

Yara (Yara International, ASA); global fertilizer company no 1; contributing to world rice yields

Rice (oryza sativa); global grain no 3; more people depend on it than any other cereal in the world

CITIZENSHIP REVIEW 2008

# Our global contribution improves lives



Knowledge grows



**RICE** is the global grain no 3. Rice is the grain that one-half of the world's population depends on. It is a major staple crop especially in Asia, and a major source of income for smallholder farmers. Rice production is labor-intensive, requiring large quantities of water.

**RICE** is a crop with multiple uses. Rice is the second most consumed cereal grain, and is largely used for human consumption. Rice is also used for industrial production; residues as livestock feed. The rice kernels are normally milled, and used for boiling, including in porridges.

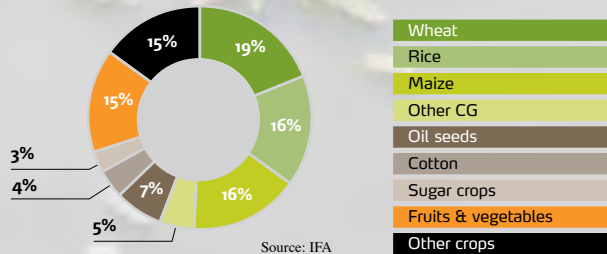
**RICE** is a scientific success. Through scientific improvements, rice yields have improved radically, particularly in Asia. The green revolution introduced high-yielding varieties and increased the use of mineral fertilizers. Crossbred varieties in Africa (Nerica) have greatly increased yields there.

Global yield 2008:  
450,000,000 tons  
Major producers:  
China, India, Indonesia  
Major exporters:  
Thailand, Vietnam, USA



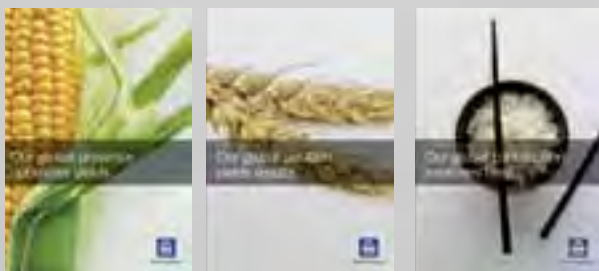
SOURCE: FAO

GLOBAL N FERTILIZER USE BY CROP  
Percent, 2008



**GLOBAL FERTILIZER USE** has increased considerably over several decades. Mineral fertilizers have contributed greatly to increased yields and will have to continue doing so to cope with continued population increase. A major share of crop nutrients are applied for growing the major global grains: maize, wheat and rice.

## YARA ANNUAL REPORTS 2008



**YARA'S ANNUAL REPORT 2008** is structured into three documents that can be read independently, or as complementary information on the company; an Annual Review, a Financial Review, and a Citizenship Review. All reports are found on Yara's web site, together with key corporate information: [www.yara.com/2008](http://www.yara.com/2008)

### 3 GLOBAL GRAINS

**THREE GRAINS** dominate world cereal production, and play a particularly crucial role in feeding the world, used as food for human consumption or as feedstock in meat production: maize, wheat and rice together represent ca 87 percent of world cereal yield – and about 45 percent of total human calorie consumption.

**MAIZE** (*zea mays*); cereal plant, grown in most parts of the world, best suited for temperate and tropical zones.

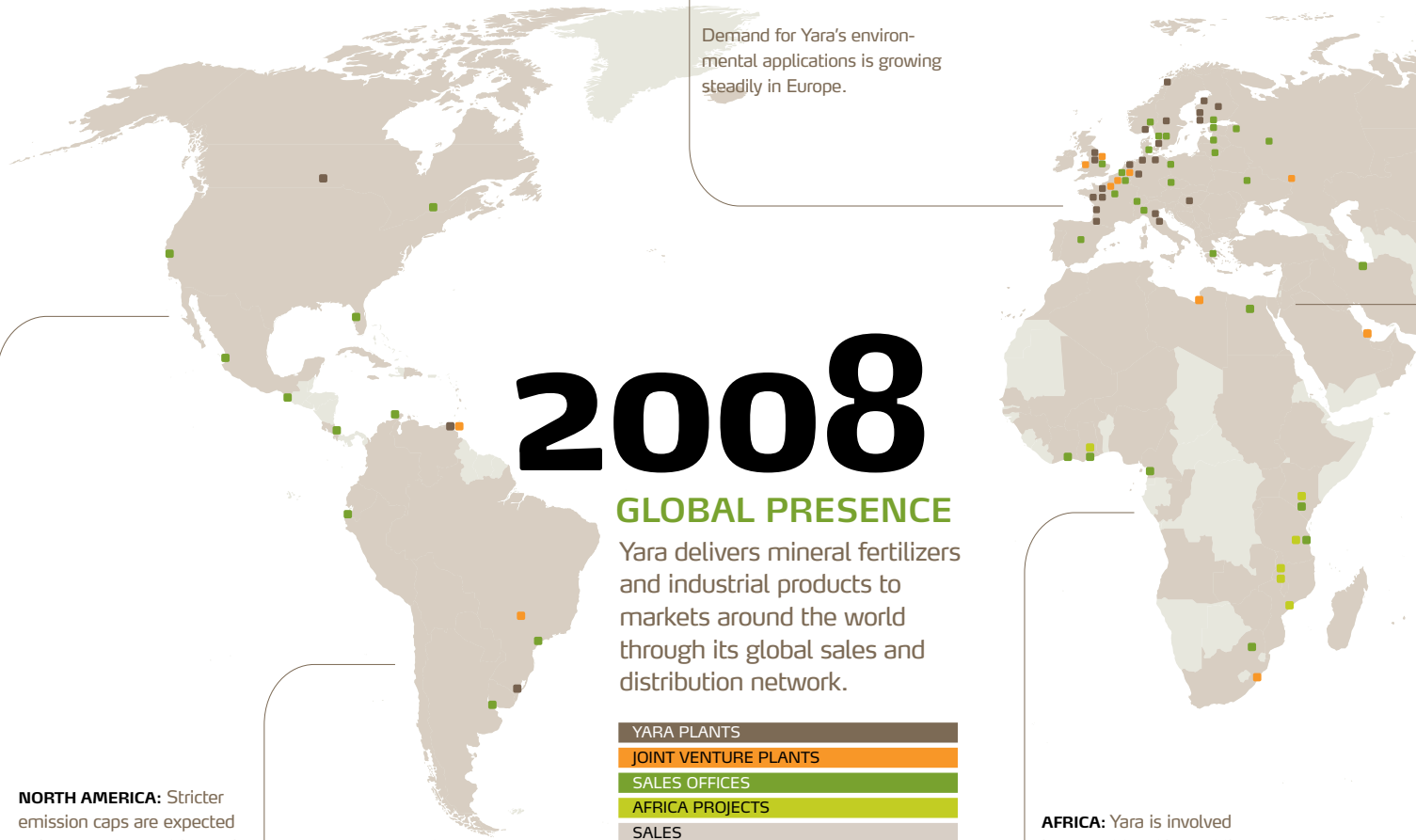
*Global acreage:* Ca 158,000,000 hectares

**WHEAT** (*triticum aestivum*, *t. durum*); cereal plant, grown in most parts of the world, best suited for temperate zones.

*Global acreage:* Ca 217,000,000 hectares

**RICE** (*oryza sativa*); cereal plant, grown mainly in Asia and Africa, best suited for tropical and temperate zones.

*Global acreage:* Ca 157,000,000 hectares



**EUROPE:** Nine of Yara's 15 ammonia plants have a higher energy efficiency than the European average.

Demand for Yara's environmental applications is growing steadily in Europe.

# 2008

## GLOBAL PRESENCE

Yara delivers mineral fertilizers and industrial products to markets around the world through its global sales and distribution network.

- YARA PLANTS
- JOINT VENTURE PLANTS
- SALES OFFICES
- AFRICA PROJECTS
- SALES

**NORTH AMERICA:** Stricter emission caps are expected to increase demand for environmental applications in the United States, possibly opening new markets for Yara's range of environmental solutions.

**LATIN AMERICA:** About 20 percent of Yara's employees are based in Brazil, where the local operations run several educational programs and a variety of community projects.

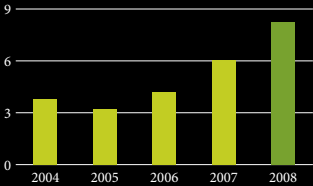
**AFRICA:** Yara is involved in ground-breaking public-private partnerships to realize the potential of African agriculture, with projects in Ghana, Malawi, Mozambique and Tanzania.

## KEY FIGURES 2008

**+36%**

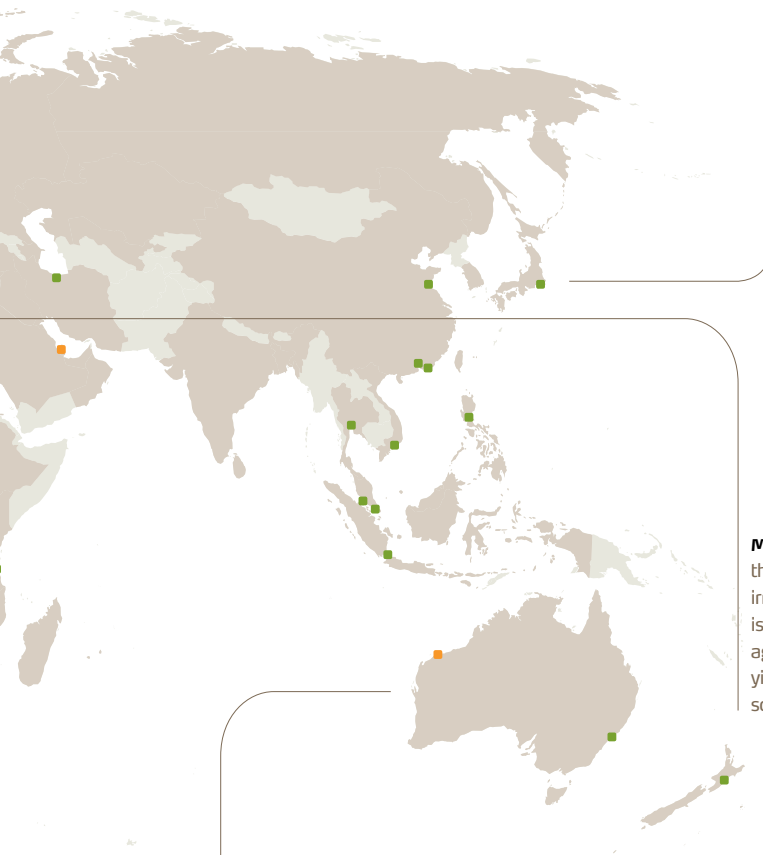
**NET INCOME:** Yara's net income after minority interests ended at NOK 8,228 million in 2008, a 36 percent increase from 2007 and Yara's best result so far.

