

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

CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2020  
AND REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

**METHANOL CHEMICALS COMPANY**  
**(A Saudi Joint Stock Company)**  
**CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)**  
**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2020**

	<b>Page</b>
Report on review of interim financial information	2
Condensed interim statement of comprehensive income	3
Condensed interim statement of financial position	4
Condensed interim statement of changes in equity	5
Condensed interim statement of cash flows	6
Notes to the condensed interim financial information	7 - 15



## **Report on review of interim financial information**

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

### **Introduction**

We have reviewed the accompanying condensed interim statement of financial position of Methanol Chemicals Company (the "Company") as of 30 September 2020 and the related condensed statement of comprehensive income for the three-month and nine-month periods then ended and the condensed interim statements of changes in equity and cash flows for the nine-month period ended 30 September 2020 and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

### **Scope of review**

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

### **Conclusion**

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

### **PricewaterhouseCoopers**

Ali A. Alotaibi  
License Number 379

5 November 2020




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


	Note	For the three-month period ended 30 September		For the nine-month period ended 30 September	
		2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
Revenue	1	132,276,029	113,317,382	351,074,965	419,027,992
Cost of sales		(141,646,047)	(109,389,214)	(355,885,792)	(349,397,455)
Impairment losses	5	(157,098,539)	-	(157,098,539)	-
<b>Gross margin</b>		<b>(166,468,557)</b>	<b>3,928,168</b>	<b>(161,909,366)</b>	<b>69,630,537</b>
Selling and distribution expenses		(13,982,609)	(13,618,998)	(37,441,187)	(43,152,710)
General and administrative expenses		(10,029,334)	(10,843,782)	(28,970,191)	(32,566,650)
Other operating costs - net		(778,331)	(1,080,494)	(2,987,810)	(2,402,382)
<b>Operating loss</b>		<b>(191,258,831)</b>	<b>(21,615,106)</b>	<b>(231,308,554)</b>	<b>(8,491,205)</b>
Financial costs	6	(7,425,986)	(10,111,598)	(25,988,378)	(31,428,613)
Financial income		51,806	1,049,527	574,102	2,968,203
Financial costs - net		(7,374,180)	(9,062,071)	(25,414,276)	(28,460,410)
<b>Loss before zakat</b>		<b>(198,633,011)</b>	<b>(30,677,177)</b>	<b>(256,722,830)</b>	<b>(36,951,615)</b>
Zakat expense	9	(3,819,208)	(1,650,000)	(5,612,543)	(4,300,000)
<b>Loss for the period</b>		<b>(202,452,219)</b>	<b>(32,327,177)</b>	<b>(262,335,373)</b>	<b>(41,251,615)</b>
<b>Other comprehensive loss</b>					
<i>Items that will not be reclassified to profit or loss</i>					
Remeasurement of employee benefit obligations		-	(266,562)	-	(799,685)
<b>Total comprehensive loss for the period</b>		<b>(202,452,219)</b>	<b>(32,593,739)</b>	<b>(262,335,373)</b>	<b>(42,051,300)</b>
<b>Loss per share (Saudi Riyals)</b>					
Basic and diluted	8	(1.68)	(0.27)	(2.18)	(0.34)

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

The condensed interim financial information including notes and other explanatory information was approved and authorized for issue by the Board of Directors on 5 November 2020 and was signed on their behalf by:

