S&P Global Ratings

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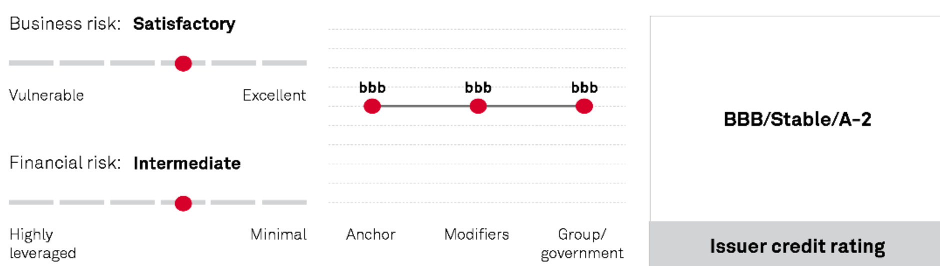
Yara International ASA

December 14, 2021

Ratings Score Snapshot



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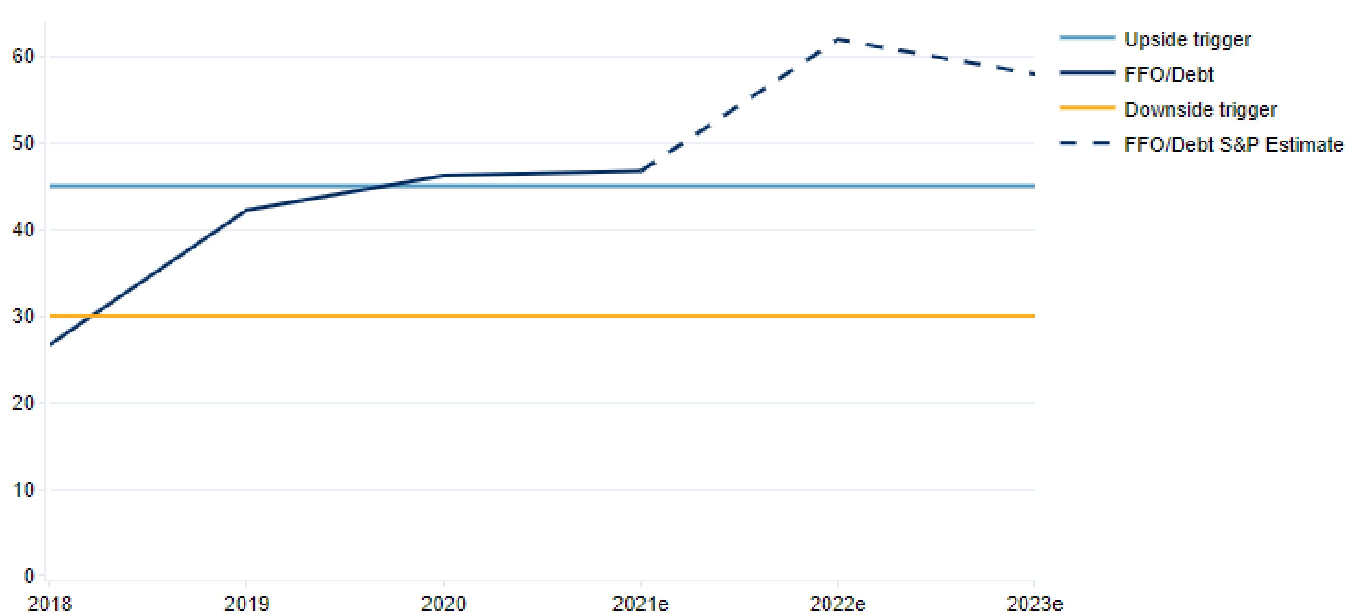
Credit Highlights

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 volatile--and currently high--European gas prices.
Higher-margin specialty fertilizers that are increasingly contributing to profits.	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.

