



Knowledge grows

# Yara International ASA

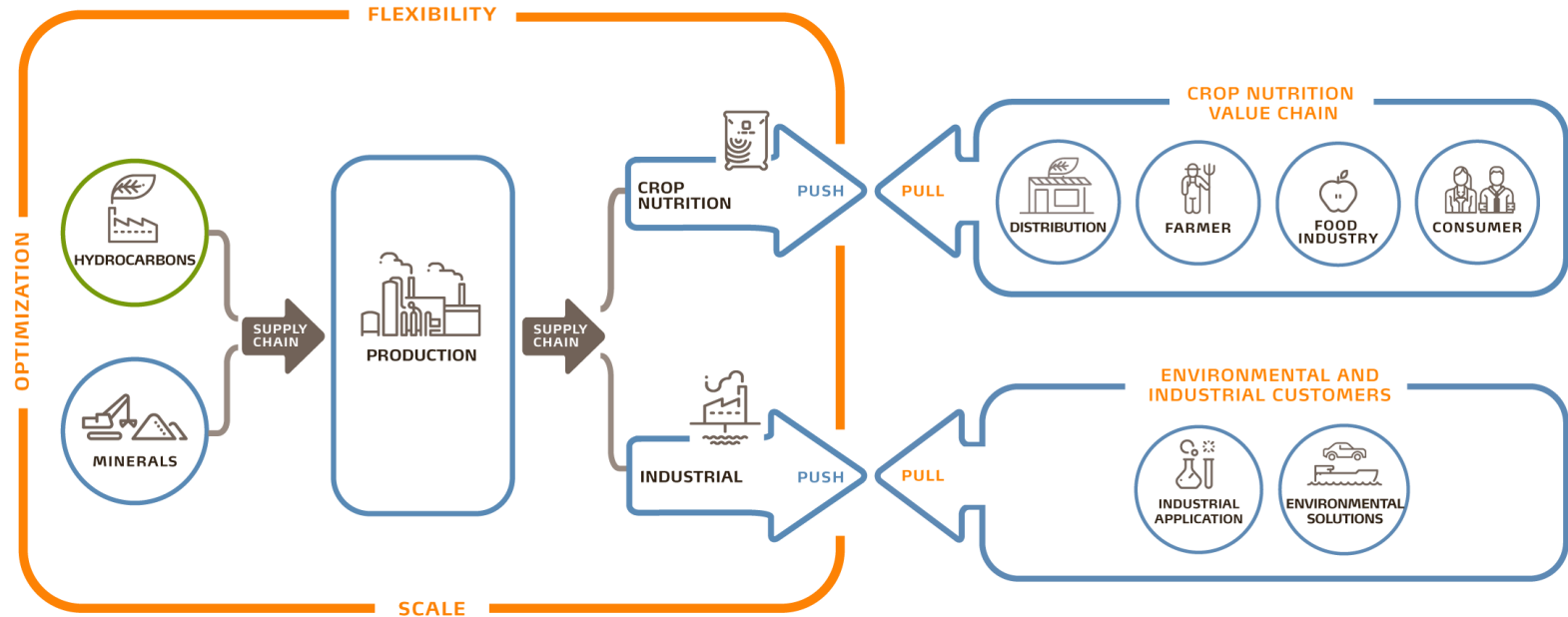
US Roadshow

September 2016

Thor Giæver, IR



# Integrated business model creates value through scale, flexibility and value chain presence

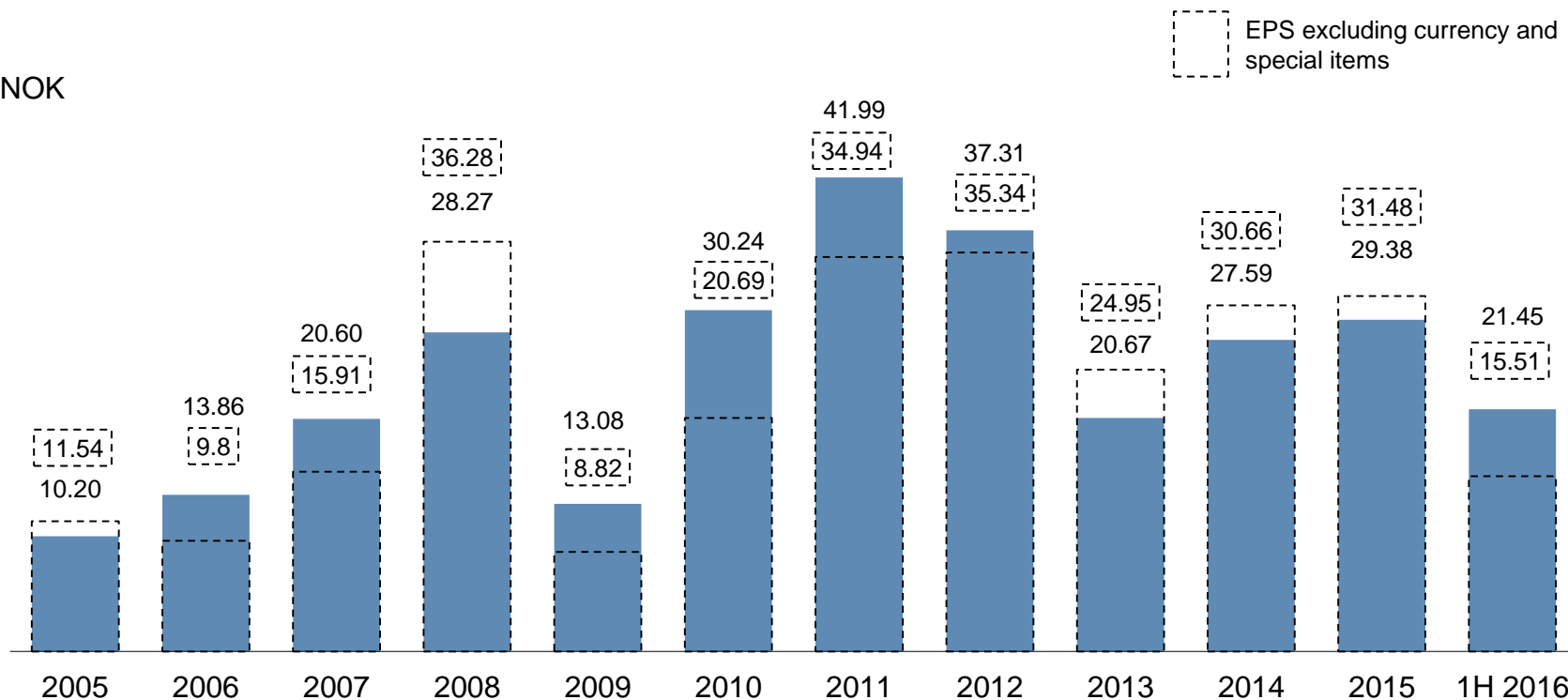


# Summary second quarter

- Results impacted by lower fertilizer prices
- Positive impact from lower energy prices and stronger US dollar
- Deliveries of Yara-produced fertilizer up 8%
- Continued strong production performance, especially ammonia
- Gain of NOK 1.6 billion from sale of CO<sub>2</sub> business
- Improvement program: at least USD 500 million identified

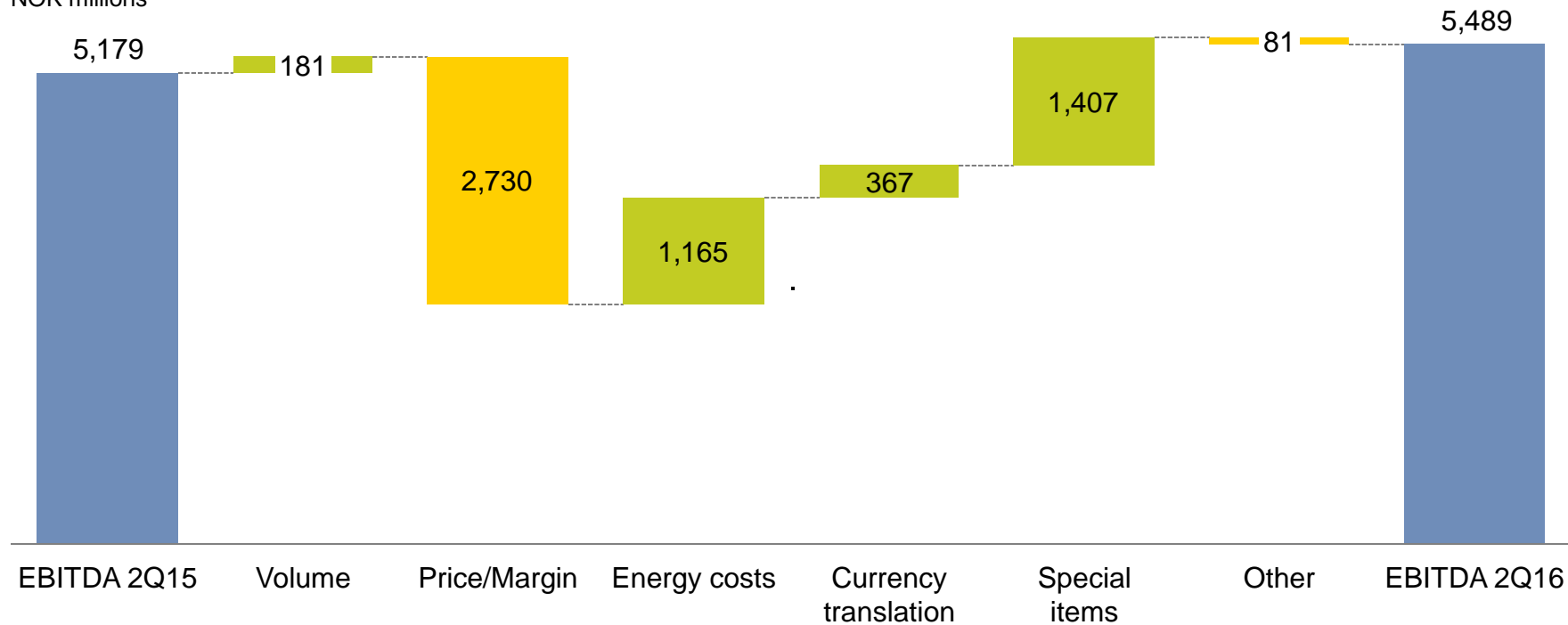
# Strong earnings despite supply driven market

