METHANOL CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS AND AUDITOR'S REPORT(LIMITED REVIEW) FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2015

METHANOL CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED FINANCIAL STATEMENTS AND AUDITOR'S REPORT (UNAUDITED)
FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2015**

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AUDITOR'S REPORT (LIMITED REVIEW) ON INTERIM FINANCIAL STATEMENTS

The Shareholders
Methanol Chemicals Company
(A Saudi Joint Stock Company)
Al-Jubail, Kingdom of Saudi Arabia

SCOPE OF AUDIT

We have reviewed the accompanying interim balance sheet of Methanol Chemicals Company ("the Company") as at June 30, 2015 and the related interim statement of income for the three months and six months then ended, and the interim statement of cash flows, and the interim statement of changes in shareholders equity for the six months then ended and attached notes from 1 to 7 which form an integral part of these interim financial statements. These interim financial statements are the responsibility of the Company's management and have been prepared by them and presented to us with all the necessary information and explanations which we required.

We conducted our limited review in accordance with the standard of auditing applicable to Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. A limited review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries from persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

REVIEW RESULT

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia.

For Dr. Mohamed Al-Amri & Co.

Gihad M. Al-Amri
Certified Public Accountant
Registration No. 362

Dammam
Dr. Mohamed Al-Amri & Co.

July 29, 2015-G
Shawwal 13, 1436-H

Partners: Dr. Mohamed Al-Amri (60), Jamal M. Al-Amri (331), Gihad M. Al-Amri (362)
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METHANOL CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM BALANCE SHEET (UNAUDITED)
AS AT 30 JUNE 2015
(Expressed in Saudi Arabian Riyals)

	Note	At 30 June 2015	At 30 June 2014
ASSETS			
Current Assets:			
Cash and cash equivalents		129,197,233	129,612,479
Margin deposits with bank		500,000	500,000
Accounts receivable		208,921,211	226,622,372
Inventories		179,624,139	133,572,240
Prepayments and other current assets		22,954,143	27,620,211
Total Current Assets		541,196,726	517,927,302
Non Current Assets:			
Intangible assets		11,812,500	12,600,000
Property, plant and equipment		2,117,557,472	2,230,856,280
Total Non Current Assets		2,129,369,972	2,243,456,280
TOTAL ASSETS		2,670,566,698	2,761,383,582
LIABILITIES AND EQUITY			
Current Liabilities:			
Accounts payable		59,676,635	58,030,987
Short term loans	4	265,300,000	139,486,689
Current portion of term loans		222,976,505	223,658,505
Current portion of long term obligations		1,337,500	1,337,500
Accrued expenses and other current liabilities		44,675,977	42,737,010
Total Current Liabilities		593,966,617	465,250,691
Non Current Liabilities:			
Term loans		541,929,506	719,906,010
Employees' end of service benefits		29,811,033	26,189,926
Total Non Current Liabilities		571,740,539	746,095,936
Total Liabilities		1,165,707,156	1,211,346,627
Shareholders' Equity:			
Share capital		1,206,000,000	1,206,000,000
Statutory reserve		116,968,764	117,755,219
Retained earnings		181,890,778	226,281,736
Total shareholdes' equity		1,504,859,542	1,550,036,955
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,670,566,698	2,761,383,582

The Interim condensed financial statements appearing on pages 1 to 12 were approved by the management on behalf of Board of Directors of the Company on 29 July 2015 and have been signed on their behalf by:

Ovais A. Mohamed Chief Financial Officer	Khalid Al Rabiah Chief Executive Officer	Sami Mohammed Board Member

The accompanying notes 1 to 7 form an integral part of these financial statements.

