



MIND THE

FOOD DEMAND will increase with *global growth*. A growing world population needs more food; growing affluence drives dietary changes. To meet the demand for food, fiber and fuel, *agricultural output* must be doubled by 2050.

GAP

RESPONDING to the *gap* between increasing food demand and stagnating yields, Yara will deliver on its strategy, providing solutions to improve *agricultural productivity*.



Quick overview

DURING 2010, Yara saw global markets recover. Following the 2008 food crisis and the 2008-2009 financial crisis, increased demand contributed to our highest annual result so far. Our net income after noncontrolling interests of NOK 8,729 million represents a 131 percent increase compared to 2009. The increase in EBITDA of 176 percent, reflects higher volumes and improved margins. Executing our step growth strategy, we have substantial financial capacity for new industrial initiatives that will take advantage of our global scale, flexibility and presence. In 2010, we continued our pursuit of knowledge based solutions, charting a course for invigorated innovation and people development, further improving our risk management systems.



REPORT OF THE BOARD OF DIRECTORS

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REPORT OF THE BOARD OF DIRECTORS 2010

Strong earnings *and growth opportunities*

In 2010, Yara achieved its highest annual result so far, exceeding the previous record year of 2008, as fertilizer demand and prices picked up strongly, following tightening of the global agricultural markets.

The Board of Directors anticipates that the long-term fundamentals of fertilizer demand will remain strong, as a growing and increasingly prosperous population improves its diet. More and better fertilizer usage will be crucial in the quest for sustainable improvement in agricultural productivity. With its global market presence and product portfolio, Yara is well positioned to meet the demand for greater agricultural productivity and to take on the growing challenges of climate change, air pollution and water scarcity.

Yara's growth ambitions are well founded, building on an attractive market, a proven track record and a scalable business model. However, we will continue to be patient in pursuing growth, aiming to pick the best opportunities at the right time.

STRATEGY

Yara is a chemical company that focuses on the production, distribution and sale of nitrogen chemicals. The main application is fertilizers, while industrial uses are also an important and faster-growing segment. Yara employs its scale and flexibility to ensure reliable supplies of mineral fertilizer and related industrial products to customers worldwide.

Yara benefits from scale: it is the world's largest producer of ammonia, nitrate and complex fertilizer, and carries out more than a quarter of global ammonia trade. Historically, the backbone of Yara's production system has been located in Europe. However, the company's growth projects in recent years have extended its presence into other markets and regions around the world.

Yara has developed a global presence unrivalled in the fertilizer industry. Our global distribution and marketing network includes more than 200 terminals, warehouses, blending plants and bagging facilities located in more than 50 countries. Yara

possesses a knowledge margin in the market, based on its insight in local markets, close customer relations, agronomic expertise and ability to develop new product offerings from its existing production base.

Building on its extensive knowledge base, Yara stepped up its innovation efforts in 2010. The company's R&D has created innovative crop nutrition concepts and environmental solutions that position Yara well in growing markets. In the future, innovation will drive Yara's ability to thrive on the business opportunities involved in solving major global challenges, such as those of food security and climate change. One element of this is the need for innovative concepts that can close the growing gap between food demand and supply, for a future global population of more than nine billion. Closing the existing yield gap and doubling agricultural production by 2050 requires improved agricultural productivity – based on sustainable, knowledge-based solutions. In 2010, Yara's R&D costs were NOK 102 million, compared with NOK 88 million in 2009.

Yara's business model has built-in flexibility that enables it to respond quickly to changing market conditions. The majority of Yara's operational cash cost is variable, as purchases and plants are adjustable on short notice in the event of delivery slowdowns. Increased energy costs in Europe can be mitigated by importing instead of producing ammonia: Yara is the global leader in ammonia trading and shipping and most of the company's European production facilities have access to deep-sea import/export terminals for ammonia. Yara also has the world's largest fertilizer storage capacity. This means that the company can build up stocks before peak periods, to cope with delivery volatility and take advantage of geographical arbitrage opportunities.

Yara has firm growth ambitions. Our ambition to continue to realize profitable growth is based on the fact that we have consistently generated strong earnings throughout the business cycle. We have a scalable business model enabling synergies where growth would further improve optimal utilization of our marketing and distribution system. Since its launch as an independent company in 2004, Yara has demonstrated an industry-leading track record in acquisitions and green/brownfield investments.