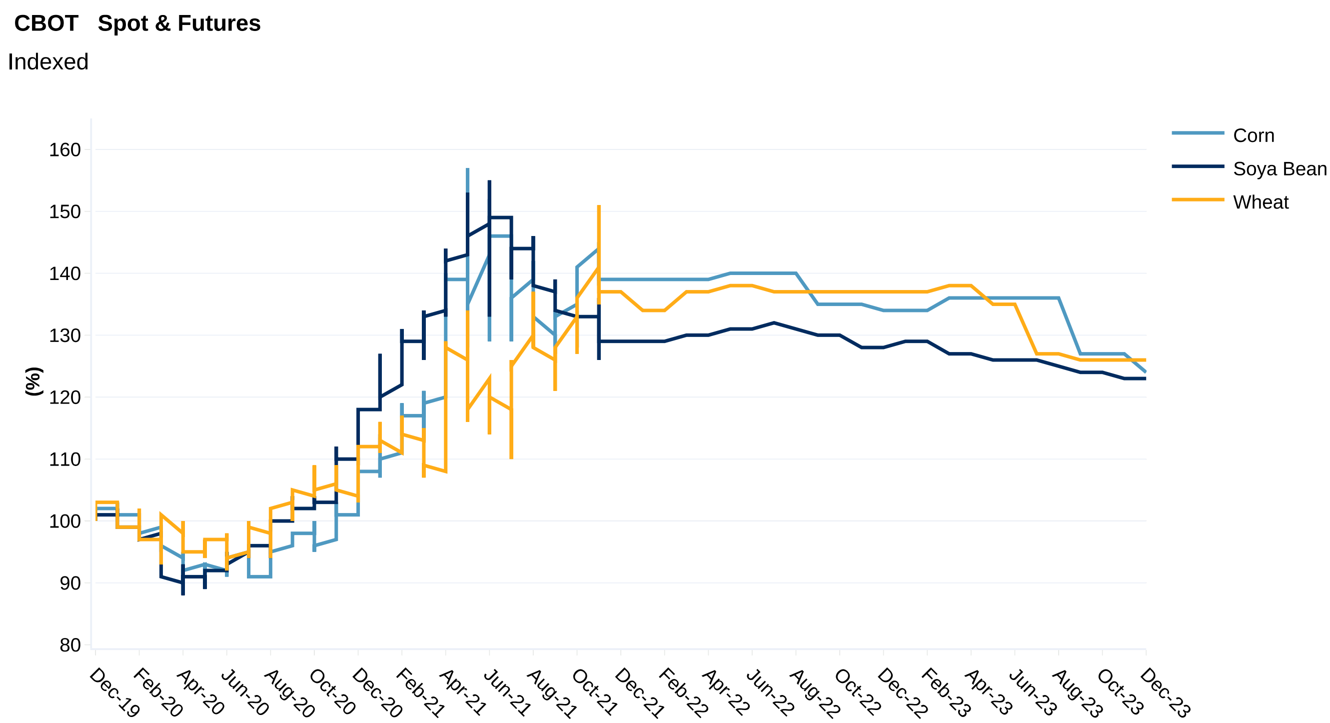
S&P Global Ratings forecasts that Yara's credit metrics will remain at the higher end of the threshold that we view as commensurate with the rating, despite increased distributions to shareholders. We forecast Yara's funds from operations (FFO) to debt at 46%-48% in 2021, supported by strong fertilizer prices and increased share of premium products in deliveries, which more than offset higher energy costs. The company's strong operating performance allowed it to increase distributions to shareholders while maintaining headroom under its current rating. We expect that Yara will generate negative free operating cash flow (FOCF) in 2021, as a result of the build-up of working capital that will use about $1.2 billion of cash, and negative discretionary cash flow (DCF) due to increased shareholder remuneration totaling approximately $1.6 billion. We believe that the headroom under the current rating is sufficient to offset some of the potential volatility in earnings inherent in the industry. We understand that management remains committed to the current 'BBB' rating, which is a credit positive in our view. Yara has a demonstrable track record of balancing the interests of its different groups of stakeholders. For example, in 2018 when credit metrics were below the threshold that we view as commensurate with the rating, Yara reduced its distributions to shareholders to preserve cash.

FFO/Debt Versus Outlook



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

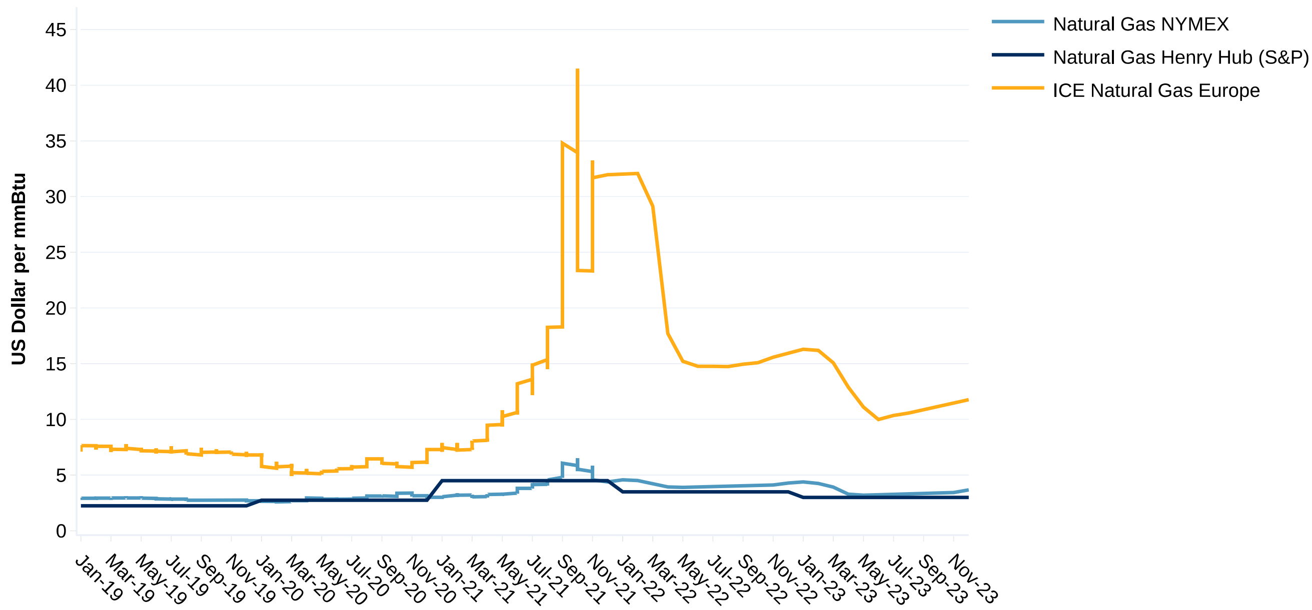
We expect the fertilizer market to remain demand-driven in 2022, with resilience in prices relative to natural gas costs. High crop prices have supported the affordability of fertilizers in 2021 and therefore the fertilizer producers' ability to pass through the high energy costs. These higher crop prices reflect healthy fundamentals, in particular the firm demand globally for food and lower grain crop inventories following the 2020-2021 season. We expect strong agricultural demand for fertilizers over 2021 and into 2022, as the consumption of grain crops is outpacing production and low stock levels will take time to replenish. In addition, capacity utilisation rates will likely remain balanced, aided by lower exports from China that partially offset the supply additions anticipated in 2022. Beyond 2022, we anticipate nitrogen fertilizer prices to abate as new capacity additions are expected to come online, for example from Nigeria, India, and Russia.



