MOI GLOBAL

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EUROPEAN Investing Summit

S. W. MITCHELL CAPITAL

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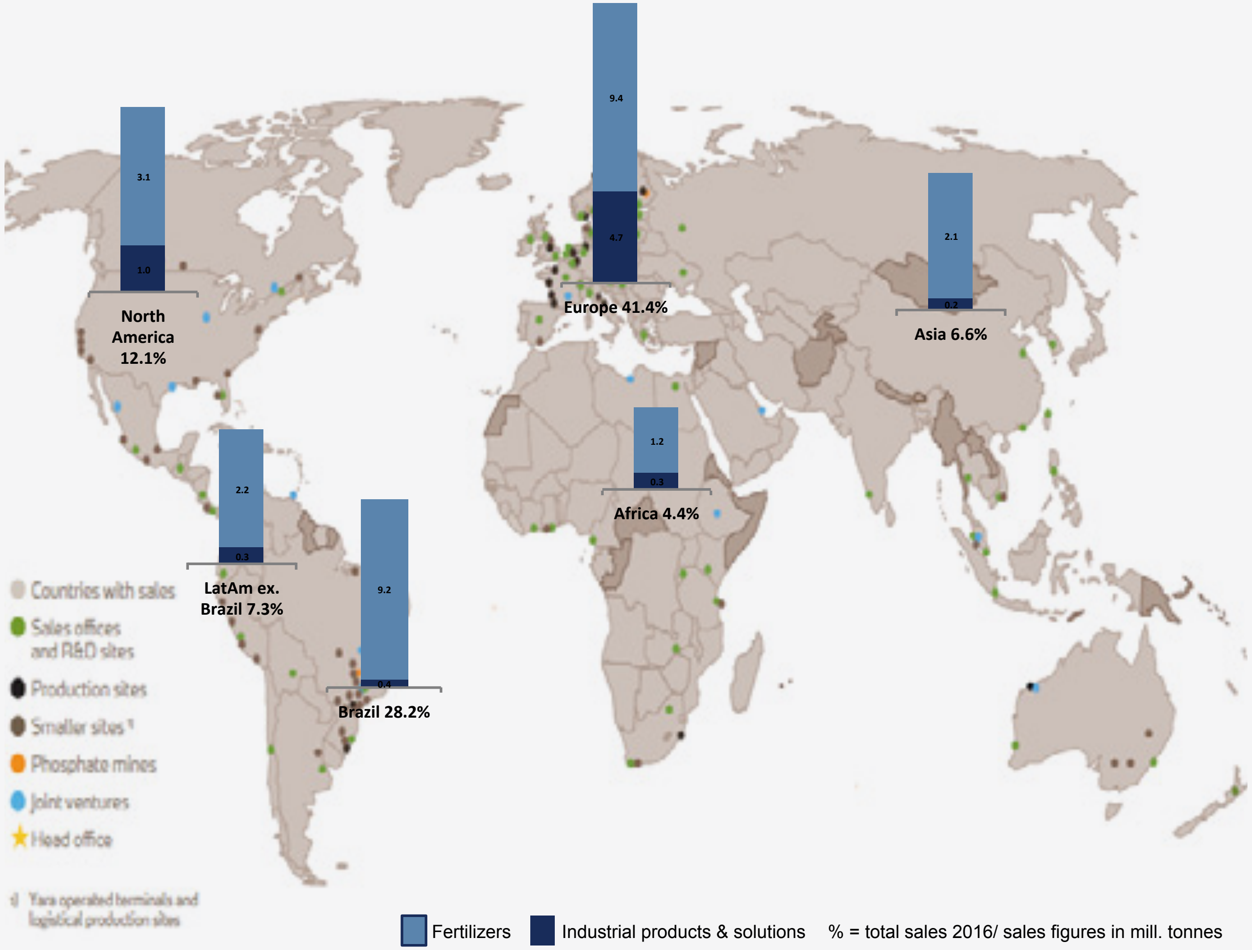
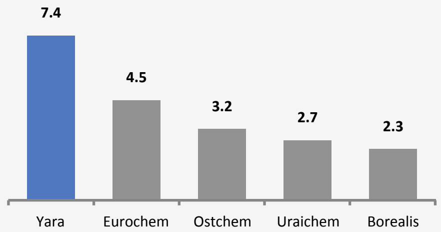
What is Yara?

