Aluminium Bahrain B.S.C. (c)

(a company incorporated in the Kingdom of Bahrain)

Offering of 69,018,875 Ordinary Shares
Offering Price: BD 0.900 per Ordinary Share
Discounted Retail Offering Price: BD 0.810 per Ordinary Share

Bahrain Mumtalakat Holding Company B.S.C. (c) ("**Mumtalakat**" or the "**Selling Shareholder**"), a closed joint stock company incorporated under the laws of the Kingdom of Bahrain, is offering 69,018,875 ordinary shares, each with a nominal value of 100 *fils* ("**Ordinary Shares**") of Aluminium Bahrain B.S.C. (c) ("**Alba**" or the "**Company**"), which is on the date hereof a closed joint stock company incorporated under the laws of the Kingdom of Bahrain (the "**Offering**"). The Offering is being conducted prior to the completion of the conversion of the Company into a public joint stock company ("**Conversion**"). **The Company expects Conversion to take place on or around November 23, 2010. If Conversion and admission of the Ordinary Shares to trading on the Bahrain Stock Exchange (the "BSE") do not occur on or before January 17, 2011, then the Offering will be cancelled and the gross proceeds of the Offering will be returned to purchasers as soon as practicable thereafter.** As at the date of this offering memorandum, the Selling Shareholder owns 77.0% of the Company's issued share capital, and the Kingdom of Bahrain is the 100% owner of the Selling Shareholder. Upon Conversion, any reference to "Alba" or the "Company" herein will refer to the Company as a public joint stock company and any reference to "Ordinary Shares" will be to the ordinary shares of the Company as a public joint stock company. Alba will not receive any of the proceeds from the sale of Ordinary Shares in the Offering.

The offer and sale of Ordinary Shares in the Offering will be made to (i) retail investors in the Kingdom of Bahrain, the Sultanate of Oman and the United Arab Emirates ("**UAE**") and (ii) institutional investors outside the United States in reliance on Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") ("**Regulation S**"). The portion of the Offering made to retail investors will consist of a limited offering of Ordinary Shares to Bahraini citizens only at the Discounted Retail Offering Price and a general offering of Ordinary Shares to all other eligible retail investors at the Offering Price.

The Ordinary Shares have not been, and will not be, registered under the Securities Act or under any U.S. state securities laws. The Ordinary Shares may be offered and sold only in transactions that are exempt from, or not subject to, registration under the Securities Act and the securities laws of any other jurisdiction other than the Kingdom of Bahrain. The Offering does not constitute an offer to sell, or solicitation of an offer to buy, securities in any jurisdiction in which such offer or solicitation would be unlawful. Concurrently with the Offering, the Selling Shareholder is offering 72,981,125 Ordinary Shares in the form of 14,596,225 global depositary receipts ("**GDRs**"), each representing an interest in five Ordinary Shares to institutional investors (the "**GDR Offering**" and together with the Offering, the "**Global Offering**").

Currently, no public market exists for the Ordinary Shares. The Company has applied to the Central Bank of Bahrain for all of its Ordinary Shares to be admitted to trading on the BSE under the symbol "ALBH." The Company expects to commence the dispatch of Ordinary Shares allocation notices on or around November 23, 2010, and it expects trading in the Ordinary Shares on the BSE to commence on or around November 30, 2010 (the "**Listing Date**").

Gulf International Bank B.S.C. ("**GIB**" or the "**Regional Lead Manager**"), Al Salam Bank Bahrain B.S.C., Bahrain Islamic Bank B.S.C. and National Bank of Bahrain B.S.C. (together with GIB, the "**Managers**") are acting solely for the Company and the Selling Shareholder and no one else in connection with the Offering and are not, and will not be, responsible to any other person for providing advice in respect of the Offering or for providing the protections afforded to their clients. J.P. Morgan Securities Ltd., together with its affiliates, ("**J.P. Morgan**") is acting as sole global coordinator and bookrunner of the Global Offering and lead manager of the GDR Offering. J.P. Morgan is not offering Ordinary Shares in the Offering.

A copy of this offering memorandum, which has been prepared in accordance with the Central Bank of Bahrain's Disclosure Standards ODG/407/03, has been delivered to the Central Bank of Bahrain and the BSE for registration.

AN INVESTMENT IN THE ORDINARY SHARES INVOLVES RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 34.

THE CENTRAL BANK OF BAHRAIN AND THE BAHRAIN STOCK EXCHANGE ASSUME NO RESPONSIBILITY FOR THE ACCURACY AND COMPLETENESS OF THE STATEMENTS AND INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM AND EXPRESSLY DISCLAIM ANY LIABILITY WHATSOEVER FOR ANY LOSS OR DAMAGE, HOWSOEVER ARISING FROM RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS OFFERING MEMORANDUM.

The Managers will offer the Ordinary Shares when, as and if, delivered to and accepted by them, subject to their right to reject orders in whole or in part.

Receiving Banks for Submitting Purchase Orders for Ordinary Shares

Standard Chartered Bank—Al Salam Bank Bahrain B.S.C.—Bahrain Islamic Bank B.S.C.
Abu Dhabi Commercial Bank—Ahli United Bank—AlBaraka Islamic Bank
Al Khaliji Commercial Bank Q.S.C—Noor Islamic Bank—Bank Sohar SAOG

Regional Lead Manager & Underwriter

Gulf International Bank

Underwriters

Al Salam Bank Bahrain B.S.C. **Bahrain Islamic Bank B.S.C.** **National Bank of Bahrain B.S.C.**

Sole Global Coordinator & Bookrunner ● Lead Manager of the GDR Offering

J.P. Morgan

The date of this offering memorandum is November 9, 2010.

DIRECTOR'S RESPONSIBILITY STATEMENT

THE DIRECTORS OF THE COMPANY ACCEPT RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS DOCUMENT. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE COMPANY'S DIRECTORS, WHO HAVE TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE, THE INFORMATION CONTAINED IN THIS DOCUMENT IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORTANCE AND COMPLETENESS OF SUCH INFORMATION.

Signed:

Each member of the board of directors of the Company has provided his signature in his individual capacity.

Name	Position	Signature
Mahmood Hashim Al Kooheji	Chairman	
Fawzi Ahmed Kanoo	Director	
Sheikh Mohamed Bin Khalifa Al Khalifa	Director	
Osama M. Al Arrayedh	Director	
David E. Meen	Director	
Yousif Taqi	Director	
Mutlaq H. Al-Morished	Director	
A. Aziz Sulaiman Al Humaid	Director	
Homood Al Tuwaijri	Director	

IMPORTANT INFORMATION ABOUT THIS OFFERING MEMORANDUM

This offering memorandum includes details given in compliance with the Central Bank of Bahrain's disclosure standards. In this offering memorandum, the terms "Alba," and "the Company" refer to Aluminium Bahrain B.S.C. (c), a closed joint stock company incorporated under the laws of the Kingdom of Bahrain. Upon the conversion of the Company into a public joint stock company, any reference to "Alba," the "Company" or words of similar meaning refers to the Company as a public joint stock company. The terms "Selling Shareholder" and "Mumtalakat" refer to Bahrain Mumtalakat Holding Company B.S.C. (c), a closed joint stock company incorporated under the laws of the Kingdom of Bahrain.

The Company accepts responsibility for the information contained in this offering memorandum. Having taken all reasonable care to ensure that this is the case, the information contained in this offering memorandum is, to the best of the Company's knowledge, in accordance with the facts and contains no omission likely to affect its content. The Company has derived certain information in this offering memorandum, including certain estimates and approximations, from publicly available information, including industry publications, market research, press releases, filings under various securities laws and official data published by certain government and international agencies. This offering memorandum is based on information provided by the Company and other sources that the Company believes to be reliable. Sources of this information include the Central Bank of Bahrain, the BSE, the Bahrain Ministry of Finance and the Bahrain National Oil and Gas Authority. The Company has derived certain information in this offering memorandum, including certain estimates and approximations, from publicly available information, including industry publications, market research, press releases, filings under various securities laws and official data published by certain government and international agencies. The Company commissioned a report prepared by CRU Strategies, a metals industry consulting firm, which contains certain market and industry-related information, dated July 28, 2010, included elsewhere in this offering memorandum. The Company has relied on the accuracy of all such information sourced from third parties without carrying out an independent verification of such information, estimates or approximations. The Company confirms that such information has been accurately reproduced and that, as far as the Company is aware and is able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, the Company has identified the source(s) of such information in this offering memorandum.

The Company has included its own estimates, assessments, adjustments and judgments in preparing some market information, which has not been verified by an independent third party. Market information is also to a certain degree subjective. Although the Company believes that its own estimates, assessments, adjustments and judgments are reasonable and that the market information prepared by the Company appropriately reflects the industry and the markets in which the Company operates, there is no assurance that its own estimates, assessments, adjustments and judgments are the most appropriate for making determinations relating to market information or that market information prepared by other sources will not differ materially from the market information included herein.

The contents of the Company's websites do not form any part of this offering memorandum.

None of the Managers or J.P. Morgan (together, the "**Banks**"), or the Selling Shareholder makes any representation or warranty, express or implied, as to the accuracy or completeness of information set forth in this offering memorandum. None of the Banks or the Selling Shareholder assumes any responsibility for the contents of this offering memorandum, including its accuracy, completeness or verification, or for any other statement made or purported to be made by it, or on its behalf in connection with the Company, the Offering or the Ordinary Shares.

Until the Listing Date, a copy of this offering memorandum, the Company's Memorandum and Articles of Association and the financial statements included herein can be obtained during the Company's regular office hours from its offices at King Hamad Highway, Askar Industrial Area, Manama, Kingdom of Bahrain, telephone: +973 1783 0000. The information set forth in this offering memorandum is accurate only as at the date on the front cover of this offering memorandum. The Company's business, financial condition, results of operations and future prospects may have changed since that date.

You should rely only on information contained in this offering memorandum. The Company has not and none of the Banks or the Selling Shareholder has authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it.

No prospective investor in Ordinary Shares should consider any information in this offering memorandum to be investment, legal, tax or other advice. Each prospective investor should consult its own counsel, accountant and other advisors for such advice. Each person contemplating making an investment in the Ordinary Shares must make its own investigation and analysis of the Company and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience, and any other factors that may be relevant to such person in connection with such investment, including the merits and risks involved. You should understand that you will be required to bear the financial risks of your investment, which may be for an indefinite period of time. The Company is not, and neither the Selling Shareholder nor any Bank is making any representation to any offeree or purchaser of the Ordinary Shares regarding the legality of an investment in such Ordinary Shares by such offeree or purchaser.

For a discussion of certain risks that Investors should consider prior to making an investment in the Ordinary Shares, see "Risk Factors."

Each Bank is acting solely for the Company and the Selling Shareholder and no one else in connection with the Offering and is not, and will not be, responsible to any other person for providing advice in respect of the Offering or for providing the protections afforded to their respective clients.

The distribution of this offering memorandum and the offer and sale of Ordinary Shares may be restricted by law in certain jurisdictions. The Company is not, and neither the Selling Shareholder nor any Bank is making an offer to sell any Ordinary Shares or is soliciting an offer to buy Ordinary Shares to any person in any jurisdiction except where such an offer or solicitation is permitted. This offering memorandum may not be used for, or in connection with, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstances in which such offer or solicitation is unauthorized or is unlawful. The Company, the Selling Shareholder and the Banks each require persons into whose possession this offering memorandum comes to inform themselves about and to observe such restrictions. The Company has not, and neither the Selling Shareholder nor any Bank has taken any action that would permit, other than as part of the Offering, an offering of or relating to the Ordinary Shares in any jurisdiction that requires action for that purpose.

FORWARD-LOOKING STATEMENTS

Certain statements in this offering memorandum are not historical facts and are "forward-looking" statements that relate to future events, which are, by their nature, subject to significant risks and uncertainties, predictions, forecasts and projections.

All statements, other than statements of historical fact contained in this offering memorandum, including those regarding projections or expectations of future revenues, income, earnings or loss per share, dividends, capital structure or other financial items or ratios, strategy, plans, objectives, goals and targets and any statements preceded by, followed by or that include the words "believe," "anticipate," "aim," "will," "may," "project," "predict," "seek," "should," "expect," "estimate," "intend," and "plan" and similar words or expressions are forward-looking statements.

The future events referred to in these forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond the Company's control, which may cause the actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding its present and future business strategies and the political, economic, social, and legal environment in which the Company operates in the future and are not a guarantee of future performance.

Such forward-looking statements speak only as at the date on which they are made. Accordingly, the Company does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise, except as otherwise required by applicable law. The Company does not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

For more information about the risks involved in an investment in the Ordinary Shares, see "Risk Factors." Important factors could cause the Company's actual results, performance or achievement to differ materially from plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to:

- Inflation, interest rate and exchange rate fluctuations;
- The price of aluminium;
- Prices and availability of alumina, green petroleum coke, pitch, aluminium fluoride and natural gas;
- Weather conditions and natural disasters;
- The effects of, and changes in, the policy of the Government of Bahrain;
- The effects of competition in the geographic and business areas in which the Company operates;
- The effects of changes in laws, regulations, taxation or accounting standards or practices;
- The Company's ability to increase market share for its products and to control expenses;
- The Company's access to means of transporting raw materials, aluminium and aluminium products;
- Changes in the efficiency and effectiveness of the technology utilized by the Company; and
- The Company's success at managing the risks of the aforementioned factors.

TABLE OF CONTENTS

DIRECTOR'S RESPONSIBILITY STATEMENT i
IMPORTANT INFORMATION ABOUT THIS OFFERING MEMORANDUM ii
FORWARD-LOOKING STATEMENTS iv
INVESTOR IDENTIFICATION AND ANTI-MONEY LAUNDERING vi
NOTICE TO CERTAIN INVESTORS vii
PRESENTATION OF FINANCIAL AND OTHER INFORMATION xi
PARTIES INVOLVED xiv
OFFERING TIMETABLE xvi
GLOSSARY xvii
RESOLUTIONS AND APPROVALS xix
SUMMARY 1
THE OFFERING 6
BUSINESS 11
LEGAL PROCEEDINGS 33
RISK FACTORS 34
USE OF PROCEEDS 46
SELECTED HISTORICAL FINANCIAL AND OTHER INFORMATION 47
AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF ALUMINIUM BAHRAIN B.S.C. (c) 48
KEY OPERATING DATA AND OTHER FINANCIAL DATA 59
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS 65
INDUSTRY AND BAHRAIN MACROECONOMIC OVERVIEW 89
MANAGEMENT AND GOVERNANCE 111
PRINCIPAL SHAREHOLDERS AND SELLING SHAREHOLDER 116
RELATED PARTY AND CERTAIN OTHER TRANSACTIONS 118
DESCRIPTION OF SHARE CAPITAL 119
THE SECURITIES MARKET IN BAHRAIN 126
TAXATION 127
TERMS OF THE OFFERING 128
OTHER MATTERS 130
GENERAL INFORMATION 131
APPLICABLE LAW 132
DOCUMENTS ON DISPLAY 133
INDEX TO THE FINANCIAL STATEMENTS F-1
APPENDIX A: MEMORANDUM AND ARTICLES OF ASSOCIATION A-1

INVESTOR IDENTIFICATION AND ANTI-MONEY LAUNDERING

The Company, the Managers and Standard Chartered Bank, Abu Dhabi Commercial Bank, Ahli United Bank, AlBaraka Islamic Bank, Al Khaliji Commercial Bank Q.S.C, Noor Islamic Bank and Bank Sohar SAOG (the "**Receiving Banks**") reserve the absolute right to require further verification of the identity of each potential investor or that of the person or entity on whose behalf the potential investor is applying for the purchase of Ordinary Shares (the "**Investor**"). Each potential Investor will provide satisfactory evidence of identity and, if so required, the source of funds, within a reasonable time period determined by the Company. Pending the provision of such evidence, an application to purchase Ordinary Shares will be postponed. If a potential Investor fails to provide satisfactory evidence within the time specified, or if a potential Investor provides evidence but the Company is not satisfied therewith, the application may be rejected immediately, in which event any money received by way of application will be returned to the potential Investor by inter bank transfer to the account from which the monies originated, without any addition thereto and at the risk and expense of the potential Investor.

The Company, the Managers and the Receiving Banks are subject to the Kingdom of Bahrain's Legislative Decree No. (4) of 2001 with respect to Prohibition and Combating of Money Laundering and the various Ministerial Orders issued thereunder, including, but not limited to, Ministerial Order No. (7) of 2001 with respect to Institutions' Obligations Concerning the Prohibition and Combating of Money Laundering and Ministerial Order No. (1) of 2004 with respect to Directives Relating to the Prevention and Prohibition of Money Laundering at the BSE. The Company, the Managers and the Receiving Banks are also subject to international anti-money-laundering requirements as existing from time to time. Under the above domestic or international requirements, the Company, the Managers and the Receiving Banks may be obliged to report certain information to regulatory agencies.

NOTICE TO CERTAIN INVESTORS

Each offeree or purchaser of the Ordinary Shares must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers or sells such Ordinary Shares or possesses this offering memorandum, and it must obtain any consent, approval or permission required for the purchase, offer or sale by it of such Ordinary Shares under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales. The Company is not, and none of the Banks or the Selling Shareholder is responsible therefor. A prospective purchaser may not deliver or distribute this offering memorandum to any other person in any form.

NOTICE TO PROSPECTIVE INVESTORS IN THE DIFC AND THE UAE

The Ordinary Shares may not be, are not and will not be sold, subscribed for, transferred or delivered, directly or indirectly, to any person in the Dubai International Financial Centre (the "**DIFC**") who is not a professional client within the meaning of the Conduct of Business Module of the rules of the Dubai Financial Services Authority (the "**DFSA**") or a Professional Investor within the meaning of the Offered Securities Rules of the DFSA.

The DFSA and the DIFC assume no responsibility for the contents of this offering memorandum, make no representation as to the accuracy or completeness of the information included in this offering memorandum, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the content of this offering memorandum.

The Ordinary Shares may not be, are not and will not be sold, subscribed for, transferred or delivered directly or indirectly to any person in the UAE other than in compliance with the laws of the UAE governing the sale, subscription for, transfer and delivery of securities.

The UAE Central Bank and the Emirates Securities and Commodities Authority assume no responsibility for the contents of this offering memorandum, make no representation as to the accuracy or completeness of the information included in this offering memorandum, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the content of this offering memorandum.

The Company, the Selling Shareholder, the Managers and the Receiving Banks are not, by distributing this offering memorandum, advising individuals resident in the UAE (including the DIFC) as to the appropriateness of investing in or purchasing or selling securities or other financial products. Nothing contained in this offering memorandum is intended to constitute investment, legal, tax, accounting or other professional advice in, or in respect of, the UAE (including the DIFC).

NOTICE TO PROSPECTIVE INVESTORS IN THE STATE OF QATAR

By receiving this offering memorandum, the person or entity to whom it has been provided understands, acknowledges and agrees that: (i) neither this offering memorandum nor the Ordinary Shares have been registered, considered, authorized or approved by the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or any other authority or agency in the State of Qatar; and (ii) none of the Selling Shareholder, the Company or the Managers has been authorized or licensed by the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority, or any other authority or agency in the State of Qatar, to market or sell the Ordinary Shares within the State of Qatar. The Qatar Central Bank, the Qatar Financial Markets Authority and the Qatar Financial Centre Regulatory Authority assume no responsibility for the contents of this offering memorandum, make no representation as to the accuracy or completeness of the information included in this offering memorandum, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the content of this offering memorandum.

The Company, the Selling Shareholder, the Managers and the Receiving Banks are not, by distributing this offering memorandum, advising individuals resident in the State of Qatar as to the appropriateness of investing in or purchasing or selling securities or other financial products. Nothing contained in this offering memorandum is intended to constitute investment, legal, tax, accounting or other professional advice in, or in respect of, the State of Qatar.

The Ordinary Shares may not be, have not been and are not being sold, subscribed for, transferred or delivered directly or indirectly to any person in the State of Qatar other than in compliance with the laws of the State of Qatar governing the sale, subscription for, transfer and delivery of securities.

KINGDOM OF SAUDI ARABIA NOTICE

This offering memorandum may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the "**Capital Market Authority**").

The Capital Market Authority does not make any representations as to the accuracy or completeness of this offering memorandum, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this offering memorandum. Prospective purchasers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If a prospective purchaser does not understand the contents of this offering memorandum he or she should consult an authorized financial adviser.

NOTICE TO PROSPECTIVE INVESTORS IN THE SULTANATE OF OMAN

The Ordinary Shares may not be, are not and will not be sold, subscribed for, transferred or delivered directly or indirectly to any person in the Sultanate of Oman other than in compliance with the laws of the Sultanate of Oman governing the sale, subscription for, transfer and delivery of securities.

The Central Bank of Oman and the Oman Capital Market Authority assume no responsibility for the contents of this offering memorandum, make no representation as to the accuracy or completeness of the information included in this offering memorandum, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the content of this offering memorandum.

The Company, the Selling Shareholder, the Managers and the Receiving Banks are not, by distributing this offering memorandum, advising individuals resident in the Sultanate of Oman as to the appropriateness of investing in or purchasing or selling securities or other financial products. Nothing contained in this offering memorandum is intended to constitute investment, legal, tax, accounting or other professional advice in, or in respect of, the Sultanate of Oman.

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

This offering memorandum and the Offering are only addressed to and directed at persons in member states of the European Economic Area that are "qualified investors" within the meaning of Article 2(i)(e) of the Prospectus Directive (2003/71/EC (the "**Prospectus Directive**")). Any person in any member state of the European Economic Area (the "**EEA**") other than the United Kingdom who is not such a qualified investor should not act or rely on this offering memorandum or any of its contents.

This offering memorandum has been prepared on the basis that all offerings of Ordinary Shares will be made pursuant to an exemption under the Prospectus Directive, as implemented in member states of the EEA, from the requirement to produce a prospectus for offerings of Ordinary Shares. Accordingly, any person making or intending to make any offering within the EEA of the Ordinary Shares which are the subject of the Offering should only do so in circumstances in which no obligation arises for the Company, the Selling Shareholder or any of the Managers to produce a prospectus for such offering. None of the Company, the Selling Shareholder or any

of the Managers has authorized or do authorize the making of any offering of the Ordinary Shares through any financial intermediary, other than offerings made by the Managers which constitute the final placement of the Ordinary Shares contemplated in this offering memorandum.

SELLING RESTRICTIONS

No action has been taken or will be taken in any jurisdiction, other than in the Kingdom of Bahrain, the Sultanate of Oman and the UAE, in relation to the Retail Offering (defined below), that would permit a public offering of the Ordinary Shares in any country or jurisdiction where action for that purpose is required.

United States

The Ordinary Shares have not been, and will not be, registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Ordinary Shares are being offered and sold outside of the United States in reliance on Regulation S.

Public Offer Selling Restriction Under the Prospectus Directive

In relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive was implemented in that Relevant Member State (the "**Relevant Implementation Date**"), no Ordinary Shares have been offered or will be offered to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Ordinary Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that, with effect from and including the Relevant Implementation Date, offers of Ordinary Shares may be made to the public in that Relevant Member State at any time:

- to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Ordinary Shares shall result in a requirement for the publication of a prospectus by the Company or any Manager pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive.

For the purposes of this provision, the expression an "offer of any Ordinary Shares to the public" in relation to any Ordinary Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer of any Ordinary Shares to be offered so as to enable an Investor to decide to purchase any Ordinary Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

In the case of any Ordinary Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Ordinary Shares acquired by it in the Offering have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any Ordinary Shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the Company and each of the Managers has been obtained to each such proposed offer or resale.

Selling Restrictions Addressing Additional United Kingdom Securities Laws

Each of the Managers has only communicated or caused to be communicated and will only communicate or cause to be communicated in the United Kingdom any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it

in connection with the issue or sale of any Ordinary Shares in circumstances in which section 21(1) of the FSMA does not apply to the Company; and each of the Managers has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Ordinary Shares in, from or otherwise involving the United Kingdom.

DIFC

The Ordinary Shares may not be, are not and will not be sold, subscribed for, transferred or delivered, directly or indirectly, to any person in the DIFC who is not a Professional Client within the meaning of the Conduct of Business Module of the Rules of the DFSA or a Professional Investor within the meaning of the Offered Securities Rules of the DFSA.

The Sultanate of Oman

The Ordinary Shares may not be, have not been and are not being sold, subscribed for, transferred or delivered in the Sultanate of Oman other than in compliance with the laws of the Sultanate of Oman governing the sale, subscription for, transfer and delivery of securities.

UAE

The Ordinary Shares may not be, have not been and are not being sold, subscribed for, transferred or delivered in the UAE other than in compliance with the laws of the UAE governing the sale, subscription for, transfer and delivery of securities.

The State of Qatar

This offering memorandum has not been approved by the Qatari Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or any other relevant Qatar regulatory body. No general offering of the Ordinary Shares will be made in Qatar until such approvals are obtained.

Kingdom of Saudi Arabia

Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires Ordinary Shares pursuant to this Offering should note that the offer of Ordinary Shares is a limited offer under Article 11 of the "Offer of Securities Regulations" as issued by the Board of the Capital Market Authority resolution number 2/11/2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1/28/2008 dated 18 August 2008 (the "**KSA Regulations**"). The offer of Ordinary Shares will not be directed at more than 60 Saudi Investors (excluding "Sophisticated Investors" (as defined in Article 10 of the KSA Regulations)) and the minimum amount payable per Saudi Investor will be not less than Saudi Riyal (SR) 1 million or an equivalent amount.

The offer of Ordinary Shares shall not therefore constitute a "public offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 17 of the KSA Regulations. Any Saudi Investor who has acquired Ordinary Shares pursuant to a limited offer may not offer or sell those Ordinary Shares to any person unless the offer or sale is made through an authorised person appropriately licensed by the Capital Market Authority and: (a) the Ordinary Shares are offered or sold to a Sophisticated Investor; or (b) the price to be paid for the Ordinary Shares in any one transaction is equal to or exceeds SR 1 million or an equivalent amount; or (c) the offer or sale is otherwise in compliance with Article 17 of the KSA Regulations.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

Until December 31, 2007, the Company managed the marketing and sale of the aluminium quotas allocated to its two current shareholders, Mumtalakat and Sabic Industrial Investments Company ("**SIIC**"), under the Quota Agreement, further described under "Business—Material Contracts—Quota Agreement," on behalf of and for the account of such shareholders, through an unregistered joint venture, Alba Marketing ("**ALMA**"). On March 28, 2007, the Company's board of directors resolved to integrate ALMA's activities into the Company's operations. On January 1, 2008, the Company acquired all of the assets and liabilities of ALMA at their book values as of December 31, 2007, and the resulting amount payable was disclosed as "Amounts due to shareholders" on the Company's opening statement of financial position as of January 1, 2008.

This offering memorandum contains the Company's audited financial statements as at and for the years ended December 31, 2008 and 2009, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") and include the results of operations and assets and liabilities of the business previously operated by ALMA. Because the Company's business prior to January 1, 2008 did not operate as one entity, the Company has also included in this offering memorandum the audited combined financial statements of Alba and ALMA as at and for the year ended December 31, 2007. The audited combined financial statements of Alba and ALMA as at and for the year ended December 31, 2007 have been prepared in accordance with IFRS, except that they have been prepared on a combined basis and therefore do not comply with International Accounting Standard ("**IAS**") 27 (*Consolidated and Separate Financial Statements*). While they present the combined actual results of the businesses for 2007 that now form the enlarged business, they do not purport to present the results of operations of Alba and ALMA as if they had been a single business during the period presented.

This offering memorandum also contains the Company's unaudited reviewed interim condensed financial statements as at and for the six months ended June 30, 2009 and 2010, which have been prepared in accordance with IAS 34 (*Interim Financial Reporting*), and which have been reviewed in accordance with International Standard on Review Engagements 2410 (*Review of Interim Financial Information*) by Ernst & Young Bahrain, independent auditors, as stated in their review reports appearing herein.

There are significant differences between IFRS and U.S. GAAP. The financial statements contained in this offering memorandum differ from those that would be prepared based upon U.S. GAAP. The Company has not identified or quantified the impact of those differences. No reconciliation to U.S. GAAP of any of the financial statements contained in this offering memorandum has been prepared for the purposes of this Offering or for any other purposes. There can be no assurance that such reconciliation would not identify material quantitative differences between the Company's financial statements as prepared in accordance with IFRS and such financial statements as prepared on the basis of U.S. GAAP.

Non-IFRS Financial Measures

A number of non-IFRS financial measures are included in this offering memorandum, including certain measures described in "Summary—Key Operating Data and Other Financial Data," in "Selected Historical Financial and Other Information—Key Operating Data and Other Financial Data" and below. The Company discloses these measures because it uses them to assess its performance and because it considers them useful measures that are frequently used by securities analysts, investors and others to evaluate companies like Alba, many of which present such non-IFRS financial measures when reporting their results. However, these measures are not calculated using a standard methodology and may not be comparable to the definition of similarly titled measures used by other companies.

EBITDA

EBITDA is earnings before interest, tax, depreciation and amortization. For the purposes of this offering memorandum, the Company calculates EBITDA as profit (loss) for the year/period before finance costs, unrealized gains (losses) on derivatives and depreciation ("**EBITDA**"). EBITDA is not a financial performance or liquidity measure calculated in accordance with IFRS, and must not be considered as an alternative to net income as an indicator of operating performance, or as an alternative to net cash flows from operating activities as an indicator of liquidity. The Company believes that EBITDA facilitates comparisons of operating performance from period to period and company to company by eliminating potential differences caused by variations in capital structures (affecting interest and finance charges), tax positions (such as the impact on

periods or companies of changes in effective tax rates or net operating losses), and the age and booked depreciation and amortization of assets (affecting relative depreciation and amortization of expenses). However, EBITDA's use as a measurement of the Company's profits has limitations since it does not consider certain costs arising from the Company's business that might significantly affect its results of operations and liquidity, such as financial expenses, taxes, depreciation, unrealized gain (losses) on derivatives and other related charges. For a reconciliation of "Profit (loss) for the year/period" to EBITDA, see "Selected Historical Financial and Other Information—Key Operating and Financial Data."

Adjusted EBITDA

Adjusted EBITDA is EBITDA before adjustments due to restructuring costs the Company incurred in the second half of 2009. For a reconciliation of "Profit (loss) for the year/period" to Adjusted EBITDA, see "Selected Historical Financial and Other Information—Key Operating Data and Other Financial Data."

Adjusted net income

Adjusted net income is profit (loss) for the year/period adjusted for loss (gain) on revaluation of derivatives and adjustments due to restructuring costs the Company incurred in the second half of 2009.

Cash costs per tonne of aluminium

Cash costs per tonne of aluminium, based on sales volumes, are the cost of sales and general and administration expenses less other income from sales of water, calcined coke, other by-products, including dross sales and less depreciation. It reflects the Company's average cash cost per tonne of production of basic aluminium sales for the period. Cash costs per tonne is not a financial performance measure calculated in accordance with IFRS, and must not be considered as an alternative to any IFRS financial measure as an indicator of operating performance. The Company believes that cash costs per tonne facilitates comparisons of operating performance from period to period and company to company by eliminating potential differences caused by non-primary metal sales, variations in capital structures (affecting interest and finance charges), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses), and the age and booked depreciation and amortization of assets (affecting relative depreciation and amortization of expenses). However, use of cash costs per tonne as a measurement of the Company's profits and losses has limitations since it does not consider certain costs arising from the Company's business that might significantly affect its results of operations and liquidity, such as financial expenses, taxes, depreciation, unrealized gain (losses) on derivatives and other related charges. For a reconciliation of "Cost of sales" to cash costs per tonne of aluminium, see "Selected Historical Financial and Other Information—Key Operating Data and Other Financial Data—Key Operating Data and Other Financial Data for the Years Ended December 31, 2007, 2008 and 2009" and "Selected Historical Financial and Other Information—Key Operating Data and Other Financial Data—Key Operating Data and Other Financial Data for the Six Months Ended June 30, 2009 and 2010."

Convenience Translations

This offering memorandum contains conversions of certain amounts into U.S. dollars at a specified rate solely for the convenience of the reader. The converted U.S. dollar amounts included in this offering memorandum have been translated from the Bahrain dinar amounts at the exchange rate of US$1.00 = BD 0.376, which rate has remained constant since 1980. No representation is made that the U.S. dollar amounts referred to in this offering memorandum could have been or could be converted into Bahrain dinars or U.S. dollars, as the case may be, at the above exchange rate or at all.

Presentation of Certain Other Information

Business Costs

In this offering memorandum "Business Costs" and "business operating costs" refer to the metric used by CRU Strategies for comparing the performance and competitive position of aluminium smelters globally. Business Costs are reported in aggregate and on a per tonne basis. Business Costs are presented on a different basis from, and are not comparable with, the Company's cash costs per tonne of aluminium.

Certain Currencies

In this offering memorandum, all references to:

- "BD," "Bahrain dinar" and "dinar" are to the lawful currency of the Kingdom of Bahrain;

- "US$," "U.S. dollar," "dollar" and "$" are to the lawful currency of the United States; and
- "Euro," and "€" are to the lawful currency of the member states of the European Union.

Industry and Market Data

Market and industry data and forecasts set forth in this offering memorandum, including under "Industry and Bahrain Macroeconomic Overview" have been obtained from official and industry sources and other sources the Company believes to be reliable. Throughout this offering memorandum, the Company has also set forth certain statistics, including statistics in respect of product sales volumes and market share, from industry sources and other sources that the Company believes to be reliable. Certain industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. While the Company has taken reasonable actions to ensure that the information is extracted accurately and is in the proper context, neither the Company, the Selling Shareholder nor any of the Banks has independently verified any of the data from third party sources or ascertained the underlying assumptions relied upon therein. As a result, you are cautioned against placing undue reliance on such information.

Rounding

Certain financial and operating information included in this offering memorandum have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

PARTIES INVOLVED

REGIONAL LEAD MANAGER AND UNDERWRITER

Gulf International Bank B.S.C.

UNDERWRITERS

Al Salam Bank Bahrain B.S.C. | **Bahrain Islamic Bank B.S.C.** | **National Bank of Bahrain B.S.C.**

RECEIVING BANKS

Standard Chartered Bank

Al Salam Bank Bahrain B.S.C. | **Bahrain Islamic Bank B.S.C.**

Abu Dhabi Commercial Bank | **Ahli United Bank** | **AlBaraka Islamic Bank**

Al Khaliji Commercial Bank Q.S.C | **Noor Islamic Bank** | **Bank Sohar SAOG**

SOLE GLOBAL COORDINATOR AND BOOKRUNNER
LEAD MANAGER OF THE GDR OFFERING

J.P. Morgan Securities Ltd.

AUDITORS TO THE COMPANY

Ernst & Young
P.O. Box 140
14th Floor, The Tower
Bahrain Commercial Complex
Manama, Kingdom of Bahrain

LEGAL ADVISERS TO THE COMPANY AND THE SELLING SHAREHOLDER

As to U.S. law
Cleary Gottlieb Steen & Hamilton LLP
City Place House
55 Basinghall Street
London EC2V 5EH
United Kingdom

As to Bahrain law
Hatim S. Zu'bi & Partners
Bab Al Bahrain Building, Suite No. 1
150 Government Avenue
Manama, Kingdom of Bahrain

LEGAL ADVISERS TO THE BANKS

As to U.S. law
Linklaters LLP
One Silk Street
London EC2Y 8HQ
United Kingdom

As to Bahrain law
Hassan Radhi & Associates
605 Diplomat Tower
Diplomat Area
Manama, Kingdom of Bahrain

OFFERING TIMETABLE

Sunday, October 17, 2010	• Initial Retail Offering Price announced
Sunday, October 24, 2010	• Opening Date of the Offering Period
Thursday, November 4, 2010	• Closing Date of the Offering Period
Monday, November 8, 2010	• Offering Price announced, which will be based on the pricing of the GDR Offering
Wednesday, November 10, 2010	• CBB approval sought on allotments of Ordinary Shares
	• In accordance with Article 36.1 of the Disclosure Standards of the CBB (the "**Disclosure Standards**"), the Company agrees to allot the Ordinary Shares within seven (7) calendar days of the Closing Date, or within such period as may be prescribed by the CBB
Thursday, November 11, 2010	• CBB approval expected on allotment of Ordinary Shares
Tuesday, November 23, 2010	• Commencement of dispatch of Ordinary Shares allocation notices and refunds sent to Investors in the Offering
	• In accordance with Article 36.1 of the Disclosure Standards, the Company agrees to dispatch statements within fourteen (14) calendar days of the Closing Date, or within such period as may be permitted by the CBB
	• MOIC approval of Conversion expected
Tuesday, November 30, 2010	• Listing Date and trading of Ordinary Shares on the Bahrain Stock Exchange commences

These dates are indicative only and subject to change.

GLOSSARY

In this offering memorandum, any reference to:

- "**ALMA**" means Alba Marketing, formerly an unregistered joint venture between Mumtalakat and SIIC, which was integrated within Alba's operations in 2008;
- "**alumina**" means an aluminium oxide, a white or nearly colorless crystalline substance that is used as a starting material for the smelting of aluminium. It also serves as the raw material for a broad range of advanced ceramic products and as an active agent in chemical processing;
- "**anode**" means a positive terminal or electrode of an electrolytic cell at which oxidation occurs;
- "**AP-30 potline**" means an aluminium potline operating on AP-30 reduction technologies owned by Rio Tinto Alcan;
- "**Bahraini citizen**" means those potential Investors who hold and can produce for the Company upon a timely request valid documentary evidence that they are citizens of the Kingdom of Bahrain;
- "**BAPCO**" means the Bahrain Petroleum Company B.S.C. (c), an oil industry company wholly owned by the Government of Bahrain;
- "**bauxite**" means a mineral, composed of a mixture of hydrated aluminium oxides usually containing oxides of iron and silicon in varying quantities, characteristically composed of small, round concretions;
- "**BD**," "**Bahrain dinar**" and "**dinar**" means the lawful currency of the Kingdom of Bahrain;
- "**billet**" means a piece of semi-finished aluminium nearly square in section made by rolling an ingot or bloom;
- "**Business Costs"** or "**business operating costs**" means the metric used by CRU Strategies for analyzing the business performance and competitive position of individual production facilities. CRU Strategies defines these costs as the sum of raw material costs, site-specific costs incurred in converting raw materials into physically produced products, transportation and sales and marketing of the commodity, value adjusted by CRU Strategies to enable comparisons with a benchmark price;
- "**calcination**" means the process of heating a substance, but below its melting point, causing a loss of moisture, oxidation and conversion into powder or lime. The reaction also causes the decomposition of carbonates;
- "**capex**" means capital expenditure;
- "**cell**" means the electrolytic reduction cell in aluminium production, commonly called a "pot" in which alumina dissolved in molten cryolite is reduced to metallic aluminium. A series of cells connected electrically is called a "potline" (see below);
- "**coke**" means the solid residue remaining after certain types of bituminous coals are heated to a high temperature out of contact with air until substantially all of the volatile constituents have been burnt off;
- "**creep**" or "**creep capacity**" means the additional capacity that can be added to an existing production facility;
- "**CRU Strategies**" means CRU Strategies, an independent business analysis and consultancy group focused on the mining, metals, power, cables, fertilizer and chemical sectors;
- "**DIFC**" means the Dubai International Financial Centre;
- "**Euro**," and "**€**" means the lawful currency of the member states of the European Union;
- "**fils**" means the 1,000-unit sub-division of each Bahrain dinar;
- "**GCC**" means the Gulf Cooperation Council, a political and economic organization involving the following six member states: the Kingdom of Bahrain, Kuwait, the Sultanate of Oman, Qatar, the Kingdom of Saudi Arabia and the UAE;
- "**GDP**" means gross domestic product;
- "**Government of Bahrain**" means the government of the Kingdom of Bahrain;

- "**GW**" means gigawats of electricity;
- "**hardeners**" means chemicals used in the alloy production process;
- "**ingot**" means aluminium cast in P1020 form;
- "**IAS**" means International Accounting Standards;
- "**IFRS**" means International Financial Reporting Standards;
- "**KA**" means kiloamperes, which is a measurement representing 1,000 amperes of electricity;
- "**LME**" means the London Metal Exchange, which is a futures exchange with the world's largest market in options and futures contracts on metals, including aluminium;
- "**LTIFR**" means Lost Time Injury Frequency Rate;
- "**MBTU**" means millions of British thermal units of natural gas;
- "**MENA**" means the Middle East and North Africa region, which comprises the GCC countries, Iran, Iraq, Jordan, Lebanon, Syria, Turkey and Yemen in the Middle East; and Algeria, Egypt, Libya, Morocco and Tunisia in North Africa;
- "**NOGA**" means the Bahrain National Oil and Gas Authority;
- "**non-associated natural gas**" means raw natural gas that does not contain hydrocarbon liquids and is typically sourced in natural gas fields rather than crude oil fields;
- "**NOx**" means a group of highly reactive gases that contain nitrogen and oxygen in varying amounts;
- "**pitch**" means a black or dark viscous substance obtained as a residue in the distillation of organic materials and especially tars;
- "**potline**" means a single, discrete group of electrolytic reduction cells electrically connected in series, in which alumina is reduced to form aluminium;
- "**primary aluminium**" means aluminium produced directly at a smelter from raw materials and either distributed in liquid form or further processed to create various semi-fabricated products before final use in manufacturing;
- "**rectiformer**" means a rectifier and transformer designed and built as a single entity for converting alternating current into direct current;
- "**rod**" means round, thin semi-finished aluminium length that is rolled from a billet and coiled for further processing;
- "**rolling slab**" means a rectangular semi-finished aluminium, produced by hot rolling fabricating ingot and suitable for further rolling;
- "**semis**" means semi-fabricated aluminium products;
- "**standard ingot**" means relatively small (6-15-22 kg mass) ingots of aluminium of a special shape that are cast on special casting conveyors and stacked into bundles for further shipping;
- "**tonnes**" means metric tonnes, which is a measurement representing 1,000 kilograms;
- **"UAE"** means the United Arab Emirates; and
- "**US$**," "**U.S. dollar**," "**dollar**" and "**$**" means the lawful currency of the United States.

RESOLUTIONS AND APPROVALS

The Company has received or will receive the following resolutions and approvals:

1. Shareholders' Resolution

The shareholders of Alba resolved, during their Extraordinary General Assembly held on June 9, 2010, to convert the Company from a closed joint stock company to a public joint stock company, to authorize the Selling Shareholder's sale of up to 163,300,000 Ordinary Shares through an initial public offering and to list all of the Company's Ordinary Shares on the Bahrain Stock Exchange.

2. Bahrain Ministry of Industry and Commerce and Bahrain Council of Ministers Approvals

In preparation for the Offering, on July 12, 2010, the Company submitted an application to the Ministry of Industry and Commerce (the "**MOIC**") for conversion into a public joint stock company. The Memorandum and Articles of Association of the Company set out in Appendix A to this offering memorandum were approved by the MOIC on September 5, 2010 and published on September 23, 2010, which started a 60-day no-objection period required under Bahrain law. This final approval for the conversion process is expected to be granted by the decision of the Minister of Industry and Commerce on or around November 23, 2010.

The Council of Ministers approved the offering of up to 11.5% of the Company's Ordinary Shares held by Mumtalakat, to Bahraini and non-Bahraini retail and institutional Investors, pursuant to a letter dated September 21, 2010 sent by the Minister of the Prime Minister Court.

3. Central Bank of Bahrain—Capital Market Supervision Directorate

The Selling Shareholder has obtained a no objection letter from the Central Bank of Bahrain's Capital Markets Supervision Directorate dated October 10, 2010 stating that it has no objection to the use of this offering memorandum for the Offering.

4. Bahrain Stock Exchange

Application has been made to the Bahrain Stock Exchange for approval to list all of the Ordinary Shares of Alba. Trading in the Ordinary Shares of the Company will commence once all registration formalities are completed. A formal announcement by the Bahrain Stock Exchange will be made to announce the commencement of trading.

[THIS PAGE INTENTIONALLY LEFT BLANK]

SUMMARY

This summary must be read as an introduction to this offering memorandum, and any decision to invest in the Ordinary Shares should be based on a consideration of the offering memorandum as a whole. This summary highlights selected information about the Company that may be important to you in deciding to invest in the Company's Ordinary Shares. Before investing, you should read this entire offering memorandum carefully, including the information contained in "Presentation of Financial and Other Information," "Summary Financial and Operating Information," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's financial statements and the related notes included in this offering memorandum.

Overview

The Company is the fourth-largest individual producer of aluminium by capacity and operates a smelter ranking in the first quartile worldwide on the basis of per-tonne business operating costs, according to CRU Strategies in a July 2010 report. Since 1971, the Company has produced a variety of aluminium products at its site in the Kingdom of Bahrain, including extrusion billets, foundry alloys, rolling slabs, standard ingots and liquid metal. The Company's average metal purity level meets and typically exceeds the industry standard of 99.7% as set by the London Metal Exchange ("**LME**"), and it often reaches 99.9%. For the past three years, the Company's average annual production has exceeded 860,000 tonnes, reaching a peak of nearly 872,000 tonnes in 2008. According to CRU Strategies, the Company was the ninth-largest producer by production tonnage globally, and the Company's aluminium production represented approximately 2.2% of worldwide output, in the year ended December 31, 2009, while the Company was the second-largest producer by tonnage in the Middle East with production representing 35.1% of Middle Eastern output in the same period. The Company benefits from the Kingdom of Bahrain's tax-free business environment. In addition, the Company has received a Gold Award from the UK-based Royal Society for the Prevention of Accidents for each of the past four years for its high level of operational performance and health and safety management.

The Company's facilities are located on a 1.2 square kilometer site and currently consist of five production potlines, three carbon anode plants and two cast houses. The Company's most recently completed production line, which became operational in 2005, is a state-of-the-art facility producing approximately 38% of its total output. The Company's facilities benefit from high levels of integration as it is one of the few aluminium smelters with an in-house coke calcining plant. This allows for a higher degree of control over the quality of calcined coke, a critical input for anode production, and results in higher potline efficiency. The Company's calcining plant can produce approximately 550,000 tonnes of calcined coke annually, of which approximately 325,000 tonnes are used for its own consumption with the remainder available for export. In addition, the Company has four captive on-site power stations, fuelled by natural gas purchased from BAPCO that is extracted from a gas field adjoining its site. These stations have a total installed capacity of 2.2 GW, which exceeds the current electricity requirements of the Company's smelter. The majority of the Company's raw material imports and calcined coke exports are transported by sea through its marine terminal, located approximately 10 kilometers from the Company's smelter.

The Company's diversified product portfolio includes a range of products, from liquid metal to higher value-added products such as, in order of highest-to-lowest premium over the LME price of aluminium, extrusion billets, foundry alloys and rolling slabs, giving the Company the opportunity to capitalize on changing market demands for different industries and regions. In the first six months of 2010, high value-added products represented 62% of the Company's total production volume. The Company has particularly extensive capabilities to produce extrusion billets used by building products firms, averaging approximately 300,000 tonnes annually for the past three years, and the Company currently has a majority share of the Bahraini and fast-growing Saudi Arabian markets for extrusion billets. The principal sectors in which the Company's customers operate include the automotive, commercial and residential construction, consumer products, transportation and packaging industries.

The Company has a particularly strong customer base within the Kingdom of Bahrain, which accounted for approximately 41% of its total sales volume for the year ended December 31, 2009. The Company's top five customers in 2009 were all based in the Kingdom of Bahrain or the Kingdom of Saudi Arabia and accounted for approximately 38% of its total sales volume for the year ended December 31, 2009, while sales that year to customers in Asia and Europe reached approximately 41% and 5% of its total sales volume, respectively. In

MENA the Company has focused on direct sales, and since January 1, 2010, the Company has been using the same approach for its European customers. In Asia, the Company has engaged an exclusive agent for the sale of higher value-added products, such as extrusion billets and foundry alloys with commission based on a percentage of contracted sales, and the Company directly sells standard ingots to its customers in Asia.

In 1990, the Company entered into a Quota Agreement with its shareholders at that time. The Quota Agreement remains in effect with its two current shareholders, Mumtalakat and SIIC, which own 77.0% and 20.0% of its issued share capital, respectively, before giving effect to the Offering and not including the stock dividend scheduled to be distributed promptly following the Company's conversion to a public joint stock company. Under the terms of the Quota Agreement, the Company is entitled and required to sell, and its shareholders are entitled and required to purchase, its aluminium production in proportion to their percentage ownership of the Company's issued share capital at a specified price, which is based on a specified margin that may include a premium over or discount on, as determined by the Company's board of directors, the aggregate cost of raw materials and operating costs, financing fees, loan repayments and charges for any discounts, fixed assets, royalties, capital expenditure and dividends. Before January 1, 2008, ALMA, which was an unregistered joint venture between Mumtalakat and SIIC, marketed and sold Mumtalakat's and SIIC's aluminium quotas to third-party buyers on their behalf. In order to ensure that Alba operated as a manufacturing company selling its own production, and as a result of a decision by its board of directors effective January 1, 2008, ALMA's operations were integrated within the Company's operations, and the Company began to sell and market Mumtalakat's and SIIC's (but not Breton's) shares of production on its own behalf. In May 2010, Mumtalakat waived its right to purchase its quota of the Company's production. SIIC has not given the Company a corresponding written waiver at this time. Currently, the Company markets and sells all of its aluminium to third parties on a commercial basis. See "Risk Factors—Risks Relating to the Company's Related Parties, Customers and Suppliers—The Quota Agreement restricts the Company's ability to sell aluminium to third-party buyers" and "Business—Material Contracts—Quota Agreement."

The table below sets out the Company's sales product mix (and corresponding percentage amount) for the years ended December 31, 2007, 2008 and 2009, and for the six months ended June 30, 2009 and 2010:

	For the year ended December 31,			For the six months ended June 30,	
	2007	2008	2009	2009	2010
	(in thousands of tonnes (% of total aluminium sales))				
Extrusion Billets	370 (42%)	307 (36%)	200 (23%)	88 (20%)	149 (35%)
Foundry Alloys	45 (5%)	54 (6%)	46 (5%)	22 (5%)	54 (13%)
Rolling Slabs	144 (16%)	136 (16%)	114 (13%)	45 (10%)	61 (14%)
Standard Ingots	132 (15%)	165 (20%)	320 (37%)	202 (45%)	47 (11%)
Liquid Metal	189 (22%)	184 (22%)	190 (22%)	88 (20%)	116 (27%)
Total	**880 (100%)**	**846 (100%)**	**870 (100%)**	**445 (100%)**	**427 (100%)**

The table below sets out the Company's sales (and corresponding percentage amount) in its different markets for the years ended December 31, 2007, 2008 and 2009, and for the six months ended June 30, 2009 and 2010:

	Year ended December 31,			Six months ended June 30,	
Region	2007	2008	2009	2009	2010
	(in thousands of tonnes (% of total aluminium sales))				
Bahrain	374 (42%)	396 (47%)	353 (41%)	153 (34%)	215 (50%)
Asia	148 (17%)	161 (19%)	355 (41%)	213 (48%)	87 (21%)
Other MENA	186 (21%)	199 (23%)	119 (13%)	53 (12%)	85 (20%)
Europe	137 (16%)	80 (10%)	43 (5%)	26 (6%)	40 (9%)
North America	35 (4%)	10 (1%)	— (0%)	— (0%)	— (0%)
Total	**880 (100%)**	**846 (100%)**	**870 (100%)**	**445 (100%)**	**427 (100%)**

The table below sets forth certain key financial and operating information for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2007[1]	2008	2009	2009	2010
Net finished production (tonnes)	865,048	871,658	847,738	423,845	421,661
Sales volume (tonnes)	879,647	846,127	869,604	444,502	427,066
Cash average aluminium price (US$ per tonne)[2]	2,636	2,581	1,625	1,460	2,120
Average sales premium (US$ per tonne)[3]	141	129	96	88	132
Total sales (thousands of BD)	940,152	905,163	582,534	269,115	372,539
Cost of sales (thousands of BD)	(562,300)	(640,424)	(538,121)	(261,379)	(268,618)
Gross profit (thousands of BD)	377,852	264,739	44,413	7,736	103,921

1 Financial data for 2007 is extracted from the audited combined financial statements for ALMA and Alba. ALMA's assets and liabilities were acquired by Alba effective January 1, 2008. Financial data for 2007 was prepared on a different basis from financial data provided in this table for 2008 and 2009. See "Presentation of Financial and Other Information."

2 Cash average aluminium price is the actual average LME aluminium price realized by the Company.

3 Average sales premium per tonne is the blended average of the sale premium above the LME metal price for all of the Company's product sales for the period indicated.

Competitive Strengths

The Company believes that its principal competitive strengths include the following:

- cost-effective production;
- large scale of production;
- industry experience and well-integrated operations;
- excellent safety and environmental record; and
- strong reputation and integration in the fast-growing MENA region.

Strategy

The Company's current strategy involves the following five key areas:

- continuing organic growth initiatives;
- focusing on expanding production of higher value-added aluminium products;
- maintaining a continuous cost performance improvement culture;
- emphasizing a direct sales approach and expansion of customer base in Asia and Europe while maintaining the Company's dominant position in MENA; and
- fostering a stable workforce through Bahrainization.

Summary of the Offering

The Selling Shareholder is offering 69,018,875 Ordinary Shares. The offer and sale of Ordinary Shares in the Offering will be made to (i) retail investors in the Kingdom of Bahrain, the Sultanate of Oman and the UAE and (ii) institutional investors outside the United States in reliance on Regulation S. The Offering is being conducted prior to the completion of the conversion of the Company into a public joint stock company. If the Company is not converted into a public joint stock company and admission of the Ordinary shares to trading on the BSE do not occur on or before January 17, 2011, then the Offering will be cancelled and the gross proceeds of the Offering will be returned to investors as soon as practicable thereafter. The Company will not receive any of the proceeds from the sale of Ordinary Shares in the Offering.

Concurrently with the Offering, the Selling Shareholder is offering Ordinary Shares in the form of GDRs. This offering memorandum relates only to the Offering and not to the GDR Offering. J.P. Morgan is not offering Ordinary Shares in the Offering.

Currently, no public market exists for the Ordinary Shares. The Company has applied to the Central Bank of Bahrain for all of its Ordinary Shares to be admitted to trading on the BSE under the symbol "ALBH." The Company expects trading in the Ordinary Shares on the BSE to commence on or around November 30, 2010. In connection with the GDR Offering, application has been made (i) to the UK Financial Services Authority ("**FSA**") for a listing of GDRs representing Ordinary Shares to be issued on or around November 12, 2010 to be admitted to the Official List and (ii) to the London Stock Exchange for such GDRs to be admitted to trading on the London Stock Exchange's regulated market for listed securities. Admission to trading in the GDRs on the London Stock Exchange is expected to occur on or around November 30, 2010 and will not occur until after the Conversion.

Summary Historical Financial and Other Information

The following table sets forth summary statement of comprehensive income data and statement of financial position data. The statement of comprehensive income data and statement of financial position data as at and for the years ended December 31, 2008 and 2009 are derived from the Company's audited financial statements as at and for the years ended December 31, 2008 and 2009, prepared in accordance with IFRS. The summary of statement of comprehensive income data and statement of financial position data as at and for the year ended December 31, 2007 are derived from the audited combined financial statements of Alba and ALMA as at and for the year ended December 31, 2007, prepared in accordance with IFRS, except that they have been prepared on a combined basis and therefore do not comply with IAS 27 (*Consolidated and Separate Financial Statements*). The statement of comprehensive income data and statement of financial position data as at and for the six months ended June 30, 2009 and 2010 are derived from the Company's unaudited reviewed interim condensed financial statements as at and for the six months ended June 30, 2009 and 2010, prepared in accordance with IAS 34 (*Interim Financial Reporting*). The Company's results for any interim period may not be indicative of its results for the full year or for any other interim period.

The financial data set forth below should be read in conjunction with, and is qualified in its entirety by reference to, the financial statements and related notes included elsewhere in this offering memorandum, "Presentation of Financial and Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Summary Statement of Comprehensive Income Data and Statement of Financial Position Data

	As at and for the year ended December 31,				As at and for the six months ended June 30,		
	2007[1]	2008	2009	2009[2]	2009	2010	2010[2]
	(in thousands of BD, unless otherwise indicated)						
Total sales	940,152	905,163	582,534	US$ 1,549,292	269,115	372,539	US$ 990,795
Cost of sales	(562,300)	(640,424)	(538,121)	US$(1,431,173)	(261,379)	(268,618)	US$ (714,410)
Gross profit	**377,852**	**264,739**	**44,413**	**US$ 118,119**	**7,736**	**103,921**	**US$ 276,385**
Profit (loss) for the year/period before derivatives	**298,925**	**195,181**	**(16,483)**	**US$ (43,838)**	**(18,278)**	**79,357**	**US$ 211,056**
Fair value (loss) gain on revaluation/ settlement of derivatives (net)	(62,020)	98,392	(66,193)	US$ (176,045)	3,459	36,033	US$ 95,832
Profit (loss) for the year/period	**236,905**	**293,573**	**(82,676)**	**US$ (219,883)**	**(14,819)**	**115,390**	**US$ 306,888**
Other comprehensive income (expense)							
Net movement in the cash flow hedge	(11,247)	—	—	—	—	—	—
Total comprehensive income (loss) for the year/period	**225,658**	**293,573**	**(82,676)**	**US$ (219,883)**	**(14,819)**	**115,390**	**US$ 306,888**
Total assets	1,536,638	1,517,450	1,390,917	US$ 3,699,247	1,434,054	1,385,437	US$ 3,684,673
Total equity	456,168	660,407	653,685	US$ 1,738,524	645,588	755,539	US$ 2,009,412

1 Financial data for 2007 is extracted from the audited combined financial statements for ALMA and Alba. ALMA's assets and liabilities were acquired by Alba effective January 1, 2008. Financial data for 2007 was prepared on a different basis from financial data provided in this table for 2008 and 2009. See "Presentation of Financial and Other Information."

2 For convenience, certain financial data has been presented in U.S. dollars, converted at the exchange rate of US$1.00 = BD 0.376. Amounts in this table in U.S. dollars are translated amounts and have not been extracted from the financial statements. All financial data in U.S. dollars are in thousands of U.S. dollars.

THE OFFERING

The Company	Aluminium Bahrain B.S.C. (c) (the "**Company**"), a closed joint stock company incorporated under the laws of the Kingdom of Bahrain as at the date of this offering memorandum. Final approval for the conversion of the Company from a closed joint stock company into a public joint stock company under the laws of the Kingdom of Bahrain ("**Conversion**") is expected to be granted by the decision of the Minister of Industry and Commerce on or around November 23, 2010.
Type of Offering	Sale of 69,018,875 Ordinary Shares.
Authorized Share Capital of the Company After Conversion	BD 200,000,000 comprising 2,000,000,000 Ordinary Shares, each with a nominal value of 100 *fils*.
Issued, Fully Paid and Outstanding Share Capital of the Company After Conversion	BD 142,000,000 comprising 1,420,000,000 Ordinary Shares, each with a nominal value of 100 *fils*.
The Selling Shareholder	Bahrain Mumtalakat Holding Company B.S.C. (c) ("**Mumtalakat**"), a closed joint stock company incorporated under the laws of the Kingdom of Bahrain. As of the date of this offering memorandum, the Selling Shareholder owns 77.0% of the Company's issued share capital, and the Kingdom of Bahrain is the 100% owner of the Selling Shareholder.
The Global Offering	The Selling Shareholder is offering 142,000,000 Ordinary Shares (representing 10.0% of the Company's issued share capital after Conversion) in the form of Ordinary Shares and GDRs and has allocated, subject to CBB approval, the Ordinary Shares (including Ordinary Shares represented by GDRs in the GDR Offering) between institutional investors on the one hand and retail investors on the other hand.
The Offering Price	BD 0.900 per Ordinary Share
The Ordinary Share Offering	The Offering consists of two tranches: tranche 1 (the "**Ordinary Share Institutional Offering**") and tranche 2 (the "**Retail Offering**"), which in turn is comprised of two sub-tranches (the "**Limited Offering to Bahraini Citizens**" and the "**General Offering to Retail Investors**"): • ***Tranche 1—Ordinary Share Institutional Offering:*** An Investor is deemed to be an institutional Investor if it subscribes for Ordinary Shares with an aggregate purchase price equivalent to more than US$100,000. Investors in the Ordinary Share Institutional Offering are offered Ordinary Shares at the Offering Price. • ***Tranche 2—Retail Offering:*** Consists of Ordinary Shares available under the following two sub-tranches: ○ ***Limited Offering to Bahraini Citizens:*** Consists of Ordinary Shares offered to Bahraini citizens at a price equal to the Offering Price less a 10% discount per Ordinary Share, or BD 0.810 per Ordinary Share (the "**Discounted**

Retail Offering Price"). The Discounted Retail Offering Price is applicable to the purchase of a minimum of 100 Ordinary Shares and, subject to availability of a sufficient number of Ordinary Shares for the Retail Offering, up to a maximum of 2,000 Ordinary Shares per retail Investor. The Discounted Retail Offering Price is only available to Bahraini citizens who have provided all necessary supporting documentation as set out in an application form (the "**Application Form**"). In the case of a purchase order by a Bahraini citizen for more than 2,000 Ordinary Shares, such Investor will pay for the first 2,000 Ordinary Shares at the Discounted Retail Offering Price and any additional Ordinary Shares in excess thereof at the Offering Price. Under the Limited Offering to Bahraini Citizens, each eligible Investor must apply for a minimum of 100 Ordinary Shares, but the final allocation of Ordinary Shares by the Selling Shareholder and the Receiving Banks may be for less than 100 Ordinary Shares.

- ***General Offering to Retail Investors:*** Consists of Ordinary Shares at the Offering Price offered to retail Investors in the Kingdom of Bahrain (including those Bahraini citizens who applied to purchase over and above the maximum number of Ordinary Shares eligible for the Discounted Retail Offering Price), the State of Qatar, the Sultanate of Oman, the UAE, the State of Kuwait, the Kingdom of Saudi Arabia and to certain other investors outside the United States, Canada, Australia and Japan who are able to complete an Application Form and deliver it with payment to a Receiving Bank in the Kingdom of Bahrain, the Sultanate of Oman or the UAE. Under the General Offering to Retail Investors, each eligible investor must apply to purchase a minimum of 500 Ordinary Shares, but the final allocation of Ordinary Shares by the Selling Shareholder and the Receiving Banks may be for less than 500 Ordinary Shares.

Investors in the Retail Offering will be required to make payment at the time that they submit an Application Form, and such funds will be held in a collection account maintained by the Receiving Banks. On the allocation date of the Ordinary Shares, investors' deposits in the collection account will be transferred to an escrow account for, and on behalf of, Mumtalakat.

Applicants will be entitled to purchase Ordinary Shares either (i) in U.S. dollars provided their aggregate purchase price for Ordinary Shares is more than US$100,000 or (ii) the currency of the country in which they apply (Bahrain dinars, Oman rials or UAE dirhams). Investors who apply for Ordinary Shares in the Offering in currencies other than the Bahraini dinar will bear the risk of any exchange rate fluctuations, and this could result in those Investors receiving less than the funds that they originally deposited with a Receiving Bank. Further, exchange rate fluctuations may also result in Investors receiving less than the number of Ordinary Shares they applied for in their Application Form.

Once submitted, an Application Form cannot be withdrawn, and subscription funds, once deposited with a Receiving Bank, will not be

	returned except for subscription funds which are returned in the circumstances described below under "Possible Refunds" and "Other Refunds," or for Application Forms that are rejected. If the Company is not converted into a public joint stock company and admission of the Ordinary Shares to trading on the BSE do not occur on or before January 17, 2011, then the Offering will be cancelled and the gross proceeds of the Offering will be returned to Investors as soon as practicable thereafter. The Company does not provide an Investor with any assurance that it will receive the full allotment of Ordinary Shares requested by the Investor in the Application Form. Investors purchasing Ordinary Shares in the Ordinary Share Institutional Offering are required to complete the designated Application Form, indicating the number of Ordinary Shares they wish to purchase along with the purchase price. Institutional investors are required to submit the applicable funds to Standard Chartered Bank when the Offering Price is determined in the manner described below. If the total number of Ordinary Shares applied for in the Retail Offering exceeds the maximum number of Ordinary Shares ultimately allocated for purchase by retail investors, the excess funds received from retail investors who are not allocated all of the Ordinary Shares that they initially applied to purchase will be refunded to them by crediting the relevant amounts to their bank accounts (if funds were transferred electronically) or through bank drafts issued in the name of the particular retail investor.
The GDR Offering	The Offering is being conducted concurrently with the GDR Offering. The GDR Offering consists of an offering by the Selling Shareholder of 14,596,225 GDRs each representing five Ordinary Shares, expected to be listed on the London Stock Exchange, to institutional Investors outside the United States in offshore transactions in reliance on Regulation S and to "qualified institutional buyers" in the United States, as defined in, and in reliance on, Rule 144A, as described in the GDR prospectus prepared by the Company in connection with the GDR Offering. **No retail Investors are eligible to participate in the GDR Offering.**
Initial Retail Offering Price	The Initial Retail Offering Price was BD 1,250 per Ordinary Share.
Retail Offering Refunds	Retail Investors in the Ordinary Share Offering are due BD 0.350 per Ordinary Share purchased and allotted, representing the difference between the Initial Retail Offering Price and the Offering Price per Ordinary Share and may elect to receive either: (i) a refund in the form of a check or any other mode of payment or (ii) additional Ordinary Shares. The number of Ordinary Shares will be calculated based on the Offering Price except that, in the case of the Limited Offering to Bahraini citizens, the Offering Price will be discounted by 10% (subject to the 2,000 Ordinary Share limit described above). If a retail Investor elects to receive additional Ordinary Shares, he or she will only receive an integral whole number of Ordinary Shares; no fractional Ordinary Shares will be allocated.

Other Refunds	The Ordinary Share Offering will be cancelled and the gross proceeds of the Ordinary Share Offering (without any interest accrued thereon) returned to all investors if: • Conversion and listing of the Ordinary Shares on the BSE do not occur before January 17, 2011; or • the tranche for which the Investor has submitted an Application Form does not proceed or occur.
Opening Date	October 24, 2010.
Closing Date	November 4, 2010.
Offering Period	Between the Opening Date and the Closing Date.
Listing and Trading Date	On or around November 30, 2010.
Announcement of Results of the Ordinary Share Offering and Allotment Basis of Ordinary Shares	The results of the Offering, along with the Ordinary Share allotment formula, will be published in media outlets in Bahrain and such other jurisdictions as required on or around November 23, 2010. Investors will be informed of the manner in which to collect their allotment notices from their respective Receiving Banks. Investors (including institutional Investors) in the Offering will be required to make payment at the time that they apply to purchase the Ordinary Shares, and delivery of the Ordinary Shares will be made through allotment notices, as there will be no physical certificates representing Ordinary Shares. Allotment notices will be sent within fourteen (14) calendar days after the Retail Offer Period Closing Date.
Lock-up Agreements	The Company and the Selling Shareholder have entered into an agreement with the Regional Lead Manager and J.P. Morgan, subject to certain exceptions, for a period of 180 days after the closing date of the GDR Offering, that neither of them will issue, offer, sell, contract to sell, pledge, loan, grant any option to purchase, make any short sale or otherwise directly or indirectly dispose of, or grant any rights, in all cases with respect to any of the Ordinary Shares or GDRs, or any options or warrants to purchase any Ordinary Shares or GDRs or any securities convertible into, or exchangeable for, or that represent the right to receive Ordinary Shares or GDRs.
Listing of the Ordinary Shares on the BSE	The Company has applied to the Central Bank of Bahrain to admit all of the Ordinary Shares to trading on the BSE under the symbol "ALBH." The Company expects trading in the Ordinary Shares on the BSE to commence on November 30, 2010. All Applicants are required to have a central securities depositary account ("**CSD Account**") open with the BSE. Applicants who do not have a CSD Account open with the BSE will be required to apply to open such an account before they can trade their Ordinary Shares. Initially, all Ordinary Shares purchased in the Offering will be held in Applicants' BSE CSD Accounts. See "The Securities Market in Bahrain."

Receiving Banks	Standard Chartered Bank, Abu Dhabi Commercial Bank, Ahli United Bank, AlBaraka Islamic Bank, Al Khaliji Commercial Bank Q.S.C, Noor Islamic Bank and Bank Sohar SAOG.
Application Forms	Application forms will be made available to all the Investors at the designated branches of the Receiving Banks. See "Receiving Bank Branches." Submission of multiple application forms by an Investor will void all application forms except for the application form seeking the purchase of the highest number of Ordinary Shares, where the valid application form will remain subject to the minimum and maximum purchase level of Ordinary Shares. Once an application has been accepted by the Company and payment has been made by the Investor, the application cannot be withdrawn.
Issue Registrar	KPMG Fakhro.
Share Registrar	Bahrain Stock Exchange.
Use of Proceeds	The net proceeds from the Offering will be received by the Selling Shareholder. The Company will not receive any part of the proceeds from this Offering.
Risk Factors	See "Risk Factors," beginning on page 34, and the other information in this offering memorandum for a discussion of factors that you should consider before deciding to invest in the Ordinary Shares.

BUSINESS

Overview

The Company is the fourth-largest individual producer of aluminium by capacity and operates a smelter ranking in the first quartile worldwide on the basis of per-tonne business operating costs, according to CRU Strategies. Since 1971, the Company has produced a variety of aluminium products at its site in the Kingdom of Bahrain, including extrusion billets, foundry alloys, rolling slabs, standard ingots and liquid metal. The Company's average metal purity level meets and typically exceeds the industry standard of 99.7% as set by the LME, and it often reaches 99.9%. For the past three years, the Company's average annual production has exceeded 860,000 tonnes, reaching a peak of nearly 872,000 tonnes in 2008. According to CRU Strategies, the Company was the ninth-largest producer by production tonnage globally, and the Company's aluminium production represented approximately 2.2% of worldwide output, in the year ended December 31, 2009, while the Company was the second-largest producer by tonnage in the Middle East with production representing 35.1% of Middle Eastern output in the same period. The Company benefits from the Kingdom of Bahrain's tax-free business environment. In addition, the Company has received a Gold Award from the UK-based Royal Society for the Prevention of Accidents for each of the past four years for its high level of operational performance and health and safety management.

The Company's facilities are located on a 1.2 square-kilometer site and currently consist of five production potlines, three carbon anode plants and two cast houses. The Company's most recently completed production line, which became operational in 2005, is a state-of-the-art facility producing approximately 38% of its total output. The Company's facilities benefit from high levels of integration as it is one of the few aluminium smelters with an in-house coke calcining plant. This allows for a higher degree of control over the quality of calcined coke, a critical input for anode production, and results in higher potline efficiency. The Company's calcining plant can produce approximately 550,000 tonnes of calcined coke annually, of which approximately 325,000 tonnes are used for its own consumption with the remainder available for export. In addition, the Company has four captive on-site power stations, fuelled by natural gas purchased from BAPCO that is extracted from a gas field adjoining its site. These stations have a total installed capacity of 2.2 GW, which exceeds the current electricity requirements of the Company's smelter. The majority of the Company's raw material imports and calcined coke exports are transported by sea through its marine terminal, located approximately 10 kilometers from the Company's smelter.

The Company's diversified product portfolio includes a range of products, from liquid metal to higher value-added products such as, in order of highest-to-lowest premium over the LME price of aluminium, extrusion billets, foundry alloys and rolling slabs, giving the Company the opportunity to capitalize on changing market demands for different industries and regions. In the first six months of 2010, high value-added products represented 62% of the Company's total production volume. The Company has particularly extensive capabilities to produce extrusion billets used by building products firms, averaging approximately 300,000 tonnes annually for the past three years, and the Company currently has a majority share of the Bahraini and fast-growing Saudi Arabian markets for extrusion billets. The principal sectors in which the Company's customers operate include the automotive, commercial and residential construction, consumer products, transportation and packaging industries.

The Company has a particularly strong customer base within the Kingdom of Bahrain, which accounted for approximately 41% of its total sales volume for the year ended December 31, 2009. The Company's top five customers in 2009 were all based in the Kingdom of Bahrain or the Kingdom of Saudi Arabia and accounted for approximately 38% of its total sales volume for the year ended December 31, 2009, while sales that year to customers in Asia and Europe reached approximately 41% and 5% of its total sales volume, respectively. In MENA the Company has focused on direct sales, and since January 1, 2010, the Company has been using the same approach for its European customers. In Asia, the Company has engaged an exclusive agent for the sale of higher value-added products, such as extrusion billets and foundry alloys with commission based on a percentage of contracted sales, and the Company directly sells standard ingots to its customers in Asia.

In 1990, the Company entered into a Quota Agreement with its shareholders at that time. The Quota Agreement remains in effect with its two current shareholders, Mumtalakat and SIIC, which own 77.0% and 20.0% of its issued share capital, respectively, before giving effect to the Offering. Under the terms of the Quota Agreement, the Company is entitled and required to sell, and its shareholders are entitled and required to purchase, its aluminium production in proportion to their percentage ownership of the Company's issued share capital at a specified price, which is based on a specified margin that may include a premium over or discount on, as determined by the Company's board of directors, the aggregate cost of raw materials and operating costs,

financing fees, loan repayments and charges for any discounts, fixed assets, royalties, capital expenditure and dividends. Before January 1, 2008, ALMA, which was an unregistered joint venture between Mumtalakat and SIIC, marketed and sold Mumtalakat's and SIIC's aluminium quotas to third-party buyers on their behalf. In order to ensure that Alba operated as a manufacturing company selling its own production, and as a result of a decision by its board of directors effective January 1, 2008, ALMA's operations were integrated within the Company's operations, and the Company began to sell and market Mumtalakat's and SIIC's shares of production on its own behalf. In May 2010, Mumtalakat waived its right to purchase its quota of the Company's production. SIIC has not given the Company a corresponding written waiver at this time. Currently, the Company markets and sells all of its aluminium to third parties on a commercial basis. See "Risk Factors—The Quota Agreement restricts the Company's ability to sell aluminium to third-party buyers" and "Material Contracts—Quota Agreement."

The table below sets forth certain key financial and operating information for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2007[1]	2008	2009	2009	2010
Net finished production (tonnes)	865,048	871,658	847,738	423,845	421,661
Sales volume (tonnes)	879,647	846,127	869,604	444,502	427,066
Cash average aluminium price (US$ per tonne)[2]	2,636	2,581	1,625	1,460	2,120
Average sales premium (US$ per tonne)[3]	141	129	96	88	132
Total sales (thousands of BD)	940,152	905,163	582,534	269,115	372,539
Cost of sales (thousands of BD)	(562,300)	(640,424)	(538,121)	(261,379)	(268,618)
Gross profit (thousands of BD)	377,852	264,739	44,413	7,736	103,921

1 Financial data for 2007 is extracted from the audited combined financial statements for ALMA and Alba. ALMA's assets and liabilities were acquired by Alba effective January 1, 2008. Financial data for 2007 was prepared on a different basis from financial data provided in this table for 2008 and 2009. See "Presentation of Financial and Other Information."

2 Cash average aluminium price is the actual average LME aluminium price realized by the Company.

3 Average sales premium per tonne is the blended average of the sale premium above the LME metal price for all of the Company's product sales for the period indicated.

Competitive Strengths

The Company's competitive strengths include its cost-effective production, large scale of production, industry experience and well-integrated operations, excellent safety and environmental record, strong reputation and integration in the fast-growing MENA region.

One of the world's lowest-cost producers. According to the CRU Strategies Report, the Company's operation was in the first quartile of the aluminium cost curve in 2009. This means that by basing its operations in the Kingdom of Bahrain, Alba has been able to produce aluminium at lower cost than many of its competitors. The Company has access to relatively low-cost power—one of the principal inputs for aluminium production—because all the electricity requirements of its smelter are met by its captive on-site power stations fuelled by natural gas extracted from a gas field adjoining its site that the Company purchases from BAPCO. Consequently, according to CRU Strategies, power-related costs represented approximately 19% of the Company's site costs for the year ended December 31, 2009, as opposed to an average of approximately 32% for other aluminium smelters for the same period. In addition, the Company enjoys certain rights to use land owned by the Government of Bahrain at nominal fees, which further reduces its operating cost.

The Company's location along major freight routes and within close proximity to its domestic customers and large export markets in MENA, Europe and Asia means that the Company enjoys an important advantage in terms of the cost and time involved in transporting and shipping its products to customers. The production facilities of some of the Company's largest domestic customers are in close proximity to its smelter. As a result, the Company can deliver liquid metal to them directly, which saves them the cost of buying and melting ingots for their manufacturing requirements. Similarly, the Company is able to deliver aluminium orders by truck directly to the Kingdom of Saudi Arabia using the motorway and causeway connecting the Kingdoms of Bahrain and Saudi Arabia. These orders are either delivered to customers in the Saudi Arabian market or shipped onward

using the major international shipping routes originating at Saudi Arabian ports. In addition, due to the fact that the Company's facilities are located in close proximity to the Kingdom of Bahrain's principal port, the Company does not incur significant additional costs transporting its products to this port for shipping. The Company also takes advantage of a favorable trade flow based on its strategic position along key international sea routes, facilitating its receipt of alumina shipments from Australia and delivery of finished products to Asia and Europe.

In addition to the Company's advantageous operating cost position, it benefits from the Kingdom of Bahrain's tax-free business environment.

Producer of global and regional significance. As the fourth-largest individual aluminium smelter in the world by tonnage of capacity, Alba benefits from significant economies of scale. For the past three years, the Company's average annual production has exceeded 860,000 tonnes, reaching a peak of nearly 872,000 tonnes in 2008. The capacity of the Company's dedicated cast house, which opened in 2005, to produce up to approximately 350,000 tonnes of extrusion billets annually facilitates a focus on large quantities of higher value-added products. Further, the Company believes that the large scale of its operations has provided it with a stronger negotiating position in securing high-volume supply contracts for raw materials, such as alumina and green petroleum coke, which in turn has allowed Alba to reduce its costs per tonne of aluminium produced. With relatively limited additional capital expenditure and time compared to new-build smelter capacity, the Company believes that it can further increase its total capacity by approximately 80,000 tonnes of aluminium per year.

Extensive industry experience and well-integrated operations allowing a focus on high value-added products. The Company has a track record of nearly 40 years of production and expansion, and its experienced four-person executive management team has over 80 years of combined expertise in the metals industry. Starting with a single potline with a production capacity of approximately 120,000 tonnes of aluminium in 1971, the Company's expansion has allowed it to achieve significant vertical integration in its production process. The Company has increased its production capacity through a series of expansions and upgrades. In 1981 the Company commissioned Line 3 increasing its capacity to approximately 170,000 tonnes, and the Company upgraded it in 1991 by adding additional pots and increasing its capacity to approximately 225,000 tonnes. Line 4 was commissioned in 1992, increasing the Company's capacity to approximately 460,000 tonnes and was further upgraded to a capacity of approximately 497,000 tonnes in 1997. In 2005 the Company added Line 5, an AP-30 potline that was commissioned in a 77-day period with no lost-time injuries, compared to an average of 150 days, according to CRU Strategies. Line 5 increased the Company's nominal capacity to over 860,000 tonnes, and for the past three years, Alba's average annual production has exceeded 860,000 tonnes.

In the process of increasing its production capacity, the Company has also been able to expand its range of operations and competencies. The Company is one of very few aluminium smelters to benefit from its own on-site calciner and carbon plants, which provide the calcined petroleum coke and the carbon anodes required for the smelting process. This helps the Company to have a greater degree of control over the quality of calcined coke, which is critical for anode production, and results in higher potline efficiency. Line 5, the Company's fifth and most modern production potline, is a state-of-the-art facility and one of the longest potlines in the world.

At its two cast houses, the Company shapes molten aluminium into a variety of higher value-added products, such as extrusion billets, foundry alloys and rolling slabs. The Company commissioned Cast House 3 in 2005, which, with a capacity to cast approximately 350,000 tonnes of extrusion billets, is one of the largest facilities of its kind in the world. As of June 30, 2010, 62% of the Company's total sales volume were from value-added products versus 35% in 2009, which improved the Company's overall profitability.

Excellent safety and environmental record. The Company's management has long made it a priority to meet or exceed all relevant local and international safety and environmental standards as a way to demonstrate its commitment to best practices and to maintaining a long-term healthy work environment. The Company is certified by the International Organization for Standardization. Alba's production facilities comply with the ISO 14001 standards, and the Company is subject to various domestic environmental standards and reporting requirements established by the Bahrain Ministry of State for Municipalities and Environment, many of which are based on the environmental guidelines issued by the World Bank. For each of the past four years, the Company has received a Gold Award from the UK-based Royal Society for the Prevention of Accidents for its high level of operational performance and exceptional health and safety management.

The Company has been a key sponsor of the Arab Forum for Environment and Development, and from 1978 to date, it has invested over US$393 million principally on emissions reduction. Since the beginning of Alba's operations in 1971, the Company has continually improved the environmental sustainability of its operations

with available technology upgrades. To monitor the impact of its operations on the air and water quality of the surrounding environment, the Company maintains a 10-hectare on-site park, the Sheikha Sabeeka Oasis, alongside its manufacturing facilities.

Strong reputation and integration in the fast-growing MENA region. The Company is one of the largest employers in Bahrain, where the aluminium sector currently represents approximately 3.0% of the gross domestic product of the country. In addition, over 87% of its current employees are citizens of Bahrain. The Company therefore plays a key strategic role in Bahrain's economy, enjoys a strong reputation in its business community and benefits from significant support from both the Government of Bahrain, Alba's indirect majority shareholder, and from the local population at large.

This reputation has reinforced the Company's long-standing commercial relationships with its customers, particularly those located in Bahrain and in fast-growing urban centers in the Kingdom of Saudi Arabia. The Company believes that it is in an advantageous position to retain its customer base within and beyond the GCC region, even in the face of increasing regional competition. The Company benefits from significant downstream demand for its products, particularly because approximately half of the GCC total downstream capacity is located in close proximity to its smelter. Indeed, downstream activity in Bahrain captures 40% to 50% of the Company's total sales volume and is characterized by long-standing relationships with Alba. The Company has three-year contracts with most of its local Bahraini customers. Alba regularly meets its local and international customers to ascertain their requirements and accordingly alter its product mix to ensure that it meets their needs.

According to CRU Strategies, in recent years, the MENA region has experienced strong growth in end-use demand, particularly in the building products sectors, driven by firm economic growth. In response to this, as well as in response to the growth in local smelting capacities, semi-fabrication capacity in the region has grown steadily in recent years. This has resulted in increased demand for aluminium, especially primary aluminium. In 2009, when the decline of aluminium consumption in many regions surpassed 20%, primary aluminium consumption in the MENA region was relatively more resilient and is estimated to have fallen by only approximately 6% year-on-year, largely as a result of reduced end-use demand in the wake of the global financial crisis. However, primary aluminium consumption is forecast by CRU Strategies to recover in 2010, on account of improvements in demand growth and new projects for semi-fabricated products. Primary aluminium consumption in the Middle East is forecast to total 1.9 million tonnes in 2010, rising to 2.1 million tonnes in 2013, representing an average annual growth rate of approximately 8.2%. The Company believes that it is well positioned to take advantage of that growth. According to CRU Strategies, the Company's current aluminium market share is approximately 99% in the Kingdom of Bahrain and between 70% and 75% in the Kingdom of Saudi Arabia.

Strategy

The Company's current strategy involves five key areas: (i) continuing organic growth initiatives; (ii) focusing on expanding production of higher value-added aluminium products; (iii) maintaining a continuous cost performance improvement culture; (iv) emphasizing a direct sales approach and expansion of customer base in Asia and Europe while maintaining the Company's dominant position in MENA; and (v) fostering a stable workforce through Bahrainization.

Volume growth: Continuing organic growth initiatives. The Company's board of directors has identified and is exploring the viability of a number of options to increase Alba's overall capacity. The combination of all those options could almost double the Company's current capacity within the next 10 years to a level of approximately 1,700,000 tonnes annually. No particular option has been formally approved by the Company's board to date, but two options in particular are under consideration. Based upon its current production capacity, the Company aims to realize the creep capacity it has identified by using its existing facilities to produce approximately an additional 80,000 tonnes of aluminium per year with a capital expenditure of approximately US$150 million, which is a significantly lower cost than building corresponding new facilities.

In addition, the Company has completed a preliminary feasibility study for the expansion of its production capacity by adding an additional potline, Line 6, to its five existing potlines. The Company believes that its current site, facilities and supply and distribution networks present a clear opportunity to expand its operations. The study identified possible production expansion by approximately 400,000 tonnes of aluminium per year at a cost estimated at US$1.8 billion to US$2.0 billion, which includes an estimated US$700 million that might be invested to build a new power plant. In line with the Company's strategy of emphasizing production and sales of high value-added products, any plan to increase aluminium production with a new potline would likely also involve a corresponding expansion of existing facilities to produce additional extrusion billets, foundry alloys and rolling slab. Such a project could potentially be developed within Alba's existing site.

Product mix and pricing: Focusing on higher value-added aluminium products. During the six-month period ended June 30, 2010, the Company's value-added sales represented 62% of total sales volume, with the highest proportion of sales belonging to extrusion billets (35% of total sales volume), with an additional 13% and 14% of its output sold in the form of foundry alloys and rolling slabs, respectively. By emphasizing sales of these higher value-added products, the Company is able to make full use of its sophisticated manufacturing expertise and modern plant facilities, while improving its overall profitability. With the introduction in 2005 of a new dedicated cast house, which can produce up to 350,000 tonnes of extrusion billets, the Company has embarked on a strategy of prioritizing higher value-added production when expanding its total production capacity. The Company aims to continue this approach while considering plans for future expansion without compromising the benefits of maintaining a well-diversified product mix.

Margins: Continuous cost performance improvement culture. In 2009, the Company implemented a major restructuring program with a view to identifying areas for performance improvement and efficiency-related cost savings. As a part of this program, the Company focused on head-count reduction, improvement in working capital management, inventory reduction, direct sales to customers, identifying creep capacities to increase production and improving supply chain management. In order to secure the Company's supply chain and in part as a response to the recent high volatility in raw materials pricing worldwide, the Company has prioritized efforts to improve the terms of its supply arrangements. The Company intends to further diversify its suppliers of key inputs, such as alumina, green petroleum coke and pitch, while also entering into long-term supply contracts. The Company believes that these changes would add some stability and predictability to its operations, particularly during challenging market conditions or downturns in the business cycle, given that raw materials have accounted for over 68% of its total operating costs on average for the past three years through December 31, 2009. As a part of its Operation Excellence program, the Company has streamlined some of its management and overall workforce positions, and the Company has conducted the Alba Vision study, which identified areas for future growth and expansion. The Company aims to realize performance improvements of approximately US$100 million annually, beginning in 2010, which represents 17% of EBITDA on average for each of the past three years. The program contemplates increasing permanent performance improvements to a total of approximately US$250 million annually if the Company is able to expand its production using its creep capacity.

Market share: Emphasizing direct sales approach and expanding the Company's customer base in Asia and Europe while maintaining its dominant position in MENA. Direct sales continue to be the Company's sole sales channel in MENA, and in 2010 the Company has expanded this approach to its other target markets in Europe and parts of Asia. Direct sales enable the Company to cultivate relationships with its customers. It facilitates dialogue that helps the Company to better ascertain and anticipate their needs and accordingly alter the Company's product mix to cater to their needs. The elimination of intermediaries also ensures that the Company is able to reduce the cost of sales and secure better margins from metal sales. Currently, direct sales account for approximately 80% of total sales volume, and the Company intends to increase its direct sales in the coming years as it continues to expand its marketing capabilities.

The Company has established a loyal customer base in MENA during its nearly 40 years of producing aluminium, and it aims to maintain a large market share in the region. The Company intends to continue negotiating multi-year supply contracts with its existing aluminium customers in MENA while cultivating new customer relationships in the region. Beyond MENA, the Company plans to continue focusing on its customer base in Asian and European markets. In the first six months of 2010, 21% and 9% of the Company's aluminium sales by volume were made to customers in Asia and Europe, respectively. The Company's position along sea trade routes from Asia, particularly Korea and Taiwan, gives Alba an advantage in making reasonably priced freight shipments. The Company intends to leverage that advantage and expand its exports to Asian markets going forward. In Europe, the Company has increased its overall sales of extrusion billets by focusing on large consumers.

People: Fostering a stable workforce through Bahrainization. Bahrainization is an important economic policy of the Government of Bahrain, and the Company has exceeded the government's stated target levels of Bahrainization. Consequently, the Company's permanent staff includes a high proportion of Bahraini citizens. Currently, over 87% of its permanent employees are citizens of Bahrain.

Shareholding Structure

At the time of Alba's incorporation in 1968, the Government of Bahrain, British Metals International Limited, Western Metals Corporation, Aurora Incorporated, Breton Investments Limited and General Cable Corporation were its founding shareholders. Over the years, as a result of a series of transfers of shares, the Saudi

Public Investments Fund ("**PIF**") became a shareholder in 1976. In 2003, PIF transferred all of its shareholding to SIIC Industrial Investments Company ("**SIIC**"), and in 2006 the Government of Bahrain transferred all of its shareholding to Mumtalakat. In 2006, the Company had three shareholders: the Government of Bahrain, SIIC and Breton, which held 77%, 20% and 3% of the Company's issued share capital, respectively. In April 2010, the Company repurchased all of the shares held by Breton. In September 2010, the Company's board approved the distribution of such shares as a stock dividend to Mumtalakat and SIIC, *pro rata* to their respective shareholding at such time, which is scheduled to occur promptly following the conversion of the Company into a public joint stock company.

Consequently, as of the date of this offering memorandum, the Company holds 3.0% of its issued share capital in treasury, and the remainder of the Company's issued share capital is owned by its two shareholders, 77.0% by Mumtalakat and 20.0% by SIIC.

Company History

Beginning in the 1960s, the Government of Bahrain actively promoted initiatives to reduce the country's dependence on its domestic oil and gas industries by making investments in other sectors of the economy. It also prioritized diversifying export income, developing the country's infrastructure and creating employment opportunities for the domestic population. In seeking to develop the country's industry, Government officials contemplated establishing industries that could benefit from the Kingdom of Bahrain's competitive advantages in having a low-cost energy supply, access to international sea transport routes and proximity to major GCC, Asian and European markets. These were among the main considerations leading to the Government's decision to build an aluminium smelter close to BAPCO's operations south of the capital city, Manama.

The Company was incorporated as a closed joint shareholding company in 1968 to construct, own and operate what would become the first aluminium smelter in the GCC region. Due to the significant energy demands of the aluminium production process, the site for the Company's smelter was selected based on its proximity to its primary energy source, the Khuff natural gas field. The Company's marine terminal was constructed approximately 10 kilometers from the manufacturing site to facilitate transport of imported raw materials to the production plant and of calcined coke exports to international markets.

The Company officially commenced commercial operations in May 1971 with an initial annual production capacity of approximately 120,000 tonnes of primary aluminium utilizing two production potlines. Over the course of its 39 years of continuous operations, the Company has produced over 14 million tonnes of aluminium. The incremental expansion in the Company's production capacity has been the result of a series of potline expansions, upgrades of existing lines and continuous equipment improvements. Rather than opting to diversify its output, the Company has maintained a narrow focus on manufacturing high-purity aluminium products using leading technology and production processes, and the Company has positioned itself as one of the largest individual aluminium smelters in the world.

In 1971, the Company started operation with a single potline, and during the period from the 1981 to 1992 the Company increased its capacity by adding additional potlines Line 2 and Line 3. This increased its annual production capacity from approximately 120,000 tonnes in 1971 to approximately 225,000 tonnes in 1991.

In 1992, the Company further increased its capacity to approximately 497,000 tonnes by commissioning Line 4. As part of its vertical integration strategy, the Company also commissioned Power Station 3, producing 800 MW of electricity annually. In 2002, the Company continued with its strategy of vertical integration and commissioned a coke calcining plant with the capacity to produce approximately 450,000 tonnes of calcined coke. The capacity of the calciner was further increased to approximately 550,000 tonnes in 2004.

In 2005, the Company implemented a further expansion of capacity by adding a new potline, Line 5, and a 650 MW Power Station 4, thus increasing its production capacity to over 860,000 tonnes per year.

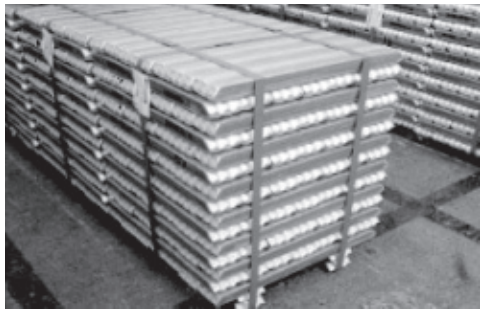
In order to further commercialize the Company's operations, in 2007, its shareholders sought to integrate the operations of Alba and ALMA. Following a resolution adopted by the Company's board of directors, this integration was completed on January 1, 2008, when Alba acquired all of ALMA's assets at book value. In April 2010, the Company repurchased all of Breton's shares. In September 2010, the Company approved the distribution of such shares as a stock dividend to Mumtalakat and SIIC, *pro rata* to their respective shareholdings at such time, which is scheduled to occur promptly following the conversion of the Company into a public joint stock company.

Products

As one of the largest individual aluminium producers in the world, the Company offers a variety of products to meet its customers' changing needs with an increasing focus on higher value-added products. The scale of the Company's operations has allowed it to diversify its line of products over the years. Currently, the following five products account for the majority of the Company's sales in order of highest-to-lowest product premium:

Extrusion Billets: a cylindrical log of cast aluminium that is produced by vertical direct casting, for which the Company currently has a total annual production capacity of approximately 350,000 tonnes; this is the Company's highest value-added product and it represented 42%, 36% and 23% of its total production in terms of volume in 2007, 2008 and 2009, respectively, and 35% of its production for the six-month period ended June 30, 2010. The Company supply extrusion billets to various customers, including many in the transportation, building products and automotive industries. They are often used in manufacturing components in residential and commercial buildings, such as windows, door panels, shower enclosures, computer heat sinks and decorative trims. In all the Company's core export markets, including the Kingdom of Saudi Arabia, Europe, Asia and the United States, extrusion billet demand is expected to outpace domestic supply, which could lead to important export growth opportunities for the Company.

Foundry Alloys: alloys for which the Company currently has a total annual production capacity of approximately 120,000 tonnes; this product represented 5%, 6% and 5% of the Company's total production in 2007, 2008 and 2009, respectively, and 13% of its production for the six-month period ended June 30, 2010. This product is used mainly by the automotive industry for the manufacture of items such as automotive wheels, truck hubs and gas pump nozzles. The Company delivered its first foundry alloys in December 2001.



Rolling Slabs: used in rolling mills for manufacturing aluminium foil and sheet products, for which the Company currently has a total annual production capacity of approximately 130,000 tonnes; this product represented 16%, 16% and 13% of its total production in 2007, 2008 and 2009, respectively, and 14% of its production for the six-month period ended June 30, 2010. Much of the aluminium that the Company sells to customers in rolling slab form is ultimately used for the production of a variety of consumer items, such as foil, containers and utensils. Currently, the Company's entire rolling slab output is sold to GARMCO. See "—Customers."

Standard Ingots: a residual form of aluminium, for which the Company currently has a total annual production capacity of approximately 400,000 tonnes; this product represented 15%, 19% and 37% of the Company's total production in 2007, 2008 and 2009, respectively, and 11% of its production for the six-month period ended June 30, 2010. Standard ingot is sold to downstream users that require the metal for re-melting in their own furnaces. The Company currently sells a standard form 22.5 kg re-melt ingot and a larger 750 kg T-ingot.

Liquid Metal: consists of molten aluminium that is sold prior to being made into a final product by a customer. It represented approximately 22% of the Company's total production for each of the three years ended December 31, 2007, 2008 and 2009 and 27% of its production for the six-month period ended June 30, 2010. The market for liquid metal is exclusively domestic, due to the logistical constraints of transporting a product in molten form.

The table below sets out the Company's sales product mix (and corresponding percentage amount) for the years ended December 31, 2007, 2008 and 2009, and for the six months ended June 30, 2009 and 2010:

	For the year ended December 31,			For the six months ended June 30,	
	2007	2008	2009	2009	2010
	(in thousands of tonnes (% of total aluminium sales))				
Extrusion Billets	370 (42%)	307 (36%)	200 (23%)	88 (20%)	149 (35%)
Foundry Alloys	45 (5%)	54 (6%)	46 (5%)	22 (5%)	54 (13%)
Rolling Slabs	144 (16%)	136 (16%)	114 (13%)	45 (10%)	61 (14%)
Standard Ingots	132 (15%)	165 (20%)	320 (37%)	202 (45%)	47 (11%)
Liquid Metal	189 (22%)	184 (22%)	190 (22%)	88 (20%)	116 (27%)
Total	**880 (100%)**	**846 (100%)**	**870 (100%)**	**445 (100%)**	**427 (100%)**

Production Process and Facilities

Production Process

Like most aluminium producers, the Company maintains its operations running on a continuous basis 24 hours a day over 365 days a year. The overall production process for primary aluminium involves conversion of alumina material, or aluminium oxide, into primary aluminium at reduction potlines through an electrolytic process. At its smelter, the Company uses the Hall-Heroult process, through which the Company adds alumina to a bath of liquid cryolite, which consists of sodium aluminium fluoride, at an operating temperature of 960 degrees centigrade. The alumina is dissolved in the liquid bath and converted into ions of two different potentials: Oxygen -ve and Aluminium +ve. At this stage, a direct current is passed through the liquid, and the Oxygen -ve ions react with the carbon anodes, while the Aluminium +ve ions are driven towards the cathode resulting in the deposit of aluminium metal. The entire process is carried out within a large steel container, called a "pot," which is lined with layers of insulation bricks at the bottom and carbon blocks at the sides. This lining is carefully designed to achieved optimum thermal balance to minimize power consumption and achieve longer durability to achieve a longer average useful life of five to six years in service. These pots are electrically connected in a series, either end-by-end or side-by-side in an area called a pot room. Each pot room is connected to another pot room, and together, a series of pot rooms forms a potline. At the Company's manufacturing site, there are five potlines, each of which contains from 228 pots (in Line 1) to 336 pots (in Line 5).

As the process of reduction of alumina continues, the separated aluminium in molten form on top of the cathode blocks in the pot will increase in height with time. The molten aluminium is then siphoned off from the bottom of the pot and taken to a holding furnace in the cast house, where it is often blended to an alloy specification, cleaned and cast.

While the Company directly sells liquid metal that never reaches the casting phase to some of its domestic customers situated in close proximity to its production facility, most of the Company's aluminium products are cast to meet the specifications of customer orders.

