

Aluminium Bahrain B.S.C.

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION**

30 SEPTEMBER 2021 (REVIEWED)

Aluminium Bahrain B.S.C.
Condensed Consolidated Interim Financial Information
For nine months period ended 30 September 2021 (Reviewed)

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Independent auditors' report on review of condensed consolidated interim financial information

The Board of Directors
Aluminium Bahrain B.S.C.
Kingdom of Bahrain

31 October 2021

Introduction

We have reviewed the accompanying 30 September 2021 condensed consolidated interim financial information of Aluminium Bahrain B.S.C. (the "Company") and its subsidiaries (together the "Group"), which comprises:

- the condensed consolidated interim statement of financial position as at 30 September 2021;
- the condensed consolidated interim statement of profit or loss for the three-month and nine-month periods ended 30 September 2021;
- the condensed consolidated interim statement of comprehensive income for the three-month and nine-month periods ended 30 September 2021;
- the condensed consolidated interim statement of changes in equity for the nine-month period ended 30 September 2021;
- the condensed consolidated interim statement of cash flows for the nine-month period ended 30 September 2021; and
- notes to the condensed consolidated interim financial information.

The Board of Directors of the Company is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information 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 and consequently 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 30 September 2021 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Aluminium Bahrain B.S.C.

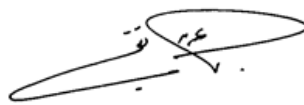
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

At 30 September 2021 (Reviewed)

| | | 30 September 2021 | 31 December 2020 |
|-------------------------------------|-------------|------------------------------|-----------------------------|
| | <i>Note</i> | Reviewed BD '000 | Audited BD '000 |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 1,916,846 | 1,950,584 |
| Deferred tax assets | | 64 | 64 |
| | | <u>1,916,910</u> | <u>1,950,648</u> |
| Current assets | | | |
| Inventories | | 309,742 | 239,505 |
| Trade and other receivables | | 226,257 | 119,105 |
| Derivative financial instruments | 4 | 253 | - |
| Bank balances and cash | | 102,371 | 44,438 |
| | | <u>638,623</u> | <u>403,048</u> |
| TOTAL ASSETS | | <u>2,555,533</u> | <u>2,353,696</u> |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | | 142,000 | 142,000 |
| Treasury shares | | (3,610) | (2,589) |
| Statutory reserve | | 71,000 | 71,000 |
| Capital reserve | | 249 | 249 |
| Cash flow hedge reserve | | (2,231) | (8,300) |
| Retained earnings | | 1,148,682 | 877,193 |
| Total equity | | <u>1,356,090</u> | <u>1,079,553</u> |
| Non-current liabilities | | | |
| Loans and borrowings | 5 | 746,172 | 800,745 |
| Lease liabilities | | 4,990 | 5,561 |
| Employees' end of service benefits | | 1,791 | 1,619 |
| Derivative financial instruments | 4 | 929 | 5,680 |
| | | <u>753,882</u> | <u>813,605</u> |
| Current liabilities | | | |
| Loans and borrowings | 5 | 261,101 | 223,389 |
| Lease liabilities | | 798 | 993 |
| Trade and other payables | 7 | 182,360 | 233,541 |
| Derivative financial instruments | 4 | 1,302 | 2,615 |
| | | <u>445,561</u> | <u>460,538</u> |
| Total liabilities | | <u>1,199,443</u> | <u>1,274,143</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>2,555,533</u> | <u>2,353,696</u> |



Daij Bin Salman Bin Daij Al Khalifa
Chairman



Yousif Taqi
Director



Ali Al Baqali
Chief Executive Officer

The attached notes 1 to 12 form part of these condensed consolidated interim financial information.

Aluminium Bahrain B.S.C.

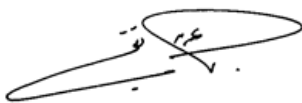
CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

For the nine months ended 30 September 2021 (Reviewed)

| | Note | Three months ended | | Nine months ended | |
|--|------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | | 30 September 2021 BD '000 | 30 September 2020 BD '000 | 30 September 2021 BD '000 | 30 September 2020 BD '000 |
| Revenue | 8 | 388,865 | 262,661 | 1,061,544 | 782,635 |
| Cost of sales | | (231,509) | (236,985) | (700,035) | (701,758) |
| GROSS PROFIT | | 157,356 | 25,676 | 361,509 | 80,877 |
| Other income - net | | 470 | 1,238 | 1,393 | 1,652 |
| Gain / (loss) on foreign exchange | | 3,556 | (9,848) | 6,665 | (10,500) |
| General and administrative expenses | | (12,592) | (9,867) | (35,847) | (35,411) |
| Selling and distribution expenses | | (13,046) | (8,556) | (32,071) | (22,799) |
| Impairment loss / (reversal) on trade and other receivables - net | | (190) | 4 | (3,036) | (2,172) |
| Finance costs | | (9,424) | (9,909) | (26,889) | (30,932) |
| Changes in fair value of derivative financial instrument | 4 | 123 | 166 | 248 | (2,727) |
| PROFIT / (LOSS) FOR THE PERIOD BEFORE TAX | | 126,253 | (11,096) | 271,972 | (22,012) |
| Tax | | (304) | (526) | (1,258) | (247) |
| PROFIT / (LOSS) FOR THE PERIOD | | 125,949 | (11,622) | 270,714 | (22,259) |
| Basic and diluted earnings / (loss) per share (fils) | 3 | 89 | (8) | 191 | (16) |