METHANOL CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INCOME (UNAUDITED)
FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2015
(Expressed in Saudi Arabian Riyals)

	Period from 1 April to 30 June		Period from 1 January to 30 June	
	2015	2014	2015	2014
Sales	196,255,040	222,604,585	392,695,786	454,157,653
Cost of Sales	(171,622,594)	(176,043,643)	(344,465,134)	(342,722,137)
Gross Profit	24,632,446	46,560,942	48,230,652	111,435,516
Expenses:				
Selling and distribution	(19,205,040)	(16,221,003)	(35,702,661)	(35,459,829)
General and administration	(12,224,486)	(8,568,626)	(25,588,422)	(19,246,674)
	(31,429,526)	(24,789,629)	(61,291,083)	(54,706,503)
(Loss)/Income from operations	(6,797,080)	21,771,313	(13,060,431)	56,729,013
Other income, net	(5,534,070)	247,024	(6,218,431)	147,171
Financial charges	(8,329,750)	(9,709,778)	(15,633,995)	(19,107,459)
(Loss)/ Income before Zakat	(20,660,900)	12,308,559	(34,912,857)	37,768,725
Zakat (charge)/credit, net	(750,000)	3,546,999	(1,500,000)	2,296,999
Net (loss) /income for the period	(21,410,900)	15,855,558	(36,412,857)	40,065,724
(Loss) /earnings per share (SR) (note 4)	(0.18)	0.13	(0.3)	0.33
Attributable to (loss) income from continuing main operations	(0.13)	0.13	(0.25)	0.33
Attributable to (loss)/income from other operations	(0.05)	0.002	(0.052)	0.001
Weighted average number of shares	120,600,000	120,600,000	120,600,000	120,600,000

The accompanying notes 1 to 7 form an integral part of these financial statements.

METHANOL CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015
(Expressed in Saudi Arabian Riyals)

	Period from 1 January 2015 to 30 June 2015	Period from 1 January 2014 to 30 June 2014
Cash flow operating activities:		
(Loss)/ Income before zakat for the period, net	(34,912,857)	37,768,725
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation	85,645,709	80,363,114
Amortisation	3,124,498	3,124,498
Write off cost	6,303,212	-
Employees' end of service benefit charge/(credit), net	3,128,373	(4,901,562)
Gain on disposal of plant and equipment	(248,842)	-
	63,040,093	116,354,775
Changes in operating assets and liabilities:		
Accounts receivable and prepayments and other current assets	16,522,001	19,570,712
Inventories	(16,898,178)	(5,636,125)
Accounts payable, accrued expenses and other current liabilities	(5,317,109)	4,546,270
Employees' end of service benefit payment	(1,158,427)	(339,323)
Zakat paid	-	(4,511,706)
Net cash provided by operating activities	56,188,380	129,984,603
Cash flow from investing activities:		
Purchase of property, plant and equipment	(35,112,691)	(46,044,604)
Proceeds from the disposal	248,842	-
Net cash used in investing activities	(34,863,849)	(46,044,604)
Cash flow from financing activities:		
Net movement in short term loans	58,058,862	79,486,689
Net movement in long term loans	-	(40,000,000)
Dividend paid	-	(72,360,000)
Net cash from (used in) financing activities	58,058,862	(32,873,311)
Net increase in cash and cash equivalents	79,383,393	51,066,688
Cash and cash equivalents at the beginning of the period	49,813,840	78,545,791
Cash and cash equivalent at the end of the period	129,197,233	129,612,479

The accompanying notes 1 to 7 form an integral part of these financial statements.

METHANOL CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDES' EQUITY (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015
(Expressed in Saudi Arabian Riyals)

	Share capital	Statutory reserve	Retained earnings	Total
Balance at January 1, 2014	1,206,000,000	113,748,647	263,482,584	1,583,231,231
Net income for the period	-	-	40,065,724	40,065,724
Directors' remuneration	-	-	(900,000)	(900,000)
Transfer to statutory reserve	-	4,006,572	(4,006,572)	-
Dividend declared	-	-	(72,360,000)	(72,360,000)
Balance at June 30, 2014	1,206,000,000	117,755,219	226,281,736	1,550,036,955
Balance at January 1, 2015	1,206,000,000	116,968,764	218,303,635	1,541,272,399
Net loss for the period	-	-	(36,412,857)	(36,412,857)
Balance at June 30, 2015	1,206,000,000	116,968,764	181,890,778	1,504,859,542

The accompanying notes 1 to 7 form an integral part of these financial statements.

