



Knowledge grows

# Yara International ASA

Tor Holba – Head of Upstream

Nomura Global Chemical Industry Leaders Conference

22 March 2012

# A business strategy geared for global optimization



Scale  
advantages

+

Unique  
flexibility

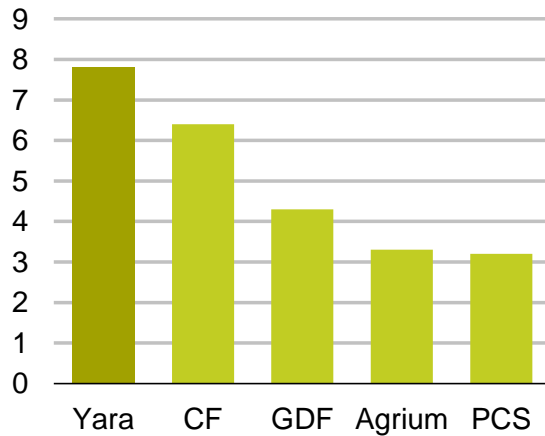
+

Unrivalled  
presence

# Yara – the leader in nitrogen fertilizers

## Global no 1 in ammonia

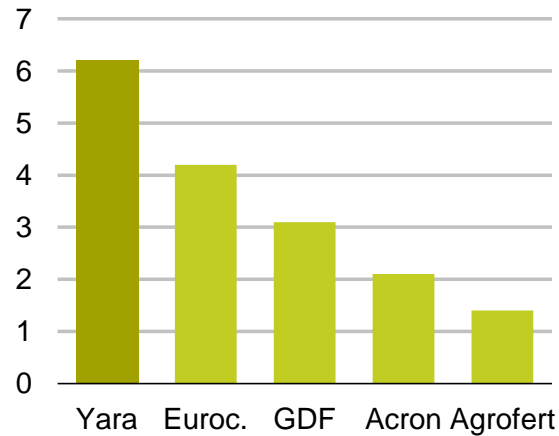
Production capacity\* (mill t)



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

## Global no 1 in nitrates

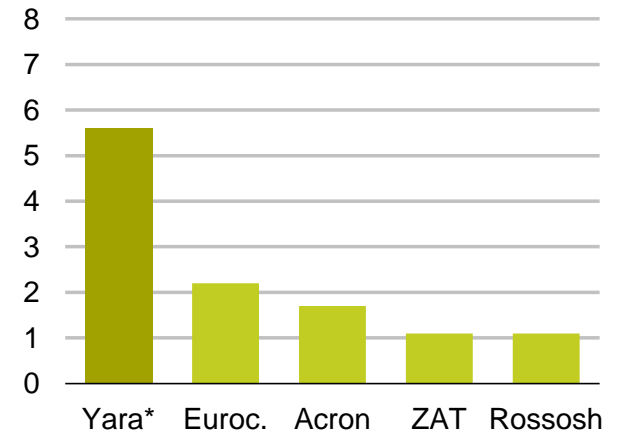
Production capacity\* (mill t)



Source: Fertilizer Europe

## Global no 1 in NPK complex fertilizer

Production capacity\* (mill t)

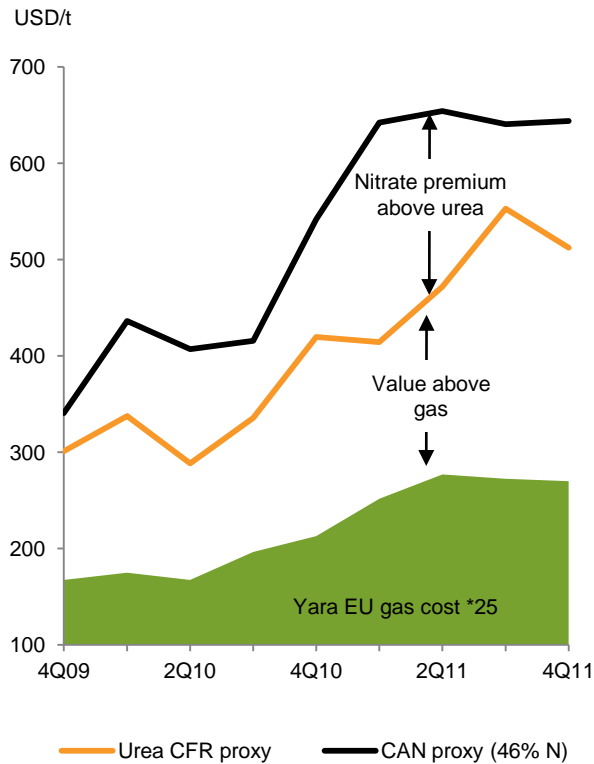


Source: Fertilizer Europe

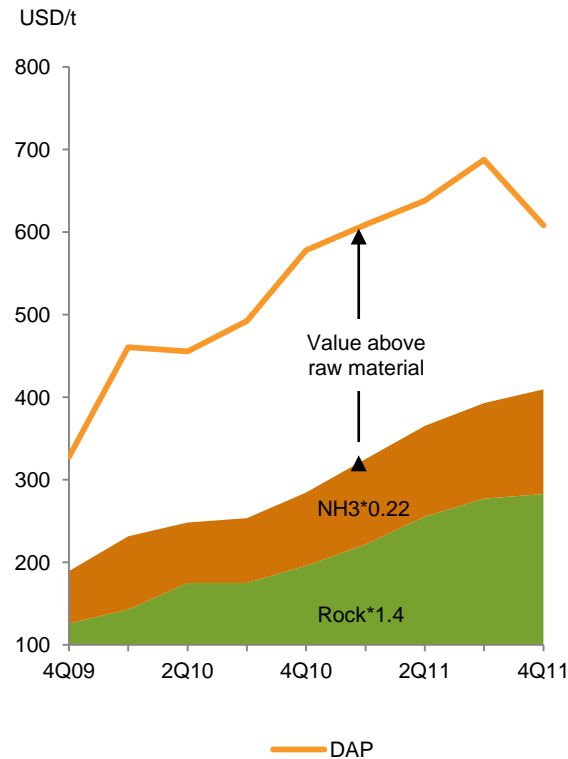


# Yara creates substantial value over and above the commodity nitrogen margin

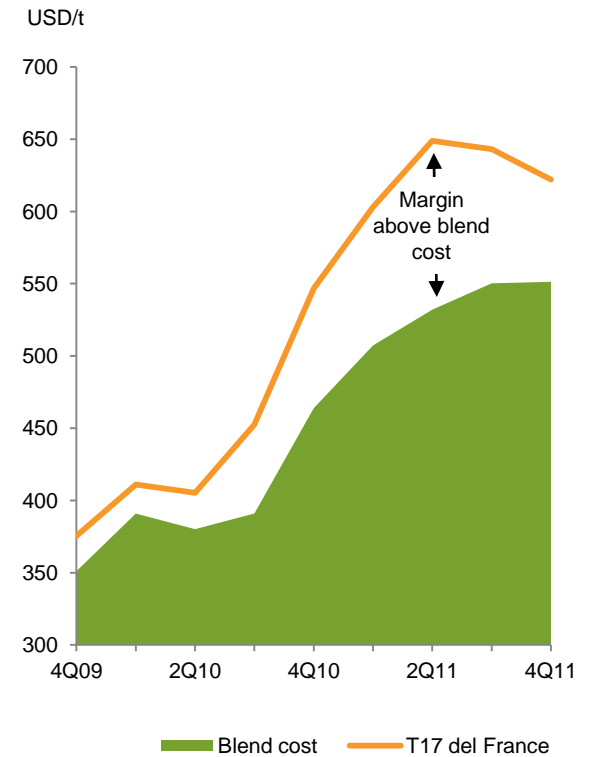
**Nitrogen upgrading margins**



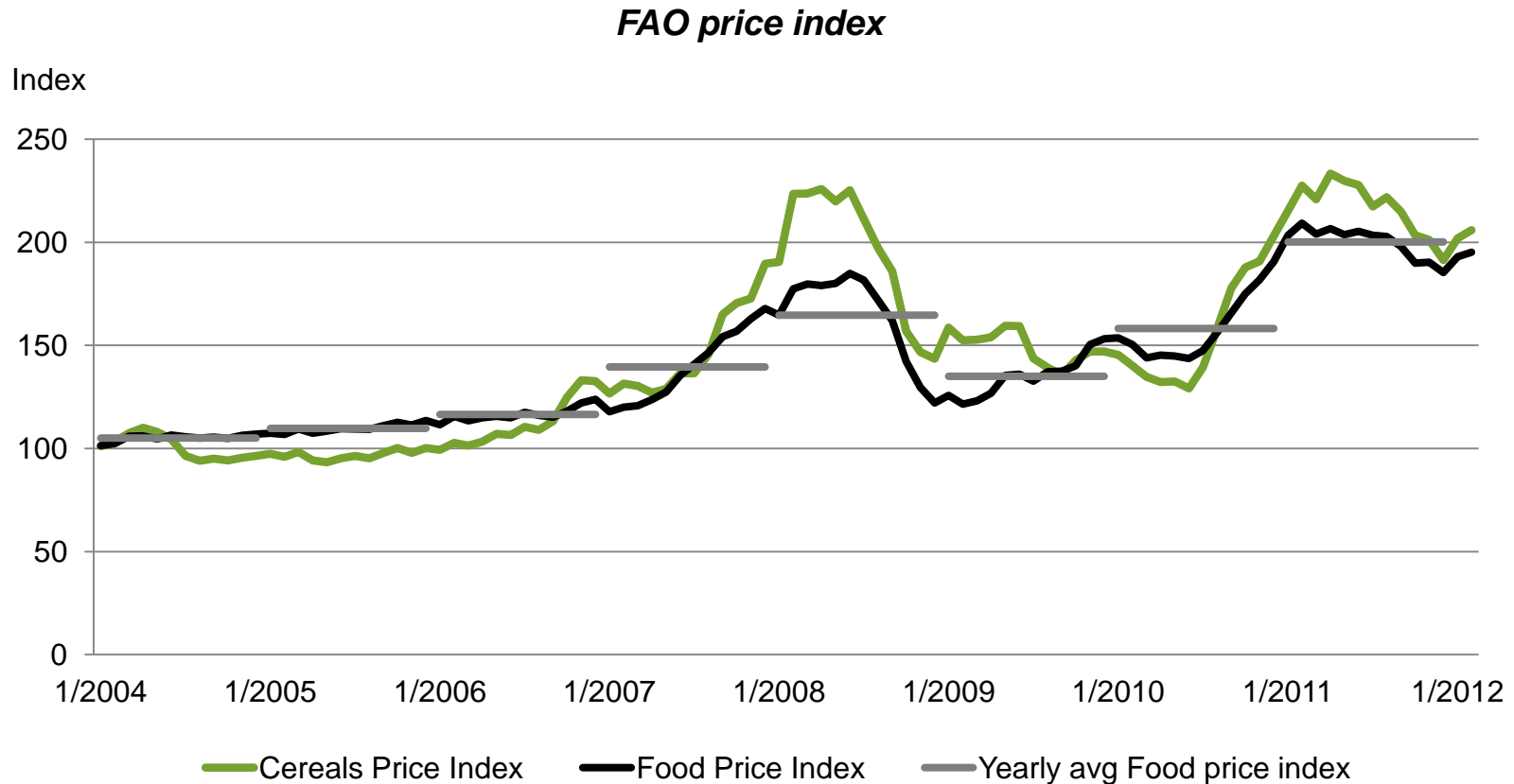
**Phosphate upgrading margins**



**NPK blend premium**



# Food prices at high levels despite drop in fourth quarter



Source: FAO

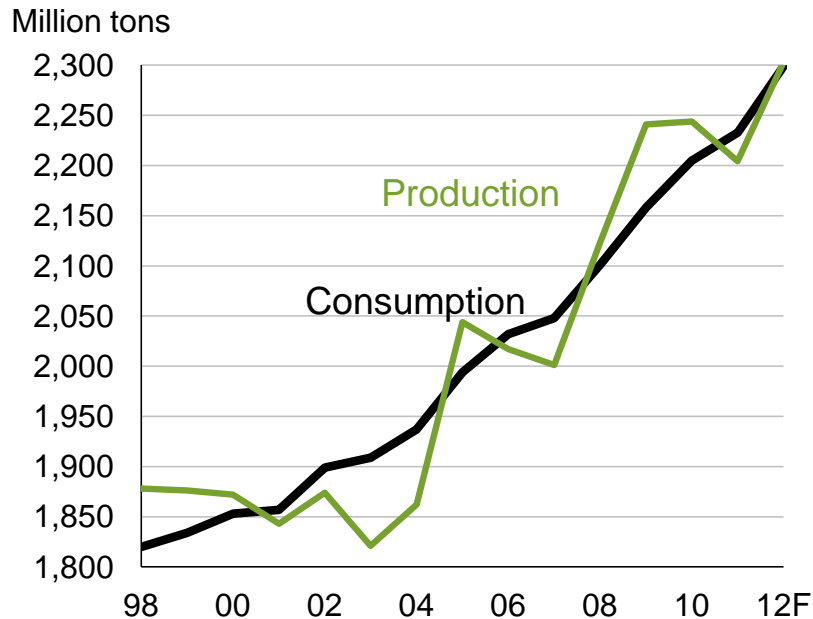


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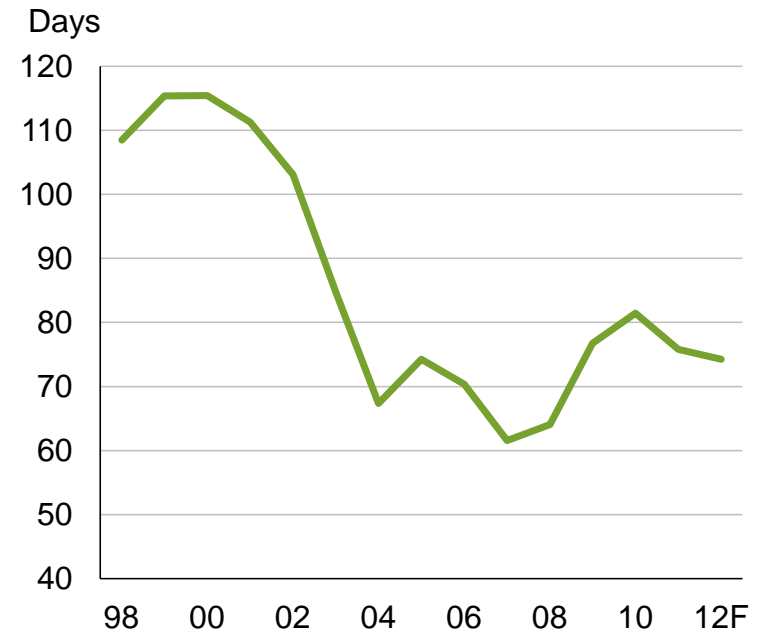


# Continued strong price incentives necessary to avoid inventory decline

*Grain production and consumption*



*Days of consumption in stocks*



Source: USDA, March 2012



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

Year	Driving regions		Urea capacity growth relative to nitrogen capacity	
	World	Excluding China	World	Excluding China
2011	China 46% Pakistan 18%	Pakistan 34% Iran 17%	1.6% (2.0%)	1.4% (1.5%)
2012	China 64% Qatar 10%	Qatar 27% Algeria 23%	4.2% (4.2%)	2.4% (3.1%)
2013	China 28% Algeria 22%	Algeria 30% India 19%	2.3% (2.0%)	2.7% (2.2%)
2014	Algeria 23% Saudi Arabia 23%	Algeria 25% Saudi Arabia 25%	0.3% (0.9%)	0.5% (1.4%)
2015	Brazil 18% Indonesia 15%	Brazil 19% Indonesia 16%	2.1% (-)	3.2% (-)
<b>Gross annual addition 2011-2015</b>				<b>~2.0%</b>
Assumed annual closures				~0.5%
<b>Net annual addition 2011-2015</b>				<b>~1.5%</b>
<b>Trend consumption growth from 2001</b>			<b>2.5%</b>	<b>2.0%</b>

