

METHANOL CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM FINANCIAL STATEMENTS AND
AUDITOR'S REPORT (LIMITED REVIEW) FOR
THE THREE MONTHS AND NINE MONTHS
ENDED 30 SEPTEMBER 2015

METHANOL CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM FINANCIAL STATEMENTS AND AUDITOR'S REPORT (LIMITED REVIEW)
FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 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 REVIEW

We have reviewed the accompanying interim balance sheet of Methanol Chemicals Company ("the Company") as at September 30, 2015 and the related interim statement of income for the three months and nine months then ended, and the interim statement of cash flows, and the interim statement of changes in shareholders equity for the nine months then ended and attached notes from 1 to 9 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

October 19, 2015-G
Muharram 5, 1437-H

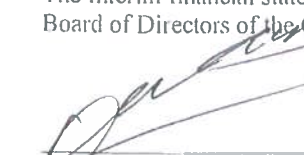


METHANOL CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

	Notes	30 September 2015	30 September 2014
ASSETS			
Current Assets:			
Cash and cash equivalents		66,190,811	106,218,154
Margin deposits with bank		500,000	500,000
Accounts receivable		204,262,505	239,272,527
Inventories		167,781,157	136,074,559
Prepayments and other current assets		27,596,360	41,361,721
Total Current Assets		466,330,833	523,426,961
Non Current Assets:			
Intangible assets		11,615,625	12,403,125
Property, plant and equipment		2,082,646,796	2,204,712,226
Total Non Current Assets		2,094,262,421	2,217,115,351
TOTAL ASSETS		2,560,593,254	2,740,542,312
LIABILITIES AND EQUITY			
Current Liabilities:			
Accounts payable		48,083,074	58,303,271
Short term borrowings	3	265,300,000	181,425,000
Current portion of term loans	4	267,294,505	223,658,505
Current portion of long term obligations		1,337,500	1,337,500
Accrued expenses and other current liabilities		56,935,404	37,549,631
Total Current Liabilities		638,950,483	502,273,907
Non Current Liabilities:			
Term loans	4	429,416,880	651,711,384
Employees' end of service benefits		30,160,327	26,628,166
Total Non Current Liabilities		459,577,207	678,339,550
Total Liabilities		1,098,527,690	1,180,613,457
Shareholders' Equity:			
Share capital		1,206,000,000	1,206,000,000
Statutory reserves		116,968,764	118,789,409
Retained earnings		139,096,800	235,139,446
Total shareholders' equity		1,462,065,564	1,559,928,855
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,560,593,254	2,740,542,312

The Interim financial statements appearing on pages 1 to 14 were approved by the management on behalf of Board of Directors of the Company on 19 October, 2015 and have been signed on their behalf by:


Syams A. Mohamed
Chief Financial Officer


Khalid Al Rabiah
Chief Executive Officer


Sami Mohammed
Board Member

The accompanying notes 1 to 9 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 NINE MONTHS ENDED 30 SEPTEMBER 2015
(Expressed in Saudi Arabian Riyals)

	Period from 1 July to 30 September		Period from 1 January to 30 September	
	2015	2014	2015	2014
Sales	174,277,603	220,183,003	566,973,389	674,340,656
Cost of Sales	(163,759,227)	(172,225,514)	(506,924,361)	(515,040,170)
Gross Profit	10,518,376	47,957,489	60,049,028	159,300,486
Expenses:				
Selling and distribution	(13,328,432)	(16,447,383)	(49,031,095)	(51,907,212)
General and administration	(9,171,013)	(9,795,489)	(34,759,435)	(29,042,163)
Other Provisions	5 (23,578,938)	-	(24,878,938)	-
	(46,078,383)	(26,242,872)	(108,669,468)	(80,949,375)
(Loss)/Income from operations	(35,560,007)	21,714,617	(48,620,440)	78,351,111
Other income/(charges), net	321,372	(1,192,103)	(5,897,059)	(952,413)
Financial charges	(6,805,342)	(8,933,613)	(22,439,336)	(28,041,072)
(Loss)/ Income before Zakat	(42,043,977)	11,588,901	(76,956,835)	49,357,626
Zakat (charge)/credit, net	6 (750,000)	(1,247,001)	(2,250,000)	1,049,998
Net (loss) /income for the period	(42,793,977)	10,341,900	(79,206,835)	50,407,624
(Loss) /earnings per share (SR) (note 7)	(0.35)	0.09	(0.66)	0.42
Attributable to (loss)/ income from continuing main operations	(0.36)	0.10	(0.61)	0.43
Attributable to income/(loss) from other operations	0.003	(0.010)	(0.049)	(0.008)
Weighted average number of shares	120,600,000	120,600,000	120,600,000	120,600,000

The accompanying notes 1 to 9 form an integral part of these financial statements.

