ADVANCED PETROCHEMICAL COMPANY (A Saudi joint stock company)

INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2012 AND INDEPENDENT AUDITORS' LIMITED REVIEW REPORT

(A Saudi joint stock company)



INTERIM FINANCIAL STATEMENTS

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMEBR 30, 2012

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INDEPENDENT AUDITORS' LIMITED REVIEW REPORT

October 9, 2012

To the shareholders of Advanced Petrochemical Company (A Saudi joint stock company)

Scope of review

We have reviewed the accompanying interim balance sheet of the Advanced Petrochemical Company (the "Company") as of September 30, 2012 and the related interim statements of income for the three-month and nine-month periods then ended and cash flows for the nine-month period ended September 30, 2012 including the related notes which form an integral part of the financial statements. These interim financial statements are the responsibility of the Company's management.

We conducted our limited review in accordance with the standards established by the Saudi Organization for Certified Public Accountants. A limited review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a 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 financial statements of the Company for them to be in conformity with accounting principles generally accepted in Saudi Arabia appropriate to the circumstances of the Company.

PricewaterhouseCoopers

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PricewaterhouseCoopers, Al Hugayet Tower, P.O. Box 467, Dhahran Airport 31932, Kingdom of Saudi Arabia T: +966 (3) 849-6311, F: +966 (3) 849-6281, www.pwc.com/middle-east

(A Saudi joint stock company)

INTERIM BALANCE SHEET AS AT SEPTEMBER 30, 2012

(All amounts in Saudi Riyals thousands unless otherwise stated)



	Note	September 30, 2012	September 30, 2011
		(Un-audited)	(Un-audited)
Assets			
Current assets			
Cash and cash equivalents		279,071	525,118
Trade receivables		370,103	380,672
Inventories		193,786	199,398
Prepayments and other receivables		18,213	37,712
Total current assets		861,173	1,142,900
Non-current assets			
Long-term receivables		29,916	18,417
Investments in unconsolidated subsidiaries	3	1,900	
Property, plant and equipment		2,248,741	2,305,462
Intangible assets		110,693	85,057
Total non-current assets		2,391,150	2,408,936
Total assots		3,252,323	3,551,836
Liabilities			
Current liabilities			
Short-term borrowings		187,500	187,500
Current maturity of long-term loans		170,000	175,000
Accounts payable		162,508	159,507
Accruals and other current liabilities		217,707	258,895
Dividends payable		3,908	2,787
Total current liabilities		741,623	783,689
Non-current liabilities			
Long-term loans		562,500	812,500
Employees termination benefits		19,906	15,435
Total non-current liabilities		582,406	827,935
Total llabilities		1,324,029	1,611,624
Shareholders' equity			
Share capital		1,639,950	1,413,750
Statutory reserve		139,353	COLUMN TO SERVICE STATE OF THE PROPERTY OF THE
Retained earnings		148,991	417,291
Total shareholders' equity		1,928,294	1,940,212
The same of the sa			

The notes on pages from 6 to 10 form an integral part of these interim financial statements.

KHALIFA A. AL-MULHEM

Chairman of the Board

ABDULLAH M. AL-GARAWI

President & CEO

FAHAD A. AL-MIS'HAL

VP-Finance & Marketing, CFO ·M

(A Saudi joint stock company)

INTERIM INCOME STATEMENT

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2012 Advanced

(All amounts in Saudi Riyals thousands unless otherwise stated)



			month period September 30,		month periods September 30,
	Note	2012	2011	2012	2011
		(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
Sales		649,288	717,072	1,692,434	2,127,087
Cost of sales		(534,525)	(566,394)	(1,440,466)	(1,661,222)
Gross profit		114,763	150,678	251,968	465,865
Selling and distribution expenses		(4,074)	(4,861)	(9,578)	(13,770)
General and administrative expenses		(5,178)	(4,631)	(18,162)	(14,457)
Income from operation		105,511	141,186	224,228	437,638
Other (expenses) income					
Finance charges, net		(5,688)	(6,026)	(15,240)	(16,609)
Other income		440	333	2,244	1,180
Net income for the period		100,263	135,493	211,232	422,209
Earnings per share (Saudi Riyals):					
 Income from operation 		0.643	0.861	1.367	2.669
 Net income for the period 		0.611	0.826	1.288	2.575
Weighted average number of shares	2.21	163,995,000	163,995,000	163,995,000	163,995,000

The notes on pages from 6 to 10 form an integral part of these interim financial statements.

