



Knowledge grows

# Yara International ASA 2019 third quarter results

18 October 2019



# Safety is our first priority

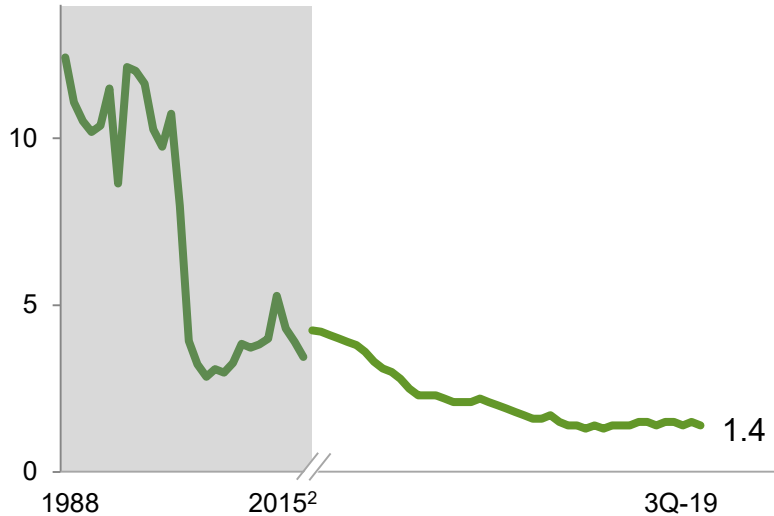
Ensuring a safe workplace for employees and partners



## Lower injury rate established

## Improving historical and leading indicators

TRI<sup>1</sup> (12-month rolling)

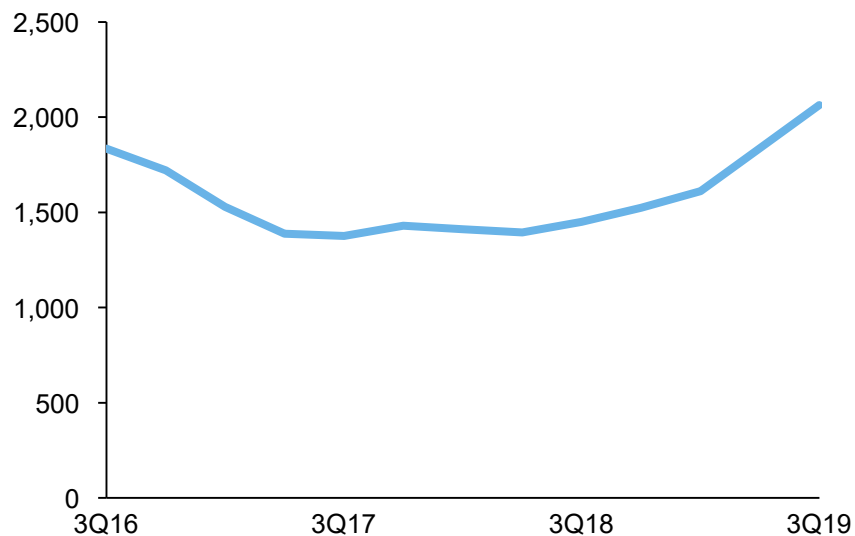


- Lower level and industry-leading performance established in the last year
- TRI rate improvement compared with 2Q
- Zero injuries remains the long-term goal

# Improved third-quarter results

## Earnings improvement continuing

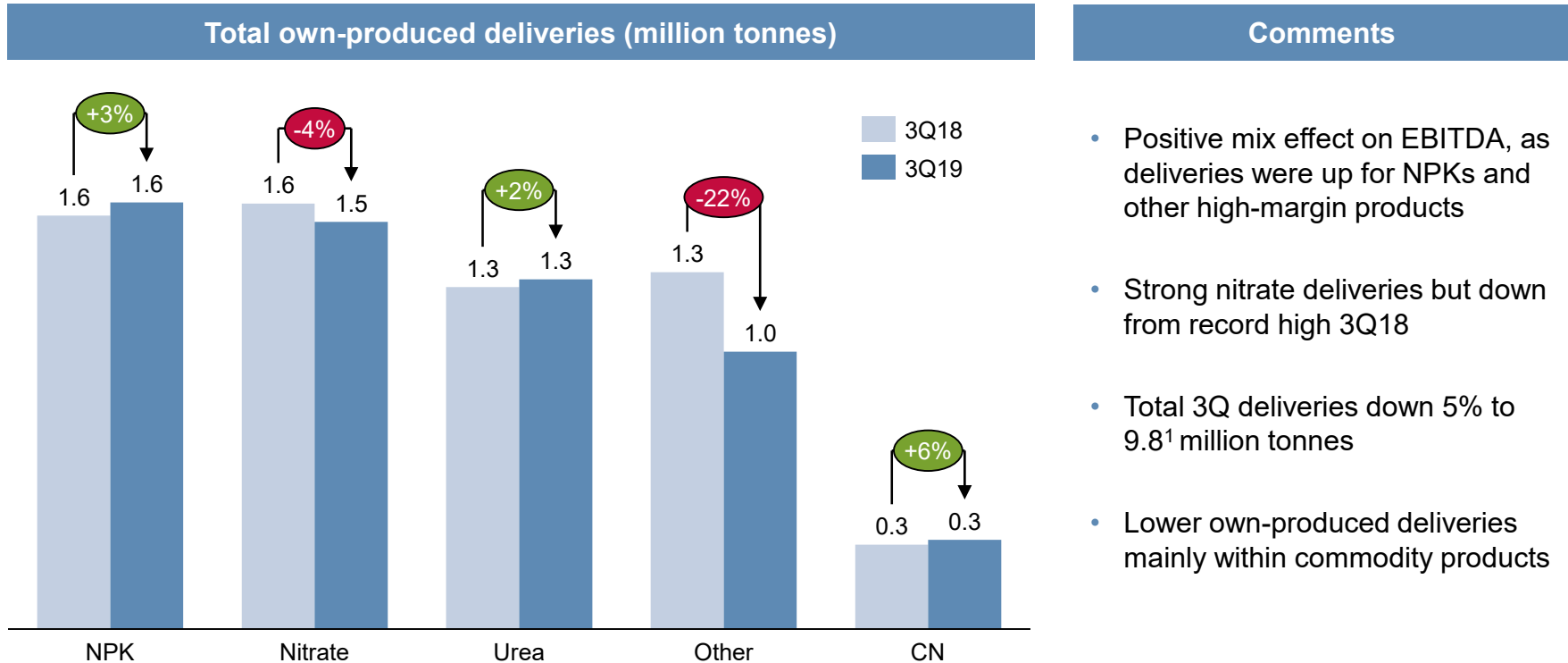
L12M EBITDA ex. special items (MUSD)



## Increased profitability

- EBITDA excluding special items and IFRS 16 increased by 49%<sup>1</sup>
- Lower energy cost and higher production
- Positive product mix effect with strong premium deliveries, in line with strategy
- Strong earnings improvement for New Business
- Return on invested capital (ROIC) at 6.1%<sup>2</sup>

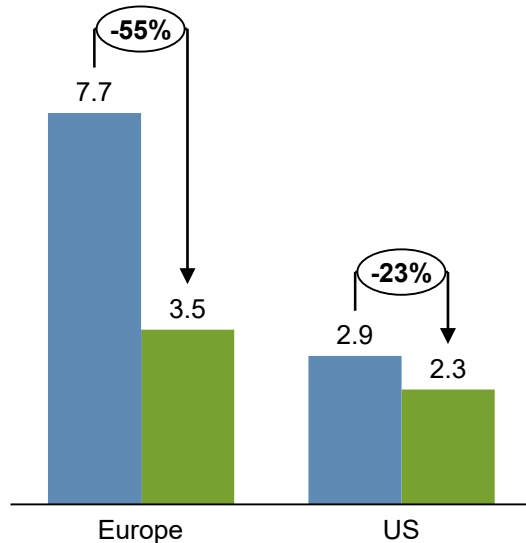
# Positive product mix effect with strong premium deliveries, in line with strategy



# Improved nitrogen margins

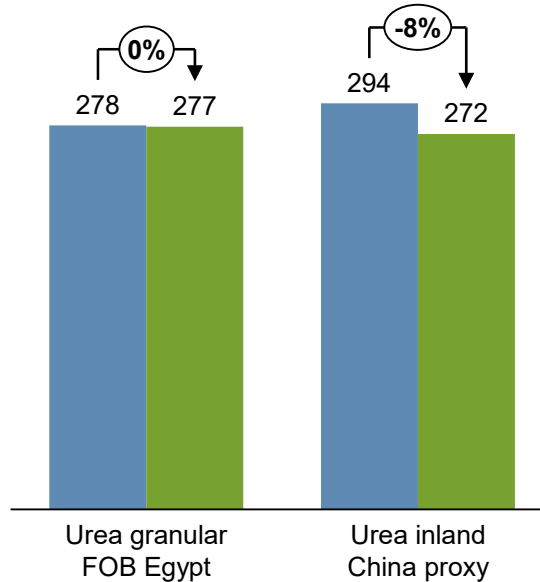
## Lower European natural gas prices

Spot gas prices<sup>1</sup> (USD/Mmbtu)



