

Saudi Arabian Mining Company (Ma'aden)

Earnings Conference Call – Year End 2019





PRESSURE

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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 fertilizer production reached a new record of 5,222kt, up 17% on 2018 as MWSPC continues to ramp up
- Primary aluminium and alumina production increased by 4% and 1% respectively over 2018 to reach 967kt Primary Aluminium & 1,798kt Alumina respectively due to increased primary production and more recycled material
- Gold production decreased 4% on previous year with copper up 19%, both in line with mine plans



Financial Performance



- Sales up 25% year on year to SR17.7B with the inclusion of MWSPC, MRC and Meridian offsetting sharp drops in prices of aluminium, alumina and Ammonium phosphate fertilizer and ammonia
- EBITDA down 22% to SR5.6B with margins squeezed by lower margin operations at MRC and Meridian and unrealized optimization at MWSPC
- Net loss of SR1.5B reflecting lower commodity prices and the impact of increased depreciation and finance charges associated with MWSPC and MRC
- Operating cashflow impacted but remained above SR3B for the year



Market conditions



- Phosphate prices declined by 18% through the year due to lower demand in key markets and increased Chinese exports
- Aluminium prices also declined, by 15 %, due to economic conditions whilst alumina prices fell rapidly as supply constraints eased
- Gold prices supported by heightened concerns over the global economy whilst copper prices weakened on concerns over demand



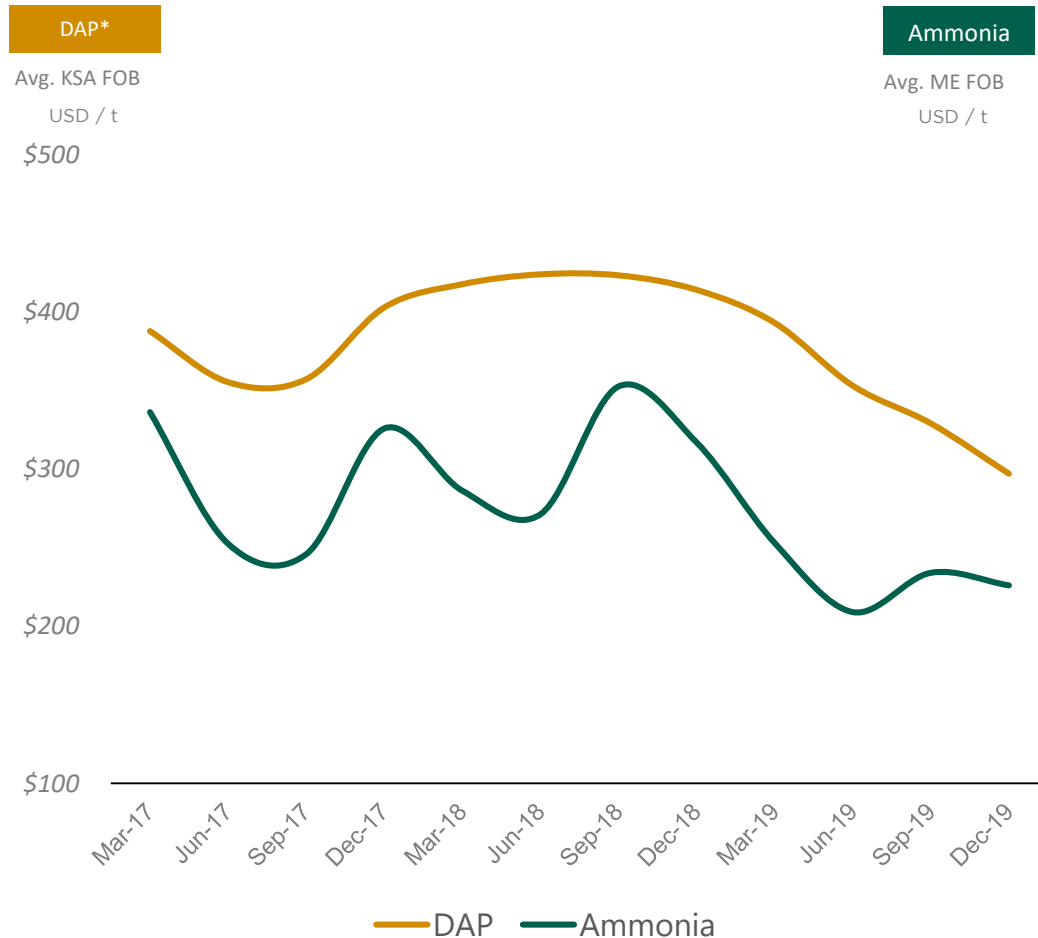
Outlook



- Meridian acquisition closed in August 2019 and on track to meet our objectives
- Debt for Equity swap for MRC debt completed with a positive impact on leverage ratios
- Both Ammonia-3 and Mansourah-Massarrah gold projects progressing to schedule and budget
- Promising results from our accelerated exploration programme
- Significant progress in managing expenses and working capital