Source: Bloomberg

The structural cost disadvantage between European and U.S. fertilizer producers has widened in 2021. European gas prices have significantly outpaced the U.S. Henry hub price increase in 2021. We expect that the European Title Transfer Facility (TTF) will remain volatile, and that the market rebalancing will take time as the drivers are structural, and the supply-demand gap is large. As such, European producers will remain at a disadvantage compared with fertilizer peers operating in North America, Russia, or the Middle East. For Yara, this is partially mitigated by the 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 either directly or through joint ventures in the U.S., Canada, and Trinidad that have access to low-cost natural gas feedstock. In September 2021, because of the record high natural gas price in Europe and its effect on ammonia production margins, and scheduled maintenance, Yara curtailed around 40% of its European ammonia production capacity. We understand that most of the production has now resumed, as the market for nitrogen fertilizers has rebalanced quickly, resulting in high urea and nitrate prices that allow Yara to earn a positive margin. Yara's 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, limiting the effect of shortenings on downstream fertilizer production. Ammonia prices have not risen as sharply as the prices of nitrates or commodity fertilizers which supported Yara's margins in 2021 however, the durability of this trend is outside the company's control and therefore, a source of uncertainty.

Natural Gas Prices



Source: Bloomberg & S&P Global Ratings. mmBtu-- one million british thermal units S&P Global Ratings.

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 2021, Yara's adjusted EBITDA will amount to $2.7 billion-$2.8 billion, benefiting from strong pricing that more than offsets the high feedstock costs, reflecting a cyclical upturn with above-mid-cycle conditions.

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 $2.7 billion-$2.8 billion in 2021, reflecting the ongoing strong demand for fertilizers, which we assume will more than offset the effect of high feedstock costs. In 2022, we assume adjusted EBITDA of $2.9 billion-$3.0 billion, factoring in our assumption of higher prices of urea more than offsetting the higher prices of natural gas.

- Capex of $1.1 billion in 2021 and $1.4 billion in 2022, including the phasing impact from 2021. This figure factors in maintenance capex, leaving room for bolt-on acquisitions and growth investments.
- A material working capital outflow in 2021 amounting to $1.2 billion, followed by a $0.3 billion release in 2022.
- Total shareholder distributions, including dividends and buybacks, of about $1.6 billion in 2021. Going forward, we project regular dividends of about $400 million per year, equating to approximately 50% of net income.
- Our base case includes the proceeds from the disposal of Salitre phosphate mining project to EuroChem for $410 million in 2022.

