CREDIT OPINION

22 November 2024

Update

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RATINGS

Yara International ASA

Domicile	Oslo, Norway
Long Term Rating	Baa2
Type	LT Issuer Rating - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Yara International ASA

Credit Opinion Update

Summary

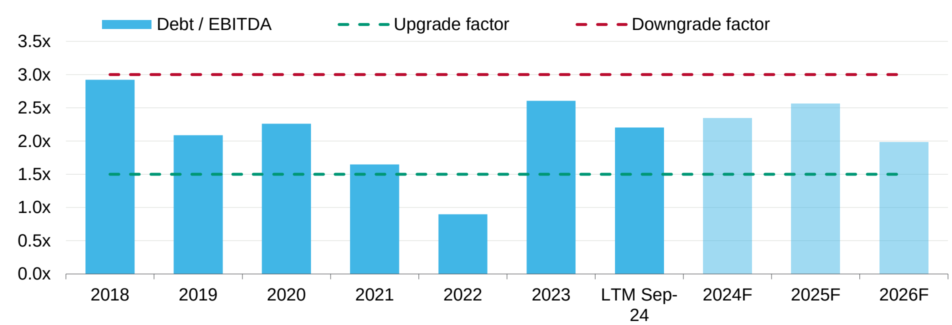
Yara International ASA's Baa2 rating is underpinned by its business profile with significant scale and a high degree of integration of its operations. Yara has a leading position in the nitrogen fertiliser market, both as a global producer and a distributor. It has a flexible production setup, asset footprint and a diversified natural gas position. These factors enable Yara to adapt to changing market conditions dominated by geopolitical risks. The rating does not include an uplift from the Baseline Credit Assessment (BCA) of baa2, reflecting our assumption of low government support from and low default dependence between Yara and its sovereign shareholder, the Government of Norway.

These positives are tempered by the relatively high earnings volatility that is characteristic of its core nitrogen-based fertiliser business. Profit margins for nitrogen fertilisers are predominantly determined by the spread between fertiliser prices and natural gas prices. Additionally margins are exposed to periodic market supply and demand imbalances, resulting from extended periods of investments for capacity additions and the seasonality and cyclicality of agricultural markets. The company has exposure to swings in both energy and raw material feedstock costs.

Nevertheless, Yara has established a long track record of prudently managing financial policies. The company has achieved an effective balance between maintaining capital investment, and distributing returns to shareholders, while operating in an industry subject to cyclicality. Furthermore, Yara's credit profile is supported by management's publicly stated commitment to maintain credit metrics in line with a mid-investment grade rating (Exhibits 1 and 2).

Exhibit 1

Yara is well positioned in the Baa2 rating category



All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Periods are financial year-end unless indicated. LTM = Last 12 months.
Moody's forecasts are Moody's opinion and do not represent the views of the issuer.
Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

Credit strengths

- Resilient business model, underpinned by significant scale and leading positions in the fertiliser market, as well as an extensive global distribution network and sizeable marketing operations for nitrogen fertilisers
- Flexible growth strategy, tempered by a conservative financial policy and strong track record of producing premium fertiliser products, for which the price volatility is more moderate than commodity fertilisers
- Robust balance sheet, with relatively moderate leverage through the cycle

Credit challenges

- The cyclical fertiliser business is subject to capacity additions, demand and pricing trends in agricultural commodities
- Significant exposure to natural gas prices, both as a feedstock and as a source of fossil fuel, which can be volatile
- Credit metrics could be stretched by major capital outlays for maintenance and growth spending

Rating outlook

The stable rating outlook reflects our view that despite the fluctuation in Yara's key credit metrics through the cycle, the company will maintain metrics in line with guidance for the Baa2 rating position. We expect global fertiliser capacity additions to have reached their peak for the next 12-18 months, supporting an improvement in fertiliser prices from the cycle trough.

Factors that could lead to an upgrade

Yara's rating could be upgraded if:

- the company improves its profitability and cash flow generation, leading to a permanent reduction in financial leverage
- its Moody's-adjusted total debt/EBITDA is maintained at around 1.5x through the cycle and retained cash flow (RCF)/net debt towards the 40s in percentage terms

An upgrade of the ratings would also require Yara's commitment to a financial profile consistent with a higher rating.

