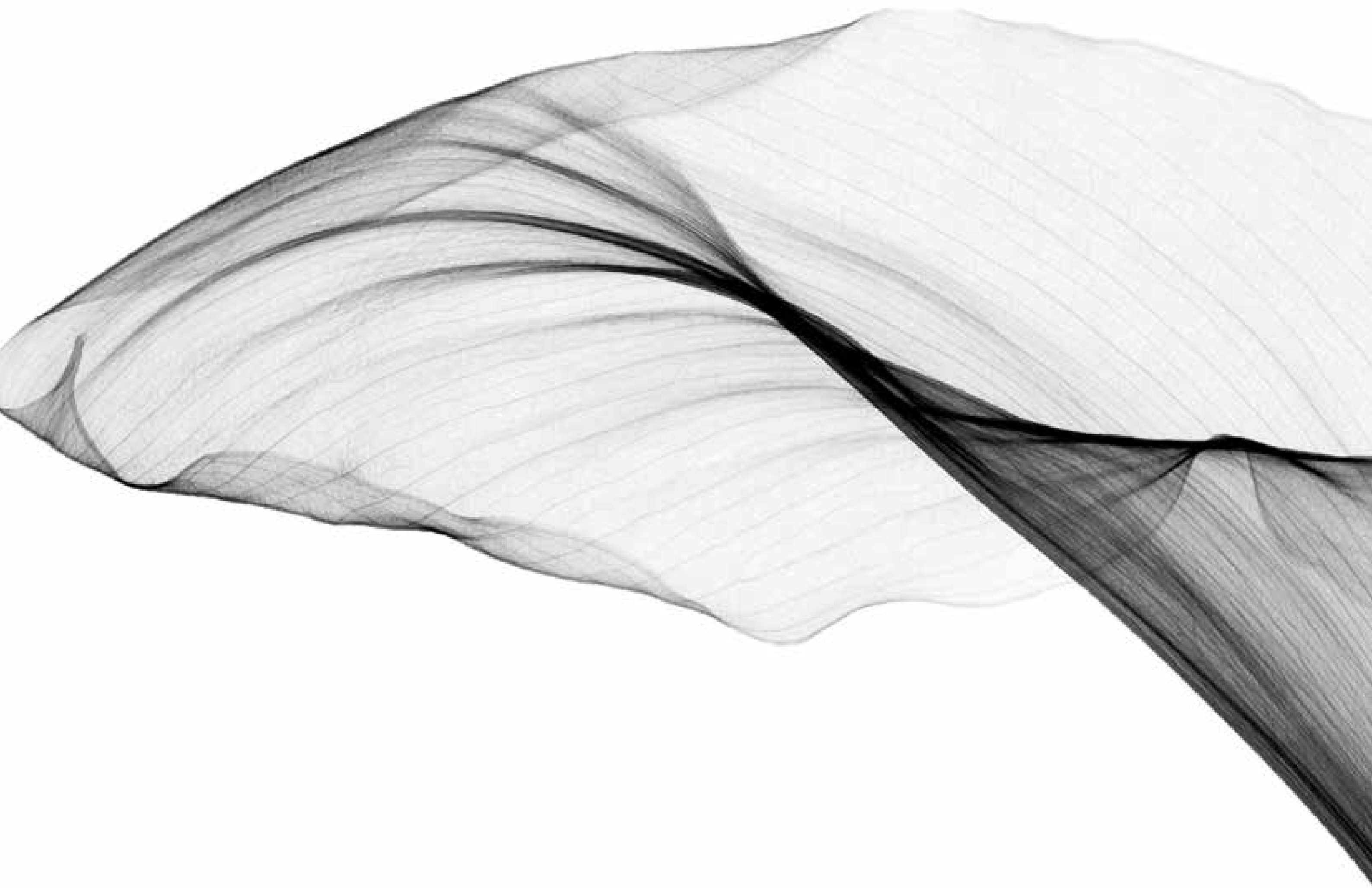
Annual Report
2013

Zamilindustrial

"The only way to know how customers see your business is to look at it through their eyes."

Daniel R. Scoggin

Contents



Performance Highlights

Revenues in 2013 at SAR 5,413.9 million (USD 1,444 million) registered year-on-year growth of 1.1%, compared to SAR 5,354.8 million (USD 1,428 million) recorded in 2012.

Gross Profits were SAR 1,306.8 million (USD 348.5 million) for the twelve months, up from SAR 1,165.1 million (USD 310.7 million) in 2012, an increase of 12.2%.

Operating Income rose 9.7% to SAR 400.4 million (USD 106.8 million) in 2013, an increase from SAR 365.2 million (USD 97.4 million) in 2012.

Net Income after Zakat in 2013 amounted to SAR 235.4 million (USD 62.8 million), up from SAR 201.5 million (USD 53.7 million) the year before, an increase of 16.8%.

Earnings per share (from net income) were SAR 3.92 (USD 1.1), compared to SAR 3.36 (USD 0.90) in 2012.

Stockholders' Equity rose by 10.1% to SAR 1,880.7 million (USD 501.5 million) in 2013 from SAR 1,708.1 million (USD 455.5 million).

The Steel, HVAC, Concrete and Insulation Materials sectors recorded positive results in 2013, due to revenue enhancement, improved operational efficiency and increased attention to margin enhancement, better performance from overseas operations and improved asset utilization.

Zamil Industrial is a truly global company with home markets in South East Asia, the Indian Subcontinent, North Africa and Saudi Arabia and the GCC. It is a key supplier of a comprehensive range of products and solutions for use within the construction industry.

Board of Directors

Khalid A. Al Zamil, **Chairman**
H.E. Dr. Soliman A. Al Solaim, **Member**
Khaled S. Olayan, **Member**
Abdallah S. Jum'ah, **Member**
Ahmed A. Al Zamil, **Member**
Abdulrahman F. Al-Suwailem, **Member**
Tariq A. Tamimi, **Member**
Adib A. Al Zamil, **Member**
Mohammad S. Al Harbi, **Member**
Abdulla M. Al Zamil, **Chief Executive Officer**

Mission Statement & Core Values

Our Vision

To be a Winning Industrial Leader
Creating Superior Values
for Business and Community.

Our Mission

To Win Markets' and Stakeholders' Trust Through Industrial Competence and Mutual Prosperity.

Our Core Values

Honesty and Integrity – We believe that goodwill and a good reputation are integral to our business. We uphold honesty, integrity, professionalism and a high level of business ethics. We are prudent and fair in dealings with our stakeholders.

Customers and Excellence – We are diligent in understanding and fulfilling our customers' needs. We strive to please our customers by ensuring excellence in quality and service. We listen to our customers and "go the extra mile" to satisfy them.

Innovation and Change – We are passionate about meaningful innovation. We are a learning organization. We learn from our experiences and global best practices, and we innovate to create leading local solutions leveraging world-class knowledge. We embrace positive change arising from innovation and our aspirations to grow our business.

Leadership and Prudence – We cultivate talent and leadership to create sound business solutions, to best meet our customer needs, and to develop markets, people and shareholder value. We do so by optimizing the use of funds, resources, materials and technologies. We build prudence and cost-effectiveness into our leadership culture and pass on the benefits to our customers.

Community & Prosperity – We believe in mutual prosperity. We aspire to thrive in business while bringing progress and prosperity to our own people and the communities where we operate. Our culture, our ideas, our practices, our environmental concern and our teamwork inspire us to create superior values for people and communities around us.

Business Profile

Founded in 1998 and headquartered in Dammam, Saudi Arabia, Zamil Industrial Investment Company (Zamil Industrial) is a publicly listed company and a leading manufacturing and fabrication group that provides engineered products, systems and support services for the construction industry.

At Zamil Industrial, we recognize that faith, leadership and integrity are essential to the operation of businesses that consistently deliver value to all stakeholders. They also guide our growth as we identify emerging opportunities and convert them into profitable business ventures around the globe.

From the beginning, our founders recognized the need for diversification in the Saudi Arabian economy. They also knew how to fulfill this need by achieving growth through joint venture partnerships and by entering new markets.

Today, we serve clients in more than 90 countries worldwide and operate businesses in four major industrial sectors – Steel, HVAC, Insulation Materials and Concrete. We are majority shareholders in joint venture companies and own several subsidiaries. Our companies employ more than 10,000 people in 55 countries and obtain 30% of our revenue from countries other than Saudi Arabia.

In keeping pace with the industrialization initiative of Saudi Arabia, Zamil Industrial has chosen to concentrate operations in the building, construction, and industrial structures and equipment industries. All operations are ISO 9001 certified, and Zamil Industrial businesses are the regular recipients of prestigious industry rewards in recognition of attention to quality, customer service and leadership in the research and development of new technologies and industrial processes.

Business Profile
(continued)

The Zamil Industrial Product Portfolio
Manufacturing facilities operated by Zamil Industrial businesses are currently located in Saudi Arabia, the United Arab Emirates (UAE), Egypt, India, Vietnam and Italy. Our companies manufacture and fabricate materials and provide innovative engineering systems, customized solutions and services to clients for use in construction and industrial operations.

Products and services include:

- Pre-engineered steel buildings and structural steel products
- Air-conditioning systems, including maintenance and installation services
- Air-cooled heat exchangers
- District cooling and utility services
- Process equipment and fired heaters
- Transmission and telecom towers, open-web joists and steel decks
- Precast concrete products
- Fiberglass, technical rubber and Rockwool insulation
- Pre-insulated pipes
- Passive telecom infrastructure
- Building automation systems

At Zamil Industrial, we provide customers with Total Building Solutions. Through our strength and diversity, we've built the capacity to operate as a single-source provider, capable of meeting complete project needs from engineering and materials to climate control.

Shared vision, mission and values unite our diverse business interests
Although the businesses of Zamil Industrial perform diverse functions, these businesses are united by the company's shared vision, mission and time-honored set of core values. The company has grown and prospered based on the founders' visions of leadership through creation of value. Their mission of winning the trust of the markets and stakeholders through solid competence and concern for the beneficiaries of Zamil Industrial companies has proven successful. The company has become a global leader in the pursuit of knowledge, innovation, professionalism and excellence in business.

Corporate Shared Services: the streamlined approach to success
Zamil Industrial businesses are proud to offer clients the benefits of our Total Building Solutions philosophy. Developed through a process of strategically planned growth and acquisition, the company has reached a point where it can satisfy virtually any need a customer may have for quality building products or services at a consistent level of excellence.

To ensure the efficient operation of Total Building Solutions, the company is engaged in the development and support of group-wide strategic initiatives, including

its Corporate Shared Services platform, which consolidates and integrates the finance, internal audit, business development, strategy and performance planning, administration and human resources, information technology, corporate communications, and legal affairs functions of all Zamil Industrial companies. Major components include:

- A commitment to new product development through the use of advanced technology and the consolidation of IT environments
- Maintenance of the highest quality-assurance standards, reflected in a range of international quality accreditations
- The continual expansion and development of international markets, while maintaining leadership in the home market of Saudi Arabia
- Strategic selection of acquisitions to complement the strengths of other sector businesses
- Strategic alliances with selected multinational companies to increase international presence and market share
- Investment in training and career development for employees

Our administrative functions are centralized to ensure continuity and a streamlined approach in our expanding global market. Corporate Shared Services provide a single, convenient contact point for active and potential customers, furnishes powerful technological resources to smaller companies under our umbrella and provides all employees with assistance and opportunities for career development.

At Zamil Industrial, we will continue to follow our vision of business and community leadership, a mission of success gained through trust and competence, and an integration of our core values in pursuit of innovative corporate strategies. We will seek, support and nurture new business and reward our shareholders, employees and communities with the benefits of our success.

Share Trading

Zamil Industrial shares are available for trading for all Saudis and GCC nationals. They are actively traded on the Saudi Stock Exchange (Tadawul) under the name “Zamil Industrial” (Saudi Stock Exchange: 2240, Bloomberg: ZIIC:AB). More information can be found at: www.tadawul.com.sa

Chairman's Letter

Dear Shareholder,

On behalf of your Board of Directors, I am very pleased to present to you the Annual Report of Zamil Industrial Investment Company (Zamil Industrial) for the financial year ended 31st December 2013.

It is most gratifying to be able to report that all sectors of Zamil Industrial have performed well, both at home and overseas, and have again generated increased revenues and demonstrated increased profitability.

Such an attainment is most commendable, especially considering the varied global economic environment in which the company has operated throughout the year. After several years in recession, some developed economies have begun to see evidence of growth. Other emerging economies, especially in the parts of the world where we operate, have slowed following several consecutive years of growth. In our home market, Saudi Arabia, the situation remained stable, with government expenditure again operating as a major driving force to the benefit of our portfolio of businesses and services. However, elsewhere in MENA, the Indian subcontinent and South East Asia, the generation of business has proven far more difficult. Political and/or economic turbulence, growing pressure on margins due to increased competition and diminished commercial opportunities are the main causes of this difficulty.

In the midst of these prevailing circumstances, I am delighted to be able to report that your company generated gross revenues of SAR 5,413.9 million (USD 1,444 million) during 2013 which is 1.1% higher than the figure of SAR 5,354.8 million (USD 1,428 million) in 2012.

Net profit for the year, after payment of Zakat, was SAR 235.4 million (USD 62.8 million) as compared to SAR 201.5 million (USD 53.7 million) in 2012. Earnings per share amounted to SAR 3.92 (USD 1.1) compared to SAR 3.36 (USD 0.90) in 2012. Stockholders' Equity at 31st December 2013 had risen 10.1% over the previous year end to SAR 1,880.7 million (USD 501.5 million). The rise in net profit was largely due to improved performance in the steel sector and overseas operations. However, the air conditioning and insulation sectors sustained robust growth.

In light of these results, the Board of Directors is proposing a final cash dividend for the year of SAR 1.00 per share. This, together with the interim dividend of SAR 0.75 paid in August 2013, combine to produce a total SAR 1.75 per share or SAR 105 million for the year, which amounts to 17.5% of the company's paid-up capital. Shareholder approval of the final dividend will be sought at the Annual General Meeting in 2014.

We have succeeded in attaining these results because wherever we operate, at home or overseas, we enjoy recognition as leaders in each area of activity – steel buildings, steel structures, process equipment, electricity and telecommunications towers, HVAC products and services, our wide range of insulation products or precast concrete buildings.

We attribute our long-term success to the effective implementation of innovative ideas, our flexibility and adaptability in responding to client needs, and our preparedness to seek new markets for our products and services. This has been the case again this year. To broaden the scope and scale of our activities, we have invested in new factories and expansions of existing facilities in the steel, insulation and precast concrete sectors, while enlarging our workforce to meet the many opportunities arising in all sectors of our business.

Wholly integral to our achievements is the professionalism and commitment of our entire staff — management, engineers, technicians and administrators – throughout every area of our business. It is their concerted efforts that make your company so successful in providing total solutions to our customers. As we acknowledge the role of every team member, it is with great pride that we congratulate our Chief Executive Officer on being honored as the "Visionary of the Year" for 2013.

We enjoy recognition as leaders in each area of activity – steel buildings, steel structures, HVAC products and services, our wide range of insulation products or precast concrete buildings

Chairman's Letter
(continued)

As a caring employer, we always seek to ensure that full attention is given to our employees and their families by implementing and adhering to all applicable health and safety standards. In the countries where we operate, we seek to employ local people to whom we offer training that enhances their knowledge and skills, enabling them to pursue a career path within our company to our mutual benefit. The growing number of women employed by our company in Saudi Arabia deserves a specific mention.

As a mature corporate citizen, your company takes its social responsibilities very seriously. Thus, we support our employees' communities, be they in Saudi Arabia, India, Egypt or Vietnam, through social and charitable activities in which all employees are encouraged to participate. We are also conscious of the need to protect the environment to the benefit of society as a whole.

At the heart of all we do is good corporate governance, which we have sought to strengthen yet further during the year under the firm guidance of our Internal Audit team. We also endeavor to operate ethically at all times and to the highest international standards of transparency and disclosure across all areas of our business.

