 21.7 million Saudi riyals, respectively, as these two products witnessed an increase in the volume of its sales during the same period.

The decrease in the gross profit by 69.6% or the equivalent of 136.1 million Saudi riyals between 2018G and 2019G was associated with a decrease in the gross profit of the products of “dimethylformamide”, “methanol” and “formaldehyde” by 45.0 million Saudi riyals and 4.47 million riyals. And 6.29 million Saudi riyals, respectively, as these products witnessed a decrease in their sales volume during the same period.

The decrease in gross profit by 332.5% or the equivalent of 231.5 million Saudi riyals between the nine-month periods ending on 30 September 2019G and 2020G was mainly related to the decrease in the gross profit of the products of “methanol” and “Penta erythritol” by 111.4 million Saudi riyals and 72.6 million Saudi riyals. Respectively, as these two products witnessed a decrease in their sales volume during the same period.

5-5-1-7 Selling and distribution expenses

The following table shows the details of the company’s selling and distribution expenses for the financial years ending on December 31, 2017G, 2018G and 2019G, and the nine-month periods ending on September 30, 2019G, and 2020G.

Table No. (20): Selling and distribution expenses

| Thousand Saudi riyals | Fiscal year ending December 31 | | | The nine-month period ended September 30 | | Increase / (decrease) | | | Compound annual growth rate |
|-----------------------|--------------------------------|---------------|---------------|--|---------------|-----------------------|----------------|----------------|-----------------------------|
| | 2017G | 2018G | 2019G | 2019G | 2020G | 2018G | 2019G | 2020G | 2019G - 2017G |
| Shipping expenses | 62,245 | 36,495 | 36,863 | 29,264 | 25,705 | (41.4%) | (1.0%) | (12.2%) | (23.0%) |
| Commission sales | 10,604 | 8,116 | 3,166 | 2,792 | 1,480 | (23.5%) | (61.0%) | (47.0%) | (45.4%) |
| Salaries and benefits | 8,927 | 8,915 | 9,753 | 7,109 | 6,439 | (0.1%) | (9.4%) | (9.4%) | 4.5% |
| rent | 3,172 | 4,566 | - | - | - | 43.9% | Not applicable | Not applicable | Not applicable |
| consumption | 480 | 453 | 948 | 624 | 620 | (5.5%) | (109.2%) | (0.6%) | 40.6% |
| Other | 2,301 | 2,376 | 2,236 | 3,364 | 3,198 | (3.3%) | (10.9%) | (5.0%) | 7.0% |
| Total | 87,730 | 60,921 | 53,366 | 43,153 | 37,441 | (30.6%) | (12.4%) | (13.2%) | (22.0%) |

Source: Financial Statements and Management Information

Both shipping expenses and fees for employees working in the divisions related to selling and distribution accounted for the largest share of the total selling and distribution expenses during the analysis period, as they accounted for 67.7% and 14.9% of the total selling and distribution expenses, respectively, during the aforementioned period.

Shipping expenses decreased by 41.4% from 62.2 million Saudi riyals in 2017G to 36.5 million Saudi riyals in 2018G, mainly due to the amendment of the shipping agreement with the freight forwarder “Helm” so that the company was exempted from one of the costs associated with the service, and it did not witness any expenses. Shipping fluctuations between 2018G and 2019G. Shipping expenses witnessed a decrease of 12.2% from 29.3 Saudi riyals in the nine-month period ended 30 September 2019G to 25.7 million Saudi riyals in the nine-month period ended 30 September 2020G, and this change resulted from a decrease in the volume of export sales.

Sales commission is based on a percentage of sales that are promoted by and marketers independent of the company (third party). Sales commission decreased by 23.5% from 10.6 million Saudi riyals in 2017G to 8.1 million Saudi riyals in 2018G as a result of the company’s efforts to reduce these expenses so that the quantity sold through this sales channel decreased, and the sales commission decreased by 61.0% to 3.2 million Saudi riyals in 2019G, and by 47.0% from 2.8 million Saudi riyals in the nine-month period ending on 30 September 2019G to 1.5 million Saudi riyals in the period of 2019G. The nine months ended September 30, 2020G, and these two changes also resulted from the reduction in the volume of sales that originated through this sales channel during both periods compared to the previous periods.

Salaries and benefits related to selling and distribution activities did not significantly change between 2017G and 2018G, as there was a slight increase of 0.1% from 8.9 million Saudi riyals in 2017G to 8.9 million Saudi riyals in 2018G, and in contrast, salaries and benefits associated with the same activities increased by 9.4 percent. From 8.9 million Saudi riyals in 2018G to 9.8 million Saudi riyals in 2019G, due to the increase in annual bonuses related to the year 2018G, in addition to the increase in the cost of health insurance for the company’s employees. Salaries and benefits witnessed a decrease of 9.4% from 7.1 million Saudi riyals in the nine-month period ending on 30 September 2019G to 6.4 million riyals in the nine-month period ending on 30 September 2020G, due to the reduction in the salaries of workers in sales and distribution activities.



The rents included in the selling and distribution expenses were the rental expenses of warehouses and external storage units, and these rental expenses increased by 43.9% from 3.2 million Saudi riyals in 2017G to 4.6 million Saudi riyals in 2018G, due to the high cost of renting storage units in the Saudi company storage stations. On the other hand, the value of rental costs included in selling and distribution expenses has decreased since 2019G, as the company adopted Standard No. 16 in the International Financial Reporting Standards, starting from January 1, 2019G, which requires operating leases to be accounted for in the same way as is It deals with financing leases, which will be reflected in the income statement as amortization and financing expenses instead of rental costs, noting that the rental expenses have been reclassified under "other" as of 2019G.

Depreciation expenses included in selling and distribution expenses relate to the depreciation of assets used in selling and distribution activities. These expenses did not witness significant fluctuations between 2017G and 2018G, while depreciation expenses increased by 109.2% from 0.5 million Saudi riyals in 2018G to 9.0 million Saudi riyals. In 2019G, this increase is due to the increase in the volume of assets associated with the related activities. Depreciation expenses remained almost constant in the nine-month periods ending on September 30, 2019G and 2020G.

Other expenses included in selling and distribution expenses consist of various expenses related to the concerned activities, including travel expenses, spare parts cost, with holding tax expenses and maintenance expenses of sales and distribution trucks. Other expenses did not experience any significant changes during the analysis period. It should also be noted that the reason for the decrease in the net expenses under this item in the year 2019G compared to its value in the nine months period ended September 30, 2019G is the reflection of a provision amounting to SR 1.3 million during the last quarter of the year that was previously recognized by the company in 2018G, so that Negotiations between the service provider concerned and the company resulted in a reduction in the supplier's dues by the aforementioned amount.

5-5-1-8 general and administrative expenses

The following table shows the details of the general and administrative expenses of the company for the financial years ending on December 31, 2017G, 2018G and 2019G, and the nine-month periods ending on September 30, 2019G, and 2020G.

Table No. (21): general and administrative expenses

| Thousand Saudi riyals | Fiscal year ending December 31 | | | The nine-month period ended September 30 | | Increase / (decrease) | | | Compound annual growth rate |
|-----------------------------|--------------------------------|---------------|---------------|--|---------------|-----------------------|-------------|----------------|-----------------------------|
| | 2017G | 2018G | 2019G | 2019G | 2020G | 2018G | 2019G | 2020G | 2019G - 2017G |
| Salaries and benefits | 19,880 | 19,382 | 16,236 | 16,236 | 14,389 | (2.5%) | (11.4%) | 4.1% | 4.1% |
| Repair and maintenance | 4,261 | 6,642 | 1,624 | 1,624 | 899 | 55.9% | (44.7%) | 31.2% | 31.2% |
| Professional and legal fees | 5,315 | 3,893 | 3,042 | 3,024 | 1,013 | (26.8%) | (17.7%) | (66.7%) | (22.4%) |
| Board fees | 2,000 | 2,044 | 2,267 | 1,701 | 1,686 | 2.2% | 10.9% | (0.9%) | 6.5% |
| consumption | 2,140 | 1,962 | 1,643 | 1,243 | 946 | (8.3%) | (16.3%) | (23.9%) | (12.4%) |
| Extinguishing | 2,723 | 1,391 | 56 | 45 | 30 | (48.9%) | (95.9%) | (33.5%) | (85.6%) |
| Other | 5,412 | 7,414 | 7,038 | 8,675 | 10,008 | 37.0% | (5.1%) | 15.4% | 14.0% |
| Total | 41,732 | 42,726 | 43,070 | 32,567 | 28,970 | 2.4% | 0.8% | (11.0%) | 1.6% |

Source: Financial Statements and Management Information

Expenses of salaries and administrative and general benefits accounted for 48.8% of the total general and administrative expenses during the analysis period, and the expenses of salaries and administrative and public benefits did not witness significant fluctuations between 2017G and 2018G, reaching 19.9 million Saudi riyals and 19.4 million Saudi riyals, respectively. On the other hand, the expenses of salaries and administrative and public benefits witnessed an increase of 11.1% from 19.4 million Saudi riyals in 2018G to 21.5 million Saudi riyals in 2019G, due to the increase in annual bonuses related to the year 2018G, in addition to the increase in the cost of health insurance for the employees of the company. On the other hand, salaries and administrative and public benefits expenses decreased by 11.1% from 16.4 million Saudi riyals in the nine-month period ended September 30, 2019G to 14.4 million Saudi riyals in the nine-month period ended September 30, 2020G, due to the reduction in salaries and benefits for public employees.

The repair and maintenance expenses included in the general and administrative expenses increased by 55.9% from 4.3 million Saudi riyals in 2017G to 6.6 million riyals in 2018G, and this mainly resulted from the increase in the maintenance expenses of the administrative building. These expenses also increased by 4.10% from 6.6 million Saudi riyals in 2018G to 7.3 million Saudi riyals in 2019G, and the main reason is the high cost of maintaining air conditioners in administrative and public facilities. General maintenance and repair expenses did not witness any significant fluctuations between the nine months period ending on September 30, 2019G and 2020G, as it increased by only 1.0%.



The professional and legal fees mainly relate to expenses paid to professional and legal firms. These expenses decreased by 26.8% from 5.3 million Saudi riyals in 2017G to 3.9 million Saudi riyals in 2018G, as well as decreased again by 17.7% from 3.2 million riyals in 2019G, mainly due to the decrease in the company's spending on legal advice. Professional and legal fees expenses decreased by 66.7% from 3.0 million Saudi riyals in the nine-month period ended 30 September 2019G to 1.0 million Saudi riyals in the nine-month period ended September 30, 2020G, and this change resulted from the decrease in the company's spending on technical consultations.

Board fee expenses did not witness any material fluctuation during the analysis period. These expenses included board members' wages and other costs associated with special meetings of the board of directors.

Depreciation expenses included in general and administrative expenses decreased by 8.3% from 2.1 million Saudi riyals in 2017G to 0.2 million Saudi riyals in 2018G, and also decreased again by 16.3% to 6.1 million riyals in 2019G, and they also decreased by 23.9% from 1.2 million Saudi riyals in the nine-month period ended 30 September 2019G to 0.9 million Saudi riyals in the nine-month period ended 30 September 2020G. Note that the main reason behind these changes is the gradual decline in the cost of the public assets used and the end of the useful life of some of them.

The amortization expenses included in the general and administrative expenses decreased by 48.9% from 2.7 million Saudi riyals in 2017G to 1.4 million Saudi riyals in 2018G, due to the decrease in the amortization expenses of the company's resource planning system. Amortization expenses decreased by 95.9% from 1.4 million Saudi riyals in 2018G to 56 thousand Saudi riyals in 2019G, and this change is due to the end of the useful life of some intangible assets. Amortization expenses remained insignificant in the nine-month periods ending on September 30, 2019G and 2020G.

Other expenses included in general and administrative expenses consist of various general expenses, including allowances for doubtful debts, information technology expenses, travel and accommodation expenses, and communication expenses. Other general expenses increased by 37.0% from 4.5 million Saudi riyals in 2017G to 7.4 million Saudi riyals in 2018G. The main reason is the increase in information technology expenses as a result of a maintenance campaign for informational systems. Other general expenses decreased by 5.1% from 7.4 million Saudi riyals in 2018G to 7.0 million Saudi riyals in 2019G. This resulted from lower communication expenses, fuel expenses and the cost of renewing the company's ERP software license. Other general expenses increased from 4.6 million Saudi riyals in the nine-month period ended 30 September 2019G to 5.1 million Saudi riyals in the nine-month period ended 30 September 2020G, and this decrease is mainly due to a slight increase in information technology expenses accompanied by an additional provision for doubtful debts.

5-5-1-9 Other (expenses) operating income - net

The following table shows details of other operating income (expenses) - net of the financial years ending on December 31, 2017G, 2018G and 2019G, and the nine-month periods ending on September 30, 2019G, and 2020G.

Table No. (22): Other (expenses) operating income – net

| Thousand Saudi riyals | Fiscal year ending December 31 | | | The nine-month period ended September 30 | | Increase / (decrease) | | | Compound annual growth rate |
|----------------------------|--------------------------------|--------------|----------------|--|----------------|-----------------------|-----------------|----------------|-----------------------------|
| | 2017G | 2018G | 2019G | 2019G | 2020G | 2018G | 2019G | 2020G | 2019G - 2017G |
| Monetization of collateral | 20,653 | - | - | - | - | Not applicable | Not applicable | Not applicable | Not applicable |
| Scrap sales | 565 | 2,102 | (64) | (235) | 321 | 272.2% | (103.0%) | (236.6%) | Not applicable |
| Bank expenses | - | (3,544) | (3,754) | (2,755) | (2,895) | Not applicable | Not applicable | 5.1% | Not applicable |
| Other, net | (4,392) | 3,783 | 159 | 587 | (411) | (185.1%) | (95.7%) | (170.5%) | Not applicable |
| Total | 16,826 | 2,296 | (3,658) | (2,402) | (2,988) | (86.4%) | (259.4%) | 24.4% | Not applicable |

Source: Financial Statements and Management Information

The net (expenses) of other revenues amounted to 16.8 million Saudi riyals in 2017G, and the liquidation of the guarantees amounting to 20.7 million Saudi riyals was the main component during the year. From purchases and other contractual obligations, and the two parties agreed to a settlement requiring the company to liquidate part of a bank performance guarantee of \$ 5.5 million (equivalent to 20.7 million Saudi riyals), which the company registered under this item for the fiscal year ending on December 31, 2017G.

The net (expenses) of other income decreased by 86.4% from a revenue of 16.8 million Saudi riyals in 2017G to a revenue of 2.3 million Saudi riyals in 2018G, mainly due to the non-recurrence of a material event like the one mentioned above. By 295.4% of revenue of 2.3 million Saudi riyals in 2018G to an expense of 3.7 million Saudi riyals in 2019G. This change is due to the decrease in other revenues by 3.6 million Saudi riyals as a result of the company obtaining non-recurring compensation during the year 2018G, such as the amount received from "company Swedish Perstorp" with a value of 3.8 million Saudi riyals for non-compliance by the customer with the minimum purchases agreed between the two parties for the year 2018G.



On the other hand, the net (expenses) of other income decreased by 24.4% from an expense of 2.4 million Saudi riyals in the nine-month period ended September 30, 2019G, to an expense of SAR 3.0 million in the nine-month period ended September 30, 2020G. This is mainly due to the decrease in other income by 1.0 million Saudi riyals due to the increase in the costs of writing off some stock materials.

5-5-1-10 Financial costs - net

The following table shows financial costs - net for the fiscal years ending on December 31, 2017G, 2018G and 2019G, and the nine-month periods ending on September 30, 2019G, and 2020G.

Table No. (23): Financial costs – net

| Thousand Saudi riyals | Fiscal year ending December 31 | | | The nine-month period ended September 30 | | Increase / (decrease) | | | Compound annual growth rate |
|---------------------------------------|--------------------------------|-----------------|-----------------|--|-----------------|-----------------------|----------------|----------------|-----------------------------|
| | 2017G | 2018G | 2019G | 2019G | 2020G | 2018G | 2019G | 2020G | 2019G - 2017G |
| Loan financing costs | (40,653) | (38,342) | (36,824) | (27,833) | (22,998) | (5.6%) | (4.0%) | (17.4%) | (4.8%) |
| Amortization of transaction costs | (3,936) | (3,613) | (2,982) | (2,263) | (1,966) | (8.2%) | (17.5%) | (13.1%) | (13.0%) |
| Financial costs on rental liabilities | - | - | (1,424) | (1,333) | (1,024) | Not applicable | Not applicable | (23.1%) | Not applicable |
| Total financial costs | (44,532) | (41,956) | (41,230) | (31,429) | (25,989) | (5.8%) | (1.7%) | (17.3%) | (3.8%) |
| Financial revenue | 1,408 | 3,036 | 3,698 | 2,968 | 574 | (115.7%) | 21.8% | (80.7%) | 62.1% |
| Financial costs - net | (43,124) | (38,919) | (37,532) | (28,460) | (25,415) | (9.8%) | (3.6%) | (10.7%) | (6.7%) |

Source: Financial Statements and Management Information

Financing costs include the financing burdens related to loans, while financial revenues are the revenues generated by time deposits (i.e., Cost plus deposits with commercial banks).

Net financing costs decreased by 9.8% from 43.1 million Saudi riyals in 2017G to 38.9 million Saudi riyals in 2018G. This resulted from a decrease in loan financing costs by 2.3 million Saudi riyals and an increase in financing revenues by 1.6 million Saudi riyals. Loan financing resulted in a decrease in the size of the outstanding debts of the company, while the increase in financial revenues resulted from the increase in the company's investments in Cost plus term deposits.

Also, net financing costs decreased by 3.6% from 38.9 million riyals, which would return in 2018G to 37.5 million riyals, which would return in 2019G, due to the decrease in loan financing costs. By 1.5 million riyals, it will be attributed to a decrease in the size of the company's debts. The decrease in loan financing costs would be accompanied by a decrease in the amortization expense of commission costs by 0.6 million Saudi riyals in addition to an increase in financing income by 0.7 million Saudi riyals.

The net financing costs decreased by 17.4% from 28.5 million Saudi riyals in the nine months period ending September 30, 2019G to 25.4 million Saudi riyals in the nine-month period ending September 30, 2020G. This change is mainly due to a decrease in loan financing costs by 4.8 million Saudi riyals. As a result of a lower percentage of profit associated with existing loans to the company.



5-5-2 Statement of financial position

The following table provides a list of the company's financial position as on December 31, 2017G, 2018G, 2019G, and September 30, 2020G.

Table No. (24): Statement of the Financial position

| Thousand Saudi riyals | Fiscal year ending December 31 | | | The six-month period ending on September 30, 2020G | Increase / (decrease) | | | Compound annual growth rate |
|--|--------------------------------|------------------|------------------|--|-----------------------|----------------|----------------|-----------------------------|
| | 2017G | 2018G | 2019G | | 2018G | 2019G | 2020G | 2020G - 2017G |
| Assets | | | | | | | | |
| the findings | 113,968 | 118,231 | 123,110 | 110,889 | 3.7% | 4.1% | (9.9%) | (1.0%) |
| Stock, net | 170,326 | 162,792 | 108,391 | 137,394 | (4.4%) | (33.4%) | 26.8% | (7.5%) |
| Trade and other receivables, short-term Cost-plus deposits | - | 63,000 | - | - | not applicable | (100.0%) | not applicable | not applicable |
| Cash and cash equivalents | 241,102 | 119,824 | 113,086 | 60,095 | (50.3%) | (5.6%) | (46.9%) | (42.6%) |
| Current assets | 525,395 | 463,847 | 344,587 | 308,378 | (11.7%) | (25.7%) | (10.5%) | (19.2%) |
| Property, plant and equipment | 1,715,158 | 1,646,053 | 1,562,118 | 1,349,827 | (4.0%) | (5.1%) | (13.6%) | (8.3%) |
| Right-to-use assets | - | - | 27,411 | 22,386 | not applicable | not applicable | (18.3%) | not applicable |
| Intangible assets | 16,514 | 10,828 | 8,921 | 5,613 | (34.4%) | (17.6%) | (37.1%) | (32.5%) |
| Non-current assets | 1,731,673 | 1,656,881 | 1,598,450 | 1,377,825 | (4.3%) | (3.5%) | (13.8%) | (8.0%) |
| Total assets | 2,257,068 | 2,120,728 | 1,943,038 | 1,686,203 | (6.0%) | (8.4%) | (13.2%) | (10.1%) |
| Property rights | | | | | | | | |
| Capital | 1,206,000 | 1,206,000 | 1,206,000 | 1,206,000 | 0.0% | 0.0% | 0.0% | 0.0% |
| Share premium | 72,850 | 72,850 | 72,850 | 72,850 | 0.0% | 0.0% | 0.0% | 0.0% |
| Statutory reserve | 44,119 | 44,119 | 44,119 | 44,119 | 0.0% | 0.0% | 0.0% | 0.0% |
| Accumulated deficit | (227,551) | (181,921) | (269,156) | (531,491) | 0.0% | 0.0% | 97.5% | 40.4% |
| Total Equity | 1,095,417 | 1,141,048 | 1,053,813 | 791,477 | 20.1% | 48.0% | (24.9%) | (11.1%) |
| Liabilities | | | | | | | | |
| long term loans | 840,842 | 685,359 | 587,366 | 329,398 | 4.2% | (7.6%) | (43.9%) | (28.9%) |
| Lease obligations | - | - | 25,677 | 24,768 | (18.5%) | (14.3%) | (3.5%) | not applicable |
| Employee benefit obligations | 39,477 | 41,086 | 47,725 | 50,938 | 4.1% | Not applicable | 6.7% | 9.7% |
| Non-current liabilities | 880,320 | 726,445 | 660,769 | 405,104 | (17.5%) | (12.7%) | (38.7%) | (24.6%) |
| Trade and other payables | 89,243 | 87,643 | 76,509 | 72,567 | (1.8%) | (8.1%) | (5.2%) | (7.2%) |
| The current portion of long-term loans | 183,764 | 157,613 | 144,883 | 410,137 | (14.2%) | Not applicable | 183.1% | 33.9% |
| Lease obligations - current part | - | - | 1,114 | 1,161 | Not applicable | (25.4%) | 4.2% | not applicable |
| Zakat due | 8,324 | 7,978 | 5,950 | 5,756 | (4.2%) | | (3.3%) | (12.6%) |
| Current liabilities | 281,331 | 253,235 | 228,456 | 489,622 | (10.0%) | (9.8%) | 114.3% | 22.3% |
| Total liabilities | 1,161,651 | 979,680 | 889,225 | 894,725 | (15.7%) | (9.2%) | 0.6% | (9.1%) |
| Total equity and liabilities | 2,257,068 | 2,120,728 | 1,943,038 | 1,686,203 | (6.0%) | (8.4%) | (13.2%) | (10.1%) |

Source: Financial Statements

Current assets mainly represented stock balances, trade and other receivables in addition to cash and cash equivalents. As the current assets decreased by 11.7% from 525.4 million Saudi riyals as on December 31, 2017G to 463.8 million Saudi riyals as on December 31, 2018G and the decrease in the cash balance and the like, had a greater role in this change due to the company's settlement of its loan installments due for the years 2018G and Current assets continued to decline by 25.7% to 344.6 million Saudi riyals as on December 31, 2019G, and this change mainly resulted from the decrease in receivables due to the decrease in the company's revenues in 2019G, in addition to the arrival of short-term Cost plus deposits to their maturity during the same



year. The balance of current assets decreased by 10.5% to 308.4 million Saudi riyals as on September 30, 2020G, and this change resulted primarily from a decrease in the balance of cash and the like.

Equity consists of the company's share capital, share premium, company statutory reserve and accumulated losses. Equity increased by 4.2% from 1,095.4 million Saudi riyals as on December 31, 2017G to 1,141.0 million Saudi riyals as on December 31, 2018G due to a decrease in accumulated losses, as the company recorded net profits of 46.2 million Saudi riyals for the year 2018G. While there were two consecutive decreases in property rights by 7.6% to 1,053.8 million Saudi riyals as on December 31, 2019G, and by 24.9% to 791.4 million Saudi riyals as on September 30, 2020G, and these two changes resulted from an increase in accumulated losses driven by losses recorded by the company in the year 2019G and the nine-month period ending on September 30, 2020G.

Non-current liabilities consist of the balance of the non-current portion of future loans in addition to liabilities for employee benefits and lease obligations. Non-current liabilities decreased by 17.5% from SAR 880.3 million as at December 31, 2017G to SAR 726.4 million as on December 31, 2018G. This decrease is due to a decrease in the long-term loan balance by 18.5% as of December 31, 2018G. Non-current liabilities continued to decrease by 9.0% to 660.7 million Saudi riyals as of December 31, 2019G. This decrease was mainly related to a decrease in the long-term loan balance by 14.3%. Non-current liabilities continued to decline by 38.7% to 405.1 million Saudi riyals as on September 30, 2020G, due to a decrease in the balance of long-term loans by 43.9% as on September 30, 2020G.

