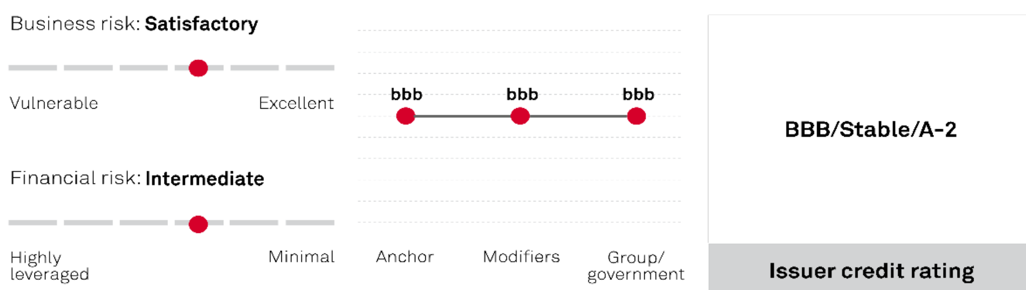
Yara International ASA

December 7, 2022

Ratings Score Snapshot



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Credit Highlights

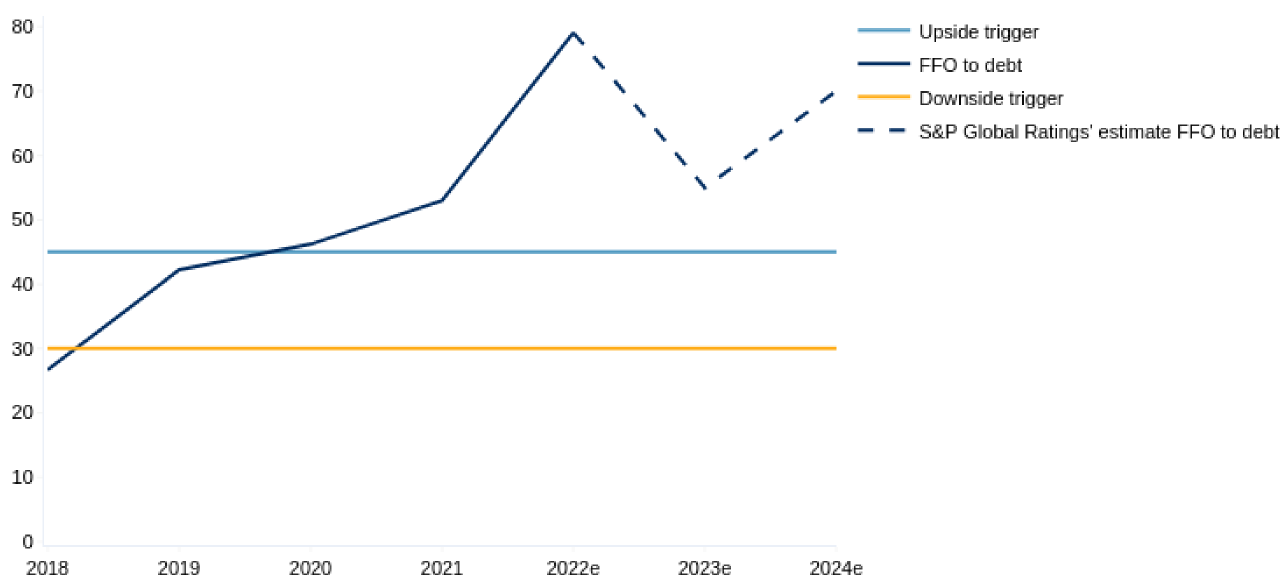
Overview

Key strengths	Key risks
World's largest distributor of fertilizer by volume, with good geographic diversity.	Profits anchored in the highly cyclical nitrogen fertilizer industry.
Joint ventures in low-cost gas areas and large, efficient production facilities.	Exposure to currently high and volatile European gas prices.
Strong credit metrics, with funds from operations (FFO) to debt of 53% at year-end 2021, underpinned by high fertilizer prices.	Cash flow swings, reflecting cyclicality of the fertilizer industry.
Financial policy commitment to maintaining a 'BBB' rating.	Capital intensity and long lead time to add or expand capacity.

S&P Global Ratings expects Yara's credit metrics to improve sharply in 2022, as high fertilizer prices underpin robust growth in profitability. We forecast Yara's FFO to debt at roughly 80% in 2022, supported by strong fertilizer prices more than offsetting higher energy costs and lower crop nutrition deliveries. Nevertheless, we anticipate that Yara's capital spending of about $1.5 billion in 2022 (including the phasing impact from 2021) and working capital requirements will weigh on its cash generation, leading to free operating cash flow (FOCF) of $300 million-$400 million. We estimate a working capital outflow of about $1.4 billion in 2022 because higher feedstock costs increase the cost of inventory and declining farmers' affordability will lead to more capital tied into accounts receivable. Furthermore, we expect Yara to distribute 50% of the 2022 net income as dividends, as well as an additional dividend of approximately $250 million announced in November, resulting in discretionary cash flow (DCF) of approximately negative $700 million.

In our rating, we incorporate the potential for volatility in earnings inherent in the industry to affect future earnings, allowing for healthy headroom. We understand that management remains committed to the 'BBB' rating, and we expect that Yara will continue to balance the interests of its different groups of stakeholders.