Looking to the future, we remain optimistic of attaining further growth. In our core market, Saudi Arabia, the government has announced a substantial budget that again gives considerable attention to infrastructure and construction. Your company is well-positioned to derive maximum benefit from the opportunities available. Elsewhere, we remain confident of our ability to generate business despite the fact that the political and economic environments in some of our target markets remain uncertain.

Finally, I wish to thank all our stakeholders, the Board of Directors, shareholders, management and staff, customers and suppliers, for your continued support. Together we have proved successful in the past and together we can ensure the future success and prosperity of your company.

Khalid Abdullah Al Zamil
Chairman of the Board

We attribute our long-term success to the effective implementation of innovative ideas, and our flexibility and adaptability in responding to client needs

Abdulla Mohammed Al Zamil
Chief Executive Officer

Chief Executive Officer's Letter

Dear Shareholders and Colleagues,

In 2013, our company experienced another good year of strong performance across all sectors of our business. This continued success is the result of our dedication to excellence in all we do, our adaptability and flexibility in responding to customer needs, the repositioning of some of our businesses, the maintenance of strict management controls, detailed attention to operational efficiencies and the pursuit of targeted marketing.

During the past year, the global economic environment has undergone a marked change. Several developed economies, such as the United States and the United Kingdom, have begun to see growth, while the economies of many of the Eurozone countries remain in recession. Meanwhile, Asian economies have seen a decline in their growth patterns and as the year came to an end, they faced markedly reduced levels of investment.

Always conscious of the need for environmental protection and energy conservation, we have employed ozone-friendly chemicals in our production processes

In the Middle East, economic growth remained quite strong although several countries continued to be adversely affected by political disturbances and social uprisings. In our home market of Saudi Arabia, the overall economic and business environments remained strong. Real Gross Domestic Product (GDP) growth for the year has been estimated at 4%, with that for the non-oil sector at 5.4%, both indicators of a slight deceleration over the past few years. Inflation rose to 3.8%, but remains under control and is expected to decline in 2014.

The Saudi Arabian budget for 2013 continued to focus on strong and sustainable economic expansion, the ongoing participation of the private sector in national development and the creation of employment opportunities for Saudi nationals with estimated expenditures of SAR 820 billion (USD 219 billion), a figure that is actually expected to be exceeded by SAR 62 billion (USD 16.5 billion), increasing total expenditures to SAR 882 billion (USD 235.2 billion).

While the government remains the prime driver of the national economy, the private sector responded positively during 2013 through participation and investment in projects that resulted from government action. A major element of the budget was the construction of schools, hospitals and other medical facilities that created a demand for the products and services of our Saudi-based companies.

Throughout our areas of operation, infrastructure projects abound and our operations in prime locations of Egypt, India and Vietnam have been well-placed to derive maximum benefit. Our activities, however, have not been confined to those locations. A considerable amount of infrastructure development has also taken place in additional locations in Africa, the Indian subcontinent and in South East Asia, all locations where we have been successful. Slower growth across Asia has made the generation of new business increasingly challenging, due to tighter margins and increased competition.

In 2013, in response to growing market demand, we focused on expansion of the facilities in all of our Steel, Insulation and Concrete Sectors, and on the expansion of our product range and services in the HVAC Sector. In response to the observable growth in our business, we are in the process of hiring a substantial number of new employees with a wide spectrum of capabilities, including females in our HVAC Sector.

Chief Executive Officer's Letter
(continued)

Always conscious of the need for environmental protection and energy conservation, we have employed ozone-friendly chemicals in our production processes, stepped up production of insulation materials and improved our maintenance capabilities. We also continue to keep a watchful eye on new technologies in the fields of alternative and renewable energy that include the use of solar and nuclear power, especially in Saudi Arabia where the government seeks to diversify energy sources and move away from the use of oil in the domestic economy.

The success of our business can also be attributed to our loyal staff, some of whom have been with us for three decades. This loyalty has ensured continuity in all our activities. We have always sought to provide training of the highest quality to enhance the knowledge and capabilities of our employees while enhancing their value to our businesses. As a result, we employ a workforce that is not only effective, but also innovative and better prepared to respond to challenges. In addition to handling the career development of our own workforce, we are also able to supply the high-quality training necessary to grant professional qualifications to the employees of our customers in Saudi Arabia, among them Saudi Aramco and SABIC. In addition, we

The success of our business is very much due to our loyal staff, some of whom have been with us for three decades

encourage both male and female students from universities, technical colleges and secondary schools to attend summer programs at our facilities in order to gain exposure to the industrial environment prior to graduation.

Zamil Industrial is a socially responsible company that fully supports and participates in the communities in which we operate. Whether we provide support to the Food Bank in Saudi Arabia, participate in the donation of blood in Egypt, help the poor and destitute in India, or raise funds for charities in Vietnam, both our company and our employees provide whatever services we can in the hope of enhancing the lives of those in need. Once again, we sponsored a Robotics team from Dammam whose success in the Middle East led the team to participate in a global event held in the United States. The success of our many community-oriented efforts proves that we are in a unique position to make a difference in society, and that together we can make the world a better place.

In conclusion, I would like to thank all our stakeholders for their ongoing support and participation, without which I would be unable to report such excellent results for 2013.

Abdulla Mohammed Al Zamil
Chief Executive Officer

Business Operations Review

• Steel Sector

By being flexible and adaptable in responding to customer needs, Zamil Industrial's Steel Sector has again seen excellent growth

Since late in 2012, all Zamil Industrial's Steel Sector divisions have been owned by Zamil Steel Holding Company Limited, a Saudi registered Limited Liability Company. Known as Zamil Steel, the company is divided into two business groups: Building Products Group and Industrial Steel Products Group (ISPG). Within these groups, Zamil Steel offers a wealth of unsurpassed expertise, products and services across a wide geographical area from MENA to the Indian subcontinent and South East Asia. To ensure the provision of a full basket of building solutions, Zamil Steel works closely with other businesses under the Zamil Industrial banner, and as a result, the sector has an enviable record of success in some of the world's most promising and competitive markets. Flexibility and adaptability in responding to customer needs has enabled Zamil Industrial's Steel Sector to again experience excellent growth in both revenues and profits during 2013.

Building Products Group
The Building Products Group (BPG) comprises five business units: Pre-Engineered Buildings GCC (PEB-GCC), Building Component Solutions (BCOMS), Zamil Steel Egypt, Zamil Steel India and Zamil Steel Vietnam. The sector, as a whole, has performed well during the year across the spectrum of countries in which it conducts business. Overall, BPG's revenues have seen growth of 9.8% year-on-year and a marked rise in the bottom line of 118.5%, the result of a combined strategy of focusing on the most promising markets and improving the efficiency of the manufacturing processes employed.

Over the years, BPG has established a strong reputation for its comprehensive range of steel products, which are manufactured in proximity to major markets and in accordance with the highest international standards. The net result has been that while Saudi Arabia remains one of the Group's main markets, members of BPG routinely engage in business across the globe, including countries as diverse as Armenia, Belarus, Brazil and Mongolia.

PEB-GCC saw its revenues rise by 22.6% year-on-year, while BCOMS saw a substantial increase in revenue of 53.7% over the previous year – a figure that,

The PEB-GCC Business Unit has won orders both in Saudi Arabia and in some fifteen export markets

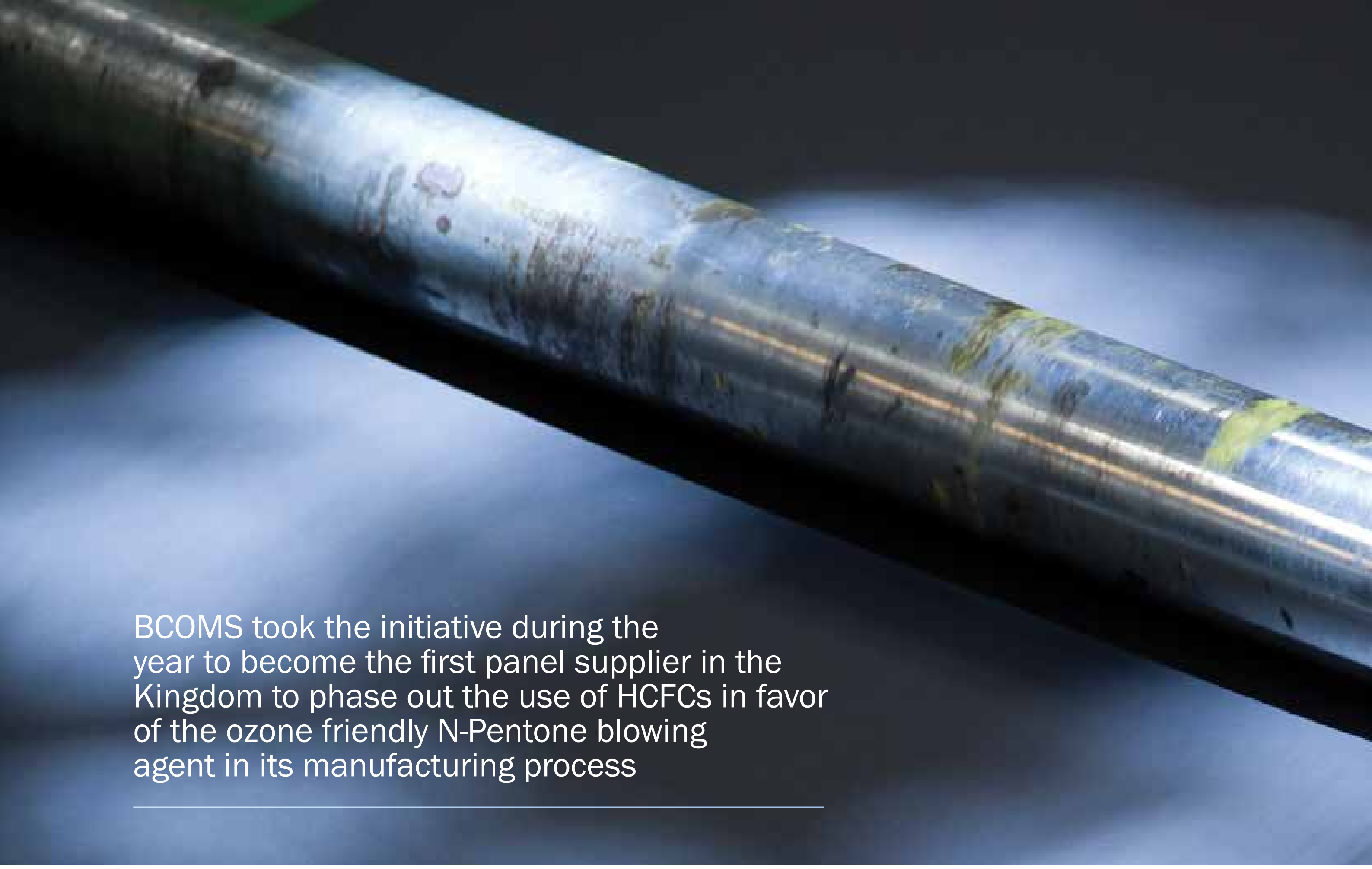
when added to that of 2012, indicates a 100% rise in revenues over just two years. Elsewhere, Zamil Steel Egypt experienced a very modest reduction in revenue and production, which amounted to 49,000MT; Zamil Steel India suffered a marked decline in production to 23,000MT as well as a lower level of revenue; and Zamil Steel Vietnam's production rose 2% to 46,000MT with a slightly lower level of revenue.

The PEB-GCC Business Unit has fulfilled orders both in Saudi Arabia and in some fifteen export markets, increasing total production at its two factories in Dammam and Ras Al-Khaimah by 17% over 2012 to exceed 91,000MT, with shipments rising by 12% to 102,000MT.

A majority of the Unit's business has been conducted within the Kingdom, where registration has been successfully completed with major companies and organizations across the country. The net result has been the receipt of orders from Saudi Aramco-Sumitomo Chemicals in Rabigh; for Sadara Chemicals in Ras Tanura; for the Saline Water Conversion Corporation (SWCC) in Yanbu; and for Saudi Elastomers, a SABIC company, in Jubail. Other large contracts included those for Aljawdah Ceramics Co. in Riyadh, Emdad in Dammam, and for the Al Muhaidib Group in Riyadh. A significant export venture worthy of mention is a warehouse project fulfilled for Alokozay International in Kabul, Afghanistan.

Twice during the year, PEB-GCC passed ISO surveillance audits and received a Civil Defense-Federal Certificate for the successful completion of the requirements needed to establish the appropriate preventive safety conditions.

BCOMS has benefitted from a growing portfolio of customers both in Saudi Arabia and overseas, and as a result, its production of sandwich panels increased by 48.0% over the previous year to 1.81 million linear meters in 2013, with total shipments reaching 1.76 million linear meters, 46.0% higher than 2012. The largest project commissioned during the year was for the SWCC at Ras Al-Khair. Other substantial projects included school buildings, a power plant for Saudi Electricity, two buildings for companies in Jubail and one building in Riyadh.



BCOMS took the initiative during the year to become the first panel supplier in the Kingdom to phase out the use of HCFCs in favor of the ozone friendly N-Pentone blowing agent in its manufacturing process

Always conscious of the overall operating environment, BCOMS took the initiative during the past year to become the first panel supplier in the Kingdom to phase out the use of HCFCs in favor of the ozone-friendly N-Pentone blowing agent in its manufacturing process. To meet growing demand, the company commissioned and commenced production at its new mineral wool insulated panels plant, while also taking the initiative to replace aluminum foil panels with those coated with stone glass paper.

In what has been a difficult year for Egypt and its people, Zamil Steel Egypt has increasingly sought new business across Africa; but not to the exclusion of projects in the home market. As a result, there has been a minimal decline in revenues of 0.2% over those in 2012, with production also falling slightly to 49,000MT, although total shipments grew 2% to 52,000MT. The Unit's prime projects included 4,400MT of steel for: an LG Electronics factory in Egypt, a sanitary ware factory in Nigeria, and several warehouses with a total order weight of 4,000MT for one of Ethiopia's largest engineering companies, on behalf of its Ministry of Industry. In addition, Zamil Steel Egypt supplied a terminal building at Cairo International Airport and four other projects totaling 10,000MT as well as the two major assignments of the year, military buildings and housing complexes in Algeria.

A major initiative of the past year that demonstrated the company's adaptability was the provision of support to Nestle Waters Egypt in preparing its recovery plan, following an extensive factory fire. The solution ultimately covered the implementation, engineering and execution of the renovated facility. As the year came to an end, the Sadat Factory Expansion was completed and commenced operation, providing much needed additional capacity amounting to 25,000MT a year. This is an indication of the company's confidence in the growth potential of its business in the years to come.

Business Operations Review

• Steel Sector
(continued)

Zamil Steel India has seen decline in production, shipment and revenues, due to prevailing economic uncertainty in the country and a lack of clarity as to the immediate future of the economy. To overcome domestic limitations, greater attention has been paid to export, in particular to Sri Lanka, which has now been added as a target country. Nevertheless, Zamil Steel India has fulfilled a number of major projects. In India, an eight-story building was constructed for the Abis Exports Soya Extraction Plant; two phases of a complex for Shimuzu Corporation and Bridgestone India were completed; a paper mill for Emami Papers Ltd was built in Orissa State; and a factory for Medreich Limited was built in Karnataka.

A landmark project, which began in 2012 and was commissioned in October 2013, is the factory for AkzoNobel India in Gwalior, which was highly challenging in terms of design, fabrication and erection. As for overseas business, Zamil Steel India exported a warehouse for Royal Ceramics Lanka Plc in Sri Lanka, and a bulk coal storage facility to Panama for Tecpro Systems, an established EPC company in India. This was the largest export order Zamil Steel India has filled to date.

Late in the year, a structural steel contract for the detailing, fabrication, supply and erection of the JBF Petrochemicals Ltd world-scale petrochemical plant in Karnataka was signed with Technip India. The project, which comprises 6,148MT of structural steel, is the single largest ever won throughout the history of Zamil Steel India. Production is expected to commence in March 2014. Such projects provide Zamil Steel India with considerable optimism for future success.

