



Knowledge grows

## Yara International ASA

*Petter Østbø, CFO*

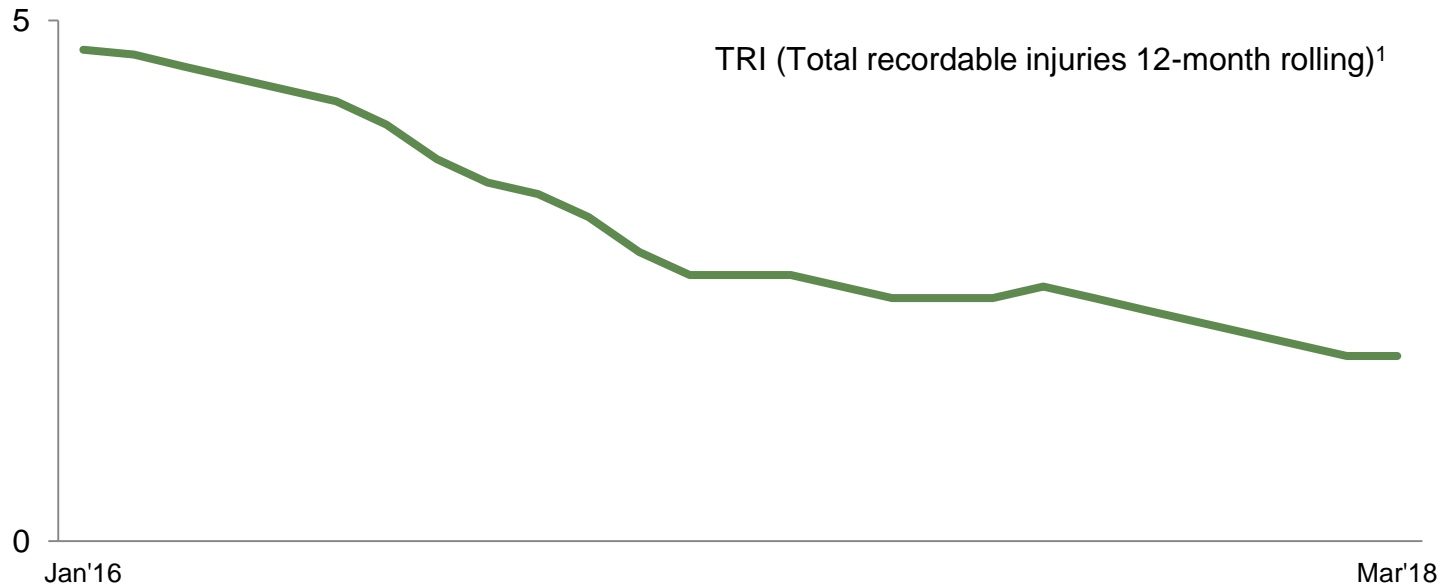
*Thor Giæver, SVP Investor Relations*

North America roadshow

26-28 June 2018

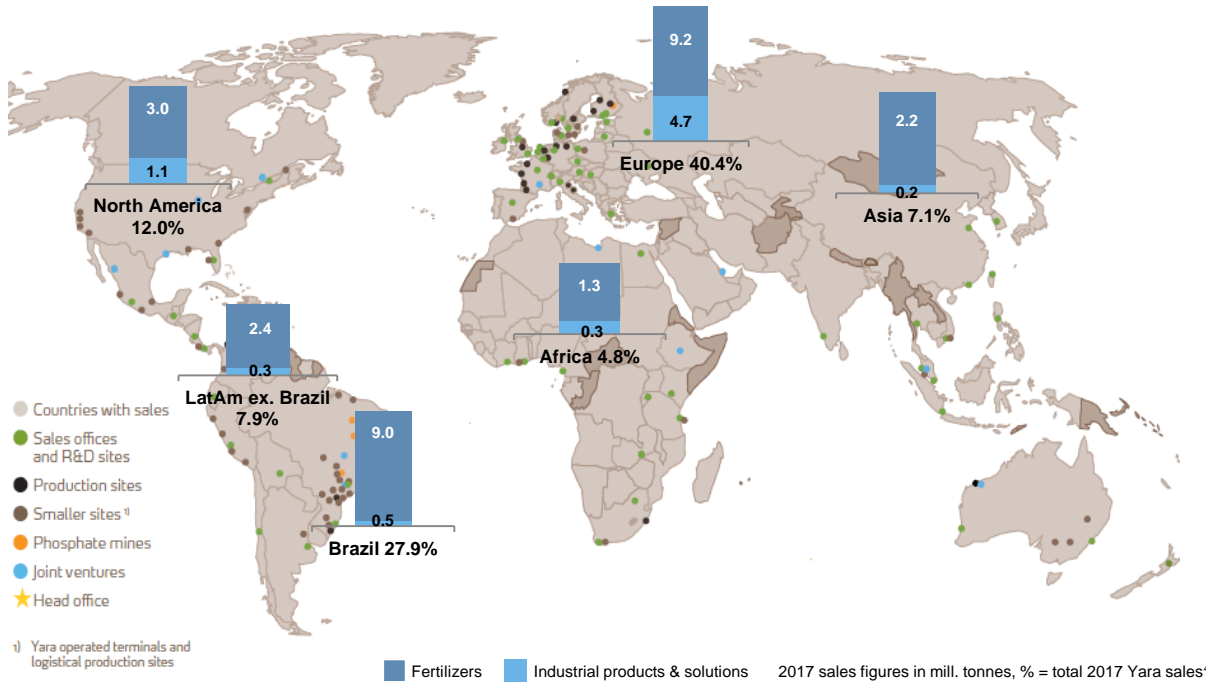


# Safe operations is our first priority

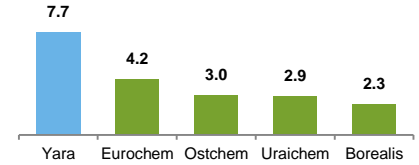


1) TRI: Total recordable injuries, lost time (absence from work), restricted work and medical treatment cases per one million work hours.

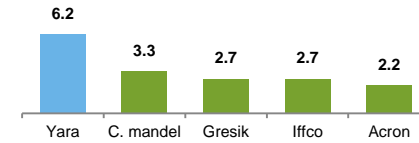
# Yara's leading global position and differentiated product portfolio represent key sources of competitive edge



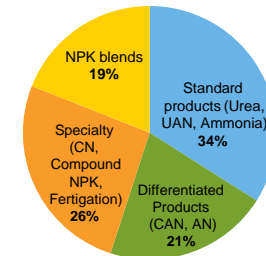
## Global #1 in Nitrates<sup>1</sup>



## Global #1 in NPK<sup>2</sup>

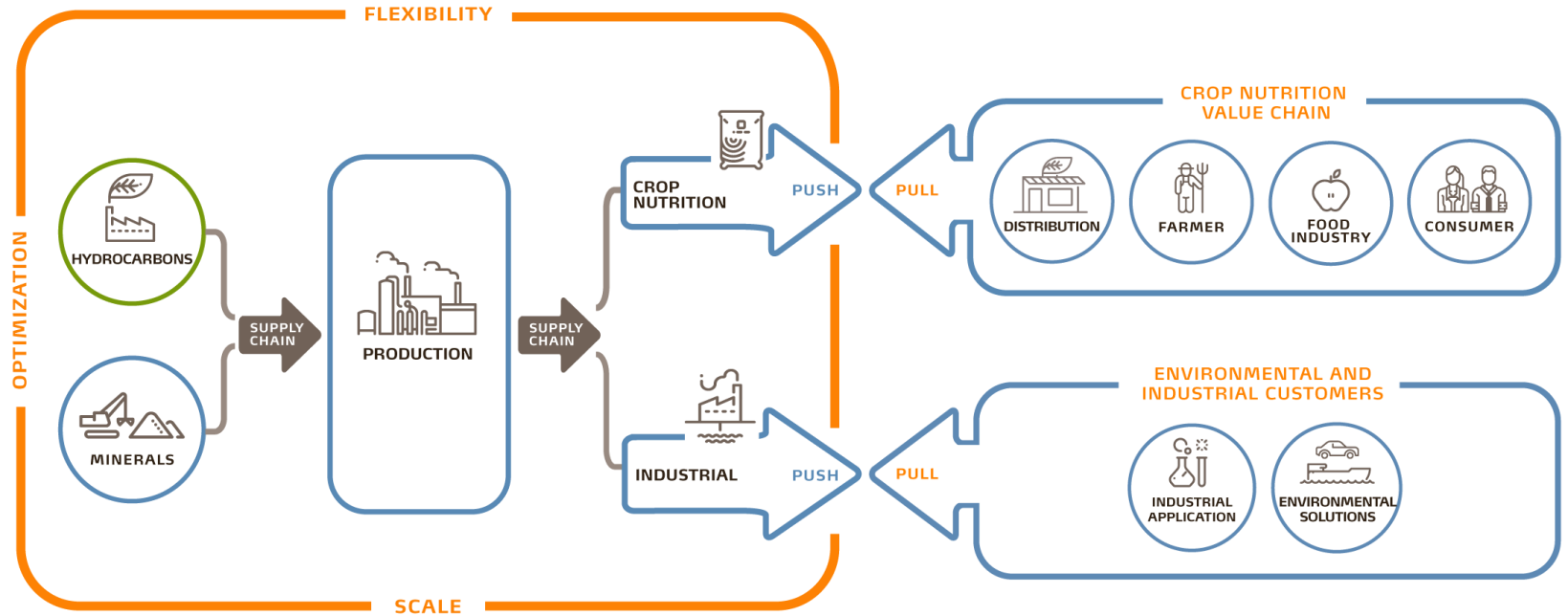


## Fertilizer product portfolio<sup>3</sup>



1) Including TAN and CN – Including companies' share of JVs 2016YE  
 2) Compound NPK, excluding blends  
 3) 2016/2017 season volume  
 4) Ammonia trade not included in chart above

# Yara's integrated business model is unique within the fertilizer industry



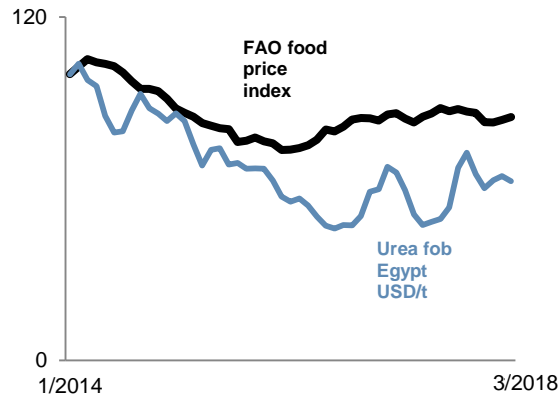
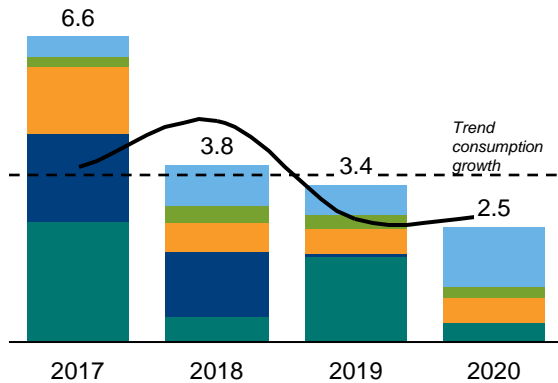
# Yara's 1Q results reflect the business environment

Urea supply increases in 2018, higher than trend demand growth

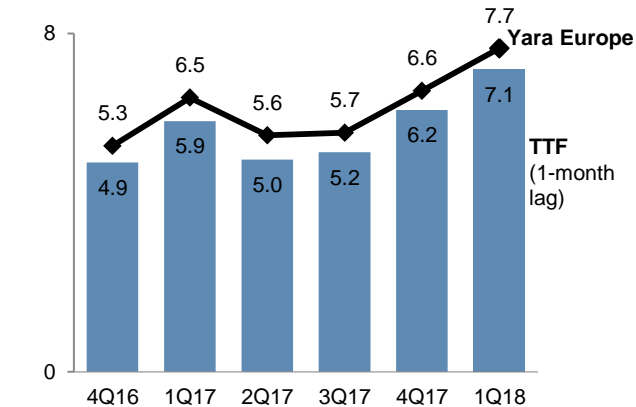
Food prices increasing recently, but nitrogen demand still muted

European nitrogen deliveries and gas prices impacted by cold weather

Global capacity additions ex China

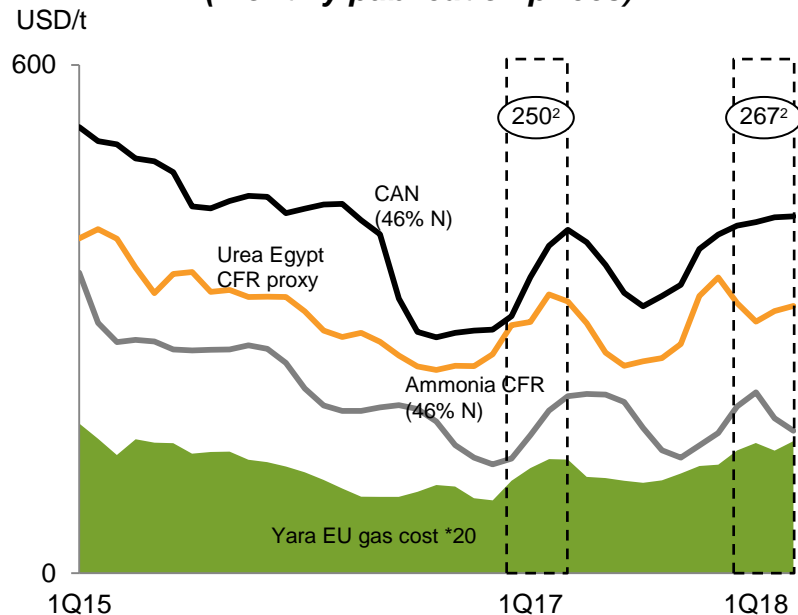


Yara European natural gas cost



# Improved margins offset by lower European deliveries

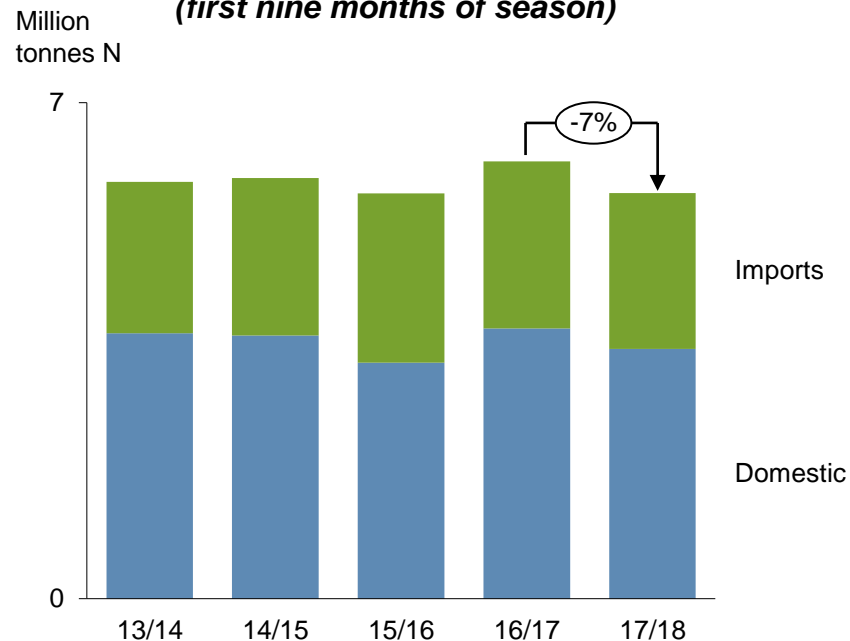
**Nitrogen upgrading margins<sup>1</sup>  
(monthly publication prices)**