METHANOL CHEMICALS COMPANY
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INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2015
(Expressed in Saudi Arabian Riyals)

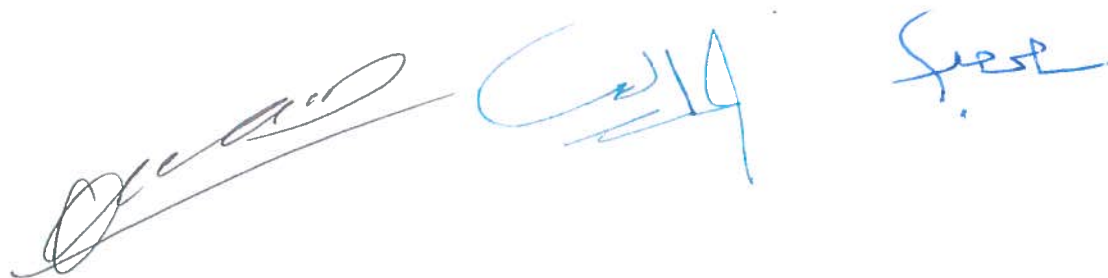
	Period from 1 January 2015 to 30 September 2015	Period from 1 January 2014 to 30 September 2014
Cash flow operating activities:		
(Loss)/ Income before zakat for the period, net	(76,956,835)	49,357,626
<i>Adjustment to reconcile net income to net cash provided by operating activities:</i>		
Depreciation	128,072,541	121,443,388
Amortisation	4,686,747	4,686,747
Write off cost	6,303,212	-
Employees' end of service benefit charge/(credit), net	3,767,973	(4,183,634)
(Gain)/ loss on disposal of property, plant and equipment	(94,113)	709,265
	65,779,525	172,013,392
Changes in operating assets and liabilities:		
Accounts receivable and prepayments and other current assets	15,788,491	(8,067,953)
Inventories	(5,055,196)	(8,138,444)
Accounts payable, accrued expenses and other current liabilities	(4,651,245)	(818,826)
Employees' end of service benefit payment	(1,448,733)	(619,011)
Zakat paid	-	(4,511,706)
Net cash provided by operating activities	70,412,842	149,857,452
Cash flow from investing activities:		
Purchase of property, plant and equipment	(43,040,326)	(61,691,387)
Proceeds from the disposal	505,593	1,298
Net cash used in investing activities	(42,534,733)	(61,690,089)
Cash flow from financing activities:		
Net movement in short term borrowings	58,058,862	121,425,000
Net movement in term loans	(69,560,000)	(109,560,000)
Dividend paid	-	(72,360,000)
Net cash used in financing activities	(11,501,138)	(60,495,000)
Net increase in cash and cash equivalents	16,376,971	27,672,363
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	66,190,811	106,218,154

The accompanying notes 1 to 9 form an integral part of these financial statements.

METHANOL CHEMICALS COMPANY
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INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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	-	-	50,407,624	50,407,624
Directors' remuneration	-	-	(1,350,000)	(1,350,000)
Transfer to statutory reserve	-	5,040,762	(5,040,762)	-
Dividend declared	-	-	(72,360,000)	(72,360,000)
Balance at September 30, 2014	1,206,000,000	118,789,409	235,139,446	1,559,928,855
Balance at January 1, 2015	1,206,000,000	116,968,764	218,303,635	1,541,272,399
Net loss for the period	-	-	(79,206,835)	(79,206,835)
Balance at September 30, 2015	1,206,000,000	116,968,764	139,096,800	1,462,065,564



The accompanying notes 1 to 9 form an integral part of these financial statements.

METHANOL CHEMICALS COMPANY
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NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2015
(Expressed in Saudi Arabian Riyals)

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 to 14 November 2007. On 28 September 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 caused due to fire. The insurer is in the process of evaluating the claim status of insurer.

2. SIGNIFICANT ACCOUNTING POLICIES:

The interim 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 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 standards 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:

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2015
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- 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 measured at lower of cost and net realisable value. The cost of inventories is principally based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, or production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes and appropriate share of production and overheads based on normal operating capacity.

NRV is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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:

	<u>Years</u>
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

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2015
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Cost of assets disposed of and the related accumulated depreciation are derecognised 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.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)
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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. Project 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 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 statement of income.

