

# Accounting policies

## GENERAL

Yara (the Group) consists of Yara International ASA and its subsidiaries. Yara International ASA is a public limited company incorporated in Norway. The Company's registered office is at Bygdøy Allé 2, Oslo, Norway.

The consolidated financial statements consist of the Group and the Group's interests in associated companies and joint ventures. The principal activities of the Group are described in note 4 and note 12.

## STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB) and approved by the European Union (EU).

## BASIS OF PREPARATION

The consolidated financial statements have been prepared under the historical cost convention; modified to include revaluation to fair value of investment property, of available-for-sale financial assets and derivative financial instruments.

## BASIS OF CONSOLIDATION

The consolidated financial statements include Yara International ASA and subsidiaries where the Group holds, directly or indirectly, the majority of voting rights. Controlling interest is usually achieved when Yara has more than 50 percent of voting rights. In some situations de facto control of an entity may be achieved through other means than voting rights, such as through contractual agreements. Subsidiaries that are acquired or sold during the year are included or excluded from consolidation when the Group achieves control or ceases to have control.

Transactions and inter-company balances between subsidiaries, associated companies and joint ventures are eliminated. Transactions with associated companies and joint ventures are eliminated according to the Group's share in the company.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

## FOREIGN CURRENCIES

### Translation to Norwegian kroner (NOK) of foreign companies

The individual financial statements of a subsidiary company are prepared in the company's functional currency, normally the currency of the country where the company is located. Yara International ASA uses NOK as its functional currency, which is also used as the presentation currency for the consolidated financial statements. In preparing the consolidated financial statements, the financial statements of foreign operations are translated using the exchange rates at year-end for balance sheet items and monthly average exchange rates for income statement items. Translation gains and losses, including effects of exchange rate changes on transactions designated as hedges of net foreign investments, are included in shareholder's equity as a separate component. The translation difference derived from each foreign subsidiary, associated company or joint venture, accumulated from 1 January 2004, is reversed through the income statement as part of the gain or loss arising from the divestment or liquidation of such a foreign entity.

In individual companies, transactions in currencies other than the entity's functional currency are recorded at the exchange rate at the date of transaction. Monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

### Assets and liabilities in foreign currency

Gains and losses arising on transactions, assets and liabilities other than the translation gains/losses, are recognized in the income statement, except for gains and losses on transactions designated and effective as hedge accounting.

### Foreign exchange hedges

To hedge the Group's currency exposure the Group enters into currency-based derivative financial instruments. The Group's accounting policies for such contracts are explained below under financial instruments.

## BUSINESS COMBINATIONS

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations, are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognized and measured at fair value less cost to sell.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in the income statement. The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

## GOODWILL

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

The Group's accounting policy for goodwill arising on the acquisition of an associate or joint venture is described under associated companies.

**ACQUISITION OF MINORITY INTEREST**

When acquiring minority interests the difference between the cost of the minority interest and the minority interest's share of the assets and liabilities reflected in the consolidated balance sheet at the date of acquisition of the minority interest is accounted for partly as an adjustment to goodwill (measured using IFRS 3 principles) and partly as an equity transaction.

**REVENUE RECOGNITION**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for products provided in the normal course of business, net of discounts and sales related taxes.

**Sale of goods**

Revenue from the sale of products, including products sold in international commodity markets, is recognized when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold
- the amount of revenue can be measured reliably
- it is probable that the economic benefits associated with the transaction will flow to the Group
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Yara's rebate arrangements include fixed-rate rebates or variable rate rebates increasing with higher volumes. For variable rate rebates, the estimated rebate is accrued at each revenue transaction, and the accrual is adjusted at the end of each rebate period, which typically is the end of a fertilizer season.

In arrangements where Yara acts as an agent, such as commission sales, only the net commission fee is recognized as revenue.

**Government grants**

Government grants are recognized in the consolidated financial statement when the Group has reasonable assurance that it will receive them and comply with conditions attached to them. Government grants that compensate the Group for expenses are recognized in the income statement as the expenses are incurred. Government grants that compensate the Group for the cost of an asset are recognized in the income statement on a systematic basis over the useful life of the asset.

**Dividends received**

Dividends from investments are recognized in the income statement when the Group has a right to receive the dividends.

**Interest income**

Interest income is recognized in the income statement as it is accrued, based on the effective interest method.

**TAX**

Income tax expense represents the sum of the tax currently payable and deferred tax.

**Current tax**

The tax currently payable is based on taxable profit for the year.

**Deferred tax**

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

**Current and deferred tax for the period**

Current and deferred tax are recognized as expense or income in the income statement, except when they relate to items recognized directly to equity, in which case the tax is also recognized directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of Yara's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

**INTANGIBLE ASSETS**

Separately acquired intangible assets are recognized at fair value at the time of acquisition. As part of business combinations, intangible assets acquired as a result of contracts or legal rights, or rights that can be separated from the acquired entity, are recognized at fair value.

Research costs are expensed as incurred. Costs incurred in development of certain internally generated intangible assets, such as software, are expensed until all the recognition criteria are met. Qualifying costs incurred subsequent to meeting the recognition criteria are capitalized.

Intangible assets are amortized on a straight-line basis over their expected useful life. If the asset life is indefinite and useful life cannot be estimated, the asset is not amortized but tested for impairment annually.

**PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment are measured at historic cost less accumulated depreciation and any impairment loss. If a legal or constructive obligation exists to decommission property, plant and equipment, the carrying value of the assets is increased with the discounted value of the obligation when it arises.

Expenses in connection with periodic maintenance on property, plant and equipment are recognized as assets and depreciated on a systematic basis until the next periodic maintenance, provided the criteria for capitalising such items have been met. Expenses in connection with ordinary maintenance and repairs are recognized in the income statement as they are incurred. Expenses incurred in connection with major replacements and renewals that materially extend the life of property plant and equipment are capitalized and depreciated on a systematic basis.

Property, plant and equipment are depreciated on a straight-line basis over their expected useful life. If individual parts of property, plant and equipment have different useful lives they are accounted for and depreciated separately. Expected useful life and residual value is, unless immaterial, re-assessed annually. An asset's carrying amount is written down to its recoverable amount if the assets carrying amount is higher than its estimated recoverable amount. Gain or loss due to sale or retirement of property, plant and equipment is calculated as the difference between sales proceeds and carrying value and is recognized in the income statement.

Interest is capitalized as part of the historical cost of major assets constructed.

**ASSOCIATED COMPANIES**

Associated companies are investments in companies where the Group has significant influence, but not control. Significant influence normally exists when the Group controls between 20 percent and 50 percent of the voting rights. The share of results, assets and liabilities of associated companies are incorporated into the consolidated financial statements using the equity method of accounting. Under the equity method of accounting, investments in associated companies are carried in the

consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the Associated companies, less any impairment in the value of the investment. The consolidated income statement reflects the Group's share of the results after tax of the associated companies. The consolidated statement of recognized income and expense reflects the Group's share of any income and expense recognized by the associated companies outside the income statement. Any excess of the cost of acquisition of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associated companies recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Yara reviews the carrying amount of associated companies for impairment if indications of loss in value are identified. Impairment indicators may be operating losses or adverse markets conditions. As Yara's associated companies are generally not listed on a stock exchange or regularly traded, the impairment review for such associated companies can rarely be based on observable market prices. Fair value of the investment is estimated based on valuation model techniques. If it is considered probable that the fair value of an associated company is below Yara's carrying value, an impairment loss is recognized.

In preparing their individual financial statements, the accounting policies of some associated companies do not conform with the accounting policies of Yara. Where appropriate, adjustments are therefore made in order to present the consolidated financial statements on a consistent basis.

#### JOINT VENTURES

A joint venture is a contractual arrangement whereby the Group and one or more parties undertake an economic activity that is subject to joint control, which is when the strategic and financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control. Participation in joint ventures is accounted for on an equity accounted basis as described under the accounting principles for associated companies.

#### INVENTORY

Inventories are stated at the lower of cost, using the first-in, first-out method ("FIFO") and net realizable value. Net realizable value is estimated sales price reduced by costs of completion and other sales costs. Cost is direct materials, direct labor, other direct cost and an appropriate portion of production overhead, or the price to purchase inventory.

#### IMPAIRMENT OF NON-CURRENT ASSETS OTHER THAN GOODWILL

The Group assesses the carrying amount of tangible assets and identifiable intangible assets annually, or more frequently if events or changes in circumstances indicate that such carrying amounts may not be recoverable. Factors considered material by the Group and that could trigger an impairment test include:

- significant underperformance relative to historical or projected future results, or
- significant changes in the manner of the Group's use of the assets or the strategy for the overall business, or
- significant negative industry or economic trends.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less cost to sell and value in use. When it is determined that the carrying amount of tangible assets and identifiable intangible assets may not be recoverable based upon the existence of one or more of the above indicators of impairment, any impairment is measured based on discounted projected cash flows using a pre-tax discount rate. An impairment loss is recognized to the extent that the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount.

Previously recognized impairment losses, except for goodwill, are reversed if the assumptions for impairment are no longer present. Impairment losses are only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment had been recognized.

#### OWN SHARES

When own shares are repurchased, the amount of consideration paid, including directly attributable costs, is recognized as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity. Gain/loss from the sale of own shares is recognized as a change in equity.

#### DIVIDENDS PAID

Dividends are recognized as a liability in the period that they are declared by the Annual General Meeting.

#### EMPLOYEE BENEFITS

##### Defined benefit plans

The Group's net obligation in respect of defined benefit plans are calculated separately for each plan. The amount is an estimation of future benefits that the employees have earned in return for their service in current and prior periods. The benefit is discounted to determine its present value, and the fair value of the plan assets and unvested past service cost is deducted. The discount rate is the yield at the balance sheet date on AA credit rated corporate bonds or government bonds where no market for AA credit rated corporate bonds exist. If the bond has a different maturity from the obligation, the discount rate is adjusted. Qualified actuaries using the projected credit unit method perform the calculations.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in income statements as an expense on a straight-line basis over the average period until the benefits become vested. To the extent benefits vest immediately, the expense is recognized immediately in the income statement. Gains or losses arising from curtailments and settlements of pension plans are recognized immediately in the income statement. Actuarial gains and losses in the period are recognized directly in equity.

##### Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an expense in the income statement when employees have rendered services entitling them to the contributions. Prepaid contributions are recognized as an asset to the extent that a cash refund or deduction in future payments is available.

##### Other long-term benefits

The Group's obligation in respect of other long-term benefits is the amount of future benefits that the employees have earned in return for their service in current and prior periods. The obligation is discounted based on the same principles as defined benefit plans.

##### Share-based compensation

The Group's cash-settled share-based incentive program Share Incentive Rights (SIRs) is recognized as an expense at fair value. Fair value is initially measured at grant date and spread over the period during which the employees become unconditionally entitled to the payments. The fair value of the SIRs is measured based on the Black Scholes Merton option pricing model, taking into account the terms and conditions upon which the instruments were granted. The liability is re-measured at each balance sheet date and at settlement date. Any changes in fair value are recognized in the income statement.

The Group may also give employees the possibility to purchase share in Yara at a reduced price. The cost of this is recognized when the employee exercises this possibility.

#### PROVISIONS

A provision is recognized when the Group has a present obligation (legal or constructive) following a past event and it is likely that this will result in an outflow of cash or transfer of other assets to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

**Restructuring**

A restructuring provision is recognized when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

**Onerous contracts**

Present obligations arising under onerous contracts are recognized and measured as a provision. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceeds the economic benefits expected to be received from it.

**Site restoration**

A provision for an obligation to restore a site is recognized when it occurs as a consequence of a constructive or legal obligation.

**Guarantees**

A provision for guarantees is recognized when the products or services are sold. The provision is based on historical information on actual guarantee payments incurred and the probability claims will be made.

**Environmental expenditures**

Environmental expenditures that increase the life, capacity, safety or efficiency of a facility are capitalized. Expenditures that relate to an existing condition caused by past operations are expensed. When environmental assessments, clean-ups or restoration are probable and the cost can be reliably measured, a provision is recognized.

**Emission rights**

Due to EU regulations in regard to greenhouse gas emissions, Yara receives annual emissions rights. These emission rights can be used to settle the Groups obligation that arises as a result of actual emissions. Granted emission rights received in a period are initially recognized at nominal value (nil value). Purchased emission rights are initially recognized at cost (purchase price) within intangible assets. A provision is recognized when the level of emissions exceeds the level of allowances granted.

If Yara's emissions are less than the emission rights allocated to its operations, these may be sold in the market. Gains are recognized if and when such transactions occur.

**FINANCIAL INSTRUMENTS**

Financial assets and financial liabilities are recognized when the Group becomes part to the contractual obligations of the instrument.

**Cash and cash equivalents**

Cash and cash equivalents include cash, bank deposits and monetary items which are due in less than three months.

**Other liquid assets**

Other liquid assets comprise bank deposits and all other monetary items which are due between three and twelve months.

**Trade receivables and other short-term receivables**

Trade receivables and other short-term receivables are measured at initial recognition at fair value and subsequently measured at amortized cost. Short-term receivables, which are due within three months, are normally not discounted.

**Available-for-sale financial assets**

Available-for-sale financial assets are initially recognized at fair value. Available-for-sale financial assets are subsequently recognized at fair value, with gains and losses arising from changes in fair value recognized directly in equity and presented in the statement of recognized income and expense, until the asset is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the consolidated income statement for the period.

**Impairment of financial assets**

Financial assets, other than those recognized at fair value through the income statement, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the income statement. With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the income statement to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In addition to the above impairment of available-for-sale equity securities, impairment may occur if the decline in fair value is significant or prolonged. In respect of available-for-sale equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

**Trade payables and other short-term liabilities**

Trade payables are initially measured at fair value and are subsequently measured at amortized cost. Short-term payables, which are due within three months, are normally not discounted.

**Interest-bearing borrowings**

Interest-bearing borrowings are recognized initially at fair value less direct transaction costs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortized cost with any difference between cost and redemption being recognized in the income statement over the period of the borrowings on an effective interest basis.

**Derivative financial instruments**

The Group uses derivative financial instruments to hedge exposure against foreign exchange risk, interest-rate risk and commodity risk arising in operating, financing and investment activities. Derivatives are initially recognized at fair value at the date a derivative contract is entered into, and are subsequently remeasured to their fair value at each balance sheet date. The Group routinely enters into sale and purchase transactions for physical gas, ammonia and other commodities. The majority of these transactions take the form of contracts that were entered into and continue to be held for the purpose of receipt or delivery of the physical position in accordance with the Group's expected sale, purchase or usage requirements, and are therefore not within the scope of IAS 39 (own use exemption). Certain purchase and sales contracts are within the scope of IAS 39 as they can be settled net and do not qualify for the own use exemption. Such contracts are accounted for as derivatives under IAS 39 and are recognized in the balance sheet at fair value. Gains and losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recognized in the consolidated income statement.

Fair value for derivatives is measured based on quoted market prices when these are available. When quoted prices from active markets are not available, the Group estimates fair value by using valuation models that make maximum use of observable market data. The resulting change in fair value is recognized in the income statement immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in the consolidated income statement depends on the nature of the hedge relationship.

Derivatives not designated into an effective hedge relationship are classified as current assets or current liabilities.

#### Embedded derivatives

Derivatives embedded in other financial instruments or other non-financial host contracts are separated and treated as derivatives when the risks and characteristics of the derivative are not closely related to the host contract and the host contract is not measured at fair value with changes in fair value recognized in the income statement.

#### Hedge accounting

The Group designates certain derivatives as either hedges of the fair value of recognized assets or liabilities (fair value hedges), hedges of foreign currency risk of recognized assets or liabilities (cash flow hedges), or hedges of net investments in foreign operations.

The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than 12 months.

#### Cash flow hedges

Changes in fair value of financial instruments used as hedging instrument in a cash flow hedge are recognized in equity until the hedged transaction is recognized. The ineffective part of the hedge is recognized in the income statement.

#### Fair value hedges

Changes in fair value of financial instruments designated as fair value hedges are recognized in the income statement. The carrying amount of the hedged item is adjusted for changes in the fair value attributable to the hedged risk.

#### Hedge of net investment

Changes in fair value of financial instruments used as hedges of net investment in foreign operations are recognized directly in equity. The ineffective part of the hedge is recognized in the income statement.

Hedge accounting ceases when the hedging instrument expires, is sold, terminated or exercised or the hedge relationship does not fulfill the requirements for hedge accounting.

#### LEASING

Property, plant and equipment which is leased on conditions which substantially transfer all the economic risks and rewards to Yara (finance lease) are accounted for as property, plant and equipment at the present value of minimum lease payments or fair value if this is lower. The corresponding finance lease liabilities are included in long-term debt. Property, plant and equipment is depreciated over the estimated useful lives of the assets. The related liabilities are reduced by the amount of lease payments less the effective interest expense.

Other leases are accounted for as operating leases with lease payments recognized as an expense over the lease terms.

#### NEW AND REVISED STANDARDS

Three new Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period.

These are:

- -IFRIC 11 IFRS 2 Group shares and treasury shares
- -IFRIC 12 Service Concession Arrangements (effective 1 January 2008)
- -IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2008)

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2008. Except as stated above the adop-

tion of these new and revised Standards and Interpretations has not resulted in changes to the Group's accounting policies.

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- -IAS 1 (Revised) Presentation of Financial Statements (effective 1 January 2009)
- -IAS 23 (Revised) Borrowing costs (effective 1 January 2009)
- -IAS 27 Consolidated and Separate Financial Statements (effective 1 January 2009)
- -IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation (effective 1 January 2009)
- -IFRS 2 Share-based Payment (effective 1 January 2009)
- -IFRS 3 Business Combinations (effective 1 January 2010)
- -IFRS 8 Operating Segments (effective 1 January 2009)
- -IFRIC 13 Customer Loyalty Programmes (effective 1 July 2008)
- -IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008)
- -IFRIC 17 Distributions of Non-cash assets to Owners (effective 1 July 2009)

The directors anticipate that all of the above Standards and Interpretations will be adopted in the Group's financial statements in the relevant period commencing and that the adoption of those Interpretations will, except for IFRS 3 and IFRS 8, have no material impact on the financial statements of the Group in the period of initial application. Both IFRS 3 and IFRS 8 may have impact on the financial statements of the group compared to the current accounting policies. IFRS 3 will mainly require changes to how business combinations are accounted for compared to current policies with regards to treatment of direct acquisition costs, determination of acquired liabilities and acquisition of minority interests. The impact of this is not determinable as it will be dependent on transactions subsequent of the effective date of the Standard. IFRS 8 will not make any changes to the reported segments, but will lead to some changes in the information presented for operating segments.

