

METHANOL CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)
30 JUNE 2011



KPMG Al Fozan & Al Sadhan
Al Subeael Towers
King Abdulaziz Road
P O Box 4803
Al Khobar 31952
Kingdom of Saudi Arabia

Telephone +966 3 887 7241
Fax +966 3 887 7264
Internet www.kpmg.com.sa

License No. 46/11/323 issued 11/3/1992

LIMITED REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

The Board of Directors
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 30 June 2011, the related interim statement of income for the three and six months periods ended on June 30, 2011, the interim statements of cash flows for the six months period ended on 30 June 2011 and the attached condensed notes (1) to (5) which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them and submitted to us together with all the information and explanations which we required. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

We conducted our limited review in accordance with the Auditing Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of 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 whole. Accordingly, we do not express such an opinion.

Conclusion

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

For KPMG Al Fozan & Al Sadhan

Tareq Abdulrahman Al Sadhan
License No : 352



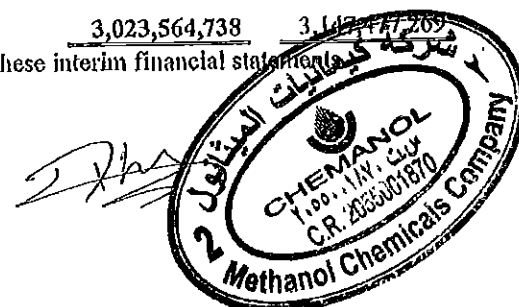
Al Khobar, July 6, 2011G
Corresponding to Shabaan 4, 1432H

METHANOL CHEMICALS COMPANY
(A Saudi Joint Stock Company)

INTERIM BALANCE SHEET (UNAUDITED)
AS AT 30 JUNE 2011
(Expressed in Saudi Arabian Riyals)

| | Note | 30 June 2011 | 30 June 2010 |
|---|------|----------------------|----------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash and cash equivalents | 3 | 90,652,336 | 210,171,564 |
| Margin deposits with bank | | 500,000 | 500,000 |
| Accounts receivable and prepayments | | 243,677,220 | 213,589,119 |
| Inventories | | 99,055,771 | 53,786,234 |
| Total current assets | | 433,885,327 | 478,046,917 |
| Non-current assets: | | | |
| Property, plant and equipment | | 2,528,646,719 | 2,633,591,610 |
| Intangible assets | | 14,962,500 | - |
| Deferred charges | | 6,218,724 | 1,463,742 |
| Long term prepaid expenses | | 39,851,468 | 34,375,000 |
| Total non-current assets | | 2,589,679,411 | 2,669,430,352 |
| Total assets | | 3,023,564,738 | 3,147,477,269 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current Liabilities: | | | |
| Accounts payable and accruals | | 87,750,263 | 180,917,657 |
| Short term loans | | 35,000,000 | 52,317,812 |
| Current portion of term loans | | 93,430,000 | 88,865,078 |
| Current portion of long term obligations | | 5,250,000 | - |
| Zakat provision | | 2,996,440 | 531,610 |
| Total current liabilities | | 224,426,703 | 322,632,157 |
| Non-current liabilities | | | |
| Term loans | | 1,338,570,000 | 1,378,817,998 |
| Long term obligations | | 5,712,500 | - |
| Employees' terminal benefits | | 20,601,943 | 18,871,386 |
| Total non-current liabilities | | 1,364,884,443 | 1,397,689,384 |
| Total liabilities | | 1,589,311,146 | 1,720,321,541 |
| Shareholders' equity | | | |
| Share capital | | 1,206,000,000 | 1,206,000,000 |
| Share premium | | 72,850,071 | 72,850,071 |
| Statutory reserve | | 19,547,788 | 18,685,502 |
| Retained earnings | | 135,855,733 | 129,620,155 |
| Total shareholders' equity | | 1,434,253,592 | 1,427,155,728 |
| Total liabilities and shareholders' equity | | 3,023,564,738 | 3,147,477,269 |

The accompanying notes 1 through 5 form an integral part of these interim financial statements.