FFO To Debt Versus Outlook



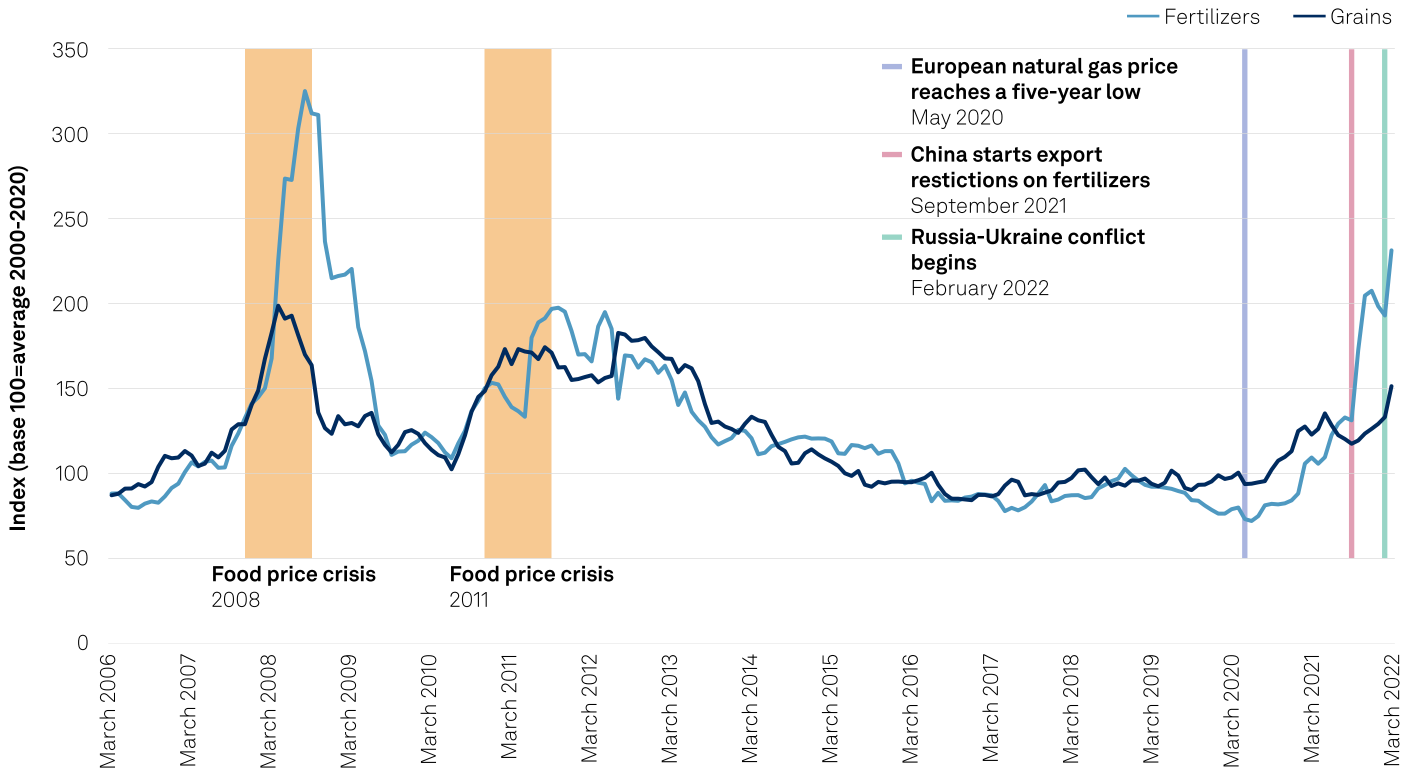
FFO--Funds from operations. e--Estimate. Source: S&P Global Ratings

We anticipate nitrogen fertilizer prices to remain elevated in 2023 but gradually abate from the record levels seen in 2022 as farmers' affordability wanes. Nitrogen fertilizer prices rallied in 2021 and reached record-high levels in 2022, underpinned by high feedstock costs and supply constraints. The Russia-Ukraine war led to disruptions in exports from the Black and Baltic Seas. Russia and Ukraine collectively account for more than 20% of the global ammonia export capacity. Besides, Russia imposed fertilizer export quotas until May 2023, while China has also implemented restrictions on fertilizer exports to ensure domestic availability, leading to a shortfall in supply. China and Russia combined represent more than 25% of the world's nitrogen trade. Finally, the gas supply shortage into Europe led spot prices for natural gas to reach unprecedented levels. As gas is the main raw material to produce nitrogen fertilizers, an increase in its price has a direct effect on the cost of production and has led to widespread production curtailments, exacerbating the supply shock. To summarize, with the absence of Chinese exports, curtailments in European plants and disruptions in Russian exports persisting in 2023, we expect nitrogen fertilizer prices to remain elevated compared with 2016-2021.

Nevertheless, we expect prices to decrease from the record levels seen in 2022, since the reduced supply is likely to be counterbalanced by demand destruction and urea capacity additions. The growth in fertilizer prices has outpaced the increase in crop prices, resulting in fertilizers now at their least affordable level since 2008-2009. While the demand for nitrogen fertilizers is more inelastic compared with potash and phosphate fertilizers, farmers may lower application rates or switch to less nitrogen-intensive crops. Additionally, we factor in bad weather conditions in the U.S. during the spring 2022 application season, leading to less nitrogen fertilizers applied to the fields and farmers holding more stock, which could taper demand in 2023. Lastly, in contrast to limited ammonia production capacity additions coming on stream, S&P Global Commodity Insights forecasts more than 20 million tonnes per year of urea capacity coming online between 2022-2024, which can not only soften urea prices, but also put a lid on merchant ammonia prices. This is because a combination of high ammonia and low urea prices is raising the prospects for integrated producers to adapt production from urea to more profitable ammonia, leading to more balanced supply and demand.

Fertilizer Prices Are At Their Least Affordable Since The 2008-2009 Credit Crisis

Real prices of food and fertilizer, index based on constant USD prices



Sources: World Bank, U.S. Bureau of Labor Statistics, International Food Policy Research Institute.

