Saudi Arabian Mining Company (Ma’aden)

Earnings Conference Call – End of year 2018

MA'ADEN معادن
Saudi Arabian Mining Company شركة التعدين العربية السعودية

27 January 2019

Reem M. Asaad
Head of Investor Relations

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Some of the financial information included in this presentation is derived from Ma'aden consolidated financial statements but are not terms defined within the International Financial Reporting Standards (IFRS) as applied In the Kingdom of Saudi Arabia. Such information is provided as the Company believes they are useful measures for investors. A reconciliation of this information with the consolidated financial statements is included in the presentation.

Darren C. Davis

President & Chief Executive Officer

Record operational and financial performance in 2018

PRODUCTION

- 3,170K tonnes of ammonium phosphate fertilizer, up 11% y-o-y
- 2,246K tonnes of ammonia, down 4% y-o-y
- 932K tonnes of primary aluminium, up 2% y-o-y
- 1,774K tonnes of alumina, up 20% y-o-y
- 25K tonnes of flat rolled products
- 415K ounces of gold, up 25% y-o-y

RECORD FINANCIAL PERFORMANCE

- SAR 14,171 million of revenues, up 17% y-o-y
- SAR 5,102 million of gross profit, up 30% y-o-y
- SAR 7,170 million of EBITDA[1], up 23% y-o-y
- SAR 2,246 million of net profit up 186% y-o-y

SUPPORTIVE MARKET CONDITIONS

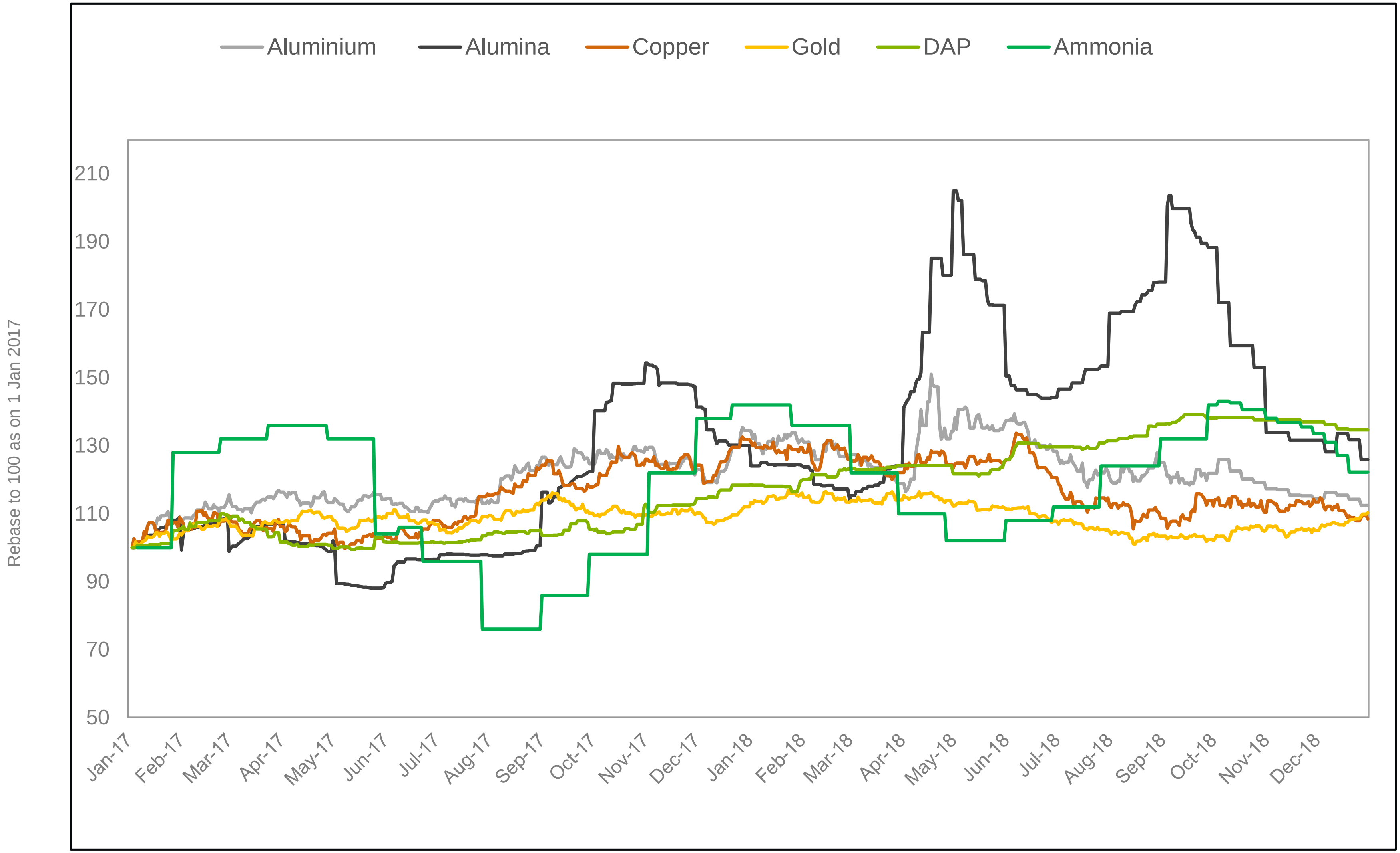
- Phosphate benefited from sustained product prices through the year
- Aluminium prices began the year strongly but some weakness emerged in Q4
- Alumina enjoyed a very strong year and prices remain elevated
- Gold recovered later in the year after early weakness
- Copper remained under pressure

OUTLOOK

- Global economic outlook turning negative and aluminium and copper would be particularly vulnerable if an economic slowdown gains pace
- We still have growth opportunities but will invest cautiously

