



Knowledge grows

# Yara International ASA 2020 first quarter results

23 April 2020



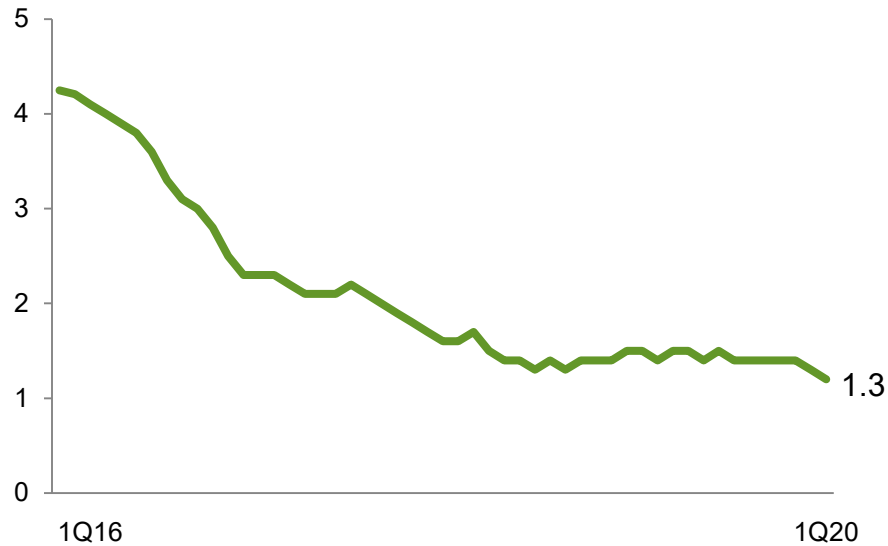
# Safety is our first priority

Ensuring a safe workplace for employees and partners with zero as our ambition



## Total Recordable Injuries

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



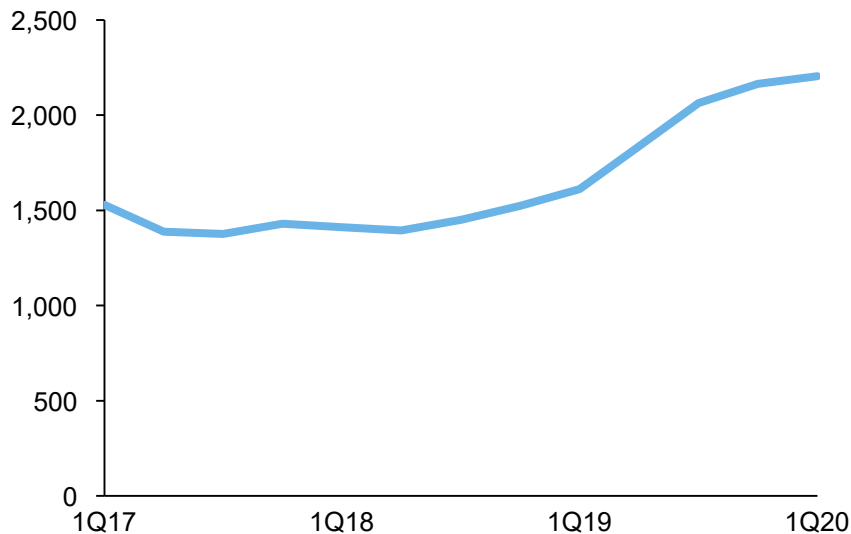
## Covid-19 priorities

- Safeguard our employees, contractors, partners, neighbors and society at large
- Be a responsible company and act in accordance with government guidelines
- Keep our operations running, to help support the supply of food and other essential products to society

# Continued profit growth

## Earnings improvement continuing

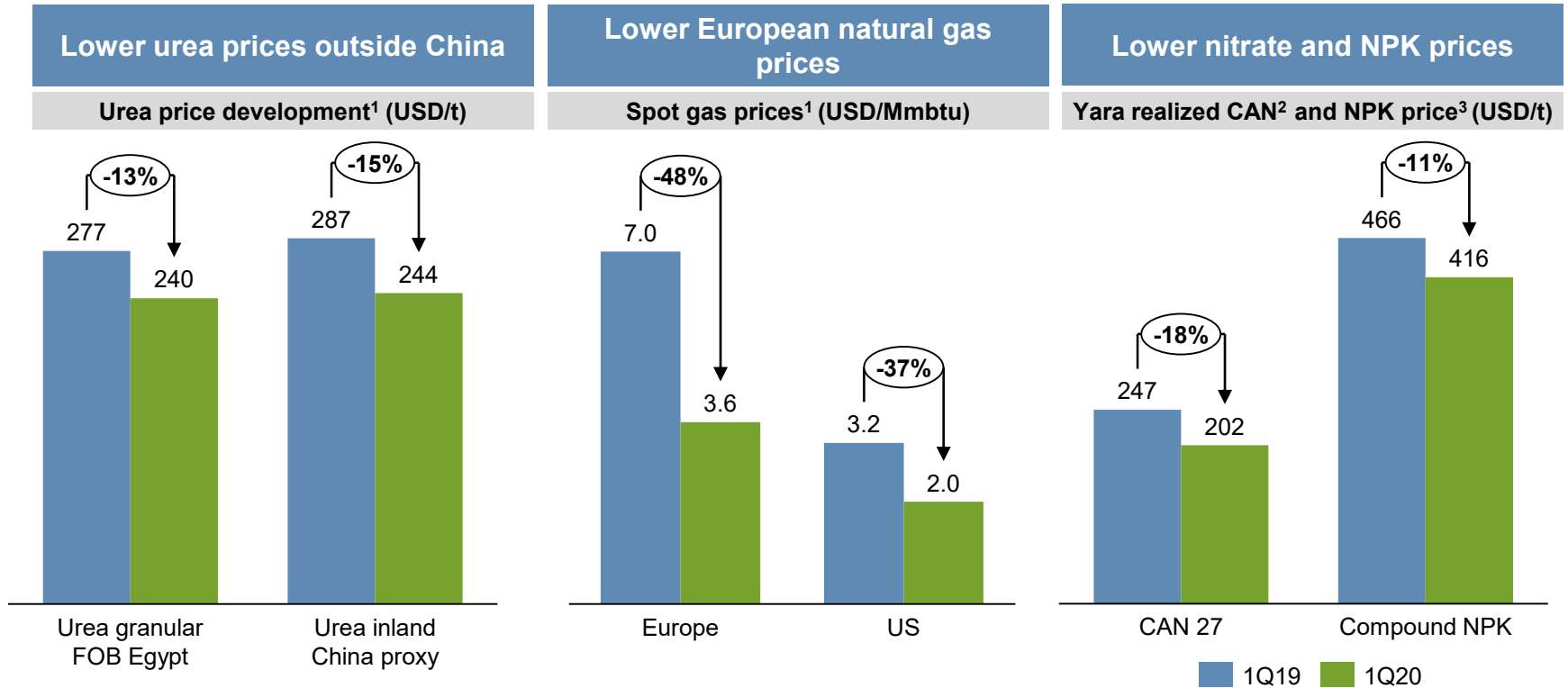
L12M EBITDA ex. special items (MUSD)<sup>1</sup>



## Increased 1Q profitability

- EBITDA<sup>1</sup> up 9%, mainly reflecting higher deliveries
  - Northern hemisphere planting and application progressing well
- Sustaining operations through Covid-19 is a top priority
  - Yara operations running without material disruption
  - Turnarounds, improvement and project activity will be optimized to reduce risk
- Decision to develop “Industrial Holding” within Yara
  - Driven by value capture visibility amid Covid-19
  - Separate governance and increased autonomy
- USD 845 million free cash flow<sup>2</sup> rolling 4 quarters

# Lower prices and input costs



1) Source: BOABC, CFMW, Fertilizer publications, Argus. 1-month lag applied, as proxy for realized prices (delivery assumed 1 month after order).

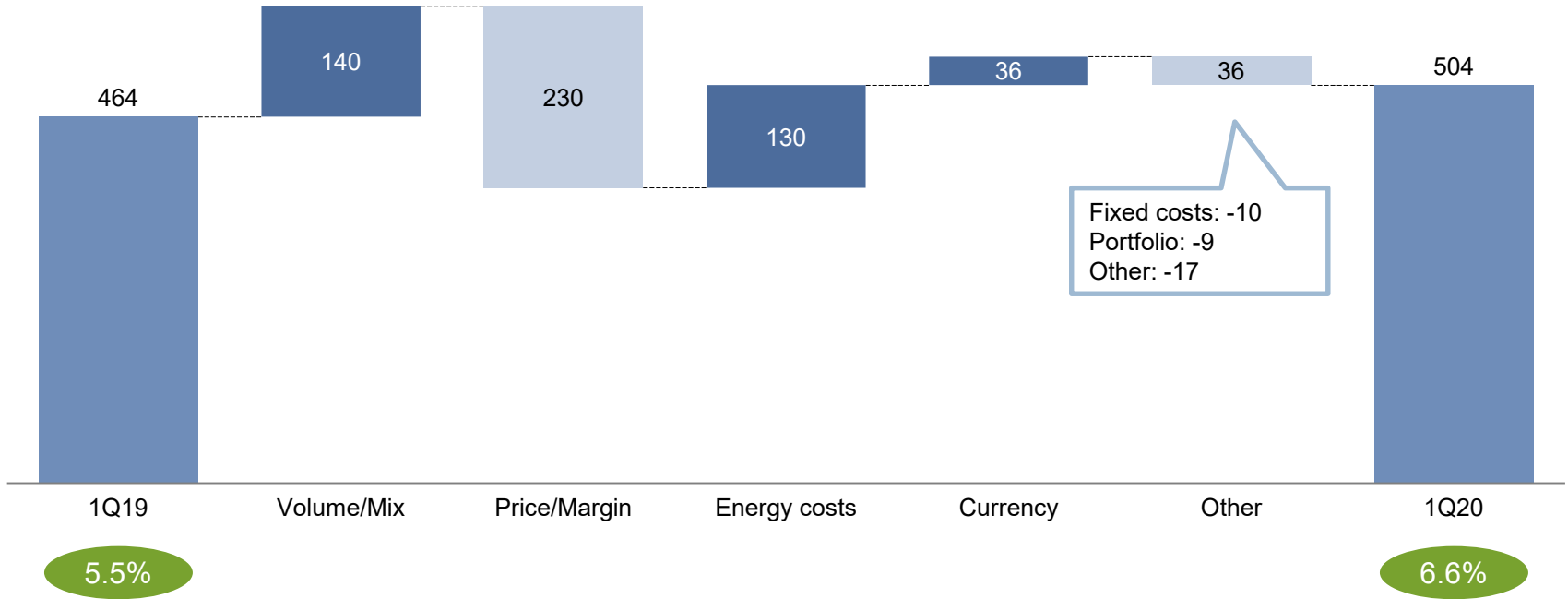
2) Yara's realized European nitrate price, CAN 27 CIF Germany equivalent ex. Sulphur

