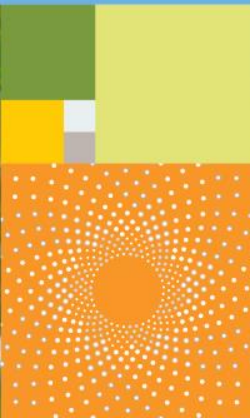




Knowledge grows

# Yara International ASA 2019 second quarter results

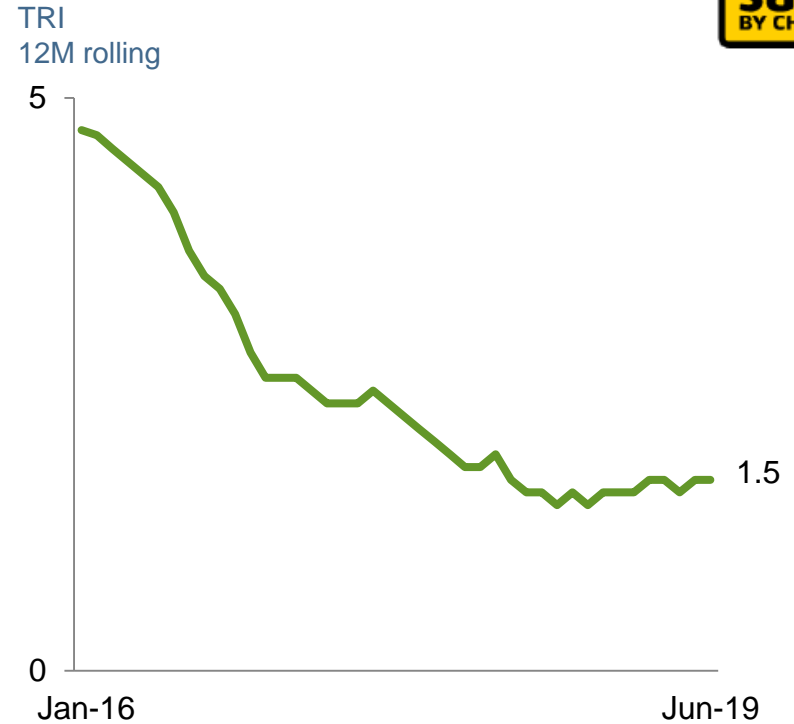
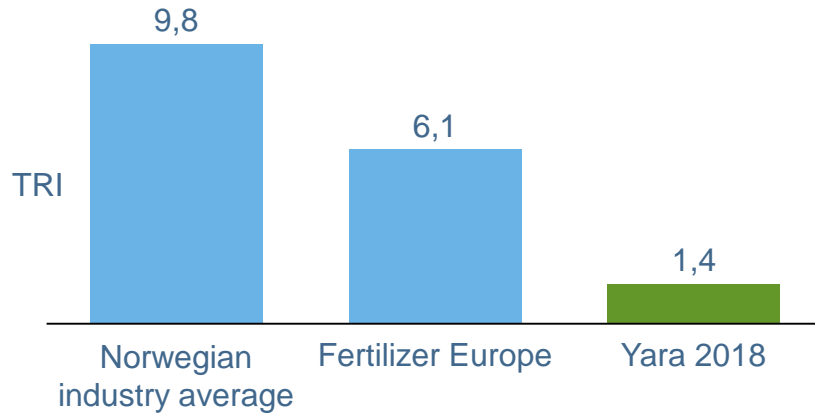
16 July 2019



# Safety is our first priority

Ensuring a safe workplace environment for employees and partners

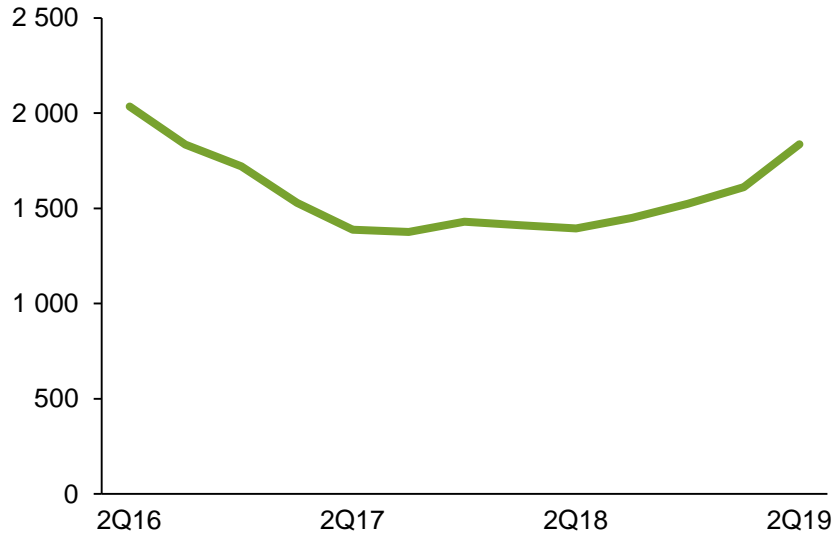
Striving toward zero accidents with no fatalities and Total Reported Incidents (“TRI”) <1.2 by 2025



# Improved second-quarter results

## Earnings improvement continuing

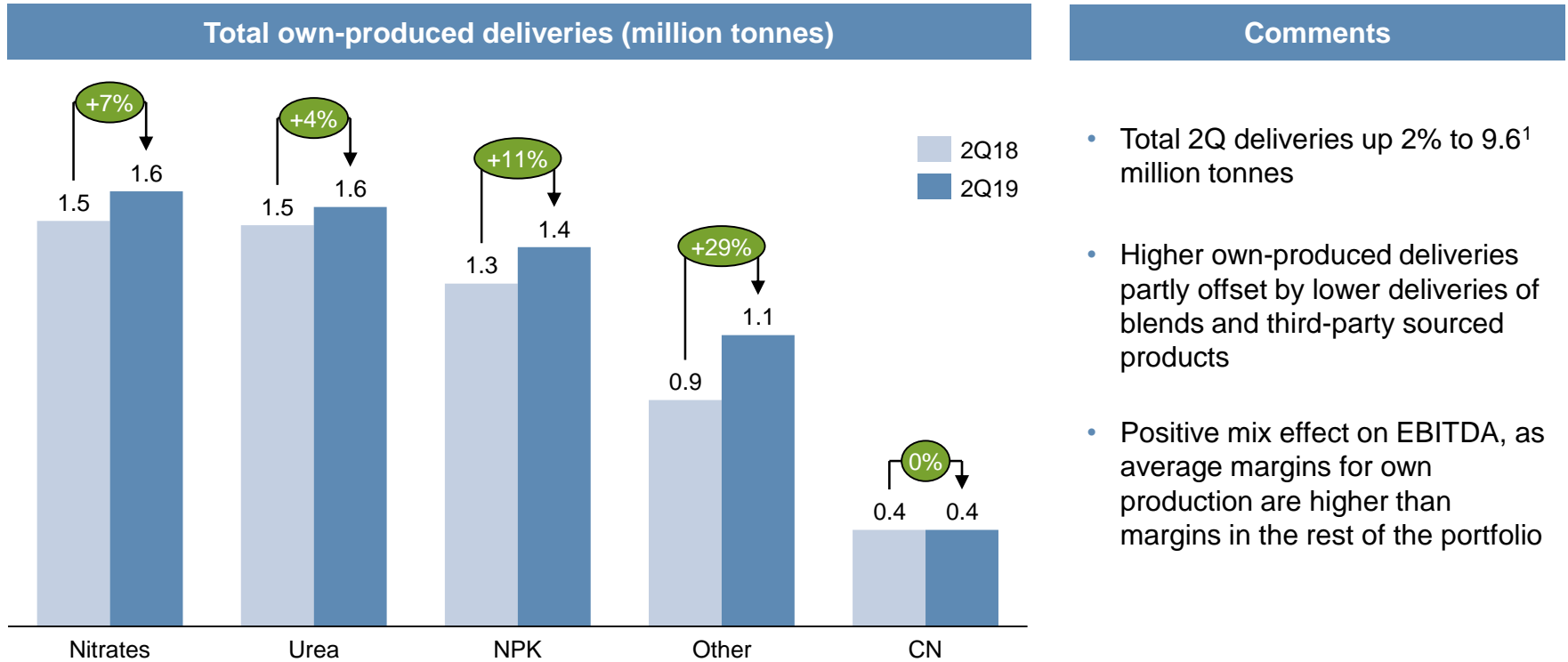
L12M EBITDA ex. special items (MUSD)



## Improved but not satisfactory profitability

- EBITDA excluding special items and IFRS 16 increased by 62%<sup>1</sup>
- Improved results with higher production and lower energy cost
- Premium product deliveries up 7%, in line with strategy
- Return on invested capital (ROIC) at 5.4%<sup>2</sup>

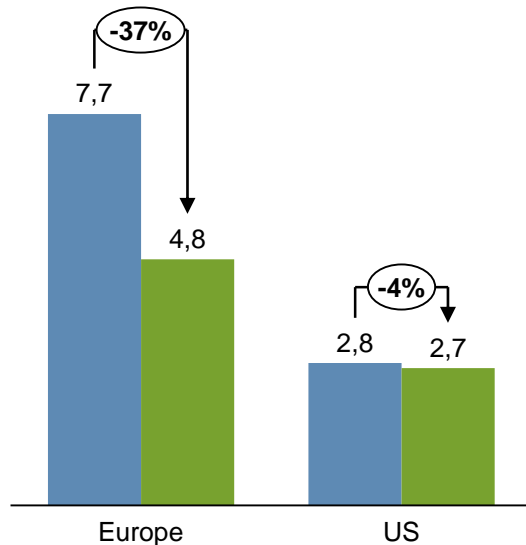
# 9% increase in own-produced deliveries, with increase for all main product groups



