



Knowledge grows

# Yara International ASA Second quarter results 2011

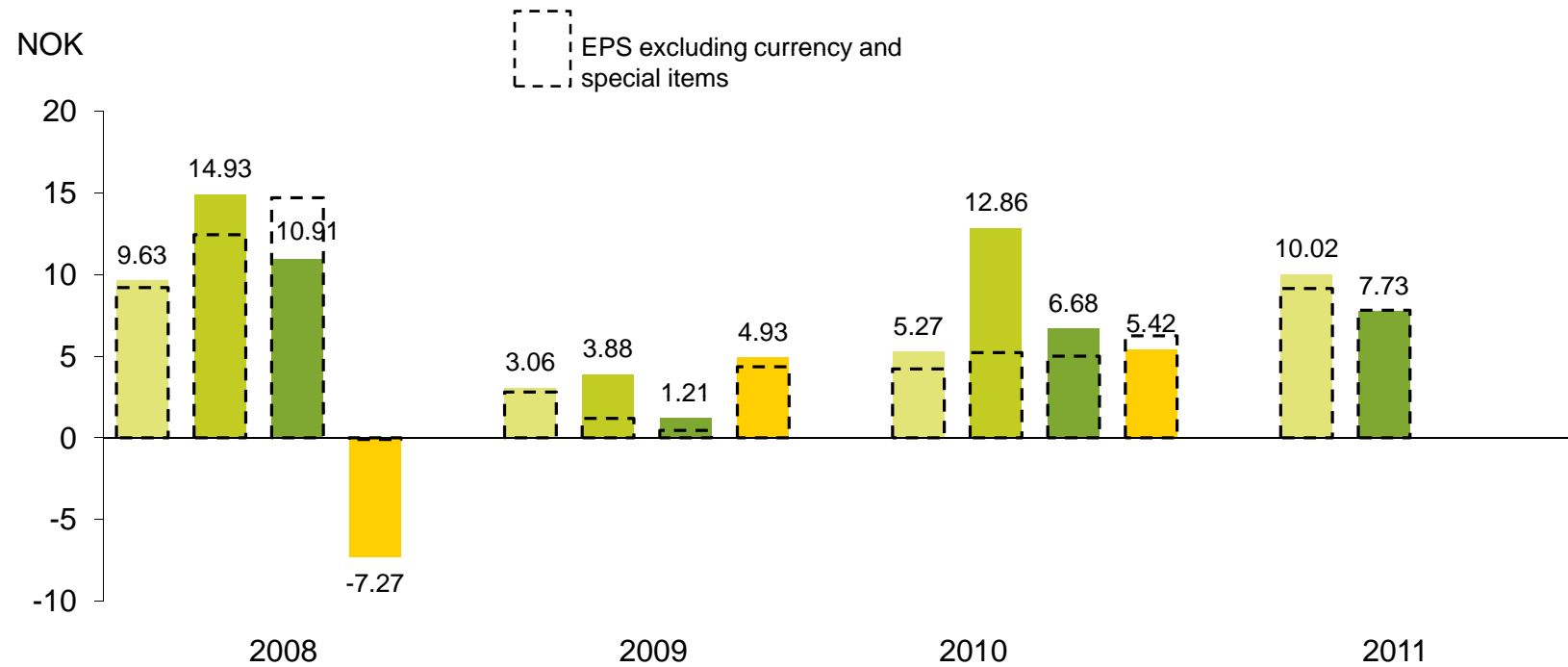
19 July 2011

## Summary second quarter

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



# Earnings per share\*



Annual

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



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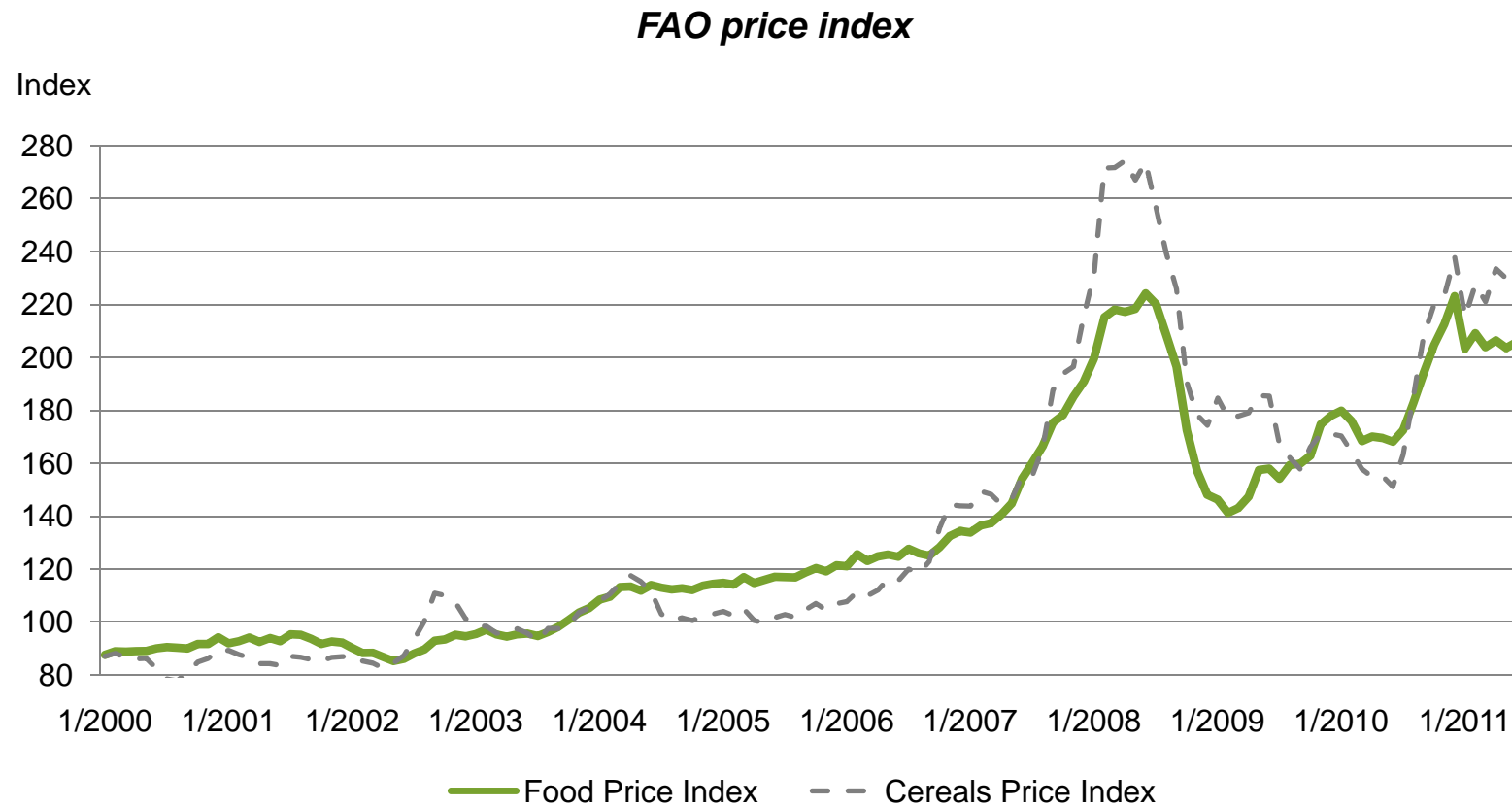


## Fertilizer market development in second quarter

- Tight agricultural markets, with continued strong demand for all nutrients
- Urea prices increased through the quarter, as demand stayed strong while industry outside China was already running at capacity
- Increased domestic prices in China and stricter export policy than last year
- 2% increase in West Europe nitrogen industry deliveries, 9% increase for the season
- Drought impacted sales pattern in West Europe



# Strong farm incentives



Source: FAO

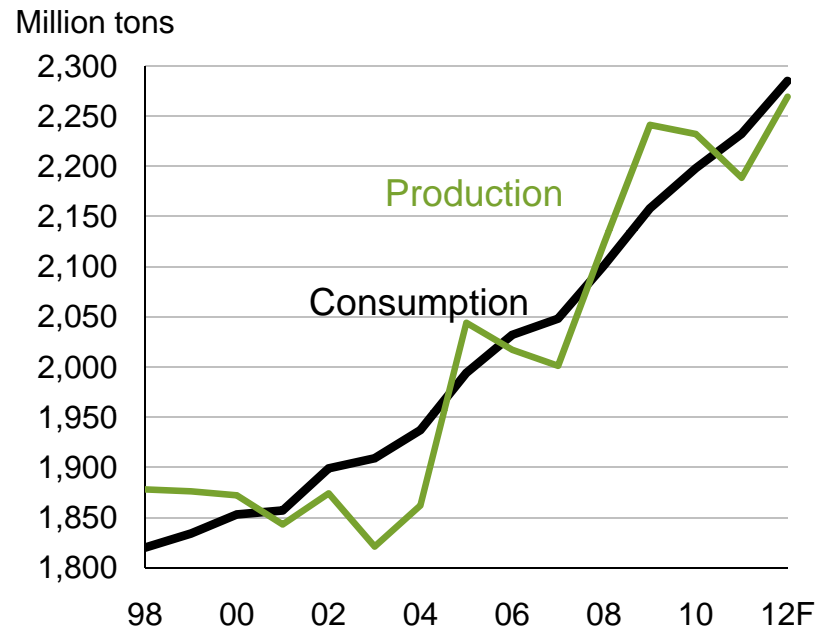


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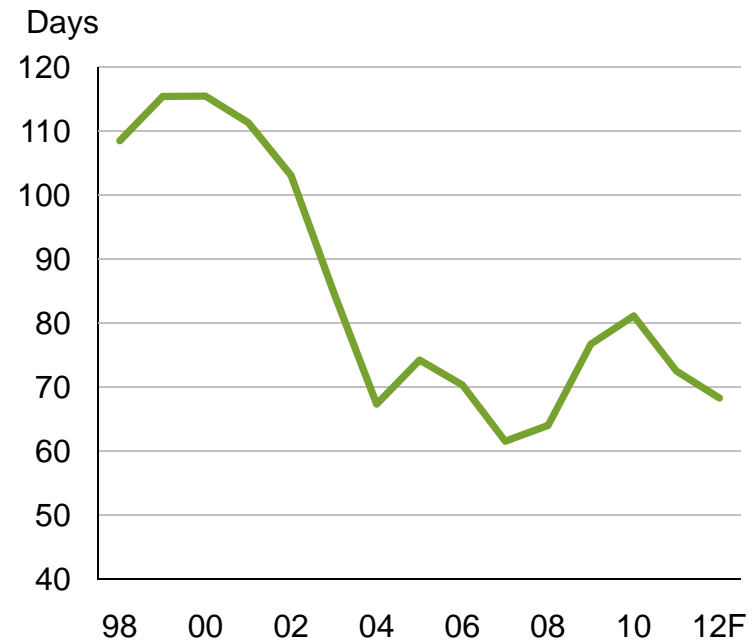