Source: Fertecon urea update January 2012. Consumption data source is IFA. Previous update in paranthesis

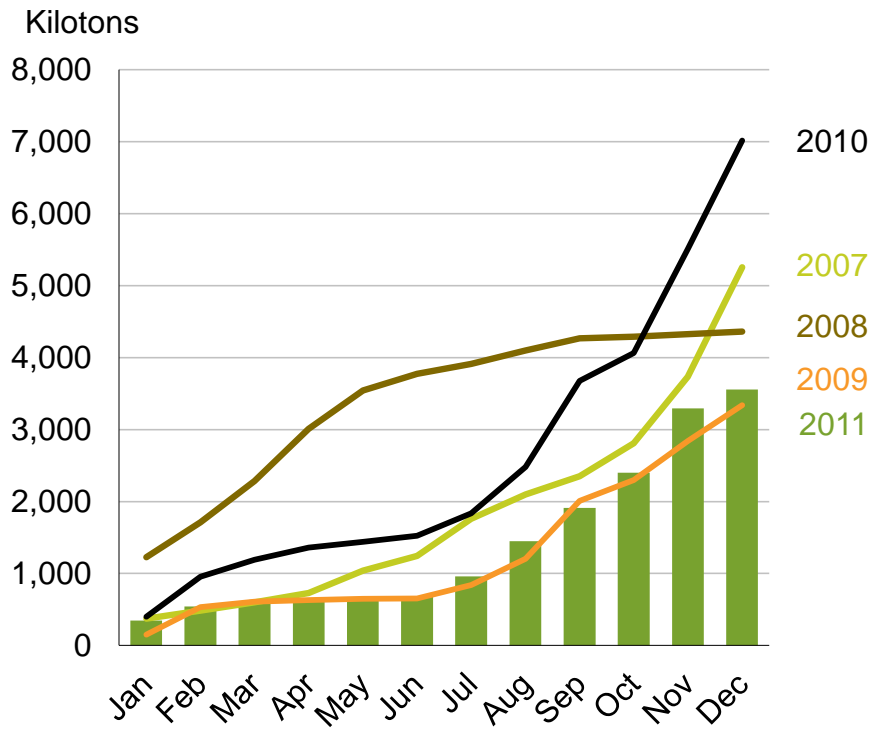


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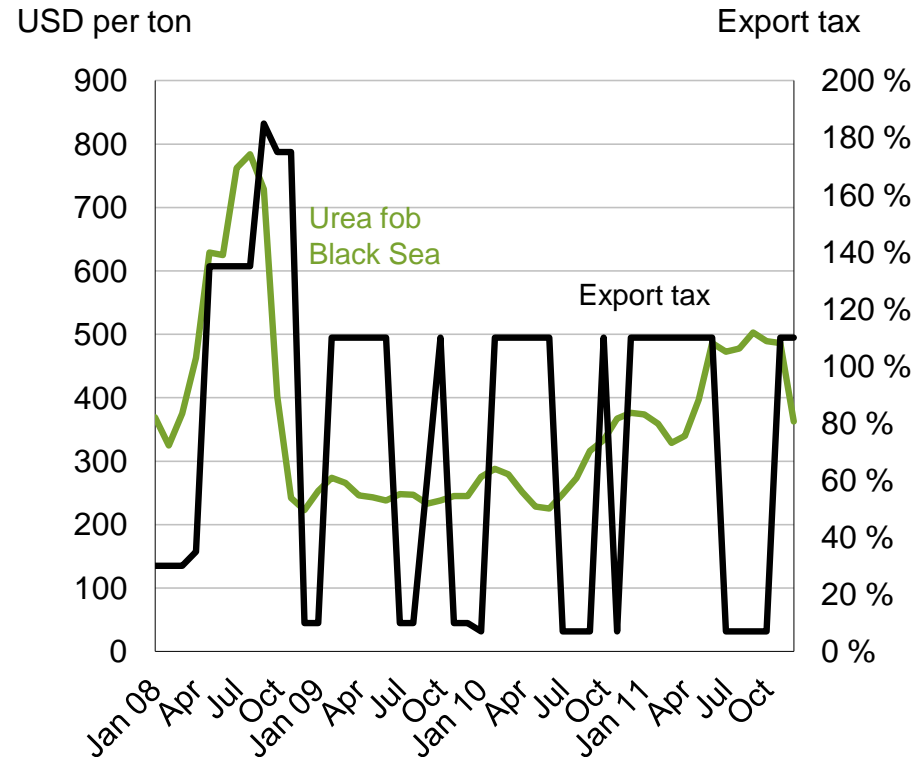


# Lower Chinese urea exports in 2011

## Accumulated urea exports



## Urea price and export tax



Source: BOABC

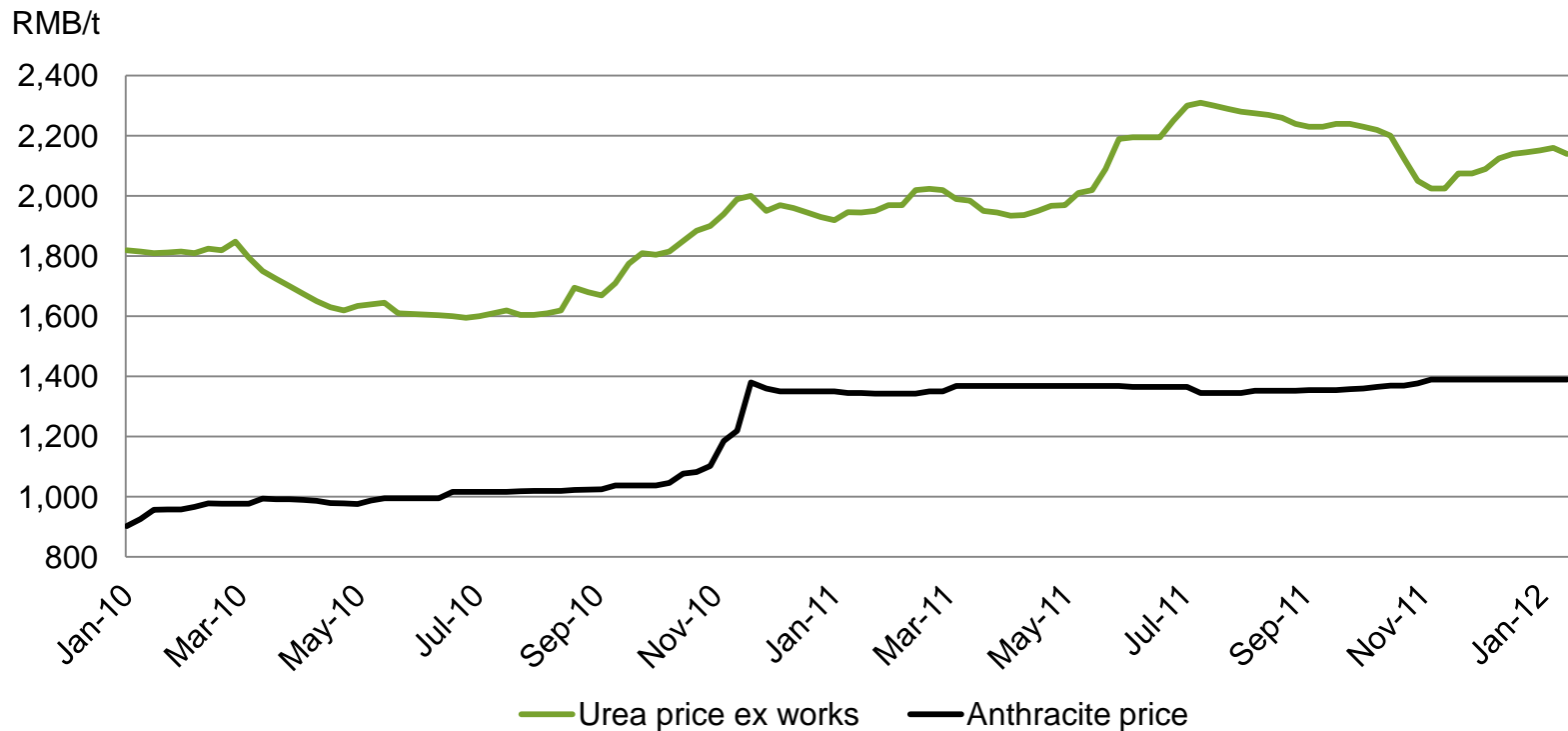


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# Demand-driven Chinese domestic urea price since mid 2011



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

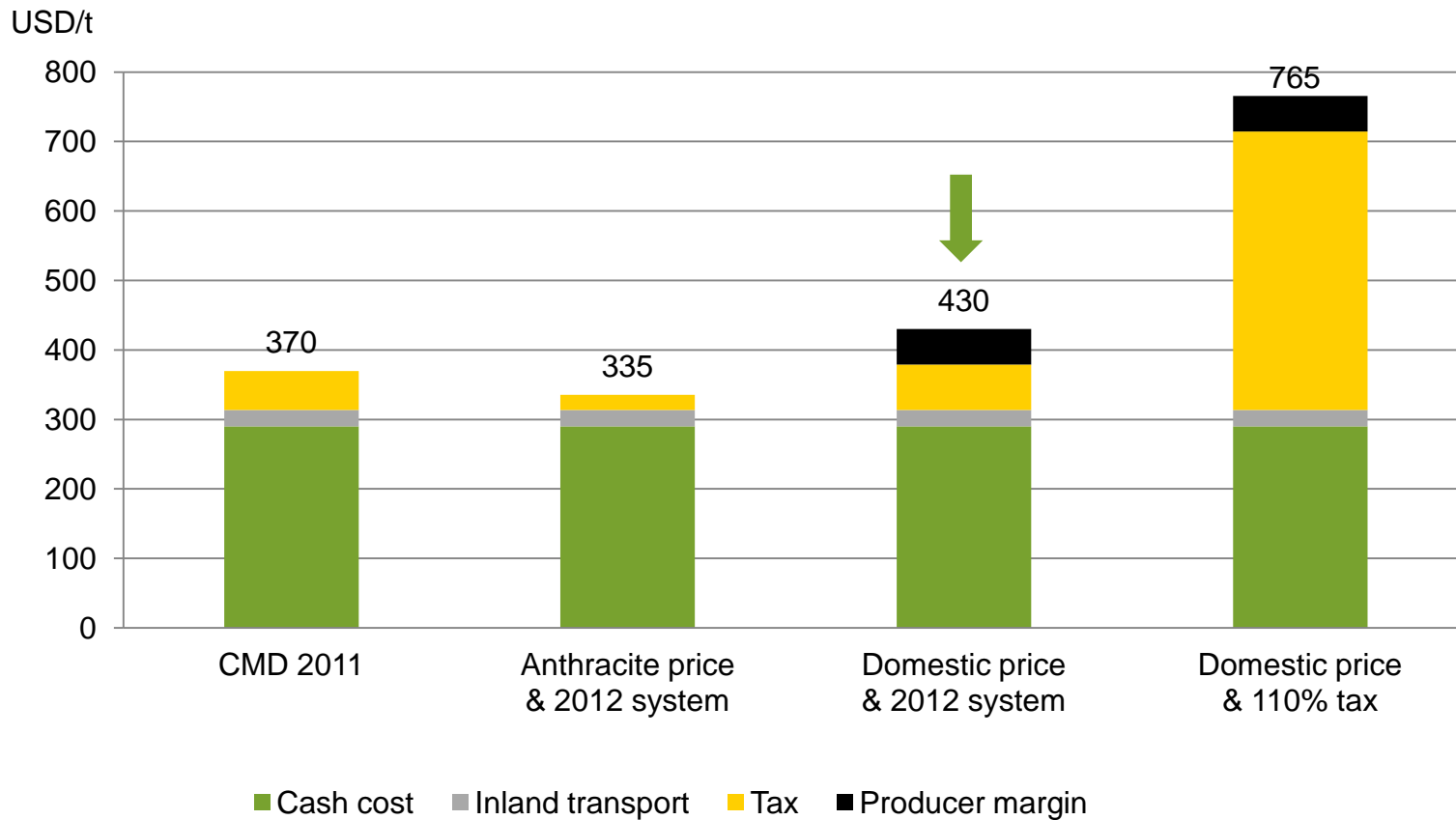
Source: China Fertilizer Market Week



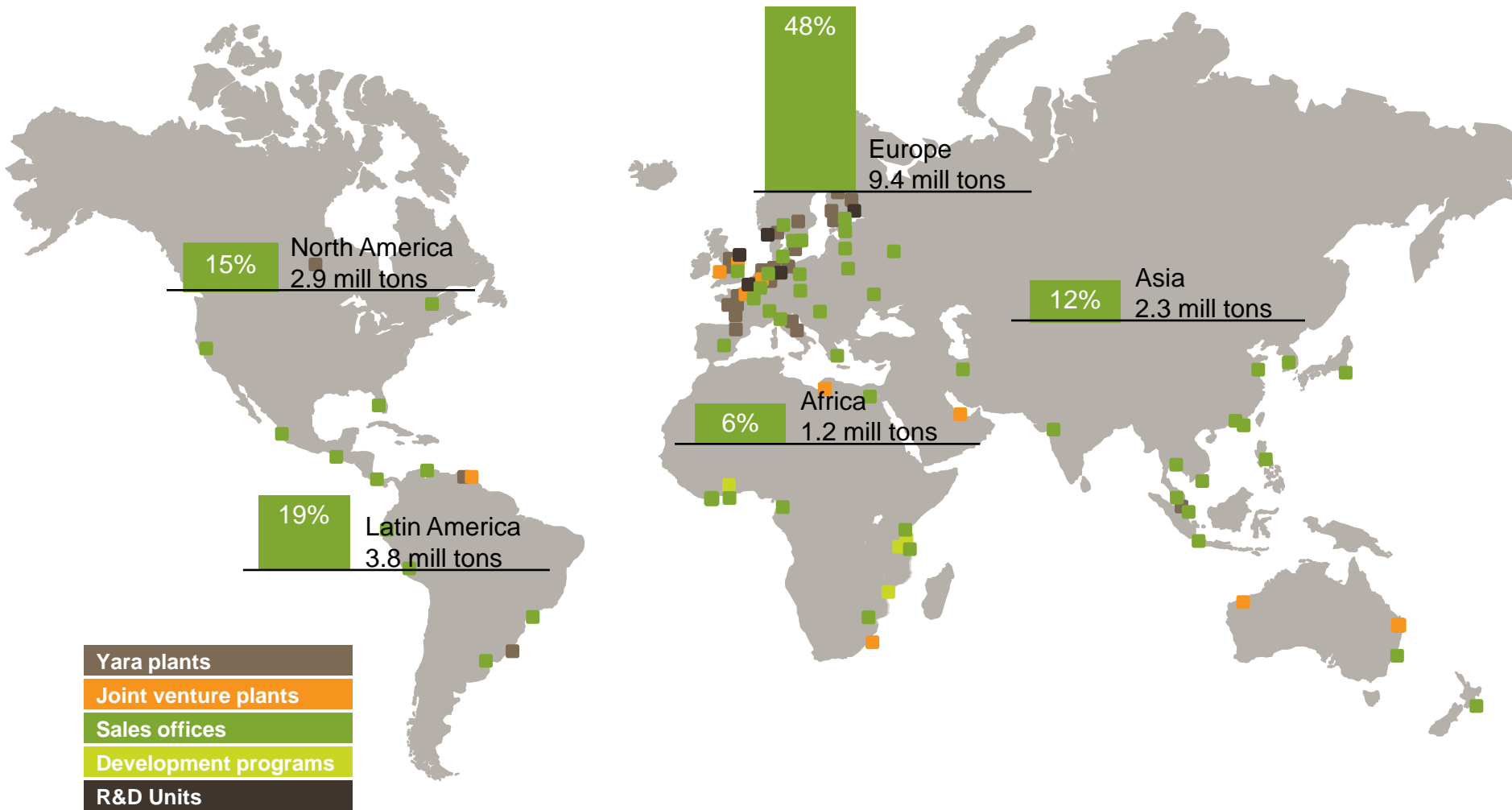
IR – Date: 2012-03-22



# Current domestic price and 2012 tariff implies swing price of USD 430 fob China



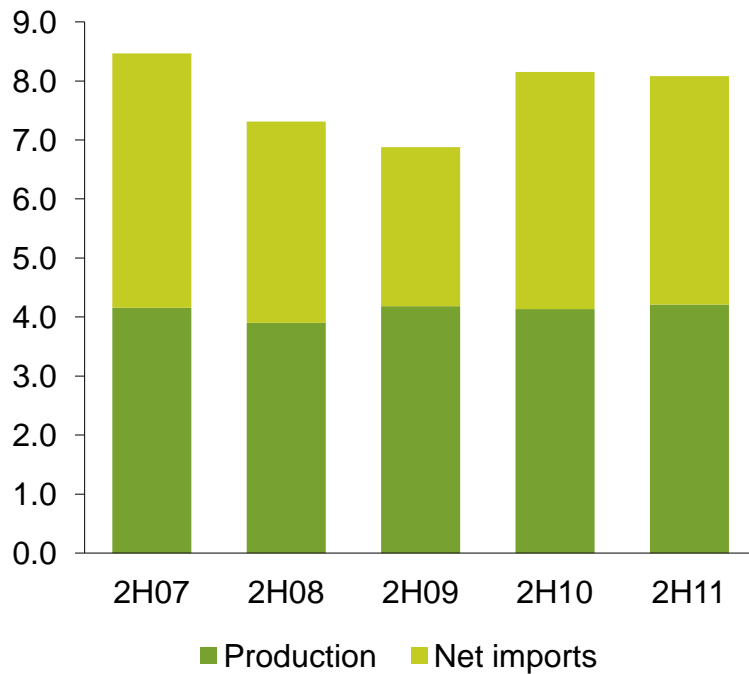
# Global downstream player with sales to 150 countries



