



Saudi Arabian Mining Company (Ma'aden)



Earnings Conference Call – Q3 2019



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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 production but pressure from weakened commodity markets

Production



- Ammonium phosphate reached a new record of 1,396kt, up 5% on Q2 whilst ammonia production fell 24% to 455kt due to an extended shutdown during July/August
- Primary aluminium production increased by 3% over Q2-19 to 246kt due to increased recycled material
- Gold production rose 25% from the previous quarter to reach 105koz following a dip in Q2

Financial Performance



- Sales were SR4.3bn in Q3-19; unchanged from the previous quarter
- EBITDA¹ reached SR1.4bn in Q3-19; up by 11% compared to the previous quarter
- Net loss of SR254mn in Q3-19 compared to a net loss of SR590mn for the previous quarter (SR431mn excluding restructuring costs)

Market conditions



- Phosphate prices declined further in Q3 due to lower demand in key markets and increased Chinese exports
- In Aluminium, prices declined again due to economic conditions whilst alumina prices fell rapidly as supply constraints eased
- Gold prices supported by weakening global economic conditions and a weaker dollar

Outlook

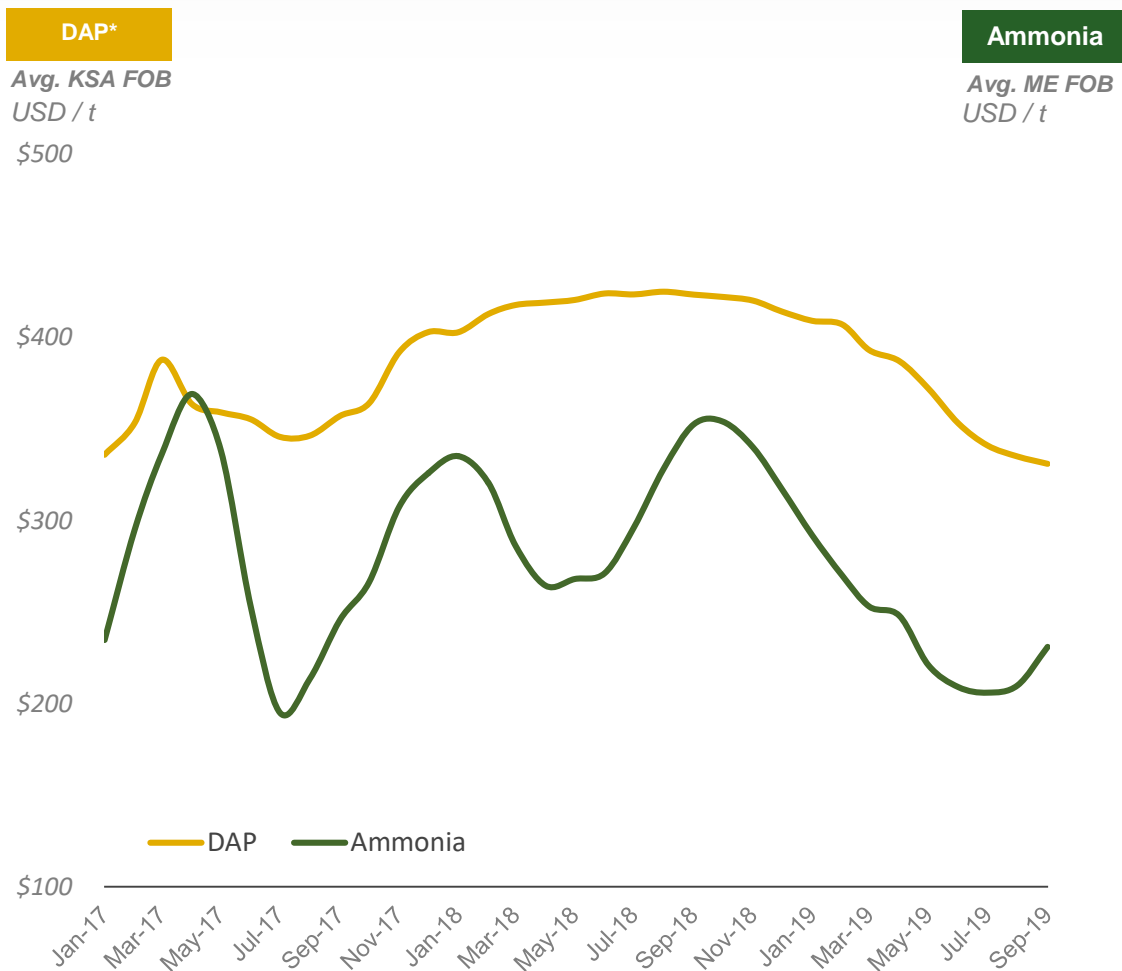


- Meridian transaction closed in August 2019 and integration progressing well
- Debt for Equity swap for MRC debt will go to shareholder vote on November 4, 2019 with the expectation that the transaction will close shortly thereafter
- Both Ammonia-3 and Mansourah-Massarah gold project progressing to schedule and budget
- Programme underway to reduce G&A across the group

¹ see appendix for definition of non-IFRS terms

Global phosphate markets remain weak despite announced production cuts but tighter ammonia supply offered support for prices

DAP and Ammonia Prices, USD/tonne 2017 - Q3 2019



Source: Fertecon & FMB and team analysis
* DAP as the main phosphate fertilizers product



Q3 2019 Key Highlights

Phosphate

- Phosphate prices in Q3-2019 averaged ~9% lower than Q2-2019 due to low demand in key markets coupled with increased supplies into export markets
- Supply compared to last year was high due to new project ramp-ups by Ma'aden and Morocco and increasing in Chinese exports despite announced production cuts
- Continued reduction in raw material cost is providing a relief to overall cash costs and allowing marginal producers to remain in the market
- The performance of the US and domestic China market in addition to Indian Rabi season will help set the market direction in the coming months

Ammonia

- Ammonia prices in Q3-2019 averaged lower than Q2-2019 by ~5% due to low demand from fertilizers and industrial users
- By the end of Q3, prices firmed-up on the back of a tightening supply situation as some producers reduced output