Existing Production Facilities

The Company's initial smelter was built in 1971, leading to the launch of Lines 1 and 2. Since that time, the Company has regularly expanded and modernized its production facilities. The Company's production capacity has significantly increased with a series of expansions in 1981, 1989, 1992, 1996 and 2005, representing an overall increase in production capacity from an initial level of 80,000 tonnes per year to an average annual

production currently exceeding 860,000 tonnes. The Company's plant site occupies 1.2 square kilometers of land that the Company either owns or leases in the Jour Askar Industrial Area, where the Company also has additional land available for future expansion.

The Company's existing facilities include:

- five production potlines for producing liquid aluminium, which currently produce in excess of 860,000 tonnes annually;
- four power stations with a total installed capacity of over 2.2GW of electricity, which supply all of the electricity requirements of the Company's aluminium production process;
- three carbon plants, where carbon materials are mixed, compressed, formed and baked into anodes;
- two cast houses, where molten aluminium is cast into finished products;
- a coke calcining plant with a capacity of approximately 550,000 tonnes annually which includes a water desalination plant; and
- a marine terminal with a jetty facility, which can accommodate ships of up to 60,000 tonnes capacity.

Production Potlines

The Company's five production potlines have varying numbers of pots and operate at different levels of electrical current. Lines 1 and 2 have 228 pots each, operating at current of 125 KA, Line 3 has 304 pots and operates at 138 KA, Line 4 has 288 pots and operates at 338 KA, while the Company's most modern potline, Line 5, includes 336 pots and operates at 345 KA. The Company estimates that the total annual capacity of its smelter could be further increased by approximately 80,000 tonnes by upgrading its existing lines. The table below sets forth further information about each of the Company's five production potlines:

Potline	Year of Initial Production	Technology	Amperage (kA)	Power Consumption (MWh/t)	Capacity (tonnes per year)	Proportion of Production
1	1971	Alumix-Montecatini	125	14.800	78,000	(9%)
2	1971	Alumix-Montecatini	125	14.880	78,000	(9%)
3	1981	Kaiser	138	14.800	115,000	(13%)
4	1992	AP-30	338	12.950	271,000	(31%)
5	2005	AP-30	345	12.990	323,000	(38%)
Total					**865,000**	**(100%)**

The Company's maintenance and reduction services departments carry out the maintenance of the production potlines, carbon plant and the cast houses, and its modern on-site laboratory carries out metal analysis for the potlines and cast houses.

The Company's reduction process control and research and development departments are responsible for the operating systems optimization, suggesting ideas for improving productivity and quality control in the operating areas of the potlines, cast houses and calciner.

Power Stations

The Company requires approximately 1,475 MW of electricity annually, of which over 90% is used in the aluminium smelting process. The Company has an installed capacity of 2.2 GW, of which Power Stations 1 and 2 provide a back-up capacity of 550 MW to be used in case of main power failure. All of the energy requirements of the Company's aluminium production process are met by its four separate power stations, which provide the Company with a continuous supply. Its power stations provide the Company's operations with a stable source of electricity along with sufficient power reserves to cover planned seasonal maintenance and a fixed amount to address any unplanned power failures at its site. However, the Company still purchases the electricity required to operate its calciner from the national grid operated by the Bahrain Electricity and Water Authority, as the calciner is located 10 kilometers from the Company's power stations.

The Company's power stations were installed incrementally, in parallel with potline production increases over the last 39 years. Power Station 1 consists of eighteen small open cycle gas turbines installed in 1971. Power Stations 2, 3 and 4 are more efficient, larger combined cycle plants that became operational in 1990, 1991 and 2005, respectively. Currently, Power Stations 3 and 4 are run on Alstom/ABB technology, and together they generate approximately 85% of the Company's total power. The table below sets forth further information about the power generated at each of the Company's four power stations:

Power Station	Generation Assets	Year Initially Commissioned	Capacity (MW)	Efficiency(%)	BTU/kWh
1	18 gas turbines	1971	338	(20%)	18,955
2	5 gas turbines	1981	120	(26%)	
	1 steam turbine	1990	59	(38%)*	9,750
3	6 gas turbines	1991	578	(31%)	
	2 steam turbines	1991	230	(44%)*	8,749
4	4 gas turbines	1997	644	(35%)	
	2 steam turbines	2005	265	(51%)*	7,935
Total capacity			**2,234**	**(46.7%)**	**8,840**

[1] The "Efficiency" column relates to gas turbines only unless marked with an asterisk, in which case figures are for combined efficiency of gas and steam turbines.

The total installed capacity of the Company's power stations is 1,967MW at site conditions (42°C ambient temperature), equivalent to over 2.2 GW at ISO conditions (standard of 15°C). The basic power generation consists of gas turbines, which are fired by natural gas. The natural gas is supplied to the Company by BAPCO through dedicated pipelines. The gas is a mixture of residual gas from the refinery process and higher pressure "Khuff" gas directly from the wells. A limited diesel oil firing capability is available on some of the gas turbines to cover short-term emergency gas supply failure scenarios.

A gas turbine's generation capability decreases with higher ambient temperature. In the summer months, the Company's efficient combined cycle power stations are normally in operation, while its less efficient open cycle plant, namely Power Station 1, is normally out of service and in standby to cover any unplanned maintenance or breakdowns. Planned maintenance is generally scheduled in months with cooler temperatures, as the generating capability of the gas turbines increases with the colder weather conditions. The fuel efficiency of the Company's combined cycle power stations ranges from 35% to 43%. Those stations are fitted with modern low-NOx burner technology, so as to minimize adverse environmental effects. The gas turbines have an annual maintenance requirement, which is undertaken by the dedicated on-site maintenance group.

The electricity generated by the Company's power stations is centrally controlled and is distributed to its potlines through an independent electrical system, with high voltage substations distributing electricity at up to 220kV. All of the power generated is predominately consumed in one of the five potlines, which range in size from 134MW (Line 1) to 485MW (Line 5). The power is distributed through discrete rectiformers. Each potline has one additional rectiformer installed over the running requirements to facilitate maintenance without affecting production.

The Company has three high capacity electrical cable connections that provide access to the national grid operated by the Bahrain Electricity and Water Authority, two of which are rated at 300MVA capacity, which is equivalent to approximately one sixth of its total smelter load each. This arrangement allows the Company to access electricity in the event of any shortages or if it were to become commercially advantageous to do so.

Carbon Plant

The Company's three carbon plants produce and supply cost-effective, premium quality pre-baked carbon anode assemblies to its potlines. Each stand-alone carbon plant is capable of producing green anodes, baked anodes and sealed anode assemblies, and each has its own paste plant, baking kilns and rodding plant, in addition to attached processing areas. The plants house the necessary facilities to mix, form and bake the mixture of calcined coke and pitch into anode blocks transported to the potlines and in pallets.

Carbon Plants 1, 2 and 3 have been operational since 1972, 1992 and 2005, respectively. All three plants are highly automated and have computerized equipment. Carbon Plant 1 produces approximately 150,000 tonnes of baked carbon anodes annually for Lines 1, 2 and 3, while Carbon Plant 2 produces approximately 150,000 tonnes

annually for Line 4 and Carbon Plant 3 produces approximately 175,000 tonnes annually for Line 5. Carbon Plant 3 currently operates at 50% capacity, and its remaining capacity can be easily utilized for the Company's future expansion plans. The plants are fitted to minimize waste generation, to diminish the environmental impact of effluent gases and to keep emissions levels in line with international technical standards. The plants also comply with the technical standards of ISO 14001 (1996) and OHSAS safety standards.

Cast Houses

The Company has a fleet of trucks dedicated to transporting molten aluminium from its five production potlines. Some of this liquid metal will be distributed directly to downstream industries adjacent to the Company's production site, and the rest will be transported to one of its two cast houses, Cast Houses 2 and 3, for casting into products specified by customer orders.

Before delivery of liquid metal to the cast houses, the molten aluminium is skimmed and treated in a treatment plant. Regardless of the product to be formed, the Company's cast houses employ integrated water systems in a cooling process for the solidification of metal into the various finished product shapes. Each cast house is dedicated to producing a different set of products for the Company's customers.

Cast House 2 was commissioned in 1992 as part of the Company's project to establish a fourth production potline, and the facility was expanded further when the Company commenced construction for its Line 5 project. It has six casting facilities, consisting of one direct cast, four standard ingot lines and one Properzi line to produce the following products on an annual basis:

- approximate capacity of 120,000 tonnes of foundry alloys;
- approximate capacity of 130,000 tonnes of rolling slabs for GARMCO; and
- approximate capacity of 360,000 tonnes of standard ingots.

The Company's standard ingot capacity is much higher than its actual sales of this product. The Company maintains redundant standard ingot capacity in order to facilitate management of large fluctuations in the production of value-added products or in the demand for its products by either of its two largest customers, Midal Cables or GARMCO.

The Company commissioned the construction of Cast House 3 in 2005 primarily to service the casting needs of its new production potline, Line 5, with a capacity to cast approximately 350,000 tonnes of premium extrusion billets annually. Cast House 3 uses Wagstaff casting technology, which is considered best in class in the industry.

Calcining Plant

The Company is among very few aluminium smelters in the world with an on-site calcining plant. Its calciner facility was commissioned in 2001, and it operates under distributed control system technology. The Company's calciner's original capacity was approximately 450,000 tonnes of calcined petroleum coke annually at the time of commissioning; however, the Company subsequently upgraded its capacity to approximately 550,000 tonnes annually. It meets all of its production needs for calcined petroleum coke (approximately 325,000 tonnes annually), and the Company is able to export the remaining capacity to other aluminium smelters.

The Company imports the main raw material for the calciner, namely green petroleum coke, from several countries, and it is blended and calcined in two gas fired rotary kilns. The Company's calciner is located within its marine terminal complex, which facilitates immediate access to its raw material imports and to sea transport of the excess production for export. The Company transports the calcined coke that it uses in its own production directly to its carbon plants over a distance of about 10 kilometers by truck tankers with a capacity of 30 tonnes each. Due to favorable production conditions at its calciner, the Company is able to produce comparatively high quality calcined coke. In the last three years, the Company has exported approximately 450,000 tonnes of calcined coke to aluminium smelters in the UAE, South Africa, Australia and the Netherlands. The sale of calcined coke to other smelters allows the Company to utilize the Company's calciner to nearly full capacity. However, the Company could also utilize this excess calcined coke capacity in its own production as part of its growth and expansion plans.

The Company also has a desalination facility, which is part of the calcining plant. The heat from the calcination process is used to generate steam for the plant, which produces potable water from seawater for use

by the Bahrain Electricity and Water Authority. The facility uses four multiple effect distillers and has the capacity to produce up to approximately 40,000 cubic meters of potable water daily conforming to the World Health Organization purity standards. The Company is currently producing approximately 38,000 cubic meters of potable water daily, of which approximately 5,000 cubic meters are used in the calcining plant and the remainder is sold to the Government of Bahrain and third parties.

Marine Terminal

The Company's marine terminal has a dedicated jetty facility, which can receive ships with a capacity of up to 60,000 tonnes. It is located approximately 10 kilometers from its main smelter site. The Company's marine terminal is also the primary storage facility of its main raw materials, such as alumina and green petroleum coke, once they are offloaded. The Company transports alumina to the smelter site by road, and it exports excess calcined coke through the marine terminal.

Sales and Marketing

The Company historically operated as a tolling company under the terms of the Quota Agreement with its shareholders. See "—Material Contracts—Quota Agreement." Under the terms of the Quota Agreement, the Company's shareholders used to take the entire aluminium production in proportion to their percentage ownership of the Company's issued share capital. In 1999, two of the Company's shareholders at the time, the Government of Bahrain and PIF, authorized the Company to market their respective shares of aluminium, while the Company's former third shareholder, Breton, continued to take its quota of aluminium from the Company directly. Such marketing was done through ALMA, which was an unregistered joint venture between the Government of Bahrain and PIF. This arrangement continued until December 31, 2007, even after the transfer of all of their respective shares by PIF to SIIC in 2003, and the Government of Bahrain to Mumtalakat in 2006.

In 2007, in a step motivated by economic reforms in the Kingdom of Bahrain and to further commercialize the Company's operations, its then shareholders and board of directors approved the full integration of ALMA's activities into the Company's operations. This integration was completed on January 1, 2008, when the Company began marketing and selling Mumtalakat's and SIIC's (but not Breton's) share of its aluminium production on its own behalf. In 2009, the Company agreed to market Breton's entire 3% share of its total aluminium production. In April 2010, the Company purchased all of Breton's shares and subsequently approved their distribution as a stock dividend in September 2010 to its current shareholders. Those shares are scheduled to be distributed promptly following Conversion. The Company currently markets and sells all of its aluminium to third parties on commercial terms. See "Risk Factors—The Quota Agreement restricts the Company's ability to sell aluminium to third-party buyers" and "Material Contracts—Quota Agreement."

Sales Process

As a well-established aluminium producer with a consistent customer base, the Company has generally been able to sell the majority of its metal production, and therefore its annual tonnage sold depends primarily on its production capacity. At the same time, market demand and pricing for particular products affects the Company's annual sales mix. Before entering into contracts with customers, the Company's marketing department receives internal estimates of the production capacity for the following year from its metal production team. The production facilities of most of the Company's customers in the Kingdom of Bahrain are located close to its smelter; as a result, the Company believes they can utilize its products in their manufacturing processes at a relatively lower cost than the products of other producers. For example, Midal Cables and GARMCO, two of the Company's largest customers, are located within close proximity of its smelter. Midal Cables uses liquid metal in its production facilities, and the Company is able to supply this quickly from its smelter to Midal Cables' production facilities. This approach saves them the cost of buying and melting ingots before use. Similarly, the Company sells and transports rolling slabs to GARMCO, which uses them in its manufacturing facilities. Due to this high level of integration between the Company's smelter and the production facilities of its customers, the Company has been able to negotiate relatively long-term sales contracts for three years with all except one of its customers in the Kingdom of Bahrain. The Company's aluminium production is first allocated to its long-standing customers, including GARMCO (principally rolling slabs) and Midal Cables (principally liquid metal).

The Company sells the remainder of its output to customers in different markets and for different product types based on considerations including its market positioning and its ability to maximize sales of its higher value-added products. This flexibility enables the Company to optimize its product mix and to plan for the production equipment re-tooling required to shift from producing one product to another. Annual contract

negotiations with the Company's customers take place between September and December for deliveries scheduled during the following year. The Company negotiates the premiums to be charged over the cash average LME price for aluminium with its customers based on product type, specification, freight cost and payment terms. During this process, the Company's agents in Asian markets assist it in securing contracts.

Sales Strategy

Direct sales to customers currently represent the Company's main sales channel for aluminium products, accounting for approximately 80% of total sales, and the Company intends to continue expanding its direct sales. Traditionally, the Company's marketing and distribution channels relied heavily on traders or agents for sales efforts beyond MENA. Hiring agents not only required additional costs to reach a sufficient customer base, but it also prevented the Company from capturing the full premiums for its products and from developing localized market expertise. In 2006, the Company implemented a full review and overhaul of its marketing strategies that emphasized direct sales. A significant advantage of the direct sales approach is that it facilitates gathering market intelligence about demand for different products. This information improves the Company's ability to adjust its product mix appropriately to meet market demand by re-tooling its flexible production facilities, primarily its cast houses.

Direct sales are now the Company's sole sales channel to customers in MENA, and in 2010 it extended this approach to customers in Europe. In Asia, the Company's direct sales are limited to standard ingots. Under the Company's agency arrangements for sales of other products in Asia, typically agreed on an annual basis, it pays the agent's commission per tonne of sales, which is a percentage of the premium secured per tonne. Despite the use of agents in Asia, the Company has recently increased its direct involvement with customers in the region.

The Company aims to refine its sales strategy further by establishing long-term customer partnerships, which is an important step toward the stabilization of sales volume during a challenging economic environment or downturns in the business cycle. For example, the Company's sales volume has been resilient and stable over the past three years. Although a majority of its existing sales contracts cover periods of up to one year, the Company seeks to increase the duration of at least a portion of total sales volume under these contracts to approximately three years. In 2007, the Company was able to secure its first three-year sales contract with one customer, and as of June 30, 2010, 44% of the Company's total sales volume was made under long-term contracts.

Key Customers

The Company's core customer base comprises manufacturers that are primarily located in GCC countries. The average length of the Company's commercial relationships with its top five customers is over 28 years. The table below sets forth the Company's total sales volumes to its key customers for the periods indicated:

	Year Ended December 31,			Six months ended June 30,	
Customer	**2007**	**2008**	**2009**	**2009**	**2010**
			Tonnes (%)		
GARMCO	153,618 (17%)	147,620 (17%)	122,464 (14%)	49,556 (11%)	69,307 (16%)
Midal Cables	148,945 (17%)	142,896 (17%)	134,353 (16%)	62,458 (14%)	101,892 (24%)
Alupco	45,667 (5%)	49,503 (6%)	19,777 (2%)	9,284 (2%)	16,977 (4%)
Al Taiseer	29,792 (3%)	33,512 (4%)	27,081 (3%)	10,643 (2%)	13,174 (3%)
Bamco	22,982 (3%)	22,976 (3%)	23,534 (3%)	12,499 (3%)	11,579 (3%)
Others	478,643 (55%)	449,620 (53%)	542,395 (62%)	300,062 (68%)	214,137 (50%)
Total	**879,647 (100%)**	**846,127 (100%)**	**869,604 (100%)**	**444,502 (100%)**	**427,066 (100%)**

The Company's top five customers accounted for 38% of its total sales volume in 2009 and for 50% in the first six months of 2010. GARMCO and Midal Cables have been its two largest customers since 1985 and 1978, respectively, and together they accounted for 29% of the Company's total sales volume in 2009, and for 40% in the first six months of 2010, primarily of rolling slabs, ingots and liquid metal. Since the Company commenced operations in 1971, it has played a direct role in the economic development of Bahrain and other GCC countries, and the Company enjoys strong customer relationships with domestic and regional manufacturers. The Company's site is in close proximity to the principal manufacturing operations of both GARMCO and Midal Cables, and its commercial relationship with GARMCO is supported by significant existing cross-shareholdings by Mumtalakat and SIIC. Presently, GARMCO annually produces approximately 165,000 tonnes of cold-rolled

aluminium annually, and its product range includes: cold-rolled coil and sheet, aluminium circles in a range of alloys and tempers, and aluminium foil. According to Midal Cables, its facilities have an output capacity of approximately 180,000 tonnes per year, and it produces a variety of products, including aluminium rod and wire, aluminium alloy rod and wire, a series of over head line conductors, aluminium clad steel and extruded products. See "Related Party and Certain Other Transactions." In addition to GARMCO and Midal Cables, the Company's key customers in the Kingdom of Bahrain include Balexco, Aluwheel and Bamco. During 2009, the Company completed a full evaluation of pricing in the Bahrain market, and as a result, the Company ultimately renegotiated with its downstream customers in the Kingdom of Bahrain to ensure all new contracts were on an arm's length commercial basis.

Since the Company commenced operations, its target sales markets have been the GCC countries, with particular emphasis on its domestic customer base in the Kingdom of Bahrain. In the Kingdom of Saudi Arabia, the Company's key customers include Alupco, Al Taiseer, Allinco and Dural. In accordance with its current business plan, the Company intends to continue identifying opportunities to expand its export markets to other regions. For example, in the first six months in 2010, Europe accounts for 9% of the Company's total sales volume, compared to 5% in the previous full year of 2009. The Company's recent expansion of sales to Europe has been driven by a new and focused direct marketing effort in that region and increased demand for the Company's higher value-added products, namely extrusion billets and foundry alloys. Currently, the Company's key customers in Europe include Sapa, Ronal, Aluminios Cortizo, Allco, Exelbesa, Hermann Gutmann, Borbet and ATS Europe. Europe is expected to remain an attractive export market in the near term due to increased demand following capacity closures in the region, reduced supply from Russia, as well as expected removal of a duty on aluminium products from GCC countries.

The Company has also recognized the potential for continued growth in aluminium demand in Asia due to the region's generally robust economic performance and political stability in recent years. While the Company has not traditionally targeted sales in Asia, the location of its site and proximity to sea transport routes to the region present opportunities to take advantage of the strong and consistent demand for aluminium from a number of Asian markets, particularly China. In Asia, the Company's key customers include Dong Wha, Sungwoo, Wei Shin, United Aluminium Industry, UBE Industry, Thai Metals and Toyota. In 2009, the Company's sales of standard ingot to Asia increased significantly, primarily as a result of the global economic crisis. The downturn resulted in a sharp decline in demand for the Company's value-added products, which led it to substantially increase its casting of standard ingots. The Company sells excess standard ingots into the LME warehouses in Asia to take advantage of relatively lower freight rates and higher ingot premiums in that region. Beyond its primary export markets, the Company also has a number of customers based in South Africa, including Hulamin and Wispeco.

The table below sets out the Company's total sales volumes (and corresponding percentage amount) in its different markets for the years ended December 31, 2007, 2008 and 2009, and for the six months ended June 30, 2009 and 2010:

Region	Year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	(in thousands of tonnes (% of total aluminium sales))				
Bahrain	374 (42%)	396 (47%)	353 (41%)	153 (34%)	215 (50%)
Asia	148 (17%)	161 (19%)	355 (41%)	213 (48%)	87 (21%)
Other MENA	186 (21%)	199 (23%)	119 (13%)	53 (12%)	85 (20%)
Europe	137 (16%)	80 (10%)	43 (5%)	26 (6%)	40 (9%)
North America	35 (4%)	10 (1%)	— (0%)	— (0%)	— (0%)
Total	**880 (100%)**	**846 (100%)**	**870 (100%)**	**445 (100%)**	**427 (100%)**

Distribution and Logistics

The Company is strategically located to benefit from direct access both to land transport networks to its customers in the Kingdom of Bahrain and neighboring countries and to sea transport routes for its international customer shipments, allowing for some cost savings in terms of the transport and shipping of its products. The Company has on-site storage facilities, including a large storage yard, for its output pending distribution.

Domestic Distribution

For domestic customers, the Company transports most of its aluminium products by road. Liquid metal requires special transportation treatment involving trucking in crucibles using its customized metal transport vehicles. Currently, only one of its customers based in the Kingdom of Bahrain deploys its own means of transport for taking liquid metal from its smelter to its manufacturing plant.

Regional Distribution

The Company generally transports its products to customers located in GCC countries and other locations in the Middle East comparatively close to its smelter by road. For other customers in the Middle East that the Company cannot reach by road, the Company sells its products on a CIF basis.

International Distribution

Aluminium that the Company exports beyond the Middle East is transported by sea in shipping containers and break-bulk shipments. In most cases, the Company hires contractors to transport its products on trailers to Bahrain Port, where they are placed into shipping containers by the port operator.

If the contractual terms require that the Company delivers aluminium to a particular customer's plant or warehouse internationally, the Company arranges for the customs clearance and shipment forwarding through an agent. At present, the Company has these distribution arrangements in place for its European customers.

Procurement of Shipping and Transportation Services

The Company obtains shipping rates from various shipping lines at the beginning of each year, and the Company endeavors to make shipments by the lowest cost carrier for each destination, subject to the availability of containers, transit time, customer preferences and availability of break-bulk shipments. The Company contracts land transportation services through its standard tender policy and procedure for procurement of goods and services.

Competition

The global aluminium industry is a relatively consolidated and highly competitive one, characterized by a set of large, well-established producers seeking to achieve economies of scale by extending the geographical reach of their sales efforts as broadly as possible. See "Industry and Bahrain Macroeconomic Overview." Major barriers to entry into the aluminium business include substantial capital expenditure requirements, time required to construct aluminium smelters and the need to secure access to low-cost energy supplies, technology and raw materials. The Company's comparatively low energy, land and transportation costs contributed to a business cost of production of US$1,268 per tonne in 2009 and US$1,389 per tonne during the first six months of 2010, compared with an industry average of US$1,453 and US$1,607 per tonne during those periods, respectively, according to CRU Strategies. This ranked the Company in the first quartile of the aluminium industry cost curve in 2009 and in the first half of 2010, according to CRU Strategies.

The Middle East is set to emerge as a major aluminium production center primarily due to the reliability of and easy access to its main sources of energy, which constituted approximately 32% of average site operating costs in the industry in 2009. The region is also in a favorable position in terms of competitive fuel costs and its geographical proximity to large export markets. The Company's principal competitors are the other major international aluminium producers, particularly those active in or operating from GCC countries, including Dubal in Dubai with an expected capacity by 2011 of over one million tonnes, Emirates Aluminium in Abu Dhabi, with an expected capacity by 2011 of approximately 780,000 tonnes (extrusion billets, foundry alloys and standard ingots), Quatalum in Qatar with an expected capacity by 2011 of approximately 597,000 tonnes (extrusion billets, foundry alloys and standard ingots), Sohar Aluminium in Oman with a current capacity of approximately 360,000 tonnes (standard ingots) and the proposed two new smelters in the MENA region, according to CRU Strategies. The Company expects a further increase in competition for Middle Eastern customers as production ramps up at new smelters in the region, including Emirates Aluminium and Qatalum, which commenced operations in late 2009.

Raw Materials and Suppliers

In line with aluminium industry standards, raw materials represent the largest component of the Company's cost of sales. In 2009, the cost of the Company's raw materials, including natural gas, as a proportion of total cost of sales was 63.9%, reaching 67.6% of cost of sales for the first six months of 2010. The Company expects the

prices of the main raw material inputs in the aluminium sector, particularly alumina and green petroleum coke, to increase in the coming years, which could cause supply challenges for aluminium producers worldwide. Except for natural gas, the Company depends on imports for all of the raw material inputs the Company uses in its production processes, so the Company aims to negotiate supply contracts with favorable terms, primarily for natural gas, alumina, green petroleum coke, pitch and aluminium fluoride.

Natural Gas

The principal source of energy for the Company's operations is the electricity generated by its four captive on-site power stations, each of which is fuelled by natural gas. The Company meets all of its natural gas requirements through its long-term gas supply contract with BAPCO. See "—Material Contracts—BAPCO Natural Gas Supply Contract." In 2009, the cost of natural gas was 10% of the Company's cost of sales.

Alumina

Alumina, the principal raw material required in the aluminium production process, is a white granular material properly called aluminium oxide. It is produced from bauxite ores (iron alumino silicate) and extracted from mines in various locations around the world, primarily in Australia, Brazil, Russia, India and sub-Saharan Africa. The Company uses the Hall-Herould manufacturing process in its production of primary aluminium, which is used to separate alumina by electrolytic reduction into its component parts of aluminium metal and oxygen gas. Approximately 1.92 tonnes of alumina is used to produce one tonne of aluminium.

In order to avoid dependence on a single supplier, the Company currently sources up to 1,700,000 tonnes of alumina from multiple suppliers under contracts for between one- and four-year terms. Additionally, the Company purchases small amounts of alumina in the spot market. The market price for alumina is directly linked to the price of aluminium, thereby ensuring that the Company's alumina suppliers share the risk of fluctuations in the LME price. Over the period from 2006 to 2009, the Company paid a linkage rate to the LME aluminium price for alumina of between 14% and 15%. In 2009, the cost of alumina was 61% of its total cost of raw materials.

Green Petroleum Coke and Calcined Coke

Calcined coke, together with pitch, is used to produce the anodes the Company uses in the aluminium smelting process. The Company is one of the few aluminium smelters in the world with an in-house coke calcining plant, which has the capacity to produce approximately 550,000 tonnes of calcined coke annually. The main raw material used in the production of calcined coke is green petroleum coke, which is derived from oil refinery coker units. The Company only imports anode-grade green petroleum coke, meaning that it must have comparatively low levels of sulphur and metals. The Company sources this raw material on a global basis, with the majority coming from Kuwait, China and Brazil. It requires approximately 1.4 tonnes of green petroleum coke to produce one tonne of calcined coke, and it requires 0.4 tonnes of calcined coke to produce one tonne of aluminium.

The size of the Company's calcining plant allows the Company to meet all of its current operational needs and sell surplus output. The Company currently uses approximately 325,000 tonnes of calcined coke in its anode production process annually, while it exports approximately 160,000 tonnes. The over-capacity is sufficient to support the Company's future expansion plans. When operating at its full annual capacity of 550,000 tonnes, the Company's calcining plant requires approximately 770,000 tonnes of green petroleum coke.

Pitch

At present, the Company imports three different blends of pitch for use in its operations, a strategy that allows it to reduce procurement costs. Pitch is a derivative of coal tar, and it is one of the core ingredients in the anodes the Company produces and uses in its aluminium smelter. The Company meets its pitch requirements by sourcing through multiple suppliers on a long-term basis, with the majority of this material being sourced from China, Korea and Europe. It takes approximately 0.08 tonnes of pitch to produce one tonne of aluminium.

Aluminium Fluoride

Aluminium fluoride serves as a solvent in the aluminium smelting industry and, while representing a small proportion of the inputs in the Company's smelting process, it is of critical importance to managing efficient levels of electricity consumption. It is a chemical used in aluminium fluxes, as an electrolyte for the reduction of

aluminium oxide to aluminium metal in the Hall-Herould manufacturing process. The Company has contracts for the supply of approximately 15,000 tonnes of aluminium fluoride annually. 0.0172 tonnes of aluminium fluoride is required to produce one tonne of aluminium.

Given the Company's long-standing, uninterrupted operations in the GCC region, the Company has maintained positive relationships with its aluminium fluoride suppliers. Due to the relatively low consumption of the chemical in the aluminium smelting process, the Company's ability to source aluminium fluoride on competitive market terms has steadily improved as its output has increased.

Property

All of the Company's land and operating facilities are located in the Kingdom of Bahrain, primarily at its industrial site in Askar. As at June 30, 2010, the Company owned parcels of land with an aggregate site area of approximately 1,272,628.1 square meters, and leased parcels of land with an aggregate site area of approximately 1,315,005 square meters. The Company's manufacturing facilities occupy the majority of this land.

The Company's initial three production potlines (Lines 1, 2 and 3) are located on land that the Company purchased from the Government of Bahrain in 1971. Pursuant to the terms of the land purchase agreement, the Company cannot use the land for any purpose other than the operation of an aluminium smelter, nor can the Company dispose of the land without the consent of the Government of Bahrain.

The Company's Line 4 production potline and one of its power stations (Power Station 3) are located on land owned by the Government of Bahrain, but the Company has been granted the right to use this land by the Government of Bahrain. The Company also leases the land housing its largest and most recently installed production potline, Line 5, as well as the additional property in the southern part of the Company's site, from the Government of Bahrain pursuant to leases for periods of 25 and 14 years, respectively. These agreements allow the Company to continue its operations on the land while paying a nominal sum to the Government of Bahrain. See "—Material Contracts—Land Licences and Leases."

In addition to the land the Company uses for its smelting operations, the Company leases additional property from BAPCO free of charge, including the land housing its calciner, pursuant to a 26-year lease that commenced January 1, 1999, as well as land the Company uses for certain on-site transportation routes, pursuant to a 33-year lease that commenced January 1, 1992. The Company also owns or leases the land where a number of its on-site administrative and athletic facilities are housed. See "—Material Contracts—Land Licences and Leases."

Insurance

The Company's operations are subject to numerous operating risks, including, among others, climatic conditions, political unrest, terrorist or similar activities, interruption of power supplies, environmental hazards, technical failures, fires, explosions and other accidents at smelters or other facilities. These risks and hazards could result in damage to the Company's production facilities, personal injury, fatalities, environmental damage, business interruption and possible legal liability.

The Company is required by Bahrain law and its financing agreements to maintain an insurance policy covering an employer's liability for death or injury to workers, which the Company holds through the Bahrain Kuwait Insurance Company, which then places the majority of the insurance in the London market through the Willis Group. The Company's primary reinsurer is FM Global. Its long-standing relationship with Bahrain Kuwait Insurance Company and FM Global has facilitated its operational risk assessments and the gradual improvement in its risk profile. The Company also maintains an insurance policy to cover third-party liability for all of its vehicles and for hazardous objects registered with the authorities in the Kingdom of Bahrain. In addition, the Company holds certain voluntary insurance policies, including coverage for its property, business interruption, marine cargo and products liability.

Employees

As at June 30, 2010, the Company employed 2,706 full-time equivalent employees. The following table sets forth the aggregate number of people employed by each of its departments.

Breakdown of Employees by Department

Department	Bahraini Nationals	Expatriates	Total
Chief Executive	47	13	60
Administration	192	26	218
Calciner & Carbon	455	105	560
Cast House	377	38	415
Finance	21	4	25
Marketing	37	2	39
Metal Production	930	64	994
Power	180	74	254
Sourcing	118	23	141
Total	2,357	349	2,706

In addition to the employees listed in the table above, the Company employs a number of contractors for a variety of temporary projects. Currently, the Company is employing approximately 900 contractors.

In accordance with the Government's policy to support employment opportunities for the domestic workforce, 87% of the Company's employees are citizens of the Kingdom of Bahrain. The Company has been a consistent partner in implementing the Government's labor reform program aimed at improving the skills and competitiveness of the local workforce. The Company's current annual turnover rate is below 1%.

The Company bases its remuneration policies on each individual employee's qualifications and performance, as well as the complexity of his or her job. Wages for each employee are generally reviewed annually and revised in accordance with a performance assessment and local labor market conditions.

For the year ended December 31, 2009, the aggregate compensation, including cash, that the Company paid to the members of its board of directors and to its executive management was BD 0.2 million and BD 2.9 million, respectively, while it paid all of its employees, including executive management, BD 87.7 million, which included BD 15.4 million due to restructuring costs the Company incurred in the second half of 2009. For the same period, the total amount that the Company set aside or accrued to provide retirement or similar benefits, such as leaving indemnities, was BD 0.7 million.

The Company also operates a contributory savings scheme for its Bahraini employees, the Alba Savings and Benefit Scheme ("**ASBS**"). The employees' contributions are deducted from their salaries and the Company makes an additional contribution to each employee's savings. The scheme is established as a trust and is administered by trustees representing the employees and the Company. The trustees manage the risks relating to the scheme's assets by approving the entities in which the scheme can invest and by setting limits for investment in individual entities. The trustees of the ASBS approved a proposal to provide eligible Bahraini national employees, in good standing with the Company, with a one-time opportunity to borrow up to BD 2,250 per employee from the ASBS to fund the purchase of Ordinary Shares in the Limited Offering to Bahraini Citizens. The ASBS trustees applied to purchase 4,177,778 Ordinary Shares in the Offering for the benefit of the ASBS participants.

The Company's board of directors approved an employee stock incentive plan on October 21, 2010 involving the purchase of Ordinary Shares in the Offering, up to an aggregate of 3,000,000 Ordinary Shares, using the Company's own funds. Under the plan, each of its current employees will be granted a fixed sum of Ordinary Shares, currently set at 1,000 Ordinary Shares per employee, contingent upon such employee's continuous employment and good standing with the Company during a three-year vesting period, subject to certain other conditions. The Company will hold such Ordinary Shares purchased in the Offering in treasury until distribution to eligible employees.

The Company's personnel policy governs its relationship with its staff. The Company has invested resources to create a safe and respectful work environment that provides many different benefits to its employees, including access to on-site social and health facilities, pension plans, cultural events and subsidized meals. The Company also assists its employees with career development, further training and programs to promote home ownership.

Health, Safety and Environmental Matters

As with other industrial manufacturing companies involved in metals production, the Company's operations create general health and safety concerns for its workforce as well as hazardous and non-hazardous waste, byproducts and effluent emissions into the atmosphere, water and soil. See "Risk Factors—The Company operates in an industry that gives rise to health, safety and environmental risks." Consequently, the Company is required to comply with a range of health, safety and environmental laws and regulations in the Kingdom of Bahrain. The Company maintains very high standards of local compliance, and the Company regularly monitors and aims to meet international best practices in its industry.

From 1978 to date, the Company has spent approximately US$393 million to ensure compliance with the Kingdom of Bahrain's environmental standards, including the upgrade of its potlines, kiln chimneys and Power Station 3 to make it NOx compliant.

The Company considers health and safety concerns to be fundamentally important to its business. To this end, the Company has formulated a series of health and safety principles, policies and guidelines and established a health and safety management system. The purpose of these initiatives is to minimize any harm caused to employees in all aspects of its production activities. In addition, the Company has engaged outside consultants and auditors to assist in the development and installation of its safety policies, programs, standards, practices and procedures, and also to audit its occupational health and safety management system performance. In May 2010, Det Norske Veritas certified that the health and safety management system of its smelter complies with Occupational Health and Safety Specification (OHSAS) 18001. The Company's production facilities comply with the Environmental ISO 14001 standards and for the last four years, the Company has received the Gold Award from the UK-based Royal Society for the Prevention of Accidents.

Health and safety is an ongoing process and the programs covering each area are updated and improved upon continuously. In the event of an injury or accident, an investigation is carried out to determine causation and corrective action. The Company uses the industry metric LTIFR to gauge internal safety performance and to benchmark its performance against peers or manufacturing businesses in alternative industries. The Company calculates LTIFR as a sum of fatalities and lost time injuries per 1,000,000 hours worked, which is the method used by most of its competitors and by data-gathering agencies for the aluminium industry. In 2009, the Company's LTIFR decreased to 1.04 compared to a level of 1.14 in 2008, which were below the LTIFR of 1.60 per 1,000,000 hours worked reported by the International Aluminium Institute in Safety Performance Benchmarking Report 2008 for the industry as a whole for 2006-2008.

The Company is required to comply with a number of Bahrain environmental laws and regulations. Its smelter and other facilities are subject to statutory limits on air emissions and the discharge of liquids and other substances. In accordance with the relevant Bahrain laws and regulations, the authorities in the Kingdom of Bahrain may permit its facilities to exceed statutory emission limits during planned by-passes of its operational equipment as a result of planned shut downs, provided that the Company notify the authorities in advance and report emission levels before and during by-passes.

The Company has not been fined as a result of non-compliance with restrictions on emissions. The Company expects to continue to comply with the existing laws and regulations on emission levels and maintain its emission levels below the statutory limits for both gaseous and particulates emissions.

Technology

The Company makes regular investments in and improvements to the technology the Company uses in its administration and operations. These efforts have largely been focused on achieving additional production capacity and reaching a greater level of efficiency.

The Company has a dedicated research and development team that identifies areas for potential operational improvement and presents its management with proposals for new technological or process-related modifications. Over the course of the past four decades, the Company has successfully integrated new operational technologies in the aluminium sector, most recently by acquiring licenses for and constructing new production potlines Lines 4 and 5 that utilize the AP30 technology.

Cast House 3 is fully automated and is one of the world's largest extrusion billet production cast houses. The Company uses the Wagstaff and Hertwich technology in Cast House 3, which is generally considered best in class in terms of extrusion billet casting technology.

Material Contracts

Quota Agreement

On September 3, 1990, the Company entered into a Quota Agreement with its shareholders at that time: the Government of Bahrain, Saudi Public Investments Fund, Breton (and Breton's guarantor, Eckart-Werke Standard-Bronzepulver-Werke Carl Eckart GmbH & Co.). The Quota Agreement expires on June 30, 2019. Under the terms of the Quota Agreement, the Company is entitled and required to sell, and its shareholders are entitled and required to purchase, its aluminium production in proportion to their percentage ownership of the Company's issued share capital at a specified price, which is based on a specified margin that may include a premium over or discount on, as determined by the Company's board of directors, the aggregate cost of raw materials and operating costs, financing fees, loan repayments and charges for any discounts, fixed assets, royalties, capital expenditure and dividends. In 1999, two of the Company's shareholders at the time, the Government of Bahrain and PIF, authorized the Company to market their respective quotas of aluminium, while the Company's former third shareholder, Breton, continued to take its quota of aluminium from the Company directly. Such marketing was done through ALMA, which was an unregistered joint venture between the Government of Bahrain and PIF. This arrangement continued until December 31, 2007, even after the transfer of all of their respective shares by PIF to SIIC in 2003, and the Government of Bahrain to Mumtalakat in 2006.

On July 29, 2003, the Quota Agreement was amended to reflect the change in the Company's shareholders, whereby SIIC replaced PIF and ECKA Granulate GMBH & Co. KG replaced Breton's previous guarantor. In addition, by operation of the Royal Decree No. 64/2006 of the Kingdom of Bahrain, the Government of Bahrain transferred its ownership of the Company's issued share capital, and therefore its rights under the Quota Agreement, to Mumtalakat.

Until December 31, 2007, ALMA marketed Mumtalakat's and SIIC's quota of aluminium, while Breton continued to purchase its quota of aluminium from the Company. In 2007, in a step motivated by economic reforms in the Kingdom of Bahrain and to further commercialize the Company's operations, its shareholders and board of directors approved the full integration of ALMA's activities into the Company's operations. Consequently, the Company acquired all of ALMA's assets and liabilities at their book values as of December 31, 2007 and integrated ALMA's operations with the Company's operations, and the Company began marketing and selling Mumtalakat's and SIIC's (but not Breton's) shares of production on its own behalf. Since January 1, 2008, neither Mumtalakat nor SIIC has exercised its rights under the Quota Agreement. See "Risk Factors—The Quota Agreement restricts the Company's ability to sell aluminium to third-party buyers." Breton continued to purchase its quota of aluminium from the Company until December 31, 2008, but from 2009, it authorized the Company to sell its quota of aluminium to third-party buyers.

On April 15, 2010, the Company repurchased its shares owned by Breton and held them as treasury shares. Thereafter, in September 2010 the Company approved the distribution of the treasury shares as a stock dividend to Mumtalakat and SIIC in proportion to their respective shareholding of the Company's shares. The shares are scheduled to be distributed promptly following the conversion of the Company into a public joint stock company.

On May 25, 2010, Mumtalakat signed a side letter whereby it irrevocably and unconditionally waived its rights under the Quota Agreement to require the Company to sell its quota of aluminium to Mumtalakat. In accordance with the terms of the Quota Agreement, Mumtalakat remains under the obligation to purchase its quota of aluminium should the Company elect to sell it to Mumtalakat. Consequently, as of the date of this offering memorandum, the Company is no longer under an obligation to sell any part of its production to Mumtalakat, although SIIC has not signed a waiver of any of its rights under the Quota Agreement. As a result, the Company is free to sell 77.0% of its production to third-party buyers on commercial terms.

For more information about risks related to the Quota Agreement, see "Risk Factors—The Quota Agreement restricts the Company's ability to sell aluminium to third-party buyers."

BAPCO Natural Gas Supply Contract

The Company has a natural gas supply contract in place with BAPCO (a successor of the Bahrain National Oil Company), dated April 27, 1988, as subsequently amended on December 12, 1992 and further amended on September 25, 2002. As per the terms of the contract, the Company purchases natural gas supplied by BAPCO's reserves located both in the Khuff gas field adjoining its site and other domestic sources.

The current term of the contract expires on June 30, 2013. This contract has an incremental pricing mechanism whereby the price the Company pays for gas supplied increases every 12 months until it reaches a

specified maximum price, which would then remain the applicable price until expiration of the contract. The terms and conditions of natural gas supply are set by NOGA, which apply to all commercial gas consumers in Bahrain, including the Company. According to NOGA, the natural gas price that it charged consumers in Bahrain increased to US$1.10 per MBTU in 2007 and will continue to increase in increments of US$0.10 per year. By this formula, the price is expected to increase to US$1.50 per MBTU in 2011, and the Bahraini Ministry of Oil & Gas Affairs has indicated that NOGA plans to make further adjustments to the natural gas price in Bahrain after 2011. There is an option to extend the term of the contract until June 30, 2019 if BAPCO is able to access additional sources of natural gas, in which case a form of price escalation mechanism would likely set the price the Company would pay BAPCO for gas.

The Bahraini Ministry of Oil & Gas Affairs has confirmed that the Company will continue to be supplied with its current level of natural gas by BAPCO until approximately 2024. However, it has indicated that due to resource constraints in the Kingdom of Bahrain, BAPCO may not be able to meet the Company's potential increased demand for natural gas in line with production expansion plans. The Ministry also indicated that an increase in the price of natural gas supply is expected to come into effect after 2011, which will affect all consumers, including the Company, even though the Company's contract stipulates that the price of natural gas shall remain at its current level through June 30, 2013.

For more information about risks related to the BAPCO Natural Gas Supply Contract, see "Risk Factors—The Company's business includes certain transactions with related parties including the Government of Bahrain" and "Risk Factors—The Company's competitive position in the global aluminium industry is highly dependent on continued access to inexpensive and uninterrupted natural gas supply."

Concession Agreement

On October 1, 1968, the Company entered into a Concession Agreement (the "**Concession Agreement**") with the Government of Bahrain, under which the Company was granted a non-exclusive right to construct and operate an aluminium smelter for an initial period of 50 years. Pursuant to this agreement, the Company is required to pay a royalty to the Government of Bahrain, and the amount of such payment is based upon the volume of aluminium produced and sold.

Under the Concession Agreement, the Company was required to pay royalties to the Government of Bahrain at a certain rate until 1981, and at another rate thereafter (which, due to the formula used, would have generated a royalty payment for each year that was the same as, or slightly higher than, the pre-1981 annual royalty payment). From 1981 to 2005, the Company continued to pay the royalty at the original rate. This rate represented 0.65% of the Company's cost of sales for the year ended December 31, 2009 and for the six months ended June 30, 2010, without objection from the Government of Bahrain. However, in 2005 the Company received notice that the Government of Bahrain was seeking to enforce the original royalty payment term of the Concession Agreement with retroactive effect. Its negotiations with the Ministry of Finance concerning the level of royalty are ongoing.

For more information about risks related to the Concession Agreement, see "Risk Factors—The Company's business includes certain transactions with related parties including the Government of Bahrain, which has substantial influence over certain transactions with the Company and its transactions with certain entities under the its control."

Land Licences and Leases

Licence Agreement with the Government of Bahrain for the land housing Line 4 and Power Station 3

The Government of Bahrain has licensed to the Company the use and occupancy of the land bearing the Tabo No. 1985/6322, and Title Deed No. 53280, dated August 19, 1989. This licence is for an unspecified term and the Company is not required to pay any licence fee for using the said land. At present Line 4 and Power Station 3 are located on this land.

Lease Agreement with the Government of Bahrain for the land housing Line 5

On August 8, 2001, the Company entered into a lease with the Government of Bahrain for a period of 25 years to allow the Company to use and occupy certain of its lands for housing Line 5. The Company leases these lands for an annual rent of BD 1.00 for a period of 25 years that commenced on November 1, 2001. The Company intends to renew this lease upon its expiry in October 2026.

Lease Agreement with the Government of Bahrain for the land described as the "South Alba Land"

On August 8, 2004, the Company entered into a lease with the Government of Bahrain for a period of 14 years to allow the Company to use and occupy certain of its lands described as the South Alba Land. The Company leases the South Alba Land for an annual rent of BD 1.00 for a period of 14 years that commenced on August 1, 2004. The Company intends to renew this lease upon its expiry in July 2018.

Lease Agreement with BAPCO for the land housing the Company's Calciner and the land used for certain on-site transportation routes

On January 1, 1999, the Company entered into a lease with BAPCO for a period of 26 years to allow the Company to use and occupy certain of its land for the purposes of constructing its Calciner and for building on-site transportation facilities. As per the lease agreement, the Company can use the said land free of charge for a period of 26 years that commenced on January 1, 1999. The Company intends to renew this lease upon its expiry in December 2025.

LEGAL PROCEEDINGS

The Company is involved as a plaintiff in the following significant on-going legal proceedings:

Alcoa

On February 27, 2008, the Company filed suit in a U.S. Federal District Court against Alcoa, Inc., Alcoa World Alumina LLC and members of its senior management (together, "**Alcoa**"). In the complaint, the Company alleges that Alcoa conspired to bribe certain former members of its senior management and officials of the Government of Bahrain to ensure that Alcoa continued to benefit from its alumina purchases at inflated prices. The Company is seeking damages in excess of US$1 billion, as well as punitive damages, interest, capital costs and fees, for illicit activities that took place from 1993 to 2008.

The U.S. government filed an unopposed motion to intervene and to stay discovery on March 20, 2008, which motion was granted. On March 27, 2008, the Court granted the United States leave to intervene in the matter for the limited purpose of moving for a stay of discovery. The purpose of the order is to allow the United States to conduct a criminal investigation into the allegations without the interference from the ongoing civil litigation. The Company's case is currently suspended pending the conclusion of the U.S. government's investigation.

Sojitz

On December 18, 2009, the Company filed suit in the U.S. Federal District Court for the Southern District of Texas against Sojitz Corporation (Japan) and Sojitz Corporation of America (together, "**Sojitz**"). In the complaint, the Company alleges that Sojitz, one of its former customers, conspired to bribe certain former members of Alba's senior management in order to gain substantial price discounts. The Company is seeking compensatory damages in excess of US$31 million, as well as punitive damages, interest, capital costs and fees, for the illicit activities that took place from 1993 to 2006. On May 27, 2010, the U.S. government filed an unopposed motion to intervene and stay discovery in this case. On June 9, 2010, the Court granted the United States leave to intervene in the matter for the limited purpose of moving for a stay of discovery. The purpose of the order is to allow the United States to conduct a criminal investigation into the allegations without the interference from the ongoing civil litigation. The Company's case is currently suspended pending the conclusion of the U.S. government's investigation.

Other

Except for the proceedings set out above, the Company has not been involved, in the twelve months prior to the date of this offering memorandum, and is not currently involved in any governmental legal or arbitration proceedings which may have or have had in the recent past, significant effects on the Company's financial position or profitability nor, so far as the Company is aware, are any such proceedings pending or threatened against the Company.

RISK FACTORS

An investment in the Ordinary Shares involves a high degree of risk. Potential Investors should carefully consider all the information set forth in this offering memorandum, particularly the risks described below, before making any investment decision to purchase Ordinary Shares in the Offering. If any of the possible events described below occur, the Company's business, financial condition, results of operations or prospects could be materially and adversely affected. The market price of the Ordinary Shares could fall significantly due to any of these risks, and you may lose all or part of your investment. The risks described in this offering memorandum are not the only risks that the Company faces. Additional risk factors not known at present, or that are currently deemed immaterial, may also have a material adverse effect on the Company's business, financial condition, results of operations and future prospects. This offering memorandum also contains forward-looking statements that involve risk and uncertainties. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by the Company described below and elsewhere in this offering memorandum.

Risks Relating to Conversion

No assurance can be given that the Company will be converted into a public joint stock company or that the Ordinary Shares will be listed on the BSE

Under Bahrain law, shares in a closed joint stock company may not be sold in a public offering. In order for a company to convert from a closed joint stock company into a public joint stock company, it must receive approval from the MOIC. In preparation for the Offering, on July 12, 2010, the Company submitted an application to the MOIC for conversion into a public joint stock company. The Memorandum and Articles of Association of the Company were approved by the MOIC on September 5, 2010 and published on September 23, 2010, which started a 60-day no-objection period required under Bahrain law. If any valid objection is made before November 22, 2010, or if for any other reason the final approval for the Company's conversion is not granted by the MOIC, then the Company may not be able to convert. Final approval for the conversion process is expected to be granted by the decision of the MOIC on or around November 23, 2010. Moreover, in accordance with Bahrain law and practice, final approval for listing of the Ordinary Shares will not be granted until after the Ordinary Shares have been allotted and all relevant documents authorizing the issue of the Ordinary Shares are submitted to the BSE. No assurance can be given that the Ordinary Shares will be admitted to listing on the BSE, or that such listing will not be delayed.

Risks Relating to the Aluminium Industry

The cyclical nature of the Company's industry has historically meant that there is significant aluminium price and demand volatility and production overcapacity, which has recently had, and may continue to have, a material adverse effect on the Company's business, financial condition, results of operations and future prospects

The aluminium industry is cyclical, and typically operates with overcapacity. Prices for the Company's products and the raw materials used in the production process are difficult to forecast. The Company benefited from the business cycle in 2005 through 2008, with the average price of aluminium quoted on the LME increasing from US$1,900 per tonne in 2005 to US$2,568 per tonne in 2006, and from US$2,639 per tonne in 2007 to a maximum price of US$3,292 per tonne in mid-July 2008. However, aluminium prices declined precipitously in the second half of 2008, so that the average price for 2008 was US$2,567 per tonne, and prices continued to decline at the beginning of 2009 (with the lowest price of US$1,254 per tonne seen in February 2009), reflecting a significant decrease in demand for aluminium as a result of the global economic downturn. The average price of aluminium quoted on the LME in the first quarter of 2009 was US$1,361 per tonne, which was below the then-prevailing average cost of production of aluminium worldwide. The sharp decline in aluminium prices resulted in significant reductions in aluminium production volumes worldwide.

Although the LME price of aluminium remained at an average of US$1,668 per tonne in 2009, it increased in the first six months of 2010 to an average of US$2,133 per tonne. The timing and extent of price recovery and return to prior price levels cannot be predicted. An eventual rebound in aluminium prices will likely depend on a broad recovery from the current global economic downturn, a normalization of the inventories aluminium producers have retained during the downturn and a more favorable supply-demand balance, although the length and nature of business cycles affecting the aluminium industry have historically been unpredictable.

An unfavorable change in the price of aluminium has had, and could continue to have, a material adverse effect on the Company's business, financial condition, results of operations and future prospects. A sustained fall in the price of aluminium could also adversely affect the Company's ability to meet certain targets and financial covenants under its financing agreements and could, moreover, make its operations unprofitable.

The Company has no control over a number of factors that affect the price of aluminium

The Company does not control a number of factors affecting aluminium prices, such as:

- global and regional economic and political conditions;
- global supply of and demand for bauxite, alumina and aluminium and expectations of future supply and demand;
- decisions by competitors to reactivate idle capacity and build new capacity, particularly within the GCC and China;
- volatility of gas, electricity and, in general, energy costs and supply;
- inventories maintained by the Company's competitors, other aluminium manufacturers, and under contract in the LME warehouses;
- demand for key products for which aluminium is used, such as cars, building products, aircraft, infrastructure and food packaging materials;
- speculative trading in aluminium as a commodity;
- the release of built-up reserves of aluminium commodities that can be used as a substitute for new production of aluminium;
- variations in freight and transport costs with respect to raw materials and finished products;
- the use of new technologies, including technologies that enable commodity substitution or the use of scrap commodities; and
- government regulations and regulatory actions, including tariffs, quotas, customs duties and taxation.

An unfavorable change in any of these factors could have a material adverse effect on the Company's operations. Continued financial weakness among substantial consumers of aluminium products, such as automobile and aircraft manufacturers and building materials suppliers, and persistent weakness in demand for their products, would further exacerbate the negative trend in the current market conditions experienced by the aluminium industry.

The Company operates in an industry that gives rise to health, safety and environmental risks

As with other large aluminium companies, the Company's operations produce emissions and by-products that are hazardous to the environment and are subject to increasingly stringent regulatory oversight in the Kingdom of Bahrain. The Company's smelter is subject to Bahrain's statutory limits on air emissions and the discharge of liquids and other substances. See "Business—Health, Safety and Environmental Matters."

Measures that the Company is required to take in order to comply with environmental regulations could require additional expenditure beyond that anticipated. In the event that the Company incurs any significant additional unbudgeted expenditure or any fines due to non-compliance with environmental regulations, it could have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

In addition, even if the Company were in full compliance with applicable Bahrain health, safety and environmental laws, these requirements may not reflect international best practices in all respects. If the Company does not operate fully in accordance with such best practices, it may be subject to public criticism for its business practices in other countries, despite being in full compliance with local law. Although the Company has been recognized for the quality of its safety record and complies with local safety regulations, worksite accidents have occurred, including a fatal accident involving an employee on October 26, 2010. The Company's exposure to health, safety and environmental risks involved in operating in the aluminium industry may damage its reputation and result in certain customers facing pressure to cease doing business with the Company and/or affect its ability to obtain financing or the cost at which the Company is able to obtain financing.

Risks Relating to the Company's Related Parties, Customers and Suppliers

Mumtalakat may influence the outcome of important decisions relating to the Company's business, and the relationship between Mumtalakat and the Government of Bahrain may require the Company to pursue certain macroeconomic and social objectives, which could have an adverse effect on the Company's financial condition and results of operations

Mumtalakat owns 77.0% of the Company's issued Ordinary Shares as at the date of this offering memorandum and will continue to own 67.0% following the Offering, not including its *pro rata* stock dividend of 2.38% of the Company's share capital scheduled to be distributed promptly following the Company's conversion to a public joint stock company. As a result, Mumtalakat can exercise substantial control in relation to all matters requiring approval of the Company's shareholders, including the election of directors, entering into or approval of related party transactions, significant corporate transactions and the amount and timing of payment of any dividends. The interests of Mumtalakat may differ from the Company's interests or those of its minority shareholders.

The Government of Bahrain is the sole shareholder of Mumtalakat and can exercise control over its policies. As Mumtalakat's controlling shareholder, the Government of Bahrain may pursue certain of its macroeconomic and social objectives through Mumtalakat and its portfolio companies. Bahrain law requires the Government of Bahrain to own all of Mumtalakat's shares, and, so long as it does, the Government of Bahrain will have the power to indirectly control a majority of the members of Mumtalakat's board of directors and, through them, a majority of the Company's board of directors and its policies. As a result, the Company may be obligated to engage in activities that reflect the objectives of the Government of Bahrain rather than the Company's own economic, commercial and business objectives.

The Quota Agreement restricts the Company's ability to sell aluminium to third-party buyers; although the Company has secured a waiver from Mumtalakat (but not SIIC), the enforceability of such waiver is subject to the customary qualifications relating to insolvency and public policy

Under the terms of the Quota Agreement, the Company is entitled and required to sell, and its shareholders are entitled and required to purchase, its aluminium production in proportion to their percentage ownership of its issued share capital at a specified price, which is based on a specified margin that may include a premium over or discount on, as determined by the Company's board of directors, the aggregate cost of raw materials and operating costs, financing fees, loan repayments and charges for any discounts, fixed assets, royalties, capital expenditure and dividends. Until January 1, 2008, ALMA, an unregistered joint venture between Mumtalakat and SIIC, marketed and sold all of Mumtalakat's and SIIC's quotas, representing 97% of the Company's aluminium production, to third-party buyers on their behalf. In order to ensure that Alba operated as a manufacturing company selling its own production, and as a result of a decision by the Company's board of directors effective January 1, 2008, ALMA's operations were integrated within the Company's operations, and the Company began to sell and market Mumtalakat's and SIIC's (but not Breton's) shares of the Company's production on its own behalf. As a result of this integration, the Company now markets and sells all of its aluminium to third parties on commercial terms.

Since the integration of ALMA's operations with the Company's operations, neither Mumtalakat nor SIIC has exercised its right to purchase the aluminium produced by the Company. On May 25, 2010, Mumtalakat agreed irrevocably to waive its right to purchase its quota and release the Company from any corresponding obligation to sell its quota of aluminium to it, while Mumtalakat remains obligated to purchase such quota if the Company elects to sell it to Mumtalakat. Although the Company has received a legal opinion from its Bahrain counsel regarding the enforceability of that agreement against Mumtalakat, the opinion is subject to customary qualifications relating to insolvency and public policy. It cannot be determined with certainty whether that agreement would be enforceable in the courts of Bahrain and/or whether it would be considered to be in accordance with the public policy and laws of the Kingdom of Bahrain.

SIIC has not expressly waived its right to purchase its quota under the Quota Agreement and therefore the Company continues to be under the obligation to sell to SIIC its quota of 20.0% of the Company's total aluminium production as per the terms of the Quota Agreement, in the event that SIIC requires the Company to do so. SIIC has not at any time exercised its right to purchase its quota under the Quota Agreement and to date the Company has received no indication that SIIC plans to exercise such right. However, there is a risk that SIIC may at its sole discretion exercise its right to purchase its quota under the Quota Agreement at any time prior to the expiration of the Quota Agreement on June 30, 2019. The price of such quota, as determined under the terms of the Quota Agreement, may be lower than the prevailing LME price or the price (including any premium) the Company may otherwise obtain for it by means of a third party sale, and this might have an adverse impact on

the Company's revenues and financial position. In addition, any decision by SIIC to exercise its right to purchase its quota may disrupt the Company's arrangements with third party customers and leave it unable to satisfy existing orders or obligations under existing sales contracts. This in turn could have a material adverse effect on the Company's important customer relationships and market reputation, and therefore on its financial condition, results of operations and future prospects.

The Company's business includes certain transactions with related parties including the Government of Bahrain, which has substantial influence over the Company's transactions with certain entities under the Government of Bahrain's control and, as a result, over the Company's cost competitiveness relative to its peers

The Company entered into the Concession Agreement, which granted the Company the right to construct and operate an aluminium smelter, import alumina and sell raw, semi-fabricated or fabricated aluminium in Bahrain or for export. This agreement will expire on September 30, 2018, although the Company intends to renew it upon its expiration. See "Business—Material Contracts—Concession Agreement."

Under the Concession Agreement, since 1981, the Company has been required to pay royalties such that the royalty payable is the greater of the minimum prescribed amount and the amount determined in accordance with a formula linked to the Company's cost of production. From 1981 to 2005, rather than increasing the royalty payments, the Company continued to pay the royalty at the lower original rate. This rate represented 0.65% of the Company's cost of sales for the year ended December 31, 2009 and for the six months ended June 30, 2010, without objection from the Government of Bahrain. However, in 2005 the Company received notice that the Government of Bahrain was seeking to enforce the original royalty payment term of the Concession Agreement with retroactive effect to 1981. Since 2005, the Company has continued to pay the royalty at the lower original rate. The Company's negotiations with the Ministry of Finance concerning the level of royalty are ongoing. If the Company were required by the Government of Bahrain to pay an increased amount of royalty, it could have an adverse impact on the Company's financial condition.

The Company leases, and does not own, a substantial portion of the land it uses for its operations. All of the land that the Company leases is owned by the Government of Bahrain or by entities under its control, and the Company leases these properties at nominal rates. See "Business—Material Contracts—Land Licences and Leases." If the Government of Bahrain were to introduce arm's-length terms in the Company's land leases, the Company could be required to make significantly higher lease payments, which could adversely affect its cost competitiveness as compared to other aluminium producers and have a material adverse effect on the Company's business, financial condition, results of operations and future prospects. See "—Risks Relating to the Company's Access to Factors of Production—The Company's results of operations could be adversely affected by the lack of continued access to below-market land leasing arrangements; an increase in the rental payments could have a material adverse effect on the Company's business, financial condition, results of operations and future prospects."

The Company's power stations are the exclusive source of electricity to meet all the energy needs of its smelter. The Company has an electricity swap arrangement with the Bahrain Electricity and Water Authority through which the Company can access back-up electricity resources in case of a failure of its power stations, but such access is not assured. The fuel for the Company's power stations is exclusively sourced from the natural gas purchased from BAPCO, which is wholly owned by the Government of Bahrain. The terms and conditions of natural gas supply are set by NOGA, which apply to all commercial gas consumers in Bahrain, including the Company. The Company has entered into a supply contract with BAPCO for the supply of natural gas at pre-agreed prices. The Company's contract with BAPCO will expire on June 30, 2013, and BAPCO is not required to secure additional supplies of natural gas to extend the Company's contract. However, if BAPCO is able to secure additional sources of natural gas, then the contract will be extended up to June 30, 2019. If the Company's contract were not extended, there could be no assurance that the Company could find alternative sources of natural gas on commercially acceptable terms or at all. In particular, there is a risk that the Company could be required to pay a significantly higher price for natural gas than the price it currently pays to BAPCO or would pay under its gas supply contract if it is extended until June 30, 2019 on the current terms. Even if the BAPCO natural gas supply contract is extended, the price the Company pays to BAPCO is likely to increase pursuant to some form of escalation mechanism. Any material increase in natural gas prices could have a material adverse effect on the Company's business, financial condition, results of operations and future prospects. See "—Risks Relating to the Company's Access to Factors of Production—The Company's competitive position in the global aluminium industry is highly dependent on continued access to inexpensive and uninterrupted natural gas supply; an increase in the price of gas or interruption in its supply could have a

material adverse effect on the Company's business, financial condition, results of operations and future prospects," "Management's Discussion and Analysis of Financial Condition and Results of Operations—Price of Natural Gas," and "Business—Material Contracts—BAPCO Natural Gas Supply Contract."

The loss of any of the Company's current two largest customers, or its inability to recover the receivables due from one of them, or the long-term loan extended to GARMCO, may have a material adverse effect on its financial condition, results of operations and future prospects

Midal Cables and Gulf Aluminium Rolling Mill Company ("**GARMCO**") are currently the Company's two largest customers, which accounted for approximately 15% and 14%, respectively, of the Company's sales by volume for the year ended December 31, 2009, and 24% and 16%, respectively, for the six months ended June 30, 2010. If the Company were to lose either of these two customers, and if the Company is unable to secure alternate customers with the same demand for the same products, or at all, then it might have an adverse impact on the Company's financial condition and future prospects. In case of loss of either of these customers, the Company would have to shift its production currently allocated to them to standard ingots, which could strain its existing standard ingot production. In addition, such loss could result in the Company's receipt of lower premiums over the LME price of aluminium for the output the Company would have sold to Midal Cables and/or GARMCO. Given that part or all of such large quantities would likely need to be sold into LME warehouses at lower prices, it could have a material adverse effect on the Company's financial condition, results of operations and future prospects.

In 2007, the Company converted the overdue receivable of BD 27.5 million from one of its largest customers, GARMCO, into a long-term receivable that is repayable in ten years. Mumtalakat and SIIC have significant cross-shareholdings in GARMCO, because of which the Company might be unable to act on commercial terms and take steps against GARMCO to recover from them any amounts due to the Company. If the Company were unable to recover the receivables due from GARMCO, then it might have an adverse impact on the Company's financial condition.

The Company relies on third-party suppliers for certain raw materials, and any disruption in its supply chain or failure to renew these contracts may have an adverse impact on the Company's business, financial condition, results of operations and future prospects

The Company relies on third-party suppliers of raw materials for its aluminium manufacturing. Until 2010, the Company relied on a single supplier for all of its alumina, the key raw material for the production of aluminium, but at present the Company sources it from multiple suppliers. In addition, the Company sources green petroleum coke, pitch and aluminium fluoride from suppliers in six different regions.

However, the Company does not have long-term supply contracts for its raw materials. Alumina, green petroleum coke and pitch are sourced under one- to three-year contracts, and aluminium fluoride is sourced under a single-year contract. There is an industry-wide trend of moving from pricing alumina based on a fixed percentage of the LME price of aluminium to a market index, whereby long-term supply contracts are also subject to variable prices that have to be agreed for pre-determined periods specified in the supply contracts. If there is a disruption in the supply of the Company's raw materials, or if the Company is unable to renew any of its supply contracts, then it might have to acquire these raw materials from other suppliers or from the spot markets at less favorable prices, which could adversely affect the Company's business, financial condition, results of operations and future prospects.

Risks Relating to the Company's Access to Factors of Production

The Company's competitive position in the global aluminium industry is highly dependent on continued access to inexpensive and uninterrupted natural gas supply; an increase in the price of natural gas or interruption in its supply could have a material adverse effect on the Company's business, financial condition, results of operations and future prospects

The cost of natural gas, which is the Company's primary source of energy, accounts for a significant portion of its total cost of sales, and, in the year ended December 31, 2009 and in the six months ended June 30, 2010, it represented approximately 10% of the Company's cost of sales for the respective periods. Historically, the Company has benefited from access to competitively priced natural gas from its sole supplier in Bahrain, BAPCO. The Company entered into a long-term contract for the supply of natural gas with BAPCO in April 1988 for a duration of 25 years, scheduled to expire on June 30, 2013, with an option for the Company to extend

the contract to June 30, 2019, but only if BAPCO is able to secure additional supplies of natural gas from external sources, in which case a form of price escalation mechanism would likely set the price the Company would pay BAPCO for gas.

The sources of natural gas available to BAPCO are finite. Under the Company's contract, until June 30, 2013, BAPCO is required to supply natural gas either from its own sources or from external sources. However, after June 30, 2013, BAPCO is under no obligation to supply natural gas unless it is able to secure gas supplies from external sources. While the extension of the Company's gas supply contract is dependent on BAPCO securing supplies from external sources, it does not impose any obligation on BAPCO to secure such supplies. The Bahraini Ministry of Oil & Gas Affairs has confirmed that the Company will continue to be supplied with its current level of natural gas by BAPCO until approximately 2024, although it has indicated that due to resource constraints in the Kingdom of Bahrain, BAPCO may not be able to meet the Company's potential increased demand for natural gas in line with production expansion plans. The Ministry also indicated that an increase in the price of natural gas supply is expected to come into effect after 2011, which will affect all consumers, including the Company, even though the Company's contract stipulates that the price of natural gas shall remain at its current level through June 30, 2013.

If BAPCO is unable to secure additional supplies of natural gas, the Company's gas supply contract will expire on June 30, 2013, and it will have to source gas from other suppliers. While the Company believes it would, in such circumstances, be able to source natural gas from other natural gas suppliers (as natural gas is a commodity traded on a worldwide basis) or, alternatively, seek alternative sources of power (for example, additional electricity from the national grid operated by the Bahrain Electricity and Water Authority), there is a risk that it would have to pay a significantly higher price than it currently pays to BAPCO, or would have paid if its gas supply contract were to be extended until June 30, 2019 on current terms. This would result in a significant increase in the Company's cost of sales.

Any disruption in the supply of natural gas, inability to secure natural gas supplies after June 30, 2013 or material increase in the price of the Company's natural gas supply may lead to an adverse effect on the Company's business, financial condition, results of operations and future prospects. See "—Risks Relating to the Company's Related Parties, Customers and Suppliers—The Company's business includes certain transactions with related parties including the Government of Bahrain, which has substantial influence over the Company's transactions with certain entities under the Government of Bahrain's control and, as a result, over the Company's cost competitiveness relative to its peers."

The Company's business may be affected by shortages of skilled employees, including management teams, and labor cost inflation and increased rates of attrition; and high levels of "Bahrainization" may restrict the Company's ability to access cheaper labor markets and introduce changes intended to optimize its labor costs

Due to the large number of smelters operating within the GCC, the Company, like all other smelters in the region, faces a shortage of skilled labor. As new smelters that have been commissioned in the region, including Emirates Aluminium in Abu Dhabi and Qatalum in Qatar, ramp up production levels, the shortage of skilled labor could become more acute. The Company might face higher than usual levels of attrition, as both new and existing smelters compete for a limited pool of skilled employees, including management teams. Such competition might also lead to higher than usual labor cost inflation, as the Company seeks to retain its skilled work force and experienced management teams.

The Company has achieved high levels of Bahrainization among its skilled and unskilled workers, and over 87% of its permanent workforce consists of Bahraini nationals. As required by law, all of the Company's workers, except for management and executive officers, are unionized. The Company's workers' union is strong and influential, and, as a result, unlike other aluminium smelters in the GCC, the Company may be unable to introduce changes to labor policies and practices with a view to optimizing its labor costs. For instance, in 2007, the pay increase demanded by the Company's workers' union was granted by the management, following a protest by the workers outside its production facilities.

The Company's results of operations could be adversely affected by the lack of continued access to below-market land leasing arrangements; an increase in the rental payments could have a material adverse effect on the Company's business, financial condition, results of operations and future prospects

The Company has a long-term leasing arrangement for the use of land owned by the Government of Bahrain and entities controlled by it involving below-market pricing terms for approximately 50% of the land occupied

by its production facilities and offices. The lease for South Alba Land, the land housing the Company's Calciner and the land housing its Line 5 will each expire in 2018, 2025 and 2026, respectively. See "Business—Material Contracts—Land Licences and Leases." If, at the time of renewal, the Government of Bahrain or the entities controlled by it decide to renegotiate the terms of the leases at market prices, it could have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

The Company benefits significantly from Bahrain's zero per cent corporate tax and low employment levy rates, and exemption from import and export duties, and any changes to its tax position would affect its cost structure

The Company's corporate tax rate has been zero per cent since the Company began operations in 1971, and no part of its importation of raw materials or exportation of finished aluminium products is subject to local import/export duties. This arrangement is based on the Government's express support for local manufacturing. However, there is ongoing debate in Bahrain about the introduction of a corporate tax that will be payable by all companies operating within Bahrain. The laws that currently permit the Company to operate with a zero tax rate and without any local import or export duties could be changed at any time, and corporate taxation could be imposed, which could adversely affect the Company's cost competitiveness as compared to other aluminium producers and could have a materially adverse effect on its financial condition.

In 2007, the Government of Bahrain introduced an employment levy on the salaries of all employees. Currently, this is set at the rate of one per cent, and the amount payable is capped. Although this levy is expected to be deducted from the employees' salary, and therefore not have an impact on the Company's earnings, it has chosen to pay this levy on behalf of its employees. Any future increase in the rate of this employment levy could have an adverse impact on its financial position and future prospects should the Company continue to choose to pay this levy on behalf of the employees or if the Company is required to increase the gross salaries payable to employees such that they continue to receive the same amount of salary net of this levy.

Risks Relating to the Company's Operations

Equipment failures or other difficulties may result in production curtailments or shutdowns

The manufacturing processes of all aluminium producers depend on critical pieces of equipment, which may, on occasion, be put out of service unexpectedly as a result of failures, unplanned maintenance or otherwise. In addition, the business of smelting metals involves a number of other risks and hazards, including fires and explosions.

The occurrence of any of these events could result in production curtailments or shutdowns, reduced sales, increased costs, significant damage to property or the environment, or a need for the Company to incur larger than expected capital expenditure to remedy the situation.

The production of aluminium is highly dependent on the consistent supply of electricity. The Company's smelter is completely dependent on its four power stations for all of its electricity requirements. Two of these power stations are more than 40 years old. Any failure of its two newer stations, which became operational in 1992 and 2005, would require the Company to rely on these older power stations that may not be able to meet the increased demand for power. Further, the electricity swap arrangement for back-up power on demand from the national grid operated by the Bahrain Electricity and Water Authority may not be available to meet the Company's demand when and in the amounts required.

Starting in February 2009, the Company voluntarily reduced power to one of its potlines for 14 months as a protective measure after the failure of one of the Company's rectiformers, which led to a decrease of approximately 25,000 tonnes of aluminium production. In July 2010, the replacement of failed rectiformers was completed, and the Company is again running at full current on Line 4. Although the Company's insurance policies cover business interruption (see "Business—Insurance"), significant events could have a material adverse effect on its business, financial condition and results of operations. In addition, the Company's combined insurance policies may be insufficient to cover all of its potential liability, loss of business or increased costs.

The Company depends on the provision of uninterrupted transportation services for the transportation of raw materials and finished products across significant distances, and the prices for such services (particularly sea transport) could increase

The Company's production of aluminium involves the transportation of raw materials from various locations, often over great distances, and the principal markets for its aluminium products are located in different parts of the world. Sea transport is the Company's principal means of receiving raw materials, mainly alumina,

green petroleum coke and pitch, at its smelter in Bahrain, and also the main distribution channel for the Company's output of finished aluminium products to customers outside Bahrain and the GCC. In particular, the Company uses break bulk vessels to transport finished products to markets in Europe and Asia. A failure in the transportation of raw materials to its smelter, or any delays in deliveries, or any increase in costs arising from the loss of use of its marine terminal, could have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

Oil prices have a significant impact on freight rates, as shipping companies pass on any increase in the price of oil to the customer by increasing the bunker fuel surcharges and this might increase the freight rates materially and add to the Company's transportation costs. While the increase in transportation costs may be passed on to customers, any such passing of costs depends on the prevailing markets conditions. If there is a significant increase in the cost of transportation, the Company might lose customers in Europe and Asia to other smelters producing similar products, geographically closer to its customers. There may also be a time lag between the incurring the increased cost of transportation and recovering the same from the Company's customers, and this might adversely affect its results of operations.

The Company's internal controls may not be as robust as those employed by companies of a similar nature and size that operate in more developed economies

The financial reporting processes, audit processes, internal controls and risk management systems that the Company employs may not be as robust as those that a company of a similar size would employ in a more developed economy. Despite the steps we are taking to further upgrade our internal controls, such as introducing an internal code of conduct for all employees, implemented in 2007, we may not be successful in remedying any material weaknesses or preventing future material weaknesses. This could harm our operating results and cause investors to lose confidence in our reported financial information, which could have a negative effect on the value of the Ordinary Shares. Notwithstanding anything in this paragraph, the risk described should not be taken as implying that the Company will be unable to comply with its obligations as a company with securities admitted to the Official List.

The Company has experienced instances of bribery and corruption as a result of a failure of certain of its internal controls

In the past, instances of bribery and corruption involving the Company's officers have occurred, principally due to failures in the Company's internal controls. For instance, in February 2008, the Company filed suit in a U.S. Federal District Court against Alcoa, one of its suppliers, after the Company's discovery that Alcoa had conspired to bribe certain former members of the Company's senior management and officials of the Government of Bahrain to ensure that Alcoa continued to benefit from the Company's alumina purchases at inflated prices. In addition, in December 2009, the Company filed suit in a U.S. Federal District Court against Sojitz, one of the Company's customers in Asia, after the Company's discovery that it had conspired to bribe certain former members of Alba's senior management in order to gain substantial price discounts. Following the discovery of such instances, the Company has dismissed those officers and pursued legal remedies against those companies. The Company has introduced measures (including an internal code of conduct for all employees, implemented in 2007) to correct the failures in its internal controls and to avoid such instances in the future. However, it is possible that the steps that the Company has taken might prove inadequate to prevent future instances of bribery and corruption, which could have an adverse impact on its reputation and financial condition. Notwithstanding anything in this paragraph, the risk described should not be taken as implying that the Company will be unable to comply with its obligations as a company with securities admitted to the Official List.

The Company has a number of hedging contracts, and has historically experienced significant mark-to-market and realized losses from certain of the Company's derivative positions

In order to hedge the Company's risks related to the fluctuation of the LME price of aluminium, interest rates and exchange rates in relation to its financing of the Line 5 expansion, the Company has entered into hedging contracts in relation to LME metal prices, interest rates and exchange rates. As a part of the Company's commodity-related derivative activities, it had sold call options. Call options are an inherently high risk and speculative hedging strategy, as theoretically there is no limit to the loss that can be incurred under such options. The remaining notional amount of these contracts covered 500,000 tonnes of the Company's production as at December 31, 2009. As a part of these call options, if the price of aluminium exceeds a certain prescribed price per tonne in a particular year, then the Company is required to pay the difference between the market price and the prescribed price. The average prescribed price per tonne of aluminium under the Company's call option

contracts was US$1,676, US$1,846 and US$1,779 for 2008, 2009 and 2010, respectively. These options are cash settled on a monthly basis. Although the Company is no longer entering into any metal hedging contracts, these existing contracts have had a significant impact on its historical results of operations. These metal hedge options relate to 113,000 tonnes for each year covering 2010, 2011 and 2012; 59,000 tonnes each for 2013 and 2014; and 40,000 tonnes for 2015. In 2009, approximately 26% of the Company's total metal production was covered by metal hedging contracts, whereas, for the first half of 2010, this amount has reduced to 13%.

In the year ended December 31, 2009, the Company incurred a loss of BD 66.2 million on the revaluation and settlement of derivatives, principally due to the loss of BD 61.2 million on revaluation and a loss of BD 5.0 million on the settlement of derivatives. In the year ended December 31, 2008, the Company made a net profit of BD 98.4 million on revaluation and settlement of derivatives, principally due to a gain of BD 117.1 million on the revaluation and a loss of BD 18.7 million on the settlement of derivatives. Although the Company generated a profit from its hedging contracts during 2008, such gains were merely a result of reversing the losses that the Company incurred in 2007, when market prices for aluminium were increasing. Given the nature of hedging contracts, the Company cannot predict whether in a particular year the Company will make a profit or incur losses under these contracts. If the Company were to suffer losses under these hedging contracts in the future, then it could have a significant adverse impact on its financial condition.

The Company is exposed to foreign currency fluctuations, which may affect its financial condition

The majority of the Company's costs are denominated in or linked to the U.S. dollar. For the years ended December 31, 2007, 2008 and 2009, and for the six months ended June 30, 2009 and 2010, the Company made Euro-denominated payments amounting to Euro 43.8 million, Euro 103.2 million, Euro 107.6 million, Euro 59.4 million and Euro 58.4 million, respectively. In the year ended December 31, 2009 and the six months ended June 30, 2010, the vast majority of the Company's sales were in U.S. dollars, although the Company generated Euro 33.7 million and Euro 50.6 million in Euro-denominated aluminium sales in those periods, respectively. The Bahrain dinar has been pegged to the U.S. dollar at the rate of US$1.00 to BD 0.376 since 1980. Inflation of the Company's costs in Euros, if not counterbalanced by a corresponding increase in prices for aluminium and related products, could adversely affect the Company's margins. For the year ended 2009, the Company recorded a US$3.59 million (BD 1.35 million) foreign exchange gain, and the Company recorded a foreign exchange loss of US$9.86 million (BD 3.71 million) in the first six months of 2010. If the Government of Bahrain were to float the Bahrain dinar or change the pegged exchange rate with the U.S. dollar, it could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company enters into very limited foreign currency swaps to cover exposure related to the purchase of capital equipment that is not denominated in U.S. dollars or Bahrain dinars to mitigate its foreign currency risk, but there can be no assurance that such hedging will be effective. For more information on the Company's exposure to foreign currency fluctuations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Certain Factors Affecting Results of Operations—Changes in Foreign Currency Exchange Rates" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures About Market Risk—Interest Rate and Foreign Currency Risk."

There is a high level of competition in the GCC aluminium market, and the Company may lose its market share in the GCC as its competitors increase their production levels

Approximately 54% of the Company's aluminium sales by volume in 2009 were to customers in MENA, including 41% to customers in Bahrain, increasing to approximately 70% for the first six months of 2010, making MENA its most important market. Competitive pressure on aluminium producers in the GCC region to secure contracts with regional customers will increase sharply as production ramps up at the new smelters in the region, including, according to CRU Strategies, Emirates Aluminium in Abu Dhabi, with an expected capacity by 2011 of approximately 780,000 tonnes, and Qatalum in Qatar with an expected capacity by 2012 of approximately 597,000 tonnes. Their products include extrusion billets, and their facilities are located close to the Kingdom of Saudi Arabia, the Company's largest export market. As a result of this increased competition, the Company may lose market share, which could adversely affect its business, financial condition, results of operations and future prospects.

The Company's strategy includes growth and expansion of its operations, which are dependent on upgrading existing potlines and building additional potlines, which may not be achieved on time or on budget

In order to continue with the Company's strategy for growth and expansion, the Company must upgrade its existing facilities and build additional potlines. However, this requires significant amounts of capital expenditure.

Therefore, if the Company is unable to access the credit markets and access the funds required to implement its expansion plans, then its growth and expansion plans may be adversely affected and the Company may lose out on opportunities to expand its operations as envisaged, or at all.

Similarly, if the Company's growth and expansion plans overrun the budgeted expenditure or time allocated for commissioning the increased production, then its performance improvement plans might be compromised and the Company could incur additional costs that might have a significant impact on the results of its operations.

The Company does not insure against certain risks, and some of its insurance coverage may be insufficient to cover the actual losses incurred

The Company's operations are subject to numerous operating risks, including, among others, climatic conditions, political unrest, terrorist or similar activities, interruption of power supplies, environmental hazards, technical failures, fires, explosions and other accidents at smelters or other facilities. These risks and hazards could result in damage to the Company's production facilities, personal injury, fatalities, environmental damage, business interruption and possible legal liability.

While the Company maintains insurance policies covering third-party liability for, among other things, hazardous objects on its site registered with Bahraini authorities, the Company maintains only limited insurance against war and terrorism. In case the Company is subject to any incident against which it has limited or no insurance coverage, or if the insurance payments against its insured risks are insufficient to cover the actual loss suffered by the Company, then it might have an adverse impact on its financial condition and results of operations.

Risks Relating to Operating in the Kingdom of Bahrain

The Company's entire production site is located in the Kingdom of Bahrain, and the Ordinary Shares are expected to be listed on the BSE. There are certain risks associated with having all of the Company's operations located in a single emerging market jurisdiction and listing the shares on the BSE, including, but not limited to, those set forth below:

The Kingdom of Bahrain is located in a region that has been subject to political and security concerns

The Kingdom of Bahrain is located in a region that is strategically important and parts of this region have, at times, experienced political instability. Regional wars, such as the Gulf War of 1991, the Iraq War of 2003 and the 2006 conflict in Lebanon, terrorist acts, maritime piracy and other forms of instability in the Middle East and surrounding regions, such as tensions between the United States, Israel and the Islamic Republic of Iran that may or may not directly involve the Kingdom of Bahrain, may have a material adverse effect on the Company's operations. Furthermore, there can be no assurance that all of the governments of the Middle East or the surrounding regions will be successful in maintaining the prevailing levels of domestic order and stability. A deterioration in the political stability of or increasing security concerns in the Middle East or the surrounding regions could have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

Emerging markets are subject to greater risks than more developed markets, and financial turmoil in any country in the GCC could disrupt the Company's business, as well as cause the price of its Ordinary Shares to decrease

Generally, investments in emerging markets are only suitable for sophisticated investors who fully appreciate, and are familiar with, the significance of the risks involved in investing in emerging markets. Investors should also note that economic conditions in emerging markets such as Bahrain may be subject to rapid change, and the information set forth in this offering memorandum may become outdated relatively quickly. Moreover, financial turmoil in any country in the GCC tends to adversely affect prices in equity markets in other countries in the GCC as investors move their money to more stable, developed markets. In addition, during such times, manufacturers that operate in countries in the GCC can face severe liquidity constraints as foreign funding sources are withdrawn or become unavailable. Thus, even if the Bahrain economy remains relatively stable, financial turmoil in any country in the GCC could adversely affect the performance of equities traded on the BSE and result in a decrease in the price of the Ordinary Shares.

The legislative system in the Kingdom of Bahrain was recently modified, and the domestic legal system and legislation may differ from those with which certain investors may be familiar

Bahrain's bicameral National Assembly was established in 2002, the same year that a new constitution was introduced. The legal system and legislation of the Kingdom of Bahrain are different from the systems and laws

common in Western democracies. The country is still developing further the legal framework and commercial laws required by a market economy. The courts of the Kingdom of Bahrain are not required to enforce foreign judgments in all instances, except where there is a bilateral or multilateral convention in place providing for the recognition of judgments from certain specified jurisdictions, such as those in the GCC and Arab League member countries. Any disruption or reversal of the reform policies or occurrence of political or governmental instability or conflicts with powerful economic groups could have a material adverse effect on the Company and the value of investments in Bahrain, including the Ordinary Shares. In addition, the relative inexperience of certain members of the judiciary and the difficulty of enforcing court decisions and governmental discretion in bringing, joining and enforcing claims could prevent the Company or investors in the Ordinary Shares from obtaining effective redress in a court proceeding, including in respect of expropriation or nationalization. These factors could have a material adverse effect on the Company and on the value of the Ordinary Shares.

Companies operating in the Kingdom of Bahrain have not historically been subject to formal corporate governance rules, and therefore the regulatory authorities may require time to effectively implement the new Corporate Governance Code

Formal corporate governance standards are new to the Kingdom of Bahrain. In general, they are not of the same standard as corporate governance standards in Western European countries or in the United States and may provide less protection for Investors. A National Steering Committee on Corporate Government was established in 2006 to create the nation's first corporate governance code, the Corporate Governance Code of the Kingdom of Bahrain (the "**Corporate Governance Code**"), which was released in draft form in May 2008. The Corporate Governance Code sets out certain principles and directives that apply to all public companies, and the directives will only become mandatory for all public companies beginning on January 1, 2011. To date, there have been no instances of monitoring compliance with the Corporate Governance Code, and it is therefore not possible to assess its utility in ensuring robust corporate governance standards among Bahraini public companies.

Changes in laws or regulations, or a failure to comply with any laws or regulations, may adversely affect the Company's business

The Company is subject to Bahraini laws and regulations. Such laws and regulations may relate to licensing requirements, environmental obligations, health and safety obligations and a range of other requirements. Compliance with, and monitoring of, applicable laws and regulations may be difficult, time consuming and costly. Those laws and regulations and their interpretation and application may also change from time to time and those changes could have a material adverse effect on the Company's business, financial condition, results of operations and future prospects. In addition, a failure to comply with applicable laws or regulations could also have an adverse effect on the Company's business, financial condition, results of operations and future prospects.

Risks Relating to the Offering and the Ordinary Shares.

There has been no prior public trading market for the Ordinary Shares, and an active trading market may not develop or be sustained in the future

The Ordinary Shares have not previously been listed, and, prior to the Offering, there has been no public market for the Ordinary Shares. The Offering Price offered to the public for the Ordinary Shares is the result of discussions between the Selling Shareholder and the Managers. The Offering Price that the Selling Shareholder and the Managers establish should not be viewed as any indication of the price that will prevail in the trading market. The market price for the Ordinary Shares may decline below the Offering Price. The Company has applied to list and allow dealings in the Ordinary Shares on the BSE. However, a listing on the BSE does not guarantee that an active and liquid trading market for the Ordinary Shares will develop or be sustained following the Offering or at any time in the future, and there may be instances when there is no trading of the Ordinary Shares.

The sale or availability for sale of substantial amounts of the Ordinary Shares or GDRs could adversely affect the trading prices of the Ordinary Shares

In connection with the GDR Offering, Mumtalakat and the Company have entered into an agreement with GIB and J.P. Morgan that they will not issue, offer, sell, contract the sale, or otherwise dispose of, until 180 days after the closing date of the GDR Offering, any of the Ordinary Shares or GDRs, or any options or warrants regarding the Ordinary Shares or GDRs, or any securities convertible into, or exchangeable for, the Ordinary Shares or representing a right to receive the Ordinary Shares or GDRs. After the expiration of this

period, such Ordinary Shares will be eligible for sale in the public market. Sales of a substantial amount of the Ordinary Shares or GDRs, or securities exercisable into or exchangeable for the Ordinary Shares or GDRs, if any, in the public market after the completion of the Offering, or the perception that these sales could occur, could adversely affect the market price of the Ordinary Shares, and could materially impair the Company's future ability to raise capital through offerings of the Ordinary Shares or GDRs or securities relating to the Ordinary Shares or GDRs.

Holders of the Ordinary Shares may not receive any dividends

The Company's ability to declare dividends in relation to the Ordinary Shares will depend on its future financial performance which, in turn, depends on the successful implementation of the Company's strategy and on competitive, regulatory, technical, environmental and other factors, general economic conditions, demand and selling prices for the Company's products and other factors specific to the aluminium industry, which may be beyond the Company's control.

According to the Company's Memorandum and Articles of Association, holders of the Ordinary Shares may receive dividends if such payments are declared and agreed in a resolution passed at the ordinary general meeting of the shareholders. The amount of dividends that the Company may pay its shareholders, if any, may be limited by the requirement that the Company retains certain portions of its net profits as reserves. Additionally, there may be years in which an ordinary general meeting of the shareholders may resolve to not declare any dividends. In such a case the shareholders shall not receive any dividends, and shall have no right to claim any dividends from the Company. See "Dividend Policy and Cash Distributions" and "Description of Share Capital."

The liquidity and market prices of the Ordinary Shares following the Offering may be volatile

There is currently no market for the Ordinary Shares. Following the Offering, the price and trading volume of the Ordinary Shares may be highly volatile. The market prices of the Ordinary Shares may fluctuate substantially in response to, among others, the following factors:

- perceived prospects for the Company's business and operations and for the aluminium industry in general;
- differences between the Company's actual financial and operating results and those expected by investors and analysts;
- changes in securities analysts' recommendations or perceptions;
- announcements of technological innovations by the Company or its competitors;
- investors' perception of the Company and the international investment environment;
- changes in pricing made by the Company, its competitors or providers of alternative products or services;
- the depth and liquidity of the market for the Ordinary Shares;
- broad stock market price fluctuations; and
- general macroeconomic and other factors.

Such factors may substantially limit the capacity of holders of Ordinary Shares to sell at the price and time that they want to sell them, and this may negatively affect the market price of the Ordinary Shares. The initial price per Ordinary Share in the Offering may differ from the prices that will prevail in the market after the completion of the Offering.

USE OF PROCEEDS

The net proceeds from the Offering will be received by the Selling Shareholder. The total expenses in relation to the Global Offering are expected to amount to approximately US$11.4 million (approximately BD 4.3 million) for which the Selling Shareholder shall be solely responsible, except for approximately US$0.3 million (approximately BD 0.1 million) in accounting related fees for which the Company shall be responsible. The Company will not be receiving any part of the proceeds from this Offering.

The principal reasons for the Global Offering include the Selling Shareholder's interest in expanding the shareholder base in the Company to include Bahraini, regional and international investors. In addition, the Selling Shareholder seeks to diversify its portfolio through a combination of disposals of existing assets and investments in new asset classes. As at December 31, 2009, a substantial majority of the Selling Shareholder's portfolio companies were based in the Kingdom of Bahrain or within the GCC. In addition, given its significant stakes in several large companies, the Selling Shareholder is particularly exposed to certain sectors such as aluminium, real estate, telecommunications and financial services. A fundamental element of the Selling Shareholder's strategy with respect to its portfolio is to diversify its exposures across geographies, asset classes and sectors. Geographically, the Selling Shareholder's long-term objective is to build a portfolio consisting of approximately 50% of international assets, with the remaining 50% spread across a variety of investments in the Kingdom of Bahrain and the MENA region. The Selling Shareholder will also expand into other asset classes, including more liquid and less correlated asset categories, to complement its existing portfolio of longer term regional equity investments. The net proceeds from the Offering will be used by the Selling Shareholder primarily to provide initial funding to establish its broader international portfolio outside the MENA region, implement its strategic asset allocation and support its new investment activities.

SELECTED HISTORICAL FINANCIAL AND OTHER INFORMATION

Selected Historical Financial and Other Information for the Years Ended December 31, 2007, 2008 and 2009

The Company's financial statements as at December 31, 2008 and 2009 and for the years then ended and the combined financial statements of Alba and ALMA as at December 31, 2007 and for the year then ended and the independent auditors reports thereon are included elsewhere in this offering memorandum on pages F-30 to F-117.

The following tables set forth selected historical financial and other information, including statement of financial position data, statement of comprehensive income data, statement of cash flows data, key operating and other financial data as at and for the years ended December 31, 2007, 2008 and 2009. The selected statement of financial position, statement of comprehensive income and statement of cash flows data as at and for the years ended December 31, 2008 and 2009 are derived from the Company's audited financial statements as at and for the years ended December 31, 2008 and 2009, prepared in accordance with IFRS. The statement of financial position, statement of comprehensive income and statement of cash flows data as at and for the year ended December 31, 2007 are derived from the audited combined financial statements of Alba and ALMA as at and for the year ended December 31, 2007, prepared in accordance with IFRS, except that they have been prepared on a combined basis and therefore do not comply with IAS 27 (*Consolidated and Separate Financial Statements*).

ERNST & YOUNG

P.O. Box 140
14th Floor - The Tower
Bahrain Commercial Complex
Manama, Kingdom of Bahrain
Tex: +973 1753 5455 Fax: +973 1753 5405
manama@bh.ey.com
www.ey.com/me
C.R. No. 6700

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF ALUMINIUM BAHRAIN B.S.C. (c)

We have audited the financial statements of Aluminium Bahrain B.S.C. (c) ("the Company") for the years ended 31 December 2008 and 31 December 2009 ("the financial years") from which the accompanying summarised financial information comprising the statements of financial position, comprehensive income, cash flows and changes in equity data listed out in pages 49 to 52 to the Offering Memorandum was derived, in accordance with International Standards on Auditing. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). In our reports dated 25 March 2009 and 31 March 2010, we expressed unqualified opinions on the Company's financial statements from which the summarised financial information was derived.

We have also audited the financial statements of Aluminium Bahrain B.S.C. (c) and ALBA Marketing (ALMA) for the year ended 31 December 2007, which were prepared in accordance with IFRS. In our reports dated 25 March 2008, we expressed unqualified opinions on those financial statements. We have also audited the combined financial statements of the Company and ALBA Marketing ("the Entities") for the year ended 31 December 2007 in accordance with International Standards on Auditing. The combined financial statements were prepared in accordance with the basis of preparation set out in note 2 to the combined financial statements and solely for the purpose of inclusion in the Offering Memorandum of Aluminium Bahrain B.S.C. (c) in connection with the proposed offering of the Company's shares and the Prospectus for the offering of Global Depositary Receipts. These combined financial statements have been prepared in accordance with IFRS, except that they have been prepared on a combined basis and therefore, do not comply with International Accounting Standard (IAS) 27 "*Consolidated and Separate Financial Statements"*. In our special purpose audit report dated 1 September 2010, we expressed an unqualified opinion on the combined financial statements from which the summarised financial information for the year 2007 was derived.

In our opinion, the summarised financial information comprising the statements of financial position, comprehensive income, cash flows and changes in equity data listed out in pages 49 to 52 to the Offering Memorandum is consistent, in all material respects, with the financial statements from which it was derived.

For a better understanding of the Company's financial statements and the results of its operations for the financial years and of the scope of our audits, the summarised financial information should be read in conjunction with the financial statements from which the summarised financial information was derived and our audit reports thereon.

For a better understanding of the combined financial statements of the Company and ALBA Marketing for the year ended 31 December 2007 and of the scope of our audit, the summarised financial information should be read in conjunction with the combined financial statements from which the summarised financial information was derived and our special purpose audit report thereon.

This special purpose report has been prepared for the purpose of inclusion in the Offering Memorandum of Aluminium Bahrain B.S.C. (c) in connection with the proposed offering of the Company's shares.

Ernst & Young

9 November 2010
Manama, Kingdom of Bahrain

The financial data set forth below is not a presentation of complete financial statements and should be read in conjunction with, and are qualified in their entirety by reference to, the financial statements and related notes included elsewhere in this offering memorandum, "Presentation of Financial and Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Statement of Financial Position Data

	As of December 31,			
	2007[1]	2008	2009	2009[2]
	(in thousands of BD, unless otherwise indicated)			
ASSETS				
Non-current assets				
Property, plant and equipment	1,129,005	1,089,723	1,043,023	US$ 2,773,997
Derivative financial instruments	736	—	—	—
Long-term receivables	27,506	24,068	20,630	US$ 54,867
	1,157,247	1,113,791	1,063,653	US$ 2,828,864
Current assets				
Inventories	150,245	226,985	168,111	US$ 447,104
Current portion of long-term receivable	—	3,438	3,438	US$ 9,143
Accounts receivable and prepayments	169,349	124,859	92,215	US$ 245,253
Amounts due from a shareholder	—	1,925	748	US$ 1,989
Derivative financial instruments	105	—	16,395	US$ 43,604
Bank balances and cash	59,692	46,452	46,357	US$ 123,290
	379,391	403,659	327,264	US$ 870,383
TOTAL ASSETS	1,536,638	1,517,450	1,390,917	US$ 3,699,247
EQUITY AND LIABILITIES				
Equity				
Share capital	142,000	142,000	142,000	US$ 377,660
Statutory reserve	25,450	54,807	54,807	US$ 145,763
Capital reserve	249	249	249	US$ 662
Contributions from shareholders	89,334	—	75,954	US$ 202,005
Retained earnings	199,135	463,351	380,675	US$ 1,012,434
Total equity	456,168	660,407	653,685	US$ 1,738,524
Non-current liabilities				
Borrowings	455,842	370,125	295,923	US$ 787,029
Derivative financial instruments	204,989	83,118	129,438	US$ 344,250
Employees' end of service benefits	604	926	991	US$ 2,636
	661,435	454,169	426,352	US$ 1,133,915
Current liabilities				
Borrowings	171,278	156,911	160,684	US$ 427,351
Short term loans	7,632	11,816	8,823	US$ 23,465
Accounts payable and accruals	89,488	125,167	97,991	US$ 260,614
Derivative financial instruments	150,637	12,132	43,382	US$ 115,378
Amounts due to shareholders	—	96,848	—	—
	419,035	402,874	310,880	US$ 826,808
Total liabilities	1,080,470	857,043	737,232	US$ 1,960,723
TOTAL EQUITY AND LIABILITIES	1,536,638	1,517,450	1,390,917	US$ 3,699,247

[1] Financial data for 2007 is extracted from the audited combined financial statements for ALMA and Alba. ALMA's assets and liabilities were acquired by Alba effective January 1, 2008. Financial data for 2007 was prepared on a different basis from financial data provided in this table for 2008 and 2009. See "Presentation of Financial and Other Information."

