

**NATIONAL PETROLEUM SERVICES COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARY
STATE OF KUWAIT**

**INTERIM CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED JUNE 30, 2014
(UNAUDITED)
WITH
REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION**

NATIONAL PETROLEUM SERVICES COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARY
STATE OF KUWAIT

INTERIM CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED JUNE 30, 2014
(UNAUDITED)

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Report on review of interim consolidated financial information

The Board of Directors
National Petroleum Services Company - K.S.C. (Public)
State of Kuwait

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of National Petroleum Services Company - K.S.C. (Public) "the Parent Company" and its subsidiary (together referred to as "the Group") as of June 30, 2014 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the six months period then ended. The Parent Company's management is responsible for the preparation and presentation of this interim consolidated financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim consolidated financial information based on our review.

Scope of review

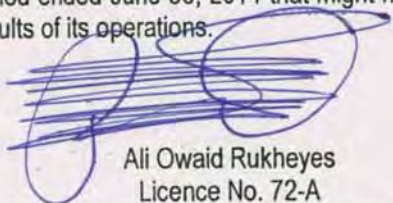
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim consolidated financial information consists of making inquiries, primarily of persons responsible 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 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 interim consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard No. 34.

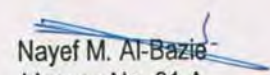
Report on other legal and regulatory requirements

Furthermore, based on our review, the interim consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law 25 of 2012, its amendments and its executive regulation, the Memorandum of Incorporation or the Articles of Association of the Parent Company during the financial period ended June 30, 2014 that might have had a material effect on the Parent Company's financial position or results of its operations.



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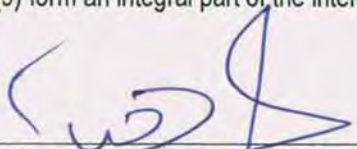
RSM Albazie & Co.

State of Kuwait
July 27, 2014

NATIONAL PETROLEUM SERVICES COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS OF JUNE 30, 2014
(All amounts are in Kuwaiti Dinars)

ASSETS	Note	June 30, 2014	December 31, 2013 (Audited)	June 30, 2013
Non-current assets:				
Property, plant and equipment		8,735,067	8,691,154	8,009,624
Investments available for sale		380,422	415,201	538,138
Total non-current assets		9,115,489	9,106,355	8,547,762
Current assets:				
Inventory		1,918,635	1,645,301	1,440,924
Trade receivables		4,864,374	3,690,138	3,848,839
Pre-payments and other debit balances		1,697,717	1,100,943	1,123,095
Investments at fair value through profit or loss		1,677,210	1,687,628	1,657,876
Cash on hand and at banks		2,565,895	3,196,493	2,605,059
Total current assets		12,723,831	11,320,503	10,675,793
Total assets		21,839,320	20,426,858	19,223,555
EQUITY AND LIABILITIES				
Equity attributable to shareholders of the Parent company:				
Share capital		5,760,951	5,760,951	5,760,951
Share premium		3,310,705	3,310,705	3,310,705
Treasury shares	3	(585,062)	(585,062)	(593,267)
Treasury shares reserve		33,825	33,825	65,718
Statutory reserve		1,757,769	1,757,769	1,456,346
Voluntary reserve		1,757,769	1,757,769	1,456,346
Cumulative change in fair value		32,817	50,706	63,050
Retained earnings		3,900,154	3,745,126	3,519,242
Total equity		15,968,928	15,831,789	15,039,091
Non-current liabilities:				
Provision for end of service indemnity		963,193	860,604	792,323
Total non-current liabilities		963,193	860,604	792,323
Current liabilities:				
Accounts payable and other credit balances		4,907,199	3,734,465	3,392,141
Total current liabilities		4,907,199	3,734,465	3,392,141
Total equity and liabilities		21,839,320	20,426,858	19,223,555

The accompanying notes from (1) to (9) form an integral part of the interim consolidated financial information


Omran Habib Hassan Jawhar Hayat
Chairman

NATIONAL PETROLEUM SERVICES COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2014
(All amounts are in Kuwaiti Dinars)