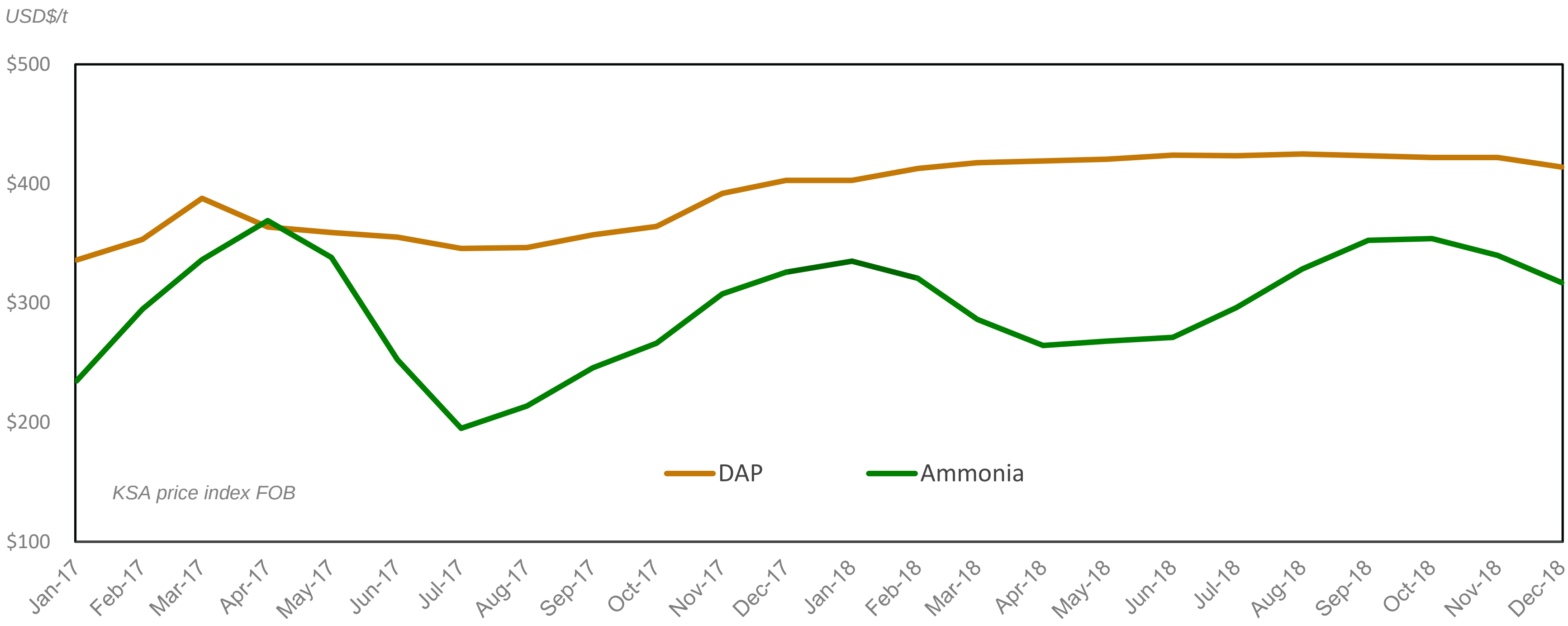
1 see appendix for definition of non-IFRS terms

Commodity prices generally higher than 2017 but volatility remained high and upward trend reversed in second half



Phosphate prices remained above 2017 but some softening seen in Q4 due to seasonal factors

- DAP prices in 2018 averaged 16% higher than 2017 due to healthy demand and slower growth in supply
- Downward price pressure in key phosphate markets resulted in ~5% decline in Q4 price as compared to the price at the end of Q3 due to the usual seasonal slow down in demand in key markets of South Asia and Latin America
- Chinese domestic market pick-up was slower than normal due to higher prices
- Ammonia prices averaged higher in 2018 and avoided the lows of 2017 although late Q4 saw falling prices due to weak fertilizer and industrial demand

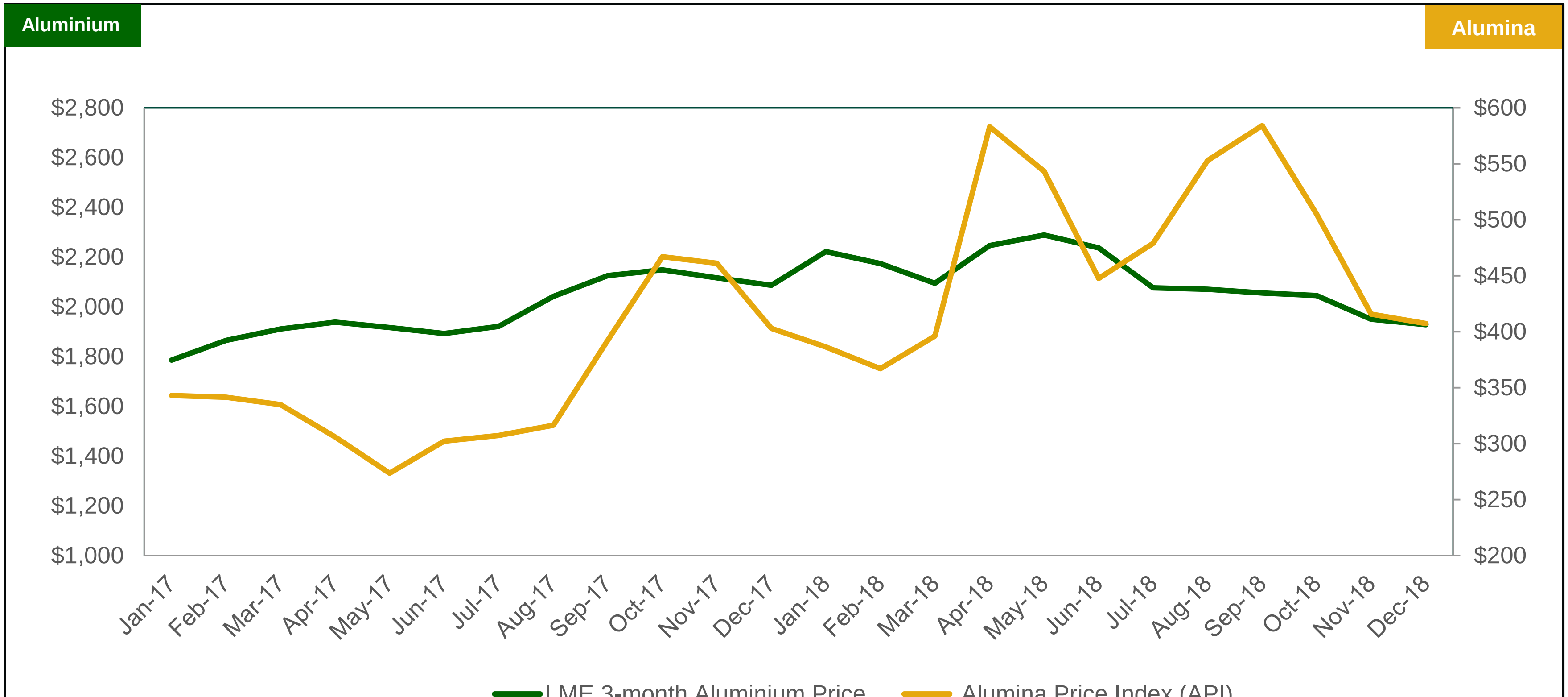


Source: Fertecon & FMB

Continued volatility in the aluminum sector

- Aluminium price averaged 7% higher in 2018 versus 2017 driven by healthy demand and more discipline on the supply side
- Trade tensions and the impact of sanctions also played an important role in price volatility during the year wit the former helping to push prices down by 4% in Q4 versus Q3
- Alumina prices supported both by sanctions impact and significant supply disruptions
- Prices have been volatile and remain elevated even after coming off of the highs of Q2 and Q3

