

Aluminium Bahrain B.S.C.
INTERIM CONDENSED FINANCIAL STATEMENTS
30 SEPTEMBER 2012 (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 2012, comprising of the interim statement of financial position as at 30 September 2012 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.



4 November 2012
Manama, Kingdom of Bahrain

Aluminium Bahrain B.S.C.

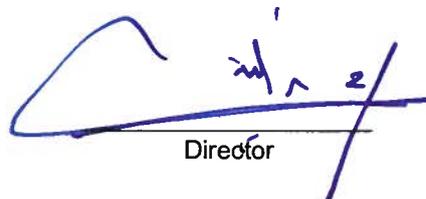
INTERIM STATEMENT OF FINANCIAL POSITION

At 30 September 2012

	30 September 2012	31 December 2011
	<i>Unaudited</i> BD '000	<i>Audited</i> BD '000
ASSETS		
Non-current assets		
Property, plant and equipment	902,461	946,807
Long term receivable	12,033	13,753
	914,494	960,560
Current assets		
Inventories	153,294	158,020
Current portion of long term receivable	3,438	3,438
Accounts receivable and prepayments	87,971	83,285
Derivative financial instruments	419	-
Bank balances and cash	58,254	99,487
	303,376	344,230
TOTAL ASSETS	1,217,870	1,304,790
EQUITY AND LIABILITIES		
Equity		
Share capital	142,000	142,000
Treasury shares	(4,200)	(5,029)
Statutory reserve	71,000	71,000
Capital reserve	249	249
Retained earnings	567,870	544,064
Proposed dividend	-	56,509
Total equity	776,919	808,793
Non-current liabilities		
Borrowings	83,910	167,140
Derivative financial instruments	39,089	34,324
Employees' end of service benefits	891	940
	123,890	202,404
Current liabilities		
Borrowings	191,339	149,733
Short term loans	21,661	13,084
Accounts payable and accruals	95,983	100,130
Derivative financial instruments	8,078	30,646
	317,061	293,593
Total liabilities	440,951	495,997
TOTAL EQUITY AND LIABILITIES	1,217,870	1,304,790

The interim condensed financial statements were authorised for issue by the Board of Directors on 4 November 2012.


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 nine months ended 30 September 2012 (Unaudited)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	30 September	30 September	30 September	30 September
	2012	2011	2012	2011
Note	BD '000	BD '000	BD '000	BD '000
Sales revenue	171,916	218,865	554,873	678,515
Cost of sales	(161,553)	(163,213)	(474,013)	(482,368)
GROSS PROFIT	10,363	55,652	80,860	196,147
Other income	969	1,791	3,183	5,295
Selling and distribution expenses	(4,595)	(4,609)	(13,579)	(17,595)
General and administrative expenses	(6,873)	(5,215)	(20,917)	(17,686)
(Loss) gain on exchange	(1,223)	1,342	(666)	(235)
Finance costs	(1,791)	(1,804)	(5,563)	(5,442)
(LOSS) PROFIT FOR THE PERIOD BEFORE DERIVATIVE FINANCIAL INSTRUMENTS	(3,150)	47,157	43,318	160,484
(Loss) gain on revaluation/settlement of financial instruments (net)	3 (9,847)	33,402	638	22,955
(LOSS) PROFIT AND OTHER COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	(12,997)	80,559	43,956	183,439
Basic and diluted earnings per share (fils)	(9)	57	31	130

The interim condensed financial statements were authorised for issue by the Board of Directors on 4 November 2012.


Chairman


Director

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 nine months ended 30 September 2012 (Unaudited)

	Note	30 September 2012 BD '000	30 September 2011 BD '000
OPERATING ACTIVITIES			
Profit for the period		43,956	183,439
Adjustments for:			
Depreciation		57,420	59,240
Provision for employees' end of service benefits		500	641
Gain on revaluation of derivative financial instruments	3	(18,222)	(56,579)
Loss on disposal of property, plant and equipment		24	942
Write off of property, plant and equipment - net book value		-	14
Interest income		(301)	(279)
Finance costs		5,563	5,442
Amortisation of treasury shares held for Employees' Stock Incentive Plan		596	481
		<u>89,536</u>	<u>193,341</u>
Working capital changes:			
Inventories		4,726	(41,827)
Accounts receivable and prepayments		(4,686)	184
Accounts payable and accruals		(4,107)	17,249
		<u>85,469</u>	<u>168,947</u>
Cash from operating activities		85,469	168,947
Employees' end of service benefits paid		(549)	(720)
		<u>84,920</u>	<u>168,227</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(13,188)	(16,661)
Disposal of property, plant and equipment		90	721
Maturity of a term deposit		-	3,011
Interest received		301	279
		<u>(12,797)</u>	<u>(12,650)</u>
Net cash used in investing activities		(12,797)	(12,650)
FINANCING ACTIVITIES			
Repayment of long term receivable		1,720	1,720
Borrowings availed		78,960	14,589
Borrowings repaid		(120,585)	(55,968)
Movement in short term loans		8,577	9,699
Finance costs paid		(5,603)	(5,578)
Movement in margin deposits		(4,027)	(18)
Dividends paid	5	(76,271)	(100,472)
Purchase of treasury shares		(739)	(1,992)
Proceeds from resale of treasury shares		586	1,087
		<u>(117,382)</u>	<u>(136,933)</u>
Net cash used in financing activities		(117,382)	(136,933)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(45,259)	18,644
Cash and cash equivalents at 1 January		<u>99,487</u>	<u>55,869</u>
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER		54,228	74,513
Cash and cash equivalents at 30 September		54,228	74,513
Margin deposit at 30 September		4,026	950
BANK BALANCES AND CASH AT 30 SEPTEMBER		58,254	75,463