#### EU-DIRECTIVE 83/349

YARA GmbH & Co. KG with legal seat in Dülmen/Germany and its directly and indirectly owned subsidiaries are included in the consolidated financial statement of Yara International ASA as defined by sec. 291 HGB (German commercial code). For the purpose of sec. 264b HGB, YARA GmbH & Co. KG makes use of the relief to not disclose any independent financial statement and notes.

## NOTE 1

## Key sources of estimation uncertainty, judgements and assumptions

**GENERAL**

The preparation of consolidated financial statements in accordance with IFRSs and applying the chosen accounting policies requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies applied by Yara in which judgements, estimates and assumptions may significantly differ from actual results are discussed below.

**INVENTORY**

Yara has significant carrying amounts related to inventory recognized in the consolidated balance sheet. Adverse market conditions and uncertainty at year-end impacted on the assessment of inventory and determination of the need for write-downs. As most of Yara's products are traded in markets where there are limited observable market references available and combined with the adverse market conditions this required significant judgement in setting net realizable value. Management has used its best estimate in setting net realizable value for inventory. The carrying amount of inventory at 31 December 2008 is NOK 20,195 and write-down at year-end is NOK 2,336. See note 15.

**IMPAIRMENT OF TANGIBLE ASSETS AND OTHER NON-CURRENT ASSETS**

Yara has significant carrying amounts related to property, plant and equipment recognised in the consolidated balance sheet. The value in use of some of these assets could be influenced by changes in market conditions where Yara carries out its business. Significant and prolonged adverse market condition related for example to increases in natural gas cost and/or lower market prices for products sold could lead to temporary or permanent closures of production facilities. Such closures will be considered as an impairment indicator and an impairment test will be carried out. The outcome of such impairment tests may be that significant impairment losses are recognised in the income statement. As at 31 December 2008, production facilities in LeHavre, Ravenna, Ferrara and partly in Sluiskil were temporarily closed due to adverse market conditions. Yara considers closures as indicators of impairment and have carried out impairment tests of the production facilities. The testing has determined that there is no need to recognize an impairment loss on production facilities temporarily closed. The carrying amount of property, plant and equipment at 31 December 2008 is NOK 22,524 million. See note 11.

**IMPAIRMENT OF GOODWILL**

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill at 31 December 2008 is NOK 3,201 million. Details of goodwill are provided in note 9 and the impairment loss calculation are provided in note 10.

**BUSINESS COMBINATIONS**

Yara is required to allocate the purchase price of acquired companies to the assets acquired and liabilities assumed based on their estimated fair values. For our larger

acquisitions, we engage independent third-party firms to assist us in determining the fair values of the assets acquired and liabilities assumed. Such valuations require management to make judgements in selecting valuation methods, estimates and assumptions. Management's estimates of fair value and useful lives are based upon assumptions believed to be reasonable, but which are inherently uncertain and, as a result, actual results may differ from estimates.

Details of the business combination effected during the period are provided in note 3.

**SITE RESTORATION AND OTHER ENVIRONMENTAL EXPENDITURES**

Yara's future environmental cost depends on a number of uncertain factors, such as the extent and type of remediation required. Due to uncertainties inherent in the estimation process, it is possible that such estimates could be revised in the near term. In addition, conditions that could require future expenditures may exist for various sites, including Yara's major production facilities and product storage terminals. Such future costs are not determinable due to the unknown timing and extent of corrective actions that may be required.

Yara's operations are subject to environmental laws and regulations. These laws and regulations are subject to change, and such changes may require that the Group makes investments and/or incurs costs to meet more stringent emissions standards or to take remedial action related to e.g. soil contamination. The carrying amount of provisions for environmental issues at 31 December 2008 is NOK 186 million. See note 22.

**DEFERRED TAX**

Judgement is required in determining the Group's deferred tax assets and liabilities. Yara recognises deferred tax assets if it is probable that sufficient taxable income will be available in the future against which the temporary differences and unused tax losses can be utilized. Management has considered future taxable income in assessing whether deferred income tax assets as well as the outcome of tax cases should be recognized. The carrying amounts of deferred tax assets and deferred tax liabilities are NOK 3,234 million and NOK 5,675 million, respectively, at 31 December 2008. See note 8.

**PENSION LIABILITIES**

The fair value of pension liabilities is calculated based on several actuarial and economic assumptions. Any changes in the assumptions used would affect on the estimated pension obligation. Changes in the discount rate have the most significant impact. The discount rate is determined locally for each individual pension plan, based on the economic environment in which the plan is established. The discount rate and other assumptions are normally reviewed annually when the actuarial calculation is carried out, unless there are significant changes during the year. The carrying amount of the net pension liabilities at 31 December 2008 is NOK 2,947 million. See note 21.

**DERIVATIVES**

Commodity-based derivatives and certain embedded derivatives in normal purchase and sales contracts require fair value recognition in the consolidated financial statement. Some of these fair values are subject to uncertainty due to non-quoted market prices and the use of valuation models. In these models Yara uses information based on external sources to an extent as great as possible. The most significant assumptions incorporated in the valuation techniques used are forward prices for commodity products like ammonia, natural gas, LFSO and Gas-oil. For natural gas and gas-related prices further liberalisation of the European gas market could also impact on the valuation. See notes 26 and 27.

## NOTE 2

# Business initiatives

### ACQUISITIONS AND OTHER RELATED INITIATIVES

In February, Yara International ASA signed a Heads of Agreement with Deepak Fertilisers and Petrochemicals for establishing a joint venture company for production and marketing of technical ammonium nitrate and specialty fertilizers in India. The joint venture company will be 49 percent owned by Yara. The JV will also invest in the 300,000 MT per annum TAN plant under construction at Paradip in Orissa on the east coast of India. The heads of agreement will be converted into a final agreement after due diligence and the necessary company and regulatory approvals. DFPCL is listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange of India (NSE) with a market capitalization of approximately USD 250 million.

In February, Yara announced the investment in a new storage facility for dry bulk fertilizer at the Port of Stockton in California. The state-of-the-art facility will allow Yara to better serve the US agricultural sector and creates a platform for growth in a prime market. Construction will begin as soon as all permits are in place, and completion is scheduled for the first quarter of 2009. The project will entail a total investment of USD 21 million.

In May, Yara International ASA and Burrup Holdings Pty Ltd (BHPL) signed a Memorandum of Understanding to build a 350,000-ton p.a. technical ammonium nitrate (TAN) plant through the proposed 50/50 joint venture company Burrup Nitrates (BNPL). The plant will be built adjacent to the Burrup Fertiliser (BFPL) ammonia facility. BHPL was at that time owned by Yara (30 percent) and Mr. Pankaj Oswal (70 percent), and owns the world's largest single train merchant ammonia plant, located at the Burrup Peninsula in North Western Australia.

In May, Yara International purchased 25 percent of Agrico Canada Ltd, a leading supplier of fertilizer products and services in Canada and the USA. Agrico Canada owns 5 storage terminals, including one deep-water facility, and leases a further 5 terminals for a total storage capacity of 235,000 tons. Agrico has 42 full-time employees and had revenues of approximately CAD 160 million in 2007.

In June, Yara International ASA announced an investment of EUR 30 million in a new world-scale liquid carbon dioxide facility and entered into a long-term partnership with Ensus Group. Following the agreement, CO<sub>2</sub> raw gas produced at the Ensus wheat refining plant, which is the largest in Europe, will be supplied into the new Yara plant and upgraded to high purity liquid CO<sub>2</sub> for the growing UK food and beverages industry.

In July, Yara International ASA entered into an agreement to acquire Canadian nitrogen producer Saskferco. More details about the transaction is disclosed in note 3.

In September, Yara International ASA acquired from Mr. Pankaj Oswal a 5 percent ownership in Burrup Holdings Ltd (BHL) for USD 141 million. Yara International ASA will after the transaction own 35 percent of BHL and Mr. Pankaj Oswal will have an ownership of 65 percent.

### DISPOSALS AND OTHER RELATED INITIATIVES

In April, Yara reached an agreement with the Brenntag Group to sell the Köping supply activities to Brenntag Nordic AB and the Tertre supply activities to Brenntag NV, as part of the commitments agreed with the European Union for approval of its acquisition of Kemira GrowHow Oyj. The sale resulted in a gain of approximately NOK 90 million which was recognized in Yara's second quarter results.

In April, Yara International ASA sold 80.5 million shares in China BlueChemical Ltd for HKD 4.05 per share. This represents 50 percent of Yara's share in China BlueChemical Ltd. The stake in the company was acquired in 2006 as a part of the IPO of China BlueChemical and constituted a total of 9 percent of the total free float of the company. The remaining 50 percent of Yara's holding are tied up under a Share Purchase Agreement with a further lock-up period of 18 months. The net gain from the sale was NOK 80 million.

In April, Yara International sold its indirect holding in SQM with a profit before tax of NOK 440 million.

## NOTE 3 Business combinations

### BUSINESS COMBINATIONS 2008

In July, Yara International ASA entered into an agreement to acquire the Canadian nitrogen producer Saskferco for CAD 1.6 billion. The deal adds 650,000 tons of ammonia, 980,000 tons of urea and 230,000 tons of UAN in annual production capacity. The company, had approximately 150 employees. In September, Yara

obtained approval from the Canadian Federal Minister of Industry under the Investment Canada Act in connection with Yara's acquisition of all of the outstanding shares of Saskferco Products ULC. The transaction was completed in early October 2008 and 1 October has been deemed as the date of acquisition.

<i>NOK million</i>	
Purchase price	8,630
Assumed debt	560
Transaction costs	7

The table below sets out carrying amounts and the amounts recognized at the acquisition date for each class of Saskfercos assets, liabilities and contingent liabilities.

<i>NOK million</i>	Opening balance 01.10.2008	Fair value adjustment	Adjusted balance 01.10.2008
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	-	2,502	2,502
Property, plant and equipment	1,490	7,074	8,565
Total non-current assets	1,490	9,576	11,067
<b>Current assets</b>			
Inventories	333	280	613
Trade receivables	220	-	220
Prepaid expenses and other current assets	25	-	25
Cash and cash equivalents	41	-	41
Total current assets	619	280	899
Total assets	2,109	9,857	11,966
<b>Equity and liabilities</b>			
Total equity	906	7,858	8,763
<b>Non-current liabilities</b>			
Deferred tax liabilities	248	1,999	2,247
Long-term interest-bearing debt	552	-	552
Total non-current liabilities	800	1,999	2,799
<b>Current liabilities</b>			
Trade and other payables	281	-	281
Current tax liabilities	87	-	87
Other short-term liabilities	35	-	35
Total current liabilities	404	-	404
Total equity and liabilities	2,109	9,857	11,966

The fair values stated are provisional because a final determination has not yet been reached on all aspects of the fair value exercise. The goodwill recognized in the balance sheet is NOK 2,329 million. The recognition of goodwill is based on payment included in the cost price made in anticipation of future economic benefits from Saskferco other than assets individually identified and recognized separately.

For the fourth quarter 2008, revenue of NOK 675 million and a net loss of NOK 158 million from Saskferco has been included in the consolidated income statement of Yara International ASA. Pro forma revenue and net income for the combined entity for 2008 is approximately NOK 90,262 million and NOK 8,502 million, respectively. The pro forma numbers have been prepared as if the transaction had been completed 1 January 2008 and includes depreciation on purchase price allocation to property, plant and equipment and interest cost on the funding of the acquisition cost.

#### BUSINESS COMBINATIONS 2007

In May, Yara acquired 30.05 percent of all shares and votes in Kemira GrowHow Oyj from the State of Finland. The purchase price paid for the shares was EUR 12.12 per share. As a result of the acquisition, Yara launched a mandatory tender offer on 20 July for the remaining shares in the company at the same price of EUR 12.12 per share in accordance with the Finnish Securities Markets Act. On 21 September 2007 Yara International ASA received clearance from the European Commission to acquire Kemira GrowHow Oyj, and waived the remaining preconditions for its tender offer. The extended tender offer period ended on 27 September 2007.

On 5 October 2007, Yara announced that Yara Nederland B.V.'s ownership, after the completion of the Tender Offer, was 97.55 percent of the shares and votes in Kemira GrowHow Oyj, excluding the shares held by Kemira GrowHow Oyj. The Tender Offer was completed with respect to all Kemira GrowHow's shareholders who have validly accepted the Tender Offer on 4 October 2007 (Completion Date). The shares were transferred on 9 October 2007 and this has been deemed as the date of acquisition. In 2008 all the Yara purchased all the remaining shares and owns 100 percent of the company.

NOK million	
Cost of combination	5,339
Assumed debt	1,195

The table below sets out carrying amounts and the amounts recognized at the acquisition date for each class of Kemira GrowHow Oyj's assets, liabilities and contingent liabilities.

NOK million	Opening balance 09.10.2007	Fair value adjustment	Adjusted balance 09.10.2007
<b>Assets</b>			
<b>Non-current assets</b>			
Deferred tax assets	45	398	444
Intangible assets	91	904	995
Property, plant and equipment	1,754	894	2,648
Equity accounted investees	1,128	340	1,468
Other non-current assets	346	149	495
<b>Total non-current assets</b>	<b>3,365</b>	<b>2,685</b>	<b>6,050</b>
<b>Current assets</b>			
Inventories	1,107	61	1,166
Trade receivables	1,317	(5)	1,312
Prepaid expenses and other current assets	302	35	339
Other liquid assets	39	-	39
Cash and cash equivalents	133	-	133
<b>Total current assets</b>	<b>2,897</b>	<b>90</b>	<b>2,988</b>
<b>Total assets</b>	<b>6,262</b>	<b>2,775</b>	<b>9,037</b>

NOK million	Opening balance 09.10.2007	Fair value adjustment	Adjusted balance 09.10.2007
<b>Equity and liabilities</b>			
Total equity	3,102	2,236	5,338
<b>Non-current liabilities</b>			
Employee benefits	99	(29)	71
Deferred tax liabilities	137	487	623
Other long-term liabilities	10	-	10
Long-term provisions	122	-	122
Long-term interest bearing debt	784	-	784
Total non-current liabilities	1,152	458	1,610
<b>Current liabilities</b>			
Trade and other payables	789	-	789
Short-term provisions	41	81	122
Other short-term liabilities	636	-	636
Bank loans and other interest-bearing short-term debt	304	-	304
Current portion of long-term debt	238	-	238
Total current liabilities	2,008	81	2,089
Total equity and liabilities	6,262	2,775	9,037

The recognition of goodwill is based on payment included in the cost price made in anticipation of future economic benefits from Kemira GrowHow Oyj other than assets individually identified and recognized separately.

The European Commission approved the transaction subject to the fulfillment by Yara of the commitments primarily related to divestment of part of the nitrogen chemicals business in Sweden and Belgium and divestment of the CO<sub>2</sub> liquefaction plant in Billingham, UK currently owned and operated by the newly established joint venture GrowHow UK Limited. In aggregate these correspond to less than 3 percent of Kemira GrowHow Oyj revenues.

For the fourth quarter 2007 revenue of NOK 2,152 million and a net loss of NOK 59 million from Kemira GrowHow Oyj has been included in the consolidated income statement of Yara International ASA. Pro forma revenue and net income for the combined entity for 2007 is approximately NOK 63,651 million and NOK 6,088 million respectively.

For the nine months period ended 30 September 2007, Kemira GrowHow Oyj reported net sales of EUR 1,006 million, operating profit of EUR 61 million, net income after minority interest of EUR 43 million and total assets of EUR 851 million. For the year ended 31 December 2006, Kemira GrowHow Oyj reported net sales of EUR 1,166 million, operating profit of EUR 11 million, a net loss after minority interest of EUR 8 million and total assets of EUR 845 million. 2006 and 2007 numbers are based on Kemira GrowHow Oyj accounting policies.

The accounting for the business combination where Yara acquired Kemira GrowHow Oyj in October 2007 has been completed in 2008. Other than a change in deferred tax assets of MNOK 278 million, that has an equivalent impact on goodwill, there has not been any material changes compared to the initial accounting. The change has no impact on the income statement.

## NOTE 4 Segment information

The operating segments presented are the key components of Yara's business. These are evaluated on a regular basis by Yara's senior management on the basis of financial and operational information prepared specifically for each segment for the purpose of assessing performance and allocating resources. The information disclosed is on the same basis as presented internally and used for follow up of Yara's development by Yara management.

### SEGMENT STRUCTURE

The current segment structure was implemented 1 October 2003. Yara's segments are managed as separate and strategic businesses. The segment information is presented on an operating level (primary reporting format) as well as a geographical level (secondary reporting format).

### DOWNSTREAM

The Downstream segment consists of Yara's worldwide marketing organization and global distribution network for fertilizer products and agronomic solutions. With a global network of sales offices, terminals and warehouses, Downstream is present in about 50 countries and sells to more than 120 countries. The segment also includes smaller production facilities upgrading intermediate products to finished fertilizers, which are primarily marketed in the regions where production takes place. While approximately ¼ of the sales volume is sourced from own production plants in Downstream, the remaining sales volume is purchased on an arm's-length basis from the Upstream segment or third parties. The Downstream segment is mainly a margin business, which over time provides additional and more stable margins and reduces volatility in earnings. With a relatively lower investment in chemical manufacturing capacity, the downstream operation, particularly outside of Europe, is more focused on distribution margins and operating capital management than on manufacturing margins. The segment is characterized by a high capital turnover, a low ratio of property, plant and equipment to total assets compared to a traditional, production-oriented fertilizer operation, and by a relatively low EBITDA margin in relation to revenues.

### INDUSTRIAL

The Industrial segment creates value by developing and selling chemical products and industrial gases to non-fertilizer market segments. Industrial offers nitrogen chemicals, including ammonia derived products, as well as industrial explosives and environmental applications which are growing strongly. Sales of nitrogen chemicals to the European process industry and the global industrial explosives industry constitute the segments main markets, while sales of chemicals for environmental applications is the main growth segment.

### UPSTREAM

The Upstream segment comprises ammonia and urea production in different parts of the world, phosphate mining, the global trade and shipping of ammonia, as well as nitrate and NPK fertilizer production co-located with ammonia production and is serving both the domestic and international markets. The Upstream segment includes our large equity accounted investees (e.g., Qafco, Tringen, Grow How UK, Burrup and Rossosh). Because of the level of ownership in these companies, their operating results are not reflected in our operating income, but Yara's share of the net income in the equity accounted investees, are included in EBITDA and net income. The Upstream segment's operating results are, to a great degree, based on the segment's production margins, which are primarily affected by the price levels for ammonia, urea, nitrates, NPK and phosphoric acid and the price level of energy and raw materials such as phosphate rock and potash. In addition, operating results can be greatly influenced by movements in currency exchange rates. The fluctuation of the Upstream segment's operating results is typical of that of traditional fertilizer producers and is normally less stable than the operating results of Yara's Downstream and Industrial segments.