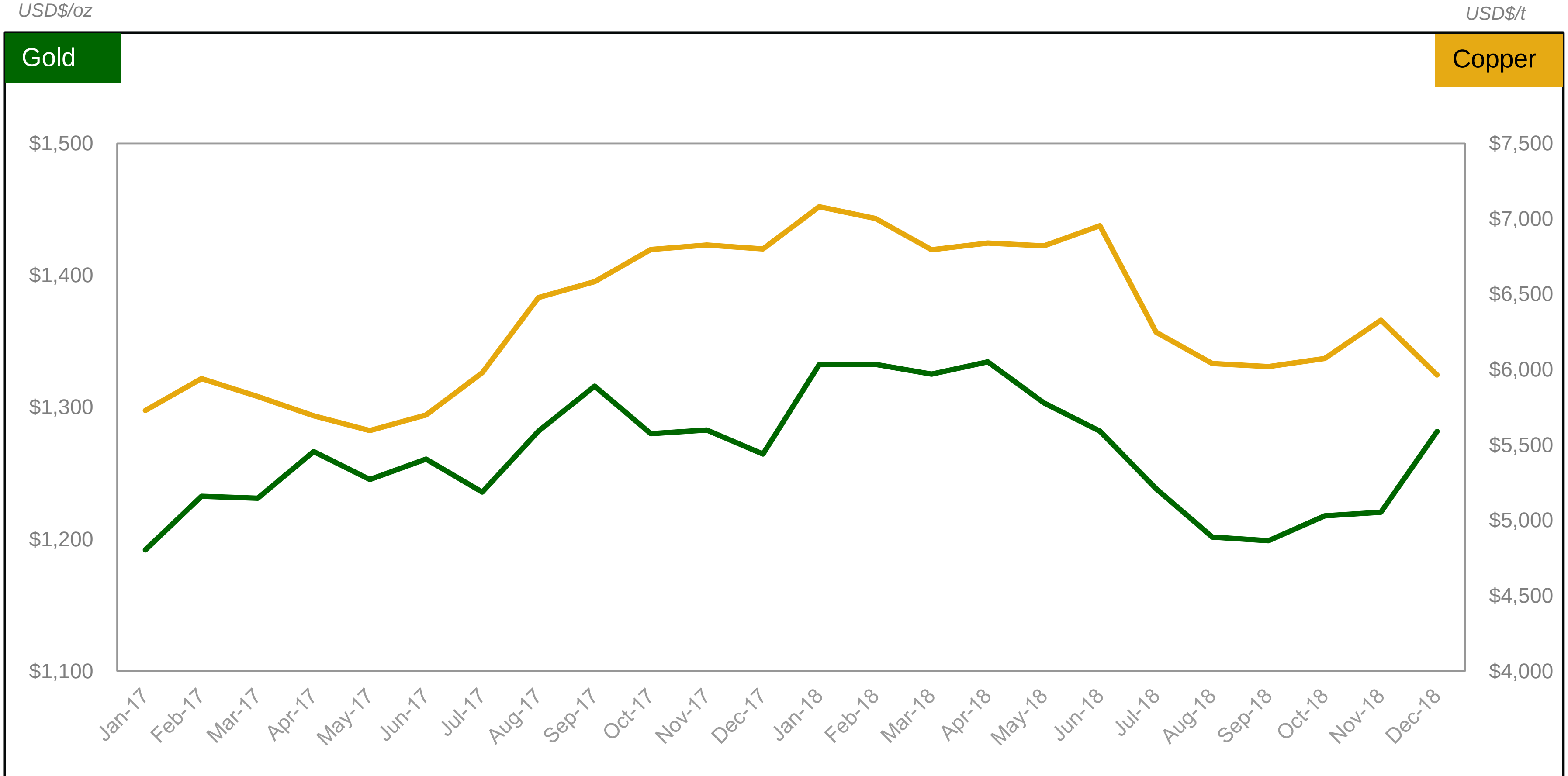
USD$/t



Source: Ma'aden Aluminium SBU Analysis

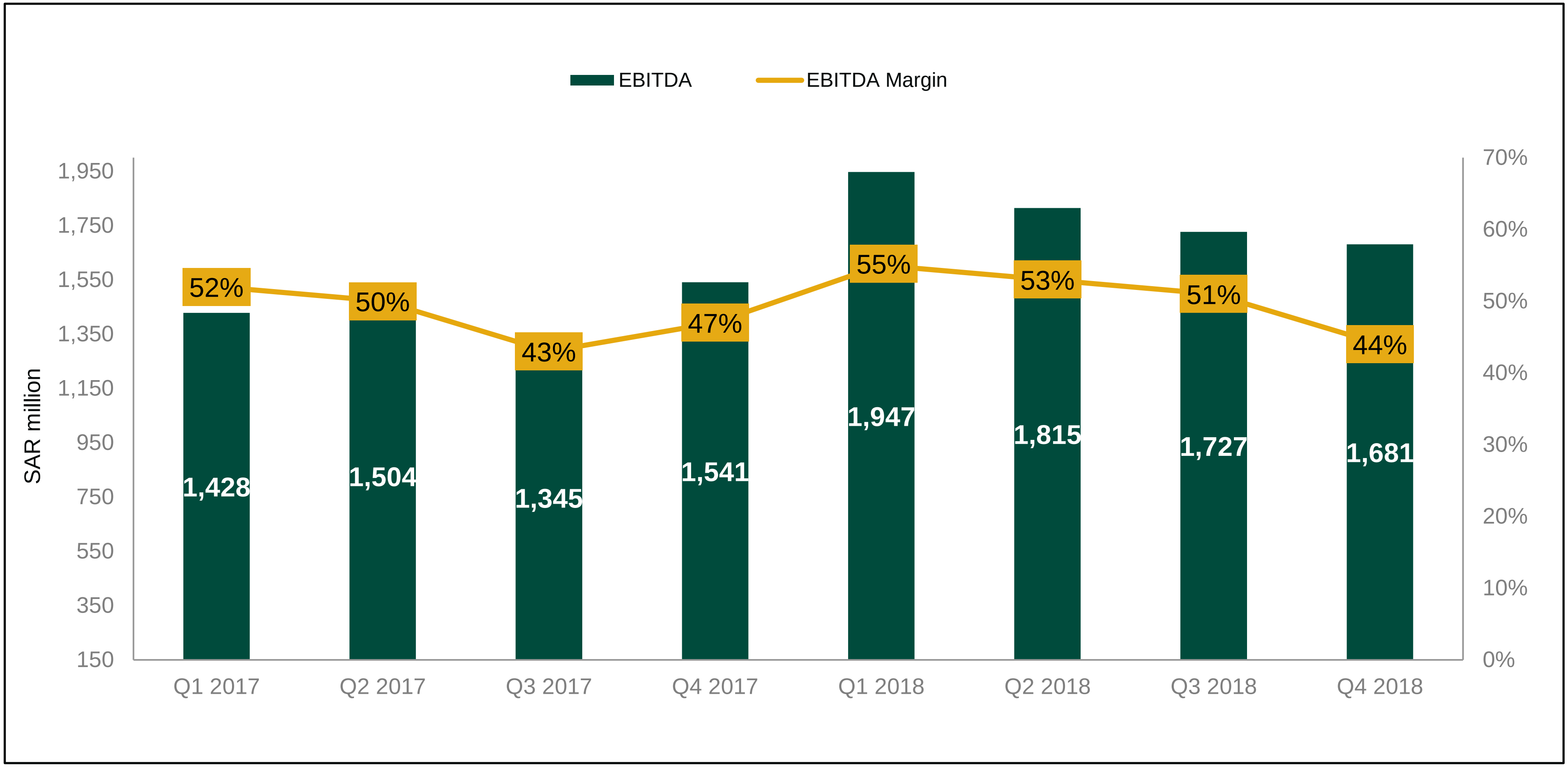
Both gold and copper prices under pressure