# European deliveries lagging last season

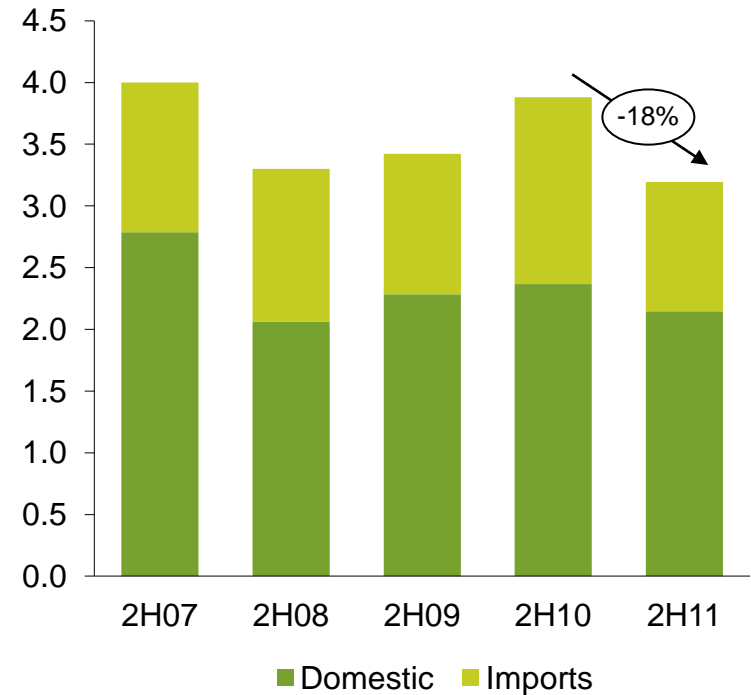
## USA

Million tons



## West Europe

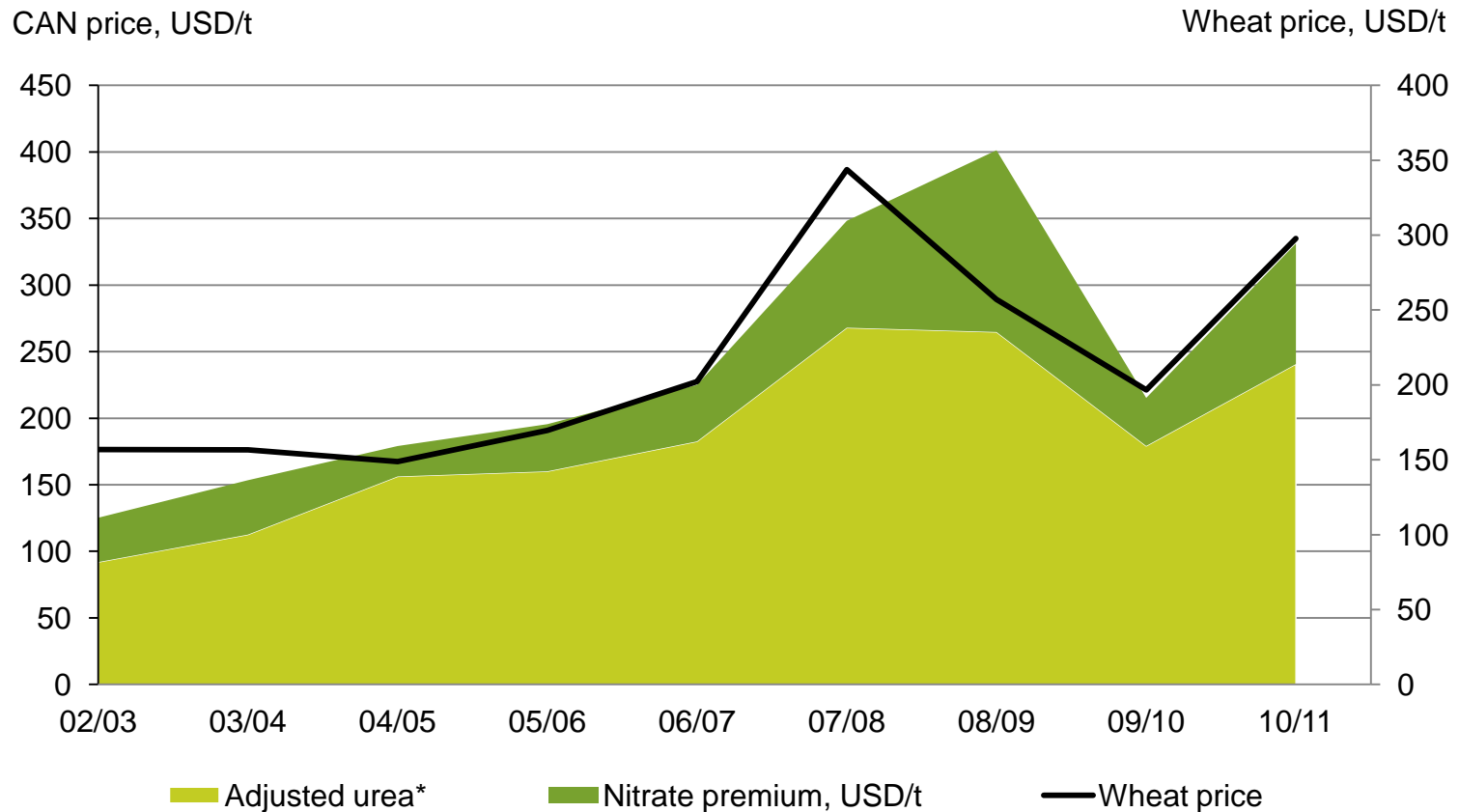
Million tons



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



# Nitrate premium is mainly a function of crop prices and marketing effort

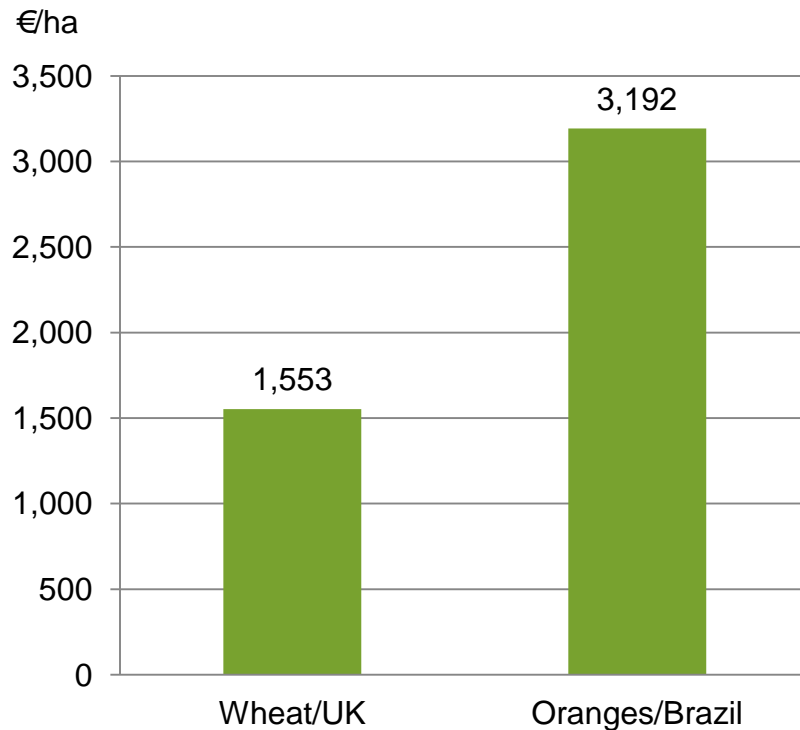


\* Urea fob Black sea adjusted for import costs into Europe and nitrogen content similar to CAN