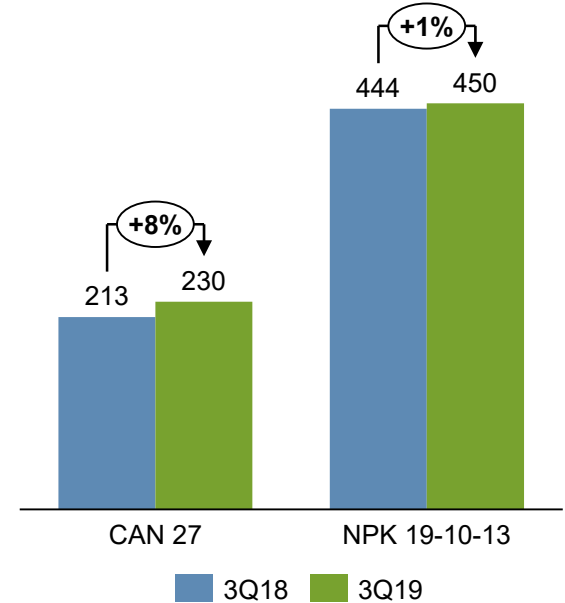
## Flat urea prices outside China

Urea price development<sup>1</sup> (USD/t)



## Higher nitrate and NPK prices

Yara realized CAN and NPK price<sup>2</sup> (USD/t)



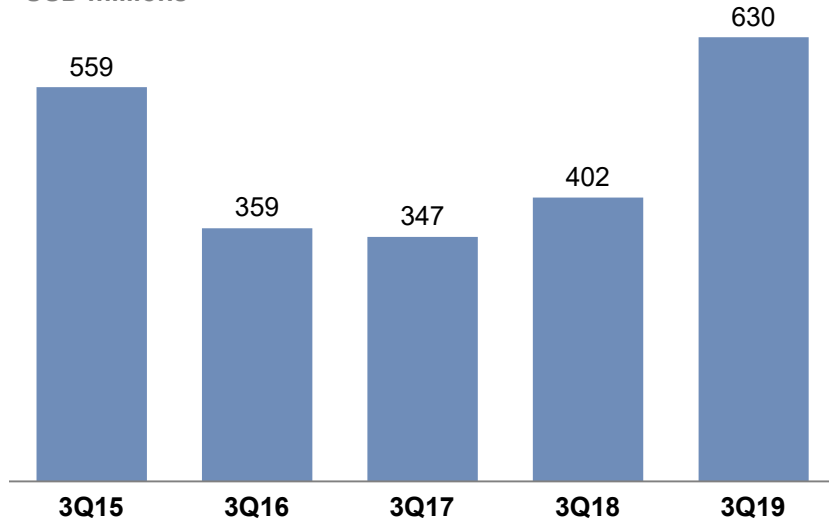
<sup>1</sup> Source: BOABC, CFMW, Argus. 1-month lag applied, as proxy for realized prices (delivery assumed to be 1 month after order taking).

<sup>2</sup> Yara's realized European nitrate price, CAN 27 equivalents ex. Sulphur, Yara's realized global NPK price (average grade) at German proxy CIF

# Improving earnings and profitability trend

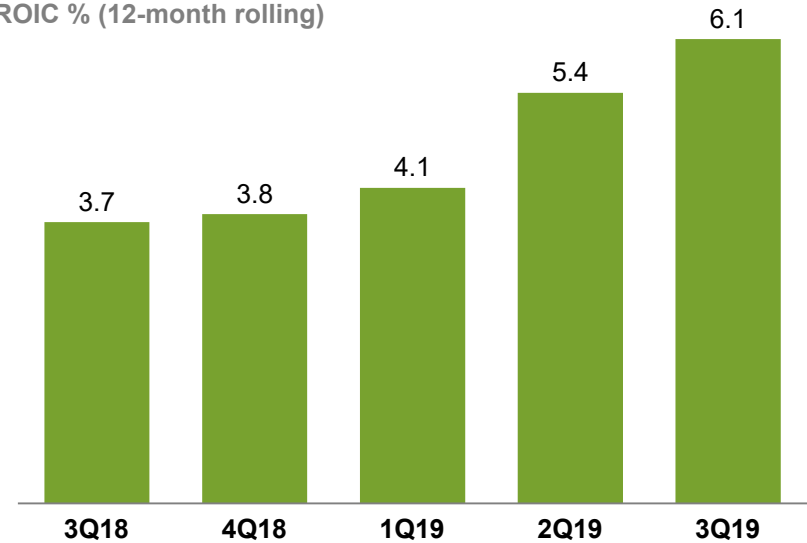
## 5-year high 3Q EBITDA ex. special items

USD millions



## Improving profitability trend last 12 months

ROIC % (12-month rolling)



ROIC Quarter annualized:

5.3

3.4

5.5

7.1

8.1

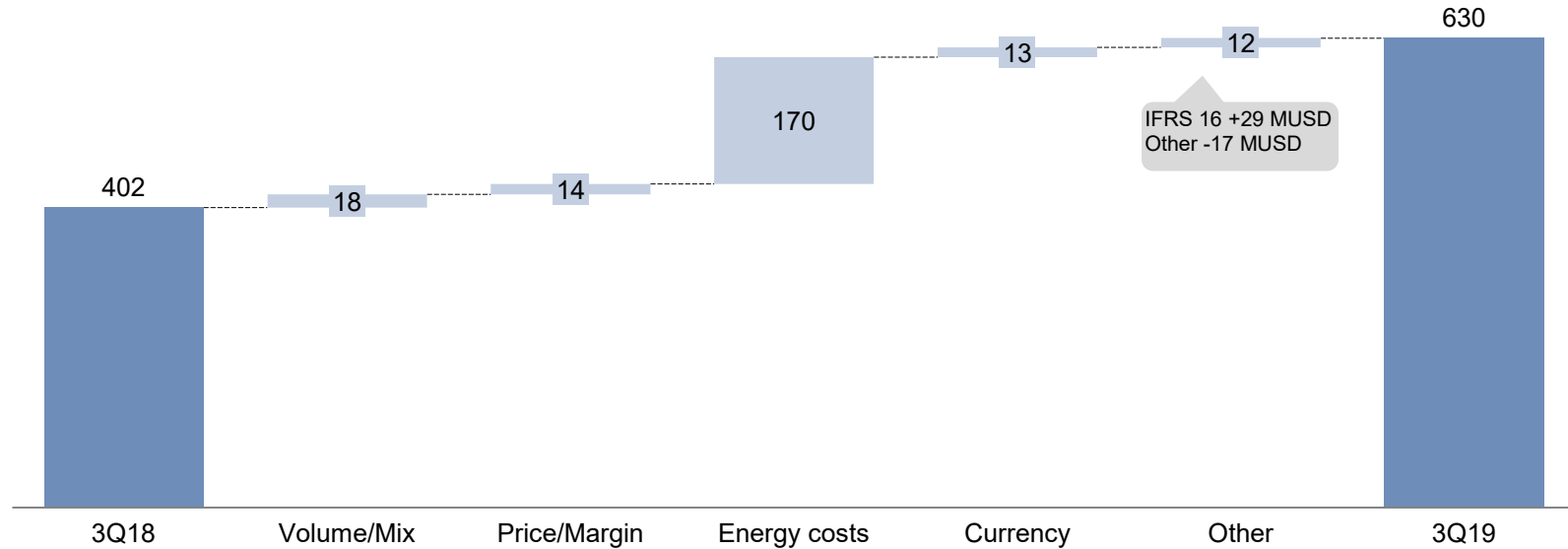
# Performance overview

	3Q 2019	3Q 2018
<b>EBITDA ex. special items</b> <i>(USD millions)</i>	<b>630</b>	402
<b>EPS ex. currency and special items</b> <i>(USD per share)</i>	<b>0.94</b>	0.50
<b>Cash from operations</b> <i>(USD millions)</i>	<b>285</b>	89
<b>Investments</b> <i>(USD millions)</i>	<b>255</b>	303
<b>ROIC</b> <i>(12-month rolling)</i>	<b>6.1%</b>	3.7%

