S&P Global
Ratings

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Yara International ASA

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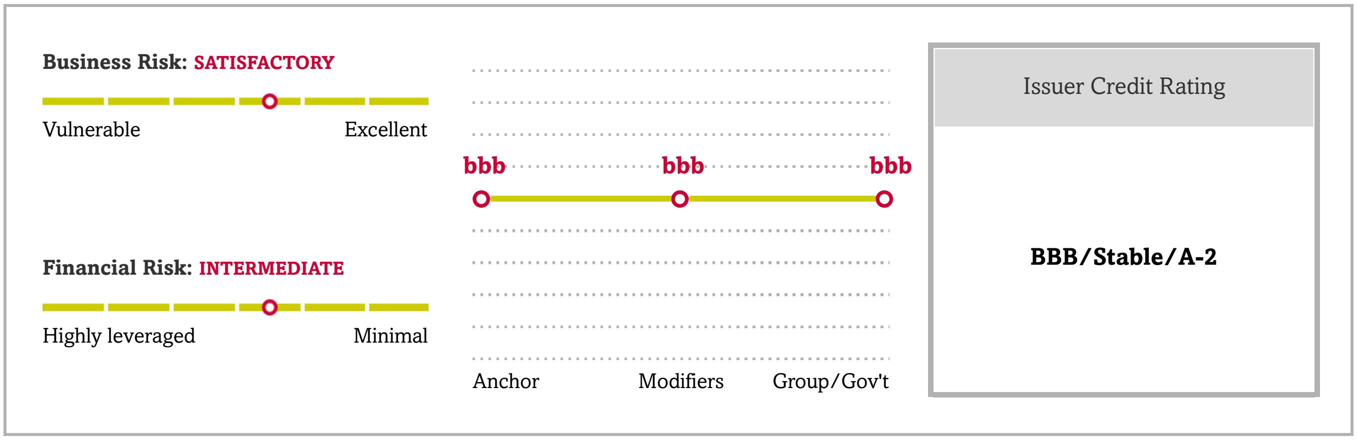
Table Of Contents

Yara International ASA



Credit Highlights

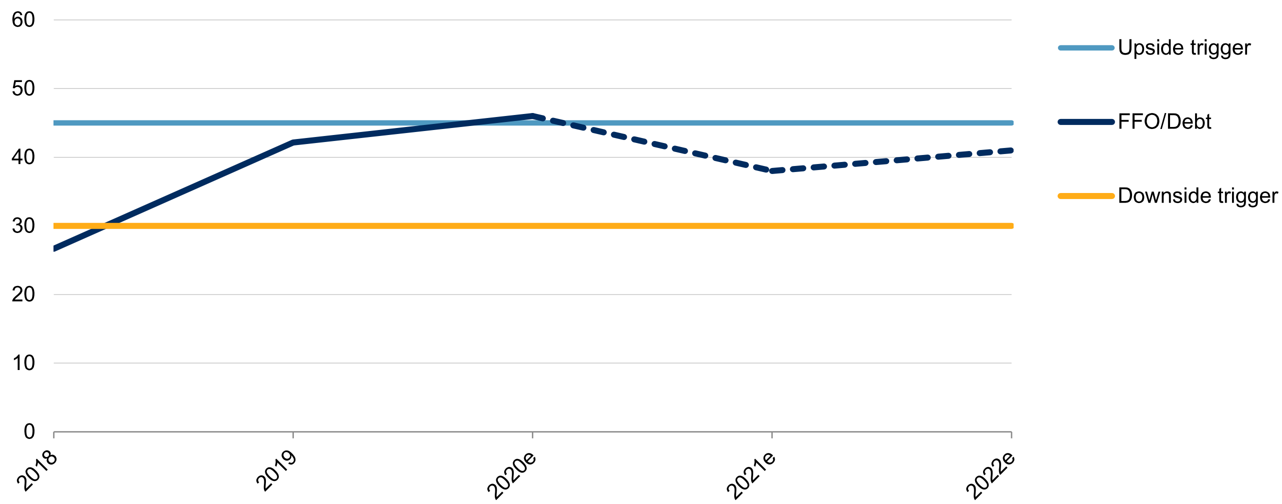
Overview

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 production facilities.	Exposure to volatile--and currently increasing--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 will deliver strong credit metrics in 2020, supported by asset sales and lower natural gas prices. We forecasts Yara's funds from operations (FFO) to debt at 44%-45% in 2020, at the higher end of the threshold we view as commensurate with the rating. This factors in Yara's strong operating performance so far in 2020, with our EBITDA forecast at $2.0 billion-$2.1 billion for the full year, reflecting profitability benefits of lower natural gas prices and strong premium NPK (nitrogen, phosphorus, and potassium) deliveries, notwithstanding low cycle prices for nitrogen and phosphates. The ratios in 2020 are also supported by about $1 billion in proceeds from the sale of Yara's 25% stake in Qatar Fertiliser Company (QAFCO). In 2021, we anticipate that Yara's FFO to debt will decline to 36%-38% but remain healthy and within the 30%-45% range commensurate with the rating. While we note that Yara intends to partly return the proceeds from the disposal of a stake in QAFCO to shareholders, we do not see this as an aggressive financial policy, considering strong cash flow generation at present and our understanding that the company remains committed to its net leverage target of 1.5x-2.0x and net debt to equity ratio below 60% (as calculated by management).