Low demand expectations driving LME prices southward

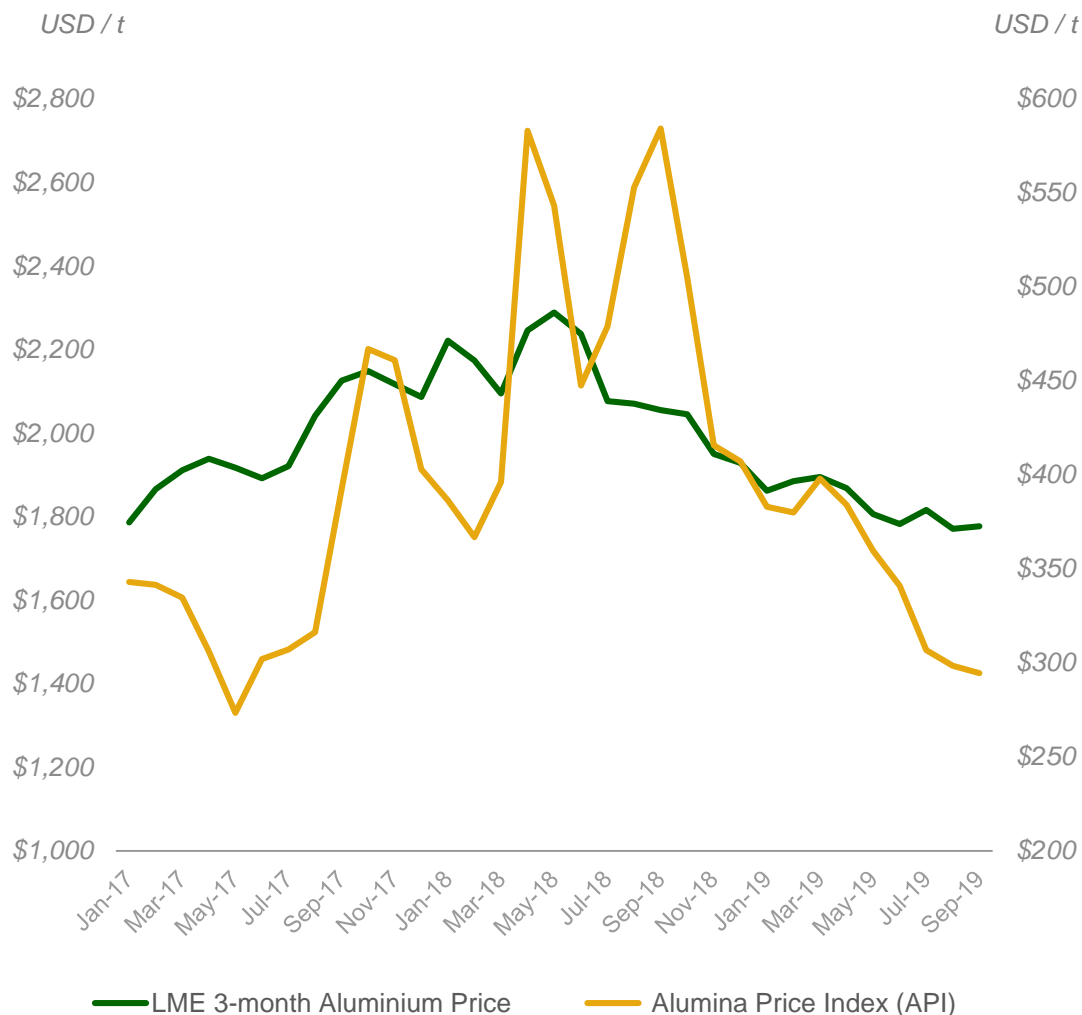
Alumina and Aluminium prices, in USD/ton, 2017- Q3 2019



Key takeaways

Aluminium

Alumina



Aluminium

- Aluminium price in Q3-19 lower by 4% compared to Q2-19. Demand growth has slowed so far this year with the global economy impacted significantly by the escalating US China trade war and geopolitical issues
- The falling alumina and carbon prices also removed cost support for higher LME prices
- The supply–demand balance of aluminium is expected to remain in slight deficit for 2019 but the outlook for 2020 is more likely to see a surplus

Alumina

- Alumina prices were down in Q3-19 by 17% from Q2-19 with the increase in supplies, notably from the Alunorte refinery returning to full capacity, pressuring prices; the EGA refinery in the UAE is also ramping up rapidly

Source: Ma'aden Aluminium SBU Analysis

Gold strengthened due to economic uncertainty

Gold and copper prices, in USD/oz and USD/tonne, 2017-Q3 2019



Key takeaways

Gold

USD / Oz

\$1,700
\$1,600
\$1,500
\$1,400
\$1,300
\$1,200
\$1,100

Copper

USD / t

\$7,500
\$7,000
\$6,500
\$6,000
\$5,500
\$5,000
\$4,500
\$4,000

Jan-17 Mar-17 May-17 Jul-17 Sep-17 Nov-17 Jan-18 Mar-18 May-18 Jul-18 Sep-18 Nov-18 Jan-19 Mar-19 May-19 Jul-19 Sep-19

— Gold — Copper

Gold

- Despite recent declines in price the outlook for gold remains positive. Concerns over lower global growth forecasts and inflation coupled with lower interest rates have also supported gold prices

