

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

**CONDENSED INTERIM FINANCIAL INFORMATION  
(UNAUDITED)  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 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 PERIOD ENDED 31 MARCH 2020**

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## ***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 31 March 2020 and the related condensed statements of comprehensive income, changes in equity and cash flows for the three-month period then ended 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

22 June 2020

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

Note	<b>For the three-month period ended 31 March</b>	
	<b>2020 (Unaudited)</b>	<b>2019 (Unaudited)</b>
Revenue	<b>120,297,653</b>	154,858,271
Cost of sales	<b>(116,064,759)</b>	(119,868,732)
<b>Gross profit</b>	<b>4,232,894</b>	34,989,539
Selling and distribution expenses	<b>(12,615,014)</b>	(13,738,116)
General and administrative expenses	<b>(9,778,670)</b>	(9,852,514)
Other operating expenses - net	<b>(572,026)</b>	(506,243)
<b>Operating (loss) profit</b>	<b>(18,732,816)</b>	10,892,666
Financial costs	<b>5 (9,398,303)</b>	(11,053,371)
Financial income	<b>405,989</b>	949,416
Financial costs - net	<b>(8,992,314)</b>	(10,103,955)
<b>(Loss) profit before zakat</b>	<b>(27,725,130)</b>	788,711
Zakat expense	<b>(875,001)</b>	(1,100,000)
<b>Loss for the period</b>	<b>(28,600,131)</b>	(311,289)
<b>Other comprehensive loss</b>		
<i>Items that will not be reclassified to profit or loss -</i>		
Remeasurements of employee benefit obligations	<b>-</b>	(266,561)
<b>Other comprehensive loss for the period</b>	<b>-</b>	(266,561)
<b>Total comprehensive loss for the period</b>	<b>(28,600,131)</b>	(577,850)
<b>Loss per share:</b>		
Basic and diluted	<b>7 (0.24)</b>	(0.00)

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 22 June 2020 and was signed on their behalf by:

Abdullah A. Al-Hajri  
 Chief Financial Officer

Ali Al-Asiri  
 Chief Executive Officer

Abdullah 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 31 March 2020 (Unaudited)	As at 31 December 2019 (Audited)		
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	1,554,664,000	1,562,117,973		
Right-of-use assets	26,874,108	27,411,033		
Intangible assets	8,447,761	8,921,152		
<b>Total non-current assets</b>	<b>1,589,985,869</b>	<b>1,598,450,158</b>		
<b>Current assets</b>				
Inventories	123,117,703	123,109,714		
Trade and other receivables	125,900,225	108,391,471		
Short-term murabaha deposits	22,576,000	-		
Cash and cash equivalents	76,373,485	113,086,237		
<b>Total current assets</b>	<b>347,967,413</b>	<b>344,587,422</b>		
<b>Total assets</b>	<b>1,937,953,282</b>	<b>1,943,037,580</b>		
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital	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	(297,756,131)	(269,156,000)		
<b>Total equity</b>	<b>1,025,212,633</b>	<b>1,053,812,764</b>		
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Long-term borrowings	393,214,233	587,366,332		
Lease liabilities	24,426,387	25,677,141		
Employee benefit obligations	48,363,760	47,725,116		
<b>Total non-current liabilities</b>	<b>466,004,380</b>	<b>660,768,589</b>		
<b>Current liabilities</b>				
Trade and other payables	91,798,201	76,508,865		
Current portion of long-term borrowings	346,983,352	144,883,286		
Lease liabilities	1,129,715	1,114,076		
Zakat payable	6,825,001	5,950,000		
<b>Total current liabilities</b>	<b>446,736,269</b>	<b>228,456,227</b>		
<b>Total liabilities</b>	<b>912,740,649</b>	<b>889,224,816</b>		
<b>Total equity and liabilities</b>	<b>1,937,953,282</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-Asiri  
 Chief Executive Officer

  
 Abdullah Al Sanea  
 Chairman

**METHANOL CHEMICALS COMPANY**  
**(A Saudi Joint Stock Company)**  
**Condensed interim statement of changes in equity**  
**for the three-month period ended 31 March 2019 and 2020**  
 (All amounts in Saudi Riyals unless otherwise stated)

