Saudi Arabian Mining Co. (1211.SE)

Rating	**OUTPERFORM***
Price (30 Nov 10, SRIs)	21.25
Target Price (SRIs)	27.99[1]
Market cap. (SRIs m)	19,656.25
Enterprise value (SRIs m)	26,481.9

**Stock ratings are relative to the relevant country benchmark.*
[1]Target price is for 12 months.

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COMPANY VISIT

Railway connectivity likely to be completed by Q1, 2011

- **Action:** We reiterate our Outperform rating on Saudi Arabian Mining Company (Maaden) post a visit to both the gold and phosphate operations.
- **Key findings:**

1./ Gold production peak in 2015E: The production peak is expected to be reached in 2015E, in line with our estimates, though our volume expectations are more conservative.

2./ Railways: Our site visit to Ras Al Zour, where Maaden's phosphate plant is located, confirmed that the railways are now c 27 km away from the project site. The expectation is that the same shall be completed by Q1, 2011.

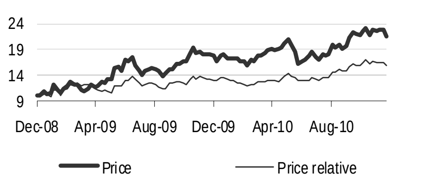
3./ DAP Production costs: Our DAP production cash cost estimate for Maaden was at $172/tonne of DAP. Consensus estimates and company guidance was at $98/tonne. Our onsite assessment gives us further conviction in our forecast (For details refer to "A unique phosphate play" dated Oct 21).

4./ Ras Al Zour port schedule uncertain: While we expect the port to be ready for DAP exports by Q2, 2011 we believe there is potential for delays.

5./ Trucking expenditure not a deterrent for DAP plant start up: The company's current trucking costs are higher than our estimate of $37/tonne of DAP as they are using small 25 tonne trucks (against our 350 tonne truck estimate). However Maaden has been stockpiling the concentrated ore for test production at DAP facility and by Q1, 2011E expects railways to be available. Hence trucking expenditure is not a deterrent for DAP plant start up.

6./ DAP performance test indicates Q3 ramp up: The DAP site performance test is slated for May/June which implies that commercial operations are likely to start in Q3, 2011, in line with our estimates.

Share price performance



The price relative chart measures performance against the Saudi Arabia Tadawul All-Share index index which closed at 6318.5 on 30/11/10
On 30/11/10 the spot exchange rate was SRIs4.87/Eu 1. - Eu .77/US$1

Performance Over	1M	3M	12M
Absolute (%)	-6.4	9.0	19.0
Relative (%)	-6.5	4.7	19.8

Financial and valuation metrics

Year	12/09A	12/10E	12/11E	12/12E
Revenue (SRIs m)	634.4	704.1	2,215.9	5,761.7
EBITDA (SRIs m)	195.60	271.06	1,106.22	3,281.98
Net Income (SRIs m)	394.8	210.7	717.1	2,037.3
CS adj. EPS (SRIs)	0.43	0.23	0.78	2.20
Prev. EPS (SRIs)	—	—	—	—
ROIC (%)	0.22	0.53	3.36	8.52
P/E (adj., x)	49.79	93.30	27.41	9.65
P/E rel. (%)	—	—	—	—
EV/EBITDA	128.6	97.7	23.1	9.1

Dividend (12/10E, SRIs)	0.11	IC (12/10E, SRIs m)	25,295.6
Dividend yield (%)	0.54	EV/IC	1.0
Net debt (12/10E, SRIs m)	6,825.7	Current WACC	6.3
Net debt/equity (12/10E, %)	37.0	Free float (%)	35.6
BV/share (12/10E, SRIs)	18.0	Number of shares (m)	925.00

Source: Company data, Thomson Reuters, Credit Suisse estimates.

Companies Mentioned *(Price as of 30 Nov 10)*
Saudi Arabian Mining Co. (1211.SE, SRls21.25, OUTPERFORM, TP SRls27.99)

Disclosure Appendix

Important Global Disclosures

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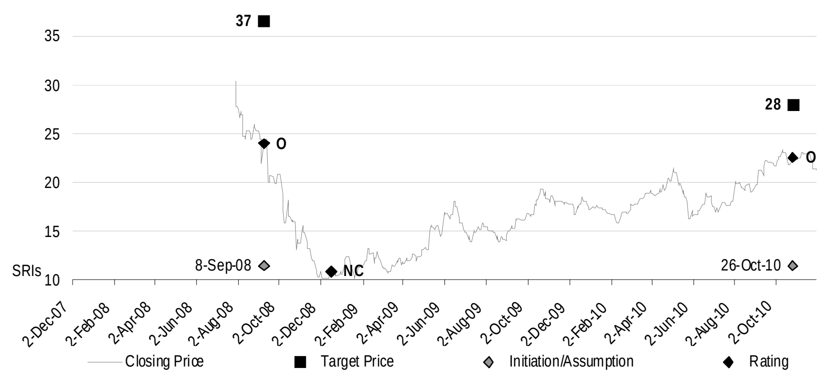
See the Companies Mentioned section for full company names.

3-Year Price, Target Price and Rating Change History Chart for 1211.SE

1211.SE Date	Closing Price (SRls)	Target Price (SRls)	Rating	Initiation/ Assumption
08-Sep-08	24	36.57	O	X
17-Dec-08	10.9		NC	
26-Oct-10	22.6	27.994	O	X



O=Outperform; N=Neutral; U=Underperform; R=Restricted; NR=Not Rated; NC=Not Covered

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***An analyst's coverage universe consists of all companies covered by the analyst within the relevant sector.*

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**An analyst's coverage universe consists of all companies covered by the analyst within the relevant sector.*

***The broad market benchmark is based on the expected return of the local market index (e.g., the S&P 500 in the U.S.) over the next 12 months.*

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	Global Ratings Distribution	
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Neutral/Hold*	41%	(60% banking clients)
Underperform/Sell*	12%	(53% banking clients)
Restricted	2%	

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Price Target: (12 months) for (1211.SE)

Method: We arrive at our SOTP based TP of SAR 28 per share. The NAV's (Net Asset Value) for Gold, Phosphate and Aluminium projects are respectively at SAR 2.3bn, 27.0bn and 3.4bn. Our cost of equity assumptions for gold, phosphate and aluminium segment are at 10%, 9% and 12% respectively. Our segment discount rates are 7.4%, 6.1% and 7% for gold, phosphate and aluminium segments respectively.

Risks: Project schedule delays, adverse regulatory interventions, adverse commodity price movements represent key risks to target price.

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