**NET INCOME**  
NOK billion, 2004–2008



**FERTILIZER SALES:** In 2008, Yara sold 20.5 million tons of fertilizers and applied its crop knowledge and application competence to improve agricultural productivity worldwide.

**ENVIRONMENTAL APPLICATIONS:** Yara's sales of environmental applications grew throughout 2008, contributing to reduce emissions of greenhouse gases, NO<sub>x</sub> and toxic gases, as well as making valuable use of carbon dioxide (CO<sub>2</sub>).



**ASIA:** In 2008, Yara agronomists organized about 1500 farmer meetings and training sessions in Asia, roughly 5000 worldwide, to transfer and exchange knowledge on crop nutrition and responsible fertilizer application.

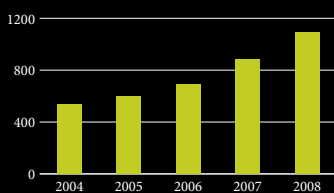
**MIDDLE EAST:** Fertigation, the combination of drip irrigation and plant nutrition, is high on Yara's research agenda. It enables higher yield, even in areas with scarce water resources.

**AUSTRALIA:** Yara has a 35 percent share and is the exclusive marketer of ammonia from the Burrup plant, which produces about four percent of the world's tradable ammonia.

## KEY FACTS

- Established as Norsk Hydro in 1905
- Demerged as Yara International in 2004
- Headquartered in Oslo, Norway
- Listed on the Oslo Stock Exchange
- President and CEO: Jørgen Ole Haslestad
- About 8,000 employees worldwide
- Operations and offices in more than 50 countries
- Sales to more than 120 countries

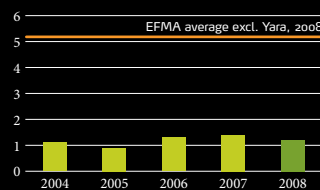
ENVIRONMENTAL APPLICATIONS SALES VOLUME Kt, 2004–2008



**7971** EMPLOYEES

**GLOBAL WORKFORCE:** At the end of 2008, Yara had 7971 employees worldwide, representing the great diversity and knowledge that enables Yara to remain a leading chemical company.

LTI RATE  
Lost-time injuries per million hours worked, 2004–2008



**1.2** LTI RATE

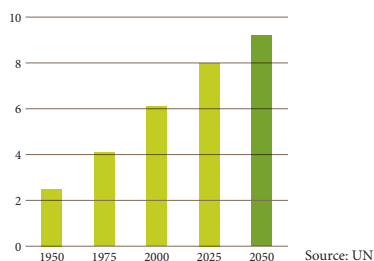
**SAFETY:** Yara achieved an LTI rate of 1.2 for employees and contractors combined, down from 1.4 in 2007, and less than a quarter of the average LTI rate for other fertilizer producers in Europe.

**COMPANY: Yara** is a global chemical company that converts energy, natural minerals and nitrogen from the air into essential products for the farming community and industrial customers. In 2008, Yara had about 8,000 employees worldwide, and sales of NOK 88,775 million.

**SOCIETY: Yara** is global corporate citizen within an industry that holds keys to the global challenges facing society, including the issues of energy, climate, food and health. Yara can contribute to solutions through its core business and key knowledge.

**OPPORTUNITIES: Yara** is actively seeking sustainability within its production process and with its agronomic and industrial solutions. Yara monitors global trends and looks for opportunities – for the company, for its stakeholders, and for society at large.

GLOBAL POPULATION GROWTH  
Billion people, 1950–2050 (projection)



**GLOBAL FOOD PRODUCTION**

faces great challenges, needing to be almost doubled over the next forty years to cope with anticipated population growth. This calls for increased application of mineral fertilizers in regions with untapped agricultural potential, where better farm management can radically improve productivity.



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# Key figures 2008

		2008	2007
<b>Economic performance</b>			
Revenues and other income	NOK million	88,775	57,486
EBITDA <sup>1)</sup>	NOK million	17,917	8,441
Net income <sup>2)</sup>	NOK million	8,228	6,037
Earnings per share <sup>3)</sup>	NOK	28.27	20.60
Fertilizer sales	kiloton	20,540	21,303
Industrial products sales <sup>4)</sup>	kiloton	3,898	3,289
<b>Environmental performance <sup>5)</sup></b>			
GHG emissions	million ton CO <sub>2</sub> equivalents	16.0	16.4
Energy use	petajoule (PJ)	200.7	191.3
Emissions to air <sup>6)</sup>	ton SO <sub>2</sub> equivalents	15,699	13,374
Emissions to water <sup>7)</sup>	ton PO <sub>4</sub> equivalents	3,459	3,113
<b>Social performance</b>			
Employees	number at year end	7,971	8,173
LTI rate <sup>8)</sup>	per million hours worked	1.2	1.4
Sickness rate <sup>9)</sup>	percent	3.8	3.7

## Notes

- <sup>1)</sup> EBITDA: Earnings before Interest, Tax, Depreciation and Amortization.
- <sup>2)</sup> Reported net income after minority interest.
- <sup>3)</sup> Yara currently has no share-based compensation program that results in a dilutive effect on earnings per share.
- <sup>4)</sup> Excluding industrial gases.
- <sup>5)</sup> 2008 results include former Kemira GrowHow plants. Yara Belle Plaine (formerly Saskferco) is not included.
- <sup>6)</sup> Emissions contributing to acidification.
- <sup>7)</sup> Emissions contributing to eutrophication.
- <sup>8)</sup> Lost time injuries for Yara employees and contractors.
- <sup>9)</sup> Yara production sites.

## REDUCTION OF GREENHOUSE GASES

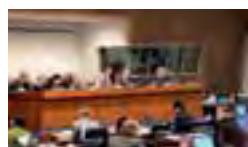
# 30%

SINCE 2004, Yara has reduced its greenhouse gas (GHG) emissions by 30 percent, compared to the company's target baseline.

**ENERGY USE:** Yara's total energy consumption increased by 4.9 percent from 2007 to 2008 due to the inclusion of Kemira GrowHow. Still, Yara recorded a 13 percent improvement in energy efficiency when comparing energy use to product output.



## GLOBAL EVENTS 2008



**FOOD:** Yara was involved in a number of high-level political and industrial events debating agricultural development and food security in 2008, including the 16th session of the UN Commission on Sustainable Development (CSD), speaking on investments at the agriculture and rural development session in New York, in May.

**January:** The 2008 State of the World, 'Innovations for a Sustainable Economy', argued that innovative companies are revolutionizing industrial production – and saving money.

**April:** The UN Secretary-General set up the High-Level Task Force on Global Food Security Crisis. The World Health Day focused on 'Protecting Health from Climate Change'.

**May:** The World Bank launched the USD 1.2 billion facility to support global efforts to overcome the food crisis. More than 80 CEOs from leading global companies met in London to showcase business initiatives to reduce poverty.

**June:** The international food crisis summit called by the FAO, 'The Challenges of Climate Change and Bio-energy', was held in Rome, adopting a declaration to eliminate hunger and to secure food for all.

**July:** The G 8 held its annual meeting in Hokkaido, agreeing to support the goal of achieving at least 50 percent reduction of global emissions by 2050, in accordance with the UNFCCC.

**August:** The World Water Week focused on key global issues related to water, including agriculture, climate, health and sanitation. The IPCC published its paper on 'Climate Change and Water', expecting large changes in irrigation water demand as a result of climate changes.

**September:** The Hunger Task Force of Ireland presented its report, calling for an increase in the productivity of smallholder farmers in Africa. The first UN Private Sector Forum focused on 'The Millennium Development Goals and Food Sustainability'.

The UN Global Compact Office launched 'Food Sustainability – A Guide to Private Sector Action'.

## YARA EVENTS 2008

2008 was another year of heightened focus on global issues, made even more challenging by a food crisis at the beginning of the year, a financial crisis towards the end – and an ongoing climate change crisis.



**February:** Yara signed an agreement with Deepak Fertilisers and Petrochemicals Ltd of India, which has called for a second green revolution. Yara participated in a high-level private-public seminar in Bellagio, Italy, to discuss the way forward for an African green revolution.

**May:** Yara Chief Communication Officer, Arne Cartridge represented the global fertilizer industry at the 16th session of the UN Commission on Sustainable Development (CSD) in New York. CEO Thorleif Enger was one of 80 business leaders from major international companies invited by UK PM Gordon Brown and UNDP Administrator Kemal Dervis to endorse the Business Call to Action, in support of the Millennium Development Goals. The CEO and IFA President, Thorleif Enger opened the 76th International Fertilizer Industry Association Conference, suggesting that the distribution of inputs should be channeled through private sector retailer networks, to strengthen markets in the South.

**June:** Yara entered into a long term partnership with the Ensus Group to build a new large-scale liquid carbon dioxide facility in the UK and signed a joint venture agreement with Sinochem Fertilizer for marketing environmental solutions. Yara's CEO attended the FAO High-Level Conference on World Food Security in Rome and called for a focused, coordinated public-private effort to achieve the scale of reform necessary for sustainable agricultural growth. The CEO also participated in the World Economic Forum Africa meeting in Cape Town, calling for action in launching the concept of agricultural growth corridors, to promote farmers' access to inputs and markets.

**July:** Yara and National Oil Corporation of Libya/ Libyan Investment Authority completed major agreements for establishment of a joint venture for mineral fertilizer production and marketing, at Marsa el Bregna, Libya.

**August:** Yara co-hosted the third and final installment of the Oslo series of Africa Green Revolution Conferences, with some 250 participants from 40 countries, under the theme 'Alliance for Action'. The fourth Yara Prize was awarded to Florence Wambugu, Kenya and Victor Mfinanga, Tanzania.

**September:** The CEO attended the first ever Private Sector Forum, part of 63rd session of the UN General Assembly, announcing investments in Ghana, Mozambique and Tanzania.

**October:** The CEO contributed to the book "Africa: Political partner and global actor", published by the Norwegian Ministry of Foreign Affairs. Jørgen Ole Haslestad took over as President and CEO of Yara International ASA, replacing Thorleif Enger.