# Stocks-to-use decline despite strong incentives and record production

*Grain production and consumption*



*Days of consumption in stocks*



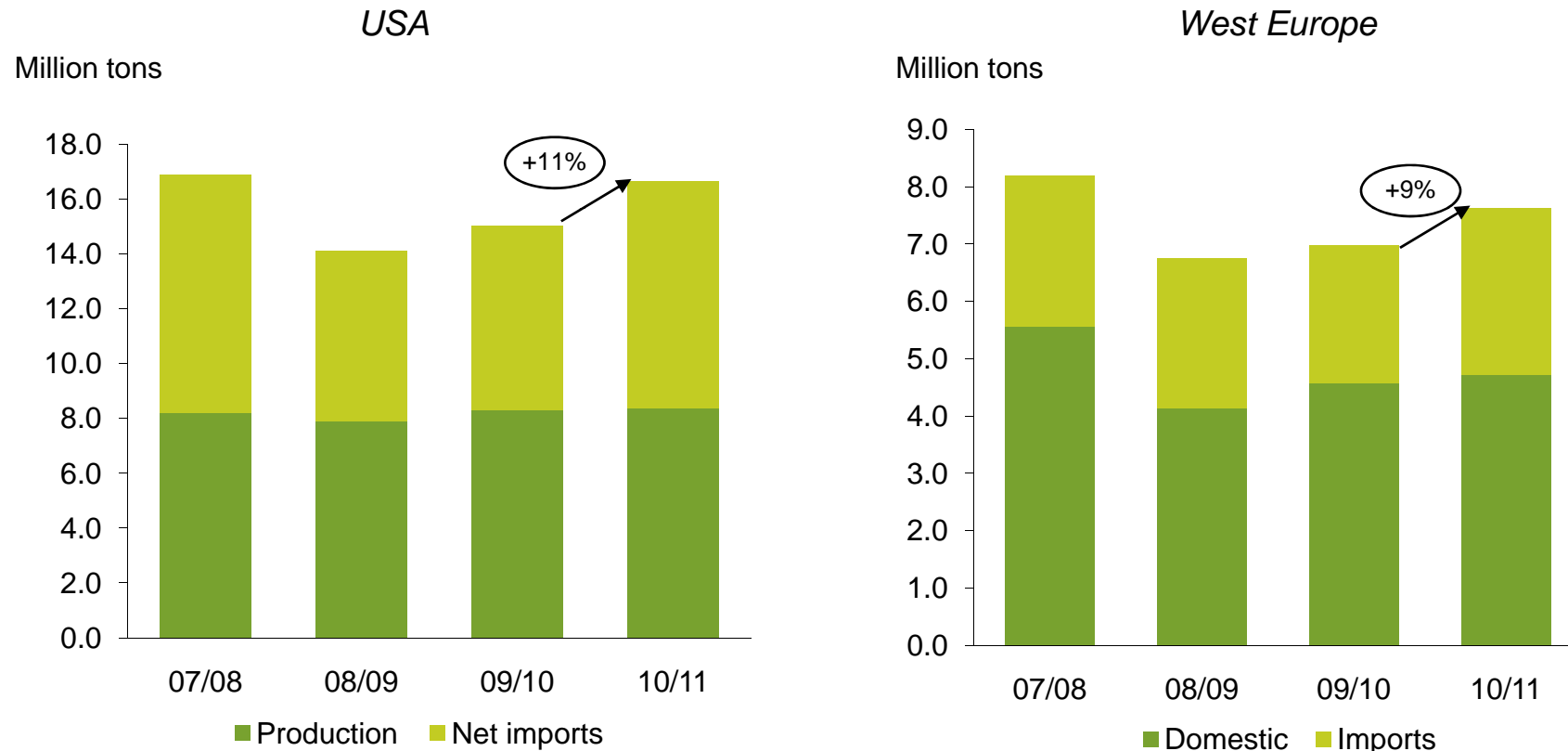
Source: USDA, July 2011



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# Strong season with increased nitrogen deliveries



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

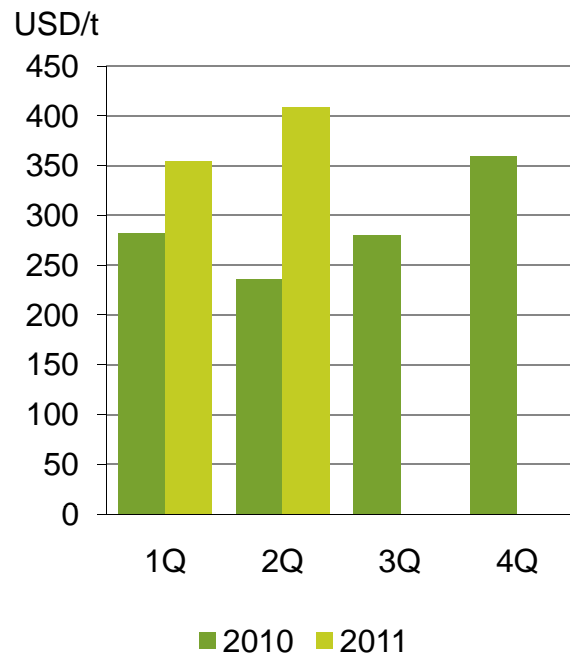


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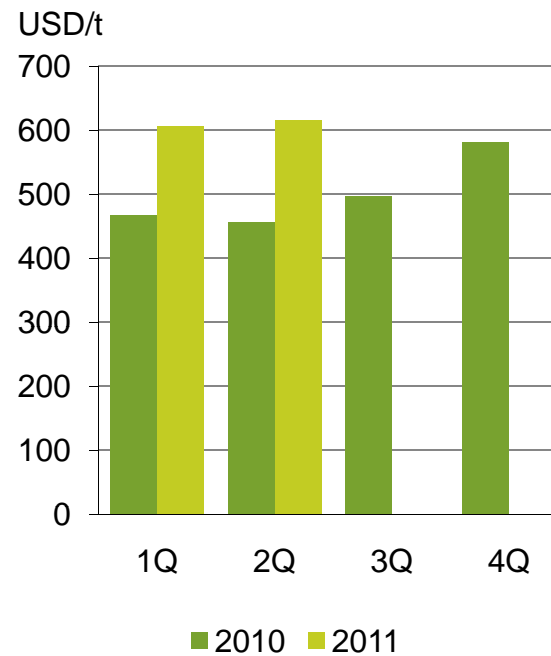


## Strong market for all nutrients

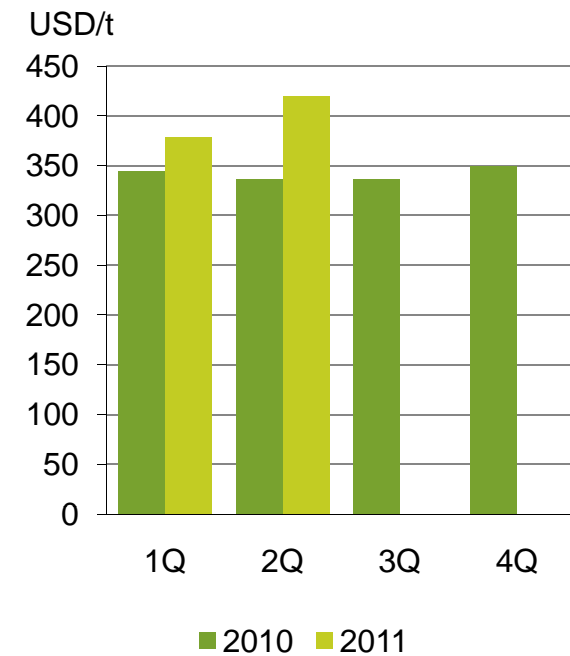
**Urea prilled fob Black Sea**



**DAP fob US Gulf**



**MOP fob Vancouver**



Source: Fertilizer Market Publications



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## Projected nitrogen capacity additions in line with historical consumption growth

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

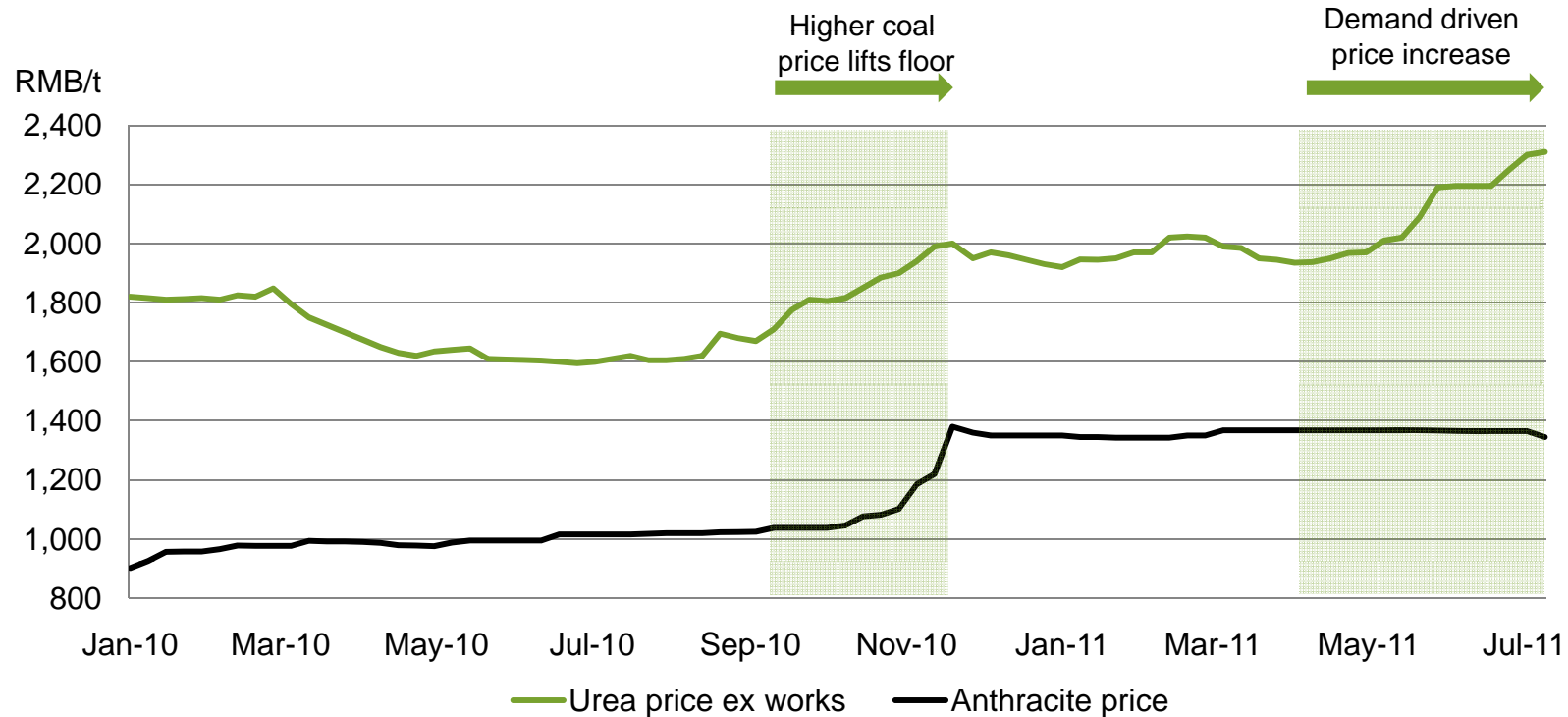
Source: Fertecon update July 2011, IFA on consumption figures



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## Increasing Chinese urea cost and price