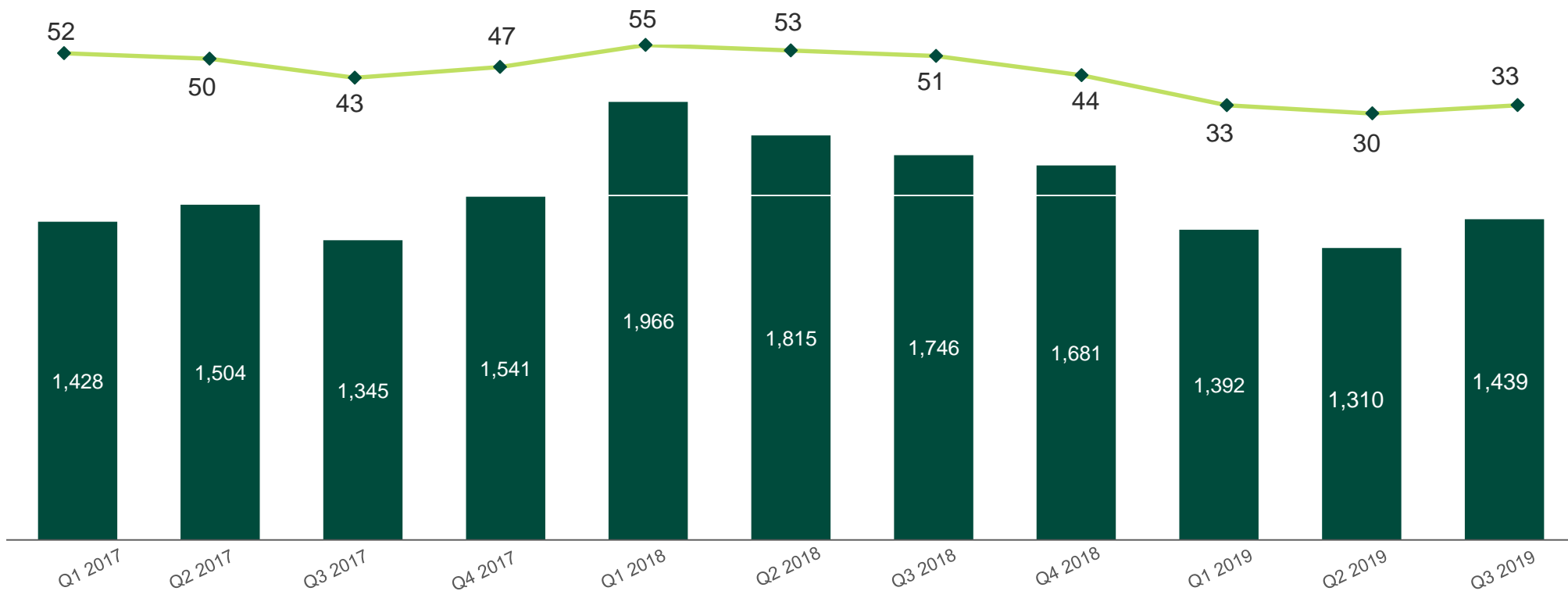
Copper

- The copper market remains under pressure amid concerns on global economic growth and demand for industrial metals despite potential market supply deficits for 2019. The US–China trade dispute has weighed heavily on the markets expectations for copper prices.

Source: World Bank

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

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



1 see appendix for definition of non-IFRS terms



Yaser A. Barri

VP Financial Reporting & IR



Consolidated sales and EBITDA by segment - quarterly



Consolidated

	Q3-19	vs. Q3-18	vs. Q2-19
Sales (SAR mn)	4,299	↑ 27%	↓ -0.04%
EBITDA (SAR mn)	1,439	↓ -18%	↑ 10%
EBITDA Margin (%)	33%	↓ -18%	↑ 3%



Phosphate

	Q3-19	vs. Q3-18	vs. Q2-19
Sales (SAR mn)	1,937	↑ 18%	↓ -8%
EBITDA (SAR mn)	546	↓ -34%	↓ -5%
EBITDA Margin (%)	28%	↓ -22%	↑ 1%

38% of Group EBITDA



Aluminium

	Q3-19	vs. Q3-18	vs. Q2-19
Sales (SAR mn)	1,785	↑ 36%	↑ 0%
EBITDA (SAR mn)	599	↓ -21%	↓ -1%
EBITDA Margin (%)	34%	↓ -24%	↓ -0.4%

42% of Group EBITDA



Gold

	Q3-19	vs. Q3-18	vs. Q2-19
Sales (SAR mn)	576	↑ 31%	↑ 37%
EBITDA (SAR mn)	294	↑ 75%	↑ 125%
EBITDA Margin (%)	51%	↑ 13%	↑ 20%

20% of Group EBITDA

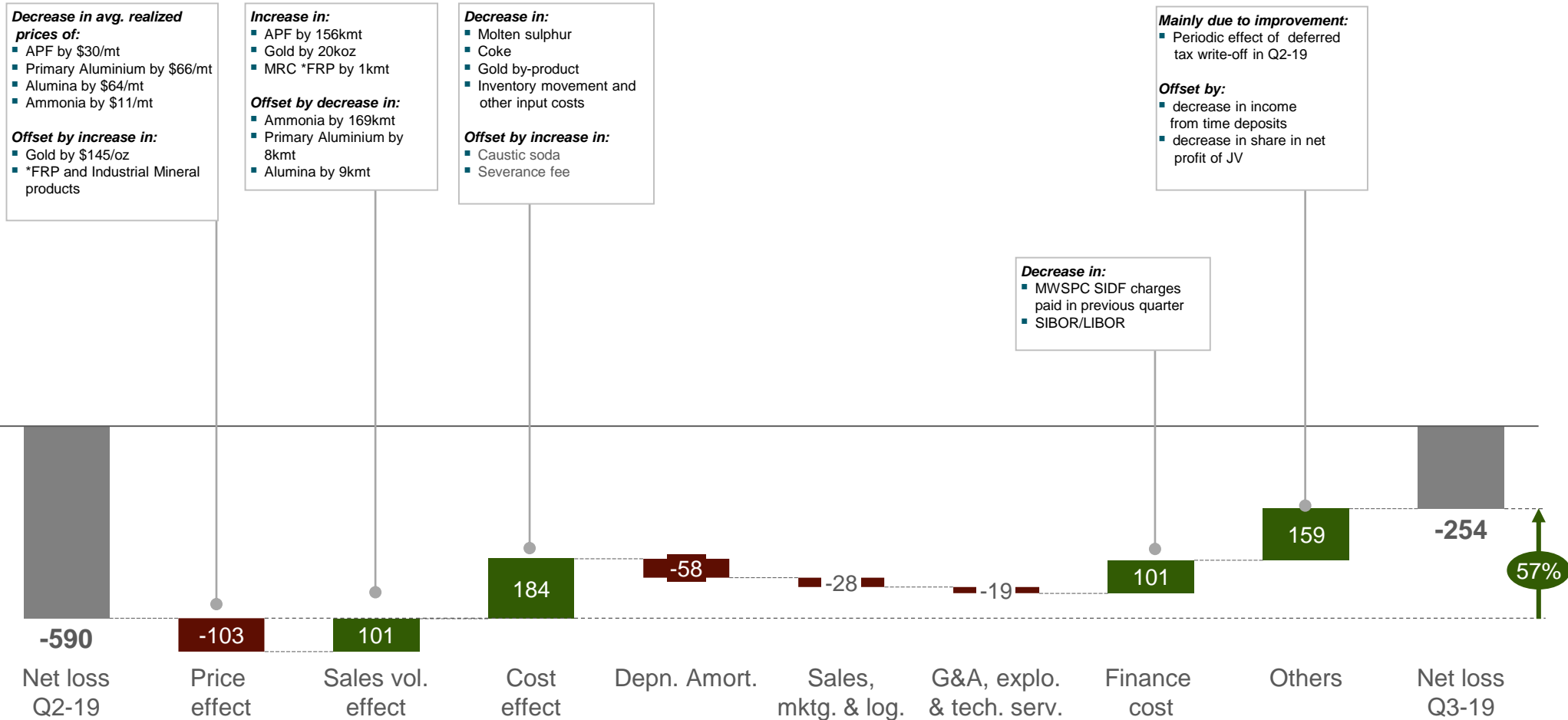
Note (1): see appendix for definition of non-IFRS terms

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

Despite lower commodity prices, net loss in Q3-19 is lower than in Q2-19 mainly due to higher sales volume, lower materials cost and lower finance cost