In 2013, Zamil Steel Vietnam's production increased year-on-year by 2% to 46,000MT, with higher shipments at 46,000MT, although revenues were modestly down on a year earlier. A number of major projects have been undertaken in Vietnam and at overseas locations, including complex pre-engineered buildings for the Batam LCT factory of Caterpillar in Indonesia, quarantine sheds for a major Vietnamese dairy company, a Copper-Molybdenum Plant in Mongolia, a factory building for Vina Kyoei Steel in Vietnam and a structural steel project for a raw material handling system and hot rolling mill factory for Shimizu Corporation and Posco E&C in Myanmar.

Evidencing confidence in the growth potential of its business in the years to come the Company's Sadat Factory Expansion was completed and commenced operation

Based on the list of projects fulfilled, we see that export makes up much of the Unit's activities, with assignments in numerous destinations in South East Asia that include Singapore, Papua New Guinea, Malaysia and Thailand. Projects won in the last quarter of 2013 included a PEB assignment of 4,000MT for a Melt Shop and Scrap Yard for Maeda Corporation, a Japanese company; a factory building project for Texhong Ngan Long of 2,000MT; and an 850MT contract for an airport industry project for Vinci-Muhibbah, Cambodia.

In order to keep all international certifications up-to-date, Zamil Steel Vietnam renewed its ISO 9000: 2008 Product Quality, OHSAS 18000 Labor Safety and Hygiene and ISO 14000 Environment Management certifications in 2013. The company also received a certificate naming it as a Trusted Quality Supplier in 2012.

Late in the year, Zamil Steel Vietnam moved to a new, eco-friendly Head Office in a landmark building in Hanoi. The new premises, where ten out of the company's fourteen departments are housed, officially opened in December.

Industrial Steel Products Group

The Industrial Steel Products Group (ISPG) comprises four business units: Structural Steel Division (SSD); Towers and Galvanizing (T&G); Process Equipment Division (PED); and Zamil Inspection and Maintenance of Industrial Projects Company (ZIMIPCO).

During the year, ISPG spent considerable time and effort completing a repositioning exercise, and as a result has experienced a limited overall decline in revenue while successfully raising profitability year-on-year by 2.9%. This provides evidence of the value of enhancing efficiency in the Group's activities and the success of its targeted marketing activities.

In 2013, the Structural Steel Division (SSD) faced a decline in revenue, production and shipment, but nevertheless undertook major projects for leading businesses in the Kingdom. These included Rabigh Refining and Petrochemical Company (Petro Rabigh), a business owned by Saudi Aramco and Sumitomo Chemical; Rabigh 2 and Yanbu Export Refinery, both located in the west of Saudi Arabia; and Saudi Arabian Mining Company (Ma'aden), for its calciner project at Ras Al-Khair on the Gulf Coast. The Division was also involved in export operations for two projects in Abu Dhabi; the Shah Gas Development and Takreer's CBDC (Carbon Black and Delayed Coker) project, where the supply, fabrication and delivery of structural steel for process and support structures was completed for the Bouroge 3 Expansion Project.

To enhance efficiency and factory throughput at SSD, a new drilling machine was installed and a malfunctioning robot was replaced with a new KCL Coping Robot. A refurbished KDX1215 beam drilling machine was also introduced, as was an alternative nesting scheme for the fabrication of steel members based on lean manufacturing principles with the aim of shortening throughput time and reducing plate losses, while ensuring 100% turnover of fabricated steel.

In November, SSD and PED participated in the Abu Dhabi International Petroleum Exhibition and Conference (ADIPEC), which is the largest oil and gas exhibition in the Middle East. This event provided a productive environment for both business units as they showcased their reliable and innovative products. The number and type of inquiries received provided considerable encouragement as to the development of future business.

Towers and Galvanizing continued its success with revenue growth of 4.6% over that of 2012, despite declines in both the production and shipment of finished product. Major projects included the supply of the largest tonnage ever by T&G to a single venture — 24,548MT of materials for National Contracting Company to be used in the prestigious Manifa-Qaisumah power transmission project. Additionally, materials were delivered to SSEM, AETCON and Hyundai and AIC for other Saudi Electricity Company projects, to Saudi Aramco for a power transmission upgrade in the Abqaiq region of the Eastern Province and to Samsung Saudi Arabia for the Saudi Aramco Shaybah #3 NGL Power Generation Project in the west of the Kingdom.

Exports delivered by T&G in 2013 comprised 3,500MT of four types of towers to the Public Electricity Corporation in Yemen, 1,015MT of 132kV transmission towers for an oil field project in Kuwait, 750MT of steel towers to the Etihad Rail Project and 682MT of transmission towers and substation structures for the Shamkha Grid Station in Abu Dhabi (UAE). Other destination countries for T&G transmission towers included Oman and New Zealand, while an order from the Philippines was booked late in the year for 115kV towers for a wind farm project.

Towers and Galvanizing continued its success with revenue growth of 4.6% over that of 2012

> The year also saw ZIMIPCO become the only Saudi company signing long form contracts with Saudi Aramco and SABIC for heat exchanger repairs

Process Equipment Division has experienced another very busy year that has seen revenues increase by 4.5% over that of the previous year, even though actual production and shipment fell in terms of volume. Major assignments were undertaken for several prominent clients in Saudi Arabia, among them Al-Jubail Petrochemical Co. (Kemya)/SABIC, Saudi Electricity Co., Petrorabigh and Saline Water Conversion Corp. (SWCC)/Sinopec, to all of which vessels have been delivered, and Saudi Aramco, whose orders included towers, columns and drums for the company's Jizan Refinery.

Of particular mention are three major projects that together evidence PED's high level of initiative and expertise. First, PED manufactured, for the first time, heavy, thick-walled columns for Saudi Aramco's Shaybah Project. This project involved the need for meticulous design and analysis as well as the resolution of several technical challenges during the engineering and realization processes. The second project produced the first ever special alloy, high-pressure steam drums and tower accumulators, made in accordance with the most stringent design codes of ASME Section VIII for CMI Solar, to be installed at the Khi Solar One Concentrated Solar Power Plant in South Africa - a landmark achievement for PED. To complete the third project, PED manufactured a heavy, thick-walled vessel inlet separator for Saudi Aramco's Wasit Inlet and Gas Processing Project. It was the first heavy-wall-cladded horizontal vessel designed and manufactured in the region. The numerous technical challenges that were overcome during the engineering and production stages, during which the vessel was required to meet the most stringent codes: ASME Section VIII, Division 2, are a testament to the professionalism of PED management, engineers and technicians.

To lower operational costs and improve productivity, PED developed a new technique using ceramic oxide flap discs instead of the conventional aluminum oxide grit discs. The new process offers several benefits, including reduced emissions of dust and lower heat accumulation, to ensure that there is no damage to welding joints. Furthermore, a new factory bay that allows for an increase in monthly output of 200MT and for the production of larger vessels of up to 10 meters in diameter became operational.

During the year, PED signed a Memorandum of Understanding (MoU) with Areva and EDF for the Saudi Nuclear Energy Program of King Abdullah City for Atomic and Renewable Energy (KACARE). The MoU foresees Zamil Steel's

Business Operations Review

• HVAC Sector

participation in the procurement process for products essential to the construction of nuclear power plants in the Kingdom.

As the year came to a close, PED was in the process of implementing a customized Microsoft Enterprise Project Management (EPM) system with the aim of improving project management processes, manufacturing efficiency, quality control processes and financial analysis of projects.

Zamil Inspection and Maintenance of Industrial Projects Company had considerable success in generating new business and completing projects in 2013, resulting in a marked rise in revenue of 35% over the previous year. Projects undertaken have included the repair and retubing of heat exchangers, repair and fabrication of flare tips, replacement of catalysts and pipework and protection and preservation of equipment, mainly for Saudi Aramco and SABIC. ZIMIPCO also constructed a back-up flare at Shedgum Gas Gathering Manifold and undertook two major shutdowns at the Jeddah Refinery. During the past year, ZIMIPCO also became the only Saudi company to sign long form contracts with Saudi Aramco and SABIC for heat exchanger repairs.

Innovative as always the Unitary and Applied Business Unit developed and supplied a specially designed portable heavy duty air-cooled air conditioning unit for the Bahrain Defense Force

The Applied Product Unit successfully developed five new package units including one that is explosion-proof

Zamil Industrial's HVAC sector is represented by Zamil Air Conditioners, the largest supplier of air conditioners in the Middle East, whose business is divided into the following units: Unitary and Applied, Consumer and CoolCare in Saudi Arabia and Geoclima in Italy. During 2013, a new holding company, Zamil Air Conditioners Holding Company Limited, was formed and assumed ownership of all the Company's HVAC businesses.

Zamil Air Conditioners has once again completed a successful year, with its revenues rising by 9% over the year before to a new record high, while its bottom line also rose by 3% over that of 2012. Within the separate business units, growth was especially evident in the Unitary and Applied Business Unit and in CoolCare. These achievements were attained despite tough competitive conditions and strongly reflect the strict management controls, adaptability and flexibility in pursuing business, and large capacity for innovation of Zamil Air Conditioners.

The Unitary and Applied Business Unit consolidated its position as a leader in the field by fulfilling many projects for customers across Saudi Arabia, such as the supply and installation of an Isocyanate chiller at the Sadara polyethylene plant; housing for King Abdul Aziz University, King Abdullah Financial City and the Saudi Arabian National Guard; new schools for the Ministry of Education; customized air conditioning systems with centrifugal chillers, equipped with titanium condensers for sea water applications to be installed at the Jeddah South Thermal Power Plant for the Saudi Electricity Company and Hyundai Heavy Industries Company; three Mitsubishi centrifugal chillers with variable frequency drives for the Royal Commission headquarters tower; and units for a 200-bed hospital and medical college in Hail for the Ministry of Health.

Business Operations Review

HVAC Sector

(continued)

> The Heavy Duty Product Unit developed a new generation of process-cooling-chillers with wider water temperature range of operation for various industries

Innovative as always, the Unitary and Applied Business Unit developed and supplied a specially designed, portable, heavy duty air-cooled air conditioning unit for the Bahrain Defense Force, while the Applied Product Unit successfully developed five new package units, including one that is explosion-proof. Within the Business Unit, the Heavy Duty Product Unit also developed a new generation of process-cooling-chillers with a wider water temperature range of operation, suitable for various industrial applications.

The Consumer Business Unit had another busy year fulfilling assignments in Saudi Arabia and also overseas, especially in other GCC countries, Yemen, Iraq, Ghana, Bangladesh, Iran and Tunisia. The provision of air conditioning for housing and school projects was the prime focus of the unit's activities, with clients that included the Saudi Arabian National Guard, SABIC, Saudi Aramco, Saudi Electricity Company and the Ministries of Defense, Education and Health.

Of particular note in 2013 was the design, development, delivery and commissioning by the Consumer Unit, together with Geoclima in Italy, of a Glycol (sub-zero) Process Cooling System for United Food Industries in Dammam. This was the first ever low temperature, chilled water cooling system developed by Zamil Air Conditioners.

Later in the year, the Company's heavy duty cooling team successfully commissioned the first ever water-cooled Turbocor Centrifugal Chiller in the Middle East. The unit, which is truly advanced in terms of cooling capacity and energy savings, meets the climate control needs of clients and the new regulatory requirements more completely than ever before by operating with an increased efficiency that simultaneously lowers energy costs and protects the environment. Another new development has been the variable refrigerant flow series of multi-indoor, single out-door systems using Emerson Digital Scroll technology, for which major orders were received during the year from Ma'aden Housing, Riyadh International Airport and a private company office in Jeddah.

Taken together, these projects once again prove the extensive capacity for innovation of the designers, engineers and technicians at Zamil Air Conditioners.

The CoolCare Business Unit received major projects from Saudi Aramco in Dammam and Qassim University in the Central Region, while CoolCare MRO won several maintenance and preventive maintenance contracts from companies such as SAMREF, the Saudi Arabian Mobil Refinery Company in Yanbu on the Kingdom's Red Sea coast.

The Group's ambitious plans for expansion of its manufacturing facilities moved forward during the year with AFICO's new manufacturing plant in Dammam commencing operations

Business Operations Review

• Insulation Sector

Zamil Industrial's insulation business units, Arabian Fiberglass Insulation Co. (AFICO), Saudi Rock Wool Factory (SRWF), Armacell Zamil Middle East Co. (AZMEC) and Saudi PreInsulated Pipe Industries (SPPI) all operate within Gulf Insulation Group (GIG), of which Zamil Industrial is the managing partner, holding 51% of equity. Based in Riyadh, GIG is the regional leader in insulation manufacturing, and enjoys a strong reputation as a provider of environmentally efficient solutions to the construction sector. The Group's products, which include glass wool, rock wool, elastomeric nitrile rubber thermal and acoustic insulation, and pre-insulated pipes, are all manufactured in Saudi Arabia according to the highest international standards and make up the most comprehensive range of insulation materials available in the Middle East from a single source.

For GIG, 2013 proved to be another good year, as evidenced by consolidated earnings and revenue growth of 2%. All GIG business units experienced overall growth, providing a firm foundation for GIG to build upon in the coming years.

The Group's ambitious plans for the expansion of its manufacturing facilities moved forward during the year, as AFICO's new manufacturing plant in Dammam commenced operations mid-year with an installed capacity of 24,000MT, raising the company's total capacity to 37,000MT. In addition, SRWF's new factory at Al-Kharj was commissioned as the year came to an end; and SPPI's new factory commenced production during the last quarter.

Throughout the year, there was steady market demand for AFICO's insulation products both in Saudi Arabia and the

Business Operations Review

• Insulation Sector (continued)

GCC. The company increased production by 9.8% and sales levels in Saudi Arabia were maintained at the same level as a year earlier. Exports saw a slight dip as the company's MENA markets faced trying times.

Major projects for AFICO in 2013 included Al-Jouf University in Saudi Arabia and Dragon Mall 2 in the UAE. Later in the year, AFICO was awarded and began the commissioning of a number of projects, namely for Salalah and Muscat International Airports in Oman, the Fairmont Hotel in Abu Dhabi and the Abdali Mall in Jordan, as well as several projects in the three main centers of Saudi Arabia. In support of its activities, the Audit for Dubai Central Laboratory (DCL) was successfully completed, while ISO and UL certification were in the process of renewal as the year ended.

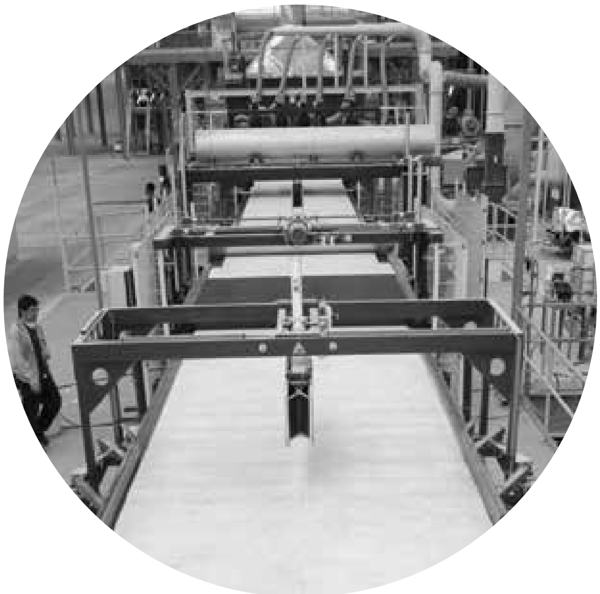
SRWF enjoyed a successful year, as its overall revenue increased by 21% compared to the previous year; exports grew by 9.6%; and production rose by 6.3%. The business unit was so successful that some Rockwool materials had to be imported to meet demand due to a shortage in production capacity, a situation that will be overcome as the new plant comes on stream in the year ahead.

