

# Investing for Growth

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Overview of Mumtalakat

Who We Are

Bahrain Mumtalakat Holding Company “Mumtalakat” has played a key role in enhancing the Kingdom of Bahrain’s wealth since 2006 through its management of the government’s strategic non-oil and gas related assets. Its establishment as the sovereign wealth fund of the Kingdom was a major component of Bahrain’s economic diversification plan, led by the Crown Prince, Deputy Supreme Commander and First Deputy Prime Minister, HRH Prince Salman bin Hamad Al Khalifa. Operating as an independent holding company, Mumtalakat’s assets have grown to include more than 60 local and international companies spanning a multitude of sectors, including financial services, real estate, tourism, industrial manufacturing, and many more.

Adoptinga commercial mindset along with the diligence of the private sector, Mumtalakat has contributed to the stabilisation of Bahrain’s key strategic assets. With a focus on furthering the performance of its existing portfolio, while adopting a long-term strategy of continued growth and sustainability, it ensures that the highest standards of corporate governance and transparency are adhered to.

Our Vision

To be recognised as the partner of choice for companies and investors seeking an active investment partner with a long-term perspective.

Our Mission

We invest in companies with growth potential across multiple industries and geographies to achieve sustainable investment returns.

Our Values

Leadership  
Active and Responsible Leadership.

Collaboration  
Solid Alignment of Interests between the Company and its Stakeholders.

Transparency  
Open and Effective Channels of Engagement with all Stakeholders.



## Chairman's Message



HE Khalid bin Abdulla Al Khalifa  
Deputy Prime Minister &  
Chairman of the Board of Directors

We have ended yet another successful year with solid results.

Despite a challenging global and regional economic environment, Mumtalakat's focus on long-term growth and sustainability allowed us to witness continued financial and operational growth throughout 2019. Group revenues grew by 11 percent over the course of the year, with our consolidated assets now valued at USD 18.9 billion.

Investing in, and for, Bahrain, our diversified portfolio of over 60 companies is spread across 13 geographical locations. Furthermore, we are the largest employer in Bahrain employing around 14,000 people within our local portfolio companies.

The challenge ahead is a big one for all of us but we look to the future with optimism and confidence counting on our commitment, hard work and sound management decisions while maintaining the highest transparency and corporate governance standards.

I extend my thanks to my fellow board members for their ongoing support, guidance and dedication, and to our exceptional team who are the key to Mumtalakat's success.

**HE Khalid bin Abdulla Al Khalifa**  
Deputy Prime Minister &  
Chairman of the Board of Directors

Despite a challenging global and regional economic environment, Mumtalakat's focus on long-term growth and sustainability allowed us to witness continued financial and operational growth throughout 2019. Group revenues grew by 11 percent over the course of the year, with our consolidated assets now valued at USD 18.9 billion.

Total Assets

US\$ 18.9b

## CEO's Message



HE Khalid Al Rumaihi  
Chief Executive Officer

We are living in a world where the only constant is change, and the year 2019 has been eventful both for Mumtalakat and myself.

Having been associated with Mumtalakat for the last four years as a board member, I would like to take this opportunity to thank the outgoing CEO Mahmood Alkooheji who led Mumtalakat for the past seven years, and I am both honored and excited to take the helm and lead Mumtalakat into its next phase.

During 2019, Mumtalakat secured new investments while continuing to work with existing portfolio companies to improve revenues and control costs. We significantly increased operating income, maintaining a balanced, diversified, and sustainable portfolio.

We also navigated a challenging commodities market, with weakened global aluminium prices. Upholding our principles of prudence and transparency, we recorded impairment losses on goodwill related to Alba to better reflect current market conditions.

Our commitment to education was renewed with strategic investments in this sector in Bahrain. We also continued to develop tomorrow's leaders through world-class training initiatives while leading by example to become the first government entity to align its IT operations with the Kingdom's Cloud First policy.

We face another challenging year in 2020. However, with the valued guidance of our Board of Directors, chaired by HE Shaikh Khalid bin Abdulla Al Khalifa and the continued commitment and hard work of our exceptional team, we are confident in our ability to embrace the challenges ahead and capture the next wave of growth by remaining focused.

**HE Khalid Al Rumaihi**  
Chief Executive Officer

During 2019, Mumtalakat secured new investments while continuing to work with existing portfolio companies to improve revenues and control costs. We significantly increased operating income, maintaining a balanced, diversified, and sustainable portfolio.

Net Profit before Impairment Loss

US\$ 220.5m

# Financial Highlights

As an institution dedicated to the highest levels of transparency and corporate governance, our financial results are published annually, and our financial statements are prepared in line with International Financial Reporting Standards (IFRS) and audited on an annual basis.



# Key Group Results

2019 marks another year of solid financial and operational performance across the Mumtalakat Group. Our efforts to maintain a balanced, diversified, and sustainable portfolio have led to robust growth that continues to play a vital role in the economy. Moreover, our focus on revenue enhancement and cost control have contributed to a significant increase in operating income.

Our focus on revenue enhancement and cost control enabled the group to increase operating income by 211%, reaching USD 332.4 million, compared to USD 106.9 million the previous year. Group revenues grew 11% to USD 6.1 billion, up from USD 5.6 billion in 2018. Mumtalakat’s total assets value reached BHD 7.1 billion (USD 18.9 billion) in 2019.

Gulf Air recorded a 13% increase in revenue from USD 971.0 million in 2018 to USD 1.09 billion in 2019, primarily due to operating new destinations and increasing capacity with the addition of 2 Boeing 787s and 4 Airbus A320Neos to its fleet. Batelco Group grew its net profit by 3% with its launch of the National Broadband Network, BNET. McLaren saw an 18% increase in revenue, reflecting the higher volumes of cars sold.

Despite a challenging year in the commodities market, Aluminium Bahrain (Alba) reported positive results for 2019, with revenues increasing by 13% and sales volume by 33%. Alba also inaugurated its Line 6 Expansion Project this year.

Profit before impairment losses increased by 47% from USD 150 million in 2018 to USD 220.5 million in 2019. The increase was primarily due to a rise in operating revenue and higher fair value gains on investments.

Our focus on revenue enhancement and cost control enabled the group to increase operating income by 211%, reaching USD 332.4 million, compared to USD 106.9 million the previous year.





# Investing for the Future



# Business Review

## Our approach

As the sovereign wealth fund of the Kingdom of Bahrain, Mumtalakat is committed to fostering sustainable economic prosperity for generations to come. We invest in, and for, Bahrain by seeking rewarding investment opportunities across multiple growth sectors and geographies. Since inception in 2006, our robust and diverse portfolio has grown from 29 companies to over 60, with total consolidated assets of nearly USD 19 billion.

Our investment approach is aligned with our core values of leadership, collaboration, and transparency, which supports our aim of creating sustainable wealth for a prosperous future.

## Creating value for future generations

We take an active management approach through board representation in our portfolio companies, driving long-term growth and undertaking value-adding initiatives. We invest in and for Bahrain playing an important role in the national economy through our strategic assets.