- Gold prices averaged 12% higher in 2018 versus 2017
- Prices trended lower for most of the year but recovered in Q4 off the back of renewed fears over the global economy
- Copper prices averaged 6% higher in 2018 versus 2017 but prices weakened later in the year driven by concerns over demand, particularly from China
- Growing concerns over the global economic outlook ensured continued pressure on the price in Q4



Source: World Bank

Profitability remained strong but falling commodity prices during the year squeezed margins



Ali S. Al-Qahtani
Chief Financial Officer

Consolidated sales and EBITDA by segment - quarterly

Consolidated

	Q4-18	vs. LY Qtr.	vs. Prev. Qtr.
Sales (SRmn)	3,825	18%	13%
EBITDA* (SRmn)	1,681	6%	-3%
EBITDA margin	*44%*	-5%	-7%

Phosphate

	Q4-18	vs. LY Qtr.	vs. Prev. Qtr.
Sales (SRmn)	1,890	43%	27%
EBITDA* (SRmn)	853	55%	18%
EBITDA margin	*45%*	3%	-4%

47% of Group EBITDA

Aluminium

	Q4-18	vs. LY Qtr.	vs. Prev. Qtr.
Sales (SRmn)	1,490	8%	4%
EBITDA* (SRmn)	653	-13%	-21%
EBITDA margin	*44%*	-11%	-14%

43% of Group EBITDA

Gold

	Q4-18	vs. LY Qtr.	vs. Prev. Qtr.
Sales (SRmn)	444	-19%	-10%
EBITDA* (SRmn)	175	-38%	-33%
EBITDA margin	*39%*	-11%	-14%

10% of Group EBITDA

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

* see appendix for definition of non-IFRS terms

Consolidated sales and EBITDA by segment – full year

Consolidated

	YTD-18	vs. Prev. Yr.
Sales (SRmn)	14,171	17%
EBITDA* (SRmn)	7,170	23%
EBITDA margin	*51%*	3%

Phosphate

	YTD-18	vs. Prev. Yr.
Sales (SRmn)	6,526	20%
EBITDA* (SRmn)	3,157	28%
EBITDA margin	*48%*	4%

42% of Group EBITDA

Aluminium

	YTD-18	vs. Prev. Yr.
Sales (SRmn)	5,668	13%
EBITDA* (SRmn)	3,071	21%
EBITDA margin	*54%*	4%

44% of Group EBITDA

Gold

	YTD-18	vs. Prev. Yr.
Sales (SRmn)	1,976	24%
EBITDA* (SRmn)	943	18%
EBITDA margin	*48%*	-2%

14% of Group EBITDA

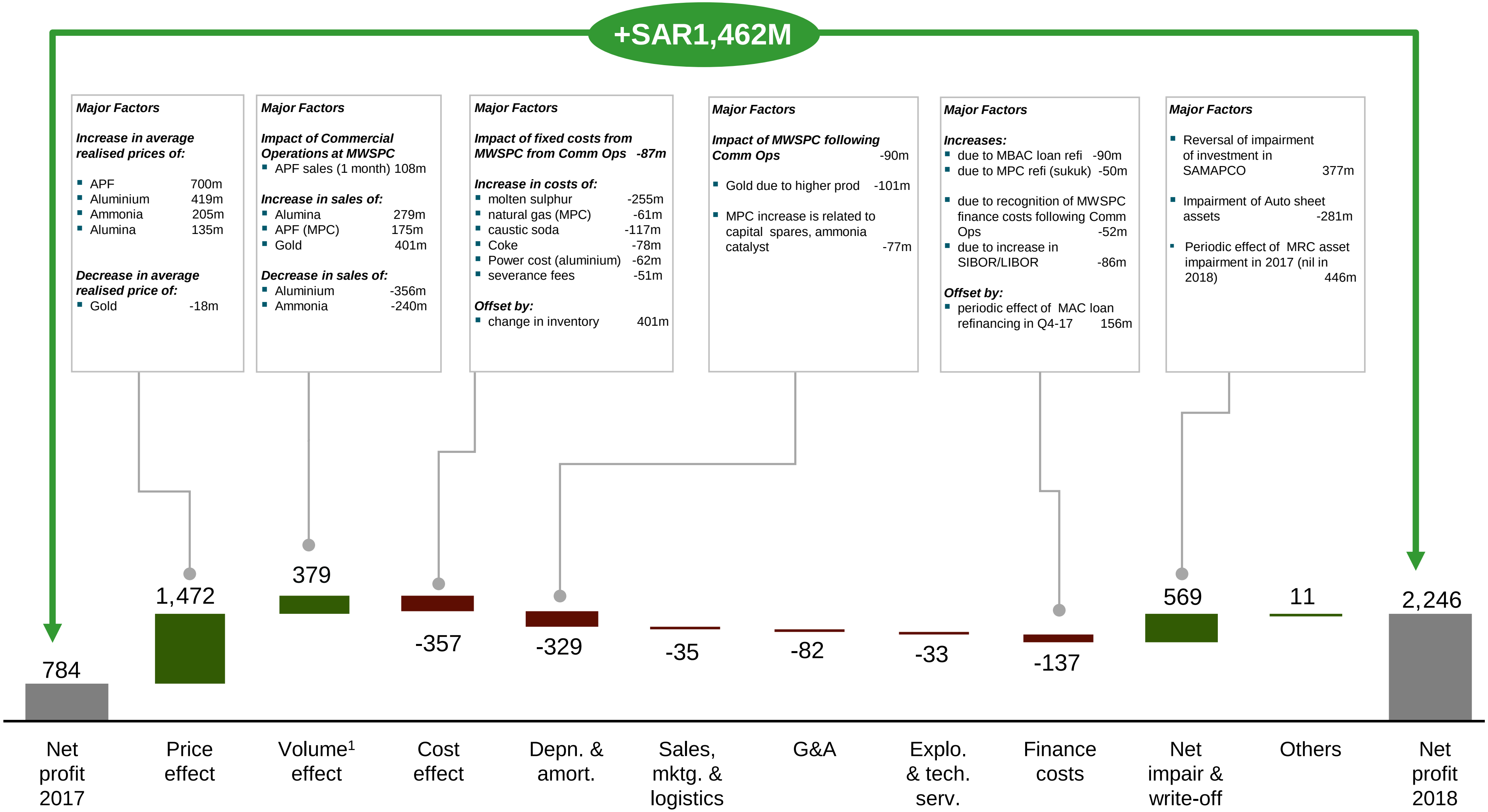
Note: Corporate functional department costs and other expenses not directly related to SBUs were allocated proportionately based on revenue share of each segment

* see appendix for definition of non-IFRS terms

Net profit in 2018 increased by 186% over 2017 driven by higher prices and volumes but offset by higher raw material costs and the impact from the commercial operations of MWSPC in Q4

Net income bridge 2018 vs. 2017

SRmn



1 including the volume effect of main raw materials

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Consolidated statement of profit or loss