NOK



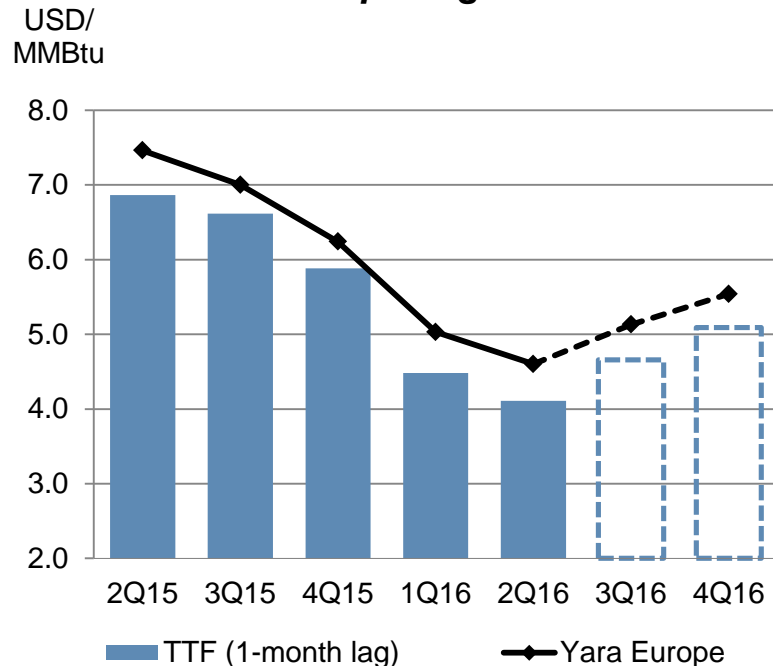
# EBITDA development

NOK millions



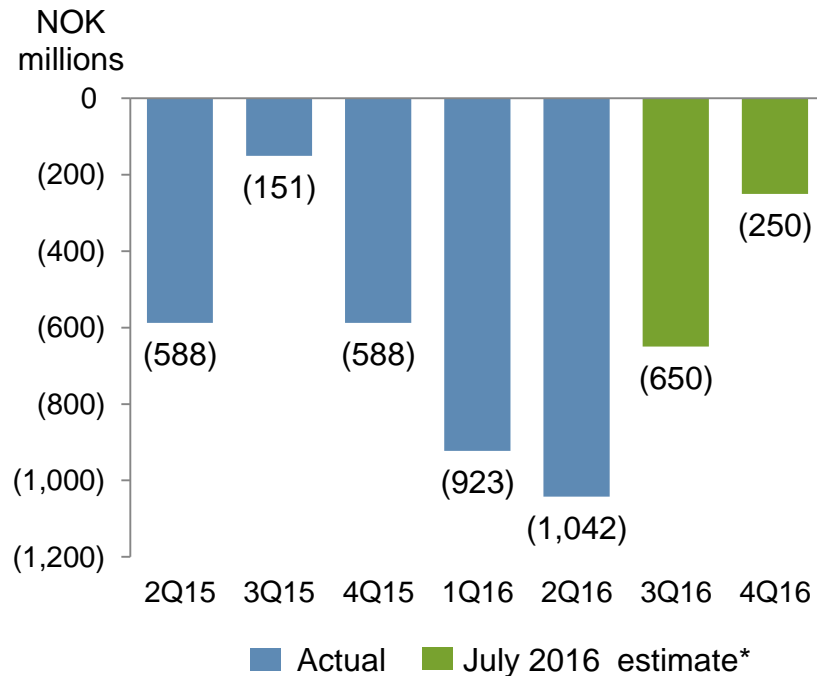
# Lower natural gas cost in Europe

**Yara European gas & oil cost**

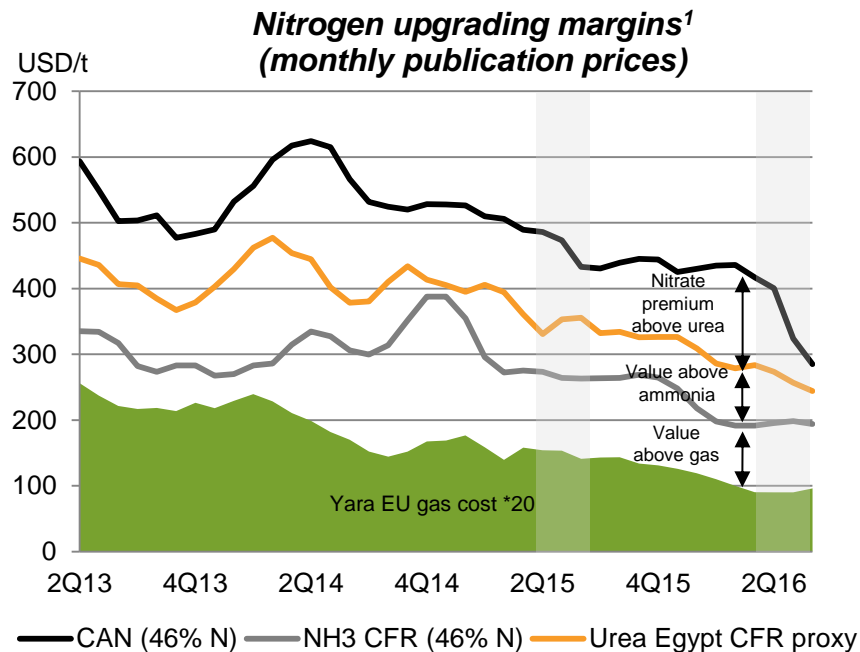


\*Dotted lines denote forward prices as of 12 July 2016  
Source: Yara, World Bank, Argus/ICIS Heren

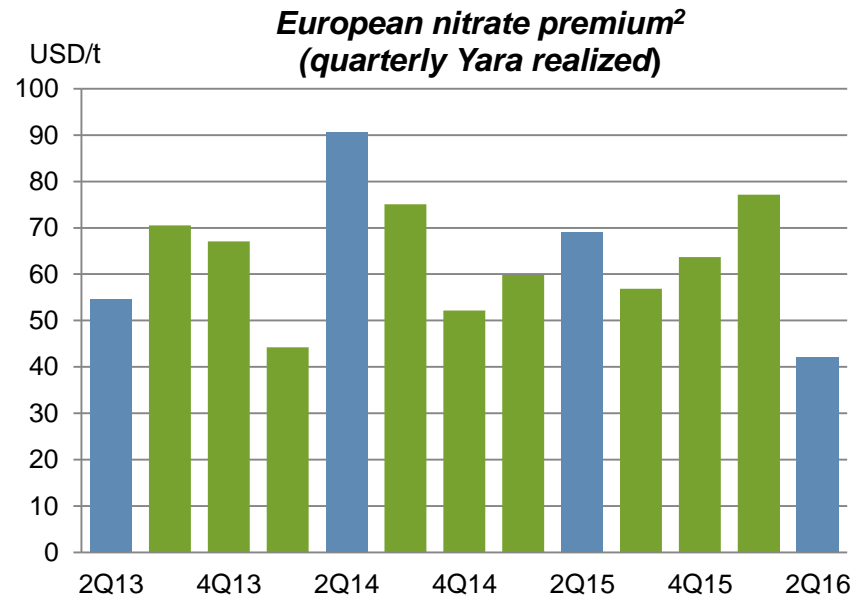
**Change in spot energy cost**



# Lower European nitrate premiums at end of season

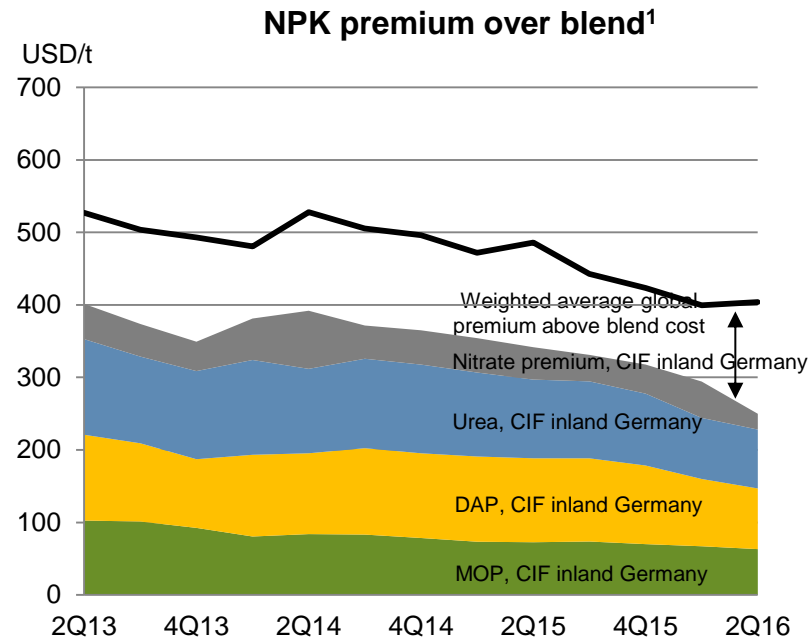
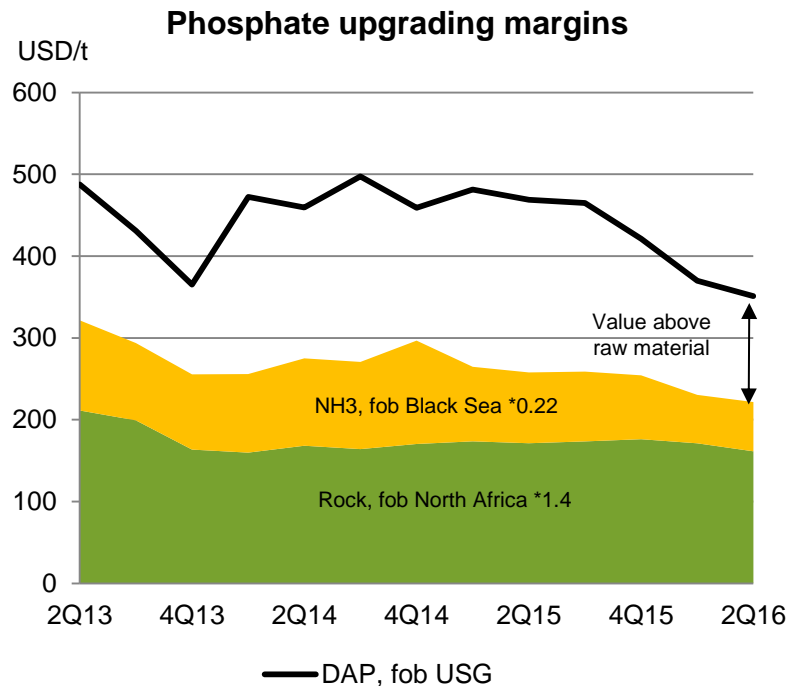


1) All prices in urea equivalents



2) Yara European realized nitrate prices (excl. sulphur grades) compared with urea publication prices (Egypt CFR proxy) with 1 month time lag. All numbers in USD per tonne of CAN equivalents.

# Lower commodity phosphate margins, solid compound NPK premiums

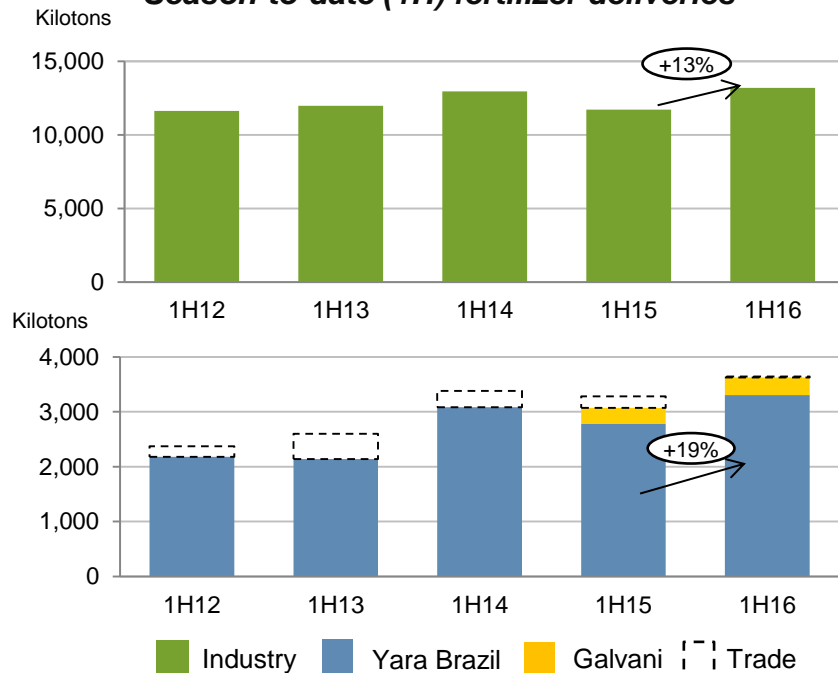


1) Export NPK plants, average grade 19-10-13, net of transport and handling cost.

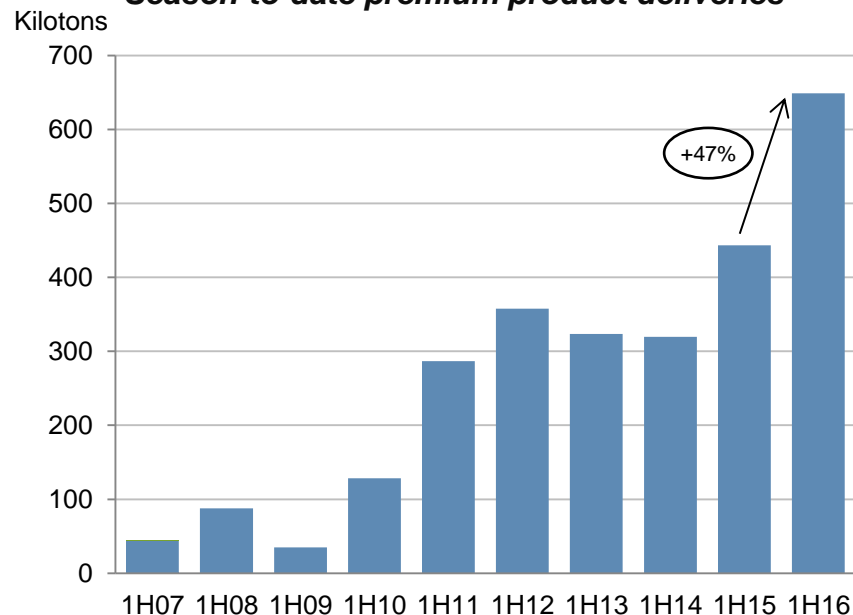


# Brazil: 1H industry deliveries up 13%, Yara up 19%

**Season-to-date (1H) fertilizer deliveries**



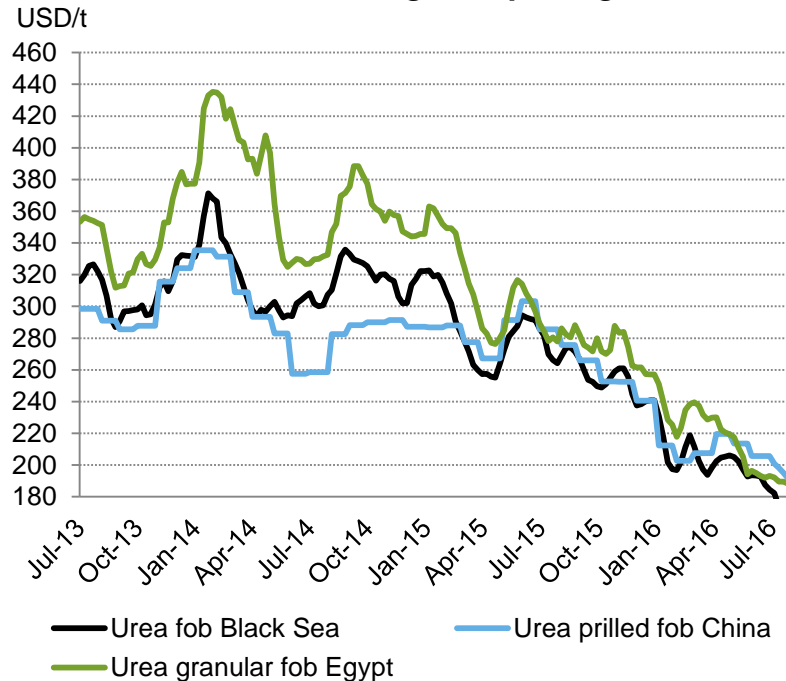
**Season-to-date premium product deliveries**



