

ADVANCED PETROCHEMICAL COMPANY
(A Saudi joint stock company)

INTERIM FINANCIAL STATEMENTS FOR THE
THREE-MONTH PERIOD ENDED MARCH 31, 2013
AND INDEPENDENT AUDITORS' LIMITED REVIEW REPORT

ADVANCED PETROCHEMICAL COMPANY
(A Saudi joint stock company)
INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2013



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INDEPENDENT AUDITORS' LIMITED REVIEW REPORT

April 13, 2013

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 March 31, 2013 and the related interim statements of income and cash flows for the three-month period then ended, including the related notes which form an integral part of the interim 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.

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ADVANCED PETROCHEMICAL COMPANY
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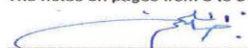
INTERIM BALANCE SHEET
AS AT MARCH 31, 2013


(All amounts in Saudi Riyals thousands unless otherwise stated)



	March 31, 2013 (Un-audited)	March 31, 2012 (Un-audited)
Assets		
Current assets		
Cash and cash equivalents	344,267	284,039
Trade receivables	272,884	322,038
Inventories	169,462	214,990
Prepayments and other receivable	28,266	20,521
Total current assets	814,879	841,688
Non-current assets		
Other non-current assets	32,933	33,433
Investment in unconsolidated subsidiaries	1,900	950
Property, plant and equipment	2,178,644	2,300,969
Intangible assets	87,592	59,637
Total non-current assets	2,301,069	2,394,989
Total assets	3,115,948	3,236,677
Liabilities		
Current liabilities		
Short-term borrowings	93,760	-
Current maturity of long-term loans	125,000	160,000
Accounts payable	170,317	170,059
Accruals and other current liabilities	206,672	243,491
Dividend payable	3,944	3,216
Total current liabilities	599,693	597,566
Non-current liabilities		
Long-term loans	500,000	680,000
Employees termination benefits	22,979	16,088
Total non-current liabilities	522,979	696,088
Total liabilities	1,122,662	1,294,234
Shareholders' equity		
Share capital	1,639,950	1,639,950
Statutory reserve	162,848	123,939
Retained earnings	190,488	178,654
Total shareholders' equity	1,993,286	1,942,443
Total liabilities and shareholders' equity	3,115,948	3,236,677

The notes on pages from 6 to 9 form an integral part of these interim financial statements


KHALIFA A. AL-MULHEM
Chairman of the Board


ABDULLAH M. AL-GARAWI
President & CEO


KHALID F. AL-OTAIBI
GM-Finance & Admin

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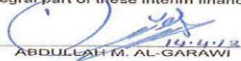
INTERIM INCOME STATEMENT
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2013
(All amounts in Saudi Riyals thousands unless otherwise stated)



Note	March 31, 2013 (Un-audited)	March 31, 2012 (Un-audited)
Sales	641,618	586,241
Cost of sales	(508,751)	(516,878)
Gross profit	132,767	69,363
Selling and distribution expenses	(3,559)	(2,982)
General and administrative expenses	(7,459)	(5,751)
Income from operation	121,749	60,630
Other Income (expenses)		
Finance charges, net	(4,114)	(4,095)
Other income	302	553
Net Income for the period	117,937	57,088
Earnings per share (Saudi Riyals):		
• Income from operation	0.742	0.370
• Net income for the period	0.719	0.348
Weighted average number of shares	2.22 163,995,000	163,995,000

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INTERIM CASH FLOWS STATEMENT
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2013
(All amounts in Saudi Riyals thousands unless otherwise stated)



	March 31, 2013 (Un-audited)	March 31, 2012 (Un-audited)
Cash flow from operating activities		
Net income for the period	117,937	57,088
Adjustments for non-cash items		
Depreciation and amortization	52,180	49,335
Loss on disposal of property, plant and equipment	323	-
Changes in working capital		
Trade receivables	9,661	21,245
Inventories	(28,715)	(59,153)
Prepayments, other receivable and other non current assets	(7,120)	10,473
Accounts payable	9,669	9,255
Accruals and other current liabilities	(10,897)	(4,305)
Employees termination benefits	1,061	199
Net cash generated from operating activities	144,319	84,137
Cash flow from investing activities		
Investment in unconsolidated subsidiaries	-	(850)
Additions to property, plant and equipment	(4,709)	(62,518)
Proceeds from disposal of property, plant and equipment	225	-
Increase in intangible assets	(673)	(7,464)
Net cash utilized in investing activities	(5,357)	(70,932)
Cash flow from financing activities		
Repayment of short term borrowings	(93,750)	-
Repayment of long-term loans	-	(65,000)
Dividend paid	(163,238)	(140,641)
Net cash utilized in financing activities	(256,988)	(205,641)
Net decrease in cash and cash equivalents	(118,026)	(192,436)
Cash and cash equivalents, beginning of period	462,293	476,475
Cash and cash equivalents, end of period	344,267	284,039
Supplemental cash flow information		
Non-cash financing activity -		
Zakat and income tax provisions charged to shareholders' equity accounts	3,268	1,592

The notes on pages from 6 to 9 form an integral part of these interim financial statements

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Notes to the Interim financial statements
For three-month period ended March 31, 2013 (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 2050049504 dated 27 Sha'ban, 1426H (October 1, 2005). The registered address of the Company is P.O. Box 7216, Dammam 31462, Kingdom of Saudi Arabia.

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

During 2013, the shareholders of the Company approved a final cash dividend of Saudi Riyals 163.9 million in their general assembly meeting, held in February 2013, which were proposed by the Board of Directors (BoD) during December 2012.

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 period ended March 31, 2013 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, 2012.

The accompanying Interim financial statements were authorized for issue by the Company's management on April 13, 2013.

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 periods 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 2012 annual audited financial statements of the Company.

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.

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Notes to the Interim financial statements
For three-month period ended March 31, 2013 (Unaudited)
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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.

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.

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Notes to the Interim financial statements
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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 dividend payments to the foreign shareholders, as required under the Saudi Arabian Income Tax Law.

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 Reclassifications

Certain amounts in the accompanying 2012 Interim financial statements have been reclassified to conform with the 2013 presentation.

2.22 Earnings per share

Earnings per share for the three-month periods ended March 31, 2013 and 2012 has been computed by dividing the income from operations and net income for each periods by weighted average number of 163,995,000 shares outstanding during such periods.

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For three-month period ended March 31, 2013 (Unaudited)
(All amounts in A Saudi Riyals thousands unless otherwise stated)



3 Investment 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	March 31, 2013		March 31, 2012	
	Percentage of holding	Amount	Percentage of holding	Amount
Advanced Renewable Energy Company ("AREC")	95	950	95	950
Advanced Global Investment Company ("AGIC")	95	950	-	-
		<u>1,900</u>		<u>950</u>

AREC was formed in March 2012 and AGIC was formed in August 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 the balance sheet dates and they do not have any operations for the reported periods. The Company will start consolidating them upon commencement of operations as non-consolidation does not have any material impact on the accompanying 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 Saudi Riyals 452.02 million at March 31, 2013.