

Creating value
by developing
profitable,
sustainable growth

**CREATING
IMPACT**



Yara creates value by leveraging its global position and executing its strategy for creating impact – developing innovative solutions and entering business partnerships. Building on a unique business model and an unrivalled global presence, Yara employs its distinctive competitive edge to create value – for its shareholders and stakeholders, and for society at large.

Yara creates impact by engaging in global issues and entering value chains (**PAGE 40**) – exploring business opportunities and driving value creation; increasing resource use efficiency and reducing food carbon footprints. Through collaboration within food value chains, including coffee in Vietnam (**PAGE 41**), maize in Ghana (**PAGE 42**) and potatoes in the UK (**PAGE 43**), Yara contributes vital crop nutrition solutions – improving agricultural productivity and farm profitability – delivering better yield.



Scan this code to see how Yara engages in value chains
– creating value, creating impact.

WHO we are

Yara delivers solutions for sustainable agriculture and the environment. Our fertilizers and crop nutrition programs help produce the food required for the growing world population. Our industrial products and solutions reduce emissions, improve air quality and support safe and efficient operations. Founded in Norway in 1905, Yara has a worldwide presence with sales to 150 countries. Safety and Compliance are always top priorities.

WHAT we do

UPSTREAM is the backbone of Yara's manufacturing system. It includes mass production of ammonia, urea, nitrates and other nitrogen-based products as well as phosphoric acid.

DOWNSTREAM offers a complete fertilizer portfolio to growers worldwide. It provides knowledge and tools to secure the right nutrients and optimize application and yield with minimal environmental impact.

INDUSTRIAL is a reliable partner in chemical products. It enables innovative solutions based on ammonia production and knowledge, and helps customers reach compliance with environmental legislation.

SUPPLY AND TRADE

is a global function responsible for optimization of energy and raw material purchases, ammonia trade and shipping, maritime logistics, third-party sourcing, and feed phosphates.

WHAT we offer

INDUSTRIAL PRODUCTS

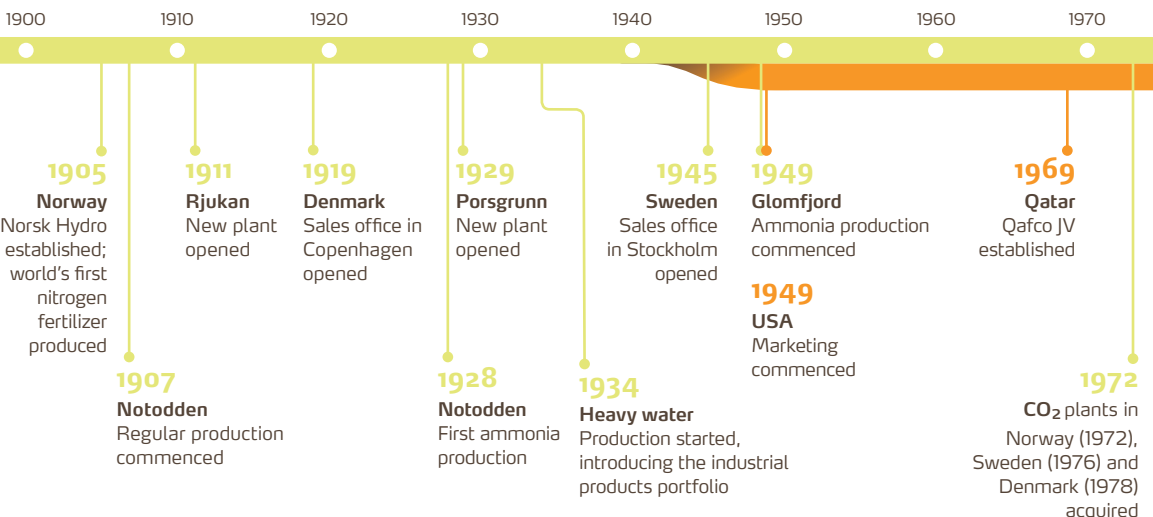
We offer a wide range of nitrogen and specialty chemicals in addition to CO₂, dry ice and civil explosives solutions.

ENVIRONMENTAL SOLUTIONS

We offer complete solutions for NO_x abatement, odor control, water treatment and corrosion prevention.

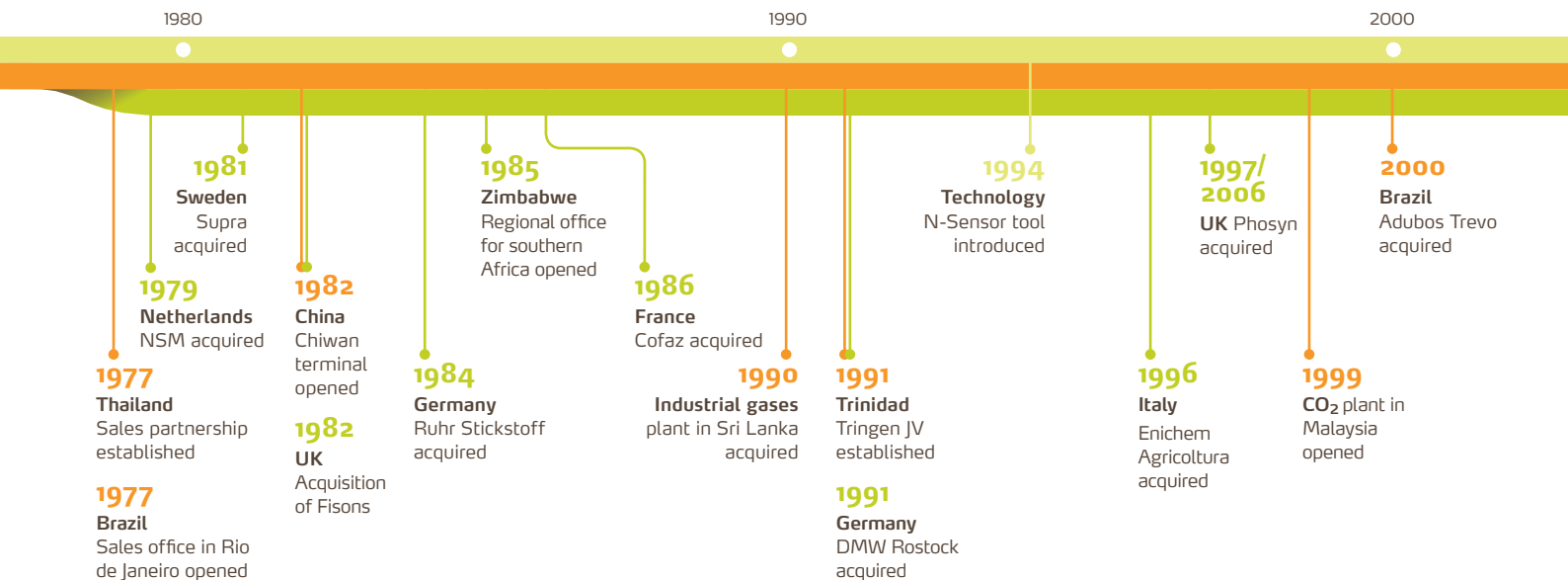
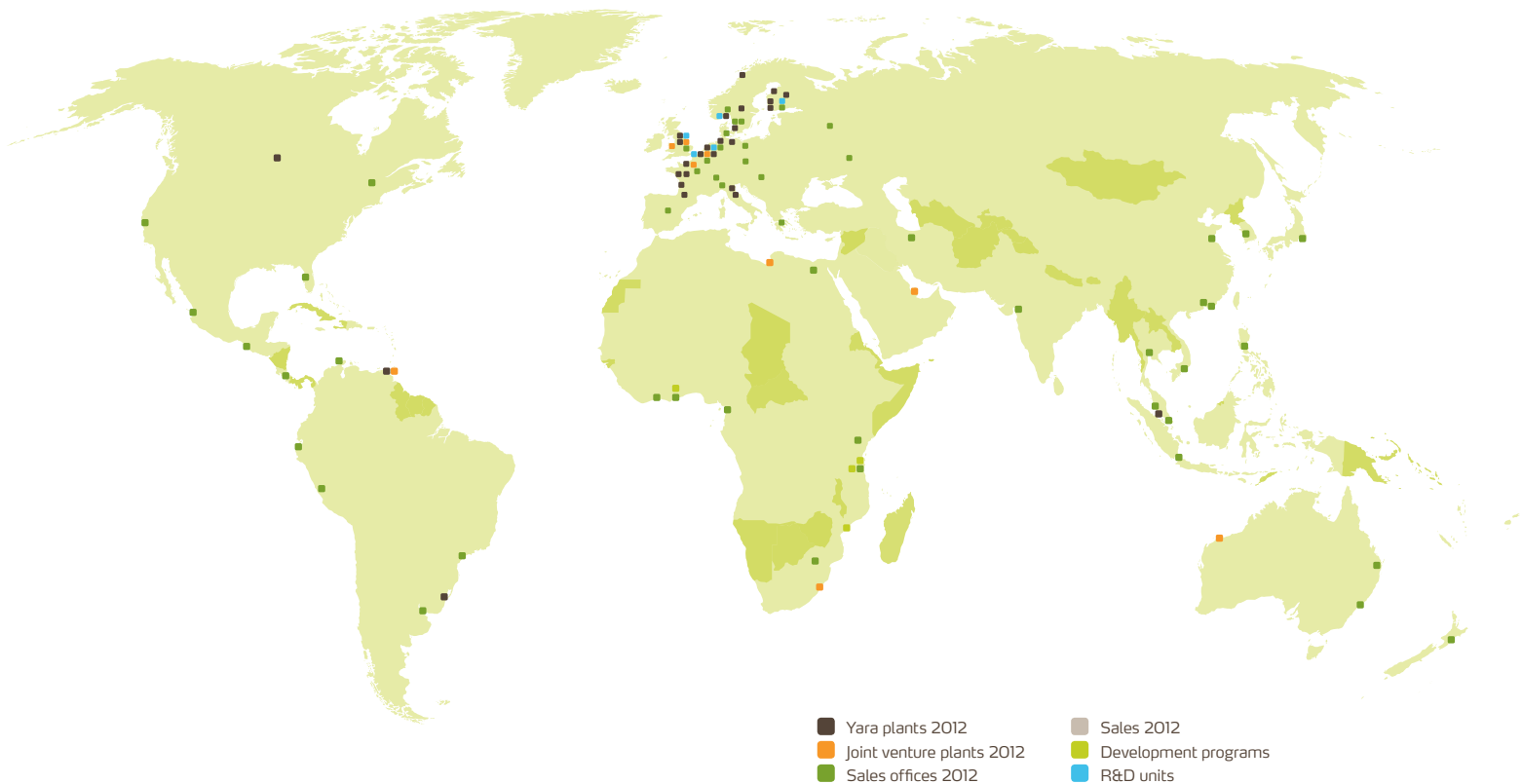
AGRICULTURAL PRODUCTS

We offer a complete portfolio of fertilizers covering all necessary nutrients for any crop.



WHERE we are

As the industry's only global player, we have production on six continents, operations in more than 50 countries – and sales to 150 countries.



FINANCIAL *report content*

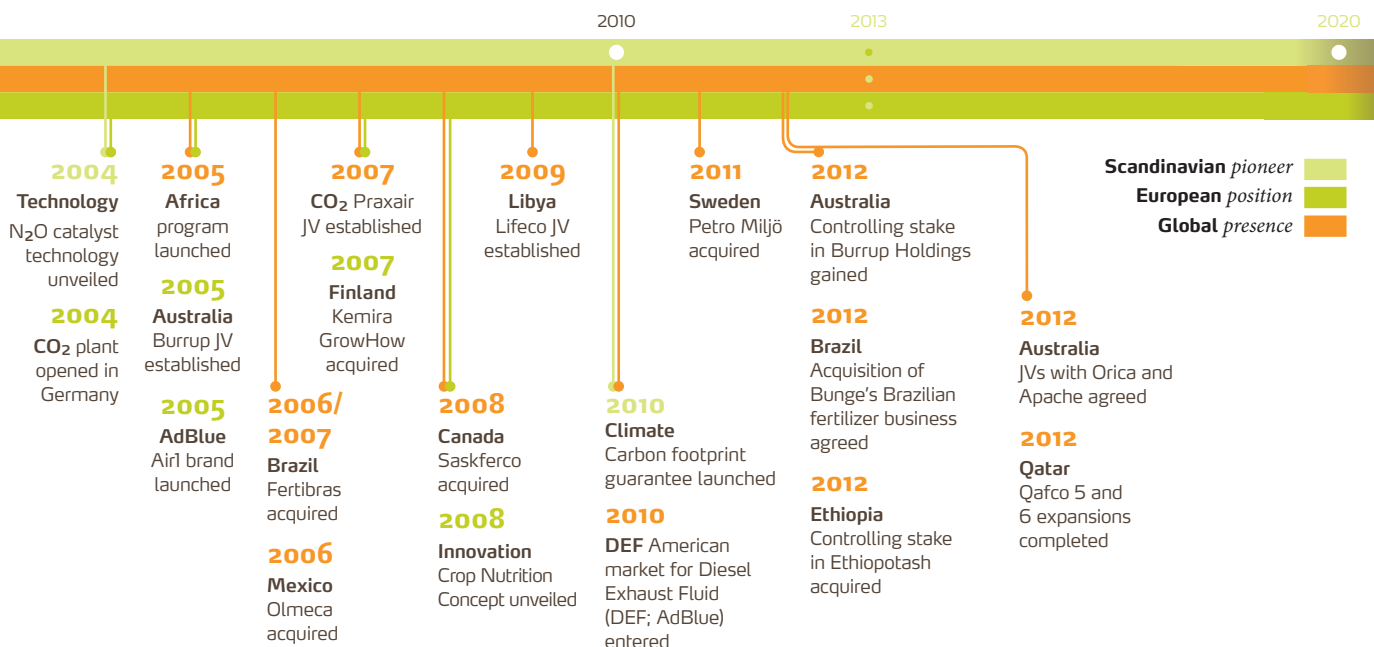
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**“In 2012,
Yara achieved
strong results
and growth”**

JØRGEN OLE HASLESTAD
President and CEO



YARA REPORTING:
*This Financial Report,
together with the separate
Impact Review and the
GRI Report, constitutes
Yara's annual report 2012.
Annual reports and
supplementary corporate
information are found on
www.yara.com*



How we performed 2012

NOK millions		2012	2011	2010	2009	2008
Financial						
Revenue and other income	NOK millions	84,509	80,352	65,374	61,418	88,775
Operating income	NOK millions	11,166	13,240	7,467	1,271	12,281
EBITDA ¹⁾	NOK millions	16,977	18,163	15,315	5,549	17,917
Net income after non-controlling interests	NOK millions	10,602	12,066	8,729	3,782	8,228
Investments ²⁾	NOK millions	10,415	3,643	4,373	6,192	16,040
Debt/equity ratio ³⁾		0.02	0.12	0.27	0.56	0.84
Cash flow from operations	NOK millions	13,233	7,363	7,093	11,925	3,986
CROGI ⁴⁾	%	17.3	20.9	17.4	8.5	22.9
ROCE ⁵⁾	%	19.2	25.8	20.6	7.4	29.0
Earnings per share ⁶⁾	NOK	37.49	41.99	30.24	13.08	28.27
Total equity	NOK millions	49,908	44,779	35,334	28,863	29,638
Share price on OSE	NOK 31 December	273.8	240.0	337.5	263.70	148.75
Social						
Employees	Number at year-end	8,052	7,627	7,348	7,629	7,971
TRI rate ⁷⁾	Per million hours worked	5.0	4.0	3.8	2.7	3.5
Environmental						
GHG emissions ⁸⁾	Million tons CO ₂ eq.	12.3	11.2	13.1	12.5	16.0
Energy use ⁹⁾	Petajoule	263	229	223	208	207

Notes

- ¹⁾ EBITDA: Earnings before Interest, Tax, Depreciation and Amortization
- ²⁾ Investment in property, plant and equipment, long-term securities, intangibles, long-term advances and investments in non-consolidated investees
- ³⁾ Net interest-bearing debt divided by shareholders' equity plus non-controlling interests
- ⁴⁾ CROGI: Cash Return on Gross Investment (12 month rolling average)
- ⁵⁾ ROCE: Return On Capital Employed (12 month rolling average)
- ⁶⁾ Yara currently has no share-based compensation program that results in a dilutive effect on earnings per share
- ⁷⁾ TRI: Number of Total Recordable Injuries per million hours worked. 2008–2009 figures are for Yara employees only; 2010–2012 also include contractors.
- ⁸⁾ Emissions from the JV Yara Pilbara were included in 2012. The overall GHG reduction is calculated excl. Yara Pilbara as the facility does not have a 2004 baseline for comparison.
- ⁹⁾ Energy use at the JV Yara Pilbara was included in 2012. The 2011 figure was adjusted due to a data error.

NOK million

+4,157

2012 REVENUES and other income increased 5% to NOK 84,509 million, against NOK 80,352 million in 2011.

24.6

million TONS

2012 PRODUCTION volumes including Yara's share of joint ventures amounted to 24,555 kilotons, the highest recorded.

+25%

2012 DELIVERIES of environmental products for NO_x abatement for heavy-duty vehicles increased by 25% compared with 2011.

-54%

2012 GHG EMISSIONS were down 54% compared to 2004 levels, overachieving the goal of a 45% reduction by 2013.

What we did 2012

- › Yara acquired an additional 16% of Burrup Holdings Ltd., increasing its ownership to 51% equity interest, in February.
 READ MORE: *Management discussion & analysis* / PAGE 40
- › Yara agreed to form joint ventures with Orica and Apache to build a 330,000 tons p.a. technical ammonium nitrate (TAN) plant at Burrup, Australia, in March.
 READ MORE: *Management discussion & analysis* / PAGE 56
- › Yara agreed to make a strategic investment of approximately CAD 40 million in IC Potash Corp., with an off-take agreement for 30% of ICP's Ochoa project, in April.
 READ MORE: *Management discussion & analysis* / PAGE 41
- › Yara acquired an additional 34.33% of Ethiopotash BV at NOK 177 million, developing a potash resource in Dallol, increasing its ownership to 51%, in May.
 READ MORE: *Management discussion & analysis* / PAGE 42
- › Yara CEO Jørgen Ole Haslestad represented the private sector when President Barack Obama launched the New Alliance for Food Security and Nutrition, in May.
 READ MORE: *Management discussion & analysis* / PAGE 43
- › Yara Board of Directors approved expansions at the company's Belle Plaine (Canada) and Porsgrunn (Norway) facilities, adding a combined volume of 1.3 million tons, in June.
 READ MORE: *Management discussion & analysis* / PAGE 40
- › Yara JV Qafco completed its Qafco 5 and 6 expansions, increasing urea capacity to approximately 5.5 million tons p.a., in August.
 READ MORE: *Management discussion & analysis* / PAGE 57
- › Yara JV Lifeco restarted one of its ammonia lines at its Marsa el Brega plant after a closure since February 2011 due to the unrest in Libya, in August.
 READ MORE: *Management discussion & analysis* / PAGE 40
- › Yara's Prize for an African Green Revolution was awarded to Dr. Eleni Gabre-Madhin of Ethiopia and Dr. Agnes Kalibata of Rwanda, in September.
 READ MORE: *Impact Review*
- › Yara regained 100% ownership of the Vlaardingen specialty fertilizer plant in the Netherlands following the dissolving of a JV with ICL and SQM, in October.
 READ MORE: *Management discussion & analysis* / PAGE 52
- › Yara co-sponsored the Sahara Forest Project pilot facility outside Doha, which hosted VIP guests at a soft launch in conjunction with the COP18 in Qatar, in November.
 READ MORE: *Impact Review*
- › Yara entered into an agreement to acquire Bunge's fertilizer business in Brazil, at a cost of USD 750 million, building further scale in the growing Brazilian market, in December.
 READ MORE: *Management discussion & analysis* / PAGE 40

What we do 2013

- › Construction of the new 850,000 tons blending facility and 120,000 tons warehouse in São Paulo, Brazil starts in January.
 READ MORE: *Management discussion & analysis* / PAGE 53
- › The bidding phase for the engineering and construction of the 1.3 million tons p.a. expansion at Belle Plaine is expected to conclude during the first half of 2013.
 READ MORE: *Management discussion & analysis* / PAGE 59
- › Construction of the new 17,500 cubic meter storage tank for AdBlue at Yara Sluiskil, the Netherlands, is completed in February.
 READ MORE: *Management discussion & analysis* / PAGE 40
- › Construction of the new 330,000 tons Yara Pilbara Nitrates facility, Western Australia commences in March, for completion in 2015.
 READ MORE: *Management discussion & analysis* / PAGE 56
- › The acquisition of Bunge's fertilizer operation in Brazil is expected to be completed, given the necessary approvals, during 2013.
 READ MORE: *Management discussion & analysis* / PAGE 40
- › The new Yara fertilizer terminal in Dar es Salaam, Tanzania is being constructed and expected to be operational at the end of the year.
 READ MORE: *Management discussion & analysis* / PAGE 53
- › Investments in the Porsgrunn facility in Norway continue from 2012, gradually increasing NPK capacity by 300,000 tons by completion in 2014.
 READ MORE: *Management discussion & analysis* / PAGE 59
- › Yara's new power-brand YaraRega, a semi-soluble NPK solution, is introduced in new markets and rolled out throughout the year.
 READ MORE: *Management discussion & analysis* / PAGE 40
- › Energy improvements continue at the Tringen I JV plant in Trinidad, targeting a 12% reduction in energy consumption while adding about 26,000 tons to annual capacity, by 2014.
 READ MORE: *Management discussion & analysis* / PAGE 59
- › Yara engages in the African Green Revolution, both through policy processes and partnerships, including as co-chair of Grow Africa.
 READ MORE: *Impact Review*
- › Yara's partnership engagements continue, looking into potential rice value chains in Burkina Faso and Ghana.
 READ MORE: *Management discussion & analysis* / PAGE 40
- › Yara's pursues its ambition to be the market shaper with existing and new solutions for a water scarce world agriculture.
 READ MORE: *Management discussion & analysis* / PAGE 42
- › The Yara Prize for an African Green Revolution is awarded in September, with a specific focus on young innovators and entrepreneurs.
 READ MORE: *Impact Review*

CEO JØRGEN OLE HASLESTAD

Strong results *and growth*

*“Yara is ready to
meet rising demands
in growth markets”*



+8

YARA'S GROWTH AMBITION is to add eight million tons to its production – to reach an annual sale of 32.5 million tons; adding value.

Scan this code
to see the CEO
annual results
video message on
creating value.



LOOKING AT 2012, Yara executed its growth strategy, increasing our sales of mineral fertilizers as well as industrial products. The Board of Directors' proposal to raise the dividend to NOK 13 per share, the highest so far, reflects our strong financial results and a firmer interpretation of the dividend policy. Revenues, total production and sales increased from 2011.

GROWTH STRATEGY

We are well on our way to reaching the ambitious growth target set for 2016, of adding 8 million tons of sales compared to 2010. Recent growth initiatives include the expansions completed at our joint venture Qafco, Qatar, and upcoming add-on of capacity in Porsgrunn, Norway. We also took a majority position in what has now become Yara Pilbara, Australia, where we are set to expand by building a 330,000 kiloton TAN plant together with Orica. Beyond 2016 the capacity at our facility in Belle Plaine, Canada is set to double.

Following up on previous investments, we entered an agreement to acquire the Brazilian fertilizer business of Bunge. This positions Yara for future opportunities within the Brazilian fertilizer industry and we take a strong position in this large, and not least, growing fertilizer market.

Our Libyan JV, Lifeco, had to shut down production during the uprising in 2011. Starting last fall production commenced again, and the facilities are now ready to run at full capacity. Though production may be slowed down due to infrastructure constraints, it is set to add to Yara's production volumes again. Coming growth initiatives are likely to include regional and medium-sized M&A activities.

RESPONDING TO TRENDS

Increasing volumes are an obvious part of improved value creation. At the same time, we continuously strengthen our competitive edge, driving operational excellence and optimizing from our global position and scale advantages. Not least, we aim to capitalize on our knowledge margin.

Food prices remained at high levels in 2012, which supports healthy farm income levels and fertilizer demand. The slow European market in early 2012 was more than offset by increased sales to overseas markets including Latin America and Asia – not least of our value added premium products – reaffirming a development that we have promoted over the past years.

Brazil has become our single biggest market as an individual country. I had the pleasure of visiting Brazil in 2012, taking part in Yara's local gathering, 'O Grande Encontro'. This reaffirmed my conviction that this regional powerhouse is a key growth market with significant potential for further acreage and increased yield.

»

Impact facts

- › Yara fertilizers are used on 50 million hectares of land by 15 million farmers producing 160 million tons of grain
- › 30 million tons of CO₂ equivalents are abated annually using Yara's innovative catalyst technology
- › 50 million people live in cities smelling good thanks to Yara's environmental solutions: Paris, Marseille, Barcelona, Cologne, Berlin, Houston, Phoenix, San Diego and more
- › Yara contributed to the reduction of 866,000 tons of NO_x emissions worldwide in 2012, representing almost the total NO_x emissions in all of Spain
- › In Europe, the fizz in the bottles of Coca Cola and Carlsberg is made of CO₂ captured by Yara's manufacturing process

Growth facts

YARA'S GROWTH STRATEGY has been consistently executed to create value, and to reinforce the company's global position as the world-leading provider of crop nutrition and environmental solutions.

Some financial and operational highlights, 2008–2012:

2008:

Yara recorded its highest EBITDA; at NOK 15,315 million

2009:

Yara reached its initial GHG emissions target; down 25% from 2004

2010:

Yara recorded its highest net income; at NOK 8,729 million

2011:

Yara recorded its highest earnings per share; at NOK 41.99

2012:

Yara recorded its highest production volume; 24,555 million tons

GLOBAL DIALOGUES

Brazil's growth demonstrates the value of enabling policies. Bold decisions are also taken across Africa, where government support for the African Green Revolution is mounting. In Yara, we have been engaged in sustainable agricultural development in Africa for decades. We remain firmly committed to improving productivity and profitability, making farming in Africa a viable business opportunity – also for small and medium sized farms.

In 2012 I had the honor of representing the private sector on stage in Washington D.C. when the US president, Barack Obama, presented the New Alliance for Food Security and Nutrition. This public-private partnership, aiming specifically at improving African agriculture, was launched at the G8 summit.