- 1) All prices in urea equivalents and 1 month's lag
- 2) Upgrading margin from gas to nitrates in 46% N (USD/t)

Source: Fertilizer Market Publications

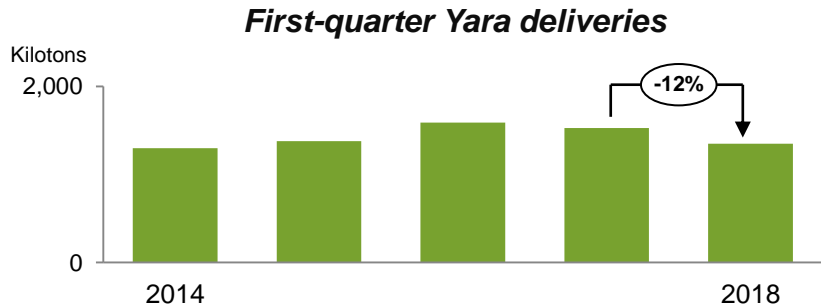
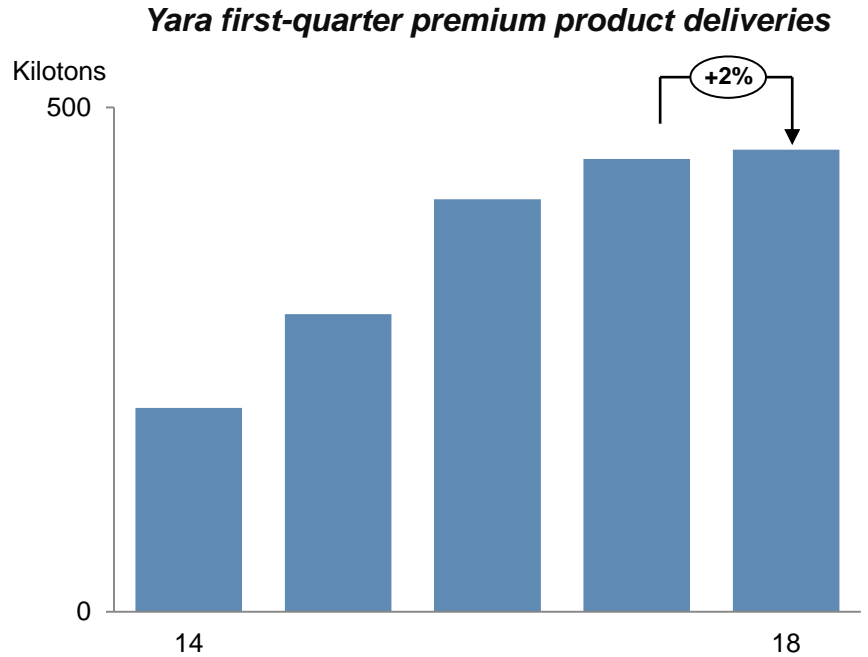
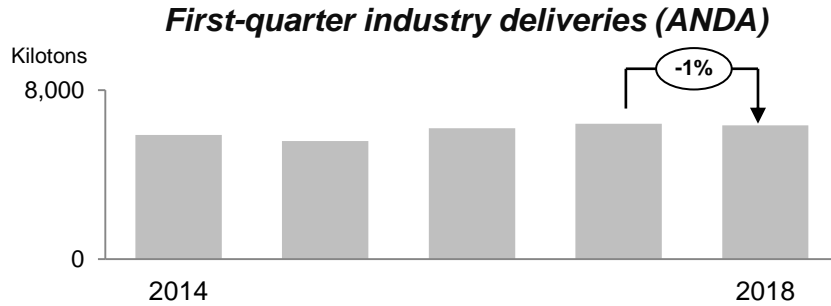
**Western Europe industry deliveries  
(first nine months of season)**



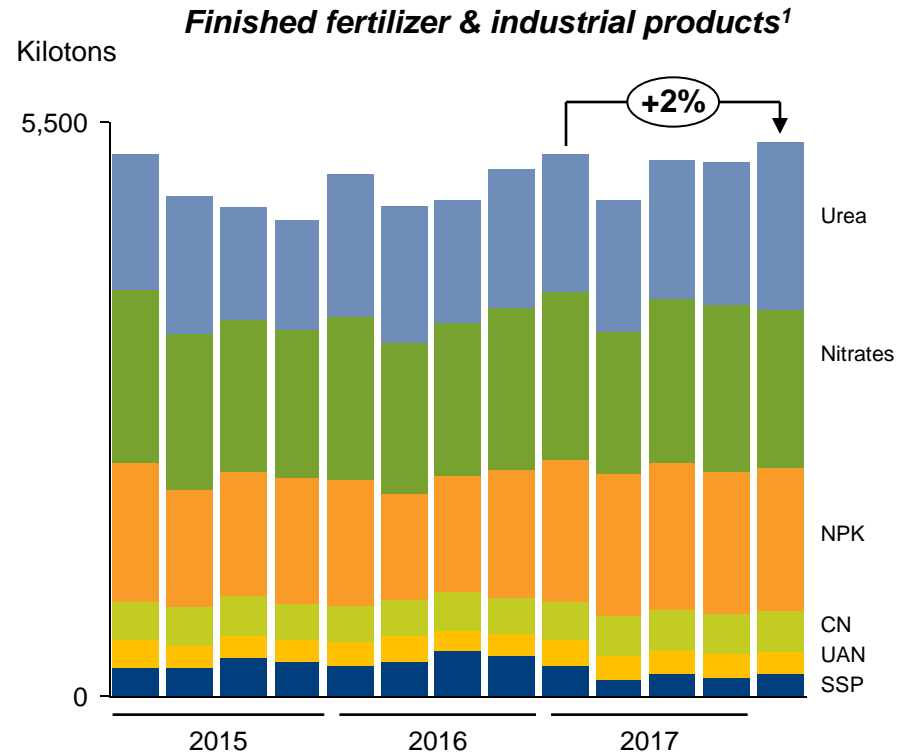
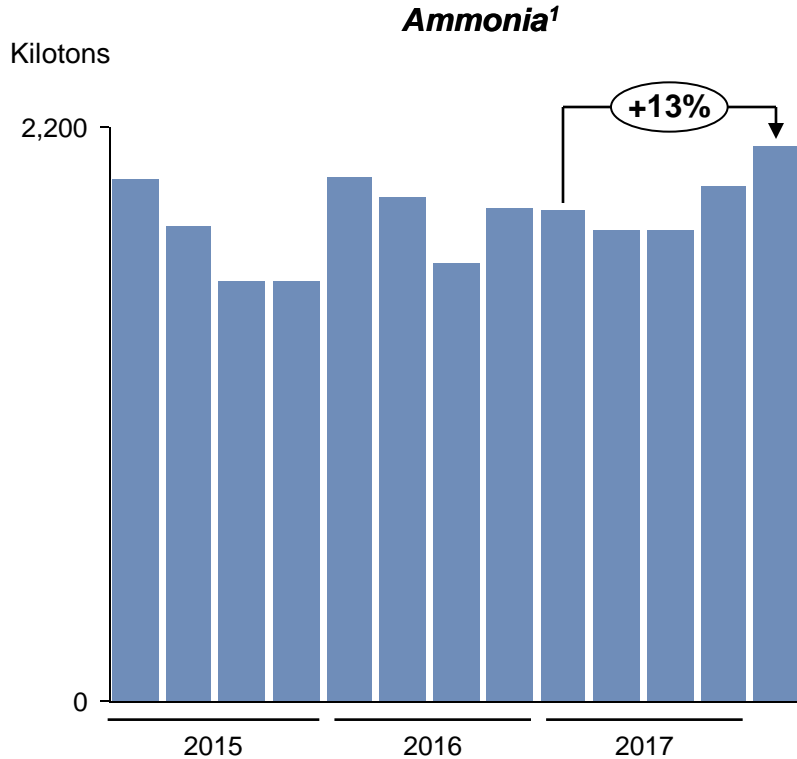
Source:

Yara estimate for fertilizer deliveries to selected West European countries

# Lower deliveries in Brazil; Yara focused on premium growth, and chose not to compete in lowest margin segments



# Strong ammonia production performance

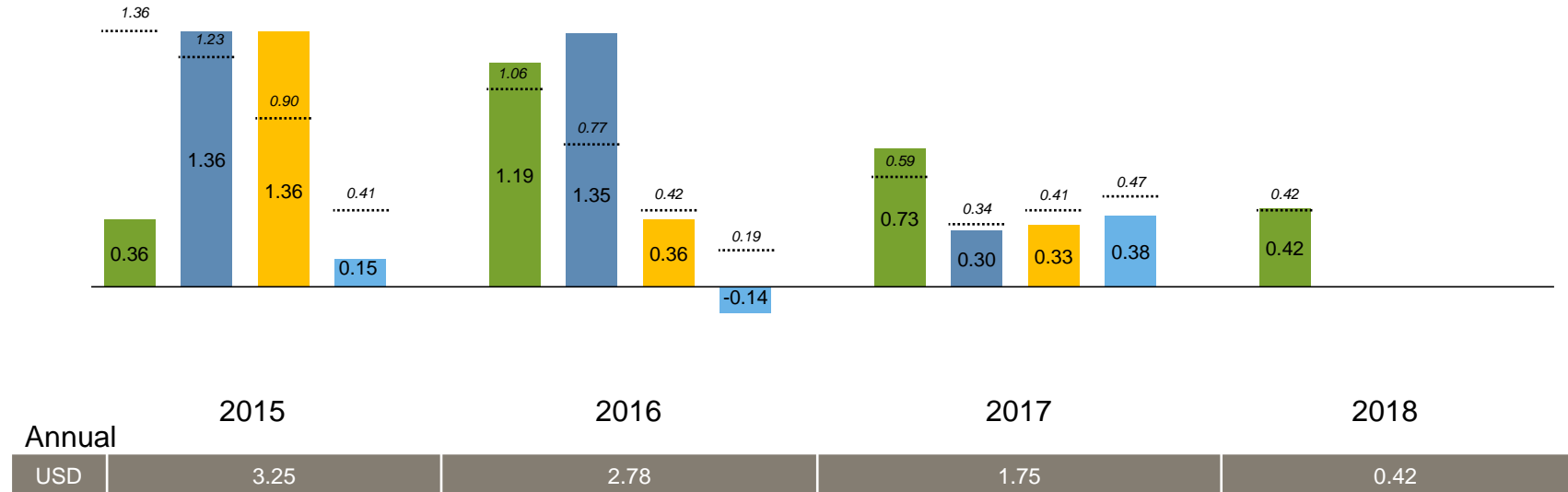


1) Including share of equity-accounted investees



# Earnings per share impacted by lower deliveries and higher depreciation

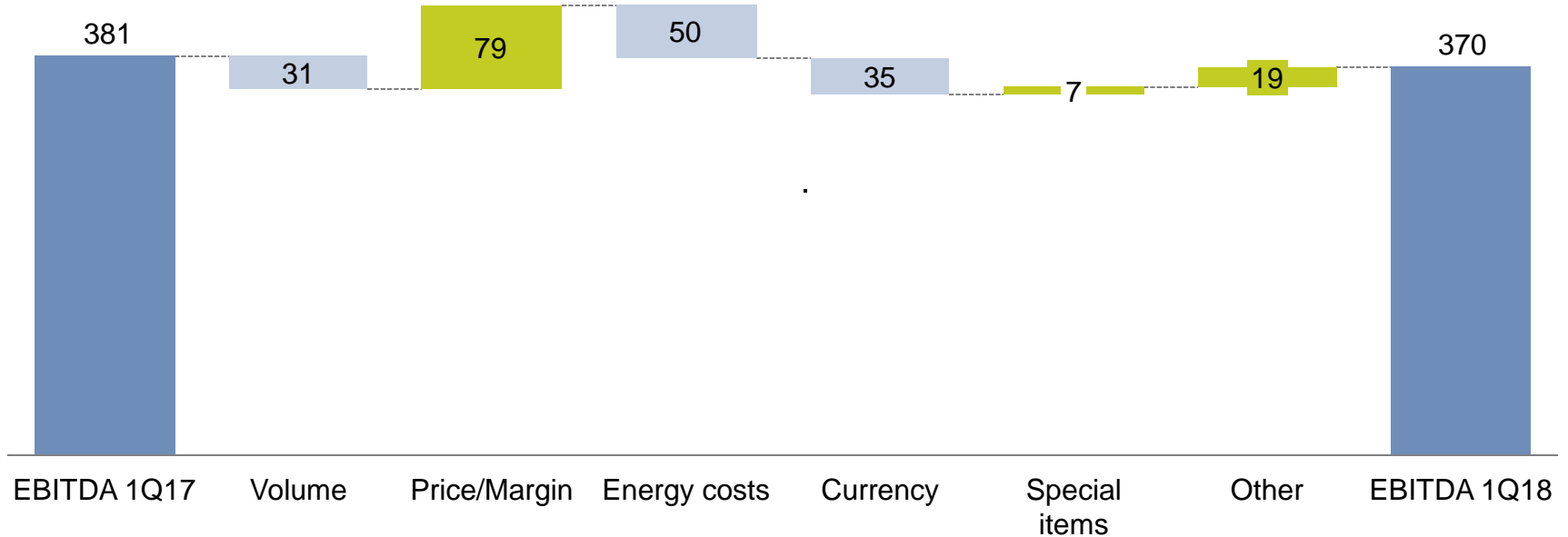
x.xx  
..... EPS excluding currency and special items



\*Average number of shares for 1Q 2018: 273.2 million (1Q 2017: 273.2 million).