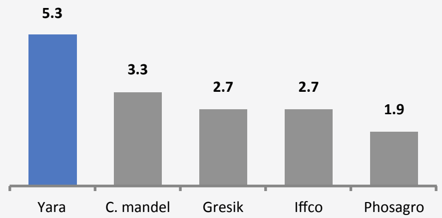
Yara is the leading global manufacturer of fertilisers…



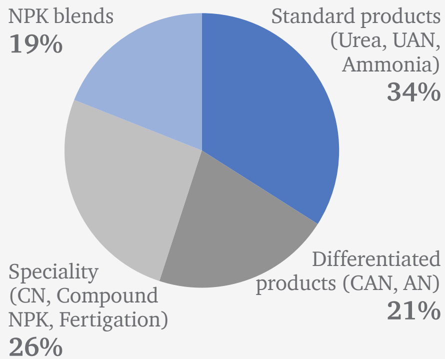
Global #1 in Nitrates[1]



Global #1 in NPK[2]



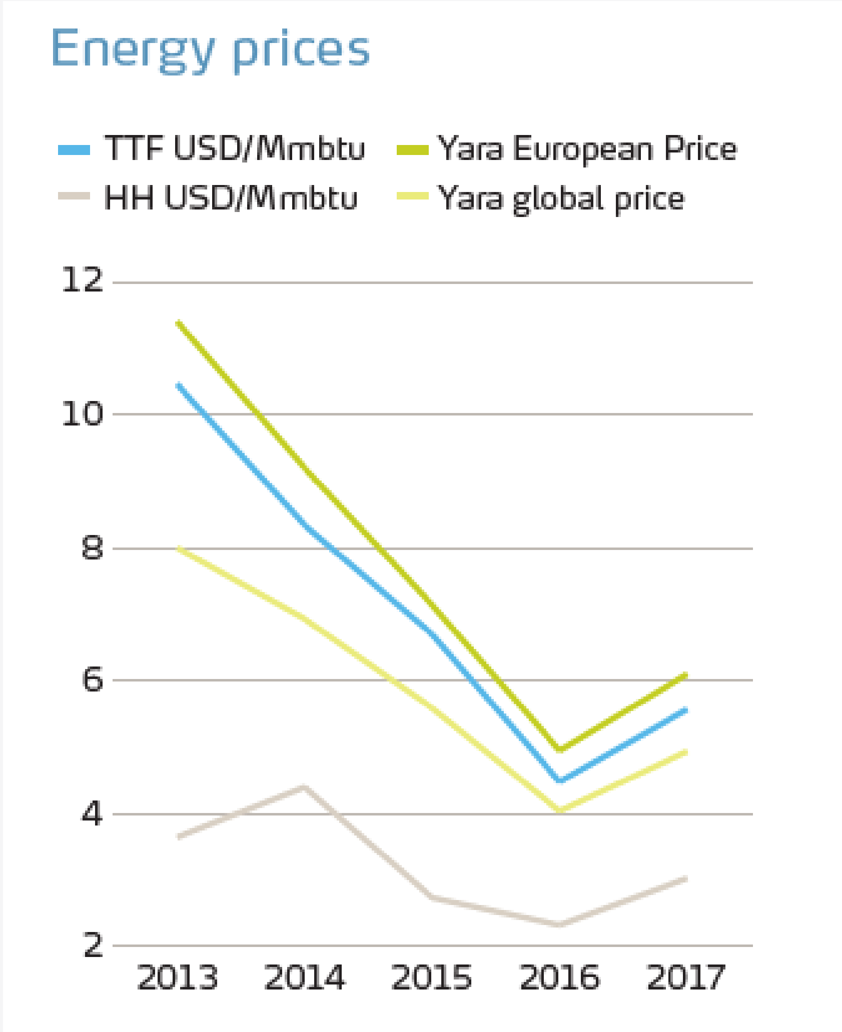
Fertilizer product portfolio[3]