Chart 1

FFO/Debt Versus Outlook

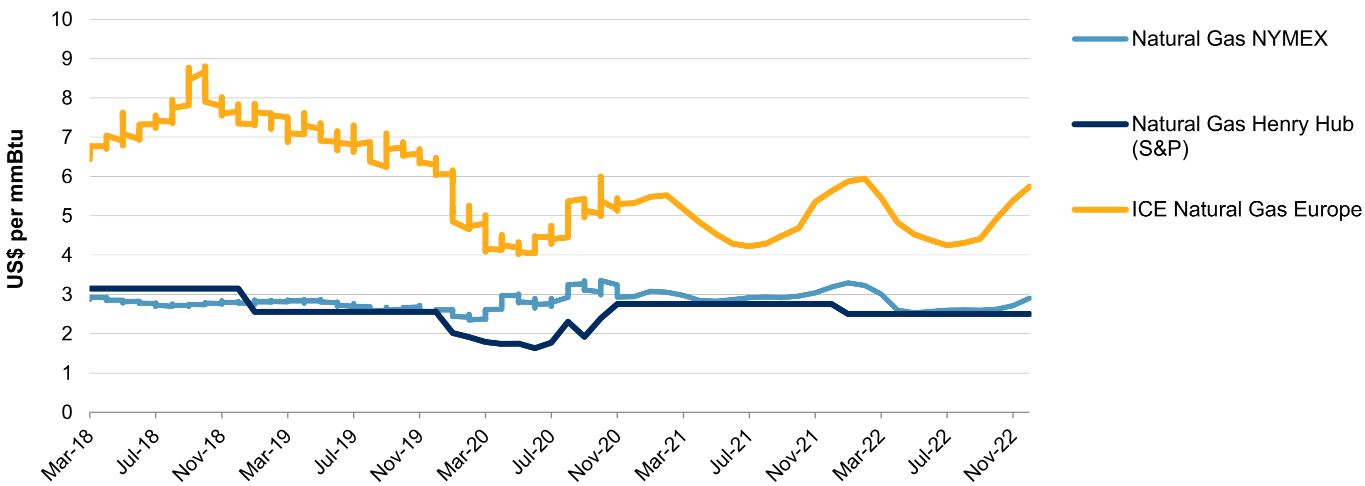


FFO--Funds from operations. e--Estimate. Source: S&P Global Ratings.

The cost differential between European and U.S. fertilizer producers will widen as natural gas prices increase. European gas prices were about 30% lower for the year to Sept. 30, 2020, versus the same period last year, translating into significantly lower production costs for Yara and supporting its profitability. We anticipate that gas prices will increase in 2021, putting pressure on margins of European producers, which remain at a disadvantage compared with broader fertilizer peers operating in North America, Russia, or the Middle East. For Yara, the comparative margin gap is also a function of its single-digit margin, third-party product activities, which account for a notable portion of the company's EBITDA. This is partly mitigated by the favorable cost position of Yara's European plants compared with the regional average, reflecting the company's investments in maintenance and repairs to attain an improvement in reliability and efficiency.

Chart 2

Natural Gas Prices

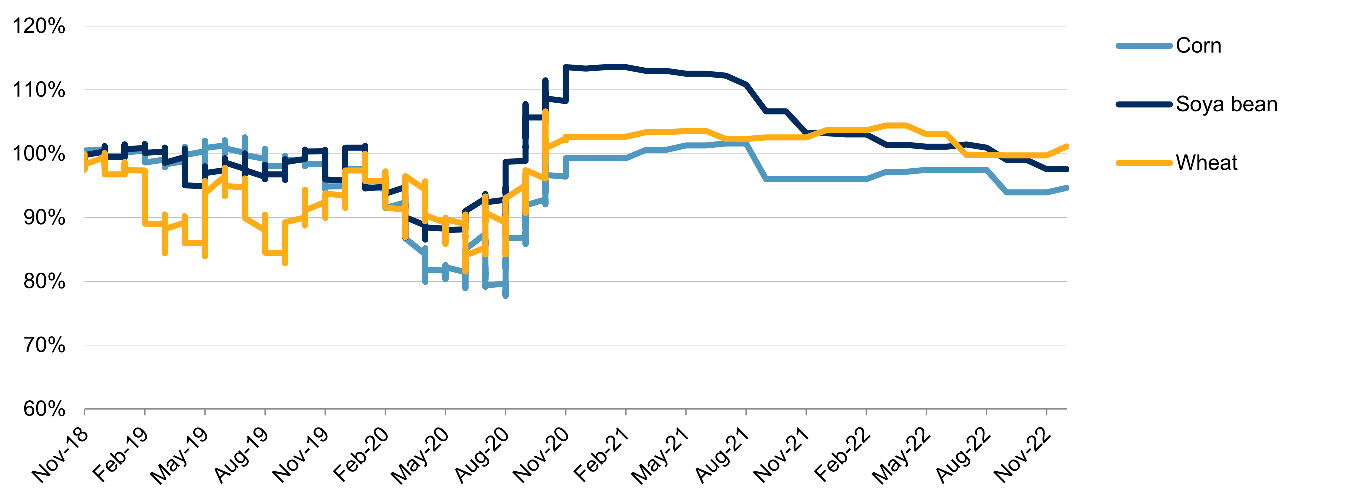


mmbtu--Million british thermal units. Source: Bloomberg and S&P Global Ratings..

