

Nurturing Growth
through the highest standards of transparency

Annual Report 2013





**His Royal Highness
Prince Khalifa bin Salman
Al Khalifa**

The Prime Minister



**His Majesty
King Hamad bin Isa
Al Khalifa**

The King of the
Kingdom of Bahrain



**His Royal Highness
Prince Salman bin Hamad
Al Khalifa**

The Crown Prince,
Deputy Supreme
Commander and
First Deputy Prime Minister

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A finely-tuned operation

OVERVIEW

Bahrain Mumtalakat Holding Company (“Mumtalakat”) was established in June 2006 as an independent holding company to manage the Government of Bahrain’s stakes in key commercial assets. Mumtalakat is a shareholder in the strategic commercial assets 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, including industrial manufacturing, financial services, telecommunications, real estate, aviation, tourism, and food production.

Mumtalakat was created to help align and implement the execution of the Government’s initiatives to improve governance and transparency, pursue value-enhancing opportunities, and help achieve operational excellence for its state-owned commercial assets.

Mumtalakat’s portfolio as of 31 December 2013 consists of minority and majority stakes in 38 commercial enterprises in addition to investments in third party managed funds.

OUR VISION

As the investment arm of the Kingdom of Bahrain, Mumtalakat’s vision is to grow the wealth of Bahrain.

OUR MISSION

Value Creation in Strategic Assets

Mumtalakat is driving value creation in the strategic key commercial assets of Bahrain.

A Well-Diversified and Balanced Portfolio

Mumtalakat is seeking investment opportunities across various industry sectors and asset classes, to build a well-diversified and balanced portfolio.

A Well-Governed Institution

Mumtalakat is building a best-in-class organisation committed to the highest standards of transparency and corporate governance.

A Dedicated Team

Mumtalakat is attracting, developing and empowering talented individuals, drawn together by a unique culture, based on respect, openness and excellence.



Mumtalakat remains committed as a champion of high standards of good corporate governance and transparency. ”

OUR VALUES

Integrity

We conduct our day-to-day business with fairness, honesty and reliability.

Transparency

We maintain the highest standards of international corporate governance and openness.

Teamwork

We work collaboratively as a team and build upon each other's strengths to achieve our goals.

Accountability

We take responsibility for our decisions and continually strive to improve our performance.

Shareholder Value

We make sound and commercially viable investment decisions.

Corporate Responsibility

We recognise the social and environmental impact of our investment decisions and act as a catalyst for positive change in our community.



INTEGRITY

We conduct our day-to-day business with fairness, honesty and reliability.

RELATIONSHIP WITH THE GOVERNMENT OF BAHRAIN

The Government of Bahrain has minority and majority stakes in a wide range of enterprises in diverse sectors. With the aim of improving the performance, governance and transparency of state-owned assets, the Government has grouped its non-oil and gas related commercial assets under the control of Mumtalakat, a wholly state-owned holding company.

Mumtalakat was established by Royal Decree No. 64/2006 dated June 26, 2006 to hold and manage the Government's stakes in non-oil and gas commercial assets. Effective 29 June 2006, the Government transferred its interests in 29 commercial assets to Mumtalakat, including its interest in Alba, Gulf Air, Bahrain Real Estate Investment ("Edamah"), Batelco and National Bank of Bahrain ("NBB").

Members of Mumtalakat's nine-member Board of Directors are appointed to four-year terms by resolution of the Economic Development Board ("EDB"), on 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 public sector individuals, including key government officials, and private sector individuals. His Excellency Shaikh Khalid bin Abdulla Al Khalifa, Deputy Prime Minister, is Chairman of Mumtalakat's Board of Directors. His Excellency

Mr. Kamal bin Ahmed, Minister of Transport, is Deputy Chairman of Mumtalakat's Board of Directors. Other key government officials that serve on Mumtalakat's Board of Directors include, His Excellency Shaikh Ahmed bin Mohammed Al Khalifa, Minister of Finance and His Excellency Mr. Essam Abdulla Khalaf, Minister of Works.

Mumtalakat is subject to oversight by the National Audit Office of Bahrain, which conducts regular reviews of the ministries, various governmental entities and public authorities. 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.

Mumtalakat, as a wholly-owned government entity, is required to submit periodic performance and financial reports to the Government and to hold annual general shareholder meetings to approve its financial statements.

While Mumtalakat was created by royal decree and is wholly-owned by the Government, the holding company is incorporated as a commercial entity and is therefore subject to the commercial laws of Bahrain. Mumtalakat is regulated by the Ministry of Industry and Commerce as a private commercial company in Bahrain.



Bahrain is increasingly strengthening its position as the partner of choice for foreign businesses seeking opportunities in the region, offering businesses a significant cost advantage relative to other countries.”

2013 was a year of growth and achievements for Mumtalakat.

The global economy entered a phase of solid expansion coupled with greater stability, fostering growth, in contrast to the previous years following the global financial crisis. The recent resurgence of the United States and select European economies has offset concerns about slower growth in emerging markets and the economies of the Gulf Co-operation Council (“GCC”) members. The unique advantages offered by such emerging markets reflect this new confidence.

According to the International Monetary Fund updated forecast for the GCC issued in October 2013 during



a meeting with the finance ministers of the member states in Riyadh, aggregate economic growth in the GCC amounted to 3.7 percent. The IMF Regional Economic Outlook published in November 2013 stated that Bahrain’s economy was expected to grow at 4.9 percent in the year, with most of that growth being attributed to the non-oil and gas sector, which continues to help fulfil the Kingdom’s diversification strategy with resilience and consistency.

I am confident this strategy will progress successfully in the current year, with a number of significant initiatives by our portfolio companies contributing to the growth of the Bahraini economy.

Bahrain’s position as a hub for financial and other services in the Gulf remained firm. New foreign companies continued to establish their presence in the Kingdom in the course of the year. This is owing to Bahrain’s initiatives in the provision of experts and professionals as well as key infrastructure and lifestyle benefits, touted as being among the best in the GCC, as well as its reputation for excellence in the financial and professional sectors.

Bahrain is increasingly strengthening its position as the partner of choice for foreign businesses seeking opportunities in the region, offering businesses a significant cost advantage relative to other countries.

The growth of the Kingdom’s tourism and leisure industries continues to add to its desirability as a



SHAREHOLDER VALUE

We make sound and commercially viable investment decisions

destination for business and leisure, complementing the development in the manufacturing and services sectors.

Against this positive macro-economic framework, Mumtalakat's strategy remains unchanged: to act as a catalyst for the diversification of the Kingdom's economy; to add, create and enhance value in our portfolio companies; and identify new investment opportunities locally and globally to grow the wealth of the Kingdom.

We have maintained a steady focus on our vision enabling Bahrain's economic development and have taken necessary measures to ensure our companies delivered sound results.

Mumtalakat delivered strong financial results with its gross profit and operating income both showing significant improvement, as well as a healthy return to profitability, in line with our commitment to the growth of Bahrain's economy.

I am confident that our active pursuit of commercially viable investments, both in Bahrain and globally, will ensure sustainable returns, thereby contributing to the social and economic development of the Kingdom.

Mumtalakat remains committed as a champion of high standards of good corporate governance and transparency. This does not only apply to our activities in Bahrain, but across the Gulf, ensuring we are on par with our global partners. Our commitment to achieving and maintaining international best practice

in corporate governance is not only a priority for the board of directors, but a matter advocated by all levels of management. This ongoing initiative has been recognized by global agencies.

Last year, we were proud to maintain our ranking in the top ten of the Linaburg-Maduell Transparency Index, which is issued annually by the Sovereign Wealth Funds Institute.

Our mandate and objectives coincide with those of the Kingdom, namely to promote and advance a prosperous and sustainable private sector driven economy that will ensure the future of the people of Bahrain and preserve the Kingdom's unique position in the Gulf region.

I would like to thank our colleagues on the board of directors, the team of dedicated executives who have worked so tirelessly, and all employees who have contributed to our success.

Today, I am more confident than ever in Mumtalakat's ability to foster a robust and prosperous economy, the fruits of which are to be enjoyed by future generations to come.

Khalid bin Abdulla Al Khalifa
Chairman of the Board of Directors



“We maintain a robust liquidity position, prudently manage our debt levels and remain committed to maintaining a strong credit profile.”

2013 was a successful year for Mumtalakat. We continued to focus on enhancing the value of our existing portfolio, as well as identification of new investment opportunities in key local and international economic sectors.

The results of 2013 reflect the solid financial and operational performance across the group and demonstrate significant progress in the implementation of strategic initiatives undertaken in 2012.

A profit of BD82.7 million (US\$219.4 million) in 2013, backed by substantial increases in gross profit and operating income, demonstrates our progress versus the losses of 2012. In contrast to previous years, no impairment losses were applied to the investment portfolio in 2013.

