

**ZAMIL INDUSTRIAL INVESTMENT COMPANY AND ITS
SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AND AUDITORS' REPORT (LIMITED REVIEW)
FOR THE THREE MONTHS AND NINE MONTHS
PERIODS ENDED SEPTEMBER 30, 2013**

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(SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND AUDITORS' REPORT
(LIMITED REVIEW)
FOR THE THREE MONTHS AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2013**

INDEX	PAGE
Auditors' report (limited review)	1
Consolidated interim balance sheet	2
Consolidated interim statement of income	3
Consolidated interim statement of cash flows	4
Notes to the consolidated interim financial statements	5 - 9

AUDITORS' REPORT (LIMITED REVIEW) ON CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the stockholders
Zamil Industrial Investment Company
Dammam, Saudi Arabia

Scope of Review

We have reviewed the consolidated interim balance sheet of Zamil Industrial Investment Company ("the parent company"), a Saudi Joint Stock Company, and its subsidiaries as of September 30, 2013 and the related consolidated interim statement of income for the three months and nine months periods then ended, consolidated interim cash flows for the nine months then ended, and notes 1 to 5 which form an integral part of these consolidated interim financial statements as prepared by the parent company and presented to us with all the necessary information and explanations. These consolidated interim financial statements are the responsibility of the parent company's management.

We conducted our review in accordance with the standard of auditing applicable to interim financial reporting in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Review Results

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

Deloitte & Touche
Bakr Abulkhair & Co.

Nasser M. Al-Sagga
License No. 322
17 Dhu-al-Hijjah, 1434
October 22, 2013



ZAMIL INDUSTRIAL INVESTMENT COMPANY AND ITS SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED INTERIM BALANCE SHEET
AS OF SEPTEMBER 30, 2013

	Note	2013 SR 000 (un-audited)	2012 SR 000 (un-audited)
ASSETS			
Current assets			
Cash and cash equivalents		384,689	302,880
Trade accounts and notes receivables		1,739,581	1,488,006
Advances, other receivables and prepayments		412,695	466,453
Advances to an unconsolidated subsidiary		341,598	257,089
Inventories		2,000,792	1,824,277
Amounts due from related parties		92,242	148,384
Total current assets		4,971,597	4,487,089
Non-current assets			
Investments		244,754	331,826
Property, plant and equipment		1,585,440	1,474,248
Deferred charges		16,719	18,502
Goodwill		169,906	176,251
Total non-current assets		2,016,819	2,000,827
TOTAL ASSETS		6,988,416	6,487,916
LIABILITIES, STOCKHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS			
Current liabilities			
Notes and accounts payable, accruals and provisions		1,027,981	781,267
Amounts due to related parties		54,659	65,788
Advances from customers		407,926	393,940
Murabaha and tawarruq finances		2,991,837	2,741,095
Short term loans		83,245	28,263
Current portion of term loans		133,141	297,646
Total current liabilities		4,698,789	4,307,999
Non-current liabilities			
SIDF loans		75,835	91,455
Other long term loans and payables		114,618	150,102
Employees' terminal benefits		301,775	273,833
Total non-current liabilities		492,228	515,390
Total liabilities		5,191,017	4,823,389
Stockholders' equity and non-controlling interests			
Share capital	1	600,000	600,000
Statutory reserve		222,125	198,462
Retained earnings		735,925	614,754
Unrealised loss on investments		-	(733)
Translation loss on consolidation		(35,847)	(17,636)
Total stockholders' equity	3	1,522,203	1,394,847
Non-controlling interests		275,196	269,680
Total stockholders' equity and non-controlling interests		1,797,399	1,664,527
TOTAL LIABILITIES, STOCKHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS		6,988,416	6,487,916

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

- 2 -

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

ZAMIL INDUSTRIAL INVESTMENT COMPANY AND ITS SUBSIDIARIES
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CONSOLIDATED INTERIM STATEMENT OF INCOME
FOR THE THREE MONTHS AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2013

