



Knowledge grows

# Yara International ASA

Egil Hogna, Head of Downstream

Morgan Stanley Conference

17 November 2011

# A business strategy geared for global optimization



Scale  
advantages

+

Unique  
flexibility

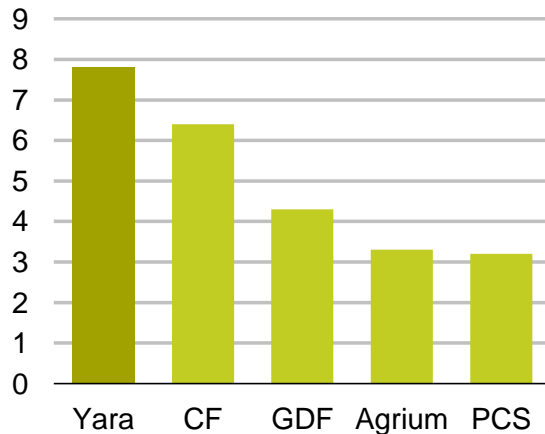
+

Unrivalled  
presence

# Yara – the leader in nitrogen fertilizers

Global no 1 in ammonia

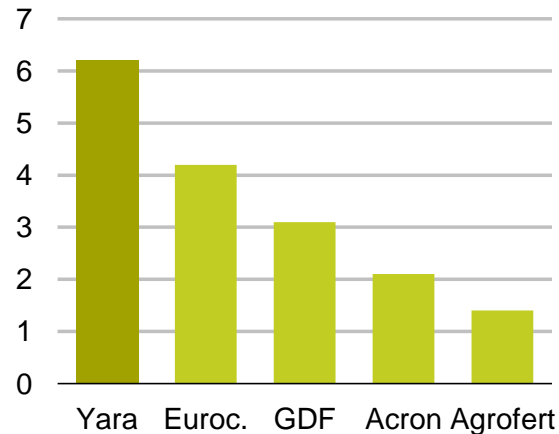
Production capacity\* (mill t)



\* Incl. companies' shares of JVs  
Source: Yara & Fertecon

Global no 1 in nitrates

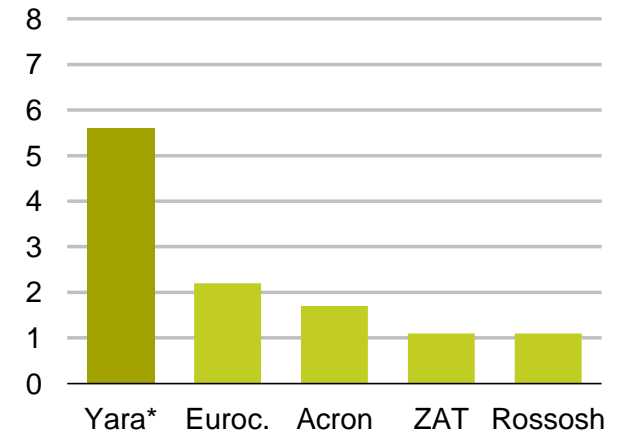
Production capacity\* (mill t)



Source: Fertilizer Europe

Global no 1 in NPK complex fertilizer

Production capacity\* (mill t)