		Three months ended June 30,		Six months ended June 30,	
	Note	2014	2013	2014	2013
Sales and services revenue		4,151,703	3,603,028	8,082,742	7,353,512
Cost of sales and services		(2,686,997)	(2,085,479)	(5,190,082)	(4,675,775)
Gross profit		1,464,706	1,517,549	2,892,660	2,677,737
Other income		6,715	23,935	4,373	71,511
Net investments income	4	41,366	42,737	30,908	78,748
General and administrative expenses		(357,191)	(401,692)	(680,454)	(687,621)
Profit for the period before contribution to Kuwait Foundation for the Advancement of Sciences, National Labor Support Tax, Zakat and Board of Directors' remuneration		1,155,596	1,182,529	2,247,487	2,140,375
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(10,383)	(10,642)	(20,218)	(19,263)
Contribution to National Labor Support Tax (NLST)		(30,603)	(30,608)	(59,074)	(55,599)
Contribution to Zakat		(12,242)	(12,244)	(23,630)	(22,240)
Board of Directors' remuneration		(16,002)	(12,000)	(32,004)	(24,000)
Net profit for the period		1,086,366	1,117,035	2,112,561	2,019,273
Earnings per share – fils	5	19.42	19.98	37.77	36.26

The accompanying notes from (1) to (9) form an integral part of the interim consolidated financial information

NATIONAL PETROLEUM SERVICES COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2014
(All amounts are in Kuwaiti Dinars)

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Net profit for the period	<u>1,086,366</u>	<u>1,117,035</u>	<u>2,112,561</u>	<u>2,019,273</u>
Other comprehensive income:				
<u>Items that may be reclassified subsequently to profit or loss</u>				
Change in fair value of investments available for sale	<u>(10,321)</u>	<u>35,339</u>	<u>(17,889)</u>	<u>38,762</u>
Other comprehensive (loss) income for the period	<u>(10,321)</u>	<u>35,339</u>	<u>(17,889)</u>	<u>38,762</u>
Total comprehensive income for the period	<u>1,076,045</u>	<u>1,152,374</u>	<u>2,094,672</u>	<u>2,058,035</u>

The accompanying notes from (1) to (9) form an integral part of the interim consolidated financial information

NATIONAL PETROLEUM SERVICES COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2014
(All amounts are in Kuwaiti Dinars)

	Share capital	Share premium	Treasury shares	Treasury shares reserve	Statutory reserve	Voluntary reserve	Cumulative change in fair value	Retained earnings	Total
Balance at December 31, 2012	5,760,951	3,310,705	(868,811)	-	1,456,346	1,456,346	24,288	3,177,104	14,316,929
Purchase of treasury shares	-	-	(2,325)	-	-	-	-	-	(2,325)
Sale of treasury shares	-	-	277,869	65,718	-	-	-	-	343,587
Total comprehensive income for the period	-	-	-	-	-	-	38,762	2,019,273	2,058,035
Cash dividends 2012 (30 fils per share) - (Note 7)	-	-	-	-	-	-	-	(1,677,135)	(1,677,135)
Balance at June 30, 2013	<u>5,760,951</u>	<u>3,310,705</u>	<u>(593,267)</u>	<u>65,718</u>	<u>1,456,346</u>	<u>1,456,346</u>	<u>63,050</u>	<u>3,519,242</u>	<u>15,039,091</u>
Balance at December 31, 2013	5,760,951	3,310,705	(585,062)	33,825	1,757,769	1,757,769	50,706	3,745,126	15,831,789
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(17,889)	2,112,561	2,094,672
Cash dividends 2013 (35 fils per share) - (Note 7)	-	-	-	-	-	-	-	(1,957,533)	(1,957,533)
Balance at June 30, 2014	<u>5,760,951</u>	<u>3,310,705</u>	<u>(585,062)</u>	<u>33,825</u>	<u>1,757,769</u>	<u>1,757,769</u>	<u>32,817</u>	<u>3,900,154</u>	<u>15,968,928</u>

The accompanying notes from (1) to (9) form an integral part of the interim consolidated financial information

NATIONAL PETROLEUM SERVICES COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2014
(All amounts are in Kuwaiti Dinars)