**November:** The CEO welcomed Norway's Minister of Agriculture and Food, Lars Brekk, to the company's research centre Hanninghof, Germany. Yara Head of HESQ & Product Stewardship, and Convenor of the IFA Safety, Health and Environment Working Group, Tore Jenssen, presented a proposal for developing a global industry standard for product stewardship, at the 34th IFA Enlarged Council Meeting in Ho Chi Minh City, Vietnam.



**NORWAY:** In August 2008, Yara co-hosted the third African Green Revolution Conference in Oslo, an international event initiated by the company in 2006; former Secretary-General of the UN, Kofi Annan thanking outgoing CEO Thorleif Enger for his and Yara's contributions. The fourth Yara Prize was awarded to Kenyan scientist Florence Wambugu and Tanzanian entrepreneur Victor Mfinanga.

**October:** World Food Day focused on the challenge of climate change and bio-energy; WFP called for the development of fortified food with maximum nutritional impact. The 2008 World Health Report called for a return to primary health care approach. The 2008 State of Food and Agriculture focused on 'Biofuels: prospects, risks and opportunities'. The UNEP launched the 'Green Economy Initiative'.

**November:** The 2008 World Energy Outlook urged the improvement of energy efficiency and increasing the deployment of low-carbon energy.

**December:** The UN Climate Change Conference (COP 14) was held in Poznan, leading up to the Copenhagen conference in 2009. The FAO 2008 'State of Food Insecurity in the World' report noted an increase in the number of food-insecure people worldwide, to 923 million.

# Positioned for global opportunities

**Yara is in a position** to take advantage of global trends and contribute solutions to major challenges. Employing our global position and business competence, we are a determined corporate citizen.

Taking charge as Yara's CEO in October 2008, I joined a company with a strong corporate citizenship position – based on a mature understanding of what citizenship takes, and what it can achieve. Yara's contributions to meeting major global challenges include the issues of food security and global warming.

**OVERVIEW:** The outbreak of the financial crisis, following the food crisis, will forever mark 2008 as an exceptional year. Within this global context, Yara has identified four major issues – energy, climate, food, and health – as areas in which we can leverage our business, making an impact.

The combined effects of the food and financial crisis contributed to an alarming increase in the number of food insecure in 2008. That included Africa, where Yara has taken a lead position in private sector support for a green revolution. Yara's Africa program accelerated in 2008 – and I am in no doubt that we still have a significant role to play in supporting African agriculture.

We recorded another year of strong performance within the prioritized area of operational safety. Our achievements in energy efficiency and emissions reduction should also be noted. Our dedicated focus on product stewardship continued in 2008, as did our emphasis on conduct and compliance; areas that will have my personal and special attention in 2009.

**OUTLOOK:** Global companies have to take account of global trends. Operating on a truly global scale, Yara's business environment is – and will increasingly be – influenced by these. Not only do we need to understand them in order to reduce risks; monitoring global trends means preparing for the future – to be able to seize opportunities, and to avert or reduce detrimental effects.



**JØRGEN OLE HASLESTAD** is the President and CEO since October 2008, previously a member of the Board, 2004–2008.

Haslestad has extensive corporate experience, spending his entire career in major global businesses, across Asia, America, and Europe. Until becoming CEO of Yara, he spent 14 years with Siemens, most recently as Divisional CEO of Industry Solutions.

Haslestad holds a M.Sc. degree in mechanical engineering – and still has his native farm in Norway.





**“I see a number of opportunities arising from prevailing trends and past crisis; opportunities to create, opportunities to contribute.”**

**JØRGEN OLE HASLESTAD**  
President and CEO

## INDUSTRY SHAPER

Yara aims for an industry shaper position – setting standards and being a positive force in developing the industry. Several aspects related to this ambition are high on the agenda of Yara’s management, including:

**“AGRICULTURAL DEVELOPMENT** is at the heart of our business as a global leader in plant nutrition. Supplying fertilizer products and sharing agronomic knowledge, we promote sustainable agriculture.”


**“ENVIRONMENTAL SOLUTIONS** helping to reduce harmful emissions is a growing part of our business. Developing industrial solutions to cleanse water and air, we contribute to a sustainable future.”

**“CORPORATE GOVERNANCE** guiding our conduct and institutionalizing compliance is a major priority. Following our Code of Conduct and the UN Global Compact, we will lead with transparency.”

I see a number of opportunities arising from prevailing trends and past crisis; opportunities to create, opportunities to contribute. It is my intention to encourage the development of environmental solutions, contributing to reduce climate change and to improve people’s health. Being an active farmer myself, I will obviously champion the cause of sustainable agriculture.

The global trends and shaping issues we have identified in Yara are gradually influencing our strategy and business. They are inspiring us on our course towards becoming an Industry Shaper – also with regards to corporate citizenship.

Constantly anticipating change – continuously improving performance.

  
Jørgen Ole Haslestad  
President and CEO

» More on: [www.yara.com/2008](http://www.yara.com/2008)

# Unique global position

## FERTILIZERS, FARMING, FOOD 2008

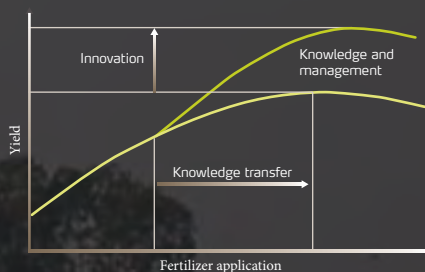
- Fertilizer is a major input in agricultural production
- Fertilizer application yields higher crop and cash returns
- Fertilizer consumption in the South is by far highest in Asia
- Fertilizer application levels are by far the lowest in Africa
- Food insecurity affects close to one billion people
- Food production per capita has declined since 1980s
- Food production lies at the heart of Yara's business

## IMPROVING YIELDS

WHILE basic fertilizer application increases yields significantly, innovation, management and knowledge transfer is required to take agricultural productivity to the next level. Application knowledge, crop competence, enhanced irrigation techniques and improved crop varieties will lift yields above levels attainable by fertilizer only.



### MEASURES TO INCREASE YIELDS



Yara shares its vast agronomic knowledge with the farming community across the world.

**FOOD PRODUCTION** has to increase dramatically to cope with global population growth and higher consumption, calling for improved agricultural productivity. **YARA CONTRIBUTES** to improved agricultural productivity, increased food production and improved food security through its crop nutrition and agronomic knowledge. **ASIA REQUIRES** the largest growth in food production and fertilizer application in the coming decades to meet increasing demands from future regional growth.



# Strategy for corporate citizenship

**Yara aims to** deliver on its overall goals and to pursue its industry shaper ambition. This will be done by leveraging its global position in implementing a consistent strategy of profitable and sustainable growth, integrating its citizenship approach into the business strategy.

Yara's overall strategy for long-term value-creation is based on the company's strong industrial platform, with its scale advantages and flexible business model. This, together with its unrivalled global presence, enables global optimization and provides the ability to take advantage of global trends and opportunities. The strategy is enhanced by Yara's global corporate citizenship model, with its dual approach, based on its global position and local action.

**CORPORATE CITIZENSHIP:** Yara is a global company within a global industry. By engaging its core business and applying its key knowledge, Yara defines global corporate citizenship as an integral part of its long-term strategic direction: A driver in pursuing new opportunities, an investment in business development and an integrated part of the operation – with strict codes and compliance.

**GLOBAL POSITION:** Yara is in a position to make a positive impact on global challenges. Yara has identified four global issues – Shaping Issues – of great importance to society at large; issues which at the same time have a considerable impact on Yara's business development.

**LOCAL ACTION:** Yara is committed to pursue its industry shaper ambition throughout its operation, setting high standards for its own conduct and compliance, not least regarding health, environment and safety, including stringent stewardship routines. Yara also supports a performance culture, promoting people development and encouraging close contact with customers and other stakeholders.

**VISION: Industry Shaper**

Yara aims to set industry standards through performance and growth.

**MISSION: Better Yield**

Yara will deliver good returns for the world farming community, industrial customers and its owners.

**VALUES: Ambition, Teamwork, Trust, Accountability**

Yara aims to drive a performance culture built on its vision and mission, the four core values and the company's Code of Conduct.

**STRENGTHS:**

Yara builds its global strength and market position on leveraging economies of scale in its processes, products and presence.

Yara is the global leader in ammonia, nitrates, NPK, and specialty fertilizers, and the European leader in nitrogen applications.

Yara has a unique business model with built-in flexibility, and a leading position in global marketing and distribution, delivering expertise on all continents.

## YARA'S 10 STRATEGIC GOALS FOR LONG-TERM, SUSTAINABLE VALUE CREATION

1 Profitability	2 Relative competitiveness	3 Solidity	4 Returns	5 Growth in low cost gas supply
<p><b>Yara's goal</b> is to deliver a Cash Return On Gross Investment (CROGI) of more than 10 percent as an average over the business cycle.</p> <p><b>Performance 2008:</b> Yara delivered a CROGI of 22.8 percent, up from 16.1 percent in 2007.</p>	<p><b>Yara's goal</b> is to deliver a Gross Return (EBITDA /Total Assets) in the top quartile of a peer group of leading chemical companies.</p> <p><b>Performance 2008:</b> Yara's return on assets (22 percent) was 4th in Yara's defined peer group of 10 companies, unchanged from last year.</p>	<p><b>Yara's goal</b> is to retain a mid investment grade credit rating, i.e. minimum BBB according to Standard &amp; Poor's methodology.</p> <p><b>Performance 2008:</b> Rating Standard &amp; Poor's BBB with stable outlook.</p>	<p><b>Yara's goal</b> is that cash return to shareholders should average 40–45 percent of net income, with dividends at minimum 30 percent over the business cycle. Share buy-backs will constitute the rest.</p> <p><b>Performance 2008:</b> Total cash returned to shareholders in 2008 was NOK 1,588 million or approximately 26 percent of 2007 net income.</p>	<p><b>Yara's goal</b> is to increase its proportion of production in low cost gas regions in order to reduce the average production cost of its fertilizer products.</p> <p><b>Performance 2008:</b> Yara's share of low cost gas increased from 27 percent in 2007 to 32 percent in 2008 due to production curtailments in Europe and the acquisition of Saskferco.</p>

## Yara's strategy for corporate citizenship



**Yara** has developed a citizenship approach, incorporating an external dimension which aims to contribute to meeting major global challenges through its core business and shaping issues, at the same time seeking business opportunities.