Daij Bin Salman Bin Daij Al Khalifa
Chairman



Yousif Taqi
Director



Ali Al Baqali
Chief Executive Officer

The attached notes 1 to 12 form part of these condensed consolidated interim financial information.

Aluminium Bahrain B.S.C.

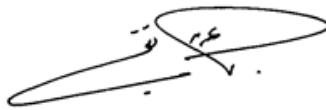
CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2021 (Reviewed)

| | Note | Three months ended | | Nine months ended | |
|--|------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | | 30 September 2021 BD '000 | 30 September 2020 BD '000 | 30 September 2021 BD '000 | 30 September 2020 BD '000 |
| PROFIT / (LOSS) FOR THE PERIOD | | 125,949 | (11,622) | 270,714 | (22,259) |
| Other comprehensive income | | | | | |
| <i>Items that are or may be reclassified to profit or loss</i> | | | | | |
| Effective portion of changes in fair value of cash flow hedge | 4 | 447 | (72) | 4,774 | (9,250) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | 126,396 | (11,694) | 275,488 | (31,509) |



Daij Bin Salman Bin Daij Al Khalifa
Chairman



Yousif Taqi
Director



Ali Al Baqali
Chief Executive Officer

The attached notes 1 to 12 form part of these condensed consolidated interim financial information.

Aluminium Bahrain B.S.C.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2021 (Reviewed)

| | Share capital BD '000 | Treasury shares BD '000 | Statutory reserve BD '000 | Capital reserve BD '000 | Cash flow hedge reserve BD '000 | Retained earnings BD '000 | Total BD '000 |
|---|--------------------------|----------------------------|------------------------------|----------------------------|------------------------------------|------------------------------|------------------|
| Balance at 1 January 2021 | 142,000 | (2,589) | 71,000 | 249 | (8,300) | 877,193 | 1,079,553 |
| Profit for the period | - | - | - | - | - | 270,714 | 270,714 |
| <i>Other comprehensive income:</i> | | | | | | | |
| Effective portion of changes in fair value of cash flow hedge | - | - | - | - | 4,774 | - | 4,774 |
| Total comprehensive income for the period | - | - | - | - | 4,774 | 270,714 | 275,488 |
| Reclassification adjustment of realised loss on settlement of cash flow hedge to profit or loss | - | - | - | - | 1,295 | - | 1,295 |
| Net movement in treasury shares | - | (1,021) | - | - | - | 775 | (246) |
| Balance at 30 September 2021 | 142,000 | (3,610) | 71,000 | 249 | (2,231) | 1,148,682 | 1,356,090 |
| | | | | | | | |
| Balance at 1 January 2020 | 142,000 | (3,994) | 71,000 | 249 | - | 869,316 | 1,078,571 |
| Loss for the period | - | - | - | - | - | (22,259) | (22,259) |
| <i>Other comprehensive income:</i> | | | | | | | |
| Effective portion of changes in fair value of cash flow hedge | - | - | - | - | (9,250) | - | (9,250) |
| Total comprehensive income for the period | - | - | - | - | (9,250) | (22,259) | (31,509) |
| Net movement in treasury shares | - | 1,173 | - | - | - | (654) | 519 |
| Final dividend for 2019 paid (note 10) | - | - | - | - | - | (1,412) | (1,412) |
| Balance at 30 September 2020 | 142,000 | (2,821) | 71,000 | 249 | (9,250) | 844,991 | 1,046,169 |

The attached notes 1 to 12 form part of these condensed consolidated interim financial information