# Improved margins

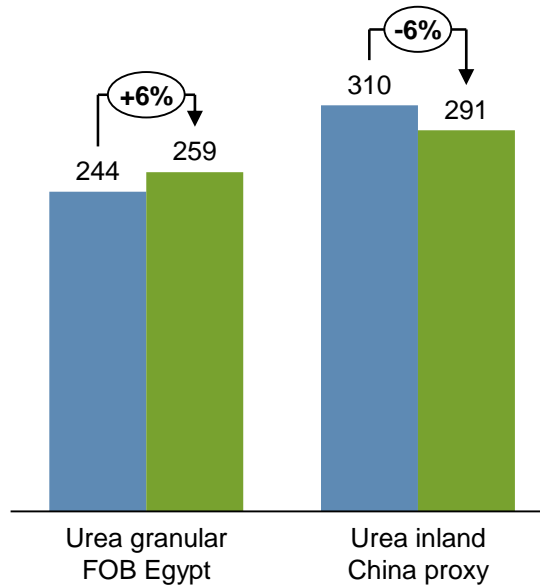
## Lower European natural gas prices

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



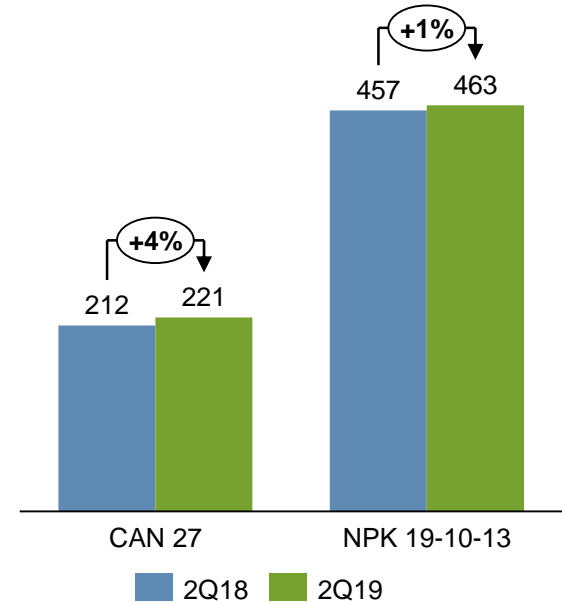
## Higher urea prices outside China

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



## Higher nitrate and NPK prices

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



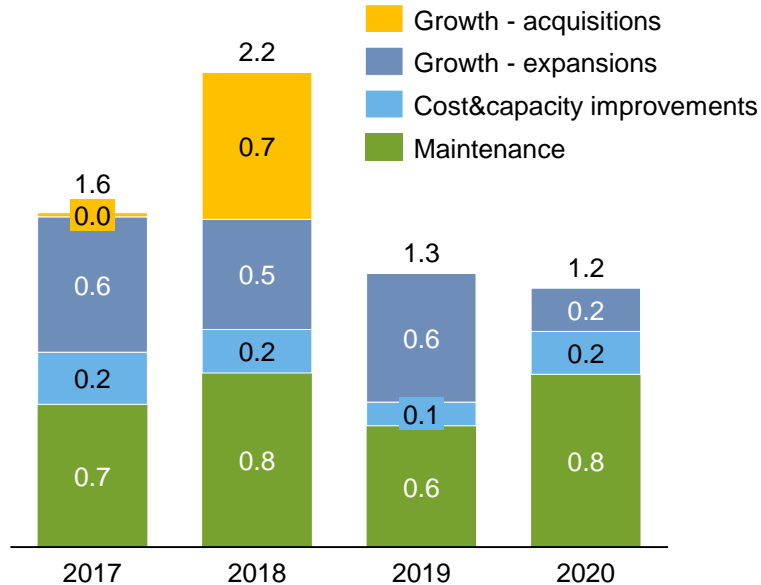
<sup>1</sup> Source: BOABC, CFMW, Argus. 1-month lag applied, as proxy for realized prices (delivery assumed to be 1 month after order taking).

<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

# Capex reduced in 2019, growth projects ramping up

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

USD Billions



## Status

### Major growth projects under execution:

- Sluiskil (Netherlands): completion 2H 2019
- Salitre (Brazil): chemical production 1H 2020
- Rio Grande (Brazil): completion end 2020

### Cost & capacity improvements:

- Smaller short-payback investments mainly in production facilities, typically ~200 MUSD annually

### Maintenance:

- Normalized maintenance capex of ~800 MUSD annually; with variation from year to year driven by turnaround schedule

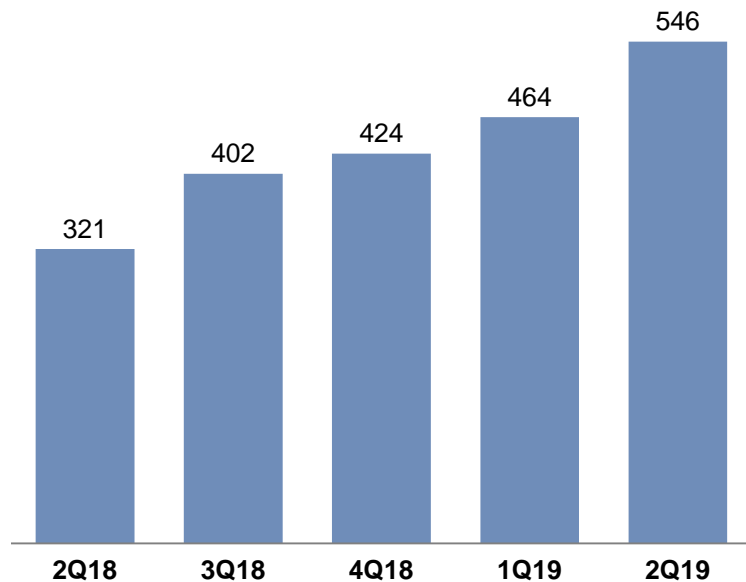
### Capex going forward:

- Priority is to deliver current commitments
- High bar for new investments; preference for smaller high-return short-payback projects