Chart 3

CBOT Spot & Futures

Indexed



Source: Bloomberg.

Outlook: Stable

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 2020, Yara's adjusted EBITDA will amount to $2.0 billion-$2.1 billion, benefiting from supportive prices of natural gas, strong premium NPK deliveries, and efficiency gains; notwithstanding low cycle prices of nitrogen-based fertilizers.

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, 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 $2.0 billion-$2.1 billion in 2020, reflecting ongoing supportive natural gas prices and strong premium NPK deliveries, which we assume will more than offset the impact of low prices of nitrogen and phosphate fertilizers. In 2021, we assume adjusted EBITDA of $1.9 billion-$2.0 billion, factoring in our assumption of broadly stable prices of urea, and moderately higher prices of phosphates, but more than offset by higher prices of natural gas.
- Capex of $0.9 billion-$1.1 billion in 2020 and $1.1 billion-$1.3 billion in 2021. This figure factors in maintenance capex, leaving room for bolt-on acquisitions and growth investments.
- Broadly neutral working capital on average at the end of 2020 and 2021.
- Total shareholder distributions, including dividends and buybacks, of about $1.3 billion in 2020 and another $0.5 billion in 2021.

Key metrics

Yara International ASA--Key Metrics*

	--Fiscal year ended Dec. 31--			
	2018a	**2019a**	**2020e**	**2021f**
Revenue	13.0	12.9	11.9-12.1	12.5-12.7
EBITDA	1.6	2.1	2.0-2.1	1.9-2.0
EBITDA margin (%)	12	16.1	16.5-17.5	14.2-15.2
Debt	4.7	4.2	3.7-3.8	4.2-4.3

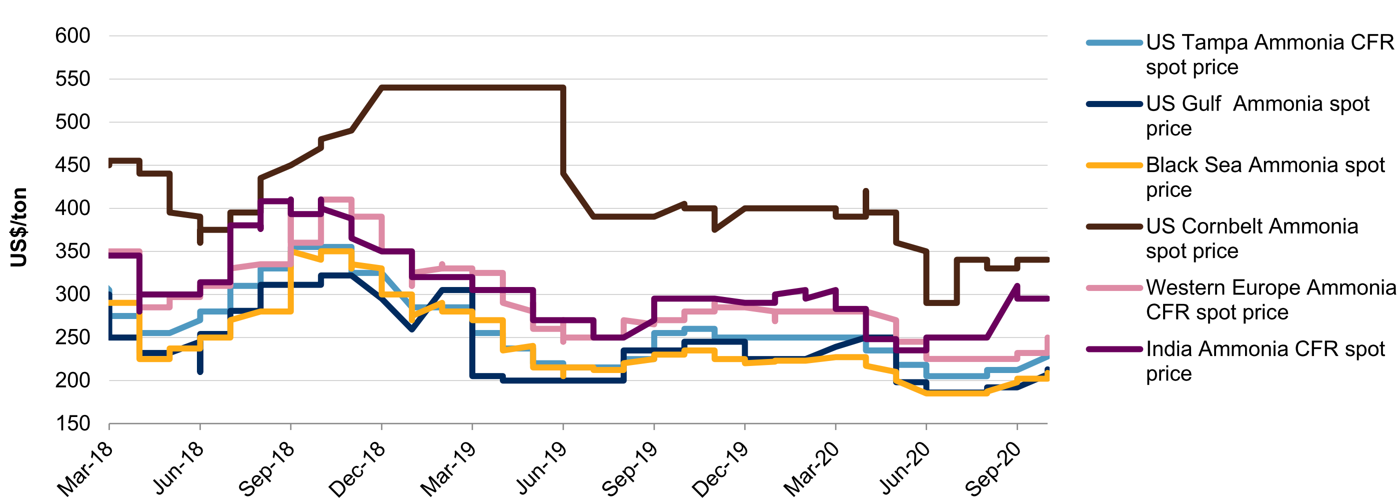
Yara International ASA--Key Metrics* (cont.)				
	--Fiscal year ended Dec. 31--			
	2018a	2019a	2020e	2021f
FFO to debt (%)	26.7	42.2	44-45	36-38
Debt-to-EBITDA (x)	3.0	2.0	1.8-1.9	2.2-2.3

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

Broadly stable nitrogen fertilizer prices. We anticipate steady demand for nitrogen-based fertilizers in 2021, even though weather-related events may disrupt the timing of the planting season in various regions. After several capacity additions, the supply-side pressure appears manageable, with an uncertain and limited amount of projects in the pipeline, for example from Nigeria, Iran, Russia, or Uzbekistan. In view of supportive demand, we anticipate that the nitrogen market will move into deficit, which could be met by additional exports from China. The magnitude of that additional supply is the key risk, notwithstanding the capacity reductions in the country due to higher production costs as a result of increased environmental regulations. We assume broadly stable nitrogen fertilizer prices in 2021.