Going forward, Yara's focus on growth opportunities will remain combined with strict valuation and capital discipline. When we evaluate growth projects, we always begin by assessing the synergies we can potentially create, compared to what we believe competitors could produce. During valuation, we carefully consider our market and cycle assumptions, compared to estimates of the seller's and alternative buyers' views. Timing is essential in creating value from acquisitions, and we combine a continuous search for projects with patience and discipline in execution. Yara's growth initiatives focus on increasing the company's production in low-cost regions, expanding its presence in high-growth markets and participating in consolidation in mature markets.

Yara's production in competitive gas areas will further increase with the ongoing Qafco-5 expansion project, which started in 2007 with the construction of two world-scale ammonia plants and a world-scale urea plant in Qatar – at a total cost of USD 3.2 billion, expected for completion in the fourth quarter 2011, and the Qafco-6 project adding another world-scale urea plant at a cost of USD 610 million, with completion expected fourth quarter 2012. Yara has a 25 percent ownership share in Qafco and currently markets at least 50 percent of the company's urea production.

A new world-scale urea plant to replace old assets is expected to start up at the Sluiskil production site in the Netherlands in June 2011, for a total investment cost of EUR 400 million. The plant will increase Yara's urea capacity by approximately 500,000 tons urea per year. It takes advantage of urea upgrading margins on excess ammonia capacity in Sluiskil. The new plant will also improve the site's energy efficiency, environmental performance and maintenance costs.

Yara continued to deliver on its growth ambitions during 2010: In January 2010, Yara acquired the remaining 51 percent ownership in Balderton Fertiliser for NOK 560 million, cash excluded. Balderton is a leading European fertilizer trading company that traded 2.9 million tons of fertilizer products in 2009.

In May 2010 Yara sold its 15.5 percent ownership in Fosfertil in Brazil for USD 785 million to Vale, giving Yara a profit before tax of approximately NOK 3,578 million. Brazil remains an important growth market for fertilizer and Yara, but a minority position in Fosfertil did not provide the desired level of operational integration with Yara's fertilizer marketing in Brazil, a marketing activity that Yara will continue to develop.

MARKET CONDITIONS

The price level of agricultural commodities has reached historically high nominal levels. Grain stocks have been falling sharply and prices have increased, triggered by lower grain production, particularly in the former Soviet Union (FSU). The drought in the FSU primarily affected wheat and barley production. However, tighter supply and demand balances for most other agricultural crops, including sugar, cotton and coffee, clearly demonstrate that the challenges to supply go beyond the problems in the FSU.

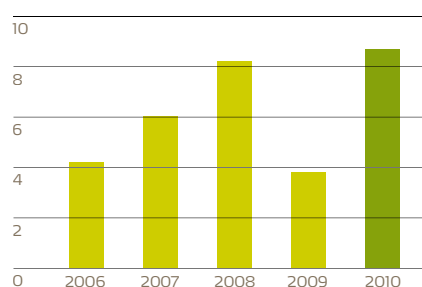
The year started with a relatively strong first quarter in the global nitrogen market, due to just-in-time purchasing by many key markets during the 2009/10 season. The market turned supply-driven during the second quarter, with production curtailments forced on the highest cost producers, including the Ukraine. From June on, prices increased every month, driven by increased demand as agricultural markets tightened. The global nitrogen market again turned demand-driven, with all producers outside China aiming to operate at full capacity.

The increased demand was primarily supplied by higher Chinese urea exports and increased production levels in the Arab Gulf. China exported a record 7.0 million tons of urea in 2010, compared to 3.3 million tons the year before. Roughly half of that volume was exported in the fourth quarter, due to attractive export prices. Urea production in China declined sharply during the second half of 2010, due to higher coal costs, gas shortages and stricter energy efficiency and emissions regulations.