Factors that could lead to a downgrade

Downward rating pressure could develop if the company were to:

- suffer a severe and sustained deterioration in its operating results and cash flow generation
- embark on a more aggressive debt-funded capital spending programme for the US low-carbon ammonia projects or future acquisitions
- experience a pronounced weakness in its credit metrics, including debt/EBITDA increasing above 3.0x and RCF/net debt falling to the low 20s in percentage terms on a sustained basis

Key indicators

Exhibit 2
Yara International ASA

(in $ billions)	2019	2020	2021	2022	2023	LTM Sep-24	12-18 months Forward View*
Revenue	12.9	11.6	16.6	23.9	15.4	13.9	13.9 - 14.4
EBITDA Margin %	16.2%	18.1%	16.7%	20.4%	10.9%	15.1%	13% - 16%
Return on Average Assets	6.9%	6.8%	10.6%	22.0%	3.9%	6.6%	5% - 8%
Debt / EBITDA	2.1x	2.3x	1.6x	0.9x	2.6x	2.2x	2.2x - 2.5x
RCF / Net Debt	36.4%	27.3%	25.2%	86.0%	-4.9%	44.0%	27% - 30%
EBITDA / Interest Expense	9.4x	12.7x	17.9x	20.4x	6.2x	8.4x	6.5x - 8x

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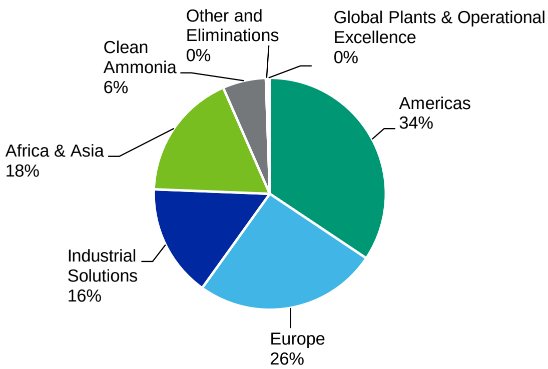
Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

Profile

Headquartered in Oslo, Norway (Aaa stable), Yara International ASA (Yara or the company) is the largest European producer and marketer of nitrogen fertilisers. As of 30 September 2024, Yara had about 8.5 million tonnes of ammonia production capacity, including the capacity in Yara's associate entities across 26 production plants. Yara is the world's largest producer of nitrates, the most important type of fertiliser in Europe measured by annual consumption and the largest producer of compound NPKs (nitrogen, phosphate and potassium), which contain all three primary crop nutrients, the most common multi-nutrient fertilisers in Western Europe.

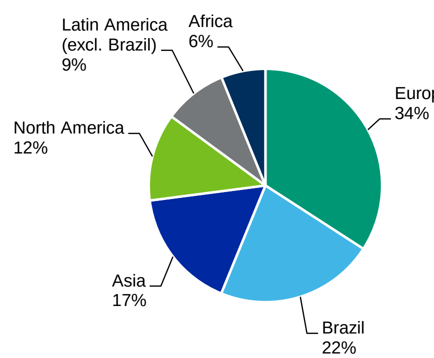
For the 12 months ended September 2024, Yara reported revenue of $13.9 billion and Moody's-adjusted EBITDA of $2.1 billion. As of 18 November 2024, Yara's market capitalisation was around $5.74 billion. The largest markets for Yara are Europe (34% of revenue for the 12 months that ended September 2024), Brazil (22%), Asia (17%) and North America (12%).

Exhibit 3
External revenue breakdown by operating division (LTM Sep-24)



LTM = Last 12 months.
Source: Company filings

Exhibit 4
External revenue breakdown by region (LTM Sep-24)



LTM = Last 12 months.
Source: Company filings

As of September 2024, the group's activities consisted of six operational segments, of which three are regional units (Europe, the Americas and Africa and Asia); one is for Global Production and Operational Excellence, one for Clean Ammonia and one for Industrial Solutions.