The New Alliance leverages the efforts made in the Grow Africa partnership, which was established in 2011 with Yara actively involved. Grow Africa aims to accelerate investments into African agriculture, not least from the private sector. Delivering sustainable and inclusive growth is a governing principle for the investments, which are aligned with national policies for agricultural development.

One prime example is the Southern Agricultural Growth Corridor of Tanzania, SAGCOT. Here, Yara has a key position and also invests in infrastructure development through our USD 20 million fertilizer terminal being built in Dar es Salaam. Yara's Board reviewed the progress of this key pilot of Yara's African agenda during a visit to Tanzania, where we also had the pleasure of discussing SAGCOT progress with President Jakaya Kikwete.

Global engagement and business partnerships – not least in food value chains – is part of our strategy. We engage in global and regional processes to enhance the frameworks needed to improve agricultural productivity and increase food production.

CREATING IMPACT

Agriculture has to produce more food using less resources in the future: less water, land area and fertilizer per kilo crops harvested. The growing attention towards productivity and sustainability performance will provide business opportunities which Yara is uniquely positioned to seize. Efficient use of resources is a focal area

of Yara's innovation platform, which aims to develop our capability to shape the industry and agricultural markets. Offering solutions that create value for our customers, shareholders and society at large provides Yara a competitive edge.

In 2008 the world experienced a global food price crisis. One of the major triggers for the 2008 crisis was adverse weather conditions. The close connections of global warming, water and resource scarcity and food security have since become embedded in global debates. Yara has consistently advocated the need to take a holistic perspective, to avoid having debates in silos on these intersecting issues.

With both consumers' and policymakers' climate consciousness on the rise, food companies are searching for ways to reduce their carbon footprint and to increase transparency in the value chain of their products. These are strategic areas of intervention for Yara.

We have low-emission fertilizers based on our catalyst technology in manufacturing processes, fertilizer application solutions to help improve on-the-farm efficiency and crop specific knowledge to help optimize nutritious, quality crops and yields. Adding a life cycle approach and full transparency to all our products, including nutrient contents and raw materials used, Yara is uniquely positioned as a knowledge partner in this area.

Emerging business cases in this area are already providing results – yielding quality products for food companies, improving farmers' income and reducing emissions substantially. And of course strengthening Yara's market position.

Entering 2013, we have placed the ambition of Creating Impact center-stage in our strategy. Yara already makes a difference – on resource efficiency, sustainable agriculture and emissions to air. For the future, we have charted a course to create even more substantial impact through innovation, responding to global challenges and creating value across stakeholder groups.



JØRGEN OLE HASLESTAD
President and CEO

YARA *report of the Board of Directors*

QUICK OVERVIEW

During 2012 Yara continued to realize profitable growth, building on its knowledge edge and scale advantages. The Board approved further expansion projects to increase capacity. The 2012 net income after non-controlling interests was NOK 10,602 million. Underlying earnings were in line with the previous year.

VALUE CHAIN ENGAGEMENTS: In 2012, Yara broadened its commitments and engagements in food value chains and partnerships – contributing to food security while creating business opportunities. The Board of Directors visited Tanzania, meeting the country's president and visiting the construction site for Yara's new fertilizer terminal which will service the regional agricultural growth corridor.

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REPORT OF THE BOARD OF DIRECTORS 2012

Strong earnings *and cash flow*

IN 2012 YARA DELIVERED another strong result, matching the underlying earnings level of 2011 as higher sales and production volumes offset the impact of lower fertilizer prices. Cash flow was strong, making room for a proposed NOK 13 per share dividend, up from NOK 7 the previous year.

Yara continued to deliver on its growth strategy during 2012, expanding production capacity and sales volumes. New growth initiatives approved by the Board in 2012 will further strengthen the company's position in an increasingly competitive market in the years to come.

DELIVERING GROWTH

In 2012 Yara continued to add capacity, particularly through expansions at the Qafco operation in Qatar, an increased share in Yara Pilbara in Australia, the agreement to acquire Bunge's fertilizer activity in Brazil, and the initiation of several brownfield expansion projects, among other growth initiatives.

Yara has a 25% ownership share in the Qafco JV and markets approximately 50% of the company's urea production. The Qafco 5 and Qafco 6 expansions, which started in 2007 with the construction of two world-scale ammonia and urea plants, were completed at a total cost of USD 3.8 billion in 2012.

Yara increased its share in the Burrup ammonia plant in Western Australia from 35% to 51%, renaming it Yara Pilbara, and agreed with Orica and Apache Energy to construct a technical ammonium nitrate (TAN) facility with an annual capacity of 330,000 tons adjacent to the existing ammonia plant. Yara and Orica each have a 45% share, while Apache has a 10% stake, in the TAN facility which is scheduled for completion in 2015 at an estimated cost of USD 800 million.

Expansions in Qatar and investments in Yara Pilbara represent a further increase in Yara's share of oil and gas consumption outside Europe, from 30% in 2007 to 45% in 2012.

In December 2012 Yara entered into an agreement to acquire Bunge's fertilizer business in Brazil, which had 22 blending units and a delivery of 4.8 million tons of fertilizer products in 2011. With this agreement Yara adds to its unmatched global fertilizer trade network and reinforces its position as a significant fertilizer company in Brazil, with a well-anchored local commitment combined with global leadership in safe and reliable production. The transaction, valued at USD 750 million, is subject to the approval of Brazilian competition authorities (CADE).

During 2012 the Board of Directors approved further brownfield expansion projects within Yara's existing asset base. In Belle Plaine, Canada, Yara considers a potential world-scale ammonia/urea expansion, while in Porsgrunn, Norway, a NOK 300 million investment and de-bottlenecking program will increase NPK capacity by approximately 300,000 tons by 2014.

FINANCIAL PERFORMANCE

In 2012 Yara again delivered solid financial results, with net income after non-controlling interests at NOK 10,602 million. Although down 12% from the 2011 result, the latter was positively impacted by special items, primarily the sale of Yara's share in Rossosh and the part-divestment of the company's

share in Yara Praxair. 2012 earnings per share were NOK 37.49, compared with NOK 41.99 in 2011. Yara's after-tax measure for return on capital, CROGI, stood at 17.3% compared with a target of minimum 10% average over the business cycle, and down from 20.9% in 2011. Operating income was NOK 11,166 million, down from NOK 13,240 million in 2011, while EBITDA was NOK 16,977 million, compared with NOK 18,163 million in 2011. Yara's revenue and other income was NOK 84.5 billion in 2012, up from 80.4 billion in 2011.

Excluding special items, Yara's 2012 results improved compared with 2011, as higher sales and production volumes offset the impact of lower fertilizer prices. Overall fertilizer deliveries were 6% higher than in 2011, with sales outside Europe up 9%. Average realized urea prices were up 5%, while nitrate and NPK prices decreased 3% and 1% respectively.

Net cash from operating activities was NOK 13,233 million, reflecting strong earnings based on a continued strong market situation for Yara's products. Net cash from operating activities in 2011 was NOK 7,363 million. Net cash used for investing activities in 2012 was NOK 3,955 million, primarily reflecting planned maintenance, continuity and organic growth investment activity.

Yara strengthened its financial position in 2012. The debt/equity ratio decreased from 0.12 to 0.02, primarily due to strong earnings. Net interest-bearing debt at year's end was NOK 954 million, while total assets were NOK 81,258 million. Total equity attributable to shareholders of the parent company as of 31 December 2012 amounted to NOK 48,163 million. At the end of the year Yara had NOK 9,941 million in cash and cash equivalents and approximately NOK 8,677 million in undrawn committed bank facilities. We consider the company's cash and financial position to be strong.

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 2012 and financial position at 31 December 2012. 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 make that assumption.

OPERATING SEGMENTS

The Downstream segment delivered an EBITDA of NOK 3,910 million, reflecting increased sales volumes and healthy margins.

The Industrial segment delivered an EBITDA of NOK 1,111 million, in line with last year when excluding special items.

The Upstream segment delivered an EBITDA of NOK 11,849 million, second only to the record 2008 results.

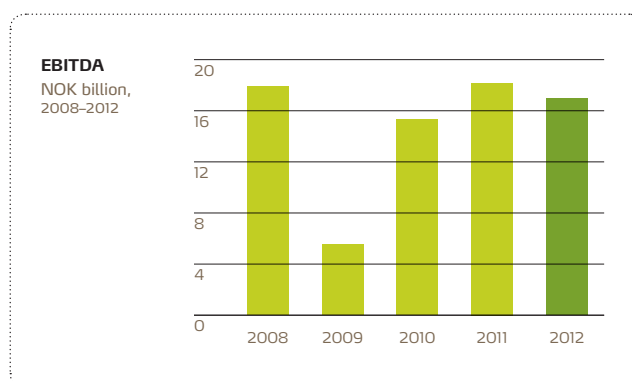
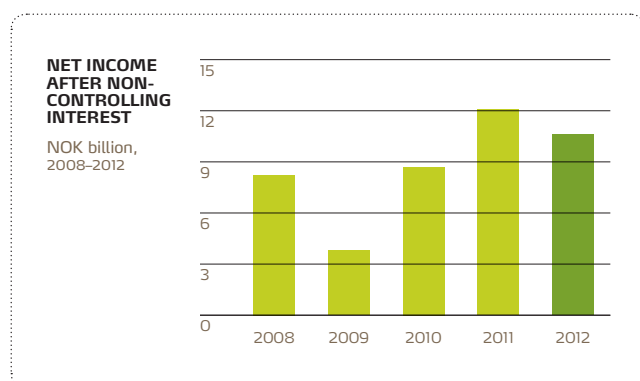
» For detailed financial information, see segment reports / PAGE 51

GROWTH STRATEGY

Yara has consistently executed a strategy of profitable, sustainable growth. In 2011 Yara adopted a medium-term growth ambition of adding eight million tons to its sales by 2016, compared to 2010. Beyond 2016 Yara will continue to drive and realize profitable growth, extending its track record of consistently generating strong earnings through the business cycle.

Yara's growth ambitions are built on attractive long-term market fundamentals, a proven track record of profitable growth initiatives and a flexible and scalable business model. However, Yara will continue to be patient in pursuing growth, aiming to pick the best opportunities at the right time.

Yara's focus on growth opportunities will continue to be combined with strict valuation and capital discipline. When evaluating acquisition opportunities Yara will always start by assessing the synergies it can potentially realize, compared with the estimated synergies of competing bidders. Market and business cycle assumptions are carefully considered and compared with estimates of the seller's and alternative buyers' views. Timing is essential in creating value from acquisitions, and Yara combines a continuous search for projects with patience and discipline in execution. Yara's growth initiatives focus on increasing the company's access to competitive raw materials, expanding its presence in high-growth markets and participating in consolidation in mature markets.



CREATING IMPACT

Creating Impact is the way Yara aligns its business operations with prevailing market conditions and mounting global challenges to create value for shareholders and customers, as well as for society at large.

Building on its core business, Yara is well positioned to develop solutions to global challenges, which also represent business opportunities. Creating value from existing operations and from emerging opportunities allows Yara to have an impact on global issues while also strengthening its competitiveness. Conscious business dispositions to address global challenges provide a sustainable competitive edge for Yara.

The strategy model outlined in the MD&A section of this report shows that Yara has identified three focal areas where its business can make an impact; resources, food and the environment. Within these three areas Yara is positioned to exploit existing and expected market demand.

Yara develops its positioning within the focal areas by engaging in global processes and entering business partnerships. Partnering with other key stakeholders, especially within the food value chain, is a strategic approach to develop new solutions and deepen market relations; creating value and creating impact.

CORPORATE GOVERNANCE PRINCIPLES

Proactive and transparent corporate governance is crucial for aligning the interests of shareholders, management, employees and other stakeholders. The Board of Directors believes that good corporate governance drives sustainable business conduct and long-term value creation.

The Board of Directors and Executive management of Yara International ASA review its corporate governance principles annually, reporting in accordance with the Norwegian Accounting Act § 3-3b and the Norwegian Code of Practice for Corporate Governance, most recently updated dated 23 October 2012. The Code contains stricter requirements than mandated by Norwegian law.

» See corporate governance / PAGE 15

BOARD AND MANAGEMENT

Yara's Board of Directors held 13 meetings in 2012. The Board is normally composed of five shareholder-elected members and three employee-elected members. As one board member withdrew his candidacy during the 2012 Annual General Meeting, the Board of Directors currently consists of four shareholder-elected members and three employee-elected members. The shareholder-elected members all have extensive line management experience from international industrial companies. Three of the seven members are women. One of the three employee-elected Board members was re-elected in May 2012, and Rune Bratteberg and Guro Mausset were elected as new Board members.

Yara has decided not to 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.

Yara's Executive management was organized along the same lines as the previous year, with some changes, accounted for in the MD&A section of this Financial Report. Jørgen Ole Haslestad remained CEO throughout the year.

CORPORATE RISKS

Yara's Board of Directors and Executive management conduct risk assessments relating to various dimensions and aspects of operations, to verify that adequate risk management systems are in place. Yara's global reach and the nature of its operations present a complex risk picture. Strategic and operational risk include political developments and financial conditions as well as compliance-related risks, including the adherence to international standards and local legislation on issues such as human rights, labor rights and corruption.

On a global and regional scale several global trends, not least population growth, resource scarcity and climate change, can be expected to affect Yara's business. At the same time, these challenges offer a range of business opportunities where Yara is well positioned to offer solutions that meet market demands. The development of fertilizers with a low carbon footprint and solutions for water-scarce agriculture are key examples of Yara's response to such global challenges.

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'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 mitigate risk and take advantage of business opportunities.

The Board carries out annual reviews of the company's most important areas of exposure to risk and its internal control arrangements. Reference is made to pages 26-31 in this Financial Report for a more comprehensive description of Yara's risk management.

In 2011 Yara informed about a suspected case of unacceptable business behavior in the company. An internal investigation launched by the Board of Directors looked into irregularities related to Yara's business conduct in Libya, India and its Swiss operations. Conducted by an external law firm, the investigation was completed in June 2012. It concluded that several unacceptable payments were offered or made by Yara. All findings have been shared with The Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime, which continued investigating through 2012 and into 2013.

The compliance function in Yara has undergone a significant strengthening since 2009, starting with an increase in central compliance resources, the launch of a company-wide training program and a review of key commercial agreements. In response

to the investigation findings described above, 2012 compliance activities were focused on the roll-out of a renewed and expanded employee training program, preparations for the introduction of a comprehensive business partner integrity due diligence (IDD) system and a review of Yara's joint venture governance and steering systems. The review and further roll-out of IDD and joint venture governance systems, including acquisition process and risk assessment, remain key compliance focus areas for 2013.

BUSINESS MODEL

Yara is a company that focuses on the production, distribution and sale of nitrogen chemicals. The main application is fertilizers, while industrial uses are an important and faster growing segment. Yara employs its scale, flexibility and global presence to deliver reliable supplies of mineral fertilizer and related industrial products to customers worldwide. Yara is headquartered in Oslo, Norway and is listed on the Oslo Stock Exchange.

Yara has an unique, scalable business model enabling synergies as acquisitions and growth investments improve utilization of its marketing and distribution system. Since its launch as an independent company in 2004 Yara has built an industry-leading track record in profitable acquisitions and green/brownfield investments.

Yara has developed a global presence unrivalled in the fertilizer industry, with a distribution and marketing network including more than 200 terminals, warehouses, blending plants and bagging facilities located in more than 50 countries. Yara has built a knowledge margin in the market, based on its insight into local markets, close customer relations, agronomic expertise and ability to develop new product offerings from its extensive production base.

Yara's global presence delivers industry-leading flexibility, both in terms of production assets and market presence, meaning that challenging conditions experienced by an individual plant or market can normally be mitigated through sourcing or sales arbitrage within the wider Yara system. The majority of Yara's operational cash costs are variable, as purchases and plants are adjustable at short notice in the event of delivery slowdowns. Increased energy costs in Europe can be mitigated by importing instead of producing ammonia: Yara is the global leader in ammonia trading and shipping and most of the company's European production facilities have access to deep-sea

import/export terminals for ammonia. Yara also has the world's largest fertilizer storage capacity, allowing for building stocks ahead of peak demand periods, managing uneven delivery patterns and taking advantage of geographical arbitrage opportunities.

As the world's largest producer of ammonia, nitrate and complex NPK fertilizers, and carrying out approximately 20% of international ammonia trade, Yara benefits from scale. Historically, the majority of the company's production system has been located in Europe. However, growth initiatives in recent years have extended Yara's presence into other markets and regions around the world.

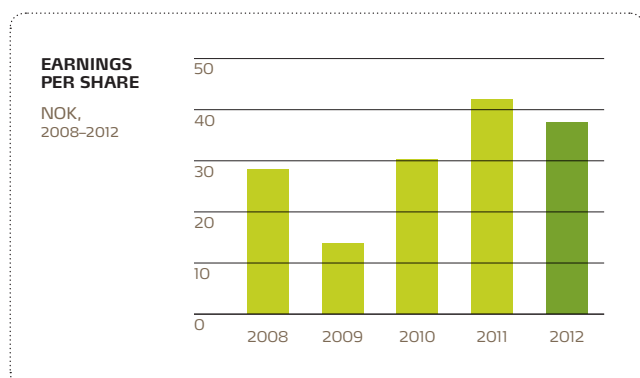
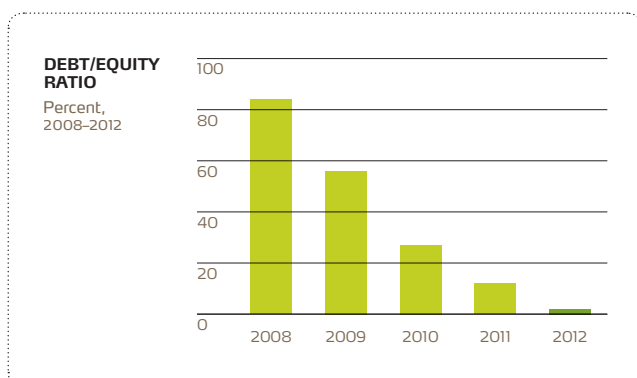
INNOVATION EFFORTS

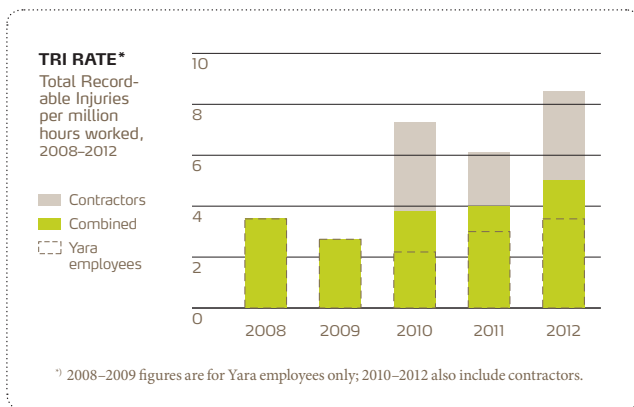
Building on its comprehensive knowledge base, Yara has increased its innovation efforts. In the future, innovation will reinforce Yara's ability to thrive on business opportunities presented by major global challenges, such as those of food security and climate change. Innovative solutions are needed to close the growing gap between food demand and supply, by sustainably improving agricultural productivity and food production.

Yara's research and development has created innovative crop nutrition solutions and environmental applications that position the company well in growing markets for these offerings. While innovation activity levels have increased significantly, product application development has not required substantial new resources. In 2012 Yara's R&D costs were NOK 110 million, compared with NOK 123 million in 2011.

HEALTH, ENVIRONMENT AND SAFETY

In spite of efforts to improve safety, Yara experienced two serious accidents in 2012 with fatal results. In Colombia, a contractor employee repairing a roof unhooked his harness to help a friend also working at height, and fell to the ground with a fatal outcome. In Ghana, a worker fell backwards onto the floor of a truck while carrying bags. He ended up with spine injuries and subsequently passed away. Yara recognizes the severity of such incidents and works continuously to improve the safety culture both of own employees and contractors working for Yara. Yara systematically continues to enforce strict operating procedures, conduct employee training, and follow up on safety practices to prevent accidents from occurring.

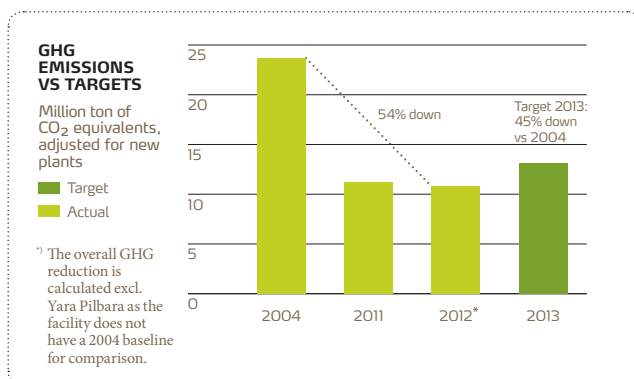




The company has a longstanding commitment to workers' safety, founded on the belief that every accident is preventable. This forms the basis for a strong safety program within the company. Similarly, Yara works systematically to reduce the environmental impacts of its operations and to contribute to environmental improvements in agriculture and the transportation and industrial sectors.

In 2012 Yara achieved a TRI rate (Total Recordable Injuries per million hours worked) of 5.0 for employees and contractors combined, up from 4.0 in 2011 and above the target of a TRI at 3.5 or lower. The increase is mostly explained by increased efforts to report all incidents. The TRI rate includes lost-time injuries, restricted work cases where employees and contractors were allowed to carry out work different from their normal duties, and medical treatment cases. The LTI rate (Lost-Time Injuries per million hours worked) for Yara employees and contractors ended at 2.9, also increasing from 2011 (1.9). Yara's ultimate goal is zero injuries. The company's accident rate is still better than the average for European fertilizer producers. Absence due to illness at Yara's production plants remained unchanged at 3.6 % in 2012, the same as in the previous year. Yara is further strengthening the implementation of safety culture and focusing on critical areas to turn the incident rate down again.

As to managing environmental impacts, Yara continues to reduce its carbon footprint. The company's goal has been to reduce greenhouse gas (GHG) emissions by 45% by 2013 compared to a



2004 baseline. Yara reached this goal in 2010 and maintained the achieved level, with some further improvements, in 2011-2012. In 2012 Yara's direct GHG emissions totaled 12.3 million tons of CO₂ equivalents, within the target level even including the new plant in Pilbara, Australia.

All of the company's nitric acid plants have installed Yara's N₂O catalyst technology, or similar, which reduces respective GHG emissions by up to 90%. Thus Yara will meet the new requirements for nitric acid plants under the EU Emissions Trading System (EU ETS) coming into force this year. The company will continue investments in its ammonia plants, pursuing higher energy and cost efficiency as well as lower emissions.

In 2012 Yara's total energy consumption in production was 263 million GJ, including Lifeco, Libya and Yara Pilbara, Australia. The increase in energy consumption reflects the increase in ammonia and finished production volumes in 2012. Almost 90% of the energy is consumed in ammonia production.

In 2012 no major legal claim was made against Yara regarding environmental issues.

Yara has a number of facilities that have been operated for long periods of time. They may require remediation or generate liabilities under the laws of the jurisdictions in which the facilities are located. Yara examines such impacts where they are apparent and executes remediation or containment procedures, in coordination with the appropriate authorities. For 2013 and beyond, accumulated provisions of NOK 164 million have been made for environmental clean-up activities of former activities in several locations. This is down from 209 million in 2012.

PEOPLE DEVELOPMENT

Successful execution of Yara's business strategy relies on its highly qualified workforce throughout all of its operations. Knowledge is an increasingly critical differentiator in global industries and competitive markets. Developing Yara's workforce, with skills responding to the company's as well as the customers' needs, is imperative to achieve profitable, sustainable growth.

Yara's aim is to retain, attract and develop the best talent, where and when needed, regardless of ethnicity, gender, nationality, background, age or culture. Knowing that business performance is enhanced by good people processes, Yara defined HR as a global function in 2010 in order to have a dedicated organization for delivering the change necessary to achieve the company's ambitions in this area. Furthermore, a global HR information system (HRIS) was developed and implemented during the 2010-2012 period, building an integrated tool for processing workforce data and supporting key people processes.

Having a global HRIS platform, accessible to all employees, managers and HR, simplifies analysis, enables mainstreaming of people management and development processes, and facilitates the measuring of status and progress. Over the past three years

Yara has prioritized the introduction of best-practice people processes, supported by the HRIS. In the future the focus will shift to measuring results and impact.

Yara has identified an aging workforce, insufficient pipelines of people with the required skills to deliver on Yara's business goals, and a retention risk as future internal challenges. Externally, the competition for academic talent profiles has become fiercer – particularly over well-qualified engineers.

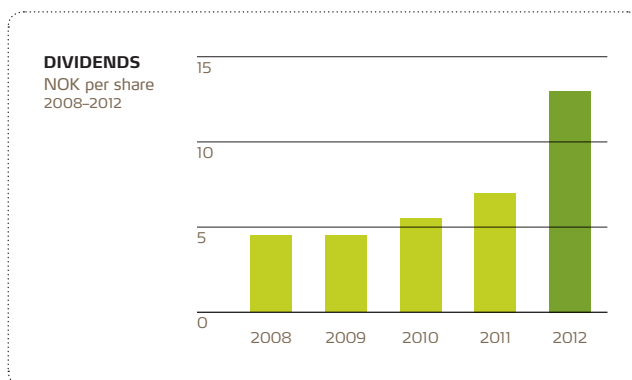
Responding to these trends and challenges, Yara developed and revised its HR Strategy in 2012, launching a new People Strategy with three main focus areas: Performance Culture; Talent Development; and Talent Acquisition. Great people management will be key to delivering good people processes in these areas and, going forward, we will place more emphasis on improving people management skills.

To help develop a performance culture and improve business performance, Yara established a new Performance Management Process (PMP) which was rolled out globally in 2012. This replaces local systems and processes, ensuring a uniform approach for aligning goals for all employees with overall business objectives. Giving and receiving timely and relevant feedback is another key element of the PMP.

Talent development is significantly strengthened through a mid-year review which every employee shall have with their manager to discuss skills, career ambitions and development. This Talent Development process was piloted in 2011 and rolled out in 2012, reaching around 7,200 employees. Resulting in about 5,700 individual plans with defined development areas and detailed actions, the process adds to Yara's ability to develop and retain staff. To further improve talent development, a new pipeline of business-required learning programs, YaraLearning, will be established.