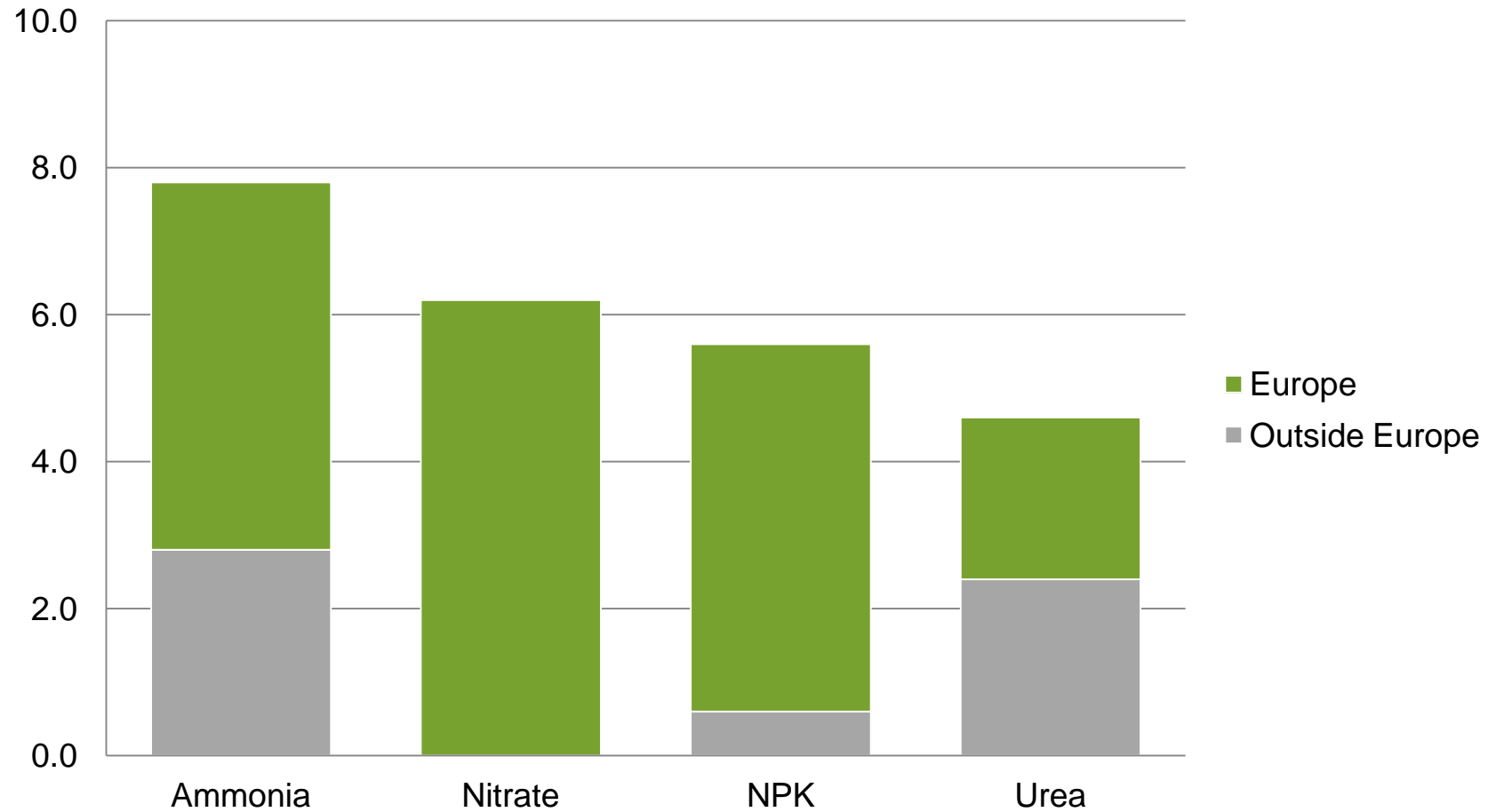


Source: Fertilizer Europe



# Yara production capacities

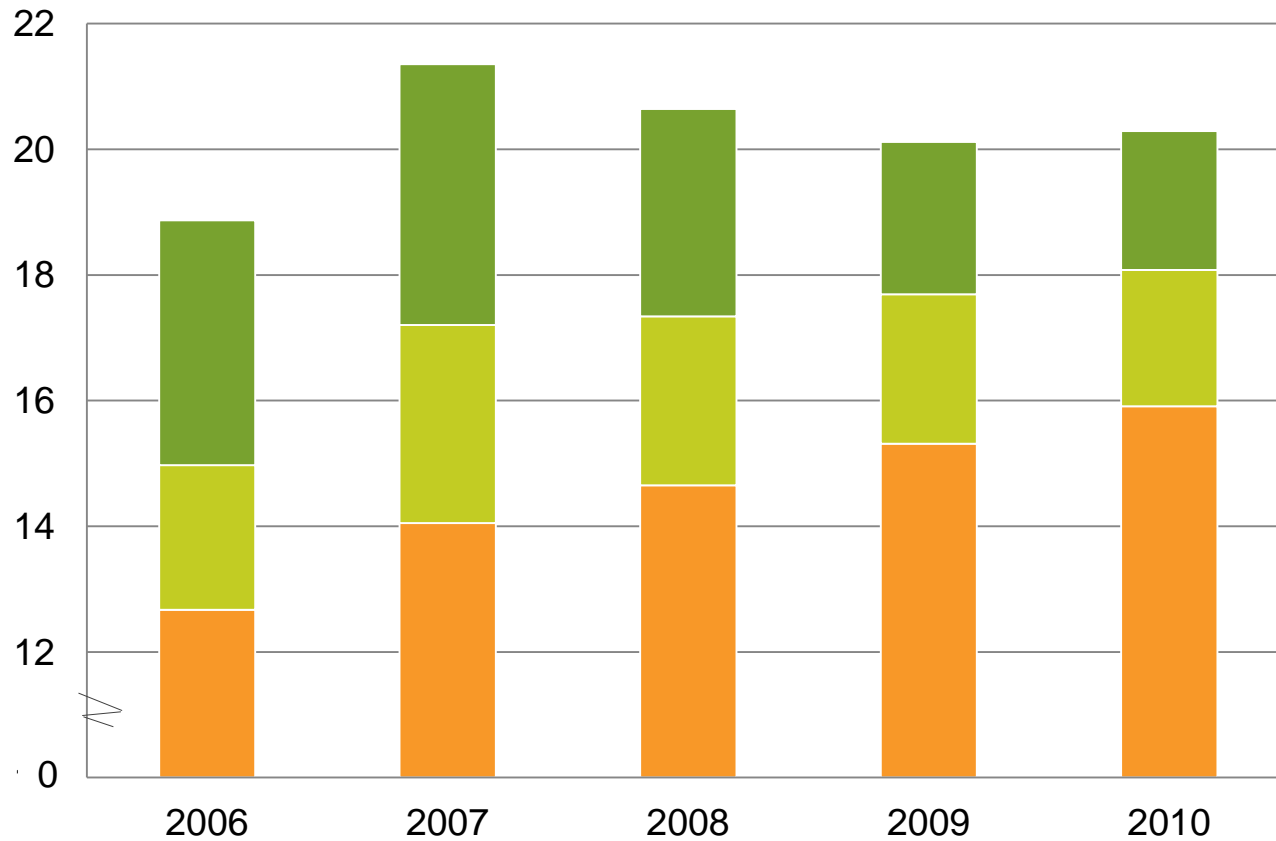
Million tons  
product



# Growth in own-produced volumes, reducing risk and significantly improving earnings

Million tons  
fertilizer sales

OPP/JV Own Blends TPP



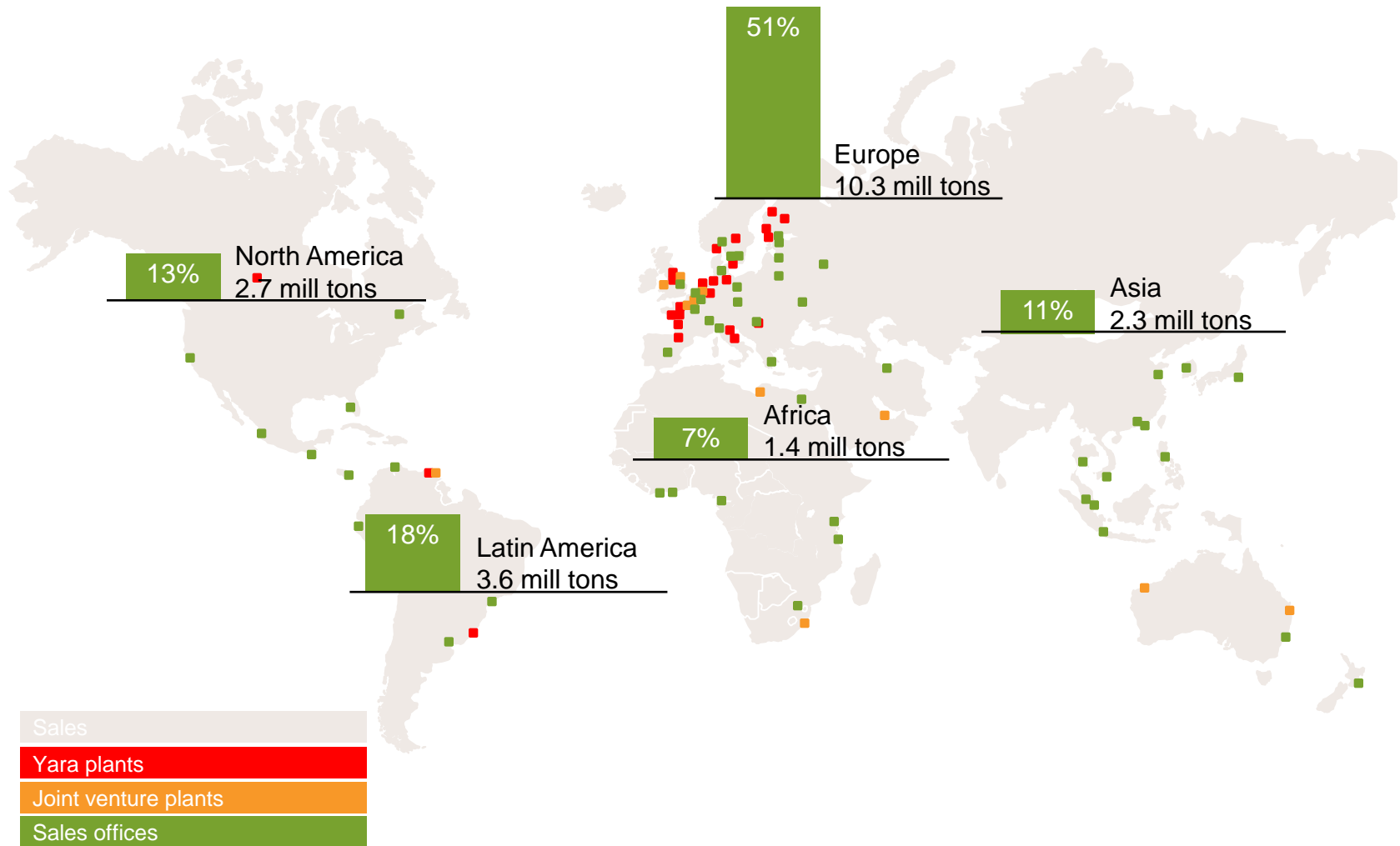
In five years  
Yara's OPP/JV  
sales grew by  
**25%**



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



# Developing multiple applications for nitrogen chemicals



- Basic molecules into products that play a role in our daily life
  - **Nitric acid** to produce polyurethanes that are essential components to make car seats
  - **Ammonia** to make Caprolactam, an important raw material to produce nylon
  - **Calcium nitrate** enables rapid setting of concrete in cold conditions thereby saving time and money in construction
- Client base includes large players in the chemical, pharmaceutical, automotive, steel and biomaterial industries

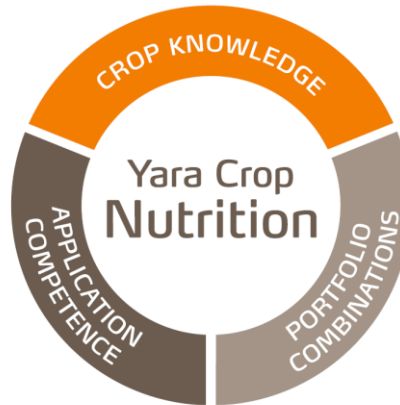
# Yara Crop Nutrition focus



Consolidated and deep knowledge on crops



Tools and services, application concepts and competence



Wide and unrivalled product range to combine for better results



# Higher profitability throughout the value chain



# Key trends impacting Yara the next 10 years

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



# Climate change and food security are related - established Downstream R&D project portfolio

## Climate change

N <sub>2</sub> O emissions from soils
Fertilizer for algae
Bioenergy
Intensification to Avoid deforestation
Forest as carbon sink
Nutrition and abiotic stress
Crop growth on marginal soils
Water use efficiency

Reduce emissions

Adapt to changes

## Food security

Increase productivity
Secure sustainability
Crop nutrition research
Improved Nutrient management
Product development
Precision farming
Water access
Life cycle analysis
P use efficiency
Nutrition of rice
Nutrition of oil palm and sugar cane

Innovation

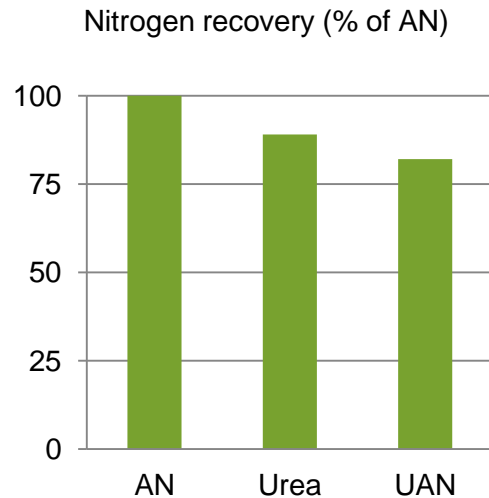
Knowledge transfer

Products & Services



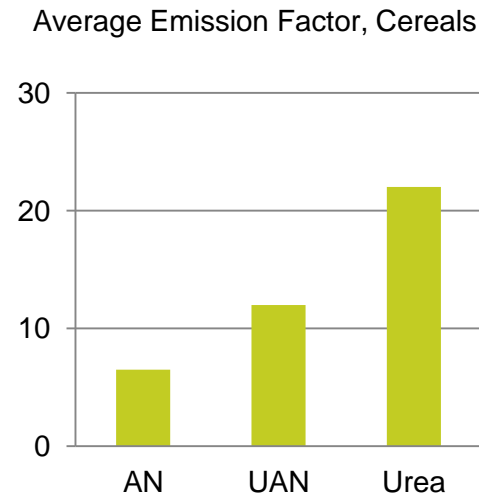
# Nitrate-based fertilizers are superior to urea both agronomically and environmentally

The agronomical efficiency of nitrates is superior to urea



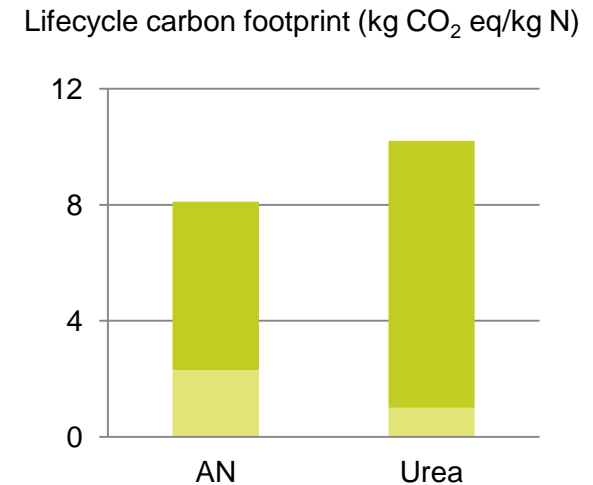
Urea requires up to 20% higher N application to achieve same cereal crop yield and quality as AN

Nitrates have lower ammonia volatilization losses



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

The carbon footprint is lower than for Urea



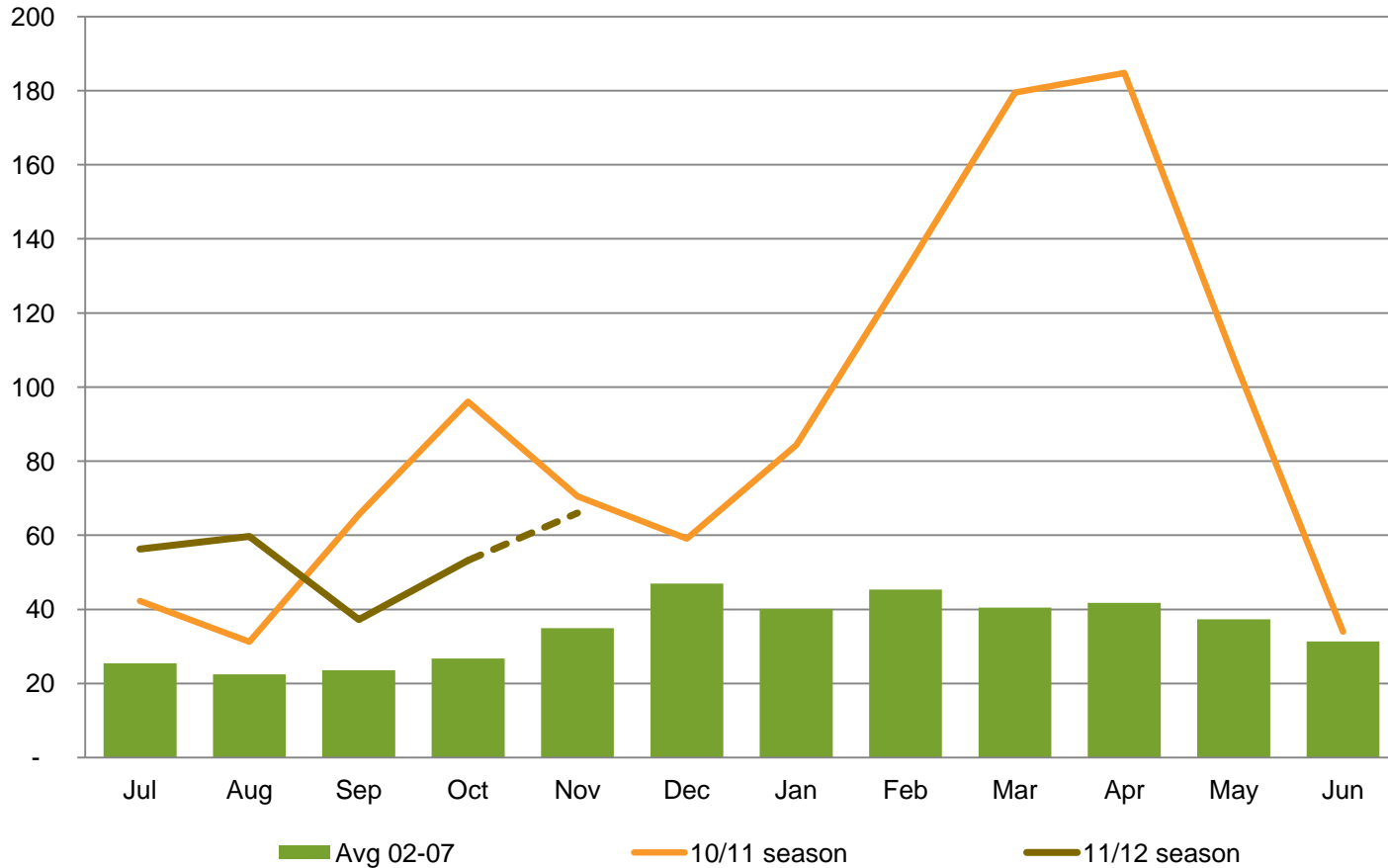
Although urea is more CO<sub>2</sub> efficient in production, CO<sub>2</sub> emissions and ammonia volatilization on application more than offset for this