Detailed credit considerations

Yara's performance benefits from its leading positions in the global fertiliser market

As the world's largest producer of nitrogen fertilisers, Yara's business profile is underpinned by the significant scale and high degree of integration of its operations, its diversified and distribution-focused business model, and its leading positions in the global fertiliser market. However, these positives are tempered by the relatively high earnings volatility that is characteristic of its core nitrogen-based fertiliser business. The seasonality and cyclicality of agricultural markets, grain prices and other farm input costs impact farmers' affordability and hence the demand for fertiliser. Profit margins for nitrogen fertilisers are determined by the spread between fertiliser prices and natural gas prices, periodic market supply and demand imbalances, resulting from extended periods of investments for capacity additions and the company's exposure to swings in both energy and raw material costs.

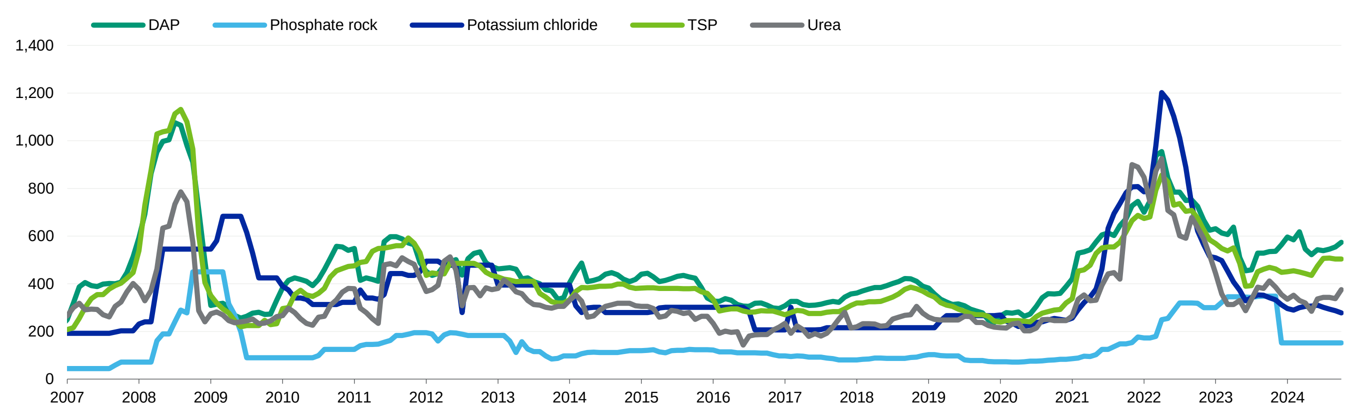
Yara's solid performance through the cycle is helped by its flexible production and global distribution capabilities that have provided it with a reasonably resilient business model despite the fertiliser cycle. Yara can meet seasonal fluctuations in the demand for fertilisers with periodic production curtailments, ceasing production and restarting at short notice relative to other high fixed-cost industries. Around 50% of Yara's total deliveries are derived from value-added products such as calcium nitrate (CN), compound fertiliser (NPK) and differentiated products, such as calcium ammonium nitrate (CAN) and ammonium nitrate (AN), all of which attract solid price premiums. Yara's significant footprint outside Europe and its own extensive distribution network partly mitigates exposure to volatile European energy prices. Yara can produce nitrates, NPK and CN based on imported ammonia which reduces its exposure to volatile European gas prices.

Yara reported year to date (YTD) Q3 2024 sales of $10.5 billion compared with nearly $12 billion for the comparable period in 2023 reflecting higher deliveries of fertilisers and industrial products across all regions at lower prices. Earnings improved with Yara's reported YTD Q3 2024 EBITDA of $1.5 billion up from $1.1 billion in the previous year. The increase in profits mostly reflected lower energy costs, higher phosphate rock upgrade margins, and the negative impact of inventory write-downs and position losses in the previous year. Despite the improvement in profitability YTD in 2024, Yara's operational performance is below its own hurdle rates and we expect Yara to continue to adapt its operating model to meet its expectations for continuing challenging trading conditions, particularly in Europe.