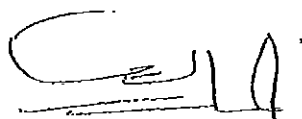


METHANOL CHEMICALS COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF INCOME (UNAUDITED)
FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2011
(Expressed in Saudi Arabian Riyals)

| | Period from 1 April to 30 June | | Period from 1 January to 30 June | |
|----------------------------------|--------------------------------|--------------|----------------------------------|---------------|
| | 2011 | 2010 | 2011 | 2010 |
| Sales | 197,402,812 | 113,183,630 | 389,829,992 | 225,020,329 |
| Cost of Sales | (154,911,377) | (82,701,329) | (306,019,668) | (164,159,632) |
| Gross Profit | 42,491,435 | 30,482,301 | 83,810,324 | 60,860,697 |
| Expenses: | | | | |
| Selling and distribution | (15,923,192) | (13,059,628) | (31,541,086) | (25,201,263) |
| General and administration | (4,330,785) | (5,242,536) | (8,808,336) | (10,533,316) |
| Amortization of deferred charges | (738,816) | (353,304) | (1,477,633) | (706,608) |
| | (20,992,793) | (18,655,468) | (41,827,055) | (36,441,187) |
| Income from operations | 21,498,642 | 11,826,833 | 41,983,269 | 24,419,510 |
| Other (expenses)/ income, net | 1,147,227 | (171,853) | 1,838,458 | (146,976) |
| Financial charges | (11,046,817) | (2,046,650) | (21,570,016) | (4,602,706) |
| Income before Zakat | 11,599,052 | 9,608,330 | 22,251,711 | 19,669,828 |
| Zakat | (1,000,000) | (1,000,000) | (2,000,000) | (2,000,000) |
| Net Income for the period | 10,599,052 | 8,608,330 | 20,251,711 | 17,669,828 |
| Earnings per share | 0.09 | 0.07 | 0.18 | 0.15 |

The accompanying notes 1 through 5 form an integral part of these interim financial statements.





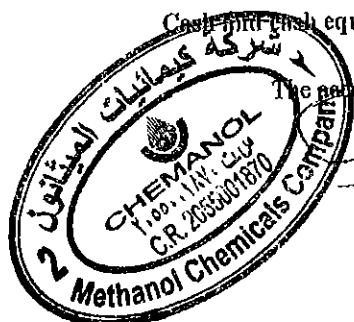


METHANOL CHEMICALS COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2011
(Expressed in Saudi Arabian Riyals)

| Note | Period from 1 January 2011 to 30 June 2011 | Period from 1 January 2010 to 30 June 2010 |
|---|--|--|
| Cash flow operating Activities: | | |
| Net income before Zakat | 22,251,711 | 19,669,828 |
| <i>Adjustment to reconcile net income to net cash (used in) provided by operating activities:</i> | | |
| Depreciation | 75,986,579 | 13,157,493 |
| Amortization of deferred charges | 1,477,632 | 706,608 |
| Amortization of intangible assets | 787,500 | - |
| Employees' terminal benefits, net | (672,262) | 613,485 |
| Financial charges | 21,570,016 | 4,602,706 |
| Loss on disposal of plant and equipment | (385,933) | 16,731 |
| | <u>121,015,243</u> | <u>38,766,851</u> |
| Changes in operating assets and liabilities: | | |
| Accounts receivable and prepayments | (25,020,065) | (55,091,326) |
| Inventories | (15,813,289) | 3,236,891 |
| Accounts payable and accruals | (19,061,181) | 13,953,316 |
| Cash from operations | 61,120,708 | 865,732 |
| Financial charges paid | (21,570,016) | (4,602,706) |
| Zakat paid | (3,583,418) | (4,384,776) |
| Net cash provided by/(used in) operating activities | <u>35,967,274</u> | <u>(8,121,750)</u> |
| Cash flow from investing Activities: | | |
| Purchase of property, plant and equipment | (5,860,958) | (139,561,292) |
| Part payment of long term obligation | (2,187,500) | - |
| Proceeds from disposal of property, plant and equipment | 495,976 | 16,000 |
| Net movement in amount due to project contractors | (53,131,069) | 12,501,275 |
| Net movement in long term prepaid expenses | (7,976,476) | 2,500,000 |
| Net cash (used in) investing activities | <u>(68,660,027)</u> | <u>(124,544,017)</u> |
| Cash flow from financing Activities: | | |
| Net movement in short term loans | (6,606,587) | (5,682,188) |
| Net movement in term loans | (6,217,834) | 78,078,863 |
| Net cash (used in)/provided by financing activities | <u>(12,824,421)</u> | <u>72,396,675</u> |
| Net changes in cash and cash equivalents | (45,517,174) | (60,269,092) |
| Cash and cash equivalents at the beginning of the period | 136,169,510 | 270,440,656 |
| Cash and cash equivalent at the end of the period | <u>90,652,336</u> | <u>210,171,564</u> |

The accompanying notes 1 through 5 form an integral part of these financial statements.