1. ACTIVITIES:

Methanol Chemicals Company ("The Company" or "Chemanol") is a Saudi Joint Stock Company registered in Saudi Arabia under Commercial Registration number 2055001870 dated 28 Dhu al-Hijjah 1409-H corresponding to 31 July 1989. It is licensed to engage in the production of formaldehyde liquid and urea formaldehyde liquid or their mixture with different concentrations, paraformaldehyde, liquid and powder formaldehyde resins, hexane methylene tetramine, phenol formaldehyde resins, concrete improvers, methanol, carbon monoxide, di-methylamine, mono-methylamine, tri-mon-methylamine, di-methyl formamide, di-methyl carbon, penta aritheretol, sodium formate and acetaldehyde, as per ministerial resolution number (616/Sadd) dated 12 Safar 1429-H, corresponding to 19 February 2008.

The Company was converted into a joint stock company in accordance with Ministerial Resolution No. 286 dated 4 Dhul al-Qa'dah 1428-H, corresponding 14 November 2007. On 28 June 2010, the testing phase of the new expansion projects (Methanol, Di-methylamine, and Penta plant) was completed and the commercial operations declared on the same date.

One of the company's plant caught fire during the quarter ended 30 September 2014.All the assets damaged due to fire incident with a net book value of SR0.71 million were written off in the same quarter. The restoration work at the plant to prepare for full scale commercial production resumed on April 2015.The Company has filed a claim with the insurer for the damage cost due to fire. The insurer is in the process of evaluating the claim.

2. SIGNIFICANT ACCOUNTING POLICIES:

The interim condensed financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

Accounting convention:

The interim condensed financial statements are prepared in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia under the historical cost convention.

Use of estimates:

The preparation of interim financial statements in accordance with generally accepted accounting principles requires the use of estimates and judgments which might affect the valuation of recorded assets, liabilities and the disclosure of contingencies in the notes to the interim financial statements at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the best information and events available to management at the date of issuing the interim financial statements, the actual end results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years. The significant areas of estimation uncertainty and critical adjustments in applying accounting policies that have the most significant effect on the amounts recognized in the interim financial statements are as follows:

- estimated useful economic lives and residual values of property, plant and equipment
- provisions for doubtful debts
- provisions for slow moving and defective inventories
- accruals

Cash and cash equivalents:

For the purpose of the statement of cash flows, cash and cash equivalents consists of cash in hand, bank balances and short-term deposits with an original maturity of three months or less.

Inventories:

Inventories are stated at the lower of cost and market value. Cost is determined as follows:

Raw materials, spare parts and supplies	- Purchase cost on a weighted average basis.
	- Cost of direct materials and labour plus Overheads based on a normal level of activity.

Intangible assets:

Estimated value of the right to use pipelines owned by the other parties for transporting raw materials and finished goods are treated as intangible assets and are amortized over the estimated period of future economic benefits.

Up front facility fees

Up front facility fees represents SIDF facility appraisal fees, Murahaba facility appraisal and restructuring fees are amortized over the facility period and are presented net of the liability due at the year end.

Property, plant and equipment/depreciation:

Property, plant and equipment are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease.

The estimated useful lives of the principal classes of assets are as follows:

	Years
Buildings	33.33
Improvements on leasehold land	5
Plant equipment and capital spares	10 - 12
Vehicles	4
Furniture, fixtures and office equipment	7 - 10
Computer and software	4 - 8

Cost of assets disposed of and the related accumulated depreciation are removed from the financial statements and the resulting gain or loss is taken to the statement of income, at the time of disposal of assets.

Impairment of assets

At each balance sheet date, management assess whether any indication of impairment exists. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment loss is recognized as an expense in the interim statement of income immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash- generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the interim statement of income.

Employees' end of service benefits:

Employees' end of service benefits, calculated in accordance with Saudi Arabian labour regulations, are accrued and charged to the interim Statement of Income. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should his services be terminated at the balance sheet date.