Fertiliser prices stabilise as capacity additions taper but high fixed costs hurt profitability

Exhibit 5

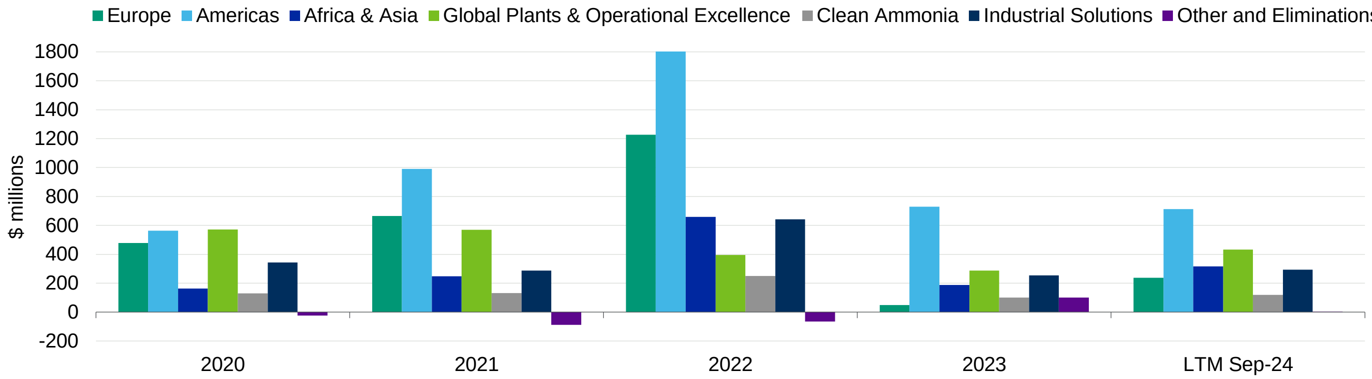
Nitrogen fertiliser prices started to stabilise in 2024 after a sharp correction in 2023



Source: World Bank and Moody's Ratings

Fertiliser prices showed signs of stabilising during 2024 (Exhibit 5) following the sharp correction in fertiliser prices in 2023 as the peak capacity additions fell away and inventories declined. China's restrictive export policies, a positive for global supply were offset by lower demand from India. Yara expects the equilibrium between supply and demand to come back into balance in 2025, supporting earnings in the next 12-18 months. We expect recent higher food prices, from September 2024 to support farmers' margins and therefore fertiliser affordability.

Exhibit 6
Reported EBITDA by operating division (LTM Sep-24)



LTM = Last 12 months.
Source: Company filings

Nevertheless, Yara expects overall trading conditions, which are dominated by geopolitical risks, to remain challenging. European industrial activity remains muted hurting demand for ammonia-based products. High fixed costs and a lack of competitiveness in European production facilities due to the current energy situation weigh on profitability (Exhibit 6).

In response, Yara is taking action to optimise its cost base and strengthening the balance sheet. Through a strict focus on its core business and key strategic priorities, while scaling down tail-return activities and reducing overheads, Yara is targeting a $150 million reduction in fixed costs compared to its LTM Q2 2024 run rate. Capital spending will be prioritised towards high-return assets and the company is reviewing its global footprint with the aim of reducing its lowest-return activities and potentially divesting non-core assets that have limited synergies with Yara's operations. For example, Yara has indicated its intention to transform its Tetre plant in Belgium, as it shifts production away from ammonia to higher margin fertilisers and its Montoir plant in France. We have assumed moderate cash restructuring costs in 2025 (for which we do not adjust) in our base case. We expect a gradual improvement in EBITDA in 2025 and 2026 as the fertiliser cycle and Yara's own efficiency improve, although China and its export policies will be a disruptive factor. Positively, Yara expects a wave of new LNG capacity will bring a period of lower gas prices in Europe from 2026, which will support higher margins.