### OPERATING SEGMENT INFORMATION

Yara's steering model reflects management's focus on cash flow-based performance indicators, before and after taxes. EBITDA is an approximation of cash flows from operating activities before tax and is considered an important measure of performance for the company's operating segments. Yara defines EBITDA as operating income plus interest income, other financial income and results from associated companies and joint ventures. It excludes depreciation, write-downs and amortization as well as amortization of excess value in associated companies and joint ventures. In addition the segments are followed up on CROGI (defined as gross cash flow after tax divided by gross investment). See also page 122 - 123 for more info.

Inter-segment sales and transfers reflect arm's-length prices as if sold or transferred to third parties. Results of activities considered incidental to Yara's main operations as well as revenues, expenses, liabilities and assets not originating in, or defined as part of, either the Upstream, Downstream or Industrial segment, are reported separately under the caption "other and eliminations". These amounts principally include interest income and expenses, realized and unrealized foreign exchange gains and losses and the net effect of pension plans. In addition, elimination of gains and losses related to transactions between the segments will be accounted as part of "other and eliminations". General corporate overhead costs and costs related to cash management and finance function, are also charged to "other and eliminations".

## OPERATING SEGMENT INFORMATION, CONSOLIDATED INCOME STATEMENT

NOK million	2008	2007
<b>External revenue and other income</b>		
Downstream	63,962	40,498
Industrial	10,812	8,499
Upstream	13,844	7,885
Other and eliminations	158	605
<b>Total</b>	<b>88,775</b>	<b>57,486</b>
<b>Internal revenue and other income</b>		
Downstream	943	921
Industrial	183	64
Upstream	31,982	15,324
Other and eliminations	(33,109)	(16,309)
<b>Total</b>	<b>-</b>	<b>-</b>
<b>Revenue and other income</b>		
Downstream	64,905	41,418
Industrial	10,995	8,563
Upstream	45,826	23,659
Other and eliminations	(32,951)	(16,155)
<b>Total</b>	<b>88,775</b>	<b>57,486</b>
<b>Operating expenses excl depreciation and amortization</b>		
Downstream	(60,999)	(38,943)
Industrial	(10,417)	(6,925)
Upstream	(36,126)	(21,209)
Other and eliminations	33,142	16,064
<b>Total</b>	<b>(74,400)</b>	<b>(51,012)</b>
<b>Depreciation and amortization</b>		
Downstream	(494)	(469)
Industrial	(177)	(197)
Upstream	(1,358)	(802)
Other and eliminations	(66)	(19)
<b>Total</b>	<b>(2,095)</b>	<b>(1,487)</b>
<b>Operating Income</b>		
Downstream	3,412	2,007
Industrial	401	1,441
Upstream	8,342	1,649
Other and eliminations	126	(110)
<b>Total</b>	<b>12,281</b>	<b>4,987</b>
<b>Share of net income in equity accounted investees</b>		
Downstream	238	312
Industrial	42	(1)
Upstream	2,482	1,316
Other and eliminations	(2)	(3)
<b>Total</b>	<b>2,760</b>	<b>1,624</b>
<b>EBIT</b>		
Downstream	4,142	2,549
Industrial	452	1,448
Upstream	10,922	2,994
Other and Eliminations	202	(55)
<b>Total</b>	<b>15,717</b>	<b>6,936</b>
<b>EBITDA</b>		
Downstream	4,648	3,035
Industrial	629	1,645
Upstream	12,372	3,797
Other and Eliminations	268	(36)
<b>Total</b>	<b>17,917</b>	<b>8,441</b>

## OPERATING SEGMENT INFORMATION, OTHER

<i>NOK million</i>	2008	2007
<b>Investments</b>		
Downstream	1,024	1,074
Industrial	333	776
Upstream	14,545	5,860
Other and eliminations	138	87
<b>Total</b>	<b>16,040</b>	<b>7,797</b>
<b>External interest income</b>		
Downstream	275	204
Industrial	8	8
Upstream	8	29
Other and eliminations	79	47
<b>Total</b>	<b>370</b>	<b>289</b>

## OPERATING SEGMENT INFORMATION, CONSOLIDATED CASH FLOW AND OTHER NON-GAAP MEASURES

<i>NOK million, except percentages</i>	2008	2007
<b>Gross cash flow after tax <sup>1)</sup></b>		
Downstream	3,542	2,375
Industrial	506	1,211
Upstream	9,843	3,293
Other and eliminations	360	572
<b>Total</b>	<b>14,250</b>	<b>7,451</b>
<b>Gross investment <sup>2)</sup></b>		
Downstream	23,791	17,602
Industrial	4,880	4,679
Upstream	35,724	22,834
Other and eliminations	(1,875)	1,294
<b>Total</b>	<b>62,520</b>	<b>46,410</b>
<b>Cash Return on Gross Investment (CROGI)</b>		
Downstream	14.9%	13.5%
Industrial	10.4%	25.9%
Upstream	27.6%	14.4%
Other and eliminations	Negative	Negative
<b>Total</b>	<b>22.8%</b>	<b>16.1%</b>

1) Defined as EBITDA less total tax expense, excluding tax on net foreign exchange gain/(loss).  
2) 12 month average.

## OPERATING SEGMENT INFORMATION, CONSOLIDATED BALANCE SHEET

NOK million	2008	2007
<b>Assets <sup>1)</sup></b>		
Downstream	31,701	23,067
Industrial	5,028	4,952
Upstream	37,374	19,492
Other and eliminations	6,784	115
<b>Total</b>	<b>80,887</b>	<b>47,626</b>
<b>Current assets <sup>1)</sup></b>		
Downstream	23,997	14,349
Industrial	3,515	3,764
Upstream	7,854	5,791
Other and eliminations	1,289	(1,713)
<b>Total</b>	<b>36,655</b>	<b>22,191</b>
<b>Non-current assets</b>		
Downstream	7,704	8,719
Industrial	1,513	1,188
Upstream	29,520	13,701
Other and eliminations	5,495	1,828
<b>Total</b>	<b>44,232</b>	<b>25,436</b>
<b>Equity accounted investees</b>		
Downstream	1,215	1,197
Industrial	(51)	(104)
Upstream	8,203	4,992
Other and eliminations	223	(9)
<b>Total</b>	<b>9,590</b>	<b>6,076</b>
<b>Debt <sup>2)</sup></b>		
Downstream	7,037	6,223
Industrial	1,183	1,007
Upstream	5,163	4,283
Other and eliminations	(2,077)	(2,137)
<b>Total</b>	<b>11,307</b>	<b>9,375</b>

1) Excludes internal cash accounts and receivable related to group relief.

2) Debt is defined as short-term interest free liabilities excluding income taxes payable and short-term deferred tax liabilities.

GEOGRAPHICAL SEGMENT INFORMATION, REVENUE <sup>1)</sup>

<i>NOK million</i>	2008	2007
Belgium	1,647	1,076
Denmark	1,644	961
Finland	2,910	569
France	9,899	5,179
Germany	5,980	3,648
Great Britain	4,600	3,218
Italy	3,644	3,149
Spain	1,947	1,426
Sweden	2,166	1,322
The Netherlands	2,531	1,134
Other	3,943	2,151
Total EU	40,911	23,834
Norway	2,054	2,662
Other Europe	3,732	1,381
Total Europe	46,697	27,877
Africa	7,168	4,213
Asia	7,104	5,773
Australia and New Zealand	1,415	562
North America	9,889	7,266
South and Central America	15,653	10,940
Total outside Europe	41,229	28,754
Total	87,926	56,631

1) Revenue are identified by customer location.

## GEOGRAPHICAL SEGMENT INFORMATION, CONSOLIDATED BALANCE SHEET

<i>NOK million</i>	Assets <sup>1)</sup>		Long-lived assets <sup>1)</sup>		Investments <sup>1)</sup>	
	2008	2007	2008	2007	2008	2007
Belgium	2,966	2,106	847	544	253	545
Denmark	785	520	276	226	37	194
Finland	7,710	5,094	3,402	2,612	581	3,595
France	7,191	4,194	1,444	700	230	271
Germany	2,730	2,285	1,284	997	239	177
Great Britain	4,986	3,006	2,312	1,438	94	1,384
Italy	3,602	2,640	1,161	958	189	151
Spain	1,249	876	67	82	32	8
Sweden	1,821	1,068	503	478	87	320
The Netherlands	7,526	4,432	5,317	3,077	1,050	394
Other	1,169	1,107	-	206	40	257
Total EU	41,735	27,328	16,613	11,316	2,832	7,298
Norway	5,967	4,139	676	300	546	445
Other Europe	3,049	2,448	1,623	926	2	17
Total Europe	50,751	33,915	18,912	12,542	3,379	7,760
Africa	3,391	2,301	115	99	28	85
Asia	8,678	4,335	3,969	3,175	3	11
Australia and New Zealand	1,383	743	1,290	705	829	-
North America	14,825	1,698	9,354	285	11,691	15
South and Central America	9,212	9,160	3,142	5,599	110	(75)
Total outside Europe	37,489	18,237	17,870	9,862	12,660	36
Eliminations	(7,353)	(4,525)	-	-	-	-
Total	80,887	47,626	36,782	22,407	16,040	7,797

1) The identification of assets, long-lived assets and investments is based upon location of operation. Included in long-lived assets are investments in equity accounted investees; property, plant and equipment (net of accumulated depreciation) and non-current financial assets. Eliminations are related to internal transactions between geographical areas.

## NOTE 5 Operating expense

NOK million	Notes	2008	2007
<b>Payroll and related costs</b>			
Salaries		(3,559)	(3,003)
Social security costs		(628)	(548)
Social benefits		(97)	(116)
Net periodic pension cost	21	(547)	(348)
<b>Total</b>		<b>(4,830)</b>	<b>(4,015)</b>
<b>Other operating expense</b>			
Selling and administrative expense		(1,700)	(1,367)
Rental of buildings etc.		(196)	(165)
Travel expense		(62)	(60)
Loss on trade receivables	16	(152)	(21)
Other expenses		(506)	(255)
<b>Total</b>		<b>(2,615)</b>	<b>(1,868)</b>
Research and development <sup>1)</sup>		(126)	(94)

1) Over the last few years, Yara has focused on orienting research and development resources towards commercial activities, both with respect to process and product improvements and agronomical activities. It is impracticable to give a fair estimate of possible future financial returns of these activities.

## NOTE 6 Stock-based compensation

A one-time cash-settled share-based incentive program was established in 2004 and nine persons in Yara's Executive Management were granted 2,055,000 share incentive rights (SIRs) for a period covering 6 years. The SIRs vesting schedule is based on the performance of the Yara share on the Oslo Stock Exchange (OSE). Under the share-based incentive program the employees will receive a payment if certain market performance criteria are met. Executive Management who are eligible for the share-based incentive program must remain in service for the whole vesting period. The SIRs vests after two and three years, with 1/3 (grant A) and 2/3 (grant B) respectively, and can be exercised during the period 8 May 2007 to 8 May 2010. To participate in the SIRs, it was mandatory for the Executive Management to hold a certain number of Yara shares throughout the period of the program. The Executive Management has consented to invest half of the payment net of taxes in the company's shares and not sell the shares within one year from the exercise date. Number of shares held by Executive Management 31 December 2008 is disclosed below.

Edward Cavazuti was appointed Head of Downstream in October 2006 and as part of this appointment he was granted 200,000 SIRs. The SIRs vest 30 September 2009 and can be exercised during the period 1 October 2009 to 29 September 2012.

### SHARE INCENTIVE RIGHTS

Yara has recorded a liability related to the SIRs plan of approximately NOK 80 million at 31 December 2008 (2007: NOK 143 million). During 2008 an income of NOK 62 million has been recognized in the income statement in relation to the incentive program (2007: expense NOK 66 million). The estimated fair values of grant A and B were at the time of granting NOK 12-17 per right. The market share price at 31 December 2008 was NOK 148.75 (2007: NOK 251.50). The fair value at 31 December 2008 for Executive Managements rights is disclosed in the following table.

Executive Management	Outstanding 01.01.2008	Granted 2008	Exercised 2008 <sup>3) 4)</sup>	Forfeited 2008	Expired 2008	Outstanding 31.12.2008	Strike NOK	Fair Value NOK 31.12.2008 <sup>1)</sup>	Total remaining cap <sup>1)</sup>
Jørgen Ole Haslestad	-	-	-	-	-	-	-	-	-
Hallgeir Storvik	169,215	-	(15,478)	-	-	153,737	46.16	98.47	7,440,000
Tor Holba	169,215	-	(15,478)	-	-	153,737	46.16	98.47	7,440,000
Egil Hogna	-	-	-	-	-	-	-	-	-
Terje Bakken	126,912	-	(11,609)	-	-	115,303	46.16	98.47	5,580,000
Anne Grethe Dalane	76,147	-	(6,965)	-	-	69,182	46.16	98.47	3,348,000
Arne Cartridge	76,147	-	(6,965)	-	-	69,182	46.16	98.47	3,348,000
Trygve Faksvaag	-	-	-	-	-	-	-	-	-
Edward Cavazuti	200,000	-	-	-	-	200,000	83.15	69.84	23,370,000
Thorleif Enger <sup>5)</sup>	429,659	-	(38,143)	-	-	391,516	46.16	98.47	<sup>2)</sup>
Sven Ombudstvedt <sup>5)</sup>	169,215	-	(15,478)	(153,737)	-	-	-	-	-
Kendrick T. Wallace <sup>5)</sup>	105,760	-	(9,674)	-	-	96,086	46.16	98.47	4,650,000

1) Fair value is full fair value of the SIRs per unit. All of the Executive Management group have annual payout' caps in their SIRs agreement. The total cap is the maximum payout the employee is entitled to under the SIRs program during the two remaining annual periods in the exercise period.

2) Thorleif Enger has a total cap for all remuneration including salary, performance related salary, pensions and exercising of SIRs within the share-based incentive program of NOK 15 million per year in the exercise period. Remuneration other than SIRs described in note 31.

3) The Share Incentive Rights were exercised in February at the closing share price of NOK 286.50 with a strike price of NOK 46.16 per right. In addition Thorleif Enger exercised 5,689 in December at the closing share price of NOK 110 with a strike price of NOK 46.16. See also note 31 regarding SIRs exercised in 2008.

4) In February 2009 part of Yara Executive Management exercised additional SIRs.

5) Thorleif Enger and Ken Wallace have retired in the course of 2008 and keep their SIRs in accordance with the program. Sven Ombudstvedt resigned in the course of 2008 and his SIRs are forfeited.

The estimated fair values are calculated using the Black Scholes Merton option pricing model

	2008 Initial grant (A&B)	2008 Edward Cavazuti	2007 Initial grant (A&B)	2007 Edward Cavazuti
Expected volatility	73.4%	51.3%	33.6%	32.4%
Risk free rate	2.3%	2.9%	4.8%	4.6%
Expected life (years)	1.4	3.8	2.4	4.8
Expected dividend (NOK)	4.02	14.82	5.16	12.78

Some minor adjustments have been included in the calculation to reflect special individual terms and conditions in the share-based incentive program. Expected volatility has been determined by calculating the historical volatility of Yara's share price for a period corresponding to the expected life of the options.

Yara Executive Management ownership of shares at 31 December 2008	Number of shares
Jørgen Ole Haslestad	5,700
Hallgeir Storvik	12,700
Tor Holba	15,000
Egil Hogna	5,980
Terje Bakken <sup>1)</sup>	21,655
Anne Grethe Dalane	11,133
Arne Cartridge	10,000
Trygve Faksvaag	2,468
Edward Cavazuti	5,000

1) Includes shares owned directly and through fully owned companies.

### SIMPLIFIED SHARE INCENTIVE PROGRAM

Within the scope of the program approved by the Board of Directors in 2004, a simplified share incentive program was introduced in 2005 for some managers who have signed an employment contract with Yara International Employment Company, to make themselves fully mobile on the request of the company. There are currently three employees in this program that have been granted 200,000 units in total. The fair value of the share incentive rights under this program at 31 December 2008 is NOK 13.4 million (2007: NOK 51.2 million). The calculation

of fair value of these is based on the same principles and methodology as those of the Executive Management group. The strike prices are from NOK 76.50 to NOK 97.87 depending on the grant date. The assumptions used are also similar but take into consideration a longer remaining vesting and exercise periods giving a risk-free rate from 2.7 percent to 2.9 percent, expected life of 3.0 - 3.8 years and expected dividend of NOK 10.84 - 14.82. In 2008 an individual cap was introduced limiting the aggregate maximum payout to NOK 26.2 million.

## NOTE 7

# Financial income and expense

NOK million	Notes	2008	2007
Interest income on customer credits	4	238	183
Interest income, other	4	132	105
Dividends and net gain/(loss) on securities		306	36
Interest income and other financial income		676	325
Net foreign exchange gain/(loss)		(3,313)	982
Interest expense		(1,302)	(480)
Capitalized interest		6	-
Return on pension plan assets	21	423	358
Interest expense re. pension liabilities	21	(490)	(370)
Reversal of value of interest rate swap <sup>1)</sup>		(52)	(8)
Other financial expense		(86)	(81)
Interest expense and other financial expense		(1,500)	(581)
Net financial income/(expense)		(4,136)	726

1) Interest rate swap designated as cash flow hedge transferred from equity.

## NOTE 8

# Income taxes

### SPECIFICATION OF INCOME TAX EXPENSE

The tax benefit/(expense) is calculated based on income before tax and consists of current tax and deferred tax.