  
Abdullah A. Al-Hajri  
Chief Financial Officer


  
Ali Al-Asiri  
Chief Executive Officer

  
Abdullah Ali Al Sanea  
Chairman


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

	Note	As at 30 September 2020 (Unaudited)	As at 31 December 2019 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	1, 4, 5	1,349,826,784	1,562,117,973
Right-of-use assets	5	22,385,806	27,411,033
Intangible assets	5	5,612,503	8,921,152
<b>Total non-current assets</b>		<b>1,377,825,093</b>	<b>1,598,450,158</b>
<b>Current assets</b>			
Inventories		110,889,006	123,109,714
Trade and other receivables		137,393,797	108,391,471
Cash and cash equivalents		60,094,988	113,086,237
<b>Total current assets</b>	1	<b>308,377,791</b>	<b>344,587,422</b>
<b>Total assets</b>		<b>1,686,202,884</b>	<b>1,943,037,580</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	1	1,206,000,000	1,206,000,000
Share premium		72,850,071	72,850,071
Statutory reserve		44,118,693	44,118,693
Accumulated deficit		(531,491,373)	(269,156,000)
<b>Net equity</b>		<b>791,477,391</b>	<b>1,053,812,764</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long-term borrowings	6	329,397,646	587,366,332
Lease liabilities		24,767,670	25,677,141
Employee benefit obligations		50,938,382	47,725,116
<b>Total non-current liabilities</b>		<b>405,103,698</b>	<b>660,768,589</b>
<b>Current liabilities</b>			
Trade and other payables		72,567,013	76,508,865
Current portion of long-term borrowings	6	410,137,328	144,883,286
Current portion of lease liabilities		1,160,992	1,114,076
Zakat payable	9	5,756,462	5,950,000
<b>Total current liabilities</b>	1	<b>489,621,795</b>	<b>228,456,227</b>
<b>Total liabilities</b>		<b>894,725,493</b>	<b>889,224,816</b>
<b>Total equity and liabilities</b>		<b>1,686,202,884</b>	<b>1,943,037,580</b>

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

  
Abdullah A. Al-Hajri  
Chief Financial Officer

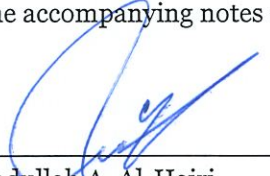
  
Ali Al-Asri  
Chief Executive Officer

  
Abdullah Ali Al Sanea  
Chairman

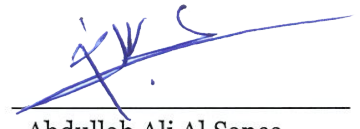
**METHANOL CHEMICALS COMPANY**  
**(A Saudi Joint Stock Company)**  
**Condensed interim statement of changes in equity**  
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Share premium	Statutory reserve	Accumulated deficit	Net equity
<b>At 1 January 2019 (Audited)</b>	1,206,000,000	72,850,071	44,118,693	(181,921,196)	1,141,047,568
Loss for the period	-	-	-	(41,251,615)	(41,251,615)
Other comprehensive loss for the period	-	-	-	(799,685)	(799,685)
Total comprehensive loss for the period	-	-	-	(42,051,300)	(42,051,300)
<b>At 30 September 2019 (Unaudited)</b>	1,206,000,000	72,850,071	44,118,693	(223,972,496)	1,098,996,268
<b>At 1 January 2020 (Audited)</b>	1,206,000,000	72,850,071	44,118,693	(269,156,000)	1,053,812,764
Loss for the period	-	-	-	(262,335,373)	(262,335,373)
Other comprehensive loss for the period	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(262,335,373)	(262,335,373)
<b>At 30 September 2020 (Unaudited)</b>	1,206,000,000	72,850,071	44,118,693	(531,491,373)	791,477,391

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

  
Abdullah A. Al-Hajri  
Chief Financial Officer

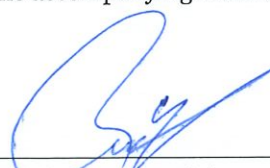
  
Ali Al-Asiri  
Chief Executive Officer

  
Abdullah Ali Al Sanea  
Chairman

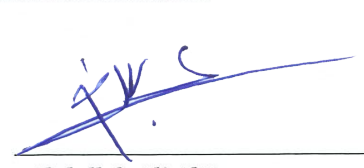
**METHANOL CHEMICALS COMPANY**  
**(A Saudi Joint Stock Company)**  
**Condensed interim statement of cash flows**  
(All amounts in Saudi Riyals unless otherwise stated)