**ENERGY SUPPLY:** To develop a different energy future is a global challenge. Yara is a major consumer of energy, and has leveraged scale to optimize production processes, making its plants among the most energy efficient in the industry.

**CLIMATE CHANGE:** To reduce global warming is a global challenge. Yara operates within an industry that emits greenhouse gases contributing to climate change, while, at the same time, largely contributing to the reduction of emissions.

**FOOD SECURITY:** To feed a growing population is a global challenge. Yara applies its crop nutrition products and agronomic knowledge to improve agricultural productivity and increase food production, thereby enhancing global food security.

**HEALTH CONCERN:** To safeguard human health is a global challenge. Yara contributes to improved health with agronomic solutions boosting food production and industrial solutions reducing harmful emissions.

**Yara** has developed a citizenship approach incorporating an internal dimension which aims for industry shaper performance on issues and initiatives within its own sphere of influence, and of crucial importance to all its stakeholders.

**HEALTH, ENVIRONMENT AND SAFETY:** Yara commits itself to the highest standards in the area of workers' health and safety, aiming for an injury and accident free working environment, and pays extensive attention to environmental impacts of its operations.

**PRODUCT STEWARDSHIP:** Yara employs stringent routines regarding product stewardship, constantly seeking to improve the quality of its operations, processes and products, taking proper care along the entire value chain.

**STAKEHOLDER DIALOGUE:** Yara engages in continuous dialogue with key stakeholders, particularly its owners, partners and customers, valuing the exchange of ideas regarding everyday operations as well as strategic development.

**PEOPLE DEVELOPMENT:** Yara cultivates a performance culture, aiming to take its global talent pool to its full potential, committing to promote equality of opportunity and diversity, creating a friendly working place for all.

### 6 Overall growth

**Yara's goal** within a business cycle is to achieve a 10 percent market share in the global fertilizer market, and an average annual growth in the industrial segment of 10-15 percent.

**Performance 2008:** The Saskferco acquisition added approximately 1.2 million tons of finished fertilizer capacity.

### 7 Citizenship

**Yara's goal** is to establish global citizenship as a fundamental part of its business, leveraging its position to impact positively on major global challenges.

**Performance 2008:** Yara developed its citizenship approach, established a governing structure, published its first COP, and intensified its engagement in global food issues and support for the African green revolution.

### 8 Environment

**Yara's goal** is to be among the most energy-efficient companies in the industry, and to reduce its greenhouse gas emissions by nearly 25 percent from 2004 to 2009.

**Performance 2008:** Yara reached its greenhouse gas emissions target, cutting emissions in 2008 by 30 percent compared to 2004, and improving energy efficiency by 13 percent from 2007 to 2008.

### 9 Safety

**Yara's goal** is to be a leading performer in the area of worker safety, with a targeted accident rate as close to zero as possible.

**Performance 2008:** Yara achieved an LTI rate of 1.2 for employees and contractors combined. The average LTI rate for other fertilizer producers in Europe was four times higher.

### 10 Organization

**Yara's goal** is to integrate Kemira GrowHow according to established plans, with global synergies – also within the field of manning.

**Performance 2008:** Yara continued the integration process in accordance with plans, including a combined staff reduction of 254 employees worldwide.

# Global challenges, shaping issues

## ENERGY SUPPLY

**Developing another energy future** is a major global challenge. The extensive and growing consumption of fossil fuels, greatly contributes to global warming, spurring initiatives to find alternative energy sources and encouraging energy efficiency.



**ENERGY** was a major topic in 2008, largely related to the record-high prices on oil (followed by gas), peaking in July before dropping sharply. Consequently, some of the economic incentive to develop bio-energy disappeared, coupled with the fuel vs. food dilemma illuminated by the global food crisis. Rather, the stakes for technology development in carbon capture, energy efficiency and renewable energy were raised, reinforced by warnings of unsustainable energy trends from the International Energy Agency (IEA) in its 2008 'World Energy Outlook'.

**Yara** is a major consumer of energy, primarily natural gas which is the main input (as raw material and energy source) in the production of ammonia and mineral fertilizers. Energy constituting a major cost element, Yara has leveraged its scale to optimize processes, making its plants among the most energy efficient in the industry, reducing production costs and carbon footprint. Still, Yara is committed to continue to demonstrate leadership in energy efficiency, optimizing fertilizer application rates to improve the carbon footprint of crop production.

» More on energy on page 13–16 and:  
[www.yara.com/sustainability](http://www.yara.com/sustainability)

## CLIMATE CHANGE

**Reducing global warming** is a major global challenge. The increase in global temperatures threatens a sustainable future, causing climate changes that will affect all aspects of life, calling for concerted, worldwide efforts.



**CLIMATE** was a major topic in 2008, although overtaken by the focus on food crisis and the subsequent financial crisis. International attention on the climate issue was coupled with the food topic at the UN conference on food and climate in Rome, and focused on the UN climate conference in Poznan – where world leaders met to debate international moves towards a new protocol at the UN Climate Change Conference in Copenhagen in 2009. Measures to reduce CO<sub>2</sub> emissions included new European regulations and targets for the car industry.

**Yara** operates within an industry that, due to its energy-intensity, emits considerable amounts of greenhouse gases, contributing to climate change. At the same time, Yara greatly contributes to global reduction of harmful emissions: Yara's unique catalyst technology, implemented at its own plants and offered the industry to cut emissions of N<sub>2</sub>O. Yara has partnered up with external universities and research institutes to build knowledge on how to reduce N<sub>2</sub>O emissions from fields.

» More on climate on page 13–16 and:  
[www.yara.com/sustainability](http://www.yara.com/sustainability)

**Global challenges within** several areas constitute a key concern for international business and for society at large. Yara has identified four challenges towards which it can make a positive impact on a global scale, defining four shaping issues to focus on:

## FOOD SECURITY

**Feeding a growing population** is a major global challenge. The world agricultural productivity has to be greatly improved, with a doubling of food production in order to create food security for a global population expected to reach 9.2 billion by 2050.



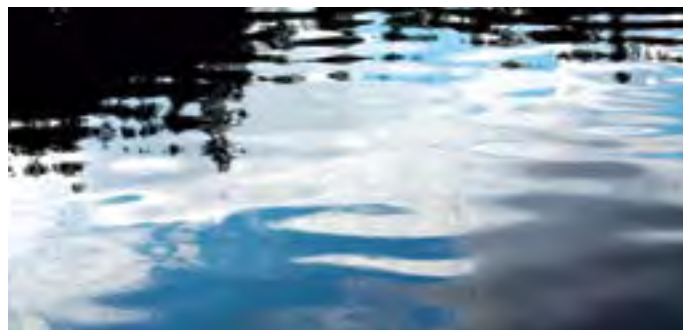
**FOOD** was a major topic in 2008, particularly connected to the sharp grain price increases in 2007, continuing into 2008, causing social unrest as well as a growing number of undernourished people. The UN set up a food crisis task force, and held a crisis summit in Rome, looking at food security linked to the challenges of climate change and bio-energy production. The food issue was a key topic at several international encounters, supporting increased investments in agriculture – curtailed by the subsequent global financial crisis.

**Yara** is a global leader in crop nutrition and agronomic knowledge, contributing to improve agricultural productivity and increase food production, within the context of sustainable agriculture. The application of balanced fertilization, with methods reducing the amounts of water needed, is a key to food security that Yara contributes towards. With its unrivalled position, Yara engages with a broad spectrum of stakeholders to support sustainable high-yield agriculture, promoting fertilization efficiency that will increase farmers' yields and return on investments.

» More on food on page 12–17 and:  
[www.yara.com/sustainability](http://www.yara.com/sustainability)

## HEALTH CONCERN

**Safeguarding human health** is a major global challenge. The state of global health is closely connected to other key issues, such as food security, and air and water quality – linked to the combustion of fossil fuels and application of mineral fertilizers.



**HEALTH** was a major topic in 2008, particularly related to the food and financial crisis, affecting nutritional intake and public investments. The Food and Agriculture Organization (FAO) largely ascribed the rising number of undernourished, close to one billion, to the food crisis and record-high food prices, exacerbated by the financial crisis, creating private hardship as well as causing public spending on health to decrease, especially in developing countries. The World Health Organization (WHO) warned that climate change endangers human health.

**Yara** is indirectly contributing to human health through its agronomic as well as industrial solutions. Balanced fertilization boosts food production, contributes to food quality, and improves food security – a prerequisite for human health. Yara is also developing targeted fertilization, with fortified food, to improve nutritional intake. Yara's industrial solutions include technologies that reduce harmful emissions to the air, and clean wastewater, and CO<sub>2</sub> to help uphold the quality of fresh food, contributing to food security.

» More on health on page 13–16 and:  
[www.yara.com/sustainability](http://www.yara.com/sustainability)

## MD&A 2008

# Committed citizenship

**Yara strengthened its global position and presence, and presented its best results so far in 2008. Yara kept focusing on its four shaping issues, its commitments and contributions to meet major global challenges.**

Yara considers corporate citizenship as an integral part of its overall strategic direction. At the core of Yara's strategy lies sustainable business development, at the heart of its citizenship strategy lies support for sustainable agriculture. Building on its industrial platform and global presence, Yara is positioned to contribute to meeting global challenges, combining corporate citizenship with business opportunities.

Externally, Yara has chosen to leverage its core business and global position within specific areas where it can contribute and make a substantial, positive impact, responding to major global challenges. Internally, Yara is committed to adhere to laws and regulations of the countries in which it operates, as well as its own code of conduct and stringent rules, not least regarding safety and product stewardship.

### GLOBAL DEVELOPMENT

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Yara is affected by global as well as local economic developments, particularly within the markets it operates. Yara contributes greatly to

economic as well as social development: Application of crop nutrients enhances yields and raises the potential income from farming, contributing to sustainable agriculture, rural development and economic growth.

Global megatrends constitute an important part of the global business environment in which Yara operates. *Globalization* has a major impact on a global company such as Yara, which trades extensively across the world, as well as on Yara's customer base the world's farming community. *Growth* is a major driver in two ways; economic growth increases purchasing power, and population growth increases the demand for food – and for mineral fertilizer. Also, *urbanization* affects human settlement and human health, with pollution of air and contamination of water, offering considerable opportunities for environmental products and services.