NOK million	2008	2007
<b>Current taxes</b>		
Current year	(3,470)	(1,247)
Prior years adjustment	87	20
Total	(3,383)	(1,227)
<b>Deferred taxes</b>		
Relating to the origination and reversal of temporary differences	999	90
Effect of changes in tax rates and laws	5	(31)
Write-downs (reversals of previous write-downs) of deferred tax assets	(551)	56
Reduction of deferred tax assets in relation to tax losses recognised	267	(150)
Total	720	(35)
Total income tax expense	(2,664)	(1,262)

Taxable income differs from net income before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in future years (temporary differences). It also excludes items that are

never taxable or deductible (permanent differences). The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

## RECONCILIATION OF NORWEGIAN NOMINAL STATUTORY TAX RATE TO EFFECTIVE TAX RATE

NOK million	Tax rate 2008	2008	2007
Income before taxes and minority interest		10,905	7,337
Expected income taxes at statutory tax rate <sup>1)</sup>	28.0%	(3,053)	(2,054)
Tax law changes	-	-	(13)
Losses and other deductions with no tax benefit	5.9%	(645)	(147)
Non-deductible expenses	1.6%	(179)	(46)
Foreign tax rate differences	(1.7%)	186	23
Tax free income non-consolidated investees	(5.6%)	609	400
Tax free income miscellaneous	(1.4%)	149	80
Dividend exclusion	(1.8%)	191	30
Losses and other benefits not previously recognized <sup>2)</sup>	(0.9%)	103	146
Tax free gain sale of investments	(2.0%)	222	215
Prior years assessment	(0.5%)	52	20
Withholding and capital tax	1.1%	(115)	(10)
Other, net	1.7%	(185)	94
Total income tax expense		(2,664)	(1,262)
Effective tax rate	24.4%		17.1%

1) Calculated as Norwegian nominal statutory tax rate of 28 percent applied to income before taxes and minority interests.

2) Use of deferred tax assets previously not recognized due to valuation allowances.

## INCOME TAX RECOGNIZED DIRECTLY IN EQUITY

NOK million	2008	2007
<b>Current tax</b>		
Hedge of net investment	(356)	-
Total current tax	(356)	-
<b>Deferred tax</b>		
<b>Arising on income and expense taken directly to equity</b>		
Pensions	(463)	78
Other non-current liabilities and accruals	2	(18)
Deferred gains/losses on available-for-sale	(765)	880
Total	(1,226)	940
<b>Transfers to profit and loss</b>		
Transfer to profit and loss from equity on cash flow hedges	3	-
Total deferred tax	(1,226)	940
Total tax recognized directly in equity	(1,585)	940

## SPECIFICATION OF DEFERRED TAX ASSETS/(LIABILITIES)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

## 2008

NOK million	Balance at 1 January	Charged to income	Charged to equity	Acquisitions/disposals	Changes in tax rate	Exchange differences	Balance at 31 December
<b>Non-current items</b>							
Property, plant & equipment	(226)	(35)	-	(2,121)	3	(248)	(2,627)
Pensions	227	(9)	463	(2)	-	(16)	663
Other non-current assets	138	29	-	(69)	-	(25)	73
Other non-current liabilities and accruals	(64)	(22)	(2)	-	-	(18)	(106)
Deferred gains/losses on sales	(1,442)	(374)	765	235	2	(31)	(845)
Total	(1,366)	(411)	1,226	(1,957)	5	(338)	(2,841)
<b>Current items</b>							
Inventory valuation	(162)	861	-	(75)	-	(248)	376
Accrued expenses, short-term	317	280	-	-	(6)	(224)	367
Unrealized exchange gains/losses	(14)	269	-	-	-	-	255
Total	142	1410	-	(75)	(6)	(472)	999
Tax loss carry forwards	699	267	-	(3)	(8)	119	1,074
Valuation allowance	(956)	(551)	-	3	14	(182)	(1,672)
Net deferred tax asset/(liability)	(1,482)	715	1,226	(2,032)	5	(873)	(2,441)

## 2007

NOK million	Balance at 1 January	Charged to income	Charged to equity	Acquisitions/disposals	Changes in tax rate	Exchange differences	Balance at 31 December
<b>Non-current items</b>							
Property, plant & equipment	(201)	19	-	(76)	16	16	(226)
Pensions	435	(29)	(78)	(60)	(24)	(16)	227
Other non-current assets	56	262	-	(172)	(4)	(4)	138
Other non-current liabilities and accruals	(49)	(40)	18	(4)	10	1	(64)
Deferred gains/losses on sales	(383)	(131)	(880)	(71)	(11)	33	(1,442)
Total	(142)	81	(940)	(384)	(13)	30	(1,366)
<b>Current items</b>							
Inventory valuation	(135)	(37)	-	1	5	4	(162)
Accrued expenses, short-term	244	44	-	40	(10)	(1)	317
Marketable securities	(11)	11	-	-	-	-	-
Unrealized exchange gains/losses	(4)	(10)	-	-	-	-	(14)
Total	94	9	-	41	(5)	3	142
Tax loss carry forwards	435	(150)	-	485	(43)	(27)	699
Valuation allowance	(451)	56	-	(607)	30	16	(956)
Net deferred tax asset/(liability)	(63)	(4)	(940)	(465)	(31)	22	(1,482)

## NET DEFERRED TAX IS PRESENTED IN THE BALANCE SHEET

NOK million	2008	2007
Deferred tax assets	3,234	1,252
Deferred tax liabilities	(5,675)	(2,734)
Net deferred tax asset/(liability)	(2,441)	(1,482)

Undistributed earnings of subsidiaries and in non-consolidated investees is amounting to approximately NOK 39 billion that for the main part can be distributed as

tax-free dividends. For the part of undistributed earning that is not tax exempted, a deferred income tax liability of NOK 296 million has been provided for.

## SPECIFICATION OF EXPIRATION OF TAX LOSS CARRY FORWARD

NOK million	
2009	71
2010	91
2011	5
2012	153
2013	17
After 2013	245
Without expiration	2,821
Total tax loss carry forward	3,403
Deferred tax effect of tax loss carry forward	1,074

Yara's tax losses carried forward primarily relates to the business in Belgium and Brazil.

# NOTE 9

## Intangible assets

<i>NOK million, except percentages and years</i>	<b>Goodwill</b>	<b>Indefinite intangibles <sup>3)</sup></b>	<b>Patents/ trademarks</b>	<b>Software</b>	<b>Other intangibles</b>	<b>Total</b>
<b>Cost</b>						
Balance at 1 January 2008	982	338	252	155	275	2,002
Addition at cost	5	-	2	117	6	131
Disposal	(36)	-	(2)	(10)	(113)	(160)
Acquisition new companies <sup>1)</sup>	2,374	-	-	-	266	2,640
Transfer <sup>2)</sup>	(261)	-	2	17	1	(241)
Foreign currency translation	169	78	38	13	35	332
Balance at 31 December 2008	3,233	415	293	291	471	4,703
<b>Amortization/impairment</b>						
Balance at 1 January 2008	-	-	(64)	(84)	(78)	(226)
Amortization	-	-	(47)	(42)	(33)	(122)
Impairment loss <sup>3)</sup>	(32)	(5)	(62)	-	(1)	(100)
Disposal	-	-	-	1	-	2
Transfer	-	-	(1)	1	-	-
Foreign currency translation	-	(1)	(24)	(2)	(15)	(41)
Balance at 31 December 2008	(32)	(6)	(197)	(126)	(127)	(488)
<b>Carrying value</b>						
Balance at 1 January 2008	982	338	188	71	198	1,776
Balance at 31 December 2008	3,201	409	95	165	344	4,215
Useful life in years			3 - 15	3 - 15	3 - 15	
Depreciation rate			5 - 35%	5 - 35%	5 - 35%	
<b>Cost</b>						
Balance at 1 January 2007	463	-	52	81	159	755
Addition at cost	-	-	1	18	-	20
Disposal	-	-	(1)	(9)	(30)	(40)
Acquisition new companies	852	340	139	13	174	1,519
Acquisition of minority shares <sup>4)</sup>	(232)	-	-	-	-	(232)
Transfer	(95)	-	67	51	(17)	6
Foreign currency translation	(7)	(2)	(6)	-	(10)	(26)
Balance at 31 December 2007	982	338	252	155	275	2,002
<b>Amortization/impairment</b>						
Balance at 1 January 2007	-	-	(37)	(39)	(102)	(178)
Amortization	-	-	(29)	(32)	(23)	(84)
Impairment loss	-	-	-	-	-	-
Disposal	-	-	-	6	25	31
Transfer	-	-	-	(19)	19	-
Foreign currency translation	-	-	2	-	4	6
Balance at 31 December 2007	-	-	(64)	(84)	(78)	(225)
<b>Carrying value</b>						
Balance at 1 January 2007	463	-	15	42	56	577
Balance at 31 December 2007	982	338	188	71	198	1,776
Useful life in years			3 - 15	3 - 15	3 - 15	
Depreciation rate			5 - 35%	5 - 35%	5 - 35%	

1) Goodwill related to acquisition of new companies is mainly related to the acquisition of Saskferco.

2) The transfer amount is mainly a change in the purchase price allocation in relation to the acquisition of Kemira GrowHow. For more information see note 3.

3) In the fourth quarter 2008 an impairment of goodwill related to previously acquired technologies of NOK 32 million has been charged to consolidated income statement. The impairment testing of goodwill has determined that there is no need to recognize additional impairment losses on goodwill. In addition an impairment loss has been recognized for patents in relation to the feed phosphates business.

4) In January 2007, Yara acquired the remaining minority interests of 51,9 percent of the non-voting shares in Fertibras for NOK 530 million. The difference between the cost of the additional interest in Fertibras and the minority interest's share of the assets and liabilities reflected in the consolidated balance sheet at the date of acquisition of the minority interest is reflected partly as an adjustment to goodwill (measured using IFRS 3 principles) and partly as an equity transaction. Due to the significant increase in the value of Fertibras investment in Fosfertil up to the date of acquisition of the minority interest, this has resulted in reduced goodwill of NOK 232 million.

5) Related to electricity contract in Kemira GrowHow with favourable terms. The contract is for an indefinite period.

## NOTE 10

# Impairment testing of goodwill

In accordance with IFRS 3 Business combinations, the net assets of the acquired companies were fair valued upon acquisition. The remaining excess consideration after allocating the purchase price to all identifiable assets and liabilities is treated as goodwill. Goodwill is tested for impairment annually, or more frequently if there are indications that amounts might be impaired. The impairment test involves determining the recoverable amount of the cash-generating units, which corresponds to the fair value less costs to sell or the value in use. Where value in use calculations have been used to determine recoverable amounts for

the cash-generating units these are determined using cash flows, which are based on business plans. The plans are based on past experience as well as future expected market trends. Discount rates applied to the cash flow forecasts in determining recoverable amounts are derived from the Group's weighted average cost of capital. Growth rates used to extrapolate cash flow projections beyond the period covered by the most recent business plans. The goodwill allocated to the specific cash-generating units that have been tested are:

NOK million	Notes	2008	2007
Yara Brasil		96	98
Yara Phosyn		13	13
Kalthenbach		12	37
Yara Ghana		13	12
Yara Mexico		20	20
Kemira GrowHow		692	801
Yara Belle Plaine (Saskferco)		2,329	-
Other		27	1
Total	9	3,201	982

### YARA BRASIL

The goodwill tested for impairment in respect of Yara Brasil is NOK 96 million. The carrying amount recognized upon the acquisition of Fertibras has been allocated to the Brazilian business of Yara (including Fosfertil) as a cash-generating unit. The carrying values recognized upon acquisition have been assessed for impairment against the recoverable amount of the cash-generating unit. It has been concluded that the future cash inflows are sufficient to support the carrying value of recognized goodwill.

### YARA PHOSYN

The goodwill tested for impairment in respect of Yara Phosyn is NOK 13 million. The carrying values recognized upon acquisition of Phosyn have been assessed for impairment against the expected future cash flows of Yara Phosyn. It has been concluded that the future cash inflows are sufficient to support the carrying value of recognized goodwill.

### KALTHENBACH

The goodwill tested for impairment in respect of Kaltenbach is NOK 45 million. The carrying values recognized upon acquisition have been assessed for impairment against the expected future cash flows of the business. It has been concluded that the future cash inflows are not sufficient to support the carrying value of recognized goodwill. Consequently the goodwill has been written down by NOK 33 million.

### YARA GHANA

The goodwill tested for impairment in respect of Yara Ghana is NOK 13 million. The carrying values recognized upon the acquisition of Wienco have been assessed for impairment against the expected future cash flows of the entity. It has been concluded that the future cash inflows are sufficient to support the carrying value of recognized goodwill.

### YARA MEXICO

The goodwill tested for impairment in respect of Yara Mexico is NOK 20 million. The carrying values recognized upon the acquisition of Olmeca have been assessed for impairment against the expected future cash flows of the entity. It has been concluded that the future cash inflows are sufficient to support the carrying value of recognized goodwill.

### KEMIRA GROWHOW

Goodwill in relation to the transaction has been allocated to the following cash generating units: Upstream Finland (including phosphates business) NOK 469 million, Downstream Northern Europe NOK 51 million, Downstream Continental Europe NOK 41 million, Upstream Belgium NOK 58 million, Industrial Belgium NOK 73 million. The carrying values recognized upon the acquisition of Kemira GrowHow have been assessed for impairment against the expected future cash flows of the entity. It has been concluded that the future cash inflows are sufficient to support the carrying value of recognized goodwill.

### YARA BELLE PLAINE (SASKFERCO)

As Yara recently acquired Saskferco and its performance is as expected, the purchase price remains an appropriate measure of the fair value taking into consideration costs to sell. Goodwill in relation to the transaction has been allocated to the following cash generating units: Upstream Saskferco NOK 2,216 million and Downstream Saskferco NOK 113 million.

**DETERMINATION OF RECOVERABLE AMOUNT**

Yara has used a combination of value in use and fair value less cost to sell to determine the recoverable amounts of the cash generating units. Value in use is based on cash flow projections reflecting the financial business plans. In addition, the calculation includes estimated cash flows for the years 2 to 5. Key assumptions used in the calculation of value in use are growth rates, EBITDA,

capital expenditure and discount rates. Cash flows beyond the five-year period are extrapolated with a long-term growth rate.

The recoverable amounts have been determined for the cash generating units based on the following key assumptions for the years ending 31 December 2007 and 2008:

	Discount rate after tax (WACC)		Growth rate revenues 2-5 years		Long-term growth rate (including inflation)	
	2008	2007	2008	2007	2008	2007
Yara Brasil	12.0%	10.5%	2.5%	3.0%	1.5%	1.5%
Yara Phosyn	8.5%	8.0%	2.5%	3.0%	1.5%	1.5%
Kalthenbach	8.5%	8.0%	3.6%	2.0%	1.0%	1.0%
Yara Ghana	13.0%	11.0%	2.5%	3.0%	1.5%	1.5%
Yara Mexico	9.5%	8.0%	2.5%	3.0%	1.5%	1.5%
Kemira GrowHow	8.5%	8.0%	2.5%	3.0%	1.5%	1.5%

In the calculation Yara has used estimated cash flows and discount rate after tax. The 2008 (2007) pre tax discount rates were: Yara Brasil: 17.9 percent (16.1 percent), Yara Phosyn: 10.9 percent (11.2 percent), Yara Ghana: 17.7 percent (14.1 percent) Kalthenbach: 12.7 percent (12.2 percent), Yara Mexico 12.9 percent (10.8 percent) and Kemira GrowHow 10.1 percent-12.3 percent.

Discount rates are based on Weighted Average Cost of Capital (WACC). The cost of a company's debt and equity capital, gives its weighted average cost of capital. The WACC rates used to discount the future cash flows are based on risk free interest rates adjusted for country risk premium and also take into account the debt premium, market risk premium, gearing, corporate tax rate and asset beta.

Average growth rates in revenues in the period 2 to 5 years, are based on Yara's expectation to the market development in which the business operates. Yara uses steady growth rates to extrapolate the cash flows beyond 5 years.

EBITDA represents the operating margin before depreciation and amortization and is estimated based on the estimated future development in the market. Committed operational efficiency programs are taken into consideration. Changes in the outcome of these initiatives may affect future estimated EBITDA margin.

Capital expenditure necessary to meet the expected growth in revenues is taken into consideration. To the best of management's judgement, estimated capital expenditures do not include capital expenditures that enhance the current performance of assets. Related cash flows have been treated consistently.

**CASH GENERATING UNITS WHERE A REASONABLE POSSIBLE CHANGE IN A KEY ASSUMPTION COULD RESULT IN AN IMPAIRMENT CHARGE**

Overall, there is headroom between the recoverable amounts of goodwill and the carrying amounts. Yara management is of the opinion that, based on current knowledge, expected changes in key assumptions on which the determination of the recoverable amounts are based would not cause the carrying amounts of the cash-generating units to exceed the recoverable amounts. A longer economic downturn with low or no growth may require an impairment loss to be recognised following future assessments.

# NOTE 11

## Property, plant and equipment

<i>NOK million, except percentages and years</i>	Land	Machinery and Equipment <sup>1)</sup>	Buildings <sup>2)</sup>	Plant under construct.	Other	Total
<b>Cost</b>						
Balance at 1 January 2008	793	23,280	4,086	655	409	29,223
Addition at cost	1	1,357	136	1,780	2	3,276
Disposal	(12)	(496)	(26)	(5)	-	(539)
Aquisition new companies	49	8,031	588	160	-	8,827
Transfer	(1)	963	102	(1,086)	-	(23)
Foreign currency translation	163	3,993	544	274	63	5,037
Balance at 31 December 2008	993	37,137	5,430	1,760	475	45,795
<b>Depreciation and impairment</b>						
Balance at 1 January 2008	(8)	(16,572)	(2,119)	-	(112)	(18,811)
Depreciation	-	(1,567)	(178)	-	(23)	(1,768)
Impairment loss	(20)	(49)	(40)	-	-	(109)
Reversed impairment	-	3	-	-	-	3
Disposal	-	434	18	-	-	453
Transfer	-	-	-	-	-	-
Foreign currency translation	(3)	(2,751)	(281)	-	(4)	(3,039)
Balance at 31 December 2008	(30)	(20,502)	(2,600)	-	(139)	(23,271)
<b>Carrying value</b>						
Balance at 1 January 2008	785	6,709	1,967	655	297	10,412
Balance at 31 December 2008	963	16,635	2,829	1,760	336	22,524
Useful life in years	-	4 - 20	20 - 50	-	5 - 10	-
Depreciation rate	-	5 - 25%	2 - 5%	-	10 - 20%	-
<b>Cost</b>						
Balance at 1 January 2007	384	22,778	3,353	453	123	27,090
Addition at cost	14	1,016	140	859	14	2,044
Disposal	(11)	(1,864)	(162)	(94)	(3)	(2,135)
Aquisition new companies	420	1,425	705	193	277	3,021
Transfer	1	607	125	(737)	-	(3)
Foreign currency translation	(15)	(682)	(75)	(19)	(2)	(793)
Balance at 31 December 2007	793	23,280	4,086	655	409	29,223
<b>Depreciation and impairment</b>						
Balance at 1 January 2007	(5)	(17,168)	(2,204)	-	(113)	(19,490)
Depreciation	-	(1,207)	(127)	-	(2)	(1,336)
Impairment loss	(3)	(62)	(4)	-	-	(69)
Reversed impairment	-	-	2	-	-	2
Disposal	-	1,362	155	-	3	1,520
Transfer	-	(2)	-	-	-	(2)
Foreign currency translation	-	504	58	-	-	563
Balance at 31 December 2007	(8)	(16,572)	(2,119)	-	(112)	(18,811)
<b>Carrying value</b>						
Balance at 1 January 2007	379	5,610	1,149	453	10	7,600
Balance at 31 December 2007	785	6,709	1,967	655	297	10,412
Useful life in years	-	4 - 20	20 - 50	-	5 - 10	-
Depreciation rate	-	5 - 25%	2 - 5%	-	10 - 20%	-

1) Includes NOK 101 million related to finance leases for 2008 and NOK 17 million related to finance leases for 2007.  
2) Includes NOK 14 million related to finance leases for 2008 and NOK 11 million related to finance leases for 2007.

