



Knowledge grows

# Yara International ASA

Nomura Global Chemical Industry Conference

CEO Jørgen Ole Haslestad

Bordeaux, 25 March 2011

***Yara is a leading provider of both nitrogen-based fertilizer and industrial products***

*Revenues (2010)*

**USD 10.7  
billion**

*Number of employees*

**7,300**

*located in more than*

**50 countries**

**Global #1**

*in ammonia*

*in nitrates*

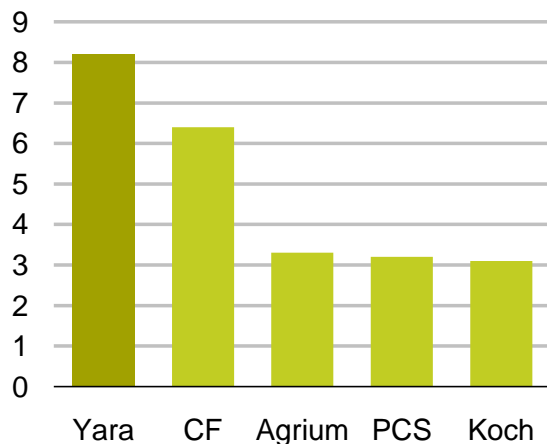
*in NPK*

*in specialty fertilizers*

# Yara – the leader in nitrogen fertilizers

## Global no 1 in ammonia

Production capacity\* (mill t)

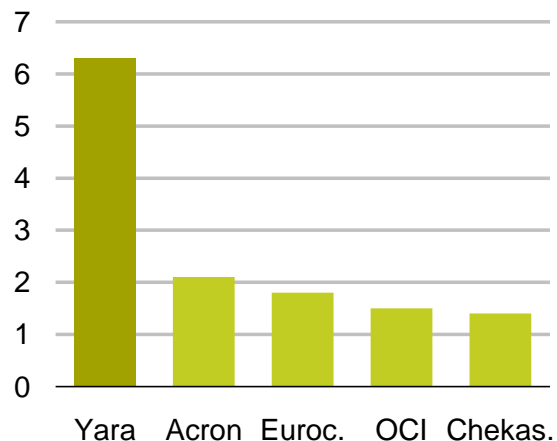


\* Incl. companies' shares of JVs

Source: Yara & Fertecon

## Global no 1 in nitrates

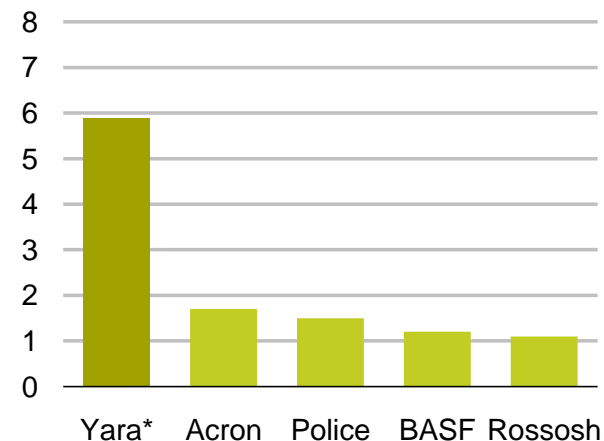
Production capacity\* (mill t)



Source: British Sulphur, EFMA

## Global no 1 in NPK complex fertilizer

Production capacity\* (mill t)



Source: Nitrex-Complex



# A business strategy geared for global optimization



**Scale  
advantages**



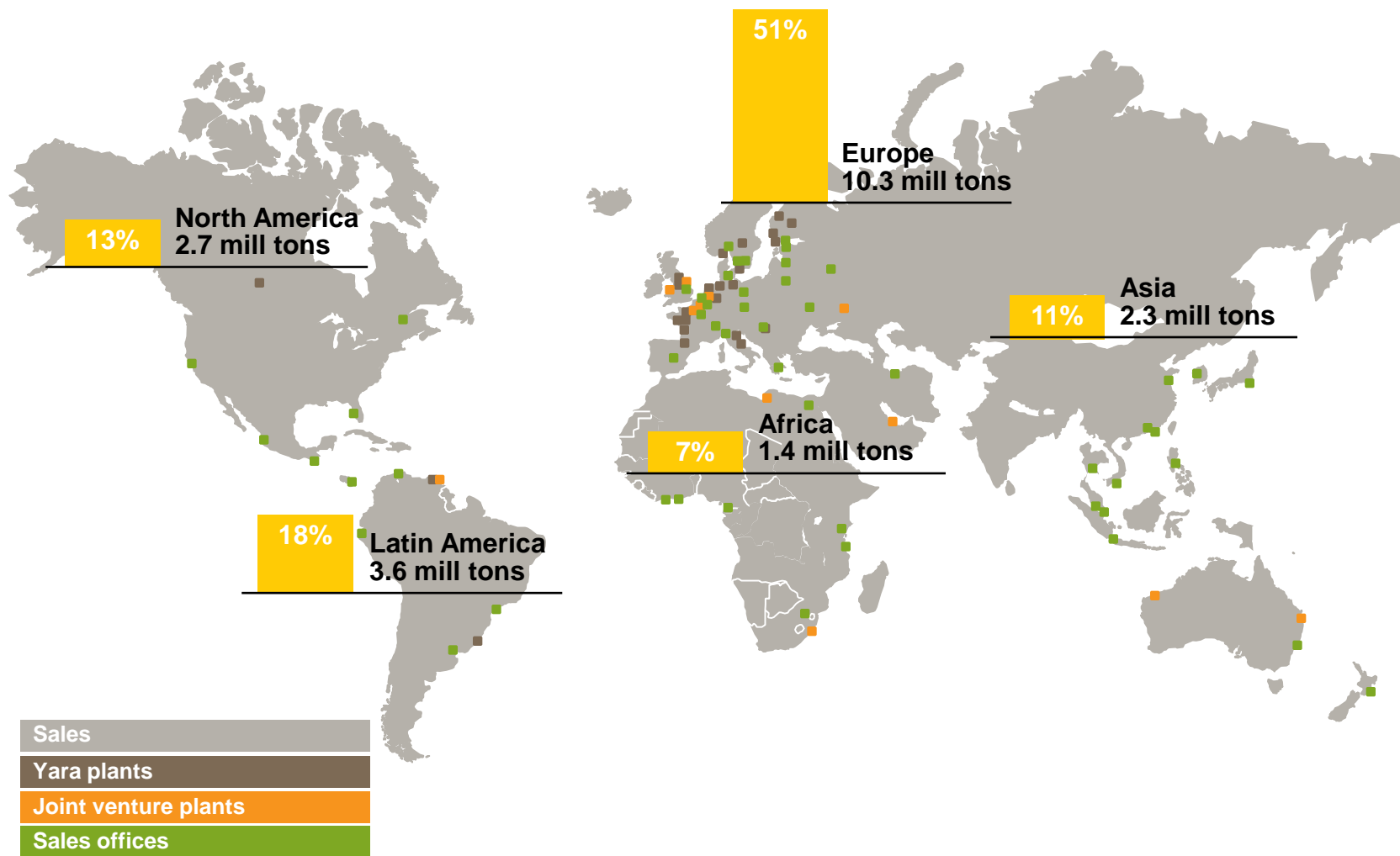
**Unique  
flexibility**



**Unrivalled  
presence**



# Global downstream presence with sales offices in more than 50 countries



# Upstream

## – the industry's leading production platform

Includes Yara's large-scale ammonia and fertilizer plants worldwide and a phosphate mine

- Production plants in 14 countries
- Economies of scale
- 35% in low-cost gas areas
- Simplification and productivity improvements
- Strong product portfolio



# Industrial – total service provider of environmental and industrial solutions

## Yara Industrial

### Chemicals

- Serving the process industry
- Odor treatment of waste water

### Environmental Solutions Automotive

Abatement of NO<sub>x</sub> emissions from heavy-duty Trucks (Air1)

### Environmental Solutions Industry and Maritime

Abatement of NO<sub>x</sub> emissions from stationary and maritime sources (NO<sub>x</sub>Care)

### Technical Ammonium Nitrates

Solutions to the Civil explosives industry based on Technical nitrates

### CO<sub>2</sub>

CO<sub>2</sub> in liquid and dry ice forms mainly for food and beverage applications



# Supply & Trade – global leader in ammonia shipping and trading

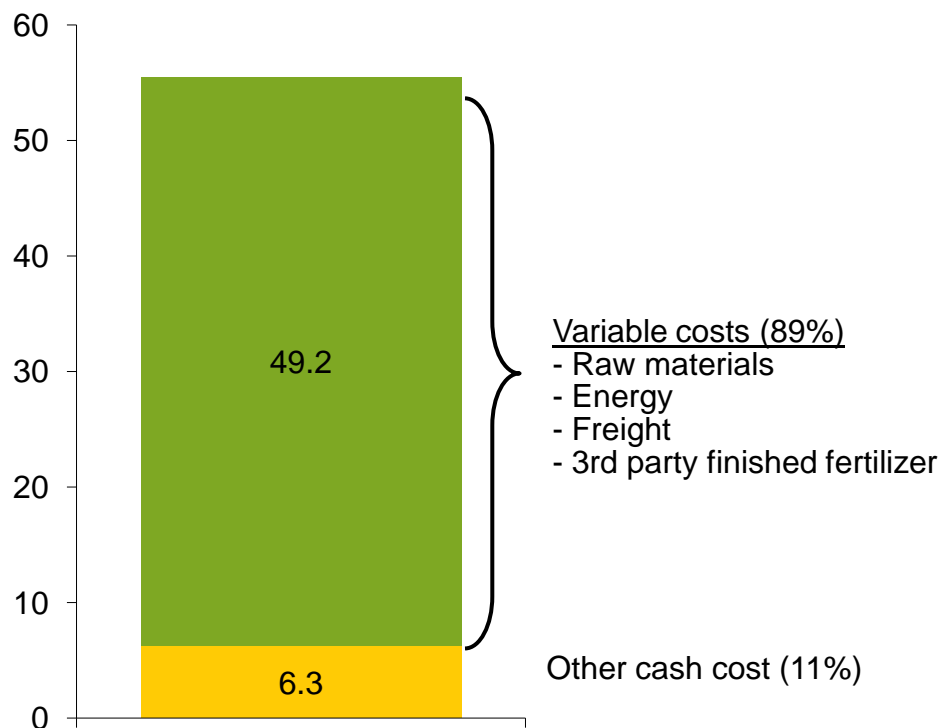
- World's largest trader and shipper of ammonia, 30% of global trade
- Europe's biggest industrial gas purchaser
- Purchase more than 1 million tons phosphate rock annually
- Purchase more than 1.5 million tons potash annually



# Yaras operating cash costs are mainly variable

## Operating cash costs 2010

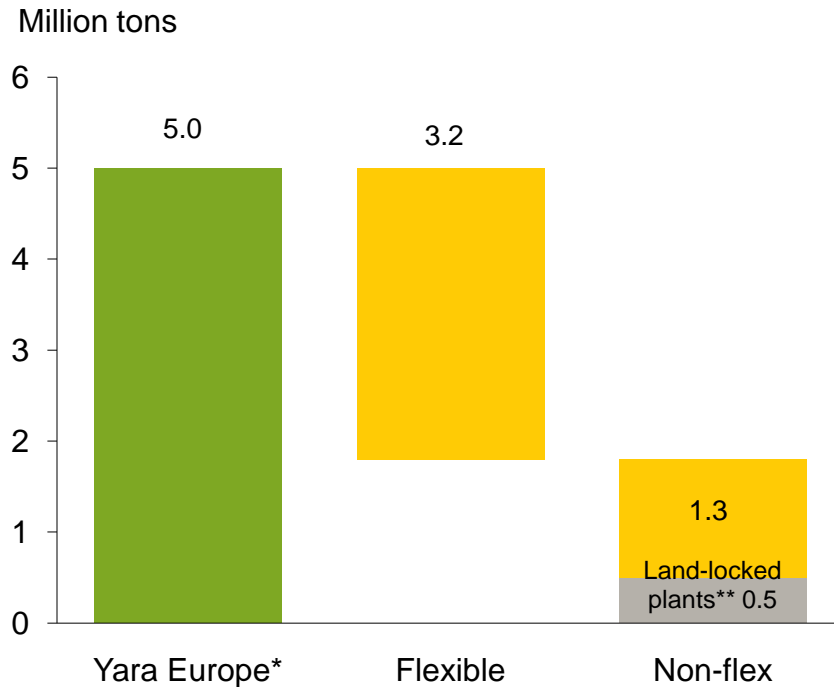
NOK billions



- Temporary plant closures can be made speedy and with limited stop/start costs
- Example for ammonia/urea plants:
  - Takes half a week to stop and a week to start
  - Cost of stopping is 2 days energy consumption
  - Cost of starting is 3 days energy consumption



# Yara flexibility to produce or import ammonia in Europe



- Yara can swing 2/3 of European ammonia production without affecting fertilizer production
- Almost all Yara nitrate and NPK capacity has ammonia import flexibility

*Yara can mitigate high European energy costs or take advantage of low ammonia prices by closing ammonia production and run most of nitrates and NPK based on imported ammonia.*

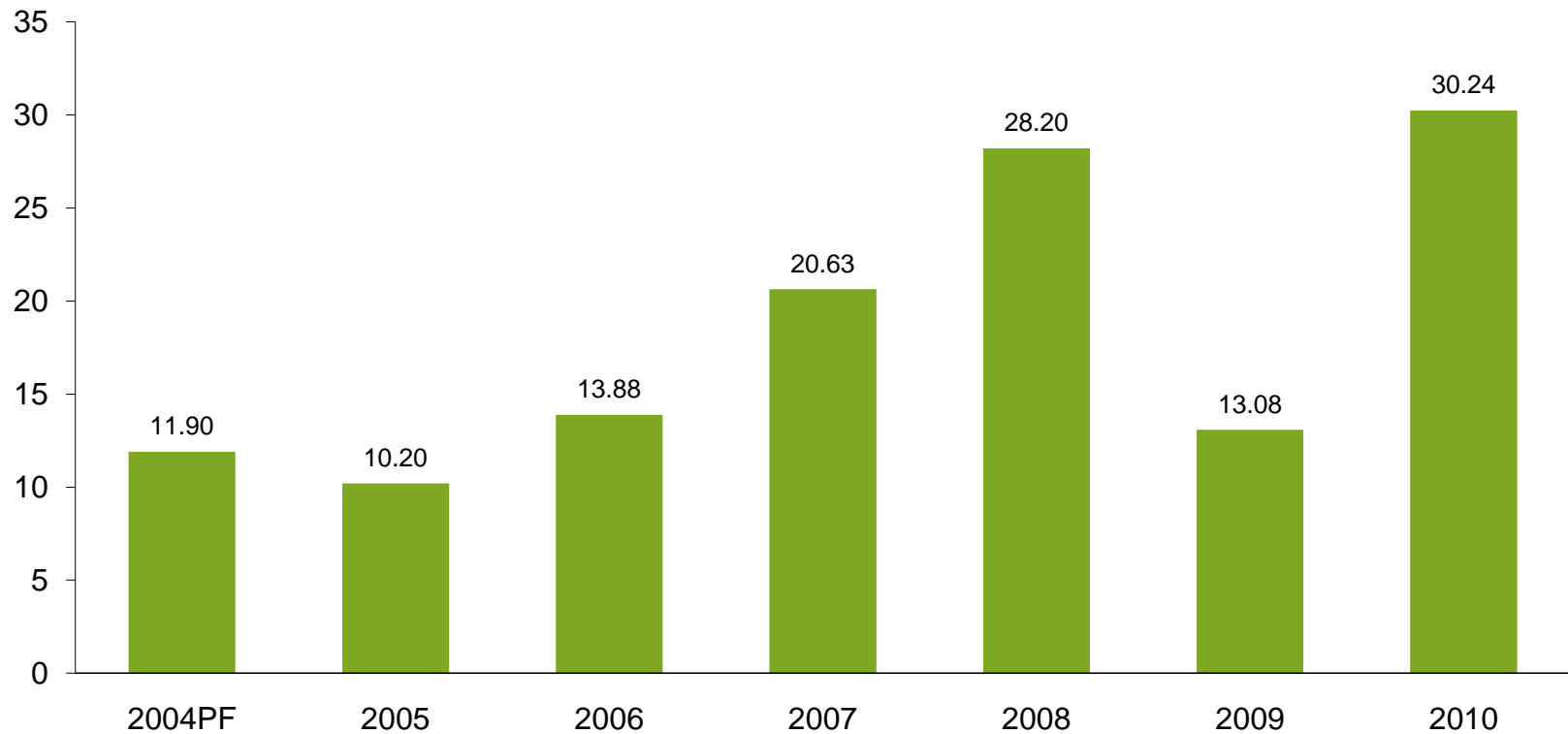
\* Including equity share of joint venture capacity