# Improving earnings and profitability trend

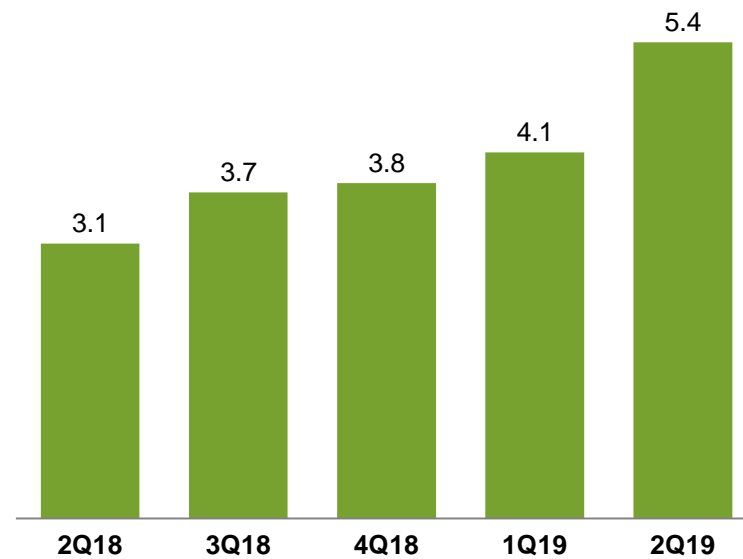
## Quarterly EBITDA ex. special items

USD millions



## L12M ROIC

Percent



# Performance overview

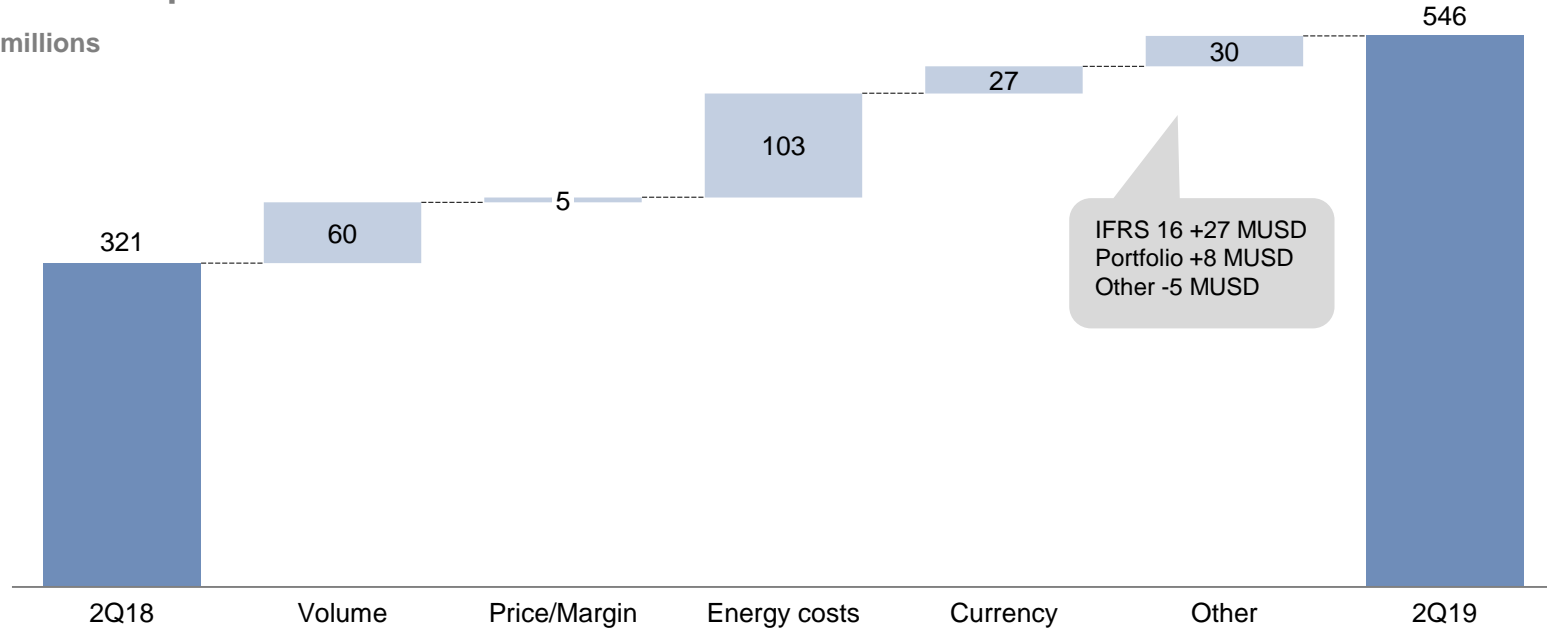
	2Q 2018	2Q 2019
<b>EBITDA ex. special items</b> <i>(USD millions)</i>	321	<b>546</b>
<b>EPS ex. currency and special items</b> <i>(USD per share)</i>	0.16	<b>0.77</b>
<b>Cash from operations</b> <i>(USD millions)</i>	523	<b>680</b>
<b>Investments</b> <i>(USD millions)</i>	589	<b>246</b>
<b>ROIC</b> <i>(12-month rolling)</i>	3.1%	<b>5.4%</b>



# EBITDA improvement mainly driven by higher Yara-produced deliveries and lower energy cost

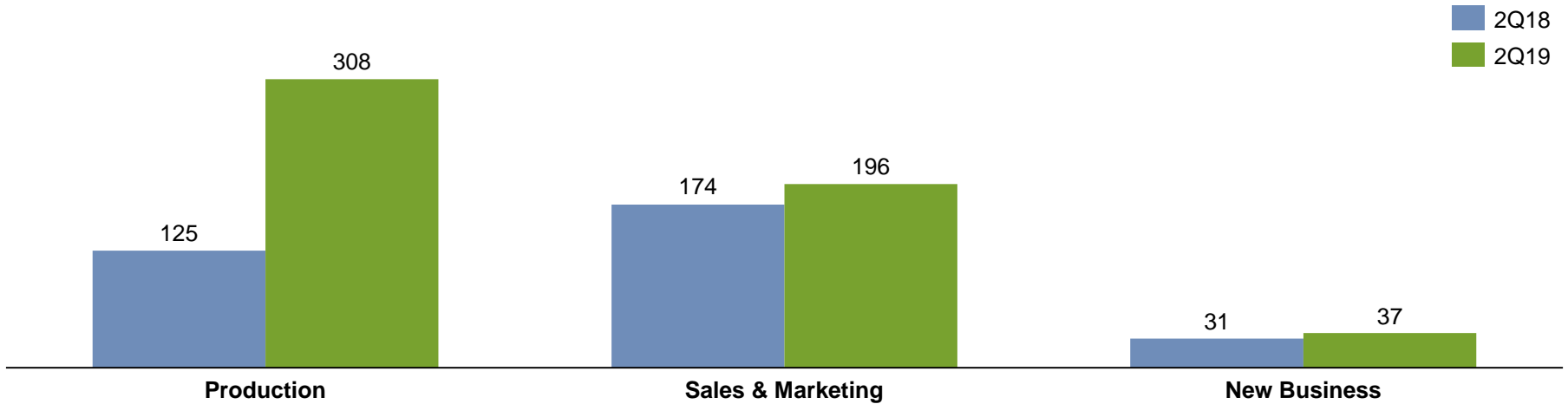
## EBITDA ex. special items

USD millions



# Higher production margins

EBITDA ex. special items (MUSD)



- Higher nitrogen margins in Europe
- Finished fertilizer production up 4%, ammonia production up 1%

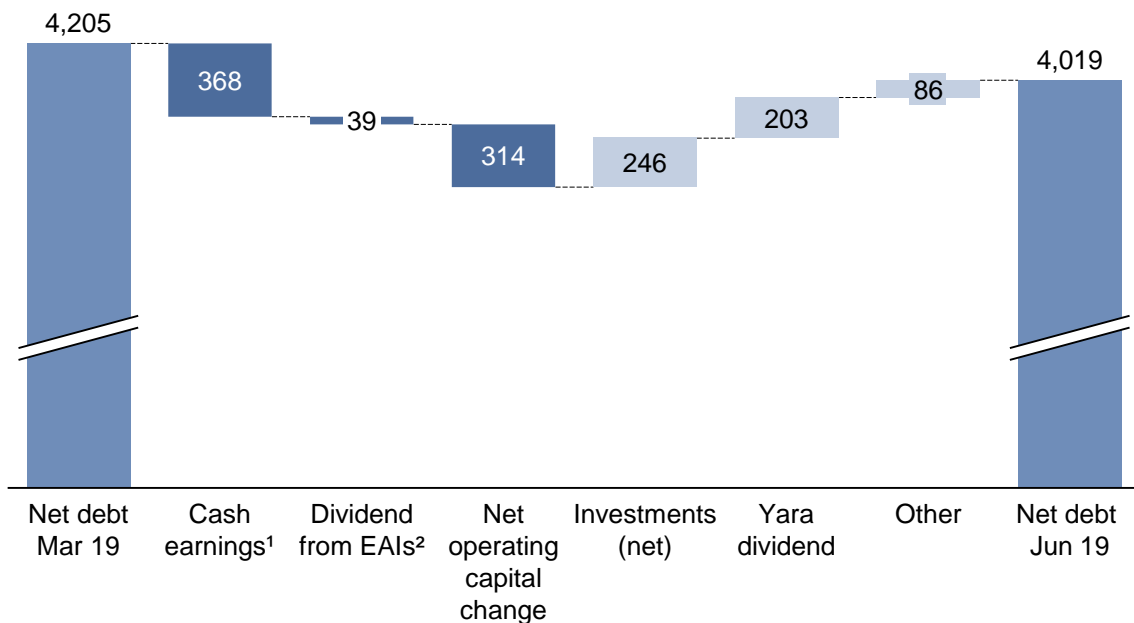
- Underlying results in line with last year
- Significant premium growth in Brazil

- Deliveries up 1% excluding Cubatão
- Underlying improvement driven by Maritime

# Net interest-bearing debt reduced

## 2Q development

USD millions

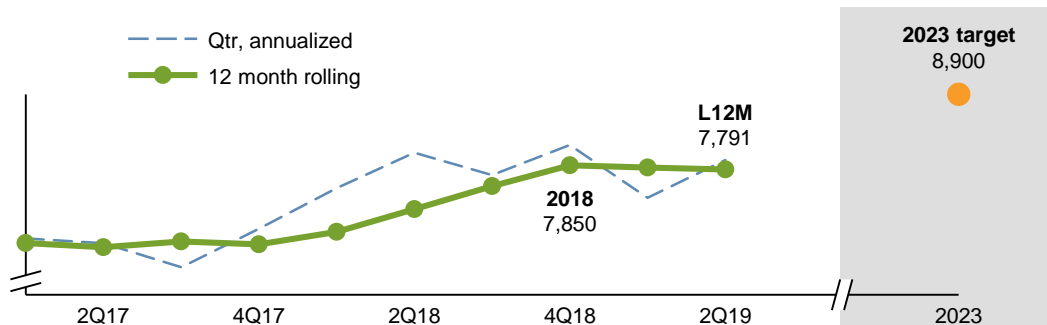


## Comments

- Strong cash earnings and operating capital release - funding investments, annual dividend and net debt reduction
- Lower operating capital reflects seasonal prepayments in Brazil
- Net debt/EBITDA<sup>3</sup> ratio at 2.2, down from 2.5 at end of 2018
- Revolving Credit Facility renewed, with margin linked to carbon intensity target

# Improvement Program as presented at CMD: volume improvements<sup>1</sup>

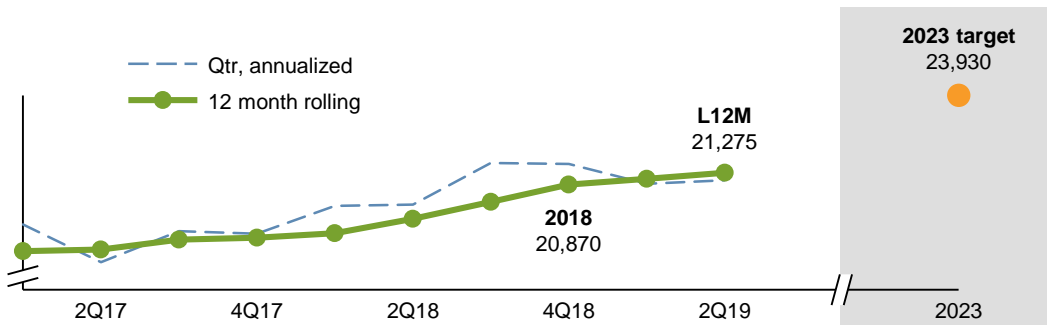
## Ammonia production volumes, kt annualized



