

Saudi Arabian Mining Company (Ma'aden)

Earnings Conference Call – Q2 2019



July 24, 2019



Reem M. Asaad

Head of Investor Relations



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Non-IFRS financial measures

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Darren C. Davis

President & Chief Executive Officer



Growth in revenues but pressure from weakened commodity markets

Production



- Ammonium phosphate production of 1,328kt, a 13% increase y-o-y
- Ammonia and primary aluminium production at 600kt and 239 kt up 18% and 1% y-o-y
- Gold production at 85koz, a drop of 17% y-o-y
- Copper production 1.5kt up 25% y-o-y

Financial Performance



- Sales reached SR4.3bn in Q2-19; up by 1% compared to the previous quarter
- EBITDA¹ reached SR1.3bn in Q2-19; down by 6% compared to the previous quarter
- Net loss of SR590mn sustained in Q2-19 compared to a net loss of SR253mn for the previous quarter

Market conditions



- Phosphate prices declined further during the quarter and remained under pressure
- Aluminium remains weak but some signs of recovery, however, affected by economic / trade concerns
- Gold strengthened on weakening dollar and global economic concerns

Outlook



- The transaction to restructure our aluminium rolling business is proceeding as planned and will ensure the long-term sustainability of the business
- Meridian acquisition progressing on plan and expected to close in Q3
- Focus is on safety, optimizing production from our assets, and executing on our new projects

¹ see appendix for definition of non-IFRS terms

Lower raw material costs, Chinese exports, and weather factors impacted key markets and continue exerting a downward pressure on phosphate prices over Q2

Phosphate price (KSA price index FOB), in USD / tonne, 2017- Q2 2019



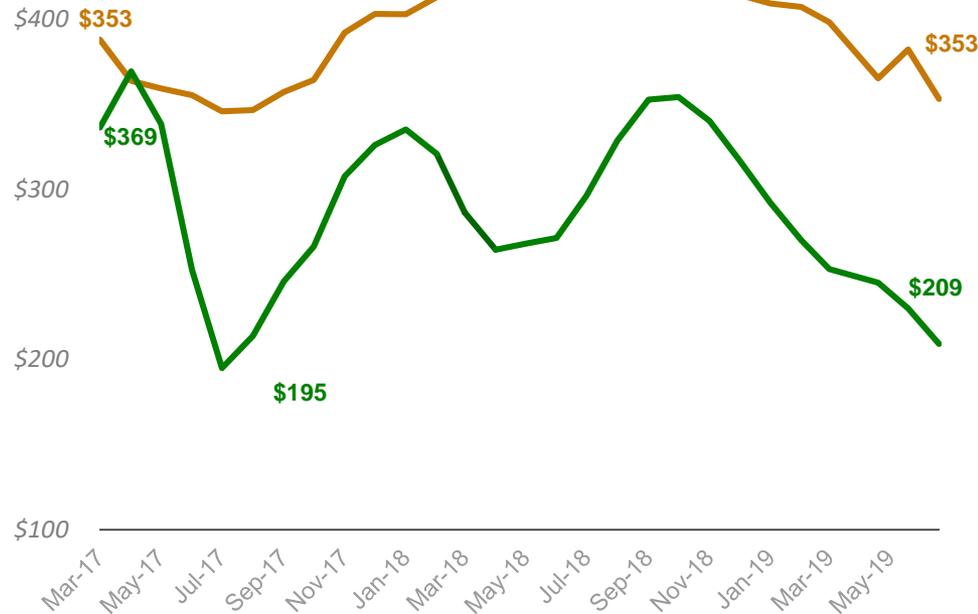
Key takeaways

DAP

Ammonia

USD / T

\$500



— DAP — Ammonia

Phosphate Fertilizer

- Phosphate prices in Q2-19 averaged 8% lower than Q1-19
- China local market was slow in Q1/Q2-19; therefore Chinese producers pushing product aggressively into all available outlet
- Unfavorable weather in the US, South Africa, and Australia impacted fertilizer application
- India market started Kharif Season (Q2) with high stocks however, monsoon progress & subsidy will shape the demand level going in Q3
- Brazil market was bearish during Q2 and Phosphate prices were on downward trends; crop prices were also under pressure (soybean declined by 5% in Q2 Vs. Q1)