[2] For convenience, certain financial data has been presented in U.S. dollars, converted at the exchange rate of US$1.00 = BD 0.376. Amounts in this table in U.S. dollars are translated amounts and have not been extracted from the financial statements. All financial data in U.S. dollars are in thousands of U.S. dollars.

Statement of Comprehensive Income Data

	For the years ended December 31,				
	2007[1]	2008	2009	2009[2]	
	(in thousands of BD, unless otherwise indicated)				
Sales to customers	923,954	884,268	581,786	US$	1,547,303
Sales to a shareholder	16,198	20,895	748	US$	1,989
Total sales	940,152	905,163	582,534	US$	1,549,292
Cost of sales	(562,300)	(640,424)	(538,121)	US$	(1,431,173)
GROSS PROFIT	**377,852**	**264,739**	**44,413**	**US$**	**118,119**
Other income	7,696	4,766	4,213	US$	11,205
Selling and distribution expenses	(23,364)	(22,699)	(11,908)	US$	(31,670)
General and administrative expenses	(16,245)	(20,534)	(24,024)	US$	(63,894)
Finance costs	(42,382)	(26,171)	(23,385)	US$	(62,194)
Directors' fees	(188)	(124)	(161)	US$	(428)
Write-off of property plant and equipment	(4,955)	—	(6,980)	US$	(18,564)
Gain (loss) on exchange	511	(4,796)	1,349	US$	3,588
PROFIT (LOSS) FOR THE YEAR BEFORE DERIVATIVES	**298,925**	**195,181**	**(16,483)**	**US$**	**(43,838)**
Fair value (loss) gain on revaluation/ settlement of derivatives (net)	(62,020)	98,392	(66,193)	US$	(176,045)
PROFIT (LOSS) FOR THE YEAR	**236,905**	**293,573**	**(82,676)**	**US$**	**(219,883)**
Other comprehensive income (expense)					
Net movement in the cash flow hedge	(11,247)	—	—		—
Total comprehensive income (loss) for the year	**225,658**	**293,573**	**(82,676)**	**US$**	**(219,883)**

[1] Financial data for 2007 is extracted from the audited combined financial statements for ALMA and Alba. ALMA's assets and liabilities were acquired by Alba effective January 1, 2008. Financial data for 2007 was prepared on a different basis from financial data provided in this table for 2008 and 2009. See "Presentation of Financial and Other Information."

[2] For convenience, certain financial data has been presented in U.S. dollars, converted at the exchange rate of US$1.00 = BD 0.376. Amounts in this table in U.S. dollars are translated amounts and have not been extracted from the financial statements. All financial data in U.S. dollars are in thousands of U.S. dollars.

Statement of Cash Flows Data

	For the year ended December 31,				
	2007[1]	2008	2009	2009[2]	
	(In thousands of BD, unless otherwise indicated)				
OPERATING ACTIVITIES					
Profit (loss) for the year	236,905	293,573	(82,676)	US$	(219,883)
Adjustments for:					
Depreciation	69,470	72,793	74,480	US$	198,085
Provision for employees' end of service benefits	690	894	656	US$	1,745
Provision for doubtful debts	2,079	—	—		—
(Gain) loss on revaluation of derivatives	(48,644)	(117,083)	61,175	US$	162,699
Realized Cash Flow Hedge Reserve	(49,448)	—	—		—
Loss on disposal of property, plant and equipment	(3,887)	3,431	427	US$	1,136
Write off of property, plant and equipment—net book value	4,955	973	6,980	US$	18,564
Interest income	(5,465)	(2,647)	(1,148)	US$	(3,053)
Finance costs	42,382	25,767	22,734	US$	60,463
Operating surplus before working capital changes	249,037	277,701	82,628	US$	219,756
Working capital changes:					
Inventories	3,844	(72,381)	58,874	US$	156,580
Accounts receivable and prepayments	2,414	43,986	32,644	US$	86,819
Amounts due from a shareholder		(1,134)	1,177	US$	3,130
Accounts payable and accruals	16,327	38,610	(25,296)	US$	(67,277)
Cash from operations	271,622	286,782	150,027	US$	399,008
Employees' end-of-service benefits paid	(692)	(572)	(591)	US$	(1,572)
Net cash flows from operating activities	**270,930**	**286,210**	**149,436**	**US$**	**397,436**
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(26,473)	(38,736)	(35,342)	US$	(93,995)
Proceeds from disposal of property, plant and equipment	4,323	821	155	US$	412
Interest received	5,465	2,647	1,148	US$	3,053
Net cash flows used in investing activities	**(16,685)**	**(35,268)**	**(34,039)**	**US$**	**(90,530)**
FINANCING ACTIVITIES					
Repayment of long-term receivable		—	3,438	US$	9,144
Borrowings availed	241,376	184,654	195,446	US$	519,803
Borrowings repaid	(317,561)	(284,738)	(265,875)	US$	(707,114)
Short term loans	(6,427)	4,184	(2,993)	US$	(7,960)
Finance costs paid	(47,168)	(28,698)	(24,614)	US$	(65,463)
Margin deposits	17,682	24,139	—		—
Bank balances transferred by shareholders		24,801	—		—
Movements in amounts due to shareholders	(127,840)	(139,584)	(20,894)	US$	(55,569)
Net cash flows used in financing activities	**(239,938)**	**(215,242)**	**(115,492)**	**US$**	**(307,159)**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,307	35,700	(95)	US$	(253)
Cash and cash equivalents at January 1	**21,246**	**10,752[3]**	**46,452**	**US$**	**123,543**
CASH AND CASH EQUIVALENTS AT DECEMBER 31	**35,553**	**46,452**	**46,357**	**US$**	**123,290**

1 Financial data for 2007 is extracted from the audited combined financial statements for ALMA and Alba. ALMA's assets and liabilities were acquired by Alba effective January 1, 2008. Financial data for 2007 was prepared on a different basis from financial data provided in this table for 2008 and 2009. See "Presentation of Financial and Other Information."

2 For convenience, certain financial data has been presented in U.S. dollars, converted at the exchange rate of US$1.00 = BD 0.376. Amounts in this table in U.S. dollars are translated amounts and have not been extracted from the financial statements. All financial data in U.S. dollars are in thousands of U.S. dollars.

3 Cash and cash equivalents as of December 31, 2007 in the combined statement of cash flows for the year ended December 31, 2007 comprises BD 10,752 thousand relating to Alba and BD 24,801 thousand relating to ALMA. Cash and cash equivalents of ALMA of BD 24,801 thousand was transferred to Alba as at January 1, 2008 and was disclosed as Bank balances transferred by shareholders to Alba under Financing activities, in the statement of cash flows for the year ended December 31, 2008. As a result, the cash and equivalents as at January 1, 2008 in the statement of cash flows for the year ended December 31, 2008 excludes BD 24,801 thousand.

Statement of Changes in Equity

	Share capital	Treasury Shares	Statutory reserve	Capital reserve	Cash flow hedge reserve	Contributions from shareholders	Retained earnings	Amount due (from) to principal shareholders[1]	Total
	(thousands of BD, or thousands of US$ where indicated)								
Year ended December 31, 2009 (BD)									
Balance at December 31, 2008	142,000	—	54,807	249	—	—	463,351	—	660,407
Transfer from amount due to shareholders	—	—	—	—	—	75,954	—	—	75,954
Total comprehensive loss for the year	—	—	—	—	—	—	(82,676)	—	(82,676)
Balance at December 31, 2009	**142,000**	**—**	**54,807**	**249**	**—**	**75,954**	**380,675**	**—**	**653,685**
Year ended December 31, 2009 (US$)									
Balance at December 31, 2008	US$377,660	—	US$145,763	US$662	—	—	US$1,232,316	—	US$1,756,401
Transfer from amount due to shareholders	—	—	—	—	—	US$202,005	—	—	US$ 202,005
Total comprehensive loss for the year	—	—	—	—	—	—	US$ (219,883)	—	US$ (219,883)
Balance at December 31, 2009	**US$377,660**	**—**	**US$145,763**	**US$662**	**—**	**US$202,005**	**US$1,012,433**	**—**	**US$1,738,523**
Year ended December 31, 2008									
Balance at December 31, 2007	142,000	—	25,450	249	—	—	199,135	—	366,834
Total comprehensive income for the year	—	—	—	—	—	—	293,573	—	293,573
Transfer to statutory reserve	—	—	29,357	—	—	—	(29,357)	—	—
Balance at December 31, 2008	**142,000**	**—**	**54,807**	**249**	**—**	**—**	**463,351**	**—**	**660,407**
Year ended December 31, 2007									
Balance at December 31, 2006	142,000	—	25,450	249	11,247	—	263,602	(84,198)	358,350
Total comprehensive (loss)/income for the year	—	—	—	—	(11,247)	—	(64,467)	301,372	225,658
Cash transferred to principal shareholders	—	—	—	—	—	—	—	(127,840)	(127,840)
Balance at December 31, 2007	**142,000**	**—**	**25,450**	**249**	**—**	**—**	**199,135**	**89,334**	**456,168**

[1] On January 1, 2008, the Company acquired all of the assets and liabilities of ALMA at their book values as at December 31, 2007, and the resulting amount payable was disclosed as "Amounts due to shareholders" on the Company's opening statement of financial position as at January 1, 2008.

Selected Historical Financial and Other Information for the Six Months Ended June 30, 2009 and 2010

The Company's unaudited reviewed interim condensed financial statements as of June 30, 2009 and 2010 and for the six month periods then ended, and the independent auditors review reports thereon are included elsewhere in this offering memorandum on pages F-1 to F-29.

The following tables set forth selected historical financial and other information, including statement of financial position data, statement of comprehensive income data and statement of cash flows data as at and for the six months ended June 30, 2009 and 2010. The statement of financial position, statement of comprehensive income and statement of cash flows data as at and for six months ended June 30, 2009 and 2010 are derived from the Company's unaudited reviewed interim condensed financial statements as at and for the six months ended June 30, 2009 and 2010, prepared in accordance with IAS 34 (*Interim Financial Reporting*). The Company's results for any interim period may not be indicative of its results for the full year or for any other interim period.

The financial data set forth below is not a presentation of complete financial statements and should be read in conjunction with, and is qualified in its entirety by reference to, the financial statements and related notes included elsewhere in this offering memorandum, "Presentation of Financial and Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

ERNST & YOUNG

P.O. Box 140
14th Floor - The Tower
Bahrain Commercial Complex
Manama, Kingdom of Bahrain
Tex: +973 1753 5455 Fax: +973 1753 5405
manama@bh.ey.Bcom
www.ey.com/me
C.R. No. 6700

REVIEW REPORT TO THE BOARD OF DIRECTORS OF ALUMINIUM BAHRAIN B.S.C. (c)

We have reviewed the interim condensed financial statements of Aluminium Bahrain B.S.C. (c) ("the Company") for the six months ended 30 June 2009 and 30 June 2010 ("the financial periods") prepared in accordance with International Accounting Standard (IAS 34) "Interim Financial Reporting" from which the accompanying summarised financial information comprising the statements of financial position, comprehensive income, cash flows and changes in equity data listed out in pages 55 to 58 to the Offering Memorandum was derived. Our reviews were conducted in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity". In our reports dated 1 September 2010, we reported that nothing came to our attention that caused us to believe that the interim condensed financial statements of the Company for the financial periods were not prepared, in all material respects, in accordance with IAS 34.

In our opinion, the accompanying summarised financial information is consistent, in all material respects, with the interim condensed financial statements from which it was derived.

For a better understanding of the Company's interim condensed financial statements and the results of its operations for the financial periods and of the scope of our reviews, the summarised financial information comprising the statements of financial position, comprehensive income, cash flows and changes in equity data listed out in pages 55 to 58 to the Offering Memorandum should be read in conjunction with the interim condensed financial statements from which the summarised financial information was derived and our review reports thereon.

This special purpose report has been prepared for the purpose of inclusion in the Offering Memorandum of Aluminium Bahrain B.S.C (c) in connection with the proposed offering of the Company's shares.

Ernst + Young

9 November 2010
Manama, Kingdom of Bahrain

Statement of Financial Position Data

	As of June 30,		
	2009	2010	2010[1]
	(in thousands of BD, unless otherwise indicated)		
ASSETS			
Non-current assets			
Property, plant and equipment	1,073,130	1,014,874	US$ 2,699,133
Long-term receivables	22,349	18,911	US$ 50,295
	1,095,479	1,033,785	US$ 2,749,428
Current assets			
Inventories	186,942	157,428	US$ 418,691
Current portion of long-term receivable	3,438	3,438	US$ 9,144
Accounts receivable and prepayments	81,383	97,977	US$ 260,577
Amounts due from a shareholder	2,726	—	—
Derivative financial instruments	—	3,352	US$ 8,915
Bank balances and cash[2]	64,086	89,457	US$ 237,918
	338,575	351,652	US$ 935,245
Total Assets	1,434,054	1,385,437	US$ 3,684,673
EQUITY AND LIABILITIES			
Equity			
Share capital	142,000	142,000	US$ 377,660
Treasury shares	—	(13,536)	US$ (36,000)
Statutory reserve	54,807	54,807	US$ 145,763
Capital reserve	249	249	US$ 662
Contributions from shareholders	—	75,954	US$ 202,005
Retained earnings	448,532	496,065	US$ 1,319,322
Total equity	645,588	755,539	US$ 2,009,412
Non-current liabilities			
Borrowings	332,839	271,250	US$ 721,410
Derivative financial instruments	80,435	83,860	US$ 223,032
Employees' end of service benefits	983	959	US$ 2,550
	414,257	356,069	US$ 946,992
Current liabilities			
Borrowings	165,712	154,412	US$ 410,670
Short term loans	2,212	9,185	US$ 24,428
Accounts payable and accruals	92,161	83,332	US$ 221,628
Derivative financial instruments	9,344	26,900	US$ 71,543
Amounts due to shareholders	104,780	—	—
	374,209	273,829	US$ 728,269
Total liabilities	788,466	629,898	US$ 1,675,261
TOTAL EQUITY AND LIABILITIES	1,434,054	1,385,437	US$ 3,684,673

1 For convenience, certain financial data has been presented in U.S. dollars, converted at the exchange rate of US$1.00 = BD 0.376. Amounts in this table in U.S. dollars are translated amounts and have not been extracted from the financial statements. All financial data in U.S. dollars are in thousands of U.S. dollars.

2 The Company made cash distributions of US$50.0 million, US$75.0 million and US$87.5 million to both of its shareholders on July 7, 2010, September 15, 2010 and October 28, 2010, respectively.

Statement of Comprehensive Income Data

	For the six months ended June 30,		
	2009	2010	2010[1]
	(in thousands of BD, unless otherwise indicated)		
Sales to customers	268,371	372,539	US$ 990,795
Sales to a shareholder	744	—	—
Total sales	269,115	372,539	US$ 990,795
Cost of sales	(261,379)	(268,618)	US$(714,410)
Gross profit	**7,736**	**103,921**	**US$ 276,385**
Other income	1,702	3,106	US$ 8,261
Selling and distribution expenses	(4,816)	(6,465)	US$ (17,194)
General and administrative expenses	(11,505)	(12,770)	US$ (33,963)
Finance costs	(11,259)	(3,577)	US$ (9,513)
Write-off of property plant and equipment	—	(1,151)	US$ (3,061)
Gain (loss) on exchange	(136)	(3,707)	US$ (9,859)
Profit (loss) for the period before derivatives	**(18,278)**	**79,357**	**US$ 211,056**
Fair value (loss) gain on revaluation/ settlement of derivatives (net)	3,459	36,033	US$ 95,832
Profit (loss) for the period	**(14,819)**	**115,390**	**US$ 306,888**
Other comprehensive income (expense)			
Net movement in the cash flow hedge	—	—	—
Total comprehensive income (loss) for the period	**(14,819)**	**115,390**	**US$ 306,888**

[1] For convenience, certain financial data has been presented in U.S. dollars, converted at the exchange rate of US$1.00 = BD 0.376. Amounts in this table in U.S. dollars are translated amounts and have not been extracted from the financial statements. All financial data in U.S. dollars are in thousands of U.S. dollars.

Statement of Cash Flows Data

	For the six months ended June 30,		
	2009	2010	2010[1]
	(In thousands of BD, unless otherwise indicated)		
OPERATING ACTIVITIES			
Profit (loss) for the period	(14,819)	115,390	US$ 306,888
Adjustments for:			
Depreciation	36,488	37,060	US$ 98,564
Provision for employees' end of service benefits	346	414	US$ 1,101
(Gain) loss on revaluation of derivatives	(4,585)	(49,017)	US$(130,364)
Loss on disposal of property, plant and equipment	—	(248)	US$ (659)
Write off of property, plant and equipment—net book value	—	1,151	US$ 3,061
Interest income	(669)	(239)	US$ (636)
Finance costs	11,259	3,577	US$ 9,513
Operating surplus before working capital changes	28,020	108,088	US$ 287,468
Working capital changes:			
Inventories	40,043	10,683	US$ 28,412
Accounts receivable and prepayments	43,747	(5,762)	US$ (15,324)
Amounts due from a shareholder	(801)	—	
Accounts payable and accruals	(31,906)	(14,321)	US$ (38,088)
Amounts due to shareholders	6,775	—	—
Cash from operations	85,878	98,688	US$ 262,468
Employees' end-of-service benefits paid	(289)	(446)	US$ (1,186)
Net cash flows from operating activities	**85,589**	**98,242**	**US$ 261,282**

	For the six months ended June 30,		
	2009	2010	2010[1]
	(In thousands of BD, unless otherwise indicated)		
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(19,895)	(10,188)	US$ (27,096)
Proceeds from disposal of property, plant and equipment	—	374	US$ 995
Interest received	669	239	US$ 636
Net cash flows used in investing activities	**(19,226)**	**(9,575)**	**US$ (25,465)**
FINANCING ACTIVITIES			
Repayment of long-term receivable	1,719	1,719	US$ 4,572
Borrowings availed	86,932	115,150	US$ 306,250
Borrowings repaid	(115,417)	(146,095)	US$ (388,551)
Short term loans	(9,604)	362	US$ 963
Finance costs paid	(12,359)	(4,291)	US$ (11,412)
Margin deposits	—	(12,412)	US$ (33,011)
Net cash flows used in financing activities	**(48,729)**	**(45,567)**	**US$ (121,189)**
INCREASE IN CASH AND CASH EQUIVALENTS	17,634	43,100	US$ 114,628
Cash and cash equivalents at January 1	**46,452**	**46,357**	**US$ 123,290**
CASH AND CASH EQUIVALENTS AT JUNE 30	**64,086**	**89,457**	**US$ 237,918**

[1] For convenience, certain financial data has been presented in U.S. dollars, converted at the exchange rate of US$1.00 = BD 0.376. Amounts in this table in U.S. dollars are translated amounts and have not been extracted from the financial statements. All financial data in U.S. dollars are in thousands of U.S. dollars.

Statement of Changes in Equity

	Share capital	Treasury Shares	Statutory reserve	Capital reserve	Cash flow hedge reserve	Contributions from shareholders	Retained earnings	Amount due (from) to principal shareholders	Total
	(thousands of BD, or thousands of US$ where indicated)								
Six months period ended June 30, 2010 (BD)									
Balance at January 1, 2010	142,000	—	54,807	249	—	75,954	380,675	—	653,685
Purchase of treasury shares	—	(13,536)	—	—	—	—	—	—	(13,536)
Total comprehensive income for the period	—	—	—	—	—	—	115,390	—	115,390
Balance at June 30, 2010	**142,000**	**(13,536)**	**54,807**	**249**	**—**	**75,954**	**496,065**	**—**	**755,539**
Six months period ended June 30, 2010 (US$)									
Balance at January 1, 2010	US$377,660	—	US$145,763	US$662	—	US$202,005	US$1,012,433	—	US$1,738,523
Purchase of treasury shares	—	US$(36,000)	—	—	—	—	—	—	US$ (36,000)
Total comprehensive income for the period	—	—	—	—	—	—	US$ 306,888	—	US$ 306,888
Balance at June 30, 2010	**US$377,660**	**US$(36,000)**	**US$145,763**	**US$662**	**—**	**US$202,005**	**US$1,319,321**	**—**	**US$2,009,411**
Six months period ended June 30, 2009									
Balance at January 1, 2009	142,000	—	54,807	249	—	—	463,351	—	660,407
Total comprehensive loss for the period	—	—	—	—	—	—	(14,819)	—	(14,819)
Balance at June 30, 2009	**142,000**	**—**	**54,807**	**249**	**—**	**—**	**448,532**	**—**	**645,588**

KEY OPERATING DATA AND OTHER FINANCIAL DATA

Key Operating Data and Other Financial Data for the Years Ended December 31, 2007, 2008 and 2009

The following table sets forth key operating data and financial ratios that the Company's management uses in assessing its performance:

	For the year ended December 31,		
Key Operating Data	**2007**	**2008**	**2009**
Net finished production (tonnes)	865,048	871,658	847,738
Sales volume (tonnes)	879,647	846,127	869,604
Cash average aluminium price (US$ per tonne)[1]	2,636	2,581	1,625
Return on assets[2]	15%	13%	0%
Cash cost (BD per tonne of aluminium)[3]	552	642	536

[1] Cash average aluminium price is the actual average LME aluminium price realized by the Company.

[2] Return on assets is Adjusted EBITDA (see "Key Financial Data (BD)" table below) for the period indicated divided by total assets.

[3] Cash costs per tonne of aluminium, based on sales volumes, are the cost of sales and general and administration expenses less other income from sales of water, calcined coke, other by-products, including dross sales and less depreciation. The following table provides a reconciliation of "Cost of sales" to cash costs per tonne of aluminium:

	For the year ended December 31,		
	2007	**2008**	**2009**
	(thousands of BD, unless otherwise indicated)		
Cost of sales	562,300	640,424	538,121
General and administration expenses	16,245	20,534	24,024
Less depreciation	(69,470)	(72,793)	(74,480)
	509,075	**588,165**	**487,665**
Less:			
Calcined coke sales (included under Sales)	15,714	38,100	16,213
Dross sales (included under Sales)	5,989	4,784	3,666
Sale of water (included under Other income)	2,183	1,921	1,781
	23,886	44,805	21,660
Cash operating costs	**485,189**	**543,360**	**466,005**
Sales volume (tonnes)	**879,647**	**846,127**	**869,604**
Cash cost per tonne (BD)	**552**	**642**	**536**

	For the year ended December 31,		
Key Financial Data (BD)	**2007[1]**	**2008**	**2009**
	(in thousands of BD, unless otherwise indicated)		
EBITDA[2]	300,113	275,454	76,364
Adjusted EBITDA[3]	300,113	275,454	91,733
% Adjusted EBITDA margin[4]	32%	30%	16%
Adjusted net income[5]	188,261	176,490	(6,132)
% Adjusted net income margin[6]	20%	19%	(1%)
Average sales premium per tonne	53	49	36
Total debt[7]	634,752	538,852	465,430
Net debt[8]	575,060	492,400	419,073
Net debt/equity	1.26x	0.75x	0.64x
Net debt/Adjusted EBITDA[9]	1.92x	1.79x	4.57x
Operating and investing cash flow as a percentage of sales[10]	27%	28%	20%
Capex as a percentage of depreciation[11]	38%	53%	47%
Return on capital employed[12]	21%	18%	0%
Net debt/Capital employed[13]	51%	44%	39%

Key Financial Data (US$)[14]	For the year ended December 31,		
	2007[1]	2008	2009
	(in thousands of US$, unless otherwise indicated)		
EBITDA[2]	798,173	732,590	203,096
Adjusted EBITDA[3]	798,173	732,590	243,971
% Adjusted EBITDA margin[4]	32%	30%	16%
Adjusted net income[5]	500,694	469,388	(16,309)
% Adjusted net income margin[6]	20%	19%	(1%)
Average sales premium per tonne	141	129	96
Total debt[7]	1,688,170	1,433,117	1,237,846
Net debt[8]	1,529,415	1,309,574	1,114,556
Net debt/equity	1.26x	0.75x	0.64x
Net debt/Adjusted EBITDA[9]	1.92x	1.79x	4.57x
Operating and investing cash flow as a percentage of sales[10]	27%	28%	20%
Capex as a percentage of depreciation[11]	38%	53%	47%
Return on capital employed[12]	21%	18%	0%
Net debt/Capital employed[13]	51%	44%	39%

1 Financial data for 2007 is extracted from the audited combined financial statements for ALMA and Alba. ALMA's assets and liabilities were acquired by Alba effective January 1, 2008. Financial data for 2007 was prepared on a different basis from financial data provided in this table for 2008 and 2009. See "Presentation of Financial and Other Information."

2 For the purposes of this offering memorandum, the Company calculates EBITDA as profit (loss) for the year/period before finance costs, unrealized gains (losses) on derivatives and depreciation. EBITDA is not a financial performance or liquidity measure calculated in accordance with IFRS, and must not be considered as an alternative to profit as an indicator of operating performance, or as an alternative to net cash flows from operating activities an indicator of liquidity. The Company believes that EBITDA facilitates comparisons of operating performance from period to period and company to company by eliminating potential differences caused by variations in capital structures (affecting interest and finance charges), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses), and the age and booked depreciation and amortization of assets (affecting relative depreciation and amortization of expenses). The Company discloses its EBITDA because the Company uses EBITDA to measure its performance, and because the Company considers it to be a useful measure that is frequently used by securities analysts, investors and others to evaluate companies like Alba, many of which present such non-IFRS financial measures when reporting their results. However, EBITDA's use as a measurement of the Company's profits has limitations since it does not consider certain costs arising from the Company's business that might significantly impact its results of operations and liquidity, such as financial expenses, taxes, depreciation, capital investments, unrealized gain (losses) on derivatives and other related charges.

The following table provides a reconciliation of "Profit (loss) for the year" to EBITDA:

EBITDA Calculation (BD)	For the year ended December 31,		
	2007	2008	2009
	(in thousands of BD)		
Profit (loss) for the year	236,905	293,573	(82,676)
Deduct			
Unrealized gain (loss) on derivatives	48,644	117,083	(61,175)
Add			
Finance costs	42,382	26,171	23,385
Depreciation	69,470	72,793	74,480
EBITDA	**300,113**	**275,454**	**76,364**

3 Adjusted EBITDA is EBITDA before adjustments due to restructuring costs the Company incurred in the second half of 2009. Adjusted EBITDA is a financial performance measure used by our management. Adjusted EBITDA is not a financial performance measure calculated in accordance with IFRS, and must not be considered as an alternative to net income as an indicator of operating performance, or as an alternative to net cash flows from operating activities an indicator of liquidity. See "Presentation of Financial and Other Information—Non-IFRS Financial Measures."

The following table provides a reconciliation of "Profit (loss) for the year" to Adjusted EBITDA:

Adjusted EBITDA Calculation (BD)	For the year ended December 31, 2007	2008	2009
	(in thousands of BD)		
Profit (loss) for the year	236,905	293,573	(82,676)
Deduct			
Unrealized gain (loss) on derivatives	48,644	117,083	(61,175)
Add			
Finance costs	42,382	26,171	23,385
Depreciation	69,470	72,793	74,480
Adjustments due to restructuring costs	—	—	15,369
Adjusted EBITDA	**300,113**	**275,454**	**91,733**

In the table above, "Adjustments due to restructuring costs" for 2009 refers to the information in the table below.

Restructuring costs	2009 (in thousands of BD)	2009 (in thousands of US$)
Year-end Early Retirement Scheme	9,730	25,878
Year-end Medical Cases	2,835	7,540
Re-Organization Manager Packages	1,113	2,960
Re-Organization Executive Packages	1,691	4,497
Total restructuring cost	**15,369**	**40,875**

In the table above, "Year-end Early Retirement scheme" refers to the early retirement scheme for eligible employees announced by the Company's board of directors as a part of the restructuring. A total of 176 employees accepted the Company's offer, and the figure represents accruals for amounts expected to be paid to such employees; "Year-end Medical Cases" refers to the amount representing accruals for 53 employees who sought release on medical grounds in accordance with an existing Company policy first introduced on June 28, 2007, whose employment was concluded by mutual consent, as part of the restructuring and approved by the Board of Directors; "Re-organization of Managers Packages" refers to the amount that was accrued for managers whose employment was concluded by mutual consent, as part of the restructuring; and "Re-organization of Executive Packages" refers to the amount paid to general managers and executives whose employment was concluded by mutual consent, as part of the restructuring.

4 Adjusted EBITDA margin is Adjusted EBITDA divided by total sales.

5 Adjusted net income is profit (loss) before unrealized gains (losses) due to derivatives and adjustments due to restructuring costs the Company incurred in the second half of 2009.

6 Adjusted net income margin is adjusted net income divided by the total sales.

7 Total debt is the sum of non-current borrowings plus current borrowings plus short-term loans.

8 Net debt is the sum of non-current borrowings plus current borrowings plus short-term loans, less cash and bank balances.

9 Net debt/Adjusted EBITDA is net debt, which consists of current borrowing, short-term loans, non-current borrowing less cash and bank balances divided by adjusted EBITDA for the period indicated.

10 Operating and investing cash flow as a percentage of sales is the sum of net cash flow from operating activities plus net cash flow used in investing activities, divided by total sales.

11 Capex as a percentage of depreciation is the purchase of property, plant and equipment divided by depreciation.

12 Return on capital employed is EBIT, which consists of profit (loss) less finance costs and unrealized gain (loss) on derivatives, divided by the difference between total assets and current liabilities.

13 Net debt/Capital employed is the sum of non-current borrowings plus current borrowings plus short-term loans, less cash and bank balances, divided by the difference between total assets and current liabilities.

14 For convenience, certain financial data has been presented in U.S. dollars, converted at the exchange rate of US$1.00 = BD 0.376. Amounts in this table in U.S. dollars are translated amounts and have not been extracted from the financial statements. All financial data in U.S. dollars are in thousands of U.S. dollars.

Key Operating Data and Other Financial Data for the Six Months Ended June 30, 2009 and 2010

The following table sets forth key operating data and financial ratios that the Company's management uses in assessing its performance:

	For the six months ended June 30,	
Key Operating Data	**2009**	**2010**
Net finished production (tonnes)	423,845	421,661
Sales volume (tonnes)	444,502	427,066
Cash average aluminium price (US$ per tonne)[1]	1,460	2,120
Return on assets[2]	3%	6%
Cash cost (BD per tonne of aluminium)[3]	506	545

1 Cash average aluminium price is the actual average LME aluminium price realized by the Company.

2 Return on assets is Adjusted EBITDA (see "Key Financial Data" table below) for the period indicated divided by total assets.

3 Cash costs per tonne of aluminium, based on sales volumes, are the cost of sales and general and administration expenses less other income from sales of water, calcined coke, other by-products, including dross sales and less depreciation. The following table provides a reconciliation of "Cost of sales" to cash costs per tonne of aluminium:

	For the six months ended June 30,	
	2009	**2010**
	(thousands of BD, unless otherwise indicated)	
Cost of sales	261,379	268,618
General and administration expenses	11,505	12,770
Less depreciation	(36,488)	(37,060)
	236,396	**244,328**
Less:		
Calcined coke sales (included under Sales)	8,386	7,757
Dross sales (included under Sales)	2,057	3,090
Sale of water (included under Other income)	884	755
	11,327	11,602
Cash operating costs	225,069	232,726
Sales volume (tonnes)	444,502	427,066
Cash cost per tonne (BD)	**506**	**545**

	For the six months ended June 30,	
Key Financial Data (BD)	**2009**	**2010**
	(in thousands of BD, unless otherwise indicated)	
EBITDA[1]	28,343	107,010
Adjusted EBITDA[2]	28,343	107,010
% Adjusted EBITDA margin[3]	11%	29%
Adjusted net income[4]	(19,404)	66,373
% Adjusted net income margin[5]	(7%)	18%
Average sales premium per tonne	33	50
Total debt[6]	500,763	434,847
Net debt[7]	436,677	345,390
Net debt/equity	0.68x	0.46x
Net debt/Adjusted EBITDA[8]	3.94x	2.23x
Operating and investing cash flow as a percentage of sales[9]	25%	24%
Capex as a percentage of depreciation[10]	55%	27%
Return on capital employed[11]	4%	7%
Net debt/Capital employed[12]	41%	31%

Key Financial Data (US$)[13]	For the six months ended June 30,	
	2009	2010
	(in thousands of US$, unless otherwise indicated)	
EBITDA[1]	75,380	284,601
Adjusted EBITDA[2]	75,380	284,601
% Adjusted EBITDA margin[3]	11%	29%
Adjusted net income[4]	(51,606)	176,524
% Adjusted net income margin[5]	(7%)	18%
Average sales premium per tonne	88	132
Total debt[6]	1,331,816	1,156,508
Net debt[7]	1,161,375	918,590
Net debt/equity	0.68x	0.46x
Net debt/Adjusted EBITDA[8]	3.94x	2.23x
Operating and investing cash flow as a percentage of sales[9]	25%	24%
Capex as a percentage of depreciation[10]	55%	27%
Return on capital employed[11]	4%	7%
Net debt/Capital employed[12]	41%	31%

1 For the purposes of this offering memorandum, the Company calculates EBITDA as profit (loss) for the year/period before finance costs, unrealized gains (losses) on derivatives and depreciation. EBITDA is not a financial performance or liquidity measure calculated in accordance with IFRS, and must not be considered as an alternative to profit as an indicator of operating performance, or as an alternative to net cash flows from operating activities an indicator of liquidity. The Company believes that EBITDA facilitates comparisons of operating performance from period to period and company to company by eliminating potential differences caused by variations in capital structures (affecting interest and finance charges), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses), and the age and booked depreciation and amortization of assets (affecting relative depreciation and amortization of expenses). The Company discloses its EBITDA because the Company uses EBITDA to measure its performance, and because the Company considers it to be a useful measure that is frequently used by securities analysts, investors and others to evaluate companies like Alba, many of which present such non-IFRS financial measures when reporting their results. However, EBITDA's use as a measurement of the Company's profits has limitations since it does not consider certain costs arising from the Company's business that might significantly impact its results of operations and liquidity, such as financial expenses, taxes, depreciation, capital investments, unrealized gain (losses) on derivatives and other related charges.

The following table provides a reconciliation of "Profit (loss) for the period" to EBITDA:

EBITDA Calculation (BD)	For the six months ended June 30,	
	2009	2010
	(in thousands of BD)	
Profit (loss) for the period	(14,819)	115,390
Deduct		
Unrealized gain (loss) on derivatives	4,585	49,017
Add		
Finance costs	11,259	3,577
Depreciation	36,488	37,060
EBITDA	**28,343**	**107,010**

2 Adjusted EBITDA is EBITDA before adjustments due to restructuring costs the Company incurred in the second half of 2009. Adjusted EBITDA is a financial performance measure used by our management. Adjusted EBITDA is not a financial performance measure calculated in accordance with IFRS, and must not be considered as an alternative to net income as an indicator of operating performance, or as an alternative to net cash flows from operating activities an indicator of liquidity. See "Presentation of Financial and Other Information—Non-IFRS Financial Measures."

The following table provides a reconciliation of "Profit (loss) for the period" to Adjusted EBITDA:

Adjusted EBITDA Calculation (BD)	For the six months ended June 30,	
	2009	2010
	(in thousands of BD)	
Profit (loss) for the period	(14,819)	115,390
Deduct		
Unrealized gain (loss) on derivatives	4,585	49,017
Add		
Finance costs	11,259	3,577
Depreciation	36,488	37,060
Adjusted EBITDA	**28,343**	**107,010**

3 Adjusted EBITDA margin is Adjusted EBITDA divided by total sales.

4 Adjusted net income is profit (loss) before unrealized gains (losses) due to derivatives and adjustments due to restructuring costs the Company incurred in the second half of 2009.

5 Adjusted net income margin is adjusted net income divided by the total sales.

6 Total debt is the sum of non-current borrowings plus current borrowings plus short-term loans.

7 Net debt is the sum of non-current borrowings plus current borrowings plus short-term loans, less cash and bank balances.

8 Net debt/Adjusted EBITDA is net debt, which consists of current borrowing, short-term loans, non-current borrowing less cash and bank balances divided by adjusted EBITDA for the period indicated.

9 Operating and investing cash flow as a percentage of sales is the sum of net cash flow from operating activities plus net cash flow used in investing activities, divided by total sales.

10 Capex as a percentage of depreciation is the purchase of property, plant and equipment divided by depreciation.

11 Return on capital employed is EBIT, which consists of profit (loss) less finance costs and unrealized gain (loss) on derivatives, divided by the difference between total assets and current liabilities.

12 Net debt/Capital employed is the sum of non-current borrowings plus current borrowings plus short-term loans, less cash and bank balances, divided by the difference between total assets and current liabilities.

13 For convenience, certain financial data has been presented in U.S. dollars, converted at the exchange rate of US$1.00 = BD 0.376. Amounts in this table in U.S. dollars are translated amounts and have not been extracted from the financial statements. All financial data in U.S. dollars are in thousands of U.S. dollars.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of the Company's financial condition and results of operations should be read in conjunction with Alba and ALMA's audited combined financial statements, including the notes thereto, for the financial year ended December 31, 2007, the Company's audited financial statements, including the notes thereto, for the financial years ended December 31, 2008 and 2009 and the Company's unaudited reviewed interim condensed financial statements, including the notes thereto, for the six months ended June 30, 2009 and 2010, which have been included elsewhere in this offering memorandum. The following discussion should also be read in conjunction with the information presented under "Presentation of Financial and Other Information," "Summary Financial and Operating Information" and "Selected Historical Financial and Operating Information," as well as other financial information included elsewhere in this offering memorandum.

The unaudited reviewed interim condensed financial statements for the periods indicated above include all adjustments, consisting of normal recurring accruals, considered necessary for a fair statement of the results for the unaudited interim period. The interim results are not necessarily indicative of the results that may be expected for any other period or for the full year.

The following discussion contains forward-looking statements that reflect the Company's current views with respect to future events and financial performance. Such forward-looking statements also involve risks and uncertainties, and undue reliance should not be placed on such forward-looking statements. The Company's actual results may differ materially from those anticipated in the forward-looking statements as a result of factors such as, but not limited to, those under "Risk Factors" and elsewhere in this offering memorandum.

Overview

The Company is the fourth-largest individual producer of aluminium by capacity and operates a smelter ranking in the first quartile worldwide on the basis of per-tonne business operating costs, according to CRU Strategies. Since 1971, the Company has produced a variety of aluminium products at its site in the Kingdom of Bahrain, including extrusion billets, foundry alloys, rolling slabs, standard ingots and liquid metal. The Company's average metal purity level meets and typically exceeds the industry standard of 99.7% as set by the LME, and it often reaches 99.9%. For the past three years, the Company's average annual production has exceeded 860,000 tonnes, reaching a peak of nearly 872,000 tonnes in 2008. According to CRU Strategies, the Company was the ninth-largest producer by production tonnage globally, and the Company's aluminium production represented approximately 2.2% of worldwide output, in the year ended December 31, 2009, while the Company was the second-largest producer by tonnage in the Middle East with production representing 35.1% of Middle Eastern output in the same period. The Company benefits from the Kingdom of Bahrain's tax-free business environment. In addition, the Company has received a Gold Award from the UK-based Royal Society for the Prevention of Accidents for each of the past four years for its high level of operational performance and health and safety management.

In 1990, the Company entered into a Quota Agreement with its shareholders at that time. The Quota Agreement remains in effect with its two current shareholders, Mumtalakat and SIIC, which own 77.0% and 20.0% of its issued share capital, respectively, before giving effect to the Offering. Under the terms of the Quota Agreement, the Company is entitled and required to sell, and its shareholders are entitled and required to purchase, its aluminium production in proportion to their percentage ownership of the Company's issued share capital at a specified price which is based on a specified margin that may include a premium over or a discount on, as determined by the Company's board of directors, the aggregate cost of raw materials and operating costs, financing fees, loan repayments and charges for any discounts, fixed assets, royalties, capital expenditure and dividends. In May 2010, Mumtalakat waived its right to purchase its quota of the Company's production, allowing the Company to sell 77.0% of its production to third-party buyers on commercial terms. SIIC has not given the Company a corresponding written waiver at this time. Currently, the Company markets and sells all of its aluminium to third parties on a commercial basis. See "Risk Factors—Risks Relating to the Company's Related Parties, Customers and Suppliers—The Quota Agreement restricts the Company's ability to sell aluminium to third-party buyers" and "Business—Material Contracts—Quota Agreement."

Presentation of Financial Statements

Until December 31, 2007, the Company managed the marketing and sale of the aluminium quotas of its two current shareholders, Mumtalakat and SIIC, under the Quota Agreement, on behalf of and for the account of such

shareholders, through an unregistered joint venture, ALMA. On March 28, 2007, the Company's board of directors resolved to integrate ALMA's activities into the Company's operations. On January 1, 2008, the Company acquired all of the assets and liabilities of ALMA at their book values as of December 31, 2007, including the amounts payable to the shareholders, which were disclosed as "Amounts due to shareholders" on the Company's opening statement of financial position as at January 1, 2008.

The Company's audited financial statements as at and for the years ended December 31, 2008 and 2009, which have been prepared in accordance with IFRS, include the results of operations and assets and liabilities of the business previously operated by ALMA. Because the Company's business prior to January 1, 2008 did not operate as one entity, the Company has presented audited combined financial statements of Alba and ALMA as at and for the year ended December 31, 2007. The adjustments made to the Company's and ALMA's stand-alone audited financial statements as at and for the year ended December 31, 2007 in the preparation of the audited combined financial statements of Alba and ALMA as at and for the year ended December 31, 2007 are described in note 2 of the notes to the audited combined financial statements, and principally conform certain line items to reflect that Mumtalakat and SIIC are no longer considered ALMA's joint venture partners and that Alba and ALMA are no longer considered separate entities. The Company has not included the Company's and ALMA's stand-alone audited financial statements as at and for the year ended December 31, 2007 in this offering memorandum because it believes that the audited combined financial statements as at and for the year ended December 31, 2007 are more useful for assessing the Company's assets and liabilities, financial position, profits and losses and prospects. The audited combined financial statements as at and for the year ended December 31, 2007 have been prepared in accordance with IFRS, except that they have been prepared on a combined basis and therefore do not comply with IAS 27 (*Consolidated and Separate Financial Statements*). They do not purport to present the actual results of operations of Alba and ALMA as a single business during the period presented.

In addition to the Company's audited annual financial statements, the financial statements contained in this offering memorandum include the Company's unaudited reviewed interim condensed financial statements as at and for the six months ended June 30, 2009 and 2010, which have been prepared in accordance with IAS 34 (*Interim Financial Reporting*).

Certain Factors Affecting Results of Operations

The principal factors that affect the Company's results of operations include, among others:

Demand for and Price of Aluminium

The Company's operating results are affected significantly by the demand for and price of aluminium as quoted on the LME and, to a lesser extent, by the demand for and price of alumina, the primary raw material used to make aluminium. From 2005 through 2008, aluminium prices were high relative to 20-year average historical prices. The average price per tonne of aluminium, as quoted on the LME, increased by 35% from US$1,900 per tonne in 2005 to US$2,568 per tonne in 2006, and increased by an additional 3% to US$2,639 per tonne in 2007, before decreasing by 3% to US$2,567 per tonne in 2008. The increase in the price of aluminium over this period was largely due to growth in global demand for aluminium products, particularly in the building products and automotive sectors, which was primarily driven by emerging markets such as Brazil, Russia, India and China; increased investments by investment funds in commodities; and, the pass-through of rising input costs, such as natural gas, alumina and green petroleum coke. In the second half of 2008, there was a significant drop in demand for commodities, including aluminium, as a result of the global financial crisis. This price drop continued into the first quarter of 2009. During the first half of 2009, the LME price averaged US$1,424 per tonne compared to US$2,841 per tonne in the first half of 2008. However, during the second half of 2009, there was a significant recovery in the price of aluminium with prices averaging US$1,912 per tonne. The price recovery was a result of increased market demand and increased flow of investment funds back into commodities. The average price per tonne of aluminium as quoted on the LME reached US$2,133 in the first half of 2010.

The Company's results of operations may also be affected by fluctuations in aluminium demand and supply stemming from macroeconomic factors in its key export markets. For instance, as the economies of Western Europe recover following the global financial crisis during 2008 and early 2009, increased demand in the building products and automotive industries could lead to an overall increase in the demand for aluminium. In these circumstances, the Company's ability to grow and expand its production capacity to sell to new customers will have a positive impact on the results of its operations. On the other hand, a relatively rapid global economic recovery, particularly in MENA, Europe and Asia, may lead to the new smelters in the GCC ramping up their

production and increasing worldwide aluminium supply. This situation could result in greater competition among aluminium producers within the GCC and global markets, and the Company might lose market share, which could have a negative impact on its results of operations.

Changes in economic policies and legislation may also affect the Company's results of operations. For instance, in Europe the duty on imports of aluminium products from the GCC may be discontinued, which could have a positive impact on the Company's sales to customers in that region.

The following table sets forth aluminium price information for the periods indicated:

Cash average LME aluminium price per tonne	**High**	**Low**	**Average[1]**
		(US$)	
Six months ended June 30, 2010	2,448	1,829	2,133
Six months ended June 30, 2009	1,647	1,254	1,424
Year ended December 31, 2009	2,266	1,254	1,668
Year ended December 31, 2008	3,292	1,423	2,567
Year ended December 31, 2007	2,953	2,317	2,639
Year ended December 31, 2006	3,275	2,267	2,568
Year ended December 31, 2005	2,289	1,675	1,900

Source: LME.

[1] Represents the average of the daily closing prices for each period.

Cost of Raw Materials

The cost of raw materials, principally including alumina, green petroleum coke and pitch, is the largest component of the Company's cost of sales. The Company's contractual arrangements for the supply of each of these raw materials vary. The Company has recently successfully diversified its group of suppliers in order to negotiate more favorable pricing terms and to improve the stability of its supplies. The production of one tonne of aluminium requires approximately 1.92 tonnes of alumina, 0.4 tonnes of green petroleum coke, 0.08 tonnes of pitch and 0.017 tonnes of aluminium fluoride. Cost of raw materials, including natural gas, represented 63.9% and 67.6% of the Company's cost of sales for the year ended December 31, 2009 and for the six months ended June 30, 2010, respectively. The cost of alumina represented 61% and 68% of the Company's total cost of raw materials, including natural gas, for the year ended December 31, 2009 and for the six months ended June 30, 2010, respectively.

An increase in the price of the Company's raw materials leads to a related increase in the price of its products, and the Company generally passes on and recovers from its customers the cost of an increase in raw materials prices. However, there may be a delay in incurring the increased costs and then recovering such increased costs from the Company's customers. This time lag is dependent on the prevailing market conditions and may be as long as six months before the full effect of the increase in the cost of inputs is recovered through the Company's sales to customers.

Product Mix

The Company principally produces five different aluminium products, three of which are higher value-added products, including extrusion billets, foundry alloys and rolling slabs, with the other two products being standard ingots and primary aluminium used in molten form. The per-tonne premium over the LME price of aluminium that the Company receives varies by product and by region, and therefore its product mix is a significant factor affecting its results of operations. The Company's products yielded the following average aggregate premia over the LME price of aluminium for the periods set forth in the table below:

Average aggregate premium over LME aluminium price per tonne	**(US$)**
Six months ended June 30, 2010	132
Six months ended June 30, 2009	88
Year ended December 31, 2009	96
Year ended December 31, 2008	129
Year ended December 31, 2007	141

One of the Company's key strategies is to maximize the sales of higher value-added products, particularly extrusion billets. For this purpose, the Company commissioned Cast House 3 in 2005, which, with a capacity to cast approximately 350,000 tonnes of extrusion billets, is one of the largest facilities of its kind in the world. However, certain of the Company's largest customers require lower value-added products such as liquid metal, and so, the Company's product mix must also reflect existing customer relationships, production constraints and market demand for each of its products. The premiums the Company charges for certain types of products over the LME price of aluminium also vary by market, which results in some markets being more profitable for the Company than others.

Toward the end of 2008, due to the global financial crisis, the Company's sales of higher value-added products declined sharply, which was the result of the reduction or cancellation of orders for such products by some of its customers. As a result, the Company's inventories increased significantly, and it had to divert the liquid metal originally produced for higher value-added products to make standard commodity ingots. This, in turn, was a material factor in the decrease in the Company's total sales and profit in 2009 compared to 2008, as further discussed under "—Results of Operations" below. Such a change in customer demand can also lead to casting capacity bottlenecks, as there are physical limitations affecting the Company's ability to dedicate its cast houses to the production of particular product types. In the six months ended June 30, 2010, the level of high value-added products sold recovered to pre-crisis levels, representing over 60% of total sales volume.

Price of Natural Gas

The Company's results of operations are affected significantly by the price of natural gas as it is a significant input in the production of electricity required for manufacturing. The weighted-average price of natural gas increased by 7% in 2008, as compared to 2007, and by 9% in 2009, as compared to 2008. The terms and conditions of natural gas supply are set by NOGA, which apply to all commercial gas consumers in Bahrain, including the Company. According to NOGA, the natural gas price that it charged consumers in Bahrain increased to US$1.10 per MBTU in 2007 and will continue to increase in increments of US$0.10 per year. By this formula, the price is expected to increase to US$1.50 per MBTU in 2011, and the Bahraini Ministry of Oil & Gas Affairs has indicated that NOGA plans to make further adjustments to the natural gas price in Bahrain after 2011.

The Company sources all of its natural gas through a contract with BAPCO, and the Company consumed 24% of Bahrain's non-associated natural gas production in 2009. See "Business—Material Contracts—BAPCO Natural Gas Supply Contract." The contract, which includes a price escalation mechanism, currently has a term that continues until June 30, 2013, with an option for the Company to extend the contract to June 30, 2019, but only if BAPCO is able to secure additional supplies of natural gas from external sources.

The Bahraini Ministry of Oil & Gas Affairs has confirmed that the Company will continue to be supplied with its current level of natural gas by BAPCO until approximately 2024. However, it has indicated that due to resource constraints in the Kingdom of Bahrain, BAPCO may not be able to meet the Company's potential increased demand for natural gas in line with production expansion plans. Under the contract with the Company, BAPCO is required to supply natural gas either from its own sources or from external sources. However, after June 30, 2013, BAPCO is under no obligation to supply natural gas unless it is able to secure gas supplies from external sources, and BAPCO is not required to secure such supplies. If BAPCO is able to secure additional supplies after June 30, 2013, some form of price escalation mechanism is likely to dictate the price the Company pays BAPCO for gas.

If BAPCO is unable to secure additional supplies, the Company's natural gas supply contract will expire on June 30, 2013, and the Company will have to source gas from other suppliers who may charge prices higher than what the Company currently pays to BAPCO or would have paid if its gas supply contract were to be extended until June 30, 2019. The price that the Company is able to negotiate with the new supplier may have a significant negative impact on its results of operations based on whether such price is lower or higher than the price the Company currently pays or would have paid to BAPCO in the case of an extension of its gas supply contract (see "Risk Factors—Risks Relating to the Company's Access to Factors of Production—The Company's competitive position in the global aluminium industry is highly dependent on continued access to inexpensive and uninterrupted natural gas supply; an increase in the price of natural gas or interruption in its supply could have a material adverse effect on the Company's business, financial condition, results of operations and future prospects").

Freight Charges and Duties

Freight charges for raw materials are included in the Company's cost of raw materials, and the price of its finished goods includes the freight charges associated with transporting those goods. Except for natural gas, the Company imports all of its raw materials. For instance, due to its geographical proximity to sea routes from Australia, the Company is able to secure alumina from western Australia at more competitive prices than from other countries, such as Brazil. The amount of freight charges principally depend on freight rates, which themselves are dependent in part on the price of oil, in addition to the demand and supply balance in the shipping market. Consequently, an increase in the freight cost for shipping the Company's raw materials increases its cost of production. The Company generally passes on and recovers from its customers the cost of an increase in freight charges, subject to prevailing market conditions. Therefore, the cost of its finished products in its export markets gets affected by changes in freight prices. For instance, due to lower freight charges, the Company is able to secure cheaper alumina from western Australia and also export competitively-priced ingots to the Company's customers in Asia. The Company's marine terminal and its proximity to the Kingdom of Saudi Arabia enable it to reduce trans shipment costs. The Company ships calcined coke for export through its marine terminal and its aluminium products through ports in the Kingdom of Bahrain and the Kingdom of Saudi Arabia.

Freight charges include the price of loading, shipping and unloading the Company's products through shipping companies. As a result, changes in freight charges can have a significant impact on its results of operations. The Company currently exports approximately half of its aluminium products to customers through sea transport. The Company's freight costs for product sales represented 1% and 2% of its cost of sales for the year ended December 31, 2009 and the six months ended June 30, 2010, respectively. The large increase in the first half of 2010 was a result of a worldwide increase in economic activity along with the Company's increased marketing efforts at the end of 2009, which increased costs of its products shipped in the beginning of 2010, and the increase in bunker fuel surcharges. The shipment of higher value-added products is more expensive than lower value-added products. This has resulted in higher freight costs in 2010, which was partially offset by the higher selling prices for those products. Also, the increase in the Company's freight charges in 2010 has been driven by higher freight charges as a result of recovery in the shipping market.

For shipments of the Company's products to markets in the European Union, the Company is required to pay an import duty on value-added products, which amounted to 6% on the sales price in the year ended December 31, 2009 and in the six months ended June 30, 2010.

Production Capacity

Increasing the Company's production capacity is a key feature of its strategy for growth and expansion. The Company's board of directors has identified and is exploring the viability of a number of options to increase the Company's production capacity, with the aim of almost doubling its current capacity within the next 10 years to a level of approximately 1,700,000 tonnes annually. No particular option has been formally approved by the Company's board to date, but two options in particular are under consideration. As part of its Operation Excellence program, the Company has identified sources for creep capacity providing the potential to produce approximately an additional 80,000 tonnes of aluminium per year. The principal means of realizing the Company's creep capacity would be through (i) increasing the electrical current (amperage) in Lines 4 and 5 and increasing the number of pots in Lines 4 and 5, which is expected to yield approximately an additional 70,000 tonnes of aluminium annually and (ii) other improvements to the existing production facilities which is expected to yield an additional 10,000 tonnes. The Company believes that excess capacity from its other existing facilities, including its power stations, calciner and Cast House 3, would be sufficient to support its creep capacity expansion, leading to a potential increase in its production of high value-added products. Subject to the approval of its board of directors, the Company estimates that it could utilize its existing facilities and take advantage of this creep capacity with a capital expenditure of approximately US$150 million, which is a significantly lower cost than building corresponding new facilities.

In addition to realizing its creep capacity, the Company has conducted a preliminary feasibility study for the expansion of its production capacity by adding a new potline, Line 6. The Company believes that its current site, facilities and supply and distribution networks present a clear opportunity to expand its operations. The study identified possible production expansion by approximately 400,000 tonnes of aluminium per year at a cost estimated at US$1.8 billion to US$2.0 billion, which includes an estimated US$700 million that might be invested to build a new power plant. In line with the Company's strategy of emphasizing production and sales of high value-added products, a plan to increase its aluminium production with a new potline could also involve a corresponding expansion of its existing facilities to produce additional extrusion billets, foundry alloys and rolling slab. Such project could potentially be developed on land within the Company's existing site.

The Company's management has focused its attention on opportunities for expanding aluminium production capacity through creep and adding a new potline, although it has also shortlisted a number of other options for growth. Among them is the possibility of investing in the replacement of Lines 1, 2 and 3, as well as Power Stations 1 and 2, with more modern and efficiency technology. Another approach to expansion could involve either a strategic partnership or an acquisition of upstream assets, such as bauxite extraction or alumina production facilities. Currently, the Company's management has no plans to pursue these options, but it continues to explore their viability.

Performance Improvements

In 2009, the Company implemented a major restructuring program with a view to identifying areas for performance improvement and efficiency-related cost savings. As a part of its Operation Excellence program, the Company has streamlined some of its management and overall workforce positions, and the Company has conducted the Alba Vision study, which identified areas for future growth and expansion. The Company aims to realize performance improvements of approximately US$100 million annually, beginning in 2010, which represents 17% of EBITDA on average for each of the past three years. The program contemplates increasing permanent performance improvements to a total of approximately US$250 million annually if the Company is able to expand its production using its creep capacity, which would principally come from head-count reduction (approximately 24% of the US$250 million total), improving supply chain management (approximately 25%) and improved products sales mix and pricing (approximately 12%), as well as identifying creep capacities to increase production, improvement in working capital management and direct sales to customers.

Tax Rates

The Company does not have any corporate tax liability in Bahrain, and the Company currently pays a 1% employment tax on its employees' salaries. See "Risk Factors—Risks relating to the Company's Access to Factors of Production—The Company benefits significantly from Bahrain's zero corporate tax and low employment levy rates, and exemption from import and export duties, and any changes to its tax position would affect its cost structure."

Derivative Financial Instruments

The Company has entered into three types of derivatives contracts—commodity options, interest rate collars and knockout swaps and forward foreign exchange contracts. These contracts were entered into as a part of the financing for potline 5.

As a part of its commodity-related derivatives, the Company had sold call options in relation to aluminium without any protection in the event of any increase in the LME price for aluminium. As a part of the Company's commodity options, in 2010, if the price of aluminium exceeds US$1,779 per tonne, then it is required to pay the difference between the market price and the average contracted price of US$1,779 per tonne. These metal hedge options are cash settled on a monthly basis. Although the Company has not entered into any new metal hedging contracts since 2007, these existing contracts have had a significant negative impact on its historical results of operations. Due to the monthly cash settlement, these contracts continue to affect the Company's results of operations. Currently, these options cover 500,000 tonnes of aluminium, and they relate to 113,000 tonnes for each year covering 2010, 2011 and 2012; 59,000 tonnes each for 2013 and 2014; and 40,000 tonnes for 2015, when they expire completely.

In the year ended December 31, 2008, the Company made a net profit of BD 98.4 million on the revaluation and settlement of derivatives, principally due to a gain of BD 117.1 million on the revaluation and a loss of BD 18.7 million on the settlement of derivatives.

In the year ended December 31, 2009, the Company incurred a loss of BD 66.2 million on the revaluation and settlement of derivatives, principally due to the loss of BD 61.2 million on the revaluation and a loss of BD 5 million on the settlement of derivatives.

RESULTS OF OPERATIONS

Sales to customers

The Company's gross revenue from sales to customers is composed of sales of liquid metal as well as value-added aluminium products that are sold primarily to the domestic market and other MENA countries. The

Company also exports aluminium products to Europe and Asia. In addition to aluminium products sales, the Company also generates a small portion of its sales to customers through sales of calcined petroleum coke to surrounding GCC smelters.

Sales to a shareholder

The Company's sales to a shareholder include the sale of primary aluminium and value-added aluminium products.

Until December 31, 2007, the Company managed the marketing and sale of the aluminium quotas of its two current shareholders, Mumtalakat and SIIC, under the Quota Agreement further described under "Business—Material Contracts—Quota Agreement," on behalf of and for the account of such shareholders through ALMA. The Company sold the aluminium quota allocated to Alba's former third shareholder, Breton, under the Quota Agreement directly to Breton. On January 1, 2008, the Company acquired all of the assets and liabilities of ALMA.

The Company's sales to Breton in 2009 (corresponding to orders placed in 2008 but delivered and invoiced in 2009) amounted to BD 0.8 million. Breton is no longer one of the Company's shareholders. Since January 1, 2008, the Company's two shareholders, Mumtalakat and SIIC, have not been exercising their rights under the Quota Agreement. Therefore, the Company has not sold any of its products to them. On May 25, 2010, Mumtalakat waived its right to purchase its *pro rata* share of the Company's aluminium production, allowing the Company to sell 77.0% of its production to third-party buyers on commercial terms. SIIC has not given the Company a corresponding written waiver at this time.

Cost of Sales

Cost of sales are recorded upon the Company's sales of the respective products, and they comprise (i) cost of raw materials, such as alumina, green petroleum coke and pitch, and natural gas; (ii) industrial costs, including utilities and depreciation; (iii) staff costs; (iv) spares and consumables; (v) contracted repairs and major maintenance; (vi) royalty; (vii) consultancy fees; and (viii) other expenses.

Gross Profit

The Company's gross profit is calculated by subtracting the cost of sales from total sales, which is principally affected by its pricing policy and its product mix.

The Company's gross profit is an important indicator of its operating efficiency and, therefore, the Company seeks to reduce costs through renegotiation with suppliers and concentration of purchases in certain suppliers to benefit from economies of scale by obtaining price reductions through higher order volumes. In addition, the Company constantly seeks greater operational efficiency in order to lower production costs per unit.

Other Income

The Company's other income consists of the revenues from the sale of water produced at its desalination plant, the interest earned on a long-term loan the Company extended to GARMCO that matures on December 31, 2016 and the interest earned on its bank deposits and accounts receivable.

Selling and Distribution Expenses

The Company's sales and distribution expenses consist primarily of freight and logistics costs associated with deliveries to customers, as well as commissions to agents for sales in Asia, finished goods handling, duties paid for exports to customers in the European Union, marketing personnel costs and overheads, traveling costs, fees and other costs for participation in fairs and industry events and allowance for doubtful debts, shipping expenses, warranty expenses, as well as payments for print advertising and special broadcasting and sales agent training, among others.

General Administrative Expenses

The Company's general administrative expenses primarily consist of workforce costs (salaries and benefits), insurance, professional fees for consultants and other experts, training costs, public relations and travel costs. The Company has adopted a stringent policy concerning control over these expenses to keep them within a reasonable percentage of overall costs with the support of a competent, qualified and disciplined team of employees.

Write-off of Property, Plant and Equipment

The Company writes off the remaining value of its property, plant and equipment when the Company retires impaired productive assets that have been shut down before the end of their useful lives, including, among others, aluminium manufacturing facilities, power plant equipment and transport vehicles.

Gain (Loss) on Exchange

The Company is exposed to volatility in the exchange rate between the U.S. dollar and the Euro in connection with its sales of aluminium products to European customers under Euro-denominated agreements.

Directors' Fees

The Company's directors' fees consist of annual fees and meeting attendance fees paid to directors.

Finance Costs

The Company's finance costs consist of fees and interest payments directly attributable to its long-term syndicated loans and short-term working capital loans and bank charges.

Fair Value (Loss) Gain on Revaluation-settlement of Derivatives (net)

The Company's derivatives contracts comprise interest rate collars, knockout swaps, forward foreign exchange contracts and commodity options. For more information, see "—Liquidity and Capital Resources—Off-Balance Sheet Arrangements."

SIX MONTHS ENDED JUNE 30, 2010 COMPARED TO THE SIX MONTHS ENDED JUNE 30, 2009

Sales to Customers

Sales to customers increased by 38.8% in the first six months of 2010 to BD 372.5 million compared to BD 268.4 million in the first six months of 2009, mainly due to a 45.3% increase in the realized cash average aluminium price, from US$1,460 per tonne in the first half of 2009 to US$2,120 per tonne for the same period in 2010. The Company's total sales volume decreased from 444,502 tonnes in the first half of 2009 to 427,066 tonnes in the first half of 2010 as a result of lower hot metal production. However, there was a significant shift in the Company's product mix resulting in high value-added product sales increasing to 62% of total sales volume, compared to approximately 35% in the same period in 2009. This increase in value-added sales was driven by the Company's increased focus on marketing as well as an increase in global economic activity.

Sales to a Shareholder

There were no sales to a shareholder in the first six months of 2010. For the same period in 2009, sales to shareholders amounted to BD 0.8 million, which represented the final amount invoiced for sales to the Company's former shareholder, Breton.

Cost of Sales

The Company's cost of sales in the first half of 2010 increased by 2.8%, to BD 268.6 million from BD 261.4 million for the same period in 2009. The increase in cost of sales was primarily driven by higher alumina costs, which was a result of the higher LME price of aluminium. The increased cost of alumina was largely offset by lower green petroleum coke costs in the first half of 2010 when compared to the same period in 2009. The high cost of green petroleum coke in 2009 principally resulted from the large quantities of green petroleum coke that the Company purchased prior to the fall in market prices, and which the Company then used in its production process during the first six months of 2009. In addition, workforce costs increased slightly in 2010 as a result of the higher all-employee bonus accrual, which was due to the Company's higher profitability. The increase in bonus accrual was mostly offset by the Company's lower overall headcount (reflecting a 9% year-on-year reduction) as a result of the management restructuring and the early retirement scheme that were enacted during 2009.

The table below includes the components of the Company's cost of sales for the six months ended June 30, 2009 and 2010:

	Six months ended June 30,			
	2009		2010	
Cost of sales component:	**BD thousands**	**(% of cost of sales)**	**BD thousands**	**(% of cost of sales)**
Raw materials, including natural gas	175,666	(67.2%)	181,496	(67.6%)
Depreciation	36,488	(14.0%)	37,060	(13.8%)
Staff costs	29,047	(11.1%)	30,008	(11.2%)
Spares and consumables	11,710	(4.5%)	10,891	(4.0%)
Contracted repairs and major maintenance	6,174	(2.3%)	7,122	(2.6%)
Royalty	1,757	(0.7%)	1,748	(0.7%)
Consultancy fees	113	(0.0%)	88	(0.0%)
Other expenses	424	(0.2%)	205	(0.1%)
Total	**261,379**	**(100.0%)**	**268,618**	**(100.0%)**

Gross Profit

Gross profit increased in the first six months of 2010, year on year, from BD 7.7 million in the first six months of 2009 to BD 103.9 million in the first six months of 2010, due primarily to the 45.3% increase in the realized cash average aluminium price and higher value-added product sales.

Other Income

In the first half of 2010, other income increased by 82.5%, to BD 3.1 million from BD 1.7 million in the first half of 2009 principally due to higher interest income as a result of higher bank deposits.

Selling and Distribution Expenses

Selling and distribution expenses increased by 34.2% in the first half of 2010 to BD 6.5 million from BD 4.8 million in the first half of 2009. The increase in 2010 was a result of higher overall freight charges, as demand for freight services increased due to the surge in global economic activity during this period. In addition, the significant increase in the Company's value-added product sales associated with higher exports to Europe and Asia during the first half of 2010 led to an increase in freight charges. Shipping value-added products is also more costly than shipping other products, particularly to Europe.

General Administrative Expenses

General and administrative expenses grew by 11.0% in the first six months of 2010 to BD 12.8 million, compared to BD 11.5 million in the first half of 2009. This increase was the result of higher consultant costs as well as the higher all-employee bonus accrual.

Write-off of Property, Plant and Equipment

The Company wrote off equipment worth BD 1.2 million in the first half of 2010, while there was no write-off in the same period of 2009. The write-off in 2010 relates to the retirement of old power equipment that the Company disposed of during this period.

Gain (Loss) on Exchange

In the first six months of 2010, the Company made a loss of BD 3.7 million in foreign exchange, while in the first six months of 2009 the Company made a loss of BD 0.14 million. This was due principally to the volatility in exchange rates between the U.S. dollar and the Euro.

Finance Costs

The Company's finance costs declined by 68.2% for the first six months of 2010 to BD 3.6 million, compared to BD 11.3 million in the first six months of 2009. The decrease resulted from a significant drop in the U.S. dollar LIBOR rate year-on-year and the Company's lower overall debt balance as it continues to pay down its debt financing associated with Line 5.

(Loss) Profit before Accounting for Derivatives Contracts

In the first six months of 2010, the Company recorded a profit of BD 79.4 million before accounting for derivative contracts, while in the first six months of 2009, the Company recorded a loss of BD 18.3 million before accounting for derivative contracts.

Fair Value (Loss) Gain on Revaluation-Settlement of the Derivatives

The Company gained BD 36.0 million in the first six months of 2010 with respect to revaluation and settlement of derivative contracts, while the Company recorded a gain of BD 3.5 million for the same period in 2009. The gain or loss on the derivatives is the combination of the actual monthly settlement payments the Company makes on any realized losses as well as the change in the mark-to-market position on the remaining derivative position, and it relates to the commodity call options that the Company sold in 2005. See "—Certain Factors Affecting Results of Operations—Derivative Financial Instruments." In 2010, there was a drop in the LME forward prices at the end of June when compared to the end of December 2009. At the end of 2009, there was a surge in global economic activity, which resulted in an increase in the LME forward prices and a corresponding increase in the Company's negative mark-to-market position. During the first half of 2009, the LME forward prices were relatively stable, resulting in the small gain of BD 3.5 million in the first half of 2009.

Profit (Loss) for the Year

The Company reported a profit of BD 115.4 million in the first six months of 2010, while the Company booked a loss of BD 14.8 million in the first six months of 2009 due to the reasons as discussed above.

YEAR ENDED DECEMBER 31, 2009 COMPARED TO THE YEAR ENDED DECEMBER 31, 2008

Sales to Customers

Sales to customers declined by 34.2% in 2009 to BD 581.8 million compared to BD 884.3 million in 2008, mainly due to the 37.1% drop in the realized cash average aluminium price from US$2,581 per tonne in 2008 to US$1,625 per tonne in 2009, which accounted for a decline of BD 302.5 million. The LME prices collapsed against the background of the global economic crisis that affected all commodity prices. This decline was partially offset by an increase in the Company's total sales volume, accounting for BD 15.0 million. Total sales volume increased from 846,127 tonnes in 2008 to 869,738 tonnes in 2009. The increase in 2009 sales was as a result of a significant effort by the Company's marketing team to reduce its finished goods inventory in order to make more working capital available.

Sales to a Shareholder

Sales to a shareholder have not included any sales to Mumtalakat or SIIC since January 1, 2008, but only sales to the Company's former shareholder Breton. These sales amounted to BD 0.8 million in 2009, compared to BD 20.9 million in 2008, a decrease resulting from an agreement with Breton for the Company to begin marketing its entire 3% share of the Company's total aluminium production in 2009. The BD 0.8 million of sales to Breton correspond to orders placed in 2008 but which were delivered and invoiced in 2009.

Cost of Sales

The Company's cost of sales in 2009 declined by 16.0%, from BD 640.4 million in 2008 to BD 538.1 million in 2009. This decline was principally the result of the drop in cost of raw materials, such as alumina, which decreased costs by BD 96.1 million, along with green petroleum coke and pitch. There was a large decline in the cost of alumina in particular, as its procurement price is directly linked with the LME price of aluminium. In addition, costs of other major raw materials (such as green petroleum coke and pitch) also declined in response to the global financial crisis. Finally, in 2009 the Company had lower alloying costs when compared to 2008 as a result of a significant decline in the sales of higher value-add products. Offsetting the large decline in the raw materials costs were restructuring and early retirement costs of BD 15.4 million (primarily representing increased staff costs) and the increased price of natural gas in accordance with the escalation clause in the BAPCO contract accounting for a decrease of BD 6.0 million.

The table below includes the components of the Company's cost of sales for the years ended December 31, 2008 and 2009:

	Year ended December 31,			
	2008		2009	
Cost of sales component:	**BD thousands**	**(% of cost of sales)**	**BD thousands**	**(% of cost of sales)**
Raw materials, including natural gas	451,443	(70.5%)	343,864	(63.9%)
Depreciation	72,793	(11.3%)	74,480	(13.8%)
Staff costs	65,645	(10.2%)	77,270	(14.4%)
Spares and consumables	25,284	(4.0%)	22,108	(4.1%)
Contracted repairs and major maintenance	15,051	(2.4%)	15,512	(2.9%)
Royalty	5,058	(0.8%)	3,514	(0.7%)
Consultancy fees	208	(0.0%)	255	(0.0%)
Other expenses	4,942	(0.8%)	1,118	(0.2%)
Total	640,424	(100%)	538,121	(100%)

Gross Profit

Gross profit declined by 83.2% in 2009, year on year, from BD 264.7 million in 2008 to BD 44.4 million in 2009, due primarily to the decline in sales.

Other Income

In 2009, other income decreased by 11.6%, to BD 4.2 million from BD 4.8 million in 2008, primarily due to decreased water sales and lower interest income. The lower interest income from the Company's long-term receivables was the result of lower LIBOR in response to the large interest rate cuts by the U.S. Federal Reserve Bank during the global financial crisis.

Selling and distribution expenses

Selling and distribution expenses declined by 47.5% in 2009 to BD 11.9 million from BD 22.7 million in 2008, primarily as a result of the significant drop in the freight rates due to lower worldwide demand for shipping during the global financial crisis. In addition, in 2009 the Company had lower freight costs as a result of the large reduction in shipments of higher value-added products that are generally more expensive to ship than standard commodity products.

General administrative expenses

General and administrative expenses grew by 17.0% in 2009 to BD 24.0 million, compared to BD 20.5 million in 2008. This increase was mainly due to the increase in professional fees paid to the Company's external advisors and consultants and its insurance premiums as a result of higher claims due to certain power equipment failures.

Write-off of property, plant and equipment

In 2009, BD 6.98 million was written off for property, plant and equipment, while there was no write-off in 2008. The write-off in 2009 was primarily related to the closure of Cast House 1, due to its age and cost inefficiency, and to the Company's operational restructuring.

Gain on exchange

In 2009, the Company made a gain of BD 1.3 million in foreign exchange, while in 2008 the Company made a loss of BD 4.8 million. This was due principally to the volatility in exchange rate between the U.S. dollar and the Euro.

Directors' Fees

The Company paid BD 0.16 million to directors as fees in 2009, compared to BD 0.12 million in 2008.

Finance Costs

The Company's finance costs declined by 10.6% in 2009 compared to 2008, decreasing from BD 26.2 million in 2008 to BD 23.4 million in 2009. This was mainly due to the drop in the average three-month LIBOR rates, from 2.91% in 2008 to 0.69% in 2009, as well as the decrease in the total amount of the Company's outstanding indebtedness as it continues to pay down its debt financing associated with Line 5.

(Loss) Profit before accounting for derivatives contracts

In 2009, the Company lost BD 16.5 million before accounting for derivative contracts, due to the reasons discussed above, while, in 2008, the Company recorded a profit of BD 195.2 million before accounting for derivative contracts.

Fair Value (Loss) Gain on Revaluation-settlement of the Derivatives

The Company lost BD 66.2 million in 2009 with respect to revaluation and settlement of derivative contracts, while the Company recorded a gain of BD 98.4 million in 2008. The gain or (loss) on the revaluation and settlement of derivatives is the combination of the actual payments the Company makes on any realized losses as well as the change in the mark-to-market position on the remaining derivative position and principally relates to the commodity call options that the Company sold in 2005. See "—Certain Factors Affecting Results of Operations—Derivative Financial Instruments." In 2009, there was dramatic increase in the LME forward prices at the end of the year as a result of the increase in global economic activity. This resulted in the Company having large unrealized losses based upon the increase in the negative mark-to-market position. In 2008, the Company had the opposite effect whereby there was a large significant decrease in the negative mark-to-market position based upon a large decrease on the LME forward curve when prices collapsed at the peak of the global financial crisis.

Profit (Loss) for the Year

The Company reported a loss of BD 82.7 million in 2009, while the Company achieved a profit of BD 293.6 million in 2008.

YEAR ENDED DECEMBER 31, 2008 COMPARED TO THE YEAR ENDED DECEMBER 31, 2007

Sales to Customers

Sales to customers declined by 4.3% in 2008 to BD 884.3 million, compared to BD 924.0 million in 2007, primarily due to lower sales volume as a result of the global financial crisis, whereby the Company sold 33,520 tonnes less in 2008 than in 2007. Also contributing to the decline in sales was the lower realized cash average aluminium price in 2008 (US$2,581 per tonne in 2008 compared to US$2,636 per tonne in 2007).

Sales to a Shareholder

Sales to a shareholder increased from BD 16.2 million in 2007 to BD 20.9 million in 2008. All of these sales were to the Company's former shareholder, Breton.

Cost of Sales

The Company's cost of sales for the year 2008 stood at BD 640.4 million, which represented an increase of 13.9% when compared to BD 562.3 million in 2007. This increase was primarily due to higher raw material costs in 2008, in particular alumina, which is directly linked to the LME price for aluminium. In addition, the cost of sales increased in 2008 due to the higher price of natural gas pursuant to the annual price increase as provided for in the escalation clause in the BAPCO contract. The substantial decrease in LME prices at the end of 2008 resulted in a higher cost of inventory, as well as a write-down of alumina to net realizable value included in cost of sales of BD 14.3 million, which was captured in cost of raw materials. The increase in cost of sales also resulted from higher staff costs due to an increase in bonus accrual for all employees and the increase in employee allowance packages.

The table below includes the components of the Company's cost of sales for the years ended December 31, 2008 and 2007:

Cost of sales component:	Year ended December 31, 2007 BD thousands	2007 (% of cost of sales)	2008 BD thousands	2008 (% of cost of sales)
Raw materials, including natural gas	390,686	(69.4%)	451,443	(70.5%)
Depreciation	69,470	(12.3%)	72,793	(11.3%)
Staff costs	56,051	(10.0%)	65,645	(10.2%)
Spares and consumables	24,020	(4.3%)	25,284	(4.0%)
Contracted repairs and major maintenance	12,259	(2.2%)	15,051	(2.4%)
Royalty	5,385	(1.0%)	5,058	(0.8%)
Consultancy fees	—	(0.0%)	208	(0.0%)
Other expenses	4,429	(0.8%)	4,942	(0.8%)
Total	562,300	(100%)	640,424	(100%)

Gross Profit

The Company's gross profit for 2008 declined by 29.9% to BD 264.7 million from the level of BD 377.9 million in 2007, due to the reasons stated above.

Other Income

Other income decreased significantly in 2008, amounting to a 37.7% decrease, from BD 7.7 million in 2007 to BD 4.8 million in 2008. This was due to lower water sales in 2008, which was partially offset by higher interest income in 2007 on the short-term deposits as LIBOR rates were substantially higher in 2007 compared to 2008.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 2.9% to BD 22.7 million in 2008 from BD 23.4 million in 2007, primarily due to lower customer shipping costs as a result of lower overall sales volumes in 2008 compared to 2007.

General Administrative Expenses

General and administrative expenses increased by 26.4% to BD 20.5 million from BD 16.2 million in 2007, due to an increase in workforce costs as a result of the higher all-employee bonus accrual as well as increases in the employee allowance packages. Also contributing to the increase in costs in 2008 when compared to 2007 were higher overall professional fees paid to external advisors and consultants.

Loss on Exchange

The Company lost BD 4.8 million in foreign exchange in 2008, while, in 2007, the Company gained BD 0.5 million. This was due to the volatility in currencies other than U.S. dollar, mainly the Euro.

Directors' Fees

The Company paid BD 0.12 million as directors' fees in 2008, compared to the 2007 level of BD 0.19 million.

Finance Costs

The Company paid BD 26.2 million in 2008 as finance costs, which was 38.3% less than the 2007 finance cost of BD 42.4 million. The Company's outstanding loan balances were lower in 2008 due to partial repayment. Further, the average three-month LIBOR rate was 2.91% in 2008 compared to 5.30% in 2007.

Fair Value (Loss) Gain on Revaluation/ settlement of the Derivatives

The Company gained BD 98.4 million in 2008 and lost BD 62.0 million in 2007 on the revaluation and settlement of derivatives. In 2008, there was a dramatic decline in the LME forward prices as a result of the global financial crisis that resulted in a large reversal of the previous negative mark-to-market position that had been booked in 2007. In 2007, the Company experienced the opposite effect, whereby there was a large increase in the negative mark-to-market position based upon a large increase in LME forward prices.

Profit (Loss) for the Year

The Company reported a profit of BD 293.6 million in 2008, which represented a 24% increase over the profit figure of BD 236.9 million in 2007.

LIQUIDITY AND CAPITAL RESOURCES

Capitalization

The following table sets forth the Company's total short-term debt and current portion of long-term borrowings, long-term debt, total shareholders' equity and total capitalization as of June 30, 2010. The following table should be read in conjunction with "Selected Historical Financial and Other Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and the financial statements and the accompanying notes thereto included elsewhere in this offering memorandum.

	As at June 30, 2010	
	Actual (thousands of BD)	Actual (thousands of US$)[1]
Share Capital	142,000	377,660
Statutory Reserve	54,807	145,763
Capital Reserve	249	662
Contribution from shareholders	75,954	202,005
Treasury shares	(13,536)	(36,000)
Retained earnings	496,065	1,319,322
Total short-term borrowings and current portion of long-term borrowings	163,597	435,098
Long-term borrowing	271,250	721,410
Total capitalization	1,190,386	3,165,920

[1] For convenience, certain financial data has been presented in U.S. dollars, converted at the exchange rate of US$1.00 = BD 0.376. Amounts in this table in U.S. dollars are translated amounts and have not been extracted from the financial statements. All financial data in U.S. dollars are in thousands of U.S. dollars.

Indebtedness

As at June 30, 2010, the Company's total indebtedness amounted to BD 434.8 million, and it was composed of current loans and financing of BD 163.6 million and non-current loans and financing of BD 271.3 million. Of the total indebtedness, 96.9% was denominated in U.S. dollars. BD 295.5 million of this debt was related to the Line 5 financing for which the Company is making annual principal payments in accordance with the terms of each loan. In addition to the Line 5 financing, the Company had BD 79.0 million of revolving short-term debt that is maintained for its working capital requirements, principally including raw materials purchases and equipment maintenance. The short-term debt facilities are with the Company's core relationship banks and are typically renewed on an annual basis (all in U.S. dollars). The Company's net debt to Adjusted EBITDA ratio was 2.23x, and its net debt to equity ratio was 0.46x.

As at December 31, 2009, the Company's total indebtedness amounted to BD 465.4 million and it was composed of current loans and financing of BD 169.5 million, and non-current loans and financing of BD 295.9 million. At that time, the Company's total indebtedness was denominated in U.S. dollars. BD 325.1 million of this debt was related to the Line 5 financing for which the Company was making annual principal payments in accordance with the terms of each loan. In addition to the Line 5 financing, the Company had BD 86.5 million of revolving short-term debt that was maintained for its working capital requirements, principally including raw materials purchases and equipment maintenance. As at December 31, 2009, the balance of this short-term debt was split between several banks, with the largest single exposure to one counterparty amounting to BD 18.8 million. These facilities were with the Company's core relationship banks and are typically renewed on an annual basis (all in U.S. dollars). The Company's net debt to Adjusted EBITDA ratio was 4.57x, and its net debt to equity ratio was 0.64x.

As of December 31, 2008, the Company's total indebtedness amounted to BD 538.9 million, and it was composed of current loans and financing of BD 168.7 million and non-current loans and financing of BD 370.1 million. At that time, virtually all of the Company's outstanding indebtedness, amounting to BD 538.9 million, was denominated in U.S. dollars. In addition to the Line 5 financing, the Company had BD 82.8 million of revolving short-term debt that was maintained for its working capital requirements. The Company's net debt to Adjusted EBITDA ratio was 1.79x, and its net debt to equity ratio was 0.75x.

As of December 31, 2007, the Company's total indebtedness amounted to BD 634.8 million, and it was composed of current loans and financing in the amount of BD 178.9 million and non-current loans and financing in the amount of BD 455.8 million. All of the Company's total indebtedness was denominated in U.S. dollars. In addition to the Line 5 financing, the Company had BD 97.2 million of revolving short-term debt that was maintained for its working capital requirements. The Company's net debt to Adjusted EBITDA ratio was 1.92x, and its net debt to equity ratio was 1.26x.

All the Company's long-term commercial loans have a floating rate of interest, while its working capital loans have a fixed rate of interest that is fixed at the time of drawing down of the loan.

The table below sets forth the outstanding principal amounts of the Company's loans and financing as at December 31, 2007, 2008 and 2009 and as at June 30, 2009 and 2010:

Loans and Financing Facilities	**As at December 31,**			**As at June 30,**	
	2007	**2008**	**2009**	**2009**	**2010**
	(millions of BD, unless otherwise indicated)				
Working capital revolving credit	88.5	82.8	86.5	91.4	79.0
US$25M other working capital	8.7	—	—	—	—
Short term loans	7.6	11.8	8.8	2.2	9.2
US$100M BTMU Loan	29.2	20.9	12.5	16.7	8.4
US$200M Bonds	75.2	63.4	63.4	63.4	63.4
US$250M Islamic Facility	69.3	59.4	49.5	54.4	44.5
US$300M ERG Facility	91.1	82.0	72.9	77.5	68.3
US$150M COFACE Facility	45.4	39.0	32.5	35.7	29.2
US$641M Refinancing Line 5	219.7	179.6	139.3	159.5	119.2
Euro 54M COFACE Facility	—	—	—	—	13.6
Total	**634.7**	**538.9**	**465.4**	**500.8**	**434.8**

The table below sets forth the maturity profile of the Company's non-current loans and financings as at June 30, 2010:

Maturity	**Non-current Loans and Financing**	**Percentage of Total Indebtedness**
	(thousands of BD)	**%**
2010	33,935	(10)
2011	75,622	(22)
2012	86,511	(25)
2013	91,134	(26)
2014 and later	59,500	(17)
Total	**346,702**	**(100)**

Inventories

The Company's inventory indicators for the periods indicated below are as follows:

	As at December 31,			As at June 30,	
	2007	2008	2009	2009	2010
	(thousands of BD, unless otherwise indicated)				
Goods in transit	20,282	38,876	16,875	24,912	19,253
Raw materials	37,607	64,040	45,888	52,907	43,777
Work in process[1]	46,309	61,973	55,614	58,670	46,384
Finished goods[2]	24,116	38,476	24,955	25,184	23,156
Stores stock[3]	21,931	23,620	24,779	25,269	24,858
Total inventory	**150,245**	**226,985**	**168,111**	**186,942**	**157,428**
Inventory turnover (days)[4]	98	129	114	113	105

1 Work in process includes green petroleum coke, calcined coke and inventory of aluminium products based on the percentage completion method.

2 Finished goods includes all forms of aluminium and alloys.

3 Stores stock includes spare parts, operating supplies and medical supplies.

4 Inventory turnover is total inventory multiplied by 365, divided by cost of sales.

As of June 30, 2010, total inventory was BD 157.4 million, compared to BD 186.9 million as at June 30, 2009. In terms of inventory turnover as of June 30, 2010, the Company achieved 105 days compared to 113 days as of June 30, 2009. The reduction in total inventory is primarily attributable to efforts to optimize inventory and reduce working capital. The largest inventory reductions were in goods in transit, work in process and raw materials, primarily sealed cathode stocks, carbon anodes and lower levels of green petroleum coke and calcined petroleum coke, partially offset by higher alumina, which increased as a result of the higher LME price in the first half of 2010.

As at December 31, 2009, total inventory was BD 168.1 million, compared to BD 227.0 million as at December 31, 2008. In terms of inventory turnover at the end of 2009, the Company achieved 114 days compared to 129 days at the end of 2008. The reduction in total inventory is primarily attributable to management's efforts to reduce working capital, which had significantly increased at the end of 2008 as a result of factors stemming from the global economic crisis. As a result of the crisis, the Company had a high level of unsold finished goods in inventory due to customer order cancellations. In addition, the Company had very high levels of green petroleum coke at the end of 2008 based upon the timing of shipments at year-end, which was compounded by the spike in green petroleum coke prices just prior to the downturn.

As at December 31, 2008, total inventory was BD 227.0 million, compared to BD 150.2 million at the end of 2007. Inventory turnover at the end of 2008 increased to 129 days compared to 98 days at the end of 2007. The large increase in total inventory was primarily a result of factors stemming from the global economic crisis. In 2008, the Company had a high level of unsold finished goods in inventory resulting from a large number of customer order cancellations when compared to 2007. In addition, the Company had very high levels of green petroleum coke and alumina at the end of 2008 compared to 2007 based upon the timing of shipments at year-end.

Trade Receivables

The Company's trade receivables as at the dates indicated below are as follows:

	As at December 31,			As at June 30,	
	2007	2008	2009	2009	2010
	(thousands of BD, unless otherwise indicated)				
Trade accounts receivable	165,091	118,791	89,698	76,762	88,121
Trade receivable days[1]	64	48	56	40	47

1 Trade receivable days is trade receivables divided by last twelve months (LTM) sales multiplied by 365.

As at June 30, 2010, the Company's trade accounts receivable were BD 88.1 million, compared to BD 76.8 million as at June 30, 2009. The overall increase in value of the Company's trade accounts receivable was due to the large increase in the LME price during 2010 when compared to 2009. In terms of trade receivable days at the end of June 2010, the Company achieved 47 days as compared to 40 days as at June 30, 2009. The increase

in trade receivable days was primarily attributable to a large increase in value-added sales in the first half of 2010 compared to a high level of standard ingot sales in 2009 as a result of reduced demand for value-added products during the global economic crisis. Standard ingot sales into LME warehouses have very short payment terms when compared to a standard customer trade term, which averages between 45 and 60 days.

As at December 31, 2009, the Company's trade accounts receivable were BD 89.7 million, compared to BD 118.8 million as at December 31, 2008. The overall decrease in value of the Company's trade accounts receivable was due to a reduction of the high LME receivables which were on the books at the end of 2008. In terms of receivable days at the end of 2009, the Company achieved 56 days as compared to 48 days as at December 31, 2008. The increase in trade receivable days was primarily attributable to a large increase in the LME aluminium price, which spiked at the end of 2009.

As at December 31, 2008, the Company's trade accounts receivable were BD 118.8 million, compared to BD 165.1 million as at December 31, 2007. The overall drop in value of the Company's trade accounts receivable was due to the large decline in the LME aluminium price at the end of 2008 when compared to 2007. In terms of trade receivable days at the end of 2009, the Company achieved 48 days as compared to 64 days at the end of 2007. The decrease in trade receivable days was primarily attributable to the creation of a credit management unit within the Company's finance department in 2008. Historically, credit-related matters were managed by the Company's marketing department, which resulted in fewer collections. Once established, the Company's credit management unit proved to be diligent in enforcing customer payment terms, resulting in lower overall trade accounts receivable.

Trade Payables

The Company's trade payables as at the dates indicated are as follows:

	As at December 31,			As at June 30,	
	2007	2008	2009	2009	2010
	(thousands of BD, unless otherwise indicated)				
Trade payables	51,445	90,708	54,533	61,037	69,537
Trade payable days	38	58	43	42	54

As at June 30, 2010, trade payables were BD 69.5 million, compared to BD 61.0 million as at June 30, 2009. The overall increase was due to higher inventory levels along with the higher cost of alumina, which is a function of the LME aluminium price. In terms of trade payable days as at June 30, 2010, the Company achieved 54 days as compared to 42 days as at June 30, 2009. The increase in trade payable days was primarily attributable to better payment terms on new alumina contracts. Under its former Alcoa alumina contract, the Company had very short payment terms, whereas under the new contracts, the Company has more standard commercial payment terms, averaging between 30 and 45 days.

As at December 31, 2009, trade payables were BD 54.5 million, compared to BD 90.7 million as at December 31, 2008. The overall decrease was due to lower inventory levels as a result of factors stemming from the global economic crisis. In terms of trade payable days as at December 31, 2009, the Company achieved 43 days as compared to 58 days as at December 31, 2008. The decrease in trade payable days was primarily a result of lower inventory levels and a one-time pricing accrual in 2008, which was related to the last BAPCO gas contract revision.

As at December 31, 2008, trade payables were BD 90.7 million, compared to BD 51.4 million as at December 31, 2007. The overall increase was primarily due to an increase in inventory levels as a result of factors stemming from the global economic crisis. In terms of trade payable days as at December 31, 2008, the Company achieved 58 days as compared to 38 days as at December 31, 2007. The increase in days was primarily attributable to very high levels of inventory over the course of 2008.

Property, Plant and Equipment

Property, plant and equipment constituted BD 1,014.9 million as at June 30, 2010, compared to BD 1,073.1 million as at June 30, 2009. For the years ended December 31, 2007, 2008 and 2009, property, plant and equipment amounted to BD 1,129.0 million, BD 1,089.7 million and BD 1,043.0 million, respectively. The consistent decreases in property, plant and equipment in each period were mainly a result of the absence of any significant capital expenditure and routine depreciation charges. For more information about the Company's property, plant and equipment, see "Business—Production Process and Facilities."

Cash Flow

The Company's cash flow for the periods indicated below is as follows:

	For the year ended December 31,			For the six months ended June 30,	
	2007	2008	2009	2009	2010
	(thousands of BD)				
Net cash flow from operating activities	270,930	286,210	149,436	85,589	98,242
Net cash flow used in investing activities	(16,685)	(35,268)	(34,039)	(19,226)	(9,575)
Net cash flow used in financing activities	(239,938)	(215,242)	(115,492)	(48,729)	(45,567)
Increase (decrease) in cash and cash equivalents	**14,307**	**35,700**	**(95)**	**17,634**	**43,100**
Cash and cash equivalents at start of the period	21,246	10,752	46,452	46,452	46,357
Cash and cash equivalents at the end of the period	**35,553[1]**	**46,452**	**46,357**	**64,086**	**89,457[2]**

1 Cash and cash equivalents as at December 31, 2007 comprises BD 10,752 thousand relating to Alba and BD 24,801 thousand relating to ALMA. ALMA's cash and cash equivalents for this period were transferred to Alba as at January 1, 2008 and were disclosed as bank balances transferred by shareholders to Alba as financing activities in the statement of cash flows for the year ended December 31, 2008. As a result, the cash and cash equivalents as at January 1, 2008 in the statement of cash flows for the year ended December 31, 2008 excluded BD 24,801 thousand.

2 The Company made cash distributions of US$50.0 million, US$75.0 million and US$87.5 million to both of its shareholders on July 7, 2010, September 15, 2010 and October 28, 2010, respectively.

The Company believes that it has sufficient working capital to fund its present requirements for the next 12 months based on its current sources and uses of cash.

Operating activities

Net cash flow from operating activities in the first half of 2010 was BD 98.2 million, primarily generated from operating surplus before working capital changes of BD 108.1 million, which was partially offset by changes in working capital amounting to a decrease of BD 9.8 million. The Company had a net negative working capital change of BD 9.8 million that resulted from a decrease in accounts payable and accruals of BD 14.3 million, an increase in accounts receivable and prepayments of BD 5.7 million and others net BD 0.4 million, which were partially offset by a decrease in inventories of BD 10.7 million. The increase in working capital in the first half of 2010 was attributable to the higher LME price of aluminium, which increased the value of inventory.

Net cash flow from operating activities in 2009 was BD 149.4 million, primarily generated from operating surplus before working capital changes of BD 82.6 million and changes in working capital amounting to an increase of BD 66.8 million. The Company had a net positive working capital change of BD 66.8 million that resulted from a decrease in inventories of BD 58.9 million, primarily due to its de-stocking following the recovery in its markets at the end of 2009 due to the lower LME prices, a decrease in accounts receivable and prepayments of BD 32.6 million, principally due to its increased collection efforts, and an decrease in amounts due from a shareholder of BD 1.2 million, which were partially offset by a decrease in accounts payable and accruals of BD 25.3 million and others net BD 0.6 million. The increase in working capital in 2009 was attributable to the higher LME price of aluminium, which increased the value of trade receivables and inventory.

Net cash flow from operating activities in 2008 was BD 286.2 million, primarily generated from operating surplus before working capital changes of BD 277.7 million and changes in working capital amounting to an increase of BD 8.5 million. The Company had a net positive working capital change of BD 8.5 million that resulted from a decrease in accounts receivable and prepayments of BD 44.0 million, principally due to its increased collection efforts, and an increase in accounts payable and accruals of BD 38.6 million, principally reflecting increased outstanding balances to a raw materials supplier, which were partially offset by an increase in inventories of BD 72.4 million, an increase in amounts due from a shareholder of BD 1.1 million and others net BD 0.6 million.

Net cash flow from operating activities in 2007 was BD 270.9 million, primarily generated from operating surplus before working capital changes of BD 249.0 million and changes in working capital amounting to an increase of BD 21.9 million. The Company had a net positive working capital change of BD 21.9 million that resulted from an increase in accounts payable and accruals of BD 16.3 million, a decrease in inventories of BD 3.8 million and a decrease in accounts receivable and prepayments of BD 2.4 million, which were partially offset by others net BD 0.7 million.

Investing activities (including capital spending)

The Company's investments are made mainly in line with its growth and modernization strategy, with a focus on the expected returns to the shareholders. All of its significant investing activities to date involve investments in the Kingdom of Bahrain.

The Company's cash flow from its investing activities for the periods indicated below is as follows:

	For the year ended December 31,			For the six months ended June 30,	
	2007	2008	2009	2009	2010
	(all amounts are expressed in thousands of BD)				
Purchase of property, plant and equipment	(26,473)	(38,736)	(35,342)	(19,895)	(10,188)
Proceeds from disposal of property, plant and equipment	4,323	821	155	—	374
Interest received	5,465	2,647	1,148	669	239
Net cash flow used in investing activities	**(16,685)**	**(35,268)**	**(34,039)**	**(19,226)**	**(9,575)**

Net cash flow used in investing activities in the first six months of 2010 was BD 9.6 million, principally due to the spending of BD 10.2 million, offset by interest of BD 0.2 million on long-term receivables due from GARMCO.

Net cash flow used in investing activities in 2009 was BD 34.0 million, principally due to the higher spending on power station equipment, offset by lower interest of BD 1.1 million received in relation to the long-term receivables due from GARMCO.

Net cash flow used in investing activities in 2008 was BD 35.3 million, principally due to the higher spending on power station equipment due to the replacement of some of the Company's transformers as well as spending on major gas turbine overhauls, partially offset by interest of BD 2.6 million on the long-term loan due from GARMCO.

Net cash flow used in investing activities in 2007 from the Company's operations was BD 16.7 million.

The Company estimates its average annual maintenance capital expenditure to be BD 30 million for the next three years, principally for power equipment. The Company is currently studying the feasibility of certain growth and expansion projects, but the Company has not yet committed any capital expenditure amounts to those projects.

