

Aluminium Bahrain B.S.C.
INTERIM CONDENSED FINANCIAL STATEMENTS
30 SEPTEMBER 2013 (UNAUDITED)

REPORT ON THE REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF ALUMINIUM BAHRAIN B.S.C.

Introduction

We have reviewed the accompanying interim condensed financial statements of Aluminium Bahrain B.S.C. ('the Company') as at 30 September 2013, comprising of the interim statement of financial position as at 30 September 2013 and the related interim statements of comprehensive income, cash flows and changes in equity for the nine month period then ended and explanatory notes. The Company's Board of Directors is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.



6 November 2013

Manama, Kingdom of Bahrain

Aluminium Bahrain B.S.C.

INTERIM STATEMENT OF FINANCIAL POSITION

At 30 September 2013

		30 September 2013 Unaudited BD '000	31 December 2012 Audited BD '000
ASSETS			
Non-current assets			
Property, plant and equipment	7	855,004	901,779
Long term receivable		8,595	10,314
		863,599	912,093
Current assets			
Inventories		140,887	143,564
Current portion of long term receivable		3,439	3,438
Accounts receivable and prepayments	7	130,709	91,139
Other asset		4,800	-
Derivative financial instruments	4	-	104
Bank balances and cash		41,749	61,605
		321,584	299,850
TOTAL ASSETS		1,185,183	1,211,943
EQUITY AND LIABILITIES			
Equity			
Share capital		142,000	142,000
Treasury shares		(5,439)	(4,087)
Statutory reserve		71,000	71,000
Capital reserve		249	249
Retained earnings		646,846	600,683
Proposed dividend	8	-	19,773
Total equity		854,656	829,618
Non-current liabilities			
Borrowings		94,542	77,096
Derivative financial instruments	4	7,309	23,996
Employees' end of service benefits		1,021	915
		102,872	102,007
Current liabilities			
Borrowings		108,783	160,303
Accounts payable and accruals		110,724	106,585
Derivative financial instruments	4	8,148	13,430
		227,655	280,318
Total liabilities		330,527	382,325
TOTAL EQUITY AND LIABILITIES		1,185,183	1,211,943



Mahmood H. Al Kooheji
Chairman



Yousif A. Taqi
Director

The attached notes 1 to 10 form part of these interim condensed financial statements.

Aluminium Bahrain B.S.C.

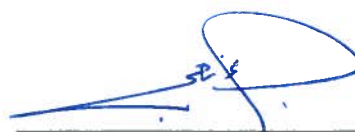
INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2013 (Unaudited)

	Note	<i>Three months ended</i>		<i>Nine months ended</i>	
		30 September 2013	<i>30 September 2012</i>	30 September 2013	<i>30 September 2012</i>
		<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Sales revenue		183,326	171,916	565,932	554,873
Cost of sales		(164,024)	(161,553)	(475,617)	(474,013)
GROSS PROFIT		19,302	10,363	90,315	80,860
Other income		964	969	2,618	3,183
Selling and distribution expenses		(4,807)	(4,595)	(13,177)	(13,579)
General and administrative expenses		(7,741)	(6,873)	(23,375)	(20,917)
(Loss) gain on foreign exchange		(106)	(1,223)	207	(666)
Finance costs		(1,480)	(1,791)	(4,628)	(5,563)
PROFIT (LOSS) FOR THE PERIOD BEFORE DERIVATIVE FINANCIAL INSTRUMENTS		6,132	(3,150)	51,960	43,319
(Loss) gain on revaluation/settlement of derivative financial instruments (net)	4	(1,262)	(9,847)	14,106	638
PROFIT (LOSS) AND OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		4,870	(12,997)	66,066	43,956
Basic and diluted earnings per share (fils)	3	3	(9)	47	31



Mahmood H. Al Kooheji
Chairman



Yousif A. Taqi
Director

The attached notes 1 to 10 form part of these interim condensed financial statements.

Aluminium Bahrain B.S.C.

