

Aluminium Bahrain B.S.C.

INTERIM CONDENSED FINANCIAL STATEMENTS

30 JUNE 2011 (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 June 2011, comprising of the interim statement of financial position as at 30 June 2011 and the related interim statements of comprehensive income, cash flows and changes in equity for the six 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.



1 August 2011

Manama, Kingdom of Bahrain

Aluminium Bahrain B.S.C.

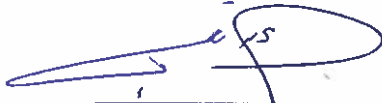
INTERIM STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	Notes	30 June 2011 Unaudited BD '000	31 December 2010 Audited BD '000
ASSETS			
Non-current assets			
Property, plant and equipment		966,866	992,149
Long term receivable		15,473	17,192
		982,339	1,009,341
Current assets			
Inventories		171,279	152,308
Current portion of long term receivable		3,438	3,438
Accounts receivable and prepayments		108,976	99,342
Derivative financial instruments	3	535	2,352
Bank balances and cash		79,534	59,812
		363,762	317,252
TOTAL ASSETS		1,346,101	1,326,593
EQUITY AND LIABILITIES			
Equity			
Share capital		142,000	142,000
Treasury shares		(4,189)	(3,735)
Statutory reserve		68,629	68,629
Capital reserve		249	249
Treasury shares reserve		10	-
Retained earnings		493,947	491,539
Proposed dividend	6	38,203	-
Total equity		738,849	698,682
Non-current liabilities			
Borrowings		225,657	243,738
Derivative financial instruments	3	90,770	102,742
Employees' end of service benefits		887	972
		317,314	347,452
Current liabilities			
Borrowings		143,287	145,367
Short term loans		18,179	6,813
Accounts payable and accruals		87,215	84,765
Derivative financial instruments	3	41,257	43,514
		289,938	280,459
Total liabilities		607,252	627,911
TOTAL EQUITY AND LIABILITIES		1,346,101	1,326,593

The interim condensed financial statements were authorised for issue by the Board of Directors on 1 August 2011.


Chairman


Director

The attached notes 1 to 6 form part of these interim condensed financial statements.

Aluminium Bahrain B.S.C.

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011 (Unaudited)

	Note	<i>Three months ended</i>		<i>Six months ended</i>	
		30 June 2011 BD '000	30 June 2010 BD '000	30 June 2011 BD '000	30 June 2010 BD '000
Sales revenue		242,413	200,704	459,650	372,539
Cost of sales		(173,106)	(143,296)	(319,155)	(268,618)
GROSS PROFIT		69,307	57,408	140,495	103,921
Other income		1,878	2,692	3,504	3,106
Selling and distribution expenses		(6,478)	(3,321)	(12,986)	(6,465)
General and administrative expenses		(5,748)	(7,447)	(12,471)	(13,921)
Loss on exchange		(755)	(3,870)	(1,577)	(3,707)
Finance costs		(1,882)	(1,827)	(3,638)	(3,577)
PROFIT FOR THE PERIOD BEFORE DERIVATIVE FINANCIAL INSTRUMENTS		56,322	43,635	113,327	79,357
Gain (loss) on revaluation/settlement of financial instruments (net)	3	13,335	45,329	(10,447)	36,033
PROFIT AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD		69,657	88,964	102,880	115,390
Basic and diluted earnings per share (fils)		49	64	73	82

The attached notes 1 to 6 form part of these interim condensed financial statements.

Aluminium Bahrain B.S.C.

INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011 (Unaudited)