# EBITDA increase mainly driven by lower energy cost, improved product mix and higher margins

## EBITDA ex. special items

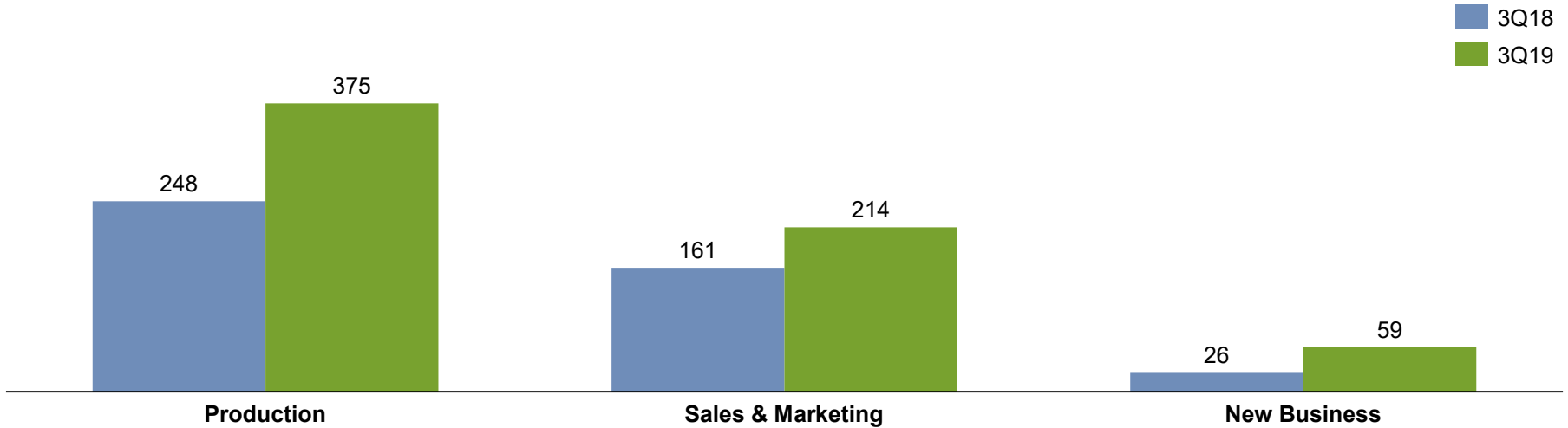
USD millions





# Higher earnings in all segments

EBITDA ex. special items (MUSD)



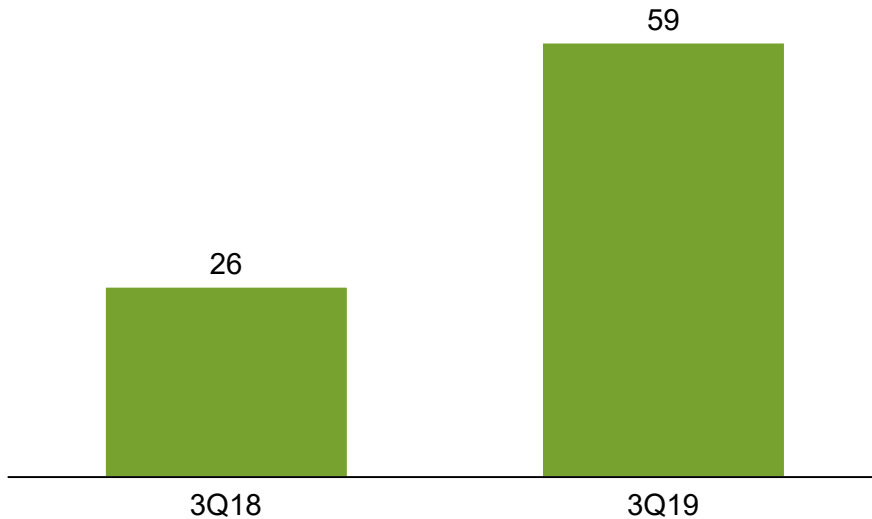
- Improved nitrogen margins in Europe
- Positive production regularity trend

- Strong premium deliveries with improved margins
- Lower fixed cost

- Underlying improvement in all units
- Volume and margin improvement

# Strong New Business operations and earnings improvement

## New Business EBITDA

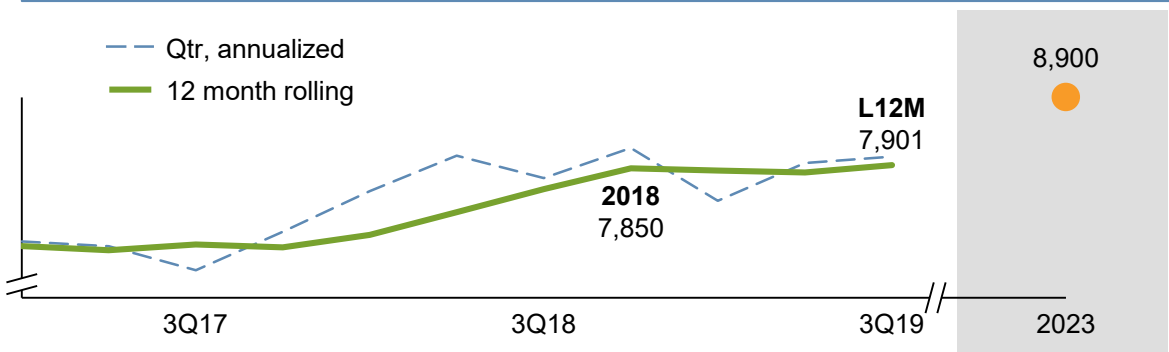


## Comments

- Underlying result improvement for all business units
  - Strong quarter for Maritime
- Volume increase mainly for AdBlue in Europe and North America
- Higher margins mainly within Mining Applications
- IPO scope evaluation progressing according to plan

# Improvement Program status: production KPIs<sup>1</sup>

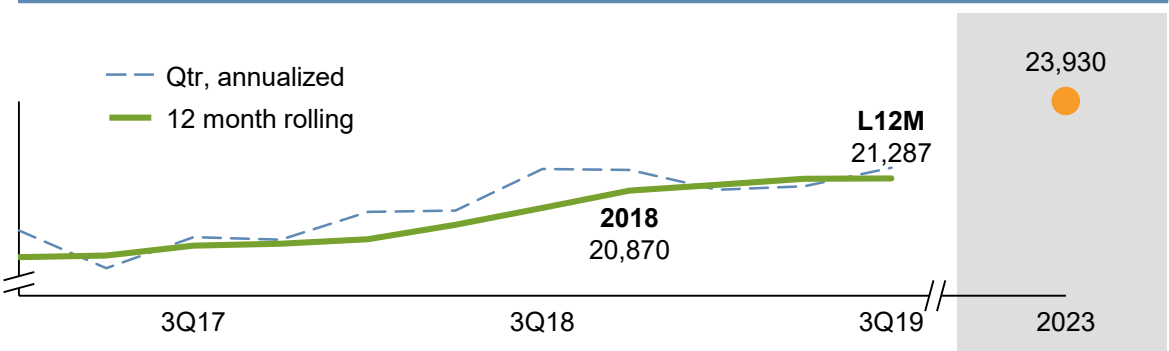
## Ammonia production volumes, kt annualized



## Comments

- Improved reliability overall
- Largest effect on ammonia (up 79 kt compared with 2Q19), main contribution from Pilbara
- Finished products up 11 kt compared with 2Q19

## Finished products production volumes, kt annualized

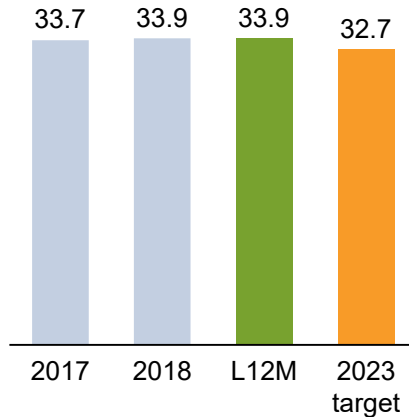


<sup>1</sup> As presented at CMD, includes volumes from both growth and improvement projects  
See appendix for definitions

# Improvement program: non-production KPIs

## Ammonia energy efficiency

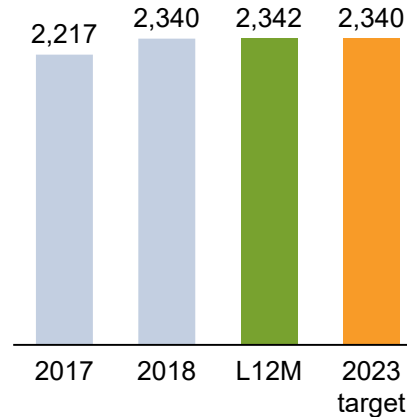
GJ/ton



- Improved reliability and fewer turnarounds contribute positively compared with 2Q status (34.1 GJ/ton)

## Fixed costs

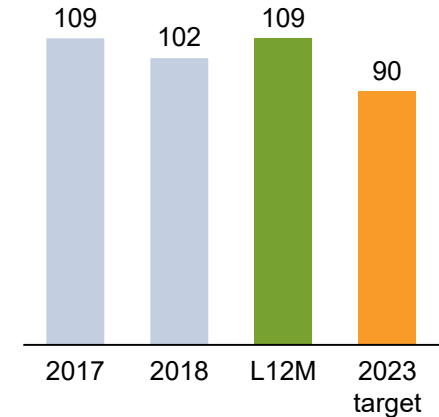
MUSD



- Fixed costs in line with target ambition level; improving trend
- 2023 target represents real improvement of 300 MUSD