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

…with a number of important strengths…

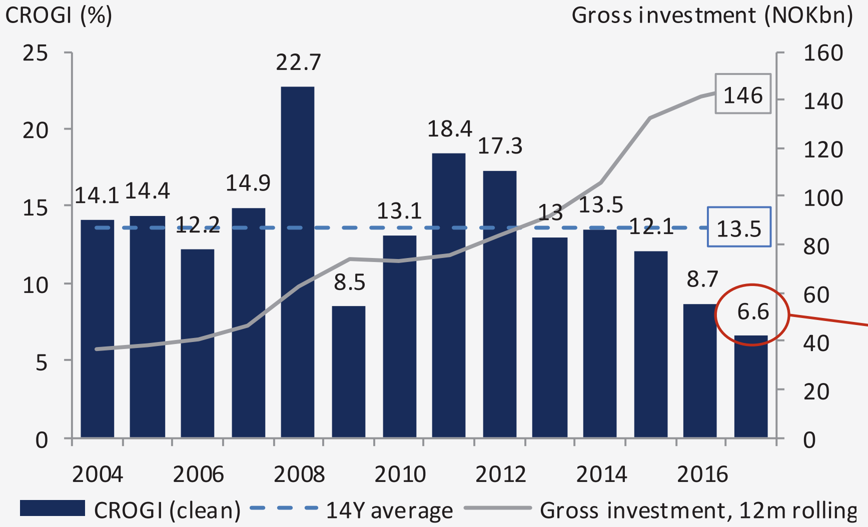
- Fully integrated business model
- Significant industrial business (AdBlue) built on the back of fertiliser industrial process
- Advantage of being a large scale global producer (raw material sourcing, plant optimisation)



… and a strong (but cyclical) long-term financial record.

Income statement (NOKm)	2009	2010	2011	2012	2013	2014	2015	2016	2017
Sales	61418	65312	80352	84509	85052	95342	111897	97170	93812
EBIT	1374	6295	10882	10976	8181	10716	11064	7783	4437
Net income	3783	8668	12066	10601	5748	7712	8086	6360	3947
Free cash flow	5842	3235	4162	8969	2256	-1217	2690	445	-5197
Capital employed	37366	37695	41900	42800	51117	72755	81694	84458	91827
ROIC	10%	23%	29%	25%	11%	11%	10%	8%	4%

Return on gross investments (CROGI*) – YAR



- Yara has delivered strong returns historically, with a CROGI of 13.5% on average (ex. special items)
- Returns have exceded 10% in 11 out of 14 years

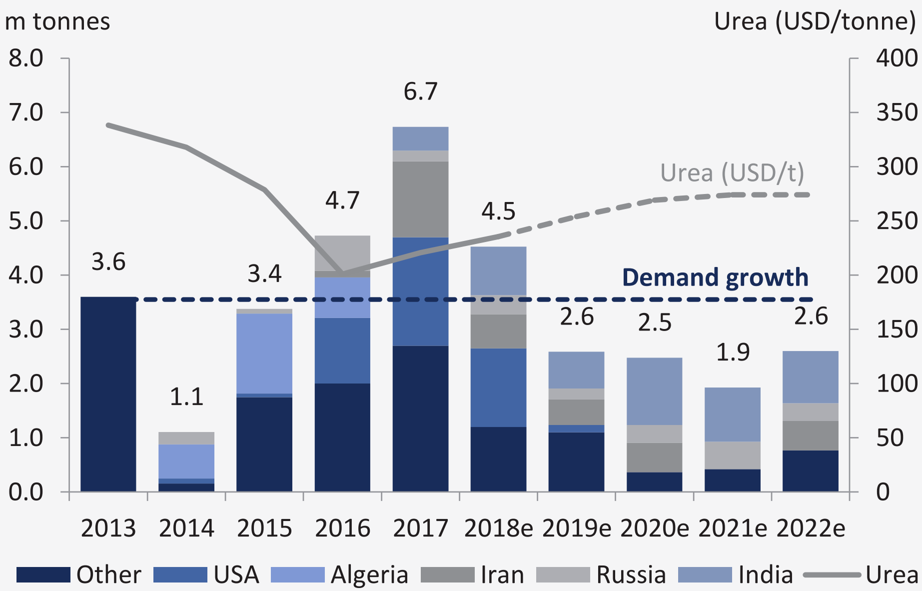
Cyclical trough?