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



# Nitrate premium

USD/t CAN\*



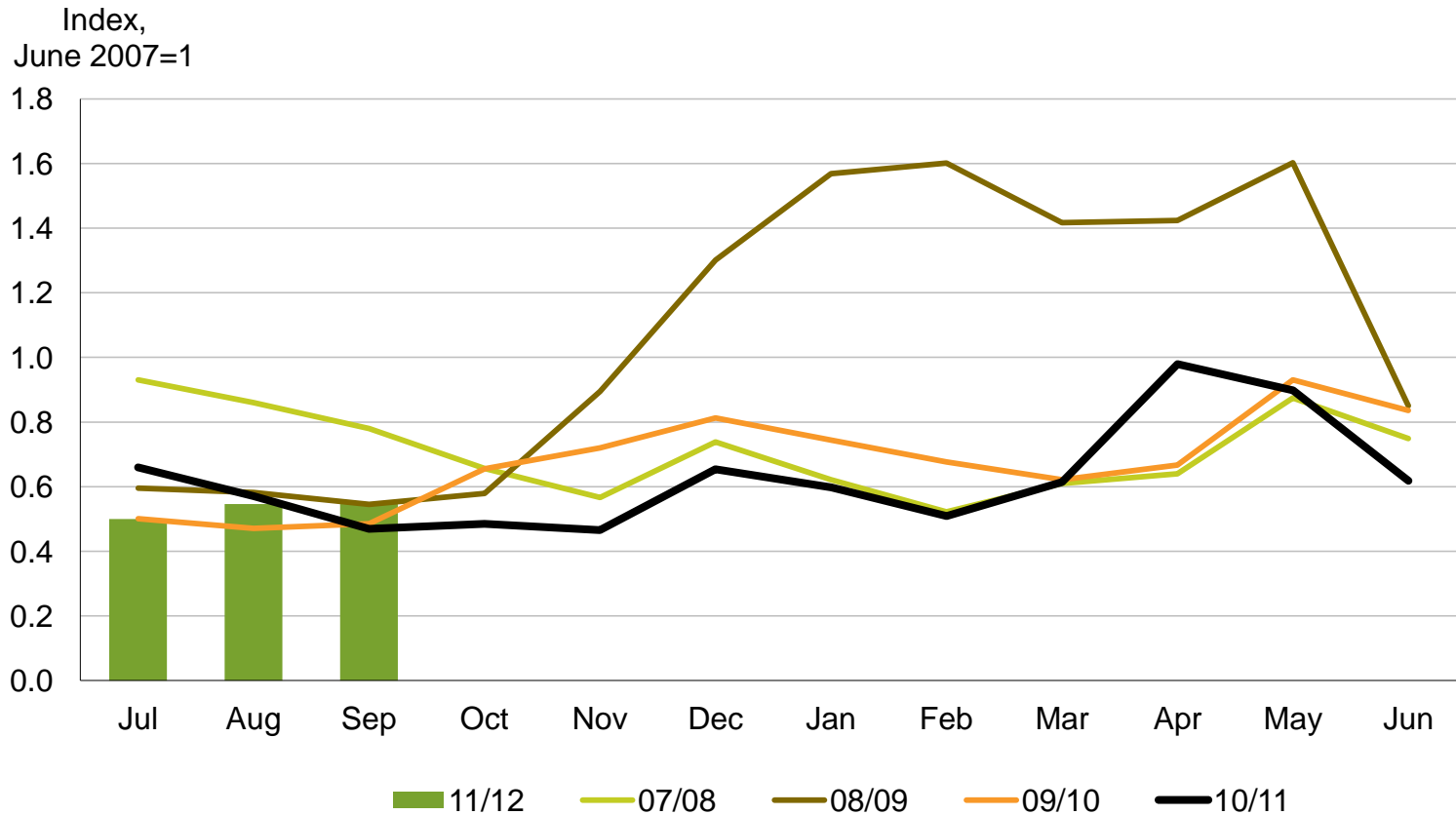
\* Premium over Urea fob Black Sea, adjusted for freight (USD 35) and duty (6.5%) to calculate a CFR NWE proxy



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# Low European producer nitrate stocks



Source: Fertilizers Europe, September estimate from Yara

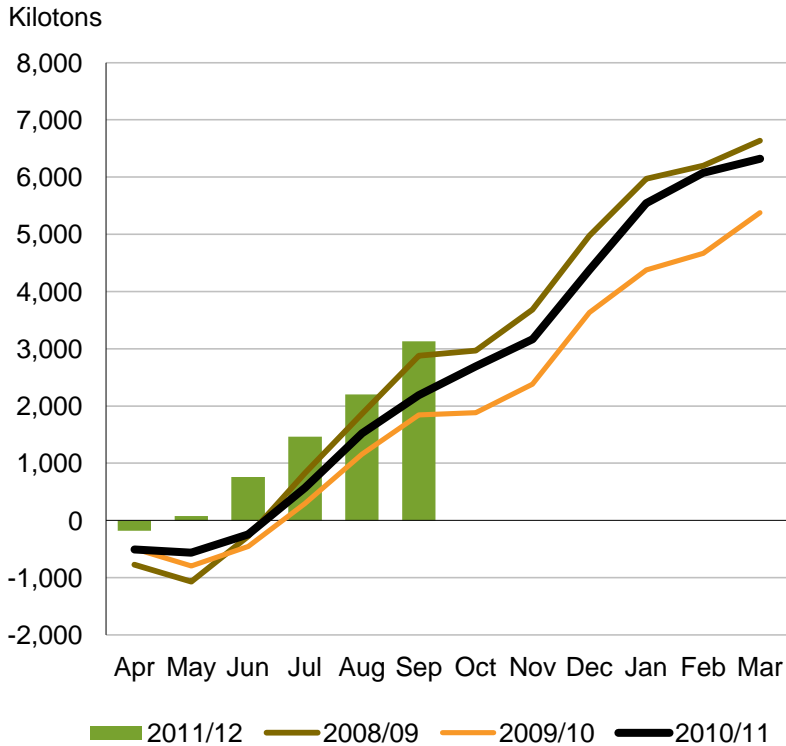


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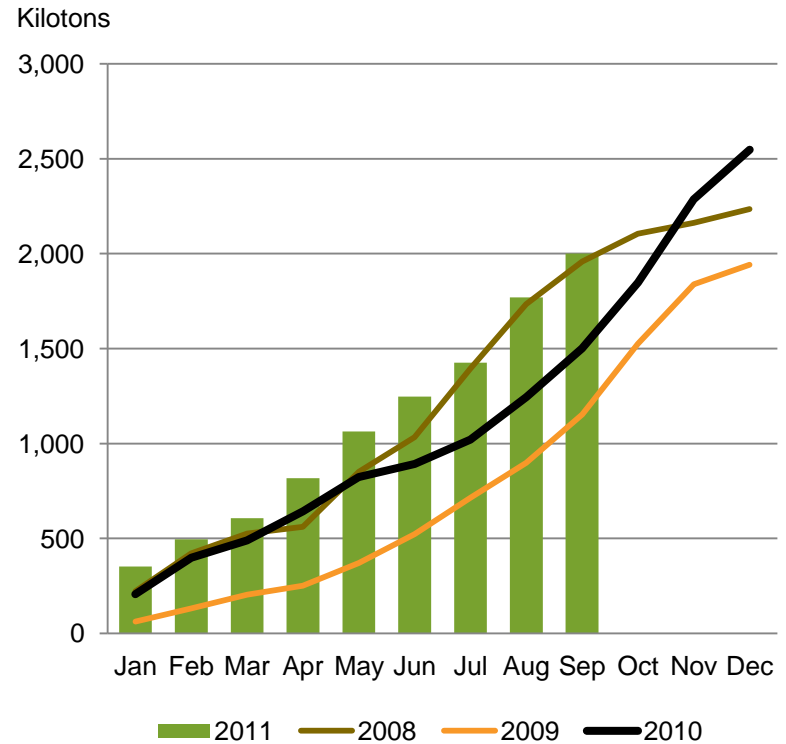
# Strong demand in regions that are in season