Global phosphate markets remain weak despite announced production cuts

DAP and Ammonia Prices, USD/tonne 2017 -2019



Source: Fertecon & FMB and team analysis

* DAP as the main phosphate fertilizers product



2019 Key Highlights

Phosphate

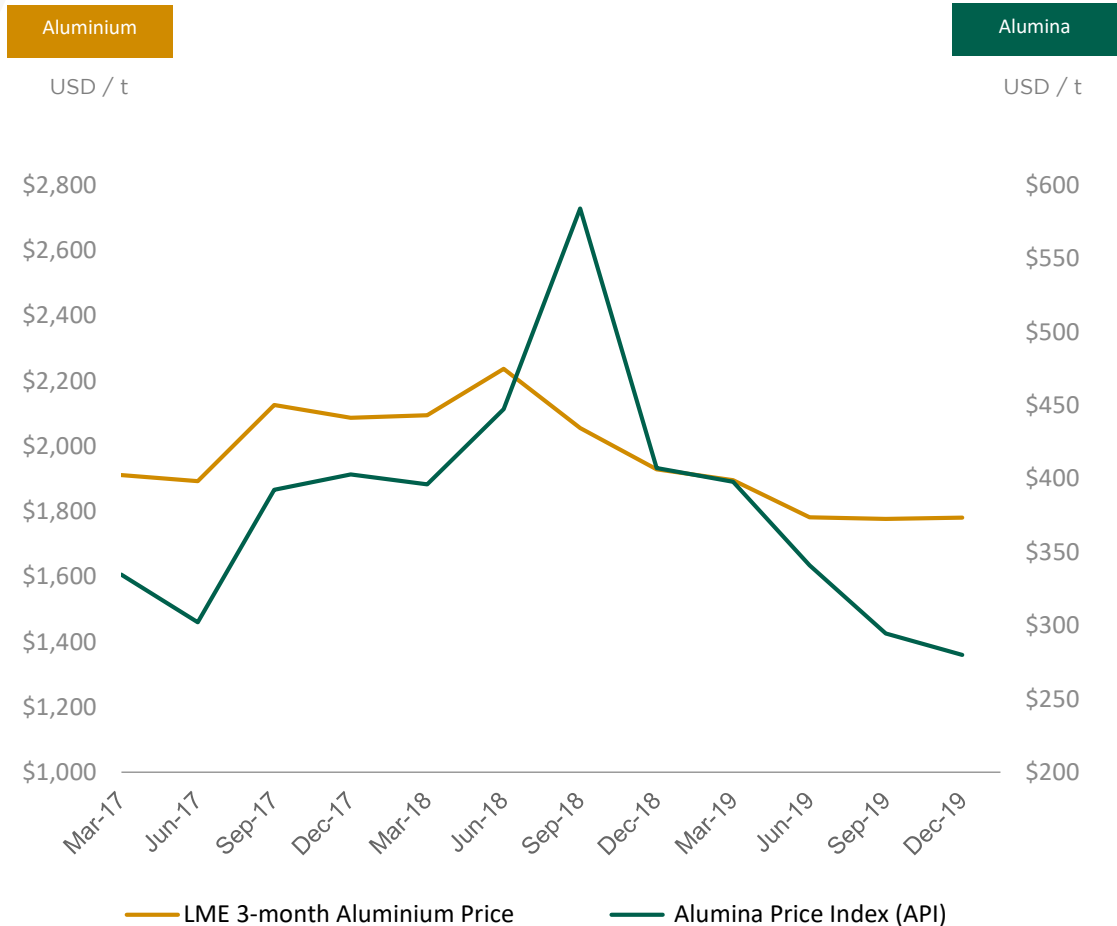
- Phosphate markets declined throughout the year, through a combination of increased supply from China early in the year and followed by weakening demand during the second half due to seasonal factors and high inventories
- Year on year prices fell by 18% to average US\$332 per tonne
- Announced production curtailment from US, China and Russia offsetting supply increases elsewhere helped to stabilize the market towards the end of the year but inventories remain high going into 2020

Ammonia

- Ammonia prices remained depressed throughout the year as supply remained in surplus
- Year on year prices fell by 18% to average US\$258 per tonne

Low demand expectations driving LME prices southward

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



2019 Key Highlights

Aluminium

- Demand growth slowed in 2019 due to the effects of trade tensions, China slowdown and weakness in the automotive sector
- Year on year LME prices fell by 15% to average US\$1,902 per tonne
- Easing of trade tensions in late 2019 likely offset by weakness in demand in China as we head into 2020 and market likely to see a surplus in 2020

Alumina

- Alumina prices fell throughout the year as capacity additions from the GCC and China added to volumes restarting in Brazil
- Year on year prices fell by 27% to average US\$334 per tonne

Source: Ma'aden Aluminium SBU Analysis

Gold strengthened due to economic uncertainty

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



2019 Key Highlights

Gold & Copper

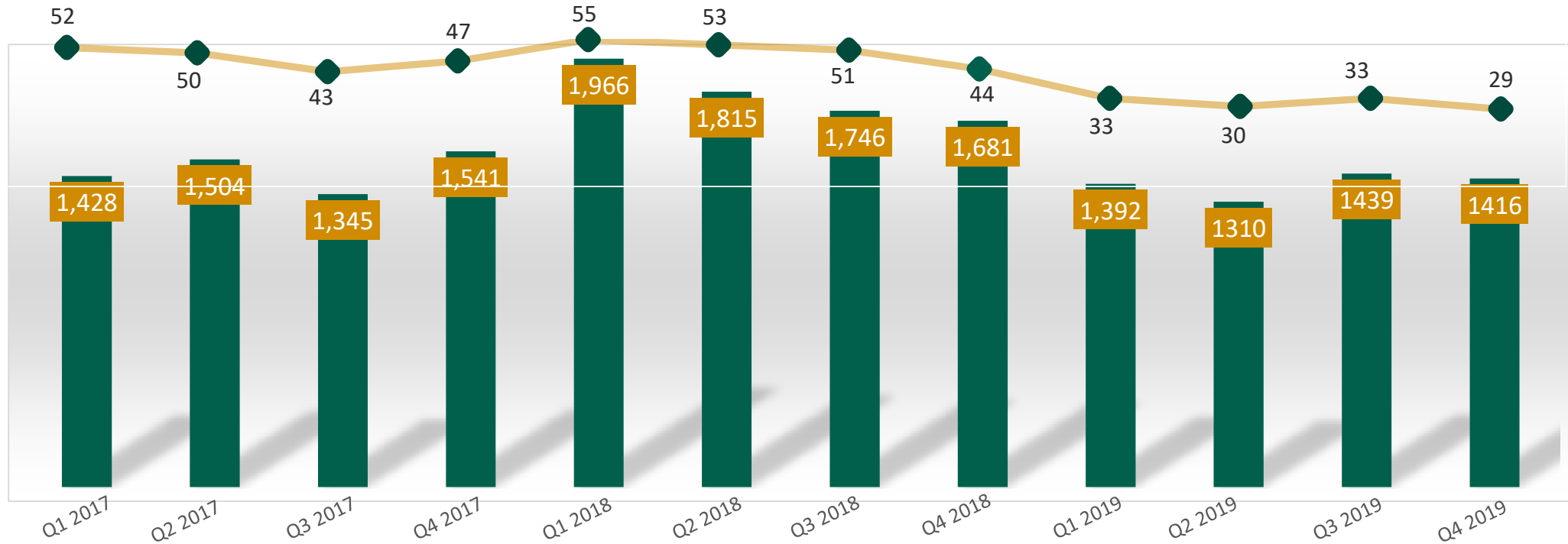
- Gold benefited through the year from the uncertainty over escalating trade disputes between the United States and China and fears over the impact on global economic growth
- Negative yields, interest rate cuts and global central bank easing also increased demand for gold
- Year on year gold prices rose by 12% to average US\$1,412 per ounce
- Copper demand remained subdued as a result of weak demand particularly in China
- Year on year copper prices fell by 7% to average US\$5,980 per tonne

Source: World Bank

Profitability

remained strong despite falling commodity prices over the last 12 months

Quarterly EBITDA¹ in million SR and EBITDA margin¹ in % (2017-2019)