3) Yara's realized global compound NPK price (average grade)

# Increased deliveries and lower gas cost more than offset lower prices

EBITDA ex. special items (MUSD)<sup>1</sup>

ROIC<sup>2</sup>

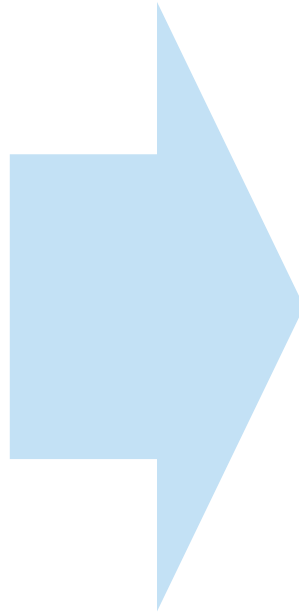


1) EBITDA ex. special items. For definition and reconciliation see APM section of 1Q 20 Report, page 29  
 2) Quarterly ROIC, annualized. For definition and reconciliation see APM section of 1Q 20 Report, page 31

# Decision to develop “Industrial Holding” within Yara

## Decision driven by value capture visibility amid Covid-19

- Sustaining operations is the top priority
- IPO evaluation has identified new value pockets and benefits of a more autonomous setup
- Value capture visibility stronger in Yara-owned model, driven by Covid-19 impact
- Executing on crop nutrition focused strategy with separate governance of industrial businesses



## Separate governance and increased autonomy

- 100% Yara owned, minor carve-out dissynergies
- Preliminary scope: New Business segment + Brunsbüttel, Le Havre, Köping and Cubatão production plants
- Organic growth initiatives identified in IPO project
- Governed through operations Board headed by Yara CEO
- Operating model leveraging existing Yara processes and support functions

# Supporting farmers and food value chain is a top priority

## Supporting food value chain at all levels

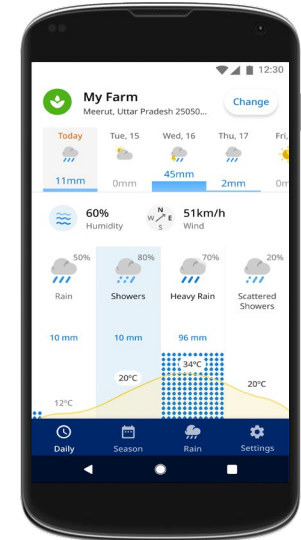
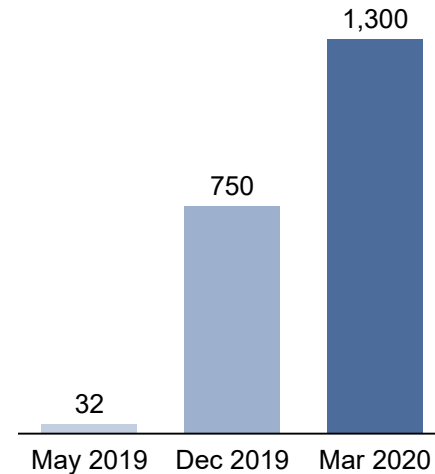
- Focus on continuity in supply of agricultural inputs
- Accelerated digital farming ramp-up as physical farmer interactions are reduced
- Global income security policy established
- Yara and other food chain players call to G-20 action



*the Guardian, 9. april 2020*

## Strong demand growth for digital offerings

Thousand Farmweather active users

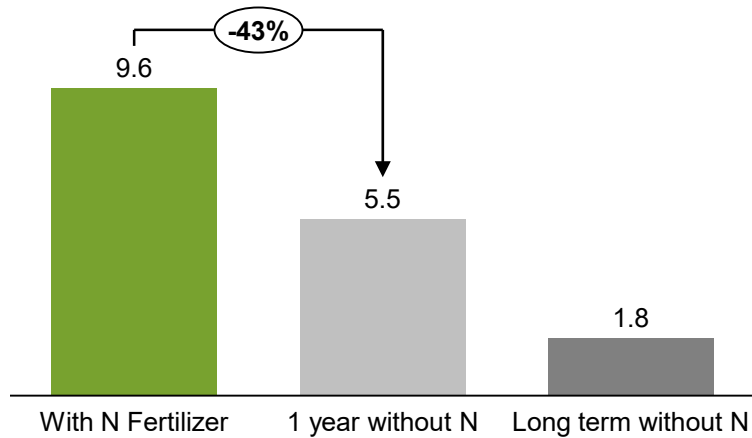




# Nitrogen fertilizer demand shows strong resilience historically, as annual application is needed in order to maintain yields

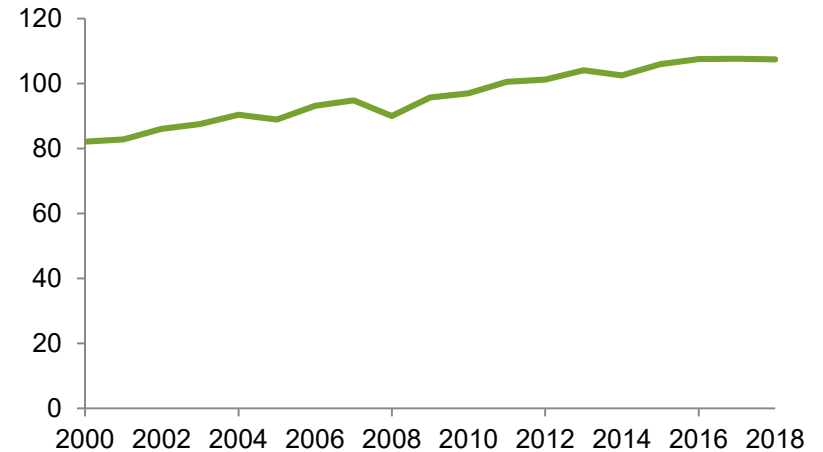
## Annual N-application is critical for yield

Grain yield<sup>1</sup> from Nitrogen fertilizer  
Ton per hectar



## Stable global nitrogen consumption pattern

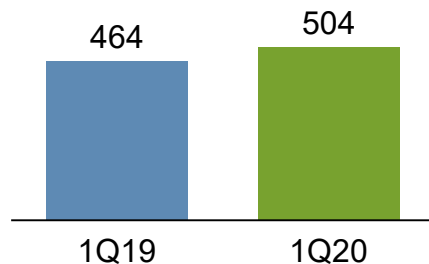
Million tonnes nitrogen



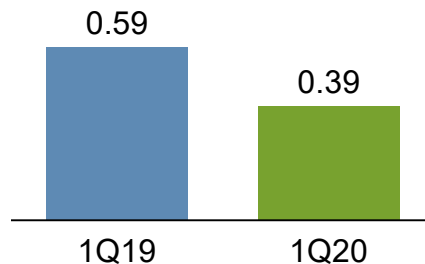


# Performance overview

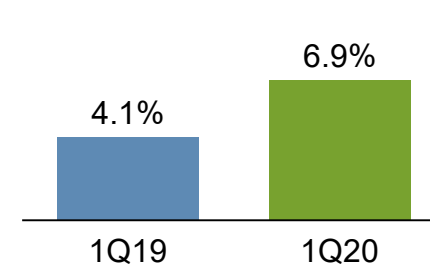
**EBITDA ex. Special items**  
(USD millions)



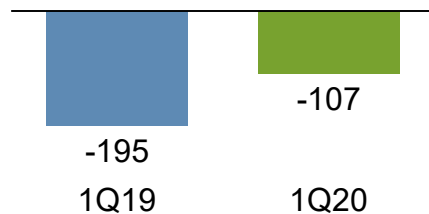
**EPS ex. currency and special items**  
(USD per share)



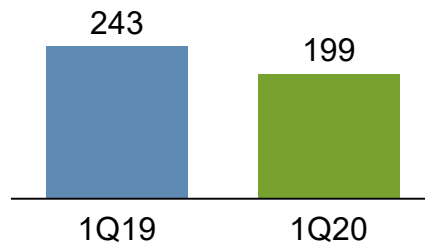
**ROIC**  
(12-month rolling)



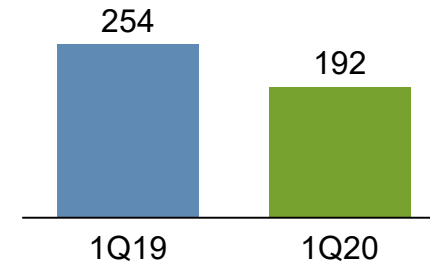
**Change in net operating capital**  
(USD millions)