NPK volumes and margins recovered from a weak situation in 2009, when production was curtailed due to lower farmer appli-

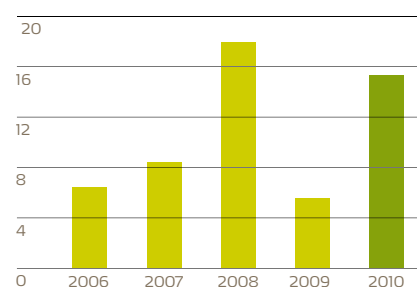
NET INCOME AFTER NON-CONTROLLING INTEREST

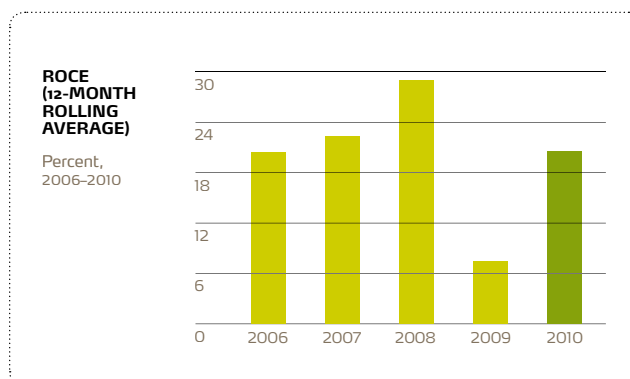
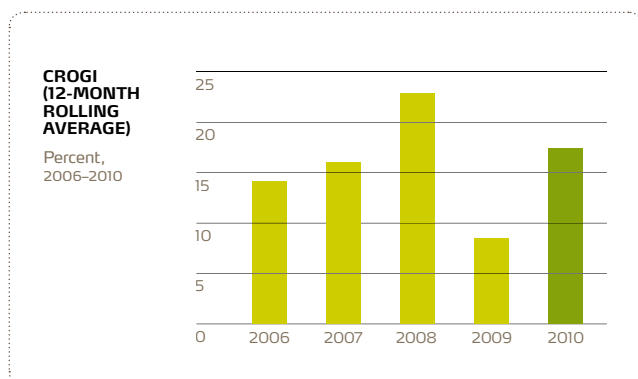
NOK billion, 2006-2010



EBITDA

NOK billion, 2006-2010





cations of phosphate and potash. European nitrate markets also improved strongly with demand increasing following a grain price rise, while supply was limited with low inventories and no new production capacity.

Nitrogen sales for industrial applications have recovered from the decline that followed the financial turmoil of 2008. A major growth area is products for NO_x-abatement of truck emissions, which was initiated by new European legislation in 2006. Legislation along the same lines was implemented in the USA early in 2010, creating a new and rapidly growing market for Yara's products. The trend remains strong, with more countries preparing similar regulations.

The broad economic recovery, along with recent unrest in North Africa and the Middle East, has increased European oil and gas costs significantly compared to one year ago. Elsewhere, North American fertilizer production continues to benefit from lower gas prices following the development of new domestic non-conventional gas resources.

FINANCIAL PERFORMANCE AND OPERATIONS

Net income after non-controlling interests was NOK 8,729 million (NOK 30.24 per share) in 2010, up from NOK 3,782 million (NOK 13.08 per share) in 2009. Yara's after-tax measure for return on capital, CROGI (cash return on gross investment), was at 17.4 percent compared to a target of minimum ten percent average over the business cycle. Operating income was NOK 7,467 million, up from NOK 1,271 million in 2009. EBITDA increased to NOK 15,315 million, from NOK 5,549 million in 2009. Yara's revenue and other income was NOK 65.4 billion in 2010, up from 61.4 billion in 2009.

Yara's 2010 results improved significantly from 2009 due to higher prices and margins, as well as positive non-recurring items. Overall fertilizer deliveries were in line with 2009, with a small increase in European volumes, while sales outside Europe were slightly lower. Average realized nitrate prices were approximately 14 percent higher than last year, while realized urea prices increased eight percent. The major positive non-recurring items were the sales gain from Yara's minority ownership in Brazilian

phosphate producer Fosfertil and the break-up fee received at the termination of the Terra merger agreement.

The Downstream segment delivered an EBITDA of NOK 7,796 million, a strong result as margins improved and sales to core markets increased. Global fertilizer sales were in line with 2009, as higher NPK and urea sales offset lower nitrate sales.