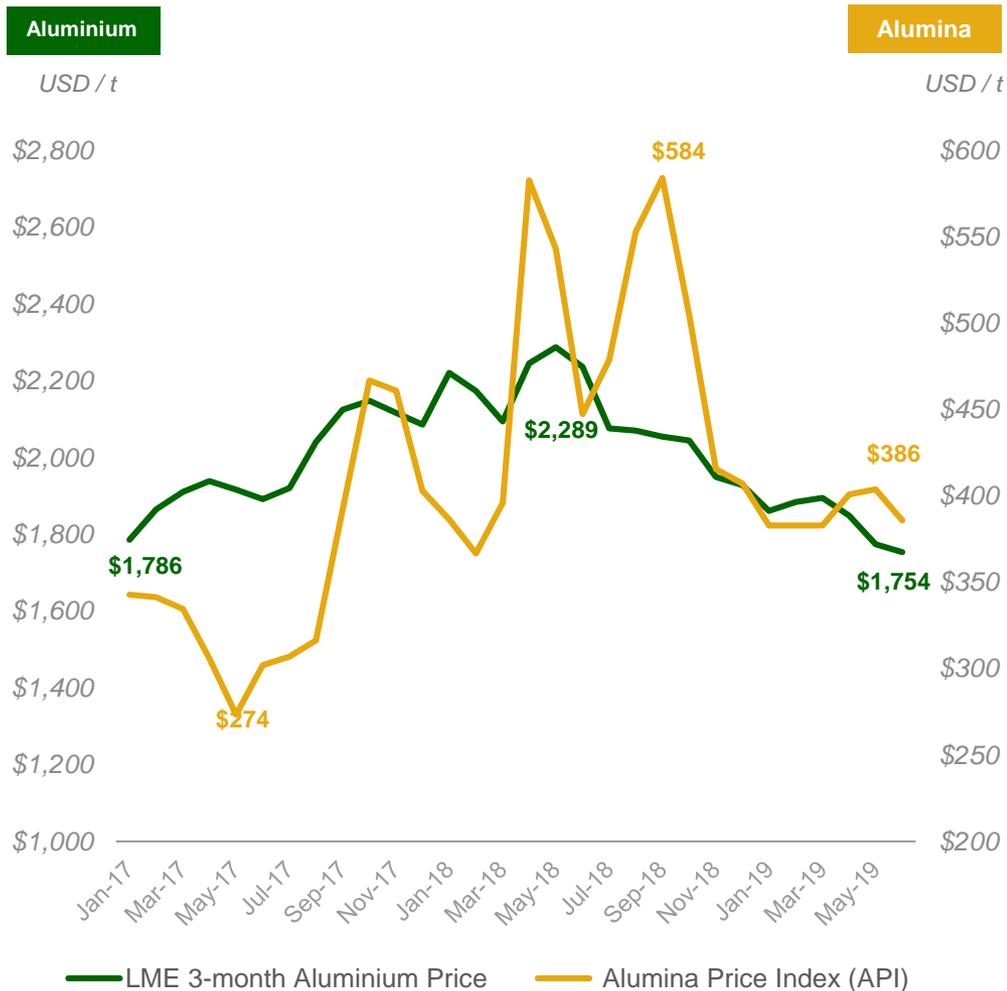
Ammonia

- Ammonia prices in Q2-19 averaged lower than Q1-19 by ~18% due to weak demand from fertilizers and industrial users
- Continued reduction in raw material costs (Sulphur & Ammonia) is providing an ongoing relief to overall cash costs for Phosphate producers.

Source: Fertecon & FMB

Longer term outlook on demand and supply favorable for aluminium but trade and economic concerns keeping pressure on prices

Alumina and Aluminium prices, in USD / tonne, 2017- Q2 2019



Key takeaways

Aluminium

- Aluminium price in Q2-19 lower by 3.3% compared to Q1-19, pulled down by low demand and uncertainties over US-China trade war.
- More stimulus is expected for the infrastructure sector in China and the restart of trade talks between the US and China post G20 summit, can impact prices.
- Demand remains the main driver for aluminium price for rest of the year. Key risks to global growth remains around trade policy and growth in China.

Alumina

- Alumina prices down in Q2-19 by 6.5%. The Brazilian refinery (Alunorte) is returning to full capacity as well as additional capacity in China and the Middle East were the key factor for the price softening.

Source: Ma'aden Aluminium SBU Analysis

Gold strengthened on weakening dollar and economic uncertainty

Gold and copper prices, in USD / oz and USD / tonne, 2017-Q2 2019



Key takeaways



Gold

After weakening in early 2019, gold strengthened during the latter part of Q2 and the US dollar weakened as signs of more optimism on U.S. growth emerged.

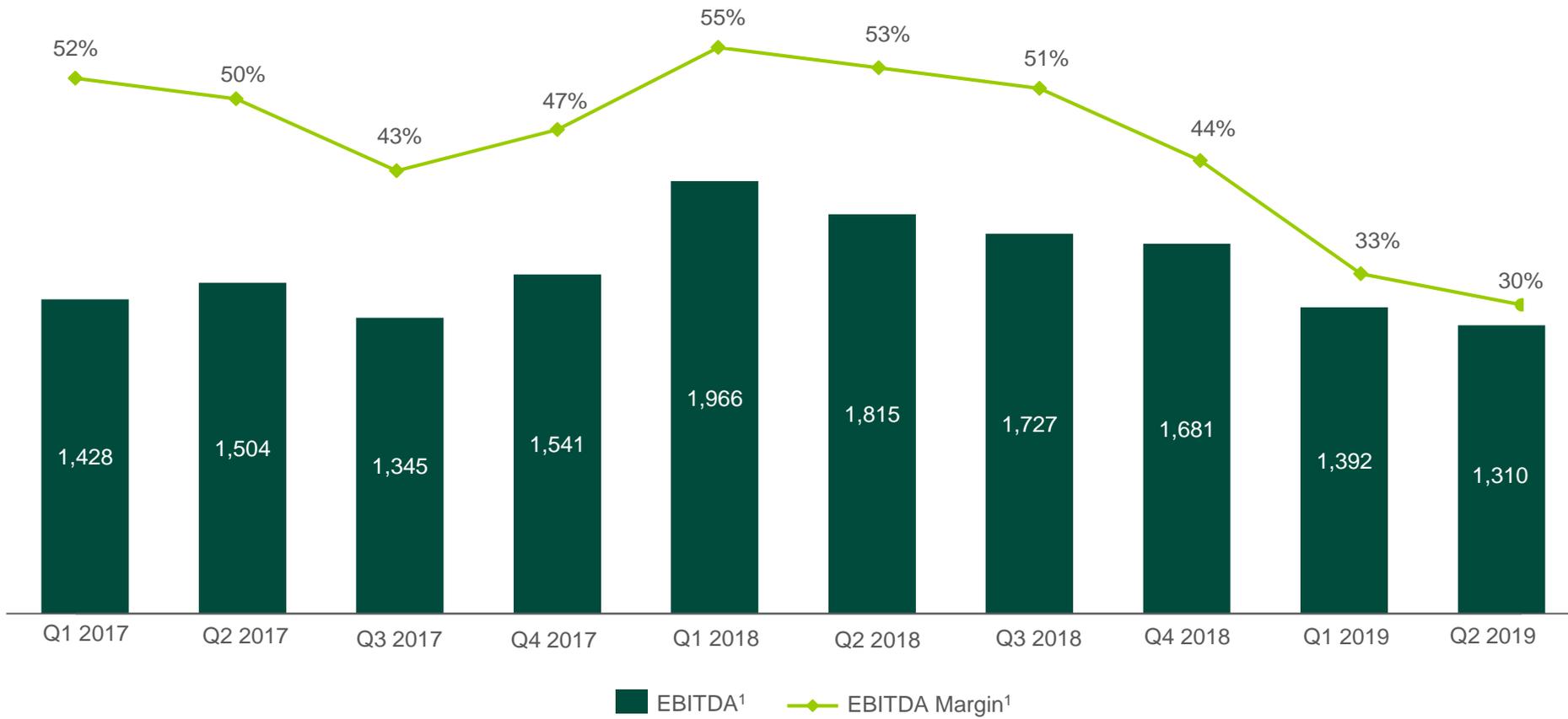
Copper

The copper market is still expected to see a supply deficit for 2019 although expectations for recovery from the lows of late 2018 continue to be impacted by slower short term demand growth.