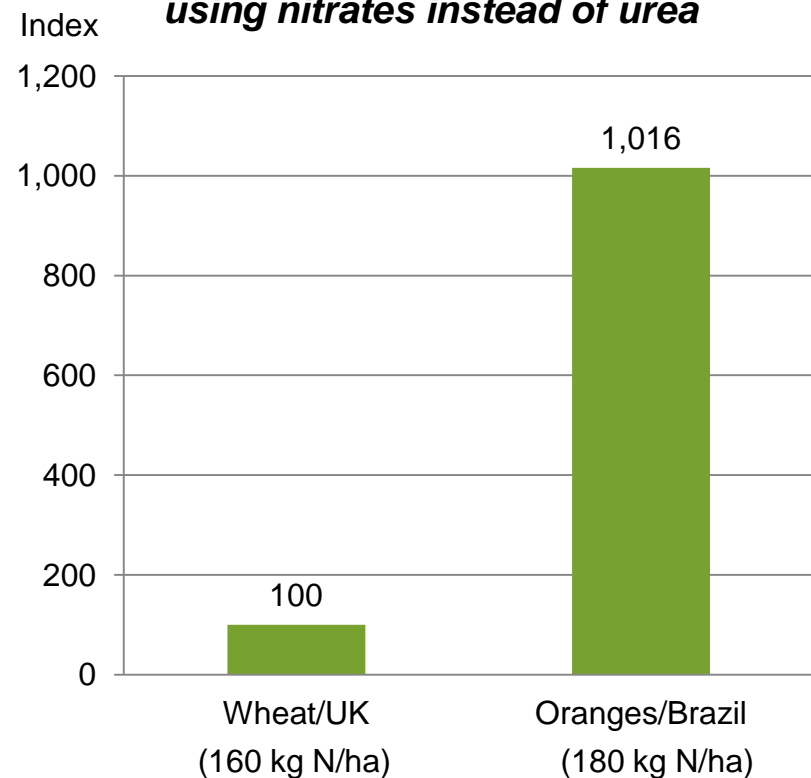


# Nitrates' agronomic advantage has higher value for cash crops than for commodity crops

**Crop value with nitrates**

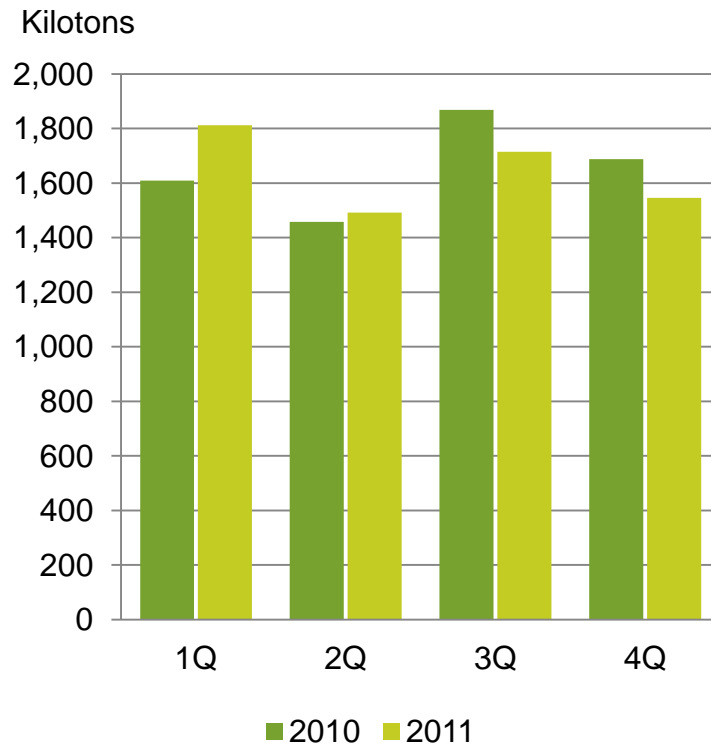


**Increase in crop production value using nitrates instead of urea**

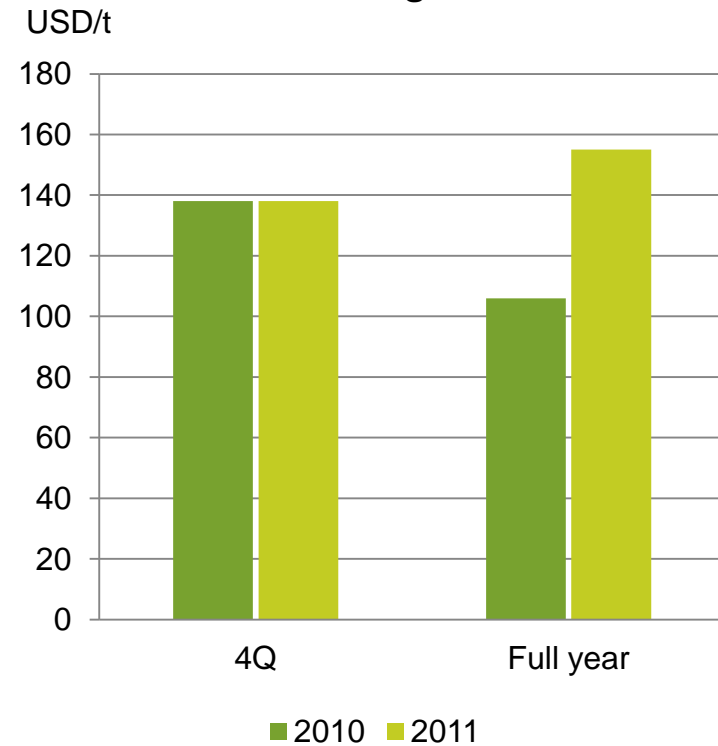


# Good NPK development

## NPK volumes



## NPK margins\*

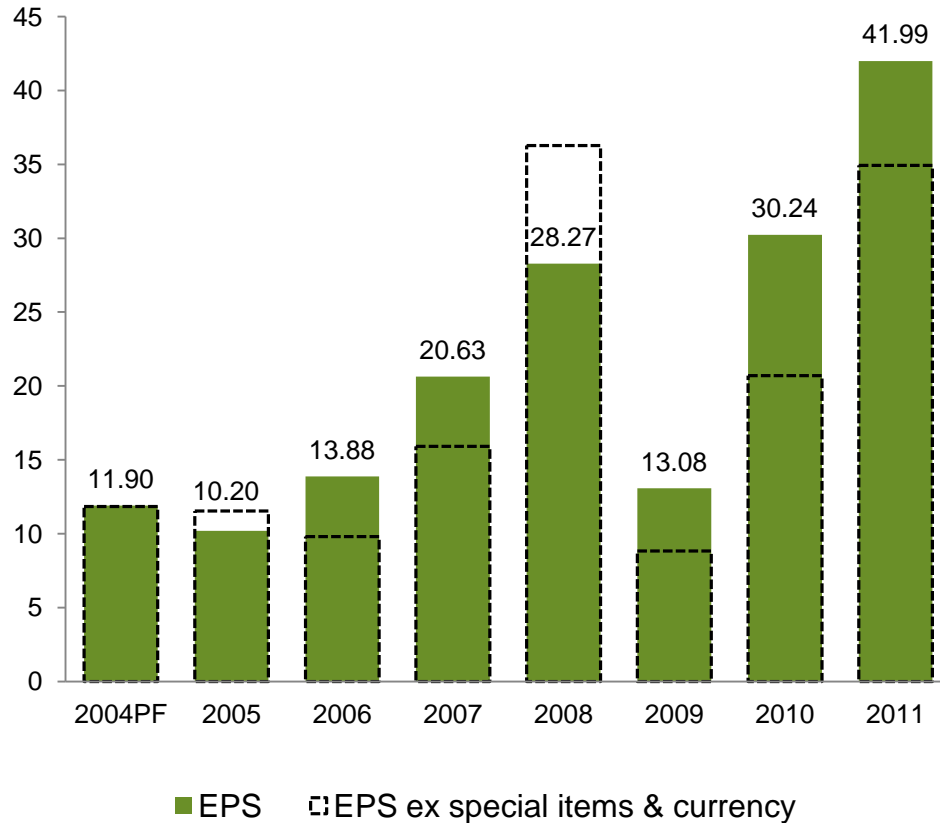


\* Product from Porsgrunn, Glomfjord, Ravenna and Montoir sold in Europe



# 2011 earnings per share highest so far

NOK per share

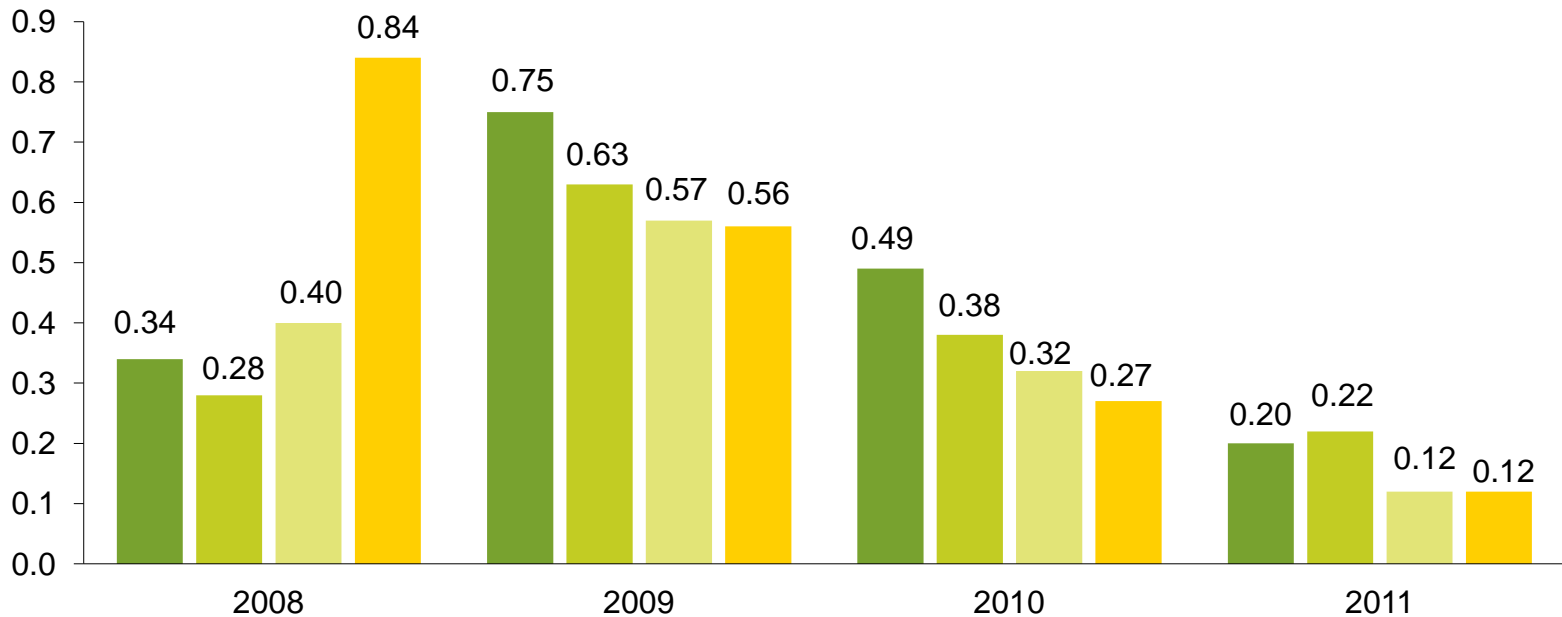


- Healthy grain fundamentals and farm margins led to strong demand for all nutrients
- Supply constraints as China halved exports due to a tighter domestic market and higher coal prices
- Rossosh and 16% in Yara Praxair divested at attractive terms

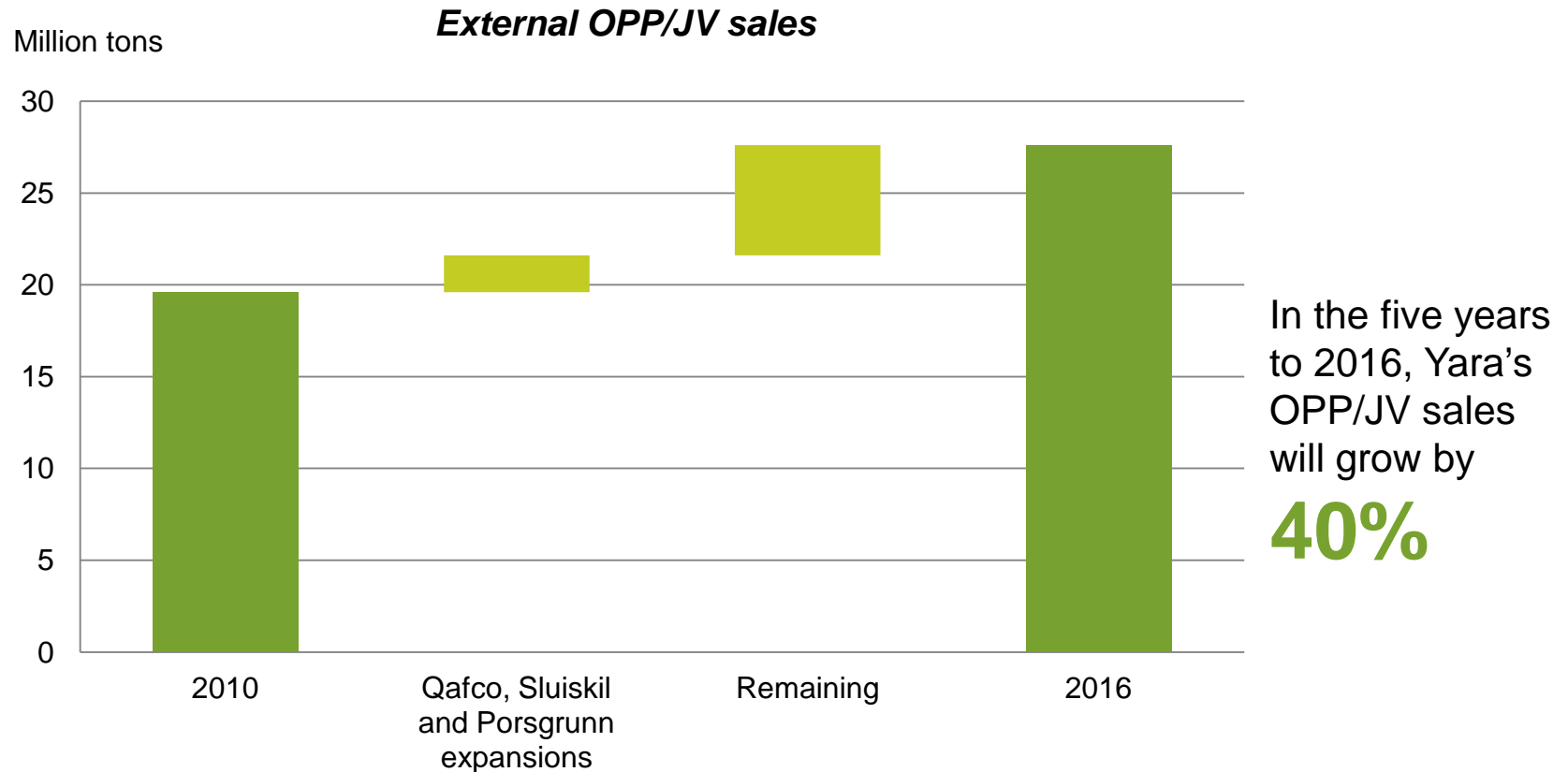


# Strong cash-generation

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



# We aim to increase own-produced and JV volumes by 8 million tons by 2016



# Basis for Yara's profitable growth ambitions

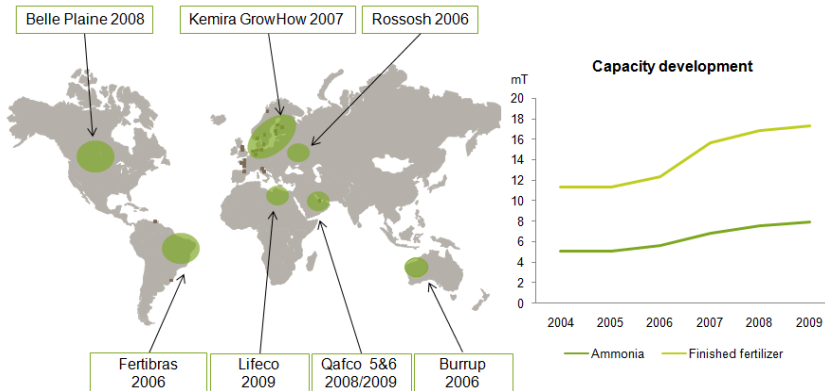
## Strong earnings through the cycle



## A scalable business model giving synergies



## Industry-leading acquisition track-record



## Valuation and capital discipline

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



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

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Knowledge grows

Environmental and financial benefits

Air1 - Turning NOx emissions into harmless vapor

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**LATEST PRESS RELEASES**

Extended release regarding Yara acquisition of controlling stake in Burrup Holdings 06.02.2012

**SHARE PRICE** 257,50 0.78

**CAPITAL MARKETS DAY 2011**

Presentation CMD 2011 (PDF)

Webcast link - First part

Webcast link - Second part

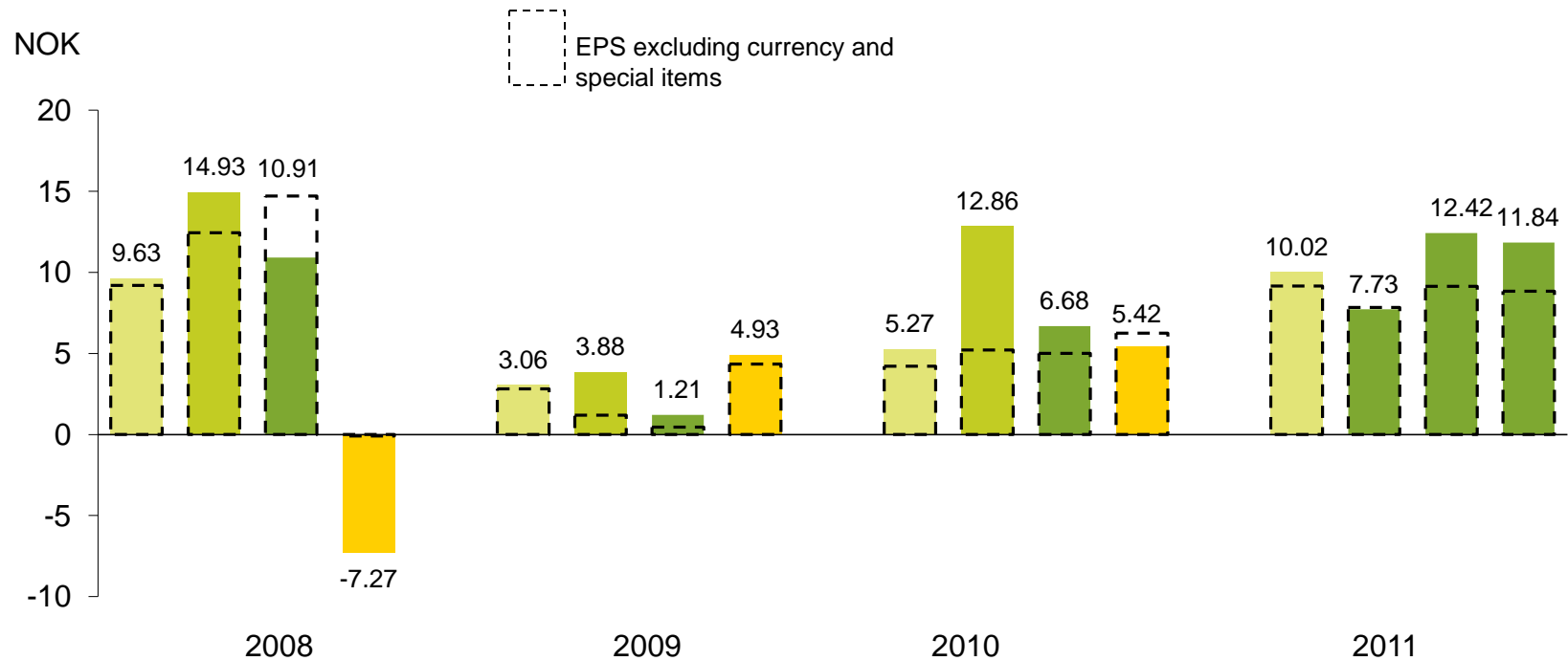
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# Earnings per share\*