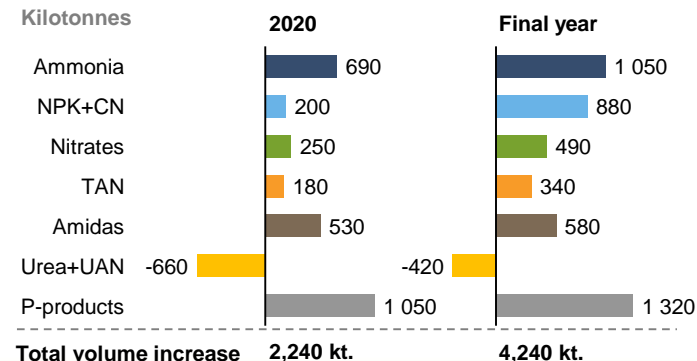
## Comments

- Positive production volume trend, with some quarterly volatility
- Reliability negatively affected by 1Q outages, but improving trend in 2Q
- Focus on turnaround performance and reliability improvements at major sites

## Finished products production volumes, kt annualized



## Increase from 2018 in ammonia & finished products

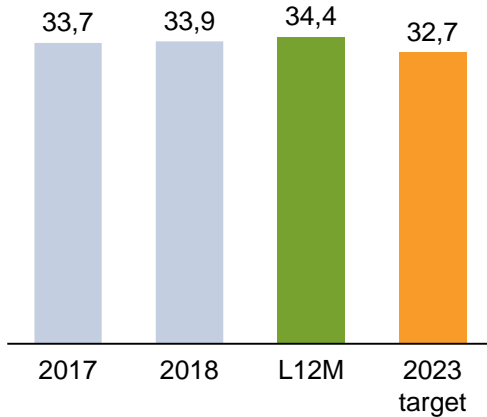


<sup>1</sup> As presented at CMD, includes volumes from both growth and improvement projects  
 See appendix for definitions

# Improvement Program as presented at CMD: non-volume KPIs

## Ammonia energy efficiency

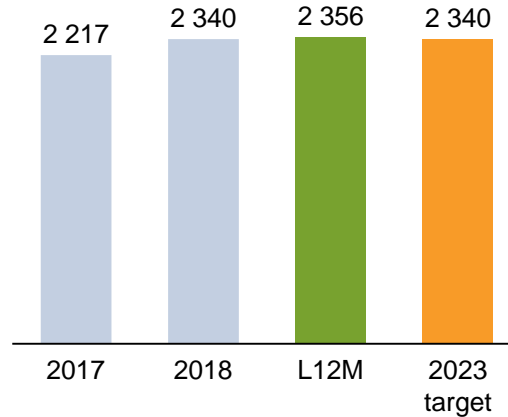
GJ/ton



- Negatively affected by ammonia outages mainly in 1Q

## Fixed costs

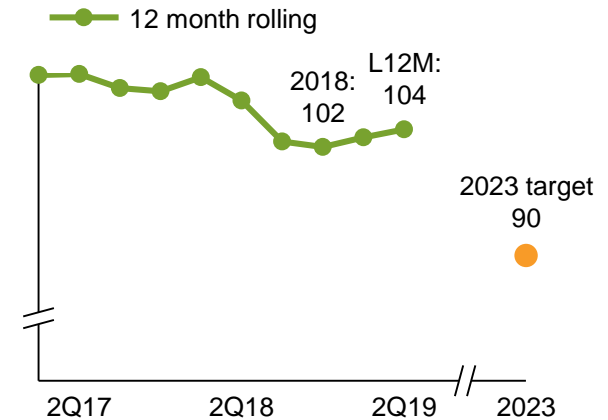
MUSD



- Fixed costs in line with target ambition level; 1H 2019 with improving trend

## Operating capital

Days

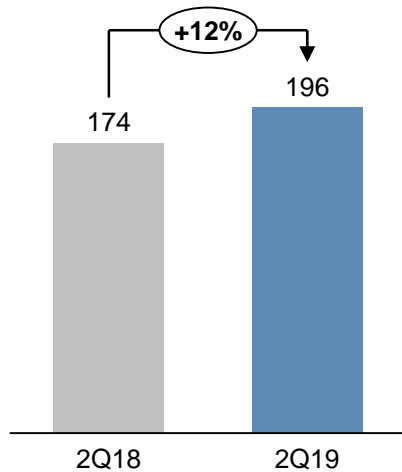


- Slight increase in 1H 2019, however underlying trend positive

# Sales & Marketing performance

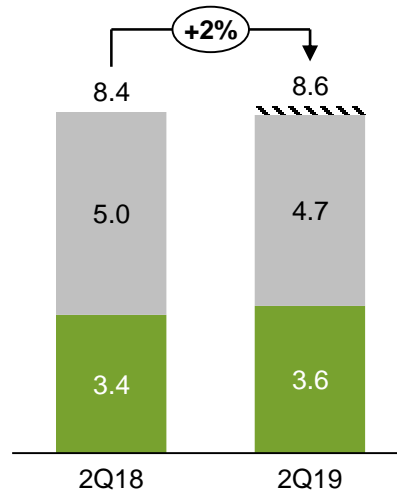
**Increased EBITDA with higher deliveries in Brazil**

EBITDA ex. SI (MUSD)



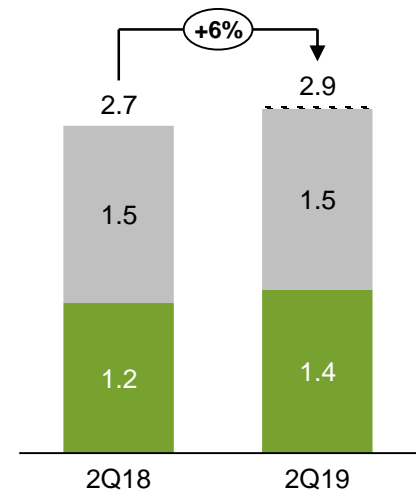
**Premium product deliveries up 7%**

Volumes (Mt)



**Higher revenues**

Revenues (MUSD)