Yara's disciplined capital spending and prudent financial policy underpin credit metrics in line with an investment grade rating

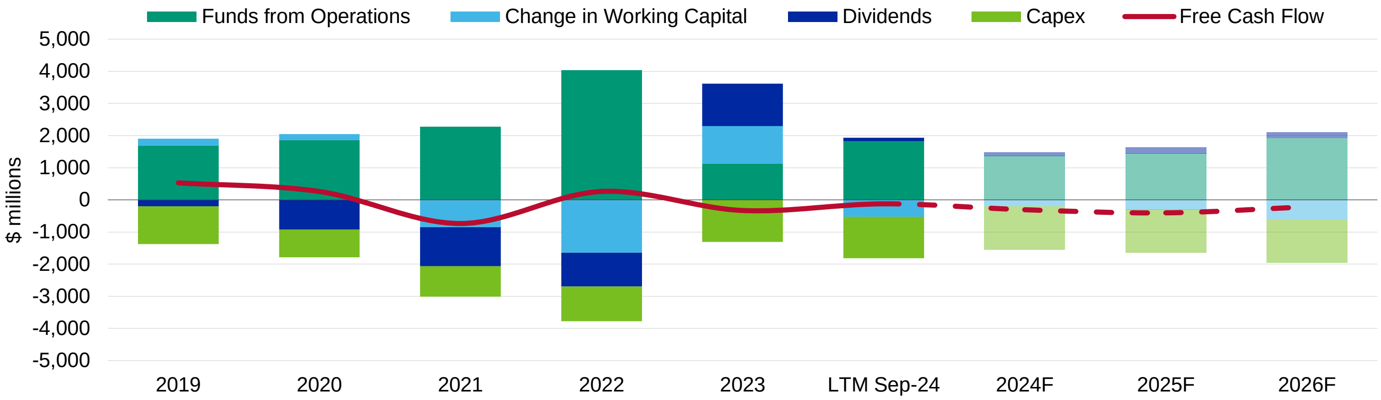
Yara's overall guidance for capital spending of $1.2 billion annually in both 2024 and 2025 incorporates a downward revision to previous guidance from $1.3 billion in 2024 and $1.35 billion in 2025. Lower spending reflects slightly less maintenance spending through the abovementioned portfolio restructuring. Additionally, Yara has delayed its plans for the full-scale development of renewable hydrogen projects at its production sites in Porsgrunn, Norway, and Sluiskil, the Netherlands, as part of its focus to prioritise growth projects that meet internal return targets, strengthen its core operations and contribute to improving profitability through the cycle.

Yara has established a long track record of prudently managing its capital allocation and financial policies to achieve an effective balance between maintaining credit metrics in line with an investment grade rating, while maintaining capital investment and distributing returns to shareholders, while operating in an industry subject to cyclicality. We view Yara's publicly stated commitment to the Baa2 rating positon as credit positive.

Free cash flow hindered by high fixed cost base in Europe and high capital spending

In our base case we project cash burn through 2024 to 2026, although gradually moderating in 2026 as profits improve (Exhibit 7). We have assumed a continuing working capital cash outflow annually but to a much lesser extent than the swings Yara experienced across 2022 and 2023. Yara's earnings profile does not support its commitment to capital spending despite the abovementioned downward revision. We expect Yara will raise debt in 2025 which will increase Moody's projected adjusted debt/EBITDA to 2.6x in 2025 from Moody's projected 2.4x in 2024 (Exhibit 14). We do not expect Yara to pay material dividends in 2024-2026, such that Yara will maintain credit metrics within the range for a solid investment grade rating, namely a Moody's Baa2, and BCA of baa2, while maintaining a sound liquidity position (see discussion below).

Exhibit 7
FCF development



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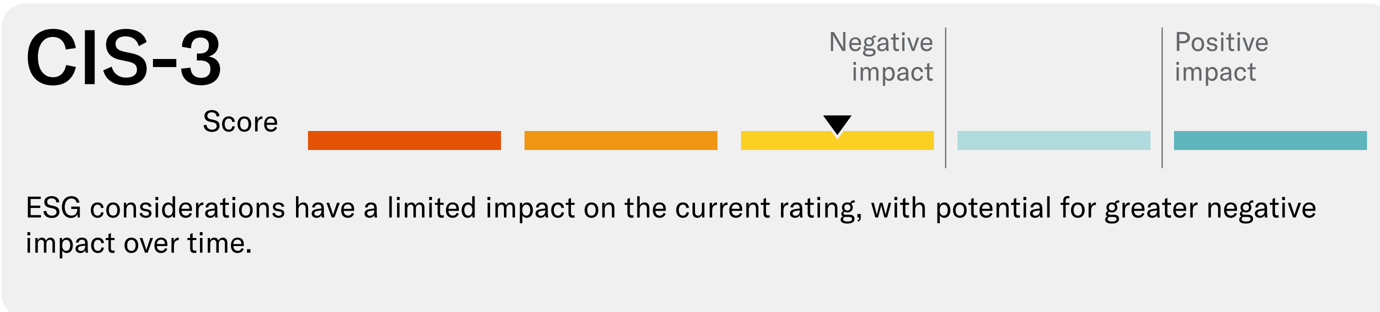
Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