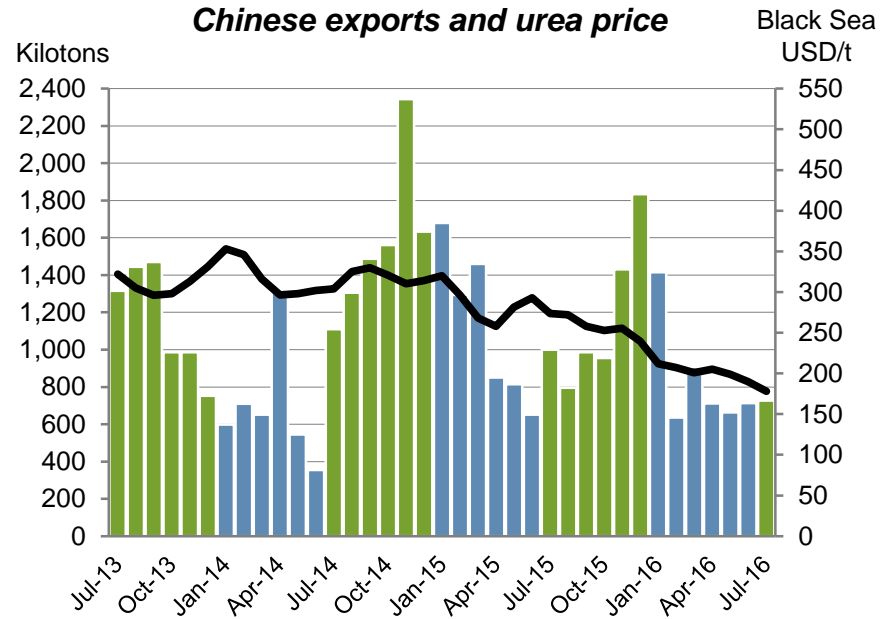
Source: ANDA, Yara

# Reduced exports from China amid lower prices...

**Declining urea pricing**



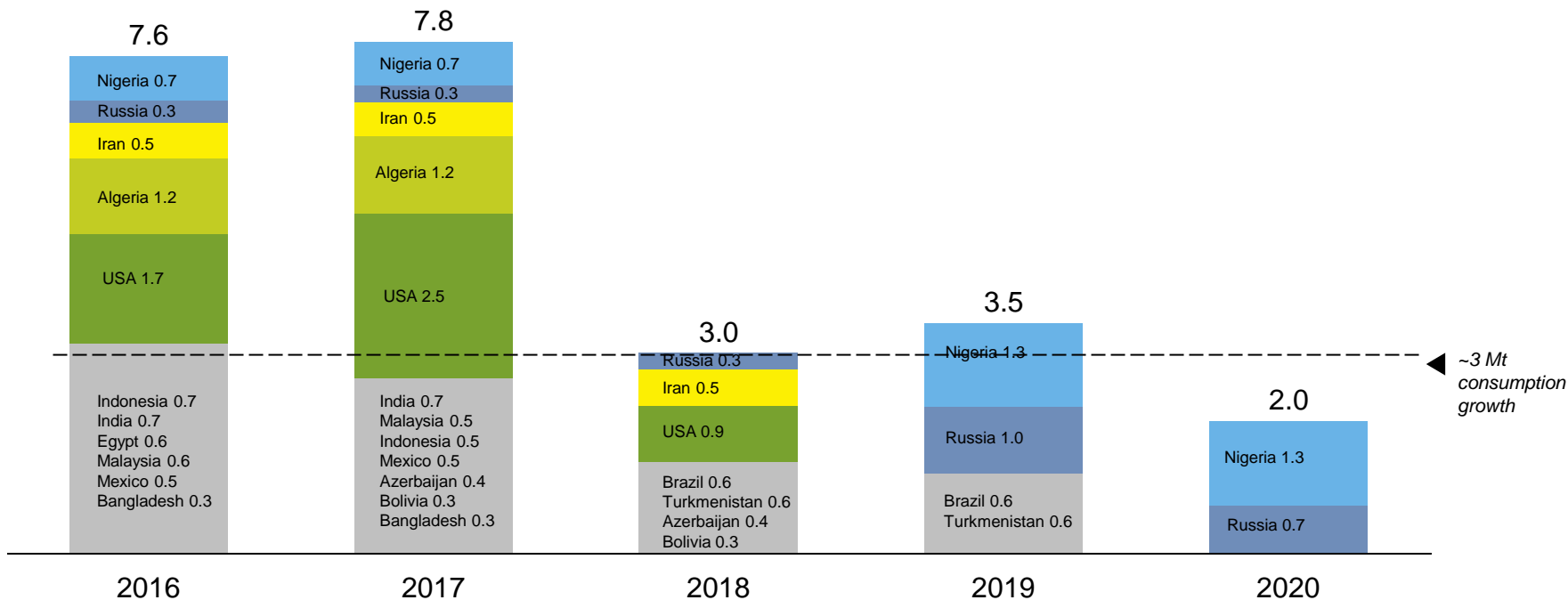
**Chinese exports and urea price**



Source: BOABC, CFMW

# ...and increased production elsewhere

Gross capacity additions, excl. China  
(mill. tonnes urea<sup>1</sup>)



Source: CRU, gross capacities, June 2016

1) Using 50% operating rate in new plants' first year of production

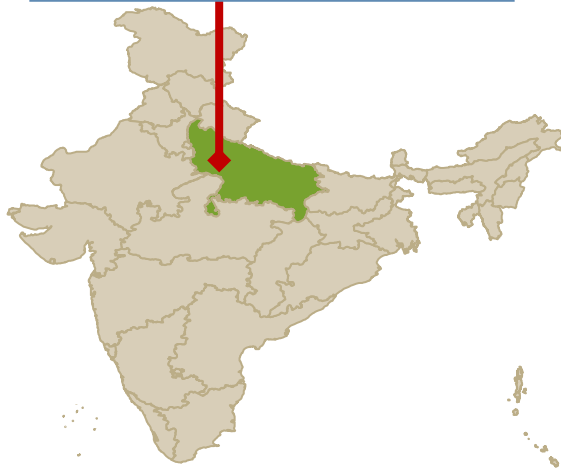
# Yara Improvement Program will deliver cost and revenue improvements throughout the organization

## Overview of main initiatives



The program is expected to deliver at least USD 500 million EBITDA improvement by 2020

# Yara acquires Tata Chemicals' urea business in India for USD 400 million



## **Integrated world scale urea plant in Babrala, Uttar Pradesh**

- ~0.7 million tons ammonia production
- ~1.2 million tons urea production
- Commissioned in 1994

## **World-class operations and energy efficiency**

- Workforce is committed to high HESQ standards; solid safety track record
- Energy consumption below 21 mmbtu/t, on par with Sluiskil

## **Significant distribution footprint**

- Warehouses: 4 own and approx. 100 third-party operated
- Salesforce: 50 own, and approx. 600 on contract

## **Acquisition provides footprint to accelerate premium product growth**

- Yara India 17% p.a. growth in premium product sales since 2010
- Yara Brazil premium products growth also provides a strong reference

# Strategic growth with financial discipline:

Profitable growth through brownfield expansion and M&A, while maintaining credit rating

## Expand premium products sales and supply

- OFD (Latin America)
- CN/NPK expansion Porsgrunn (Europe)
- NPK expansion Uusikapuunki (Europe)
- Greenbelt Fertilizers (Africa)
- West Sacramento import terminal (USA)

## Expand commodity scale based on attractive full-cost growth opportunities

- Bunge (Crop Nutrition) (Brazil)
- Freeport ammonia JV (newbuild in USA)
- Pilbara (acq. of remaining 49% stake)(Australia)
- New ammonia vessels

## Act on attractive opportunities to grow industrial sales and supply

- OFD (Latin America)
- Pilbara – TAN (newbuild in Australia)
- Köping – TAN (Europe)
- Small-scale TAN
- Le Havre (Europe)
- Environmental solution bolt-on (Europe)

## Structurally secure P and K supply

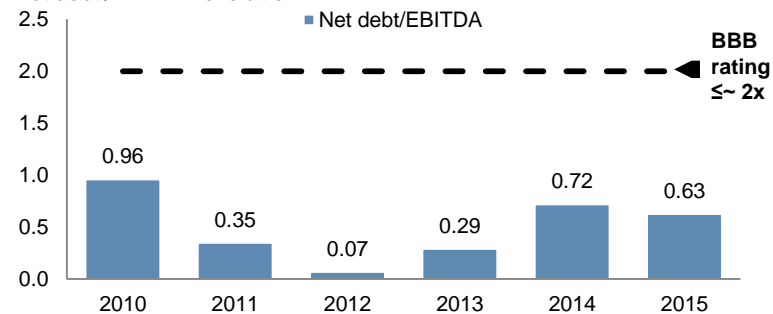
- Galvani (Brazil)
- Dallol<sup>1</sup> (Africa)

## Divest non-core businesses

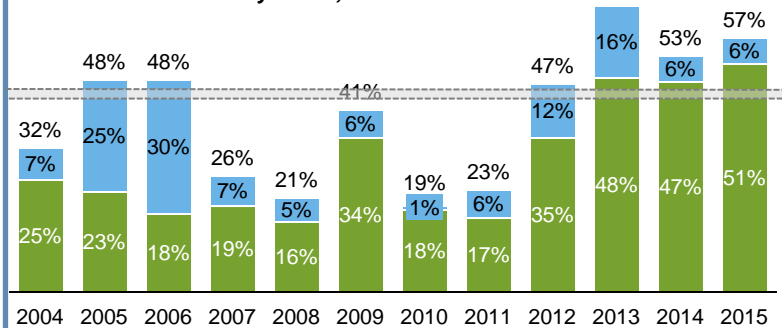
- GrowHow UK (50% stake)
- European CO<sub>2</sub> business

