



Knowledge grows

# Yara International ASA

## Second quarter results 2011

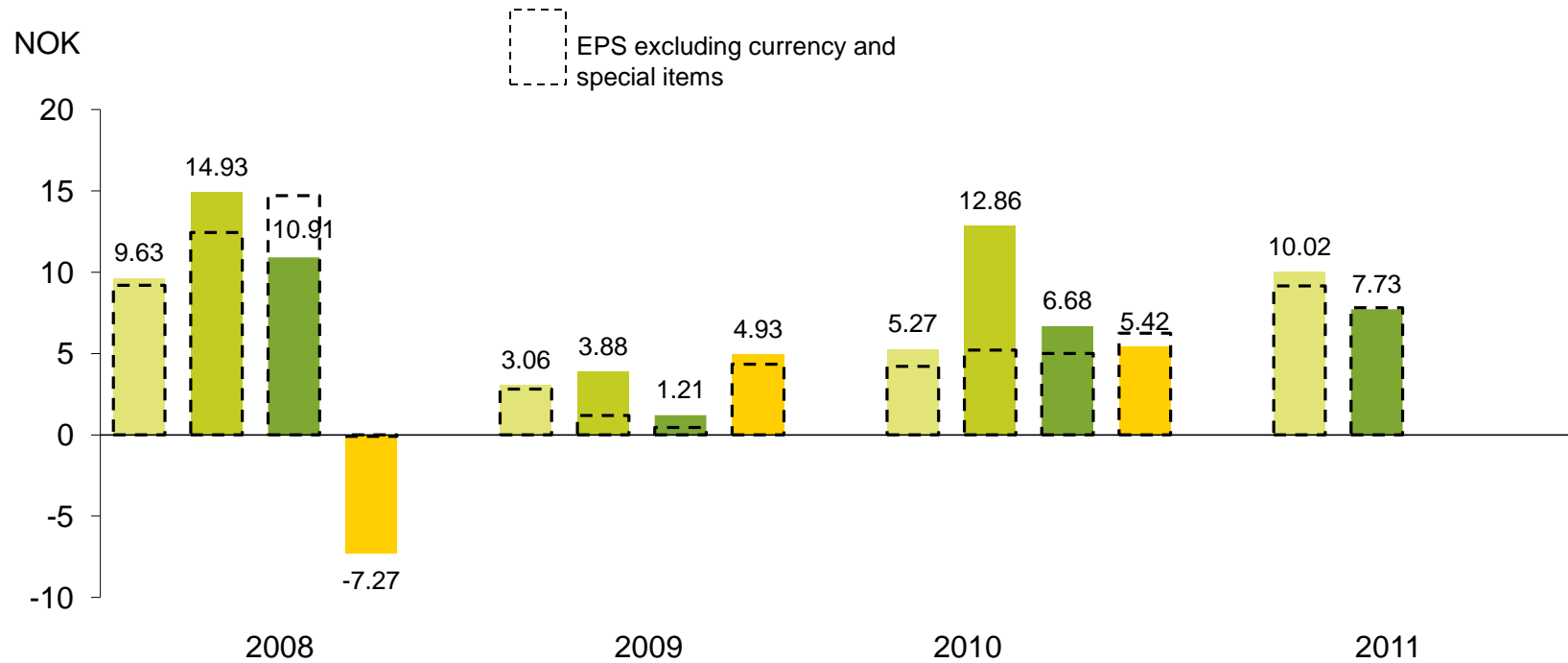
Hallgeir Storvik, CFO  
London, 20 July 2011

## Summary second quarter

- Strong results driven by improved margins
- Lower production due to plant turnarounds and Lifeco stop
- Volumes up 4% but drought impacted sales in Europe
- New European fertilizer season progressing well



# Earnings per share\*



Annual

NOK	28.27	13.08	30.24	17.75
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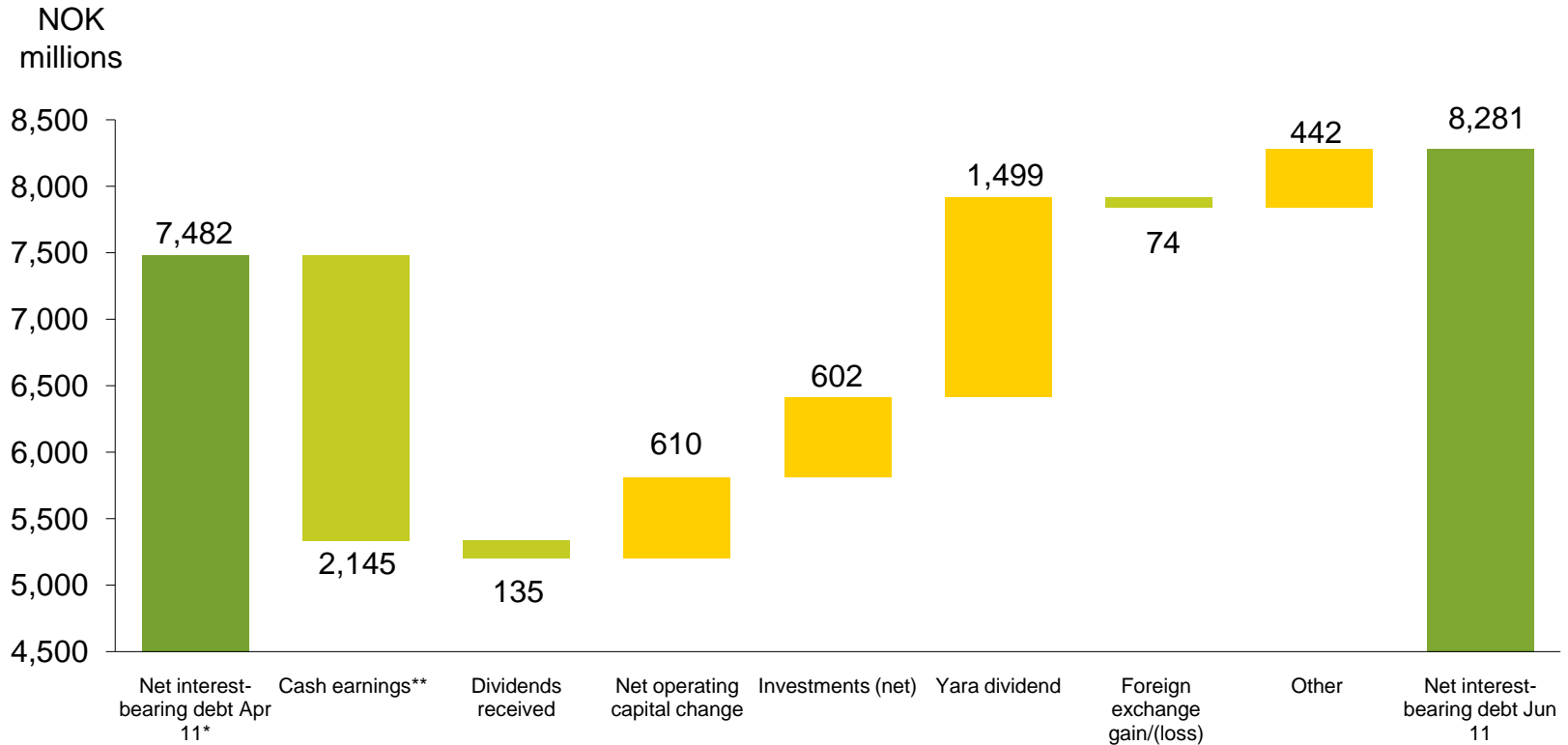
\* Average number of shares for 2Q 2011: 287.8 million (2Q 2010: 288.8 million).



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# Net debt development



\* Included in net interest-bearing debt are external bank time deposits (4-12 months), this is part of other current assets in balance sheet

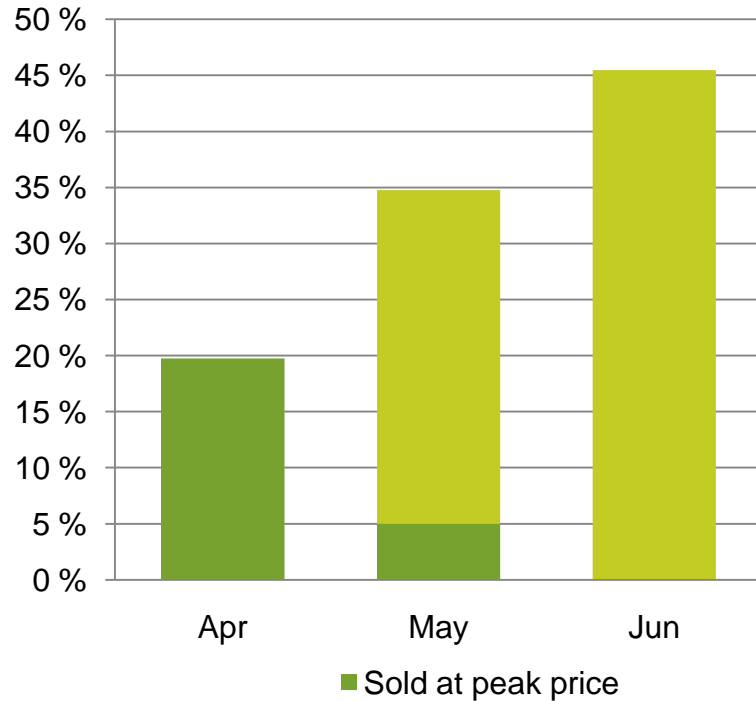
\*\* Operating income plus depreciation and amortization, minus tax paid, net gain/loss on disposals, net interest expense and bank charges



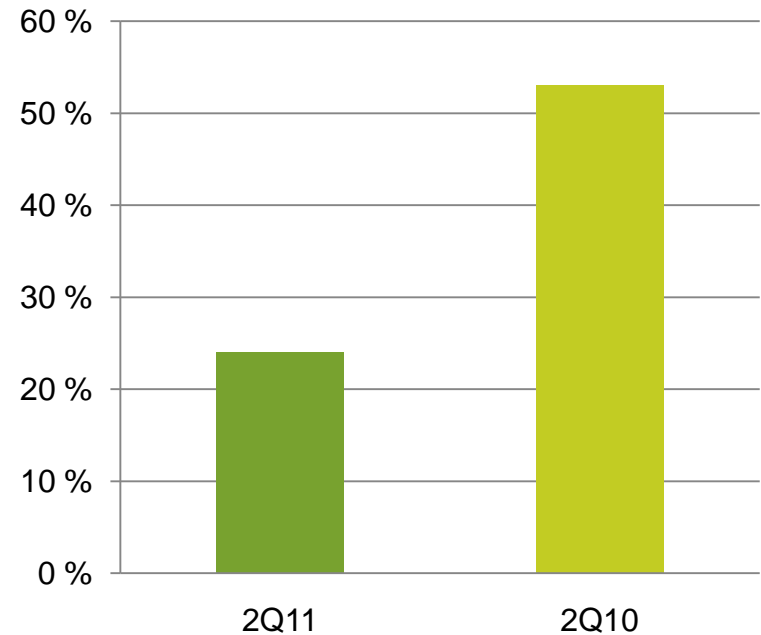
# 75% of nitrate sales at new season price

