

METHANOL CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

31 March 2012

**KPMG Al Fozan & Al Sadhan**

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**LIMITED REVIEW REPORT ON THE INTERIM
CONDENSED 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 31 March 2012, the related interim statement of income, the interim statement of cash flows for the three months period ended on 31 March 2012 and the attached condensed notes (1) to (4) 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, 7 April 2012
Corresponding to: 15 Jamada Al-Awwal 1433H

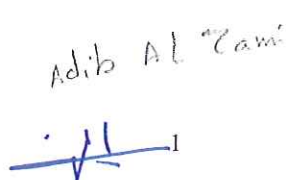
METHANOL CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM BALANCE SHEET (UNAUDITED)
AS AT 31 MARCH 2012
Expressed in Saudi Arabian Riyals

	<u>Note</u>	At 31 March 2012	At 31 March 2011
<u>ASSETS</u>			
Current Assets:			
Cash and cash equivalents		111,080,683	81,772,971
Margin deposits with bank		500,000	500,000
Accounts receivable and prepayments		297,989,560	230,537,223
Inventories		102,658,393	93,908,765
Total Current Assets		512,228,636	406,718,959
Non Current Assets:			
Intangible assets		14,371,875	15,159,375
Deferred charges		3,984,676	6,957,540
Long term prepaid expenses		34,892,641	30,624,991
Property, plant and equipment		2,437,434,250	2,563,824,677
Total Non Current Assets		2,490,683,442	2,616,566,583
Total Assets		3,002,912,078	3,023,285,542
<u>LIABILITIES AND EQUITY</u>			
Current Liabilities:			
Accounts payable and accruals		66,746,242	102,560,217
Short term loans		50,000,000	49,000,000
Current portion of term loans	3	135,020,000	493,704,112
Current portion of long term obligations		5,250,000	5,250,000
Zakat provision		6,496,440	5,579,858
Total Current Liabilities		263,512,682	656,094,187
Non Current Liabilities:			
Term loans	3	1,203,550,000	915,048,480
Long term obligations		1,775,000	7,025,000
Employees' end of service benefits		25,808,842	21,139,335
Total Non Current Liabilities		1,231,133,842	943,212,815
Total Liabilities		1,494,646,524	1,599,307,002
Equity:			
Share capital		1,206,000,000	1,206,000,000
Share premium		72,850,071	72,850,071
Statutory reserve		27,069,063	17,522,617
Retained earnings		202,346,420	127,605,852
Total equity		1,508,265,554	1,423,978,540
Total Liabilities and Equity		3,002,912,078	3,023,285,542

The Interim Financial Statements appearing on pages 1 to 10 were approved by the management on behalf of Board of Directors the Company on 7 April 2012, and have been signed on their behalf by:


Jitendra Mehta
Financial Controller


Adib Al Zamil


Khalid Al Rabiah
Chief Executive Officer

METHANOL CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INCOME (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2012
Expressed in Saudi Arabian Riyals

	Period from 1 January to 31 March	
	2012	2011
Sales	235,423,408	192,427,180
Cost of sales	(173,487,558)	(151,108,291)
Gross profit	61,935,850	41,318,889
Expenses:		
Selling and distribution	(18,385,699)	(15,617,894)
General and administration	(5,853,732)	(4,477,551)
Amortisation of deferred charges	(738,816)	(738,816)
	(24,978,247)	(20,834,261)
Income from operations	36,957,603	20,484,628
Other income, net	355,642	691,230
Financial charges	(9,560,745)	(10,523,199)
Income before Zakat	27,752,500	10,652,659
Zakat	(2,500,000)	(1,000,000)
Net income for the period	25,252,500	9,652,659
Earnings per share	0.21	0.08

على مجلس الإدارة المحققين
أدبياً عبد الله الحمد الزامل

المؤسس العام
فهد الرشيد

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The accompanying notes 1 through 4 form an integral part of these interim financial statements.