<sup>1</sup> Not yet committed

### Net debt / EBITDA evolution



### Dividend and share buy-backs, share of net income



Target range 40-45% Share buy-backs Dividends



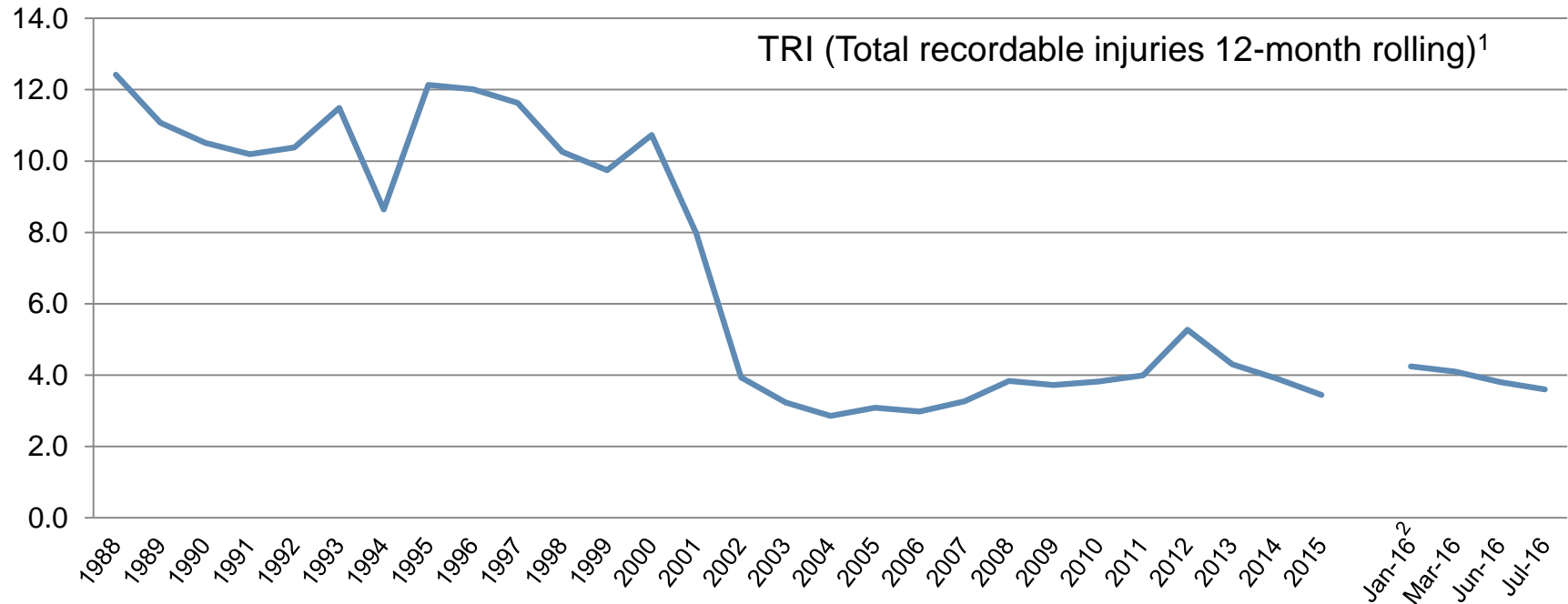


Knowledge grows



INS – September 2016

# Safe operations is our first priority

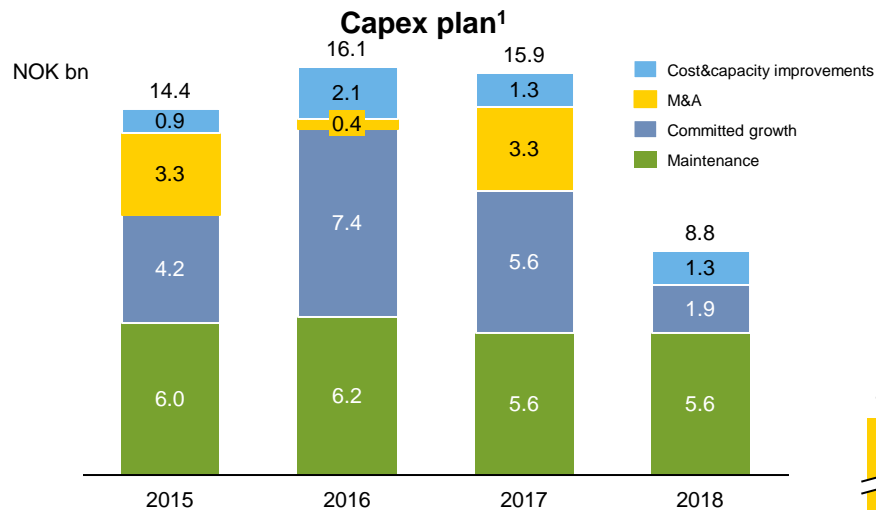


1) Lost time (absence from work), restricted work and medical treatment cases per one million work hours

2) OFD and Galvani included in statistics from January 2016



# Strong growth pipeline

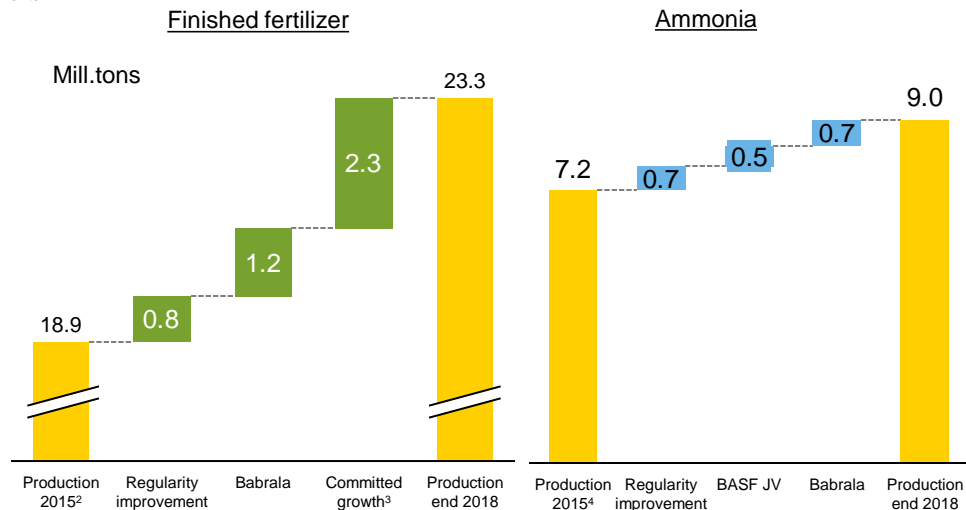


Committed growth (NOK bn):

BASF JV	1.0	1.9	0.7	
Pilbara TAN	0.5	0.4		
Porsgrunn	0.5	1.1	0.4	
Köping	0.3	0.7	0.5	
Sluiskil	0.1	0.8	0.8	
Uusikapunki	0.3	0.2		
Galvani (Salitre)	1.0	0.6	1.7	0.7
Ammonia vessels	0.2	1.5		
Rio Grande		0.2	1.5	1.1
Other projects	0.3	0.1		
<b>Total</b>	<b>4.2</b>	<b>7.4</b>	<b>5.6</b>	<b>1.9</b>

1) Yara's share of capex

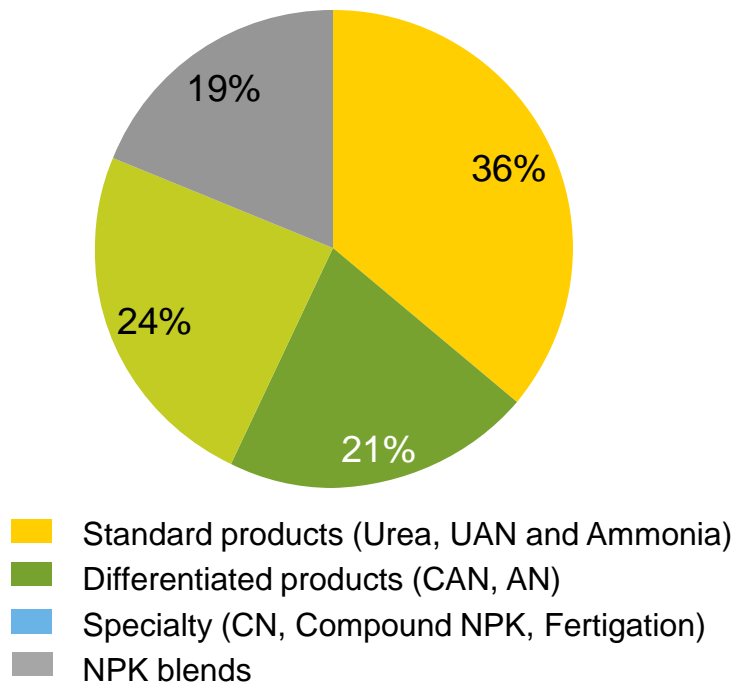
## Production growth 2015 - end 2018<sup>5</sup>



- 2) Finished fertilizer and industrial products, excl. bulk blends. Including Yara share of production in JVs. 2015 numbers excl. Growhow UK (~300 kt)
- 3) Committed projects only. TAN Pilbara: 160 kt, Porsgrunn: 250kt, Glomfjord: 185kt, Uusikapunki: 250kt, Köping: 90kt, Sluiskil: net 160kt, Galvani (Salitre - 60% of ~ 2 mill.tons)
- 4) Excl. Growhow UK (~200 kt). Including 100% ownership in Pilbara NH<sub>3</sub> plant
- 5) Rio Grande expansion adds 0.5 million tons SSP and 1 million ton blends by 2020

# Fertilizer portfolio is being driven towards greater product differentiation and profit

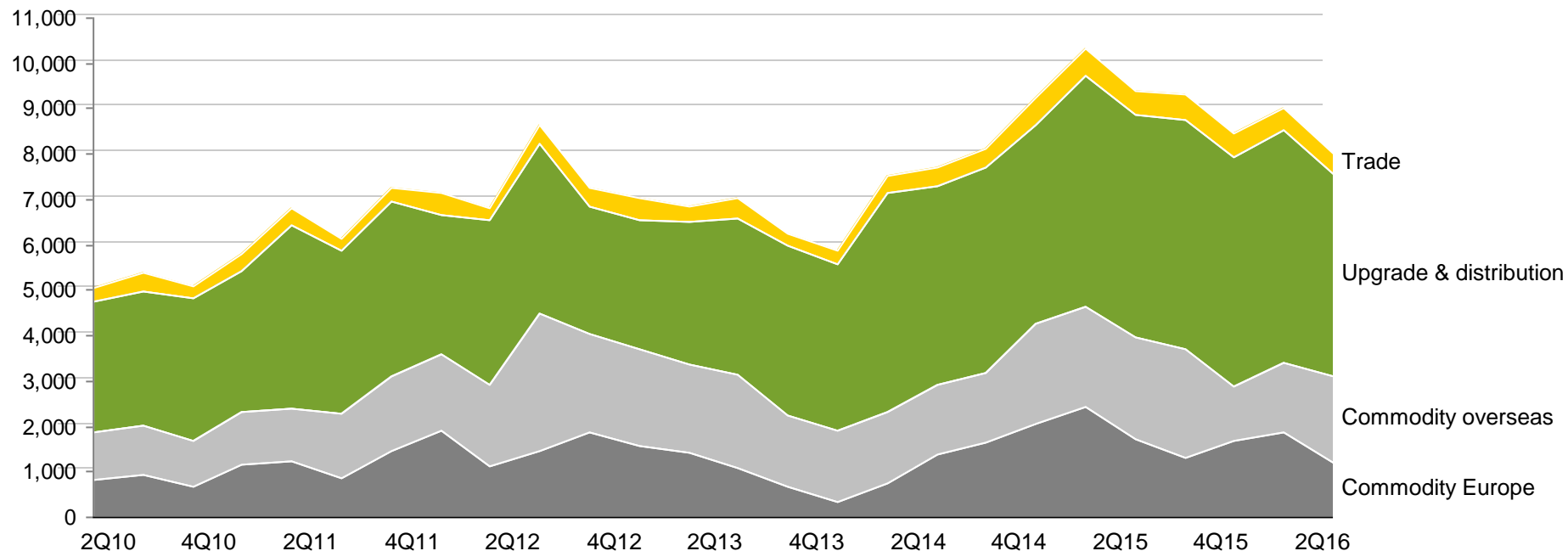
Product portfolio (2015/16 season volume)



- Differentiation improves margins and reduces exposure to commodity price volatility
- On-going efforts to further increase differentiation through:
  - Capacity expansions compound NPK, CN, nitrate and urea+S
  - On-going optimization of NPK portfolio towards higher value segments
  - Innovation and market growth in high-value fertigation markets
  - Continued YaraVita growth

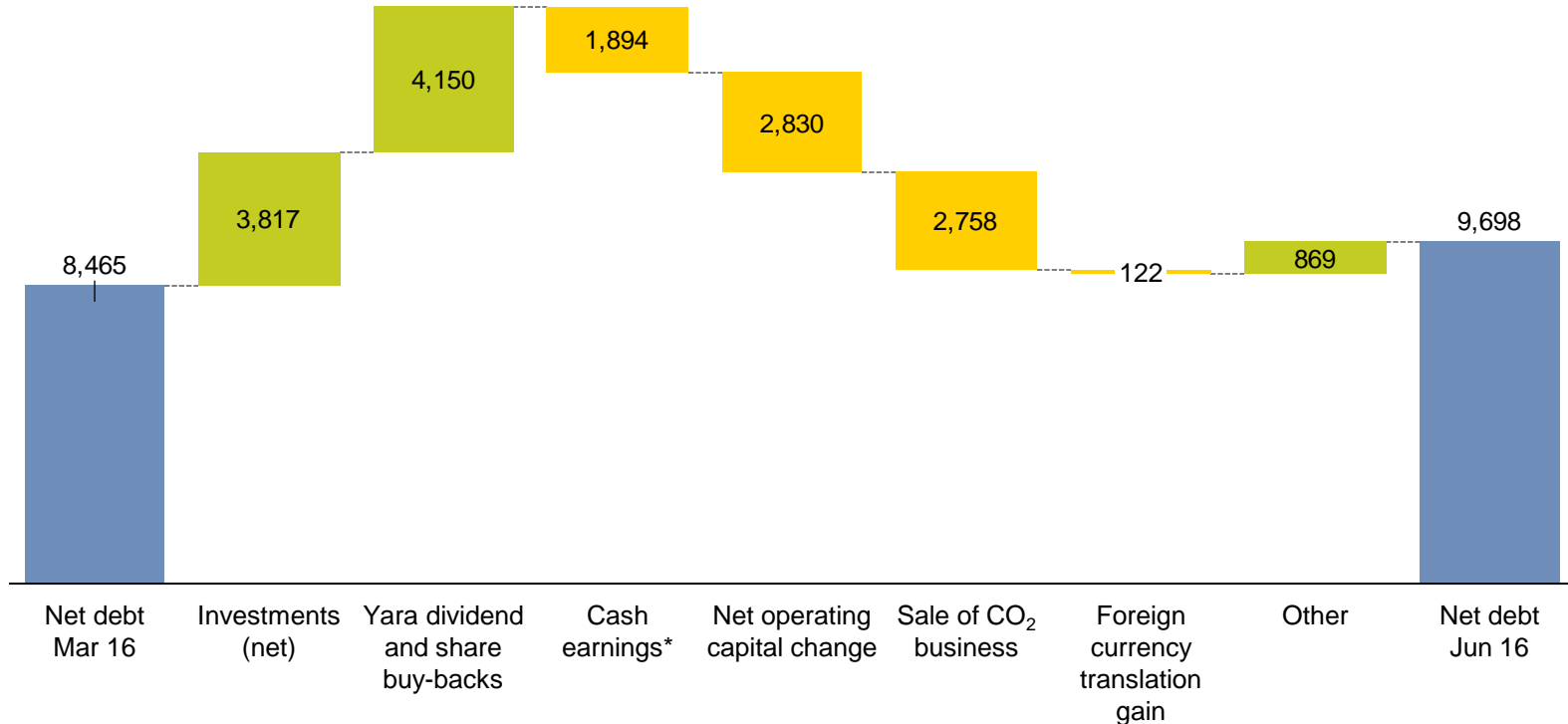
# Value-added and distribution make up larger part of Yara's contribution