Responding to the increasing competition for skilled academics, Yara is strengthening its capabilities within talent acquisition. In 2012 Yara's recruiting process was deployed globally, together with a new IT recruitment tool that will enhance the candidate experience and make the process more efficient. The Workforce Planning process ran globally on all levels for the third consecutive year. With the quality of the process steadily improving, the results provide valuable input, especially in the areas of Talent Acquisition and Talent Development. This improves the company's ability to respond to both short and long term workforce challenges.

At the end of 2012 Yara had 8,052 permanent employees worldwide, an increase of 425 compared to the previous year. All continents increased their numbers, due to organic growth and minor acquisitions. The share of women employed by Yara has remained at about 20% in recent years. It is a non-quantified goal for Yara to increase workforce diversity. The Yara GRI report (available on yara.com/GRI) provides some details about Yara's performance on diversity metrics.



YARA INTERNATIONAL ASA

The parent company Yara International ASA is primarily a holding company, with financial activities and non-material operations. Yara International ASA had net income of NOK 4,670 million in 2012, up from NOK 1,903 million in 2011, after dividends and group relief from subsidiaries of NOK 4,053 million (NOK 1,796 million in 2011). The net foreign exchange gain was NOK 190 million compared with NOK 85 million in 2011.

DIVIDEND AND BUY-BACKS

Yara's objective is to pay out 40–45% of net income in the form of dividends and share buy-backs. Within this objective, a minimum 30% of net income shall be paid in the form of dividends, while share buy-backs make up the balance and are deployed with greater flexibility.

The Board proposes a dividend of NOK 13 per share, an 86% increase from 2011, totaling a payment of NOK 3,647 million based on outstanding shares at the date this financial statement was authorized for issue. Combined with the positive result in Yara International ASA and other effects, this results in a net reduction in equity of NOK 113 million. Distributable equity in the parent company as of 31 December 2012 was NOK 2,781 million after the proposed dividend.

Yara executes share buy-back programs as an integral part of its shareholder policy. In 2012 Yara bought back and redeemed shares for a total of NOK 1,271 million. The Board intends to propose to the Annual General Meeting a new buy-back program along the lines of the existing one.

In total, Yara paid out NOK 3,269 million in dividends and share buy-backs in 2012, representing 27% of net income in 2011. The proposed 2012 dividend represents 34% of net income.

PROSPECTS

The Board of Directors believes the long-term fundamentals of fertilizer demand are strong, as a growing and increasingly prosperous world population continues to drive demand and land available for agriculture is becoming more scarce. More efficient and balanced fertilizer use globally is a crucial element of achieving sustainable improvement in agricultural productivity. With its

global market presence and product portfolio Yara is well positioned to help improve agricultural productivity and to address the global challenges of water scarcity, air pollution and global warming.

New fertilizer export capacity start-ups outside China during 2013–2015 are estimated to be in line with historical trends of consumption growth. However, further capacity delays are evident compared with these estimates, and a combination of increased domestic energy consumption and falling oil and gas production in several markets is likely to impact nitrogen capacity utilization rates in several countries in the short term.

Urea export volumes from China are, according to the country's current 5-year plan, expected to be kept stable at a level around 5 million tons per annum. The Board of Directors believes that actual exports may vary significantly from year to year, as global food and fertilizer prices together with industrial activity levels in China influence the availability and profitability of export tonnage. However, the low energy efficiency and high emission levels associated with existing nitrogen production capacity in China indicate a rationalization of the industry over time which would limit the risk of larger urea export increases.

There is significant potential for high price volatility in the markets for agricultural commodities where supply is limited and customers have a low sensitivity to price changes. Weather-related setbacks in agricultural production could further increase fertilizer demand, while a significant drop in agricultural prices, e.g. in the event of improved harvest prospects, could lead to a temporary slow-down in fertilizer deliveries. However, substantial harvest increases are required merely to avoid a future decline in inventories.

Yara's value-added nitrate and NPK products continue to deliver strong and stable margins which are relatively less exposed to swings in commodity nitrogen, phosphate and potash markets. Continued strong food demand and increased focus on food chain efficiency and quality are expected to support this trend.

Yara's growth ambitions imply significant investments, including further potential M&A activity, which the company aims to execute without issuing new equity, except for the very largest acquisition targets. The Board of Directors estimates that Yara has a growth investment capacity between USD 1 billion and USD 2 billion per annum within its current credit rating, but underlines that the focus on growth opportunities will remain combined with strict valuation and capital discipline, seeking opportunities where Yara has the best relative synergies, at the right time of the cycle.

*The Board of Directors of Yara International ASA
Oslo, 21 March 2013*


Bernt Reitan
Chairperson


Elisabeth Harstad
Board member


Hilde Merete Aasheim
Board member


Juha Ilari Rantanen
Board member


Geir Olav Sundbø
Board member


Rune Asle Bratteberg
Board member


Guro Mauset
Board member


Jørgen Ole Haslestad
President and CEO

YARA *governance and risk*

QUICK OVERVIEW

During 2012 Yara continued to execute its Code of Conduct, ensuring continuous compliance with strict guidelines for corporate governance, as well as improving risk management procedures. While global megatrends influence strategy, regional affairs – including political unrest and financial turmoil – impact on operations. In 2012 three new members joined the Board of Directors and three changes were made in Executive management, as well as in the Nomination Committee.

VALUE CHAIN DEVELOPMENT: In 2012 Yara developed value chain models in conjunction with several partners, underpinning sustainable agriculture by improving agricultural productivity and farm profitability. Yara remained a partner to the New Vision for Agriculture, an outcome of a multi-stakeholder dialogue through the World Economic Forum, in which food value chains are given a prominent role.

CORE CONTENT

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Board of Directors 2012



1) Bernt Reitan

- › Chairman of the Board since 2012
- › Member of the Board since 2009
- › Chairman of the Compensation Committee

Mr. Reitan (born 1948) was Executive Vice President (EVP) and member of Alcoa's Executive Council until he retired in 2010. Reitan had management responsibility for Alcoa's Global Primary Products Group and Alcoa's Materials Management (metal purchasing, trading and transportation). Prior to joining Alcoa, where he held several key management positions before being elected EVP in 2004, Mr. Reitan held a series of positions at Elkem ASA, Norway, including Corporate Management 1988–2000 and Managing Director of Elkem Aluminum ANS from 1988. He holds a M.Sc. degree in Civil Engineering from the Norwegian Institute of Technology (NTH). Mr. Reitan serves on the board of Royal Caribbean Cruises Lines Ltd (RCCL), and he is Deputy Chair of the Board of the American Scandinavian Foundation (ASF) in New York.

2) Elisabeth Harstad

- › Member of the Board since 2006
- › Member of the Audit Committee

Ms. Harstad (born 1957) is the Chief Innovation and Business line Officer in DNV KEMA, based in the Netherlands. From 2006–12, she was Managing Director of DNV Research & Innovation, Norway, and from 2002–06 COO for the DNV business area Technology Services. She previously held several senior positions within DNV's oil, gas and process industry activities, 1993–2006. She holds a M.Sc. degree in Chemical Engineering from the Norwegian Institute of Technology (NTH). Ms. Harstad is a board member of TGS-NOPEC.

3) Hilde Merete Aasheim

- › Member of the Board since 2010
- › Chairperson of the Audit Committee

Mrs. Aasheim (born 1958) is Executive Vice President (EVP), Primary Metal in Hydro. Prior to that she served as EVP for the Aluminum Metal business area in the same company. Aasheim joined Hydro in October 2005 as EVP for Leadership and Culture (human resources, health, environment, safety and corporate social responsibility). When Hydro's oil and gas activities were merged with Statoil in 2007, Aasheim headed the integration process. Between 1986 and 2005, she held several senior positions in Elkem. Aasheim holds a Master's degree in Business Economics from the Norwegian School of Economics and Business Administration (NHH) in Bergen and is also an accredited public accountant. Aasheim also has work experience with Arthur Andersen & Co.

4) Juha Rantanen

- › Member of the Board since 2012
- › Member of the Compensation Committee

Mr. Rantanen (born 1952) is a Finnish citizen and served as the President and CEO of Outokumpu Oyj 2005–11. From 1998 to 2004 Juha Rantanen was the CEO of Ahlstrom Corporation, and 1994–97 he was the CEO of Borealis A/S. From 1977–93 he held a number of leading positions in Neste Oyj, serving as the CFO during the last two years. Juha Rantanen holds a Master degree from the Helsinki School of Economics and an MBA from IMD, Lausanne, Switzerland. Rantanen is the Vice-Chairman of StoraEnso Oyj and a member of the Board in Crisis Management Initiative - the Ahtisaari Centre, the Finnish Fair Corporation, Onvest Oy and Stalalube Oy.



5) *Geir O. Sundbø*

- › Member of the Board since 2010
- › Member of the Compensation Committee

Geir O. Sundbø (born 1963) has been an employee of Yara (Hydro) since 1987. He has had numerous different positions in the union in Porsgrunn since 1989. Sundbø is main employee representative of Yara Porsgrunn, and Deputy Chairman and Treasurer of Herøya Arbeiderforening (the central union chapter of Herøya Industrial Park). He has been Secretary and Core Team member of the EWC (European Works Council) in Yara since 2009. Sundbø has been secretary of the Control Committee in the National Trade Union of Industry and Energy since 2010. He is also a member of the Executive Committee of ICG (Industry Cluster of Grenland).

6) *Rune Bratteberg*

- › Member of the Board since 2012
- › Member of the Audit Committee

Mr. Bratteberg (born 1960) has been a Yara (Hydro) employee since 1986, currently in the position of Head of Chemical Compliance. He has held different IT and HESQ leadership positions within Hydro and Yara, from 2001 to 2009 as CIO. Bratteberg has been a member of the Chemical Industry Advisory Board to SAP AG 2004–2009, and Chairman of the Board at the Scandinavian School of Brussels 2009–2011. Bratteberg holds a degree in Information Technology from the University of Bergen.

7) *Guro Mauset*

- › Member of the Board since 2012

Mrs. Mauset (born 1968) has been a Yara employee since 2009. She currently holds the position of Group Coordinator of the Process Technology and Support group in the Process Modeling and Control department at Yara Technology Center in Porsgrunn, Norway. She holds a Masters degree in Chemical Engineering from NTH (Norwegian Institute of Technology). Mauset has been a board member of the Norwegian Society of Chartered Scientific and Academic Professionals (Tekna) in Yara since 2011.

Executive *management* 2012

1)



2)



3)



4)



1) *Jørgen Ole* **Haslestad**

› **President and Chief Executive Officer**

Mr. Haslestad (born 1951) has served as President and CEO since October 2008. Previously he held several senior management positions in Siemens AG, 1994–2008, most recently as CEO of the Group's Industry Solutions Division, Germany. Before joining Siemens, he served as Managing Director of Kongsberg Offshore AS, Norway, 1986–94; Project Engineer and Project Manager of the oil division, Kongsberg Vaapenfabrikk AS, Norway, 1980–86. He holds a M.Sc. degree in Mechanical Engineering from the Norwegian Institute of Technology (NTH). Mr. Haslestad served as a board member of Yara, 2004–08.

2) *Torgeir* **Kvidal**

› **Chief Financial Officer**

Mr. Kvidal (born 1965) has served as Chief Financial Officer since May 2012. His previous positions in the company include Senior VP Head of Supply & Trade 2011–12; Head of Investor Relations 2006–11; CFO Industrial 2005–06; Head of Business Unit CO₂/Industrial Central Europe 2000–05; VP Finance Hydrogas 1997–99; and Corporate Controller Hydro Agri 1993–97. He was employed by Hydro in 1991 as a trainee. Mr. Kvidal holds a Master's degree from the Norwegian School of Economics and Business Administration (NHH).

3) *Egil* **Hogna**

› **Head of Downstream**

Mr. Hogna (born 1971) has served as Senior VP Head of Downstream since August 2009. His previous positions in the company are: Chief Financial Officer 2008–09; Business Unit Manager South Europe/Mediterranean, 2007–08; SVP Business Intelligence 2006–07; VP Investor Relations, 2004–06; VP of Hydro Aluminum Metal Products (responsible for Supply Chain & Performance Management), 2001–03; Corporate Controller Hydro Agri 1999–2001. Before joining Norsk Hydro, Mr. Hogna was a consultant with McKinsey, 1994–99. He holds a M.Sc. in Industrial Management from the Norwegian Institute of Technology (NTH) and an MBA from INSEAD.

4) *Gerd* **Löbbert**

› **Head of Upstream**

Dr. Löbbert (born 1957) has served as Senior VP Head of Upstream since December 2012. Before joining Yara, Dr. Löbbert served as EVP for Polyolefins in the Vienna-based Borealis Group. He also held several managerial positions in the BASF Group, including Group Vice President from 2002–2009. Dr. Löbbert holds a Ph.D. in Chemistry from the University Bochum, in Germany.



5) Yves Bonte

> Head of Industrial

Mr. Bonte (born 1961) has served as Senior VP Head of Industrial since January 2010. Before joining Yara, he worked for 17 years for the chemical company LyondellBasell and its predecessors, serving as Senior VP Polypropylene Business based in Germany and the Netherlands, 2007–09; Senior VP Sales & Marketing for Asia, Middle East/Africa and Latin America based in Hong Kong, 2002–06; Head of Strategic Marketing, 2000–01; several marketing, supply chain and manufacturing positions, 1992–99. Prior to this he worked five years for Exxon Chemical in Brussels. Mr. Bonte holds a post-graduate degree in Business Management and a Master's degree in Civil Engineering from the University of Leuven in Belgium.

6) Alvin Rosvoll

> Head of Supply & Trade

Mr. Rosvoll (born 1957) has served as Business Unit Manager North and East Europe since 2007. His previous positions in the company include Commercial Director in the Downstream Segment and Deputy President Yara Industrial Gases. Before that he held a number of commercial and management positions after joining the company in 1981. Mr. Rosvoll holds a Masters degree in Chemistry from the Norwegian Institute of Technology (NTH).

7) Bente G. H. Slaatten

> Chief Communication / Branding / PA officer

Mrs. Slaatten (born 1958) has served as Senior VP Chief Communications and Branding Officer since October 2009. From January 2008 until then she was VP Corporate Communications. Before joining Yara, she was President of the Norwegian Nurses Organization, 1998–2007, and its

Chief Negotiator and Director of the Department of Negotiation, 1995–98. Between 1984–95 she held various positions within the Norwegian Association of Local and Regional Authorities. Mrs. Slaatten holds a Master's degree in Business Administration from the Norwegian School of Economics and Business Administration (NHH), a Bachelor's degree in Nursing, a degree in Business Administration from the Norwegian School of Management and has studied organization and project management at the University of Oslo. Mrs. Slaatten has held numerous board positions and honorary posts.

8) Håkan Hallén

> Chief Human Resource Officer

Mr. Hallén (born 1951) has served as Senior VP Chief Human Resource Officer since August 2009. Before joining Yara he served in various senior positions, including Group HR Director at Aibel Group Ltd, London 2008–09; Director HR with UBS, Zurich, 2006–08; EVP with Accenture, 2004–06; and SVP HR with Volvo, Brussels 1998–2004. He also has extensive international experience from leading HR positions at the World Bank, Washington DC and the OECD, Paris, 1987–98. Mr. Hallén holds a degree equivalent to an M.Sc. in Behavioral Science and Personnel Management, from the University of Gothenburg.

9) Trygve Faksvaag

> Chief Legal Counsel

Mr. Faksvaag (born 1966) has served as Senior VP Chief Legal Counsel since May 2008. His previous positions in the company include: Managing Director of Yara Switzerland Ltd., 2006–08; VP and general counsel of Yara North America, Inc., 2004–06; legal counsel and VP of Norsk Hydro Americas, Inc., 2001–03. Mr. Faksvaag joined Hydro/Yara in 1996 from the Norwegian law firm Wikborg, Rein & Co.

GOVERNANCE 2012

Corporate *governance*

PROACTIVE AND TRANSPARENT corporate governance is crucial for aligning the interests of shareholders, management, employees and other stakeholders. Yara believes that good corporate governance drives sustainable business conduct and long-term value creation.

Yara's Board of Directors has decided to comply with the Norwegian Code of Practice for Corporate Governance, last updated 23 October 2012. The Code contains stricter requirements than mandated by Norwegian law.

Yara's compliance with the Code is detailed in this report and section numbers refer to the Code's articles.

1. Implementation and reporting of corporate governance / *Compliant*

Yara complies with the recommendations of the Norwegian Code of Practice for Corporate Governance. Yara believes good corporate governance drives value creation and pro-

motes sustainable business conduct. Yara is committed to transparency and accountability, with adherence to international agreements and national legislation where it operates.

- » yara.com / Vision and strategy
- » yara.com / Corporate governance
- » yara.com / Sustainability commitment and policy

2. Business / *Compliant*

Yara is a company that focuses on the production, distribution and sale of nitrogen chemicals. The scope of Yara's business is defined in its Articles of Association, published in full at

the company's website. Yara's objectives and strategies are presented in the Report of the Board of Directors.

- » yara.com / Articles of association
- » Report of the Board of Directors / PAGE 7

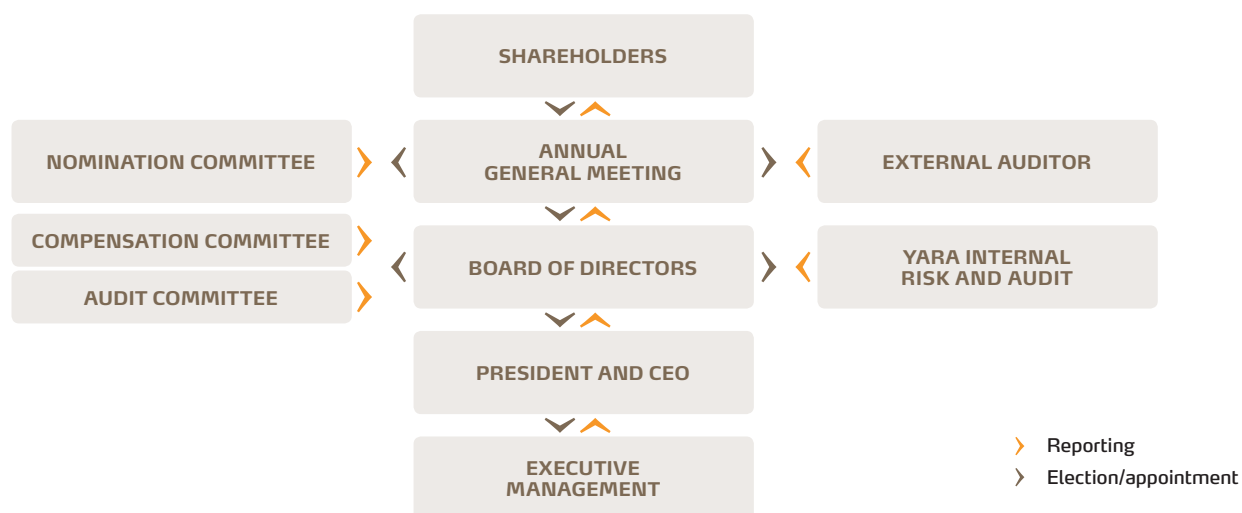
3. Equity and dividends / *Compliant*

Yara's strong balance sheet is closely linked to the company's overall strategy, goals and risk position. The Yara dividend policy aims to provide predictability in the relative dividend payment level, while also delivering shareholder value through profitable growth investments.

New equity will only be issued in connection with concrete step growth opportunities. No general mandate is granted to the Board of Directors to increase the company's share capital.

Yara's objective is to pay out 40-45% of net income in the form of dividends and share buy-backs. Within this objective, a minimum 30% of net income shall be paid in the form of dividends, while share buy-backs make up the balance and are deployed with greater flexibility.

YARA CORPORATE GOVERNANCE STRUCTURE



Yara executes share buy-back programs as an integral part of its shareholder policy. Every year since the company's IPO, Yara's Board has secured an authorization from the Annual General Meeting to buy back up to 5% of total shares in the company during the next year,

for subsequent cancellation. A precondition for each annual program is that an agreement is entered into with the Norwegian State where the State commits to sell a proportional share of its holdings to leave the State's ownership (36.21%) unchanged. The mandates granted

to the Board of Directors for the company to purchase its own shares are limited in time to the date of the next Annual General Meeting.

- » Report of the Board of Directors / PAGE 14
- » The Yara Share / PAGE 65

4. Equal treatment of shareholders and transactions with close associates / *Compliant*

All Yara shareholders have equal rights and the company has one class of shares. Transactions involving the company's own shares, such as the share buy-back program, are normally executed via the stock exchange, or at prevailing stock exchange prices if carried out in any other way. Shares redeemed from the Norwegian State are also priced at market value.

In 2012 there were no significant transactions between the company and closely related parties, except for ordinary commercial transactions with subsidiaries and non-consolidated investees.

In addition to the mandatory regulations in the Norwegian Public Limited Companies Act (§§ 3-8 and 3-9), Yara uses IFRS rules to define related parties. The members of the Board of

Directors and management are required to disclose all entities that would be considered to be "related parties" under applicable laws and regulations. Transactions with such entities are subject to disclosure and special, independent approval requirements.

- » Note 32 to the consolidated financial statements "Related parties" / PAGE 122

5. Freely negotiable shares / *Compliant*

The company places no restrictions on the transferability of shares. There are no restrictions on the purchase or sale of shares by directors and executives, as long as insider regulations are adhered to. Certain management compensation programs, including the Yara

Long-Term Incentive scheme, mandate the use of a portion of the funds received by management for the purchase of Yara shares and restrict the sale of such shares for varying periods following such purchase.

- » Note 6 to the consolidated financial statements "Stock-based compensation" / PAGE 91
- » Note 32 to the consolidated financial statements "Related parties" / PAGE 122

6. General meetings / *Compliant*

In accordance with Yara's Articles of Association and Norwegian corporate law, the Yara Annual General Meeting ranks at the top of the corporate governance structure. Yara's Articles of Association require the Annual General Meeting to be held every year before the end of June.

The annual meeting of shareholders elects the Nomination Committee, the shareholders' representatives to the Board of Directors and approves the annual accounts, the board report and any proposed dividend payment. In accordance with Norwegian legislation, shareholders consider and vote on the appointment of the external auditor based on the board's proposal and approve the remuneration to be paid to the external auditor.

The Chairperson of the Board, the CEO and CFO are present at the Annual General Meeting, along with the Nomination Committee and the Company Auditor. An independent, qualified person chairs the meeting. The protocol of the Annual General Meeting is published on the Yara website.

All shareholders are entitled to submit items to the annual meeting's agenda, to meet, speak and vote. In accordance with Norwegian corporate law, shareholders registered in the Norwegian Central Securities Depository (Verdipapirsentralen) can vote in person or by proxy on each agenda item and candidate put forward in the Annual General Meeting. Shareholders or their authorized representatives must be present in order to vote, and

votes can be given only for shares registered in the owner's name.

Notice of the meeting and relevant documents, including the proposal of the Nomination Committee, are made available on Yara's website no later than three weeks in advance of the meeting. Notice of the meeting is sent to all shareholders individually, or to their depository banks, at least three weeks in advance of the meeting. The notice of meeting includes information regarding shareholders' rights, guidelines for registering and voting at the meeting.

- » [yara.com / Corporate governance / General meetings](#)
- » [The Yara share / PAGE 63](#)

7. Nomination Committee / *Compliant*

Yara's Articles of Association state that the company shall have a Nomination Committee consisting of four members elected by the Annual General Meeting, and that the Annual General Meeting approves the procedure for the Nomination Committee. The Nomination Committee nominates the shareholders' representatives to the Board of Directors, including presenting relevant information about the candidates and an evaluation of their independence, and proposes the remuneration of the Directors to the Annual General Meeting. Members of the committee are elected for two-year terms. The Nomination Committee

in Yara International ASA consists of the following members, all of which are independent of the Board and management:

- Eva Lystad, chair
- Thorunn Kathrine Bakke
- Anne Carine Tanum
- Ann Kristin Brautaset

In 2012 the Nomination Committee held 15 meetings. The members of the Nomination Committee received remuneration in 2012 of NOK 4,900 per meeting prior to the Annual General Meeting and thereafter NOK 5,100 per meeting.

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- » [yara.com / Nomination Committee procedure](#)

8. Corporate assembly and Board of Directors: Composition and independence / *Compliant*

In accordance with an agreement between Yara and its employees, Yara does not have a corporate assembly. Yara believes this supports more direct communication between shareholders and management, increases accountability and improves the speed and quality of decision making in the company.

Yara's Board of Directors normally consists of eight members, with five shareholder-elected Board members including the chairman, elected

for two-year terms by the Annual General Meeting. The remaining three Board members are employee-elected, typically for two-year terms.

The shareholder-elected members of the Board are independent of the company's management, main shareholders and material business contracts. The same is valid for the employee representative Board members, other than their employee contracts. Three of the Directors are women.

As one board member withdrew his candidacy during the 2012 Annual General Meeting, the Yara Board of Directors currently consists of four shareholder-elected members and three employee-elected members.

- » [yara.com / Corporate governance](#)
- » [Board of Directors / PAGE 15](#)
- » [Note 32 to the consolidated financial statements "Related parties" / PAGE 122](#)

9. The work of the Board of Directors / *Compliant*

The Board's work follows an annual plan, and it conducts an annual self-evaluation of its performance and expertise, which is presented to the Nomination Committee.

The Board has established written instructions for its work and the work of the Audit Committee, Compensation Committee and Executive management.

In 2012 the Board of Directors held 13 meetings. Hilde Merete Aasheim and Geir Sundbø were each absent from two meetings, while Elisabeth Harstad, Juha Rantanen and Guro Mausest were each absent from one meeting. Bernt Reitan and Rune Bratteberg attended all Board meetings during their Board membership period in 2012.

In the case of the Chairperson's absence, the Board elects a Board member to chair the meeting. If the chairman of the Board is, or has been, personally involved in matters of material significance to the Company, the Board's review of such matters will be chaired by another member of the Board.

All shareholder-elected members are independent of the Management and the main shareholders. Neither the President and CEO, nor any other member of the Executive management, is a Director of the Board.

Compensation Committee

Yara's Compensation Committee reviews the performance of, and proposes terms and compensation for, the CEO to the Board of Directors. The committee also reviews and proposes guidelines for executive remuneration and material employment matters. The Compensation Committee consists of three members elected by the Board, from its own members. In 2012 the Compensation Committee held nine meetings.

