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LIMITED REVIEW REPORT TO THE SHAREHOLDERS OF ZAMIL INDUSTRIAL INVESTMENT COMPANY (SAUDI JOINT STOCK COMPANY)

Scope of limited review:

We have reviewed the accompanying interim consolidated balance sheet of Zamil Industrial Investment Company (Saudi Joint Stock Company) ("the parent company") and its subsidiaries (collectively referred to as "the group") as at 30 September 2011, the related interim consolidated statement of income for the three months and nine months and the interim consolidated statement of cash flows for the nine months period then ended. These interim consolidated financial statements have been prepared by the parent company and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). The limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with Generally Accepted Auditing Standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion of limited review:

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

for Ernst & Young

Abdulaziz Saud Alshubaibi
Certified Public Accountant
Registration No.339

18 Dhu al-Qa'dah 1432H
16 October 2011

Alkhobar

Zamilindustrial

INTERIM CONSOLIDATED STATEMENT OF INCOME (Un audited)

All Figures in SAR '000

Particulars	2010 Jul-Sep	2011 Jul-Sep	2010 Jan-Sep	2011 Jan-Sep
Net Sales	963,428	1,167,191	2,968,783	3,459,118
Cost of Sales	751,290	910,416	2,292,426	2,697,766
Gross Profit	212,138	256,775	676,357	761,352
Less Expenses				
Selling & Distribution Exp.	79,685	99,412	241,239	289,154
Administration & Engineering Exp.	84,243	87,571	231,190	256,533
Profit from main operations	48,210	69,792	203,928	215,665
Other Income	14,265	(982)	24,637	5,908
Company's share in results of associates, net	(2,954)	542	3,380	4,140
Financial charges	(14,431)	(17,637)	(42,690)	(53,061)
Minority Interest + Tax	(7,368)	(12,656)	(20,636)	(38,603)
Profit before Zakat	37,722	39,059	168,619	134,049
Zakat	5,978	5,505	18,818	15,812
Net Profit	31,744	33,554	149,801	118,237
Earnings Per Share (from net profit)	0.53	0.56	2.50	1.97
EPS for Main Operations	0.80	1.16	3.40	3.59

INTERIM CONSOLIDATED BALANCE SHEET (Un audited)

Particulars	as at 30.09.2010	as at 30.09.2011
Assets		
Current Assets		
Cash and cash equivalents	317,229	277,265
Trade accounts and notes receivables	964,741	1,333,238
Advances, other receivables and prepayments	302,561	657,896
Inventories	1,574,236	1,774,673
Amounts due from related parties & affiliates	76,214	34,732
Total Current Assets	3,234,981	4,077,804
Non-Current Assets		
Investments	323,245	325,953
Property, plant and equipment	1,087,896	1,406,303
Deferred charges	19,413	11,414
Goodwill	27,730	27,730
Other intangible assets	-	107,732
Total Non-Current Assets	1,458,284	1,879,132
Total Assets	4,693,265	5,956,936
Liabilities and Shareholders' Equity		
Current Liabilities		
Notes & Accounts payable, accruals & provisions	853,554	845,271
Amounts due to related parties & affiliates	4,985	7,688
Advances from customers	245,907	247,852
Morabaha and tawarruq finances	1,177,151	2,325,845
Short term loans	51,722	63,114
Current portion of term loans	242,011	243,676
Total Current Liabilities	2,575,330	3,733,446
Non-Current Liabilities		
S I D F loans	74,579	63,550
Other long term loans	517,783	316,634
Employee's terminal benefits	182,727	250,256
Total Non-Current Liabilities	775,089	630,440
Total Liabilities	3,350,419	4,363,886
Shareholder's Equity		
Share capital	600,000	600,000
Statutory reserve	162,903	180,860
Retained earnings	478,724	548,337
Unrealized losses on investments	(496)	(782)
Translation loss on consolidation	(7,400)	(24,977)
	1,233,731	1,303,438
Minority interests	109,115	289,612
Total Shareholders' Equity	1,342,846	1,593,050
Total Liabilities and Shareholders' Equity	4,693,265	5,956,936

INTERIM CONSOLIDATED CASH FLOW (Un audited)

Particulars	period ended 30.09.2010	period ended 30.09.2011
From Operations		
Net profit	149,801	118,237
Depreciation	82,932	101,144
Zakat provision	18,818	15,812
Loss on disposal of property, plant and equipment	105	44
Company's share in results of associates, net	(3,380)	(4,140)
Minority interest	15,079	36,504
Amortisation of deferred charges	2,857	1,427
Inventories	(63,882)	(99,550)
Receivables	73,453	(497,405)
Payables and accruals	(68,882)	(124,202)
End of service benefits, net	23,290	26,836
Zakat and taxes paid	(21,958)	(6,042)
Net cash from/(used in) operating activities	208,233	(431,335)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(82,998)	(153,803)
Acquisition of assets related to subsidiary	-	(120,922)
Proceeds from sale of property, plant and equipment	217	605
Investments	(74,737)	(65,068)
Other intangible assets	-	(73,184)
Deferred charges	-	(1,000)
Cash used in investing activities	(157,518)	(413,372)
FINANCING ACTIVITIES		
Changes in short term loans, morabaha & tawarruq finances	212,014	984,982
Changes in term loans	(187,442)	(182,598)
Dividends paid	(112,500)	(90,000)
Changes in minority interest	1,020	112,507
Cash (used in)/from financing activities	(86,908)	824,891
Decrease in cash and cash equivalents	(36,193)	(19,816)
Cash and cash equivalents at January 1	353,878	299,361
Movement in translation, net	(456)	(2,280)
Cash and cash equivalents at September 30	317,229	277,265

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
At 30 September 2011

1. STATUS AND ACTIVITIES

Zamil Industrial Investment Company ("the parent company") was established as a Saudi Joint Stock Company in accordance with Ministerial Resolution 407 dated 14.3.1419H (corresponding to 8 July 1998). The parent company and its subsidiaries (collectively referred to as "the group") are engaged in the manufacturing, marketing and maintenance of air conditioners, steel industry and glass industry. The parent company has main branches in Dammam: Zamil Air Conditioners and Zamil Glass Industries and subsidiaries in Saudi Arabia, Egypt, Vietnam, Austria, Italy, India, China and United Arab Emirates.