Property, plant and equipment pledged as security were 220 NOK million at 31 December 2008 and NOK 176 million at 31 December 2007. See note 28.

The amount of contractual commitment for the acquisition of property, plant and equipment was NOK 1,306 million at 31 December 2008 and NOK 629 million at 31 December 2007.

Asset impairment is mainly related to closure of a plant in Lithuania NOK 87 million, reorganization of operations in Ivory Coast NOK 23 million, revaluation

of storage in Denmark NOK 20 million and restructuring of plant in Sweden NOK 18 million. Total impairment amounted to NOK 109 million.

Production facilities that were temporarily closed at year end were tested for impairment. It was concluded that there was no need to recognize an impairment loss. See note 2.

Compensations from insurance companies recognised in the consolidated income statement amounted to NOK 0 million in 2008 and NOK 2 million in 2007.

## NOTE 12

# Associated companies and joint ventures

### 2008

NOK million	Balance at 1 January	Investments/ (sale), net	Long-term loans	Transfers to/from subsidiary	Yara's share of net income/ (loss)	Amortization, depreciation and write-down	Dividends received	Bookings directly in equity	Foreign currency translation and other	Balance at 31 December
Qafco	2,050	-	-	-	1,446	-	(604)	(213)	894	3,573
Tringen	153	-	-	-	295	-	(313)	(11)	32	156
Carbonor	168	-	-	-	(3)	-	(136)	-	6	35
NU3	73	-	-	-	18	-	(6)	-	22	108
SQYA	374	(369)	-	-	4	-	-	(23)	14	-
Synagri	55	-	-	-	13	-	-	-	9	78
Yaibera	564	-	-	-	506	-	(128)	-	73	1,016
Burrrup	704	809	(85)	-	(185)	(8)	-	-	29	1,263
Balderton	367	-	-	-	97	(13)	-	-	163	615
GrowHow UK Ltd	1,298	-	-	-	514	-	-	(32)	300	2,079
Yara Praxair Holding	(148)	-	-	-	45	-	-	(2)	-	(105)
Agrico	-	51	-	-	(1)	-	-	-	4	54
Other	419	(131)	(31)	-	113	(83)	(37)	16	455	721
Total	6,076	361	(117)	-	2,862	(105)	(1,223)	(266)	2,001	9,590

### 2007

NOK million	Balance at 1 January	Investments/ (sale), net	Long-term loans	Transfers to/from subsidiary	Yara's share of net income/ (loss)	Amortization, depreciation and write-down	Dividends received	Bookings directly in equity	Foreign currency translation and other	Balance at 31 December
Qafco	2,089	-	-	-	787	-	(540)	-	(286)	2,050
Tringen	198	-	-	-	184	-	(203)	-	(26)	153
Carbonor	49	-	-	-	120	-	-	-	(2)	168
NU3	73	-	-	-	8	-	(6)	-	(3)	73
SQYA	570	-	(187)	-	72	-	-	(50)	(31)	374
Synagri	44	-	-	-	11	-	-	-	(1)	55
Yaibera	535	-	-	-	104	-	(31)	-	(43)	564
Burrrup	672	-	(79)	-	151	-	-	-	(40)	704
Fosfertil	1,176	(1,187)	-	-	(38)	-	(11)	-	60	-
Balderton	357	-	-	-	45	(12)	-	-	(23)	367
GrowHow UK Ltd	-	1,311	-	-	(33)	-	-	14	5	1,298
Yara Praxair Holding	-	(149)	-	-	1	-	-	-	-	(148)
Other	256	14	31	(31)	231	(7)	(39)	-	(34)	419
Total	6,019	(11)	(235)	(31)	1 643	(19)	(830)	(36)	(424)	6,076

Due to it being impractical to obtain financial report at the same reporting date as Yara uses, there are for some of the associated companies and joint ventures a lag of 1-3 month for the numbers included.

## OWNERSHIP, SALES AND RECEIVABLES/PAYABLES

NOK million	Place of incorporation and operation	Percentage owned by Yara (equals voting rights)	Sales from Investees to Yara group <sup>1)</sup>		Yara's current receivable/ (payable) net with investees	
			2008	2007	2008	2007
Qafco	Qatar	25.0%	(6,543)	(3,066)	(780)	(502)
Tringen	Trinidad	49.0%	(3,306)	(1,510)	64	131
Carbonor	Italy	50.0%	(189)	(233)	-	-
NU3	Belgium	50.0%	(467)	(281)	-	(17)
Synagri	Canada	50.0%	-	-	(92)	2
Yaibera	Cyprus	37.7%	(2,922)	(1,425)	(13)	(54)
Burrup	Australia	35.0%	(405)	(1,104)	1	41
Balderton	Switzerland	50.0%	(7,852)	(4,132)	-	(8)
GrowHow UK Ltd	UK	50.0%	(798)	(140)	(65)	43
Yara Praxair Holding	Norway	50.0%	(13)	-	1	-
Agrico	Canada	25.6%	(9)	-	(13)	-
Other	-	-	(914)	87	641	(17)
Total			(23,417)	(11,804)	(255)	(382)

1) Included in raw materials, energy costs and freight expenses.

## BUSINESS IN EQUITY-ACCOUNTED INVESTEEES

Qatar Fertiliser Company (S.A.Q.), ("Qafco"), owns and operates a fertilizer complex for which Yara provides marketing support and technical assistance. Yara has 25 percent ownership stake in Qafco, the remaining 75 percent of Qafco is owned by Industries Qatar, a Doha Stock Market listed company, owned 70 percent by Qatar Petroleum and 30 percent by general public. QAFCO operates 4 ammonia plants and 4 urea plants. QAFCO has ownership interests in Gulf Formaldehyde Company (70 percent), which produces and sell Urea Formaldehyde Concentrate, mainly used in the urea production process, and in Qatar Melamine Company (60 percent) having under construction at the Qafco site a melamine plant with a capacity of 60,000 tonnes per year. This new plant is expected to commence production early 2009.

Tringen owns and operates an Ammonia complex for which Yara provides marketing support and technical assistance, regulated by Sales Agency agreements and a Management and Operating agreement, respectively. Yara has a 49 percent ownership stake in Tringen, the remaining 51 percent of Tringen is owned by National Enterprises Limited, which is a public registered Company, in which the Government of Trinidad & Tobago has majority shareholding. Tringen operates two separate plants for production of Ammonia.

Carbonor S.p.A, an Italian incorporated company, based in Milan, managed two ships on time charter contracts with Yara in 2008. Yara has a 50 percent ownership in Carbonor, the remaining 50 percent is owned by Carbofin S.p.A.

NU3 owns and operates two specialty fertilizers production facilities, one in the Netherlands and one in Belgium. NU3, which is a 50/50 joint venture between Yara and NutriSi (owned by SQM of Chile and Rotem, an Israeli company), is part of a worldwide alliance between Yara and SQM. NU3 sells specialty fertilizers through the Yara - SQM sales and marketing network.

Synagri LP provides product and services to the retail agricultural sector. Yara has a 50 percent ownership in Synagri and Cargill Limited owns the remaining 50 percent. The joint venture sells in the Canadian provinces of Eastern Ontario and Quebec.

Yara owns 30 percent of OAO Minudobreniya ("Yaibera"), a Russian nitrogen fertilizer producer based in Rossosh in the Voronezh region. The position is owned through a 37,692 percent interest in Yaibera Holdings Limited, a company registered in Cyprus, which owns 79.59 percent in OAO Minudobreniya, The minority position is combined with a marketing agreement for NPK fertilizers to be exported from the Russian plant. This partnership represents an important element in Yara's global market position within nitrophosphate based balanced fertilization.

Yara agreed with Mr. Pankaj Oswal to buy from him a 5 percent ownership in Burrup Holdings Ltd (Burrup) for USD 141 million in 2008 and now owns 35 percent of the shares in the company. Burrup is an Australian company based in Burrup Peninsula in Western Australia. The ammonia plant is world scale with a capacity of 760,000 tonnes per year and started production in 2006. The natural gas supply to the plant is provided by an undersea field off the north-western coast of Australia. In addition to its ownership interest, Yara markets the entire output of the plant pursuant to a long term exclusive marketing agreement.

Yara owns 50 percent of Geneva-based Balderton Fertilizers SA ("Balderton"). Balderton is one of the leading fertilizer and ammonia trading companies in Europe trading approximately 4.1 million tonnes of various products in 2008. This joint venture strengthens Yara's existing ammonia and fertilizer trade business, and supports further growth through improved sourcing capabilities and new distribution channels.

Yara has a 50 percent interest in GrowHow UK Limited a joint venture company with Terra Industries Inc. with a turnover in excess of 500 million euros. The company is based in Ince and is the UK's leading manufacturer of ammonium nitrate and compound fertilisers, and a major supplier for process chemicals and utilities. GrowHow UK operates production sites in Billingham and Ince. The company is responsible for the combined Terra and Kemira GrowHow fertiliser and associated process chemical businesses in the UK and the Republic of Ireland.

Yara has a 50 percent interest in Yara Praxair Holding AS a joint venture company with Praxair, Inc. Yara Praxair is one of the leading industrial gases companies in Scandinavia. The company supplies atmospheric, process and speciality gases to a wide variety of industries: Food and beverages, healthcare, fish farming, chemicals, refining, primary metals and metal fabrication as well as other areas of general industry. The joint venture comprises Yara's previous industrial gases business located in Norway, Denmark and Sweden.

Yara decided to sell its ownership in SQM (SQYA), Sociedad Quimica y Minera de Chile, S.A, to entities controlled by its partner, Sr. Julio Ponce, in 2008. SQM's successful development of its iodine and lithium businesses has increasingly exposed Yara to other businesses than fertilizer. The shares have therefore been sold to re-deploy funds to Yara's focused growth areas. Since 2001 Yara has had a global marketing agreement for specialty fertilizers produced by SQM, which has been very successful for both parties. The sale of the shares will have no impact on the marketing agreement, which both parties continue to see as mutually beneficial.

Yara International has purchased 25 percent of Agrico Canada Ltd (Agrico), a leading supplier of fertilizer products and services in Canada and the USA. Yara's partnership with Agrico marks a logical progression for two companies committed to serving the needs of Canadian agriculture. Besides providing an improved fertilizer import position, the cooperation will enhance operational efficiency. The partners have complementary flagship terminals at Hamilton (Agrico) and Contrecoeur (Yara). Agrico owns 5 storage terminals, including one deep-water facility, and leases a further 5 terminals for a total storage capacity of 235,000 tons. These facilities are located across Canada to supply key markets with primary nutrients, micronutrients and specialty fertilizers.

Carrying value and share of net income by segment for associated companies and joint ventures is disclosed in note 4.

#### ASSOCIATED COMPANIES AND JOINT VENTURES - 100 PERCENT BASIS

The following table sets forth summarized unaudited financial information of Yara's associated companies and joint ventures on a 100 percent combined basis. Yara's share of these investments, which is also specified above, is accounted for using the equity method.

NOK million (unaudited)	2008	2007
Current assets	22,068	13,728
Non-current assets	22,561	20,769
Current liabilities	(9,959)	(8,313)
Non-current liabilities	(10,106)	(6,312)
Net assets	24,564	19,871
Yara's share of total equity	7,029	5,944
Operating revenues	54,505	10,718
Operating expenses	(42,396)	(5,091)
Net income	12,109	5,626
Yara's share of net income	2,862	1,643

## NOTE 13 Equity securities

NOK million	Notes	2008	2007
1 January		4,778	582
Exchange		283	(42)
Additions	12	165	127
Disposals <sup>1)</sup>		(209)	(4)
Reclassify Fosfertil from equity-accounted investee <sup>2)</sup>		-	1,356
Net gain/(loss) transferred to equity	12,19	(2,223)	2,759
Total at 31 December		2,794	4,778
Listed securities			
China BlueChemical, Ltd. <sup>1)</sup>		238	571
Fosfertil <sup>2)</sup>		2,149	3,925
Other		3	5
Unlisted equity securities		404	277
Total at 31 December		2,794	4,778

1) The disposal is mainly related to the sale of shares in China Blue Chemical Ltd in April 2008. The sale represented 50 percent of Yara's shares in China Blue Ltd. With regard to the remaining 50 percent of Yara's holding, these shares are tied up under a Share Purchase Agreement with a further lock-up period of 10 months from the time of the sale.

2) As a result of the discussions with Bunge in Brazil, Yara's influence in Fosfertil was determined to be not significant. Effective fourth quarter 2007, the investment in Fosfertil was no longer booked as an equity-accounted investee, and only dividends received from Fosfertil will therefore be recognized in the results. See note 12.

#### SENSITIVITY ANALYSIS - LISTED EQUITY SECURITIES

Fosfertil is listed on the Brazilian Stock Exchange. China Blue Chemical is listed on Hong Kong Stock Exchange. A five percent increase in the share price of both China BlueChemical and Fosfertil, will increase the equity with NOK 119 million (2007: NOK 225 million). A five percent decrease in share price will give the equal change in the opposite direction.

## NOTE 14

### Other non-current assets

<i>NOK million, except percentages</i>	<b>Notes</b>	<b>2008</b>	<b>2007</b>
Prepaid pensions	21	61	680
Equity investments available-for-sale	13,27	2,794	4,778
Interest rate swap designated as hedging instrument	26,27	97	8
Long-term loans and receivables	26,27	1,716	453
<b>Total</b>		<b>4,669</b>	<b>5,919</b>
<b>Long-term loans and receivables</b>			
Effective interest rate		4.3%	4.7%

The long-term loans and receivables bear interest at variable rates with minimum annual repricing.

## NOTE 15

### Inventories

<i>NOK million</i>	<b>2008</b>	<b>2007</b>
Finished goods	12,889	5,133
Work in progress	442	274
Raw materials	6,864	3,884
<b>Total</b>	<b>20,195</b>	<b>9,291</b>
<b>Write-down</b>		
Balance at 1 January	(79)	(37)
Write-down	(2,130)	(59)
Reversal	43	16
Foreign currency translation	(171)	1
<b>Balance at 31 December</b>	<b>(2,336)</b>	<b>(79)</b>

## NOTE 16

### Trade receivables

NOK million	Notes	2008	2007
Trade receivables		11,141	9,324
Allowance for impairment loss		(1,079)	(859)
Total	27	10,062	8,465

#### Movement in the allowance for impairment loss

NOK million	Notes	2008	2007
Balance at 1 January		(859)	(895)
Impairment reversal / (loss) recognized this year		(220)	36
Balance at 31 December		(1,079)	(859)

Total impairment loss on trade receivables recognized in the income statement amounts to NOK 152 million (NOK 21 million in 2007).

In 2007 Yara had sold receivables under a factoring agreement that did not qualify for derecognition due to provided recourse guarantee. The carrying amount of the asset included in trade receivables and the associated liability included in other interest-bearing short-term debt was NOK 137 million at 31 December 2007.

#### AGEING ANALYSIS OF TRADE RECEIVABLES AT 31 DECEMBER

##### Gross trade receivables

NOK million	Total	Not past due gross trade receivables	Past due gross trade receivables			
			< 30 days	30 - 90 days	90 - 180 days	> 180 days
2008	11,141	7,875	1,259	672	236	1,099
2007	9,324	6,870	1,051	328	147	927

##### Net trade receivables

NOK million	Total	Neither past due nor impaired	Past due but not impaired			
			< 30 days	30 - 90 days	90 - 180 days	> 180 days
2008	10,062	7,856	1,254	605	190	158
2007	8,465	6,848	1,038	318	114	147

##### Impairment of trade receivables

NOK million	Total	Impairment on not past due receivables	Impairment on past due receivables			
			< 30 days	30 - 90 days	90 - 180 days	> 180 days
2008	(1,079)	(18)	(5)	(67)	(46)	(941)
2007	(859)	(23)	(13)	(10)	(32)	(780)

## NOTE 17

### Prepaid expenses and other current assets

NOK million	Notes	2008	2007
VAT and sales related taxes		1,270	744
Financial derivatives	27	385	75
Interest rate swap designated as hedge instrument	27	-	4
Commodity derivatives and embedded derivatives	27	15	40
Other current assets		735	581
Prepaid expenses		792	666
<b>Total</b>		<b>3,197</b>	<b>2,110</b>

## NOTE 18

### Cash, cash equivalents and other liquid assets

NOK million	Notes	2008	2007
Cash and cash equivalents	27	3,195	2,325
Other liquid assets		6	-

Cash and cash equivalents have a maturity of three months or less. External bank deposits in subsidiaries that are not available for the use of group at 31 December 2008 is NOK 347 million (NOK 168 million at 31 December 2007).

Other liquid assets comprise of bank deposits with maturity between three months and one year.

The average interest rate for liquid assets is approximately 2.4 percent at 31 December 2008 (5.5 percent at 31 December 2007).