SRmn

Comparative P&L - year-to-date	Year ended 31 Dec.		YE-2018 vs. YE-2017	
	2018	2017	SR	%
Sales	**14,171**	**12,086**	**2,085**	*17%*
Cost of sales	-9,069	-8,152	-916	*11%*
Gross profit	**5,102**	**3,934**	**1,168**	***30%***
Gross profit margin%	*36%*	*33%*		
Selling, marketing and logistic expenses	-566	-531	-35	*7%*
General and administrative expenses	-463	-382	-82	*21%*
Exploration and technical services expenses	-95	-62	-33	*53%*
Reversal / (impairment) of non-current assets, net	46	-522	569	*-109%*
Operating profit	**4,024**	**2,436**	**1,587**	***65%***
Operating profit margin%	*28%*	*20%*		
Share in net profit of jointly controlled entity	144	102	42	*41%*
Income from time deposits	124	77	46	*60%*
Finance cost	-1,753	-1,616	-137	*9%*
Other expense	-3	-66	63	*95%*
Profit before zakat and income tax	**2,534**	**933**	**1,601**	***172%***
Zakat and income tax expense	-289	-149	-140	*94%*
Profit for the year	**2,246**	**784**	**1,461**	***186%***
Profit %	*16%*	*6%*		
Profit attrib. to shareholders' of the parent co.	**1,848**	**715**	**1,133**	***159%***
Non-cont. interest's share of the period's profit	398	70	328	*471%*
EPS (SR)	*1.58*	*0.61*	*1.0*	*159%*

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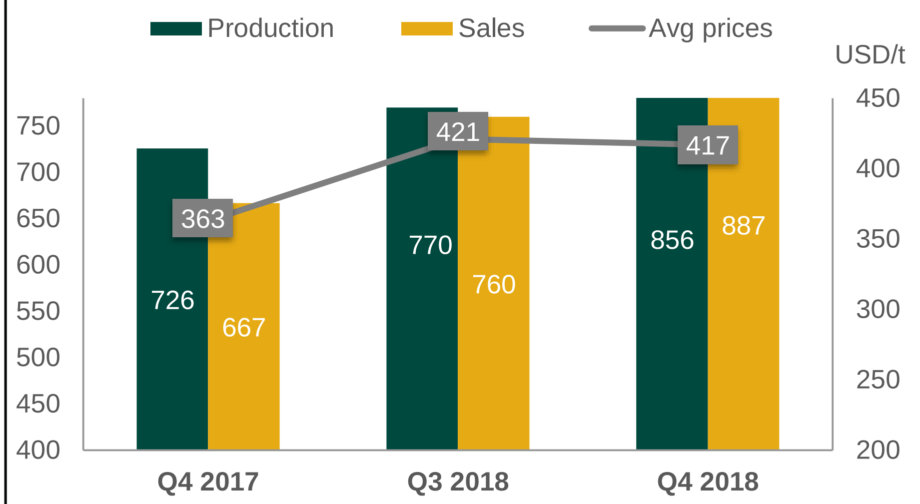
Operational performance

Phosphate performance

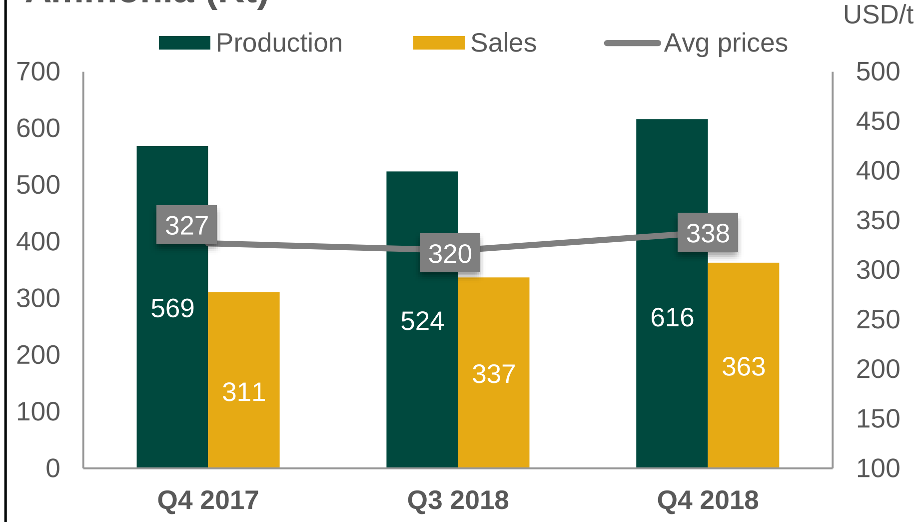
Q4 Operational performance

- APF production: 856K tonnes, an increase of 11% over the Q3 of 2018 and increase of 18% over Q4 of 2017.
- APF sales: higher by 17% Q3 of 2018 and by 33% over Q4 of 2017. Includes 111 K tonnes of MWSPC Dec’18 sales.
- Wa’ad Al Shamal Phosphate Company’s APF production included from the date of commercial operations in December 2018. Prior to this, APF sales net of cost was credited against capital work-in-progress.
- Ammonia production: 616K tonnes of ammonia, consistent production of ammonia from both units, an increase of 18% over Q3 of 2018 and 8% over Q4 of 2017.
- Ammonia sales: higher by 8% over Q3 of 2018 17% comparing to Q4 of 2017.

Ammonium phosphate fertilizer (Kt)



Ammonia (Kt)