SRmn

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

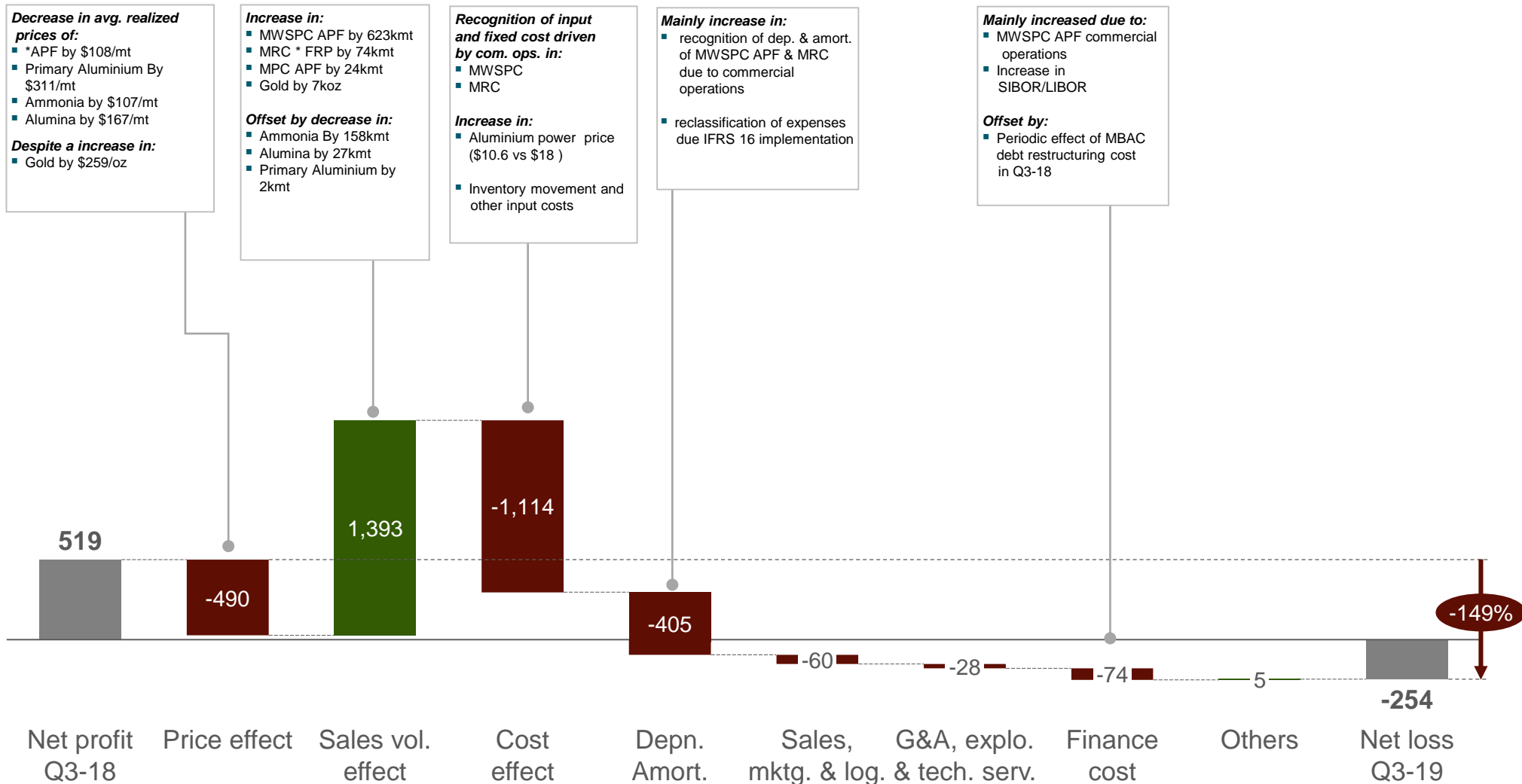


*Note - FRP: Flat Rolled Products (aluminium)

Despite increase in sales volume, year-on-year was impacted by lower commodity prices and full recognition of costs in MRC and MWSPC driven by commercial operations, including depreciation and finance cost

SRmn













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



Consolidated statement of profit or loss

SRmn

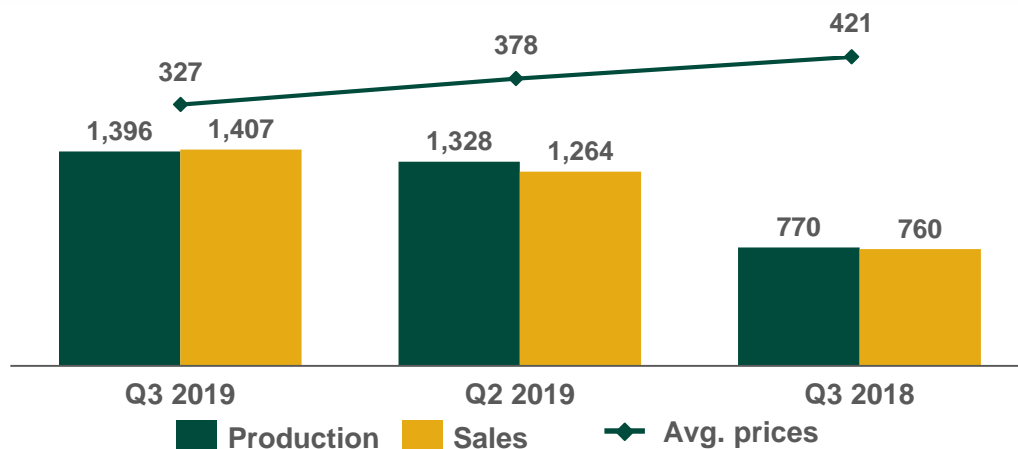
Comparative P&L - quarterly

	Q3-19	Q2-19	Q3-18	Q3-19 vs. Q2-19		Q3-19 vs. Q3-18	
				SR	%	SR	%
Sales	4,299	4,301	3,396	 -2	0%	 903	27%
Cost of sales	-3,659	-3,785	-2,141	126	-3%	-1,519	71%
Gross profit	639	515	1,255	 124	24%	 -616	-49%
<i>Gross profit margin%</i>	<i>15%</i>	<i>12%</i>	<i>37%</i>				
Selling, marketing and logistic expenses	-198	-170	-137	-28	17%	-60	44%
General and administrative expenses	-126	-114	-121	-11	10%	-4	4%
Exploration and technical services expenses	-46	-39	-23	-8	20%	-23	98%
Reversal / (impairment) of non-current assets, net							
Operating profit	269	193	973	 77	40%	 -704	-72%
<i>Operating profit margin%</i>	<i>6%</i>	<i>4%</i>	<i>29%</i>				
Share in net profit of jointly controlled entity	-23	9	67	-32	-367%	-89	-135%
Income from time deposits	45	55	33	-10	-19%	11	34%
Finance cost	-566	-667	-491	101	-15%	-74	15%
Other income / (expense)	67	6	2	61	975%	65	4079%
Profit/ loss before zakat and income tax	-208	-404	583	 196	49%	 -791	-136%
Zakat and income tax expense	-46	-186	-65	140	-75%	18	-29%
Profit/ loss for the period	-254	-590	519	 336	57%	 -773	-149%
<i>Profit %</i>	<i>-6%</i>	<i>-14%</i>	<i>15%</i>				
Profit attrib. to shareholders' of the parent co.	-92	-244	415	 152	62%	 -507	-122%
Non-cont. interest's share of the period's profit	-162	-347	104	185	53%	-266	-256%
<i>EPS (SR)</i>	<i>-0.07</i>	<i>-0.20</i>	<i>0.35</i>	<i>0.1</i>	<i>65%</i>	<i>-0.4</i>	<i>-20%</i>