Current liabilities included trade and other payables in addition to the current portion of long-term loans, lease commitments and zakat payable. Current liabilities decreased by 10.0% from 281.3 million Saudi riyals as on December 31, 2017G to SR 253.2 million as on December 31, 2018G. This is mainly due to a decrease in the current portion of long-term loans by 14.2% as of December 31, 2018G. Current liabilities continued to decline by 9.8% to SR 228.4 million as of December 31, 2019G. This decrease mainly resulted from a decrease in the balance of trade and other receivables by 12.7% and the current balance of long-term loans by 8.1% as of December 31, 2019G. Current liabilities increased by 114.4% to 489.6 million Saudi riyals as on September 30, 2020G, and this change was driven by the increase in the balance of the current portion of long-term loans by 183.1% as on September 30, 2020G.

5-5-2-1 Non-Current Assets

The following table presents the company's non-current assets as on December 31, 2017G, 2018G, 2019G, and September 30, 2020G.

Table No. (25): Non-current assets

| Thousand Saudi riyals | Fiscal year ending December 31 | | | The six-month period ending on September 30, 2020G | Increase / (decrease) | | | Compound annual growth rate |
|---------------------------------|--------------------------------|------------------|------------------|--|-----------------------|----------------|----------------|-----------------------------|
| | 2017G | 2018G | 2019G | | 2018G | 2019G | 2020G | 2020G -2017G |
| Property, plant and equipment | 1,715,158 | 1,646,053 | 1,562,118 | 1,349,827 | (4.0%) | (5.1%) | (13.6%) | (8.3%) |
| Right-to-use assets | - | - | 27,411 | 22,386 | Not applicable | Not applicable | (18.3%) | Not applicable |
| Intangible assets | 16,514 | 10,828 | 8,921 | 5,613 | (34.4%) | (17.6%) | (37.1%) | (32.5%) |
| Total non-current assets | 1,731,881 | 1,656,881 | 1,598,450 | 1,377,825 | (4.3%) | (3.5%) | (13.8%) | (8.0%) |

Source: Financial Statements and Management Information

The net book value of property, plant and equipment represented 99.0%, 99.3%, 97.7% and 98.0% of total non-current assets as of December 31, 2017G, 2018G, 2019G and September 30, 2020G respectively.



5-5-2-1-1 Property, plant and equipment

The following table provides details of the net book value of the property, plant and equipment as on December 31, 2017G, 2018G, 2019G and September 30, 2020G.

Table No. (26): Property, plant and equipment

| Thousand Saudi riyals | Fiscal year ending December 31 | | | The six-month period ending on September 30, 2020G | Increase / (decrease) | | | Compound annual growth rate 2020G - 2017G |
|--|--------------------------------|------------------|------------------|--|-----------------------|---------------|----------------|--|
| | 2017G | 2018G | 2019G | | 2018G | 2019G | 2020G | |
| Buildings and leasehold improvements | 244,197 | 237,490 | 227,493 | 201,213 | (2.7%) | (4.2%) | (11.6%) | (6.8%) |
| Plant, machinery and equipment | 1,42,111 | 1,356,202 | 1,286,179 | 1,103,494 | (4.9%) | (5.2%) | (14.2%) | (8.9%) |
| Furniture, fixtures and office equipment | 4,193 | 2,651 | 1,661 | 1,336 | (36.8%) | (37.3%) | (19.6%) | (34.0%) |
| Scheduled major maintenance costs | 5,535 | 30,820 | 21,566 | 27,444 | 456.8% | (30.0%) | 27.3% | 79.0% |
| Vehicles | 403 | 201 | 552 | 386 | (50.2%) | 174.5% | (30.0%) | (1.6%) |
| Construction in progress | 34,788 | 18,688 | 24,667 | 15,953 | (46.3%) | 32.0% | (35.3%) | (24.7%) |
| Total property, plant and equipment | 1,715,158 | 1,646,053 | 1,562,118 | 1,349,827 | (4.0%) | (5.1%) | (13.6%) | (8.3%) |

Source: Financial Statements and Management Information

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditures that are directly related to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as necessary, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of that item can be measured reliably. The carrying value of any of the items that are accounted for as separate assets is de-recognized when de-recognized. Other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation of property, plant and equipment is calculated after deducting its estimated residual value of its cost apportionment using the straight-line method. Depreciation is charged to profit or loss. It is to be noted that the company does not intend to change such depreciation policy.

The net book value of the buildings decreased by 2.7% from 244.1 million Saudi riyals as on December 31, 2017G to 237.5 million Saudi riyals as on December 31, 2018G. This change was followed by a decrease of 4.3% to 227.5 million Saudi riyals as on December 31, 2019G, and another decrease of 11.6% to 201.2 million Saudi riyals as on 30 September 2020G. The gradual decrease in the net book value of the buildings is attributable to the increase in the accumulated depreciation during the analysis period, and the period ending on September 30, 2020G included recording an impairment loss in the value of assets.

The leasehold improvements that are part of the Buildings and Leasehold Improvements account represent the decoration and fittings work on the Company's buildings and the properties rented by it. The net carrying value of the improvements did not witness any material fluctuations between December 31, 2017G and September 30, 2020G.

The net book value of the plant, machinery and equipment decreased by 4.9% from 1,426.1 million Saudi riyals as on December 31, 2017G to 1,356.2 million Saudi riyals as on December 31, 2018G, and the net book value of this category of fixed assets decreased by 5.2% to 1,286.2 million Saudi riyals As on December 31, 2019G, by 14.2% to SAR 1,103.5 million as on September 30, 2020G. The gradual decrease in the net book value of the plant, machinery and equipment resulted from the increase in the accumulated depreciation during the analysis period, in addition to recording a loss in the value of assets in the period September 30, 2020G.

The net book value of furniture, office equipment and equipment decreased by 36.8% from 4.2 million Saudi riyals as on 31 December 2017G to 2.7 million Saudi riyals as on 31 December 2018G, and continued to decline by 37.3% to 1.6 million Saudi riyals as on 31 December 2019G, by 19.6% To 1.3 million Saudi riyals as on September 30, 2020G, and the gradual decrease in the net book value of this type of fixed assets is due to the increase in depreciation accumulated during the analysis period.

The net book value of the main scheduled maintenance costs increased by 456.8% from 5.5 million Saudi riyals as at December 31, 2017G to 30.8 million Saudi riyals as on December 31, 2018G. The capitalized cost of these works is 36.3 million Saudi riyals during the year 2018G. The net book value of the main scheduled maintenance costs decreased by 30.0% to 21.5 million Saudi riyals as on December 31, 2019G, and this change resulted from the decrease in the capitalized maintenance costs during the period and the increase in the accumulated depreciation at the same time. The net book value of these capitalized expenses increased by 27.3% to 27.4 million Saudi riyals as on September 30, 2020G, and this change resulted from the increase in the value of costs associated with periodic maintenance during the nine months period ending on September 30, 2020G.



The vehicles category represents the net carrying value of the Company's trucks and other vehicles. The net book value of vehicles decreased by 50.2% from 0.4 million Saudi riyals as on December 31, 2017G to 0.2 million Saudi riyals as on December 31, 2018G, and this was a result of excluding some cars and the depletion of the life span of some other vehicles. The net book value of vehicles witnessed a substantial increase between December 31, 2018G and 2019G by 174.5% to SAR 0.6 million as of December 31, 2019G, as a result of the company purchasing an additional group of vehicles worth 0.5 million Saudi riyals. The net book value of vehicles decreased by 30.0% to 0.4 million Saudi riyals as on September 30, 2020G, due to the increase in accumulated depreciation.

Construction in progress refers to costs incurred towards factory expansion projects and ongoing periodic maintenance costs (i.e., under implementation). Construction under construction decreased by 46.3% from 34.8 million Saudi riyals as on December 31, 2017G to 18.7 million Saudi riyals as on December 31, 2018G, and increased by a percentage. 32.0% to 24.7 million Saudi riyals as on December 31, 2019G, and decreased by 35.3% to 16.0 million Saudi riyals as on September 30, 2020G, and it is mentioned that the changes in the net book value of these capitalized expenses are related to the movement of additions and transfers to the item of factories and periodic maintenance costs.

5-5-2-1-2 Right-of-use assets

The following table provides details of the right-to-use assets with the company as of December 31, 2017G, 2018G, 2019G, and September 30, 2020G.

Table No. (27): Right-of-Use Assets

| Thousand Saudi riyals | Fiscal year ending December 31 | | | The six-month period ending on September 30, 2020G | Increase / (decrease) | | | Compound annual growth rate 2020G -2017G |
|----------------------------------|--------------------------------|----------|---------------|--|-----------------------|-----------------------|----------------|---|
| | 2017G | 2018G | 2019G | | 2018G | 2019G | 2020G | |
| Land | - | - | 24,395 | 19,790 | Not applicable | Not applicable | (18.9%) | Not applicable |
| Warehouses and stores | - | -- | 3,016 | 2,596 | Not applicable | Not applicable | (13.9%) | Not applicable |
| Total right-to-use assets | - | - | 27,411 | 22,386 | Not applicable | Not applicable | (18.3%) | Not applicable |

Source: Financial Statements and Management Information

The company has operating lease contracts related to land, warehouses and stores, which were previously recognized as operating leases in accordance with International Accounting Standard No. 17. The company adopted IFRS 16 starting from January 1, 2019G in place of IAS 17, as IFRS 16 is based on a different accounting model whereby all major leases with the company are recognized in the balance sheet as finance leases (i.e., right-to-use assets). There are exceptions to operating leases such as low-value leases or short-term leases. (Less than one year) so that they are treated accountancy as operating lease contracts in the same format as in International Accounting Standard No. 17. Note that all company leases meet the conditions that require recognition of leases as right-of-use assets. The depreciation expense of the right-to-use assets is recorded in the income statement.

The net book value of the right-to-use assets decreased by 18.3% from 27.4 million Saudi riyals as of December 31, 2019G to 22.4 million Saudi riyals as on September 30, 2020G. This decrease resulted from the depreciation cost of the period by 1.6 million Saudi riyals in addition to the cost of the decrease in the value of the land by SR 3.4 million.

5-5-2-1-3 Intangible assets

The following table provides details of the intangible assets of the company as of December 31, 2017G, 2018G, 2019G and September 30, 2020G.

Table No. (28): Intangible assets

| Thousand Saudi riyals | Fiscal year ending December 31 | | | The six-month period ending on September 30, 2020G | Increase / (decrease) | | | Compound annual growth rate 2020G - 2017G |
|---|--------------------------------|---------------|--------------|--|-----------------------|----------------|----------------|--|
| | 2017G | 2018G | 2019G | | 2018G | 2019G | 2020G | |
| Computer programs | 6,670 | 1,772 | 652 | 84 | (73.4%) | (63.2%) | (87.1%) | (79.6%) |
| Payments for contractual rights to the pipeline | 9,844 | 9,056 | 8,269 | 5,528 | (80.0%) | (8.7%) | (33.1%) | (18.9%) |
| Total intangible assets | 16,514 | 10,828 | 8,921 | 5,613 | (34.4%) | (17.6%) | (37.1%) | (32.5%) |

Source: Financial Statements and Management Information

Intangible assets include the net carrying value of computer programs and payments made by the company to obtain contractual rights for pipelines.



The net book value of intangible assets decreased by 34.4% from 16.5 million Saudi riyals as on December 31, 2017G to 8.10 million Saudi riyals as on December 31, 2018G, and this change is mainly due to the increase in amortization accumulated on computer programs by 4.9 million Saudi riyals. The net book value of intangible assets decreased by 17.6% to 8.9 million Saudi riyals as on December 31, 2019G, and this change resulted primarily from the increase in amortization accumulated on computer programs by 1.1 million Saudi riyals. The net book value of intangible assets also decreased by 37.1% to 5.6 million Saudi riyals as on September 30, 2020G, and this change came mainly as a result of the company's recognition of impairment losses in payments to obtain contractual rights for the pipeline during the nine months period ending on September 30, 2020G. The impact of which amounted to 2.1 million Saudi riyals.

5-5-2-2 current assets

The following table presents the company's current assets as on December 31, 2017G, 2018G, 2019G, and September 30, 2020G.

Table No. (29): Current assets

| Thousand Saudi riyals | Fiscal year ending December 31 | | | The six-month period ending on September 30, 2020G | Increase / (decrease) | | | Compound annual growth rate |
|-------------------------------|--------------------------------|----------------|----------------|--|-----------------------|----------------|----------------|-----------------------------|
| | 2017G | 2018G | 2019G | | 2018G | 2019G | 2020G | 2020G -2017G |
| Stock, net | 113,968 | 118,231 | 123,110 | 110,889 | 3.7% | 4.1% | (9.9%) | (9.9%) |
| Trade and other receivables | 170,326 | 162,792 | 108,391 | 137,394 | (4.4%) | (33.4%) | 26.8% | 26.8% |
| Short-term Cost-plus deposits | - | 63,000 | - | - | not applicable | (100.0%) | not applicable | not applicable |
| Cash and cash equivalents | 241,102 | 119,824 | 113,086 | 60,095 | (50.3%) | (5.6%) | (46.9%) | (46.9%) |
| Total current assets | 525,395 | 463,847 | 344,587 | 308,378 | (11.7%) | (25.7%) | (10.5%) | (10.5%) |

Source: Financial Statements and Management Information

Cash and cash equivalents accounted for 45.9%, 25.8%, 32.8% and 19.5% of the total current assets as of December 31, 2017G, 2018G, 2019G and September 30, 2020G respectively. Trade and other receivables represented 32.4%, 1.35% 5.31%, and 6.44% of the total current assets as on December 31, 2017G, 2018G, 2019G and September 30, 2020G respectively, while net stocks represented 21.7% and 25.5%. And 35.7% and 36.0% of total current assets as of December 31, 2017G, 2018G, 2019G, and September 30, 2020G, respectively.

5-5-2-2-1 Stock, net

The following table provides details of the company's net stock as of December 31, 2017G, 2018G, 2019G, and September 30, 2020G.

Table No. (30): Stock, net

| Thousand Saudi riyals | Fiscal year ending December 31 | | | The six-month period ending on September 30, 2020G | Increase / (decrease) | | | Compound annual growth rate |
|--|--------------------------------|-----------------|-----------------|--|-----------------------|--------------|---------------|-----------------------------|
| | 2017G | 2018G | 2019G | | 2018G | 2019G | 2020G | 2020G - 2017G |
| Ready-made products | 29,115 | 23,027 | 28,512 | 26,814 | (20.9%) | 23.8% | (6.0%) | (2.9%) |
| Raw materials | 16,692 | 18,443 | 19,972 | 18,020 | 10.5% | 8.3% | (9.8%) | 2.8% |
| Consumables and spare parts, not intended for sale | 69,155 | 77,732 | 76,127 | 76,464 | 12.4% | (2.1%) | 0.4% | 3.7% |
| Goods are on the way | 9,404 | 11,155 | 18,242 | 20,000 | 18.6% | 63.5% | 9.6% | 31.6% |
| Other | 3,721 | 3,365 | 3,933 | 4,191 | (9.6%) | 16.9% | 6.6% | 4.4% |
| Total stock | 128,088 | 133,722 | 146,786 | 145,491 | 4.4% | 9.8% | (0.9%) | 4.7% |
| Provision for slow moving stock | (14,120) | (15,491) | (23,676) | (34,602) | 9.7% | 52.8% | 46.1% | 38.5% |
| Net stock | 113,968 | 118,231 | 123,110 | 110,889 | 3.7% | 4.1% | (9.9%) | (1.0%) |

Source: Financial Statements and Management Information

The value of finished goods decreased by 20.9% from 29.1 million Saudi riyals as on December 31, 2017G to 23.0 million Saudi riyals as on December 31, 2018G. This decrease is due to the increase in the company's sales in 2018G, which contributed to the acceleration of the movement of finished products. The value of finished goods increased by 23.8% to 28.5 million Saudi riyals as on December 31, 2019G. This increase is attributed to the increase in production and the decrease in demand during 2019G.



On the other hand, the value of finished goods decreased by 6.0% to 26.5 million Saudi riyals as on September 30, 2020G, due to the decrease in production activity in light of the decrease in the volume of demand during the nine-month period ending on September 30, 2020G.

Raw materials represent the value of raw materials in the company's warehouses and tanks. The value of raw materials inventories increased by 0.15% from 16.6 million Saudi riyals as on December 31, 2017G to 18.4 million Saudi riyals as on December 31, 2018G. This increase mainly resulted from the increase in the company's purchases during the last quarter of 2018G to meet the production requirements for 2019G. The value of raw materials continued to increase by 8.3% to 19.9 million Saudi riyals as on December 31, 2019G, and this resulted from the increase in the methanol stock that the company produces to manufacture its products. On the other hand, the value of raw materials stock decreased by 9.8% to 18.0 million Saudi riyals as on September 30, 2020G, and this is due to the decrease in the volume of purchases and the productivity of the company during the nine-month period ending on September 30, 2020G.

Consumables and spare parts not prepared for sale represented the company's stock of spare parts and consumables associated with production equipment. The stock of spare parts and consumables witnessed an increase of 12.4% from 69.2 million Saudi riyals as on December 31, 2017G to 77.7 million Saudi riyals as on December 31, 2018G, and this increase mainly resulted from the increase in the company's purchases during the last quarter of 2018G to meet the production requirements of 2019G. The stock of spare parts and consumables did not witness significant fluctuations between December 31, 2018G, 2019G and September 30, 2020G, as its value decreased by 2.1% and 0.4% as on December 31, 2019G and September 30, 2020G, respectively.

On-the-road goods represent the value of the goods that have been sold to the company's customers and are in the process of being transported to them. The stock of goods on the road increased by 18.6% from 9.4 million Saudi riyals as on December 31, 2017G to 11.1 million Saudi riyals as on December 31, 2018G. The value of stock of goods on the road continued to increase by 63.5% to 18.2 million Saudi riyals as on December 31, 2019G, and by 9.6% to 20.0 million Saudi riyals as on September 30, 2020G. The reason for the gradual rise in the value of goods in route during the analysis period is the increase in sales of the company at the end of the year and the application of International Accounting Standard No. 15.

The item "other" included in the stock consists of packaging materials and product packaging. This item did not witness any significant fluctuations during the analysis period.

5-5-2-2-2 Trade and other receivables

The following table provides details of the company's trade and other receivables as on December 31, 2017G, 2018G, 2019G and September 30, 2020G.

Table No. (31): Trade and other receivables

| Thousand Saudi riyals | Fiscal year ending December 31 | | | The six-month period ending on September 30, 2020G | Increase / (decrease) | | | Compound annual growth rate 2020G -2017G |
|---|--------------------------------|----------------|----------------|--|-----------------------|----------------|----------------|---|
| | 2017G | 2018G | 2019G | | 2018G | 2019G | 2020G | |
| Trade receivables | 145,081 | 139,261 | 81,870 | 114,933 | (4.0%) | (41.2%) | 40.4% | (8.1%) |
| provision for doubtful debts | (701) | - | - | - | (100.0%) | not applicable | not applicable | (100.0%) |
| Provision for expected credit losses of trade receivables | - | (1,216) | (1,715) | (2,165) | not applicable | 41.0% | 26.2% | not applicable |
| Trade receivables, net | 144,380 | 138,045 | 80,156 | 112,768 | (4.4%) | (41.9%) | 40.7% | (8.6%) |
| Advance payments to suppliers | 7,165 | 2,852 | 6,021 | 3,215 | (60.2%) | 111.1% | (46.6%) | (25.3%) |
| Ancestor to the staff | 5,178 | 4,842 | 4,742 | 3,114 | (6.5%) | (2.1%) | (34.3%) | (16.9%) |
| Advance payments | 6,862 | 7,462 | 6,742 | 7,916 | 8.3% | (9.6%) | 17.4% | 5.2% |
| Other | 6,711 | 6,561 | 10,730 | 10,381 | 42.9% | 11.9% | (3.2%) | 17.2% |
| Total trade and other receivables | 170,326 | 162,792 | 108,391 | 137,394 | (4.4%) | (33.4%) | 26.8% | (7.5%) |

Source: Financial Statements and Management Information

The net trade receivables accounted for 84.8%, 84.8%, 74.0% and 82.1% of the total trade and other receivables as at December 31, 2017G, 2018G, 2019G and September 30, 2020G respectively. Net trade receivables decreased by 4.4% from 144.4 million Saudi riyals as on December 31, 2017G to 138.0 million Saudi riyals as on December 31, 2018G, and this change came as a result of an improvement in the company's collections. While net trade receivables decreased by 41.9% to 80.1 million Saudi riyals as



on December 31, 2019G, and this decrease is due to the decline in the company's revenues in 2019G. On the other hand, net trade receivables increased by 40.7% to 112.8 million Saudi riyals as on September 30, 2020G, and this increase resulted because the company's clients' liquidity was affected by the Corona pandemic on their normal course of business and increased sales during the third quarter of 2020G after signs of recovery from the pandemic.

Advances to suppliers represent payments made to company suppliers in exchange for purchases and services. The value of advance payments to suppliers decreased by 60.2% from 7.2 million Saudi riyals, as at 31 December 2017G, to 2.9 million riyals, as at 31 December 2018G, and the increase in 2017G was due to buy some materials for maintenance scheduled in the first quarter of 2018G. Advance payments to suppliers increased by 111.1% to reach 6.0 million Saudi riyals as on December 31, 2019G, due to the purchase of some spare parts and materials for scheduled maintenance in the first quarter of 2020G. The advance payments also decreased to reach 3.2 million riyals, as on September 30, 2020G, and this decrease was due to the decrease in the company's transactions volume in general during the nine months period ending on September 30, 2020G.

Advances to employees represent amounts paid to company employees as advances that are deducted from employees' salaries on an installment basis. Employees' advances decreased by 6.5% from 5.2 million Saudi riyals as on December 31, 2017G to 4.8 million Saudi riyals as on December 31, 2018G, and decreased by 2.1% to reach 4.7 million riyals, which will return as at 31 December 2019G, and it decreased also by 34.3% to repair to 3.1 million riyals will be returned as of September 30, 2020G. The gradual decrease in the balance of this item during the analysis period is due to the reduction of the company's employees' advances.

Prepaid expenses increased by 8.3% from 6.9 million Saudi riyals as on December 31, 2017G to 7.5 million Saudi riyals as on December 31, 2018G, and this change mainly resulted from the increase in medical insurance expenses paid in advance. Prepaid expenses decreased by 9.6% to reach 6.7 million Saudi riyals as of December 31, 2019G, as a result of the application of International Standard No. 16 related to leases. Prepaid expenses increased by 17.4% to reach 7.9 million Saudi riyals as on September 30, 2020G, mainly due to the existence of a balance remaining from the advance payment for plant and property insurance, which will be fully amortized at the end of the year.

Other receivables include recoverable guarantees issued within the normal course of the company's business, value-added tax receivables from the General Authority for Zakat, dues from customs, and advance payments to employees. Other civil receivables increased by 42.9% from 6.7 million Saudi riyals as on December 31, 2017G to 9.6 million Saudi riyals as on December 31, 2018G, and this mainly resulted from VAT receivables from the General Authority for Zakat after tax implementation. Other receivables continued to increase by 11.9% to reach 10.7 million Saudi riyals as of December 31, 2019G, and this change resulted primarily from the increase in VAT receivables. Other receivables decreased by 3.2% to reach 10.3 million Saudi riyals as of September 30, 2020G, and this change is mainly due to the increase in VAT receivables.

5-5-2-2-3 Short-term Cost-plus deposits

Short-term Cost-plus deposits include deposits in Cost plus deposits with banks and other short-term, highly liquid investments, with original maturities of more than three months but not more than one year from the date of purchase. Short-term Cost-plus deposits are deposited with rated financial institutions. Investment, which is considered to have low credit risk. The company deposited 63.0 million Saudi riyals in Cost plus term deposits during 2018G and generated financial revenues from them before their maturity date in 2019G.

5-5-2-2-4 Cash and Cash Equivalents

The following table provides details of cash and cash equivalents with the company as of December 31, 2017G, 2018G, 2019G, and September 30, 2020G.

Table No. (32): Cash and cash equivalents

| Thousand Saudi riyals | Fiscal year ending December 31 | | | The six-month period ending on September 30, 2020G | Increase / (decrease) | | | Compound annual growth rate 2020G - 2017G |
|--|--------------------------------|----------------|----------------|--|-----------------------|---------------|----------------|--|
| | 2017G | 2018G | 2019G | | 2018G | 2019G | 2020G | |
| Cash in the box | 15 | 10 | 10 | 10 | (32.4%) | - | - | (13.3%) |
| Cash at the bank | 18,087 | 18,814 | 52,576 | 60,085 | 40% | 179.5% | 14.3% | 54.7% |
| Time deposits | 263,000 | 101,000 | 60,500 | - | (54.7%) | (40.1%) | (100.0%) | (100.0%) |
| Total cash and cash equivalents | 241,102 | 119,824 | 113,086 | 60,095 | (50.3%) | (5.6%) | (46.9%) | (39.7%) |

Source: Financial Statements and Management Information

Cash with banks constitutes 7.5%, 15.7%, 46.5% and 100.0% of the total cash and cash equivalents with the company as of December 31, 2017G, 2018G, 2019G and September 30, 2020G respectively. Cash at banks witnessed a slight increase of 4.0% from 18.1 million Saudi riyals as on December 31, 2017G to 18.8 million Saudi riyals as on December 31, 2018G, while the balance of cash at banks increased by 179.5% to 52.6 million Saudi riyals as on December 31, 2019G. With a rate of 14.3% to 60.0 million



Saudi riyals as on September 30, 2020G. The reason for the increase in the cash balance at banks as on December 31, 2019G and September 30, 2020G, is due to the liquidation of time deposits in order to enhance the company's liquidity.