Accounts Receivable

Accounts receivable is stated net of provisions. Provision is made for accounts receivable where recovery is considered doubtful by the management.

Statutory Reserves / Share premium:

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's Articles of Association, the Company is required to transfer 10% of net income for the year to a statutory reserve until such reserve equals 50% of its paid up share capital. The General Assembly of the Company has the right to discontinue this transfer once it reaches the required limit. This reserve is not available for distribution to the shareholders.

Share premium of SR. 72,850,071 representing excess amount collected over the face value of shares issued, net of issue expenses, is added to the statutory reserve.

Projects in progress:

Projects in progress include the cost of materials, labor and all related overheads in connection with the construction and purchase of machines and equipment for the expansion of the Company's factory. The cost is transferred to property, plant and equipment and depreciated from the commencement of the commercial operations of that project using the straight line method over the shorter of the estimated period of the economic benefits. Proejct costs that do not lead to future economic benefits are written-off to the profit and loss account as incurred.

Sales:

Sales represents the invoiced and accrued value of goods supplied by the Company during the period, net of trade and quantity discounts and are recognised when the significant risk and rewards of ownership of goods have passed to the buyer and the amount of sales can be measured reliably, which is normally on delivery to the customer.

Foreign currencies:

Transactions in foreign currencies are recorded in Saudi Riyals at the rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the interim condensed statement of income.

Expenses:

Selling and distribution expenses are those that specifically relate to salesmen, warehousing and delivery vehicles as well as provision for doubtful debts. Except for financial charges and amortisation of deferred charges, all other expenses are classified as general and administration expenses.

Zakat:

Zakat is provided for in accordance with Saudi Arabia fiscal regulations. The provision is charged to the interim condensed income statement.

The provision for the interim period is calculated based on the estimated zakat provision for the whole year. The difference between the provision made during the interim period and the actual provision for the period based on detailed zakat calculations for the year is accounted for at year end.

(Loss)/Earnings per share:

(loss)/Earnings per share from net income are calculated by dividing the net (loss)/ income for the period by the weighted average number of shares outstanding during the period.

Segmental reporting:

A segment is a distinguishable component of the Company that is engaged in providing products, services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments. Because the management views the whole activities of the Company as one operating segment, reporting is provided by geographical segment only.

Fair values:

The fair value of commission-bearing items is estimated based on discounted cash flows using commission rates for items with similar terms and risk characteristics.

Comparative reclassification:

Certain comparative figures have been reclassified to comply with the current year presentation of the financial statements.

3. INTERIM PERIOD RESULTS

The Company has made all necessary adjustments which are important to present fairly in all material respects the interim financial position and interim results of operations. The interim financial results may not be considered an indicative of the actual results for the whole year.

4. SHORT–TERM BORROWINGS:

The company has obtained working capital facilities with local banks. Commission is charged on the short term loans at commercial rates. The short-term loans are secured by the promissory notes.

5. (LOSS) / EARNINGS PER SHARE:

The (loss) /earnings per share is calculated by dividing net income for the period by the weighted average number of outstanding shares.

The (loss) / earnings per share from continuing main operations is calculated by dividing the operating income less zakat and finance charges for the period by the weighted average number of outstanding shares.

Earnings per share from other operations is calculated by dividing other income less other charges for the period by the weighted average number of outstanding shares.

6. CONTINGENCIES AND COMMITMENTS:

The Company has received a notification from Power & Utility Company for Jubail and Yanbu ("Marafiq", Water utility provider to the Company) to pay additional charges for the unutilized capacity as per the Utility Supply Agreement for the years 2012, 2013 and 2014. The Company is disputing Marafiq's claim and is in dialogue with Marafiq to resolve this matter.

7. SEGMENTAL REPORTING:

The management of the Company views the whole business activities of the Company as one operating segment for performance assessment and resources allocation.
Because the management views the whole activities of the Company as one segment, reporting is provided by geographical segment only. Approximately 61% or SR 241 million of the sales of the Company for the period from 1 January 2015 to 30 June 2015 are through export (2014: 61% or SR 279 million).