Financing Activities

Net cash flow used in financing activities in the first half of 2010 was BD 45.6 million, principally due to receipt of a long-term receivable of BD 1.7 million, draw down of borrowings of BD 115.1 million, repayment of borrowings of BD 146.1 million, net receipt of short-term loans of BD 0.3 million, payment of finance costs of BD 4.3 million and net purchase consideration of treasury shares of BD 12.4 million.

Net cash flow used in financing activities in 2009 was BD 115.5 million, principally due to the receipt of a long-term receivable of BD 3.4 million, draw down of borrowings of BD 195.4 million, repayment of borrowings of BD 265.9 million, net repayment of short-term loans of BD 3.0 million, payment of finance costs of BD 24.6 million and payment of BD 20.9 million to Mumtalakat and SIIC as a result of the higher amount of cash available due to relatively lower hedging payments in 2009.

Net cash flow used in financing activities in 2008 was BD 215.2 million, principally due to a draw down under a long-term loan of BD 184.6 million, repayment of borrowings of BD 284.8 million, net receipt of short-term loans of BD 4.1 million, payment of finance costs of BD 28.7 million, decrease in margin deposits for hedging by BD 24.1 million and a cash distribution of BD 139.6 million to Mumtalakat and SIIC. Following ALMA's integration with the Company's operations on January 1, 2008 and the corresponding transfer of assets and liabilities, including cash balances of BD 24.8 million, the Company's cash balances increased to BD 46.5 million, and the Company also became liable to pay certain amounts due from ALMA to Mumtalakat and SIIC.

Net cash flow used in financing activities in 2007 was BD 239.9 million, principally due to a draw down under a long-term loan of BD 241.4 million, repayment of borrowings of BD 317.6 million, net repayment of

short-term loans of BD 6.4 million, payment of finance costs of BD 47.2 million, decrease in margin deposits by BD 17.7 million and a net cash distribution of BD 127.8 million to Mumtalakat and SIIC. The Company's cash balances increased to BD 35.6 million.

Dividend Policy and Cash Distributions

It is the Company's intention to pay dividends to holders of its GDRs consistent with the Company's need to reinvest earnings for long-term growth. In particular, the amount of dividend payments, if any, for any particular period will depend on, among other things, the Company's financial position, results of operations, cash needs of the business and future growth prospects.

Dividend payments, if any, must be in accordance with the statutory restrictions of the Kingdom of Bahrain and recommended by the Company's board of directors and approved by a general meeting of its shareholders, neither of which is under any obligation to recommend or approve any dividend payments. For additional information, see "Description of Share Capital—Allocation of Net Profits and Distribution of Dividends."

The Company anticipates that any dividends the Company may pay in the future with respect to Ordinary Shares represented by GDRs will be declared and paid to the Depositary in Bahrain dinars and will be converted into U.S. dollars by the Depositary and distributed to holders of the GDRs. In addition, dividends that the Company may distribute to the Depositary will be subject to applicable Bahraini withholding taxes. For a description of applicable Bahraini withholding taxes, see "Taxation—Kingdom of Bahrain Tax Considerations." For more information about the distribution of dividends under Bahraini law and the Company's Memorandum and Articles of Association, see "Description of Share Capital—Allocation of Net Profits and Distribution of Dividends."

The Company did not declare any dividends in respect of the years ended December 31, 2007, 2008 or 2009. Up to December 31, 2007, the Company managed marketing activities on behalf and for the benefit of its current shareholders, Mumtalakat and SIIC, in the form of an unregistered joint venture, ALMA. The cash distributions made by ALMA to the Company's two shareholders in 2005, 2006 and 2007, which were disclosed as "Cash transferred to partners" in the statement of cash flows of ALMA's financial statements for the year ended December 26, 2005 and for the years ended December 31, 2006 and 2007, are set forth in the table below. The table also includes cash distributions the Company made to its two shareholders in 2008 and 2009, which were disclosed as "Amounts due to shareholders" and "Movements in amounts due to shareholders" in the Company's statement of cash flows for the years ended December 31, 2008 and 2009, respectively. The Company made the cash distributions in 2008 and 2009 after the Company acquired all of ALMA's assets and liabilities as of January 1, 2008, which is described further in "Presentation of Financial and Other Information." **These cash distributions do not constitute dividends and are included in the table below for informational purposes only.**

Year ended	Cash Distribution Per Share[4] (BD)	Cash Distribution (BD thousands)
December 31, 2009	0.15[1]	20,894[1]
December 31, 2008	0.98[2]	139,584[2]
December 31, 2007	0.90[3]	127,840[3]
December 31, 2006	0.53[3]	75,200[3]
December 26, 2005	0.24[3]	33,924[3]

1 Cash distributions in 2009 were made as "Movements in amounts due to shareholders" and paid by Alba.
2 Cash distributions in 2008 were made as "Amounts due to shareholders" and paid by Alba.
3 Cash distributions in 2005, 2006 and 2007 were made as "Cash transferred to partners" and paid by ALMA.
4 Cash distribution per share is Cash distribution divided by the total number of Alba's Ordinary Shares outstanding.

On September 1, 2010, the Company declared a stock dividend, amounting to 3% of its outstanding share capital, to its shareholders Mumtalakat and SIIC *pro rata* to their respective shareholding at such time. The shares are scheduled to be distributed to the shareholders promptly following the conversion of the Company into a public joint stock company. The Company made cash distributions of US$50.0 million, US$75.0 million and US$87.5 million to both of its shareholders on July 7, 2010, September 15, 2010 and October 28, 2010 respectively.

Contractual Obligations

Except for its non-current loans and financing, the Company does not have any other significant long-term purchase commitments with third parties. As at June 30, 2010, the Company's estimated amounts of non-current loans and financing obligations are set forth in the table below as at the dates indicated.

As at June 30,	Non-current loans and financing (thousands of BD)
2010	33,935
2011	75,622
2012	86,511
2013	91,134
2014 and later	59,500

Material Financing Contracts

The Company's financing requirements are provided through seven long-term syndicated financing agreements, six working capital facilities and a US$200 million bond issue. As at June 30, 2010, the aggregate principal amount outstanding under these facilities was US$1.1 billion in dollar-denominated facilities and Euro 28.6 million in Euro-denominated facilities. The credit facilities include covenants relating to certain obligations and restrictions on the Company, including, among other things, limitations on asset disposals, required consent for significant new indebtedness and material observance and performance of the Quota Agreement. The Company does not currently anticipate renewing any of these existing credit facilities.

	As at June 30, 2010	Current maturities	Beyond June 30, 2011
		(thousands of BD)	
Working capital revolving credit at 2.13 % to 4.11% (2009: 1.76 % to 6.0%)	78,960	78,960	—
Coke Calcining Project refinancing at 0.74% to 1.05% (2009: 1.46 % to 2.16 %)	8,356	8,356	—
Line 5 projects at 0.84% to 1.75% (2009: 2.19 % to 4.38 %)	176,278	19,007	157,271
Coface Loan at 0.78% to 1.11% (2009: 1.11 % to 3.51%)	29,215	6,492	22,723
Refinancing loan at 0.65% to 1.27% (2009: 0.65% to 2.72%)	119,223	40,491	78,732
Coface Loan for Euro 54 M at 2.48%	13,630	1,164	12,466
Total borrowings	**425,662**	**154,470**	**271,192**

2010 SERV Facility

On June 20, 2010, the Company entered into an agreement with BNP Paribas (Suisse) SA as the SERV facility agent. The initial loan amount was for €22.4 million and was made to finance equipment purchases in connection with the replacement of rectiformers for Line 4, with a scheduled maturity date to be determined upon the first drawdown.

2010 COFACE Facility

On April 27, 2010, the Company entered into in an agreement with BNP Paribas as the COFACE facility agent. The initial loan amount was for €54.0 million and was made to finance equipment purchases in connection with the replacement of rectiformers for two of the Company's original production potlines, Lines 1 and 2, with a scheduled maturity date of April 27, 2016.

Citibank Facility

On June 7, 2007, the Company entered into an agreement with a syndicate of banks and with Citibank International plc as the facility agent. The initial loan amount was for US$640.9 million and was for refinancing and extension of the maturity of part of the Company's outstanding indebtedness, with a scheduled maturity date of December 15, 2012.

Refinancing Facility

On June 20, 2006, the Company entered into an agreement with a syndicate of banks and with Bank of Tokyo-Mitsubishi UJF Ltd. as the facility agent. The initial loan amount was for US$100.0 million and was for refinancing the Company's outstanding indebtedness, with a scheduled maturity date of June 20, 2011.

2004 COFACE Facility

On March 28, 2004, the Company entered into an agreement with BNP Paribas as the COFACE facility agent. The initial loan amount was for US$146.7 million and was for financing the construction of potline 5, with a scheduled maturity date of September 8, 2014.

ERG Facility

On March 28, 2004, the Company entered into an agreement with HSBC Bank PLC as the ERG facility agent. The initial loan amount was for US$290.7 million and was for financing the construction of potline 5, with a scheduled maturity date of September 29, 2017.

Islamic Facility

On April 7, 2003, the Company entered into an agreement for Islamic finance with a syndicate of banks and with ABC Islamic Bank as the facility agent. The initial loan amount was for US$250.0 million and was for financing the construction of potline 5, with a scheduled maturity date of December 15, 2014.

US$200 million bond issue

On June 18, 2003, the Company issued floating rate bonds worth US$200 million. As at December 31, 2009, bonds worth US$168.7 million are outstanding and are due in 2013. The bonds bear an effective interest rate of LIBOR plus 0.926% annually.

Off-Balance Sheet Arrangements

Except for the three types of derivative instruments described below and those the Company uses for its hedging positions, as well as the letters of credit the Company has in place to cover its broker positions, the Company does not have any other off-balance sheet arrangements. Because the Company does not engage in any proprietary trading activities in derivatives, the Company accounts for any gains and losses resulting from the re-measurement to fair value of these financial instruments in its statement of comprehensive income.

The Company has used interest rate collars and knockout swap transactions for US$1.5 billion floating rate borrowings that the Company made for financing the construction of Line 5, and to manage the overall financing costs. As at December 31, 2009, the notional amounts outstanding under the interest rate collars and knockout swaps were US$495 million and US$321.8 million, respectively.

The Company has used commodity options for offsetting the premium payable on the interest rate collar, although the Company is no longer entering into any metal hedging contracts. As a part of these call options, if the price of aluminium exceeds a certain prescribed price per tonne in a particular year, then the Company is required to pay the difference between the market price and the prescribed price. The average prescribed price per tonne of aluminium under its call option contracts was US$1,676, US$1,846 and US$1,779 for 2008, 2009 and 2010, respectively. These options are cash settled on a monthly basis. These metal hedge options relate to 113,000 tonnes for each year covering 2010, 2011 and 2012; 59,000 tonnes each for 2013 and 2014; and 40,000 tonnes for 2015.

The Company uses forward foreign exchange contracts for reducing its risks related to its exposure to capital expenditure cash outflows in foreign currencies, mainly in Euros, which amounted to US$79.2 million (BD 29.8 million) in 2009.

For more information about the Company's derivative instruments, see "—Certain Factors Affecting Results of Operations—Derivative Financial Instruments."

Qualitative and Quantitative Disclosure Related to Market Risk

The Company is exposed to risks inherent in the ordinary course of its business. The Company's risk management team is based in Manama, Kingdom of Bahrain, where the Company established its main commercial and financial procedures, including those related to the preparation of the financial and operating reports, analysis of the capital investment and purchase of assets, purchases of raw materials and insurance policies. The managers of each of the departments are responsible for implementing these procedures and policies. All decisions regarding indebtedness, use of financial instruments for exports and foreign exchange risk are made by the Chief Financial Officer's office. For more information on the Company's risk management procedures and policies, see Note 22 to its audited financial statements as at and for the year ended December 31, 2009, included elsewhere in this offering memorandum.

Critical Accounting Policies and Estimates

The financial statements of Alba included elsewhere in this offering memorandum have been prepared in accordance with IFRS. The preparation of financial statements under IFRS requires management to select specific accounting methods and policies from several acceptable alternatives. Furthermore, significant estimates and judgments may be required in selecting and applying those methods and policies that affect the reported financial condition and results of operations. Management bases its estimates and judgments on historical experience and various other assumptions that it believes are reasonable under the circumstances. The accounting practices described herein are those that require subjective and complex assessment, requiring estimates regarding information that is inherently uncertain. Since management's judgment involves estimates related to the probability of the occurrence of future events, actual results may differ significantly from these estimates and judgments under different assumptions or conditions.

Impairment of non-financial assets

The Company assesses at each reporting date, annual and half yearly, whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("**CGU**") (i) fair value less costs to sell and (ii) its value in use, which is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Carrying amount is the amount at which an asset is recognized after deducting any accumulated depreciation (amortization) and accumulated impairment losses thereon. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. For instance, the Company reviews the carrying values of its property, plant and equipment when events or changes in circumstances indicate that the carrying value may not be recoverable, such as when there is evidence of obsolescence of or physical damage to an asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs are those expenses incurred in bringing each product to its present location and condition, determined as follows:

- Raw materials — Purchase cost on a weighted-average basis.
- Work in progress — Cost of direct materials, labor plus attributable overheads based on normal levels of activity.
- Finished goods — Finished goods are stated at the lower of cost and net realizable value.
- Stores — Purchase cost calculated on a weighted-average basis after making due allowance for any obsolete items.

Net realizable value is based on estimated selling price of items in inventory, less any further costs expected to be incurred to complete the production of finished goods and to dispose of such inventory. The Company records provisions for items that have low turnover or are defective. The Company records provisions for inventory losses against inventory accounts.

Accounts receivable

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery. For example, in 2008, due to the global financial crisis, its sales of higher value-added products collapsed at the end of the year, which was the result of the reduction or cancellation of orders for such products by some of its customers, which led to a decrease in accounts receivable.

INDUSTRY AND BAHRAIN MACROECONOMIC OVERVIEW

The following information relating to the aluminium markets and industry overview has been provided for background purposes only. The information has been extracted from a variety of sources released by public and private organizations. Except as otherwise stated, information appearing below under the headings "Global Demand," "Global Supply," "Costs," "Expectations for 2010" and "Long-term Outlook" has been taken from CRU Strategies, an independent business analysis and consultancy group focused on the mining, metals, power, cables, fertilizer and chemicals sectors, and beliefs, estimates, expectations and forecasts expressed below are those of CRU Strategies.

Overview

The aluminium industry is the second-largest metals industry globally, after steel. World consumption of primary aluminium in 2009 was estimated by CRU Strategies at 34.3 million tonnes. Primary aluminium is made from alumina, which is predominantly made from bauxite, and it is either distributed by smelters in liquid form or further processed to create various semi-fabricated products before final use in manufacturing. These products include, among others, extrusion billets, rolling slabs, foundry alloys, ingots, rolled sheet, coil and plate, wire-rod, castings and forgings.

Aluminium has a relatively short history as an industrial metal. Its widespread use only became viable in the late nineteenth century with the discovery of the Hall-Héroult process for the electrolytic smelting of aluminium and the Bayer process for the production of alumina. Prior to these discoveries, aluminium was a semi-precious metal. Both of these processes are still in use today as the main processes for producing aluminium and alumina. Currently, there a number of leading technology platforms used in the aluminium smelting process, and the Company uses the one developed by Aluminium Pechiney at its site. According to CRU Strategies, the Aluminium Pechiney platform, owned by Rio Tinto Alcan, is one of the industry leading technologies and, in 2009, was used by 18 aluminium smelters, representing 18% of production and 15% of capacity worldwide.

The applications of aluminium increased significantly during the Second World War in military uses. Civilian applications continued to increase between 1945 and 1970. The main uses include building products (windows, doors, cladding and facades), transport (automobiles, aircraft, trains and shipbuilding), packaging (drink cans and aluminium foil), electrical (cable and wire), consumer goods and general engineering. The key properties of aluminium that allow this wide array of applications are its lightweight, high strength to weight ratio, good electrical conductivity and malleability. Aluminium faces competition with a variety of materials, depending on the application. Its main substitutes are steel (in building products, transport, packaging and engineering), plastics (in packaging and building products) and copper (in electrical applications and heat exchangers). According to CRU Strategies, technological advances in competing materials to aluminium, such as plastic and composites in the automotive and aerospace sectors, could result in greater substitution away from aluminium than currently forecast.

The aluminium value chain begins with mining of aluminium's main aluminium containing ore, bauxite. Bauxite is largely found in tropical areas of the world, with the main global resources being located in Guinea, Australia, Brazil, India and Jamaica. Mining bauxite is a simple operation, and the cost of bauxite currently forms only a small proportion of the total cost of producing primary aluminium.

From bauxite, aluminium is produced in a two-stage process. First, bauxite is processed in an alumina refinery to produce alumina (Al_2O_3), an oxide of aluminium. Then, alumina is processed into aluminium in an electrolytic converter. The main costs of converting bauxite into alumina are energy (in the form of process steam and fuel for calcination), labor and caustic soda. For conversion of alumina into aluminium, the main costs are power, labor and carbon products (calcined coke and pitch). The cost of production relative to the cost of freight tends to favor the processing of alumina close to the source of bauxite and the processing of aluminium close to a source of low-cost power.

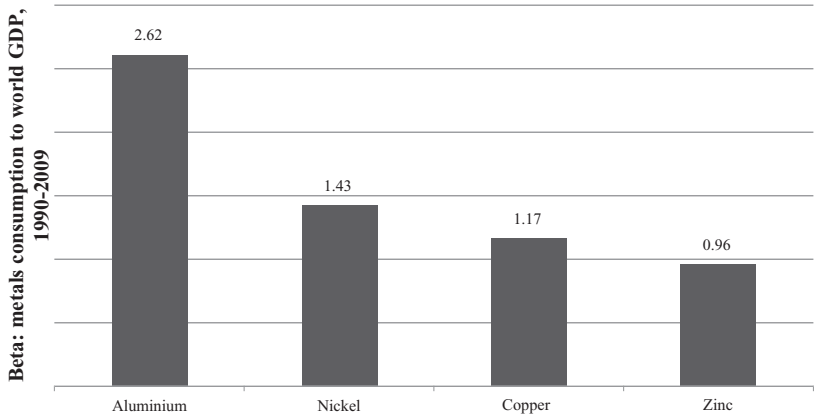
The downstream portion of the aluminium industry value chain takes place after the smelting process in cast houses and rolling mills. The hot metal is cast into casthouse shapes such as billet, slab, ingot, wire rod and foundry alloy. From these, semi-fabricated products such as extrusions, flat-rolled products, forgings and castings, among others, are produced. Products produced here are consumed in the production of fabricated products for use in end-use sectors. For example, aluminium extrusions are heavily used in construction applications such as window frames; and flat-rolled products are used to produce aluminium foil and beverage cans, as well as in the transportation and construction sectors.

Global Demand

Worldwide consumption of primary aluminium grew from 4.1 million tonnes in 1960 to 34.3 million tonnes in 2009. The rate of growth of the demand for primary aluminium has varied over time. Rapid growth in the period up to 1974 (the time of the first global oil price "shock") was followed by a period of slower growth in the following two decades. From 1990 to 2009, overall world demand grew at a rate of 3.4% per year; however, with the recent global recession, 2009 saw a drop in consumption of 8.3% year-on-year. The growth rate from 1990 to 2008 was stronger at 4.1% per year. Growth in the latter half of this period was fuelled by strong demand from emerging markets, especially from the "BRIC" countries (Brazil, Russia, India and China), and most notably from China, which accounted for 41% of world consumption of primary aluminium in 2009. Although demand in Asia improved over the course of 2009, almost entirely due to improvement in demand in China, the recovery in the more traditional areas of demand proved more sluggish than initially forecast. The consumption of primary aluminium rose by 8.1% in Asia (excluding Japan) in 2009, versus declines of 26.6%, 25.2%, and 24.1% in Europe, Japan, and North America, respectively.

Historically, the demand for aluminium has grown in excess of global GDP. The chart below shows the sensitivity of metals consumption to world GDP growth for 1990 to 2009. It illustrates that aluminium was more leveraged to changes in GDP growth than nickel, copper and zinc.

Metals consumption sensitivity to world GDP



Source: CRU Strategies.

Growth in aluminium consumption in 2009 was concentrated in Asia, and in particular in China, which benefited from the strong performance of the automotive sector, combined with government stimulus measures which proved to be more effective and more immediate than many programs announced in developed countries. Demand for primary aluminium in China recovered from the low point of early 2009, and, according to CRU Strategies, it reached 13.9 million tonnes for the year, an increase of 10.5% over 2008.

In terms of end uses, the largest single sector is transport, which accounted for 24% of global demand in 2009. Next in terms of global demand for the period was the construction sector, with 22%, followed by electrical goods with 13%, machinery and equipment and packaging, each with 10%, foil stock with 8%, consumer durables with 7% and other minor uses with 7%.

Financial markets and speculation affect global aluminium demand in three ways. First, financial markets and traders hold and maintain a large percentage of global aluminium stocks. CRU Strategies estimates the amount held in metals exchange warehouses to be 3.5 million tonnes in the first half of 2010 and further estimates that the total reported and unreported amount of aluminium tied up in all warehousing deals reached 10.7 million tonnes at the end of the first quarter of 2010, compared with an estimated 4.4. million tonnes at the end of the second quarter of 2008 (that is, prior to the global financial crisis). The economies of warehousing deals are largely governed by interest rates, warehouse space rental rates and the shape of the LME forward curve. As the economics become less favorable, aluminium may be turned to the market, decreasing prices. However, since there are many different deals with many different expiration dates, it is unlikely that the metal will be released to the market all at once.

Second, financial institutions and investors increase the price of aluminium by making investments in commodity index funds. Currently, CRU Strategies believes that around 10% of the price of aluminium is directly attributable to 4.0 million tonnes of futures positions held by the indexes. This increases as aluminium prices rise, removing material from the physically consumed market.

Third, several companies are thought to be considering the creation of metal-backed Exchange Traded Funds (ETFs). An ETF is an investment fund traded on stock exchanges, much like stocks. ETFs can be linked to different asset classes, such as equities or commodities. They can be bought or sold at the end of each trading day for their net asset value, and also trade throughout the trading day at prices that may be more or less than their net asset value. In particular, commodity ETFs provide exposure to a wide range of either commodities or commodity indices. Some commodity ETFs are backed by the underlying physical commodity. ETFs holding aluminium metal can be expected to further reduce the amount of aluminium available to global consumers, reducing surpluses and supporting the price; but as no such ETFs currently exist, the precise effect is unknown.

The following table shows the geographic breakdown of primary aluminium demand for the years 2002-2009:

Historical consumption of primary aluminium, '000 tonnes

	2002	2003	2004	2005	2006	2007	2008	2009
North America[1]	6,437	6,504	7,169	7,164	7,190	6,483	5,991	4,546
C&S America	904	941	1,087	1,185	1,231	1,402	1,533	1,424
Europe[2]	7,498	7,923	8,304	8,503	8,949	9,449	8,812	6,466
Asia[3]	10,044	11,581	13,083	14,350	16,275	19,759	20,163	21,039
of which China	4,318	5,151	6,066	7,162	8,752	12,071	12,602	13,930
of which Middle East	810	947	1,049	1,115	1,186	1,367	1,464	1,381
Africa	372	382	391	426	495	519	573	497
Australasia	345	398	408	358	358	374	348	321
Total	**25,599**	**27,729**	**30,442**	**31,985**	**34,498**	**37,986**	**37,421**	**34,293**
% change		8.3%	9.8%	5.1%	7.9%	10.1%	(1.5%)	(8.4%)

Source: CRU Strategies

1 Includes Mexico.

2 Includes both Eastern and Western Europe, Russia and Ukraine.

3 Includes Middle East (including Iran) and North Korea, China, Azerbaijan, Tajikistan and Kazakhstan.

Global Supply

Until 1974, aluminium production occurred primarily in the main aluminium consuming countries of Western Europe, the United States, Japan and the current Commonwealth of Independent States. Between 1974 and 1989, the importance of these areas as sources of production declined as new smelters were built in countries with low-cost power—in Latin America, Australia, the Middle East and Canada. From 1989 to the current day, these trends continued, but the Middle East and Southern Africa supplanted Australia and Latin America as fast-growing producers, spurred by lower energy costs.

The biggest change over the last 10 to 15 years has been the rapid growth of China as a producer. China is currently the largest single producing country in the world based on annual production. While China relies primarily on thermal coal and therefore does not benefit from low power costs, it has been able to increase its production to feed its rapidly growing domestic market due to substantial tariff protections and low capital and labor costs. In 2009, China's production was estimated at 13.6 million tonnes, which constituted 36% of the world's primary aluminium production, estimated at 37.7 million tonnes. While China has in the past and may in the near future be a net exporter, it is expected that by 2013 China will become a net importer of aluminium. This is due to the expected growth in demand (from 16.7 million tonnes in 2010 to 22.3 million tonnes in 2013, according to CRU Strategies), high smelting costs (especially for power), and the appreciating Chinese currency (the Yuan or "RMB"). Depleting domestic bauxite resources in China are not expected to be a constraint upon aluminium production over the short-to-medium term before 2012, but in the longer term, CRU Strategies expects a greater proportion of bauxite or alumina to be imported by China.

The growth of Chinese production largely explains the increase in global production from 2002 to 2009. Globally, production grew from 25.8 million tonnes in 2002 to 37.7 million tonnes in 2009, an increase of

11.9 million tonnes. Of this, China accounts for 9.6 million tonnes of increased production. The Middle East also recorded a significant increase of around 1.1 million tonnes during the same period. These numbers reflect a global growth in production of 5.6% per year, a Chinese growth of 18.8% per year, and a Middle East growth of 9.4% per year.

After the slump in consumption that took place in the fourth quarter of 2008 and the first half of 2009, aluminium producers tried to stem rising market surpluses by curtailing smelting capacity. Between October 2008 and August 2009, producers around the globe announced production curtailments totaling 7.1 million tonnes per year of smelting capacity, of which around 53% was located in China.

Since the start of the global financial crisis, governments have adopted various measures to prop up the global economy and to help aluminium producers. Most notably, in China, the government embraced an active role in stockpiling metal and providing discounts on power tariffs. Additionally, favorable financial conditions encouraged investors to lock metal into warehousing deals, tightening the spot market. Despite these actions, the market surplus for 2009 still reached 3.4 million tonnes, but these factors supported metal prices and created an environment for capacity restarts.

After March 2009, spurred by a rebound in metal prices, production levels started to rise in China, with annualized output increasing from 10.9 million tonnes in March 2009 to 17 million tonnes in November 2009. This increase in annualized production reflected a resumption of 90% of previously curtailed production as well as the output of new capacity. By the end of 2009, China had produced 13.6 million tonnes, a level only marginally lower (-0.4%) than 2008 output levels. In the first quarter of 2010, new Chinese capacity has continued to ramp up, and previously idled capacity has restarted. Chinese curtailed capacity stood at 0.13 million tonnes per year at the end of the first quarter of 2010, compared with 3.756 million tonnes per year at the peak of the economic crisis.

In the rest of the world, production curtailments announced in response to the recent economic downturn totaled 3.2 million tonnes through April 2010. Producers outside of China have been more cautious about restarting production, and, as of the end of the first quarter of 2010, only a small portion (13.5%) of previously curtailed capacity has been restarted.

The following tables show a geographic breakdown of aluminium production and capacity for the years 2003-2009:

Regional primary aluminium smelter production, '000 tonnes

	2002	2003	2004	2005	2006	2007	2008	2009
North America[1]	5,452	5,514	5,110	5,382	5,333	5,642	5,783	4,759
C&S America	2,191	2,257	2,357	2,391	2,494	2,556	2,660	2,507
Europe[2]	8,068	8,426	8,819	8,980	8,866	9,217	9,757	8,144
Asia[3]	6,523	8,194	9,641	11,213	13,082	16,572	17,920	18,368
of which China	4,077	5,517	6,646	7,812	9,324	12,574	13,694	13,642
of which Middle East	1,282	1,328	1,486	1,750	1,917	2,028	2,114	2,409
Africa	1,372	1,428	1,710	1,753	1,864	1,815	1,715	1,681
Australasia	2,170	2,198	2,246	2,252	2,274	2,315	2,296	2,211
Total	**25,776**	**28,017**	**29,883**	**31,970**	**33,913**	**38,117**	**40,131**	**37,670**
% change		8.7%	6.7%	7.0%	6.1%	12.4%	5.3%	(6.1%)

Source: CRU Strategies

1 Includes Mexico.

2 Includes both Eastern and Western Europe, Russia and Ukraine.

3 Includes Middle East (including Iran) and North Korea, China, Azerbaijan, Tajikistan and Kazakhstan.

Regional primary aluminium smelter capacity, '000 tonnes

	2002	2003	2004	2005	2006	2007	2008	2009
North America[1]	7,017	7,048	6,523	6,734	6,733	6,684	6,756	6,745
C&S America	2,239	2,324	2,372	2,425	2,529	2,604	2,757	2,773
Europe[2]	8,164	8,542	8,962	9,158	9,277	9,515	10,099	10,286
Asia[3]	6,947	9,617	12,134	13,899	15,429	18,098	21,077	24,305
of which China	4,127	6,633	8,889	10,286	11,484	13,945	16,505	19,025
of which Middle East	1,281	1,319	1,501	1,779	1,937	2,046	2,220	2,581
Africa	1,611	1,759	2,024	2,073	2,113	2,150	2,158	2,165
Australasia	2,159	2,172	2,243	2,280	2,308	2,324	2,332	2,344
Total	**28,137**	**31,462**	**34,258**	**36,568**	**38,389**	**41,375**	**45,178**	**48,618**
% change		11.8%	8.9%	6.7%	5.0%	7.8%	9.2%	7.6%

Source: CRU Strategies

1 Includes Mexico.
2 Includes both Eastern and Western Europe, Russia and Ukraine.
3 Includes Middle East (including Iran) and North Korea, China, Azerbaijan, Tajikistan and Kazakhstan.

The following table shows rankings of primary aluminium producers for 2009, by major company. These rankings are on the basis of equity share, rather than by control. The top 10 producers accounted for 51.5% of primary production in 2009.

Top 10 producers of primary aluminium by 2009 production, '000 tonnes

	Rank	2009 production
UC Rusal	1	3,944
Rio Tinto Alcan	2	3,444
Alcoa	3	3,408
Chalco	4	2,686
Hydro	5	1,323
BHP Billiton	6	1,234
Dubal	7	950
China Power Inv. Corp.	8	894
Aluminium Bahrain	9	848
Xinfa Group	10	648

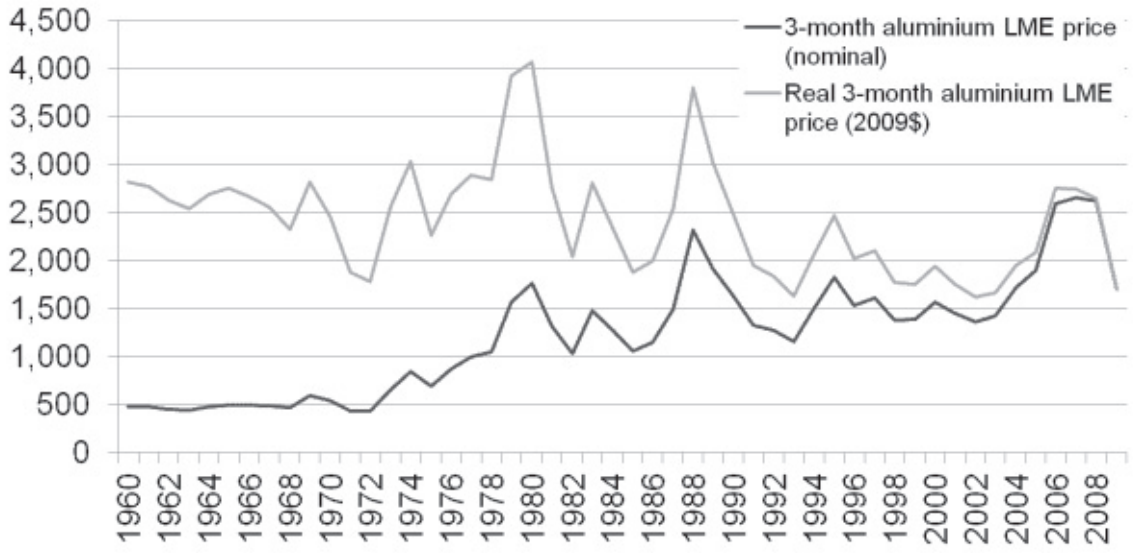
Source: CRU Strategies

Prices

An important aspect of aluminium prices is cyclical behavior. The global aluminium prices are subject to potentially pronounced price cycles.

The following chart shows aluminium three month LME prices from 1960 to 2009:

Real and nominal LME three-month aluminium prices, 1960-2009
(US$/tonne)



Source: LME

During the early and mid-1980s, aluminium prices were highly volatile; reaching a low of US$1,032 per tonne in 1982, immediately followed by a high of US$1,477 per tonne in 1983. This volatility was a result of large swings in demand during the entry into and exit out of the recession of the early 1980s. To illustrate, the aluminium price decreased by 2.6% during 1982 and such decrease was followed by an increase of 8.3% in 1983. To a certain extent, production costs, specifically energy, were also affected by the fallout from the second oil crisis in 1979.

The late 1980s saw the beginning of a period of economic prosperity. Borrowing rates in the United States had increased dramatically, raising interest rates, which in turn increased the value of the dollar relative to other currencies and caused costs at producers outside of the United States to escalate. Concurrently, a resurgence in demand for aluminium increased pressure on a supply base that was suffering from a lack of investment in new aluminium capacity, leading to a market deficit of 2.7 million tonnes, 16% of the total market, by 1988 and a price of US$2,319 per tonne; more than double the 1985 price of US$1,058 per tonne.

As the 1990s began, recessionary conditions constrained primary aluminium demand growth. As this recession was nearing its trough in 1991, the Soviet Union collapsed; causing an increase in aluminium exports from former Soviet producers with little or no domestic market to sell to (domestic consumption dropped by 33.4% between 1991 and 1993). These factors combined to suppress demand growth to just 3.0% between 1989 and 1993. Prices responded to the market imbalances by dropping from US$1,634 per tonne in 1990 to US$1,161 per tonne by 1993.

A short-term recovery was seen in 1994 and 1995, a result of a production decrease of 3.1% from 1993 to 1994, and subsequent inventory drawdown as demand grew by 9.0% over the same period. The peak price of US$1,832 per tonne in 1995 was a result of speculative investment from funds, supported by agreements to limit shipments of ex-Soviet aluminium to the West. End-users increased inventories to protect against further price rises, thereby adding further price support.

In 1996, destocking of the inventories built up over the previous two years caused prices to drop again; falling from US$1,832 per tonne in 1995 to US$1,535 per tonne by 1996. A minor recovery was seen in 1997, to

US$1,618 per tonne; however, this was immediately followed by the Asian financial crisis, which caused a sharp drop in Asian purchasing and had a knock-on effect elsewhere, reducing prices to US$1,379 per tonne by 1998. By 1998, the bottom of the mini-cycle had been reached and prices firmed, led by increased consumer demand from Asia and elsewhere, totaling a 12.1% demand increase by 2000. This rise continued until 2001 when the end of the dot com boom caused a small U.S.-led recession and demand decreased by 4.5%.

During the period from 1981 to 2004, the nominal three-month LME prices averaged US$1,468 per tonne. However, annual average prices varied from a low of US$1,032 per tonne in 1982 to a high of US$2,319 per tonne in 1988. In the 1990s, the cycle was less marked, but prices varied from a low of US$1,161 per tonne in 1993 to a high of US$1,832 per tonne in 1995. Between 1996 and 2004, annual average prices remained within a relatively narrow band (by historical standards) of US$1,364 to US$1,721 per tonne.

The years ended December 31, 2005, 2006 and 2007 have seen the most substantial increase in aluminium prices since the late 1980s, with an annual average price for the year ending on December 31, 2007 of US$2,662 per tonne. The beginning of the last major price rise was in 2003, driven by the emergence of China as a major consumer of aluminium. Chinese demand increased by 160% between 2003 and 2008.

Intensive growth of LME prices continued in the first half of 2008 with three-month LME prices reaching the highest point in July US$3,122 per tonne. In terms of real prices, that was still below the peaks of 1980 and 1988, when real prices exceeded US$3,500 per tonne. Despite the extraordinary growth in the first half of the year, the LME three-month price annual average in 2008 was slightly lower than in 2007: US$2,621 per tonne. The global financial and economic crisis resulted in aluminium prices falling continuously until the end of 2008 and through the first quarter of 2009, when the three-month LME price averaged US$1,396 per tonne. Since then, aluminium prices have recovered strongly, with the three-month LME price average peaking at US$2,346.25 per tonne in April 2010 before easing back to US$1,960.95 per tonne in June 2010.

Bahraini and GCC Aluminium Industry

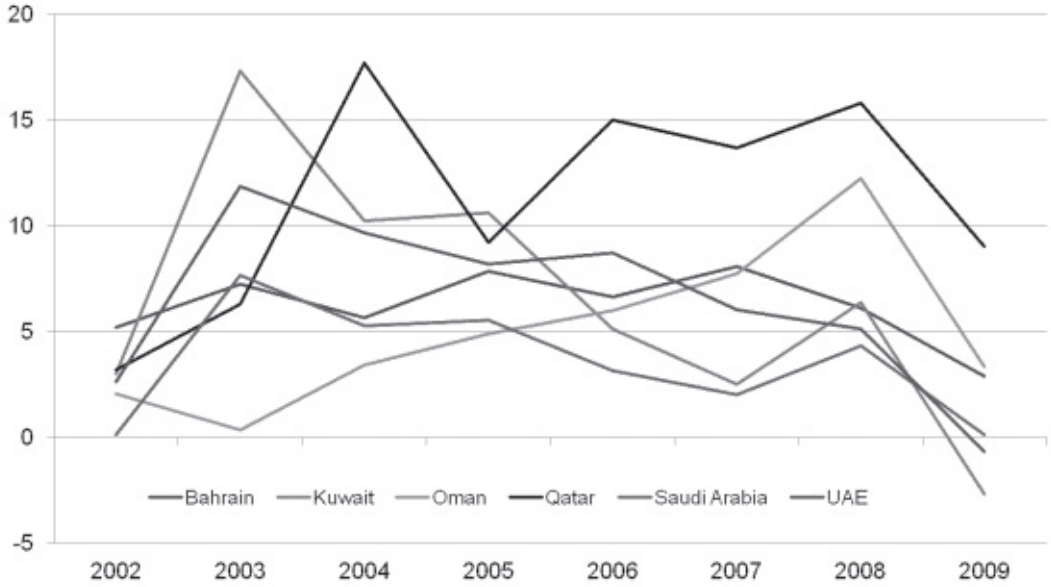
This section discusses the aluminium industry in Bahrain, in the larger grouping of the countries of the GCC, and in the "MENA" region as a whole as defined in the CRU Strategies Report.

Aluminium markets in the MENA region have experienced rapid growth, in terms of both production and consumption. Prior to 2008, there were only six primary aluminium smelters in MENA, and by the end of 2009 there were 10 in total with capacity on stream, with the four new smelters being located in the Middle East. Higher oil and gas prices in recent years have allowed the governments of the Middle East to invest heavily in infrastructure in an attempt to take advantage of their resources and avoid overdependence on oil in the future. It is this drive to diversify away from oil and gas that has facilitated investments in aluminium smelting capacity. Growth in regional end-use sectors, such as construction and packaging, has also encouraged greater investment in smelting and downstream aluminium facilities.

The consumption of aluminium in the overall MENA region showed an upward trend prior to the intensification of the global financial crisis in the second half of 2008. In the Middle East, in particular, primary aluminium consumption nearly doubled over the period of 2000 to 2008, rising from 748,000 tonnes per year in 2000 to over 1.4 million tonnes per year in 2008. This increase has been in response to growth in local capacity in aluminium semi-fabricated products ("**semis**"), as well as firm end-use demand for semis on account of positive economic growth in the region. CRU Strategies estimates that annual GDP growth in the Middle East averaged 5.5% year-on-year over 2002 to 2008. As shown in the graph below, some GCC countries exhibited double-digit gains in GDP growth over the same period, whilst GDP growth in many other MENA countries also performed favorably, generally in the range of 4-8% year-on-year.

The graph below describes GDP growth of GCC countries from 2002 through 2009:

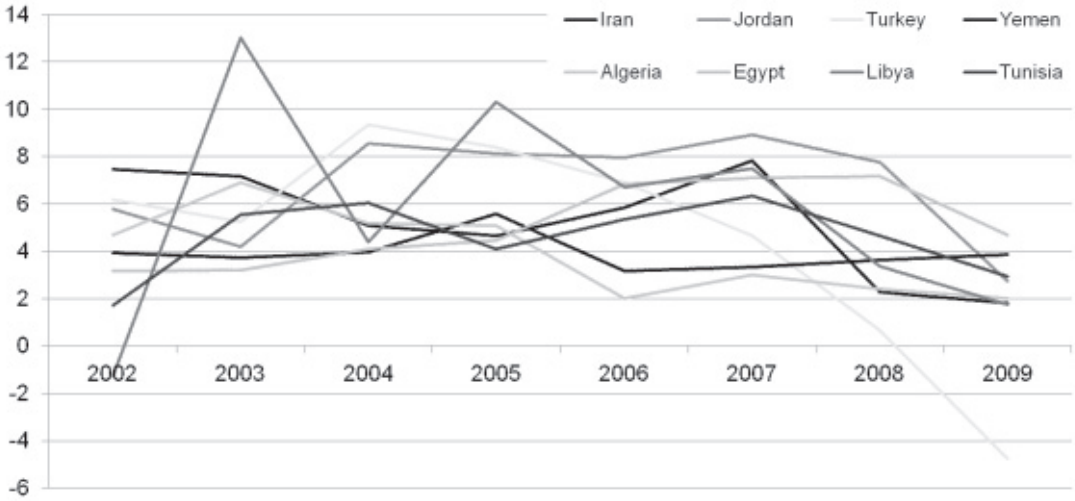
Gross domestic product for GCC countries, constant prices, % change



Source: IMF World Economic Outlook Database April 2010

The graph below describes GDP growth of other MENA countries from 2002 through 2009:

Gross domestic product for other MENA countries, constant prices, % change



Source: IMF World Economic Outlook Database April 2010

With the global financial crisis from late 2008, GDP growth in the MENA region fell. Although accumulated oil revenues enabled Middle East policy makers to use surpluses to prop up their countries' economies, limiting Middle East GDP fell by only 1.1% in 2009, activity in key aluminium consuming end-use sectors slowed more considerably. CRU Strategies estimates that MENA primary aluminium consumption in 2009 fell by 5.6% year-on-year. This compares favorably to other regions where the contraction in primary aluminium consumption was far more severe, for example, Western Europe (-27.2%), Japan (-25.2%), North America (-24.1%), Russia (-22.3%), and South and Central America (-7.1%).

The following table lists the key aluminium producers in the MENA region and CRU Strategies's estimates of their 2009 capacity, 2009 production, and capacity by 2013:

Aluminium smelters in the MENA region over 2009-2013

Smelter	Country	Date of first production	Capacity 2009	Production 2009	Capacity 2013	Smelter casthouse product mix
				'000 tonnes		Unalloyed[1]: Value added
GCC smelters						
Aluminium Bahrain (Alba)	Bahrain	1971	870	846	870	56:44
Sohar Aluminium	Oman	2008	360	351	367	100:0
Qatalum (Qatar Petroleum and Hydro)	Qatar	2009	9	—	597	0:100
Emirates Aluminium Company (EMAL)	UAE (Abu Dhabi)	2009	10	1	780	
Dubai Aluminium Company Ltd. (Dubal)	UAE (Dubai)	1979	975	952	1,026	33:67
Total GCC			**2,224**	**2,150**	**3,640**	
Greater MENA region						
Egyptalum	Egypt	1975	285	253	301	18:82
Iranian Aluminium Company (Iralco)	Iran	1971	172	121	200	62:39
Almahdi Aluminum Company (Almahdi)	Iran	1997	110	108	110	100:0
Hormozgan Aluminum (Hormozal)	Iran	2009	10	1	147	
South Aluminium Co. (Salco)	Iran	2012	—	—	103	
Eti Aluminium Co. Inc.	Turkey	1974	65	29	65	77:23
Total MENA			**2,866**	**2,662**	**4,566**	

Source: CRU Strategies.

[1] Unalloyed includes ingot and liquid metal; value added includes foundry alloy, rolling slab, extrusion billet and continuous cast strip.

Until recently, the Company and Dubai Aluminium ("**Dubal**") operated the only two primary aluminium smelters in the GCC. The Company's smelter was initially commissioned in 1971, followed by the establishment of the Dubal smelter in 1979. Both aimed to diversify the economic bases of their respective countries, in order to reduce dependence on local oil industries.

By 2009, the production capacities of the Company's and Dubal's smelters stood at 870,000 tonnes per year and 975,000 tonnes per year of primary aluminium, respectively. This meant that Dubal and the Company were respectively the 9th and 10th largest primary aluminium producing companies in the world in 2009, based on capacity, and the 6th and 7th largest producing companies outside of China. In production terms, Dubal and the Company were respectively the 7th and 9th largest companies in 2009. Both companies operate large-scale smelters: they are the 3rd and 4th largest individual smelters in the world, after UC Rusal's Krasnoyarsk and Bratsk smelters. The Company's aluminium production represented approximately 2.2% of global production and 35.1% of Middle Eastern production in 2009.

A flurry of projects planned for the region in the 2000s have now reached construction and operation stages. The following table lists CRU Strategies' forecast Middle East smelter capacity changes (in hundreds of thousands of tonnes) from 2009 to 2013.

Middle East forecast smelter capacity changes, '000 tonnes

Location	Plant/Operator	Change Type[1]	2010	2011	2012	2013	Change 2010-13
Abu Dhabi	Emal/Emal	Green	457	313	—	—	313
Bahrain	Alba/Alba	Brown	—	—	—	—	—
	Alba/Alba	Creep	—	—	—	—	—
Dubai	Dubal/Dubal	Brown	23	28	—	—	28
Iran	Arak/State	Brown	28	—	—	—	—
	Bandar Abbas/State	Brown	—	—	—	—	—
	Hormozal	Brown	94	43	—	—	43
	Salco-Asalouyeh/State	Green	—	—	76	27	103
Oman	Sohar/OOC	Green	7	—	—	—	—
Qatar	Qatalum/Hydro	Green	379	198	—	—	198
	Qatalum/Hydro	Creep	—	—	12	—	12
Total capacity increase Middle East			**987**	**582**	**88**	**27**	**697**

Source: CRU Strategies

[1] Brown represents a brownfield expansion, green represents a greenfield expansion and creep represents our estimate of capacity creep.

The first primary aluminium producer to come on stream after the Company and Dubal in the GCC was Sohar Aluminium in Oman in 2008, which is a joint venture among Oman Oil (40%), Abu Dhabi Water and Electricity Authority (40%) and Rio Tinto Alcan (20%). Its aluminium production is estimated to have reached around 351,000 tonnes in 2009. CRU Strategies expects its capacity to reach 367,000 tonnes per year in 2010, and to stay at this level until 2013. A second phase of expansion may take place over the longer term.

Another aluminium smelter that has come on stream recently in the GCC is the Qatalum smelter, which is a joint venture between Hydro and Qatar Petroleum, located in Qatar. It produced its first hot metal in late 2009, and is forecast to ramp up capacity steadily to reach a capacity of 597,000 tonnes per year by 2012 and 2013. There is a potential second stage of expansion that could take the smelter capacity to 1.2 million tonnes per year.

The EMAL smelter also came on stream in late 2009. It is a joint venture between Dubal and Mubadala Development Company ("**Mubadala**"), which is located in Abu Dhabi in the UAE. CRU Strategies forecasts that it will reach a production capacity of 780,000 tonnes per year of primary aluminium by 2011. A second phase of expansion to double the smelter's capacity is expected to start coming on stream from 2014. At the original Dubal smelter, an increase in production capacity is also forecast over the forecast period to 2013: its capacity is forecast to surpass 1 million tonnes per year by 2011.

These expansions result in a large increase in the smelting capacity of the GCC from 2.2 million tonnes per year in 2009 to 3.7 million tonnes per year in 2013. In particular, as shown in the table above, with the EMAL and Qatalum smelters ramping up in the UAE and Qatar, respectively, a substantial amount of smelting capacity—over one million tonnes per year—is being brought on stream in 2010. The continued ramp up of these two projects accounts for most of the new Middle Eastern smelter capacity additions to 2013. According to CRU Strategies, there are plans for other expansions in primary smelting capacity in the region, but they are not factored into the projections presented here because uncertainty of details and actual or potential delays to these projects, possibly precluding their completion by 2013. Most notably, a 740,000 tonnes per year greenfield smelter at Ras Az Zawr in the Kingdom of Saudi Arabia is expected to come on line in 2014. It is part of a joint venture between Saudi Mining Company, Ma'aden, and Alcoa that will also include a 1.8 million tonnes per year alumina refinery, a 4 million tonnes per year bauxite mine and a rolling mill.

Outside of the GCC in the MENA region, there are other primary aluminium producers. Iran, in particular, has experienced a growth in domestic aluminium production. In 2000, primary aluminium capacity in Iran stood at 140,000 tonnes per year, based on the combined production of its two primary aluminium smelters located at Bandar Abbas ("**Almahdi**") and Arak ("**IRALCO**"). By 2009, expansions at the incumbent Iranian smelters, and

the commissioning of the greenfield Hormozal smelter, brought estimated smelting capacity to 292,000 tonnes per year. CRU Strategies expects that by 2013 the ramping up of capacity expansions at Hormozal and IRALCO, and the construction of a new 103,000 tonnes per year smelter at Asalouyeh by SALCO, will result in smelting capacity of 560,000 tonnes per year in Iran.

Other prominent aluminium producers in the MENA region are Eti Aluminium Co. in Turkey and Egyptalum in Egypt. Eti Aluminium operates at a smelter at Seydisehir in Turkey that has a capacity of 65,000 tonnes per year. Egyptalum, which is the only North Africa-based primary aluminium producer, operates the Nag Hammadi 285,000 tonnes per year smelter. CRU Strategies does not expect expansions in capacity at either of these smelters over the period to 2013. No further expansions in smelting capacity are forecast for the MENA region to 2013, although there has been interest shown in developing aluminium smelters in the North African region, especially in Algeria and Libya, because of local oil and/or gas reserves. For example, Dubal and Mubadala have been considering investment in an Algeria-based smelter at Beni-Saf as part of a joint venture with local partners Sonatrach and Sonelgaz. Rio Tinto Alcan has also reported that it is looking at development opportunities in Algeria. In April 2008, UC Rusal signed a memorandum of understanding with the Economic and Social Development Fund of Libya to develop a 600,000 tonnes per year greenfield smelter in Libya. In 2008, private equity group Klesch & Co signed a joint venture agreement with Libya Africa Investment Portfolio to develop an aluminium smelter and oil refinery industrial complex in Libya.

In terms of consumption, the MENA region has experienced strong growth in end-use demand, particularly in the construction and building products sectors, driven by firm economic growth. In response to this, as well as the growth in local smelting capacities, semi-fabrication capacity in the region has grown steadily in recent years. This has resulted in increased demand for aluminium, especially primary aluminium. CRU Strategies defines consumption as the point at which aluminium is consumed in the production of semi-fabricated products, as opposed to its use in final end-use products. As a consequence, Bahrain has a relatively high consumption for its size, given that it has a population of around 0.8 million people. This is in comparison to Egypt, for example, which has a population more than a hundred times bigger than Bahrain's, but has an estimated primary aluminium consumption in 2009 that was only 43% the size of Bahrain's consumption. The reason for this is that Bahrain has a long established cluster of semi-fabricated operations that use primary aluminium supplied by Alba. In contrast, in some other MENA countries, especially in North Africa, there are far fewer semis operations, which are typically of a smaller scale.

The table below presents CRU Strategies's estimates of primary aluminium consumption in the region.

Estimated primary aluminium consumption in the MENA region over 2008-2013 ('000 tonnes)

Primary aluminium consumption	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Middle East:	1,436	1,355	1,506	1,610	1,765	1,907
North Africa	177	168	188	204	218	235
TOTAL MENA	**1,613**	**1,523**	**1,694**	**1,814**	**1,983**	**2,142**
Yoy % change		(5.6%)	11.2%	7.1%	9.3%	8.0%

Source: CRU Strategies

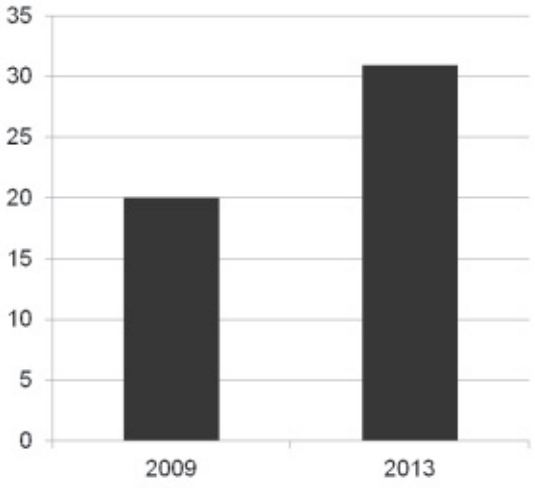
Primary aluminium consumption in the MENA region is estimated to have fallen in 2009, by around 5.6% year-on-year, as a result of reduced end-use demand in the wake of the global financial crisis. However, primary aluminium consumption is forecast to recover in 2010, on account of improvements in demand growth, but also new semis projects. Primary aluminium consumption in the Middle East is forecast to total 1.5 million tonnes in 2010, rising to 1.9 million tonnes in 2013.

In North Africa, primary aluminium consumption is forecast to rise from 188,000 tonnes in 2010 to 231,000 tonnes in 2013, driven by ramp-ups in production and the installation of additional semis capacity, particularly extrusions capacity. Notable extrusions developments are as follows. Spanish extruder Exlabesa invested in a Morocco-based facility in 2006, whilst two new extrusion facilities have been established in Tunisia between 2007 and 2010. UAE-based Alumco has signed an agreement to establish jointly a 50,000 tonnes per year extrusions plant with the Kingdom of Saudi Arabia-based Construction Products Holding Company (CPC). Tunisia's incumbent extruder, Tunisie Profilés Aluminium, has investigated establishing extrusion plants in Libya and Algeria, although media reports indicate some uncertainty regarding the likelihood of these production

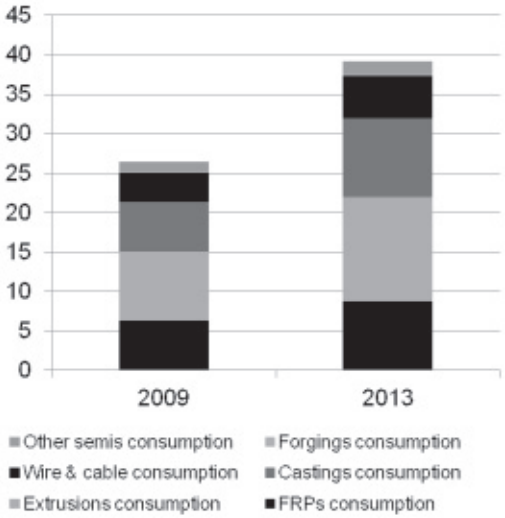
facilities going ahead. The consumption forecast is made in line with the primary aluminium production forecast that does not factor in any expansion in North African smelting capacity over the forecast period. However, given the interest in smelting projects in the region, it is likely that another smelter may be established in North Africa beyond the forecast period, which would facilitate the development of further semis operations.

Despite gains in domestic aluminium consumption in recent years, the MENA region remains a major exporter of aluminium to the rest of the world. CRU Strategies estimates that MENA was a net exporter of 773,000 tonnes of primary aluminium in 2008 while the Middle East region alone was a net exporter of 678,000 tonnes in 2008, which increased to 1.1 million tonnes in 2009. Net exports from the Middle East are forecast to rise to between 2.3 and 2.5 million tonnes per year between 2011 and 2013, due to the doubling in smelting capacity in the region over the same period. Growth in export markets is therefore of great and rising importance to the region's aluminium producers, as well as its semi producers. The below analysis focuses on three key regions for aluminium exports (both primary and semis): Asia-Pacific (including Asia, Australia and New Zealand), Western Europe, and North America. In 2009, countries reporting aluminium imports from Bahrain were predominantly in Asia-Pacific (over 75%), 13% were from Western Europe, and 4% were in North America.

Primary aluminium consumption in the Asia-Pacific[1] (m tonnes)



Aluminium semis consumption in the Asia-Pacific[1] (m tonnes)

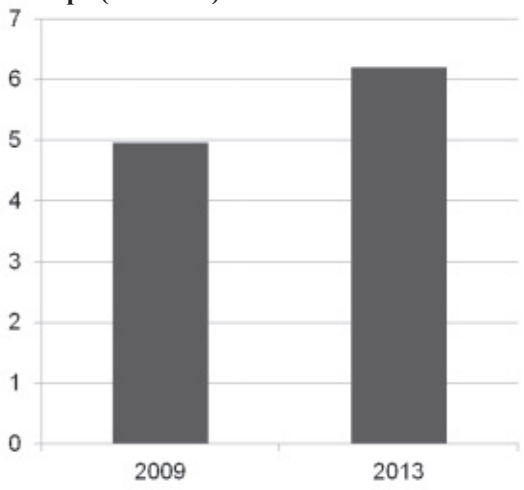


Source: CRU Strategies

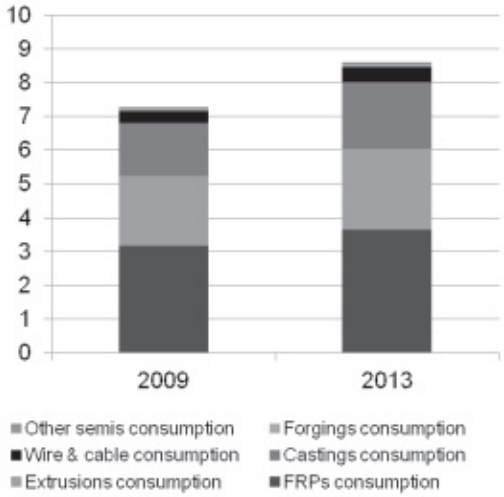
[1]Asia Pacific refers to Asian countries plus Australia and New Zealand. CAGR is based on period of 2009 to 2013.

Forecasts suggest high demand in Asia-Pacific. CRU Strategies estimates average per year gains of 11.5% and 10.4% for consumption of primary aluminium and aluminium semis respectively. Increasing Chinese aluminium consumption is driving this growth, with China accounting for 70% of Asia-Pacific aluminium consumption in 2009. Increasingly, however, China represents competition for MENA semis producers, given that the Chinese semis industry is also growing at a rapid rate, fostered by government encouragement to develop higher value industries. Whilst China is forecast to be a net exporter of primary aluminium over 2010 to 2012, its net exports are expected to decline over the period, and for China to become a net importer in 2013. This is due to the fact that smelting capacity is not expected to be able to keep pace with consumption growth, as semis production grows, due to high domestic smelting costs, especially for power and due to the appreciating RMB. Outside of China in the Asia Pacific, primary aluminium and semis consumption is forecast to grow at a compound average growth rate (CAGR) of 9.1% and 7.0% per year respectively. The region excluding China is also expected to import around 2 million tonnes per year over the period 2010 to 2013.

Primary aluminium consumption[1] in Western Europe (m tonnes)



Aluminium semis consumption[1] in Western Europe (m tonnes)

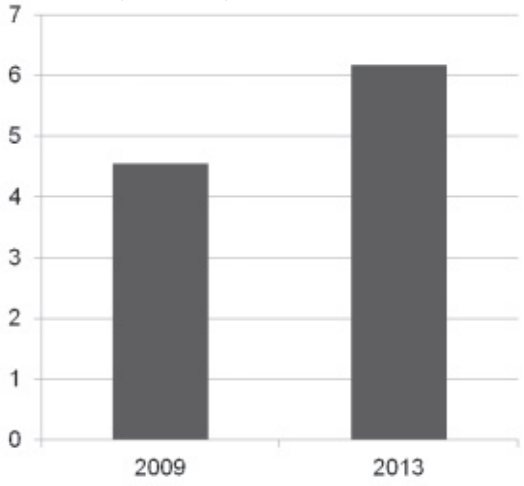


Source: CRU Strategies

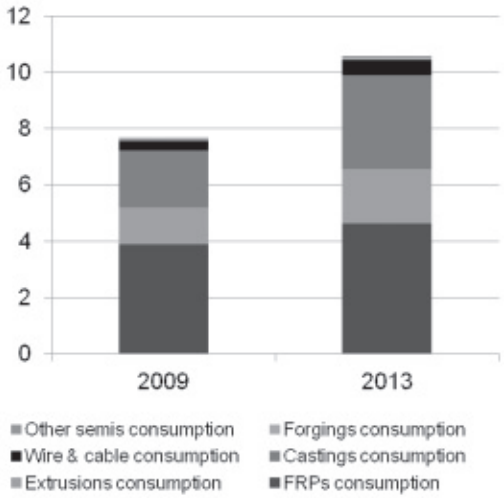
[1]CAGR is based on period of 2009 to 2013.

Forecasts suggest recovery in Western Europe. CRU Strategies predicts growth in consumption of primary aluminium at a CAGR of 5.8% per year from 2009 to 2013. At the same time, the region's net import requirement is forecast to rise, owing to expected closure of high cost smelting capacity. Western Europe's net imports are expected to grow from 1 million tonnes in 2009 to 2.3 million tonnes in 2013. Western European semis consumption is forecast to rise at a CAGR of 4.3% per year over 2009 to 2013, with the highest growth being in demand for aluminium wire and cable, forgings and castings. However, the forecast 2013 semis consumption of 8.6 million tonnes is still below 2007 levels of 9.9 million tonnes.

Primary aluminium consumption[1] in North America (m tonnes)



Aluminium semis consumption[1] in North America (m tonnes)



Source: CRU Strategies

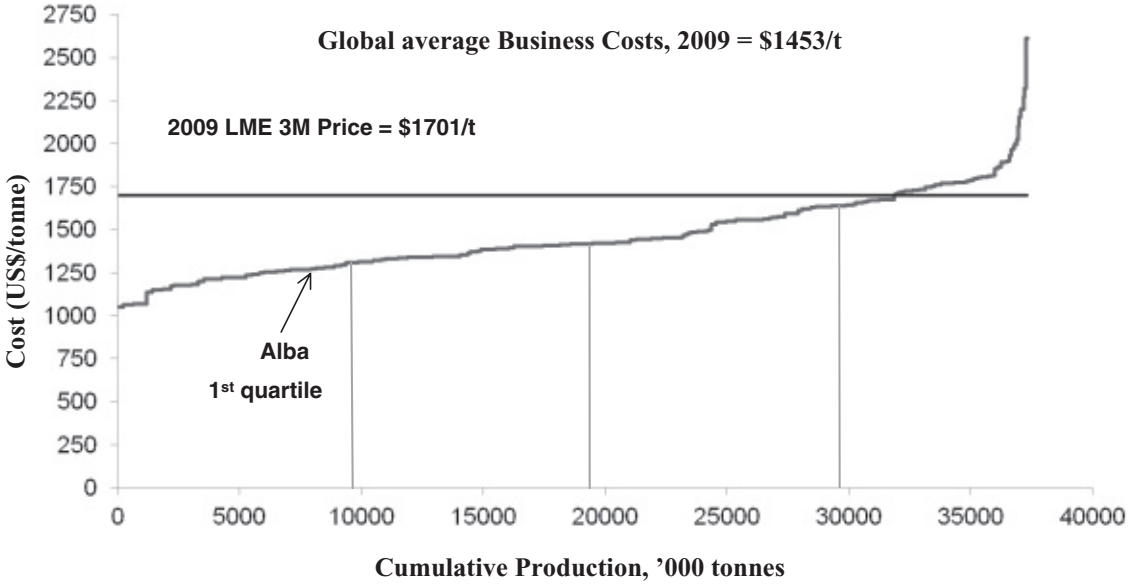
[1]CAGR is based on period of 2009 to 2013. North America refers to the USA, Canada, and Mexico.

In North America, forecasts suggest recovery of consumption in line with the region's economic recovery. CRU Strategies forecasts primary aluminium consumption growth of 8.0% per year from 2009 to 2013. Reductions in the region's aluminium production in 2011 and 2012 mean that the region has a growing import requirement over the period to 2013: North America's net import position is forecast to grow from 0.4 million tonnes in 2010 to 1.6 million tonnes in 2013. Total semis consumption in North America is forecast to rise from 7.7 million tonnes in 2009 to 10.6 million tonnes in 2013, which remains below the levels seen prior to the global economic downturn.

Costs

This section is based on CRU Strategies' analysis of the costs of production of the Company's smelter in the Kingdom of Bahrain, as benchmarked against those of 181 existing producers (including seven smelters based in the Middle East). Business costs estimates were drawn from data provided by the company on 24 June 2010; comparative costs were drawn from the CRU Strategies Primary Aluminium Smelting Cost model.

The graph below shows the global business cost curve. The curve represents the operating cost position of participants in the aluminium industry in 2009, using CRU Strategies' methodology to derive average 2009 data. The cost curve is based upon each smelter's costs and production volume.



Source: CRU Strategies.

The business costs of the Company's smelter are situated just inside of the first quartile of the global cost curve for 2009. Smelters in the Middle East, on the whole, face lower power costs than many smelters in the world.

After rising by 14% in 2008, world average business costs for the primary aluminium industry significantly decreased in 2009, by 29.4%, to US$1,453 per tonne. This sharp fall was a result of the global financial crisis and a drop in the aluminium price, from an average LME three-month price of US$2,622 per tonne in 2008 to US$1,701 per tonne in 2009. Nevertheless, despite the significant fall in costs, CRU Strategies estimates more than 50 smelters, representing 14.5% of production, operated at costs above the LME metal price.

The world average business costs are expected to rise to US$1,654 per tonne in 2010, an increase of 13.5%. However, most of the operating smelters in the world should still be able to take advantage of the rising primary aluminium price. The 2010 margin between the average business operating costs and the LME three-month price should be almost double those achieved, on average, in 2009. It is expected that the rate at which smelter operating costs increase will slow as the metal prices become more stable in 2011.

The table below provides a detailed breakdown of the business costs for the Company's smelter and the global average calculated by CRU Strategies's Aluminium Smelting Cost Model.

Comparison of business costs by component in 2009 (nominal US$/tonne)

	Alba	World Average
Alumina	522	534
Carbon	188	169
Labor	139	139
Power	256	505
Other site cost	223	227
Site cost	**1,328**	**1,573**
Net realizations costs	(59)	(121)
Business costs	**1,268**	**1,453**

Source: CRU Strategies

The Company's smelter has slightly lower alumina costs to the world average, but carbon products are higher. Alumina and carbon products are key raw materials for producing aluminium. The average spot alumina price for Australia FOB was US$248 per tonne in 2009, and by June 2010 the same spot price had averaged at US$337 per tonne. Spot alumina prices have increased in 2010 on a combination of improved market activity, which is bringing idled capacity back into production, and supply related issues/concerns at refineries in Brazil and Venezuela. Carbon products prices have been increasing in recent months, due to shortages in some products such as green petroleum coke. Smelter restarts are not expected to have too much of an impact on the market balance, due to the limited volumes of these related restarts.

Availability and cost of power is also central to producing aluminium, and the Company's and other MENA-based smelters benefit from lower costs than the world average. Power availability has become more of a problem for the aluminium industry over the last couple of years. In the first quarter of 2008, aluminium smelters in South Africa had to cut production to rebalance the local power market. What seemed to be a confined problem at the time has spread globally for various reasons, and as such power availability remains a threat in Venezuela, while power tariffs are challenged in Italy (Spain and Greece may follow), leading to potential closures. In South Africa the power balance remains tight.

The Company's site and business costs are lower than the world average. The smelter benefits from lower site costs than the world average, as its lower power costs make up for slightly higher other raw material costs. However, on a business cost basis, the Company and other Middle Eastern smelters do not benefit from as high net realization costs as other regions.

Outlook for 2010-2013

Supply

Improved prices resulted in some smelter capacity restarts after the curtailments seen in 2008 and earlier part of 2009 due to the global recession. These restarts have predominantly been in China, with around 90% of curtailed capacity in China restarted and new capacity started up since March 2009 contributing to increased output from China. Outside China, producers have been less aggressive with restarting capacity, and the increase in output outside of China has predominantly been from the ramp from greenfield smelters commissioned in the last one to two years in the Middle East and India. Global production for 2009 was approximately 37.7 million tonnes, and is expected to increase in 2010 by 12.8% to reach 42.5 million tonnes.

Historically, high stock levels and the continued build up in stocks that CRU Strategies forecasts to take place in 2010 will likely restrain producers from major restarts. Despite higher metal prices, producers in Western Europe and North America will remain exposed to higher production costs, especially in Western Europe where there are expiring power contracts. CRU Strategies also predicts a decline in production due to power disruptions in Central and South America.

Chinese consumption is not forecast to come to the rescue of producers in the rest of the world in 2010 through the importing of large amounts of primary metal as was the case in 2009. China is expected to be a net exporter of primary metal in 2010, and non-Chinese producers will need to manage their own surplus metal levels. Production outside of China is estimated to have fallen by 9.3% in 2009, but is forecast to show an increase in 2010 of 2.4%, and to continue growing over the remainder of the forecast period to 2013. In particular, some restarts of capacity are expected outside of China towards the end of the forecast period when tighter market balances are expected to lift prices above the marginal cost support level.

CRU Strategies expects an overall reduction in production from smelters in North America and Africa between 2010 and 2013, owing to high production costs relative to other producers. However, global supply is forecast to increase by 5.7% per year, or over 7.7 million tonnes in this period. With high cost producers struggling to restart capacity, low cost producers are expected to bring on stream projects as fast as possible in a bid to gain market share. Most of the increase in supply will come from China, India and the Middle East, with China providing over 60% of the global increase in metal supply to the market. In fact, within China, aluminium producers are predicted to invest heavily in new fully integrated smelting projects that would force out of the market local high cost producers.

The following table shows forecast supply for the years 2010 through 2013:

Global primary aluminium supply forecast, '000 tonnes	2010	2011	2012	2013	Change 2010-13	CAGR % 2010-13
North America[1]	4,702	4,543	4,496	4,620	(82)	(0.6%)
C&S America[2]	2,274	2,222	2,287	2,375	101	1.5%
Europe[3]	8,295	8,117	8,244	8,438	143	0.6%
of which Russia	3,925	3,797	3,888	3,967	42	0.4%
Asia[4]	23,387	26,033	28,489	30,705	7,318	9.5%
of which China	17,485	18,878	20,537	22,133	4,648	8.2%
of which India	1,669	2,037	1,686	3,245	1,576	24.8%
of which Middle East	3,209	4,092	4,148	4,182	973	9.2%
Africa[5]	1,713	1,552	1,588	1,656	(57)	(1.1%)
Australasia[6]	2,267	2,290	2,294	2,294	27	0.4%
Unallocated creep[7]	(151)	(300)	(5)	124	275	
Total	**42,487**	**44,457**	**47,393**	**50,212**	**7,725**	**5.7%**
% change	12.8%	4.6%	6.6%	5.9%		

Source: CRU Strategies

1 North America includes USA, Canada and Mexico.
2 Central & South America includes Argentina, Brazil, Trinidad & Tobago and Venezuela.
3 Europe includes Western Europe, Eastern Europe, Russia and Ukraine.
4 Asia includes Azerbaijan, Abu Dhabi, Bahrain, China, Dubai, India, Indonesia, Iran, Kazakhstan, Japan, Malaysia, N. Korea, Oman, Qatar, Tajikistan, Turkey and Saudi Arabia.
5 Africa includes Cameron, Egypt, Ghana, Mozambique, Nigeria and South Africa.
6 Australasia includes Australia and New Zealand.
7 Includes capacity creep estimates which have not been allocated to individual smelters after 2011.

CRU Strategies expects world capacity to mirror the situation described above regarding world supply; the following table shows forecast capacity for the years 2010 through 2013:

Forecast smelter capacity, '000 tonnes	2010	2011	2012	2013	Change 2010-13	CAGR % 2010-13
North America[1]	6,782	6,601	6,411	6,439	(343)	(1.7%)
C&S America[2]	2,741	2,764	2,768	2,768	27	0.3%
Europe[3]	10,312	10,319	10,512	10,741	429	1.4%
Asia[4]	28,742	33,109	36,356	38,396	9,654	10.1%
of which China	21,992	24,865	27,252	28,803	6,811	9.4%
of which India	1,979	2,796	3,469	3,881	1,902	25.2%
of which Middle East	1,568	4,150	4,238	4,265	2,697	39.6%
Africa[5]	2,165	2,177	2,181	2,204	39	0.6%
Australasia	2,366	2,366	2,366	2,366	—	0.0%
Unallocated creep[7]	—	—	295	324	324	
Total	**53,108**	**57,336**	**60,889**	**63,238**	**10,130**	**6.0%**
% change	9.3%	8.0%	6.2%	3.9%		

Source: CRU Strategies

Notes:
1 North America includes USA, Canada and Mexico.
2 Central & South America includes Argentina, Brazil, Trinidad & Tobago and Venezuela.
3 Europe includes Western Europe, Eastern Europe, Russia and Ukraine.
4 Asia includes Azerbaijan, Abu Dhabi, Bahrain, China, Dubai, India, Indonesia, Iran, Kazakhstan, Japan, Malaysia, N. Korea, Oman, Qatar, Tajikistan, Turkey and Saudi Arabia.
5 Africa includes Cameron, Egypt, Ghana, Mozambique, Nigeria and South Africa.
6 Australasia includes Australia and New Zealand.
7 Includes capacity creep estimates which have not been allocated to individual smelters after 2011.

Demand

According to the IMF's website as at October 14, 2010, world GDP growth at constant prices is expected to be 4.8% in 2010, 4.2% in 2011, 4.5% in 2012 and 4.6% in 2013. However, the recovery is not synchronized across regions, with the developed world lagging behind Asia. The United States, Europe and Japan are dependent on the turn in the stock cycle and rising asset prices to smooth the transition between the short-term fiscal measures implemented to mitigate the recession and the longer-term steps taken to firm up the economy over the longer term.

Developed economies are expected to continue to show more restrained growth than the developing world, much of Asia in particular. Economic growth coming out of the recession in more developed economies such as in Europe and North America has been hampered by the Greek debt crisis, sparking fears concerning the prospect of similar problems in Portugal, Spain and Ireland. High unemployment in the United States and concerns over the future of the housing market are also serving to constrain forecast growth.

CRU Strategies forecasts GDP growth rates of OECD countries to rise from 2.2% in 2010 to 3.0% in 2013. Nevertheless, CRU Strategies predicts developed economies to undergo moderate to strong demand growth throughout the forecast period (2010-2013), resulting in average growth in primary aluminium consumption of approximately 8% per year. However, this growth is taking place from low base levels after consumption fell dramatically during the global recession. As a result, many developed economies will not see aluminium consumption levels reach pre-crisis peaks until 2013 or beyond.

By contrast, the consumption outlook is more positive in developing regions. CRU Strategies foresees Asian economic growth remaining above 5.5% over this period, with GDP growth in other developing economies expected to range between 3.3% and 9.2%. Much of the growth in Asia is being led by China and India as these countries continue to industrialize. They are in the metal intensive stage of their economic development, consuming increasing amounts of primary aluminium for use in the transportation, construction and infrastructure sectors. Both Indian and Chinese primary aluminium consumption is set to grow by over 9% per year over 2010 to 2013.

China is a critical market in the world consumption picture, with an expected share of world consumption of primary aluminium of over 40% between 2010 and 2013. CRU Strategies forecasts Chinese industrial production growth of 15.7% in 2010, easing to 11.2% by 2013. This activity will lay the foundation for the continued consumption of vast quantities of primary aluminium in China, increasing from 16.7 million tonnes in 2010 to 22.3 million tonnes by 2013.

Other Asian countries benefit from the knock-on effect of the Chinese economic growth. Korea, Taiwan and Thailand have all shown sustained economic growth. Average annual growth in primary consumption in Asia is forecast at 9.1% annually between 2010 and 2013.

The Middle East will also see strong primary aluminium consumption growth of 18.2% per year over 2010 to 2013, according to CRU Strategies. This is due to continued rising income levels and population growth supporting domestic consumption growth, as well as growth in downstream aluminium capacity. In particular, a number of semi-fabrication plants are being developed around new smelting capacity, as detailed in the GCC regional discussion.

CRU Strategies believes that globally the transport sector should lead the growth in demand over the long term. Aluminium is expected to gain further market share in the automotive sector, as vehicle manufacturers continue to find new ways to reduce weight, in order to improve fuel economy and reduce carbon emissions. CRU Strategies expects it to be more successful in gaining market share in hang-on panels than in structural applications. Aluminium should continue to make advances in other areas of the car as well. Aluminium's off-take in other sectors of the transport sector should also remain significant over the long term. However, it may lose market share to composite materials in the manufacture of aircraft (in terms of the percentage of the aircraft made up of aluminium), but the level of build rates and the growth in large sized aircraft will keep overall volumes strong.

The accompanying table shows CRU Strategies's forecast for primary aluminium consumption in different regions around the world.

Forecast global primary aluminium consumption, '000 tonnes	2010	2011	2012	2013	Change 2010-13	CAGR % 2010-13
North America[1]	5,132	5,514	5,872	6,176	1,044	6.4%
C&S America	1,559	1,673	1,789	1,898	339	6.8%
Europe[2]	7,234	7,549	7,961	8,356	1,122	4.9%
Asia[3]	24,971	27,356	29,918	32,468	7,497	9.1%
of which China	16,697	18,479	20,384	22,316	5,619	10.2%
of which Middle East	1,506	1,610	1,765	1,907	401	8.2%
Africa	565	613	655	701	136	7.5%
Australasia	334	344	352	361	27	2.6%
Total	**39,795**	**43,049**	**46,547**	**49,960**	**10,165**	**7.9%**
% change	16.0%	8.2%	8.1%	7.3%		

Source: CRU Strategies

1 Includes Mexico.
2 Includes both Eastern and Western Europe, Russia and Ukraine.
3 Includes Middle East (including Iran) and North Korea, China, Azerbaijan, Tajikistan and Kazakhstan.

Market Balance

The table below summarizes CRU Strategies' forecast for world primary aluminium consumption and production and the resulting implied market balance. World smelting capacity and utilization is also shown as well as an adjusted capacity utilization. The latter is derived by subtracting from total world capacity the portion that CRU Strategies considers mothballed and not likely to restart, then comparing this to production.

The table illustrates CRU Strategies's estimate that the market is oversupplied. However, CRU Strategies forecasts that the surplus will decrease as world demand recovers during the slow climb out of the global recession until consumption exceeds production in 2013. The forecast suggests that capacity utilization will remain below 80% for the forecast period, but adjusting for capacity that CRU Strategies believes mothballed, forecast utilization is between 81% and 84%.

Primary aluminium market balance and capacity utilization, '000 tonnes	2009	2010	2011	2012	2013
World consumption	34,292	39,796	43,048	46,547	49,959
World production	37,669	42,485	44,456	47,393	50,212
World market balance	3,377	2,690	1,408	847	254
World capacity	48,618	53,120	57,339	60,889	63,238
World capacity utilization	77.5%	80.0%	77.5%	77.8%	79.4%
World mothballed capacity[1]	2,300	2,550	2,832	3,115	3,435
World adjusted capacity utilization	81.3%	84.0%	81.6%	82.0%	84.0%

Source: CRU Strategies

1 CRU's view of capacity that has not been dismantled but is likely to remain uneconomical to be restarted.

Price

The aluminium LME three-month price for the first quarter of 2010 averaged US$2,196 per tonne. Early in the second quarter, aluminium price continued to rise, to just under US$2,500 per tonne; but since mid-April increased macroeconomic uncertainty in the wake of concerns about the fragility of European economies has led to falling prices. As a consequence, in June 2010, the three-month aluminium price moved in the range of US$1,850-2,000 per tonne, reaching an average of US$1,961 per tonne for the second quarter of 2010.

Increased metal availability and uncertainty over the immediate economic outlook are expected to weigh on short-term aluminium prices. However, CRU Strategies expects the macroeconomic outlook to improve over the course of the year, and demand projections for 2010 look firmer for the pick-up in the world excluding China in

the second quarter. Signs of restocking in countries such as the USA and a lack of available scrap metal are leading to some switching to primary metal as a result. However, the stronger outlook for production both in China and the world outside China will moderate the outlook for the aluminium price. Prices will come under pressure as greenfield smelters ramp up in the Middle East and India throughout 2010, adding over 1 million tonnes of supply to the market. This will loosen the spot market by the third quarter of 2010 at the same time as demand enters a seasonal tick downwards. As a consequence, CRU Strategies anticipates prices to continue to ease in the second half of 2010 compared to the loftier prices seen in the first half of the year, with the three-month LME price averaging US$2,075 per tonne for the year.

CRU Strategies forecasts 2011 prices to drop below 2010 levels, with a three-month price of US$2,045 per tonne, but prices will receive support from warehousing activities and underlying smelter business costs.

A new factor which could impact market sentiment and prices in 2010 and 2011 is the possible introduction of a metal backed Exchange Traded Fund (ETF). If an ETF were introduced, it would reduce the stock pile and would improve investor sentiment and help drive prices higher. In CRU Strategies' view, this would be another investment vehicle replacing the declining yields available on warehousing deals, so metal would in fact be transferred from one trading scheme to another and would mask the oversupply in the market.

After 2011, CRU Strategies expects prices to recover in 2012 and 2013, reaching US$2,240 per tonne by the end of 2013. This will be in response to higher consumption levels, plus improved consumer confidence and reduced stock levels.

The CRU Strategies LME aluminium price forecast to 2013 is presented in the following table.

LME aluminium price forecast	**2009**	**2010**	**2011**	**2012**	**2013**
Nominal prices					
Cash ($/tonne)	1,667	2,044	2,023	2,120	2,220
3-Months ($/tonne)	1,701	2,075	2,045	2,140	2,240
Real 2010 prices					
3-Months ($/tonne)	1,711	2,075	2,011	2,072	2,131

Source: CRU Strategies, LME.

Longer-term outlook

There are a number of structural developments that are expected to shape the aluminium industry in the longer term, and can be considered as longer-term opportunities to an incumbent producer.

Demand

Growth in China has dominated the industry over the past decade, and the country still offers enormous potential for further aluminium demand growth. Other countries, and especially India, also offer a particularly strong growth potential. India constitutes a major opportunity for the aluminium industry, fuelled by an increasing number of inhabitants expected to live in urban conditions (rising from a current 286 million to 575 million by 2030, according to the UN Development Programme).

Higher energy prices and more stringent regulation on carbon emissions also encourage light-weighting in the automotive sector, which may present attractive opportunities for substitution from steel to aluminium. The substitution trend is already well-established: according to the Aluminium Association, the average aluminium content of vehicles in North America in 2009 is estimated at 148 Kg, up 20% compared to the average content of 123 kg in 2002. Average aluminium content has increased by 25% in the EU over the same period.

However, structurally high energy prices can pose some downside risks. If energy prices increase so much as to result in "demand destruction" in the wider economy, that could affect long-term growth rates for aluminium consumption. Some input prices (for example carbon products and raw material freight) are highly exposed to energy prices.

More generally, advances in competing materials to aluminium, such as plastics and composites, could result in greater substitution away from aluminium than forecast in the long term: for example, if technological advances permitted the widespread use of composites in the automotive and aerospace industries.

Availability of low-cost energy

A step increase in future power costs and/or carbon taxes is a possibility. Smelters and refineries face competition for power sources and/or environmental regulation, including carbon emissions abatement policies. Since the start of the EU Greenhouse Gas Emission Trading Scheme in 2005, other countries have discussed the implementation of similar schemes. The impact of a wider roll-out in carbon emissions regulation will be to increase the cost base in certain countries. How much of a structural upward shift it causes will depend on the extent to which it is applied to the likely regions for new smelting capacity, such as MENA and Russia. However, even if these regions avoid carbon taxes or limits, there is expected to be an increased demand for new capacity to replace capacity that becomes uneconomical in locations such as Europe, where cap and trade schemes have been implemented.

Opportunities to exploit energy resources in some regions may not be as abundant as in the recent past. For example, policy in the Middle East has been to invest in energy-intensive industries and, in due course, to invest downstream in semis production in order to create regional clusters of manufacturing strength. Beyond a five-year horizon, it is unclear whether the main gas producing countries of Qatar, Iran and Abu Dhabi will continue to invest in aluminium smelters to diversify their industrial base. The alternatives include selling LNG at what are likely to be higher prices, or investing in other energy-intensive metals and chemicals.

Continued strong rates of industrialization and urbanization may place further strain on China's energy resources, creating import opportunities for non-Chinese suppliers. Higher energy prices would affect domestic smelters directly (through power costs) and indirectly (through the cost of raw materials such as domestically produced alumina and carbon materials, as well as freight costs), making them less competitive against imports. Moreover, the Chinese government is likely to continue its policy of containing aluminium industry development during the long term.

Bauxite resources

A lack of available bauxite to Chinese refineries could act as the most severe constraint on the Chinese alumina sector. There is significant uncertainty surrounding the long-term sustainability of bauxite supplies from Indonesia, including the possibility that the Indonesian government may stop bauxite exports in order to foster a domestic aluminium industry. Similarly, there are concerns about the longevity of domestic bauxite supplies. Unless major new Chinese resources are discovered, the availability and cost of bauxite will increasingly present a hurdle to entry for new participants and restrict the potential opportunities for expansions at existing operations. This is likely to exert upward structural pressure on the long run marginal cost of alumina and in turn the aluminium long-run marginal cost.

Beyond China, a general decline in bauxite grades is also a possibility. As existing operations reach the end of their mine life, they are generally being replaced by deposits that previously had been considered unattractive to mine owing to higher costs. This is due to the fact that they contain lower grade material and/or are located in less accessible regions.

Technology

In smelting, continual improvements to increase the amperage of cells will improve metal output productivity and reduce operating costs. It is believed that the introduction of inert anode technology could reduce the long run marginal cost by as much as 10-30%. However, there are still many material, operational, design, fabrication, metal purity, energy savings and productivity issues that need to be fully resolved before inert anodes can reach full commercialization.

A potential downside risk to long-term primary aluminium prices arises if Chinese producers increase the export of their technology to countries that would provide them with access to cheaper power, for example Indonesia, Iran, the Kingdom of Saudi Arabia and parts of Africa. The combination of low-cost energy and low-cost Chinese technology and construction techniques could reduce the long run marginal cost for primary aluminium.

MACROECONOMIC ENVIRONMENT IN BAHRAIN

Overview

Bahrain is made up of approximately 40 islands with a total land surface area of slightly over 700 square kilometers situated in the Arabian Gulf. The islands are about 24 kilometers from the east coast of the Kingdom of Saudi Arabia and 28 kilometers from the State of Qatar. The largest island, Bahrain Island, comprises nearly 91.3% of the total land area of Bahrain. The capital of Bahrain, Manama, is on Bahrain Island.

Bahrain benefits from a number of characteristics that enhance its reputation as a favorable business environment. Bahrain has a long and stable economic and political history; 70% of its financial sector (its single largest GDP-contributing sector) employees are local citizens (demonstrating a lack of reliance on the need to attract foreign expatriate workers from abroad); there is a relatively low cost to conduct business in Bahrain when compared to other countries in the MENA region; there is a significant and established wholesale banking, insurance and re-insurance and fund management industries (including industries ancillary to these, such as audit firms); and an efficient and robust legal and regulatory framework regulated by the CBB (which acts in a dual role as Bahrain's sole banking regulator and the central bank).

Bahrain's relative economic stability is reflected by the generally steady historical upgrade in its sovereign rating by international rating agencies. In December 2009, the international rating agencies, Standard & Poor's and Fitch, reaffirmed their outlook on Bahrain's long-term foreign currency sovereign debt as A (Stable). The same rating agencies assigned a rating of A (Stable) to Bahrain's long-term local currency sovereign debt.

Bahrain's evolution into a dynamic economy that it is today began in the late 1960s when, in an attempt to lower the country's dependence on the limited oil supply and natural gas resources coupled with the oil price fluctuations, the Government embarked on an economic diversification strategy. As part of its diversification strategy, the Government introduced aluminium production as well as service-oriented sectors such as tourism and banking which are all of great importance to the overall economy of the country today. Furthermore, Bahrain's strategic geographical location in the Arabian Gulf has made it a natural trading centre.

Bahrain's geographical position not only serves as a regional hub for the GCC countries, but also the MENA in general. Today, the country enjoys a widely diverse economy. Laws, regulations and infrastructure have been developed with this goal in mind. Using oil as fuel for its economic diversification strategy, Bahrain is on its way towards becoming an international financial and business hub. In its "Best Centres for Business 2009" report, Forbes ranked Bahrain as number one in the GCC.

Structure of the economy

Bahrain enjoys a strong and diverse economy. Although oil does play an important part in Bahrain's economy, it also has an increasingly important financial services industry, with Bahrain acting as a major financial centre for the MENA region. Oil refining, aluminium production and tourism are also significant contributors to its GDP.

Gross Domestic Product

In recent years, the financial services sector has been the single largest contributor to Bahrain's GDP, reflecting the very high growth in the sector. The financial services sector has overtaken the oil and gas sector, which had been the leading sector up until the early 2000s. In constant 2001 prices, financial services contributed 25.1% to Bahrain's GDP in 2005, 26.6% in 2006 and 26.8% in 2007. In 2008, the financial services sector contributed 26.6% to Bahrain's real GDP, despite a downturn in the global financial markets.

The following table sets out the GDP of Bahrain for the periods indicated both as a total and on a per capita basis, and both in current prices and constant 2001 prices for the periods indicated:

	2005	2006	2007	2008*	2009*
Total					
At current prices (US$ millions)[1]	13,459	15,852	18,472	22,151	19,319
At constant 2001 prices (US$ millions)	10,247	10,928	11,845	12,592	12,983
Percentage change over previous period (at constant 2001 prices)	7.9	6.6	8.4	6.3	3.1
Per Capita[2]					
At current prices (US$ millions)	15,144	16,505	17,774	20,019	17,459*
At constant 2001 prices (US$ millions)	11,529	11,379	11,397	11,380	11,733*

Source: Ministry of Finance

* Based on population data for 2008.

1 Using the fixed exchange rate of BD 0.376=US$1.00.

2 Assuming a total Bahraini population of 888,824 in 2005; 960,425 in 2006; 1,039,297 in 2007; and 1,106,509 in 2008.

Principal Sectors of the Economy

The table below sets out Bahrain's GDP by economic activity in constant 2001 prices and by percentage contribution for the periods indicated:

	2005		2006		2007		2008		2009	
	(US$ millions)[1]	(%)	(US$ millions)	(%)	(US$ millions)	(%)	(US$ millions)	(%)	(US$ millions)	(%)
Non-financial corporations	7,289.87	71.14	8,055.16	73.71	8,682.71	73.31	9,191.38	73.00	9,011.25	69.41
Agriculture and fishing	61.86	0.60	57.31	0.52	73.70	0.62	75.21	0.60	77.45	0.60
Mining and Quarrying	1,643.56	16.04	1,643.35	15.04	1,690.08	14.27	1,690.29	13.42	1,718.67	13.24
(i) Crude petroleum and natural gas	1,601.60	15.63	1,584.95	14.50	1,602.71	13.53	1,609.26	12.78	1,604.89	12.36
(ii) Quarrying	41.97	0.41	58.40	0.53	87.37	0.74	128.91	1.02	113.78	0.88
Manufacturing	1,531.41	14.95	1,764.15	16.14	1,878.96	15.86	2,015.66	16.01	1,989.10	15.32
Electricity and water	148.59	1.45	162.29	1.48	177.37	1.50	193.83	1.54	202.15	1.56
Construction	554.49	5.41	674.52	6.17	834.12	7.04	904.68	7.18	731.09	5.63
Trade	868.27	8.47	909.84	8.33	949.65	8.02	983.88	7.81	882.79	6.80
Hotels and restaurants	261.52	2.55	308.01	2.82	349.65	2.95	378.11	3.00	416.65	3.21
Transport and communications	837.50	8.17	942.79	8.63	1,001.06	8.45	1,027.77	8.16	1,143.22	8.81
Social and personal services	440.43	4.30	510.11	4.7	573.67	4.8	632.71	5.02	717.55	5.53
Real estate and business activities	942.10	9.19	1,082.74	9.91	1,154.39	9.75	1,241.41	9.86	1,132.47	8.72
Financial corporations	2,574.73	25.13	2,902.15	26.56	3,170.77	26.77	3,347.79	26.59	3,246.06	25.00
Financial institutions	683.38	6.67	883.35	8.08	1,004.02	8.48	1,118.11	8.88	1,192.10	9.18
Offshore financial institutions	1,323.16	12.91	1,379.20	12.62	1,422.50	12.01	1,458.64	11.58	1,262.85	9.73
Insurance	568.16	5.54	639.60	5.85	744.26	6.28	771.04	6.12	791.12	6.09
Government services	1,501.17	14.65	1,558.96	14.27	1,677.34	14.16	1,833.03	14.56	1,923.06	14.81
Govt. Education services	375.80	3.67	392.61	3.59	412.10	3.48	451.06	3.58	483.30	3.72
Govt. Health services	172.07	1.68	190.69	1.74	211.57	1.79	231.33	1.84	246.36	1.90
Other Government services	953.32	9.30	975.66	8.93	1,053.67	8.90	1,150.66	9.14	1,193.40	9.19
Private non-households profit institutions serving	13.43	0.13	15.19	0.14	15.27	0.13	17.02	0.14	18.19	0.14
Households with employed persons	58.16	0.57	82.18	0.75	112.63	0.95	115.98	0.92	132.55	1.02
Minus financial intermediation services indirectly measured[2]	(1,332.53)	(13.0)	(1,845.96)	(16.89)	(1,990.16)	(16.80)	(2,120.74)	(16.84)	(1,500.27)	(11.56)
GDP producer prices	10,104.87	98.61	10,767.66	98.53	11,668.56	98.51	12,384.63	98.35	12,830.82	98.83
Import duties	141.97	1.39	160.72	1.47	176.04	1.49	207.18	1.65	151.99	1.17
GDP	10,246.84	100	10,928.38	100	11,844.60	100	12,591.78	100.00	12,982.79	100.00

Source: Ministry of Finance and Central Informatics Organisation

1 Using the fixed conversion rate of BD 0.376=US$1.00.

2 Adjustment figure which related to the value of financial services provided by banks net of indirect charges.

Inflation

The CBB maintains the Bahrain dinar's peg against the U.S. dollar, which has provided stability over the years, and as a result managed to keep inflation relatively low. As Bahrain has no significant onshore production, its inflation rates are affected by the cost of imports. The reduction in tariffs in Bahrain from the harmonization of tariff rates in the GCC area contributed to the mild levels of deflation experienced in Bahrain since 1998. However, in the latter part of 2007 inflationary pressure was noted in all GCC countries including Bahrain arising as a result of the dramatic fall in the value of the U.S. dollar.

The table below shows the consumer price index and inflation for each of the five years listed below:

	2005	2006	2007	2008	2009
Consumer price index ("**CPI**") (2006 = 100)	98.0	100.0	103.3	106.9	109.9
Inflation (%)	2.6	2.1	3.3	3.5	2.8

Source: Central Informatics Organisation

The Government has updated its consumer basket weights with the year 2006 as the new base year. Accordingly, Bahrain has maintained strong economic growth in a relatively low inflation environment as indicated by the CPI. This decrease in the rate of inflation in 2009 was a result of the decrease in commodity and food price rises due to the global financial crisis.

Inflation data is collected and calculated on a monthly basis by the Central Informatics Organisation.

MANAGEMENT AND GOVERNANCE

Under the Bahrain Commercial Companies Law and the Memorandum and Articles of Association that will govern the Company upon its conversion to a public joint stock company, the Company's board of directors and executive management are responsible for the operation of its business. There are no potential conflicts of interest between any duties owed to the Company by the members of the board of directors and executive management and their private interests.

Board of Directors

The board of directors is the Company's main deliberative body responsible for determining the direction of its business operations, including its long-term strategy. The Company's board of directors is composed of ten members. For further information about the election of members to the Company's board of directors, see "Description of Share Capital—Election of Members to the Board of Directors."

Meetings of the Company's board of directors take place at least quarterly, or more frequently, as necessary. As per the Bahrain Commercial Companies Law and the Company's Memorandum and Articles of Association, decisions of the board of directors are made by an affirmative vote of a simple majority of its members present at a meeting.

In accordance with Bahrain Commercial Companies Law, a member of the board of directors is prohibited from voting in any meeting, or participating in any business operation or activity, in which he has a conflict of interest with the company. The Company does not have any service contracts with any member of its board of directors providing for benefits upon termination of employment.

Board Membership

The following table sets forth the current members of the Company's board of directors, their ages, positions and date of election:

Name	Age	Position	Date of First Appointment	Current Term Expires	Ordinary Shares Applied for in the Offering
Mahmood Hashim Al Kooheji	52	Chairman	2006	April 27, 2011	27,250
Fawzi Ahmed Kanoo	62	Member	2006	April 27, 2011	0
Sheikh Mohamed Bin Khalifa Al Khalifa	35	Member	2005	April 27, 2011	0
Osama M. Al Arrayedh	47	Member	2006	April 27, 2011	0
David E. Meen	64	Member	2005	April 27, 2011	0
Yousif Taqi	48	Member	2008	April 27, 2011	0
Mutlaq H. Al-Morished	53	Member	2003	May 1, 2012	5,000
A. Aziz Sulaiman Al Humaid	51	Member	2009	March 31, 2012	0
Homood Al Tuwaijri	47	Member	2008	March 26, 2011	0

The business address for each member of the board of directors listed in the table above is: King Hamad Highway, Askar Industrial Area, P.O. Box 570, Manama, Kingdom of Bahrain. The following is the brief biographical summary of the members of the Company's board of directors:

Mahmood Hashim Al Kooheji. Mr. Al Kooheji has over 34 years of experience of working across a broad range of industry sectors. In 1976, he began his career with BAPCO as a project engineer before joining the Ministry of Finance and National Economy in 1988 as Senior Industrial Engineer. From 1994 to 2005, he served as the Director of Government Shareholdings Directorate and was responsible for overseeing the operation of the companies which were fully or partially owned by the Government of Bahrain. He was instrumental in executing the expansion programs which covered industrial, commercial and service industries. These included large local industrial companies such as BAPCO, Alba, GPIC, as well as commercial undertakings such as National Bank of Bahrain, GIB and Bahrain Development Bank. He was appointed as the Assistant Undersecretary in 2005 and in this role he was responsible for the preparation of a national strategy for economic growth and diversification as well as managing the Economic Affairs Division. As an Assistant Undersecretary of Economic Affairs, he was actively involved in the Bahrain Economic Development Board's initiative, which led to the establishment of Bahrain Mumtalakat Holding Company B.S.C. (c).