Time deposits account for 92.5%, 84.3% and 53.5% of total cash and cash equivalents with the company as of December 31, 2017G, 2018G and 2019G, respectively. The balance of time deposits witnessed a decrease of 54.7% from 223.0 million Saudi riyals as on December 31, 2017G to 101.0 million Saudi riyals as on December 31, 2018G, and the balance of time deposits continued to decrease by 40.1% to 60.5 million Saudi riyals as on December 31, 2019G, and by 100.0% To SAR 0.0 million as of September 30, 2020G, and this gradual decrease is due to liquidating time deposits with the aim of enhancing the company's liquidity as mentioned in the previous paragraph.

The company maintains small amounts of cash in tight funds under the custody of persons authorized to dispose of them to meet routine cash expenditures of small value, and the cash in the fund did not witness any significant fluctuations between December 31, 2018G, 2019G, and September 30, 2020G.

It should be noted that the general reasons behind the gradual decline in the value of cash and the like are the decline in the company's profits during the analysis period in addition to the payment of installments related to loans and the company's spending on capital investments.

5-5-2-3 Ownership Rights

The following table presents the components of the company's equity as of December 31, 2017G, 2018G, 2019G, and September 30, 2020G.

Table No. (33): Equity

| Thousand Saudi riyals | Fiscal year ending December 31 | | | The six-month period ending on September 30, 2020G | Increase / (decrease) | | | Compound annual growth rate |
|-----------------------|--------------------------------|------------------|------------------|--|-----------------------|---------------|----------------|-----------------------------|
| | 2017G | 2018G | 2019G | | 2018G | 2019G | 2020G | 2020G - 2017G |
| capital | 1,206,000 | 1,206,000 | 1,206,000 | 1,206,000 | - | - | - | - |
| Share premium | 72,850 | 72,850 | 72,850 | 72,850 | - | - | - | - |
| Statutory reserve | 44,119 | 44,119 | 44,119 | 44,119 | - | - | - | - |
| Accumulated deficit | (227,551) | (181,921) | (269,156) | (531,491) | (20.1%) | 48.0% | 97.5% | 36.1% |
| Total | 1,095,417 | 1,141,048 | 1,053,813 | 791,477 | 4.2% | (7.6%) | (33.1%) | (11.1%) |

Source: Financial Statements and Management Information

The authorized, issued and fully paid-up capital consists of 120.6 million ordinary shares valued at 10 Saudi riyals per share, and the company's capital remained stable during the analysis period.

The share premium represents the amount that the company added by issuing shares in excess of its par value, and the balance of this item remained stable during the analysis period.

In accordance with the Companies Law and the Company's Articles of Association, the company is required to transfer 10% of the net profit for the year to the statutory reserve. The company may stop making such transfers when the total reserve reaches 30% of the capital. There was no material change in the value of the statutory reserve during the years 2017G, 2018G and 2019G and the nine-month period ending on September 30, 2020G.

The company will record an accumulated deficit of 227.6 million riyals, which will return as of December 31, 2017G, and the deficit decreased by 20.1%, or equivalent to 9,181 million Saudi riyals, as on December 31, 2018G, as a result of the profits achieved by the company in 2018G, while the accumulated deficit increased by 48.0% to 269.2 million riyals. Saudi Arabia as on December 31, 2019G, and continued to rise by 97.5% to 531.5 million Saudi riyals as on September 30, 2020G, and the increase in the accumulated deficit as on December 31, 2019G and September 30, 2020G is due to the losses recorded by the company in 2019G and the nine-month period ending on 30 September 2020G.



5-5-2-4 Non-current liabilities

The following table presents the company's non-current liabilities as on December 31, 2017G, 2018G, 2019G, and September 30, 2020G.

Table No. (34): Non-current liabilities

| Thousand Saudi riya | Fiscal year ending December 31 | | | The six-month period ending on September 30, 2020G | Increase / (decrease) | | | Compound annual growth rate |
|--------------------------------------|--------------------------------|----------------|----------------|--|-----------------------|----------------|----------------|-----------------------------|
| | 2017G | 2018G | 2019G | | 2018G | 2019G | 2020G | 2020G - 2017G |
| long term loans | 840,842 | 685,359 | 587,366 | 329,398 | (18.5%) | (14.3%) | (43.9%) | (28.9%) |
| Lease contract obligations | - | - | 25,677 | 24,768 | not applicable | not applicable | (3.5%) | not applicable |
| Employee benefit obligations | 39,477 | 41,086 | 47,725 | 50,938 | 4.1% | 16.2% | 6.7% | 9.7% |
| Total non-current liabilities | 880,320 | 726,445 | 660,769 | 405,104 | (17.5%) | (9.0%) | (38.7%) | (24.6%) |

Source: Financial Statements and Management Information

Long-term loans accounted for 95.5%, 94.3%, 88.9% and 81.3% of total non-current liabilities as of December 31, 2017G, 2018G, 2019G and September 30, 2020G respectively.

5-5-2-4-1 long term loans

The following table provides a summary of long-term loans with the company as of December 31, 2017G, 2018G, 2019G, and September 30, 2020G.

Table No. (35): Long-term loans

| Thousand Saudi riya | Fiscal year ending December 31 | | | The six-month period ending on September 30, 2020G | Increase / (decrease) | | | Compound annual growth rate |
|--|--------------------------------|----------------|----------------|--|-----------------------|----------------|----------------|-----------------------------|
| | 2017G | 2018G | 2019G | | 2018G | 2019G | 2020G | 2020G - 2017G |
| long term loans | | | | | | | | |
| Saudi Industrial Development Fund (the Fund) | 385,000 | 295,000 | 245,000 | 245,000 | (23.4%) | (16.9%) | - | (15.2%) |
| Cost plus facilities - participation loans | 327,685 | 268,830 | 252,317 | 252,317 | (13.0%) | (11.5%) | - | (9.1%) |
| Bilateral loan Cost plus facility | 309,000 | 848,916 | 237,930 | 237,930 | (13.0%) | (11.5%) | - | (9.1%) |
| Total loan value | 1,021,685 | 2,141 | 735,247 | 745,247 | (16.9%) | (13.4%) | - | (11.3%) |
| Accrued finance costs | 14,619 | 851,057 | 2,105 | 742,672 | (85.4%) | (1.7%) | 252.7% | (21.8%) |
| Total value owed | 1,036,304 | | 737,353 | 735,247 | (17.9%) | (13.4%) | 0.7% | (11.4%) |
| Unamortized transaction costs related to: | | | | | | | | |
| Saudi Industrial Development Fund (the Fund) | (2,680) | (1,473) | (687) | (264) | (45.0%) | (53.3%) | (61.6%) | (57.0%) |
| Cost plus facilities - participation loans | (4,919) | (3,594) | (2,394) | (1,553) | (26.9%) | (33.4%) | (35.1%) | (34.3%) |
| Bilateral loan Cost plus facility | (4,099) | (3,017) | (2,022) | (1,321) | (26.4%) | (33.0%) | (34.7%) | (33.8%) |
| Total unamortized transaction costs related | (11,698) | (8,085) | (5,103) | (3,137) | (30.9%) | (36.9%) | (38.5%) | (38.0%) |
| Net receivable value (long term loans) | 1,024,606 | 842,973 | 732,250 | 739,535 | (17.7%) | (13.1%) | 1.0% | (11.2%) |
| The rolling maturity included in the current liabilities | 183,764 | 157,613 | 144,883 | 410,137 | (14.2%) | (8.1%) | 183.1% | 33.9% |
| The non-current portion of long-term loans | 840,842 | 685,359 | 587,366 | 329,398 | (18.5%) | (14.3%) | (43.9%) | (28.9%) |

Source: Financial Statements and Management Information

The following table also provides details of the long-term loans outstanding on the company as of September 30, 2020G.

Table No. (36): Details of long-term loans as of September 30, 2020G

| Funder | Amount (thousands SR) | Balance as of September 30, 2020G (thousand SR) | Guarantees | Profit (Finance expenses) | Issuance date | Expiry date | Purpose from finance | Main financial terms | compliance status |
|--|-----------------------|---|------------------------------------|---------------------------|---------------|--|---|--|---|
| Saudi Industrial Development Fund | 703,180 | 245,000 | All company property and equipment | 1.14% (Prox) | 24/12/2008G | 03/28/2021G (under extension to 09/12/2022G) | Establishment of "Paraformaldehyde" and "Melamine Formaldehyde" units | <ol style="list-style-type: none"> 1- The maximum limit of the annual lease cost - 20 million Saudi riyals 2- That the ratio of current assets to current liabilities is not less than 1: 1 3- That the ratio of liabilities to tangible assets does not exceed 1: 3 4- The maximum limit of dividend distribution is based on whichever is lower, between 1--25% of the equity capital or the total payment installments 5- The annual capital expenditure does not exceed 40 million riyals | Non-compliance with some financial provisions |
| Syndication (Principal Agent: HSBC Saudi Arabia) | 832,000 | 252,317 | Order title | 3.25% - SIBOR | 13/6/2011G | 31/12/2022G | Financing expansion projects and working capital needs | <ol style="list-style-type: none"> 1- That the ratio of current assets to current liabilities is not less than 1.1: 1 2- That the debt-to-equity ratio does not exceed 1.1: 1 3- That the debt coverage ratio is not less than 1.1: 1 4- That the debt-to-net worth ratio does not exceed 1.1: 1 | Non-compliance with some financial provisions |
| HSBC Saudi Arabia | 259,000 | 199,430 | Promissory note | 3.25% + SAIBOR | 31/03/2016G | 31/12/2022G | working capital finance | <ol style="list-style-type: none"> 1- The ratio of current assets to current liabilities should not be less than 1.1: 1 2- The ratio of debt to equity should not be greater than 1.1: 1 3- Debt service coverage ratio should not be less than 1.1: 1 4- Debt to net value ratio should not be less than 1.1: 1 | Non-compliance with some of financial covenants |



| Funder | Amount (thousands SR) | Balance as of September 30, 2020G (thousand SR) | Guarantees | Profit (Finance expenses) | Issuance date | Expiry date | Purpose from finance | Main financial terms | compliance status |
|------------------------------|-----------------------|---|------------|---------------------------|---------------|-------------|---------------------------------|---|---|
| Riyadh bank | 50,000 | 38,500 | Null | 3.25% + SIBOR | 31/3/2016G | 31/12/2022G | Financing working capital needs | 1- That the ratio of the quantity of highly liquid assets to total net cash flows over the next 30 days is not less 1:1 2- That the debt-to-equity ratio does not exceed 1:1 | Non-compliance with some financial provisions |
| Total amount of loans | 1,844,180 | 735,247 | | | | | | | |

Source: data from management

The loan balances are related to the debts obtained by the company from financing agreements with a group of banks and financing institutions, including Saudi Industrial Development Fund, Arab Banking Corporation, Riyad Bank, Samba Financial Group, Saudi Hollandi Bank, National Commercial Bank and Saudi British Bank. Most of the Company's loans are represented by Murabaha facilities, Musharakah and Bilateral loans aimed at financing expansion projects. Most of these loans carry financial expenditures at prevailing market rates that are based on Saudi Interbank interest rate.

The value of long-term loans decreased by 17.7% from SR 1,074.6 million as on 31 December 2017G to SR 843.0 million as on 31 December 2018G, and continued to decline by 13.1% to SR 732.3 million as on 31 December 2019G. Paying the installments and financing costs incurred by the company. On the other hand, the value of long-term loans increased by 1.0% to SR 739.5 million as on September 30, 2020G, as a result of the increase in outstanding financing costs.

The company's loan pledges require maintaining some financial levels and limiting dividends and annual capital expenditures above certain limits and other specific matters, and it is stated that the company has failed to comply with some pledges as on September 30, 2020G, but it is worth noting that the company has obtained a waiver or not NOC (No Objection Certificate) from banks and financial institutions in this regard. The loan obtained by the company from Saudi Industrial Development Fund is secured by a mortgage on the property, plant and equipment of the company, whose book value amounted to 1.7 billion Saudi riyals as of September 30, 2020G.

5-5-2-4-2 Lease liabilities

The following table presents the movement of lease liabilities based on the company as of December 31, 2019G and September 30, 2020G.

Table No. (37): Lease liabilities

| Thousands SR | Financial year ended on 31 Dec | | | Nine months period ended on Sep 30, 2020G | Increase / decrease | | |
|--|--------------------------------|-------|---------------|---|-----------------------|-----------------------|---------------|
| | 2017G | 2018G | 2019G | | Dec 2018G | Dec 2019G | Dec 2020G |
| The balance is as at the beginning of the term | - | - | 27,846 | 26,791 | Not applicable | Not applicable | (3.8%) |
| Payments | - | - | (2,479) | (1,886) | Not applicable | Not applicable | (23.9%) |
| Financial costs | - | - | 1,424 | 1,024 | Not applicable | Not applicable | (28.1%) |
| Lease requirements | - | - | 26,791 | 25,929 | Not applicable | Not applicable | (3.2%) |
| Rolled amount | - | - | 1,114 | 1,161 | Not applicable | Not applicable | 4.2% |
| Non-rolled amount | - | - | 25,677 | 24,768 | Not applicable | Not applicable | (3.5%) |

Source: financial statements and data from management

when applying IFRS No. 16, the Company has recognized lease liabilities related to lease contracts that were previously classified as "operating leases" in accordance with the principles 17 of IAS "Leases". These liabilities were measured at the present value of the remaining lease payments discounted using the Company's incremental borrowing rate as at 1 January 2019G. The weighted average incremental borrowing rate of the company applied to the lease liabilities on January 1, 2019G was 5.6%.

The value of the rental liabilities decreased by 3.5% from SR 26.8 million as on December 31, 2019G to SR 25.9 million as on September 30, 2020G, as a result of payments between the two periods, noting that the company did not lease any new sites during the nine-month period ending on September 30, 2020G.



5-5-2-4-3 Obligations of employee benefits

The following table presents the movement of the company's employee benefit obligations as of December 31, 2017G, 2018G, 2019G, and September 30, 2020G.

Table No. (38): Obligations of employee benefits

| Thousands SR | Financial year ended on 31 Dec | | | Nine months period ended on Sep 30, 2020G | Increase / decrease | | | Compound annual growth rate Dec2017G – Sep 2020G |
|------------------------|--------------------------------|---------------|---------------|---|---------------------|--------------|--------------|--|
| | 2017G | 2018G | 2019G | | Dec 2018G | Dec 2019G | Dec 2020G | |
| Opening balance | 37,187 | 39,477 | 41,086 | 49,944 | 6.2% | 4.1% | 21.6% | 11.3% |
| Current service cost | 5,141 | 5,565 | 5,273 | 1,825 | 8.3% | (5.2%) | (65.4%) | (31.4%) |
| Profit expenditure | 1,366 | 1,465 | 1,923 | 62 | 7.2% | 31.2% | (96.8%) | (67.5%) |
| Payments | (2,786) | (5,179) | (3,716) | (686) | 85.9% | (28.2%) | (81.5%) | (39.9%) |
| Re-measure | (1,430) | (243) | 3,159 | (207) | (83.0%) | (1.399.1%) | (106.6%) | (50.5%) |
| End-balance | 39,477 | 41,086 | 47,725 | 50,938 | 4.1% | 16.2% | 6.7% | 9.7% |

Source: financial statements and data from management

The company has an end-of-service benefits system for employees within a defined benefit plan consistent with the work system in KSA based on the last salary and the number of years of service. Liability assessments under the plan are performed by an independent actuary based on the projected unit credit method. It is mentioned that the costs related to this plan consist mainly of the current value of the benefits attributed on an equal basis in each year of service and the interest on this commitment in relation to the employee's service in the previous years.

The provision for employee benefit liabilities increased by 4.1% from SR 39.5 million as on December 31, 2017G to SR 41.1 million as on December 31, 2018G, and the provision continued to increase by 16.2% to reach SR 47.8 million as on December 31, 2019G, and then it increased Again by 6.7% to SR 50.9 million as on September 30, 2020G. The gradual increase in the provision balance during the analysis period is due to the extended service period of the company's employees.

5-5-2-5 Current liabilities

The following table presents the company's current liabilities as of December 31, 2017G, 2018G, 2019G, and September 30, 2020G:

Table No. (39): Current liabilities

| Thousands SR | Financial year ended on 31 Dec | | | Nine months period ended on Sep 30, 2020G | Increase / decrease | | | Compound annual growth rate Dec 2017G – Sep 2020G |
|-------------------------------------|--------------------------------|----------------|----------------|---|---------------------|----------------|---------------|---|
| | 2017G | 2018G | 2019G | | Dec 2018G | Dec 2019G | Dec 2020G | |
| Trade and other payables | 89,243 | 87,643 | 76,509 | 72,567 | (1.8%) | (12.7%) | (5.2%) | (7.2%) |
| The current part of long-term loans | 183,764 | 157,613 | 144,883 | 410,137 | (14.2%) | (8.1%) | 183.1% | 33.9% |
| Lease obligations - current part | - | - | 1,114 | 1,161 | Not applicable | Not applicable | 4.2% | Not applicable |
| Due Zakat | 8,324 | 7,978 | 5,950 | 5,756 | (4.2%) | (25.4%) | (3.3%) | (13.7%) |
| Total current liabilities | 281,331 | 253,235 | 228,456 | 489,622 | (10.0%) | (9.8%) | 114.3% | 22.3% |

Source: financial statements and data from management

Trade and other payables represented 31.7%, 34.6%, 33.5% and 14.8% of total current liabilities as of December 31, 2017G, 2018G, 2019G and September 30, 2020G respectively.

The current portion of long-term loans accounted for 65.3%, 62.2%, 63.4% and 83.8% of total current liabilities as of December 31, 2017G, 2018G, 2019G and September 30, 2020G respectively.



5-5-2-5-1 Trade and other payables

The following table provides details of the company's trade and other payables as of December 31, 2017G, 2018G, 2019G and September 30, 2020G.

Table No. (40): Trade and other payables

| Thousands SR | Financial year ended on 31 Dec | | | Nine months period ended on Sep 30, 2020G | Increase / decrease | | | Compound annual growth rate Dec 2017G – Sep 2020G |
|-------------------------------|--------------------------------|---------------|---------------|---|---------------------|----------------|----------------|---|
| | 2017G | 2018G | 2019G | | Dec 2018G | Dec 2019G | Dec 2020G | |
| Trade payables | 54,637 | 50,029 | 41,174 | 38,250 | (8.4%) | (17.7%) | (7.1%) | (12.2%) |
| Due expenses | 32,673 | 35,675 | 31,204 | 31,365 | 9.2% | (12.5%) | 0.5% | (1.5%) |
| Advance payments from clients | 1,312 | 1,799 | 3,990 | 2,812 | 37.1% | 121.7% | (29.5%) | 31.9% |
| Related parties | 480 | - | - | - | (100.0%) | Not applicable | Not applicable | (100.0%) |
| Others | 141 | 141 | 141 | 141 | - | - | - | - |
| Total trade payables | 89,243 | 87,643 | 76,509 | 72,567 | (1.8%) | (12.7%) | (5.2%) | (7.2%) |

Source: financial statements and data from management

Trade payables accounted for 61.2%, 57.1%, 53.8% and 52.7% of total trade and other payables as of December 31, 2017G, 2018G, 2019G and September 30, 2020G respectively. Trade payables decreased by 8.4% from SR 54.6 million as on December 31, 2017G to SR 50.0 million as on December 31, 2018G, and continued to decrease by 17.7% to SR 41.2 million as on December 31, 2019G, and by 7.1% to SR 38.4 million as on September 30, 2020G. The gradual decrease in trade payables during the analysis period is due to the rationalization of expenses by the company in addition to the decrease in the prices of raw materials in the years 2019G and 2020G.

due expenses consist mainly of receivables related to electricity, government services, and due salaries, and due expenses increased by 9.2% from SR 32.7 million as on December 31, 2017G to SR 35.7 million as on December 31, 2018G, and this was primarily due to the increase in expenditures. Due from the company's corporate resource planning system, shipping and distribution of due expenses, as well as the increase in provisions. due expenses decreased by 12.5% to SR 31.2 million as of December 31, 2019G, and the main reason behind this decrease is the decrease in allocations and due expenses related to the company's resource planning system and due shipping and distribution expenses. On the other hand, due expenses did not witness any significant fluctuation between December 31, 2019G and September 30, 2020G.

The company requires advance payments from its customers in some transactions, and the outstanding balance of payments from customers increased by 37.1% from SR 1.3 million as on December 31, 2017G to SR 1.8 million as on December 31, 2018G, and the balance of payments from customers increased by 121.7 It is reported that these two successive increases came as a result of the increase in the volume of transactions during the last quarter of these two years. Advance payments from customers decreased by 29.5% to SR 2.8 million as on September 30, 2020G, and this decrease is due to the decrease in the volume of the company's transactions with its customers during the nine months period ending on September 30, 2020G.

The "Related Parties" item represents the outstanding balance of amounts owed to related parties, and the balance of this item amounted to SR 0.5 million as of December 31, 2017G, and included amounts owed to each of the company "BASF Service Europe GMPH". By SR 65.3 thousand, "Al-Zamil Cool Care" company by SR 0.1 million, and "Yusuf Bin Ahmed Kanoo Ltd." by SR 0.3 million. The company did not record any receivables towards related parties in the periods following the year 2017G, as the facilities mentioned in this paragraph no longer fulfill the definition of related parties due to the change in the composition of the company's board of directors during 2018G. Accordingly, the balances due to those parties as of December 31, 2018G were presented under trade payables.

Other payables included profits that were not distributed, and the balance of these receivables remained stable during the analysis period.



5-5-2-5-2 Due Zakat

The following table presents the movement of due zakat from the company as of December 31, 2017G, 2018G, 2019G, and September 30, 2020G.

Table No. (41): Due Zakat

| Thousands SR | Financial year ended on 31 Dec | | | Nine months period ended on Sep 30, 2020G | Increase / decrease | | | Compound annual growth rate Dec 2017G – Sep 2020G |
|---|--------------------------------|--------------|--------------|---|---------------------|----------------|----------------|---|
| | 2017G | 2018G | 2019G | | Dec 2018G | Dec 2019G | Dec 2020G | |
| Opening balance | 3,645 | 8,324 | 7,978 | 5,950 | 128.4% | (4.2%) | (25.4%) | 19.5% |
| Period provision | 8,324 | 7,978 | 5,908 | 3,498 | (4.2%) | (25.9%) | (40.8%) | (27.0%) |
| Adjustments related to previous periods | (3,324) | 1,168 | - | 2,114 | (135.1%) | (100.0%) | Not applicable | Not applicable |
| Payments | (320) | (9,492) | (7,936) | (5,806) | 2,864.5% | (16.4%) | (26.8%) | 186.8% |
| The closing balance of the provision | 8,324 | 7,978 | 5,950 | 5,756 | (4.2%) | (25.4%) | (3.3%) | (12.6%) |

Source: financial statements and data from management

The company is subject to Zakat in accordance with the regulations of the General Authority for Zakat and Income. Zakat is calculated based on the approximate zakat base or adjusted profits, whichever is greater, and is charged to profit or loss. Additional Zakat payable, if any, is recognized when it is identified and required to be paid. Amounts due for the zakat expense for the period may have to be adjusted at a later period if the expense estimates for the year change.

Zakat payable decreased by 4.2% from 8.3 as on 31 December 2017G to SR 8.0 million as on December 31, 2018G, and Zakat due continued to decrease by 25.4% and 3.3% to reach SR 6.0 million and SR 5.8 million as at December 31, 2019G and September 30, 2020G, respectively, primarily due to the payments made by the company and the decrease in the provision for the period over the analysis period.

It should be noted that the General Authority for Zakat and Income has issued an additional Zakat assessment during the nine-month period ending on September 30, 2020G for the years from 2014G to 2018G, with a value of SR 8.2 million, where a sum of SR 0.25 million was paid during the nine-month period ending on September 30, 2020G. The company's management has also submitted an appeal to the General Authority for Zakat and Income on the remaining amount of SR 8.5 million, as on September 30, 2020G, in order to reach the maximum commitment that may arise upon the final settlement of these appeals in the amount of SR 2.3 million, which has been amended through the Interim financial information.