INTERIM STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2013 (Unaudited)

	<i>Note</i>	30 September 2013 BD '000	30 September 2012 BD '000
OPERATING ACTIVITIES			
Profit for the period		66,066	43,956
Adjustments for:			
Depreciation		58,347	57,420
Provision for employees' end of service benefits		640	500
Gains on revaluation of derivative financial instruments	4	(21,865)	(18,222)
Loss on disposal of property, plant and equipment		435	24
Provision for slow moving inventories		269	84
Provision for doubtful debts		(51)	(145)
Interest income		(193)	(301)
Finance costs		4,628	5,563
Amortisation of treasury shares held for Employees' Stock Incentive Plan		550	596
		108,826	89,475
Working capital changes:			
Inventories		2,408	4,642
Accounts receivable and prepayments		(39,519)	4,035
Accounts payable and accruals		4,301	(4,107)
Cash from operations		76,016	94,045
Employees' end of service benefits paid		(534)	(549)
Net cash from operating activities		75,482	93,496
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(12,282)	(13,188)
Disposal of property, plant and equipment		275	90
Other assets		(4,800)	-
Interest received		193	301
Net cash used in investing activities		(16,614)	(12,797)
FINANCING ACTIVITIES			
Amounts received from long term receivable		1,719	1,720
Borrowings availed		246,975	78,960
Borrowings repaid		(281,049)	(120,585)
Finance costs paid		(4,790)	(5,603)
Dividends paid	9	(39,488)	(76,271)
Purchase of treasury shares		(2,328)	(739)
Proceeds from resale of treasury shares		237	586
Net cash used in financing activities		(78,724)	(121,932)
DECREASE IN CASH AND CASH EQUIVALENTS		(19,856)	(41,233)
Cash and cash equivalents at 1 January		61,605	99,487
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER		41,749	58,254

The attached notes 1 to 10 form part of these interim condensed financial statements.

Aluminium Bahrain B.S.C.

INTERIM STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2013 (Unaudited)

	Share capital BD '000	Treasury shares BD '000	Statutory reserve BD '000	Capital reserve BD '000	Retained earnings BD '000	Proposed dividend BD '000	Total BD '000
Balance at 1 January 2013	142,000	(4,087)	71,000	249	600,683	19,773	829,618
Total comprehensive income for the period	-	-	-	-	66,066	-	66,066
Net movement in treasury shares	-	(1,902)	-	-	-	-	(1,902)
Amortisation of treasury shares held for Employees' Stock Incentive Plan	-	550	-	-	-	-	550
Loss on resale of treasury shares	-	-	-	-	(188)	-	(188)
Final dividend for approved and paid (note 9)	-	-	-	-	-	(39,488)	(39,488)
Excess of final dividend for 2012 reversed	-	-	-	-	14	(14)	-
Dividend proposed (note 9)	-	-	-	-	(19,729)	19,729	-
Balance at 30 September 2013	142,000	(5,439)	71,000	249	646,846	-	854,656

	Share capital BD '000	Treasury shares BD '000	Statutory reserve BD '000	Capital reserve BD '000	Retained earnings BD '000	Proposed dividend BD '000	Total BD '000
Balance at 1 January 2012	142,000	(5,029)	71,000	249	544,064	56,509	808,793
Total comprehensive income for the period	-	-	-	-	43,956	-	43,956
Net movement in treasury shares	-	233	-	-	-	-	233
Amortisation of treasury shares held for Employees' Stock Incentive Plan	-	596	-	-	-	-	596
Loss on resale of treasury shares	-	-	-	-	(388)	-	(388)
Final dividend for 2011 approved and paid (note 9)	-	-	-	-	-	(56,495)	(56,495)
Excess of final dividend for 2011 reversed	-	-	-	-	14	(14)	-
Dividend proposed (note 9)	-	-	-	-	(19,776)	-	(19,776)
Balance at 30 September 2012	142,000	(4,200)	71,000	249	567,870	-	776,919

The attached notes 1 to 10 form part of these interim condensed financial statements.