Yara's European production facilities are at a cost disadvantage compared with peers operating in North America and the Middle East, adding a degree of potential earnings volatility. Since 2021, European gas prices have significantly outpaced the U.S. Henry hub price increase. Following the outbreak of the Russia-Ukraine war in February, the cost differential with non-European producers widened further, leading to significant production curtailments. We view this cost disadvantage as structural. We consider Yara as better positioned relative to other pure-play European producers, thanks to its well-invested and efficient European asset base, which translates into lower energy consumption compared with the regional average, and the geographically diverse production, including plants owned (directly or through joint ventures) in the U.S., Canada, Trinidad, and Australia that have access to low-cost natural gas feedstock. Moreover, its position as the world's biggest ammonia trader allows the company to source ammonia in a flexible manner from other Yara plants and from global trade (when it is more economic than producing it in its European plants), limiting the effect of shortenings on downstream fertilizer production. From a credit standpoint, however, Europe's position as the marginal supplier of ammonia on the global cost curve means that additions in supply can price European producers out, increasing the volatility in earnings.

We understand that Yara is investing to increase the flexibility of production for its European plants in addition to its investments in farming and food solutions such as Varda and biostimulants that will allow the company to diversify its earnings profile. Even so, and despite strong nitrogen prices and robust credit metrics, Yara has not announced any acceleration in investments (organic or otherwise) that would allow the company to reduce its dependence on fossil fuels or further diversify its production footprint in cost-advantaged regions, beyond the pilot programs previously posted. These include the carbon capture and storage investment in Sluiskil or the green ammonia projects in Porsgrunn and Pilbara. In our view, uncertainty on climate regulation and the technology to produce green ammonia, along with higher interest rates and commodity costs that reduce the expected returns on investments will continue to weigh on green and blue ammonia investment decisions (see "The Russia-Ukraine War Is Reshaping The Fertilizer Industry", published Sept. 12, 2022, on RatingsDirect for more details). We expect that a potential IPO of Yara Clean Ammonia will provide greater visibility on investment decisions on Yara's green and blue ammonia projects.

Outlook

The stable outlook reflects our view that Yara will maintain adjusted FFO to debt of 30%-45% through the cycle, which we view as commensurate with the rating. This is based on our assumption that, in 2022, Yara's adjusted EBITDA will amount to about $4.4 billion, benefiting from strong pricing that reflects a cyclical upturn and more than offsetting the high feedstock costs and lower crop nutrition deliveries.

Downside scenario

We could lower the rating if Yara's adjusted FFO-to-debt ratio declined below 30%. This could occur, in our view, if Yara's margins declined as a result of sustained pressure from European natural gas prices in conjunction with weaker nitrogen pricing, or if the company increased its capital expenditure (capex), acquisitions, or shareholder distributions.

Upside scenario

Over time, upside potential could emerge and would depend on Yara being able to maintain adjusted FFO to debt of more than 45% through the cycle, and having a financial policy and growth strategy that would support a higher rating.

Our Base-Case Scenario

Assumptions

- EBITDA of about $4.4 billion in 2022, reflecting the strong fertilizer prices more than offsetting the effect of high feedstock costs. In 2023, we assume adjusted EBITDA of $2.9 billion-$3.0 billion, factoring in our assumption of softening urea prices and sustained high prices of natural gas.
- Capex of $1.5 billion in 2022, including the phasing impact from 2021, and about $1.2 billion from 2023.
- A material working capital outflow in 2022 amounting to $1.4 billion, followed by a $0.3 billion release in 2022.
- Total shareholder distributions of $1.0 billion-$1.1 billion in 2022 and about $1.2 billion in 2023.
- No acquisitions. Our base case includes the proceeds from the disposal of Salitre phosphate mining project to EuroChem for $452 million in February 2022.

Key metrics

Yara International ASA--Key Metrics*

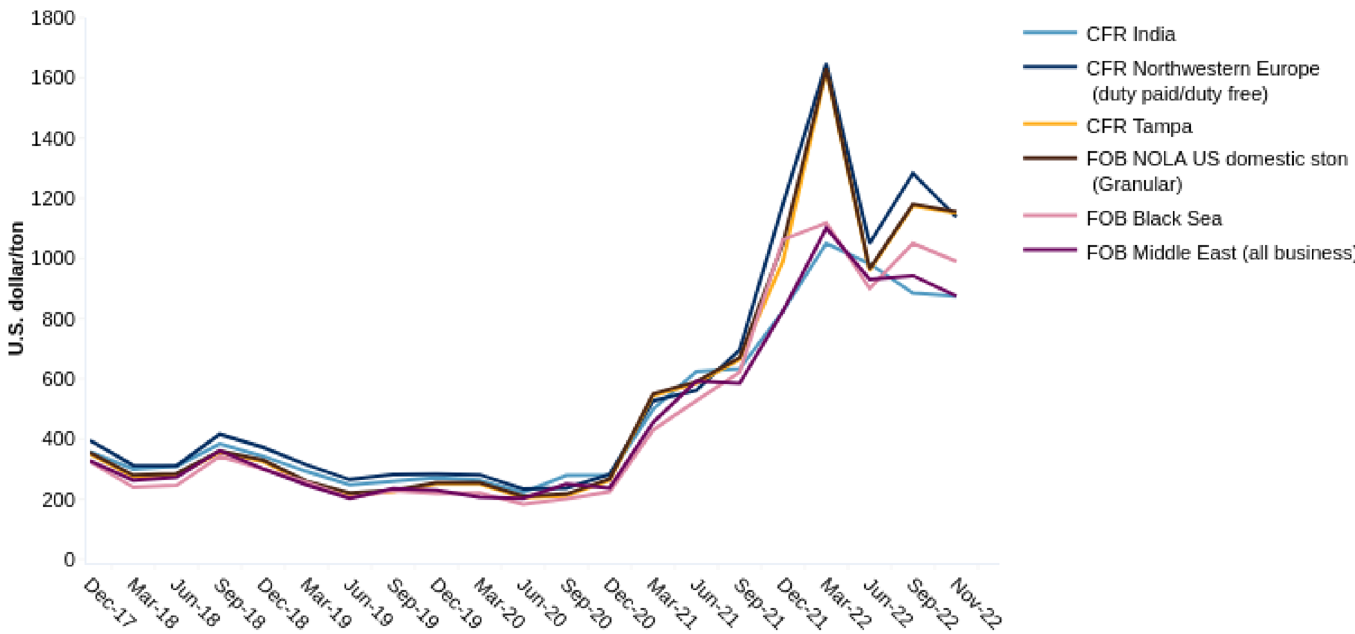
Bil. $	2020a	2021a	2022e	2023f	2024f
Revenue	11.6	16.6	23.0-24.0	21.5-22.5	20.0-21.0