In July 2006 he was appointed as the Deputy Chief Executive Officer of Mumtalakat and he continues to hold that position. In 2006, he was appointed as a member of the Company's board of directors and was

appointed as the Chairman in 2008. He was also the Chairman of Bahrain Atomizer International and serves on the board of directors of a number of companies both in the Kingdom of Bahrain and outside the country Mr. Kooheji received a bachelor's degree in mechanical engineering from Staffordshire University in 1984, and an MBA, from Henley College of Management, Brunel University in 1988.

Fawzi Ahmed Kanoo. Mr. Kanoo has over 38 years of experience across various industry sectors including real estate, transportation, travel and tourism and hospitality. He was appointed as a member of the Company's board of directors in 2006. In addition to being one of the Company's directors, he serves on the board of directors of a number of companies in the Kingdom of Bahrain. Mr. Kanoo is the Group Board Director of Yusuf Bin Ahmed Kanoo, a multi-national organization, having offices throughout the Arabian Gulf and the Kingdom of Saudi Arabia. Prior to taking over this position he was the director of the transportation group of Yusuf Bin Ahmed Kanoo, which operates travel, freight services, cargo services and aircraft handling divisions throughout the GCC. Prior to this, he worked as a management executive at the same company. Mr. Kanoo received a bachelor's degree in business administration from South West Texas State University in 1974.

Sheikh Mohamed Bin Khalifa Al Khalifa. Sheikh Mohamed started his career in 1999 at the Financial Information Directorate of the Ministry of Finance & National Economy. In 2005, he was appointed as a member of the Company's board of directors. From 2005 to 2007, Sheikh Mohamed was the Director of Government Shareholdings at the Ministry of Finance and National Economy. From April 2007, he has also served as the director of privatization and outsourcing at the Ministry of Finance and National Economy. He has also served on the board of directors of Central Bank of Bahrain, Lulu Tourism (as its vice-chairman), Qatar-Bahrain Causeway Authority and the Sheikha Hessa School. Sheikh Mohamed received his master's degree in business administration with distinction from DePaul University, Kellstadt Graduate School of Business in 2004. He also received an advanced M.Sc. in Computing from Imperial College of Science, Technology and Medicine in 1999. In fall 1997, he attended the University of Cambridge and received a Postgraduate Diploma in Computer Science. He received his bachelor's degree in computer engineering (with Honors) in spring 1996, and an International Baccalaureate Diploma, Geneva, in July 1992.

Osama M. Al Arrayedh. Mr. Al Arrayedh started his career in the Kingdom of Bahrain's Ministry of Electricity and Water in 1986 as a Systems Developer. From 1992 to 2002 he was the Chief of Computer Systems Development & Maintenance. In 2003, he joined the Ministry of Industry as the Director Hi-Tech and Informatics. In 2003, he was appointed the Assistant Undersecretary for Industrial Development at the Ministry of Industry and Commerce. Currently, Mr. Al Arrayedh is the Acting Undersecretary for Industry Affairs. Mr. Al Arrayedh was appointed as a member of the Company's board of directors in 2006. He received a bachelor's degree in Computer Science and Mathematics from St. Edward's University, Austin Texas, in 1985. In 1995, he received his Master of Philosophy (MPhil) in Computer Science from the University of Nottingham, and presented his thesis on the Evolution of Synthesized Relational Database Schemas. In 2002, he underwent an Executive Development Programme in University of Virginia.

David E. Meen. Mr. Meen is a native and citizen of Canada. He has extensive experience in brand management and consulting across a wide variety of industries such as transportation, oil, gas and retailing. After several years with Procter and Gamble, in 1973, he joined the Toronto Office of McKinsey & Company. He spent his first 18 years with McKinsey in Canada, including the last eight and one half years as McKinsey's Managing Director for Canada. In 1991, he moved to Europe where he served as the Managing Director of McKinsey's EuroCenter for four years and then a Director of McKinsey's Scandinavian practice. In 1999, he moved to Turkey and was the Managing Director for McKinsey's Turkish practice until his retirement in mid-2003. He was also the project director and primary author of the McKinsey Global Institute's definitive study of the Turkish economy and the opportunity for productivity-led growth. Upon retirement, Mr. Meen and his wife have made Istanbul their permanent home. He founded Meen Partners, based in Istanbul, and continues to consult both in Turkey and, more broadly, in the Arabian Gulf region. In 2005, Mr. Meen was appointed as a member the Company's board of directors. Mr. Meen received his bachelor's degree in commerce from the University of Toronto in 1968.

Yousif A. Taqi. Mr. Taqi has more than 25 years of experience in the financial services sector and is a recognized leader in the Islamic finance industry. He played a key role in formulating and implementing new standards and guidelines for the accountancy boards of various Islamic financial institutions and organizations in the Kingdom of Bahrain and other countries. Mr. Taqi was appointed as a member of the Company's board of directors in 2008. In addition to serving on the Company's board of directors, he is currently the chairman of the Board Audit Committee, the chairman of Manara Developments Company B.S.C. (c), Amar Holding Company B.S.C. (c) and ASB Biodiesel (Hong Kong) Limited, affiliates of Al Salam Bank Bahrain, and also a member of the board of directors of Al Salam Bank Algeria, and Al Salam Bank Bahrain. Prior to joining as Chief Executive

of Al Salam Bank Bahrain in 2006, he worked as the Deputy General Manager of Kuwait Finance House from 2003-2006 and was an active member of the Risk Board of the Islamic Financial Service Council, Malaysia. From 1983 to 2003, he worked with Ernst & Young, Bahrain office, in various capacities and was promoted as a partner of the firm in 1999, a position that he held until 2003. He received a bachelor's degree in Accounting from Husson College in the United States in 1990, and qualified as a Certified Public Accountant in 1991.

Mutlaq H. Al Morished. Mr. Al Morished has extensive experience in the field of corporate finance. Before taking up his current position as Vice President, Corporate Finance at SABIC, he was successively Vice President of Shared Services, President of the Saudi Petrochemical Company, and also of the Saudi Iron Steel Company. In 2003, he was appointed as a member of the Company's board of directors. In addition to serving on the Company's board of directors, Mr. Al Morished is also a member of the board of directors of the Arabian Petrochemical Company, Jubail United Petrochemical Company, Gulf Aluminium Rolling Mills Company (GARMCO), MARAFIQ, and the Saudi Fund for Development. He received a bachelor's degree in Nuclear Physics and Mathematics from the University of Denver. He obtained his master's degree from Stanford University, and MSc in Nuclear Engineering from Princeton University.

Abdulaziz S. Al Humaid. Mr. Al Humaid started his career in 1981. He has 29 years of experience in the petrochemicals and metals industry. From 1996 to 2000, he served as the Senior Vice President of Arabian Petrochemical Company, where he started his career. He has also served as the President of Al Jubail Petrochemical Company and National Industrial Gases Company. Before taking up his current post as Vice President of Metals of SABIC in April 2009, he was the President of Saudi Iron and Steel Company. In 2009, he was appointed as a member of the Company's board of directors. He also serves as the chairman of Saudi Iron and Steel Company and the National Gas Industrial Gases Company. He is also the member of the board of directors of the Gulf Aluminium Rolling Mills Co. (GARMCO), the Royal Commission Colleges and Institutes for Jubail and Yanbu in the Kingdom of Saudi Arabia. Mr. Al Humaid received a bachelor's degree in chemical engineering science from the King Fahad University of Petroleum and Minerals, Dhahran, the Kingdom of Saudi Arabia in 1981.

Homood Al Tuwaijri. Mr. Al Tuwaijri has extensive experience in the area of corporate finance. Since January 2008, Mr. Al Tuwaijri has served as the Executive Vice President of Corporate Control of SABIC, responsible for the SABIC Global Governance Functions of Internal Audit, Environmental, Health, Safety & Security, Legal Affairs, Enterprise Risk Management and Business Process & Data Quality Management. He served as the Vice President of Petrochemicals Coordination in charge of the SABIC Group Supply Chain and Logistics, Middle East & Africa Sales Offices & Petrochemical SBUs Coordination from 2004 to 2007. Mr. Al Tuwaijri's other Vice President positions within SABIC include Corporate Finance from 2002 to 2004 and Administrative Services from 1998 to 2002. As the Vice President of Corporate Finance of SABIC, he spearheaded SABIC's globalization drive and was instrumental in ensuring that its profit grew in a sustainable manner. In addition, Mr. Al Tuwaijri is currently Chairman of: the Board of Directors of Al Jubail Petrochemical Company (Kemya), the Board of Directors of Saudi Yanbu Petrochemical Company (Yanpet), the Marafiq Board Executive Committee, the SABIC Executive Steering Committee for Global Supply Chain Project, and the SABIC Executive Steering Committee for Business Process & Data Quality Governance. Mr. Tuwaijri also serves as a member of: the Saudi Arabian National Committee for Clean Development, the Saudi Arabian National Committee for Biodiversity, the Board of Directors of the Power & Water Utility Company for Jubail & Yanbu (Marafiq), the Marafiq Board Audit Committee, the Board of Supervisory Directors of SABIC Capital B.V., and the SABIC Sustainability Committee. In 2008, Mr. Al Tuwaijri was appointed as a member the Company's board of directors. Mr. Al Tuwaijri received a master's degree in Industrial Engineering from the Georgia Institute of Technology in 1983.

Board Committees

Human Resources Committee

The Company's human resources committee charter was approved by its board of directors in March 2009. The purpose of the human resources committee is to generate a proposal on the Company's compensation structure for its board of directors' consideration and to recommend and approve decisions related to human resources matters. The Company's board of directors shall appoint three members of the human resources committee, which includes the Chairman of the Company's board of directors. The current members of the human resources committee are Mahmood Hashim Al Kooheji (Chairman), Fawzi Ahmed Kanoo and A. Aziz Sulaiman Al Humaid.

Audit Committee

The Company's audit committee charter was approved by its board of directors in March 2009. The purpose of the audit committee is to assist the Company's board of directors in fulfilling its oversight responsibility with respect to (i) the integrity of the Company's financial statements and financial reporting process and its systems of internal accounting and financial controls, (ii) the annual independent audit of the Company's financial statements, the engagement of external auditors and the evaluation of the external auditors' qualifications, independence and performance, (iii) the appointment of an internal auditor and regular review of the internal audit function, (iv) the Company's compliance with legal and regulatory requirements, including its disclosure controls and procedures, and (v) the Company's compliance with its corporate governance processes. The Company's board of directors shall appoint between three and five members of the audit committee, a majority of whom shall be non-executive directors, and all of whom must be financially literate, including at least one qualified and appropriately experienced accountant. The Chairman of the Company's board of directors shall not be a member of the audit committee. The current members of the audit committee are Yousif Taqi (Chairman), Sheikh Mohamed Bin Khalifa Al Khalifa, Osama M. Al Arrayedh, A. Aziz Sulaiman Al Humaid and Ahmed M. Alkhamis.

Executive Management

The Company's executive management is primarily responsible for managing its day-to-day operations and implementing the general policies and guidelines set forth by the Company's board of directors.

The following table sets forth the current members of the Company's executive management, their ages, positions and date of appointment:

Name	Age	Position	Appointment	Ordinary Shares Applied for in the Offering
Laurent Schmitt	52	Chief Executive Officer	2010	10,000
Mohammed Mahmood Mohammed Shaikh	54	Chief Operating Officer	2009	0
Timothy "Tim" J. Murray	39	Chief Financial Officer and Chief Marketing Officer	2007	2,000
Isa A. Latif Al Ansari	46	Chief Supply Chain Officer	1983	2,000

On October 31, 2010, the Company announced the appointment of Jean Baptiste Lucas as Chief Marketing Officer. The appointment is expected to take effect in January 2011.

The business address for each of the members of the Company's executive management listed in the table above is: King Hamad Highway, Askar Industrial Area, P.O. Box 570, Manama, Kingdom of Bahrain. The following is the brief biographical summary of the members of the Company's executive management:

Laurent Schmitt, Chief Executive Officer. Mr. Schmitt has over 35 years of experience in the aluminium industry. He started his career in 1975 at Houilleres Du Bassin De Lorraine. In 1986 he joined Pechiney, where he held senior management positions for 15 years from 1999-2001, as General Manager, Consumer Goods Rolled Products Division and Member of the Aluminium Sector Management Committee. From 2001 up to 2009, Mr. Schmitt served as President of various divisions of Rhodia, the latest being the President Technical Fibers and Member of the Operational Committee of the Rhodia Group and was a Member of Rhodia Group Management Committee, prior to joining as the Company's Chief Executive Officer in January 2010. Mr. Schmitt obtained his diplomas in engineering from the prestigious Ecole Polytechnique (France) in 1986.

Mohammed Mahmood Mohammed Shaikh, Chief Operating Officer. Mr. Mahmood holds a master's degree in process engineering from Strathclyde University (Scotland), which he received in 1989. He began his career with Alba more than 35 years ago, rose through the ranks to various managerial positions from 1992 to 2003, from Reduction Manager, to Manager Process Quality Control, to HR Manager, and then to General Manager of Metal Production from 2004 to 2009, and finally to his present position as Chief Operating Officer. Among the major milestones of his career has been the retrofitting of Lines 1, 2 and 3, which increased Alba's total production by 21%, improved staff performance in the form of 2.7% higher productivity and extended Alba's pot operation age by 16%. Mr. Mahmood is also the head of the Alba Community Service Committee, through which he has encouraged the spirit of philanthropy among Alba employees and enhanced the Kingdom-wide appreciation of Alba's corporate social responsibility initiatives.

Timothy "Tim" J. Murray, Chief Financial Officer. Mr. Murray joined the Company in 2007 as General Manager Finance and Legal. Prior to joining the Company, he spent ten years with ARC Automotive, a leading manufacturer of Air Bag Systems supplying the global automotive industry, where in his last role he was Vice President and Chief Financial Officer. In July 2009 as part of Alba's restructuring, he was promoted to Chief Financial Officer. During the re-structuring period to the present, he has also been Alba's acting Chief Marketing Officer. Mr. Murray is a Certified Public Accountant (CPA) and a member of AICPA. He has completed various Executive Management Programs at the University of Chicago Graduate School of Business. Mr. Murray received his bachelor's degree in accounting from Susquehanna University (USA) in 1993, and he obtained his MBA from Vanderbilt University in 2003 where he graduated Beta Gamma Sigma (top 20% of class). Mr. Murray is also a certified Six Sigma Greenbelt through Sequa Corporation.

Isa A. Latif Al Ansari, Chief Supply Chain Officer. Mr. Al Ansari started his career with the Company in 1983. In his 27 years of experience, he has risen through ranks of an apprentice, management executive and currently Chief Supply Chain Officer. He manages the Company's global supply chain, all of its procurement including strategic and major raw materials and its calciner and marine terminal. Prior to his promotion, he was Procurement Manager from October 2009, and has held several managerial positions with the Company from 2002 to September 2009 in the areas of Materials Management, Stores and Data Management, Purchasing, Inventory and Warehouse Management. He has extensive experience in logistics, maintenance, planning, ERP implementation, warehouse management, inventory management, project execution and purchasing. He has made significant contributions to Business Process Re-engineering, SAP PM/MM modules, the implementation of reliability-centered maintenance (RCM) and spares optimization service (SOS) packages, and the Company's document management system (DMS). Mr. Al Ansari received a bachelor's degree with distinction in electrical and electronics engineering from University of Northumbria (UK) in 1996. In 1991, he obtained a diploma in electrical and electronic engineering from Hindustan Academy in India. He has also undergone many extensive training programs in management, leadership and supply chain management.

Proceedings against Members of the Board of Directors and the Executive Management

At the date of this offering memorandum, no member of the Company's Board of Directors or Executive Management, for at least the previous five years: (a) has had any convictions in relation to fraudulent offences; (b) has held an executive function in the form of a senior manager or a member of the administrative, management or supervisory bodies, of any company at the time of or preceding any bankruptcy, receivership or liquidation; or (c) has been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body) nor has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

The Corporate Governance Code of the Kingdom of Bahrain

The Government of Bahrain has recently adopted the Corporate Governance Code of the Kingdom of Bahrain. The Corporate Governance Code sets out certain principles and directives that apply to all public companies and makes certain recommendations. The directives will become mandatory for all public companies beginning on January 1, 2011. The recommendations are not mandatory, however the Corporate Governance Code introduces a "comply or explain" regime, and any company that fails to comply with the recommendations is required to explain its reasons for such non-compliance.

As at the date of this offering memorandum, the Company does not comply with the Corporate Governance Code in the following respects: the Company does not minute voting absentions that are motivated by conflicts of interest and disclose these in its annual report; the Company does not require its financial statements to be certified by both the CEO and the CFO of the Company; the Company does not have a "Nominating and Remuneration Committee" (although the Company's "HR Committee" performs a similar function), and the Company does not currently have written corporate governance guidelines in place, nor does it produce a compliance report. In all other applicable respects, the Company is already in compliance with the Corporate Governance Code and intends to continue to comply with the Corporate Governance Code to the extent applicable.

PRINCIPAL SHAREHOLDERS AND SELLING SHAREHOLDER

The Company's share capital is entirely composed of Ordinary Shares. The table below sets forth information regarding the number of Ordinary Shares issued by the Company and directly held by the Company's shareholders as of the date of this offering memorandum and subsequent to the conclusion of this Offering:

	On the date of this offering memorandum		Subsequent to the Offering**	
Shareholders	**Shares***	**%**	**Shares**	**%**
Bahrain Mumtalakat Holding Company B.S.C. (c)	1,093,400,000	77.0	985,196,000	69.38
Sabic Industrial Investments Company	284,000,000	20.0	292,804,000	20.62
Aluminium Bahrain B.S.C. (c) (in treasury)	42,600,000	3.0	3,000,000	0.21
Alba Savings and Benefit Scheme	0	0.0	134,822,222	0.29
Public	0	0.0	4,177,778	9.49
Total	**1,420,000,000**	**100.00**	**1,420,000,000**	**100.00**

* Reflecting the nominal value of 100 *fils* per Ordinary Share following Conversion.

** Following the *pro rata* distribution of 42,600,000 Ordinary Shares to Mumtalakat and SABIC and assuming Conversion occurs.

After the conclusion of the Offering and following Conversion, the Selling Shareholder will directly own 69.38% of the Company. The interests of the Selling Shareholder could conflict with those of other holders or our Ordinary Shares and, other than the protections offered to minority shareholders outlined in "Description of Share Capital—Rights of Ordinary Shares," no additional measures have been put in place to prevent an abuse of the rights of minority shareholders resulting from the exercise of control over the Company by the Selling Shareholder. See "Risk Factors—Mumtalakat may influence the outcome of important decisions relating to the Company's business, and the relationship between Mumtalakat and the Government of Bahrain may require the Company to pursue certain macroeconomic and social objectives, which could have an adverse effect on the Company's financial condition and results of operations."

SIIC

SIIC is a fully owned subsidiary of Saudi Basic Industries Corporation ("**SABIC**"). SABIC is one of the world's leading manufacturers of chemicals, fertilizers, plastics and metals.

SIIC acquired its shareholding in 2004, as a transferee of PIF, one of the Company's founding shareholders. As of the date of this offering memorandum, there are three SIIC representatives on the Company's board of directors. Two of these members have been appointed by SIIC pursuant to Article 22(2) of the Company's Articles of Association, and one member has been elected pursuant to Article 22(3) of the Company's Articles of Association and the operation of the Shareholders' Agreement between Mumtalakat and SIIC (as described below).

Selling Shareholder

The selling shareholder in this Offering is Mumtalakat, whose principal place of business is Addax Tower, Al Seef District, P.O. Box 820, Manama, Kingdom of Bahrain. It was created to align and implement the execution of the Government of Bahrain's initiatives to pursue value-enhancing opportunities, improve transparency and help achieve operational excellence for its state-owned non-oil and non-gas assets. Mumtalakat was established by Royal Decree No. 64/2006 dated June 26, 2006 as a wholly government-owned, independent holding company for the Government of Bahrain's stakes in non-oil and non-gas assets.

Mumtalakat owns stakes in key, strategically and symbolically important, non-oil and non-gas assets of the Kingdom of Bahrain, which are significant contributors to the Bahraini economy and directly and indirectly support many other businesses in the country and the region. Mumtalakat's portfolio of companies spans a variety of sectors in addition to aluminium production, including financial services, telecommunications, real estate, tourism, transport and food production. Effective June 29, 2006, the Government of Bahrain transferred its interest in 29 commercial assets to Mumtalakat, including its interest in the Company, Gulf Air Company G.S.C., Bahrain Real Estate Investment (Edamah) B.S.C.(c), Bahrain Telecommunications Company B.S.C. and the National Bank of Bahrain B.S.C.

Mumtalakat's strategy is designed to address key objectives of the Government of Bahrain's Economic Vision 2030 and fulfil specific mandates that the Government of Bahrain has assigned to Mumtalakat under the National Economic Strategy.

As a shareholder, Mumtalakat is focused on implementing best-in-class corporate governance structures and practices at each of its portfolio companies. Mumtalakat's oversight of and influence on the Company is exercised through its representative directors appointed to the Company's board of directors. As of the date of this offering memorandum, six members of the Company's board of directors are Mumtalakat's appointees and there is one vacant directorship to be appointed by Mumtalakat, pursuant to Article 22(2) of the Company's Articles of Association.

Under Bahrain law, the Government of Bahrain controls the approval of all of Mumtalakat's corporate matters that require shareholder resolutions. Members of Mumtalakat's nine-member board of directors are appointed to four-year terms by resolution of the Economic Development Board, for which His Royal Highness Prince Salman bin Hamad Al Khalifa, the Crown Prince, serves as Chairman. Mumtalakat's board of directors is composed of both individuals from the public sector, including key government officials, and individuals from the private sector.

Mumtalakat is subject to oversight by the National Audit Court of Bahrain, which conducts regular reviews of the ministries, various governmental entities and public authorities. After finalizing and consolidating the result of its various audits, the National Audit Court submits its report annually to His Majesty the King, the Prime Minister and the Chairman of the Representatives Council. Mumtalakat is also subject to oversight by the Tender Board of Bahrain, whose main role is to oversee the procurement practices and processes of governmental bodies to ensure transparency, fair competition, efficiency and the best use of public funds.

As a wholly owned government entity, Mumtalakat is obligated to submit periodic performance and financial reports to the Government through the Ministry of Finance. In addition, Mumtalakat is required to hold annual general shareholder meetings to approve its financial statements.

Like any other governmental entity, Mumtalakat is also required to answer all Parliamentary queries and to provide any required supporting material. Any queries related to Mumtalakat or any of its portfolio companies that are raised by Parliament are submitted through the Minister of the National Council Affairs (Representatives and Shura Councils) who presents the queries to the Minister of Finance. The Minister of Finance may then request that the management of Mumtalakat provide responses and supporting material.

Although created by a royal decree and wholly owned by the Government of Bahrain, Mumtalakat is incorporated as a commercial entity and is therefore subject to the commercial laws of the Kingdom of Bahrain, including those laws and processes relating to insolvency. Mumtalakat is regulated by the Ministry of Industry and Commerce in the same way as any other private commercial company in the Kingdom of Bahrain.

Shareholders' Agreement

The Company's current shareholders, Mumtalakat and SIIC have entered into a shareholders' agreement dated November 8, 2010 to regulate the exercise of the votes attached to certain of their shares to appoint directors at the shareholders' general assembly meeting.

Pursuant to the terms of the shareholders' agreement, Mumtalakat and SIIC intend to exercise the voting rights attached to certain of their shares in a manner that would facilitate the appointment by SIIC of a third nominee to the Company's board of directors, provided that, among other things, SIIC owns at least 20% of the Company's issued share capital. If SIIC is able to independently appoint a third nominee to the board of directors by virtue of the application of the Company's Articles of Association, then Mumtalakat's obligation to assist SIIC in the appointment of a third nominee to the board of directors would cease to have effect.

RELATED PARTY AND CERTAIN OTHER TRANSACTIONS

As of the date of this offering memorandum the Company had the following transactions with related parties:

The Company is able to operate its production facilities in the Kingdom of Bahrain pursuant to the terms of the Concession Agreement with the Government of Bahrain dated October 1, 1968, which grants the Company the non-exclusive right to construct and operate an aluminium smelter for a period of 50 years. Pursuant to the terms of the Concession Agreement, the Company make royalty payments to the Ministry of Finance and Borrowings from the National Bank of Bahrain B.S.C. See "Business—Material Contracts—Concession Agreement."

BAPCO is the sole supplier of all the natural gas used as fuel in the Company's power stations. BAPCO is wholly owned by The Oil and Gas Holding Company B.S.C.(c), which is owned by the Government of Bahrain, which also directly owns and controls Mumtalakat, the Selling Shareholder, which is and will continue to be the Company's single largest shareholder after the Offering. See "Business—Material Contracts—BAPCO Natural Gas Supply Contract."

Approximately 50% of the land housing the Company's various facilities is licensed or leased to the Company by the Government of Bahrain or entities like BAPCO, which are wholly owned and controlled by it. See "Business—Material Contracts—Land Licenses and Leases."

GARMCO is the Company's second largest customer and accounted for 14% of its total sales volume for the year ended December 31, 2009 and for 16% for the six months ended June 30, 2010. As of the date hereof, Mumtalakat and SIIC own 37.36% and 30.28% of the shares in GARMCO, respectively. In 2007, the Company converted the overdue receivable of BD 27.5 million from one of its largest customers, GARMCO, into a long term receivable that is repayable in ten years.

Potable water is a by-product of the Company's in-house calciner. Under the terms of a water supply agreement dated August 5, 2002, the Company sells approximately half of the water produced to the Government of Bahrain, acting through its Electricity and Water Authority. This contract is for a period of 25 years. The water is sold at the rate of 225 *fils* per cubic meter.

The electricity required by the Company's calciner is supplied by the national grid operated by the Bahrain Electricity and Water Authority.

For more information about borrowing and bank balances with related parties, see Note 21 to the Company's audited financial statements as at and for the year ended December 31, 2009, included elsewhere in this offering memorandum.

DESCRIPTION OF SHARE CAPITAL

Below is a descriptive summary of some provisions set forth in the Company's Memorandum and Articles of Association that will govern the Company upon its conversion to a public joint stock company, the Bahrain Commercial Companies Law and the regulations of the Ministry of Industry and Commerce and the Central Bank of Bahrain that pertain to the Company's share capital, management, periodical and occasional disclosures, as well as other corporate issues applicable to the Company.

This is not an exhaustive summary of the matters addressed below. It merely provides an overview of some provisions of the Company's Memorandum and Articles of Association, Bahrain Commercial Companies Law and the regulations of the Ministry of Industry and Commerce, Central Bank of Bahrain and the BSE.

Once the Company's Ordinary Shares are admitted for trading on the BSE, the Company will not be authorized to issue preferred shares or restricted voting shares. Therefore, this section will not cover the rights of holders of preferred shares or restricted voting shares. Moreover, in order to de-list from the BSE, the Company would have to hold a public offering for the acquisition of the Company's Ordinary Shares. See "— De-listing from the BSE."

General

The Company is currently a "closed joint stock company" incorporated under the laws of the Kingdom of Bahrain. It is expected that the Conversion of the Company into a public joint stock company will take place on or around November 23, 2010. Its head office is located in Manama, Kingdom of Bahrain. Documentation of the Company's incorporation is duly registered with the Ministry of Industry and Commerce under CR number 999. The Company's Memorandum and Articles of Association set out the term of its corporate existence for an extendable period of thirty years commencing upon the Company's conversion to a public joint stock company. This term may be extended by a resolution of its shareholders adopted at an extraordinary general meeting of its shareholders. The Company's shares are expected to begin trading on the BSE on or around November 30, 2010, under the symbol "ALBH."

Description of Share Capital

The Company's authorized share capital is BD 200,000,000 divided into 2,000,000,000 Ordinary Shares having a nominal value of 100 *fils* each. Its authorized share capital was increased from BD 150,000,000 to BD 200,000,000 and the nominal value of its Ordinary Shares was divided from BD 1 per ordinary share to 100 *fils* per ordinary share at its extraordinary general assembly on June 9, 2010.

The Company's issued share capital is BD 142,000,000, divided into 1,420,000,000 Ordinary Shares having a nominal value of 100 *fils* each. Its issued share capital can be increased within the limits of the authorized share capital, by a resolution of the ordinary general meeting of the shareholders. However, an increase in the issued share capital can only be carried out after all the existing issued shares are fully paid-up by the Company's then existing shareholders. The nominal value of the new shares issued as a part of the increase in the issued share capital must have the same nominal value as the existing shares. However, the extraordinary general meeting of the shareholders can decide to issue the new shares at a premium. The premium charged on the new issue of shares shall be held in the Company's legal reserves.

The Company's authorized share capital can be increased by resolution of the extraordinary general meeting of the Company's shareholders on a recommendation of the board of directors. The Ministry of Industry and Commerce and the Central Bank of Bahrain must be notified prior to carrying out any proposed increase of the authorized share capital.

Corporate Purpose

The Company's corporate purpose, as defined in Article 3 of its Memorandum of Association consist of the following activities:

- building and operating aluminium smelters for the production of aluminium and producing and selling aluminium within and outside the Kingdom of Bahrain;
- producing, purchasing, importing, searching and prospecting for alumina and acquiring, renting and possessing lands which may have the potential of providing a supply of ore suitable and necessary for the production of alumina;

- fabricating or semi-fabricating aluminium and selling the products in the markets;
- establishing, maintaining and operating shipping, air transport and road transport services and constructing roads for transport and for any of the above-mentioned purposes;
- carrying on any other trade or business, transporting and doing all matters and things that are directly or indirectly aimed to promote the carrying on of such business or enhancing the value of or making any of the Company's property or rights profitable; and
- owning an interest in any entity or organization undertaking similar businesses, or which may assist in realizing the Company's corporate objects, whether in the Kingdom of Bahrain or internationally, and participating in any manner in the above-mentioned entities, including acquiring them, or merging or amalgamating with such entities.

Rights of Ordinary Shares

Each ordinary share entitles its owner to one vote in the Company's annual ordinary and extraordinary shareholders' meetings. The Company's major shareholders do not have different voting rights to other shareholders. According to the Company's Memorandum and Articles of Association, the Company cannot issue shares without voting rights or with restricted voting rights. Moreover, as determined in its Memorandum and Articles of Association and the Bahrain Commercial Companies Law, the Company's shareholders have the right to receive dividends and other distributions made in connection with the Company's Ordinary Shares in proportion to their ownership interest in the Company's share capital. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Dividend Policy and Cash Distributions" for a more detailed description of the Company's dividend policy.

In the event of the Company's liquidation, its shareholders have the right to receive payments proportional to their ownership interest in its share capital, after the settlement of all its obligations. Owners of the Company's Ordinary Shares have a preemptive right to participate in its share capital increases, as provided under its Memorandum and Articles of Association and the Bahrain Commercial Companies Law, but they are not obligated to subscribe to new shares in future share capital increases.

Minority shareholders of the Company's Ordinary Shares benefit from certain protections under the laws of the Kingdom of Bahrain, and the Company is required to observe and respect those protections. For example, according to the Bahrain Commercial Companies Law, neither the Company's Memorandum and Articles of Association nor actions taken at a shareholders meeting may:

- increase the financial liabilities of a shareholder nor increase the value of the shares except in the manner set forth in the Bahrain Commercial Companies Law;
- deprive a shareholder of the right to participate in the distribution of profits;
- deprive a shareholder of the right to participate, in proportion to their ownership interest in the Company's share capital, in the distribution of any residual assets in the event of the Company's liquidation;
- deprive a shareholder of the pre-emptive rights in relation to the subscription of shares, debentures convertible into shares or subscription warrants, except in the particular circumstances set forth in the Bahrain Commercial Companies Law as described under "—Preemptive Rights";
- deprive a shareholder of the right to inspect, in the manner set forth in Bahrain Commercial Companies Law, the management of corporate business;
- deprive a shareholder of the right to institute action against all or some of the directors, in the manner set forth in the Bahrain Commercial Companies Law, to seek compensation for damages suffered by it; and
- impose any new conditions, other than those contained in the Company's Memorandum and Articles of Association, with respect to shareholders' rights to attend annual, ordinary or extraordinary meetings of shareholders and vote at such meetings.

Treasury Shares

As of date of this offering memorandum, the Company has 42,600,000 shares in treasury.

Registration of Ordinary Shares

The Company's Ordinary Shares are registered in its share register held at its offices. The transfer of its shares is carried out by means of an entry by its bookkeeper in the share register, subject to a deed of transfer from the transferor or a judicial order of authorization.

Preemptive Rights

The Company's shareholders have a general preemptive right to subscribe to new shares in any capital increase according to the proportion of their ownership interest in the Company's share capital at the time of the capital increase, except in the event of a grant or exercise of an option to acquire or subscribe for its shares or the conversion of debentures into its shares. The Company's shareholders also have preemptive rights to subscribe to any debentures convertible into shares and to any offer of its shares or subscription warrants the Company may issue. A period of at least 15 days following the publication of a notice of a capital increase is reserved for the exercise of the preemptive right, and such right may be transferred or sold by the shareholder. The shareholders may assign their preemptive right to third parties for value. The new shares will be distributed among the shareholders in proportion to their shareholding, provided that such proportion shall not be higher than the number of shares that a shareholder has applied for. Any remaining shares shall be offered to the shareholders who have applied for more shares than their proportionate entitlement, and if there are any remaining shares after such offering, then these shall be issued to the public.

Shareholders' Meetings

The Company's shareholders' meetings are classified into two categories: ordinary general meetings and extraordinary general meetings.

At shareholders' meetings, the Company's shareholders are empowered to deliberate on all matters that fall within their authority of the relevant type of shareholder meetings. Shareholders have the exclusive right, during an annual shareholders' meeting, to approve the Company's financial statements and to determine the allocation of its net income and the distribution of dividends related to the fiscal year immediately preceding the meeting. The members of the Company's board of directors are generally elected at the annual shareholders' meetings. However, according to Bahrain Commercial Companies Law, they can also be elected at any ordinary general meeting of shareholders.

Ordinary general meeting

Under the Bahrain Commercial Companies Law and the Company's Memorandum and Articles of Association, an ordinary general meeting can be convened by the chairman of the board of directors at the time and place as decided by the board of directors. The board of directors may also convene an ordinary general meeting at any time if requested to do so by the Company's auditors or shareholders representing 10% of the issued share capital, provided they have serious cause for such request.

At ordinary general meetings, the shareholders may consider all matters relating to the Company and adopt appropriate resolutions in relation to any such matters, except such matters that are specifically reserved by the Bahrain Commercial Companies Law to be deliberated upon in an extraordinary general meeting.

The Company's shareholders may take the following actions at an ordinary general meeting:

- elect or and dismiss members of the board of directors;
- determine the remuneration of the directors;
- consider and approve the board of directors' report on the Company's activities and financial position during the preceding financial year;
- discharge or refuse to discharge the members of the board from any liability;
- appoint one or more auditors for the following financial year and determine his/their fees, or authorize the board of directors to do the same;
- consider the auditor's report on the financial statements for the preceding financial year;
- approve the profit and loss account and the statement of financial position and the statement allocating the net profits and determine the dividends; and
- consider and decide on the recommendations relating to issuance of bonds, borrowing, mortgaging and issuing of guarantees.

Quorum and decision making at ordinary general meetings

As per the Bahrain Commercial Companies Law and the Company's Memorandum and Articles of Association, the quorum for an ordinary general meeting of shareholders should represent more than 50% of the Company's issued and outstanding share capital on first call, 30% of its issued and outstanding share capital on second call, and any number of shareholders on third call.

All resolutions at the ordinary general meetings must be adopted by an absolute majority of shareholders represented at the meeting, and in the event of a tie, the chairman of the meeting shall have a casting vote.

Extraordinary general meeting

Under the Bahrain Commercial Companies Law and the Company's Memorandum and Articles of Association, the board of directors has the authority to convene an extraordinary general meeting. If shareholders representing 10% of the Company's issued share capital request an extraordinary meeting in writing, then the board of directors is required to convene an extraordinary meeting within one calendar month of such request. If the board of directors fails to convene the meeting at the end of that period, the Ministry of Industry and Commerce shall have 15 calendar days to convene the meeting.

The Company's shareholders may take the following actions at an extraordinary general meeting:

- amend the Company's Memorandum or Articles of Association and extend its term;
- increase or reduce the Company's share capital;
- sell the entire project carried out by the company or dispose of it in any other manner; and
- wind up the company or agree to merge it with another company.

Quorum and decision making at extraordinary general meetings

Pursuant to the Bahrain Commercial Companies Law and the Company's Memorandum and Articles of Association, the quorum for an extraordinary general meeting of shareholders should represent at least two-thirds of the Company's issued and outstanding share capital on first call, at least one-third of its issued and outstanding share capital on second call and at least one-quarter of the outstanding share capital on third call.

Generally, all resolutions at the extraordinary general meetings must be adopted by a majority of two-thirds of the shareholders represented at the meeting. However, if the resolution relates to an increase or reduction of the Company's share capital, or the dissolution or merger of the company with another company, then it must be adopted by shareholders representing 75% of the shares represented at the meeting and must be approved by the Ministry of Industry and Commerce.

Notice of Shareholders' Meetings

According to Bahrain Commercial Companies Law, all notices for shareholders' meetings must be published at least 15 calendar days prior to the date of the meeting in at least two daily newspapers in the Arabic language, including a local newspaper. The copies of the notice shall also be sent to the Ministry of Industry and Commerce at least 10 calendar days prior to the date of the meeting.

Location of the Shareholders' Meetings

The Company's shareholders' meetings normally take place in Manama, Kingdom of Bahrain.

Conditions of Admission to Shareholders' Meetings

The shareholders wishing to attend a shareholders' meeting must produce proof of ownership of the shares they intend to vote, including identification and/or pertinent corporate acts that evidence their legal representation of another shareholder.

Shareholders, who do not satisfy the conditions described above may not be permitted to participate in shareholders' meetings.

Board of Directors

The board of directors is the Company's main deliberative body responsible for determining the direction of the Company's business operations, including its long-term strategy. The Company's board of directors is currently composed of nine members, plus one vacant directorship. Article 23 of the Company's Articles of Association outlines the general qualifications of its board of directors.

Meetings of the Company's board of directors take place at least quarterly, or more frequently, as necessary. As per the Bahrain Commercial Companies Law and the Company's Memorandum and Articles of Association, decisions of the board of directors are made by an affirmative vote of a simple majority of its members present at a meeting.

In accordance with Bahrain Commercial Companies Law, a member of the board of directors is prohibited from voting in any meeting, or participating in any business operation or activity, in which he has a conflict of interest with the Company.

Election of Members to the Board of Directors

As per the Bahrain Commercial Companies Law, every shareholder owning 10% or more of the issued share capital is entitled to appoint his representative on the board of directors for every 10% of its shareholding.

The directors must meet the following qualifications:

- he or she must be fully qualified to act;
- he or she must not have been convicted of a crime involving negligent or fraudulent bankruptcy or a crime affecting his or her honor or involving a breach of trust or in a crime on account of his or her breach of the provisions of the Bahrain Commercial Companies Law, unless he or she was subsequently acquitted; and
- he or she must personally own shares with the nominal value of ten thousand Bahrain dinars or the person he or she represents must own a number of shares representing not less than 1% of the company's capital whichever is higher.

The Company's two current shareholders, Mumtalakat and SIIC, have entered into a shareholders' agreement that includes terms relating to the appointment of members of the Company's board of directors. See "Principal Shareholders and Selling Shareholder—Shareholders' Agreement."

Interested Director Transactions

According to Bahrain Commercial Companies Law, a director may not:

- perform any gratuitous act using corporate assets to the Company's detriment, except for reasonable gratuitous acts that benefit its employees or the community in which the Company is involved as part of its social responsibilities, or which might be authorized by the board of directors, from time to time;
- receive, by virtue of his or her position, any direct or indirect personal benefit from third parties without express authorization in the Company's Memorandum and Articles of Association, or permission granted during a shareholders' meeting;
- take part in a corporate transaction in which he or she has an interest that conflicts with the Company's interests, or in the deliberations undertaken by its directors on the matter;
- borrow money or property from the Company or use the Company's property, services or credit for his or her own benefit or for the benefit of a company or third party in which he or she has an interest, without prior approval granted in the Company's shareholders' meetings or by its board of directors;
- take advantage of any commercial opportunity for his or her own benefit or for the benefit of a third party at the Company's expense when he or she learned of such opportunity through his or her position as a director;
- neglect the protection of the Company's rights by failing to disclose a beneficial business opportunity with a view to exploiting the opportunity for personal gain, or for the benefit of a third party; and
- acquire, in order to resell for profit, goods or rights that are essential to the Company's business operations, or that the Company intends to acquire.

The compensation of the Company's directors is determined by its shareholders at the same annual shareholders' meeting approving its previous fiscal year's financial statements, and is subject to the approval of the Minister of Commerce and Industry in respect of any year in which its operations were unprofitable.

Restrictions on Certain Transactions and Disclosure of Trading by Controlling Shareholders, Directors or Officers

Pursuant to the Bahrain Commercial Companies Law, the Selling Shareholder and SIIC will be restricted from selling or otherwise transferring any of their Ordinary Shares in the Company, excluding the Ordinary Shares offered in the Offering, until the passage of one year from the date of the Company's Conversion.

As per the terms of the BSE Listing Agreement, the Company is required to notify the BSE of any shareholding held by a director within one month of their nomination and at the end of each financial year. Further, any acquisition or disposal of 20% or more of the Company's share capital must be approved by the CBB before such transaction is executed on the BSE.

Dispute Resolution

The Bahrain Chamber for Dispute Resolution can adjudicate any dispute between the Company's shareholders from jurisdictions other than the Kingdom of Bahrain or its directors and the Company, provided the claim is for over BD 500,000. All other disputes are heard by the High Civil Courts.

De-listing from the BSE

The Company may at any time de-list its shares from the BSE, provided that such application is supported by a resolution adopted at a shareholders meeting approving such de-listing of its shares.

Change of Control and Mandatory Public Offering for the Acquisition of Shares

If a person or group of persons acting in concert acquire 30% or more of the voting rights of the Company's shares, either in a single transaction or through a series of transactions, then they shall be required to make a mandatory offer to all shareholders.

Ongoing Reporting Requirements and Information Required by Regulators

As a public joint stock company, the Company is subject to ongoing reporting requirements established by the Bahrain Commercial Companies Law, the MOIC, CBB and BSE.

The Company is required to notify the CBB if a beneficial owner of its shares: (i) acquires 5% or more, or its beneficial ownership reaches 5% or more of its issued share capital; (ii) acquires 10% or more of its issued share capital; or (iii) owning 10% or more of its issued share capital wishes to acquire an additional 20% of its shares. Similarly, the Company must inform the CBB of any proposed acquisition or disposal of 10% or more of its issued share capital and any such acquisition or disposal must be approved by the CBB before such a transaction is executed on the BSE.

Further, from January 1, 2011, the Company will be subject to the "comply or explain" regime introduced by the Corporate Governance Code of the Kingdom of Bahrain and applicable to all public joint stock companies in the Kingdom of Bahrain. The Corporate Governance Code requires the Company to comply with the mandatory principles and directives stated therein. The Corporate Governance Code's recommendations are not mandatory, however the Company will be required to explain any non-compliance with any of the recommendations to its shareholders at the annual general meeting of the shareholders. The Company intends to comply with the Corporate Governance Code to the extent applicable.

Duty to Disclose Related Party Transactions

Pursuant to the provisions of the Bahrain Commercial Companies Law, the Company must disclose in its financial statements information about all contracts between the Company and members of its board of directors, its managers, its related parties or managers of its related parties.

Allocation of Net Profits and Distribution of Dividends

Amounts Available To Be Distributed and the Payment of Dividends

The Bahrain Commercial Companies Law and the Company's Memorandum and Articles of Association define net profits for any year as the amount remaining after the deduction of: (i) general expenses; (ii) any amounts for depreciation of assets and the compensation for loss in value of such assets; and (iii) interest paid on

all loans, obligations and liabilities of the company, as required under international accounting standards. The Company's Memorandum and Articles of Association provide that if the net profits for a year are not sufficient to declare dividends amounting to at least 5% of the Company's paid-up share capital, then its legal reserve may be utilized to distribute dividends, such that the aggregate amount of the dividends distributed is equal to at most 5% of its paid-up share capital.

The net profits may be reduced by: (i) any contribution to the legal reserve, if applicable; (ii) any deduction required by the Bahrain labor laws; (iii) any contribution to a voluntary reserve account, if so decided by the ordinary general meeting of the shareholders; and (iv) directors' remuneration, and after any such reduction distributed as dividends among the shareholders, or utilized to build a contingency reserve, or a reserve fund for unusual depreciation.

At each annual shareholders' meeting, the board of directors is required to make a recommendation as to how the Company's net profits, if any, from the preceding year should be allocated. This allocation is subject to deliberation by its shareholders.

Further, subject to the approval of the shareholders' in a general meeting, a percentage of the net profits realized by the sale of any of the Company's fixed assets or out of any compensation received for any of its assets, may be distributed as dividends, provided that such payment does not result in preventing the Company from restoring the assets to their original condition or from buying new fixed assets.

Reserves

The Company's Memorandum and Articles of Association provide that every year an amount equivalent to at least 10% of its annual net profits shall be contributed to its legal reserve. Contribution to the legal reserve may be discontinued once the legal reserve amounts to 50% of the paid up share capital, and shall be resumed when the legal reserve falls below 50% of the paid up share capital until it amounts to 50% of the paid up share capital. The legal reserve cannot be distributed among shareholders. However, it may be utilized in order to ensure distribution of the minimum mandatory dividends in years when the Company's net profits are insufficient to permit dividend distribution of that amount.

In addition to the legal reserve, the ordinary general meeting of the shareholders may, acting on a proposal of the board of directors, set up a voluntary reserve account, a contingency reserve, or a reserve fund for unusual depreciation.

THE SECURITIES MARKET IN BAHRAIN

Bahrain Stock Exchange

The BSE was established in the Kingdom of Bahrain pursuant to Amiri Decree No. 4 of 1987. The BSE officially commenced operations on June 17, 1989.

The BSE is administered by a board chaired by the Governor of the CBB, including two members representing the CBB, two members representing local banks, two members representing the Chamber of Commerce and two members representing local brokerage firms. The board of directors formulates the general policies and the strategy of the BSE.

The BSE is governed by the Internal Regulations issued by the Minister of Commerce and Industry and Agriculture pursuant to Resolution No.13/1988. The Internal Regulations govern administration and membership of the BSE and the rules governing listing and trading of securities, including clearing, settlement of trades and the operation of the central depositary system. Further information is available on the BSE website: www.bahrainstock.com.

Settlement of Securities Listed on the BSE

In the Kingdom of Bahrain, Investors should open a central securities depositary account ("**CSD Account**") and a trading account with one of the brokerage firms. The broker is an authorized party licensed to conduct share transactions and will execute the buy and sell orders on behalf of the Investor. In order to buy Ordinary Shares in the Kingdom of Bahrain, Investors must draft a check in favor of their broker in respect of the value of Ordinary Shares which they wish to buy and the broker's commission in the settlement bank to avoid any delay or failure.

In order to sell Ordinary Shares in the Kingdom of Bahrain, Investors must already hold Ordinary Shares in their CSD Account. The broker enters the Investor's orders (sell/buy) in the BSE's automated trading system. These orders are matched electronically throughout the trading system without any human intervention.

The day on which the Ordinary Shares are bought/sold is known as T-day. The broker is under an obligation to provide the Investor with a confirmation statement for all transactions the broker has conducted on behalf of the Investor on the same day. On T+2 by 0930AM local time, both brokers (buyer & seller) should finalize all of their obligations on their transaction. The CSD has an obligation to send a statement of account (stating all Investor's transactions) every six months, to all the depositors in the system.

Capital Markets Supervision Directorate

By Decree No. 21/2002, the CBB was empowered with broad authority to regulate the securities market in the Kingdom of Bahrain. The CBB established the Capital Markets Supervision Directorate ("**CMSD**") with the mandate of supervising and regulating the Kingdom of Bahrain's capital markets. The CMSD's primary objective is to maintain a transparent, fair and orderly market by upholding and enforcing international standards and protecting investors, thereby upholding the Kingdom of Bahrain's integrity and reputation as a financial hub.

The CMSD has the responsibility for the primary and secondary markets in the Kingdom of Bahrain. Furthermore, the CMSD regulates and supervises all applications for the listing of securities and any other instruments offered to the general public ensuring that applications fulfill all legal requirements. The CMSD also enforces international disclosure standards in order to enhance the transparency of the Kingdom of Bahrain's market and supervises the BSE, the clearing system, the settlement system, the depositary and custodial systems, brokerage firms and market makers. The Company is required to comply with the provisions of the Central Bank of Bahrain's Rulebook Volume 6 (Capital Markets).

TAXATION

The following summary of material Bahraini tax consequences of ownership of Ordinary Shares is based upon laws, regulations, decrees, rulings, income tax conventions (treaties), administrative practice and judicial decisions in effect at the date of this offering memorandum. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may be retroactive and could affect the tax consequences to holders of the Ordinary Shares. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a holder of Ordinary Shares.

EACH PROSPECTIVE HOLDER IS URGED TO CONSULT ITS OWN TAX ADVISER AS TO THE PARTICULAR TAX CONSEQUENCES TO SUCH HOLDER OF THE OWNERSHIP AND DISPOSITION OF ORDINARY SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY OTHER TAX LAWS OR TAX TREATIES, AND OF PENDING OR PROPOSED CHANGES IN APPLICABLE TAX LAWS AS OF THE DATE OF THIS OFFERING MEMORANDUM, AND OF ANY ACTUAL CHANGES IN APPLICABLE TAX LAWS AFTER SUCH DATE.

KINGDOM OF BAHRAIN TAX CONSIDERATIONS

As at the date of this offering memorandum, there are no taxes payable with respect to income, withholding or capital gains under existing Bahrain laws.

Corporate income tax is only levied on oil, gas and petroleum companies at a flat rate of 46 per cent. This tax is applicable to any oil company conducting business activity of any kind in the Kingdom of Bahrain, including oil production, refining and exploration, regardless of the company's place of incorporation.

There are no currency or exchange control restrictions currently in force under Bahrain law and the free transfer of currency into and out of the Kingdom of Bahrain is permitted, subject to any anti-money laundering regulations and international regulations in force from time to time.

TERMS OF THE OFFERING

The Offering

The Offering consists of an offering of 69,018,875 Ordinary Shares, representing 4.9% of the Company's total issued, fully paid and outstanding share capital, to (i) retail investors in the Kingdom of Bahrain, the Sultanate of Oman and the UAE and to (ii) institutional investors outside the United States in reliance on Regulation S, by the Selling Shareholder under the terms and subject to the conditions contained in the underwriting agreement dated November 1, 2010 among the Company, the Selling Shareholder and the Managers (the "**Underwriting Agreement**").

Ordinary Shares in the Offering shall rank in all respects *pari passu* with all other Ordinary Shares. The Ordinary Shares have the rights described under "Description of Share Capital."

The Offering will consist of the following two tranches: tranche 1 (the Ordinary Share Institutional Offering) and tranche 2 (the Retail Offering, comprising two sub-tranches: the Limited Offering to Bahraini Citizens and the General Offering to Retail Investors):

- ***Tranche 1—Ordinary Share Institutional Offering:*** Consists of Ordinary Shares available to institutional Investors outside of the United States. An Investor is deemed to be an institutional Investor if it subscribes for Ordinary Shares with an aggregate purchase price equivalent to more than US$100,000. Investors in the Ordinary Share Institutional Offering are offered Ordinary Shares at the Offering Price.
- ***Tranche 2—Retail Offering:*** Consists of Ordinary Shares available under the following two sub-tranches:
    - ***Limited Offering to Bahraini Citizens:*** Consists of Ordinary Shares offered to Bahraini citizens at the Discounted Retail Offering Price. The Discounted Retail Offering Price is applicable to the purchase of a minimum of 100 Ordinary Shares and, subject to availability of a sufficient number of Ordinary Shares for the Retail Offering, up to a maximum of 2,000 Ordinary Shares per retail Investor. The Discounted Retail Offering Price is only available to Bahraini citizens who have provided all necessary supporting documentation as set out on the Application Form. In the case of a purchase order by a Bahraini citizen for the purchase of more than 2,000 Ordinary Shares, such Investor will pay for 2,000 Ordinary Shares at the Discounted Retail Offering Price and any additional Ordinary Shares at the Offering Price.
    - ***General Offering to Retail Investors:*** Consists of Ordinary Shares at the Offering Price offered to retail Investors in the Kingdom of Bahrain (including those Bahraini citizens who applied to purchase over and above the maximum number of Ordinary Shares eligible for the Discounted Retail Offering Price), the Sultanate of Oman, the State of Qatar, the UAE, the State of Kuwait, the Kingdom of Saudi Arabia and to certain other investors outside the United States, Canada, Australia and Japan who are able to complete an Application Form and deliver it with payment to a Receiving Bank in the Kingdom of Bahrain, the Sultanate of Oman or the UAE. Under the General Offering to Retail Investors, each eligible Investor may apply to purchase a minimum of 500 Ordinary Shares, but the final allocation of Ordinary Shares by the Selling Shareholder and the Receiving Banks may be for less than 500 Ordinary Shares.

The Underwriting Agreement

In the Underwriting Agreement, the Company and the Selling Shareholder have made certain representations and warranties and agreed to indemnify the Managers against certain liabilities in connection with the Offering.

The Managers are offering the Ordinary Shares when, as and if delivered to and accepted by them, subject to certain conditions.

The Underwriting Agreement provides that, upon the occurrence of certain events, such as the suspension or limitation of trading on the BSE or a material adverse change in the Company's financial condition or business, and upon certain other conditions, GIB, on behalf of the Managers, has the right to suspend or terminate the Offering before the date allocation notices are sent to Investors in the Offering.

Subject to certain conditions set forth in the Underwriting Agreement, each Manager has agreed, severally but not jointly, to purchase the number of Ordinary Shares in the Retail Offering set forth opposite its name in the following table:

Managers	Number of Ordinary Shares
National Bank of Bahrain B.S.C.	17,750,000
Gulf International Bank B.S.C.	7,850,000
Bahrain Islamic Bank B.S.C.	6,000,000
Al Salam Bank Bahrain B.S.C.	3,900,000
Total	**35,500,000**

The Company, the Selling Shareholder and the Regional Lead Manager have entered into a pricing supplement dated November 9, 2010 (the "**Pricing Supplement**") to the Underwriting Agreement with respect to the Institutional Ordinary Share Offering. Subject to the satisfaction of certain conditions set out in the Underwriting Agreement and the Pricing Supplement, GIB has agreed to procure purchasers for, or failing which to purchase themselves, 33,518,875 Ordinary Shares in the Institutional Ordinary Share Offering.

The Company expects the expenses of the Company in relation to the Offering to be approximately BD 0.1 million, principally for auditing fees.

Lock-up Agreement

The Company and the Selling Shareholder have entered into an agreement with GIB and J.P. Morgan, subject to certain exceptions, for a period of 180 days after the closing date of the GDR Offering, that neither of them will issue, offer, sell, contract to sell, pledge, loan, grant any option to purchase, make any short sale or otherwise directly or indirectly dispose of, or grant any rights, in all cases with respect to any of the Ordinary Shares or GDRs, or any options or warrants to purchase any Ordinary Shares or GDRs or any securities convertible into, or exchangeable for, or that represent the right to receive Ordinary Shares or GDRs.

Other Relationships

The Banks and their respective affiliates have engaged in transactions, including lending transactions, with and performed various investment banking, financial advisory and other services for the Company and the Selling Shareholder and their respective affiliates, for which they received customary fees. The Banks and their respective affiliates may provide such services for the Company and the Selling Shareholder and their respective affiliates in the future.

GIB and Bahrain Islamic Bank B.S.C. are acting as lenders in connection with the agreement between the Company and a syndicate of banks entered into on April 7, 2003, with ABC Islamic Bank as the facility agent. GIB and the National Bank of Bahrain B.S.C. are acting as lenders in connection with an agreement with the Company and a syndicate of banks entered into on June 7, 2007, with Citibank International plc as the facility agent. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Material Financing Contracts."

The National Bank of Bahrain B.S.C. is 49% owned by the Selling Shareholder.

In connection with the Offering, each Manager and any controlling entities and/or any of its affiliates acting as an investor for its own account may take up Ordinary Shares and in that capacity may retain, purchase or sell for its own account such Ordinary Shares and any securities of the Company or related investments and may offer or sell such securities or other investments otherwise than in connection with the Offering. Accordingly, references in this offering memorandum to the Ordinary Shares being offered or placed should be read as including any offering or placement of such Ordinary Shares to the Managers and any relevant affiliate acting in such capacity. The Managers do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

OTHER MATTERS

Independent Auditors

The financial statements of Alba as of December 31, 2008 and December 31, 2009 and for the years then ended and the combined financial statements of Alba and ALMA as of December 31, 2007 and for the year then ended, included in this offering memorandum, have been audited in accordance with International Standards on Auditing by Ernst & Young Bahrain, independent auditors, as stated in its independent audit reports appearing herein.

The unaudited reviewed interim condensed financial statements of Alba as of June 30, 2009 and June 30, 2010 and for the six month periods then ended, included in this offering memorandum, have been reviewed in accordance with International Standard on Review Engagements 2410 (*Review of Interim Financial Information*) by Ernst & Young Bahrain, as stated in its independent review reports appearing herein.

CRU Strategies Report

CRU Strategies, an independent business analysis and consultancy group focused on the mining, metals, power, cables, fertilizer and chemical sectors with office at 31 Mount Pleasant, London WC1X 0AD, United Kingdom, has given and has not withdrawn its written consent to the inclusion in this offering memorandum of its report, dated July 28, 2010, and references to it and to the use of its name in the form and context in which they appear. CRU Strategies accepts responsibility for the information from the CRU Strategies Report that has been included in this offering memorandum. Having taken all reasonable care to ensure that this is the case, the information that it provided in this document is, to the best of CRU Strategies' knowledge, in accordance with the facts and contains no omission likely to affect its import.

Significant Change

There has been no significant change in the Company's financial or trading position since June 30, 2010, the date as of which the Company's unaudited reviewed interim condensed financial statements as at and for the six months ended June 30, 2010 have been published.

APPLICABLE LAW

The Company and the Selling Shareholder are incorporated under the laws of the Kingdom of Bahrain. The Offering, including the allotment and distribution of Ordinary Shares and the listing of the Ordinary Shares on the BSE, is governed by the laws of the Kingdom of Bahrain, and any disputes arising thereunder will be submitted to the courts of the Kingdom of Bahrain. The Underwriting Agreement is governed by the laws of the Kingdom of Bahrain.

DOCUMENTS ON DISPLAY

Copies of the following documents may be inspected at the Company's offices at King Hamad Highway, Askar Industrial Area, P.O. Box 570, Manama, Kingdom of Bahrain, during usual business hours on any weekday (Friday, Saturday and public holidays excepted) from the date of this offering memorandum for so long as the Ordinary Shares are admitted to listing on the BSE shall so require:

- the Company's Certificate of Incorporation;
- the Company's Memorandum and Articles of Association;
- the Company's audited financial statements as at and for the years ended December 31, 2008 and 2009 (including the independent auditor's report);
- the audited combined financial statements of Alba and ALMA as at and for the year ended December 31, 2007 (including the independent auditor's report);
- the Company's unaudited reviewed interim condensed financial statements as at and for the six months ended June 30, 2009 and 2010;
- the Deposit Agreement;
- the Share Registrar Agreement;
- the CRU Strategies report dated July 28, 2010; and
- this offering memorandum.

[THIS PAGE INTENTIONALLY LEFT BLANK]

INDEX TO FINANCIAL STATEMENTS

	Page
Unaudited Interim Condensed Financial Statements of Aluminium Bahrain B.S.C. (c) for the six month period ended June 30, 2010	F-1
Unaudited Interim Condensed Financial Statements of Aluminium Bahrain B.S.C. (c) for the six month period ended June 30, 2009	F-15
Audited Financial Statements of Aluminium Bahrain B.S.C. (c) as at and for the year ended December 31, 2009	F-30
Audited Financial Statements of Aluminium Bahrain B.S.C. (c) as at and for the year ended December 31, 2008	F-58
Audited Combined Financial Statements of Aluminium Bahrain B.S.C. (c) and Alba Marketing (ALMA) as at and for the year ended December 31, 2007	F-85

[THIS PAGE INTENTIONALLY LEFT BLANK]

Aluminium Bahrain B.S.C. (c)

INTERIM CONDENSED FINANCIAL STATEMENTS

30 JUNE 2010 (UNAUDITED)

ERNST & YOUNG

P.O. Box 140
14th Floor - The Tower
Bahrain Commercial Complex
Manama, Kingdom of Bahrain
Tel: +973 1753 5455 Fax: +973 1753 5405
manama@bh.ey.com
www.ey.com/me
C.R. No. 6700

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

Introduction

We have reviewed the accompanying interim condensed financial statements of Aluminium Bahrain B.S.C. (c) ('the Company') as at 30 June 2010, comprising of the interim statement of financial position as at 30 June 2010 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 IAS 34 "Interim Financial Reporting". 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.

Ernst & Young

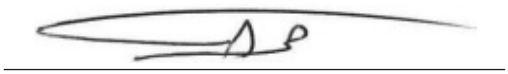
1 September 2010
Manama, Kingdom of Bahrain

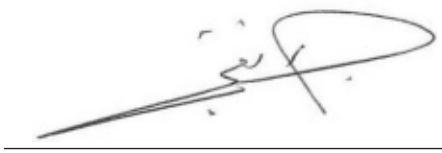
Aluminium Bahrain B.S.C. (c)

INTERIM STATEMENT OF FINANCIAL POSITION
At 30 June 2010

	Notes	30 June 2010 Unaudited BD '000	31 December 2009 Audited BD '000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,014,874**	1,043,023
Long term receivable	10	**18,911**	20,630
		1,033,785	1,063,653
Current assets			
Inventories		**157,428**	168,111
Current portion of long term receivable	10	**3,438**	3,438
Accounts receivable and prepayments		**97,977**	92,215
Amounts due from a shareholder		**—**	748
Derivative financial instruments	7	**3,352**	16,395
Bank balances and cash	3	**89,457**	46,357
		351,652	327,264
TOTAL ASSETS		**1,385,437**	1,390,917
EQUITY AND LIABILITIES			
Equity			
Share capital	4	**142,000**	142,000
Treasury shares	5	**(13,536)**	—
Statutory reserve		**54,807**	54,807
Capital reserve		**249**	249
Contributions from shareholders		**75,954**	75,954
Retained earnings		**496,065**	380,675
Total equity		**755,539**	653,685
Non-current liabilities			
Borrowings		**271,250**	295,923
Derivative financial instruments	7	**83,860**	129,438
Employees' end of service benefits		**959**	991
		356,069	426,352
Current liabilities			
Borrowings		**154,412**	160,684
Short term loans		**9,185**	8,823
Accounts payable and accruals		**83,332**	97,991
Derivative financial instruments	7	**26,900**	43,382
		273,829	310,880
Total liabilities		**629,898**	737,232
TOTAL EQUITY AND LIABILITIES		**1,385,437**	1,390,917

The interim condensed financial statements were authorised for issue by the Board of Directors on 1 September 2010.





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

Aluminium Bahrain B.S.C. (c)

INTERIM STATEMENT OF COMPREHENSIVE INCOME
Six month period ended 30 June 2010 (Unaudited)

	Notes	30 June 2010	30 June 2009
		BD '000	BD '000
Sales to customers		**372,539**	268,371
Sales to shareholder		**—**	744
Total sales revenue		**372,539**	269,115
Cost of sales		**(268,618)**	(261,379)
GROSS PROFIT		**103,921**	7,736
Other income		**3,106**	1,702
Selling and distribution expenses		**(6,465)**	(4,816)
General and administrative expenses		**(12,770)**	(11,505)
Write off of property, plant and equipment		**(1,151)**	—
Loss on exchange		**(3,707)**	(136)
Finance costs		**(3,577)**	(11,259)
PROFIT (LOSS) FOR THE PERIOD BEFORE DERIVATIVES		**79,357**	(18,278)
Gain on revaluation/settlement of derivatives (net)	7	**36,033**	3,459
PROFIT (LOSS) FOR THE PERIOD		**115,390**	(14,819)
Other comprehensive income for the period		**—**	—
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		**115,390**	(14,819)
Basic and diluted earnings per share (fils)	6	**823**	(104)

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

Aluminium Bahrain B.S.C. (c)

INTERIM STATEMENT OF CASH FLOWS
Six month period ended 30 June 2010 (Unaudited)

	Notes	30 June 2010	30 June 2009
		BD '000	BD '000
OPERATING ACTIVITIES			
Profit (loss) for the period		**115,390**	(14,819)
Adjustments for:			
Depreciation		**37,060**	36,488
Provision for employees' end of service benefits		**414**	346
Gain on revaluation of derivatives	7	**(49,017)**	(4,585)
Gain on disposal of property, plant and equipment		**(248)**	—
Write off of property, plant and equipment—net book value		**1,151**	—
Interest income		**(239)**	(669)
Finance costs		**3,577**	11,259
		108,088	28,020
Working capital changes:			
Inventories		**10,683**	40,043
Accounts receivable and prepayments		**(5,762)**	43,747
Accounts payable and accruals		**(14,321)**	(25,131)
Amounts due from a shareholder		**—**	(801)
Cash from operations		**98,688**	85,878
Employees' end of service benefits paid		**(446)**	(289)
Net cash from operating activities		**98,242**	85,589
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(10,188)**	(19,895)
Disposal of property, plant and equipment		**374**	—
Interest received		**239**	669
Net cash used in investing activities		**(9,575)**	(19,226)
FINANCING ACTIVITIES			
Repayment of long term receivable		**1,719**	1,719
Borrowings availed		**115,150**	86,932
Borrowings repaid		**(146,095)**	(115,417)
Movement in short term loans		**362**	(9,604)
Finance costs paid		**(4,291)**	(12,359)
Purchase of treasury shares	5	**(12,412)**	—
Net cash used in financing activities		**(45,567)**	(48,729)
INCREASE IN CASH AND CASH EQUIVALENTS		**43,100**	17,634
Cash and cash equivalents at 1 January		**46,357**	46,452
CASH AND CASH EQUIVALENTS AT 30 JUNE	3	**89,457**	64,086

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

Aluminium Bahrain B.S.C. (c)

INTERIM STATEMENT OF CHANGES IN EQUITY
Six month period ended 30 June 2010 (Unaudited)

	Share capital	Treasury shares	Statutory reserve	Capital reserve	Contributions from shareholders	Retained earnings	Total
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
Balance at 1 January 2010	142,000	—	54,807	249	75,954	380,675	653,685
Purchase of treasury shares (note 5)	—	(13,536)	—	—	—	—	(13,536)
Total comprehensive income for the period	—	—	—	—	—	115,390	115,390
Balance at 30 June 2010	**142,000**	**(13,536)**	**54,807**	**249**	**75,954**	**496,065**	**755,539**
Balance at 1 January 2009	142,000	—	54,807	249	—	463,351	660,407
Total comprehensive loss for the period	—	—	—	—	—	(14,819)	(14,819)
Balance at 30 June 2009	142,000	—	54,807	249	—	448,532	645,588

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

1 ACTIVITIES

Aluminium Bahrain B.S.C. (c) ("ALBA") or ("the Company") is a Bahraini Joint Stock Company (closed) incorporated in the Kingdom of Bahrain and registered with the Ministry of Industry and Commerce under commercial registration (CR) number 999. The Company has its registered office at 150, Askar Road, Askar 951, Kingdom of Bahrain.

As of 30 June 2010, the majority shareholder of the Company is the Bahrain Mumtalakat Holding Company B.S.C (c) (MUMTALAKAT), a company wholly owned by the Government of the Kingdom of Bahrain, which holds 77% of the share capital. SABIC Industrial Investments Company ("SIIC"), a Saudi Arabian registered company holds 20% and the remaining 3% is held by the Company as treasury shares.

In accordance with the share purchase agreement dated 24 March 2010, the Company purchased 4,260,000 shares from Breton Investments Limited ("BRETON") representing 3% of the issued and paid up share capital of the Company held by BRETON for a consideration of BD 13,536 thousand (US$ 36,000 thousand). BRETON ceased to be a Company's shareholder effective 15 April 2010.

The Company is engaged in manufacturing aluminium and aluminium related products. The Company owns and operates a primary aluminium smelter and the related infrastructure.

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.

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 77% 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 the Company a corresponding written waiver at the date of approval of these interim condensed financial statements.

Consequent to the purchase of shares held by BRETON, BRETON is no longer entitled to its 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.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim condensed financial statements of the Company for the six months ended 30 June 2010 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 2009.

Changes in accounting policies and disclosures

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 2009, except for the adoption of new standards and interpretations as of 1 January 2010, noted below:

IAS 39 Financial Instruments: Recognition and Measurement—Eligible Hedged Items

The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment had no effect on the financial position nor performance of the Company.

IFRIC 17 Distribution of Non-cash Assets to Owners

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation had no effect on the financial position nor performance of the Company.

Improvements to IFRSs (issued April 2009)

In April 2009 the International Accounting Standards Board issued its second 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 amendments resulted in enhancements to accounting policies but did not have any impact on the financial position or performance of the Company.

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

IFRS 2 Share-based Payment
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
IAS 1 Presentation of Financial Statements
IAS 17 Leases
IAS 38 Intangible Assets
IAS 39 Financial Instruments: Recognition and Measurement
IFRIC 9 Reassessment of Embedded Derivatives
IFRIC 16 Hedge of a Net Investment in a Foreign Operation

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

3 BANK BALANCES AND CASH

	30 June 2010	31 December 2009
	BD '000	BD '000
Cash in hand	**29**	29
Cash at bank:		
—Current accounts	**1,402**	876
—Call accounts	**76,001**	34,163
Short term deposits	**12,025**	11,289
Cash and cash equivalents	**89,457**	46,357

A major portion of the cash and cash equivalents are held with banks in the Kingdom of Bahrain and these balances are denominated in Bahraini Dinars and US Dollars. The call accounts earn interest and the effective interest rates as of 30 June 2010 were ranging between from 0.10% to 0.22% (31 December 2009: 1% to 1.25%)

Short term deposits earn interest and the effective interest rates as of 30 June 2010 were ranging between 0.39% to 0.45% (31 December 2009: 2.8%). All of the short term deposits mature by September 2010.

4 SHARE CAPITAL

	30 June 2010	31 December 2009
	BD '000	BD '000
Authorised share capital (Shares of BD 1 each)	**150,000**	150,000
Issued and fully paid up (Shares of BD 1 each)	**142,000**	142,000

The Company's shareholders at an Extraordinary General Assembly held on 9 June 2010 resolved to reduce the nominal value of shares from BD 1 to BD 0.100 and increase the number of shares issued from 142,000,000 to 1,420,000,000.

In addition, the authorised share capital was increased to BD 200,000,000, comprising of 2,000,000,000 shares of BD 0.100 each. The regulatory formalities in connection with the above changes were in process as of the date of approval of these interim condensed financial statements.

5 TREASURY SHARES

As explained in note 1, the Company purchased its own shares from BRETON for a purchase consideration of BD 13,536 thousand (US$ 36,000 thousand). The purchase consideration was settled as follows:

	BD '000
Purchase consideration	**13,536**
Less: Adjustment of receivable due from BRETON as of 1 January 2010	**(748)**
Less: Amount retained (See note below)	**(376)**
Cash consideration paid	**12,412**

Note:

According to the Share Purchase Agreement, the Company has retained BD 376 thousand (US$ 1,000 thousand) from the purchase consideration and this amount will be paid to BRETON on 1 January 2011.

6 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit or loss for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period, excluding the average number of ordinary shares purchased by the Company and held as treasury shares, is as follows:

	Six month period ended 30 June 2010	Six month period ended 30 June 2009
Profit (loss) for the period—BD '000	**115,390**	(14,819)
Weighted average number of shares, net of treasury shares—thousands of shares	**140,225**	142,000
Basic and diluted earnings per share (fils) [Based on before share capital increase (refer note 4)]	**823**	(104)

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

7 DERIVATIVE FINANCIAL INSTRUMENTS

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 2010 are as follows:

	30 June 2010		31 December 2009	
	Assets	Liabilities	Assets	Liabilities
	BD '000	BD '000	BD '000	BD '000
Commodity options	**3,352**	**91,763**	16,395	156,865
Interest rate collars and knockout swaps	**—**	**15,664**	—	14,945
Forward foreign exchange contracts	**—**	**3,333**	—	1,010
Total	**3,352**	**110,760**	16,395	172,820

Classified in the interim statement of financial position as follows:

	30 June 2010		31 December 2009	
	Assets	Liabilities	Assets	Liabilities
	BD '000	BD '000	BD '000	BD '000
Non-current portion:				
Commodity options	**—**	**73,855**	—	119,219
Interest rate collars and knockout swaps	**—**	**9,502**	—	9,588
Forward foreign exchange contracts	**—**	**503**	—	631
	—	**83,860**	—	129,438
Current portion	**3,352**	**26,900**	16,395	43,382

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 2010.

	Six month period ended 30 June 2010	Six month period ended 30 June 2009
	BD '000	BD '000
Revaluation:		
Commodity options	**52,059**	(422)
Interest rate collars and knockout swaps	**(719)**	4,446
Forward foreign exchange contracts	**(2,323)**	561
Unrealised gains on derivatives	**49,017**	4,585
Realised:		
Commodity options	**(8,602)**	(149)
Interest rate collars and knockout swaps	**(4,382)**	(977)
Realised losses on derivatives	**(12,984)**	(1,126)
Net gain on fair valuation taken to interim statement of comprehensive income	**36,033**	3,459

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.

Commodity options

The Company entered into commodity options to offset the premium payable on the interest rate collar. The exposure to the Company is that if the LME price of aluminium exceeds US$ 1,780 (31 December 2009: US$ 1,780) per metric tonne (which is above the London Metal Exchange (LME) price used at the time of feasibility study), then the Company will pay the difference between the market price and the average contracted price of US$ 1,780 (31 December 2009: US$ 1,780) per metric tonne for certain tonnages of aluminium.

Interest rate collars and knockout swaps

The Company entered into an interest rate collar and knockout swap transactions for US$ 1.5 billion floating rate borrowings for financing the Line 5 project to manage overall financing costs. These contracts expire on 17 February 2015.

The notional amounts outstanding as at 30 June 2010 were US$ 740,857 thousand (31 December 2009: US$ 816,776 thousand).

Forward foreign exchange contracts

The Company has entered into forward foreign exchange contracts in connection with capital expenditure cash outflows in foreign currencies equivalent to BD 18,441 thousand (31 December 2009: BD 29,771 thousand) as of 30 June 2010. These contracts expire on 8 March 2013.

8 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:

	Six month period ended 30 June 2010	Six month period ended 30 June 2009
	BD '000	BD '000
Extrusion billets	**130,256**	58,633
Tee ingots	**8,353**	37,611
Rolling slabs	**51,755**	25,526
Standard ingots	**75,107**	88,475
Liquid metals	**96,222**	47,684
Calcined coke	**7,757**	8,386
Dross sows	**3,089**	2,056
Total sales to customer	**372,539**	268,371
Sales to a shareholder (note 10)	**—**	744
Total sales revenue	**372,539**	269,115

b) Geographic information

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

	Six month period ended 30 June 2010	Six month period ended 30 June 2009
	BD '000	BD '000
Kingdom of Bahrain	**178,716**	84,717
Asia	**76,727**	121,102
Rest of the Middle East North Africa	**81,393**	38,196
Europe	**35,703**	24,356
Total sales to customer	**372,539**	268,371
Sales to a shareholder (note 10)	—	744
Total sales revenue	**372,539**	269,115

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 134,455 thousand (2009: BD 62,275 thousand), each being more than 10% of the total sales revenue for the period.

9 COMMITMENTS AND CONTINGENCIES

a) Commitments

	30 June 2010	31 December 2009
	BD '000	BD '000
Physical metal commitments		
Sales commitments: 24,788 metric tonnes (31 December 2009: 2,650 metric tonnes)	**22,697**	1,881

Capital expenditure

Estimated capital expenditure contracted for at 30 June 2010 amounted to BD 37,894 thousand (31 December 2009: BD 40,543 thousand). The commitments are expected to be settled within 1 to 5 years.

Letters of credit

The commitments on outstanding letters of credit as at 30 June 2010 were BD 12,013 thousand (31 December 2009: BD 1,605 thousand). The commitments are expected to be settled within 1 year.

At 30 June 2010, the Company's bankers have issued letters of credit to counterparties for derivative transactions amounting to BD 11,280 thousand (31 December 2009: BD 41,360 thousand).

b) Contingencies

The Company has issued guarantees to banks in the Kingdom of Bahrain in respect of the Albaskan Scheme, amounting to BD 8,502 thousand (31 December 2009: BD 6,037 thousand). The Albaskan Scheme entitles all its qualifying employees to acquire houses.

c) Legal claims

i) A third party has initiated a claim against the Company towards damages caused to its business unit. The Company is defending the claim and it is not practicable to estimate the liability and timing of any payments at this stage. Hence no provision has been recognised in these interim condensed financial statements.

ii) On 27 February 2008, the Company filed a suit in a U.S. Federal District Court against Alcoa, Inc., Alcoa World Alumina LLC and members of its senior management (together, "Alcoa"). In the complaint, the Company alleges that Alcoa conspired to bribe certain former members of its senior management and officials of the Government of the Kingdom of Bahrain to ensure that Alcoa continued to benefit from the Company's alumina purchases at inflated prices. Among other remedies, the Company is seeking damages in excess of (BD 376 million) US$ 1 billion for illicit activities that took place from 1993 to 2008.

The U.S. government filed an unopposed motion to intervene and to stay discovery on 30 March 2008, which motion was granted. On 27 March 2008, the Court granted the United States leave to intervene in the matter for the limited purpose of moving for a stay of discovery. The purpose of the order is to allow the United States to conduct a criminal investigation into the allegations without the interference from the ongoing civil litigation. The Company's case is currently suspended pending the conclusion of the U.S. government's investigation.

iii) During 2009 the Company on behalf of ALMA, has filed law suits against two former employees of ALMA. In the compliant, the Company alleges that two former employees earned money from criminal activities and received commissions in contravention of the Bahrain Commercial Companies Law and Anti Money Laundering Law. The Company has filed a civil right claim in the case to oblige the defendants to pay the amount of US$ 17,499 thousand as interim relief, while preserving the Company's civil right to have recourse against the defendants for all the damages which the Company has incurred as a result of the acts attributed to them.

iv) On 18 December 2009, the Company filed a suit in the U.S. Federal District Court for the Southern District of Texas against Sojitz Corporation (Japan) and Sojitz Corporation of America (together, "Sojitz"). In the complaint, the Company alleges that Sojitz, a former customer of ALMA, conspired to bribe certain former members of the Company's senior management in order to gain substantial price discounts. Among other remedies, the Company is seeking compensatory damages in excess of US$ 31 million for the illicit activities that took place from 1993 to 2006. On 27 May 2010, the U.S. government filed an unopposed motion to intervene and stay discovery in this case.

It is not practical to estimate the effect of any of these law suits on the interim condensed financial statements at this stage.

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 Company's Board of Directors.

Transactions with related parties

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:

Revenue and other income	Six month period ended 30 June 2010		Six month period ended 30 June 2009	
	Shareholders	Other related parties	Shareholders	Other related parties
	BD '000	BD '000	BD '000	BD '000
Sale of metal		**58,435**	744	28,501
Sale of water		**587**	—	715
Interest on long term receivable	—	**173**		380
Interest on receivable	—	**—**	57	—
		59,195	801	29,596

Cost of sales and expenses	Six month period ended 30 June 2010		Six month period ended 30 June 2009	
	Shareholders	Other related parties	Shareholders	Other related parties
	BD '000	BD '000	BD '000	BD '000
Purchase of natural gas and diesel	—	**27,003**	—	26,361
Royalty	—	**1,748**	—	1,757
Electricity cost	—	**486**	—	659
Interest on payable	—	**—**	2,241	—
	—	**29,237**	2,241	28,777

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

	30 June 2010		31 December 2009	
	Shareholders	Other related parties	Shareholders	Other related parties
	BD '000	BD '000	BD '000	BD '000
Long term receivable	**—**	**22,349**	—	24,068
Bank balances	**—**	**47,939**	—	13,675
Receivables	**—**	**10,486**	748	29,802
	—	**80,774**	748	67,545
Payables	**3,954**	**19,363**	—	25,308

Outstanding balances at period/year-end arise in the normal course of business. For the six month period ended 30 June 2010, the Company has not recorded any impairment of amounts due from related parties (31 December 2009: BD 1,937 thousand).

Compensation of key management personnel

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

	Six month period ended 30 June	
	2010	2009
	BD '000	BD '000
Short term benefits	**581**	657
End of service benefits	**26**	11
Contributions to Alba Savings Benefit Scheme	**10**	54
	617	722

During the six month period ended 30 June 2010, the Company received BD 3,954 thousand (US$ 10,516 thousand) [2009: BD 3,989 thousand (US$ 1,609 thousand)], on behalf of MUMTALAKAT and SIIC, as an out of court settlement payment from one of the customers of ALMA. This amount has been included under amounts due to shareholders in the interim statement of financial position.

Aluminium Bahrain B.S.C. (c)

INTERIM CONDENSED FINANCIAL STATEMENTS

30 JUNE 2009 (UNAUDITED)

ERNST & YOUNG

P.O. Box 140
14th Floor - The Tower
Bahrain Commercial Complex
Manama, Kingdom of Bahrain
Tel: +973 1753 5455 Fax: +973 1753 5405
manama@bh.ey.com
www.ey.com/me
C.R. No. 6700

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

Introduction

We have reviewed the accompanying interim condensed financial statements of Aluminium Bahrain B.S.C. (c) ('the Company') as at 30 June 2009, comprising of the interim statement of financial position as at 30 June 2009 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 IAS 34 "Interim Financial Reporting". 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.

Ernst & Young

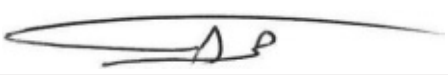
1 September 2010
Manama, Kingdom of Bahrain

Aluminium Bahrain B.S.C. (c)

INTERIM STATEMENT OF FINANCIAL POSITION
At 30 June 2009

	Notes	30 June 2009 Unaudited BD '000	31 December 2008 Audited BD '000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,073,130**	1,089,723
Long term receivable	9	**22,349**	24,068
		1,095,479	1,113,791
Current assets			
Inventories		**186,942**	226,985
Current portion of long term receivable	9	**3,438**	3,438
Accounts receivable and prepayments		**81,383**	124,859
Amounts due from a shareholder	9	**2,726**	1,925
Bank balances and cash	3	**64,086**	46,452
		338,575	403,659
TOTAL ASSETS		**1,434,054**	1,517,450
EQUITY AND LIABILITIES			
Equity			
Share capital	4	**142,000**	142,000
Statutory reserve		**54,807**	54,807
Capital reserve		**249**	249
Retained earnings		**448,532**	463,351
Total equity		**645,588**	660,407
Non-current liabilities			
Borrowings		**332,839**	370,125
Derivative financial instruments	6	**80,435**	83,118
Employees' end of service benefits		**983**	926
		414,257	454,169
Current liabilities			
Borrowings		**165,712**	156,911
Short term loans		**2,212**	11,816
Accounts payable and accruals		**92,161**	125,167
Derivative financial instruments	6	**9,344**	12,132
Amounts due to shareholders	9	**104,780**	96,848
		374,209	402,874
Total liabilities		**788,466**	857,043
TOTAL EQUITY AND LIABILITIES		**1,434,054**	1,517,450

The interim condensed financial statements were authorised for issue by the Board of Directors on 1 September 2010.



Chairman

Director

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

Aluminium Bahrain B.S.C. (c)

INTERIM STATEMENT OF COMPREHENSIVE INCOME
Six month period ended 30 June 2009 (Unaudited)

	Notes	30 June 2009	30 June 2008
		BD '000	BD '000
Sales to customers		**268,371**	466,910
Sales to shareholders	9	**744**	9,809
Total sales revenue		**269,115**	476,719
Cost of sales		**(261,379)**	(295,429)
GROSS PROFIT		**7,736**	181,290
Other income		**1,702**	2,473
Selling and distribution expenses		**(4,816)**	(8,900)
General and administrative expenses		**(11,505)**	(9,900)
(Loss) gain on exchange		**(136)**	498
Finance costs		**(11,259)**	(15,012)
(LOSS) PROFIT FOR THE PERIOD BEFORE DERIVATIVES		**(18,278)**	150,449
Fair value gain (loss) on revaluation/settlement of derivatives (net)	6	**3,459**	(132,809)
(LOSS) PROFIT FOR THE PERIOD		**(14,819)**	17,640
Other comprehensive income for the period		**—**	—
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD		**(14,819)**	17,640
Basic and diluted earnings per share (fils)		**(104)**	124

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

Aluminium Bahrain B.S.C. (c)

INTERIM STATEMENT OF CASH FLOWS
Six month period ended 30 June 2009 (Unaudited)

	Notes	30 June 2009	30 June 2008
		BD '000	BD '000
OPERATING ACTIVITIES			
(Loss) profit for the period		**(14,819)**	17,640
Adjustments for:			
Depreciation		**36,488**	37,520
Provision for employees' end of service benefits		**346**	353
(Gain) loss on revaluation of derivatives	6	**(4,585)**	122,911
Interest income		**(669)**	(1,533)
Finance costs		**11,259**	14,514
		28,020	191,405
Working capital changes:			
Inventories		**40,043**	(60,415)
Accounts receivable and prepayments		**43,747**	(73,080)
Accounts payable and accruals		**(31,906)**	37,378
Amounts due from shareholders		**(801)**	(4,627)
Amounts due to shareholders		**6,775**	(46,690)
Cash from operations		**85,878**	43,971
Employees' end of service benefits paid		**(289)**	(300)
Net cash from operating activities		**85,589**	43,671
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(19,895)**	(15,341)
Interest received		**669**	1,533
Net cash used in investing activities		**(19,226)**	(13,808)
FINANCING ACTIVITIES			
Repayment of long term receivable		**1,719**	—
Borrowings availed		**86,932**	6,316
Borrowings repaid		**(115,417)**	(48,957)
Short term loans—net		**(9,604)**	(7,632)
Margin deposit		**—**	24,139
Bank balances transferred by shareholders		**—**	24,801
Finance costs paid		**(12,359)**	(14,514)
Net cash used in financing activities		**(48,729)**	(15,847)
INCREASE IN CASH AND CASH EQUIVALENTS		**17,634**	14,016
Cash and cash equivalents at 1 January		**46,452**	10,752
CASH AND CASH EQUIVALENTS AT 30 JUNE	3	**64,086**	24,768

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

Aluminium Bahrain B.S.C. (c)

INTERIM STATEMENT OF CHANGES IN EQUITY
Six month period ended 30 June 2009 (unaudited)

	Share capital			Statutory reserve			Capital reserve		
	MUMTALAKAT	SIIC	BRETON	MUMTALAKAT	SIIC	BRETON	MUMTALAKAT	SIIC	BRETON
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
Balance at 1 January 2009	109,340	28,400	4,260	42,508	11,041	1,258	192	50	7
Total comprehensive loss for the period	—	—	—	—	—	—	—	—	—
Balance at 30 June 2009	**109,340**	**28,400**	**4,260**	**42,508**	**11,041**	**1,258**	**192**	**50**	**7**

	Share capital			Statutory reserve			Capital reserve		
	MUMTALAKAT	SIIC	BRETON	MUMTALAKAT	SIIC	BRETON	MUMTALAKAT	SIIC	BRETON
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
Balance at 1 January 2008	109,340	28,400	4,260	19,597	5,090	763	192	50	7
Total comprehensive income (loss) for the period	—	—	—	—	—	—	—	—	—
Balance at 30 June 2008	109,340	28,400	4,260	19,597	5,090	763	192	50	7

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

Aluminium Bahrain B.S.C. (c)

INTERIM STATEMENT OF CHANGES IN EQUITY—(Continued)
Six month period ended 30 June 2009 (unaudited)

	Retained earnings			Total			
	MUMTALAKAT	SIIC	BRETON	MUMTALAKAT	SIIC	BRETON	Total
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
Balance at 1 January 2009	359,531	93,388	10,432	511,571	132,879	15,957	660,407
Total comprehensive loss for the period	(11,411)	(2,964)	(444)	(11,411)	(2,964)	(444)	(14,819)
Balance at 30 June 2009	**348,120**	**90,424**	**9,988**	**500,160**	**129,915**	**15,513**	**645,588**

	Retained earnings			Total			
	MUMTALAKAT	SIIC	BRETON	MUMTALAKAT	SIIC	BRETON	Total
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
Balance at 1 January 2008	153,334	39,827	5,974	282,463	73,367	11,004	366,834
Total comprehensive income (loss) comprehensive income	16,378	4,256	(2,994)	16,378	4,256	(2,994)	17,640
Balance at 30 June 2008	169,712	44,083	2,980	298,841	77,623	8,010	384,474

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

1 ACTIVITIES

Aluminium Bahrain B.S.C. (c) ("ALBA") or (' the Company") is a Bahraini Joint Stock Company (closed) incorporated in the Kingdom of Bahrain and registered with the Ministry of Industry and Commerce under commercial registration (CR) number 999. The Company has its registered office at 150, Askar Road, Askar 951, Kingdom of Bahrain.

As of 30 June 2010, the majority shareholder of the Company is the Bahrain Mumtalakat Holding Company B.S.C (c) ("MUMTALAKAT"), a company wholly owned by the Government of the Kingdom of Bahrain, which holds 77% of the share capital. SABIC Industrial Investments Company ("SIIC"), a Saudi Arabian registered company holds 20% and the remaining 3% is held as treasury shares.

In accordance with the share purchase agreement dated 24 March 2010, the Company purchased 4,260,000 shares from Breton Investments Limited ("BRETON") representing 3% of the issued and paid up share capital of the Company held by BRETON for a consideration of BD 13,536 thousand (US$36,000 thousand). BRETON ceased to be a Company's shareholder effective 15 April 2010.

The Company is engaged in manufacturing aluminium and aluminium related products. The Company owns and operates a primary aluminium smelter and the related infrastructure.

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.

Until 31 December 2007, the Company managed the marketing function on behalf of and for the account of Bahrain Mumtalakat Holding Company B.S.C. (c) (MUMTALAKAT) and SABIC Industrial Investments Company (SIIC) the shareholders of the Company under the name of ALBA Marketing ("ALMA"), which operated as a separate unregistered joint venture of these two shareholders. On 28 March 2007, the Company's Board of Directors resolved to integrate ALMA with the Company effective 1 January 2008. Consequently, all the assets and liabilities of ALMA were transferred to the Company at their carrying values as of 31 December 2007 and the resultant amount payable was disclosed as amounts due to shareholders in the statement of financial position.

2 SIGNIFICANT ACCOUNTING POLICIES

The interim condensed financial statements of the Company are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. These interim condensed financial statements have been prepared for the first time at the request of the Company's majority shareholder (MUMTALAKAT) to ascertain the Company's financial position as of 30 June 2009.

The interim condensed financial statements do not contain all the information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Company's annual financial statements as at 31 December 2008. In addition, results for the six-month period ended 30 June 2009 are not necessarily indicative of the results that may be expected for the financial year ended 31 December 2009.

Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2008, except for the adoption of new Standards and Interpretations, noted below:

IAS 1 Revised Presentation of Financial Statements

The revised standard requires changes in equity arising from transactions with owners in their capacity as owners (i.e. owner changes in income) to be presented in the interim statement of changes in equity. All other changes in equity (i.e. non-owner changes in equity) are required to be presented separately in a performance

statement (interim condensed statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the interim statement of changes in equity. However, there were no items of comprehensive income during the six-month period ended 30 June 2009.

3 CASH AND CASH EQUIVALENTS

	30 June 2009	31 December 2008
	BD '000	BD '000
Cash in hand	**33**	28
Cash at bank:		
—Current accounts	**28,073**	21,973
—Call accounts	**24,700**	24,451
Short term deposit	**11,280**	—
Cash and cash equivalents	**64,086**	46,452

A major portion of the cash and cash equivalents are held with banks in the Kingdom of Bahrain and these balances are denominated in Bahraini Dinars and US Dollars. The call accounts earn interest and the effective interest rates as of 30 June 2009 were ranging between from 1% to 1.25% (31 December 2008: 0.12% to 0.87%)

Short term deposit earns interest and the effective interest rate as of 30 June 2009 was 2.8% (31 December 2008: nil). The short term deposit matures on 6 August 2009.

4 SHARE CAPITAL

	30 June 2009	31 December 2008
	BD '000	BD '000
Authorised share capital (Shares of BD 1 each)	**150,000**	150,000
Issued and fully paid up (Shares of BD 1 each)	**142,000**	142,000

The Company's shareholders at an Extraordinary General Assembly held on 9 June 2010 resolved to reduce the nominal value of shares from BD 1 to BD 0.100 and increase the number of shares issued from 142,000,000 to 1,420,000,000.

In addition, the authorised share capital was increased to BD 200,000,000, comprising of 2,000,000,000 shares of BD 0.100 each. The regulatory formalities in connection with the above changes were in process as of the date of approval of the interim condensed financial statements.

5 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the (loss) profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

	Six month period ended 30 June 2009	Six month period ended 30 June 2008
(Loss) profit for the period—BD '000	**(14,819)**	17,640
Weighted average number of shares—thousand of shares	**142,000**	142,000
Basic and diluted earnings per share (fils) [Before share capital increase (refer note 4)]	**(104)**	124

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

6 DERIVATIVE FINANCIAL INSTRUMENTS

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 2009 are as follows:

	30 June 2009		31 December 2008	
	Assets	Liabilities	Assets	Liabilities
	BD '000	BD '000	BD '000	BD '000
Commodity options	—	**73,383**	—	73,847
Interest rate collars and knockout swaps	—	**15,049**	—	19,495
Forward foreign exchange contracts	—	**1,347**	—	1,908
Total	—	**89,779**	—	95,250

Classified in the interim statement of financial position as follows:

	30 June 2009		31 December 2008	
	Assets	Liabilities	Assets	Liabilities
	BD '000	BD '000	BD '000	BD '000
Non-current portion:				
Commodity options	—	**70,038**	—	69,188
Interest rate collars and knockout swaps	—	**9,401**	—	12,519
Forward foreign exchange contracts	—	**996**	—	1,411
	—	**80,435**	—	83,118
Current portion	—	**9,344**	—	12,132

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 2009.

	Six-month period ended 30 June 2009	Six-month period ended 30 June 2008
	BD '000	BD '000
Revaluation:		
Commodity options	**(422)**	(122,002)
Interest rate collars and knockout swaps	**4,446**	(1,079)
Forward foreign exchange contracts	**561**	170
	4,585	(122,911)
Realised:		
Commodity options	**(149)**	(10,201)
Interest rate collars and knockout swaps	**(977)**	303
	(1,126)	(9,898)
Net gain (loss) on fair valuation	**3,459**	(132,809)

During the period, the Company transferred a net gain of BD 1,728 thousand (2008: net loss of BD 94,604 thousand) being the net change on account of the derivative financial instruments of ALMA to MUMTALAKAT and SIIC.

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.

Interest rate collars and knockout swaps

The Company entered into an interest rate collar and knockout swap transactions for US$ 1.5 billion floating rate borrowings for financing the Line 5 project to manage overall financing costs. These contracts expire on 17 February 2015. The notional amounts outstanding as at 30 June 2009 were US$ 892.7 million (31 December 2008: US$ 968.6 million).

Commodity options

The Company entered into commodity options to offset the premium payable on the interest rate collar. The exposure to the Company is that if the LME price of aluminium exceeds US$ 1,780 (31 December 2008: US$ 1,780) per metric tonne (which is above the London Metal Exchange (LME) price used at the time of feasibility study), then the Company will pay the difference between the market price and the average contracted price of US$ 1,780 (31 December 2008: US$ 1,780) per metric tonne for certain tonnage of aluminium.

Forward foreign exchange contracts

The Company has entered into forward foreign exchange contracts for capital expenditure cash outflows in foreign currencies equivalent to BD 30,692 thousand (31 December 2008: BD 32,255 thousand) as of 30 June 2009. These contracts expire on 8 March 2013.

7 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:

	Six month period ended 30 June 2009	Six month period ended 30 June 2008
	BD '000	BD '000
Extrusion billets	**58,633**	192,422
Tee ingots	**37,611**	6,927
Rolling slabs	**25,526**	71,986
Standard ingots	**88,475**	80,571
Liquid metals	**47,684**	103,762
Calcined coke	**8,386**	9,401
Dross sows	**2,056**	1,841
Total sales to customer	**268,371**	466,910
Sales to a shareholder (note 9)	**744**	9,809
Total sales revenue	**269,115**	476,719

b) Geographic information

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

	Six month period ended 30 June 2009	Six month period ended 30 June 2008
	BD '000	BD '000
Kingdom of Bahrain	**84,717**	225,458
Asia	**121,102**	58,193
Rest of the Middle East North Africa	**38,196**	110,442
Europe	**24,356**	68,338
North America	**—**	4,479
Total sales to customer	**268,371**	466,910
Sales to a shareholder (note 9)	**744**	9,809
Total sales revenue	**269,115**	476,719

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 62,275 thousand (2008: BD 159,738 thousand) each being more than 10% of the total sales revenue for the period.

8 COMMITMENTS AND CONTINGENCIES

a) Commitments

	30 June 2009	31 December 2008
	BD '000	BD '000
Physical metal commitments		
Sales commitments: 27336 metric tonnes (31 December 2008: 42,331 metric tonnes)	**17,658**	25,906

Capital expenditure

Estimated capital expenditure contracted for at 30 June 2009 amounted to BD 42,364 thousand (31 December 2008: BD 54,850 thousand). The commitments are expected to be settled within 1 to 5 years.

Letters of credit

The commitments on outstanding letters of credit as at 30 June 2009 were BD 1,557 thousand (31 December 2008: BD 11,185 thousand). The commitments are expected to be settled within 1 year.

At 30 June 2009, there were no outstanding letters of credit issued by Company's bankers to counterparties for derivative transactions (31 December 2008: BD 33,840 thousand).

b) Contingencies

The Company has issued guarantees to banks in the Kingdom of Bahrain in respect of Albaskan Scheme, amounting to BD 54 thousand (31 December 2008: BD 1,951 thousand). The Albaskan Scheme entitles all its qualifying employees to acquire houses.

c) Legal claims

A third party has initiated a claim against the Company towards damages caused to its business unit. The Company is defending the claim and it is not practicable to estimate the liability and timing of any payments at this stage. Hence no provision has been recognised in these interim condensed financial statements.