The Industrial segment delivered strong results with an EBITDA of NOK 1,135 million, down nine percent from 2009 despite a 13 percent volume increase, as margins declined due to increasing ammonia prices during 2010.

The Upstream segment delivered an EBITDA of NOK 5,975 million, a strong result reflecting an increase in both production volumes and product margins compared with 2009. Higher product prices more than offset the negative effect of higher energy cost.

Net cash from operating activities in 2010 was NOK 7,093 million, reflecting strong earnings as the market situation improved for Yara's products. Net cash from operating activities in 2009 was NOK 11,925, reflecting lower cash earnings than in 2010, but a substantial reduction in net operating capital following the inventory build up late 2008 when financial turmoil slowed-down sales. Net cash from investment activities for 2010 was NOK 524 million, a positive cash flow due to proceedings from the sale of the minority position in Fosfertil.

Yara strengthened its financial position during 2010. The debt/equity ratio decreased from 0.56 to 0.27 due to strong earnings and Fosfertil sale. Yara's net interest-bearing debt at the end of the year was NOK 9,540 million, while total assets equaled NOK 65,464 million.

Total equity attributable to shareholders of the parent company as of 31 December 2010 amounted to NOK 35,185 million. At the end of the year, Yara had NOK 2,946 million in cash and cash equivalents and approximately NOK 9,600 million in undrawn committed bank facilities. We consider the company's cash and financial position to be strong.

In the opinion of the Board of Directors, the consolidated financial statements provide a true and fair view of the group's financial performance during 2010 and financial position at 31 December 2010. According to section 3-3 of the Norwegian Accounting Act, we confirm that the consolidated financial statements and the financial statements of the parent company have been prepared based on the going concern assumption, and that it is appropriate to make that assumption.

Subsequent events

Yara's jointly controlled entity Lifeco has temporarily suspended its operations due to the recent unrest in Libya. At this point in time, Yara has no information about material physical damage or depletion of Lifeco assets.

During 2010, Yara initiated legal action against the 35 percent Yara-owned joint venture in Burrup, Australia, after it had blocked attempts to allow an independent auditor to undertake a full inspection of their accounts. Yara believed the inspection was necessary to address a number of concerns, including high cost levels, a persistent lack of transparency and adherence to corporate governance principles and serious allegations raised by the media of misuse of Burrup funds. In December 2010, the main financier appointed receivers and managers to the assets. Included in Yara's share of net loss in 2010 is NOK 165 million share of impaired balance sheet items in the Burrup joint venture accounts following the Yara-initiated investigations. In March 2011 the receiver lodged a AUS 115 million claim against the majority owner and related parties to him due to financial irregularities.

RISK MANAGEMENT

Yara's total risk exposure is analyzed and evaluated at corporate level. Risk evaluations are integrated in all business activities, both at corporate and business unit level, increasing Yara's ability to take advantage of business opportunities. Yara's most significant market risk is related to the margin between nitrogen fertilizer prices and natural gas prices. Although there is a positive long-term correlation between these prices, margins are influenced by the supply/demand balance for food relative to energy.

The Board carries out annual reviews of the company's most important areas of exposure to risk and its internal control arrangements. Reference is made to page 26-29 in the annual report for a more comprehensive description of Yara's risk and risk management.

CORPORATE CITIZENSHIP

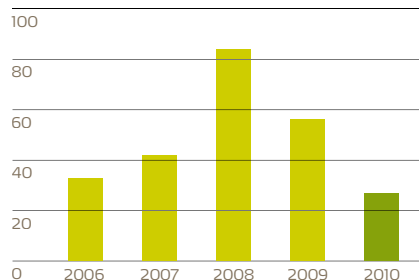
Corporate citizenship is Yara's approach to performing responsibly and to developing and conducting its business sustainably. The Citizenship approach is integrated into Yara's core business. The basis of the strategy is an analysis of megatrends affecting the business environment and society. Economic growth and an increased global population are key drivers of both global challenges and Yara's core business. Globalization and urbanization challenges markets, agricultural development and raises concerns about environment and health aspects.

While Yara's business is clearly affected by these megatrends, they also generate business opportunities. Yara leverages its position as the leading global fertilizer company, with extensive knowledge within crop nutrition and industrial and environmental solutions, to address global challenges.