	Six months ended June 30,	
	2014	2013
Cash flows from operating activities:		
Profit for the period before contribution to Kuwait Foundation for the Advancement of Sciences, National Labor Support Tax, Zakat and Board of Directors' remuneration	2,247,487	2,140,375
Adjustments:		
Depreciation	763,117	595,192
Gain on sale of property, plant and equipment	(2,544)	(81,798)
Net investments income	(30,908)	(78,748)
Interest income	(762)	(311)
Provision for end of service indemnity	116,561	66,657
	<u>3,092,951</u>	<u>2,641,367</u>
Change in operating assets and liabilities:		
Inventory	(273,334)	(53,632)
Accounts receivable and other debit balances	(1,771,010)	(1,967,620)
Accounts payable and other credit balances	1,219,890	490,723
Cash generated from operations	2,268,497	1,110,838
End of service indemnity paid	(13,972)	-
Payment of Kuwait Foundation for the Advancement of Sciences	(27,128)	(21,483)
Payment of National Labor Support Tax	(81,296)	-
Payment of Zakat	(32,518)	-
Board of Directors' remuneration paid	(64,000)	(48,000)
Net cash generated from operating activities	<u>2,049,583</u>	<u>1,041,355</u>
Cash flows from investing activities:		
Paid for purchase of property, plant and equipment	(805,736)	(1,404,056)
Proceeds from sale of property, plant and equipment	1,250	81,798
Dividend income received	58,887	55,974
Interest income received	762	311
Net movement on cash in portfolio	(671)	-
Net cash used in investing activities	<u>(745,508)</u>	<u>(1,265,973)</u>
Cash flows from financing activities:		
Proceeds from sale of treasury shares	-	343,587
Paid for purchase of treasury shares	-	(2,325)
Cash dividends paid	(1,934,673)	(1,677,135)
Net cash used in financing activities	<u>(1,934,673)</u>	<u>(1,335,873)</u>
Net decrease in cash on hand and at banks	<u>(630,598)</u>	<u>(1,560,491)</u>
Cash on hand and at banks at beginning of the period	3,196,493	4,165,550
Cash on hand and at banks at end of the period	<u>2,565,895</u>	<u>2,605,059</u>

The accompanying notes from (1) to (9) form an integral part of the interim consolidated financial information

1. Parent Company's incorporation and objectives

National Petroleum Services Company - K.S.C. (Public) was incorporated pursuant to the memorandum of Incorporation duly authenticated at the Ministry of Justice, Real Estate Registration and Authentication Department under Ref. No. 73 volume 1 dated January 3, 1993. The Parent Company was registered in the Commercial Register under Ref. No. 49911 dated May 1, 1995.

The Parent Company was listed on the Kuwait Stock Exchange Market on October 18, 2003.

The objectives, for which the Parent Company was incorporated for, are Carrying out cement, coil tubing, pumping, stimulation and other miscellaneous associated services relating to drilling operations.

The Companies Law issued on November 26, 2012 by Decree Law No. 25 of 2012 (the "Companies Law"), cancelled the Commercial Companies Law No. 15 of 1960. The Companies Law was subsequently amended by Decree Law No. 97 of 2013 (the Decree). The Executive Regulation of the new amended law was issued on September 29, 2013 and was published in the official Gazette on October 6, 2013. As per article three of the executive regulation, the companies have one year from the date of publishing the executive regulation to comply with the new amended law.

The address of the Parent Company is: Industrial Shuaiba - Plot 3 - P.O. Box 9801 Al-Ahmadi, Postal Code 61008, State of Kuwait.

The interim consolidated financial information was authorized for issue by the Parent Company's Board of Directors on July 27, 2014.

2. Basis of preparation

This interim consolidated financial information has been prepared in accordance with International Accounting Standard 34. The accounting policies used in the preparation of this interim consolidated financial information for the period are consistent with those used in the preparation of the annual consolidated financial statements for the financial year ended December 31, 2013, except for the implementation of the following standards which are effective January 1, 2014:

Amendments to IAS 32 offsetting financial assets and financial liabilities

The amendments to IAS 32 clarify the meaning of "currently has a legally enforceable right of set off" and "simultaneous realization and settlement". These are effective for annual periods beginning on or after January 1, 2014.

Amendments to IFRS 10, IFRS 12 Investment Entities

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated financial statements. The amendments are effective for annual periods beginning on or after January 1, 2014.

The implementation of these amendments and standards did not have significant impact on the interim consolidated financial information of the Group.

Standards and Interpretations issued but not effective:

The following IASB Standards and Interpretations have been issued but are not yet effective, and have not yet been adopted by the Group:

IFRS 9 Financial Instruments

The standard, which was earlier effective for annual periods beginning on or after January 1, 2015 and now deferred specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified entirely based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortized cost or fair value.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. They apply a consistent approach to classifying financial assets and replace the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. They also result in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification categories.

This standard is not expected to have material impact on the interim consolidated financial information of the Group.

The interim consolidated financial information does not include all the information and notes required for complete financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation. Operating results for the financial period ended June 30, 2014 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2014. For further information, refer to the consolidated financial statements and notes thereto for the financial year ended December 31, 2013.