Source: World Bank

Profitability remained strong but falling commodity prices over the last 12 months have squeezed margins

Quarterly EBITDA in million SR and margin in % (2017-2019)



¹ see appendix for definition of non-IFRS terms



Ali S. Al-Qahtani

Chief Financial Officer



Consolidated sales and EBITDA by segment - quarterly

Consolidated

	Q2-19	vs. Q2-18	vs. Q1-19
Sales (SAR mn)	4,301	↑ 26%	↑ 1%
EBITDA (SAR mn)	1,310	↓ -29%	↓ -6%
EBITDA Margin (%)	30%	↓ -23%	↓ -2%

Phosphate

	Q2-19	vs. Q2-18	vs. Q1-19
Sales (SAR mn)	2,098	↑ 41%	↑ 1%
EBITDA (SAR mn)	574	↓ -21%	↓ -30%
EBITDA Margin (%)	27%	↓ -21%	↓ -12%

44% of Group EBITDA

Aluminium

	Q2-19	vs. Q2-18	vs. Q1-19
Sales (SAR mn)	1,782	↑ 24%	0%
EBITDA (SAR mn)	605	↓ -27%	↑ 36%
EBITDA Margin (%)	34%	↓ -24%	↑ 9%

46% of Group EBITDA

Gold

	Q2-19	vs. Q2-18	vs. Q1-19
Sales (SAR mn)	420	↓ -15%	↑ 10%
EBITDA (SAR mn)	131	↓ -54%	↓ -1%
EBITDA Margin (%)	31%	↓ -26%	↓ -4%

10% of Group EBITDA

Note (1): see appendix for definition of non-IFRS terms

Note (2): Corporate functional department costs and other expenses not directly related to SBUs were allocated proportionately based on revenue share of each segment

Net loss in Q2-19 was mainly due to decrease in realized prices, increase in operating costs, depreciation and finance cost driven by MWSPC and MRC commercial operations

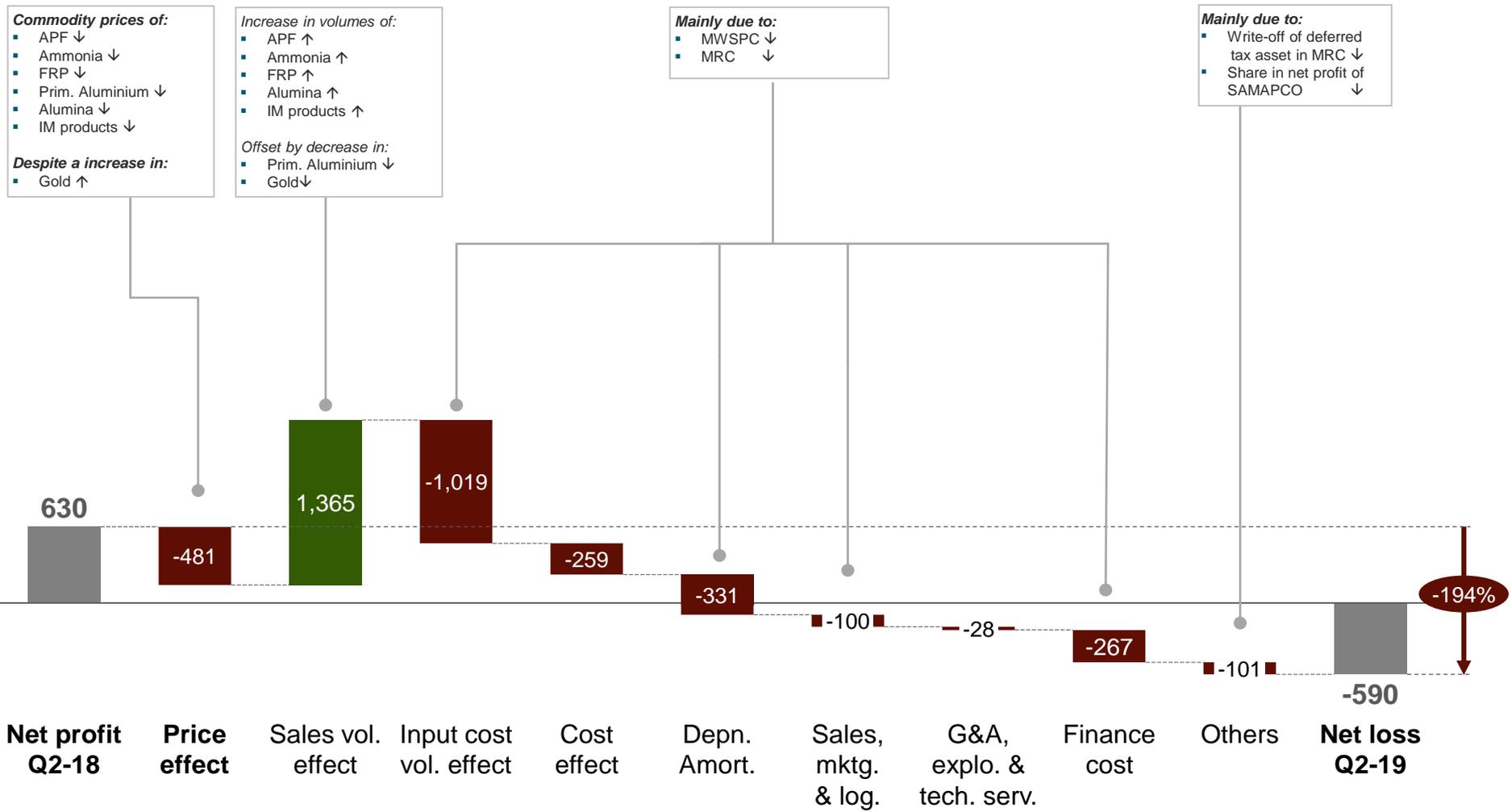
Movement in net profit by line items - quarterly (y-o-y)

- Commodity prices of:**
- APF ↓
 - Ammonia ↓
 - FRP ↓
 - Prim. Aluminium ↓
 - Alumina ↓
 - IM products ↓
- Despite a increase in:**
- Gold ↑

- Increase in volumes of:**
- APF ↑
 - Ammonia ↑
 - FRP ↑
 - Alumina ↑
 - IM products ↑
- Offset by decrease in:**
- Prim. Aluminium ↓
 - Gold ↓

- Mainly due to:**
- MWSPC ↓
 - MRC ↓

- Mainly due to:**
- Write-off of deferred tax asset in MRC ↓
 - Share in net profit of SAMAPCO ↓



Net loss in Q2-19 was mainly due to decrease in realized prices

Movement in net profit/ loss by line items - quarterly (q-o-q)

Commodity prices:

- APF ↓
- Ammonia ↓
- FRP ↓
- Prim. Aluminium ↓
- IM products ↓

Despite a increase in:

- Gold ↑
- Alumina ↑

Increase in volumes of:

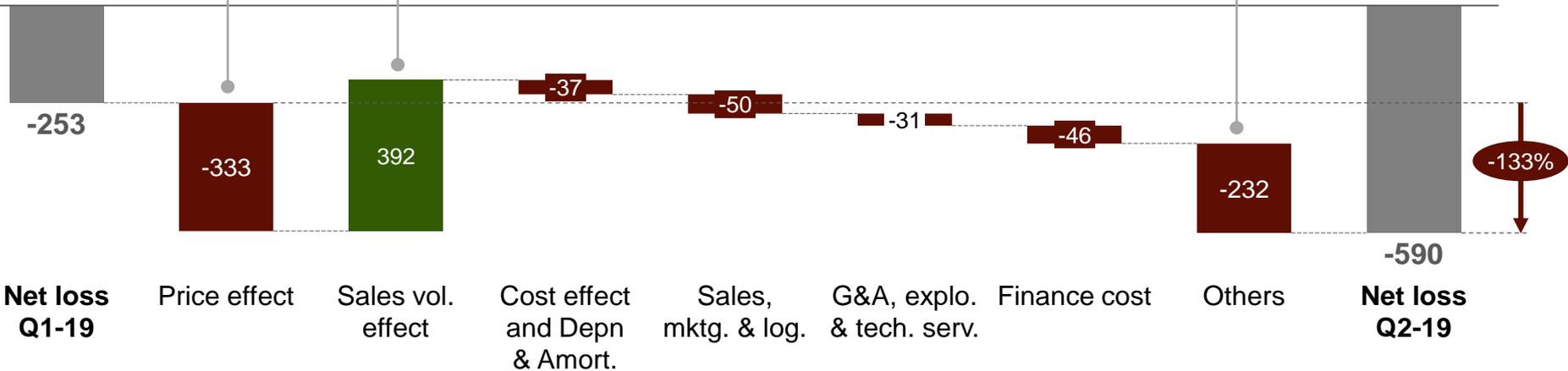
- APF ↑
- Prim. Aluminium ↑
- FRP ↑
- Gold ↑
- Alumina ↑
- IM products ↑

Offset by decrease in:

- Ammonia ↓

Mainly due to:

- Write-off of deferred tax asset in MRC ↓
- Share in net profit of SAMAPCO ↓



Consolidated statement of profit or loss

SRmn

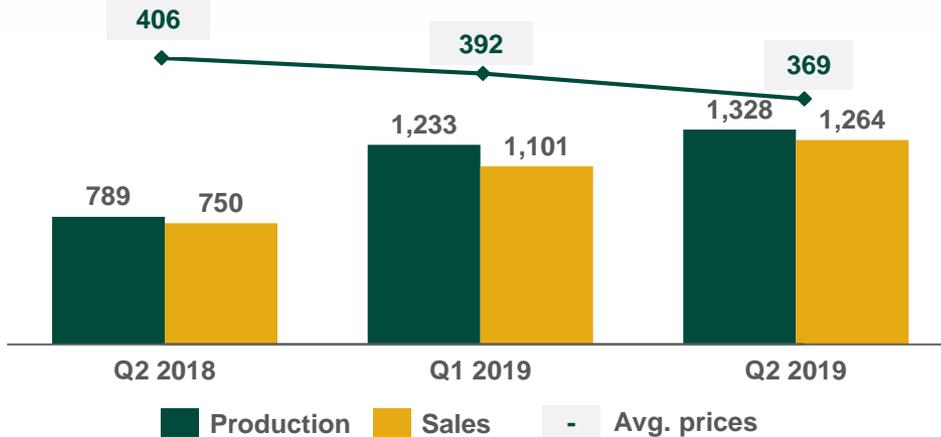
Comparative P&L - quarterly

	Q2-19	Q1-19	Q2-18	Q2-19 vs. Q1-19		Q2-19 vs. Q2-18	
				SR	%	SR	%
Sales	4,301	4,241	3,416	 59	1%	 884	26%
Cost of sales	-3,785	-3,748	-2,176	 -37	1%	 -1,609	74%
Gross profit	515	493	1,240	 22	4%	 -725	-58%
<i>Gross profit margin%</i>	<i>12%</i>	<i>12%</i>	<i>36%</i>				
Selling, marketing and logistic expenses	-170	-120	-70	 -50	42%	 -100	143%
General and administrative expenses	-114	-94	-101	 -20	22%	 -13	13%
Exploration and technical services expenses	-39	-28	-24	 -11	40%	 -14	59%
Reversal / (impairment) of non-current assets, net							
Operating profit	193	252	1,045	 -59	-23%	 -853	-82%
<i>Operating profit margin%</i>	<i>4%</i>	<i>6%</i>	<i>31%</i>				
Share in net profit of jointly controlled entity	9	95	26	 -86	-91%	 -18	-67%
Income from time deposits	55	60	26	 -5	-8%	 29	12%
Finance cost	-667	-620	-400	 -46	7%	 -267	67%
Other income / (expense)	6	3	7	 3	87%	 -1	-16%
Profit/ loss before zakat and income tax	-404	-211	705	 -193	-92%	 -1,109	-157%
Zakat and income tax expense	-186	-42	-75	 -144	343%	 -111	147%
Profit/ loss for the period	-590	-253	630	 -337	-133%	 -1,220	-194%
<i>Profit %</i>	<i>-14%</i>	<i>-6%</i>	<i>18%</i>				
Profit attrib. to shareholders' of the parent co.	-244	-127	518	 -116	-92%	 -761	-147%
Non-cont. interest's share of the period's profit	-347	-126	112	 -221	-176%	 -459	-409%
<i>EPS (SR)</i>	<i>-0.20</i>	<i>-0.10</i>	<i>0.44</i>	 -0.1	-101%	 -0.6	-145%

Operational performance

Phosphate performance

Ammonium phosphate fertilizer (in kt and USD / ton)



Key takeaways



Ammonium phosphate fertilizers



Production: 1,326 kt

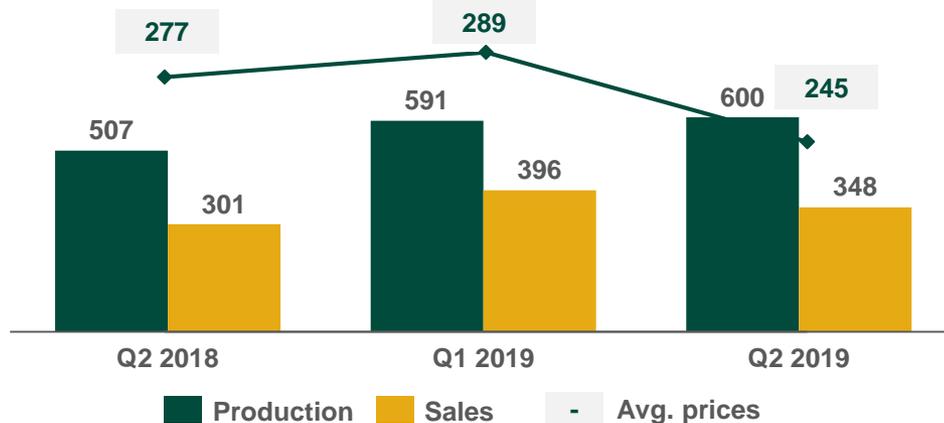
- an increase of 68% over Q2-18
- an increase of 8% over Q1-19