*Total Yara contribution*



# Net interest-bearing debt development

NOK millions



\* Operating income plus depreciation and amortization, minus tax paid, net gain/loss on disposals, net interest expense and bank charges

# Crop Nutrition creates resilience in earnings...

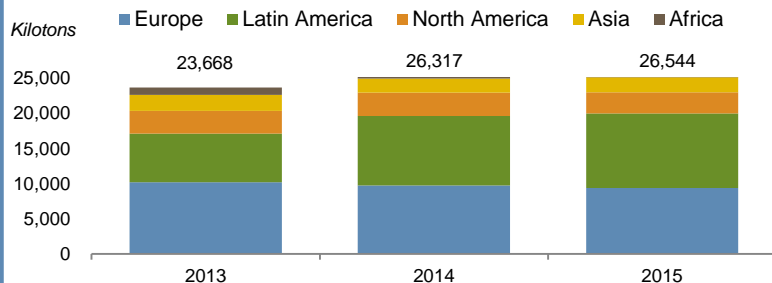
## Key financials

(NOKm)	1H 2016	1H 2015	Change	YE 2015
Revenue and other income <sup>1</sup>	37,760	41,950	(4,190)	80,189
EBITDA	3,108	3,415	(307)	6,188
Operating income	2,476	2,854	(378)	4,973
% margin	6.6%	6.8%	N/A	6.1%
<b>CROGI</b> (12-month rolling avg.)	<b>16.3%</b>	<b>17.9%</b>	<b>N/A</b>	<b>17.5%</b>

## 2015 Highlights

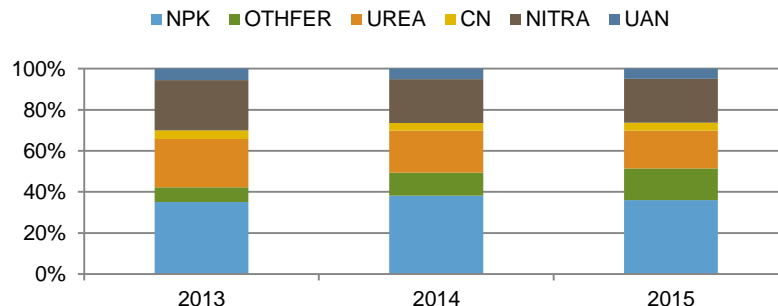
- Offers the industry's most comprehensive product portfolio and has a strong position in value-adding crop solutions.
- Increased market presence in Africa and North America by signing agreements to acquire the Greenbelt Fertilizer and the Sacramento Terminal
- Continued investments in solutions for precision farming and water scarcity. Investments in 2015 amounted to a total of NOK 1.5 bn

## Fertilizer volumes by region

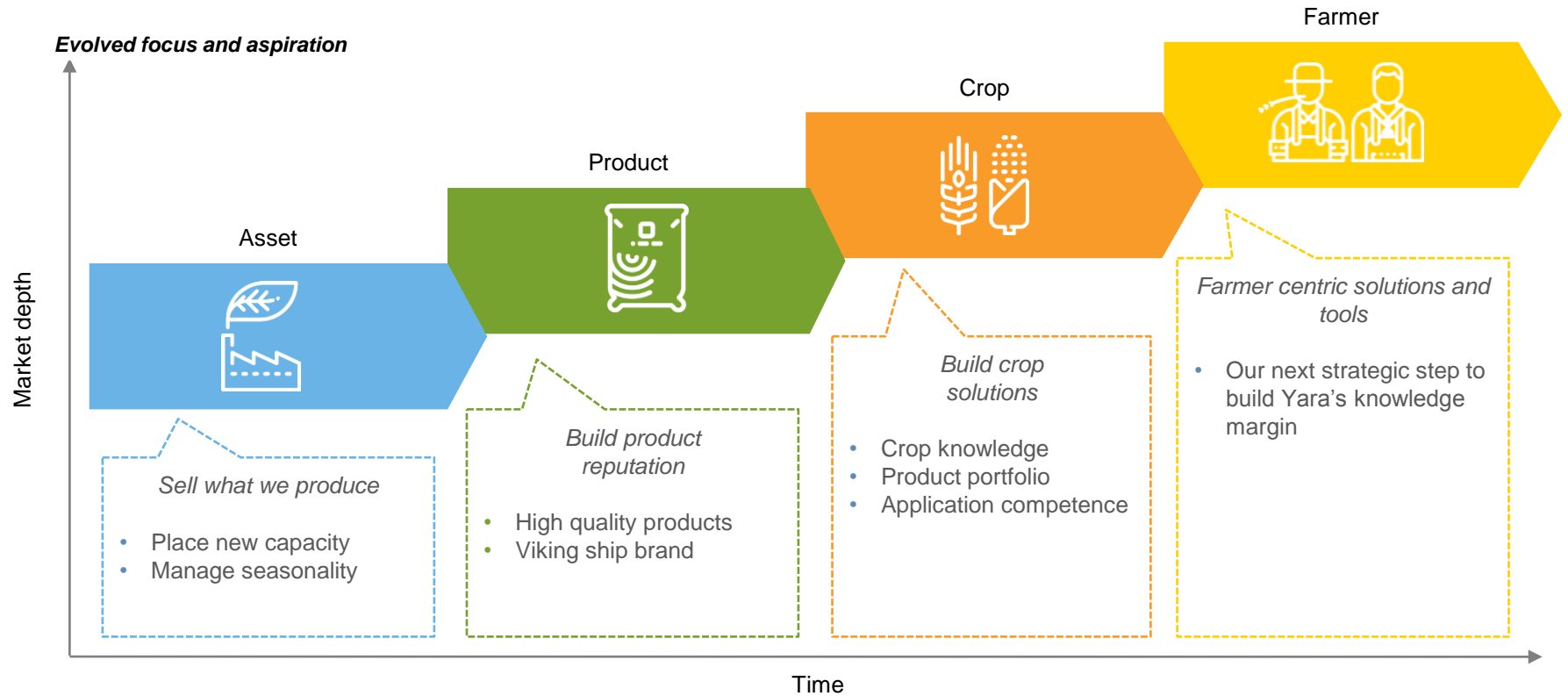


<sup>1</sup> External revenue and other income

## Share of fertilizer volumes by product



# ... by adding distribution and agronomic competence

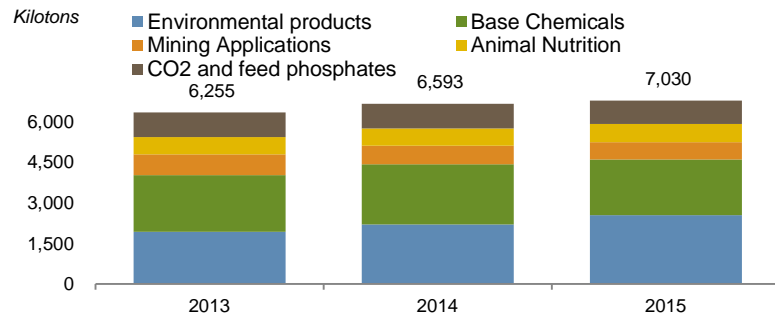


# Industrial segment reduces cyclicality and seasonality...

## Key financials

(NOKm)	1H 2016	1H 2015	Change	YE 2015
Revenue and other income <sup>1</sup>	9,085	8,520	565	17,233
EBITDA	2,116	749	1,367	1,489
Operating income	2,030	602	1,428	1,174
% margin	22.3%	7.1%	N/A	6.8%
<b>CROGI</b> (12-month rolling avg.)	<b>43.6%</b>	<b>18.8%</b>	<b>N/A</b>	<b>22.0%</b>

## Industrial sales by product<sup>2</sup>



## 2015 Highlights

- Significantly expansion of terminal and logistics network in North America and Brazil to better and more efficiently serve the automotive Nox abatement markets with respectively DEF (Diesel Exhaust Fluid) and Arla 32 reagent
- Increased deliveries of air pollution abatement products by 20% and achieved strong growth parameters for Nutriox business (waste water treatment) and increasing demand for related services and monitoring technologies
- Agreement to sell European CO2 business





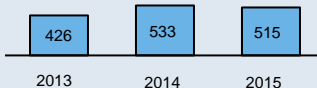
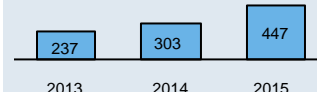
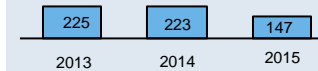
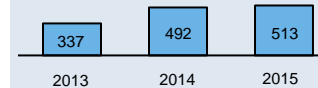
<sup>1</sup> External revenue and other income

<sup>2</sup> Including Yara share of production in equity-accounted investees

<sup>3</sup> Including share of JVs

# ...by securing stable off-take from production plants and the unseasonal nature of its businesses

*Four business lines with focused strategy and operations*

	Base Chemicals	Environmental Solutions	Mining Applications	Gas and Industrial applications
<b>Key product and service offering</b>	 Chemical applications for food, feed, automotive, space, pharmaceutical and construction industries	 Abatement of emissions from heavy duty vehicles NO <sub>x</sub> and SO <sub>x</sub> abatement for maritime sector	 Solutions to the Civil explosives industry Based on Technical nitrates for mining and construction	 CO <sub>2</sub> as gas, liquid and Dry ice CN for Industrial Applications Animal nutrition
<b>Strategic fit</b>	Optimization of Upstream assets	Utilize technology, logistic advantage and infrastructure footprint	Handling, storage and economies of scale	Monetize secondary products into primary markets applications
<b>Geographical market</b>	Europe	Global	Global	Global
<b>Market drivers</b>	GDP growth	Legislation, GDP growth	GDP growth, infrastructure projects, supply security	GDP growth, standard of living
<b>EBITDA 2013- 2015<sup>1</sup> (NOKm)</b>				

<sup>1</sup> EBITDA not adjusted for eliminations between Business Units



# Production segment has plants and mines across the globe which provide scale and flexibility...

## Key financials

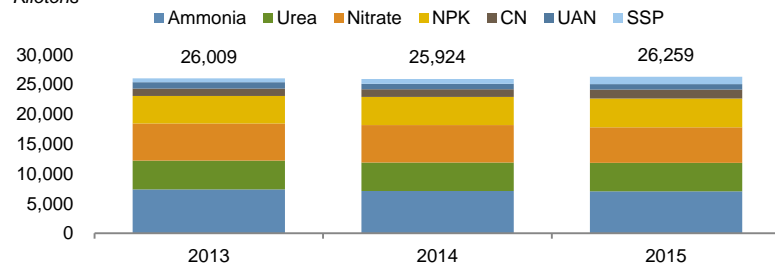
(NOKm)	1H 2016	1H 2015	Change	YE 2015
Revenue and other income <sup>1</sup>	22,881	28,266	(5,385)	55,812
EBITDA	4,965	6,017	(1,052)	14,414
Operating income	2,132	4,364	(-2,232)	8,842
% margin	9.3%	15.4%	N/A	15.8%
<b>CROGI</b> (12-month rolling avg.)	<b>11.0%</b>	<b>11.4%</b>	<b>N/A</b>	<b>12.1%</b>

## 2015 Highlights

- In the US, Yara and BASF started construction of a world-scale ammonia plant in Freeport. In Australia, Yara secured full ownership of the Pilbara ammonia plant and increased ownership in the Pilbara TAN plant. Construction started on the project to increase the capacity of value-added production in Sluiskil, the Netherlands. Yara sold its 50% stake in GrowHow UK.
- Total production ended at 26.5mm tons, ammonia production decreased by 1% and finished fertilizer and industrial products increased by 2%

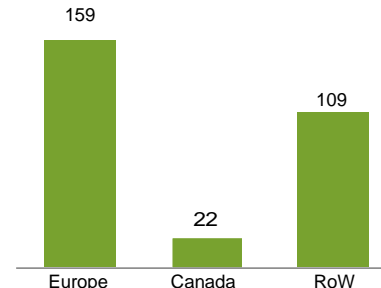
## Production volumes by product<sup>2</sup>