**Investments (net)**  
(USD millions)



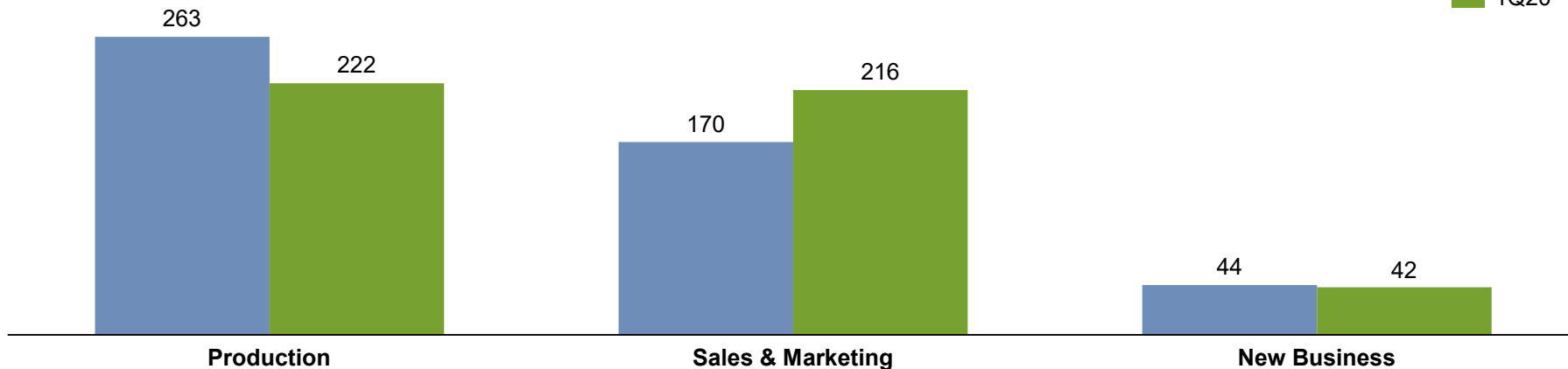
**Cash from operations**  
(USD millions)



# Stronger value creation in commercial segments, main margin impact in Production segment

EBITDA ex. special items<sup>1</sup> (MUSD)

■ 1Q19  
■ 1Q20



## Production

- Focus on operational continuity through Covid-19
- Nitrogen and phosphate price decline only partially offset by lower gas prices
- Production adjusted for portfolio changes in line with a year earlier

## Sales & Marketing

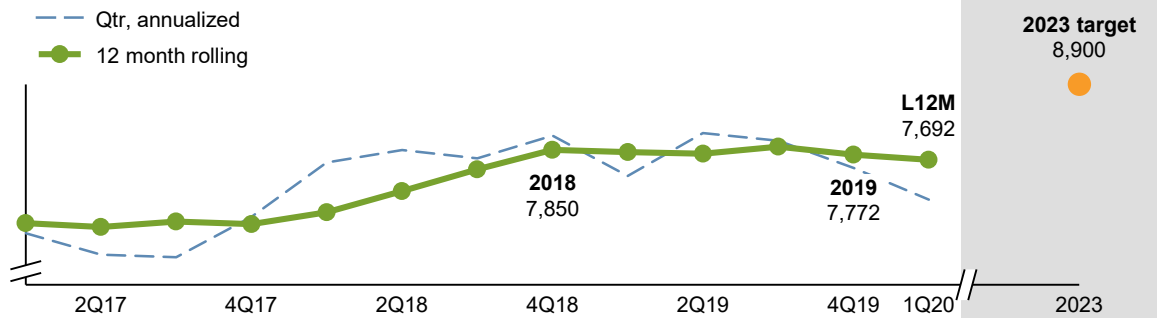
- Strong fertilizer deliveries, with spring planting and application prioritized in Northern hemisphere
- Increased premium product deliveries in Europe

## New Business

- Improved results from AdBlue business, driven by volume growth
- Maritime and Stationary results negatively affected by Covid-19
- Weaker demand expected for some industrial sectors going forward

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

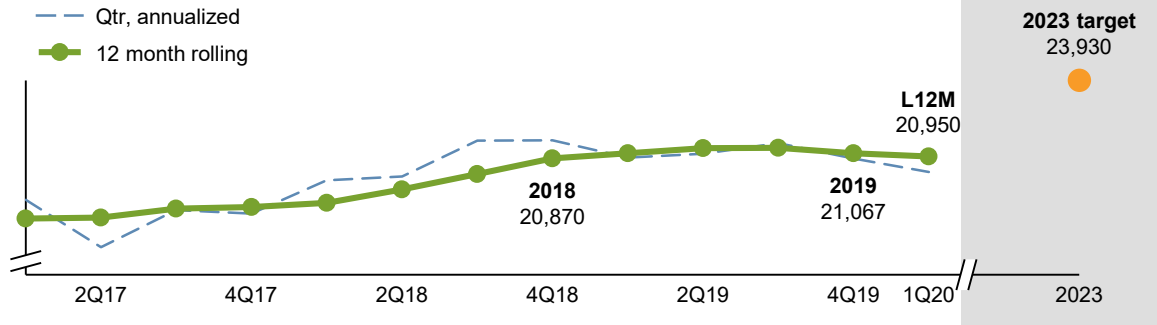
## Ammonia production volumes, kt annualized



## Comments

- Operations running without significant disruption
  - Q1 decline driven by portfolio effects
  - Several 4Q outages also impacted 1Q
  
- Sustaining operations through Covid-19 is a top priority
  
- Turnarounds, improvement and project activity will be optimized to reduce risk
  
- Unplanned outages require longer resolution time due to Covid-19

## Finished products production volumes, kt annualized



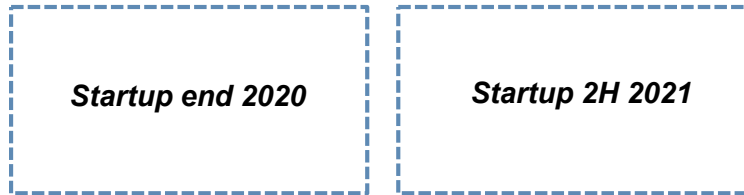
1) As presented at CMD, includes volumes from both growth and improvement projects. Numbers are adjusted for turnarounds and market optimization.

# Growth project status and Covid-19 impact

## *Impacted by local government ordered pause:*



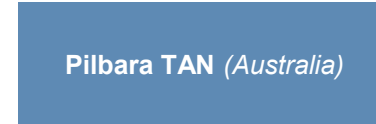
*Timeline as presented in 4Q19:*



*Covid-19 potential impact:*

- *Increased uncertainty regarding phasing and completion date*
- *Impact depend on the duration of the pause*

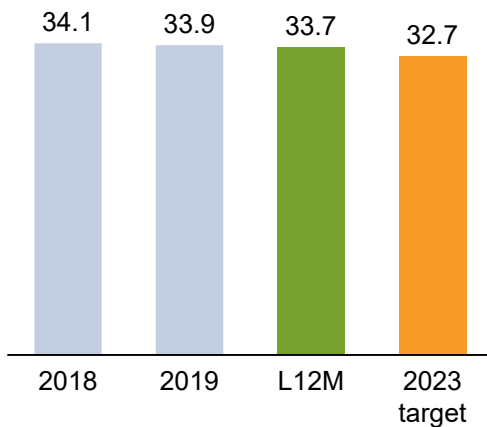
## *Not currently impacted:*



- *Pilbara: on track for 2Q start-up*

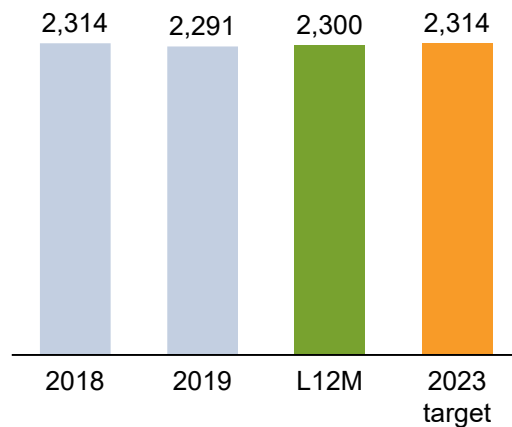
# Improvement program: non-volume KPIs

## Ammonia energy efficiency



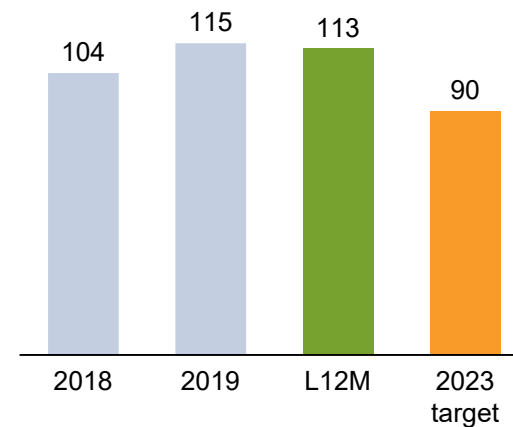
- Fewer turnarounds compared to baseline 2018 contribute positively