¹ see appendix for definition of non-IFRS terms

■ EBITDA¹ —◆— EBITDA Margin¹



Khaled S. Al Khattaf

Sr. Vice President – Finance & CFO



Consolidated sales and EBITDA by segment - annually

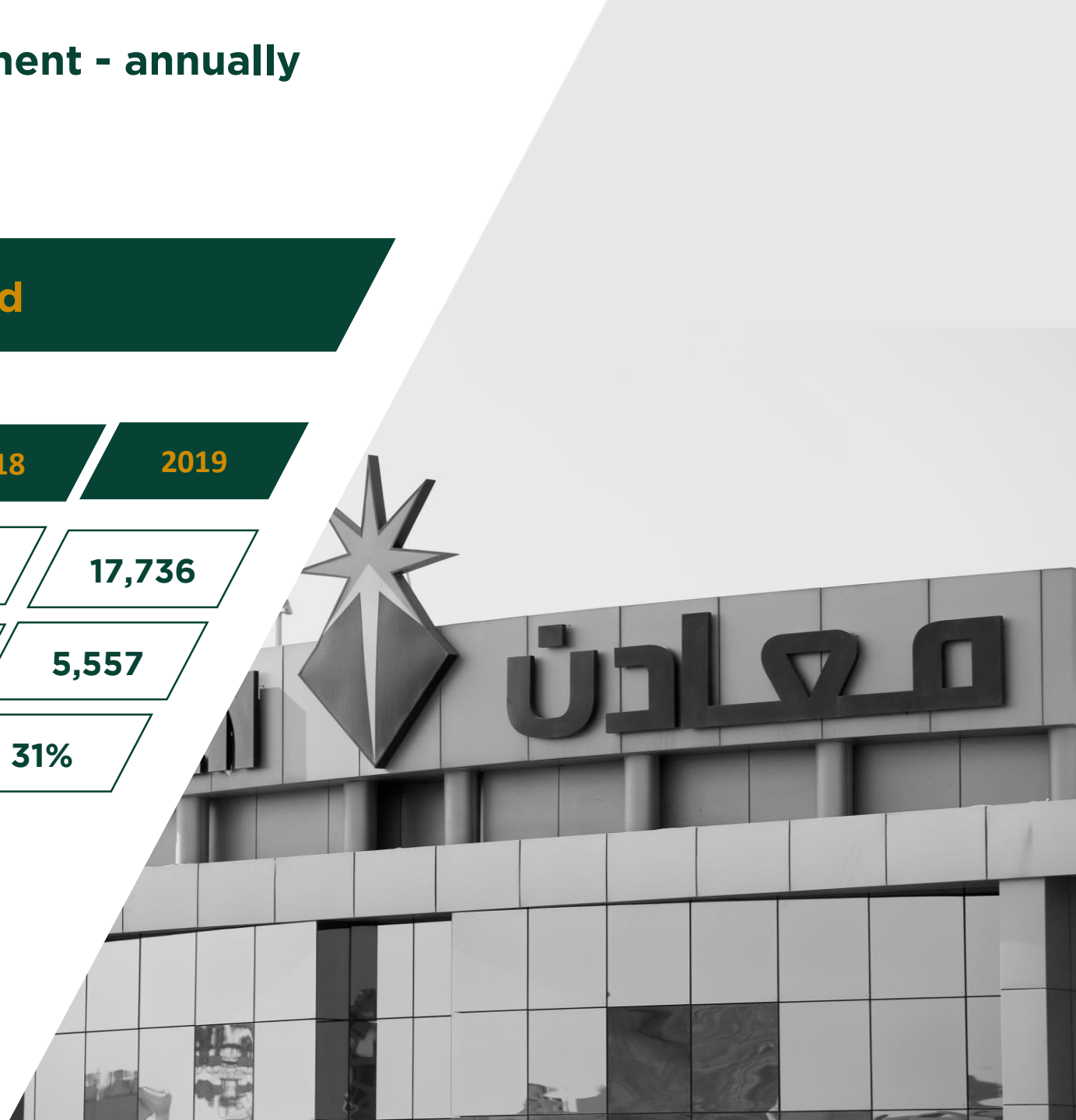


Consolidated

	2017	2018	2019
Sales (SR mn)	12,086	14,171	17,736
EBITDA ¹ (SR mn)	5,808	7,170	5,557
EBITDA Margin ¹ (%)	48%	51%	31%

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



Consolidated sales and EBITDA by segment - annually



Phosphate

	2017	2018	2019
Sales (SR mn)	5,401	6,526	8,250
EBITDA ¹ (SR mn)	2,465	3,157	2,430
EBITDA Margin ¹ (%)	45%	48%	29%

44% 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

Consolidated sales and EBITDA by segment - annually



Aluminium

	2017	2018	2019
Sales (SR mn)	5,032	5,668	7,400
EBITDA ¹ (SR mn)	2,545	3,071	2,178
EBITDA Margin ¹ (%)	51%	54%	29%

39% 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

Consolidated sales and EBITDA by segment - annually



Gold

	2017	2018	2019
Sales (SR mn)	1,594	1,976	2,086
EBITDA ¹ (SR mn)	798	943	950
EBITDA Margin ¹ (%)	54%	48%	46%

17% of Group EBITDA

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

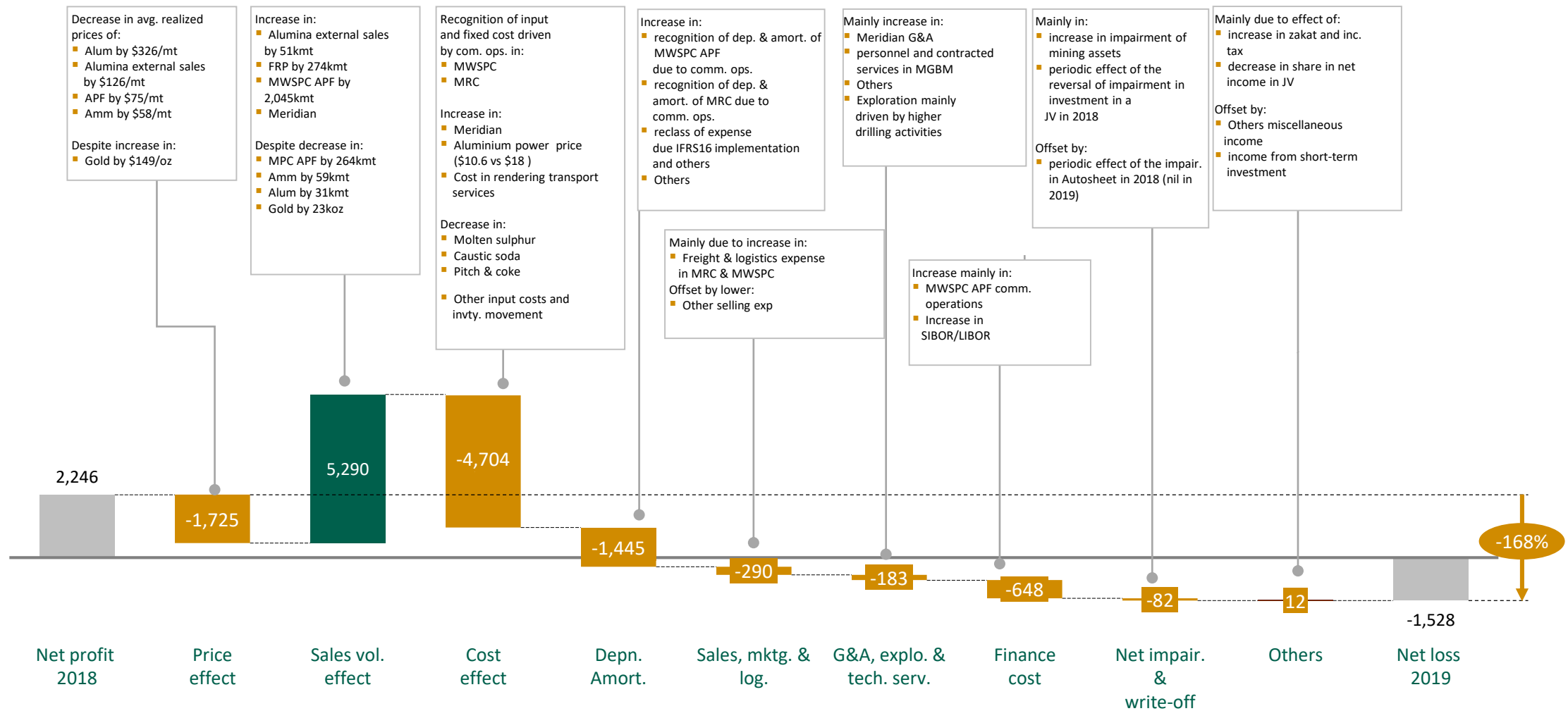
Note (2): Corporate functional department costs and other expenses not directly related to SBUs were allocated proportionately based on revenue share of each segment