\*\* Yara European site without deep sea ammonia import/export terminals: Tertre

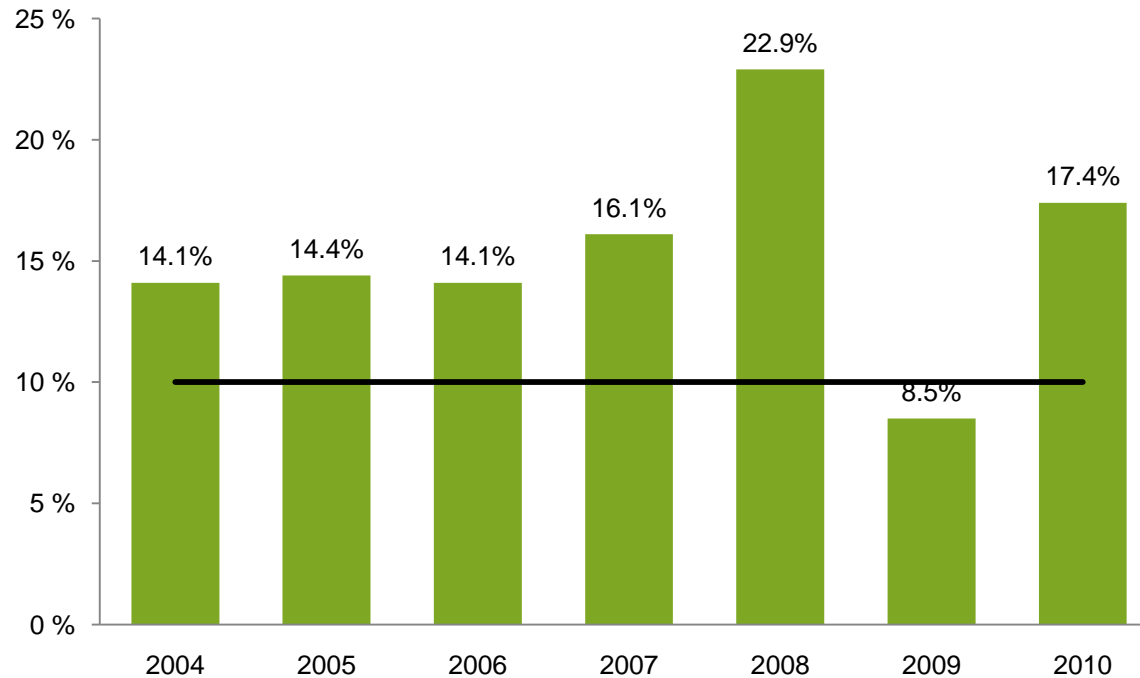


# 2010 earnings per share - highest so far

NOK per share



# CROGI development



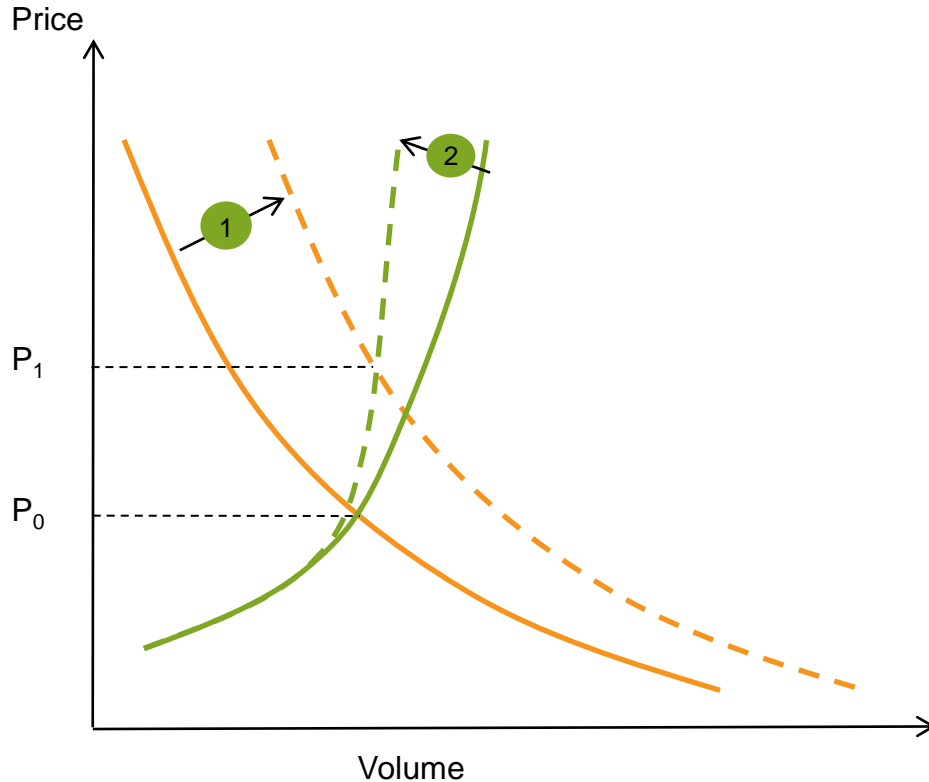
— Long term target

# Fertilizer market development in fourth quarter

- Strong increase in demand for all nutrients, due to higher agricultural commodity prices
- Increased Chinese exports of urea and DAP not sufficient to prevent price increases through the quarter
- 13% increase in Western Europe nitrogen industry deliveries for the quarter
- Tight market for both nitrates and NPK in Europe
- Lower Chinese urea production



# Tighter fertilizer markets

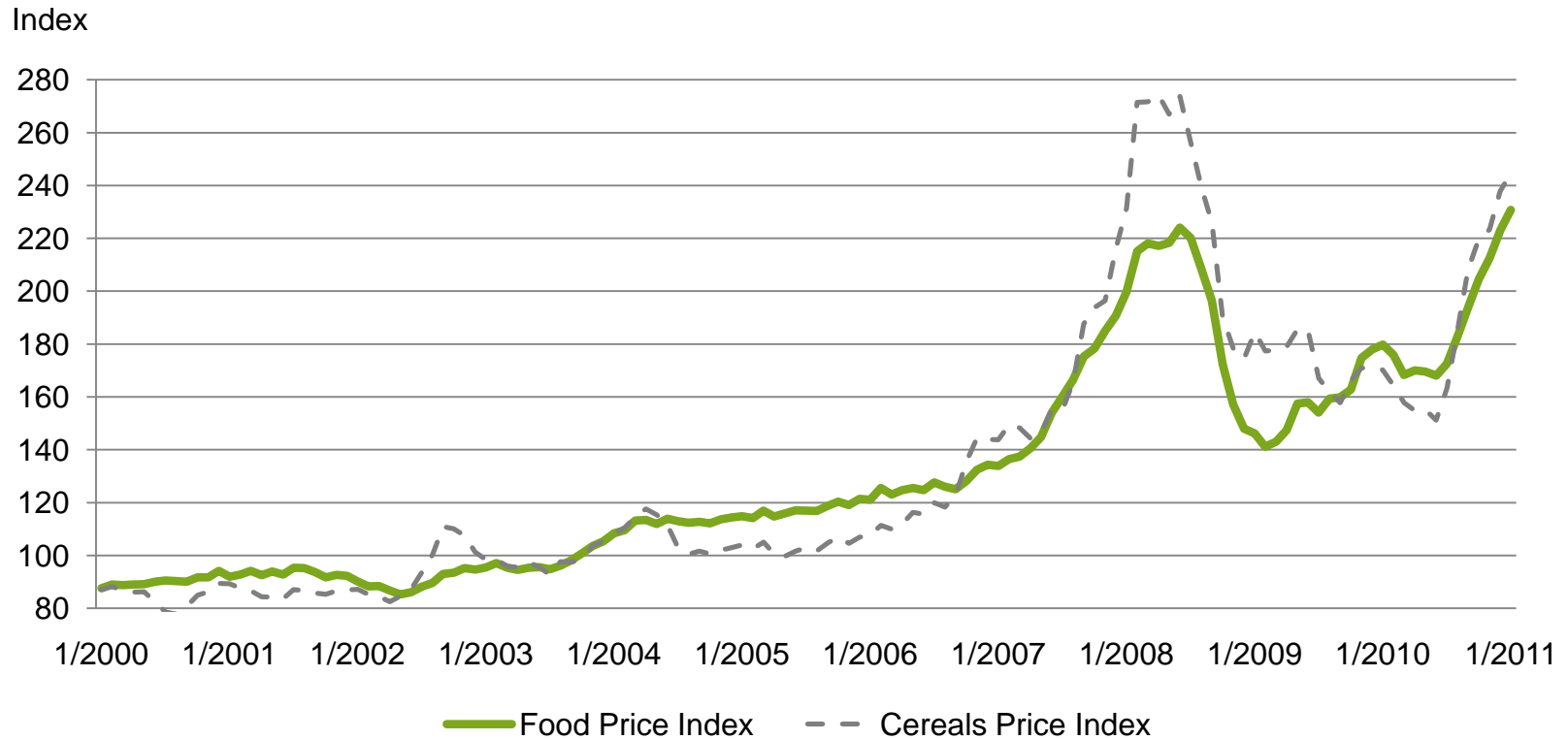


- 1 Shift in demand curve for fertilizer on the back of production shortfalls and a tighter ag commodity market
- 2 Reduced supply as Chinese export cost increases and production is curtailed