	Note	<b>For the nine-month period ended 30 September</b>	
		<b>2020</b>	<b>2019</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Cash flows from operating activities</b>			
Loss before zakat		(256,722,830)	(36,951,615)
<u>Adjustments for:</u>			
Depreciation and amortization		95,504,593	89,363,805
Impairment losses	5	157,098,539	-
Gain on disposal of property and equipment		(162,585)	-
Write-off of property and equipment		843,230	3,657,077
Financial costs – net		25,414,276	28,460,410
Provision for employee benefit obligations		5,384,576	5,376,483
<u>Changes in operating assets and liabilities:</u>			
Decrease in inventories		12,220,708	4,239,668
(Increase) decrease in trade and other receivables		(29,095,380)	32,795,254
Decrease in trade and other payables		(3,941,848)	(18,568,064)
Cash generated from operations		6,543,279	108,373,018
Financial costs paid on borrowings		(17,679,183)	(20,146,953)
Financial costs paid on lease liabilities		(1,023,840)	(1,332,742)
Financial income received on short-term murabaha deposits		667,156	2,514,131
Employee benefit obligations paid		(2,171,310)	(2,121,481)
Zakat paid		(5,806,081)	(7,936,123)
<b>Net cash (outflow) inflow from operating activities</b>		<b>(19,469,979)</b>	<b>79,349,850</b>
<b>Cash flows from investing activities</b>			
Placement of short-term murabaha deposits		-	(57,500,000)
Proceeds from disposal of property and equipment		162,585	-
Payments for purchase of property, plant and equipment		(32,821,300)	(22,424,789)
<b>Net cash outflow from investing activities</b>		<b>(32,658,715)</b>	<b>(79,924,789)</b>
<b>Cash flows from financing activities</b>			
Repayments of long-term borrowings		-	(63,668,500)
Repayments of lease liabilities		(862,555)	(1,049,454)
<b>Total cash outflow from financing activities</b>		<b>(862,555)</b>	<b>(64,717,954)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(52,991,249)</b>	<b>(65,292,893)</b>
Cash and cash equivalents at beginning of period		113,086,237	119,823,733
<b>Cash and cash equivalents at end of period</b>		<b>60,094,988</b>	<b>54,530,840</b>
<b>Non-cash operating, investing and financing activities:</b>			
Right-of-use assets recorded against lease liabilities		-	27,846,063
Prepaid lease rentals adjusted against right-of-use assets		-	1,712,667

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

  
Abdullah A. Al-Hajri  
Chief Financial Officer

  
Ali Al-Asiri  
Chief Executive Officer

  
Abdullah Ali Al Sanea  
Chairman

## **METHANOL CHEMICALS COMPANY**

**(A Saudi Joint Stock Company)**

**Notes to the condensed interim financial information (Unaudited)**

**For the three-month and nine-month periods ended 30 September 2020**

(All amounts in Saudi Riyals unless otherwise stated)

### **1 General information**

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

The Company is a joint stock company registered in the Kingdom of Saudi Arabia and operating under Commercial Registration (CR) number 2050057828 issued in Dammam on 30 Dhu al-Hijjah 1428 H (9 January 2008). The accompanying condensed interim financial information includes the accounts of the Company and its branch registered in Jubail under CR number 2055001870 dated 28 Dhu al-Hijjah 1409 H (1 August 1989). The registered address of the Company is P.O. Box 2101, Jubail 31951, Kingdom of Saudi Arabia.

#### Planned shutdown

During the three-month period ended 31 March 2020, the Company shut down certain of its plants for scheduled periodic maintenance for a period of 23 days. The Company incurred turnaround and related costs of Saudi Riyals 11.3 million related to such maintenance which were capitalized under property, plant and equipment in the accompanying condensed interim financial information.

#### COVID-19 and impairment losses

Due to the advent of COVID-19, starting April 2020, the Company witnessed a decline in its export revenues primarily due to certain key markets and countries being locked down by their respective governments as a measure to prevent the spread of COVID-19. From July 2020, export revenues increased as the lockdowns in such key markets and countries were either lifted or relaxed. However, starting September 2020, there was a significant increase in the number of COVID-19 infections globally and subsequent to the three-month period ended 30 September 2020, certain key markets and countries were again locked down as a measure to prevent the spread of the second wave of COVID-19. The increased uncertainty around the short to medium term demand also resulted in a significant decrease in the current and forecasted prices of certain of the Company’s products. Accordingly, during September 2020, management revised its five year business plan, to take into account the most recent available information. Based on the updated five year business plan, the Company has updated the value in use workings of its Cash Generating Units (“CGUs”) and determined that the recoverable amount of non-current assets related to certain CGUs were lower than their carrying amounts. Accordingly, the Company has recorded impairment losses of Saudi Riyals 157.1 million in the accompanying condensed interim financial information. Also see Notes 4 and 5.