As of year-end of 2013, Mumtalakat held stakes in 38 commercial enterprises across a variety of sectors including industrial manufacturing, financial services, tourism, telecommunications, real estate, transportation and food production. The role of Mumtalakat is to support the activities of these portfolio companies, creating value and efficiencies by working closely with the boards of our portfolio companies, supporting them in their strategic plans and providing guidance and expertise where needed.

Against an improving global economic environment in 2013, Mumtalakat was able to report a solid performance and overcome challenges in some sectors of the portfolio. Highlights include: the contribution from Gulf Air to the overall improvement as a result of ongoing restructuring; and the positive results from Aluminium Bahrain (“Alba”) driven by higher aluminium premiums and sales volumes, despite falling global aluminium prices. Mumtalakat also benefited from ongoing strong contribution from key associate companies, such as Bahrain Telecommunications Company (“Batelco”) and National Bank of Bahrain (“NBB”).

Mumtalakat continues to enjoy a strong financial position. We maintain a robust liquidity position, prudently manage our debt levels and remain committed to maintaining a strong credit profile. 2013 was a rewarding year for Mumtalakat, with a return to profit at all levels despite a slight reduction in revenues.



TEAMWORK

We work collaboratively as a team and build upon each other's strengths to achieve our goals.

In 2013, Mumtalakat signed a US\$250 million revolving credit facility replacing the remaining balance of the existing US\$500 million syndicated facility which matured in August 2013. This is part of Mumtalakat's overall funding strategy, and similar transactions will be executed according to circumstances and need.

Our Sukuk programme allows us to issue multiple Sukuk Murabaha issuances for Malaysian investors. In April 2013, we issued a five year RM150 million Sukuk Murabaha under this programme, and the proceeds were utilized to refinance a portion of our existing credit facilities.

Mumtalakat has an investment grade rating of AA₂ from RAM Ratings of Malaysia for its Sukuk programme. Mumtalakat holds a BBB credit rating with stable outlook from Fitch Ratings for its senior unsecured debt. Standard & Poor's also affirmed its long-term and short-term foreign and local currency issuer credit ratings for Mumtalakat at 'BBB/A-2' with a stable outlook.

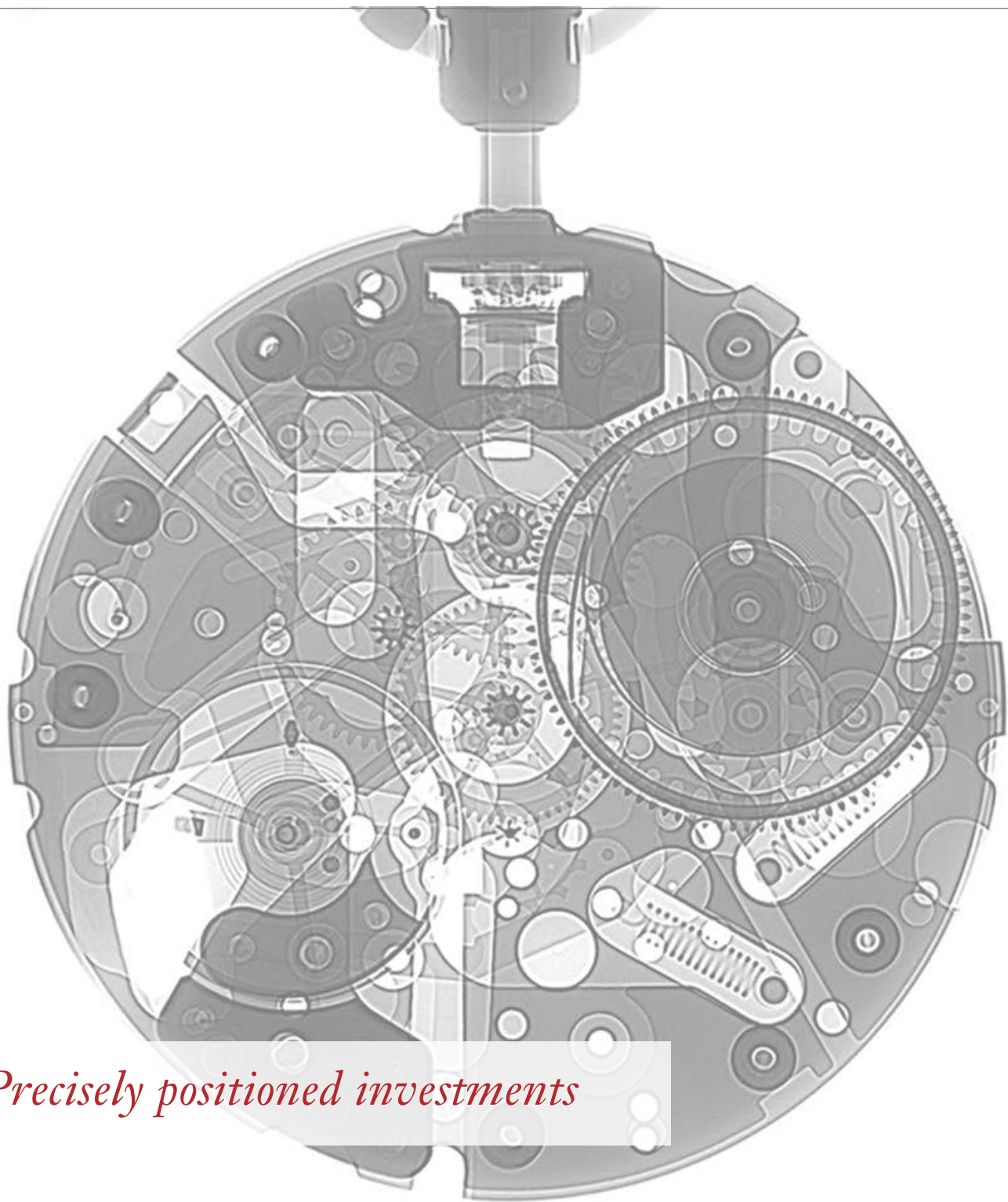
The Mumtalakat group of companies remains a committed and responsible corporate citizen, determined to serve the community through an ambitious corporate social responsibility programme whereby it strives to contribute to the economic and social development of Bahrain.

I would like to extend my sincere gratitude and appreciation to the board of Mumtalakat and our

esteemed Chairman, His Excellency Shaikh Khalid bin Abdulla Al Khalifa, Deputy Prime Minister and Chairman of the Board of Directors, for his vision for Mumtalakat, and his continued guidance, empowerment and support of the management team. Appreciation is also due to the efforts of the management team whose commitment and hard work have led to the success achieved in the last twelve months; and to the staff, for their dedication and loyalty in helping transform Mumtalakat's vision into a successful reality.

I look forward to the future with confidence and enthusiasm. We will continue to build on what we have accomplished in 2013 sparing no effort to contribute to a thriving economy, focused on securing sustainable returns and generating wealth for Bahrain's future generations.