Q2-18 production does not include MWSPC production as it was not in commercial operation

Ammonia (in kt and USD / ton)



Ammonia



Ammonia production: 600 kt

- 18% higher than Q2-18
- 2% higher than Q1-19

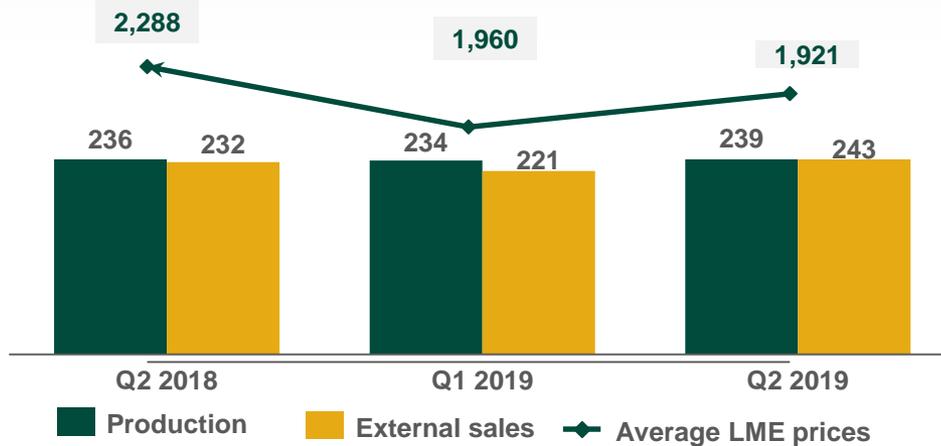
Q2-18 production was lower due to Amm-1 turnaround maintenance shutdown

Aluminium Performance

Aluminium (in kt and USD / tonne)



Key takeaways



Production volume of aluminium

Production: 243 kmt

- an increase of 1% (2.9kmt) over Q2-18
- an increase of 2% (4.3kmt) over Q1-19

Aluminium production is gradually increasing because of additional supply of metal from the ramp up of the can recycling plant and smelting lines.



Production volume of alumina

Production: 465 kmt

- an increase of 2% (10.7kmt) over Q2-18
- an increase of 7% (30 kmt) over Q1-19

Alumina production is steadily increasing due to higher plant stability.

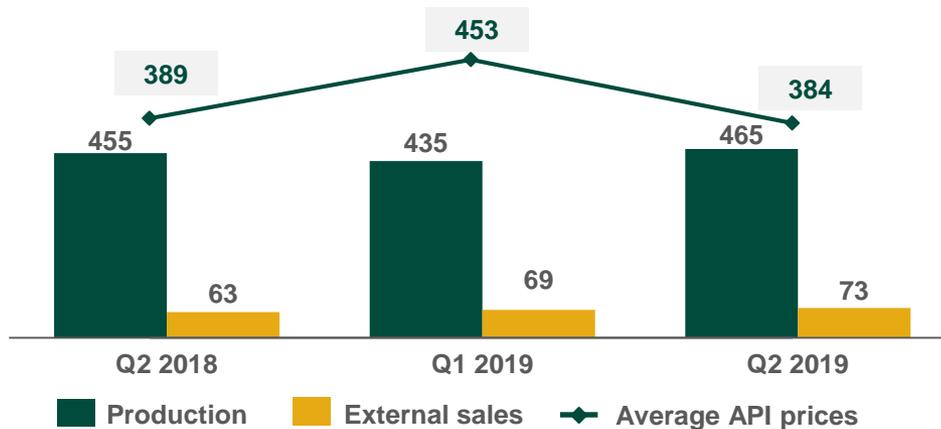


Production Flat-rolled products

Production: 68kmt

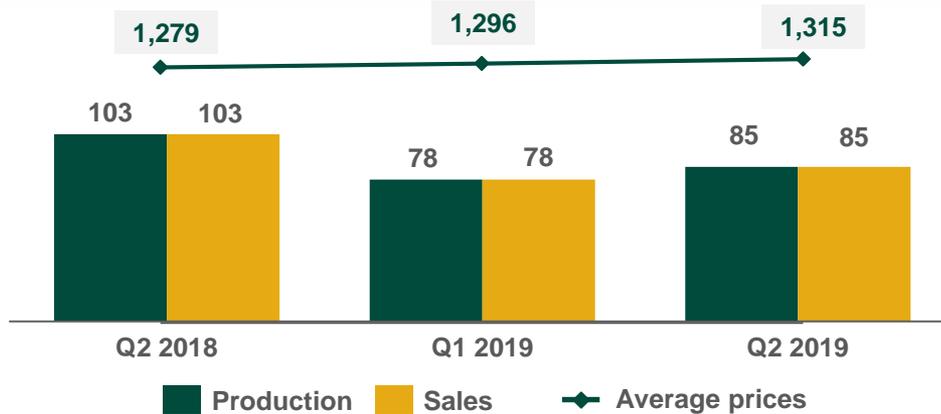
- a decrease of 7% (5kmt) over Q1-19

Alumina production (in kt and USD / tonne)



Gold and copper Performance

Gold (in thousand ounces and USD / ounce)



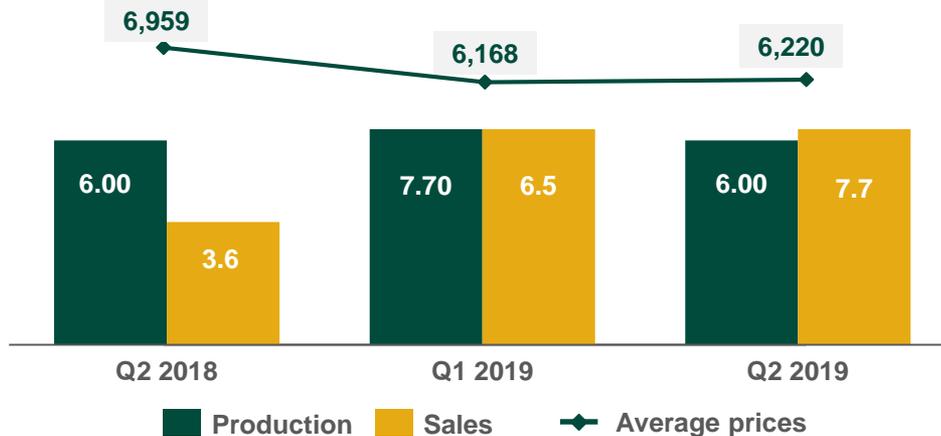
Key takeaways



Production volume of gold

- Decreased by 18koz y-o-y due to lower Au. grade of processed ore at Ad Duwayhi and As Suq, lower mill throughput at Sukhaybarat/Bulghah and Al Amar, and lower than planned mill availability at Ad Duwayhi and Sukhaybarat/Bulghah
- Increased by 7koz q-o-q due to planned lower waste stripping requirements and higher Au recovery at Ad Duwayhi