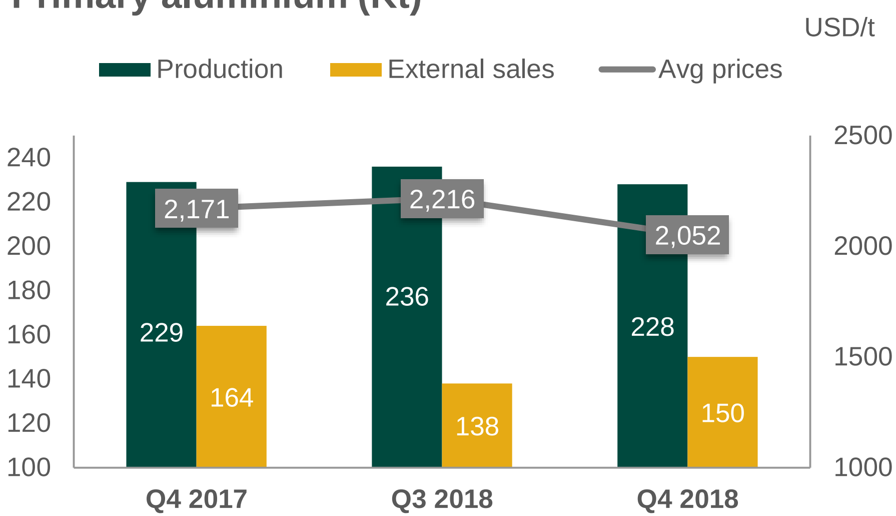


Aluminium performance

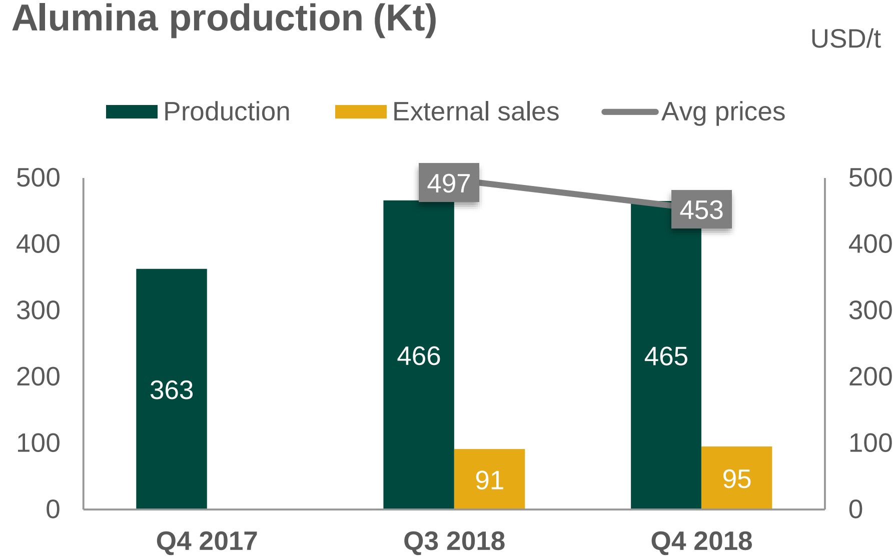
Q4 Operational performance

- Primary aluminium production: at 228Kmt lower by 3% from Q3 2018 and near same as Q4 of 2017.
- The aluminium rolling mill entered commercial operation in December 2018.
- Alumina production: slight drop from Q3 of 2018 due to calciner shutdown but 28% above Q4 of 2017 driven by improvement in plant reliability.

Primary aluminium (Kt)



Alumina production (Kt)

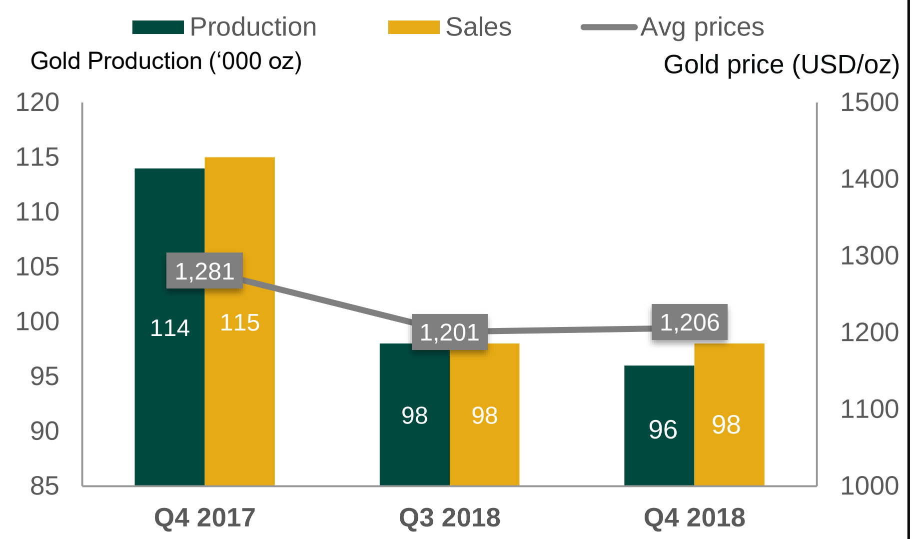


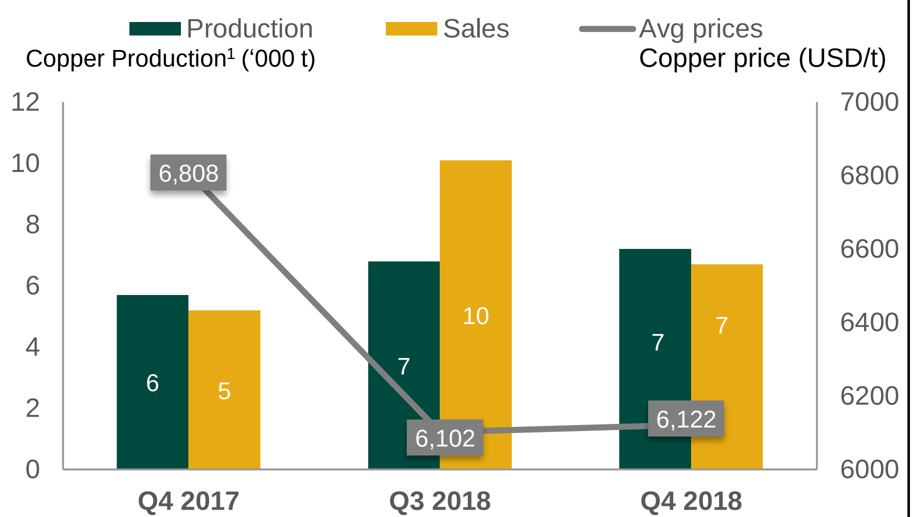
Gold and copper performance

Q4 Operational performance

- Q4 gold production fell year on year due to lower milled tonnage and lower grade but remained steady quarter on quarter
- Copper production continued to increase against both the previous quarter and the same quarter last year

Gold & Copper





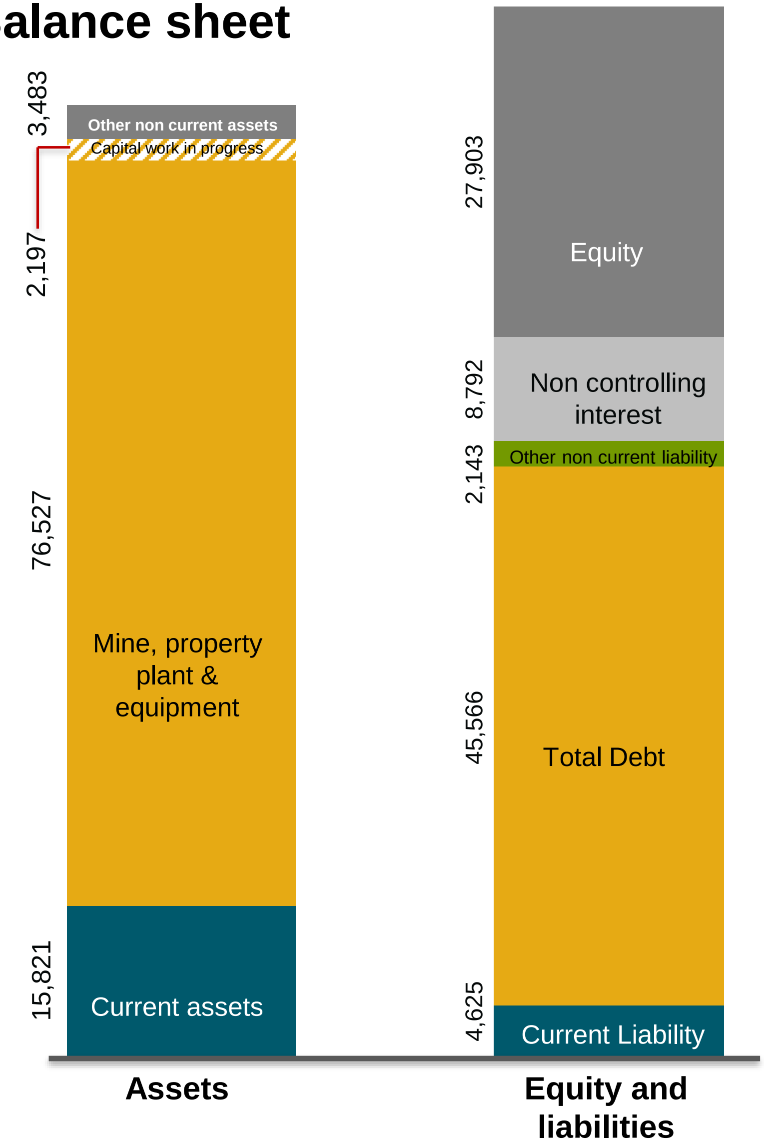
[1] *Ma'aden attributable production & sales @ 50%*