Audit Committee

Yara's Audit Committee assists the Board of Directors in assessing the integrity of the company's financial statements, financial reporting processes and internal controls, risk management and performance of the external auditor. The Audit Committee further evaluates plans and internal audits performed by the Internal Risk and Audit department within the areas of financial reporting and control. The Committee conducts an annual self-evaluation according to its mandate. Yara's Audit Committee consists of three members of the Board, of whom two are independent from the company. The Chairperson of the Audit Committee is not the Chairperson of the Board. In 2012 the Audit Committee held six meetings.

The Yara Internal Risk and Audit function assists Yara Executive management and the Board of Directors with a systematic, disciplined approach to evaluating governance, risk management and internal control.

Ad Hoc Committee

In June 2011 the Yara Board of Directors created an Ad Hoc Committee to follow up the investigations initiated by Yara in connection with the company's investment in Libya and a project in India. The Ad Hoc Committee was discontinued in May 2012. The Ad Hoc Committee held six meetings in 2012.

10. Risk management / *Compliant*

Yara's risk management and internal control activities are integrated with the corporate strategy and business planning processes, based on the principle that risk evaluation is an integral part of all business activities. While risk management is a centrally governed process, the responsibility for day-to-day risk management activities is placed with the business segments and expert organizations.

The Board carries out separate annual reviews of the company's most important risk exposures and internal control systems.

The Audit Committee performs ongoing evaluations of risk and control related to financial reporting. Yara Internal Risk and Audit supports Yara Management and the Board of Directors in terms of evaluating the effectiveness and efficiency of internal controls and gives an independent view on risk management.

Yara Internal Risk and Audit performs independent audits both at subsidiary and group level, as well as audits and reviews of specialist functions involved in business operations, financial reporting and risk management. The Chief Internal Risk and Audit Executive reports functionally to the Board of Directors and administratively to the Chief Financial Officer. Yara Internal Risk and Audit has no direct operational responsibility or authority over any of the activities it reviews. The unit has unrestricted access to all functions, records, physical properties, and personnel relevant to the performance of its tasks. It also has full and free access to Yara Executive management, the Board of Directors and the Audit Committee.

The external auditor provides a description of the main elements in the audit, including opinions on Yara internal control related to the Financial Reporting process, to the Audit Committee.

Yara has adopted the Committee of Sponsoring Organizations of the Treadway Commission (COSO) integrated framework for internal control. The five framework components are: control environment, risk assessment, control activities, information and communication, and monitoring. The content of the different elements are described below.

Control Environment

Yara's corporate social responsibility policy and Code of Conduct are integrated in its risk management and internal control systems, through global employee training programs, and an Integrity Due Diligence process which covers both existing business partners and forward-looking business development activities.

Yara's Steering System is one of the pillars in Yara's internal control system. It aims to ensure that all Yara employees act in a consistent manner and in line with quality standards and business needs. All Yara employees are encouraged to raise questions or issues about such matters with line management and through alternative channels, including a whistle-blowing system.

Risk Assessment

The Corporate Risk Management unit is the key facilitator of the internal risk management system and shall assist management with implementing and maintaining an appropriate risk management framework to support identification, analysis, management and reporting of all types of risk. The units further coordinates risk management activities within Yara and consolidates reporting on risks.

Control Activities

Yara's Group Accounting is responsible for the preparation of the Financial Statement and to ensure that the Financial Statement is reported according to applicable laws and regulations and in accordance with adopted accounting policies.

The Controller function is responsible for The Board of Directors and Management reporting as well as planning and coordinating the business plan process.

The Internal Control function regulates the governance structure for Internal Control over Financial Reporting (ICFR) as well as manages and controls the systematic risk related to financial reporting.

The Audit Committee performs reviews of the quarterly and annual financial statements with special focus on transaction types, which includes judgments, estimates or issues with major impact on the Financial Statement. The internal and external auditors participate in these meetings. In addition to the quarterly and annual reporting, the Board of Directors receives pre-quarterly reporting per segment, business unit and product area.

Information and communication

The Steering System provides all employees with an overview of the prevailing corporate policies and procedures. Yara's Accounting Manual describes corporate accounting policies and is continuously updated and revised for any changes related to IFRS and Yara's Accounting Policies.

Monitoring

All bodies and functions described above monitor and perform judgments for any need of corrective actions related to financial and operational risk within their area of responsibility.

- » Risk management / PAGE 26
- » yara.com / Corporate social responsibility policy and Code of Conduct
- » yara.com / Ethics handbook

11. Remuneration of the Board of Directors / *Compliant*

The remuneration of the Board of Directors is proposed by the Nomination Committee and approved by the Annual General Meeting, and is not linked to the company's performance. Board members are not granted share options, and shareholder-elected Board members do not have specific assignments for the company in addition to their duties as Board members.

In 2012 the Chairperson of the Board of Directors received a fixed compensation of NOK 445,000 per annum prior to the Annual General Meeting, increasing to NOK 463,000 per

annum thereafter. The other Board members received NOK 256,000 per annum prior to the Annual General Meeting and NOK 266,000 per annum thereafter. Board members resident outside Scandinavia received a meeting allowance of NOK 10,000 per meeting.

The Chairperson of the Audit Committee received a fixed compensation in 2012 of NOK 93,000 per annum prior to the Annual General Meeting, increasing to NOK 97,000 per annum thereafter. The other Audit Committee members received NOK 77,000 per annum prior to the Annual General Meeting and

NOK 80,000 per annum thereafter. Members of the Compensation Committee received NOK 6,000 per meeting prior to the Annual General Meeting and NOK 6,200 per meeting thereafter.

The actual compensation to Board members in 2012 is disclosed in note 32 in the consolidated financial statements.

» Note 32 to the consolidated financial statements "Related parties" / PAGE 122

12. Remuneration of executive personnel / *Compliant*

The Board of Directors determines the remuneration of the President and CEO based on a proposal from the Compensation Committee and approves the general terms of the company's incentive plans for Executive management and other key employees. The President and CEO determines the compensation to other members of Yara's Executive management.

The Board of Directors prepares guidelines for the remuneration of executive personnel being communicated to the Annual General Meeting. The guidelines to be presented at the Annual General Meeting 13 May 2013 are disclosed in note 32 in the consolidated financial statements.

In accordance with the Norwegian Public Limited Companies Act § 6-16 a, the Board of Directors prepares a separate statement related to the determination of salary and other benefits for the Executive management. The statement will be presented for the Annual General Meeting for voting. The guidelines for the coming accounting year are unchanged from the previous year and the remuneration to Executive management has been in accordance with these guidelines.

Yara's policy concerning remuneration of the CEO and other members of Yara's Executive management is to provide remuneration opportunities which:

- Are competitive to recruit and retain executives
- Reward the executives' performance, measured as their contribution to the overall success of Yara
- Support the creation of sustainable shareholder value

Yara's remuneration of the Executive Management Group consists of the following elements: Base pay, an annual incentive bonus, a retirement plan, death and disability coverage and other components such as car, phone expenses, etc. In addition, executives on expatriate contracts have various other costs covered by the company. The annual salary adjustment for employees in Yara International ASA and Norwegian subsidiaries forms the basis for the Yara Executive management salary development. Members of Yara Executive management do not receive separate remuneration for board membership in Yara subsidiaries.

Executive Management members being employed in Norway can take part in the annual offer to all permanent Yara employees in Norway where they can buy Yara shares to a value of NOK 7,500 with a tax-exempt discount of NOK 1,500.

The annual incentive bonus represents performance-driven variable compensation components based on financial and non-financial performance, such as profitability and HES (Health, Environment and Safety) results, at company and/or segment level. The specific performance components vary by unit and position and are set individually on an annual basis. The annual incentive bonus is not linked to the Yara share price, but is conditional on Yara's CROGI (cash return on gross investment) reaching 7%, with progressively higher payout levels up to a maximum level when CROGI exceeds 17%. The maximum payout shall not exceed 50% of annual base salary.

For the 2013 annual incentive bonus the CEO has the following four variable compensation components which are equally weighted, subject to the Yara CROGI conditions described above:

- Safety
- Sales volume
- Fixed cost
- Growth initiatives and innovation

To increase the alignment between Executive and Shareholder interests and to ensure retention of key talent in the company, a Long Term Incentive plan has been approved by the Board. This program provides a fixed cash amount to eligible executives, who are required to invest the net amount after tax in Yara shares within a period of one month after grant. The acquired shares are locked in for a period of three years after the purchase. After this period executives are free to keep or sell the shares at their discretion. The annual amount granted under the Long Term Incentive plan is not linked to Yara's financial results, and shall not exceed 30% of annual base salary. The amount granted is linked to individual position and is determined annually by the CEO.

All new pension plans in Yara shall be Defined Contribution plans. All Executives below age 55 (per 1 July 2006) on Norwegian employment contracts are part of the Defined Contribution Retirement plan. The normal retirement age for employees in Yara International ASA and Norwegian subsidiaries is 67 with the option for early retirement from the age of 62.

For information on salary and other benefits earned in 2012 see note 32 in the consolidated financial statements. For additional information about existing pension plans see note 22 in the consolidated financial statements.

» Note 32 to the consolidated financial statements "Related parties" / PAGE 122

13. Information and communication / *Compliant*

Communication with the financial markets is based on the principles of openness and equal treatment of all shareholders. Yara's website (www.yara.com) contains an updated financial calendar, financial reports and other investor-related information. Yara's Board of Directors receives regular updates from the

Executive management detailing the manner in which the company is perceived by the financial markets. Yara has received several awards for its investor communication and financial reporting.

» yara.com / Investor relations

14. Take-overs / *Compliant*

The Board of Directors will not seek to hinder or obstruct take-over bids. The Board will ensure that shareholders are given sufficient information and time to form an opinion on an offer. If a take-over offer is made, the Board will issue a statement making a recommendation as to

whether shareholders should or should not accept the offer. The Board will arrange a valuation from an independent expert that shall be made public no later than the disclosure of the Board's recommendation.

The Norwegian Securities Act regulates take-over attempts. Shareholders at the Annual General Meeting will, according to law, make the decision on any potential take-over bid.

15. External audit / *Compliant*

The external auditor shall provide to the Audit Committee a description of the main elements of the audit of the preceding financial year, including in particular any material weaknesses uncovered related to internal controls of the financial reporting process.

The external auditor shall also:

- annually confirm its independence
- disclose any services besides statutory audit services which have been provided to the company during the financial year

- disclose any threats to its independence and document measures taken to mitigate such threats

The external auditor participates in the meetings of the Audit Committee and in the Board meeting that approves financial statements. In addition, the external auditor meets with the Board, without Yara Executive management being present, at least once per year. Norwegian laws and regulations stipulate the type of non-audit services

that external auditors can perform for Yara. Remuneration to Yara's external auditor is disclosed in note 33 to the consolidated financial statements.

The Board of Directors of Yara International ASA
Oslo, 21 March 2013


Bernt Reitan
Chairperson


Elisabeth Harstad
Board member


Hilde Merete Aasheim
Board member


Juha Ilari Rantanen
Board member


Geir Olav Sundbø
Board member


Rune Asle Bratteberg
Board member


Guro Mausset
Board member


Jørgen Ole Haslestad
President and CEO

GOVERNANCE 2012

Risk *management*

YARA'S RISK MANAGEMENT aims to identify, assess and manage risk factors that affect the performance of all parts of the company's operation. Yara implements a continuous and systematic process to mitigate potential damages and losses, and to capitalize on business opportunities. Ultimately, risk management contributes to achieving Yara's long-term strategies and short-term goals.

Risk management at Yara is based upon the principle that risk evaluation is an integral part of all business activities, with defined procedures for identifying, assessing, managing and monitoring the company's primary risk exposures.

FRAMEWORK AND PROCEDURES

In 2009 Yara implemented a framework, including policies and procedures, to facilitate risk management. The primary purpose of the framework is to minimize the company's exposure to unforeseen events and to provide certainty to the management regarding identified risks. This creates a stable environment within which Yara can deliver on its strategic and operational objectives.

Yara has adopted the Committee of Sponsoring Organizations of the Treadway Commission (COSO) ERM framework as the best practice benchmark for assessing the soundness, efficiency and effectiveness of its risk management. Yara has also adopted best practice established by other companies in order to improve its risk management system.

» For risk responsibilities see Corporate governance article / PAGE 21

While risk management is a centrally controlled process, the responsibility for day-to-day risk activities is placed with the operating segments and expert organizations. Through a continuous process of risk identification, monitoring, assessment, management and reporting throughout the organization, Yara provides assurance to the Board of Directors and stakeholders.

The operating segments and expert organizations perform a risk assessment aiming to identify, assess and document the key risks that affect the business and analyze how these risks influence performance. Yara's Executive management performs a separate risk evaluation, based on a top-down approach.

Yara determines the materiality of risks by developing a risk profile and considering the likelihood and consequence of each risk. In this appraisal, a combination of qualitative and quantitative risk assessment techniques is employed. Each risk is evaluated to determine whether the level is acceptable or unacceptable and to prioritize those that have the greatest potential impact on company performance.

Yara implements mitigating strategies and operational controls to ensure that each risk is optimally managed. When preparing the risk mitigation plan, the company determines responses by evaluating the cost of control and potential impact, relative to the benefits of reducing the risk. Yara's operating segments and expert organizations are responsible for making business continuity planning part of their key risk management activities and preparing contingency plans for high-impact, low-likelihood risks.

Once risks are managed, Yara continually monitors the residual risks to ensure that they remain at an acceptable level. Yara reviews the risk profile and update it at least annually, with more frequent updates if new opportunities or risks are identified. The risk mitigation plan is reviewed and updated on a quarterly basis to reflect the

current status of risk and action plans, and communicated to Yara Executive management during quarterly review meetings.

RISK FACTORS

Yara is exposed to a number of strategic, operational, political/economic, compliance-related and financial risks that could have

an adverse material effect on the company's business, operating results and financial condition and, as a result, the share price. The Executive management currently considers the following risk areas and factors to be the most relevant to Yara's business:

Strategic risks

Yara's vision to be an industry shaper, and its ability to deliver on broader ambitions and goals, depends on the company successfully implementing its strategy and capitalizing on new business opportunities. In so doing, all key strategic risks have to be monitored and mitigated. The global strategic risks affecting Yara's business engagement include economic growth and climate change, as well as increased pressure on natural resources, especially water and land. The global energy situation, and in particular the pricing and availability of natural gas across regions, is a major factor for Yara.

DEVELOPMENTS AND EVENTS IN 2012

On the global scene, developments affecting Yara's strategic development and global performance in 2012 included a downturn in world economic growth and regional financial turmoil, particularly within the Eurozone, adding an element of uncertainty to strategic assessments of future scenarios. Environmental aspects with great economic and social impact include climate change, with renewed concerns pertaining to the effects of global warming.

The 2011/2012 European fertilizer season was weak, not least due to adverse weather. During 2012 a number of new nitrogen capacity projects in North America were announced, for completion in 2015 and beyond. With a potential supply build-up there is an increased possibility that the global crop nutrition market turns supply-driven, causing fertilizer prices to drop and high-cost plants to close down for a period.

Impact

Yara operates within a global industry and market. Consequently, it is affected by major global developments and, more specifically, those affecting the agricultural and industrial sectors. Hence, Yara is faced with both generic, global risks that are largely or entirely outside its control, and more specific industry-related risks where it may have a greater degree of influence. Both categories can impact the company greatly, either positively or negatively.

› A supply-driven market situation, caused by increased world production and/or reduced consumption, would lead to a significant reduction of Yara's margins as fertilizer prices would drop and potentially loss of sales volume due to short or long term production curtailments could occur.

Mitigation

› To mitigate Yara's strategic risks a comprehensive, annual Strategy Development Process has been developed. This includes key knowledge updates, such as energy and global pricing, as well as strategic assessments of specific opportunities or concerns. The process focuses on changes in the strategic setting and on developing strategic responses to major risk aspects in order to maintain and create sustainable competitive advantages. Additionally, in order to foster agility and preparedness, Yara conducts comprehensive business intelligence gathering, with information and analysis being fed to relevant parts of the organization.

› Facing global challenges and risks, Yara engages in multilateral processes setting and shaping the global agenda, especially related to the food-climate-water-energy nexus.

Yara argues the need for improved agricultural productivity and resource use efficiency as the main avenues to achieving food security at a time of population growth and dietary changes, global warming and resource scarcity.

› Yara focuses on developing sales of differentiated products where pricing and demand will be less volatile. Yara also conducts global optimization with risk reduction in mind, e.g. prioritizing a global presence, counter-seasonality and market flexibility in addition to short-term profitability.

› The weak European 2011/2012 fertilizer season was mitigated by shifting volumes to markets outside Europe, where cash crop growers benefit even more from the added productivity of nitrates and NPKs.

Operational risks

Yara has a wide set of inherent operational risks. The company has a strong focus on limiting and mitigating loss resulting from failed internal processes and systems, human errors or external events. For example, the management of Yara's production plants, storage facilities, sourcing of products and raw materials and the transportation of products have associated risks of major accidents, such as explosions, leakage or fire, causing harm to property, employees, communities or the environment.

DEVELOPMENTS AND EVENTS IN 2012

During 2012 Yara continued to focus on improving risk mitigation actions in all its operations and processes, building on established tools and reporting procedures. During 2011/12 the specific safety training programs were strengthened and contractor safety follow-up reinforced, and requirements for working in confined space were tightened. Also, several new regulations were met. Despite these and other measures, Yara experienced two contractor fatalities in 2012, and

did not meet the overall target for total recordable safety incidents.

Aiming at reducing its dependency on third party suppliers of dry raw materials, Yara in 2012 established a new mining organization to increase focus on existing mining operations and on the development of new mining projects. Yara currently has a portfolio consisting of two projects on phosphate and two projects on potash, all in an early phase of exploration.

HESQ

Impact

Yara has a longstanding commitment to safety and a strong track record in health, environment and safety compared to the performance of its industry peers. Yara's belief that every accident is preventable constitutes the basis of its safety program. The goal is that no one should be injured or have their health jeopardized while working at Yara.

Mitigation

Through strict, standardized operating procedures, employee training, operational discipline and audits, Yara works continuously and systematically to prevent occupational and process safety risks and to avoid accidents. Strong man-

agement commitment and active employee involvement in preventive measures are crucial, and compliance is monitored diligently. All accidents and near-accidents are thoroughly investigated and preventive action implemented.

To maintain the company's industry-leading position and improve its safety performance, a further improvement to its safety culture is key for all segments in Yara, starting with visible and felt safety leadership. More attention is also being given to reducing incidences of human error, an important factor in most accidents.

Yara's operations are subject to many environmental requirements under the laws and regu-

lations of the jurisdictions in which the company conducts its business. Yara affirms its commitment to improve continuously and reach standards of excellence in health, environment, safety, quality and product stewardship throughout its operations.

Yara implemented the CLP Regulation (Regulation (EC) No. 1272/2008) in EU/EEA markets in 2011/2012. For non-EU markets the Global Harmonized Standard (GHS), the roll-out of the UN standard for classification and regulation, is ongoing and will be completed during 2013, based on the same processes as for the EU.

REPUTATION

Impact

Over the past century Yara has built a strong reputation and brand recognition with its key stakeholders around the world, and these are significant assets. Reputational value is based on Yara's total operation, along the entire value chain and in all markets. A variety of issues and incidents, relating both to operation and products, could potentially harm Yara's reputation and public image. These risk issues range from product liability and quality, safety and accidents, to compliance with internal and external standards and regulations, including those covered by

the UN Global Compact, encompassing universal human rights, international labor standards and non-acceptance of bribery/corruption, as well as corporate response to external events such as natural disasters and political interference.

Mitigation

Reputational risk management has a wide scope, mitigating Yara's risks through policies, procedures and tools, and by building the capability to communicate skillfully with stakeholders and the media, particularly in challenging situations.

Yara is focused on developing industry-leading capabilities in awareness and crisis management. At every step, the company aims to implement best practice in mitigating unforeseen and harmful reputational impacts. Considerable effort is put into crisis management training and scenario planning, customer and end-user brand surveys, and media monitoring. In addition, social media policies, guidelines and monitoring have become increasingly important in minimizing the potential damage to the company's reputation and brand assets.

SOURCING OF NATURAL GAS AND OIL

Impact

The availability and price volatility of natural gas and other essential energy sources pose both opportunities and risks for Yara. Given that the company's operations require large volumes of energy as inputs, its position and operating results could be adversely affected if it was unable to secure competitively priced replacements when existing energy supply contracts expire.

Mitigation

Yara's risk exposure towards energy sourcing is minimized through global purchasing ac-

tivities, based on the company's energy strategy. Executing this strategy, Yara is continuously monitoring options for additional and alternative sources of favorably priced natural gas, in existing and new areas of production.

Yara's energy contracts are structured and priced as either spot deals or forward contracts, which are oil-linked or gas hub-based. In recent years the company has switched a significant percentage of its European gas sourcing from oil-linked to hub-based contracts. From 2013 Yara's European oil and gas exposure will be 90% spot

gas and 10% spot oil products. Yara has opted to utilize primarily spot pricing on its hub exposure and limit forward buying.

Yara is well positioned to cover the risk of its spot exposure. The company has the operational flexibility to reduce gas purchases and import ammonia for fertilizer production if gas prices peak. Yara also benefits from a natural hedge in the high correlation between nitrogen fertilizer prices and global energy prices.

SOURCING OF DRY RAW MATERIALS

Impact

› Risks relating to the sourcing of raw materials are linked to the supply and structuring of prices of vital inputs necessary for production. Yara relies on third parties, including key suppliers, for a range of raw materials, and is vulnerable to the termination of, or material change to, its arrangements with certain key suppliers, as well as the potential failure of these to meet their contractual obligations.

› Potash operations are not vertically integrated, which represents a risk for the NPK business at times when potash prices are high.

Mitigation

› Yara depends on access to dry raw materials, such as phosphate and potash salts, for its NPK production. By upgrading its NPK plants and adding diversified phosphate sourcing capability through acquisitions, Yara has increased its flexibility and reduced its dependence on imports from third party suppliers.

› To reduce its dependency further, Yara aims for long-term relationships with a wide network of suppliers. The company works continuously to optimize the phosphate balance and to identify opportunities for further improvement. At the same time, Yara's mining organization aims to strengthen the company's degree of self-sufficiency in P and K.

PRODUCTION RELIABILITY

Impact

› Yara depends on running its production facilities in a safe and reliable way. Operational unreliability and irregularities at production plants may result in lost production volumes and contribution margin, as well as incur increased costs.

Mitigation

› Yara continues its work to further improve reliability and productivity by following two main initiatives:

1) The Risk Based Inspection (RBI) program started in 2009 and has geared up to the next level, focusing on proactive preventive maintenance and spare part philosophy.

2) The human aspect of reliability, expressed by competence, quality of operational procedures and operational discipline, is essential. In recent years Yara has significantly developed its efforts to further strengthen the competence of its operators, also focusing on the evolution of, and

compliance to, the Yara Technical and Operational Standards, which cover all aspects of safety and reliability.

› Yara is exposed to large property, business interruption and third party liability losses. The company's policy is to retain frequency losses in its own books and buy insurance cover for large catastrophic losses from reputable insurers with a high security rating.

HUMAN CAPITAL

Impact

› Yara's ability to compete effectively and meet market demands depends heavily on the competence, experience and performance of its employees. An adequate, diverse and suitably skilled staff is essential for Yara's business to be successful.

Mitigation

› Strategic focus and priorities are geared towards optimizing workforce performance, attracting and developing talents to build a sound candidate pipeline, and building a highly valued work culture in which employees have the possibility to develop their potential.

› Yara has implemented improved processes to enhance the quality of human resource manage-

ment, create a transparent recruitment process, secure good access to the best talent available, and evaluate talent and performance effectively. Focus is on people management skills, performance and talent development. Setting clear performance objectives and providing feedback on performance, evaluating skill levels of employees and executing development plans, and open advertising of all vacant positions are key tools in these processes.

PRICE RISK ON INVENTORY

Impact

› With increasing volumes and continued high and volatile prices, the price risk on inventory is high, in particular for third-party products (TPP) in the markets but also for own produced products and for raw materials in Yara sites.

Mitigation

› The risk is primarily mitigated by conscious flexibility on sourcing of TPP as well as proactive global optimization both following up and challenging markets with high stocks. TPP exposure limits and follow up have been established for the most TPP intensive countries.

Political/economical risks

Yara is exposed to a range of risks driven by changing political and economic conditions in the countries, regions and markets in which it operates. Domestic developments, such as destabilization and changes in political leadership and in policies related to Yara's business, could represent threats as well as opportunities, depending on the specifics of the situation. Regional developments, such as new or reinforced multilateral regulations, may likewise affect Yara's operations and/or position in the market. At the same time, national or regional conflicts may impede operations. Terrorism

has increasingly emerged as a potential threat also to industrial operations.

DEVELOPMENTS AND EVENTS IN 2012

The Arab Spring made considerable impact across Northern Africa and the Middle East in 2011, and it introduced significant uncertainty to one of the world's key energy and fertilizer supply regions. The upheavals abated in 2012 and the situation stabilized in most countries. Hence, Yara was able to resume its production in Libya in the third quarter of 2012.

During 2012 the Eurozone crisis impacted on the EU in general and certain member countries in particular, but the situation also increased economic risk beyond Europe. Also in 2012, the so-called 'fiscal cliff' in the USA added to economic uncertainty. Yara continued to improve its system and processes for following up its defined country exposures limits.

Impact

> A politically or economically unstable environment could affect investments and operations, resulting in financial loss. These risks are generally beyond the company's control, but could result in Yara being unable to deliver on its obligations or fulfill its strategy and objectives.

Mitigation

> Policies and guidelines on currency and country exposure are aimed at balancing the risk level versus expected reward. The company's exposure is subject to strict limits in higher-risk areas. Yara monitors political and economic develop-

ments in its markets as an input to risk mitigation recommendations. Country and currency credit limits are defined, to ensure that the company's exposure is controlled. These measures are also used to assess the risk profile of new projects, as part of the capital expenditure approval process.

> Responding to the Eurozone crisis, a revised strategy for Yara's operations in Greece was developed, as the risk of a Greek exit from the zone increased in the first half of 2012. Other countries that received special attention in 2012 were Argentina, Spain and Egypt.

> To mitigate political developments harboring potential risks Yara engages in dialogue with policy institutions, partly in bilateral dialogue, mostly through participation in fertilizer industry associations.