### Record Indian import need



Source: Indian Statistics

### Brazilian urea import

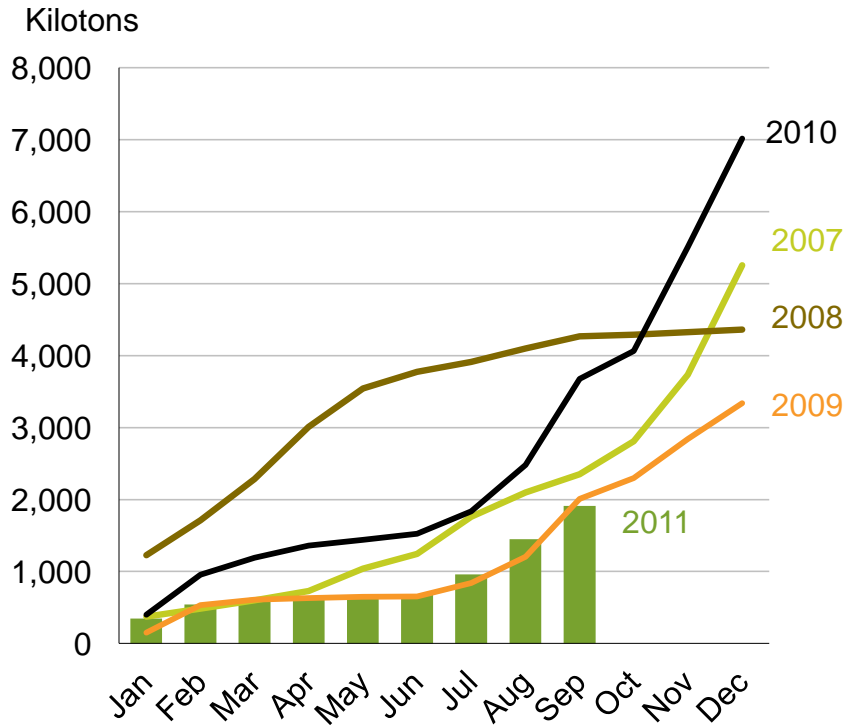


Source: GTIS

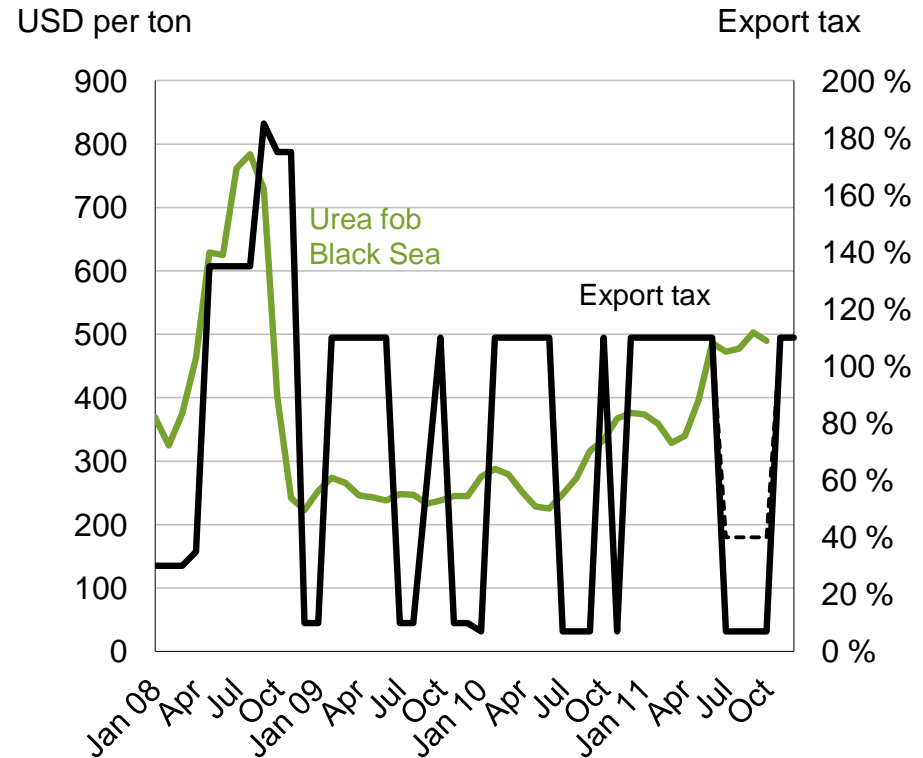


# Lower Chinese exports

**Accumulated urea exports**



**Urea price and export tax**



Source: BOABC

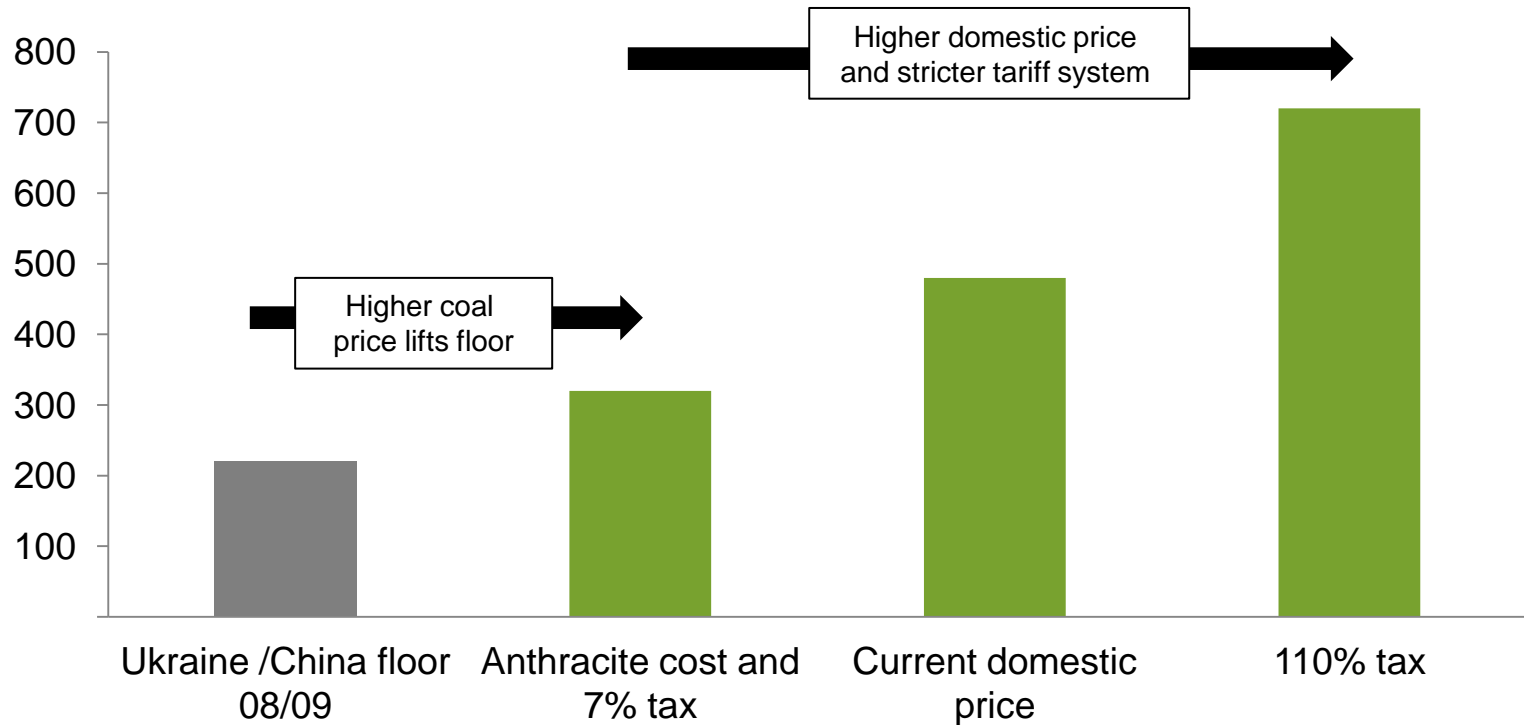


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# Higher urea swing price

USD/t FOB China



# 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 52% Trinidad 7%	Trinidad 15% Iran 12%	2.5% (2.5%)	1.9% (2.0%)
2011	China 53% Pakistan 15%	Pakistan 31% Iran 15%	2.0% (2.1%)	1.5% (1.5%)
2012	China 55% Algeria 18%	Algeria 41% Qatar 17%	4.2% (4.3%)	3.1% (3.1%)
2013	China 31% UAE 14%	UAE 21% Iran 19%	2.0% (2.2%)	2.2% (2.2%)
2014	India 15% Indonesia 13%	India 17% Indonesia 16%	0.9% (0.9%)	1.4% (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>2.5%</b>	<b>2.0%</b>

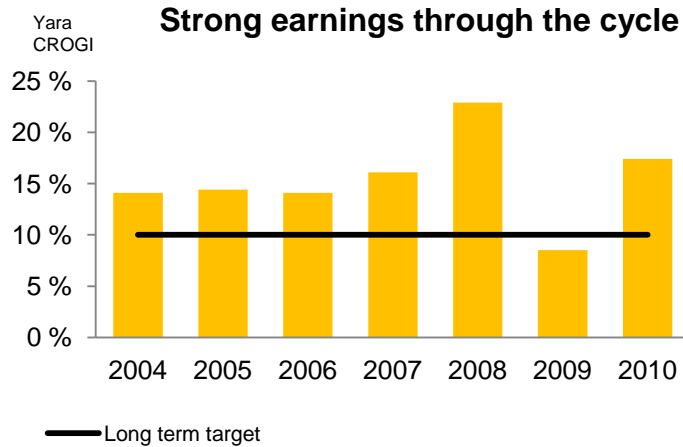
Source: Fertecon update October 2011, IFA on consumption figures



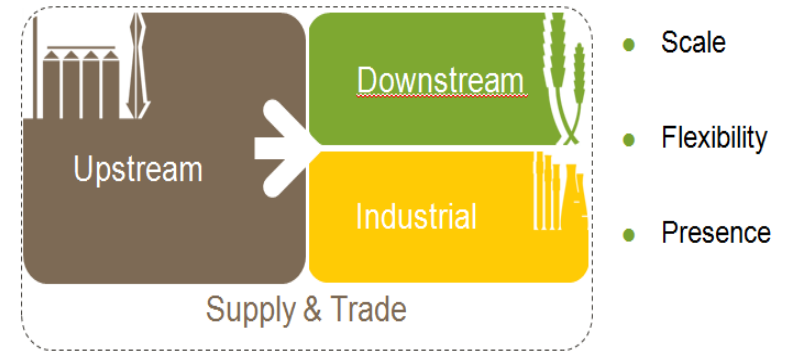
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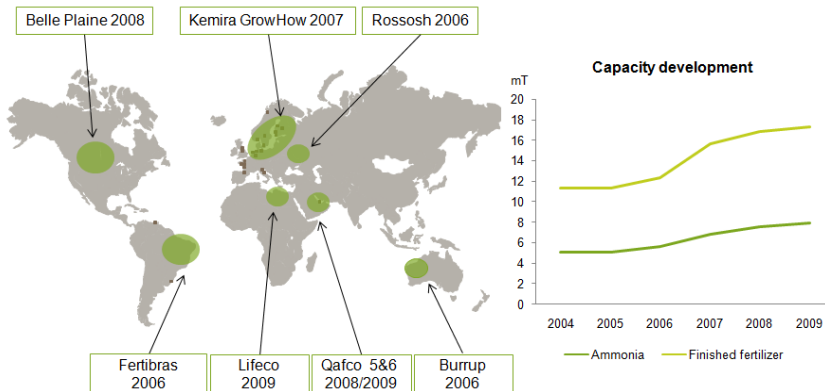
# Basis for Yara's profitable growth ambitions



A scalable business model giving synergies



## Industry-leading acquisition track-record



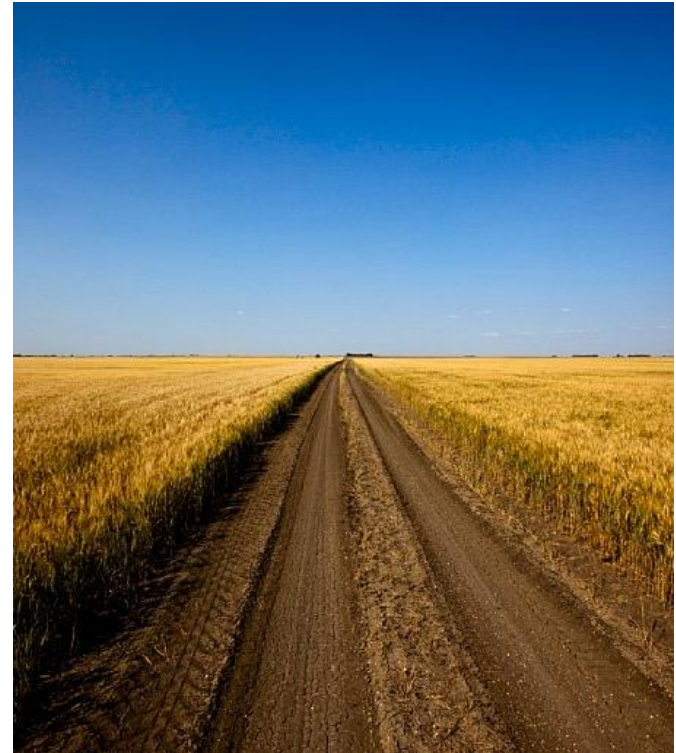
## Valuation and capital discipline

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



# Well positioned for profitable operations and growth

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



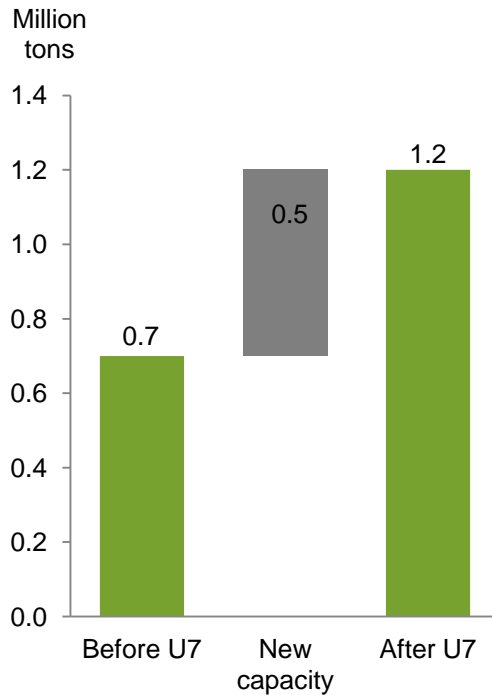
# More information can be found at [www.yara.com](http://www.yara.com)

The screenshot shows the Yara website homepage. At the top left is the Yara logo with the tagline "Knowledge grows". Below it is a search bar and a navigation menu with items: "About Yara", "Products and services", "Sustainability", "Investor Relations", "Jobs & Careers", and "Media". A "Select your country" button is also present. The main content area features a large image of two men in a cocoa plantation. Overlaid on this image is the headline "Spotlight on Africa commitment" and a sub-headline "Yara sponsors first African Green Revolution Forum (AGRF) in Africa". To the right of the sub-headline is a "more Yara Stories" link with a plus icon and a small inset image of a man speaking. At the bottom of the page is a footer with social media links for YouTube and LinkedIn, and a list of utility links: "© 2011 Yara | Contact us | Websites | Sitemap | Glossary | Privacy and legal | Newsfeeds | A A A".