# EBITDA: Stronger margins more than offset by lower deliveries, higher energy cost and weaker US dollar

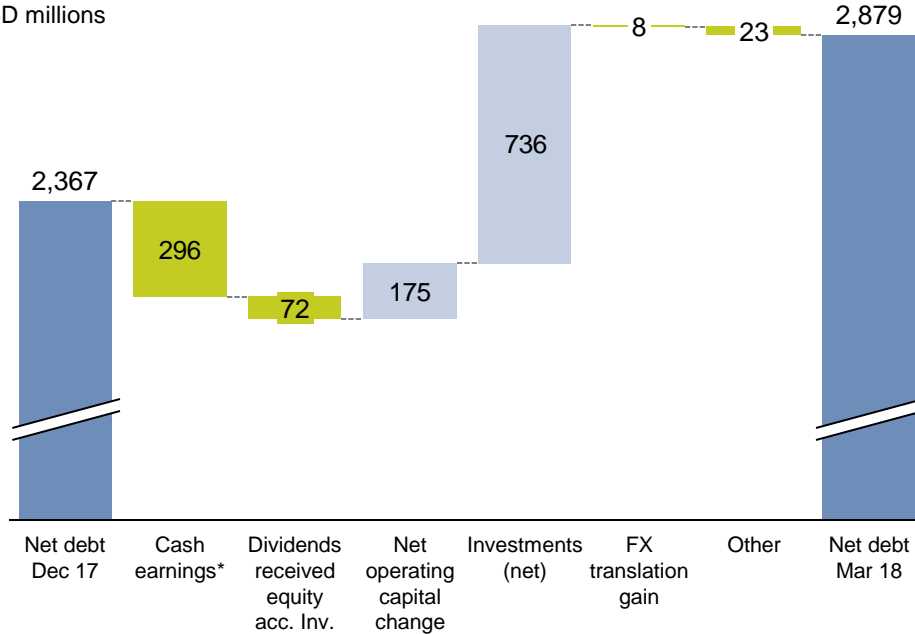
USD millions



# Higher net interest-bearing debt as investments and net operating capital change more than offset cash earnings

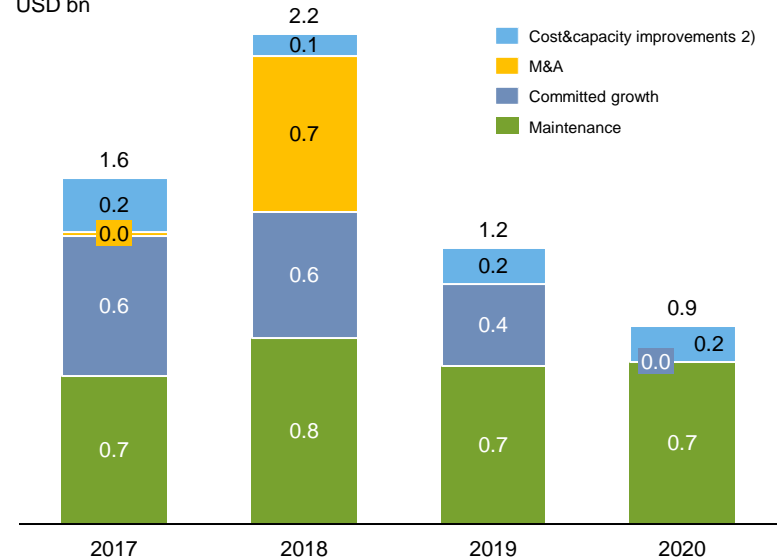
## Net interest-bearing debt

USD millions



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

USD bn

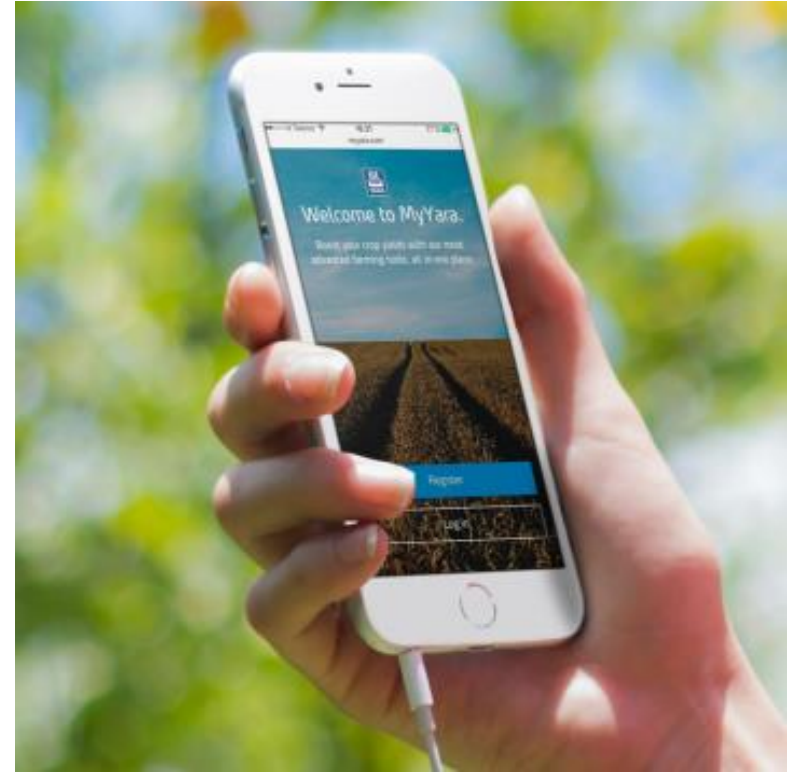


\* Operating income plus depreciation and amortization, minus tax paid, net gain/(loss) on disposals, net interest expense and bank charges

# Ramp-up of digital solutions

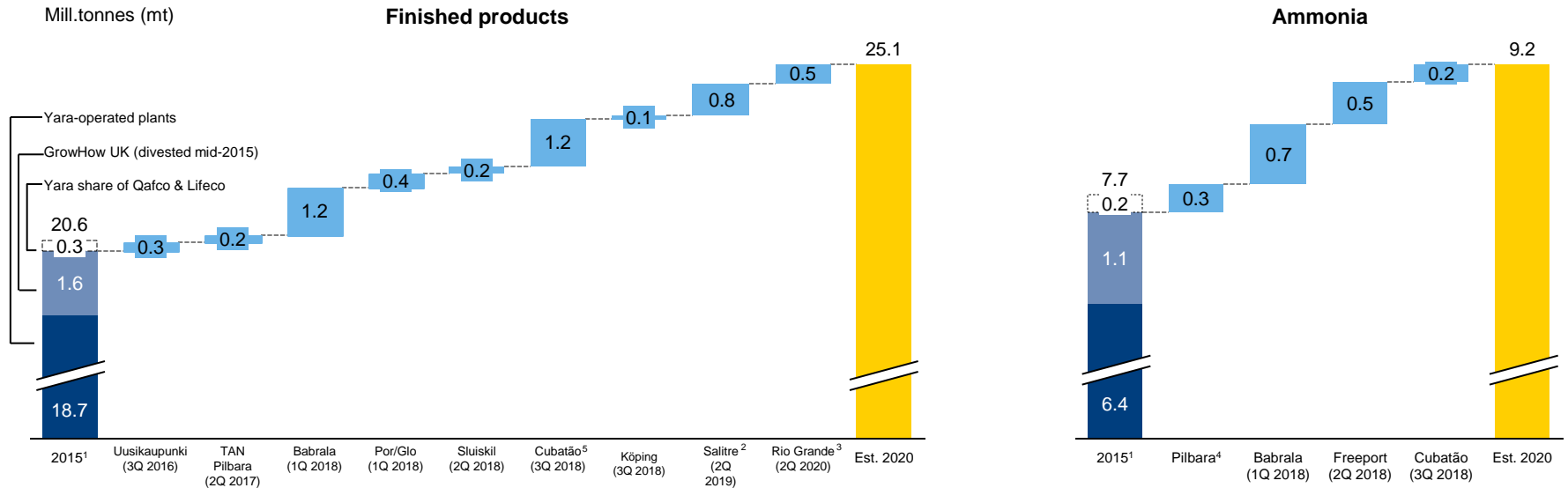
- We are quickly building a **strong pipeline of digital solutions**
- Every 3 months launch of 1-2 **digital solution teams**
- **Commercial pilots** in coming season
- **Examples**
  - Sensor-aided N-application
  - Nutrient optimization tailored to specific fields
  - Crop advisory platforms

<https://www.youtube.com/watch?v=ficvfTrMHno&feature=youtu.be>



# Yara is delivering on its growth pipeline; multiple plant expansions and M&A coming on stream in 2018

Production growth 2015 - 2020

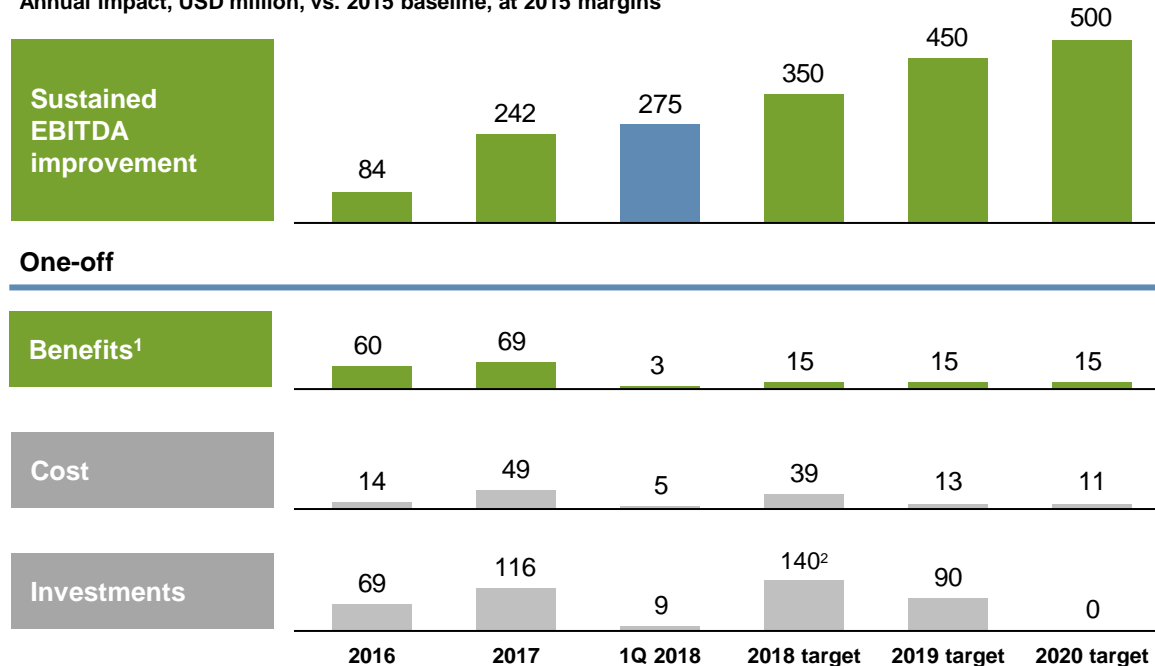


# Yara Improvement Program on track



- 2018 EBITDA benefits on track (in 2015 terms):
  - Yara Productivity System rolled out to 15 out of 30 sites.
  - Good reliability improvements in ammonia production
  - Energy efficiency improvements ahead of full target for 2018
- Focus for this year is to reach target but also to enable the organization to sustain already achieved benefits.

Annual impact, USD million, vs. 2015 baseline, at 2015 margins

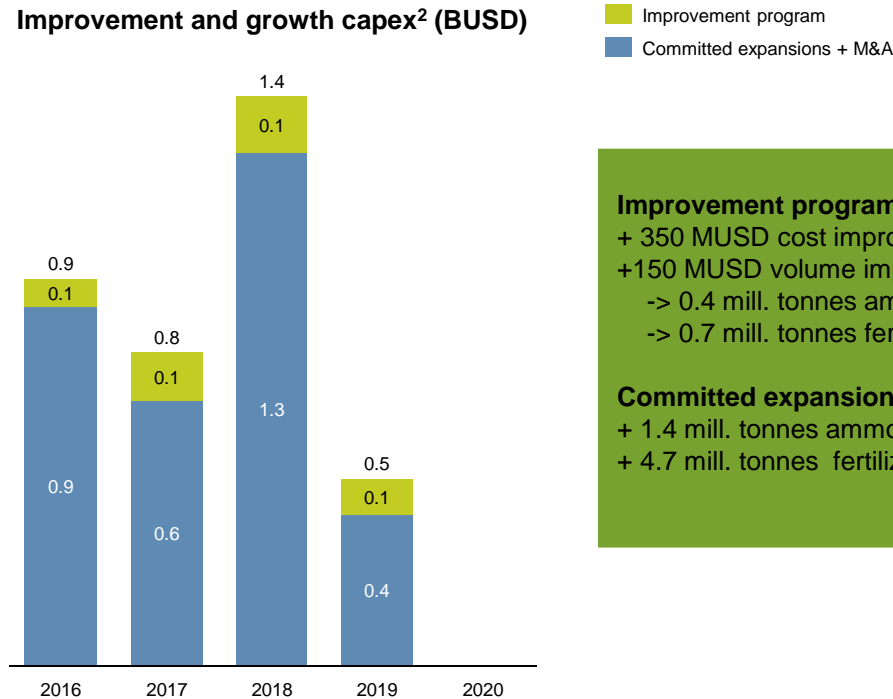


<sup>1</sup> One-off benefits are related to working capital improvements and white certificates

<sup>2</sup> Target One-off investments reduced as effect of Capex reduction program (total ~50mUSD less for 2018)

# Major improvement and growth investments in 2018; main earnings improvement from 2019 onwards<sup>1</sup>

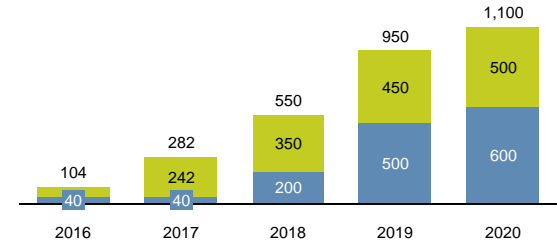
Improvement and growth capex<sup>2</sup> (BUSD)



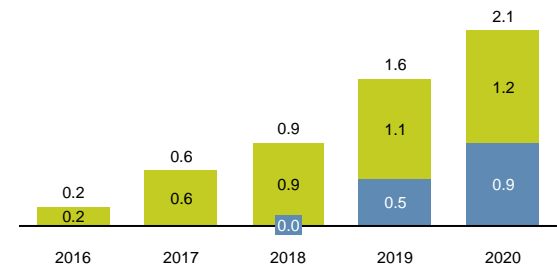
**Improvement program:**  
 + 350 MUSD cost improvement  
 +150 MUSD volume improvement:  
 -> 0.4 mill. tonnes ammonia  
 -> 0.7 mill. tonnes fertilizer