ESG considerations

Yara International ASA's ESG credit impact score is CIS-3

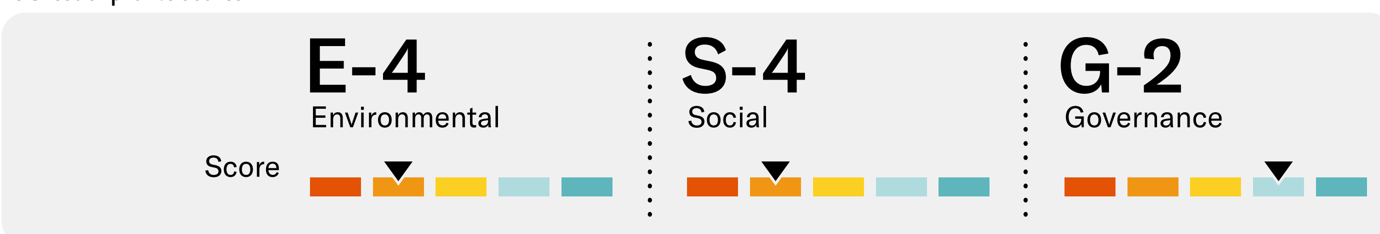
Exhibit 8
ESG credit impact score



Source: Moody's Ratings

The credit impact score **CIS-3** for Yara International ASA reflects our assessment that the ESG exposures are overall considered to have a limited impact on the current credit rating with the potential for greater negative impact over time. Yara has highly negative environmental and social risks. Conversely, governance risk assessment benefits from the adoption of conservative financial policies, strong management credibility, track record, and transparent, reliable compliance and reporting.

Exhibit 9
ESG issuer profile scores



Source: Moody's Ratings

Environmental

Yara plays an important role in agricultural food production which is in turn heavily exposed to climate risk. Unpredictable and extreme weather conditions negatively impact crop production and contribute to volatility in agricultural commodity prices and the demand for fertiliser. At the same time, conventional fertiliser production causes harmful emissions into the air, soil, and water. The consumption of hydrocarbons, mostly natural gas, for the ammonia production process, is both Yara's main feedstock and energy source. The use of fertiliser comes with the risks of soil leaching, nutrient imbalance, and run-off polluting waterways. Yara remains exposed to an increasing trend for more stringent regulations relating to environmental risk which could have a substantial impact on earnings. Collaboration with government agencies, private companies, and organizations will be required to facilitate and fund large-scale carbon capture and clean hydrogen and ammonia projects designed to meet global emission targets.

Social

Yara operates large industrial plants, distribution, and storage facilities, and many of Yara's raw materials, intermediaries, and products are classified as hazardous to human health, thereby presenting occupational risks, and the possibility of accidents, and injuries. Yara's social risk assessment benefits from a strong safety record and long-standing business-to-business customer relations.

Governance

Yara maintains a conservative financial strategy and risk management, with a strong balance sheet and liquidity position. The company has a publicly stated commitment to an investment-grade rating, which has been maintained throughout years of operating in a volatile industry, a testament to the management's credibility and track record.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity analysis

Yara maintains sound liquidity. As of 30 September 2024, the company had cash balances and cash equivalents of $907 million, as well as a $250 million committed short term revolving credit facility and a long-term committed revolving credit facilities of $1.1 billion maturing July 2026, which Yara expects to extend in the first half 2025. The facilities are currently undrawn and contain a financial covenant under which Yara maintains adequate headroom. The large liquidity buffer should enable Yara to meet total debt maturities of around $330 million falling due in 2024.

