

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

**INTERIM CONSOLIDATED FINANCIAL INFORMATION
FOR THE NINE MONTHS ENDED SEPTEMBER 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 NINE MONTHS ENDED SEPTEMBER 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 September 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 nine 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 No. 25 for 2012, its amendments and its executive regulation, the Parent Company's Memorandum of Incorporation or Articles of Association during the financial period ended September 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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State of Kuwait
October 28, 2014

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

ASSETS	Note	September 30, 2014	December 31, 2013 (Audited)	September 30, 2013
Non-current assets:				
Property, plant and equipment		8,790,593	8,691,154	8,716,917
Investments available for sale	3	71,821	415,201	533,954
Total non-current assets		8,862,414	9,106,355	9,250,871
Current assets:				
Inventories		2,158,141	1,645,301	1,540,861
Trade receivables		4,588,843	3,690,138	3,609,908
Pre-payments and other debit balances		1,808,827	1,100,943	618,843
Investments at fair value through profit or loss		1,695,362	1,687,628	1,664,366
Cash on hand and at banks		3,251,917	3,196,493	3,367,888
Total current assets		13,503,090	11,320,503	10,801,866
Total assets		22,365,504	20,426,858	20,052,737
EQUITY AND LIABILITIES				
Equity:				
Share capital		5,760,951	5,760,951	5,760,951
Share premium		3,310,705	3,310,705	3,310,705
Treasury shares	4	(585,062)	(585,062)	(593,812)
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		39,216	50,706	58,866
Retained earnings		4,621,788	3,745,126	4,148,328
Total equity		16,696,961	15,831,789	15,663,448
Non-current liabilities:				
Provision for end of service indemnity		1,001,737	860,604	822,374
Total non-current liabilities		1,001,737	860,604	822,374
Current liabilities:				
Accounts payable and other credit balances		4,666,806	3,734,465	3,566,915
Total current liabilities		4,666,806	3,734,465	3,566,915
Total equity and liabilities		22,365,504	20,426,858	20,052,737

The accompanying notes from (1) to (10) 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 NINE MONTHS ENDED SEPTEMBER 30, 2014
(All amounts are in Kuwaiti Dinars)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2014	2013	2014	2013
Sales and services revenue		3,756,092	3,981,601	11,838,834	11,335,113
Cost of sales and services		(2,674,221)	(3,043,746)	(7,864,303)	(7,719,521)
Gross profit		1,081,871	937,855	3,974,531	3,615,592
Other (loss) income		(8,799)	20,138	(4,426)	91,649
Net investment income	5	86,364	13,526	117,272	92,274
General and administrative expenses		(381,654)	(299,343)	(1,062,108)	(986,964)
Profit for the period before contribution to Kuwait Foundation for the Advancement of Sciences, National Labor Support Tax, Zakat and Board of Directors' remuneration		777,782	672,176	3,025,269	2,812,551
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(7,837)	(6,050)	(28,055)	(25,313)
Contribution to National Labor Support Tax (NLST)		(23,078)	(17,886)	(82,152)	(73,485)
Contribution to Zakat		(9,231)	(7,154)	(32,861)	(29,394)
Board of Directors' remuneration		(16,002)	(12,000)	(48,006)	(36,000)
Net profit for the period		721,634	629,086	2,834,195	2,648,359
Earnings per share – fils	6	12.90	11.25	50.67	47.50

The accompanying notes from (1) to (10) 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 NINE MONTHS ENDED SEPTEMBER 30, 2014
(All amounts are in Kuwaiti Dinars)

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Net profit for the period	721,634	629,086	2,834,195	2,648,359
Other comprehensive income:				
<u>Items that may be reclassified subsequently to statement of profit or loss</u>				
Change in fair value of investments available for sale	6,399	(4,184)	(11,490)	34,578
Other comprehensive income (loss) for the period	6,399	(4,184)	(11,490)	34,578
Total comprehensive income for the period	<u>728,033</u>	<u>624,902</u>	<u>2,822,705</u>	<u>2,682,937</u>

The accompanying notes from (1) to (10) 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 NINE MONTHS ENDED SEPTEMBER 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, 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	-	-	-	-	-	-	(11,490)	2,834,195	2,822,705
Cash dividends 2013 (35 fils per share) - (Note 8)	-	-	-	-	-	-	-	(1,957,533)	(1,957,533)
Balance at September 30, 2014	5,760,951	3,310,705	(585,062)	33,825	1,757,769	1,757,769	39,216	4,621,788	16,696,961
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	-	-	(2,870)	-	-	-	-	-	(2,870)
Sale of treasury shares	-	-	277,869	65,718	-	-	-	-	343,587
Total comprehensive income for the period	-	-	-	-	-	-	34,578	2,648,359	2,682,937
Cash dividends 2012 (30 fils per share) - (Note 8)	-	-	-	-	-	-	-	(1,677,135)	(1,677,135)
Balance at September 30, 2013	5,760,951	3,310,705	(593,812)	65,718	1,456,346	1,456,346	58,866	4,148,328	15,663,448

The accompanying notes from (1) to (10) 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 NINE MONTHS ENDED SEPTEMBER 30, 2014
(All amounts are in Kuwaiti Dinars)