## Operating capital

Days

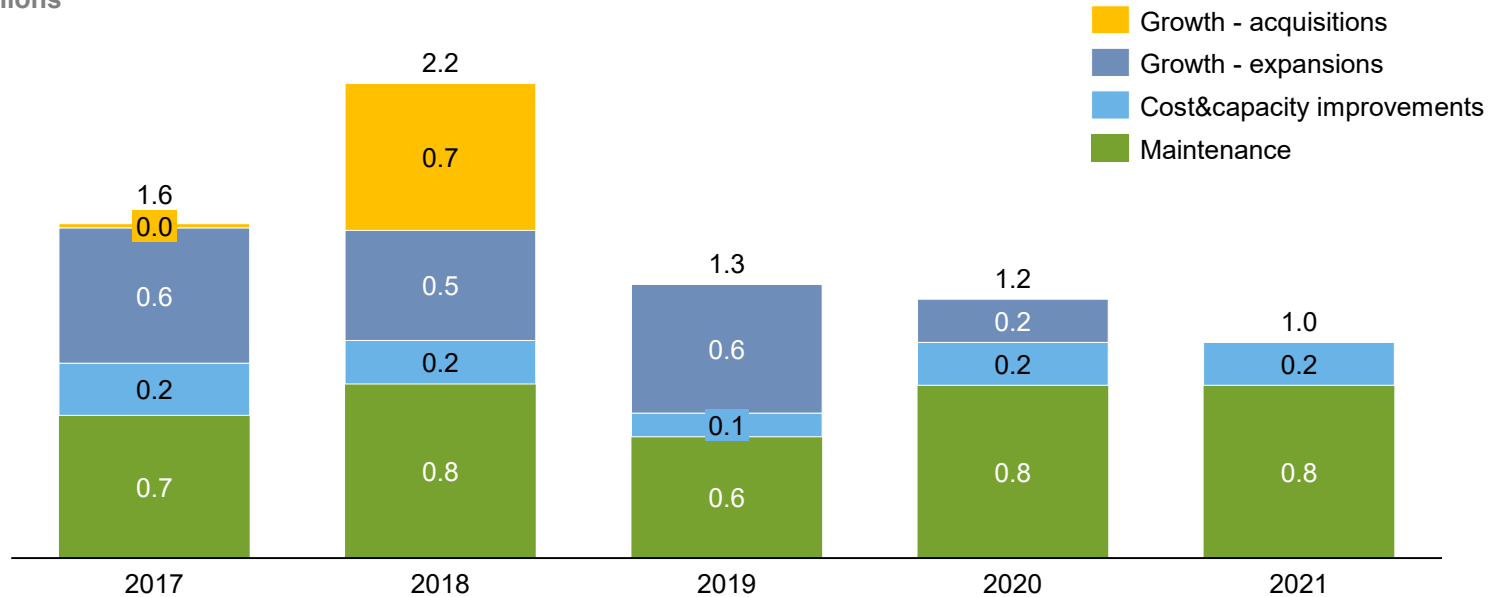


- Inventory increase vs 2018 driven by commercial management of operating capital

# No change to committed investments

## Capex plan<sup>1</sup>

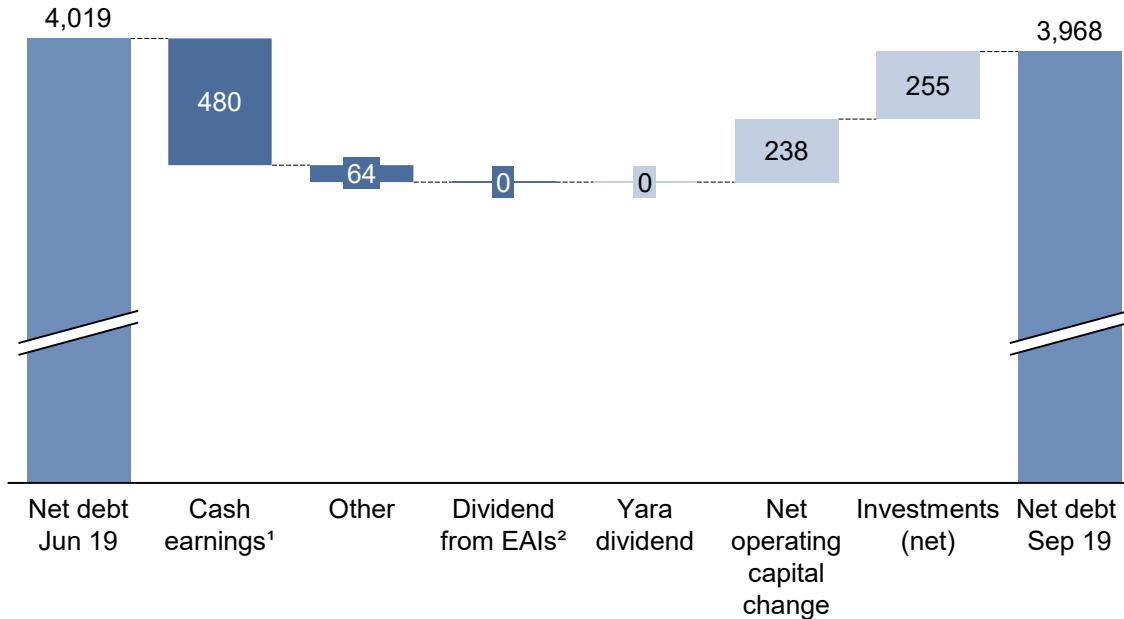
USD Billions



# Net interest-bearing debt reduced

## 3Q development

USD millions

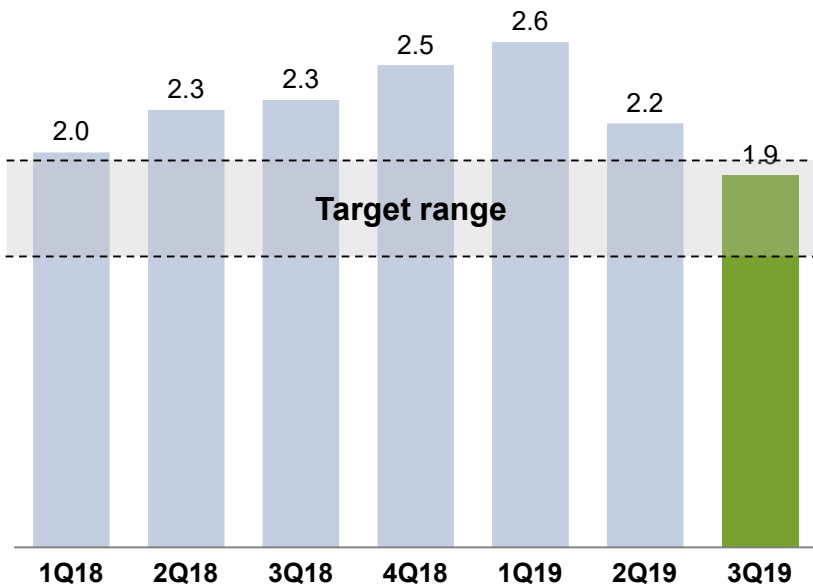


## Comments

- Strong cash earnings, more than covering investments and operating capital increase
- Increased operating capital mainly reflects seasonal prepayments reduction in Brazil
- Investments include 93 MUSD growth investments (Salitre and Rio Grande)
- Net debt/EBITDA<sup>3</sup> ratio at 1.9, down from 2.5 at end of 2018

# Delivering on revised distribution policy

## Net Debt/EBITDA ex. special items<sup>1</sup>



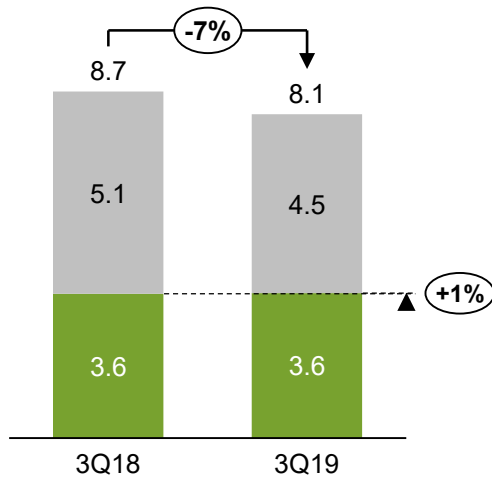
## Comments

- Yara plans to buy back 0.5% of outstanding shares by the end of 2019, or approx. 0.8% including proportional redemption of Norwegian state shares
- Targeted capital structure is a mid- to long-term net debt/EBITDA range of 1.5-2.0 and a net debt/equity ratio below 0.60
- Shareholder returns are distributed primarily as dividends, with buybacks as a supplemental lever
- Yara considers a moderate buy-back level appropriate while credit metrics recover, but will consider higher cash distribution levels should the improvement continue