# NOTE 19

## Consolidated shareholders' equity

<i>NOK million</i>	Share Capital <sup>1)</sup>	Premium paid-in capital	Hedging, fair value, translation and actuarial reserves <sup>2)</sup>	Other retained earnings <sup>2)</sup>	Total retained earnings	Attributable to share- holders of the parent	Minority interests	Total equity
Balance at 31 December 2006	503	2,183	(301)	13,073	12,773	15,459	575	16,034
Net income	-	-	-	6,037	6,037	6,037	38	6,075
Foreign currency translation, net	-	-	(1,267)	-	(1,267)	(1,267)	1	(1,267)
Actuarial gain/loss recognized in equity	-	-	207	-	207	207	-	207
Available-for-sale investments - change in fair value	-	-	1,879	-	1,879	1,879	-	1,879
Cash flow hedges	-	-	(46)	-	(46)	(46)	-	(46)
Hedge of net investments	-	-	190	-	190	190	-	190
Cash flow hedges	-	-	7	-	7	7	-	7
Total recognized income and expense	-	-	969	6,037	7,006	7,006	39	7,045
Companies purchased/sold <sup>3)</sup>	-	-	-	(316)	(316)	(316)	(407)	(723)
Redeemed treasury shares <sup>4)</sup>	-	(696)	-	696	696	-	-	-
Redeemed shares Norwegian State <sup>4)</sup>	(7)	(395)	-	-	-	(402)	-	(402)
Dividend's distributed	-	-	-	(739)	(739)	(739)	(14)	(753)
Balance at 31 December 2007	496	1,092	669	18,751	19,420	21,008	193	21,201
Net income	-	-	-	8,228	8,228	8,228	13	8,241
Foreign currency translation, net	-	-	5,674	-	5,674	5,674	38	5,712
Actuarial gain/loss recognized in equity	-	-	(1,310)	-	(1,310)	(1,310)	-	(1,310)
Available-for-sale investments - change in fair value	-	-	(1,440)	-	(1,440)	(1,440)	-	(1,440)
Cash flow hedges	-	-	(191)	-	(191)	(191)	-	(191)
Hedge of net investments	-	-	(360)	-	(360)	(360)	-	(360)
Cash flow hedges	-	-	52	-	52	52	-	52
Total recognized income and expense	-	-	2,425	8,228	10,653	10,653	51	10,704
Companies purchased/sold <sup>5)</sup>	-	-	-	31	31	31	(35)	(4)
Treasury shares	(3)	-	-	(420)	(420)	(423)	-	(423)
Dividend's distributed	-	-	-	(1,166)	(1,166)	(1,166)	(45)	(1,211)
Balance at 31 December 2008	493	1,092	3,095	25,423	28,518	30,103	164	30,267

1) Par value 1.70.

2) Included in retained earnings.

3) Related to Fertibras.

4) As approved by General Meeting 10 May 2007.

5) Mainly related to the purchase of minority in KGH Thailand.

Minority interests are mainly related to the following units:

Company	Country	Minority interests
Yara Brazil s.a.	Brazil	1.7%
Yara Cameroun s.a.	Cameroun	35.0%
Yara Agri Trade Misr SAE	Egypt	49.0%
Yara East Africa Ltd	Kenya	30.0%
Yara Fertilizers Phillipines Inc.	Phillipines	44.0%
AS Ammonia	Denmark	33.3%

On 19 October 2004, Yara started the purchase of own shares, which is part of buy-back programs approved by Yara's General Meeting 16 June 2004, 19 May 2005, 11 May 2006, 10 May 2007 and 8 May 2008. The programs opened for buy-back of up to 5 percent of Yara's shares in the market. The current buy-back program is valid until 7 May 2009. According to the current buy-back program, the purchase price shall be not less than NOK 10 or more than NOK 1000. For the current program, the intention is either to cancel the shares or to use the shares as payment in business transactions. The decision must be made by Yara's General Meeting.

For the current share buy-back program, Yara's largest shareholder, the Norwegian State, has committed to sell a proportional part of its shares to Yara, leaving the State's ownership unchanged at 36.21 percent. The compensation to the State will be equal to the average price paid in the market for the buy-back shares, plus interests of

NIBOR +1 percent, calculated from the date of the acquisition of the corresponding shares.

Dividend proposed for 2008 is NOK 4.50 per share, amounting to NOK 1,304 million.

Related to the share buy-back program in 2008, Yara has purchased 1,000,000 shares in the market in the third quarter at an average price of NOK 332 and with a total cost of NOK 332 million. In the fourth quarter 750,000 shares were purchased at a cost of NOK 90 million. No shares were purchased in the first half of 2008. Yara also purchased own shares that were reissued to employees. At 31 December 2008, 7,446 of these shares were still with the employee trust which was established for this special purpose. The trust is included in Yara's consolidated financial statements.

	Ordinary shares	Own shares <sup>1)</sup>
Total at 31 December 2006	302,979,444	(7,279,460)
Redeemed shares Norwegian State <sup>2)</sup>	(4,129,587)	
Shares cancelled <sup>2)</sup>	(7,274,500)	7,274,500
Treasury shares <sup>3)</sup>		4,038
Total at 31 December 2007	291,575,357	(922)
Redeemed shares Norwegian State	-	-
Shares cancelled	-	-
Treasury shares	-	(1,756,524)
Total at 31 December 2008	291,575,357	(1,757,446)

1) Including employee trust.

2) As approved by General Meeting 10 May 2007.

3) Adjustment of shares held by employee trust.

## NOTE 20 Earnings per share

NOK million, except number of shares	2008	2007
<b>Earnings</b>		
Net income for the purposes of basic earnings per share (profit for the year attributable to the equity holders of Yara International ASA)	8,228	6,037
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	291,075,663	293,028,848

The denominators for the purposes of calculating basic earnings per share have been adjusted for the buyback of shares held by the Kingdom of Norway from the

time of approval at the Annual General Meeting. Yara currently has no share-based compensation that results in a dilutive effect on earnings per share.

## NOTE 21

# Employee retirement plans and other similar obligations

The Group companies have various pension schemes in accordance with the local conditions and practices in the countries in which they operate. Some companies have defined benefit retirement plans that cover substantially all of their employees and most of the defined benefit retirement plans are funded with plan assets that have been segregated in separate funds or pension funds. Plan benefits are generally based on years of service and final salary levels. Other companies

have defined contribution plans. In these defined contribution plans the companies make agreed contributions when employees have rendered service entitling them to the contributions. The Group has no legal or constructive obligations to pay further contributions. Some companies make contributions to multi-employer pension plans included in a joint arrangement with others. All multi-employer plans are accounted for as defined contribution plans.

### RECONCILIATION OF LIABILITIES TO BALANCE SHEET

NOK million	Notes	2008	2007
Pension liabilities defined benefit plans		(2,783)	(1,745)
Termination benefits and other		(225)	(167)
Prepaid pensions defined benefit plans	14	61	680
Total net employee benefits recognized in balance sheet		(2,947)	(1,232)

### PENSION COST

NOK million	2008	2007
Defined benefit plans	(278)	(150)
Defined contribution plans	(91)	(56)
Multi-employer plans	(40)	(40)
Termination benefits and other	(195)	(129)
Total pension cost	(605)	(375)

### DEFINED BENEFIT PLANS

#### Specification of recognized liability

NOK million	2008	2007
Present value of unfunded obligations	(1,917)	(1,300)
Present value of wholly or partly funded obligations	(8,370)	(7,458)
Total present value of obligations	(10,286)	(8,759)
Fair value of plan assets	7,827	7,761
Past service cost not recognized in the balance sheet (unvested)	13	13
Increase in defined benefit obligation due to regulations in IFRIC 14	(166)	-
Social security on defined benefit obligations	(109)	(80)
Total recognized liability for defined benefit plans	(2,722)	(1,065)

#### Expense recognized in profit or loss

NOK million	2008	2007
Current service cost	(163)	(153)
Contribution by employees	14	14
Past service cost (vested)	(72)	(7)
Interest on obligation	(478)	(365)
Expected return on plan assets	424	358
Curtailments <sup>1)</sup>	-	12
Social security cost	(3)	(8)
Total expense recognized in profit or loss	(278)	(150)

1) In 2007 there was a curtailment gain of NOK 12 million in Italy.

With effect from 1 July 2006 Yara implemented a new pension plan in Norway. All Norwegian companies changed from a defined benefit plan to a defined contribution plan. It will apply to the future pension earnings of existing employees

who was under 55 in 2006 and all new employees. Employees aged 55 and over in 2006 remained in the existing defined benefit plan.

#### THE EXPENSE IS RECOGNIZED IN THE FOLLOWING LINE ITEMS IN THE INCOME STATEMENT

NOK million	2008	2007
Payroll and related costs	(224)	(143)
Interest expense and other financial items	(55)	(7)
Total expense recognized in income statement	(278)	(150)

#### MOVEMENT IN THE LIABILITY FOR DEFINED BENEFIT OBLIGATIONS

NOK million	2008	2007
Liability for defined benefit obligations at 1 January	(8,759)	(7,665)
Current service cost	(163)	(153)
Interest cost on obligation	(478)	(365)
Actuarial gains / (losses) on obligation	(129)	444
Past service cost	(69)	(9)
Obligation transferred on disposal of subsidiaries	(66)	211
Obligation acquired on acquisition of subsidiaries	(21)	(2,098)
Curtailments	-	12
Settlements	-	36
Benefits paid	463	384
Exchange difference on foreign plans	(1,066)	446
Liability for defined benefit obligations at 31 December	(10,286)	(8,759)

#### MOVEMENT IN FAIR VALUE OF PLAN ASSETS FOR DEFINED BENEFIT OBLIGATIONS

NOK million	2008	2007
Fair value of plan assets at 1 January	7,761	5,995
Expected return on plan assets	424	358
Actuarial gains / (losses) on plan assets	(1,381)	(175)
Employer contributions	345	210
Employees contributions	14	14
Plan asset transferred on disposal of subsidiaries	74	(171)
Plan asset acquired on acquisition of subsidiaries	-	2,248
Benefits paid	(397)	(338)
Exchange difference on foreign plans	987	(379)
Fair value of plan assets at 31 December	7,827	7,761

The actual return on plan assets in 2008 was a negative NOK 780 million (2007: Positive NOK 175 million).

#### MOVEMENT IN ACTUARIAL (GAINS) / LOSSES RECOGNIZED DIRECTLY IN EQUITY

NOK million	2008	2007
Cumulative amount recognized directly in equity pre tax at 1 January	(163)	218
Increase in defined benefit obligation due to regulations in IFRIC 14	166	-
Recognized during the period <sup>1)</sup>	1,595	(382)
Cumulative amount recognized directly in equity pre tax at 31 December	1,598	(163)
Deferred tax related to actuarial (gains) / losses recognized directly in equity	(427)	25
Cumulative amount recognized directly in equity after tax at 31 December	1,171	(138)

1) Only related to defined benefit plans.

**PLAN ASSETS ARE COMPRISED AS FOLLOWS**

NOK million	2008		2007	
Equity instruments	2,436	31%	2,762	36%
Debt instruments	4,450	57%	4,341	56%
Investments/lending to Yara Group companies <sup>1)</sup>	254	3%	262	3%
Property	91	1%	27	0%
Bank deposits	188	2%	40	1%
Other	408	5%	330	4%
<b>Total plan assets</b>	<b>7,827</b>	<b>100%</b>	<b>7,761</b>	<b>100%</b>

1) Loan from Pension fund to Yara Suomi Oyj.

Contributions expected to be paid to the defined benefit plans for 2009 are NOK 375 million.

**RECOGNIZED IN PROFIT OR LOSS**

	2008	2007
Discount rate	5.3%	5.2%
Expected rate of return on plan assets	5.3%	5.4%
Expected rate of salary increases	3.3%	3.3%
Future rate of pension increases	2.2%	2.3%

The discount rate is a weighted average of the yields at the balance sheet date on AA credit rated corporate bonds, or government bonds where no market for AA credit rated corporate bonds exists. If the bonds have different maturities than the obligations, the discount rate is adjusted. Yara provides defined benefit plans in several countries and in various economic environments that will effect the actual weighted average discount rate applied. The weighted average discount rate applied at 31 December 2008 was 5.3 percent. Normal assumptions for demographical and retirement factors have been used by the actuaries when cal-

culating the obligation. Future mortality are based on published statistics and mortality tables. The weighted average expected long-term rate of return on plan assets is 5.3 percent. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments. The expected rate of return on plan assets as seen in the income statement for 2008 was 5.4 percent.

**HISTORICAL INFORMATION**

NOK million	2008	2007	2006	2005	2004
Present value of the defined benefit obligation	(10,286)	(8,759)	(7,665)	(7,176)	(6,348)
Fair value of plan assets	7,827	7,761	5,995	5,278	4,591
Deficit in the plan <sup>2)</sup>	(2,460)	(997)	(1,670)	(1,898)	(1,757)
Experience adjustments arising on plan liabilities <sup>1)</sup>	(380)	53	15	-	-
Experience adjustments arising on plan assets <sup>1)</sup>	(1,204)	(183)	219	-	-

1) In accordance with the transitional provisions for the amendments to IAS 19 "Employee Benefits" in December 2004, the disclosures above about experience adjustments are determined prospectively from the 2006 reporting period. Yara Group first applied the amendments in paragraph 120A in 2006. It is impractical to obtain numbers for experience adjustments for 2005 and previous years.

2) Social security cost is not included.

## NOTE 22

# Provisions and contingencies

NOK million	Environmental	Restructuring	Legal Claims	Decommissioning	Other	Total
Balance at 1 January 2007	127	129	148	42	8	454
Additional provision in the year	28	164	36	45	55	327
Unused provision	-	(7)	(7)	-	(37)	(52)
Utilisation of provision	(17)	(85)	(4)	(7)	(5)	(117)
Companies purchased/sold	50	2	34	-	109	195
Currency translation effects	(4)	(5)	4	(2)	1	(7)
Balance at 31 December 2007	184	197	211	78	131	801
Additional provision in the year	40	231	75	97	200	642
Reclassification <sup>1)</sup>	-	20	163	-	-	184
Unused provision	(2)	(73)	(8)	-	(129)	(212)
Utilisation of provision	(63)	(181)	(61)	(14)	(60)	(380)
Companies purchased/sold	-	-	-	(17)	-	(17)
Currency translation effects	27	60	(7)	20	(1)	99
Balance at 31 December 2008	186	255	373	164	140	1,118

1) Reclassification of items previously presented as other liabilities.

### PROVISIONS AND CONTINGENCIES PRESENTED IN THE BALANCE SHEET

NOK million	2008	2007
Current liabilities	488	365
Non-current liabilities	630	436
Total	1,118	801

Yara's future cost for environmental clean-up depends on a number of uncertain factors, such as the extent and type of remediations required. Due to uncertainties inherent in the estimation process, it is possible that such estimates could be revised in the near term. In addition, conditions which could require future expenditures may be determined to exist for various sites, including Yara's major production facilities and product storage terminals. The amount of such future costs is not determinable due to the unknown timing and extent of corrective actions which may be required.

Yara's operations are subject to environmental laws and regulations. These laws and regulations are subject to change, and such changes may require that the company make investments and/or incur costs to meet more stringent emissions standards or to take remedial actions related to e.g. soil contamination.

Restructuring mainly relates to closure or significant reorganisation of business locations in a country or region. The provision is a best estimate based on the detailed formal plan for the business and location affected.

Yara is party to a number of lawsuits in various jurisdictions arising out of the conduct of its business. None of these lawsuits, individually or in aggregate, is anticipated to have a material adverse effect on Yara.

In December 2008, the Dutch company Nutreco International B.V. presented to Yara International ASA (and at least one other company) a claim of approximately €28 million as compensation for the losses it allegedly suffered as a consequence of Kemira GrowHow's earlier purported breach of competition law. Yara contests the claim, both as to the actual liability and the amount of damages claimed.

Other consists of various provisions for constructive obligations as a result of past events.

# NOTE 23

## Long-term debt

### LONG-TERM DEBT BY CURRENCIES

<i>NOK million, except percentages and denominated amounts</i>	<b>Weighted average interest rates</b>	<b>Denominated amounts 2008</b>	<b>Balance in NOK 2008</b>	<b>Balance in NOK 2007</b>
USD (Coupon 5.25%) <sup>1)</sup>	5.9%	496	3,550	2,685
Total unsecured debenture bonds	-	-	3,550	2,685
USD	2.7%	2,523	17,550	5,946
EUR	5.0%	27	262	261
XOF (Ivory Coast)	9.5%	26,000	388	170
BRL (Brazil)	10.0%	7	21	37
MYR (Malaysia)	3.9%	-	-	-
Total unsecured bank loans <sup>2)</sup>	-	-	18,221	6,415
Lease obligation	-	-	99	17
Mortgage loans	-	-	187	109
Other long-term debt	-	-	-	6
Total	-	-	286	132
Outstanding long-term debt	-	-	22,057	9,232
Less: Current portion	-	-	(21)	(27)
Total	-	-	22,036	9,205

1) Fixed interest rate until 2014.

2) Repricing within a year.

At 31 December 2008, the fair value of the long-term debt, including the current portion, was NOK 21,457 million and the carrying value was NOK 22,057 million.

Yara builds its funding on a negative pledge structure with the basic funding ranging pari passu. Substantially all unsecured debenture bonds and unsecured bank loan agreements therefore contain provisions restricting the pledging of assets to secure future borrowings. Of the long-term debt at the end of 2008, the USD 496 million bond debt originated from Yara's December 2004 bond issue according to 144A/Regulation S. The balance includes issuance discount and capitalised issuance costs. Yara's additional long-term funding is based on bank loans, where the USD 1 billion committed bank facility due 2012 still constitutes a major part. USD 850 million was drawn on this facility at year end.

During 2008, Yara increased its long-term debt by establishing four new loan facilities. In February, the Belgian subsidiary Yara SA/NV established a new syndicated loan, guaranteed by Yara International ASA, equivalent to USD 422 million with maturity in 2013. Further loan agreements with a total volume equivalent to USD 1 billion and maturity in 2010 and 2012 were signed during December. The terms of the new agreements are in line with those of the existing bank loans. At year end, USD 870 million was drawn under the latter agreements, while the loan in Belgium was fully drawn.

Since December 2007, Yara also has a term loan of USD 180 million from the Nordic Investment Bank (NIB). The loan has a grace period of 4 years followed by linear instalments over 12 years. Further, Yara Suomi Oyj has a bank facility equivalent to USD 200 million with maturity in 2010. A minor portion of the long-term debt is arranged in emerging markets.

### CONTRACTUAL PAYMENTS ON LONG-TERM DEBT

<i>NOK million</i>	<b>Debentures</b>	<b>Bank loans</b>	<b>Capital lease and other long-term loans</b>	<b>Total</b>
2009	-	15	6	21
2010	-	2,389	46	2,434
2011	-	287	44	331
2012	-	11,365	5	11,370
2013	-	-	1	1
Thereafter	3,550	4,166	184	7,900
Total	3,550 <sup>1)</sup>	18,221 <sup>2)</sup>	286	22,057

1) Of which Yara International ASA is responsible for NOK 3,550 million.

2) Of which Yara International ASA is responsible for NOK 13,209 million.