## Fixed costs<sup>1</sup>



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

## Operating capital days<sup>2</sup>

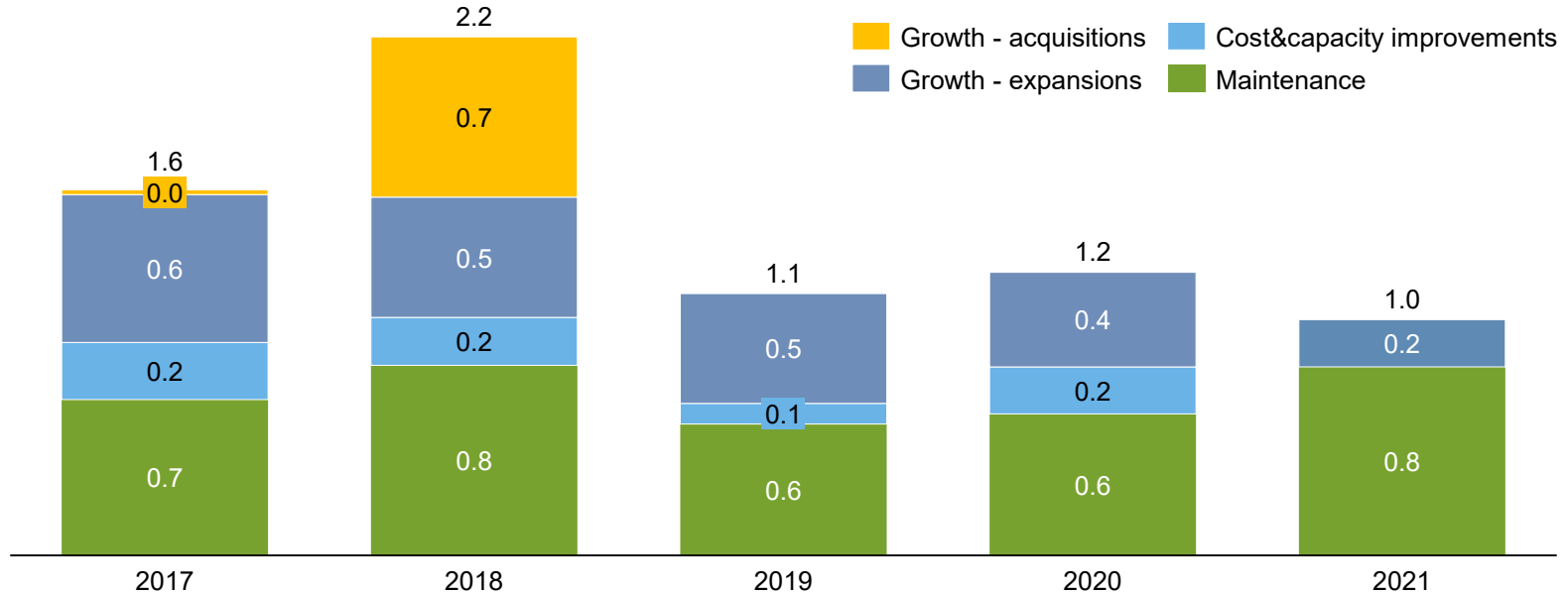


- Strong deliveries in 1Q reduced inventory while receivables increased

# Committed investments unchanged, but optimization due to Covid-19 may postpone some spending

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

USD Billions

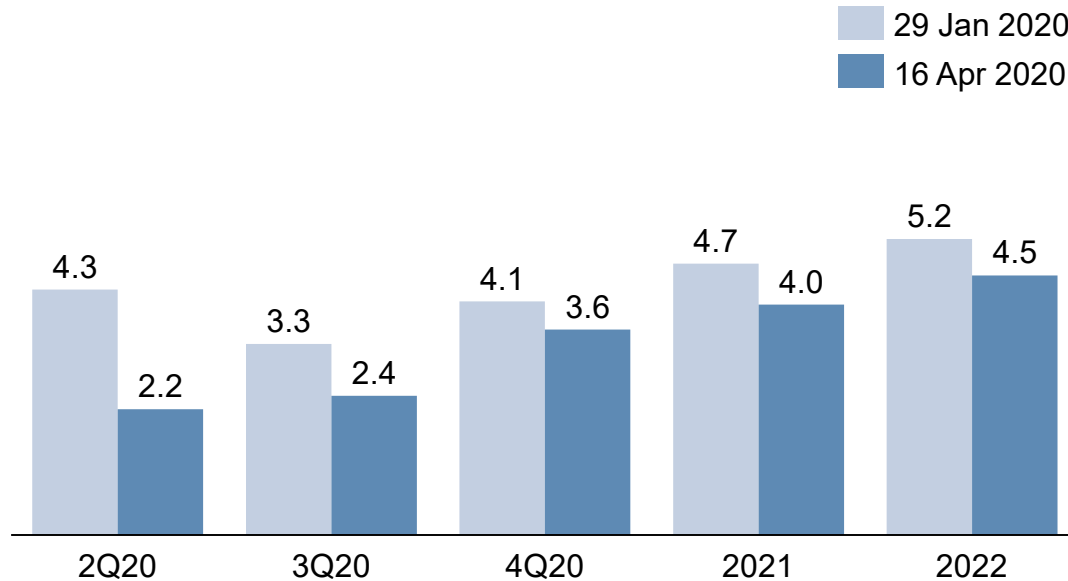


<sup>1</sup> Committed investments as of end 1Q20

# Further reduction in forward gas prices

## European gas prices<sup>1</sup>

TTF, USD/MMBtu

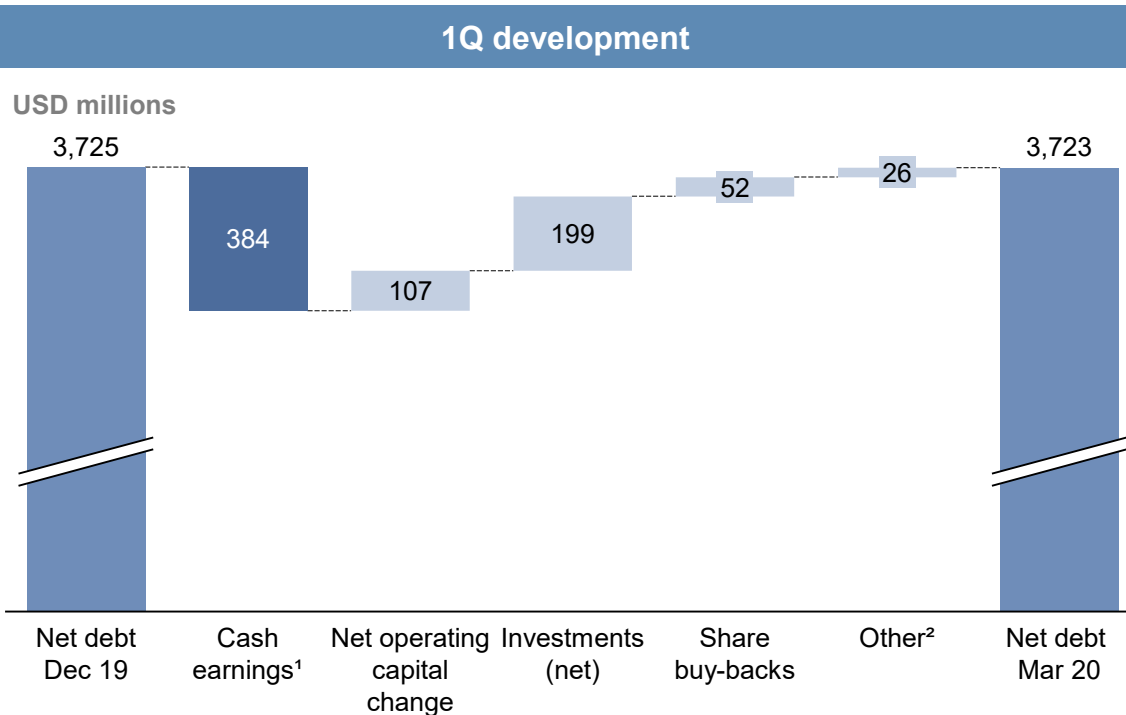


## Comments

- European forward prices significantly lower than last quarter
- Forward market sees prices staying lower for longer
- Yara energy cost guiding based on forward market prices (with 1 month lag) and Yara production schedule
- Sensitivity: 1 USD/MMBtu lower TTF price improves Yara EBITDA by 160 MUSD per annum



# Stable net interest-bearing debt



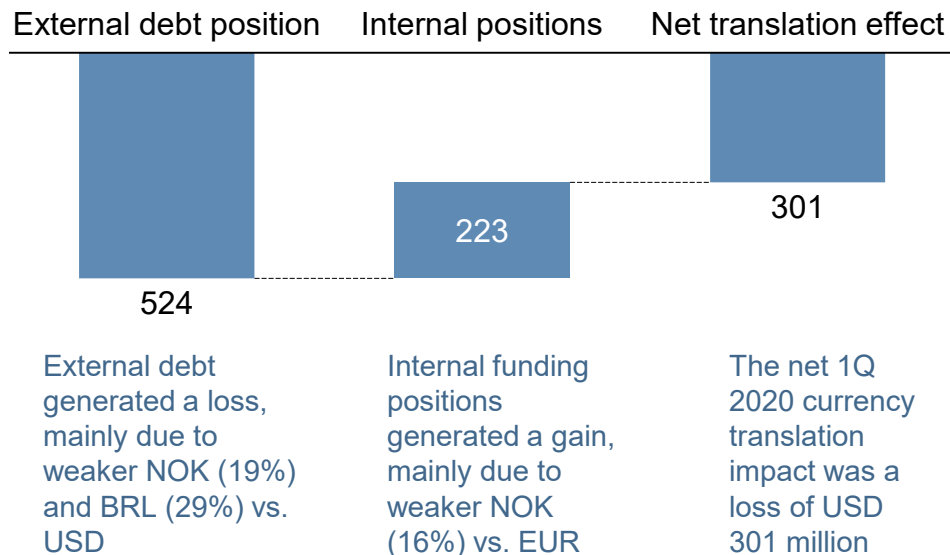
## Comments

- Cash earnings fully funded investments, operating capital increase and buy-backs
- Operating capital increased as receivable increase exceeded inventory decrease
- Net debt/EBITDA<sup>3</sup> ratio at 1.7, stable since 4Q19