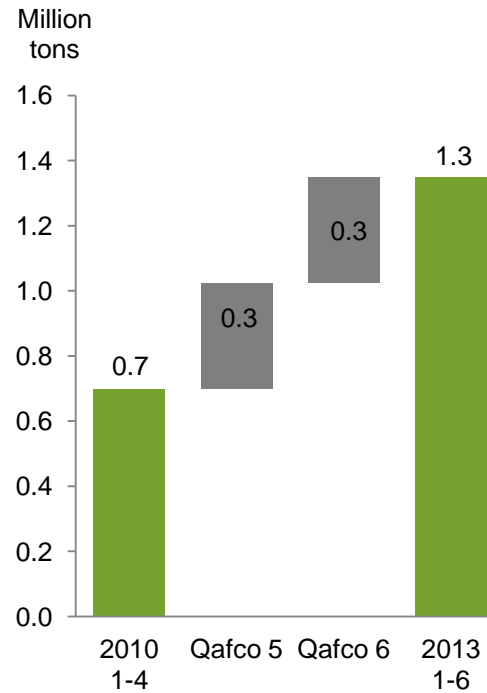


# Significant growth in finished fertilizer capacity

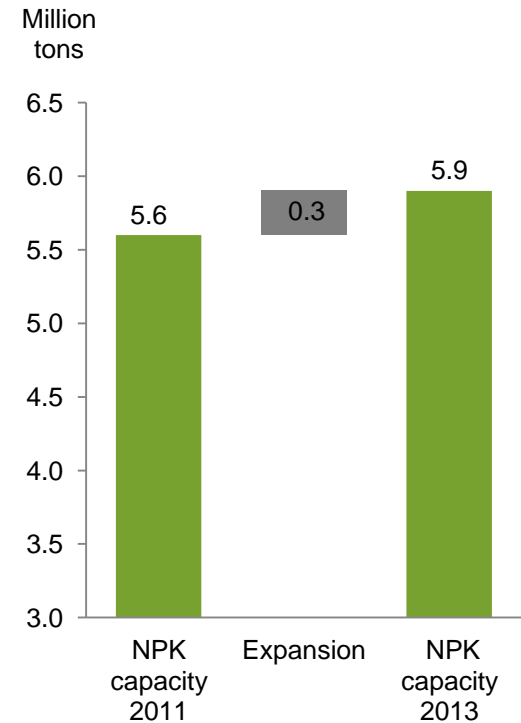
**Urea expansion in Sluiskil  
2011**



**Qafco expansion  
2011/12**

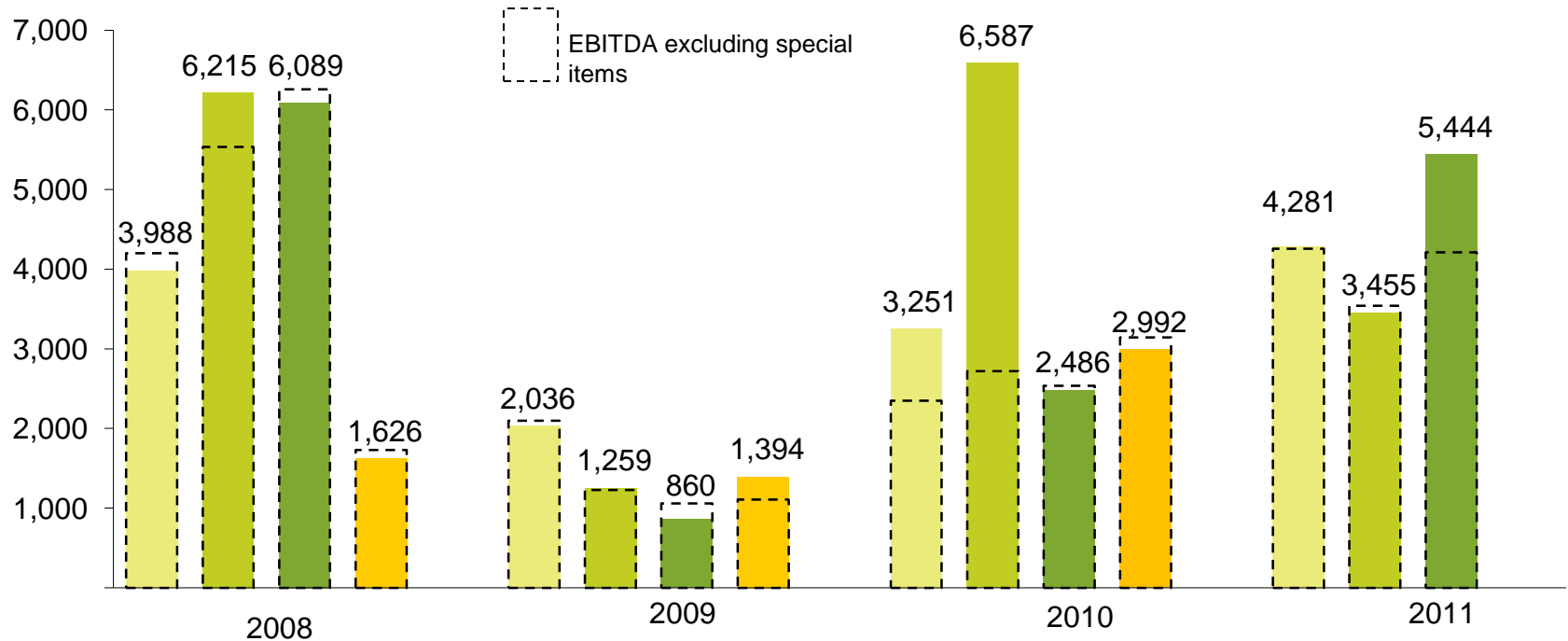


**NPK expansion  
2013**



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

NOK millions



Annual

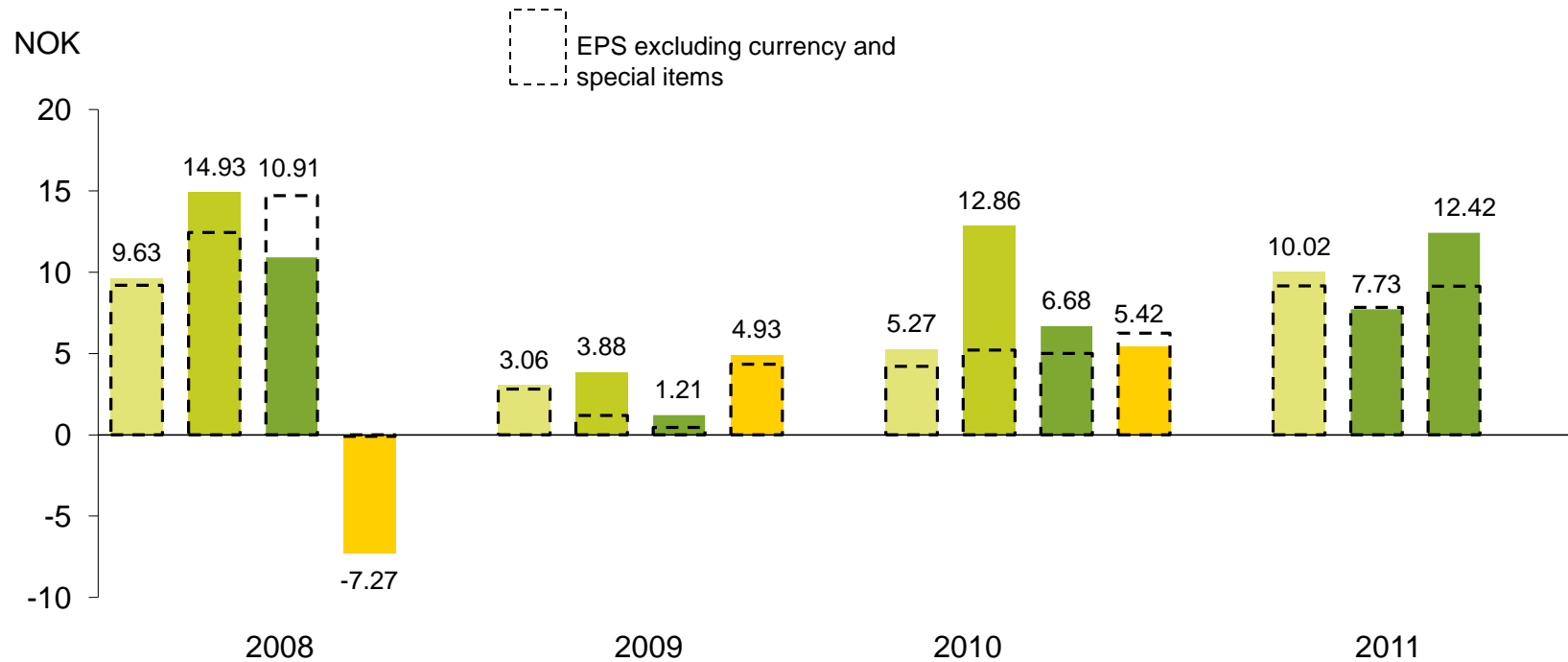
NOK millions	17,917	5,549	15,315	13,180
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# Earnings per share\*



Annual

NOK	28.27	13.08	30.24	30.16
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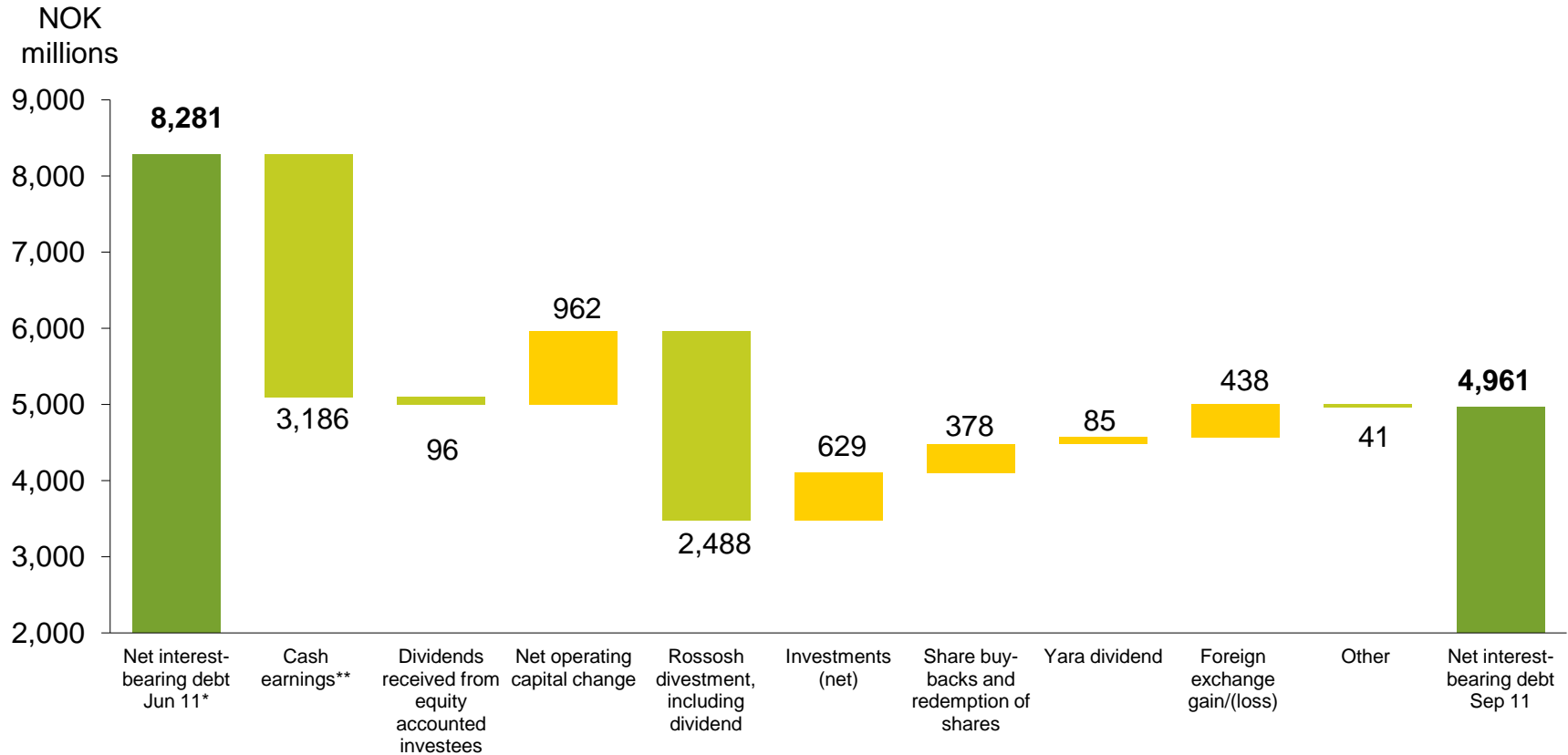
\* Average number of shares for 3Q 2011: 287.2 million (3Q 2010: 288.7 million).



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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