	Notes	30 June 2011 BD '000	30 June 2010 BD '000
OPERATING ACTIVITIES			
Profit for the period		102,880	115,390
Adjustments for:			
Depreciation		37,584	37,060
Provision for employees' end of service benefits		376	414
Gains on revaluation of derivative financial instruments	3	(12,412)	(49,017)
Loss (gain) on disposal of property, plant and equipment		220	(248)
Write off of property, plant and equipment - net book value		15	1,151
Interest income		(194)	(239)
Finance costs		3,638	3,577
Amortisation of treasury shares held for Employees' Stock Incentive Plan		305	-
		<u>132,412</u>	<u>108,088</u>
Working capital changes:			
Inventories		(18,971)	10,683
Accounts receivable and prepayments		(9,634)	(5,762)
Accounts payable and accruals		2,590	(14,321)
		<u>106,397</u>	<u>98,688</u>
Cash from operations		106,397	98,688
Employees' end of service benefits paid		(461)	(446)
		<u>105,936</u>	<u>98,242</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(13,218)	(10,188)
Disposal of property, plant and equipment		682	374
Term deposit		3,011	-
Interest received		194	239
		<u>(9,331)</u>	<u>(9,575)</u>
FINANCING ACTIVITIES			
Repayment of long term receivable		1,719	1,719
Borrowings availed		16,812	115,150
Borrowings repaid		(36,973)	(146,095)
Movement in short term loans		11,366	362
Finance costs paid		(3,778)	(4,291)
Movement in margin deposits		318	-
Dividends paid	6	(62,269)	-
Purchase of treasury shares		(1,834)	(12,412)
Proceeds from resale of treasury shares		1,085	-
		<u>(73,554)</u>	<u>(45,567)</u>
INCREASE IN CASH AND CASH EQUIVALENTS		23,051	43,100
Cash and cash equivalents at 1 January		55,869	46,357
CASH AND CASH EQUIVALENTS AT 30 JUNE		78,920	89,457
Cash and cash equivalents at 30 June		78,920	89,457
Margin deposit at 30 June		614	-
BANK BALANCES AND CASH AT 30 JUNE		79,534	89,457

The attached notes 1 to 6 form part of these interim condensed financial statements.

Aluminium Bahrain B.S.C.

INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011 (Unaudited)

	Share capital BD '000	Treasury shares BD '000	Statutory reserve BD '000	Capital reserve BD '000	Treasury shares reserve BD '000	Contributions from shareholders BD '000	Retained earnings BD '000	Proposed dividend BD '000	Total BD '000
Balance at 1 January 2011	142,000	(3,735)	68,629	249	-	-	491,539	-	698,682
Total comprehensive income for the period	-	-	-	-	-	-	102,880	-	102,880
Net movement in treasury shares	-	(759)	-	-	-	-	-	-	(759)
Amortisation of treasury shares held for Employees' Stock Incentive Plan	-	305	-	-	-	-	-	-	305
Gain on resale of treasury shares	-	-	-	-	10	-	-	-	10
Dividend approved and paid (note 6)	-	-	-	-	-	-	(62,269)	-	(62,269)
Dividend proposed (note 6)	-	-	-	-	-	-	(38,203)	38,203	-
Balance at 30 June 2011	142,000	(4,189)	68,629	249	10	-	493,947	38,203	738,849

	Share capital BD '000	Treasury shares BD '000	Statutory reserve BD '000	Capital reserve BD '000	Treasury shares reserve BD '000	Contributions from shareholders BD '000	Retained earnings BD '000	Proposed dividend BD '000	Total BD '000
Balance at 1 January 2010	142,000	-	54,807	249	-	75,954	380,675	-	653,685
Total comprehensive income for the period	-	-	-	-	-	-	115,390	-	115,390
Purchase of treasury shares	-	(13,536)	-	-	-	-	-	-	(13,536)
Balance at 30 June 2010	142,000	(13,536)	54,807	249	-	75,954	496,065	-	755,539

The attached notes 1 to 6 form part of these interim condensed financial statements.

At 30 June 2011

1 ACTIVITIES

Aluminium Bahrain B.S.C. ("the Company") was incorporated as a Bahrain Joint Stock Company (closed) 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 Bahrain Stock Exchange (now 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 June 2011, 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% 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 a branch office in Zurich, Switzerland.

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.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim condensed financial statements of the Company for the six months ended 30 June 2011 has 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 2010. In addition, results for the six month period ended 30 June 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, interpretation and amendments thereof, adopted by the Company

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 2010, except for the adoption of new standards and interpretations as of 1 January 2011, noted below:

IAS 24 Related Party Disclosures (Amendment)

The IASB has issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity. Secondly, the amendment introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Company.

IAS 32 Financial Instruments: Presentation (Amendment)

The amendment alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Company.

Improvements to IFRSs (issued May 2010)

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the Company.