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

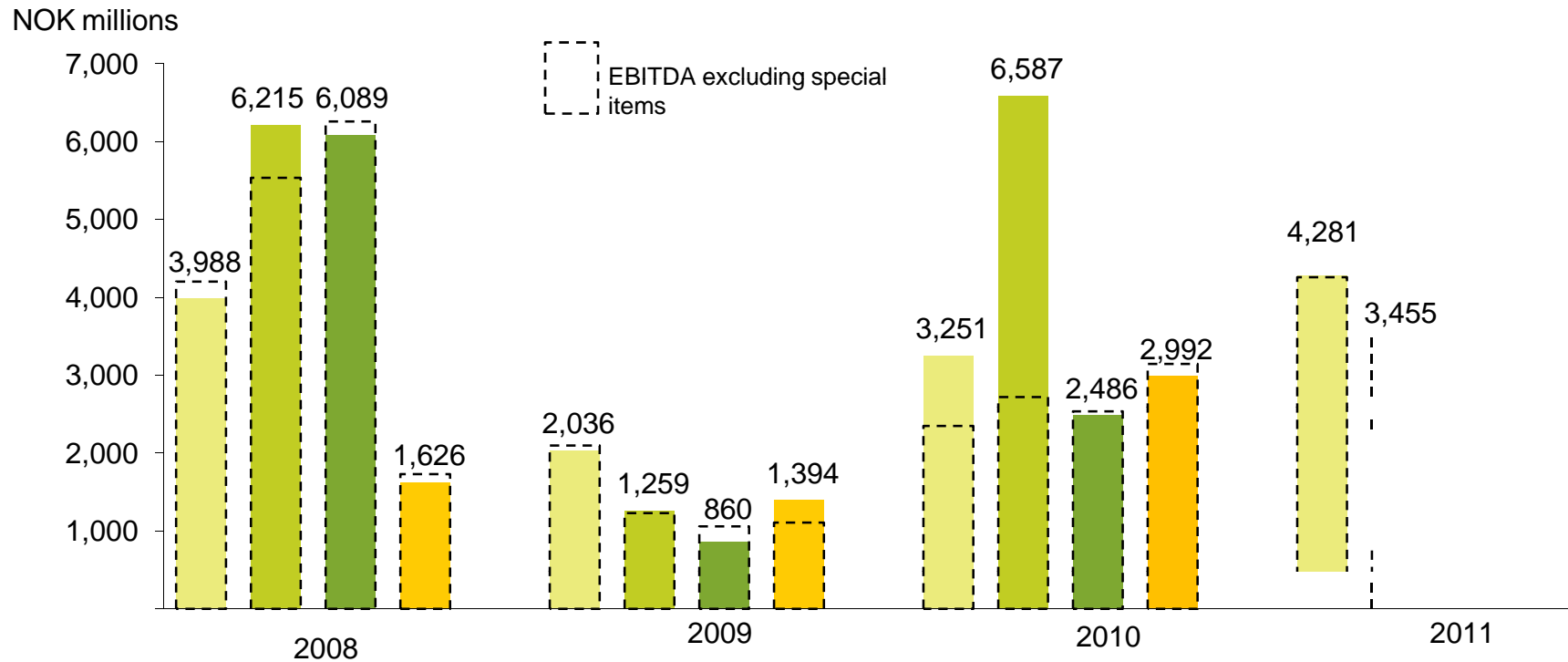
Source: China Fertilizer Market Week



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



Annual

NOK millions	17,917	5,549	15,315	7,736
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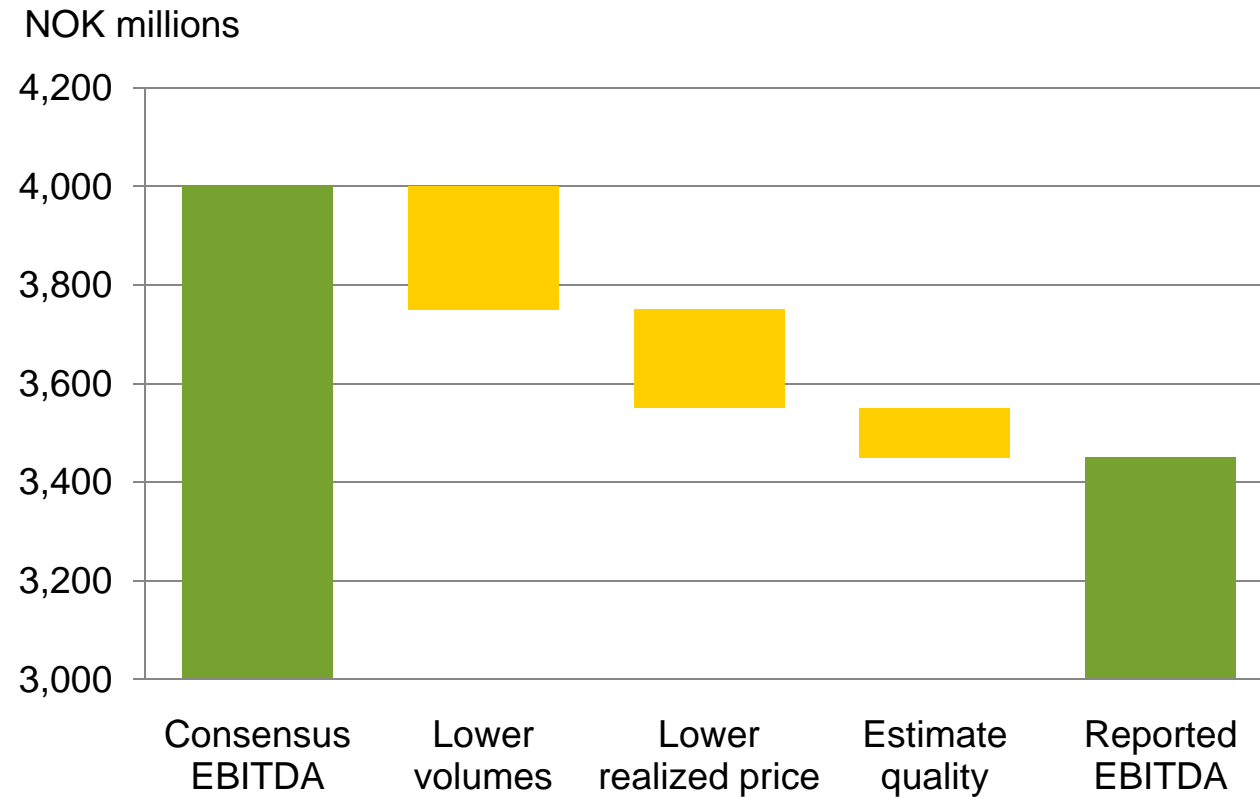
## Variance analysis Yara group

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

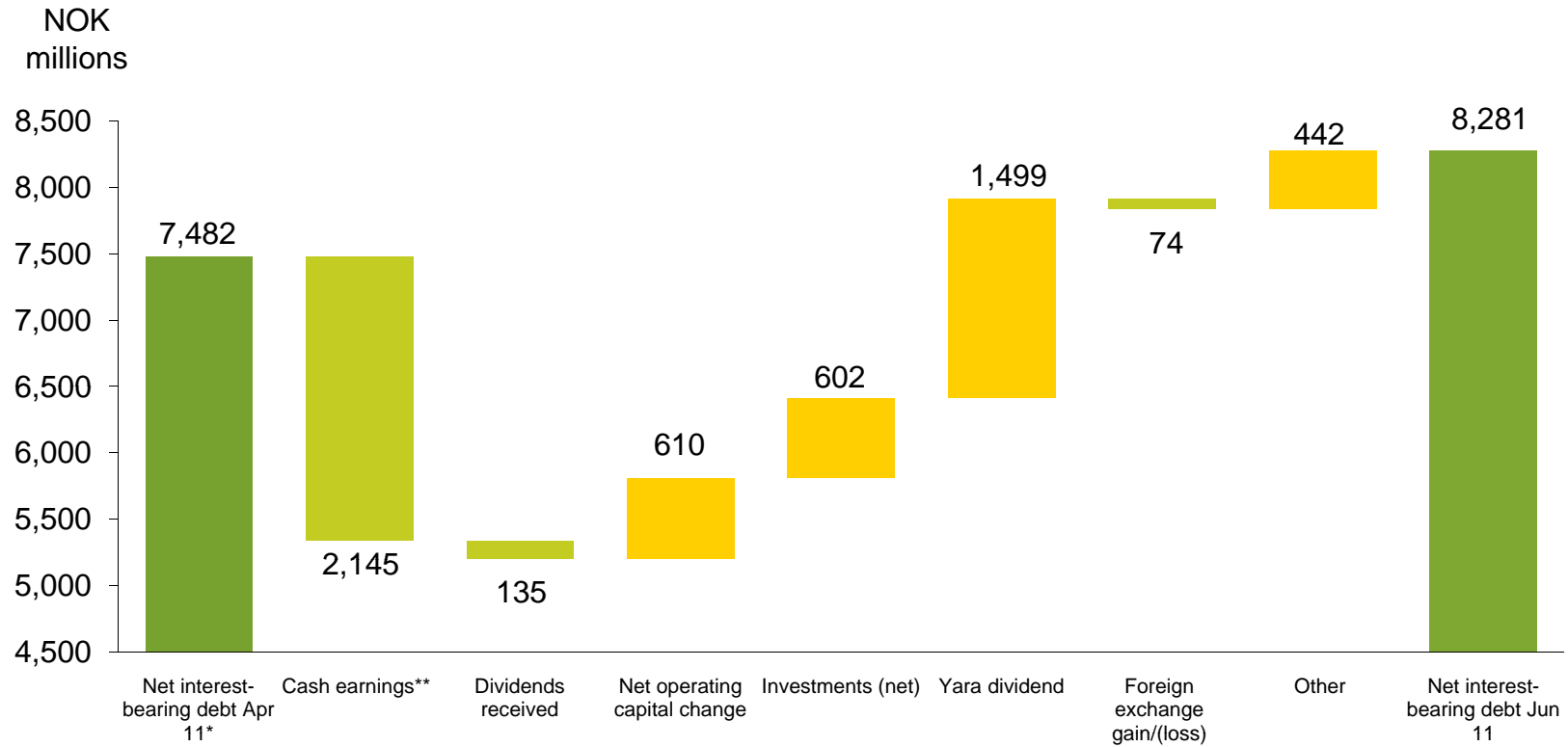
\* Based on average NOK per USD rate for the quarter 2011: 5.44 (2010: 6.22)



## Drought impact and turnaround activity larger than anticipated by analysts



# Net debt development

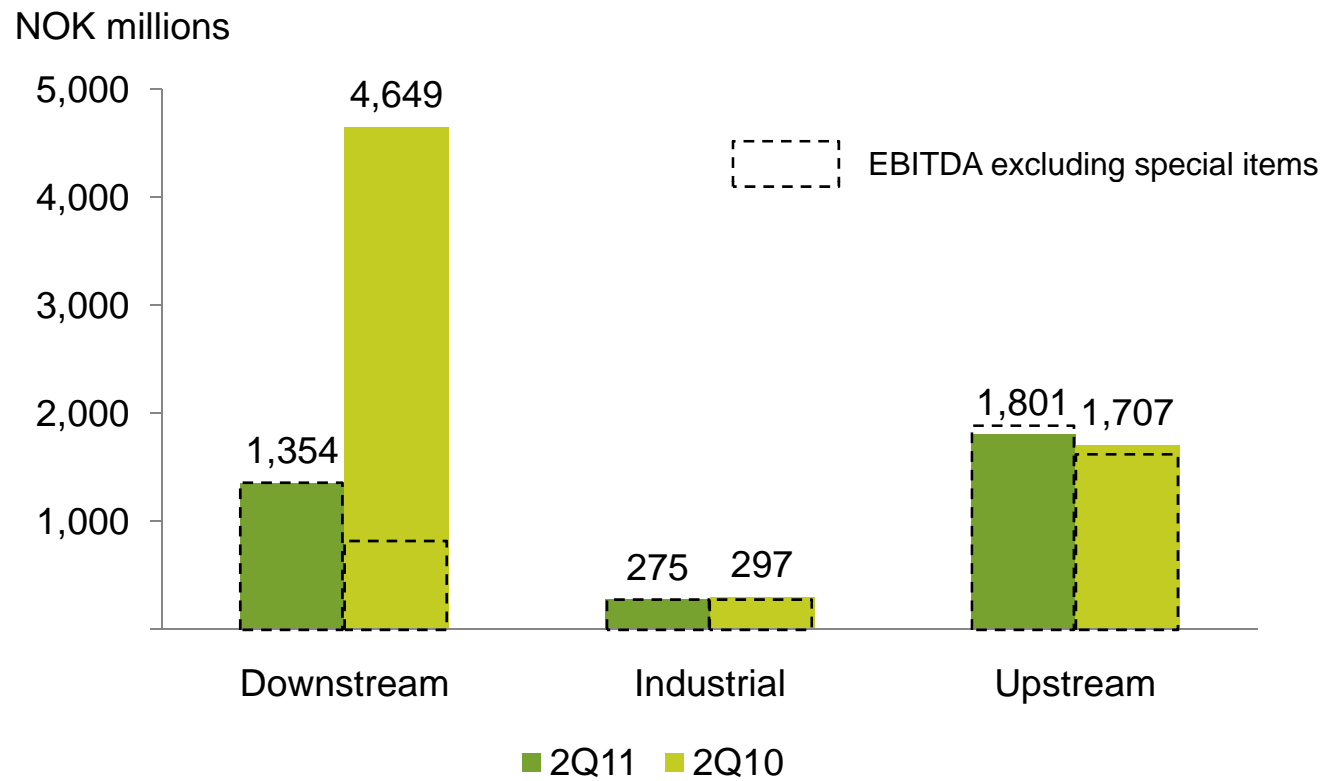


\* Included in net interest-bearing debt are external bank time deposits (4-12 months), this is part of other current assets in balance sheet