**LONG-TERM DEBT RAISED SUBSEQUENT TO 31 DECEMBER 2008**

Yara International ASA has during 1st Quarter 2009 obtained funding in the Norwegian commercial paper and bond market. The total issued volume is NOK 2,225 million and will primarily be used to refinance existing lines. The issued volume by terms is as follows:

Currency	Interest	Amount in NOK	Maturity
NOK	3.80%	300	February 2010
NOK	Nibor+2.5%	300	Mars 2012
NOK	Nibor+3.75%	300	Mars 2014
NOK	7.40%	325	Mars 2014
NOK	8.80%	1,025	Mars 2016

## NOTE 24

### Trade payables and other payables

NOK million	Notes	2008	2007
Trade payables	26,27	6,491	6,233
Payroll and value added taxes	27	1,094	1,012
Prepayments from customers		483	439
Other liabilities	27	1,209	542
Total		9,277	8,226

## NOTE 25

### Bank loans and other short-term interest bearing debt

NOK million, except percentages	2008	2007
Bank loans and overdraft facilities <sup>1)</sup>	3,131	756
Commercial papers	2,666	831
Other <sup>1)</sup>	141	430
Total	5,937	2,017
<b>Weighted Average Interest Rates</b>		
Bank loans and overdraft facilities <sup>2)</sup>	9.0%	7.3%
Commercial papers	6.2%	4.8%
Other	4.1%	4.1%

1) Repricing minimum annually.

2) Overdraft facilities mainly in emerging markets.

At 31 December 2008, Yara International ASA has unused short-term credit facilities with various banks totalling approximately NOK 1.24 billion.

## NOTE 26

# Risk management and hedge accounting

### RISK MANAGEMENT POLICIES

Risk management in Yara is based on the principle that risk evaluation is an integral part of all business activities. Yara has established procedures for determining appropriate risk levels for the main risks and monitoring these risk exposures. Based on the overall evaluation of risk, Yara may use derivative instruments such as forward contracts, options and swaps to reduce exposures.

Yara's business model and positions provide natural hedges to reduce business risks inherent in the market. The most important of these is the quality and efficiency of Yara's production facilities, which ensures its competitive position. Furthermore, Yara's geographical spread supports a diversified gas supply, reducing the impact of regional price changes, and a reduced exposure to the inherent seasonality of the fertilizer business. Yara's substantial sales of differentiated products, comprising specialty fertilizers and industrial products, also contribute to more stable margins for the business as a whole. Finally, a certain correlation between energy prices and fertilizer prices reduces the volatility in Yara's results.

Yara manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimization of the debt and equity balance. Main elements of the funding strategy are to secure long-term debt and to base the funding of Yara on diversified capital sources to avoid dependency on single markets. Yara aims at an even debt repayment schedule and has secured committed undrawn credit facilities to provide financial flexibility. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 23, cash and cash equivalents and equity attributable to equity holders of the parent, comprising paid-in capital and retained earnings as disclosed in notes 18 and 19.

The financial structure of Yara should give Yara the necessary flexibility to capture the right industrial opportunities when they arise. As such opportunities typically materialize at low points in the business cycle, Yara will seek to build financial capacity in good times. Yara aims to maintain a long-term mid investment grade rating level, i.e. minimum BBB according to Standard & Poor's methodology and Baa2 according to Moody's methodology. Yara maintained the Baa2 rate from Moody's and the BBB rate from Standard & Poor's during 2008.

The debt/equity ratio at the end of 2008, calculated as net interest-bearing debt divided by shareholders' equity plus minority interest, was 0.82 compared with 0.42 at the end of 2007. The Yara Group are not subject to any externally imposed capital requirements.

There were no changes in the Group's approach to capital management during the years end 31 December 2008 and 31 December 2007. See also the Report of the Board of Directors for Yara's financial goals and dividend policy.

Yara's Finance function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and commodity price risk), credit risk and liquidity risk. The Finance function reports regularly to the Group's management.

The Group may seek to manage the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity.

### CURRENCY RISK

Prices of Yara's most important products are either directly denominated or determined in US dollars. In markets outside the US, local prices will generally adjust to fluctuations in the US dollar exchange rate, however with a certain time lag. Yara's raw materials costs, such as natural gas used in the production of ammonia, are either denominated in US dollars or highly correlated to changes in the US dollar exchange rate. In order to hedge Yara's long-term exposure to fluctuations in the US dollar exchange rate, Yara incurs most of its debt in US dollars. A certain portion of the total debt is, however, kept in various local currencies in order to finance local currency exposed business positions.

Yara utilizes derivative instruments to manage foreign currency exchange rate risks by adjusting the composition of the debt portfolio to changes in Yara's overall risk exposure. Derivative instruments are also utilized to manage foreign currency exchange rate risk related to forecast purchases and sales or to offset short-term liquidity needs in one currency with surplus liquidity in another currency. Such forward contracts are not designated as hedging instruments for accounting purposes. Changes in fair value are therefore recognized in the income statement.

The foreign exchange loss for the year was NOK 3,313 million, compared with a gain of NOK 982 million in 2007. Throughout the year, the part of Yara's US dollar debt established to hedge future earnings was kept in the range of USD 900-1,500 million (2007: USD 1,000-1,500 million).

### Sensitivity

A 10 percent weakening of USD or EUR against NOK and other functional currencies at 31 December would have increased / (decreased) profit or loss by the amounts shown below. This analysis is done for illustrative purposes only, taking into consideration only the effect on financial instruments in the balance sheet as at year-end. Since all other variables are assumed to remain constant, the analysis does not reflect subsequent effects on operating income, EBITDA or equity. The analysis was performed on the same basis for 2007.

NOK million	
<b>31 December 2008</b>	
USD	2,468
EUR	(193)
<b>31 December 2007</b>	
USD	1,022
EUR	(309)

A 10 percent weakening of the Norwegian kroner against the above currencies at 31 December would have had the equal but opposite effect to the amounts shown above.

#### INTEREST RATE RISK

Yara is exposed to fair value risk and cash flow risk from its debt portfolio as disclosed in note 23. Yara aims to secure a significant part of its debt at fixed interest rates. During 2008, this was achieved by keeping USD 400 million of the USD 500

million fixed interest bond issue fixed. This was done by an interest rate swap of USD 100 million from fixed to floating. Information about financial instruments designated as hedge instruments are presented in the derivative section below.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

<i>NOK million</i>	<b>2008</b>	<b>2007</b>
Fixed portion of bond	2,769	2,148
Net interest-bearing debt less fixed portion of bond	22,025	6,776
Net interest-bearing debt at 31 December	24,794	8,924

#### Sensitivity

Except for the Treasury-lock derivative instruments the Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore changes in interest rates will not affect the interests on the USD 400 million portion of the bond debt which is not hedged. Yara Group has no interest-bearing financial instruments where effects are booked directly to equity. Therefore equity will not be affected by interest rate changes. The Treasury lock derivative instruments are included in the balance sheet with a loss of NOK 490 million (2007: loss NOK 44 million).

An increase of 100 basis points in interest rates at the reporting date would have decreased profit or loss by NOK 36 million (2007: NOK 68 million). All other variables remain constant. This analysis is done for illustrative purposes only, taking into consideration only the effect on financial instruments in the balance sheet as at year-end. The analysis is performed on the same basis for 2007. A decrease of 100 basis points at the reporting date would have increased profit or loss by NOK 63 million (2007: NOK 68 million).

#### COMMODITY PRICE RISKS

A major portion of Yara's operating revenues is derived from the sale of ammonia, urea, and other fertilizers that may generally be classified as commodities. Yara also purchases natural gas, electricity and other commodities. The prices of these commodities can be volatile and may create fluctuations in Yara's earnings. To manage this risk, Yara's financial policy prioritizes maintaining a low debt/equity ratio and maintaining liquidity reserves. Yara utilizes derivative instruments to manage certain price risk exposures and also for some position taking within the limits established by the risk management policies. A limited number of ordinary sales and purchase contracts contain price links against other products that are regarded as embedded derivatives recognized at fair value. The rea-

son for embedding other price links in these contracts is normally to secure a margin for Yara. Information about commodity derivatives is presented in the derivative section below.

#### CREDIT RISK

Yara has a well-established system for credit management with established limits at both customer and country level. Yara's geographically diversified portfolio reduces the overall credit risk of the group. Credit risk arising from the inability of the counter-party to meet the terms of Yara's financial instrument contracts is generally limited to amounts, if any, by which the counter-party's obligations exceed Yara's obligations. Yara's policy is to enter into financial instruments with various international banks with established limits for transactions with each institution. Due to Yara's geographical spread and significant number of customers there are no significant concentrations of credit risk. Therefore, Yara does not expect to incur material credit losses on its portfolio or other derivative financial instruments.

The maximum exposure to credit risk is represented by the carrying amount of each class of financial assets, including derivative financial instruments recorded in the balance sheet.

#### LIQUIDITY RISK

Yara manages liquidity risk by maintaining adequate reserves and committed bank facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in notes 23 and 25 are overviews of undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

### 31 DECEMBER 2008

NOK million	Carrying amount	Contractual cash flows	On demand	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
<b>Non derivative financial liabilities</b>								
Short-term interest-bearing debt	(5,937)	(6,030)	(848)	(4,033)	(1,149)	-	-	-
Long-term interest-bearing debt	(21,958)	(25,584)	(208)	(757)	(1,833)	(1,699)	(19,472)	(1 615)
Obligations under finance leases	(99)	(184)	-	(2)	(4)	(46)	(57)	(75)
Accrued interest expense	(191)	(191)	-	(185)	(7)	-	-	-
Accounts payable	(6,491)	(6,512)	(414)	(6,057)	(41)	-	-	-
Payroll and value added taxes	(1,094)	(1,121)	(45)	(1,005)	(71)	-	-	-
Other short-term liabilities	(264)	(264)	-	(178)	(85)	-	-	-
Other long-term liabilities	(149)	(144)	(7)	(7)	(4)	(28)	(23)	(73)
<b>Derivative financial instruments</b>								
Freestanding financial derivatives	(478)							
Outflow		(10,572)	(17)	(10,552)	(3)	-	-	-
Inflow		10,000	-	10,000	-	-	-	-
Commodity derivatives	(68)							
Outflow		(82)	-	-	(82)	-	-	-
Inflow		15	-	15	-	-	-	-
Hedge designated derivatives	97							
Outflow		-	-	-	-	-	-	-
Inflow		118	-	9	12	46	51	-
<b>Total</b>	<b>(36,633)</b>	<b>(40,551)</b>	<b>(1,539)</b>	<b>(12,754)</b>	<b>(3,268)</b>	<b>(1,727)</b>	<b>(19,500)</b>	<b>(1,763)</b>

### 31 DECEMBER 2007

NOK million	Carrying amount	Contractual cash flows	On demand	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
<b>Non derivative financial liabilities</b>								
Short-term interest-bearing debt	(2,017)	(2,315)	(671)	(1,219)	(425)	-	-	-
Long-term interest-bearing debt	(9,215)	(11,824)	(169)	(228)	(195)	(2,815)	(3,819)	(4,597)
Obligations under finance leases	(17)	(19)	-	(1)	(2)	(10)	(6)	-
Accrued interest expense	(37)	(67)	-	(40)	(4)	(8)	(15)	-
Accounts payable	(6,233)	(6,246)	(56)	(5,920)	(269)	-	-	-
Payroll and value added taxes	(1,012)	(1,013)	(31)	(745)	(164)	(56)	(4)	(14)
Other short-term liabilities	(231)	(231)	-	(145)	(85)	-	-	-
Other long-term liabilities	(95)	(96)	(7)	(13)	(5)	(3)	(30)	(37)
<b>Derivative financial instruments</b>								
Freestanding financial derivatives	(6)							
Outflow		(5,133)	-	(5,133)	-	-	-	-
Inflow		5,138	-	5,138	-	-	-	-
Commodity derivatives	(190)							
Outflow		(224)	-	(28)	(136)	(60)	-	-
Inflow		(25)	-	28	5	(53)	(5)	-
Hedge designated derivatives	12							
Outflow		-	-	-	-	-	-	-
Inflow		50	-	1	6	12	22	8
<b>Total</b>	<b>(19,041)</b>	<b>(22,004)</b>	<b>(934)</b>	<b>(8,305)</b>	<b>(1,275)</b>	<b>(2,992)</b>	<b>(3,858)</b>	<b>(4,641)</b>

## DERIVATIVE INSTRUMENTS

NOK million	2008	2007
<b>Fair value of derivatives</b>		
Forward foreign exchange contracts	(89)	38
Foreign currency options	101	-
Interest rate swaps	(392)	(32)
Embedded derivatives in sales and purchase contracts <sup>1)</sup>	15	(142)
Commodity derivatives <sup>1)</sup>	(82)	(48)
Balance at 31 December	(448)	(184)
<b>Derivatives presented in the balance sheet</b>		
Assets	497	127
Liabilities	(945)	(311)
Balance at 31 December	(448)	(184)

1) Mainly natural gas and oil products.

Yara is committed to outstanding forward foreign exchange contracts as follows:

NOK million	2008	2007
Forward foreign exchange contracts, notional amount	11,130	4,751

All outstanding contracts at 31 December 2008 have maturity in 2009. Buy positions are mainly in Norwegian kroner, euro and US dollars. Sell positions are in various operating currencies, mainly US dollar and Canadian dollars.

The total net loss recognized in the consolidated income statement during the year on derivatives held for trading recognized at fair value through profit or loss was NOK 965 million (2007: gain NOK 229 million).

## HEDGE ACCOUNTING

## Fair value hedge

The interest rate swap outstanding at 31 December 2008 is a fixed to floating interest rate swap for USD 100 million. This derivative is designated as a hedge instrument for the change in fair value due to changes in risk-free interest rates (LIBOR) of a USD 100 million portion of the bond debt. The swap has identical interest basis, interest payment dates and maturity (2014) to the hedged debt and is assessed to be highly effective. The change in fair value of the derivative is recognized in the consolidated income statement, and is offset by an opposite change in fair value of the corresponding portion of the bond debt. At 31 December 2008 the loss on the fair value hedge included in the carrying amount of the fixed rate debt was NOK 97 million (2007: loss NOK 8 million). There are not recognized any ineffectiveness in 2007 and 2008.

## Cash flow hedge

In 2004, Yara used interest rate swaps to hedge the future cash flows of a USD 300 million portion of the December 2004 bond issue. The loss on these contracts was recognized directly against equity and will be reclassified into interest expense and income tax over the duration of the bond (due in 2014). The reclassification into interest expense for 2008 was NOK 10 million (2007: NOK 9 million) and the related deferred tax benefit was NOK 3 million (2007: NOK 3 million).

By the acquisition of Kemira GrowHow in 2007, the Group entered into a hedge of a euro 20 million floating rate loan. The hedge was initially entered into in 2004 by Kemira GrowHow. The hedging instrument was a interest rate swap where the Group paid 5 year fixed and received 6 month EURIBOR. It was semi-annual interest fixing. Interests was paid on fixing dates. There was not recognized any ineffectiveness in fourth quarter 2007. NOK 1 million was recognized directly in equity in fourth quarter 2007. The hedge was discontinued in 2008 with a gain of NOK 3 million taken in profit or loss. No ineffectiveness was recognized in 2008.

## Hedge of net investment

At 31 December 2008, the Group held USD 315 million (2007: USD 250 million) of debt designated as hedge of net investment in foreign entities. The hedge was assessed to be highly effective. At 31 December 2008 the hedge had a fair value of NOK 172 million recognized as loss in equity (2007: gain NOK 188 million). There are not recognized any ineffectiveness in 2007 and 2008.

# NOTE 27

## Fair value financial instruments

### THE FAIR VALUES TOGETHER WITH THE CARRYING AMOUNTS SHOWN IN THE BALANCE SHEET

NOK million	Notes	Carrying amount 2008	Fair value 2008	Carrying amount 2007	Fair value 2007
<b>Available-for-sale financial assets</b>					
Equity securities available-for-sale	13,14	2,794	2,794	4,778	4,778
<b>Loans and receivables</b>					
Long-term loans and receivables	14	1,716	1,716	453	453
Trade receivables and other receivables	16	12,049	12,049	10,416	10,416
Cash and cash equivalents	18	3,195	3,195	2,325	2,325
<b>Financial liabilities measured at amortized cost</b>					
Unsecured bond issue <sup>1)</sup>	23	(3,550)	(3,223)	(2,685)	(2,726)
Unsecured long-term interest-bearing debt	23	(18,387)	(18,115)	(6,503)	(6,503)
Finance lease liabilities	23	(99)	(99)	(17)	(17)
Other long-term liabilities		(149)	(149)	(107)	(107)
Trade payables and other payables	24	(7,850)	(7,850)	(7,915)	(7,915)
Short-term interest-bearing loans	25	(5,959)	(5,959)	(2,044)	(2,044)
<b>Derivatives measured at fair value through profit or loss held for trading</b>					
Foreign exchange contracts	26				
Assets	17	385	385	75	75
Liabilities		(373)	(373)	(37)	(37)
Interest rate derivative contracts	26				
Assets		-	-	-	-
Liabilities		(490)	(490)	(44)	(44)
Commodity derivatives and embedded derivatives	26				
Assets	17	15	15	40	40
Liabilities		(82)	(82)	(230)	(230)
<b>Derivatives designated for hedging</b>					
Interest rate contracts designated as hedging instrument	26				
Assets		97	97	12	12
Liabilities		-	-	-	-
Total		(16,687)	(16,087)	(1,483)	(1,523)
Unrecognized gain/(loss)		-	600	-	(40)

1) Fixed rate debt.

#### PRINCIPLES FOR ESTIMATING FAIR VALUE

The following summarizes the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

##### Equity securities available-for-sale

The fair value of investments in listed companies is based on year-end quoted market prices. For non-listed investments carrying value is assessed to give a reasonable approximation of fair value.

##### Trade receivables and other receivables

Interest-free receivables are discounted if it has a material impact on fair value. The carrying amount has been reduced for impaired receivables and reflects a reasonable approximation of fair value.

##### Cash and cash equivalents

Fair value is assumed to be equal to the carrying amount.

##### Long-term interest-bearing debt and other long-term liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows. Since there are no active market with quoted prices, we have used valuation techniques to estimate the fair value. It is estimated by using LIBOR with different maturities as a benchmark rate and adding a credit margin derived from recent transactions or other information available.

##### Trade payables and other short-term debt

Interest-free short-term payables are discounted if it has material impact on fair value. Fair value is assumed to be equal to the carrying amount.