# Soaring food prices

*FAO price index*



Source: FAO

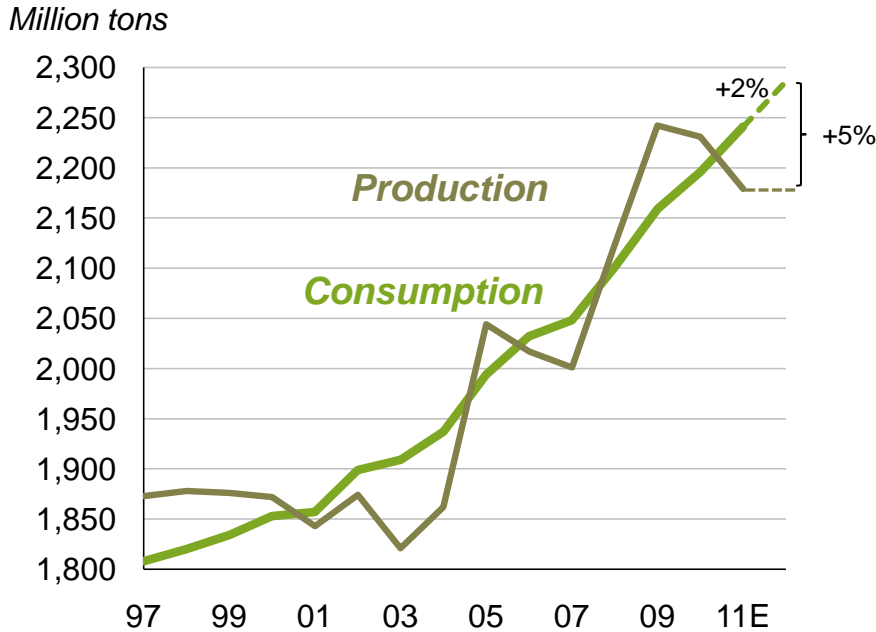


IR - Date: 2011-03-25

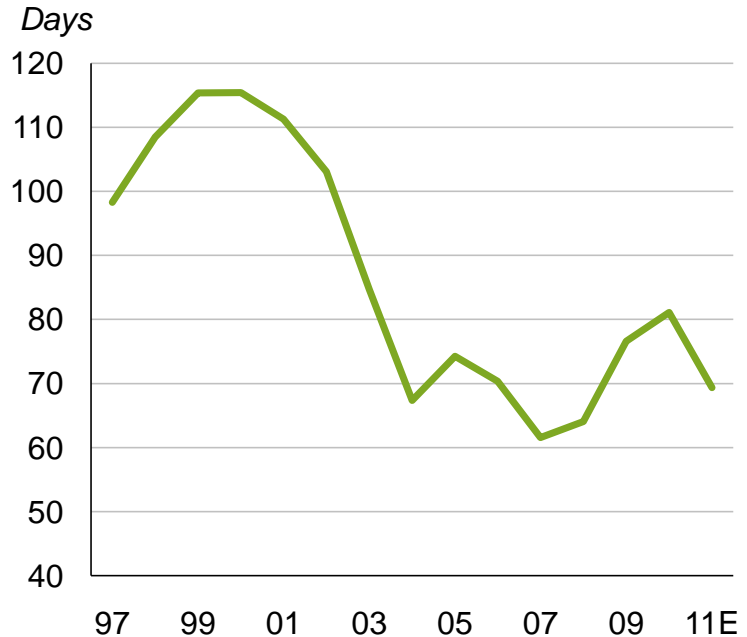


# Strong harvest necessary to avoid further inventory decline

### Grain production and consumption



### Days of consumption in stocks

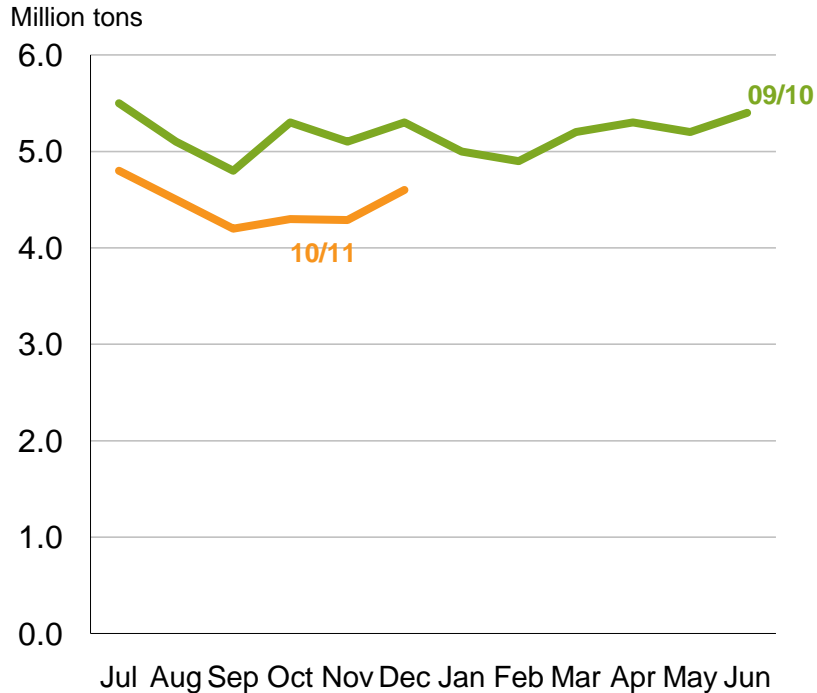


Source: USDA, February 2011

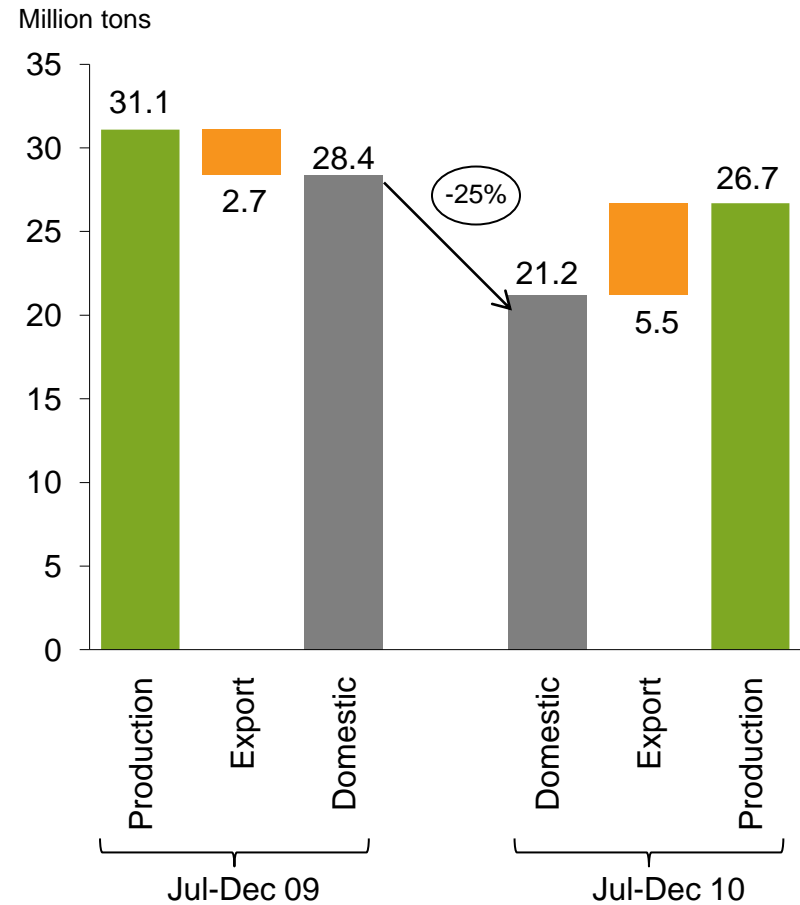


# Domestic urea availability in China down 25% supporting strict export policy

## Chinese urea production



## Domestic urea balance



Source: BOABC



IR - Date: 2011-03-25



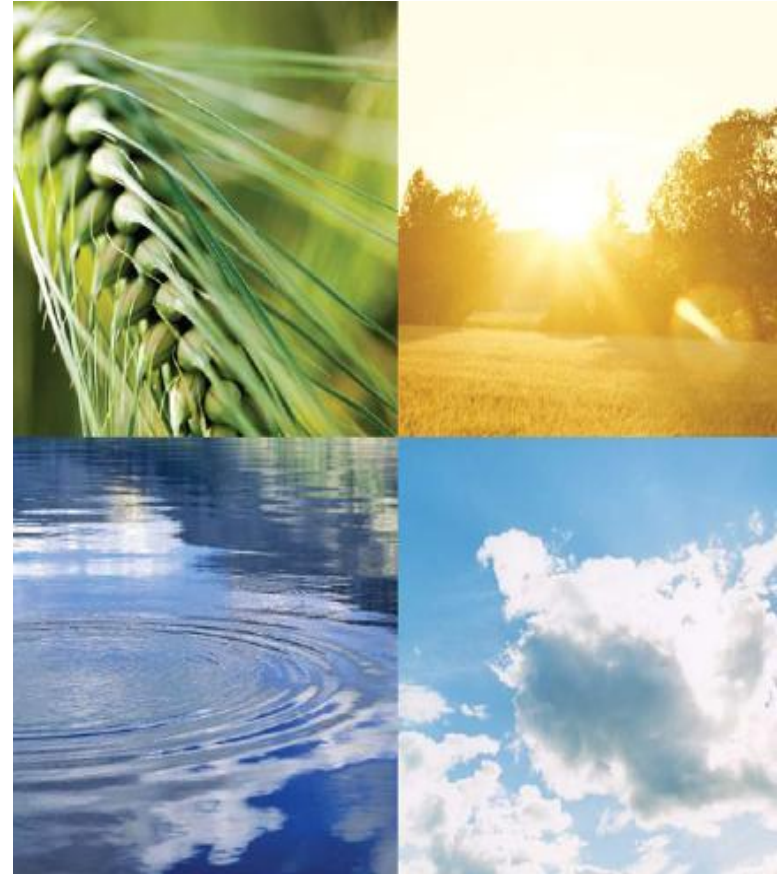
## Prospects next twelve months

- FAO food price index at all-time high, giving strong fertilizer demand incentives
- Global nitrogen fertilizer industry outside China runs at full capacity
- China announced 110% urea export tax for 8 months in 2011, tight domestic supply/demand balance support strict export policy enforcement
- Second half 2011 fertilizer supply/demand balance sensitive to coming global harvest, major catch-up needed to avoid further drop in food inventories
- Yara increases urea capacity with Sluiskil (June) and Qafco 5 (4Q)
- Yara's energy costs for first half 2011 expected up NOK 1.45 billion compared with last year



# Key trends impacting Yara the next 10 years

- Food security
- Climate change
- Water scarcity
- Need for agricultural productivity



# Agriculture matters

**30%**

Proportion of greenhouse gas emissions related to agriculture

**40%**

Share of worldwide employment in agriculture (incl. 70% of the “bottom billion”)

**70%**

*Share* of worldwide water withdrawals from agriculture

**10,000**

Years of historical food production that must be matched in the next 50 years



Source: World Economic Forum, *Realizing a New Vision for Agriculture (A roadmap for stakeholders)*



# Agriculture center-stage in Davos: Roadmap for realizing a “New Vision for Agriculture” presented

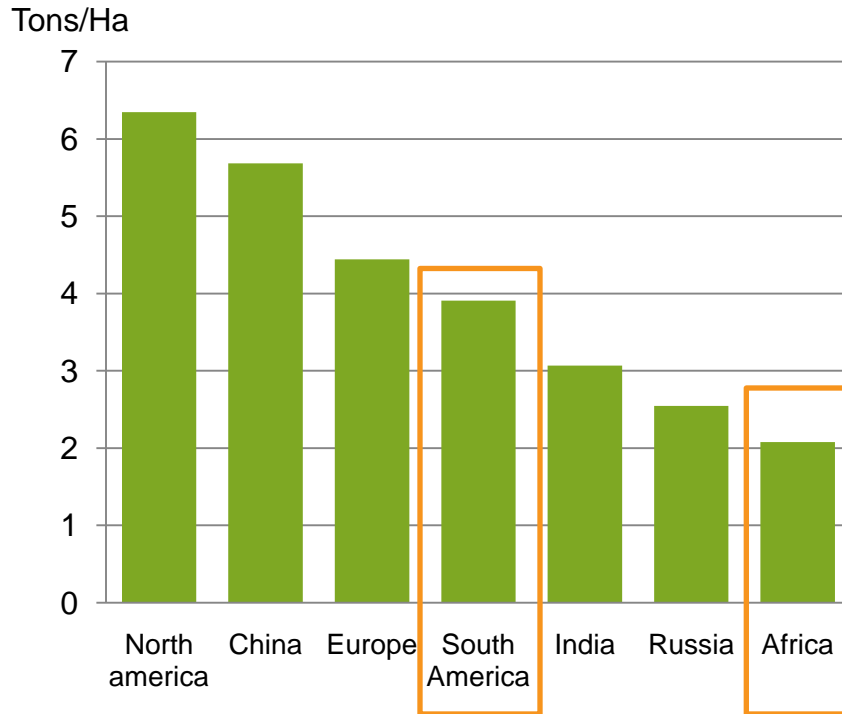
- Initiative backed by 17 global companies, among others BASF, Monsanto, Bunge, Syngenta, Nestle, Unilever and Yara
- The initiative addresses major challenges of global food and agricultural sustainability
- Aiming every decade to:
  - Increase food production by 20%
  - While emitting 20% less
  - Reducing rural poverty by 20%



Agriculture provides much more than food, and can fulfill the world's most basic social needs

# Significant potential by applying best agricultural practices

## Grain yields



## Land not in use

Million hectares	Very suitable	Suitable
India	0	0
China	0	0
Africa	205	367
FSU	0	23
Latin America	191	349
North America	0	68
East Europe	0	0
West Europe	0	0

Source: McKinsey & Company, FAOSTAT



# Yara fertilizer reduces carbon footprint from farming

## Fertilizer - an efficient solar energy catalyst

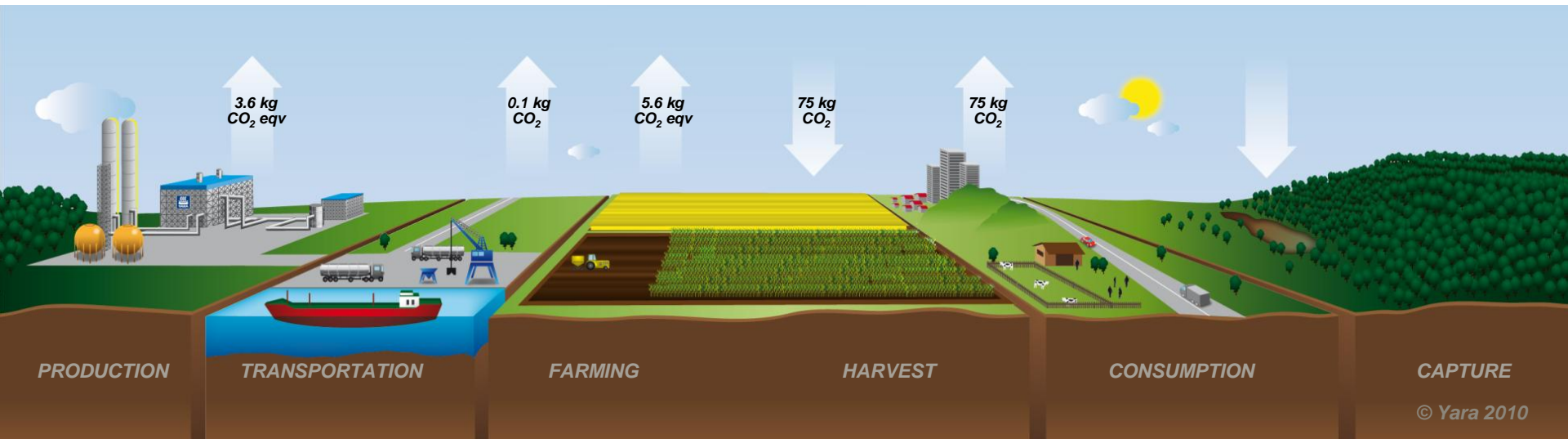
- Production marginal part of carbon footprint - efficient application more important
- Huge positive effects of fertilizer use by lower land use

## Production

- Yara's production more energy-efficient than competitor average
- Yara developed N<sub>2</sub>O catalyst

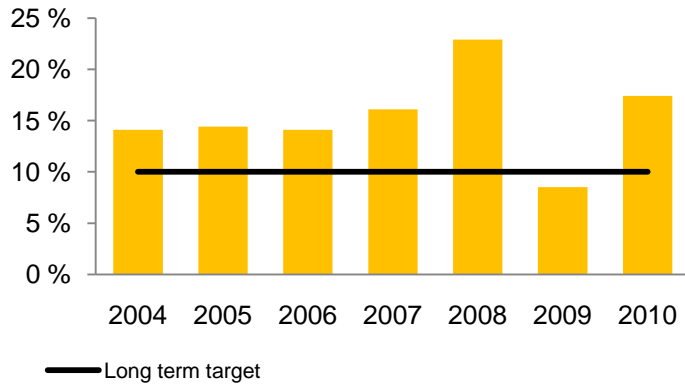
## Application

- Nitrates better than urea
- Precision farming (N-tester etc.)
- Balanced fertilization (NPK)



# Basis for Yara's profitable growth ambitions

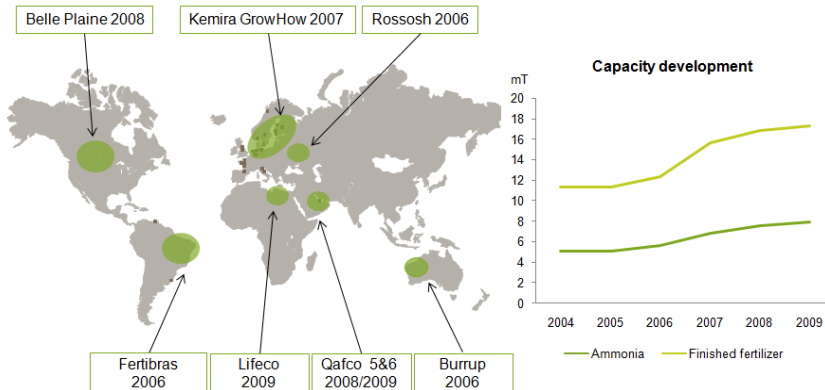
## Yara CROGI Strong earnings through the cycle



## A scalable business model giving synergies



## Industry-leading acquisition track-record



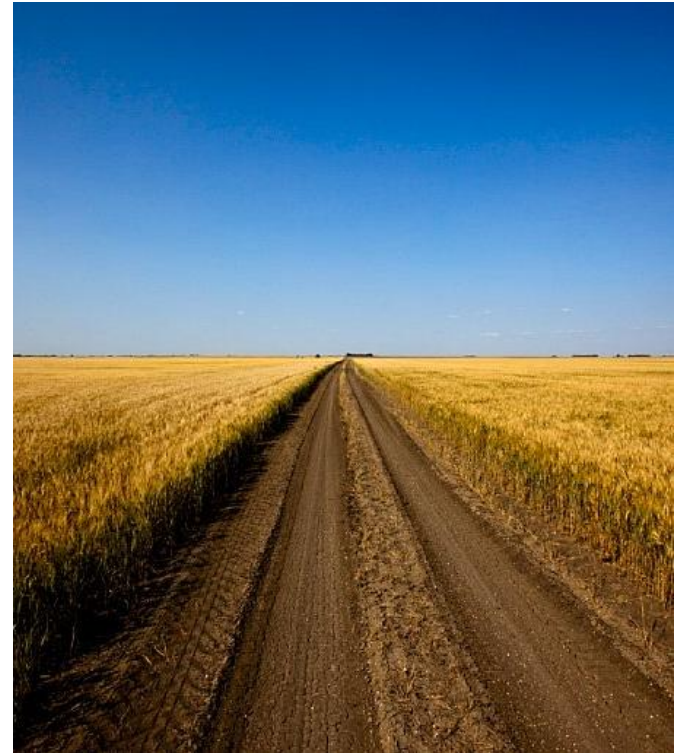
## Valuation and capital discipline

- In acquisitions Yara looks for:
  - Relative synergies compared to alternative buyers
  - Distressed sellers
  - Our cycle view compared to seller & alternative buyers
- Capital and valuation discipline demonstrated with Terra withdrawal which we believe was right
- Grain, fertilizer and gas outlook has recently improved increasing nitrogen asset values



# Well positioned for profitable operations and growth

- Strong need for sustainable improvements in agricultural productivity
- Flexible business model in volatile markets
- Products and solutions addressing climate change and water scarcity challenges
- Scalable business in a fragmented industry
- Proven and prudent growth track record



# More information can be found at [www.yara.com](http://www.yara.com)

The screenshot shows the Yara website homepage with a background image of a wheat field. The Yara logo is in the top left corner, with the tagline "Knowledge grows" below it. A search bar is positioned above a vertical navigation menu. The menu includes links for "About Yara", "Products and services", "Sustainability", "Investor Relations", "Careers", and "Media". Below the menu is a "Select your country" dropdown. The "LATEST PRESS RELEASES" section features a link to "Yara International ASA - Commercial paper issue 01.12.2009" and a "SHARE PRICE" of 251,50 with a -3.27% change. A "NEW! FERTILIZER INDUSTRY HANDBOOK 2009" is also highlighted. The main content area on the right has the headline "Timing is essential" and the sub-headline "Promoting sustainability and profitability", with a "more Yara Stories" link and a small image of wheat. The footer contains copyright information for 2009 Yara and links for "Contact us", "Websites", "Sitemap", "Glossary", "Privacy and legal", "Newsfeed", and font size controls.