In 2013, SRWF gained technical approval and customer accreditation for several projects, including but not limited to housing for the Saudi Arabian National Guard, King Abdulaziz International Airport in Jeddah, housing for Dammam University and the Power Plant at Ras Al-Khair, all in Saudi Arabia, as well as for the Civil Defense authorities in Qatar. A number of new certifications were received during the year, including A1 (non-combustible) from Exova/Warrington Laboratories, UL723 and CFC Free from DCL, while existing ISO 9001, EN13162, CE and Green Building certifications were updated.

Production volume at AZMEC increased 23% year-on-year, while productivity and the scrap rate both improved. Sales declined slightly, 4% over those of 2012, and exports also declined, although there were excellent signs that the Saudi market had improved by 20% and therefore had become increasingly promising. Major projects won or commissioned in 2013 included the Presidential Palace in Abu Dhabi; Burj Jumeirah Projects in Dubai; Rafal Towers, King Abdullah Financial District and King Abdullah Sports City in Riyadh; and a new project at Ras Al-Khair in Saudi Arabia. ISO Certification and FM Approval were received during the year.

Export sales were an important income generator for SPPI, as they increased 72% year-on-year as a direct result of wider market coverage and increased concentration on Qatar, a solid market for the business unit. Production also increased but overall sales declined, in large part due to delays in assigned projects.

SRWF's new factory at AlKharj undergoing commissioning as the year came to an end



SPPI's new factory, which features spray insulation, was commissioned during the year. This increases the business unit's production capacity by 300%. Major product destinations were Imam Muhammad Ibn Saud University and the Al-Ohadieh Tabuk Project in the Kingdom, Qatar Petroleum's EPIC project at Ras Laffan in Qatar and Sabah Al-Salem University in Kuwait.

As part of Gulf Insulation Group's marketing activity during the year, GIG, SRWF and SPPI underwent a rebranding exercise that resulted in new logos for each company that now appear on all promotional and corporate literature.

Business Operations Review

• Concrete Sector

Zamil Industrial's concrete sector interests are represented by Rabiah & Nassar and Al Zamil Concrete Industries Co. Ltd. (Ranco & Zamil), which the Company holds a 50% stake. Ranco & Zamil designs, manufactures and erects precast concrete buildings. It produces various elements such as wall panels, columns, pre-stressed beams, pre-stressed flat and hollow-core slabs, Double T, boundary walls and other elements used in road construction.

Revenues for the year grew 15.8% over those in 2012, while production increased 39.5% year-on-year. Monthly output at the factory neared 10,000m^3, a major milestone in the history of the company. Furthermore, erection output rose markedly by 52.8% during the year.

Business Operations Review

• Other Sectors

Revenues for the year grew 15.8% over those in 2012, while production increased 39.5% year-on-year

Production and erection work on a landmark villa project for the Saudi Arabian National Guard commenced during the year, while a number of projects, such as those for Qassim University's language, science, economics and electronics buildings; Samsung's Shaybah project; and FAD Company's parking garage project were completed. Newly acquired projects included a housing project in Abha, an extension to Ranco Village and sub-stations in Wadi ad-Dawasir, Yanbu and several other locations.

In response to solid demand for precast panels, 20 panel manufacturing tables were added, along with a new line assembly in factory 5 to augment the existing manufacturing capacity. Also, to meet the rising demand, an abandoned TT line has been refurbished and made operational; new areas have been set up for the production of ancillary items such as water tanks, stairs, slabs, barriers and cornices; and the loading area has been strengthened to ensure the safe handling of the expanded level of output.

During the year, the company attained certification from Saudi Aramco as an approved vendor and received renewal of its ISO 9000 certification. In support of the goal of encouraging Saudi nationals to enter the workforce, 100 Saudis were recruited in 2013, and special efforts were undertaken to bring them into the operational mainstream through mentoring and on-the-job training.

Zamil Infra Private Limited (ZIPL) is the joint venture company within the Zamil Industrial group that participates actively in the rapidly growing alternative and renewable energy sector as well as in telecommunications. Based in India, ZIPL offers integrated design, engineering, procurement, construction and project management services in the telecom, infrastructure and renewable energy sectors.

In 2013, ZIPL spent considerable time and effort in developing new markets for its business – but not to the exclusion of fulfilling projects and assignments for existing customers in Nepal, Dubai, Saudi Arabia and the Philippines. A major partner for ZIPL in its areas of operation was the Chinese telecoms company Huawei, with whom work has been undertaken in several markets.

In Nepal, investments in network building slowed, although developments in the wireless network were supported by an increasing number of subscribers. In this environment, ZIPL successfully executed projects for Nepal Telecom, NCell and Smartel that included 3G network upgrading and the building of solar sites. Of particular note is ZIPL's long-term partnership with NCell, the country's number one operator, in successfully building and managing more than 55% of the company's network.

In Dubai, ZIPL succeeded in becoming registered as a global supplier of products and services to both MTN and Etisalat. Global procurement activities for MTN have already commenced, while the registration with Etisalat will enable ZIPL to participate in the acquisition of products and services in the nineteen countries within that company's network. In Saudi Arabia, ZIPL fulfilled contracts for Zain on a Saudi Aramco project and with ZTE for fencing work. CCTV masts were also fabricated, supplied, transported and installed for JBSA. In the Philippines, 455 microwave and wireless telecom sites were implemented for Huawei and Globe Telecom.

Looking to the future, ZIPL is actively examining the potential in Myanmar, one of the last largely untapped telecoms markets in the region. ZIPL has registered as a supplier and service provider to PT Indosat, one of the largest telecom operators in Indonesia; and has incorporated a local entity in Kazakhstan in order to serve Huawei as it rolls out 3,000 sites across the country.

Market Outlook
in 2014

The global economic environment underwent progressive change in 2013, with many markets in the developed world beginning to see shoots of recovery after several years in recession. To the contrary, the economies of Asia that experienced sustained growth over the years following the financial crisis of 2008 began to decline.

In the recent past, the Central Banks of the United States, Japan and Europe all opened their vaults to pour money into their economies while maintaining low interest rates with the aim of stimulating economic growth. Such moves have proved generally beneficial except in parts of Europe where economies have continued to evidence negative growth. Elsewhere, for example in India, interest rates were raised to help curb inflation but in the end had a detrimental effect on domestic demand and exports.

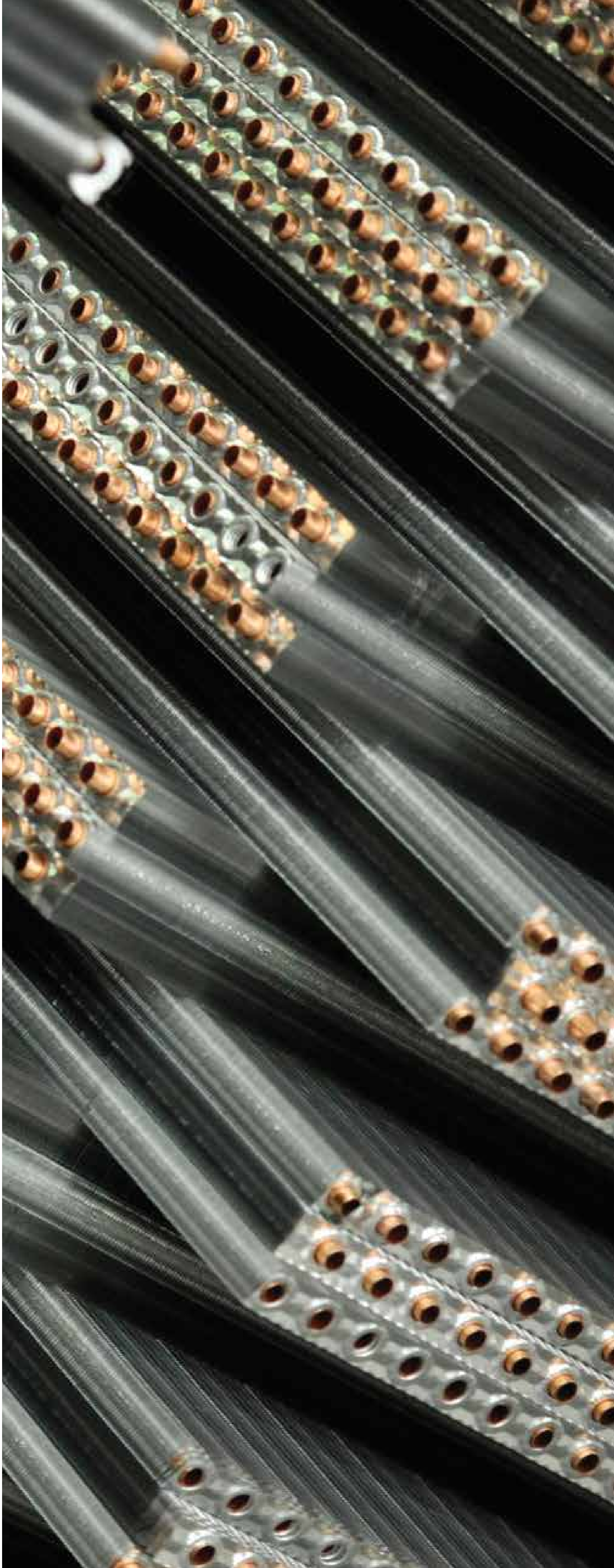
Looking ahead, confidence prevails that there will be better, more balanced growth in 2014 than in the immediate past. The International Monetary Fund (IMF) projects the overall growth of world output by 3.6% in 2014 as compared to its estimate of 2.9% for 2013. Nevertheless, clouds remain overhead, especially in Asia.

The price of oil remained above USD 100 per barrel all year, with the average price for Brent Crude, the international benchmark, approximating to an average of USD 106 a barrel, with a high in February of USD 116 and in December of USD 111. Indications in the market predict a possible softening of the price in the coming year with increased production anticipated from some Middle East countries along with marked growth in shale oil recoveries in the United States and Canada. This situation could certainly impact Saudi Arabia, resulting in lower prices and reduced production levels.

Saudi Arabia
After a large increase in government spending in 2013, the Saudi government has announced a balanced budget, with projected spending at SAR 855 million (USD 228 billion), 4% higher than a year earlier, for 2014. This figure provides evidence of the government's desire to ensure continued stimulation of the national economy and to create jobs for its youthful population.

As in past years, the prime focus is on education and manpower and on health and social affairs. Together, these account for approximately 38% of the total budget, excluding defense and security, with infrastructure development, transport and communications as other prime beneficiaries. Revenues are also budgeted at SAR 855 billion (USD 228 billion), of which 90% will be derived from oil. Given the importance of oil to the budget, and in anticipation of changing circumstances in world oil markets, considerable attention is being given to establishing major export-oriented downstream industries and to sourcing alternative sources of energy, including solar and nuclear. This will enable a reduction in the provision of oil for domestic consumption, thereby increasing its availability for export.

Construction absorbs a sizeable element of the sectoral budget allocations. In the education sector alone, SAR 188 billion (USD 50 billion) will be spent on 465 new schools; 1,544 will go to ongoing school construction projects; eight new colleges,



Market Outlook
in 2014
(continued)

the renovation of women's colleges; and the building or expansion of facilities for the Ministry of Higher Education. Health and Social Affairs is allocated SAR 108 billion (USD 29 billion) for the construction of hospitals and medical centers and complexes as well as sports, social and rehabilitation centers and social security offices. Further government expenditures will be incurred on road projects, industrial cities and infrastructure facilities at Ras Al-Khair, the major industrial city in the northeast of the Kingdom along the Gulf coast.

This plethora of construction opportunities in the Kingdom is expected to create strong downstream potential for products and services from the private sector, including for Zamil Industrial across all of its Saudi-based business units.

Emerging Markets
Zamil Industrial has interests in Egypt, India and Vietnam, from where the company transacts business both domestically and across Africa, as well as throughout the Indian subcontinent and into the CIS and South East Asia.

The past three years have seen considerable disruption in Egypt and while the political situation seems to be stabilizing, there remains no evidence of a meaningful economic policy. Nevertheless, informed opinion suggests that investment confidence is returning. With a new factory now on stream, the company's Egyptian operations are in an excellent

position to derive maximum benefit from any new projects. Countries within the African continent are also target markets. According to the International Monetary Fund, the markets of sub-Saharan Africa saw robust economic growth in 2013 and are expected to experience further and faster growth in 2014. Zamil Industrial has already made inroads across the continent and is well-positioned to take advantage of new business opportunities as they arise.

Economic growth in India slowed markedly in 2013, with a devalued rupee, high inflation and a rapidly expanding budget all emerging as topics of concern. This has had an adverse impact on the private sector, reducing the opportunities available and cutting margins while intensifying competition for new projects. As the year ended, there were no clear signs of change. Despite economic growth predicted at 5.4%, a figure considerably higher than in many developed markets, 2014 may well evidence continued market turbulence. Export in and around the subcontinent is deemed to offer considerable potential, especially in those markets already penetrated such as Sri Lanka and Nepal.

The economies of South East Asia are growing more slowly now than they have for some years. Indications are that this will continue across the region in 2014, especially since heavy divestment by entities in the developed countries has continued apace, an activity that may well impact new private sector opportunities. Nevertheless, several of Zamil Industrial's operations, including those in Vietnam, already serve many South East Asian markets and so are well positioned to pursue new business as and when it arises.

Corporate and Shared Services Review

Corporate Governance principles and practices are wholly integral to the Company's activities

Zamil Industrial's Corporate and Shared Services bring the advantages of size, better utilization of resources and the synergies of the corporate organization to the Company's business units. Corporate and Shared Services uses its vast body of expertise to foster growth and mutual cooperation across the enterprise in line with the Company's Vision and Mission Statement. Several essential achievements were recorded in 2013.

Corporate Governance

Zamil Industrial's Corporate Governance principles and practices are wholly integral to the Company's activities. They seek to ensure that the Group as a whole is committed to creating long-term value for all its stakeholders, be they customers, employees, shareholders or all the communities in which the Company operates. The importance of honoring this commitment is enshrined in the Company's Code of Business Conduct and Ethics, Corporate Governance Guidelines, the Charters of the Board of Directors' sub-committees, and the Company's Disclosure Policies, which seek to ensure the transparency and veracity of all information disseminated.

Sound Corporate Governance is absolutely critical to the Company's business integrity, to the maintenance of investors' trust and to the future success of Zamil Industrial.

The Board of Directors has ultimate responsibility for ensuring the formalization of the Company's values and policies and the ongoing application of good governance across the Group. The Directors assess performance on an annual basis, determine a suitable balance between strategy and financial and operational performance, oversee risk management, internal controls and the safeguarding of assets while also keeping Board and executive succession plans up to date.

170 audit assignments were conducted across the Group with the result that 1,300 audit recommendations for improvements were issued

Internal Audit
Internal Audit primarily provides an independent and objective opinion to Zamil Industrial on issues of risk management, control and governance. Reports are presented quarterly to the Company's Audit Committee, but Internal Audit also has direct access to and is ultimately accountable to the Chief Executive Officer and the Board of Directors.

During 2013, 170 audit assignments were conducted across the Company and as a result, 1,300 audit recommendations for improvements were issued. The recommendations implemented during the year included cost reductions, strengthened control over materials and fixed assets and improvements in operational efficiency. Integral to its function, Internal Audit followed up on 800 recommendations and found that 500 of them had been accurately implemented; 120 were in the process of implementation; and 180 remained to be implemented.

Legal Affairs
The main responsibilities of Legal Affairs include the provision of legal counseling to all operational units of Zamil Industrial and the handling of day-to-day corporate affairs.

In 2013, the Department processed more than 68 legal services requests, received from business units and subsidiaries internally and in association with the Company's affiliated law firms. Among the legal tasks handled was the preparation of the Articles of Association of the new Zamil Air Conditioners Holding Company; amendments to the Articles of Association of Saudi Pre-Insulated Pipes Industries, First Insulation Company Ltd and Al Zamil Air Conditioning and Refrigeration Services Company WLL. Another task was the conversion of the Saudi Rock Wool Factory from a branch of Gulf Insulation Group to an independent limited liability company.