Aluminium Bahrain B.S.C.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2021 (Reviewed)

| | <i>Nine months ended</i> | |
|---|------------------------------|------------------------------|
| | 30 September 2021 | 30 September 2020 |
| <i>Note</i> | BD '000 | BD '000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit / (loss) for the period before tax | 271,972 | (22,012) |
| <i>Adjustments for:</i> | | |
| Depreciation and amortisation | 88,965 | 89,173 |
| Provision for employees' end of service benefits | 1,262 | 1,144 |
| (Reversal) of / provision for slow moving inventories | (22) | 237 |
| Provision for impairment of trade receivables - <i>net</i> | 3,036 | 2,172 |
| Loss on disposal of property, plant and equipment | 403 | 551 |
| Changes in fair value of derivative financial instruments | (248) | 2,727 |
| Interest income | (245) | (362) |
| Forex (gain) / loss on revaluation of loans and borrowings and bank balances | (7,242) | 12,564 |
| Realised loss on settlement of cash flow hedge | 1,295 | - |
| Finance costs | 25,594 | 30,932 |
| | 384,770 | 117,126 |
| Operating profit before working capital changes | | |
| <i>Working capital changes:</i> | | |
| Inventories | (70,215) | 9,301 |
| Trade and other receivables | (110,188) | 31,898 |
| Trade and other payables | (52,543) | (57,237) |
| | 151,824 | 101,088 |
| Cash generated from operations | | |
| Employees' end of service benefits paid | (1,090) | (1,376) |
| Income tax paid | (1,258) | (247) |
| | 149,476 | 99,465 |
| Net cash flows generated from operating activities | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property, plant and equipment | (58,216) | (83,270) |
| Proceeds from disposal of property, plant and equipment | 91 | 51 |
| Interest received | 245 | 362 |
| | (57,880) | (82,857) |
| Net cash flows used in investing activities | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Loans and borrowings availed | 536,571 | 590,411 |
| Loans and borrowings repaid | (589,593) | (565,665) |
| Interest on loans and borrowings | (16,373) | (21,643) |
| Leases liabilities paid | (909) | (751) |
| Settlement of cash flow hedge | (1,295) | - |
| Settlement of other derivative | - | (7,002) |
| Dividends paid | - | (1,412) |
| Purchase of treasury shares | (4,622) | (3,037) |
| Proceeds from resale of treasury shares | 4,376 | 3,556 |
| | (71,845) | (5,543) |
| Net cash flows used in from financing activities | | |

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CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (continued)

For the nine months ended 30 September 2021 (Reviewed)

| | <i>30 September 2021 BD '000</i> | <i>30 September 2020 BD '000</i> |
|---|--|--|
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 19,751 | 11,065 |
| Cash and cash equivalents at 1 January | 44,438 | 81,329 |
| Effect of movement in exchange rates on bank balances and cash | (1,086) | (371) |
| CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER | 63,103 | 92,023 |
| Comprising | | |
| Bank balances | 63,042 | 69,823 |
| Short term deposits with maturities of three months or less* | 39,268 | 22,086 |
| Cash in hand | 61 | 114 |
| Bank balances and cash in condensed consolidated interim statement of financial position | 102,371 | 92,023 |
| *Short term deposits pledged against short term borrowings | (39,268) | - |
| Cash and cash equivalents | 63,103 | 92,023 |

The attached notes 1 to 12 form part of these condensed consolidated interim financial information.

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Aluminium Bahrain B.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine months ended 30 September 2021 (Reviewed)

1 REPORTING ENTITY

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, Commerce and Tourism under commercial registration (CR) number 999.

Subsequent to the Initial Public Offering ("IPO") on 23 November 2010, the Company became a Bahrain Public Joint Stock Company with a dual listing on the Bahrain Bourse (primary listing) as well as the Global Depository Receipts on the London Stock Exchange – Alternative Investment Market ("AIM"). The Company has its registered office at 150 Askar Road, Askar 951, Kingdom of Bahrain.

The Company's majority shareholder is 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 the manufacture and sale of aluminium and aluminium related products. The Company owns and operates a primary aluminium smelter and the related infrastructure in the Kingdom of Bahrain.

The Group comprises of the Company and the following subsidiaries:

| <i>Name</i> | <i>Effective ownership</i> | | <i>Country of incorporation</i> | <i>Principal activity</i> |
|----------------------------|----------------------------|-------------|---------------------------------|--|
| | <i>2021</i> | <i>2020</i> | | |
| Aluminium Bahrain US, Inc. | 100% | 100% | United States of America (USA) | Selling and distribution of aluminium throughout the South and North America |
| ALBA Club W.L.L. | 100% | 100% | Kingdom of Bahrain | Provider of recreational and sports facilities |
| ALBACap Insurance Limited | 100% | 100% | Guernsey | Captive insurance entity to insure risks of the Group |

The Group also has representative sales branch offices in Switzerland, Hong Kong and Singapore.

The condensed consolidated interim financial information was authorised for issue in accordance with a resolution of the Directors on 31 October 2021.

2 SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting

The condensed consolidated interim financial information of the Group for the three-month and nine-month periods ended 30 September 2021 has been prepared in accordance with International Accounting Standard 34 ("IAS 34"), "Interim Financial Reporting".