Copper (in kt and USD / tonne)¹



Production volume of copper

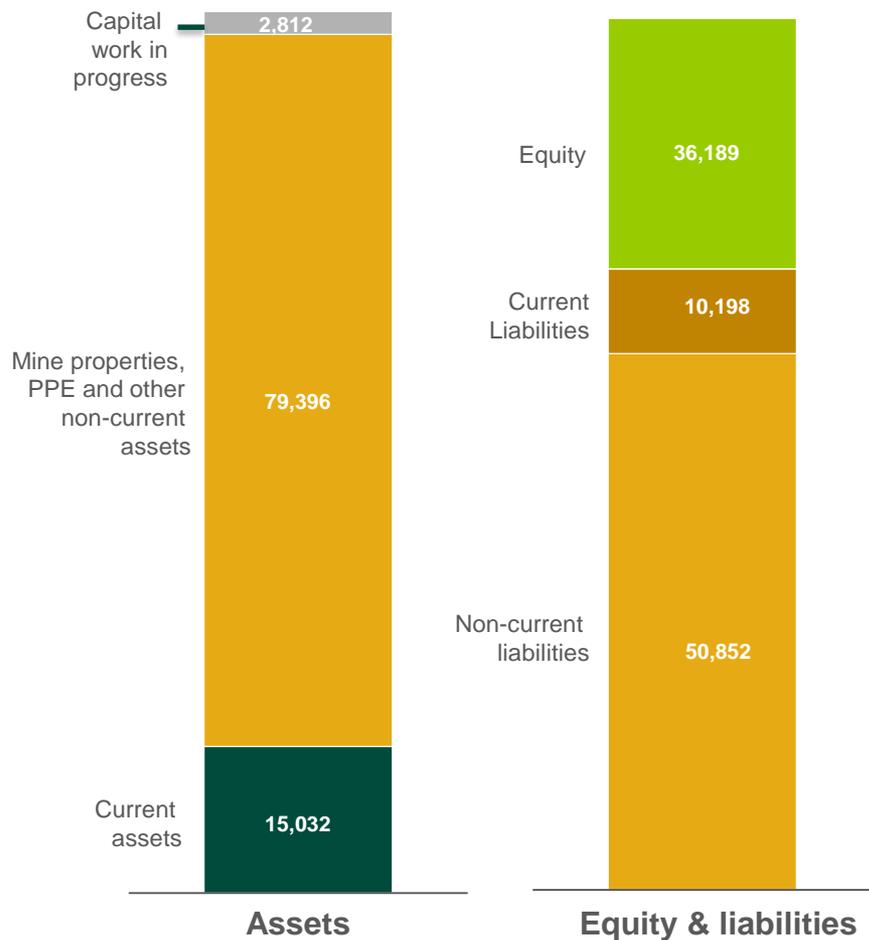
- Increased 1.45kt y-o-y due to higher mill throughput, resulting in higher production