2019 Consolidated financial statements

Despite increase in sales volume, net loss was incurred as a result of 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 - ytd



Consolidated statement of profit or loss

SRmn

Comparative P&L - annually

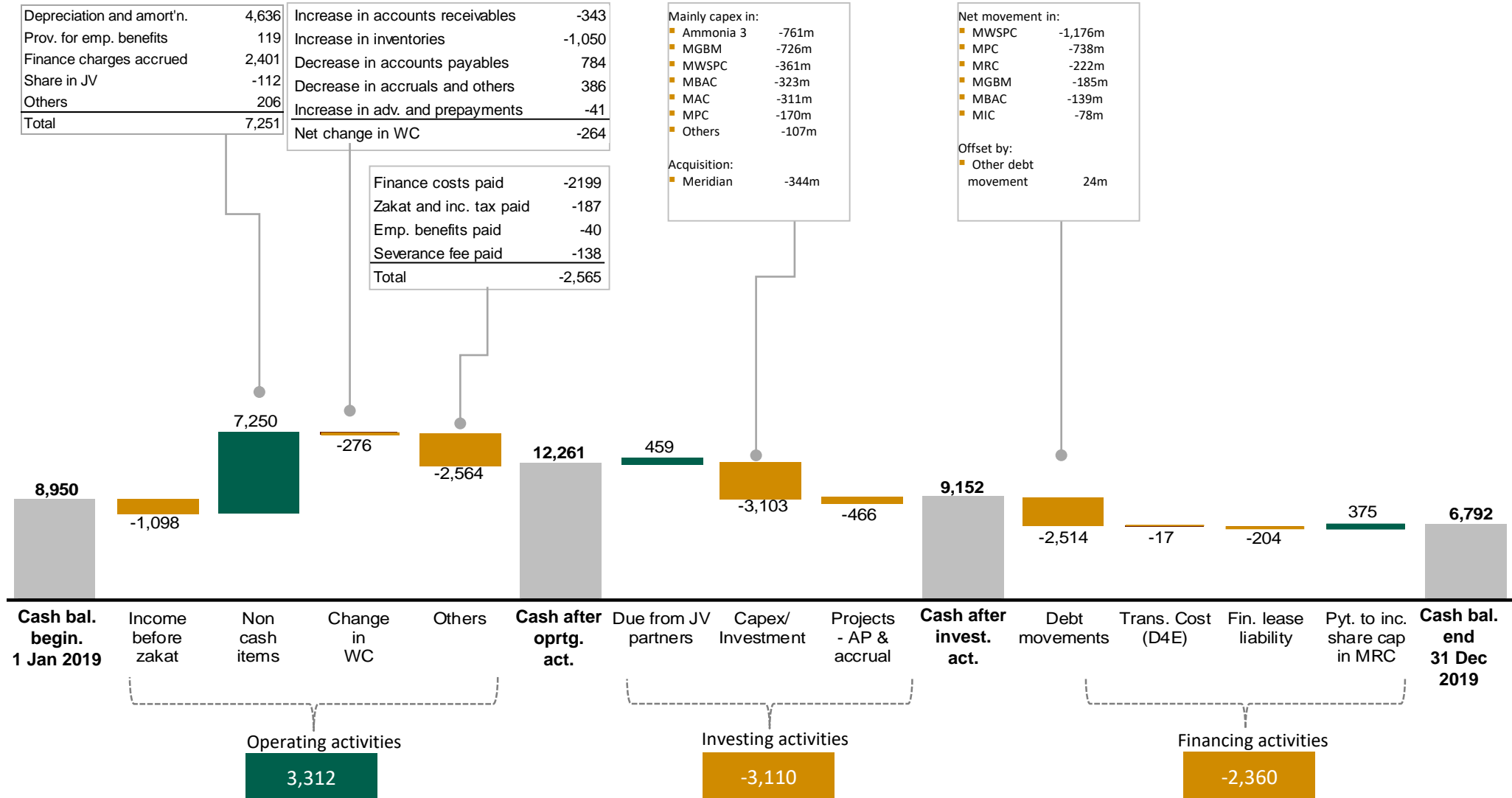
	2019	2018	Var.	
			SR	%
Sales	17,736	14,171	 3,566	25%
Cost of sales	-15,433	-9,284	-6,149	66%
Gross profit	2,304	4,887	 -2,583	-53%
<i>Gross profit margin%</i>	13%	34%		
Operating profit	886	4,024	 -3,138	-78%
<i>Operating profit margin%</i>	5%	28%		
Loss/ profit before zakat and income tax	-1,111	2,534	 -3,645	-144%
Loss/ Profit for the period	-1,528	2,246	 -3,774	-169%
<i>Loss/profit %</i>	-9%	16%		
Loss/ profit attrib. to shareholders' of the parent co.	-739	1,848	 -2,587	-140%
<i>EPS (SR)</i>	<i>-0.62</i>	<i>1.58</i>	 -2.2	-139%