Key metrics

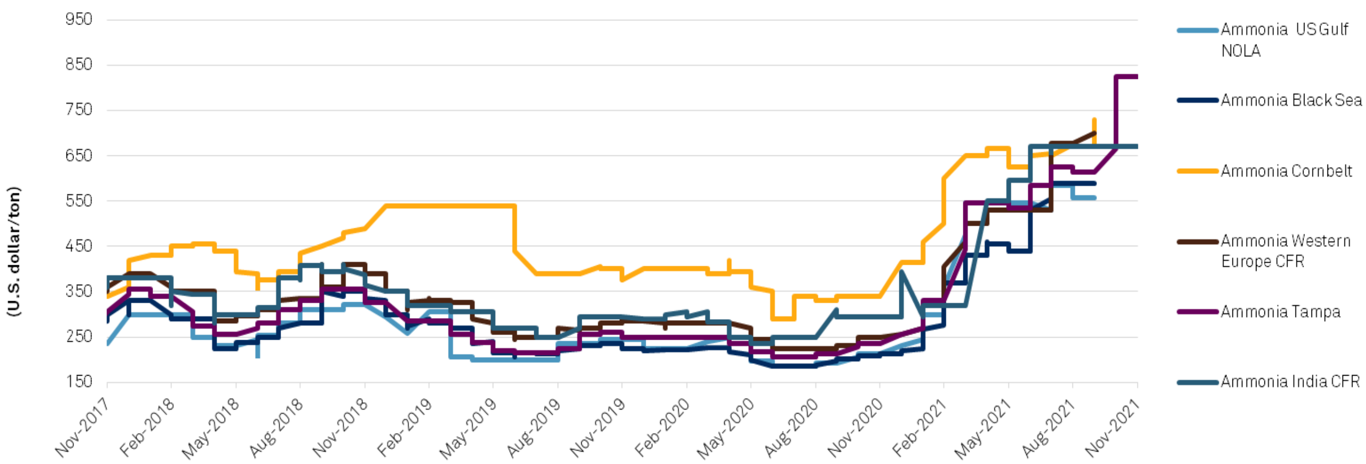
Yara International ASA--Key Metrics*

Bil. $	2019a	2020a	2021e	2022f	2023f
Revenue	12.9	11.7	15.8-16.0	16.4-16.6	15.0-15.1
EBITDA	2.0	2.1	2.7-2.8	2.9-3.0	2.6-2.7
EBITDA margin (%)	15.5	18.3	17-18	17.5-18.5	17-18
Debt	3.6	3.8	5.0-5.2	3.9-4.1	3.7-3.9
Debt to EBITDA (x)	2.0	1.7	1.8-2.0	1.2-1.4	1.3-1.5
FFO to debt (%)	42.2	46.2	46-47	60-62	56-58

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

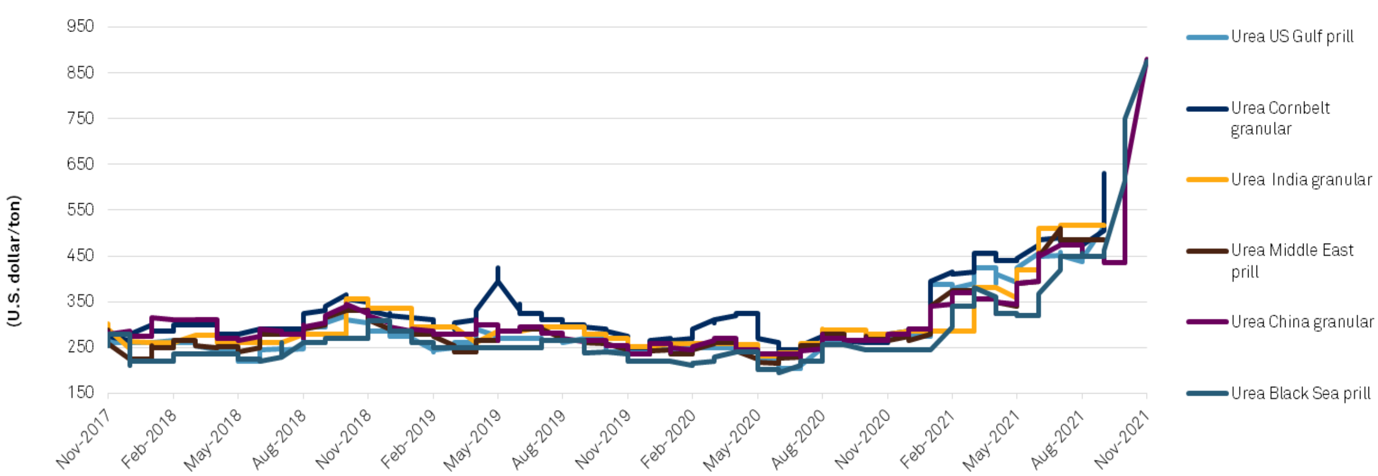
We expect nitrogen fertilizer prices to remain strong in 2022, due to tight market conditions. We anticipate steady demand for nitrogen-based fertilizers in 2022. Even though weather-related events may disrupt the timing of the planting season in various regions, we consider the supply-side pressure as manageable. While there are significant capacity additions in the pipeline, for example from Nigeria, Iran, and Russia, we also factor in the lower exports from China, at least until the first half of 2022. In view of supportive demand, we anticipate that the nitrogen fertilizer prices will remain strong in 2022.

Ammonia Prices 2017 To Date



Source: Bloomberg.

Urea Prices 2017 To Date



Source: Bloomberg.

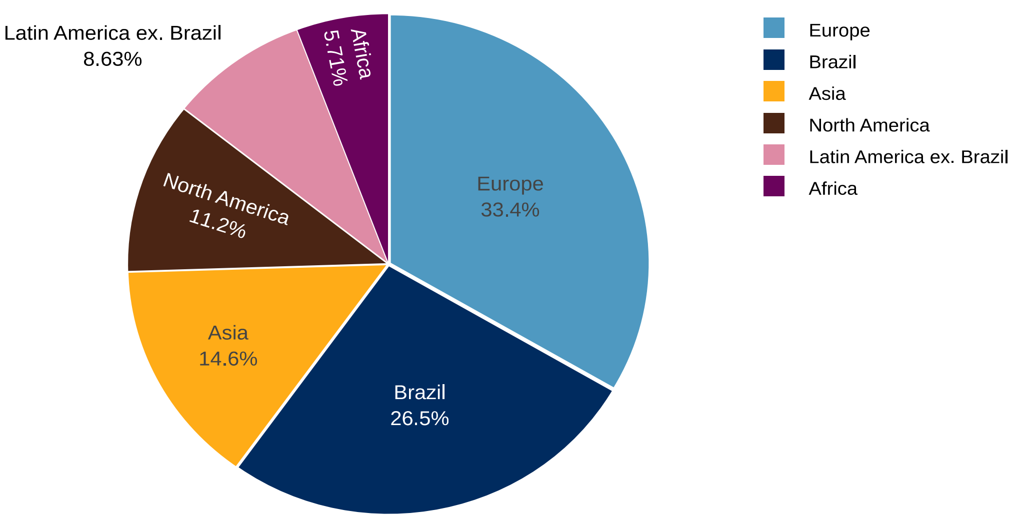
We assume a sustained, high natural gas price in 2022. S&P Global Ratings' assumes a TTF natural gas price of $12 per million British thermal units (/MMBtu) in 2022, decreasing to $8/MMBtu in 2023.