The condensed consolidated interim financial information does not contain all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2020. In addition, the results for the three-month and nine-month periods ended 30 September 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION**

For the nine months ended 30 September 2021 (Reviewed)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

b) New and amended standards and interpretations

Except for the change disclosed in note 2(c), the accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020.

COVID-19 Related Rent Concessions - Amendment to IFRS 16 is effective from 1 June 2021, but it does not have a material effect on the Group's condensed consolidated interim financial information.

c) Change in accounting policy

The Group has initially adopted Interest Rate Benchmark Reform Phase 2 - *Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16* (the Phase 2 amendments) from 1 January 2021. The change in accounting policy will also be reflected in the Group's consolidated financial statements for the year ending 31 December 2021.

In accordance with the exceptions permitted in the Phase 2 amendments, the Group has elected not to restate the prior period to reflect the application of these amendments, including not providing additional disclosures for 2020.

Specific policies applicable from 1 January 2021 for interest rate benchmark reform

The Phase 2 amendments provide practical relief from certain requirements in IFRS Standards. These reliefs relate to modifications of financial instruments and lease contracts or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark rate.

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of interest rate benchmark reform, then the Group updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis - i.e. The basis immediately before the change.

If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, then the Group first updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. Subsequently, the Group applies policies on accounting for modifications set out above to the additional changes.

The amendments also provide an exception to use a revised discount rate that reflects the change in interest rate when remeasuring a lease liability because of a lease modification that is required by interest rate benchmark reform.

Finally, the Phase 2 amendments provide a series of temporary exceptions from certain hedge accounting requirements when a change required by interest rate benchmark reform occurs to a hedged item and/or hedging instrument that permit the hedge relationship to be continued without interruption. The Group applies the following reliefs as and when uncertainty arising from interest rate benchmark is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument:

- the Group amends the designation of a hedging relationship to reflect changes that are required by the reform without discontinuing the hedging relationship;
- when a hedged item in a cash flow hedge is amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate on which hedge future cash flows are determined

While uncertainty persists in the timing or amount of the interest rate benchmark-based cash flows of the hedged item or hedged instrument, the Group continues to apply the existing accounting policies.

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION**

For the nine months ended 30 September 2021 (Reviewed)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Seasonability

The Group does not have significant income of seasonal nature.

e) Judgements and estimates

The preparation of the Group's condensed consolidated interim financial statements requires Board of Director's to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, the disclosure of contingent liabilities, revenue and expense at the reporting date. Actual results may differ from these estimates. The significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2020 for changes in key assumption relating to impairment of property, plant and equipment as described below.

Impairment of property, plant and equipment

The management assessed the recoverable amount of the property, plant and equipment considering the Company as a single cash generating unit (CGU). The recoverable amount of the CGU was determined to be higher than its carrying amount and no impairment loss was recognised as on 30 September 2021. The recoverable amount of the CGU was based on its value-in-use.

Consistent with its method of impairment assessment as of 31 December 2020, the Group estimated the value-in-use of its CGU by using a discounted cash flow method that considers a 5 year cash-flow projections which do not include restructuring activities that the Group is not yet committed to and a terminal value beyond the forecast period. As compared to 31 December 2020, the weighted average cost of capital used in calculating the CGU's value-in-use as on 30 September 2021 decreased from 7.7% to 7.5% to reflect the change in overall market based inputs as at the reporting date including lower risk free rates, cost of funds and use of industry long term leverage ratios. Other key assumptions that impact the forecast include the future London Metal Exchange (LME) cash settlement prices and premium rates for aluminium and market alumina index which were updated using the most recent forecasts from various market sources.

Sensitivity to changes in assumptions

With regard to the assessment of value in use, management believes that reasonably possible changes in the weighted average cost of capital would cause a material change to the recoverable amount. An increase in weighted average cost of capital by 15.4% (1,543 basis point) (31 December 2020: 1.35% (135 basis point)) (with all other variables remain unchanged) throughout the forecast period could result in the recoverable amount of the CGU to be lower than its carrying value.

Similarly, an increase in alumina index by 10.45% (31 December 2020: 1.28%) (with all other variables remain unchanged) throughout the forecast period and a reduction in LME price by USD 790/MT (31 December 2020: USD 85/MT) (with all other variables remain unchanged) throughout the forecast period could result in the recoverable amount of the CGU to be lower than its carrying value.