Note (1): Ma'aden attributable production & sales @ 50%

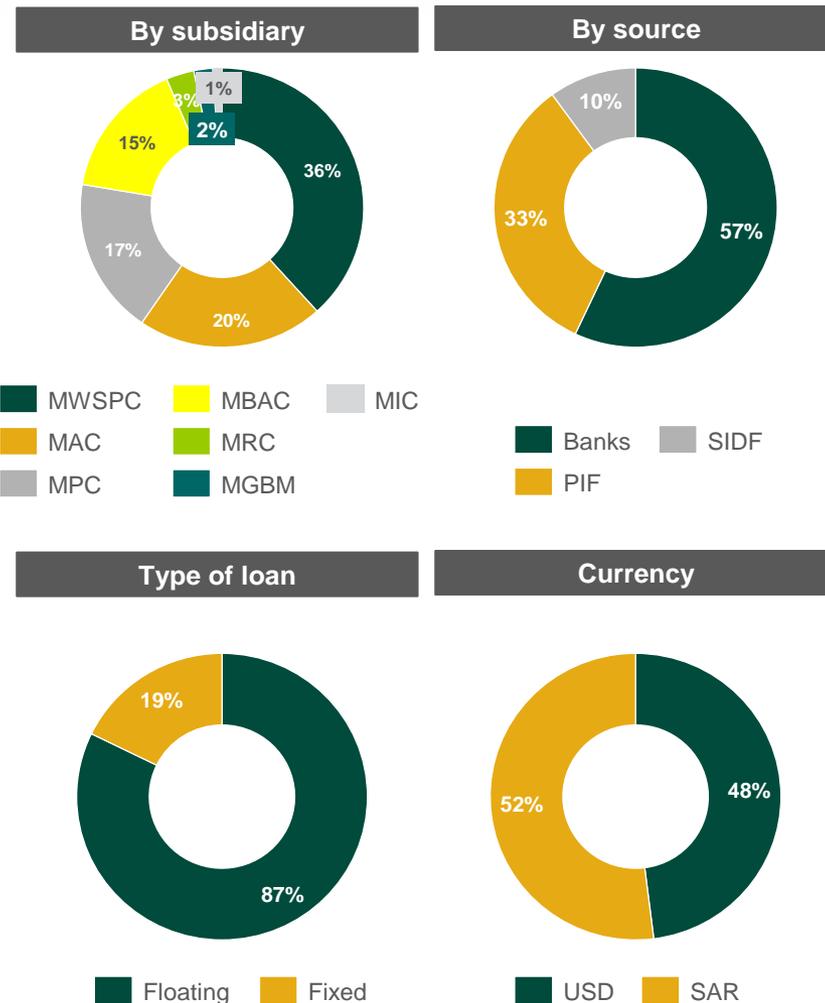
Financial position

Financial position at 30 June 2019

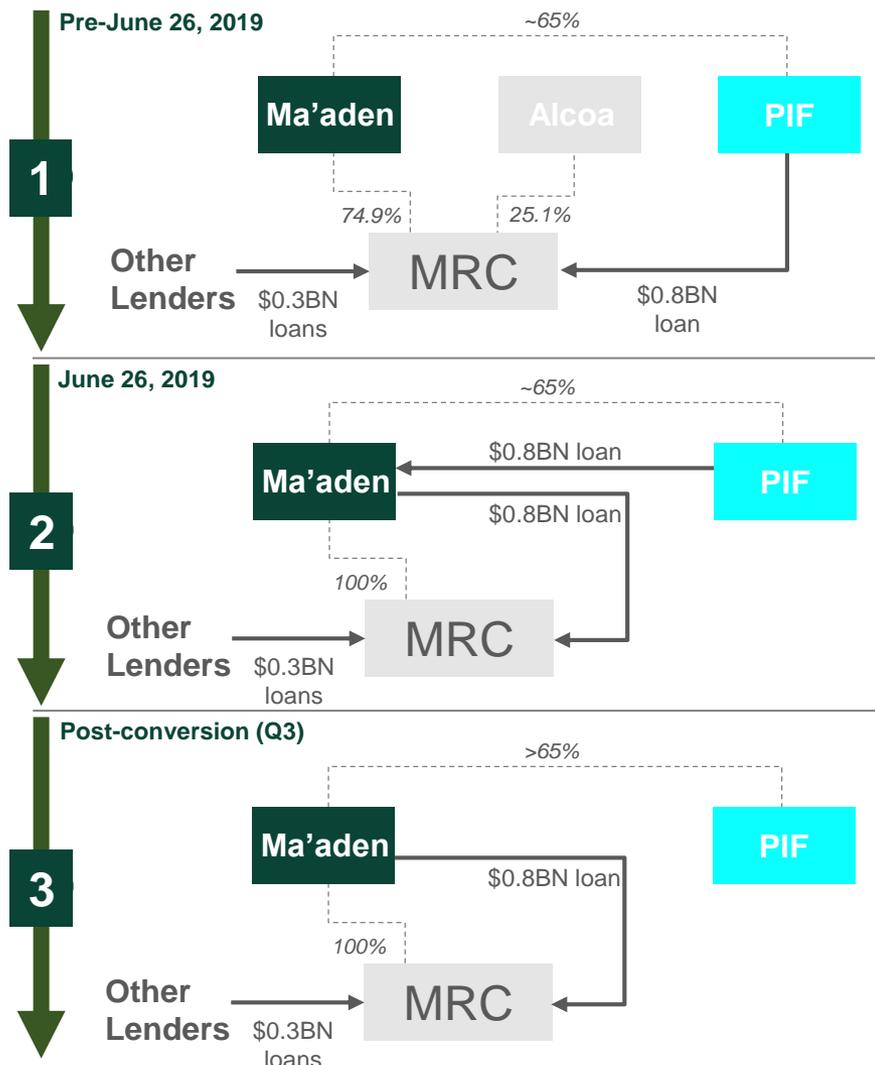
Balance sheet (in mn SAR)



Long-term borrowings (in %)



Restructuring of our aluminium rolling business will improve the sustainability of the business and reduce Ma'aden's overall leverage



MRC Capital Structure

Equity	SR2,570 mn	SR5,556 mn
External Debt	SR4,570 mn	SR1,584 mn
	<i>Pre-restructuring</i>	<i>Post-restructuring</i>

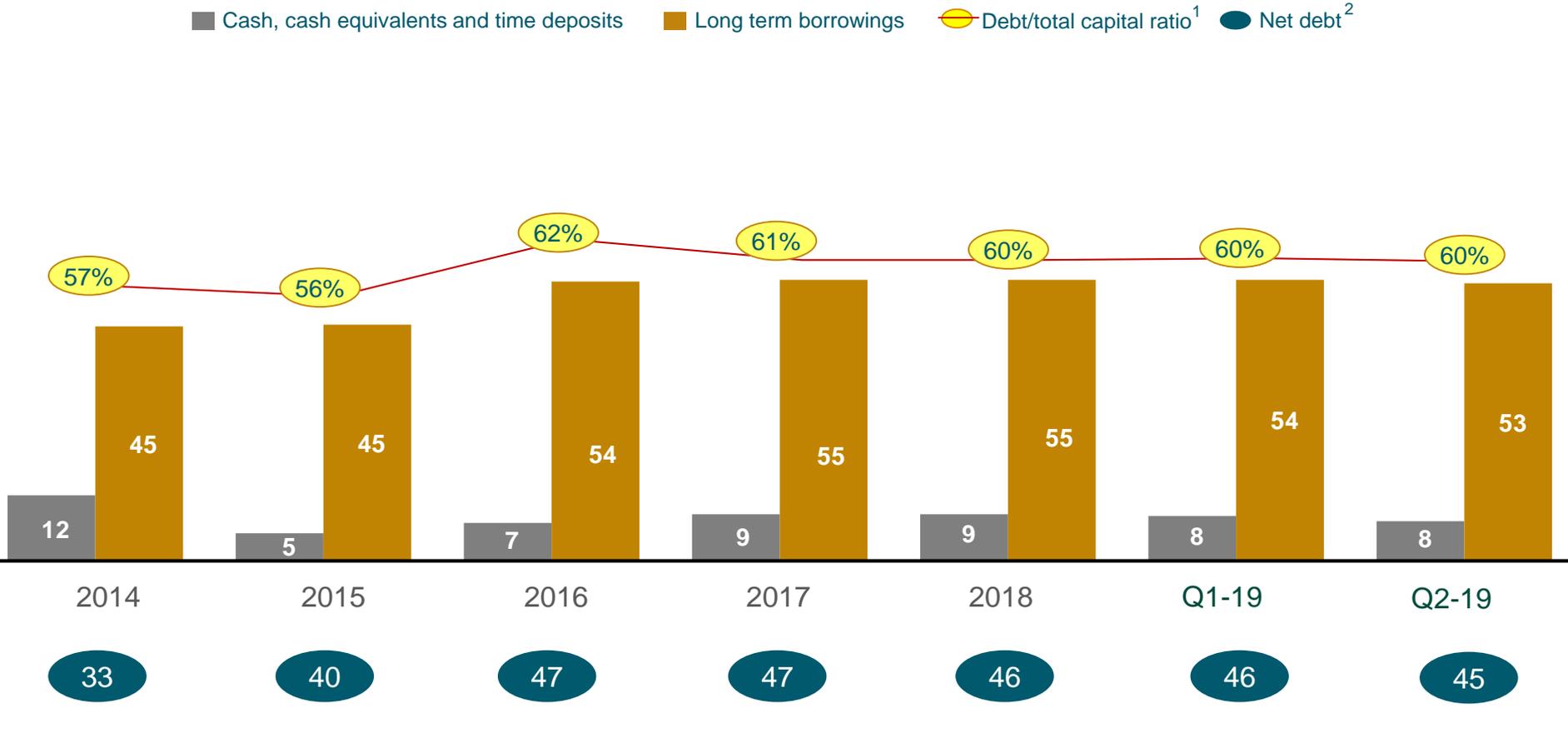
Ma'aden Capital Structure

Net Debt	SR46 bn	SR43 bn
Net Debt:EBITDA ¹	7.6x	7.1x
	<i>Pre-restructuring</i>	<i>Post-restructuring</i>