Mahmood Hashim Al Kooheji
Chief Executive Officer



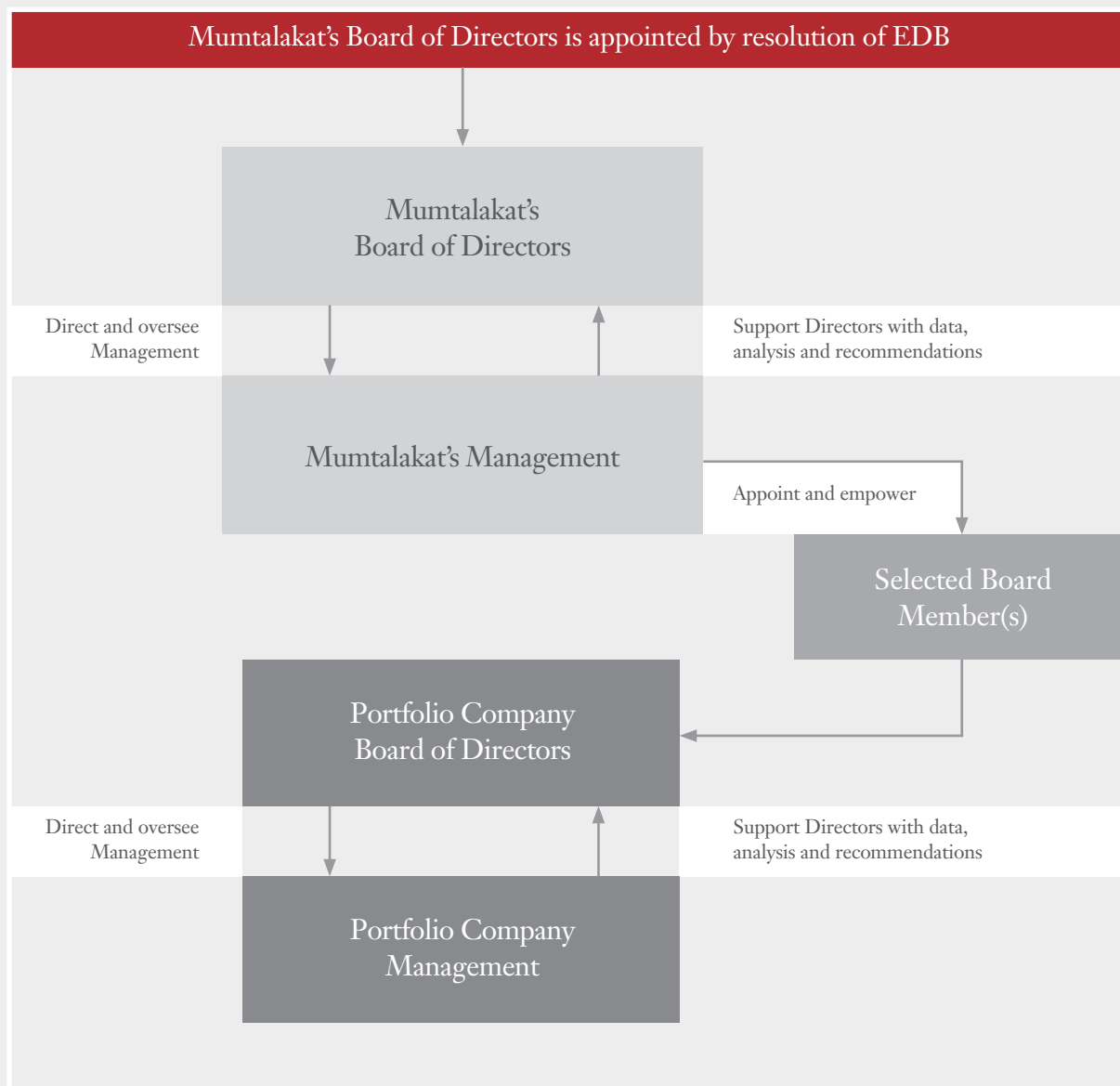
Precisely positioned investments

PORTFOLIO OVERSIGHT

As a shareholder, Mumtalakat is focused on implementing effective corporate governance practices at the holding company level and supports and encourages each of its portfolio companies to do the same. Mumtalakat's oversight and influence over a portfolio company is exercised through its representative directors appointed to the portfolio

company's board of directors. Thus, the level of Mumtalakat's influence over a given portfolio company is generally determined by the size of Mumtalakat's ownership stake in that portfolio company. Mumtalakat selects nominees for directorships of the portfolio companies and submits the nominations to the Chairman of the Board of EDB, who makes the final decision on their appointment.

The below diagram illustrates the governance model used by Mumtalakat and the Government to maintain effective oversight of Mumtalakat's portfolio companies:



The chart below highlights Mumtalakat's portfolio companies and ownership as at 31 December 2013.

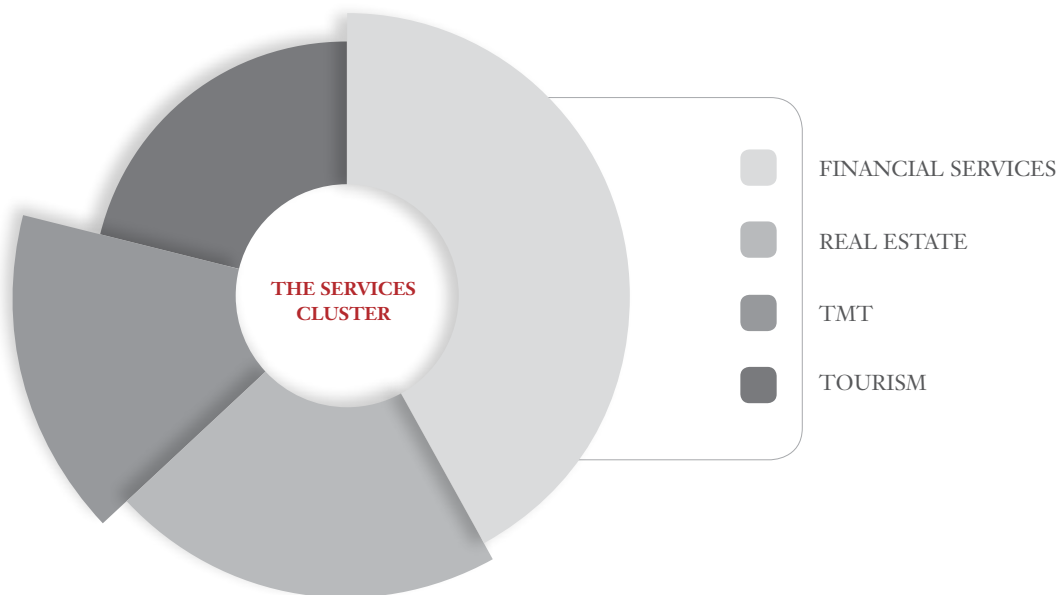
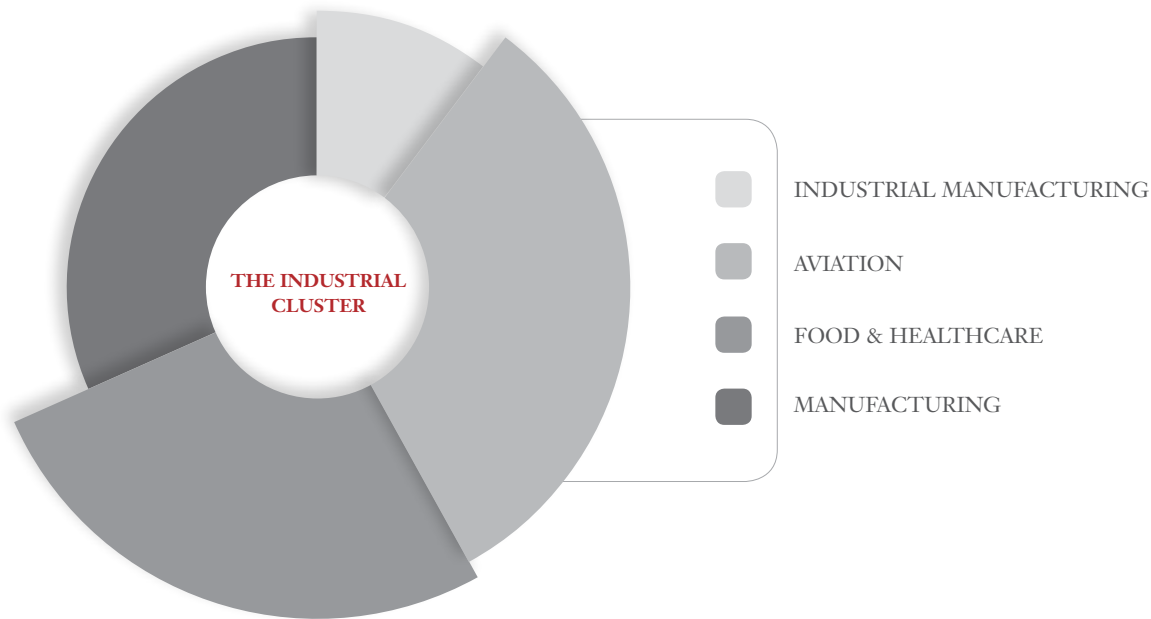


Mumtalakat is focused on managing its business in a self-sustainable manner on a stand-alone basis. Similarly, Mumtalakat's expectation is that directors and management teams of each of its portfolio companies run their respective companies in an independent manner based on long-term sustainable operation and financial practices. Each portfolio company is expected to manage and access its own

funding needs, which should be done on a non-recourse basis to Mumtalakat and the Government. By instilling such principles in its portfolio companies, Mumtalakat believes that directors and managements will be encouraged to embark on commercially viable and attractive projects that are likely to attract third party funding support.

PORTFOLIO OVERVIEW

Mumtalakat holds stakes in 38 commercial enterprises spanning a variety of sectors, including industrial manufacturing and services, financial services, tourism, telecommunications, real estate, transportation, and food production.





Alba was the first aluminium smelter in the Middle East and continues to be one of the leading producers of primary aluminium in the world.”