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



## EBITDA per segment



## Downstream segment

- Strong results driven by improved margins
- Volumes up 5% with strong urea sales
- European nitrate sales and realized prices impacted by drought
- New European fertilizer season progressing well

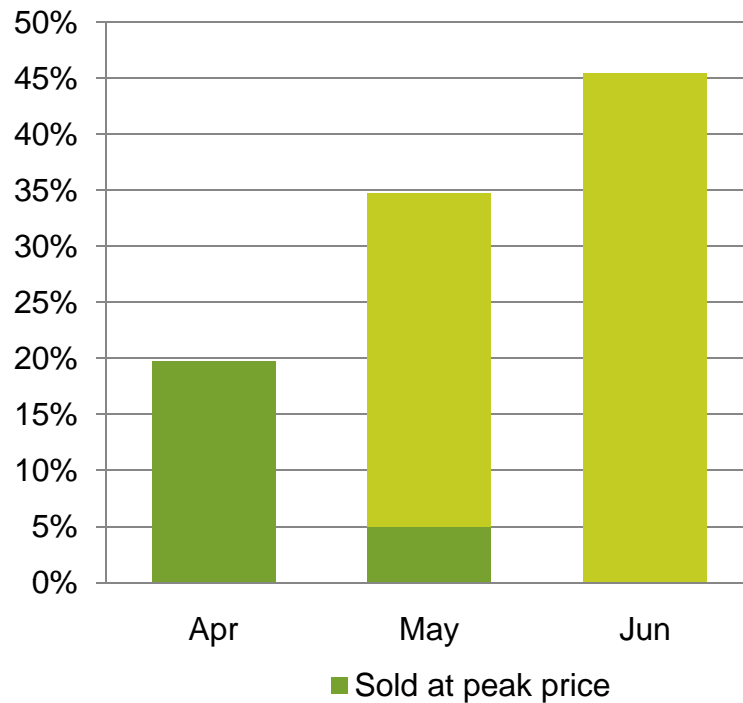




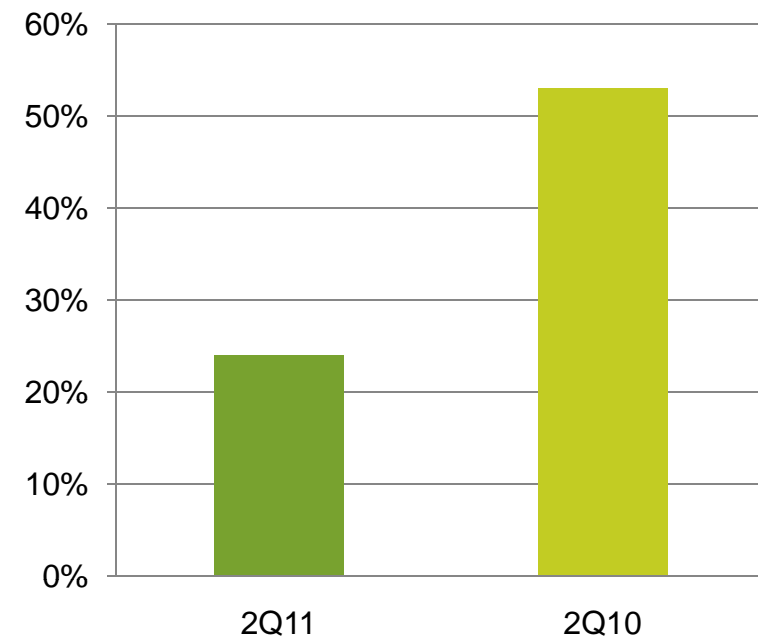
# 75% of nitrate sales at new season price

**Nitrate sales in 2Q11**

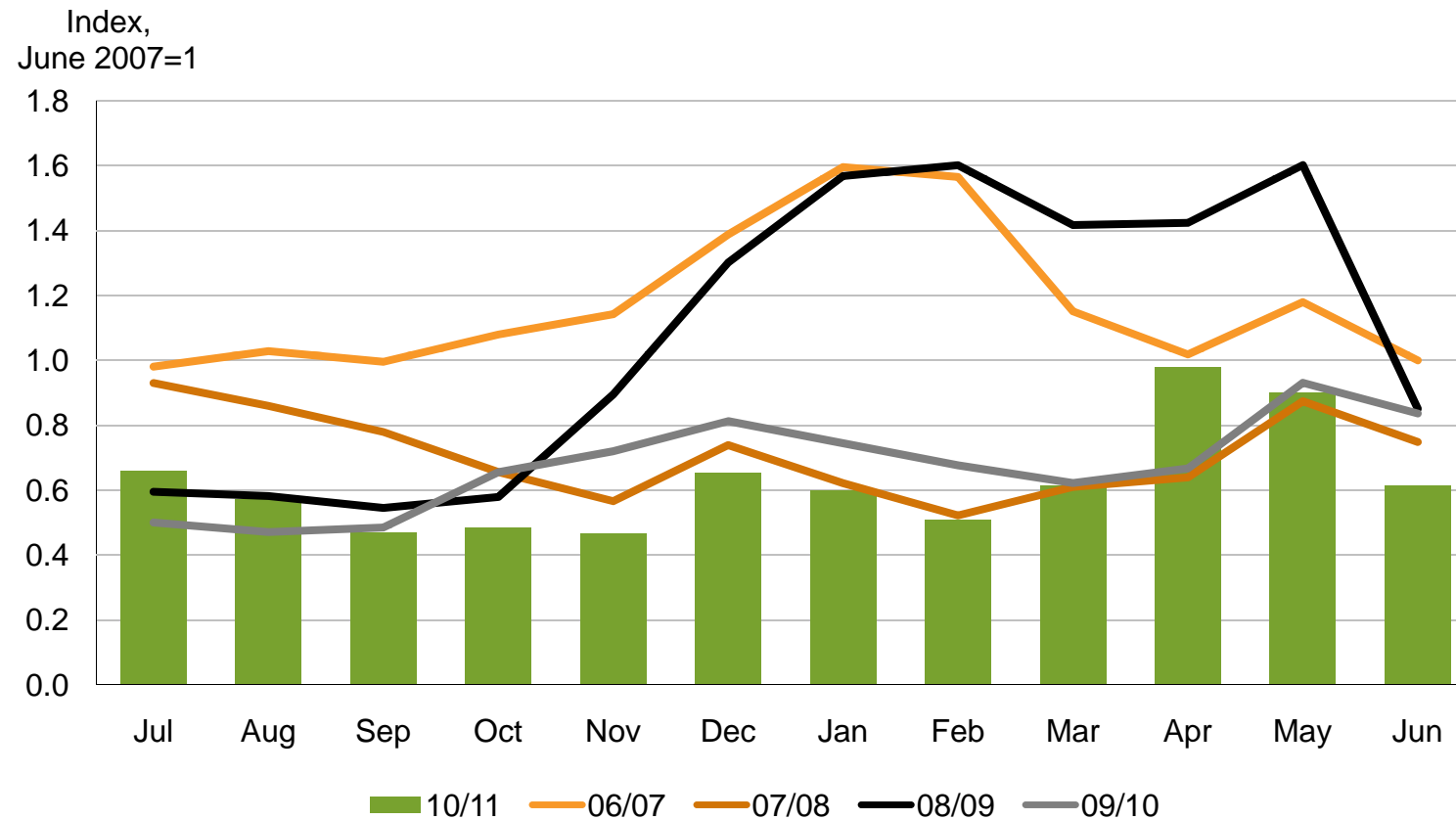
Share of  
2Q sales



**Share of Nitrates sold at peak prices**



## Low European producer nitrate stocks



Source: Fertilizers Europe, June estimate from Yara



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## Industrial segment

- Strong result and volume growth
- Highest environmental product sales so far
- Margins temporarily impacted by rapid raw material price increase
- Delayed recovery in TAN business



## Upstream segment

- Strong results
- Lower production due to plant turnarounds and Lifeco stop
- Higher prices more than offset increased energy costs