Conducting legal due diligence related to the acquisition of new companies is a recurring exercise for Zamil Industrial Legal Affairs. It also processed trademark applications for AFICO, SRWF and SPPI following the introduction of their new logos.

The Group seeks to provide employees with a clear career path and, ultimately, to engender their loyalty

Human Resources

Zamil Industrial is a major private sector employer in Saudi Arabia, working wherever possible with the government, under the Nitaqat program, to encourage Saudi nationals to enter the workforce. In other locations where the Company maintains operations, a substantial majority of its employees come from the local population. Regardless of the location of operation, Zamil Industrial always seeks to ensure not only fair salaries and benefits for its employees, but also supports career development by providing the appropriate training to enhance their skills and expertise. In pursuing these aims, the Company seeks to provide employees with a clear career path and, ultimately, to engender their loyalty. The Company also provides considerable support to employee communities wherever it conducts operations.

In 2013, as business units expanded to meet the demands of customers, 4,226 new employees were recruited, of whom 43.9% or 1,759 individuals were Saudi nationals. Of the latter, 1,685 joined the steel sector and 1,671 commenced employment in the HVAC sector. These figures far exceeded the targets set for the year. In addition, skilled employees were sought in a number of other countries including Nepal, Pakistan and Sri Lanka.

In seeking to employ Saudis, 42 recruitment campaigns were undertaken

As business units expanded to meet the demands of customers, 4,226 new employees were recruited, of whom 43.9% or 1,759 individuals were Saudi nationals

Corporate and Shared Services Review
(continued)

over the course of the year, a majority in Saudi Arabia, mainly at universities, technical colleges and secondary schools. Additional campaigns were held in Washington DC in the USA, and Toronto in Canada, in which graduates of universities were targeted. As an incentive to would-be Saudi employees, minimum basic salaries were defined early in the year and then raised by 25% in July.

An important feature of recruitment at Zamil Industrial is the employment of females. This activity commenced early in 2012 when 33 females were recruited to run the sub-assembly section at Zamil Air Conditioners under a program known as Tamkeen 1. This initiative has been such a success that a corporate decision has been taken to increase the number of females in the workforce. At the year's end, there were 92 approved vacancies for females in both administrative and technical roles that required qualifications ranging from high school certificates to graduate engineering degrees.

To encourage employees to aspire to work to their full potential, an annual event is held by the company to honor and recognize the achievements of those staff members

Corporate and Shared Services Review (continued)

To encourage employees to aspire to work to their full potential, an annual event is held by the Company to honor and recognize the achievements and work excellence of those staff members, at all levels within the business, whose performance has exceeded expectations.

Training

The past, current and ongoing success of all Zamil Industrial business units and their employees is closely linked to the provision of high quality career and industrial training.

Most in-house training is provided by the Zamil Higher Institute for Industrial Training (ZHIIT). Training is offered not only to Company employees but also to employees of other companies on a contractual basis through the Institute, which opened in 2012 and is outfitted with the most up-to-date equipment and learning aids in its workshops and laboratories.

The Industrial Training Institute provides employees of Zamil Industrial business units with technical training such as welding, machine operation, and fabrication as well as software training for those working in administration. Other courses provided include English language and business courses such as supervisory, presentation and sales skills, first aid, finance for non-finance professionals and information technology.

From the outset, ZHIIT sought to provide a series of specialized diploma programs for engineers and technicians. Several of the programs have been accredited by the UK's Edexcel Corporation and, in the Kingdom, by the Saudi Arabian General Technical and Vocational Corporation. Edexcel's role is to evaluate and approve vocational training programs and centers worldwide. In Saudi Arabia, Edexcel has cooperated with the United Kingdom's Grimsby Institute of Further and Higher Education, a well-established provider of vocational training in the fields of air conditioning and refrigeration. The Grimsby Institute also assisted in establishing ZHIIT's Quality Assurance and Control Unit, which is wholly integral to Edexcel Accreditation. In addition to technical training, ZHIIT provides a wide range of English language training courses under a license from the Ministry of Education.

Although ZHIIT commenced operations in 2012, it was in December of 2013 that the Institute received the honor of official inauguration by HRH Prince Saud bin Naif, the Governor of the Eastern Province.

From the outset ZHIIT sought to provide a series of specialized diploma programs for engineers and technicians

Earlier in the year, the Institute also received an official visit from the United States Ambassador to the Kingdom.

During the year, ZHIIT initiated a two-year training agreement with Saudi Aramco following that company's approval and accreditation. The first year of the program to be provided will be largely academic; with technical and work-related skills introduced in year two. A total of 152 national employees of Saudi Aramco currently participate in the training program. In addition, Instrumentation and Control Technology courses were provided to 31 employees of SABIC at Jubail, with a further seven employees undertaking HVAC training courses.

Similar courses were also provided to employees of a number of local companies, including Advanced Petrochemical Company and Saudi Electricity Company. In addition, technical courses, such as HVAC Training – Factory and Site, were provided to a total of 37 employees from Al-Khafji Joint Operations, Al-Osais Contracting Co., Saudi Services for Electro-Mechanic Works Co., Larsen and Toubro, and Gulf Group Company. Overall, 405 local employees participated in ZHIIT training projects.

The center offered a series of courses comprising HVAC and Product Training, English Language, Refrigeration and Air Conditioning Technology, the Development of Management Skills and Construction Management to Zamil Air Conditioners and Zamil CoolCare. Courses on the latter two subjects were also provided to other Zamil Industrial business units.

During the year, and as part of the Company's initiative to support the local community, a group of university and college students attended Zamil Industrial's "Training Opportunity Programs". These programs consisted of on-the-job training for 35 male and five female graduates as part of the Company's annual summer and cooperative training programs. Furthermore, a cooperation agreement was also finalized with Dammam College of Technology in support of the recruitment of Saudi graduates to Zamil Industrial business units across the Kingdom. Graduates of disciplines including mechanical technology, air conditioning, refrigeration, production and electrical technology are always in high demand.

Two new IT functions were introduced that will benefit from the emergence of Cloud computing

Information Technology
Information Technology is a vital element of a successful business and Zamil Industrial has made a major commitment to excellence in delivering IT capabilities to all business units, especially in the facilitation of growth in manufacturing, supply chain, finance and human resources.

Following the transformation of the role of IT in Zamil Industrial in 2012, two new IT functions were introduced before the beginning of the year that will benefit from the emergence of Cloud computing. Since their introduction, one of the Company's in-house developed applications has been moved to the Cloud and two new applications have been released to Zamil Steel business users. Meanwhile, the transfer onto global enterprise resource planning (Global ERP) single instance has continued, and Zamil Steel BPG will go live early in 2014. This means that Global R12 instance will then accommodate thirteen Zamil Industrial business units, a figure expected to rise further in the coming twelve months.

The rapid progress in mobile technology over the past year or so led ITG through the development and implementation of mobile applications for Field Service Technicians in Zamil Air Conditioners Consumer S3G, which in turn has improved efficiency and the customer experience while differentiating Zamil Industrial from its competitors.

During the year, a number of strategic projects were initiated to upgrade Zamil Industrial's IT infrastructure. The Windows Privilege Management System, end-user monitoring, data labeling and encryption projects were all completed, while the global Cloud e-mail service, Cloud disaster recovery, network replacement and global security domain consolidation were all under implementation. Furthermore, inefficient software was replaced and software licenses consolidated, thereby ensuring significant cost savings.

To enable identification of opportunities for business process improvement and the streamlining of integration among business applications throughout all

Zamil Industrial business units, a new IT function, "Enterprise Business Process Management," was introduced late in the year. Since then, the new function has been used on five Company projects focusing on the best use of technology through improved process cycle times and the prospects for centralizing business modules, with the ultimate aim of reducing overall operating costs.

Cyber security is of prime importance to Zamil Industrial. In 2013, 12,765 incidents were resolved, 84% on the same day. To ensure overall satisfaction with ITG and its activities, an internal satisfaction survey was conducted. The questionnaire received 1,120 responses, indicated a 94% level of satisfaction, which was unchanged from 2012.

The rapid progress in mobile technology over the past year or so led ITG through the development and implementation of mobile applications for Field Service Technicians

SHE rates have improved 43% over the year; incident free days improved by 30% year-on-year and frequency and severity rates saw marked improvements of 77% and 52% respectively

Loss Prevention and Safety
The central role of the Loss Prevention Department at Zamil Industrial is to instill the highest level of Safety, Health and Environmental (SHE) awareness in every single person in the workplace. The Department is focused on minimizing the potential adverse effects of Company operations on both employees and the environment.

To achieve the desired ends, the Loss Prevention Department implements SHE Training and Awareness Programs and Emergency Action Plans on a continuous basis, conducting actual fire drills at all Zamil Industrial Business Units while overseeing the Company's Safety Award Program. The Department also performs safety observational reporting and regular inspections and audits that are followed up with statistical reporting. The ultimate aim is to ensure a truly safe working environment for all employees in order to minimize injury and ensure their safe return to their homes and families while helping to maintain manufacturing quality and workplace efficiency. SHE data is not only used internally but can be made available to business units as part of their presentations when pre-qualifying for tenders and permits to operate or for meeting the requirements of customers, partners, agents and the authorities in the many locations in which the Company operates.

Much has been accomplished in 2013. SHE rates have improved 43% over the year before as compared to a targeted minimum of 5%; incident free days improved by 30% year-on-year; and frequency and severity rates saw marked improvements of 77% and 52% respectively in comparison to the previous year's performance. During the year, 404 SHE Training and Awareness sessions were held, attended by a total of 5,067 participants, with each employee attending 2.54 hours of training as compared to the target of 2.5 hours.

Fire drills at all Zamil Industrial business units, including joint venture operations, were carried out in Saudi Arabia, Vietnam, Egypt and the United Arab Emirates on two occasions during the year. Numerous on-site SHE surveys, technical assessments, reviews and consultations, as well as safety inspections, were undertaken throughout the twelve-month period. In support of employees and their families outside the workplace, a Home Safety Handbook was prepared and distributed.

Civil Defense Permits were obtained for Zamil CoolCare in Dammam First Industrial City, the Zamil CoolCare Shop in Dammam, the Zamil Higher Institute for Industrial Training, and the Zamil Air Conditioners consumer warehouse in Al-Khaldiyah.

Looking back over the year in statistical terms: 8,386 SHE operations were undertaken, as were 2,924 fire protection operations and 26,164 security operations, the latter comprising security patrolling, audits, visits, inspections, surveys, investigations, risk assessment reviews, reporting, and ambulance inspections. In addition, 669 technical studies were made. The Safety Award for the Best Safety Performance in 2013 went for the second year in succession to the Zamil Air Conditioners Unitary and Applied Business Unit factory, which secured a total rating of 98.6% with A+ grades on most evaluation criteria.

Corporate Social Responsibility

Zamil Industrial is proud of its commitment to the communities in which it operates, and has maintained contact and provided support throughout the year through charities and like-minded institutions that seek to assist the less fortunate. But it is not solely a corporate exercise, as employees are also encouraged to volunteer their time and energy to community projects. The response has been positive at all Company locations.

In Saudi Arabia, a prime area of focus throughout 2013 was the Saudi Food Bank (Eta'am), which Zamil Industrial helped to create and continues to support firmly. Eta'am was founded in 2011 in the Eastern Province to provide food to

Zamil Industrial prides itself on its commitment to the communities in which it operates.

In Saudi Arabia a prime focus of the Group's activities has been the Saudi Food Bank (Eta'am). In the two years since Eta'am was formed it has distributed more than 300,000 meals of excess food to the poor and needy families in need and was the first charity of this type to be established in the Kingdom. Eta'am's primary goals include the education of society regarding the preservation of food and the distribution of excess food from weddings, feasts, parties and other social events to those in need while maintaining the highest standards of quality and safety. Integral to these activities, Eta'am seeks to curb excess food consumption through "Saving Food Resources is our Responsibility" campaigns that are specifically addressed at housewives, and "We Want it to Last" campaigns that seek to educate children about the concept of food preservation.

In 2013, memorandums of understanding were signed by Eta'am with Saudi Aramco for the implementation of the food preservation program through educational and awareness campaigns; with the Saudi Press Agency for the wide dissemination of the organization's news and events; and, late in the year, with the MENA Food Banks Regional Network with the aim of promoting its activities, regulating charitable work among food banks across the region, consolidating expertise and coordinating between the parties to spread a culture of food preservation among citizens.

In the two years since Eta'am was formed, it has distributed more than 300,000 meals of excess food to the poor and needy. Recently, a scheme to introduce smart phones has been initiated to facilitate requests for volunteers and to enable individuals to report the availability of excess food from their events.

In further support of the community, employees of several business units participated in a blood donation campaign in cooperation with King Fahd Specialist Hospital.

Young businessmen in the Kingdom received assistance from Zamil Industrial, as the company maintained its association with 'Endeavor' Saudi Arabia, an affiliate of Endeavor in New York, which seeks to encourage those starting out in business to become "High Impact Entrepreneurs". Meanwhile, training was provided to university and college students as part of the Company's "Training Opportunities Program," while employment opportunities were presented to students and graduates who participated in the "Open Employment Day" at King Fahd University for Petroleum and Minerals in Dhahran.

In addition to activities external to the Company, employees and their families were encouraged to participate in games and sporting activities held at various times during the year. For Muslim employees and their families, the Company sponsored the "4th Annual Holy Quran Memorization and Intonation Contest".

Environmental Protection

Always conscious of the overall environment in which the Company operates, constant attention is given to protection of the environment and to reducing wastage in the manufacturing process.

In 2013, BCOMS took the initiative to become the first panel supplier in the Kingdom to phase out the use of HCFCs in favor of the ozone friendly N-Pentone blowing agent in its manufacturing process. SWRF attained UL723 certification that, across its range, all non-faced and aluminum-faced panels are CFC Free and non-combustible. AFICO cooperated with the Saudi Energy Efficiency Center to assist in setting the standard for the implementation of thermal insulation regulations in Saudi Arabia.

Sponsorship and Culture
Recognizing its role in the community, Zamil Industrial takes the lead in sponsoring worthy causes.

In 2013, Zamil Industrial sponsored the Dhahran Ahliyya School at the First Tech Challenge World Championship 2013 in the USA. The school team had previously won the 6th Arab Championship for Robot Programming and Design. The Company has sponsored the school in this particular competition since 2010.

The Company participated in the "Women's Employment in the Industrial Sector" conference organized by Asharqia Chamber of Commerce and Industry in collaboration with the Ministry of Labor. The Company was able to bring its direct experience to bear on discussions exploring the prospects of creating opportunities for young Saudi women in the industrial setting, and addressing the potential and proven solutions to the challenges facing women seeking employment in the sector.

Sponsorship of the second Sanad Al-Khair awareness campaign for Sanad Children's Cancer Support Association in Riyadh was a feature of the year while Iftar was provided at the Social Nursery Center in Dammam during Ramadan.

In Saudi Arabia, Zamil Industrial and Zamil Group sponsored the "Armed Forces Exhibition for Materials and Spare Parts" and Zamil Steel SSD donated a steel structure frame to King Fahd University for Petroleum and Minerals.

In the United Arab Emirates, Zamil Industrial Gold-Sponsored the Saudi Pavilion at the "Big 5 Dubai 2013 International Building and Construction Show," and was presented an honorary

Corporate and Shared Services Review
(continued)

shield by the Saudi Minister of Commerce and Industry for its cooperation. Also in the UAE, PEB Division contributed funds to the Ras Al-Khaimah Civil Defense International Day and donated steel beams to the UAE University's College of Engineering. Zamil Steel Egypt's employees participated in the donation of blood to the Healthy Institute and also built four mosques for local communities. Employees of Zamil Steel India held their 5th Annual Day of Service, during which they distributed food, clothing and gifts and spent quality time at a charitable home with poor, destitute, abandoned and aged women and children from slum areas. Zamil Steel Vietnam employees raised funds on World Environment Day by participating in the Hanoi Run for Children.

Recognition

Professionalism and high performance within the Building Products Group has not gone unnoticed, as three of the Group's Units received special recognition during the year. Following completion of Samsung Electronics Egypt's new complex at Beni Suef, Zamil Steel Egypt was honored to receive an award for "Excellence in Production and Service" for the structural steel portion of the work.