**Committed expansions + M&A:**  
 + 1.4 mill. tonnes ammonia  
 + 4.7 mill. tonnes fertilizer

EBITDA improvement<sup>3</sup> (MUSD)



Earnings improvement<sup>3</sup> (USD per share)



<sup>1</sup> Currency assumptions for 2018 onwards: USD/NOK 7.80, EUR/USD: 1.20, USD/BRL: 3.30

<sup>2</sup> Excluding maintenance capex on existing assets. Yara's share of capex. Fully consolidated entities presented at 100% basis

<sup>3</sup> Measured at 2015 conditions. Main average market prices: Ammonia fob Yuzhny 390 USD/t, Urea fob Yuzhny 275 USD/t, DAP fob Morocco 495 USD/t

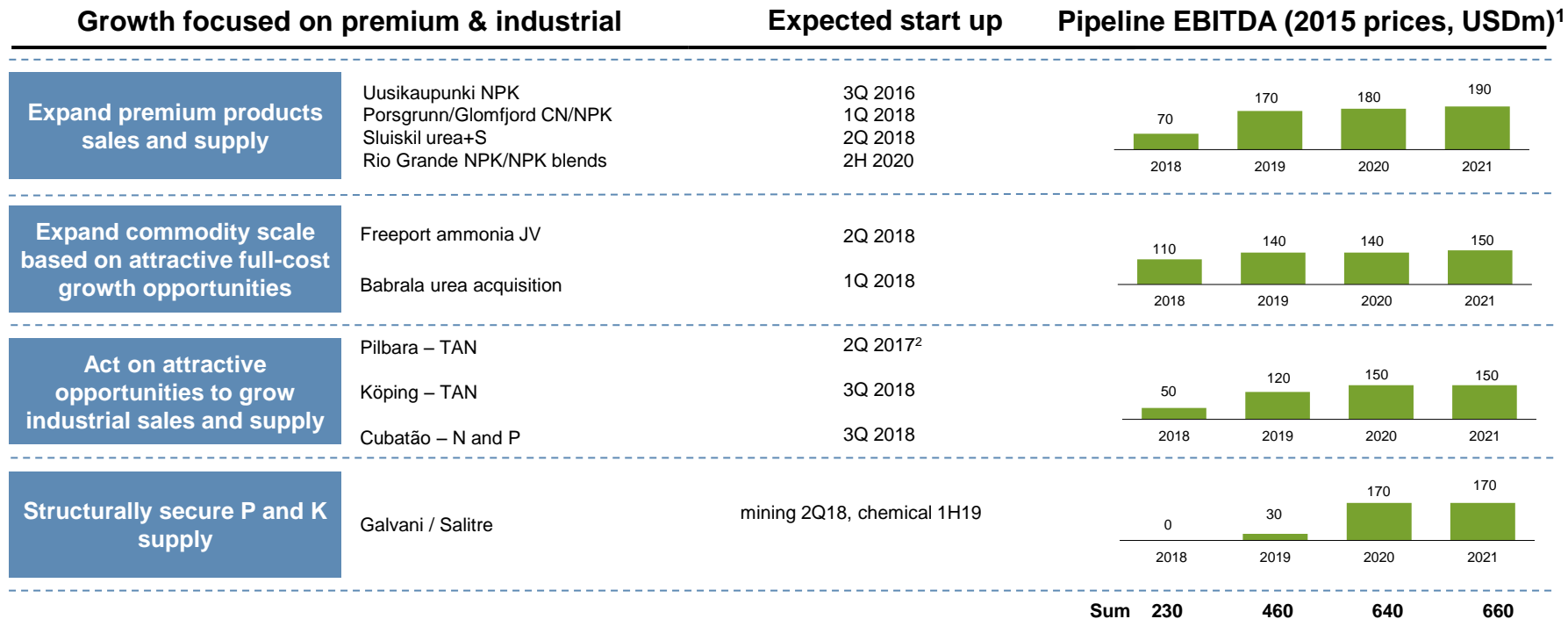


**Knowledge grows**





# Yara has expected commodity nitrogen oversupply, and has focused its growth pipeline on premium & industrial products



<sup>1</sup>) Including Yara's share of volume in non-consolidated investees. Fully consolidated entities presented at 100% basis

<sup>2</sup>) Plant started up in 2Q 2017, but has been down for technical reasons since 3Q 2017. Expected re-start 2Q 2018.

# 7 growth projects starting up during 2018 (1)

## Babrala (India)

*Acquisition of urea plant and distribution assets*



- Take-over 12 January
- 1.2 mt urea and approx 40 MUSD EBITDA p.a.
- Provides footprint to accelerate premium product growth

## Porsgrunn (Norway)

*NPK and calcium nitrate expansion*



- Start-up in 1Q
- Adds 250 ktpa and approx.
- Record nitric acid production in March (5,127 tpd)

## Freeport (US)

*Hydrogen-based ammonia new-build JV with BASF (Yara 68%)*



- Start-up in progress
- 550 ktpa and approx. 100 MUSD EBITDA p.a. (Yara share)
- Strengthens Yara's global ammonia position

# 7 growth projects starting up during 2018 (2)

## Sluiskil (NL)

*Revamp and urea+S expansion*



- Start-up in 2Q
- Adds approx. 210 ktpa and 30 MUSD EBITDA p.a.
- Improved product mix - from urea prills to nitrates and urea+S

## Salitre (Brazil)

*Phosphate mine*



- Start-up in 2Q (rock production only)
- Adds approx. 1.1 mtpa SSP equivalents by 2020
- Limited earnings until chemical production starts mid-2019

## Cubatao (Brazil)

*N and P production facility acquisition*



- Closing expected mid-2018
- 1.4 mtpa and approx. 60 MUSD EBITDA p.a.
- Strengthens production and industrial footprint in Brazil

## Köping (Sweden)

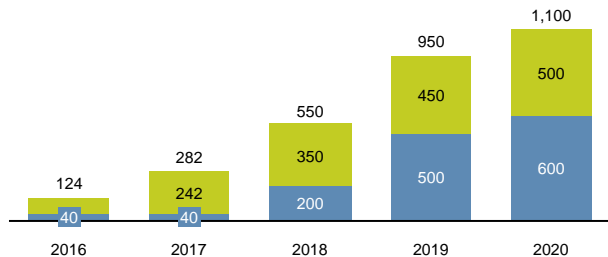
*Nitric acid revamp and TAN expansion*



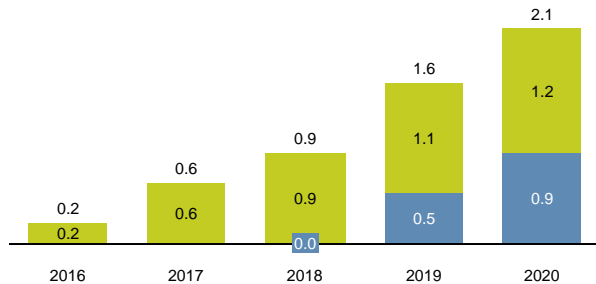
- Start-up in 3Q
- 90 ktpa and approx. 50 MUSD EBITDA p.a.
- Strong long-term fundamentals for civil explosives industry

# Improvement and growth investments; earnings and sensitivities<sup>1</sup>

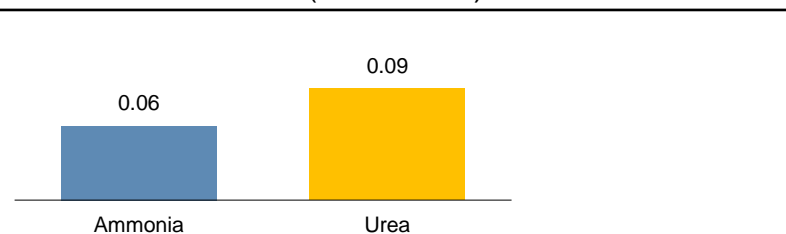
EBITDA improvement<sup>2</sup> (MUSD)



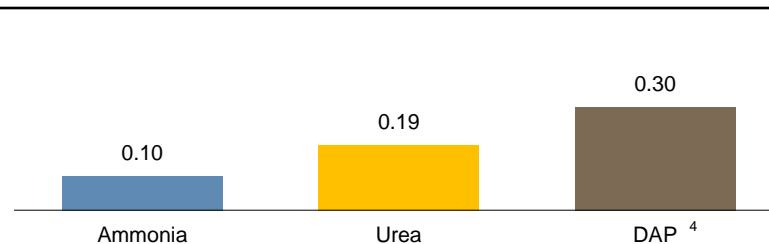
Earnings improvement<sup>2</sup> (USD per share)



Improvement program: Impact<sup>3</sup> of +100 USD/t price change (USD/share)



Growth: Impact<sup>3</sup> of +100 USD/t price change (USD/share)



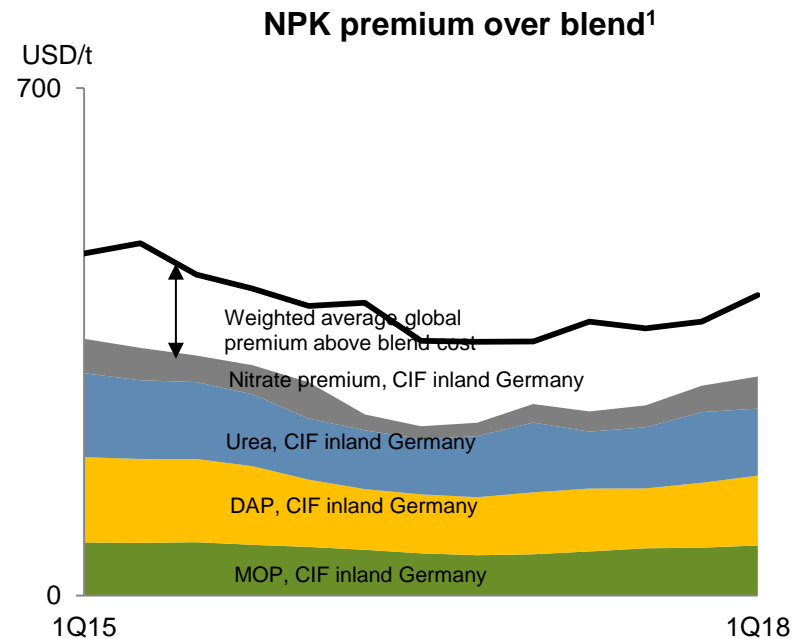
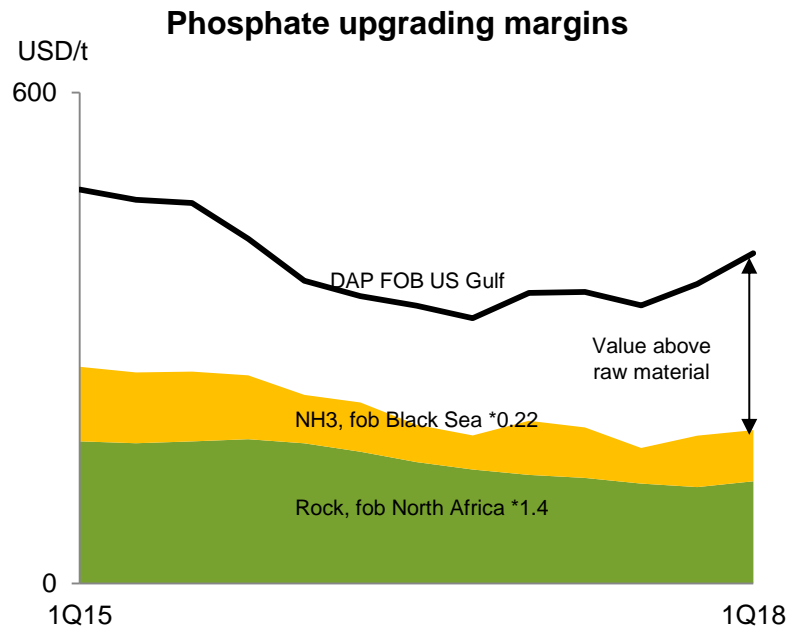
<sup>1</sup> Currencies for all amounts from 2018: USD/NOK 7.80, EUR/USD: 1.20, USD/BRL: 3.3

<sup>2</sup> Measured at 2015 conditions. Main average market prices: Ammonia fob Yuzhny 390 USD/t, Urea fob Yuzhny 275 USD/t, DAP fob Morocco 495 USD/t.

<sup>3</sup> Improvement: 2020 numbers. Growth: At full capacity (2019 for urea and ammonia, 2020 for DAP).

<sup>4</sup> Phosphate-driven price change, equivalent to 138 USD/t phosphate rock (72 bpl)

# Solid commodity phosphate margins and compound NPK premiums

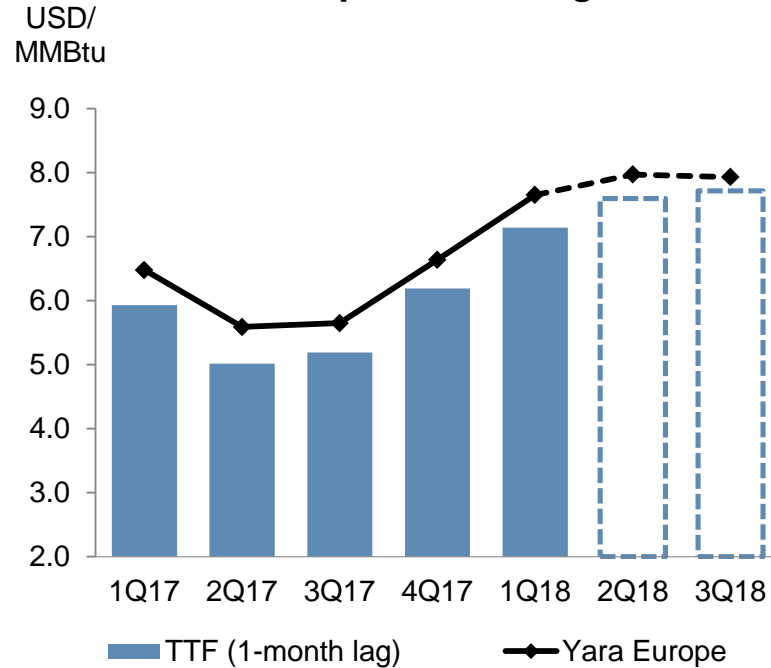


1) Export NPK plants, average grade 19-10-13, net of transport and handling cost.