Aluminium Bahrain B.S.C. ('Alba')

Alba was incorporated in 1971 to construct, own and operate Bahrain's primary aluminium smelter. Alba commenced commercial operations in May 1971 as the first aluminium smelter in the Middle East and has now grown into one of the leading producers of primary aluminium in the world. In November 2010, Mumtalakat conducted an offering of a portion of its ordinary shares in Alba. The offering enabled Mumtalakat as selling shareholder to sell ordinary shares that it owned in Alba, representing 10.0 percent of Alba's total issued, fully paid and outstanding share capital. The ordinary shares are listed on the Bahrain Bourse and global depositary receipts representing such ordinary shares are listed on the London Stock Exchange. As a result of the offering, Mumtalakat holds a 69.4 percent equity shareholding in Alba while SABIC continues to hold a 20.6 percent share. Mumtalakat is represented by six nominee directors on Alba's nine-member board of directors.

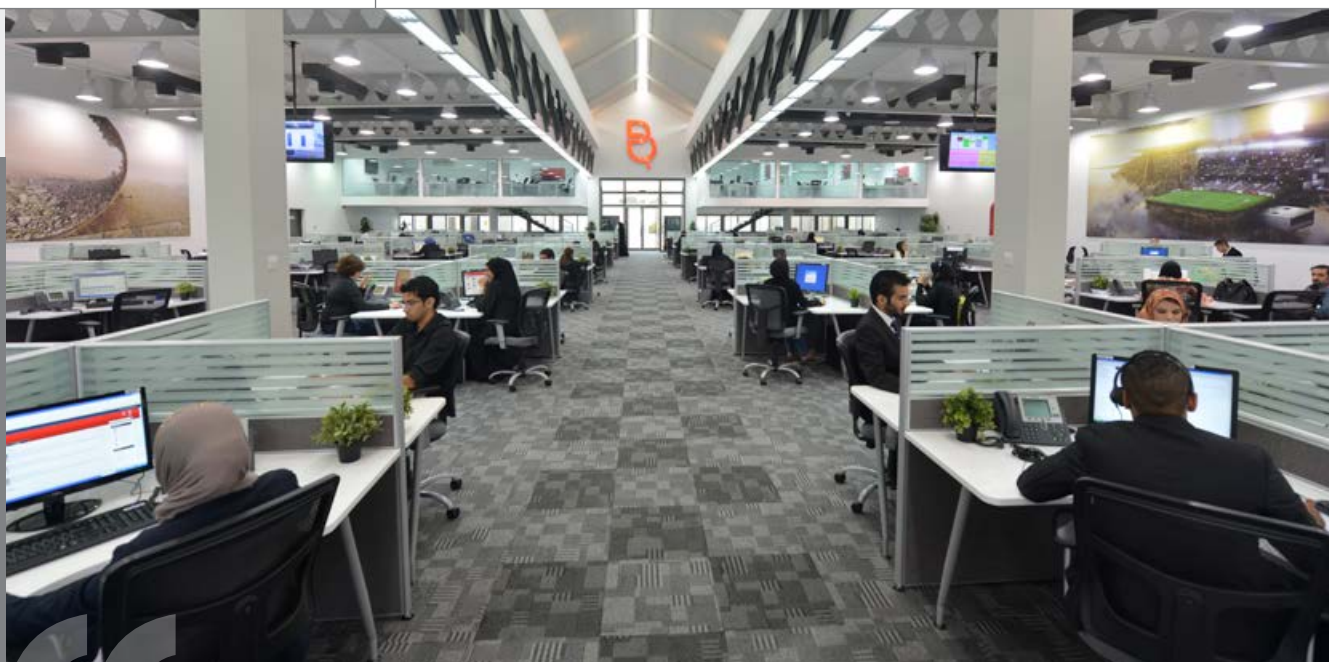
Alba operates an aluminium smelter, power plant and a coke calcining plant located in Askar, Bahrain. In 2013, Alba's aluminium production exceeded 912,700 metric tonnes.



Gulf Air is the national flagship carrier and serves the critical role of connecting Bahrain to key financial centres of Europe and other important regional destinations.”

Gulf Air

Established in 1950, Gulf Air is today the national carrier of Bahrain, connecting traffic from Europe and Asia to the Middle East and targeting regional traffic within the Middle East. Gulf Air’s principal activity during its more than 60-year operating history has been the transportation of passengers and freight on a scheduled basis. Until 2002, Gulf Air was established and jointly owned by Bahrain, Qatar, Abu Dhabi and Oman as the GCC carrier. In November 2007, Mumtalakat became the sole shareholder of Gulf Air, as each of the other GCC countries gradually established their own respective airlines and withdrew from their respective ownership stakes in Gulf Air. Mumtalakat owns 100 percent of Gulf Air Group Holding B.S.C. (c), which, in turn, owns 100 percent of Gulf Air.



Batelco, once the national telecommunications provider, maintains a leading market share in an increasingly deregulated market and remains Bahrain's only fully integrated telecommunications provider.”

Batelco

Batelco was established in Bahrain in 1981, and is the leading integrated telecommunications provider in Bahrain. Mumtalakat directly owns 36.7 percent of Batelco's shares. Further, Amber Holding Company, (a 100 percent subsidiary of Hawar Holding Company (an associate of Mumtalakat) holds 20 percent in Batelco. Mumtalakat holds 33.3 percent in Hawar Holding Company (which represents 6.67 percent indirect shareholding of Mumtalakat in Batelco) and Social Insurance Organisation (“SIO”) holds 66.7 percent of the shareholding in Hawar Holding Company (which represents 13.3 indirect shareholding of SIO in Batelco. The Government, directly or indirectly, including through Mumtalakat, owns 77.2 percent of Batelco's shares. The remaining shares are held by other financial and commercial organisations and various GCC citizens. Mumtalakat is represented directly by three directors on Batelco's ten-member board of directors. Batelco is listed on the Bahrain Bourse.



NBB is a symbolically important financial institution to Bahrain which is a major financial hub in the Middle East.”

NBB

Established in 1957 as Bahrain’s first locally owned bank, NBB has grown steadily to become one of the country’s leading providers of retail and commercial banking services. NBB is publicly listed on the Bahrain Bourse, and is owned 43.9 percent by the public, 7.1 percent by SIO and 49.0 percent by Mumtalakat. Mumtalakat’s and SIO’s combined ownership gives the Government a controlling stake in NBB. Mumtalakat is represented by four directors on NBB’s ten-member board of directors.



Edamah is the real estate arm of the government of Bahrain mandated with the development and management of government properties and lands across the kingdom.”

Edamah

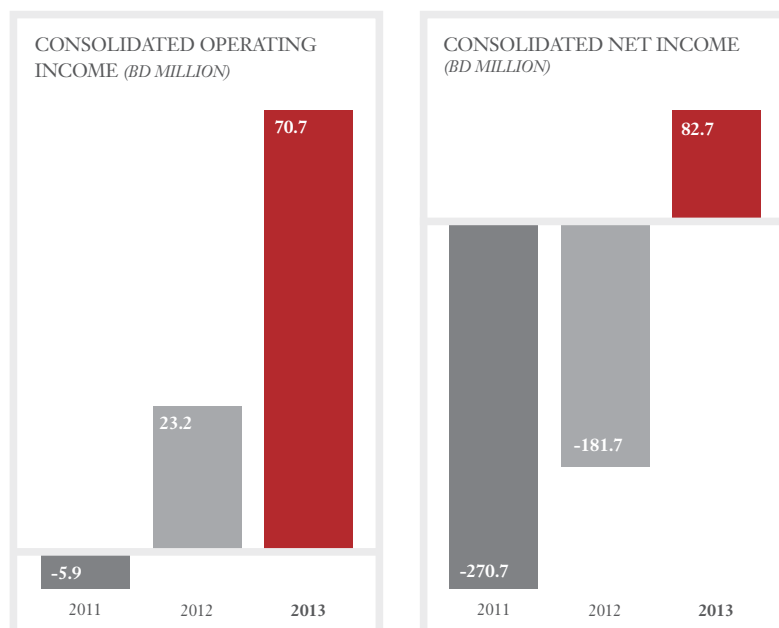
Edamah, which was incorporated in Bahrain in 2006, is the real estate arm of the government of Bahrain with an extensive portfolio in the Kingdom. Edamah is principally involved in leasing out property under operating leases and is also involved in the development and management of property. Edamah has one of the largest land banks in Bahrain with approximately 3.4 million square metres of land as of 31 December 2013. This represents the cornerstone for future development of real estate opportunities for Mumtalakat. Edamah is a wholly-owned subsidiary of Mumtalakat.