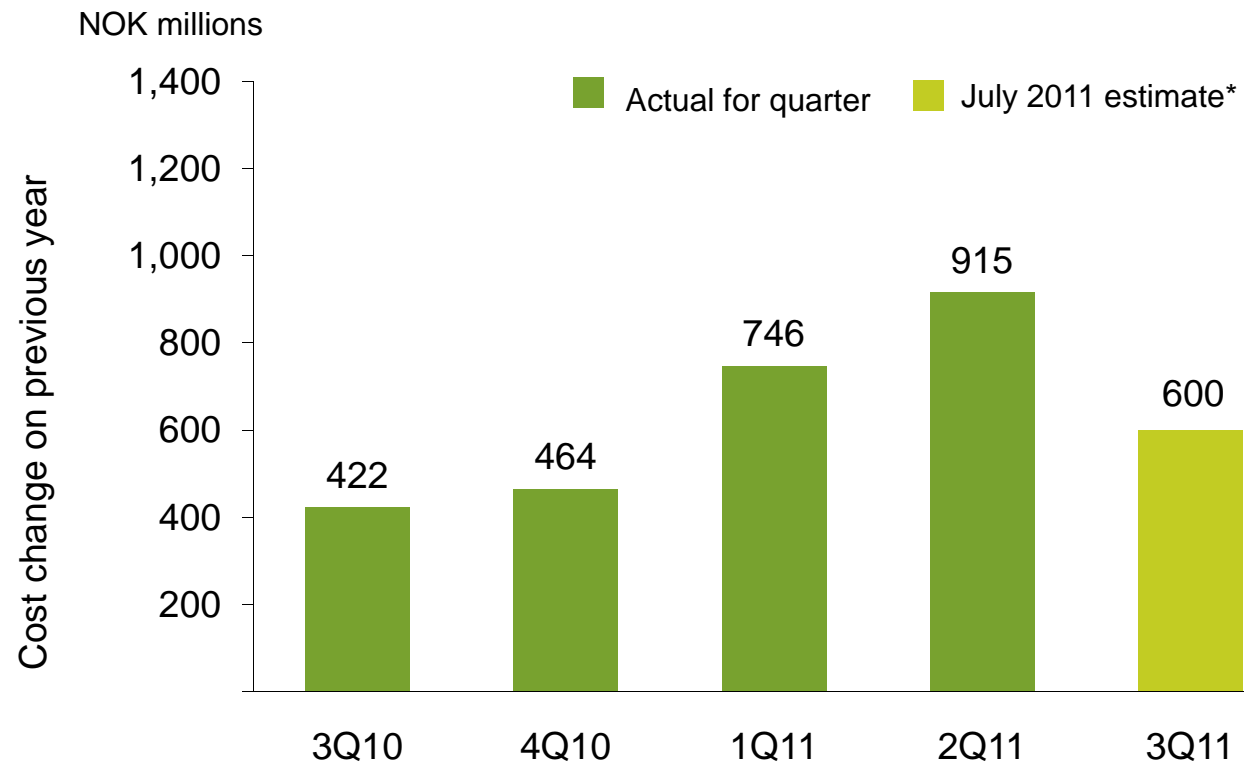


## Share of net income in equity accounted investees

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



## Estimated European energy cost



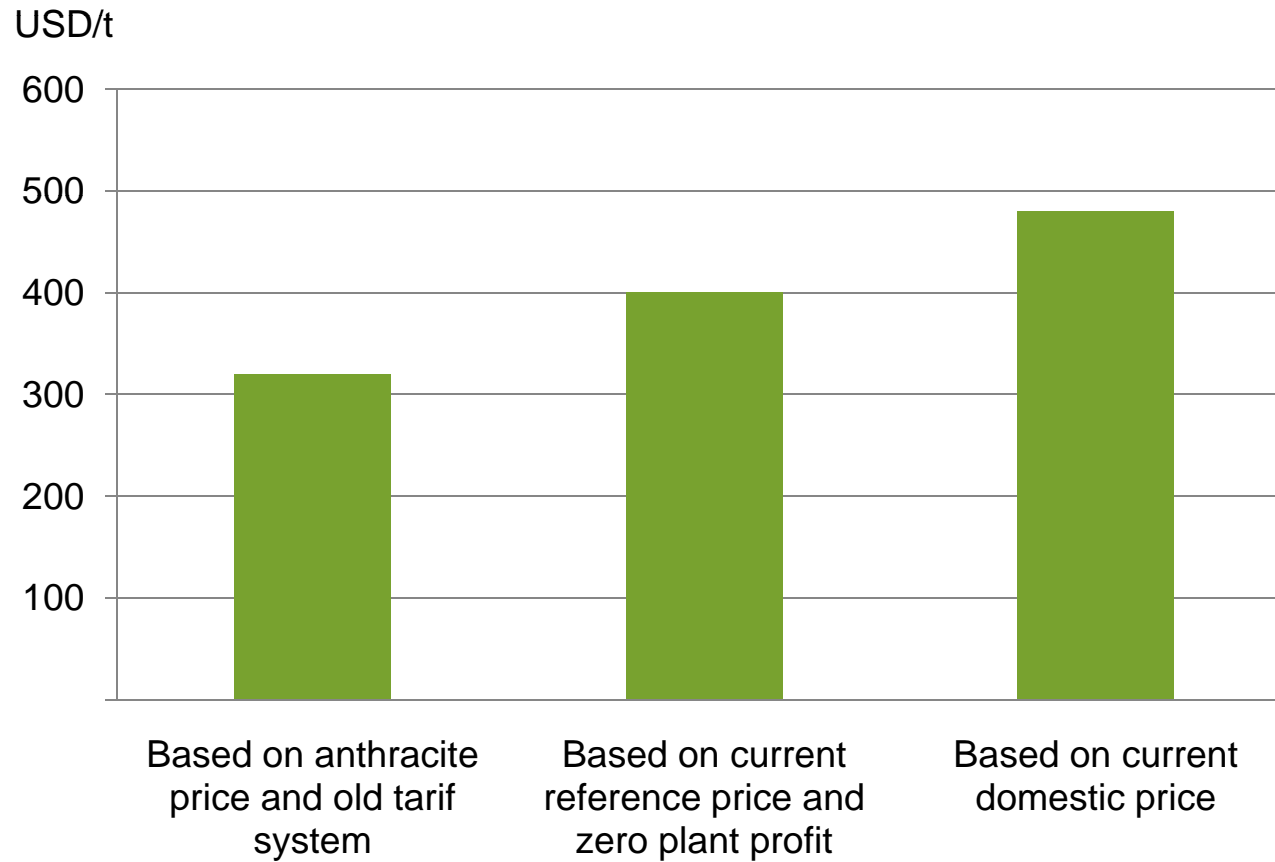
\* Based on forward prices as of 11 July



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## Chinese urea export price logic



## Prospects third quarter 2011

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





## Prospects next twelve months

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





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# Additional information

## Net income after non controlling interests

NOK millions



Annual

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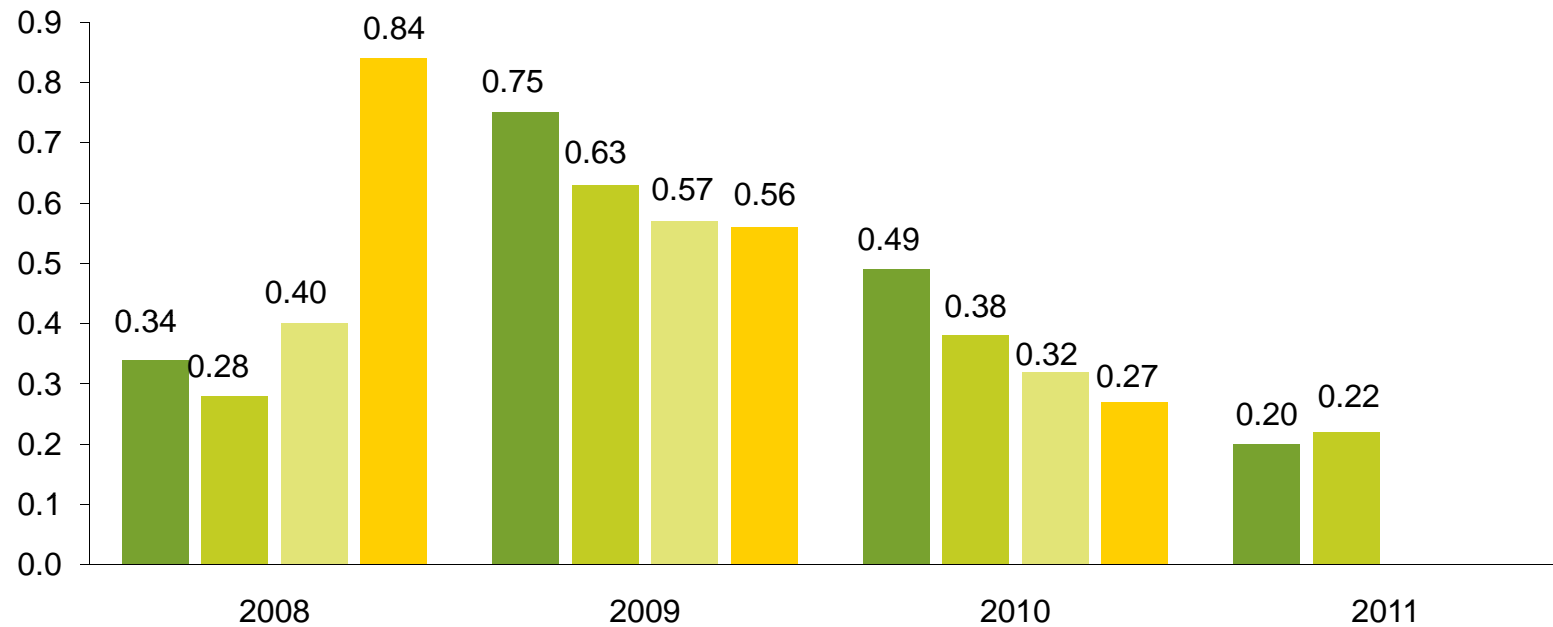


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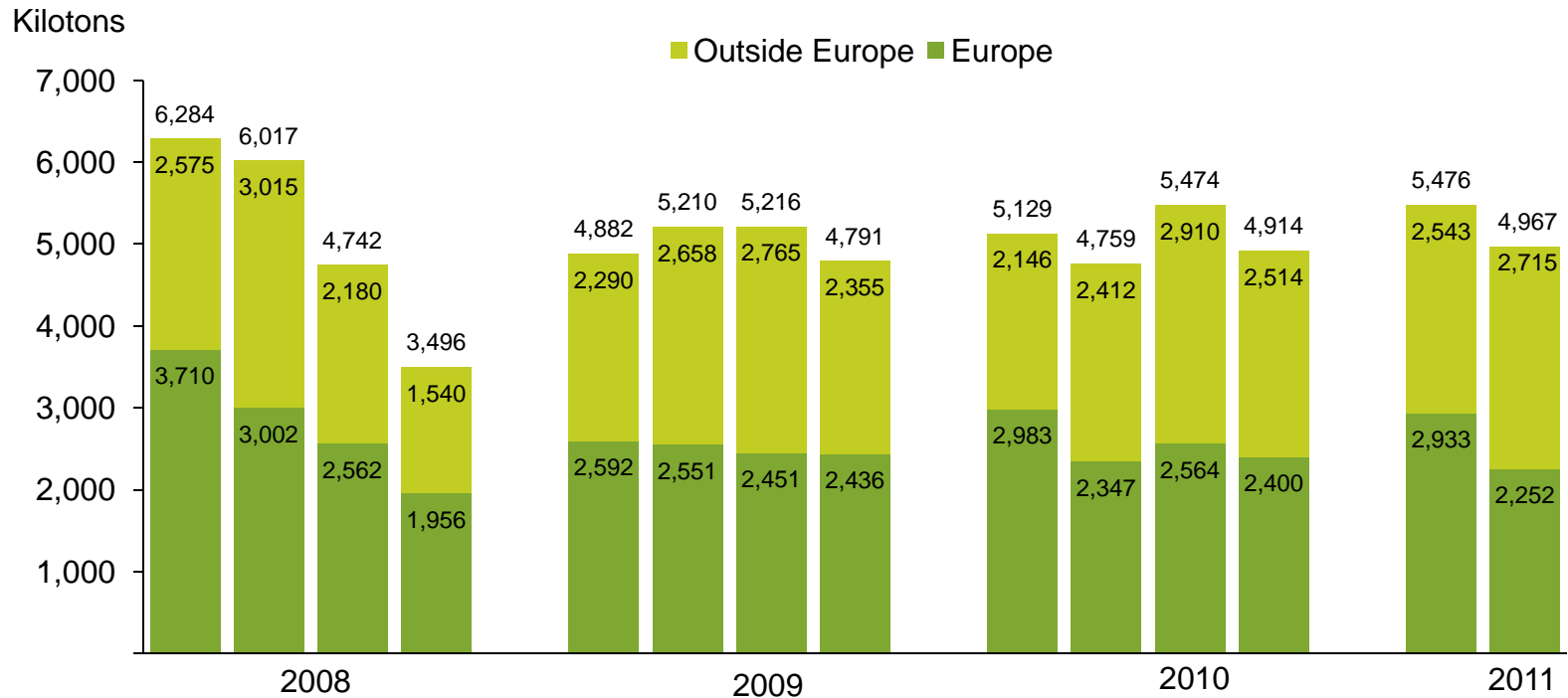


# Debt/equity ratio

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



# Fertilizer volumes up 4% on last year



Accumulated, Kt

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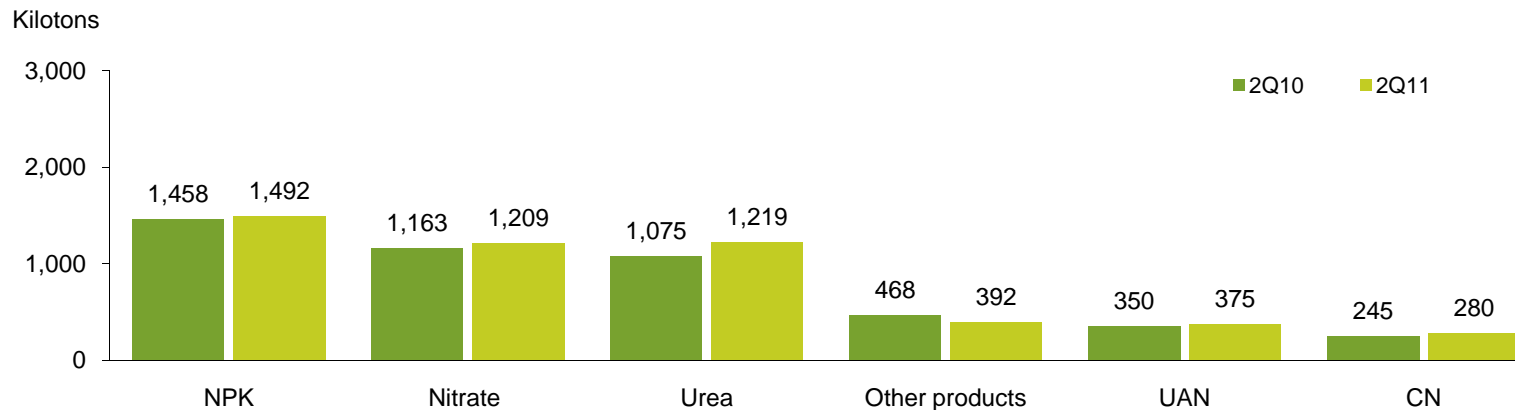
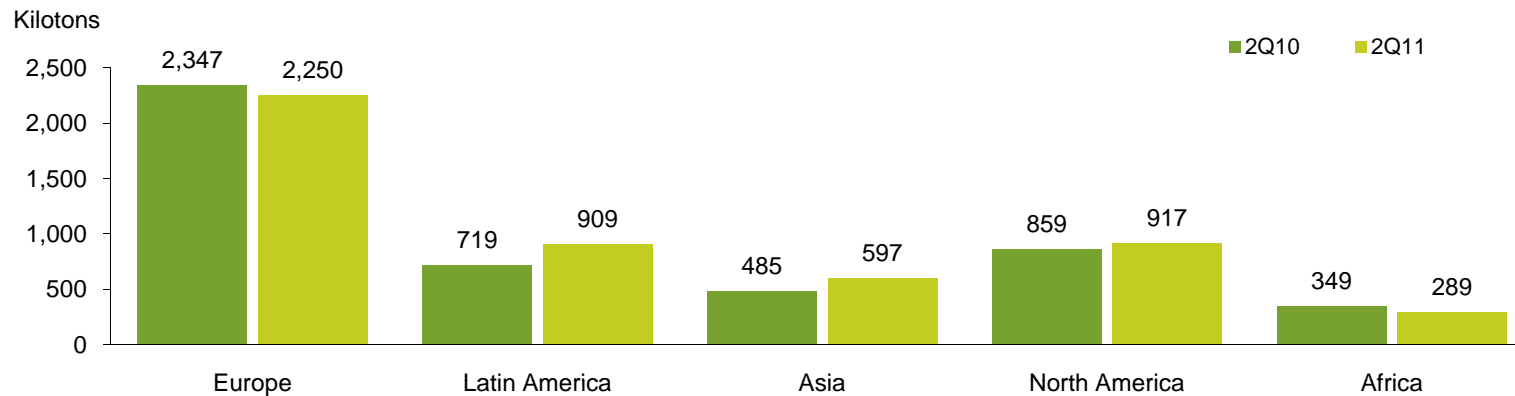


