Report of the Board of Directors

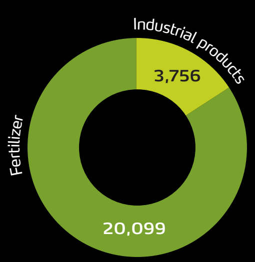
Quick *overview*

DURING 2009, the demand for fertilizers started to rebound. After a transitional year with declining results due to low prices and margins in a depressed market, Yara is well-positioned to deliver on its growth ambitions in 2010 and beyond. Strategic initiatives will increase production volumes and market shares.

CLIMATE CONNECTION

YARA advocates increased agricultural productivity to improve food security and mitigate climate change.

SALES BY PRODUCT GROUP
Kiloton



GLOBAL SALES: Globally, Yara sold close to 23.9 million tons of mineral fertilizer and industrial products in 2009, with fertilizers accounting for about 20.1 million tons.

Well-positioned *for an attractive market*

Yara's results in 2009 declined from last year, following the unprecedented drop in fertilizer deliveries and prices after the financial turmoil from the second half of 2008. Yara mitigated the effects of the slow-down by reducing third-party purchases, curtailing production and reducing fixed costs. Financial flexibility was maintained by reducing working capital and securing more long-term financing.

During 2009, Yara delivered on its growth ambitions with several important initiatives, like the establishment of a production joint venture in Libya and initiating further brown field expansion in Qatar.

Growth in grain demand remained robust through last year's economic slow-down, and fertilizer demand picked up. The Board of Directors anticipates that long-term fundamentals for fertilizer demand will remain strong and considers Yara to be well-positioned to deliver in 2010 and beyond.

STRATEGY AND EXECUTION

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

Yara benefits from scale, as the world's largest producer of ammonia, nitrate and complex fertilizer, and with more than one quarter of global ammonia trade. Historically, the backbone of Yara's production system has been located in Europe. However, the company's growth projects in recent years have extended the company's presence to other markets and regions.

Yara has developed a global presence unrivalled in the fertilizer industry. Our global distribution and marketing network includes more than 200 terminals, warehouses, blending plants and bagging facilities located in more than 50 countries. Local sales and marketing units provide customer services as well as agronomical support, sharing knowledge and working with farmers worldwide to increase yields and improve crop quality and nutritional value. To enable quick responses to changing market conditions, Yara's business model has built-in flexibility. The majority of Yara's operational cash cost is variable, as purchases and plants can be adjusted at short notice in response to delivery slowdowns. Increased energy costs in Europe can be mitigated by importing instead of producing ammonia, since most of Yara's European production facilities have access to deep-sea import/export terminals for ammonia and Yara is the global leader in trade and shipping of ammonia. Yara has the world's largest storage capacity for fertilizer, enabling the company to build up stocks before peak seasons and thereby handle volatility in deliveries and take advantage of geographical arbitrage opportunities.

Yara has set a considerable increase of its global market share as a long-term objective, which would result in optimal utilization of its marketing and distribution system. Reaching this objective will require productivity gains in the existing business, as well as organic growth and step growth initiatives. The growth initiatives will focus on increasing Yara's production in low-cost regions, expanding its market presence in high-growth markets and participating in consolidation in mature markets. For all growth categories, scale, synergy and timing will be important factors, along with capital discipline.

Yara continued to deliver on its growth ambitions during 2009 and into 2010, through several important initiatives:

In February 2009, Yara's production in competitive gas areas was increased with the establishment of Lifeco, a 50/50 joint venture in Libya. Yara contributed USD 225 million in cash to match the Libyan contribution of existing plant assets totalling an annual capacity of 900,000 tons urea and 700,000 tons ammonia. The attractive valuation reflects the premium that our Libyan partners place on access to Yara's marketing network through a long-term marketing agreement and Yara's operational and project management expertise.