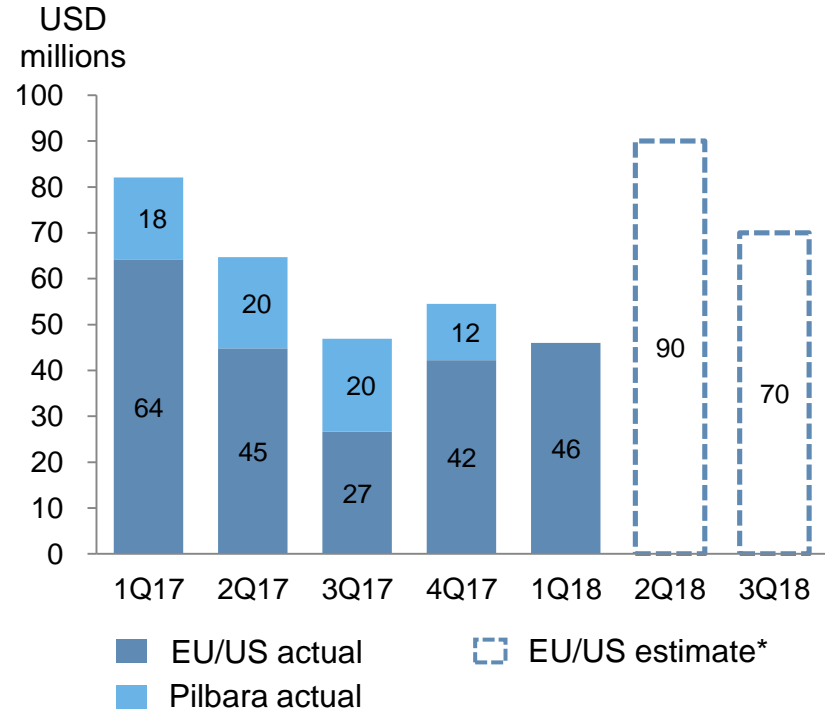
Source: Fertilizer Market Publications

# Higher natural gas cost expected for the next two quarters

## Yara European natural gas cost



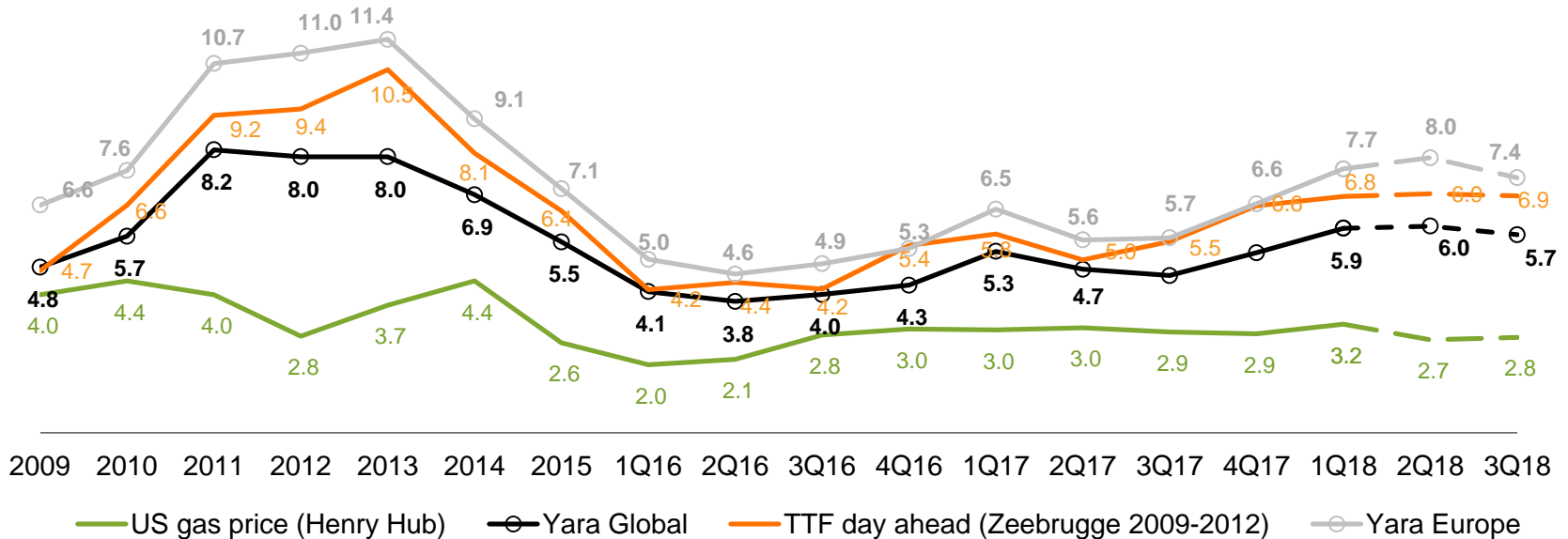
## Change in global natural gas cost



\*Dotted lines denote forward prices as of 30 January 2018  
 Source: Yara, World Bank, Argus/ICIS Heren

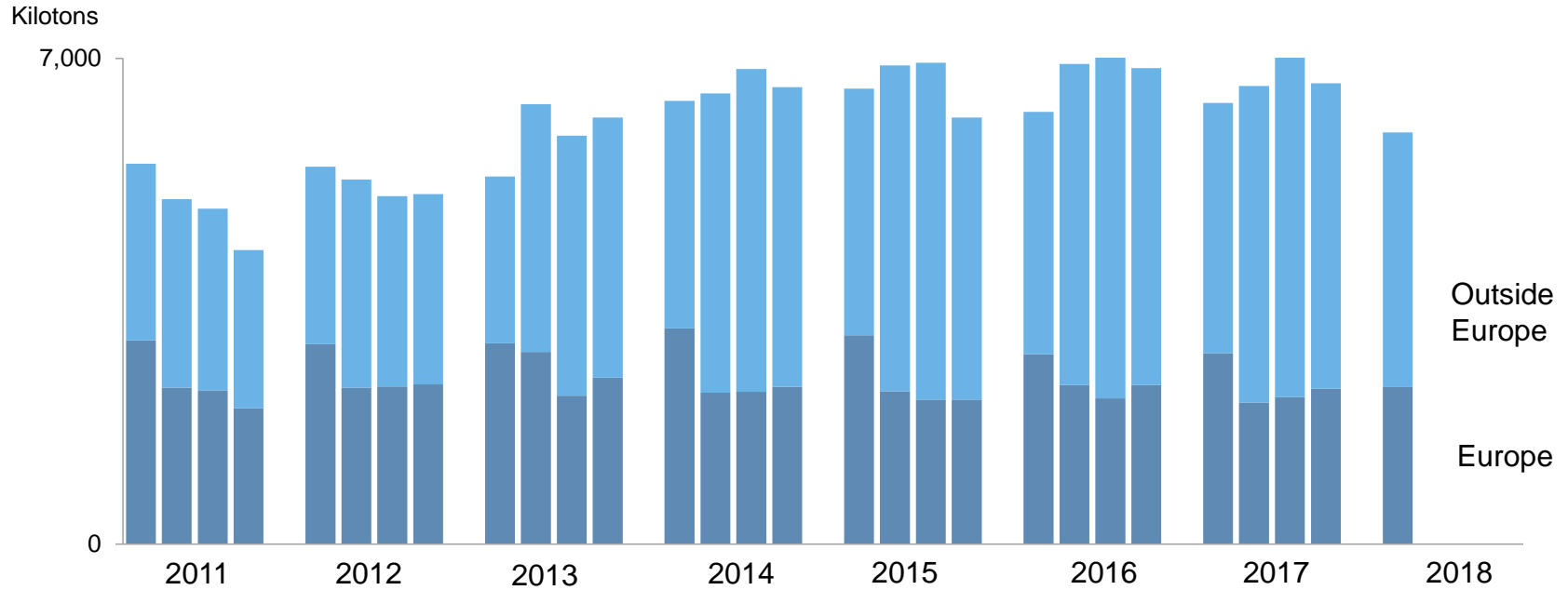
# Energy cost

Yearly averages 2009 – 2015, quarterly averages for 2016-18 with forward prices\* for 1Q18 and 2Q18.



\*Dotted lines denote forward prices as of 30 January 2018  
 Source: Yara, World Bank, Argus/ICIS Heren

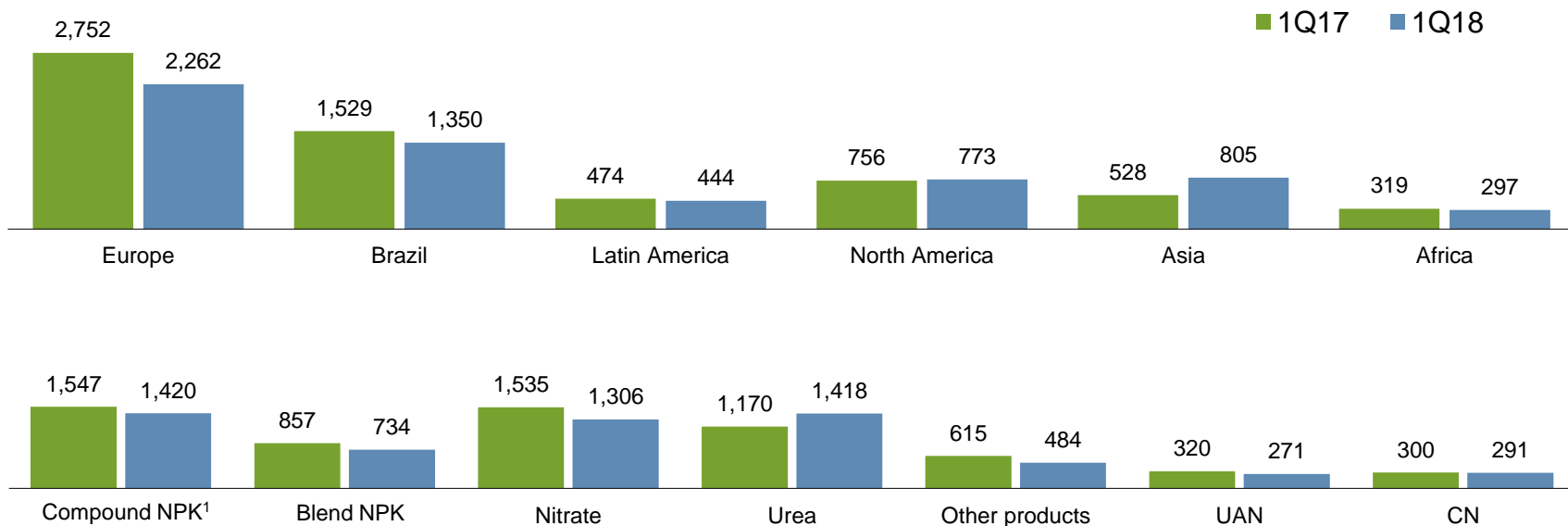
# Fertilizer deliveries





# Yara 1Q fertilizer deliveries by market and product

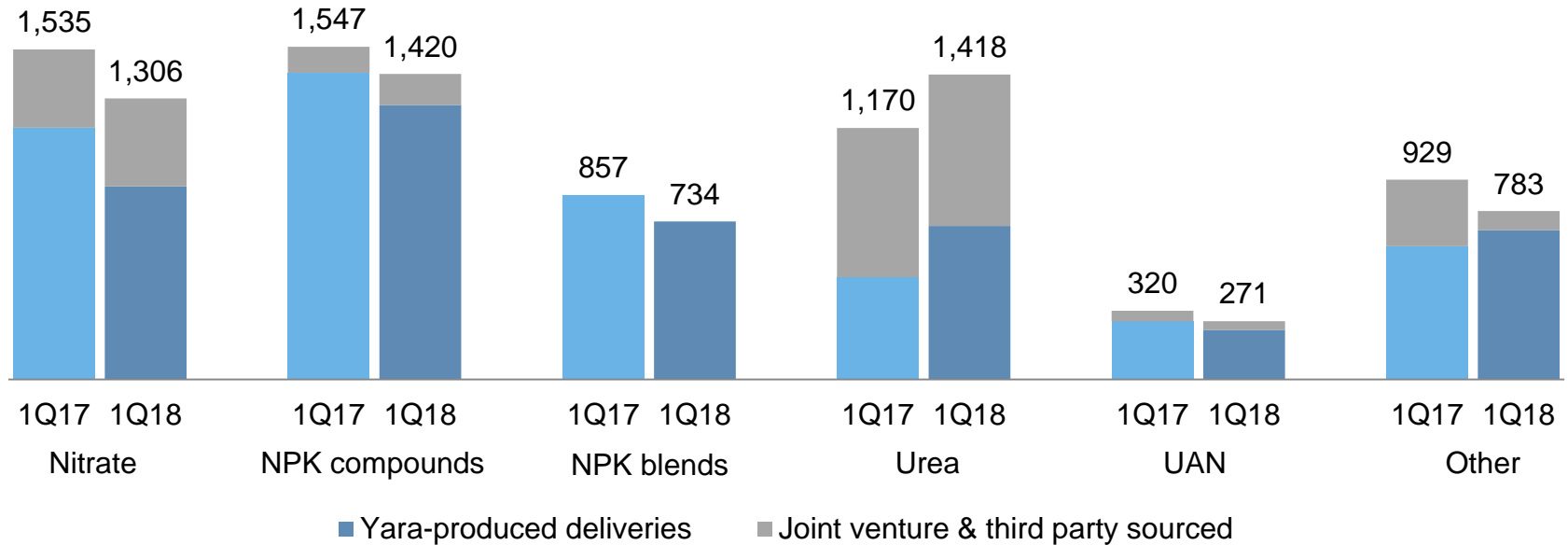
Kilotons



1) Yara-produced compound NPK and third party sourced (Total NPK minus blend NPK)

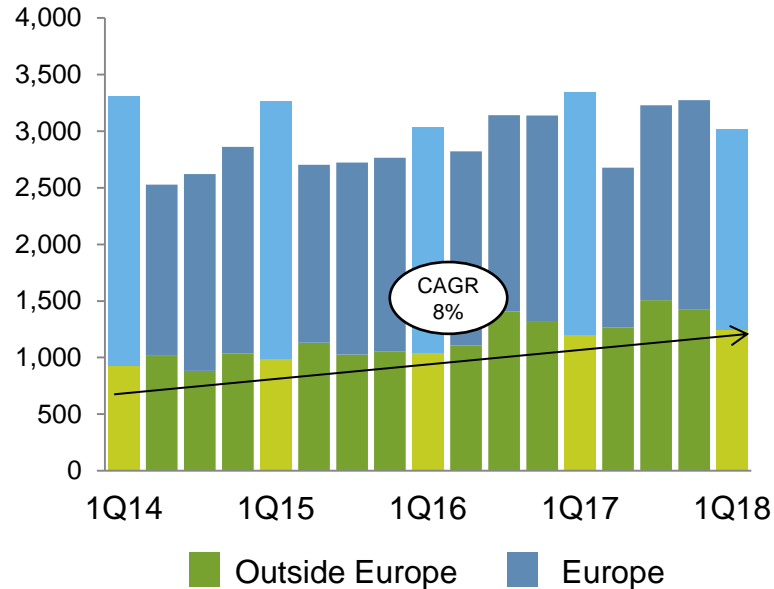
# Fertilizer deliveries by product and source