## Prosperous partnerships

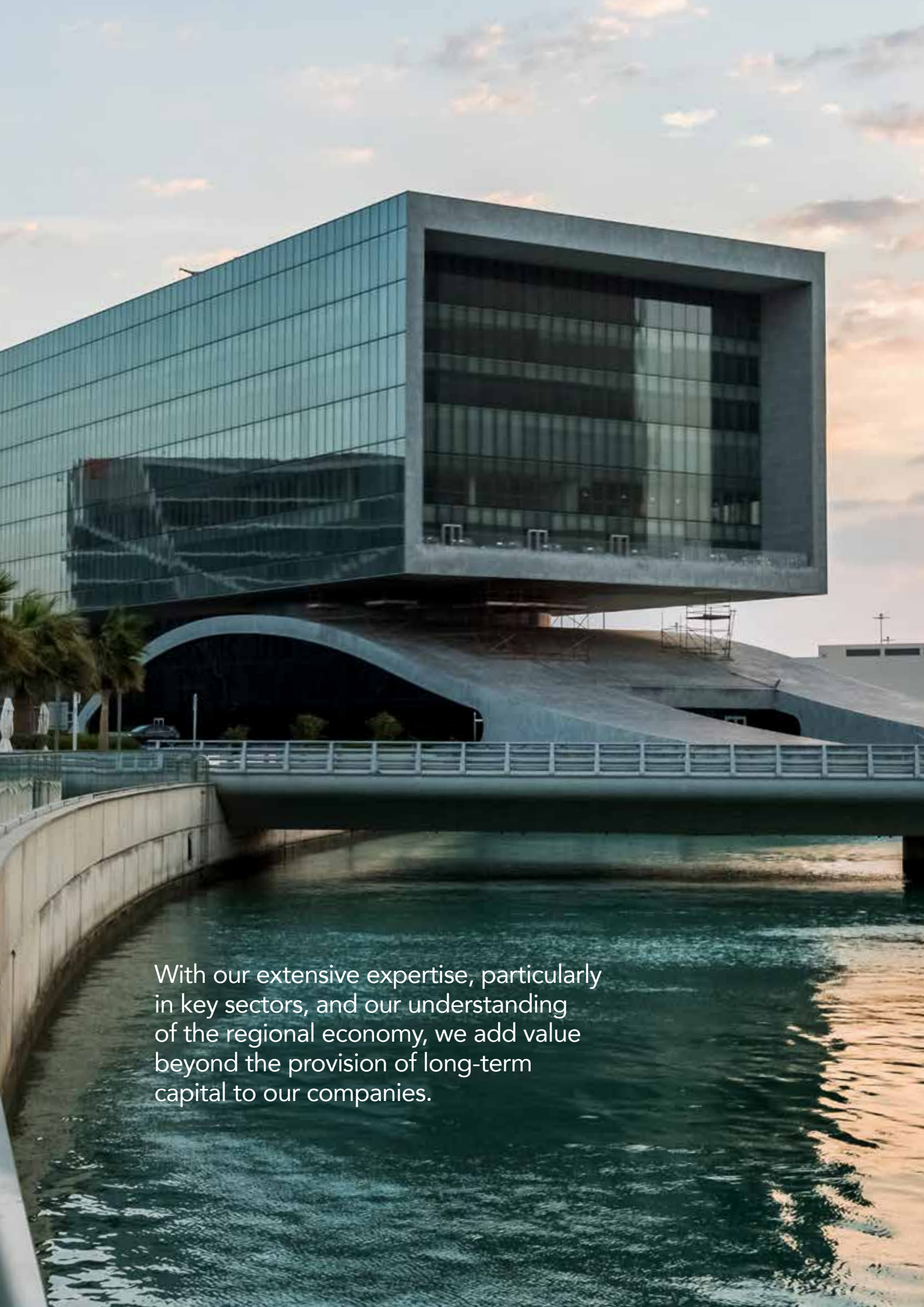
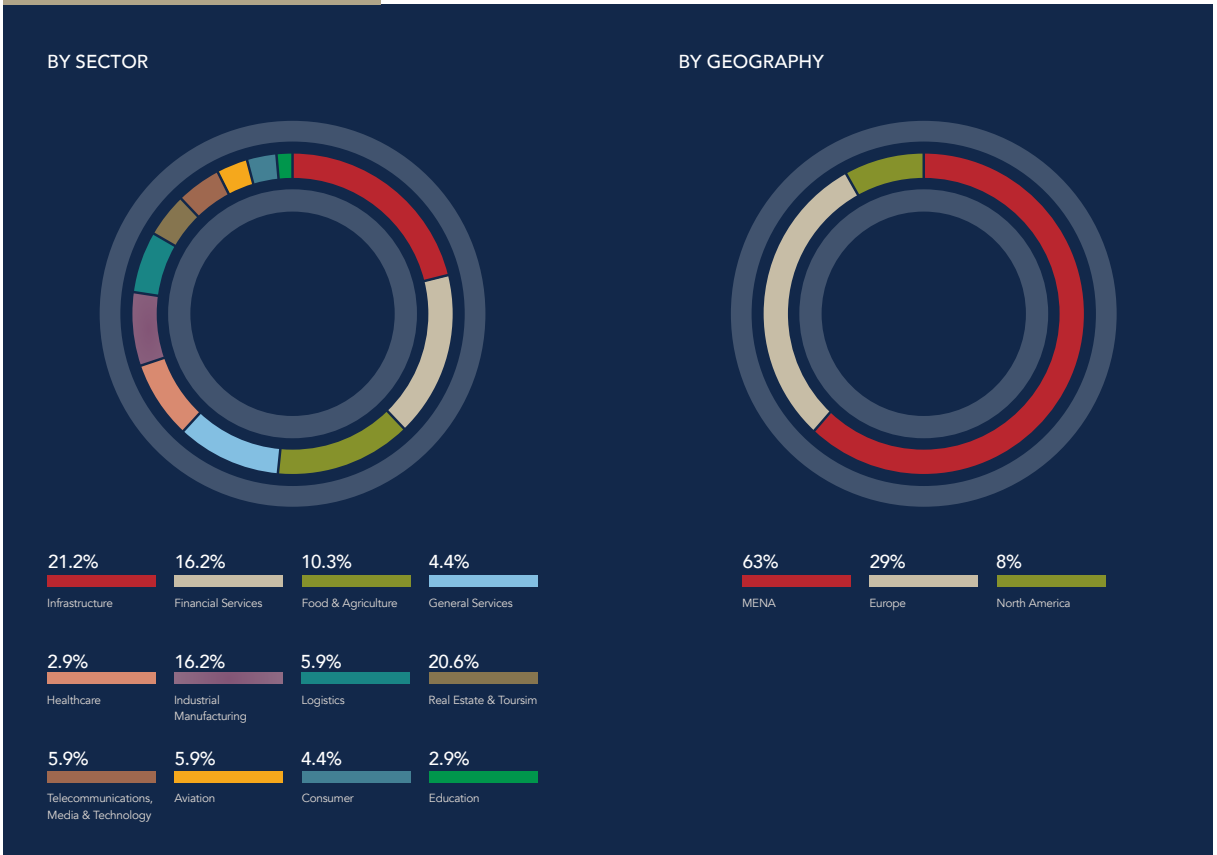
Supporting our mandate as Bahrain's sovereign wealth fund, we seek partners who share our long-term growth mindset and can contribute expertise towards building sustainable investment models across industries and geographies.

## Commitment to best practices and transparency

Ever mindful of our responsibility to the Kingdom and the people we represent, we are committed to the highest levels of corporate governance and transparency. Operating in compliance with the Bahrain Code of Corporate Governance, we also maintained our 10/10 rating in the Linaburg-Maduell Transparency Index issued by the Sovereign Wealth Fund Institute.

## Our portfolio

We hold stakes in more than 60 companies across multiple sectors and geographies. Our portfolio is valued at USD 8.5 billion and our total consolidated assets at USD 18.9 billion.



With our extensive expertise, particularly in key sectors, and our understanding of the regional economy, we add value beyond the provision of long-term capital to our companies.



# Business Review

## Aviation

Aviation plays an indispensable role in the global economy, connecting countries, people, and products with a speed and reach unmatched by any other mode of transport. Global airline passenger traffic rose 4.2% last year, according to the International Air Transport Association (IATA) and air cargo plays a key role within supply chains. Improvements in productivity and reductions in costs are creating interesting prospects for us and guiding our approach.

### Portfolio Updates



Gulf Air marked its 70th anniversary this year and recorded a 13% increase in revenue from USD 971.0 million in 2018 to USD 1.09 billion in 2019. The growth can be attributed to the addition of 2 Boeing 787-9 Dreamliner's and 4 Airbus A320neos to the fleet, and a corresponding expansion of the airline's network to include Malaga, Male and Salalah. The Airline launched a Boutique Business Model concept in 2019 and was recognised and awarded as the Fastest Growing Airline in the Middle East.

## Consumer Services

Mumtalakat is committed to developing the consumer services sector in Bahrain, which serves to deliver a diversified range of consumer products to the market.

### Portfolio Updates



**Mazad auction of Ministry of Justice & Islamic Finance court assets**  
In August 2019, Mazad launched the first online auction of vehicles within the framework of its agreement with the Ministry of Justice and Islamic Affairs and in cooperation with the Supreme Council for Justice. The online auction, in which 56 vehicles were allocated, represents the Ministry's interest in strategic partnerships with the private sector for improved efficiency, transparency, and competition.



**CIBJO Annual Congress 2019**  
The Bahrain Institute for Pearls and Gemstones (DANAT) hosted the 2019 CIBJO Annual Congress, which drew World Jewellery Confederation delegates from over 20 countries to participate in annual meetings held by CIBJO's sectoral commissions. The World Jewellery Confederation Education Foundation (WJCEF) also reported on its ongoing cooperation with CIBJO and the United Nations, in particular its commitment to the UN's Sustainable Development Goals. The Congress took place during the prestigious Jewellery Arabia consumer trade show.

## Education

Investing in education means investing in the future, as the social and economic benefits of quality education can impact a country for generations to come. In light of emerging education technologies, the education sector holds tremendous growth potential and remains one of our key target sectors locally, regionally, and internationally. Our investments cover education at the preschool, junior, secondary, and tertiary levels, as well as training and education support services.

### Portfolio Updates



**Elm Education Fund**  
In June 2019, we successfully completed an investment in Elm Education Fund, a Bahrain-based education platform aimed at developing the education sector in Bahrain and the wider region.



**American University of Bahrain**  
Through the Elm Education Fund we invested in the American University of Bahrain (AUBH), the first purpose-built American-style university in the Kingdom with a state of the art, 75,000 square metre campus in Riffa. Opening its doors in September 2019, AUBH offers programmes in business and management, engineering, and architecture and design.



**Investment in the American School of Bahrain**  
Elm has also entered into a joint venture with a prominent operator of American curriculum K12 schools to co-own and operate a school in Bahrain. The American School of Bahrain (ASB) also offers the International Baccalaureate (IB) diploma as an option in Grades 11 and 12. As scheduled, ASB has started classes in September 2020 for KG1 through Grade 8. ASB is operated by ESol, an American international school operator which serves over 10,000 students in high-quality, accredited schools in Abu Dhabi, Dubai, Hong Kong, Cairo, Cyprus, and Lebanon.



**Divestment from GEMS Education**  
In July 2019, Mumtalakat, as part of a consortium of co-investors led by Fajr capital and including the Tactical Opportunities Fund managed by Blackstone, successfully completed their divestment from GEMS Education, selling to a consortium of funds advised by CVC Capital Partners (CVC Funds).

GEMS Education, founded in the United Arab Emirates (UAE), educates over 120,000 students across more than 40 schools in the Middle East. Fajr Capital, Blackstone and Mumtalakat invested in GEMS Education in 2014 and subsequently partnered with the Varkey Group to build the company into a world-class institution and support its long-term growth. Over the past five years, GEMS Education has delivered strong financial and academic results, investing over USD 1 billion in new schools and upgrades of existing infrastructure. It has grown in its existing market in the UAE and entered into new markets such as the Kingdom of Saudi Arabia.

# Business Review

## Food & Agriculture

Food security is an important national objective that contributes to comprehensive and sustainable development. Mumtalakat prioritises initiatives which support the conservation, enhancement, and efficient utilisation of the Kingdom’s natural agricultural and marine resources, and promote the productivity of the food and agriculture sector.

Portfolio Updates



**Bahrain Flour Mills posts 55 percent increase in income**  
Bahrain Flour Mills (BFM) reported a net income of BD 1.85 million for year-end 2019, a 55% increase from the BD 1.20 million reported the previous year.

## Financial Services

Clusters of innovation continue to impact the financial services sector. Customers are becoming more empowered as economies continue to move towards becoming cashless societies. With the rise in fintech and distributed capital raising platforms across the value chain, we remain focused on value-creating initiatives within our existing portfolio, and seeking commercially viable investment opportunities.

Portfolio Updates



**Investment in Sovcombank**  
As part of the Russian Direct Investment Fund (RDIF) co-investment programme, Mumtalakat invested in Sovcombank, one of the largest and most profitable privately-owned banks in Russia. The bank offers a full range of services to individual and corporate clients through 2,700 offices across Russia.



**Al Waha Fund of Funds**  
During 2019, Al Waha Fund of Funds reached an important milestone by investing 50% of its USD 100 million fund in its first year of operation.  
  