On 27 February 2008, the Company filed suit in a U.S. Federal District Court against Alcoa, Inc., Alcoa World Alumina LLC and members of its senior management (together, "Alcoa"). In the complaint, the Company alleges that Alcoa conspired to bribe certain former members of its senior management and officials of the Government of the Kingdom of Bahrain to ensure that Alcoa continued to benefit from the Company's alumina purchases at inflated prices. Among other remedies, the Company are seeking damages in excess of (BD 376 million) US$ 1 billion for illicit activities that took place from 1993 to 2008.

The U.S. government filed an unopposed motion to intervene and to stay discovery on 30 March 2008, which motion was granted. On 27 March 2008, the Court granted the United States leave to intervene in the matter for the limited purpose of moving for a stay of discovery. The purpose of the order is to allow the United States to conduct a criminal investigation into the allegations without the interference from the ongoing civil litigation. The Company's case is currently suspended pending the conclusion of the U.S. government's investigation.

9 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 related parties

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:

	Six month period ended 30 June 2009		Six month period ended 30 June 2008	
	Shareholders	Other related parties	Shareholders	Other related parties
	BD '000	BD '000	BD '000	BD '000
Revenue and other income				
Sale of metal	**744**	**28,501**	9,809	78,392
Sale of water	**—**	**715**	—	700
Interest on long term receivable	**—**	**380**	—	778
Interest on receivable	**57**	**—**	—	—
	801	**29,596**	9,809	79,870
Cost of sales and expenses				
Purchase of natural gas and diesel	**—**	**26,361**	—	25,514
Royalty	**—**	**1,757**	—	2,524
Electricity cost	**—**	**659**	—	557
Interest on payable	**2,241**	**—**	—	—
	2,241	**28,777**	—	28,595

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

	30 June 2009		31 December 2008	
	Shareholders	Other related parties	Shareholders	Other related parties
	BD '000	BD '000	BD '000	BD '000
Long term receivable	**—**	**25,787**	—	27,506
Bank balances	**—**	**34,364**	—	24,719
Receivables	**2,726**	**14,993**	1,925	32,218
	2,726	**75,144**	1,925	84,443
Borrowings	**—**	**15,040**	—	23,425
Payables	**104,780**	**24,387**	96,848	43,887
	104,780	**39,427**	96,848	67,312

Outstanding balances at period/year-end arise in the normal course of business. For the six-month period ended 30 June 2009, the Company has not recorded any impairment of amounts due from related parties (31 December 2008: nil).

During the six-month period ended 30 June 2009, the Company received BD 3,989 thousand (US$ 10,609 thousand), on behalf of MUMTALAKAT and SIIC, as an out of court settlement payment from one of the customers of ALMA. This amount has been included under amounts payable to shareholders in the interim statement of financial position. There were no such receipts in the prior period.

Compensation of key management personnel

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

	Six month period ended 30 June	
	2009	2008
	BD '000	BD '000
Short term benefits	**657**	602
End of service benefits	**11**	11
Contributions to Alba Savings Benefit Scheme	**54**	51
	722	664

10 SUBSEQUENT EVENTS

a) Legal claims

i) Subsequent to 30 June 2009 the Company on behalf of ALMA, has filed law suits against two former employees of ALMA. In the compliant, the Company alleges that two former employees earned money from criminal activities and received commissions in contravention of the Bahrain Commercial Companies Law and Anti Money Laundering Law. The Company has filed a civil right claim in the case to oblige the defendants to pay the amount of US$ 17,499 thousand as interim relief, while preserving the Company's civil right to have recourse against the defendants for all the damages which the Company has incurred as a result of the acts attributed to them.

ii) On 18 December 2009, the Company filed a suit in the U.S. Federal District Court for the Southern District of Texas against Sojitz Corporation (Japan) and Sojitz Corporation of America (together, "Sojitz"). In the complaint, the Company allege that Sojitz, a former customer of ALMA, conspired to bribe certain former members of the Company's senior management in order to gain substantial price discounts. Among other remedies, the Company is seeking compensatory damages in excess of US$ 31 million for the illicit activities that took place from 1993 to 2006. On 27 May 2010, the U.S. government filed an unopposed motion to intervene and stay discovery in this case.

It is not practical to estimate the effect of any of these law suits on the interim condensed financial statements at this stage.

b) Quota agreement

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 77% 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 the Company a corresponding written waiver at the date of approval of these interim condensed financial statements.

Consequent to the purchase of shares held by BRETON, BRETON is no longer entitled to its rights and obligations under the Quota Agreement, including the right to require the Company to sell a quota of aluminium to BRETON at a specified price.

Aluminium Bahrain B.S.C. (c)

REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS

31 DECEMBER 2009

ERNST & YOUNG

P.O. Box 140
14th Floor - The Tower
Bahrain Commercial Complex
Manama, Kingdom of Bahrain
Tel: +973 1753 5455 Fax: +973 1753 5405
manama@bh.ey.com
www.ey.com/me
C.R. No. 6700

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ALUMINIUM BAHRAIN B.S.C.(c)

We have audited the accompanying financial statements of Aluminium Bahrain B.S.C. (c) ('the Company'), which comprise the statement of financial position as at 31 December 2009 and the statements of comprehensive income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, Implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies: and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the resonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2009 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matters

We confirm that, in our opinion, proper accounting records have been kept by the Company and the financial statements and the contents of the Report of the Board of Directors, relating to these financial statements are in agreement therewith. We further report, to the best of our knowledge and belief, that no violations of the Bahrain Commercial Companies Law, nor of the memorandum and articles of association of the Company have occurred during the year ended 31 December 2009 that might have had a material adverse effect on the business of the Company or on its financial position.

Ernst & Young

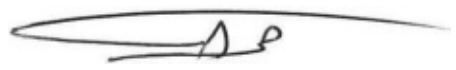
31 March 2010
Manama, Kingdom of Bahrain

Aluminium Bahrain B.S.C. (c)

STATEMENT OF FINANCIAL POSITION
At 31 December 2009

	Notes	2009 BD '000	2008 BD '000
ASSETS			
Non-current assets			
Property, plant and equipment	3	**1,043,023**	1,089,723
Long term receivable	4	**20,630**	24,068
		1,063,653	1,113,791
Current assets			
Inventories	5	**168,111**	226,985
Current portion of long term receivable	4	**3,438**	3,438
Accounts receivable and prepayments	6	**92,215**	124,859
Amounts due from a shareholder	21	**748**	1,925
Derivative financial instruments	16	**16,395**	—
Bank balances and cash	7	**46,357**	46,452
		327,264	403,659
TOTAL ASSETS		**1,390,917**	1,517,450
EQUITY AND LIABILITIES			
Equity			
Share capital	8	**142,000**	142,000
Statutory reserve	9	**54,807**	54,807
Capital reserve	10	**249**	249
Contributions from shareholders	11	**75,954**	—
Retained earnings		**380,675**	463,351
Total equity		**653,685**	660,407
Non-current liabilities			
Borrowings	12	**295,923**	370,125
Derivative financial instruments	16	**129,438**	83,118
Employees' end of service benefits	13 (a)	**991**	926
		426,352	454,169
Current liabilities			
Borrowings	12	**160,684**	156,911
Short term loans	14	**8,823**	11,816
Accounts payable and accruals	15	**97,991**	125,167
Derivative financial instruments	16	**43,382**	12,132
Amounts due to shareholders	21	**—**	96,848
		310,880	402,874
Total liabilities		**737,232**	857,043
TOTAL EQUITY AND LIABILITIES		**1,390,917**	1,517,450

These financial statements were authorised for issue in accordance with a resolution of the Directors on 31 March 2010 and signed on their behalf by:



Chairman

Director

The attached notes 1 to 25 form part of these financial statements.

Aluminium Bahrain B.S.C. (c)

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2009

	Notes	2009	2008
		BD '000	BD '000
Sales to customers		**581,786**	884,268
Sales to a shareholder	21	**748**	20,895
Total sales		**582,534**	905,163
Cost of sales	17	**(538,121)**	(640,424)
GROSS PROFIT		**44,413**	264,739
Other income	18	**4,213**	4,766
Selling and distribution expenses		**(11,908)**	(22,699)
General and administrative expenses		**(24,024)**	(20,534)
Write off of property plant and equipment		**(6,980)**	—
Gain (loss) on exchange		**1,349**	(4,796)
Directors' fees	21	**(161)**	(124)
Finance costs	19	**(23,385)**	(26,171)
(LOSS) PROFIT FOR THE YEAR BEFORE DERIVATIVES		**(16,483)**	195,181
Fair value (loss) gain on revaluation/settlement of derivatives (net)	16	**(66,193)**	98,392
(LOSS) PROFIT FOR THE YEAR		**(82,676)**	293,573
Other comprehensive income			
Other comprehensive income for the year		**—**	—
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR		**(82,676)**	293,573

The attached notes 1 to 25 form part of these financial statements.

Aluminium Bahrain B.S.C. (c)

STATEMENT OF CASH FLOWS
Year ended 31 December 2009

	Notes	2009	2008
		BD '000	BD '000
OPERATING ACTIVITIES			
(Loss) profit for the year		**(82,676)**	293,573
Adjustments for:			
Depreciation	3	**74,480**	72,793
Provision for employees' end of service benefits	13 (a)	**656**	894
Loss (gain) on revaluation of derivatives	16	**61,175**	(117,083)
Loss on disposal of property, plant and equipment		**427**	3,431
Write off of property, plant and equipment—net book value		**6,980**	973
Interest income	18	**(1,148)**	(2,647)
Finance costs	19	**22,734**	25,767
Operating surplus before working capital changes		**82,628**	277,701
Working capital changes:			
Inventories		**58,874**	(72,381)
Accounts receivable and prepayments		**32,644**	43,986
Amounts due from a shareholder		**1,177**	(1,134)
Accounts payable and accruals		**(25,296)**	38,610
Cash from operations		**150,027**	286,782
Employees' end of service benefits paid	13 (a)	**(591)**	(572)
Net cash flows from operating activities		**149,436**	286,210
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3	**(35,342)**	(38,736)
Proceeds from disposal of property, plant and equipment		**155**	821
Interest received	18	**1,148**	2,647
Net cash flows used in investing activities		**(34,039)**	(35,268)
FINANCING ACTIVITIES			
Repayment of long term receivable		**3,438**	—
Borrowings availed		**—**	184,654
Borrowings repaid		**(70,429)**	(284,738)
Short term loans		**(2,993)**	4,184
Finance costs paid		**(24,614)**	(28,698)
Margin deposits		**—**	24,139
Bank balances transferred by shareholders		**—**	24,801
Movements in amounts due to shareholders		**(20,894)**	(139,584)
Net cash flows used in financing activities		**(115,492)**	(215,242)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(95)**	35,700
Cash and cash equivalents at 1 January		**46,452**	10,752
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	7	**46,357**	46,452

Non-cash item:

Net assets transferred from the shareholders as of 31 December 2008 were BD 68,891 thousand (see note 21).

The attached notes 1 to 25 form part of these financial statements.

Aluminium Bahrain B.S.C. (c)

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2009

	Notes	Share capital	Statutory reserve	Capital reserve	Contributions from shareholders	Retained earnings	Total
		BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
Balance at 31 December 2007		142,000	25,450	249	—	199,135	366,834
Total comprehensive income for the year		—	—	—	—	293,573	293,573
Transfer to statutory reserve	9	—	29,357	—	—	(29,357)	—
Balance at 31 December 2008		142,000	54,807	249	—	463,351	660,407
Transfer from amounts due to shareholders	11	—	—	—	75,954	—	75,954
Total comprehensive loss for the year		—	—	—	—	(82,676)	(82,676)
Balance at 31 December 2009		**142,000**	**54,807**	**249**	**75,954**	**380,675**	**653,685**
Allocation of equity:							
MUMTALAKAT		109,340	42,508	192	60,293	295,824	508,157
SIIC		28,400	11,041	50	15,661	76,841	131,993
BRETON		4,260	1,258	7	—	8,010	13,535
Balance at 31 December 2009		**142,000**	**54,807**	**249**	**75,954**	**380,675**	**653,685**

The attached notes 1 to 25 form part of these financial statements.

1 ACTIVITIES

Aluminium Bahrain B.S.C.(c) ("the Company") is a Bahraini Joint Stock Company (closed) incorporated in the Kingdom of Bahrain and registered with the Ministry of Industry and Commerce under commercial registration (CR) number 999. The Company has its registered office at 150 Askar Road, Askar 951, Kingdom of Bahrain.

The majority shareholder of the Company is the Bahrain Mumtalakat Holding Company B.S.C. (c) ("MUMTALAKAT"), a company wholly owned by the Government of the Kingdom of Bahrain, which holds 77% of the share capital. SABIC Industrial Investments Company ("SIIC"), a Saudi Arabian registered company holds 20% and the remaining 3% is held by Breton Investments Limited ("BRETON").

The Company is engaged in manufacturing aluminium and aluminium related products. The Company owns and operates a primary aluminium smelter and the related infrastructure.

Pursuant to a quota agreement entered into between the Company, the Government of the Kingdom of Bahrain ("GB"), SABIC Industrial Investments Company (SIIC) and Breton Investments Limited (BRETON), the whole of the metal produced by the Company was acquired by GB, SIIC and BRETON in proportion to their shareholding in the Company. The quota agreement was not amended with respect to the transfer of GB's shareholding in the Company to MUMTALAKAT.

Until 31 December 2007, the Company managed the marketing function on behalf of and for the account of MUMTALAKAT and SIIC under the name of ALBA Marketing ("ALMA"), which operated as a separate unregistered joint venture of these two shareholders. On 28 March 2007, the Company's Board of Directors resolved to integrate ALMA with the Company effective 1 January 2008. Consequently, all the assets and liabilities of ALMA were transferred to the Company at their carrying values as of 31 December 2007 and the resultant amount payable was disclosed as amounts due to shareholders in the statement of financial position. (note 21)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standard ("IFRS") issued by the International Accounting Standards Board ("IASB") and in conformity with the Bahrain Commercial Companies Law.

The financial statements have been presented in Bahraini Dinars (BD). However, the Company's functional currency is US Dollars ("USD") in respect of sales and raw material purchases. The Company uses the pegged exchange rate of 0.376 to translate USD into BD equivalent.

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of derivative financial instruments.

New and amended IFRS adopted as of 1 January 2009

The accounting policies adopted are consistent with those used in the previous financial year except as follows:

IAS 1 'Presentation of Financial Statements' (Revised)

As a result of adoption of the above standard, the title "balance sheet" has been changed to "statement of financial position", the title "income statement" has been changed to "statement of comprehensive income" and the title "cash flow statement" has been changed to "statement of cash flows". The revised standard also requires changes in equity arising from transactions with owners in their capacity as owners (i.e. owner changes in income) to be presented in the statement of changes in equity. All other changes in equity (i.e. non-owner changes in equity) are required to be presented separately in a performance statement (statement of comprehensive income). Movement in components of comprehensive income are not permitted to be presented in the statement of changes in equity. The Company has elected to present one statement as statement of comprehensive income as those are no non-owner changes in equity during the years ended 31 December 2009 and 31 December 2008.

Amendments to IFRS 7 Financial Instruments: Disclosures—Improving Disclosures about Financial Instruments

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurement is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in note 23. The liquidity risk disclosures are not significantly impacted by the amendments.

Improvements to IFRSs

In May 2008 and April 2009 the IASB issued an 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.

IAS 7 Statement of cash flows

IAS 7 Statement of cash flows explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This will not have an impact on the financial statements of the Company.

IAS 16 Property, plant and equipment

Replaces the term “net selling price” with “ fair value less costs to sell”. The Company amended its accounting policy accordingly, which did not result in any change in the financial position.

IAS 18 Revenue

The IASB has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:

- *Has primary responsibility for providing the goods or service*
- *Has inventory risk*
- *Has discretion in establishing prices*
- *Bears the credit risk*

The Company has assessed its revenue arrangements against these criteria and concluded that it is acting as principal in all arrangements.

IAS 23 Borrowings costs

The definition of borrowing costs is revised to consolidate the two types of items that are considered components of ‘borrowing costs’ into one—the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39. The Company has amended its accounting policy accordingly which did not result in any change in its financial position.

IAS 36 Impairment of assets

When discounted cash flows are used to estimate ‘fair value less cost to sell’ additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate ‘value in use’. This amendment had no immediate impact on the financial statements of the Company because the recoverable amount of its cash generating units is currently estimated using ‘ value in use’.

Standards issued but not yet effective

The Company has not applied the following IFRSs and International Financial Reporting Interpretation Committee (IFRIC) interpretations that have been issued but are not yet mandatory at the date of authorisation of these financial statements:

- IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions effective 1 January 2010
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 1 July 2009 including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39
- IAS 39 Financial Instruments: Recognition and Measurement—Eligible Hedged Items effective 1 July 2009
- IFRIC 17 Distributions of Non-cash Assets to Owners effective 1 July 2009
- IFRIC 18 Transfers of Assets from Customers effective 1 July 2009

It is not expected the implementation of these revisions and amendments will have any impact on the Company's financial performance or position.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated.

Depreciation is calculated on a straight line basis over the estimated useful lives of property, plant and equipment as follows:

Freehold buildings	45 years
Power generating plant	23-25 years
Plant, machinery and other equipment	3-23 years

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases the future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the statement of comprehensive income as the expense is incurred.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Borrowing costs

Borrowing costs comprising fees and interest directly attributable to the acquisition, construction or production of qualifying assets, which necessarily take a substantial period of time to get ready for their intended use, are included in the cost of those assets, until such time as the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in statement of comprehensive income in the period in which they are incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, determined as follows:

- Raw materials — Purchase cost on a weighted average basis.
- Work in progress — Cost of direct materials, labour plus attributable overheads based on normal level of activity.
- Finished goods — Finished goods are stated at the lower of cost and net realisable value
- Stores — Purchase cost calculated on a weighted average basis after making due allowance for any obsolete items.

Net realisable value is based on estimated selling price, less any further costs expected to be incurred on completion and disposal.

Accounts receivable

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise of cash in hand, current accounts and call accounts.

Borrowings

Borrowings are recognised initially at the fair value of the consideration received less directly attributable transaction costs. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest rate method. Instalments due within one year are disclosed under current liabilities.

Interest is charged as an expense based on effective yield, with unpaid interest amounts included in ‘accounts payable and accruals’.

Employee benefits

Termination benefits

For Bahraini nationals, the Company makes contributions to the Social Insurance Organisation (SIO). This is a funded defined contribution scheme and the Company’s contributions are charged to the statement of comprehensive income in the year to which they relates. The Company’s obligations are limited to the amounts contributed to the Scheme.

The Company provides for end of service benefits determined in accordance with the Labour Law for employees based on their salaries at the time of leaving and number of years of service. Provision for this unfunded commitment, which represents a defined benefit scheme, has been made by calculating the liability had all employees left at the reporting date.

Alba savings benefit scheme

The Company operates a compulsory saving scheme for its Bahraini employees. The Company's obligations are limited to the amounts to be contributed to the scheme. This saving scheme represents a funded defined contribution scheme.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognised when the Company have an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Revenue recognition

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably normally on delivery to the customer.

Other income

Other income is recognised as the income accrues.

Derivative financial instruments and hedging activities

Derivative financial instruments are initially recognised in the statement of financial position at cost, including transaction costs, and subsequently re-measured to fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

The recognition of changes in the fair values of derivative financial instruments entered into for hedging purposes is determined by the nature of the hedging relationship. For the purposes of hedge accounting, derivative financial instruments are designated as a hedge of either:

i) the fair value of a recognised asset or liability (fair value hedge), or

ii) the future cash flows attributable to a recognised asset or liability or a firm commitment (cash flow hedge).

The Company's criteria for a derivative financial instrument to be accounted for as a hedge include:

- at the inception of the hedge there is formal documentation of the hedging relationship and the Company's risk management objective and strategy for undertaking the hedge. That documentation should include identification of the hedging instrument, the related hedged item or transaction, the nature of the risk being hedged, and how the Company will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or the hedged transaction's cash flows that is attributable to the hedged risk;
- the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistent with the originally documented risk management strategy for that particular hedging relationship;

- for cash flow hedges, a forecasted transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect reported net profit or loss;
- the effectiveness of the hedge can be reliably measured, that is, the fair value or cash flows of the hedged item and the fair value of the hedging instrument can be reliably measured;
- the hedge must be assessed on an ongoing basis and determined to have actually been highly effective throughout the financial reporting period.

Changes in fair values of derivative financial instruments that are designated, and qualify, as cash flow hedges and prove to be highly effective in relation to the hedged risk, are recognised as a separate component in equity as a cash flow hedge reserve. Unrealised gains or losses on any ineffective portion of cash flow hedging transactions are recognised in the statement of comprehensive income.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of comprehensive income.

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are classified as held for trading and are recognised immediately in the statement of comprehensive income.

Foreign currencies

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All exchange differences are taken to the statement of comprehensive income.

Fair values

The fair values of financial instruments traded in active markets (such as publicly traded derivatives) are based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair values of financial instruments that are not traded in an active market (for example, over the counter derivatives, interest rate collars etc) are determined by valuation techniques carried out by counterparties. The fair values of forward foreign exchange contracts are determined using forward exchange market rates at the reporting date with the same maturity.

3 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Power generating plant	Plant, machinery and other equipment	Assets in process of completion	Total
	BD '000	BD '000	BD '000	BD '000	BD '000
Cost:					
At 1 January 2009	266,970	388,682	1,100,811	59,444	1,815,907
Additions	—	—	—	35,342	35,342
Transfers	922	15,494	21,840	(38,256)	—
Disposals	(767)	(1,322)	(2,794)	—	(4,883)
Write off	(1,287)	(460)	(16,373)	—	(18,120)
At 31 December 2009	265,838	402,394	1,103,484	56,530	1,828,246
Depreciation:					
At 1 January 2009	74,211	165,900	486,073	—	726,184
Charge for the year	6,599	15,364	52,517	—	74,480
Relating to disposals	(716)	(875)	(2,710)	—	(4,301)
Relating to write off	(391)	(425)	(10,324)	—	(11,140)
At 31 December 2009	79,703	179,964	525,556	—	785,223
Net carrying value:					
At 31 December 2009	**186,135**	**222,430**	**577,928**	**56,530**	**1,043,023**

	Land and buildings	Power generating plant	Plant, machinery and other equipment	Assets in process of completion	Total
	BD '000	BD '000	BD '000	BD '000	BD '000
Cost:					
At 1 January 2008	263,926	394,669	1,094,361	41,703	1,794,659
Additions	—	—	—	38,736	38,736
Transfers	3,182	2,934	14,879	(20,995)	—
Disposals	(110)	(7,181)	(5,269)	—	(12,560)
Write off	(28)	(1,740)	(3,160)	—	(4,928)
At 31 December 2008	266,970	388,682	1,100,811	59,444	1,815,907
Depreciation:					
At 1 January 2008	67,722	157,078	440,854	—	665,654
Charge for the year	6,558	15,024	51,211	—	72,793
Relating to disposals	(45)	(4,478)	(3,785)	—	(8,308)
Relating to write off	(24)	(1,724)	(2,207)	—	(3,955)
At 31 December 2008	74,211	165,900	486,073	—	726,184
Net carrying value:					
At 31 December 2008	192,759	222,782	614,738	59,444	1,089,723

a) Land and buildings include freehold land at a cost of BD 453 thousand as at 31 December 2009 (2008: BD 453 thousand).

b) The Company is utilising land leased from the Government of Bahrain for its Lines 3, 4 and 5 operations and land leased from The Bahrain Petroleum Company B.S.C. (c) (BAPCO) for its Calciner operations. These leases are free of rent.

c) The depreciation charge is allocated to cost of sales in the statement of comprehensive income.

d) During the year, the Company discontinued the use of Casthouse 1 assets and consequently assets with a net carrying value of BD 6,555 thousand (2008: nil) were written off.

4 LONG TERM RECEIVABLE

This represents the amount due from Gulf Aluminium Rolling Mill Company B.S.C. (c) ("GARMCO"), a company partly owned by two of the Company's shareholders. The amount due is repayable in 16 half yearly instalments and the last instalment is due on 31 December 2016. Interest is payable half yearly on the outstanding balance at 6 months LIBOR plus a margin of 1% and the effective interest rate as of 31 December 2009 was 2.11% (2008: 4.76%).

The current and non-current portions of the long term receivable as of 31 December 2009 are as follows:

	2009	2008
	BD '000	BD '000
Current portion	**3,438**	3,438
Non-current portion	**20,630**	24,068
	24,068	27,506

5 INVENTORIES

	2009	2008
	BD '000	BD '000
Goods in transit	**16,875**	38,876
Raw materials	**45,888**	64,040
Work-in-process	**55,614**	61,973
Finished goods	**24,955**	38,476
Stores stock [net of provision of BD 1.2 million (2008: BD 1.2 million)]	**24,779**	23,620
	168,111	226,985

6 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2009	2008
	BD '000	BD '000
Trade accounts receivable [net of provision of BD 6.232 million (2008: BD 6.795 million)]	**89,698**	118,791
Other receivables	**2,331**	2,455
Prepayments	**186**	3,613
	92,215	124,859

Trade accounts receivable include BD 8,823 thousand (2008: BD 11,816 thousand) which have been assigned as a security for short term loans (note 14).

As at 31 December 2009, trade accounts receivable at nominal value of BD 6,232 thousand (2008: BD 6,795 thousand) were impaired. Movements in the allowance for impairment of trade accounts receivable were as follows:

	2009	2008
	BD '000	BD '000
At 1 January	**6,795**	—
Transferred from ALMA (note 21)	**—**	2,079
Charge for the year	**(563)**	4,716
At 31 December	**6,232**	6,795

As at 31 December, the ageing of unimpaired trade accounts receivable is as follows:

	Total	Neither past due nor impaired	Past due but not impaired			
			Less than 30 days	30 – 90 days	91 – 120 days	Over 120 days
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
2009	**89,698**	**85,900**	**2,134**	**1,613**	**43**	**8**
2008	118,791	79,316	17,359	15,608	1,946	4,562

Trade accounts receivable are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables and the vast majority are, therefore, unsecured.

7 BANK BALANCES AND CASH

	2009	2008
	BD '000	BD '000
Cash in hand	**29**	28
Cash at bank:		
—Current accounts	**876**	21,973
—Call accounts	**34,163**	24,451
Short term deposit	**11,289**	—
	46,357	46,452

A major portion of the cash and cash equivalents are held with banks in the Kingdom of Bahrain and these balances are denominated in Bahraini Dinars and US Dollars. The call accounts earn interest and the effective interest rates as of 31 December 2009 were ranging between 0.17% to 0.22% (2008: 0.12% to 0.87%).

The effective interest rate on short term deposits as of 31 December 2009 was 0.19% (2008: nil). The short term deposit matures on 4 January 2010.

8 SHARE CAPITAL

	2009	2008
	BD '000	BD '000
Authorised (Shares of BD 1 each)	**150,000**	150,000
Issued and fully paid (Shares of BD 1 each)	**142,000**	142,000

9 STATUTORY RESERVE

In accordance with the Bahrain Commercial Companies Law and the Company's articles of association, an amount equal to 10% of the profit for the year is required to be transferred to a statutory reserve and future annual transfers will be made on the same basis until such time this reserve equates 50% of the issued share capital. No transfer has been made during the current year as the Company incurred a loss. This reserve cannot be utilised for the purpose of distribution, except in such circumstances as stipulated in the Bahrain Commercial Companies Law.

10 CAPITAL RESERVE

This reserve was created from the surplus on disposal of property, plant and equipment in prior years. This reserve is distributable subject to the approval of the shareholders.

11 CONTRIBUTIONS FROM SHAREHOLDERS

Effective 1 November 2009, the shareholders decided to convert the balance amount due to MUMTALAKAT and SIIC of BD 75,954 thousand (note 21) to equity to strengthen the Company's equity base.

12 BORROWINGS

	Current maturities	Between 2011-2015	After 2015	Total 2009	Total 2008
	BD '000	BD '000	BD '000	BD '000	BD '000
Working capital revolving credit [*] at 1.76% to 6.0% (2008: 3.20% to 5.95%)	86,480	—	—	**86,480**	82,833
Coke Calcining Project refinancing at 1.46% to 2.16% (2008: 3.49% to 5.13%)	8,356	4,177	—	**12,533**	20,889
Line 5 projects at 2.19% to 4.38% (2008: 3.68% to 6.49%)	19,006	148,553	18,223	**185,782**	204,788
Coface Loan at 1.11% to 3.51% (2008: 3.29% to 5.96%)	6,492	25,969	—	**32,461**	38,953
Refinancing loan at 0.65% to 2.72% (2008: 3.18% to 5.39%)	40,350	99,001	—	**139,351**	179,573
Total borrowings	160,684	277,700	18,223	**456,607**	527,036
Payable within one year				**160,684**	156,911
Payable after one year				**295,923**	370,125
				456,607	527,036

[*] The working capital revolving credit facilities are subject to annual renewal or periodic review and are expected to be reviewed or confirmed on an on-going basis. The working capital revolving facilities allow the Company to issue promissory notes of up to 12 month terms. It is the Company's policy to maintain the current level of borrowings under these facilities by issuing new promissory notes in place of maturing notes.

Coke calcining project loan, Line 5 projects loans, Coface loan and Refinancing loan are secured by the quota agreement entered into between the Company and the shareholders.

13 EMPLOYEE BENEFITS

a) Defined benefit scheme—leaving indemnities

Movements in the provision recognised in the statement of financial position are as follows:

	2009	2008
	BD '000	BD '000
Beginning of the year	**926**	604
Provided during the year (note 19)	**656**	894
End of service benefits paid	**(591)**	(572)
End of the year	**991**	926

b) Defined contribution schemes

Movements in liabilities recognised in the statement of financial position are as follows:

	ALBA Savings Benefit Scheme		Social Insurance Organisation	
	2009	2008	2009	2008
	BD '000	BD '000	BD '000	BD '000
Beginning of the year	**2,286**	1,331	**557**	704
Expense recognised in the statement of comprehensive income (note 19)	**3,953**	3,699	**5,338**	4,308
Contributions paid	**(4,363)**	(2,744)	**(5,229)**	(4,455)
End of the year (note 15)	**1,876**	2,286	**666**	557

14 SHORT TERM LOANS

These represent short term financing availed from financial institutions in the Kingdom of Bahrain and are fully secured by the assignment of certain trade receivables amounting to BD 8,823 thousand (2008: BD 11,816 thousand) (note 6). The effective interest rates as of 31 December 2009 were ranging between 2% to 3.5% (2008: 2.8% to 4.9%).

15 ACCOUNTS PAYABLE AND ACCRUALS

	2009	2008
	BD '000	BD '000
Trade payables	**54,533**	90,708
Retentions payable	**166**	174
Employee related accruals	**18,756**	17,541
Accrual towards early retirement scheme (see note below)	**9,730**	—
Accrued expenses	**11,339**	13,538
Advances from customers	**925**	363
Alba Savings Benefit Scheme [note 13 (b)]	**1,876**	2,286
Social Insurance Organisation [(note 13 (b)]	**666**	557
	97,991	125,167

Accrual towards early retirement scheme

During December 2009, the Company's Board of Directors announced an early retirement scheme for eligible employees. A total of 176 employees accepted the Company's offer. The accrual relates to the amounts expected to be paid to these employees.

16 DERIVATIVE FINANCIAL INSTRUMENTS

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 31 December 2009 and 31 December 2008 are as follows:

	2009		2008	
	Assets	Liabilities	Assets	Liabilities
	BD '000	BD '000	BD '000	BD '000
Commodity options	**16,395**	**156,865**	—	73,847
Interest rate collars and knockout swaps	**—**	**14,945**	—	19,495
Forward foreign exchange contracts	**—**	**1,010**	—	1,908
Total	**16,395**	**172,820**	—	95,250

Classified in the statement of financial position as follows:

	2009		2008	
	Assets	Liabilities	Assets	Liabilities
	BD '000	BD '000	BD '000	BD '000
Non-current portion:				
Commodity options	**—**	**119,219**	—	69,188
Interest rate collars and knockout swaps	**—**	**9,588**	—	12,519
Forward foreign exchange contracts	**—**	**631**	—	1,411
	—	**129,438**	—	83,118
Current portion	**16,395**	**43,382**	—	12,132

The fair valuation of the derivative financial instruments resulted in the following gains (losses) taken to the statement of comprehensive income for the year ended 31 December 2009.

	2009	2008
	BD '000	BD '000
Revaluation:		
Commodity options	**(68,459)**	135,719
Interest rate collars and knockout swaps	**6,385**	(16,728)
Forward foreign exchange contracts	**899**	(1,908)
	(61,175)	117,083
Realised:		
Commodity options	**(4,868)**	(18,994)
Interest rate collars and knockout swaps	**(150)**	303
	(5,018)	(18,691)
Net (loss) gain on fair valuation taken to statement of comprehensive income	**(66,193)**	98,392

During the year, the Company transferred an amount of BD 1,858 thousand (2008: BD 3,130 thousand) being the net change on account of the derivative financial instruments of ALMA to MUMTALAKAT and SIIC. (note 21)

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 statement of comprehensive income.

Interest rate collars and knockout swaps

The Company entered into an interest rate collar and knockout swap transactions for US$ 1.5 billion floating rate borrowings for financing the Line 5 project (note 12) to manage overall financing costs. These contracts expire on 17 February 2015.

The notional amounts outstanding as at 31 December 2009 was US$ 816,776 thousand (2008: US$ 968,600 thousand).

Commodity options

The Company entered into commodity options to offset the premium payable on the interest rate collar. The exposure to the Company is that if the LME price of aluminium exceeds US$ 1,780 (2008: US$ 1,780) per metric tonne (which is above the London Metal Exchange (LME) price used in the feasibility study), then the Company will pay the difference between the market price and the average contracted price of US$ 1,780 (2008: US$ 1,780) per metric tonne for certain tonnages of aluminium.

Forward foreign exchange contracts

The Company has entered into forward foreign exchange contracts for capital expenditure cash outflows in foreign currencies equivalent to BD 29,771 thousand (2008: BD 32,255 thousand) as of the reporting date. These contracts expire on 8 March 2013.

17 COST OF SALES

	2009	2008
	BD '000	BD '000
Raw materials including natural gas	**343,864**	451,443
Depreciation (note 3)	**74,480**	72,793
Staff costs	**77,270**	65,645
Spares and consumables	**22,108**	25,284
Contracted repairs and major maintenance	**15,512**	15,051
Royalty (note 21)	**3,514**	5,058
Consultancy fees	**255**	208
Other expenses	**1,118**	4,942
	538,121	640,424

18 OTHER INCOME

	2009	2008
	BD '000	BD '000
Interest on bank deposits and receivable	**1,148**	2,647
Sale of water	**1,781**	1,921
Miscellaneous	**1,284**	198
	4,213	4,766

19 (LOSS) PROFIT FOR THE YEAR

(Loss) profit for the year is stated after charging:

	2009	2008
	BD '000	BD '000
Inventories recognised as an expense in cost of sales	**290,303**	391,509
Staff costs:		
Wages and salaries	**74,921**	63,204
Employees' end of service benefits [note 13 (a)]	**656**	894
Alba savings benefit scheme [note 13 (b)]	**3,953**	3,699
Social Insurance Organisation [note 13 (b)]		
—Bahrainis	**5,238**	4,236
—Non-Bahrainis	**100**	72
Indirect benefits (housing, education)	**559**	753
Payments to contractors	**1,937**	1,639
Others	**358**	789
	87,722	75,286

The staff costs have been allocated in the statement of comprehensive income as follows:

	2009	2008
	BD '000	BD '000
Cost of sales (note 17)	**77,270**	65,645
General and administrative expenses	**9,583**	8,929
Selling and distribution expenses	**869**	712
	87,722	75,286
Finance costs:		
Interest on borrowings and short term loans	**19,369**	25,767
Interest on payable to shareholders (note 21)	**3,365**	—
	22,734	25,767
Bank charges	**651**	404
	23,385	26,171

20 COMMITMENTS AND CONTINGENCIES

a) Commitments

	2009	2008
	BD '000	BD '000
Physical metal commitments		
Sales commitments:		
2,650 metric tonnes (2008: 42,331 metric tonnes)	**1,881**	25,906

Capital expenditure

Estimated capital expenditure contracted for at the reporting date amounted to BD 40,543 thousand (2008: BD 54,850 thousand). The commitments are expected to be settled within 1 to 5 years.

Letters of credit

The commitments on outstanding letters of credit as at 31 December 2009 were BD 1,605 thousand (2008: BD 11,185 thousand). The commitments are expected to be settled within 1 year.

At 31 December 2009, the Company's bankers have issued letters of credit to counterparties for derivative transactions amounting to BD 41,360 thousand (2008: BD 33,840 thousand).

b) Contingencies

The Company has issued guarantees to banks in the Kingdom of Bahrain in respect of Albaskan Scheme, amounting to BD 3,907 thousand (2008: BD 1,951 thousand). The Albaskan Scheme entitles all its qualifying employees to acquire houses.

c) Legal claims

A third party has initiated a claim against the Company towards damages caused to its business unit. The Company is defending the claim and it is not practicable to estimate the liability and timing of any payments at this stage. Hence no provision has been recognised in these financial statements.

On 27 February 2008, the Company has filed a law suit against its principal raw material supplier. It is not practical to estimate the effect of this law suit on the financial statements at this stage.

21 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

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 statement of comprehensive income are as follows:

	2009		2008	
Revenue and other income	**Shareholders**	**Other related parties**	**Shareholders**	**Other related parties**
	BD '000	**BD '000**	**BD '000**	**BD '000**
Sale of metal	**748**	**78,314**	20,895	157,640
Sale of water	**—**	**1,438**	—	1,566
Interest on long term receivable	**—**	**659**	—	1,356
	748	**80,411**	20,895	160,562

	2009		2008	
Cost of sales and expenses	**Shareholders**	**Other related parties**	**Shareholders**	**Other related parties**
	BD '000	**BD '000**	**BD '000**	**BD '000**
Purchase of natural gas and diesel	**—**	**53,561**	—	60,279
Royalty	**—**	**3,514**	—	5,058
Electricity cost	**—**	**711**	—	2,266
Staff cost recharged	**104**	**—**	100	—
Interest on payable (note 19)	**3,365**	**—**	—	—
	3,469	**57,786**	100	67,603

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

	2009		2008	
	Shareholders	**Other related parties**	**Shareholders**	**Other related parties**
	BD '000	**BD '000**	**BD '000**	**BD '000**
Long term receivable	**—**	**24,068**	—	27,506
Bank balances	**—**	**13,675**	—	24,719
Receivables	**748**	**29,802**	1,925	32,218
	748	**67,545**	1,925	84,443

Amounts due from a shareholder is stated net of provision for doubtful debt of BD 1,937 thousand (2008: nil).

	2009		2008	
	Shareholders	**Other related parties**	**Shareholders**	**Other related parties**
	BD '000	**BD '000**	**BD '000**	**BD '000**
Borrowings	**—**	**—**	—	23,425
Payables	**—**	**25,308**	96,848	43,887
	—	**25,308**	96,848	67,312

Movements in amounts due to shareholders during the years ended 31 December 2009 and 31 December 2008 are as follows:

	2009		
	MUMTALAKAT	SIIC	Total
	BD '000	BD '000	BD '000
Payable to shareholders			
Balance as of 1 January 2009	**76,859**	**19,989**	**96,848**
Funds received (note a)	**3,167**	**822**	**3,989**
Payments made during the year	**(23,878)**	**(6,202)**	**(30,080)**
Interest expense	**2,670**	**695**	**3,365**
Movement in derivative financial instruments of ALMA	**1,475**	**383**	**1,858**
Others	**—**	**(26)**	**(26)**
Transfer to equity (note 11)	**60,293**	**15,661**	**75,954**

	2008		
	MUMTALAKAT	SIIC	Total
	BD '000	BD '000	BD '000
Payable to shareholders			
Transfer of net assets (note b)	74,374	19,318	93,692
Movement in derivative financial instruments of ALMA	2,485	645	3,130
Others	—	26	26
Balance as of 31 December 2008	76,859	19,989	96,848

a) During the year, the Company received BD 3,989 thousand (US$ 10,609 thousand), on behalf of MUMTALAKAT and SIIC, as an out of court settlement payment from one of the customers of ALMA. This amount has been included under amounts due to shareholders in the statement of financial position. There were no such receipts in the prior year.

b) As explained in note 1, the details of assets transferred and liabilities assumed by the Company as of 31 December 2007 are as follows:

In addition, MUMTALAKAT and SIIC agreed to directly bear the future losses/gains on the outstanding derivative financial instruments of ALMA as of 31 December 2007 (note 16).

	2008
	BD '000
ASSETS	
Long term debt	27,506
Finished goods	28,475
Advances to the Company	12,449
Accounts receivable and prepayments (net of provision of BD 2,079 thousand)	161,018
Bank balances	24,801
TOTAL ASSETS	254,249
LIABILITIES	
Accounts payable and accruals	8,636
Short term loans	7,632
Derivative financial instruments	144,289
TOTAL LIABILITIES	160,557
AMOUNT PAYABLE TO SHAREHOLDERS	93,692

The break-up of the above amount by the respective shareholder is as follows:

	2008 BD '000
MUMTALAKAT	74,374
SIIC	19,318
	93,692

Outstanding balances at year-end arise in the normal course of business. For the year ended 31 December 2009, the Company has not recorded any impairment of amounts due from related parties (2008: nil).

Compensation of key management personnel

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

	2009 BD '000	2008 BD '000
Short term benefits	**985**	1,158
End of service benefits	**109**	60
Contributions to Alba Savings Benefit Scheme	**98**	110
Other benefits	**1,691**	—
	2,883	1,328

Directors' fees during the year amounted to BD 161 thousand (2008: BD 124 thousand).

22 RISK MANAGEMENT

The Company's financial instruments are exposed to market risk (including interest rate risk, currency risk and commodity price risk), credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarized below. The Company's accounting policies in relation to derivatives are set out in note 2.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the future profitability or the fair value of financial assets and financial liabilities. All financial assets and the majority of financial liabilities are either variable interest rate based or short term in nature.

The Company is exposed to interest rate risk on its interest bearing assets and liabilities (long term receivable, call accounts and borrowings). The Company has an interest rate collar and knockout swaps to limit the fluctuation in interest rates arising out of borrowings for its Line 5 expansion.

The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on the Company's result for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2009.

The interest earned on long term receivable is based on floating LIBOR rate plus margin. The call accounts and short term deposit earn interest at commercial rates. The interest rates are disclosed in notes 4 and 7.

The following table demonstrates the sensitivity of the statement of comprehensive income to reasonably possible changes in interest rates, with all other variables held constant.

	Interest on call accounts and short term deposit		Interest on borrowings (after giving effect for derivatives)	
	Increase/ decrease in basis points	Effect on results for the year	Increase/ decrease in basis points	Effect on results for the year
		BD '000		BD '000
2009	**100**	**455**	**100**	**(1,170)**
	-100	**(455)**	**-100**	**1,170**
2008	100	245	100	(1,263)
	-100	(245)	-100	1,263

Commodity price risk

Commodity price risk is the risk that future profitability is affected by changes in commodity prices. The Company is exposed to commodity price risk, as its selling prices for aluminium are generally based on aluminium prices quoted on the London Metal Exchange (LME).

The following table demonstrates the sensitivity of the statement of comprehensive income to reasonably possible changes in the LME price on derivatives outstanding as of 31 December 2009, with all other variables held constant.

	Increase/ decrease in LME price	Effect on results for the year
		BD '000
2009	**+50%**	**(70,235)**
	-50%	**70,235**
2008	+50%	(36,148)
	-50%	36,148

Currency risk

Currency risk is the risk associated with fluctuations in the value of a financial instrument due to changes in foreign exchange rates.

The Company's financial instruments are mainly denominated in Bahraini Dinars, US Dollars, Euros and Great Britain Pounds. The Company uses forward foreign exchange contracts to hedge against foreign currency payables (note 16).

As the Bahraini Dinar is pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk.

As of 31 December, the following financial instruments are denominated in currencies other than Bahrain Dinar and US Dollar, which were unhedged:

Financial instruments	Currency	2009	2008
		BD '000	BD '000
Bank balances	*Euro*	**10,480**	7,229
	Great Britain Pounds	**36**	33
Receivables	*Euro*	**3,132**	31,579
Payables	*Euro*	**8,759**	8,741
	Great Britain Pounds	**70**	234

The table below indicates the Company's unhedged foreign currency exposures at 31 December, as a result of its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the Bahraini Dinar's currency rate against currencies which are exposed to currency risk, with all other variables held constant, on the statement of comprehensive income (due to the fair value of currency sensitive monetary assets and liabilities).

The effect of decreases in currency rate is expected to be equal and opposite to the effect of the increases shown.

	2009		2008	
Currency	**Increase in currency rate to the BD**	**Effect on results for the year**	**Increase in currency rate to the BD**	**Effect on results for the year**
		BD '000		**BD '000**
Euro	**+10%**	**485**	+10%	3,007
Great Britain Pounds	**+10%**	**(3)**	+10%	(20)
		482		2,987

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company is exposed to credit risk on its bank balances, trade accounts receivable and the positive fair value of derivatives.

Cash is placed with reputable banks having good credit ratings. The Company manages credit risk with respect to receivables from customers by receiving payments in advance from customers, obtaining letters of credit, by granting credit terms and by monitoring the exposure to customers on an ongoing basis.

Provision for bad and doubtful debts are made for doubtful receivable accounts whenever risks of default are identified.

The maximum credit risk exposure at the reporting date is equal to the carrying value of the financial assets shown in the statement of financial position, which are net of provisions for bad and doubtful debts.

The Company sells its products to a large number of customers. Its five largest customers account for 62% of outstanding accounts receivable at 31 December 2009 (2008: 55%).

As of 31 December 2009, the Company has significant concentration of credit risk to Gulf Aluminium Rolling Mill Company B.S.C. (c) which consists of:

	2009	2008
	BD '000	**BD '000**
Long term receivable	**24,068**	27,506
Trade accounts receivable	**28,801**	31,716
	52,869	59,222

Derivative contracts are entered into with counterparties with good credit rating and are not subject to significant credit risk.

Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at or close to its fair value. The shareholders provide funds to the Company to meet its commitments as and when they fall due. Trade payables are normally settled within 45 days of the date of purchase.

The Company limits its liquidity risk by ensuring bank facilities are available. The Company's terms of sale require amounts to be paid within 30 to 180 days of the date of sale.

The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 December 2009, based on contractual payment dates and current market interest rates.

31 December 2009	Payable on demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
Derivative financial instruments	—	**7,317**	**38,266**	**122,428**	**15,179**	**183,190**
Accounts payable and accruals	—	**53,807**	**7,144**	—	—	**60,951**
Borrowings (including interest payable)	—	**64,835**	**110,173**	**285,782**	**18,462**	**479,252**
Short term loans	—	**8,823**	—	—	—	**8,823**
Total	—	**134,782**	**155,583**	**408,210**	**33,641**	**732,216**

31 December 2008	Payable on demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
Derivative financial instruments	—	3,215	9,645	81,087	7,018	100,965
Accounts payable and accruals	—	81,622	14,288	174	—	96,084
Borrowings (including interest payable)	—	54,895	123,126	376,758	29,456	584,235
Short term loans	—	11,816	—	—	—	11,816
Amounts due to shareholders	96,848	—	—	—	—	96,848
Total	96,848	151,548	147,059	458,019	36,474	889,948

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a healthy capital base in order to support its business and maximise shareholders' value.

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2009 and 31 December 2008. Capital comprises share capital, statutory reserve, capital reserve, contributions from shareholders and retained earnings, and is measured at BD 653,685 thousand as at 31 December 2009 (2008: BD 660,407 thousand).

23 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

Financial assets consist of bank balances and cash, receivables and amounts due from a shareholder. Financial liabilities consist of borrowings, short term loans, payables and amounts due to shareholders. Derivative financial instruments consist of interest rate collars, knockout swaps, forward exchange contracts and commodity options.

The Company uses the following hierarchy to determine and to disclose the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2009, the Company's derivative financial instruments, consisting of interest rate swaps, are measured at fair value. These are Level 2 as per the hierarchy above for the years ended 31 December 2009 and 31 December 2008. The Company does not have financial instruments qualifying for Level 1 or Level 3 classification.

The fair values of financial instruments are not materially different from their carrying values as of the reporting date.

24 KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of trade accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At 31 December 2009, gross trade accounts receivable were BD 95,930 thousand (2008: BD 125,586 thousand), and the provision for doubtful debts was BD 6,232 thousand (2008: BD 6,795 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete or if their selling prices have declined, an estimate is made of their net realisable values. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

At 31 December 2009, stores stock was BD 25,979 thousand (2008: BD 24,820 thousand) with provisions for old and obsolete items of BD 1,200 thousand (2008: BD 1,200 thousand). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of comprehensive income.

Useful lives of property, plant and equipment

The Company's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and the future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

25 ALBA SAVINGS BENEFIT SCHEME ("THE SCHEME")

The Company operates a compulsory savings benefit scheme for its Bahraini employees.

The Scheme's assets, which are not incorporated in the financial statements, consist principally of deposits with banks and bonds.

The Scheme is established as a trust and administered by trustees representing the Company and the employees. The trustees manage the risks relating to the Scheme's assets by approving the entities in which the Scheme can invest and by setting limits for investment in individual entities.

Aluminium Bahrain B.S.C. (c)

REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS

31 DECEMBER 2008

ERNST & YOUNG

P.O. Box 140
14th Floor - The Tower
Bahrain Commercial Complex
Manama, Kingdom of Bahrain
Tel: +973 1753 5455 Fax: +973 1753 5405
manama@bh.ey.com
www.ey.com/me
C.R. No. 6700

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ALUMINIUM BAHRAIN B.S.C. (C)

We have audited the accompanying financial statements of Aluminium Bahrain B.S.C. (c) ('the Company'), which comprise the balance sheet as at 31 December 2008 and the income statement, cash flow statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2008 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matters

We confirm that, in our opinion, proper accounting records have been kept by the Company and the financial statements and the contents of the Report of the Board of Directors, relating to these financial statements are in agreement therewith. We further report, to the best of our knowledge and belief, that no violations of the Bahrain Commercial Companies Law, nor of the memorandum and articles of association of the Company have occurred during the year ended 31 December 2008 that might have had a material adverse effect on the business of the Company or on its financial position.

Ernst & Young

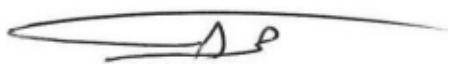
25 March 2009
Manama, Kingdom of Bahrain

Aluminium Bahrain B.S.C. (c)

BALANCE SHEET
At 31 December 2008

	Notes	2008	2007
		BD '000	BD '000
ASSETS			
Non-current assets			
Property, plant and equipment	5	**1,089,723**	1,129,005
Long term receivable	6	**24,068**	—
Derivative financial instruments	17	**—**	736
		1,113,791	1,129,741
Current assets			
Inventories	7	**226,985**	126,129
Current portion of long term receivable	6	**3,438**	—
Accounts receivable and prepayments	8	**124,859**	7,539
Amounts due from a shareholder	21	**1,925**	791
Derivative financial instruments	17	**—**	105
Bank balances and cash	9	**46,452**	34,891
		403,659	169,455
TOTAL ASSETS		**1,517,450**	1,299,196
EQUITY AND LIABILITIES			
Equity			
Share capital	10	**142,000**	142,000
Statutory reserve	11	**54,807**	25,450
Capital reserve	12	**249**	249
Retained earnings		**463,351**	199,135
Total equity		**660,407**	366,834
Non-current liabilities			
Borrowings	13	**370,125**	455,842
Derivative financial instruments	17	**83,118**	178,251
Employees' end of service benefits	14	**926**	604
		454,169	634,697
Current liabilities			
Borrowings	13	**156,911**	171,278
Short term loans	15	**11,816**	—
Accounts payable and accruals	16	**125,167**	80,852
Derivative financial instruments	17	**12,132**	33,086
Advances from shareholders	21	**—**	12,449
Amounts due to shareholders	21	**96,848**	—
		402,874	297,665
Total liabilities		**857,043**	932,362
TOTAL EQUITY AND LIABILITIES		**1,517,450**	1,299,196

These financial statements were authorised for issue in accordance with a resolution of the Directors on 25 March 2009 and signed on their behalf by:



Chairman

Director

The attached notes 1 to 26 form part of these financial statements.

Aluminium Bahrain B.S.C. (c)

INCOME STATEMENT
Year ended 31 December 2008

	Notes	2008	2007
		BD '000	BD '000
Sales to customers		**884,268**	21,703
Sales to shareholders	21	**20,895**	606,006
Total sales revenue		**905,163**	627,709
Cost of sales	19	**(640,424)**	(556,515)
GROSS PROFIT		**264,739**	71,194
Other income	18	**4,766**	3,271
Selling and distribution expenses		**(22,699)**	(2,313)
General and administrative expenses		**(20,534)**	(16,137)
Loss on exchange		**(4,796)**	(563)
Directors' fees	21	**(124)**	(188)
Finance costs	19	**(26,171)**	(41,478)
Fair value gain (loss) on revaluation/settlement of derivatives (net)	17	**98,392**	(78,253)
PROFIT (LOSS) FOR THE YEAR		**293,573**	(64,467)

The attached notes 1 to 26 form part of these financial statements.

Aluminium Bahrain B.S.C. (c)

CASH FLOW STATEMENT
Year ended 31 December 2008

	Notes	2008	2007
		BD '000	BD '000
OPERATING ACTIVITIES			
Profit (loss) for the year		**293,573**	(64,467)
Adjustments for:			
Depreciation	5	**72,793**	69,470
Provision for employees' end of service benefits	14 (a)	**894**	690
(Gain) loss on revaluation of derivatives	17	**(117,083)**	79,024
Loss (gain) on disposal of property, plant and equipment		**3,431**	(3,887)
Write off of property, plant and equipment		**973**	4,955
Interest income	18	**(2,647)**	(1,040)
Finance costs	19	**26,171**	41,478
Operating surplus before working capital changes		**278,105**	126,223
Working capital changes:			
Inventories		**(72,381)**	(4,907)
Accounts receivable and prepayments		**43,986**	4,596
Accounts payable and accruals		**38,610**	14,692
Amounts due from a shareholder		**(1,134)**	5,925
Advances from shareholders		**—**	12,449
Cash from operations		**287,186**	158,978
Employees' end of service benefits paid	14 (a)	**(572)**	(692)
Net cash flows from operating activities		**286,614**	158,286
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	**(38,736)**	(26,473)
Proceeds from disposal of property, plant and equipment		**821**	4,323
Interest received	18	**2,647**	1,040
Net cash flows used in investing activities		**(35,268)**	(21,110)
FINANCING ACTIVITIES			
Borrowings availed		**184,654**	241,376
Borrowings repaid		**(284,738)**	(317,561)
Short term loans		**4,184**	—
Finance costs paid	19	**(29,102)**	(45,701)
Margin deposits	9	**24,139**	(9,523)
Bank balances transferred by shareholders	4	**24,801**	—
Amounts due to shareholders		**(139,584)**	—
Net cash flows used in financing activities		**(215,646)**	(131,409)
INCREASE IN CASH AND CASH EQUIVALENTS		**35,700**	5,767
Cash and cash equivalents at the beginning of the year	9	**10,752**	4,985
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	9	**46,452**	10,752

Non-cash item:

Net assets transferred from the shareholders as of 31 December 2007 were BD 68,891,000 (see note 4).

The attached notes 1 to 26 form part of these financial statements.

Aluminium Bahrain B.S.C. (c)

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2008

	Share capital			Statutory reserve			Capital reserve		
	MUMTALAKAT BD '000	SIIC BD '000	BRETON BD '000	MUMTALAKAT BD '000	SIIC BD '000	BRETON BD '000	MUMTALAKAT BD '000	SIIC BD '000	BRETON BD '000
Balance at 1 January 2007	109,340	28,400	4,260	19,597	5,090	763	192	50	7
Loss for the year	—	—	—	—	—	—	—	—	—
Balance at 31 December 2007	109,340	28,400	4,260	19,597	5,090	763	192	50	7
Profit for the year	—	—	—	—	—	—	—	—	—
Transfer to statutory reserve (note 11)	—	—	—	22,911	5,951	495	—	—	—
Balance at 31 December 2008	**109,340**	**28,400**	**4,260**	**42,508**	**11,041**	**1,258**	**192**	**50**	**7**

The attached notes 1 to 26 form part of these financial statements.

Aluminium Bahrain B.S.C. (c)

STATEMENT OF CHANGES IN EQUITY—(Continued)
Year ended 31 December 2008

	Retained earnings			Total			
	MUMTALAKAT	SIIC	BRETON	MUMTALAKAT	SIIC	BRETON	Total
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
Balance at 1 January 2007	202,974	52,720	7,908	332,103	86,260	12,938	431,301
Loss for the year	(49,640)	(12,893)	(1,934)	(49,640)	(12,893)	(1,934)	(64,467)
Balance at 31 December 2007	153,334	39,827	5,974	282,463	73,367	11,004	366,834
Profit for the year	229,108	59,512	4,953	229,108	59,512	4,953	293,573
Transfer to statutory reserve (note 11)	(22,911)	(5,951)	(495)	—	—	—	—
Balance at 31 December 2008	**359,531**	**93,388**	**10,432**	**511,571**	**132,879**	**15,957**	**660,407**

The attached notes 1 to 26 form part of these financial statements.

1 ACTIVITIES

Aluminium Bahrain B.S.C.(c) ("the Company") is a Bahraini Joint Stock Company (closed) incorporated in the Kingdom of Bahrain and registered with the Ministry of Industry and Commerce under commercial registration ("CR") number 999. The Company has its registered office at 150 Askar Road, Askar 951, Kingdom of Bahrain.

The majority shareholder of the Company is the Bahrain Mumtalakat Holding Company B.S.C. (c) ("MUMTALAKAT"), a company wholly owned by the Government of the Kingdom of Bahrain, which holds 77% of the share capital. SABIC Industrial Investments Company ("SIIC"), a Saudi Arabian registered company holds 20% and the remaining 3% is held by Breton Investments Limited ("BRETON").

The Company is engaged in manufacturing aluminium and aluminium related products. The Company owns and operates a primary aluminium smelter and the related infrastructure.

Pursuant to a quota agreement entered into between the Company, the Government of the Kingdom of Bahrain ("GB"), SABIC Industrial Investments Company ("SIIC") and Breton Investments Limited (BRETON), the whole of the metal produced by the Company was acquired by GB, SIIC and BRETON in proportion to their shareholding in the Company. The quota agreement was not amended with respect to the transfer of GB's shareholding in the Company to MUMTALAKAT.

Until 31 December 2007, the Company managed the marketing function on behalf of and for the account of MUMTALAKAT and SIIC under the name of ALBA Marketing ("ALMA"), which operated as a separate unregistered joint venture of these two shareholders. On 28 March 2007, the Company's Board of Directors resolved to integrate ALMA with the Company effective 1 January 2008. Consequently, all the assets and liabilities of ALMA were transferred to the Company at their carrying values as of 31 December 2007 and the resultant amount payable is disclosed as amounts due to shareholders in the balance sheet. (note 4).

As a result of the Board's decision effective 1 January 2008, the Company directly markets the share of production of MUMTALAKAT and SIIC, while BRETON acquires its share of metal produced by the Company at prices approved by the Board of Directors of the Company.

2 BASIS OF PREPARATION

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and in conformity with the Bahrain Commercial Companies Law.

The financial statements have been presented in Bahraini Dinars ("BD"). However, the Company's functional currency is US Dollars ("USD") in respect of sales and raw material purchases. The Company uses the pegged exchange rate of 0.376 to translate USD into BD equivalent.

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of derivative financial instruments.

The accounting policies adopted by the Company are consistent with those of the previous financial year.

Improvements to IFRSs

During 2008, the International Accounting Standards Board ("IASB") issued amendments to certain standards, primarily with a view to removing inconsistencies and providing clarifications in those standards. These improvements to Standards did not have an impact on the financial position or financial performance of the Company and did not result in any changes to the disclosures in the Company's financial statements.

Standards issued but not yet effective

IAS 1 Revised Presentation of Financial Statements

The revised Standard was issued in September 2007 and becomes effective for financial years beginning on or after January 2009. The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income. It presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Company is still evaluating whether it will have one or two statements.

IAS 23 Borrowing Costs (Revised)

The IASB issued an amendment to IAS 23 in March 2007. The revised IAS 23 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The revised standard applies to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. The Company's present accounting policy is to capitalise the borrowing costs on qualifying assets and therefore this amendment does not have an impact on the financial position of the Company.

Amendments to IFRS 7 Financial Instruments: Disclosures

The amended IFRS 7 "Financial Instruments: Disclosures" was issued in March 2009 and will be effective for the year ending 31 December 2009. The application of this standard will result in enhanced disclosures about fair value measurements and liquidity risk.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated.

Depreciation is calculated on a straight line basis over the estimated useful lives of property, plant and equipment as follows:

Freehold buildings	45 years
Power generating plant	23-25 years
Plant, machinery and other equipment	3-23 years

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases the future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the income statement as the expense is incurred.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Borrowing costs

Borrowing costs comprising fees and interest directly attributable to the acquisition, construction or production of qualifying assets, which necessarily take a substantial period of time to get ready for their intended use, are included in the cost of those assets, until such time as the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in income statement in the period in which they are incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, determined as follows:

- Raw materials — Purchase cost on a weighted average basis.
- Work in progress — Cost of direct materials, labour plus attributable overheads based on normal level of activity.
- Finished goods — Finished goods are stated at the lower of cost and net realisable value
- Stores — Purchase cost calculated on a weighted average basis after making due allowance for any obsolete items.

Net realisable value is based on estimated selling price, less any further costs expected to be incurred on completion and disposal.

Accounts receivable

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, current accounts and call accounts.

Borrowings

Borrowings are recognised initially at the fair value of the consideration received less directly attributable transaction costs. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Instalments due within one year are disclosed under current liabilities.

Interest is charged as an expense based on effective yield, with unpaid interest amounts are included in "accounts payable and accruals".

Employee benefits

Termination benefits

For Bahraini nationals, the Company makes contributions to the General Organisation for Social Insurance (GOSI) Scheme. This is a funded defined contribution scheme and the Company's contributions are charged to the income statement in the year to which it relates. The Company's obligations are limited to the amounts contributed to the Scheme.

The Company provides for end of service benefits determined in accordance with the Labour Law for employees based on their salaries at the time of leaving and number of years of service. Provision for this unfunded commitment, which represents a defined benefit scheme, has been made by calculating the liability had all employees left at the balance sheet date.

Alba savings benefit scheme

The Company operates a compulsory saving scheme for its Bahraini employees. The Company's obligations are limited to the amounts to be contributed to the scheme. This saving scheme represents a funded defined contribution scheme.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognised when the Company have an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Revenue recognition

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably normally on delivery to the customer.

Other income

Other income is recognised as the income accrues.

Derivative financial instruments and hedging activities

Derivative financial instruments are initially recognised in the balance sheet at cost, including transaction costs, and subsequently re-measured to fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

The recognition of changes in the fair values of derivative financial instruments entered into for hedging purposes is determined by the nature of the hedging relationship. For the purposes of hedge accounting, derivative financial instruments are designated as a hedge of either:

i) the fair value of a recognised asset or liability (fair value hedge), or

ii) the future cash flows attributable to a recognised asset or liability or a firm commitment (cash flow hedge).

The Company's criteria for a derivative financial instrument to be accounted for as a hedge include:

- at the inception of the hedge there is formal documentation of the hedging relationship and the enterprise's risk management objective and strategy for undertaking the hedge. That documentation should include identification of the hedging instrument, the related hedged item or transaction, the nature of the risk being hedged, and how the enterprise will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or the hedged transaction's cash flows that is attributable to the hedged risk;
- the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistent with the originally documented risk management strategy for that particular hedging relationship;
- for cash flow hedges, a forecasted transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect reported net profit or loss;
- the effectiveness of the hedge can be reliably measured, that is, the fair value or cash flows of the hedged item and the fair value of the hedging instrument can be reliably measured;
- the hedge must be assessed on an ongoing basis and determined to have actually been highly effective throughout the financial reporting period.

Changes in fair values of derivative financial instruments that are designated, and qualify, as cash flow hedges and prove to be highly effective in relation to the hedged risk, are recognised as a separate component in equity as a cash flow hedge reserve. Unrealised gains or losses on any ineffective portion of cash flow hedging transactions are recognised in the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are classified as held for trading and are recognised immediately in the income statement.

Foreign currencies

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All exchange differences are taken to the income statement.

Fair values

The fair values of financial instruments traded in active markets (such as publicly traded derivatives) are based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair values of financial instruments that are not traded in an active market (for example, over the counter derivatives, interest rate collars etc) are determined by valuation techniques carried out by counterparties. The fair values of forward foreign exchange contracts are determined using forward exchange market rates at the balance sheet date with the same maturity.

4 TRANSFER OF ALMA'S ASSETS AND LIABILITIES

As explained in note 1, the details of assets transferred and liabilities assumed by the Company as of 31 December 2007 are as follows:

MUMTALAKAT and SIIC have agreed to directly bear the future losses/gains on the outstanding derivative financial instruments of ALMA as of 31 December 2007 (Note 17).

	BD '000
ASSETS	
Long term debt	**27,506**
Finished goods	**28,475**
Advances to the Company	**12,449**
Accounts receivable and prepayments (net of provision of BD 2,079,000)	**161,018**
Bank balances	**24,801**
TOTAL ASSETS	**254,249**
LIABILITIES	
Accounts payable and accruals	**8,636**
Short term loans	**7,632**
Derivative financial instruments	**144,289**
TOTAL LIABILITIES	**160,557**
AMOUNT PAYABLE TO SHAREHOLDERS	**93,692**

The break-up of the above amount by the respective shareholder is as follows:

	BD '000
Bahrain Mumtalakat Holding B.S.C. (c)	**74,374**
SABIC Industrial Investments Company	**19,318**
	93,692

The amounts payable to shareholders are payable on demand.

5 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Power generating plant	Plant, machinery and other equipment	Assets in process of completion	Total
	BD '000	BD '000	BD '000	BD '000	BD '000
Cost:					
At 1 January 2008	263,926	394,669	1,094,361	41,703	1,794,659
Additions	—	—	—	38,736	38,736
Transfers	3,182	2,934	14,879	(20,995)	—
Disposals	(110)	(7,181)	(5,269)	—	(12,560)
Write off	(28)	(1,740)	(3,160)	—	(4,928)
At 31 December 2008	266,970	388,682	1,100,811	59,444	1,815,907
Depreciation:					
At 1 January 2008	67,722	157,078	440,854	—	665,654
Charge for the year	6,558	15,024	51,211	—	72,793
Relating to disposals	(45)	(4,478)	(3,785)	—	(8,308)
Relating to write off	(24)	(1,724)	(2,207)	—	(3,955)
At 31 December 2008	74,211	165,900	486,073	—	726,184
Net carrying amount:					
At 31 December 2008	**192,759**	**222,782**	**614,738**	**59,444**	**1,089,723**

	Land and buildings	Power generating plant	Plant, machinery and other equipment	Assets in process of completion	Total
	BD '000	BD '000	BD '000	BD '000	BD '000
Cost:					
At 1 January 2007	257,988	393,118	1,091,670	36,973	1,779,749
Additions	—	—	—	26,473	26,473
Transfers	6,254	2,933	12,556	(21,743)	—
Disposals	(316)	—	(2,667)	—	(2,983)
Write off	—	(1,382)	(7,198)	—	(8,580)
At 31 December 2007	263,926	394,669	1,094,361	41,703	1,794,659
Depreciation:					
At 1 January 2007	61,403	142,625	398,328	—	602,356
Charge for the year	6,550	14,960	47,960	—	69,470
Relating to disposals	(231)	—	(2,316)	—	(2,547)
Relating to write off	—	(507)	(3,118)	—	(3,625)
At 31 December 2007	67,722	157,078	440,854	—	665,654
Net carrying amount:					
At 31 December 2007	196,204	237,591	653,507	41,703	1,129,005

a) Land and buildings include freehold land at a cost of BD 453,000 as at 31 December 2008 (2007: BD 453,000).

b) The Company is utilising land leased from the Government of Bahrain for its Line 3, 4 and 5 operations and land leased from The Bahrain Petroleum Company B.S.C. (c) (BAPCO) for its Calciner operations. These leases are free of rent.

c) The depreciation charge is allocated to cost of sales in the income statement.

6 LONG TERM RECEIVABLE

This represents amount due from Gulf Aluminium Rolling Mill Company B.S.C. (c) ("GARMCO"), a company partly owned by two of the Company's shareholders. The amount due is repayable in 16 half yearly instalments commencing 30 June 2009. Interest is payable half yearly on the outstanding balance at 6 months LIBOR plus a margin of 1% and the effective interest rate as of 31 December 2008 was 4.76%.

The current and non-current portion of the long term receivable as of 31 December 2008 are as follows:

	BD '000
Current portion	**3,438**
Non-current portion	**24,068**
	27,506

7 INVENTORIES

	2008	2007
	BD '000	BD '000
Goods in transit	**38,876**	20,282
Raw materials	**64,040**	37,607
Work-in-process	**61,973**	46,309
Finished goods	**38,476**	—
Stores stock [net of provision of BD 1.2 million (2007: BD 1.2 million)]	**23,620**	21,931
	226,985	126,129

The amount of write-down of raw materials and finished goods to net realisable value as of 31 December 2008 is BD 19,523,000 (2007: nil) which is included under cost of sales in the income statement.

8 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2008	2007
	BD '000	BD '000
Trade accounts receivable	**118,791**	3,288
Other receivables	**2,455**	2,699
Prepayments	**3,613**	1,552
	124,859	7,539

Trade receivables include BD 11,816,000 which have been assigned as a security for short term loans (note 15).

As at 31 December 2008, trade receivables at nominal value of BD 6,795,000 (2007: nil) were impaired. Movements in the allowance for impairment of trade receivables were as follows:

	2008
	BD '000
Transferred from ALMA (note 4)	**2,079**
Charge for the year	**4,716**
At 31 December	**6,795**

As at 31 December, the ageing of unimpaired trade accounts receivable is as follows:

		Neither past due nor impaired	Past due but not impaired			
	Total		Less than 30 days	30 – 90 days	91 – 120 days	Over 120 days
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
2008	**118,791**	**79,316**	**17,359**	**15,608**	**1,946**	**4,562**
2007	3,288	—	3,275	—	4	9

Trade accounts receivable are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables and the vast majority are, therefore, unsecured.

9 BANK BALANCES AND CASH

	2008	2007
	BD '000	BD '000
Cash in hand	**28**	29
Cash at bank:		
—Current accounts	**21,973**	7,889
—Call accounts	**24,451**	2,834
Cash and cash equivalents	**46,452**	10,752
Margin deposits	**—**	24,139
Bank balances and cash	**46,452**	34,891

A major portion of the bank balances are held with banks in the Kingdom of Bahrain and these balances are denominated in Bahraini Dinars and US Dollars. The call accounts earn interest and the effective interest rates as of 31 December 2008 were ranging from 0.12% to 0.87% (2007: 4% to 4.93%).

10 SHARE CAPITAL

	2008	2007
	BD '000	BD '000
Authorised (Shares of BD 1 each)	**150,000**	150,000
Issued and fully paid (Shares of BD 1 each)	**142,000**	142,000

11 STATUTORY RESERVE

In accordance with the Bahrain Commercial Companies Law and the Company's articles of association, an amount equal to 10% of the profit for the year has been transferred to a statutory reserve and future annual transfers will be made on the same basis until such time this reserve equates 50% of the issued share capital. This reserve cannot be utilised for the purpose of distribution, except in such circumstances as stipulated in the Bahrain Commercial Companies Law.

12 CAPITAL RESERVE

This reserve was created from the surplus on disposal of property, plant and equipment in prior years. This reserve is distributable subject to the approval of the shareholders.

13 BORROWINGS

	Current maturities	Between 2010-2014	After 2014	Total 2008	Total 2007
	BD '000	BD '000	BD '000	BD '000	BD '000
Working capital revolving credit [*] at 3.20% to 5.95% (2007: 4.79% to 5.95%)	82,833	—	—	**82,833**	88,473
Other working capital (2007: 5.88% to 5.74%)	—	—	—	**—**	8,648
Coke Calcining Project refinancing at 3.49% to 5.13% (2007: 5.68%to 5.70%)	8,356	12,533	—	**20,889**	29,244
Line 5 projects at 3.68% to 6.49% (2007: 5.73% to 6.49%)	19,006	158,447	27,335	**204,788**	235,579
Coface Loan at 3.29% to 5.96% (2007: 5.43% to 5.70%)	6,492	32,461	—	**38,953**	45,445
Refinancing loan at 3.18% to 5.39% (2007: 5.56% to 6.09%)	40,224	139,349	—	**179,573**	219,731
Total borrowings	156,911	342,790	27,335	**527,036**	627,120
Payable within one year				**156,911**	171,278
Payable after one year				**370,125**	455,842
				527,036	627,120

[*] The working capital revolving credit facilities are subject to annual renewal or periodic review and are expected to be reviewed or confirmed on an on-going basis. The working capital revolving facilities allow the Company to issue promissory notes of up to 12 month terms. It is the Company's policy to maintain the current level of borrowings under these facilities by issuing new promissory notes in place of maturing notes.

Coke calcining project loan, Line 5 projects loans and Coface loan are secured by the quota agreement entered into between the Company and the shareholders.

14 EMPLOYEE BENEFITS

a) Defined benefit scheme—leaving indemnities

Movements in the provision recognised in the balance sheet are as follows:

	2008	2007
	BD '000	BD '000
Beginning of the year	**604**	606
Provided during the year (note 19)	**894**	690
End of service benefits paid	**(572)**	(692)
End of the year	**926**	604

b) Defined contribution schemes

Movements in liabilities recognised in the balance sheet are as follows:

	ALBA Savings Benefit Scheme		General Organisation for Social Insurance	
	2008	2007	2008	2007
	BD '000	BD '000	BD '000	BD '000
Beginning of the year	**1,331**	1,511	**704**	311
Expense recognised in the income statement (note 19)	**3,699**	3,191	**4,308**	4,031
Contributions paid	**(2,744)**	(3,371)	**(4,455)**	(3,638)
End of the year (note 16)	**2,286**	1,331	**557**	704

15 SHORT TERM LOANS

These represent short term financing availed from financial institutions in the Kingdom of Bahrain and are fully secured by the assignment of certain trade receivables amounting to BD 11,816,000 (note 8). The effective interest rates as of 31 December 2008 were between 2.8% to 4.9%.

16 ACCOUNTS PAYABLE AND ACCRUALS

	2008	2007
	BD '000	BD '000
Trade payables	**90,708**	50,685
Retentions payable	**174**	185
Employee related accruals	**17,541**	15,682
Accrued expenses	**13,538**	12,265
Advances from customers	**363**	—
Alba Savings Benefit Scheme [note 14 (b)]	**2,286**	1,331
General Organisation for Social Insurance [(note 14 (b)]	**557**	704
	125,167	80,852

17 DERIVATIVE FINANCIAL INSTRUMENTS

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 the balance sheet date are as follows:

	2008		2007	
	Assets	Liabilities	Assets	Liabilities
	BD '000	BD '000	BD '000	BD '000
Commodity options	—	**73,847**	—	207,729
Interest rate collars and knockout swaps	—	**19,495**	841	3,608
Forward foreign exchange contracts	—	**1,908**	—	—
Total	—	**95,250**	841	211,337

Classified in the balance sheet as follows:

Non-current portion:				
Commodity options	—	**69,188**	—	175,121
Interest rate collars and knockout swaps	—	**12,519**	736	3,130
Forward foreign exchange contracts	—	**1,411**	—	—
	—	**83,118**	736	178,251
Current portion	—	**12,132**	105	33,086

The fair valuation of the derivative financial instruments resulted in the following gains (losses) to the income statement for the year ended 31 December 2008.

	2008	2007
	BD '000	BD '000
Revaluation:		
Commodity options	**135,719**	(72,178)
Interest rate collars and knockout swaps	**(16,728)**	(6,653)
Forward foreign exchange contracts	**(1,908)**	(193)
	117,083	(79,024)
Realised:		
Commodity options	**(18,994)**	(1,128)
Interest rate collars and knockout swaps	**303**	1,899
	(18,691)	771
Net gain (loss) on fair valuation	**98,392**	(78,253)

During the year, the Company transferred an amount of BD 3,130,000, being the net change on account of the derivative financial instruments of ALMA to MUMTALAKAT and SIIC. (note 21).

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 income statement.

Interest rate collars and knockout swaps

The Company entered into an interest rate collar and knockout swap transactions for US$ 1.5 billion floating rate borrowings for financing the Line 5 project (note 13) to manage overall financing costs. These contracts expire on 17 February 2015.

The notional amounts outstanding as at 31 December 2008 was US$ 968.6 million (2007: US$ 1.12 billion).

Commodity options

The Company entered into commodity options to offset the premium payable on the interest rate collar. The exposure to the Company is that if the LME price of aluminium exceeds US$ 1,780 (2007: US$ 1,780) per metric tonne (which is above the London Metal Exchange (LME) price used at the feasibility study), then the Company will pay the difference between the market price and the average contracted price of US$ 1,780 (2007: US$ 1,780) per metric tonne for certain tonnage of aluminium.

ALMA entered into commodity derivative contracts to reduce the price risk on sales commitments. These derivative contracts are recorded in the Company's financial statements from 1 January 2008 and expires during 2009.

Forward foreign exchange contracts

The Company has entered into forward foreign exchange contracts for capital expenditure cash outflows in foreign currencies equivalent to BD 32,255,000 (2007: nil) as of the balance sheet date. These contracts expire on 8 March 2013.

18 OTHER INCOME

	2008	2007
	BD '000	BD '000
Interest income	**2,647**	1,040
Sale of water (note 21)	**1,921**	2,183
Miscellaneous	**198**	48
	4,766	3,271

19 PROFIT (LOSS) FOR THE YEAR

Profit (loss) for the year is stated after charging:

	2008	2007
	BD '000	BD '000
Cost of sales:		
Raw materials including natural gas	**451,443**	381,935
Depreciation	**72,793**	69,470
Staff costs	**65,645**	56,050
Spares and consumables	**25,284**	24,020
Contracted repairs and major maintenance	**15,051**	12,259
Royalty	**5,058**	5,385
Consultancy fees	**208**	301
Other expenses	**4,942**	7,095
	640,424	556,515
Inventories recognised as an expense in cost of sales	**391,509**	334,438

	2008 BD '000	2007 BD '000
Staff costs:		
Wages and salaries	**63,204**	54,384
Employees' end of service benefits [Note 14 (a)]	**894**	690
Alba savings benefit scheme [Note 14 (b)]	**3,699**	3,191
General Organisation for Social Insurance [Note 14 (b)]		
—Bahrainis	**4,236**	3,796
—Non-Bahrainis	**72**	235
Indirect benefits (housing, education)	**753**	483
Payment to contractors	**1,639**	2,001
Others	**789**	398
Recharged to assets in process of completion	**—**	(572)
	75,286	64,606

The staff costs have been allocated in the income statement as follows:

Cost of sales	**65,645**	56,050
General and administrative expenses	**8,929**	7,859
Selling and distribution expenses	**712**	697
	75,286	64,606
Finance costs:		
Interest on borrowings	**25,420**	41,373
Interest on short term loans	**347**	—
Bank charges	**404**	105
	26,171	41,478

20 COMMITMENTS AND CONTINGENCIES

a) Commitments

	2008 BD '000	2007 BD '000
Physical metal commitments		
Sales commitments 2008: 42,331 metric tons	**25,906**	—

Capital expenditure

Estimated capital expenditure contracted for at the balance sheet date amounted to BD 54,850,000 (2007: BD 16,569,000). The commitments are expected to be settled within 1 to 5 years.

Letters of credit

The commitments on outstanding letters of credit as at 31 December 2008 were BD 11,185,000 (2007: BD 5,142,000). The commitments are expected to be settled within 1 year.

At 31 December 2008, the Company's bankers have issued letters of credit to counterparties for derivative transactions amounting to BD 33,840,000 (2007: BD 62,228,000).

b) Contingencies

The Company has issued guarantees to banks in the Kingdom of Bahrain in respect of Albaskan Scheme, amounting to BD 1,951,000 (2007: BD 1,380,000). The Albaskan Scheme entitles all its qualifying employees to acquire houses.

c) Legal claims

A third party has initiated a claim against the Company towards damages caused to its business unit. The Company is defending the claim and it is not practicable to estimate the liability and timing of any payments at this stage. Hence no provision has been recognised in these financial statements.

On 27 February 2008, the Company has filed a law suit against its principal raw material supplier. It is not practical to estimate the effect of this law suit on the financial statements at this stage.

21 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

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 income statement are as follows:

	2008		2007	
	Shareholders	Other related parties	Shareholders	Other related parties
	BD '000	BD '000	BD '000	BD '000
Revenue and other income				
Sale of metal	**20,895**	**157,640**	606,006	—
Sale of water	**—**	**1,566**	—	1,862
Interest on long term receivable	**—**	**1,356**	—	—
	20,895	**160,562**	606,006	1,862
Cost of sales and expenses				
Purchase of natural gas and diesel	**—**	**60,279**	—	47,788
Royalty	**—**	**5,058**	—	5,385
Electricity cost	**—**	**2,266**	—	1,114
Staff cost recharged	**100**	**—**	—	—
	100	**67,603**	—	54,287

Balances with related parties included in the balance sheet are as follows:

	2008		2007	
	Shareholders	Other related parties	Shareholders	Other related parties
	BD '000	BD '000	BD '000	BD '000
Long term receivable	**—**	**27,506**	—	—
Bank balances	**—**	**24,719**	—	5,948
Receivables	**1,925**	**32,218**	791	292
	1,925	**84,443**	791	6,240
Borrowings	**—**	**23,425**	—	23,425
Advances	**—**	**—**	12,449	—
Payables (note below)	**96,848**	**43,887**	—	20,463
	96,848	**67,312**	12,449	43,888

The break-up of the amounts payable to shareholders as of 31 December 2008 is as follows:

	2008		
	MUMTALAKAT	SIIC	Total
	BD '000	BD '000	BD '000
Payable to shareholders			
Transfer of net assets (note 4)	**74,374**	**19,318**	**93,692**
Movement in derivative financial instruments of ALMA	**2,485**	**645**	**3,130**
Others	**—**	**26**	**26**
	76,859	**19,989**	**96,848**

Outstanding balances at year-end arise in the normal course of business. For the year ended 31 December 2008, the Company has not recorded any impairment of amounts due from related parties (2007: nil).

Compensation of key management personnel

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

	2008	2007
	BD '000	BD '000
Short term benefits	**1,158**	1,084
End of service benefits	**60**	23
Contributions to Alba Savings Benefit Scheme	**110**	100
	1,328	1,207

Directors' fees during the year amounted to BD 124,000 (2007: BD 188,000).

22 RISK MANAGEMENT

The Company's financial instruments are exposed to market risk (including interest rate risk, currency risk and commodity price risk), credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarized below. The Company's accounting policies in relation to derivatives are set out in Note 3.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the future profitability or the fair value of financial assets and liabilities. All financial assets and the majority of financial liabilities are either variable interest rate based or short term in nature.

The Company is exposed to interest rate risk on its interest bearing assets and liabilities (long term receivable, call accounts and borrowings). The Company has an interest rate collar and knockout swaps to limit the fluctuation in interest rates arising out of borrowings for its Line 5 expansion.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the Company's result for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2008.

The interest earned on long term receivable is based on floating LIBOR rate plus margin. The call accounts earn interest at commercial rates. The interest rates are disclosed in note 6 and 9.

The following table demonstrates the sensitivity of the income statement to reasonably possible changes in interest rates, with all other variables held constant.

	Interest on call deposits and margin deposits		Interest on borrowings (after giving effect for derivatives)	
	Increase / decrease in basis points	Effect on results for the year	Increase / decrease in basis points	Effect on results for the year
		BD '000		BD '000
2008	**100**	**245**	**100**	**(1,263)**
	-100	**(245)**	**-100**	**1,263**
2007	100	270	100	(5,312)
	-100	(270)	-100	5,312

Currency risk

Currency risk is the risk associated with fluctuations in the value of a financial instrument due to changes in foreign exchange rates.

The Company's financial instruments are mainly denominated in Bahraini Dinars, US Dollars, Euros, Great Britain Pounds and Swiss Francs. The Company uses forward foreign exchange contracts to hedge against currency fluctuations (note 17).

As the Bahraini Dinar is pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk.

As of 31 December, the following financial instruments are denominated in currencies other than Bahrain Dinar and US Dollar, which were unhedged:

Financial instruments	Currency	2008	2007
		BD '000	BD '000
Bank balances	*Euro*	**7,229**	2,310
	Great Britain Pounds	**33**	46
Receivables	*Euro*	**31,579**	—
Payables	*Euro*	**8,741**	1,522
	Great Britain Pounds	**234**	56
	Swiss Franc	**55**	551

The table below indicates the Company's unhedged foreign currency exposures at 31 December, as a result of its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the Bahraini Dinar's currency rate against currencies which are exposed to currency risk, with all other variables held constant, on the income statement (due to the fair value of currency sensitive monetary assets and liabilities).

The effect of decreases in currency rate is expected to be equal and opposite to the effect of the increases shown.

	2008		2007	
Currency	Increase in currency rate to the	Effect on results for the year	Increase in currency rate to the	Effect on results for the year
	BD	BD '000	BD	BD '000
Euro	**+10%**	**3,007**	+10%	79
Great Britain Pounds	**+10%**	**(20)**	+10%	(1)
Swiss Franc	**+10%**	**(6)**	+10%	(55)
		2,981		23

Commodity price risk

Commodity price risk is the risk that future profitability is affected by changes in commodity prices. The Company is exposed to commodity price risk, as its selling price for aluminium are generally based on aluminium prices quoted on the London Metal Exchange (LME).

The following table demonstrates the sensitivity of the income statement to reasonably possible changes in the LME price on derivatives outstanding as of 31 December 2008, with all other variables held constant.

	Increase/ decrease in LME price	Effect on results for the year
		BD '000
2008	**+50%**	**(36,148)**
	-50%	**36,148**
2007	+50%	(103,865)
	-50%	103,865

In addition, a change of +/- 50% in price of aluminium in the LME on ALMA's derivatives outstanding as of 31 December 2008, will have an effect on amounts due to shareholders by BD 776,000.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company is exposed to credit risk on its bank balances, trade accounts receivable and the positive fair value of derivatives.

Cash is placed with reputable banks having good credit ratings. The Company manages credit risk with respect to receivables from customers by receiving payments in advance from customers, obtaining letter of credit, by granting credit terms and by monitoring the exposure to customers on an ongoing basis.

Provision for bad and doubtful debts are made for doubtful receivable accounts whenever risks of default are identified.

The maximum credit risk exposure at the balance sheet date is equal to the carrying value of the financial assets shown in the balance sheet, which are net of provisions for bad and doubtful debts.

The Company sells its products to a large number of customers. Its five largest customers account for 53% of outstanding accounts receivable at 31 December 2008 (2007: 96%).

As of the balance sheet date, the Company has significant concentration of credit risk to Gulf Aluminium Rolling Mill Company B.S.C. (c) which consists of:

	2008
	BD '000
Long term receivable	**27,506**
Trade accounts receivable	**31,716**
	59,222

Derivative contracts are entered into with counter parties with good credit rating and are not subject to significant credit risk.

Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at or close to its fair value. The shareholders provide funds to the Company to meet its commitments as and when they fall due. Trade payables are normally settled within 45 days of the date of purchase.

The Company limits its liquidity risk by ensuring bank facilities are available. The Company's terms of sales require amounts to be paid within 30 to 180 days of the date of sale.

The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 December 2008, based on contractual payment dates and current market interest rates.

31 December 2008	Payable on demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
Derivative financial instruments	**—**	**3,215**	**9,645**	**81,087**	**7,018**	**100,965**
Accounts payable	**—**	**79,263**	**14,288**	**174**	**—**	**93,725**
Borrowings (including interest payable)	**—**	**54,180**	**135,455**	**376,758**	**29,456**	**595,849**
Short term loans	**—**	**11,816**	**—**	**—**	**—**	**11,816**
Amounts due to shareholders	**96,848**	**—**	**—**	**—**	**—**	**96,848**
Total	**96,848**	**148,474**	**159,388**	**458,019**	**36,474**	**899,203**

31 December 2007	Payable on demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
Derivative financial instruments	—	8,853	26,218	171,023	17,924	224,018
Accounts payable	—	41,705	11,015	185	—	52,905
Borrowings (including interest payable)	—	19,140	193,856	482,912	57,487	753,395
Total	—	69,698	231,089	654,120	75,411	1,030,318

Capital management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital base in order to support its business and maximise shareholders' value.

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2008 and 31 December 2007. Capital comprises share capital, statutory reserve, capital reserve and retained earnings, and is measured at BD 660,407,000 as at 31 December 2008 (2007: BD 366,834,000).

23 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

Financial assets consist of bank balances and cash, receivables and amounts due from a shareholder. Financial liabilities consist of borrowings, short term loans, payables and amounts due to shareholders. Derivative financial instruments consist of interest rate collars, knockout swaps, forward exchange contracts and commodity options.

The fair values of financial instruments are not materially different from their carrying values as of the balance sheet.

24 KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the balance sheet date, gross trade accounts receivable were BD 125,586,000 (2007: BD 3,288,000), and the provision for doubtful debts was BD 6,795,000 (2007: nil). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the income statement.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete or if their selling prices have declined, an estimate is made of their net realisable values. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

At the balance sheet date, stores stock was BD 24,820,000 (2007: BD 23,131,000) with provisions for old and obsolete items of BD 1,200,000 (2007: BD 1,200,000) Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the income statement.

Useful lives of property, plant and equipment

The Company's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

25 ALBA SAVINGS BENEFIT SCHEME ("THE SCHEME")

The Company operates a compulsory savings benefit scheme for its Bahraini employees.

The Scheme's assets, which are not incorporated in the financial statements, consist principally of deposits with banks and bonds.

The Scheme is established as a trust and administered by trustees representing the Company and the employees. The trustees manage the risks relating to the Scheme's assets by approving the entities in which the Scheme can invest and by setting limits for investment in individual entities.

26 COMPARATIVES

In the current year, the Company decided to amend the presentation of expenses in the income statement from nature of expense to the function of expense as management believed this would provide more clarity to the readers and also in line with the presentation followed by other companies in the industry.

The following figures for 2007 have been reclassified to conform with the presentation in the current year. Such reclassifications do not affect previously reported retained earnings or shareholders' equity.

Expense type	Cost of sales	Selling and distribution expenses	General and administrative expenses	Total
	BD '000	BD '000	BD '000	BD '000
Raw materials including natural gas	381,935	—	—	381,935
Depreciation	69,470	—	—	69,470
Staff costs	56,050	697	7,859	64,606
Spares and consumables	24,020	16	318	24,354
Contracted repairs and major maintenance	12,259	465	887	13,611
Royalty	5,385	—	—	5,385
Consultancy fees	301	6	1,787	2,094
Other expenses	7,095	1,129	5,286	13,510
Total	556,515	2,313	16,137	574,965

Aluminium Bahrain B.S.C. (c) and
ALBA Marketing

COMBINED FINANCIAL STATEMENTS

31 DECEMBER 2007

ERNST & YOUNG

P.O. Box 140
14th Floor - The Tower
Bahrain Commercial Complex
Manama, Kingdom of Bahrain
Tel: +973 1753 5455 Fax: +973 1753 5405
manama@bh.ey.com
www.ey.com/me
C.R. No. 6700

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF ALUMINIUM BAHRAIN B.S.C. (c)

We have audited the accompanying combined financial statements of Aluminium Bahrain B.S.C. (c) ["the Company"] and ALBA Marketing ["ALMA"] (collectively referred to as the "Entities") which comprise the combined statement of financial position as at 31 December 2007 and the combined statements of comprehensive income, cash flows and changes in equity for the year then ended and a summary of significant accounting policies and other explanatory notes. The preparation and presentation of these combined financial statements is the responsibility of the Company's management. Our responsibility is to express an opinion on the combined financial statements based on our audit.

Save for any responsibility arising from (a) its inclusion in the Offering Memorandum for the initial offering of the Company's shares and (b) its inclusion in the Prospectus for the offering of Global Depositary Receipts (GDRs) under Prospectus Rule 5.5.4R (2) (f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex X to Commission Regulation (EC) 809/2004, consenting to its inclusion in the Prospectus for the offering of GDRs of the Company.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall combined financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

These combined financial statements have been prepared by the management of Aluminium Bahrain B.S.C. (c) on the basis of preparation note set out in note 2 to the combined financial statements for the purpose of inclusion in the Offering Memorandum for the initial offering of the Company's shares and the Prospectus for the offering of GDRs.

In our opinion, the combined financial statements present fairly, in all material respects the combined financial position of the Entities as at 31 December 2007 and their financial performance and their cash flows for the year ended 31 December 2007, in accordance with the basis of preparation set out in note 2 to the combined financial statements.

Declaration

For the purposes of Prospectus Rule 5.5.4R (2) (f) we are responsible for this report as part of the Prospectus for the offering of GDRs and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus for the offering of GDRs in compliance with item 1.2 of Annex X of Commission Regulation (EC) 809/2004.

Ernst & Young

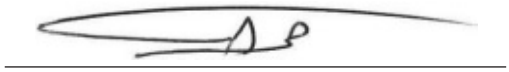
1 September 2010
Manama, Kingdom of Bahrain

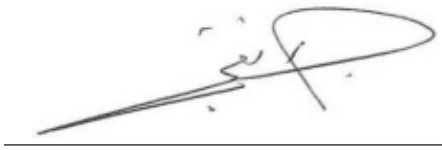
Aluminium Bahrain B.S.C. (c) and ALBA Marketing

COMBINED STATEMENT OF FINANCIAL POSITION
At 31 December 2007

	Notes	2007	2006
		BD '000	BD '000
ASSETS			
Non-current assets			
Property, plant and equipment	4	**1,129,005**	1,177,393
Derivative financial instruments	16	**736**	4,101
Long term receivable	5	**27,506**	—
		1,157,247	1,181,494
Current assets			
Inventories	6	**150,245**	154,089
Accounts receivable and prepayments	7	**169,349**	201,025
Derivative financial instruments	16	**105**	17,234
Bank balances and cash	8	**59,692**	63,067
		379,391	435,415
TOTAL ASSETS		**1,536,638**	1,616,909
EQUITY AND LIABILITIES			
Equity			
Share capital	9	**142,000**	142,000
Statutory reserve	10	**25,450**	25,450
Capital reserve	11	**249**	249
Cash flow hedge reserve		**—**	11,247
Retained earnings		**199,135**	263,602
Amounts due to (from) principal shareholders	2(e)	**89,334**	(84,198)
Total equity		**456,168**	358,350
Non-current liabilities			
Borrowings	12	**455,842**	531,335
Derivative financial instruments	16	**204,989**	260,728
Employees' end of service benefits	13(a)	**604**	606
		661,435	792,669
Current liabilities			
Borrowings	12	**171,278**	171,970
Short term loans	14	**7,632**	14,059
Accounts payable and accruals	15	**89,488**	77,947
Derivative financial instruments	16	**150,637**	201,914
		419,035	465,890
Total liabilities		**1,080,470**	1,258,559
TOTAL EQUITY AND LIABILITIES		**1,536,638**	1,616,909

The combined financial statements were approved for issue by the Board of Directors on 1 September 2010.





The attached notes 1 to 27 form part of these combined financial statements.

Aluminium Bahrain B.S.C. (c) and ALBA Marketing

COMBINED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2007

	Notes	Year ended 31 December 2007	Period from 27 December 2005 to 31 December 2006
		BD '000	BD '000
Sales to customers		**923,954**	880,052
Sales to a shareholder	2 (c)	**16,198**	16,497
		940,152	896,549
Cost of sales	17	**(562,300)**	(519,158)
GROSS PROFIT		**377,852**	377,391
Other income	18	**7,696**	9,465
Selling and distribution expenses		**(23,364)**	(12,115)
General and administrative expenses		**(16,245)**	(13,160)
Write off of property, plant and equipment		**(4,955)**	(561)
Gain on exchange		**511**	624
Directors' fees		**(188)**	(81)
Finance costs	19	**(42,382)**	(44,044)
PROFIT FOR THE YEAR/PERIOD BEFORE DERIVATIVES		**298,925**	317,519
Fair value loss on revaluation/settlement of derivatives (net)	16	**(62,020)**	(332,722)
PROFIT (LOSS) FOR THE YEAR/PERIOD	19	**236,905**	(15,203)
Other comprehensive (loss) income			
Net movement in the cash flow hedge		**(11,247)**	48,726
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		**225,658**	33,523
Profit (loss) for the year/period comprises of:			
Loss of Aluminium Bahrain B.S.C. (c)		**(64,467)**	(20,955)
Profit of ALBA Marketing		**301,372**	5,752
		236,905	(15,203)
Total comprehensive income for the year/period comprises of:			
Loss of Aluminium Bahrain B.S.C. (c)		**(64,467)**	(20,955)
Profit of ALBA Marketing		**290,125**	54,478
		225,658	33,523

The attached notes 1 to 27 form part of these combined financial statements.

Aluminium Bahrain B.S.C. (c) and ALBA Marketing

COMBINED STATEMENT OF CASH FLOWS
Year ended 31 December 2007

	Notes	Year ended 31 December 2007	Period from 27 December 2005 to 31 December 2006
		BD '000	BD '000
OPERATING ACTIVITIES			
Profit (loss) for the year/period		**236,905**	(15,203)
Adjustments for:			
Depreciation	4	**69,470**	72,000
Provision for employees' end of service benefits	13 (a)	**690**	681
Provision for doubtful debts	7	**2,079**	—
Unrealised (gain) loss on derivatives	16	**(48,644)**	179,623
Realised cash flow hedge reserve		**(49,448)**	—
(Gain) loss on disposal of property, plant and equipment		**(3,887)**	108
Write off of property, plant and equipment		**4,955**	561
Interest income	18	**(5,465)**	(5,808)
Finance costs	19	**42,382**	44,044
		249,037	276,006
Working capital changes:			
Inventories		**3,844**	(12,604)
Accounts receivable and prepayments		**2,414**	(54,112)
Accounts payable and accruals		**16,327**	5,593
Cash from operations		**271,622**	214,883
Employees' end of service benefits paid	13 (a)	**(692)**	(615)
Net cash flows from operating activities		**270,930**	214,268
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	**(26,473)**	(26,204)
Proceeds from disposal of property, plant and equipment		**4,323**	161
Interest received	18	**5,465**	5,808
Net cash flows used in investing activities		**(16,685)**	(20,235)
FINANCING ACTIVITIES			
Borrowings availed		**241,376**	34,861
Borrowings repaid		**(317,561)**	(90,095)
Short term loans (net)		**(6,427)**	14,059
Cash transferred to principal shareholders		**(127,840)**	(75,198)
Finance costs paid		**(47,168)**	(42,184)
Margin deposits—net		**17,682**	(29,282)
Deposit with a financial institution		**—**	1,892
Net cash flows used in financing activities		**(239,938)**	(185,947)
INCREASE IN CASH AND CASH EQUIVALENTS		**14,307**	8,086
Cash and cash equivalents at the beginning of the year/period		**21,246**	13,160
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	8	**35,553**	21,246

Non cash item:

During the year, a trade receivable of BD 27,506 thousand was converted into long term receivable (note 5).