5-5-3 Transactions with related parties:

The following table provides details of the company's transactions with related parties for the financial years ending on December 31, 2017G, 2018G, and 2019G, and the nine-month periods ending on September 30, 2019G, and 2020G.

Table No. (42): Transactions with related parties

| Thousands SR | Relationship type | Financial year ended on 31 Dec | | | Nine months period ended on Sep 30, 2019G | | Increase / (decrease) | | | |
|---|---|--|---------------|---------------|---|--------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | | 2017G | 2018G | 2019G | | | Dec 2018G | Dec 2019G | Dec 2020G | |
| Party | | | | | | | | | | |
| Yusef Bin Ahmed Kanoo Company Ltd. - BASF Service Europe GMPH | Affiliated party to the members of the Board of Directors | Chemical materials purchases | 1,312 | - | - | - | - | (100.0%) | Not applicable | Not applicable |
| | | Purchases of spare parts | 2,500 | 1,481 | - | - | - | (40.8%) | (100.0%) | Not applicable |
| | | Shipping services | 15 | - | - | - | - | (100.0%) | Not applicable | Not applicable |
| Total party transactions | | 3,827 | 1,481 | - | - | - | (61.3%) | (100.0%) | Not applicable | |
| Zamil Cool Care | Affiliated party to the members of the Board of Directors | Maintenance of air conditioning equipment | 917 | 516 | - | - | - | (43.7%) | (100.0%) | Not applicable |
| Total party transactions | | | 917 | 516 | - | - | - | (43.7%) | (100.0%) | Not applicable |
| Zamil Group Holding Company | Affiliated party to the members of the Board of Directors | Purchases of spare parts | 45 | 4 | - | - | - | (91.3%) | (100.0%) | Not applicable |
| Total party transactions | | | 45 | 4 | - | - | - | (91.3%) | (100.0%) | Not applicable |
| Zamil Air Conditioners Company | Affiliated party to the members of the Board of Directors | Air conditioner purchases | - | 53 | - | - | - | Not applicable | (100.0%) | Not applicable |
| Total party's transactions | | | - | 53 | - | - | - | Not applicable | (100.0%) | Not applicable |
| Zamil Inspection and Contracting Company | Affiliated party to the members of the Board of Directors | Inspection services | - | 46 | - | - | - | Not applicable | (100.0%) | Not applicable |
| Total party's transactions | | | - | 46 | - | - | - | Not applicable | (100.0%) | Not applicable |
| United Arab Company for Maintenance and Trade | Affiliated party to the members of the Board of Directors | Inspection services | - | - | - | - | 81 | Not applicable | Not applicable | Not applicable |
| Total party's transactions | | | - | - | - | - | 81 | Not applicable | Not applicable | Not applicable |
| Higher Management | Senior management of the company | Salaries and other short-term benefits for employees | 6,136 | 6,845 | 7,558 | 6,332 | 5,516 | 11.5% | 10.4% | (12.9%) |
| | | Employee benefit obligations | 191 | 250 | 385 | 341 | 138 | 31.1% | 54.0% | (59.4%) |
| Total party's transactions | | | 6,327 | 7,095 | 7,943 | 6,673 | 5,654 | 12.1% | 12.0% | (15.3%) |
| Board fees | Board of Directors | Board fees | 2,000 | 2,035 | 2,267 | 1,701 | 1,686 | 1.7% | 11.4% | (0.9%) |
| Total party's transactions | | | 2,000 | 2,035 | 2,267 | 1,701 | 1,686 | 1.7% | 11.4% | (0.9%) |
| Sum total | | | 13,116 | 11,231 | 10,210 | 8,375 | 7,421 | (14.4%) | (9.1%) | (11.4%) |

Source: financial statements and data from management

The company's purchases from other related parties decreased by 61.7% from SR 3.9 million in 2017G to SR 1.5 million in 2018G, as the facilities associated with these purchases no longer meet the definition of related parties due to the change in the



structure of the company's board of directors during 2018G. The company did not undertake any purchase transactions from related parties during the remaining periods.

The company's purchases from other related parties decreased by 61.7% from SR 3.9 million in 2017G to SR 1.5 million in 2018G, as the facilities associated with these purchases no longer meet the definition of related parties due to the change in the structure of the company's board of directors during 2018G. The company did not undertake any purchase transactions from related parties during the remaining periods.

Salaries and other short-term benefits for senior management increased by 11.5% from SR 6.1 million in 2017G to SR 6.9 million in 2018G, due to increases in salaries. Likewise, salaries and other short-term benefits for senior management increased by 10.4% from SR 6.9 million in 2018G to SR 7.6 million in 2019G, mainly due to the distribution of bonuses for the year 2018G. While salaries and other short-term benefits for senior management decreased by 12.9% from SR 6.3 million in the nine-month period ended September 30, 2019G, to SR 5.5 million in the nine-month period ended September 30, 2020G, due to the resignation of some senior management members.

The higher management benefit liability is the cost of the end of service benefits that pertain to the company's senior management. Senior management benefit obligations increased by 31.1% from SR 0.2 million in 2017G to SR 0.3 million in 2018G, due to the extension of administrative staff service, and usually they increased by 54.0% to 0.4 million Saudi riyals in 2019G, due to an additional extension of service Administrative staff. Employee benefit obligations decreased by 59.4% from SR 0.3 million in the nine-month period ended 30 September 2019G to 0.1 million Saudi riyals in the nine-month period ended 30 September 2020G, due to the resignation of some senior management members.

The Board of Directors' fees did not experience any material fluctuations during the analysis period.

5-5-4 Statement of Cash Flows

The following table provides a summary of the company's cash flow statement for the financial years ended on December 31, 2017G, 2018G, and 2019G, and the nine-month periods ended on September 30, 2019G, and 2020G.

Table No. (43): Summary of statement of cash flows

| Thousands SR | Financial year ended on 31 Dec | | | Nine months period ended on Sep 30 | | Increase / (decrease) | | | Compound annual growth rate |
|---|--------------------------------|------------------|----------------|------------------------------------|-----------------|-----------------------|----------------|----------------|-----------------------------|
| | 2017G | 2018G | 2019G | 2019G | 2020G | Dec 2018G | Dec 2019G | Dec 2020G | 2017G – 2019G |
| | | | | | | | | | |
| Net cash (out of) received from operating activities | 69,094 | 163,617 | 82,042 | 79,350 | (19,470) | 136.8% | (49.9%) | (124.5%) | 9.0% |
| Net cash issued from investing activities | (49,840) | (112,126) | 25,944 | (79,925) | (32,659) | 125.0% | (123.1%) | (59.1%) | Not applicable |
| Net cash issued from investing activities | - | (172,769) | (114,723) | (64,718) | (863) | Not applicable | (33.6%) | (98.7%) | Not applicable |
| Net change in cash and cash equivalents | 19,255 | (121,278) | (6,737) | (65,293) | (52,991) | (729.9%) | (94.4%) | (18.8%) | Not applicable |
| Cash and cash equivalents at the beginning of the period | 221,847 | 241,102 | 119,824 | 119,824 | 113,086 | 8.7% | (50.3%) | (5.6%) | (26.5%) |
| Cash and cash equivalents at the end of the period | 241,102 | 119,824 | 113,086 | 54,531 | 60,095 | (50.3%) | (5.6%) | 102.0% | (31.5%) |

Source: financial statements and data from management

The company recorded net cash acquired cash inflows of SR 19.3 million as of December 31, 2017G, and net outflows of SR 121.2 million and SR 6.7 million in 2018G and 2019G, respectively. The net cash earned of SR 19.3 million in 2017G is attributed to the net cash used from operating activities, amounting to SR 69.0 million, in addition to recording net cash used from investing activities, amounting to SR 49.8 million. While the net external cash amounted to SR 121.2 million and SR 6.7 million in 2018G and 2019G, the net cash used from investment activities amounted to SR 112.1 million in 2018G, and it was also associated with net external flows of SR 172.7 million and SR 114.7 million in 2018G and 2019G, the net cash used from financing activities was partly offset by cash generated from investment activities by 25.9 in 2019G, and the cash outflows recorded in 2018G-2019G were partially offset by cash generated from operating activities by SR 163.6 million and SR 82.0 million, respectively.

The company recorded net cash outflows of SR 65.2 million and SR 52.9 million in the nine-month period ending on September 30, 2019G and 2020G, and the net cash outflow in the period ended September 30, 2019G is attributed to recording net cash used from investment activities amounting to SR 79.9 million. net cash used from financing companies amounting to SR 64.7 million, while net external cash used in the nine months period ended September 30, 2020G was related to recording net cash



used from operating activities amounting to SR 19.4 million, and net cash used from investment activities amounted to SR 32.6 million, And net cash used from financing activities, amounting to SR 0.863 million.

5-5-4-1 Cash flows from operating activities

The following table provides details of the flows from operating activities for the financial years ending on December 31, 2017G, 2018G, and 2019G, and the nine-month periods ending on September 30, 2019G, and 2020G.

Table No. (44): Cash flows from operating activities

| Thousands SR | Financial year ended on 31 Dec | | | Nine months period ended on Sep 30 | | Increase / (decrease) | | | Compound annual growth rate |
|---|--------------------------------|----------------|----------------|------------------------------------|-----------------|-----------------------|----------------|-----------------|-----------------------------|
| | 2017G | 2018G | 2019G | 2019G | 2020G | Dec 2018G | Dec 2019G | Dec 2020G | 2017G – 2019G |
| | | | | | | | | | |
| (Loss) Profit before zakat | (22,700) | 55,300 | (78,168) | (36,952) | (256,723) | (343.6%) | (241.4%) | 594.8% | 85.6% |
| Adjustments for: | | | | | | | | | |
| Extinguishing consumption | 122,926 | 123,644 | 121,163 | 89,364 | 95,505 | 0.6% | (2.0%) | 6.9% | (0.7%) |
| Provision for slow moving inventory | 2,981 | - | - | - | - | (100.0%) | Not applicable | Not applicable | (100.0%) |
| Reversal of provision for doubtful debts | (28) | - | - | - | - | (100.0%) | Not applicable | Not applicable | (100.0%) |
| Impairment losses | - | - | - | - | 157,099 | Not applicable | Not applicable | Not applicable | Not applicable |
| (Loss) gain on disposal of property and equipment | 496 | 274 | - | - | (163) | (447.0%) | (100.0%) | Not applicable | (100.0%) |
| Write off property and equipment | - | - | 3,883 | 3,657 | 843 | Not applicable | Not applicable | (76.9%) | Not applicable |
| Financial costs – net | 39,188 | 38,919 | 37,532 | 28,460 | 25,414 | (0.7%) | (3.6%) | (10.7%) | (2.1%) |
| Provision for employee benefit obligations | 6,507 | 7,030 | 7,196 | 5,376 | 5,385 | 8.0% | 2.4% | 0.2% | 5.2% |
| Changes in operating assets and liabilities | | | | | | | | | |
| (Increase) shortage of inventory | (55) | (4,263) | (4,879) | 4,240 | 12,221 | 7.695.9% | 14.4% | 188.2% | 844.5% |
| (Increase) decrease in trade and other receivables | 192 | 7,233 | 52,324 | 32,795 | (29,095) | 3.667.4% | 623.5% | (188.7%) | 1.550.9% |
| A decrease in trade and other payables | (32,585) | (1,600) | (11,134) | (18,568) | (3,942) | (95.1%) | (596.1%) | (78.8%) | (41.5%) |
| Cash generated from operations | 116,922 | 226,537 | 127,917 | 108,373 | 6,543 | 93.8% | (43.5%) | (94.0%) | 4.6% |
| Financial costs paid for loans | (46,129) | (50,820) | (36,861) | (20,147) | (17,679) | 10.2% | (27.5%) | (12.2%) | (10.6%) |
| Financial costs paid for the lease liability | - | - | (1,424) | (1,333) | (1,024) | Not applicable | Not applicable | (23.2%) | Not applicable |
| Financial income received from short-term Murabaha deposits | 1,408 | 2,571 | 4,062 | 2,514 | 667 | 82.6% | 58.0% | (73.5%) | 69.9% |
| Paid obligations of employee benefit | (2,786) | (5,179) | (3,716) | (2,121) | (2,171) | 85.9% | (28.2%) | 2.3% | 15.5% |
| Paid Zakat | (320) | (9,492) | (7,936) | (7,936) | (5,806) | 2.864.5% | (16.4%) | (26.8%) | 397.8% |
| Net cash (out of) received from operating activities | 69,094 | 163,617 | 82,042 | 79,350 | (19,470) | 136.8% | (49.9%) | (124.5%) | 9.0% |

Source: financial statements and data from management



Net cash generated from operating activities increased by 136.8% from SR 69.1 million in 2017G to SR 163.6 million in 2018G. This increase mainly resulted from net profits before zakat by SR 55.3 million that the company achieved in 2018G. Net cash generated from operating activities decreased again by 49.9% to reach SR 82.0 million in 2019G. This decrease is primarily due to the company recording a net loss before zakat by SR 78.2 million in 2019G. Net cash generated from operating activities decreased by 124.5% from 79.4 million Saudi riyals as an earned value during the nine-month period ending 30 September 2019G to SR 19.5 million as an outflow during the nine-month period ending in 2020G, mainly due to recording a net loss before Zakat amounted to SR 256.7 million in the nine-month period ended September 30, 2020G compared to a net loss before Zakat of SR 37.0 million in the nine-month period ended September 30, 2019G.

5-5-4-2 Cash flows from investing activities

The following table provides details of flows from investment activities for the financial years ended on December 31, 2017G, 2018G, and 2019G, and the nine-month periods ended on September 30, 2019G, and 2020G.

Table No. (45): Cash flows from investing activities

| Thousands SR | Financial year ended on 31 Dec | | | Nine months period ended on Sep 30 | | Increase / (decrease) | | | Compound annual growth rate |
|--|--------------------------------|------------------|---------------|------------------------------------|-----------------|-----------------------|-----------------|----------------|-----------------------------|
| | 2017G | 2018G | 2019G | 2019G | 2020G | Dec 2018G | Dec 2019G | Dec 2020G | 2017G – 2019G |
| | | | | | | | | | |
| Redemption (deposit) of short-term Murabaha deposits | - | (63,000) | 63,000 | (57,500) | - | Not applicable | (200.0%) | (100.0%) | Not applicable |
| Proceeds from disposal of property and equipment | 89 | 180 | 1 | - | 163 | 102.0% | (99.4%) | Not applicable | (88.6%) |
| Payments for property, plant and equipment | (49,827) | (49,306) | (37,057) | (22,425) | (32,821) | (1.0%) | (24.8%) | 46.4% | (13.8%) |
| Payments to purchase intangible assets | (101) | - | - | - | - | (100.0%) | Not applicable | Not applicable | (100.0%) |
| Net cash issued from investing activities | (49,840) | (112,126) | 25,944 | (79,925) | (32,659) | 125.0% | (123.1%) | (59.1%) | Not applicable |

Source: financial statements and data from management

Net cash out of investment activities increased by 125.0% from SR 49.8 million in 2017G to SR 112.1 million in 2018G, and this resulted from the company depositing an amount of SR 63.0 million in short-term murabaha deposits during 2018G. The net cash outflows from investing activities in 2018G turned into net cash gained in 2019G, and the percentage of this change amounted to 123.1% from net external cash of SR 112.3 million in 2018G to net cash earned of SR 25.9 million, and this change mainly resulted from recovering the amount deposited in short-term murabaha deposits during the year 2019G. In contrast, the net cash out of investment activities decreased by 59.1% from SR 79.9 million in the nine-month period ending 30 September 2019G to SR 32.7 million in the nine-month period ending 30 September 2020G, and this change is mainly due to the decrease in the value of deposits in Short-term Murabaha deposits.

5-5-4-3 Cash flows from financing activities

The following table provides details of the flows from financing activities for the financial years ended on December 31, 2017G, 2018G and 2019G, and the nine-month periods ended on September 30, 2019G, and 2020G.

Table No. (46): Cash flows from financing activities

| Thousands SR | Financial year ended on 31 Dec | | | Nine months period ended on Sep 30 | | Increase / (decrease) | | | Compound annual growth rate |
|--|--------------------------------|------------------|------------------|------------------------------------|--------------|-----------------------|----------------|----------------|-----------------------------|
| | 2017G | 2018G | 2019G | 2019G | 2020G | Dec 2018G | Dec 2019G | Dec 2020G | 2017G – 2019G |
| | | | | | | | | | |
| Pay off long-term loans | - | (172,769) | (113,669) | (63,669) | - | Not applicable | (34.2%) | (100.0%) | Not applicable |
| Paying lease liabilities | - | - | (1,055) | (1,049) | (863) | Not applicable | Not applicable | (17.8%) | Not applicable |
| Net cash issued from financing activities | - | (172,769) | (114,723) | (64,718) | (863) | Not applicable | (336%) | (98.7%) | Not applicable |

Source: financial statements and data from management



The pay of long-term loan installments was the largest component of the financing cash outflows during the analysis period. The net financing cash outflows witnessed a decrease from SR 172.8 million in 2018G to SR 114.7 million in 2019G, as a result of the decrease in the value of the loans owed by the company, due to accumulated repayment. net financing cash outflows decreased from SR 64.7 million in the nine-month period ended 30 September 2019G to SR 0.9 million in the nine-month period ended 30 September 2020G, as a result of the non-payment of long-term loan installments during the nine-month period ended on September 30, 2020G, due to the agreement with the Industrial Development Fund and the lending banks to postpone the current payments, and the company is currently working on rescheduling these payments.

5-5-5 Potential liabilities and commitments

The following table provides a summary of potential liabilities and commitments arising from the company as on December 31, 2017G, 2018G, 2019G, and September 30, 2020G.

Table No. (47): potential liabilities and commitments

| Thousands SA | Financial year ended on Dec 31, | | | Nine-months period ended on Sep 30, 2020G |
|-------------------|---------------------------------|---------------|---------------|---|
| | 2017G | 2018G | 2019G | |
| Bank guarantees | 61,207 | 57,248 | 55,914 | 52,685 |
| Letters of credit | 1,060 | - | 433 | 2,282 |
| Capital expenses | 28,686 | 17,414 | 31,663 | 13,636 |
| Total | 90,952 | 74,662 | 88,010 | 68,603 |

Source: financial statements and data from management

Bank guarantees decreased from SR 61.2 million as on December 31, 2017G to SR 57.2 million as on December 31, 2018G, and also decreased again to SR 55.9 million and SR 52.7 million as on December 31, 2019G and September 30, 2020G in a row. Note that the company obtains bank guarantees within the normal scope of work.

Letters of credit decreased from SR 1.0 million as on 31 December 2017G to zero as on 31 December 2018G, and then the value of the letters of credit based on the company amounted to SR 0.4 million as on 31 December 2019G and SR 2.2 million as on 30 September 2020G. Note that the company obtains letters of credit as a guarantee to suppliers within the normal scope of work.

The capital expenses incurred by the company decreased from SR 28.7 million as on December 31, 2017G to SR 17.4 million in 2018G, as well as increased to SR 31.7 million as on December 31, 2019G, and returned and decreased to SR 13.6 million as on September 30, 2020G.



6- Use of proceeds

6-1 Net Use of Proceeds

The total proceeds to issue the rights shares is estimated at four hundred and eighty million SR (480,000,000), of which about fifteen million SR (15,000,000) will be paid to cover the costs of the offering, which includes the fees of the financial advisor, lead manager, underwriter, legal advisor, and marketing and printing expenses and distribution and other expenses related to the subscription.

The net proceeds from offering will be approximately SR (465,000,000) , which will be used for the following:

- 1- Working capital financing of SR (11,500,000).
- 2- Initial engineering designs for Methanol plant expansion, amounting to SR (8,500,000) (for more details please refer to sub-paragraph No. (3-3) “**Vision, Mission and Strategy**” from Section (3) “**Background on the company and the nature of its business**”). After completing the initial engineering designs phase, the company will announce to the public the project developments, including the estimated costs and the project implementation timeline.
- 3- Repayment of the outstanding loans of the commercial banks including Gulf International Bank, Samba Financial Group, SABB and Riyad Bank with total amount of SR (445,000,000) (please refer to table (36) “**Details of long-term loans as as of September 30, 2020G**”) – of Section (5) “**Management Discussion and Analysis**”.

In the event that there is a difference of 5% or more between the actual use of the proceeds of offering against what was disclosed in the prospectus, the disclosure will be made to the public as soon as the company becomes aware of this.

6-2 use of proceeds

The following is the expected table for the use of subscription proceeds:

Table No. (48): use of proceeds

| SR | 2021G | | | Total |
|--|--------------------|---------------|-------------------|--------------------|
| | Second quarter | Third quarter | Fourth quarter | |
| Working capital | 5,200,000 | 0 | 6,300,000 | 11,500,000 |
| Preliminary engineering designs for Methanol plant expansion | 2,500,000 | 0 | 6,000,000 | 8,500,000 |
| Repayment of loans | 445,000,000 | 0 | 0 | 445,000,000 |
| Proceeds expenses | 15,000,000 | 0 | 0 | 15,000,000 |
| Total | 467,700,000 | 0 | 12,300,000 | 480,000,000 |

Source: company's management

It should be noted that the aforementioned items in the schedule will be funded exclusively from subscription proceeds.

6-3 Total proceeds previously obtained in the issuance of IPO shares, their analysis, description and uses

The total proceeds obtained by the company at the last issuance of the subscription shares on 07/13/1429H corresponding to 07/16/2008G amounted to SR 723,600,000.

Whereas, the company increased its capital from SR 603,000,000 to SR 1,206,000,000 by issuing subscription shares in a number of 60,300,000 new shares and a nominal value of SR (10) per share, and the subscription was at a price of SR 12 per share (SR 10 at a nominal value) and 2 as a bonus 50% of Chemanol's capital after the offering, and the subscription proceeds were used for the following:

Table No. (49): Using the offering proceeds that were previously obtained in the last share issue

| S | Description | Announced value (SR) | Actual usage (SR) | The percentage of actual spending to the planned spending |
|--------------|---|----------------------|--------------------|---|
| 1 | Funding part of the company's projects package* | 603,000,000 | 603,000,000 | 100% |
| 2 | Paying subscription costs | 32,000,000 | 32,000,000 | 100% |
| 3 | Pay off part of the existing loans and facilities | 88,600,000 | 88,600,000 | 100% |
| Total | | 723,600,000 | 723,600,000 | 100% |

Source: company's management

* Formaldehyde, methyl amine, and methylformamide expansion project, n-erythritol, methanol, infrastructure, pre-production expenditures and contingency allocations

For more details, please see Section 6 “Use of Proceeds”.



7- Experts' approvals

Written consent was obtained from the financial advisor, legal advisor, underwriter and lead manager of the company whose names appear on page (v) to include their names, logos and statements in the form mentioned in this prospectus. Written approval was also obtained from the company's auditors to include their names and logos in the form mentioned in this prospectus. These approvals have not been withdrawn as at the date of this prospectus, and none of the aforementioned persons - who make up the work team that provides services to the company - has any shares or any interest in the company. As on the date of this publication.



8- Declaration of Board Members

Up to the date of this prospectus, the members of the Board of Directors acknowledge that:

- There was no interruption in the source's business that could affect or have had a significant impact on the financial position during the last (12) months, with the exception of some scheduled maintenance procedures that are done periodically.
- No commissions, discounts, brokerage fees or any non-monetary compensation were granted by the issuer during the three years directly prior to the date of submitting the application for registration and offering of securities in connection with the issuance or offering of any securities.
- Otherwise what was stated in the sub-paragraph "Capital" of Section (5) "**Management's discussion and analysis of the company's financial position and the results of its operations**" regarding the reduction of its capital, there was no negative, core change in the financial and commercial position of the issuer during the three years directly after the date of the registration application and its subscription. The securities subject to this prospectus, in addition to the period covered by the auditor's report until the approval of the publication.
- With exception of what has been mentioned on page (d) of this publication, the members of the board of directors or any of their relatives do not have any shares or interest of any kind in the source.
- The issuer does not have treasury shares;
- There is no resolution from extraordinary general assembly approving a share buy back transaction.