In recognition of Zamil Steel India's attention to detail, the Architects, Engineers and Surveyors Association in Pune conferred upon Zamil Steel India the "AESA Beharay Rathi Award 2013" for the Ecorea and Kuroda Electric India project, while AkzoNobel India awarded the Zamil Construction team in India its "Best Safety Performance Contractor" award.

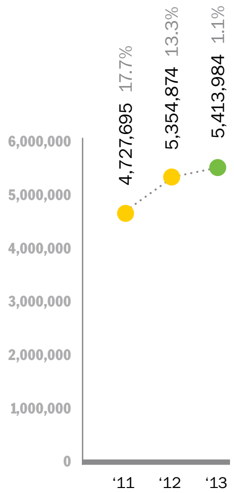
For the 14th year in succession, Zamil Steel Vietnam was the proud recipient of the "Golden Dragon Award" for "Best Product Supplier" while also receiving the "Corporate Social Responsibility Award" from the Vietnamese Chamber of Commerce and Industry.

In recognition of its excellent performance, SSD received formal appreciation letters from Ma'aden Rolling Mill, Tecnicas Reunidas regarding the Yanbu Export Refinery and from the Shah Gas Development in Abu Dhabi, while T&G received plaudits from several clients for early or timely completion of supply contracts. Furthermore, a Certificate of Appreciation was received from The Saudi Cultural Bureau in Canada for participation in the meeting with Saudi students and graduates from universities in that country.

Geoclima S.r.l, the strategic business unit of Zamil Air Conditioners in Italy, received recognition in London in September for the company's Turbomiser, when it was awarded the RAC Cooling Industry Award 2013 as "Air Conditioning Product/ Innovation of the Year". The company was also awarded the "2012 OEM Platinum Award" by Danfoss Turbocor for excellence in production standards.

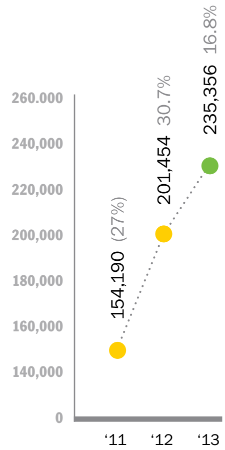
Financial Highlights

Financial Highlights



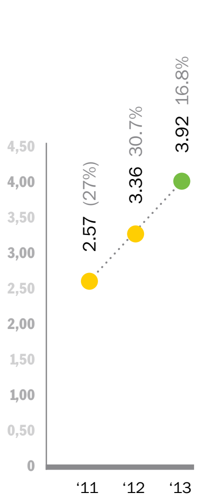
Revenues

SAR 000s
% Increase
(Decrease)



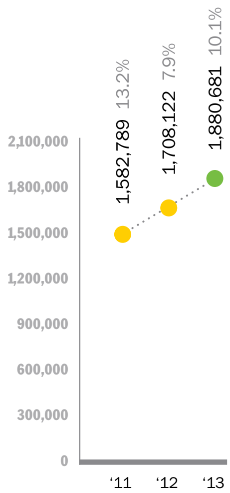
Net Income

SAR 000s
% Increase
(Decrease)



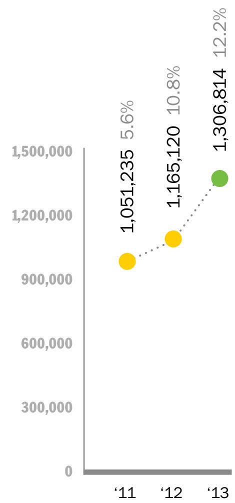
Earnings per Share

SAR
% Increase
(Decrease)



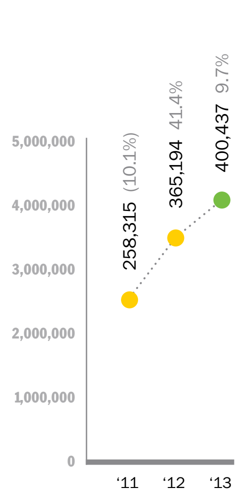
Stockholders' Equity

SAR 000s
% Increase



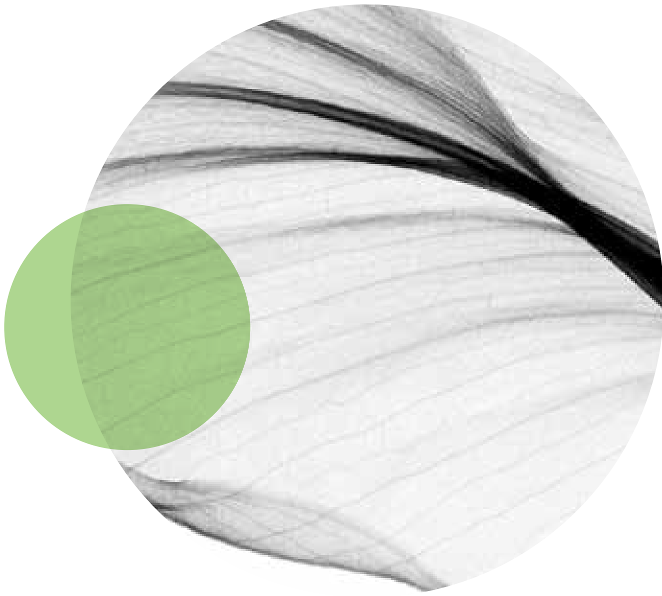
Gross Profit

SAR 000s
% Increase



Operating Income

SAR 000s
% Increase



Financial Statements & Auditors' Report

As at December 31st 2013

Deloitte.

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AUDITORS' REPORT

To the stockholders
Zamil Industrial Investment Company
Dammam, Saudi Arabia

Scope of Audit

We have audited the consolidated balance sheet of Zamil Industrial Investment Company ("the parent company"), a Saudi joint stock company, and its subsidiaries ("the Group") as of December 31, 2013 and the related consolidated statements of income, cash flows and stockholders' equity for the year then ended, and notes 1 to 29 which form an integral part of these consolidated financial statements as prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all the necessary information and explanations. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2013 and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the nature of the Group, and comply with the relevant provisions of the Regulations for Companies and the Articles of the Company as these relate to the preparation and presentation of these consolidated financial statements.

Deloitte & Touche
Bakr Abulkhair & Co.

Nasser M. Al-Sagga
License No. 322
20 Rabi' II, 1435
February 20, 2014

ديلويت آند توش
بكر أبو الخير وشركاهم
محاسبون قانونيون
Lic. 96 ترخيص رقم ٩٦
C.P.A
Deloitte & Touche
Bakr Abulkhair & Co.

CONSOLIDATED BALANCE SHEET
As of December 31, 2013

	Note	**2013 SR 000**	2012 SR 000
ASSETS			
Current assets			
Cash and cash equivalents		**268,557**	338,820
Accounts receivable and prepayments	3	**2,239,165**	2,097,665
Advances to an unconsolidated subsidiary	1	**-**	338,870
Current portion of net investment in finance lease	6	**18,287**	-
Inventories	4	**1,950,734**	1,820,265
Amounts due from related parties	10	**35,234**	83,309
Total current assets		**4,511,977**	4,678,929
Non-current assets			
Investments	5	**168,852**	257,489
Net investment in finance lease	6	**444,692**	-
Property, plant and equipment	7	**1,608,385**	1,592,890
Deferred charges	8	**15,410**	16,706
Goodwill	9	**158,543**	169,906
Total non-current assets		**2,395,882**	2,036,991
TOTAL ASSETS		**6,907,859**	6,715,920
LIABILITIES, STOCKHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS			
Current liabilities			
Notes and accounts payable, accruals and provisions	11	**1,128,304**	1,058,249
Amounts due to related parties	10	**35,448**	78,588
Advances from customers		**420,934**	361,768
Murabaha and tawarruq finances	13	**2,751,901**	2,591,748
Short term loans	14	**80,893**	97,398
Current portion of term loans	15	**91,160**	313,227
Total current liabilities		**4,508,640**	4,500,978
Non-current liabilities			
Term loans	15	**170,988**	218,962
Employees' terminal benefits		**310,625**	272,063
Long term payables		**36,925**	15,795
Total non-current liabilities		**518,538**	**506,820**
TOTAL LIABILITIES		**5,027,178**	**5,007,798**
Stockholders' equity and non-controlling interests			
Share capital	16	**600,000**	600,000
Statutory reserve	26	**228,136**	204,600
Retained earnings		**728,024**	623,204
Proposed cash dividends	17	**60,000**	45,000
Unrealised loss on investments		**-**	(1,916)
Translation loss on consolidation		**(7,618)**	(21,708)
Total stockholders' equity		**1,608,542**	1,449,180
Non-controlling interests	18	**272,139**	258,942
Total stockholders' equity and non-controlling interests		**1,880,681**	1,708,122
TOTAL LIABILITIES, STOCKHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS		**6,907,859**	6,715,920

The accompanying notes form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF INCOME
Year Ended December 31, 2013

	Note	2013 SR 000	2012 SR 000
Net sales	10,23	**5,399,103**	5,354,874
Income from finance lease	6	**14,881**	-
Total revenue		**5,413,984**	5,354,874
Cost of operations	10	**(4,107,170)**	(4,189,754)
Gross profit		**1,306,814**	1,165,120
Expenses			
Selling and distribution	19	**499,266**	419,792
General and administration	20	**404,520**	377,303
Amortisation of deferred charges	8	**2,591**	2,831
		906,377	799,926
Income from main operations	23	**400,437**	365,194
Permanent translation loss on consolidation		**(29,249)**	-
Other income, net	21	**11,817**	12,467
Impairment of goodwill	9	**(11,363)**	-
Financial charges	22	**(85,800)**	(89,413)
Income before share in results of associates and non-controlling interests, zakat and taxes		**285,842**	288,248
Share of profit (loss) in associates, net	5	**1,564**	(4,081)
Income before non-controlling interest, zakat and taxes		**287,406**	284,167
Non-controlling interests		**(17,143)**	(35,732)
Income before zakat and taxes		**270,263**	248,435
Foreign taxes		**(12,299)**	(3,047)
Zakat	12	**(22,608)**	(43,934)
NET INCOME FOR THE YEAR		**235,356**	201,454
Earnings per share from net income		**SR 3.92**	SR 3.36
Earnings per share from continuing main operations		**SR 3.72**	SR 3.15
Earnings per share from other operations		**SR 0.20**	SR 0.21
Weighted average number of shares		**60,000,000**	60,000,000

The accompanying notes form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended December 31, 2013

	2013 SR 000	2012 SR 000
OPERATING ACTIVITIES		
Income before zakat and taxes	**270,263**	248,435
Adjustments for:		
Depreciation	**139,141**	146,006
Employees' terminal benefits, net	**38,562**	22,528
Loss (gain) on disposals of property, plant and equipment	**536**	(1,206)
Loss (gain) on sale of investments	**369**	(3,197)
Non-controlling interests	**17,143**	35,732
Share in results in associates, net	**(1,564)**	4,081
Amortisation of deferred charges	**2,591**	3,037
Impairment of goodwill	**11,363**	-
Permanent translation loss on consolidation	**29,249**	-
Financial charges	**85,800**	89,413
	593,453	544,829
Changes in operating assets and liabilities:		
Inventories	**(130,469)**	66,374
Receivables	**(118,902)**	(314,957)
Net investment in finance lease	**(19,852)**	-
Payables	**85,654**	167,764
Cash from operations	**409,884**	464,010
Financial charges paid	**(85,800)**	(89,413)
Zakat and foreign taxes paid	**(22,464)**	(67,701)
Net cash from operating activities	**301,620**	306,896
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(190,927)**	(228,800)
Proceeds from disposals of property, plant and equipment	**18,608**	2,051
Proceed from sale of investments	**18,883**	9,537
Deferred charges incurred	**(1,804)**	(8,283)
Net cash used in investing activities	**(155,240)**	(225,495)
FINANCING ACTIVITIES		
Dividends paid	**(90,000)**	(90,000)
Term loans, net	**(270,041)**	(142,849)
Change in short term loans, murabaha and tawarruq finances	**143,648**	204,912
Non-controlling interests, net	**(3,946)**	(8,771)
Net cash used in financing activities	**(220,339)**	(36,708)
Net increase (decrease) in cash and cash equivalents	**(73,959)**	44,693
Cash and cash equivalents at the beginning of the year	**338,820**	285,867
Cash and cash equivalents acquired during the year	**-**	10,827
Cash and cash equivalents of a consolidated subsidiary (Note 1)	**1,000**	-
Movement in translation loss, net	**2,696**	(2,567)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**268,557**	338,820
Non-cash transaction:		
Capitalisation of front end fee	**1,220**	-

The accompanying notes form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
Year Ended December 31, 2013

	Share capital SR 000	Statutory reserve SR 000	Retained earnings SR 000	Proposed cash dividends SR 000	Unrealised loss on investment SR 000	Translation loss on consolidation SR 000	Total SR 000
January 1, 2012	600,000	184,455	533,695	45,000	(1,075)	(12,403)	1,349,672
Net income for the year	-	-	201,454	-	-	-	201,454
Transfer to statutory reserve	-	20,145	(20,145)	-	-	-	-
Directors' remuneration (note 10)	-	-	(1,800)	-	-	-	(1,800)
Dividends paid (note 17)	-	-	(45,000)	(45,000)	-	-	(90,000)
Proposed cash dividends (note 17)	-	-	(45,000)	45,000	-	-	-
Movement during the year, net	-	-	-	-	(841)	(9,305)	(10,146)
December 31, 2012	600,000	204,600	623,204	45,000	(1,916)	(21,708)	1,449,180
Net income for the year	-	-	**235,356**	-	-	-	**235,356**
Transfer to statutory reserve	-	**23,536**	**(23,536)**	-	-	-	**-**
Directors' remuneration (note 10)	-	-	**(2,000)**	-	-	-	**(2,000)**
Dividends paid (note 17)	-	-	**(45,000)**	**(45,000)**	-	-	**(90,000)**
Proposed cash dividends (note 17)	-	-	**(60,000)**	**60,000**	-	-	**-**
Movement during the year, net	-	-	-	-	**1,916**	**14,090**	**16,006**
December 31, 2013	**600,000**	**228,136**	**728,024**	**60,000**	**-**	**(7,618)**	**1,608,542**

The accompanying notes form an integral part of these consolidated financial statements

1. ORGANIZATION AND ACTIVITIES

Zamil Industrial Investment Company ("the parent company") was converted into a closed Saudi Joint Stock Company in accordance with Ministerial Resolution 407 dated 14.3.1419H (corresponding to 8 July 1998). Prior to that, the parent company was operating as a limited liability company under the name of Zamil Steel Buildings Company Limited. On 9 February 2002, the parent company was officially listed on the Saudi Stock Exchange. The parent company is registered in Saudi Arabia under Commercial Registration number 2050004215.

The consolidated financial statements include the financial statements of the parent company's head office, its branches and its subsidiaries, collectively referred to as "the group" in these consolidated financial statements, as listed below:

Branches:

- Zamil Glass Industries, engaged in the production of glass.