	<b>Share capital</b>	<b>Share premium</b>	<b>Statutory reserve</b>	<b>Accumulated deficit</b>	<b>Total</b>
<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	-	-	-	(311,289)	(311,289)
Other comprehensive loss for the period	-	-	-	(266,561)	(266,561)
Total comprehensive loss for the period	-	-	-	(577,850)	(577,850)
<b>At 31 March 2019 (Unaudited)</b>	<u>1,206,000,000</u>	<u>72,850,071</u>	<u>44,118,693</u>	<u>(182,499,046)</u>	<u>1,140,469,718</u>
<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	-	-	-	(28,600,131)	<b>(28,600,131)</b>
Other comprehensive loss for the period	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(28,600,131)	<b>(28,600,131)</b>
<b>At 31 March 2020 (Unaudited)</b>	<u>1,206,000,000</u>	<u>72,850,071</u>	<u>44,118,693</u>	<u>(297,756,131)</u>	<u>1,025,212,633</u>

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

Abdullah A. Al-Hajri  
Chief Financial Officer

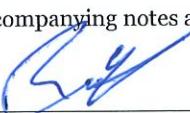
Ali Al-Asiri  
Chief Executive Officer

Abdullah Al Sanea  
Chairman

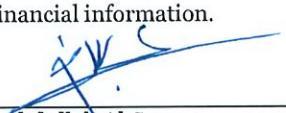
**METHANOL CHEMICALS COMPANY**  
**(A Saudi Joint Stock Company)**  
**Condensed interim statement of cash flows**  
 (All amounts in Saudi Riyals unless otherwise stated)

	<b>For the three-month period ended 31 March</b>	
	<b>2020 (Unaudited)</b>	<b>2019 (Unaudited)</b>
<b>Cash flows from operating activities</b>		
(Loss) profit before zakat	(27,725,130)	788,711
<u>Adjustments for:</u>		
Depreciation and amortization	33,012,255	30,289,097
Loss on disposal of property and equipment	-	52,483
Financial costs - net	8,992,314	10,103,955
Provision for employee benefit obligations	1,753,284	1,171,240
<u>Changes in operating assets and liabilities:</u>		
(Increase) decrease in inventories	(7,989)	11,390,077
Increase in trade and other receivables	(17,413,060)	(1,571,701)
Increase (decrease) in trade and other payables	15,289,336	(7,859,255)
Cash generated from operations	13,901,010	44,364,607
Financial costs paid on borrowings	(1,109,056)	-
Financial costs paid on lease liabilities	(341,280)	(444,247)
Financial income received on short-term deposits	310,295	981,048
Employee benefit obligations paid	(1,114,640)	-
<b>Net cash inflow from operating activities</b>	<b>11,646,329</b>	<b>44,901,408</b>
<b>Cash flows from investing activities</b>		
Payments for purchase of property, plant and equipment	(24,547,967)	(6,749,672)
(Placements in) redemption of short-term murabaha deposits	(22,576,000)	38,000,000
<b>Net cash (outflow) inflow from investing activities</b>	<b>(47,123,967)</b>	<b>31,250,328</b>
<b>Cash flows from financing activities</b>		
Repayments of long-term borrowings	-	(58,668,500)
Repayments of lease liabilities	(1,235,114)	(1,132,148)
<b>Cash outflow from financing activities</b>	<b>(1,235,114)</b>	<b>(59,800,648)</b>
<b>Net change in cash and cash equivalents</b>	<b>(36,712,752)</b>	<b>16,351,088</b>
Cash and cash equivalents at beginning of period	<b>113,086,237</b>	<b>119,823,733</b>
<b>Cash and cash equivalents at end of period</b>	<b>76,373,485</b>	<b>136,174,821</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 M. Asiri  
 Chief Executive Officer

  
 Abdullah Al Sanea  
 Chairman

**METHANOL CHEMICALS COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to the condensed interim financial information (Unaudited)**  
**For the three-month period ended 31 March 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 Aritheretol, 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 include the accounts of the Company and its branch registered in Jubail under CR No. 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.

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 twenty-three days. The Company incurred turnaround and related costs of Saudi Riyals 7.5 million related to such maintenance which were capitalized under property, plant and equipment in the accompanying condensed interim financial information.

At 31 March 2020, the Company’s current liabilities exceeded its current assets by Saudi Riyals 98.8 million, which is primarily due to scheduled repayments of long-term borrowings due within twelve months from the date of the condensed interim financial information. As explained in Note 5, the Company is at an advanced stage of negotiations with its lenders to restructure the long-term borrowings.

In response to the spread of the COVID-19 pandemic in territories where the Company operates and its consequential disruption to the social and economic activities in those markets, the Company’s management has proactively assessed its impacts on its operations and has taken a series of proactive and preventative measures to:

- ensure the health and safety of its employees; and
- minimizing the impact of the pandemic on its operations and product supply to the customers.

Notwithstanding these challenges, the Company was successful in maintaining stable operations while maneuvering limited demand interruptions from its customers. The Company’s management believes that the COVID-19 pandemic, by itself, has had limited direct material effects on the Company’s reported results for the three-month period ended 31 March 2020. However, the Company’s management continues to monitor the situation closely. Also see Note 4.