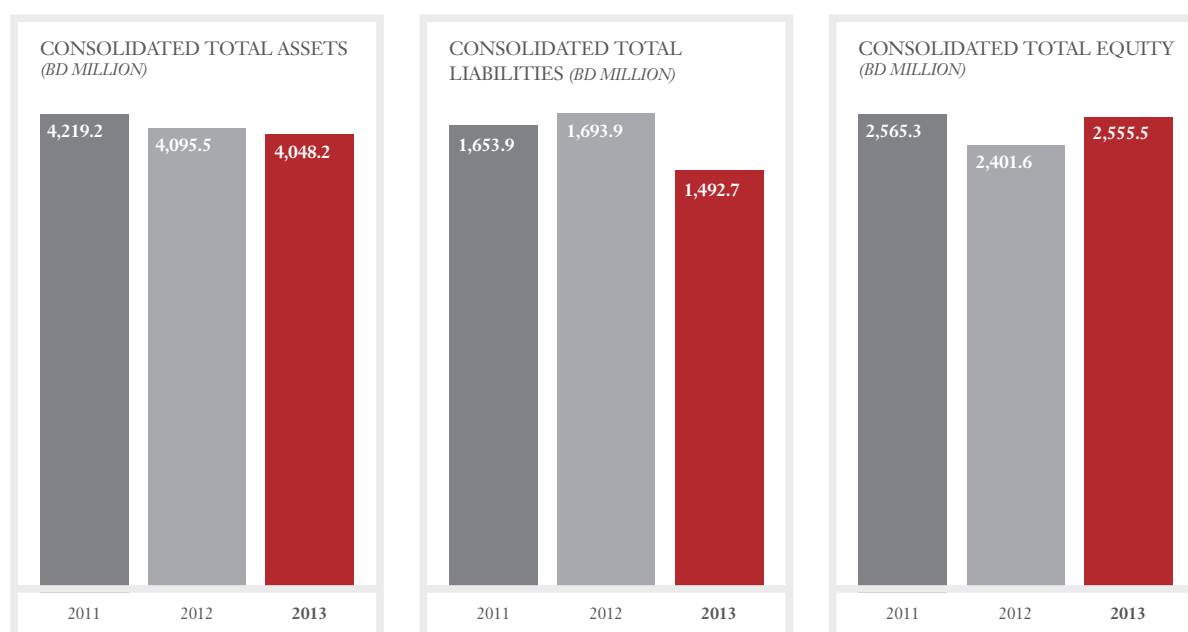
Group Financial Highlights

FINANCIAL HIGHLIGHTS

Selected consolidated income statement data



Selected consolidated balance sheet data



912,700 MT

Alba's 2013
production

FINANCIAL SUMMARY

Mumtalakat Group financial results for the year ended 31 December 2013 showed a significantly improved performance over the previous year. The Group registered a total comprehensive income of BD123.9 million compared to a loss of BD156.9 million in the prior year. The improvement in performance is attributed to improved operational performance of Gulf Air B.S.C. (c) a principal company of the Group, and lower impairment losses.

Group revenues decreased from BD1,162.8 million in 2012 to BD1,097.5 million in 2013, primarily due to lower fare revenues registered at Gulf Air as a result of closure of unprofitable routes. Gulf Air achieved significant operational cost efficiencies during 2013 due to the restructuring initiatives that began in 2012. As a result, Gulf Air's loss from operations for the year declined from BD183.8 million in 2012 to BD95.4 million in 2013. Gulf Air's net loss for the year, after one-time restructuring costs, impairments and government grants declined from BD81.5 million in 2012 to BD12.0 million in 2013.

Aluminium Bahrain B.S.C. ("Alba"), a principal company of the Group contributed positively despite challenging market conditions coupled with the downtrend of LME aluminium prices. Despite

lower LME prices, Alba's revenues amounted to BD749.3 million for the full year 2013 (2012: BD743.7 million) on the back of higher aluminium premiums and sales volumes.

The share of profit from associates in 2013 of BD46.5 million was marginally higher than the prior year (2012: BD45.8 million) reflecting the strong contributions from the Group's principal associate companies. The Group's share of profits from Bahrain Telecommunications Company B.S.C. (Batelco) and National Bank of Bahrain B.S.C. (NBB) for 2013 were BD15.4 million and BD24.7 million respectively (2012: BD21.4 million and BD22.6 million respectively). Coupled with lower impairment losses (BD20.9 million in 2013 compared to BD226.9 million in 2012), this resulted in a net profit for the Group of BD82.7 million in 2013 compared to a net loss of BD181.7 million in 2012.

Throughout 2013, a number of key portfolio companies achieved measurable success:

- Alba achieved its highest production output in its 42-year history of 912,700 metric tonnes. Despite lower LME prices and difficult market conditions for the aluminium industry, Alba still managed to grow its sales volume by 3% in 2013.

9,000,000

Batelco's subscribers
in 14 countries

BD51,400,000

NBB's 2013 net profit

- Gulf Air continued the implementation of a major restructuring initiative, which commenced at the end of 2012, aimed at optimizing the airline's fleet, network and strategy. The execution of this restructuring program resulted in a 52% reduction in annual losses (before restructuring costs, impairment losses and government grants) and financial performance that surpassed the airline's restructuring target by BD14.5 million in 2013.
- Bahrain Telecommunications Company ("Batelco") continued to diversify its revenue sources outside of Bahrain, with the total subscriber base growing to nine million across 14 geographies, representing 18% growth year-on-year. Batelco continued its global expansion with the partial acquisition of Cable & Wireless Islands' telecom operations.
- National Bank of Bahrain ("NBB") achieved another successful year with net profits rising to BD51.4 million, an increase of 8.1% over 2012. The bank's balance sheet showed steady growth during the year reflecting a 3.6% increase year-on-year, mainly driven by growth in total earning assets. Capital Adequacy Ratio remains healthy at 31.2% reflecting a well-diversified asset composition and strong liquidity.
- In only the third year since the launch of the new car program McLaren Automotive sold 1,359 of the MP4 12C sports car during 2013. The P1 was launched during the year, and has already established a reputation as the most technologically advanced super car ever. McLaren Automotive continued to grow its international footprint, appointing 15 new dealers to reach a total of 64 dealers by the end of the year. Most notably, four dealers were appointed in China, representing the company's entry to a new high growth and lucrative market for high end sports cars.
- Benefiting from strong market conditions, Mumtalakat's portfolio of externally managed funds continued to deliver strong returns in 2013. The fund is diversified across multiple asset classes and maintains a high degree of liquidity.



Independent Auditor's Report



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REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The Chairman and Board members
Bahrain Mumtalakat Holding Company B.S.C. (c)
Manama, Kingdom of Bahrain

The accompanying summary consolidated financial statements, which comprise the summary consolidated statement of financial position as at December 31, 2013, the summary consolidated statements of income and other comprehensive income, cash flows and changes in equity for the year then ended and related notes, are derived from the audited consolidated financial statements of Bahrain Mumtalakat Holding Company B.S.C. (c) (the "Company") for the year ended December 31, 2013. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated June 3, 2014. Those consolidated financial statements, and the summary consolidated financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those consolidated financial statements.

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards applied in the preparation of the audited consolidated financial statements of the Group. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of the Company.

Management's Responsibility for the Summary Consolidated Financial Statements

Management is responsible for the preparation of a summary of the audited consolidated financial statements on the basis described in Note 1.

Auditor's Responsibility

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."

Opinion

In our opinion, the summary consolidated financial statements, derived from the audited consolidated financial statements of Bahrain Mumtalakat Holding Company B.S.C. (c) for the year ended December 31, 2013, are consistent, in all material respects, with those consolidated financial statements on the basis described in Note 1.

Manama, Kingdom of Bahrain
October 28, 2014


Deloitte & Touche

Consolidated Statement of Financial Position 31 December 2013

	2013 BD '000	2012 BD '000
ASSETS		
Cash and bank balances	245,547	290,146
Derivative financial instruments	-	104
Trade accounts receivable, prepayments and other assets	163,835	181,204
Inventories	160,657	158,919
Investments carried at fair value through statement of income	92,143	73,412
Non-trading investments	235,469	211,573
Investment in associates	999,906	879,493
Investment properties	216,954	219,207
Property, plant and equipment	1,253,213	1,338,645
Other assets	98,289	161,738
Goodwill	582,247	581,117
TOTAL ASSETS	4,048,260	4,095,558
LIABILITIES AND EQUITY		
Borrowings	829,438	930,813
Derivative financial instruments	16,635	38,771
Trade accounts payable, accruals and other liabilities	524,767	567,980
Employees' end of service benefits	11,506	13,275
Obligations relating to acquired entities	110,375	143,107
TOTAL LIABILITIES	1,492,721	1,693,946
Equity attributable to shareholder of the parent		
Share capital	1,845,635	1,845,635
Capital contribution	1,173,175	1,132,906
Statutory reserve	27,072	21,252
Other reserves	55,714	14,949
Accumulated losses	(820,280)	(872,663)
	2,281,316	2,142,079
Non-controlling interests	274,223	259,533
Total equity	2,555,539	2,401,612
TOTAL LIABILITIES AND EQUITY	4,048,260	4,095,558