# Currency translation P&L effects 1Q

## 1Q development

USD million



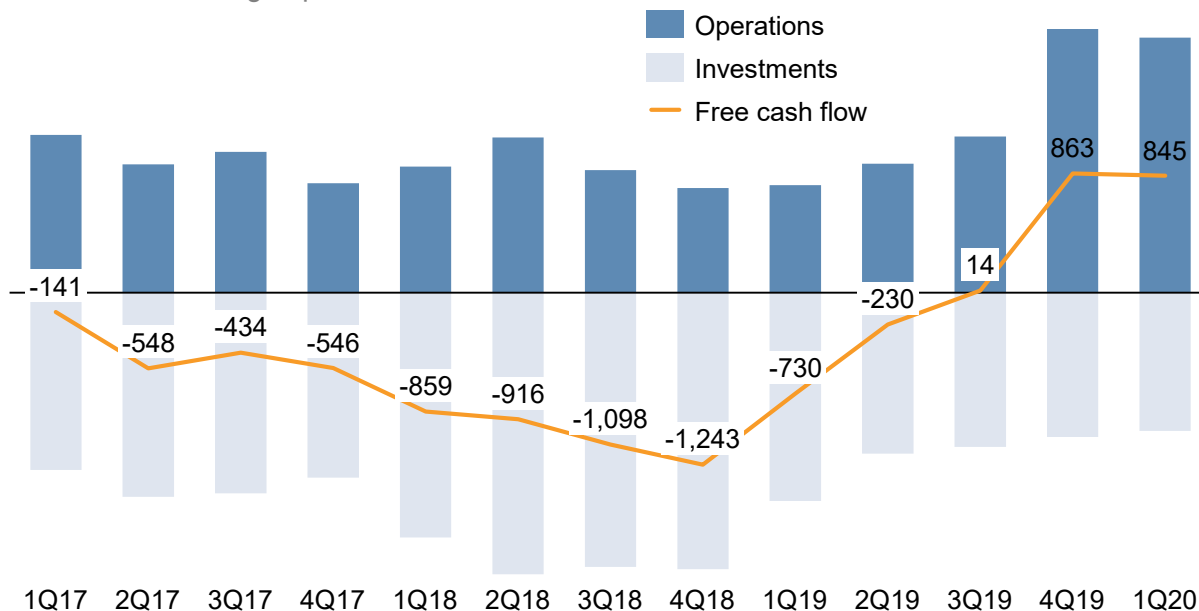
## Comments

- Yara's long-term earnings are positively correlated to the US dollar.
  - Yara therefore keeps most of its external debt in USD
- Currency translation effects on USD debt are generated in Yara companies with non-USD functional currencies<sup>1</sup>
- Negative non-cash P&L effect of USD 0.81 per share for the quarter, with no effect on dividend capacity
- The USD appreciation through the first quarter represents an annual fixed cost saving of approx. 160 MUSD recurring EBITDA

# Improving cash flow trend

## Free cash flow before financing activities<sup>1</sup>

USD millions, rolling 4 quarters

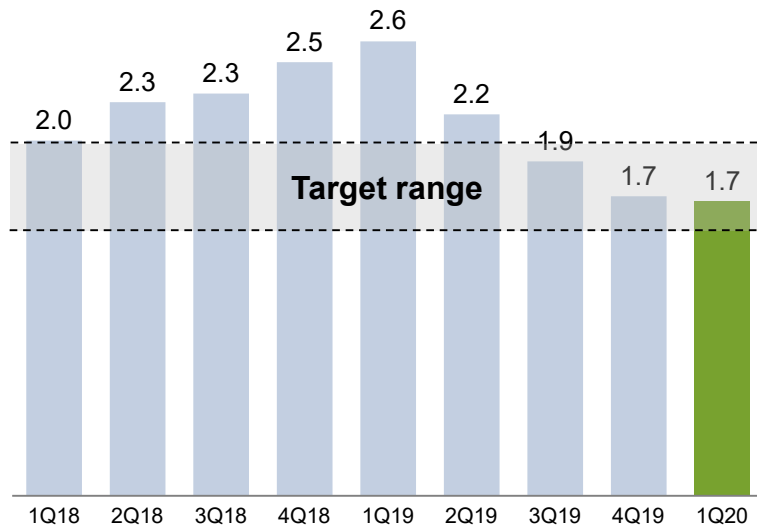


## Comments

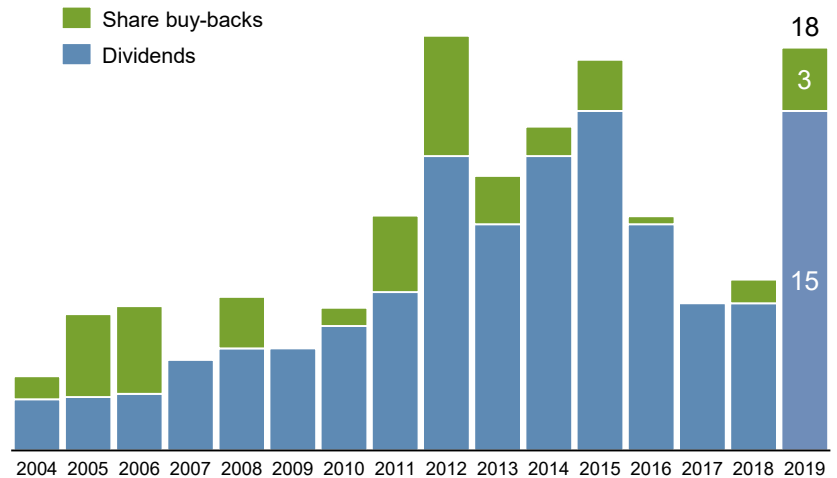
- Strategy execution driving improved free cash flow<sup>1</sup>
- Strong deliveries in 1Q generated increase in receivables
- Negative one-off effects of USD 80 million in Q1 2020

# Robust Yara track record; steady cash return also during financial crisis

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



Dividends and buy-backs<sup>2</sup> per share (NOK)

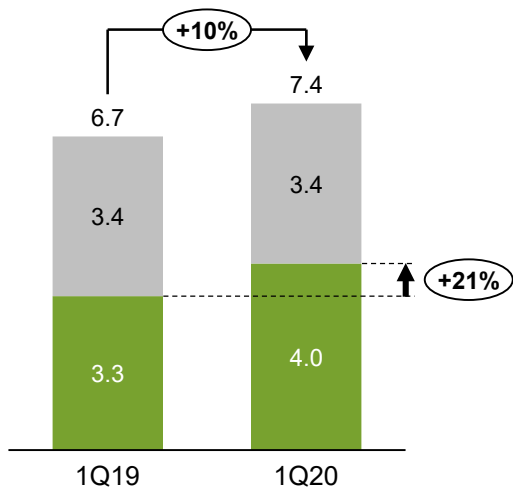


Net Debt/EBITDA well within targeted range; further cash returns in 2020 will be evaluated in line with capital allocation policy and considering visibility of macro environment

# Strong commercial performance reflecting increased premium deliveries

Strong premium product deliveries

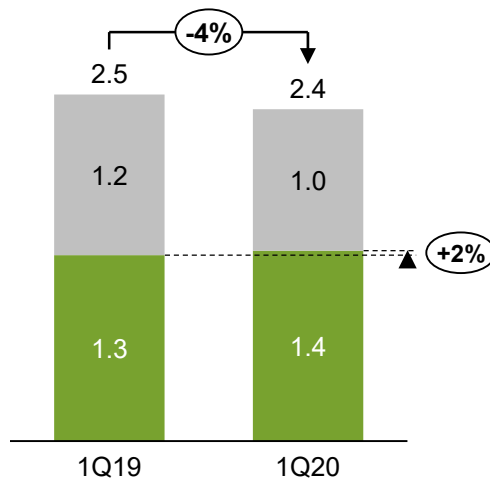
Volumes (Mt)<sup>1</sup>



Commodity Premium<sup>1</sup>

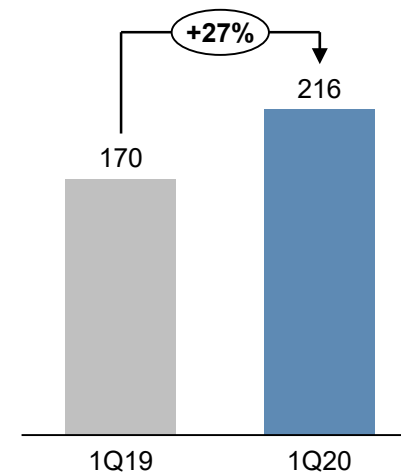
Lower revenues mainly reflecting lower commodity prices

Revenues (BUSD)<sup>1</sup>



Increased EBITDA due to higher deliveries of premium products

EBITDA ex. SI (MUSD)



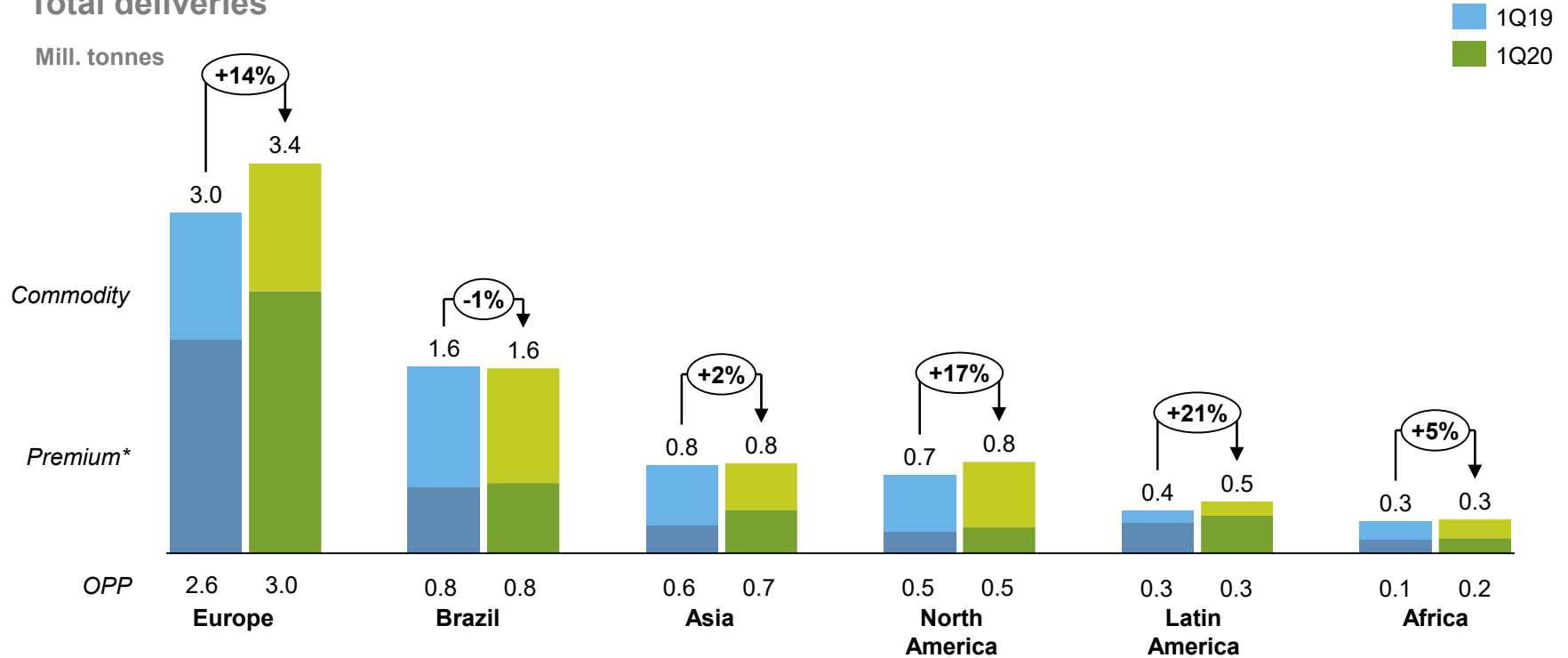
1) Premium defined as Differentiated N, NPK, CN, fertigation products and YaraVita

