

**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 SIX MONTHS PERIODS
ENDED JUNE 30, 2014**

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(SAUDI JOINT STOCK COMPANY)**

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(LIMITED REVIEW)
FOR THE THREE MONTHS AND SIX MONTHS PERIODS ENDED JUNE 30, 2014**

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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 June 30, 2014 and the related consolidated interim statement of income for the three months and six months periods then ended, consolidated interim cash flows for the six months then ended, and notes 1 to 6 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
18 Ramadan, 1435
July 15, 2014




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

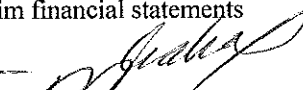
CONSOLIDATED INTERIM BALANCE SHEET
AS OF JUNE 30, 2014

	Note	2014 SR 000 (un-audited)	2013 SR 000 (un-audited)
ASSETS			
Current assets			
Cash and cash equivalents		315,292	322,950
Trade accounts and notes receivables		1,544,402	1,743,934
Advances, other receivables and prepayments		648,860	383,375
Advances to an unconsolidated subsidiary	1	-	340,926
Current portion of net investment in finance lease	1	18,678	-
Inventories		1,703,467	1,990,409
Amounts due from related parties		48,453	101,886
Total current assets		4,279,152	4,883,480
Non-current assets			
Investments	1	170,745	244,474
Net investment in finance lease	1	435,255	-
Property, plant and equipment		1,600,951	1,572,972
Deferred charges		14,069	16,844
Goodwill		158,543	169,906
Total non-current assets		2,379,563	2,004,196
TOTAL ASSETS		6,658,715	6,887,676
LIABILITIES, STOCKHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS			
Current liabilities			
Notes and accounts payable, accruals and provisions		1,032,225	956,708
Amounts due to related parties		17,274	56,606
Advances from customers		403,121	425,477
Murabaha and tawarruq finances		2,125,102	2,824,214
Short term loans		112,578	94,403
Current portion of term loans		169,590	269,593
Total current liabilities		3,859,890	4,627,001
Non-current liabilities			
S I D F loans		50,803	82,720
Other long term loans and payables		459,472	101,467
Employees' terminal benefits		324,006	288,366
Total non-current liabilities		834,281	472,553
Total liabilities		4,694,171	5,099,554
Stockholders' equity and non-controlling interests			
Share capital	1	600,000	600,000
Statutory reserve		242,038	217,229
Retained earnings		853,144	736,868
Translation loss on consolidation		(9,134)	(38,749)
Total stockholders' equity	3	1,686,048	1,515,348
Non-controlling interests		278,496	272,774
Total stockholders' equity and non-controlling interests		1,964,544	1,788,122
TOTAL LIABILITIES, STOCKHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS		6,658,715	6,887,676

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

CEO - 

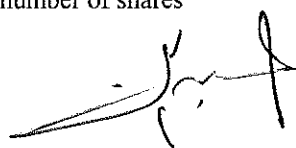
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CFO - 

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

CONSOLIDATED INTERIM STATEMENT OF INCOME
FOR THE THREE MONTHS AND SIX MONTHS PERIODS ENDED JUNE 30, 2014

	From April 1 to June 30		From January 1 to June 30	
	2014	2013	2014	2013
	SR 000	SR 000	SR 000	SR 000
	(un-audited)	(un-audited)	(un-audited)	(un-audited)
Revenue	1,386,007	1,431,032	2,678,869	2,673,974
Cost of revenue	(1,069,913)	(1,116,144)	(2,057,263)	(2,059,326)
Gross profit	316,094	314,888	621,606	614,648
Expenses				
Selling and distribution	118,810	121,429	238,224	226,715
General and administration	95,930	95,613	187,113	192,914
Income from main operations	101,354	97,846	196,269	195,019
Other income (expenses), net	5,338	(1,492)	9,056	276
Share of profit from associates, net	1,202	824	1,893	1,388
Financial charges	(20,811)	(20,564)	(39,871)	(43,169)
Non-controlling interests	(1,372)	(6,115)	(6,357)	(13,832)
Income before zakat and taxes	85,711	70,499	160,990	139,682
Foreign taxes	(3,480)	(1,768)	(6,714)	(3,170)
Zakat	(9,216)	(5,130)	(15,254)	(10,219)
NET INCOME	73,015	63,601	139,022	126,293
Earnings per share from net income	SR 1.22	SR 1.06	SR 2.32	SR 2.10
Earnings per share from continuing main operations	SR 1.13	SR 1.08	SR 2.17	SR 2.10
Earnings (loss) per share from other operations	SR 0.09	SR (0.02)	SR 0.15	SR 0.00
Weighted average number of shares	60,000,000	60,000,000	60,000,000	60,000,000



CHIEF EXECUTIVE OFFICER



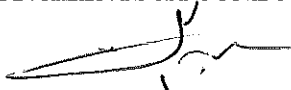
CHIEF FINANCIAL OFFICER

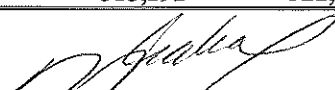
The accompanying notes form an integral part of these consolidated interim financial statements