Furthermore, Al Waha announced its partnership with Beijing-based VC, MSA Capital via its investment in their USD 250 million Fund, offering Bahraini firms access to Chinese capital and technology best practices.

## Healthcare

Driven by increasing wealth, aging populations, and concerns linked to lifestyle, the global healthcare industry represents a growing opportunity for investment. Over the coming decades, medtech will revolutionise healthcare to make it more accessible and effective. Robotics and miniaturisation will enable precision diagnostics and more sophisticated surgical and wearable devices. Artificial Intelligence will enable the analysis of complex biological data for drugs and diagnosis, while virtual healthcare services will become more widespread. Mumtalakat is poised to capitalise on this transformation with its investments in the sector.

Portfolio Updates



**Investment in Charleston Holding**  
In 2019, our portfolio company KOS Group, a leading Italian healthcare group focusing on the provision of long-term care and post-acute rehabilitation, carried out its first European expansion. The Group acquired Charleston Holding, a Germany-based long-term care operator with 4,050 beds across 47 facilities. With the acquisition, KOS will now be managing over 12,200 beds spanning 133 facilities and approximately 11,200 employees.


## Industrial Manufacturing

Industrial manufacturing is one of the most important contributors to the national economy, offering opportunities for upstream and downstream investment and providing the foundation for related industries to emerge. Mumtalakat maintains a diversified set of investments within the sector, which remained resilient in 2019 in spite of strained supply chains and other challenges.

Portfolio Updates



**Completion of Alba Line 6 expansion**  
Alba successfully completed the Line 6 expansion project in 2019, which enabled it to achieve an all-time production record of 1.37 million metric tonnes per year, a 35% increase from the previous year. The project is a significant milestone as it encourages investment opportunities through downstream aluminium investments and creates employment opportunities across the aluminium value chain in Bahrain. Alba refinanced their USD 1.5 billion syndicated loan facility in November 2019 with improved credit terms.



**McLaren produces 20,000th supercar**  
McLaren Automotive in Woking, Surrey, United Kingdom marked an important milestone as it rolled out its 20,000th car in Q1 2019, eight years after producing its first vehicle. The facility now produces more than 20 supercars a day, with 90% being exported to 32 different markets. The higher volume of cars sold saw McLaren’s revenues increase 18% from last year. Furthermore, the McLaren Racing Team offered an impressive performance at Formula 1, securing fourth place in the 2019 Constructors’ World Championship.





**Minority equity stake in Premo Group**  
Mumtalakat acquired a significant minority equity stake in Spain-based Premo Group (Premo), a leading manufacturer of customised passive electromagnetic components for applications in the automotive, telecommunications and electronics industries, amongst others.

The investment, Mumtalakat’s second in Spain, provides significant long-term backing for Premo’s expansion plans in strategic market segments, including the supply of inductive components for electric vehicles (EV/HEVs) and motion-tracking technology for other growing markets such as augmented/virtual reality (AR/VR). With the upsurge in electric vehicle production and sales globally, the automotive electromagnetics market is projected to grow six times by 2025, and Premo is well positioned to benefit from these strong market trends.



**Expansion plans for Aleastur**  
Aleastur is a leading manufacturer of specialty aluminium grain refiners and master alloys for the aluminium industry based in Spain.

Mumtalakat is supporting Aleastur’s plans to establish a presence in Bahrain to cater to the company’s existing client base in the region and target new customers in Asia, including smelters and casting operations. The project expects to commence commercial operations in mid-2021. This initiative is part of Mumtalakat’s wider strategy to support the Kingdom’s aluminium downstream sector.



**Divestment from Polyus**  
Mumtalakat successfully exited from Polyus, the largest gold producer in Russia and one of the top 10 gold mining companies globally, as part of the Russian Direct Investment Fund (RDIF) co-investment programme.

Real Estate & Tourism

The real estate team focuses on two main verticals, namely value creation from the existing portfolio and new investments in international real estate. Mumtalakat investments in international real estate, with a focus on the US and European markets, is aimed at achieving long-term and sustainable returns.

Portfolio Updates



In 2019, local real estate development lands were successfully consolidated under Edamah, a 100% subsidiary of Mumtalakat, and our real estate development arm. Healthy dividends continue to be received by the international real estate portfolio in line with their respective business plans.

Edamah’s award-winning Sa’ada Project, a vibrant lifestyle development on the Muharraq waterfront was completed in December 2019. Featuring retail outlets, community spaces, and a family entertainment centre, the project will add value to the community and economy and highlight local heritage by linking Muharraq Souq to the water’s edge.

Telecommunications, Media & Technology (TMT)

Advancements in the TMT field underpin economic growth across all sectors, transforming entire industries. Our investments in Fintech, Edutech, Medtech, and more complement sectors such as financial services, education, and healthcare. We are also focused on enhancing the Kingdom’s technological capabilities in areas such as e-commerce and cybersecurity, to help support sustained economic development.

Portfolio Updates



**Official launch of BNET**  
BNET, Bahrain’s National Broadband Network, an offshoot of Batelco, was launched in 2019 and forms a key part of the 4th National Telecommunication Plan (NTP4) to grow and economically diversify Bahrain’s telecommunications sector. BNET will provide broadband network services to all licensed operators including Batelco, with Batelco focusing solely on retail and corporate operations.



**Sale of QualityNet stake**  
Batelco also announced the sale of its 90% shareholding in its Kuwaiti subsidiary, QualityNet, to Kuwait Telecommunications Company (VIVA), with a total transaction value of BD 31.6 million.

# Business Review



**Radio Bahrain Company established**  
Radio Bahrain English Channel (96.5 FM) joined the Group through the newly established Radio Bahrain Company. A wholly owned subsidiary of Mumtalakat, Radio Bahrain Company has been granted operating and broadcasting rights for Radio Bahrain English Station for 10 years.

## Transportation and Logistics (T&L)

The transportation and logistics industry is undergoing massive changes in the face of technologies such as the Internet of Things (IOT), blockchain, robotic systems, and more. As one of the backbones of international trade, the industry is instrumental to economic growth and progress and is valued at over USD 6.2 trillion worldwide.

## Portfolio Updates



**Investment in Transport Concession Company**  
As part of the Russian Direct Investment Fund (RDIF) co-investment programme, we entered an investment into Transport Concession Company, an entity responsible for implementing the national concession public-private partnership project agreement for the construction and operation of the new light tram in Russia.







# Operations Overview



# Operations Overview

### Our team

Mumtalakat’s greatest asset is our diverse team of 75 experienced professionals, who bring together a wide range of individual competencies, expertise, and cultural insights to our collaborative partnerships. We are focused on creating value over time by fostering a high-performance culture, creating trusted partnerships, and attracting and retaining the top investment talent for Bahrain.

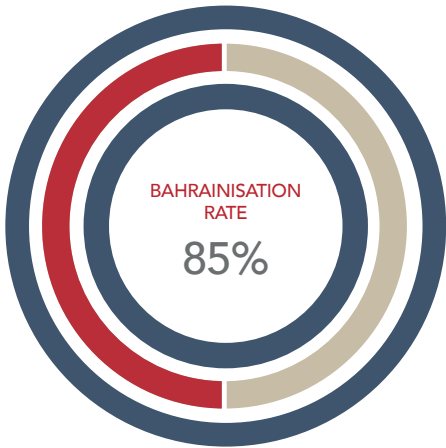
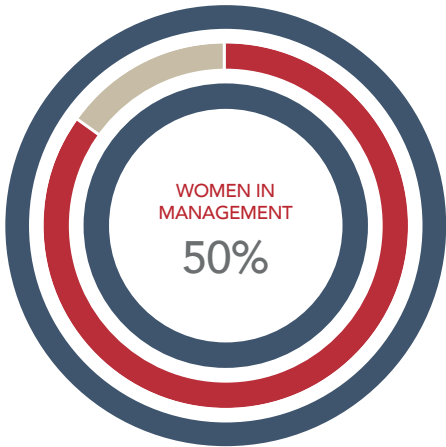
As Bahrain’s sovereign wealth fund, we also strive to develop leaders who are able to achieve future mandates. Maintaining a high nationalisation rate of over 85%, we remain an employer of choice for local talent. Our leadership team is 75% Bahraini, of which over 50% are women. Continuing our focus on diversifying our economy, the Human Capital team often secures key talent with sector-specific experience to help drive growth within our portfolio.

TOTAL NO. OF EMPLOYEES

75

FEMALE EMPLOYEES

31



### Legal & Risk

Safeguarding our organisation’s interests and mitigating risks are vital to the success and security of our business. Our legal and risk teams oversee these key areas, ensuring our reputation for transparency, diligence, and accountability is maintained. The teams’ work, including facilitating contract reviews, due diligence, and successfully closing projects, is crucial to our investment mandate.

With investments at the core of what we do, the legal team provides timely support to ensure the successful closures of important acquisitions.

### Key Milestones in 2019:

An in-depth tax review was completed to ensure that Mumtalakat’s tax exposure is minimised through optimal structuring and that it continues to benefit from current tax exemptions under US laws. This included the development of internal policies and checklists and proactive interactions with the National Bureau of Revenue to ensure that double-taxation treaties in jurisdictions falling within our investment scope are enforced.

Mumtalakat also continued its standardisation exercise for legal documents as part of continuous efforts to improve legal support.

Furthermore, in line with efforts to spread legal awareness across our portfolio companies, we held a highly informative Corporate Governance Code workshop for subsidiaries.

A notable accomplishment of the year was the selection of Mumtalakat General Counsel Aysha Abdulmalek for The Legal 500 GC Powerlist: Middle East 2019 in recognition of her legal expertise and innovative approach in driving the company’s legal business forward. Abdulmalek’s efforts played an important role in supporting the execution of the fund’s investment strategy.

The Mumtalakat legal team has been consistently featured in The Legal 500 GC Powerlist since 2015. The Legal 500 has been analysing the capabilities of law firms across the world for over three decades and also rewards the best in-house lawyers. Its GC Powerlist is a series of publications that recognises pioneers in the field of legal affairs for their positive influence and ingenuity, either at a company or industry level.