**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.

**METHANOL CHEMICALS COMPANY**  
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**Notes to the condensed interim financial information (Unaudited)**  
**For the three-month period ended 31 March 2020**  
(All amounts in Saudi Riyals unless otherwise stated)

**2.2 New and amended standards**

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 31 March 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 31 March 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 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.

**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 Cash Generating Units ("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 decrease in market prices of the Company's products due to the spread of the COVID-19 pandemic and the resulting decline in global prices of crude oil and petrochemicals as an impairment indicator and has determined the recoverable amounts of 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. Management has performed a sensitivity analysis around the estimates and believes that the following changes in estimates used may cause the carrying value to exceed the recoverable value of the CGUs resulting in impairment in future periods:

- Increase in discount rate by 111 basis points; or
- Decrease in forecasted market prices by 1.83%.

**METHANOL CHEMICALS COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to the condensed interim financial information (Unaudited)**  
**For the three-month period ended 31 March 2020**  
(All amounts in Saudi Riyals unless otherwise stated)

**5 Long-term borrowings**

	<b>31 March 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>9,340,154</b>	2,105,236
	<b>744,587,604</b>	737,352,686

Less unamortized transaction costs related to:		
SIDF	<b>(531,264)</b>	(687,238)
Murabaha Facilities-Syndicate loans	<b>(2,089,523)</b>	(2,393,538)
Murabaha Facilities-Bilateral loans	<b>(1,769,232)</b>	(2,022,292)
	<b>(4,390,019)</b>	(5,103,068)
	<b>740,197,585</b>	732,249,618

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

Long-term borrowings	<b>393,214,233</b>	587,366,332
Current maturity shown under current liabilities	<b>346,983,352</b>	144,883,286
	<b>740,197,585</b>	732,249,618

Movements in unamortized transaction costs are as follows:

	<b>31 March 2020</b>	<b>31 December 2019</b>
Balance at beginning of period / year	<b>5,103,068</b>	8,084,583
Less: amortization	<b>(713,049)</b>	(2,981,515)
Balance at end of period / year	<b>4,390,019</b>	5,103,068

Related to:

Long-term borrowings	<b>1,530,467</b>	2,378,368
Current maturity shown under current liabilities	<b>2,859,552</b>	2,724,700
	<b>4,390,019</b>	5,103,068

**5.1 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 31 March 2020 of Saudi Riyals 245.0 million is in 2021. Management of the Company is currently at an advanced stage of negotiations with SIDF to restructure the amounts outstanding at 31 March 2020. Management expects the remaining formalities of the negotiations to be completed during 2020.

The loan is secured by mortgage of the property, plant and equipment of the Company at 31 March 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 31 March 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 31 March 2020.

**METHANOL CHEMICALS COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to the condensed interim financial information (Unaudited)**  
**For the three-month period ended 31 March 2020**  
 (All amounts in Saudi Riyals unless otherwise stated)

**5.2 Murabaha facilities**

During 2007, the Company entered into an agreement (the "Murabaha 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 offer 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.

The covenants of the Murabaha 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. Under the terms of the Murabaha Agreement, the calculation dates of level of financial conditions are 30th June and 31st December of each financial year. The Company was compliant with the remaining covenants at 31 March 2020.

**6 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 period ended 31 March 2020 amounting to Saudi Riyals 81,804 (2019: Nil).

(b) Key management personnel compensation:

	<b>For the three-month period ended 31 March</b>	
	<b>2020</b>	<b>2019</b>
Salaries and other short-term employee benefits	<b>1,802,589</b>	1,462,871
Employee benefit obligations	<b>54,207</b>	76,869

**7 Basic and diluted loss per share**

Basic loss per share is calculated by dividing the loss 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 31 March</b>	
	<b>2020</b>	<b>2019</b>
Loss for the period	<b>(28,600,131)</b>	(311,289)
Weighted average number of ordinary shares for basic and diluted loss per share	<b>120,600,000</b>	120,600,000
Loss per share	<b>(0.24)</b>	(0.00)

**METHANOL CHEMICALS COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to the condensed interim financial information (Unaudited)**  
**For the three-month period ended 31 March 2020**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**8 Contingencies and commitments**

- (i) At 31 March 2020, the Company was contingently liable for bank guarantees and letters of credit issued in the normal course of business amounting to Saudi Riyals 58.0 million and Saudi Riyals 3.0 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 31 March 2020 was approximately Saudi Riyals 12.7 million (31 December 2019: Saudi Riyals 31.7 million).