2) EBITDA ex. special items. For definition and reconciliation see APM section of 1Q 20 Report, page 29

# Strong delivery increase, especially of premium products in Europe

## Total deliveries

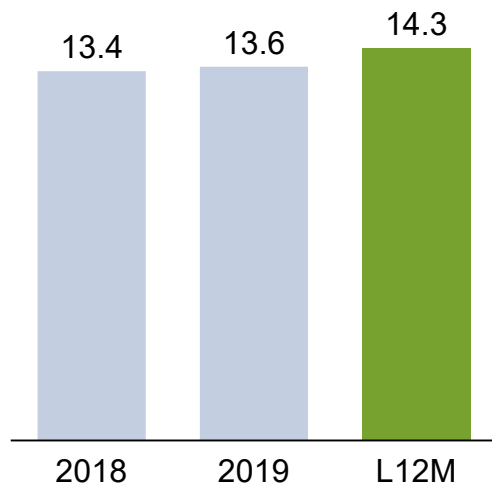
Mill. tonnes



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

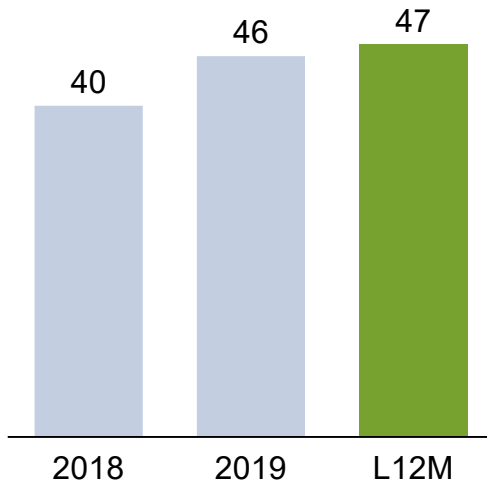
Increase premium product deliveries by > 3.5 mill tonnes

Premium products in mill. tonnes



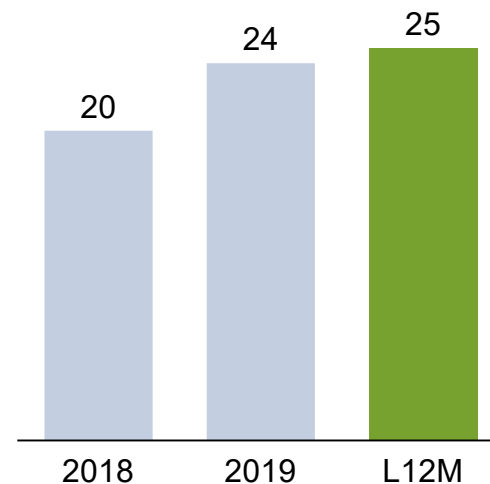
Increase YaraVita deliveries to > 100 million units

YaraVita in mill. units



Increase EBITDA margin<sup>1</sup>

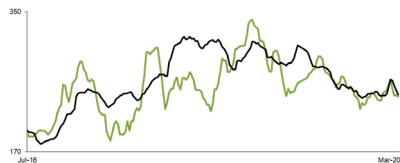
EBITDA margin in USD/tonne





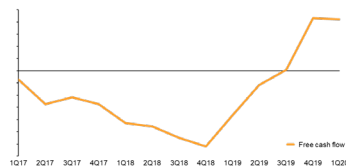
# Attractive Yara prospects

## Attractive industry fundamentals



- Growing population and dietary improvement drives demand
- Resource and environment challenges require strong agri productivity improvement
- Slow-down in nitrogen supply growth

## Operating cash flow improvement



- Operating cash flow improving with cycle and Yara actions
- 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



Knowledge grows

# Appendix

# Delivering on our Strategy, our KPIs and our Ambition

## Advance operational excellence

### Delivering improved operations and superior profits

Yara Improvement program

### 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

Yara's products help feed  
**>275M people by 2025**

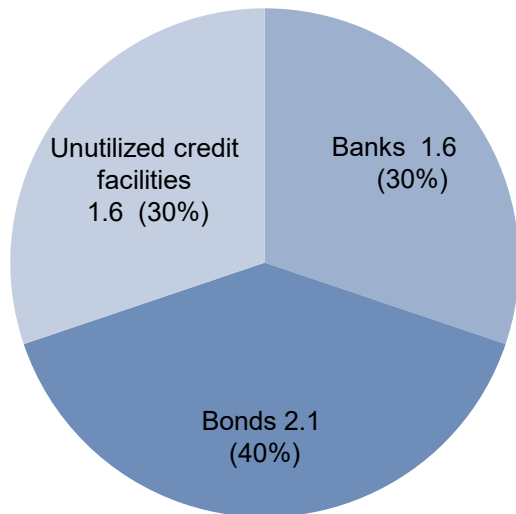
ROIC **>10% through the cycle**

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

# Yara has a strong financial position

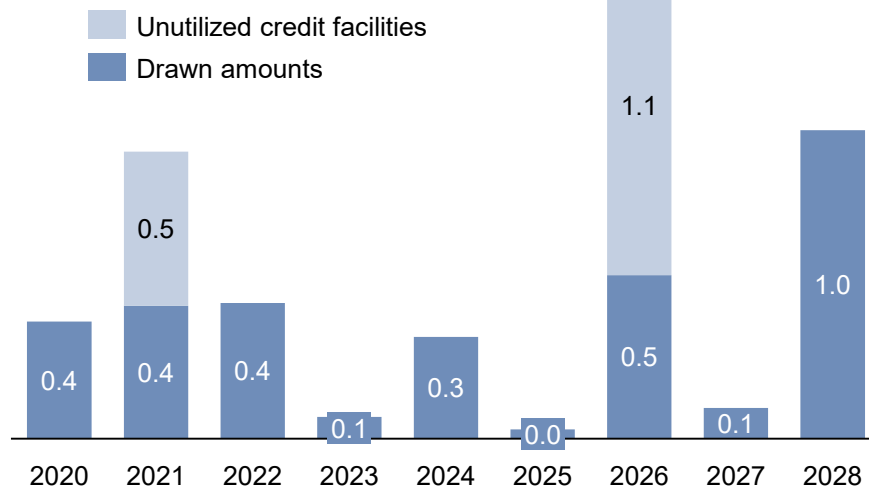
## Funding sources

USD billion



## Debt maturity profile<sup>1</sup>

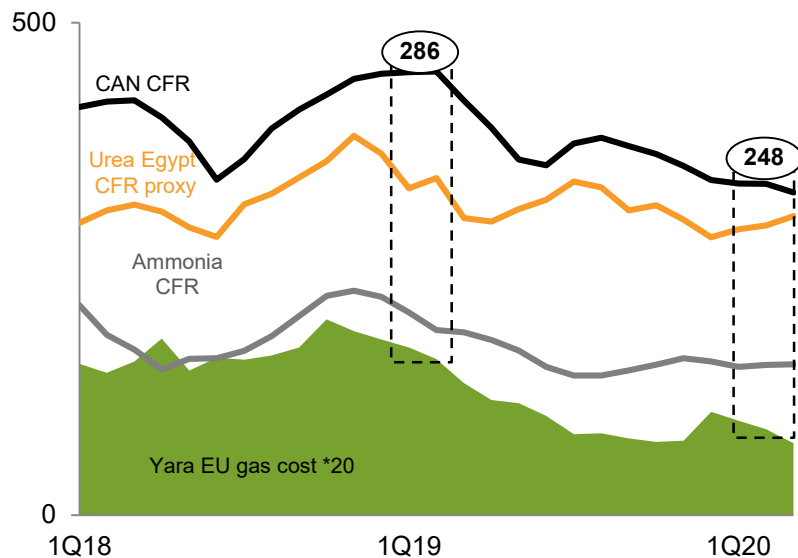
USD billion



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

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

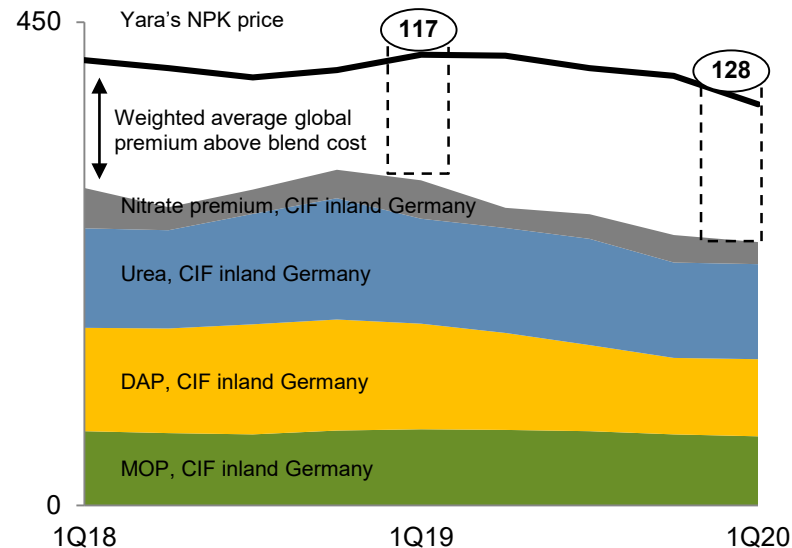
USD/t (monthly publication prices)