# Yara sensitivities

	Operating Income USD million	EBITDA USD million	Operating Income NOK million	EBITDA NOK million	EPS** NOK
<b>Urea sensitivity +100 USD/t</b>	<b>951</b>	<b>1,090</b>	<b>5,695</b>	<b>6,529</b>	<b>17.4</b>
...of which pure Urea	300	389	1,797	2,330	6.3
...of which Nitrates	368	400	2,205	2,394	6.2
...of which NPK	230	249	1,380	1,493	3.8
<b>Nitrate premium +50 USD/t</b>	<b>407</b>	<b>437</b>	<b>2,437</b>	<b>2,619</b>	<b>6.7</b>
...of which pure Nitrates	292	314	1,750	1,883	4.8
<b>Hub gas Europe + 1 USD/MMBtu</b>	<b>(90)</b>	<b>(110)</b>	<b>(530)</b>	<b>(620)</b>	<b>(1.7)</b>
<b>Currency + 1 NOK/USD</b>	<b>90</b>	<b>90</b>	<b>2,139</b>	<b>2,539</b>	<b>6.2</b>
...of which translation effect	-	-	1,600	2,000	4.9
...and EUR & NOK net fixed cost	90	90	539	539	1.3
Ammonia + 100 USD/t	-	50	-	300	0.7
Phos rock + 50 USD/t	50	50	300	300	0.7
Hub gas North Am + 1 USD/MMBtu	(27)	(27)	(159)	(159)	(0.4)
Crude oil + 10 USD/brl	(80)	(80)	(479)	(479)	(1.3)

\* Assuming NOK/USD = 6, USD/EUR = 1.36 and constant NOK/EUR

\*\* Assuming 30% marginal tax rate on underlying business and 288.8 million shares

Sensitivities assume full production and no inter-correlation between factors



# Structure for Growth

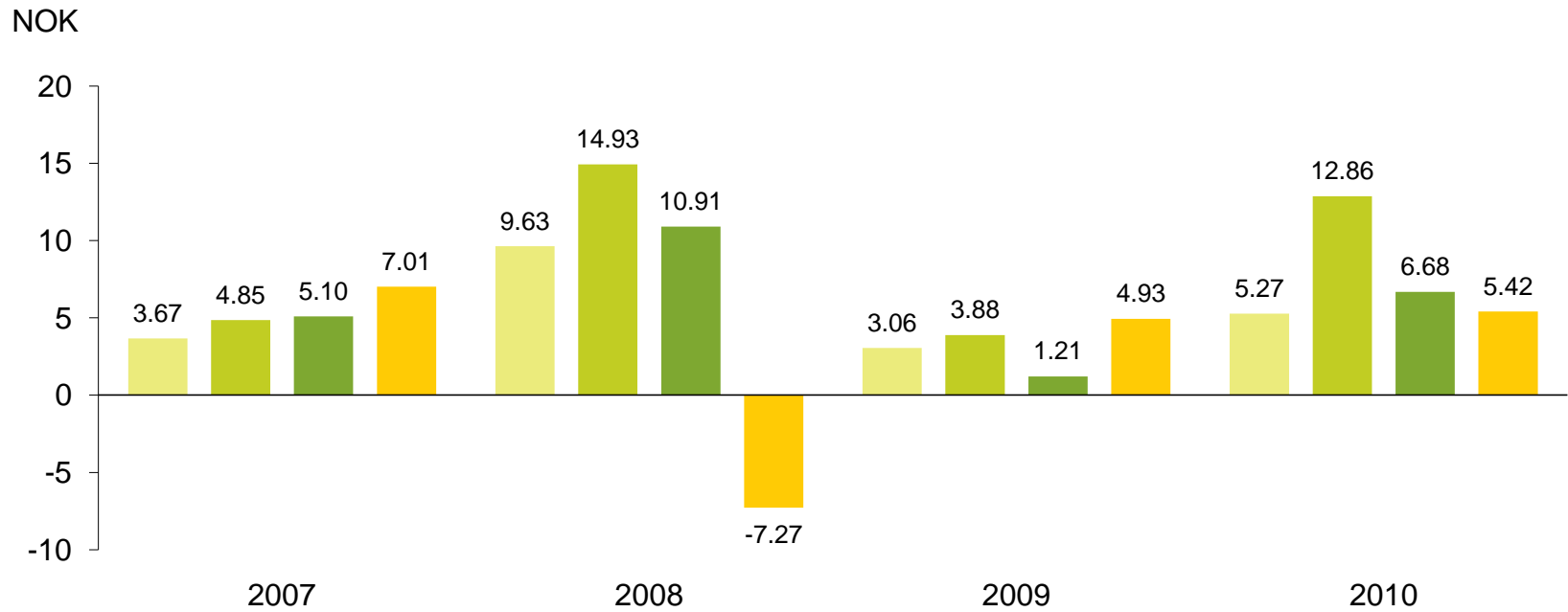
## Geographical Focus – Regional updates

<b>Market</b>	<b>Industry Characteristics</b>	<b>Yara focus and actions</b>
<b>North America</b>	Consolidated	Market structure settled in short to medium term – map strategic intentions of key players in both market stress and boom scenarios and develop Yara response
<b>West Europe</b>	Mature, with some consolidation remaining; non-core assets available	One more major acquisition likely possible; look for assets made available by sellers dedicated to restructuring
<b>Brazil</b>	Capacity expanding, ownership shift, strong state interest/scrutiny	As the battle has been for phosphate dominance, a role as industry shaper in nitrogen could be attainable; map alternatives for achieving such a role
<b>East Europe</b>	Consolidation and rationalization yet to take place	Potentially attractive producers and market positions exist; map and rank these in light of energy situation and political risk
<b>China</b>	Over-supply, capacity expanding, limited consolidation, heavy state involvement	Given intense competition, high political risk, market barriers, unlikely to be investment destination for at least 3 – 5 years
<b>India</b>	Some consolidation, feed-stock poor, still subsidy driven	Unless major changes in subsidy policy, not likely to be focus area for fertilizer in the short to medium term. TAN is possible exception

In addition opportunities to build global plants for export are being pursued in areas like Africa and Middle East

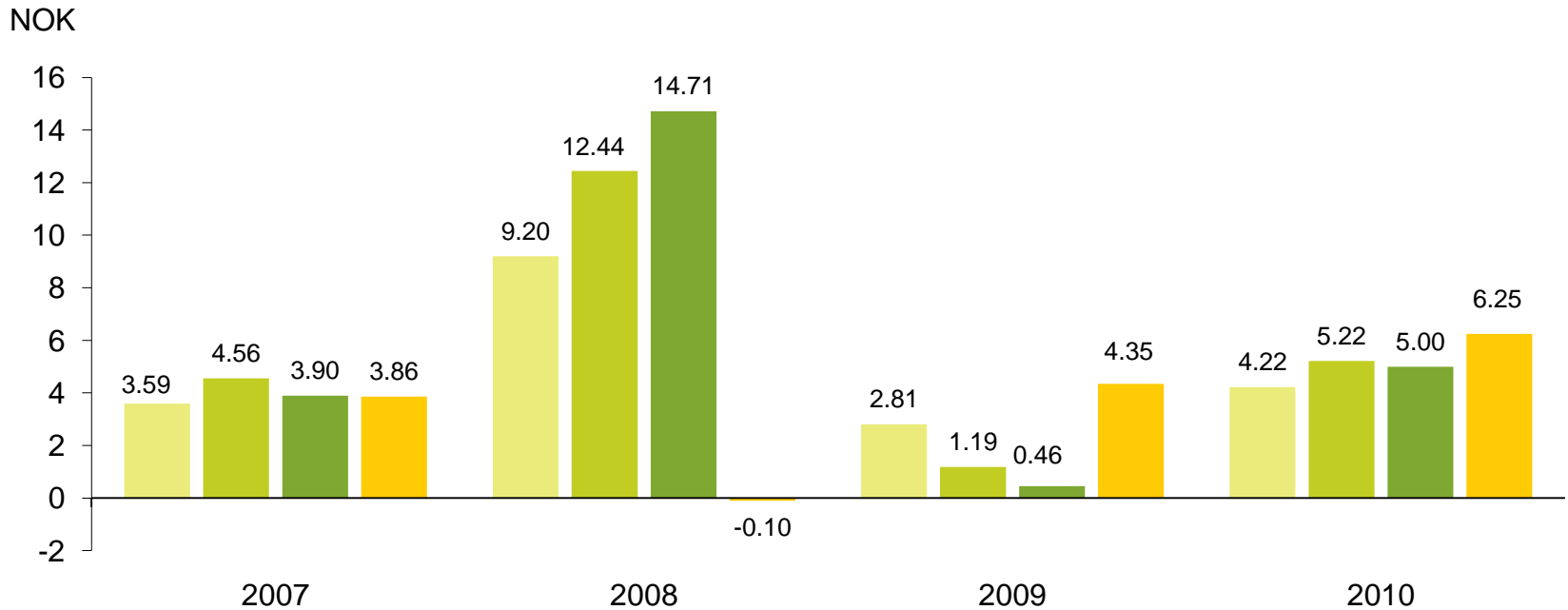


# Earnings per share\*



\* Average number of shares for 4Q 2010: 288.4 million (4Q 2009: 288.8 million).

# Earnings per share adjusted for foreign exchange gain/loss and special items\*



## Annual

NOK	2007	2008	2009	2010
	15.91	36.28	8.82	20.69

\* After tax. Average number of shares for 4Q 2010: 288.4 million (4Q 2009: 288.8 million).



# Fertigation represents a growing opportunity

**Water scarcity is a clear issue**



**Rio Grande**  
failed to reach GoM  
in 2001 for first time



**Lake Aral**  
Only ~25% of  
original size



**Yellow River**  
Dry on last 100 km:  
1972: 15 days  
1997: 226 days

**Agricultural water use has to  
become more "intelligent"**

17% of cropland is irrigated, is twice  
as productive as other land and  
contributes 40% of world food  
production...  
...but it uses 70% of all freshwater...  
...thus, productivity growth from  
irrigation has to come from better use  
of water

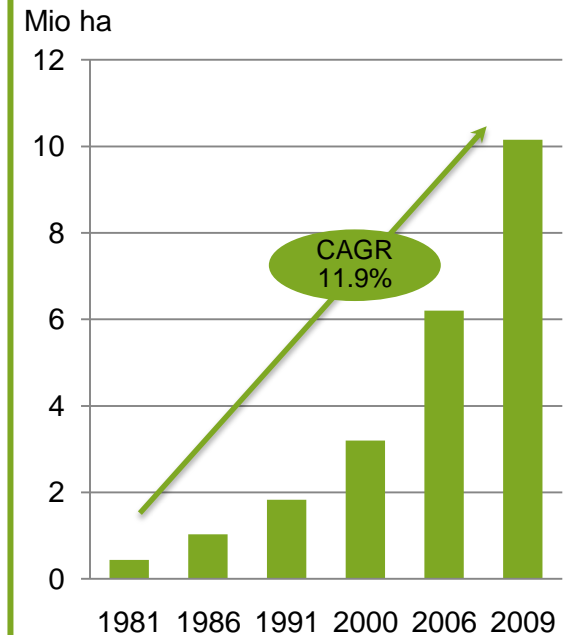
**"More crop per drop"**



Center Pivot: carrot production in Brasil

**The segment has seen  
strong growth historically**

**Expansion of Micro-irrigation**



Source: Kulakarni et al., 2006; Gopalakrishnan, 2008; USDA, 2008; MOI, 2009

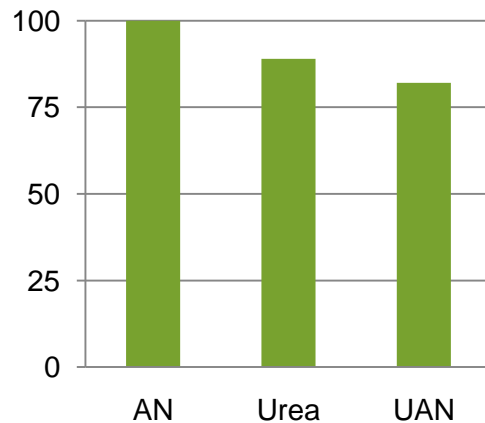
Source: World Bank, 2008



# Nitrate-based fertilizers are superior to urea both agronomically and environmentally

## The agronomical efficiency of nitrates is superior to urea

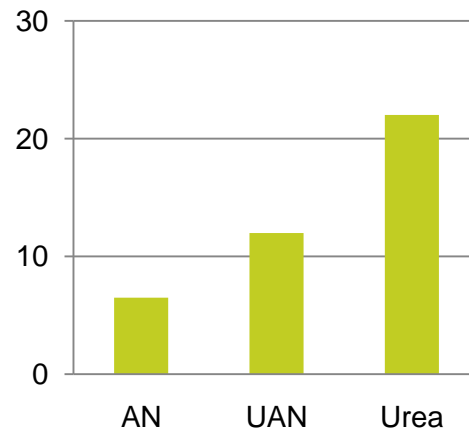
Nitrogen recovery (% of AN)



Urea requires up to 20% higher N application to achieve same cereal crop yield and quality as AN