Kilotons



## Gas consumption by region in 2015<sup>2</sup>

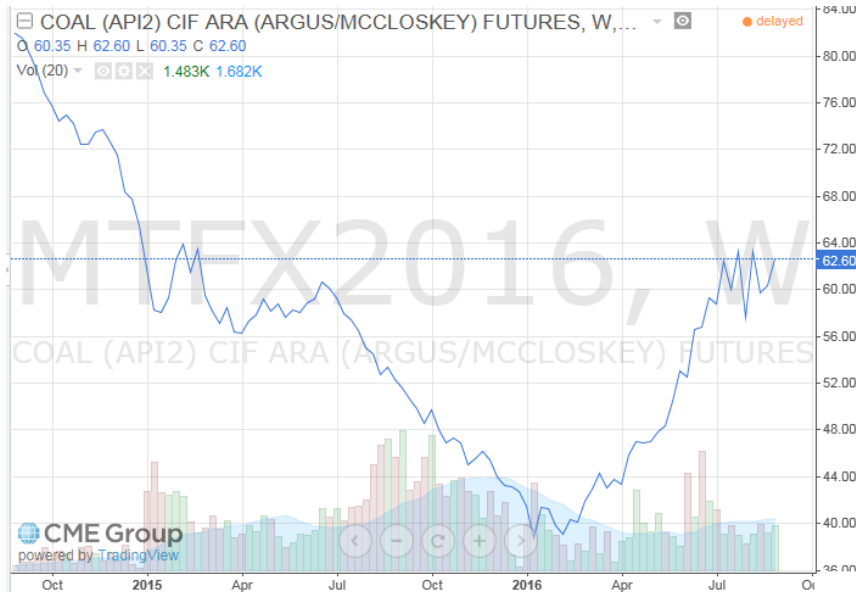
Million MMBtu



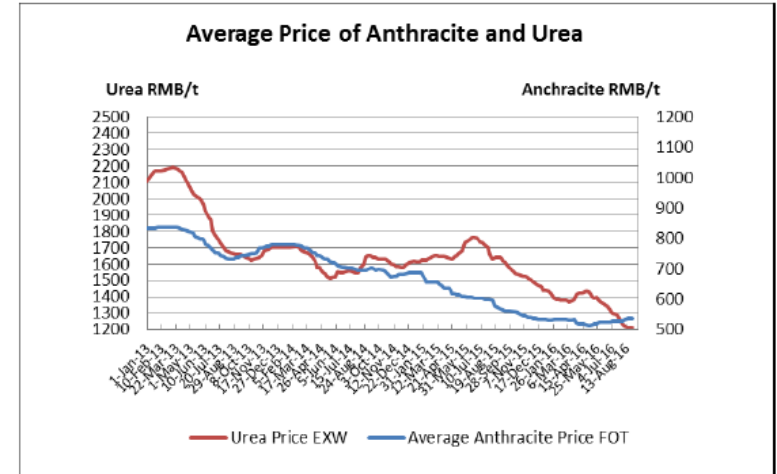
<sup>1</sup> Including Yara share of production in equity-accounted investees; <sup>2</sup> Including share of JVs

# Increasing coal prices

CIF ARA<sup>1</sup> November 2016 (\$/mt)



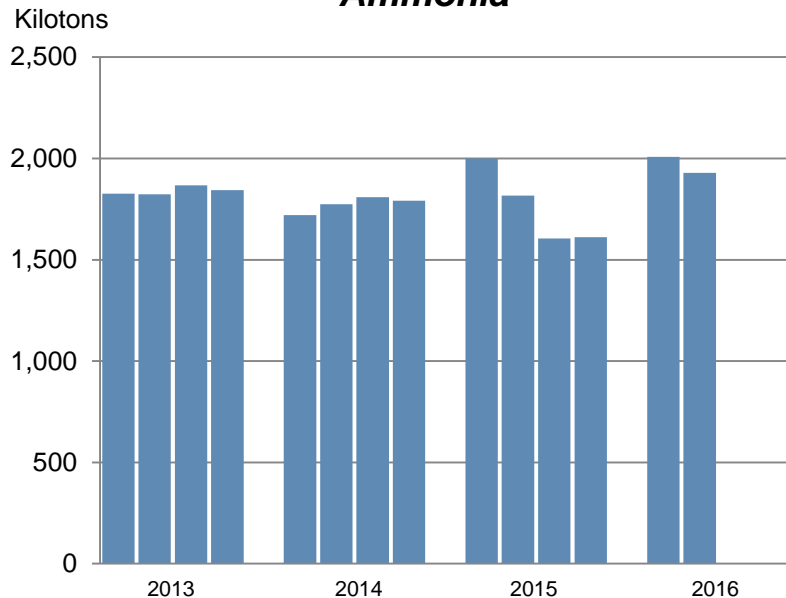
CFMW Anthracite prices August 2016 (RMB/mt)



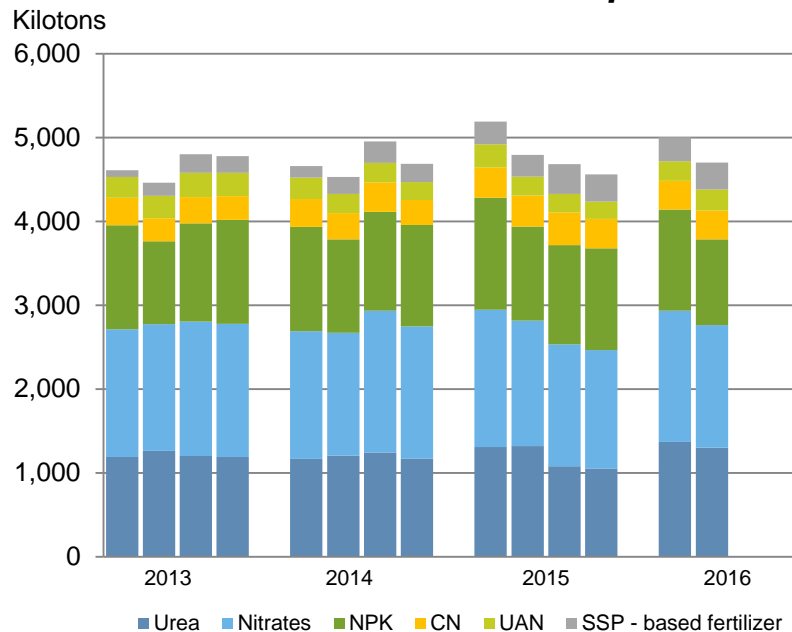
1) Amsterdam, Rotterdam, Antwerp

# Continued strong production performance

**Ammonia<sup>1</sup>**



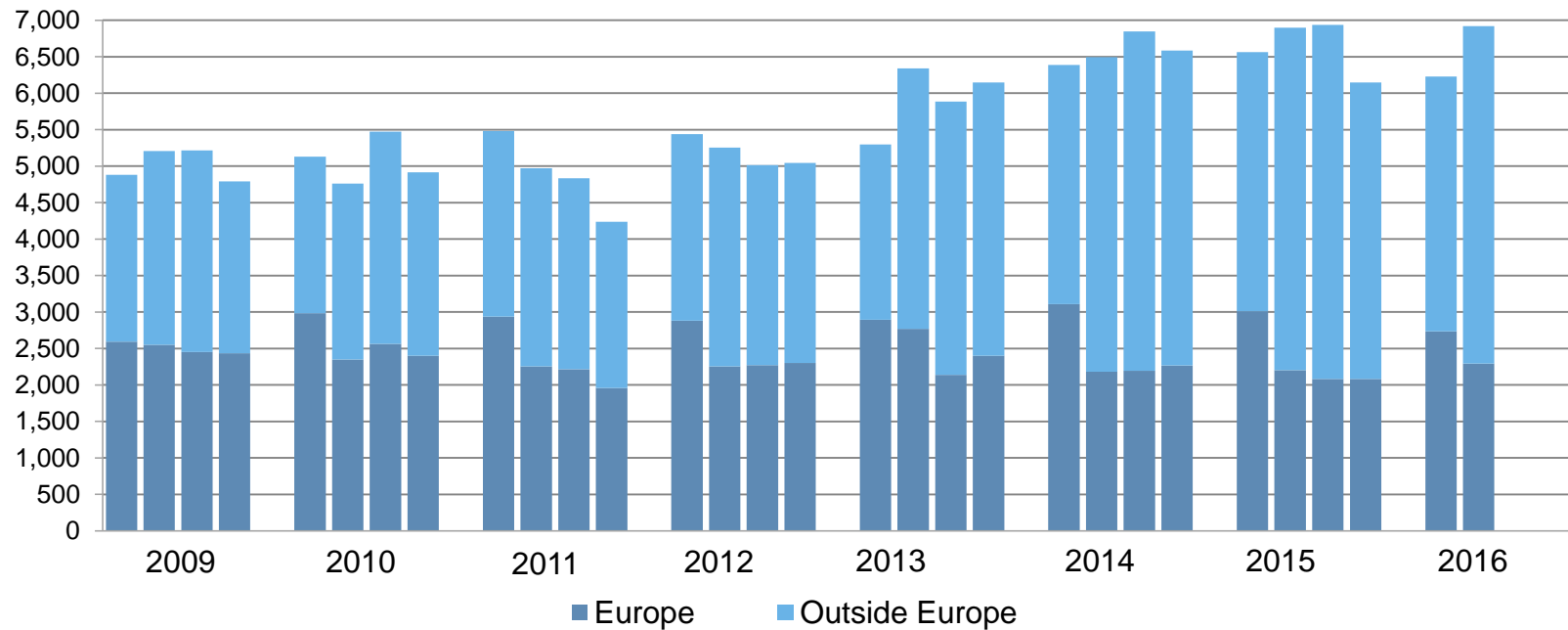
**Finished fertilizer & industrial products<sup>1</sup>**