Utilizing Yara's agricultural knowledge and global scale, the company has entered into several large scale partnerships, aiming at increased agricultural productivity. The Board of Directors recognizes the key progress being made in 2010 and early 2011 within the agricultural growth corridors in Mozambique and Tanzania, where Yara teamed up with government and private sector partners to present blueprints for investment with a 20-year scope. The ambition of these efforts is to increase productivity and enhance market conditions to lift more than three million people out of poverty. Adding to this food security agenda, Yara participated at board level in the development of the World Economic Forum's (WEF) "New Vision for Agriculture" strategy framework. The initiative, co-developed by 17 global corporations across the food value chain, aims to reduce rural poverty, decrease emissions of greenhouse gases (GHG) and simultaneously increase food production by improving the agricultural sector.

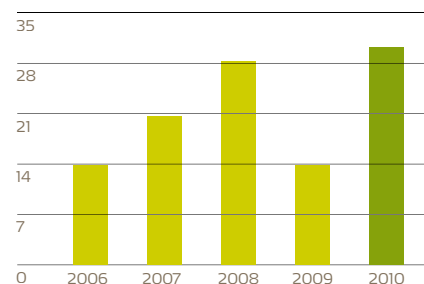
DEBT/EQUITY RATIO

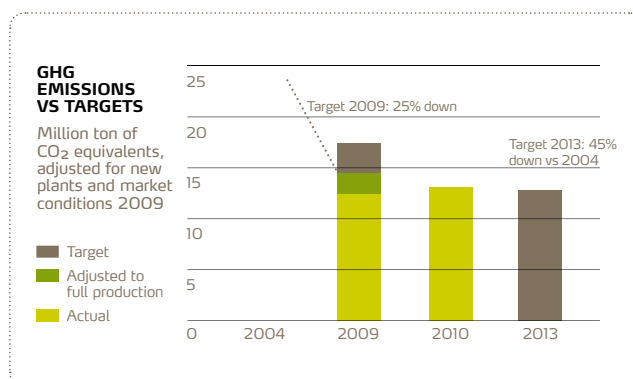
Percent,
2006-2010



EARNINGS PER SHARE

NOK,
2006-2010





Through this strategy document, WEF has taken an important step towards linking the food security agenda to the climate change agenda, matching Yara's own efforts on the global arena. In 2010 Yara also launched its first fertilizer that included a Carbon Footprint Guarantee. This product enables farmers to reduce the climate impact of crop production, in addition to demonstrating Yara's leading position on the issue of GHG emissions.

Yara has committed to the UN Global Compact and its ten principles. Through the company's Code of Conduct and Ethics handbook, these principles are managed internally. In 2010, Yara has also established ethical principles for the company's supply chain.

In 2010, Yara also began efforts to strengthen the strategic foundations of its sustainability approach. For more details on Yara's policies and performance, the Board refers to the online reporting web pages, in line with the Global Reporting Initiative G3 guidelines.

HEALTH, ENVIRONMENT AND SAFETY

A strong track record places Yara among the industry leaders with respect to health, environmental and safety performance. Yara believes every accident is preventable. This is the basis for a focused safety program within the company. Similarly, environmental challenges, particularly those relating to greenhouse gas emissions, are key elements of Yara's activities in the field of health, environment and safety.

In 2010, Yara achieved an LTI rate (lost-time injuries per million hours worked) of 1.6 for employees and contractors combined, up from 1.5 in 2009. The accident rate is a third of the average LTI rate for European fertilizer producers. The TRI rate (total recordable injuries per million hours worked) for Yara employees and contractors combined was 3.8. The TRI rate includes lost-time injuries, restricted work cases where the employee was allowed to carry out work that was different from their normal duties, and medical treatment cases. Absence due to sickness at Yara's production plants was 3.5 percent in 2010, down from 4.3 percent in 2009. Joint venture

companies are included in the statistics, in cases where Yara has operational responsibility. In 2010, the performance of the JV company Lifeco in Libya has been included for the first time.