Yara's production in competitive gas areas will further increase with the ongoing Qafco-5 expansion project, which started in 2007 with the construction of two world-scale ammonia plants and one world-scale urea plant in Qatar – at a total cost of USD 3.2 billion, scheduled for completion in the first half of 2011. In October 2009, the Qafco-6 project was announced, adding another world-scale urea plant at a cost of USD 610 million, with completion around the end of third quarter 2012. By choosing the same construction consortium and design for Qafco-6 as for Qafco-5, major cost synergies are secured from the consortium having already mobilized at site and the reuse of experience. Yara has a 25 percent ownership share in Qafco and currently markets at least 50 percent of the company's urea production.

By the end of 2009, the phosphate rock sourcing for Yara's NPK production was improved with an expansion in annual capacity of 150,000 tons phosphate rock in Siilinjärvi, Finland, by investing EUR 60 million in modifications of rock upgrading equipment.

In January 2010, Yara acquired the remaining 51 percent ownership in Balderton Fertiliser for USD 142 million, cash excluded. Balderton is a leading European fertilizer trading company, trading 2.9 million tons of fertilizer products in 2009. Full ownership will simplify integration and increase optimization of Balderton in Yara.

In January 2010 Yara agreed to sell its 15.5 percent ownership in Fosfertil in Brazil for USD 785 million to Vale giving Yara a profit before tax of approximately USD 550 million at the expected closing in the second quarter of 2010. Brazil remains an important growth market for fertilizer and Yara, but a minority position in Fosfertil is not giving the optimal operational integration with Yara's fertilizer marketing in Brazil, a marketing activity that Yara will continue to develop.

In February 2010 Yara signed a cash merger agreement with Terra Industries Inc representing a Terra market capitalization of USD 4.1 billion. The transaction would give Yara an improved position in the US. In March 2010 CF Industries launched a competing bid that Terra concluded on being a superior offer to Yara's. Yara decided not to increase its offer, and received a USD 123 million break-up fee when the merger agreement was terminated.

MARKET CONDITIONS

2009 was a transitional year. Strong economic growth boosted demand for food, feed and energy until third quarter 2008. The escalation of financial turmoil during third quarter 2008 brought the positive market development to a halt, and the decline in deliveries and fertilizer prices during second half 2008 was unprecedented.

Deliveries picked up somewhat during 2009, but remained subdued up to the fourth quarter due to pipeline effects and higher customer risk aversion. The declines were greatest for phosphate and potash, where farmers can mine the soil short-term, and particularly for potash where prices only slowly came down to a level reflecting the weaker demand situation.

Nitrogen prices have through most of 2009 reflected a temporarily oversupplied market and have therefore been set by marginal production costs in Eastern Europe and China's export costs, giving Yara a cost advantage as Western European spot gas prices have developed favorably.

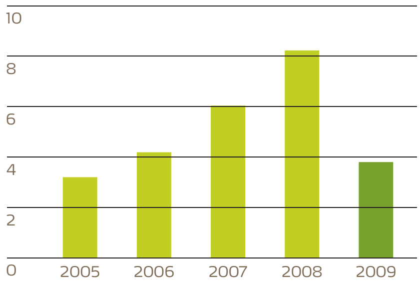
At the end of 2009, the global nitrogen market turned demand-driven as capacity outside China ran at close to full capacity. The long-term fundamentals for fertilizer demand are strong, as global grain consumption has proven robust during last year's macro-economic slow-down. This highlights the need for continued improvements in agricultural productivity going forward.