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

#### Net current liability at 30 September 2020

At 30 September 2020, the Company’s current liabilities exceeded its current assets by Saudi Riyals 181.2 million, which is primarily due to the scheduled repayments of long-term borrowings amounting to Saudi Riyals 410.1 million, due within twelve months from the date of the condensed interim financial information. As explained in Note 6, the Company is in advanced stage of negotiations with the lending institutions to restructure the long-term borrowings and expects that the negotiations will be successfully completed and updated restructuring agreements will be signed latest by 31 December 2020. Accordingly, the management has prepared the accompanying condensed interim financial information on a going concern basis.

**METHANOL CHEMICALS COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to the condensed interim financial information (Unaudited)**  
**For the three-month and nine-month periods ended 30 September 2019**  
(All amounts in Saudi Riyals unless otherwise stated)

**Equity restructuring**

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

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

The Company has appointed a financial advisor to manage the restructuring process and is currently in process of obtaining the required regulatory approvals before calling for an extraordinary general assembly meeting of the Company's shareholders to resolve and approve the capital restructuring. Management of the Company expects to complete the restructuring process by 30 June 2021.

**2 Accounting policies**

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

**2.1 Basis of preparation**

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

The condensed interim financial information does not include all the information and disclosures required in the annual financial statements. Accordingly, this condensed interim financial information is to be read in conjunction with the annual financial statements for the year ended 31 December 2019.

**2.2 New and amended standards adopted by the Company**

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

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 September 2020 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

**3 Fair value of assets and liabilities**

As at 30 September 2020 and 31 December 2019, the fair values of the Company's financial instruments are estimated to approximate their carrying values since the financial instruments are short term in nature, carry interest rates which are based on prevailing market interest rates and are expected to be realized at their current carrying values within twelve months from the date of the statement of financial position. The fair values of the non-current financial liabilities are estimated to approximate their carrying values as these carry interest rates which are based on prevailing market interest rates.

**METHANOL CHEMICALS COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to the condensed interim financial information (Unaudited)**  
**For the three-month and nine-month periods ended 30 September 2019**  
(All amounts in Saudi Riyals unless otherwise stated)

**4 Critical accounting estimates and judgements**

The preparation of condensed interim financial information in conformity with International Financial Reporting Standards ("IFRS"), that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year are discussed below:

*Impairment of property, plant and equipment*

Management tests assets or CGUs for impairment whenever impairment indicators exist. Among others, the events or changes in circumstances which could indicate that an asset or CGUs may be impaired mainly include the following:

- A significant decrease in the market prices of Company's products;
- A significant change in the extent or manner in which an asset is being used or in its physical condition including a significant decrease in current and projected sales volumes; and
- A current-period operating loss combined with a history and forecast of operating losses.

Management has identified the spread of COVID-19 and the resulting decline in global prices of crude oil and petrochemicals as an impairment indicator and has determined the recoverable amounts of all CGUs based on value-in-use calculations. These calculations require the use of estimates in relation to the future cash flows and use of an appropriate discount rate and terminal growth rate applicable to the circumstances of the Company.

Future events could cause the estimates used in these value-in-use calculations to change adversely with a consequent effect on the future results of the Company. Also see Note 5.1.

**METHANOL CHEMICALS COMPANY**

**(A Saudi Joint Stock Company)**

**Notes to the condensed interim financial information (Unaudited)**

**For the three-month and nine-month periods ended 30 September 2020**

(All amounts in Saudi Riyals unless otherwise stated)