## Nitrates have lower ammonia volatilization losses

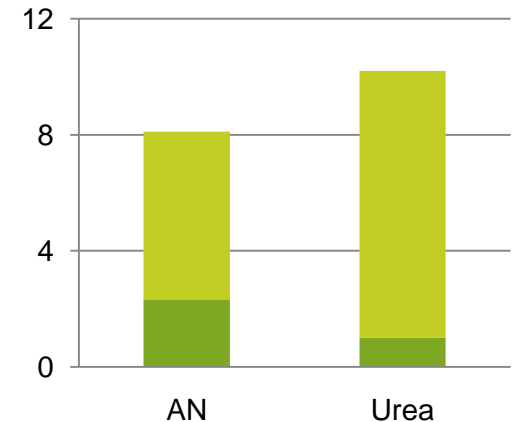
Average Emission Factor, Cereals



Urea and UAN with a 30% market share of EU nitrogen fertilizers cause 88% of its ammonia emissions

## The carbon footprint is lower than for Urea

Lifecycle carbon footprint (kg CO<sub>2</sub> eq/kg N)

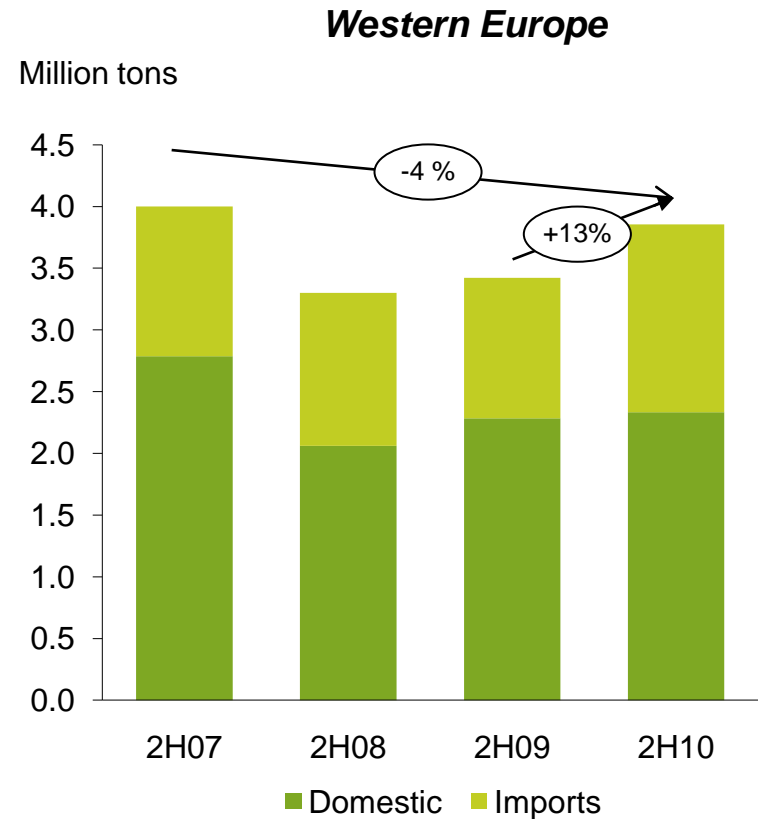
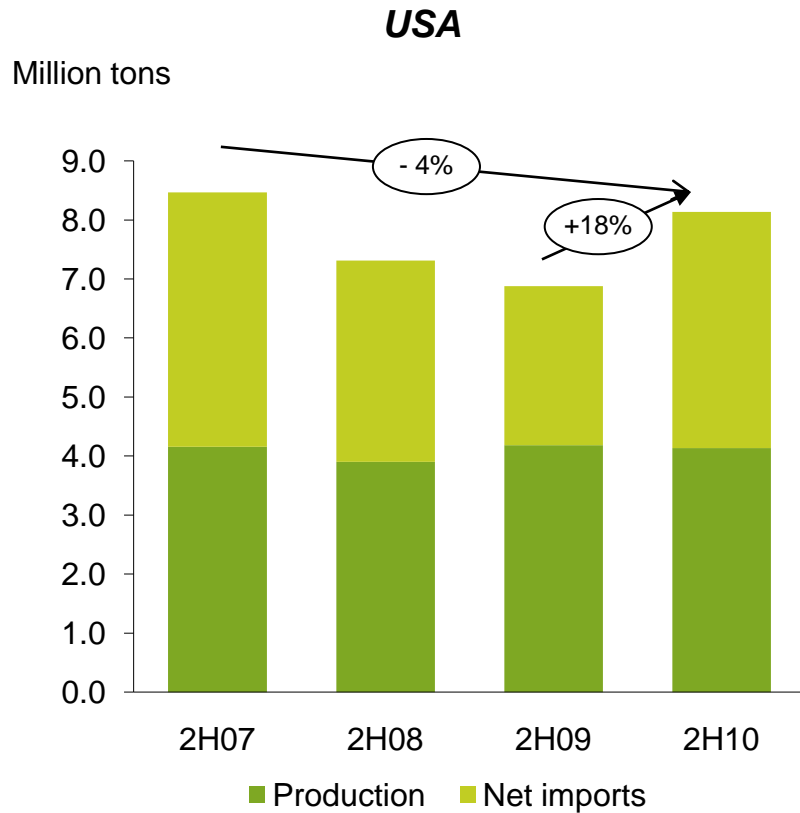


Although urea is more CO<sub>2</sub> efficient in production, CO<sub>2</sub> emissions and ammonia volatilization on application more than offset for this

Source: DEFRA (2006), NT26 project report; Fertilizer Europe; 2EMEP/EEA air pollutant emission inventory guidebook (2007); Yara



# Increased nitrogen deliveries, but lagging 07/08 season

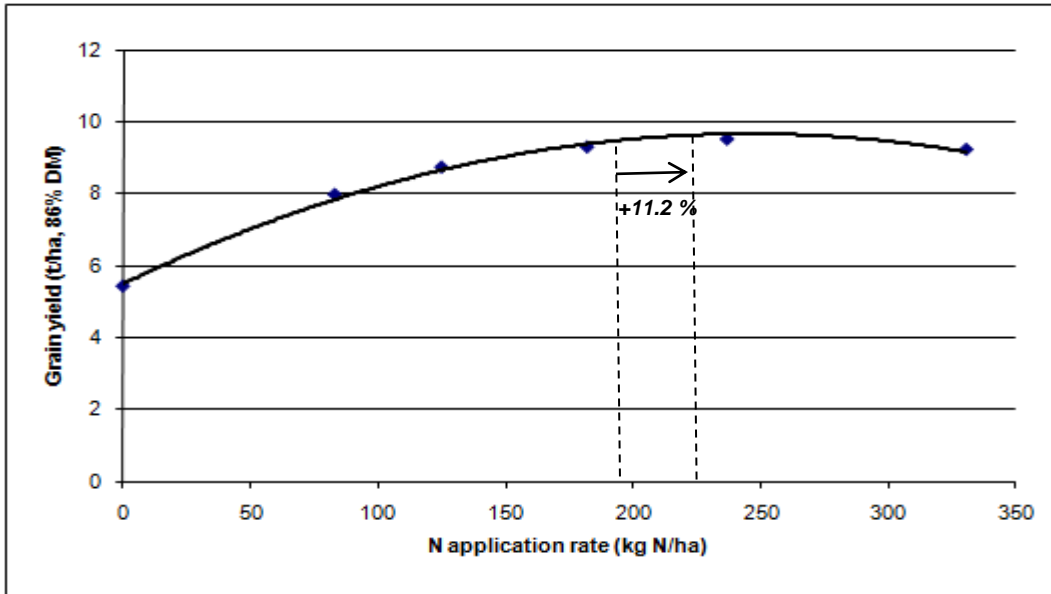


Source: Yara estimate for fertilizer deliveries to selected West European countries.  
Total nitrogen deliveries estimate in USA based on TFI, US Trade Commission, Blue-Johnson



# Increased fertilizer demand with high grain prices

*An example:*



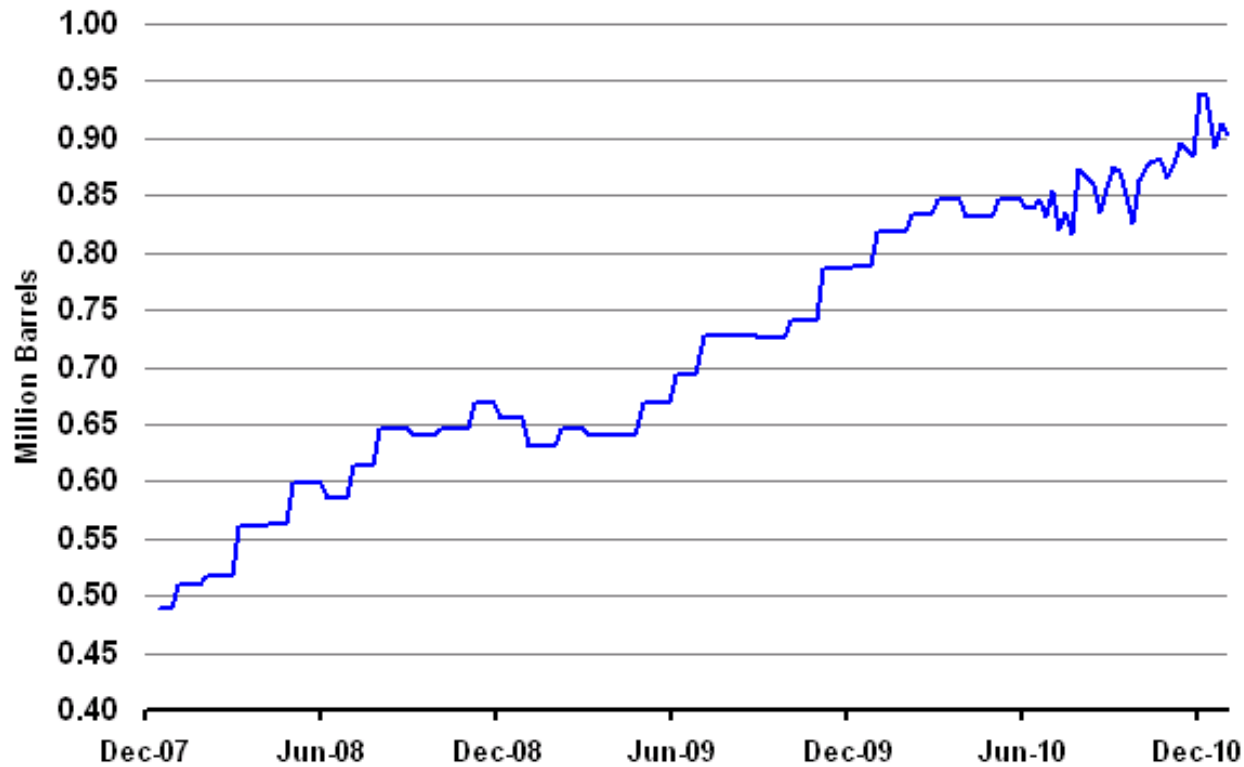
Yield curve based on 187 field trials for winter wheat (1996-2009)

Assuming CAN 27% N costs Euro 260/mt at farmer level	Wheat price (Euros/mt)	N-optimum (kg/ha) 196	Revenue minus N cost (Euros/ha)
<b>Scenario 1:</b>	140	196	1,140
<b>Scenario 2:</b>	250	<b>218 (+11.2%)</b>	<b>2,192 (+92%)</b>



# US ethanol production

## US Weekly Daily Average Fuel Ethanol Production



Most Recent: 0.904 as of 12/31/2010

The Hightower Report



IR - Date: 2011-03-25



# Non-commercials' net long position in corn

Thousand contracts



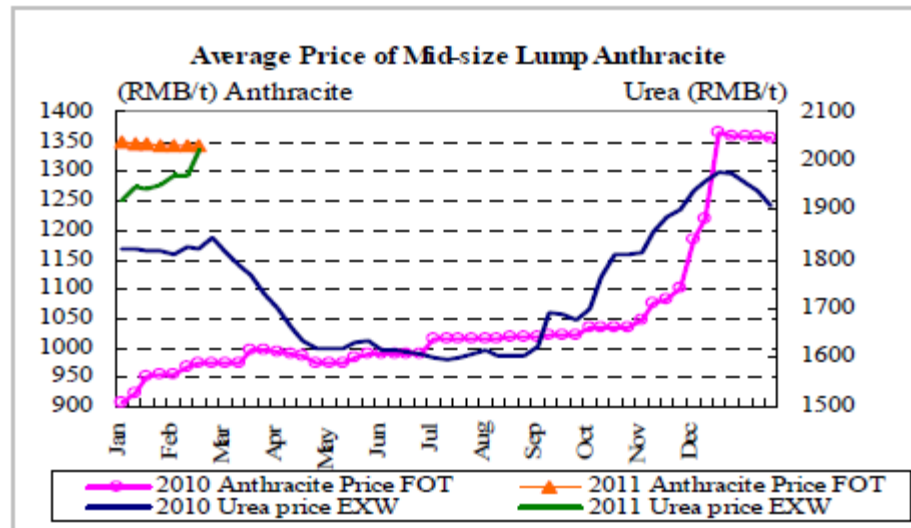
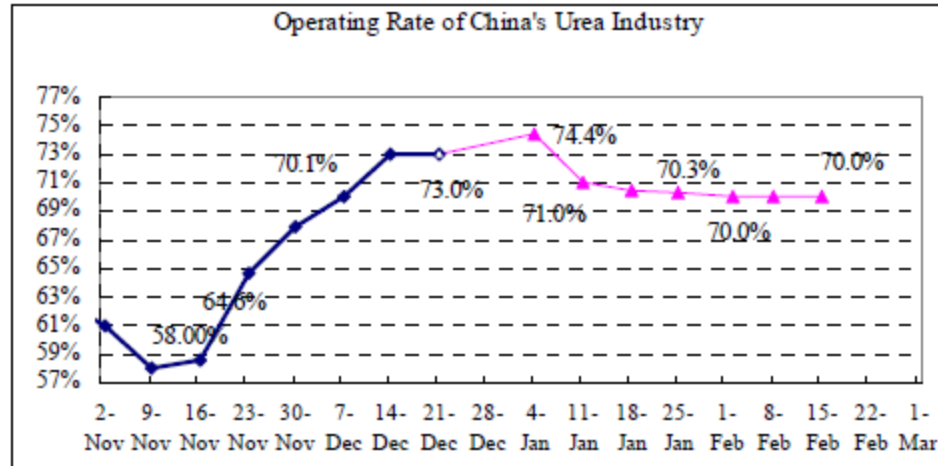
Source: US Commodity Futures Trading Commission