FINANCIAL PERFORMANCE AND OPERATIONS

Net income was NOK 3,814 million (NOK 13.08 per share) in 2009, down from NOK 8,241 million (NOK 28.27 per share) in 2008. Yara's after-tax measure for return on capital, CROGI (cash return on gross investment), was at 8.5 percent compared to a target of minimum ten percent average over the business cycle. Operating income was NOK 1,271 million, down from NOK 12,281 million in 2008. EBITDA declined to NOK 5,549 million, from NOK 17,917

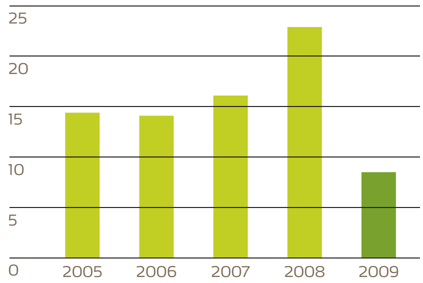
NET INCOME AFTER NON-CONTROLLING INTEREST

NOK billion, 2005–2009



CROGI (12-MONTH ROLLING AVERAGE)

Percent, 2005–2009



million in 2008. Yara's revenue and other income was NOK 61.4 billion in 2009, down from 88.8 billion in 2008.

Yara's 2009 results declined significantly from 2008 due to lower prices and margins. Fertilizer deliveries decreased two percent compared with 2008. European volumes were down eleven percent while volumes outside Europe were up eight percent from last year. Average realized nitrate prices were approximately 50 percent lower than last year, while realized urea prices declined approximately 40 percent.

The Downstream segment delivered an EBITDA of NOK 963 million, a weak result as earnings were impacted by reduced volumes, lower market prices and position losses from declining prices. Global fertilizer sales were down two percent from 2008, mainly reflecting NPK deliveries of 18 percent below last year.

The Industrial segment delivered strong results with an EBITDA of NOK 1,248 million, more than doubled from 2008 excluding special items, primarily reflecting higher margins from contracts entered into at higher prices. Despite a challenging macro environment, total volumes were only marginally lower, four percent, compared with 2008.

The Upstream segment delivered an EBITDA of NOK 4,013 million, a weak financial result impacted primarily by low margins for all finished fertilizer products and lower sales of NPK in particular. European oil and gas costs decreased significantly, reflecting both lower oil-linked and hub gas prices and Yara's decision to maximize spot exposure in its energy contracts.

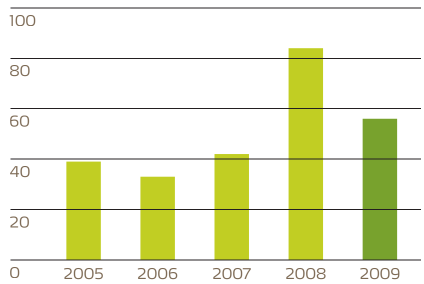
Yara's production system ran at approximately 85 percent of capacity for ammonia and urea, 91 percent for nitrates and 67 percent for NPKs. The strong NPK curtailments were made in response to slower demand for potash and phosphate, as the short-term yield impact of reducing application of these nutrients on average is smaller than for nitrogen.

Net cash from operating activities in 2009 was NOK 11,925 million, reflecting a significant release of net operating capital, mainly due to lower fertilizer and raw material prices, but also reduced inventory volumes as production was curtailed and third-party purchases reduced. Inventory volumes at year-end were 43 percent lower than the previous year. Net cash from operating activities in 2008 was NOK 3,986 million. Net cash used in investment activities for 2009 was NOK 5,467 million.

Yara strengthened its financial position during 2009. The debt/equity ratio decreased from 0.84 to 0.56 due to lower net operating capital. Yara's net interest-bearing debt at the end of the year was NOK 16,227 million, while total assets equaled NOK 61,665 million. Total majority shareholders' equity as of 31 December 2009 amounted to NOK 28,705 million. At the end of the year, Yara had NOK 974 million in cash and cash equivalents and approximately NOK 10,500 million in un-drawn committed bank facilities. We consider the company's cash position and financial strength to be satisfactory.