Chart 4

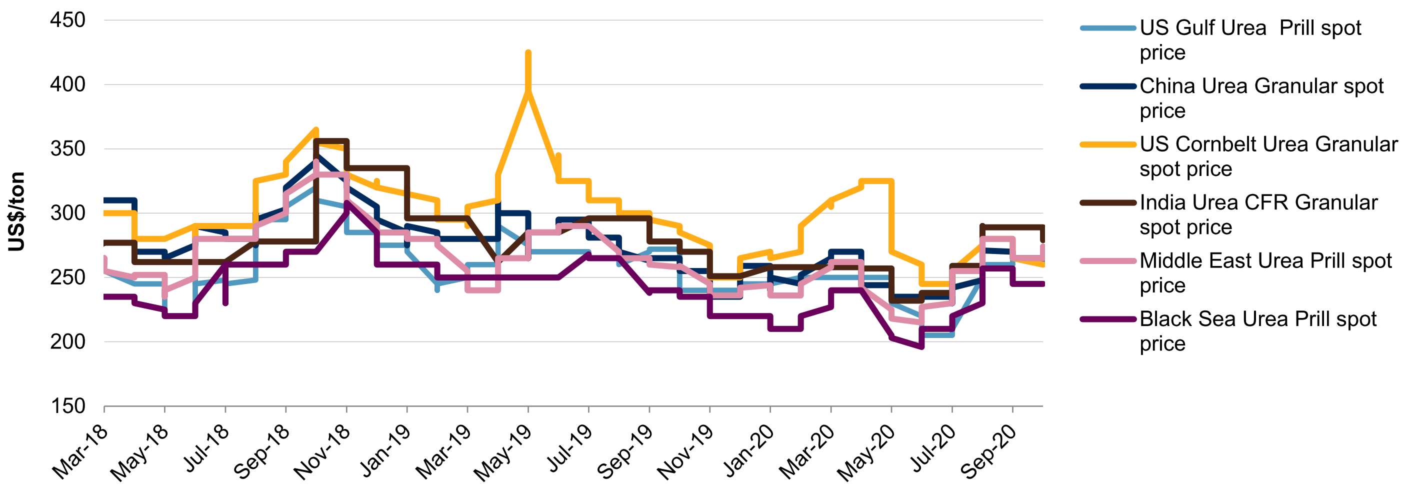
Ammonia Prices



Source: Bloomberg.

Chart 5

Urea Prices

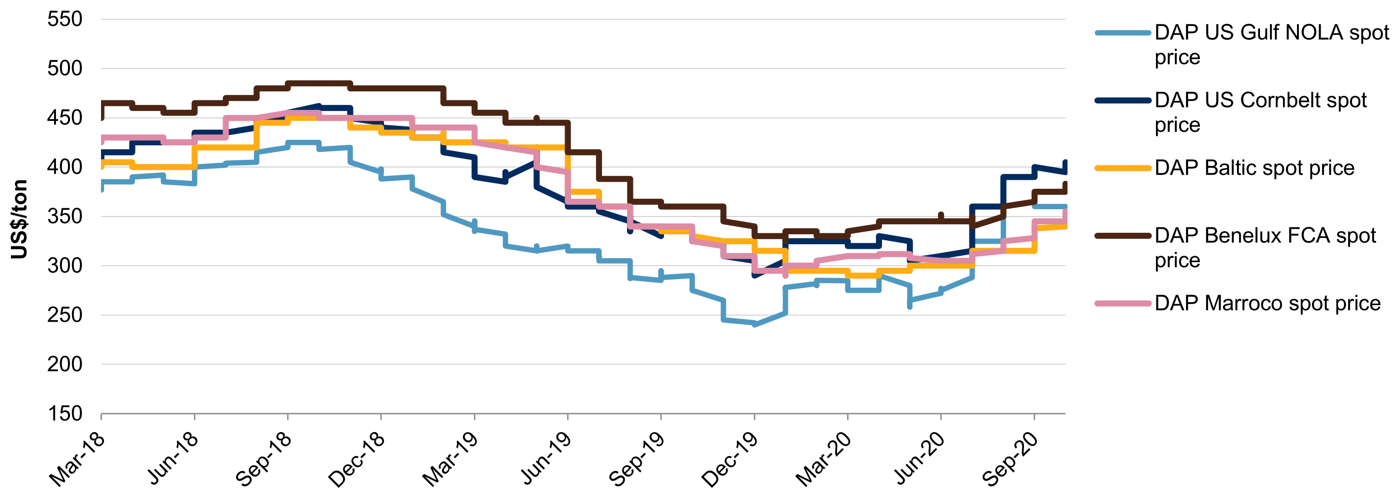


Source: Bloomberg.

Possible recovery in phosphate prices DAP (diamonium phosphate) prices for the nine months to Sept. 30, 2020, averaged $301 per tonne, in comparison with $375 per tonne in the same period of 2019. Weaker prices reflect the oversupplied phosphate market, fueled by expansions in Morocco and Saudi Arabia, partly offset by lower exports of phosphate from China due to COVID-19. Prices however increased somewhat in the third quarter on an improving supply-demand balance. While we assume some recovery of phosphate prices in 2021, we note an increase in exports from China due to attractive pricing, which can hamper the magnitude of the increase. Over the longer term, a gradual phase-out of additional capacities from Maaden and production discipline from key players will be important in maintaining supportive prices of phosphate.