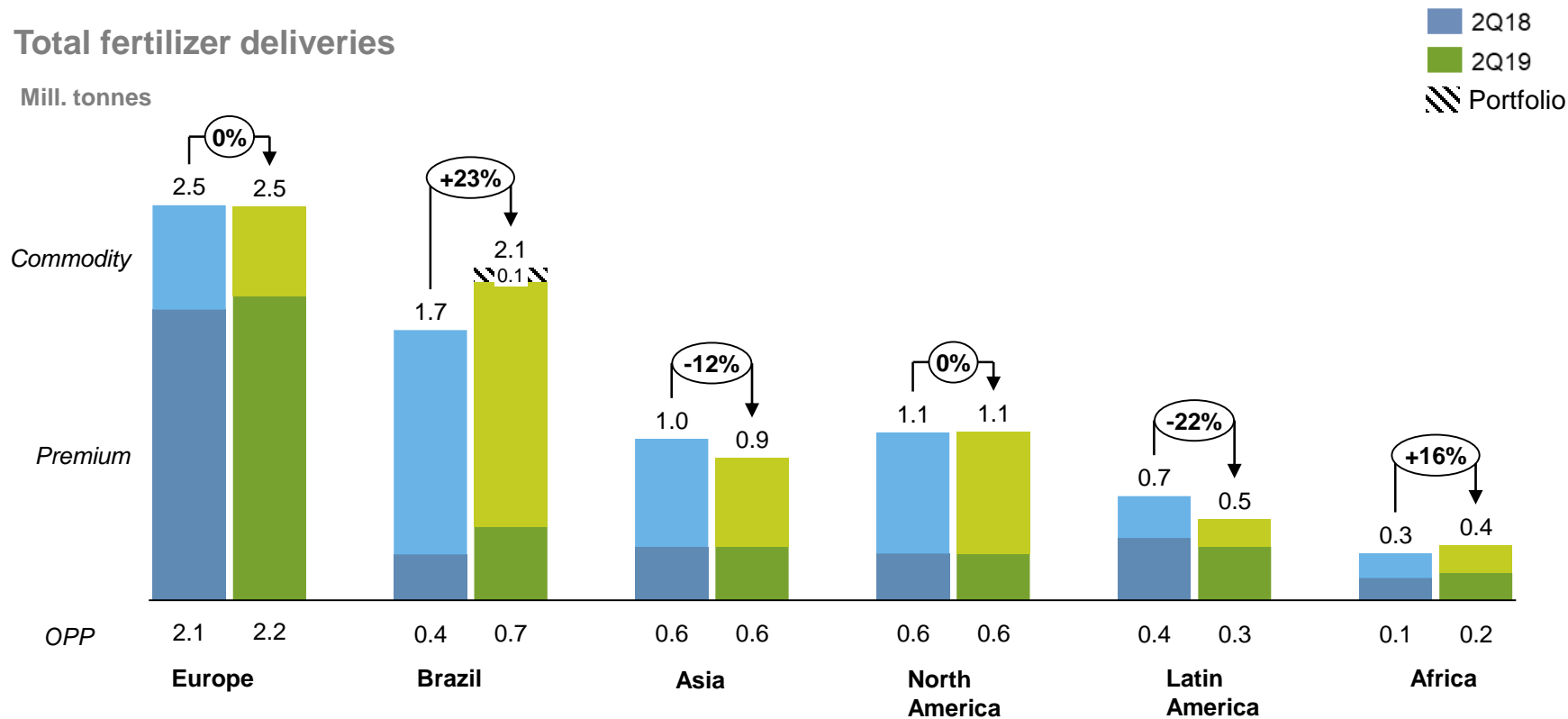


Portfolio 
 Commodity 
 Premium\*

# Fertilizer deliveries by region

## Total fertilizer deliveries

Mill. tonnes

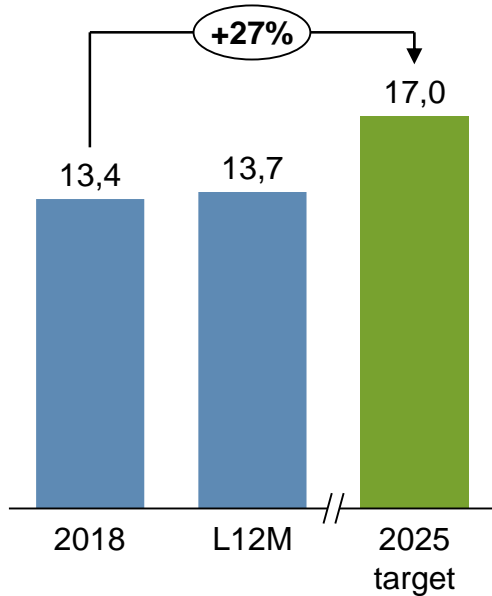


\*Premium = NPK, Differentiated N, CN, fertigation products and YaraVita.  
OPP = Own Produced Products

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

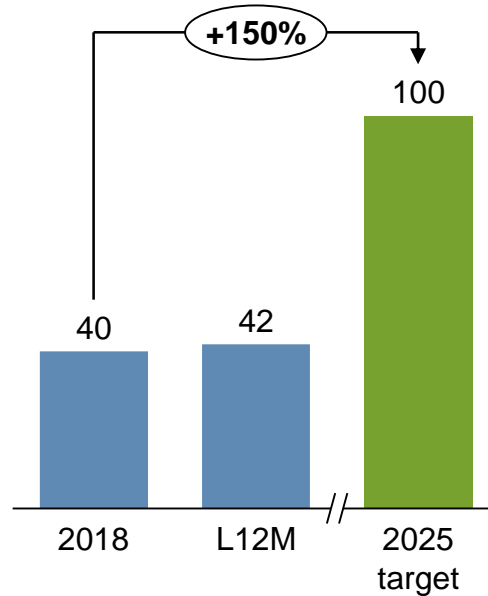
Increase premium product deliveries by > 3.5 mill tonnes

Premium products in mill. tonnes



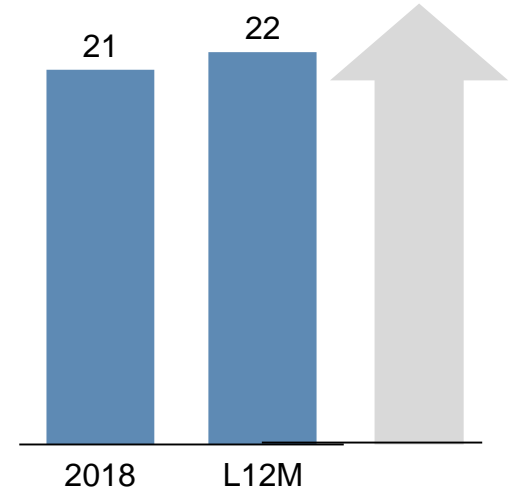
Increase YaraVita deliveries to > 100 million units

YaraVita in mill. units



Increase EBITDA margin

EBITDA margin in USD/tonne





# 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

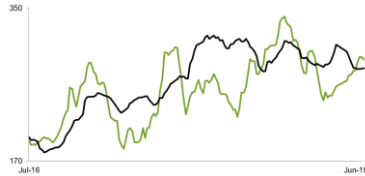
### Evaluating IPO of industrial business

- 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

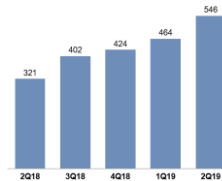
# Attractive Yara prospects

## 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



Knowledge grows

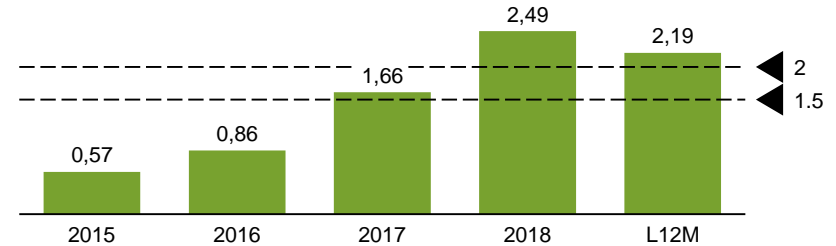
# Appendix



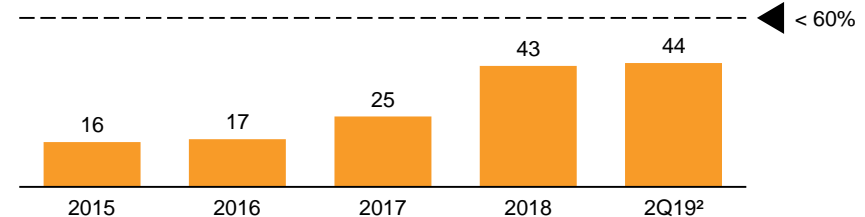
# Yara is protecting its investment-grade rating while providing cyclical upside in dividends through a revised policy

- **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



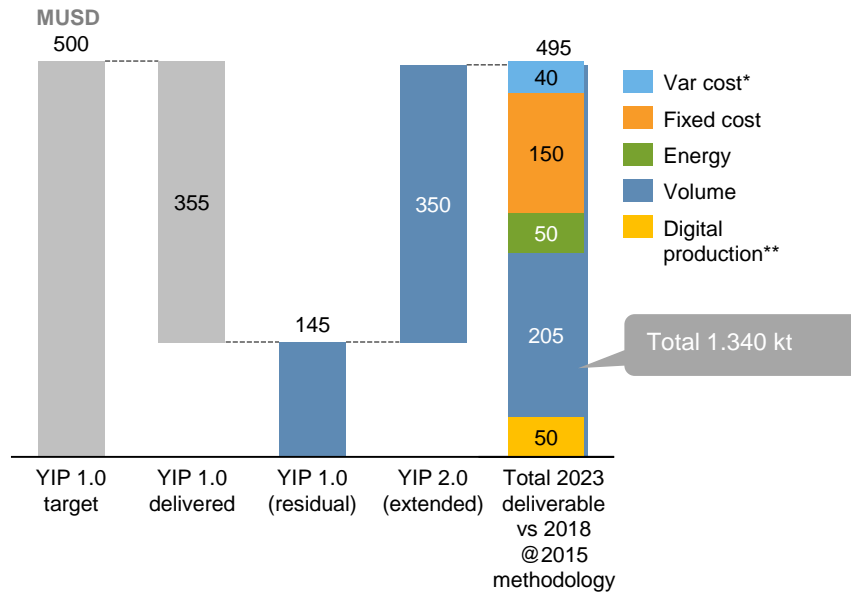
Net debt / Equity



# Bridge between original Yara Improvement Program (YIP) and extended YIP<sup>1</sup>

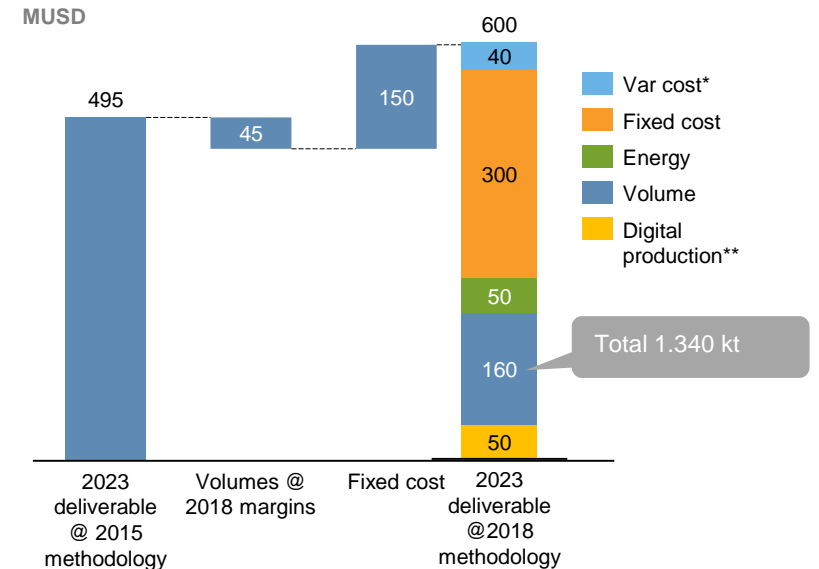
## Extended YIP @ original 2015 methodology

New target: 495 MUSD from 2018 baseline



## Extended YIP @ 2018 methodology

New target: 600 MUSD from 2018 baseline



<sup>1</sup> Going forward YIP will be presented as underlying driver reporting with baseline 2018