Methodology and scorecard

The principal methodology used in rating Yara is our Chemical Industry methodology. Our Chemical Industry scorecard indicates a Baa2 for the 12-18 month forecast period.

Because of Yara's 36% ownership by the Government of Norway, Yara falls within the scope of our Government-Related issuers rating methodology. Under this methodology, we continue to assume low dependence, considering Yara's broadly diversified international footprint and the modest operational and financial links between the company and the government. Furthermore, our assumption of low support from the Norwegian government reflects the absence of guarantees or formal obligations on behalf of the Norwegian government to support Yara's obligations; the government's track record of supporting capital raising, jointly with other shareholders; no precedent of direct government intervention; and the relative importance of Yara to the domestic economy. Although recent steps to broaden Yara’s international profile diversify and strengthen its standalone credit quality further reducing its domestic concentration in Norway. Based on our assumptions of low dependence and low support, the Baa2 rating does not currently incorporate any uplift from the baa2 BCA (Exhibit 10).

Exhibit 10

Rating factors

Yara International ASA

Chemical Industry Scorecard [1][2]	Current LTM 9/30/2024		Moody's 12-18 Month Forward View As of 11/18/2024 [3]	
Factor 1 : Scale (15%)	**Measure**	**Score**	**Measure**	**Score**
a) Revenue (USD Billion)	$13.9	Baa	$13.9 - $14.4	Baa
Factor 2 : Business Profile (25%)				
a) Business Profile	Baa	Baa	Baa	Baa
Factor 3 : Profitability (10%)				
a) EBITDA Margin	15.1%	Baa	13% - 16%	Ba
b) Return on Average Assets	6.6%	B	5% - 8%	B
Factor 4 : Leverage & Coverage (30%)				
a) Debt / EBITDA	2.2x	Baa	2.2x - 2.5x	Baa
b) RCF / Net Debt	44.0%	A	27% - 30%	Baa
c) EBITDA / Interest Expense	8.4x	Baa	6.5x - 8x	Ba
Factor 5 : Financial Policy (20%)				
a) Financial Policy	Baa	Baa	Baa	Baa
Rating:				
a) Scorecard-Indicated Outcome		Baa2		Baa2
b) Actual Rating Assigned				Baa2
Government-Related Issuer	**Factor**			
a) Baseline Credit Assessment	baa2			
b) Government Local Currency Rating	Aaa			
c) Default Dependence	Low			
d) Support	Low			
e) Actual Rating Assigned	Baa2			

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Sources: Moody’s Financial Metrics™ and Moody’s Ratings forecasts

Appendix

Exhibit 11

Peer comparison

Yara International ASA

	Yara International ASA Baa2 Stable			Nutrien Ltd. Baa2 Stable			Mosaic Company (The) Baa2 Stable			Fertiglobe Plc Baa3 Positive		
(in $ millions)	FY Dec-22	FY Dec-23	LTM Sep-24	FY Dec-22	FY Dec-23	LTM Jun-24	FY Dec-22	FY Dec-23	LTM Jun-24	FY Dec-22	FY Dec-23	LTM Jun-24
Revenue	23,902	15,431	13,913	37,884	29,056	26,840	19,125	13,696	12,194	5,028	2,416	2,219
EBITDA	4,872	1,683	2,096	11,993	5,563	4,675	6,063	2,620	1,629	2,455	988	858
Total Debt	4,374	4,383	4,666	12,262	12,833	13,637	3,815	4,001	4,433	1,314	1,792	1,727
Cash & Cash Equivalents	908	447	810	901	941	1,004	735	349	322	1,361	760	726
EBITDA margin %	20.4%	10.9%	15.1%	31.7%	19.1%	17.4%	31.7%	19.1%	13.4%	48.8%	40.9%	38.7%
EBIT / Average Assets	22.0%	3.9%	6.6%	19.1%	6.4%	4.5%	22.3%	6.9%	2.4%	40.6%	13.8%	11.1%
EBITDA / Interest Expense	20.4x	6.2x	8.4x	22.1x	6.6x	5.8x	29.0x	10.8x	6.2x	29.0x	8.2x	6.4x
Debt / EBITDA	0.9x	2.6x	2.2x	1.0x	2.3x	2.9x	0.6x	1.5x	2.7x	0.5x	1.8x	2.0x
RCF / Debt	68.1%	-4.4%	36.4%	66.8%	26.9%	22.5%	123.8%	40.6%	34.1%	70.2%	-59.6%	-39.2%