Chart 6

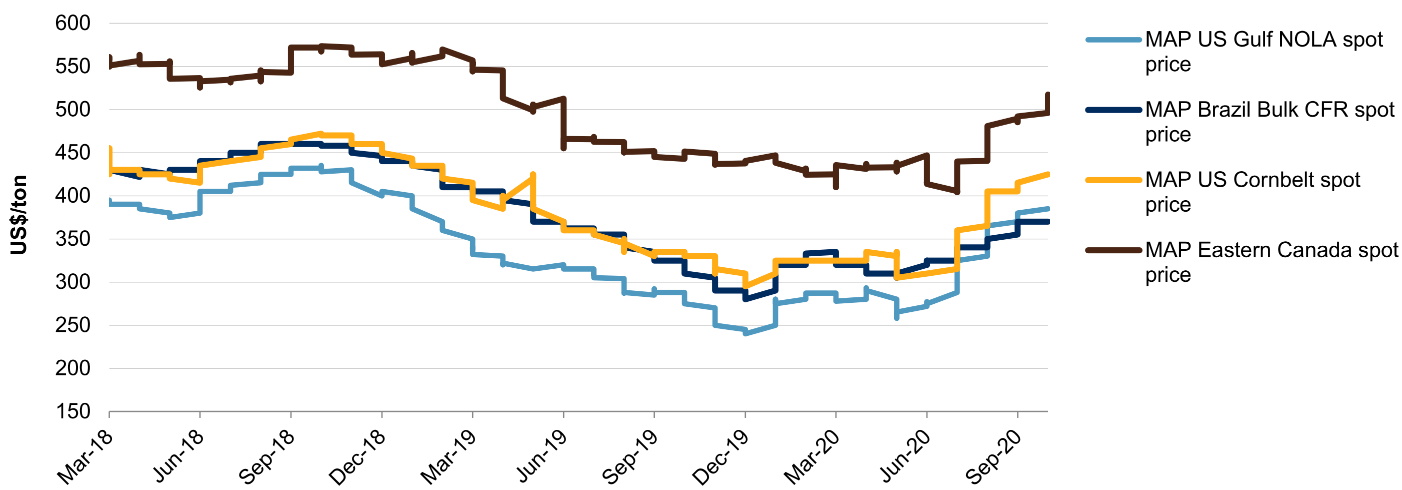
DAP Prices



Source: Bloomberg. DAP--Diammonium phosphate (46% phosphate, 18% nitrogen).

Chart 7

MAP Prices



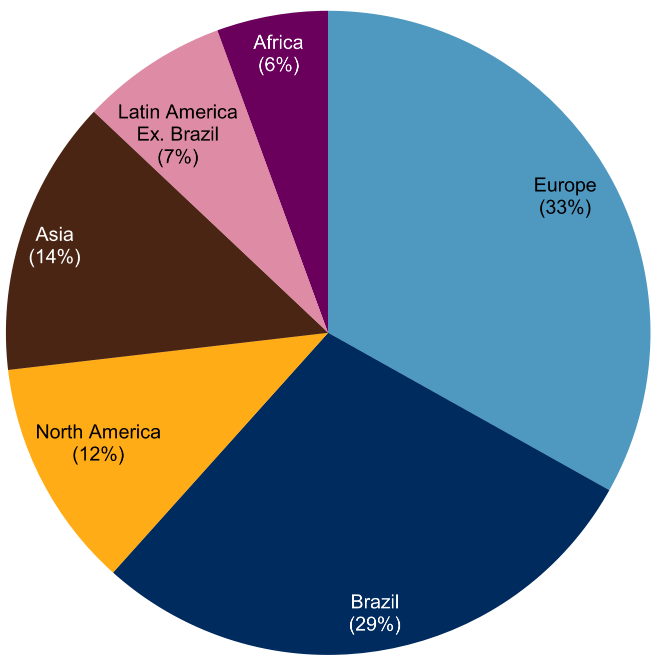
Source: Bloomberg. MAP--Monoammonium phosphate (46% phosphate, 11% nitrogen)

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.

Chart 8

Yara 2019 Revenue By Region



Source: Yara Annual Report 2019.

Norway, through the Ministry of Trade, Industry, and Fisheries, is Yara's largest shareholder, with a 36.21% stake as of Dec. 31, 2019, with the National Insurance Fund of Norway accounting for a further 6.57%. We view Yara's shareholder structure as stable and anticipate no major changes at present. Yara's market capitalization was about Norwegian krone (NOK) 95 billion (about $10.7 billion) on Dec. 9, 2020, down from about NOK99.5 billion on Dec. 31, 2019.