Consolidated Statement of Income

Year ended 31 December 2013

	2013 BD '000	2012 BD '000
Revenue	1,097,525	1,162,758
Direct costs	988,088	1,116,195
GROSS PROFIT	109,437	46,563
Dividend income	810	1,128
Gain on investments carried at fair value through statement of income	7,467	5,908
Other operating income	17,498	42,772
Government assistance	107,554	196,473
Selling and distribution expenses	(71,872)	(87,242)
Administrative expenses	(92,991)	(100,157)
Other operating expenses	(7,198)	(82,205)
OPERATING INCOME	70,705	23,240
Share of profit of associates	46,545	45,766
Interest income	4,187	8,482
Interest expense	(35,768)	(38,166)
Fair value gain on revaluation/settlement of derivatives (net)	17,871	5,860
Impairment losses	(20,879)	(226,911)
NET PROFIT (LOSS) FOR THE YEAR	82,661	(181,729)
Attributable to:		
Shareholder of the parent	58,203	(211,561)
Non-controlling interests	24,458	29,832
	82,661	(181,729)

Consolidated Statement of Comprehensive Income Year ended 31 December 2013

	2013 BD '000	2012 BD '000
NET PROFIT (LOSS) FOR THE YEAR	82,661	(181,729)
Other comprehensive income		
<i>Items that will be reclassified to consolidated statement of income in subsequent periods</i>		
Movement in cumulative changes in fair values	22,302	7,498
Share of changes in equity of associates	14,122	11,890
Foreign currency translation	5,950	5,399
<i>Items that will not be reclassified to consolidated statement of income in subsequent periods</i>		
Remeasurement losses on defined benefit plan	(1,174)	-
Total other comprehensive income for the year	41,200	24,787
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	123,861	(156,942)
Attributable to:		
Shareholder of the parent	98,968	(186,975)
Non-controlling interests	24,893	30,033
	123,861	(156,942)

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	2013 BD '000	2012 BD '000
OPERATING ACTIVITIES		
Net profit (loss) for the year	82,661	(181,729)
Adjustments for:		
Depreciation	112,620	107,771
Fair value gain on derivatives	(17,871)	(5,860)
Gain on investments carried at fair value through statement of income	(7,467)	(5,908)
Gain on non-trading investments	(8)	-
Share of profits of associates	(46,545)	(45,766)
Impairment losses	20,879	226,911
Provision for impairment on trade accounts and other receivables	261	1,237
Provision for impairment of inventories	416	400
(Gain) loss on disposal and write-off of property, plant and equipment	(1,820)	11,435
Gain on disposal of investment properties	(811)	-
Interest income	(4,187)	(8,482)
Interest expense	35,768	38,166
Employees' end of service benefits	2,176	2,421
Operating profit before changes in operating assets and liabilities	176,072	140,596
Changes in operating assets and liabilities:		
Inventories	(1,612)	14,467
Trade accounts receivable, prepayments and other assets	10,681	(15,825)
Trade accounts payable, accruals and other liabilities	(24,782)	176,556
Cash from operating activities	160,359	315,794
Interest paid	(36,116)	(38,258)
Derivative financial instruments	(9,348)	(20,443)
Employees' end of service benefits paid	(4,093)	(2,376)
Net cash from operating activities	110,802	254,717
INVESTING ACTIVITIES		
Investment in associates	(19,613)	(9,311)
Purchase of non-trading and other investments	(42,409)	(4,916)
Proceeds from sale of non-trading investments and other investments	31,236	741
Purchase of property, plant and equipment	(69,132)	(140,942)
Net cash out flow on acquisition of subsidiaries	(2,176)	-
Investment in properties	(93)	(24)
Proceeds from disposal of property, plant and equipment	15,345	20,431
Other assets	(4,230)	(7,527)
Short term deposits	(89,747)	20,391
Interest received	2,352	2,464
Dividends from associates	25,056	34,424
Net cash used in investing activities	(153,411)	(84,269)
FINANCING ACTIVITIES		
Capital contribution	32,999	15,346
Proceeds from borrowings	430,383	342,666
Repayment of borrowings	(511,750)	(426,560)
Dividend paid to non-controlling interests	(12,074)	(23,241)
Movement in non-controlling interests (net)	(1,455)	551
Margin deposits with brokers	(1,291)	(143)
Obligations relating to acquired entities	(29,843)	(28,245)
Net cash used in financing activities	(93,031)	(119,626)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(135,640)	50,822
Cash and cash equivalents at beginning of the year	277,435	226,613
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	141,795	277,435

Consolidated Statement of Changes in Equity Year ended 31 December 2013

	Attributable to shareholder of the parent						Non-controlling interests	Total equity
	Share capital BD '000	Capital contribution BD '000	Statutory reserve BD '000	Other reserves BD '000	Accumulated losses BD '000	Total BD '000	BD '000	BD '000
Balance at 31 December 2011	1,845,635	1,116,937	21,252	(9,637)	(661,102)	2,313,085	252,190	2,565,275
Net (loss) profit for the year	-	-	-	-	(211,561)	(211,561)	29,832	(181,729)
Other comprehensive income	-	-	-	24,586	-	24,586	201	24,787
Total comprehensive (loss) income	-	-	-	24,586	(211,561)	(186,975)	30,033	(156,942)
Contribution by the shareholder	-	15,969	-	-	-	15,969	-	15,969
Dividend paid to non-controlling interests	-	-	-	-	-	-	(23,241)	(23,241)
Movement in non-controlling interests	-	-	-	-	-	-	551	551
Balance at 31 December 2012	1,845,635	1,132,906	21,252	14,949	(872,663)	2,142,079	259,533	2,401,612
Net profit for the year	-	-	-	-	58,203	58,203	24,458	82,661
Other comprehensive income	-	-	-	40,765	-	40,765	435	41,200
Total comprehensive income	-	-	-	40,765	58,203	98,968	24,893	123,861
Contribution by the shareholder	-	40,269	-	-	-	40,269	-	40,269
Transfer to statutory reserve	-	-	5,820	-	(5,820)	-	-	-
Acquisition of non-controlling interests	-	-	-	-	-	-	3,326	3,326
Dividend paid to non-controlling interests	-	-	-	-	-	-	(12,073)	(12,073)
Other movement in non-controlling interests	-	-	-	-	-	-	(1,456)	(1,456)
Balance at 31 December 2013	1,845,635	1,173,175	27,072	55,714	(820,280)	2,281,316	274,223	2,555,539

CREDIT RATINGS

The following is a summary of Mumtalakat's credit ratings as of January 28, 2013.