	From July 1 to September 30		From January 1 to September 30	
	2013 SR 000 (un-audited)	2012 SR 000 (un-audited)	2013 SR 000 (un-audited)	2012 SR 000 (un-audited)
Net sales	1,374,398	1,281,537	4,048,372	3,728,426
Cost of sales	(1,057,615)	(1,008,389)	(3,116,941)	(2,931,129)
Gross profit	316,783	273,148	931,431	797,297
Expenses				
Selling and distribution	125,562	99,679	352,277	294,700
General and administration	103,308	90,305	296,222	251,808
Income from main operations	87,913	83,164	282,932	250,789
Other (expenses) income, net	(5,208)	3,022	(4,932)	9,021
Share of profit (loss) from associates, net	280	(806)	1,668	(718)
Financial charges	(23,859)	(20,976)	(67,028)	(60,747)
Non-controlling interests and foreign taxes	(4,266)	(9,343)	(21,268)	(38,006)
Income before zakat	54,860	55,061	191,372	160,339
Zakat	(5,907)	(8,271)	(16,126)	(20,273)
NET INCOME	48,953	46,790	175,246	140,066
Earnings per share from net income	SR 0.82	SR 0.78	SR 2.92	SR 2.33
Earnings per share from continuing main operations	SR 0.91	SR 0.73	SR 3.00	SR 2.18
(Loss) earnings per share from other operations	SR (0.09)	SR 0.05	SR (0.08)	SR 0.15
Weighted average number of shares	60,000,000	60,000,000	60,000,000	60,000,000

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ZAMIL INDUSTRIAL INVESTMENT COMPANY AND ITS SUBSIDIARIES
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CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2013

	1 January to 30 September 2013 SR 000 (un-audited)	1 January to 30 September 2012 SR 000 (un-audited)
OPERATING ACTIVITIES		
Net income	175,246	140,066
Depreciation	102,430	102,615
Zakat provision	16,126	20,273
Loss on disposal of property, plant and equipment	138	338
Share of (profit) loss from associates, net	(1,668)	718
Loss on sale of investments	369	-
Non-controlling interests	16,254	36,573
Amortisation of deferred charges	1,010	923
Inventories	(180,527)	54,273
Receivables	(132,384)	(280,162)
Payables and accruals	44,177	41,232
Employees' terminal benefits, net	29,712	22,467
Zakat paid	(8,945)	(63,634)
Net cash from operating activities	61,938	75,682
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(114,727)	(134,716)
Proceeds from disposal of property, plant and equipment	837	1,885
Proceeds from sale of investments, net	18,883	-
Deferred charges incurred	(1,023)	(7,650)
Net cash used in investing activities	(96,030)	(140,481)
FINANCING ACTIVITIES		
Changes in short term loans, murabaha and tawarruq finances	385,936	334,215
Changes in term loans	(220,608)	(161,548)
Dividends paid	(90,000)	(90,000)
Net cash from financing activities	75,328	82,667
Net increase in cash and cash equivalents	41,236	17,868
Cash and cash equivalents at January 1	338,820	285,867
Movement in translation gain (loss), net	4,633	(855)
CASH AND CASH EQUIVALENTS AT SEPTEMBER 30	384,689	302,880


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER

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**ZAMIL INDUSTRIAL INVESTMENT COMPANY AND ITS SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2013**

1. STATUS 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 parent company and its subsidiaries (collectively referred to as “the group”) are engaged in design and engineering, manufacturer and fabricator of construction materials, pre-engineered steel buildings, steel structures, air conditioning and climate control systems for commercial, industrial and residential applications, telecom and transmission towers, process equipment, precast concrete building products, fiberglass, rockwool and engineered plastic foam insulations, and solar power projects.

The parent company has a branch in Dammam and its main subsidiaries are in Saudi Arabia, Egypt, Vietnam, Austria, Italy, India, China and United Arab Emirates.

In 2013, the parent company disposed off 27.5% interest in Saudi Aerated Concrete Industries Company (an associate) and recognized a gain of SR 0.22 million.