2019 Consolidated financial statements

Consolidated statement of cash flows

SRmn

For the year ended 31 December 2019



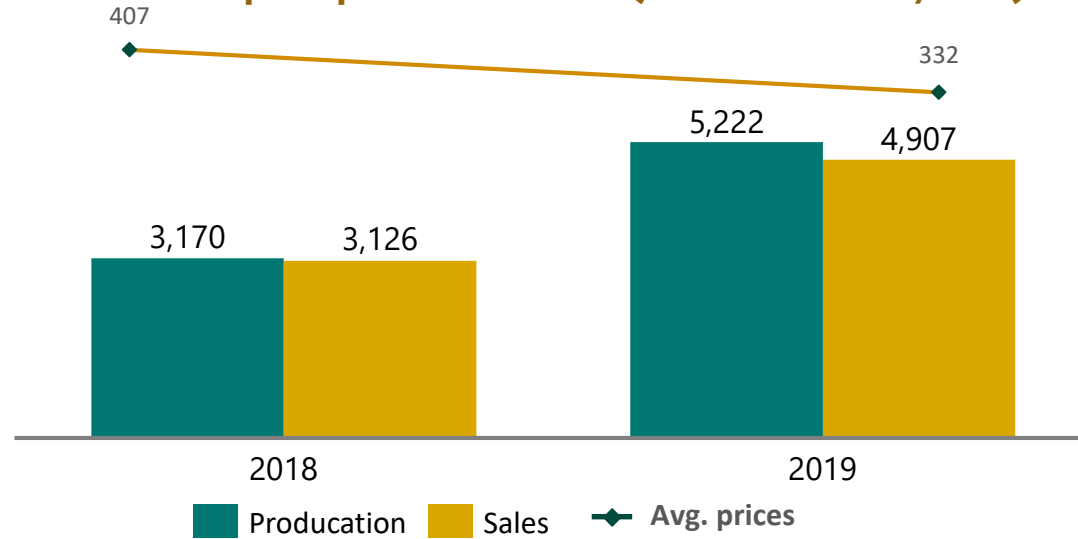


Operational Performance

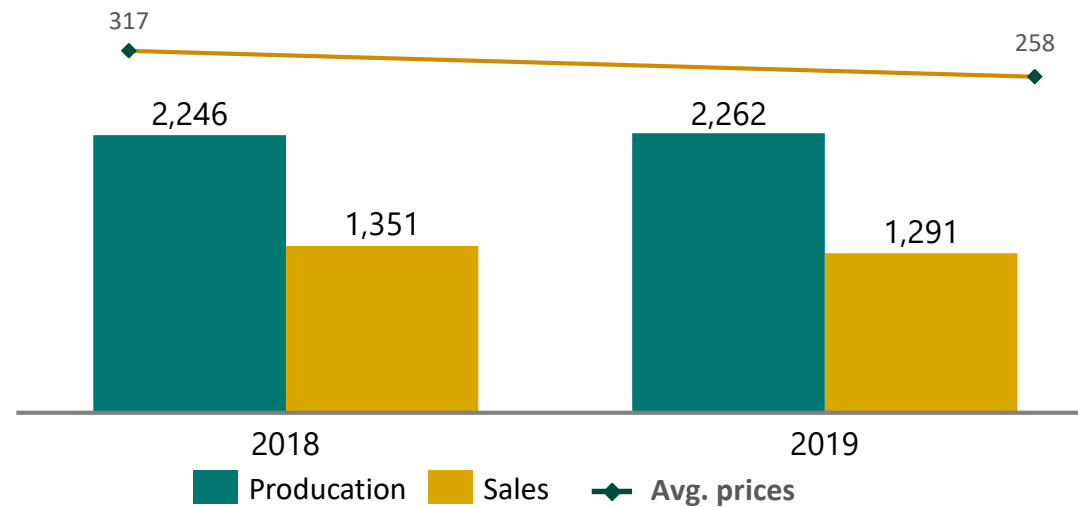


Phosphate performance

Ammonium phosphate fertilizer (in kt and USD / ton)



Ammonia (in kt and USD / ton)



Key takeaways



Ammonium phosphate fertilizers



Production: 5,222kt

An increase of 65% over 2018 driven by MWSPC ramp-up which had started commercial operations only in December 2018.



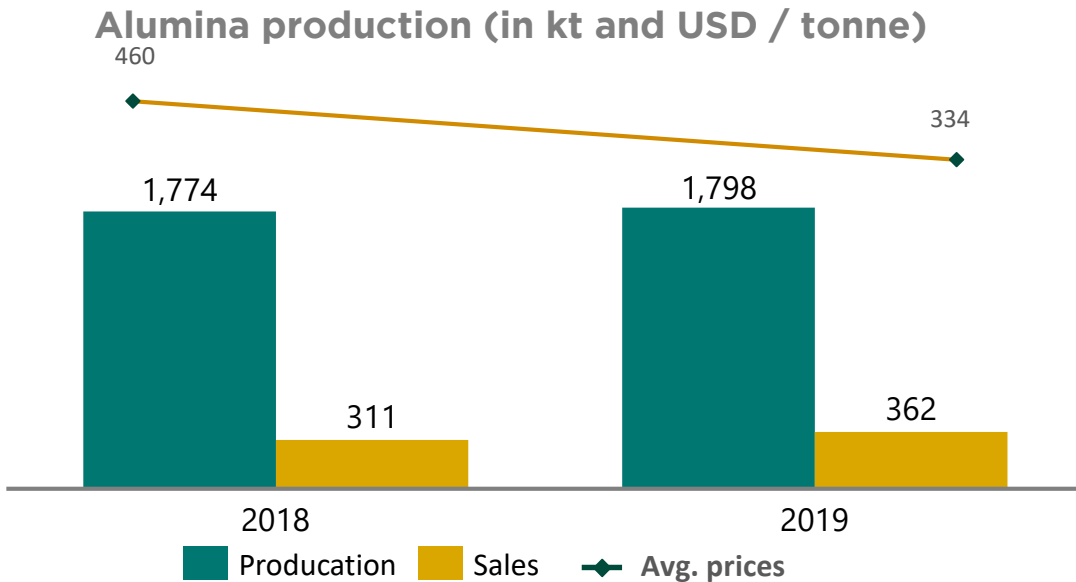
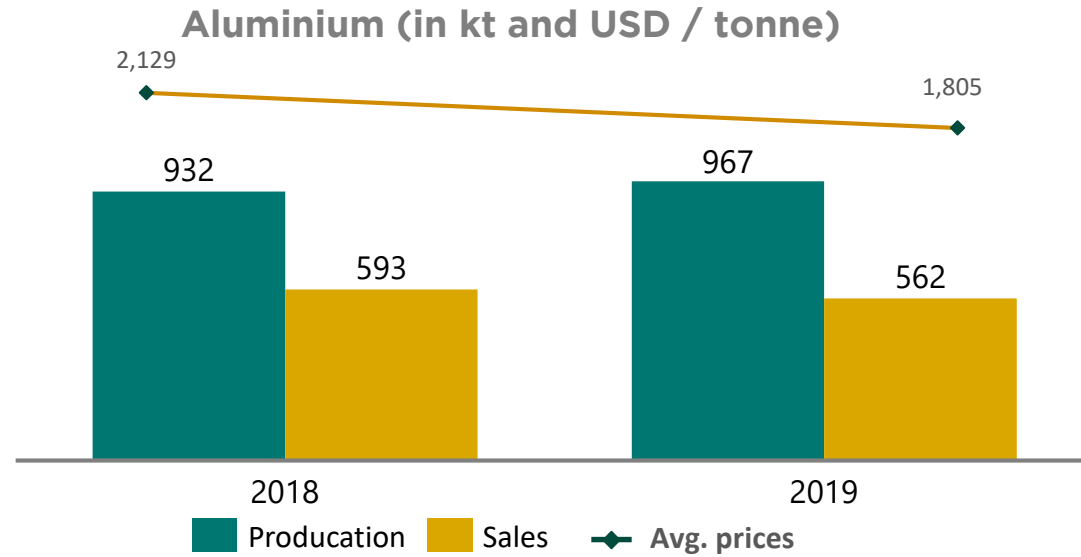
Ammonia



Ammonia production: 2,262kt

Remained stable, slightly increased as compared to 2018.