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# Yara 2Q fertilizer sales by market and product

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

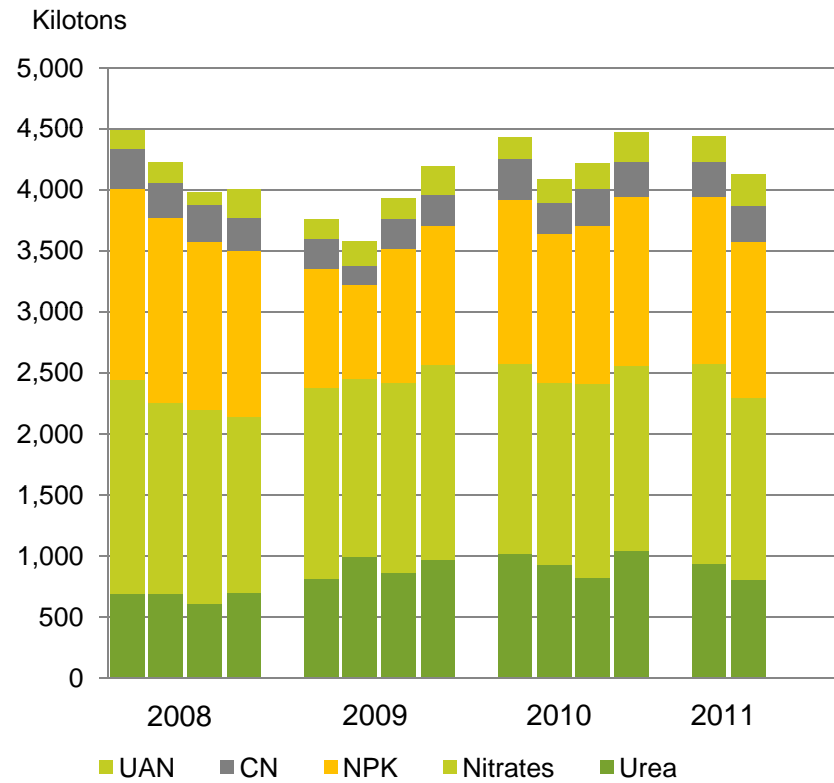


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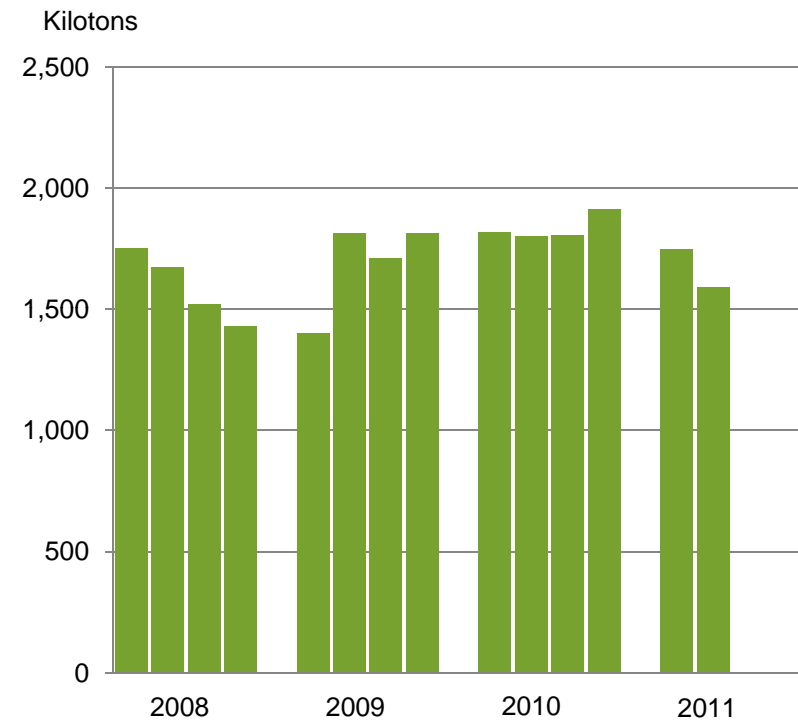