### Finance

Transparency, accuracy, and efficiency are the pillars that Mumtalakat is built on. Our Finance team ensures that we report to stakeholders promptly and adhere to International Financial Reporting Standards. The team proactively plans and monitors our financials, budgeting and forecasting, applying the necessary regulations and reporting frameworks, and managing cashflows and liquidity to help meet our funding requirements.

### Key Milestones in 2019:

At the beginning of the year, in order to refinance some of our debt maturities, we successfully raised USD 600 million through a 5-year sukuk with a profit rate of 5.6%. With the order book peaking at USD 4 billion, pricing tightened by 62.5 basis points from initial pricing, which was 32 basis points above the sovereign.

Throughout the year, the finance team worked towards supporting Mumtalakat and its diverse portfolio, ensuring that the various funding requirements are met. Where at the same time they managed all financial, statutory, and internal reporting requirements to ensure that they meet the respective reporting requirements and deadlines.

### Information Technology

A strong Information Technology (IT) infrastructure underpins all aspects of our business and provides a springboard for our success. Our IT team helps us leverage the latest technological tools at our disposal so that we can continue to deliver results by streamlining our operations, staying abreast of the latest market trends, and supporting our portfolio companies with up-to-date information.

### Key Milestones in 2019:

With the aim of improving the speed and resilience of its information technology infrastructure, Mumtalakat became the first government agency in the Kingdom to migrate its databases to Amazon Web Services’ (AWS) Bahrain data centres. The three data centres, established in July, are the first in the Middle East to offer cloud storage to regional organisations.

The migration allowed Mumtalakat to reduce its usage of international data centres, resulting in an over 50% reduction in technology operational costs and considerable cost savings on data backup, storage, and



## Operations Overview

security. A seamless disaster recovery test was also successfully completed. The Mumtalakat IT team further oversaw the process for other subsidiaries across the Group, assisting them in their adoption of the Government's Cloud First policy.

The team continued to adopt the Software as a Service (SaaS) model for various IT functions to achieve scalability, flexibility, and availability. Another major milestone was the implementation of a new cybersecurity risk and threat management solution, which saw full vulnerability assessment and penetrating testing along with a security architecture review.

The IT team performed a complete upgrade to its voice and networking platforms accordingly, in addition to opening a communication channel with subsidiaries to better align cloud adoption and IT security initiatives.

### Communications & Public Affairs

The Communications & Public Affairs department is dedicated to enhancing and upholding Mumtalakat's brand and reputation by ensuring that our stakeholders are well informed of our progress and key achievements.

### Key Milestones in 2019:

As part of efforts to enhance collaboration and promote a culture of knowledge sharing, we organised a corporate communication strategies workshop for communication teams from our portfolio companies. Over 50 representatives from 30 local and international companies participated in the workshop, which was held as part of our Lunch & Learn series.

We also continued to support the Bahrain International Circuit (BIC), a wholly owned subsidiary of Mumtalakat. Through our partnership with McLaren, we developed an exclusive programme to invite business guests from across the world and portfolio companies to our paddock suite at the 2019 Formula 1 Gulf Air Bahrain Grand Prix.

In addition to our involvement in several local, regional and international investor conferences such as the Future Investment Initiative (FII) and media engagements including CNBC, Bloomberg, Financial Times to name a few, this year saw the launch of an online campaign, #SpiritOfRamadan, aimed at increasing awareness of food wastage.

We concluded 2019 by recognising and commemorating 27 of our Group's outstanding employees in the lead up to Bahrain's National Day. Our annual awards programme was held for the third year in a row alongside the inter-linked digital campaign, 'Many Stories, One Bahrain'.

### Human Resources

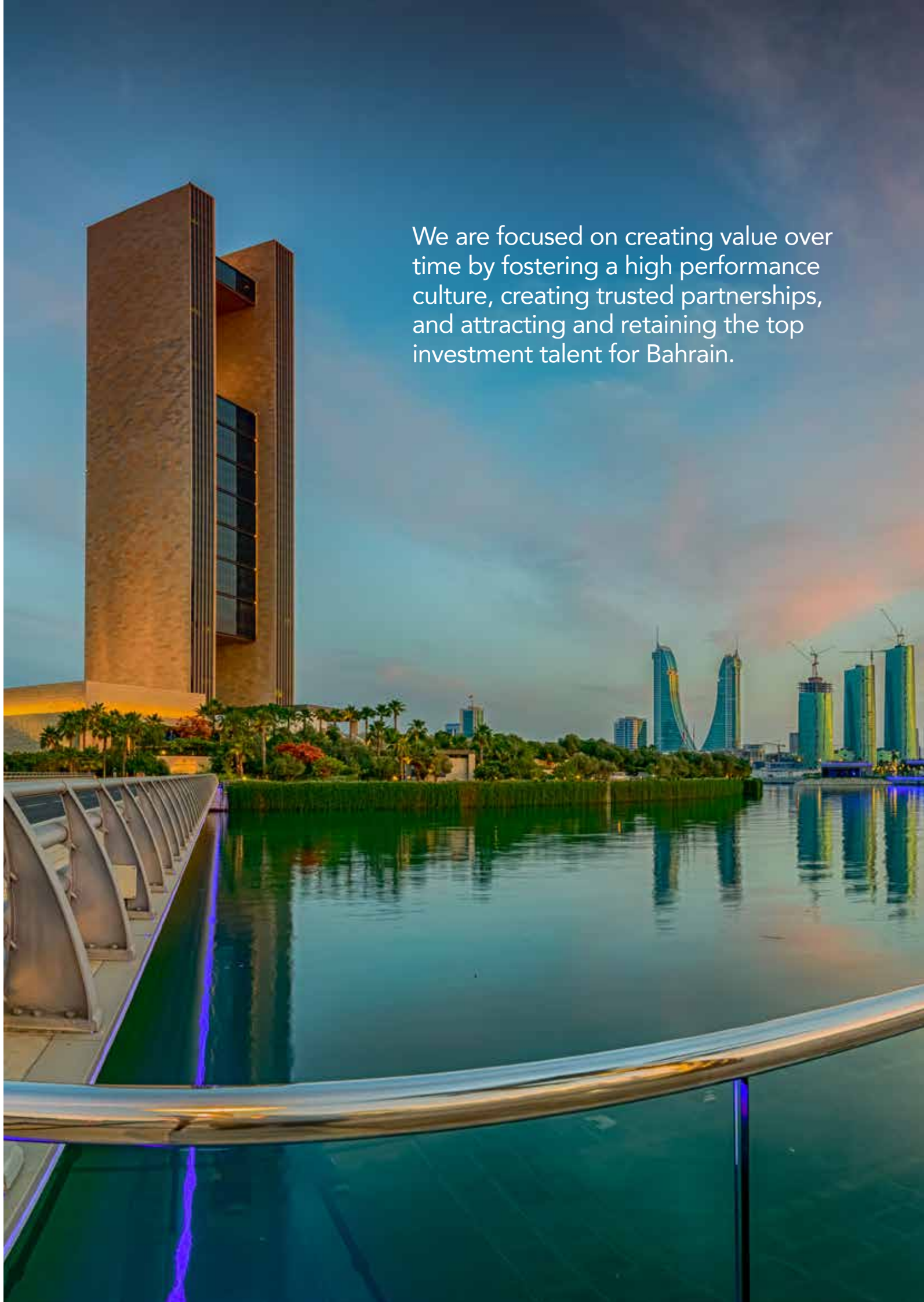
Our highly qualified and passionate workforce is a key driver of Mumtalakat's success. In line with our goal of growing Bahrain's wealth, we remain focused on hiring and retaining the brightest professionals.

Our Human Resources Department actively supports our employees in developing their careers and improving their skills, cultivating a workplace culture of professionalism, diversity, and continuous development. We also set and oversee key performance indicators across all functions, ensuring that the strategic objectives and business plans of our investment and support functions are aligned.

### Key Milestones in 2019:

We believe that success is bred by ensuring that contributions and results are rewarded, so in 2019, we launched a meritocratic framework for assessing performance. Managers and team members received training over the course of six in-house workshops on how to effectively assess performance and articulate feedback. The system has strengthened our evaluation process by introducing in-depth calibration sessions and ensuring greater overall fairness and transparency in performance ratings.

We place strong value on investing in talent development. In addition to ongoing annual media training, and professional skills development, 14% of our talent base undertook bespoke leadership development training and 32% participated in a tailored in-house public speaking course. We also offered a corporate governance refresher course for our Board of Directors to help them make informed decisions in line with Mumtalakat's vision. This year's development initiatives focused on meeting both organisational and individual development needs, as well as supporting career transition and progression.



We are focused on creating value over time by fostering a high performance culture, creating trusted partnerships, and attracting and retaining the top investment talent for Bahrain.



A photograph of a business meeting. In the foreground, two hands in dark business suits are pointing at a tablet computer. The tablet displays a complex network diagram with blue lines and nodes. In the background, a person in a light-colored suit is standing, and the scene is filled with blurred lights, suggesting a modern office or conference room environment.

# Corporate Governance



# Our Governance

## Risk Management

Our Board of Directors holds the ultimate responsibility for establishing our risk culture and ensuring that a robust risk management framework is in place. The Board of Directors has delegated these duties to the Board Audit & Risk Committee (BARC), which is responsible for assisting the Board in identifying and managing the principal risks of the company, and monitoring the adequacy of the risk reporting processes. The Risk Management Department, Compliance function, and Internal Audit work closely to ensure that the various risks Mumtalakat could potentially be exposed to are being sufficiently measured, monitored, and managed in accordance with Board approved policies.

This is supplemented by a quarterly risk report that is submitted to our Executive Management Committee and BARC, presenting risks that Mumtalakat faces, or could potentially face, and classified into risk categories from low to critical.

## Corporate Governance

Since our inception, our mission has been to grow the Kingdom of Bahrain’s wealth through a well governed institution that adheres to the highest standards of transparency and corporate governance.

We are committed to best corporate governance practices, including:

- Our compliance with the Bahrain Code of Corporate Governance, while also encouraging our portfolio companies to do so
- Regular audits of our operations by an external auditor, an internal auditor, and the National Audit Offices of the Kingdom of Bahrain
- Defining the relationship and means of engagement between our board of directors, managers, and shareholders to ensure transparency, accountability, fairness and responsibility
- Establishing board committees: Board Investment Committee, Board Compensation & Governance Committee and Board Audit & Risk Committee
- Establishing management committees: Management Investment Committee and Management Executive Committee

# Corporate Governance Report for the year 2019

## 1. Description of the actions taken to complete the Corporate Governance Code during the year 2019 and how they were applied:

Mumtalakat has in place stringent policies and procedures that address governance and all board related matters. It ensures that it is not only compliant with all regulatory requirements within Bahrain but applies international best practice in governance.