**5 Property, plant and equipment**

	<b>1 January</b>	<b>Additions</b>	<b>Disposals / Write-offs</b>	<b>Impairment losses</b>	<b>Transfers</b>	<b>30 September</b>
<b>2020</b>						
<b>Cost</b>						
Buildings and leasehold improvements	365,749,596	14,400	(7,271,734)	-	153,405	<b>358,645,667</b>
Plant, machinery and equipment	2,796,106,968	13,998,483	(73,628,656)	-	10,470,157	<b>2,746,946,952</b>
Furniture, fixtures and office equipment	30,254,512	293,782	(3,486,167)	-	-	<b>27,062,127</b>
Planned turnaround costs	91,125,381	11,265,335	(55,584,632)	-	5,339,408	<b>52,145,492</b>
Vehicles	3,927,760	-	(707,400)	-	-	<b>3,220,360</b>
Construction-in-progress	24,666,953	7,249,300	-	-	(15,962,970)	<b>15,953,283</b>
	<b>3,311,831,170</b>	<b>32,821,300</b>	<b>(140,678,589)</b>	<b>-</b>	<b>-</b>	<b>3,203,973,881</b>
<b>Accumulated depreciation and impairment</b>						
Buildings and leasehold improvements	(138,256,869)	(7,607,581)	7,101,310	(18,669,345)	-	<b>(157,432,485)</b>
Plant, machinery and equipment	(1,509,927,580)	(73,634,577)	72,974,267	(132,864,864)	-	<b>(1,643,452,754)</b>
Furniture, fixtures and office equipment	(28,593,253)	(600,368)	3,467,765	-	-	<b>(25,725,856)</b>
Planned turnaround costs	(69,559,659)	(10,726,937)	55,584,619	-	-	<b>(24,701,977)</b>
Vehicles	(3,375,836)	(165,588)	707,399	-	-	<b>(2,834,025)</b>
	<b>(1,749,713,197)</b>	<b>(92,735,051)</b>	<b>139,835,360</b>	<b>(151,534,209)</b>	<b>-</b>	<b>(1,854,147,097)</b>
<b>Net book value</b>	<b>1,562,117,973</b>					<b>1,349,826,784</b>

**METHANOL CHEMICALS COMPANY****(A Saudi Joint Stock Company)****Notes to the condensed interim financial information (Unaudited)****For the three-month and nine-month periods ended 30 September 2019**

(All amounts in Saudi Riyals unless otherwise stated)

	1 January	Additions	Disposals / Write-offs	Impairment losses	Transfers	31 December
<b>2019</b>						
<b>Cost</b>						
Buildings and leasehold improvements	365,591,326	158,270	-	-	-	365,749,596
Plant, machinery and equipment	2,774,463,409	13,041,042	(1,671,193)	-	10,273,710	2,796,106,968
Furniture, fixtures and office equipment	29,919,619	340,892	(5,999)	-	-	30,254,512
Planned turnaround costs	87,953,872	1,626,366	-	-	1,545,143	91,125,381
Vehicles	3,439,760	488,000	-	-	-	3,927,760
Construction-in-progress	18,688,019	21,402,381	(3,604,594)	-	(11,818,853)	24,666,953
	<u>3,280,056,005</u>	<u>37,056,951</u>	<u>(5,281,786)</u>	-	-	<u>3,311,831,170</u>
<b>Accumulated depreciation and impairment</b>						
Buildings and leasehold improvements	(128,101,068)	(10,155,801)	-	-	-	(138,256,869)
Plant, machinery and equipment	(1,418,261,646)	(93,059,195)	1,393,261	-	-	(1,509,927,580)
Furniture, fixtures and office equipment	(27,268,169)	(1,329,921)	4,837	-	-	(28,593,253)
Planned turnaround costs	(57,133,904)	(12,425,755)	-	-	-	(69,559,659)
Vehicles	(3,238,669)	(137,167)	-	-	-	(3,375,836)
	<u>(1,634,003,456)</u>	<u>(117,107,839)</u>	<u>1,398,098</u>	-	-	<u>(1,749,713,197)</u>
<b>Net book value</b>	<u>1,646,052,549</u>					<u>1,562,117,973</u>

**5.1 Impairment losses**

As explained in Note 1, based on the updated five year business plan, the Company has updated the value in use workings for its CGUs and determined that the recoverable amount of non-current assets related to the following products, considered as separate CGUs, were lower than their carrying amounts due to a decline in the future expected net cash flows of each product:

- a) Methanol
- b) Pentaerythritol ("PENTA")
- c) Hexane Methylene Tetramine ("HMT")
- d) Sulphonated Naphthalene Formaldehyde - Powder ("SNF-P"), Concrete Improvers
- e) Paraformaldehyde ("PARA")

**METHANOL CHEMICALS COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to the condensed interim financial information (Unaudited)**  
**For the three-month and nine-month periods ended 30 September 2020**  
(All amounts in Saudi Riyals unless otherwise stated)

The carrying amounts, recoverable values and resultant impairment losses as at 30 September 2020 are as follows:

<b>CGU</b>	<b>Carrying amount of CGU</b>	<b>Recoverable value (value in use)</b>	<b>Impairment losses</b>
Methanol	626,829,547	535,619,879	91,209,668
PENTA	167,307,568	124,477,543	42,830,025
HMT	18,748,934	12,383,752	6,365,182
SNF-P	9,339,529	4,312,740	5,026,789
PARA	36,351,437	24,684,562	11,666,875
	<b>858,577,015</b>	<b>701,478,476</b>	<b>157,098,539</b>

The impairment losses have been allocated as follows:

<b>Class of assets</b>	<b>Methanol</b>	<b>PENTA</b>	<b>HMT</b>	<b>SNF-P</b>	<b>PARA</b>
<b>Property, plant and equipment</b>					
Buildings and leasehold improvements	12,833,200	5,364,559	-	-	471,586
Plant, machinery and equipment	77,426,473	36,704,990	3,291,053	4,568,163	10,874,185
<b>Right-of-use assets</b>	949,995	760,476	924,254	458,626	321,104
<b>Intangible assets</b>	-	-	2,149,875	-	-
	<b>91,209,668</b>	<b>42,830,025</b>	<b>6,365,182</b>	<b>5,026,789</b>	<b>11,666,875</b>

The key estimates used by the Company's management for the value in use calculations were as follows:

- Projected cash flows using approved five year business plans;
- The discount rate used was approximately 10% (31 December 2019: 8%) based on weighted average cost of capital;
- A consistent growth rate considered to project certain cash flows beyond the period covered by the five year business plan; and
- Expected product prices over the period considered for management's assessment.

Management has performed a sensitivity analysis around the estimates and believes that:

- A 1% increase in the discount rate will result in an additional impairment loss of Saudi Riyals 5.1 million; and
- A 1% decrease in the forecasted prices will result in an additional impairment loss of Saudi Riyals 14.5 million.

**METHANOL CHEMICALS COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to the condensed interim financial information (Unaudited)**  
**For the three-month and nine-month periods ended 30 September 2020**  
(All amounts in Saudi Riyals unless otherwise stated)

**6 Long-term borrowings**

	<b>30 September 2020</b>	<b>31 December 2019</b>
Saudi Industrial Development Fund ("SIDF")	<b>245,000,000</b>	245,000,000
Murabaha Facilities - Syndicate loans	<b>252,317,450</b>	252,317,450
Murabaha Facilities - Bilateral loans	<b>237,930,000</b>	237,930,000
	<b>735,247,450</b>	735,247,450
Accrued financial costs	<b>7,424,139</b>	2,105,236
	<b>742,671,589</b>	737,352,686
Less unamortized transaction costs related to:		
SIDF	<b>(263,583)</b>	(687,238)
Murabaha Facilities - Syndicate loans	<b>(1,552,509)</b>	(2,393,538)
Murabaha Facilities - Bilateral loans	<b>(1,320,523)</b>	(2,022,292)
	<b>(3,136,615)</b>	(5,103,068)
	<b>739,534,974</b>	732,249,618

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

Long-term borrowings	<b>329,397,646</b>	587,366,332
Current maturity shown under current liabilities	<b>410,137,328</b>	144,883,286
	<b>739,534,974</b>	732,249,618

Movements in unamortized transaction costs are as follows:

	<b>30 September 2020</b>	<b>31 December 2019</b>
Balance at beginning of period / year	<b>5,103,068</b>	8,084,583
Less: amortization	<b>(1,966,453)</b>	(2,981,515)
Balance at end of period / year	<b>3,136,615</b>	5,103,068
Related to:		
Long-term borrowings	<b>1,111,979</b>	2,378,368
Current maturity shown under current liabilities	<b>2,024,636</b>	2,724,700
	<b>3,136,615</b>	5,103,068

**METHANOL CHEMICALS COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to the condensed interim financial information (Unaudited)**  
**For the three-month and nine-month periods ended 30 September 2020**  
(All amounts in Saudi Riyals unless otherwise stated)

**6.1 SIDF loan**

The loan agreement with SIDF provided for a loan of Saudi Riyals 600.0 million to finance expansion and construction of the Company's production facilities, which was fully drawn by June 2010. Up-front and annual administrative fees are charged by SIDF under the loan agreements. The original maturity of the principal amount outstanding at 30 September 2020 of Saudi Riyals 245.0 million is in 2021. The Board of Directors of SIDF has principally approved, subject to certain conditions precedent ("CPs"), to restructure the amounts outstanding at 30 September 2020 whereby the repayment of the principal amount will be due in two installments in 2022. Management believes that such CPs will be met and the remaining formalities of the restructuring will be completed by 31 December 2020.