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.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)
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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. As the management view 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. SHORT TERM BORROWINGS:

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

4. TERM LOANS:

The term loans consist of the following:

	30 September 2015	30 September 2014
Project Murabaha Facility	252,685,000	376,805,000
Working Capital Murabaha Facility	75,000,000	90,000,000
SIDF loan	385,000,000	430,000,000
Less: Unamortized deferred charges	(15,973,615)	(21,435,111)
Total	696,711,385	875,369,889
Presented in the balance sheet as follows:		
Current portion of term loans	267,294,505	223,658,505
Long term loans	429,416,880	651,711,384
Total	696,711,385	875,369,889

In December 2007, the Company entered into a Murabaha Facility Agreement with a syndicate of banks, namely; Arab Banking Corporation (B.S.C), Riyadh Bank, Samba Financial Group, Saudi Hollandi Bank, National Commercial Bank and SABB (collectively called as "Murabaha Facility Participants") to

METHANOL CHEMICALS COMPANY
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NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)
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4. TERM LOANS (Continued):

provide Project Murabaha Facility of SR 940 million, refinance Murabaha Facility of SR 37.5 million, and Working Capital Murabaha Facility and Standby Murabaha Sub-Facility of SR 150 million. Project Murabaha Facility loan amounting to SR 525 million has been repaid on availment of the SIDF loan.

In October 2009, the Company entered into a Project Cost Overrun Murabaha Facility Agreement with syndicate of banks, namely; Arab Banking Corporation (B.S.C), Riyadh Bank, Samba Financial Group, Saudi Hollandi Bank, National Commercial Bank and SABB (collectively called as "The Project Cost Overrun Murabaha Facility Participants") to provide Project Cost Overrun Murabaha Facility of SR 326 million to finance ongoing expansion projects. As per the agreement, the amounts drawn under this facility are repayable in two years from drawdown note i.e. 18 November 2011.

On 5 June 2011, the Company entered into a refinancing agreement with a syndicate of banks, namely; SABB, Riyadh Bank and Samba Financial Group (collectively called as "The Murabaha Facility Participants") to refinance both i) the outstanding balance under the Project Murabaha Facility & the Working Capital Facility Agreement of SAR 506 million dated 26 December 2007, ii) the Cost Overrun Facility Agreement of SAR 326 million dated October 27, 2009.

As per the new Murabaha Facility Agreement dated 5 June 2011, the Project Murabaha Facility amounting to SR 682 million will be payable in 14 semi-annual installments starting from July 2011 to December 2017. The Working Capital Murabaha Facility amounting to SR 150 million will be payable in 10 semi-annual installments starting from January 2013 to December 2017.

The Company has entered into an interest rate swap on the Project Murabaha facility.

The facilities are secured by promissory notes. The Company is required to comply with certain covenants under all of above facilities. The installments due within one year from the balance sheet date are shown as current liabilities

On 15 May 2011, the Company reached an agreement with the SIDF to restructure the existing outstanding debt balance. As per the agreement, the restructured debt amounting to SR 600,000,000 will be payable in 15 installments. The first installment was paid in January 2012 and the last installment is due on October 2018.

5. OTHER PROVISIONS:

This includes a provision of SR 15 million, disputed by the Company which is currently under litigation and SR 9.8 million in respect of write down of inventory spares to their net realizable value.

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6. ZAKAT:

- a) In 2014, the Company received final assessment for the years ended December 31, 2009 and December 31, 2010 from DZIT. As per the assessment order a refund of SR 4.8 million in respect of zakat paid for the years 2009 and 2010 is due to the Company.
- b) The Zakat charge for the nine month period ended September 30 comprises of the following:

	30 September 2015	30 September 2014
For the current period	(2,250,000)	(3,750,002)
Over provision for prior years	-	4,800,000
	<u>(2,250,000)</u>	<u>1,049,998</u>

c) Provision for Zakat

The movement in provision for zakat during the nine months period ended September 30 is as follows:

	30 September 2015	30 September 2014
Balance at the beginning of the period	(2,800,000)	5,000,000
Charge for the period	2,250,000	(1,049,998)
Payments during the period	-	(4,511,706)
Receivable at end of the period	<u>(550,000)</u>	<u>(561,704)</u>

7. (LOSS) / EARNINGS PER SHARE:

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

The (loss) / 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.

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FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2015
(Expressed in Saudi Arabian Riyals)

8. 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 62% or SR 352 million of the sales of the Company for the period from 1 January 2015 to 30 September 2015 are through export (2014: 62% or SR 414 million).

9. 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.