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 nine months ended 30 September 2012 (Unaudited)

	Share capital BD '000	Treasury shares BD '000	Treasury shares BD '000	Statutory reserve BD '000	Capital reserve BD '000	Treasury shares 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 sale of treasury shares	-	-	-	-	-	(388)	-	(388)	
Final dividend approved and paid (note 5)	-	-	-	-	-	-	(56,495)	(56,495)	
Excess of final dividend for 2011 reversed	-	-	-	-	-	14	(14)	-	
Interim dividend proposed and paid (note 5)	-	-	-	-	-	(19,776)	-	(19,776)	
Balance at 30 September 2012	142,000	(4,200)	71,000	249	-	567,870	-	776,919	
Balance at 1 January 2011	142,000	(3,735)	68,629	249	-	491,539	-	698,682	
Total comprehensive income for the period	-	-	-	-	-	183,439	-	183,439	
Net movement in treasury shares	-	(915)	-	-	-	-	-	(915)	
Amortisation of treasury shares held for Employees' Stock Incentive Plan	-	481	-	-	-	-	-	481	
Gain on sale of treasury shares	-	-	-	-	10	-	-	10	
Final dividend approved and paid (note 5)	-	-	-	-	-	(62,269)	-	(62,269)	
Interim dividend proposed and paid (note 5)	-	-	-	-	-	(38,203)	-	(38,203)	
Balance at 30 September 2011	142,000	(4,169)	68,629	249	10	574,506	-	781,225	

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

At 30 September 2012

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 the Bahrain Bourse (previously the Bahrain Stock Exchange) and Global Depositary 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 2012, 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 through the Ministry of Finance, 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 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.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim condensed financial statements of the Company for the nine months ended 30 September 2012 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 2011. In addition, results for the nine month period ended 30 September 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

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 2011.

At 30 September 2012

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 September 2012 are as follows:

	30 September 2012		31 December 2011	
	Assets BD '000	Liabilities BD '000	Assets BD '000	Liabilities BD '000
Commodity options	-	42,808	-	55,599
Commodity futures	419	-	-	715
Interest rate collars and knockout swaps	-	4,206	-	8,318
Forward foreign exchange contracts	-	153	-	338
Total	419	47,167	-	64,970

Classified in the interim statement of financial position as follows:

	30 September 2012		31 December 2011	
	Assets BD '000	Liabilities BD '000	Assets BD '000	Liabilities BD '000
Non-current portion:				
Commodity options	-	36,981	-	29,911
Commodity futures	-	-	-	-
Interest rate collars and knockout swaps	-	2,108	-	4,366
Forward foreign exchange contracts	-	-	-	47
	-	39,089	-	34,324
Current portion:				
Commodity options	-	5,827	-	25,688
Commodity futures	419	-	-	715
Interest rate collars and knockout swaps	-	2,098	-	3,952
Forward foreign exchange contracts	-	153	-	291
	419	8,078	-	30,646

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2012

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:

	<i>Nine month period ended</i> <i>30 September</i>	
	2012	2011
	BD '000	BD '000
Revaluation:		
Commodity futures and options	13,925	53,390
Interest rate collars and knockout swaps	4,112	2,178
Forward foreign exchange contracts	185	1,011
	18,222	56,579
Realised:		
Commodity futures and options	(13,789)	(26,058)
Interest rate collars and knockout swaps	(3,795)	(7,566)
Realised losses on derivatives	(17,584)	(33,624)
Net gain on fair valuation taken to interim statement of comprehensive income	638	22,955

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>Nine month period ended</i> <i>30 September</i>	
	2012	2011
	BD '000	BD '000
Aluminium	548,151	669,753
Calcined coke	6,722	8,762
Total sales revenue	554,873	678,515

b) Geographic information

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

	<i>Nine month period ended</i> <i>30 September</i>	
	2012	2011
	BD '000	BD '000
Kingdom of Bahrain	233,367	320,095
Asia	83,520	82,947
Rest of the Middle East North Africa	136,239	155,623
Europe	77,482	119,850
Americas	24,265	-
Total sales revenue	554,873	678,515

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

At 30 September 2012

4 OPERATING SEGMENT INFORMATION (continued)

c) Customers

Revenue from sale of metal from two of the major customers of the Company amounted to BD 169,722 thousand (2011: BD 238,821 thousand), each being more than 10% of the total sales revenue for the period.

5 DIVIDEND PROPOSED AND PAID

On 29 July 2012, the Board of Directors proposed an interim dividend of BD 0.014 per share totalling BD 19,776 thousand (2011: BD 0.027 per share totalling BD 38,203 thousand), which was subsequently paid. This is subject to ratification by the Company's shareholders at the Annual General Meeting.

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 (2011: BD 0.044 per share totalling BD 62,269 thousand relating to 2010) from which BD 56,495 thousand was paid.

6 NON-ADJUSTING EVENT AFTER THE REPORTING DATE

On 9 October 2012, the Company entered into an out-of-court settlement agreement with Alcoa Inc., Alcoa World Alumina L.L.C. and members of its senior management (together, "Alcoa"). The settlement will be realised in a combination of cash amounting to BD 31,960 thousand (US\$ 85,000 thousand) as well as concessions on long term alumina supply.