# Yara production volume\*

## Finished fertilizer



## Ammonia



\* Including share of equity-accounted investees

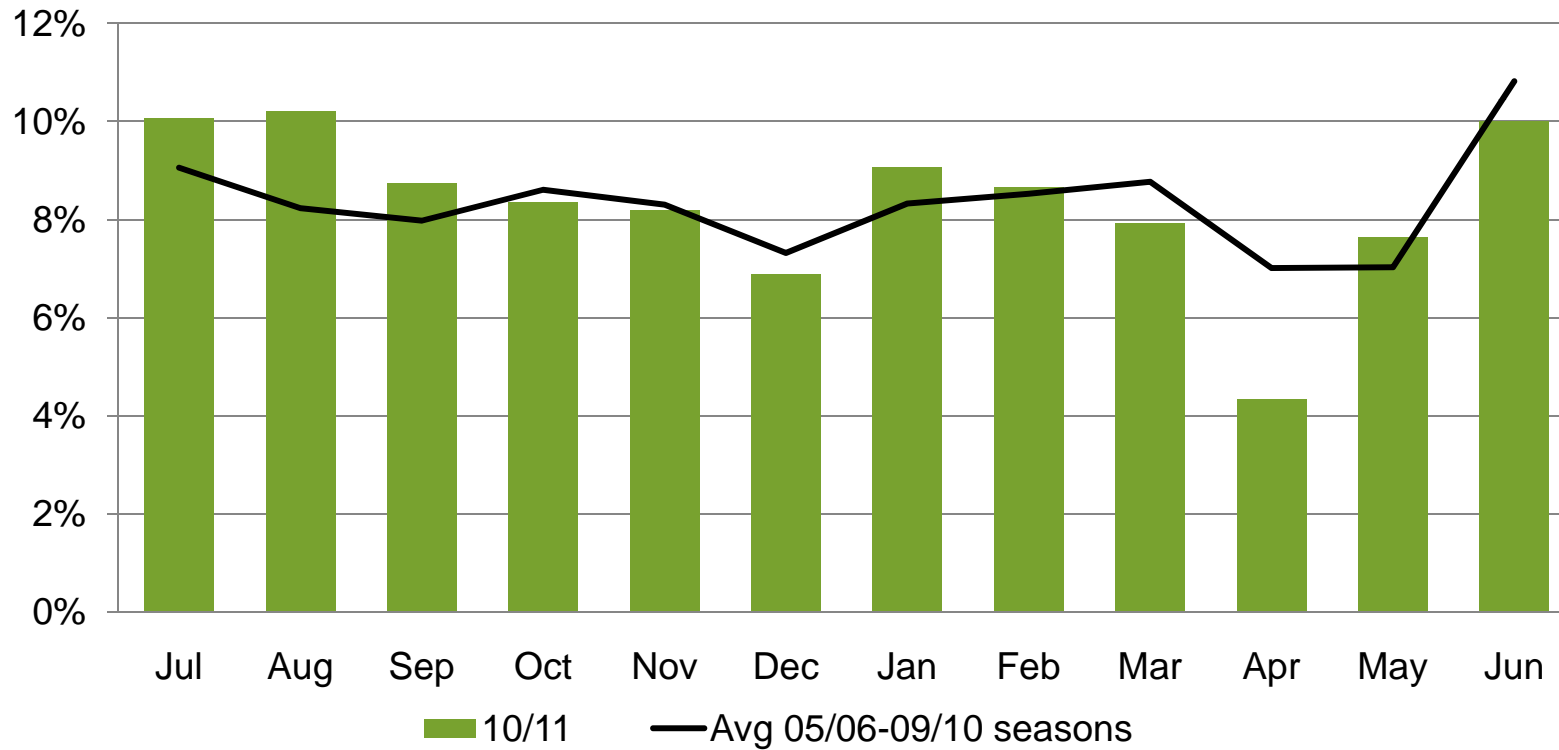


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## Yara nitrate sales

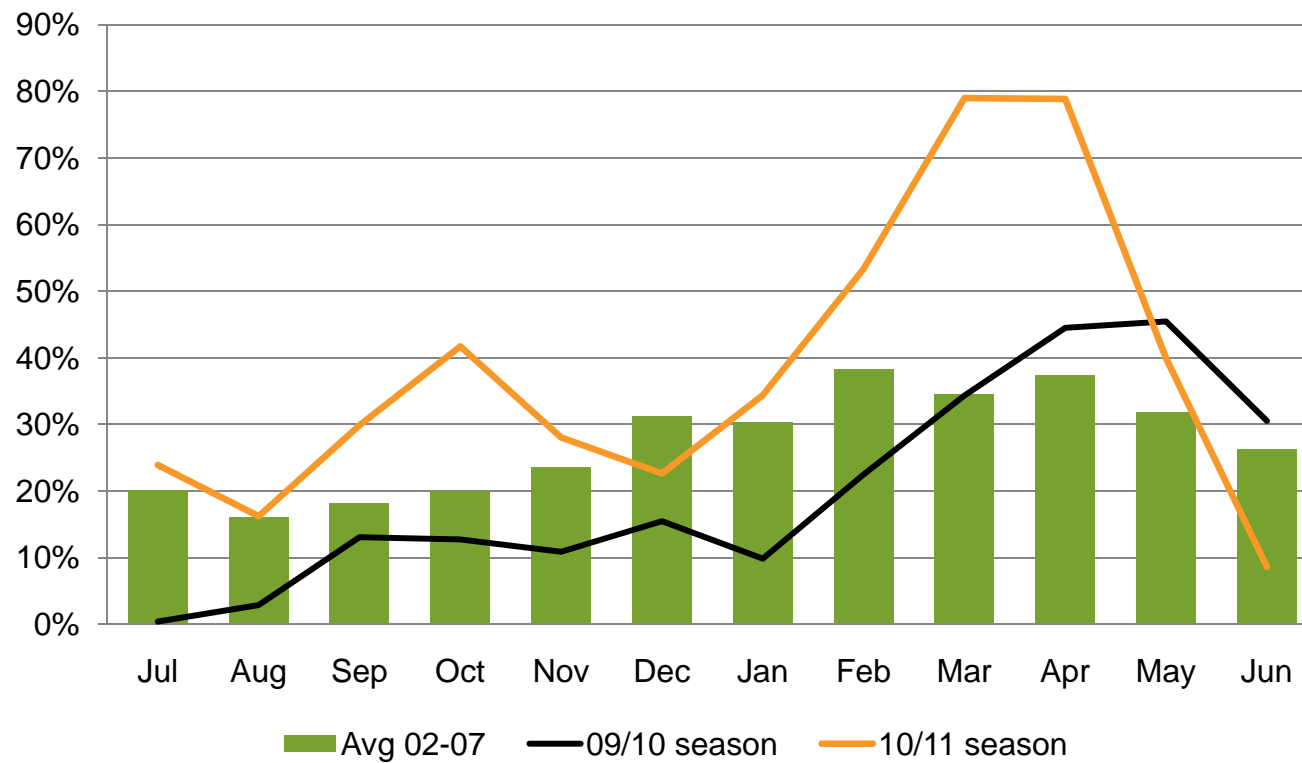
Share of annual sales





# Nitrate premium

Nitrate premium proxy\*



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

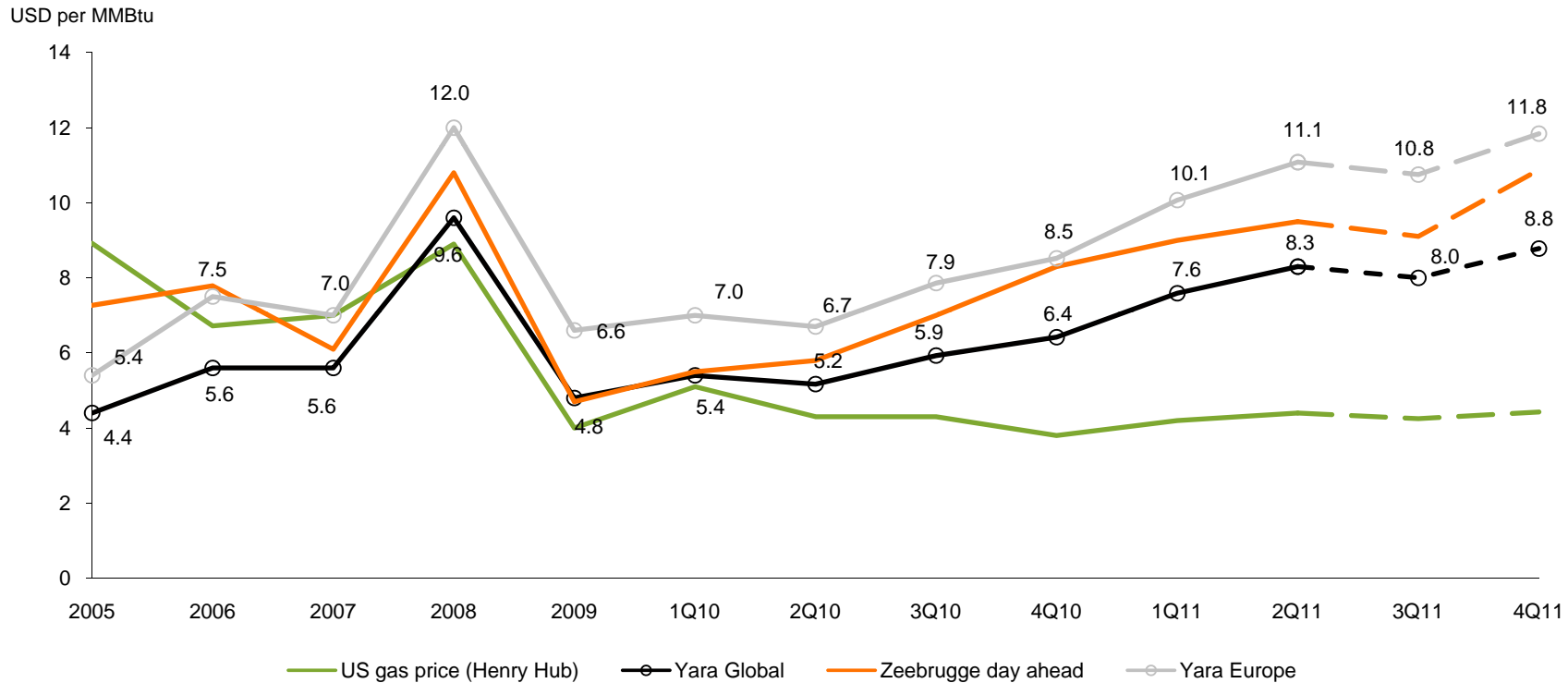


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# Spot natural gas versus Yara average

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



\*Dotted lines denote forward prices as of 11 July

Source: Yara, World Bank, Platts

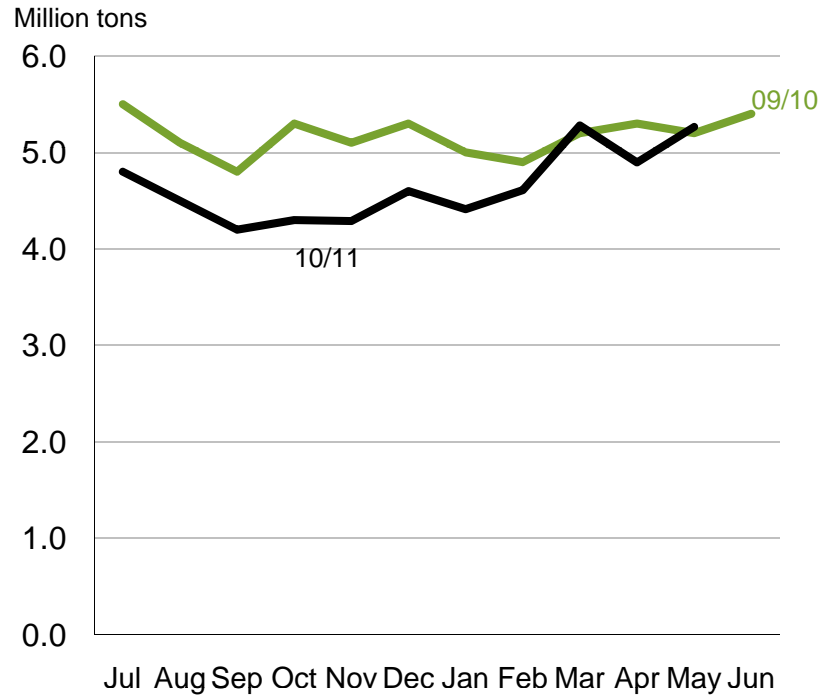


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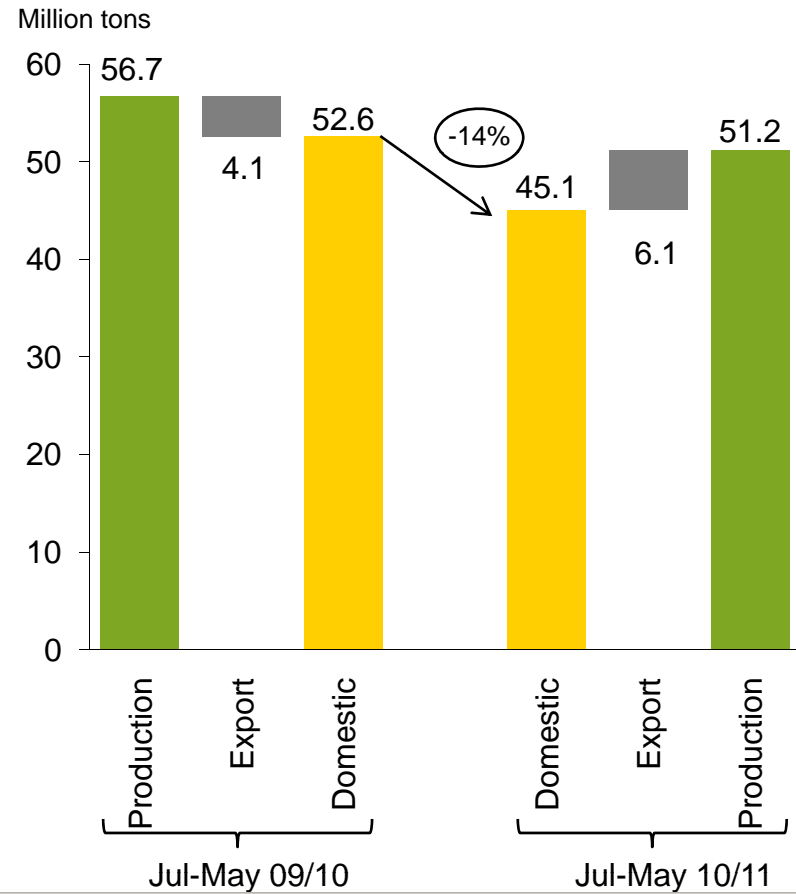


# Domestic urea supply from producers – July to May down 14%

Chinese urea production



Domestic urea balance



Source: BOABC

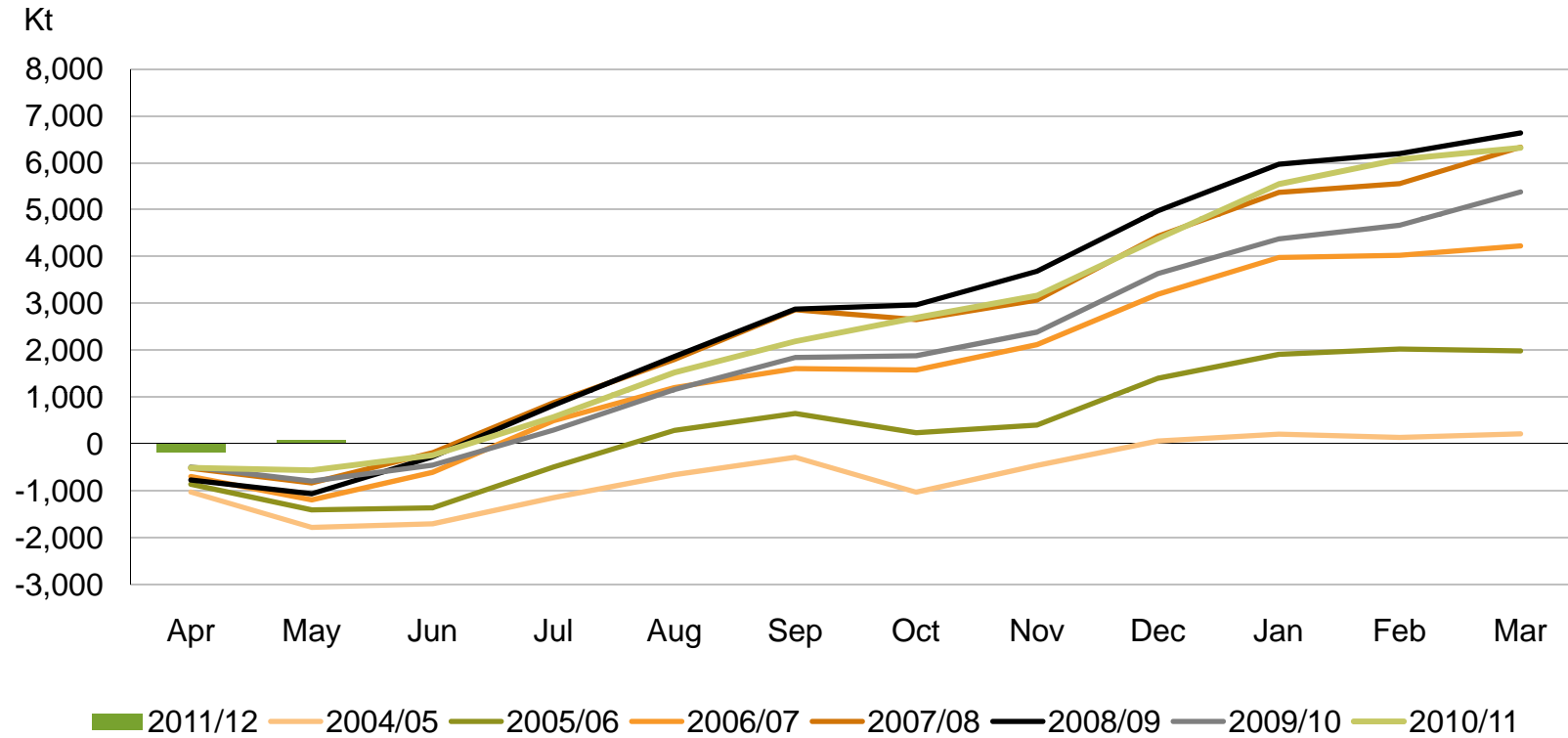


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# Import need returning to the peak level of 08/09