EBITDA	2.0	2.7	~4.4	2.9-3.0	3.5-3.7
EBITDA margin (%)	17.4	16.5	18.5-19.0	13.0-14.0	17.0-18.0
Debt	3.5	4.2	4.4-4.5	4.2-4.5	4.2-4.5
Debt to EBITDA (x)	1.7	1.5	0.9-1.1	1.3-1.5	1.0-1.2
FFO to debt (%)	46.2	53	75-80	50-60	60-70
Change in working capital	0.4	(0.8)	~(1.4)	~0.3	~(0.2)
Capital expenditures	0.7	0.85	~1.5	~1.2	~1.2
Free operating cash flow	1.3	0.5	0.3-0.4	1.2-1.4	1.2-1.4

*All figures adjusted by S&P Global Ratings. a--Actual. e--Estimate. f--Forecast.

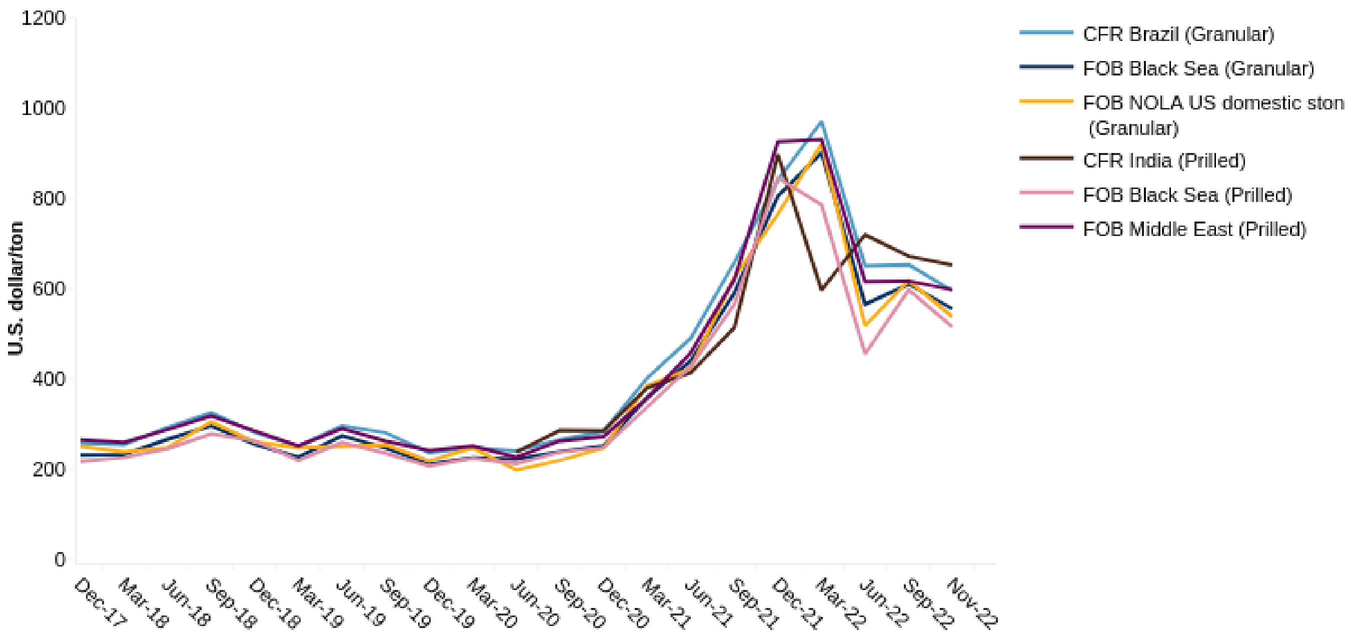
We forecast high but reducing nitrogen fertilizer prices. With the absence of Chinese exports, curtailments in European plants, and disruptions in Russian exports persisting in 2023, we expect nitrogen fertilizer prices to remain elevated compared with 2016-2021. Although, we think that farmers' waning affordability may lead to demand destruction, and capacity additions will limit the pricing upside. In our base case, we assume urea (FOB Black Sea) prices to decline to $375-$400 per tonne (/tonne) in 2023 from $500-$550/tonne in 2022, and ammonia (FOB Black Sea) prices to remain relatively stable at about $1,200/tonne.

Ammonia Prices 2017 To Date



Source: S&P Global Commodity Insights, © 2022 S&P Global Inc.

Urea Prices 2017 To Date



Source: S&P Global Commodity Insights, © 2022 S&P Global Inc.

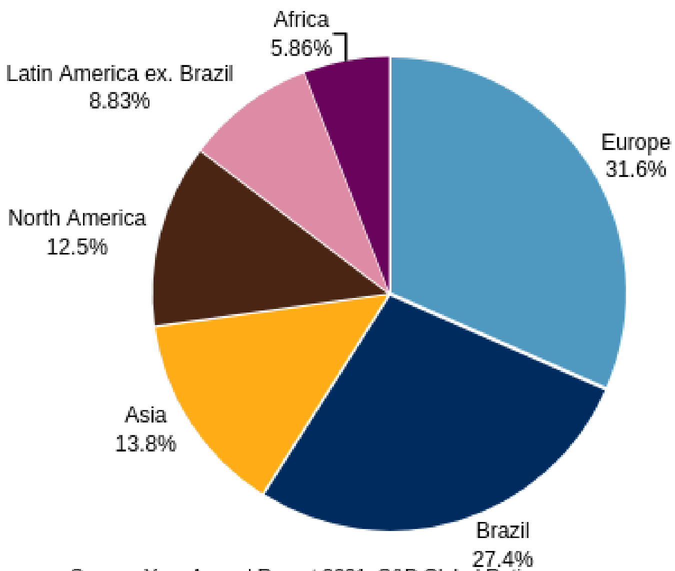
We assume a sustained, high natural gas price in 2023. We expect that the Title Transfer Facility natural gas price will be $30 per million British thermal units (/MMBtu) for the remainder of 2022 and $40/MMBtu on average in 2023, before decreasing to $25/MMBtu in 2024.