## 2. Description of the transactions of the directors, their spouses and sons on the Company’s shares during the year 2019 according to the following table:

Mumtalakat is wholly owned by the Government of Bahrain. This section is not applicable.

## 3. Composition of the Board:

### a. Description of the current Board composition according to the following table:

|   |               |   |               |
|---|---------------|---|---------------|
| 1 | Non-Executive | H.E. Shaikh Khalid bin Abdulla Al Khalifa | 4 August 2019 |
| 2 | Non-Executive | H.E. Shaikh Salman bin Khalifa Al Khalifa | 4 August 2019 |
| 3 | Non-Executive | H.E. Zayed Alzayani                       | 4 August 2019 |
| 4 | Non-Executive | H.E. Kamal bin Ahmed                      | 4 August 2019 |
| 5 | Non-Executive | H.E. Shaikh Mohamed bin Isa Al Khalifa    | 4 August 2019 |
| 6 | Executive     | Mr. Khalid Al Rumaihi                     | 4 August 2019 |
| 7 | Independent   | Mr. Khalid Humaidan                       | 4 August 2019 |
| 8 | Independent   | Dr. Samer Aljishi                         | 4 August 2019 |
| 9 | Independent   | Ms. Elham Hasan                           | 4 August 2019 |

### b. Description of the following:

1. Total remunerations paid to the directors for the (last) year 2018:

|                                   |               |
|-----------------------------------|---------------|
| Shaikh Mohamed bin Isa Al Khalifa | 15,000        |
| Mr. Khalid Al Rumaihi             | 15,000        |
| Dr. Samer Aljishi                 | 15,000        |
| Mr. Khalid Humaidan               | 15,000        |
| Ms. Elham Hasan                   | 15,000        |
| <b>Total</b>                      | <b>75,000</b> |

# Corporate Governance Report for the year 2019

2. The proposed total remunerations to be paid to the directors for the year 2019, which will be presented at the annual general meeting for approval:

|                                   |               |
|-----------------------------------|---------------|
| Shaikh Mohamed bin Isa Al Khalifa | 15,000        |
| Mr. Khalid Al Rumaihi             | 10,000        |
| Dr. Samer Aljishi                 | 15,000        |
| Mr. Khalid Humaidan               | 15,000        |
| Ms. Elham Hasan                   | 15,000        |
| <b>Total</b>                      | <b>70,000</b> |

3. Description of the sitting fees paid to the directors for attendance of the Board's committees for the financial year 2019 according to the following table:

|                                   |               |
|-----------------------------------|---------------|
| Shaikh Mohamed bin Isa Al Khalifa | 5,000         |
| Mr. Khalid Al Rumaihi             | 1,500         |
| Dr. Samer Aljishi                 | 5,000         |
| Mr. Khalid Humaidan               | 6,000         |
| Ms. Elham Hasan                   | 3,500         |
| <b>Total</b>                      | <b>21,000</b> |

Remuneration and sitting fees paid to eligible Directors on Mumtalakat's Board are in accordance with instructions received from the Ministry of Finance in their letter dated 20 December 2006.

c. Number and dates of the Board's meetings held during the financial year 2019, in addition to the number of times directors attended in person or by visual communication and a description of the directors present by proxy:

| Board of Directors Meeting Attendance (BOD) (2019) |   |            |
|--|---|------------|
| Date of Meeting                                    | Name of Board Member                      | Attendance |
| <b>1<sup>st</sup> Meeting</b><br>27/02/2019        | H.E. Shaikh Khalid bin Abdulla Al Khalifa | Present    |
|  | H.E. Shaikh Mohamed bin Isa Al Khalifa    | Present    |
|  | H.E. Kamal bin Ahmed                      | Absent     |
|  | H.E. Mr. Zayed Alzayani                   | Present    |
|  | Mr Khalid Al Rumaihi                      | Present    |
|  | Mr. Mahmood Hashem Al Kooheji             | Present    |
|  | Dr. Samer Aljishi                         | Present    |
|  | Mr. Khalid Humaidan                       | Present    |
|  | Mrs. Elham Hasan                          | Present    |
| <b>2<sup>nd</sup> Meeting</b><br>09/05/2019        | H.E. Shaikh Khalid bin Abdulla Al Khalifa | Present    |
|  | H.E. Shaikh Mohamed bin Essa Al Khalifa   | Present    |
|  | H.E. Kamal bin Ahmed                      | Present    |
|  | H.E. Mr. Zayed Alzayani                   | Present    |
|  | Mr Khalid Al Rumaihi                      | Absent     |
|  | Mr. Mahmood Hashem Al Kooheji             | Present    |
|  | Dr. Samer Aljishi                         | Present    |
|  | Mr. Khalid Humaidan                       | Present    |
|  | Mrs. Elham Hasan                          | Present    |
| <b>3<sup>rd</sup> Meeting</b><br>10/10/2019        | H.E. Shaikh Khalid bin Abdulla Al Khalifa | Present    |
|  | H.E. Shaikh Salman bin Khalifa Al Khalifa | Present    |
|  | H.E. Mr. Zayed Alzayani                   | Absent     |
|  | H.E. Kamal bin Ahmed                      | Present    |
|  | H.E. Shaikh Mohamed bin Isa Al Khalifa    | Present    |
|  | Mr Khalid Al Rumaihi                      | Present    |
|  | Mr. Khalid Humaidan                       | Present    |
|  | Dr. Samer Aljishi                         | Absent     |
|  | Mrs. Elham Hasan                          | Present    |



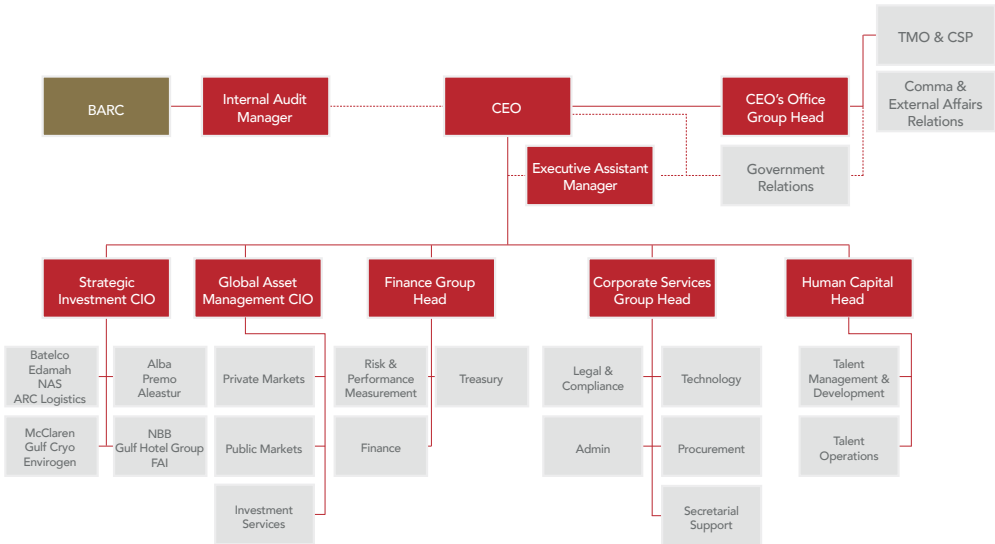
Corporate Governance Report for the year 2019

| Date of Meeting                       | Name of Board Member                       | Attendance |
|---------------------------------------|--|------------|
| 4 <sup>th</sup> Meeting<br>26/11/2019 | H.E. Shaikh Khalid bin Abdullah Al Khalifa | Present    |
|                                       | H.E. Shaikh Salman bin Khalifa Al Khalifa  | Present    |
|                                       | H.E. Kamal bin Ahmed                       | Present    |
|                                       | H.E. Mr. Zayed Al Zayani                   | Absent     |
|                                       | H.E. Shaikh Mohamed bin Isa Al Khalifa     | Present    |
|                                       | Mr Khalid Al Rumaihi                       | Present    |
|                                       | Mr. Khalid Humaidan                        | Present    |
|                                       | Dr. Samer Aljishi                          | Present    |
|                                       | Mrs. Elham Hasan                           | Absent     |

d. Description of the Board’s duties and competences carried out on its behalf by the Executive Management by delegation of authority, specifying the duration and validity of the delegation: Please refer to the Board of Directors’ Charter.

e. Details of transactions with related parties (stakeholders), indicating the nature of relationship and type of transaction: Transactions with related parties for the Group are outlined in Note 30 of the Consolidated Financial Statements.

f. The Company’s organisational structure, including the first and second grades at a minimum and including the Company’s general manager and/or chief executive officer, deputy general manager and managers:



g. Total remunerations paid to the key executive officers (the top five employees), including salaries, benefits, allowances, increases, stock options, end-of-service benefits, pensions, etc: Compensation of key management personnel for the Group is outlined in Note 30 of the Consolidated Financial Statements.

4. External Auditors:

a. Fees and charges for the audit or services provided by the external auditor during the year 2019, in addition to a description of the auditor’s years of service as the Company’s external auditor. According to the following table:

| Name of Firm  | KPMG              |
|---|-------------------|
| Years of Service as Company’s External Auditor        | 1 year            |
| Name of the Partner in Charge of the Company’s Audit  | Jaffar Al Qubaiti |
| Total Audit Fees for the Financial Statement for 2019 | BD 36,000         |
| Other Special Fees and Charges for Non-Audit Services | BD 92,868         |

5. Audit Committee:

a. Names, competences and duties of the audit committee’s members:

| Board Audit and Risk Committee |            |
|--------------------------------|------------|
| Mrs. Elham Hasan               | Chairwoman |
| H.E. Mr. Zayed Alzayani        | Member     |
| Mr. Khalid Humaidan            | Member     |

b. Number and dates of meetings held by the audit committee during the year to discuss issues related to financial statements and any other matters and the number of times members attended the meetings in person: Please see point 3 above.