Peer Comparison

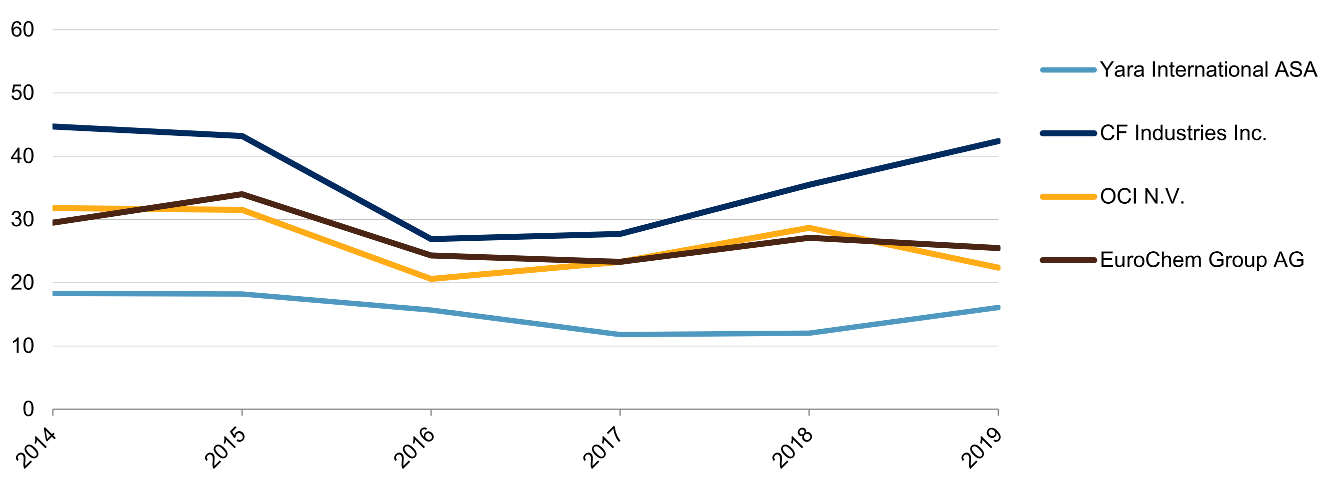
We compare Yara with companies that operate in the fertilizer business, such as U.S.-based nitrogen producer CF Industries; Netherlands-headquartered producer of nitrogen-based fertilizers, methanol, and other commodity products OCI N.V.; and Switzerland-headquartered producer of nitrogen and phosphate 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 NPKs, differentiated nitrates, calcium nitrates, and Yara Vita. About 50% of Yara's total fertilizer sales in 2019 were premium, and the company targets to boost its sales to 17 million tons by 2025, from 13.7 million tons in 2019.

Chart 9

Yara International ASA Profitability--Adjusted EBITDA Margin Peer Comparison



Source: S&P Global Ratings.

Table 1

Yara International ASA--Peer Comparison

Industry sector: Chemical companies

	Yara International ASA	CF Industries Inc.	OCI N.V.	EuroChem Group AG
Ratings as of Dec. 17, 2020	BBB/Stable/A-2	BB+/Stable/--	BB/Negative/--	BB-/Positive/--
Mil. $	**--Fiscal year ended Dec. 31, 2019--**			
Revenue	12,885.0	4,590.0	3,031.7	6,184.0
EBITDA	2,071.0	1,946.0	679.6	1,578.0
Funds from operations (FFO)	1,767.0	1,743.1	345.6	1,106.3
Interest expense	221.0	252.9	315.3	257.4
Cash interest paid	169.0	243.9	274.1	291.9
Cash flow from operations	1,852.0	1,584.1	345.5	906.1
Capital expenditure	1,011.0	402.0	300.0	868.7
Free operating cash flow (FOCF)	841.0	1,182.1	45.5	37.4
Discretionary cash flow (DCF)	572.0	357.1	38.7	(747.6)
Cash and short-term investments	300.0	287.0	583.6	313.4
Debt	4,190.9	4,210.3	4,509.0	5,828.4
Equity	8,909.0	5,637.0	2,818.7	4,983.1
Adjusted ratios				
EBITDA margin (%)	16.1	42.4	22.4	25.5
Return on capital (%)	8.4	9.7	1.2	12.0
EBITDA interest coverage (x)	9.4	7.7	2.2	6.1
FFO cash interest coverage (x)	11.5	8.1	2.3	4.8
Debt/EBITDA (x)	2.0	2.2	6.6	3.7
FFO/debt (%)	42.2	41.4	7.7	19.0
Cash flow from operations/debt (%)	44.2	37.6	7.7	15.5
FOCF/debt (%)	20.1	28.1	1.0	0.6
DCF/debt (%)	13.6	8.5	0.9	(12.8)

Business Risk: Satisfactory

Our view on business risk takes into account Yara's position as one of the world's largest producers and distributors of fertilizers, with a strong and geographically extensive marketing network. Yara derives a large share of its profits from premium, higher-margin fertilizers, rather than 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.

Yara's production is geographically diverse. It directly operates large, efficient plants in Europe and Canada, and its joint ventures also have efficient assets. There are three fertilizer markets: nitrogen, phosphate, and potash. Yara's primary focus is nitrogen fertilizers, which forms by far the largest of these markets. Farmers tend to consider nitrogen fertilizers indispensable, given their short-term impact on crop yields and the need to apply them every year. We consider Yara's competitive advantage as anchored primarily in its agronomic competence, strategic focus on sustainability, diverse product mix, and presence in key markets.

The main business risks include the highly cyclical nature of the fertilizer industry. This cyclicality reflects the industry's changing supply-demand balance, which is difficult to predict as it depends on fertilizer price expectations, harvests, the crop mix, farmers' earnings (which depend on crop prices), the weather, and inventory levels. New supply depends on the speed with which projects come on stream or higher cost capacities are curtailed.