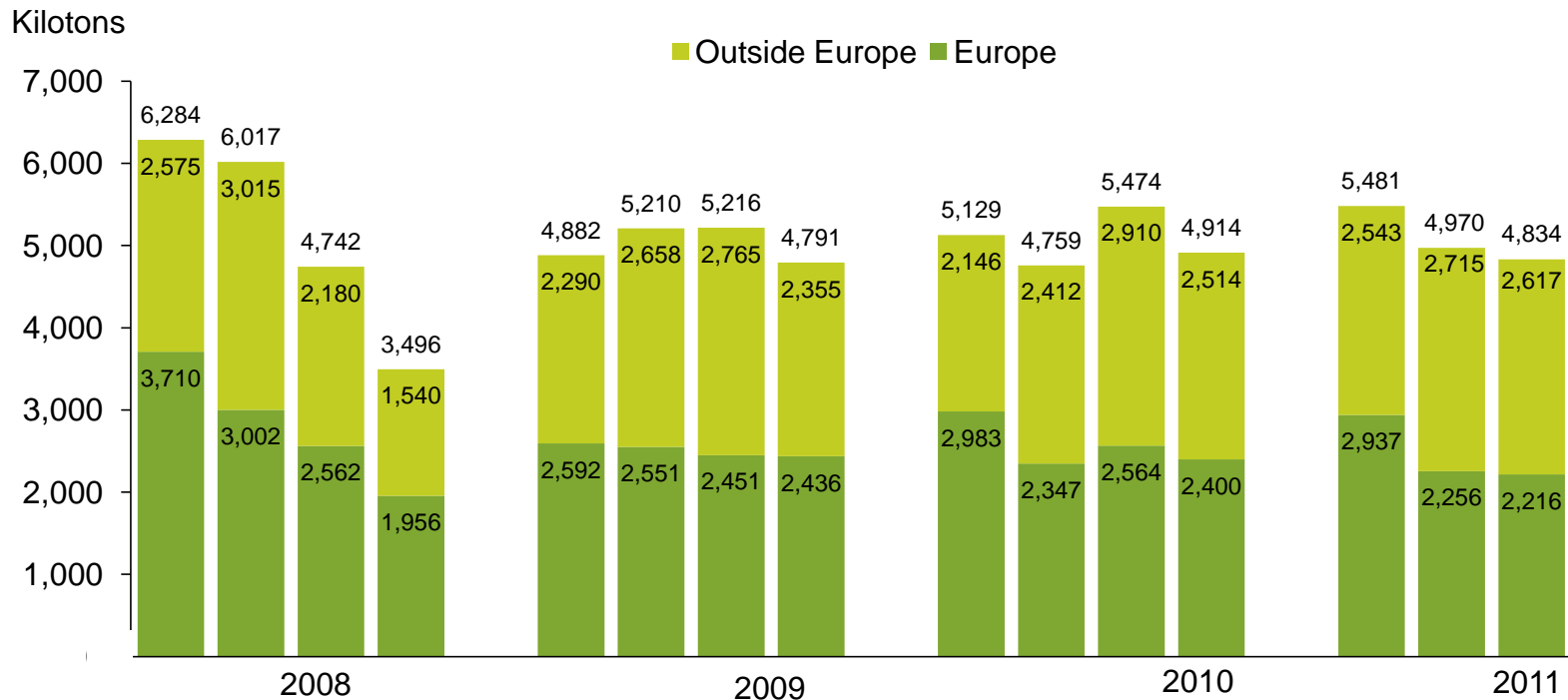


# Debt/equity ratio

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



# Fertilizer sales volumes



Accumulated, Kt

Fin. fertilizer	20,540	20,099	20,276	15,285
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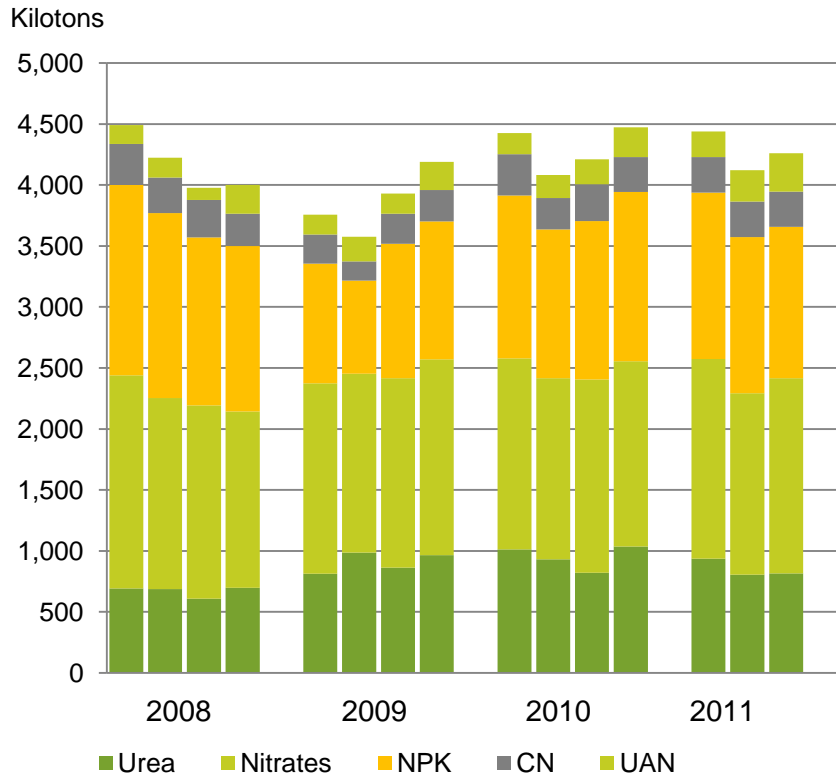


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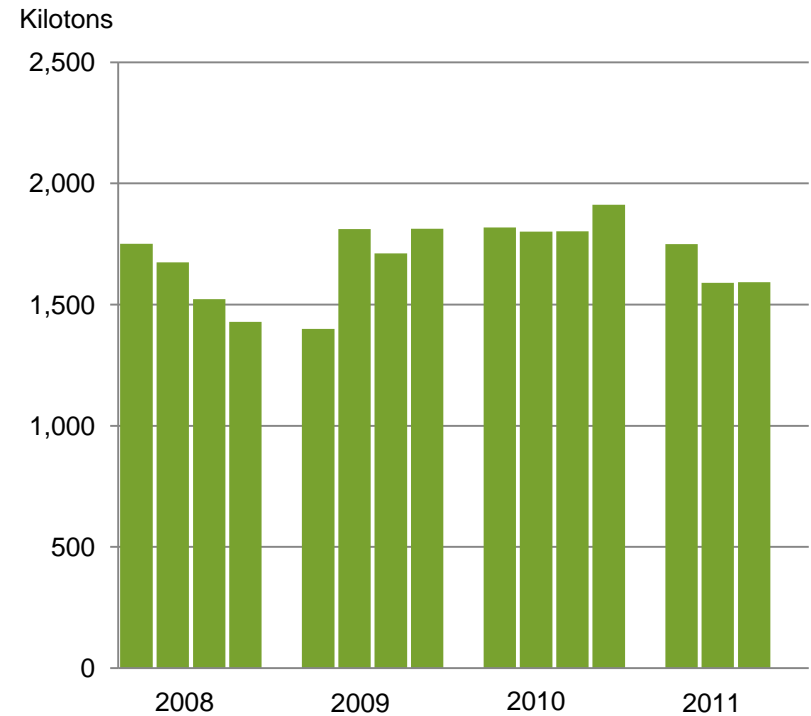


# Yara – production volume\*

## Finished fertilizer



## Ammonia



\* Including share of equity-accounted investees

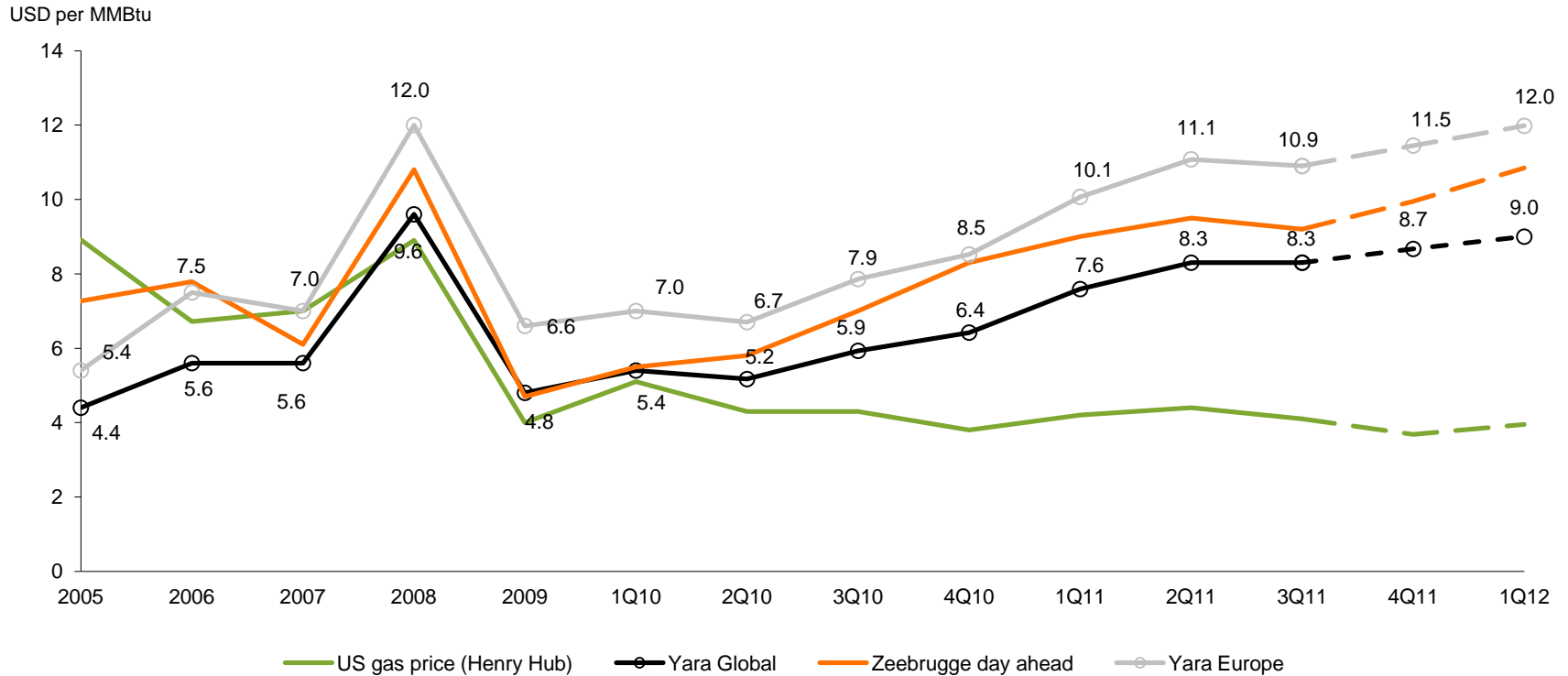


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# Spot natural gas versus Yara average

Yearly averages 2005 – 2009, quarterly averages for 2010-12 with forward prices\* for 4Q11 and 1Q12



\*Dotted lines denote forward prices as of 7 October

Source: Yara, World Bank, Platts

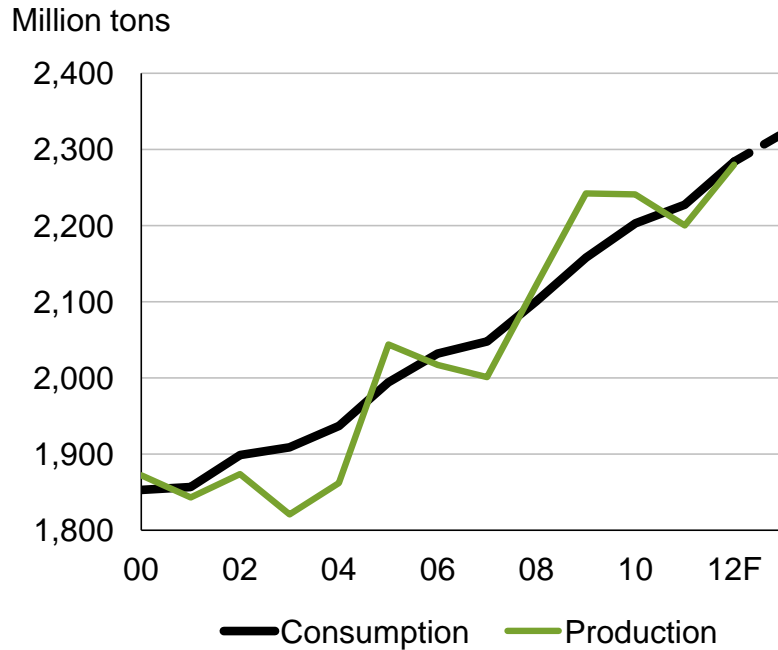


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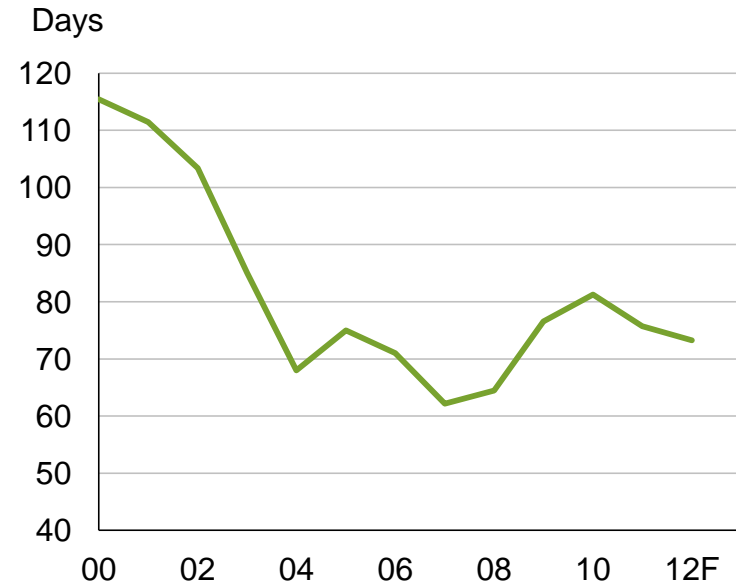