Kilotons

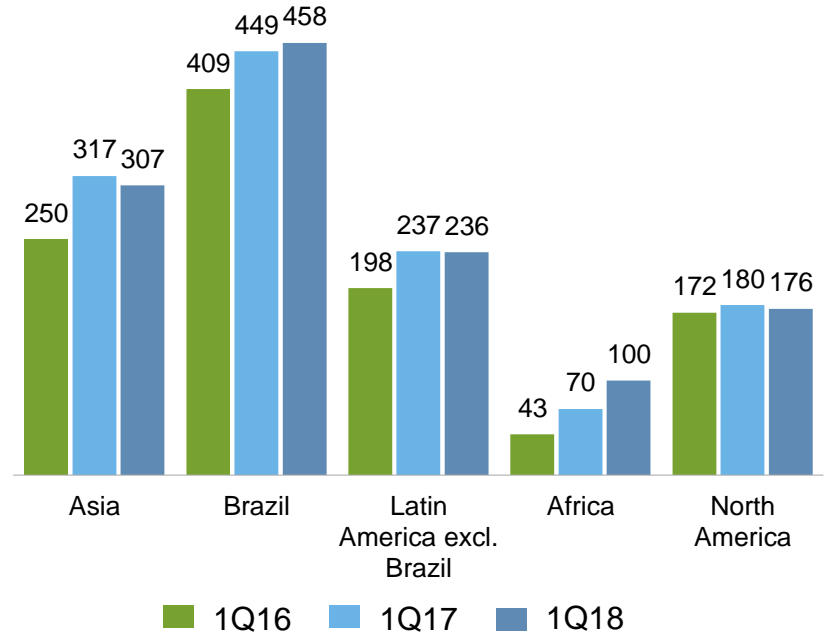


# Strong premium product deliveries

**Value-added fertilizer deliveries<sup>1</sup>**



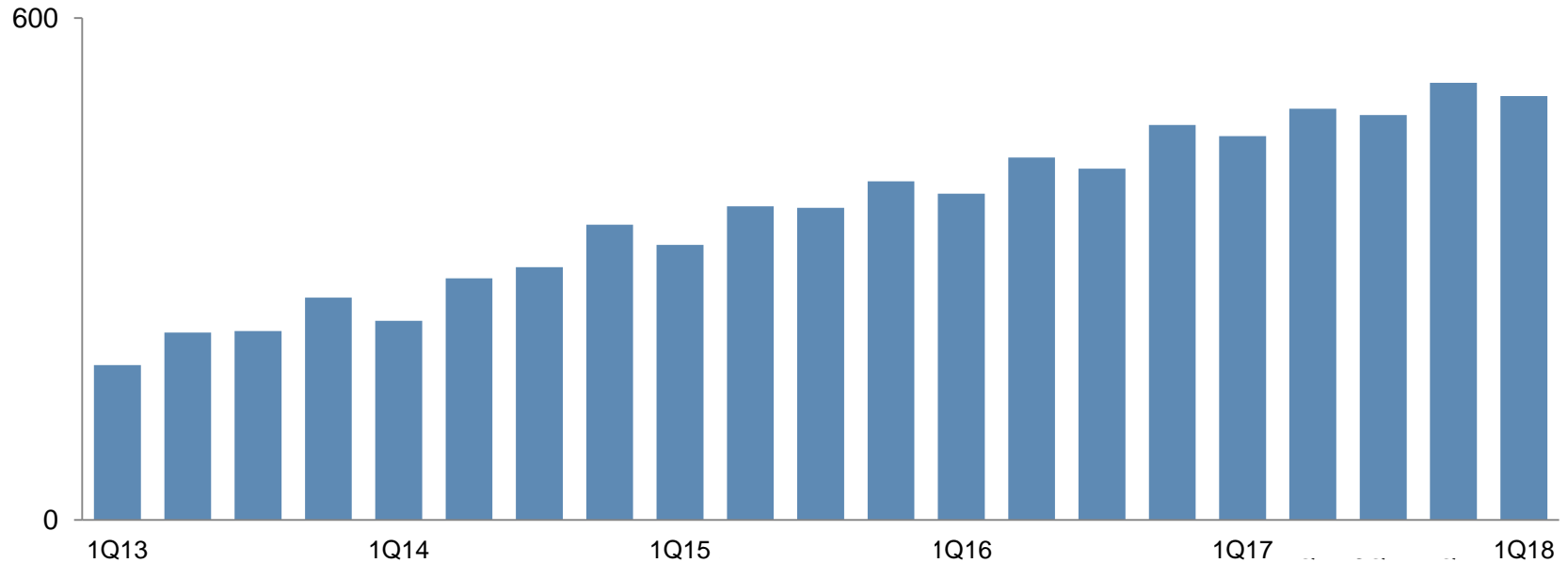
**Value-added fertilizer deliveries<sup>1</sup>**



1) YaraBela, YaraMila and YaraLiva deliveries

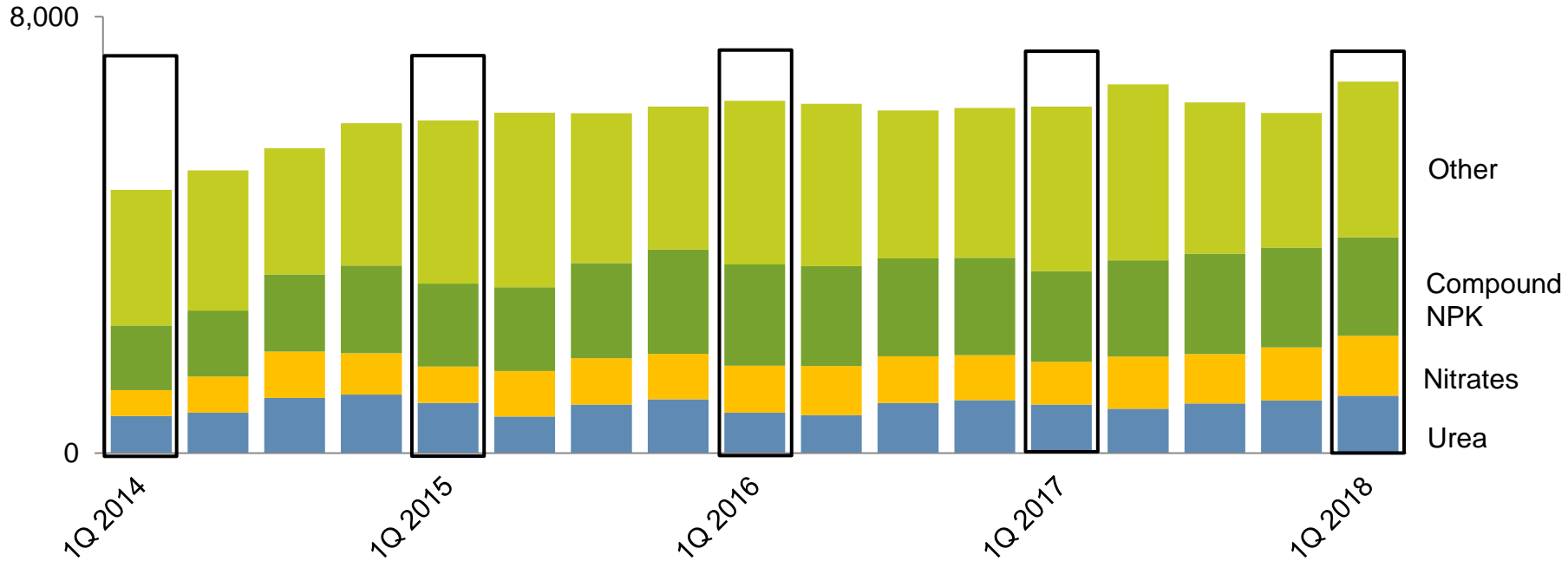
# AdBlue deliveries

Kilotons



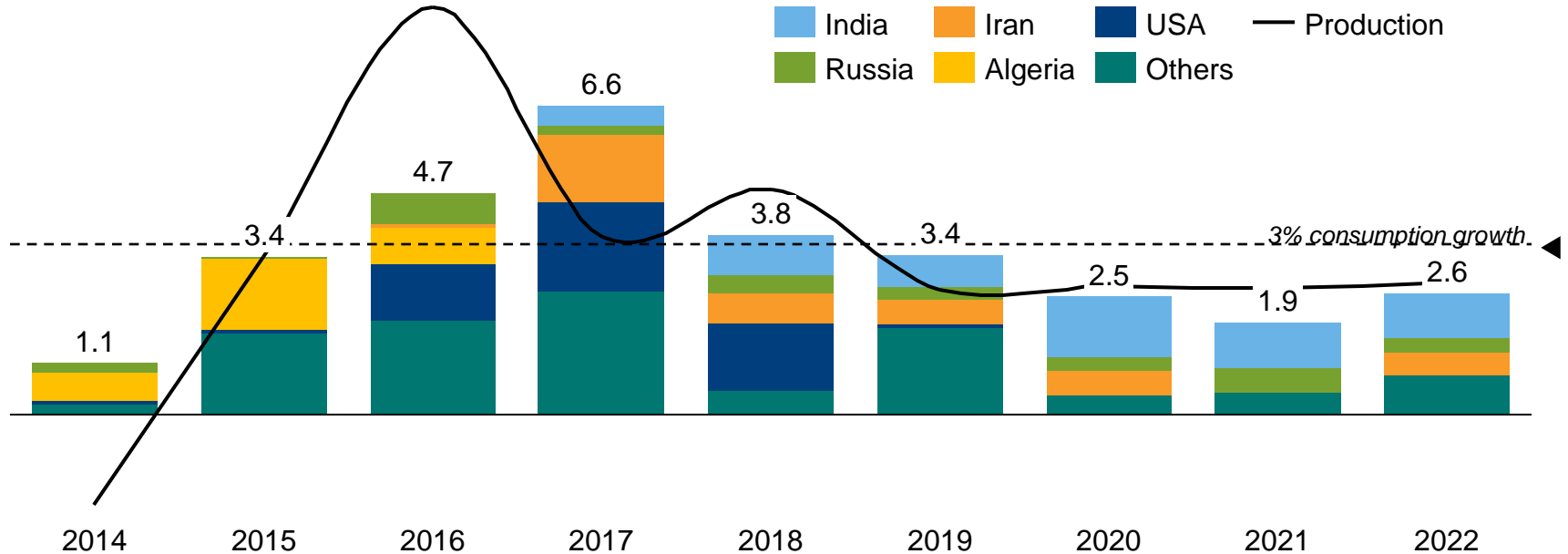
# Yara stocks

Kilotons  
Finished fertilizer



# Peak of new capacity was in 2017, but higher production growth forecast for 2018

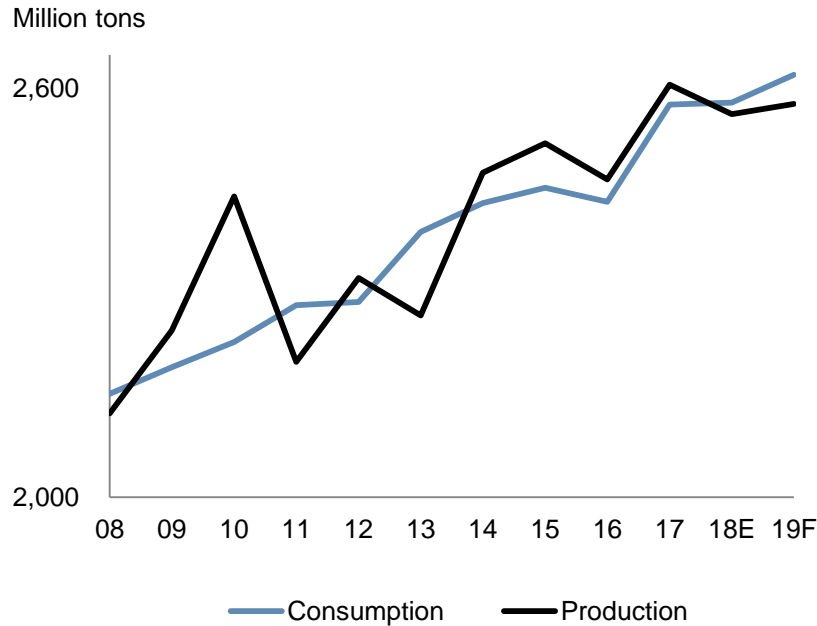
Global urea capacity additions excl. China (mill. tonnes)



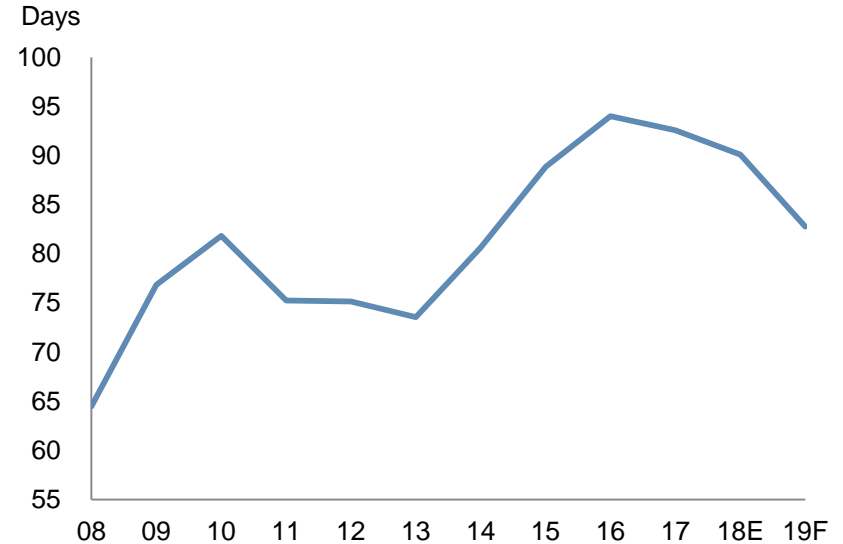
Source: CRU March 2018 - CRU has removed Dangote Fertilizer, Nigeria (3 mill tons) from the medium-term forecast and shifted the project to 2023