\* Indirect categories only

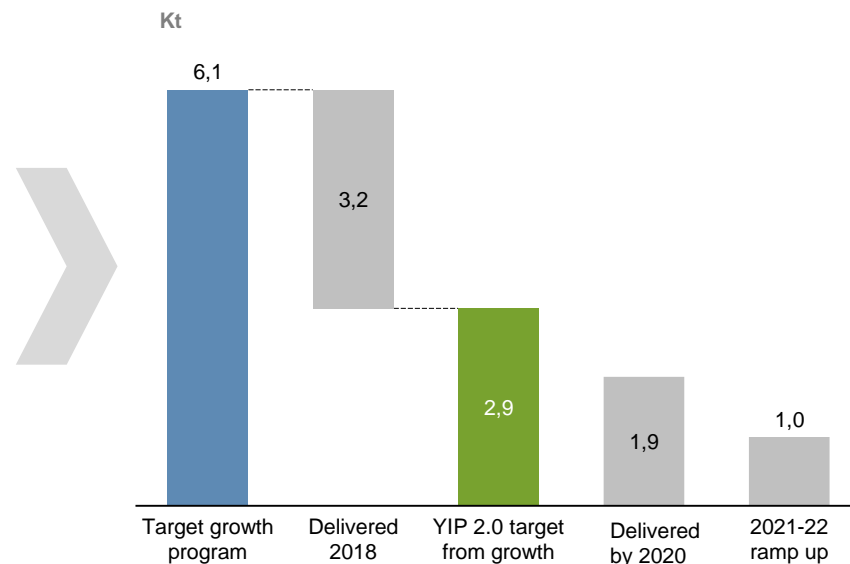
\*\* Digital production will improve volumes (main effect), energy and fixed costs

# Reconciliation of growth volumes with extended YIP<sup>1</sup>

Table shown at CMD: Overview of volumes from Yara Improvement Program (YIP) and Growth investments

	2018	2020	2023	Change 2018
<b>YIP volumes (kt)</b>	<b>750</b>	<b>1,100</b>	<b>2,090</b>	<b>1,340</b>
<i>Ammonia</i>	80	400	720	640
<i>Finished products</i>	670	700	1,370	700
<b>Growth investment volumes (kt)</b>	<b>3,210</b>	<b>5,100</b>	<b>6,110</b>	<b>2,900</b>
<i>Ammonia</i>	1,070	1,440	1,480	410
<i>Finished products</i>	2,140	3,660	4,630	2,490
<b>Total volume increase</b>	<b>3,960</b>	<b>6,200</b>	<b>8,200</b>	<b>4,240</b>
<i>Ammonia</i>	1,150	1,840	2,200	1,050
<i>Finished products</i>	2,810	4,360	6,000	3,190
<b>Total volumes</b>	<b>28,720</b>	<b>30,960</b>	<b>32,860</b>	<b>4,140</b>
<i>Ammonia</i>	7,850	8,540	8,900	1,050
<i>Finished products</i>	20,870	22,420	23,960	3,090

Growth program target:  
2.9 mill tonnes included in extended YIP



<sup>1</sup> Going forward YIP will be presented as underlying driver reporting with baseline 2018



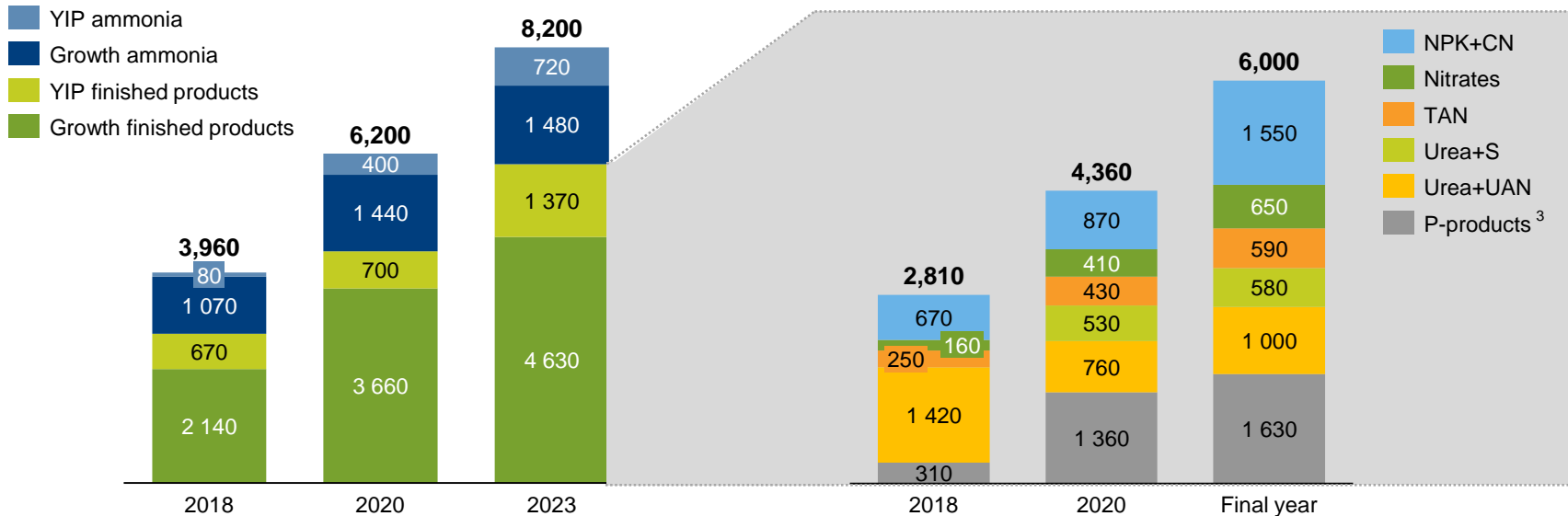
# Breakdown of finished products from Yara Improvement Program and growth investments<sup>1</sup>

## Total volume growth<sup>2</sup> from improvement program and growth investments

Kilotonnes

## Finished products breakdown per product group

Kilotonnes



<sup>1</sup> Going forward YIP will be presented as underlying driver reporting with baseline 2018

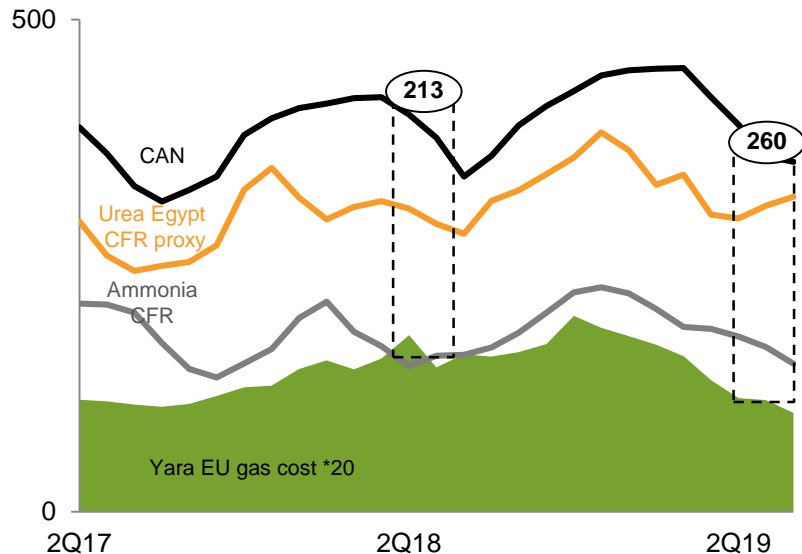
<sup>2</sup> Improvements from 2015 base year

<sup>3</sup> Phosphate products: DAP/MAP/SSP

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

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

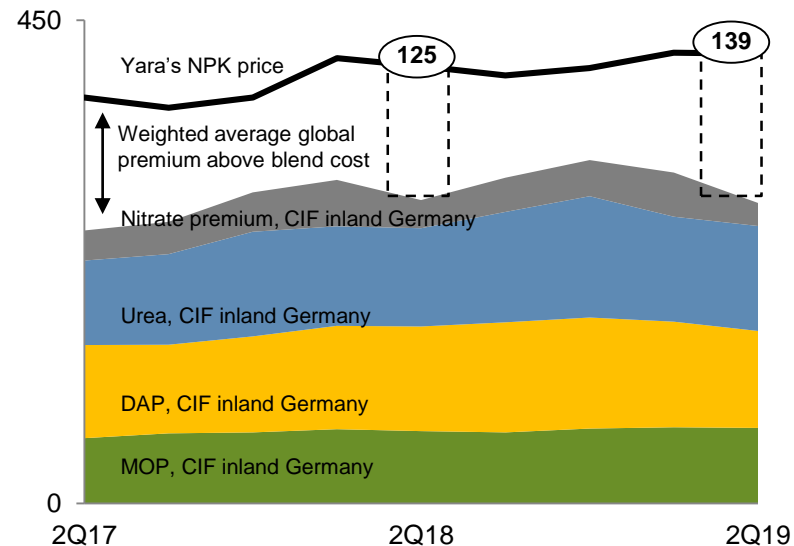
USD/t (monthly publication prices)