**Nitrate sales in 2Q11**

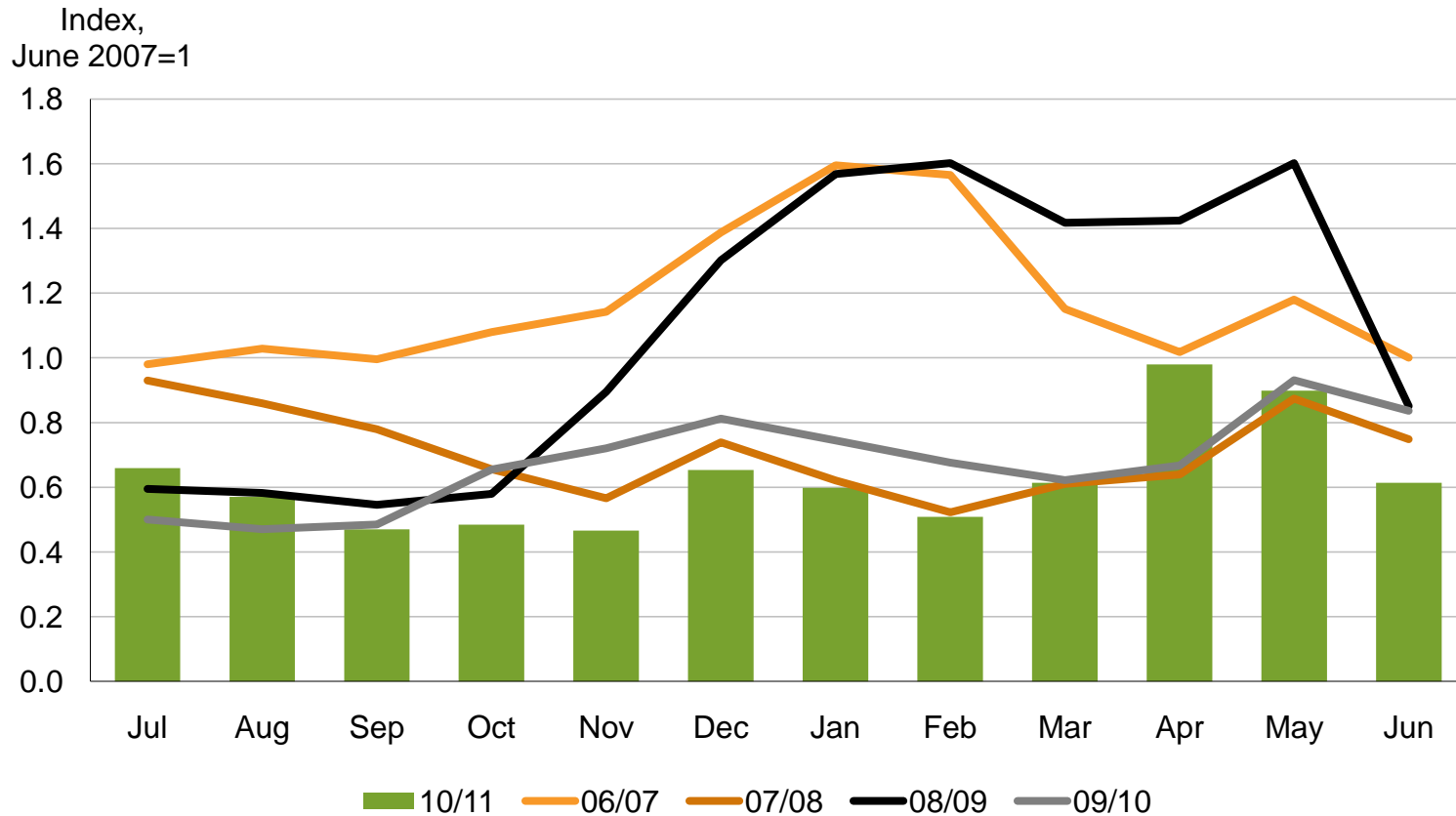
Share of  
2Q sales



**Share of Nitrates sold at peak prices**



# Low European producer nitrate stocks



Source: Fertilizers Europe, June estimate from Yara

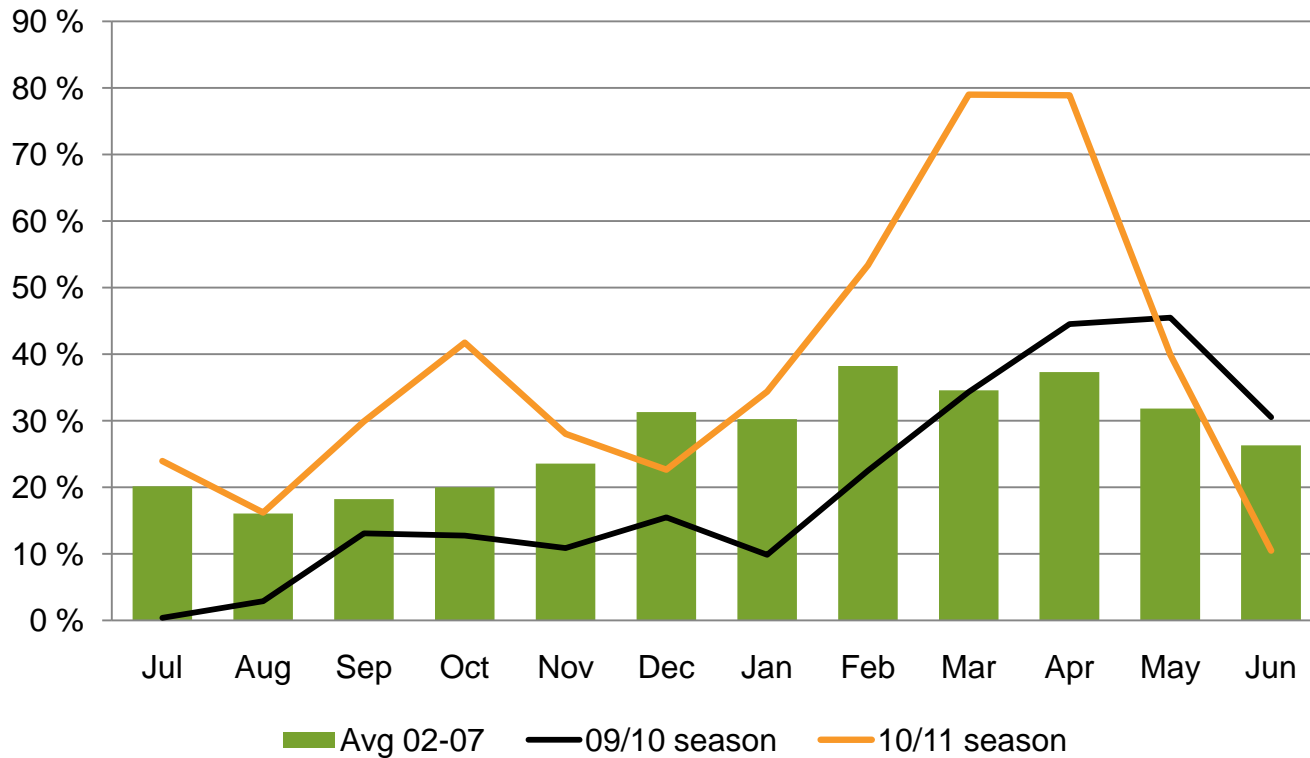


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# Nitrate premium

Nitrate premium proxy\*



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

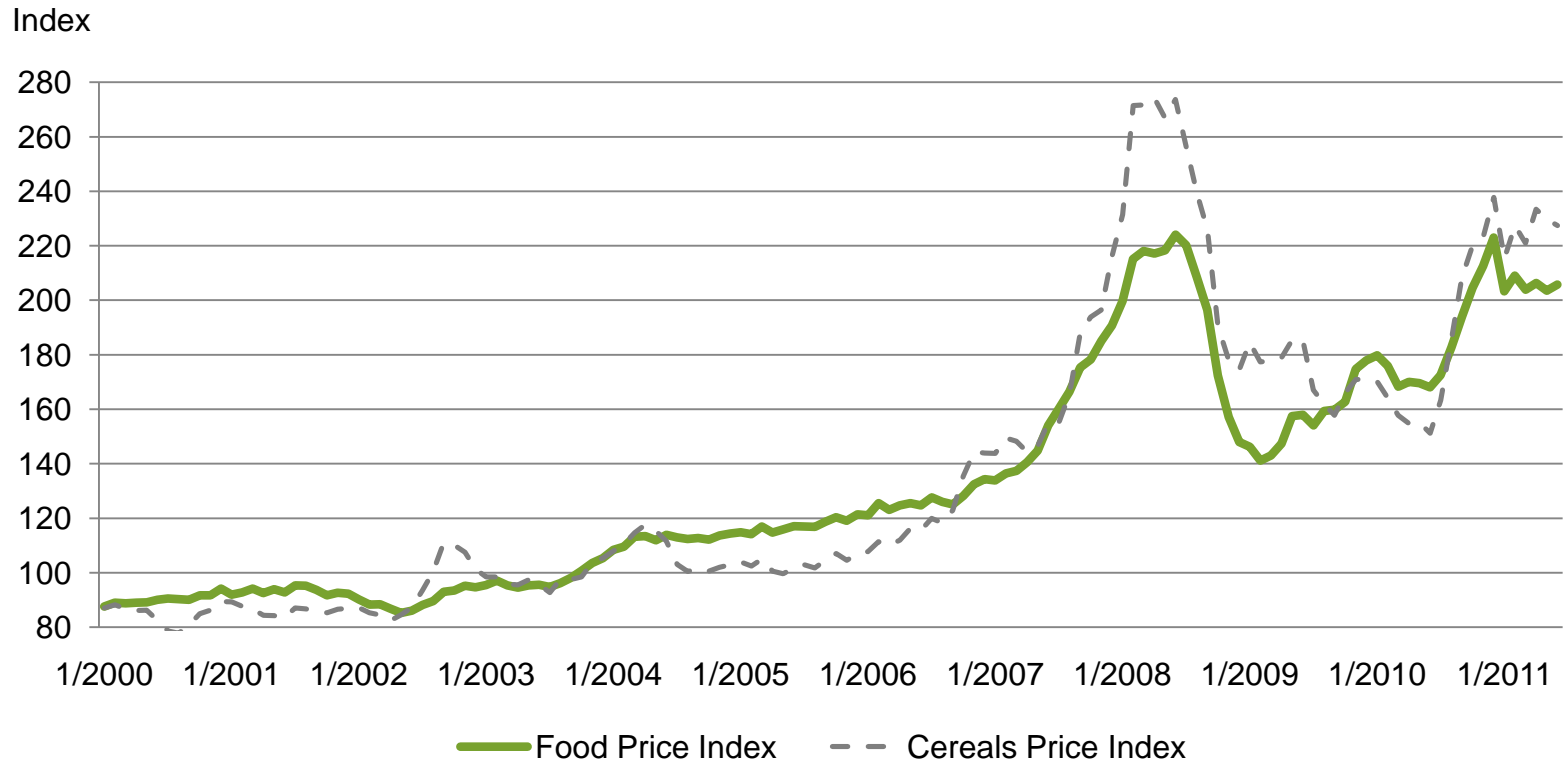


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# Strong farm incentives

*FAO price index*



Source: FAO

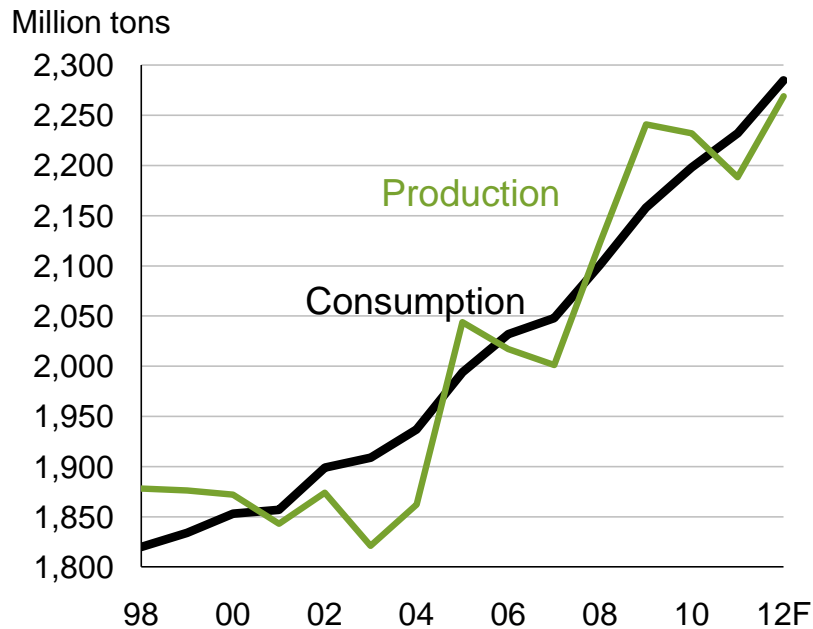


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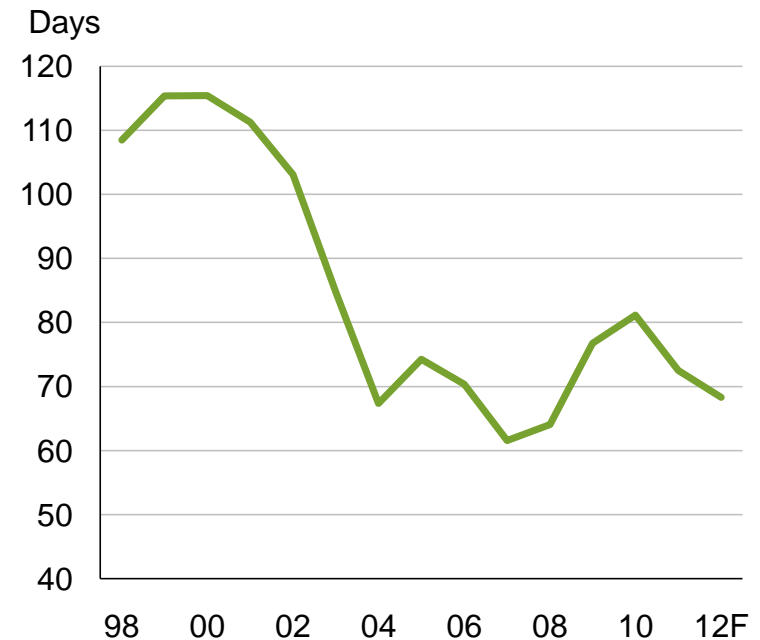