9- Legal Information:

9-1 Introduction about company establishment

- ◆ The Methanol Chemicals Company (referred to as “Chemanol” or “the Company”) was established as a limited liability company under the trade name “Saudi Formaldehyde Chemicals Company Ltd.” under Commercial Registration Certificate No. (2055001870) dated 12/28/1409H (corresponding to 08/01/1989G) issued from Jubail. On 07/20/1427H (corresponding to 08/15/2006G), the trade name was changed to “Methanol Chemicals Company” (and there was no amendment to it as of the date of issuance of this publication). On 12/30/1428H (corresponding to 06/16/2007G), the commercial register No. (2055001870) was transferred to a branch of the company and the main commercial register of the company No. (2050057828) dated 12/30/1428H (corresponding to 01/09/2008G) that is filed in Department of Commercial Records in Dammam. On 11/14/1428H (corresponding to 11/14/2007G), the approval of His Excellency the Minister of Commerce was issued to transfer the legal form of the company from a limited liability company to a closed joint stock company, according to Ministerial Resolution No. (286 / S) with its obligations and rights and was completed Maintaining the same number and date of the commercial registry of the company and its branch, and the same capital of at that time SR (603,000,000) divided into (60,300,000) at a value of SR 10 per share.
- ◆ On 07/13/1429H (corresponding to 07/16/2008G), the founding shareholders (referred to in sub-paragraph 9-2 “**Company’s Shareholders**” of this section) decided to increase the capital by issuing priority rights shares for public subscription in the number of (60,300,000) sixty - One million three hundred thousand ordinary shares, representing 50% of the company’s shares, in order to increase the capital by entering new investors other than the founding shareholders. The founding shareholders agreed to waive the right of priority to subscribe to the new cash shares and amend Article (7) of the company’s articles of association regarding the company’s capital to become (1,206,000,000) one billion two hundred and six million Saudi riyals divided into divided into (120,600,000) One hundred twenty million six hundred thousand shares of equal value. The value of one share is SR (10), and all shares are ordinary in cash. This was preceded by the issuance of the Capital Market Authority’s approval on 05/12/2008G on the request to offer the company priority rights shares for public subscription. On 09/16/2008G, the company’s shares were listed in Saudi Stock Exchange - the main market. number of shares outstanding currently in circulation (120,600,000) one hundred and twenty million and six hundred thousand ordinary shares.
- ◆ On 09/20/1441H (corresponding to 05/13/2020G), the extraordinary general assembly agreed to move the headquarters from Dammam to Jubail Industrial City, to become the company’s headquarters. There has been no change to the headquarters as of the date of issuance of this publication.
- ◆ On 02/24/1442H (corresponding to 11/10/2020G), the Board of Directors recommended restructuring of the capital by reducing the capital and increasing the capital as follows:
 - ◆ **The first stage:** reducing the capital by writing off shares:

On 3/22/1442H (corresponding to 11/08/2020G), the company’s board of directors decided to amend the recommendation related to reducing the company’s capital to be as follows:

- ◆ **The company’s capital before the reduction:** SR 1,206,000,000.
- ◆ **Capital after reduction:** SR 674,508,630.
- ◆ **Percentage Reduction:** 44.07% of the Company’s Capital.
- ◆ **Number of shares before reduction:** 120,600,000 shares.
- ◆ **Number of shares after the reduction:** 67,450,863 shares.
- ◆ **Reason for capital reduction:** The amortization of accumulated losses of SR 531,491,370.
- ◆ **Capital reduction method:** Canceling 53,149,137 shares of the company’s shares, (1) share will be reduced for every (2,269) shares.
- ◆ **The effect of reducing the capital on the company’s liabilities:** There is no effect of reducing the company’s capital on its financial obligations.
- ◆ **Date of reduction:** the end of the second trading day following the holding of the extraordinary general assembly in which the capital was decided to be reduced.
- ◆ **The second stage:** increasing the capital by offering priority rights shares: increasing the company’s capital by offering priority rights shares with (48,000,000) new shares at a value of SR (480,000,000) four hundred and eighty million.

The aforementioned restructuring procedures are conditional upon the company obtaining the approvals of the competent authorities (Capital Market Authority “the Authority”, Capital Market Company “Tadawul” and Ministry of Commerce) and shareholders in the (extraordinary) General Assembly. With regard to increasing the capital, the approval of the (extraordinary) general assembly must be obtained within (6) six months from the date of the approval of the authority, and if the company



is not able to obtain the approval of the (extraordinary) general assembly during that period, the approval of the authority is deemed null. The company will re-submit the application if it wishes to increase its capital. The company obtained the approval of the Authority and traded on (•) and (•) date, respectively. It also obtained the approval of the (extraordinary) General Assembly on (•).

9-2 Company's Shareholders

9-2-1 Founding Shareholders

The number of founding shareholders reached (9) shareholders, and they are as follows:

- 1- Mohammed Jalal and Sons Company Ltd.
- 2- Al Mazrouei Holding Company
- 3- Mazen Khalifa Al-Lahiq Al-Nuaimi and Sons Company
- 4- Mohammed Hamad Al-Manea
- 5- Zamil Group Holding
- 6- Fahd Abdul Mohsen Al-Nafisi
- 7- Abdullah and Abdulaziz Kanoo Company
- 8- Abdul Mohsen Fahd Al-Nafisi
- 9- Hamad Muhammad Hamad Al-Manea

They were subject to a ban period of 3 years starting from the date of the company subscription for public subscription on 08/10/2008G or from the date of commencement of commercial operation of expansion projects, which started operating on 06/28/2010G, whichever occurs later, which ended on 06/27/2013G.

9-2-2 Senior Shareholders

As on the date of issuing this publication, there is one major shareholder whose percentage exceeds 5% of the company's shares (Mohammed Jalal and Sons Company Ltd., who owns 6,030,000 shares representing (5%) of the total shares of the company before the offering.

9-2-3 Shareholders Meetings

The following is an overview of the most prominent general assembly meetings.

Table No. (50): Summary of the general assemblies of shareholders

| Date | Event |
|--|--|
| 19/04/1430H (corresponding to 04/15/2009G) | The rules for selecting the members of the Audit Committee and the Nomination and Remuneration Committee, their membership term, and their work method suggested by the Board of Directors were approved at the first ordinary meeting. |
| 14/07/1431H (corresponding to 06/26/2010G) | <ol style="list-style-type: none"> 1- The extraordinary general assembly approved granting a member of the board of directors, Mr. Mazen Khalifa Al-lahiq Al-Nuaimi, a three-month period to terminate his competing business with the company. 2- The extraordinary general assembly approved the amendment of the following articles of the statute: <ul style="list-style-type: none"> • Article (17) pertaining to "forming the board of directors" whereby the company is managed by a board of directors consisting of (9) members appointed by the ordinary general assembly for a period not exceeding (3) years, and with the exception of this, the first board of directors was appointed for a period of (5) years from the date of The issuance of the ministerial decision announcing the conversion of the company to a joint stock company, as follows: <ol style="list-style-type: none"> 1- Mr. Abdullah Muhammad Al Mazrouei (Chairman) 2- Mr. Mazen Khalifa Al-Lahiq Al-Nuaimi (Member) 3- Mr. Abdullah Ali Kanoo (Member) 4- Mr. Khaled Abdullah Al-Hamad Al-Zamil (Member) 5- Mr. Adeeb Abdullah Al-Hamad Al-Zamil (Member) 6- Mr. Badr Abdulaziz Kanoo (Member) 7- Mr. Abdul Mohsen Fahd Al-Nafisi (Member) 8- Mr. Sami Muhammad Yusef Jalal (Member) 9- Mr. Hamad Muhammad Hamad Al-Manea (Member) |



| Date | Event |
|--|---|
| | <ul style="list-style-type: none"> • Article (20) pertaining to the Chairman of the Board, the Managing Director, the Chief Executive Officer and the Secretary. • Article (21) of the Board of Directors' committees. • Article (22) pertaining to the powers of the Board of Directors. • Article (24) pertaining to Board of Directors meetings. • Article (25/2) regarding issuance of council decisions. |
| 26/07/1433H (corresponding to 06/16/2012G) | <p>Electing members of the Board of Directors for a new term starting from 11/14/2012G, and they are:</p> <ol style="list-style-type: none"> 1- Mr / Abdullah Mohammed Al Mazrouei. 2- Mr / Khalid Abdullah Al-Hamad Al-Zamil. 3- Mr / Adeeb Abdullah Al-Hamad Al-Zamil. 4- Mr / Badr Abdulaziz Kanoo 5- Mr / Mishaal Hamad Ali Kanoo 6- Mr / Abdul Mohsen Fahd Al-Nafisi 7- Mr / Hamad Muhammad Hamad Al-Manea 8- Mr / Sami Muhammad Jalal 9- Mr / Abdullah Ali Al-Sanea |
| 02/02/1434H (corresponding to 12/15/2012G) | <p>Formation of the audit committee of the gentlemen:</p> <ol style="list-style-type: none"> 1- Mr. Sami Muhammad Jalal (Chairman of the Committee) 2- Mr / Meshaal Hamad Ali Kanoo (Member) 3- Mr. Muhammad Farhan Muhammad Al Nader (Member) |
| 18/06/1434H (corresponding to 04/28/2013G) | <ol style="list-style-type: none"> 1- The Ordinary General Assembly approved the criteria for forming the Audit Committee and its functions 2- The Ordinary General Assembly approved the criteria for forming the Nomination and Remuneration Committee and its functions. |
| 08/07/1435H (corresponding to 05/07/2014G) | <p>The Ordinary General Assembly approved the approval of standards, policies and procedures for membership in the Board of Directors.</p> |
| 21/07/1436H (corresponding to 05/10/2015G) | <ol style="list-style-type: none"> 1- The Ordinary General Assembly approved the election of the members of the Board of Directors for a new term starting from 11/12/2015G for a period of three calendar years, and they are: <ul style="list-style-type: none"> • Sattam bin Abdulaziz Al-Zamil. • Badr bin Abdulaziz Kanoo • Sami bin Abdulaziz Al-Suweigh • Mohammed bin Farhan Nader • Hamad Muhammad Hamad Al-Manea • Sami Muhammad Jalal • Yasser Abdulrahman Al-Luhaidan • Adel bin Saleh Al-Ghab • Abdullah Ali Al-Sanea. |
| 10/09/1438H (corresponding to 06/05/2017G) | <ol style="list-style-type: none"> 1- The extraordinary general assembly approved the amendment of company's articles of association in line with issuance of the new companies' law. 2- The approval of the extraordinary general assembly to form the review committee for the current session until the end of the current session of the board of directors, which ends on 11/11/2018G, and the approval of updating the rules for selecting the members of the committee, defining its tasks, work controls, and the remuneration of its members, noting that the candidates are: <ul style="list-style-type: none"> • Mr. Muhammad Farhan Nader (Chairman of the Committee) • Mr. Sattam Abdulaziz Al-Zamil (Member) • Mr / Adel Saleh Al-Ghasab (Member) |
| 10/09/1438H (corresponding to 06/05/2017G) | <p>The extraordinary general assembly agreed to move the headquarters from Jubail Industrial City to Dammam, to become the company's headquarters.</p> |
| 08/07/1439H (corresponding to 3/25/2018G) | <ol style="list-style-type: none"> 1- Approval of the Ordinary General Assembly to update the work regulations of the Remuneration and Nominations Committee. 2- The approval of the Ordinary General Assembly to update the policies, standards and procedures for membership in the company's board of directors. |
| 28/08/1439H (corresponding to 05/14/2018G) | <p>Approval of the Ordinary General Assembly on the remuneration policy for members of Board of Directors and senior executives.</p> |



| Date | Event |
|--|--|
| 23/02/1440H (corresponding to 11/01/2018G) | <p>1- The Ordinary General Assembly approved the election of members of the Board of Directors among the candidates for the next term, for a period of three calendar years, which begins on 11/12/2018G and ends on 11/11/2021G. Where the Board of Directors was elected for its new session from the following gentlemen:</p> <ul style="list-style-type: none"> • Abdullah Ali Al-Sanea • Sami Abdulaziz Al-Suweigh • Saud Abdullah Al-Sanea • Abdullah Abdulrahman Bu Ali • Ziad Abdul Latif Al-Barrak • Mohammed Farhan bin Nader • Adel Saleh Al-Ghab • Abdul Salam Mazroui planted • Yasser Abdulrahman Al-Luhaidan <p>2- The Ordinary General Assembly agreed to form the Audit Committee, define its tasks, work controls, and remunerations for its members for the new session, which begins on 11/12/2018G and ends on 11/11/2021G from the following gentlemen:</p> <ul style="list-style-type: none"> • Mr. Muhammad Farhan Bin Nader (Chairman) • Mr / Adel Saleh Al-Ghasab (Member) • Mr. Ziyad Abdullatif Al-Barrak (Member) |
| 11/03/1441H (corresponding to 06/24/2020G) | <p>1- Approval of the appointment of Messrs. PricewaterhouseCoopers as the auditor of the company's accounts from among the candidates, based on the recommendation of the Audit Committee, to examine, review and audit the financial statements for the second, third and annual quarters of the financial year 2020G and the first quarter of the year 2021G, and determine their fees.</p> <p>2- Approved to absolve the members of the Board of Directors from liability for the financial year ended on December 31, 2019G</p> |

9-3 company's management

According to Article (17) of the articles of association, the company is managed by a board of directors consisting of nine (9) members elected by the ordinary general assembly of shareholders for a period not exceeding (3) three years. On 11/01/2018G, the Ordinary General Assembly approved the appointment of members of the Board of Directors for a new term starting on 11/12/2018G for a period of three years ending on 11/11/2021G, and the Board was formed as follows:

| Name | Position | Nationality | Age | Classification | Representation | Owned shares as on date of prospectus | | | | BD started On |
|---------------------------------|-----------------|-------------|-----|-----------------------------|----------------|---------------------------------------|----------|-------|------------|---------------|
| | | | | | | Direct | Indirect | Total | Percentage | |
| Abdullah Ali Al-Sanea | Chairman | Saudi | - | Non-executive / independent | - | 1054 | - | 10540 | 0.0008739 | 12/11/2018 |
| Sami Abdulaziz Al-Suwaigh | Deputy chairman | Saudi | - | independent | - | 1000 | - | 10000 | 0.0008291 | 12/11/2018 |
| Saud Ali Al-Sanea | Board member | Saudi | - | Non-executive | - | - | - | - | - | 12/11/2018 |
| Abdullah Abdulrahman Bu-Ali | Board member | Saudi | - | Non-executive | - | - | - | - | - | 12/11/2018 |
| Ziad Abdullatif Al-Barrak | Board member | Saudi | - | independent | - | - | - | - | - | 12/11/2018 |
| Mohamed Farhan Al Nader | Board member | Saudi | - | independent | - | 1000 | - | 10000 | 0.0008291 | 12/11/2018 |
| Adel Saleh Al Ghasab | Board member | Saudi | - | independent | - | - | - | - | - | 12/11/2018 |
| Abdulsalam M. Al-Mazrou | Board member | Saudi | - | independent | - | 1000 | - | 10000 | 0.0008291 | 12/11/2018 |
| Yasser Abdul Rahman Al-Luhaidan | Board member | Saudi | - | independent | - | 2426 | - | 24260 | 0.0020116 | 12/11/2018 |

As of the date of issuing of this publication, there has been no change to the Board structure.



9-4 company's period

Article (6) six of the articles of association stipulates that the company's term shall be (50) fifty calendar years starting from the date of the decision of His Excellency the Minister of Commerce announcing the conversion of the company. At least a year before it expires. The commercial registry data indicate the expiration of the company's term on 13/07/1480H (corresponding to 01/08/2058G).

9-5 purposes of the Company

According to the commercial registration certificate 12/30/1428H (corresponding to 01/09/2008G), the company may carry out the following activities: Manufacturing basic organic chemicals, including acetylene other than fertilizers and nitrogenous compounds). The company carries out its activities according to the followed regulations and after obtaining the necessary licenses from the competent authorities. Article (3) of its articles of association stipulates that the purpose of establishing the company is to produce and market the following materials and their derivatives:

- liquid Uryoformaldehyde or any mixture thereof in different concentrations.
- Paraformaldehyde.
- liquid Formaldehyde resins and powder.
- Hexamethylene Tetramine (Hexamine).
- Phenol-formaldehyde resins.
- Concrete improvers and derivatives.
- Methanol and its derivatives.
- Carbon Monoxide.
- The first, second and third methyl amine and its derivatives.
- Disimethylformamide.
- Dimethyl carbon.
- Penta erythritol.
- Sodium formate.
- Acetaldehyde.
- Ammonia.
- Specialized petrochemical products.



9-6 Government approvals and licenses

The company (including the company's branch) has obtained several legal and operational licenses and certificates from the competent authorities, and these licenses and certificates are renewed as patrol. The members of the Board of Directors acknowledge that the company holds all the necessary licenses and approvals to conduct its business and continue to do so, and that it does not have branches outside Saudi Arabia and does not own any shares or stakes in other companies (whether inside Saudi Arabia or abroad).

The following tables show the current licenses and approvals the company has obtained:

Table No. (51): The approvals and licenses that the company obtained

| Type of license | Purpose | License holder | License number | Release Date/ Regeneration | The expiration date | Issuer |
|--|--|----------------------------|----------------|---|---|---|
| Commercial Register | Registering the company in the Commercial Companies Register (Shareholding company) | Methanol Chemicals company | 2050057828 | 30/12/1428H (Corresponding to 09/01/2008G) | 29/12/1443H (Corresponding to 28/07/2022G) | Ministry of Commerce - Registry Office City commercial Dammam |
| Membership certificate chamber of Commerce Industrial (Excellent Degree) | The company's commitment to the commercial registry system that The company must participate in the Chamber of Commerce Industrial | Methanol Chemicals company | 164164 | 22/11/1440H (Corresponding to 25/07/2019G) | 29/12/1443H (Corresponding to 28/07/2022G) | Eastern Chamber |
| Zakat certificate And income | To enable the company to review all parties Government and terminate his treatment at it. | Methanol Chemicals company | 1110836854 | 03/08/1441H (Corresponding to 27/03/2020G) | 18/09/1442H (Corresponding to 30/04/2021G) | General Authority Zakat and income |
| Certificate of Registration With value tax Additive | To prove that the company is registered for value tax Additive | Methanol Chemicals company | 3004581673 | 02/12/1438H (Corresponding to 24/08/2017G) | - | General Authority Zakat and income |
| Environmental license To run | Giving the company an environmental approval to operate the facility Industrial: Methylamines and Dimethylformamide (MA / DMF) Plant | Methanol Chemicals company | EPO 3/21-309.1 | 20/07/1437H (Corresponding to 27/04/2016G) | 14/09/1442H (Corresponding to 26/04/2021G) | Royal Commission For Jubail and Yanbu |
| Environmental license To run | Granting the company an environmental approval to operate the facility Industrial: Acetaldehyde Plant | Methanol Chemicals company | EPO 3/21-301.2 | 26/08/1440H (Corresponding to 01/05/2019G) | 21/10/1445H (Corresponding to 30/04/2024G) | Royal Commission For Jubail and Yanbu |
| Environmental license To run | Granting the company an environmental approval to operate the facility Industrial: AF / UF, HMT, PF, SNF and Resin Plants | Methanol Chemicals company | EPO 3/21-252.2 | 26/08/1440H (Corresponding to 01/05/2019G) | 21/10/1445H (Corresponding to 30/04/2024G) | Royal Commission For Jubail and Yanbu |
| Environmental license To run | Granting the company an environmental approval to operate the facility Industrial: Methanol Plant | Methanol Chemicals company | EPO 3/21-300.2 | 26/08/1440H (Corresponding to 01/05/2019G) | 21/10/1445H (Corresponding to 30/04/2024G) | Royal Commission For Jubail and Yanbu |



| Type of license | Purpose | License holder | License number | Release Date/ Regeneration | The expiration date | Issuer |
|--|--|--|----------------|---|---|--|
| Environmental license To run | Granting the facility an environmental approval to operate the facility Industrial: Pentaerythritol Plant | Methanol Chemicals company | EPO 3/21-302.2 | 26/08/1440H (Corresponding to 01/05/2019G) | 21/10/1445H (Corresponding to 30/04/2024G) | Royal Commission For Jubail and Yanbu |
| International Accreditation Service Certificate (IAS) | Granting the company proof of the competency of testing laboratories Calibration based on ISO 17025 | Methanol Chemicals company | TL-646 | 11/02/1440H (Corresponding to 05/07/2019G) | 22/12/1442H (Corresponding to 01/08/2021G) | International Accreditation Service |
| Tuv Nord Certificate | The company's commitment to the approved quality management system ISO 9001 | Methanol Chemicals company | 4410018570052 | 09/05/1440H (Corresponding to 15/01/2019G) | 11/06/1443H (Corresponding to 14/01/2022G) | Tuv Nord |
| Tuv Nord Certificate | The company's commitment to the approved quality system based on RC 14001: 2015 | Methanol Chemicals company | ANB 0200011 | 09/05/1440H (Corresponding to 15/01/2019G) | 11/06/1443H (Corresponding to 14/01/2022G) | Tuv Nord |
| Company branch licenses and certificates | | | | | | |
| The commercial registry | The company's branch is registered in the Commercial Companies Registry | Company Factory Methanol Chemicals | 205500 1870 | 28/12/1409H (Corresponding to 31/07/1989G) | 27/11/1443H (Corresponding to 26/06/2022G) | Ministry of Commerce - Registry Office City commercial Dammam |
| Membership certificate chamber of Commerce Industrial (Excellent Degree) | The company's commitment to the commercial registry system that The company must participate in the Chamber of Commerce | Industrial Company Factory Methanol Chemicals | 405 | 15/01/1439H (Corresponding to 25/09/2017G) | 27/12/1442H (Corresponding to 26/07/2022G) | Eastern Chamber - Jubail branch |
| Saudization certificate | To indicate that the company is committed to the Saudization percentage Required ones according to the scope program | Company Factory Methanol Chemicals | 20002103011450 | 02/08/1442H (Corresponding to 15/03/2021G) | 05/11/1442H (Corresponding to 15/06/2021G) | Ministry of social Resources Human and development |
| Certificate social Insurances | The company's commitment to the systems of the General Organization For social insurance | Company Factory Methanol Chemicals | 38294364 | 09/09/1442H (Corresponding to 21/04/2021G) | 09/10/1442H (Corresponding to 21/05/2021G) | The public institution For Social insurances |
| Facility license Industrial | The company's commitment to the regulations of the Ministry of Industry and Wealth Mineral | Company Factory Methanol Chemicals | 421102106567 | 18/01/1442H (Corresponding to 06/09/2020G) | 17/01/1445H (Corresponding to 03/08/2023G) | The Ministry of Industry And mineral wealth |

Source: The Company

* Amendment to License No. (445)

With the exception of what has been mentioned in Section 2 (“Risk Factors”) of this prospectus, so the company has obtained all licenses, certificates and approvals, and the legal procedures have been completed to operate industrial facilities and establish a branch.



9-7 Ongoing obligations according to the requirements imposed by government agencies on the company as the “license holder”

The supervisory authorities below oblige the company to adhere to some essential requirements as follows:

9-7-1 Ongoing commitments according to the requirements of the Ministry of Commerce

The company is committed to the commercial registry system in terms of registration with the Commercial Registry Department in the city of Dammam, where the company's head office is under Certificate No. (2050057828) dated 30/12/1428H (corresponding to 09/01/2008G), which expires on 29/12/1443H (corresponding to 28/07/2022G).

The company is also committed to the commercial registry system in terms of issuing a membership certificate in the Chamber of Commerce and Industry for the headquarters under Certificate No. (164164) dated 22/11/1440H (corresponding to 25/07/2019G) which expires on 29/12/1443H (corresponding to 28/07/2022G). For more details on membership certificates, see as well paragraph (9-5).

With the exception of what has been mentioned in Section 2 (“Risk Factors”), the company is bound by the regulations and instructions of the Ministry of Commerce as of the date of publication of this prospectus.

9-7-2 Ongoing obligations according to the requirements of the General Authority for Zakat and Income

The company, like other registered establishments and companies operating in the Kingdom, is obliged to submit its zakat and tax returns within 120 days of the end of the fiscal year for the purpose of renewing the certificate issued by the General Authority for Zakat and Income. The company was registered as a taxpayer under the distinctive tax number (3004581673), and it has obtained a zakat certificate until the year 2021G with the number (1110836854) and the date 03/08/1441H (corresponding to 27/03/2020G) and whose validity expires on 18/09/1442H (corresponding to 30/04/2021G).

Zakat declarations were submitted for the year 2019G according to Certificate No. (1110836854) on 03/08/1441H (corresponding to 27/03/2020G), which expires on the date of 18/09/1442H (corresponding to 30/04/2021G).

The company is also committed to the value-added tax system and its implementing regulations and is registered with the General Authority for Zakat and Income under the tax number (200201103418), according to a certificate issued on 03/12/1438H (corresponding to 24/08/2017G).

The company did not receive the final zakat assessments for previous years, and the company stated that during the three-month period ending on September 30, 2020G, the General Authority for Zakat and Income issued an additional zakat assessment for the years from 2014G to 2018G, an amount of SAR 8.2 million was paid, as the company paid an amount of SAR 0.3 million and lodged an appeal with the Authority on the remaining amount which is SAR 7.9 million. No final decision has been issued by the Authority as of the date of publishing this prospectus.

With the exception of what has been mentioned in Section 2 (“Risk Factors”) of this prospectus, the company is committed as of the date of publication of this circular to the tax and income regulations, executive regulations and instructions issued by the General Authority for Zakat and Income.

9-7-3 Ongoing commitments according to the requirements of the Ministry of Human Resources and Social Development (“Ministry of Human Resources”)

A file was opened at the Labor Office with the unified number (6-251) according to the Saudization certificate obtained from the Labor Office. As on the date of publication of this prospectus, the company branch only benefits (Factory Company).