# Sales & Marketing performance

Strong premium product deliveries, positive mix effect

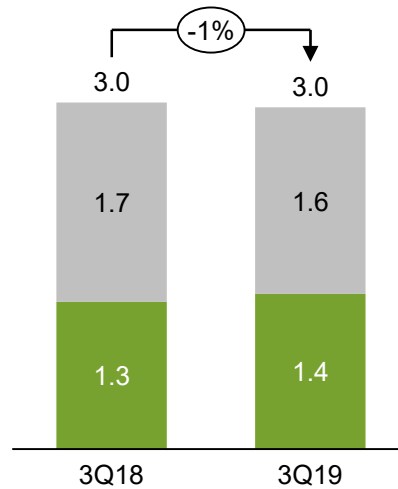
Volumes (Mt)



Commodity Premium<sup>1</sup>

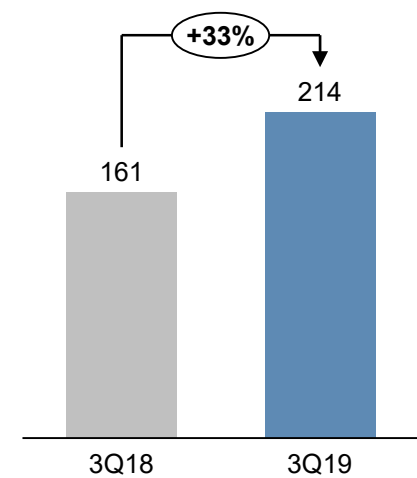
Stable revenues

Revenues (BUSD)



Increased EBITDA with higher margins in Brazil and Europe

EBITDA ex. SI (MUSD)

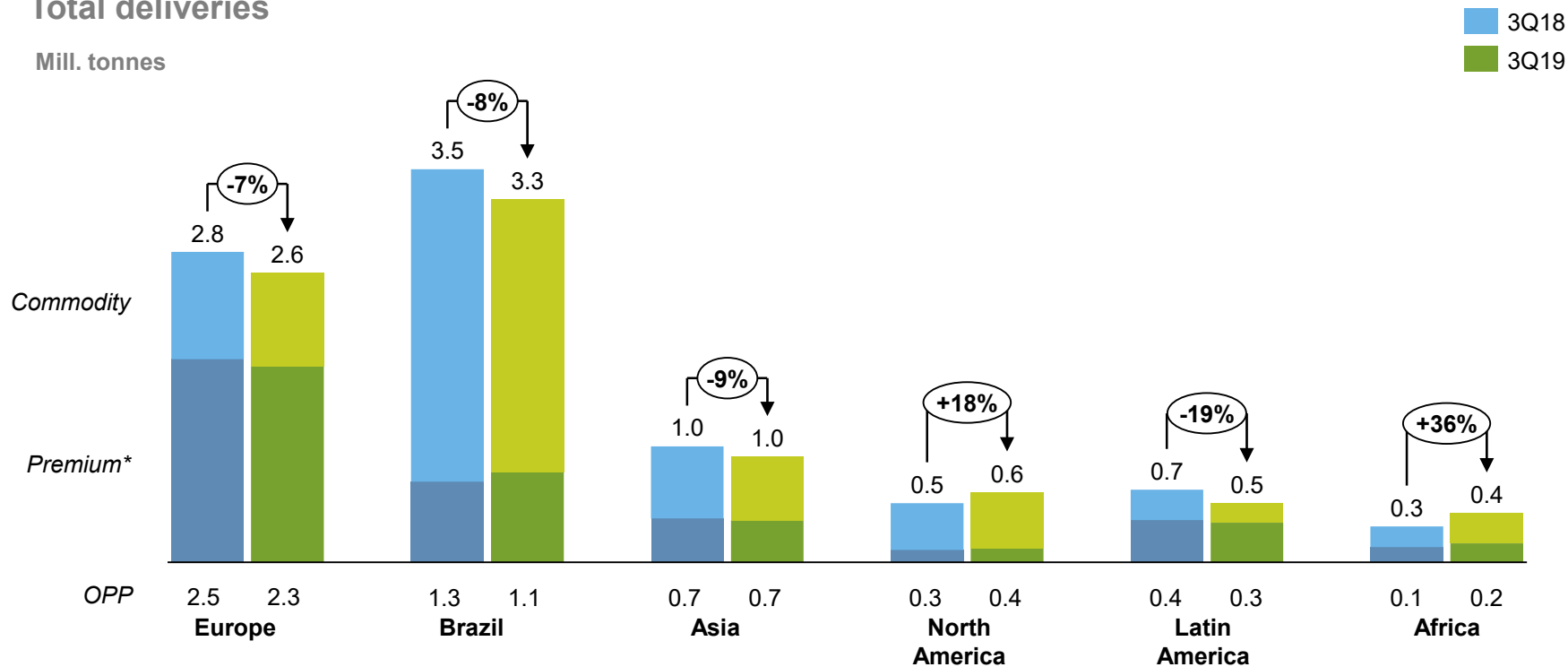




# Sales & Marketing deliveries by region

## Total deliveries

Mill. tonnes

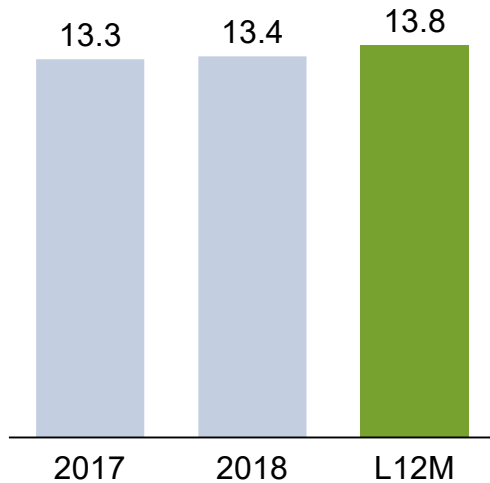


\*Premium = NPK, Differentiated N, CN, fertigation products and YaraVita.  
OPP = Own Produced Products

# Our long term targets; increased premium product deliveries and higher margins

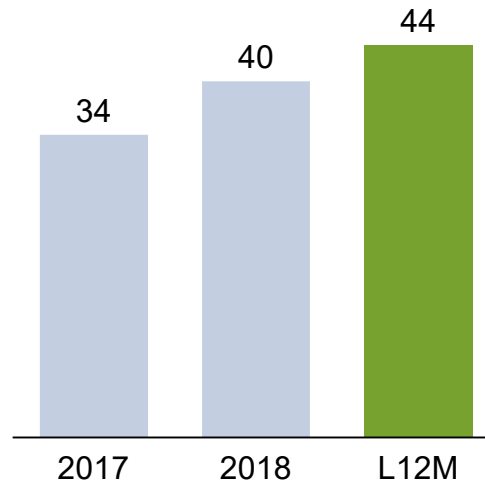
Increase premium product deliveries by > 3.5 mill tonnes

Premium products in mill. tonnes



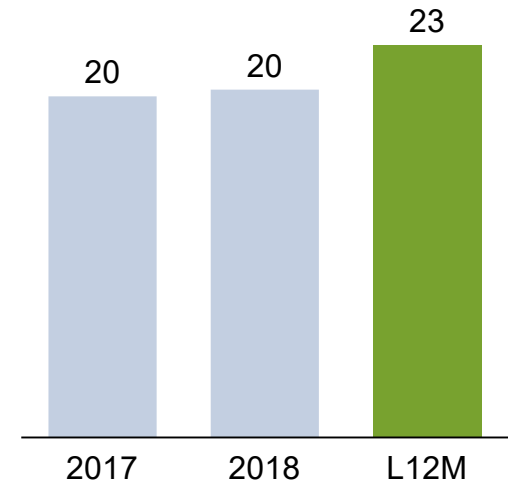
Increase YaraVita deliveries to > 100 million units

YaraVita in mill. units



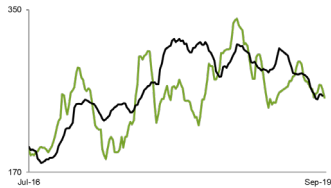
Increase EBITDA margin

EBITDA margin in USD/tonne



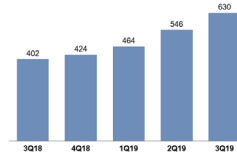
# Attractive Yara prospects

## Attractive industry fundamentals



- Growing population and dietary improvement drives demand
- Resource and environment challenges require strong agri productivity improvement
- Tightening global grain balance and slow-down in nitrogen supply growth

## Operating cash flow improvement



- Operating cash flow improving with cycle and Yara actions
- Committed capex almost halved from 2018 to 2019
- Strict capital discipline
- Clear capital allocation policy

## Focused long-term strategy



### Knowledge grows

- Crop nutrition focus; #1 market presence and #1 premium fertilizer position
- Improving returns through operational improvement, margin improvement and innovative growth

# Delivering on our Strategy, our KPIs and our Ambition

## Advance operational excellence

### Delivering improved operations and superior profits

Yara Improvement program EBITDA improvements  
**>600MUSD** in 2023 vs 2018

### Driving equality and diversity through an engaged and respected workforce

Engagement index **>80%** by 2025, and **>20%** female top managers by 2020 and **>25%** by 2025