DEBT/EQUITY RATIO

Percent, 2005–2009



Yara possesses a knowledge margin in the market based on its insight in local markets, close customer relations, agronomic expertise and ability to develop new product offerings from its existing production base. To support this knowledge margin and to seize the opportunities presented by some of today's pressing global challenges, Yara's research and development targets both agronomical activities and product and process improvements. Several of the latter have led to commercialization of environmental solutions, such as an N_2O catalyst and NO_X abating technologies. In 2009, Yara's R&D costs were NOK 88 million, compared with NOK 126 million in 2008.

In the opinion of the Board of Directors, the consolidated financial statements provide a true and fair view of the group's financial performance during 2009 and financial position at 31 December 2009. According to section 3-3 of the Norwegian Accounting Act, we confirm that the consolidated financial statements and the financial statements of the parent company have been prepared based on the going concern assumption and that it is appropriate to use this assumption.

RISK MANAGEMENT

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

Yara has a well-established system for credit and currency risk management, with defined limits for exposure, both at customer and at country level. Yara's geographically diversified portfolio reduces the company's overall credit and currency risk. As the fertilizer business is essentially a US dollar business, with both revenues and raw material costs priced in US dollars, Yara seeks to maintain its debt primarily in US dollars, thereby reducing its overall US dollars currency exposure. Yara has a conservative financing strategy and aims to hold the majority of its net interest-bearing debt in long-term bonds with fixed interest rates.

Reference is made to page 24-26 in the annual report for a more comprehensive description of Yara's risk and risk management.

CORPORATE CITIZENSHIP

Corporate citizenship is an integral part of Yara's overall strategic direction and directs the company's pursuit of business opportunities. Yara's global corporate citizenship approach recognizes the impact that key megatrends have on its business environment – particularly growth, globalization and urbanization. The company's engagement is carried out through its core business and expertise, focusing on four shaping issues connected to major global challenges: Food security, climate change, energy supply, and health concerns. These issues are shaping the future of society – and global business.

With this approach, Yara is prepared to contribute solutions to major global challenges. One example of Yara's engagement is its program supporting an African green revolution. In 2009, the partnership-based agricultural growth corridor concept initiated by Yara received support from the UN, African governments and the private sector. The Board of Directors also recognizes the active role Yara played in the global arena in 2009, particularly in matters related to climate change and food security. The company's knowledge and crop nutrition concept allows for increased agricultural productivity that makes it feasible to feed a growing world population without expanding crop land, thereby easing the pressure on remaining forests. Also, Yara has received international attention for its N_2O catalyst technology, which has significantly reduced the carbon footprint of the company's nitrate fertilizers and has a huge potential to reduce global emissions. In addition, the market has responded favorably to the environmental solutions marketed by Yara's Industrial segment, like products for NO_X abatement.

Yara participates in the UN Global Compact, committing itself to the implementation of the initiative's ten principles, including respect for internationally-proclaimed human rights and recognized labor standards. Also, through its Code of Conduct, the establishment of a dedicated compliance unit and the ethics program developed in 2009, Yara's focus on ethical conduct has been reinforced.

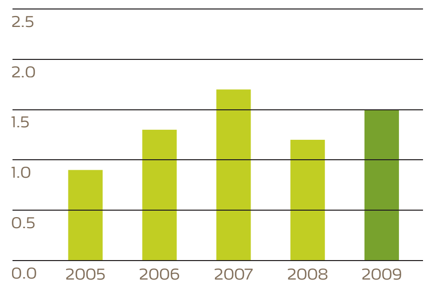
For details on Yara's corporate citizenship policy and performance, the Board refers to the separate Citizenship Report 2009, guided by the Global Reporting Initiative G3 guidelines. Yara's citizenship policy and practices compare favorably with recommendations given in the Norwegian government's 2009 white-paper on private sector corporate social responsibility.