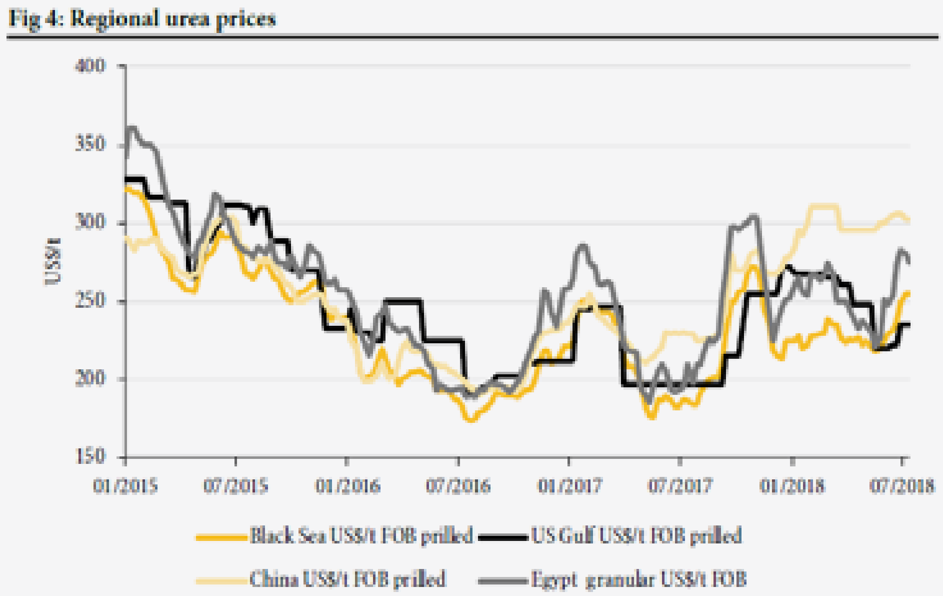
* CROGI (Cash Return On Gross Investment) is defined as gross cash flow, divided by average gross investment and is calculated on a 12-month rolling basis. 'Gross cash flow' is defined as EBITDA less total tax expense, excluding tax on net foreign currency translation gains/ losses. 'Gross Investment' is defined as total assets (exclusive of deferred tax assets, cash and cash equivalents, other liquid assets and fair value adjustment recognized in equity) plus accumulated depreciation and amortization, less all short-term interest-free liabilities, except deferred tax liabilities. On segment level, cash and other liquid assets are not excluded from 'Gross Investment'.Source: Company accounts, Bloomberg, Pareto Securities Equity Research


A chance to buy

Yara share price falls on the back of unusually weak fertiliser demand…

Global urea capacity additions excl. China





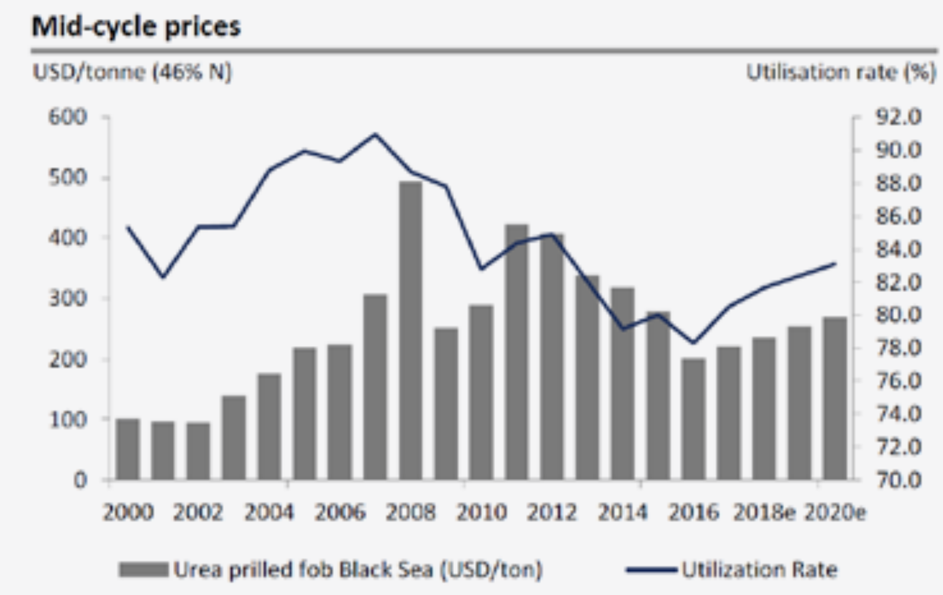
- Newbuild parity = 320 USD/tonnes
- Peak urea prices have been well above USD 600/tonne
- 4-5 year lead time on a new plant that is built today