### Protecting the planet by aiming for climate neutrality by 2050

**>10%** decline in kg CO<sub>2</sub>e/kg N produced by 2025

## Create scalable solutions

### Improving margins and nitrogen use efficiency through premium product growth

**>3.5 million tons** premium product growth and **>100 million units** of YaraVita sales by 2025, improving overall EBITDA/t in Sales and Marketing

### Building profitable global food chain partnerships

**>2 million tons** of crop solutions sales generated through food companies by 2025

## Drive innovative growth

### Building closeness to farmers through scaling up digital farming

**>10 million ha** under management in 2020 and **positive EBITDA** from digital farming in **2022**

### Solving global challenges and growing profitable business through innovation

Shaping the industry by delivering sustainable and profitable innovations within de-carbonization and circular economy

Responsibly feed the world and protect the planet  
Deliver sustainable returns

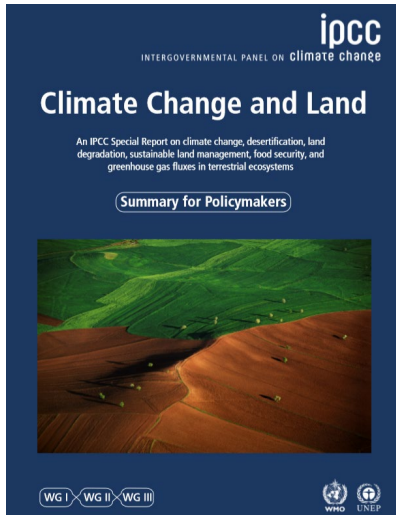
**>275M people**  
fed by Yara products by 2025

ROIC **>10%** through the cycle

Striving towards zero accidents with  
**no fatalities and TRI <1.2** by 2025

# Yara Food Chain initiatives address key global challenges

The environmental footprint of agriculture is at the top of the current political agenda



Yara's food chain initiatives create connections from production to end consumers

nel



- Yara is strengthening its Food Chain Collaboration activities to grow both **value** and **reach**
- Yara and Nel collaborating to produce clean hydrogen for low-carbon fertilizer production
- Cooperation with Lantmännen aims to eliminate fossil fuels throughout the supply chain to reduce the carbon footprint of Lantmännen's end-products



Knowledge grows

# Appendix



# The Crop Nutrition Company for the Future

Delivering improved returns as a focused company

## Crop Nutrition Focus

### Improvement

- Capturing the full value of our growth investments
- Extending productivity, cost and capital improvements beyond 2020

### Value

- Strengthening our crop-focused solutions and market positions, further reinforcing resilient Sales & Marketing earnings

### Growth

- Driving collaborative growth through food-chain partnerships and digital capability

## Industrial Focus

### Evaluating IPO of industrial business

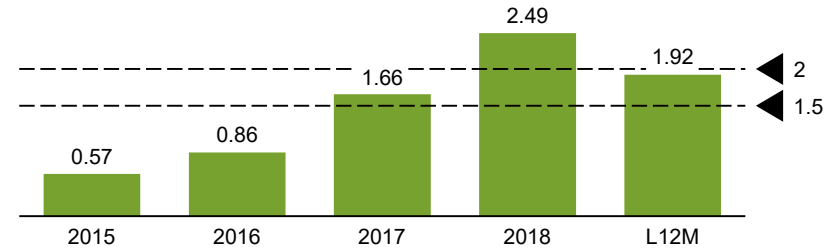
- First major integrated industrial nitrogen-player
- A leading player with the highest value proposition in core markets
- Solid European platform as fundament to achieve a strong global position
- Attractive market portfolio balancing stability & growth

Improved returns  
Clear principles for capital allocation

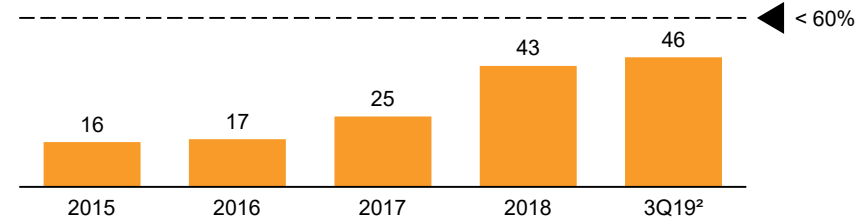
# Yara is protecting its investment-grade rating while providing cyclical upside in dividends through a revised policy

- **Overall objective to maintain mid investment-grade rating**
  - BBB Standard & Poor's / Baa2 Moody's
  - Mid- to long-term target FFO<sup>1</sup> / net debt of 0.40-0.50 and floor of 0.30
- **Conservative short-term investment approach**
  - Priority on lifting capital returns
- **Targeted capital structure**
  - Mid- to long-term Net debt / EBITDA of 1.5-2.0
  - Maintain a net debt/equity ratio below 0.60
- **Ordinary dividend; 50% of net income subject to the above requirements**
- **Shareholder returns are distributed primarily as cash, with buybacks as a supplemental lever**

## Net Debt / EBITDA ex Special Items



## Net debt / Equity

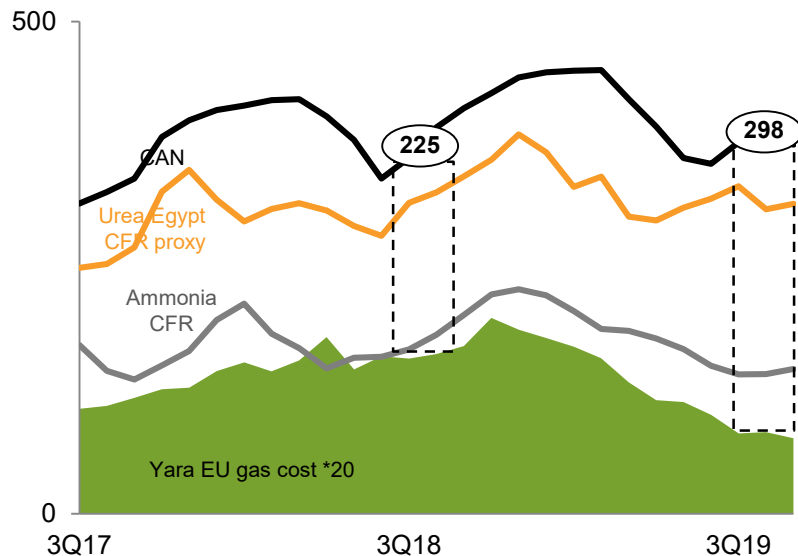




# Higher nitrogen upgrading margin, global NPK premium above last year

## Nitrogen upgrading margins<sup>1</sup>

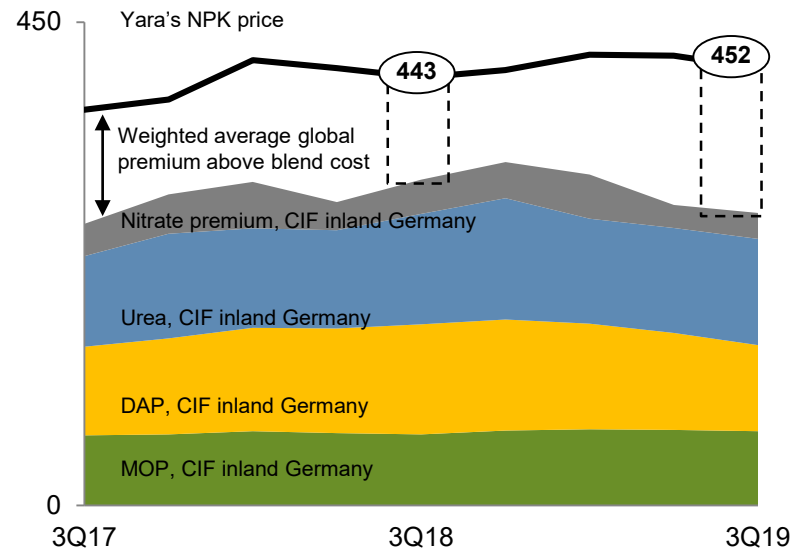
USD/t (monthly publication prices)



<sup>1</sup> Upgrading margin from gas to nitrates in 46% N (USD/t); All prices in urea equivalents, with 1 month time lag