##### Foreign exchange contracts and interest rate swaps

The fair value of foreign exchange contracts is based on their listed market price, if available. If a listed market price is not available, fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds). The fair value of interest rate swaps is based on broker quotes.

**Commodity derivatives and embedded derivatives**

Certain of the Groups purchase and sales contracts constitute derivatives or contain embedded derivatives within the scope of IAS 39. Derivatives under IAS 39 are recognized at fair value in the balance sheet with changes through the income statement. The commodity derivative category constitute derivatives with a wide range of different characteristics and comprise both commodity based financial contracts as well as non-financial purchase and sales contracts with maturity mainly from 3 months to 24 months.

The fair value of commodity contracts constitute the unrealized gains and losses represented by the present value of future gains and losses for which the price is fixed in advance of delivery. All commodity contracts are bilateral contracts, or embedded derivatives in bilateral contracts, for which there are no active mar-

kets. Fair value of all items in this category, are therefore calculated using valuation techniques, with maximum use of market inputs and assumptions that reasonably reflect factors that market participants would consider in setting a price, relying as little as possible on entity-specific inputs. Fair value of commodity contracts are especially sensitive to changes in forward commodity prices. None of the derivatives in this category are designated in hedge relationships.

The total change in fair value that was recognized in the consolidated income statement during the year was a gain of NOK 173 million (2007: loss NOK 75 million). This is recognized in the consolidated income statement within revenue and other income on the separate line for "Commodity-based derivatives gain/(loss)".

## NOTE 28

### Secured debt and guarantees

NOK million	2008	2007
Amount of secured debt	187	109
<b>Assets used as security</b>		
Machinery and equipment, etc.	7	1
Buildings and structural plant	213	175
Total	220	176
<b>Guarantees (off-balance sheet)</b>		
Contingency for discounted bills	-	14
Guarantees of debt	6	5
<b>Non-financial guarantees</b>		
Commercial guarantees	4,516	1,360
Public guarantees	1,031	803
Total	5,554	2,183

Guarantees of debt include parent company guarantees issued on behalf of non-consolidated investees covering external credit facilities in the name of the non-consolidated investees. Yara could be required to perform in the event of a default by the entity guaranteed.

Guarantees of debt issued on behalf of consolidated companies are not included since at any time the drawings under such credit lines are included in the consolidated balance sheet. The guarantee obligations under such guarantees are at any time limited to the amount drawn under the credit facility.

Non-financial guarantees consist of commercial guarantees related to contract obligations (Bid Bonds, Performance Guarantees and Payment Guarantees) and various mandatory public guarantees (Customs Guarantees, Receivable VAT Guarantees) recorded as off-balance sheet liabilities. These guarantees are issued on behalf of Yara International ASA, its subsidiaries and non-consolidated

investees. The guarantor could be required to perform in the event of a default of a commercial contract or non-compliance with a public authority regulation. NOK 3,839 million of the non-financial, off-balance sheet guarantees are issued as parent company guarantees.

Total commercial guarantees and public guarantees increased by NOK 3,386 million from last year end. The increase was mainly due to higher product prices, the depreciation of the Norwegian krone vs. the euro and the US dollar plus a significant commercial guarantee (NOK 2,384 million) issued for the expansion of the urea capacity at the Sluiskil plant in the Netherlands.

Guarantees issued to public authorities covering tax and VAT liabilities are not included as these obligations are already included in the consolidated balance sheet.

**CONTINGENT LIABILITY FOR OBLIGATIONS ESTABLISHED PRIOR TO THE DE-MERGER FROM NORSK HYDRO ASA**

Under the Norwegian Public Limited Companies Act, Yara may be contingently liable for obligations established by Norsk Hydro ASA prior to the de-merger, unless the right to enforce against Yara any rights to payments (or other rights) has been specifically waived by the party holding the right. Following the de-merger of Hydro's oil and gas division in 2007, these obligations may now be allocated to either Norsk Hydro ASA or StatoilHydro ASA. At the end of 2008, Yara remains contingently liable for approximately NOK 1.79 billion of such outstanding guarantees.

Hydro also has unfunded pension liabilities. To the extent such liabilities have accrued prior to the consummation of the de-merger, Yara is contingently liable for such liabilities as a matter of the joint and several liability provided by Norwegian law. Hydro's unfunded pension liabilities, calculated in accordance with Hydro's accounting policies, amounted to approximately NOK 2 billion at demerger 24 March 2004 and reduced by payments thereafter.

## NOTE 29

### Contractual obligations and future investments

NOK million	Investments 2009	Investments Thereafter	Investments Total
Contract commitments for investments in property, plant and equipment	1,306	320	1,626
Additional authorized future investments in property, plant and equipment	1,529	2,227	3,756
Contract commitments for other future investments	136	-	136
Total	2,971	2,547	5,518

Additional authorized future investments include projects formally approved for development by the Board of Directors or management given the authority to approve such investments. General investment budgets are excluded from these amounts.

**TAKE-OR-PAY AND LONG-TERM CONTRACTS <sup>1)</sup>**

Yara has entered into take-or-pay and long-term contracts providing for future payments to transportation capacity, raw materials and energy.

**THE NON-CANCELABLE FUTURE OBLIGATION AS OF 31 DECEMBER 2008**

NOK million	Transport and other	Raw materials	Energy related	Total
2009	(208)	(374)	(400)	(982)
2010	(191)	(36)	(409)	(636)
2011	(191)	(26)	(388)	(605)
2012	(180)	(2)	(400)	(582)
2013	(180)	-	(406)	(586)
Thereafter	(90)	-	(727)	(817)
Total	(1,039)	(438)	(2,731)	(4,208)

1) The amounts are calculated based on minimum contracted quantities and market prices as of 31 December 2008.

The total purchases under the take-or-pay agreements and long-term contracts were as follows (in NOK million): 2008 (1,045); 2007 (750).

NOK million	2009	2010	2011	2012	2013	Total
Sales commitments	256	95	74	11	11	447

Sales commitments is mainly related to industrial products.

See note 21 for future obligations related to pensions.

See note 22 for provisions and contingencies.

See note 30 for future commitments related to lease arrangements.

## NOTE 30

# Operating lease commitments

Operating leases related to buildings, offices, equipment and vessels. Total minimum future rentals due under non-cancelable operating leases are:

<i>NOK million</i>	<b>2008</b>	<b>2007</b>
Within year 1	1,171	729
Within year 2	825	660
Within year 3	651	567
Within year 4	500	473
Within year 5	444	372
After 5 years	1,617	1,448
<b>Total</b>	<b>5,209</b>	<b>4,249</b>

Due to the strategic importance of shipping capacity of ammonia for Yara's business, Yara has a number of operating leases on vessels. The commitments in relation to this are the main part of total minimum future rentals amounting to NOK 4,127 million. The commitments due to these arrangements vary depending on the contract length for each vessel.

No purchase options exist on the vessels. There are no restrictions imposed by lease arrangements, such as those concerning dividends and additional debt. For some of the vessels there are renewal options that Yara can exercise.

Operating lease expenses included in operating cost and expenses are:

<i>NOK million</i>	<b>2008</b>	<b>2007</b>
Operating lease expense	(1,287)	(1,103)

## NOTE 31 Related parties

### THE NORWEGIAN STATE

At 31 December 2008 the Norwegian State owned 105,583,715 shares, representing 36.2 percent of the total number of shares issued. The National Insurance Fund, Norway owns 18,091,633 shares, representing 6.2 percent of the total number of shares issued.

### EQUITY ACCOUNTED INVESTEES

Transactions with equity accounted investees are described in note 12.

### YARA PENSION FUND

Yara International ASA has arranged most of the company's pension plans through Yara Pension Fund and Yara has during 2008 contributed premium to the pension plans.

### BOARD OF DIRECTORS

Members of the Board of Directors are elected for two year terms. Their rights and obligations as board members are solely and specifically provided for in the company's articles of association and Norwegian law. The company has no significant contracts in which a board member has a material interest.

### BOARD OF DIRECTORS COMPENSATION 2008 AND NUMBER OF SHARES OWNED 31 DECEMBER 2008

<i>NOK thousands, except number of shares</i>	Compensation	Number of shares
Øyvind Lund, Chairperson <sup>1)</sup>	425	6,000
Elisabeth Harstad <sup>3)</sup>	255	-
Lone Fønss Schröder <sup>1) 4)</sup>	300	2,800
Leiv L. Nergaard <sup>1) 4)</sup>	315	26,923
Arthur Frank Bakke <sup>2) 4)</sup>	300	1,118
Frank Andersen <sup>2)</sup>	230	333
Svein Flatebø <sup>2)</sup> (from 21 January 2008)	174	1,347
Jørgen-Ole Haslestad (until 30 September 2008) <sup>3)</sup>	255	5,700
Charlotte Dyrkorn (until 21 January 2008)	56	-
Torgeir Kvidal, Board secretary	-	234

1) Includes shares owned directly and through fully owned companies.

2) Interest-free loan of NOK 5,954 given through a trust in accordance with a Yara share purchase offer.

3) Member of the compensation committee in 2008.

4) Member of the audit committee in 2008.

Compensation to the board of directors was NOK 2,225 thousand in 2007.

The chairperson and the members of the board have no agreements for further compensation due to termination or changes in the position.

### COMPENSATION 2008 AND NUMBER OF SHARES OWNED BY THE DEPUTY BOARD MEMBERS AT 31 DECEMBER 2008

<i>NOK thousands, except number of shares</i>	Compensation	Number of shares
Karl Edvard Juul	-	356
Morten Ødegård (from 21 January 2008) - -	-	556
Geir Olav Sundbø (from 21 January 2008)	-	56

## EXECUTIVE MANAGEMENT

NOK thousands	Salary	Performance related salary	Share incentive rights	Long term incentive plan <sup>2)</sup>	Other benefits	Pension benefits
Jørgen Ole Haslestad (from 1 October 2008) <sup>1)</sup>	1,175	-	-	1,410	3,567	830
Hallgeir Storvik	2,434	989	3,720	-	224	618
Tor Holba	2,438	1,058	3,720	-	1,706	2,687
Egil Hogna (from 1 August 2008)	853	-	-	550	80	212
Terje Bakken	2,212	851	2,790	-	1,328	591
Anne Grethe Dalane	1,695	538	1,674	-	225	413
Arne Cartridge	1,577	462	1,674	-	265	379
Trygve Faksvaag (from 1 July 2008)	850	-	-	340	135	185
Edward Cavazuti	3,110	1,454	-	-	4,191	3,463
Thorleif Enger (until 30 September 2008)	5,017	1,864	7,800	-	239	879
Sven Ombudstvedt (until 31 July 2008)	2,200	1,196	3,720	-	144	346
Kendrick T. Wallace (until 30 June 2008)	1,035	980	2,325	-	896	1,030

1) The other benefits for Jørgen Ole Haslestad includes a one-time compensation of NOK 3,500,000 for loss of shares at his previous employer.

2) Fixed cash amount as part of new Long Term Incentive plan (see description below).

The total salary, including performance-based salary for Executive Management was NOK 27,057 thousand in 2007. Other benefits amounted to NOK 9,627 thousand in 2007. In addition pension benefits earned were NOK 7,931 thousand in 2007. Remuneration related to share incentive rights were NOK 28,123 thousand in 2007.

Of the Executive Management three members are currently on international assignment contracts, namely Tor Holba, Terje Bakken and Edward Cavazuti. Ken Wallace was on international assignment contract until end June 2008 when he retired. The base salary in the international assignment contracts is a guaranteed net compensation. Yara covers any taxes and/or social security premiums due. In the above table the net compensation is grossed-up using the applicable tax-rate. Included in other benefits are housing, company car, travel allowances etc. For the international assignment contracts, the benefits linked to their agreement are included in 'other benefits' and are grossed-up using the applicable tax rate.

## PERFORMANCE RELATED SALARY

For managers a performance related salary scheme is established. Awards are depending on the achievement of specified performance criteria for Yara and the individual. The on-target performance related salary range from 28 percent to 35 percent of the base salary depending on management position. The maximum payment is 200 percent of the target performance related salary with an absolute maximum of 50 percent of the base salary.

## PENSIONS BENEFITS

Jørgen Ole Haslestad participates in the ordinary pension scheme of employees in Norway (as described in note 21) with retirement age of 65 years. He is also entitled to an early retirement benefit at age 62 of 70 percent of the pensionable income calculated on a 10 years earning period. A deduction shall be deducted pro rata in case of less than 10 years earning period.

Thorleif Enger retired in September 2008, the month before his 65th anniversary. He was entitled to step down at age 59 with final retirement at 62. This agreement was part of the Hydro's scheme for senior executives. Thorleif Enger did not utilize this entitlement. During his first month of retirement his pension benefit represented 70 percent of his salary. Thereafter, a pension benefit of 65 percent has applied. Thorleif Enger's pension rights were fully earned for retirement at age 62. The net annual pension cost for Yara until he retired was therefore less than an ordinary earning would have been.

Terje Bakken and Tor Holba are both members of the Yara IEC (International Employment Company) Pension Plan. This plan is a defined contribution plan and provide the members with a lump sum when they reach the age of 60. The employer contribution amounts to 25 percent of the individual's annual pensionable income.

Edward Cavazuti is a members of the North America Executive Retirement Plan. This is a defined benefit plan which provides at the age of 59 an annual retirement benefit equal to 65 percent of the individual average compensation of the three

highest compensation years. Ken Wallace has now retired from Yara and was also a member of the North America Executive Retirement Plan described above.

The other members of Executive Management are included in Yara's ordinary pension scheme for employees in Norway. Until 1 July 2006 this was a final salary based defined benefit scheme. From 1 July 2006 it has been switched to a defined contribution scheme for all employees under the age of 55. The pension scheme is described in note 21.

## TERMINATION AGREEMENTS

The members of Executive Management are subject to termination in accordance to applicable law. There are however a few specific termination agreements. For Jørgen Ole Haslestad a notice of 6 months is applicable, in case of termination and a minimum severance payment of 6 months base salary. Terje Bakken and Tor Holba, are both entitled to a notice of 1.5 month per year of service with a maximum of 24 months. Tor Holba has a guaranteed employment until the age of 55. Edward Cavazuti has a guaranteed employment until 2013.

## GUIDELINES FOR REMUNERATION TO MEMBERS OF EXECUTIVE MANAGEMENT

In accordance with the Norwegian Public Limited Companies Act § 6-16 a, the Board of Directors will prepare a separate statement related to the determination of salary and other benefits for the Executive Management. The statement will be presented for the Annual General Assembly. The guidelines for the coming accounting year are unchanged from the previous year, except for a new long-term incentive plan.

Yara's policy concerning remuneration of the CEO and the other members of Executive Management is to provide remuneration opportunities which:

- Are competitive to recruit and retain executives
- Reward the Executives' performance, measured as his/her contribution to the overall success of Yara
- Support the creation of sustainable shareholder value

Yara's remuneration of the Executive Management consists of the following elements: Base pay, an annual incentive payment, a retirement plan, death and disability coverage and other components such as car, phone expenses, etc. In addition, executives on expatriate contracts have costs such as housing, school, home trips etc. covered by the company.

The annual incentive payment represents performance-driven variable compensation components based on financial performance such as profitability and non-financial performance such as HES (Health, Environment and Safety) results, at Company and/or Segment level. The maximum pay-out will not exceed 50 percent of Base Salary, unless special circumstances dictate otherwise.

Share incentive rights granted under the 2004 Share Incentive Program will be honoured. No new share incentive rights will be granted in the coming year.

To increase the alignment between Executives and Shareholder's interests and to ensure retention of key talent in the company, a new Long Term Incentive plan has been approved by the Board. This Long Term Incentive program provides a fixed cash amount to the eligible top executives, who is required to invest the net amount in Yara shares within a period of one month. The acquired shares are locked in for a period of three years after the purchase. After this period the executive is free to keep or sell the shares at his discretion. This plan will only be applicable to executive managers for who the exercise period of the previous

Long Term Incentive plan (SIR) has elapsed or to new members of Yara Management not eligible to SIR.

All new pension plans in Yara shall be Defined Contribution plans. All Executives below age 55 (per 1 July 2006) on Norwegian employment contracts are part of the Defined Contribution Retirement plan. The retirement age is 65 and there are no special severance clauses in the contract.

Salary and other benefits earned in 2008 are disclosed above. For additional information regarding share incentive rights granted see note 6. For additional information about existing pension plans see note 21.

## NOTE 32 External audit remuneration

Deloitte AS (Deloitte) is Yara's auditor. Other firms are the auditors of certain subsidiaries in the group. The following table shows total audit and other audit services.

<i>NOK thousands</i>	<b>Audit fee</b>	<b>Assurance services</b>	<b>Tax services</b>	<b>Other audit services</b>	<b>Total</b>
<b>2008</b>					
Deloitte Norway	3,882	1,222	-	37	5,140
Deloitte Abroad	23,393	1,194	1,115	66	25,769
Total Deloitte	27,275	2,416	1,115	103	30,909
Others	6,214	24	1,385	3,567	11,190
Total	33,489	2,440	2,500	3,670	42,098
<b>2007</b>					
Deloitte Norway	2,715	170	-	711	3,596
Deloitte Abroad	18,839	2,093	1,466	1,040	23,439
Total Deloitte	21,555	2,263	1,466	1,751	27,035
Others	2,759	184	2,295	3,800	9,038
Total	24,314	2,447	3,761	5,551	36,073

## NOTE 33 Post balance sheet events

In February, Yara, the National Oil Corporation of Libya (NOC) and the Libyan Investment Authority (LIA) signed the final agreements to create the Libyan Norwegian Fertiliser Company (Lifeco). Yara will own 50 percent of the new fertilizer joint venture, with NOC and LIA each holding a 25 percent stake. NOC transfers to Lifeco the existing Marsa El Brega fertilizer assets, valued at USD 225 million, while Yara contributes to Lifeco the corresponding value in cash. The existing operations produce approximately 900,000 tonnes of urea and 150,000 tonnes of merchant ammonia per year.

The chemical company Celanese has recently announced that they assess potential closure of two of their sites, one located in Pardies, France. Considering the close interdependency of Yara's and Celanese's plants in Pardies, a negative decision by Celanese about their Pardies site would have a major impact on Yara own operations in Pardies. Yara Pardies has an annual production capacity of 150,000 tons of ammonia and 135,000 tons of technical ammonium nitrate, and a net book value of approximately EUR 26 million.

Yara International ASA has during 1st Quarter 2009 obtained funding in the Norwegian commercial paper and bond market. For further information see note 23.