Sales - Production



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

Source: Indian Statistics

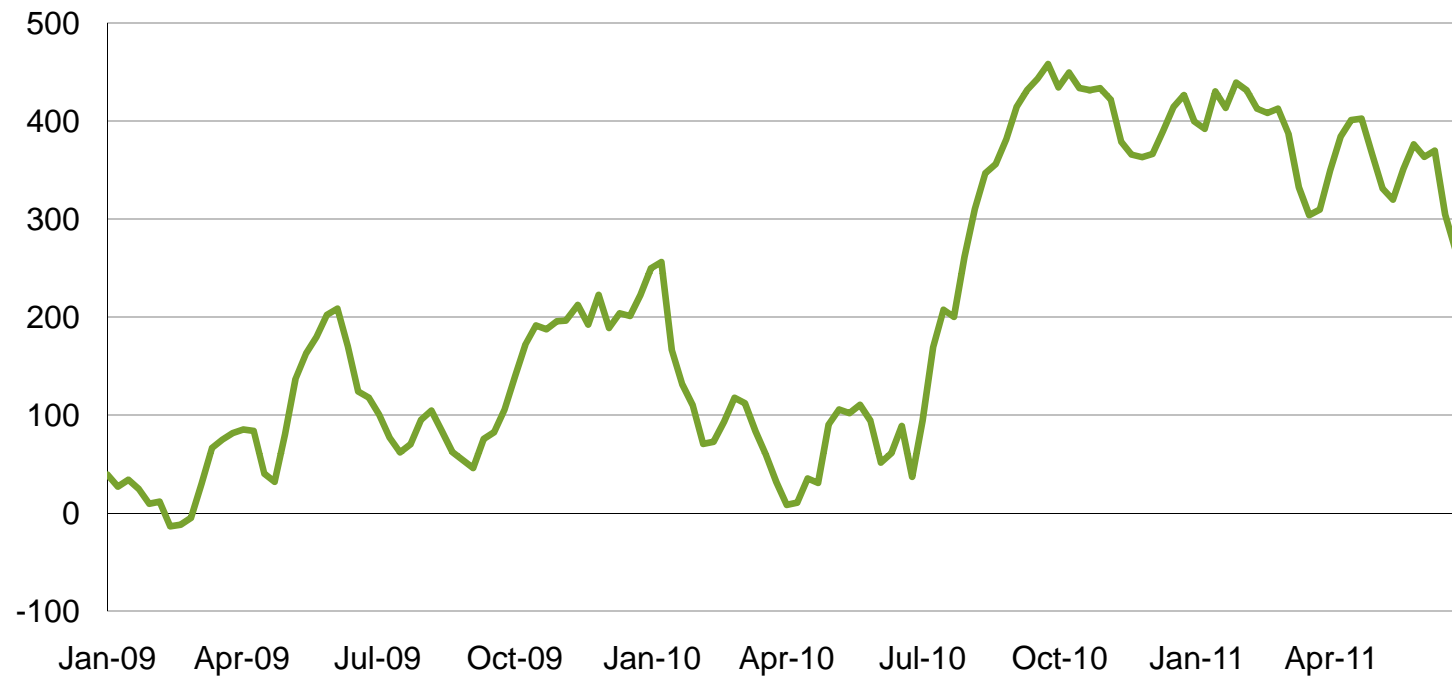


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# Non-commercial's' net long position in corn

Thousand contracts



Source: US Commodity Futures Trading Commission

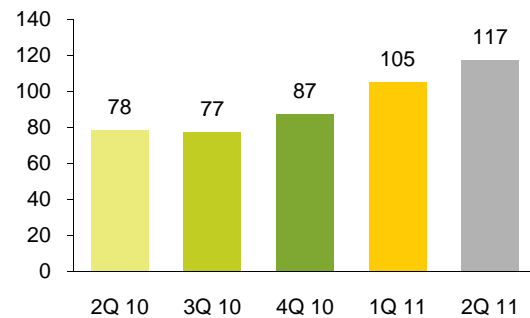


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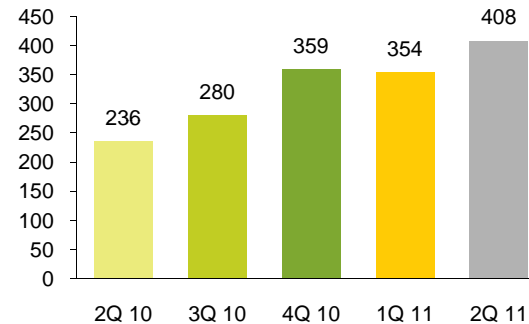


# Key value drivers    quarterly averages

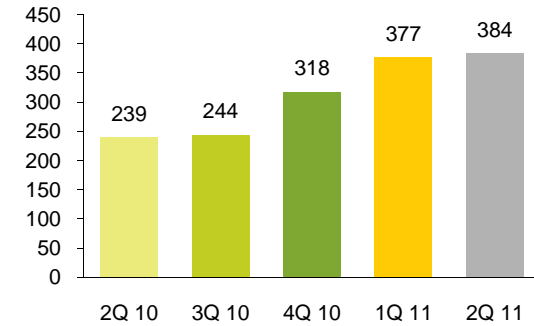
Oil Brent blend spot (USD/bbl)



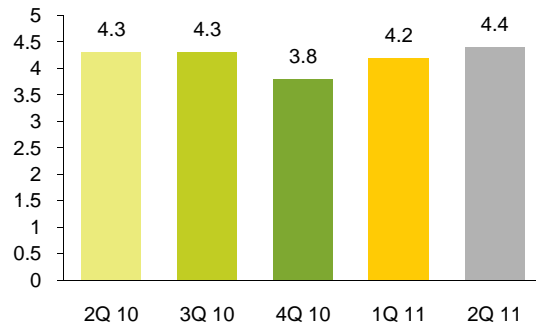
Urea prilled fob Black Sea (USD/t)



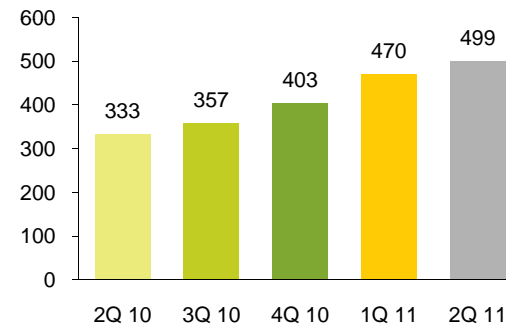
CAN cif Germany (USD/t)



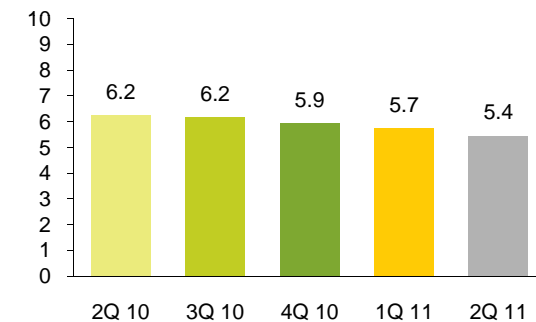
US gas price Henry Hub (USD/MMBtu)



Ammonia fob Black Sea (USD/t)



NOK/USD exchange rate



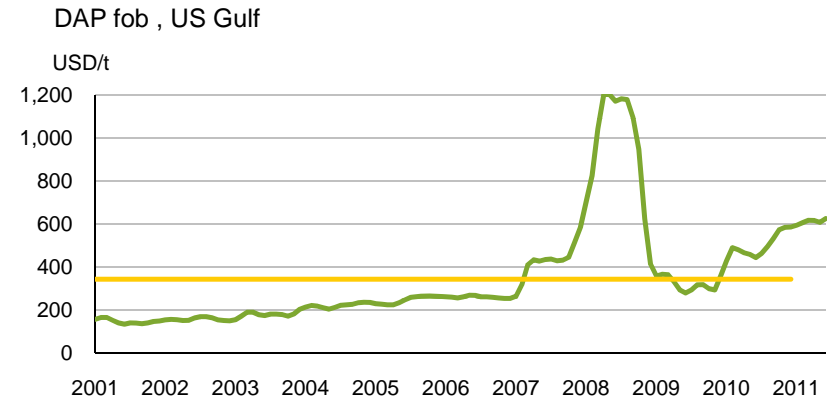
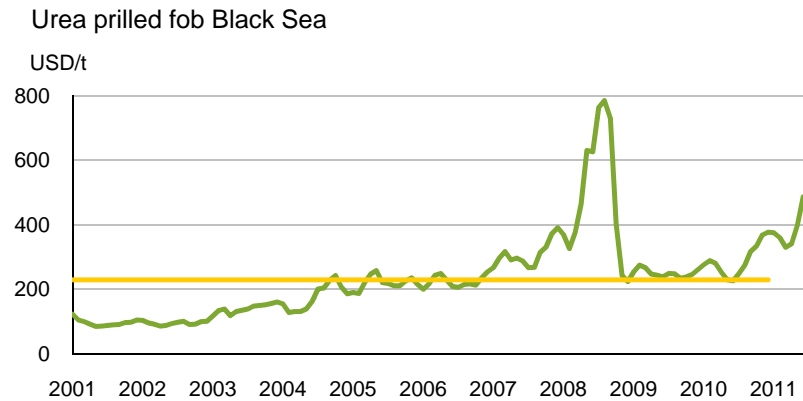
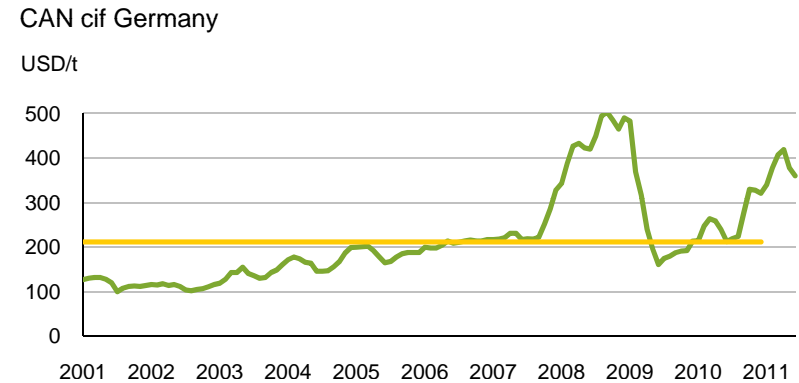
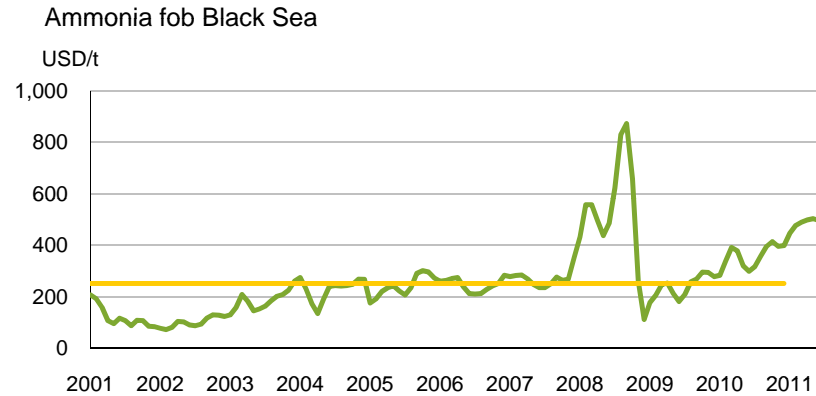
Source: Fertilizer Market Publications, CERA, World Bank, Norges Bank



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# 10 year fertilizer prices monthly averages



— Average prices 2001 - 2010

Source: Average of international publications



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