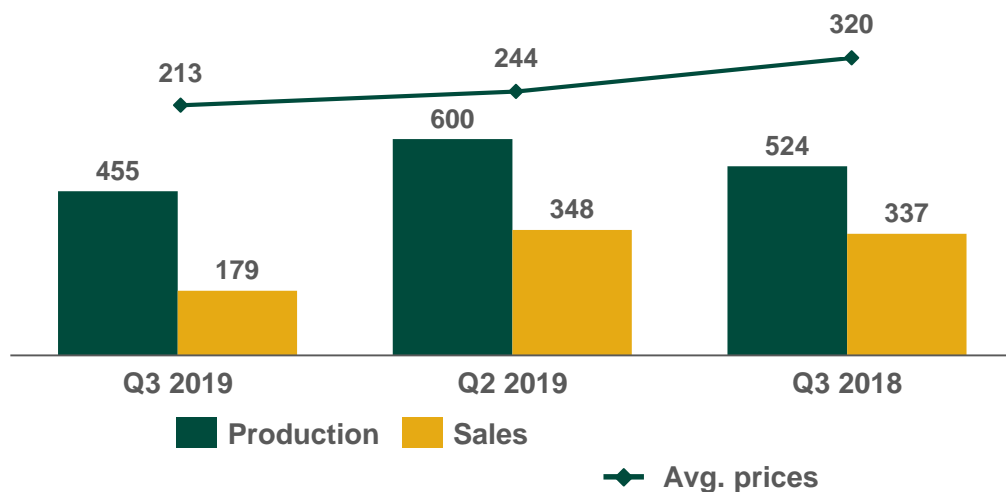
Operational performance

Phosphate performance

Ammonium phosphate fertilizer (in kt and USD / ton)



Ammonia (in kt and USD / ton)



Key takeaways



Ammonium phosphate fertilizers



Production: 1,396kt

- an increase of 81% over Q3-18
- an increase of 5% over Q2-19

Q3-18 production does not include MWSPC production as it was not in commercial operation



Ammonia



Ammonia production: 455kt

- 13% lower than Q3-18
- 24% lower than Q2-19

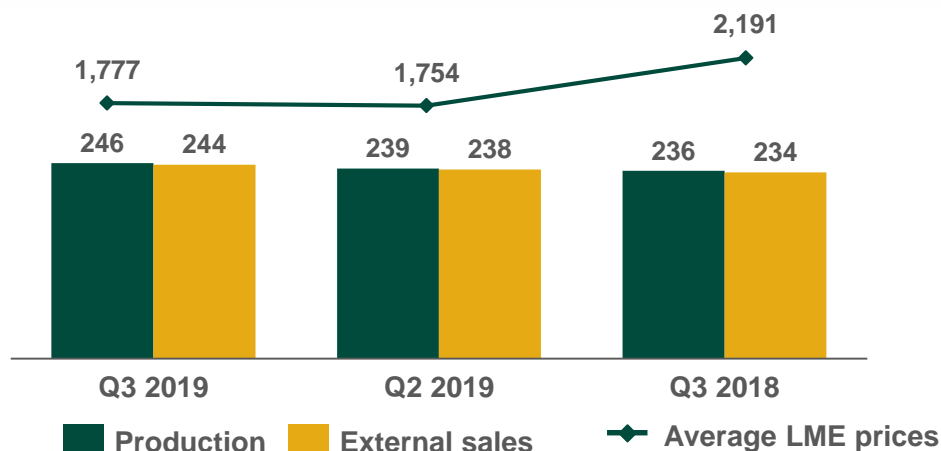
Q3-19 production was lower due to extended shutdown

Aluminium performance

Aluminium (in kt and USD / tonne)



Key takeaways



Production volume of aluminium

Production: 246kmt

- an increase of 4% (10kmt) over Q3-18
- an increase of 3% (7kmt) over Q2-19

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: 447kmt

- a decrease of 4% (19kmt) over Q3-18
- a decrease of 4% (18kmt) over Q2-19

Alumina production is steadily increasing due to higher plant stability

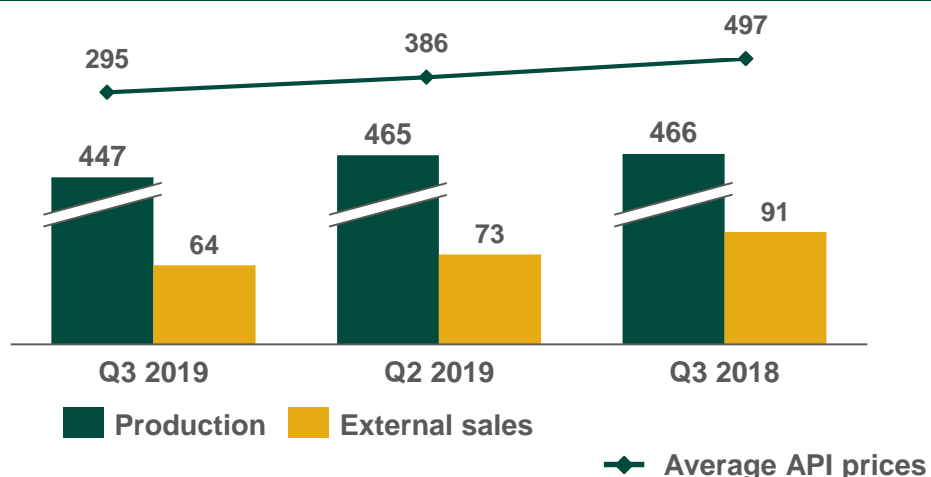


Production Flat-rolled products

Production: 75kmt

- an increase of 10% (7kmt) over Q2-19

Alumina production (in kt and USD / tonne)