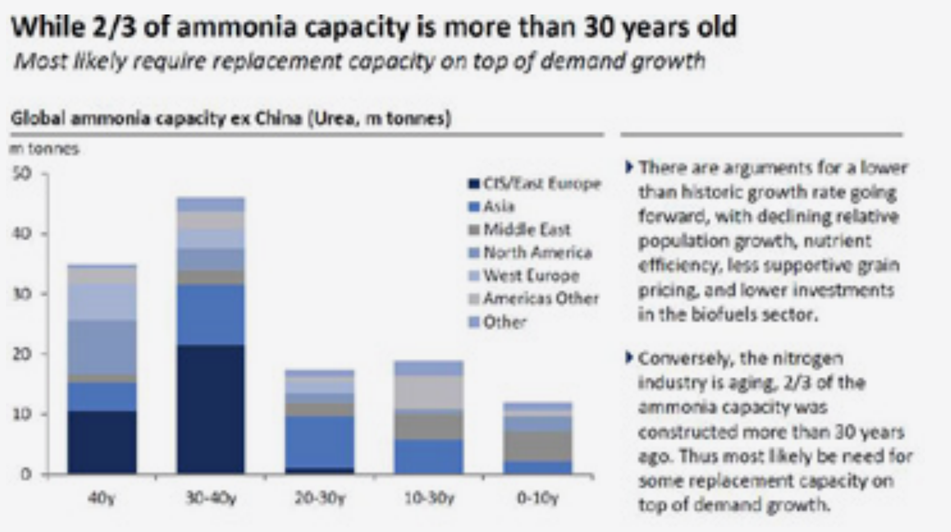
Source: Redburn, Bloomberg, CRU

…and falling profits.

Income statement (NOKm)	2015	2016	2017
Sales	111897	97170	93812
EBIT	11064	7783	4437
Net income	8086	6360	3947
Free cash flow	2690	445	-5197
Capital employed	81694	84458	91827
ROIC	10%	8%	4%

Urea demand remains far below trend whilst supply growth slows.

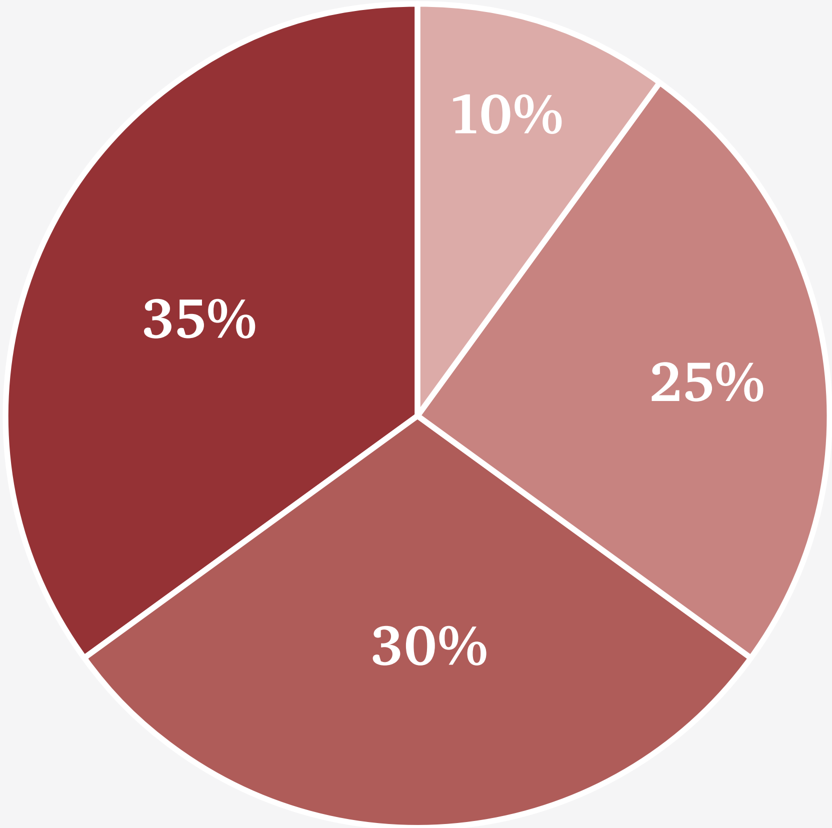




Source: Pereto

The Yara Improvement Programme

Yara aim to increase EBITDA by at least $500m per annum by 2020.



- 10% greater production efficiency
- 25% lower fixed costs
- 30% lower variable costs
- 35% from higher volumes

Combined with capacity expansion this could add $1.1bn to 2020 profits.

- Yara should make $1.1bn extra profit from Improvement Programme and CAPEX
- The company generated $1.4bn EBITDA in 2017
- Without any cyclical upturn the share would trade on 5x EBITDA versus 8x for competitors


But they can go much further...