Yara experienced three fatal accidents in 2010. At Lifeco, an explosion occurred in a heat exchanger during the turnaround of an ammonia plant, resulting in the loss of two contractors' lives. A supervisor was hit by a truck and died at a feed phosphate plant in South Africa, while in Ghana a contractor died from electrocution at a Yara downstream warehouse.

Yara recognizes the severity of such incidents and that they should not occur. The company has strengthened its skills and training requirements for operators, engineers and leaders. Yara is also continuing to implement BBS (Behavior Based Safety) in newly acquired plants and has introduced regular Toolbox meetings for shifts and teams that focus purely on safety. We have strengthened the follow-up processes for the safety performance in our downstream and expect that these initiatives will bring us closer to our ambition of eliminating accidents.

In response to climate change, Yara continues to reduce its carbon footprint. The company's total GHG emissions are now reduced by 45 percent compared to 2004, adjusting for plants acquired and closed since that time, reaching the 2013 target ahead of time. Most of Yara's nitric acid plants are covered by the EU ETS (Emission Trading System) or by the UN Joint Implementation Mechanism.

In 2010 Yara became the first fertilizer company to launch a campaign focusing on the carbon footprint of its products. The campaign, which has been focused on the Nordic region, supports the need of the Swedish food industry to meet local requirements for climate branding of food products.

Yara's total energy consumption in production in 2010 was 223 million GJ. This is a seven percent increase from 2009. However, energy consumption per ton of finished product decreased by four percent from 2009 to 2010.

Yara's operations are subject to many environmental requirements under the laws and regulations of the various jurisdictions in which the company conducts its business. Such laws and regulations govern, among other matters, air emissions, wastewater discharges, solid and hazardous waste management, product labeling, transportation of hazardous materials and remediation of past activities. Yara has successfully completed the registration of substances under the REACH Regulation (registration, evaluation, authorization and restriction of chemicals), and is now revising the packaging and labeling for compliance with national and international requirements.

In 2010, no material legal claim was made against Yara regarding environmental issues.

Yara has a number of facilities that have been operated for long periods of time. Subsurface impact to soil and groundwater and other conditions are common to such sites. They may require remediation or generate liabilities under the laws of the jurisdictions in which the facilities are located. Yara examines such impacts where they are apparent and executes remediation or containment procedures, in coordination with the appropriate authorities. Provisions of NOK 181 million have been made for other clean-up activities of former activities on several locations, of which NOK 63 million were allocated in 2010.

PEOPLE DEVELOPMENT

Yara has revised its global human resource delivery model. The move strengthens the company's ability to secure the skills and expertise that it requires to respond to new challenges and deliver on its business goals. In 2010, Yara successfully implemented a Global HR Function and moved towards a business-focused framework with customer segmentation. HR Functions were introduced to address the needs of the Yara organization, managers and employees.

The company launched a Talent Management Framework during 2010. The framework provides a consistent and replicable approach for identifying, supporting and nurturing talent and performance across the business. It also supports Yara's business strategies and plans by ensuring that the company has the right talent in all positions. One of the key features of the framework is the implementation of a transparent internal job market that simplifies the task of identifying the right talent, while also supporting employees in their efforts to develop their careers.

Yara had 7,348 employees at the end of 2010, a net reduction of 281 from 2009 despite the company's continued global growth. The reduction was primarily due to the closure of the retail business in South Africa, and synergies in Brazil, Finland and France. As a global company operating in over 50 countries, Yara has a highly diverse workforce that is one of the company's strengths. We

aim to secure the best talent in all our markets, creating a global talent pool of diverse nationalities, backgrounds and cultures.

Throughout our operations around the world we seek to engage the employees' talents regardless of their age, gender, race, ethnicity, disability or sexual orientation. At Yara, people are recognized and valued for the contribution they make to the business.

We believe that a diverse workplace that develops and utilizes all the talent available to it, benefits our individual employees around the world, as well as the company and its shareholders. It enables us to better understand and relate to our customers and suppliers, and to function effectively within a variety of legal frameworks and national cultures. A well-managed, diverse workforce is also a source of greater creativity and innovation. It increases our organizational flexibility, as well as our ability to respond to and anticipate new business opportunities and challenges.

This diverse workforce is united by our four core values of Ambition, Trust, Accountability and Teamwork. These values drive the way Yara operates, assesses performance, and selects and develops leaders.