HEALTH, ENVIRONMENT AND SAFETY

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

In 2009, Yara achieved an LTI rate (lost-time injuries per million hours worked) of 1.5 for employees and contractors combined, up from 1.2 in 2008. The accident rate is still in the range of the best performance of Yara, and is 1/3 of the average LTI rate for other fertilizer producers in Europe. The TRI rate (total recordable injuries per million hours worked) for Yara employees was at 2.7, down from 3.5 in 2008. The TRI rate includes lost-time injuries, restricted work cases where the person was allowed to carry out other task than the normal duties, and medical treatment cases. Absence due to sickness at Yara's production plants was 4.3 percent in 2009, up from 3.8 percent in 2008. The 2009 results include for the first time the performance of Yara Belle Plaine. Joint venture companies are included where Yara has operational responsibility. Lifeco in Libya will be integrated in the Yara statistics from the beginning of 2010.

LTI RATE
Number of lost-time injuries per million hours worked, 2005–2009

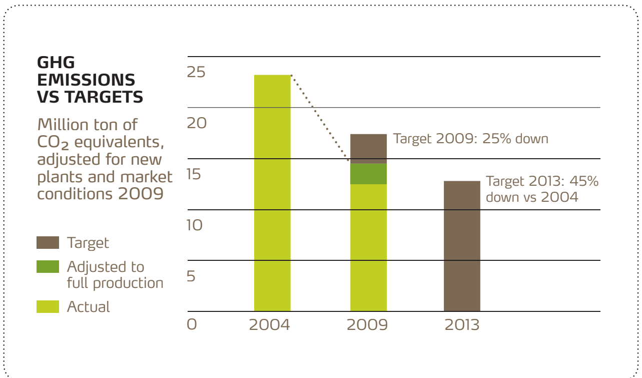


Yara experienced one fatal accident in 2009, when a contractor working on a turnkey project in Finland fell down 20 meters from a roof. Furthermore, in June 2009 an explosion occurred in the ammonia plant in Yara Tertre in Belgium totally damaging the primary reformer, but without serious human injury. The plant is under reconstruction for start-up by second quarter 2010.

Recognizing that such accidents should not occur and the seriousness of several other recent incidents, Yara established a task force to identify necessary improvements in the company's safety work. As a result, Yara is strengthening its focus on process safety, with (1) safety integrity analyses of all hazardous process operations, (2) more attention to operational discipline, and (3) review of the competence requirements of operators and leaders. Yara is also taking lessons from other international companies (DuPont and Alcoa) and has introduced a set of Golden Rules for a number of high risk work activities. At the same time Yara continued the implementation of its BBS (behavior-based safety) program in 2009, supported by the safety campaign 'Think Ahead' to make employees and contractors more aware of safety risks and individual responsibility for safety. These activities will take Yara closer to the ambition of reaching the goal of zero accidents.

In 2009 the management of Yara's business units and production plants were trained in crisis management, and two handbooks were distributed across the company: Yara Safety Handbook and Yara Crisis Handbook.

On climate change, Yara's goal has been to reduce its carbon footprint by 25 percent from 2004 to 2009. Yara obtained a 37 percent reduction, including the newly acquired plants in Finland, Belgium and Canada and adjusting for market related capacity reductions in 2009. This has been achieved by the installation of Yara's technology for reducing nitrous oxide (N_2O) from nitric acid plants. At year-end, the technology was installed in 19 of Yara's nitric acid plants. Three more plants remain. Yara had direct emissions of 12.5 million tons of CO_2-equivalents in 2009, down from 16 million tons in 2008. The carbon footprint in terms of tons of CO_2-equivalents per ton of fertilizer produced, has been reduced from 1.4 tons in 2004 to 0.9 tons in 2009. The target for 2013 is to reduce GHG emissions by 45 percent compared to 2004.



Yara's total energy consumption in production in 2009 was 208 million GJ. This was approximately the same as in 2008. However, in terms of energy consumption per ton of finished product, the consumption rose by 11 percent from 2008 to 2009. This is explained by reduced capacity utilization in several plants in 2009 due to the market situation.