The LME price has increased significantly compared to the previous year. The net carrying value of CGU is greater than its recoverable amount even with the assumption of premium considered zero (31 December 2020: USD 50/MT) (with all other variables remain unchanged) throughout the forecast period. The sensitivity to changes in assumptions will not impact the net carrying value of CGU for the nine month period ended 30 September 2021.

f) Provisional pricing adjustments

Adjustments to sale price occur based on the movements in market prices from the date of sale to the end of the period agreed with the customer. The period can range between 1-2 months. Estimates are made on likely price adjustments using available market rates of underlying commodity price benchmarks. Actual results are determined on the date of price confirmation with the customers.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION**

For the nine months ended 30 September 2021 (Reviewed)

g) Fair value measurement

The Group measures financial instruments at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the condensed consolidated interim financial information 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 (unadjusted) market prices in active markets 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.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the condensed consolidated interim financial information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

h) Contingencies

The Group discloses its contingent liabilities for the pending litigations and claims against the Group based on its judgment and the advice of the legal advisors for the estimated financial outcome. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the balance sheet date. However, based on the best judgment of the Group and the likely outcome of these litigations and claims as on 30 September 2021, there is no need to recognize any liability at the balance sheet date.

Aluminium Bahrain B.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION

For the nine months ended 30 September 2021 (Reviewed)

3 EARNINGS PER SHARE

| | <i>Three months ended</i> | | <i>Nine months ended</i> | |
|--|--------------------------------|-------------|--------------------------------|-------------|
| | <i>30 September (Reviewed)</i> | | <i>30 September (Reviewed)</i> | |
| | 2021 | 2020 | 2021 | 2020 |
| Profit / (loss) for the period - BD '000 | 125,949 | (11,622) | 270,714 | (22,259) |
| Weighted average number of shares outstanding - thousands of shares | 1,414,876 | 1,412,543 | 1,414,699 | 1,413,080 |
| Basic and diluted earning / (loss) per share - fils | 89 | (8) | 191 | (16) |

Basic and diluted earnings per share are the same since the Group has not issued any instruments that would have a dilutive effect.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of this condensed consolidated interim financial information.

4 DERIVATIVE FINANCIAL INSTRUMENTS

| | 30 September 2021 Reviewed BD '000 | 31 December 2020 Audited BD '000 |
|--|---|---|
| <i>Classified in the condensed consolidated interim financial position:</i> | | |
| Negative fair values - liabilities arising from interest rate swap (IRS) | | |
| Non-current portion | 929 | 5,680 |
| Current portion | 1,302 | 2,615 |
| | 2,231 | 8,295 |
| Positive fair values - assets current portion arising from commodity futures | (253) | - |
| | (253) | - |
| Total | 1,978 | 8,295 |

| | <i>Three months ended</i> | | <i>Nine months ended</i> | |
|---|--------------------------------|----------------|--------------------------------|----------------|
| | <i>30 September (Reviewed)</i> | | <i>30 September (Reviewed)</i> | |
| | 2021 | 2020 | 2021 | 2020 |
| | BD '000 | BD '000 | BD '000 | BD '000 |
| Changes in fair value of derivative financial instrument and realised gain/(loss) related to | | | | |
| <i>Recognised in profit or loss</i> | | | | |
| - Interest rate swap (FVTPL) | - | - | - | (2,884) |
| - Commodity futures (FVTPL) | 123 | 166 | 248 | 157 |
| Changes in fair value of derivative financial instruments | 123 | 166 | 248 | (2,727) |
| - Realised loss on settlement of IRS* | - | - | (1,295) | - |
| | 123 | 166 | (1,047) | (2,727) |
| <i>Recognised in other comprehensive income</i> | | | | |
| - Interest rate swap** | 447 | (72) | 4,774 | (9,250) |

*This represents the realised loss or gain arising on settlement of IRS at the time of interest payment relating to hedged portion of borrowings, which is transferred to finance costs in condensed consolidated interim statement of profit or loss from cash flow hedge reserve upon settlement.

**This represents the difference between the Mark-to-Market (MTM) value of IRS as on 30 September 2021 and 31 December 2020 as confirmed by the respective counter party in IRS transaction as disclosed below.

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION**

For the nine months ended 30 September 2021 (Reviewed)

4 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The Group does not engage in proprietary trading activities in derivatives. However, the Group enters into derivative transactions under its risk management guidelines and holds derivative financial instruments, such as interest rate swaps, to hedge its interest rate risks and commodity futures to meet customer pricing requirement.

Interest rate swaps

On 3 March 2020, the Group entered into amortised interest rate swap transaction with National Bank of Bahrain B.S.C., to hedge dollar 6 months LIBOR cash flows attributable to the borrowings availed for financing the line 6 project for the notional amount BD 256,620 thousand out of total principal amount of BD 513,240 thousand as on 30 September 2021. Derivative contract expires on 29 October 2027.

The Group has designated this derivative as cash flow hedging instrument and it qualifies for hedge accounting under IFRS 9 and consequently effective portion of the gains or losses resulting from the re-measurement of fair value of derivative are recognised in the condensed consolidated interim statement of comprehensive income as other comprehensive income / (loss).