Methanol Chemicals) from the electronic services of the Ministry of Human Resources and a Saudization certificate was obtained to indicate that the company is committed to the required rate of Emiratisation according to the scope program with an amount of (62,33) as of the date 15/12/2020G and which is classified under the manufacturing -minerals, chemical industries, and general manufacturing industries in the platinum range - medium category (c).

The company reported that all employees were employed by the company's branch and the labor office services of the main company were not used.

The company also has – 700 recruitments as indicated in the commercial registry.

The company has an internal work regulation with (HR Manual) approved by the Labor Office No. 423 dated 08/09/1437H which it was prepared according to the amended work system.



The following table shows the number of employees working for the company according to the data of the various government agencies mentioned below:

Table No. (52): The number of employees working for the company according to government agencies' data

| The entity | document type | Saudi employee | Non-Saudi employee | Total | Notes |
|----------------------|-----------------------|----------------|--------------------|-------|---|
| Social Insurances | Insurance certificate | 276 | 165 | 441 | As on 04/04/1442H (Corresponding to 19/11/2020G) |
| Scope | Scope Certificate | 274 | 163 | 437 | As on 22/04/1442H (Corresponding to 07/12/2020G) |
| Passports - Resident | Extract from resident | do not apply | 165 | 165 | As on 09/04/1442H (Corresponding to 24/11/2020G) |
| The company | Salary path | 272 | 157 | 429 | As on 15/04/1442H (Corresponding to 30/11/2020G) |

With the exception of what has been mentioned in Section 2 (“Risk Factors”) of this prospectus, the company is committed as of the date of publishing this circular to the work system, the implementing regulations, instructions and decisions issued by the Ministry of Human Resources.

9-7-4 Ongoing obligations according to the requirements of the General Organization for Social Insurance

A file was opened for the company’s branch at the General Organization for Social Insurance according to the following:

Methanol Chemicals Company Factory: Subscription number (150013313). The company is participating in the Pensions and Occupational Hazards branches for Saudi subscribers and for non-Saudis, the subscription at the Occupational Hazards Branch, and according to the Social Insurance Certificate No. (35411290) on 04/04/1442H (corresponding to 19/11/2020G) which expires on 04/05/1442H (corresponding to 19/12/2020G) It should be noted that the General Organization for Insurance grants the establishments registered with it commitment certificates that are valid for a period of one month (maximum), which are renewable of a similar duration.

The value of contributions paid to the General Organization for Social Insurance for the year 2019G amounted to (10,581,320.52) riyals.

9-7-5 Ongoing commitments according to the requirements of the Ministry of Municipal and Rural Affairs (“Ministry of Municipalities”)

The company has rented an administrative office in the city of Dammam, and a plot of land in the industrial city in Jubail has been rented (For more details, see subsidiary paragraph (9-7-2) of this section).

A municipal license must be obtained for industrial facilities and administrative offices in order for the company to operate, taking in consideration that the municipality requires the following documents: Copy of the commercial register and a copy of the articles of association (the Primary law), a copy of the lease contract and a copy of the building permit for the building or industrial establishment or the commercial store and the warehouse in which the lease was made and a copy of the real estate office license and a photo of the building from a distance, including the painting (with a copy of the bill of the plate and the registration of the company’s trademark ownership to be used on the facade) in addition to a civil defense license.

Except as mentioned in Section 2 (“Risk Factors”) of this prospectus, there are no municipal violations against the company.

9-7-6 Continuous commitments according to the requirements of the Ministry of Industry and Mineral Resources

The company has factories for the manufacture of methanol and its derivatives and some transformative industries, and the Ministry of Industry and Mineral Resources obliges the company to adhere to the following conditions in order to maintain its industrial licenses:

- 1- Adherence to the articles of the law (regulation) of the unified industrial organization of the Cooperation Council for the Arab States of the Gulf and its executive regulations.
- 2- Not to make any expansion or modification in the products before obtaining the approval of the Ministry.
- 3- Commitment to update the factory data every six months through the ministry’s website.
- 4- Commitment to conformity of products to approved specifications and standards or specifications adopted by the Saudi Organization for Standardization and Metrology.



- 5- Commitment to the articles of the general environment law and its implementing regulations to preserve the environment from pollution[†].
- 6- Compliance with regulations, instructions, safety regulations, industrial security and public health^{***}.
- 7- That the accounts of the industrial project be regular in accordance with the accounting principles and the applicable legal rules, and that the Ministry must be provided with a balance sheet approved by a chartered accountant for each fiscal year.
- 8- Not to abuse the benefits granted to the project.
- 9- Provide the Ministry with the complete and correct data it requests about the project.
- 10- Allowing Ministry employees to enter the industrial project, review records, documents and accounts, monitor production processes and other project activities.
- 11- It is not permissible to establish, expand or develop an industrial project, change its products, merge it with another industrial project, divide it into more than one project, or change its location. It is also not permissible to dispose the project entirely, mortgage it, lease it, or assign it with any kind of assignment without the approval of the Ministry.

[†] Regarding Clause 4, the company obtained a certificate for the facility proving the competence of testing and calibration laboratories based on ISO 17025 with the number TL-646 dated 02/11/1440H (Corresponding to 05/07/2019G) and the certificate of the company's commitment to the approved quality management system based on ISO 9001 No. 4410018570052 dated 09/05/1440H (Corresponding to 15/01/2019G).

The company's commitment to the approved quality system based on RC 14001: 2015 with number ANB 0200011 dated 09/05/1440H (Corresponding to 15/01/2019G) issued by TUV Nord.

^{**} Regarding Clause 5, the company obtained from the Royal Commission for Jubail and Yanbu an environmental license to operate as follows:

- EPO License No. 3/21-309.1 issued on 20/07/1437H (corresponding to 27/04/2016G)
- EPO License No. 21/3-301.2 issued on 26/08/1440H (corresponding to 01/05/2019G)
- EPO License No. 3/21-252.2 issued on 26/08/1440H (corresponding to 01/05/2019G)
- EPO License No. 3/21-300.2 issued on 26/08/1440H (corresponding to 01/05/2019G)
- EPO License No. 3/21-302.2 issued on 26/08/1440H (corresponding to 01/05/2019G)

^{***} Regarding Clause 6, all primary and secondary industries in Jubail Industrial City are licensed to practice the activity by issuing an environmental license for operation by the Royal Commission for Jubail and Yanbu, and companies are not obligated to obtain a license from the Civil Defense. The Royal Commission plays a supervisory role on industrial companies by visiting factories and following them up since the issuance of the license to ensure the extent to which international standards are applied in terms of safety and security.

9-7-7 Ongoing commitments as the requirements of the Royal Commission for Jubail and Yanbu

The business of the company and its subsidiary within Jubail Industrial City are subject to environmental protection regulations (to protect the facilities existing in the industrial city) issued by the Royal Commission for Jubail and Yanbu, which was established in (1975G) as a governmental agency in the Kingdom responsible for managing Jubail Industrial City and Yanbu Industrial City. The Royal Commission for Jubail and Yanbu operates as an environmental regulatory authority and is responsible for controlling pollution related to the development and operation of industrial cities, the Royal Commission for Jubail and Yanbu issued the environmental regulations of the Royal Commission for the year (2010G) and its last publication in (2015G) which stipulates regulations, standards and guidelines for industrial cities (environmental regulations of the Industrial Authority for Jubail and Yanbu).

The environmental regulations of the Royal Commission for Jubail and Yanbu seek to control the quality of the materials released or created within the industrial cities located within the scope of its responsibility, And regulations give a bunch of things among them: (1) air (2) water (3) hazardous materials management (4) excavation work (5) noise (6) reporting and keeping records.

The environmental regulations of the Royal Commission for Jubail and Yanbu stipulate that Jubail Industrial City and Yanbu Industrial City, Ras al-Khair, take reasonable steps to reduce the release of pollutants and any other harmful substance into the environment. Operators who work within the jurisdiction of the Royal Commission for Jubail and Yanbu must submit forms for assessing the environmental impact and use the best available technologies to reduce any harmful impact on the environment and present plans to respond to environmental emergencies in order to provide them with the necessary permits to work within the industrial cities, and the environmental regulations of the Royal Commission for Jubail And Yanbu enables it to enter any facility without notification or to take corrective action upon breaching the regulations.

As for the dates of publication of this prospectus, the company obtained an operating license, which is valid until 11/09/1442H (corresponding to 23/04/2021G) The company also complies with all regulations of industrial safety and security in force within the scope of the Royal Commission for Jubail and Yanbu, according to periodic reports on a monthly, quarterly and annual basis on the company's performance.



9-7-8 Ongoing commitments according to the requirements of the Capital Market Authority

The Authority requires listed companies to adhere to the rules for offering securities, continuing obligations, special instructions issued by the authority and listing rules, especially the obligation to periodically disclose the material and financial developments and the board of directors' report, and the advertisements models included in the instructions regarding companies' announcements of their financial results must be adhered to, and the company must also submit a statement of all the reasons and the effects of the change in the financial results of the current fiscal year with the comparison period, so that the reasons include all the items of the announcement of the financial results.

It should be noted that with regard to the solvency of public shareholding companies, it was issued on 23/01/1438H (corresponding to 24/10/2016G) Authority Board Decision No. (1-130-2016) to amend the procedures and instructions for companies whose shares are listed in the market whose losses were accumulated (50%) or more of its capital in light of the new companies' law, and its name has been amended to read "procedures and instructions for companies whose shares are listed in the market whose accumulated losses amounted to (20%) or more of their capital", provided that the amended procedures and instructions are applied from On 25/07/1438H (corresponding to 22/04/2017G). The company announced on 05/11/2020G that it had recorded accumulated losses of (531.49) million Saudi riyals, which represents (-44.7%) of its capital. As on the date of publishing this prospectus, the company is bound by the rules of "procedures and instructions for companies whose shares are listed in the market, whose accumulated losses amounted to 20% or more of their capital."

The authority also required companies listed on the financial market to disclose in stages their compliance with the transition to international accounting standards. On 30/08/2016G, the company announced on the Tadawul website its commitment to do so.

The Authority obliges companies listed on the financial market that have previously offered priority rights shares to disclose to the public when there is a difference of 5% or more between the actual use of the proceeds of the issue of priority rights shares in exchange for what was disclosed in the relevant prospectus as soon as he became aware. The company obtained the proceeds of the IPO that took place in 2008G, and it was used completely to reduce the company's debts spending on the projects referred to in the prospectus issued on (04/08/2008G). For more details on data and information on the proceeds of any rights issue previous issuance and use of those proceeds compared to what was disclosed in a previous prospectus, as well as refer to sub-paragraph (6-3) "Total proceeds previously obtained in the issuance of IPO shares, their analysis, description and uses" of Section No. (6) "Use of proceed"s.

As for the application of the provisions of the company's corporate governance rules adopted by the company, and adherence to the relevant laws and regulations, the table below includes a summary of the most important articles of the corporate governance regulation that the company committed or did not adhere to.

Table No. (53): A summary of the most important articles of the corporate governance regulation that the company committed or did not adhere to

| Article of the Corporate Governance Regulations | Detail | The responsible party | comment |
|---|--|-------------------------------|--|
| 9 / b | The board of directors must set a clear policy regarding the distribution of dividends in the interests of the shareholders and the company in accordance with the company's basic system. | Board of Directors | There is no separate resolution for its adoption as it stems from the governance regulation and the basic system approved by the General Assembly. |
| 8 / a | Provide a copy of the information on candidates for membership of the Board of Directors on the company's website. | Board of Directors | Not committed |
| 12/5 and 54 | Formation of the audit committee. | Shareholders General Assembly | Committed - appointed by the Ordinary General Assembly held on 23/02/1440H (corresponding to 01/11/2018G). |
| 54 / c | The general assembly of the company - based on a proposal from the Board of Directors - shall issue the work bylaw of the Audit Committee, provided that this bylaw includes the controls and procedures of the committee's work, its tasks, the rules for selecting its members, how to nominate them, the term of their membership, their remuneration, and the mechanism for temporarily appointing its members in case that one of the seats of the commission becomes vacant. | Shareholders General Assembly | Committed - the bylaw was approved by the General Assembly held on 27/06/2018G, and the amendments and updates made to the bylaw were approved. |



| Article of the Corporate Governance Regulations | Detail | The responsible party | comment |
|---|---|-------------------------------|--|
| 6/12 | Approval of the financial statements for the year 2019G. | Shareholders General Assembly | Committed - The financial statements for the fiscal year 2019G were approved by the General Assembly held on 20/09/1441H (corresponding to 13/05/2020G). |
| 7/12 | Approval of the annual report of the Board of Directors for the year 2019G. | Shareholders General Assembly | Committed - pursuant to the resolution of the Ordinary General Assembly held on 20/09/1441H (corresponding to 13/05/2020G) to approve the report. |
| 12/9 and 81 | Appointing company auditors, determining their remuneration, reappointing them, changing them, and approving their reports. | Shareholders General Assembly | Committed - pursuant to a decision of the General Assembly held on 03/11/144G (corresponding to 24/06/2020G). |
| 13 / D | Publication of the announcement of the date, place and agenda of the general assembly meeting twenty-one days before the date at least on the company's website. | Board of Directors | Not committed |
| 14 / c | Availability for shareholders through the company's website - when publishing the invitation to convene the general assembly - obtaining information related to the items on the agenda of the general assembly, especially the report of the board of directors, the auditor, the financial statements, and the report of the audit committee. | Board of Directors | Not committed |
| 22/2 | Establishing systems and controls for internal control and general supervision, including: Establishing a written policy to address actual and potential cases of "conflict of interest" for both members of the Board of Directors, executive management and shareholders, including misuse of assets the company and its facilities, and misconduct resulting from dealings with related persons. And to ensure the integrity of the financial and accounting systems, including those related to the preparation of financial reports, and to ensure the application of appropriate control systems to measure and manage risks, by developing a general perception of the risks that may face The company, and the establishment of an environment familiar with the culture of risk management at the company level and present it transparently with the stakeholders and the parties related to the company. And the annual review of the effectiveness of internal control procedures in the company. | Board of Directors | There is no separate policy |
| 22/3 | Establishing clear and specific policies, standards and procedures for membership in the Board of Directors, and putting them into effect after their approval by the General Assembly. | Shareholders General Assembly | Committed - The updated regulations were completed on 08/07/1439H (corresponding to 25/03/2018G). |



| Article of the Corporate Governance Regulations | Detail | The responsible party | comment |
|---|--|-----------------------------|---|
| 22/4 | <p>Establishing a written policy that organizes the relationship with stakeholders in accordance with the provisions of the Governance Regulations, and it must specifically cover the following:</p> <ul style="list-style-type: none"> • Mechanisms for compensation of stakeholders in the event of violation of their rights recognized by the regulations and protected by contracts. • And mechanisms for settling complaints or disputes that may arise between the company and stakeholders. • And appropriate mechanisms to establish good relationships with customers and suppliers and to maintain the confidentiality of information about them. | There is no separate policy | Board of Directors |
| 22/13, 50 and 60 And 60 / a and 64 | Forming specialized committees emanating from it by decisions specifying the committee's term, powers and responsibilities, and how the council will monitor them, provided that the formation decision includes naming members, defining their duties, rights and duties, along with evaluating the performance and work of these committees and their members. | Board of Directors | Committed - appointed pursuant to a Board of Directors decision on 15/11/2018G. |
| 23/1 | Adopting and developing internal policies related to the work of the company, including defining the tasks, specializations and responsibilities assigned to the various organizational levels. | Board of Directors | Committed - The authorized signatories in financial matters were identified and approved by the Board of Directors on 15/11/2018G. |
| 23/2 | Adopting a written and detailed policy specifying the powers delegated to the executive management and a table showing those powers, the method of implementation and the duration of delegation, and the board of directors may request the executive management to submit periodic reports on its practices of the delegated powers. | Board of Directors | Committed - Policy was approved on 04/16/1435H (corresponding to 02/16/2014G). |
| 25 | Appointing the CEO | Board of Directors | Committed - appointed by the Board of Directors at its meeting held on 19/12/1440H (corresponding to 20/08/2019G). |
| 26/5 | Establishing organizational and functional structures for the company and submitting them to the Board of Directors for consideration for approval. | Board of Directors | Not committed |
| 43 | A written and clear policy for dealing with existing or potential conflict of interest situations that could affect the performance of members of the board of directors or the executive management or other workers in the company when they deal with the company or with other stakeholders. | Board of Directors | Not committed |
| 55 / b / 4 and 74 | Appointing a director of the internal audit unit or department or the internal auditor and proposing his remuneration. | Board of Directors | Not committed - The position is vacant and a staff member has been assigned as an internal auditor until a replacement is found. According to a circular by the CEO dated 09/02/2020G). |



| Article of the Corporate Governance Regulations | Detail | The responsible party | comment |
|---|---|---------------------------------------|--|
| 60 / b and 64 / b | The general assembly of the company - based on a proposal from the Board of Directors - shall issue the work regulations for the remuneration and nomination committee, provided that this bylaw includes the controls, procedures, and work plan of the committee, its tasks, the rules for selecting its members, how to nominate them, the duration of their membership, their remuneration, and the mechanism for temporarily appointing its members in case of vacancy one of the committee seats. | Shareholders General Assembly | Committed - the updated regulations were approved pursuant to a resolution of the Ordinary General Assembly held on 08/07/1439H (corresponding to 25/03/2018G). |
| 61/1 | The Remuneration and Nomination Committee shall prepare a clear policy for the remuneration of the members of the Board of Directors, the committees emanating from the Board and the Executive Management, and submit it to the Board of Directors Management for consideration in preparation for approval by the General Assembly, provided that such is taken into account the policy is to follow standards related to performance, disclose them, and verify their implementation. | Shareholders General Assembly | Committed - The remuneration policy for members of the Board of Directors and senior executives was approved at the General Assembly meeting held on 28/08/1439H (corresponding to 14/05/2018G). |
| 65/3 | Prepare a description of the capabilities and qualifications required for membership in the Board of Directors and occupying executive management positions. | Remuneration and Nomination Committee | committed - the bylaw was approved in accordance with a decision of the Ordinary General Assembly held on 08/07/1435H. |
| 68 | Publication of the announcement of candidacy for membership of the Board of Directors on the company's website. | Board of Directors | Committed |
| 84 | Policies or procedures followed by stakeholders in submitting their complaints or reporting violating practices | Board of Directors | Not committed |
| 86 | A policy of professional conduct and ethical values | Board of Directors | committed - is included in the Corporate Governance Regulations |
| 89 | Written disclosure policies, supervisory procedures and regulations in accordance with the disclosure requirements contained in the Companies Law and the Capital Market Law. | Board of Directors | committed - is included in the Corporate Governance Regulations |
| 91 / b | Publication of the audit committee report on the company's website | | Not committed |
| 94 | Corporate governance rules that do not conflict with the mandatory provisions | Board of Directors | committed - There is a governance regulation approved by the Board of Directors on 14/12/2017G. |

- According to Article 20/1 of the company's articles of association, the board of directors appoints from among its members a chairman and a vice-president, and he may appoint a managing director. It is not permissible to combine the position of the chairman of the board of directors with any executive position in the company, and the board of directors must appoint a secretary of the board.
- The company is committed to the articles of association and the Corporate governance regulations in terms of mandatory appointment to these positions, as the Board of Directors approved appointment to these positions according to the following:



Table No. (54): Mandatory positions in the Board of Directors

| The position | The date of the Board's decision to appoint | The name of the designated person |
|-----------------------|---|-----------------------------------|
| Chairman of the Board | 07/03/1440H (corresponding to 15/11/2018G). | Abdullah Ali Al-Sanea |
| vice president | 07/03/1440H (corresponding to 15/11/2018G). | Sami Abdulaziz Al-Sowaygh |
| Board Secretary | 18/02/1442H (corresponding to 12/10/2020G). | Osama Saeed Abdel Fattah |

Source: the company

- The powers of the board of directors were defined in Article 19 (22) of the company's articles of association, and the powers of the chairman, his deputy, the managing director and the secretary were detailed in Article 21 (20) of the company's articles of association. The Secretary of the Board of Directors undertakes the tasks and powers specified for him by the Board of Directors.
- The company is obligated in accordance with Article (25) twenty-second of the articles of association. The board of directors shall meet at least twice at the invitation of its president, and the invitation is in writing and accompanied by the agenda, and it may be delivered by hand or sent by mail, e-mail or fax. To the meeting, when requested to do so by two members.
- With regard to the higher executive management: it is headed by the CEO, and this position is currently held by (Engineer / Ali Muhammad Al-Asiri) as of 02/01/1441H (Corresponding to 01/09/2019G) and his powers were specified in the articles of association of the company.

The following table shows the details of the executive management of the company according to the first job level according to the form of the organizational structure referred to in Paragraph (4) of Section (4-1) "The Organizational Structure" of this prospectus.

Table No. (55): The list of leading employees

| The name | The position | Nationality | Age | Date of hiring | Owned shares | | | |
|---------------------------------|--|-------------|-----|---|--------------|-----------|------------|-----------|
| | | | | | direct | | Indirect | |
| | | | | | the number | The ratio | the number | The ratio |
| Ali Muhammad Al-Asiri | Chief Executive Officer | Saudi | | 02/01/1441H (Corresponding to 01/09/2019G) | -- | -- | -- | -- |
| Abdullah bin Ali Hamad Al-Hajri | Chief Financial Officer | Saudi | | 27/07/1438H (Corresponding to 24/04/2017G) | -- | -- | -- | -- |
| Osama Saeed Abdel Fatah | Legal Advisor and Secretary of the Board of Directors | Egyptian | | 25/02/1442H (Corresponding to 12/10/2020G) | -- | -- | -- | -- |
| Osama Ali Al-Sarouj | Head of Internal Audit [*] (Charged) | Saudi | | 15/06/1441H (Corresponding to 09/02/2020G) | -- | -- | -- | -- |
| Ali Al-Hudhali | Director of the Information Technology Department (Charged)** | Saudi | | 24/01/1442H (Corresponding to 12/09/2020G) | -- | -- | -- | -- |

Source: the company

* The position is vacant and an employee has been assigned according to the CEO Circular dated 15/06/1441H (corresponding to 09/02/2020G).

** The position is vacant and an employee was assigned according to the CEO's circular dated 24/01/1442H (corresponding to 12/09/2020G).

With the exception of what has been mentioned in Section 2 ("Risk Factors") of this prospectus, the company is committed as of the date of publishing this prospectus to the Capital Market Law and its implementing regulations, instructions and decisions issued by the Capital Market Authority that apply to companies listed in the Saudi Stock Exchange (Tadawul).



9-8 Substantive contracts

9-8-1 Contracts and transactions of related parties

There were no contracts or dealings with related parties during the previous three years (2018G-2019G-2020G).

9-8-2 contracts and transactions related to real estate assets

Real estate lease contracts

The company has entered into a number of lease contracts in its capacity as a tenant, which consists of lands in industrial cities and an administrative office in the Eastern Province of the Kingdom to conduct its activities through it. The following is an overview of the lease contracts:

Table No. (56): Details of the real estate leased from the company

| # | The name of the lessor | The location of the property | Date of contract | The term of the lease | Renewal | Notes |
|--|---|--|--|-----------------------|--|---|
| Factories | | | | | | |
| 1 | The Royal Commission for Jubail and Yanbu | Jubail Industrial Area | 26/05/1436H (corresponding to 17/03/2015G) | Decade | It is not renewed without written consent. | The contract entered into by the company's branch (Methanol Chemicals Company Factory). |
| 2 | The Royal Commission for Jubail and Yanbu | Jubail Industrial Area | 29/07/1438H (corresponding to 26/04/2017G) | Thirty years old | It is not renewed without written consent. | |
| Rent allocated to an administrative office | | | | | | |
| 1 | Abdulaziz and Saad Al-Muhammed Al-Mojil | Al Mojil Commercial Center - Prince Ahmed Street - Dhahran Street intersection | 10/06/1439H (corresponding to 26/02/2018G) | Year | It renews automatically. | |

Source: the company

It should be noted that the Council of Ministers Decision No. (292) of 16/05/1438H does not consider the lease contract not registered in the electronic network as a valid contract that produces its administrative and judicial effects, and since the electronic network of rental services was launched in cooperation between the two Ministries of Justice and Housing on the date 17/05/1439H and the Ministry of Justice circular was issued approving the application of this to all contracts concluded after 05/05/1440H. As of the date of publication of this prospectus, the above lease contracts were not registered in accordance with the requirements of the Minister of Justice's circular. Registration of the contract in a system of rent by the lessor.



9-8-3 Loans and credit facilities

The company has entered into a number of financing and loan agreements within the framework of its activities. The following is a summary of the agreements, terms and undertakings stipulated in those agreements.

Note that the summary of the agreements and contracts shown below does not include all the terms and conditions under those agreements, and the summary cannot be considered a substitute for the terms and conditions contained in these agreements.