1) Including share of equity-accounted investees

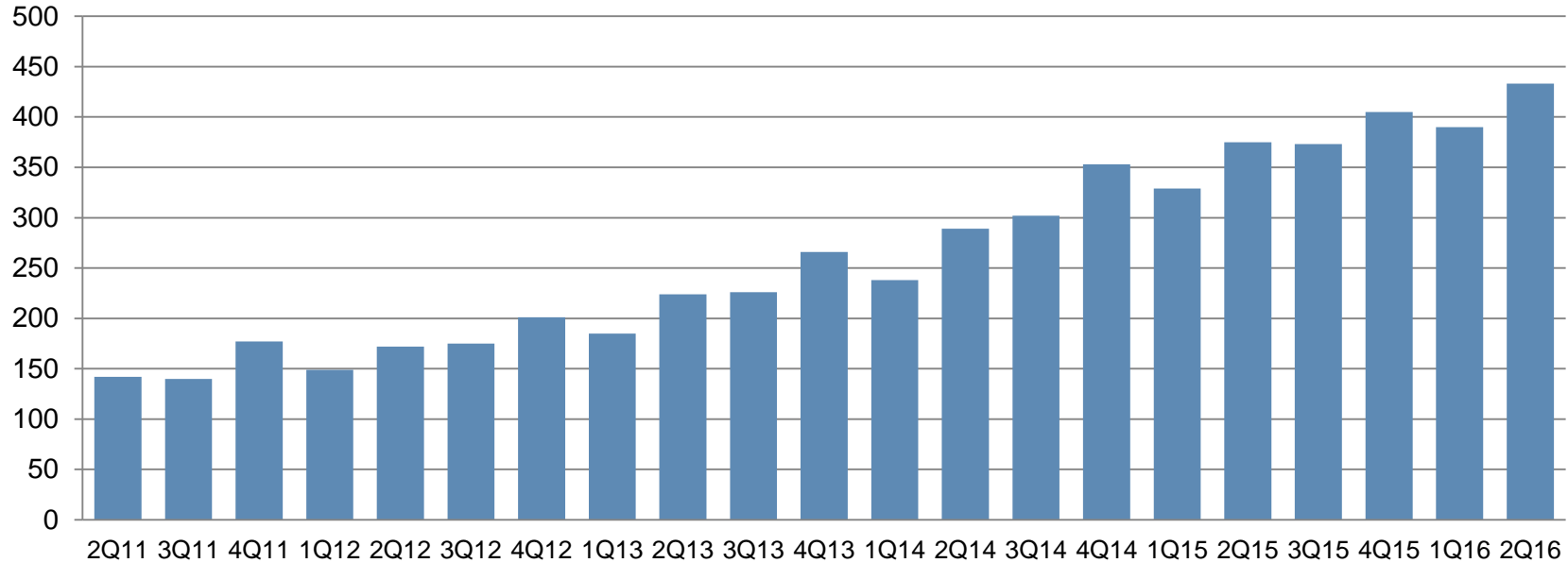
# Fertilizer deliveries

Kilotons



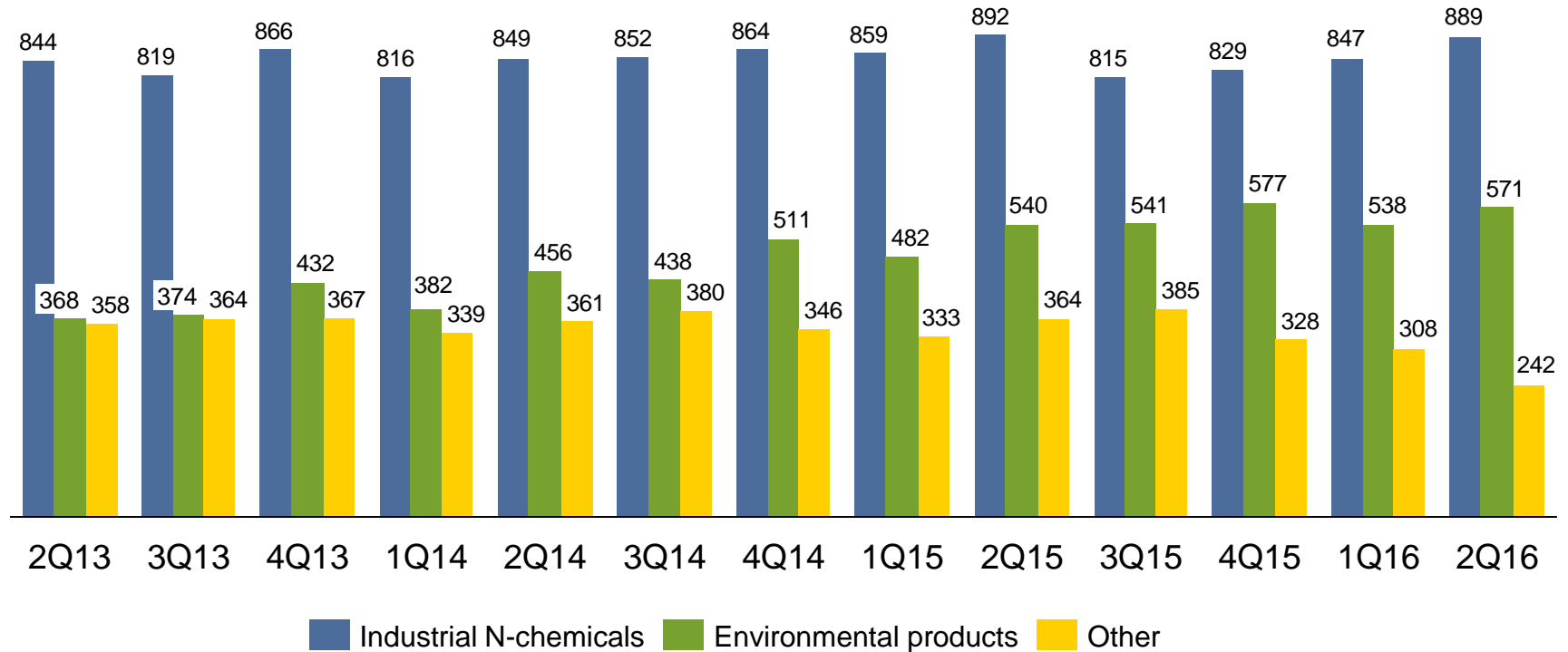
# AdBlue deliveries

Kilotons



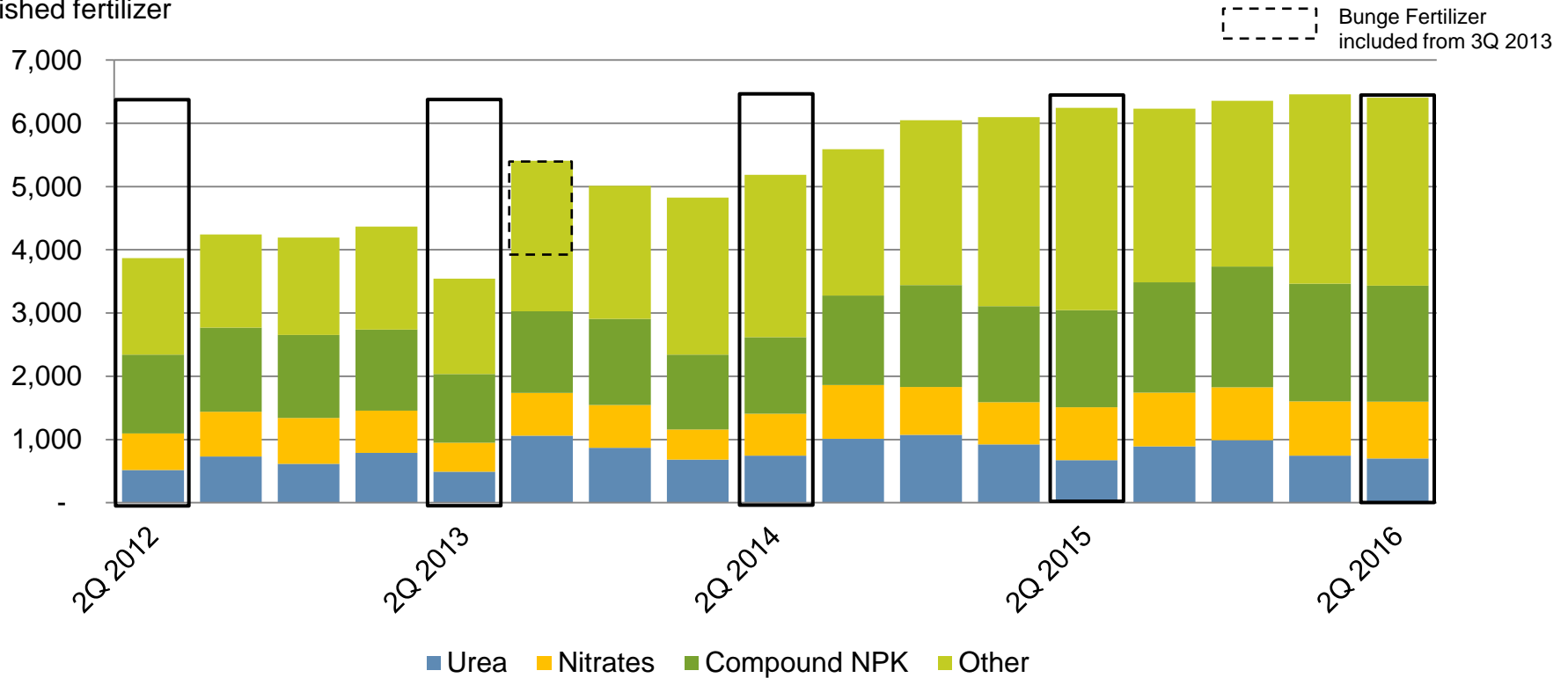
# Industrial volume development

Kilotons



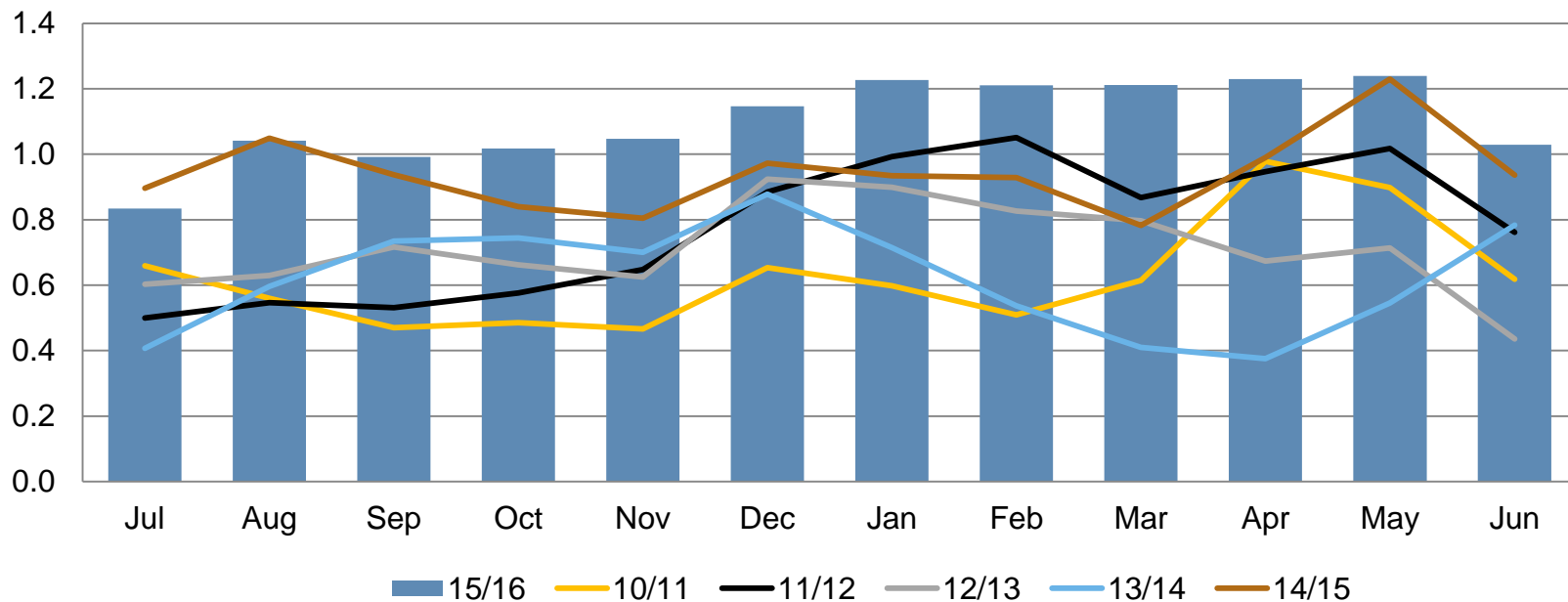
# Yara stocks

Kilotons  
Finished fertilizer



# European producers' nitrate stocks

Index  
June 2007 = 1

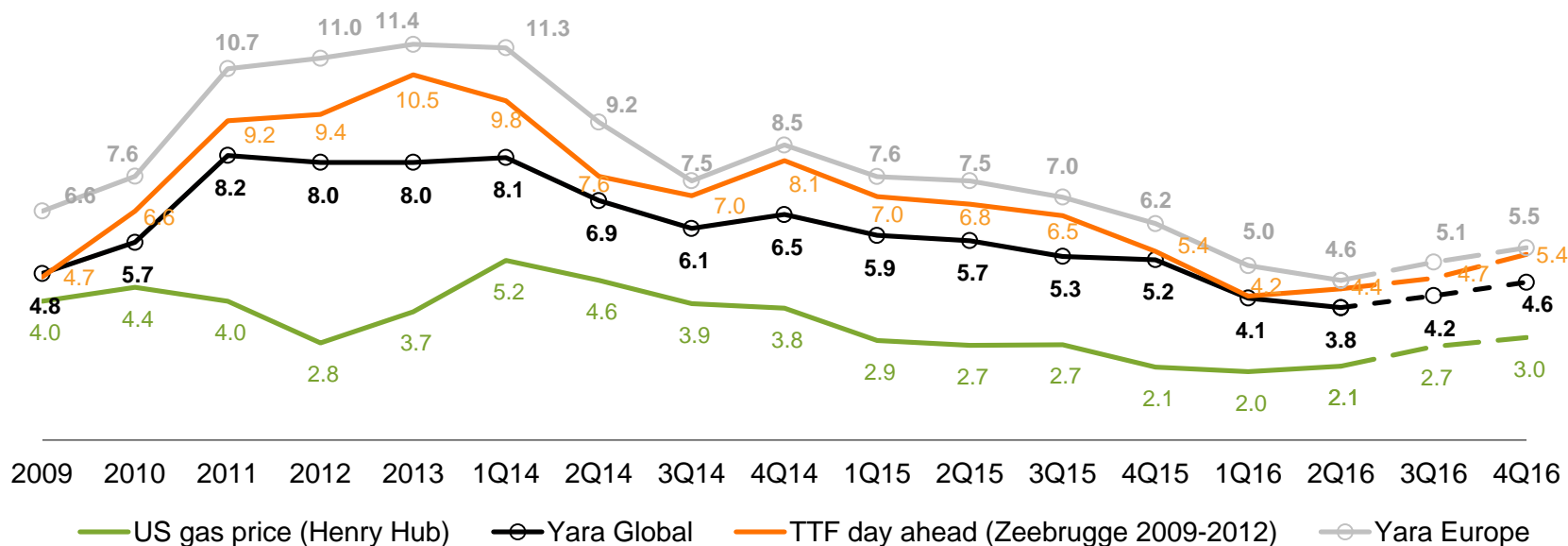


Source: Fertilizers Europe, Yara estimate for June



# Energy cost

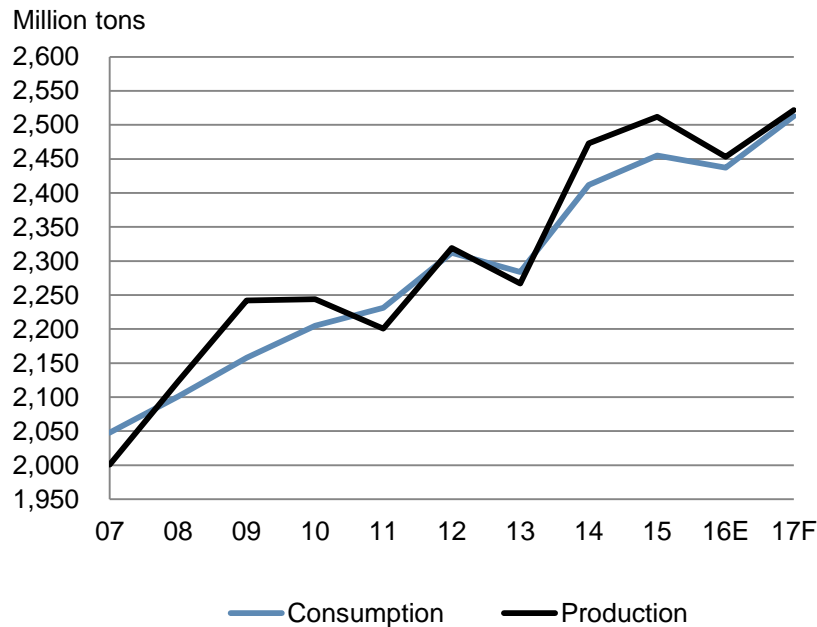
Yearly averages 2009 – 2013, quarterly averages for 2014-16 with forward prices\* for 3Q16 and 4Q16.