Aluminium performance



Key takeaways



Production volume of aluminium

Production: 967kmt

- an increase of 4% over 2018.

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: 1,798kmt

- an increase of 1% over 2018.

Alumina production is steadily increasing due to higher plant stability



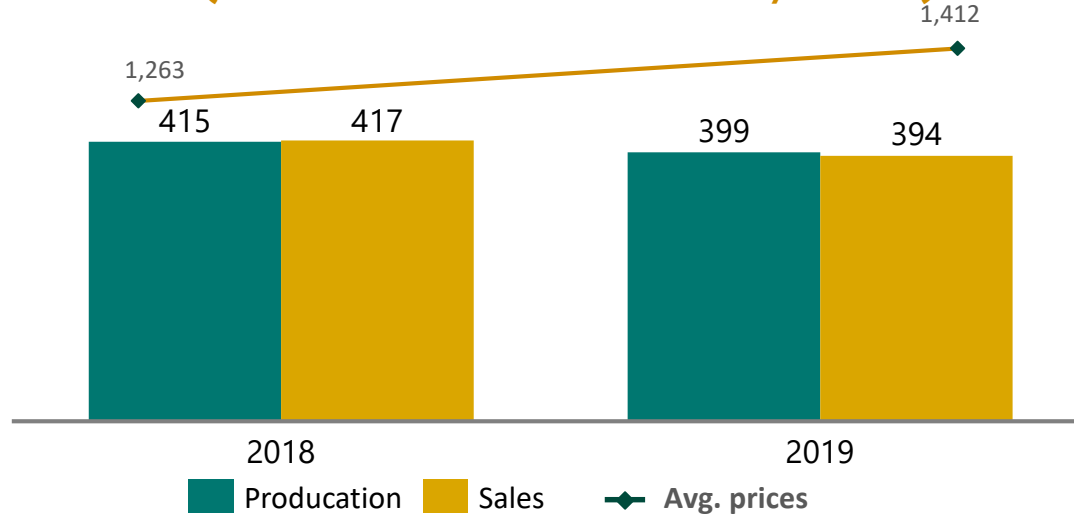
Production Flat-rolled products

Production: 296kmt

- ramp-up driven by the start of commercial operations in December 2018. (Last year 1 month production was 20kmt)

Gold and copper performance

Gold (in thousand ounces and USD / ounce)



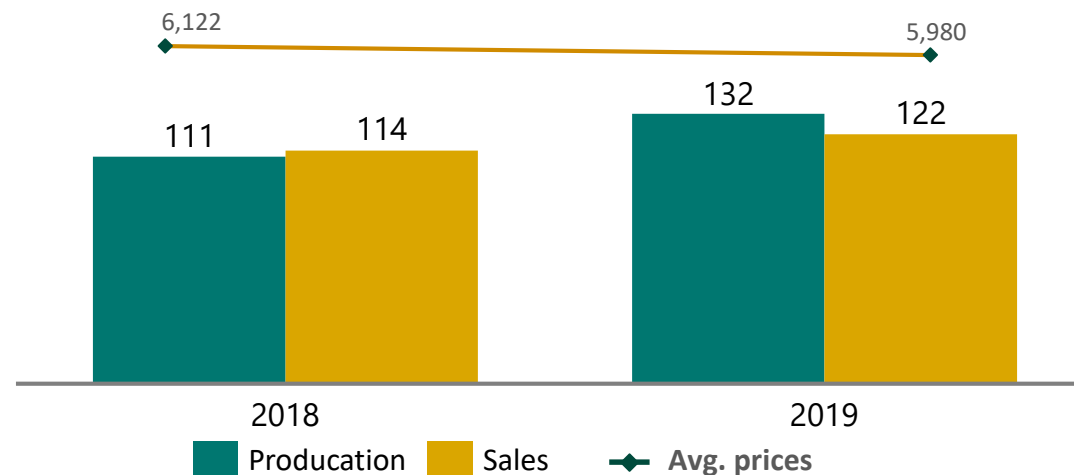
Key takeaways



Production volume of gold

Decreased by 4% over 2018, due to lower milled tons and metallurgical recovery.

Copper production (in kt and USD / tonne)



Production volume of copper

Increased by 19% over 2018 driven by higher mill throughput and feed grade, resulting in higher production.