We forecast that Yara will report adjusted EBITDA of about $4.4 billion in 2022 and $2.9 billion-$3.0 billion in 2023. Our EBITDA forecasts primarily factor in the record-high fertilizer prices underpinned by a confluence of factors, including surging input costs, supply disruptions, and export restrictions. In 2022, under our base-case scenario we forecast that material cash outflows--due to the build-up of working capital of approximately $1.4 billion, and $1.5 billion of capital spending--will result in FOCF of $300 million-$400 million. In 2023, we anticipate a dilution in the EBITDA margin to 13.0%-14.0% from 18.5%-19.0% in 2022 due to sustained high natural gas cost and softening nitrogen fertilizer prices.

Company Description

Yara is the world's largest nitrogen fertilizer producer and fertilizer distributor. The group's network includes more than 200 terminals, warehouses, and blending plants in more than 60 countries across the globe. Yara distributes and markets standard and differentiated fertilizers from its wholly and partly owned (through joint ventures) production plants, as well as from third parties. Yara is also a major supplier of nitrogen chemicals for industrial markets.

Yara International ASA--2021 Revenue By Region



Source: Yara Annual Report 2021; S&P Global Ratings.

Norway, through the Ministry of Trade, Industry, and Fisheries, is Yara's largest shareholder, with a 36.2% stake as of Dec. 31, 2021, and the Norwegian Government Pension Fund accounts for a further 7.0%. We view Yara's shareholder structure as stable and anticipate no major changes at present. Yara's market capitalization was about Norwegian krone (NOK) 119 billion (about $11.6 billion) on Nov. 9, 2022, up from about NOK113.4 billion on Dec. 31, 2021.

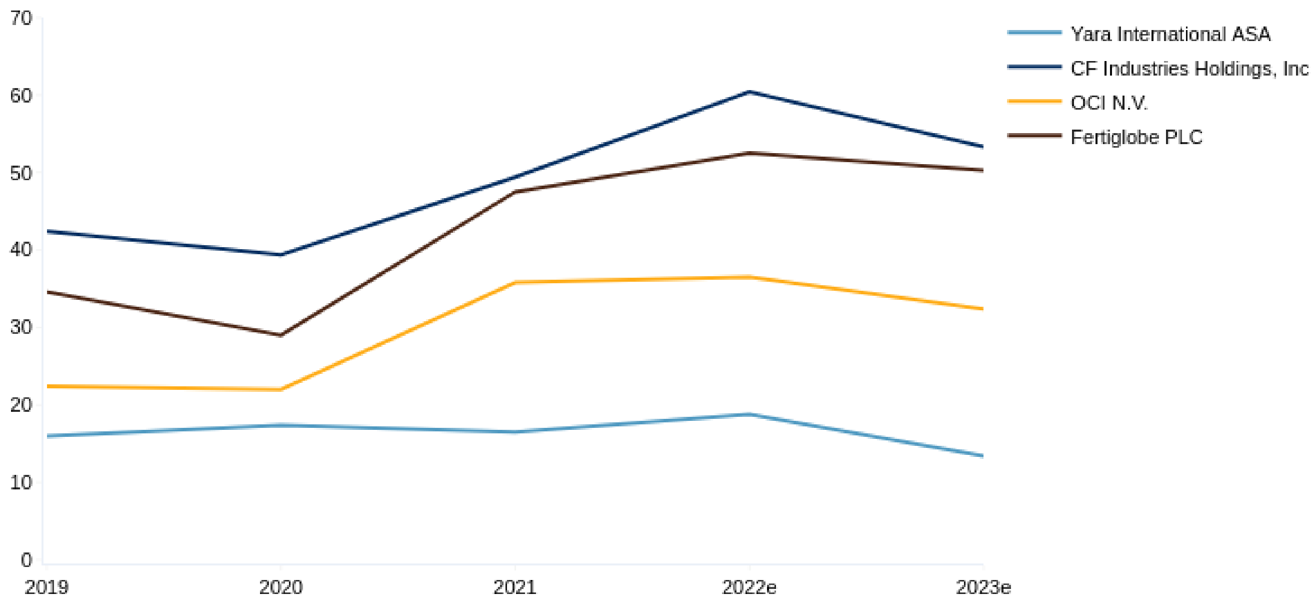
Peer Comparison

We compare Yara with companies that operate in the fertilizer business, such as U.S.-based nitrogen producer CF Industries; Netherlands-headquartered producer of nitrogen-based fertilizers, methanol, and other commodity products OCI N.V.; and UAE-based nitrogen fertilizer producer Fertiglobe PLC.

The structural cost disadvantage of Europe-based nitrogen producers versus those in North America or the Middle East is clearly visible in the profitability gap within the peer group. Yara's EBITDA margins, even when accounting for third-party product activities, are lower than peers', notably CF Industries and Fertiglobe that benefit from access to cost advantaged feedstock in the U.S. and the Middle East, respectively. Similarly, OCI's margins are supported by its access to low-cost natural gas feedstock in the U.S. and very competitive long-term gas supply in North Africa.

One of Yara's key strategic priorities is to close the profitability gap by promoting sustainable solutions through the increased sales of premium products such as nitrogen, phosphorus, and potassium (NPKs), differentiated nitrates, calcium nitrates, fertigation products and Yara Vita, which represented about 50% of Yara's total fertilizer sales in 2021.