Political decisions also influence both demand and supply, through export allowances, or taxes and subsidies in various core markets, especially India and China. The latter country is a swing producer in the industry, accounting for about 40% of global nameplate urea capacity. Of this capacity, only 20%-30% uses natural gas as feedstock; the availability of natural gas fluctuates in winter months. The rest depends on the price of coal, which is subject to government regulation. We note that the increased focus on the protection of the environment in China is putting pressure on local coal-based urea production, which is currently primarily destined to meet domestic demand.

Financial Risk: Intermediate

Yara's EBITDA (excluding special items, as defined by the company) was broadly flat in the first nine months of 2020 at about $1.7 billion, compared with that in the same period last year. This primarily reflected lower European natural gas prices, which declined to $2.6 per million British thermal units (MMBtu) on average in the first nine months of the year, down from $5.1 per MMBtu in the first nine months of 2019. Crop nutrition deliveries were solid during the period, while industrial solutions recorded lower demand for industrial nitrogen amid reduced activity due to the pandemic.

We forecast that Yara will report adjusted EBITDA of $2.0 billion-$2.1 billion in 2020 and $1.9 billion-$2.0 billion in 2021. Lower EBITDA primarily factors in our anticipation of an increase in natural gas prices, albeit from historically low levels. However, this is partly offset by benefits from the company's improvement program, which delivered total EBITDA improvements of $355 million over the 2015 baseline, and $160 million in one-off benefits. Yara extended the program in 2019 with targeted EBITDA improvements of more than $600 million by 2023 over the 2018 baseline, through further improvements to reliability of production and efficiency, procurement excellence, reduction of fixed costs, and optimization of working capital.

We assume that higher EBITDA and capex of about $0.9 billion-$1.1 billion will translate into free operating cash flow (FOCF) of $0.6 billion-$0.7 billion in 2020 under our base-case scenario. This FOCF, combined with about $1 billion in proceeds from the sale of Yara's stake in QAFCO, will be more than sufficient to cover dividends and share buy-back payments of about $1.3 billion, leaving scope for further net deleveraging. We forecast an adjusted FFO-to-debt ratio of 44%-46% in 2020, and 36%-38% in 2021.

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 the net debt to equity ratio below 60%.

Financial summary

Table 2

Yara International ASA--Financial Summary

Industry sector: Chemical companies					
	--Fiscal year ended Dec. 31--				
	2019	**2018**	**2017**	**2016**	**2015**
(2017-2019 Mil. $, 2015-2016 Mil NOK)					
Revenue	12,885.0	12,959.0	11,359.0	95,367.0	108,344.0
EBITDA	2,071.0	1,558.0	1,335.0	14,984.0	19,727.0
Funds from operations (FFO)	1,767.0	1,260.5	1,047.8	11,153.6	15,175.0
Interest expense	221.0	226.5	165.2	1,397.4	1,354.0
Cash interest paid	169.0	187.5	91.2	1,094.4	1,172.0
Cash flow from operations	1,852.0	802.5	825.4	14,717.6	15,672.0
Capital expenditure	1,011.0	1,276.0	1,270.0	12,509.0	9,520.0
Free operating cash flow (FOCF)	841.0	(473.5)	(444.6)	2,208.6	6,152.0
Discretionary cash flow (DCF)	572.0	(713.5)	(765.6)	(2,244.4)	2,080.0
Cash and short-term investments	300.0	202.0	544.0	3,751.0	3,220.0
Gross available cash	300.0	202.0	544.0	3,751.0	3,220.0
Debt	4,190.9	4,726.1	3,184.1	20,098.6	19,173.7
Equity	8,909.0	8,910.0	9,504.0	76,770.0	75,727.0
Adjusted ratios					
EBITDA margin (%)	16.1	12.0	11.8	15.7	18.2
Return on capital (%)	8.4	5.0	1.1	7.9	12.3
EBITDA interest coverage (x)	9.4	6.9	8.1	10.7	14.6
FFO cash interest coverage (x)	11.5	7.7	12.5	11.2	13.9
Debt/EBITDA (x)	2.0	3.0	2.4	1.3	1.0
FFO/debt (%)	42.2	26.7	32.9	55.5	79.1
Cash flow from operations/debt (%)	44.2	17.0	25.9	73.2	81.7
FOCF/debt (%)	20.1	(10.0)	(14.0)	11.0	32.1
DCF/debt (%)	13.6	(15.1)	(24.0)	(11.2)	10.8

Reconciliation

Table 3

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

	--Fiscal year ended Dec. 31, 2019--								
Yara International ASA reported amounts									
	Debt	**Shareholders' equity**	**Revenue**	**EBITDA**	**Operating income**	**Interest expense**	**S&P Global Ratings' adjusted EBITDA**	**Cash flow from operations**	**Capital expenditure**
Reported	3,590.0	8,830.0	12,936.0	1,954.0	989.0	157.0	2,071.0	1,907.0	1,066.0
S&P Global Ratings' adjustments									
Cash taxes paid	--	--	--	--	--	--	(135.0)	--	--