## NPK premium over blend<sup>2</sup>

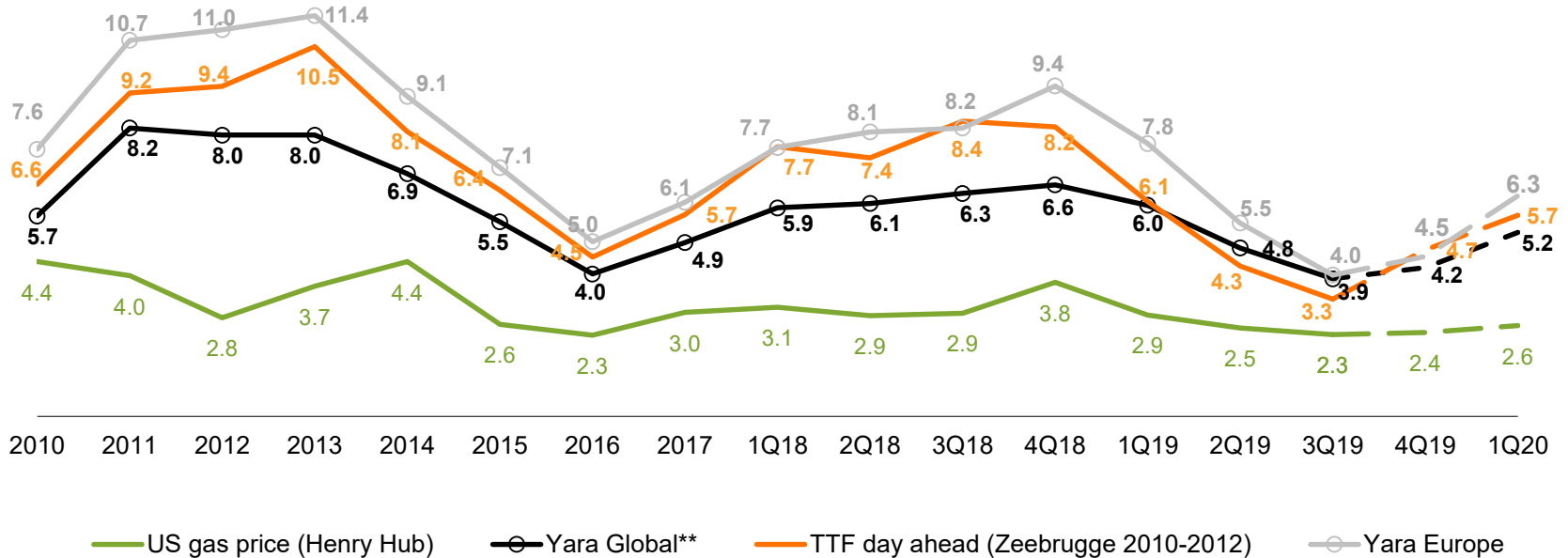
USD/t



<sup>2</sup> Export NPK plants, average grade 19-10-13, net of transport and handling cost.

# Energy cost

Yearly averages 2010-2017, quarterly averages for 2018-2019 with forward prices\* for 3Q19 and 4Q19



Source: Yara, World Bank, Argus/ICIS Heren

\*Dotted lines denote forward prices as of 9 July 2019

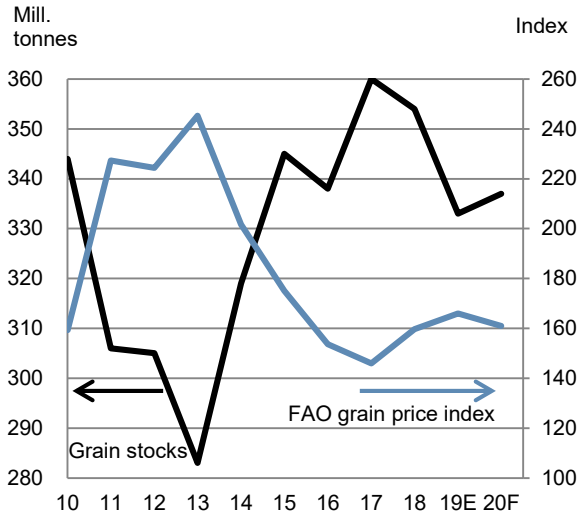
\*\*Yara Global restated from 2Q 2018 to include Cubatão gas cost



# Improving industry fundamentals

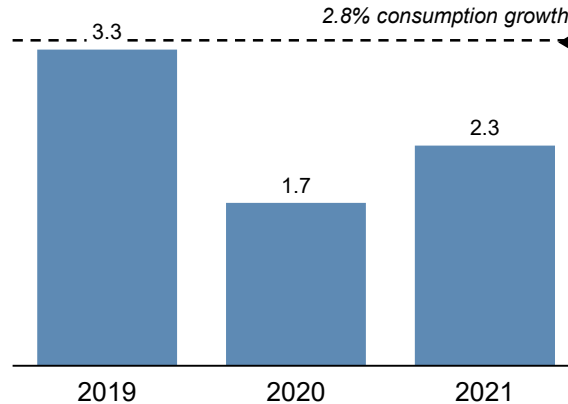
## Declining grains stocks excluding China

Grain stocks ex. China and grain prices



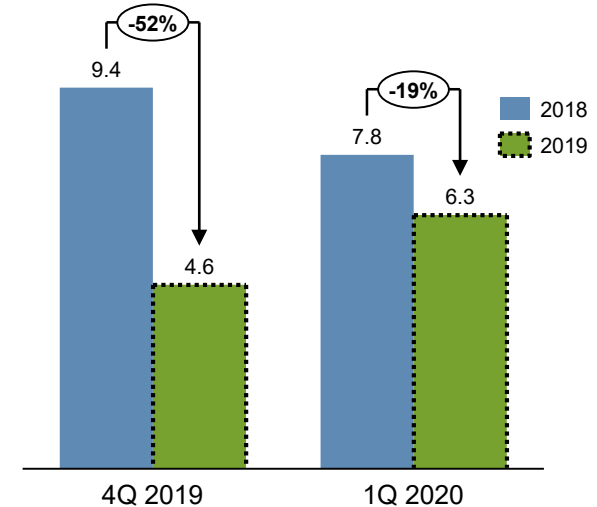
## Nitrogen supply growth set to reduce significantly

Global urea capacity additions ex. China



## Lower expected European natural gas prices

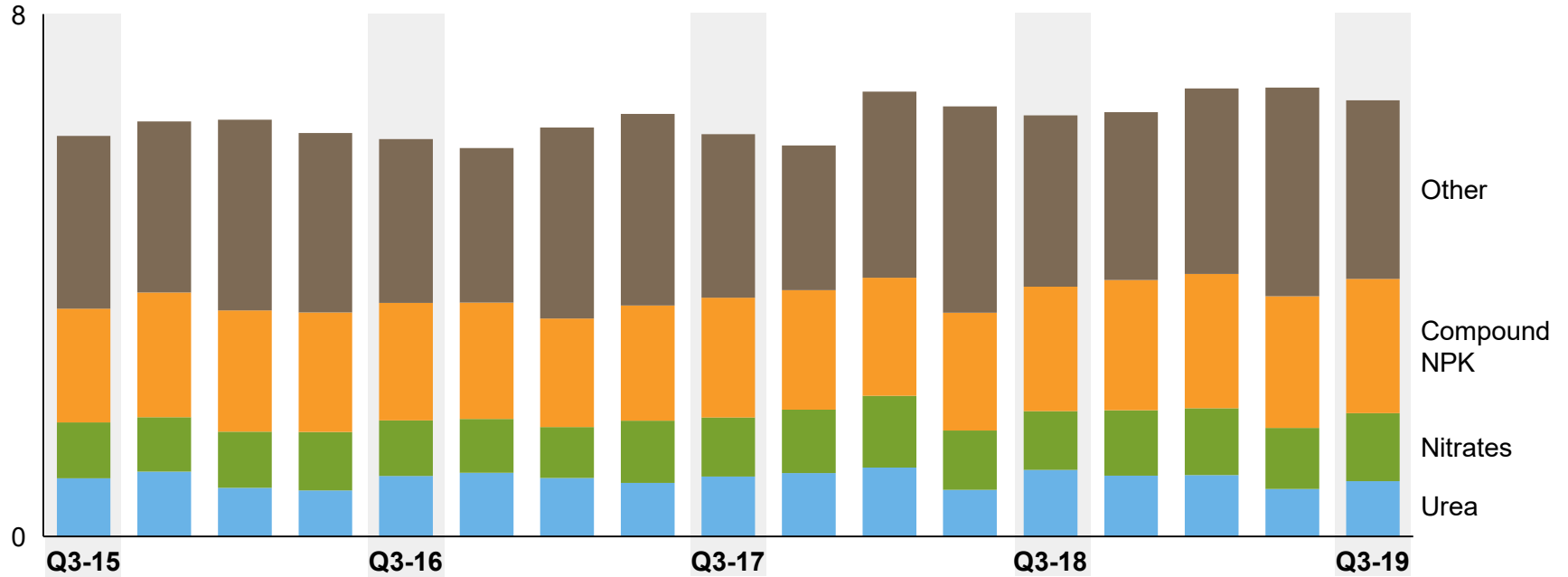
Spot gas prices<sup>1</sup> (USD/Mmbtu)