While Yara's production emits greenhouse gases, it must be recognized that modern agriculture and fertilization techniques provide important solutions for combating climate change. In 2009, Yara continued its emphasis on providing tools and knowledge to assist farmers in profitable and environmental sustainable farming.

Yara's operations are subject to many environmental requirements under the laws and regulations of the various jurisdictions in which Yara conducts its business. Such laws and regulations govern, among other matters, air emissions, wastewater discharges, solid and hazardous waste management, transportation of hazardous materials and remediation of past activities. In 2009, no material legal claim was made against Yara in respect of health, environmental or safety matters or in relation to operational permits.

Yara has a number of facilities that have been operated for a period of years. Subsurface impact to soil and groundwater and other conditions are common to such sites and may require remediation or give rise to liabilities under the laws of the various jurisdictions in which the facilities are located. Yara examines such impacts where they are apparent and is carrying out remediation or containment procedures in coordination with the appropriate authorities. No major cost issues are expected.

PEOPLE DEVELOPMENT

Yara is reshaping its global human resources delivery model to strengthen its ability to secure the skills and expertise needed to respond to new challenges and deliver on its future business goals. Yara's human resources operations have traditionally been decentralized and disaggregated. Yara companies around the world have had a large degree of independence in formulating and executing human resources policies and processes. In first quarter 2010 a new structure will be introduced to provide a clearer, centralized corporate framework for human resources operations. The goal is a more coherent model, in which the dispersed, global human resources function will report centrally. This is intended to make human resources operations more efficient and effective and to ensure it has a more consistent business focus.

Greater efficiency will be achieved by the introduction of more harmonized and standardized policies and practices – developed under the leadership of a strengthened corporate human resources function. This will be supported by the introduction of a "virtual" shared service platform for the provision of core human resources administrative services to employees across the company and in all regions.

Greater effectiveness in securing and managing people and talent will be achieved by the development of the "HR Business Partner" role to support managers – and via the development and progressive introduction across the organization of a better articulated and coordinated framework for "talent management" – including sourcing and recruitment.

At the end of 2009, Yara had 7,629 employees, a net reduction of 342 employees from 2008, despite continued global growth for the company. The reduction is mainly due to synergies from the KemiraGrowhow acquisition, and the closing of the plants Peremarton, Hungary and Kedainiai, Lithuania.

As a global company operating in over 50 countries, Yara has a highly diverse workforce. We see this diversity as a strength. Our aim is to secure the best talent we can in all our markets and create a global talent pool of people of diverse nationalities, backgrounds and cultures.

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

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

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

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

BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

Yara's five shareholder-elected members of the Board of Directors were re-elected for two years in 2008. Upon his appointment as President and CEO of Yara International ASA, Jørgen Ole Haslestad resigned from the Board on 1 October 2008. He was replaced by Bernt Reitan at the ordinary Annual General Meeting in May 2009. The five shareholder-elected members all have extensive line management experience from international industrial companies. Three employee-elected Board members were elected in January 2008. Frank Bakke, employee-elected Board member since Yara's IPO in 2004, passed away in May 2009 and was replaced by deputy Board member Karl Edvard Juul. The Board of Directors wishes to express its gratitude for Frank Bakke's strong contribution to Yara to the end.

Two of the eight Board members are women, both elected by the shareholders. The Board held ten meetings in 2009.

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

CORPORATE GOVERNANCE

Proactive and transparent corporate governance is essential in aligning the interests of shareholders, management, employees and other stakeholders. Yara believes good corporate governance drives sustainable business conduct and long-term value creation. Yara aims to exercise corporate governance in a manner representative of an ambitious and responsible multinational company, and has established practices adapted to the specific challenges it faces as the world's largest global fertilizer company. Yara's Board of Directors has decided to comply with the Norwegian Code of Practice for corporate governance. This Code has stricter requirements than those mandated by law.