Pursuant to the board of directors' meeting of Rabiah and Nassar & Zamil Concrete Industrial Co. Ltd. ("RANCO"), the parent company assumed the control of RANCO effective from 1 January 2011. Accordingly, it has been consolidated in these interim consolidated financial statements (Previously: considered as an associate).

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

2. SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of available for sale investments. The group adopts the following accounting policies:

Interim period results
The group has made all necessary adjustments which are important to present fairly in all material respects the interim consolidated financial position and interim results of operations. The interim consolidated financial results may not be considered an indicative of the actual results for the whole year.

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-company accounts and transactions are eliminated upon consolidation. Subsidiaries under formation are accounted for at cost.

Use of estimates
The preparation of interim consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

Sales
Net sales represent the invoiced value of goods supplied (air conditions, steel buildings, glass and fibreglass) which are delivered to customers during the period. Contract revenue is recognized based on percentage of work executed.

Inventories
Inventories are stated at the lower of cost and market 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) - continued
At 30 September 2011

2. SIGNIFICANT ACCOUNTING POLICIES - continued

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.

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

Property, plant and equipment/depreciation
All property, plant and equipment are recorded at cost. 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.

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.

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.

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 interim consolidated balance sheet date. All differences are taken to the interim consolidated statement of income, except for translation differences which are recorded as a separate component of consolidated shareholders' equity at the interim consolidated balance sheet date.

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 interim consolidated statement of income. Marketable equity securities available for sale are stated at fair value and unrealized gains and losses thereon are included in interim consolidated shareholders' 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 interim 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) - continued
At 30 September 2011

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Goodwill
Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets of a subsidiary at the date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Other intangible assets
Other intangible assets measured at cost being the excess of the considerations paid over the parent company's share of the book value of the net assets of the acquired subsidiaries. The parent company is still in the process of allocating the excess funds paid to acquire the subsidiaries on the related tangible and intangible assets. The process is expected to be finalised during 2012.

Zakat
Zakat is provided for in accordance with Saudi Arabian fiscal regulations. The provision is charged to the consolidated statement of income. Additional amounts, if any, that become due on finalisation of assessment are accounted for in the period in which assessment is finalised.

The zakat provision for the interim period is calculated based on the estimated zakat provision for the whole year. The difference between the provision made during the interim period and the actual provision for the period based on detailed zakat calculation for the year is accounted for at year end.

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.

Earnings per share
Basic earnings per share from net income is calculated by dividing the net income for the period by the weighted average number of shares outstanding at the end of the period. Basic earnings per share from main operations is calculated by dividing income from main operations for the period by the weighted average of number of shares outstanding during the period.

Impairment
At each balance sheet date, the group reviews the carrying amounts of its property, plant and equipment and its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) 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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) - continued
At 30 September 2011

3. SEGMENTAL ANALYSIS

(a) Analysis of sales, income/(loss) from main operations and net assets by activity:

	Sales SR'000		Income/ (loss) from main operations SR'000		Net assets SR'000	
	30 September 2010 (unaudited)	**30 September 2011 (unaudited)**	30 September 2010 (unaudited)	**30 September 2011 (unaudited)**	30 September 2010 (unaudited)	**30 September 2011 (unaudited)**
Air conditioner industry	1,195,815	**1,344,769**	108,731	**108,434**	237,739	**366,910**
Steel industry	1,642,311	**1,750,017**	78,383	**62,576**	726,689	**766,525**
Glass & fibreglass	130,657	**247,169**	24,306	**41,876**	114,698	**158,191**
Concrete	-	**117,163**	-	**11,265**	-	**71,183**
Head office	-	-	(7,492)	**(8,486)**	154,605	**(59,371)**
	2,968,783	**3,459,118**	203,928	215,665	1,233,731	**1,303,438**

(b) Analysis of sales, and income/(loss) from main operations by geographical location:

	Sales SR'000		Income (loss) from main operations SR'000	
	30 September 2010 (unaudited)	**30 September 2011 (unaudited)**	30 September 2010 (unaudited)	**30 September 2011 (unaudited)**
Saudi Arabia:				
Local sales	1,760,238	**2,160,876**	147,320	**159,237**
Export sales	555,017	**677,096**	41,144	**43,088**
Other Asian countries	360,446	**352,606**	(4,664)	**9,703**
Africa	239,083	**205,356**	17,569	**1,514**
Europe	53,999	**63,184**	2,559	**2,123**
	2,968,783	**3,459,118**	203,928	**215,665**

4. CONTINGENT LIABILITIES

At 30 September 2011, the group has outstanding bank guarantees amounting to SR 789 million (30 September 2010: SR 892 million) issued during the normal course of the business.

5. COMPARATIVE FIGURES

Certain of prior period amounts have been reclassified to conform with the presentation in the current period.