We forecast that Yara will report adjusted EBITDA of $2.7 billion-$2.8 billion in 2021 and $2.9 billion-$3.0 billion in 2022. Our EBITDA forecasts primarily factor in our anticipation of the resilience in fertilizer demand and prices relative to natural gas feedstock costs. In 2021, under our base-case scenario we forecast, despite higher EBITDA, material cash outflows resulting from the build-up of working capital of approximately $1.2 billion, and about $1.1 billion of capital spending, which will translate into negative FOCF of approximately $0.1 billion. In 2022, we anticipate a modestly stronger EBITDA margin due to fertilizer prices more than offsetting the higher natural gas cost.

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. The group distributes and markets standard and differentiated fertilizers from its wholly and partly owned (through joint ventures) production plants, as well as from third parties. It sources raw materials, such as potash and phosphate, from third parties. Yara is also a major supplier of nitrogen chemicals for industrial explosives and other industrial markets.

Yara 2020 Revenue by region



Source: Yara Annual Report 2020.

Norway, through the Ministry of Trade, Industry, and Fisheries, is Yara's largest shareholder, with a 36.2% stake as of Dec. 31, 2020, and the Norwegian National Insurance Fund accounts for a further 7.1%. We view Yara's shareholder structure as stable and anticipate no major changes at present. Yara's market capitalization was about Norwegian krone (NOK) 114 billion (about $12.8 billion) on Nov. 22, 2021, up from about NOK95.5 billion on Dec. 31, 2020.

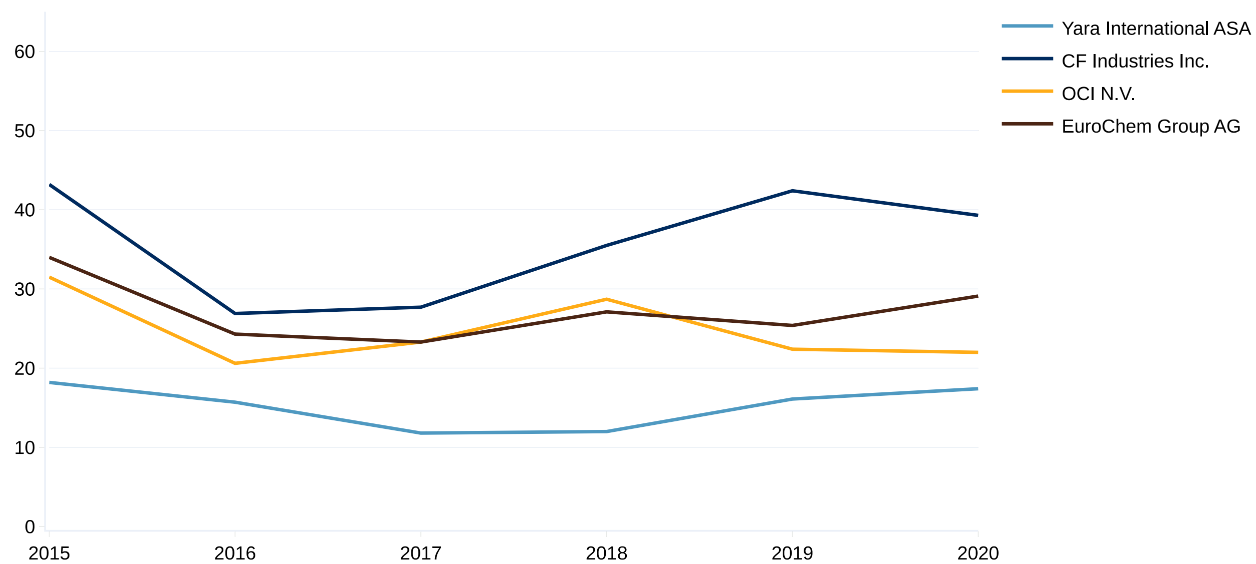
Peer Comparison

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 Switzerland-headquartered producer of nitrogen and phosphate EuroChem Group AG (with the majority of its production assets located in Russia).

The structural cost disadvantage of Europe-based nitrogen producers versus those in North America or Russia is clearly visible in the profitability gap within the peer group. Yara's EBITDA margins, even when accounting for its third-party product activities, are lower than peers', notably CF Industries, which benefits from access to cost advantaged feedstock in the U.S.; and EuroChem, whose profitability is supported by low gas prices in Russia (even though this is partly offset by higher transportation and freight costs). 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 2020. In addition, under its updated strategic priorities, Yara is aiming to shift a portion of its sales to higher-margin, online channels.

Yara International ASA Profitability--Adjusted EBITDA Margin Peer Comparison



Source: S&P Global Ratings.