YARA INTERNATIONAL ASA

The parent company, Yara International ASA, is primarily a holding company, with financial activities and only non-material operations. Yara International ASA had net income of NOK 2,180 million in 2009, up from NOK 206 million in 2008 after a currency loss of approximately NOK 3,2 billion in 2008 related to USD denominated loans.

DIVIDEND AND BUY-BACKS

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

The Board proposes a dividend of NOK 4.50 per share, totaling a payment of NOK 1,300 million. Combined with the positive result in Yara International ASA and other effects, this means an increase in equity of NOK 749 million. Distributable equity in the parent company as of 31 December 2009 was NOK 1,824 million after proposed dividend.

Yara will use share buy-back programs when certain conditions are met. Share buy-backs are more flexible than dividends. For most shareholders, buy-backs also provide tax advantages compared to dividends. In 2009 Yara did not buy back shares, but redeemed 993,439 shares from the Norwegian State for a total of NOK 240 million, and cancelled 1,750,000 shares bought back in 2008.

In total Yara paid out NOK 1,544 million in 2009 in dividends and the redeeming of shares, representing 19 percent of consolidated net income in 2008. The proposed 2009 dividend represents 34 percent of consolidated net income.

OUTLOOK

The long-term fundamentals for fertilizer demand are strong as global grain consumption growth remains robust, requiring continued improvements in agricultural productivity. Grain production in 2009 exceeded demand slightly, due to favorable weather conditions. Despite a fall in soft commodity prices from the peak in 2008, prices remain at historically high levels, reflecting the need for production increases to match further expected growth in demand.

Fertilizer demand has picked up from last season when financial stress and risk aversion among distributers and farmers led to de-stocking in addition to lower application. Global nitrogen and phosphate markets turned demand-driven towards the end of 2009, with only minor high-cost nitrogen capacity outside China currently curtailed.

Non-competitive potash pricing, making buyers hold back in expectation of further price declines, hampered Yara's NPK sales in 2009. However, by end 2009, the phosphate market strengthened – and improved sharply into 2010. The Chinese potash contract for 2010 deliveries also brought more NPK buyers back into the market as they saw a lower downside risk on potash prices. However, it remains to be seen if this price level is low enough to achieve normal NPK deliveries for the remainder of the season. Since the beginning of 2010, Yara has been running its NPK plants at full capacity without any indication of stock build-up.

During 2009, the upside in global nitrogen prices was dampened by Chinese urea exports. In the short term, this ceiling is lifted substantially as a 110 percent export tax was implemented 1 February 2010, and is expected to remain in place until the end of June 2010. The development during fourth quarter 2009 also demonstrates that the ceiling after June 2010 will be soft, as export prices continued to increase even with only a 7–10 percent export tax, due to tight domestic energy supply and strong domestic fertilizer demand.

During over-supplied periods in 2009, global urea prices were set by a floor reflecting Ukrainian gas costs. The price for Russian gas supplies to Ukraine has significantly increased from the beginning of 2010, but it appears that Ukrainian fertilizer producers are not yet paying a gas price reflecting the new Russian border price. Longer term, it is likely that an increased gas cost will be passed on to fertilizer producers, increasing the Black Sea urea floor price significantly. Sales of nitrogen chemicals to European industry continue to increase due to restocking and higher industrial activity.

The necessary level of investment to maintain current capacity and implement basic productivity investments is estimated to be NOK 1,500-1,700 million per year. Yara's total investments in 2010 will be significantly higher due to the ongoing expansion of urea production in the Netherlands and purchase of the remaining ownership in Balderton.

The Board of Directors of Yara International ASA
Oslo, 24 March 2010

Øivind Lund
Chairperson

Elisabeth Harstad
Board member

Leiv L. Nergaard
Board member

Lone Fønss Schrøder
Board member

Bernt Reitan
Board member

Frank Andersen
Board member

Karl Edvard Juul
Board member

Svein Flatebø
Board member

Jørgen Ole Haslestad
President and CEO