# Steady growth in grain consumption, while production growth is more volatile due to weather variations

## Grain consumption and production

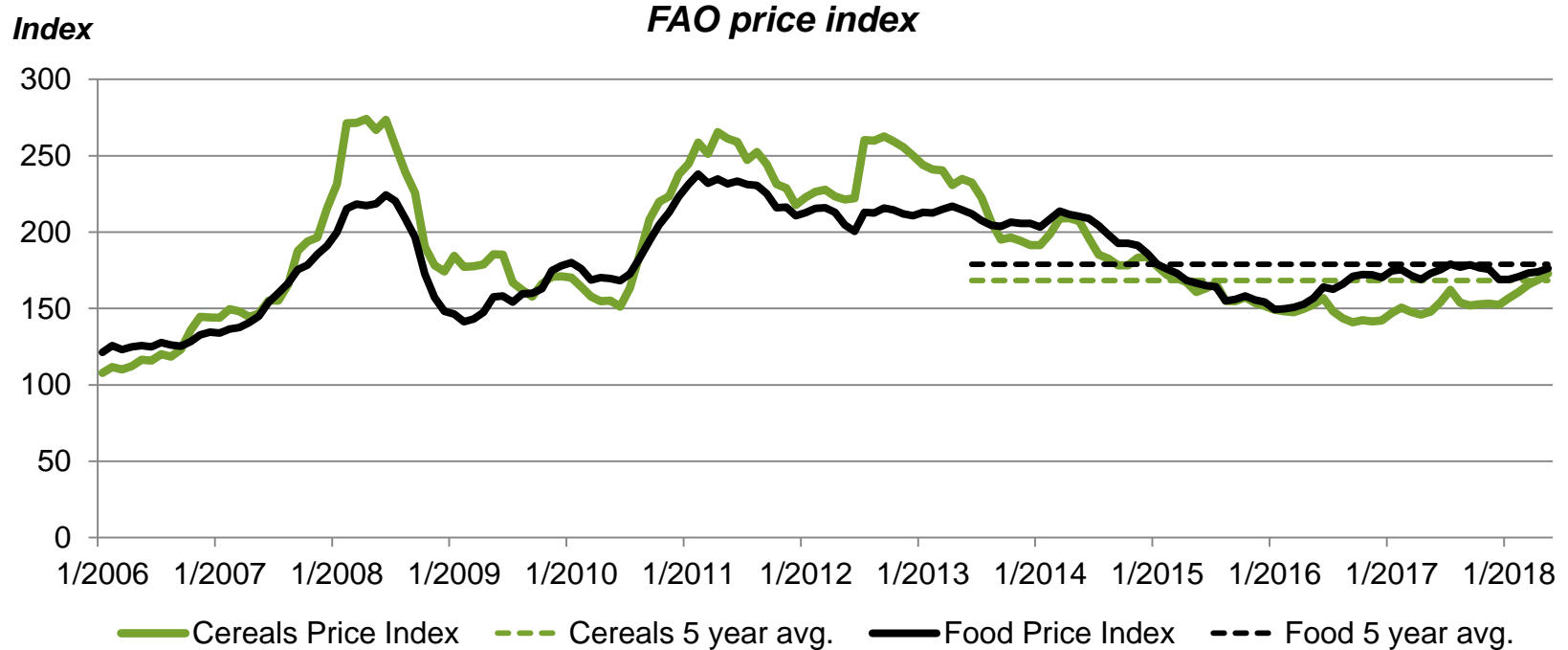


## Days of consumption in stocks



Source: USDA May 2018

# Relatively weak grain economics

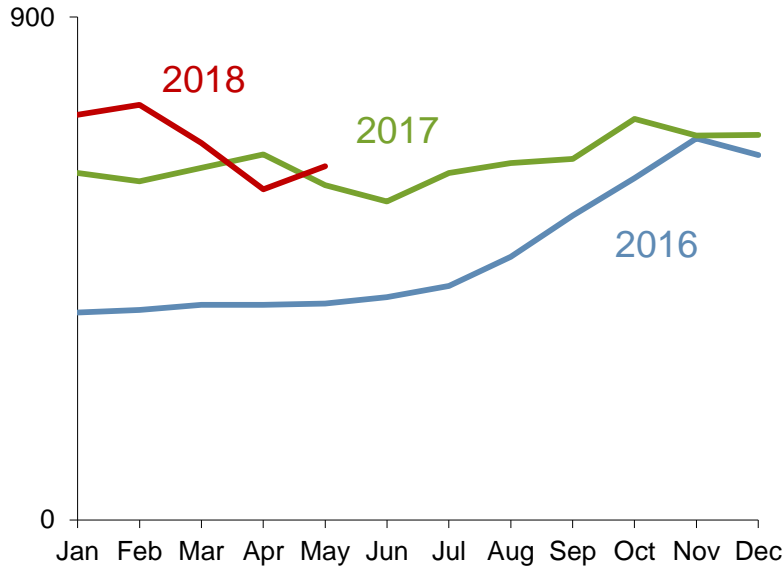


Source: FAO

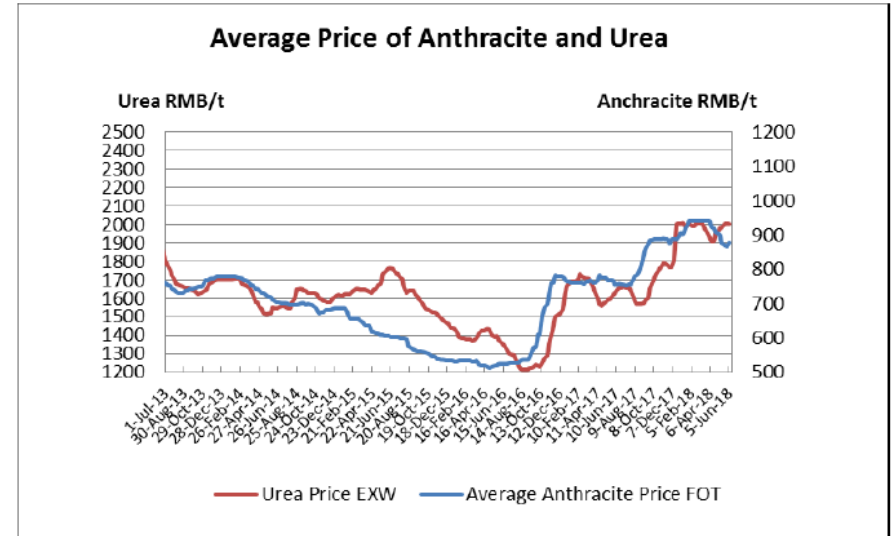


# China: Increased coal prices have driven nitrogen prices higher

Coal price in China (fob Qinhuangdao 5500, RMB/mt)



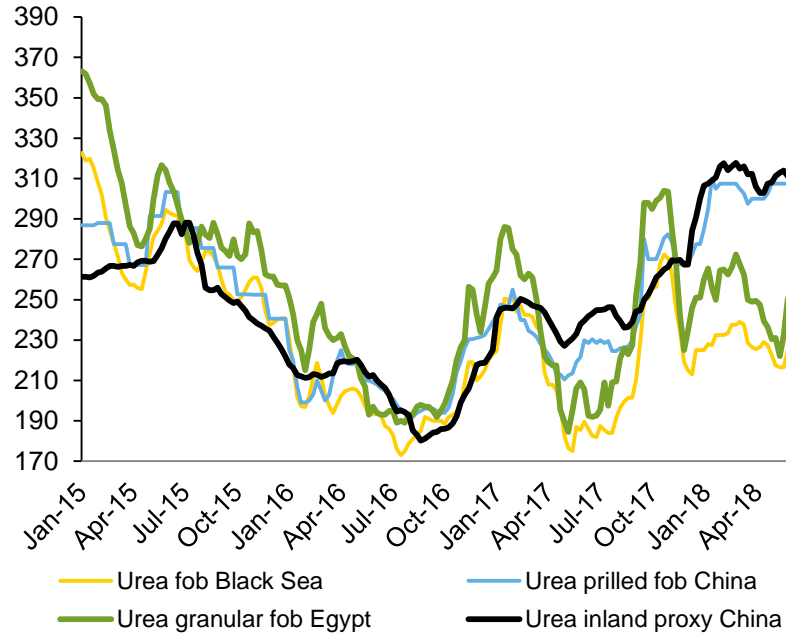
China anthracite and urea prices (RMB/mt)



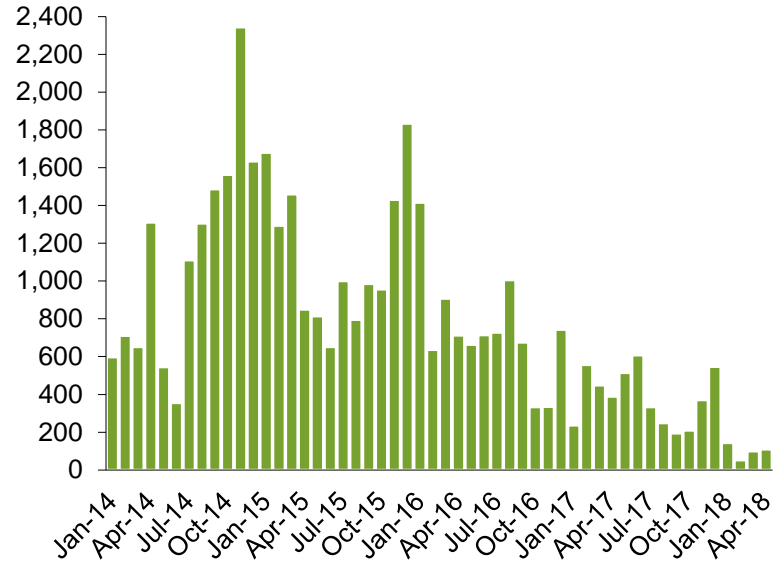
Source: IHS, CFMW

# Higher domestic price and lower exports from China are offsetting oversupply elsewhere

## Increasing urea pricing (USD/ton)



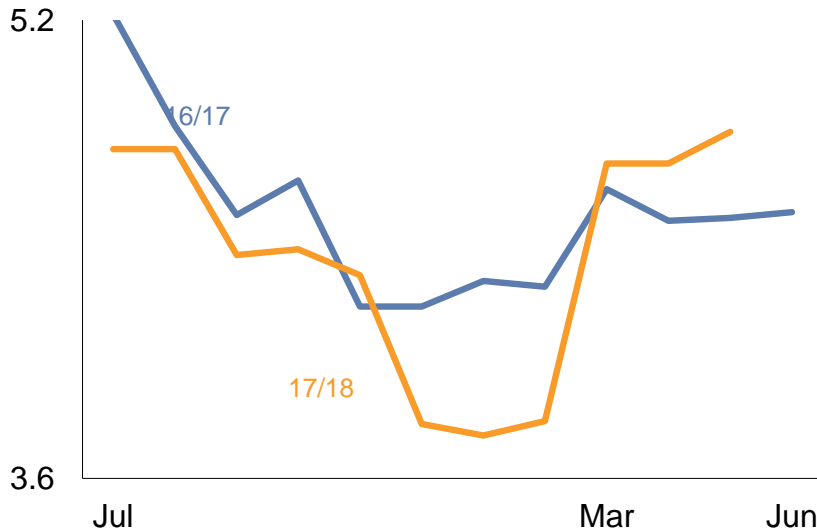
## Chinese export is falling (1000 tons)



Source: BOABC, CFMW

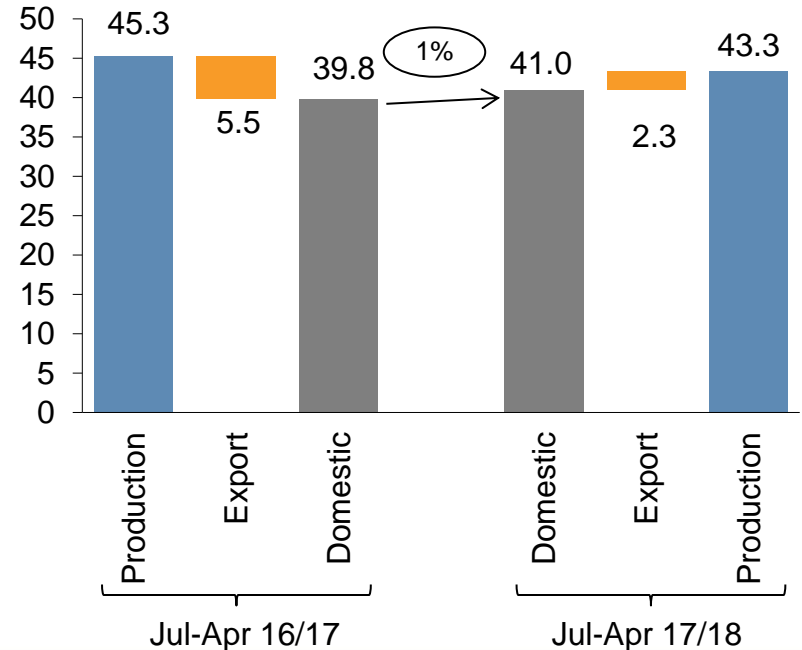
# Chinese domestic supply stable, as export decline offsets lower production

Chinese urea production down vs last year (million tons)

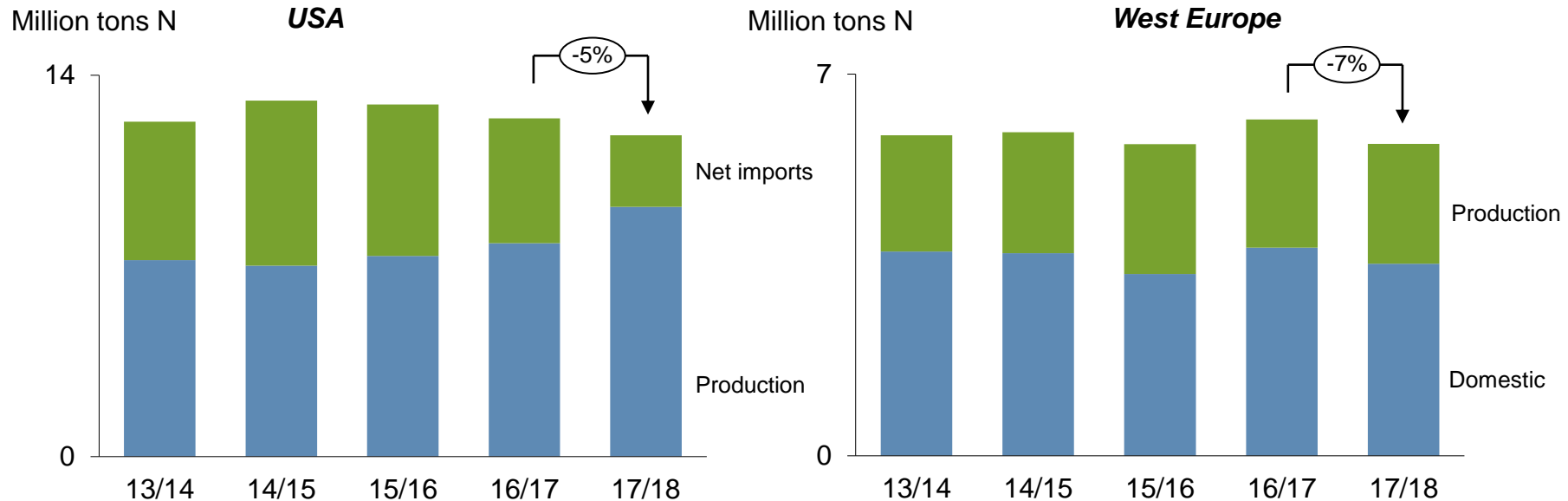


Source: CFMW, covering close to 100% of production

Export reduction so far kept supply stable (million tons)