Table 3

Yara International ASA--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. $) (cont.)									
Cash interest paid	--	--	--	--	--	--	(169.0)	--	--
Cash interest paid: Other	--	--	--	--	--	--	55.0	--	--
Reported lease liabilities	435.0	--	--	--	--	--	--	--	--
Postretirement benefit obligations/deferred compensation	266.0	--	--	2.0	2.0	9.0	--	--	--
Accessible cash and liquid investments	(265.0)	--	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	--	55.0	(55.0)	(55.0)	(55.0)
Dividends received from equity investments	--	--	--	166.0	--	--	--	--	--
Asset-retirement obligations	127.9	--	--	--	--	--	--	--	--
Nonoperating income (expense)	--	--	--	--	141.0	--	--	--	--
Noncontrolling interest/minority interest	--	79.0	--	--	--	--	--	--	--
Debt: Contingent considerations	37.0	--	--	--	--	--	--	--	--
Revenue: Other	--	--	(51.0)	(51.0)	(51.0)	--	--	--	--
Depreciation and amortization: Impairment charges/(reversals)	--	--	--	--	43.0	--	--	--	--
Total adjustments	600.9	79.0	(51.0)	117.0	135.0	64.0	(304.0)	(55.0)	(55.0)
S&P Global Ratings' adjusted amounts									
	Debt	**Equity**	**Revenue**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from operations**	**Cash flow from operations**	**Capital expenditure**
Adjusted	4,190.9	8,909.0	12,885.0	2,071.0	1,124.0	221.0	1,767.0	1,852.0	1,011.0

Liquidity: Adequate

We assess Yara's liquidity as adequate, based on our view that liquidity sources will cover uses by more than 1.9x over the 12 months started Oct. 1, 2020. We note the company's track record of refinancing well ahead of time and good access to banks and capital markets. In May 2020, at the height of the pandemic, the company issued a 3.148% $750 million senior unsecured bond due in April 2030.

Principal liquidity sources	Principal liquidity uses
• Available unrestricted cash and cash equivalents of	• Short-term debt of $237 million;

around $1.7 billion as of Sept. 30, 2020;

- Cash FFO of about $1.5 billion; and
- Availability of $1.1 billion under a committed revolving credit facility (RCF) due in July 2024, which can be extended twice, by one year each time.

- Capex of $1.0 billion-$1.2 billion;
- Broadly neutral working capital at year end, with peak intrayear outflows of $0.1 billion-$0.2 billion;
- Dividends of $0.5 billion in fourth-quarter 2020 and $0.3 billion in 2021; and
- Share buybacks of $240 million in fourth-quarter 2020 and $200 million in 2021.

Debt maturities

As of Sept. 30, 2020:

- Short-term debt: $220 million.
- 2021: $124 million.
- 2022: $460 million.
- 2023: $53 million.
- Thereafter: $2.4 billion.

Covenant Analysis

Comfortable headroom under a financial covenant 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.

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 their 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.

The company is also facing 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, and to become climate neutral by 2050.

We note that Yara has recently 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 is in the feasibility stage;
- A 20 kiloton green ammonia production capacity at the Porsgrunn plant in Norway, 5 megawatt (MW) in collaboration with NEL Hydrogen, with the remaining 20MW under tender. The project is at the concept stage. In addition, at its ESG investor day in December 2020, Yara announced the potential for full electrification of its 500,000 tons per year Porsgrunn plant, depending on the right partners and regulation; and
- 3.5 kilotons of green ammonia production at the Pilbara plant in Australia using solar power, in collaboration with Engie. This project is at the concept stage.

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

Yara's capital structure consists primarily of:

- $500 million bond due 2026,
- $1.0 billion bond due 2028,
- NOK700 million bond due 2021,
- NOK1.6 billion bond due 2024,
- NOK1.25 billion bond due 2022,
- NOK1 billion bond due 2027,
- Swedish krona (SEK) 1.25 billion bond due 2022,
- $750 million bond due 2030, and
- Various local lines.

All notes are unsecured and unsubordinated obligations of the issuer, ranking equally with each other. Liquidity is supported by the main $1.1 billion RCF due July 2024, which has the same seniority as Yara's current and present obligations, and other RCF lines of about $0.5 billion.

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.

Ratings Score Snapshot

Issuer Credit Rating

BBB/Stable/A-2

Business risk: Satisfactory

- **Country risk:** Low
- **Industry risk:** Moderately high
- **Competitive position:** Satisfactory

Financial risk: Intermediate

- **Cash flow/leverage:** Intermediate

Anchor: bbb

Modifiers

- **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)

Related Criteria

- Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 4, 2019
- Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Group Rating Methodology, Nov. 19, 2013
- Corporate Methodology, Nov. 19, 2013
- Industry Risk, Nov. 19, 2013
- Ratios And Adjustments, Nov. 19, 2013
- Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012

Business And Financial Risk Matrix

	Financial Risk Profile					
Business Risk Profile	Minimal	Modest	**Intermediate**	Significant	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
Satisfactory	a/a-	bbb+	**bbb/bbb-**	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Ratings Detail (As Of December 17, 2020)*

Yara International ASA	
Issuer Credit Rating	BBB/Stable/A-2

Ratings Detail (As Of December 17, 2020)*(cont.)	
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.