Emerging demographic trends in many important markets point to the need to ensure that we can successfully attract and retain an increasing number of women. Women today make up a significant percentage of university graduates and in some countries they are the majority. Yara operates in a traditionally male-dominated industry. Women represent approximately 20 percent of Yara's total workforce. To employ the full range of skills and abilities available to us, Yara must be able to engage the talent of female employees to a much greater extent than in the past. We aim to intensify our efforts to create a workplace and culture that will enable us to successfully attract, retain and develop an increasing number of women within critical roles at the company.

CORPORATE GOVERNANCE

Proactive and transparent corporate governance is crucial for aligning the interests of shareholders, management, employees and other stakeholders. Yara believes that good corporate governance drives sustainable business conduct and long-term value creation. Yara exercises corporate governance in a manner representative of an ambitious and responsible multinational company. The company has established corporate governance practices tailored to the specific challenges it faces as the leading global fertilizer company. Yara's Board of Directors has decided to comply with the latest version of Norwegian Code of Practice for corporate governance, dated 21 October 2010. The Code has stricter requirements than mandated by law.

BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

Yara's Board held twelve meetings in 2010. Three of the eight Board members are women. The board is made up of five shareholder-elected members and three employee-elected members. Four out of five of Yara's shareholder-elected members were re-elected for two years in 2010 and Hilde Merete Aasheim was elected as new board member. The five shareholder-elected members all have extensive line management experience from international industrial companies. Two of the three employee-elected Board members were re-elected in February 2011 and Kristine Haukei was elected as new board member.

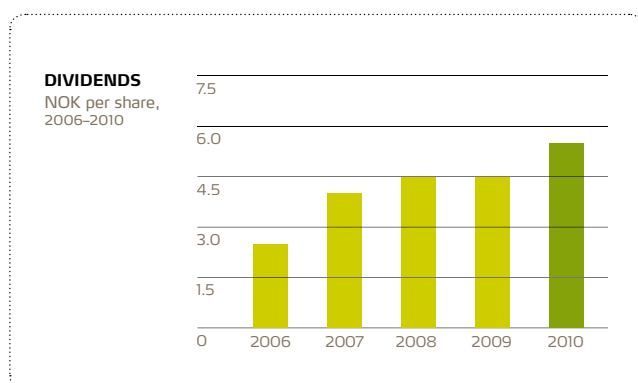
Yara has decided to not constitute a corporate assembly. Consequently, the Board of Directors is directly responsible to the General Meeting and the shareholders. A Compensation Committee was established in April 2004 and an Audit Committee was established in December 2006.

YARA INTERNATIONAL ASA

The parent company, Yara International ASA, is primarily a holding company, with financial activities and only non-material operations. Yara International ASA had net income of NOK 4,697 million in 2010, up from NOK 2,180 million in 2009 after dividends and group relief from subsidiaries of NOK 3,799 (NOK 21 million in 2009) and recognition of the Terra break-up fee of NOK 666 million. Net foreign exchange gain was NOK 325 million compared to NOK 1,733 million in 2009.

DIVIDEND AND BUY-BACKS

Yara expects to return 40–45 percent of net income to its shareholders, measured as the sum of dividends and share buy-backs, averaged over the business cycle. As long as Yara can maintain profitability at the attractive level achieved since the IPO, a dividend level that restricts Yara's growth will not be desirable. Yara's dividend policy is to pay out a minimum 30 percent of net income as an average over the business cycle. Yara believes it will be beneficial for shareholders for the Company to strive for a gradual increase and predictability in the absolute dividend level over time, independent of the business cycle.



The Board proposes a dividend of NOK 5.50 per share, a 22 percent increase from last year, totaling a payment of NOK 1,584 million based on outstanding shares at date this financial statement was authorized for issue. Combined with the positive result in Yara International ASA and other effects, this means an increase in equity of NOK 3,008 million. Distributable equity in the parent company, as of 31 December, 2010 was NOK 4,758 million after proposed dividend.

Yara will use share buy-back programs when certain conditions are met. Share buy-backs are more flexible than dividends. For most shareholders, buy-backs also provide tax advantages compared to dividends. In 2010, Yara bought back 450,000 shares for a total of NOK 115 million.