At 30 September 2013

1 ACTIVITIES

Aluminium Bahrain B.S.C. ("the Company") was incorporated as a Bahrain Joint Stock Company in the Kingdom of Bahrain and registered with the Ministry of Industry and Commerce under commercial registration (CR) number 999.

Subsequent to the Initial Public Offering (IPO), the Company became a Bahrain Public Joint Stock Company effective 23 November 2010 and its shares were listed on the Bahrain Bourse and Global Depository Receipts were listed on the London Stock Exchange. The Company has its registered office at 150 Askar Road, Askar 951, Kingdom of Bahrain.

As of 30 September 2013, the majority shareholder of the Company was Bahrain Mumtalakat Holding Company B.S.C. (c) (Mumtalakat), a company wholly owned by the Government of the Kingdom of Bahrain, which holds 69.38% (31 December 2012: 69.38%) of the Company's share capital.

The Company is engaged in manufacturing aluminium and aluminium related products. The Company owns and operates a primary aluminium smelter and the related infrastructure. The Company also has branch offices in Zurich and Hong Kong.

On 3 September 1990, the Company entered into a Quota Agreement between the Company, the Government of the Kingdom of Bahrain (GB), SABIC Industrial Investments Company (SIIC) and Breton Investments Limited (Breton). The Quota Agreement remains in full force and effect and was not amended with respect to the transfer of GB's shareholding in the Company to Mumtalakat. Consequent to the purchase of shares held by Breton in 2010, Breton ceased to be a shareholder of the Company, thereby revoking its entitlement to rights and obligations under the Quota Agreement, including the right to require the Company to sell the eligible quota of aluminium to Breton at a specified price.

On 25 May 2010, Mumtalakat provided a letter to the Company whereby it irrevocably and unconditionally waived its rights under the Quota Agreement requiring the Company to sell the eligible quota of aluminium to Mumtalakat. Consequently, as a result of this waiver the Company is no longer under an obligation to sell any part of its production to Mumtalakat. The Company is now free to sell 69.38% of its production to third-party customers on commercial terms. Mumtalakat has also acknowledged that it is under an obligation to purchase its quota of aluminium produced by the Company, should the Company decide to sell Mumtalakat's quota in accordance with the Quota Agreement. SIIC has not given a corresponding written waiver to the Company as at the date of approval of these interim condensed financial statements.

The interim condensed financial statements were authorised for issue by the Board of Directors on 6 November 2013.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim condensed financial statements of the Company for the nine months ended 30 September 2013 have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting".

The interim condensed financial statements do not contain all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2012. In addition, results for the nine months period ended 30 September 2013 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2012, except for the adoption of new Standards and Interpretation, noted below, which did not have any impact on the accounting policies, financial position or performance of the Company:

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Company's financial position or performance.

IFRS 7 Financial Instruments: Disclosures Offsetting Financial Assets and Financial Liabilities Amendments to IFRS 7

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Company is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Company.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Company.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed financial statements for the period. The Company provides these disclosures in note 5.

The Company has not early adopted any other standard, interpretation or amendment that have been issued but is not yet effective.

Aluminium Bahrain B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2013

3 EARNINGS PER SHARE

	<i>Three month period ended</i>		<i>Nine month period ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
Profit for the period - <i>BD '000</i>	4,870	(12,997)	66,066	43,956
Weighted average number of shares outstanding	1,408,524,584	1,412,559,235	1,411,297,312	1,412,511,635
Basic and diluted earnings per share - <i> fils</i>	3	(9)	47	31

No separate figure for diluted earnings per share has been presented as the Company has not issued financial instruments which may have a dilutive effect.

4 DERIVATIVE FINANCIAL INSTRUMENTS

The Company does not engage in proprietary trading activities in derivatives. However, the Company enters into derivative transactions to hedge economic risks under its risk management guidelines that may not qualify for hedge accounting under IAS 39. Consequently, gains or losses resulting from the re-measurement to fair value of these derivatives are taken to the interim statement of comprehensive income.