3. Treasury shares

	June 30, 2014	December 31, 2013 (Audited)	June 30, 2013
Number of treasury shares (share)	1,680,000	1,680,000	1,705,000
Percentage of issued shares (%)	%2.92	%2.92	%2.96
Market value (KD)	1,041,600	840,000	903,650
Cost (KD)	585,062	585,062	593,267

4. Net investments income

	Three months ended in June 30		Six months ended in June 30	
	2014	2013	2014	2013
Dividend income	52,457	27,310	58,887	55,974
Impairment loss in value of investments available for sale	-	(474)	(16,890)	(474)
Unrealized (loss) gain from changes in fair value of investments at fair value through profit or loss	(11,091)	15,901	(11,089)	23,248
	41,366	42,737	30,908	78,748

NATIONAL PETROLEUM SERVICES COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARY
NOTES TO INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
JUNE 30, 2014
(All amounts are in Kuwaiti Dinars)

5. Earnings per share

The information necessary to calculate the basic earnings per share based on the weighted average number of shares outstanding during the period is as follows:

	Three months ended in June 30		Six months ended in June 30	
	2014	2013	2014	2013
Net profit for the period	1,086,366	1,117,035	2,112,561	2,019,273
Number of outstanding shares:				
Number of issued shares	57,609,510	57,609,510	57,609,510	57,609,510
Less: weighted average number of treasury shares	(1,680,000)	(1,705,000)	(1,680,000)	(1,926,173)
Weighted average number of outstanding shares	55,929,510	55,904,510	55,929,510	55,683,337
Earnings per share - fils	19.42	19.98	37.77	36.26

6. Contingent liabilities

	June 30, 2014	December 31, 2013 (Audited)	June 30, 2013
Letters of credit	390,306	-	-
Letters of guarantee	3,297,080	3,261,242	3,169,330
	3,687,386	3,261,242	3,169,330

7. General Assembly

The Parent Company's Shareholders' General Assembly held on May 1, 2014 approved the distribution of cash dividends of 35 fils per share and Board of Directors' remuneration amounting to KD 64,000 for the financial year ended December 31, 2013.

The Parent Company's Shareholders' General Assembly held on April 30, 2013 approved the distribution of cash dividends of 30 fils per share and Board of Directors' remuneration amounting to KD 48,000 for the financial year ended December 31, 2012.

NATIONAL PETROLEUM SERVICES COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARY
NOTES TO INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
JUNE 30, 2014

(All amounts are in Kuwaiti Dinars)

8. Segment information

For the purposes of segment reporting, the Group's management has classified its activities into the following business segments:

- Oil field services.
- Industrial products and services.

Details of the above segments, which constitute the segment information, are as follows:

June 30, 2014			
	Oil field services	Industrial products and services	Total
Segment revenue	6,935,167	1,147,575	8,082,742
Segment cost	(3,443,312)	(1,746,770)	(5,190,082)
Gross profit (loss)	3,491,855	(599,195)	2,892,660
Unallocated revenue	-	-	35,281
Unallocated expenses	-	-	(815,380)
Net profit for the period	-	-	2,112,561
Segment assets	21,077,214	762,106	21,839,320
Segment liabilities	5,870,392	-	5,870,392

June 30, 2013			
	Oil field services	Industrial products and services	Total
Segment revenue	5,500,640	1,852,872	7,353,512
Segment cost	(3,245,662)	(1,430,113)	(4,675,775)
Gross profit	2,254,978	422,759	2,677,737
Unallocated revenue	-	-	150,259
Unallocated expenses	-	-	(808,723)
Net profit for the period	-	-	2,019,273
Segment assets	17,974,362	1,249,193	19,223,555
Segment liabilities	4,184,464	-	4,184,464

9. Fair value of financial instruments

IFRS 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group's financial instruments that are measured at fair value at:

June 30, 2014 :

Assets	Level 1	Level 2	Total
Investments available for sale	47,229	333,193	380,422
Investments at fair value through profit or loss	-	1,677,210	1,677,210
	<u>47,229</u>	<u>2,010,403</u>	<u>2,057,632</u>

December 31, 2013 :

Assets	Level 1	Level 2	Total
Investments available for sale	63,366	351,835	415,201
Investments at fair value through profit or loss	-	1,687,628	1,687,628
	<u>63,366</u>	<u>2,039,463</u>	<u>2,102,829</u>

June 30, 2013 :

Assets	Level 1	Level 2	Total
Investment available for sale	64,878	473,260	538,138
Investments at fair value through profit or loss	-	1,657,876	1,657,876
	<u>64,878</u>	<u>2,131,136</u>	<u>2,196,014</u>

During the financial period ended June 30, 2014, there were no transfers between different levels of fair value measurement.