6. Compensation and Governance Committee (CGC):

a. Names, competences and duties of the CGC committee’s members:

| Board Compensation and Governance Committee |          |
|---|----------|
| H.E. Shaikh Salman bin Khalifa Al Khalifa   | Chairman |
| H.E. Shaikh Mohamed bin Isa Al Khalifa      | Member   |
| Dr. Samer Aljishi                           | Member   |

b. Number and dates of meetings held by the committee during the financial year and the number of times members attended the meetings in person. For number of meetings, please see point 3 above.

7. Governance Committee:

a. Names, competences and duties of the governance committee’s members:

Please see point 6 above. Mumtalakat does not have a separate governance committee, it is merged with the Compensation Committee.

b. Summary of the committee performance report during the year 2019:

The committee met once during last year and attended to the matters presented to it, in accordance with the relevant governing charters.

8. Corporate governance officer’s name, qualifications, date of appointment, and contact details:

Ms. Rima Hadid

Group Head of Corporate Services

Solicitor of the Supreme Court of NSW and the High Court of Australia

Affiliate of the Governance Institute of Australia Appointed June 2013

Rima.almasri@bmhc.bh

+973 17 561 130

9. Details of any irregularities committed during the financial year, their causes (if any), and the plan to address them in order to avoid future recurrence:

Not applicable.

10. Description of the cash and in-kind contributions made by the Company during the year 2019 for the purpose of community development and environment preservation (In the absence of contributions, it should be stated that the Company did not make any contributions), indicating the recipients of these contributions:

a. Statement of shareholders’ equity as of 31/12/2019 (individuals, corporate, government or organizations) to be classified as follows: Local, Gulf, Arab, and foreign:

Mumtalakat activities and community support took on a number of directions in 2019, most notable amongst them are the below:

1. Ramadan Initiatives

As part of our efforts to support the wider community and to foster the spirit of giving amongst our employees while also raising awareness of food wastage during the Holy Month of Ramadan, Mumtalakat supported two initiatives as detailed below:

- Share The Meal  
Share The Meal is an initiative of the UN World Food Programme (WFP), the world’s largest humanitarian agency fighting hunger. Donations from Share The Meal supports various WFP operations ranging from resilience building and school feeding programmes to providing food assistance in emergencies. Meals can be donated for as little as USD 0.50 per child for one day and the app is free and available for download from both Apple and Android app stores.

Accordingly, in 2019 Mumtalakat created its own team “#Mumtalakat4BH” on Share The Meal with a challenge to donate 10,000 meals by the end of Ramadan. Staff from Mumtalakat and from local portfolio companies, as well as friends and families were invited and encouraged to donate via the above team. Thanks to all their contributions, 8444 meals were donated through Share The Meal by the conclusion of Ramadan.

- Partnership with the Conserving Bounties Society  
Mumtalakat also partnered with the Conserving Bounties Society to organise a food packing initiative aimed at tackling food wastage. A number of staff members from Mumtalakat and the portfolio companies including family members volunteered in this initiative by supporting the society to pack Iftar and Suhoor meals from select hotels which in turn were distributed by the society to needy families on the same day.

In addition, staff members also donated essential food supplies to the society to support their Soup Kitchen, where fresh meals were prepared and distributed by the society to families in need.

The above efforts were further supplemented by an online digital campaign under the theme “Spirit of Ramadan” that shed light on global hunger and food wastage while showcasing key moments of employees’ participation in the food packing initiative as well as highlighting milestones on the number of meals that were shared through Share The Meal.

2. Annual Blood Donation Drive

The Annual Blood Donation Drive spearheaded by Mumtalakat was conducted on Thursday, 11th July 2019 at the Arcapita Building, Bahrain Bay, in line with the organisation’s efforts to encourage and facilitate community service within its group of companies. Organised in partnership with the Ministry of Health’s Central Blood Bank, the blood drive brought together members of staff from the Mumtalakat group in Bahrain as well as from companies located in the Arcapita Building and Bahrain Bay area, including family members and friends. Approximately 50 units of blood was collected by the Blood Bank thanks to the invaluable contributions of the donors.

3. Donation to Batelco Child Welfare Centre

In August 2019, Mumtalakat donated the following items to the Batelco Child Welfare Centre:

- Two iPad Air 2 (wifi, cellular, 16GB, silver colour)
- McLaren caps (31)
- Furniture (office chairs, meeting chairs and tables)

4. Distribution of Personalised Water Bottles to Staff

In April 2019, Mumtalakat distributed personalised reusable water bottles to all staff in line with the organisation’s efforts to reduce the usage of disposable/single use plastic within the office.



Corporate Governance Report for the year 2019

b. Description of the shareholders who hold 5% or more of the Company’s share capital, indicating the name of the natural person who holds the shares, the final beneficiary, as at 31/12/2019 as follows:  
Mumtalakat is wholly owned by the Government of Bahrain.

c. Description of how shareholders are distributed according to their respective shareholding as at 31/12/2019 as follows:  
Mumtalakat is wholly owned by the Government of Bahrain.

d. Description of the significant events that occurred during the year 2019.  
Mr. Khalid Al Rumaihi was appointed Chief Executive Officer, effective 1 September 2019.

11. Compliance with the provisions of the Corporate Governance Code, as follows:

| Principle  | Non-compliant | Partially Compliant | Fully Compliant | Explanation in case of non-compliance |
|--|---------------|---------------------|-----------------|---------------------------------------|
| Principle 1: The Company shall be headed by an effective, qualified and expert board.  |               |                     | ✓               |                                       |
| Principle 2: The directors and executive management shall have full loyalty to the company.  |               |                     | ✓               |                                       |
| Principle 3: The Board shall have rigorous controls for financial audit and reporting, internal control, and compliance with law.                                |               |                     | ✓               |                                       |
| Principle 4: The Company shall have effective procedures for appointment, training, and evaluation of the directors  |               |                     | ✓               |                                       |
| Principle 5: The Company shall remunerate directors and senior officers fairly and responsibly.  |               |                     | ✓               |                                       |
| Principle 6: The Board shall establish a clear and efficient management structure for the Company and define the job titles, powers, roles and responsibilities. |               |                     | ✓               |                                       |

|  |   |  |   |     |
|--|---|--|---|-----|
| Principle 7: The Company shall communicate with shareholders, encourage their participation, and respect their rights.                             |   |  | ✓ |     |
| Principle 8: The Company shall disclose its corporate governance.  |   |  | ✓ |     |
| Principle 10: The Board shall ensure the integrity of the financial statements submitted to shareholders through appointment of external auditors. |   |  | ✓ |     |
| Principle 11: The Company shall seek through social responsibility to exercise its role as a good citizen.   |   |  | ✓ |     |
| Principle 9: Companies which offer Islamic services shall adhere to the principles of Islamic Shari’a.*  | ✓ |  |   | N/A |

\* Applicable only to the companies offering Islamic services.

12. Any disclosures required by the regulatory authorities.  
Not Applicable.



Chairman Signature  
Date: 23/06/2020



Official Seal of the Company

## Board of Directors

We are guided by our Board of Directors, which is comprised of nine members representing the public and the private sectors.

Our Board is appointed to four-year terms by resolution of the Economic Development Board (EDB) of which HRH Prince Salman bin Hamad Al Khalifa, Crown Prince, Deputy Supreme Commander and First Deputy Prime Minister, serves as Chairman.

This is supplemented by a quarterly risk report that is submitted to our Executive Management Committee and BARC, presenting risks that Mumtalakat faces, or could potentially face, and classified into risk categories from low to critical.



**HE Shaikh Khalid bin Abdulla Al Khalifa**  
Deputy Prime Minister &  
Chairman of the Board of Directors

HE Shaikh Khalid has been the Deputy Prime Minister of the Kingdom of Bahrain since 2010. Prior to that, he was the Minister of HRH the Prime Minister's Court. He began his career as a Roads Engineer in the Directorate of Works in 1966.



**HE Khalid Al Rumaihi**  
Chief Executive Officer, Mumtalakat

HE Khalid Al Rumaihi was appointed Chief Executive Officer of Mumtalakat in 2019. Prior to joining Mumtalakat, he served as Chief Executive of the Bahrain Economic Development Board (EDB) where he was responsible for channeling inward investments into the country. He continues to play an active role as a Board Member of the EDB.



**Khalid Humaidan**  
Chief Executive, Bahrain Economic  
Development Board

Khalid Humaidan was appointed Chief Executive of the Bahrain Economic Development Board (EDB) in September 2019. Prior to that, he was BNP Paribas Head of Global Markets – Middle East and Africa, based in Bahrain, where he was responsible for the organisation's capital markets business, which delivers cross-asset solutions to institutional and corporate clients.



**Dr. Samer Al Jishi**  
Managing Director of BFG International

Dr Al Jishi leads one of the Middle East's foremost multinational industrial groups, BFG International. After a distinguished career in academia, Dr Al Jishi joined BFG International in 1992 and has brought it forward from a small industrial firm into what it is today, a large leading global firm.



**HE Shaikh Salman bin Khalifa Al Khalifa**  
Minister of Finance and National  
Economy

HE Shaikh Salman has been the Minister of Finance and National Economy since December 2018. He served as the Director General of the Office of the First Deputy Prime Minister since its establishment in 2013 until 2018 when he was tasked with implementing initiatives launched by HRH the Crown Prince, Deputy Supreme Commander and First Deputy Prime Minister.



**HE Kamal bin Ahmed Mohammed**  
Minister of Transportation &  
Telecommunications

HE Engineer Kamal bin Ahmed Mohammed was appointed Minister of Transportation in 2012 and Minister of Transportation & Telecommunications in 2014. He is responsible for Bahrain's transport infrastructure covering policy, regulation, and the development and delivery of projects to meet the Kingdom's future transportation, telecommunications, and postal needs.



**HE Zayed bin Rashid Alzayani**  
Minister of Industry, Commerce and  
Tourism

HE Zayed bin Rashid Alzayani was appointed Minister of Industry, Commerce and Tourism in 2014. Prior to this, Alzayani led his family business as the Chairman of Alzayani Investments, Euro Motors, Zayani Motors, Zayani Leasing, Zayani Properties, Alzayani Industries and Orient Motors.