### ECONOMIC DEVELOPMENT

2008 saw exceptional turmoil in international economy, with a lengthy period of sustained economic growth coming to an end. At the turn of 2008, the World Bank and the International Monetary Fund projected a sharp fall in world economic growth. 2008 started with a global food crisis, and ended with a global financial crisis. Uncertainties in global



commodity markets in 2007/08 contributed to a sharp rise in the price of basic food crops, while turmoil in the financial markets in 2008/09 reduced demand for fertilizers, raising questions of future agricultural productivity.

### POLITICAL DEVELOPMENT

2008 saw a considerably stronger political attention to the agricultural sector and food production than in several years, with high-level conferences calling for increased investments in agriculture and agribusiness. The focus on environmental issues, in particular global warming and climate change – partly combined with renewed considerations on bioenergy – remained high on the agenda. 2008 also saw attention raised on emissions, with new measures setting stricter caps on harmful emissions.



## SOCIAL DEVELOPMENT

2008 saw an increase in the number of food insecure and poor people, most likely reaching one billion. Record-high food prices are cited as one major cause, partly reversing some of the recent gains in hunger reduction. The financial crisis aggravated the situation, and in February 2009, the World Bank said that “the financial crisis is fast becoming a human crisis”. The Food and Agriculture Organization of the UN (FAO) noted that high food prices also constitute an opportunity, calling for concerted help for producers to boost food production, “mainly by facilitating access to seeds, fertilizers, animal feed and other inputs”.

Another issue of rising concern in 2008 was the impeding water scarcity. Already, there is critical water scarcity in large areas of the world, including major food producing regions. Agriculture being the main consumer of water, improved water management and farming methods to make use of less water were some key topics on the agenda. Drip irrigation and precision fertilization, including the use of fertigation solutions, can contribute to save precious water; solutions that Yara has pioneered.



## OPERATIONAL PERFORMANCE

### PRODUCTION DEVELOPMENT

Yara's plants have shown a solid production increase for ammonia and finished fertilizer products over the years, improvements being driven by continuous production enhancements. Recent growth has been driven by the acquisitions of Kemira GrowHow (Finland) in 2007 and Saskferco (Canada) in 2008, and the establishment of the Lifeco joint venture company (Libya), which was completed in 2009.

Yara's operation – like other parts of the industry – was affected by the market turmoil at the end of 2008, experiencing a sharp drop in demand, resulting in major sales reductions in the fourth quarter. Yara manage-

## STRATEGIC GOALS

Yara has adopted ten strategic goals for long-term value creation, of which three are related to citizenship.

(See matrix of all goals on pages 8–9).

### Goal # 7: Corporate citizenship

#### Performance 2008:

Yara developed its citizenship approach, established a governing structure, published its first COP, and intensified its engagement in global food issues and support for the African green revolution.

#### Priorities for 2009:

Yara will finalize a citizenship strategy, adopt a more systematic approach to stakeholder engagement and continue to develop solutions that meet global challenges related to energy, climate, food and health.

### Goal # 8: Environment

#### Performance 2008:

Yara reached its greenhouse gas emissions target, cutting emissions in 2008 by 30 percent compared to 2004, and improving energy efficiency by 13 percent from 2007 to 2008 based on eco-efficiency calculations.

#### Priorities for 2009:

Yara will continue the implementation of its energy management system and evaluate further installation of the nitrous oxide catalyst in nitric acid plants.

### Goal # 9: Safety

#### Performance 2008:

Yara achieved an LTI rate of 1.2 for employees and contractors combined. The average LTI rate for other fertilizer producers in Europe was four times higher.

#### Priorities for 2009:

Yara will continue the implementation of its behavior based safety program in newly acquired plants and launch a company-wide safety campaign.

» For a full presentation of the goals, see:  
[www.yara.com/2008](http://www.yara.com/2008)

ment decided to reduce third-party sourcing and curtail own production, at the same time building stocks, in order to handle the market volatility. Yara is one of the most energy efficient fertilizer producers, and the company has technically upgraded most of its ammonia plants to optimize their energy efficiency. As a result, nine of Yara's 15 ammonia plants perform better than the European average with regard to energy efficiency, according to Plant Surveys International's benchmarking surveys for EFMA and IFA 2006/2007.

In Norway, Yara and the Norwegian public enterprise Enova are investing heavily in efforts to improve energy efficiency at the Yara Glomfjord and Yara Porsgrunn production sites. At Yara Porsgrunn, which is the company's – as well as Europe's – largest NPK plant, the project aims to reduce annual energy consumption at the plant by 300 GWh by 2011. Yara will receive project funding of up to 20 percent from Enova, whose main mission is to encourage energy savings and efficiency in Norwegian industry and households. The agreement with Enova is the largest of its kind to date.

Yara has a so-called Energy Hunters in place at the Porsgrunn plant as well as in other major production plants. The Energy Hunters are local drivers of Yara's "Systematic Energy Management" initiative (see fact box page 15). Yara Sluiskil has piloted the initiative, and installation of a newly developed software tool monitoring and analyzing energy losses has already led to 0.55 percent decrease in energy consumption, equaling annual energy costs of close to EUR 2 million. At Yara Brunsbüttel, systematic root cause analysis using a tailored technique to identify leakages has led to energy savings worth up to EUR 800,000, demonstrating the value of systematic energy management. Under this initiative, Yara also intends to develop a central strategy for making use of waste energy.

**PEOPLE DEVELOPMENT**

In the face of the economic slow-down, with sharply reduced demand for fertilizers in the fourth quarter, Yara followed up on its policy of avoiding unscheduled or temporary layoffs of employees throughout 2008.

Diversity and equal opportunities are fundamental principles in Yara's people development policy, aiming to take the company's global talent pool to its full potential. In 2008, the first class of employees graduated from Yara's Leadership Assessment and Development Program (LEAD), with 20 different nationalities represented, of which 23 percent were women. Since its launch in 2006, LEAD has provided great insight in the company's pool of talented individuals. In 2008, Yara launched a new employee engagement initiative, Yara Essential, aiming to enhance networking and knowledge transfer between leaders and specialists within the global organization. Also, Yara's induction and training program, The Yara World, proved its success and will be further developed.

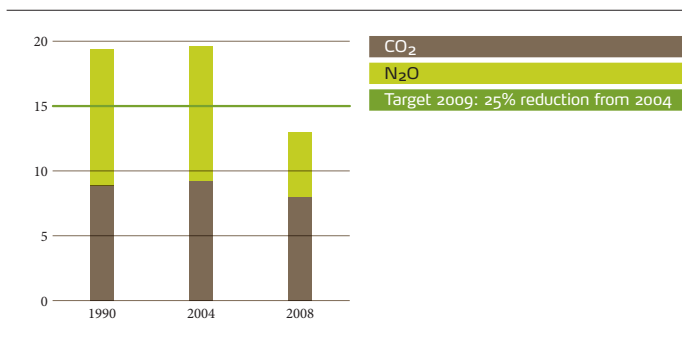
**PRODUCT STEWARDSHIP**

The principles of Product Stewardship, as set out by the European Fertilizer Manufacturers Association (EFMA), guide all of Yara's activities. In 2008, Yara scored well above acceptance levels and was recertified to EFMA's Product Stewardship Program by independent auditors as part of the triennial certification process required by EFMA.

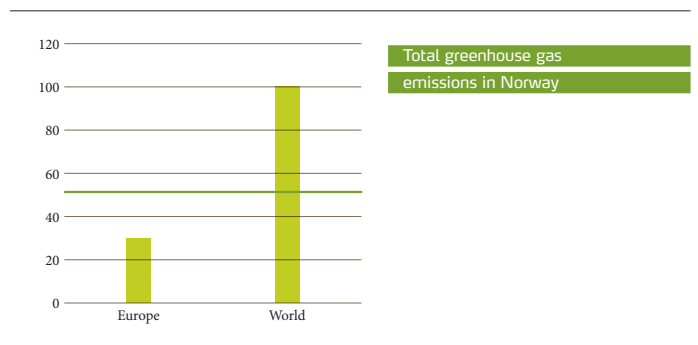
The European Union regulation on Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) came into force in 2007 and requires extensive testing, evaluation and registration of chemi-



**[1] GREENHOUSE GAS EMISSIONS VS TARGET**  
Million ton CO<sub>2</sub> equivalents, 2004–2008



**[2] REDUCTION POTENTIAL WITH N<sub>2</sub>O CATALYST**  
Million ton CO<sub>2</sub> equivalents



cals to safeguard human health and the environment. In 2008, Yara completed the pre-registration of all relevant manufactured and imported critical substances in accordance with REACH. Yara is cooperating closely with suppliers, customers and the industry to carry out the extensive testing and documentation needed to ensure compliance with the requirements by 2010.

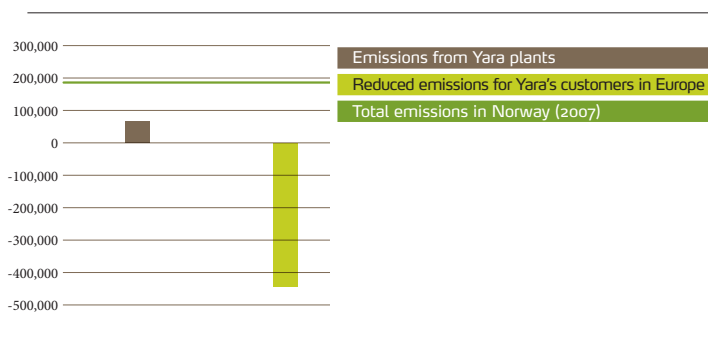
As the world's leading supplier of fertilizer, Yara is strongly committed to improved management practices: optimizing yield while minimizing application of mineral fertilizers. The production of fertilizer is energy-consuming – causing emission of greenhouse gases to air, and the application can have detrimental effects on the environment – causing leakage to water. Yara constantly works to develop improved ways to apply fertilizers, reducing the amounts of nutrients as well as the water needed. Through developing new fertilizer products and sharing its application knowledge, Yara promotes balanced fertilization and supports the development of sustainable agriculture.

## STAKEHOLDER ENGAGEMENT

Yara is in continuous dialogue with key stakeholders, particularly its



[3] CONTRIBUTIONS TO REDUCE NO<sub>x</sub> EMISSIONS  
Ton NO<sub>x</sub>



## CHALLENGES AND ISSUES

Yara applies its core business and key knowledge to make positive impacts within four prioritized areas – four shaping issues. At the same time, these issues are essential in Yara's own business development.