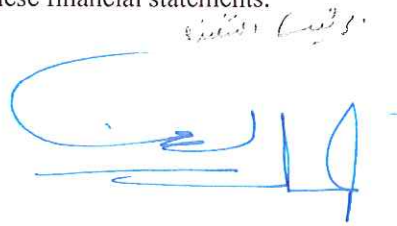
METHANOL CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2012
Expressed in Saudi Arabian Riyals

	Period from 1 January 2012 to 31 March 2012	Period from 1 January 2011 to 31 March 2011
Cash flow operating activities:		
Net income for the period	25,252,500	10,652,659
<i>Adjustment to reconcile net income to net cash provided by operating activities:</i>		
Depreciation	38,271,159	37,848,996
Amortisation	953,291	1,329,441
Employees' end of service benefits, net	1,702,564	(134,870)
Zakat charge	2,500,000	1,000,000
Financial charges	9,560,745	10,523,199
	<u>78,240,259</u>	<u>61,219,425</u>
Changes in operating assets and liabilities:		
Accounts receivable and prepayments	(31,061,075)	(11,880,068)
Inventories	14,801,902	(10,666,283)
Accounts payable and accruals	(23,592,935)	(22,388,603)
Net movement in long term obligation	(1,312,500)	(875,000)
Financial charges paid	(1,807,007)	(3,527,346)
Net cash provided by operating activities	<u>35,268,644</u>	<u>11,882,125</u>
Cash flow from investing activities:		
Purchase of property, plant and equipment	(10,560,788)	(2,791,290)
Net movement in amounts due to project contractors	-	(42,665,546)
Net movement in long term prepaid expenses	1,652,943	1,250,001
Net cash used in investing activities	<u>(8,907,845)</u>	<u>(44,206,835)</u>
Cash flow from financing activities:		
Net movement in short term loans	10,000,000	7,393,413
Net movement in long term loans	(47,395,000)	(29,465,242)
Net cash used in financing activities	<u>(37,395,000)</u>	<u>(22,071,829)</u>
Net decrease in cash and cash equivalents	<u>(11,034,201)</u>	<u>(54,396,539)</u>
Cash and cash equivalents at the beginning of the period	<u>122,114,884</u>	<u>136,169,510</u>
Cash and cash equivalent at the end of the period	<u>111,080,683</u>	<u>81,772,971</u>

The accompanying notes 1 through 4 form an integral part of these financial statements.







METHANOL CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
AS AT 31 MARCH 2012

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 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-mon-methylamine, di-methyl formamide, di-methyl carbon, penta aritheretol, 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 plant) 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.

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METHANOL CHEMICALS COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
AS AT 31 MARCH 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued):

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

Deferred charges, long term prepaid expenses/amortisation:

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

Saudi Industrial Development Fund ("SIDF") loan appraisal fees are treated as long term prepaid expenses and amortised over the period of the loan. Amortisation 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 recognised 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 statement of income. Improvements that increase the value or materially extend the life of the related assets are capitalized.

METHANOL CHEMICALS COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
AS AT 31 MARCH 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued):

Impairment of assets

Financial assets, property, plant and equipment and other non-current assets are reviewed at each reporting date to determine whether there is any indication of impairment. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

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.

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 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 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.

METHANOL CHEMICALS COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
AS AT 31 MARCH 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued):

Zakat:

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

Earnings per share:

Earnings per share from net income are calculated by dividing the net 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.

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.

METHANOL CHEMICALS COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
AS AT 31 MARCH 2012

3. 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 date 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 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.

METHANOL CHEMICALS COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
AS AT 31 MARCH 2012

3. TERM LOANS (continued):

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.

The term loans consist of the following:

	<u>31 March</u> <u>2012</u>	<u>31 March</u> <u>2011</u>
Project Murabaha Facility	603,570,000	682,603,072
Working Capital Murabaha Facility	150,000,000	126,149,520
SIDF loan	585,000,000	600,000,000
Total	<u><u>1,338,570,000</u></u>	<u><u>1,408,752,592</u></u>

Presented in the balance sheet as follows:

Current portion of term loans	135,020,000	493,704,112
Long term loans	<u>1,203,550,000</u>	<u>915,048,480</u>
Total	<u><u>1,338,570,000</u></u>	<u><u>1,408,752,592</u></u>

METHANOL CHEMICALS COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
AS AT 31 MARCH 2012

4. 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 66% or SR 155 million of the sales of the Company for the period from 1 January 2012 to 31 March 2012 are through export (2011: 67% or SR 129 million).