> Yara also uses insurance and trade finance instruments to mitigate this type of risk in certain cases.

Compliance risks

Due to its internationally widespread operations Yara faces the risk of legal or regulatory sanctions, financial loss, or loss of reputation as a result of potential failure to comply with all applicable laws, regulations, codes of conduct and standards of good practice.

Yara's highly diverse workforce represents different backgrounds, goals, values, and perceptions of acceptable behavior. Yara strictly enforces its own Code of Conduct, and is a signatory to the UN Global Compact and a member of the FTSE4Good Index. While there is no guarantee for absolute compliance, Yara expects employees to respect the practices set out in Yara's Code of Conduct

and has training and systems in place to continuously maintain a vigilant and compliant organization.

DEVELOPMENTS AND EVENTS IN 2012

The Yara Ethics Program was developed and continuously employed throughout the organization in 2012. Specifically, the training initiative "Share It!" was launched to encourage managers and employees to identify and reflect on ethical issues and how to handle them correctly, to encourage discussion and reflection, and to increase awareness about the ethical tools. Yara's mandatory interactive video learning program on ethics was expanded.

The Integrity Due Diligence process has been further strengthened. In 2012 Yara was recognized with a presence on the UNGC (United Nations Global Compact) core advisory group.

The internal investigation launched by the Board of Directors into irregularities related to Yara's business conduct in Libya, India and its Swiss operations was completed in June 2012. The investigation concluded that several unacceptable payments were offered or made by Yara. All findings have been shared with The Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime, which continued investigating through 2012 and into 2013.

Impact

Failure, real or perceived, to abide by Yara's ethical principles and comply with applicable laws and regulations will have a damaging effect on the company's brand and reputation. It can also negatively affect Yara's relationship with current and future business partners, and both legal sanctions and financial loss can occur. In positive terms, compliance can be leveraged to create competitive edge and create value for business partners, employees and society at large.

Mitigation

> Yara's Ethics and Compliance Department has been established to coordinate and oversee the

company's ethics and compliance work, including policy development, training, advisory services, internal investigations and reporting.

> The Integrity Due Diligence process is defined to map risks related to business partners on various topics, including Corruption, Human Rights and Labor Rights.

> Reporting and business conduct performance are set at high standards reflecting Yara's commitments. Its reporting is organized in accordance with the Global Reporting Initiative (GRI) G3.1 Standard.

> Social impact assessment is an obligatory part of larger expansions and greenfield projects.

> Yara has developed a Business Partner Code of Conduct that takes into account internationally recognized and endorsed standards in key areas such as international human rights, business ethics and labor conditions. Yara expects its Business Partners to do the same and is committed to working only with partners that fulfill this requirement.

> An external, whistle-blowing system allows employees to raise concerns anonymously.

Financial risks

Due to its global operation Yara is exposed to various financial risks. Yara has in place, and is constantly developing, comprehensive policies, procedures and tools to manage these risks. In some cases Yara may utilize derivative instruments, such as forwards, options and swaps, to reduce these risk exposures.

DEVELOPMENTS AND EVENTS IN 2012
The financial markets in 2012 were characterized by enduring downside macroeconomic concerns. The global economic recovery continued, but weakened during the year. In advanced economies low growth and uncertainty remained, mainly driven by the Eurozone crisis and lack of agreement by US policymakers. This also affected emerging market economies, where growth that

had been strong earlier declined as the year went by. New banking regulations also progressed, and Yara continues to enjoy good access to financial markets. In this challenging financial environment Yara has kept up the focus on financial risks. Yara continued to strengthen its financial position during 2012 and the company's debt-to-equity ratio declined sharply, driven primarily by strong earnings.

REFINANCING/ACQUISITION FINANCING RISK

Impact

› Refinancing/acquisition financing risk represents the risk that the refinancing of maturing loans or establishment of new financing may be difficult or costly to arrange. Adverse financial market conditions could lead to higher funding costs and postponement of projects.

Mitigation

› Yara's strategy for mitigating the refinancing/acquisitions financing risk is to maintain a solid financial position and strong creditworthiness. This is achieved by flexibility in capital expenditures and fixed cost levels.

› Yara reduces the refinancing risk by basing its long-term funding on a variety of sources, to avoid dependency on individual markets; and

by timing the maturity dates of large facilities to avoid them turning due at the same time. Committed liquidity reserves are maintained to meet unforeseen costs.

› Yara has access to sufficient funding and borrowing facilities to meet currently foreseeable requirements, combined with a large cash position that covers short term needs.

CREDIT RISK

Impact

› Credit risk represents exposure to potential losses deriving from non-performance of counterparties.

Mitigation

› Credit risk is monitored and managed by the business units and expert organizations on the

basis of standard Yara policy and procedures and regular reporting. Yara has a well-established system for credit management, with defined exposure limits at customer, financial institution and country level. A number of instruments, such as credit insurance, letters of credit and bank guarantees, are employed to mitigate credit risk.

› Yara's geographically diversified portfolio reduces the overall credit risk of the group. Due to the company's wide geographical spread and large number of customers, there are no major concentrations of customer credit risk.

CURRENCY RISK

Impact

› As the fertilizer business is essentially a US dollar business, prices of Yara's most important products and raw materials are either directly denominated or determined in US dollars. In markets outside the USA, local prices will generally adjust to fluctuations in the US dollar exchange rate, with a certain time lag.

Mitigation

› Yara keeps a major part of its debt in US dollars in order to reduce overall economic currency exposure. Yara also utilizes derivative instruments to manage foreign currency exchange rate risks.

› A well-established system for currency risk management is in place, with defined currency exposure limits. Yara's geographically diversified portfolio reduces the company's overall currency risk.

INTEREST RATE RISK

Impact

› Interest rates on different currencies vary dependent on the economy and political actions, which will influence Yara's funding cost over time. However, the overall exposure of its fertilizer business to interest rate fluctuations is considered low.

Mitigation

› The interest rate risk is managed on an assessment of the financial markets and macroeconomic development, in relation to the expected impact an interest change will have on Yara's financial performance. As a risk mitigation measure, Yara keeps part of the long-

term debt portfolio in fixed interest rate agreements. Yara also utilizes derivative instruments to manage interest rate risks.

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YARA *Management discussion & analysis*

QUICK OVERVIEW

During 2012 Yara continued to deliver on its 2016 growth ambition of adding eight million tons of product sales, compared to 2010.

Yara executed its strategy, providing profitable, sustainable growth by expanding capacity and perfecting operations at existing plants, and through acquisitions targeting growth markets. Throughout 2012, Yara engaged in global partnerships and reinforced its innovation activities, responding to global challenges, creating new business opportunities.

VALUE CHAIN ENGAGEMENT: In 2012 Yara engaged in food value chains supporting smallholder farmers, including the Ghana Grains Partnership, Southern Agricultural Growth Corridor of Tanzania and the Grow Africa partnership. Joining other suppliers, local growers and national authorities, Yara has contributed its crop nutrition solutions. By sharing knowledge Yara helps improve agricultural productivity, maize yield and farmers' incomes in Northern Ghana.

CORE CONTENT

Business overview.....	PAGE 35	Downstream	PAGE 51
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Corporate strategy.....	PAGE 38	Upstream.....	PAGE 57
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MANAGEMENT DISCUSSION & ANALYSIS

Creating *impact*

YARA DELIVERED another year with strong results in 2012, with a substantial increase in proposed dividends.

In 2012 Yara continued to deliver on its growth ambition, increasing production and strengthening its financial position. With strong cash flow and a debt/equity ratio of 0.02 Yara is well positioned for further growth.

The 2012 net income after non-controlling interests was NOK 10,602 million, a decrease of 12% from 2011, ascribed mainly to 2011 special items, primarily the sale of Yara's share in Rossosh and the part-divestment of the company's share in Yara Praxair. The corresponding decline in earnings per share was 11%, to NOK 37.49, whereas earnings per share excluding currency and special items increased slightly to NOK 35.52. Revenues and other incomes increased 5% to NOK 84,509 million, against NOK 80,352 million in 2011.

» Financial performance / PAGE 47

Total production including Yara's share of JVs amounted to 24,555 kilotons in 2012, marginally above levels in recent years and the highest recorded. Further increases are expected in 2013, in line with the growth ambition of adding 8 million tons compared to 2010, reaching 32.5 million tons in 2016. Limited volume growth in 2012 was mainly due to closure of production in Libya most of the year, as well as the divestment of Rossosh, partly offset by increased capacity in Qafco, which will add further growth in 2013.

2012 sales of *mineral fertilizers* amounted to 20,748 kilotons, up from 19,522 kilotons in 2011. The increase mainly reflected higher sales of urea and nitrates. 2012 sales of *industrial products* amounted

to 4,706 kilotons, up from 4,551 kilotons in 2011; the highest volume recorded. The increase was driven mainly by deliveries of environmental solutions.

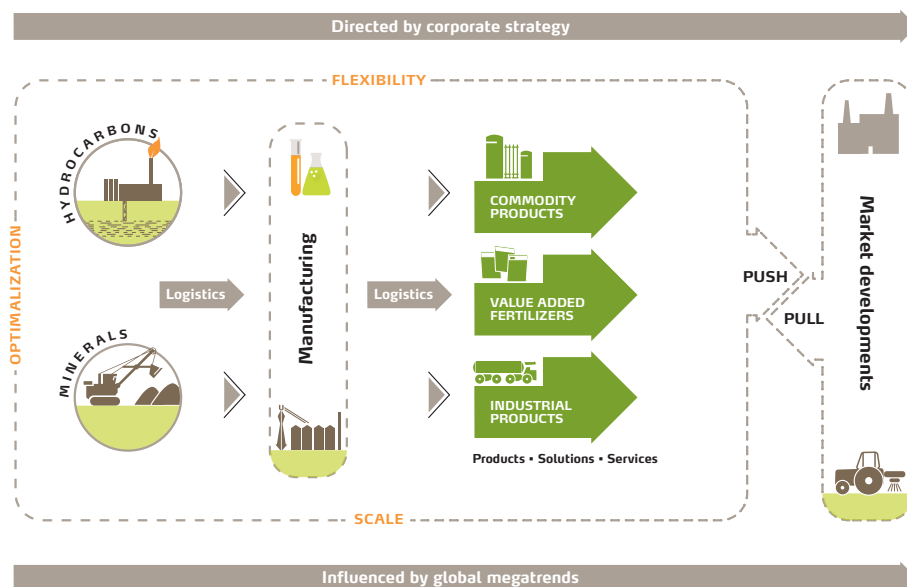
Fertilizer volumes increased towards the end of 2012, reflecting a continued high level of world food prices. Fertilizer sales to the European market increased by 3% and sales to overseas markets by 9% compared to 2011, with the largest share going to Brazil. The balancing of the European market with growth overseas is part of Yara's strategy.

The Downstream segment delivered an EBITDA of NOK 3,910 million, reflecting increased sales volumes and healthy margins. EBITDA excluding special items decreased 24% compared with 2011, mainly as a result of lower NPK and nitrate margins. Realized fertilizer prices were up for most product groups, but with a small decline for nitrates and NPK. Sales volumes increased by 6% compared to 2011, with continued strong growth in premium markets outside Europe.

The Industrial segment delivered an EBITDA of NOK 1,111 million, in line with last year when excluding special items. Sales volumes increased, especially for the environmental segment, but margins were slightly lower compared with 2011, except for NO_x abatement products and TAN.

The Upstream segment delivered an EBITDA of NOK 11,849 million, second only to the record 2008 results. Finished fertilizer production volumes increased 3% compared with last year, whereas ammonia

YARA CORE BUSINESS MODEL



production increased 6% with new capacity in Qafco as the main contributor. 2011 EBITDA includes the one-time gain of NOK 1,419 million for the sale of Yara's 30% share of the Russian Rossosh plant. EBITDA excluding special items increased 15% compared with 2011.

» Segment reports / PAGES 51–58

Business overview

COMPANY

Yara pioneered mineral fertilizers more than one hundred years ago. Expanding from its origins in Scandinavia, the company has become the world's leading producer and distributor of mineral fertilizers and a major provider of environmental solutions. Yara leverages its unique business model and unrivalled market presence to create competitive edge and deliver better yield. Employing the company's agricultural expertise and industrial experience, Yara offers crop nutrition and environmental solutions.

Yara is the world leader in providing crop nutrition solutions, offering a comprehensive range of quality products catering for most commercially grown crops. Advising growers to apply the right amount of the right kind of crop nutrients at the right time, Yara helps improve agricultural productivity and resource use efficiency, thereby supporting sustainable agriculture.

Yara is a world leader in providing industrial environmental solutions, offering products used to reduce toxic emissions from transportation and industrial plants. Yara helps improve air and water quality, lifting living conditions, especially in urban areas. The company's technologies, and its chemicals and gases, support cleaner, more efficient industrial processes.

In 2012 Yara operated in more than 50 countries, with sales to 150 countries. Yara International ASA is headquartered in Oslo, Norway and has been listed on the Oslo Stock Exchange since 2004.

» The Yara share / PAGES 63–65

OPERATIONS

Yara's global activities range from phosphate mining and ammonia production, through commodity trade and energy arbitrage, to building local market knowledge and developing customer relationships across the world. Large-scale ammonia and fertilizer production in Europe are the backbone of its operations. In recent years new capacity has been added in regions with low-cost gas supplies.

Yara's fertilizer and industrial products share a common platform, utilizing the company's knowledge and leadership position in the production and distribution of ammonia, nitrates, NPK and urea. They also share a common market approach, in which Yara uses its experience and expertise to provide complete solutions that meet the needs of customers and deliver real value to their businesses.

ORGANIZATION

Company structure

Yara is organized with three operating segments, Downstream, Industrial and Upstream, all supported by the global Supply & Trade function. At year-end 2012, 8,052 people were employed worldwide. Strengthening its value chain and raw materials sourcing, Yara in 2012 established a new Business Unit Mining, within Supply & Trade.

Executive management

The President and CEO of Yara International ASA, Jørgen Ole Haslestad, took up his position in 2008, having previously served on the Board of Directors. In June 2012 these changes were made in the Executive management team: Torgeir Kvidal, previously serving as Head of Supply & Trade, was appointed Chief Financial Officer, replacing Hallgeir Storvik; Jan Duerloo was appointed Head of Upstream, replacing Tor Holba; Alvin Rosvoll was appointed Head of Supply & Trade. In December, Gerd Löbbert was appointed new Head of Upstream.

INDUSTRY

The mineral fertilizer market is segmented into three main crop nutrients: nitrogen (N), phosphorus (P) and potassium (K). Of these, nitrogen is the most important and by far the largest segment, accounting for more than 60% of global fertilizer consumption. The International Fertilizer Industry Association (IFA) forecasts an annual growth in nitrogen fertilizer demand of 1.3 percent through 2016.

The fertilizer industry has historically been divided into nutrient-specific sub-sectors. A number of companies serve national markets or sub-regional markets. However, only a handful operate on a global scale, with Yara as the largest. The N fertilizer industry is less consolidated than the P and K industries, a fragmentation offering growth opportunities. The industry has historically been subject to government engagement and ownership. With state involvement declining and state-owned enterprises becoming more market-oriented, there is a trend toward consolidation and stronger financial discipline.

Business environment

GLOBAL TRENDS

Yara is influenced by a set of global megatrends that impact business environments and market conditions. Some drive demand for mineral fertilizer and industrial products, others influence the way business is conducted.

- *Global growth* increases the demand for food, fiber and fuel. Economic growth stimulates dietary change, which alongside population growth increases demand for agricultural produce. Global growth increases the demand for Yara's mineral fertilizers and crop nutrition knowledge.
- *Resource scarcity* influences the way business is done. With increased pressure on limited resources, there is a growing need for improved solutions, resource efficiency and innovation.

- *Climate change* impacts the world economy in general, and agriculture in particular. Global warming is anticipated to affect crop yields negatively, increasing the need for productivity gains. Climate change can also be mitigated by agriculture, increasing demand for Yara's crop nutrition solutions.
- *Urbanization* affects Yara by impacting its customers and markets for crop nutrition solutions, and by increasing demand for its industrial products. Urbanization transforms people's lives – where they live and how they live, including production in rural areas and consumption in urban areas.
- *Globalization* affects Yara as a global company engaged in production and partnerships, trade and sales in international markets. Globalization has harmonized regulations and standards, not least affecting agricultural commodities and eased access to markets.

GLOBAL CHALLENGES

Responding to these global trends and related challenges, Yara monitors key global developments influencing its business. These include developments within the three focal areas where Yara is positioned to create substantial impact and also business opportunities: resources (with an emphasis on resource efficiency); food (sustainable agriculture); and environment (reduced emissions).

In 2012 the financial turmoil in the Eurozone and uncertainties connected to US finances impacted on world economies. Europe and North America are both key markets for Yara, as is South America, Brazil in particular. Growth was positive but slowed in major emerging economies such as the BRIC countries (Brazil, Russia, India, China), and in Africa. Entering 2013 the International Monetary Fund, the World Bank and the Organisation for Economic Co-operation and Development all projected a slow recovery in world economy, and renewed growth in the BRICs.

Resources

In 2012 resource issues remained high on the global agenda, with a growing awareness of the need to improve resource use efficiency. Yara has taken an active position on linking sustainable agriculture and food security to developments in the land, water and energy sectors, which again interconnect with global growth. Improved agricultural productivity will reduce the pressure on land, while improved technologies and management practices have considerable potential to increase water use efficiency.

Water: In 2012 water scarcity became an ever more critical issue in major food producing areas – and a global policy topic. Agriculture accounts for about 70% of all fresh water withdrawals. Yara has engaged in developing solutions to improve water productivity, aiming to take the market shaper position in water scarce agriculture.

An action framework – 'Coping with water scarcity' – issued by the FAO in 2012, pointed to improved agricultural practices and increased water productivity as major response options. In its fourth 'World Water Development Report', the UN noted that increasing water productivity includes improving agricultural practices all along the value chain. In its 'Blueprint to Safeguard

Europe's Water Resources', the EU called for improved irrigation efficiency. Fertigation, supplying crop nutrition through irrigation, is one response to the food-water challenge, and an expanding market in which Yara is well positioned to grow.

Food

In 2012 attention to agriculture and food security remained high on the global agenda, with increased attention to productivity, closely connected to climate change. Yara has taken active part in the global policy process, arguing the case of improved agricultural productivity as a way to increase food security and at the same time reduce global warming.

Prices for major commodities in 2012 declined slightly compared to 2011, when the FAO Price Index reached its highest level ever. However, in mid-2012 cereal prices peaked at levels above 2011. Extreme weather threatens harvests, challenging agricultural productivity gains and adding uncertainty connected to price volatility. In its 'Food Price Watch' of November 2012 the World Bank warned against a 'new norm' of high and volatile prices that seemed to be consolidating. In their 'Agricultural Outlook 2012–2021', the OECD and FAO anticipate commodity prices remaining on a high plateau the next decade, encouraging farm acreage expansions and productivity investments. Yara shares the concern over price volatility since it tends to cause market ruptures, and Yara encourages investing in productivity.

Improving productivity: Agricultural productivity has become the main route to meet food demands and reach food security. Yara has for several years championed improving productivity as essential to achieving food security and green growth. Also, losses along the food value chain have to be minimized. Despite the economic slowdown, the Economist Intelligence Unit, in its 2012 report on 'Agriculture in high-growth markets', identified emerging markets, and the BRICs in particular, together with the most advanced developing economies, as being at the forefront of 'a new agricultural area, in which boosting yields and reducing harvest losses will be essential to feeding the world's growing populations'.

Increasing investments: Access to affordable financing for farmers is a key to improved agricultural productivity. Yara has consistently supported the call for increased agricultural investments. In 2012 the Mexican presidency of the G20 invited the private sector to contribute recommendations on improving agricultural growth, and Yara's CEO participated in the B20 Task Force on Food Security. Key policy recommendations included an increase in investments to improve productivity, to ensure sustainability through effective resource management, including improving water use efficiency, and to apply climate smart agriculture.

In line with the B20 recommendations, the FAO in its 'The State of Food and Agriculture 2012' called for more and better investments in agriculture, including through agricultural value chains, as one of the most effective ways to reduce hunger and poverty while safeguarding the environment.

Public-private partnerships and value chain collaboration have increasingly become avenues to obtain investments to improve productivity. Yara has been a pioneer in developing the concept of agricultural PPPs and food value chains.

» Value chains / PAGE 40

Environment

In 2012 environmental issues, in particular global warming, remained high on the global agenda. Yara has contributed to raising awareness around the linkages between climate change and food security, engaging in processes to improve agriculture practices. The World Bank report 'Turn Down the Heat' (2012) indicated a potential temperature rise of 4°C, with serious implications for agriculture as well as the world economy.

EU ETS: Based on the 'cap and trade' principle, the EU emission trading system (EU ETS) is by far the biggest international system for trading greenhouse gas (GHG) allowances. Entering phase III in January 2013, it for the first time includes European nitric acid plants, and is estimated to impart a total cost of EUR 100–400 million to the European fertilizer industry. The implementation of ETS III will have a neutral financial impact on Yara, considering its catalyst technologies for reducing GHG emissions.

Environmental legislation: Legislation drives the market for environmental solutions that reduce NO_x emissions. The first wave was introduced between 2006 and 2010, with Europe as a forerunner, followed by Japan, Australia, the USA and major cities in China. The second wave started in 2012, with stricter standards in existing markets and new legislation coming into force in new markets.

The market for transportation related NO_x abatement solutions has been dominated by applications for heavy-duty trucks. The EU is progressively applying more stringent emission standards also to passenger cars, and light-duty and non-road vehicles. National caps and legislation to reduce emissions from large combustion plants are expected to drive demand for NO_x abatement solutions for stationary applications. Once transposed to national legislation by the member states in 2013, the Industrial Emission Directive (IED) will cover more than 50,000 installations in the EU.

The strong attention to environmental issues, including pollution in urban areas, implies obvious opportunities for Yara. Globally, Yara is the largest producer of the high-purity urea solution called AdBlue in most countries in the world, DEF (Diesel Exhaust Fluid) in North America or ARLA32 in Brazil. Under the brand name Air1, this product is used to reduce NO_x emissions from heavy-duty vehicles.

Yara's Air1 solution is the only global brand in this market, and the company is well positioned to capture increased volumes as regulations tighten. In 2014 European diesel cars have to meet Euro 6 emission limits, and several car manufacturers have chosen to use the Selective Catalytic Reduction (SCR) system, which requires AdBlue.

Agricultural legislation: Although improved agricultural productivity is a key to the interlinked food and climate challenges, intensification can, if poorly managed, cause environmental damage through runoffs into water bodies. A case in point is the Baltic Sea. Yara has committed to help restore its environmental status, offering solutions to reduce leakage of nutrients while maintaining productivity. In 2012, faced by a threat of restrictions on fertilizer use which would reduce agricultural productivity and potentially imply a loss of 250,000 tons of sales, Yara launched a strategy for the company's engagement in the Baltic Sea region. The strategy argues the implementation of best agricultural practices as a more viable solution. During the year several of Yara's principles were accepted in policy documents for the region.

Corporate strategy

STRATEGY OVERVIEW

During 2012 Yara reinforced its strategic focus of leveraging its business model and global position to create long-term value by delivering profitable, sustainable growth – within the strategic framework of 'Creating Impact'. At the same time, attention remained on the medium-term growth ambition defined in 2011, of increasing 2010's total deliveries by 8 million tons by 2016. Achieving this 40% increase will require productivity gains in the existing business as well as organic growth and step growth initiatives, including acquisitions.

Creating impact

In 2012 Yara redefined its corporate strategy as one of creating impact, placing this ambition center-stage in business development and value creation. Creating Impact is the way Yara aligns its business operations with prevailing market conditions and mounting global challenges to create value for shareholders and customers as well as for society at large.

The strategy concentrates on three focal areas – resources, food and the environment – where Yara is uniquely positioned to make an impact. Consciously considering its business dispositions in the context of global challenges relating to these areas provides a sustainable competitive edge to Yara.

Yara's current products, solutions and engagements already create a positive impact, e.g. relating to global warming and sustainable, modernized agriculture. By taking a long term perspective, Yara also drives innovation to seize emerging business opportunities arising from global challenges.

Through Creating Impact Yara pursues its industry shaper vision, aiming to set industry standards and drive industry development through innovative performance and consistent growth.

» More on the strategic approach / PAGE 39

Continued growth

Yara has consistently implemented its strategy of profitable growth, constantly evaluating investment opportunities and integrating

new acquisitions into its global logistical and marketing system to achieve synergies and create value. Yara argues the need for further consolidation of the nitrogen fertilizer industry, expressing readiness to participate through acquisitions and joint ventures. Yara's growth ambitions are built on its scalable business model, strong earnings through the cycle, profitable acquisitions, and capital and valuation discipline.

Yara increasingly seeks growth by offering value-adding premium products in addition to its profitable commodity business. It develops solutions to match emerging global challenges and market demands, responding to global trends including international regulations and consumer consciousness.

The growth focus remains on nitrogen-based fertilizers. Larger initiatives will concentrate on increasing production in regions with stable supplies of competitively priced natural gas. Yara has also intensified its search for phosphate and potash projects, as well as expanded its presence in high-growth markets. Attractive options for adding production capacity will be pursued, including productivity gains or expansions in existing plants, M&As with large synergy potential and considering new-builds with special advantages.

» More on the strategy / SEE www.yara.com/about/strategy

Business model

Yara's strategy rests on the company's unique business model, its unrivalled market presence and participation in an extensive value chain. The model incorporates scale advantages, extensive flexibility and global optimization to create a platform for expanding business and improving margins through three main avenues: commodity products; value added fertilizers; industrial products – all harboring potential for further growth and future opportunities.

Yara's stakes in the value chain, including its role in supply and trade, support the company's ability to deliver – with reliability and quality. Furthermore, it improves Yara's ability to handle market risks and cyclicity, reducing the potential downside, and improving margins. The business model has built-in flexibility to enable quick response to changing market conditions.