### Energy supply

In 2008, Yara strengthened its efforts to improve energy efficiency in its global production base. Through a new energy savings initiative, Energy Hunters were introduced at all production plants to drive energy improvements by supporting and pushing the production organization and establishing energy saving projects at each plant.

In 2008, the "Systematic Energy Management" initiative was anchored as one of four global top priorities in Yara's Upstream segment. Facilitated by a newly developed software tool, the energy management system will be implemented and mandatory for all sites in 2009, aiming to improve reporting of energy consumption and support daily energy efficiency follow-up and analysis of savings potentials.

### Climate change

In 2008, Yara reached its ambitious goal of reducing the company's carbon footprint by 25 percent from 2004 to 2009 [1], a year ahead of schedule. This was made possible by Yara's technology innovation, specifically the N<sub>2</sub>O catalyst technology that reduces N<sub>2</sub>O emissions from nitric acid production by 70–90 percent.

In 2008, Yara installed this technology in several of the company's nitric acid plants. Furthermore, the technology is used in nearly half of all projects for nitric acid plants covered by the Clean Development Mechanism under the Kyoto Protocol worldwide. Globally, it has a potential to reduce GHG emissions from such plants by close to 100 million tons of CO<sub>2</sub> equivalents per year [2].

### Food security

In 2008, Yara reiterated its commitment to the African green revolution, including the novel private-public partnership 'Agricultural Growth Corridor Initiative', aiming at upgrading port facilities at Beira, Mozambique and Dar es Salaam, Tanzania. This is part of a regional strategy for harmonizing transport hubs in the fertilizer delivery chain, linked to partnerships to improve input efficiency.

In 2008, Yara contributed to global food production and food security through its global reach, with sales of 20.5 million tons of crop nutrients, and sharing its extensive agronomic knowledge on how to improve agricultural productivity. All in all, about one third of the protein consumed by mankind is estimated to be the direct result of the application of mineral fertilizers.

### Health concern

In 2008, Yara's NO<sub>x</sub> abatement technologies contributed to a reduction of approximately 440 000 tons of NO<sub>x</sub> emissions from customers' applications in Europe, including reductions from vehicles as well as stationary and maritime applications. Yara's sales of NO<sub>x</sub> solutions grew throughout 2008, with significant increases in the sales of Air1<sup>®</sup>, which is available across Europe [3].

» More on the shaping issues: [www.yara.com/sustainability](http://www.yara.com/sustainability)

owners, partners and customers, as well as with national and regional authorities, and international organizations. Yara is, on both a regular and irregular basis, in active contact with various parts of society as well as governmental and institutional bodies, on a global, regional and local level.

#### PUBLIC AFFAIRS

Yara engages in public dialogue on affairs relevant to its business, responding to initiatives and invitations as well as initiating exchange of ideas. During 2008, Yara was involved in international dialogue related to all of its shaping issues, as well as other policy-related matters.

#### SHAPING ISSUES

**ENERGY:** Yara engaged in dialogue with the European Union (EU) to promote increased transparency in the European energy market, aimed at stimulating competition. Yara continued its engagement to make the global fertilizer industry become more energy efficient, through dialogue with the EU on reaching European targets, aimed at reducing emission of greenhouse gases (GHG). Yara also monitored the efforts made by the EU to bring down GHG emissions from the European transport sector by introducing more renewable fuels (bio-fuels) on the market.

**CLIMATE:** Yara engaged in the ongoing dialogue on the EU's "Climate action and renewable energy package" which was agreed upon by the European Parliament and Council in December 2008 and which includes changes in the EU Emissions Trading System (ETS). While supporting the ambitious targets of the EU, as well as the inclusion of N<sub>2</sub>O emissions from nitric acid production, Yara advocates global measures to reduce emissions from the fertilizer industry to ensure that the relatively cleaner production in the EU is not disfavored in the global fertilizer market.

**FOOD:** Yara continued its commitment to the global efforts to achieve food security, participating in a number of high-level international meetings debating agricultural development in general and the global food crisis in particular. This included the opening of the UN General Assembly in September, launching its private-public partnership initiative of agricultural growth corridors in Africa. Yara co-hosted the third African Green Revolution Conference, and awarded the fourth Yara Prize in Oslo. Yara also represented the global fertilizer industry at the 16th session of the UN Commission on Sustainable Development (CSD).

**HEALTH:** Yara engaged in policy debates within the EU on achieving cleaner air, proving expert advice in several processes, including the policy debate leading up to the adoption of the Euro VI regulation. This refers to the Best Available Techniques for cutting NO<sub>x</sub> emissions, in the process of achieving stricter NO<sub>x</sub> emission limit values in the revision of the Integrated Pollution Prevention Control Directive. Yara also monitored the review of the international

regulations establishing new NO<sub>x</sub> emission limits for pollution from ships. In September 2008, Yara co-hosted a key DeNO<sub>x</sub> event in Brussels.

#### PARTNERSHIPS

Yara enforced its engagement in fostering private-public partnerships in support of the African green revolution, following up on initiatives taken since launching its Africa program in 2005, aligned with African policies and priorities. In 2008, Yara was involved in four such partnerships; one for each of Ghana, Malawi, and Tanzania, plus the regional Agricultural Growth Corridor Initiative with projects in Mozambique and Tanzania. In connection with the corridor initiative, Yara entered a strategic cooperation agreement with the Norwegian government in 2008, signed in January 2009.

Yara has partnered with the Norwegian environmental organization *Bellona* as well as with *WWF Norway* to address key environmental challenges, extending both agreements into 2009. In 2008, Yara partnered with 14 international companies in Norway in the *KlimaGevinst* ('Climate Benefits') project, aiming to contribute towards combating climate change.



#### MEMBERSHIPS

Yara is a member of the *International Fertilizer Industry Association* (IFA), with Thorleif Enger, the CEO of Yara until October 2008, holding the position as President (2007–09). Yara is also a Corporate Member of the *European Fertilizer Manufacturers Association* (EFMA), holds key positions in the *European Industrial Gases Association* (EIGA), and is a signatory to *Business Action Against Corruption* (BAAC). In 2008, Yara joined the *Development Policy Forum* (DPF), a partnership among central players defining and implementing European development policies, and the *World Economic Forum* (WEF). As such, Yara participated at the 2008 Africa meeting in Cape Town, and in preparatory discussions for the 2009 meeting in Davos, where Yara hosted a roundtable on agricultural growth corridors in Africa.

## CORPORATE COMPLIANCE

In 2008, the Yara management decided to establish a central corporate compliance unit to coordinate and support its global compliance work, with special attention to measures to forestall corruption and bribery. A new Global Head of Compliance took office early 2009. Yara has been a signatory to the United Nations Global Compact (UNGC) since 2006, and launched its first Communication on Progress in 2008, continuing efforts to strengthen and enforce its ten principles throughout the organization. Although the major part of Yara's operations and employees are based in countries where the prevalence of human rights abuses is very low, Yara's Code of Conduct was amended in 2008 to accentuate the company's stance against child labor and all forms of forced or compulsory labor.

No material legal claim was made against Yara in respect to health, environmental or safety matters or in relation to operational permits in 2008. Neither was non-compliance with national laws or regulations registered, regarding human rights, anti-competitive behavior, marketing, customer privacy or the provision and use of products, including their health and safety impacts. However, a legal claim was made against Yara in Norway, regarding the importation of a trial



shipment of phosphate from Western Sahara, a disputed territory, for technical testing of quality and properties at the Porsgrunn and Glomfjord plants. Yara carefully considered all legal aspects before purchasing the consignment, and holds the legal claim unfounded. Yara has previously stated that it will comply with recommendations from the Norwegian government, and reiterated that it has no intention of importing phosphates from Western Sahara.

» The complete Citizenship MD&A is found on: [www.yara.com/2008](http://www.yara.com/2008)

## AGRICULTURAL GROWTH CORRIDORS

**In 2008, Yara** announced its engagement in two infrastructure projects in Eastern and Southeastern Africa: The Agricultural Growth Corridor Initiative, aiming to de-bottleneck agricultural commodity streams and catalyze new agricultural growth in the respective regions.

**Yara aims** to contribute to upgrade port facilities at two major ports: in Beira, Mozambique and Dar es Salaam, Tanzania. These private-public partnerships projects are both part of a regional strategy for harmonizing transport hubs in the fertilizer delivery chain, linked to initiatives for improving inputs efficiencies and infrastructure management. The initiatives, supported by the governments of the respective countries, involve several partners, including the government of Norway.

**Yara presented** the two innovative partnerships at the first-ever UN Private Sector Forum, part of the UN General Assembly, in New York in September 2008, with the company CEO meeting with UN Secretary-General Ban Ki-Moon to discuss a broader plan to create regional Agriculture Growth Corridors in Africa. At the World Economic Forum meeting in Davos in January 2009, Yara hosted a roundtable on the corridors project.

**Yara has** committed to investing USD 60 million in the partnership; building fertilizer terminals as part of the development of the port facilities in Beira and Dar. The current ports system is highly ineffective, with fertilizer shipments being delayed by customs clearance before delivery to the farmers. The port projects aim to speed up this process and make fertilizer available all-year-round by establishing a holding warehouse that can streamline effective distribution. Without improved port facilities, Mozambique, Tanzania and their surrounding regions will be unable to meet their agricultural growth targets.

» More on the shaping issues: [www.yara.com/sustainability](http://www.yara.com/sustainability)

## PERFORMANCE REVIEW

# Economic performance 2008

In 2008, Yara recorded its best financial performance so far, while continuing to make a positive impact to society – globally and locally.

Yara consistently pursued its strategy for profitable and sustainable growth, delivering solid results on its strategic goals. Despite the deteriorating financial climate towards the end of 2008, Yara recorded the best financial results to date, on several accounts.

### FINANCIAL RESULTS

In 2008, Yara's total revenues and other income amounted to NOK 88.8 billion [1], up from 57.5 billion in 2007. Net income after minority interest was NOK 8,228 million [2], a 36 percent increase from 2007, and return on capital was well above Yara's ten percent target. The strong results were primarily due to high fertilizer prices throughout much of the year, until the market slowed down during the latter half, as well as continued optimization of the operation.

Yara has increased its market share in recent years, primarily through the acquisitions of Fertibras (Brazil) in 2006, Kemira GrowHow (Finland) in 2007 and Saskferco (Canada) in 2008. The company's biggest market is Europe, which accounted for more than half of its fertilizer sales in 2008.