Cash and long term borrowings

SRbn

5 year historical data



¹ Long term borrowings / (long term borrowings + total equity) ² Long term borrowings – cash equivalents and short term investments

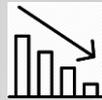
Summary

Strong Production Performance



- MWSPC steadily overcoming commissioning technical challenges
- MRC continues to progress well in expanding its market reach
- Overall, solid performance by aluminium and phosphate sectors
- Gold showed lower production but on track to meet 2019 production target

Weak Commodity Markets



- Continued deterioration in phosphate and ammonia markets with limited sign of recovery
- Aluminium has strengthened recently but major recovery appears unlikely given demand uncertainty
- Conversely, gold is benefiting from uncertainty

Growth Investments Progressing



- Ammonia-3 project progressing within approved schedule and budget
- Mansourah / Masarrah gold project contract signed and ground breaking in Q3
- Closure of Meridian acquisition progressing well and expected in Q3

Financially Robust



- Restructuring of aluminium rolling business will establish MRC on a sound footing from which to grow
- Group remains liquid and well prepared to endure downturn in prices but continue with attractive growth projects

Q&A

Appendix

Sales summary

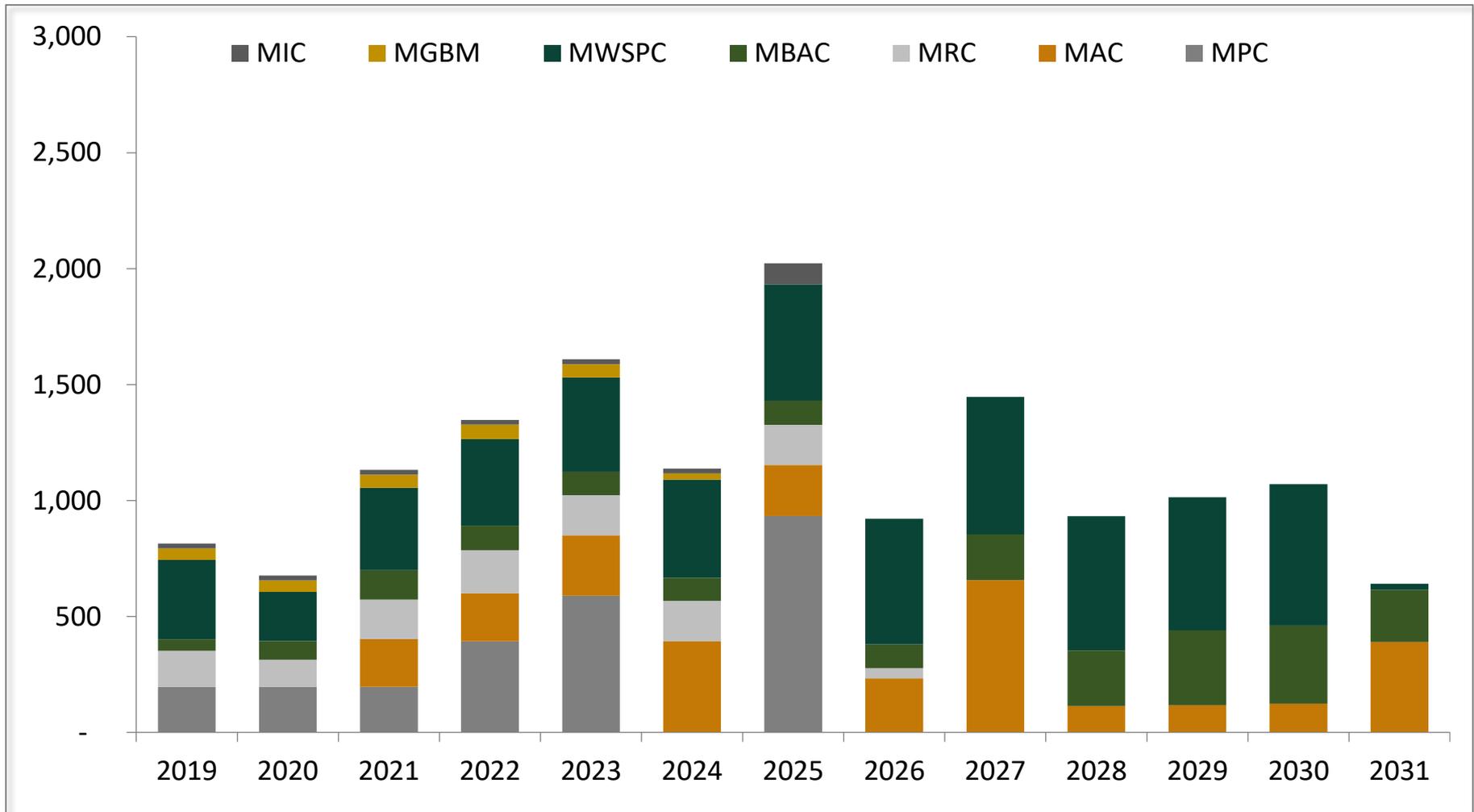
Particulars <i>in thousand tonnes (except as mentioned)</i>	Q2-18	Q1-19	Q2-19
Phosphate business			
Ammonium phosphate fertilizer	750	1,101	1,264
Ammonia	301	396	348
Aluminium business			
Alumina	63	69	73
Primary Aluminium	151	126	146
Precious and base metals business			
Gold ('000 ounces)	103	78	85
Copper¹ (Mt)	3.6	6.5	7.7

Note (1): Ma'aden attributable share

Debt repayment profile

Schedule debt repayment profile, in mn USD

USD Millions



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- **Debt / Total Capital** = (Long-term borrowings + Current portion long-term borrowings) / (Long-term borrowings + Current portion of long-term borrowings + Total equity)
- **Operating Cashflow** = Net cash generated from operating activities
- **EBITDA** Earnings before interest, tax, depreciation and amortization, impairment and asset write offs.
- **EBITDA Margin:** Underlying EBITDA / Sales
- **Net Debt** = (Short-Term Debt + Long-Term Debt) - Cash and Cash Equivalent



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Thank You!

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