IR - Date: 2011-03-25

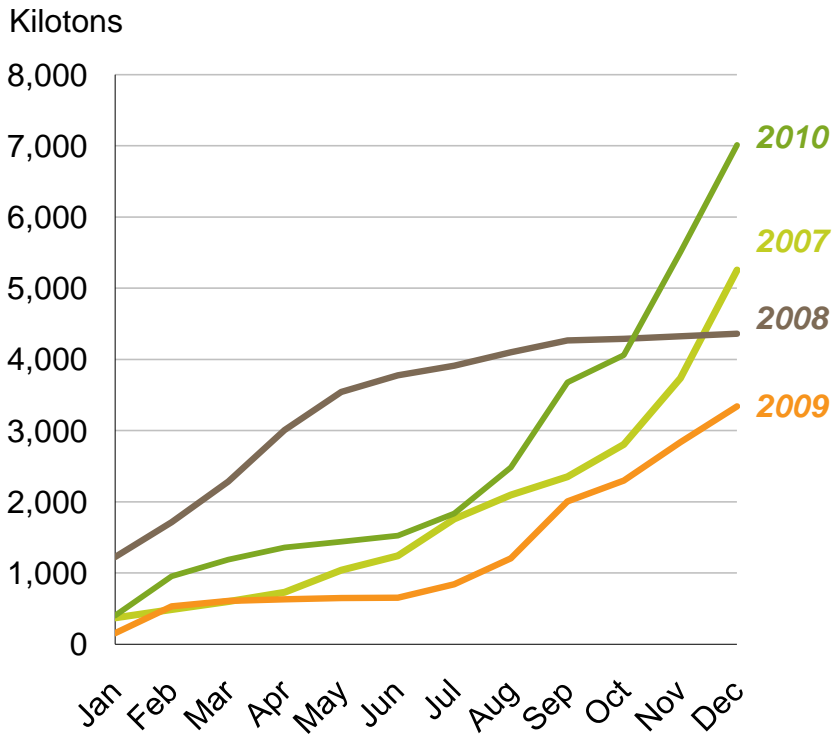


# Latest Chinese urea development

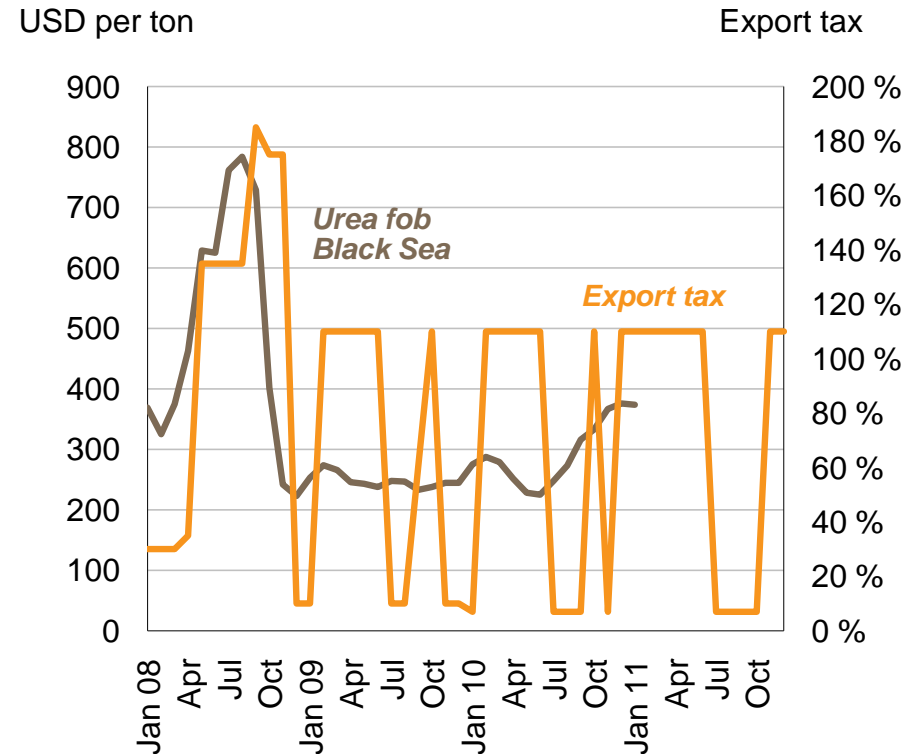


# Chinese exports needed to balance the global market

## Accumulated urea exports



## Urea price and export tax



Source: BOABC



IR - Date: 2011-03-25



# Planned capacity expansions

Year	Global urea capacity growth estimate		Driving regions	
	World	Excluding China	World	Excluding China
2010	5.7% (5.7%)	4.1% (4.0%)	China 57% Trinidad 7%	Trinidad 16% Iran 13%
2011	5.6% (5.1%)	5.0% (4.5%)	China 49% Pakistan 15%	Pakistan 29% Qatar 13%
2012	5.0% (4.2%)	2.6% (2.0%)	China 71% Qatar 8%	Qatar 27% Egypt 22%
2013	4.0% (4.1%)	5.0% (5.3%)	China 30% UAE 14%	UAE 20% Algeria 20%
2014	2.2%	2.9%	Algeria 24% Iran 22%	Algeria 32% Iran 30%

Average urea consumption growth has been 3.4% last 10 years, 2.4% excluding China

September 2010 in brackets

Source: Fertecon update December 2010

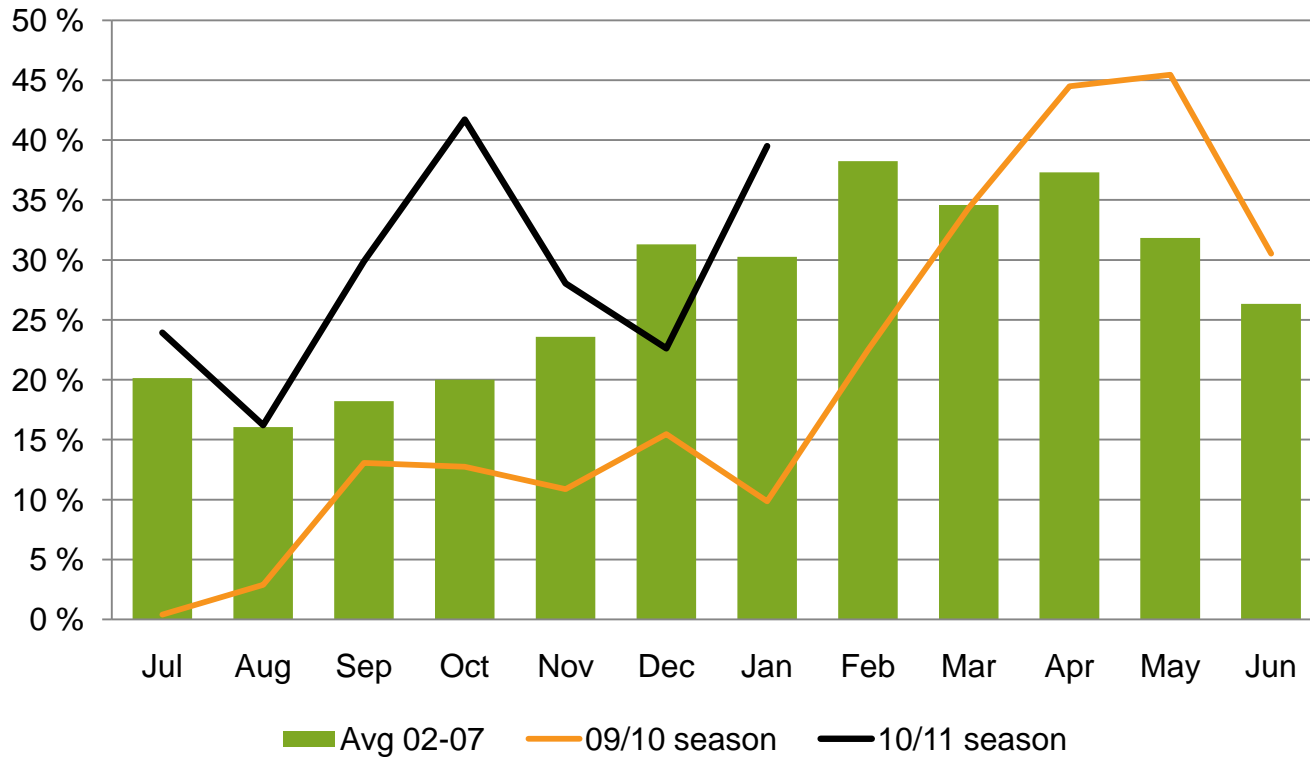


IR - Date: 2011-03-25



# Nitrate premium

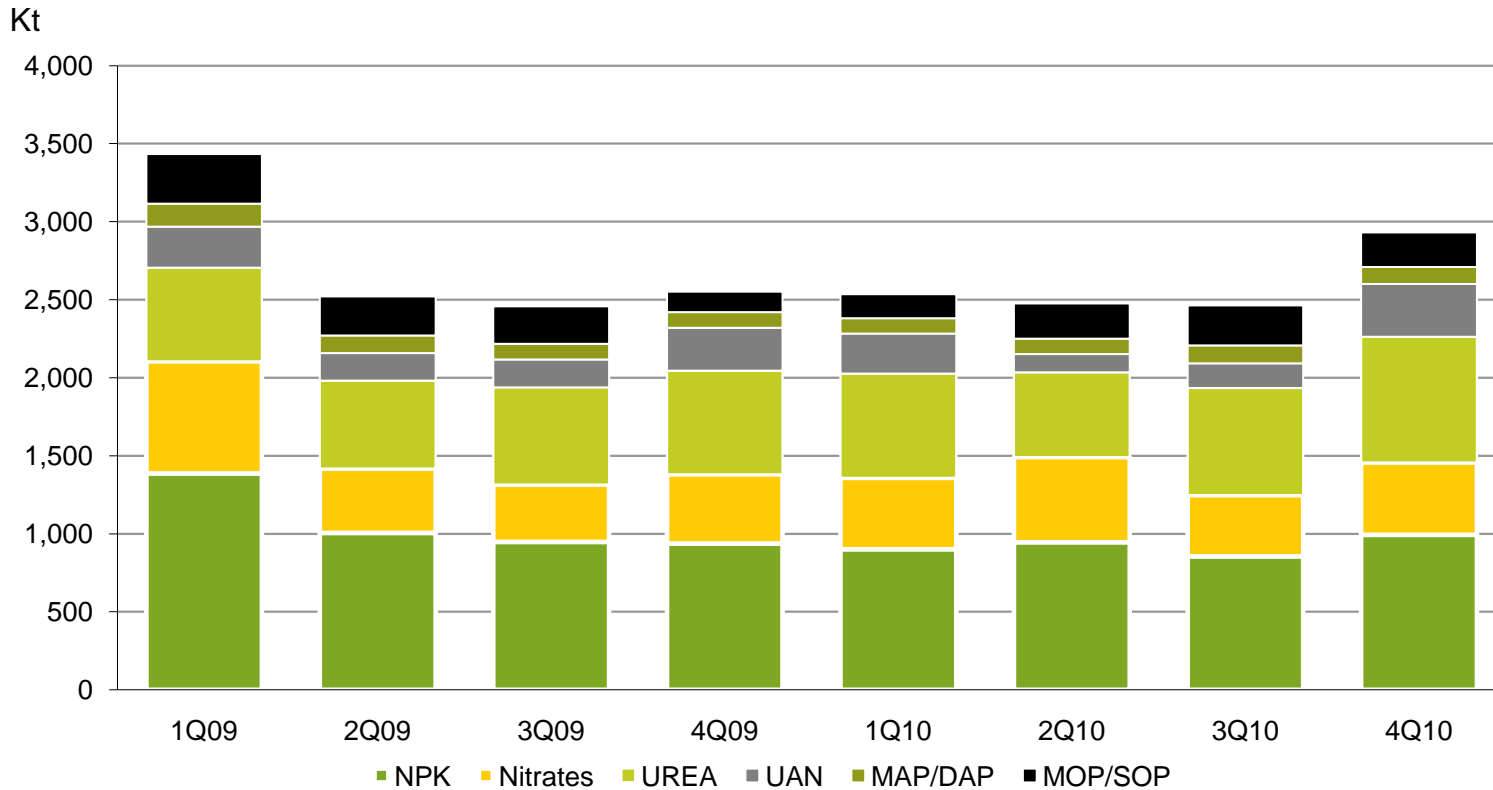
Nitrate premium proxy\*



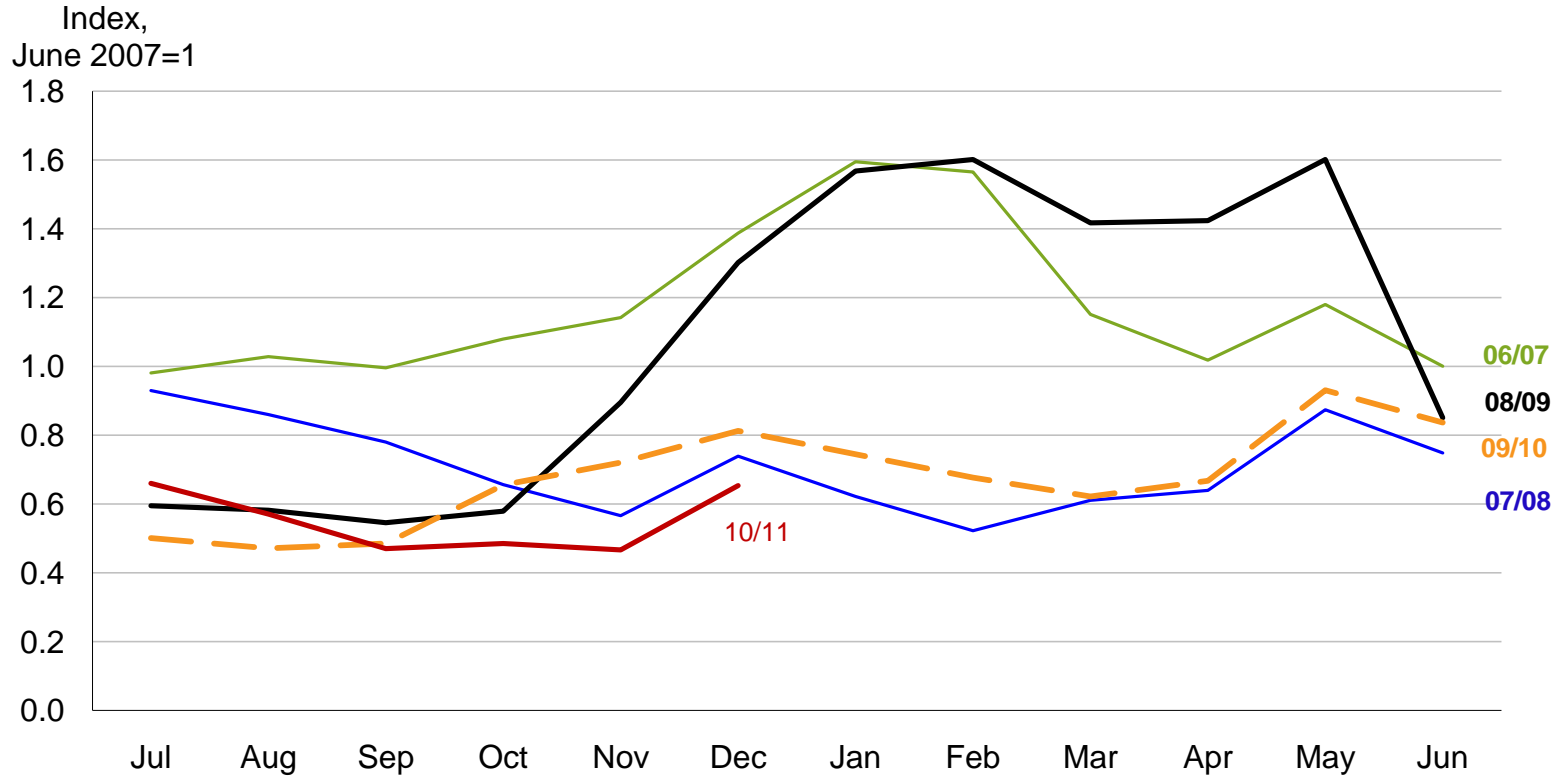
\* Urea fob Black Sea adjusted for freight (USD 35) and duty (6.5%) to calculate a CFR NWE proxy