### GLOBAL IMPACTS

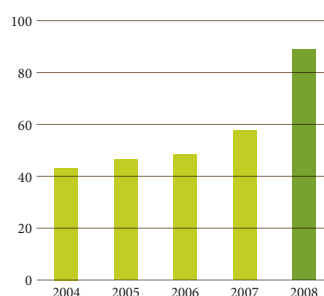
Through capital investments, knowledge transfer and global trade, Yara contributes to both globalization and economic development worldwide. Economic growth and social development is closely linked to agriculture, with increased populations calling for more food to be produced and increased purchasing power causing changed dietary patterns, both requiring improved agricultural productivity. This again is largely depending on the supply of crop nutrients in the way of mineral fertilizer – and of enhanced application knowledge.

In its 'World Development Report 2008', the World Bank underlined the importance of improving agricultural productivity to foster growth and reduce poverty in agricultural-based economies, primarily in Sub-Saharan Africa. Several high-level meetings and key international reports in 2008 emphasized the importance of investing in improved agricultural productivity.

The economic benefits of fertilizers have been demonstrated for several years by the Food and Agricultural Organization of the UN (FAO), with their value-to-cost ratio calculations documenting the additional value of crop yield achieved by fertilizer use.



[1] REVENUES  
NOK billion, 2004–2008



**LOCAL IMPACTS**

Yara provides crop nutrients and application knowledge to the world; in 2008 selling its fertilizer products to over 120 countries. In every market, Yara aims to meet the needs of local farmers by supplying the right product for the right purpose and by sharing its unique agricultural know-how with farmers. In 2008, Yara organized roughly 5000 farmer meetings worldwide to assist them in increasing their yields and achieving higher crop value.

In 2008, Yara also participated in innovative development projects to support the African green revolution, a movement which aims to increase food productivity and increase economic growth in Sub-Saharan Africa. Promoting private-public partnerships, Yara has initiated such projects in Ghana, Malawi and Tanzania. In 2008, Yara also announced its decision to invest in agricultural growth corridor partnerships in Mozambique and Tanzania.

Yara’s operations worldwide support a variety of community projects and local initiatives for the benefit of the public. In 2008, local operations reported spending about NOK 14 million on various community involvement programs.

» Full account on economic performance is found in the Financial Review 2008.



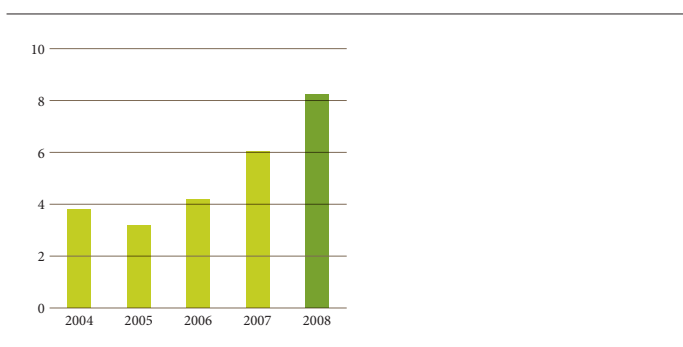
**Economic value generated and distributed, 2008**

<b>Direct economic value</b>	
a) Revenues	89,451
<b>Economic value distributed</b>	
b) Operating costs	69,569
c) Employee wages and benefits	4,830
d) Payments to providers of capital	2,468
e) Payments to government	1,892
f) Community investments	14
<b>Total</b>	<b>78,773</b>
<b>Economic value retained</b>	
	10,678

Note: Figures are presented in accordance with the GRI reporting framework and are not necessarily comparable to figures in other Yara publications, including Financial Review 2008.



[2] NET INCOME  
NOK billion, 2004–2008



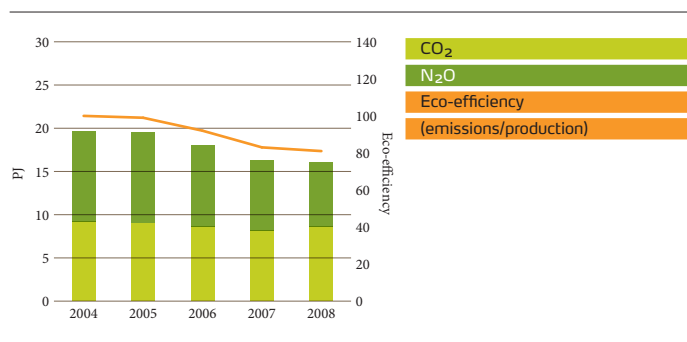
## PERFORMANCE REVIEW

# Environmental performance 2008

In 2008, Yara reached its ambitious greenhouse gas emission target and strengthened measures to further improve the energy efficiency of its already well-tuned production.

Yara's production processes are relatively clean, but highly energy intensive in nature. Globally, Yara's greatest environmental impacts come from energy consumption and greenhouse gas (GHG) emissions, specifically carbon dioxide (CO<sub>2</sub>) in ammonia production and nitrous oxide (N<sub>2</sub>O) in nitric acid production. Reducing energy consumption and GHG emissions are therefore our top priorities.

**[1] GREENHOUSE GAS EMISSIONS**  
Million ton CO<sub>2</sub> equivalents, 2004–2008



## GHG EMISSIONS

Yara's goal for GHG emissions was to reduce its baseline carbon footprint by 25 percent during the period from 2004 to 2009. The company achieved its objective ahead of schedule, with 2008 emissions already 30 percent below the levels measured in 2004. In 2008, Yara's total GHG emissions amounted to 16 million tons of CO<sub>2</sub> equivalents, down from 16.4 million tons in 2007 [1]. The 2008 results include emissions from former Kemira GrowHow, which were not included in 2007. Compared with 2004 levels, Yara's total GHG emissions in 2008 represent a close to 19 percent reduction in emission using eco-efficiency calculations.

The improvements in GHG emissions have primarily been achieved by the installation of Yara's N<sub>2</sub>O catalyst technology, an innovation designed to reduce N<sub>2</sub>O emissions from nitric acid plants. By the end of 2008, the technology had been installed in 12 of the company's 25 nitric acid units. Yara is evaluating further installations.

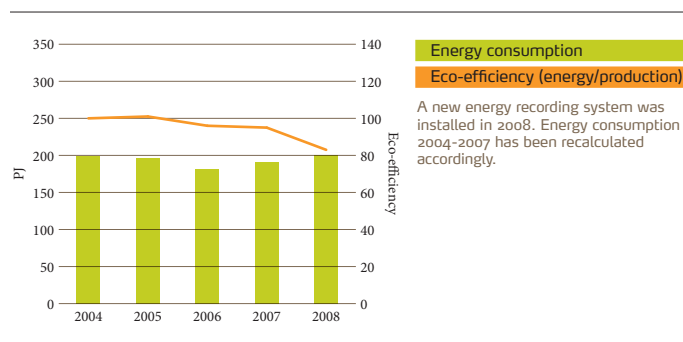
## ENERGY CONSUMPTION

In 2008, Yara's total energy consumption was 200.7 PJ (Petajoules), up 4.9 percent from 191.3 PJ in 2007 [2]. The increase is due to inclusion of the former Kemira GrowHow units from 2008. When comparing the energy use to production levels, the consumption was reduced by almost 13 percent from 2007 to 2008.

Yara introduced a new and improved energy data system in 2008, impeding comparability with energy results reported in the company's Corporate Citizenship Review 2007. To allow for year-to-year comparisons, energy consumptions for the period 2004–2007 have been recalculated according to the new energy data system. Based on eco-efficiency indicators, these calculations show a 17 percent reduction in energy consumption from 2004–2008.

The improvements in energy efficiency have been a contributing factor to Yara's reduced GHG emissions, cutting CO<sub>2</sub> emissions from combustion of fossil fuels. Implementation of the "Energy Hunter" concept

**[2] ENERGY CONSUMPTION**  
PJ, 2004–2008





(see page 15) was finalized at all Yara’s sites early in 2009, and the company had already realized considerable energy savings by the fourth quarter of 2008.

The “Systematic Energy Management” initiative (see page 15) has been anchored as one of four global top priorities in Yara’s Upstream segment and will be implemented at all production sites in 2009.

**EMISSIONS TO AIR AND WATER**

Emissions of nutrient-rich effluents [3] and emission of acidifying gases [4] from Yara’s production plants can have regional or local impacts. Yara monitors all such emissions closely and has taken several steps to reduce them. Since 2004, total emissions from Yara’s plants that contribute to acidification and eutrophication have been reduced by 34 and 16 percent respectively, based on eco-efficiency calculations.

» A more extensive environmental performance report is found on web: [www.yara.com/2008](http://www.yara.com/2008)

**Total emissions and impacts from Yara production plants <sup>1)</sup>**

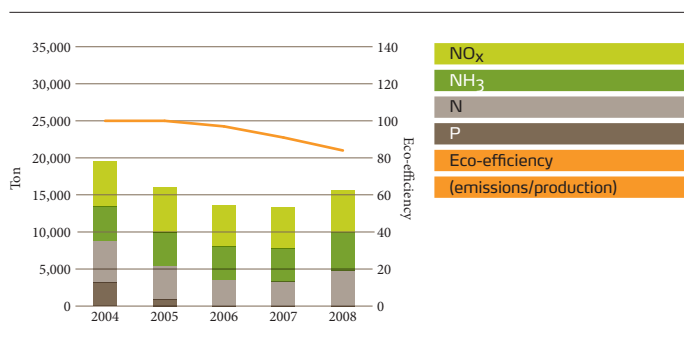
Category		2008
CO <sub>2</sub> to air	ton	8,606,753
N <sub>2</sub> O to air	ton	23,931
NO <sub>x</sub> to air	ton	8,268
NH <sub>3</sub> to air	ton	2,729
F to air	ton	12
SO <sub>2</sub> to air	ton	4,761
Dust to air	ton	2,878
N to water	ton	2,895
P to water	ton	70
Hazardous waste	ton	2,879
Non-hazardous waste	ton	22,108
Energy consumption <sup>2)</sup>	petajoule	200.7

1) The 2008 results include emissions from former Kemira GrowHow plants.  
2) A new energy recording system was installed in 2008.