**Elham Hasan**  
Business Strategy Advisor

Recognised by Forbes as one of the most influential women in the Middle East, Hasan is a prominent businesswoman in the Kingdom of Bahrain. She is currently the Chairperson of Taaheel Health Group and the chairperson for the Bahrain Bourse Disciplinary. She also sits on the board of BBK Bahrain, Solidarity Group Holding, and BNP Paribas Investment Company in KSA.



**HE Shaikh Mohamed bin Isa Al Khalifa**  
Political and Economic Advisor to HRH  
the Crown Prince's Court

HE Shaikh Mohamed was appointed Political and Economic Advisor to HRH the Crown Prince's Court in 2012. He served as Chief Executive of the Bahrain Economic Development Board (EDB) from 2005 until 2012.



# Senior Management



HE Khalid Al Rumaihi  
Chief Executive Officer

HE Khalid Al Rumaihi was appointed Chief Executive Officer of Mumtalakat, with effect from 2019. Prior to joining Mumtalakat, he served as the Chief Executive of the Bahrain Economic Development Board (EDB) where he was responsible for channeling inward investments into the country. He continues to play an active role as a Board Member of the EDB.



Rania Al Shirawi  
VP - Project Management

Al Shirawi joined Mumtalakat in December 2019 as VP – Project Management, bringing with her nearly 15 years of experience in reform, strategy development, organisation performance management, communications, and corporate planning. Prior to joining Mumtalakat, she worked for the Economic Development Board (EDB) as Chief Strategy Officer.



Paul Scott  
Chief Investment Officer

Scott joined Mumtalakat in April 2018 as Chief Investment Officer. He is responsible for implementing and executing Mumtalakat's investment strategy and ensuring the long-term growth of its portfolio of assets.



Marwa Al Saad  
VP - Human Resources

Al Saad joined Mumtalakat in November 2019 as VP – Human Resources. She brings over 10 years of experience in the field of human resources management, ranging from performance management to organisational development and effectiveness.



Aysha Abdulmalek  
General Counsel

Appointed as General Counsel in October 2017, Abdulmalek manages the legal division and facilitates all legal related support including Mumtalakat's corporate compliance with statutory and regulatory requirements, as well as providing investment and corporate legal support and developing risk mitigation strategies.



Suha Karzoon  
Chief Financial Officer

Karzoon joined Mumtalakat in September 2014 and currently holds the role of Chief Financial Officer, overseeing the Finance, Treasury, and Capital Markets functions. As Chief Financial Officer, she is responsible for implementing effective financial policies.



Rima Hadid  
Chief Operating Officer and Corporate Secretary

Hadid joined Mumtalakat in June 2013 and currently holds the position of Chief Operating Officer. She oversees the legal division and facilitates all the legal support and governance requirements of the organisation.



Mohammed Sater  
Head of Information Technology (IT)

Sater joined Mumtalakat in 2011 and currently holds the position of Head of Information Technology. He is responsible for improving the effectiveness of technological deployments, telecommunications, and business continuity, and protecting digital assets.



Suha Matar  
Head of Communication and Public Affairs

Matar joined Mumtalakat in 2017 as the Head of Communications and Public Affairs. Her main responsibilities were to oversee all external and internal communications across the company and develop strategic communications initiatives in line with the corporate and investment strategies.

# Independent Auditors’ Report



KPMG Fakhro

Audit

12<sup>th</sup> Floor, Fakhro Tower

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Kingdom of Bahrain

Telephone +973 17 224807

Fax +973 17 227443

Website: home.kpmg/bh

CR No. 6220

INDEPENDENT AUDITORS’ REPORT ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS

Bahrain Mumtalakat Holding Company B.S.C (c)

Kingdom of Bahrain

Opinion

The summary consolidated financial statements, which comprise the summary consolidated statement of financial position as at 31 December 2019, the summary consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and related note, are derived from the audited consolidated financial statements of Bahrain Mumtalakat Holding Company B.S.C (c) (“the Company”) and its subsidiaries (together “the Group”) for the year ended 31 December 2019.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, on the basis described in Note 1.

Other matter

The summary consolidated financial statements of the Group for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion thereon in its report dated 28 August 2019.

Summary Consolidated Financial Statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary consolidated financial statements and our report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and our report thereon. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated financial statements.

The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 2 June 2020. Our report on the audited consolidated financial statements included an ‘Emphasis of matter’ paragraph discussing the possible impact of the Covid 19 pandemic and related uncertainties on the Group’s operations and financial performance, including impact on its results. Our report on the audited consolidated financial statements also included an ‘Other matter’ paragraph discussing that the audited consolidated financial statements for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion thereon in its report dated 9 May 2019.

Responsibility of the Board of Directors for the Summary Consolidated Financial Statements

Board of Directors is responsible for the preparation of the summary consolidated financial statements on the basis described in Note 1.

Auditors’ Responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), “Engagements to Report on Summary Financial Statements.”

KPMG Fakhro

Partner registration number 83

26 August 2020



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# Credit Ratings

Our ratings equivalent to the Sovereign as of 31st December 2019 were as follows:

Fitch Ratings:

|                 |           |         |             |
|-----------------|-----------|---------|-------------|
| Long-term       | Issuer    | Default | Rating: BB- |
| Senior          | Unsecured |         | Rating: BB- |
| Short-term      | Issuer    | Default | Rating: B   |
| Outlook: Stable |           |         |             |

Standard & Poor’s:

|                 |        |        |             |
|-----------------|--------|--------|-------------|
| Long-term       | Issuer | Credit | Ratings: B+ |
| Short-term      | Issuer | Credit | Ratings: B  |
| Outlook: Stable |        |        |             |

Linaburg-Maduell Transparency Index Ratings:

10/10 transparency rating

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# Consolidated Statement of Financial Position

31 December 2019

|   | 2019<br>BD '000  | 2018<br>BD '000  |
|---|------------------|------------------|
| <b>ASSETS</b>   |                  |                  |
| Cash and bank balances  | 256,071          | 286,601          |
| Derivative financial instruments                              | 6,401            | 4,114            |
| Trade accounts receivable, prepayments and other receivables  | 451,475          | 357,229          |
| Inventories   | 314,743          | 359,237          |
| Investments carried at fair value through statement of income | 448,944          | 493,360          |
| Investment in associates and joint ventures                   | 713,827          | 631,278          |
| Investment properties   | 466,576          | 466,284          |
| Property, plant and equipment                                 | 3,030,388        | 2,310,933        |
| Other assets  | 146,453          | 126,003          |
| Intangible assets   | 723,872          | 623,880          |
| Goodwill  | 521,800          | 646,896          |
| <b>TOTAL ASSETS</b>   | <b>7,080,550</b> | <b>6,305,815</b> |
| <b>LIABILITIES AND EQUITY</b>                                 |                  |                  |
| <b>Liabilities</b>  |                  |                  |
| Borrowings  | 1,934,101        | 1,893,214        |
| Derivative financial instruments                              | 9,542            | 13,976           |
| Lease liabilities   | 567,317          | -                |
| Trade accounts payable, accruals and other liabilities        | 1,260,155        | 1,071,981        |
| Employees' end of service benefits                            | 13,486           | 17,865           |
| <b>Total liabilities</b>                                      | <b>3,784,601</b> | <b>2,997,036</b> |
| <b>Equity</b>   |                  |                  |
| Share capital   | 2,000,000        | 2,000,000        |
| Capital contribution  | 466,111          | 463,678          |
| Statutory reserve   | 62,609           | 62,609           |
| Other reserves  | (12,058)         | (45,802)         |
| Retained earnings   | 215,675          | 293,391          |
| <b>Total equity attributable to the parent</b>                | <b>2,732,337</b> | <b>2,773,876</b> |
| <b>Non-controlling interests</b>                              | <b>563,612</b>   | <b>534,903</b>   |
| <b>Total equity</b>   | <b>3,295,949</b> | <b>3,308,779</b> |
| <b>TOTAL LIABILITIES AND EQUITY</b>                           | <b>7,080,550</b> | <b>6,305,815</b> |

  
Khalid bin Abdullah Al Khalifa  
Chairman

  
Khaled Alrumaihi  
Director and Chief Executive Officer

  
Suha S. Karzoon  
Chief Financial Officer

# Consolidated Statement of Income

Year ended 31 December 2019

|  | 2019<br>BD '000 | 2018<br>BD '000 |
|--|-----------------|-----------------|
| Revenue  | 2,299,738       | 2,063,687       |
| Direct costs   | (1,963,498)     | (1,819,278)     |
| <b>Gross Profit</b>  | <b>336,240</b>  | <b>244,409</b>  |
| Dividend income  | 12,897          | 13,784          |
| Fair value gain on investments carried at fair value through statement of income | 75,046          | 17,947          |
| Other operating income   | 26,889          | 54,456          |
| Government assistance  | 30,606          | 39,943          |
| Selling and distribution expenses  | (107,818)       | (119,654)       |
| Administrative expenses  | (246,684)       | (203,315)       |
| Other operating expenses   | (2,219)         | (7,413)         |
| <b>Operating Income</b>  | <b>124,957</b>  | <b>40,157</b>   |
| Share of profit of associates and joint ventures                                 | 60,223          | 55,702          |
| Interest income  | 5,925           | 6,579           |
| Interest expense   | (87,902)        | (49,446)        |
| Fair value loss on revaluation/settlement of derivatives (net)                   | (18,867)        | (633)           |
| Impairment losses  | (135,667)       | (601)           |
| <b>NET (LOSS)/ PROFIT BEFORE TAX FOR THE YEAR</b>                                | <b>(51,331)</b> | <b>51,758</b>   |
| Income tax (expense) credit for the year   | (1,432)         | 4,081           |
| <b>NET (LOSS)/ PROFIT FOR THE YEAR</b>   | <b>(52,763)</b> | <b>55,839</b>   |
| <b>Attributable to:</b>  |                 |                 |
| Shareholder of the parent  | (48,908)        | 48,082          |
| Non-controlling interests  | (3,855)         | 7,757           |
|  | <b>(52,763)</b> | <b>55,839</b>   |