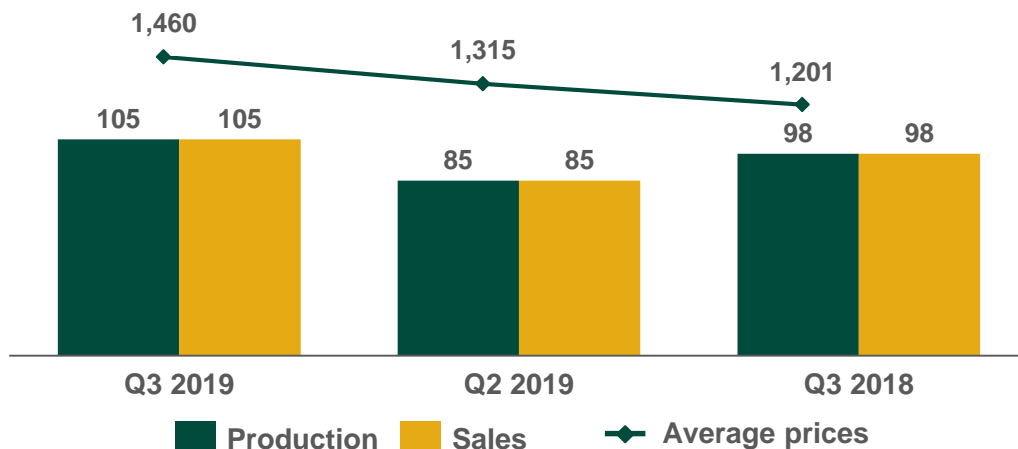


Gold and Copper performance

Gold (in thousand ounces and USD / ounce)



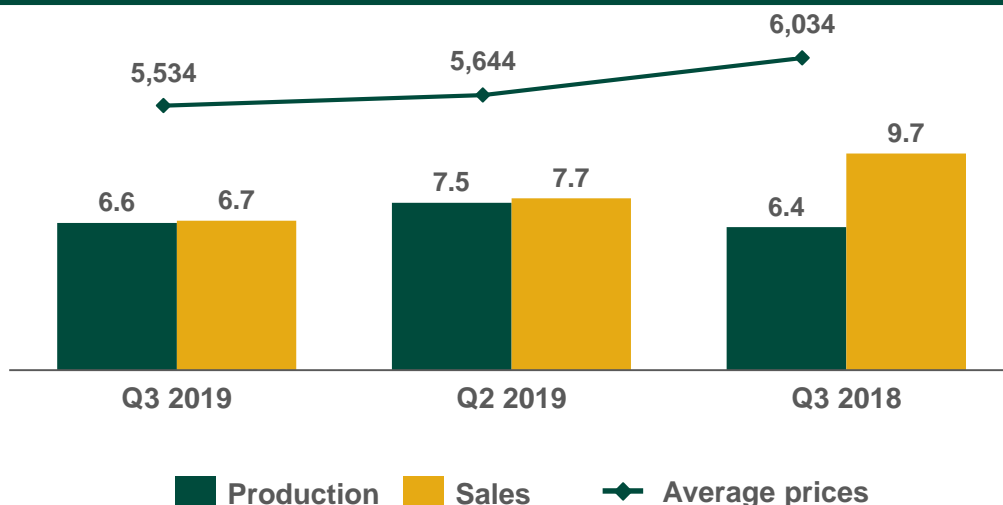
Key takeaways



Production volume of gold

- Increased by 7koz y-o-y due to higher Au. grade of processed ore at Ad Duwayhi and Mahd mines combined with higher mill throughput at Sukhaybarat/ Bulgah.
- Increased by 20koz q-o-q due to higher Au grade and lower waste stripping, resulted in higher ore volumes mined and milled at Ad Duwayhi and Sukhaybarat/ Bulgah.

Copper (in kt and USD / tonne)¹



Production volume of copper

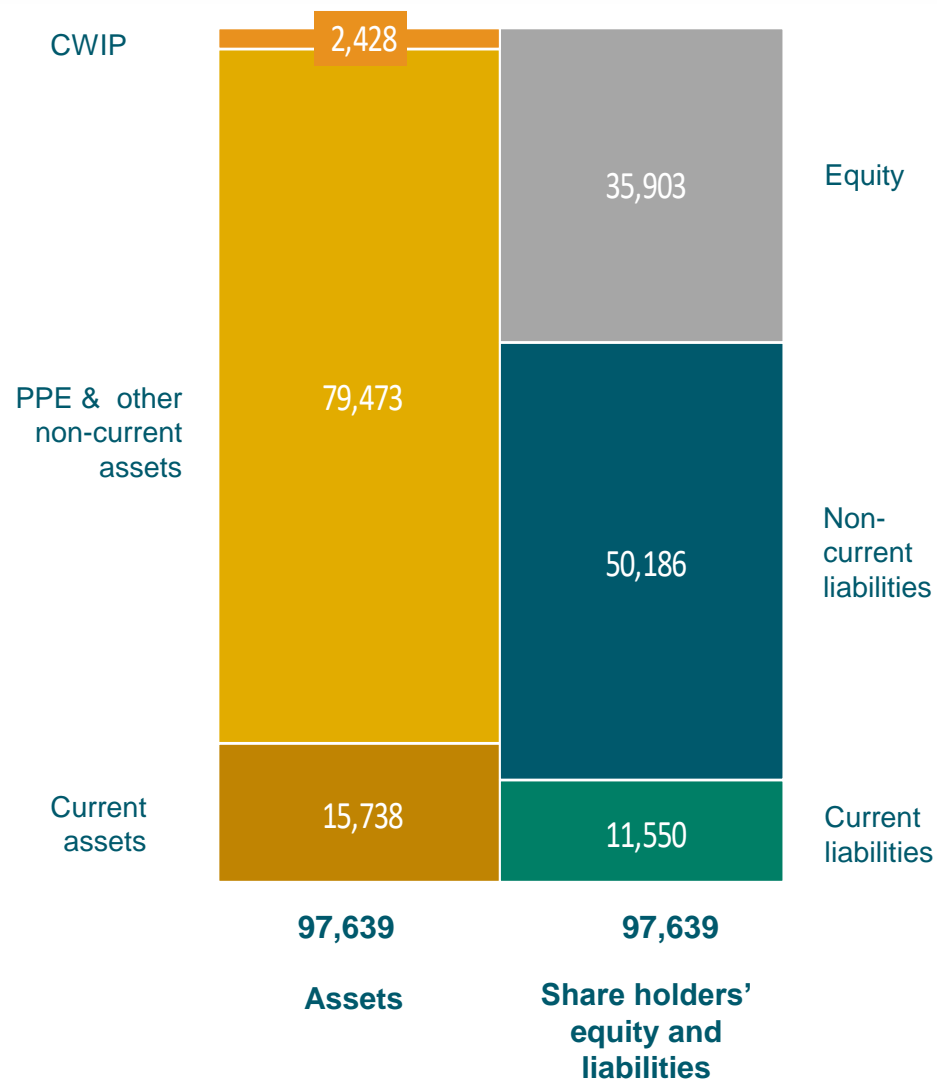
- Increased 0.2kt y-o-y due to higher mill throughput and recoveries, resulted in higher production