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

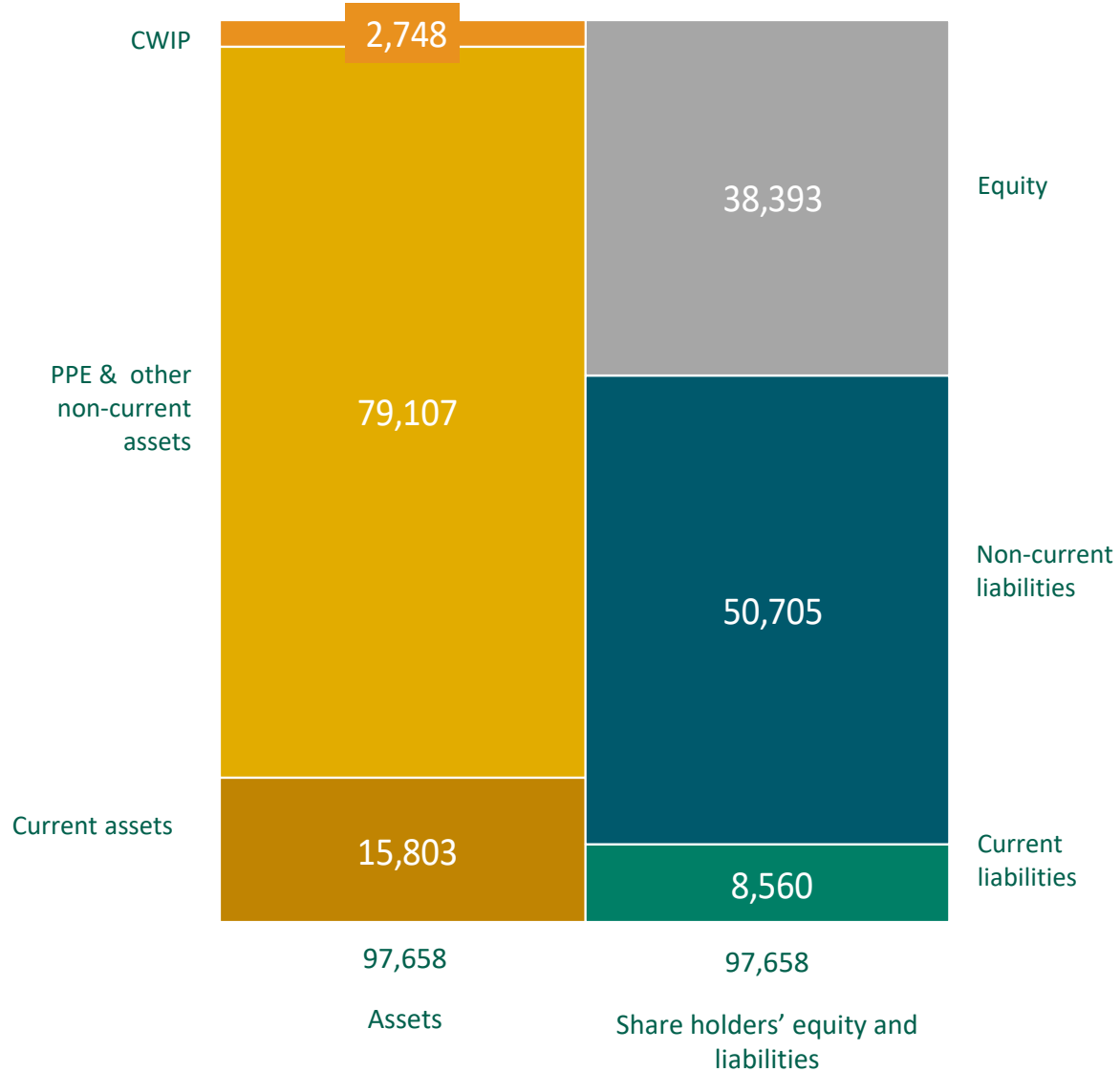


Financial position

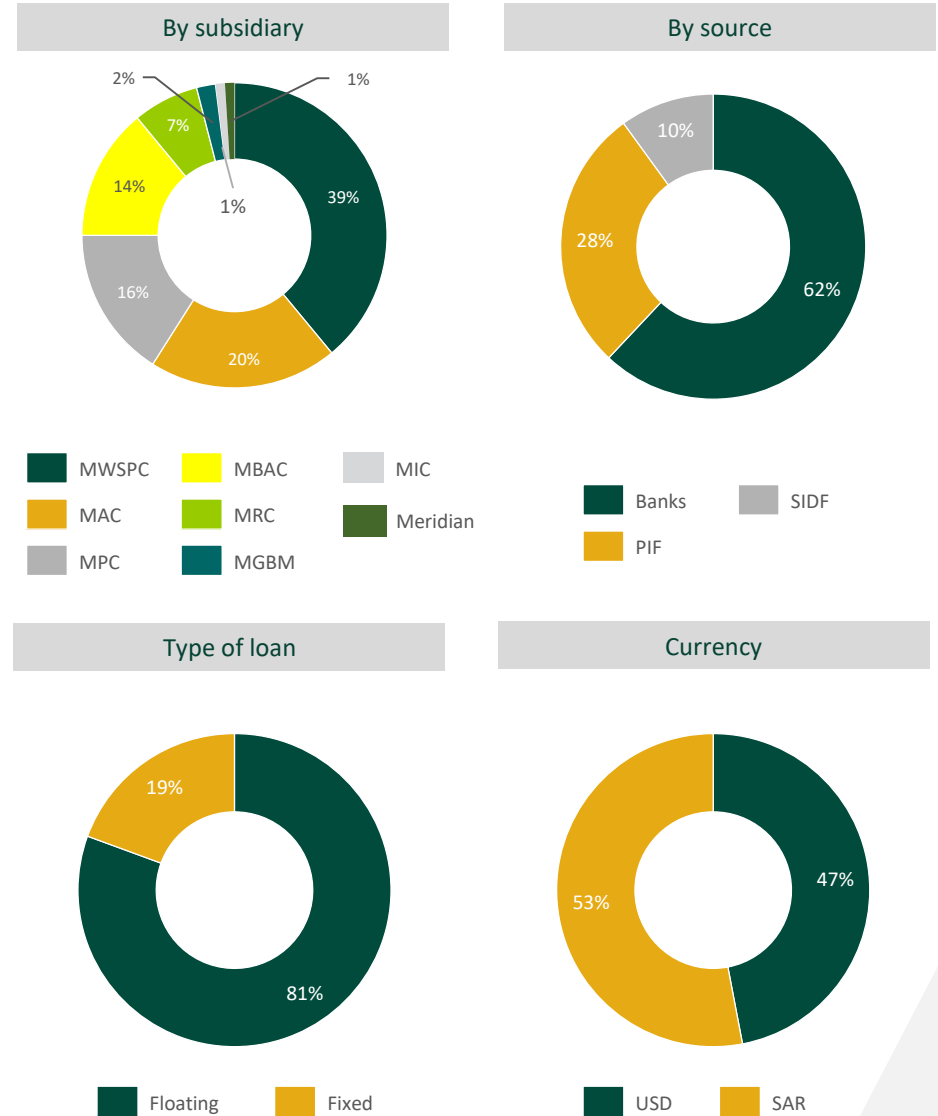


Financial position at 31 December 2019

Balance sheet (in mn SAR)