The following table shows the loans and financing agreements entered into by the company as part of its business:

Table No. (57): Details of loans and financing agreements

| # | Lender | The time period for repayment of the loan | Amount paid | Remaining amount* | Detail |
|---|--|---|-------------|-------------------|---|
| 1 | Gulf International Bank (under the loan agreement signed with HSBC). | 6 years | 51,750,000 | 173,250,000 | On 24/11/1437H (corresponding to August 28, 2016G) the company entered into a facility agreement with HSBC, the total value of which is (636,685,000). This loan is secured by a promissory note and the company's assets are mortgaged as a second beneficiary after the Industrial Development Fund |
| | The Saudi British Bank (under the loan agreement signed with HSBC). | | 39,953,875 | 133,758,625 | |
| | Riyad Bank (under the loan agreement signed with HSBC). | | 25,092,425 | 84,005,075 | |
| | Samba Financial Group (under the loan agreement signed with HSBC). | | 18,141,250 | 60,733,750 | |
| 2 | Riyad Bank | 6 years | 15,250,000 | 34,750,000 | On 10 Rajab 1437H (corresponding to April 17, 2016G) the company entered into a facility agreement with Riyad Bank, the total value of which is (50 million riyals). |
| 3 | Industrial Development Fund | 6 years | 140,000,000 | 245,000,000 | On Rajab 12, 1437H (corresponding to April 19, 2016G), the company entered into a facility agreement with the Industrial Development Fund, the total value of which is (385 million riyals). This loan is secured by a pledge of the company's assets as a first beneficiary |

Source company

* As on 30/09/2020G

** Regarding the first agreement, the company signed on October 27, 2009G an additional medium-term financing agreement with the Murabaha system with a group of local and Gulf banks at an amount of 326 million riyals in order to cover the difference in financing the cost of projects to comply with the technical and operational requirements as well as to the increase in some costs during Construction period.

On 05/06/2011G, a refinancing agreement in compliance with Islamic law was signed with the same Islamic murabaha lenders at a value of SAR 832 million at a competitive profit rate. The agreement includes restructuring the additional cost loan amounting to SR 326 million, which was concluded on 27/10/2009G and which is due in full on 18/11/2011G, in addition to the remaining amount of the project facilities loan amounting to 506 million Saudi riyals, which was concluded on 26/12/2007G and is due on long-term payments to become all within one agreement payable in 14 semi-annual installments. The amounts of the payments range from 32 million to 55 million Saudi riyals, and the payment starts on 15/07/2011G after the last payment ends on 15/12/2017G.

On 28/08/2016G, an agreement was signed to restructure long-term and short-term loans, which includes a refinancing loan and a bilateral loan agreement compatible with Islamic Sharia, amounting to 636,685 million Saudi riyals, which is the total amount of the two loans with an increase in the murabaha rate starting from the date of signing the agreement. The new facility agreement includes restructuring the balance of the existing loan amounting to 327,685 million Saudi riyals out of the total value of the refinancing agreement amounting to 832 million riyals, which was concluded on 05/06/2011G and which is due for repayment on 30/12/2017G, in addition to the loan agreement. The duo, worth 309 million Saudi riyals, The company is committed to repaying the refinancing loan and the bilateral loan amounting to 636,685 million Saudi riyals in 10 semi-annual payments, and the repayment starts from the date of 06/28/2018G and ends on December 31, 2022G. The company confirms that the new loan restructuring agreement is based on the same conditions stipulated in the previous restructuring agreement, which provided for the assignment of technology and insurance rights and the remaining revenues for factories and machinery.



The following are the most prominent provisions of the Murabaha financing agreement with a group concluded with the group of banks referred to in the above table:

- Signed on (28/08/2016G and valid until 31/12/2022G).
- That the ratio of total debt to net tangible equity does not exceed 1.0: 1.5.
- Any debt to finance working capital should not exceed 150 million Saudi riyals.
- It is permissible to split bilateral murabaha financing agreements between the company and any of the banks included in the main agreement.
- Assignment of all insurance proceeds in favor of the lenders.
- Providing the lenders with the financial statements within a period of 60 days from the end of the fiscal year.
- Provide a copy of the company's budget for the next year 30 days before the start of each fiscal year.
- Setting a maximum limit for the amounts that the company may spend to improve or purchase (CAPEX) assets so that they do not exceed the amount of 40 million during the year 2021G, and in all cases, the amount of 430 million must be from the date of signing the agreement until the date of the last maturity.
- It includes the most important financial and operational pledges granted by the company in favor of Samba Financial Group under the following agreement.
- A pledge that the liquidity ratio is not less than 1: and the leverage ratio does not exceed 1.
- A pledge not to distribute profits.
- A pledge not to make an adjustment to the capital for a reduction by writing off shares.

*** With regard to the Saudi Industrial Development Fund loan, on 05/05/1429H (corresponding to 10/05/2008G), the company borrowed from the Saudi Industrial Development Fund under the fifth unified loan contract No. 1034 loans amounting to 703,180,000 riyals (seven hundred and three Millions of one hundred and eighty thousand Saudi riyals), to contribute to establishing and expanding its production plant.

On 02/08/1432H (corresponding to 03/07/2011G), a fifth unified loan contract amendment agreement (Investment No. 1034) included an amendment to the installments scheduling. The two parties agree to pay the remaining balance of the loan of 600,000,000 riyals (six hundred million riyals) Saudi (on) 15 (fifteen semi-annual installments to be paid consecutively, so that the first installment is due on 15/02/1433H) corresponding to 09/01/2012G (and the last installment is due on 15/02/1440H) corresponding to 24/10/2018G) and the value of the payments ranges between 15,000,000 riyals (fifteen million Saudi riyals) and 50,000,000 fifty million Saudi riyals, noting that the company, until the date of the said agreement, has paid an amount of 103,180,000 (one hundred and three million one hundred and eighty thousand Saudi riyals) Of the total value of loans amounting to SR 703,180,000 (seven hundred and three million one hundred and eighty thousand Saudi riyals).

On 12/07/1437H (corresponding to 19/04/2016G), the agreement was amended (loan contract No. (1034), a fifth unified one, which included an amendment to the scheduling of installments. The two parties agree to pay the remaining balance of the loan amounting to 385,000,000 riyals (three hundred and eighty five million Saudi riyals) in (9) nine consecutive installments to be paid consecutively, so that the first installment is due on 15/04/1438H (corresponding to 13/01/2017G) and the last installment is due on 15/02/1442H (corresponding to 02/10/2020G), and the value of the payments varies between 25,000,000 riyals (twenty five million Saudi riyals) and 50,000,000 (fifty million Saudi riyals), noting that the company, until the date of the aforementioned agreement, had repaid an amount of 318,180,000 (three hundred and eighteen million one hundred and eighty thousand Saudi riyals) out of the total value of the loans amounting to 703,180,000 One riyal (seven hundred three million one hundred eighty thousand Saudi riyals).

On 20/06/1438H (corresponding to 19/03/2017G) a letter was issued by the Saudi Industrial Development Fund, stating that the Fund's Administrative Committee had agreed on 07/06/1438H (corresponding to 06/03/2017G) to return the schedule Loan installments No. (1034) according to seven installments, (7) so that the first installment is due on 15/08/1439H (corresponding to 01/05/2018G) and the last installment is due on 15/08/1442H (corresponding to 28/03/2021G (and the value of the payments ranges between 45,000,000 riyals) forty-five million riyals Saudi (and 100,000,000 one hundred million Saudi riyals) note that the company's position has not changed since the last amendment agreement, so that the amounts repaid amounted to 318,180,000) three hundred and eighteen million one hundred and eighty thousand Saudi riyals (out of the total value of loans amounting to SR 703,180,000) seven hundred and three million one hundred and eighty thousand Saudi riyals).

This letter was consecrated by a new amendment agreement dated 17/10/1438H (corresponding to 22/07/2017G).

On 14/10/1440H (corresponding to 17/06/2019G), a letter was issued by the Saudi Industrial Development Fund, stating that the Administrative Committee of the Fund had approved on 09/09/1440H (corresponding to 14/05/2019G) to return the schedule Loan installments No. (1034) according to four (4) remaining installments, so that the first installment is due on 15/02/1441H (corresponding to 14/10/2019G) and the last installment is due on 15/08/1442H (corresponding to 28/03/2021G) and the value of the payments ranges between 25,000,000 riyals (twenty five million Saudi riyals) and 195,000,000 (one hundred and ninety-five million Saudi riyals). Note that the company's status, up to the date of this letter, has paid an amount of 408,180,000 riyals (four hundred and eight million one hundred and eighty eight million riyals). One thousand Saudi riyals (and there remains an amount of 295,000,000 riyals (two hundred ninety-five million Saudi riyals) of the total value of loans amounting to 703,180,000 riyals (seven hundred and three million one hundred and eighty thousand Saudi riyals).



The following are the most prominent items of Loan Contract No. 1034 dated 05/05/1429H (corresponding to 10/05/2008G):

- Providing the Fund with quarterly reports on the factory's progress.
- The factory's compliance with the regulations of the Presidency of Meteorology and Environmental Protection.
- Submit a Saudization plan.
- Compliance with the standards of the Saudi Organization for Standardization, Metrology and Quality and the requirements of the Presidency of Meteorology and Environmental Protection.
- Providing the fund with annual financial statements certified by an independent auditor chosen by the company with the satisfaction of the fund, a report on the company's financial position and any other financial information and documents requested by the fund.
- Allowing the fund representatives to view the registration books and inspect the project.
- Executing more mortgages on the properties included in the mortgage bond from time to time as required by the fund. Factories were mortgaged in favor The Fund since 10/05/2008G. On 09/01/2010G, all obligations and rights resulting from the industrial technology contracts that the company entered into with (the licensee) and insurance contracts were waived in favor of the fund.
- Keeping valid certificates and licenses in compliance with laws and regulations.
- Notify the fund of any lawsuit, arbitration or administrative procedures.
- Carry out money and property insurance.
- Non-compliance with lease contracts exceeding the annual value of 20,000,000 riyals (twenty million Saudi riyals).
- Not to create any mortgage right on any real estate, revenues, or assets owned by the company.
- Not to merge with another entity without the approval of the fund.
- Not to make any material changes to the project without the prior approval of the Fund.
- Not to make any change to the legal entity of the company or the persons who form it without the prior written approval of the fund.

With the exception of the above, the company does not have any loans or bank facilities and has not entered into any agreements of the type of financial lease with any of the Saudi and non-Saudi banks.

The company confirms that it has not provided any cash loan of any kind to its board members and that it has not provided any guarantees for any loans to members of the board of directors or its employees with third parties, and has not opened any bank credits. Also, the company did not grant loans to any of the employees.

The financing agreements concluded by the company contain provisions requiring prior notification to the funding bodies when any change in control over the company or in the company's ownership structure occurs, or upon an amendment in the capital or the company's articles of association, and provisions requiring the prior approval of the funding bodies before any of the occurrences that as on the date of publishing this prospectus, the company did not comply in this regard with the contractual procedures with the financing authorities regarding the capital restructuring process through the capital reduction through the write-off of shares, provided that the capital increase will be followed by the offering of priority rights shares.

The accumulated losses of the company also exceeded (44%) of its capital, representing an amount of (531.49) million Saudi riyals.

As of the date of the publication of this prospectus, the lenders' no objection to capital restructuring was obtained by reducing capital (by writing off shares) and increasing capital (by issuing priority rights shares).



9-8-4 Sales and Distribution Agreements

The company sells, markets and distributes its products, whether inside Saudi Arabia or abroad, on the basis of buy and sell orders, and there are no long-term agreements with any of the company's clients. The company has a list of clients it deals with, and they are:

Table No. (58): A list of the largest customers of the company in Saudi Arabia

| Customer name | Transaction value | | | Note |
|---|-------------------|------------|------------|------|
| | 2017G | 2018G | 2019G | |
| SABIC Corporation | 29,930,134 | 58,817,983 | 42,784,894 | |
| Fossam Company Ltd. | 23,467,566 | 11,197,256 | 10,473,514 | |
| BASF Saudi Arabia | 12,153,325 | 7,411,672 | 3,271,722 | |
| Environmental Services Management Company | 8,042,988 | 9,052,491 | 7,884,166 | |

Table No. (59): A list of the largest customers of the company outside Saudi Arabia

| Customer name | Transaction value | | | Note |
|---------------------------------|-------------------|-------------|------------|------|
| | 2017G | 2018G | 2019G | |
| Perstorp Specialty Chemicals AB | 97,952,074 | 113,963,261 | 75,741,931 | |
| Helm AG | 116,627,837 | 70,433,804 | 47,430,682 | |
| Raminklal AL S Gosalia & Co. | 17,421,159 | 28,281,924 | 22,466,630 | |
| Hazel Middle East FZE (HFZA) | 22,331,106 | 19,019,353 | 9,782,904 | |

9-8-5 Contracts and transactions related to suppliers

The company concluded two agreements as follows:

- The company entered into an agreement to supply the ammonia product with the Saudi Basic Industries Corporation (SABIC) on 27/12/2009G for a period of eight years from the date of signing the agreement, and the agreement is renewed annually after this period.
- On 01/10/1429H (corresponding to 01/10/2008G) the company entered into an agreement for the supply of sales gas with the Saudi Arabian Oil Company (Saudi Aramco) for the methanol plant and the formaldehyde plant for a period of twenty years.

9-8-6 Contracts related to cargo transportation services

The company has a unified form for a contract for the transportation of its products that has been prepared in the English language and is used with all local companies that transport the company's goods inside and outside the Kingdom by land.

The following is a summary of the most prominent terms of the contract:

- Chemanol may, upon written notice to the carrier, suspend at any time the performance of all or any part of the supply of services to be performed under the contract. Upon receipt of this notification, the carrier must:
- Unless the notice otherwise requires that:
 - 1- Stopping work or suspending services immediately on the date and to the extent specified in the notice period for a period of one month.
 - 2- It does not place any other manpower available for services in connection with the suspended work other than the limit required in the notice
 - 3- Make every reasonable effort promptly to obtain suspension in accordance with Chemanol's terms for all requests made to the third party (buyer or recipient).
- No party to the agreement shall be held responsible towards the other party for any failure or delay in fulfilling its obligations under the agreement due to any cause or circumstance outside of his control, which, by exercising the necessary care, has made the party unable to prevent or address force majeure. Any failure or delay resulting from such acts, earthquake and subsidence, floods, storms, serious international disputes, closures, fires, explosions, shipwrecks, civil war, terrorism, wars, riots, interference by military authorities and compliance with laws, directives or orders of any governmental authority.
- In the event of a breach of any of the terms of the contract, either party may terminate the contract agreement by submitting a written notice of one month. Disputes are referred to Saudi courts if they arise.

The company stated that it does not use its vehicles registered in its name to transport goods and company products.




9-9 Litigation

The company is not a party to any lawsuit or lawsuit (whether inside Saudi Arabia or abroad) that would materially affect the company's business or financial position as on the date of publishing this prospectus.

9-10 Trademarks

The company has a logo that it uses in its dealings and it has been registered as a trademark with the Ministry of Commerce (Trademarks Department) under category (1), which is one of the trademarks categories, which is concerned with chemicals used in industry, scientific research and photography, as well as in agriculture, horticulture and forestry, untreated synthetic resin, untreated plastics, fertilizers, fire suppression compounds, metal watering and welding preparations, chemicals for preserving foodstuffs, tanning materials, adhesives used in industry. This will enable the company to place its name and logo on the external facade of the building, offices or shops that the company operates as it registered the trademark and granted it the necessary legal protection in accordance with the trademark system.

Table No. (60): Details of the Trademark Registered in the Company's Name

| Form of the mark | Certificate number | Owner Company | Date of registration | Beginning of protection | End of protection |
|---|--------------------|-------------------------------|--|--|--|
|  | 1416/50 | Chemicals company Methanol | 04/06/1434H (corresponding to 14/04/2013G) | 19/12/1433H (corresponding to 04/11/2012G) | 18/12/1443H (corresponding to 17/07/2022G) |

Source: the company

* The authority to register trademarks has transferred to the Saudi Authority for Intellectual Property:

- It should be noted that the company does not have any intangible assets except for its trademark as on the date of publication of this prospectus.
- The company registered its website [https://www.chemanol.com /](https://www.chemanol.com/) with the Communications and Information Technology Commission with the request number 392236.

9-11 Insurance

9-11-1 Health insurance

The company signed a health insurance contract for its employees and their families with the Tawuniya Cooperative Insurance Company, which is a company licensed to operate in the Kingdom. The total value of the guarantee document and the date 01/07/2020G, an amount of 8,911,713 SAR This document covers health care through the network of service providers appointed by the company and provided that the case is covered by insurance coverage. From the date on which the policy is valid, as for the employees who join the company at a later time, they are considered eligible for insurance from the date of their joining the work. This document is valid until 30/06/2021G and the Cooperative Health Insurance Board and the committee formed by a decision from the Chairman of the Council to consider violations of the provisions of the cooperative health insurance system. It is competent to settle all disputes arising or related to this document, in accordance with Clause (14) of the aforementioned system.

9-11-2 Compulsory car insurance

The company has a comprehensive insurance policy on caravans signed with AXA Cooperative Insurance Company. Starting from 11/11/1441H (corresponding to 01/07/2020G) until 21/11/1442H (corresponding to 30/06/2021G), and it covers (26) vehicles. The insured or authorized owner to drive upon the occurrence of the accident is legally obligated to pay it as compensation for death or bodily injury that occurs to any person, including the occupants of the car, and for damage to the property of any third party outside the insured vehicle.

9-11-3 Insurance on company property

The company has an insurance policy signed with Wala Insurance Company and presented by the Saudi Marsh Company for Insurance and Reinsurance Brokerage, valid for the years 2019G and 2020G.

The policy covers all risks of property, machinery, marine freight, general liability, funds and personnel errors. The liability of the Saudi Marsh Company is limited to any event (including, for example, breach of contract or negligence) arising out of or in connection with the contract concluded with the company, with an amount of \$ 1,500,000, or approximately 5,628,529.50 Saudi riyals). Towards the company for any circumstances or for any direct, indirect or consequential loss.



9-12 The material information that has changed since the Authority's approval of the latest share prospectus

The following is a summary of the most prominent information that has changed since the Authority's approval of the last share issuance prospectus (initial public offering), which was issued in 2008G:

- ◆ Organizational Structure: It was amended on 19/09/2019G and the Marketing Committee was created and some positions (General Director of Company Strategies and Planning, Cybersecurity Specialist, Financial Adviser to the CEO, Director General of Industrial Security and Administrative Affairs, Director General of Sales and Marketing, Director General of Manufacturing, Director of Procurement and Contracts and Head of Financial Administration (And the abolition of the Committee for Follow-up of Performance, Investment and some positions (such as the President of the Company, Director of Production, Expansion Projects, Administrative Affairs, Production and Quality Control) to become according to what is shown in this bulletin.
- ◆ Articles of Association: The articles of association have been changed and updated in line with the new companies' system. Among the most prominent changes that have occurred to the articles of association is the amendment of Article Five of the Company's Articles of Association, which relates to the transfer of the company's head office to Dammam.
- ◆ Financial Statements: The method of preparing them has been amended to become in accordance with the International Financial Reporting Standards.
- ◆ Management: Some amendments were made, the most important of which was the formation of the board three times in 2012G, 2015G, and 2018G, respectively, and a member was dismissed in 2010G, and a new CEO was appointed for the company.
- ◆ Major shareholders: The number of major shareholders at the time of listing is four. As on the date of the publication of this prospectus, there is one major shareholder who owns 5% or more of the company's shares, which is Muhammad Jalal and Sons Limited.
- ◆ Accumulated losses: The company announced on 05/11/2020G that it had recorded accumulated losses of (531.49) million Saudi riyals, which represents (-44.7%) of its capital.
- ◆ Substantive agreements: Concerning the technology licensing agreement concluded with Haldor Topsu, pertaining to the methanol and carbon monoxide production project, has been in effect since 23/02/2006G, for a period of twenty-five years, and with regard to the technology licensing agreement concluded with Pearstorp for the manufacture of penta-erythritol, which was concluded in February 21/07/2006G for a period of 15 years and is still in effect and was renewed for the same period by agreement of the two parties. Regarding the contract to sell a second methyl formamide product with Helm, the agreement was terminated during 2017G and the agreement was that the sale would be on demand by the Helm company according to the prices set by Chemanol. The agreement that the company entered into with Pearstorp for the long-term supply of penta-erythritol and sodium formate, according to which the company agreed to supply Pearstorp with its entire production of sodium formate, was extended to April 2022G. Signing a Memorandum of Understanding with the American Farsal Company to prepare the necessary studies for the establishment of a Dimethyl Dimethyl Disulfide (DMDS) plant in Jubail Industrial City.
- ◆ Methanol Chemicals Company obtained the approval of the Ministry of Energy by letter No. 1441-4966-01 dated 06/07/1441H (corresponding to 01/03/2020G) to allocate the feedstocks necessary for the expansion of the methanol plant to increase its annual productivity in line with the Kingdom's 2030 vision.

9-13 The declarations of the members of the Board of Directors regarding legal information

In addition to the other declarations referred to in this prospectus, the members of the Board of Directors acknowledge the following:

- ◆ That the issuance does not violate the relevant laws and regulations in the Kingdom of Saudi Arabia.
- ◆ That the issuance does not violate any of the contracts or agreements to which the company is a party.
- ◆ That all the material legal information related to the company has been disclosed in the prospectus.
- ◆ The company is not subject to any lawsuits or legal procedures that, alone or as a whole, may materially affect the company's business or its financial position.
- ◆ That the members of the company's board of directors are not subject to any lawsuits or legal procedures that, alone or as a whole, may materially affect the company's business or its financial position.



10- Underwriting

10-1 Underwriter

Al Wasatah Al Maliah Company
Al Wasatah Al Maliah Company (Wasatah Capital)
Riyadh - Olaya Main Street
P.O. Box 50315, Riyadh 11523
Saudi Arabia
Phone: +966 11 4944067
Fax: +966 11 4944205
Website: www.wasatah.com.sa
Email: info@wasatah.com.sa



10-2 Summary of Underwriting Agreement

According to the terms and conditions of the Underwriting Agreement, it:

- 1- The company pledges to the underwriters that on the allocation date, all the shares of priority rights pledged to cover in this subscription that the eligible shareholders did not write as additional shares will be issued and assigned to the underwriters at the subscription price.
- 2- The underwriters pledge to a company that, on the allocation date, they will purchase the shares pledged to be covered in this subscription, which were not subscribed by the eligible shareholders as additional shares, at the subscription price.
- 3- Underwriters charge a specified fee for their underwriting commitment that will be paid out of the underwriting proceeds.



11- Exemptions

The company did not obtain any exemptions from the Authority in relation to the offering.



12- Subscription terms, conditions and instructions

The company applied to the Capital Market Authority to register and offer the new shares and to the market to list the new shares. All requirements were fulfilled according to the rules for offering securities and continuing obligations.

All eligible shareholders, vested rights holders and bidders must read the subscription terms and instructions very carefully before e-subscribing, submitting a subscription application through the broker, or filling out the remaining offering form. Where submitting the subscription application or signing and submitting the remaining offering form is considered as approval and acceptance of the aforementioned terms and conditions.

12-1 Subscription

The subscription consists in offering forty-eight million (48,000,000) new ordinary shares at an offer price of (10) ten Saudi riyals per share, with a nominal value of (10) ten Saudi riyals, and with a total offering value of four hundred and eighty million (480,000,000) riyals, in order to increase the capital of the company. From six hundred seventy-four million five hundred and eight thousand six hundred and thirty (674,508,630) Saudi riyals to one billion one hundred and fifty-four million five hundred and eight thousand six hundred and thirty (1,154,508,630) Saudi riyals.

12-2 How to apply for subscription to Rights Issue (new shares)

The registered shareholders wishing to subscribe to the shares of priority rights must submit the subscription application during the subscription period through the investment portfolio in the trading platforms through which the sale and purchase orders are entered, in addition to the possibility of subscribing through any other means provided by the broker and the custodian of shares in the Kingdom during Underwriting period. In the event that there is a remaining offering period, investment institutions may also submit subscription applications for any remaining shares.

By participating in the subscription, the subscriber acknowledges the following:

- Approval of his subscription in the company with the number of shares indicated in the subscription application.
- He had read the prospectus and all its contents, studied it and understood its content.
- Approval of the company's articles of association and the conditions stated in the prospectus.
- That he has never applied to subscribe for the same shares for this offering with the broker, and the company has the right to reject all applications in the event of a repeated subscription requests.
- His acceptance of the shares allocated according to the subscription application and his acceptance of all the terms and conditions for the subscription contained in the application and in the prospectus.
- Ensure that the request is not canceled or amended after submitting it to the mediator.

12-3 Application for subscription

The eligible person who wishes to fully exercise his right and subscribe to all the priority rights shares in which he is entitled to subscribe must subscribe through the investment portfolio in the trading platforms through which the buy and sell orders are entered or through any other means provided by the broker and the custodian of shares.

