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

Scope of limited review:

We have reviewed the accompanying interim consolidated balance sheet of Zamil Industrial Investment Company (A Saudi Joint Stock Company) ("the parent company") and its subsidiaries (collectively referred to as "the group") as at 31 December 2011, the related interim consolidated statements of income for the three and twelve months periods ended on 31 December 2011 and the interim statements of cash flows for the twelve months period ended on 31 December 2011. These interim consolidated financial statements are the responsibility of the parent company's management and have been prepared by them and submitted to us together with all the information and explanations which we required. Our review was limited and was conducted in accordance with Saudi Organisation of Certified Public Accountants (SOCPA) standard on interim financial information. The limited review consists principally of analytical procedures applied to financial data and inquiries of the parent company's personnel responsible for financial and accounting matters. It is substantially less in scope than an audit 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 on 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 these 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

23 Safar 1433H
17 January 2012

Al-Khobar

Zamilindustrial

INTERIM CONSOLIDATED STATEMENT OF INCOME (Un audited)

All Figures in SAR '000

Particulars	2010 Oct-Dec	2011 Oct-Dec	2010 Jan-Dec	2011 Jan-Dec
Net Sales	1,049,629	1,278,309	4,018,412	4,737,427
Cost of Sales	730,556	968,997	3,022,982	3,666,763
Gross Profit	319,073	309,312	995,430	1,070,664
Less Expenses				
Selling & Distribution Exp.	128,428	146,862	369,667	436,016
Administration & Engineering Exp.	107,144	106,123	338,334	362,656
Profit from main operations	83,501	56,327	287,429	271,992
Other Income	5,488	3,836	30,125	9,744
Company's share in results of associates, net	(1,117)	(7,948)	2,263	(3,808)
Financial charges	(13,669)	(11,945)	(56,359)	(65,006)
Minority Interest + Tax	(6,693)	2,195	(27,329)	(36,408)
Profit before Zakat	67,510	42,465	236,129	176,514
Zakat	6,177	6,512	24,995	22,324
Net Profit	61,333	35,953	211,134	154,190
Earnings Per Share (from net profit)	1.02	0.60	3.52	2.57
EPS for Main Operations	1.39	0.94	4.79	4.53

INTERIM CONSOLIDATED BALANCE SHEET (Un audited)

Particulars	as at 31.12.2010	as at 31.12.2011
Assets		
Current Assets		
Cash and cash equivalents	296,171	277,867
Trade accounts and notes receivables	965,270	1,408,778
Advances, other receivables and prepayments	417,425	477,253
Inventories	1,654,176	1,859,699
Amounts due from related parties & affiliates	91,714	91,577
Total Current Assets	3,424,756	4,115,174
Non-Current Assets		
Investments	324,153	344,722
Property, plant and equipment	1,118,839	1,443,215
Deferred charges	11,838	9,939
Goodwill	27,730	176,251
Total Non-Current Assets	1,482,560	1,974,127
Total Assets	4,907,316	6,089,301
Liabilities and Shareholders' Equity		
Current Liabilities		
Notes & Accounts payable, accruals & provisions	861,316	904,389
Amounts due to related parties & affiliates	15,257	66,930
Advances from customers	246,568	212,663
Morabaha and tawarruq finances	1,339,233	2,304,549
Short term loans	49,744	67,680
Current portion of term loans	243,105	276,565
Total Current Liabilities	2,755,223	3,832,776
Non-Current Liabilities		
S I D F loans	74,579	63,550
Other long term loans	465,337	355,871
Employee's terminal benefits	213,386	250,676
Total Non-Current Liabilities	753,302	670,097
Total Liabilities	3,508,525	4,502,873
Shareholder's Equity		
Share capital	600,000	600,000
Statutory reserve	169,036	184,455
Retained earnings	486,924	535,695
Proposed Dividend	45,000	45,000
Unrealized losses on investments	1,368	(1,075)
Translation loss on consolidation	(13,428)	(19,591)
	1,288,900	1,344,484
Minority interests	109,891	241,944
Total Shareholders' Equity	1,398,791	1,586,428
Total Liabilities and Shareholders' Equity	4,907,316	6,089,301