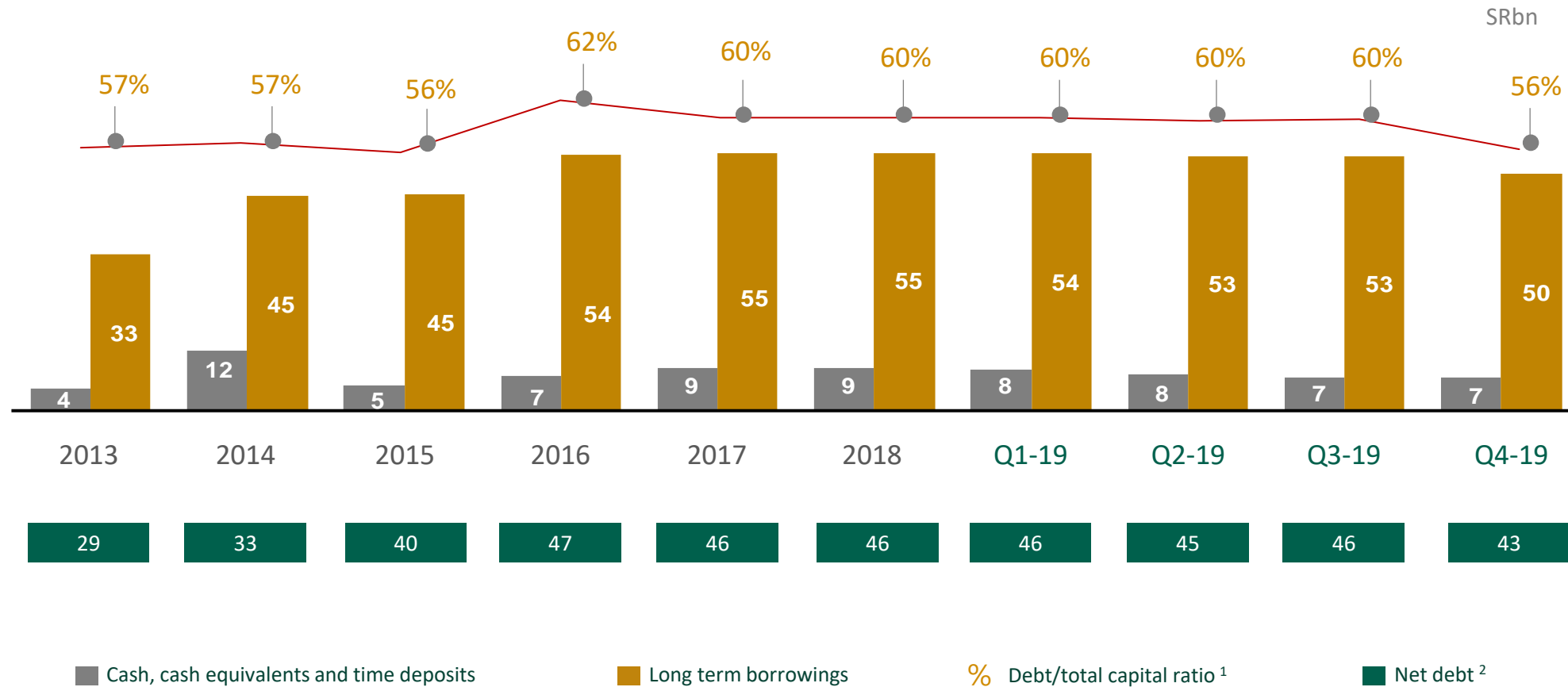


Long-term borrowings (in %)



Cash and long term borrowings

6 year historical data



¹ Long term borrowings / (long term borrowings + total equity)

² Long term borrowings – cash equivalents and short term investments

Summary





Good progress made in 2019 on a number of fronts...

- Meridian **acquisition closed in August 2019** and on track to meet our objectives
- **Debt for Equity swap for MRC debt** completed with a positive impact on leverage ratios
- Both Ammonia-3 project and Mansourah-Massarrah gold **projects progressing to schedule and budget**
- Significant progress in **managing expenses and working capital**



...but facing challenging market Conditions...

- **Phosphate prices are likely to remain under pressure** during 2020 with inventories high but will be dependent on demand recovery
- **Aluminium prices also likely to remain depressed** with Chinese demand unlikely to outpace growth in supply
- **Gold prices expect to remain elevated** whilst **copper price recovery dependent on economic conditions**



...our primary focus in 2020 will be on safety & efficiency

- Continued roll out of **Safety Transformation Programme**
- Resolving remaining **technical challenges at MWSPC**
- **Debottlenecking alumina refinery** and continued optimization of smelter and rolling mill
- Continue **optimization of our gold mines** potential
- Group wide **digitalization programme** to drive safety and efficiency
- Control of expenses and **working capital** with ongoing programmes
- Continue to **optimize our capital structure** and maintain liquidity
- Maintaining **highly disciplined approach to growth investments**



Q&A





Appendix



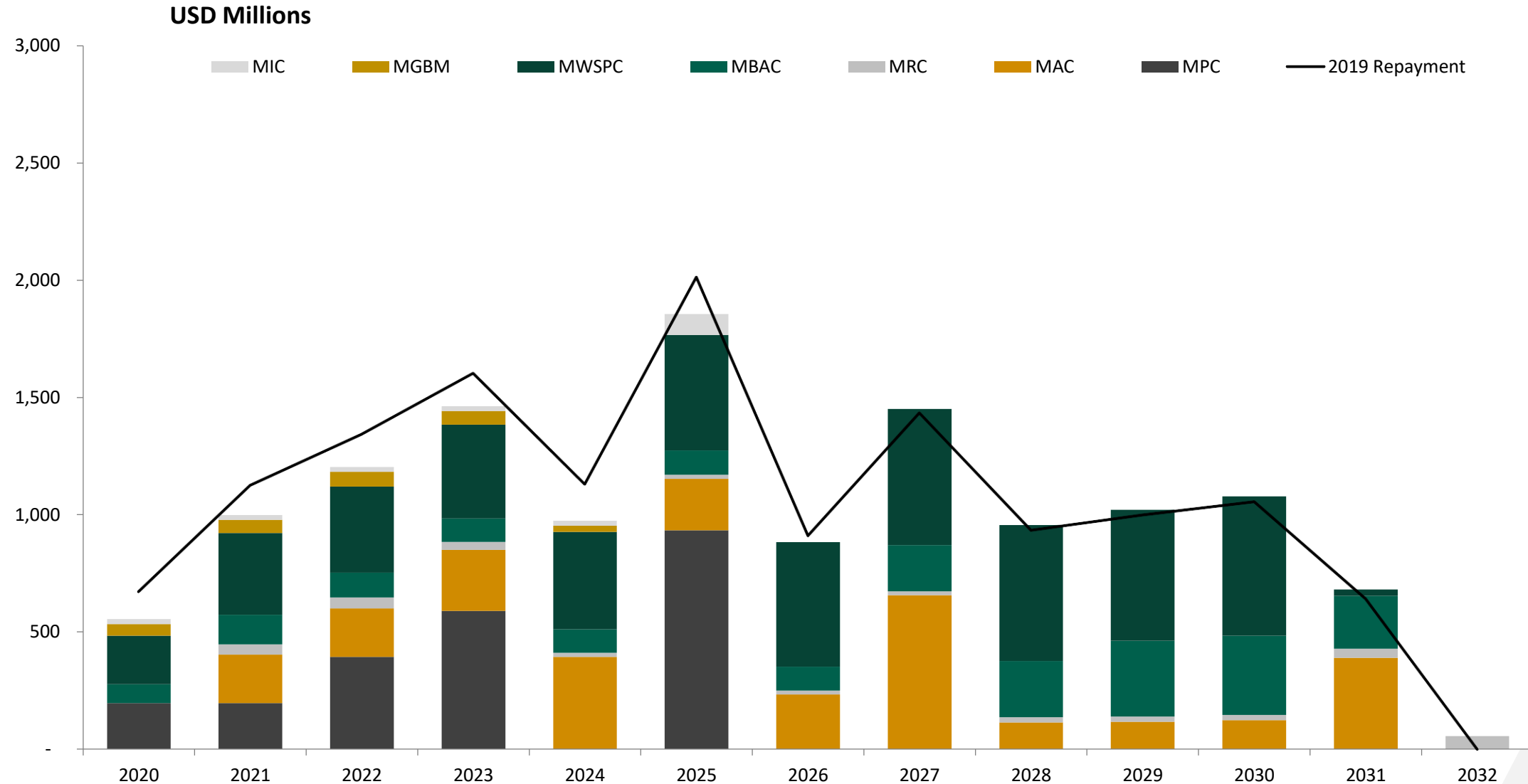
Sales summary

Particulars in k-tonne (except as mentioned)	2019	2018
Phosphate business		
Ammonium phosphate fertilizer	4,907	3,126
Ammonia	1,291	1,351
Aluminium business		
Alumina	362	311
Primary Aluminium	562	593
Flat Rolled Products	294	20
Precious and base metals business		
Gold ('000 ounces)	394	417
Copper ¹ (Mt)	122	114

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





THANK
YOU

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