<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

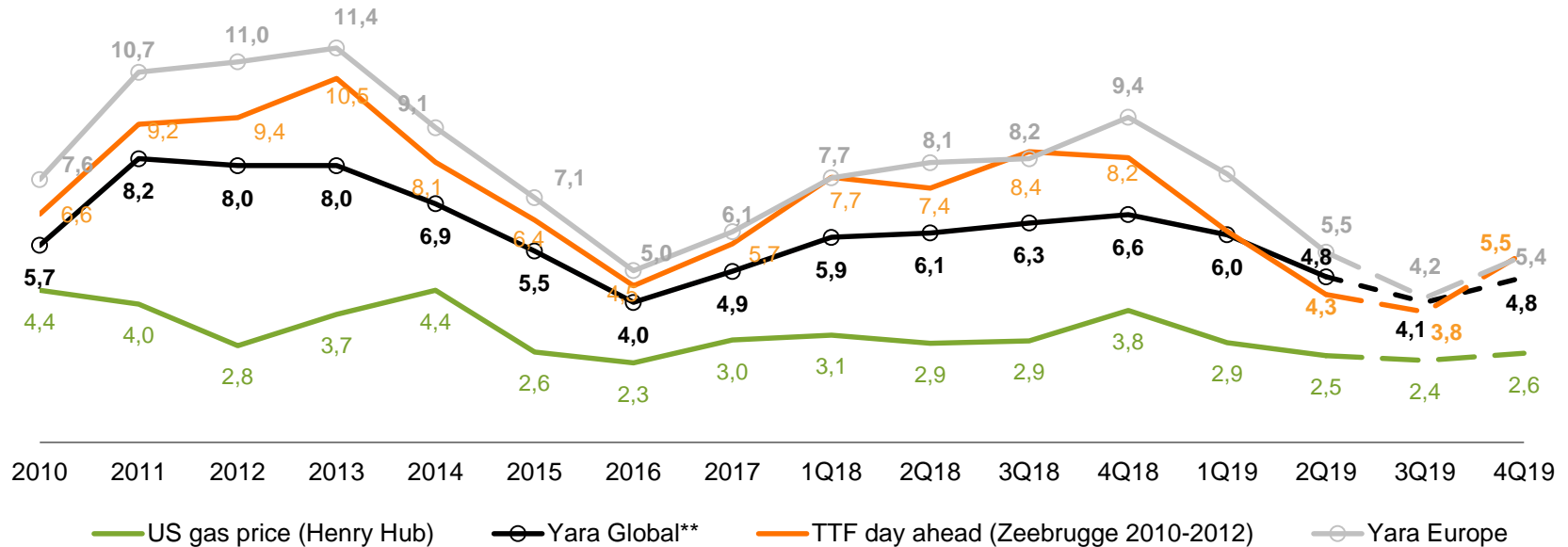


<sup>2</sup> Export NPK plants, average grade 19-10-13, net of transport and handling cost.



# 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

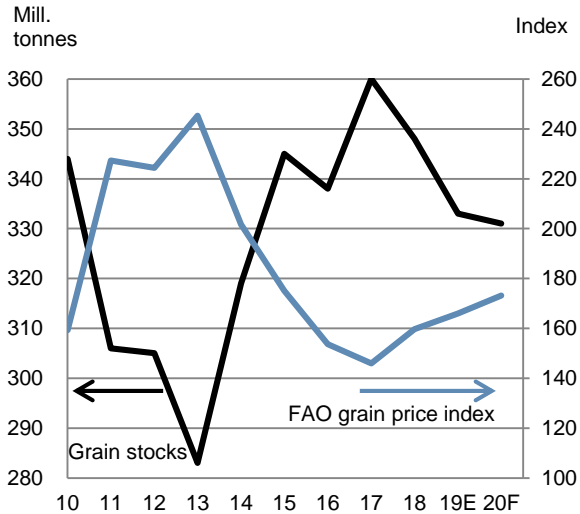
\*\*Yara Global restated from 2Q 2018 to include Cubatão gas cost



# Improving industry fundamentals

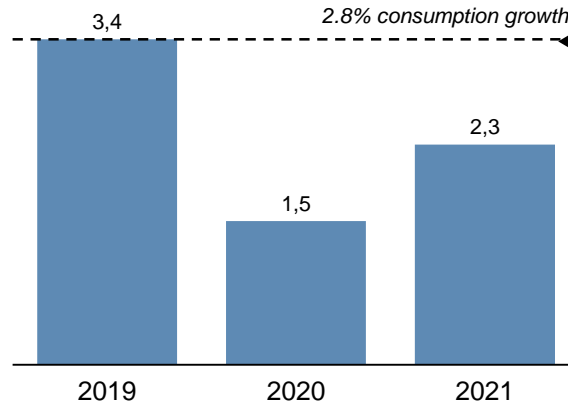
## Declining grains stocks excluding China

Grain stocks ex. China and grain prices



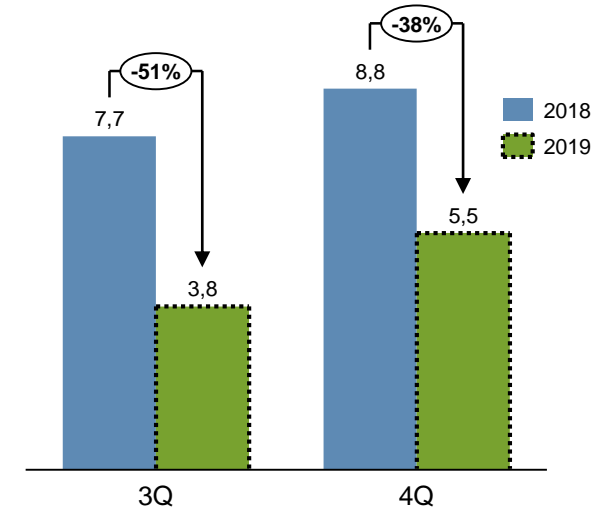
## Nitrogen supply growth set to reduce significantly

Global urea capacity additions ex. China



## Lower expected European natural gas prices

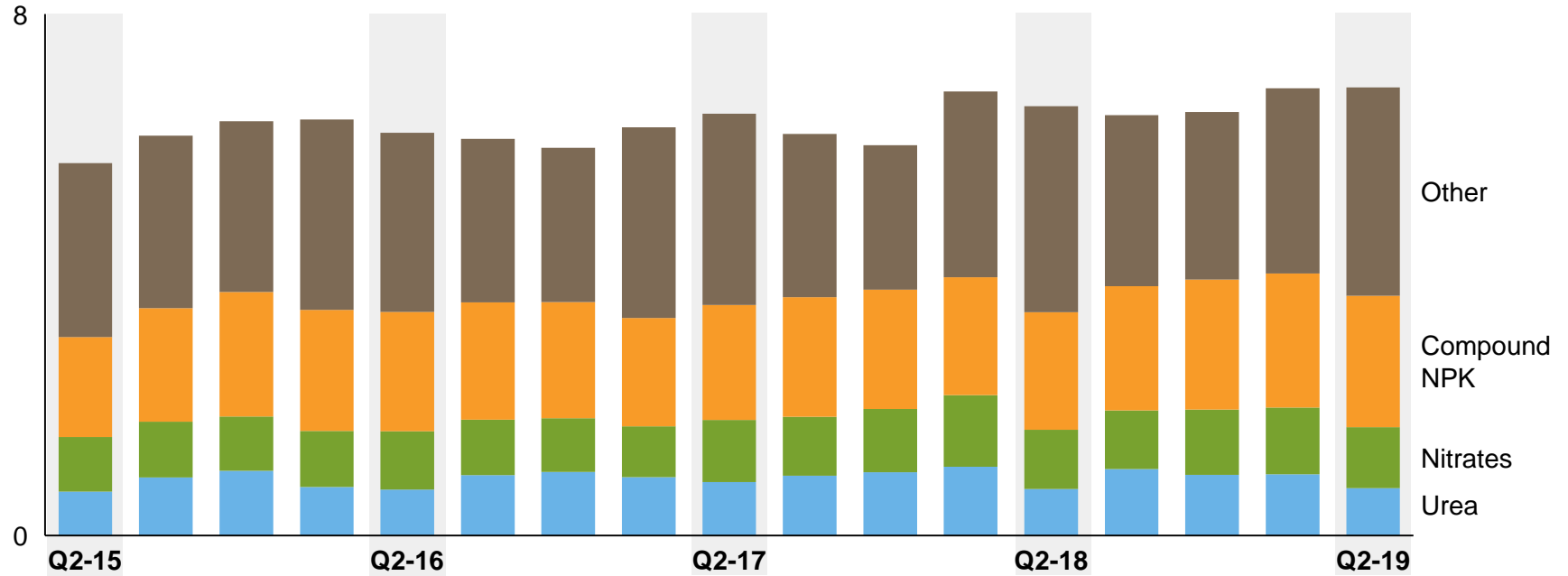
Spot gas prices<sup>1</sup> (USD/Mmbtu)