<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>

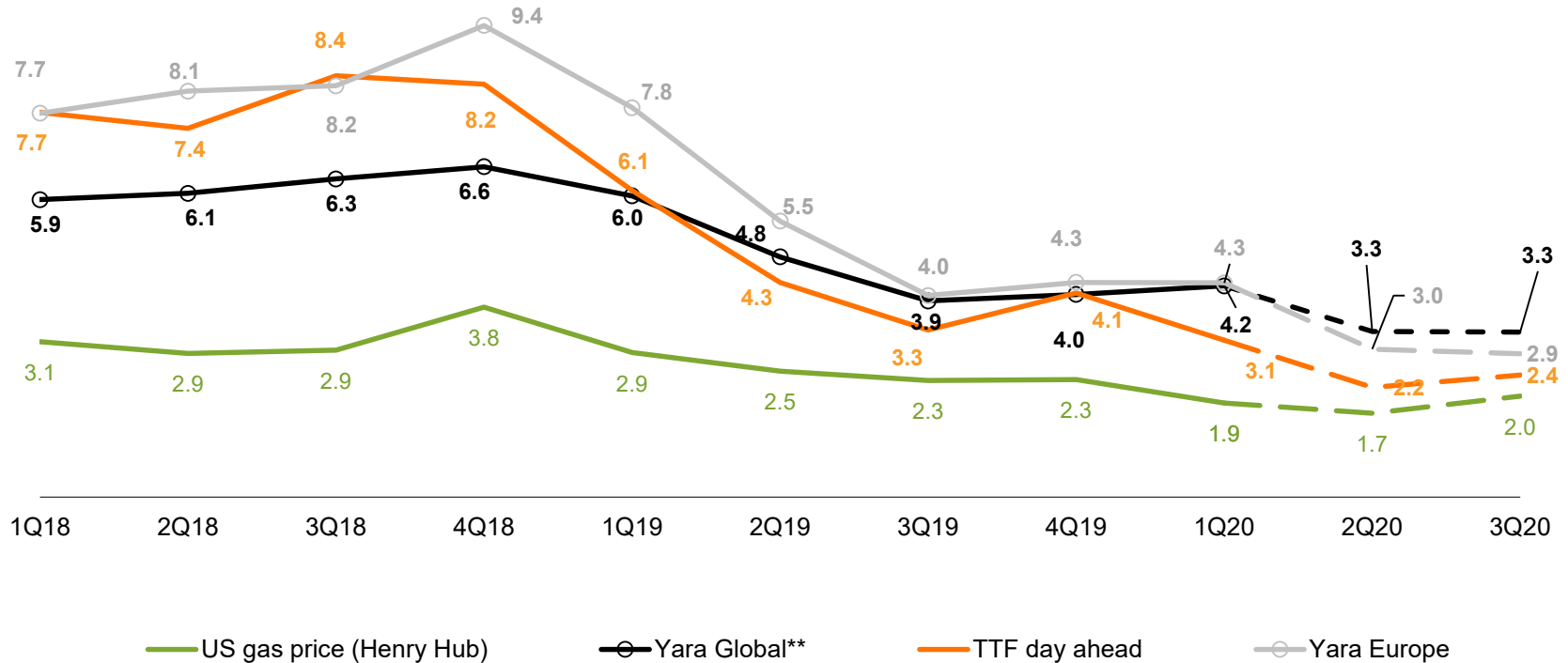
USD/t



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

# Energy cost

Quarterly averages for 2018-2020 with forward prices\* for 2Q20 and 3Q20



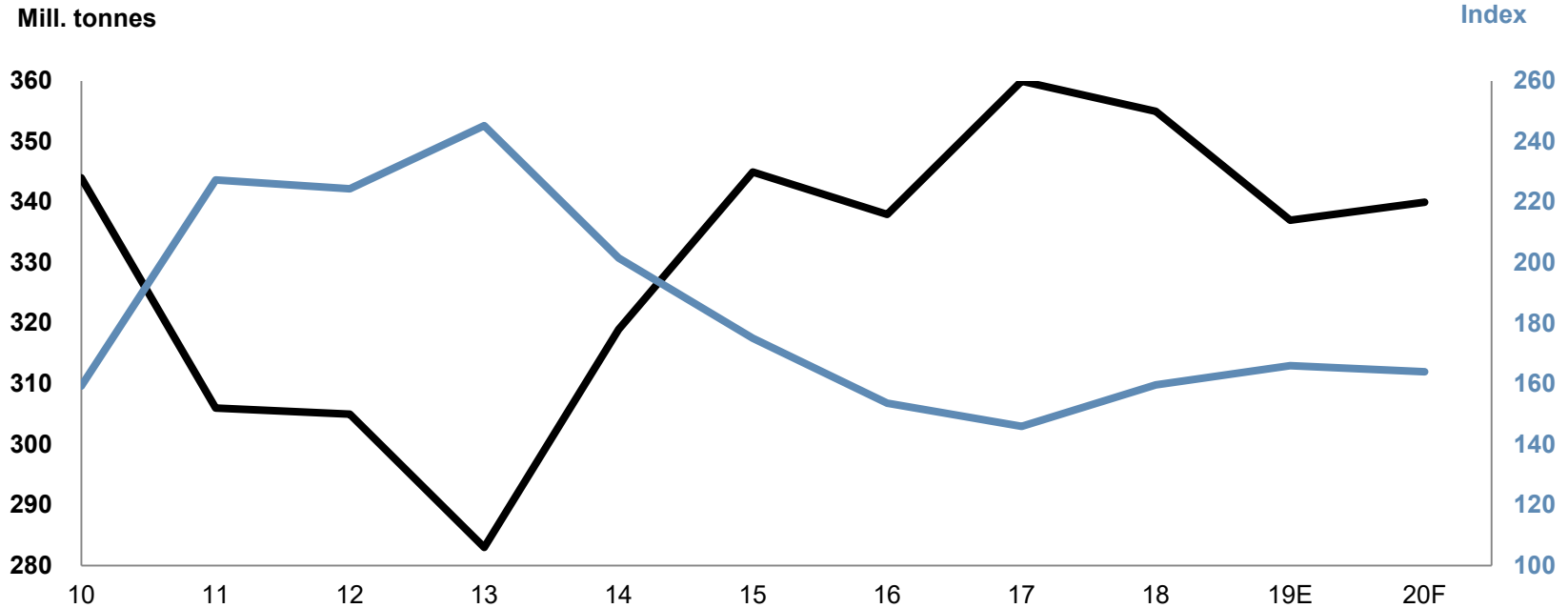
Source: Yara, World Bank, Argus/ICIS Heren

\*Dotted lines denote forward prices as of 15 April 2020, market prices (HH and TTF) are not lagged

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

# Stable grain stocks excluding China from last season, same for average grain prices

Grain stocks ex. China (left axis) and grain prices (right axis)