  
Khalid bin Abdullah Al Khalifa  
Chairman

  
Khaled Alrumaihi  
Director and Chief Executive Officer

  
Suha S. Karzoon  
Chief Financial Officer

# Consolidated Statement of Comprehensive Income

Year ended 31 December 2019

|  | 2019<br>BD '000 | 2018<br>BD '000 |
|--|-----------------|-----------------|
| <b>NET (LOSS)/ PROFIT FOR THE YEAR</b>   | <b>(52,763)</b> | 55,839          |
| <b>Other comprehensive income</b>  |                 |                 |
| <i>Items that will be reclassified to consolidated statement of income in subsequent periods</i>     |                 |                 |
| Movement in cumulative changes in fair values  | -               | 27              |
| Share of changes in equity of associates   | 10,101          | (4,811)         |
| Foreign currency translation   | 33,751          | (51,770)        |
| <i>Items that will not be reclassified to consolidated statement of income in subsequent periods</i> |                 |                 |
| Remeasurement gain on defined benefit plan   | 65              | 579             |
| <b>Total other comprehensive income for the year</b>   | <b>43,917</b>   | (55,975)        |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>   | <b>(8,846)</b>  | (136)           |
| <b>Attributable to:</b>  |                 |                 |
| Shareholder of the parent  | (15,484)        | 4,999           |
| Non-controlling interests  | 6,638           | (5,135)         |
|  | <b>(8,846)</b>  | (136)           |

# Consolidated Statement of Cash Flows

Year ended 31 December 2019

|   | 2019<br>BD '000  | 2018<br>BD '000 |
|---|------------------|-----------------|
| <b>OPERATING ACTIVITIES</b>   |                  |                 |
| Net (loss) / profit before tax for the year   | (51,331)         | 51,758          |
| Adjustments for:  |                  |                 |
| Depreciation  | 160,430          | 98,349          |
| Amortisation  | 78,080           | 71,041          |
| Fair value loss on derivatives  | 18,867           | 633             |
| Fair value gain on investments carried at fair value through statement of income                          | (75,046)         | (17,947)        |
| Gain on sale of associates  | 647              | -               |
| Share of profits of associates and joint venture  | (60,223)         | (55,702)        |
| Impairment losses   | 135,667          | 601             |
| Provision for impairment on trade accounts and other receivables  | 2,804            | 6,728           |
| Provision for impairment of inventories   | 9,505            | 1,337           |
| Loss on disposal and write-off of property, plant and equipment   | 268              | 681             |
| Interest income   | (5,925)          | (6,579)         |
| Interest expense  | 89,550           | 49,446          |
| Write back of related party payable   | -                | (20,000)        |
| Employees' end of service benefits  | 3,271            | 3,026           |
| <b>Operating profit before changes in operating assets and liabilities</b>                                | <b>306,564</b>   | 183,372         |
| Changes in operating assets and liabilities:  |                  |                 |
| Inventories   | 32,764           | (89,702)        |
| Trade accounts receivable, prepayments and other receivables  | (49,066)         | (23,217)        |
| Trade accounts payable, accruals and other liabilities  | 206,388          | 272,918         |
| <b>Cash from operating activities</b>   | <b>496,650</b>   | 343,371         |
| Interest paid   | (120,950)        | (49,073)        |
| Income tax paid   | (2,194)          | (4,842)         |
| Derivative financial instruments  | (13,755)         | (1,692)         |
| Employees' end of service benefits paid   | (3,012)          | (3,017)         |
| <b>Net cash from operating activities</b>   | <b>356,739</b>   | 284,747         |
| <b>INVESTING ACTIVITIES</b>   |                  |                 |
| Investment in associates and joint venture  | (40,618)         | (12,126)        |
| Cash and cash equivalent of a subsidiary transferred during the year                                      | (6,244)          | -               |
| Proceeds from sale of associates  | 4,320            | -               |
| Purchase of investments carried at fair value through statement of income                                 | (8,963)          | (13,868)        |
| Proceeds from sale of investments carried at fair value through statement of income and other investments | 94,598           | 80,761          |
| Purchase of property, plant and equipment   | (401,617)        | (559,760)       |
| Proceeds from disposal of property, plant and equipment   | 47,635           | 36,706          |
| Acquisition of subsidiaries, net of cash acquired   | -                | (15,193)        |
| Investment in properties  | (8,242)          | (2,374)         |
| Proceeds from sale of investment properties   | 922              | 67              |
| Intangible assets   | (153,968)        | (127,353)       |
| Other assets  | (20,820)         | (8,916)         |
| Short term deposits   | (26,304)         | 51,004          |
| Interest received   | 5,246            | 6,995           |
| Dividends from associates   | 39,624           | 35,046          |
| <b>Net cash used in investing activities</b>  | <b>(474,431)</b> | (529,011)       |



## Consolidated Statement of Cash Flows (continued)

Year ended 31 December 2019

|  | 2019<br>BD '000    | 2018<br>BD '000 |
|--|--------------------|-----------------|
| <b>FINANCING ACTIVITIES</b>                              |                    |                 |
| Proceeds from borrowings                                 | <b>1,794,810</b>   | 560,097         |
| Repayment of borrowings                                  | <b>(1,669,748)</b> | (347,212)       |
| Lease Liabilities  | <b>(55,033)</b>    | -               |
| Dividend paid to shareholder of the parent               | <b>(30,000)</b>    | (20,000)        |
| Dividend paid to non-controlling interests               | <b>(312)</b>       | (11,287)        |
| Shares issued to non-controlling interests               | <b>26,140</b>      | 74,939          |
| Movement in non-controlling interests (net)              | <b>(278)</b>       | (1,959)         |
| Net cash from financing activities                       | <b>65,579</b>      | 254,578         |
| <b>(DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS</b> | <b>(52,113)</b>    | 10,314          |
| Exchange loss on cash and cash equivalent                | <b>(639)</b>       | (2,975)         |
| Cash and cash equivalents at beginning of the year       | <b>246,940</b>     | 239,601         |
| <b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>      | <b>194,188</b>     | 246,940         |

## Consolidated Statement of Changes in Equity

Year ended 31 December 2019

|  | Attributable to shareholder of the parent |                                 |                              |                           |                              | Non-controlling interests |          | Total equity |
|--|---|---------------------------------|------------------------------|---------------------------|------------------------------|---------------------------|----------|--------------|
|  | Share capital<br>BD '000                  | Capital contribution<br>BD '000 | Statutory reserve<br>BD '000 | Other reserves<br>BD '000 | Retained earnings<br>BD '000 | Total<br>BD '000          | BD '000  | BD '000      |
| Balance at 31 December 2017  | 2,000,000                                 | 421,377                         | 57,801                       | 45,551                    | 220,144                      | 2,744,873                 | 481,157  | 3,226,030    |
| Impact of first time adoption of IFRS 9                                      | -   | -                               | -                            | (43,293)                  | 43,194                       | (99)                      | -        | (99)         |
| Share of changes in equity of associates on first time adoption of IFRS 9/15 | -   | -                               | -                            | (5,274)                   | 3,201                        | (2,073)                   | -        | (2,073)      |
| Balance at 31 December 2017 as restated                                      | 2,000,000                                 | 421,377                         | 57,801                       | (3,016)                   | 266,539                      | 2,742,701                 | 481,157  | 3,223,858    |
| Net profit for the year  | -   | -                               | -                            | -                         | 48,082                       | 48,082                    | 7,757    | 55,839       |
| Other comprehensive income   | -   | -                               | -                            | (43,083)                  | -                            | (43,083)                  | (12,892) | (55,975)     |
| Total comprehensive income   | -   | -                               | -                            | (43,083)                  | 48,082                       | 4,999                     | (5,135)  | (136)        |
| Contribution by the shareholder  | -   | 42,301                          | -                            | -                         | -                            | 42,301                    | -        | 42,301       |
| Dividend paid to shareholder of the parent                                   | -   | -                               | -                            | -                         | (20,000)                     | (20,000)                  | -        | (20,000)     |
| Dividend paid to non-controlling interests                                   | -   | -                               | -                            | -                         | -                            | -                         | (11,287) | (11,287)     |
| Transfer to statutory reserve  | -   | -                               | 4,808                        | -                         | (4,808)                      | -                         | -        | -            |
| Shares issued to non-controlling interests of a subsidiary                   | -   | -                               | -                            | 297                       | 3,473                        | 3,770                     | 71,169   | 74,939       |
| Acquisition of subsidiaries  | -   | -                               | -                            | -                         | -                            | -                         | 1,063    | 1,063        |
| Other movement in non-controlling interests                                  | -   | -                               | -                            | -                         | 105                          | 105                       | (2,064)  | (1,959)      |
| Balance at 31 December 2018  | 2,000,000                                 | 463,678                         | 62,609                       | (45,802)                  | 293,391                      | 2,773,876                 | 534,903  | 3,308,779    |
| Net loss for the year  | -   | -                               | -                            | -                         | (48,908)                     | (48,908)                  | (3,855)  | (52,763)     |
| Other comprehensive income   | -   | -                               | -                            | 33,424                    | -                            | 33,424                    | 10,493   | 43,917       |
| Total comprehensive income   | -   | -                               | -                            | 33,424                    | (48,908)                     | (15,484)                  | 6,638    | (8,846)      |
| Contribution by the shareholder  | -   | 2,433                           | -                            | -                         | -                            | 2,433                     | -        | 2,433        |
| Dividend paid to shareholder of the parent                                   | -   | -                               | -                            | -                         | (30,000)                     | (30,000)                  | -        | (30,000)     |
| Dividend paid to non-controlling interests                                   | -   | -                               | -                            | -                         | -                            | -                         | (312)    | (312)        |
| Shares issued to non-controlling interests of a subsidiary                   | -   | -                               | -                            | 320                       | 1,944                        | 2,264                     | 23,876   | 26,140       |
| Shares purchased from non-controlling interest of a subsidiary               | -   | -                               | -                            | -                         | -                            | -                         | (1,967)  | (1,967)      |
| Other movement in non-controlling interests                                  | -   | -                               | -                            | -                         | (752)                        | (752)                     | 474      | (278)        |
| Balance at 31 December 2019  | 2,000,000                                 | 466,111                         | 62,609                       | (12,058)                  | 215,675                      | 2,732,337                 | 563,612  | 3,295,949    |