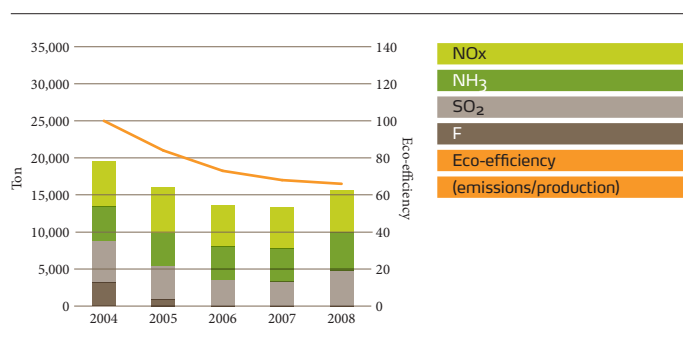
90–95% of Yara’s energy consumption is related to the production of nitrogen (N), while 5–10% is related to the production of phosphorus (P) and potassium (K). With regards to the production of N, about 95% of the energy consumption is related to production of ammonia, of which 70–80% is ammonia feed, i.e. the raw material for the production of ammonia.



[3] EMISSIONS TO WATER CONTRIBUTING TO EUTROPHICATION  
Ton PO<sub>4</sub> equivalents, 2004–2008



[4] EMISSIONS TO AIR CONTRIBUTING TO ACIDIFICATION  
Ton SO<sub>2</sub> equivalents, 2004–2008



## PERFORMANCE REVIEW

# Social performance 2008

**Yara managed to handle the volatilities of 2008, including the challenges facing the workforce. The company continued its strong track record with regard to industrial safety.**

At the end of 2008, Yara had 7971 employees worldwide, down from 8173 in 2007. Yara avoided unscheduled or temporary layoffs during the economic slowdown of the second half of 2008, as described on page 14. The 2008 acquisition of Saskferco in Canada added 160 employees, whereas synergies achieved following the 2007 acquisition of Kemira GrowHow, led to an overall net reduction of Yara's workforce.

### HEALTH AND SAFETY

In 2008, the LTI rate (lost-time injuries per million hours worked) was 1.2 for employees and contractors combined [1], down from 1.4 in 2007. 2008 was the fifth consecutive year with LTI rates between 1–1.5 for Yara, firmly placing the company among the leaders in industrial safety. Yara Ravenna was awarded Yara's Safety Prize 2007 for its excellent safety performance.

The TRI rate (total recordable injuries per million hours worked) for Yara employees ended at 3.5 [2], up from 2.9 in 2007. Yara's 2008 results include the former Kemira GrowHow plants acquired in 2007.

In 2008, Yara continued the implementation of its BBS (behavior based safety) program which involves employees in observation, identification of risks and finding solutions. At the current implementation

level, the BBS program facilitates about 30,000 observations and feedback talks each year, and implementation will continue in the recently acquired Kemira GrowHow and Saskferco plants during 2009/10. In 2008, Yara also prepared the "Think Ahead" safety campaign, consisting of educational videos and a safety handbook. The campaign will be launched in 2009.

Yara did not experience any fatal accidents in 2008. One accident was classified as 'major', an explosion at Yara Porsgrunn, Norway, resulting in property damage and loss of production, but without serious injury to people. Together with other incidents in 2008, the accident in Porsgrunn emphasizes the need for strong management commitment and employee involvement in preventive actions.

### PEOPLE DEVELOPMENT

Following a principle of local autonomy, Yara's operations provide employee training and benefits that fit local needs and are in line with local practices, aiming to attract and retain talents in all parts of the world. Yara encourages all employees to take the initiative in determining their own career paths, and provides several internal programs and tools for them to do so, see also page 14.



In 2008, Yara spent in excess of NOK 4300 per employee on external training, totaling close to NOK 36 million for the global workforce. Close to 80 percent of the global workforce received training and development reviews; 74 percent for supervised employees and 89 percent for managerial grade employees.

The fertilizer industry has traditionally been male dominated, which is also reflected in Yara's workforce: 81 percent of all employees are male, 80 percent at the managerial level. In 2008, the overall turnover rate for Yara's workforce was close to 17 percent. Staff turnover is lower in the more mature European operations than in for instance Brazil, where skilled labor is in shorter supply. To address this, Yara has established a strong human resources department and several initiatives to develop and retain skilled employees in Brazil.

» A more extensive report on social performance is found on web:  
[www.yara.com/2008](http://www.yara.com/2008)

**Yara's workforce 2008**

	Employees			Managerial grade employees		Temporary contracts
	Total	Male	Female	Male	Female	Total
Africa	442	353	89	87	11	74
Asia	170	107	63	31	17	5
Europe	5328	4128	1200	644	162	241
Latin America	1653	1365	288	102	24	134
North America	266	203	63	25	5	1
Oceania	11	8	3	1	2	0
Sum	7870	6164	1706	890	221	455

Note: Due to incomplete reporting from two subsidiaries, the totals presented in the tables deviate from the total number of employees (7971) reported in Yara's performance management system.

**Yara's workforce 2008**

	Turnover by gender			Turnover by age		
	Total	Male	Female	< 30	30-50	50 >
Africa	93	69	24	18	65	10
Asia	20	16	4	2	16	2
Europe	803	589	214	197	296	310
Latin America	379	318	61	130	226	23
North America	16	13	3	4	10	2
Oceania	1	0	1	0	1	0
Sum	1312	1005	307	351	614	347



**SLUISKIL WINS IFA AWARD**

In March 2009, Yara Sluiskil, the Netherlands, was awarded the International Fertilizer Industry Association's (IFA) inaugural Green Leaf Trophy for Excellence in Safety, Health and the Environment in Production. The IFA prize focuses on innovations and company initiatives to improve workers' safety and health, and to reduce their factory's overall environmental footprint. An independent selection panel chose Yara's production facility in the Netherlands out of 37 candidates from 20 nations.

**[1] LTI RATE**

Lost-time injuries per million hours worked, Yara employees and contractors, 2004-2008



**[2] TRI RATE**

Total recordable injuries per million hours worked, Yara employees, 2004-2008



**SICKNESS RATE**

Percent sick leave, employees at Yara's production sites, 2004-2008



## ABOUT THE REPORT

The **Citizenship Review 2008** is Yara's second stand-alone report on the company's corporate citizenship approach and performance. This printed report presents a summary of Yara's contributions and results.

» For the full report, please visit [www.yara.com/2008](http://www.yara.com/2008)

### SCOPE AND BOUNDARIES

Consolidated data within this report covers the reporting year 2008, unless otherwise noted. Readers should take note of the following changes and limitations to the scope and boundaries of the reporting:

- Environmental performance data relates only to Yara's 20 major production sites. Impacts from transportation and distribution have not been included, as is also the case with staff functions, wholesalers, agents, joint ventures and associated companies.
- Environmental performance data for 2008 covers former Kemira GrowHow plants, not included in 2007. Yara Belle Plaine (formerly Saskferco) is not included. Yara acquired Saskferco in October 2008.
- Yara implemented a new energy data system in 2008. Energy data for the period 2004-2007 has been recalculated according to the new energy data system to allow for year-to-year comparisons.
- Safety performance data covers all Yara employees and contractors' employees working for Yara.
- Sick leave covers employees at Yara's production sites.
- Data on workforce composition is based on individual reports from entities and subsidiaries. Incomplete reports from two subsidiaries have caused slight deviations between the workforce composition data presented on page 23 and total workforce figures reported in Yara's performance management system.

### UN Global Compact

Yara has decided to embrace, support and enact the United Nations Global Compact initiative and its ten principles, which are a set of core values in the areas of human rights, labor standards, the environment and anti-corruption

» For more information, please visit [www.unglobalcompact.org](http://www.unglobalcompact.org)

Yara has been included in the international FTSE4Good Index Series. The index measures the performance of companies meeting globally recognized corporate responsibility standards, acting as a reference tool for companies and a benchmark index, and to facilitate investment in those companies.



Yara has been awarded the Best in Class designation of excellence for leading environmental and social performance from the Storebrand Group. The designation is awarded to companies ranking in the top 30 percentile of Storebrand's corporate responsibility performance analyses.



### DATA COLLECTION

Yara's HESQ & Product Stewardship team collects and reviews data on HESQ performance from operations, and the Human Resources team compiles relevant information on Yara's workforce. All data is checked internally.

### MATERIALITY

Yara has considered four criteria in the prioritization of key issues in the company's citizenship reporting:

- Relevance to core business
- Business risks and opportunities
- Significance of future and current impacts on society
- Stakeholders' concerns

This has led Yara to address issues beyond its direct control, namely the four shaping issues; energy supply, climate change, food security and health concern. Being a global company with a considerable workforce and industrial production, Yara also prioritizes workers' health and safety as well as environmental impacts within the company's direct sphere of control.

### COMPLIANCE

In 2008, no material legal claim was made against Yara in respect of health, environmental or safety matters. Neither did Yara identify non-compliance with laws or regulations regarding human rights, anti-competitive behavior, marketing, customer privacy or the provision and use of products, including their health and safety impacts.

### Global Reporting Initiative

Yara's Corporate Citizenship reporting is guided by the Global Reporting Initiative (GRI) G3 guidelines. GRI indicators have been included where possible and applicable in this printed, abridged report, in the extended web report, in Yara's Financial Review 2008 and on Yara's web site.

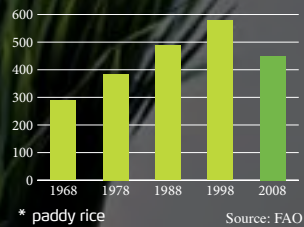
» For more information, please visit [www.yara.com/gri](http://www.yara.com/gri)



**Yara supplies valuable crop nutrition to rice farmers around the world.**

The application of mineral fertilizer in rice growing has boosted yields, and remains a key factor in sustaining high productivity. Rice has been one of the crops benefitting from the green revolution, especially in Asia, with new rice varieties now improving productivity in Africa. Rice is a major contributor toward food security and farm income in developing regions.

**GLOBAL RICE\* PRODUCTION**  
Million ton, 1968–2008



Text: Yara; Styrkr  
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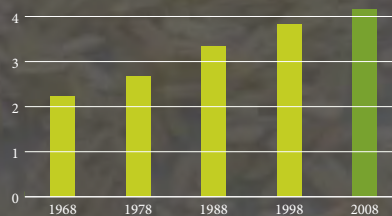
**Yara is a world leading provider of agronomic solutions.**

With its unique global position and presence, Yara shares valuable crop knowledge with the farming community inspiring farming of rice and other key crops.

**RICE:** global grain no 3

**YARA:** global fertilizer company no 1

**GLOBAL RICE\* YIELD**  
Ton/hectare, 1968–2008



\* paddy rice

Source: FAO