# Stocks-to-use decline despite strong incentives and record production

*Grain production and consumption*



*Days of consumption in stocks*



Source: USDA, July 2011

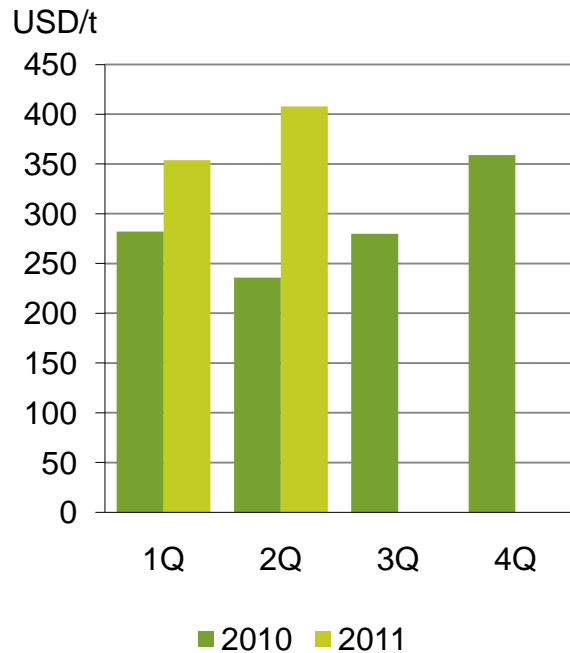


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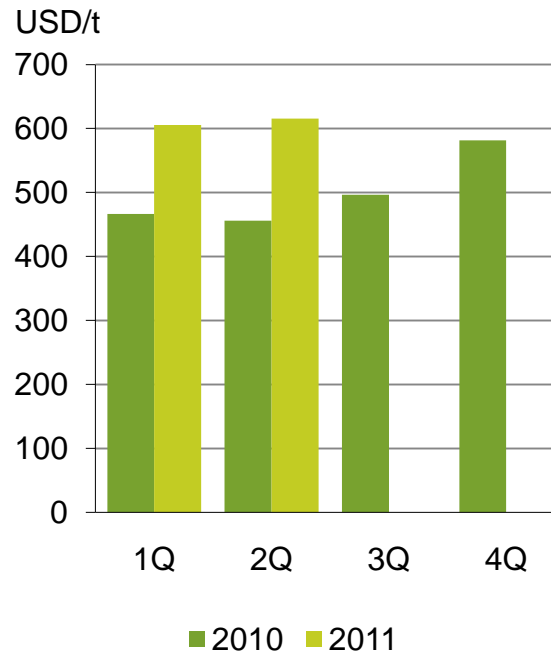


# Strong market for all nutrients

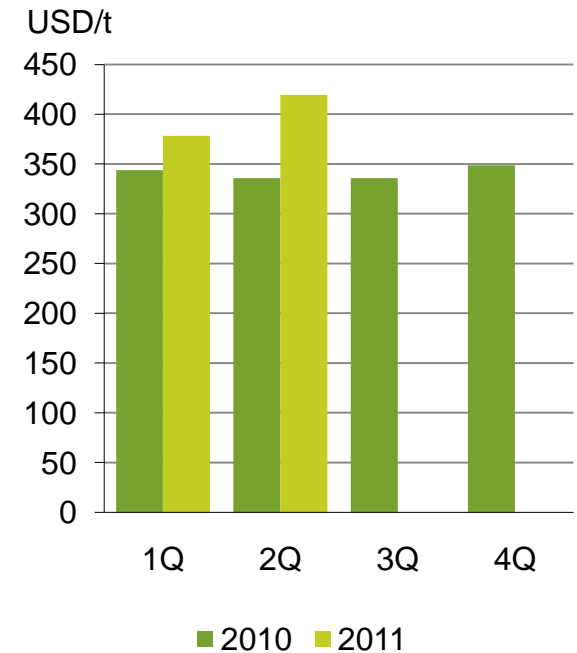
## Urea prilled fob Black Sea



## DAP fob US Gulf



## MOP fob Vancouver



Source: Fertilizer Market Publications



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# Projected nitrogen capacity additions in line with historical consumption growth

Year	Driving regions		Urea capacity growth relative to nitrogen capacity	
	World	Excluding China	World	Excluding China
2010	China 50% Trinidad 8%	Trinidad 15% Iran 12%	2.5% (2.6%)	2.0% (2.0%)
2011	China 54% Pakistan 14%	Pakistan 30% Iran 15%	2.1% (2.2%)	1.5% (1.7%)
2012	China 56% Algeria 18%	Algeria 41% Qatar 17%	4.3% (4.3%)	3.1% (3.1%)
2013	China 40% UAE 13%	UAE 21% Iran 20%	2.2% (2.0%)	2.2% (2.0%)
2014	India 17% Indonesia 15%	India 16% Indonesia 15%	0.9% (0.8%)	1.6% (1.6%)
<b>Gross annual addition 2011-2014</b>				<b>~2.1%</b>
Assumed annual closures				~0.5%
<b>Net annual addition 2011-2014</b>				<b>~1.6%</b>
<b>Trend consumption growth from 2001</b>			<b>2.7%</b>	<b>1.8%</b>

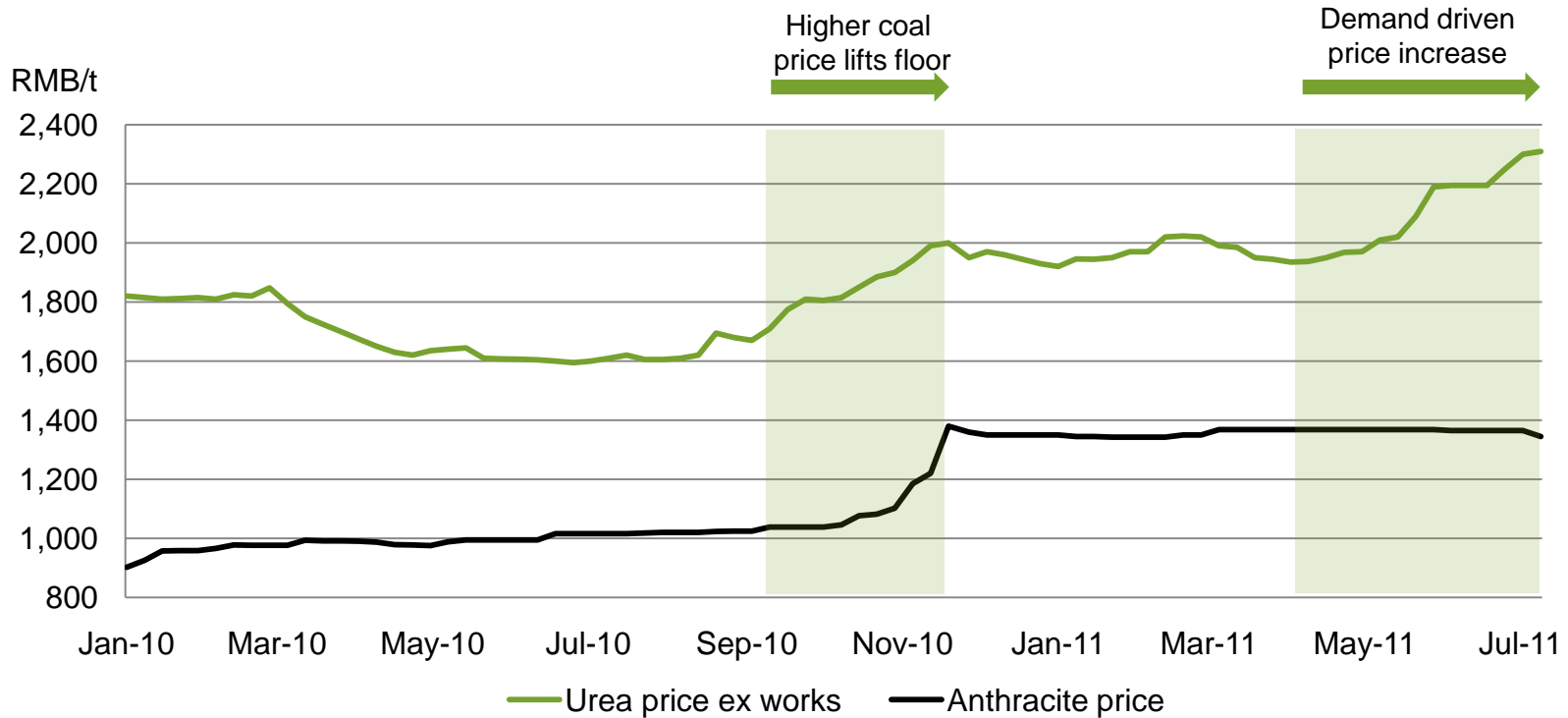
Source: Fertecon update July 2011, IFA on consumption figures



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# Increasing Chinese urea cost and price



Higher coal prices, increased exports and focus on emission control and energy efficiency has led to higher domestic urea prices

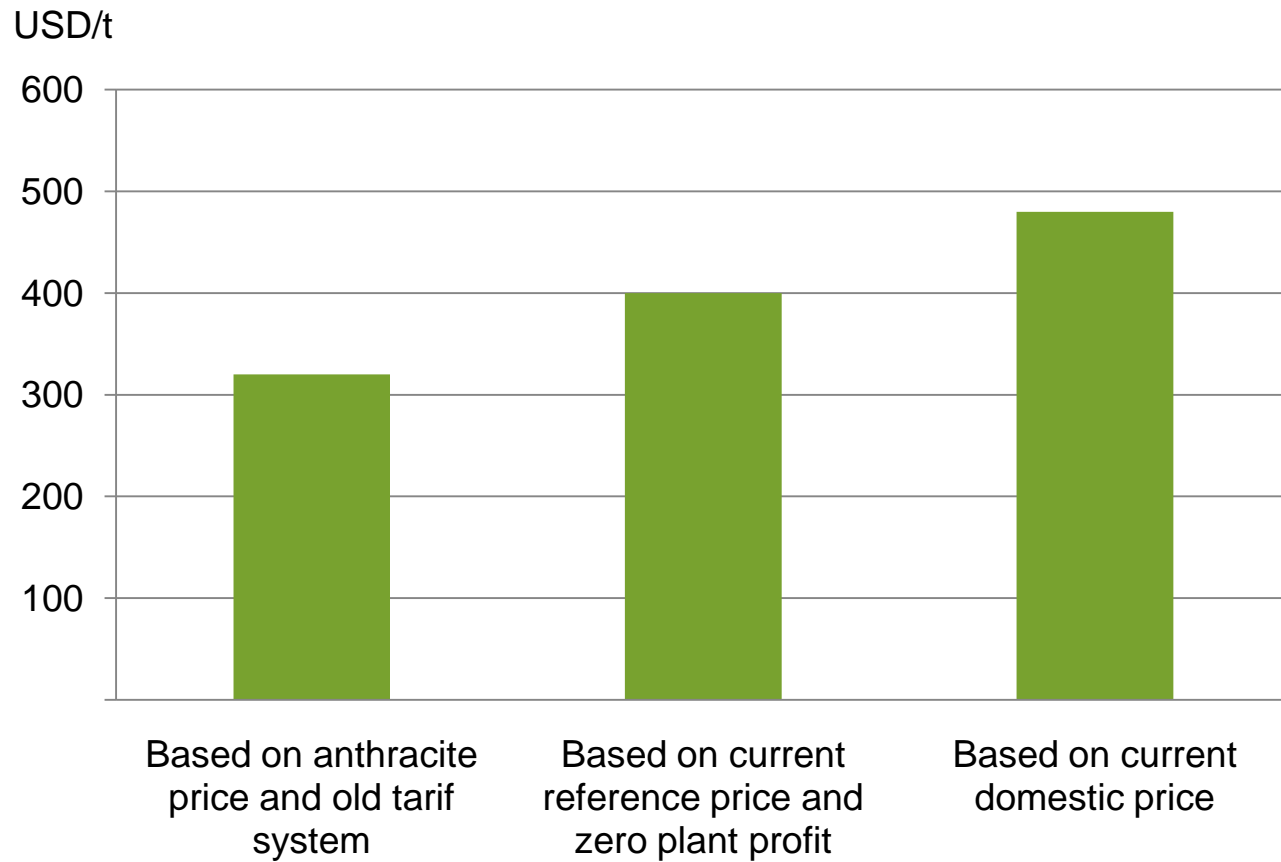
Source: China Fertilizer Market Week



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# Chinese urea export price logic



# Prospects third quarter 2011

- New European season progressing well
- Yara ammonia production expected to be in line with second quarter; finished fertilizer expected to run at full capacity excl. Lifeco
- Progressive export tax means Chinese export volumes are more sensitive to domestic price level
- Low nitrate inventories in Europe



## Prospects next twelve months

- Global agriculture markets are strong, with FAO food price index up 39% from last year
- Expected decline in grain stocks-to-use underlines need for further improvement in agricultural productivity
- Global nitrogen fertilizer industry outside China running at full capacity
- Chinese 110% urea export tax planned from 1 November
- Yara's energy costs for next half year expected up NOK 1.4 billion compared with last year