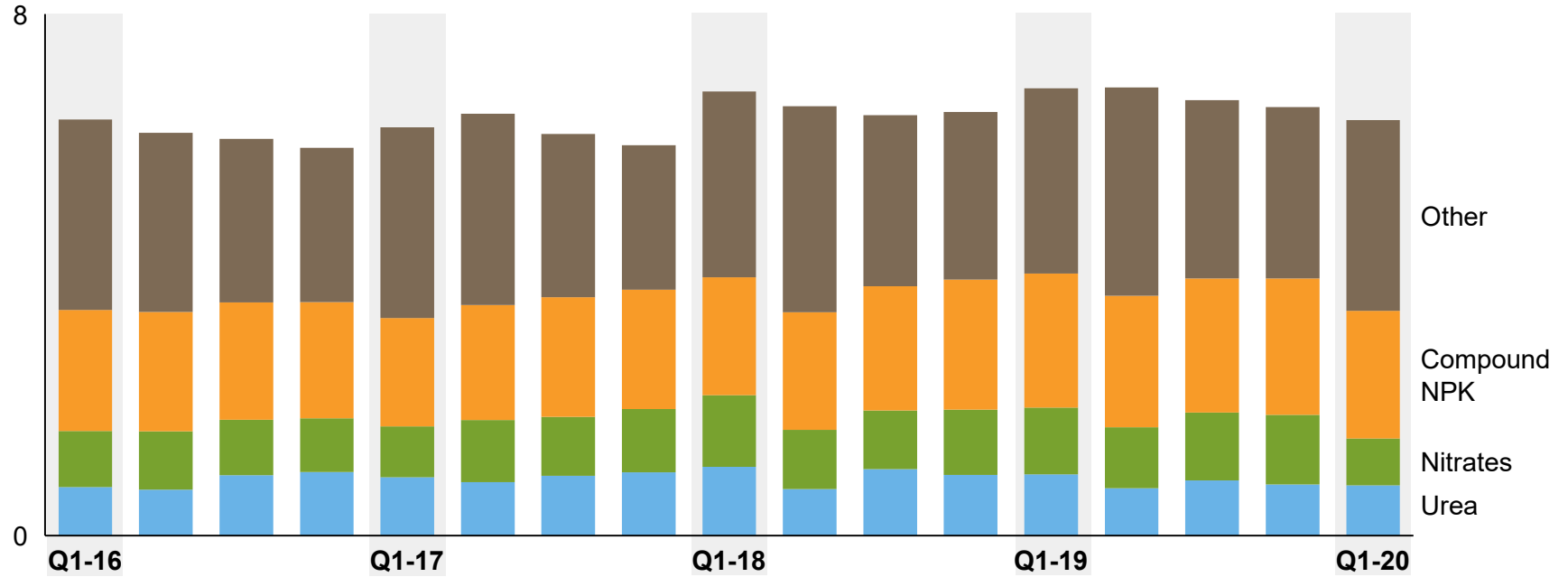




# Yara stocks

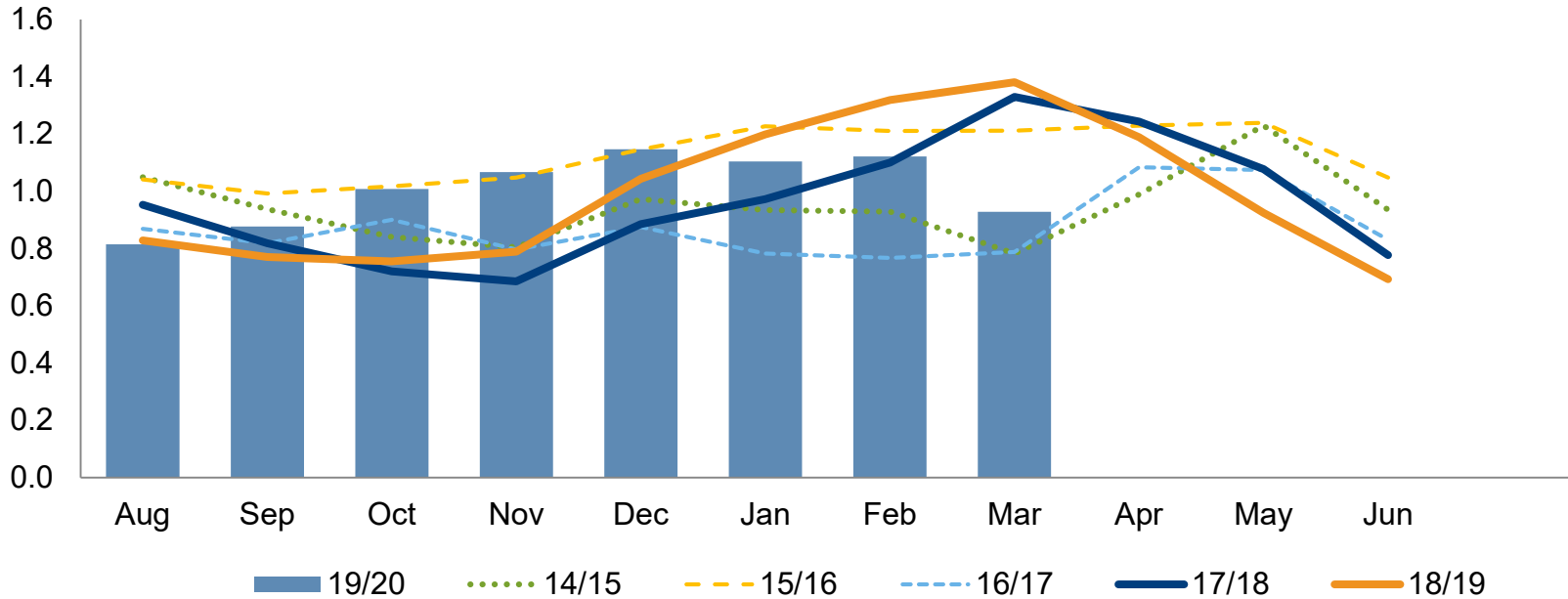
## Finished fertilizer

Mill. tonnes



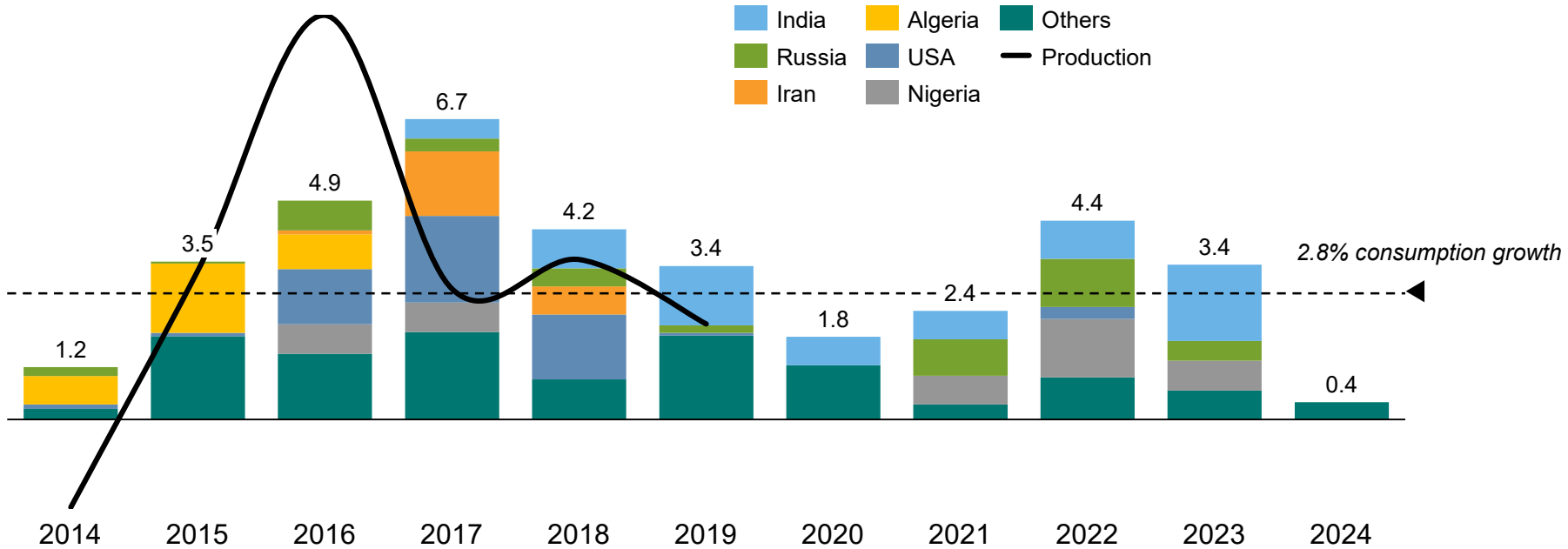
# European producers' nitrate stocks

Index  
June 2007 = 1



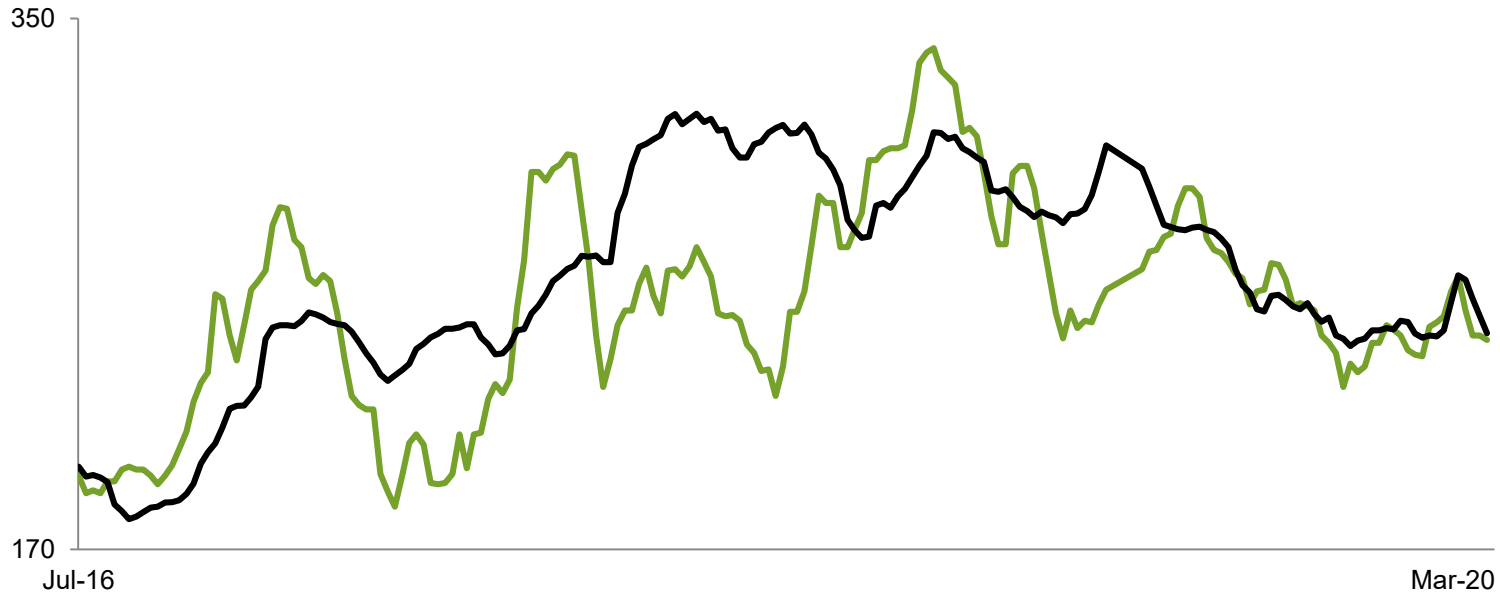
# Nitrogen supply growth is forecast to reduce significantly

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



# Lower Chinese prices negatively affecting global urea prices, some Chinese urea needed in the global market also during Q1

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



<sup>1</sup>Source: BOABC, CFMW

# 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 29-34



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