Annual

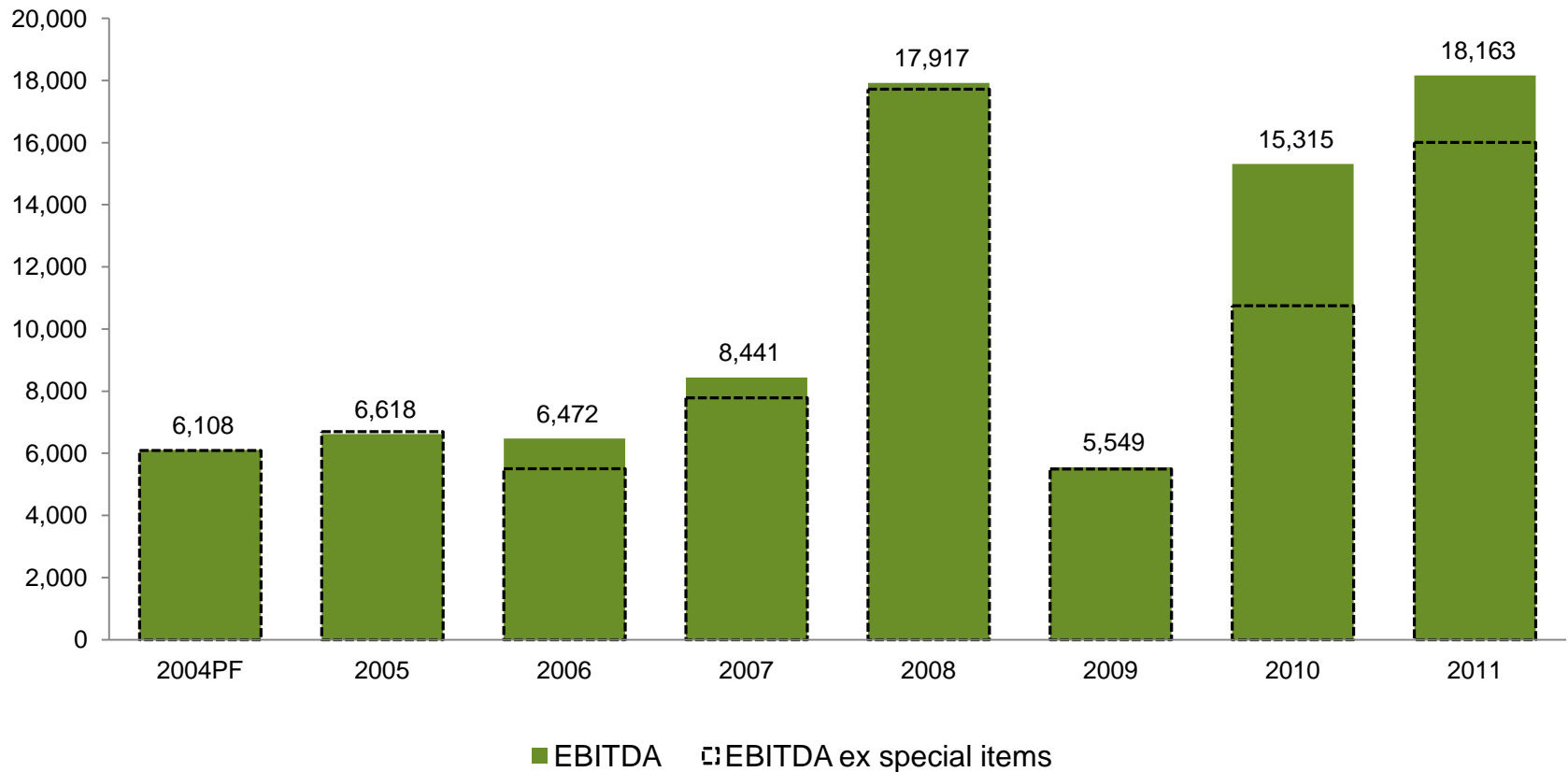
NOK	28.27	13.08	30.24	41.99
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\* Average number of shares for 4Q 2011: 286.0 million (4Q 2010: 288.4 million).

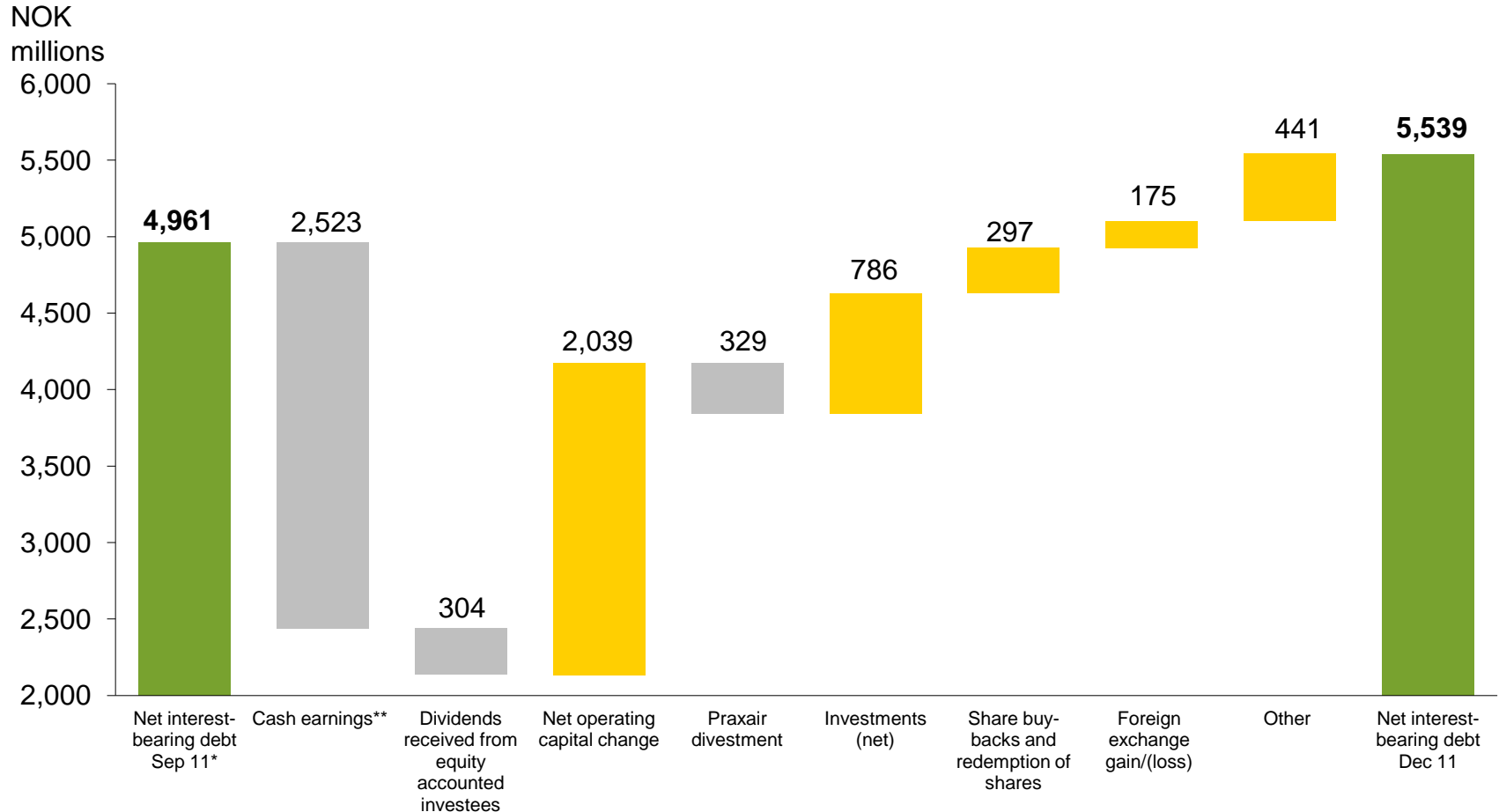


# Earnings before interest, tax, depreciation and amortization (EBITDA)

NOK millions



# Fourth-quarter net debt development

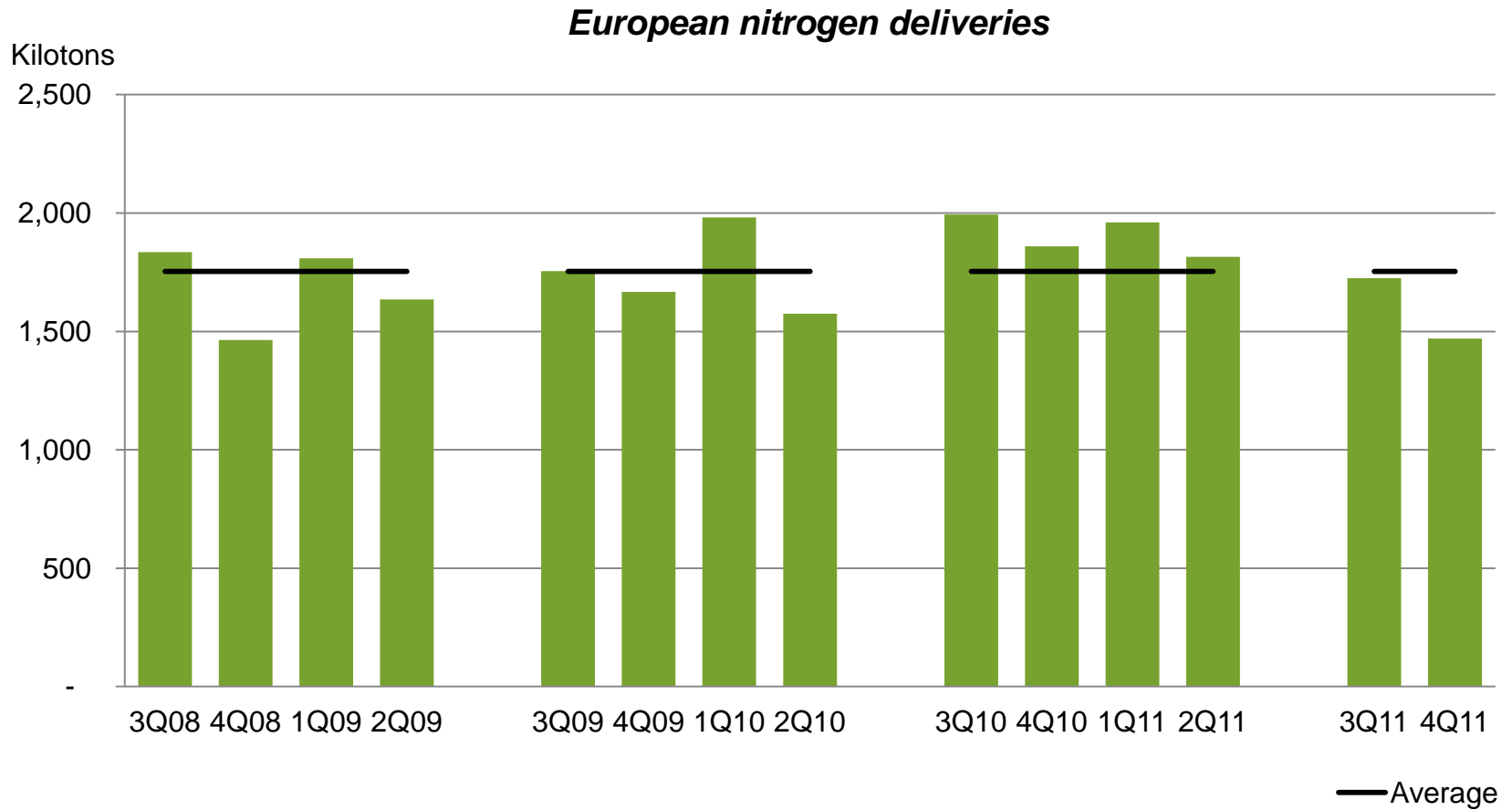


\* Included in net interest-bearing debt are external bank time deposits (4-12 months), this is part of other current assets in balance sheet