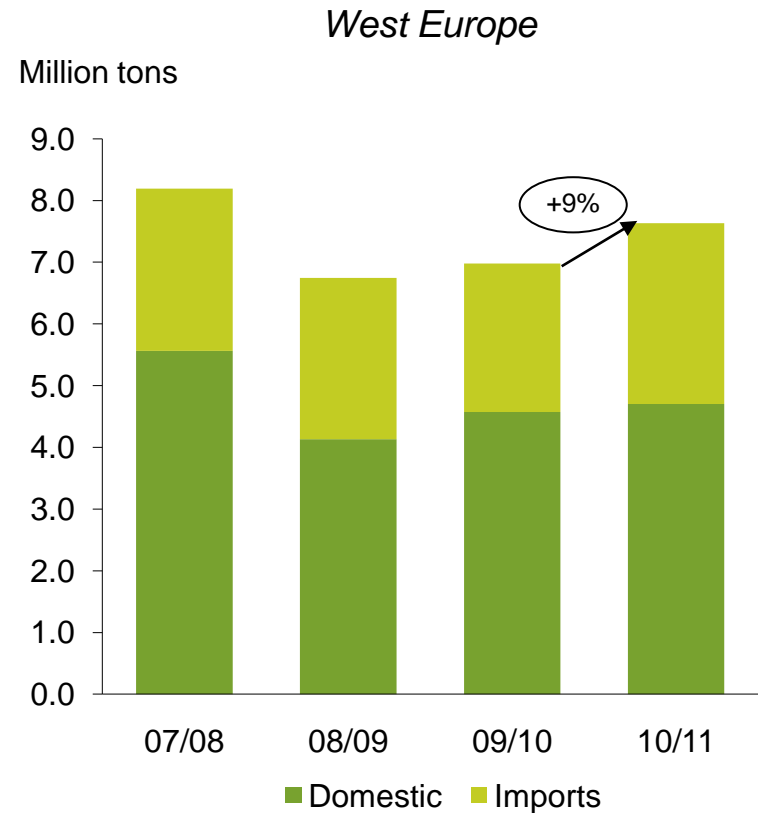
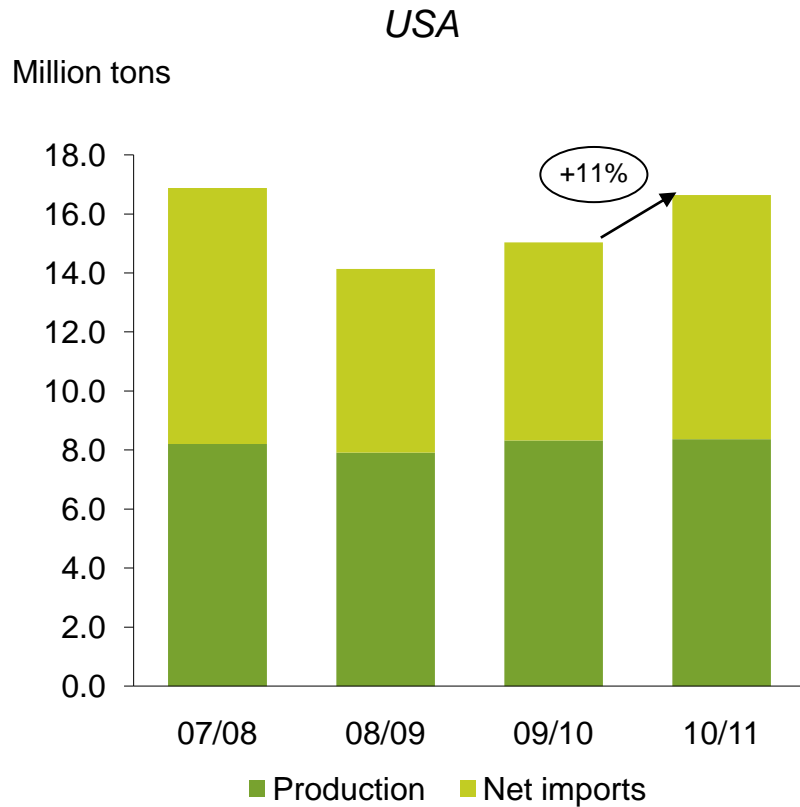




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# Additional information

# Strong season with increased nitrogen deliveries



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



# Yara sensitivities

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

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

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

Sensitivities assume full production and no inter-correlation between factors



## Price and currency assumptions in scenarios

	12 months to 30 Sep 10	5-year average to 30 Sep 10	Chinese swing*	Demand-driven**
Ammonia fob Black Sea (USD/t)	318	322	340	340
Urea prilled fob Black Sea (USD/t)	254	306	270	420
Nitrate premium (% above Nitrogen in Urea)	23%	32%	25%	25%
Phos rock fob North Africa (USD/t)	105	133	110	110
Zeebrugge natural gas (USD/MMBtu)	5.4	7.3	8.0	8.0
Henry hub natural gas (USD/MMBtu)	4.4	6.6	4.5	4.5
Brent blend crude oil price (USD/bbl)	74	74	85	85
Yara's European energy price (USD/MMBtu)	7.1	8.2	8.4	8.4
NOK/USD	6.0	6.1	6.0	6.0
USD/EUR	1.36	1.36	1.36	1.36

\* Ammonia and urea prices equal to marginal producers' cash cost, energy prices are forward prices as of 26 November

\*\* Given example to illustrate effect of urea price USD 150 per ton above marginal cost.



## Simplified P&Ls for scenarios

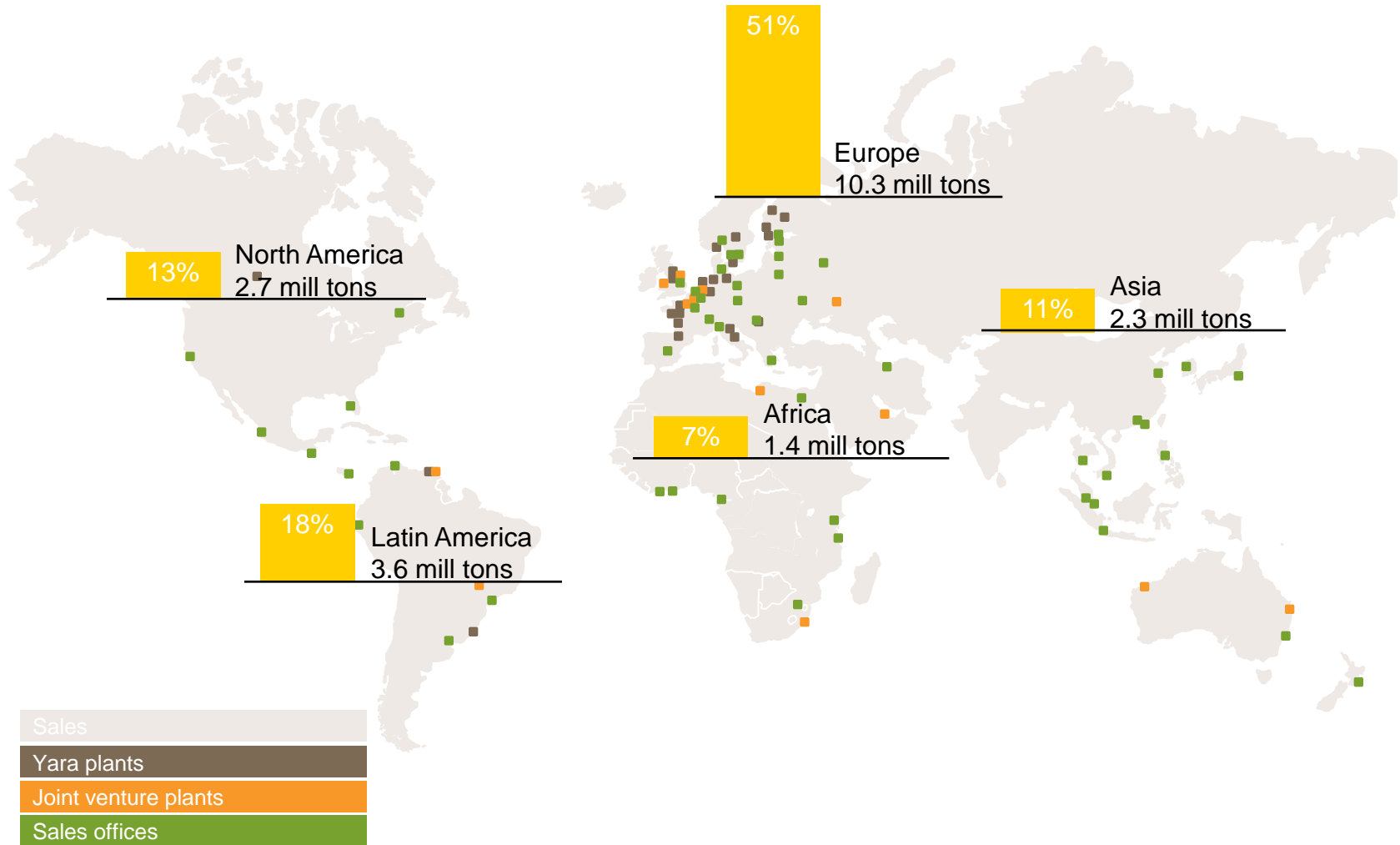
NOK	12M to 30 Sep 2010 *	5-year average to 30 Sep 2010**	Chinese swing	Demand-driven
EBITDA	8,700	13,000	9,500	21,000
Depreciation	(2,500)	(2,500)	(2,500)	(2,500)
Net finance	(1,000)	(700)	(700)	(700)
Income before tax	5,200	9,800	6,300	17,800
Tax	(1,200)	(2,200)	(1,200)	(4,100)
Net income	4,000	7,500	5,100	13,700
Number of shares (millions)	288.8	288.8	288.8	288.8
<b>Earnings per share (NOK)</b>	<b>14</b>	<b>26</b>	<b>18</b>	<b>47</b>
Earnings per share (USD)	2.3	4.3	2.9	8.0

\* Excluding foreign exchange gain/loss, special items and energy arbitrage

\*\* Not historical earnings, but estimated earnings for today's Yara business, using 5-year average price conditions.