The Group settled its previous interest rate swap contracts designated at fair value through profit and loss on 3 March 2020 and related fair value gains or losses were recognised in the condensed consolidated interim statement of profit or loss.

The notional amount outstanding as at 30 September 2021 was BD 256,620 thousand (31 December 2020: BD 265,080 thousand) with fixed rate leg of 1.2125% over the term of the contract.

In the periods during which interest expense relating to hedge borrowings is recognised or paid, the realised gain or loss is reclassified from cash flow hedge reserve to condensed consolidated interim statement of profit or loss as a reclassification adjustment upon settlement of IRS.

Commodity futures

These derivatives are entered into to reduce the price risk on behalf of its customers. These are initially measured at fair value and do not qualify for hedge accounting. Subsequent to initial recognition, these derivatives are measured at fair value, and the changes therein are recognised in the condensed consolidated interim statement of profit or loss.

The Group entered into commodity futures contracts to reduce the price risk on behalf of its customers for 3,175 metric tonnes (31 December 2020: 3,000 metric tonnes) and these mature between one to six months from the reporting date.

5 LOAN COVENANTS

The Group is required to ensure that the debt covenant of outstanding loans and borrowings should not exceed 300 percent of EBITDA during each period of twelve months ending on or about the last day of each financial half-year of the Group. If the conditions are not met, these outstanding loans and borrowings will be repayable on demand.

The Group has obtained waiver letter from all the banks with respect to debt covenant requirement up to and including 30 June 2021, with additional conditions to be met up to 31 December 2021. These additional covenants among other things include certain restrictions subject to financial conditions being met, on dividend declaration, maintenance of minimum cash balance and restriction on redemption, repurchase, defease, retire or repay any of its share capital.

As at 30 September 2021, the Group is compliant with the covenants clauses relating to Leverage Ratio and Debt Service Cover Ratio and the Management is confident to meet the same as on 31 December 2021.

6 FINANCIAL INSTRUMENTS

Fair values

The Group's derivative financial instruments are measured at fair value using Level 2 inputs. The Group enters into derivative financial instruments with various counterparties, principally financial institutions. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps and commodity forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties and forward rates, interest rate curves and forward rate curves of the underlying commodity. All derivative contracts are fully cash collateralised, thereby eliminating both counterparty and the Group's own non-performance risk.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION**

For the nine months ended 30 September 2021 (Reviewed)

6 FINANCIAL INSTRUMENTS (continued)

The fair values of other financial instruments are not materially different from their carrying values as of the reporting date largely due to the short term maturities and floating rate of borrowings which are similar to observed market rate of the Group's liabilities.

As at 30 September 2021 and 31 December 2020, the Group's derivative financial instruments and trade receivables (subject to provisional pricing) that were measured at fair value were Level 2 as per the hierarchy. The Group does not have financial instruments qualifying for Level 1 or Level 3 classification.

During the period ended 30 September 2021 and 31 December 2020, 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.

7 TRADE AND OTHER PAYABLES

As at 30 September 2021, trade payables include balance of BD Nil (31 December 2020: BD 50,431 thousand) subject to supplier factoring arrangement.

The Group has entered into supplier factoring arrangement under which certain suppliers may elect to receive early payment of their invoice from a bank by factoring their receivable from the Group. Under the arrangement, the bank agrees to pay amounts to a participating supplier in respect of invoices owed by the Group and receives settlement from the Group at a later date. The principal purpose of this arrangement is to facilitate efficient payment processing and enable the suppliers to sell their receivables due from the Group to a bank before due date.

The payments to the bank under supplier factoring arrangement, are included within operating cash flows because they continue to be part of the normal operating cycle of the Group and their principal nature remains operating i.e. payments for purchase of goods. The payments to a supplier by bank are considered as non-cash transactions and amounts to BD Nil as at 30 September 2021 (31 December 2020: BD 17,552 thousand).

The Group has not derecognised the original liabilities to which the arrangement applies because neither a legal release was obtained nor the original liability was substantially modified on entering into the arrangement. From the Group perspective, the arrangement does not significantly extend payment terms beyond the normal terms agreed with other suppliers that are not participating. The Group does not incur any additional interest towards the bank on the amounts due to the suppliers. The Group therefore discloses the amount factored by suppliers within trade payables because nature and function of the financial liability remain the same as those of other trade payables but discloses disaggregated amounts in the notes. All payables under this arrangement are classified as current as at 30 September 2021 and 31 December 2020.