» More on the business model /
SEE www.yara.com/about/businessmodel

STRATEGY EXECUTION

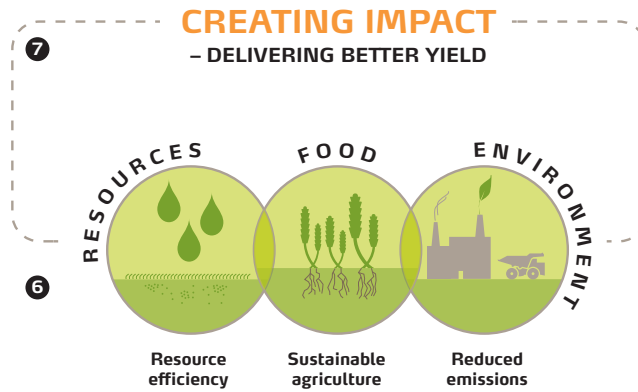
Growth strategy

Some of the 8 million tons volume growth will be delivered by capacity expansions and operational optimization; the remainder by acquisitions. Innovation-driven, knowledge-based solutions are essential for increasing volumes and improving margins.

Over the past five years, an increasing share of Yara's sales is own-produced volumes. There is a deliberate, particularly strong volume growth – at higher premium – outside Europe. Yara's growth initiatives have generated strong shareholder value.

» The Yara share / PAGES 63–65

YARA'S STRATEGIC AMBITON

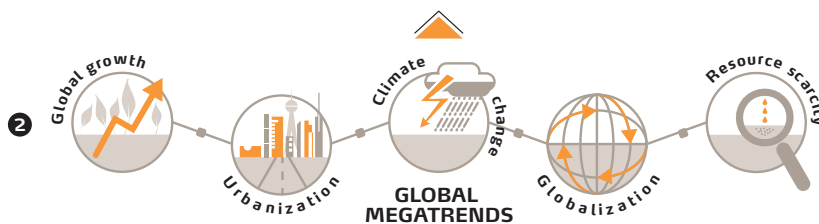


GLOBAL ENGAGEMENT & IMPACT AREAS



Yara's **4** competitive edge is the function of its unique business model and consistent strategy execution – **5** creating value. On this platform, Yara leverages its position to engage globally, regionally or locally, focused on three **6** impact areas where it contributes solutions, allowing for **7** creating impact and delivering on its mission: Better yield.

Creating Impact is Yara's strategic ambition. Building on its industry platform and **1** business model, influenced by **2** global megatrends, Yara implements its corporate strategy through six **3** strategic imperatives: priority areas constituting the framework for targeted strategy execution, each with prioritized initiatives.



Value chains

Establishing food value chains is an effective route to improved agricultural productivity and resource efficiency, increasing farm profitability while reducing environmental impact. Engaging in value chains is part of Yara's strategy to leverage its crop nutrition concept.

Value chains constitute an avenue for bringing together inputs and services to transform business-to-business and private-to-public relationships, with mechanisms for increasing quality, productivity and profitability – adding value along the entire chain.

Multiple opportunities

Value chains are promoted to increase efficiency, alleviate poverty among smallholders as well as reduce the carbon footprint of farming. Sustainable farming depends on available inputs as well as adequate support services and an enabling policy environment. Value chains can be set up as public-private partnerships, ensuring the required framework and infrastructure; others comprise collaboration and agreements between companies and growers.

The value chain approach offers opportunities for all parties involved. Food value chains often aim at easing small-scale producers' access to critical inputs, support services and markets – in order to boost production and profitability. With scant information and scarce resources, smallholders face substantial barriers to accessing markets and securing fair prices. Entering value chains offers a way out of the low-input, low-yielding farming systems trap.

Cooperating with key partners across the value chain in order to boost sustainable food production allows Yara to connect more closely with customers. By demonstrating Yara's products and solutions, offering improved quality, yields and environmental performance, a pull-effect and strengthened brand loyalty is created.

Diverse chains

Within the context of the African Green Revolution, Yara has engaged in Agriculture Growth Corridors in Mozambique and Tanzania, and in staple food value chains in Burkina Faso and Ghana. Partnering with Nestlé, Yara has engaged in coffee partnerships in Guatemala, Mexico and Vietnam, as well as exploring opportunities in Africa. With PepsiCo, Yara has entered carbon footprint partnerships in the UK and the USA.

Through value chains, major bottlenecks can be eliminated, mainly access to vital inputs – and to output markets. Food value chain examples include the Ghana Grains Partnership presented on page 42, and the Coffee Task Force in Vietnam (page 41). Yara has also engaged in value chains aiming to reduce the carbon footprint of agriculture. This is the case for Yara's cooperation with PepsiCo, which builds on the latter's ambitious carbon footprint targets – and Yara's ability to deliver climate compatible crop nutrition solutions. Two projects have been launched – both with tangible results; one for oranges in the USA, another for potatoes in the UK.

Key expansions

During 2012 capacity was added through expansions of existing production facilities, including the new Urea 7 plant at Sluiskil in the Netherlands in 2011 and the Qafco 5 and Qafco 6 plants in Qatar in 2012. The Qafco 5 expansion was carried out at a total capital cost of USD 3.2 billion; Qafco 6 of USD 604 million.

In February 2012 Yara reached a controlling stake of 51% of Burrup Holdings Ltd (BHL) at a capital cost of USD 143 million, renaming it Yara Pilbara. Apache Energy, holding the remaining 49%, signed a new shareholders' agreement with Yara. Following the deal, a JV with Orica and Apache was agreed, commencing the construction of a technical ammonium nitrate (TAN) plant with an annual capacity of 330,000 tons.

In 2012 expansions for the facilities in Belle Plaine, Canada and Porsgrunn, Norway were approved – set to add about 1.3 million tons of urea in Canada, and 300,000 tons of NPK in Norway.

Growing in Brazil

In 2012 Yara improved its position in the growing Brazilian market by entering an agreement to acquire Bunge's 22 blending units and SSP (Single Super Phosphate) plant in Rio Grande. The acquisition is subject to public approvals. In 2012 Yara also initiated expansions in São Paulo and Porto Alegre.

Yara's strategy in Brazil has increased its focus on value added products to better capitalize on Yara's global strengths and improve long-term profitability. Brazil is the pilot market for Yara's new power-brand YaraRega – a semi-soluble NPK crop nutrition solution. Brazil is also a growth market for Yara's environmental solutions.

Other expansions

In May 2012 the Vlaardingse specialty fertilizer plant in the Netherlands again became 100% owned by Yara. The plant has an annual capacity of about 65,000 tons of water soluble fertilizers and 125,000 tons of liquid fertilizer, contributing to Yara's leading position as a fertigation solutions provider.

In late 2012 production at the JV Lifeco plant in Marsa el-Brega in Libya gradually recommenced after one and a half year's suspension of operation due to local conflict. The plant achieved production at both urea units at the end of January 2013, running close to full capacity. Short term the capacity utilization is likely to be impacted by unstable power and utilities.

In 2012 Yara recovered its stake and regained control of its fertilizer blending and bagging facility in Abidjan, Côte d'Ivoire, following inactivity during the civil war. The construction of Yara's terminal in Dar es Salaam, Tanzania commenced in 2012 and is expected to be ready in late 2013.

In 2012 Yara Sluiskil, the Netherlands – Yara's key producer of AdBlue for Air1, and NOxCare – constructed a new 17,500 cubic meter storage tank for a premium grade 40% urea solution to meet growing demand in Europe and the Americas.

To reach the 2016 growth target of adding eight million tons, an additional four million tons have to be identified and achieved, 2013–2016. With its financial position Yara is ready to realize well-timed profitable investments in this timespan – and beyond. The initiatives already identified or executed have predominantly been green and brownfield projects within commodity products. The remaining growth is likely to contain more M&A activity. The growth ambition includes an intention to balance commodity and value-added product exposure, creating value in both groups.

Raw materials sourcing

Securing better raw material cost is a key component in Yara's present competitive edge and future growth ambition. Yara is the biggest industrial buyer of natural gas in Europe, and the third biggest buyer of phosphate and potash globally, providing scale and potential to source these materials more competitively than the average non-integrated NPK producer or farmer.

In Europe only two of Yara's ammonia plants are still using non-gas feedstock and the largest of these – Brunsbüttel in Germany – is undergoing a conversion making it able to use natural gas, reducing its feedstock cost. The conversion will improve energy efficiency and reduce its emissions. Likewise, an energy improvement project at the Tringen plant in Trinidad will reduce energy consumption at Tringen 1 by 12%, and annual capacity will increase by about 26,000 tons by 2014.

Since 2006 Yara has reduced its European energy exposure by growing outside Europe, as well as shifting European energy contracts from oil-indexed to hub-based pricing, while keeping spot exposure rather than forward buying. With the Brunsbüttel conversion completed in 2013 and the Ferrara gas contract renegotiated in 2012, oil price exposure will be reduced further, accounting for only 10% of total energy consumption in the European operation in 2013, against about 20% in 2012. Spot pricing has proven very profitable as spot prices since 2006 on average have been 10% lower than the forward price, although less so in 2012. Of Yara's total energy consumption in 2012 about 45% was outside Europe, against only 30% in 2007 – which has partly offset the effect of increased feedstock prices in Europe. Despite relatively high feedstock prices in Europe in 2012 Yara remained the region's cost leader in ammonia as well as nitrate production.

Yara has had its own phosphate mine and mining competence since 2007. In 2012 a dedicated business unit – Yara Mining – was established to strengthen the focus on these activities. In 2012–2013 the unit works on four projects, two each on P and K. Yara sourced almost half of its P-rock supplies in 2012 from its mine in Finland, while all of the K supply was delivered from external sources.

Yara made two key investments in 2012 to position itself in potash mining. In April, Yara agreed to make a strategic investment of approximately CAD 40 million in IC Potash Corp (ICP) of Canada, entering into an off-take arrangement for 30% of outputs from ICP's Ochoa project in New Mexico for a period of 15 years. The goal is to start commercial production in 2016. Estimated annual output is

Coffee partnership

adding value in Vietnam

Yara has entered into a public-private partnership to improve the productivity of Vietnam's growing coffee sector and the quality of its crops, adding value for all stakeholders. Experiences gained in Vietnam are transferred to other markets.

Coffee has become a major cash crop in Vietnam. In 2012 it challenged Brazil's position as the world's number 1 global exporter of the product, and retained its position as the biggest producer of Robusta. As demand for sustainable coffee, and in particular Robusta, is constantly growing, optimizing yields is a key factor.

Creating value

Vietnam pursues a development strategy using agricultural growth as a key economic driver. The Coffee Task Force – set up through the World Economic Forum (WEF) New Vision for Agriculture initiative, with coffee a priority crop – was established in 2010, aiming to grow greater quantities of higher quality coffee in a sustainable way.

Yara has joined the Coffee Task Force, contributing its coffee knowledge and crop nutrition solutions, in close collaboration with the world's largest coffee roaster – Nestlé. In 2010 Nestlé launched its Nescafé Plan worldwide with the main focus on sustainability (4C verification) and on securing access to green coffee beans. The Nescafé Plan was first implemented in Vietnam, the number 1 Robusta producer.

Vietnam's coffee sector is an expanding market for Yara's crop nutrition, with sales volumes growing about 40 percent in 2012 – after entering the country's coffee sector in 2010. Having demonstrated that balanced nutrition helps increase yields, improve farmers' incomes and reduce carbon footprints, Yara's Crop Nutrition Concept has become the program recommended by Nestlé, national extension service providers and certification bodies alike. Yara interacts with partners throughout the value chain, including the growers, through initiatives such as farmers meetings and demonstration plots. Field trials have been conducted with the biggest international coffee traders. Experiences gained in Vietnam are used to explore potential partnerships with Nestlé in Mexico and Guatemala, as well as in Africa.

Creating impact

Enhanced farming practices – with balanced fertilizer application – have already produced proven results. Farmers following Yara's recommendations have seen improved bean size and reduced defects, yields increasing by about five percent and incomes by around 15%. Trials also demonstrate that the carbon footprint of coffee crops can be more than halved by the use of Yara's crop nutrition programs. In 2012 Yara became a 4C member – contributing to this global association which addresses the economic, social and environmental conditions in coffee production.

Maize value chain

increasing yields in Ghana

Yara has engaged in a partnership in Ghana to improve the productivity of maize production and profitability for smallholder farmers. The grains value chain model developed in Ghana will be used when establishing new partnerships.

Maize is the most important cereal crop in Ghana, constituting an important part of the country's food and feed system and contributing significantly to income generation. About 98% of small-scale farmers grow maize. In 2012 Ghana produced – and consumed – about 1.7 million tons of the grain.

Creating value

Ghana is one of the economic success stories in Africa, with consistent strong growth, which to a large extent is based on investments in agricultural productivity. In 2008 Yara, together with the agro-inputs company Wienco Ghana Ltd., initiated the Ghana Grains Partnership (GGP) to address a shortfall in maize production. The GGP constitutes a coordinated and market-led value chain development approach – tackling main constraints to improve maize productivity and farming profitability. The growers association set up in 2009, Masara N'Arziki ('Maize for Prosperity' in Hausa), is a key element in the value chain. The association purchases inputs for and on behalf of farmers, offers input packages and takes their crop to market.

Yara Ghana contributes and coordinates fertilizer supplies, and invites farmers to its crop clinic consultations. Yara is the main supplier of mineral fertilizers to the Ghanaian market, with the cocoa sector consuming about half of deliveries before the establishment of the GGP. With a fertilizer application rate of about 10 kg/ha per year for maize there is scope for increasing sales also within the grains sector, and to add value throughout the value chain.

The GGP builds on experiences from similar public-private partnerships in which Yara has engaged in Tanzania and Malawi, and adds to a new model for crop specific value chains. Yara is looking at similar ventures within rice in Ghana and neighboring Burkina Faso.

Creating impact

The GGP has already improved cost efficiency along the value chain, strengthened the capacity of smallholder farmers to produce at scale, and developed markets. The partnership has recorded considerable progress with respect to the number of farmers joining, the acreage cultivated, the crop produced and incomes earned. In 2012 about 8,300 farmers had enlisted in Masara N'Arziki, tilling about 11,500 ha. Most importantly, yields have increased substantially, with a recorded average of about 5 mt/ha in 2012 – against a national average of 1.6–1.7 – and farmers have managed to increase their incomes.

700,000 tons. Through its ownership in ICP, Yara gets an upstream exposure on potash which mitigates potential financial impact of being structurally short on the nutrient, aligning respective strategies to develop and distribute premium fertilizer products, adding value in the fertilizer supply chain.

Also in April, Yara increased its ownership in Ethiopotash BV of Ethiopia to 51%. The company is developing a potash resource in Dallol, currently undergoing a feasibility study. The estimated capacity for the Dallol project is 1.0–1.5 million tons per year, with resources of more than 30 years of mining.

Perfecting operations

Yara has initiated a number of projects aimed at perfecting the company's worldwide operations and supporting its growth strategy. In 2012 efforts to improve plant reliability across the manufacturing base continued. While Yara's plants are among the industry's most efficient, investing in increased reliability remains profitable both in terms of productivity, energy efficiency and operational safety. Since 2010 Yara has invested profitably in improved reliability of its plants, resulting in a 2–3% performance gain. Investments will continue, particularly targeting reliability during turnaround preparation and execution.

Yara initiated a new Supply Chain Project (SCP) in 2012. The SCP focuses on optimizing processes, transparency and the use of technology in order to build world-class supply chain operations prepared to handle more than 30 million tons of finished products by 2016. Steps are also being taken to improve productivity and safety in the company's smaller Downstream and Industrial sites through the Yara Small Site Productivity System (YSSPS) initiative, which aims to harmonize operations at the roughly 100 small sites with global best practice.

GLOBAL ENGAGEMENT

As a global company aiming to create value for all stakeholders and society at large, Yara considers it a strategic imperative to engage in key global dialogues on issues of particular business relevance.

Yara has for several years engaged at global, regional and local levels as part of its commitment to create impact. In particular, Yara has contributed to raising attention to issues within the food–climate–water nexus, and it has played an active role in key international forums. During 2012 Yara engaged in key processes linked to its focal areas, resources, food and the environment, including:

Resources

RIO+20: Yara participated in the UN Conference on Sustainable Development, the Rio+20, in Rio de Janeiro, where climate change, resource efficiency and sustainable agriculture were interrelated topics. The conference called for, among other things, increased private sector participation in developing a green economy.

Food

WEF: Yara participated in the World Economic Forum (WEF) annual meeting in Davos, regional meetings in Ethiopia and

Mexico, and WEF councils and initiatives. In Davos Yara co-hosted a meeting on the 'Food, Water, Energy, Climate Change Nexus' together with Nestlé and PepsiCo.

AGR: Yara continued to play an active role in the African Green Revolution (AGR), including as co-chair of the Grow Africa partnership, and co-chairing the second African Green Revolution Forum in Arusha, Tanzania. Here the Yara Prize was awarded to Dr. Agnes Kalibata, Minister of Agriculture and Animal Resources in Rwanda, and Dr. Eleni Gabre-Madhin, CEO of the Ethiopian Commodity Exchange.

Within the Grow Africa (GA) framework, Yara in 2012 entered Letters of Intent with the governments of Burkina Faso, Ethiopia, Ghana and Tanzania, committing to invest in agricultural development. The GA interacted with the G8 on establishing the New Alliance for Food Security and Nutrition, where 49 companies – including Yara – committed more than USD 3 billion in investments in African agriculture. Yara's CEO represented the private sector on stage when the New Alliance was launched by US President Barack Obama in Washington in May.

B20: Yara's CEO joined the B20 (Business 20) summit of the G20 in Los Cabos, Mexico, as a member of the Task Force on Food Security. The Task Force seeks to raise production and productivity by 50% by 2030 through increased investments. The G20 launched the Green Growth Alliance, a new partnership addressing the shortfall in green infrastructure investments, with Yara as one of the partners.

Environment

COP18: Yara was present at the 18th Conference of the Parties (COP) in Doha, Qatar, where global warming, greenhouse gas emissions and climate change were key issues. Parallel to the conference, Yara co-hosted a soft launch of the Sahara Forest Project pilot facility outside Doha.

EU CAP: Yara continued to take part in the EU policy process pertaining to the Union's Common Agricultural Policy (CAP), which is due to come into force in 2014. Yara issued a position paper on the CAP, advocating incentives to improve resource use efficiency and good agricultural practices.

Baltic Sea: Yara has engaged to help restoring the Baltic Sea's environmental status. In 2012 Yara published its position paper arguing the case for implementing best agricultural practice. During the year several of Yara's principles were accepted in policy documents for the region.

During 2012 Yara pursued key initiatives and entered new projects and partnerships, in accordance with the company's creating impact strategy. A comprehensive account is presented in the separate document 'Impact Review 2012', while a more detailed account with data is found in the GRI Report 2012 – both published on www.yara.com/sustainability

Potato partnership

reducing carbon

footprint in the UK

Yara has entered into a partnership in the United Kingdom to reduce the carbon footprint from the growing of potatoes for chips production.

Potato is the world's fourth largest food crop. It has been a European staple for centuries, but has expanded significantly in Asia in the last decades. In 2011 global production of potatoes was close to 375 million metric tons, representing a 40% increase over the last 20 years.

Creating value

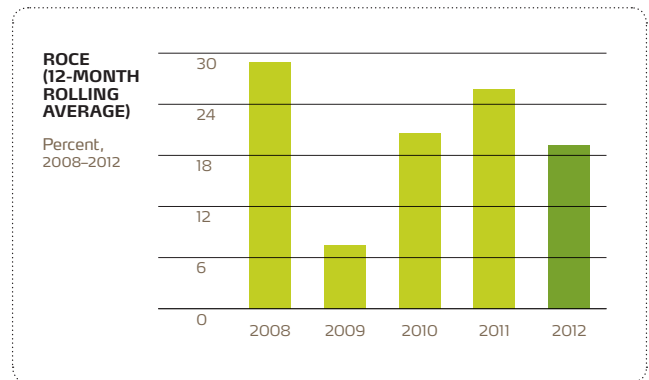
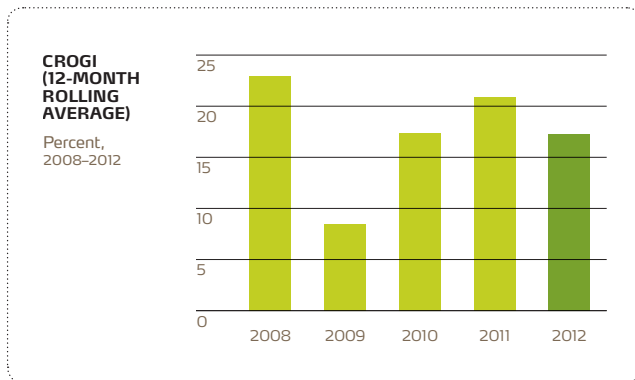
The UK ranked number 12 among the world's potato producing companies in 2011, harvesting about 6 million tons of tubers. Potatoes are common on UK dinner plates and popular in a number of other food products, not least potato chips. PepsiCo UK & Ireland is the largest buyer of British potatoes, sourcing about 370,000 tons annually for its Walkers Crisps.

In 2010 PepsiCo launched its ambitious '50 in 5' pledge: a commitment to reduce GHG emissions and water use from growing of its core crops by 50% in five years. Walkers Crisps was identified as a key product, with investigations revealing that fertilizers accounted for a substantial part of GHG emissions from their production. With about 146,000 hectares used for potato in the UK, and fertilizers equivalent to 145,000 tons of YaraMila NPK applied to grow the crop, this represents a large market in which Yara has a significant share.

In 2010 PepsiCo partnered with Yara to reduce the carbon footprint of potato. Under the guidance of Cambridge University farm, the two companies conducted field evaluations of Yara's recommended low-carbon crop nutrition program, with successful results. PepsiCo has a long-standing relationship with UK potato growers and now actively encourages a switch to low-carbon fertilizers, endorsing Yara's crop nutrition program.

Creating impact

The field evaluations conducted in 2010 showed that Yara's low-carbon fertilizers reduced the carbon footprint of potato growing by 27 percent compared to the standard practice, with no statistically significant difference in yield. With farmers now calculating their carbon footprints and setting up carbon reduction plans as instructed by PepsiCo, the effect of low-carbon fertilizers will become more evident at the farm level. PepsiCo and Yara continued their partnership through 2012 as both companies explored other opportunities to improve nutrient use efficiency, such as through fertilizer placement and use of Yara's N-Sensor tool.



INNOVATION AND KNOWLEDGE

Yara continued to expand its innovation approach during 2012, developing a robust project pipeline. Innovation was particularly geared towards business opportunities in the three focal areas Yara has identified for creating impact – Resources, Food and the Environment.

Strategic innovation

Through innovation, Yara explores how addressing global challenges through its core capabilities can offer business opportunities. Responding to global issues lies at the core of Yara's corporate strategy, where innovation is integrated as a major business driver.

Innovation is driven within the operating segments through innovation platforms (see below) and development projects. The Chief Technical Officer (CTO), responsible for innovation, reports to the innovation board, where the CEO and the segment heads make priorities. Yara's innovation structure aims to energize innovative spirit throughout the organization. Through internal ideation campaigns Yara employees are invited to submit ideas for open discussions followed by subsequent screening and potential exploration – and eventual commercialization.

Innovation platforms

During 2012 the three innovation platforms introduced in 2011 served as frameworks for business development, providing launch pads for solutions and services:

Emissions to air: Urbanization and economic growth drive the need for cleaner technologies. Yara has a leading position in abating hazardous NO_x emissions. Innovation is targeted at developing applications and solutions for a growing market.

Water scarcity: Yara has a leading position in fertigation solutions, reducing water use, and innovation is targeted at increasing agriculture's water use efficiency. Yara aims to become the leading supplier of crop nutrition solutions responding to water scarcity.

Resource efficiency: The megatrend of growth drives the demand for limited resources. Yara offers solutions that increase the efficiency of land and water, and explores opportunities to increase phosphate use efficiency and ways to improve processing technologies.

Research & Development

In 2012 Yara developed its R&D organization to meet the new company ambition. Structured with three core competency communities – Product and Application Development; Process Research; and Catalyst Systems – Yara R&D is targeted towards supporting innovation that provides customers with new and improved solutions.

Innovation is enabled by a reinforcement of internal R&D capabilities as well as open innovation initiatives through partnerships. Supporting Yara's top class manufacturing assets and key customer markets is a central focus.

Open innovation through a series of collaboration with universities, institutes or companies supplements internal capacity in support of specific projects, including the 2012 agreement with Empresa Brasileira de Pesquisa Agropecuária (Embrapa), the largest research organization in Brazil.

Innovation is also carried out through global engagements and partnerships. One innovative partnership which came to fruition in 2012 was the Sahara Forest Project (SFP) pilot facility outside Doha, Qatar.

Birkeland Prize

In 2012 Yara's prize for academic achievement in the fields of Physics and Chemistry, the Birkeland Prize, was awarded to Dr. Yun Cheng for her doctoral thesis 'Hydrodynamics and Freeze Out Problems in Energetic Heavy Ion Reactions', carried out at the University of Bergen, Norway. Named after Yara's co-founder, the physicist Dr. Kristian Birkeland, the Prize was established to honor his spirit of vision, ambition and innovative entrepreneurship.

Fertilizer and energy market prices

Average prices		2012	2011	2010	2009	2008
Urea prilled (fob Black Sea)	USD per ton	407	423	289	251	499
Ammonia (fob Black Sea)	USD per ton	545	518	357	243	525
AN (cif France)	USD per ton	439	479	336	276	575
CAN (cif Germany)	USD per ton	337	379	265	254	466
DAP (fob US Gulf)	USD per ton	536	620	500	322	965
Phosphate rock (fob Morocco)	USD per ton	182	185	124	122	345
Oil Brent blend spot	USD per bbl	112	111	80	62	97
US gas (Henry Hub)	USD per MMBtu	2.8	4.0	4.4	4.0	8.9
European gas (Zeebrugge)	USD per MMBtu	9.4	9.2	6.6	4.7	10.8

Source: The Market, Fertilizer Week, Fertecon, Profercy, World Bank and Platts.

Human capital

Yara's aim is to retain, attract and develop the best talent, where and when needed, regardless of ethnicity, gender, nationality, background, age or culture.

Successful execution of Yara's business strategy relies on its highly qualified workforce throughout all of its operations. Knowledge is an increasingly critical differentiator in global industries and competitive markets. Developing Yara's workforce, with skills responding to the company's as well as the customers' needs, is imperative to achieve profitable, sustainable growth.

Yara developed and revised its HR Strategy in 2012, launching a new People Strategy with three main focus areas: Performance Culture; Talent Development; and Talent Acquisition. Great people management will be key to delivering good people processes in these areas and, going forward, we will place more emphasis on improving people management skills.

To help develop a performance culture and improve business performance, Yara established a new Performance Management Process (PMP) which was rolled out globally in 2012.