# Yara stocks

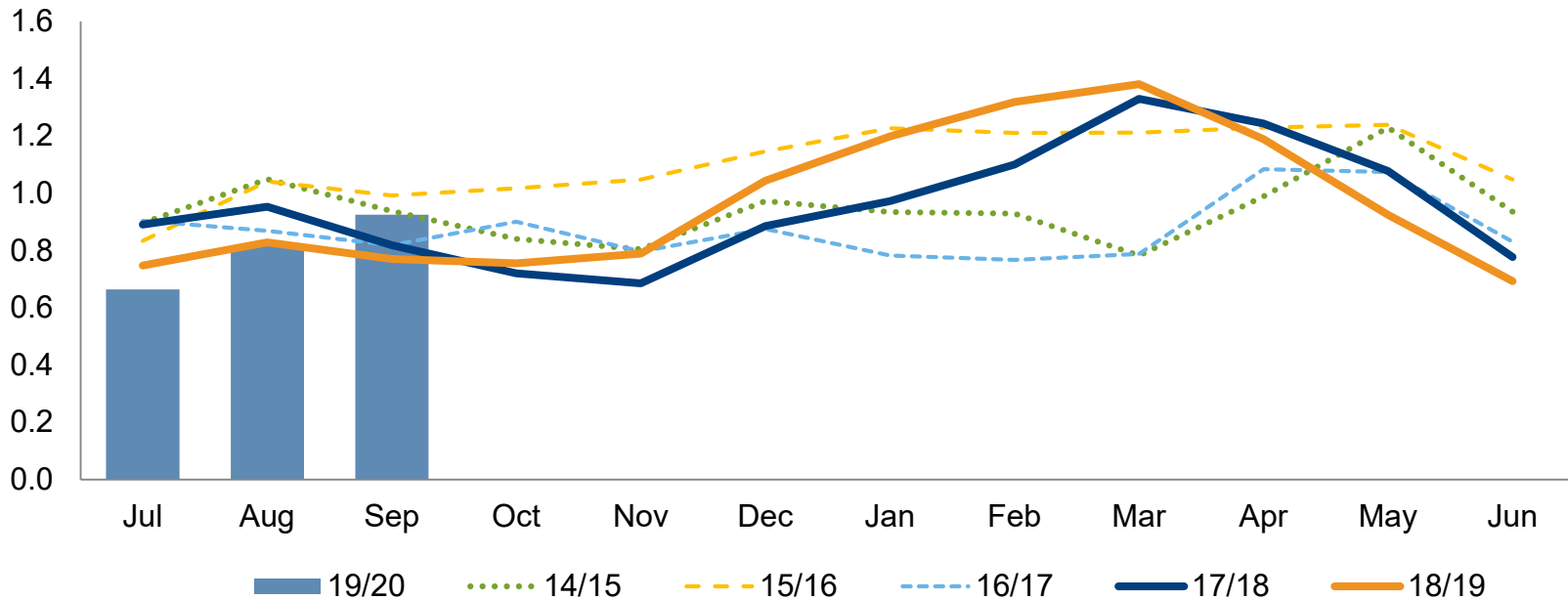
## Finished fertilizer

Mill. tonnes



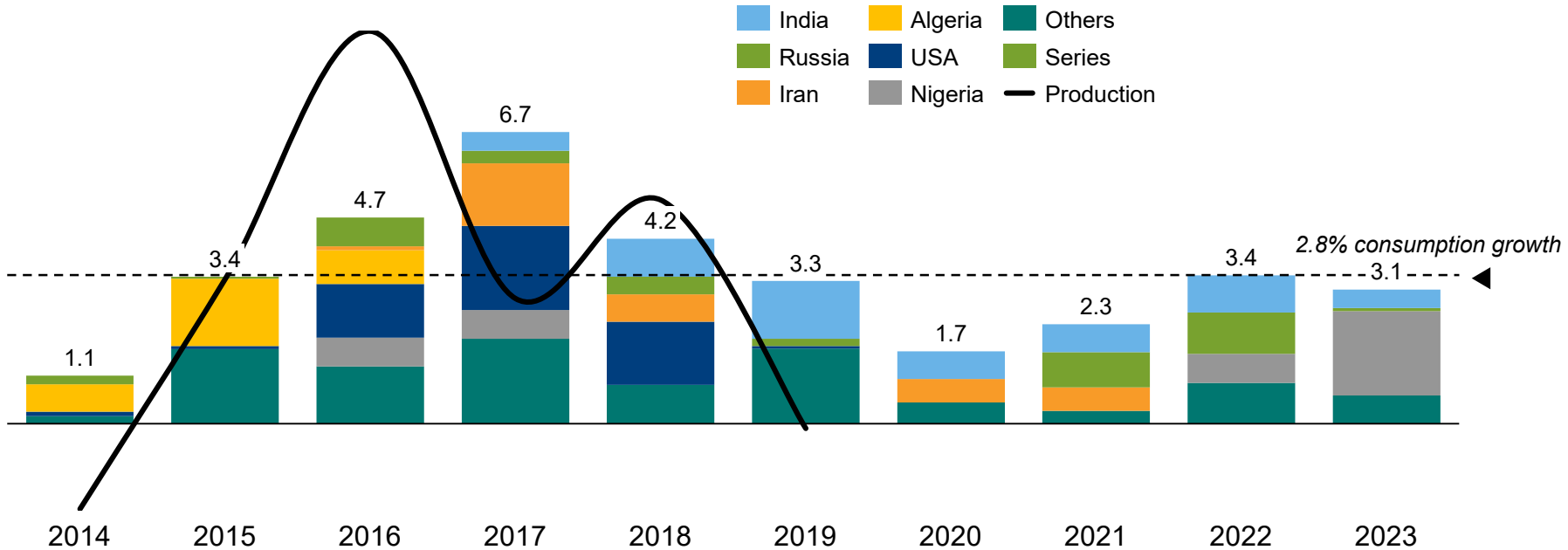
# European producers' nitrate stocks

Index  
June 2007 = 1



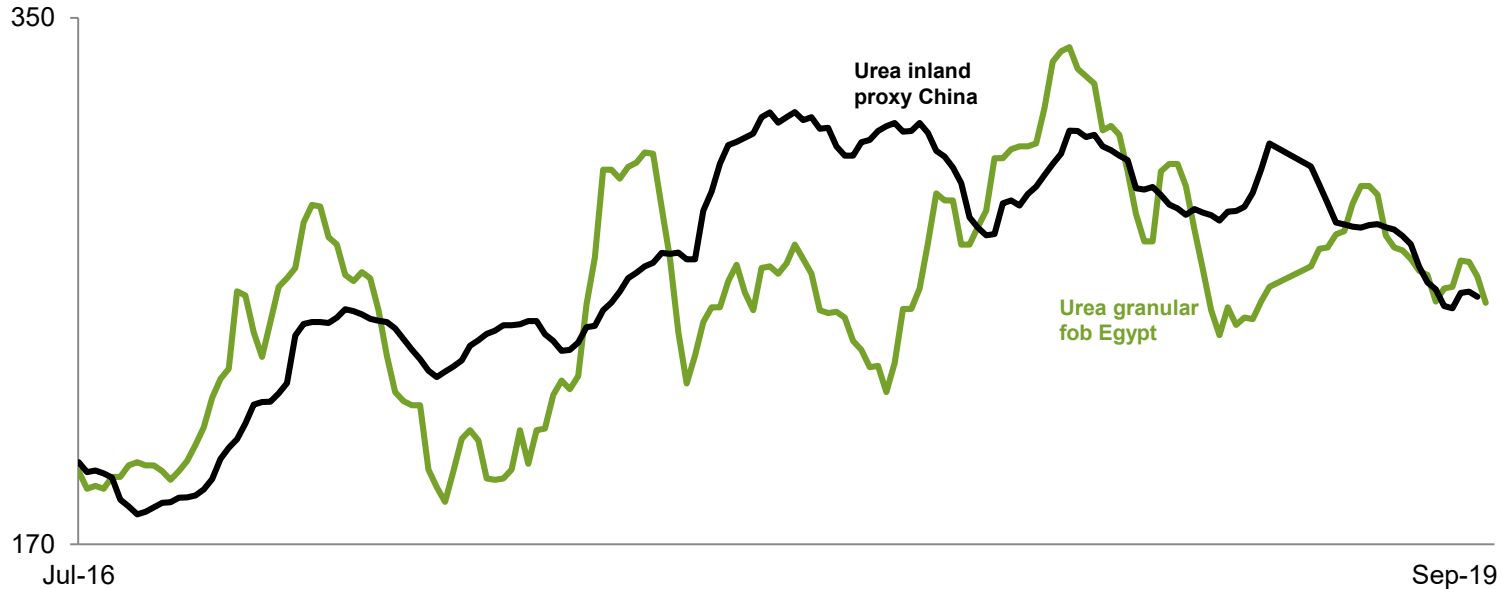
# Nitrogen supply growth is forecast to reduce significantly

Global urea capacity additions ex. China (mill. tonnes)



# Tighter global urea market, Chinese exports required, but lower prices in China negatively affect global pricing

Urea price development<sup>1</sup> (USD/t)



# Alternative performance measures

Alternative performance measures are defined, explained and reconciled to the Financial statements in the APM section of the Quarterly report on pages 31- 36





Knowledge grows