8 OPERATING SEGMENT INFORMATION

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

a) Product

An analysis of the revenue from contracts with customers by product is as follows:

| | <i>Three months ended</i> | | <i>Nine months ended</i> | |
|---------------------------------------|--------------------------------|----------------|--------------------------------|----------------|
| | <i>30 September (Reviewed)</i> | | <i>30 September (Reviewed)</i> | |
| | 2021 | 2020 | 2021 | 2020 |
| | BD '000 | BD '000 | BD '000 | BD '000 |
| Sale of aluminium | 382,209 | 262,230 | 1,042,099 | 779,542 |
| Sale of alumina | 5,643 | - | 16,461 | 3,273 |
| Sale of calcined coke | - | 3 | 3 | 1,469 |
| Revenue from contracts with customers | 387,852 | 262,233 | 1,058,563 | 784,284 |
| Pricing adjustments* | 1,013 | 428 | 2,981 | (1,649) |
| Total revenue | 388,865 | 262,661 | 1,061,544 | 782,635 |

*Pricing adjustments represent mark-to-market adjustments on initial estimate of provisionally priced sales.



Aluminium Bahrain B.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine months ended 30 September 2021 (Reviewed)

8 OPERATING SEGMENT INFORMATION (continued)

b) Geographic information

An analysis of the revenue from contracts with customers by geographic location is as follows:

| | <i>Three months ended</i> | | <i>Nine months ended</i> | |
|--|--------------------------------|----------------|--------------------------------|----------------|
| | <i>30 September (Reviewed)</i> | | <i>30 September (Reviewed)</i> | |
| | <i>2021</i> | <i>2020</i> | <i>2021</i> | <i>2020</i> |
| | <i>BD '000</i> | <i>BD '000</i> | <i>BD '000</i> | <i>BD '000</i> |
| Kingdom of Bahrain | 92,558 | 46,154 | 256,380 | 145,316 |
| Europe | 80,827 | 77,172 | 216,155 | 205,585 |
| Rest of the Middle East and North Africa | 80,262 | 51,367 | 210,739 | 126,644 |
| Asia | 93,339 | 27,290 | 228,142 | 197,376 |
| Americas | 41,879 | 60,678 | 150,128 | 107,714 |
| Total revenue from contracts with customers | 388,865 | 262,661 | 1,061,544 | 782,635 |

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

c) Customers

Revenue from sale of aluminium to the three major customers of the Group amounted to BD 355,521 thousands with two of the customers individually accounting for more than 10% of the total revenue from contracts with customers for the nine month period ended 30 September 2021 (three major customers of the Group amounted to BD 411,511 thousand with all three customers accounting for more than 10% of total revenue from contracts with customers for the nine months period ended 30 September 2020).

9 COMMITMENTS AND CONTINGENCIES

| | <i>30 September</i> | <i>31 December</i> |
|--|---------------------|--------------------|
| | <i>2021</i> | <i>2020</i> |
| | <i>Reviewed</i> | <i>Audited</i> |
| | <i>BD '000</i> | <i>BD '000</i> |

a) Commitments

Physical metal commitments

Sales commitments :

3,175 metric tonnes (31 December 2020: 3,000 metric tonnes)

| | |
|--------------|--------------|
| 3,217 | 2,248 |
|--------------|--------------|

Raw material supply agreements

In the ordinary course of business the Group has entered into long-term commitments to purchase raw materials. These contracts are based on the market price of the raw material at the time of delivery.

Capital expenditure

As of 30 September 2021, the Group had commitments amounting to BD 30,486 thousand relating to the capital expenditure contracted for at the reporting date (31 December 2020: BD 24,324 thousand). The commitments are expected to be settled within 1 to 5 years from the reporting date.

Letters of credit

At 30 September 2021, the Group had outstanding letters of credit to counterparties of BD 1,048 thousand (31 December 2020: 51,233 thousand).

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Aluminium Bahrain B.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine months ended 30 September 2021 (Reviewed)

9 COMMITMENTS AND CONTINGENCIES (continued)

b) Contingencies

(i) The Group is party to ongoing labor claims and disputes. Based on the advice of the Group's external legal counsel, the management is of the opinion that the Group has strong grounds to successfully defend itself against these claims. The total amount of claims against the Group amounting to BD 3 thousand as on 30 September 2021 (31 December 2020: BD 44 thousand). The management believes that there is no provision required against these claims.

(ii) Under an employee scheme, the Group has issued guarantees to financial institutions in the Kingdom of Bahrain in relation to the mortgage loans of its employees to the extent of their cumulative balance in the ALBA Benefits Saving scheme. The total value of these letters of guarantee is BD 18,273 thousand as on 30 September 2021 (31 December 2020: BD 19,459 thousand).

At 30 September 2021, the Group had contingent liabilities in respect of the bank guarantees amounting to BD 19,421 thousand (31 December 2020: BD 19,875 thousand) from which is anticipated that no material liabilities will arise.