# Yara stocks

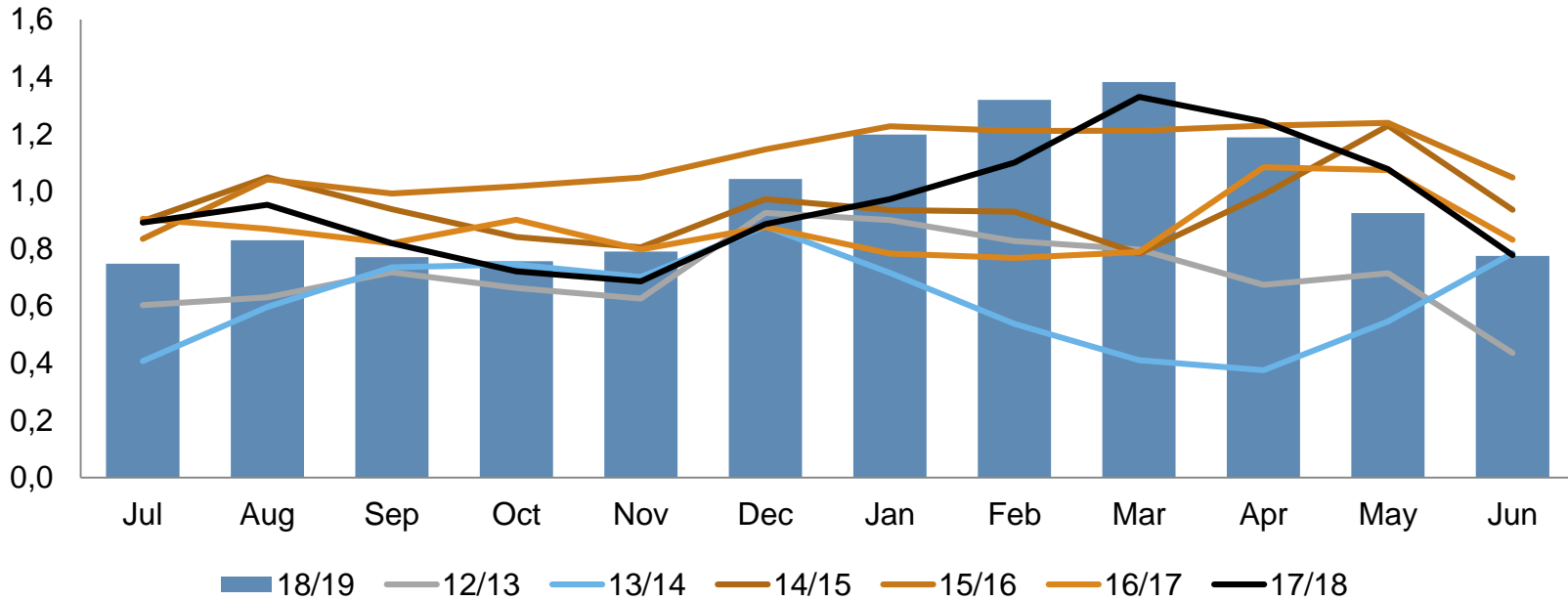
## Finished fertilizer

Mill. tonnes



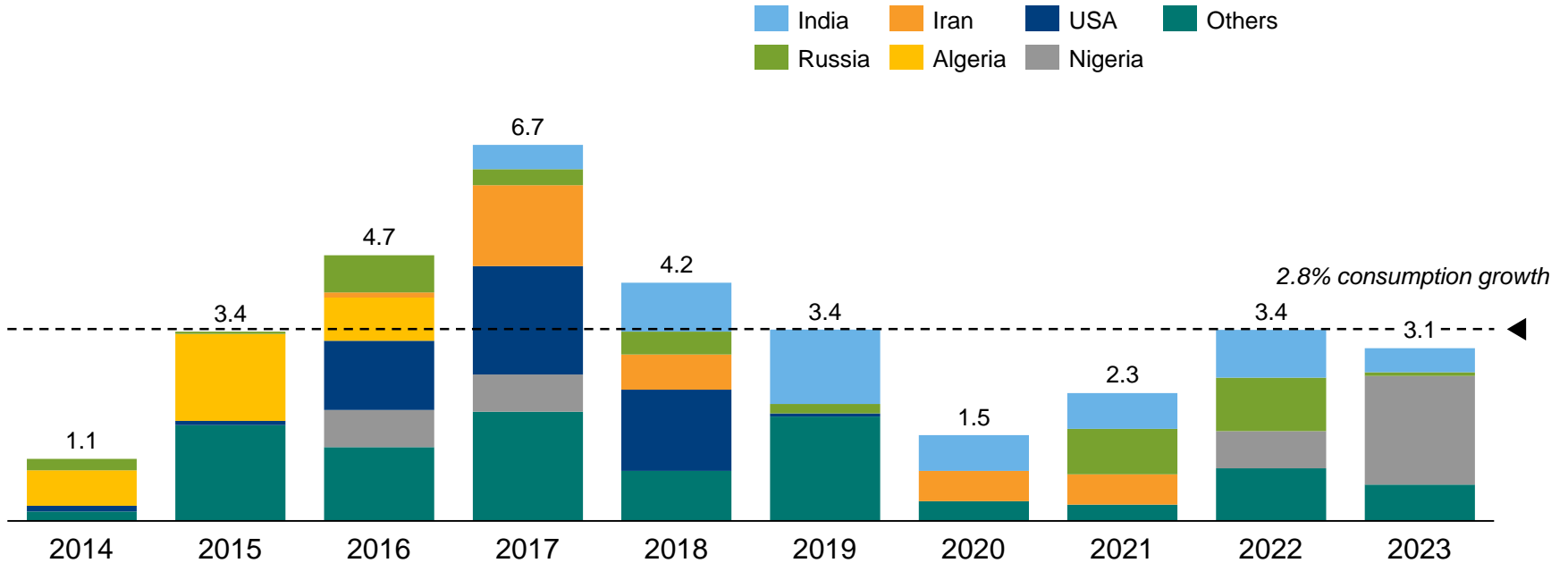
# European producers' nitrate stocks

Index  
June 2007 = 1



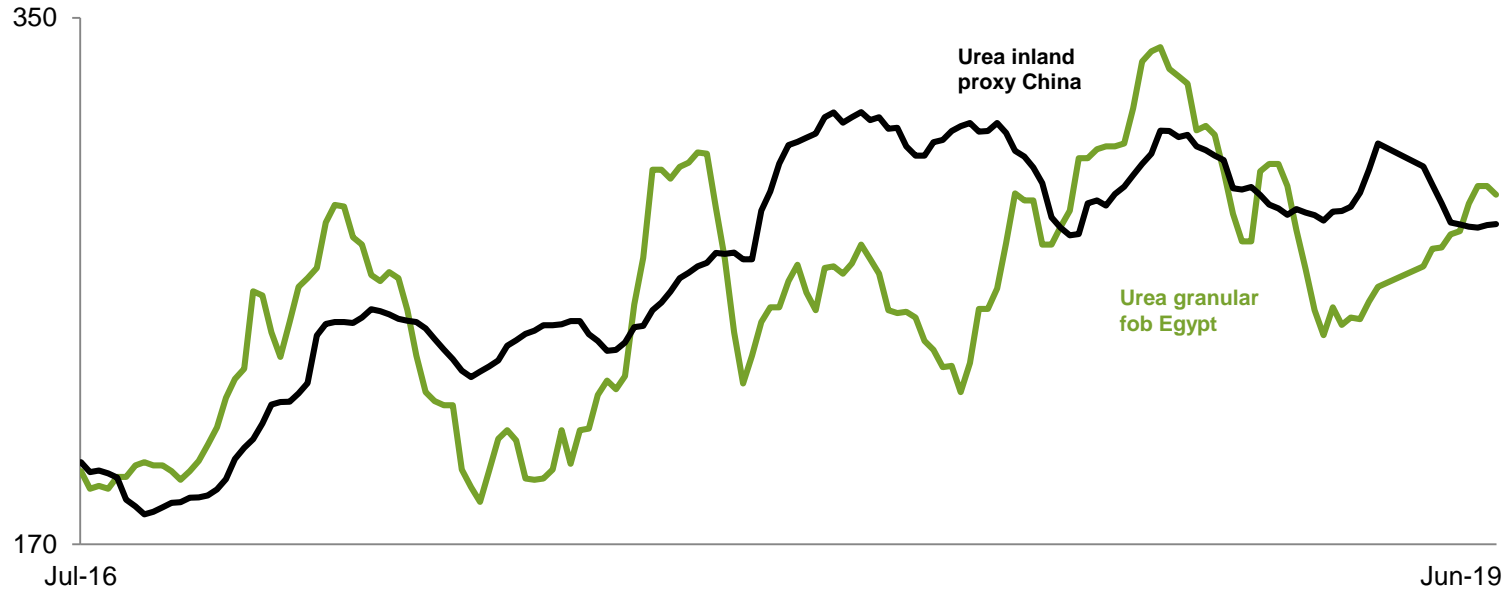
# Nitrogen supply growth is forecast to reduce significantly

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



# Tighter global urea market, Chinese exports required

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



# Definitions: Extended improvement program

## **Production volumes (Finished products and ammonia)**

Production output measured on rolling 12 months, adjusted for major turnarounds and market optimization effects. Adjustments done to better reflect the underlying production performance. Numbers exclude Qafco and Lifeco volumes. 2018 baseline includes growth and debottleneck projects already communicated, and is adjusted related to Galvani and Pardies portfolio effects.

## **Energy efficiency**

Actual energy consumption per tonne of ammonia produced at Yara plants measured at rolling 12 month basis.

## **Fixed costs**

Fixed costs are measured on 12-month rolling basis and are defined as payroll and related costs, general and administration costs (SG&A), and fixed costs in production processes (maintenance, insurance, consultancy etc.). The reported amounts are adjusted for currency effects, special items, M&A and structural projects. The amount reported for 2018 is adjusted for estimated IFRS 16 effects and portfolio effects. The fixed cost categories described above are included in the financial statement line items “raw materials, energy costs and freight expenses”, “payroll and related costs” and “other operating expenses”.

## **Operating capital**

Net operating capital days are calculated on a 12-month rolling average basis, and are the net of credit days, inventory days and payable days. Credit days are calculated using trade receivables, adjusted for expected credit loss, relative to revenues from contracts with customers and interest income from external customers.

Inventory days are calculated using the total inventory balance, relative to cost of raw materials including change in inventory of own produced products, net of inventory write-downs.

Payable days are calculated using trade and other payables, not including prepayments from customers, relative to raw materials, energy costs and freight expenses, payroll and related cost, ex. payroll on general administration, and other operating expenses excl. expected loss on trade receivables and loss on sold PP&E.



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