Yara International ASA--Adjusted EBITDA Margin Peer Comparison



e--Estimate. Source: S&P Global Ratings

Yara International ASA--Peer Comparisons

	Yara International ASA	CF Industries Holdings Inc.	OCI N.V.	Fertiglobe PLC
Foreign currency issuer credit rating	BBB/Stable/A-2	BBB/Stable/--	BBB-/Stable/--	BBB-/Stable/--
Local currency issuer credit rating	BBB/Stable/A-2	BBB/Stable/--	BBB-/Stable/--	BBB-/Stable/--
Period	Annual	Annual	Annual	Annual
Period ending	2021-12-31	2021-12-31	2021-12-31	2021-12-31
Mil.	$	$	$	$
Revenue	16,631	6,538	4,663	3,311
EBITDA	2,744	3,229	1,668	1,572
Funds from operations (FFO)	2,228	2,611	1,366	1,384
Interest	150	196	256	49
Cash interest paid	166	188	199	42
Operating cash flow (OCF)	1,398	2,963	1,535	1,434

Yara International ASA--Peer Comparisons

Capital expenditure	850	523	206	85
Free operating cash flow (FOCF)	548	2,440	1,328	1,349
Discretionary cash flow (DCF)	(1,030)	1,436	1,172	(288)
Cash and short-term investments	394	1,628	990	887
Gross available cash	394	1,628	990	887
Debt	4,206	2,293	2,636	590
Equity	7,116	6,036	3,508	2,506
EBITDA margin (%)	16.5	49.4	35.8	47.5
Return on capital (%)	16.0	25.8	16.4	40.8
EBITDA interest coverage (x)	18.3	16.5	6.5	31.9
FFO cash interest coverage (x)	14.4	14.9	7.9	33.6
Debt/EBITDA (x)	1.5	0.7	1.6	0.4
FFO/debt (%)	53.0	113.9	51.8	234.7
OCF/debt (%)	33.2	129.3	58.2	243.3
FOCF/debt (%)	13.0	106.5	50.4	228.8
DCF/debt (%)	(24.5)	62.7	44.5	(48.8)

Business Risk

Our assessment of Yara's business risk is supported by the company's position as one of the world's largest producers and distributors of fertilizers, with a strong and geographically extensive marketing network. The wide geographic diversification protects the company from region-specific shocks in demand and exposes Yara to different planting calendars, which smooth the effects of seasonality in earnings. In addition, Yara's downstream operations broaden the product mix and enable the company to adapt to supply and demand dynamics better than other participants in the industry, by reducing third-party sourcing if needed. We also consider the contribution of the industrial segment as a source of earnings quality. Yara's Industrial Solutions segment provides important end-market cash-flow diversity, due to the less-than-perfect correlation between agricultural and industrial demand. We expect that Yara will continue to evolve its product mix and end-market diversification, in line with its strategic focus on sustainability. For example, in 2021 the company launched Yara Clean Ammonia, to capture growth opportunities with shipping fuel and other applications.

Yara's production is geographically diverse. It directly operates large plants in Europe and Canada, and its joint ventures also have efficient assets and access to lower cost, natural gas feedstock. Its well-invested asset base translates into efficiency gains that lower energy consumption and result in both a bottom line and a climate benefit.

We consider Yara's strategic positioning as a source of business strength. There are three fertilizer markets: nitrogen, phosphate, and potash. Yara's primary focus is nitrogen fertilizers, which forms the largest of these markets by far. Farmers tend to consider nitrogen fertilizers indispensable, leading to greater volume stability. This is due to their short-term effect on crop yields, and the need for annual application because its nutrient value is consumed during each growing season. Yara derives a large share of profits from premium, higher-margin fertilizers as opposed to commodity products such as ammonia and urea--the profits of which depend not on selling prices but on the spread between selling and feedstock prices. The premium generally translates into more resilient profits and provides important margin support during peaks in natural gas prices.

Our assessment of Yara's business risk is constrained by the highly cyclical and fragmented nature of the nitrogen fertilizer industry. This cyclicality reflects the industry's changing supply-demand balance, which is difficult to predict as it depends on fertilizer price expectations, harvests, the crop mix, farmers' earnings (which depend on crop prices), the weather, and inventory levels. New supply depends on the speed with which projects come on stream or higher cost capacities are curtailed. Political decisions also influence supply and demand dynamics, through export allowances, or taxes and subsidies in various core markets, especially India and China.