The Company has a number of derivative financial instruments comprising interest rate collars, knockout swaps, forward foreign exchange contracts, commodity options and commodity futures. The fair values of the derivative financial instruments at 30 September 2013 are as follows:

	<i>30 September</i>		<i>31 December</i>	
	<i>2013</i>		<i>2012</i>	
	<i>Assets</i>	<i>Liabilities</i>	<i>Assets</i>	<i>Liabilities</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Commodity options	-	13,826	-	34,424
Commodity futures	-	265	104	-
Interest rate collars and knockout swaps	-	1,366	-	2,955
Forward foreign exchange contracts	-	-	-	47
Total	-	15,457	104	37,426

Aluminium Bahrain B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2013

4 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

These are classified in the interim statement of financial position as follows:

	30 September 2013		31 December 2012	
	Assets BD '000	Liabilities BD '000	Assets BD '000	Liabilities BD '000
Non-current portion:				
Commodity options	-	6,978	-	22,799
Interest rate collars and knockout swaps	-	331	-	1,197
	-	7,309	-	23,996
Current portion:				
Commodity options	-	6,848	-	11,625
Commodity futures	-	265	104	-
Interest rate collars and knockout swaps	-	1,035	-	1,758
Forward foreign exchange contracts	-	-	-	47
	-	8,148	104	13,430

The fair valuation of the derivative financial instruments resulted in the following gains (losses) to the interim statement of comprehensive income for the nine month period ended 30 September 2013.

	Nine month period ended 30 September	
	2013 BD '000	2012 BD '000
Revaluation:		
Commodity futures and options	20,229	13,925
Interest rate collars and knockout swaps	1,589	4,112
Forward foreign exchange contracts	47	185
Unrealised gain on derivative financial instruments	21,865	18,222
Realised:		
Commodity futures and options	(5,792)	(13,789)
Interest rate collars and knockout swaps	(1,967)	(3,795)
Realised losses on derivatives	(7,759)	(17,584)
Net gain on fair valuation taken to interim statement of comprehensive income	14,106	638

At 30 September 2013

5 FINANCIAL INSTRUMENTS**Fair values**

Financial instruments comprise of financial assets, financial liabilities and derivative financial instruments.

Financial assets consist of bank balances and cash and receivables. Financial liabilities consist of borrowings and payables. Derivative financial instruments consist of interest rate collars, knockout swaps, forward exchange contracts, commodity options and commodity futures.

Set out below is an overview of financial instruments, other than bank balances and cash, held by the Company as at 30 September 2013:

	<i>Loans and receivables BD '000</i>	<i>Fair value through profit or loss BD '000</i>
Financial assets:		
Trade and other receivables	116,194	-
Financial liabilities:		
Borrowings	203,325	-
Accounts payable and accruals	109,626	-
Derivative financial instruments	-	15,457
	<u>312,951</u>	<u>15,457</u>

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 : Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities;

Level 2 : Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable); and

Level 3 : Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

As at 30 September 2013, the Company's derivative financial instruments are measured at fair value. These are Level 2 as per the hierarchy above for the nine months ended 30 September 2013. The Company does not have financial instruments qualifying for Level 1 or Level 3 classification.

During the nine month period ended 30 September 2013, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements (30 September 2012: same).

Aluminium Bahrain B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2013

6 OPERATING SEGMENT INFORMATION

For management purposes, the Company has a single operating segment which is the ownership and operation of a primary aluminium smelter and related infrastructure. Hence no separate disclosure of profit or loss, assets and liabilities is provided as this disclosure will be identical to the interim statement of financial position and interim statement of comprehensive income of the Company.

a) Product

An analysis of the sales revenue by product is as follows:

	<i>Nine month period ended 30 September</i>	
	2013	2012
	BD '000	BD '000
Aluminium	549,719	548,154
Calcined coke	9,895	6,719
Alumina Trading	6,318	-
Total sales revenue	565,932	554,873

b) Geographic information

An analysis of the sales revenue by geographic location is as follows:

	<i>Nine month period ended 30 September</i>	
	2013	2012
	BD '000	BD '000
Kingdom of Bahrain	260,049	233,367
Asia	60,954	83,520
Rest of the Middle East North Africa	148,236	136,239
Europe	73,623	77,482
Americas	23,070	24,265
Total sales revenue	565,932	554,873

The revenue information above is based on the location of the customers.

c) Customers

Revenue from sale of metal from two of the major customers of the Company amounted to BD 205,456 thousand (30 September 2012: BD 169,722 thousand), each being more than 10% of the total sales revenue for the period.