Subsidiaries:

	Effective ownership percentage	
	2013	2012
Universal Building Systems Limited – Jersey	**100**	100
Zamil Steel Holding Company and subsidiaries - Saudi Arabia	**100**	100
Zamil Air Conditioners and Household Appliances - Saudi Arabia	**100**	100
Zamil Cool Care Services – Saudi Arabia	**100**	100
Zamil Central Air Conditioners – Saudi Arabia	**100**	100
Zamil Air Conditioners Holding Company – Saudi Arabia	**100**	100
Zamil Steel Buildings Company – Egypt	**100**	100
Zamil Steel Buildings (Shanghai) Company Limited – China	**100**	100
Zamil Steel, Polska – Poland	**-**	100
Cooline Europe Holdings GmbH – Austria	**100**	100
Clima Tech Airconditioners GmbH – Austria	**100**	100
Zamil Steel Buildings India Private Limited	**100**	100
Zamil Steel Engineering India Private Limited	**100**	100
Arabian Stonewool Insulation Company – Saudi Arabia	**100**	100
Ikhtebar – Saudi Arabia	**100**	100
Zamil Energy Services Company (ZESCO) – Saudi Arabia	**100**	100
Zamil Industrial Investment Company, Emirates	**100**	100
Zamil Steel Industries Abu Dhabi (LLC) – UAE	**100**	100
Zamil Steel Buildings (Thailand) Co. Ltd.	**100**	100
Al Zamil for Inspection and Maintenance of Industrial Projects Co. Ltd – Saudi Arabia	**100**	100
Al Zamil Steel Construction Company – Saudi Arabia	**100**	100
Zamil Structural Steel Company – Egypt	**100**	100
Zamil Construction India Pvt. Ltd.	**100**	100
Building Components Solutions – Saudi Arabia	**100**	100
Zamil Information Technology Global Private Limited – India	**100**	100
Zamil Higher Institute for Industrial Training Company Limited – Saudi Arabia	**100**	100
Zamil Industrial Investment Company Asia Pte. Ltd. – Singapore	**100**	100
Second Insulation Company Limited – Saudi Arabia	**100**	100
Eastern District Cooling Company Limited	**100**	100
Zamil Air Conditioner India Private Limited – India (formerly known as Advantec Coils Private Limited)	**100**	100
Canam Asia Limited – Saudi Arabia	**100**	100
Gulf Insulation Group and subsidiaries	**51**	51
Zamil Steel Buildings – Vietnam Company Limited	**92.27**	92.27
Middle East Air Conditioners Company Limited – Saudi Arabia	**51**	51
Zamil Hudson Company Limited – Saudi Arabia	**50**	50
Petro-Chem Zamil Company Limited – Saudi Arabia	**50**	50
Rabiah and Nasser and Zamil Concrete Industrial Co. Ltd – Saudi Arabia	**50**	50

1. ORGANIZATION AND ACTIVITIES *(continued)*

Subsidiaries - *(continued)*

The group exercises control on the above mentioned entities and are therefore considered the subsidiaries of the group.

In 2012, the parent company acquired controlling interest in an existing investee company, Zamil Air Conditioner India Private Limited (formerly known as Advantec Coils (Pvt) Ltd., India) , which has become a wholly owned subsidiary effective January 1, 2012. The operations of Zamil Air Conditioner India Private Limited with a carrying value of net assets amounting to SR 23.2 million as at January 1, 2012 have been consolidated in the consolidated financial statements resulting in an initial goodwill recognition of SR 36.9 million after translation loss effect. Based on additional information obtained and after purchase price allocation to the identifiable assets of the acquiree, the Goodwill has been adjusted down to SR 26.3 million. During the year, the Company has recorded an impairment loss of SR 11.36 million against the goodwill considering the market condition in India and the depreciation of Indian rupee.

In 2012, the parent company disposed off 45% interest in Geoclima S.r.l., Italy (a subsidiary) and recognized a gain of SR 3.2 million. The investee company has been deconsolidated and recognized as an investment in associates by using equity method.

In 2011, Second Insulation Company, a wholly owned subsidiary of the parent Company, acquired 51% of controlling interest in Gulf Insulation Group, a Saudi closed joint stock company registered in Saudi Arabia. Gulf Insulation Group (GIG) has the following subsidiaries and an associate:

	Ownership of GIG %
Saudi Preinsulated Pipes Industries Company Limited (SPPI)	100%
First Insulation Company Limited (FIC)	100%
Arabian Fiberglass Insulation Company Limited (AFICO)	51%
Armacell Zamil Middle East Company Limited	49%

In 2012, the Company acquired the remaining non-controlling interests in Canam Asia to make it as a wholly owned subsidiary without any additional cost to the Company.

The parent company's investment in Eastern District Cooling Company Limited ("EDCC"), has been consolidated effective January 1, 2013 as EDCC started its commercial operations in 2013 and the net assets of EDCC as at December 31, 2012 was SR 72.67 million as detailed below:

	SR 000
Cash and cash equivalent	**1,000**
Accounts receivables, prepayments and other current assets	**7,741**
Long term lease receivable	**443,127**
Total assets	**451,868**
Less: Accounts payable and accruals	**379,202**
Net assets of subsidiaries acquired at January 1, 2013	**72,666**

As at December 31, 2012, one of the subsidiaries of the parent company has given an advance of SR 338.87 million to EDCC to finance the project cost.

During the year, Zamil Steel, Polska – Poland, a wholly owned subsidiary of the Company was liquidated.

Portion of the parent company's shares in the above subsidiaries, is registered in the names of certain directors or employees as nominee shareholders on behalf of the parent company in order to comply with the regulations in which the above subsidiaries are operating.

The consolidated financial statements have been presented in Saudi Riyals.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

Basis of consolidation
Operating entities controlled by the parent company are classified as subsidiaries and consolidated regardless of the country of their registration. Significant inter-group balances and transactions are eliminated upon consolidation. Entities under formation are accounted for at cost.

Accounting convention
The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of available for sale investments.

Accounts receivable
Accounts receivable include sales made on trade credit which are outstanding at the balance sheet date, net of provision for amounts estimated to be uncollectible.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is determined as follows:

Raw materials	Purchase cost on weighted average basis.
Work-in-process and finished goods	Cost of direct materials and labour plus attributable Overheads based on normal level of activity.

Investments
Investments in marketable equity securities are classified according to the group's intent with respect to those securities. Marketable equity securities held to maturity are stated at amortized cost, adjusted for the related premium or discount. Marketable equity securities held for trading are stated at fair value and unrealized gains and losses thereon are included in the consolidated statement of income. Marketable equity securities available for sale are stated at fair value and unrealized gains and losses thereon are included in consolidated stockholders' equity. Where the fair value is not readily determinable, such marketable equity securities are stated at cost less allowance for impairment in value.

Income from the investments in marketable equity securities is recognized when dividends are received.

An associate is an enterprise over which the group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee. The results of associates are incorporated in these consolidated financial statements using the equity method of accounting. The carrying amount of such investments is reduced to recognize any impairment in the value of the individual investments.

Subsidiaries and associates which are dormant or under development stage or where the information is not available are stated at cost.

Net investment in finance lease
Leases in which the Group transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessee are classified as finance leases. A receivable is recognized at an amount equal to the present value of the lease payments which is included in the consolidated financial statements as "net investment in finance lease".

Business combination and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquirer's identifiable net assets. Acquisition costs incurred are expensed.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combination and goodwill – *(continued)*

Goodwill is initially measured at cost being the excess of the consideration transferred over the group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the group are assigned to those units or groups of units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed off, the goodwill associated with the operation disposed off is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed off in this circumstance is measured based on the relative values of the operation disposed off and the portion of the cash-generating unit retained. When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognised in the consolidated statement of income.

Property, plant and equipment/depreciation

Property, plant and equipment are initially recorded at cost and are stated at cost less accumulated depreciation and any impairment in value. Freehold land and capital work in progress are not depreciated. Depreciation is provided on other property, plant and equipment at rates calculated to write off the cost of each asset over its expected useful life.

The estimated useful lives of the assets for the calculation of depreciation are as follows:

	Years
Buildings on leasehold land	20 - 40
Plant, equipment, furniture, fixtures and vehicles	2 - 20

Expenditure for repair and maintenance are charged to income. Improvements that increase the value or materially extend the life of the related assets are capitalised.

Permanent impairment of non-current assets

At each balance sheet date, the group reviews the carrying values of property, plant and equipment and other non-current assets to determine whether there is any indication that those assets have suffered impairment. If such indicators exist, the recoverable amount of the asset is estimated in order to determine the extent of impairment (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash generating unit to which the asset belongs.

The carrying value of the asset (or cash-generating unit) is reduced to the recoverable value when the recoverable value is below the carrying value. Impairment loss is recognized as expense when incurred.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Where an impairment loss subsequently reverses, the carrying value of the asset (or cash-generating unit) other than goodwill is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. The reversal of impairment loss other than goodwill is recognized as income once identified.

Deferred charges

Expenses which have a long term future benefit are treated as deferred charges and are amortised over the estimated periods of benefit not exceeding five years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Deferred charges *(continued)*

Loans front-end fees represents the fee relating to the loans from Saudi Industrial Development Fund ("SIDF"). These costs are being amortized over the period of the loans and the amortization is capitalized as part of capital work-in-progress (if applicable) up to the date of commencement of commercial operations and subsequently it is charged to the consolidated statement of income.

Warranties
Amounts are provided on an estimated basis to meet probable future costs under warranty commitments.

Zakat and income tax
Zakat is provided for in accordance with Saudi Arabian fiscal regulations. Income tax is provided for in accordance with foreign fiscal authorities in which the group's foreign subsidiaries operate. The liabilities are charged directly to the consolidated statement of income. The zakat charge and income tax, assessable on the non-controlling stockholders is included in non-controlling interests.

Employees' terminal benefits
Provision is made for amounts payable under the employment contracts applicable to employees' accumulated periods of service at the balance sheet date.

Foreign subsidiaries make provision in accordance with the laws of countries in which subsidiaries operate.

Revenue recognition
Net sales represent the invoiced value of goods supplied, services rendered and work executed by the group during the year. For central air conditioning and pressure vessels jobs, revenue and proportionate profit are recognised when the outcome of the contract can be determined with reasonable certainty. If losses are foreseen, they are provided for in full.

Costs in excess of progress billings are disclosed under accounts receivable and prepayments in the consolidated balance sheet. Whereas billings in excess of cost are disclosed under notes and accounts payable, accruals and provisions in the consolidated balance sheet.

Expenses
Selling and distribution expenses are those that specifically relate to salesmen, warehousing, delivery vehicles and warranty cost as well as provision for doubtful debts. All other expenses other than direct cost, amortization of deferred charges and financial charges are classified as general and administration expenses.

Foreign currencies
Transactions in foreign currencies are recorded in Saudi Riyals at the rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated statement of income.

Financial statements of foreign operations are translated into Saudi Riyals using the exchange rate at the balance sheet date for assets and liabilities and the average exchange rate for revenues, expenses, gains and losses. Components of equity, other than retained earnings, are held at the historical rates. Translation adjustments are recorded as a separate component of consolidated stockholders' equity. Translation loss that is considered permanent is charged to the consolidated statement of income.

Earnings per share
Earnings per share are computed by dividing net income for the year by the weighted average number of shares outstanding during the year ended December 31, 2013 of 60 million shares (2012: 60 million shares).

Earnings per share from the continuing main operations are computed by dividing the operating income adjusted with zakat and tax, finance charges, net share of loss from associates and non-controlling interests for the period by the weighted average number of shares outstanding.

Earnings per share from other operations are computed by dividing the other income for the periods by the weighted average number of shares outstanding.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Segmental reporting
A segment is a distinguishable component of the group that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

Leasing
Leases are classified as finance leases wherever the terms of the lease transfer substantially all the rights and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to consolidated statement of income on a straight line basis over the term of the operating lease.

3. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2013 SR 000	2012 SR 000
Trade accounts and notes receivable	**1,585,216**	1,559,119
Prepaid expenses	**43,315**	38,356
Retentions receivable	**36,317**	47,077
Advances, deposits and other receivables	**218,205**	211,993
Revenue recognised in excess of billings	**356,112**	241,120
	2,239,165	2,097,665

4. INVENTORIES

	2013 SR 000	2012 SR 000
Materials, supplies and stores	**1,113,931**	1,053,250
Work-in-progress	**165,945**	205,994
Finished goods	**545,999**	399,906
Goods-in-transit	**124,859**	161,115
	1,950,734	1,820,265

5. INVESTMENTS

	2013 SR 000	2012 SR 000
Investments in listed companies	**-**	8,796
Unrealised loss on revaluation	**-**	(1,916)
Available for sale investments	**-**	6,880
Investment in associates	**122,266**	131,357
Investment in an unconsolidated subsidiary	**-**	72,666
Other investments	**46,586**	46,586
	168,852	257,489

5. INVESTMENTS ***(continued)***

Investment in associates comprise of the following which are equity accounted:

1. During the year, the parent company has sold its investment of 27.5% share in Saudi Aerated Concrete Industries Company, a Saudi limited liability company, and recognized a gain of SR 0.22 million.

2. 25% share in Energy Central Company B.S.C. (Bahrain). The principal activities of the company are to provide metered energy, central refrigeration and other support and environmental services for large-scale infrastructure development in the Gulf region. Energy Central Company owns 49% share in Saudi Central Energy Company.

3. 51% Share in Saudi Central Energy Company (a Saudi limited liability company). The principal activities of the company are to undertake and execute the contracts for the installation and treatment of energy and water plants, electricity generating stations and their operation and maintenance, and laying networks for its transportation and distribution. Saudi Central Energy Company is controlled by Energy Central Company B.S.C. (Bahrain) and is therefore considered as an associate of the group.

4. 49% share of Gulf Insulation Group in Armacell Zamil Middle East Company Limited (also refer note 9). The principal activities of the Company are to manufacture rubber adhesive, foam rubber insulation and related accessories and sundries.

5. 51% share in Zamil Infra Private Limited. The principal activities of the company are supply of telecom towers, accompanying shelters fitted with the appropriate sandwich panels, customized air conditioning equipment and power interface units. It will also supply a range of related support products, along with comprehensive installation and maintenance services.

6. 20.83% share in IIB Paper Company Limited (Limited Liability Company registered in Cayman Islands). The principal activity of the company is the production of tissue paper.

7. In 2012, 45% shares in Geoclima S.r.l was disposed off out of 85% share held as at December 31, 2011 and therefore, Geoclima S.r.l. deconsolidated during 2012 and remaining 40% shares in Geoclima S.r.l. is recognized as an investment in associates.

Combined summarized financial information of the above associated companies as of the consolidated balance sheet date is as follows:

	2013 **SR 000**	2012 SR 000
Working capital	**106,733**	141,897
Other assets - net of liabilities	**138,000**	126,575
Net assets	**244,733**	268,472
The group's equity in net assets	**122,266**	134,290
Revenue	**290,157**	244,389
Net gain (loss)	**2,057**	(26,446)
The group's share of profit (loss)	**1,564**	(4,081)

5. INVESTMENTS *(continued)*

Investment in an unconsolidated subsidiary comprised of 100% share in Eastern District Cooling Company Limited, a Saudi limited liability company. The Company's investment in Eastern District Cooling Company Limited ("EDCC") has been consolidated effective January 1, 2013 as the subsidiary started its commercial operations in 2013 (note 1).

Other investments comprise of 2.11% Share in Kinan International For Real Estate Development Company Limited (a Saudi limited liability company). The principal activities of the company are to invest in real estates like buying, construction and leasing of land and buildings.

During the year, the parent company sold its available for sale investments and recognized a gain of SR 1.12 million.

6. NET INVESTMENT IN FINANCE LEASE

Eastern District Cooling Company ("EDCC"), a subsidiary of the Company, has entered into a Energy Performance Contract wherein it has agreed to design, construct, own, operate and maintain a District Cooling Plant (DCP) at the plant premises of a customer for a fixed term as stipulated in the contract. At the end of the contract term, the ownership of DCP will be transferred to the customer. Under the agreement, the customer has to make monthly payments to the Eastern District Cooling Company over the contract term. This agreement has been considered as a finance lease under IFRIC-4 and SOCPA and the total estimated minimum lease payments will be SR 654.5 million at December 31, 2013.

Net investment in finance lease comprises of the following:

	2013 SR 000
Minimum lease payments (gross investment in lease)	654,522
Less: unearned income	191,543
Net finance lease receivables	462,979
Less: current portion	18,287
Non-current portion	444,692

Minimum lease payments under finance lease are as follows:

	2013 SR 000
Within one year	37,578
Year two	37,578
Year three	37,578
Year four	37,578
Year five	37,578
Later than five years	466,632
	654,522

Finance lease income earned during the year was SR 14.88 million. The total finance lease income is allocated to the accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding with respect to the lease. The periodic rate of return used by the Company is 4.24% per annum.