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
LTM = Last 12 months.
Source: Moody's Financial Metrics™

Exhibit 12

Moody's-adjusted debt reconciliation

Yara International ASA

(in $ millions)	2019	2020	2021	2022	2023	LTM Sep-24
As reported debt	**4,025**	**4,294**	**4,326**	**4,217**	**4,230**	**4,513**
Pensions	330	449	244	157	153	153
Moody's-adjusted debt	**4,355**	**4,743**	**4,570**	**4,374**	**4,383**	**4,666**

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Source: Moody's Financial Metrics™

Exhibit 13

Moody's-adjusted EBITDA reconciliation

Yara International ASA

(in $ millions)	2019	2020	2021	2022	2023	LTM Sep-24
As reported EBITDA	**1,934.0**	**1,955.0**	**2,530.0**	**4,869.0**	**1,691.0**	**2,104.0**
Pensions	2.0	(1.0)	(6.0)	3.0	2.0	2.0
Unusual Items	150.0	146.0	251.0	0.0	(10.0)	(10.0)
Moody's-adjusted EBITDA	**2,086.0**	**2,100.0**	**2,775.0**	**4,872.0**	**1,683.0**	**2,096.0**

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Periods are financial year-end unless indicated. LTM = Last 12 months.
Source: Moody's Financial Metrics™

Exhibit 14

Overview on selected historical Moody's-adjusted financial data

Yara International ASA

(in $ millions)	2019	2020	2021	2022	2023	LTM Sep-24
INCOME STATEMENT						
Revenue	12,858	11,591	16,617	23,902	15,431	13,913
EBITDA	2,086	2,100	2,775	4,872	1,683	2,096
EBIT	1,164	1,135	1,792	3,873	665	1,053
Interest Expense	223	165	155	239	270	250
BALANCE SHEET						
Cash & Cash Equivalents	265	1,331	350	908	447	810
Total Debt	4,355	4,743	4,570	4,374	4,383	4,666
Net Debt	4,090	3,412	4,220	3,466	3,936	3,856
CASH FLOW						
Funds from Operations (FFO)	1,693	1,856	2,278	4,034	1,126	1,816
Cash Flow From Operations (CFO)	1,907	2,047	1,429	2,391	2,295	1,291
Capital Expenditures	(1,174)	(861)	(951)	(1,075)	(1,307)	(1,294)
Dividends	203	926	1,214	1,054	1,319	120
Retained Cash Flow (RCF)	1,490	930	1,064	2,980	(193)	1,696
RCF / Debt	34.2%	19.6%	23.3%	68.1%	-4.4%	36.4%
Free Cash Flow (FCF)	530	260	(736)	262	(331)	(123)
FCF / Debt	12.2%	5.5%	-16.1%	6.0%	-7.6%	-2.6%
PROFITABILITY						
% Change in Sales (YoY)	-0.5%	-9.9%	43.4%	43.8%	-35.4%	-20.1%
EBIT margin %	9.1%	9.8%	10.8%	16.2%	4.3%	7.6%
EBITDA margin %	16.2%	18.1%	16.7%	20.4%	10.9%	15.1%
INTEREST COVERAGE						
EBIT / Interest Expense	5.2x	6.9x	11.5x	16.2x	2.5x	4.2x
EBITDA / Interest Expense	9.4x	12.7x	17.9x	20.4x	6.2x	8.4x
LEVERAGE						
Debt / EBITDA	2.1x	2.3x	1.6x	0.9x	2.6x	2.2x
Net Debt / EBITDA	2.0x	1.6x	1.5x	0.7x	2.3x	1.8x

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Sources: Moody's Financial Metrics™

Ratings

Exhibit 15

Category	Moody's Rating
YARA INTERNATIONAL ASA	
Outlook	Stable
Issuer Rating	Baa2
Senior Unsecured	Baa2

Source: Moody's Ratings

REPORT NUMBER 1427735