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

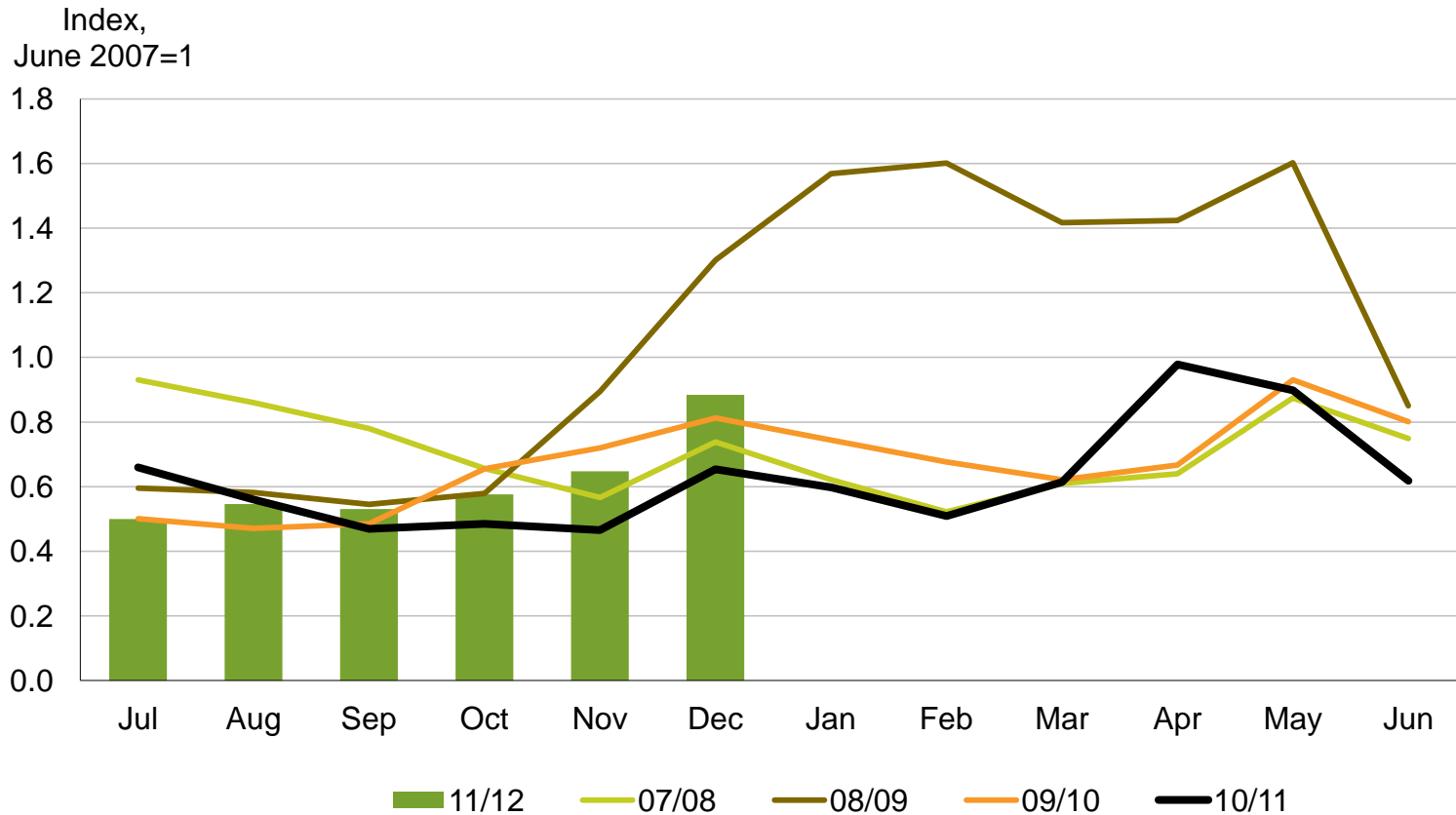


# Strong European 2Q deliveries despite drought





# European producer nitrate stocks increased in 4Q



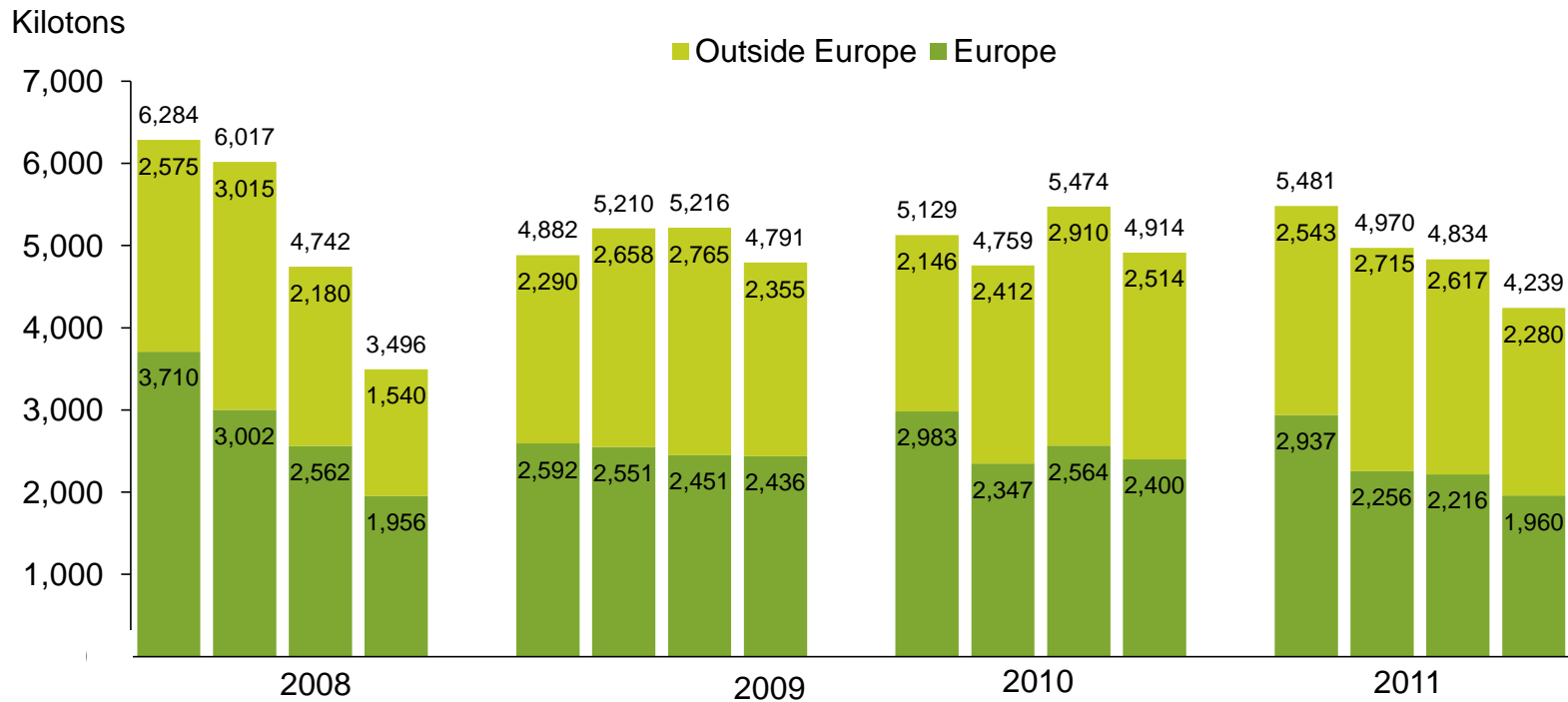
Source: Fertilizers Europe



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# Fertilizer volumes



Accumulated, Kt

Fin. fertilizer	20,540	20,099	20,276	19,522
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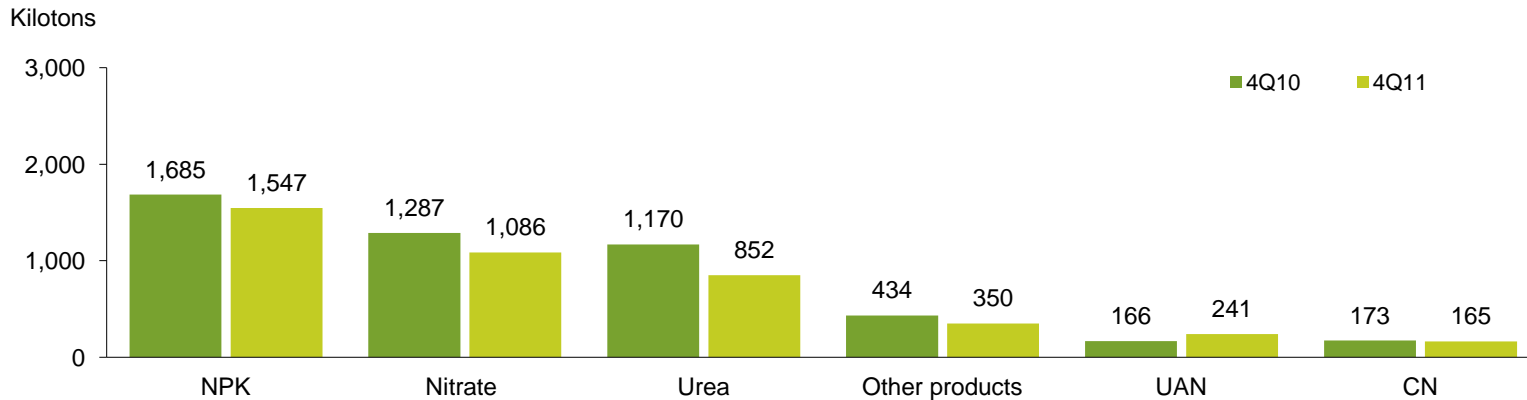
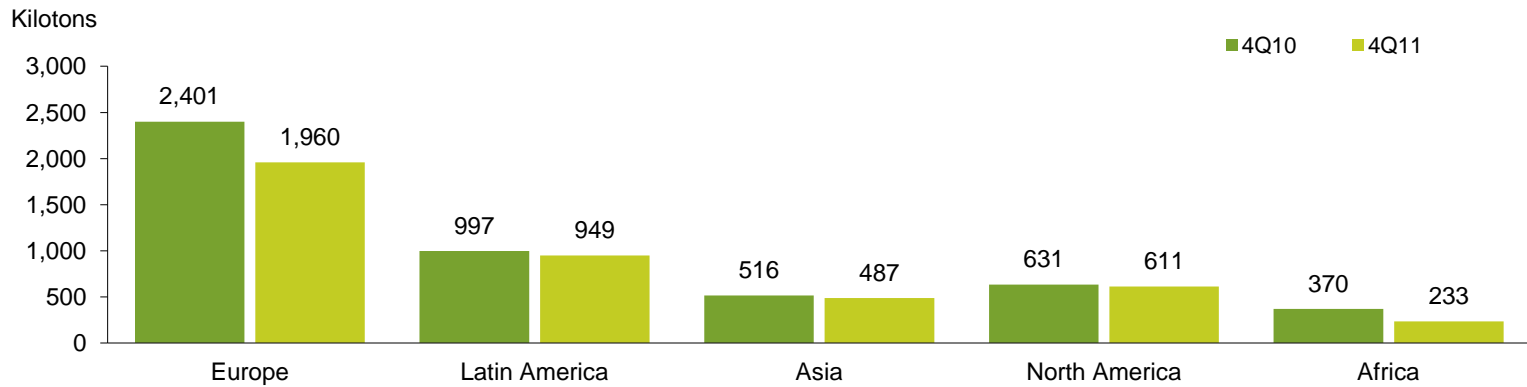


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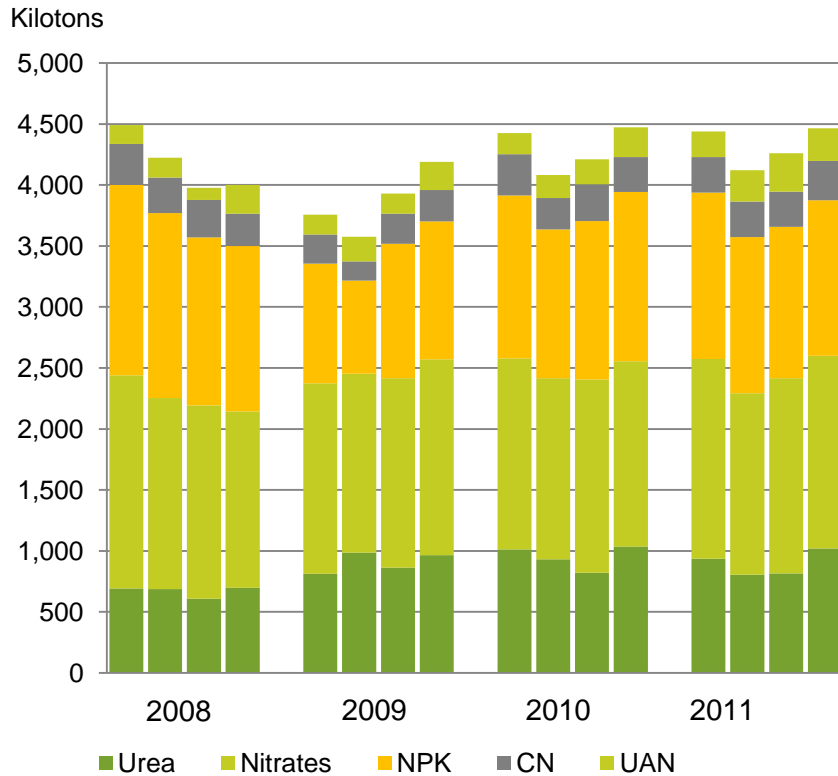
# Yara 4Q fertilizer sales by market and product

2011: 4.2 million tons (2010: 4.9 million tons)

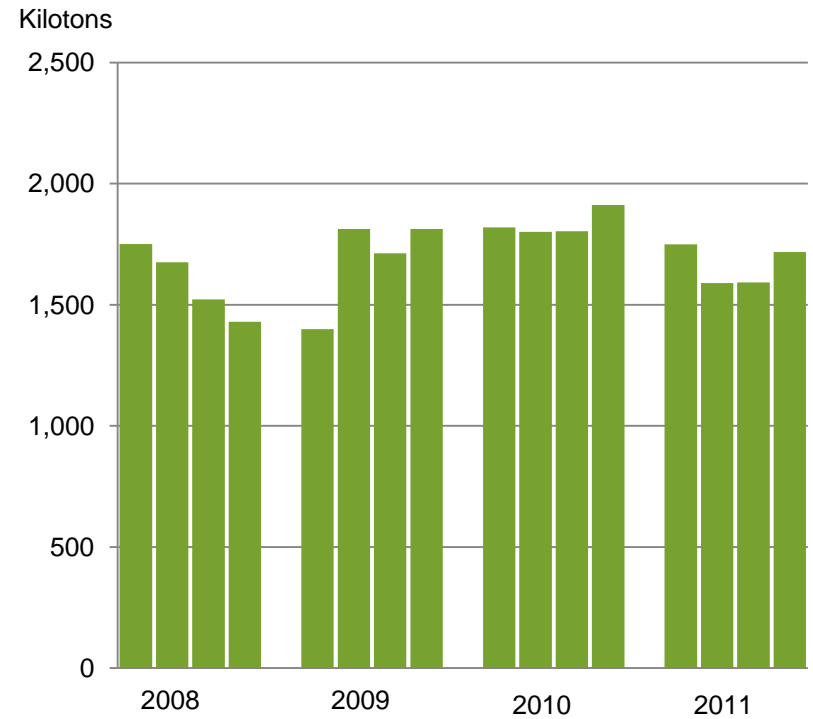


# Yara - production volume\*

## Finished fertilizer



## Ammonia



\* Including share of equity-accounted investees

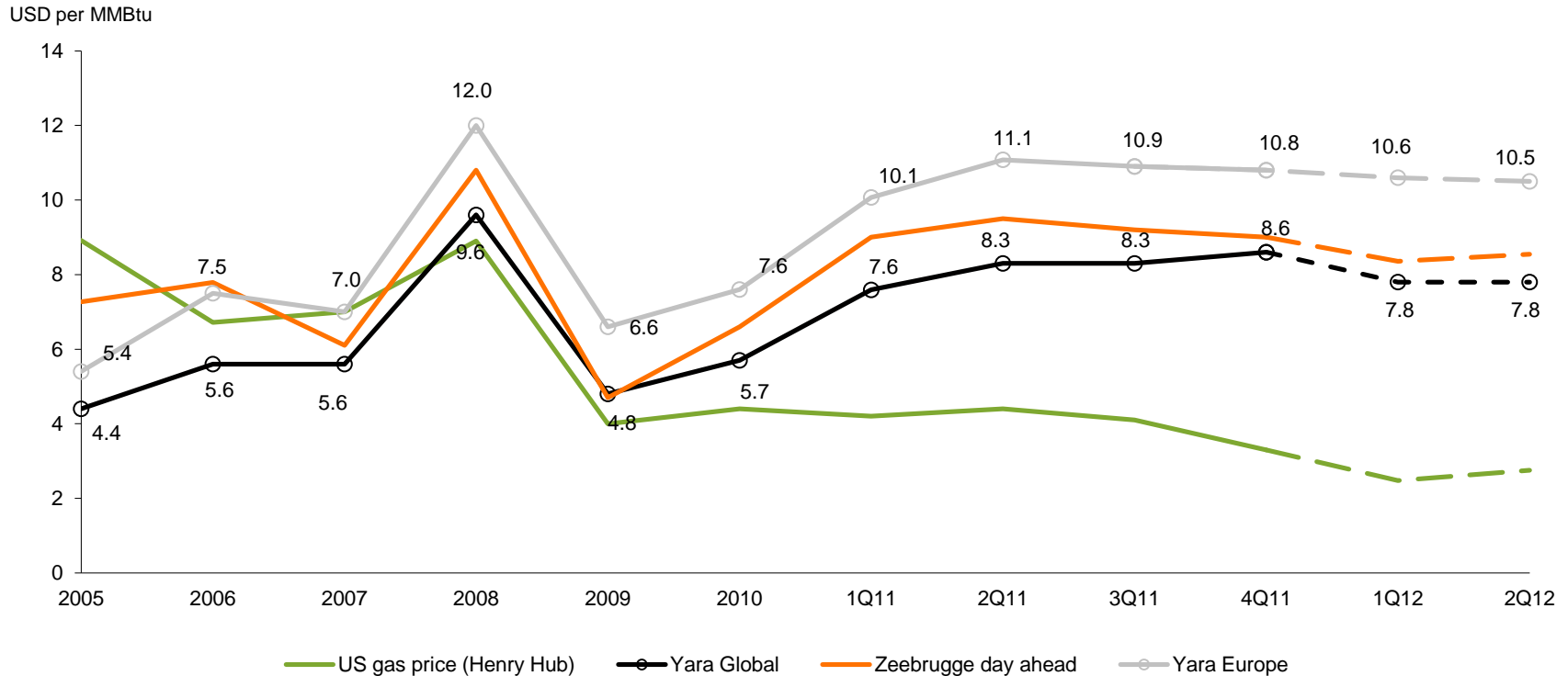


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# Spot natural gas versus Yara average

Yearly averages 2005 – 2010, quarterly averages for 2011-12 with forward prices\* for 1Q12 and 2Q12