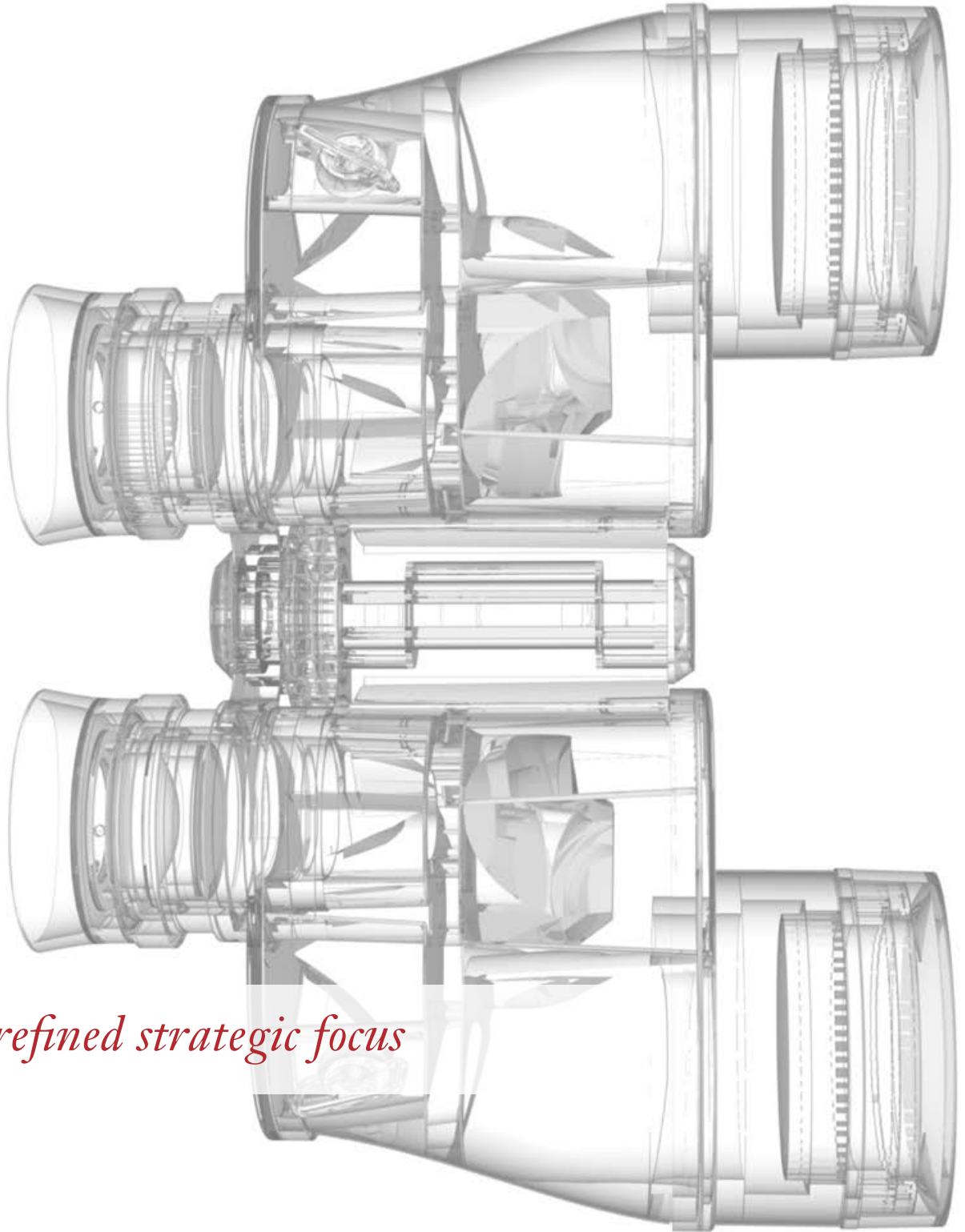
Fitch Ratings Long-term Issuer Default Rating: Senior Unsecured Rating: Short-term Issuer Default Rating: Outlook:	BBB BBB F3 Stable
Standard & Poor's Long-term Issuer Credit Ratings: Short-term Issuer Credit Ratings: Outlook:	BBB A-2 Stable
RAM Ratings Long-term Rating of Sukuk Murabaha Program: Outlook:	AA2 Stable

Mumtalakat's strategy is designed to fulfil its long term objective of enhancing the value of its portfolio, which represents a source of future wealth for the people of Bahrain. Mumtalakat will seek to increase the value of its investment portfolio as a whole through the following strategies:

- **Identification and implementation of value-enhancing initiatives at its portfolio companies.** A core element of Mumtalakat's strategy is to enhance value at its existing portfolio companies. Mumtalakat is an active shareholder and exerts its influence through its nominee directors appointed to the boards of its portfolio companies. Through this governance structure, Mumtalakat has supported significant value-enhancing initiatives across its portfolio of investments and expects to continue supporting such initiatives. Implementation of past Mumtalakat supported initiatives has led to operational restructurings, appointments of key management personnel, and refinements of strategy and growth plans at select portfolio companies. To ensure Mumtalakat's nominee directors are properly equipped to execute their duties at the boards of companies, Mumtalakat undertakes proactive steps to train and educate its representatives.
- **Further investments for growth of the portfolio.** Mumtalakat seeks direct investments in companies with established track records of growth and profitability that demonstrate potential for continued expansion. Mumtalakat is primarily focused on investing in companies that are market leaders with strong management teams and effective governance systems. Mumtalakat's typical approach to such investments is to establish a significant minority interest in the equity of the company and to secure board representation and appropriate shareholder rights. Such investments are primarily driven on the basis of expected financial returns.

Within Bahrain, Mumtalakat also seeks opportunities to develop companies and projects that take advantage of Bahrain's appeal and strong positioning as a regional business hub and a popular tourism destination. In such opportunities, Mumtalakat's involvement is subject to critical analysis of commercial feasibility and Mumtalakat's requirement to generate appropriate financial returns on its investment.

- **Carefully planned portfolio adjustments, which may include partial or complete divesting of select assets.** Mumtalakat continuously evaluates opportunities for partial or complete exits of direct investments within its portfolio. When considering a partial exit, Mumtalakat aims to maintain a significant minority interest in its portfolio companies to maintain board representation. In certain strategic assets, Mumtalakat may continue to hold a majority interest for the foreseeable future.
- **Diversification of the portfolio.** Over time, Mumtalakat seeks to diversify its portfolio through active portfolio management activities, including investments in new assets and exits from existing investments. Given its significant stakes in several large companies, Mumtalakat is particularly exposed to certain sectors such as industrial manufacturing, aviation, telecommunications and financial services. A fundamental element of Mumtalakat's long-term strategy with respect to its direct investments portfolio is to diversify its exposures across geographies, sectors and companies.



A refined strategic focus

Mumtalakat's mission is to develop a balanced portfolio overtime that generates sustainable and favourable risk adjusted returns while reducing risk through geographic, sectorial and asset class diversification. Business line decisions must pro-actively consider risk and departments are accountable for the effectiveness of the risk framework.

Risk Management supports senior management, and the Board of Directors /Board Committees in monitoring the risk management processes of Mumtalakat, to ensure that key risks are being appropriately: identified and assessed; controlled, avoided and/or mitigated; and properly reported vertically and horizontally throughout Mumtalakat.

CORPORATE GOVERNANCE

Mumtalakat is committed to developing the highest standards of corporate governance. Responsibility for adopting these standards rests with the Board of Directors, which recognises the importance of this responsibility.

Mumtalakat voluntarily complies with Bahrain’s Corporate Governance Code (the “Code”). The Code is based upon nine core principles of corporate governance reflecting international best practices, including in the areas of board evaluation, internal control, remuneration of officers and directors, shareholder participation and publicly available written corporate governance guidelines.

Diagram depicting Mumtalakat’s Corporate Governance Structure:





CORPORATE RESPONSIBILITY

We recognise the social and environmental impact of our investment decisions and act as a catalyst for positive change in our community.

DIRECTORS' HANDBOOK

In June 2013, Mumtalakat launched its Directors' Handbook, a reference guide for its over 100 representatives sitting on the boards of its portfolio companies.

For a company to be well managed and successful, it is essential that the shareholders, the directors and the executive management have a sound understanding of their respective roles and responsibilities, and the Directors' Handbook aims to provide a clear explanation of such roles and responsibilities.

The Directors' Handbook lays out the most important principles and expectations for Mumtalakat's directors, in order to achieve the highest standards of corporate governance.

BOARD OF DIRECTORS

Mumtalakat's Board of Directors is appointed by resolution of the EDB and convenes at least four times a year. The Board of Directors reviews and approves Mumtalakat's strategic business plan in addition to the rules

governing investment policy and guidelines for Mumtalakat. The Board also exercises, through the executive management, all powers necessary for the management of Mumtalakat.