- IFRS 3 Business Combinations: The measurement options available for non-controlling interest (NCI) have been amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation shall be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.
- IFRS 7 Financial Instruments - Disclosures: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.
- IAS 1 Presentation of Financial Statements: The amendment clarifies that an option to present an analysis of each component of other comprehensive income may be included either in the interim statement of changes in equity or in the notes to the interim condensed financial statements.
- IAS 34 Interim Financial Statements: The amendment requires additional disclosures for fair values and changes in classification of financial assets, as well as changes to contingent assets and liabilities in interim condensed financial statements.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2011

2 SIGNIFICANT ACCOUNTING POLICIES (continued)**Improvements to IFRSs (issued May 2010) [continued]**

Other amendments resulting from improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Company:

- IFRS 3 Business Combinations - Clarification that contingent consideration arising from business combinations prior to adoption of IFRS 3 (as revised in 2008) are accounted for in accordance with IFRS 3 (2005)
- IFRS 3 Business Combinations - Unreplaced and voluntarily replaced share-based payment awards and their accounting treatment within a business combination
- IAS 27 Consolidated and Separate Financial Statements - applying the IAS 27 (as revised in 2008) transition requirements to consequentially amended standards
- IFRIC 13 Customer Loyalty Programmes - in determining the fair value of award credits, an entity shall consider discounts and incentives that would otherwise be offered to customers not participating in the loyalty programme.

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

3 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 and commodity options. The fair values of the derivative financial instruments at 30 June 2011 are as follows:

	30 June 2011		31 December 2010	
	Assets BD '000	Liabilities BD '000	Assets BD '000	Liabilities BD '000
Commodity futures and options	535	120,449	2,352	131,391
Interest rate collars and knockout swaps	-	11,389	-	13,530
Forward foreign exchange contracts	-	189	-	1,335
Total	535	132,027	2,352	146,256

Classified in the interim statement of financial position as follows:

	30 June 2011		31 December 2010	
	Assets BD '000	Liabilities BD '000	Assets BD '000	Liabilities BD '000
Non-current portion:				
Commodity futures and options	-	83,701	-	95,211
Interest rate collars and knockout swaps	-	6,958	-	7,531
Forward foreign exchange contracts	-	111	-	-
	-	90,770	-	102,742
Current portion	535	41,257	2,352	43,514

Aluminium Bahrain B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2011

3 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The fair valuation of the derivative financial instruments resulted in the following gains (losses) to the interim statement of comprehensive income for the six month period ended 30 June 2011.

	<i>Six month period ended</i>	
	<i>30 June</i>	
	2011	2010
	BD '000	BD '000
Revaluation:		
Commodity futures and options	9,125	52,059
Interest rate collars and knockout swaps	2,141	(719)
Forward foreign exchange contracts	1,146	(2,323)
	12,412	49,017
Unrealised gain on derivative financial instruments		
Realised:		
Commodity futures and options	(15,199)	(8,602)
Interest rate collars and knockout swaps	(7,660)	(4,382)
	(22,859)	(12,984)
Realised losses on derivatives		
Net (loss) gain on fair valuation taken to interim statement of comprehensive income	(10,447)	36,033

4 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>Six month period ended</i>	
	<i>30 June</i>	
	2011	2010
	BD '000	BD '000
Aluminium	450,891	364,782
Calcined coke	8,759	7,757
Total sales revenue	459,650	372,539

b) Geographic information

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

	<i>Six month period ended</i>	
	<i>30 June</i>	
	2011	2010
	BD '000	BD '000
Kingdom of Bahrain	213,533	178,716
Asia	54,404	76,727
Rest of the Middle East North Africa	104,174	81,393
Europe	87,539	35,703
Total sales revenue	459,650	372,539

At 30 June 2011

4 OPERATING SEGMENT INFORMATION (continued)

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 159,805 thousand (2010: BD 134,455 thousand), each being more than 10% of the total sales revenue for the period.

5 COMMITMENTS AND CONTINGENCIES

As of 30 June 2011, there have been no significant changes to outstanding commitments and contingencies compared to 31 December 2010 (30 June 2010 - same)

6 DIVIDEND PROPOSED AND PAID

On 1 August 2011, the Board of Directors proposed an interim dividend of BD 0.027 per share totalling BD 38,203 thousand (prior period: no interim dividend). This is subject to ratification of the Company's shareholders at the Annual General Meeting.

On 30 March 2011, the Company's shareholders approved the Board of Directors' proposal to pay a final dividend of BD 0.044 per share totalling BD 62,269 thousand which was fully paid. No dividend was paid in the prior period.