The loan is secured by a mortgage of the property, plant and equipment of the Company at 30 September 2020. The carrying value of the SIDF loan is denominated in Saudi Riyals.

The covenants of the SIDF loan require the Company to maintain certain level of financial conditions, limiting dividends distribution and annual capital expenditure above certain limits and certain other matters. As at 30 September 2020, the Company was not in compliance with a covenant relating to its current ratio. However, there was no impact of such non-compliance on the accompanying condensed interim financial information as the borrowings are already classified as current liabilities as at 30 September 2020 based on their contractual maturity.

**6.2 Murabaha facilities**

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

The carrying values of such long-term borrowings are denominated in Saudi Riyals. The original aggregate maturities of these loans, based on their respective repayment schedules, are spread in 2021 through 2022. Management of the Company is currently in advanced stage of negotiations with the lending institutions to restructure the amounts outstanding at 30 September 2020 whereby the repayment of the principal amount will be spread over an extended period. Preliminary approvals for the restructuring have been provided by the lending institutions subject to finalization of the restructuring of the SIDF loan and certain other requirements. Management expects the remaining formalities to be completed by 31 December 2020 along with the restructuring of the SIDF loan.

The covenants of the borrowing facilities require the Company to maintain certain level of financial conditions, limiting dividends distribution and annual capital expenditure above certain limits and certain other matters. As at 30 September 2020, the Company was in compliance with these covenants.

**7 Related party transactions**

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

(a) Significant transactions entered into by the Company with its related parties comprise of costs and expenses charged by other related parties for the three-month and nine-month periods ended 30 September 2020 amounting to Saudi Riyals Nil and Saudi Riyals 81,104, respectively (three-month and nine-month periods ended 30 September 2019: Nil).

**METHANOL CHEMICALS COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to the condensed interim financial information (Unaudited)**  
**For the three-month and nine-month periods ended 30 September 2020**  
(All amounts in Saudi Riyals unless otherwise stated)

(b) Key management personnel compensation:

	<b>For the three-month period ended 30 September</b>		<b>For the nine-month period ended 30 September</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Salaries and other short-term employee benefits	<b>1,720,973</b>	1,566,411	<b>5,515,536</b>	6,332,037
Employee benefit obligations	<b>35,361</b>	221,060	<b>138,415</b>	341,329

**8 Basic and diluted loss per share**

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

	<b>For the three-month period ended 30 September</b>		<b>For the nine-month period ended 30 September</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Loss for the period	<b>(202,452,219)</b>	(32,327,177)	<b>(262,335,373)</b>	(41,251,615)
Weighted average number of ordinary shares for basic and diluted loss per share	<b>120,600,000</b>	120,600,000	<b>120,600,000</b>	120,600,000
Loss per share	<b>(1.68)</b>	(0.27)	<b>(2.18)</b>	(0.34)

**9 Contingencies and commitments**

- (i) At 30 September 2020, the Company was contingently liable for bank guarantees and letters of credit issued in the normal course of business amounting to Saudi Riyals 52.7 million and Saudi Riyals 2.3 million, respectively (31 December 2019: Saudi Riyals 55.9 million and Saudi Riyals 0.4 million, respectively).
- (ii) The capital expenditure contracted by the Company but not incurred till 30 September 2020 was approximately Saudi Riyals 13.6 million (31 December 2019: Saudi Riyals 31.7 million).
- (iii) During the three-month period ended 30 September 2020 additional zakat assessments for the years 2014 through 2018 amounting to Saudi Riyals 8.2 million were issued by the General Authority of Zakat and Tax (the "GAZT") out of which the Company, subsequent to 30 September 2020, has paid Saudi Riyals 0.3 million. Management of the Company has filed an appeal with the GAZT for the remaining amount of Saudi Riyals 7.9 million, and believes that the maximum liability that may arise upon the ultimate resolution of these appeals is Saudi Riyals 2.3 million which has been adjusted in the accompanying condensed interim financial information.