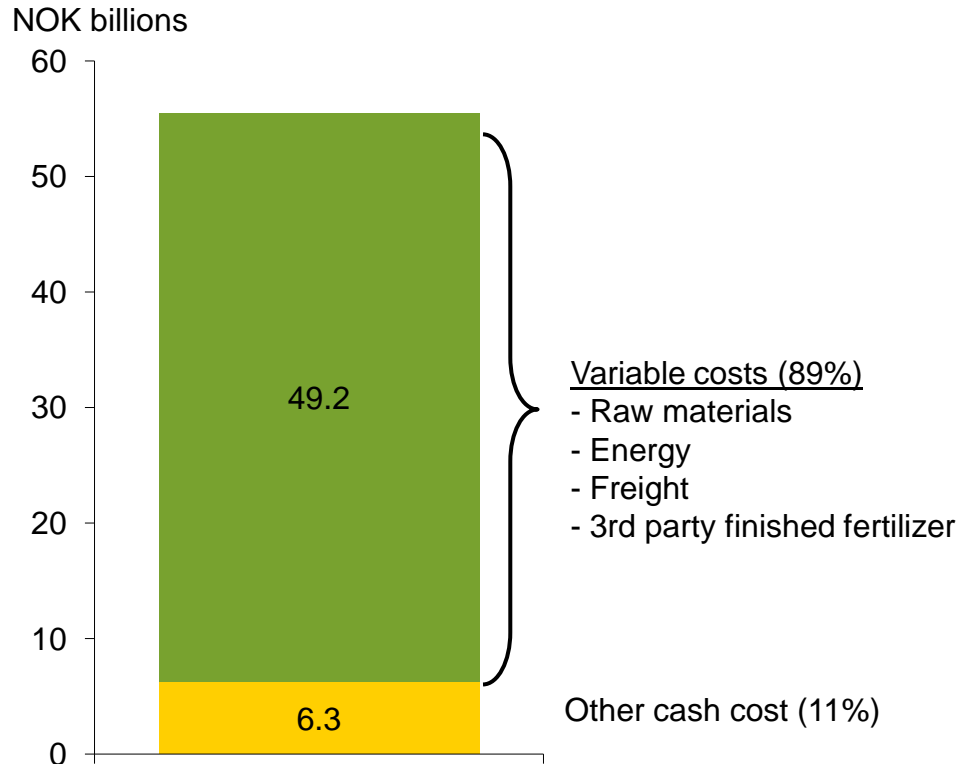


# Global downstream presence with sales offices in more than 50 countries



# Yaras operating cash costs are mainly variable

Operating cash costs 2010



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



# Structure for Growth

## Geographical Focus – Regional updates

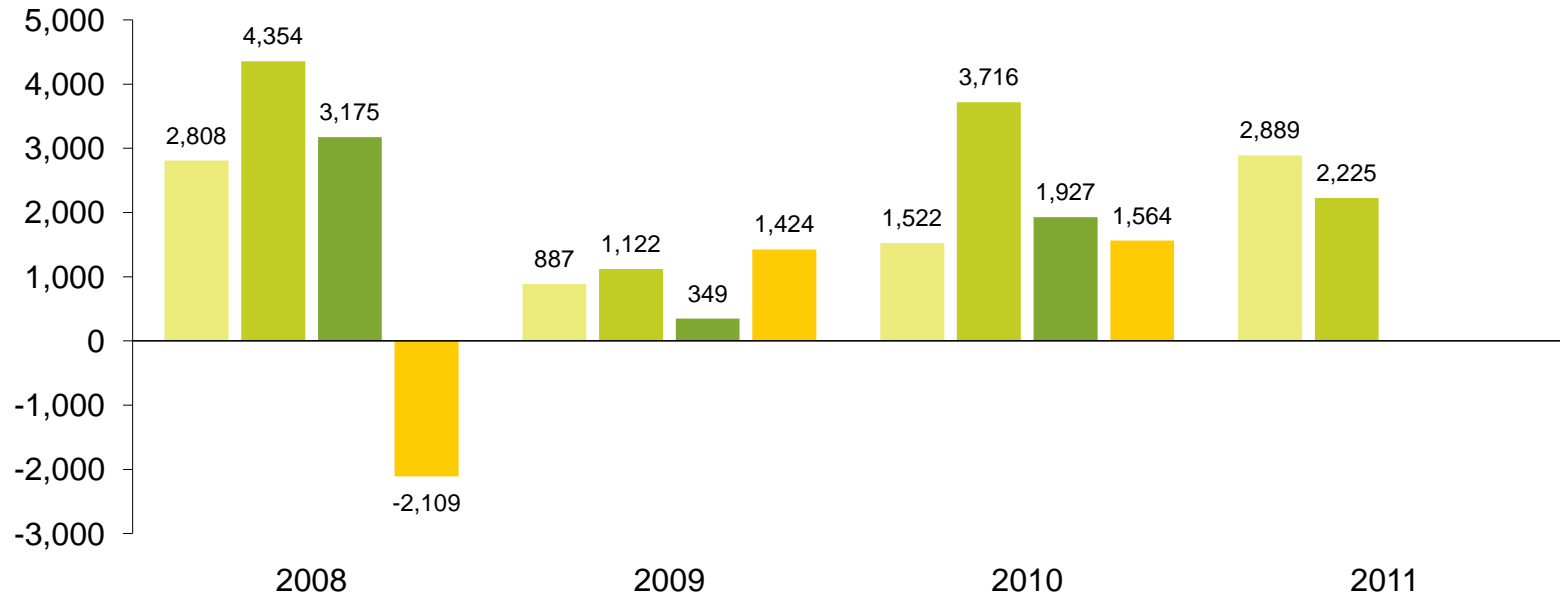
Market	Industry Characteristics	Yara focus and actions
North America	Consolidated	Market structure settled in short to medium term – map strategic intentions of key players in both market stress and boom scenarios and develop Yara response
West Europe	Mature, with some consolidation remaining; non-core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

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



# Net income after non-controlling interests

NOK millions



Annual

NOK millions	8,228	3,782	8,729	5,114
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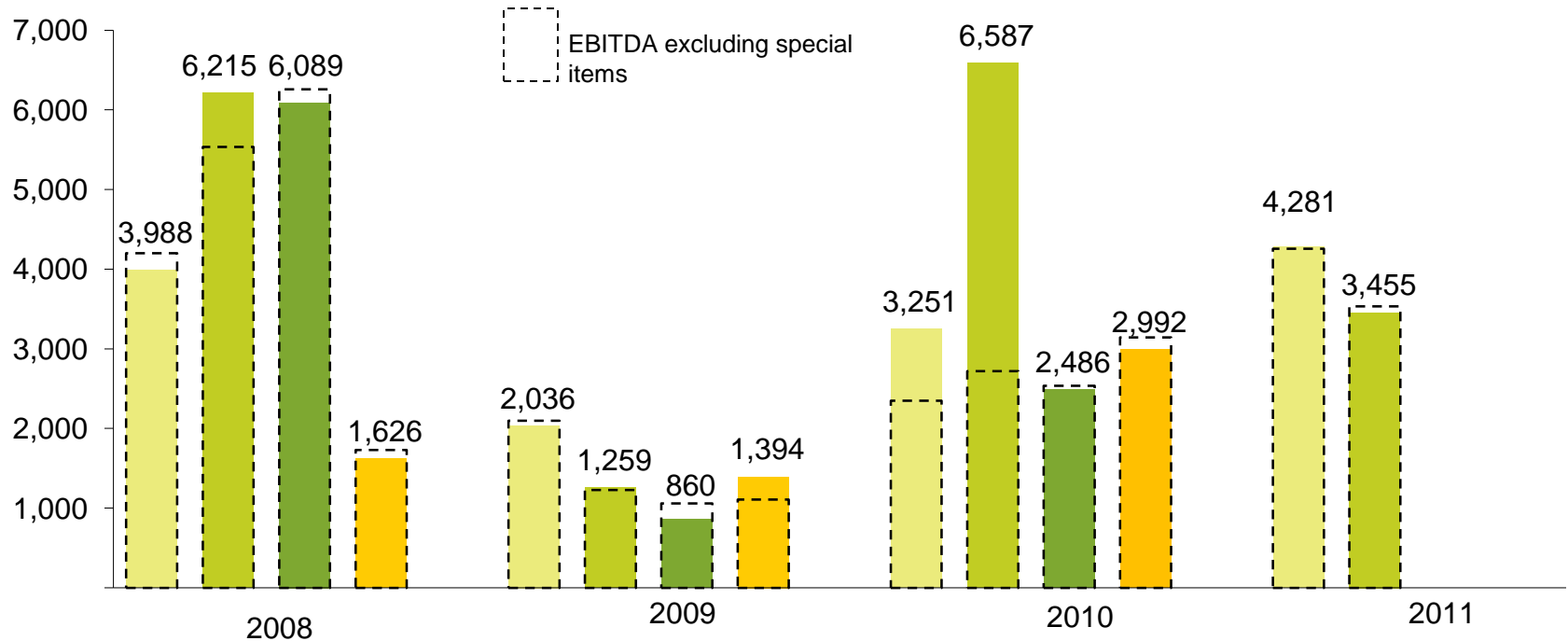


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# Earnings before interest, tax, depreciation and amortization (EBITDA)

NOK millions



Annual

NOK millions	2008	2009	2010	2011
	17,917	5,549	15,315	7,736



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# Variance analysis Yara group

NOK millions	2Q 2011
EBITDA 2011	3,455
EBITDA 2010	6,587
Variance EBITDA	(3,132)
Volume & mix	29
Price/Margin	2,177
Oil & gas costs in Europe	(915)
Special items	(3,944)
Other	(125)
Conversion (NOK vs. USD)*	(354)
<b>Total variance explained</b>	<b>(3,132)</b>

\* Based on average NOK per USD rate for the quarter 2011: 5.44 (2010: 6.22)



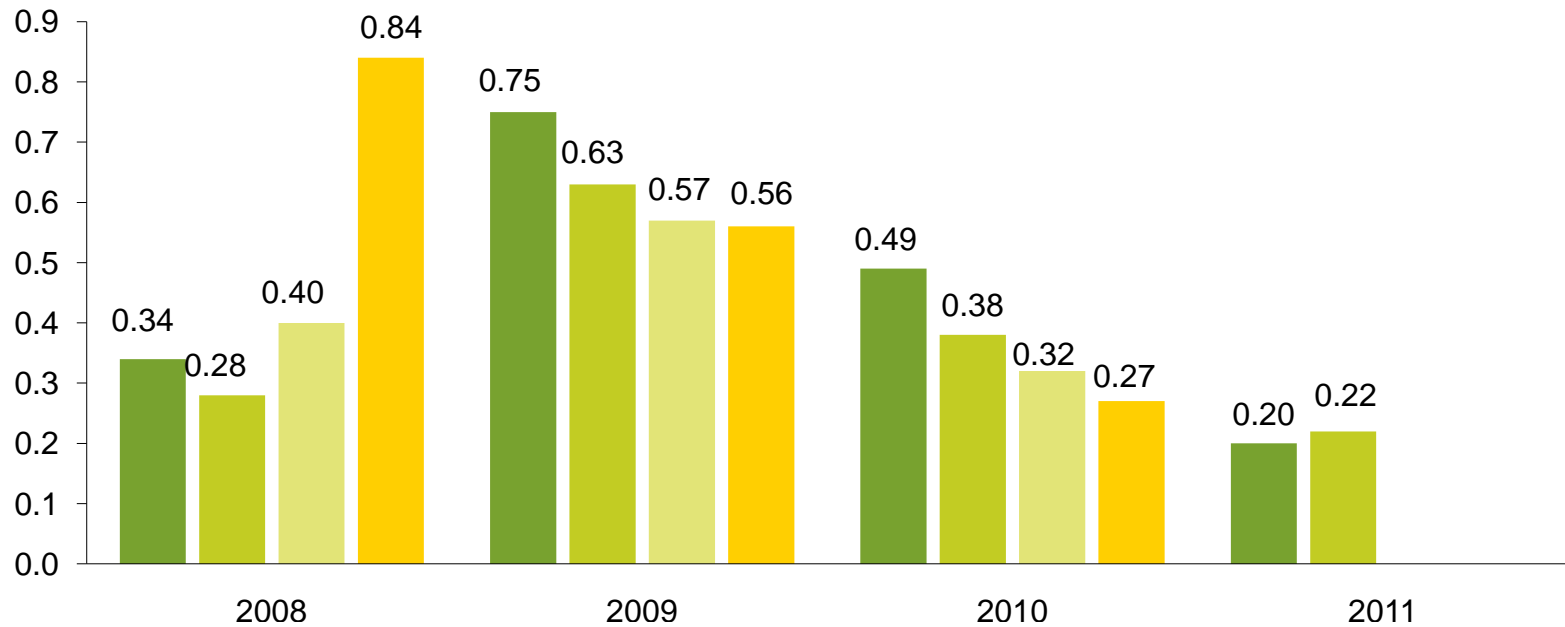
# Share of net income in equity-accounted investees

NOK millions	2Q 2011	2Q 2010
Qafco	286	159
Tringen	75	65
Rossosh	53	40
Burrup	71	(25)
GrowHow UK Ltd.	54	37
Lifeco	(76)	35
Other	64	59
<b>Total</b>	<b>526</b>	<b>370</b>