Talent development is significantly strengthened through a mid-year review which every employee shall have with their manager to discuss skills, career ambitions and development. This Talent Development process was piloted in 2011 and rolled out in 2012, reaching around 7,200 employees. Resulting in about 5,700 individual plans with defined development areas and detailed actions, the process adds to Yara's ability to develop and retain staff.

At the end of 2012 Yara had 8,052 permanent employees worldwide, an increase of 425 compared to the previous year. All continents increased their numbers, due to organic growth and minor acquisitions.

Market conditions

Fundamentals for fertilizer demand remained strong through 2012. After increasing in second half 2010, prices of agricultural commodities have remained high during 2011 and 2012. The FAO Food Price Index remained at a high level, at 7% lower than 2011 but 14% above 2010. Cereal prices, of particular importance for fertilizer use, only dropped by 2% from 2011 to 2012, according to the FAO. Despite the strong incentives to expand farm acreages and to increase yields through higher fertilizer application, the US Department of Agriculture estimates a 3% drop in grain production during 2012/13 from the previous season, requiring a reduction in consumption, as stocks are already low.

For urea, demand was strong through the year. In addition to capacity additions in Qatar and Vietnam, record exports were needed from China in order to meet import demand. China exported 7 million tons, at same level as the previous record year of 2010. Urea capacity additions were limited as anticipated new capacity continued to be delayed, and supply problems in Egypt reduced exports, particularly towards the end of the year. The average urea price FOB Black Sea was 4% lower than for 2011, mainly due to lower export costs from China during second half of the year, with lower export taxes and a more flexible approach to exports after the end of the low tax period on 1 November.

Demand for phosphate and potash fertilizers, including NPK, was maintained at a strong level reflecting healthy farm economics. However, in India the removal of subsidies led to sharply higher phosphate and potash prices for farmers and a significant drop in consumption. The global phosphate market was also negatively affected by continued high Chinese exports of DAP. The average DAP price FOB US Gulf was 13% lower than for 2011, and the upgrading margin from rock to DAP also declined.

2012 European oil and gas costs were at a similar level to the previous year, while North American fertilizer production continued to benefit from lower gas prices due to the development of new domestic non-conventional gas resources.

» More on industrial markets / PAGE 54

RISKS AND OPPORTUNITIES

Global challenges carry risks – and opportunities. At the same time as risks are monitored and mitigated through Yara’s risk management systems, business opportunities are constantly scouted and considered as part of implementing the company’s growth strategy.

Managing risks and considering opportunities is an intrinsic part of Yara’s business. Several external and internal risks harbor potential adverse effects on the company’s performance. However, the overall risk level and risk factors relevant to the company’s ongoing operation have not changed significantly in recent years.

Yara carried out regular risk assessments in 2012 pertaining to its global and local operations, including at plant level. With safety a number one priority, stringent process safety measures were followed up, including internal training and campaigns. Still, Yara experienced two serious accidents, with two fatalities in 2012.

In 2012 increased political attention was given to the health and nutritional aspect of food production and food security. With its extensive crop and micronutrient knowledge, and its balanced fertilizer portfolio, Yara is well positioned to exploit opportunities arising from attention to health issues, including micronutrient deficiency.

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Financial performance

Yara's 2012 net income after non-controlling interests was NOK 10,602 million, which is 12% lower than the record 2011 net income. 2012 earnings per share were NOK 37.49, compared with NOK 41.99 in 2011. Full-year results declined since 2011 was positively affected by special items, primarily related to the sale of Rossosh and the Yara Praxair transaction.

Net interest-bearing debt decreased by NOK 4,585 million during 2012, ending at NOK 954 million. The decline reflects strong cash earnings more than covering continuity investments, cash returns to shareholders and the acquisition of a controlling share in Yara Pilbara.

The Downstream segment delivered an EBITDA of NOK 3,910 million, reflecting increased sales volumes and healthy margins.

The Industrial segment delivered an EBITDA of NOK 1,111 million, in line with last year when excluding special items.

The Upstream segment delivered an EBITDA of NOK 11,849 million, second only to the record 2008 results.

» See segment reports / PAGE 51

Fertilizer deliveries were 6% higher than in 2011, with 11% higher urea sales as the main contributor to the growth. Deliveries of Yara-produced fertilizer increased by 9%, with most of the increase in NPK and nitrates. European deliveries ended 3% above 2011, while sales outside Europe increased by 9% with the main growth in Brazil. Sales of industrial products increased by 3%, driven by growth in environmental products. Average realized urea prices were up 5%, while nitrate and NPK prices decreased 3% and 1% respectively.

European oil and gas costs increased 3% from 2011, as European spot gas prices were higher in 2012. Yara's global average oil and gas cost decreased 2% from 2011. Yara's share of production outside Europe has increased as a result of a higher equity stake in Yara Pilbara and the Qafco expansion.

Special items were a positive NOK 120 million in 2012. The positive effect related to the acquisition of an additional 16% in Yara Pilbara was partly offset by Libya costs and gas contract derivatives. Net special items for full-year 2011 were a positive NOK 2,152 million, primarily reflecting the sale of Rossosh and the sale of 16% of Yara's holding in Yara Praxair.

» Further details on special items / PAGE 61

Financial highlights

NOK millions, except where indicated otherwise	2012	2011	2010	2009	2008
Revenue and other income	84,509	80,352	65,374	61,418	88,775
Operating income	11,166	13,240	7,467	1,271	12,281
Share net income equity-accounted investees	1,964	1,889	1,515	1,412	2,760
EBITDA	16,977	18,163	15,315	5,549	17,917
EBITDA excl. special items	16,858	16,010	10,748	5,492	17,723
Net income after non-controlling interests	10,602	12,066	8,729	3,782	8,228
Earnings per share ¹⁾	37.49	41.99	30.24	13.08	28.27
Earnings per share excl. currency ¹⁾	36.03	42.51	31.85	9.82	36.12
Earnings per share excl. currency and special items ¹⁾	35.52	34.94	20.69	8.82	36.28
Average number of shares outstanding (millions)	282.8	287.3	288.7	289.2	291.1
CROGI (12-month rolling average)	17.3%	20.9%	17.4%	8.5%	22.9%
ROCE (12-month rolling average)	19.2%	25.8%	20.6%	7.4%	29.0%

¹⁾ NOK per share. Yara currently has no share-based compensation programs that result in a dilutive effect on earnings per share.

Key statistics

Thousand tons	2012	2011	2010	2009	2008
Sales					
Fertilizer	20,748	19,522	20,276	20,099	20,540
Industrial products (excl. industrial gases)	4,706	4,551	4,251	3,756	3,898
Total	25,454	24,073	24,527	23,855	24,438
Production ¹⁾					
Ammonia	7,035	6,655	7,335	6,736	6,377
Finished fertilizer and industrial products, excl. bulk blends	17,521	17,307	17,195	15,457	16,695
Total	24,555	23,962	24,531	22,193	23,072

¹⁾ Including Yara share of production in equity-accounted investees.

Variance analysis

NOK millions	
EBITDA 2012	16,977
EBITDA 2011	18,163
Variance EBITDA	(1,185)
Volume & mix	1,740
Price/Margin	(637)
Oil & gas costs in Europe	(324)
Special items	(2,033)
Other	(509)
Translation NOK vs. USD ¹⁾	577
Total variance explained	(1,185)

1) Based on quarterly average NOK per USD rates as detailed in Yara 2012 reports.

In 2012 the US dollar was on average 4% stronger versus the Norwegian krone compared with 2011, resulting in a positive translation effect in Yara's results.

NET INCOME FROM EQUITY-ACCOUNTED INVESTEEES

Net income from equity-accounted investees improved 4% from the previous year, reflecting an increase in Qafco due to the Qafco 5 and 6 expansions, partly offset by the divestment of Rossosh in 2011 and the acquisition of a controlling stake in Yara Pilbara with subsequent consolidation in Yara's results.

Net income from equity-accounted investees

NOK millions	2012	2011	2010	2009	2008
Qafco	1,368	1,018	729	607	1,446
Tringen	250	243	227	118	295
Rossosh	-	112	137	81	506
Burrup	-	169	(156)	311	(193)
GrowHow UK Ltd	437	334	221	112	514
Lifeco	(196)	(131)	179	127	-
Other	104	144	178	56	193
Total	1,964	1,889	1,515	1,412	2,760

Financial items

NOK millions	2012	2011	2010	2009	2008
Interest income from customers	124	118	112	130	238
Interest income, other	266	201	130	121	132
Dividends and net gain/(loss) on securities	14	(9)	3,580	124	306
Interest income and other financial income	404	309	3,822	376	676
Interest expense	(762)	(650)	(667)	(728)	(1,347)
Return on pension plan assets	435	451	419	376	423
Interest expense re. pension liabilities	(439)	(457)	(486)	(504)	(490)
Foreign exchange gain/(loss)	596	(215)	(676)	1,364	(3,313)
Other	(115)	(162)	(214)	(89)	(86)
Interest expense and foreign exchange gain/(loss)	(284)	(1,033)	(1,625)	419	(4,813)
Net financial income/(expense)	120	(724)	2,197	794	(4,136)

FINANCIAL ITEMS

Yara bases its long-term funding on diversified sources of capital to avoid dependency on individual markets. As the fertilizer business is essentially a US dollar business, with both revenues and raw material costs denominated or determined in dollars, Yara keeps a major part of its debt in US dollars in order to reduce overall currency exposure. At year-end 2012, 80% of Yara's long-term debt was US dollar denominated, and USD 900 million of Yara's long-term debt carried fixed interest rates at an average interest cost of 7.3%. See Note 24 (page 111) for further details on long-term debt.

Net financial income in 2012 was NOK 120 million, compared with an expense of NOK 724 million in 2011. The difference mainly reflects a net foreign exchange gain of NOK 596 million in 2012 as the US dollar depreciated against both the euro and the Norwegian krone, compared with a loss of NOK 215 million in 2011 when the US dollar appreciated against both currencies.

Yara's US dollar debt generating currency effect was kept around USD 800 million in 2012, with approximately USD 600 million of the exposure towards the euro.

The average gross debt level has been NOK 0.5 billion higher than in 2011 following the acquisition of a controlling stake in Yara Pilbara, and interest expense in 2012 was NOK 112 million higher than in 2011. This year's expense includes NOK 46 million of interest related to tax provisions.

Interest income was NOK 65 million higher than in 2011 as Yara steadily increased its cash deposits throughout the year. The cash has mainly been kept as bank deposits in Norwegian kroner.

NET INTEREST-BEARING DEBT

As a supplement to the consolidated statement of cash flows (page 72), this table (page 49) highlights the key factors behind the development in net interest-bearing debt. Net interest-bearing debt decreased by NOK 4,585 million during 2012, ending at NOK 954 million. The decline primarily reflects strong earnings.

Strong cash earnings in 2012, reflecting a favorable market situation, more than covered investments and cash returns to shareholders. Dividends from equity-accounted investees were NOK 986 million, down from NOK 1,137 million in 2011.

» Further details see note 12 / PAGE 99

Net operating capital at the end of 2012 was NOK 11,849 million, a decrease of NOK 1,528 million (excluding currency effects) from 31 December 2011. The decrease was mainly due to higher prepayments from customers and lower inventory.

Investment activity level was high in 2012, mainly reflecting maintenance programs and productivity investments. Also, Yara acquired an additional 16% of the shares in Yara Pilbara in February 2012 with subsequent consolidation of the net-interest bearing debt in the same company. The combined effect of Yara Pilbara on Yara's net interest-bearing debt was an increase of NOK 1,931 million. Investments in potash companies Ethiopotash and IC Potash amounted to a total of NOK 403 million in 2012.

Yara's Annual General Meeting approved a dividend for 2011 of NOK 7.00 per share, giving a total dividend of NOK 1,998 million payable in 2012. Share buy-backs and redemption of shares amounted to NOK 1,271 million in 2012, compared to NOK 763 million in 2011.

The debt/equity ratio at the end of 2012, calculated as net interest-bearing debt divided by shareholders' equity plus non-controlling interests, was 0.02 compared with 0.12 at the end of 2011.

Net interest-bearing *debt*

NOK millions	2012
Net interest-bearing debt at beginning of period	(5,539)
Cash earnings ¹⁾	11,042
Dividends received from equity-accounted investees	986
Net operating capital change	1,528
Yara Pilbara transaction	(1,931)
Potash investments	(403)
Other Investments (net)	(3,552)
Share buy backs/redemption of shares	(1,271)
Yara dividend	(1,998)
Foreign exchange gain/(loss)	596
Other	(412)
Net interest-bearing debt at end of period	(954)

¹⁾ Operating income plus depreciation and amortization, minus tax paid, net gain/(loss) on disposals, net interest expense and bank charges.

TAX

2012 current and deferred taxes were NOK 2,600 million, representing approximately 20% of income before tax.

Yara has previously stated that a normal tax rate for the company is expected to be 18% in a supply-driven scenario and 20% in a demand-driven scenario.

DIVIDEND POLICY

Yara's objective is to pay out on average 40-45% of net income in the form of dividends and share buy-backs. Within this objective, a minimum 30% of net income shall be paid in the form of dividends, while share buy-backs make up the balance and are deployed with greater flexibility.

The Board of Directors will propose to the Annual General Meeting a dividend payment of NOK 13 per share for 2012, which represents 34% of net income after non-controlling interests. If approved, the year-over-year increase in dividends per share will be 86%.

The Board of Directors intends to propose to the Annual General Meeting a new buy-back program along the lines of the existing one.

Outlook

The global farm margin outlook and incentives for fertilizer application are strong. The FAO Food Price Index ended the year in line with a year earlier, with cereal prices 13% higher, reflecting tighter supply in several regions. The US Department of Agriculture estimates that global grain stocks-to-use will decline further during the 2012/13 season, underlining the continued long-term challenge of increasing agricultural productivity.

Global nitrogen demand has strengthened significantly during the second half of 2012 and into 2013, balancing the strong increase in supply from China. Most of the global nitrogen fertilizer industry outside China is running at full available capacity as all producers have positive margins. Western European nitrogen fertilizer industry deliveries for the first half of the 2012/13 season were 6% ahead of last year, with continued strong grain prices and a tight global urea market creating a positive backdrop for European nitrate markets going forward.

Urea export volumes from China reached 7 million tons in 2012, almost double the level of a year earlier. The increased exports in 2012 were linked to high capacity utilization rates and significant exports also after the low tax period expired on 1 November. Minimal exports are expected in the first half of 2013, as the Chinese urea export tax according to official information will be at 77% until 1 July, after which a minimum 2% level will apply until 1 November. Second-half Chinese export volumes would be impacted in the event of a more strict enforcement of the 1 November tax increase, and by potentially reduced utilization rates linked to increased air quality concerns in China.

Based on the current strength of nitrogen prices, Yara aims to run its fertilizer production facilities at full capacity. On this basis the company will increase production in 2013, with the Qafco ammonia and urea expansions fully on-stream since third quarter 2012, the Lifeco re-start and the ongoing NPK expansion in Porsgrunn, Norway. The Lifeco plant in Marsa el Brega, Libya, achieved production at both urea units at the end of January 2013, running close to full site capacity of approximately 900,000 metric tons per annum. However, the supply of power and utilities to the site is not yet stable, and Lifeco capacity utilization is likely to be impacted in the short term.

Based on current forward markets for oil products and natural gas (8 March) Yara's first-half 2013 European oil and gas cost is expected to be approximately NOK 200 million higher than a year earlier. The estimate may change considerably depending on future energy prices. From second quarter 2013, Yara's European oil and gas exposure is 90% spot gas and 10% spot oil products.

The investment level required to maintain current Yara production capacity and productivity is estimated to be approximately NOK 2 billion per year. In addition, Yara plans a further NOK 3 billion of growth, reliability and productivity investments during 2013. The largest firm capacity investment in 2013 is the Yara Pilbara technical ammonium nitrate plant, scheduled for completion in 2015 with a total investment of USD 800 million, of which Yara's 45% share in 2013 is approximately NOK 700 million.

In addition to the NOK 5 billion planned investment level outlined above, Yara expects to conclude the bidding phase for the engineering and construction of the Belle Plaine ammonia / urea expansion project during the first half of 2013, and to close the USD 750 million acquisition of the Bunge fertilizer business in Brazil during the second half of the year. Yara may also realize further profitable acquisition opportunities during 2013.

OPERATING SEGMENTS 2012

Downstream *performance*

DOWNSTREAM PROVIDES a unique global presence consisting of Yara's worldwide sales and marketing organization and global distribution network for fertilizer products and agronomic solutions.

The product offering covers both standard and high-value crop segments where Downstream offers differentiated fertilizer products and services. The segment offers the fertilizer industry's most comprehensive product portfolio, ranging from standard nitrogen products to complete crop nutrition solutions.

Downstream has sales offices in approximately 50 countries and sales to more than 120 countries, delivering expertise and value-adding products worldwide. Yara is the number one global brand in differentiated fertilizers, and Downstream is the leading supplier of crop nutrition solutions for cash crops.

BUSINESS DEVELOPMENT

In December 2012 Yara entered into an agreement to acquire Bunge's fertilizer business in Brazil, significantly strengthening the company's fertilizer position in the country. Yara and Bunge have also agreed to enter into a long-term fertilizer supply agreement,

enabling Bunge to continue supplying fertilizer to farmers as part of its grain origination activities and creating a framework for logistics and other commercial activities.

Bunge operates 22 blending units across Brazil, delivering 4.8 million tons of fertilizer products in 2011. Bunge assets also include an SSP plant with an annual production capacity of 300,000 metric tons, a port concession and a terminal development project. The business employs approximately 1,250 people.

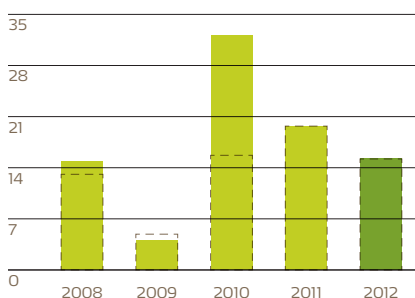
The transaction is valued at USD 750 million and comprises a net operating capital value of USD 385 million and other assets valued at USD 365 million. The operating capital value is subject to post-closing adjustment. Closing of the deal is subject to approval of Brazilian competition authorities (CADE) and other customary approvals.

Brazil is a key growth market where there is significant further potential for acreage and yield increases and the acquisition creates a strong platform for future growth opportunities within the Brazilian fertilizer industry. With this agreement, Yara reinforces its position as a significant fertilizer company in Brazil, with a well-

DOWNSTREAM CROGI

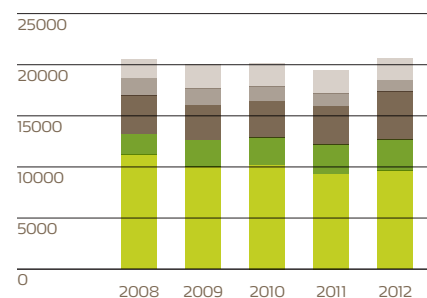
Percent, 2008-2012

CROGI excl. special items

**SALES VOLUME BY REGION**

Thousand tons, 2008-2012

Asia
Africa
Latin America
North America
Europe



anchored local commitment combined with global leadership in safe and reliable production and the largest fertilizer trade network.

From 1 November 2012 the joint venture Nu3 in the Netherlands, producer of water soluble NPKs and liquid NPK fertilizer, was split between Yara and partner ICL. Yara gained full control over the Vlaardingen site, which has a production capacity of 190,000 tons water soluble NPK and liquid NPK, while ICL will continue the Grobbendonk operations, producing water soluble NPK. The full control in Vlaardingen will support and strengthen Yara's water soluble NPK business and allow it to develop further.

PERFORMANCE

Downstream delivered strong 2012 results as volumes increased and margins remained healthy. However, EBITDA decreased from last year, mainly as a result of lower NPK and nitrate margins.

Strong global grain prices maintained fertilizer demand, and subsequently, fertilizer prices, during 2012. Realized sales prices were up for most product groups, but with a small decline for nitrates and NPK. Average realized urea prices were up 5%, while average nitrates and NPK prices fell by 3% and 1% respectively. NPK and nitrate margins were lower than last year, as prices did not compensate for increased input cost.

Total volumes increased by 6% from last year, with 11% higher urea sales as the main contributor to the growth. More importantly, deliveries of Yara-produced fertilizer increased by 9%, with most of the increase in NPK and nitrates. European deliveries ended 3% above last year after a slow start. Substantial winter crop damage and a late spring negatively affected European fertilizer demand during the first half of the year. Sales outside Europe increased by 9% with the main growth in Brazil. Demand for Yara-produced nitrates and compound NPKs were strong outside Europe, with deliveries up 83% and 16% respectively. Brazil and North America were the main contributors to the nitrate growth, while Latin America in total saw the strongest compound NPK growth.

The "Other" variance mainly reflects increased fixed costs to drive growth in value-added products and to ensure safe and improved operations in the Downstream system.

Special items impacting EBITDA in 2012 were a positive NOK 25 million.

» Further details on special items / PAGE 61

Financial highlights

NOK millions, except where indicated otherwise	2012	2011	2010	2009	2008
Revenue and other income	60,508	55,437	48,249	45,569	64,905
Operating income	3,054	4,330	3,424	262	3,412
EBITDA	3,910	5,085	7,796	963	4,648
EBITDA excl. special items	3,885	5,090	3,780	1,187	4,238
CROGI (12-month rolling average)	15.3%	19.7%	32.1%	4.1%	14.9%
ROCE (12-month rolling average)	16.1%	22.7%	39.1%	2.2%	15.4%

Key statistics

Thousand tons	2012	2011	2010	2009	2008
Sales by region					
Fertilizer Europe	9,620	9,300	10,188	10,031	11,230
Fertilizer outside Europe	11,038	10,149	9,976	10,068	9,309
Total	20,658	19,449	20,164	20,099	20,540
Sales by product group					
Nitrate	5,527	5,122	5,486	6,089	5,608
of which Yara-produced	5,128	4,701	4,982	5,613	5,042
NPK	6,624	6,562	6,610	6,211	7,561
of which Yara-produced	4,167	3,846	4,085	3,092	3,794
of which Yara-produced blends	2,089	1,937	1,922	2,149	2,482
Urea	4,699	4,236	4,588	4,247	3,772
of which Yara-produced	2,071	1,686	1,636	1,757	996
of which equity accounted investees sourced	1,975	1,527	2,168	1,798	1,898
CN	896	915	841	680	757
UAN	1,222	1,158	965	1,009	981
Other products	1,689	1,456	1,675	1,862	1,860
Total	20,658	19,449	20,164	20,099	20,540

Variance analysis

NOK millions	
EBITDA 2012	3,910
EBITDA 2011	5,085
Variance EBITDA	(1,175)
Volume	336
Price/margin	(1,328)
Special items	30
Other	(431)
Translation NOK vs. USD ¹⁾	219
Total variance explained	(1,175)

1) Based on quarterly average NOK per USD rates as detailed in Yara 2012 reports.

Net operating capital turnover, measured on a 12-month rolling basis, was stable 6.4 at the end of 2012 versus 6.4 at the end of 2011.

Strategic focus

Downstream's priority is to be the crop nutrition provider adding the most value, after own costs, to any fertilizer product from plant gate to customer.

The Downstream platform consists of its complete and high-quality product portfolio, its global fertilizer distribution network, and its extensive crop and application expertise. This platform will be strengthened by enhancing Yara's focus on marketing and agronomy, both centrally and locally, in order to help farmers get the maximum benefit from Yara's products and solutions.

Downstream projects

Downstream aims to grow profitably, based on its comprehensive product portfolio, global distribution network and extensive application expertise. Downstream's ongoing projects include:



TANZANIA

In 2012 Downstream started the construction of a USD 20 million fertilizer terminal in Dar es Salaam, Tanzania. The

terminal will have bulk handling and bagging facilities, and a total storage capacity of 45,000 tons. It is expected to be completed in 2013.



BRAZIL

During the second half of 2012 Downstream started the construction of a bulk warehouse in Porto Alegre with a stor-

age capacity of 50,000 tons, an unloading system with capacity of 350 tons per hour, and two blenders. The project will replace existing facilities partly damaged by a fire in 2008. It is expected to be completed in fourth quarter 2013.

In 2013 Downstream started construction of a blending unit in Sumaré, São Paulo State, with blending capacity of 750,000 tons and storage capacity of 110,000 tons. It is expected to be completed in the first half of 2014.



VALUE CHAIN PARTNERSHIPS

Downstream will continue to develop relationships and partnerships with key certification or-

ganizations and food companies to improve returns for growers, Yara and our partners by using the Yara Crop Nutrition concept.

Yara innovates to secure a sustainable competitive advantage. By developing knowledge, technology and tools to minimize environmental impact while increasing productivity, Yara has demonstrated that there does not need to be a conflict between addressing environmental issues and delivering improved profitability for farmers.

Yara's water scarcity innovation platform, implemented in the Downstream segment, with projects focusing on resource efficiency, water footprint, semi-soluble fertilizers and fertigation, will be further developed in 2013. Yara will continue strengthening its initiatives within fertigation and other water scarcity solutions.

The Yara Crop Nutrition concept focuses on nutritional management of the crop, in contrast to the traditional approach of feeding the soil. The concept brings together Yara's global crop knowledge, product portfolio and application expertise for the benefit of growers globally, increasing nutrient efficiency and reducing environmental impact.

Yara is continuously engaged to develop the Southern Agricultural Growth Corridor of Tanzania (SAGCOT) in cooperation with several partners, including the Government of Tanzania, development partners and the private sector. The corridor aims to harness the largely underutilized agricultural potential of Tanzania by improving infrastructure and financing, also linking in the port of Dar es Salaam and neighboring countries.

This is part of Yara's broader engagement in developing the African markets by driving agricultural development and productivity, contributing to economic growth for farmers, rural communities, distributors and Yara.

OPERATING SEGMENTS 2012

Industrial *performance*

INDUSTRIAL CREATES VALUE over and above the established Yara Upstream platform by developing applications and selling chemicals and CO₂, as well as technologies and services, to non-fertilizer industries such as chemicals, automotive, utilities, civil explosives, transport, and food and beverages.

Yara has a leading position in nitrogen applications, creating value in its markets with a Total Service Provider approach. Beyond the chemicals and CO₂, this encompasses services and technology solutions that add value for Yara's customers. Supply reliability and strict adherence to quality specifications are essential for industrial clients, who need products on a 24/7 basis throughout the year.