KHALIFA A. AL-MULHEM

Chairman of the Board

ABDULLAH M. AL-GARAWI President & CEO FAHAD A. AL-MIS'HAL VP-Finance & Marketing,

CFO

(A Saudi joint stock company)

INTERIM CASH FLOWS STATEMENT FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2012

(All amounts in Saudi Rivals thousands unless otherwise stated)

5.	September 30, 2012	September 30, 2011
	(Un-audited)	(Un-audited)
Cash flow from operating activities		
Net income	211,232	422,209
Adjustment for non-cash items		422,200
Depreciation and amortization	138,884	158,092
Gain on disposal of property, plant and equipment	(16)	(174
Changes in working capital	11.07	(114
Trade receivables	(26,820)	(206,482
Inventories	(37,949)	(33,488
Prepayments and other receivables	13,132	(17,875
Accounts payable	905	32,188
Accruals and other current liabilities	(20,102)	108,958
Imployees termination benefits	3,437	4,427
Net cash generated from operating activities	282,703	467,855
Cash flow from investing activities		
nvestments in unconsolidated subsidiaries	(1,900)	
Additions to property, plant and equipment	(89,834)	(8,746)
Proceeds from disposal of property, plant and equipment	321	189
ncrease in intangible assets	(65,464)	(10,340
Net cash utilized in investing activities	(156,877)	(18,897)
ash flow from financing activities		
Short-term borrowings	187,500	93,750
tepayment of long-term loans	(192,500)	(182,500)
akat and income tax	(14,286)	(10,169
Dividends pald	(303,944)	(281,535

The notes on pages from 6 to 10 form an integral part of these interim financial statements.

KHALIFA A. AL-MULHEM Chairman of the Board

Net cash utilized in financing activities

Net change in cash and cash equivalents

Cash and cash equivalents, beginning of period

Cash and cash equivalents, end of period

ABDULLAH M. AL-GARAWI President & CEO

FAHAD A. AL-MIS'HAL VP-Finance & Marketing, CFO

(380,454)

68,504

456,614

525,118

(323, 230)

(197,404)

476,475

279,071

ADVANCED PETROCHEMICAL COMPANY (A Saudi joint stock company)



Notes to the interim financial statements

For nine-month period ended September 30, 2012 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

1 ORGANIZATION AND ACTIVITIES

Advanced Petrochemical Company (the "Company") is a Saudi joint stock company, registered in Saudi Arabia under commercial registration number 2050049604 dated 27 Sha'ban, 1426H (October 1, 2005). The registered address of the Company is P.O. Box 7215, Dammam 31462, Kingdom of Saudi Arabia.

The principal activity of the Company is to manufacture and sell polypropylene.

During the nine-month period ended September 30, 2012:

- the shareholders of the Company approved final cash dividends of Saudi Riyals 141.4 million in their general assembly meeting, held in February 2012, which were proposed by the Board of Directors (BoD) during December 2011;
- the shareholders of the Company resolved to approve the BoD's proposal to increase the share capital from Saudi Riyals 1.41 billion to Saudi Riyals 1.64 billion through capitalization of Saudi Riyals 226.2 million from retained earnings by distribution of one bonus share for every 6.25 shares in their general assembly meeting held in February 2012. The increase in the share capital has been approved by the Capital Market Authority and the related legal formalities to register the increase have been finalized; and
- the BoD of the Company declared interim cash dividends for the first half of the 2012 amounting to Saudi Riyals 163.9 million (2011: Saudi Riyals 141.4 million).

The accompanying interim financial statements include all adjustments comprising mainly of normal recurring accruals considered necessary by the Company's management to present a fair statement of the financial position, results of operations and cash flows. The interim results of the operations for the three-month and nine-month periods ended September 30, 2012 may not represent a proper indication for the annual results of operations. These interim financial statements and notes should be read in conjunction with the annual audited financial statements and the related notes for the year ended December 31, 2011.

The accompanying interim financial statements were approved for issue by the Company's management on October 9, 2012.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all period presented.

2.1 Basis of preparation

The accompanying interim financial statements have been prepared under the historical cost convention on the accrual basis of accounting and in compliance with the Standard of Accounting for Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. Significant accounting policies adopted by the Company for preparing such interim financial statements are consistent with the accounting policies described in the 2011 annual audited financial statements of the Company.

ADVANCED PETROCHEMICAL COMPANY (A Saudi joint stock company)



Notes to the interim financial statements
For nine-month period ended September 30, 2012 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

2.2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of certain critical estimates and assumptions 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 judgments 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 assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

2.3 Foreign currency translations

(a) Reporting currency

These financial statements are presented in Saudi Riyals which is the reporting currency of the Company.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

2.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand and with banks and other short-term highly liquid investments with maturities of three months or less from the purchase date.