Yara International ASA--Peer Comparisons

	Yara International ASA	CF Industries Holdings, Inc	OCI N.V.	EuroChem Group AG
Foreign currency issuer credit rating	BBB/Stable/A-2	BBB-/Stable/--	BB+/Stable/--	BB/Stable/--
Local currency issuer credit rating	BBB/Stable/A-2	BBB-/Stable/--	BB+/Stable/--	BB/Stable/--
Period	Annual	Annual	Annual	Annual
Period ending	2020-12-31	2020-12-31	2020-12-31	2020-12-31
Mil.	$	$	$	$

Yara International ASA--Peer Comparisons

Revenue	11,595	4,124	3,474	6,166
EBITDA	2,016	1,623	765	1,800
Funds from operations (FFO)	1,620	1,315	447	1,434
Interest	165	192	308	270
Cash interest paid	132	197	292	246
Operating cash flow (OCF)	2,026	1,325	603	1,295
Capital expenditure	718	309	263	1,154
Free operating cash flow (FOCF)	1,308	1,016	339	141
Discretionary cash flow (DCF)	73	474	296	140
Cash and short-term investments	1,363	683	680	546
Gross available cash	1,363	683	680	546
Debt	3,504	3,787	4,191	5,744
Equity	8,220	5,603	2,672	4,683
EBITDA margin (%)	17.4	39.4	22.0	29.2
Return on capital (%)	9.4	6.6	1.8	12.8
EBITDA interest coverage (x)	12.2	8.5	2.5	6.7
FFO cash interest coverage (x)	13.3	7.7	2.5	6.8
Debt/EBITDA (x)	1.7	2.3	5.5	3.2
FFO/debt (%)	46.2	34.7	10.7	25.0
OCF/debt (%)	57.8	35.0	14.4	22.5
FOCF/debt (%)	37.3	26.8	8.1	2.5
DCF/debt (%)	2.1	12.5	7.1	2.4

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, resulting in greater volume stability. This is due to their short-term impact 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. In addition, 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

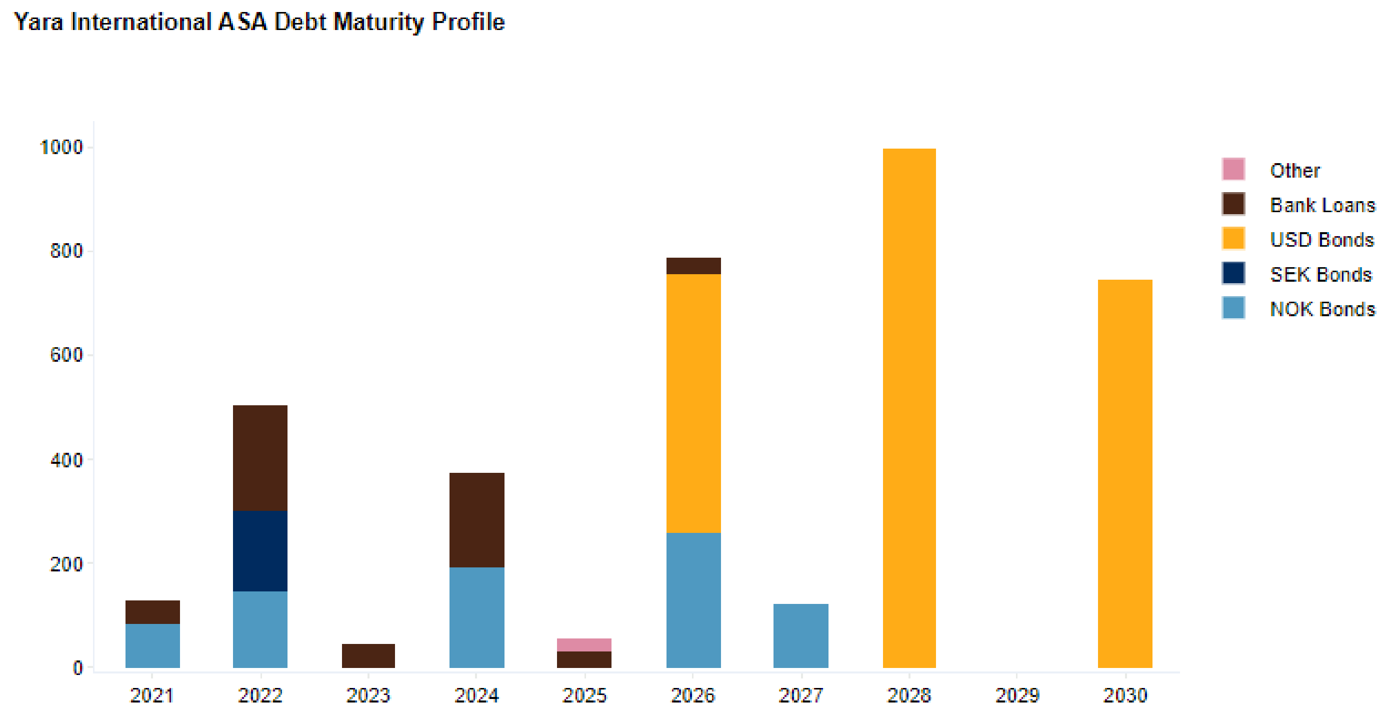
Yara's credit metrics strengthened noticeably over 2019-2020 and remained strong for the rating in 2021. In the first nine months of 2021, Yara's EBITDA (excluding special items, as defined by the company) was 29% higher at about $2.1 billion, compared with that in the same period last year. This primarily reflected the tight fertilizer market conditions. European natural gas price increased to $8.7 /MMBtu on average in the first nine months of the year, up from $3.3 /MMBtu in the same period of 2020. As a result of the high natural gas feedstock costs, we expect that the build-up of working capital will lead to $1.2 billion of cash outflow in 2021, which will result in negative FOCF. To mitigate, in times of significantly low demand, we expect an inflow of working capital, which represents a right-way risk in our view.