The share capital of the parent company, amounting to SR 600 million (30 September 2012: SR 600 million) is divided into 60 million shares of SR 10 each (30 September 2012: 60 million shares of SR 10 each).

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated interim financial statements have been prepared in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (“SOCPA”). Significant accounting policies adopted by the Group are summarized as follows:

Interim period results

The group has made all necessary adjustments which are important to present fairly in all material respects the consolidated interim financial position and interim results of operations. The consolidated interim 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 consolidated interim 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 consolidated interim financial statements and the reported amounts of revenues and expenses during the reporting period.

ZAMIL INDUSTRIAL INVESTMENT COMPANY AND ITS SUBSIDIARIES
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2013

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 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.

Revenue recognized in excess of progress billings are disclosed under advances, other receivables and prepayments in the consolidated interim balance sheet. Whereas billings in excess of cost are disclosed under notes and accounts payable, accruals and provisions in the consolidated interim balance sheet.

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.

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.

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 interim statement of income.

Expenses

Selling and distribution expenses are those that specifically relate to salesmen, warehousing, distribution 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

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.

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 balance sheet date. All differences are taken to the consolidated interim statement of income. Financial statements of foreign subsidiaries 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 interim statement of income.

ZAMIL INDUSTRIAL INVESTMENT COMPANY AND ITS SUBSIDIARIES
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2013

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

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 interim 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.

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.

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 interim 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 interim statement of income.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2013

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 unit) is less than the carrying amount of the cash-generating unit (or group of cash-generating unit) 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.

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 interim statement of income. The zakat charge and income tax, assessable on the non-controlling stockholders is included in non-controlling interests. Additional amounts, if any, that become due on finalisation of assessment are accounted for in the period in which assessment is finalised.

The zakat and income tax provision for the interim period is calculated based on the estimated zakat and income tax 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 and income tax calculation for the year is accounted for at year end.

Earnings per share

Earnings per share are computed by dividing net income for the period by the weighted average number of shares outstanding, during the period ended September 30, 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 profit/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.

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.

ZAMIL INDUSTRIAL INVESTMENT COMPANY AND ITS SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2013

3. SEGMENTAL ANALYSIS

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

	Sales		Income/ (loss) from main operations		Net assets	
	SR 000		SR 000		SR 000	
	1 January to 30 September 2013	1 January to 30 September 2012	1 January to 30 September 2013	1 January to 30 September 2012	30 September 2013	30 September 2012
	(un-audited)	(un-audited)	(un-audited)	(un-audited)	(un-audited)	(un-audited)
Air conditioner industry	1,725,874	1,396,155	136,707	123,498	496,069	445,208
Steel industry	1,961,066	1,970,920	130,520	84,947	906,651	798,091
Insulation	221,129	252,036	24,466	42,356	123,038	116,104
Concrete	135,883	109,170	4,998	8,745	29,904	57,539
Head office	4,420	145	(13,759)	(8,757)	(33,459)	(22,095)
	4,048,372	3,728,426	282,932	250,789	1,522,203	1,394,847

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

	Sales		Income /(loss) from main operations	
	SR 000		SR 000	
	1 January to 30 September 2013	1 January to 30 September 2012	1 January to 30 September 2013	1 January to 30 September 2012
	(un-audited)	(un-audited)	(un-audited)	(un-audited)
Saudi Arabia				
Local sales	2,959,905	2,460,828	220,069	181,626
Export sales	383,636	661,028	29,087	42,311
Other Asian countries	467,829	372,110	23,844	19,587
Africa	229,825	234,460	10,701	7,265
Europe	7,177	-	(769)	-
	4,048,372	3,728,426	282,932	250,789

4. 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). During the period, the parent company also paid an interim dividend of SR 0.75 per share totalling SR 45 million (2012 – SR 0.75 per share totalling SR 45 million).

5. CONTINGENT LIABILITIES

At September 30, 2013, the group has outstanding bank guarantees amounting to SR 1,094 million (September 30, 2012: SR 956 million) issued during the normal course of the business.