	Nine months ended September 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	3,025,269	2,812,551
Adjustments:		
Depreciation	1,212,924	923,453
Loss (gain) on sale of property, plant and equipment	2,287	(81,798)
Net investment income	(117,272)	(92,274)
Interest income	(762)	(332)
Provision for end of service indemnity	168,879	96,708
	<u>4,291,325</u>	<u>3,658,308</u>
Change in operating assets and liabilities:		
Inventories	(512,840)	(131,049)
Accounts receivable and other debit balances	(1,606,589)	(1,224,436)
Accounts payable and other credit balances	923,349	622,407
Cash generated from operations	<u>3,095,245</u>	<u>2,925,230</u>
End of service indemnity paid	(27,746)	-
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>2,862,557</u>	<u>2,855,747</u>
Cash flows from investing activities:		
Paid for purchase of property, plant and equipment	(1,342,893)	(2,499,637)
Proceeds from sale of property, plant and equipment	28,243	119,075
Proceeds from sale of investments available for sale	354,524	-
Dividend income received	87,327	63,239
Interest income received	762	332
Net movement in cash at an investment portfolio	(423)	-
Net cash used in investing activities	<u>(872,460)</u>	<u>(2,316,991)</u>
Cash flows from financing activities:		
Proceeds from sale of treasury shares	-	343,587
Paid for purchase of treasury shares	-	(2,870)
Cash dividends paid	(1,934,673)	(1,677,135)
Net cash used in financing activities	<u>(1,934,673)</u>	<u>(1,336,418)</u>
Net increase (decrease) in cash on hand and at banks	55,424	(797,662)
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>3,251,917</u>	<u>3,367,888</u>

The accompanying notes from (1) to (10) 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 a 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 October 28, 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 have 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 September 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. Investments available for sale

	September 30, 2014	December 31, 2013 (Audited)	September 30, 2013
Investment funds and portfolios	53,294	351,835	374,848
Quoted equity securities	18,527	63,366	159,106
	<u>71,821</u>	<u>415,201</u>	<u>533,954</u>

Movement during the period / year was as follows:

	September 30, 2014	December 31, 2013 (Audited)	September 30, 2013
Balance at the beginning of the period / year	415,201	499,850	499,850
Disposals	(315,000)	-	-
Change in fair value	(11,490)	26,418	34,104
Impairment loss	(16,890)	(111,067)	-
Balance at the end of the period / year	<u>71,821</u>	<u>415,201</u>	<u>533,954</u>

4. Treasury shares

	September 30, 2014	December 31, 2013 (Audited)	September 30, 2013
Number of treasury shares (share)	1,680,000	1,680,000	1,706,000
Percentage of issued shares (%)	%2.92	%2.92	%2.96
Market value (KD)	957,600	840,000	921,240
Cost (KD)	585,062	585,062	593,812

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

5. Net investment income

	Three months ended September 30		Nine months ended September 30	
	2014	2013	2014	2013
Dividend income	28,440	6,988	87,327	62,962
Realized gain from sales of investments available for sale	39,524	-	39,524	-
Impairment loss for investments available for sale	-	-	(16,890)	(474)
Unrealized gain from changes in fair value of investments at fair value through profit or loss	18,400	6,538	7,311	29,786
	<u>86,364</u>	<u>13,526</u>	<u>117,272</u>	<u>92,274</u>

6. 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 September 30		Nine months ended September 30	
	2014	2013	2014	2013
Net profit for the period	721,634	629,086	2,834,195	2,648,359
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)	(1,705,077)	(1,680,000)	(1,851,664)
Weighted average number of outstanding shares	55,929,510	55,904,433	55,929,510	55,757,846
Earnings per share - fils	<u>12.90</u>	<u>11.25</u>	<u>50.67</u>	<u>47.50</u>

7. Contingent liabilities

	September 30, 2014	December 31, 2013 (Audited)	September 30, 2013
Letters of credit	21,000	-	146,440
Letters of guarantee	3,891,917	3,261,242	3,771,852
	<u>3,912,917</u>	<u>3,261,242</u>	<u>3,918,292</u>

8. 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)
SEPTEMBER 30, 2014
(All amounts are in Kuwaiti Dinars)

9. 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:

	September 30, 2014		
	Oil field services	Industrial products and services	Total
Segment revenue	9,805,914	2,032,920	11,838,834
Segment cost	(5,277,649)	(2,586,654)	(7,864,303)
Gross profit (loss)	4,528,265	(553,734)	3,974,531
Unallocated revenue	-	-	117,272
Unallocated expenses	-	-	(1,257,608)
Net profit for the period	-	-	2,834,195
Segment assets	21,157,619	1,207,885	22,365,504
Segment liabilities	5,668,543	-	5,668,543

	September 30, 2013		
	Oil field services	Industrial products and services	Total
Segment revenue	6,392,566	4,942,547	11,335,113
Segment cost	(3,812,361)	(3,907,160)	(7,719,521)
Gross profit	2,580,205	1,035,387	3,615,592
Unallocated revenue	-	-	183,923
Unallocated expenses	-	-	(1,151,156)
Net profit for the period	-	-	2,648,359
Segment assets	18,689,580	1,363,157	20,052,737
Segment liabilities	4,389,289	-	4,389,289

10. 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).

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

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

September 30, 2014:

Assets	Level 1	Level 2	Total
Investments available for sale	17,601	54,220	71,821
Investments at fair value through profit or loss	-	1,695,362	1,695,362
	<u>17,601</u>	<u>1,749,582</u>	<u>1,767,183</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>

September 30, 2013:

Assets	Level 1	Level 2	Total
Investment available for sale	59,848	474,106	533,954
Investments at fair value through profit or loss	-	1,664,366	1,664,366
	<u>59,848</u>	<u>2,138,472</u>	<u>2,198,320</u>

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