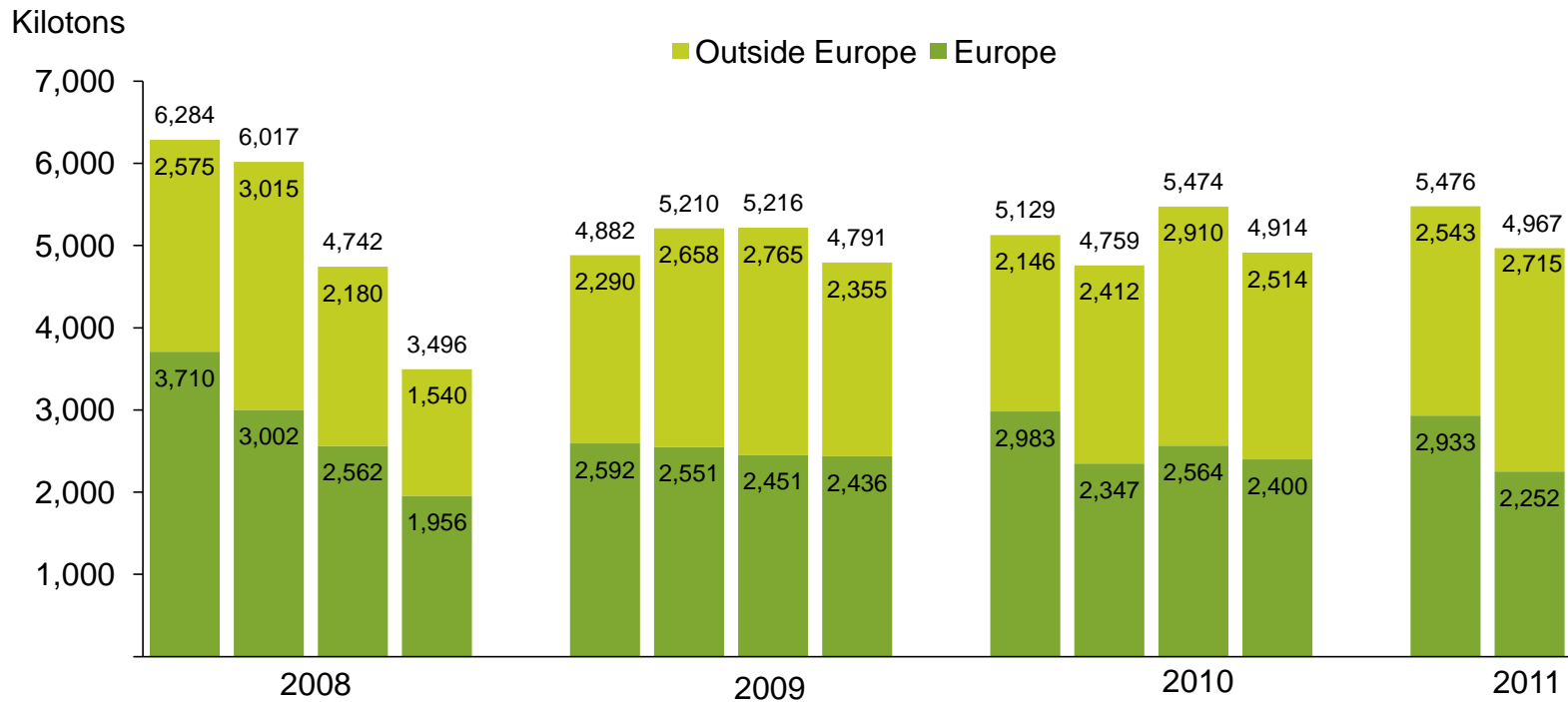


# Debt/equity ratio

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



# Fertilizer volumes up 4% on last year



Accumulated, Kt

Fin. fertilizer	20,540	20,099	20,276	10,443
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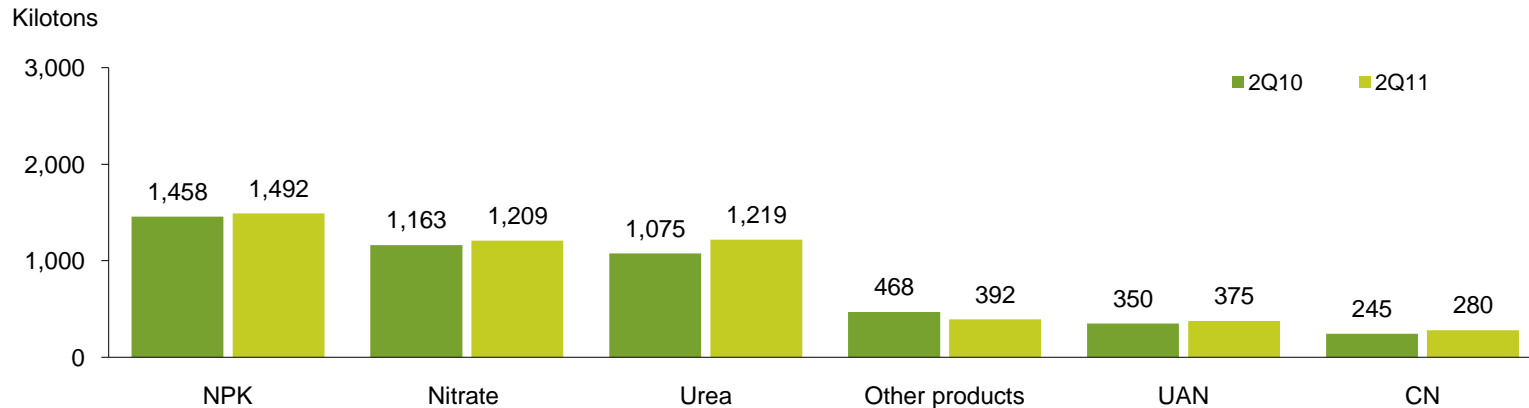
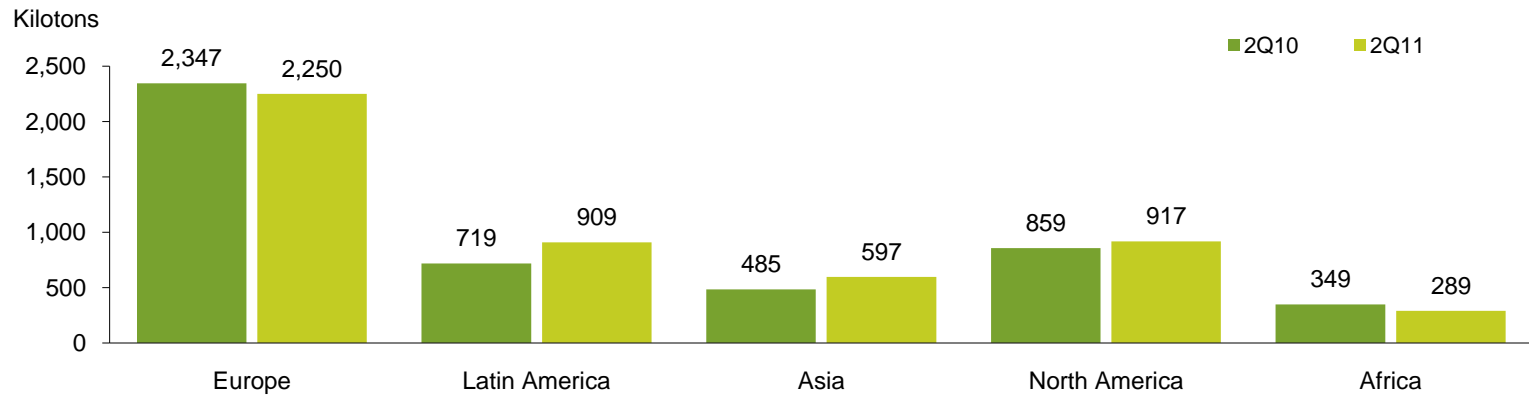


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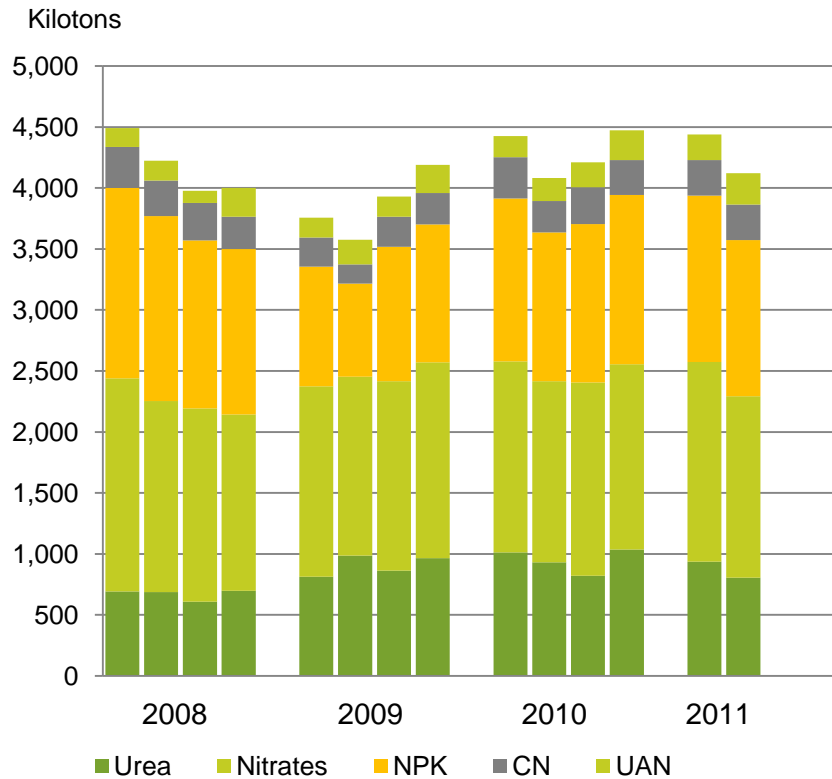
# Yara 2Q fertilizer sales by market and product

2011: 5.0 million tons (2010: 4.8 million tons)