INTERIM CONSOLIDATED CASH FLOW (Un audited)

Particulars	period ended 31.12.2010	period ended 31.12.2011
From Operations		
Net profit	211,134	154,190
Depreciation	112,348	137,590
Zakat provision	24,995	22,324
Loss on disposal of property, plant and equipment	(79)	29
Gain on sale of investments	(791)	-
Company's share in results of associates, net	(2,263)	3,808
Minority interest	18,812	31,963
Amortisation of deferred charges	5,916	1,889
Inventories	(143,822)	(143,914)
Receivables	(58,866)	(322,322)
Payables and accruals	(60,239)	(156,400)
End of service benefits, net	53,949	22,010
Zakat and taxes paid	(21,958)	(18,116)
Net cash from/(used in) operating activities	139,136	(266,949)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(147,380)	(243,401)
Acquisition of subsidiary	-	(150,000)
Proceeds from sale of property, plant and equipment	3,855	2,737
Proceeds from sale of investments	14,677	-
Investments	(87,203)	(92,078)
Deferred charges	(779)	-
Cash used in investing activities	(216,830)	(482,742)
FINANCING ACTIVITIES		
Changes in short term loans, morabaha & tawarruq finances	372,118	913,544
Changes in term loans	(236,919)	(102,357)
Dividends paid	(112,500)	(90,000)
Changes in minority interest	(1,937)	(6,032)
Cash (used in)/from financing activities	20,762	715,155
Decrease in cash and cash equivalents	(56,932)	(34,536)
Cash and cash equivalents at January 1	353,878	296,171
Cash and cash equivalents acquired during the period	-	5,993
Movement in translation, net	(775)	10,239
Cash and cash equivalents at December 31	296,171	277,867

Chief Financial Officer

Chief Executive Officer

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
At 31 December 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).

During the year, the parent company acquired 51% share capital of Gulf Insulation Group ("GIG") and assumed its control effective from 1 January 2011. Accordingly, it has been consolidated in these interim consolidated financial statements.

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:

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

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 minority interests in the acquiree. For each business combination, the acquirer measures the minority interest in the acquiree either at fair value or at the proportionate share of the acquiree'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 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.

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.

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.

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2. SIGNIFICANT ACCOUNTING POLICIES - continued

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) 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 (cash-generating unit) in prior years. A reversal of an impairment loss other than goodwill is recognized as income immediately.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) - continued
At 31 December 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	
	31 December 2010 (audited)	**31 December 2011 (unaudited)**	31 December 2010 (audited)	**31 December 2011 (unaudited)**	31 December 2010 (audited)	**31 December 2011 (unaudited)**
Air conditioner industry	1,636,218	**1,842,812**	149,399	**161,139**	296,005	**328,960**
Steel industry	2,209,302	**2,420,476**	116,324	**89,433**	780,006	**754,705**
Glass & fibreglass	172,892	**325,004**	30,070	**49,081**	116,509	**120,313**
Concrete	-	**149,135**	-	**(9,781)**	-	**49,791**
Head office	-	-	(8,364)	**(17,880)**	96,380	**90,715**
	4,018,412	**4,737,427**	287,429	**271,992**	1,288,900	**1,344,484**

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

	Sales SR'000		Income (loss) from main operations SR'000	
	31 December 2010 (audited)	**31 December 2011 (unaudited)**	31 December 2010 (audited)	**31 December 2011 (unaudited)**
Saudi Arabia:				
Local sales	2,392,382	**2,933,306**	199,865	**199,188**
Export sales	755,583	**971,470**	55,593	**58,414**
Other Asian countries	495,126	**476,913**	6,303	**8,292**
Africa	304,721	**280,024**	22,365	**3,490**
Europe	70,600	**75,714**	3,303	**2,608**
	4,018,412	**4,737,427**	287,429	**271,992**

4. CONTINGENT LIABILITIES

At 31 December 2011, the group has outstanding bank guarantees amounting to SR 717 million (31 December 2010: SR 672 million) issued during the normal course of the business.