# Commercial optimization leading to some stock build-up



# Low European producer nitrate stocks



Source: Fertilizers Europe

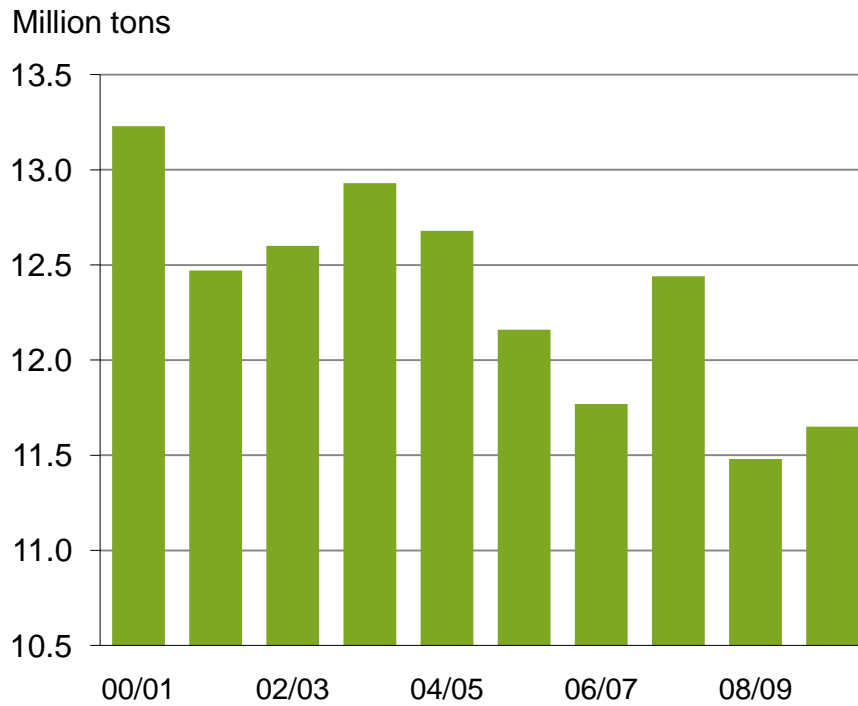


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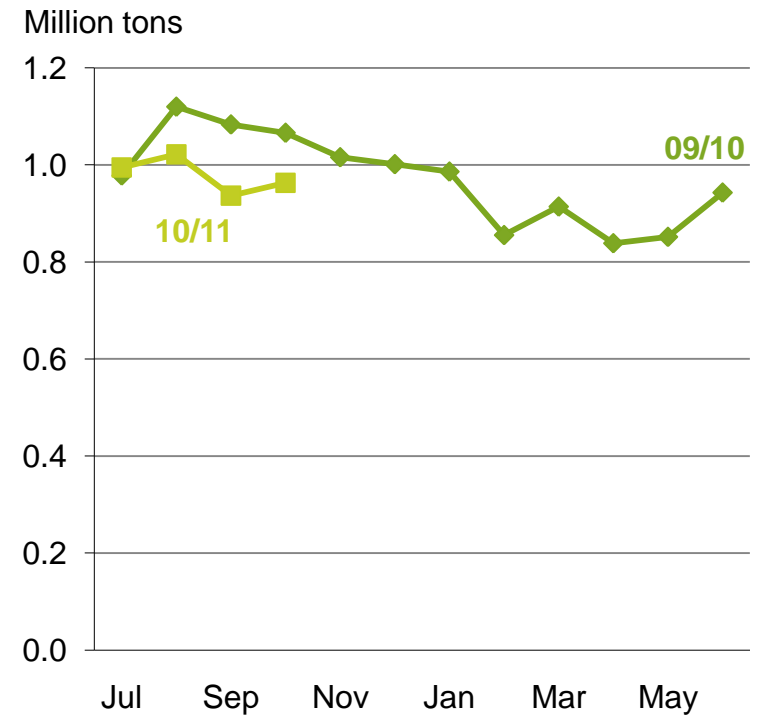


# West European nitrate production trending lower

## Yearly production



## Monthly production



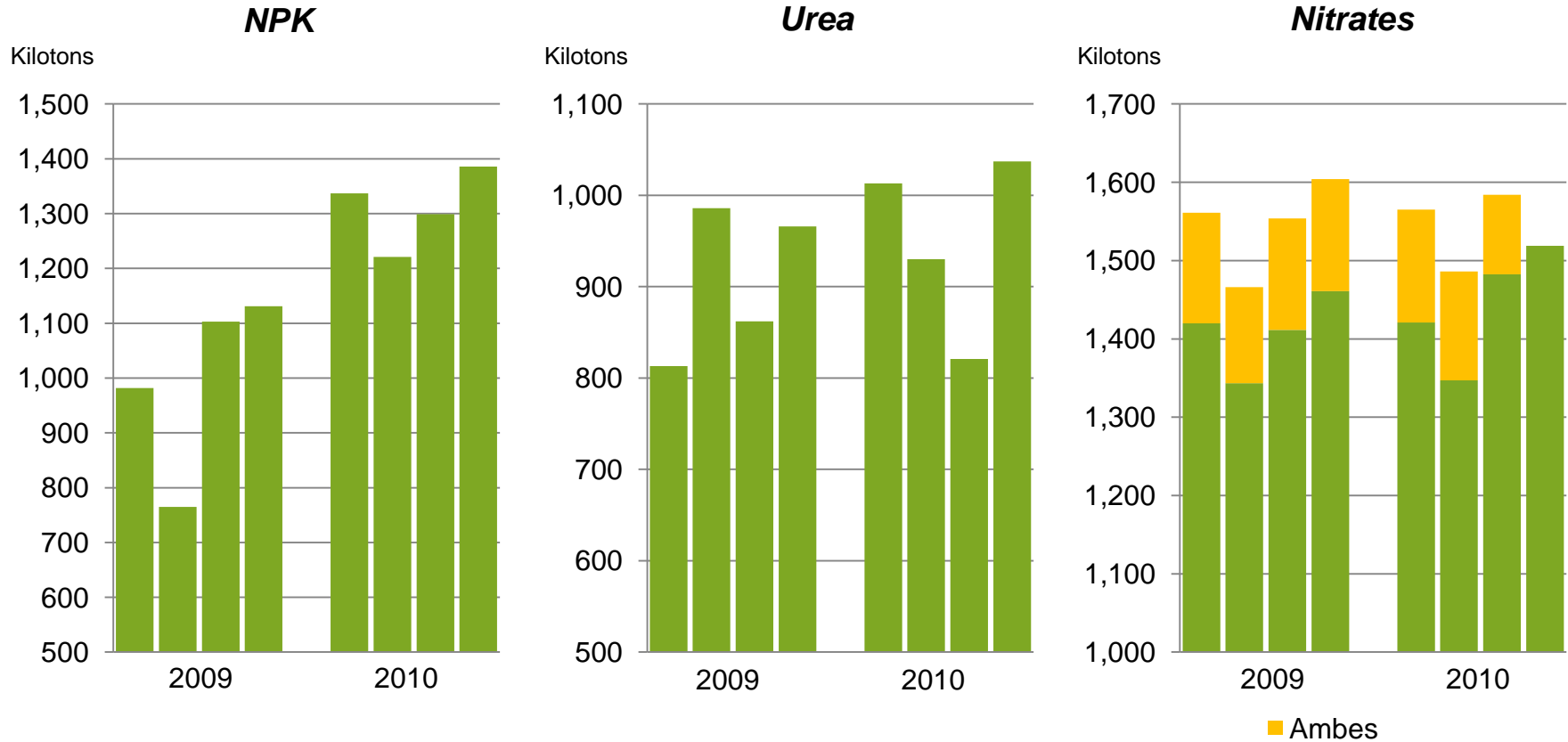
Source: EFMA



IR - Date: 2011-03-25



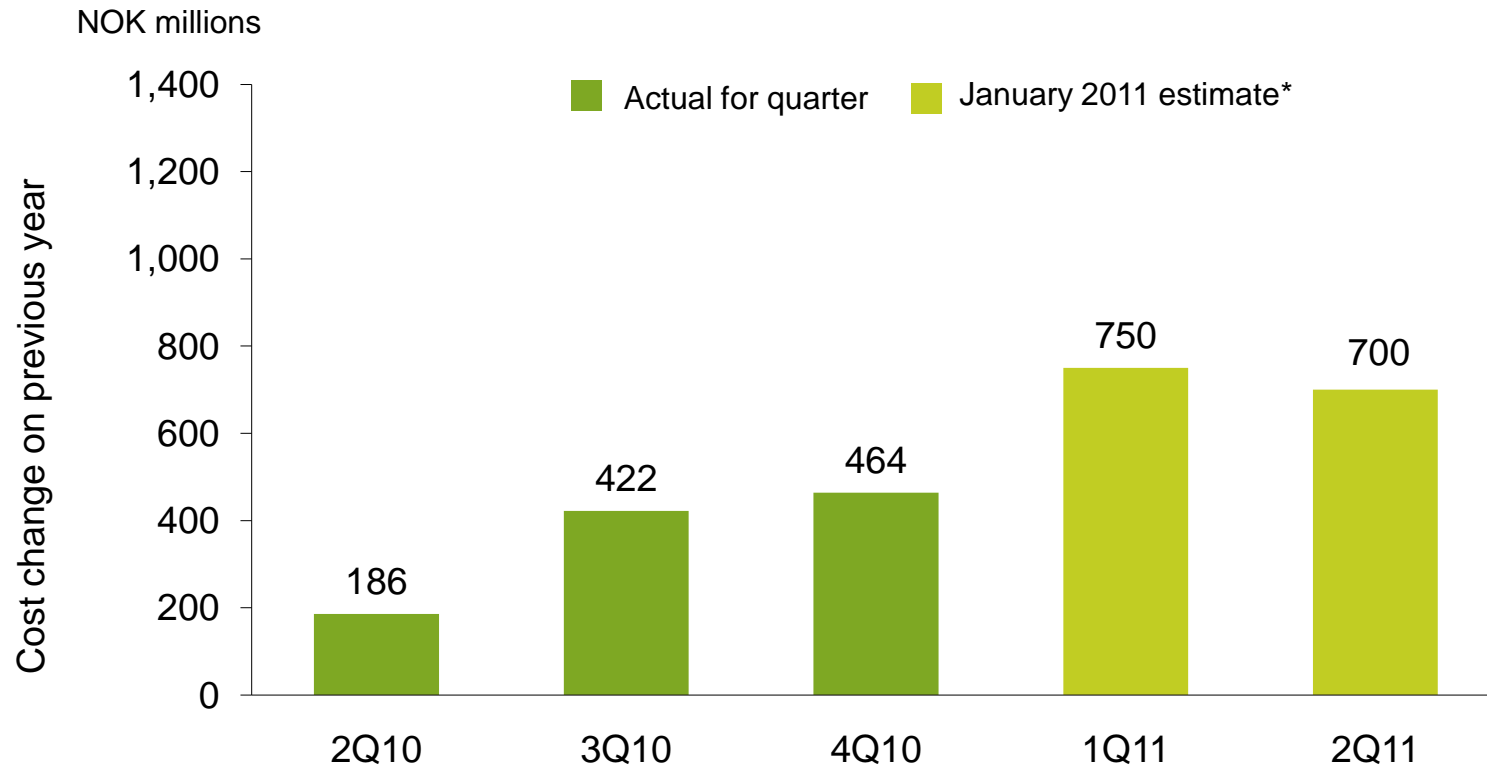
# Production increase despite turnarounds\*



\* Including share of equity-accounted investees



# Estimated European energy cost

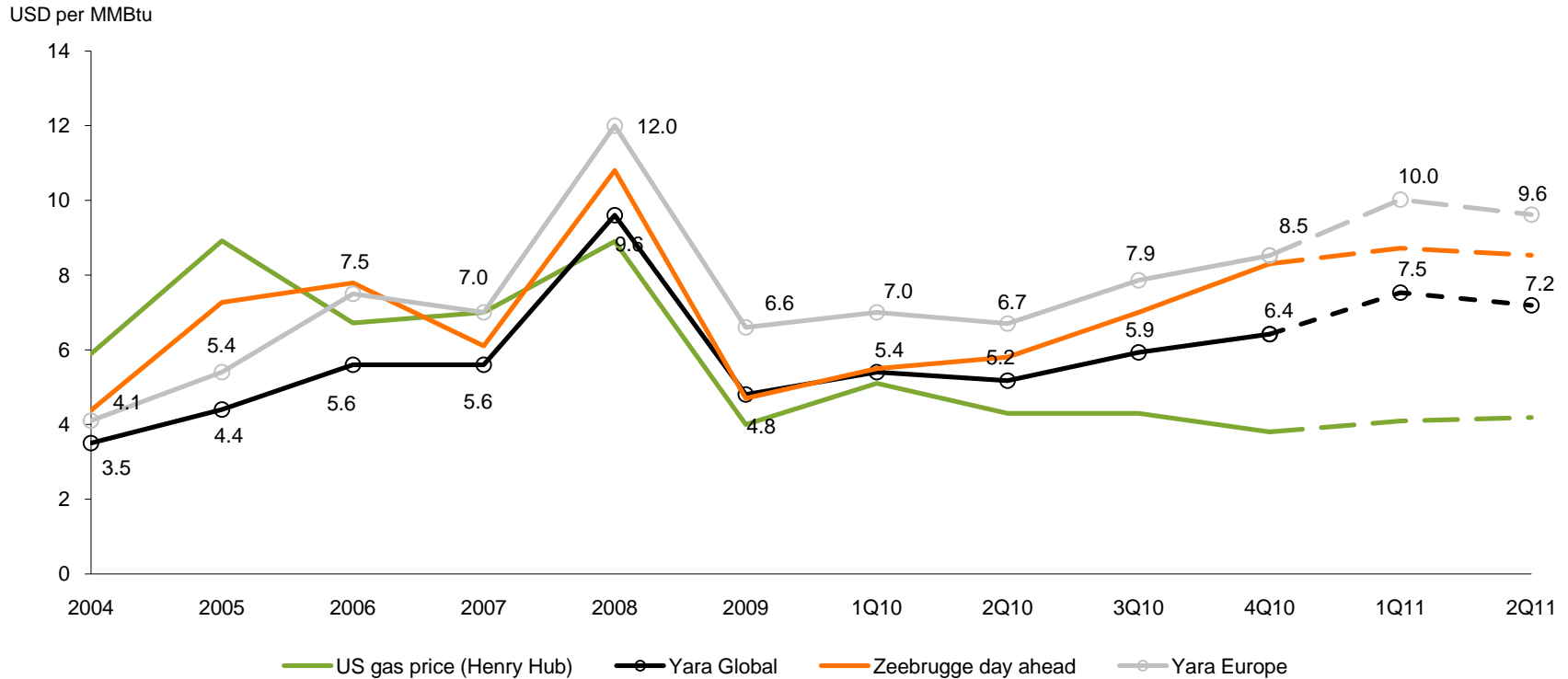


\* Based on forward prices as of 28 January



# Spot natural gas versus Yara average

Yearly averages 2004 – 2009, quarterly averages for 2010 and 2011 with forward prices for 2011\*