Financial Risk

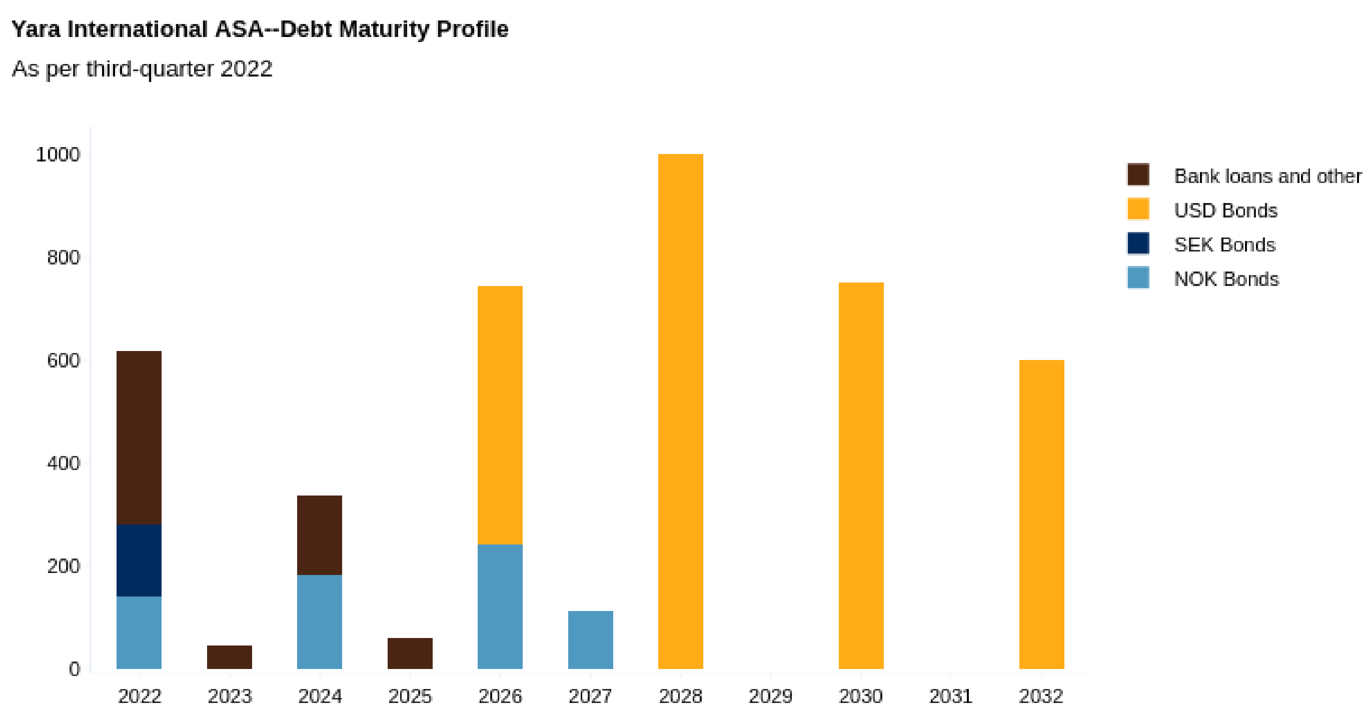
Our assessment of Yara's financial risk reflects our expectation that its adjusted FFO to debt will remain above 30%, and FOCF to debt will recover to above 15% in 2023. Yara's credit metrics strengthened noticeably over 2019-2021 and remained strong for the rating in 2022. In the first nine months of 2022, Yara's EBITDA (excluding special items, as defined by the company) was 80% higher at about $3.8 billion, compared with that in the same period last year thanks to tight fertilizer market conditions. Although FFO to debt is above our 30%-45% rating threshold, we believe that current prices are reflective of a cyclical upturn, which tempers ratings' upside.

Our assessment is underpinned by Yara's balanced financial policy and commitment to maintain a 'BBB' rating, with target leverage (as calculated by management) at 1.5x-2.0x (net debt to EBITDA), and net debt to equity ratio below 60%. While we note that Yara will distribute $1.0 billion-$1.1 billion in the form of dividends to its shareholders, we do not see this as an aggressive financial policy. We consider the fact that Yara's credit metrics are above the range that we view as commensurate with the rating; the cash generation anticipated in 2023, leaving scope for organic deleveraging; and the optionality provided to the management by the sale of the Salitre mining project in Brazil for a cash consideration of $452 million. Importantly, we estimate that FFO to debt would remain above the 30% rating threshold in 2023, even if the EBITDA is 35% lower relative to our base case.

Our financial risk assessment is constrained by the significant swings in cash flow generation and working capital volatility as a result of industry cyclicality. To mitigate this, in times of significantly low demand, we expect an inflow of working capital. In addition, Yara's profitability remains sensitive to fluctuations of the natural gas cost needed for production. This creates periods of margin compression when natural gas prices are high and fertilizer demand is weak, resulting in producers being unable to pass through higher feedstock costs to their customers.

Debt maturities

We think that Yara has a well-staggered debt maturity profile as a result of proactive funding management.



Source: Yara Investor Relations Website. SEK--Swedish krona. NOK--Norwegian krone.

Financial summary

Yara International ASA--Financial Summary

Period ending	Dec-31-2016	Dec-31-2017	Dec-31-2018	Dec-31-2019	Dec-31-2020	Dec-31-2021
Reporting period	2016a	2017a	2018a	2019a	2020a	2021a
Display currency (mil.)	NOK	$	$	$	$	$
Revenues	95,367	11,359	12,959	12,885	11,595	16,631
EBITDA	14,984	1,335	1,558	2,071	2,016	2,744
Funds from operations (FFO)	11,154	1,048	1,261	1,767	1,620	2,228
Interest expense	1,397	165	226	221	165	150
Cash interest paid	1,094	91	187	169	132	166
Operating cash flow (OCF)	14,718	825	803	1,852	2,026	1,398
Capital expenditure	12,509	1,270	1,276	1,011	718	850
Free operating cash flow (FOCF)	2,209	(445)	(473)	841	1,308	548
Discretionary cash flow (DCF)	(2,244)	(766)	(713)	572	73	(1,030)
Cash and short-term investments	3,751	544	202	300	1,363	394
Gross available cash	3,751	544	202	300	1,363	394
Debt	20,099	3,184	4,726	4,191	3,504	4,206
Common equity	76,770	9,504	8,910	8,909	8,220	7,116
Adjusted ratios						
EBITDA margin (%)	15.7	11.8	12.0	16.1	17.4	16.5
Return on capital (%)	7.9	1.1	5.0	8.4	9.4	16.0
EBITDA interest coverage (x)	10.7	8.1	6.9	9.4	12.2	18.3
FFO cash interest coverage (x)	11.2	12.5	7.7	11.5	13.3	14.4
Debt/EBITDA (x)	1.3	2.4	3.0	2.0	1.7	1.5
FFO/debt (%)	55.5	32.9	26.7	42.2	46.2	53.0
OCF/debt (%)	73.2	25.9	17.0	44.2	57.8	33.2
FOCF/debt (%)	11.0	(14.0)	(10.0)	20.1	37.3	13.0
DCF/debt (%)	(11.2)	(24.0)	(15.1)	13.6	2.1	(24.5)

Reconciliation Of Yara International ASA Reported Amounts With S&P Global Adjusted Amounts (Mil. $)

		Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Financial year	Dec-31-2021										

Reconciliation Of Yara International ASA Reported Amounts With S&P Global Adjusted Amounts (Mil. $)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Company reported amounts	3,902	7,103	16,608	2,718	1,068	138	2,744	1,406	1,215	858
Cash taxes paid	-	-	-	-	-	-	(350)	-	-	-
Cash interest paid	-	-	-	-	-	-	(166)	-	-	-
Cash interest paid: other	-	-	-	-	-	-	8	-	-	-
Lease liabilities	425	-	-	-	-	-	-	-	-	-
Postretirement benefit obligations/ deferred compensation	84	-	-	(5)	(5)	4	-	-	-	-
Accessible cash and liquid investments	(362)	-	-	-	-	-	-	-	-	-
Capitalized interest	-	-	-	-	-	8	(8)	(8)	-	(8)
Dividends from equity investments	-	-	-	8	-	-	-	-	-	-
Asset-retirement obligations	137	-	-	-	-	-	-	-	-	-
Nonoperating income (expense)	-	-	-	-	87	-	-	-	-	-
Noncontrolling/ minority interest	-	13	-	-	-	-	-	-	-	-
Debt: Contingent considerations	20	-	-	-	-	-	-	-	-	-
Revenue: other	-	-	23	23	23	-	-	-	-	-
D&A: Impairment charges/ (reversals)	-	-	-	-	666	-	-	-	-	-
Total adjustments	304	13	23	26	771	12	(516)	(8)	-	(8)
S&P Global Ratings adjusted	**Debt**	**Equity**	**Revenue**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from Operations**	**Operating cash flow**	**Dividends**	**Capital expenditure**
	4,206	7,116	16,631	2,744	1,839	150	2,228	1,398	1,215	850

Liquidity

We assess Yara's liquidity as adequate, based on our view that liquidity sources will cover uses by more than 1.4x over the 12 months started Oct. 1, 2022. We note the company's track record of refinancing well ahead of time and good access to banks and capital markets.

Principal liquidity sources

- Available unrestricted cash and cash equivalents of roughly $0.4 billion as of Oct. 1, 2022;
- Cash FFO of about $2.5 billion;
- Availability of $1.1 billion under a committed revolving credit facility (RCF) due in July 2026 (of which, $50 million due in 2025); and
- $600 million from the Green Notes due 2032 issued in Nov. 2022.

Principal liquidity uses

- Short-term debt of $675 million;
- Capex of $1.2 billion-$1.4 billion;
- Working capital outflows of $100 million-$150 million; and
- Dividends of $1.0 billion.

Covenant Analysis

Compliance expectations

Comfortable headroom under a financial covenant is incorporated in Yara's RCF, which stipulates that net debt to equity in the consolidated accounts must be at most 1.4x at the end of each quarter (about 0.45x as of the end of the third quarter of 2022).

Environmental, Social, And Governance

Environmental factors are a moderately negative consideration in our credit rating analysis of Yara. Producers of nitrogen-based fertilizers have higher environmental exposure than the broader chemical industry, and face tightening regulations regarding greenhouse gas (GHG) emissions as well as increasing carbon costs. However, our moderately negative assessment reflects our expectation that any transition to greener ammonia will take time and that substitution risks will remain low because fertilizers will continue to be critical to meeting growing food needs globally. Yara has nearly halved its GHG emissions over the past 15 years, mostly by installing nitrous oxide catalysts that removed about 90% of nitrous oxide emissions from its plants. Still, ammonia production remains a major source of CO_2 emissions, with a scope 1 GHG intensity of 0,994 tonnes of CO_2 per million of US$ of revenues generated in 2021. In this respect, Yara's ambition is to reduce by 30% its scope 1 and 2 emissions by 2030. It recently announced several pilots aimed at the transition to green ammonia production (fueled by renewable energy rather than natural gas).

Issue Ratings--Subordination Risk Analysis

Capital structure

Yara's capital structure consists primarily of:

- $500 million bond due 2026;
- $1.0 billion bond due 2028;
- $750 million bond due 2030;
- $600 million green bond due 2032;
- NOK1.25 billion bonds due 2022;
- NOK1.6 billion bonds due 2024;
- NOK2.15 billion bond due 2026;
- NOK1 billion bond due 2027;

- Swedish krona (SEK) 1.25 billion bonds due 2022; and
- Various local lines.

All notes are unsecured and unsubordinated obligations of the issuer, ranking equally with each other. Liquidity is supported by a $1.1 billion RCF due July 2026 (of which, $50 million due in 2025), which has the same seniority as Yara's current and present obligations.

Analytical conclusions

With no material priority obligations ranking ahead of the company senior unsecured obligations, we rate Yara's senior unsecured bonds at 'BBB', in line with the issuer credit rating.

Rating Component Scores

Foreign currency issuer credit rating	**BBB/Stable/A-2**
Local currency issuer credit rating	**BBB/Stable/A-2**
Business risk	**Satisfactory**
Country risk	Intermediate
Industry risk	Moderately High
Competitive position	Satisfactory
Financial risk	**Intermediate**
Cash flow/leverage	Intermediate
Anchor	**bbb**
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Satisfactory (no impact)
Comparable rating analysis	Neutral (no impact)
Stand-alone credit profile	**bbb**

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012

- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- The Russia-Ukraine War Is Reshaping The Fertilizer Industry, Sept. 12, 2022
- The Hydrogen Economy: Green Hydrogen May Transform The Fertilizer Industry, April 22, 2021

Ratings Detail (as of December 07, 2022)*

Yara International ASA	
Issuer Credit Rating	BBB/Stable/A-2
Senior Unsecured	BBB
Issuer Credit Ratings History	
20-Nov-2015	BBB/Stable/A-2
30-Sep-2013	BBB/Positive/A-2
16-Nov-2010	BBB/Stable/A-2

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings credit ratings on the global scale are comparable across countries. S&P Global Ratings credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.