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

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2014

	1 January to 30 June 2014 SR 000 (un-audited)	1 January to 30 June 2013 SR 000 (un-audited)
OPERATING ACTIVITIES		
Income before zakat and taxes	160,990	139,682
Adjustments for:		
Depreciation	75,857	67,293
Employees' terminal benefits, net	13,381	16,303
Loss on disposal of property, plant and equipment	1,128	200
Non-controlling interests	6,357	13,832
Share of profit from associates, net	(1,893)	(1,388)
Loss on sale of investments	-	369
Amortisation of deferred charges	1,341	878
Financial charges	39,871	43,169
	<u>297,032</u>	<u>280,338</u>
Changes in operating assets and liabilities:		
Inventories	247,267	(170,144)
Receivables	32,684	(116,389)
Net investment in finance lease	9,046	-
Payables and accruals	(137,387)	(2,054)
Cash from (used in) operations	448,642	(8,249)
Financial charges paid	(39,871)	(43,169)
Foreign taxes and zakat paid	(16,647)	(11,752)
Net cash from (used in) operating activities	<u>392,124</u>	<u>(63,170)</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(69,772)	(64,256)
Proceeds from disposal of property, plant and equipment	1,164	3,273
Investments, net	-	18,883
Deferred charges incurred	-	(1,016)
Net cash used in investing activities	<u>(68,608)</u>	<u>(43,116)</u>
FINANCING ACTIVITIES		
Changes in short term loans, murabaha and tawarruq finances	(595,114)	229,471
Changes in term loans	380,792	(90,422)
Dividends paid	(60,000)	(45,000)
Net cash (used in) from financing activities	<u>(274,322)</u>	<u>94,049</u>
Net increase (decrease) in cash and cash equivalents	49,194	(12,237)
Cash and cash equivalents at the beginning of the year	268,557	338,820
Movement in translation loss, net	(2,459)	(3,633)
CASH AND CASH EQUIVALENTS AT JUNE 30	<u>315,292</u>	<u>322,950</u>


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER

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

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND SIX MONTHS PERIODS ENDED JUNE 30, 2014**

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).

In 2013, 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 72.66 million.

The share capital of the parent company, amounting to SR 600 million (30 June 2013: SR 600 million) is divided into 60 million shares of SR 10 each (30 June 2013: 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:

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.

Revenue recognition

Net sales represent the invoiced value of goods supplied, services rendered and work executed by the group during the period. 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.

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

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS AND SIX MONTHS PERIODS ENDED JUNE 30, 2014

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
(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS AND SIX MONTHS PERIODS ENDED JUNE 30, 2014**

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.

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 interim financial statements as "net investment in finance lease".

Goodwill

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 CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS AND SIX MONTHS PERIODS ENDED JUNE 30, 2014

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 June 30, 2014 of 60 million shares (2013: 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 SIX MONTHS PERIODS ENDED JUNE 30, 2014

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	
	1 Jan to 30 June 2014 (un-audited)	1 Jan to 30 June 2013 (un-audited)	1 Jan to 30 June 2014 (un-audited)	1 Jan to 30 June 2013 (un-audited)	30 June 2014 (un-audited)	30 June 2013 (un-audited)
Air conditioner industry	1,113,263	1,123,153	97,037	96,519	687,036	501,119
Steel industry	1,295,646	1,305,680	104,079	83,944	982,150	886,512
Insulation	152,273	147,035	14,106	18,398	103,623	120,591
Concrete	114,453	94,954	(5,916)	4,732	23,589	30,697
Head office	3,234	3,152	(13,037)	(8,574)	(110,350)	(23,571)
	2,678,869	2,673,974	196,269	195,019	1,686,048	1,515,348

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

	Sales SR 000		Income /(loss) from main operations SR 000	
	1 Jan to 30 June 2014 (un-audited)	1 Jan to 30 June 2013 (un-audited)	1 Jan to 30 June 2014 (un-audited)	1 Jan to 30 June 2013 (un-audited)
Saudi Arabia				
Local sales	1,955,764	1,863,343	148,465	148,345
Export sales	225,660	290,748	17,665	21,571
Other Asian countries	295,720	360,927	12,773	19,801
Africa	198,694	154,169	17,820	6,106
Europe	3,031	4,787	(454)	(804)
	2,678,869	2,673,974	196,269	195,019

4. DIVIDENDS

In 2014, the parent company paid a cash dividend of SR 1.00 per share totalling SR 60 million for the year 2013 (2013: SR 0.75 per share totalling SR 45 million for the year 2012).

5. CONTINGENT LIABILITIES

At June 30, 2014, the group has outstanding bank guarantees amounting to SR 1,192 million (June 30, 2013: SR 988 million) issued during the normal course of the business.

6. RESULTS OF INTERIM PERIOD

The results of the interim period are not audited and therefore it may not give accurate indication of the annual operating results.