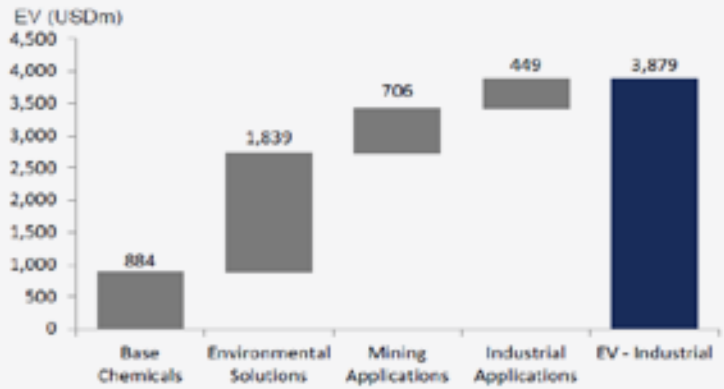
Yara could sell the industrial division;

- The industrial division could be worth 25% of the market cap yet makes 12% of group EBITDA

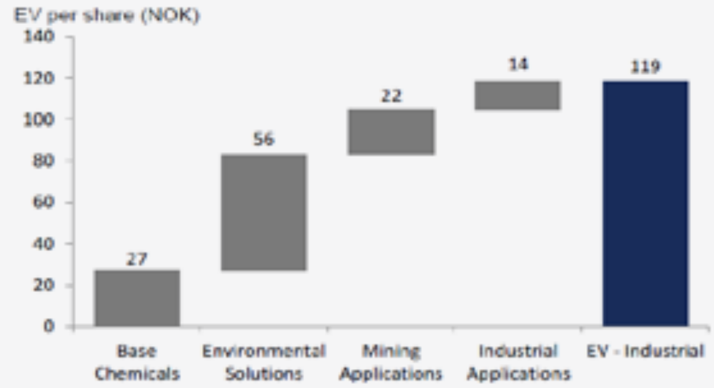
Industrial valued about USD 3.9bn

Albeit complex to sell, as it is integrated in existing sites (e.g. Ad Blue)

EV based on 2020e



Per share (2020e)



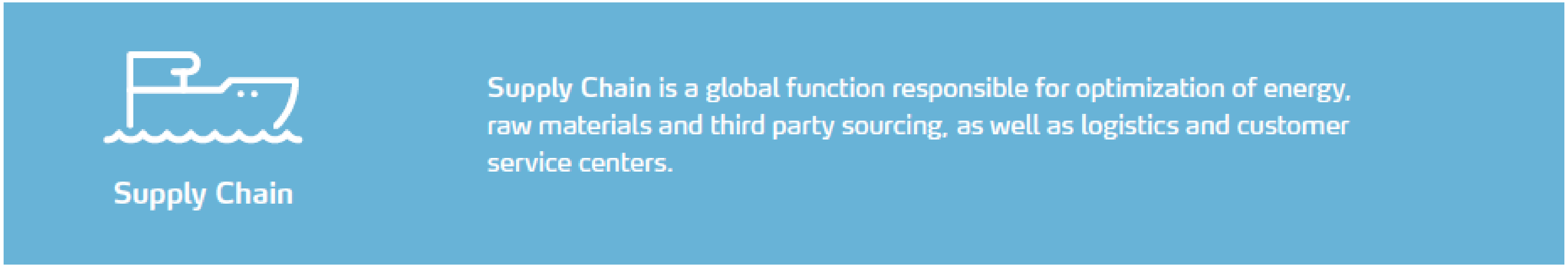
	EV/EBITDA		EBITDA (USDm)			EV (USDm)	
	2019e	2020e	2018e	2019e	2020e	2019e	2020e
Base Chemicals	10.0x	10.0x	80	84	88	842	884
Environmental Solutions	12.5x	12.5x	78	118	147	1,478	1,839
Mining Applications	8.5x	8.5x	16	55	83	469	706
Industrial Applications	9.0x	9.0x	33	42	50	375	449
EBITDA - Industrial (USDm)	**10.6x**	**10.5x**	**208**	**299**	**369**	**3,164**	**3,879**
USDNOK						8.35	8.35
EV (NOKm)						**26,416**	**32,387**
Shares						273	273
Per share						**97**	**119**

- At current estimates, Industrial account for ~13% of EBITDA, while applying peer multiples we find fair value of USD 3.9bn (corresponding to 31% Mcap)

Source: Pereto

Yara could save a further $500m from the improvement programme.

They could also sale and leaseback ports and terminals



Source: Yara Financial Report 2017

Valuation highly compelling.

	$bn	EPS ($)
2017 EBITDA	1.4	1.8
with extra capacity and improvement programme	3.0	5.1
with extra cost cutting	3.5	1.3
at $430 urea price		13.1
PER		**3.6x**