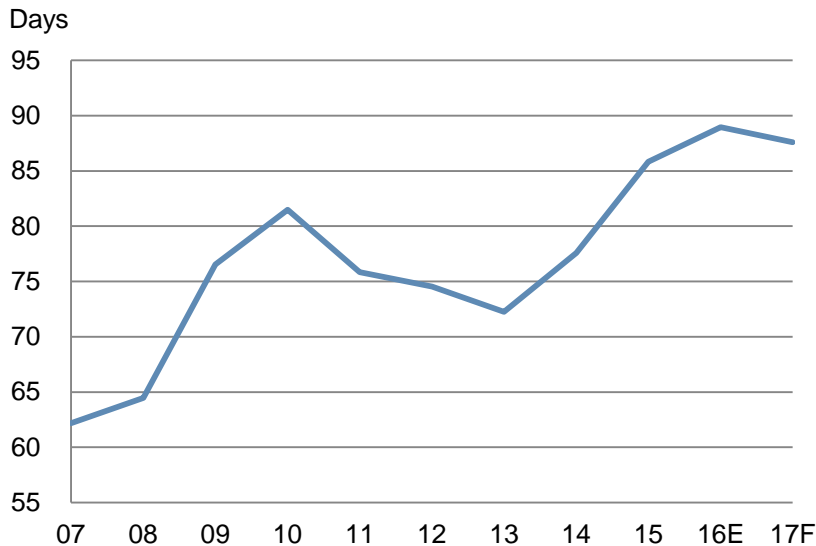
\*Dotted lines denote forward prices as of 12 July 2016  
Source: Yara, World Bank, Argus/ICIS Heren

# Global grain balance

## Grain consumption and production

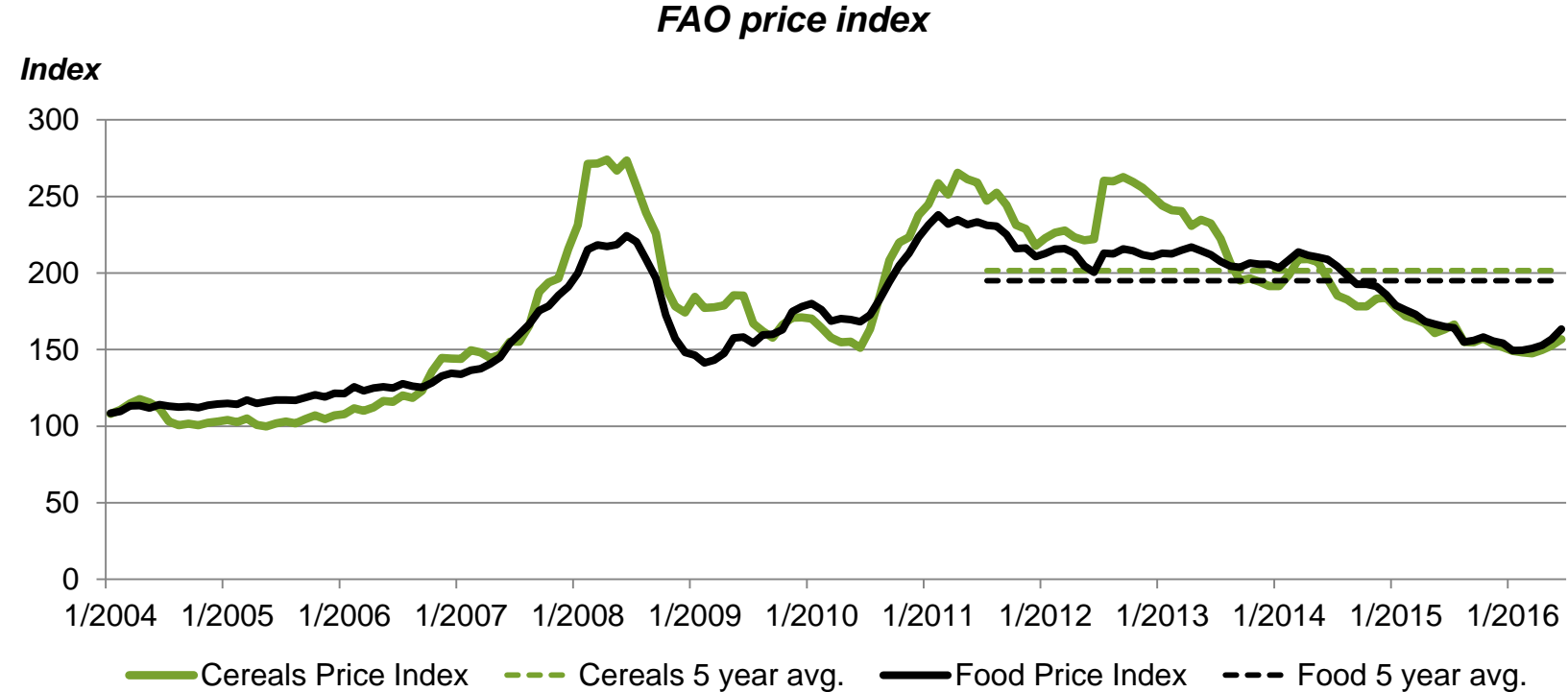


## Days of consumption in stocks



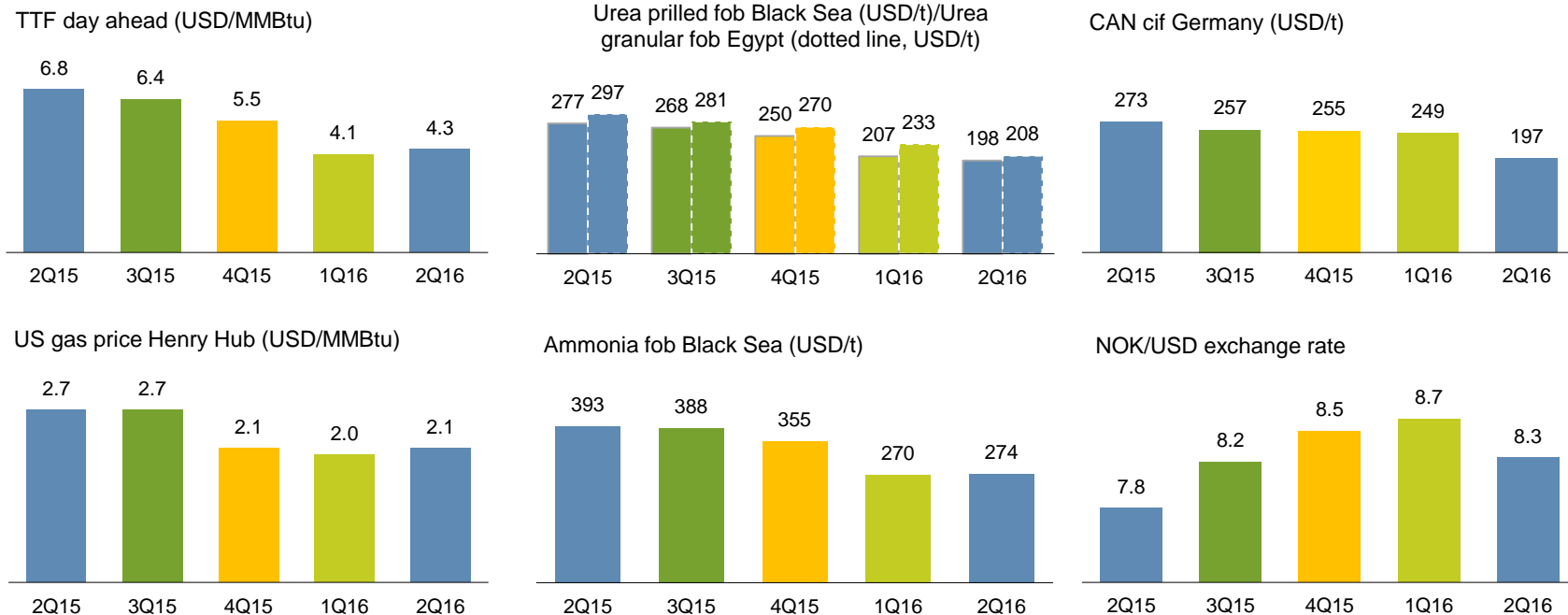
Source: USDA July 2016

# Weaker farm economics in USD, affecting particularly P and K demand



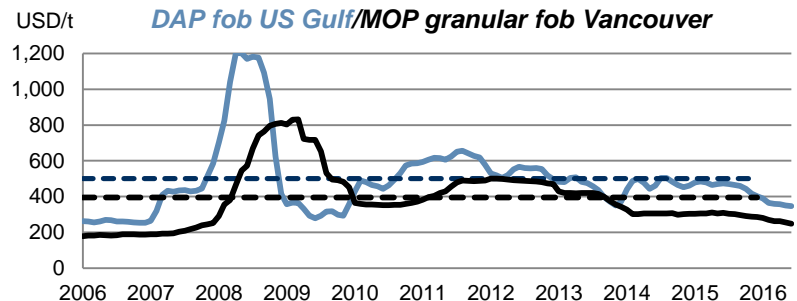
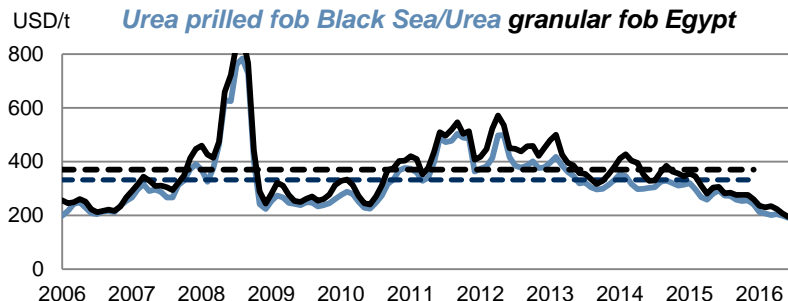
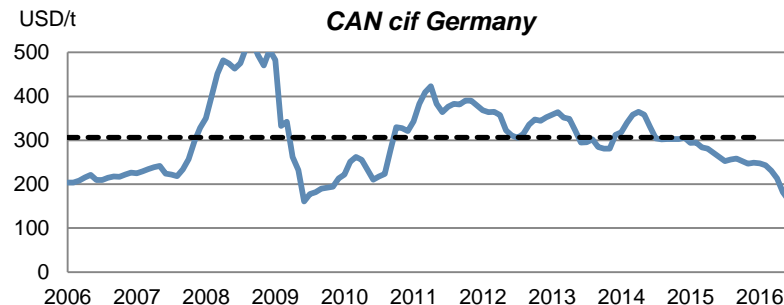
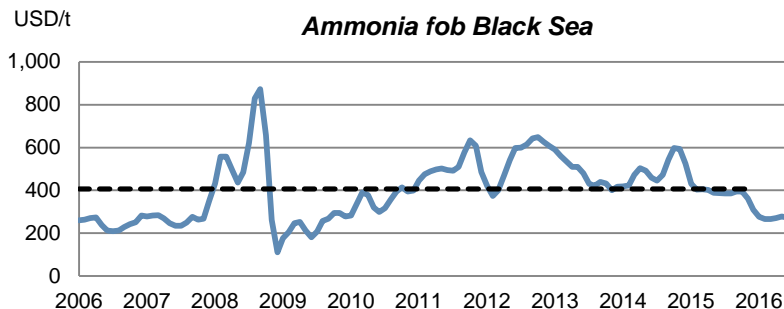
Source: FAO

# Key value drivers – quarterly averages



Source: Fertilizer Market Publications, CERA, World Bank, Norges Bank

# 10-year fertilizer prices – monthly averages



--- Average prices 2006 - 2015