7. PROPERTY, PLANT AND EQUIPMENT

	Freehold land SR 000	Buildings on leasehold land SR 000	Plant, equipment, furniture, fixtures and vehicles SR 000	Capital work-in progress SR 000	**Total 2013 SR 000**	Total 2012 SR 000
Cost:						
January 1	93,797	783,601	1,593,808	486,584	2,957,790	2,673,294
Additions	-	**14,770**	**75,922**	**101,455**	**192,147**	228,800
Purchase price allocations	-	-	-	-	**-**	384,22
Acquisition of subsidiaries	-	-	-	-	**-**	62,551
Disposals	-	**(3,218)**	**(78,142)**	**(2,115)**	**(83,475**	(35,952)
Transfers	-	**48,445**	**46,657**	**(96,925)**	**(1,823)**	-
Translation loss	**(1,163)**	**(7,087)**	**(17,673)**	**(118)**	**(26,041**	(9,325)
December 31	**92,634**	**836,511**	**1,620,572**	**488,881**	**3,038,598**	2,957,790
Depreciation:						
January 1	-	334,670	1,030,230	-	1,364,900	1,228,792
Charge for the year	-	**32,690**	**106,451**	-	**139,141**	146,006
Acquisition of subsidiaries	-	-	-	-	**-**	19,611
Transfers	-	-	**(1,112)**	-	**(1,112)**	-
Disposals	-	**(1,728)**	**(62,603)**	-	**(64,331)**	(26,484)
Translation loss	-	**(1,180)**	**(7,205)**	-	**(8,385)**	(3,025)
December 31	-	**364,452**	**1,065,761**	-	**1,430,213**	1,364,900
Net book value						
At 31 December 2013	**92,634**	**472,059**	**554,811**	**488,881**	**1,608,385**	**-**
At 31 December 2012	93,797	448,931	563,578	486,584	-	1,592,890

Capital work-in-progress represents mainly the cost incurred in respect of new building, expansion, upgrading of production facilities, new production line under construction, plant and equipment acquired for general modernisation for Zamil Steel Holding Company (Saudi Arabia), Zamil Air Conditioners (Saudi Arabia), Gulf Insulation Group (Saudi Arabia) and its subsidiaries, Zamil Structure Steel – Egypt, Rabiah and Nassar & Zamil Concrete Industrial Co. Ltd. (Saudi Arabia) and for other subsidiaries.

Certain property plant and equipment of the consolidated subsidiaries are mortgaged as a security against the loans obtained from the financial institutions (see note 15).

8. DEFERRED CHARGES

	2013 SR 000	2012 SR 000
At the beginning of the year	**16,706**	11,777
Incurred during the year	**1,804**	8,283
Transfers, net	**(509)**	(317)
Amortised during the year	**(2,591)**	(3,037)
At the end of the year	**15,410**	16,706

9. GOODWILL

	2013 SR 000	2012 SR 000
Goodwill recognized on acquiring subsidiaries	**158,543**	169,906

At the December 31, 2011, purchase consideration exceeded net book value of Gulf Insulation Group ("GIG") by SR 114 million. The group's management allocated the consideration paid to the respective assets based on the additional information obtained during the measurement period and the resultant amount was reduced from the goodwill of the Group amounting to SR 27.8 million.

In 2012, 45% shares in Geoclima S.r.l was disposed off out of 85% share held as at December 31, 2011 and therefore, Geoclima S.r.l. deconsolidated in 2012 onwards and consequently related goodwill amounted to SR 3.2 million was derecognised.

In 2012, the Company acquired additional 70% shares in Zamil Air Conditioner India Private Limited (formerly known as Advantec Coils (Pvt) Ltd., India) that resulted in an initial recognition of goodwill amounting to SR 36.9 million after translation loss effect. Based on the additional information obtained and after purchase price allocation to the identifiable assets of the acquiree, the Goodwill has been adjusted down to SR 26.3 million. During the year, the Company has recorded an impairment loss of SR 11.36 million against the goodwill considering the market condition in India and the depreciation of Indian rupee.

10. RELATED PARTY TRANSACTIONS

Related parties represent associated companies, key personnel of the group, and entities controlled, jointly controlled or significantly influenced by such parties. The following are the details of major related party transactions during the year:

	2013 SR 000	2012 SR 000
Companies affiliated to Al Zamil Group:		
Purchase of goods and services	**99,557**	110,085
Sale of goods and services	**(11,963)**	(45,878)

The group also paid SR 5.7 million (2012: SR 6.0 million) to certain directors as salary and other benefits in their capacity as executives of the group.

Directors' remuneration amounted to SR 2.0 million (2012: SR 1.8 million).

Prices and terms of payment for these transactions are approved by the directors.

Amounts due from and due to related parties are shown in the consolidated balance sheet under current assets and current liabilities respectively and consist of amounts due from/to Al Zamil Group of companies.

11. NOTES AND ACCOUNTS PAYABLE, ACCRUALS AND PROVISIONS

	2013 SR 000	2012 SR 000
Trade accounts and notes payable	**387,222**	357,286
Accrued contractual costs	**116,320**	103,776
Accrued expenses and provisions	**493,815**	503,094
Zakat provision (note 12)	**50,639**	38,196
Billings in excess of value of work executed	**80,308**	55,897
	1,128,304	1,058,249

12. ZAKAT

The zakat charge for the year consists of:

	2013 SR 000	2012 SR 000
Current year provision	**22,608**	43,934

The current year's provision is based on the following:

	2013 SR 000	2012 SR 000
Equity	**1,337,604**	1,228,150
Opening provisions and other adjustments	**363,943**	366,413
Book value of long term assets net of long term liabilities	**(1,567,192)**	(1,446,424)
	134,355	148,139
Zakatable profit for the year	**295,669**	273,961
Zakat base	**430,024**	422,100

The differences between the financial and the zakat results are mainly due to elimination of the group's share of profit in foreign subsidiaries which are consolidated in the financial statements and adjustments for certain costs/claims based on the relevant fiscal regulations.

The group is settling its zakat based on the consolidated financials of its wholly owned subsidiaries.

The movement in the zakat provision was as follows:

	2013 SR 000	2012 SR 000
At the beginning of the year	**38,196**	58,916
Provided during the year	**22,608**	43,934
Payments during the year	**(10,165)**	(64,654)
At the end of the year	**50,639**	38,196

Status of assessments

Zakat assessments have been agreed with the Department of Zakat and Income Tax (the DZIT) up to 2010. The 2011 and 2012 assessments are under the DZIT's review.

13. MURABAHA AND TAWARRUQ FINANCES

Murabaha and tawarruq finances were obtained from local commercial banks and are secured by credit agreements and corporate guarantees. The facilities carry financial charges at commercial rates and are repayable within one year from the consolidated balance sheet date.

14. SHORT TERM LOANS

Short term loans were obtained from local and foreign commercial banks. The loans are for duration of less than one year with an option to roll over and they carry commission at commercial rates.

15. TERM LOANS

	2013 SR 000	2012 SR 000
Loan No. 1	**92,405**	113,789
Loan No. 2	**-**	225,000
Loan No. 3	**33,280**	66,640
Loan No. 4	**24,706**	36,471
Loan No. 5	**-**	1,254
Loan No. 6	**76,597**	53,159
Loan No. 7	**35,160**	35,876
	262,148	532,189
Less: current portion	**(91,160)**	(313,227)
	170,988	218,962

Loan No. 1 represents the loans obtained by Zamil Steel Holding Company, Building Component Solutions and Arabian Fiberglass Insulation Company Limited from Saudi Industrial Development Fund ("SIDF"). These loans carry appraisal fees which are being amortised over the terms of the loans and are repayable in semi-annual unequal instalments, the last being payable on 15/10/1439H (corresponding to 29 June 2018). At 31 December 2013, the SIDF loans outstanding were SR 92.4 million (2012: SR 113.8 million) including current portion of SR 29.0 million (2012: SR 23.4 million). The loans are secured by mortgage over the property, plant and equipment of the consolidated subsidiaries. The loans agreements also contain certain covenants in respective of maintenance of financial ratios.

Loan No. 2 represents loans obtained by the parent company amounting to SR 1,000 million from local banks to finance its working capital requirements. These loans are repayable in half yearly and yearly unequal instalments. The loans carry finance charges at SIBOR plus a margin and these loans were secured by corporate guarantees and order notes. During the year, the parent company has repaid the amount in full.

Loan No. 3 represents a loan obtained by the parent company amounting to SR 100 million from a local bank. At 31 December 2013, the outstanding loan was SR 33.3 million (2012: SR 66.6 million) including a current portion of SR 33.3 million (2012: SR 33.4 million). The loan is payable in half yearly equal instalments.

Loan No. 4 represents the loan amounting to SR 40 million from a local bank obtained by Arabian Fiberglass Insulation Company Limited, a subsidiary of Gulf Insulation Group. At 31 December 2013, the loan outstanding was SR 24.7 million (2012: SR 36.5 million) including current portion of SR 16.5 million (2012: SR 14.1 million). The loan is repayable in 34 equal monthly instalments.

Loan No. 5 represents the term loan obtained by Saudi Preinsulated Pipes Industries Company ("SPPI"), a subsidiary of Gulf Insulation Group, amounting to SR 7.5 million from a local bank. The loan is repayable in six quarterly equal instalments. During the year, SPPI has repaid the amount in full.

Loan No. 6 represents short term loan obtained by Gulf Insulation Group which has an outstanding balance of SR 76.6 million (2012: SR 53.2 million) as at year end. The loan carries finance charges at commercial rate. The management has classified these loans as non-current liabilities in the consolidated financial statement as GIG committed to bridge these loans with SIDF loans.

Loan No. 7 represents various loans obtained by Rabiah-Nassar and Zamil Concrete Industries Company Limited, a subsidiary, from a local commercial bank for its working capital and capital expenditure requirements. At 31 December 2013, the loan outstanding was SR 35.2 million (2012: SR 35.9 million) including a current portion of SR 12.4 million (2012: SR 16.1 million). These loans are repayable in 1 to 3 years.

Loan instalments due in 2014 are shown as current liabilities.

16. SHARE CAPITAL

The share capital of the parent company amounting to SR 600 million (2012: SR 600 million) is divided into 60 million shares of SR 10 each (2012: 60 million share of SR 10 each).

17. PROPOSED CASH DIVIDENDS

In 2013, the parent company paid a cash dividend of SR 0.75 per share totalling SR 45 million for the year 2012 (2012 – SR 0.75 per share totalling SR 45 million for the year 2011).

In 2013, the parent company also paid an interim dividend of SR 0.75 per share totalling SR 45 million for the year 2013 (2012 – Interim dividend of SR 0.75 per share totalling SR 45 million).

The board of directors have proposed a final cash dividend of SR 1.00 per share for the year 2013 totalling SR 60 million being 10% of the share capital (2012: SR 0.75 per share totalling SR 45 million being 7.5% of the share capital) for the approval of the stockholders in their annual general assembly.

18. NON-CONTROLLING INTERESTS

Non-controlling interests are as follows:

	2013	2012
	%	%
Zamil Hudson Company Ltd.	**50**	50
Petro-Chem Zamil Company Limited	**50**	50
Rabiah and Nasser & Zamil Concrete Industrial Company Limited	**50**	50
Middle East Airconditioners Company Limited	**49**	49
Gulf Insulation Group	**49**	49
Zamil Steel Buildings - Vietnam Company Limited	**7.73**	7.73

19. SELLING AND DISTRIBUTION EXPENSES

	2013	2012
	SR 000	SR 000
Employee costs	**254,029**	220,852
Advertising and sales promotion	**50,112**	45,854
Services	**23,605**	14,806
Rent and utilities	**7,248**	6,219
Transportation, business travel and entertainment	**73,655**	52,174
Warranty	**42,093**	22,476
Depreciation	**10,751**	9,750
Repairs and maintenance	**1,620**	2,134
Provision for doubtful debts	**14,939**	12,854
Others	**21,214**	32,673
	499,266	419,792

20. GENERAL AND ADMINISTRATION EXPENSES

	2013	2012
	SR 000	SR 000
Employee costs	**291,079**	261,722
Depreciation	**16,170**	21,067
Services	**70,911**	68,194
Supplies	**2,501**	2,556
Others	**23,859**	23,764
	404,520	377,303

21. OTHER INCOME, NET

	2013 SR 000	2012 SR 000
Exchange loss	**(3,301)**	(1,446)
(Loss) gain on sale of investments	**(369)**	3,197
Dividend income	**1,784**	2,076
(Loss) gain on disposal of property, plant and equipment	**(536)**	1,206
Others	**14,239**	7,434
	11,817	12,467

22. FINANCIAL CHARGES

Financial charges are incurred on notes payable, murabaha and tawaruq finances, short term loans, term loans and amortisation of loans front end fees relating to loans from SIDF.

23. SEGMENTAL ANALYSIS

(a) Analysis of revenue, operating income (loss) and net assets by activities:

	Revenue Sales SR 000		Operating income (loss) SR 000		Net assets SR 000	
	2013	2012	**2013**	2012	**2013**	2012
Air conditioner industry	**2,228,380**	2,184,563	**190,874**	191,444	**641,861**	461,717
Steel industry	**2,697,288**	2,689,364	**203,822**	144,485	**927,603**	851,451
Insulation	**298,649**	322,970	**29,017**	40,282	**100,118**	114,672
Concrete	**182,219**	156,444	**1,408**	13,695	**27,448**	29,592
Head office and others	**7,448**	1,533	**(24,684)**	(24,712)	**(88,488)**	(8,252)
	5,413,984	5,354,874	**400,437**	365,194	**1,608,542**	1,449,180

(b) Analysis of revenue, and operating income by geographical location:

	Revenue SR 000		Operating income SR 000	
	2013	2012	**2013**	2012
Saudi Arabia:				
Local sales	**3,970,935**	3,512,949	**300,833**	273,163
Export sales	**508,352**	838,163	**40,585**	54,802
Total sales of Saudi Arabia	**4,479,287**	4,351,112	**341,418**	327,965
Other Asian countries	**611,791**	677,683	**42,454**	25,389
Africa	**310,270**	310,980	**17,074**	12,614
Europe	**12,636**	15,099	**(509)**	(774)
	5,413,984	5,354,874	**400,437**	365,194

24. CONTINGENT LIABILITIES

The group's bankers have issued, on behalf of the group, performance bonds in respect of certain contracts and letters of credit amounting to SR 1,170 million (2012: SR 995 million) and SR 122 million (2012: SR 209 million) respectively.

25. CAPITAL COMMITMENTS

The directors have approved future capital expenditure amounting to SR 87.72 million (2012: SR 73.85 million).

26. STATUTORY RESERVE

In accordance with Regulations for Companies in Saudi Arabia, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution.

27. RISK MANAGEMENT

Credit risk
Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables. At the balance sheet date, no significant concentrations of credit risk were identified by management. However, the trade receivables from foreign customers are secured by letters of credit.

Liquidity risk
Liquidity risk is the risk that the group will encounter difficulty in raising funds to meet commitments associated with financial instruments. The group limits its liquidity risk by ensuring that bank facilities are available. The group's terms of sales require amounts to be paid within 90 days of the date of sale. Trade payables are normally settled within 90 days of the date of purchase.

Currency risk
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. As a result of investment in foreign countries, the consolidated balance sheet can be affected by movements in the exchange rate of Saudi Riyals against currencies of these foreign countries.

There are transactional currency exposures also. Such exposures arise mainly from sales or purchases by the foreign subsidiaries in currencies of their respective countries, which are not pegged with the functional currency of the parent company.

28. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The group's financial assets consist of bank balances and cash, receivables and amounts due from related parties and affiliates and its financial liabilities consist of murabah, short term loans, term loans, notes and payables and amounts due to related parties and affiliates.

The fair values of financial instruments are not materially different from their carrying values.

29. COMPARATIVE FIGURES

Certain figures for 2012 have been reclassified to conform with the presentation in the current year.