7 RECOVERY OF AN INSURANCE CLAIM

During the period, one of the Company's gas turbine was damaged and impaired. The insurance surveyors assessed the damage and estimated the replacement cost to be BD 15.42 million. A claim for BD 14.82 million (after deduction of BD 0.6 million for excess payment) has been filed and approved by the insurance company. An amount of BD 11.5 million has been collected from the insurance company as of 30 September 2013 and the balance of BD 3.9 million is disclosed as other receivable. The excess payment deduction of BD 0.6 million has been recognised as an expense in general and administrative expenses.

Aluminium Bahrain B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2013

8 COMMITMENTS AND CONTINGENCIES

As of 30 September 2013, there have been no significant changes to outstanding commitments and contingencies compared to 31 December 2012.

9 DIVIDEND PROPOSED AND PAID

On 28 July 2013, the Board of Directors proposed an interim dividend of BD 0.014 per share (excluding treasury shares) totalling BD19,729 thousand which has been fully paid as of 30 September 2013 (prior period: BD 0.014 per share totalling BD 19,776 thousand).

On 7 March 2013, the Company's shareholders approved the Board of Director's proposal to pay a final dividend of BD 0.014 per share (excluding treasury shares) totalling BD 19,773 thousand relating to 2012 which was fully paid as of 31 March 2013.

On 8 March 2012, the Company's shareholders approved the Board of Director's proposal to pay a final dividend of BD 0.040 per share (excluding treasury shares) totalling BD 56,509 thousand relating to 2011 from which BD 56,495 thousand was paid.

10 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Board of Directors.

Transactions with shareholders

In the ordinary course of business, the Company purchases supplies and services from parties related to the Government of the Kingdom of Bahrain, principally natural gas and public utility services. A royalty, based on production, is also paid to the Government of the Kingdom of Bahrain.

Transactions with related parties included in the interim statement of comprehensive income are as follows:

	<i>Nine month period ended</i>	
	<i>30 September</i>	
	<i>2013</i>	<i>2012</i>
	<i>BD '000</i>	<i>BD '000</i>
<i>Other related parties</i>		
Revenue and other income		
Sale of metal	77,107	69,580
Sale of water	889	865
Interest on long term receivable	148	226
	<u>78,144</u>	<u>70,671</u>
Cost of sales and expenses		
Purchase of natural gas and diesel	76,627	71,364
Purchase of electricity	939	1,602
Royalty	2,830	2,749
	<u>80,396</u>	<u>75,715</u>

Aluminium Bahrain B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2013

10 RELATED PARTY TRANSACTIONS (continued)

Balances with related parties included in the interim statement of financial position are as follows:

	30 September 2013 BD '000	31 December 2012 BD '000
Other related parties		
Assets		
Long term receivable	12,034	13,752
Bank balances	4,295	17,652
Receivables	9,362	7,384
	<u>25,691</u>	<u>38,788</u>
Liabilities		
Borrowings	7,520	7,520
Payables	19,102	16,523
	<u>26,622</u>	<u>24,043</u>

Outstanding balances at the end of the period arise in the normal course of business. For the nine months period ended 30 September 2013, the Company has not recorded any impairment on amounts due from related parties (2012: nil).

Compensation of key management personnel

The remuneration of members of key management during the period was as follows:

	<i>Nine month period ended 30 September</i>	
	2013 BD '000	2012 BD '000
Short term benefits	980	1,148
End of service benefits	50	67
Contributions to Alba Savings Benefit Scheme	43	45
Other benefits	111	-
	<u>1,184</u>	<u>1,260</u>