The number of shares that the eligible person is entitled to subscribe to is calculated according to the number of priority rights he owns. As for the subscription amount that the subscriber is required to pay, it is calculated by multiplying the number of existing priority rights that he owns before the end of the subscription period by (10) riyals.

12-4 The trading and subscription stage and the remaining offering period

Eligible shareholders wishing to subscribe to shares of priority rights must submit the subscription application during the subscription period which begins on/...H (corresponding to/...G) and ends/...H (corresponding to/...G).

The extraordinary general assembly convened on/...H (corresponding to/...G) approved the recommendation of the Board of Directors to increase the company's capital by issuing priority rights shares. These forty-eight million (48,000,000) ordinary shares will be offered to subscribe to priority rights shares, which represent about (71.16%) of the company's capital prior to subscription, at an offering price of (10) ten Saudi riyals per share, including a nominal value of (10) ten riyals at a value. The offering of four hundred and eighty million (480,000,000) riyals, and the new shares will be issued in the ratio of one share for each of the pre-emptive rights.

In the register of the shareholders of the company at the end of the second trading day following the holding of the extraordinary general assembly on the date of/...H (corresponding to/...G) and for the beneficiaries who have purchased the priority rights during the period Trade in priority rights, including registered shareholders who have purchased additional priority rights in addition to the rights they originally owned.



In the event that the priority rights of the eligible persons are not exercised by the end of the subscription period, the remaining shares resulting from the failure to exercise those rights or their sale by the entitled persons will be offered to the investment institutions through their offering in the remaining offering period.

The registered shareholders will be able to trade in the priority rights that have been deposited in the portfolios through the Saudi Stock Exchange (Tadawul). These rights are considered an acquired right for all shareholders registered in the company's records at the end of the second trading day following the convening of the extraordinary general assembly for the capital increase. The bearer has the right to exercise the right to subscribe for one new share at the offering price. The pre-emption rights will be deposited after the assembly convenes. The rights will appear in the portfolios of registered shareholders under a new symbol for priority rights, and the registered shareholders will then be notified of depositing the rights in their portfolios.

The schedule for the sequence and detail of the rights issue offering will be as follows:

- 1- **Eligibility Date:** The end of trading on the day of the extraordinary general meeting on $\bullet\bullet/\bullet\bullet/\bullet\bullet\bullet\bullet\bullet\bullet\bullet\bullet$ H (corresponding to $\bullet\bullet/\bullet\bullet/\bullet\bullet\bullet\bullet\bullet\bullet\bullet\bullet$ G)
- 2- **The trading and subscription phase:** The trading and subscription phase begins on $\bullet\bullet/\bullet\bullet/\bullet\bullet\bullet\bullet\bullet\bullet\bullet\bullet$ H (corresponding to $\bullet\bullet/\bullet\bullet/\bullet\bullet\bullet\bullet\bullet\bullet\bullet\bullet$ G), provided that the trading period ends on the day $\bullet\bullet/\bullet\bullet/\bullet\bullet\bullet\bullet\bullet\bullet\bullet\bullet$ H (corresponding to $\bullet\bullet/\bullet\bullet/\bullet\bullet\bullet\bullet\bullet\bullet\bullet\bullet$ G) and the subscription period will continue until the end of $\bullet\bullet/\bullet\bullet/\bullet\bullet\bullet\bullet\bullet\bullet\bullet\bullet$ H (corresponding to $\bullet\bullet/\bullet\bullet/\bullet\bullet\bullet\bullet\bullet\bullet\bullet\bullet$ G)
- 3- **The remaining offering period:** starts on $\bullet\bullet/\bullet\bullet/\bullet\bullet\bullet\bullet\bullet\bullet\bullet\bullet$ H (corresponding to $\bullet\bullet/\bullet\bullet/\bullet\bullet\bullet\bullet\bullet\bullet\bullet\bullet$ G) from ten in the morning until five in the evening of the next day on $\bullet\bullet/\bullet\bullet/\bullet\bullet\bullet\bullet\bullet\bullet\bullet\bullet$ H (corresponding to $\bullet\bullet/\bullet\bullet/\bullet\bullet\bullet\bullet\bullet\bullet\bullet\bullet$ G). During this period the remaining shares will be offered to a number of institutional investors (referred to as "investment institutions") provided that these investment institutions provide The remaining shares will be allocated to the investment institutions with the highest offer, then the lowest and the lowest, provided that the shares are allocated proportionally to the investment institutions that offer the same offer, as for stock fractions, they will be added to the remaining shares and treated similarly. If the unsubscribed share price is higher than the offering price, the difference (if any) is distributed as compensation to holders of priority rights who did not subscribe to their rights and holders of fractional shares in proportion to the rights they own.
- 4- **The final allocation of shares:** The shares will be allocated to each investor based on the number of rights that he fully and properly exercised. As for those entitled to fractional shares, fractions of shares will be collected and offered to institutional investors during the remaining offering period. The total share offering price of the remaining shares will be paid, and the rest will be distributed from the sale of the remaining shares and stock fractions without taking into account any fees or deductions (beyond the offering price) to those entitled to each according to what he is entitled to no later than a day $\bullet\bullet/\bullet\bullet/\bullet\bullet\bullet\bullet\bullet\bullet\bullet\bullet$ H (corresponding to $\bullet\bullet/\bullet\bullet/\bullet\bullet\bullet\bullet\bullet\bullet\bullet\bullet$ G).
- 5- **Trading new shares in the market:** The shares offered for subscription in the Tadawul system will start trading upon completion of all procedures related to the registration of the offered shares and customize it.

The company has applied to the Capital Market Authority to register and offer new shares, and the company has also applied to the Saudi Stock Exchange (Tadawul) to accept its listing.

12-5 Allocation and Return of Surplus

The company and the subscription manager will open a trust account into which the subscription proceeds will be deposited.

Priority rights shares are allocated to eligible persons based on the number of rights that they have exercised fully and properly. As for fractional beneficiaries Shares, fractions of shares will be collected and offered to the investment institutions during the remaining offering period, and the total offering price of the remaining shares of the company will be paid, and the remaining proceeds from the sale of the remaining shares and fractions of shares (exceeding the offering price) will be distributed to those who are entitled to each according to what they are entitled to no later than $\bullet\bullet/\bullet\bullet/\bullet\bullet\bullet\bullet\bullet\bullet\bullet\bullet$ H (corresponding to $\bullet\bullet/\bullet\bullet/\bullet\bullet\bullet\bullet\bullet\bullet\bullet\bullet$ G). In the event that shares remain unsubscribed thereafter, the underwriter will purchase those remaining new shares and will be allocated to him.

It is expected that the final number of shares that have been allocated to each deserving person will be announced without any commissions or deductions from the IPO by registering them in the subscribers' accounts. Eligible persons should contact the broker through which the subscription application was submitted to obtain any additional information. The allocation results will be announced no later than $\bullet\bullet/\bullet\bullet/\bullet\bullet\bullet\bullet\bullet\bullet\bullet\bullet$ H (corresponding to $\bullet\bullet/\bullet\bullet/\bullet\bullet\bullet\bullet\bullet\bullet\bullet\bullet$ G).

The surplus (remaining proceeds from the offering process exceeding the offering price) will be refunded to eligible persons who did not participate fully or partly in the subscription for priority rights shares (if any) without any deductions no later than $\bullet\bullet/\bullet\bullet/\bullet\bullet\bullet\bullet\bullet\bullet\bullet\bullet$ H (corresponding to $\bullet\bullet/\bullet\bullet/\bullet\bullet\bullet\bullet\bullet\bullet\bullet\bullet$ G).



12-6 Supplementary Prospectus

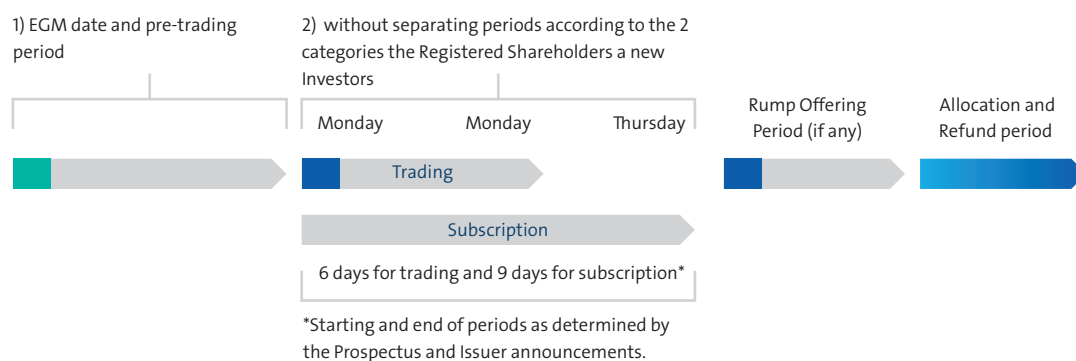
The company must submit to the Authority a supplementary prospectus, in accordance with the requirements of the rules for the offering of securities and continuing obligations, if the company becomes aware at any time after the date of the publication of this prospectus and before the completion of the offering of any of the following:

- The existence of a significant change in material matters mentioned in this prospectus.
- Any important issues have emerged that should have been included in this prospectus.

The investor who subscribed for the new shares prior to the publication of the supplementary prospectus may cancel or amend his subscription for these shares before the end of the offering period.

12-7 Suspension or cancellation of the offering

The Financial Market Authority may at any time issue a decision to suspend the offering if it deems that the offering may result in a breach of the financial market system, its implementing regulations, or the market's rules. It is also possible that the offer may be canceled if the extraordinary general assembly does not approve any of the details of the offer.



12-8 Questions and answers about the mechanism developed for common rights issue

What is a rights issue?

They are negotiable securities that give their bearer the right to subscribe to the new shares offered upon approval of the capital increase, and it is a right acquired for all shareholders owning shares on the day of the extraordinary general assembly meeting for the capital increase and who are registered in the company's shareholders' register at the Depository Center at the end of the second trading day following the date. The extraordinary general assembly is held. Each right gives its holder the right to subscribe to one share, at the offering price.

To whom are the rights granted?

For all shareholders registered in the company's shareholders' registry at the end of trading on the second trading day following the date of the extraordinary general assembly.

When are the rights deposited?

After the extraordinary general assembly convenes and its approval of the capital increase through the offering of right issue shares, the rights are deposited as securities in the shareholders' own portfolios in the company's shareholders' register at the Depository Center at the end of the second trading day after the extraordinary general meeting. The shares will appear in their portfolios under A new symbol for priority rights. Trading or subscribing to these rights will not be permitted until the beginning of the trading and subscription periods.

How is the investor notified of the priority rights of depositing the rights in the portfolio?

The notification is made through an advertisement on the Tadawul website, as well as through the (Tadawulati) service provided by the Securities Depository Center Company and short text messages sent through the brokerage firms.

How many rights will the registered shareholder get?

The number depends on the percentage of what each shareholder owns in the capital according to the company's shareholders register at the Depository Center at the end of the second trading day after the holding of the extraordinary general assembly.



What is the eligibility factor?

It is the parameter that enables registered shareholders to know the number of priority rights due to them in exchange for the shares they own at the end of the second trading day after the holding of the extraordinary general assembly. This coefficient is calculated by dividing the number of new shares by the number of current shares of the company. Therefore, the eligibility factor is approximately (0.712) right for every (1) share owned by the registered shareholder on the eligibility date. Accordingly, if a registered shareholder owns one thousand (1,000) shares on the eligibility date, he will be allocated seven hundred and twelve (712) rights in exchange for the shares he owns.

Will the name and symbol for trading these rights differ from the name of the company's stock exchange?

Yes, as the acquired right will be added to the investors' portfolios under the name of the original share, with the addition of the word priority rights, in addition to a new symbol for these rights.

What is the value of the right at the beginning of trading it?

The opening price of the right will be the difference between the closing price of the company's share on the day prior to listing the right and the offering price (the right's indicative value). For example, if the closing price of the company's share on the previous day was fifteen (15) Saudi riyals, and the offering price ten (10) Saudi Riyals, then the opening price of the right will be five (5) Saudi riyals.

Who is the restricted shareholder?

It is any shareholder who appears in the company's shareholders' register at the end of the second trading day following the holding of the extraordinary general assembly.

Can registered shareholders subscribe to additional shares?

Yes, registered shareholders can subscribe to additional shares by purchasing new rights through the market during the trading period.

Is it possible for a shareholder to lose his entitlement to subscribe even if he has the right to attend the extraordinary general assembly and vote on an increase in the capital more by the way to put up rights issue shares?

Yes, the shareholder loses his right to subscribe if he sells his shares on the day of the extraordinary general assembly meeting or one business day before it.

How does the subscription process take place?

Subscription requests are submitted through the investment portfolio in the trading platforms through which the buy and sell orders are entered, in addition to the possibility of subscribing through any other means provided by the broker to the investors and the custodian of shares.

Can the eligible person subscribe to more shares than the rights owned by him?

The eligible person cannot subscribe to more shares than the rights owned by him.

In the event that the company's shares are acquired through more than one investment portfolio, in which portfolio is the rights deposited?

The rights will be deposited in the same portfolio in which the company's shares of the rights-related company are deposited. For example, if a shareholder owns one thousand (1,000) shares in the company as follows: eight hundred (800) shares in portfolio A and two hundred (200) shares in portfolio (B), then the total of the rights to be deposited is seven hundred and twelve (712) (Right, considering that each share(0.712) approximately. Accordingly, five hundred and sixty-nine (569) rights will be deposited in portfolio (A) one hundred forty-two (142) rights in portfolio (B).

Are holders of share certificates entitled to subscribe and trade?

Yes, holders of share certificates are entitled to subscribe, but they will not be able to trade except after depositing the certificates in electronic portfolios through the recipient authorities or the Securities Depository Center Company (the "Depository Center"), and bringing the necessary documents.

Is it permissible for those who bought additional rights to trade them again?

Yes, he has the right to sell them and buy other rights only during the trading period.

Is it possible to sell part of the rights?

Yes, the investor can sell part of these rights and subscribe to the remaining part.



When can a shareholder subscribe to the priority rights that he bought during the rights trading period?

After the end of the rights purchase settlement (which is two working days), provided that subscription to the rights issue takes place during the subscription period.

Can the holder of rights sell or assign the right after the end of the trading period?

No, it cannot. After the trading period has expired, the right owner remains only to exercise the right to subscribe to the priority rights shares, or not to exercise. In the event that the right is not exercised, the investor may be subject to a loss or decrease in the value of his investment portfolio.

What happens to rights that are not sold or exercised during the trading and subscription period?

In the event that the new shares are not fully subscribed during the subscription period, the remaining new shares shall be offered for an underwriting organized by the Lead Manager, and the compensation value (if any) is calculated for the rights holder after deducting the subscription price. Note that the investor may not receive any compensation if the sale is made during the offering period. The remainder at the offering price.

Who has the right to attend the extraordinary general assembly and vote to increase the company's capital by offering right issue shares?

A shareholder registered in the company's shareholders' register at the Depository Center, after the end of the trading day of the Extraordinary General Assembly's day, has the right to attend the extraordinary general assembly and vote on increasing the company's capital by offering priority rights shares.

When is the share price adjusted as a result of the company's capital increase by offering right issue shares?

The share price is adjusted by the market before the start of trading on the day following the day of the extraordinary general meeting.

If an investor purchases securities on the day of the assembly, is he entitled to obtain the rights arising from the increase in the issuer's capital?

Yes, as the investor will be registered in the company's shareholders' register two business days after the date of the shares' purchase (i.e. at the end of the second trading day following the day of the extraordinary general assembly meeting), bearing in mind that priority rights will be granted to all shareholders registered in the company's shareholders' register at the end of trading. The second trading day following the date of the extraordinary general meeting, but he will not be entitled to attend or vote in the extraordinary general assembly for the capital increase.

If the investor has more than one portfolio with more than one brokerage firm, how will the rights be calculated for him?

The investor's share will be distributed among the portfolios that the investor owns, according to the percentage of ownership in each portfolio, and in the event that there are fractions, those fractions will be collected, and if you complete one or more integer numbers, the correct number is added to the portfolio in which the investor owns the largest amount of rights.

What are the trading and subscription periods?

Trading and subscription of rights begins at the same time until the end of trading on the sixth day, while the subscription continues until the ninth day, according to what is mentioned in this prospectus and the company's announcements.

Is it possible to subscribe during the weekend?

No, it cannot.

Can public investors other than the registered shareholders subscribe to the rights issue shares?

Yes, after completing the purchase of the priority rights during the trading period.

Additional help:

If you have any inquiries, please contact the company at: investorrelations@chemanol.com.

For legal reasons, the company will only be able to provide the information mentioned in this prospectus and will not be able to provide advice on the merits of issuing rights or even provide financial, tax, legal or investment advice.

For more information on the terms and conditions of the subscription, please refer to Section (12) "Subscription terms, conditions and instructions" and the rest of the information contained in this prospectus.



12-9 The decisions and approvals according to which the shares will be offered

In its decision on 24/02/1442H (corresponding to 11/10/2020G), the company's board of directors recommended an increase in the company's capital by offering priority rights shares at a value of four hundred and eighty million (480,000,000) Saudi riyals, for the strategic direction and raising of the company's financial solvency.

On the day of ••/••/••••H (corresponding to ••/••/••••G), the extraordinary general assembly of the company agreed to increase the company's capital by issuing priority rights shares ("for subscription"), The subscription consists in offering forty-eight million (48,000,000) new ordinary shares at an offering price of (10) ten Saudi riyals per share, with a nominal value of (10) ten Saudi riyals, in order to increase the company's capital from six hundred seventy-four million five hundred and eight thousand six hundred and thirty) 674,508,630 (Saudi riyals to one billion one hundred fifty-four million five hundred eight thousand six hundred and thirty) 1,154,508,630 Saudi riyals.

The Saudi Stock Exchange (Tadawul) approved the application for listing the new shares on 27/05/1442H (corresponding to 11/01/2021G). Also, it was approved to publish this prospectus and all supporting documents. Required by the Authority on the date of its announcement on the Commission's website on 24/09/1442H (corresponding to 06/05/2021G).

12-10 Miscellaneous items

The subscription application and all related terms, conditions and undertakings shall be binding and for the benefit of its parties, successors and assigns in their favor, executors of wills, estate managers and heirs. It is stipulated that, except for what is specifically stipulated in this prospectus, the request or any rights or interests shall not be waived or obligations arising from it, or delegating it to any of the parties referred to in this prospectus without obtaining the prior written consent of the other party.

These instructions, clauses, and any receipt of subscription application forms or contracts arising therefrom shall be subject to the Kingdom's regulations and shall be construed in accordance with them. This prospectus may be distributed in both Arabic and English, and in the event of a contrast between the Arabic text and the English text, the Arabic text of the prospectus will be used.

12-11 A statement of any existing arrangements to prevent disposal of certain shares

There are no arrangements in place for who may dispose of any shares.



13- Changes in share price as a result of an increase in share capital

The closing price of the company's share on the day of the extraordinary general assembly is (••) Saudi riyals, and it is expected to reach (••) Saudi riyals at the opening day of the following day and the change represents decrease by (••%).

The method for calculating the share price as a result of the capital increase is as follows:

First: Calculating the market value of the company upon closing on the day of the extraordinary general assembly

The number of shares at the end of the day of the extraordinary general assembly x the closing price of the company's share on the day of the extraordinary general assembly = the market value of the company at the close on the day of the extraordinary general assembly.

Second: Calculating the share price at the opening day of the day that follows the day of the extraordinary general assembly

(The market value of the company at the close on the day of the extraordinary general assembly + the value of the shares offered (/) the number of shares at the end of the day of the extraordinary general assembly + the number of shares offered for subscription) = the expected share price at the opening day of the day following the day of the extraordinary general assembly.



14- Underwriting undertakings

14-1 An Overview of the Underwriting Application and Undertaking

It is possible to subscribe using the trading platforms or through any other means provided by the broker to the investors. The new shares will be subscribed to in one phase as follows:

- 1- During this period, all registered shareholders and new investors will be able to subscribe to the new shares.
- 2- The registered shareholder will be able to subscribe directly to the number of his shares during the subscription period. In the event that he purchases new rights, he will be able to subscribe to them at the end of the settlement period (two working days).
- 3- New investors will be able to subscribe to the new shares immediately after the rights purchase is settled (two business days).
- 4- The subscription will be made available electronically through the investment portfolio in the trading platforms and applications through which the buy and sell orders are entered in addition to the subscription to the other channels and means available to the broker, provided that only a number of new shares are approved for subscription due under the priority rights in the portfolio. Investment.

Each of the pre-emptive rights gives its holder the right to subscribe for one new share, at the offering price. The subscriber to the new shares declares the following:

- His acceptance of all the subscription terms and conditions stated in this prospectus.
- That he has read this prospectus and all its contents, carefully studied it and understood its content.
- His acceptance of the company's articles of association.
- An undertaking not to cancel or amend the subscription application after its implementation.

14-2 Allocation processes

Priority rights shares are allocated to eligible persons based on the number of rights that they have exercised fully and properly. As for those entitled to fractional shares, fractions of shares will be collected and offered to the investment institutions during the remaining offering period, and the total price of the remaining stock offering of the company will be paid, and the remaining proceeds from the sale of the remaining shares and fractional shares (beyond the offering price) will be distributed to those who are entitled to each according to what they deserve in A deadline not exceeding a day $\bullet\bullet/\bullet\bullet/\bullet\bullet\bullet\bullet$ H (corresponding to $\bullet\bullet/\bullet\bullet/\bullet\bullet\bullet\bullet$ G), and in the event that shares remain unsubscribed after that, the underwriters will purchase those remaining new shares and will be allocated to it.

Eligible persons should contact the broker through which they were subscribed to obtain any additional information. The allocation results will be announced no later than $\bullet\bullet/\bullet\bullet/\bullet\bullet\bullet\bullet$ H (corresponding to $\bullet\bullet/\bullet\bullet/\bullet\bullet\bullet\bullet$ G).

14-3 The Saudi Stock Exchange (Tadawul)

The Tadawul system was established in 2001G as an alternative system to the electronic securities information system, and electronic stock trading began in the Kingdom in 1990G. The trading process takes place through an integrated electronic system, starting with the execution of the deal and ending with its settlement. Trading takes place every working day of the week, from Sunday to Thursday, in a single period, from 10 am to 3 pm, during which orders are executed. Outside these times, orders are allowed to be entered, amended and canceled from 9:30 a.m. until 10 a.m.

The transactions are executed through automatic order matching, and orders are received and prioritized according to the price. In general, market orders are executed first, which are the orders that have the best prices, followed by fixed-price orders, and in the event that several orders are entered at the same price, they are executed according to the timing of the entry.

The Tadawul system distributes a comprehensive range of information through various channels, most notably the Tadawul website. Market data is provided instantly to well-known information providers such as Reuters. Transactions are settled automatically within two business days, according to (T + 2).

The company should disclose all decisions and information important to investors through the "Tadawul" system. The Tadawul system is responsible for monitoring the market, with the aim of ensuring fair trading and efficient market operations.



14-4 Trading the Company's shares in the Saudi Stock Market

A request has been submitted to the Authority to register and offer shares of priority rights in the Saudi stock market, and a request has been made to the Capital Market (Tadawul) to be listed, and this prospectus has been approved, and all requirements have been met.

It is expected that the registration will be approved and the trading of priority rights shares will start in the Saudi stock market after the final allocation process for the priority rights shares is completed. This will be announced in due course on the Tadawul website. The dates mentioned in this prospectus are tentative and may be changed with the approval of the Capital Market Authority.

Although the existing shares are registered in the Saudi stock market and the company is listed in the stock market (Tadawul), it is not possible to trade in the new shares until after the final allocation of shares has been approved and deposited in the subscribers' portfolios. Customization.

Underwriters and bidders in the remaining offering who deal in these prohibited trading activities bear full responsibility for them, and the company will not bear any legal liability in this case.



15- Documents available for inspection

The following documents will be available for inspection at the company's headquarters located in Jubail, during official business hours (from 7:00 a.m. to 4:00 p.m.) 14 days before the date of the extraordinary general assembly for the capital increase. These documents will remain available for inspection until End of the offering:

Documents related to incorporation and company system:

- Certificate of the company's commercial registry.
- Articles of incorporation of the company.
- Policy of the company.

Approvals related to shares of capital increase:

- Board of directors' decision to recommend increasing the capital.
- Approval of the Capital Market Authority for the offering of priority rights shares.
- The approval of the Saudi Stock Exchange (Tadawul) to list priority rights shares.
- Resolution of the extraordinary general assembly approving the capital increase^{*}.

Reports, letters and documents:

- Licenses to operate the company's factories.
- Underwriting agreement and underwriting management agreement.
- Written approvals by the financial advisor, lead manager, underwriter, and legal counsel to use their name, logo, and statements in the prospectus.
- Written approvals by the auditor to use his name and logo in the prospectus.

^{*} The company's extraordinary general assembly decision to approve the capital increase will be available for inspection at the company's headquarters in Jubail, on the da





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