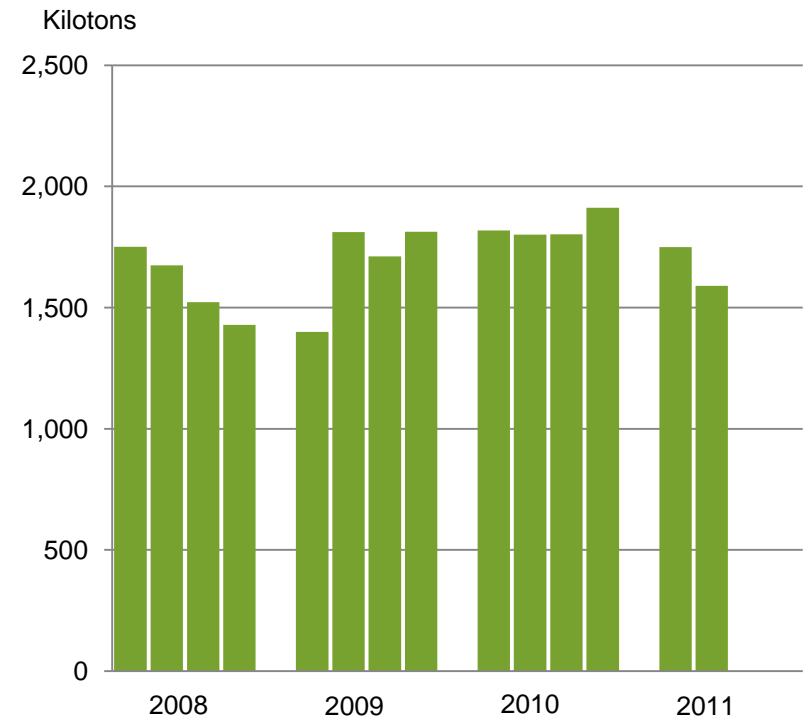


# Yara – production volume\*

## Finished fertilizer



## Ammonia



\* Including share of equity-accounted investees

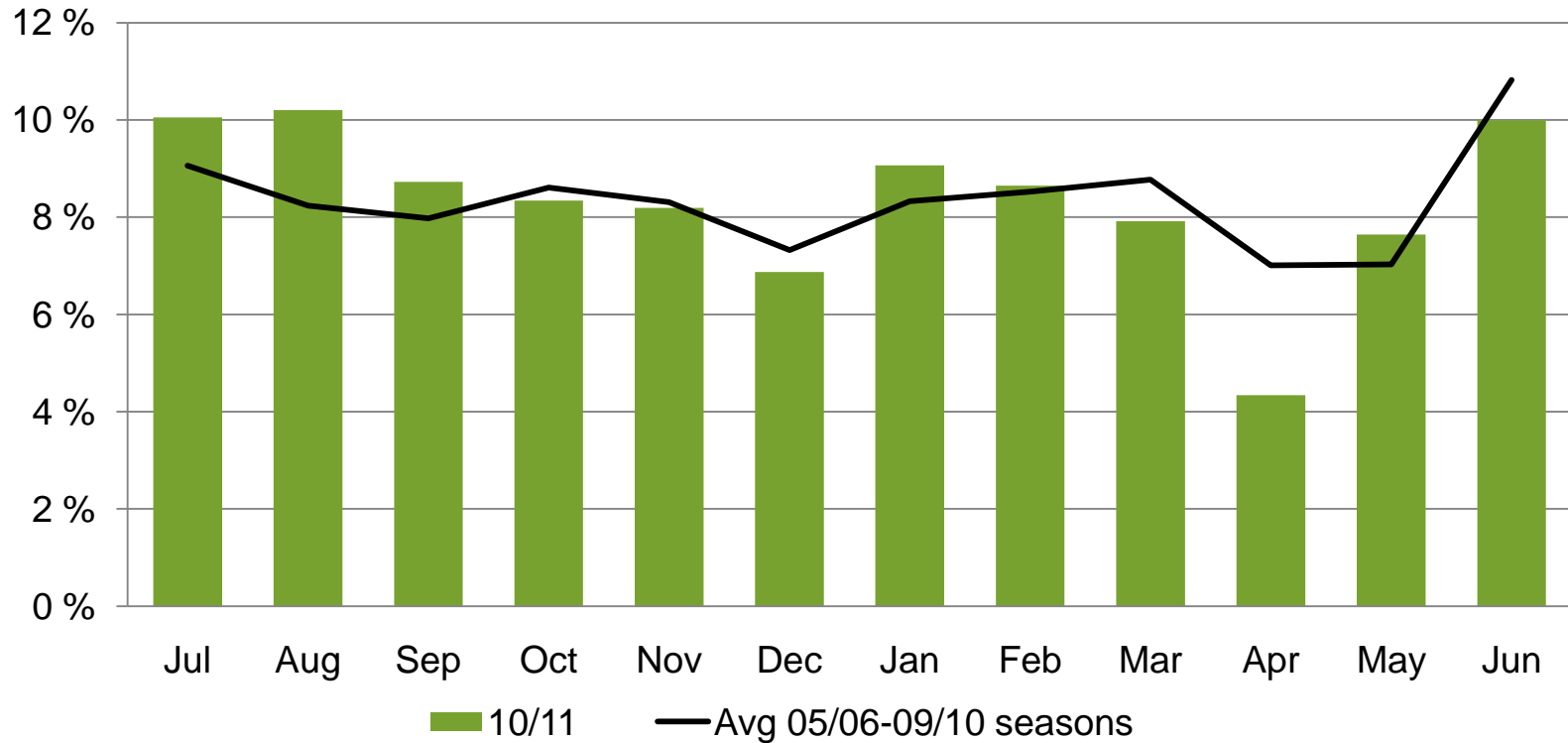


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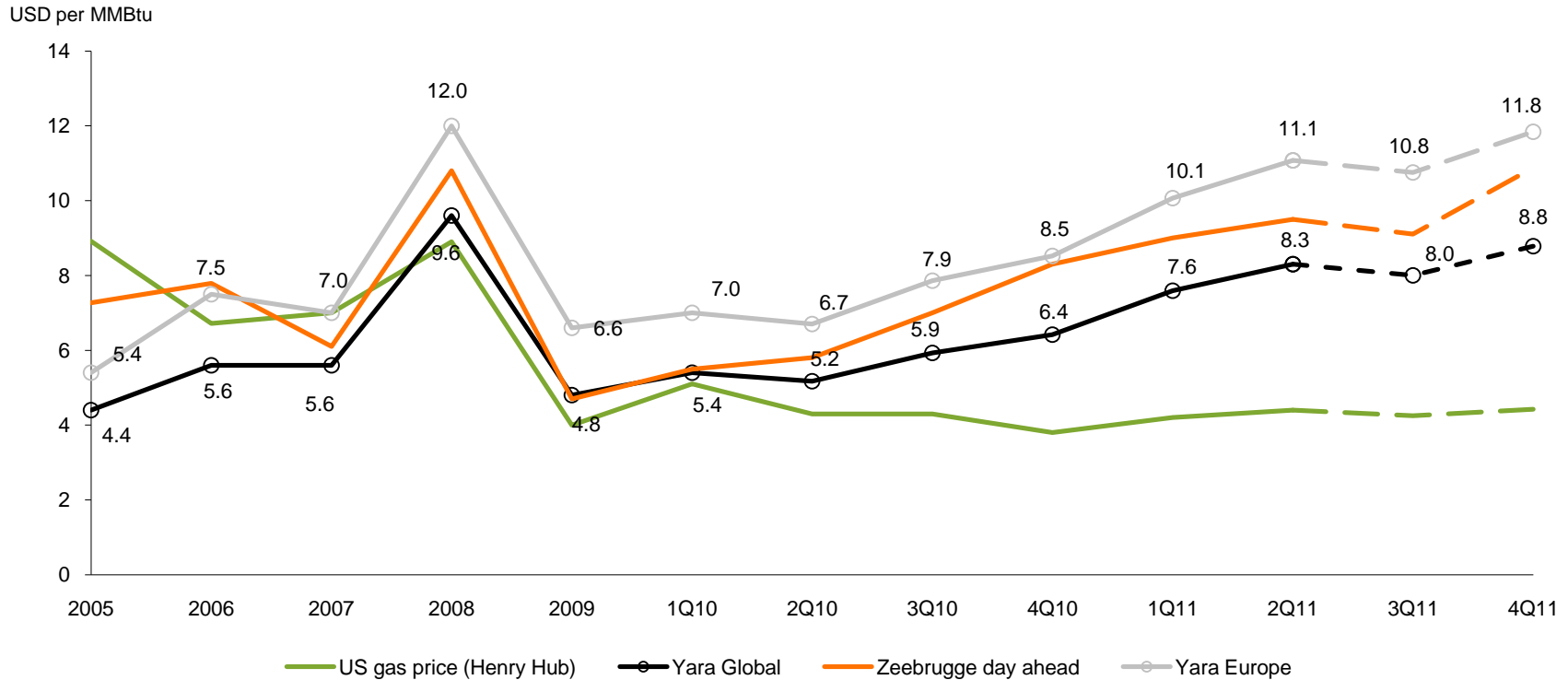
# Yara nitrate sales

Share of annual sales



# Spot natural gas versus Yara average

Yearly averages 2005 – 2009, quarterly averages for 2010 and 2011 with forward prices for 2011\*



\*Dotted lines denote forward prices as of 11 July

Source: Yara, World Bank, Platts

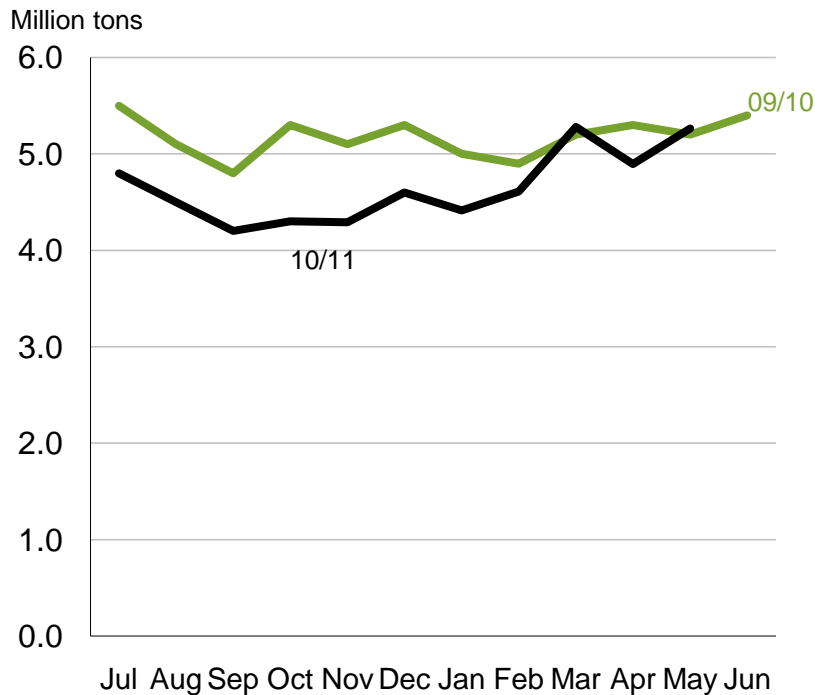


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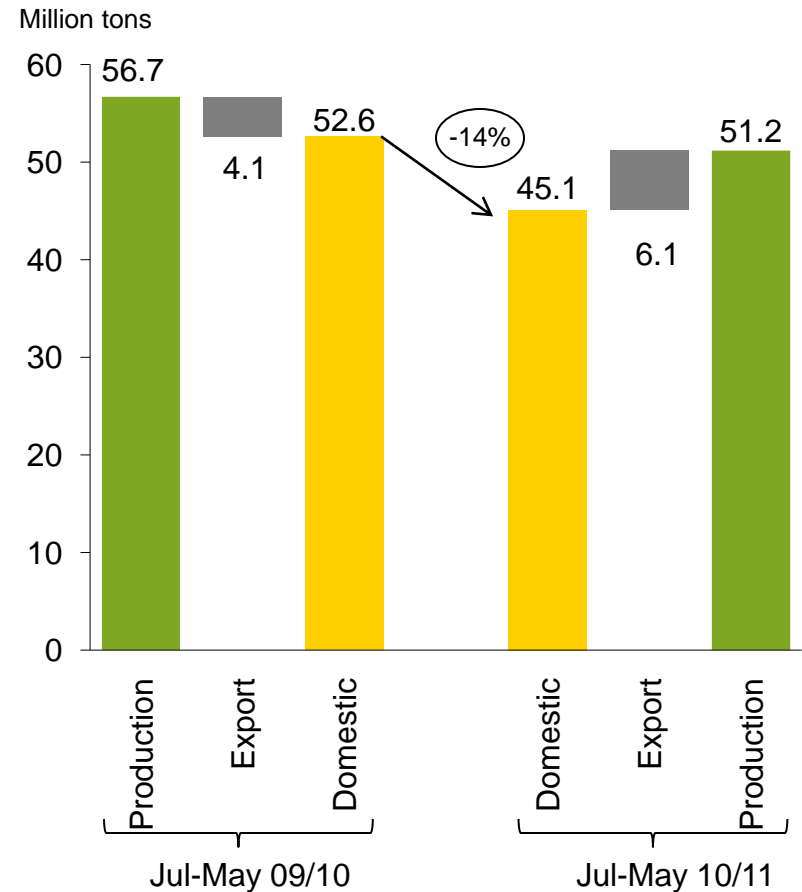


# Domestic urea supply from producers – July to May down 14%

Chinese urea production



Domestic urea balance



Source: BOABC

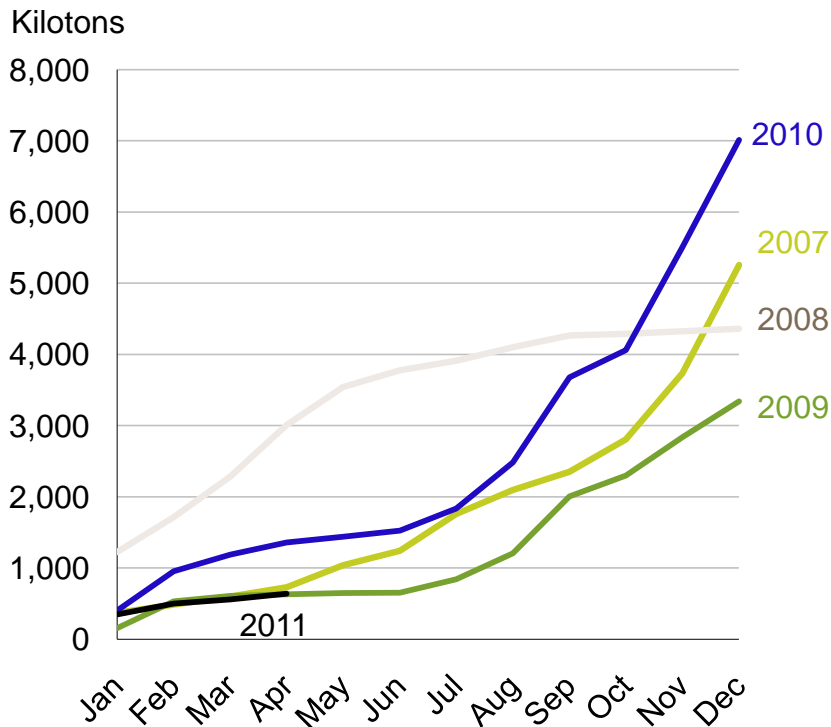


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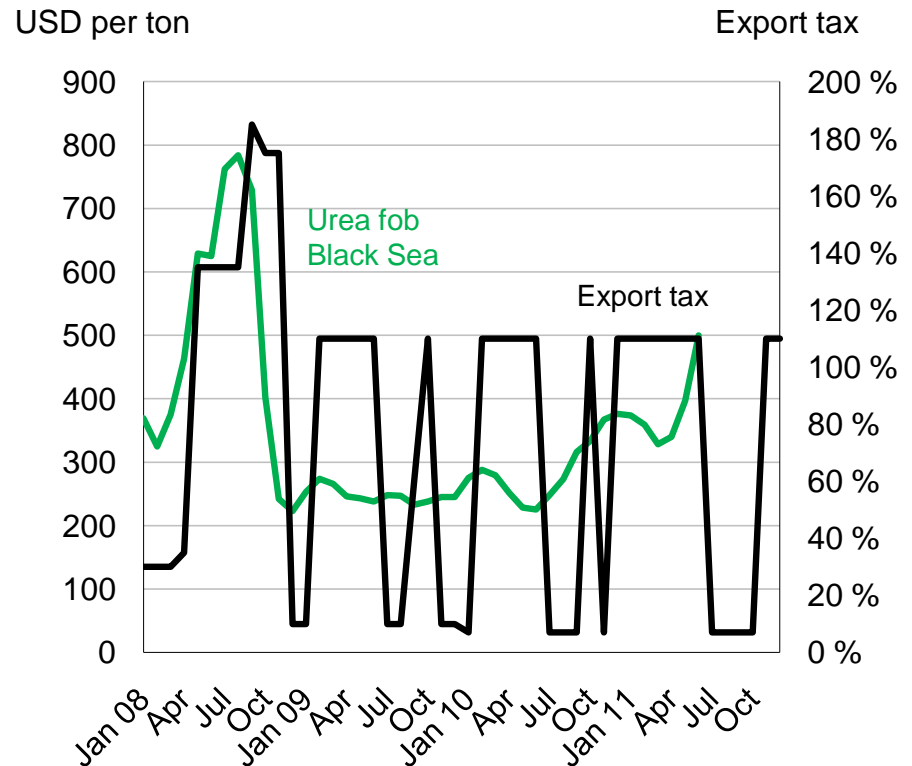


# Chinese exports needed to balance the global market

Accumulated urea exports



Urea price and export tax



Source: BOABC

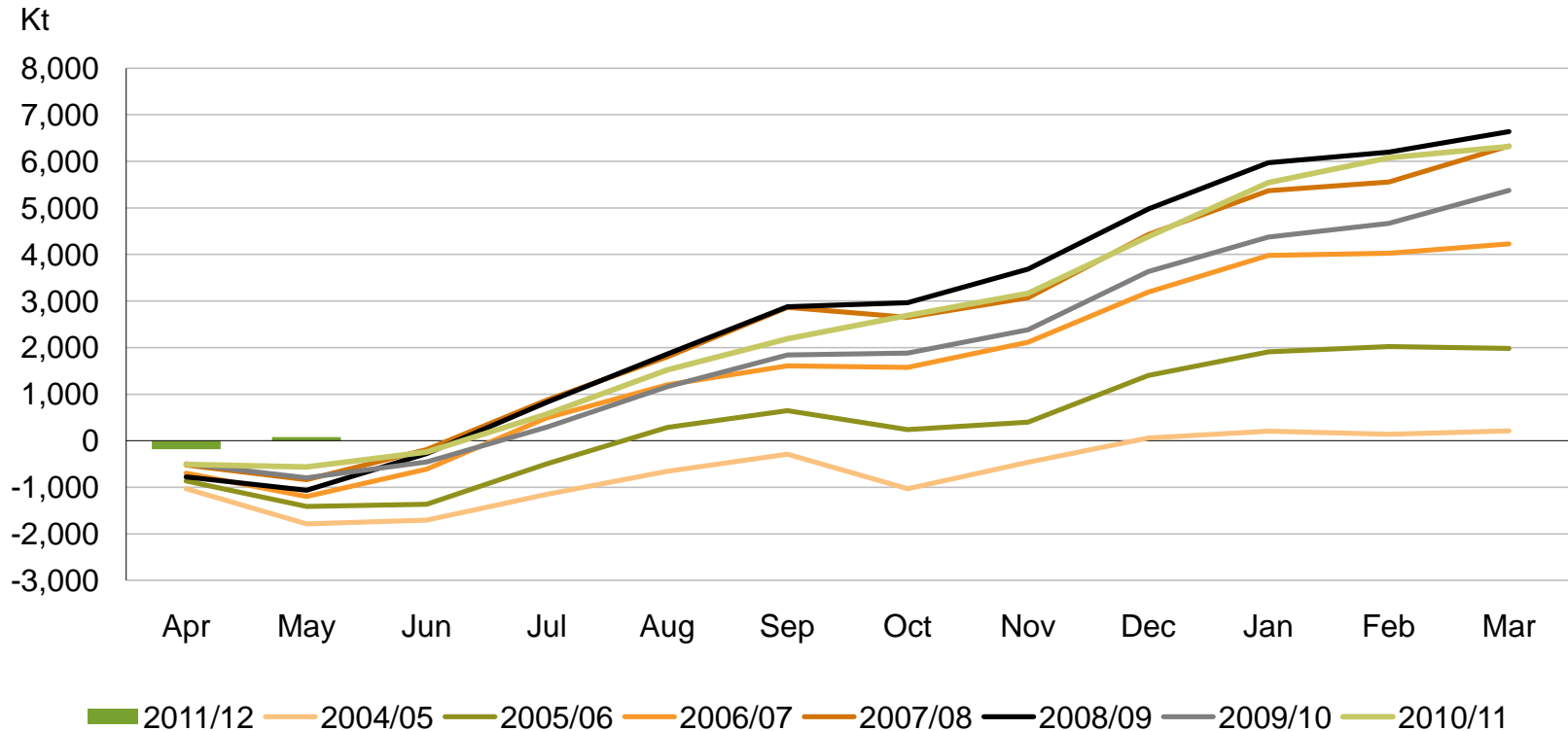


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# Import need returning to the peak level of 08/09