We anticipate that Yara will balance its growth strategy and shareholder remunerations with its publicly stated commitment to maintain a 'BBB' rating and the intention to maintain 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 about $1.6 billion in the form of dividends and share buy-back payments to its shareholders, resulting in higher net debt during a cyclical upturn, we do not see this as an aggressive financial policy. We consider the fact that Yara's credit metrics are at the higher end of the range that we view as commensurate with the rating; the FOCF generation anticipated in 2022, leaving scope for net deleveraging; and the optionality provided to the management by the sale of the Salitre mining project in Brazil for a cash consideration of $410 million, with closing anticipated in first quarter of 2022. Importantly, we estimate that FFO to debt would remain above the 30% rating threshold, even if the 2022 EBITDA is 35% lower relative to our base-case estimate.

Our financial risk assessment is constrained by the significant swings in cash flow generation and working capital volatility as a result of industry cyclicality. In addition, Yara's profitability will remain sensitive to fluctuations of the natural gas cost needed for production that currently comprises nearly 80% of the company's cost base. 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

A well-staggered debt maturity profile as a result of proactive funding management.



SEK--Swedish krona. NOK--Norwegian krone. Source: Yara International ASA Annual Report 2020.

Yara International ASA--Financial Summary

Period ending	Dec-31-2015	Dec-31-2016	Dec-31-2017	Dec-31-2018	Dec-31-2019	Dec-31-2020
Reporting period	2015a	2016a	2017a	2018a	2019a	2020a
Display currency (bil.)	$	$	$	$	$	$
Revenues	108	95	11	13	13	12
EBITDA	20	15	1	2	2	2
Funds from operations (FFO)	15	11	1	1	2	2
Interest expense	1	1	0	0	0	0
Cash interest paid	1	1	0	0	0	0
Operating cash flow (OCF)	16	15	1	1	2	2
Capital expenditure	10	13	1	1	1	1
Free operating cash flow (FOCF)	6	2	(0)	(0)	1	1
Discretionary cash flow (DCF)	2	(2)	(1)	(1)	1	0
Cash and short-term investments	3	4	1	0	0	1
Gross available cash	3	4	1	0	0	1
Debt	19	20	3	5	4	4
Common equity	76	77	10	9	9	8
Adjusted ratios						
EBITDA margin (%)	18.2	15.7	11.8	12.0	16.1	17.4

Yara International ASA--Financial Summary

Return on capital (%)	12.3	7.9	1.1	5.0	8.4	9.4
EBITDA interest coverage (x)	14.6	10.7	8.1	6.9	9.4	12.2
FFO cash interest coverage (x)	13.9	11.2	12.5	7.7	11.5	13.3
Debt/EBITDA (x)	1.0	1.3	2.4	3.0	2.0	1.7
FFO/debt (%)	79.1	55.5	32.9	26.7	42.2	46.2
OCF/debt (%)	81.7	73.2	25.9	17.0	44.2	57.8
FOCF/debt (%)	32.1	11.0	(14.0)	(10.0)	20.1	37.3
DCF/debt (%)	10.8	(11.2)	(24.0)	(15.1)	13.6	2.1

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-31-2020									
Company reported amounts	3,848	8,141	11,728	2,141	1,176	135	2,016	2,047	926	739
Cash taxes paid	-	-	-	-	-	-	(264)	-	-	-
Cash interest paid	-	-	-	-	-	-	(132)	-	-	-
Cash interest paid: other	-	-	-	-	-	-	21	-	-	-
Lease liabilities	446	-	-	-	-	-	-	-	-	-
Postretirement benefit obligations/ deferred compensation	313	-	-	(1)	(1)	6	-	-	-	-
Accessible cash and liquid investments	(1,331)	-	-	-	-	-	-	-	-	-
Capitalized interest	-	-	-	0	0	21	(21)	(21)	-	(21)
Dividends from equity investments	-	-	-	9	-	-	-	-	-	-
Asset-retirement obligations	190	-	-	0	0	3	-	-	-	-
Nonoperating income (expense)	-	-	-	-	82	-	-	-	-	-

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
Noncontrolling/ minority interest	-	79	-	-	-	-	-	-	-	-
Debt: Contingent considerations	38	-	-	-	-	-	-	-	-	-
Revenue: other	-	-	(133)	(133)	(133)	-	-	-	-	-
D&A: Impairment charges/ (reversals)	-	-	-	-	46	-	-	-	-	-
Total adjustments	(344)	79	(133)	(125)	(6)	30	(396)	(21)	0	(21)
S&P Global Ratings adjusted	**Debt**	**Equity**	**Revenue**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from Operations**	**Operating cash flow**	**Dividends**	**Capital expenditure**
	3,504	8,220	11,595	2,016	1,170	165	1,620	2,026	926	718

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, 2021. 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 around $0.4 billion as of Oct. 1, 2021;
- Cash FFO of about $2.2 billion; and
- Availability of $1.1 billion under a committed revolving credit facility (RCF) due in July 2026.