# Stocks-to-use decline despite strong incentives and record production

## Grain production and consumption



## Days of consumption in stocks



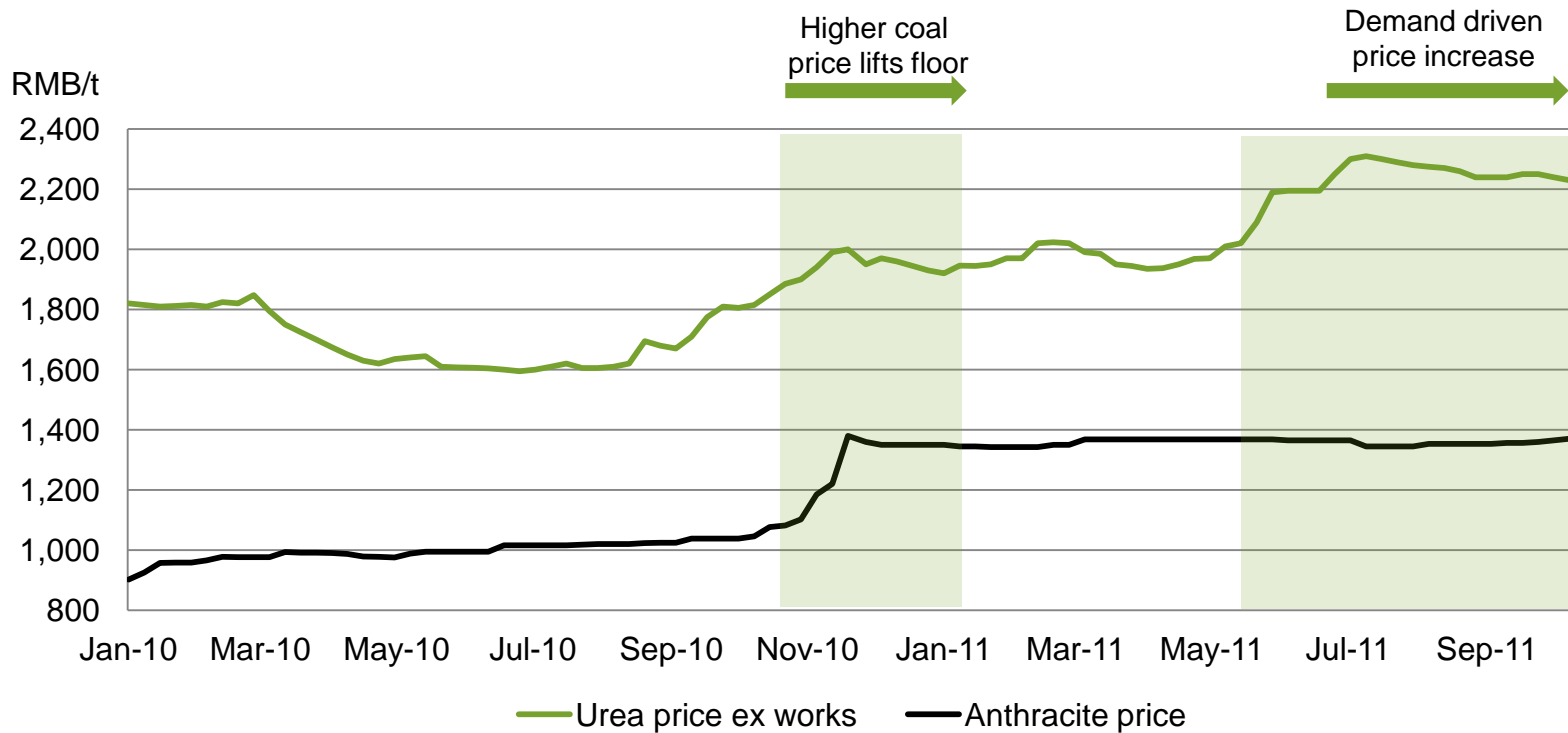
Source: USDA, November 2011



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# Chinese domestic urea 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

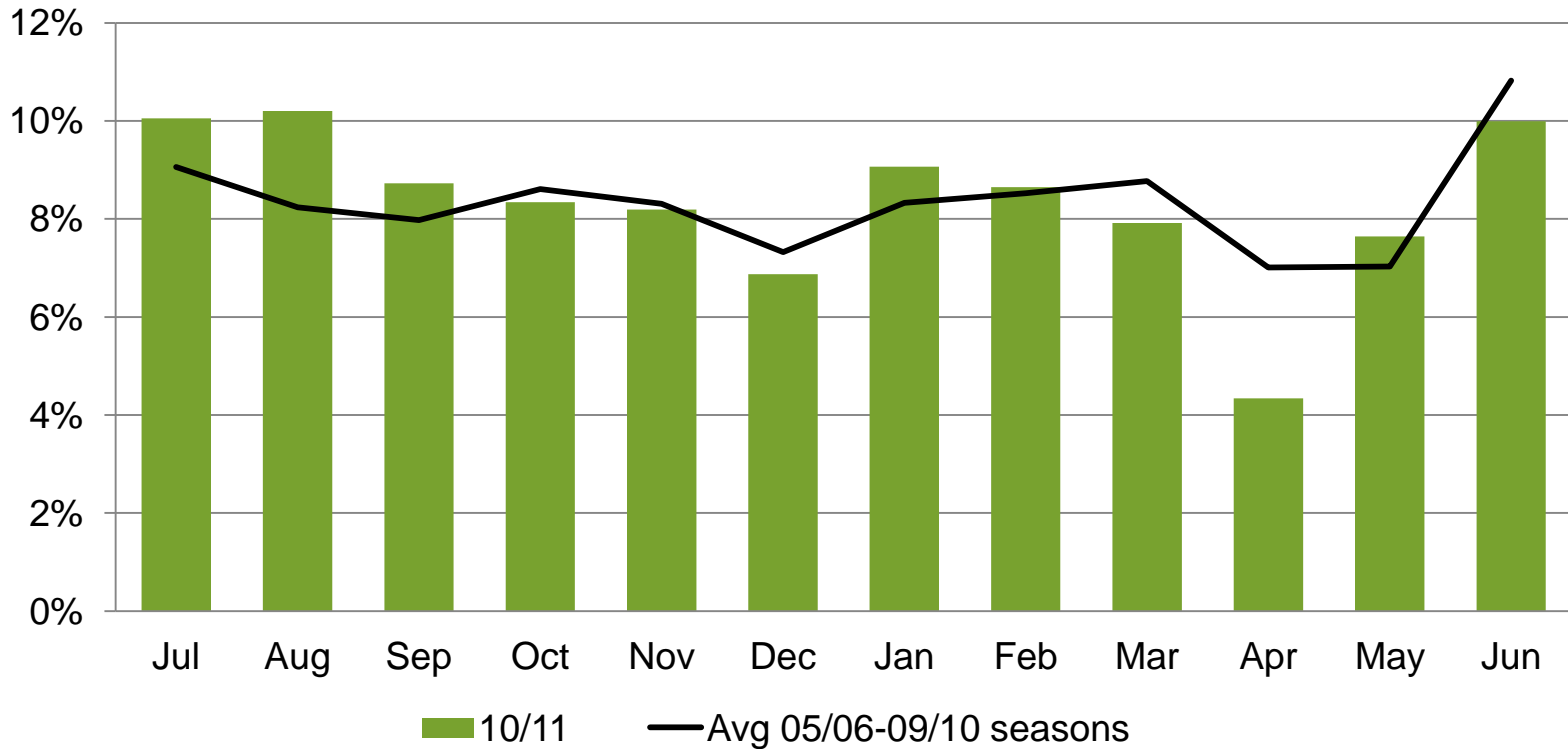


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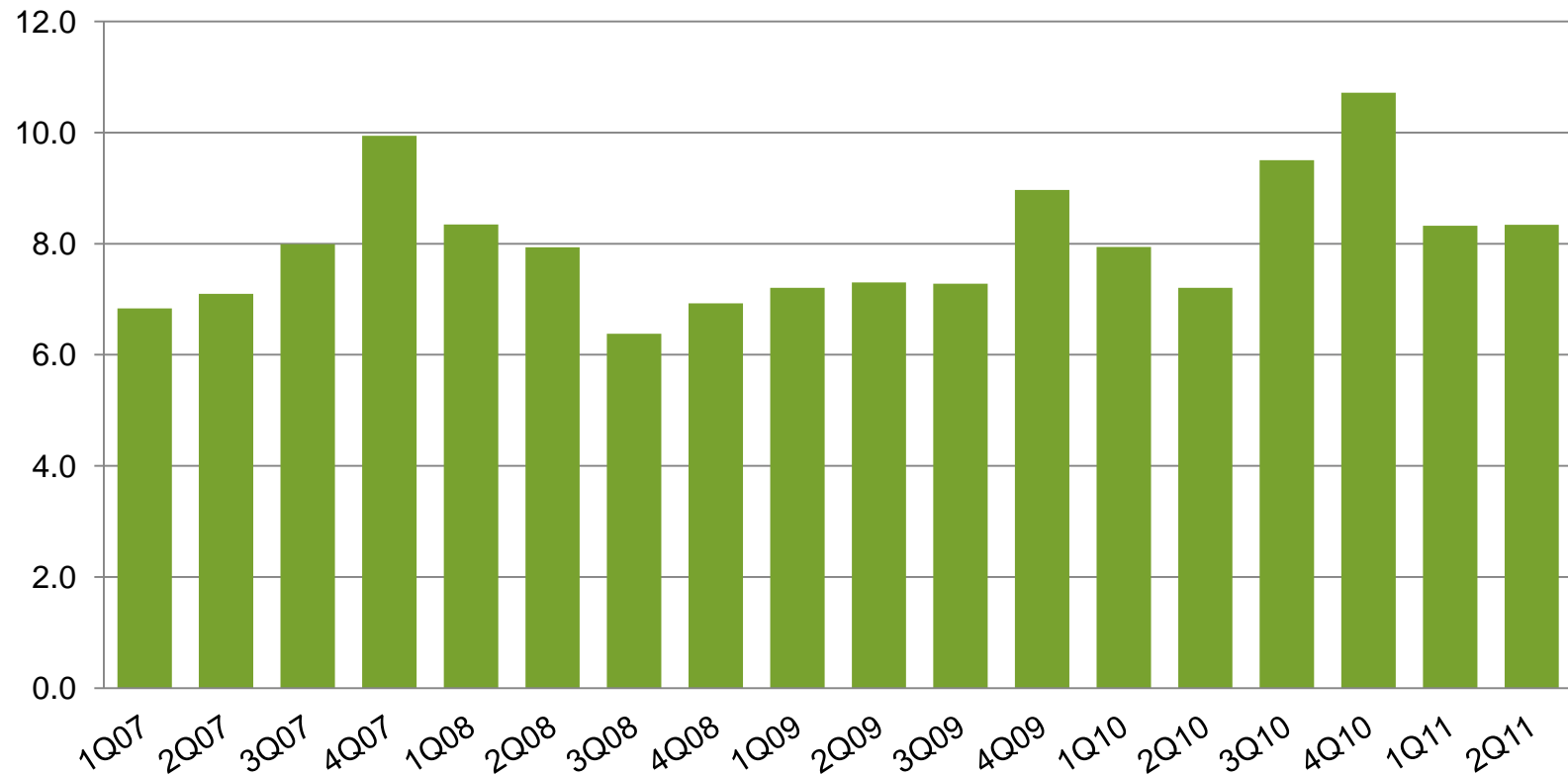
# Yara nitrate sales

Share of annual sales



# Quarterly urea trade

Million tons



Source: IFA, Iran from GTIS



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# Yara fertilizer reduces carbon footprint from farming

## Fertilizer - an efficient solar energy catalyst

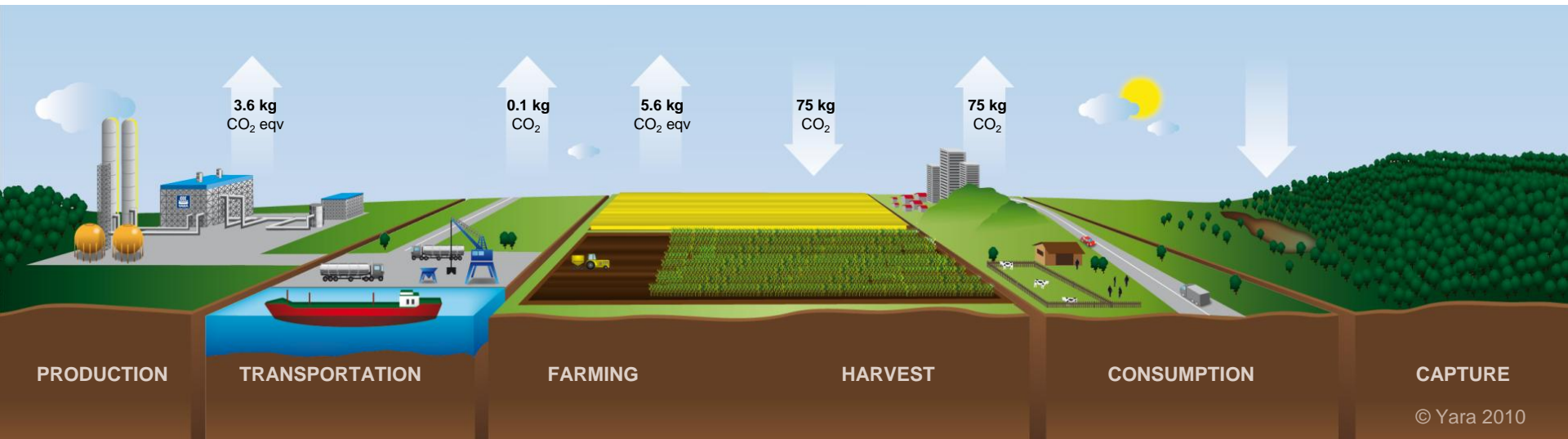
- Production marginal part of carbon footprint - efficient application more important
- Huge positive effects of fertilizer use by lower land use