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

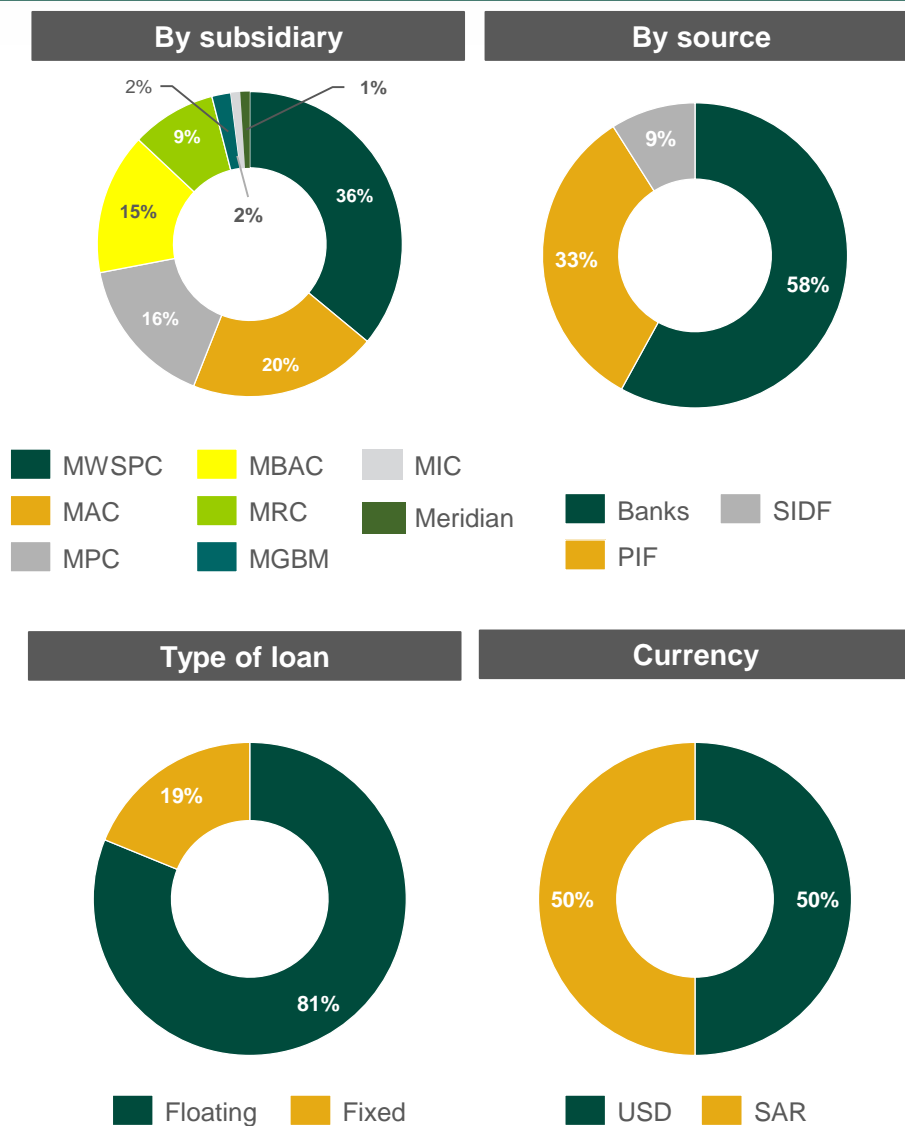
Financial position

Financial position at 30 September 2019

Balance sheet (in mn SAR)



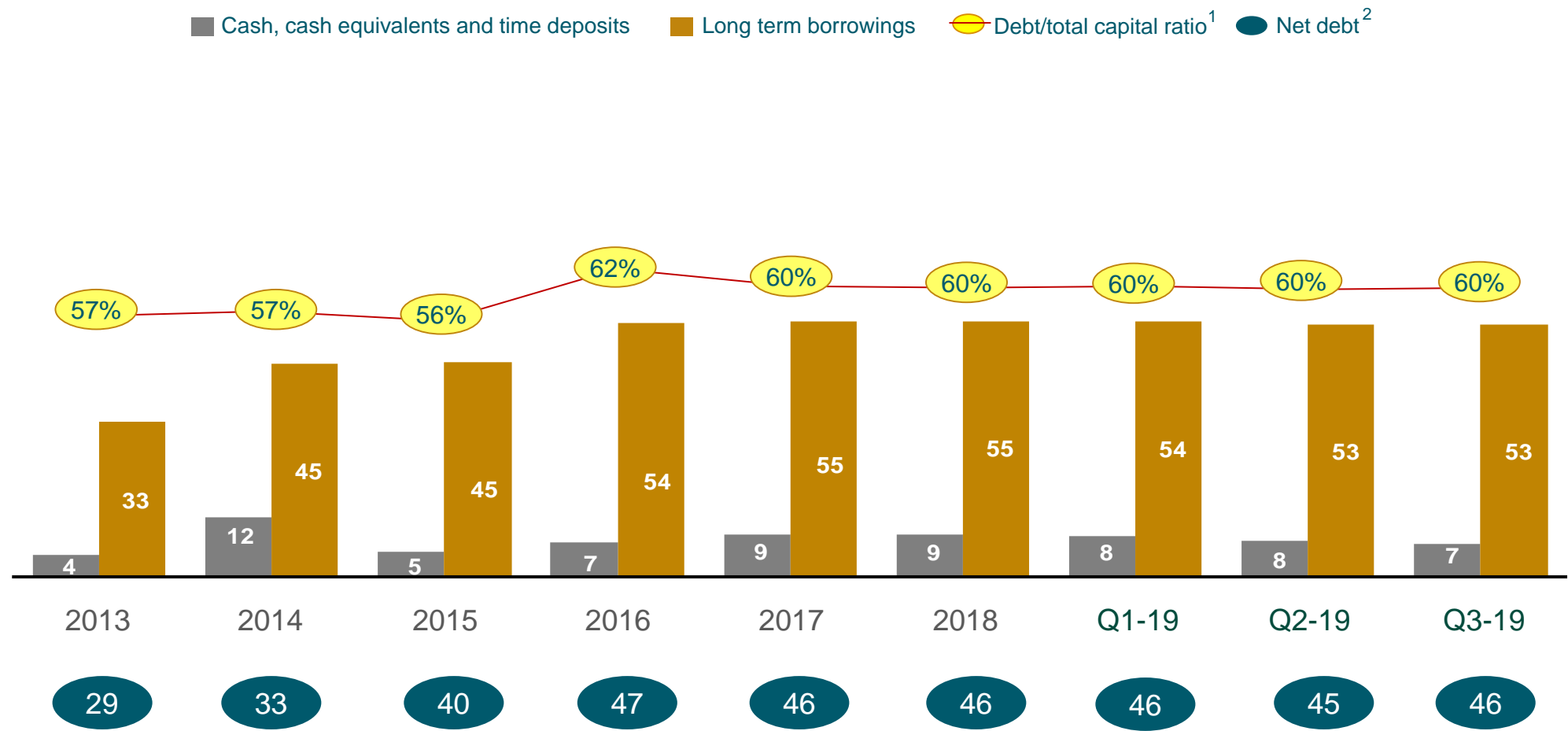
Long-term borrowings (in %)