2.5 Accounts receivable

Accounts receivable are carried at original invoice amount less provision for doubtful debts. A provision against doubtful debts is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

2.6 Inventories

Inventories are carried at the lower of cost or net realizable value. Cost is determined using weighted average method. The cost of finished products and work in progress include the cost of raw materials, labor and production overheads.

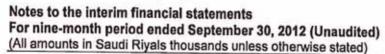
2.7 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation except construction in progress which is carried at cost. Depreciation is charged to the income statement, using the straight-line method, to allocate the costs of the assets to their residual values over the estimated useful lives.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the income statement as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

ADVANCED PETROCHEMICAL COMPANY (A Saudi joint stock company)





2.8 Intangible assets

Intangible assets include:

- Establishment costs, listing costs and expenses incurred prior to commencement of commercially viable production which is expected to provide benefits in future periods; and
- Plant testing and commissioning costs net off any proceeds from sale of off grade production during the testing phase.

The above intangible assets are amortized over a period not exceeding seven years.

Intangible assets also include planned turnaround costs which are amortized over the period until the next planned turnaround. Should an unexpected turnaround occur prior to the previously envisaged planned turnaround, then the previously unamortized deferred costs are immediately expensed and the new turnaround costs are amortized over the period likely to benefit from such costs.

2.9 Investments in subsidiaries

Subsidiaries are entities over which the Company has the power to govern the financial and operating policies to obtain economic benefit generally accompanying a shareholding of more than one half of the voting rights.

2.10 Impairment of non-current assets

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use.

2.11 Borrowings

Borrowings are recognized at the proceeds received, net of transaction costs incurred, if any. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of those assets. Other borrowing costs are charged to the income statement.

2.12 Accounts payable and accruals

Liabilities are recognized for amounts to be paid for goods and services received, whether or not billed to the Company.

2.13 Provisions

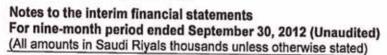
Provisions are recognized when; the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

2.14 Zakat and taxes

The Company is subject to zakat and income tax in accordance with the regulations of the Department of Zakat and Income Tax (the "DZIT"). Provisions for zakat and income tax are charged to the retained earnings. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia, including dividends payments to the foreign shareholders, as required under the Saudi Arabian Income Tax Law.

ADVANCED PETROCHEMICAL COMPANY (A Saudi joint stock company)





2.15 Employee termination benefits

Employee termination benefits required by Saudi Labor and Workman Law are accrued by the Company and charged to the income statement.

2.16 Revenues

Revenues are recognized upon delivery of the products to the marketers and the customers. Upon delivery to the marketers, sales are recorded at provisional sales prices that are later adjusted based upon actual selling prices received by the marketers from third parties, after deducting the costs of shipping and marketing fees etc.

2.17 Selling, distribution and general and administrative expenses

Selling, distribution and general and administrative expenses include direct and indirect costs not specifically part of production costs as required under generally accepted accounting principles. Allocations between selling, distribution and general and administrative expenses and production costs, when required, are made on a consistent basis.

2.18 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of their net income to a statutory reserve until such reserve equals 50% of share capital. Allocation to the statutory reserve is made for the interim period considering the net income for such period which is adjusted at the year-end considering the net income for the year. This reserve currently is not available for distribution to the shareholders of the Company.

2.19 Dividends

Dividends are recorded in the financial statements in the period in which they are approved by shareholders of the Company.

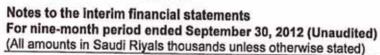
2.20 Operating leases

Rental expenses under operating leases are charged to the income statement over the period of the respective lease.

2.21 Earnings per share

Earnings per share for the three-month and nine-month periods ended September 30, 2012 and 2011 have been computed by dividing the income from operations and net income for each periods by weighted average number of 163,995,000 shares outstanding at September 30, 2012 and 2011 after considering the effect of issuance of bonus shares. See Note 1.

ADVANCED PETROCHEMICAL COMPANY (A Saudi joint stock company)





3 Investments in unconsolidated subsidiaries

These represent the Company's equity interest in the share capital contribution of the following Saudi Arabian limited liability companies:

Name of subsidiary	Percentage of holding	Amount
Advanced Renewable Energy Company ("AREC")	95	950
Advanced Global Investment Company ("AGIC")	95 _	950
	_	1,900

AREC was formed in March 2012 and AGIC was formed in August 2012. At September 30,2012, the share capital contribution of these companies was kept in their respective bank accounts and there were no other assets or liabilities, including contingent liabilities at that date and they do not have any operations for the period ended September 30, 2012. The Company will start consolidating them upon commencement of operations as non-consolidation does not have any material impact on the accompanying 2012 interim financial statements.

4 Contingencies

The Company was contingently liable for bank guarantees issued on behalf of the Company in the normal course of the business amounting to Saudi Riyals 451.9 million at September 30, 2012.