Sales - Production



- Kharif (July planting) – imports Apr-Sep
- Rabi (November planting) – imports Oct-Jan

Source: Indian Statistics

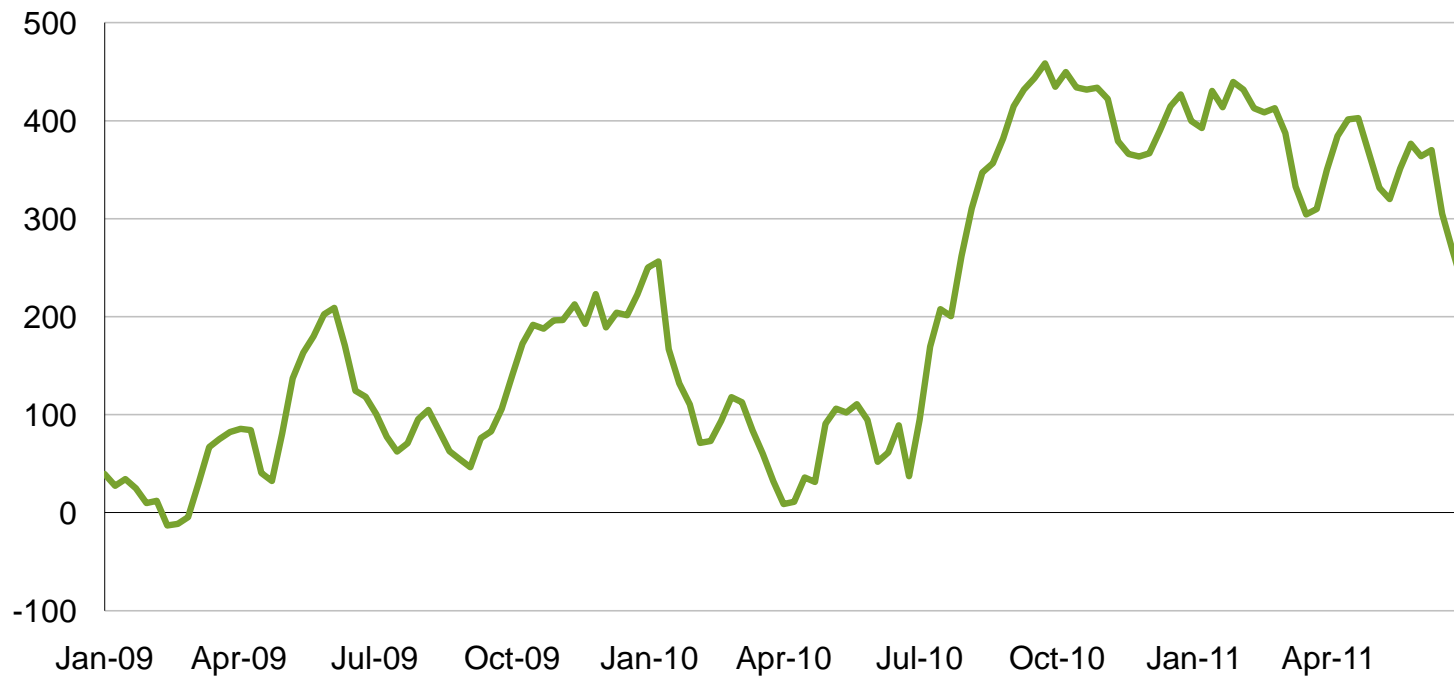


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# Non-commercials' net long position in corn

Thousand contracts



Source: US Commodity Futures Trading Commission

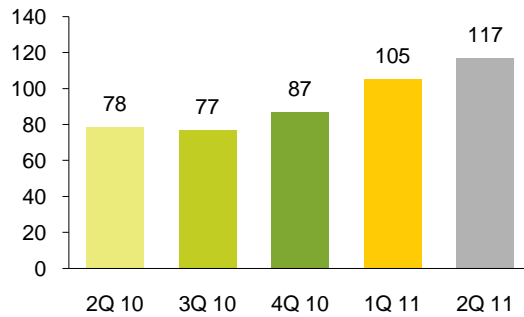


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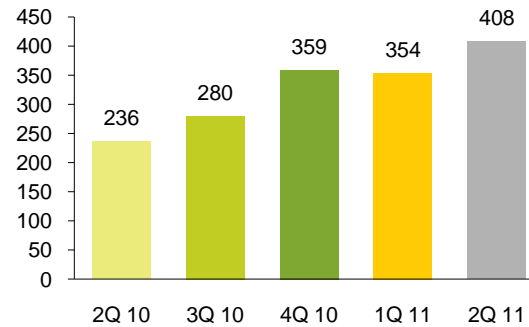


# Key value drivers – quarterly averages

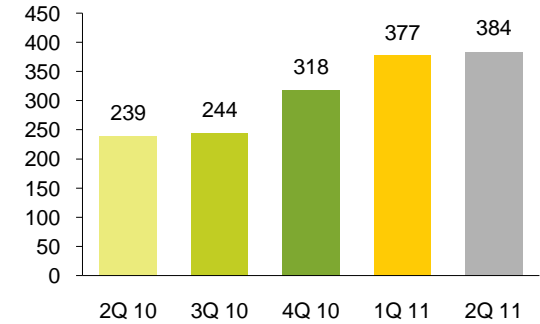
Oil Brent blend spot (USD/bbl)



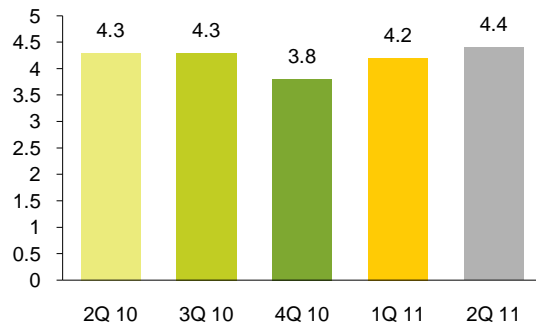
Urea prilled fob Black Sea (USD/t)



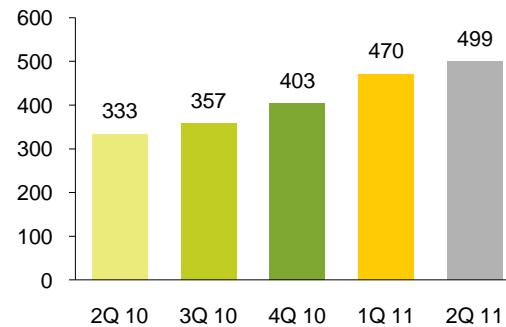
CAN cif Germany (USD/t)



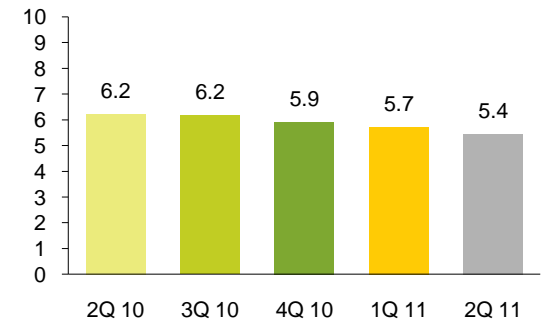
US gas price Henry Hub (USD/MMBtu)



Ammonia fob Black Sea (USD/t)



NOK/USD exchange rate

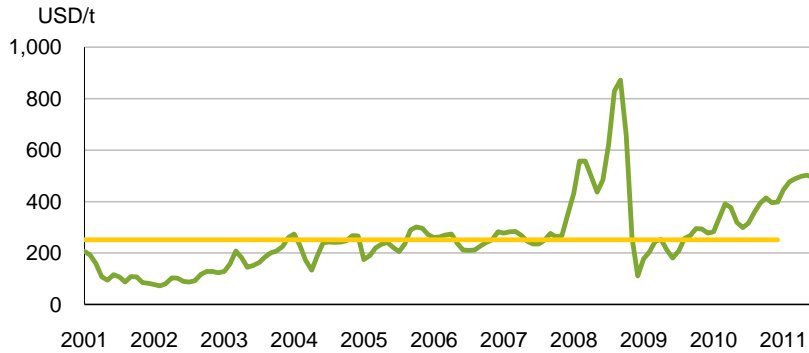


Source: Fertilizer Market Publications, CERA, World Bank, Norges Bank

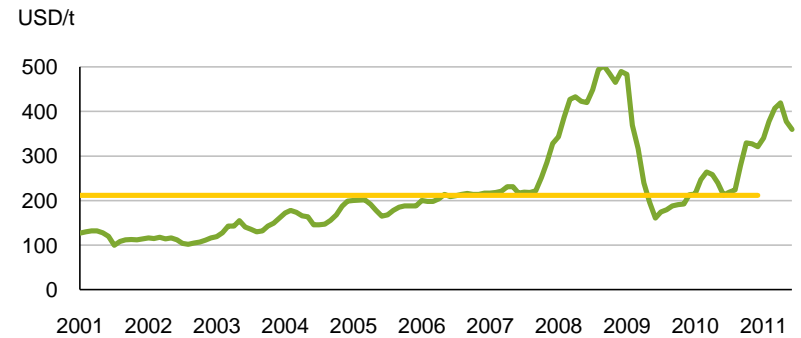


# 10-year fertilizer prices – monthly averages

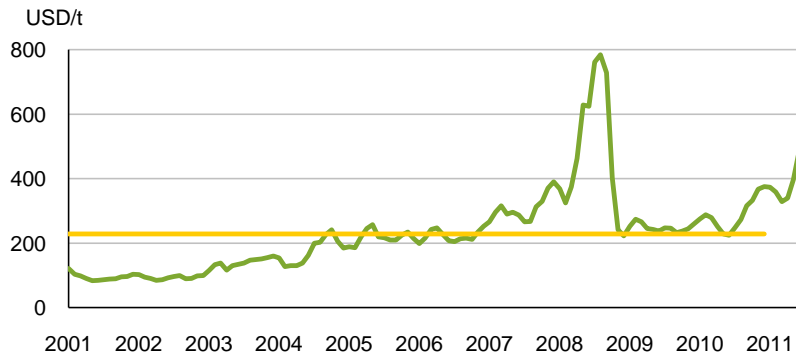
Ammonia fob Black Sea



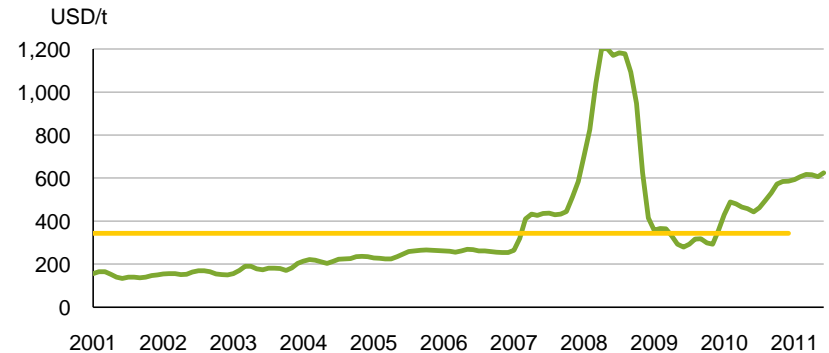
CAN cif Germany



Urea prilled fob Black Sea



DAP fob , US Gulf



— Average prices 2001 - 2010

Source: Average of international publications



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