**H.E. Shaikh Khalid bin
Abdulla Al Khalifa**

*Deputy Prime Minister &
Chairman of the Board of Directors*



**H.E. Shaikh Ahmed bin
Mohammed Al Khalifa**

*Minister of Finance for the
Kingdom of Bahrain*



**H.E. Shaikh Mohammed
bin Essa Al-Khalifa**

*Political and Economic Advisor to
HRH Crown Prince's Court*



**H.E. Mr. Kamal bin
Ahmed Mohammed**

*Transport Minister & Deputy
Chairman of the Board of Directors*



**H.E. Mr. Essam
Abdulla Khalaf**

Minister of Works



**Mr. Mahmood Hashim
Al Kooheji**

*Chief Executive Officer,
Mumtalakat*



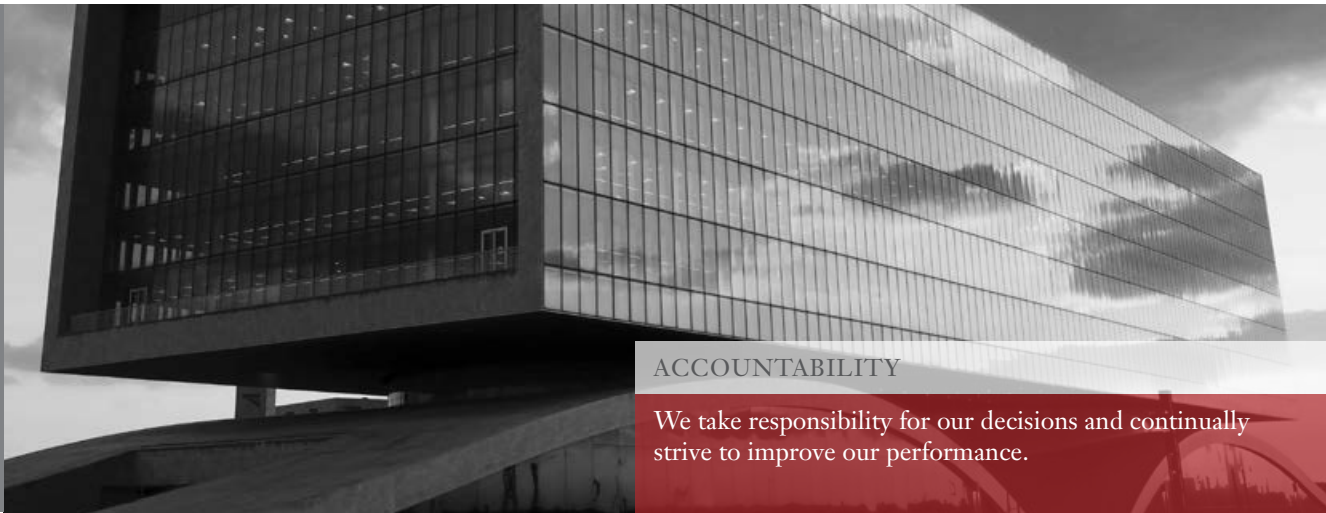
Dr. Esam Abdulla Fakhro



Dr. Samer Al Jishi



Mr. Redha Abdulla Faraj



ACCOUNTABILITY

We take responsibility for our decisions and continually strive to improve our performance.

BOARD COMMITTEES

- **Board Investment Committee**

The Board Investment Committee is a non-executive committee and is independent of senior management and any executive directors. Its members include at least one independent director. Under its charter, the Board Investment Committee members are recommended by the Board Compensation and Governance Committee and appointed by the Board. The Board Investment Committee meets at least four times per year.

Its duties and responsibilities include reviewing and approving investment and divestment opportunities and divestments in excess of BD25 million (U.S.\$66.5 million); monitoring credit risks and other issues associated with specific investments; and monitoring potential insider dealing and managing any potential conflicts of interest identified in relation to prospective or existing investments.

- **Board Risk & Audit Committee**

The Board Risk & Audit Committee assists the Board in independently ensuring and maintaining oversight of Mumtalakat's financial reporting system, internal control and risk management processes, audit functions and legal and regulatory requirements. The duties and responsibilities of the Board Risk & Audit Committee include assisting the Board in identifying and managing principal financial and compliance risks; approving the internal audit plan to be undertaken by KPMG – Mumtalakat's appointed internal auditor; assessing the independence, accountability and effectiveness of the external auditor; and evaluating the adequacy and effectiveness of Mumtalakat's procedures and systems (such as the management reporting processes) for ensuring compliance with legal and regulatory requirements and internal policies.

This committee meets at least four times per year, and its members are appointed by the Board. The Board Risk & Audit Committee comprise a minimum of three members, all of whom are independent non-executive directors.

- **Board Compensation & Governance Committee**

The Board Compensation and Governance Committee assists the Board in identifying and nominating individuals to serve as Board sub-committee members; recommends the remuneration and rewards policy for Mumtalakat and, in particular, for the executive directors and executive management team; supports the Chairman of the Board in the performance review of the Board and its sub-committees; and establishes Mumtalakat's corporate governance framework.

This committee meets at least twice a year. Its members are appointed by the Board, and comprise three members, all of whom are non-executive directors.

SENIOR MANAGEMENT

Mumtalakat's vision is to grow the wealth of Bahrain and our business will embrace investment opportunities that build over time, and a well-diversified portfolio across a range of industry sectors. To ensure Mumtalakat

has the insight and know-how to achieve its investment objectives, talented individuals from Bahrain and around the world make up the executive team that drives Mumtalakat.



**Mr. Mahmood Hashim
Al Kooheji**
Chief Executive Officer



Mr. Anthony Robinson
Chief Financial Officer



Mr. Zulfe Ali
*Chief Investment Officer**

** This reflects his current position*

MANAGEMENT COMMITTEES

- **Management Executive Committee**

The Management Executive Committee was established by resolution of the Board to assist the Board in fulfilling its oversight responsibilities in relation to strategy, governance, budget, financing plans, investments, operations, corporate social responsibility and staff-related matters. In particular, the Management Executive Committee, in conjunction with the Investment Committee, oversees the day-to-day performance of Mumtalakat's investments and operations. The Management Executive Committee meets on a weekly basis or as required to undertake its role effectively or as requested by any member of the senior management.

- **Management Investment Committee**

The role of the Management Investment Committee is to oversee the investment activities of Mumtalakat in coordination with the Management Executive Committee. The Management Investment Committee reports to the Board Investment Committee, and its members, including its chairman, are appointed by the Board Investment Committee. The Management Investment Committee meets on a weekly basis.



Mumtalakat and a number of its portfolio companies spent nearly BD5 million in contributions to different causes in 2013.”

TRANSPARENCY

We maintain the highest standards of international corporate governance and openness.

ENGAGEMENT WITH THE COMMUNITY

Mumtalakat group of companies play an important role in supporting the local community. Determined to make a difference in the community and the lives of the people of Bahrain, Mumtalakat and a number of its portfolio companies spent around BD5.0 million in contributions to different causes in 2013.

Through its combined efforts, the Mumtalakat group of companies demonstrated once again their commitment to the local community.

Mumtalakat believes strongly in the role it plays, along with its portfolio companies, in the betterment and advancement of the Bahraini society. Hence, its corporate social responsibility approach is built on supporting its portfolio companies' CSR decisions and initiatives through the directors it appoints to the boards of those companies.

Contact Information

Office Address

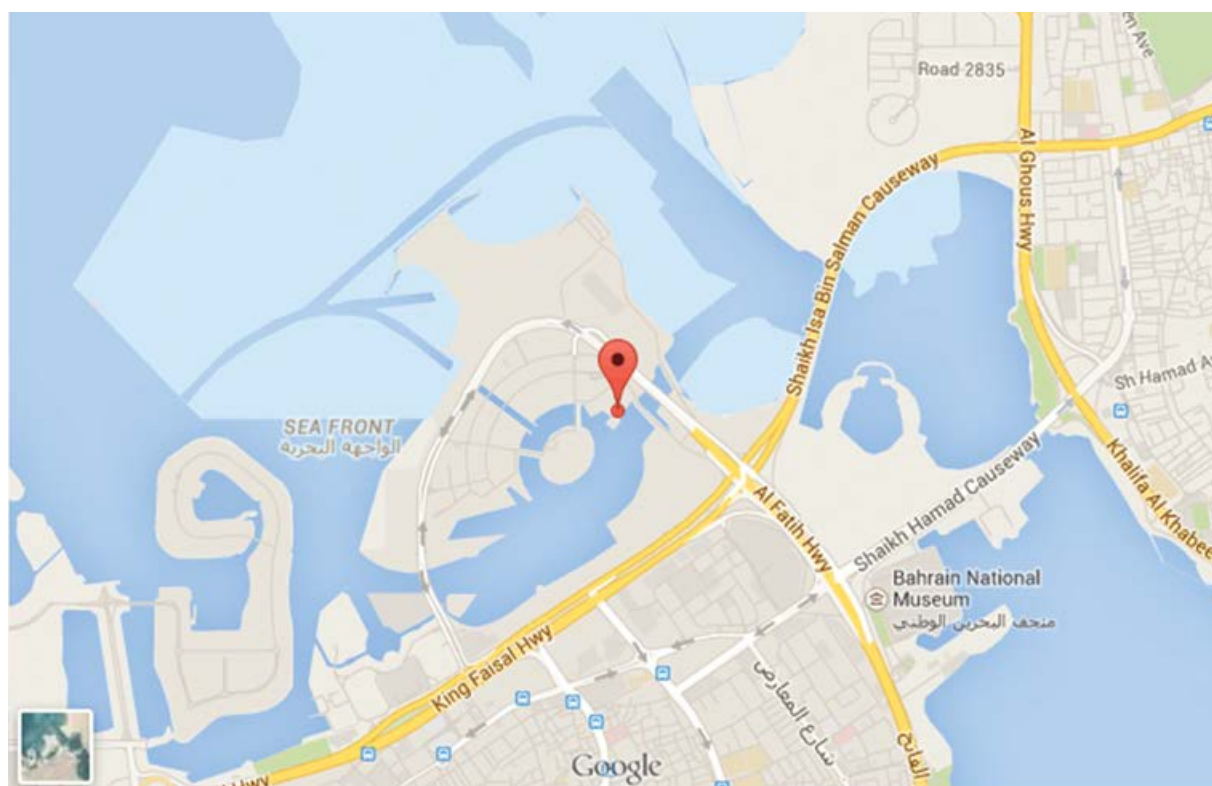
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