\*Dotted lines denote forward prices as of 26 January 2012

Source: Yara, World Bank, Platts

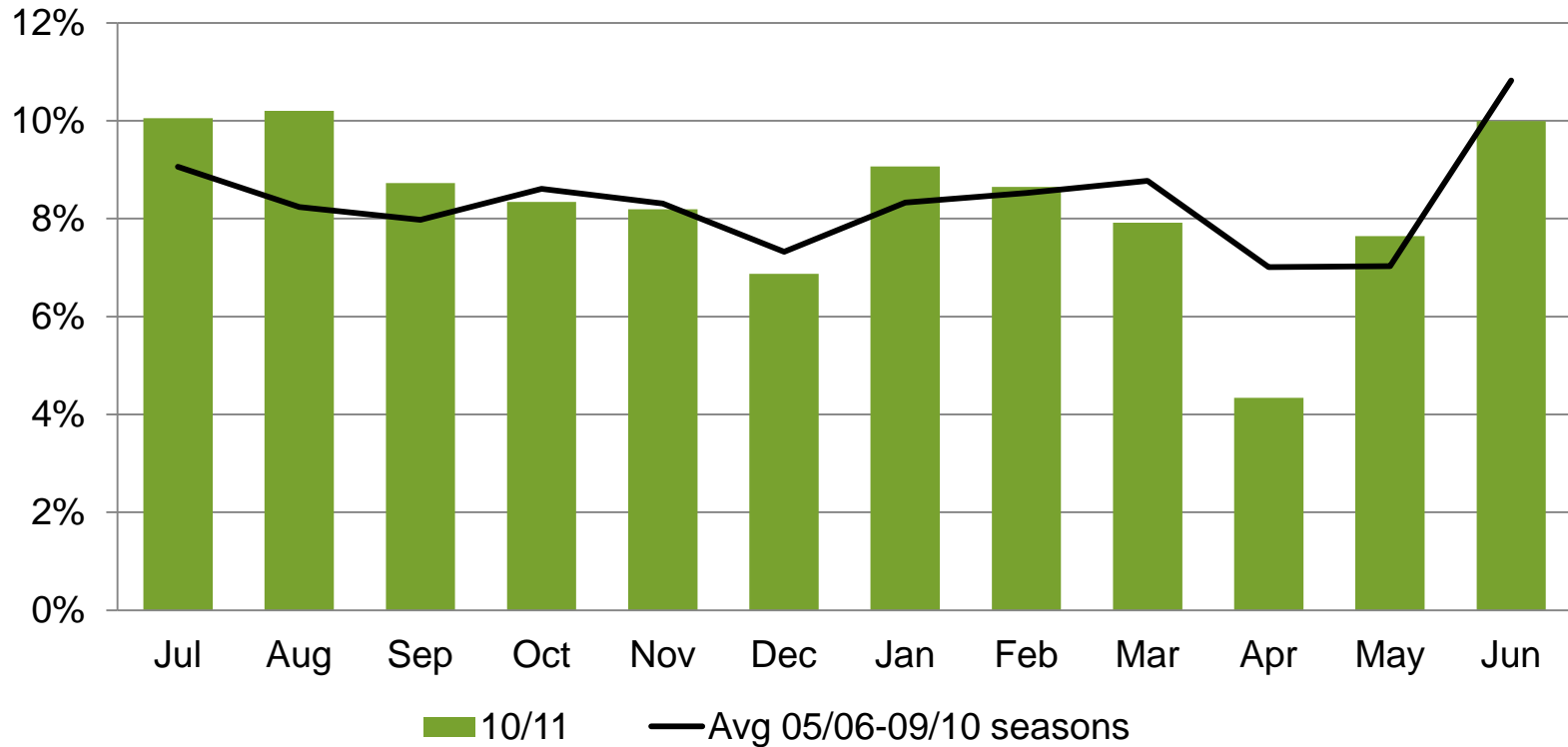


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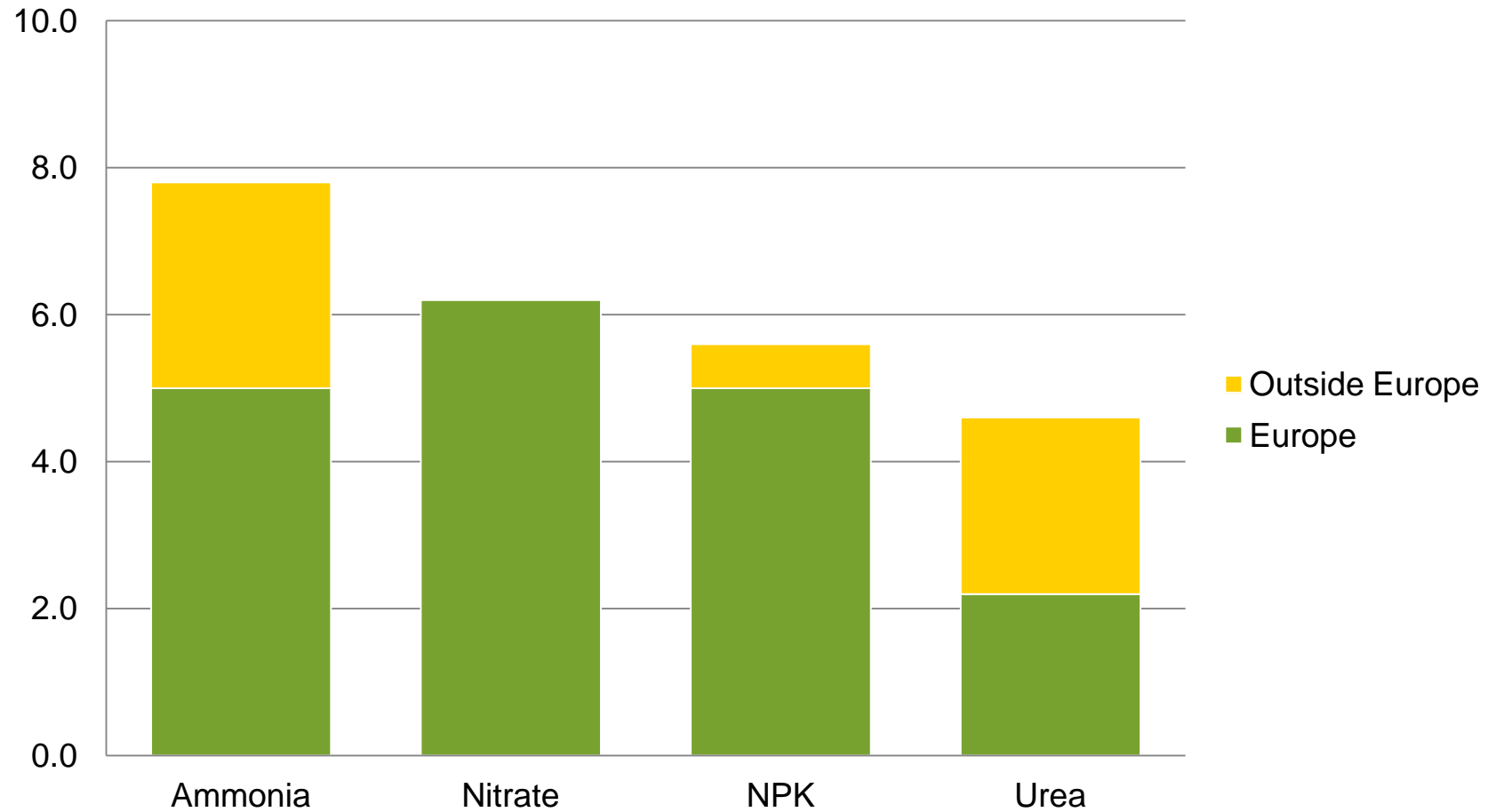
# Yara nitrate sales

Share of annual sales



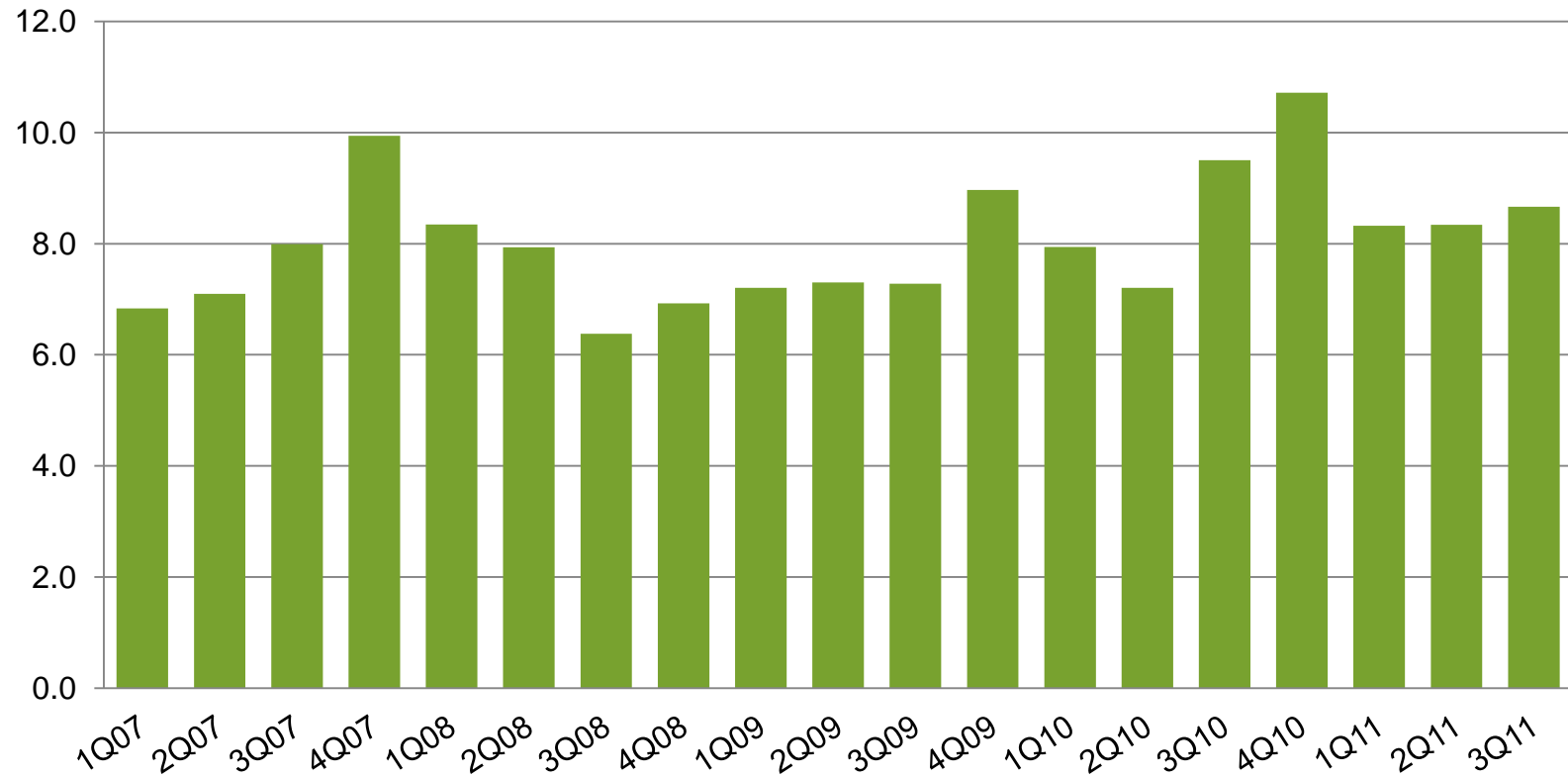
# Yara production capacities

Million tons  
product



# Quarterly urea trade

Million tons



Source: IFA, Iran from GTIS

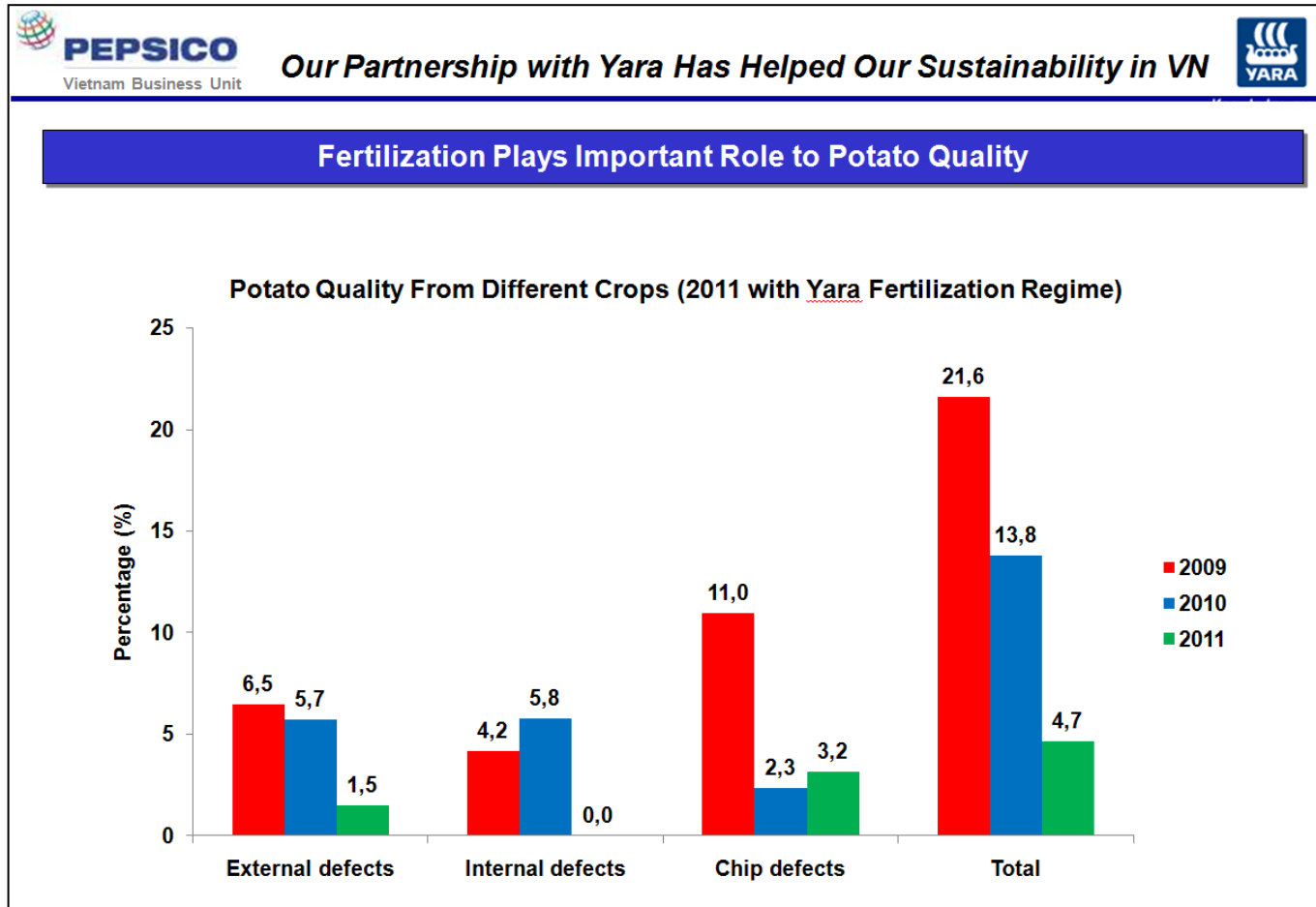


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# Yara Crop nutrition program helps potato growers in Vietnam



Source: PepsiCo Vietnam, 2011

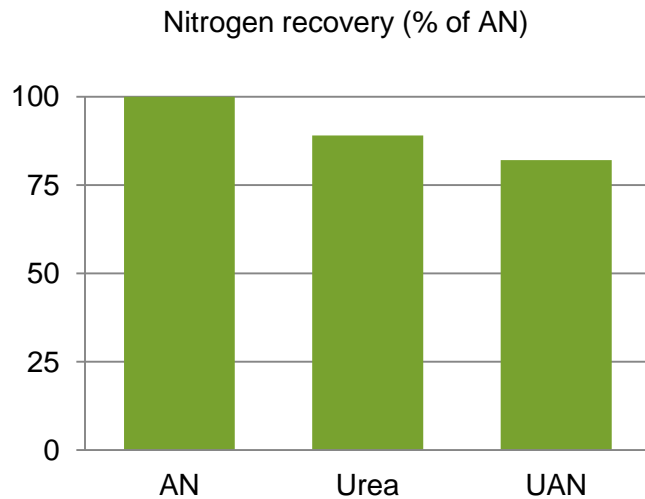


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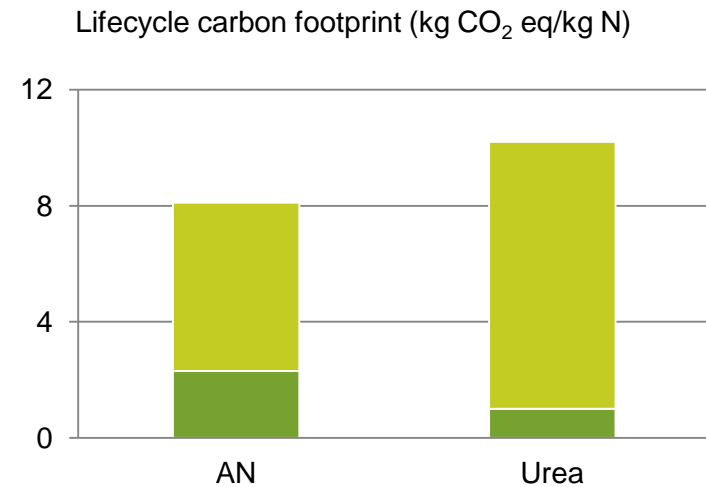
# Nitrate-based fertilizers are superior to urea both agronomically and environmentally