10 DIVIDEND

For the year 2020, the Board of Directors in their meeting dated 10 February 2021 have not proposed dividend to the shareholders considering the restrictive debt covenants clause.

At the Annual General Meeting held on 8 March 2020, the Company's shareholders approved final dividend of BD 0.001 per share (excluding treasury shares) totaling BD 1,412 thousand relating to 2019, which has been fully paid as of 30 September 2020.

11 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 Company's Board of Directors.

Transactions with shareholders

The Company qualifies as a government related entity under the definitions provided in IAS 24. The Company purchases gas and receives services from various Government and semi-government organisation and companies in the Kingdom of Bahrain. Other than purchase of natural gas, such other transactions are in the normal course of business and are not considered to be individually significant in terms of size.

Transactions with other commercial non-government related parties related to the controlling shareholder and significant transaction with government related entities included in the condensed consolidated interim statement of profit or loss are as follows:

| | <i>Three months ended</i> | | <i>Nine months ended</i> | |
|---------------------------------|--------------------------------|----------------|--------------------------------|----------------|
| | <i>30 September (Reviewed)</i> | | <i>30 September (Reviewed)</i> | |
| | <i>2021</i> | <i>2020</i> | <i>2021</i> | <i>2020</i> |
| | <i>BD '000</i> | <i>BD '000</i> | <i>BD '000</i> | <i>BD '000</i> |
| Other related parties | | | | |
| Revenue and other income | | | | |
| Sale of metal | 25,067 | 8,333 | 79,160 | 18,217 |
| Sale of water | 517 | 261 | 1,281 | 970 |
| Interest on receivables | 101 | 155 | 399 | 634 |
| | 25,685 | 8,749 | 80,840 | 19,821 |

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine months ended 30 September 2021 (Reviewed)

11 RELATED PARTY TRANSACTIONS (continued)

| | Three months ended | | Nine months ended | |
|------------------------------------|-------------------------|---------------|-------------------------|----------------|
| | 30 September (Reviewed) | | 30 September (Reviewed) | |
| | 2021 | 2020 | 2021 | 2020 |
| | BD '000 | BD '000 | BD '000 | BD '000 |
| Cost of sales and expenses | | | | |
| Purchase of natural gas and diesel | 62,938 | 88,337 | 176,969 | 220,153 |
| Interest on loans and borrowings | 192 | 243 | 1,710 | 328 |
| Others | 42 | 756 | 139 | 1,209 |
| | 63,172 | 89,336 | 178,818 | 221,690 |

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

| | 30 September 2021 Reviewed BD '000 | 31 December 2020 Audited BD '000 |
|--|---|---|
| Other related parties | | |
| Assets | | |
| Trade receivables - net of impairment of BD 7,944 (2020: BD 5,688 thousand) | 7,037 | 5,110 |
| Bank balances | 589 | 1,065 |
| Other receivable - net of impairment* of BD Nil (2020: BD 787 thousand) | - | 812 |
| | 7,626 | 6,987 |
| Liabilities | | |
| Trade payables | 35,885 | 47,388 |
| Loans and borrowings | 56,456 | 65,001 |
| Interest rate swap - Derivative | 2,231 | 8,295 |
| Interest payable on loans and borrowings | 1,183 | 346 |
| | 95,755 | 121,030 |

Outstanding balances at year-end arise in the normal course of business are interest free, unsecured and payable on demand. For the period ended 30 September 2021, the Group recorded a specific impairment of BD 2,256 thousand (net of adjustment against other receivable balance amounting to BD 1,110 thousand) on amounts due from related parties, based on the management best expectation (30 September 2020: BD 2,909 thousand).

*The Group used to charge interest on an overdue receivable amount from a related party, and raise a related doubtful debts provision. However, this has been discontinued by the Group from September 2021 and related receivable accumulated balance of BD 1,897 thousand has been reversed against outstanding balance of provision for doubtful debts of same amount, as on 30 September 2021.

Compensation of key management personnel

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

| | Three months ended | | Nine months ended | |
|--|-------------------------|------------|-------------------------|--------------|
| | 30 September (Reviewed) | | 30 September (Reviewed) | |
| | 2021 | 2020 | 2021 | 2020 |
| | BD '000 | BD '000 | BD '000 | BD '000 |
| Short term benefits | 219 | 250 | 1,107 | 1,486 |
| End of service benefits | 10 | 10 | 30 | 30 |
| Contributions to Alba Savings Benefit Scheme | 24 | 28 | 72 | 87 |
| | 253 | 288 | 1,209 | 1,603 |

12 CORRESPONDING FIGURES

The corresponding's prior year figures have been regrouped, where necessary, in order to conform to current year's presentation. Such regroupings did not affect the previously reported net profit and comprehensive income for the period or total equity.

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