Financial position

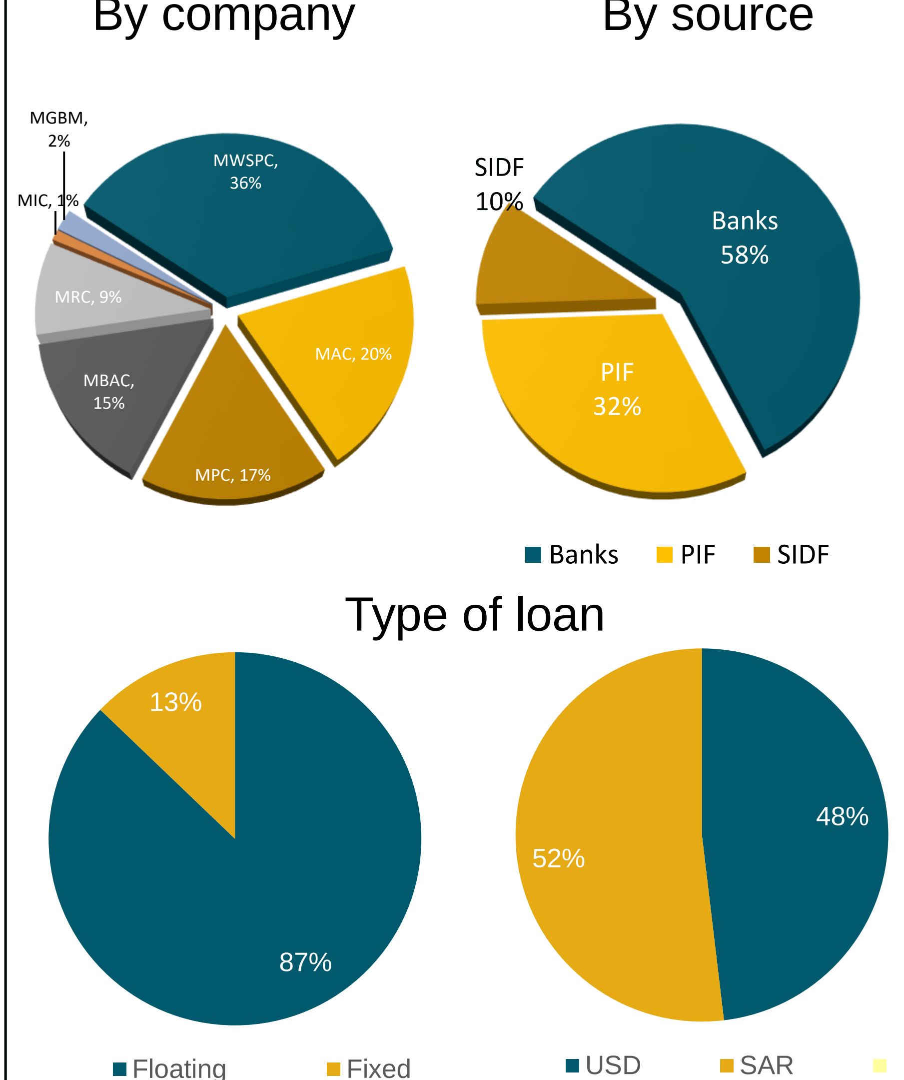
Financial position at 31 December 2018

Balance sheet

All numbers are in SAR million



Long term borrowings



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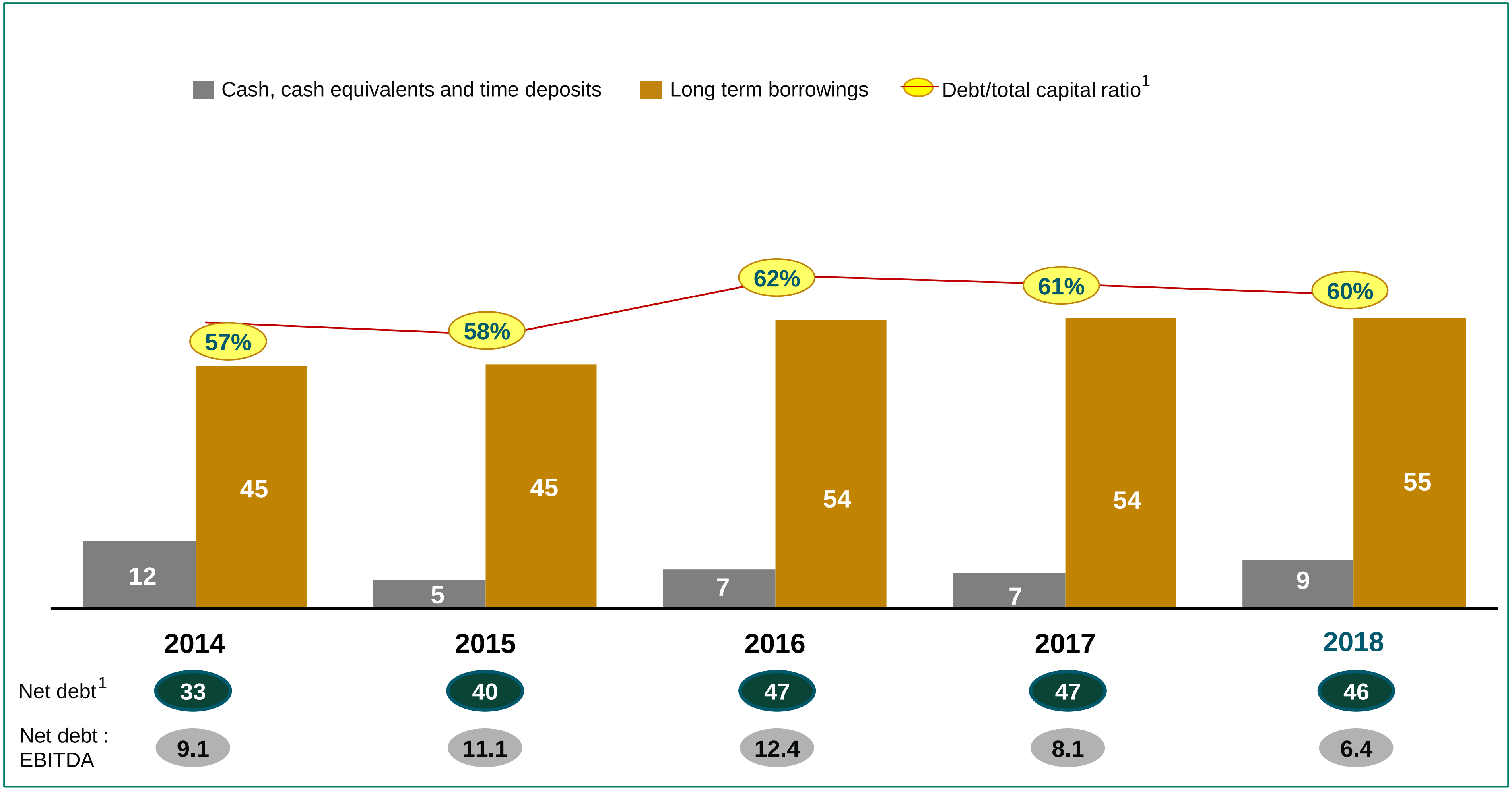
Cash and long term borrowings