The attached notes 1 to 27 form part of these combined financial statements.

Aluminium Bahrain B.S.C. (c) and ALBA Marketing

COMBINED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2007

	Share capital	Statutory reserve	Capital reserve	Cash flow hedge reserve	Retained earnings	Amounts due (from) to shareholders	Total
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
Balance at 26 December 2005	142,000	25,450	249	(37,479)	284,557	(14,752)	400,025
(Loss) profit for the period	—	—	—	—	(20,955)	5,752	(15,203)
Other comprehensive income for the period	—	—	—	48,726	—	—	48,726
Total comprehensive income (loss)	—	—	—	48,726	(20,955)	5,752	33,523
Cash transferred to principal shareholders	—	—	—	—	—	(75,198)	(75,198)
Balance at 31 December 2006	142,000	25,450	249	11,247	263,602	(84,198)	358,350
(Loss) profit for the year	—	—	—	—	(64,467)	301,372	236,905
Other comprehensive loss for the year	—	—	—	(11,247)	—	—	(11,247)
Total comprehensive (loss) income	—	—	—	(11,247)	(64,467)	301,372	225,658
Cash transferred to principal shareholders	—	—	—	—	—	(127,840)	(127,840)
Balance at 31 December 2007	**142,000**	**25,450**	**249**	**—**	**199,135**	**89,334**	**456,168**

The attached notes 1 to 27 form part of these combined financial statements.

COMBINED STATEMENT OF CHANGES IN EQUITY—(Continued)
Year ended 31 December 2007

	Share capital	Statutory reserve	Capital reserve	Cash flow hedge reserve	Retained earnings	Amounts due (from) to principal shareholders	Total
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
Allocation of equity among ALBA's shareholders							
Bahrain Mumtalakat Holding Company B.S.C. (c)	109,340	19,597	192	8,928	202,974	(66,838)	274,193
SABIC Industrial Investments Company (SIIC)	28,400	5,090	50	2,319	52,720	(17,360)	71,219
Breton Investments Limited	4,260	763	7	—	7,908	—	12,938
Balance at 31 December 2006	142,000	25,450	249	11,247	263,602	(84,198)	358,350

	Share capital	Statutory reserve	Capital reserve	Cash flow hedge reserve	Retained earnings	Amounts due (from) to principal shareholders	Total
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
Allocation of equity among ALBA's shareholders							
Bahrain Mumtalakat Holding Company B.S.C. (c)	109,340	19,597	192	—	153,334	70,915	353,378
SABIC Industrial Investments Company (SIIC)	28,400	5,090	50	—	39,827	18,419	91,786
Breton Investments Limited	4,260	763	7	—	5,974	—	11,004
Balance at 31 December 2007	**142,000**	**25,450**	**249**	**—**	**199,135**	**89,334**	**456,168**

The attached notes 1 to 27 form part of these combined financial statements.

1 ACTIVITIES

Aluminium Bahrain B.S.C. (c) ("ALBA") or ("the Company") is a Bahraini Joint Stock Company (closed) incorporated in the Kingdom of Bahrain and registered with the Ministry of Industry and Commerce under commercial registration (CR) number 999. ALBA has its registered office at 150, Askar Road, Askar 951, Kingdom of Bahrain.

At 31 December 2007, the majority shareholder of the Company is the Bahrain Mumtalakat Holding Company B.S.C (c) (MUMTALAKAT), a company wholly owned by the Government of the Kingdom of Bahrain, which holds 77% of the share capital. SABIC Industrial Investments Company (SIIC), a Saudi Arabian registered company holds 20% and the remaining 3% was held by Breton Investments Limited (BRETON).

In accordance with the share purchase agreement dated 24 March 2010, the Company purchased 4,260,000 shares from BRETON representing 3% of the issued and paid up share capital of ALBA held by BRETON. BRETON ceased to be a Company's shareholder effective 15 April 2010.

The Company owns and operates a primary aluminium smelter and the related infrastructure. In addition until 2007 the Company also managed the marketing function on behalf of and for the account of MUMTALAKAT and SIIC under the name of ALBA Marketing ("ALMA"), which operated as a separate unregistered joint venture of these two shareholders. On 28 March 2007, the Company's Board of Directors resolved to integrate ALMA's activities with the Company effective 1 January 2008 [note 27 (b)].

ALBA Marketing ("ALMA"), was an unregistered joint venture which was formed on 20 June 1999 by the Government of the Kingdom of Bahrain and the Saudi Public Investment Fund, the principal shareholders of Aluminium Bahrain B.S.C. (c), to carry out the marketing of their quota of aluminium produced by ALBA. In 2002, the Saudi Public Investment Fund transferred its ownership to SABIC Industrial Investments Company with the approval of the Government of the Kingdom of Bahrain.

The main activity of ALMA was the sale of aluminium metal quota of ALBA belonging to MUMTALAKAT and SIIC.

Pursuant to a Quota agreement entered into between the Company, the Government of the Kingdom of Bahrain (GB), SABIC Industrial Investments Company (SIIC) and Breton Investments Limited (BRETON), the whole of the metal produced is acquired by GB, SIIC and BRETON in proportion to their shareholding in the Company. Subsequent to the transfer of GB's shareholding in ALBA to Bahrain Mumtalakat Holding Company B.S.C. (c), the Quota agreement has not been amended to incorporate the change in shareholding.

Upto 2005, both ALBA and ALMA used to present annual financial statements upto the last Monday in December (52 week period). The Board of Directors of ALBA in their meeting held on 22 March 2006 decided to the change the reporting period to a calendar year basis. The change in financial year end was made in order to align the Entities' accounting periods with global companies. Hence the combined statements of comprehensive income, cash flows and changes in equity for 2007 covers a period of twelve months compared to fifty two weeks and six days in 2006.

The Company's shareholders at an Extraordinary General Assembly held on 9 June 2010 resolved to convert the Company's legal status from a closed Bahraini joint stock company to a public Bahraini joint stock company.

2 BASIS OF PREPARATION

MUMTALAKAT is planning to reduce its ownership in ALBA through offering of the Company's shares and Global Depository Receipts.

The combined financial statements of ALBA and ALMA for the year ended 31 December 2007 will be included in the Offering Memorandum for the initial offering of the Company's shares and the Prospectus for the offering of Global Depository Receipts (GDRs) by the Company.

On 28 March 2007, the Company's Board of Directors resolved to integrate ALMA's activities with the Company effective 1 January 2008. As such, prior to 1 January 2008, the Company did not control ALMA and consequently the Company is not permitted by IAS 27 "Consolidated and Separate Financial Statements", to present consolidated financial information. Accordingly the financial information, which has been prepared specifically for the purpose of the Offering Memorandum for the initial offering of the Company's shares and the Prospectus for the offering of GDRs, is prepared on a basis that combines the revenue, costs, income, expenses, assets and liabilities of ALMA (together "the Entities") by applying the principles underlying the consolidation procedures of IAS 27 as of and for the year ended 31 December 2007. Comparative financial information for as of and for the year ended 31 December 2006 has also been included. Internal transactions within the Entities have been eliminated on combination.

The combined financial information has been prepared with this basis of preparation for the purpose of inclusion in the Offering Memorandum for the initial offering of the Company's shares and the Prospectus for the offering of GDRs. The basis of preparation describes how the financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) except as described below:

IFRSs do not provide for the preparation of combined financial information, and accordingly in preparing the combined financial information certain accounting conventions commonly used for the preparation of historical financial information have been applied. The application of these conventions results in the following material departures from IFRSs. In other respects IFRSs have been applied.

- As explained above, the historical financial information is prepared on a combined basis and therefore does not comply with the requirements of IAS 27.
- Earnings per share is not disclosed as required by IAS 33 "Earnings Per Share" as the historical financial information has been prepared on a combined basis, rather than a legal consolidation.
- The combined financial information does not constitute a set of general purpose financial statements under paragraph 2 of IAS 1 and consequently there is no explicit and unreserved statement of compliance with IFRS as contemplated by paragraph 16 of IAS 1.

The combined financial statements have been presented in Bahraini Dinars (BD) being the functional currency of ALBA. However, ALMA's functional currency is US Dollars (US$) and ALMA uses a pegged exchange rate of 0.376 to translate US$ to BD equivalent.

The combined financial statements are prepared under the historical cost convention modified to include the measurement at fair value of derivative financial instruments.

The combined financial statements are prepared for the same reporting year as ALBA and ALMA using consistent accounting policies. In preparation of the combined financial statements, the following adjustments have been made to the audited figures of ALBA and ALMA.

a) Finished goods of ALMA

ALBA transfers the metal allocation of MUMTALAKAT and SIIC under the quota agreement at a transfer price which is higher than the cost of metal produced by ALBA. International Accounting Standard (IAS 2) "Inventories" states that the cost of finished goods should include the cost of materials, labour and an appropriate proportion of overheads. Accordingly an adjustment, representing the difference between the cost of production and the transfer price, is made to the finished goods values of ALMA in the combined financial statements.

The transfer price and cost of production per metric tonne (mt) for the year ended 31 December 2007 and period ended 31 December 2006 are as mentioned below:

	Transfer price	Cost of production
	BD	BD
2007	**714 per MT**	**625 per MT**
2006	650 per MT	554 per MT

b) Elimination of transaction between Entities and balances

The transfer of metal from ALBA to ALMA is disclosed as sales and cost of sales in the audited financial statements of ALBA and ALMA respectively. In the preparation of these combined financial statements the sales and purchase amounts (transactions between Entities) are eliminated in full. The amount eliminated in the combined financial statements for the year ended 31 December 2007 is BD 589,808 thousand (2006: BD 537,941 thousand).

Similarly, the receivable and payable balances arising from the sales and purchase transactions are eliminated in full. The amount of receivables and payables eliminated in the combined financial statements for the year ended 31 December 2007 is BD 12,449 thousand (2006: BD 6,963 thousand).

c) Sales and related receivable relating to 3% share of BRETON

Sales to BRETON are made under the quota agreement at a transfer price which is different from the commercial market prices of aluminium. Sales to BRETON during the year ended 31 December 2007 amounted to BD 16,198 thousand (2006: BD 16,497 thousand).

Amount due from Breton Investments Limited is included under amount due from related parties (note 22).

d) Equity attributable to shareholders of ALBA

Equity attributable to shareholders of ALBA represents their share in the equity of ALBA. In the preparation of the combined financial statements the equity of ALBA is allocated to all shareholders in the ratio of their shareholding.

e) Partners' funds (deficits) in ALMA

The following assets, liabilities and partners' (deficits) funds of ALMA are combined with the assets, liabilities and equity of ALBA for the preparation of the combined financial statements:

	2007	2006
	BD '000	BD '000
Non-current asset	**27,506**	—
Current assets	**222,384**	265,271
Non-current liabilities	**(26,738)**	(138,587)
Current liabilities	**(133,818)**	(199,635)
Net assets	**89,334**	(72,951)
Bahrain Mumtalakat Holding Company B.S.C. (c)	**70,914**	(66,838)
SABIC Industrial Investments Company	**18,420**	(17,360)
Amounts due to (from) ALMA's partners	**89,334**	(84,198)
Cash flow hedge reserve	**—**	11,247
Partners' funds (deficits)	**89,334**	(72,951)

ALMA's finished goods value, included in current assets as of 31 December 2007 and 31 December 2006 were adjusted for the difference between the cost of production and the transfer price as explained in note 2 (a). This resulted in a decrease of BD 4,358 thousand (2006: BD 6,750 thousand) in the carrying value of inventories.

Amounts due to (from) ALMA's partners are disclosed as amounts due to (from) principal shareholders in the combined financial statements. ALMA's cash flow hedge reserve is disclosed separately in the combined financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New and amended IFRS issued subsequent to the reporting date and early adopted by the Entities

IAS 1 'Presentation of Financial Statements' and IFRS 5 'Financial Instruments: Disclosures' were revised by the International Accounting Standards Board and need to be applied for the year beginning 1 January 2009. The Entities have early adopted both these standards during the year ended 31 December 2007, as permitted by the Standards.

The accounting policies adopted are consistent with those used in the previous financial year by the Entities except as follows:

IAS 1 'Presentation of Financial Statements' (Revised)

As a result of adoption of the above standard, the title "combined balance sheet" has been changed to "combined statement of financial position", the title "combined income statement" has been changed to "combined statement of comprehensive income" and the title "combined cash flow statement" has been changed to "combined statement of cash flows". The revised standard also requires changes in equity arising from transactions with owners in their capacity as owners (i.e. owner changes in income) to be presented in the combined statement of changes in equity. All other changes in equity (i.e. non-owner changes in equity) are required to be presented separately in a performance statement (combined statement of comprehensive income). Movement in components of comprehensive income are not permitted to be presented in the combined statement of changes in equity. The Entities have elected to present one statement as a combined statement of comprehensive income.

Amendments to IFRS 7 Financial Instruments: Disclosures—Improving Disclosures about Financial Instruments

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurement is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in note 24. The liquidity risk disclosures are not significantly impacted by the amendments.

Improvements to IFRSs

In May 2008 and April 2009 the IASB issued an 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 combined financial position or performance of the Entities.

IAS 7 Statement of cash flows

IAS 7 Statement of cash flows explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This change did not have an impact on the combined financial statements of the Entities.

IAS 16 Property, plant and equipment

Replaces the term "net selling price" with "fair value less costs to sell". The Entities amended its accounting policy accordingly, which did not result in any change in the combined financial position.

IAS 18 Revenue

The IASB has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:

- *Has primary responsibility for providing the goods or service*
- *Has inventory risk*
- *Has discretion in establishing prices*
- *Bears the credit risk*

The Entities have assessed its revenue arrangements against these criteria and concluded that it is acting as principal in all arrangements.

IAS 23 Borrowings costs

The definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing costs' into one—the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39. The Entities have amended its accounting policy accordingly which did not result in any change in its combined financial position.

IAS 36 Impairment of assets

When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'. This amendment had no immediate impact on the combined financial statements of the Entities because the recoverable amount of its cash generating units is currently estimated using 'value in use'.

Standards issued subsequent to the reporting date but not yet effective

The Entities have not applied the following IFRSs and International Financial Reporting Interpretation Committee (IFRIC) interpretations that have been issued subsequent to the reporting date but are not yet mandatory at the date of authorisation of these combined financial statements:

- IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions effective 1 January 2010
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 1 July 2009 including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39
- IAS 39 Financial Instruments: Recognition and Measurement—Eligible Hedged Items effective 1 July 2009
- IFRIC 17 Distributions of Non-cash Assets to Owners effective 1 July 2009
- IFRIC 18 Transfers of Assets from Customers effective 1 July 2009

It is not expected the implementation of these revisions and amendments will have any impact on the Entities' financial performance or position.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated.

Depreciation is calculated on a straight line basis over the estimated useful lives of property, plant and equipment as follows:

Freehold buildings	45 years
Power generating plant	23-25 years
Plant, machinery and other equipment	3-23 years

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases the future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the combined statement of comprehensive income as the expense is incurred.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Impairment of non-financial assets

The Entities assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Entities estimate the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Borrowing costs

Borrowing costs comprising fees and interest directly attributable to the acquisition, construction or production of qualifying assets, which necessarily take a substantial period of time to get ready for their intended use, are included in the cost of those assets, until such time as the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the combined statement of comprehensive income in the period in which they are incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, determined as follows:

- Raw materials- - Purchase cost on a weighted average basis.
- Work in progress - Cost of materials, labour and an appropriate proportion of overheads based on normal level of activity.
- Finished goods - Finished goods are stated at the lower of cost and net realisable value.
- Stores - Purchase cost calculated on a weighted average basis after making due allowance for any obsolete items.

Net realisable value is based on estimated selling price in the ordinary course of business, less any further costs expected to be incurred on completion and disposal.

Accounts receivable

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term deposits with an original maturity of three months or less.

Impairment and uncollectibility of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, an impairment loss is recognised in the combined statement of comprehensive income.

Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the combined statement of comprehensive income; and

(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the combined statement of comprehensive income over the period of the term financing using the effective interest method. Instalments due within one year are disclosed under current liabilities.

Interest is charged as an expense as it accrues, with unpaid amounts included in "accounts payable and accruals".

Employee benefits

Termination benefits

For Bahraini nationals, the Entities make contribution to the General Organisation for Social Insurance (GOSI) Scheme. This is a funded defined contribution scheme and the Entities' contributions are charged to the combined statement of comprehensive income in the year to which they relate. The Entities' obligations are limited to the amounts contributed to the Scheme.

The Entities provide for end of service benefits determined in accordance with the Bahrain Labour Law 1976 for non-Bahraini employees based on their salaries at the time of leaving and number of years of service. Provision for this unfunded commitment, which represents a defined benefit scheme, has been made by calculating the liability had all non-Bahraini employees left at the reporting date.

Alba savings benefit scheme

The Entities operate a compulsory saving scheme for its Bahraini employees. The Entities obligations are limited to the amounts to be contributed to the scheme. This saving scheme represents a funded defined contribution scheme.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognised when the Entities have an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Revenue recognition

Sales are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably normally on delivery to the customer.

Other income

Other income is recognised as the income accrues.

Derivative financial instruments and hedging activities

Derivative financial instruments are initially recognised in the combined statement of financial position at cost, including transaction costs and subsequently re-measured to fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The recognition of changes in the fair values of derivative financial instruments entered into for hedging purposes is determined by the nature of the hedging relationship. For the purposes of hedge accounting, derivative financial instruments are designated as a hedge of either:

i) the fair value of a recognised asset or liability (fair value hedge), or

ii) the future cash flows attributable to a recognised asset or liability or a firm commitment (cash flow hedge).

The Entities criteria for a derivative financial instrument to be accounted for as a hedge include:

- at the inception of the hedge there is formal documentation of the hedging relationship and the enterprise's risk management objective and strategy for undertaking the hedge, that documentation should include identification of the hedging instrument, the related hedged item or transaction, the nature of the risk being hedged, and how the enterprise will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or the hedged transaction's cash flows that is attributable to the hedged risk;
- the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistent with the originally documented risk management strategy for that particular hedging relationship;
- for cash flow hedges, a forecasted transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect reported net profit or loss;
- the effectiveness of the hedge can be reliably measured, that is, the fair value or cash flows of the hedged item and the fair value of the hedging instrument can be reliably measured; and
- the hedge must be assessed on an ongoing basis and determined to have actually been highly effective throughout the financial reporting period.

Changes in fair values of derivative financial instruments that are designated, and qualify as cash flow hedges and prove to be highly effective in relation to the hedged risk, are recognised as a separate component in the combined statement of changes in equity as a cash flow hedge reserve. Unrealised gains or losses on any ineffective portion of cash flow hedging transactions are recognised in the combined statement of comprehensive income.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the combined statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the combined statement of comprehensive income.

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are classified as held for trading and are recognised immediately in the combined statement of comprehensive income.

Foreign currencies

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the date of the combined statement of financial position. All exchange differences are taken to the combined statement of comprehensive income.

Fair values

The fair values of financial instruments traded in active markets (such as publicly traded derivatives) are based on quoted market prices at the combined statement of financial position date. The quoted market price used for financial assets held by the Entities is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair values of financial instruments that are not traded in an active market (for example, over the counter derivatives, interest rate collars etc) are determined by valuation techniques carried out by counterparties. The fair values of forward foreign exchange contracts are determined using forward exchange market rates at the date of the combined statement of financial position with the same maturity.

4 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Power generating plant	Plant, machinery and other equipment	Assets in process of completion	Total
	BD '000	BD '000	BD '000	BD '000	BD '000
Cost:					
At 1 January 2007	257,988	393,118	1,091,670	36,973	1,779,749
Additions	—	—	—	26,473	26,473
Transfers	6,254	2,933	12,556	(21,743)	—
Disposals	(316)	—	(2,667)	—	(2,983)
Write off	—	(1,382)	(4,080)	—	(5,462)
At 31 December 2007	263,926	394,669	1,097,479	41,703	1,797,777
Depreciation:					
At 1 January 2007	61,403	142,625	398,328	—	602,356
Charge for the year	6,550	14,960	47,960	—	69,470
Relating to disposals	(231)	—	(2,316)	—	(2,547)
Relating to write off	—	(507)	—	—	(507)
At 31 December 2007	67,722	157,078	443,972	—	668,772
Net carrying value:					
At 31 December 2007	**196,204**	**237,591**	**653,507**	**41,703**	**1,129,005**

	Land and buildings	Power generating plant	Plant, machinery and other equipment	Assets in process of completion	Total
	BD '000	BD '000	BD '000	BD '000	BD '000
Cost:					
At 27 December 2005	256,961	392,411	1,083,101	24,023	1,756,496
Additions	—	—	187	26,017	26,204
Transfers	1,651	892	10,509	(13,052)	—
Disposals	(193)	(185)	(724)	—	(1,102)
Write off	(431)	—	(1,403)	(15)	(1,849)
At 31 December 2006	257,988	393,118	1,091,670	36,973	1,779,749
Depreciation:					
At 27 December 2005	55,363	127,518	349,596	—	532,477
Charge for the period	6,431	15,194	50,375	—	72,000
Relating to disposals	(92)	(87)	(654)	—	(833)
Relating to write off	(299)	—	(989)	—	(1,288)
At 31 December 2006	61,403	142,625	398,328	—	602,356
Net carrying value:					
At 31 December 2006	196,585	250,493	693,342	36,973	1,177,393

1) Land and buildings includes freehold land at a cost of BD 453 thousand as at 31 December 2007 (2006: BD 453 thousand).

2) The Company is utilising land leased from the Government of the Kingdom of Bahrain for its Line 3, 4 and 5 operations and land leased from The Bahrain Petroleum Company B.S.C. (c) (BAPCO) for its Calciner operations. These leases are free of rent.

3) The depreciation charge is allocated to cost of sales in the combined statement of comprehensive income.

5 LONG TERM RECEIVABLE

On 18 July 2007, an agreement was reached with Gulf Aluminium Rolling Mill Company B.S.C.(c) (GARMCO), a company partly owned by the partners of ALMA to convert the overdue receivables of BD 27,506 thousand (US$ 73,154 thousand) into a long term receivable. The long term receivable is repayable in 16 half yearly instalments commencing 30 June 2009. Interest is payable half yearly on the outstanding balances at 6 months LIBOR plus a margin of 1%. The effective interest rate as of 31 December 2007 was 6.38%.

6 INVENTORIES

	2007	2006
	BD '000	BD '000
Goods in transit	**20,282**	22,814
Raw materials	**37,607**	36,547
Work-in-process	**46,309**	40,407
Finished goods	**24,116**	32,867
Stores [net of provision of BD 1.2 million (2006: BD 1.2 million)]	**21,931**	21,454
	150,245	154,089

7 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2007	2006
	BD '000	BD '000
Trade accounts receivable [net of provision of BD 2,079 thousand (2006: nil)]	**165,091**	192,616
Other receivables and prepayments	**4,258**	8,409
	169,349	201,025

Trade receivables includes BD 7,632 thousand (2006: BD 14,059 thousand) which have been assigned as a security for short term loans (note 14).

As at 31 December, the ageing of trade receivables and amounts due from related parties are as follows:

		Neither past due	Past due but not impaired			
	Total	Nor impaired	Less than 30 days	30 – 90 days	90 – 120 days	Over 120 days
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
2007	**165,091**	**140,182**	**12,747**	**11,098**	**899**	**165**
2006	192,616	109,256	27,687	44,474	6,543	4,656

As at 31 December 2007, trade accounts receivables at nominal value of BD 2,079 thousand (2006: nil) were impaired, and allowance for impairment of receivables at 31 December 2007 was BD 2,079 thousand.

Trade accounts receivable are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Entities to obtain collateral over receivables and the vast majority are, therefore, unsecured.

8 BANK BALANCES AND CASH

	2007 BD '000	2006 BD '000
Cash in hand	**29**	29
Cash at banks		
—Current accounts	**7,892**	4,787
—Call accounts	**27,632**	16,430
Cash and cash equivalents	**35,553**	21,246
Margin deposits [note b]	**24,139**	41,821
Bank balances and cash	**59,692**	63,067

a) Bank balances are with banks in the Kingdom of Bahrain and a substantial portion is denominated in US Dollars. The call accounts earn interest and the effective interest rate as of 31 December 2007 was 4.50% (2006: 4.69%).

b) Margin deposits represent cash held by a counterparty as collateral security when the mark to market valuation of derivative financial instruments exceeds the threshold limits fixed by the counterparty. These deposits are denominated in US Dollars with an effective interest rate of 3.06% as at 31 December 2007 (2006: 4.50%).

9 SHARE CAPITAL

	2007 BD '000	2006 BD '000
Authorised share capital (Shares of BD 1 each)	**150,000**	150,000
Issued and fully paid up (Shares of BD 1 each)	**142,000**	142,000

The Company's shareholders at an Extraordinary General Assembly held on 9 June 2010 resolved to reduce the nominal value of shares from BD 1 to BD 0.100 and increase the number of shares issued from 142,000,000 to 1,420,000,000.

In addition, the authorised share capital was increased to BD 200,000,000 comprising 2,000,000,000 shares of BD 0.100 each. The regulatory formalities in connection with the above changes were in process as of the date of approval of these combined financial statements.

10 STATUTORY RESERVE

In accordance with the Bahrain Commercial Companies Law and the Company's articles of association, an amount equal to 10% of the profit for the year is required to be transferred to a statutory reserve and future annual transfers will be made on the same basis until such time this reserve equates 50% of the issued share capital. No transfer has been made during the current year as the Company incurred a loss. This reserve cannot be utilised for the purpose of distribution, except in such circumstances as stipulated in the Bahrain Commercial Companies Law.

11 CAPITAL RESERVE

This reserve was created from the surplus on disposal of property, plant and equipment of the Company in prior years. This reserve is distributable subject to the approval of the shareholders.

12 BORROWINGS

	Current maturities	Between 2009-2013	After 2013	Total 2007	Total 2006
	BD '000	BD '000	BD '000	BD '000	BD '000
Working capital revolving credit [*] at 4.79% to 5.95% (2006: 5.40% to 5.88%)	88,473	—	—	**88,473**	89,977
Other working capital at 5.88% to 5.74% (2006: 5.67% to 5.79%)	8,648	—	—	**8,648**	8,272
Coke Calcining Project refinancing at 5.68% to 5.70% (2006: 5.90% to 5.91%)	8,356	20,888	—	**29,244**	37,600
Line 5 projects at 5.73% to 6.49% (2006: 4.41% to 6.42%)	19,006	170,233	46,340	**235,579**	515,519
Coface Loan at 5.43% to 5.70% (2006: 4.41% to 5.82%)	6,492	32,461	6,492	**45,445**	51,937
Refinancing Loan at 5.56% to 6.09% (2006: nil)	40,303	179,428	—	**219,731**	—
Total borrowings	**171,278**	**403,010**	**52,832**	**627,120**	703,305
Payable within one year				**171,278**	171,970
Payable after one year				**455,842**	531,335

[*] The working capital revolving credit facilities are subject to annual renewal or periodic review and are expected to be reviewed or confirmed on an on-going basis. The working capital revolving facilities allow the Entities to issue promissory notes of up to 12 month terms. It is the Entities' policy to maintain the current level of borrowings under these facilities by issuing new promissory notes in place of maturing notes.

During the year, the Entities obtained a term loan of US$ 641 million (BD 241 million) and the funds were utilised to settle the outstanding amounts for two of the Line 5 project loans.

13 EMPLOYEE BENEFITS

a) Defined benefit scheme—non-Bahrainis leaving indemnities

Movements in the provision recognised in the combined statement of financial position are as follows:

	2007	2006
	BD '000	BD '000
Beginning of the year/period	**606**	540
Provided during the year/period (note 19)	**690**	681
End of service benefits paid	**(692)**	(615)
End of the year/period	**604**	606

b) Defined contribution schemes—Bahrainis

Movement in liabilities recognised in the combined statement of financial position are as follows:

	ALBA Savings Benefit Scheme		General Organisation for Social Insurance	
	2007	2006	2007	2006
	BD '000	BD '000	BD '000	BD '000
Beginning of the year/period	**1,511**	1,079	**311**	176
Expense charged to the combined statement of comprehensive income (note 19)	**3,191**	2,711	**4,031**	2,479
Contributions paid	**(3,371)**	(2,279)	**(3,638)**	(2,344)
End of the year/period (note 15)	**1,331**	1,511	**704**	311

14 SHORT TERM LOANS

These represent short term financing availed from a financial institution in the Kingdom of Bahrain and are fully secured by the assignment of certain trade receivables amounting to BD 7,632 thousand (2006: BD 14,059 thousand). The effective interest rates as of 31 December 2007 were between 4.90% to 6.07% (2006: 5.33% to 6.00%).

15 ACCOUNTS PAYABLE AND ACCRUALS

	2007	2006
	BD '000	BD '000
Trade payables	**51,445**	46,002
Retentions payable	**185**	373
Employee related accruals	**15,682**	12,447
Accrued expenses	**5,938**	3,417
Interest accrued	**6,519**	10,742
Advance from customers	**7,684**	3,144
ALBA Savings Benefit Scheme [note 13 (b)]	**1,331**	1,511
General Organisation for Social Insurance [note 13 (b)]	**704**	311
	89,488	77,947

16 DERIVATIVE FINANCIAL INSTRUMENTS

The Entities have 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 the dates of the combined statement of financial position are as follows:

	31 December 2007		31 December 2006	
	Assets	Liabilities	Assets	Liabilities
	BD '000	BD '000	BD '000	BD '000
Commodity forwards/futures contracts—cash flow hedge	**—**	**—**	—	38,200
Commodity options	**—**	**352,018**	16,480	423,665
Interest rate collars and knockout/reset range swap transactions	**841**	**3,608**	4,662	777
Forward foreign exchange contracts	**—**	**—**	193	—
Total	**841**	**355,626**	21,335	462,642
Less:				
Non-current portion:				
Commodity options	**—**	**201,859**	—	260,037
Interest rate collars and knockout/reset range swap transactions	**736**	**3,130**	4,101	691
	736	**204,989**	4,101	260,728
Current portion	**105**	**150,637**	17,234	201,914

The fair valuation of the derivative financial instruments resulted in the following gains/(losses) taken to the combined statement of comprehensive income for the year ended 31 December 2007.

	Year ended 31 December 2007	Period from 27 December 2005 to 31 December 2006
	BD '000	BD '000
Revaluation:		
Commodity options	**55,490**	(183,122)
Interest rate collars and knockout swaps	**(6,653)**	3,003
Forward foreign exchange contracts	**(193)**	496
Unrealised gains (losses) on derivatives	**48,644**	(179,623)
Realised:		
Commodity forwards/futures contracts—cash flow hedge	**8,539**	(110,093)
Commodity options	**(121,102)**	(43,846)
Interest rate collars and knockout swaps	**1,899**	840
Realised losses on derivatives	**(110,664)**	(153,099)
Net loss on fair valuation taken to combined statement of comprehensive income	**(62,020)**	(332,722)
Combined statement of changes in equity		
Commodity forwards/futures contracts cash flow hedge	**—**	(48,726)

The Entities do not engage in proprietary trading activities in derivatives. However, the Entities enter into derivative transactions to hedge economic risks under 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 combined statement of comprehensive income.

Commodity options

ALBA entered into commodity options to offset the premium payable on the interest rate collar. The exposure to ALBA is that if the LME price of aluminium exceeds US$ 1,780 (2006: US$ 1,780) per metric tonne (which is above the LME price used at the feasibility study), then ALBA will pay the difference between the market price and average contracted price of US$ 1,780 (2006: US$ 1,780) per metric tonne for a certain tonnages of aluminium.

ALMA has entered into commodity derivative contracts to reduce the price risk on sales commitments. The option contracts expired during the years 2008 to 2009.

Interest rate collars and knockout swaps

ALBA entered into an interest rate collar and knockout swap transactions for US$ 1.5 billion floating rate borrowings for financing the Line 5 project (note 12) to manage overall financing costs. These contracts expire on 17 February 2015.

The notional amounts outstanding as at 31 December 2007 was US$ 1.12 billion (2006: US$ 1.3 billion).

Forward foreign exchange contracts

ALBA enters into forward foreign exchange contracts in connection with capital expenditure cash outflows. ALBA had no open forward foreign exchange contracts at the date of the statement of financial position (2006: notional amounts outstanding was BD 15,939 thousand).

17 COST OF SALES

	Year ended 31 December 2007	Period from 27 December 2005 to 31 December 2006
	BD '000	BD '000
Raw materials including natural gas	**390,686**	360,641
Depreciation (note 4)	**69,470**	72,000
Staff costs (note 19)	**56,051**	46,455
Spares and consumables	**24,020**	23,940
Contracted repairs and major maintenance	**12,259**	12,468
Royalty (note 22)	**5,385**	3,616
Other costs	**4,429**	38
	562,300	519,158

18 OTHER INCOME

	Year ended 31 December 2007	Period from 27 December 2005 to 31 December 2006
	BD '000	BD '000
Interest income	**5,465**	5,808
Sale of water/power	**2,183**	2,356
Insurance claim received	**—**	1,207
Miscellaneous	**48**	94
	7,696	9,465

19 PROFIT (LOSS) FOR THE YEAR/PERIOD

Profit (loss) for the year/period is stated after charging:

	Year ended 31 December 2007	Period from 27 December 2005 to 31 December 2006
	BD '000	BD '000
Inventories recognised as an expense in cost of sales	**325,228**	343,189
Staff costs:		
Wages and salaries	**54,408**	44,369
Employees' end of service benefits (non-Bahrainis) [note 13 (a)]	**690**	681
Alba Savings Benefit Scheme (Bahrainis) [note 13 (b)]	**3,191**	2,711
General Organisation for Social Insurance [note 13 (b)]		
—Bahrainis	**3,796**	2,329
—Non-Bahrainis	**235**	150
Indirect benefits (housing, education)	**483**	544
Payments to contractors	**2,002**	1,838
Others	**1,039**	1,349
Recharge to assets in process of completion	**(572)**	(450)
	65,272	53,521

The staff costs have been allocated in the combined statement of comprehensive income as follows:

Cost of sales (note 17)	**56,051**	46,455
Selling and distribution expenses	**697**	170
General and administration expenses	**8,524**	6,896
	65,272	53,521

	Year ended 31 December 2007	Period from 27 December 2005 to 31 December 2006
	BD '000	BD '000
Finance costs:		
Interest on borrowings	**41,373**	43,145
Interest on short term loans (bill discounted)	**884**	800
	42,257	43,945
Bank charges	**125**	99
	42,382	44,044

20 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 statement of financial position and statement of comprehensive income of the Company.

a) Product

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

	Year ended 31 December 2007	Period from 27 December 2005 to 31 December 2006
	BD '000	BD '000
Extrusion billets	**397,709**	317,247
Tee ingots	**8,680**	37,306
Rolling slabs	**148,423**	141,941
Standard ingots	**157,746**	194,243
Liquid metals	**189,693**	164,858
Calcined coke	**15,714**	18,066
Dross sows	**5,989**	6,391
Total sales to customers	**923,954**	880,052
Sales to a shareholder [note 2(c)]	**16,198**	16,497
Total sales revenue	**940,152**	896,549

b) Geographic information

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

	Year ended 31 December 2007	Period from 27 December 2005 to 31 December 2006
	BD '000	BD '000
Kingdom of Bahrain	**388,452**	360,487
Asia	**155,091**	223,675
Rest of the Middle East North Africa	**207,745**	176,000
Europe	**133,748**	36,671
North America	**38,918**	83,219
Total sales to customers	**923,954**	880,052
Sales to a shareholder [note 2(c)]	**16,198**	16,497
Total sales revenue	**940,152**	896,549

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 309,667 thousand (2008: BD 262,101 thousand), each being more than 10% of the total revenue for the year.

21 COMMITMENTS AND CONTINGENCIES

a) Commitments

	2007	2006
	BD '000	BD '000
Physical metal commitments		
Sales commitments 2007: 62,762 metric tonnes (2006: 38,459 metric tonnes)	**58,964**	37,207

Capital expenditure

As of 31 December 2007, estimated capital expenditure contracted for amounted to BD 16,569 thousand (2006: BD 29,862 thousand). The commitments are expected to be settled within 1 to 5 years.

Letters of credit

The commitments on outstanding letters of credit as at 31 December 2007 were BD 5,142 thousand (2006: BD 1,827 thousand).

At 31 December 2007, the Entities bankers have issued letters of credit to counterparties for derivative transactions amounting to BD 62,228 thousand (2006: BD 86,856 thousand).

b) Contingencies

The Entities have issued guarantees to banks in the Kingdom of Bahrain in respect of the Albaskan Scheme, amounting to BD 1,380 thousand (2006: BD 229 thousand). The Albaskan Scheme entitles all its qualifying employees to acquire houses.

c) Legal claims

A third party has initiated a claim against the Company towards damages caused to its business unit. The Company is defending the claim and it is not practical to estimate the liability and timing of any payments at this stage. Hence no provision has been recognised in these combined financial statements.

22 RELATED PARTY TRANSACTIONS

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

Transactions with related parties

In the ordinary course of business, the Entities purchase 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 combined statement of comprehensive income are as follows:

	Year ended 31 December 2007		Period from 27 December 2005 to 31 December 2006	
	Shareholders	Other related parties	Shareholders	Other related parties
	BD '000	BD '000	BD '000	BD '000
Revenue and other income				
Sale of metal	**16,198**	**167,257**	16,497	158,266
Sale of water	**—**	**1,862**	—	2,064
	16,198	**169,119**	16,497	160,330
Cost of sales and expenses				
Purchase of natural gas and diesel	**—**	**47,496**	—	35,413
Royalty	**—**	**5,385**	—	3,616
	—	**52,881**	—	39,029

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

	2007		2006	
	Shareholders	Other related parties	Shareholders	Other related parties
	BD '000	BD '000	BD '000	BD '000
Long term receivable (note 5)	**—**	**27,506**	—	—
Bank balances	**—**	**5,948**	—	2,506
Receivables	**791**	**38,883**	274	60,216
	791	**72,337**	274	62,722
Borrowings	**—**	**23,425**	—	23,425
Payables	**188**	**17,623**	—	7,871
	188	**41,048**	—	31,296

Outstanding balances at year end arise in the normal course of business. For the year ended 31 December 2007 the Entities have not recorded any impairment of amounts due from related parties (2006: nil).

Compensation of key management personnel

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

	Year ended 31 December 2007	Period from 27 December 2005 to 31 December 2006
	BD '000	BD '000
Short term benefits	**1,272**	795
Employees end of service benefits	**23**	—
Contribution to ALBA savings benefits scheme	**100**	68
	1,395	863

Directors' fees charged during the year amounted to BD 188 thousand (2006: BD 81 thousand).

23 RISK MANAGEMENT

The Entities financial instruments are exposed to market risk (including interest rate risk, currency risk and price risk), credit risk and liquidity risk. The management reviews and agrees policies for managing each of these risks and they are summarized below. The Entities accounting policies in relation to derivatives are set out in note 3.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the future profitability or the fair value of financial assets and liabilities. All financial assets and the majority of financial liabilities are either variable interest rate based or short term in nature.

The Entities are exposed to interest rate risk on interest bearing assets and liabilities (long term receivable, call account, margin deposits and borrowings). The Entities have an interest rate collar and knockout swaps to limit the impact of fluctuations in interest rates arising out of borrowings for the Line 5 expansion.

The sensitivity of the combined statement of comprehensive income is the effect of the assumed changes in interest rates on the Entities results for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2007.

The following table demonstrates the sensitivity of the combined statement of comprehensive income to reasonably possible changes in interest rates, with all other variables held constant.

	Interest on call deposits long term receivable, overdue receivables and margin deposits		Interest on borrowings	
	Increase/ decrease in basis points	Effect on results for the year	Increase/ decrease in basis points	Effect on results for the year
		BD '000		BD '000
2007	**100**	**793**	**100**	**(5,312)**
	-100	**(793)**	**-100**	**5,312**
2006	100	723	100	(5,491)
	-100	(723)	-100	5,491

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Entities are exposed to credit risk on bank balances, trade accounts receivable and the positive fair value of derivatives.

Cash is placed with reputable banks having good credit ratings. The Entities manage credit risk with respect to receivables from customers by granting credit terms and monitoring the exposure to customers on an ongoing basis.

Provisions for bad and doubtful debts are made for doubtful receivable accounts whenever risks of default are identified.

The maximum credit risk exposure at the date of combined statement of financial position is equal to the carrying value of the financial assets shown in the combined statement of financial position, which are net of provisions for bad and doubtful debts.

The Entities sell products to a large number of customers. Its 5 largest customers account for 22% of outstanding accounts receivable at 31 December 2007 (2006: 49%).

Derivative contracts are entered into with counterparties with good credit rating and are not subject to significant credit risk.

Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at or close to its fair value. The shareholders provide funds to the Entities to meet commitments as and when they fall due. Trade payables are normally settled within 45 days of the date of purchase.

The Entities limit liquidity risk by ensuring bank facilities are available. The Entities terms of sales require amounts to be paid within 30 days of the date of sale.

The table below summarises the maturities of the Entities undiscounted financial liabilities at 31 December 2007, based on contractual payment dates and current market interest rates.

At 31 December 2007	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	BD '000	**BD '000**	**BD '000**	**BD '000**	**BD '000**
Derivative financial instruments	**40,002**	**119,673**	**199,365**	**17,924**	**376,964**
Accounts payable and accruals	**63,981**	**11,015**	**—**	**—**	**74,996**
Borrowings (including interest payable)	**12,275**	**165,522**	**403,010**	**52,832**	**633,639**
Short term loans	**7,632**	**—**	**—**	**—**	**7,632**
Total	**123,890**	**296,210**	**602,375**	**70,756**	**1,093,231**

At 31 December 2006	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	BD '000	**BD '000**	**BD '000**	**BD '000**	**BD '000**
Derivative financial instruments	51,748	162,280	233,789	42,582	490,399
Accounts payable and accruals	58,315	3,130	—	—	61,445
Borrowings (including interest payable)	7,985	174,727	377,803	153,532	714,047
Short term loans	14,059	—	—	—	14,059
Total	132,107	340,137	611,592	196,114	1,279,950

Currency risk

Currency risk is the risk associated with fluctuations in the value of a financial instrument due to changes in foreign exchange rates. The Entities financial instruments are mainly denominated in Bahraini Dinars, US Dollars, Swiss Francs and Euros. The Entities use forward foreign exchange contracts to hedge against the foreign currency fluctuations (note 16).

As the Bahraini Dinar is pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk.

As of 31 December, the following financial instruments are denominated in currencies other than Bahrain Dinar and US Dollar, which were unhedged:

Financial instruments	Currency	2007	2006
		BD '000	BD '000
Bank balances	Euro	**2,310**	128
Receivables	Euro	**21,791**	6,422
Payables	Euro	**1,522**	932
	Swiss Franc	**551**	418

The table below indicates the Entities' foreign currency exposures at 31 December, as a result of monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the Bahrain Dinar's exchange rate against currencies which are exposed to currency risk, with all other variables held constant, on the combined statement of comprehensive income (due to the fair value of currency sensitive monetary assets).

The effect of decreases in currency rate is expected to be equal and opposite to the effect of the increases shown.

	2007		2006	
Currency	Increase in currency rate to the	Effect on results for the year	Increase in currency rate to the	Effect on results for the year
	BD	BD '000	BD	BD '000
Euro	**+10%**	**2,258**	+10%	562
Swiss Franc	**+10%**	**(55)**	+10%	(42)
		2,203		520

Commodity price risk

Commodity price risk is the risk that future profitability is affected by change in commodity prices. ALMA is exposed to commodity price risk as selling prices for aluminium are generally based on aluminium prices quoted on the London Metal Exchange (LME). ALMA hedges against fixed price sales commitments by purchasing commodity futures and other derivative products (note 16).

The following table demonstrates the sensitivity of the combined statement of comprehensive income to reasonably possible changes in the LME price on derivatives outstanding as of 31 December 2007, with all other variables held constant.

	Increase/ decrease in LME price	Effect on results for the year
		BD '000
2007	**+30%**	**(62,319)**
	-30%	**62,319**
2006	+30%	(122,155)
	-30%	122,155

Capital management

The primary objective of the Entities capital management is to ensure that a healthy capital base is maintained in order to support business and maximise shareholders' value.

The Entities manage the capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the year ended 31 December 2007 and period ended 31 December 2006. Capital comprises share capital, statutory reserve, capital reserve, cash flow hedge reserve, retained earnings and amounts due to (from) principal shareholders, and is measured at BD 456,168 thousand as at 31 December 2007 (2006: BD 358,350 thousand).

24 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

Financial assets consist of bank balances and cash, receivables and amounts due from shareholders. Financial liabilities consist of borrowings, short term loans and payables. Derivative financial instruments consist of interest rate collars, knockout swaps, forward exchange contracts and commodity options.

The following hierarchy is used by the Entities to determine and disclose the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2007, the Entities derivative financial instruments are measured at fair value. These are Level 2 as per the hierarchy above for the year ended 31 December 2007 and period ended 31 December 2006. The Entities have no financial instruments qualifying for Level 1 or Level 3 classification.

The fair values of financial instruments are not materially different from their carrying values as of the reporting date.

25 KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At 31 December 2007, gross trade accounts receivable were BD 167,170 thousand (2006: BD 192,616 thousand), and the provision for doubtful debts was BD 2,079 thousand (2006: nil). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the combined statement of comprehensive income.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete or if their selling prices have declined, an estimate is made of their net realisable values. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

At 31 December 2007, stores stock was BD 23,131 thousand (2006: BD 22,654 thousand) with provisions for old and obsolete items of BD 1,200 thousand (2006: BD 1,200 thousand) Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the combined statement of comprehensive income.

Useful lives of property, plant and equipment

The Entities management determines the estimated useful lives of property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

26 ALBA SAVINGS BENEFIT SCHEME ("THE SCHEME")

ALBA operates a compulsory savings benefit scheme for its Bahraini employees.

The Scheme's assets, which are not incorporated in the combined financial statements, consist principally of deposits with banks and bonds.

The Scheme is established as a trust and administered by trustees representing the ALBA and the employees. The trustees manage the risks relating to the Scheme's assets by approving the entities in which the Scheme can invest and by setting limits for investment in individual entities.

27 SUBSEQUENT EVENTS

a) Legal claims

ALBA

i) On 27 February 2008, the Company filed a suit in a U.S. Federal District Court against Alcoa, Inc., Alcoa World Alumina LLC and members of its senior management (together, "Alcoa"). In the complaint, the Company alleges that Alcoa conspired to bribe certain former members of its senior management and officials of the Government of the Kingdom of Bahrain to ensure that Alcoa continued to benefit from the Company's alumina purchases at inflated prices. Among other remedies, the Company is seeking damages in excess of (BD 376 million) US$ 1 billion for illicit activities that took place from 1993 to 2008.

   The U.S. government filed an unopposed motion to intervene and to stay discovery on 30 March 2008, which motion was granted. On 27 March 2008, the Court granted the United States leave to intervene in the matter for the limited purpose of moving for a stay of discovery. The purpose of the order is to allow the United States to conduct a criminal investigation into the allegations without the interference from the ongoing civil litigation. The Company's case is currently suspended pending the conclusion of the U.S. government's investigation.

   It is not practical to estimate the effect of this law suit on the combined financial statements of the Entities at this stage.

ii) During 2010, the Company received BD 1,666 thousand (US$ 4,430 thousand) as an out of court settlement payment from one of its raw material suppliers.

ALMA

iii) During 2009 the Company on behalf of ALMA, has filed law suits against two former employees of ALMA. In the compliant, the Company alleges that two former employees earned money from criminal activities and received commissions in contravention of the Bahrain Commercial Companies Law and Anti Money Laundering Law. The Company has filed a civil right claim in the case to oblige the defendants to pay the amount of US$ 17,499 thousand as interim relief, while preserving the Company's civil right to have recourse against the defendants for all the damages which the Company has incurred as a result of the acts attributed to them.

On 18 December 2009, the Company filed a suit in the U.S. Federal District Court for the Southern District of Texas against Sojitz Corporation (Japan) and Sojitz Corporation of America (together, "Sojitz"). In the complaint, the Company alleges that Sojitz, a former customer of ALMA, conspired to bribe certain former members of the Company's senior management in order to gain substantial price discounts. Among other remedies, the Company is seeking compensatory damages in excess of US$ 31 million for the illicit activities that took place from 1993 to 2006. On 27 May 2010, the U.S. government filed an unopposed motion to intervene and stay discovery in this case.

It is not practical to estimate the effect of these law suits on the combined financial statements of the Entities at this stage.

iv) During 2009 and 2010, the Company received BD 3,989 thousand (US$ 10,609 thousand) and BD 3,954 thousand (US$ 10,516 thousand) respectively, on behalf of MUMTALAKAT and SIIC, as an out of court settlement payments from one of the customers of ALMA.

b) Transfer of ALMA's assets and liabilities to the Company

As explained in note 1, on integration of ALMA's activities with the Company, effective 1 January 2008 all the assets and liabilities of ALMA were transferred to the Company at their carrying values as of 31 December 2007 and the resultant amount payable was disclosed as amounts due to shareholders in the Company's statement of financial position as at 31 December 2008. The details of assets transferred and liabilities assumed by the Company as of 31 December 2007 are as follows:

The partners of ALMA have agreed to directly bear the future gains/losses on the outstanding derivative financial instruments as of 31 December 2007.

	BD '000
ASSETS	
Long term receivable	27,506
Finished goods	28,475
Advances to the Company	12,449
Accounts receivable and prepayments (net of provision of BD 2,079 thousand)	161,018
Bank balances	24,801
TOTAL ASSETS	254,249
LIABILITIES	
Accounts payable and accruals	8,636
Short term loans	7,632
Derivative financial instruments	144,289
TOTAL LIABILITIES	160,557
AMOUNT PAYABLE TO SHAREHOLDERS	93,692

c) Quota agreement

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 77% 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 the Company a corresponding written waiver at the date of approval of these combined financial statements.

Consequent to the purchase of shares held by BRETON, BRETON is no longer entitled to its 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.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A: MEMORANDUM AND ARTICLES OF ASSOCIATION

The Memorandum and Articles of Association of the Company set out in Appendix A to this offering memorandum will govern the Company upon its conversion to a public joint stock company. The Memorandum and Articles of Association were approved by the MOIC on September 5, 2010 and published on September 23, 2010, which started a 60-day no-objection period required under Bahrain law. This final approval for the conversion process is expected to be granted by the decision of the Minister of Industry and Commerce on or around November 23, 2010.

[THIS PAGE INTENTIONALLY LEFT BLANK]

Memorandum of Association of

ALUMINIUM BAHRAIN B.S.C.

عقد تأسيس

شركة ألمنيوم البحرين ش.م.ب

On the -- day of ---1431 AH

Corresponding to the -- day of ---, 2010 AD.

Before me, _____ Notary at the Office of the Notary Public in the Kingdom of Bahrain.

إنه في يوم ---- ---- لعام 1431 هجري.
الموافق --- من شهر --- لعام 2010 ميلادي.

لدي أنا
بمكتب التوثيق بمملكة البحرين

Attended:

1. Bahrain Mumtalakat Holding Company BSC (c) (the "**First Party**")

2. **Sabic Industrial Investments Company** (the "**Second Party**")

حضر كل من:

1) شركة ممتلكات البحرين القابضة ش.م.ب (مقفلة) (**"الطرف الأول"**)

2) **شركة سابك للإستثمارات الصناعية** (**"الطرف الثاني"**)

And representing all the shareholders in the Company, Mr. ----, a ---- nationality, holder of CPR No. -----, in his capacity as ----- according to the Extraordinary General Meeting resolution of the Company held at its offices dated -----.

ويمثل جميع المساهمين في الشركة السيد ----، --- الجنسية، حامل بطاقة سكانية رقم ----، بصفته ---- بموجب ----- القرار الصادر عن الجمعية العامة غير العادية للشركة الذي عقد بمقرها بتاريخ -----.

WHEREAS:

حيث أن:

1. **Aluminium Bahrain B.S.C.(closed)** ("Alba") was incorporated as a Bahraini shareholding closed company and registered in the Ministry of Industry and Commerce under CR No. 999 on 16/11/1968 and pursuant to the Memorandum and Articles of Association.

1- **ألمنيوم البحرين ش.م.ب (مقفلة)** ("ألبا") تأسست كشركة مساهمة بحرينية مقفلة و مسجلة لدى وزارة الصناعة و التجارة تحت السجل التجاري رقم 999 في تاريخ 1968/11/16 و بموجب عقد التأسيس و النظام الأساسي.

2. The shareholders of Alba currently are: (1) Bahrain Mumtalakat Holding Company

2- المساهمان في ألبا حالياً هما (1) شركة ممتلكات البحرين

القابضة ش.م.ب (م) ("شركة ممتلكات") و (2) شركة سابك للإستثمارات الصناعية ("سابك").

BSC (c) ("Mumtalakat") and (2) Sabic Industrial Investments Company ("Sabic").

3) الجمعية العامة غير العادية للمساهمين في ألبا وبناء على الاقتراحات المقدمة إليها من قبل مجلس الإدارة قررت في اجتماعها المنعقد في مملكة البحرين بنصاب قانوني بتاريخ --- ، الموافقة على تغيير الشكل القانوني لألبا من شركة مساهمة بحرينية مقفلة إلى شركة مساهمة بحرينية عامة، و و تعديل وإعادة صياغة عقد التأسيس والنظام الأساسي لألبا كما هو مبين في القرار الوارد ذكره أعلاه، وكذلك تفويض ---- بالتوقيع نيابة عن المساهمين لدى كاتب العدل و مصرف البحرين ووزارة الصناعة والتجارة المركزي وأية جهة أخرى و باتخاذ كافة الإجراءات الضرورية لإتمام ذلك.

3. The Extraordinary General Meeting of Alba has pursuant to proposals presented to it by the Board of Directors passed by a majority of votes at its meeting held with legal quorum on ---------- a resolution approving the change of Alba from a Bahraini shareholding closed company to a Bahraini public shareholding company, and amending and restating the Memorandum and Articles of Association of Alba as set out in detail in said resolution, and authorizing ---- to sign on behalf of the shareholders before the Notary Public, the Ministry of Industry and Commerce, the Central Bank of Bahrain and any other entity and to take all necessary steps pertaining thereto.

4) وحيث أن ألبا قد حصلت على الموافقة على التحول الى شركة مساهمة عامة، من مصرف البحرين المركزي ---- ومن إدارة شئون الشركات بكتابه الصادر بتاريخ بوزارة الصناعة والتجارة بتاريخ ------- .

4. Alba has obtained approval to change to a public shareholding company from the Central Bank of Bahrain by its letter dated ---- and the Ministry of Industry and Commerce by its letter dated ----.

5) أقر الموقعون على عقد التأسيس هذا بتوفر الأهلية اللازمة لديهم للتوقيع على التعديلات اللازمة لعقد التأسيس و النظام الأساسي للشركة من أجل تغيير شكلها القانوني إلى شركة مساهمة بحرينية عامة وفقا للأحكام المنصوص عليها في قانون الشركات التجارية الصادر بالمرسوم بقانون رقم (21) لسنة 2001 ("القانون") ولائحته التنفيذية الصادرة بالقرار رقم (6) لسنة 2002 والقرارات الصادرة تنفيذاً له وقانون مصرف البحرين المركزي والمؤسسات المالية رقم 64 لسنة 2006 ("قانون مصرف البحرين المركزي")، و قانون سوق البحرين للأوراق المالية الصادر بالمرسوم بقانون رقم (4) لسنة 1987 ولائحته الداخلية الصادرة بالقرار رقم 13 لسنة 1988 ("قانون سوق البحرين للأوراق

5. The signatories of this Memorandum of Association have declared their capacity to act and agreed to convert Alba to a Bahraini public shareholding company in accordance with the provisions of the Commercial Companies Law issued by Decree law No. (21) for the year 2001 ("the Law"), its Implementing Regulations issued by Resolution No. 6 of 2002 and other Resolutions for implementation thereof, the Central Bank of Bahrain and Financial Institution Law No. 64/2006 ("CBB Law"), the Bahrain Stock Exchange Law issued by Decree Law No. (4) for the year 1987

and its Internal Regulations issued by Resolution No. 13 of 1988 (together, "Bahrain Stock Exchange Law"), this Memorandum of Association and the Articles of Association attached herein in the manner described below.

المالية") وعقد التأسيس هذا و النظام الاساسي المرفق وذلك على النحو الوارد أدناه.

IT IS AGREED as follows:

لذلك فقد تم الاتفاق على ما يلي:

Article 1: Name of the Company

المادة (1): اسم الشركة:-

The name of the Company shall be "**Aluminium Bahrain BSC.**" (the "**Company**"), a Bahraini public shareholding company. The Extraordinary General Meeting of the Company may change the name of the Company in accordance with Article 67 of the Law.

اسم الشركة هو: " **ألمنيوم البحرين ش.م.ب" ("الشركة")** ، شركة مساهمة بحرينية عامة. ويجوز للجمعية العامة غير العادية تغيير إسم الشركة طبقا للمادة (67) من القانون.

Article 2: Head Office of the Company

المادة (2): مركز الشركة الرئيسي:-

The head office of the Company and its legal domicile shall be situated in Manama, Kingdom of Bahrain. The Board of Directors may establish subsidiaries, branches, offices and agencies of the Company in the Kingdom of Bahrain and abroad.

يكون مركز الشركة الرئيسي ومحلها القانوني في مدينة المنامة بمملكة البحرين ويجوز لمجلس الإدارة أن يؤسس شركات متفرعة عنها و أن ينشئ لها فروعاً أو مكاتب أو توكيلات داخل مملكة البحرين أو خارجها.

Article 3: Objects of the Company

المادة (3): أغراض الشركة:-

The objects of the Company shall be as follows:

تكون أغراض الشركة كالتالي:

Firstly

أولاً

The Company as a public shareholding company aims to undertake its activities within and outside the Kingdom of Bahrain.

تهدف الشركة باعتبارها شركة مساهمة عامة إلى مزاولة نشاطها بالتعامل داخل مملكة البحرين وخارجها.

Secondly:

ثانياً

The general business objectives of the Company shall consist of the following activities:

تشمل الأغراض العامة للشركة النشاطات التالية:

(a) To build and conduct aluminium smelters for the production of aluminium and to produce and sell aluminium within and outside the Kingdom of Bahrain.

(أ) إقامة و إدارة مصانع لصهر الألمنيوم وإنتاجه وبيعه داخل مملكة البحرين و خارجها.

(b) To produce, purchase, import, search and prospect for alumina, and to acquire, rent and possess lands which may seem to the Company possible of affording a supply of ore suitable and necessary for the production of alumina.

(ب) إنتاج وشراء وإستيراد مادة الألمينا والتنقيب عنها وإستكشافها وتملك وإستئجار وحيازة الأراضي التي قد ترى الشركة إحتمال وجود المواد الأولية اللازمة والمناسبة لإنتاج مادة الألمينا بها.

(c) To fabricate or semi-fabricate aluminium and to sell the products of the Company in the markets.

(ج) التصنيع الكامل والجزئي للألومنيوم وبيع منتجات الشركة في الأسواق.

(d) To establish, maintain and operate shipping, air transport and road transport services and to construct roads for transport for the purposes of the Company's above-mentioned objects.

(د) القيام بإنشاء وإدارة وصيانة عمليات النقل البحري والجوي والبري وإنشاء طرق للمواصلات مما يستلزمه تحقيق أغراض الشركة المذكورة.

(e) To carry on any other trade or business and to transport and do all matters and things calculated directly or indirectly to promote the carrying on of such business or to enhance the value of or to render profitable any of the Company's property or rights.

(ه) مباشرة أي نوع من أنواع التجارة والأعمال والتصرفات التي تساهم مباشرة او بطريق غير مباشر في تحقيق أغراض الشركة ونموها وزيادة دخلها وكسبها من ممتلكات الشركة وصلاحياتها.

(f) The Company may have an interest in any entities or organisations undertaking similar businesses or which may assist it in realising its objects, whether in the Kingdom of Bahrain or outside it and it may participate in any manner in the above-mentioned entities or organisations or be subsumed therein

(و) يجوز للشركة أن يكون لها مصلحة مع أي من المؤسسات و الهيئات التي تزاول أعمالاً شبيهة بأعمالها او التي قد تعاونها على تحقيق أغراضها وذلك في مملكة البحرين أو خارجها كما يجوز لها أن تشترك بأي وجه من الوجوه مع المؤسسات و الهيئات المذكورة وأن تندمج فيها أو تشتريها أو تلحقها بها أو تتحد معها.

or purchase them or be merged or amalgamated therewith.

Article 4: Duration of the Company

The duration of the Company shall be thirty calendar years commencing on the date of this Memorandum of Association. The duration of the Company may be extended by a resolution of the Extraordinary General Meeting in accordance with the provisions of Article 210 of the Law.

المادة (4): مدة الشركة:-

مدة الشركة ثلاثون سنة ميلادية تبدأ من تاريخ هذا العقد، ويجوز مد هذه المدة بقرار من الجمعية العامة غير العادية وفق أحكام المادة (210) من القانون.

Article 5: Capital of the Company

A. The authorized capital of the Company shall be BD 200,000,000 (Two Hundred Million) Bahraini Dinars divided into 2,000,000,000 (Two Billion) shares each with a nominal value of 100 (One Hundred) Fils.

B. The issued and paid-up capital of the Company shall be BD 142,000,000 (One Hundred Forty Two Million). 1,420,000,000 (One Billion and Four Hundred Twenty Million) shares have been issued to the shareholders, with a nominal value of 100 (One Hundred) Fils each. The shareholders have subscribed to the shares in the capital of the Company as follows:

المادة (5): رأسمال الشركة:-

أ- حدد رأسمال الشركة المصرح به بمبلغ 200,000,000 (مائتي مليون) دينار بحريني مقسماً على 2,000,000,000 (مليارى) سهم بقيمة أسمية مقدارها 100 (مائة) فلس لكل سهم.

ب- حدد رأسمال الشركة الصادر والمدفوع بمبلغ 142,000,000 (مائة وإثنين و أربعين مليون) دينار بحريني وتم إصدار 1,420,000,000 (مليار و اربعمائة وعشرين مليون) سهم للمساهمين بقيمة إسمية مقدارها 100 (مائة) فلس لكل سهم. إكتتب المساهمان في رأسمال الشركة على النحو التالي:

Shareholder **المساهم**	**No. of Shares** **عدد الأسهم**	**% of Share Capital** **النسبة من رأس المال**
1- Bahrain Mumtalakat	1,093,400,000	77

المفوض بالتوقيع عن الطرفين

Holding Company BSC (c) شركة ممتلكات البحرين القابضة ش.م.ب (م)		
2- Sabic Industrial Investments Company شركة سابك للإستثمارات الصناعية	284,000,000	20
3- Treasury Shares أسهم الخزينة	42,600,000	3
Total **المجموع**	**1,420,000,000**	**100**

C. A number of shares being not more than 163,300,000 shares of the Company presently held by Mumtalakat may, at the discretion of Mumtalakat, be offered by Mumtalakat for public subscription through the Bahrain Stock Exchange in accordance with the Law, the CBB Law, the Bahrain Stock Exchange Law and these Articles of Association.

ج- لشركة ممتلكات أن تتنازل عن عدد من الأسهم لا يزيد على 163,300,000 سهم من الأسهم المملوكة من قبلها حسبما ترتأيه وتعرض من قبل شركة ممتلكات للإكتتاب العام عن طريق سوق البحرين للأوراق المالية وفقاً لأحكام القانون وقانون مصرف البحرين المركزي وقانون سوق البحرين للأوراق المالية و النظام الأساسي هذا.

Article 6 : Limited Liability

The liability of each shareholder shall be limited to the value of the shares subscribed for by it.

المادة (6): مسئولية المساهم محدودة:-

تتحدد مسئولية المساهم بقيمة الأسهم التي اكتتب بها.

Article 7: The Articles of Association

The attached Articles of Association shall be deemed an integral part hereof.

المادة (7): النظام الأساسي للشركة:-

يعتبر النظام الأساسي للشركة المرافق لعقد التأسيس هذا مكملاً له وجزءاً لا يتجزأ منه.

Article 8: Expenses and Fees

All costs and fees pertaining to the reconstitution of this Company shall be considered as part of the general costs of the Company.

المادة (8): مصروفات عقد التأسيس:-

تعتبر جميع المصروفات و الرسوم المترتبة على تحويل هذه الشركة على أنها جزء من المصروفات العامة للشركة.

Article 9: No Objection Notice

This Memorandum of Association has been made pursuant to a notice of non-objection received from the Directorate of Company Affairs by their letter dated --- and under No.---- - and the letter of approval issued by the Central Bank of Bahrain dated ----.

المادة (9): تحرير عقد التأسيس:-

حرر هذا العقد استناداً الى عدم ممانعة ادارة شئون الشركات بوزارة الصناعة و التجارة بالكتاب الصادر بتاريخ ---- تحت رقم ---- و إلى خطاب الموافقة الصادر من مصرف البحرين المركزي بتاريخ ----.

Signed on behalf of all shareholders of Aluminium Bahrain B.S.C.

This Memorandum of Association has been made in one original and three copies and has been signed, after it was read, by all the parties and by me, and the parties concerned have received three copies hereof to act in accordance herewith.

المفوض بالتوقيع نيابةعن جميع مساهمي شركة ألمنيوم البحرين ش.م.ب

وبما ذكر تحرر هذا العقد من أصل وثلاث نسخ وتم التوقيع عليه بعد تلاوته من قبل الجميع ومني وتسلم أصحاب الشأن ثلاث نسخ منه للعمل بموجبه.

ARTICLES OF ASSOCIATION OF ALUMINIUM BAHRAIN B.S.C.

النظام الأساسي

شركة المنيوم البحرين ش.م.ب.

On the -- day of ---- 1431AH
Corresponding to the -- day of --, 2010 AD.

إنه في يوم --- من --- لعام 1431 هجري.
الموافق --- من شهر --- لعام 2010 ميلادي

Before me, _____ Notary at the Office of the Notary Public in the Kingdom of Bahrain.

لدي أنا
بمكتب التوثيق بمملكة البحرين.

Attended:

حضر كل من:

1. **Bahrain Mumtalakat Holding Company B.S.C. (c)** (the "**First Party**").
2. **Sabic Industrial Invesments Company** (the "**Second Party**")

1) **شركة ممتلكات البحرين القابضة ش.م.ب (م)** (**"الطرف الأول"**)
2) **الشركة السعودية للصناعات الأساسية** (**"الطرف الثاني"**)

And representing all the shareholders in the Company, Mr. -----, a ---- national, holder of CPR No. ----, in his capacity as ----- according to -----.

ويمثل جميع المساهمين في الشركة السيد ----، --- الجنسية، حامل بطاقة سكانية رقم ---، بصفته --- بموجب ----.

WHEREAS:

حيث إن:

1. Aluminium Bahrain B.S.C.(closed) ("**Alba**") was incorporated as a Bahraini shareholding closed company and

1) شركة ألمنيوم البحرين ش.م.ب.م (**"ألبا"**) قد تأسست كشركة مساهمة بحرينية مقفلة وسجلت بوزارة الصناعة والتجارة بموجب القيد رقم 999 بتاريخ 1968/11/16

وبموجب عقد التأسيس والنظام الأساسي.

registered in the Ministry of Industry and Commerce under CR No. 999 on 16/11/1968 and pursuant to the Memorandum and Articles of Association.

2) المساهمان في الشركة هما (1) شركة ممتلكات البحرين القابضة ش.م.ب (م) ("شركة ممتلكات") و (2) شركة سابك للإستثمارات الصناعية ("سابك").

2. The shareholders of Alba currently are: (1) Bahrain Mumtalakat Holding Company B.S.C. (c) ("Mumtalakat") and (2) Sabic Industrial Investments Company ("Sabic").

3) الجمعية العامة غير العادية للمساهمين في ألبا وبناء على اقتراحات مقدمة إليها من قبل مجلس الإدارة قررت في اجتماعها المنعقد في مملكة البحرين بنصاب قانوني بتاريخ ---، الموافقة على تغيير الشكل القانوني لألبا من شركة مساهمة بحرينية مقفلة إلى شركة مساهمة عامة، وكذلك تفويض السيد---- بالتوقيع على عقد التأسيس والنظام الأساسي لذلك الغرض نيابة عن المساهمين لدى كاتب العدل ووزارة الصناعة والتجارة و مصرف البحرين المركزي وأية جهة أخرى و القيام بكافة الإجراءات الضرورية بكل ما يتعلق بذلك.

3. The Extraordinary General Meeting of Alba has pursuant to proposals presented to it by the Board of Directors passed by a majority of votes at its meeting held with legal quorum on ----- a resolution approving the change of Alba from a Bahraini shareholding closed company to a Bahraini public shareholding company, and authorizing ---- to sign the Memorandum of Association and Articles of Association on behalf of the shareholders before the Notary Public, the Ministry of Industry and Commerce, the Central Bank of Bahrain and any other entity and to take all necessary steps pertaining thereto.

4) وحيث أن البا قد حصلت على الموافقة على التحول إلى شركة مساهمة عامة، من مصرف البحرين المركزي بكتابه الصادر بتاريخ --- ومن إدارة شئون الشركات بوزارة الصناعة والتجارة بكتابها المؤرخ في -------.

4. Alba has obtained approval to change to a public shareholding company from the Central Bank of Bahrain by its letter dated ---- and from the Directorate of Company Affairs at the Ministry of Industry and Commerce by its letter dated -----.

5) أقر الموقعون على هذا النظام الأساسي بتوفر الأهلية اللازمة لديهم للتوقيع على التعديلات اللازمة لعقد التأسيس و النظام

5.. The signatories of these Articles of Association have declared their capacity to act and agreed to convert Alba to a Bahraini public shareholding company in accordance with the provisions of the Commercial Companies Law issued by Decree law No. (21) for the year 2001 (the "Law"), its Implementing Regulations issued by Resolution No. 6 of 2002 and other Resolutions for implementation thereof, the Central Bank of Bahrain and Financial Institution Law No. 64/2006 ("CBB Law"), the Bahrain Stock Exchange Law issued by Decree law No. (4) for the year 1987 ("Bahrain Stock Exchange Law"), its Internal Regulations issued by Resolution No. 13 of 1988 ("Internal Regulations"), these Articles of Association and the Memorandum of Association attached herein in the manner described below.

الأساسي لألبا من أجل تغيير شكلها القانوني إلى شركة مساهمة بحرينية عامة وفقا للأحكام المنصوص عليها في قانون الشركات التجارية الصادر بالمرسوم بقانون رقم (21) لسنة 2001 ("القانون") ولائحته التنفيذية الصادرة بالقرار رقم (6) لسنة 2002 والقرارات الصادرة تنفيذاً له وقانون مصرف البحرين المركزي والمؤسسات المالية رقم 64 لسنة 2006 ("قانون المصرف المركزي")، وقانون سوق البحرين للأوراق المالية الصادر بالمرسوم بقانون رقم (4) لسنة 1987 ("قانون سوق البحرين للأوراق المالية") ولائحته الداخلية الصادرة بالقرار رقم 13 لسنة 1988 ("اللائحة الداخلية") ، والنظام الأساسي هذا وعقد التأسيس المرفق وذلك على النحو الوارد أدناه.

IT HAS BEEN AGREED as follows:

لذلك فقد تم الاتفاق على ما يلي:

CHAPTER I

The Company

الباب الأول

الشركة

Article 1: Conversion

Alba shall be converted to a Bahraini Shareholding (Public) Company under

المادة (1) تحويل الشركة :-

تحول ألبا الى شركة مساهمة بحرينية عامة تحت إسم "**ألمنيوم البحرين ش.م.ب** " ("**الشركة**") ، طبقا لأحكام القانون ولائحته التنفيذية الصادرة بالقرار رقم (6) لسنة 2002 والقرارات الصادرة تنفيذاً له و النظام الأساسي المبرم بين مالكي الأسهم الموقعين على هذا النظام وذلك وفقاً للبنود والأحكام الواردة تالياً.

the name of "**Aluminium Bahrain B.S.C.**" (the "Company") in accordance with the provisions of the Law, its Implementing Regulations No. 6/2002 and the Resolutions implementing it and these Articles of Association made by and between the shareholders signing these Articles in accordance with the terms and conditions hereinafter stated.

المادة (2) اسم الشركة:-

اسم الشركة هو: " **ألمنيوم البحرين ش.م.ب."** شركة مساهمة بحرينية عامة. ويجوز للجمعية العامة غير العادية تغيير اسم الشركة طبقاً للمادة (67) من القانون.

Article 2: Name of the Company

The name of the Company is "**Aluminium Bahrain B.S.C**.", a Bahraini public shareholding company. The Extraordinary General Meeting of the Company may change the name of the Company in accordance with Article 67 of the Law.

المادة(3) مركز الشركة الرئيسي :-

يكون مركز الشركة الرئيسي ومحلها القانوني في مدينة المنامة بمملكة البحرين ويجوز لمجلس الإدارة أن يؤسس شركات متفرعة عنها وأن ينشئ لها فروعاً أو مكاتب أو توكيلات في مملكة البحرين أو خارجها.

Article 3: Head Office of the Company

The head office of the Company and its legal domicile will be situated in Manama, Kingdom of Bahrain. The Board of Directors may establish subsidiaries, branches, offices and agencies of the Company in the Kingdom of Bahrain and abroad.

المادة (4) أغراض الشركة:-

إن أغراض الشركة هي تلك المنصوص عليها في المادة 3 من عقد التأسيس.

Article 4: Objects of the Company

The objects of the Company are those provided in Article 3 of the Memorandum of Association.

Article 5: Duration of the Company

The duration of the Company shall be thirty calendar years commencing on the date of these Articles of Association. The duration of the Company may be extended by a resolution of the Extraordinary General Meeting in accordance with the provisions of Article 210 of the Law.

CHAPTER II
CAPITAL OF THE COMPANY

Section I
Shares

Article 6:

Capital of the Company

A. The authorized capital of the Company shall be BD 200,000,000 (Two Hundred Million) Bahraini Dinars divided into 2,000,000,000 (Two Billion) shares each with a nominal value of 100 (One Hundred) Fils.

المادة (5) مدة الشركة:-

مدة الشركة ثلاثون سنة ميلادية تبدأ من تاريخ هذا النظام، ويجوز مد هذه المدة بقرار من الجمعية العامة غير العادية وفق أحكام المادة (210) من القانون.

الباب الثاني
رأسمال الشركة

الفصل الأول
في الأسهم

المادة (6)

رأسمال الشركة:-

أ- حدد رأسمال الشركة المصرح به بمبلغ 200,000,000 (مائتي مليون) دينار بحريني مقسماً على 2,000,000,000 (ملياري) سهم بقيمة أسمية مقدارها 100 (مائة) فلس لكل سهم.

ب- حدد رأسمال الشركة الصادر والمدفوع بمبلغ 142,000,000 (مائة وإثنين و أربعين مليون) دينار بحريني وتم إصدار 1,420,000,000 (مليار و اربعمائة وعشرين مليون) سهم للمساهمين بقيمة إسمية مقدارها 100 (مائة) فلس لكل

سـهم. إكتتـب المسـاهمان فـي رأسـمال الشركة على النحو التالي:

B. The issued and paid up capital of the Company shall be BD 142,000,000 (One Hundred Forty Two Million). 1,420,000,000 (One Billion and Four Hundred Twenty Million) shares have been issued to the shareholders, with a nominal value of 100 (One Hundred) Fils each. The shareholders have subscribed to the shares in the capital of the Company as follows:

Shareholder **المساهم**	**No. of Shares** **عدد الأسهم**	**% of Share Capital** **النسبة من رأس المال**
1- Bahrain Mumtalakat Holding Company B.S.C. (c) شركة ممتلكات البحرين القابضة ش.م.ب (م)	1,093,400,000	77
2- Sabic Industrial Investments Company شركة سابك للإستثمارات الصناعية	284,000,000	20
3- Treasury Shares أسهم الخزينة	42,600,000	3
Total **المجموع**	**1,420,000,000**	**100**

ج- لشركة ممتلكات أن تتنازل عن عدد من الأسـهم لا يزيـد علـى 163,300,000 سهم من الأسهم المملوكة من قبلها حسبما ترتأيه وتعرض من قبل شركة ممتلكات للإكتتاب العام عن طريق سوق البحرين لـلأوراق الماليـة وفقـاً لأحكـام القـانون

C. A number of shares being not more than 163,300,000 shares of the Company presently held by Mumtalakat may, at the discretion of Mumtalakat, be offered by Mumtalakat for public subscription through the Bahrain Stock

Exchange in accordance with the Law, the CBB Law, the Bahrain Stock Exchange Law and these Articles of Association.

وقـانون مصـرف البحـرين المركـزي وقانون سوق البحرين للأوراق المالية و النظام الأساسي هذا.

Article 7:Method of Subscription:

المادة (7): كيفية الاكتتاب العام في الأسهم:-

The Company is entitled to offer its shares for public subscription as per the Law and other related laws and enforced regulations, and as per these Articles of Association. Public subscription for shares issued by the Company shall be conducted as follows:

للشـركة أن تطـرح أسـهمها للاكتتـاب العـام وفقـا لأحكـام القـانون والقـوانين الأخـرى والأنظمـة المطبقـة وهذا النظـام الأساسـي. ويجـري الاكتتـاب العام في الأسهم التي تصدرها الشركة على النحو التالي:

a. Shares shall be offered for public subscription after obtaining the approval of the competent authorities, by inviting the public through publication in accordance with the provisions of the Law.

أ-تطرح الأسهم للاكتتاب العام بعد أخذ موافقة الجهات المختصة وذلك بدعوة الجمهور عن طريق النشر وفقا لأحكام القانون.

b. Subscription for shares shall be through one or more banks from among commercial banks operating in the Kingdom of Bahrain or through one of their branches or representatives abroad, or through securities companies and other parties approved by the Central Bank of Bahrain and the Ministry of Industry and Commerce.

ب- يجري الاكتتاب في بنك أو أكثر من البنوك التجارية المرخص لها بالعمل في مملكة البحرين أو أحد فروعها أو ممثليها في الخارج، أو عن طريق شركات الأوراق المالية أو غيرها من الجهات التي يوافق عليها مصرف البحرين المركزي و وزارة الصناعة والتجارة.

c. The Company shall, when offering shares for public subscription, issue the prospectus mentioned in Article

ج- تلتزم الشركة عند طرح الأسهم للاكتتاب العام بإصدار البيان المنصوص عليه في المادة (86) من القانون الذي يشتمل على

86 of the Law that shall contain the particulars set forth in Article 20 of the Implementing Regulations.

البيانـات المنصـوص عليهـا فـي المـادة (20) من اللائحة التنفيذية للقانون.

Article 8: Company Shares

The shares of the Company shall be nominal and negotiable. The shares shall be indivisible but one or more persons may jointly hold title to one or several shares provided that they shall be represented in relation to the Company by one person. Joint owners of a share or shares shall be jointly responsible for liabilities arising from such ownership.

المادة (8): أسهم الشركة:-

أسهم الشركة أسمية وقابلة للتداول. والسهم غير قابل للتجزئة ولكن يجوز أن يشترك شخصان أو أكثر في ملكية سهم واحد أو عدد من الأسهم على أن يمثلهم تجاه الشركة شخص واحد. ويعتبر الشركاء في ملكية السهم أو الأسهم مسئولين بالتضامن عن الالتزامات المترتبة على هذه الملكية.

Article 9: Register of Shareholders and Share Certificates

(1) There shall be maintained in the head office of the Company, or at the office of the registrar of shares appointed by the Company, a register of shareholders (the "Register") for each class and series of shares issued by the Company, which Register(s) of Shares shall be maintained in accordance with the requirements of the Law. Transfers and mortgages of shares by the Company's shareholders and the dates of such transfers and mortgages shall be included in

المادة (9): سجل وشهادات الأسهم:-

1- تحتفظ الشركة في مركزها الرئيسي أو لدى مسجل الأسهم المعين من قبلها أو أية جهة مختصة أخرى تعينها الشركة بسجل للمساهمين ("السجل") بموجب متطلبات القانون يدون فيه أسماء المساهمين وعناوينهم ومواطنهم وجنسياتهم وعدد الأسهم التي يملكها كل مساهم، ويجب أن يتضمن السجل أيضا بيان أي تصرف يجري على الأسهم بما في ذلك أي تنازل عنها أو رهن لها من قبل المساهمين وتاريخ ذلك التنازل أو الرهن.

2- يحق لكل مساهم أن يطلع على السجل وتقدم

such Register.

(2) A shareholder shall have the right of access to the Register. Details entered into the Register and any amendments thereto shall be furnished to the Ministry of Industry and Commerce and the Bahrain Stock Exchange. The closing of the Register shall be at the discretion of the Board of Directors.

(3) Share certificates shall be prepared in the manner provided in Article 117 of the Law. They shall be extracted from a book containing detachable certificates bearing serial numbers. Certificates shall be signed by two members of the Board of Directors and shall bear the Company's seal.

Article 10: Shareholders' Rights

(1) Shareholders are members of the Company. Shares confer on them equal rights and impose on them equal obligations. The holding of a share of the Company inevitably implies the shareholder's acceptance of the Memorandum of Association and these Articles of Association and the terms and conditions pursuant to which such shares were issued as amended from time to time in accordance

لـوزارة الصـناعة و التجـارة وسـوق البحـرين للأوراق الماليـة التفاصـيل المدونـة فـي السـجل وأيـة تعـديلات قـد تـدخل عليهـا. ويكـون اقفـال السجل حسب خيار مجلس الإدارة.

3- يتم إعداد شهادات الأسهم بالطريقة المنصـوص عنها في المادة (117) من القانون وتستخرج مـن دفتـر يتضـمن شـهادات تحمـل أرقامـاً مسلسـلة قابلـة للفصـل مـن الـدفتر .ويجـب أن توقـع شـهادات الأسـهم مـن قبـل عضـوين مـن أعضاء مجلس الإدارة وتختم بختم الشركة.

المادة (10): حقوق المساهمين:-

1- المساهمون أعضاء في الشركة وترتب الأسهم لهم حقوقا متساوية وترتب عليهم التزامات متساوية. ويترتب حتما على ملكية السهم الموافقة على عقد التأسيس والنظام الأساسي للشركة والبنود والشروط التي تم إصدار الأسهم على أساسها كما تعدل من وقت لآخر تبعا لها وعلى قرارات الجمعيات العامة للمساهمين كما هي معرفة في القانون.

2- يتمتع المساهم بالحقوق المنصوص عليها في المادة (168) من القانون.

المادة (11) التزامات المساهمين:-

(1) يكلف المساهم بالالتزامات الواردة في المادة (169) من القانون وبوجه خاص ما يلي:

أ - تسديد ما يكون قد التزم به من أقساط في المواعيد المحددة لذلك فيما يتعلق باكتتابه في رأسمال الشركة أو في أية زيادة له وأية مصاريف تتعلق بتحصيل ذلك.

ب- إذا تخلف المساهم عن دفع القسط المستحق على قيمة أي سهم في ميعاد الاستحقاق، جاز لمجلس الإدارة التنفيذ على السهم/الأسهم المذكور وذلك بإنذار المساهم بدفع القسط المستحق بكتاب مسجل مصحوبا بعلم الوصول. فإذا لم يقم المساهم بالوفاء خلال عشرة أيام من تاريخ وصول هذا الإنذار، جاز للشركة بيع هذا السهم/الأسهم في سوق البحرين للأوراق المالية أو في مزاد علني. ويجوز للمساهم المتخلف حتى اليوم المحدد للمزايدة أن يدفع القيمة المستحقة عليه مضافا إليها المصروفات التي أنفقتها الشركة.

therewith and the resolutions made by the General Meetings of shareholders, as defined in the Law.

(2) A shareholder shall enjoy the rights provided in Article 168 of the Law.

Article 11: Shareholders' Obligations

(1) A shareholder shall have the obligations provided in Article 169 of the Law and in particular, shall have the following obligations:

(a) to pay any instalments undertaken to be paid by the shareholder on the due date with respect to his subscription in the Company share capital, any increase thereof or expenses incurred by the Company for the purpose of collection of unpaid instalments; and

(b) if a shareholder fails to pay an instalment on the value of any share on its due date, the Board of Directors may proceed with execution against the said share or shares by giving notice to the shareholder to that effect by registered mail with recorded delivery. If the shareholder fails to pay within 10 days of the date of receipt of such notice, the Company may sell the said share

or shares at the Bahrain Stock Exchange or by public auction. However, the defaulting shareholder may, before the date fixed for the said auction, pay the amount due together with the expenses incurred by the Company;

The Company shall deduct from the amount realized out of the sale of such shares, the delayed instalments together with expenses incurred in securing payment of the amount due and the balance shall be paid to the share's owner. If the proceeds of sale are insufficient to cover these amounts, the Company may have recourse to the usual methods for recovering the balance from the shareholder. A shareholder shall not be liable except to the extent of the value of his shares or the unpaid portion of such value. Neither the General Meeting nor the Board of Directors may impose any obligation on the shareholder in excess of the value of his shares, without prejudice to the right of the Company to exercise against the defaulting shareholder at the same time or any other time all the rights available to it under the general provisions of the Law.

(2) The General Meeting of shareholders may not:

وتستوفي الشركة من الثمن الناتج عن بيع هذه الأسهم الأقساط المتأخرة بالأضافة الى المصاريف المترتبة على ضمان تسديد الدفعات المستحقة ويرد الباقي لصاحب السهم. فإذا لم يكفي الثمن للوفاء بهذه المبالغ جاز للشركة الرجوع بالباقي على المساهم بالطرق العادية. ول يكون المساهم ملزماً إلا بقدر قيمة أسهمه أو الجزء غير المسدد من أصل تلك القيمة. ولا يجوز للجمعية العامة أو لمجلس الإدارة تحميل المساهم أية التزامات تزيد عن قيمة الأسهم وكل ذلك مع عدم الإخلال بحق الشركة في أن تستعمل قبل المساهم المتأخر في الوقت ذاته أو في أي وقت آخر جميع الحقوق التي تخولها لها الأحكام العامة في القانون.

(2) لا يجوز للجمعية العامة للمساهمين:

أ - زيادة أعباء المساهم المالية أو زيادة قيمة الأسهم إلا في نطاق أحكام القانون.

ب- فرض شروط جديدة غير الشروط المذكورة في النظام الأساسي هذا تتعلق بأحقية المساهم في حضور الجمعيات

العامة والتصويت فيها.

ج - تقييد حق المساهم في إقامة الدعوى على أعضاء مجلس الإدارة أو على بعضهم في المطالبة بالتعويض عما يصيبه من ضرر وفقا لأحكام القانون.

(a) increase the financial liabilities of the shareholders nor increase the value of the shares except within the ambit of the provisions of the Law;

(b) impose any new conditions other than those contained in these Articles of Association with respect to the right of a shareholder to attend General Meetings and vote thereat;

(c) restrict the right of a shareholder to institute action against all or some of the Directors in respect of compensation for damages suffered by him pursuant to the provisions of the Law.

المادة (12): تداول الأسهم والشهادات المؤقتة:-

1- يجوز للشركة أن تشتري أسهمها ("أسهم الخزينة") وذلك في الحالات ووفقا للقواعد التي يصدر بها قرار من وزير الصناعة والتجارة.

2- يجوز تداول الأسهم والشهادات المؤقتة ويكون تداول الأسهم وفقا لأحكام سوق البحرين للأوراق المالية واللائحة الداخلية ويجب أن تكون الأسهم مسددة القيمة كاملة وخالية من أية أعباء أو رهونات لكي يتم تحويلها ويجوز لغير البحرينيين (سواءً كانوا أشخاصاً طبيعيين أو إعتباريين) تملك وتداول أسهم الشركة استثناء من بعض أحكام المادة (119) من القانون تبعا لقرار صادر عن وزير الصناعة و التجارة بهذا الشأن تبعا للمادة المذكورة.

Article 12: Negotiability of Shares and Temporary Share Certificates

1. The Company may buy its own shares ("Treasury Shares") in the cases and in accordance with the rules specified by a Resolution of the Minister of Industry and Commerce.

2. Shares and temporary share

certificates may be traded according to the Bahrain Stock Exchange Law and its Internal Regulations. Shares must be fully paid up and free from all liens in order for them to be transferred. Non-Bahraini nationals (being natural persons or bodies corporate) shall have the right to own and deal in the Company's shares as an exception from certain provisions of Article 119 of the Law pursuant to a resolution of the Minister of Industry and Commerce in this respect.

3- لا يعتبر التصرف في الأسهم ساريا في حق الشركة أو الغير إلا إذا دون في السجل الخاص بذلك المشار إليه في المادة (9) أعلاه من هذا النظام الأساسي.

4- للشركة أن ترفض تسجيل البيع أو التصرف في الأسهم في الأحوال المبينة في المادة (119) من القانون.

5- للشركة أن توقف تسجيل الأسهم خلال المدة التي تقع بين تاريخ الدعوة لاجتماع الجمعية العامة وتاريخ انعقاد هذا الاجتماع.

3. Disposition of shares shall not be considered effective as against the Company or third parties unless entered in the Register referred to in Article 9 hereinabove.

4. The Company may refuse to register the sale or disposition of a share in the events set out in Article 119 of the Law.

6- يظل المساهمون الأصليون والمتنازلون المتعاقبون – بالرغم من حصول التنازل وإثباته في السجل– مسئولين بالتضامن فيما بينهم ومع المتنازل إليهم عن المبالغ المتبقية للشركة إلى أن يتم سداد قيمة الأسهم .

5. The Company may suspend the registration of share transfers during the period between the date of notice of convening the General Meeting and the date on which the said General Meeting is actually held.

المادة (13): رهن الأسهم والشهادات المؤقتة والتصرف فيها:-

6. Notwithstanding the transfer of shares and the registration of such transfer in the Register, the original

1- يجوز رهن الأسهم والشهادات المؤقتة وهبتها والتصرف فيها بأي تصرف آخر. ويسري على هذه التصرفات أحكام الفقرات (2) و (3) و(4) من المادة (12) أعلاه. ويذكر في

السجل وعلى ظهر شهادة السهم المرهون بأنها مرهونة وتحدد مرتبة الدائن المرتهن من تاريخ قيد الرهن في السجل، ويكون للدائن المرتهن الحق في قبض الأرباح واستعمال الحقوق المتعلقة بالأسهم ما لم يتفق في عقد الرهن على غير ذلك، إلا أنه لا يجوز للدائن المرتهن حضور اجتماعات الجمعية العامة أو الاشتراك في مداولاتها أو التصديق على قراراتها.

shareholders and successive transferors shall remain jointly liable with the transferees in respect of amounts due but unpaid to the Company until the full value of the shares is paid.

Article 13: Mortgage of Shares and Temporary Share Certificates and Disposal Thereof

1. Shares and temporary certificates may be mortgaged and disposed of in any other manner. Such disposition shall be governed by the provisions of paragraphs 2, 3 and 4 of Article 12 hereinabove. A notation shall be entered in the Register and on the back of a mortgaged share certificate to indicate that the share is mortgaged. A creditor mortgagee's rank shall be established as of the date of entry of the mortgage in the Share Register. A creditor mortgagee shall have the right to receive dividends and exercise the rights accruing to the shares, unless otherwise agreed in the mortgage deed. However, a creditor mortgagee may not attend the General Meetings of the Company nor participate in its deliberations or approve its resolutions.

2. A registered mortgage of a share shall not be discharged except by declaration by the creditor mortgagee accepting such discharge of mortgage or by a final court order. Such discharge shall be entered in the Register.

2- لا يجوز شطب الرهن إلا بإقرار من الدائن المرتهن بقبول ذلك أو بمقتضى حكم نهائي ويؤشر بذلك في السجل.

المادة (14): عدم جواز الحجز على أموال وممتلكات الشركة:-

1- لا يجوز لورثة المساهم أو لدائنيه بأية حجة كانت أن يطلبوا لأي سبب من الأسباب وضع الأختام على دفاتر الشركة أو أوراقها المالية أو ممتلكاتها ولا أن يطلبوا قسمتها أو بيعها. ولا أن يتدخلوا بأي وجه من الوجوه في إدارة الشركة. ويجب عليهم عند استعمال حقوقهم أن يعولوا على سجلات الشركة وبياناتها المالية وعلى قرارات الجمعية العامة.

2- كمـا لا يجـوز الحجـز علـى أمـوال الشـركة استيفاء لديون مترتبة في ذمة أحد المساهمين وإنما يجـوز حجز أسهم المدين وأرباح هذه الأسهم. ويؤشر بالحجز على السهم أو برفعه عنه فـي السجل المحفوظ بالشـركة بناء على إستلام إخطـار من الجهة المختصـة قانونـا، ولا يرفع الحجز إلا بإخطـار آخـر من الجهة المذكورة.

3- تكـون جميـع قـرارات الجمعيـة العامـة ملزمـة للحـاجز والـدائن المـرتهن علـى النحـو الـذي تسـري علـى المسـاهم المحجـوزة أسـهمه أو الراهن دون أن تكون لـه حقوق العضـوية فـي الشركة.

الفصل الثاني

تعديل رأس المال

المادة (15): زيادة رأس المال المصرح به:-

يجوز بقرار من الجمعيـة العامـة غير العاديـة زيـادة رأسمال الشركة المصرح به. وتتم الزيادة بناء علـى اقتراح مجلس الإدارة بعد إخطـار وزارة الصـناعة والتجـارة و مصـرف البحـرين المركـزي وسـوق البحرين للأوراق المالية.

Article 14: Company's Funds & Assets May Not Be Attached

1. Neither shareholders' heirs nor their creditors may seek, for any reason whatsoever, to place a seal on the Company's books, financial securities or properties or ask for its division or sale. They may not, in any manner whatsoever, interfere in the management of the Company. In exercising their rights they shall rely on the Company's records and financial statements and resolutions of the General Meetings.

2. Company assets may not be attached for the recovery of any debts due from one of the shareholders. The shares of a debtor shareholder and dividends accruing thereto may, however, be attached. An entry of the attachment shall be made in or removed from the Register maintained by the Company pursuant to receipt of notice from a legally competent authority. An attachment is not cancelled except by another notice from the said authority.

3. All General Meeting resolutions shall be binding on the attachor and the creditor mortgagee to the same extent as they are on the shareholder whose shares are attached or mortgaged without such party acquiring the rights of membership of the Company.

المادة (16): زيادة رأس المال الصادر:-

1- كما يجوز بقرار من الجمعية العامة العادية زيادة رأس المال الصادر في حدود رأس المال المصرح به وتحديد الطريقة التي تتم بها هذه الزيادة وفقا لأحكام المادتين (125) و(126) من القانون بشرط أن يكون المساهمون قد سددوا قيمة رأس المال الصادر بالكامل. ويجب أن تتم زيادة رأس المال الصادر فعلا خلال الثلاث سنوات التالية لصدور القرار بالترخيص بالزيادة شريطة أن تكون القيمة الاسمية للسهم الجديدة معادلة للقيمة الاسمية للسهم الأصلي. على إنه يجوز للجمعية العامة غير العادية أن تقرر إضافة علاوة إصدار إلى القيمة الاسمية للأسهم وأن تحدد مقدارها. ويضاف صافي هذه العلاوة بعد تنزيل مصروفات الإصدار إلى الاحتياطي القانوني، كما هو معرف في المادة (422) من القانون، ولو بلغ نصف رأس المال. وتخطر وزارة الصناعة والتجارة وسوق البحرين للأوراق المالية بالأسباب الموجبة للزيادة في جميع حالات زيادة رأس المال.

2- يكون للمساهمين القائمين أولوية الاكتتاب في الأسهم الجديدة على النحو المنصوص عليه في المادتين (128) و(129) من القانون ويجب على الشركة إتباع الإجراءات

Section II

Alteration of Capital

Article 15: Increase of Authorized Capital

The authorized capital of the Company may be increased by resolution of the Extraordinary General Meeting on the recommendation of the Board of Directors after notifying the Ministry of Industry and Commerce and the Central Bank of Bahrain and the Bahrain Stock Exchange.

Article 16: Increase of Issued Capital

1. The issued capital of the Company may be increased within the limits of the authorized capital by resolution of the Ordinary General Meeting, which shall determine the manner of such increase in accordance with the provisions of Articles 125 and 126 of the Law, provided that the capital shall not be increased except after the shareholders have paid in full all the issued capital. The actual issued capital shall be increased within three years following the date on which a resolution authorizing the increase is issued, provided that the nominal value of the new shares shall be equivalent to the nominal value of the original shares. The Extraordinary

المفوض بالتوقيع عن الطرفين

المنصوص عليها في المادتين المذكورتين من القانون.

3- يجوز أن يكون للشركة عند زيادة رأسمالها متعهد أو أكثر لتغطية ما يتبقى من أسهم الاكتتاب وذلك تبعا لأحكام المادة (93) من القانون.

4- يجب على مجلس الإدارة القيام بنشر القرار الصادر بزيادة رأس المال في الجريدة الرسمية وإحدى الجرائد اليومية المحلية، ويقيد هذا القرار في السجل التجاري وذلك خلال شهر من تاريخ إجراء الزيادة.

General Meeting may, however, resolve to issue shares at a premium to be added to the nominal value and may fix the value of such premium. The net total of the said premium shall be added, after deduction of expenses of the share issue, to the Legal Reserve Account, as defined in Article 224 of the Law, even if it amounts to half the capital. The Ministry of Industry and Commerce and the Bahrain Stock Exchange shall be furnished with reports and reasons necessitating an increase in all cases of increase of capital.

2. Priority to subscribe to the new shares shall be given to existing shareholders in the manner specified in Articles 128 and 129 of the Law, and the Company shall follow the procedures set out in the said two Articles of the Law.