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

- **Production performance across the group was strong in Q3** with the exception of the shutdown at Ammonia-2 early in the quarter
- MWSPC steadily **overcoming remaining technical challenges**
- Aluminium business and gold business both **operating in line with plan**

Weaker Commodity Markets

- Both the **phosphate and aluminium markets continue to weaken** and Q4 may see further declines, particularly in phosphate markets
- **Some relief in raw material costs**, particularly sulphur, however this will also lower support for prices
- **Ammonia prices have strengthened** recently and gold outlook remains positive

Growth Investments Progressing

- Meridian **acquisition was successfully closed** in August 2019
- Both the Mansourah-Masarrah gold mine and Ammonia-3 **projects are on track**

Financially Robust

- **Group remains liquid and well prepared** to endure downturn in prices but still continue with selected attractive growth projects
- **Restructuring of the MRC business progressing well** with the expectation that we will conclude before year end
- **Programme to reduce G&A now underway**

Q&A

Appendix

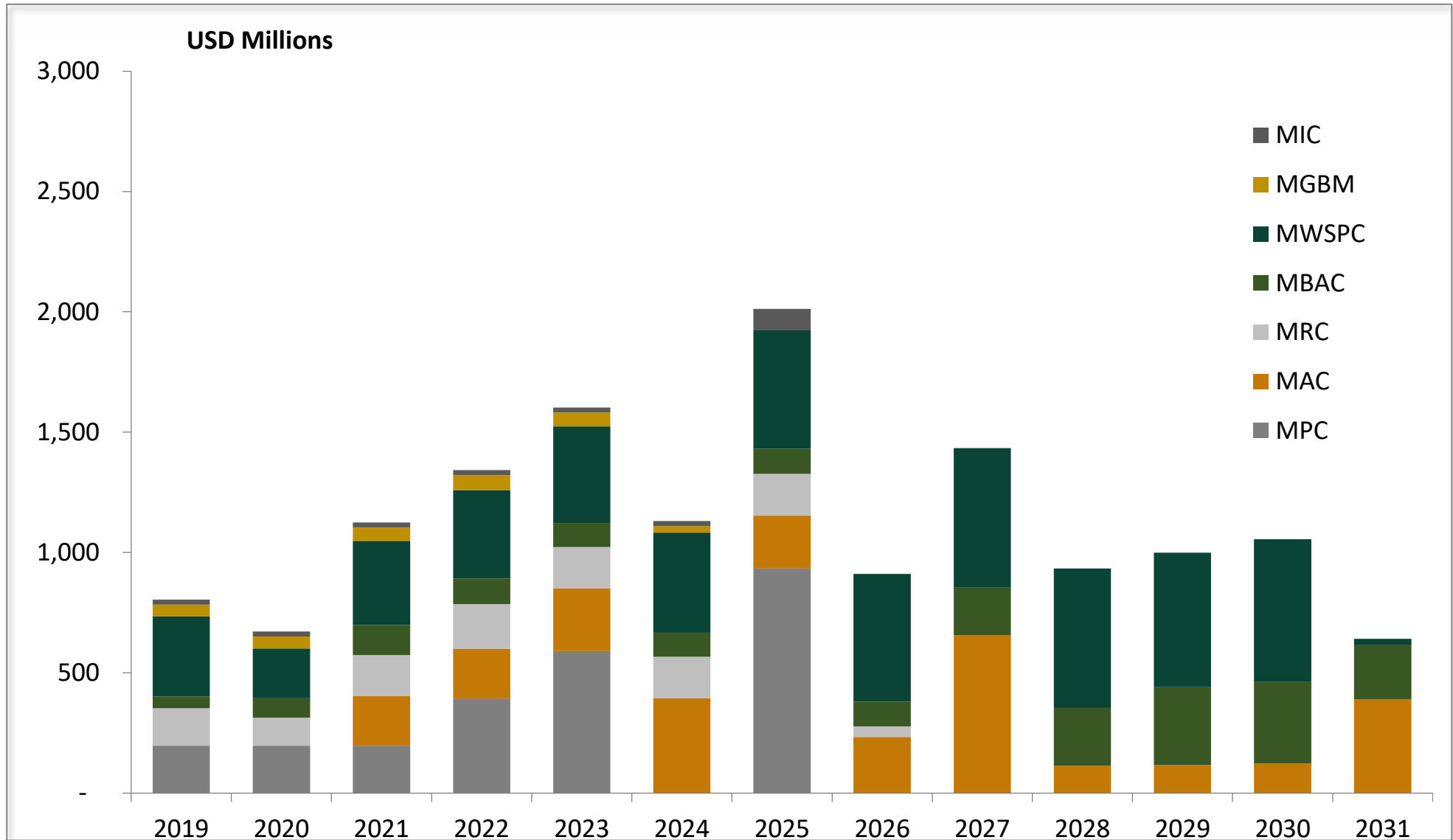
Sales summary

Particulars <i>in k-tonne (except as mentioned)</i>	Q3-19	Q2-19	Q3-18
Phosphate business			
Ammonium phosphate fertilizer	1407	1,264	760
Ammonia	179	348	337
Aluminium business			
Alumina	64	73	91
Primary Aluminium	244	238	234
Flat Rolled Products	74	73	Pre-commercial
Precious and base metals business			
Gold ('000 ounces)	105	85	98
Copper ¹ (Mt)	6.7	7.7	9.7

Note (1): Ma'aden attributable share

Debt repayment profile

Schedule debt repayment profile, in mn USD



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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 Equivalents



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Saudi Arabian Mining Company شركة التعدين العربية السعودية

Thank You!

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