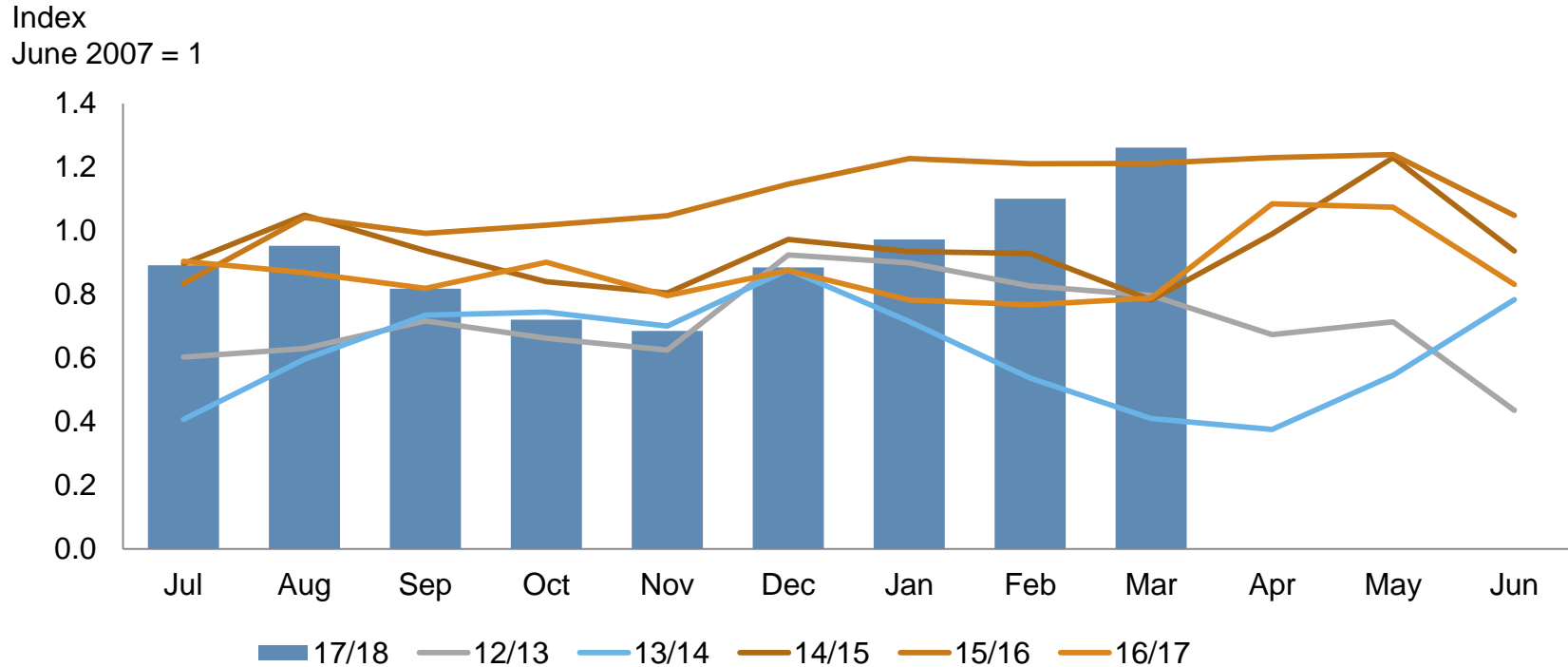


# Deliveries in USA and Europe lagging last season, partly due to late spring



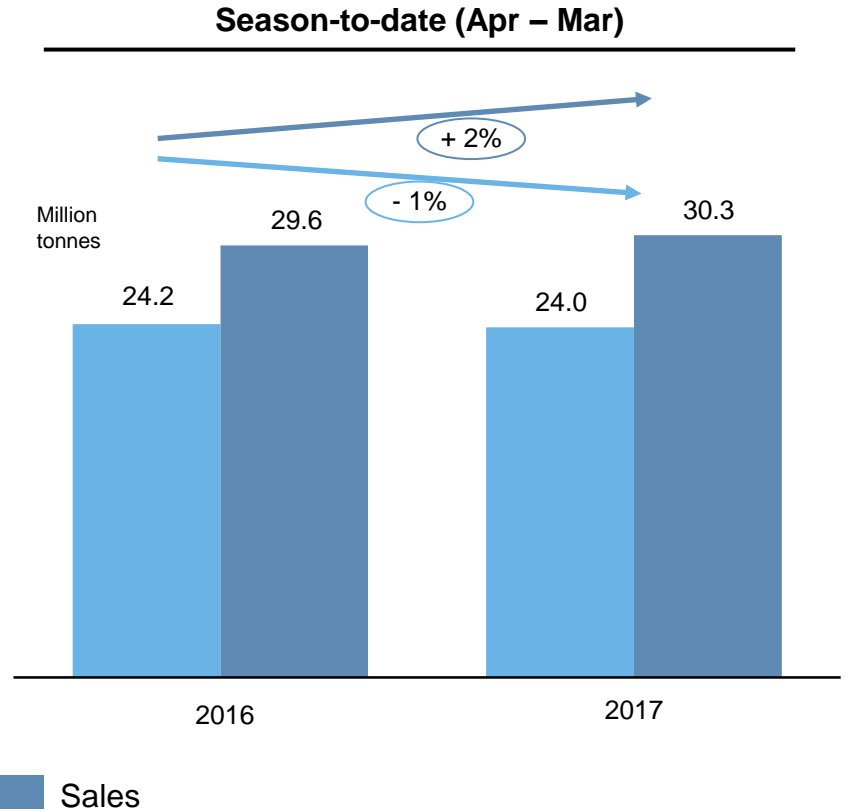
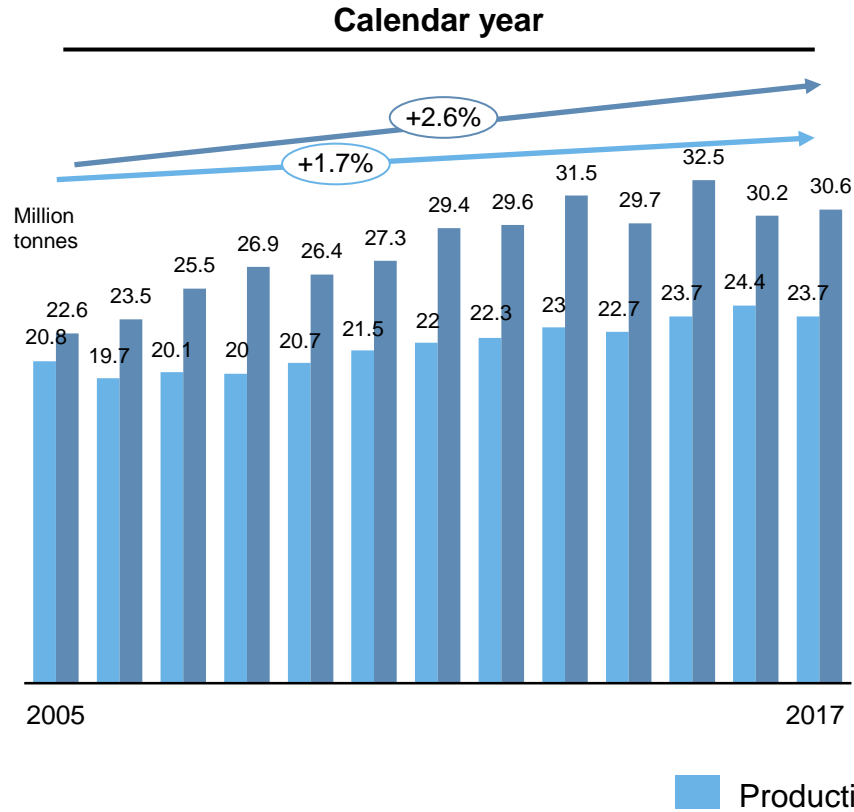
Source: Yara estimate for fertilizer deliveries to selected West European countries.  
Total nitrogen deliveries based on TFI, US Trade Commission, Blue-Johnson and Yara estimates

# European producers' nitrate stocks



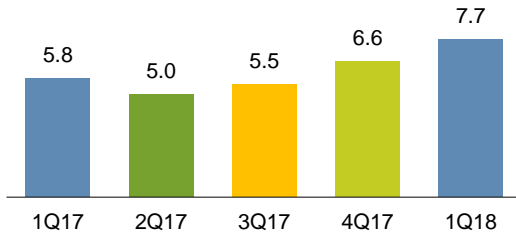
Source: Fertilizers Europe, March estimate by Yara

# Modest import catch-up need in India

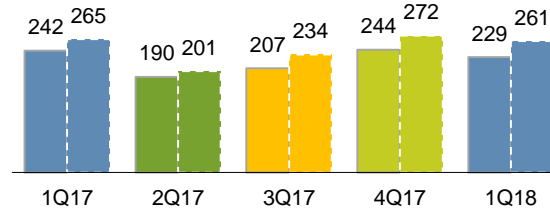


# Key value drivers – quarterly averages

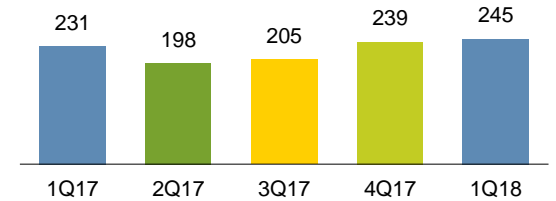
TTF day ahead (USD/MMBtu)



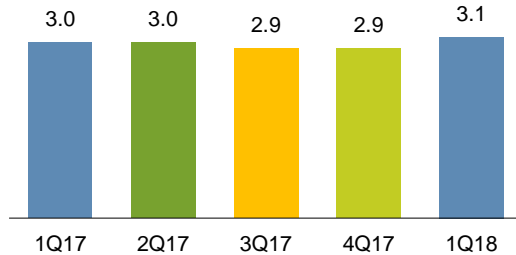
Urea prilled fob Black Sea (USD/t)/Urea granular fob Egypt (dotted line, USD/t)



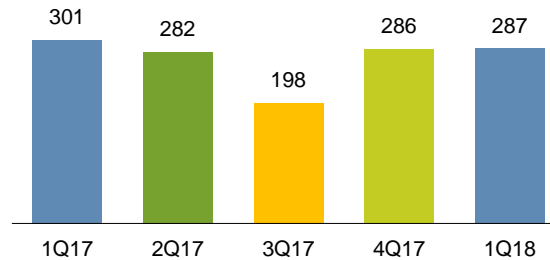
CAN cif Germany (USD/t)



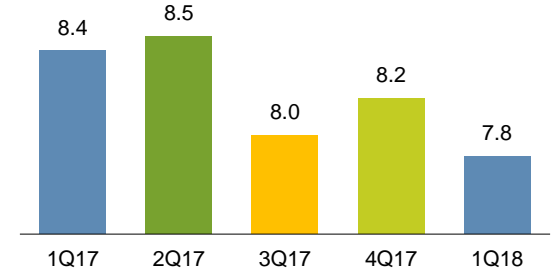
US gas price Henry Hub (USD/MMBtu)



Ammonia fob Black Sea (USD/t)

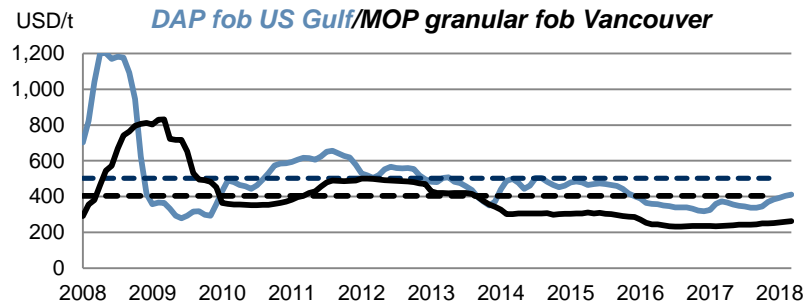
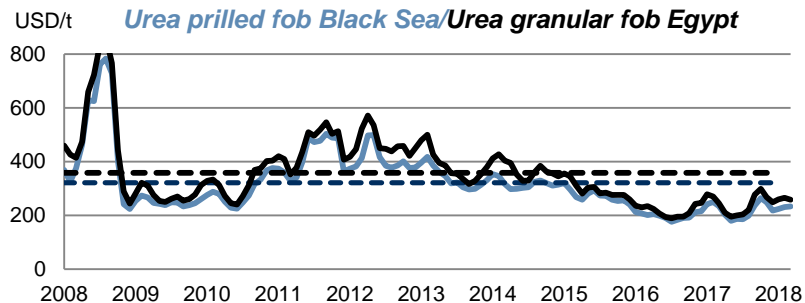
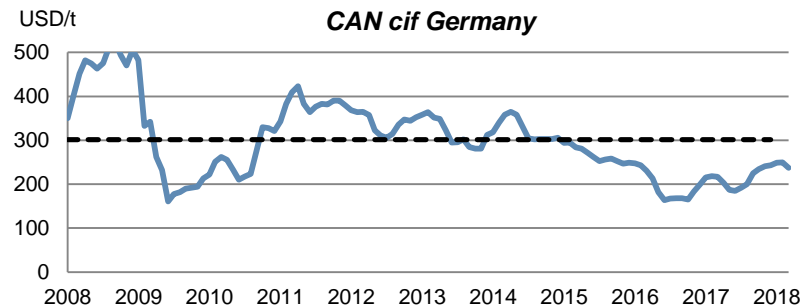
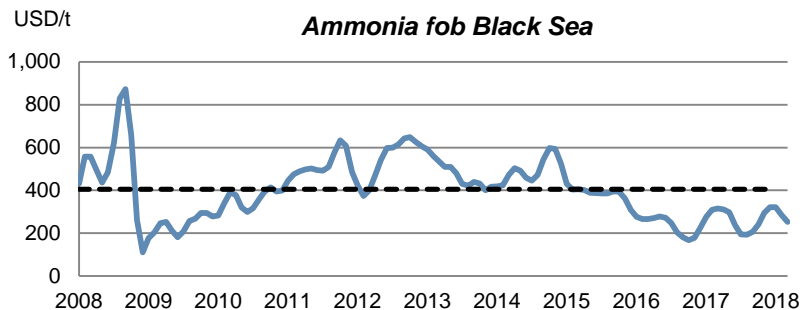


NOK/USD exchange rate



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

# 10-year fertilizer prices – monthly averages



Source: Fertilizer Market Publications

--- Average prices 2008 - 2017





**Knowledge grows**