### Production

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

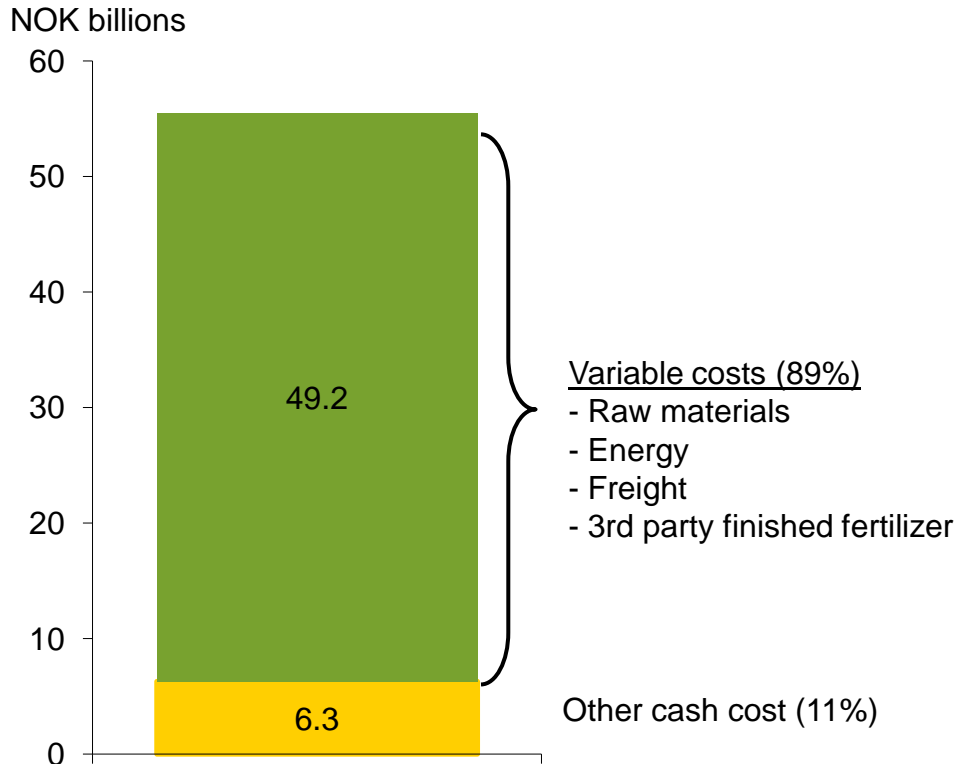
### Application

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



# Yaras operating cash costs are mainly variable

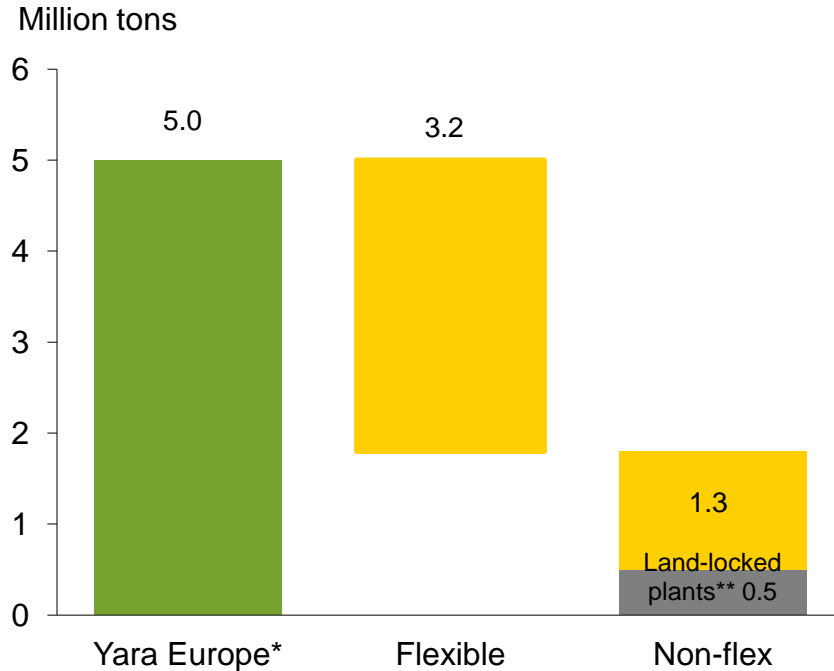
Operating cash costs 2010



- 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



# Yara flexibility to produce or import ammonia in Europe



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

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

\* Including equity share of joint venture capacity

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



# 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

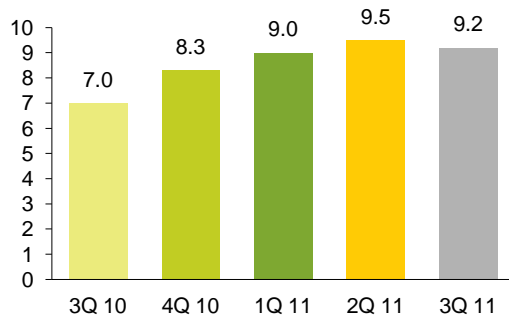
\* Excluding foreign exchange gain/loss, special items and energy arbitrage

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

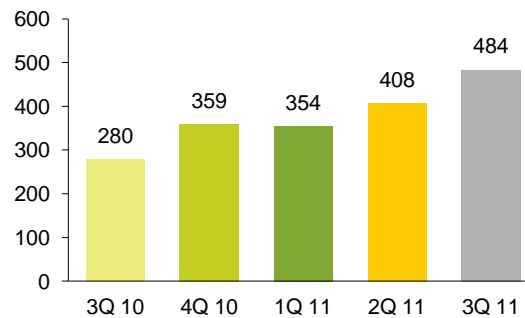


# Key value drivers – quarterly averages

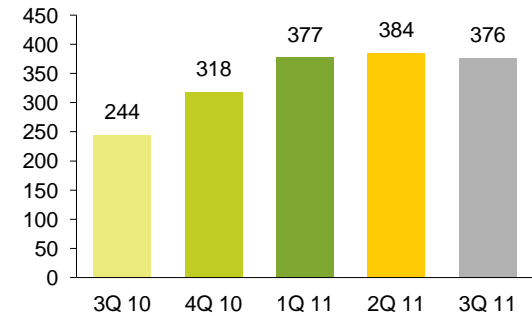
Zeebrugge day ahead(USD/MMBtu)



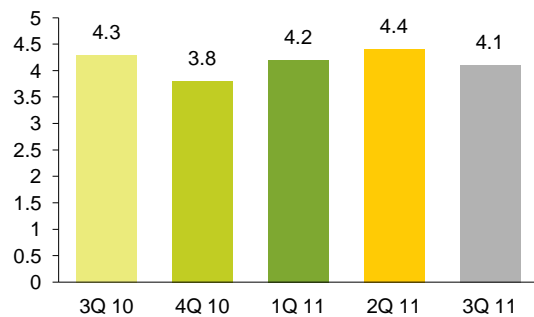
Urea prilled fob Black Sea (USD/t)



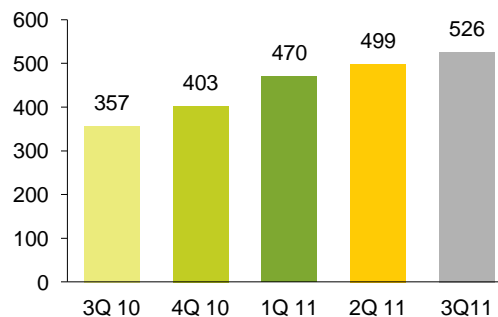
CAN cif Germany (USD/t)



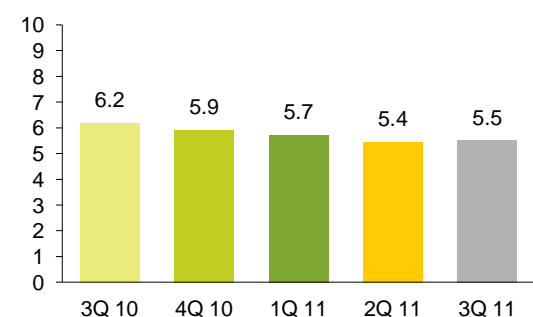
US gas price Henry Hub (USD/MMBtu)



Ammonia fob Black Sea (USD/t)



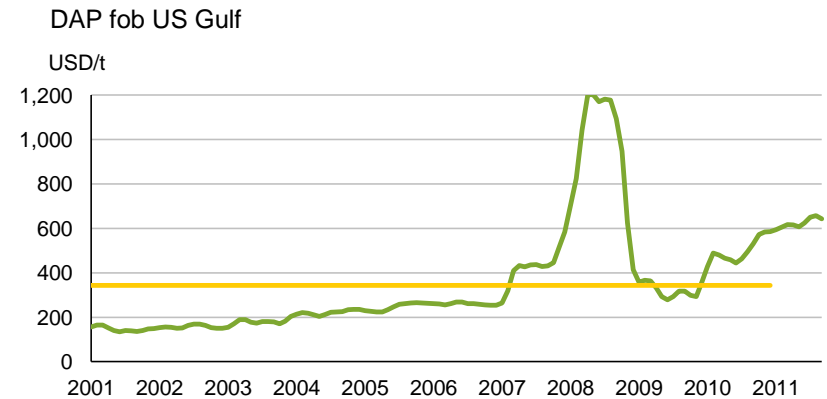
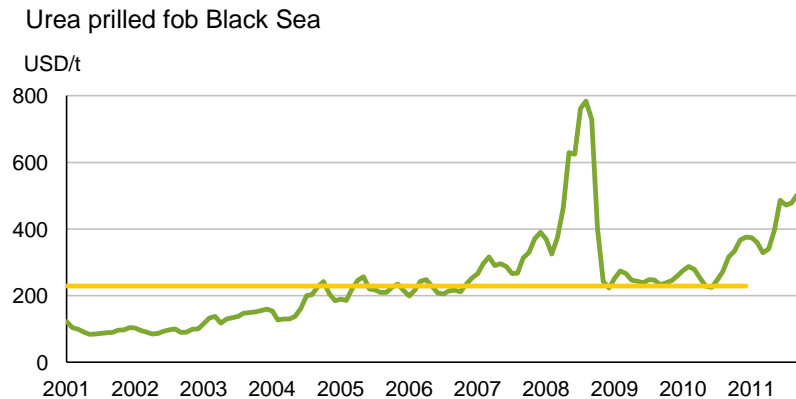
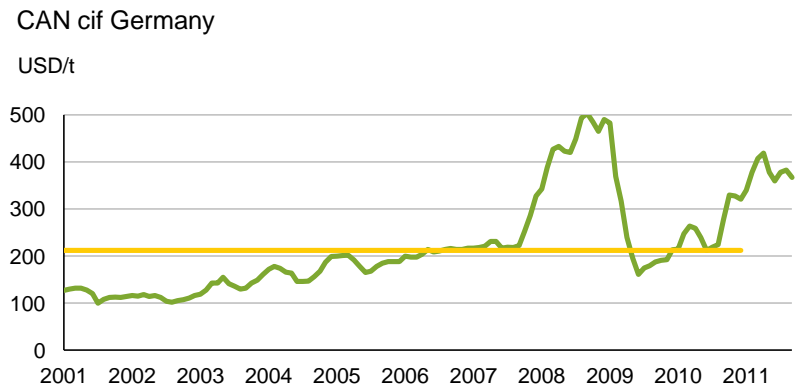
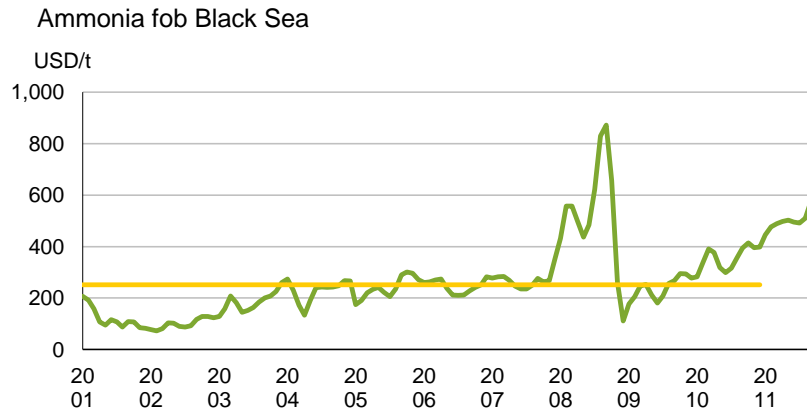
NOK/USD exchange rate



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



# 10-year fertilizer prices – monthly averages



— Average prices 2001 - 2010

Source: Average of international publications



IR – Date: 2011-11-17