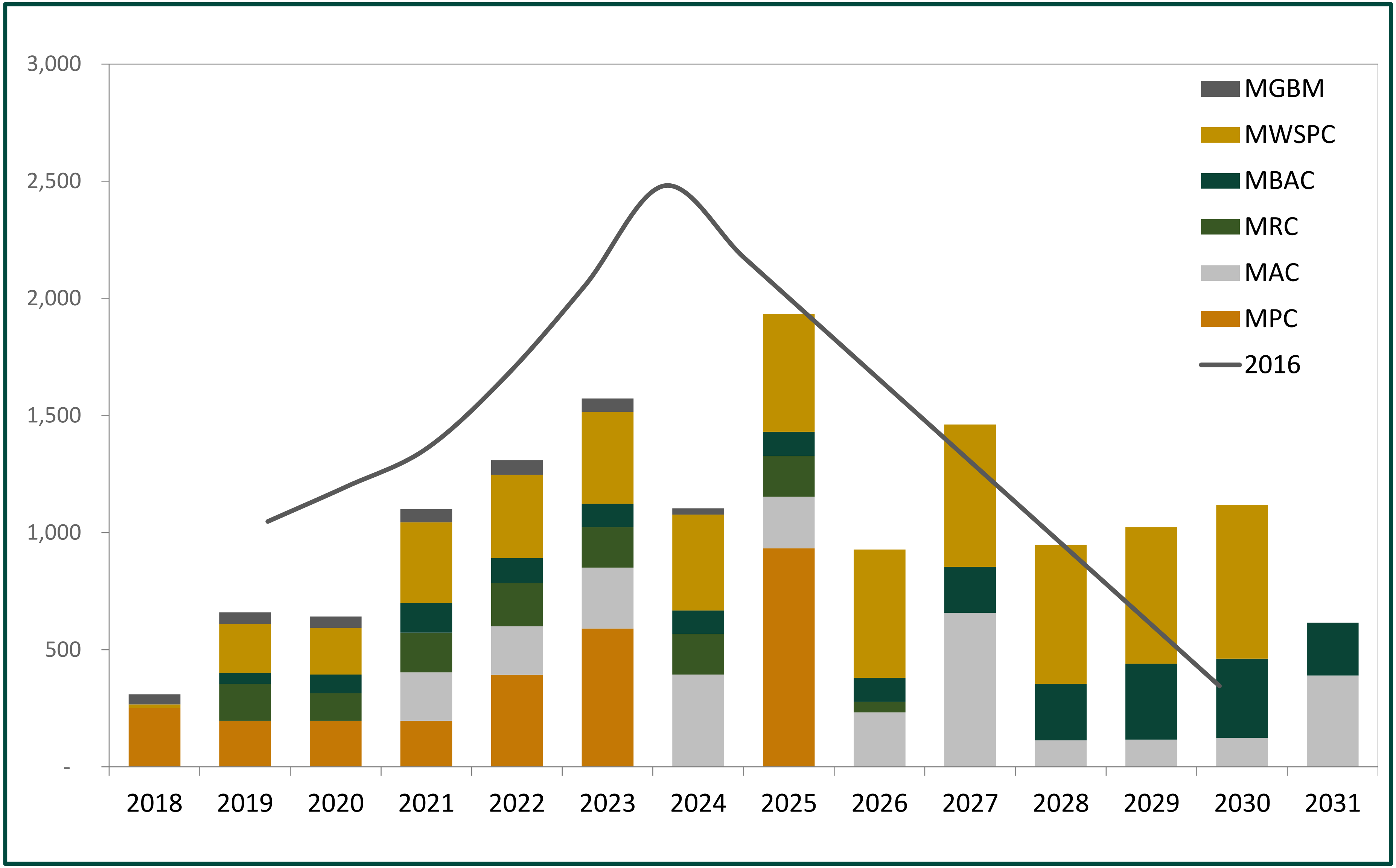
SRbn



1 see appendix for definition of non-IFRS terms

Schedule debt repayment profile

USD MN



Summary

Strong production performance

- Production across our core portfolio is stable and delivering at or above nameplate
- Commercial operations achieved at both Wa'ad Al Shamal Phosphate and the aluminium rolling business late in 2018 but both have more to achieve in reaching design capacity

Commodity fundamentals remain solid

- Outlook for global economy appears to be turning more negative
- Fundamentals in phosphate, aluminium, alumina and copper all remain strong but short term may see pressure for both copper and aluminium in particular
- Gold may benefit from continued economic volatility

Headwinds in 2019

- Full year impact of depreciation and financial charges from Wa'ad Al Shamal and the rolling business will have a significant impact on 2019 earnings
- Outlook for commodity prices is uncertain but some are showing declining trends
- However, some raw materials costs also falling

Opportunities for growth will be pursued with discipline

- Record investment in exploration is planned for 2019 as we build our pipeline of mining opportunities, particularly in gold and base metals
- Attractive growth opportunities in phosphate, gold and aluminium are being considered but investment decisions will be made in a disciplined manner

Q&A

Appendix

Sales summary

(All numbers are in '000 tonnes except as mentioned)

Particulars	2018	2017	% change
Phosphate business			
Ammonium phosphate fertilizer MPC	3,126	2,808	11%
Ammonia	1,350	1,660	-19%
Aluminium business			
Alumina	311	30	936%
Primary Aluminium	593	653	-9%
Flat Rolled Aluminium	20	0	
Precious and base metals business			
Gold ('000 ounces)	417	333	25%
Copper[1]	27.6	20.0	38%

1 Ma'aden attributable share

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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
- **Underlying EBITDA** Earnings before interest, tax, depreciation and amortization, impairment and asset write offs.
- **Underlying EBITDA Margin:** Underlying EBITDA / Sales
- **Net Debt** = (Short-Term Debt + Long-Term Debt) - Cash and Cash Equivalents



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Thank You!