Principal liquidity uses

- Short-term debt of $377 million;
- Capex of $1.2 billion-$1.4 billion;
- Peak intrayear working capital outflows of $0.5 billion-$0.7 billion; and
- Dividends of $0.4 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 0.5x as of the end of the third quarter of 2021)

Environmental, Social, And Governance

We see nitrogen-based fertilizers as having higher environmental exposure than the broader industry. This is because there is potential for an increasing number of consumers to take the view that chemical fertilizers can release damaging nitrous oxide into the atmosphere, and that excess is often washed away by rain, polluting ground waters and eventually leaching into rivers. At the same time, consumers are putting the agriculture and food industries under increasing scrutiny as they become more concerned about the sustainability and origin of food. As a result, customers, especially in developed economies, are gradually shifting their preferences toward food products that are grown without the use of crop-protection chemicals or fertilizers. Mitigating these risks is the critical role fertilizers play in sustaining the ever-increasing global population with crops that are grown on shrinking arable land, and are able to withstand pressures posed by climate change.

Similar to other nitrogen-based fertilizer producers, Yara has a higher degree of exposure to future environmental regulations and consumer perceptions. The company responds to these challenges by: educating and engaging with farmers to ensure they use the right amount and type of fertilizers for crops, thus promoting precision in the application of fertilizers; creating crop-specific solutions by combining its premium product offerings with onsite advice from the company's agronomists to the farmer; and developing technology solutions such as sensors, cloud solutions, and satellite-supported tools, such as Atfarm.

The company also faces long-term environmental risks, notably from tightening regulations on greenhouse gas (GHG) emissions. Yara reduced its GHG emissions by nearly half over the past 15 years, mostly through the installation of nitrous oxide catalysts, which removed about 90% of nitrous oxide emissions from its plants. It is also investing in energy efficiency, specifically at its ammonia plants, which account for almost 90% of its energy consumption. We view this as positive for the company's profitability. The company has further ambitions to reduce Scope 1 and Scope 2 emissions of carbon dioxide by 30% to 12 million tons by 2030 from a 2019 baseline, and to become climate neutral by 2050. In November 2021, Yara joined the "First Movers Coalition", committing to zero-emission purchases by 2030.

We note that Yara has announced several initiatives aimed at spearheading the transition to a hydrogen economy. These include:

- 70 kilotons of green ammonia production at its Sluiskil plant in the Netherlands using offshore wind to produce renewable hydrogen, in collaboration with the offshore wind developer Ørsted. The project's commercial start is scheduled for 2025;
- A 20 kiloton green ammonia production capacity at the Porsgrunn plant in Norway. At its ESG investor day in December 2020, Yara announced the potential for full electrification of its 500,000 tons per year Porsgrunn plant. In February 2021, Yara signed a letter of intent with Statkraft, Europe's largest producer of renewable energy, and Aker Horizons. The three partners aim to electrify and to fully remove carbon dioxide emissions from ammonia production;
- 3.7 kilotons of green ammonia production at the Pilbara plant in Australia using solar power, in collaboration with Engie. In May 2021, Yara and ENGIE received an Australian dollar (AUD) 42.5 million grant from the Australian government as part of the ARENA Renewable Hydrogen Deployment Funding Round. The project is scheduled for completion in 2023; and
- In May 2021, Yara announced the commercial launch of Agoro Carbon Alliance, a global business created for farmers to earn additional revenue by decarbonizing the food supply chains.

We consider these initiatives to be an important and demonstrable step toward preparing Yara for the gradual transition toward a hydrogen economy and decarbonization of the grey ammonia process. Still, in our view, important challenges will need to be resolved first, including regulatory framework, funding, upscaling of the technology needed for green ammonia production that will lower costs in comparison with grey ammonia, and the collaboration and cost pass-through along the value chain.

We consider Yara's management and governance satisfactory, reflecting management's extensive expertise and environmental awareness. We note the company's $1.1 billion RCF is linked to a sustainability indicator target, which references the reduction in carbon dioxide equivalent per tonne of nitrogen produced, compared with the 2018 level.

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;
- NOK1.25 billion bond due 2022;
- NOK1.6 billion bond due 2024;

- NOK2.15 billion bond due 2026;
- NOK1 billion bond due 2027;
- Swedish krona (SEK) 1.25 billion bond 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, 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 on Yara.

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

- 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
- ARCHIVE | Criteria | Corporates | Industrials: Key Credit Factors For The Commodity Chemicals Industry, Dec. 31, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- ARCHIVE | Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- ARCHIVE | General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013

- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

ESG Credit Indicator Report Card: Chemicals, Published Dec. 2, 2021

The Hydrogen Economy: Green Hydrogen May Transform The Fertilizer Industry, Published April 22, 2021

RatingsDetail

Ratings Detail (as of December 14, 2021)*

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.