**The agronomical efficiency of nitrates is superior to urea**



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

**The carbon footprint is lower than for Urea**

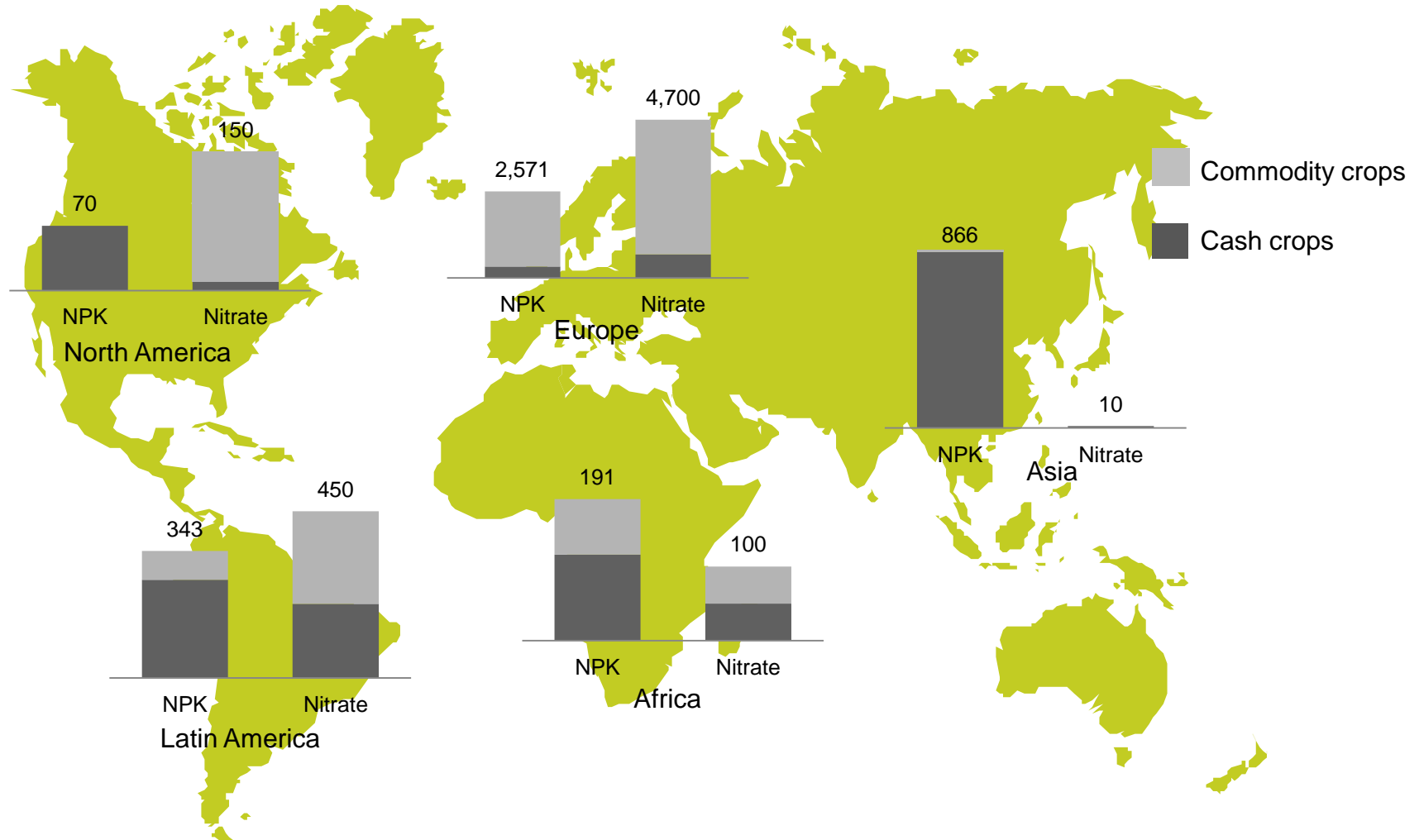


Although urea is more CO<sub>2</sub> efficient in production, CO<sub>2</sub> emissions and ammonia volatilization on application more than offset for this

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



# NPKs have significant cash crop share, while nitrates today mainly serve commodity crops



# Focus on key investment value drivers ensures value-creating growth

Key investment value driver	Typical source of value creation		Selected examples
	Attractive capital cost/ entry fee	Attractive operating cash flow	
Distressed seller	✓		Rostock
Non-core divestiture	✓		Belle Plaine
Advantageous CAPEX	✓		Qafco 4
First mover	✓	✓	DeNox (Air1)
Finders' fee	✓	✓	Qafco, Dallol
Scale advantages		✓	Kemira GH, Lifeco
Low-cost raw material		✓	Qafco, Burrup
Hidden trends	✓	✓	Trinidad
Unique product offering		✓	Kemira GH, Phosyn
Consolidation synergies		✓	Kemira GH, European production assets

Typically increasing degree of Yara specific value creation potential from investment



# Yara sensitivities

	Operating Income USD million	EBITDA USD million	EPS* USD
<b>Urea sensitivity +100 USD/t</b>	<b>944</b>	<b>1,095</b>	<b>2.8</b>
...of which pure Urea	304	422	1.2
...of which Nitrates	367	391	1.0
...of which NPK	198	207	0.5
<b>Nitrate premium +50 USD/t</b>	<b>439</b>	<b>467</b>	<b>1.2</b>
...of which pure Nitrates	273	294	0.8
<b>Hub gas Europe + 1 USD/MMBtu</b>	<b>(90)</b>	<b>(110)</b>	<b>(0.3)</b>
Ammonia + 100 USD/t	-	50	0.2
Phos rock + 50 USD/t	50	50	0.1
Hub gas North Am + 1 USD/MMBtu	(27)	(27)	(0.1)
Crude oil + 10 USD/brl	(80)	(80)	(0.2)
Currency + 1 USD/NOK **	90	90	0.2

\*Assuming 30% marginal tax rate on underlying business and 287.2 million shares

\*\* Net fixed costs in EUR and NOK

Sensitivities assume stable value-added margins and no inter-correlation between factors



# Yara financial scenarios

NOK	Last 4 quarters	5-year avg. to 30 Sep 2011 <sup>2)</sup>	Chinese swing	Demand-driven
EBITDA <sup>1)</sup>	14,800	15,200	13,500	23,600
Depreciation	-2,600	-2,600	-2,600	-2,600
Interest expense	-800	-700	-700	-700
Income before tax	11,400	11,900	10,200	20,300
Tax	-2,400	-2,800	-2,100	-4,500
Net income	9,000	9,100	8,100	15,800
Number of shares (millions)	287.9	287.2	287.2	287.2
<b>Earnings per share (NOK)</b>	<b>31</b>	<b>32</b>	<b>28</b>	<b>55</b>
<i>Currency translation +1 USD/NOK</i>	<i>2,600</i>	<i>2,550</i>	<i>2,300</i>	<i>4,100</i>

1) Including interest income, assumed in line with last 4 quarters in all scenarios.

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



# Price and currency assumptions in scenarios

	Last 4 quarters	5-year avg. to 30 Sep 11	Chinese swing*	Demand-driven**
Ammonia fob Black Sea (USD/t)	459	366	450	550
Urea prilled fob Black Sea (USD/t)	386	342	360	510
Nitrate premium , USD/t	94	77	62	68
Phos rock fob North Africa (USD/t)	164	158	200	200
DAP fob Morocco (USD/t)	594	575	600	600
Zeebrugge natural gas (USD/MMBtu)	8.8	7.3	9.3	9.3
Henry hub natural gas (USD/MMBtu)	4.1	5.8	3.9	3.9
Yara's European energy price (USD/MMBtu)	10.1	8.8	10.8	10.8
Brent blend crude oil price (USD/bbl)	98	81	106	106
NOK/USD	5.7	5.9	5.8	5.8

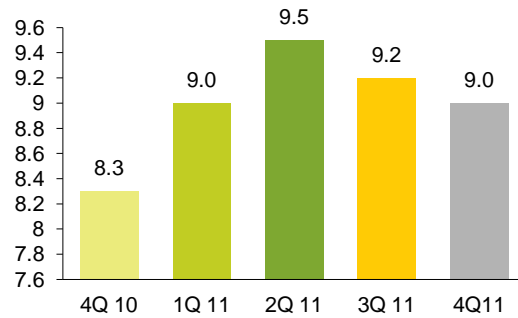
\* Ammonia and urea prices equal to marginal producers' cash cost, energy prices are forward prices as of 21 November

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

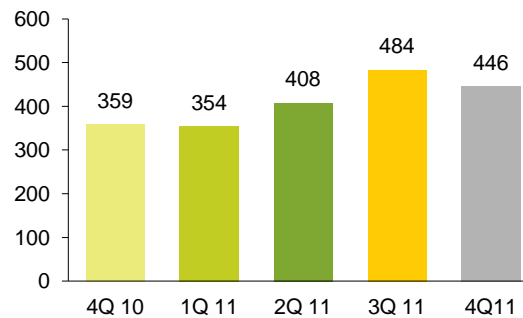


# Key value drivers – quarterly averages

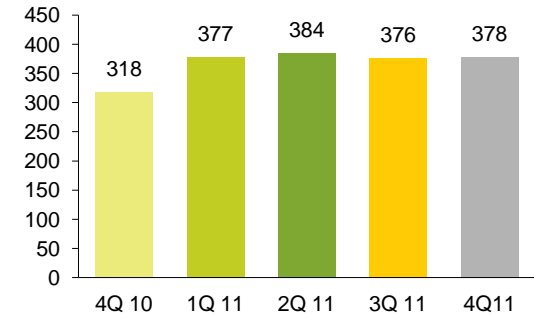
Zeebrugge day ahead(USD/MMBtu)



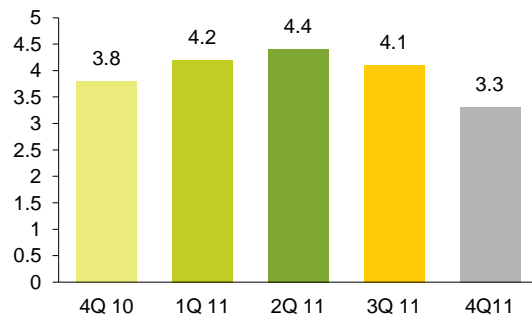
Urea prilled fob Black Sea (USD/t)



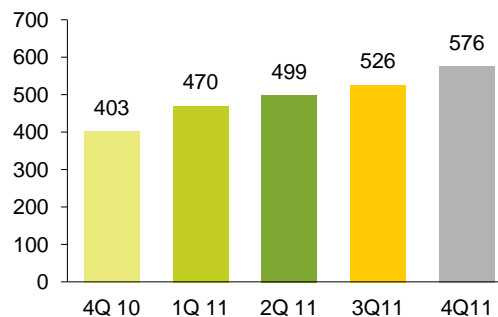
CAN cif Germany (USD/t)



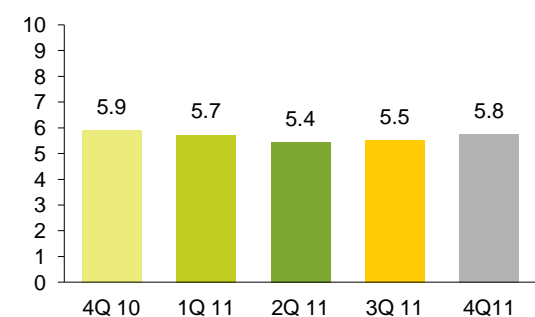
US gas price Henry Hub (USD/MMBtu)



Ammonia fob Black Sea (USD/t)



NOK/USD exchange rate

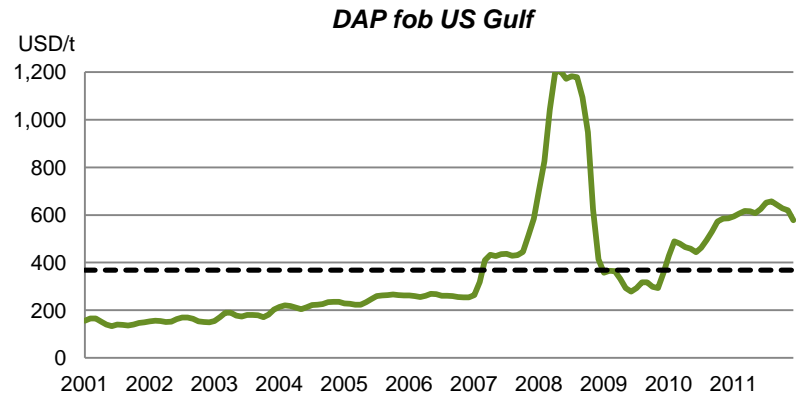
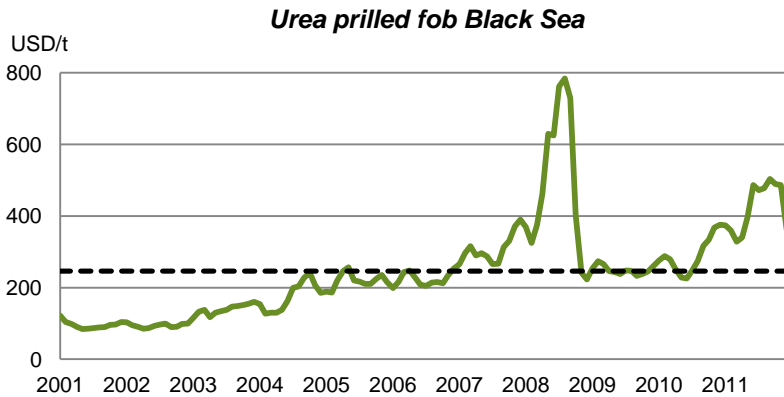
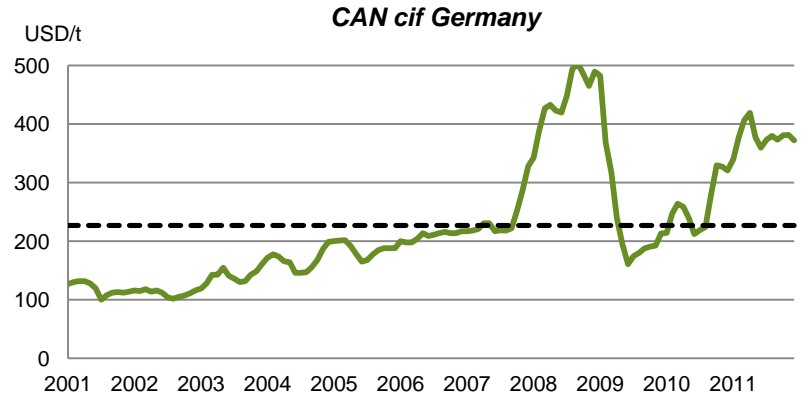
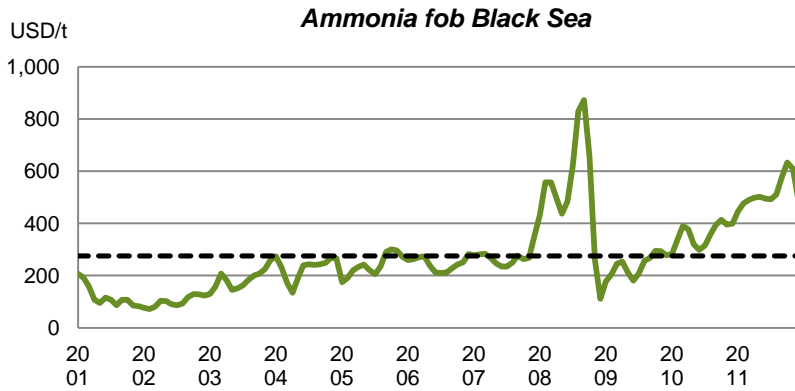


Source: Fertilizer Market Publications, CERA, World Bank, Norges Bank





# 10-year fertilizer prices – monthly averages



Source: Average of international publications

--- Average prices 2001 - 2011