المادة (17): تخفيض رأس المال:-

1. يجوز للجمعية العامة غير العادية، أن تقرر تخفيض رأسمال الشركة المصرح به و/أو المدفوع إذا زاد عن حاجتها أو إذا طرأت خسارة ورأت الشركة إنقاص رأس المال المصرح به و/أو المدفوع إلى القيمة الموجودة فعلاً بعد الحصول على موافقة مسبقة من وزارة الصناعة والتجارة بموجب أحكام المواد 132 إلى 137 من القانون. ولا يصدر قرار التخفيض إلا بعد تلاوة تقريري مجلس الإدارة ومدقق الحسابات عن الأسباب الموجبة له وعن الالتزامات التي على

3. For the purpose of increase of its capital the Company may have one or more underwriters to subscribe to the shares remaining unsubscribed for according to the provisions of Article 93 of the Law.

4. The Board of Directors shall publish the resolution issued in approval of the capital increase in the Official Gazette and one local daily newspaper. Such resolution shall

be registered with the Commercial Register within one month from the date of increase.

الشـركة وعـن أثـر التخفـيض فـي هـذه الالتزامـات. وتخطـر وزارة الصـناعة و التجـارة بصـورة مـن تقريـري مجلـس الإدارة ومدقق الحسابات.

Article 17: Reduction of Capital

(1) The Extraordinary General Meeting may resolve to reduce the authorised and/or paid-up capital of the Company if the same is in excess of its needs or if there has been a loss and the Company resolves to reduce its authorised and/or paid-up capital to the actual value thereof with the prior approval of the Ministry of Industry and Commerce according to the provisions of Articles 132 to 137 of the Law. The resolution reducing the capital shall be issued only after reading the reports of the Board of Directors and the auditor on the reasons for the reduction, the obligations of the Company and the effect of the said reduction on these obligations. A copy of the reports of the Board of Directors and the auditor shall be forwarded to the Ministry of Industry and Commerce.

2. يتم تخفيض رأس المال المصرح بـه و/أو المدفوع بإحدى طريقتين:

أ. تنزيل القيمة الاسمية للسهم، أو

ب. إلغـاء عـدد مـن الأسـهم بقيمـة المبلـغ المقرر تخفيضه من رأس المال.

3. يتم تخفيض رأس المال بسبب زيادتـه عن حاجـة الشـركة عـن طريـق تنزيـل القيمـة الاسمية للأسهم، وذلك إما برد جزء منها للمسـاهمين يتسـاوى مـع النسـبة المقـرر تخفيضها من رأس المـال، أو بـإبراء ذمـة المساهمين من أقساط الأسهم التي لم تـدفع بنسـبة التخفـيض المقـرر، وإذا كـان التخفـيض بسـبب خسـارة الشـركة، فيـتم إلغاء عدد من الأسهم بقيمـة المبلـغ المقرر تخفيضـه مـن رأس المـال. وفـي جميـع الأحـوال يجـب أن لا تقـل القيمـة الاسـمية للأسهم عن الحد الأدنى المقرر قانوناً.

(2) The authorised and/or paid-up capital shall be reduced by one of the following means:

a) reducing the nominal value of the

shares; or

b) cancelling a number of shares equal to the amount of the decided reduction.

4. إذا كان تخفيض رأس المال بإلغاء الشركة لعدد من أسهمها، عندها تطبق المادة (135) من القانون.

(3) Capital reduction shall be made, if the Company's capital is more than the Company needs, by reducing the nominal value of the shares, either by giving back a part of it to the shareholders equal to the decided percentage of reduction or by discharging them of the unpaid instalments of the shares' value in proportion to the decided reduction. If the reduction is due to the Company's losses, a number of shares equal to the decided amount of reduction shall be cancelled. In all cases the nominal value of the shares must not be less than the minimum value stipulated by law.

5. يتعين قيد كل قرار صادر بتخفيض رأسمال الشركة في السجل التجاري وفقاً لأحكام قانون هذا السجل والإعلان عنه في الجريدة الرسمية و إحدى الصحف المحلية اليومية، ولا يحتج بالتخفيض قبل الدائنين الذين أبدوا اعتراضاتهم خلال ستين يوماً من تاريخ نشر قرار التخفيض في الجريدة الرسمية وقدموا مستنداتهم في الميعاد المذكور إلا إذا استوفى هؤلاء الدائنون ديونهم الحالة أو حصلوا على الضمانات الكافية للوفاء بديونهم الآجلة.

المادة (18): دمج الأسهم:-

(4) If the capital reduction is made by way of cancelling a number of the Company's shares, the provisions of Article 135 of the Law shall apply.

(أ) للشركة بموافقة سوق البحرين للأوراق المالية ووزارة الصناعة والتجارة دمج كل أو بعض من أسهمها في أسهم ذات قيمة اسمية أكبر من القيمة الاسمية القائمة للأسهم وذلك بطريق التجزئة العكسية للسهم وفيما يتعلق بذلك الدمج استبدال شهادات الأسهم القائمة بشهادات أسهم جديدة تمثل الأسهم المدمجة شريطة أن يتم ذلك الدمج فقط بموافقة حملة الأسهم التي تتأثر بذلك بموجب قرار صادر عن الجمعية العامة للمساهمين أو بموافقة مجلس الإدارة تبعا لقرار صادر عن

(5) Any resolution reducing the Company's capital shall be entered in the Commercial Registry in accordance with the provisions of the registry law and be published in the Official Gazette and in one of the local daily newspapers, and

الجمعية العامة غير العادية للمساهمين في الشركة بتفويض مجلس الإدارة بتلك الصلاحيات.

the reduction shall not be effective against the creditors who make an objection thereto and submit their documents within sixty days from the publication date in the Official Gazette unless they have been paid their due debts or have been provided with adequate guarantees for the payment of their deferred debts.

(ب) إذا حصل نتيجة دمج الأسهم تبعا لأحكام الفقرة (أ) من هذه المادة (18) أن ترتب حق لأي مساهم في كسر من السهم يقوم مجلس الإدارة بتجميع جميع تلك الكسور وبيعها لصالح هؤلاء المساهمين كل بنسبة ما يستحقه.

Article 18: Consolidation of Shares

(a) The Company, with the approval of the Bahrain Stock Exchange and the Ministry of Industry and Commerce, may consolidate all or any of its shares into shares of a larger nominal value than the existing nominal value of the shares by means of a reverse stock split and, in connection with such consolidation, exchange existing share certificates for new share certificates representing the shares as consolidated, provided that any such consolidation shall only be made with the approval of the holders of shares so affected pursuant to an Extraordinary General Meeting, or with the approval of the Board of Directors pursuant to a resolution of such shareholders at an Extraordinary General Meeting delegating such authority to the Board of Directors.

(ج) يتم تبيان أي دمج للأسهم بموجب المادة (18) هذه بموجب ملحق لعقد التأسيس والنظام الأساسي هذا يتم إيداعه لدى وزارة الصناعة و التجارة من قبل أشخاص مفوضين أصولا من قبل المساهمين أو حسبما يكون الحال من قبل مجلس الإدارة استيفاء لهذا الغرض. ويعتبر أي ملحق كهذا جزءا لا يتجزأ من عقد التأسيس والنظام الأساسي هذا.

(د) تسجل الشركة في السجل عدد الأسهم كما تم دمجها المملوكة من قبل كل مساهم بها. وتعتبر القيود الناتجة عن ذلك في السجل دليلا قاطعا على عدد الأسهم التي تم دمجها.

(b) If, as a result of the consolidation of shares in accordance with paragraph (a) of this Article 18, any shareholder may be entitled to a fraction of a share, the Board of

Directors shall aggregate all such fractions and sell them for the benefit of such shareholders on a pro rata basis.

(c) Any consolidation of shares pursuant to this Article 18 shall be evidenced by a supplement to the Memorandum of Association and these Articles of Association filed with the Ministry of Industry and Commerce by persons duly authorized by the shareholders, or as the case may be, the Board of Directors, for such purpose. Any such supplement shall take effect as an integral part of the Memorandum of Association and these Articles of Association.

(d) The Company shall enter in the Register the number of shares, as consolidated, owned by each of the holders thereof. The resulting entries in the Register shall be conclusive evidence as to the number of shares so consolidated.

Section III
Loan Debentures

Article 19: Issue of Loan Debentures

The Company may issue loan debentures in accordance with the provisions of Chapter 5 of the Law by resolution of the Ordinary

الباب الثالث
سندات القرض

المادة (19): إصدار سندات القرض:-

للشركة أن تصدر سندات قرض وفق أحكام الفصل الخامس من القانون وذلك بقرار من الجمعية العامة العادية بناء على اقتراح من مجلس الإدارة يتضمن بيان مدى حاجة الشركة إلى التمويل والشروط الخاصة بسندات القرض شريطة موافقة مصرف البحرين المركزي بالنسبة الى سندات القرض الصادرة بالعملات الأجنبية أو الصادرة بالعملة المحلية التي قد تطرح للاكتتاب في أسواق المال العالمية.

المادة (20): تغطية قيمة سندات القرض:-

للشركة أن تغطي قيمة سندات القرض بإحدى الوسيلتين التاليتين:

1- طرح سندات القرض في اكتتاب عام وتتبع في هذا الشأن القواعد والأحكام المقررة في النظام الأساسي وقانون الشركات التجارية للاكتتاب في الأسهم وبما لا يتعارض مع طبيعة سندات القرض، أو

General Meeting following a proposal by the Board of Directors indicating the extent of the Company's need for borrowing and the conditions for issue of debentures, subject to approval of the Central Bank of Bahrain, in foreign currencies or in local currency for subscription in international markets.

2- بيع السندات عن طريق البنوك وشركات المال والاستثمار ومتعهدي الاكتتاب وفق القواعد والأعراف المعمول بها في هذا الشأن وبما لا يتعارض مع أحكام القوانين المنطبقة.

Article 20: Cover for the Value of Loan Debentures

The Company may cover the value of loan debentures by one of the following two methods:

1. By floating the debentures in a public offering in which case the rules and provisions prescribed for share subscription in these Articles of Association and the Law shall be applicable to the extent not in conflict with the nature of debentures; or

2. By sale of debentures through banks, finance and investment companies and underwriters, in which case the prevailing custom and practice shall be applicable without being in conflict with the provisions of the applicable law.

المادة (21): الاكتتاب بسندات القرض المطروحة أو الرجوع عن القرض:-

إذا تمت تغطية نسبة 50% أو أكثر من السندات المطروحة للاكتتاب خلال المدة المحددة أو أية مدة أخرى ممددة للإكتتاب ، يعتبر الاكتتاب تاما، وبخلاف ذلك يجوز للجمعية العامة إما الرجوع عن إصدار سندات القرض ورد الأموال للمكتتبين أو الاكتفاء بالقدر الذي تم تغطيته من السندات وإلغاء الرصيد الباقي.

الباب الرابع
مجلس الإدارة

المادة (22): مجلس الإدارة:-

1- يتولى إدارة الشركة مجلس إدارة مؤلف من عشرة أعضاء يتم تعيينهم و/أو انتخابهم على التوالي وفق أحكام النظام الأساسي هذا و أحكام المادة (175) من القانون . ويجوز

تعديل هذا العدد بقرار من الجمعية العامة للمساهمين تبعا للفقرة (5) تاليا من هذه المادة (22) مع مراعاة أحكام القانون.

Article 21: Subscription in the Offered Loan Debentures or Cancelling the Loan

If 50% or more of the debentures offered for public subscription are subscribed for during the fixed period or any other extended period for subscription, such subscription shall be deemed to have been completed, otherwise the General Meeting may either cancel issuing the debentures and refund amounts of subscriptions to subscribers or be satisfied with the number of debentures subscribed and cancel the balance.

2- يعين المساهم الذي يملك 10% أو أكثر من رأس المال من يمثله في مجلس الإدارة بنفس تلك النسبة من عدد أعضاء المجلس بحيث يعين عضوا واحدا عن كل نسبة مساهمة مقدارها 10% من رأس المال ويسقط حقه في التصويت لإنتخاب العدد المتبقي من أعضاء مجلس الإدارة في النسبة أو النسب التي يتم التعيين عنها، فإذا بقي بعد ذلك نسبة من الأسهم لا تؤهله لتعيين عضو آخر جاز له استخدام تلك النسبة بالتصويت مشتركا مع المساهمين الآخرين الذين يكون لهم الحق في انتخاب أعضاء مجلس الإدارة (غير المعينين) وفق أحكام الفقرة (3) من هذه المادة.

Section IV
Board of Directors

Article 22: Board of Directors

1. The Company shall be administered by a Board of Directors consisting of 10 (ten) directors to be appointed and/or elected respectively in accordance with the provisions of these Articles of Association and Article 175 of the Law. The number of directors may be varied according to paragraph 5 of this Article 22 subject to the provisions of the Law.

2. A shareholder who owns 10% or more of the capital shall appoint his representative on the Board of

3- بعد إجراء التعيينات لعضوية مجلس الإدارة من قبل المساهمين المؤهلين لذلك عملاً بالفقرة (2) أعلاه، تنتخب الجمعية العامة العادية العدد المتبقي من أعضاء المجلس بالاقتراع السري. و يكون الإنتخاب بالأغلبية البسيطة للأصوات الصحيحة مع مراعاة الأحكام الواردة في الفقرة (2) أعلاه فيما يتعلق بأهلية التصويت بالانتخاب و الذي يتم استنادا إلى قائمة أو قوائم المرشحين المؤهلين تكون قد قدمت من مجلس الإدارة إلى الجمعية العامة العادية قبل الموعد المحدد لاجتماع الجمعية العامة العادية المقرر إجراء

الانتخابات فيه.

Directors proportionately to the total number of members of the Board of Directors, so that one member shall be appointed for each 10% shareholding in the share capital, and the shareholder shall forfeit his right of voting to elect the remaining number of Board of Directors to the extent of the percentage or percentages of shares for which an appointment is made. If the shareholder still holds a percentage that is not enough to make him eligible for appointment of another member, he may use such percentage in voting with the other shareholders who have the right to elect members of the Board of Directors (other than the appointed members) in accordance with the provisions of paragraph 3 of this Article.

4- يجـوز للجمعيـة العامـة العاديـة أن تحـدد مـن وقت لآخر عدد أعضـاء مجلس الإدارة غير ذلـك المنصـوص عنـه فـي الفقرة (1) أعـلاه من هذه المـادة شريطة أن لا يقـل العـدد فـي أي وقت عـن خمسـة أعضاء. ويكون الغرض مـن تحديـد عـدد الأعضـاء علـى هـذا النحـو شـمول ذلك عدد الأعضـاء المعينين بموجـب الفقـرة (2) والأعضـاء المنتخبـين بموجـب الفقـرة (3) أعـلاه مـن هـذه المـادة وكـذلك الأعضاء الذين تعينهم من وقت لآخر الجمعية العامـة العاديـة مـن ذوي الخبـرة ومـن غيـر المساهمين.

3. After making the appointments for membership of the Board of Directors by eligible shareholders through the application of the provisions of paragraph 2 above, the Ordinary General Meeting shall elect the remaining number of members of the Board of Directors by secret ballot. The election shall be by simple majority of eligible votes subject to the provisions of paragraph 2 above with respect to eligibility for voting in the election which shall be based on a list or lists of qualified nominees presented to the Ordinary General Meeting by the Board of Directors before the date of the General Meeting at which elections are scheduled to take place.

5- تكـون مـدة مجلـس الإدارة ثـلاث سـنوات قابلـة للتجديد. ويجوز للشخص المعنوي الذي عين عضـوا أو أكثـر فـي المجلـس أن يسـتبدل مـن عينـهم بغيـرهم سـواء كـان ذلـك أثنـاء المـدة المـذكورة أو فـي نهايتهـا. كمـا يجـوز إعـادة انتخاب العضو المنتخب لدى انتهاء المدة التـي انتخب لها ويعتبر ذلك ترشيحا جديدا يستلزم كافـة الأحكـام والشـروط المطلوبـة للعضـوية لأول مرة والمنصوص عنها فـي المـادة (23) مـن هذا النظـام الأساسي. ويجـوز بقرار مـن وزير الصناعة و التجارة مد مدة العضوية فـي مجلس الإدارة لمدة لا تزيد عن ستة أشهر بناء على طلب مجلس الإدارة.

4. The Ordinary General Meeting may from time to time determine the number of members of the Board of Directors otherwise than specified in paragraph 1 above, provided the number of members shall at no time be less than five. The purpose of determining the number of members in this manner is to include the number of members appointed pursuant to paragraph 2, and those members elected pursuant to paragraph 3 of this Article as well as the expert members of the Board of Directors who are not shareholders but appointed from time to time by the Ordinary General Meeting.

5. Members of the Board of Directors shall be elected for a three year renewable term. A corporate person who has appointed one or more members of the Board of Directors may replace them by others whether during the said period or on its expiry. An elected member of the Board of Directors may be re-elected upon the expiry of his term of office, and this shall be considered to be a new nomination which requires satisfaction by such member of all the terms and conditions required to be satisfied by a person nominated for membership of the Board of Directors for the first time as set out in Article 23 of these Articles of Association. The term of office of the Board of Directors may be extended by Resolution of the Minister of Industry and Commerce for a period not exceeding six months at

6- لا يجوز تعيين أو انتخاب أي شخص عضوا في مجلس الإدارة إلا بعد أن يقبل التعيين أو الترشيح كتابة.

المادة (23): شروط العضوية في مجلس الإدارة:-

يجب أن تتوافر في عضو مجلس الإدارة الشروط المنصوص عنها في المادة (173) من القانون. الا أنه، يستثنى من متطلبات الفقرة (ج) من المادة 173 المذكورة المتعلقة بملكية أسهم نصاب العضوية في مجلس الإدارة الأعضاء من ذوي الخبرة من غير المؤسسين أو المساهمين في الشركة و الذين تعينهم الجمعية العامة العادية بموجب المادة (25) من النظام الأساسي هذا .

وإذا فقد عضو مجلس الإدارة أيا من الشروط سابقة الذكر، زالت عنه صفة العضوية من تاريخ فقدان ذلك الشرط ، مع مراعاة دائماً ما نصت عليه المادة التالية.

المادة (24): أسهم نصاب العضوية:-

تخصص أسهم نصاب العضوية المشار إليها في

المادة السابقة والمادة 173(ج) من القانون لضمان حسن إدارة العضو. ويجب إيداع الاسهم المذكورة لدى الشركة خلال شهر من تاريخ إنتخابه أو تعيينه، ويمتنع على العضو التصرف فيها بأي وجه من الوجوه طوال مدة عضويته وإلى أن تتم المصادقة على ميزانية أخر سنة مالية قام فيها العضو بأعماله وتم إبراء ذمته.

the request of the Board of Directors.

6. No person shall be appointed or elected to membership of the Board of Directors unless he consents in writing thereto.

Article 23: Qualifications of Membership of the Board of Directors

A member of the Board of Directors shall have the qualifications provided in Article 173 of the Law. However, members with expertise who are neither founders nor shareholders of the Company and who are appointed by the Ordinary General Meeting pursuant to Article 25 of these Articles of Association shall be exempted from the provisions of paragraph (c) of the said Article 173 with respect to ownership of qualifying shares.

If a member of the Board of Direcotors forfeits any of the aforesaid conditions, he shall cease to be a member of the Board of Directors from the date of forfeiture, subject always to the provisions of the following Article.

Article 24: Membership Qualifying Shares

Membership qualifying shares referred to in the preceding Article and Article 173 (c) of the Law shall be assigned as security for guaranteeing the proper performance by the

وإذا لم تودع أسهم نصاب العضوية خلال المدة المحددة بالفقرة السابقة زالت عن العضو صفة العضوية. وتزول هذه الصفة كذلك إذا نقصت أسهم نصاب العضوية لأي سبب من الأسباب خلال مدة العضوية ولم تستكمل خلال 30 يوما من تاريخ النقص.

المادة (25): تعيين أعضاء من ذوي الخبرة في مجلس الإدارة:-

يجوز للجمعية العامة العادية أن تعين عددا من الأعضاء من ذوي الخبرة في مجلس الإدارة من غير المؤسسين للشركة أو المساهمين فيها وذلك بالعدد والإختصاصات التي يرى مجلس الإدارة أنها ضرورية من أجل خدمة مصلحة الشركة و توفير الكفاءة الفنية والإدارية والعلمية الضرورية و الخبرة العملية للشركة وذلك مع مراعاة الشروط اللازم توافرها في مثل هؤلاء الأعضاء تبعا للقرار الوزاري رقم (10) لسنة 2002 بشأن الشروط اللازم توافرها في أعضاء مجالس إدارة الشركة المساهمة من غير المؤسسين أو المساهمين وكذلك مع مراعاة العدد المقرر لأعضاء مجلس الإدارة

member of his duties. The said shares shall be deposited with the Company within one month of the date of election or appointment of the member who shall not be entitled to make any disposition whatsoever in relation to it until the lapse of the member's term of office and until approval of the balance sheet for the last year during which he served as a member and in respect of which he is absolved of responsibility for his management.

If membership qualifying shares are not deposited during the period specified in the preceding paragraph, the member shall forfeit his membership of the Board of Directors. Such membership shall also be forfeited, if the qualifying shares are diminished for any reason during the term of office and the shortfall is not made up within 30 days from the date of such shortfall.

Article 25: Appointment of Expert Directors

The Ordinary General Meeting may appoint a number of persons with expertise to be members of the Board of Directors who are not founders or shareholders in the Company pursuant to Article 177 of the Law, and subject to satisfaction by such members of the requirements of Ministerial Order No.10 for the year 2002 with respect to qualifying conditions required to be met by members of the Board of Directors who are not founders or shareholders, and subject also to the number determined for members of the Board of Directors according to provisions of paragraphs 1 and 4 of Article 22 of these

وفقا لأحكام المادة (22) الفقرتين (1) و (4) من هذا النظام الأساسي.

المادة (26): انتهاء العضوية في المجلس:-

تنتهي العضوية في المجلس في الحالات التالية:

1- إذا تم تعيينه أو انتخابه بخلاف أحكام القانون والنظام الأساسي هذا.

2- إذا فقد أيا من الشروط الواردة الإشارة إليها في المادة (23) أعلاه من النظام الأساسي والمنصوص عنها في المادتين (173) و(174) من القانون.

3- إذا أساء استعمال عضويته للقيام بأعمال منافسة للشركة أو الحق ضررا فعليا بها.

4- إذا استقال من منصبه أو إعتزل بشرط أن يكون ذلك في وقت مناسب وإلا التزم بالتعويض عن الضرر للشركة.

5- إذا أخطر المساهم الذي عينه مجلس الإدارة برغبته في عزل العضو الذي يمثله أو بتعيين عضو آخر بدلاً منه.

6- إذا تم عزله من قبل الجمعية العامة، وذلك وفقاً للمادة (178) (ب) من القانون والمادة 27 أدناه.

Articles of Association.

Article 26: Termination of Membership of Directors

A director's membership of the Board of Directors terminates in the following events:

1. If he was appointed or elected contrary to the provisions of the Law or these Articles of Association.

2. If he loses any of the qualifying conditions referred to in Article 23 above or in Articles 173 and 174 of the Law.

3. If he misuses his position as director in carrying on business that is competitive to that of the Company or if he causes actual damage to it.

4. If he resigns or withdraws from his office, provided the foregoing shall be done in an opportune time, otherwise he shall be liable to pay damages to the Company.

5. If the appointing shareholder has notified the Board of Directors of its desire to terminate the membership of the member representing it or to appoint a replacement thereof.

6. If the General Meeting terminates his membership in accordance with Article 178 (b) of the Law and Article

المادة (27): عزل أعضاء مجلس الإدارة:-

1- يجوز للجمعية العامة عزل كل أو بعض أعضاء مجلس الإدارة. ويقدم الطلب إلى مجلس الإدارة من عدد من المساهمين يمثل 10% من رأس المال على الأقل. وعلى مجلس الإدارة عرض الطلب على الجمعية العامة خلال شهر على الأكثر من تاريخ تقديمه، وإلا قامت وزارة الصناعة والتجارة بتوجيه الدعوة. ولا يجوز للجمعية العامة النظر في طلب العزل هذا إلا إذا كان واردا بجدول أعمالها، ما لم تظهر خلال الاجتماع وقائع خطيرة تقتضي العزل.

2- وللعضو المعزول مطالبة الشركة بالتعويض إذا كان العزل بغير سبب مقبول أو في وقت غير مناسب.

المادة (28): ملء الشواغر في مجلس الإدارة:-

في حالة خلو منصب عضو أو أكثر في مجلس الإدارة، عندها تطبق أحكام المادة (179) من القانون.

المادة (29): رئيس مجلس الإدارة ونائبه

المفوض بالتوقيع عن الطرفين

27 below.

والرئيس التنفيذي:-

ينتخب مجلس الإدارة بالاقتراع السري رئيسا ونائباً للرئيس لمدة ثلاث سنوات قابلة للتجديد لمدة واحدة أو أكثر. ويقوم نائب الرئيس مقام الرئيس عند غيابه أو قيام مانع به.

Article 27: Removal of Directors

1. The General Meeting may terminate the membership of all or some of the members of the Board of Directors. Requisition for termination shall be presented to the Board of Directors by shareholders representing at least 10% of the capital. The Board of Directors shall forward such requisition to the General Meeting within a maximum period of one month from the date of its submission; otherwise the Ministry of Industry and Commerce may issue the notice for the Meeting. The General Meeting may not consider this requisition with respect to the said termination unless the said requisition is on the agenda, save when serious developments are revealed during the meeting requiring such termination.

2. A member who has been terminated may seek compensation from the Company if said termination is without acceptable justification or at a suitable time.

لمجلس الإدارة أن يعين رئيساً تنفيذياً أو مديراً عاماً يحدد المجلس المهام والصلاحيات الممنوحة له. ويكون له حق التوقيع عن الشركة و نيابة عنها مجتمعاً أو منفرداً حسب ما يقرره مجلس الإدارة.

وتبلغ وزارة الصناعة والتجارة بصورة من قرارات انتخاب الرئيس ونائبه وتعيين الرئيس التنفيذي أو المدير العام.

Article 28: Filling of Vacancies on the Board of Directors

In case the office of one or more directors becomes vacant, the provisions of Article 179 of the Law shall be applied.

المادة (30): صلاحيات مجلس الإدارة واختصاصاته:-

1- لمجلس الإدارة أن يزاول جميع الأعمال التي تقتضيها إدارة الشركة وفقا لأغراضها. ولا يحد من هذه السلطة إلا ما نص عليه في القانون و هذا النظام الأساسي و قرارات الجمعية العامة ولمجلس الإدارة بوجه خاص وضع اللوائح اللازمة لتنظيم العمل وإدارة أعمال الشركة وتعيين المدير أو المديرين أو رؤساء العمل أو الموظفين وإقالتهم

وتحديد مهامهم ومرتباتهم. و لمجلس الإدارة الحق في شراء وبيع ورهن المنقولات والعقارات وجميع حقوق وإمتيازات الاستئجار والتأجير، وسحب الأموال والأوراق المالية المملوكة للشركة وتحويلها وبيعها، و طلب التمويل لمدد تتجاوز ثلاث سنوات وإصدار سندات القرض و الأوراق المالية وتقديم كفالات لصالح الغير والتصريح برفع كافة الدعوى والدفاع عن مصالح الشركة أمام القضاء سواء كانت مدعية أو مدعى عليها وإبرام عقود الهبة والصلح والتحكيم والإبراء و الإقرار والتنازل عن حقوق الامتياز الخاصة بالشركة سواء كان التنازل بمقابل أو بغير مقابل وتقرير كيفية استعمال أموال الشركة.

Article 29: Chairman, Deputy Chairman and Chief Executive Officer

The Board of Directors shall elect by secret ballot its Chairman and Deputy Chairman each of whom shall hold office for a three year term renewable further for one or more terms. In the absence or disability of the Chairman, the Deputy Chairman shall act in his place.

The Board of Directors may appoint a Chief Executive Officer or General Manager, and specify his duties and powers. He shall have the right to sign for and on behalf of the Company severally or jointly as the Board of Directors may resolve.

The Ministry of Industry and Commerce shall be furnished with copies of resolutions for election of the Chairman, Deputy Chairman, and the Chief Executive Officer or the General Manager.

2- لمجلس الإدارة الحق في تأليف اللجنة التنفيذية ولجنة التدقيق وغيرهما من اللجان وتعيين أعضائها وتحديد صلاحياتها، ويكون أغلبية أعضاء هذه اللجان ورؤساءها من أعضاء مجلس الإدارة المعينين من قبل شركة ممتلكات.

المادة (31): تمثيل الشركة:-

1- مع مراعاة أحكام القانون يمثل الشركة كل من رئيس مجلس الإدارة أو نائب الرئيس (عند غيابه أو قيام مانع به) فيما يتعلق بعلاقاتها لدى الغير. ويكون توقيع أي منهم نيابة عن الشركة ملزما في كل القضايا والأمور المتعلقة بإدارة الشركة خلال سير عملها العادي ضمن الأغراض المحددة لها وتبعا لأحكام القوانين النافذة والنظام الأساسي وقرارات وتوصيات مجلس الإدارة.

Article 30: Powers of the Board of Directors

1. The Board of Directors may exercise all the powers and do all the acts necessary for the management of the Company in conformity with its objects, save to the extent limited by the Law, these Articles of

Association and the resolutions of the General Meeting. The Board of Directors shall in particular have the power to establish the necessary regulations for the organization of work and management of the Company's business, appoint the Manager or Managers, officers or employees and to remove them, determine their duties and fix their salaries. The Board of Directors is empowered to purchase, sell and mortgage movables, immovable properties and all rights and privileges to rent, lease, transfer and sell, withdraw funds and securities owned by the Company, apply for finance for a tenor exceeding three years, issue debentures, securities, give guarantees to third parties, give authorization to institute all actions and defend the interests of the Company before the judiciary whether as plaintiff or defendant, enter into agreements for gift, conciliation, arbitration and receipt and release and waive the Company's priority rights whether for consideration or otherwise and to decide on the manner of utilizing Company's funds.

2. The Board of Directors is empowered to form Executive, Audit and other Committees, appoint their members and specify their powers. The majority of the members and the Chairman of such committees shall be members of the Board of Directors nominated by Mumtalakat.

2- يجوز لمجلس الإدارة أن يعين بقرار منه وفي حدود الصلاحية المقررة بموجبه، واحداً أو أكثر من بين أعضائه أو أي شخص آخر التوقيع نيابة عن الشركة وباسمها منفردا أو مجتمعا مع آخرين بمن فيهم رئيس المجلس أو نائبه تبعا للفقرة (1) السابقة أعلاه أو الرئيس التنفيذي أو المدير العام المعين تبعا للمادة (29) من هذا النظام الأساسي.

Article 31: Representation of the Company

1. Subject to provisions of the Law, the Company shall be represented in its relations with third parties by the Chairman of the Board of Directors or

المادة (32): نصاب صحة اجتماعات مجلس الإدارة ونصاب صحة القرارات:-

1- يجتمع مجلس الإدارة بدعوة من رئيس المجلس أو نائبه (عند غيابه أو قيام مانع به) أو من عضوين على الأقل، ويعتبر اجتماع المجلس صحيحا إذا ما تم حضوره من قبل ما لا يقل عن 50% من عدد أعضاء مجلس الإدارة على أن يكون من بين الحاضرين ما لا يقل عن نصف عدد الأعضاء المعينين من قبل شركة ممتلكات أصالة او نيابة و أن يكون رئيس مجلس الإدارة او نائبه ضمن الحاضرين في الإجتماع.

2- لا يشترط إكتمال النصاب القانوني في حالة تعلق موضوع الإجتماع بالمسائل المؤجلة من إجتماع مجلس الإدارة السابق إذا كان ذلك بسبب غياب الرئيس أو من ينوب عنه هن الإجتماع الأول وبشرط أن يكون قد أبلغ بالإجتماع الجديد

قبل أربعة أيام على الأقل من موعده.

the Deputy Chairman (in his absence or disability). The signature of any of them on behalf of the Company shall be binding in all matters and things concerned with the administration of the Company in the normal course of business, within the objects specified therefore and according to the provisions of the laws in force, the Articles of Association and resolutions and recommendations of the Board of Directors.

3- تتخذ قرارات المجلس بالأغلبية البسيطة لأصوات الأعضاء الحاضرين أصالة ووكالة. وفي حالة تعادل الأصوات ، يكون للرئيس أو في حال غيابه نائبه صوتا مرجحاً. وعلى العضو المعارض أن يثبت اعتراضه في محضر الاجتماع. ويجوز للمجلس اتخاذ قرارات بالمراسلة بريديا أو الكترونيا أو بالفاكس أو بالمحادثات الهاتفية الجماعية أو بالهاتف المرئي أو الفيديو أو أية وسيلة اتصال أخرى مرئية ومسموعة ويشترط لصحة القرار في أي من هذه الحالات موافقة ثلاثة أرباع الأعضاء عليها وأن يكون من بينهم رئيس مجلس الإدارة أو نائبه ويجب أن يثبت القرار في محضر أول اجتماع تال لمجلس الإدارة. ويعتبر أي عضو يرسل إليه مشروع القرار في مكان تواجده ويتخلف عن الرد عليه خلال ثلاثة أيام عمل التالية لتاريخ إرسال مشروع القرار إليه بأنه موافق على المشروع.

2. The Board of Directors may by resolution and within the limits of authority decided by it, appoint one or more of its members or any other person to sign on behalf of the Company severally or jointly with others, including the Chairman or his Deputy pursuant to the preceding paragraph 1 hereinabove or the Chief Executive Officer or the General Manager appointed pursuant to Article 29 of these Articles of Association.

Article 32: Attendance Quorum and Voting Quorum at Board of Directors' Meetings

1. The Board of Directors shall meet at the summons of its Chairman or his Deputy (in event of his absence or disability) or if requested to do so by at least 50% of the Board of Directors. A meeting of the Board of Directors shall be valid if attended by not less than half of the directors, provided that at least

4- يمتنع على اي عضو مجلس إدارة التصويت على أي عقد أو ترتيب أو أي اقتراح آخر يكون له فيه مصلحة مادية.

5- يجب أن يجتمع مجلس الإدارة أربع مرات على الأقل خلال السنة المالية الواحدة للشركة.

half of the members appointed by Mumtalakat are in attendance, and that the Chairman or his Deputy are in attendance at the meeting.

المادة (33): الإنابة في حضور الاجتماعات:-

2. The quorum is not needed in case the topic of discussion is related to issues deferred from the previous meeting of the Board of Directors, if this is due to the absence of the Chairman or his proxy from the first meeting, provided that he has been advised of the meeting at least four days before the meeting.

1- لعضو مجلس الإدارة أن ينيب عنه أي عضوا آخر في المجلس أو ممثلا للشخص المعنوي العام الذي يمثله عادة العضو الأصيل في المجلس في حضور اجتماعات مجلس الإدارة عندما تتوفر هنالك أسباب مبررة لذلك و إذا كان سند تعيينه يجيز له ذلك. إلا انه لا تجوز الإنابة في أي وقت لأكثر من عضوين وعلى أن لا يقل عدد الأعضاء الحاضرين بأنفسهم عن نصف أعضاء المجلس ويكون من بينهم رئيس المجلس. وتكون الإنابة خاصة وثابتة بالكتابة وان ترسل لمجلس الإدارة قبل الموعد المحدد للجلسة بثلاثة أيام على الأقل، ويحل نائب الرئيس محل الرئيس عند غيابه أو قيام مانع به.

3. Resolutions of the Board of Directors shall be adopted by a simple majority vote of the directors present in person or by proxy. In case of a tie, the Chairman or in his absence the Deputy Chairman shall have a casting vote. A dissenting member of the Board of Directors shall record his dissent in the Minutes. The Board may adopt resolutions by correspondence, including post, electronic mail or fax correspondence or conference telephone calls, or telephone with picture or video or any other means of communication with picture and sound, provided that in order for resolutions taken in this manner to be valid, they shall be approved by a majority of three-quarters of the members including the Chairman or the Deputy Chairman and recorded in the minutes of the following meeting of the Board of Directors. Any member to whom a proposed resolution is sent (wherever he is located) who fails to respond within three working days following

2- عندما يصوت العضو المناب وفقا لتعليمات خطية صادرة إليه من العضو الأصيل الذي عينه لا يكون مسئولا عن القرار الصادر تبعا لذلك التصويت في الدعوى المقامة من قبل أي مساهم أو دائن للشركة أو أي طرف ثالث إلا في حدود مسئوليته كعضو في مجلس الإدارة.

المادة (34): محاضر اجتماعات مجلس الإدارة:-

the date on which the proposed resolution is sent to him shall be considered to have approved the resolution.

4. A director is prohibited from voting on any contract or arrangement or any other proposal in which he has an interest which is a material interest.

5. The Board of Directors shall meet at least four times in every financial year.

يجب أن تدون محاضر اجتماعات مجلس الإدارة بصفة منتظمة عقب كل جلسة في سجل خاص، وتوقع هذه المحاضر من الرئيس والأعضاء الذين حضروا الجلسة وأمين سر المجلس. ويجب أن يحفظ هذا السجل في مركز الشركة الرئيسي، ويثبت في محضر كل جلسة أسماء من حضر ومن لم يحضر من أعضاء المجلس مع بيان أعذار من لم يحضر في حالة وجودها، كما يثبت فيه أسماء الأشخاص من غير أعضاء المجلس الذي قد يتطلب النظام حضورهم مع بيان حضورهم أو غيابهم، كذلك أسماء جميع من حضر من غير الأعضاء الجلسة كلها أو جزء منها.

Article 33: Proxy for Attendance at Board Meetings

1. A director may give a proxy to any other director or a representative of the corporate entity which he normally represents as principal to attend the meeting of the Board of Directors on his behalf when there are reasons justifying that and provided that his appointing instrument allows for such appointment of a proxy. Appointment of proxy may not be made at any time by more than two members of the Board of Directors and provided that the number of members present at the meeting in person shall not be less than one half of the total number of members of the Board of Directors including the Chairman. A proxy shall be personal, in writing and sent to the Board of Directors at least three days prior to the meeting. The Deputy Chairman shall act in place of the Chairman in the event of his absence or disability.

كما يثبت بالمحضر خلاصة وافية لجميع مناقشات المجلس وبكل ما يحدث أثناء الاجتماع وكل ما يطلب الأعضاء إثباته في المحضر.

ويكون الموقعون على محاضر الجلسات مسئولين عن صحة البيانات الواردة في السجل.

المادة (35): اللجنة التنفيذية:-

-1 يجوز لمجلس الإدارة القيام من وقت لآخر بتعيين لجنة واحدة أو أكثر تضم أعضاءً من مجلس الإدارة أو من خارج المجلس، وذلك مع مراعاة أحكام الفقرة (2) من المادة (30). يحدد مجلس الإدارة مسئوليات كل

لجنة من هذه اللجان.

2. When an alternate director votes in accordance with the written instructions of the director who appointed him, he shall not be responsible in a suit brought by any shareholder, creditor of the Company or any third party for such decision, save to the extent of his other responsibilities as a director.

-2 يختار أعضاء كل لجنة رئيسا لها ويستمر في منصبه بنفس مدة اللجنة، كما يجوز عند الحاجة إعادة انتخاب الرئيس.

-3 يفوض مجلس الإدارة السلطة الكاملة لكل لجنة للقيام بالمهام الموكلة لها.

-4 تجتمع اللجنة بطلب من رئيس اللجنة أو اثنين من أعضائها.

-5 حدد النصاب الرسمي للجنة بحضور 50% من أعضائها، وتتخذ القرارات بأغلبية عدد الأعضاء الحاضرين، وفي حالة تعادل الأصوات، يكون لرئيس اللجنة صوتا مرجحا.

-6 تدون محاضر اجتماعات اللجنة في سجل خاص يوقع أصوليا من قبل جميع الأعضاء الحاضرين.

-7 يتسلم مجلس الإدارة بصفة منتظمة تقريرا موجزا حول القرارات الصادرة من قبل كل لجنة.

Article 34: Minutes of Board of Directors Meetings

Minutes of the meetings of the Board of Directors shall be entered on a regular basis following the end of each meeting in a Special Register and shall be signed by the Chairman and members present as well as the secretary at the meeting. This Special Register shall be kept in the head office of the Company. In the minutes there shall be recorded the names of directors present and those who are absent and the justification for absence, if any, of the absent members. The minutes shall also include the names of persons who are not members whose presence in the meeting is required by the Law stating the names of those who attended the meeting and those who were absent. A record in the minutes shall also be made of non-members who attended the meeting or any part of it.

The minutes shall embody a detailed summary of the deliberations of the Board covering every event that took place at the meeting and any matter that the members

المادة (36): قائمة بأسماء رئيس ونائب رئيس وأعضاء مجلس الإدارة:-

على الشركة أن تعد في كل سنة مالية قائمة مفصلة ومعتمدة من رئيس مجلس الإدارة بأسماء كل من رئيس المجلس ونائب الرئيس وأعضاء المجلس

had required to be recorded in the minutes.

Those members who sign the minutes of any meeting shall be jointly answerable for the accuracy of the details contained therein.

والـرئيس التنفيـذي والمـدير العـام ونوابـه وتحـتفظ الشركة بصورة من هذه القائمة ويرسل الأصل إلـى إدارة شـئون الشـركات فـي وزارة الصـناعة و التجـارة مرفقـة بـالتقرير السـنوي وميزانيـة الشـركة العموميـة وحسـاب الأربـاح والخسـائر عـن السـنة المالية المعينة المشار إليهم في المادة (54) من هذا النظـام الأساسـي، وتبلـغ الشـركة الـوزارة المـذكورة بكـل تعـديل يجـري علـى القائمـة خـلال السـنة المذكورة.

Article 35: Executive Committee

1. The Board of Directors shall have the right to appoint from time to time one or more committees consisting of members of the Board of Directors or of members outside the Board of Directors, subject to paragraph 2 of Article 30. The Board of Directors shall determine the responsibilities of each committee.

2. The members of each committee shall elect the chairman of such committee for the duration of the committee's term. The chairman of a committee may be re-elected if required.

3. The Board of Directors shall delegate full authority to each committee, needed to perform the assigned duties.

4. A committee shall meet upon the request of the chairman of such a committee or of two of its members.

5. The legal quorum for each committee is fixed to 50% of the members of such committee, and decisions shall be taken by the majority of the

المادة (37): التقرير السنوي:-

يجـب علـى مجلـس الإدارة أن يعـد فيمـا يتعلـق بكـل سنة مالية و خلال المدة التـي تسمح بعقد الجمعيـة العامة السنوية للمساهمين وذلك خـلال ثلاثـة شـهور على الأكثر من تاريخ انتهاء كل سنة ماليـة، تقريـرا عـن نشـاطات الشـركة خـلال السـنة الماليـة وعـن مركزهـا المـالي وميزانيتهـا العموميـة وحسـاب الأرباح والخسائر الخاص بها. ويوقع كل من رئيس مجلـس الإدارة واحـد أعضـاء المجلـس التقريـر والميزانيـة العموميـة وحسـاب الأربـاح والخسـائر. وترسـل نسـخة مـن التقريـر المـذكور مـع الوثـائق المرفقـة إلـى إدارة شـئون الشـركات فـي وزارة الصناعة والتجارة خلال مدة لا تتجـاوز عشرة أيام من تاريخ توقيعها.

المادة (38): مسئولية أعضاء مجلس الإدارة والإعفاء منها ودعوى المسئولية:-

members attending. In case of a tie the chairman of such committee shall have a casting vote.

تسري على مسئولية رئيس وأعضاء مجلس الإدارة تجاه الشركة ومساهميها والغير والإعفاء منها ودعوى المسئولية وسقوطها أحكام المواد من (185) إلى (187) من القانون.

6. The minutes of the meeting for each committee shall be written in a special record duly signed by all members present.

7. The Board of Directors shall receive on a regular basis a summary report about the resolutions adopted by each committee.

Article 36: List of the names of the Chairman, Deputy Chairman and Members of the Board of Directors:

The Company shall prepare in respect of each financial year a detailed list, certified by the Chairman of the Board of Directors, of the name of the Chairman, Deputy Chairman, members of the Board of Directors, Chief Executive Officer and his deputies. The Company shall keep a copy of such list and shall send the original to the Directorate of Company Affairs at the Ministry of Industry and Commerce together with the annual report, the balance sheet, the profit and loss account of the Company for the relevant financial year referred to in Article 54 of these Articles of Association and shall notify said Ministry of each amendment made to the list within the said year.

المادة (39): المصلحة الشخصية:-

تسري أحكام المادة (189) من القانون على المصلحة الشخصية إن وجدت لرئيس وأعضاء مجلس الإدارة أو مديريها فيما يتعلق بأعمال وعقود الشركة.

المادة (40): مكافآت أعضاء مجلس الإدارة:-

1- تحدد الجمعية العامة العادية مكافآت أعضاء مجلس الإدارة على أن لا تتعدى هذه المكافآت 10% (عشرة بالمائة) من الربح الصافي لأية سنة مالية بعد خصم الاحتياطيات القانونية وتوزيع ربح للمساهمين لا يقل عن 5% (خمسة بالمائة) من رأسمال الشركة المدفوع، إلا أن هذا النص لا يلزم الشركة بأن توزع أرباحا بنسبة 5% (خمسة بالمائة) أو أي مبلغ آخر. ويتم توزيع المكافآت بين أعضاء المجلس تبعا لنسبة حضورهم الفعلي لاجتماعات المجلس واللجان المتفرعة عنه بموجب محاضر معتمدة من قبل الشركة.

2- يجوز للجمعية العامة العادية أن تقرر صرف مكافآت سنوية لأعضاء مجلس الإدارة في السنوات التي لا تحقق فيها الشركة أرباحا أو السنوات التي لا توزع فيها أرباحا على المساهمين بشرط الحصول على موافقة وزير الصناعة والتجارة ، ويجب أن يشتمل التقرير السنوي لمجلس الإدارة إلى الجمعية العامة العادية على بيان شامل لكل ما حصل عليه أعضاء مجلس الإدارة خلال السنة المالية من رواتب ونصيب في الأرباح وبدل حضور وبدل تمثيل ومصروفات وغيرها، كما يشتمل التقرير المذكور على بيان ما قبضه أعضاء المجلس بوصفهم موظفين أو إداريين أو ما قبضوه نظير أعمال فنية أو إدارية أو استشارية أو أية أعمال أخرى.

الباب الخامس

الجمعيات العامة

المادة (41): أنواع الجمعيات العامة:-

الجمعيات العامة للمساهمين اثنتان:

(1) الجمعية العامة العادية.

(2) الجمعية العامة غير العادية.

Article 37: Annual Report

The Board of Directors shall prepare in respect of each financial year within the period that may permit for convening the Annual General Meeting of Shareholders and within a maximum of three months from the end of each financial year, a report on the activities of the Company during the financial year and its financial situation, the balance sheet of the Company and a profit and loss statement. The Chairman of the Board of Directors and one of the directors shall sign the report and the Balance Sheet and the Profit and Loss Statement. A copy of the said Report attached to said documents shall be sent to the Directorate of Company Affairs at the Ministry of Industry and Commerce not later than ten (10) calendar days after it has been signed.

Article 38: Liability of Directors, Exemption From Liability and Liability Action

Liability of the Chairman and members of the Board of Directors to the Company, its shareholders and third parties, exemption therefrom, action for liability and the limitation of such action shall be in accordance with the provisions of Articles 185 to 187 of the Law.

Article 39: Personal Interest

Provisions of Article 189 of the Law shall apply to personal interest, if any, of the Chairman, directors or managers of the

Company in respect of its business and contracts.

المادة (42): أحكام عامة بشأن الجمعيات العامة:-

Article 40: Remuneration of the Board of Directors:

1. The Ordinary General Meeting shall establish the remuneration of the members of the Board of Directors, provided that the total of such remuneration shall not exceed ten per cent (10%) of the net profit in any one financial year after allowing for statutory reserves and after allowing for distribution to the shareholders of a dividend of no less than five per cent (5%) of the paid-up capital of the Company. This provision shall not, however, be deemed to create an obligation on the part of the Company to pay a dividend of five per cent (5%) or of any amount. Remuneration of the Board of Directors shall be distributed to its members in proportion to their actual attendance at the meetings of the Board and its Committees as evidenced by the minutes of such meetings as certified by the Company.

2. The Ordinary General Meeting may resolve to pay an annual remuneration to members of the Board of Directors in the years when the Company does not realize profits for years in which the Company does not distribute dividends, subject to approval of the Minister of Industry and Commerce. The annual report of the Board of Directors to the Ordinary General Meeting shall include a detailed statement of all the amounts

1- انطباقها:

تنطبق هذه الأحكام على الجمعيات العامة للمساهمين سواء كانت عادية أو غير عادية وتعتبر مكملة للأحكام الواردة في هذا النظام الأساسي بالنسبة لكل نوع من نوعي الجمعيات العامة.

2- الدعوة إلى انعقاد الجمعيات العامة:

أ - على الأشخاص والجهات الذين لهم الحق في دعوة الجمعية العامة للانعقاد أن يوجهوا هذه الدعوة إلى كل من له حق حضور الجمعية العامة قانونا على أن يكون من بينهم ممثل عن وزارة الصناعة والتجارة ومدققي الحسابات.

ب- يجب أن يتم الإعلان عن دعوة المساهمين للجمعية العامة قبل الموعد المحدد للانعقاد بخمسة عشر يوما على الأقل في جريدتين يوميتين على الأقل تصدران باللغة العربية على أن تكون إحداهما محلية.

received by the Board members during the financial year in terms of salaries, dividends, attendance allowance, representation allowance, expenses and other amounts. The aforesaid report shall also contain details of the amounts received by members of the Board of Directors in their capacities as employees or administrators or amounts received in consideration of technical, management, advisory or other duties.

ج- وترسل صورة من أوراق الدعوة إلى وزارة الصناعة والتجارة قبل موعد اجتماع الجمعية العامة بعشرة أيام تقويمية على الأقل.

3- بيانات الدعوة:

يجب أن تتضمن الدعوة لاجتماع الجمعية العامة على الأخص البيانات الآتية:

أ- تاريخ وساعة انعقاد الجمعية العامة ومكانه.

ب - بيان نوع الجمعية العامة.

ج- جدول الأعمال.

د - بيان تاريخ وساعة ومكان الانعقاد الثاني أو الثالث في حالة عدم توافر النصاب في التاريخ المحدد للاجتماع الأول والثاني.

Section V

General Meetings

Article 41: Types of General Meetings

General Meetings of Shareholders are:

1. Ordinary General Meeting.
2. Extraordinary General Meeting.

4- جدول الأعمال:

يضع مجلس الإدارة جدول أعمال الجمعية العامة منعقدة بصفة عادية أو غير عادية. وفي الأحوال التي يجوز فيها عقد الجمعية العامة بناء على طلب المساهمين أو مدققي الحسابات أو وزارة الصناعة و التجارة ، يضع جدول الأعمال من طلب انعقاد الجمعية، ولا يجوز بحث أية مسألة غير مدرجة

Article 42: General Provisions Applicable to General Meetings

1. **Application**

These provisions apply to General Meetings of Shareholders whether

they are Ordinary or Extraordinary and shall be complementary to the provisions provided in these Articles of Association in respect of each of the two types of General Meetings.

في جدول الأعمال مع مراعاة أحكام المادة (207) من القانون .

5- الحضور والتمثيل والإنابة:

2. **Convening General Meetings**

a. Persons and authorities who have the right to convene General Meetings shall invite every person who is legally entitled to attend General Meetings, provided those given notice to attend shall include representatives from the Ministry of Industry and Commerce and the auditors.

وبموجب أحكام المادة (203) من القانون يجوز للمساهم إذا كان شخصا اعتباريا أن يعين ممثلا له لحضور اجتماع الجمعية العامة والتصويت فيه نيابة عنه. ويعتبر ذلك الشخص حاضرا في الاجتماع ويتصرف من خلال شخص ممثله. إذا كان المساهم شخصا طبيعيا ولم يكن بإمكانه حضور الاجتماع فله أن يوكل غيره من المساهمين أو من غيرهم في الحضور نيابة عنه على أن يكون الوكيل المناب عن الشخص الطبيعي على هذا النحو من غير رئيس وأعضاء مجلس إدارة الشركة أو موظفيها ولا يخل ذلك بحق التوكيل للأقارب من الدرجة الأولى ولا بأهلية النائبين قانونا ناقصي الأهلية وفاقديها في حضور الاجتماعات نيابة عنهم.

b. Notice to attend General Meetings shall be published at least 15 days prior to the date fixed for the meeting in at least two daily newspapers published in the Arabic language, one of which shall be local.

c. Copies of the notice shall be sent to the Ministry of Industry and Commerce at least 10 calendar days before the date set for the meeting.

كما لا يجوز للوكيل المناب عن الشخص الطبيعي على نحو ما ورد أعلاه أن يمثل بهذه الصفة في اجتماع الجمعية العامة عددا من الأصوات يجاوز 5% من رأس المال الصادر.

وعلى الشركة أن تعد بطاقات خاصة بعدد الأسهم التي يملكها المساهم والأسهم التي يحضر فيها

كممثل أو وكيل مناب من قبل مساهمين آخرين. ويجب إجراء التفويضات للممثلين والوكالات والانابات لمن لهم صفة النيابة لدى الشركة قبل اجتماع الجمعية العامة بأربع وعشرين ساعة على الأقل. ولا يجوز لأي عضو أن يشترك في التصويت عن نفسه أو عمن يمثله أو من ينوب عنه في المسائل التي تتعلق بمنفعة خاصة مباشرة له أو بخلاف قائم بينه وبين الشركة.

6- رئاسة الجلسات:

يترأس اجتماعات الجمعية العامة العادية رئيس مجلس الإدارة أو نائبه أو أي شخص آخر يعين بقرار من مجلس الإدارة أو من الجمعية العامة لهذه الغاية.

7- سجل الحضور:

أ - يسجل المساهمون أسماءهم في سجل خاص يعد لذلك في مركز الشركة قبل الموعد المحدد لانعقاد الجمعية العامة بأربع وعشرين ساعة على الأقل. ويتضمن السجل أسماء المساهمين وعدد الأسهم التي يملكونها وعدد الأسهم التي يمثلونها وأسماء مالكيها مع تقديم سند التعيين أو الإنابة ويعطى المساهم بطاقة لحضور الاجتماع يذكر فيها عدد الأصوات التي يستحقها أصالة ووكالة.

3. **Details of the Notice**

Notice of convening General Meetings shall include in particular the following details:

a. Date, time and place of the General Meeting.

b. Type of General Meeting.

c. Agenda for the General Meeting.

d. Date, time and place of the second and third meetings in the event that the General Meeting is not quorate on the first and the second date fixed for it.

4. **The Agenda**

The Board of Directors shall prepare the agenda for the Ordinary or Extraordinary General Meetings. In cases where the General Meeting may be summoned by the shareholders or at the request of the Auditors or on a directive from the Ministry of Industry and Commerce, the agenda shall be prepared by those who summoned the meeting. No issues other than those stated on the agenda shall be debated, subject to provisions of Article 207 of the Law.

5. **Attendance, Representation and Proxy**

Pursuant to the provisions of Article 203 of the Law, a shareholder who is a corporate entity may appoint a representative to attend a General Meeting and to vote thereat on its behalf. The said shareholder will be deemed to be attending at the General Meeting and acting thereat through its representative. If the shareholder is a natural person and is unable to attend the General Meeting, he may appoint another shareholder or a third party to act as his proxy, provided that such proxy shall not be the Chairman, a member of the Board of Directors or an employee of the Company, without prejudice to the right to give proxy to relatives of the first degree nor to the eligibility of the representatives of minors and persons lacking legal capacity to attend the Meeting on their behalf.

A proxy of a natural person appointed in said manner shall not represent in such capacity at a General Meeting a number of votes exceeding five (5) per cent of the issued share capital.

Delegation to representatives' power of attorney and proxy instruments shall be issued and the representation capacity shall be provided to the Company at least 24 hours prior to the date of the General Meeting. No member shall participate in voting whether on his own behalf or on behalf of those whom he represents or for whom he is acting as proxy on

ب- يعين رئيس الجمعية في بداية الاجتماع أسماء جامعي أصوات المساهمين على أن تقرر الجمعية العامة تعيينهم ويجوز تعيينهم من غير المساهمين. ويطلب الرئيس من مدققي الحسابات وجامعي الأصوات تحديد نسبة حضور المساهمين واثبات ذلك في السجل الخاص بذلك والتوقيع عليه ثم يعلنه الرئيس للإجتماع.

8- محاضر الاجتماعات:

أ - على رئيس الجمعية العامة أن يعين من بين المساهمين أو من غيرهم أمين سر يتولى إعداد محضر بوقائع اجتماعات الجمعية العامة يثبت فيه عدد الأسهم الممثلة في الاجتماع أصالة أو وكالة ونسبتها إلى مجموع أسهم رأس المال الصادر والمدفوع. ويحتوي المحضر كذلك على خلاصة وافية لجميع مناقشات الجمعية العامة والقرارات التي اتخذت فيها مع ذكر نصاب التصويت مع أو ضد هذه القرارات .ويرفق بالمحضر جدولا بأسماء الحاضرين للاجتماع وعدد الأسهم التي يمثلونها أصالة أو وكالة.

issues in which he has a personal interest or in respect of an outstanding dispute between him and the Company.

6. **Chairmanship of the Meetings**

General Meetings shall be presided over by the Chairman of the Board of Directors, the Deputy Chairman or any other person appointed by resolution of the Board of Directors or the General Meeting for this purpose.

ب- يوقع المحضر رئيس الاجتماع وأمين السر المعين لإعداد المحضر، وتعتمد الصورة الأصلية الموقعة منهما كبينة على ما ورد في المحضر وكأساس لصور طبق الأصل عن المحضر تصدر عن الشركة.

7. **Attendance Record**

a. Shareholders shall enter their names in a special register to be prepared at the head office of the Company at least 24 hours before the time fixed for holding the General Meeting. The said register shall include the names of shareholders, the number of shares owned by them, and the number of shares they represent and the names of the owners of the said shares and the documents evidencing their appointment and proxies. The shareholder shall be given an attendance card wherein shall be indicated the number of votes to which he is entitled as a principal or proxy.

b. The Chairman shall at the beginning of the Meeting nominate vote checkers who

المادة (43): الجمعية العامة العادية:-

1- انعقادها:

أ- تنعقد الجمعية العامة العادية للمساهمين بدعوة من رئيس مجلس الإدارة في الزمان والمكان اللذين يعينهما مجلس الإدارة ، مع مراعاة أحكام القانون الخاصة بذلك. ويجب أن تعقد الجمعية مرة على الأقل في كل سنة مالية وذلك خلال الشهور الثلاثة التالية لنهاية السنة المالية للشركة. ولمجلس الإدارة أن يقرر دعوة الجمعية العامة العادية إلى الانعقاد إذا طلب إليه ذلك مدقق الحسابات أو عدد من المساهمين يمثل 10% من رأسمال الشركة بشرط أن تكون لديهم أسباب جدية تبرر ذلك الطلب.

shall be appointed with the approval of the General Meeting. Vote checkers may be appointed from non-shareholders. The Chairman shall ask the Auditors and vote checkers to determine the percentage of attendance of shareholders and to enter such percentage in the special register which shall be signed by them and then declared by the Chairman to the meeting.

ب- لمدققي الحسابات أن يدعوا الجمعية العامة العادية للانعقاد في الأحوال المذكورة في المادة 218 (ب) من القانون.

ج- يجوز لوزارة الصناعة و التجارة أن تدعو الجمعية العامة إلى الانعقاد إذا انقضى شهر على الموعد المحدد لانعقادها دون أن تدعى إلى الانعقاد أو إذا نقص عدد أعضاء مجلس الإدارة عن الحد الأدنى اللازم لصحة انعقاده أو إذا طلب ذلك عدد من المساهمين يمثل 10% من رأس المال على الأقل بشرط أن يكون لديهم أسباب جدية تبرر الطلب.

د- يجوز لوزير الصناعة و التجارة أن يقرر دعوة الجمعية العامة إلى الانعقاد إذا ارتأى أن هناك أسبابا توجب ذلك.

8. **Minutes of Meetings**

a. The Chairman of the General Meeting shall appoint from among the shareholders or third parties a secretary who shall draw up minutes of the General Meeting in which there shall be entered the number of shares represented at the Meeting whether by the shareholder in person or by proxy, and the percentage thereof to the total issued and paid-up capital. The minutes shall also contain a full summary of all issues discussed at the General Meeting and resolutions adopted thereat as well as the number of votes cast for or against such resolutions. To the minutes shall be attached a list of the names of shareholders attending the General Meeting and the number of shares they represent by the shareholder

المادة (44) نصاب صحة الاجتماعات:-

لا يكون انعقاد الجمعية العامة العادية صحيحا إلا إذا حضره مساهمون لهم حق التصويت و يمثلون أكثر من نصف رأس مال الشركة. فإذا لم يتوافر هذا النصاب وجب دعوة الجمعية العامة العادية

in person or by proxy.

b. The minutes shall be co-signed by the Chairman of the meeting and the secretary appointed to draw up the minutes. The certified original copy of the minutes shall be taken as evidence of the details contained therein and as a source for producing true copies thereof by the Company.

Article 43: Ordinary General Meeting

1. Convening

a. The Ordinary General Meeting shall be summoned by the Chairman of the Board of Directors at the time and place as decided by the Board of Directors, subject to provisions of the Law in this respect. The Ordinary General Meeting shall meet at least once in every financial year within three months following the end of the financial year of the Company. The Board of Directors may summon an Ordinary General Meeting at any time if requested to do so by the Auditors or a number of shareholders representing 10% of the capital of the Company provided that they shall have serious cause for such request.

إلى اجتماع ثان لذات جدول الأعمال ذاته يعقد بعد مدة لا تقل عن سبعة أيام تقويمية ولا تزيد على خمسة عشر يوما تقويمياً من تاريخ الاجتماع الأول. ولا يكون الاجتماع الثاني صحيحا إلا إذا حضره مساهمون لهم حق التصويت يمثلون أكثر من 30% من رأس مال الشركة على الأقل. وإذا لم يتوافر هذا النصاب وجب دعوة الجمعية العامة العادية إلى إجتماع ثالث لذات جدول الأعمال يعقد بين سبعة وخمسة عشر يوم تقويمي بعد تاريخ الإجتماع الثاني، ويكون الاجتماع الثالث صحيحا أيا كان عدد الحاضرين. ويجوز أن لا توجه دعوة جديدة للاجتماعين الثاني و الثالث إذا كان قد حدد تاريخهما في الدعوة إلى الاجتماع الأول شريطة أن يتم نشر عدم انعقاد أي من هذين الاجتماعين في جريدتين يوميتين تصدران باللغة العربية على أن تكون إحداهما محلية.

المادة (45) التصويت:-

1- يكون التصويت في الجمعية العامة برفع الأيدي أو بأية طريقة أخرى تقررها الجمعية العامة. ويجب أن يكون التصويت بطريق الاقتراع السري إذا كان القرار متعلقا بانتخاب أعضاء مجلس الإدارة أو بعزلهم أو إقامة دعوى المسئولية عليهم أو إذا طلب ذلك رئيس مجلس الإدارة أو عدد من المساهمين يمثلون عشر الأصوات الحاضرة في الاجتماع على الأقل.

b. The Auditors may summon the Ordinary General Meeting in the cases provided in Article 218 (b) of the Law.

c. The Ministry of Industry and Commerce may summon the Ordinary General Meeting to convene on the lapse of one month following the date fixed for convening such meeting without a meeting being convened, or if the number of members of the Board of Directors falls below the required quorum for holding the meeting of the Board of Directors, or at the request of a number of shareholders representing 10% of the capital of the Company provided that they shall have serious grounds justifying such request.

d. The Minister of Industry and Commerce may by resolution summon the Ordinary General Meeting to convene whenever he deems that there are reasons requiring such action.

2- لا يجوز لأعضاء مجلس الإدارة الاشتراك في التصويت على قرارات الجمعية العامة العادية في شأن تحديد رواتبهم ومكافآتهم أو إبراء ذمتهم أو إخلاء مسئوليتهم عن الإدارة.

3- تصدر القرارات بالأغلبية المطلقة للأسهم الممثلة في الاجتماع. وفي حالة تساوي الأصوات يكون صوت من ترأس الاجتماع مرجحا.

Article 44: Quorum

The Ordinary General Meeting shall not be valid unless attended by shareholders having voting rights and representing more than one half of the Company's share capital. If said quorum is not obtained, the Ordinary General Meeting shall be called to convene for a second meeting with

المادة (46) اختصاصات الجمعية العامة العادية:-

عدا ما يختص به القانون الجمعية العامة غير العادية، تختص الجمعية العامة العادية بالنظر في جميع المسائل المتعلقة بالشركة واتخاذ القرارات المناسبة بشأنها وبوجه خاص تختص بالأمور المنصوص عنها في المادة (206) من القانون.

المادة (47): المناقشة في الاجتماعات:-

لا يجوز للجمعية العامة مناقشة موضوعات غير مدرجة في جدول الأعمال إلا إذا كانت من الأمور العاجلة التي طرأت بعد إعداد الجدول، أو تكشفت في أثناء الاجتماع، وإذا طلبت الجهة الحكومية

المفوض بالتوقيع عن الطرفين

المختصة أو أحد الأشخاص العامة المساهمة في الشركة أو عدد من المساهمين يملكون عشرة بالمائة على الأقل من رأس مال الشركة من مجلس الإدارة إدراج موضوع معين في جدول الأعمال ولم يدرجه، كان من حق الجمعية مناقشة هذا الموضوع بناء على طلب ذي الشأن، وإذا تبين أثناء المناقشة عدم كفاية المعلومات المتعلقة ببعض المسائل المعروضة، تعين تأجيل الاجتماع مدة عشرة أيام تقويمية على الأكثر إذا طلب ذلك عدد من المساهمين يملكون ربع الأسهم التي انعقد بها الاجتماع.

المادة (48): الجمعية العامة غير العادية:-

1- انعقادها:

تنعقد الجمعية العامة غير العادية، بناء على دعوة من مجلس الإدارة، أو بناء على طلب كتابي موجه إلى هذا المجلس من عدد من المساهمين، يمثلون ما لا يقل عن 10% من أسهم رأسمال الشركة.

ويجب على مجلس الإدارة في هذه الأحوال أن يدعو الجمعية العامة للاجتماع بصفة غير عادية خلال شهر من تاريخ وصول الطلب إليه، وإلا قامت وزارة الصناعة والتجارة بتوجيه الدعوة للاجتماع خلال خمسة عشر يوما تقويمياً من تاريخ انتهاء تلك المدة.

the same agenda to be held within a period of not less than seven calendar days and not more than fifteen calendar days after the date of the first meeting. The second meeting shall be valid if attended by shareholders having the right to vote and representing more than 30% of the Company's share capital at least. If this quorum is not available, an invitation shall be sent for a third meeting to be held with the same agenda within seven to fifteen calendar days from the date fixed for the second meeting. The third meeting shall be valid irrespective of the number of shareholders present. New notices of the second and third meetings need not be sent, if their dates were fixed in the notice given in respect of the first meeting, provided that notice shall be published to the effect that these two meetings were not held in at least two daily Arabic newspapers one of which shall be local.

Article 45: Voting

1. Voting at the General Meeting shall be by show of hands or any manner approved by the General Meeting. Voting shall be by secret ballot if the resolution concerns the election or dismissal of a member of the Board of Directors or filing action against him or when the Chairman of the Board or a number of shareholders representing at least one tenth of

the number of votes present at the Meeting request voting by secret ballot.

2. Directors may not participate in voting on resolutions of the General Meeting pertaining to fixing their salaries, remuneration or their exemption from liability for their management.

3. The resolutions of the Ordinary General Meeting shall be valid, if passed by an absolute majority of shares represented at the Meeting. In the event of a tie, the Chairman of the meeting shall have a casting vote.

Article 46: Competence

The Ordinary General Meeting shall be competent to consider all matters relating to the Company and to adopt appropriate resolutions in relation thereto save those that have been reserved by the Law to the Extraordinary General Meeting. The Ordinary General Meeting shall be competent, in particular, in relation to matters provided in Article 206 of the Law.

Article 47: Discussions at General Meetings

The General Meeting shall only discuss topics included in the agenda unless there are urgent matters that have arisen after preparation of the agenda or if they

2- نصاب الانعقاد:

لا يكون انعقاد الجمعية غير العادية صحيحا إلا إذا حضره مساهمون يمثلون ثلثي رأس مال الشركة على الأقل. فإذا لم يتوفر هذا النصاب وجب دعوة الجمعية إلى اجتماع ثان يعقد خلال الخمسة عشر يوما تقويمياً التالية للاجتماع الأول، ويكون صحيحا إذا حضره من يمثلون أكثر من ثلث رأس المال، فإذا لم يتوفر هذا النصاب في الاجتماع الثاني، توجه الدعوة إلى اجتماع ثالث يعقد خلال الخمسة عشر يوما تقويمياً من تاريخ الاجتماع الثاني ويكون الاجتماع الثالث صحيحا إذا حضره ربع المساهمين. ويجوز أن لا توجه دعوة جديدة للاجتماع الثاني وللاجتماع الثالث إذا كان قد حدد تاريخه في الدعوة إلى الاجتماع الأول والثاني شريطة أن يتم نشر عدم انعقاد الاجتماع الأول والثاني حسبما يكون الحال، في الصحف المحلية.

3- التصويت:

تصدر قرارات الجمعية العامة غير العادية

بأغلبية ثلثي الأسهم الممثلة في الاجتماع إلا إذا تعلق القرار بزيادة رأس المال أو تخفيضه أو بإطالة مدة الشركة أو بحلها أو بإدماجها في شركة أخرى، فيشترط لصحة القرار في هذه الحالات أن يصدر بأغلبية ثلاثة أرباع أسهم الحاضرين الذين ينعقد بهم الاجتماع صحيحا ولا تكون قرارات الجمعية غير العادية نافذة إلا بعد موافقة وزارة الصناعة والتجارة عليها.

are uncovered during the meeting and if the competent government authority or a public corporate shareholder in the Company or a number of shareholders who own at least 10% of the Company's capital request the Board of Directors to include a particular item in the agenda which had not been included, the General Meeting shall have the right to discuss such item at the request of the persons concerned. If it is found during the discussion that information relating to certain issues is not sufficient, the meeting shall be postponed for no more than 10 calendar days, if so requested by a number of shareholders who own one quarter of the shares by which the meeting was held.

4- اختصاصاتها:

(أ) تختص الجمعية العامة غير العادية بالأمور المنصوص عنها في المادة (210) من القانون.

Article 48: Extraordinary General Meeting

(ب) يجوز للجمعية العامة غير العادية إصدار قرار يقع ضمن اختصاص الجمعية العامة العادية بتوافر شرطين مجتمعين هما:

1- توافر النصاب والأغلبية المطلوبة للجمعية العامة العادية.

2- تضمين جدول الأعمال الأمور موضوع القرار.

1. **Convening**

An Extraordinary General Meeting is held on summons from the Board of Directors or on a written requisition addressed to the Board of Directors by shareholders representing not less than 10% of the capital of the Company.

The Board of Directors shall, in the latter event, call for an Extraordinary General Meeting within one month of the date on which such requisition was received by the Board; otherwise

the Ministry of Industry and Commerce shall call up the meeting within fifteen calendar days from the date of expiry of said period.

2. **Quorum**

The Extraordinary General Meeting shall not be validly held unless attended by shareholders representing at least two thirds of the Company's share capital. If said quorum could not be obtained, summons should be sent for a second meeting which shall be held within the next fifteen calendar days following the date of the first meeting. The quorum for the second meeting shall be valid if it was attended by members representing more than one third of the Company'capital. If a quorum could not be obtained for the second meeting, summons shall be sent for a third meeting which shall be held after the lapse of fifteen calendar days of the date of the second meeting. The third meeting shall be valid if attended by members representing one quarter of the shares. New summons for the second and third meetings need not be given if their dates were fixed in the notice given in respect of the first and the second meeting, provided that notice shall be published that the first two meetings were not held as the case may be in local newspapers.

المادة (49): إلزامية قرارات الجمعية العامة:-

1- تلزم القرارات التي تصدرها الجمعية العامة وفقا لأحكام القانون ونظام الشركة جميع المساهمين سواء كانوا حاضرين في الاجتماع الذي صدرت فيه هذه القرارات أو غائبين أو سواء أكانوا قد صوتوا مع أو ضد القرارات.

2- على مجلس الإدارة تنفيذ قرارات الجمعية العامة.

المادة (50): بطلان القرارات:-

مع عدم الإخلال بحقوق الغير حسن النية يقع باطلا كل قرار يصدر عن الجمعية العامة بالمخالفة لأحكام القانون أو لعقد تأسيس الشركة أو نظامها الأساسي، ويجوز للمحكمة إبطال أي قرار يصدر لصالح فئة معينة من المساهمين أو بقصد الإضرار بهم أو لجلب نفع خاص لأعضاء مجلس الإدارة أو لغيرهم، دون اعتبار لمصلحة الشركة. ، ولا يجوز رفع دعوى البطلان في هذه الحالة إلا من المساهمين الذين اعترضوا على القرار في محضر الجلسة أو تغيبوا عن الحضور بعذر مقبول. ويترتب على الحكم بالبطلان اعتبار القرار كأن لم يكن بالنسبة إلى جميع المساهمين. ويلتزم مجلس الإدارة بنشر ملخص الحكم في إحدى الصحف اليومية. ، ولا يترتب على رفع دعوى البطلان وقف تنفيذ القرار ما لم تأمر المحكمة بذلك. ولا تسمع دعوى البطلان بمضي سنة من تاريخ صدور القرار.

3. **Voting**

Resolutions at the Extraordinary General Meeting shall be passed by a two third majority of shares represented at the meeting unless the resolution relates to the increase or reduction of capital, extension of the term of the Company, dissolution or merger of the Company with another company in which case resolutions shall only be valid if adopted by 75% of the shares present at the Extraordinary General Meeting. Resolutions of the Extraordinary General Meeting shall not be valid unless approved by the Ministry of Industry and Commerce.

4. **Competence**

a. The Extraordinary General Meeting shall have competence over all the matters provided for in Article 210 of the Law.

b. The Extraordinary General Meeting may adopt resolutions in respect of matters falling within the competence of the Ordinary General Meeting provided that:

i. the quorum and voting majority required for the Ordinary General Meeting are available; and

الباب الثامن
مدقق الحسابات

المادة (51): تعيين مدقق الحسابات:-

يكون للشركة مدقق حسابات أو أكثر من المدققين المرخص لهم بمزاولة المهنة في مملكة البحرين تعينهم الجمعية العامة العادية وتحدد أجرهم والمدة التي عينوا لها. وإذا تم تعيين أكثر من مدقق فيكون لكل منهم مباشرة أعمال المراجعة على انفراد. الا أنه، إذا لم يباشر مدقق الحسابات المعين من قبل الجمعية العامة مهمته لأي سبب من الأسباب يجوز لمجلس الإدارة عند الضرورة أن يعين من يحل محله على أن يعرض هذا الأمر في أول اجتماع للجمعية العامة للبت فيه. ويكون المدققون في حالة تعددهم مسئولين بالتضامن عن أعمال التدقيق لحسابات الشركة.

المادة (52):مؤهلات و صلاحيات وواجبات مدققي الحسابات و إجراءات التدقيق:-

أ-على مدقق الحسابات أن يدقق حسابات السنة المالية التي عين أو تم تجديد تعيينه لتدقيقها.

ii. the subject of the resolution had been placed on the agenda.

ب- للمدقق في أي وقت الحق في الإطلاع على جميع دفاتر الشركة وسجلاتها ومستنداتها وفي طلب البيانات التي يرى ضرورة الحصول عليها ، وله كذلك أن يتحقق من موجودات الشركة والتزاماتها.

Article 49: Binding Effect of Resolutions of the General Meeting

1. Resolutions adopted at the General Meeting in accordance with the provisions of the Law and these Articles of Association shall be binding on all shareholders whether they were present at the meeting at which the said resolutions were passed or absent or whether they voted for or against them.

ج- ولمجلس الإدارة أن يمكّن المدقق من أداء واجبه المحدد في الفقرة السابقة . وعلى المدقق في حالة عدم تمكّنه من استعمال هذه الحقوق ، إثبات ذلك كتابة في تقرير يقدم إلى مجلس الإدارة ، فان لم يقم المجلس بتيسير مهمة المدقق وجب على الأخير دعوة الجمعية العامة العادية للنظر في الأمر .

2. The Board of Directors shall implement the resolutions of the General Meeting.

د- وعلى المدقق في جميع الأحوال أن يُخطِر وزارة الصناعة والتجارة بنسخ من تقاريره وملاحظاته أياً كان نوعها سواء كانت مالية أو إدارية أو بوجود مخالفات من أي نوع أو غير ذلك من التقارير سواء كانت مقدمة للجمعية العامة أو لمجلس إدارة الشركة.

Article 50: Invalidity of Resolutions

Without prejudice to the rights of any bona fide third party, all resolutions adopted by the General Meeting contrary to the provisions of the Law or the Memorandum of Association or these Articles of Association shall be deemed null and void. The court may nullify any resolution adopted in favour of a particular class of shareholders or with the intent to cause damage thereto or realizing special benefit to members of the Board of Directors or others without regard for the Company interest. A request to invalidate a resolution in this case may be made only by

على المدقق أن يحضر الجمعية العامة السنوية وأن يُدلي في الاجتماع برأيه في كل ما يتعلق بعمله ، وبوجه خاص في ميزانية الشركة ، ويتلو تقريره على الجمعية العامة السنوية . ويجب أن يكون التقرير معداً وفقاً لمعايير وأسس التدقيق الدولية ، ومتضمناً على وجه الخصوص البيانات الآتية :

those shareholders who recorded their objection to the resolution in the minutes of the meeting or who are absent from the meeting on account of an acceptable excuse. A nullified resolution shall be deemed non-existent as far as all shareholders are concerned. The Board of Directors shall publish a summary of the judgment of the court nullifying the said resolution in one of the local daily newspapers. An action filed for nullity of a resolution shall not result in suspending the implementation of the resolution unless an order is issued by the court to this effect. An action for nullity shall be barred after the lapse of one year from the date of such resolution.

أ- ما إذا كان المدقق قد حصل على المعلومات التي يرى ضرورتها لأداء عمله على وجه مرضٍ.

ب- ما إذا كانت الميزانية وحسابات الأرباح والخسائر متفقة مع الواقع ، وتم إعدادهما وفقاً للمعايير المعتمدة من هيئة المحاسبة والمراجعة للمؤسسات المالية الإسلامية، أو لمعايير المحاسبة الدولية و أن لا تكون متعارضة مع قواعد و احكام الشريعة الإسلامية وتتضمن كل ما نص القانون والنظام الأساسي هذا على وجوب إثباته فيها ، وتعبر بأمانة ووضوح عن المركز المالي الحقيقي للشركة.

ج- ما إذا كانت الشركة تمسك حسابات منتظمة .

د- ما إذا كان الجرد قد أُجري من قبل الشركة وفقاً للأصول المرعية.

Section VI

Auditors

Article 51: Appointment of Auditors

The Company shall have one or more Auditors from among those licensed to practise in The Kingdom of Bahrain who shall be appointed and have their remuneration and period of service fixed by the Ordinary General Meeting. If more than one Auditor is appointed, each of them shall carry out the audit duties independently. However, if the Auditor appointed by the General Meeting does not carry out his duties for any reason whatsoever, the Board of Directors may whenever necessary appoint another Auditor to replace him, provided that such appointment shall be referred to the next General Meeting for a decision. In the event that more than one Auditor is appointed, the Auditors shall be jointly liable for the audit of

هـ- ما إذا كانت البيانات الواردة في تقرير مجلس الإدارة متفقة مع ما هو وارد في دفاتر الشركة .

و- ما إذا كانت هناك مخالفات لأحكام نظام الشركة أو لأحكام القانون ، قد وقعت خلال السنة المالية على وجه يؤثر في نشاط الشركة أو مركزها المالي ، مع بيان ما إذا كانت هذه المخالفات لا تزال قائمة ، وذلك في حدود المعلومات التي توافرت لديه .

إذا كان للشركة أكثر من مدقق للحسابات ولم يتفقوا على تقرير واحد وجب أن يعد كل منهم تقريراً مستقلاً .

المفوض بالتوقيع عن الطرفين

the accounts of the Company.

Article 52: Qualifications, Powers and Duties of Auditors and Audit Procedures

a. The Auditor shall audit the accounts of the financial year for which he is appointed or re-appointed.

b. The Auditor shall have at any time the right of access to the Company's books, registers and documents, and of requesting any details he deems necessary. He shall also have the right to verify the Company's assets and liabilities.

c. The Board of Directors shall enable the auditor to carry out his duties specified in the foregoing paragraph. If the Auditor is unable to exercise such rights, he shall report this in writing to the Board of Directors, and if the Board does not facilitate his task, the Auditor shall invite an Ordinary General Meeting to consider the matter.

d. In all cases the Auditor shall provide the Ministry of Industry and Commerce with copies of his reports and remarks whatsoever, whether they are financial or administrative and whether they are presented to a General Meeting or to the Board of

ويُتلى تقرير مدقق الحسابات في الجمعية العامة السنوية، ويكون لكل مساهم حق مناقشة التقرير وطلب إيضاحات بشأن الوقائع الواردة فيه.

الباب التاسع

النظام المالي

المادة (53): السنة المالية:-

تبدأ السنة المالية للشركة من أول يناير وتنتهي في نهاية ديسمبر من كل سنة.

المادة (54): ميزانية الشركة السنوية وتقرير مجلس الإدارة:-

1- يضع مجلس الإدارة عن كل سنة مالية في موعد أقصاه ثلاثة أشهر على الأكثر من تاريخ انتهائها ما يلي:

أ - ميزانية للشركة عن السنة المالية المنتهية متضمنة تفاصيل موجودات الشركة والتزاماتها.

ب- حساب الأرباح والخسائر.

Directors.

The Auditor shall attend the Annual General Meeting and express his opinion in all matters pertinent to his work, and in particular, the Company's balance sheet. He shall read his report to the Annual General Meeting. The report shall be prepared in accordance with international auditing standards and shall include in particular the following details:

a. Whether the Auditor obtained the information he deemed necessary for doing his work satisfactorily.

b. Whether the balance sheet and the profit and loss account are conforming to the facts, and are prepared according to the international auditing standards and whether they include all that is provided for in the Law and in these Articles of Association and honestly and clearly reflect the actual financial position of the Company.

c. Whether the Company maintains regular accounts.

d. Whether the stock taking undertaken by the Company has been carried out in accordance with the accepted practices.

e. Whether the data included in the report of the Board of Directors is

ج- تقريــرا مفصــلا عــن أعمــال الشــركة ومركزهـا المـالي خـلال السـنة الماليـة المنتهية وبيانـات تفصـيلية بالطريقـة التـي يقترحهـا المجلـس لتوزيـع صـافي أربـاح هذه السـنة والأربـاح المرحلـة مـن السـنة السـابقة ويرفـق هـذا التقريـر بالميزانيـة. ويوقــع التقريــر والميزانيــة وحســاب الأرباح والخسائر كل من رئيس مجلس الإدارة واحـد الأعضـاء ويكـون أعضـاء مجلس الإدارة مسئولين عن تنفيذ ذلك.

2- يقـوم مجلـس الإدارة بنشـر الميزانيـة وحسـاب الأرباح والخسائر وخلاصـة وافية مـن التقرير السنوي والنص الكامل لتقرير مدقق الحسابات في صحيفة محلية تصدر باللغـة العربيـة وذلـك قبـل انعقـاد الجمعيـة العامـة السـنوية بخمسـة عشر يوما تقويمياً على الأقل.

المادة (55): تعيين الأرباح الصافية:-

تعتبـر أرباحـا صـافية المبـالغ المتبقيـة مـن أربـاح الشركة الإجمالية بعد خصم ما يلي:

أ - المصروفات العامة.

ب- النسـبة المئويـة التـي يحـددها مجلـس الإدارة

in conformity with what is stated in the Company's books.

f. Whether there have been violations of the provisions of the Law or these Articles of Association during the financial year in a way that affects the activity of the Company or its financial position, and whether these violations are still existing to the extent of the information made available to him.

If the Company has more than one Auditor and they do not submit a joint report, each of them shall prepare an independent report.

The Auditor's report shall be read at the Annual General Meeting and each shareholder shall have the right to discuss the report and request clarifications on its contents.

Section IX

Financial Provisions

Article 53: Financial Year

The Financial Year of the Company shall commence on the 1st of January and end on 31st of December in each year.

لاستهلاك موجودات الشركة أو التعويض عن نزول قيمتها على أن تستعمل هذه الأموال لشراء و صيانة موجودات الشركة. ولا يجوز توزيع هذه الأموال على المساهمين.

ج- فوائد القروض وكافة أعباء الشركة والتزاماتها بما في ذلك المخصصات التي رصدتها الشركة مقابل ذلك حسبما تقتضيه أصول المحاسبة الدولية.

المادة (56): كيفية توزيع الأرباح الصافية:-

1- توزع الأرباح الصافية للشركة على الوجه الأتي:

أ - يقتطع سنويا 10% من الأرباح الصافية يخصص لحساب الاحتياطي القانوني . ويجوز إيقاف هذا الاستقطاع إذا بلغ الاحتياطي 50% من رأس المال المدفوع وإذا قل الاحتياطي القانوني عن النسبة المذكورة وجب إعادة الاستقطاع حتى يصل الاحتياطي إلى تلك النسبة. ولا يجوز توزيع الاحتياطي القانوني على المساهمين وإنما يجوز استعماله لتأمين توزيع أرباح على المساهمين لا تقل عن 5% من رأس المال المدفوع في السنوات التي لا تسمح فيها أرباح الشركة بتأمين هذا الحد. ويجوز بموافقة الجمعية العامة توزيع نسبة من الأرباح الصافية التي تحققها الشركة نتيجة بيع

أصل من الأصول الثابتة أو التعويض عنه بشرط أن لا يترتب على ذلك عدم تمكين الشركة من إعادة أصولها إلى ما كانت عليه أو شراء أصول ثابتة جديدة.

Article 54: Company's Annual Balance Sheet and the Directors' Report:

1. The Board of Directors shall prepare for each financial year, within three months from the end of the financial year, the following:

   a. The Balance Sheet of the Company for the last financial year including particulars of the Company's assets and liabilities;

   b. The Profit and Loss Account; and

   c. A detailed report on the Company's operations, its financial position during the preceding year and the detailed recommendations of the Board of Directors regarding distribution of net profits of the last year and the profits carried over from the year before. This report shall be attached to the Balance Sheet. The Chairman of the Board of Directors and one of the members shall sign the Report and the Balance Sheet and members of the Board of Directors shall be responsible for its implementation.

وللجمعية العامة قبل أن تصدر موافقتها المذكورة أن تطلب من مدقق حسابات الشركة تقريرا بشأن النسبة التي ستوزع من الأرباح الصافية ومدى كفاية ما يتبقى من ناتج بيع الأصل الثابت أو التعويض عنه لإعادة أصول الشركة إلى ما حالتها الأصلية.

ب- يقتطع جزء من الأرباح تحدده الجمعية العامة العادية لمواجهة الالتزامات المترتبة على الشركة بما في ذلك تلك المترتبة بموجب قوانين العمل.

ج- يجوز للجمعية العامة العادية بناء على اقتراح مجلس الإدارة أن تقرر اقتطاع نسبة من الأرباح الصافية لحساب احتياطي اختياري سنويا. ويستعمل هذا الاحتياطي في الوجوه التي تقررها الجمعية العامة العادية بما في ذلك استعماله لاستهلاك موجودات الشركة أو

2. The Board of Directors shall publish the Balance Sheet, the Profit and Loss Account, a detailed summary of the Annual Report and the full text of the Auditor's report in one local newspaper published in Arabic language at least 15 calendar days before Annual General Meeting.

التعـويض عـن نـزول قيمتهـا أو تحويلـه إلى رأس المال.

د - يجوز إقتطاع المبلغ اللازم لتوزيـع حصـة أولى من الأرباح قدرها 5% للمسـاهمين من المبلغ المدفوع من قيمة الأسهم.

Article 55: Determination of Net Profits

Net profits are the balance remaining out of the Company's gross profits after deduction of:

هـ- يخصـص بعـد مـا تقـدم مـا لا يزيـد عـن 10% من الباقي لمكافآت أعضاء مجلس الإدارة.

a. General expenses;

b. The percentage fixed by the Board of Directors for the depreciation of assets and compensation for loss in value of such assets, provided that these deductions shall be used for purchasing and maintaining the assets of the Company and may not be distributed among the shareholders; and

و- يـوزع البـاقي مـن الأربـاح بعـد ذلـك علـى المسـاهمين كحصـة إضـافية للأربـاح أو يرحـل بنـاء علـى اقتـراح مجلـس الإدارة إلى السنة المقبلة أو يخصص لإنشاء مال احتياطي أو مال للاستهلاك غير العـادي .

c. Interest paid on all loans and all Company obligations and liabilities including allocations made by the Company therefor as required by international accounting standards.

2- يتحمل المسـاهمون الخسـائر – إن وجدت- بنسبة عدد الأسهم التي يملكونها و لا تزيد مسئولية المسـاهم عن قيمـة مسـاهمته فـي الشـركة . و يكـون المسـاهم فقـط ملزمـاً بتسـديد الجـزء غيـر المـدفوع مـن القيمـة الاسمية للسهم المكتتب به إن وجد.

Article 56: Methods of Distribution of Net Profits

1. The net profits of the Company shall be distributed in the following manner:

   a. 10% shall be set aside every year for the Legal Reserve. Such deduction may be discontinued when such Legal Reserve attains 50% of the paid up-capital. If the Legal Reserve falls below said percentage, deduction shall be resumed until it attains the percentage. The Legal Reserve shall not be distributed among shareholders; however, it may be utilized in order to ensure distribution of dividends to the shareholders amounting to not less than 5% of the paid-up value of the shares in years when the net profit of the Company is insufficient to permit dividend distribution of that amount. Subject to the approval of the General Meeting, a percentage of the net profits realized by the sale of any of the fixed assets or out of any compensation therefor, may be distributed, provided that this shall not result in preventing the Company from restoring the assets of the Company to their original condition or from buying new fixed assets.

الباب العاشر

المنازعات

المادة (57): المنازعات:

1. يمكن مباشرة إجراءات قانونية ضد أعضاء مجلس الإدارة بسبب مسئوليتهم عن الأخطاء التي نشأ عنها أضرار تلحق بمجموع المساهمين ككل. ويجب أن يصدر قرار من الجمعية العامة العادية برفع الدعوى على أن يتولاها رئيس مجلس الإدارة، وإذا كان رئيس مجلس الإدارة ممن تخاصمهم الشركة وجب أن تعين الجمعية العامة العادية عضواً آخر من مجلس الإدارة لإقامة الدعوى، وإذا كانت الدعوى موجهة إلى جميع أعضاء مجلس الإدارة وجب أن تعين الجمعية العامة العادية من ينوب عنها من غير أعضاء المجلس في رفع الدعوى.

2. وإذا كانت الشركة في دور التصفية تولى المصفي رفع الدعوى أمام المحكمة بعد الحصول على قرار من الجمعية العامة غير العادية.

The Ordinary General Meeting may, before giving its said consent, request the Company's Auditor to prepare a report on the percentage to be distributed from net profits and the sufficiency of the remaining balance of the proceeds of sale of the fixed assets or compensation therefor to restore the Company's assets to their original condition.

3. ويجب على كل مساهم يريد إثارة نزاع من هذا القبيل أن يخطر رئيس مجلس الإدارة بخطاب مسجل قبل انعقاد الجمعية العامة التالية بشهر على الأقل، ويجب على رئيس مجلس الإدارة إدراج هذا الاقتراح في جدول أعمال الجمعية العامة، فإذا رفضت الجمعية العامة هذا الاقتراح لم يجز لأي مساهم إعادة طرحه باسمه الشخصي.

b. A sum to be determined by the Ordinary General Meeting shall be deducted to meet obligations of the Company including those arising pursuant to Labour Laws.

الباب الحادي عشر

حل الشركة وتصفيتها

c. The Ordinary General Meeting may, at the proposal of the Board of Directors, decide to allocate annually a percentage of the net profits to the voluntary reserve account. Said voluntary reserve shall be used for the purposes determined by the Ordinary General Meeting including the use for depreciation of Company's assets or for making up for any fall in the value thereof or converting it into capital.

<u>المادة (58): حل الشركة:-</u>

تحل الشركة لأحد الأسباب الآتية:

1- إنهاء الشركة أو دمجها بشركة أخرى بقرار صادر عن الجمعية العامة غير العادية.

2- انتهاء العمل الذي أسست من اجله.

3- هلاك جميع مالها أو جزء كبير منه بحيث لا يتبقى جدوى في استمرارها.

d. An amount as required may be deducted for distribution as an interim payment of dividend to shareholders amounting to 5% of the paid-up value of the

shares.

e. Thereafter no more than 10% of the balance remaining shall be allocated for payment of remuneration of members of the Board of Directors.

f. The balance remaining of the profits shall be divided among the shareholders as additional dividends or carried over at the proposal of the Board of Directors to the following financial year or shall be utilized in building up a contingency reserve or a reserve fund for unusual depreciation.

2. Losses, if any, shall be borne by the shareholders in proportion to the number of shares owned by each of them and the liability of a shareholder shall not exceed the value of his shareholding in the Company. A shareholder shall only be obliged to pay the unpaid portion of the nominal value of shares subscribed for, if any.

4- وإذا اتضح من الميزانية العمومية أن الشركة قد خسرت المال الاحتياطي وثلاثة أرباع رأسمالها وجب على رئيس مجلس الإدارة دعوة الجمعية العامة غير العادية للانعقاد لتقرر ما إذا كان الأمر يستوجب حل الشركة قبل انتهاء الأجل المحدد لها أو تخفيض رأس المال أو اتخاذ غير ذلك من التدابير المناسبة. فإذا رفضت الجمعية العامة غير العادية حل الشركة، يكون لأي مساهم الحق في أن يرفع الأمر إلى القضاء.

5- صدور قرار من الجمعية العامة غير العادية بإجماع أصوات المساهمين أو بالأغلبية المقررة وفق أحكام القانون لصدور قرار من الجمعية العامة غير العادية بحل الشركة قبل انتهاء مدتها إن وجدت.

6- شهر إفلاسها.

7- صدور حكم قضائي بحلها.

8- اندماجها في شركة أخرى.

المادة (59): تصفية الشركة وقسمتها:-

تعتبر الشركة بعد حلها في حالة تصفية وتتم تصفية

Section X

Disputes

Article 57: Disputes

1. Legal action can be initiated against the members of the Board of Directors for responsibility for faults which result in causing damage to the shareholders as a whole. A resolution from the Ordinary General Meeting shall be issued to take such action in Court to be supervised by the Chairman of the Board of Directors, but if the Chairman is a party to the litigation with the Company the Ordinary General Meeting will have to appoint another member of the Board of Directors to initiate the action, and if the action is taken against all the members of the Board of Directors, the Ordinary General Meeting must appoint someone other than the members of the Board to act on its behalf.

2. If the Company is in the course of liquidation, the liquidator will undertake to take up the action in Court after receiving the decision from the Extraordinary General Meeting.

3. Any shareholder wishing to raise a concern of this nature must notify the Chairman of the Board of Directors by registered mail at least one month prior to holding the General Meeting. The

الشركة وقسمة أموالها وفقا للأحكام المنصوص عليها في المواد (325) إلى (344) من القانون.

الباب الثاني عشر

أحكام ختامية

المادة (60):-

يودع هذا النظام الأساسي وينشر طبقا لأحكام القانون.

المادة (61):-

حرر هذا النظام الأساسي استنادا إلى عدم ممانعة إدارة شئون الشركات بوزارة الصناعة والتجارة بالكتاب الصادر بتاريخ --- تحت رقم ---.

المادة (62):-

جميع مصروفات هذا النظام الأساسي وأتعابه واستيفائه التام تحسب من المصروفات العمومية للشركة.

المادة (63):-

تسري أحكام قانون الشركات التجارية الصادر

المفوض بالتوقيع عن الطرفين

بالمرسوم بقانون رقم (21) لسنة 2001 ولائحته التنفيذية الصادرة بالقرار رقم (6) لسنة 2002 فيما لم يرد بشأنه نص خاص في هذا النظام الأساسي.

Chairman of the Board of Directors must incorporate such concern in the General Meeting's agenda. If the General Meeting refuses to initiate the recommended proceedings, no other shareholder may repeat such request in his personal name.

Section XI

Dissolution and Liquidation

المفوض بالتوقيع عن مساهمي
شركة ألمنيوم البحرين ش.م.ب.

Article 58: Dissolution of the Company

وبما ذكر تحرر هذا النظام المعدل من ثلاث نسخ وتم التوقيع عليه بعد تلاوته من قبل الجميع ومنى وتسلم أصحاب الشأن ثلاث نسخ منه للعمل بموجبه.

The Company shall be dissolved for any of the following reasons:

1. termination of the Company or merging it with another company by resolution of the Extraordinary General Meeting.

2. attainment of the objects for which the Company has been incorporated.

3. loss of its assets or a sizeable portion thereof, rendering it not feasible for the Company to continue.

4. if it appears from the Balance Sheet that the Company has lost its reserves and three quarters of its capital, the Chairman of the

Board of Directors shall summon the Extraordinary General Meeting to convene in order to resolve whether to dissolve the Company before the expiry of the period fixed therefor, or reduce the capital or to take other suitable measures. If the Extraordinary General Meeting refuses to dissolve the Company, any shareholder shall have the right to take the matter to the court.

5. adoption of a resolution by the Extraordinary General Meeting by unanimous vote of shareholders or by the majority of votes specified by the Law for the adoption of the resolutions at Extraordinary General Meetings dissolving the Company before the expiry of the period specified therefore.

6. the Company is declared bankrupt.

7. a court order is made for dissolution of the Company.

8. merger into another company.

Article 59: Liquidation of the Company and Division of its Assets

The Company shall, upon dissolution, be considered in a state of liquidation, and shall be liquidated and its assets divided in accordance with the provisions of Articles 325 to 344 of the Law.

Section XII

Final Provisions

Article 60:

These Articles of Association shall be deposited and published in accordance with the provisions of the Law.

Article 61:

These Articles of Association have been made pursuant to the non objection of the Directorate of Company Affairs at the Ministry of Industry and Commerce by its letter dated ---- under the number ------.

Article 62:

All costs and fees in respect of these Articles of Association and their full legalization shall be debited to the Company overheads.

Article 63:

The provisions of the Commercial Companies Law issued by Decree Law No.21 for the year 2001 and its Implementing Regulations issued by

Order No.6 of the year 2002 shall apply with respect to any matter for which no specific provision is embodied in these Articles of Association.

_____

Authorised Signatory
For the Shareholders of
Aluminium Bahrain B.S.C.

In witness whereof, these Articles of Association were made in one original and three copies which were signed upon having been read by all the parties and by myself. The parties concerned were given three copies to act in accordance therewith.

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

Printed by RR Donnelley, 106241