In total Yara paid out NOK 1,415 million in 2010 in dividends and share buy-backs, representing 37 percent of net income in 2009. The proposed 2010 dividend represents 18 percent of net income and 27 percent of net income excluding net foreign exchange gains and special items.

OUTLOOK

Global agricultural markets are strong. Agricultural commodity prices increased through the second half of 2010 and into 2011 as demand prospects remained strong while increased concerns were raised about agricultural supply, following weather-related setbacks. The FAO food price index has surpassed the earlier peak of spring 2008. With the price increases linked to a broad range of agricultural products, there are even stronger and more robust incentives to increase land productivity.

The improved agricultural prices have led to a strong increase in fertilizer demand. Nitrogen fertilizer deliveries in Western Europe for the first half of the 2010/2011 season are 13 percent ahead of last season, but still four percent behind the 2007/2008 season, when farmers also had strong incentives to increase fertilizer application. To match the 2007/2008 season, deliveries in the second half of this season would need to be 20 percent higher than last year.

The supply situation of nitrogen fertilizer on the global market is tight. At current prices, global nitrogen fertilizer producers outside China have incentives to run at full capacity. China has announced a 110 percent urea export tax effective from 1 December 2010 until the end of June 2011. Lower production and higher exports have led to a 25 percent reduction in urea deliveries to the Chinese domestic market during the second half of 2010. It is hard to see this drop being sustainable, supporting strict export policy enforcement for the remainder of the season. Adding to the potential shortfall, no new export capacity is expected to start up early enough to supply demand for the current season.

Nitrate fertilizer prices have increased substantially in early 2011 and deliveries are running well, improving earnings prospects. In

addition to a tight global nitrogen market, the nitrate premium over urea continues to be supported by low inventories and production constraints.

Based on current nitrogen pricing levels, Yara aims to run its fertilizer production facilities at full capacity. Yara will add production capacity in 2011, with the urea expansion in Sluiskil, the Netherlands, expected on-stream in June and the Qafco-5 ammonia and urea start-ups at our Qatari JV expected in the fourth quarter.

Tight markets for agricultural commodities with low price elasticity have potential for substantial price volatility. More weather-related setbacks could further increase short-term demand, while a significant drop in agricultural prices, e.g. in the event of improved harvest prospects, could produce a temporary slowdown in fertilizer deliveries. However, a substantial harvest increase in the 2011/12 season is needed merely to avoid a further decline in inventories, due to the recovery needed to compensate for the 2010/11 harvest shortfall.

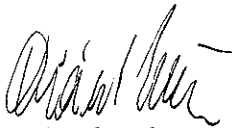
A major part of Yara's dry raw material purchases are re-negotiated yearly. While these costs over time normally are recovered in Yara's finished fertilizer sale prices, a smaller negative impact is expected in Yara's results 2011 compared 2010, particularly due to increasing phosphate rock prices through 2010.

Unrest in the Middle East and North Africa has increased crude oil prices and thus raised the cost of the one-third of Yara's European oil and gas purchased at prices directly linked to crude oil rates. Our Libyan JV has temporarily stopped production, as a result of the unrest.

Based on current forward markets for oil products and natural gas, Yara expects its energy costs to increase significantly from 2010 to 2011.

The necessary level of investment needed to maintain current capacity and implement basic productivity investments is estimated to be NOK 1,800–2,000 million per year.

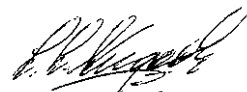
*The Board of Directors of Yara International ASA
Oslo, 22 March 2011*



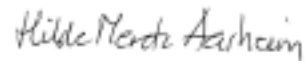
Øivind Lund
Chairperson



Elisabeth Harstad
Board member



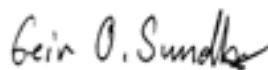
Leiv L. Nergaard
Board member



Hilde Merete Aasheim
Board member



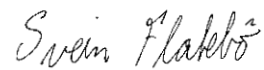
Bernt Reitan
Board member




Geir O. Sundbø
Board member



Kristine Haukalid
Board member



Svein Flatebø
Board member



Jørgen Ole Haslestad
President and CEO