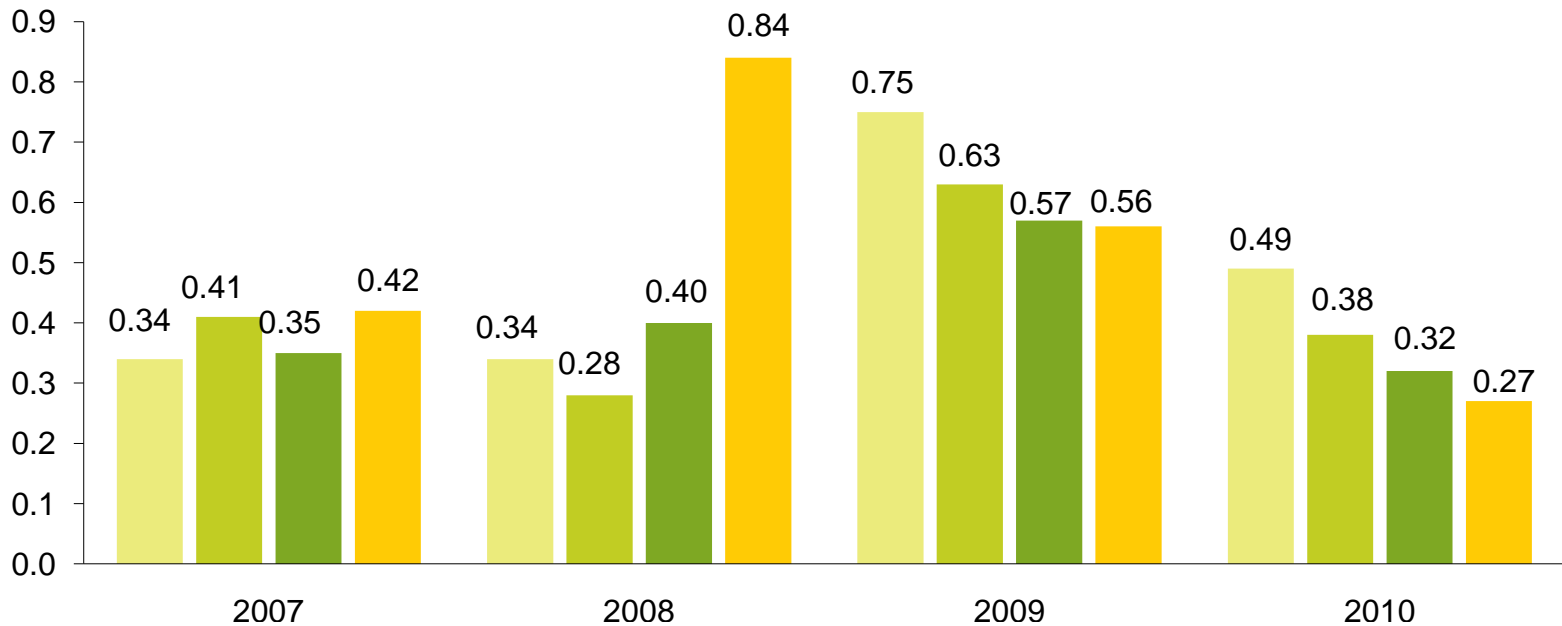
\*Dotted lines denote forward prices as of 28 January

Source: Yara, World Bank, Platts



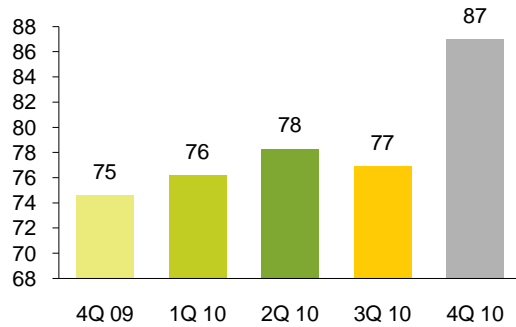
# Debt/equity ratio

Net interest-bearing debt / equity ratio (end of period)

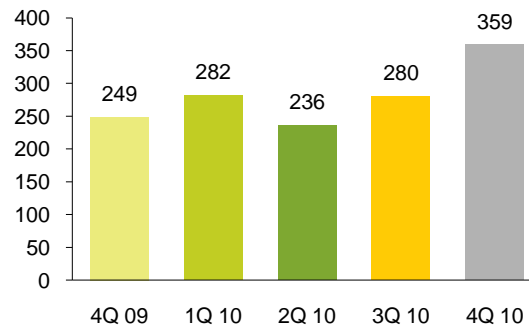


# Key value drivers – quarterly averages

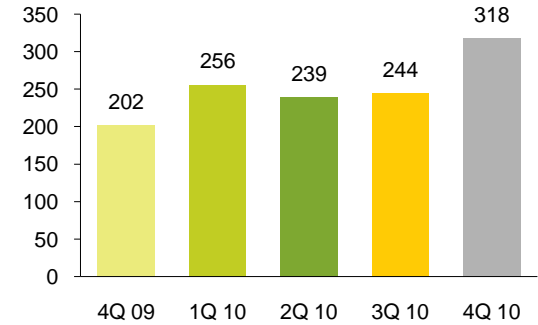
Oil Brent blend spot (USD/bbl)



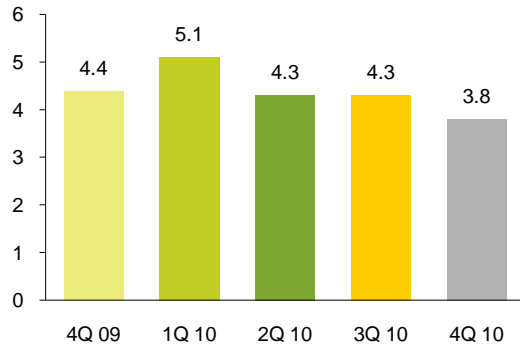
Urea prilled fob Black Sea (USD/t)



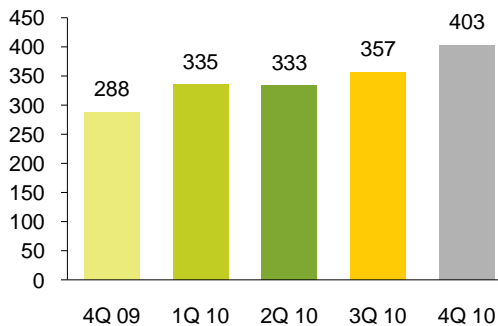
CAN cif Germany (USD/t)



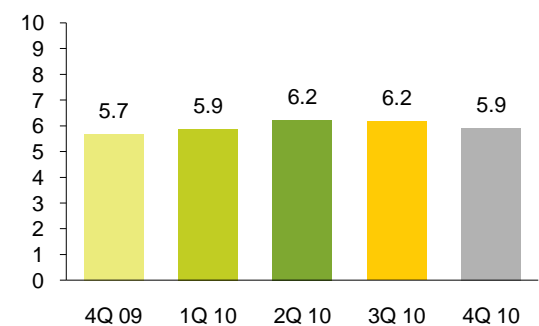
US gas price Henry Hub (USD/MMBtu)



Ammonia fob Black Sea (USD/t)



NOK/USD exchange rate

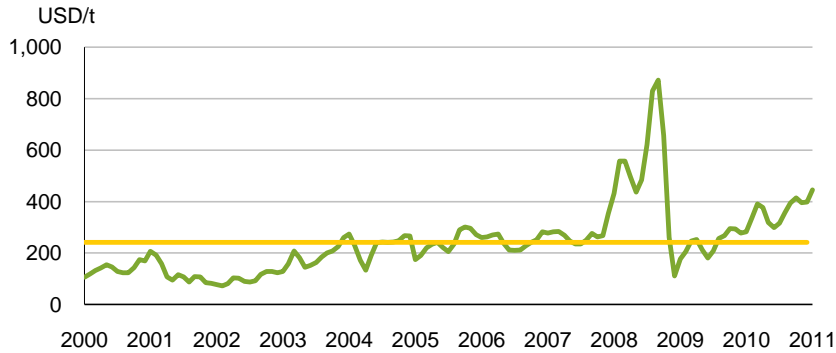


Source: The Market, CERA, World Bank, Norges Bank

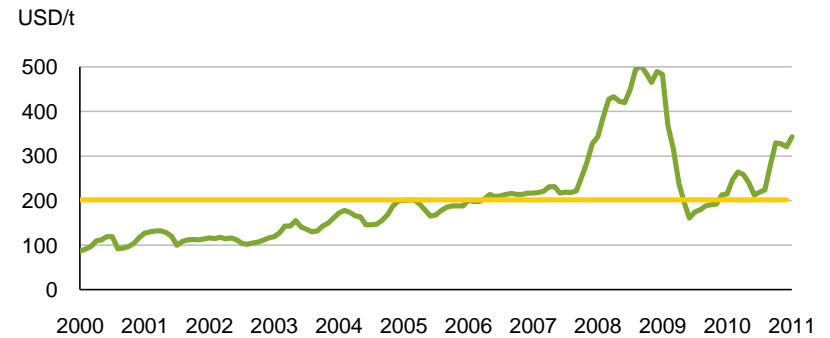


# 10-year fertilizer prices – monthly averages

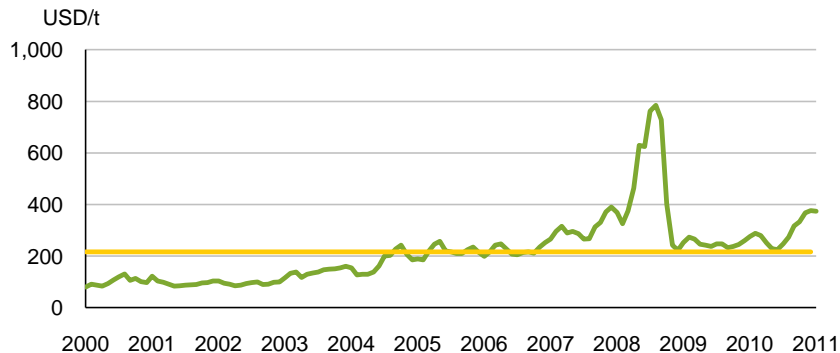
Ammonia fob Black Sea



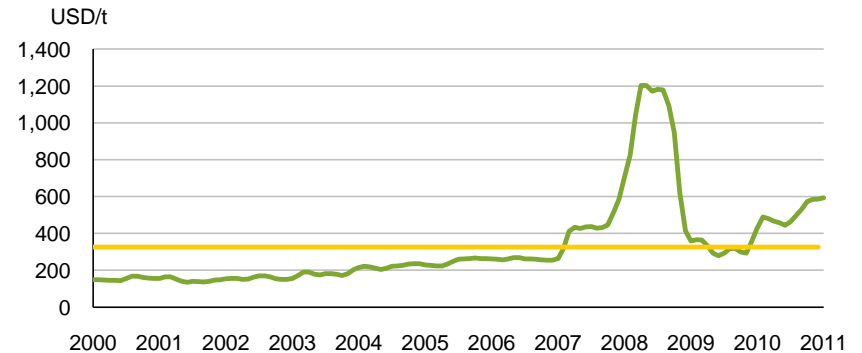
CAN cif Germany



Urea prilled fob Black Sea



DAP fob US Gulf



— Average prices 2000 - 2010

Source: Average of international publications

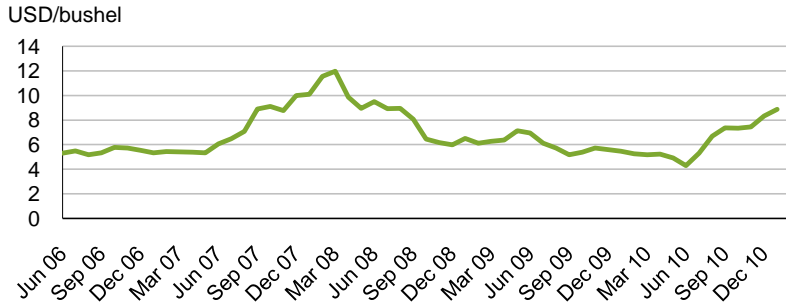


IR – Date: 2011-03-25

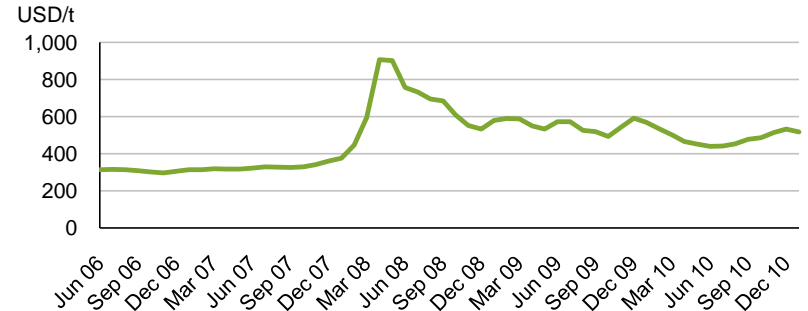


# Agricultural commodity prices increasing

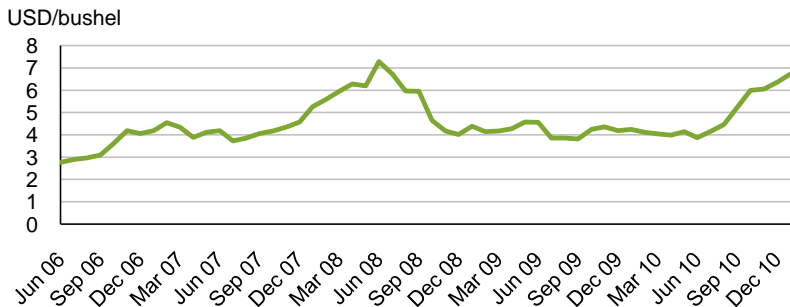
Wheat (HRW US Gulf)



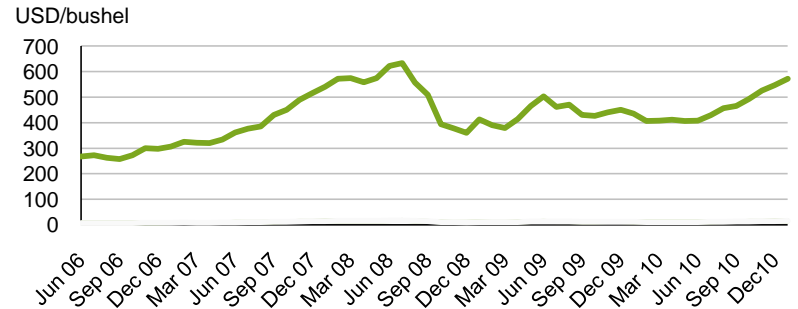
Rice (Thailand)



Corn (US Gulf)



Soybeans (cif Rotterdam)



Source: World Bank, February 2011



# Corporate targets

- Solid profitability
  - CROGI over the cycle > 10% as average
- New investment profitability
  - *Hurdle rate: IRR real, after tax* > 7%
- Relative competitiveness
  - Gross Return (EBITDA/Total assets) Best quartile of peers
- Financial strength
  - Long-term rating target Mid investment grade
- Expected cash return to shareholders
  - *Sum of dividend and buy-backs* 40-45% of net income
- HSE
  - Health, Safety and Environment Best quartile of the industry





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