METHANOL CHEMICALS COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2011
(Expressed in Saudi Arabian Riyals)

1. Activities

The company is a Saudi Joint Stock Company registered in Saudi Arabia under Commercial Registration number 2055001870 dated 28 Dhu al-Hijjah 1409H 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-mono-methylamine, di-methyl formamide, di-methyl carbon, penta arithereol, sodium formate and acetaldehyde, as per ministerial resolution number (616/Saud) dated 12 Safar 1429H, 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 1428H, corresponding 14 November 2007.

On 28 June 2010, the testing phase of the new expansion projects (Methanol, Di-methylamine, and Penta plants) were completed and the commercial operations declared on the same date.

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:

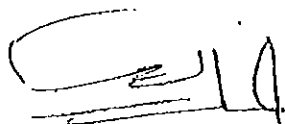
The interim financial statements are prepared under the historical cost convention.

Use of estimates:

The preparation of financial statements in conformity with generally accepted principles requires the use of estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of the revenues and expenses during the reported period.

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.



METHANOL CHEMICALS COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2011
(Expressed in Saudi Arabian Riyals)

2. Significant Accounting Policies (continued):

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. |
| Finished goods - | Cost of direct materials and labor plus attributable overheads based on a normal level of activity. |

Deferred charges, long term prepaid expenses/amortization:

Costs relating to software license fees and implementation thereof are treated as deferred charges and amortized over the estimated period of benefit.

Saudi Industrial Development Fund ("SIDF") loan appraisal fees are treated as long term prepaid expenses and amortized over the period of the loan. Amortization is capitalized up to the date the plant is ready for its intended use.

Property, plant and equipment/depreciation:

All property, plant and equipment are initially recorded at cost. Cost is depreciated on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized on a straight-line basis over the shorter of the useful life of the assets or the term of the lease.

Capital work in progress is recognized at the cost of materials and services needed to fabricate the plant and equipment, plus salaries and other costs that can be specifically identified as necessary costs to have the plant and equipment ready for its intended use and other overheads allocated on a systematic basis. Upon completion of the capital work in progress, the commercial operation is declared and the asset is then transferred to the respective class of property, plant and equipment.

Expenditure for repair and maintenance are charged to the interim Statement of Income. Improvements that increase the value or materially extend the life of the related assets are capitalized.

Employees' terminal benefits:

Employees' end of service benefits, calculated in accordance with Saudi Arabian labor 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.

METHANOL CHEMICALS COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2011
(Expressed in Saudi Arabian Riyals)

2. Significant Accounting Policies (continued):

Share premium:

Share premium represents the excess amount collected over the face value of shares issued and is shown net of expenses incurred in relation to the issue of shares.

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 recognized 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 amortization 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 the year end.

Earnings per share:

Earnings per share from net income is calculated by dividing the net income for the period by the weighted average number of shares outstanding during the period.

METHANOL CHEMICALS COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2011
(Expressed in Saudi Arabian Riyals)

2. Significant Accounting Policies (continued):

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 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.

Adjustments related to the period:

The company has made all necessary adjustments which are important in order to present fairly in all material respects the interim financial position and results of operations.

3. Cash and cash equivalents:

Cash and cash equivalents amounted to SR 90,652,336, as at 30 June 2011 (30 June 2010 : SR 210,171,564)

4. Term loans:

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 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.

METHANOL CHEMICALS COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2011
(Expressed in Saudi Arabian Riyals)

4. Term loans (continued):

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 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. The restructured debt amounting to SR 600,000,000 will be payable in 15 installments, with the first and last installment due on 9 January 2012 and 25 October 2018, respectively.

The term loans consist of the following:

| | <u>30 June 2011</u> | <u>30 June 2010</u> |
|-----------------------------------|-----------------------------|-----------------------------|
| Project Murabaha Facility | 682,000,000 | 741,533,556 |
| Working Capital Murabaha Facility | 150,000,000 | 126,149,520 |
| SIDF loan | <u>600,000,000</u> | <u>600,000,000</u> |
| Total | <u>1,432,000,000</u> | <u>1,467,683,076</u> |

Presented in the balance sheet as follows:

| | | |
|-------------------------------|-----------------------------|-----------------------------|
| Current portion of term loans | 93,430,000 | 88,865,078 |
| Long term loans | <u>1,338,570,000</u> | <u>1,378,817,998</u> |
| Total | <u>1,432,000,000</u> | <u>1,467,683,076</u> |

METHANOL CHEMICALS COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2011
(Expressed in Saudi Arabian Riyals)

5. 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.

As the management views the whole activities of the company as one segment, reporting is provided by geographical segment only. Approximately 68% or SR 134.43 million of the sales of the company for the period from 1 April 2011 to 30 June 2011 are through export (1 April 2010 to 30 June 2010: 61% or SR 69.04 million).