The Industrial portfolio includes a rapidly growing environmental applications segment for emissions abatement in transport, power generation, wastewater utility, cement plants and other sectors. This market is driven by stricter legislation and is highly dependent upon GDP growth. Yara has been a pioneer in several applications for nitrogen oxides (NO_x) and hydrogen sulfide (H₂S) reduction.

BUSINESS DEVELOPMENT

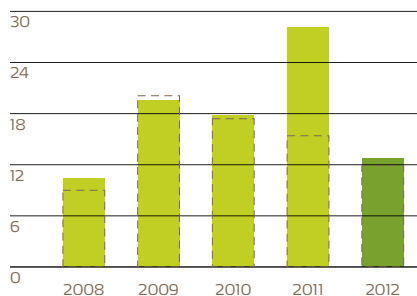
As of early 2013, there are six business units in Industrial. The segment has an ambition to grow the business globally from its existing strong European base. In 2012 Industrial showed strong growth in Brazil following introduction of the Proconve7 legislation. Brazil is poised to become the world's third largest NO_x abatement market for heavy-duty vehicles. Globally, Yara is the largest producer of the high-purity urea solution called AdBlue in most countries in the world, ARLA32 in Brazil or DEF in the USA. Under the brand name Air1, this product is used to reduce NO_x emissions from heavy-duty vehicles. Other Latin American countries have also started implementing similar legislation.

Tougher NO_x legislation is also being introduced in Asia, especially in China on stationary sources as part of the 2011-2015 Five Year plan. Power plants, cement plants and waste to energy plants are receiving tougher emission allowances. This increases demand for new and retrofit technology. In China and India, only major cities are affected by NO_x emissions limits for vehicles. In India, roll-out to the rest of the country is anticipated for 2015, whereas due to

INDUSTRIAL CROGI

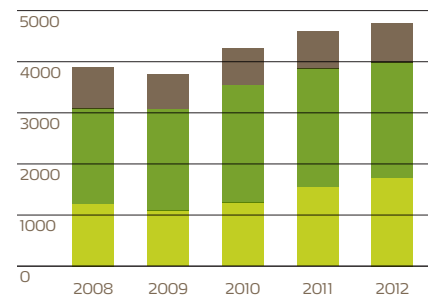
Percent, 2008-2012

CROGI excl. special items

**SALES BY BUSINESS**

Thousand tons, 2008-2012

Environmental products
Industrial N-chemicals
TAN



Financial highlights

NOK millions, except where indicated otherwise	2012	2011	2010	2009	2008
Revenue and other income	12,617	12,631	9,366	8,615	10,995
Operating income	863	1,667	850	940	401
EBITDA	1,111	2,001	1,135	1,248	629
EBITDA excl. special items	1,035	1,034	1,104	1,290	534
CROGI (12-month rolling average)	12.7%	28.1%	17.8%	19.5%	10.4%
ROCE (12-month rolling average)	14.4%	37.3%	22.8%	23.4%	10.2%

Key statistics

Thousand tons	2012	2011	2010	2009	2008
Sales by product group (excl. industrial gases)					
Environmental products	1,724	1,544	1,247	1,088	1,219
Industrial N-chemicals (incl. TAN)	3,040	3,057	3,004	2,668	2,678
of which TAN	781	734	705	674	805
Total	4,765	4,601	4,251	3,756	3,898

smog increase in China there is growing pressure to look at new emissions limits as well as a ban on very old vehicles.

In October 2011 Yara made a strategic purchase of Petro Miljö, a leading Swedish technology provider for Selective Non-Catalytic Reduction (SNCR) equipment in NO_x abatement. The unit, now named Yara Miljö, has been successfully integrated and has shown significant growth given the rise in demand in China. In 2013 a dedicated workshop is being set up to address the growing needs of the Chinese market.

Despite a good year in 2012 for Industrial's global Technical Ammonium Nitrate (TAN) business, concerns about the macroeconomic development globally is likely to dampen business prospects in 2013 as many new mining projects are put on hold. In Australia, the development of the Burrup TAN project is proceeding according to plan.

In the Industrial nitrate business, Yara has unveiled an innovative application based on a tertiary molten salt for use in solar thermal power plants. This new molten salt brings an additional but essential component to the salt mixture needed to operate a plant with heat storage systems or heat transfer fluid (HTF). Using this new molten salts solution is expected to bring significant cost reduction in raw materials and energy savings to a solar thermal plant.

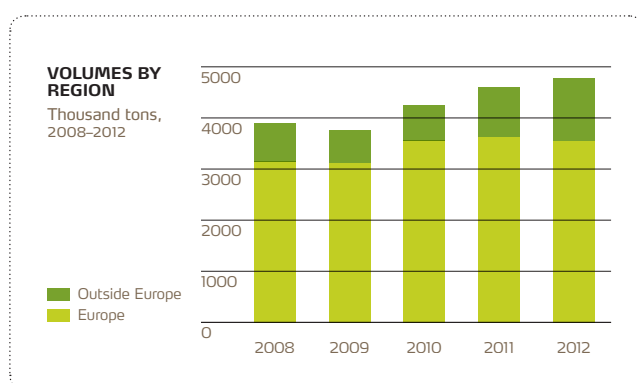
PERFORMANCE

Industrial EBITDA excluding special items was in line with 2011. The 4% volume improvement was reflected across all product groups, especially in the environmental segment. However, margins were slightly lower compared with last year, mainly for chemicals and Air1.

During the second and third quarter of 2012 most product groups suffered from a significant drop in margins. Chemicals sales to the process and automobile industries were negatively impacted by worsening economic conditions in Europe, especially sales of urea to the glue industry. Many process-industry customers took extended maintenance turnarounds at their sites during the third quarter. The CO₂ business suffered loss of margins due to higher cost of supply to customers resulting from simultaneous and multiple plant outages in the first quarter. The TAN business showed good development as demand picked up in many mining countries, especially on the African continent during the third quarter. The environmental segments were highly impacted by competitive pressure in Europe for Air1 and due to market positioning effects in the USA.

The lower margins were only partially compensated by volume growth of 4% compared to 2011. Volume growth was seen in most groups, with environmental products for NO_x abatement for heavy duty vehicles as main contributor, with deliveries 25% above 2011. Chemical sales slowed down in the second half of 2012 due to worsening economic conditions in Europe. TAN sales were up 6% from 2011. Liquid CO₂ sales to European end-users increased by 4%, due to supply disruptions in 2011.

The special item variance reflects a NOK 967 million gain in 2011 on the sale of 16% of Yara's 50% holding in Yara Praxair, and a NOK 73 million net gain from the dilution of Yara's interests in Pilbara Nitrates in 2012.



Variance analysis

NOK millions	
EBITDA 2012	1,111
EBITDA 2011	2,001
Variance EBITDA	(890)
Volume & mix	103
Price/margin	(47)
Special items	(891)
Other	(101)
Translation NOK vs. USD ¹⁾	46
Total variance explained	(890)

1) Based on quarterly average NOK per USD rates as detailed in Yara 2012 reports.

Strategic focus

Industrial's growth is based on innovation that meets market needs, driven by GDP growth and increasingly stringent environmental legislation that is being enforced in several countries.

Future profitable growth requires the strength of Yara's production capability, technological innovation, product development, and operational excellence to bring the right product and expertise to the customer at the right time and at the lowest cost. Industrial will continue to focus on all these elements in 2013.

Alongside North America, countries in Latin America will progressively implement emissions abatement legislation that will pave the way for market development. Brazil has already implemented the legislation leading to the start of the ARLA32 market in January 2012, and the Industrial organization is well positioned to take advantage of the growth opportunities in Brazil. Industrial will also be targeting growth for several applications in the Middle East and Turkey during 2013.

Industrial can only cater optimally to the needs of its global customers if supply sources are favorably located. To this end, Yara's Upstream platform has upgraded its production capacity in Sluiskil, Netherlands to serve several interesting Industrial markets in Europe, the USA and Brazil. Industrial will also benefit from Yara's planned expansion in Belle Plaine, Canada.

In 2013 Industrial will significantly increase its activities in Latin America, with the Brazilian NO_x abatement market being the focus. This market is set to become the third-largest in the world for AdBlue or ARLA32, the high purity urea solution that eliminates toxic NO_x emissions from heavy-duty vehicles. Yara will bring expertise to this market, by leveraging its experience from other markets.

Industrial will continue to leverage the strategic acquisition of Yara Miljö in 2013 by entering into new market segments and new markets. Efforts are currently underway to implement the technology services model in several Industrial markets, complemented by technology developed by Yara Miljö.

Industrial projects

Delivering on Industrial's strategy, several projects and focal areas are being developed, including:



AUSTRALIA

In May 2012 Yara agreed with Orica and Apache to form a joint venture to build a TAN plant with an annual capacity of 330,000 tons, adjacent to the existing Yara Pilbara ammonia plant. The close proximity to the Pilbara mining industry plus the direct ammonia supply gives it a distinct advantage over other TAN suppliers. The plant will meet demand from iron ore, copper and diamond mines, mostly in the Pilbara region. The joint venture is owned 45% by Yara, 45% by Orica and 10% by Apache. Construction of the plant is expected to have a capital cost of approximately USD 800 million excluding capital interest, and be completed by the end of 2015.



NO_x ABATEMENT

Yara is targeting further growth in the market for NO_x abatement solutions in Brazil, Europe and the USA and will take concrete steps to build its position in China using Yara Miljö's technology platform.



CO₂

Yara will renew its fleet of CO₂ dedicated ships in 2013. These ships serve Yara's three export plants and five dedicated CO₂ terminals in Europe. The ships support the continuity and reliability of CO₂ supply from Yara plants into the European market. All ships will be equipped with an SCR system on board so that they are ahead of the NO_x emissions legislation requirements.

OPERATING SEGMENTS 2012

Upstream *performance*

UPSTREAM IS THE BACKBONE of Yara's production system, including world-scale ammonia and fertilizer plants, phosphate mines and global trade of ammonia.

Upstream produces ammonia, urea, nitrates, NPKs and other nitrogen-based products as well as phosphoric acid and feed phosphates. Products are mainly sold through the Downstream and Industrial segments. Yara is the world's number one producer of ammonia, nitrates and NPKs, and largest global trader of ammonia. World-class operational efficiency and competitive raw material sourcing gives Upstream significant competitive advantages, providing a world-class manufacturing base for Yara's business.

BUSINESS DEVELOPMENT

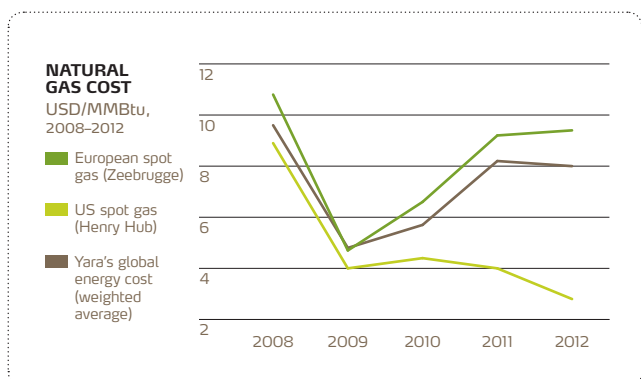
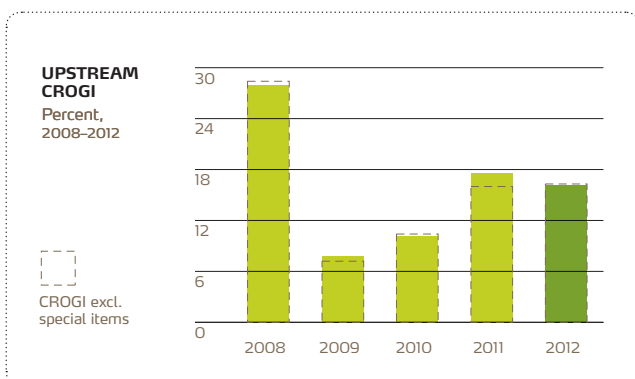
The Qafco 5 and 6 expansions were completed in 2012, with one ammonia/urea line starting in February and the second starting in August, adding an additional 2.3 million tons of urea per annum to the total Qafco urea capacity of approximately 5.5 million tons. With a daily production of more than 15,000 tons, Qafco is the largest urea producing site in the world.

In February 2012 Yara acquired a controlling stake in Burrup Holdings Limited, increasing its holding from 35% to 51%. Burrup Holdings was renamed Yara Pilbara Holdings Limited (YPHL) and Yara took over the management of the company cleaning up some legacy issues from the past and shifting focus to operational excellence. Yara markets 100% of the ammonia output from Yara Pilbara. Since the acquisition date, Yara Pilbara financial results are fully consolidated into the Yara results, while Yara production volumes reflect a 51% share.

PERFORMANCE

Upstream 2012 EBITDA excluding special items improved 15% from 2011, and is second only to the record 2008 result.

2012 ammonia production increased by 6%, mainly due to new capacity in Qafco and restarts in Libya and Billingham, which was out of production in fourth quarter 2011. The increase was partly offset by a higher number of turnarounds in 2012 and frequent gas curtailments in Trinidad.



Financial highlights

NOK millions, except where indicated otherwise	2012	2011	2010	2009	2008	
Revenue and other income	44,911	43,510	31,663	25,899	45,826	
Operating income	7,378	7,757	2,884	856	8,342	
Share net income equity-accounted investees	1,843	1,738	1,335	1,308	2,482	
EBITDA	11,849	11,446	5,975	4,013	12,372	
EBITDA excl. special items	11,868	10,297	6,096	3,690	12,665	
CROGI (12-month rolling average)	16.2%	17.6%	10.2%	7.8%	27.9%	
ROCE (12-month rolling average)	17.5%	21.1%	10.1%	6.4%	40.5%	
Oil & gas cost (weighted average) ¹⁾	USD per MMBtu	8.0	8.2	5.7	4.8	9.6
Oil & gas cost Europe (weighted average) ¹⁾	USD per MMBtu	11.0	10.7	7.6	6.6	12.0

Key statistics

Thousand tons	2012	2011	2010	2009	2008
Production by category¹⁾					
Ammonia	7,035	6,655	7,335	6,639	6,167
Finished fertilizer	12,546	12,184	12,282	10,642	10,905
Total	19,581	18,839	19,617	17,281	17,072

1) Including Yara share of production in equity-accounted investees.

Finished fertilizer increased by 3%. Additional Qafco volumes were partly offset by a Belle Plaine UAN outage in the latter part of the year.

Ammonia and urea production resumed in Libya in third quarter 2012. Full capacity will only be achieved during 2013 as power and utility supplies have so far not been stable.

European oil and gas costs increased from USD 10.7 per MMBtu to USD 11.0 per MMBtu, up 3% from last year, as European spot gas prices were higher in 2012 than in 2011. Yara's global average oil and gas cost decreased 2% from 2011, as production outside Europe expanded further.

Special items for 2012 were a net negative NOK 19 million, mainly reflecting Libya recommissioning costs and contract derivatives, largely offset by positive Yara Pilbara transaction effects. For full-year 2011 special items were a net positive NOK 1,149 million, mainly related to the sale of Rossosh.

Strategic focus

The Upstream segment in Yara has high safety and technical standards to ensure safe and reliable operation of its existing asset base.

In parallel, Yara selects projects that aim to further increase its production capacity through continuous optimization of processes and by identifying and resolving bottlenecks.

To further improve good HES performance, the program "Safe by Choice" will be implemented in early 2013. Management will demonstrate commitment to the zero recordable injury vision by ensuring that safety is an inherent part of the company culture. The awareness-building will focus on the fact that all accidents can and shall be prevented by actively reducing exposure to injury by caring for every individual at work in the company's sites.

Plant reliability and productivity will continue to be a main focus area for Yara Upstream during the coming years. Yara has taken several initiatives to gain further reliability improvement. Large productivity gains have been witnessed in 2012, especially in NPK sites, and other core processes have also shown reduced production losses due to unscheduled events. Some key elements of the reliability program are:

1) The Risk Based Inspection (RBI) program began in 2009 and has been rolled out to most production units. The program has now become an integrated part of the maintenance philosophy and will be geared up to next level, focusing on proactive preventive maintenance of critical equipment and end of life assessment of parts that are subject to known degradation mechanisms.

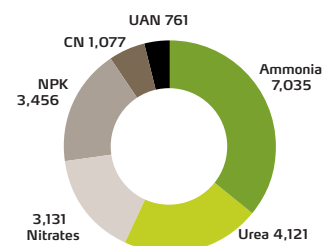
Variance analysis

NOK millions	
EBITDA 2012	11,849
EBITDA 2011	11,446
Variance EBITDA	402
Volume & mix	1,099
Price/margin	513
Oil & gas costs in Europe	(324)
Special items	(1,168)
Other	(38)
Translation NOK vs. USD ¹⁾	320
Total variance explained	402

1) Based on quarterly average NOK per USD rates as detailed in Yara 2012 reports.

UPSTREAM PRODUCTION

Thousand tons, 2012 ¹⁾



¹⁾ Including Yara share of production in equity-accounted investees.

2) The systematic review of critical spare parts in all production sites and ordering of missing components subject to long delivery times.

3) Great attention to the preparation and execution of turnarounds to make sure that every inspection, welding and installation job is prepared and executed to the highest quality standard, using the best available tools and expertise.

4) More extensive and systematic training programs whereby collective knowledge is better documented and passed on to junior engineers in the company. Yara also has the ambition to expand the knowledge of operators above the level needed for day-to-day operations. Processes must be in place to ensure continuous learning throughout the organization.

From 2013 all European ammonia and nitric acid plants will be regulated under the European Emission Trading Scheme (EU ETS). Yara will meet these new requirements by having its N₂O reduction technology installed in all its nitric acid plants while continuing to invest in higher energy efficiency and pursuing lower emissions in its ammonia plants.

Yara will continue its long-term strategy of increasing production capacity in areas with competitive and sustainable feedstock for its business portfolio. This includes nitrogen production based on competitively priced natural gas and also production of phosphate and potash for its NPK plants. Efforts are mainly focused on the Middle East, Africa, Australia and Canada, but any areas with potential competitive feedstock are of interest.

Upstream projects



NORWAY

Following the strong market fundamentals for Yara's NPK portfolio, Yara decided in 2012 to invest close to NOK

300 million to increase NPK capacity by 300,000 tons at its Porsgrunn plant in Norway. The project will be implemented with a gradual step-up in capacity from 2013 to completion in 2014.



TRINIDAD

In 2011 the Board of Trinidad Nitrogen, a 51-49% JV company between the Government of the Republic of

Trinidad and Tobago and Yara, approved a USD 50 million energy improvement project that will reduce the energy consumption in Tringen 1 by 12% and increase daily capacity of the ammonia plant by 80 tons by mid-2014.



CANADA

Based on the strong market and feedstock fundamentals, as well as the already existing infrastructure at its

Belle Plaine plant in Canada, Yara decided in 2012 to move forward with an expansion project. The expansion will comprise an integrated world scale ammonia and urea line with a capacity of approximately 1.3 million tons per annum, with expected start up in second half 2016. The final decision to implement the project is subject to concluding contracts for engineering, procurement and construction of the plants and agreements with Saskatchewan authorities related to utilities and other key terms of the project.



GERMANY

Brunsbüttel is one of two remaining ammonia plants in Yara's European system that uses non-gas feed stock.

Yara is in the process of converting the plant to be able to use natural gas also, thereby reducing the plant's feed stock cost. When the investment has been finalized by mid-2013, Brunsbüttel will have the flexibility to switch between natural gas and high viscous residues, taking advantage of potential arbitrage opportunities. Furthermore, as CO₂ emissions from oil are 30% higher per energy unit than for natural gas, the conversion will reduce total CO₂ (and sulfur) emissions and improve Brunsbüttel's energy efficiency.

Other and eliminations

2012 EBITDA was a positive NOK 107 million, compared to a negative NOK 370 million in 2011. The positive result in 2012 included a NOK 138 million positive effect from lower elimination of profit in inventory.

Definitions and variance analysis

The fertilizer season in Western Europe referred to in this discussion starts 1 July and ends 30 June. "Tons" in this document refers to metric tons, equal to 1,000 kilograms.

Several of Yara's purchase and sales contracts for commodities are, or have, embedded terms and conditions which under IFRS are accounted for as derivatives. The derivative elements of these contracts are presented under "Commodity-based derivatives gain/(loss)" in the condensed consolidated interim statement of income, and are referenced in the variance analysis (see below) as "Special items".

"Other and eliminations" consists mainly of cross-segment eliminations, in addition to Yara's headquarter costs. Profits on sales from Upstream to Downstream and Industrial are not recognized in the consolidated Yara condensed consolidated interim statement of income before the products are sold to external customers. These internal profits are eliminated in "Other and eliminations".

Changes in "Other and eliminations" EBITDA therefore usually reflect changes in Upstream-sourced stock (volumes) held by Downstream and Industrial, but can also be affected by changes in Upstream margins on products sold to Downstream and Industrial, as transfer prices move in line with arms-length market prices. With all other variables constant, higher stocks would result in a higher (negative) elimination effect in Yara's results, as would higher Upstream margins. Over time these effects tend to even out, to the extent that stock levels and margins normalize.

In the discussion of operating results Yara refers to certain non-GAAP financial measures including EBITDA and CROGI. Yara's management makes regular use of these measures to evaluate performance, both in absolute terms and comparatively from period to period. These measures are viewed by management as providing a better understanding – both for management and for investors – of the underlying operating results of the business segments for the period under evaluation. Yara manages long-term debt and taxes on a group basis. Therefore, net income is discussed only for the group as a whole.

Yara's management model, referred to as Value Based Management, reflects management's focus on cash flow-based performance indicators. EBITDA, which Yara defines as income/(loss)

before tax, interest expense, foreign exchange gains/losses, depreciation, amortization and write-downs, is an approximation of cash flow from operating activities before tax and net operating capital changes. EBITDA is a measure that, in addition to operating income, includes interest income, other financial income, and results from equity-accounted investees. It excludes depreciation, write-downs and amortization, as well as amortization of excess values in equity-accounted investees. Yara's definition of EBITDA may differ from that of other companies.

EBITDA should not be considered an alternative to operating income and income before tax as an indicator of the company's operations, in accordance with generally accepted accounting principles. Nor is EBITDA an alternative to cash flow from operating activities, in accordance with generally accepted accounting principles.

Yara management uses CROGI (Cash Return On Gross Investment) to measure performance. CROGI is defined as gross cash flow, divided by average gross investment and is calculated on a 12-month rolling basis. "Gross cash flow" is defined as EBITDA less total tax expense, excluding tax on net foreign exchange gains/ losses. On Yara level, actual tax expense is used for the calculation while a standardized tax rate of 30% is used on segment level. "Gross Investment" is defined as total assets (exclusive of deferred tax assets, cash and cash equivalents, other liquid assets and fair value adjustment recognized in equity) plus accumulated depreciation and amortization, less all short-term interest-free liabilities, except deferred tax liabilities. On segment level, cash and other liquid assets are not excluded from "Gross Investment".

ROCE (Return on Capital Employed) has been included as an additional performance measure to CROGI to simplify benchmarking with other companies. ROCE is defined as EBIT minus tax divided by average capital employed and is calculated on a 12-month rolling average basis. Capital employed is defined as total assets adjusted for deferred tax assets minus other current liabilities.

In order to track underlying business developments from period to period, Yara's management also uses an internally developed variance analysis methodology that involves the extraction of financial information from the accounting system, as well as statistical and other data from internal management information systems. Management considers the estimates produced by the Variance Analysis, and the identification of trends based on such analysis, sufficiently precise to provide useful data to monitor our business. However, these estimates should be understood to be less than an exact quantification of the changes and trends indicated by such analysis.

The variance analysis presented in Yara quarterly and annual financial reports is prepared on a Yara EBITDA basis including net income from equity-accounted investees. The volume, margin and other variances presented therefore include effects generated by performance in non-consolidated investees.

Yara defines “special items” as material items in the results which are not regarded as part of underlying business performance for the period. These fall into two categories, namely “non-recurring items” and “contract derivatives”. “Non-recurring items” comprise restructuring-related items and other gains or losses which are not primarily related to the period in which they are recognized, subject to a minimum value of NOK 20 million per item within a 12-month period. “Contract derivatives” are commodity-based

derivatives gains or losses (see above) which are not the result of active exposure or position management by Yara.

Due to it being impractical to obtain financial reports on the same reporting dates Yara uses, the results for some of Yara’s equity-accounted investees are included in Yara results with a one-month time lag.

Special items

NOK millions	2012	2011	NOK millions	2012	2011
EBITDA effect			Operating income effect		
Settlement of pension plan in France	21	-	Settlement of pension plan in France	21	-
Contract termination fee	27	-	Contract termination fee	27	-
Impairment write-down of customer relationships Balderton	-	-	Impairment write-down of customer relationships Balderton	(69)	-
Liquidation effects South African retail activity	(22)	-	Liquidation effects South African retail activity	(22)	-
Fair value adjustment Yara Nipro	-	44	Fair value adjustment Yara Nipro	-	44
Environmental provisions	-	(24)	Environmental provisions	-	(24)
Import duty charge prior years	-	(26)	Import duty charge prior years	-	(26)
Total Downstream	25	(5)	Total Downstream	(44)	(5)
Settlement of pension plan in France	3	-	Settlement of pension plan in France	3	-
Dilution effect Yara Pilbara Nitrates	73	-	Dilution effect Yara Pilbara Nitrates	73	-
Partial write down of Pardies plant	-	-	Partial write down of Pardies plant	-	(59)
Yara Praxair Holding AS revaluation of remaining 34%	-	658	Yara Praxair Holding AS revaluation of remaining 34%	-	658
Yara Praxair Holding AS sale of 16%	-	309	Yara Praxair Holding AS sale of 16%	-	309
Total Industrial	76	967	Total Industrial	76	908
Settlement of pension plan in France	1	-	Settlement of pension plan in France	1	-
Yara Pilbara transaction effects	401	-	Yara Pilbara transaction effects	401	-
Libya costs	(239)	(164)	Libya costs	-	-
Impairment write-down of customer relationships Balderton	-	-	Impairment write-down of customer relationships Balderton	(86)	-
Impairment write-down electric plant	-	-	Impairment write-down electric plant	(32)	-
Environmental provisions	-	(28)	Environmental provisions	-	(28)
Qafco restatement of prior periods	-	(82)	Qafco restatement of prior periods	-	-
Rossosh sale	-	1,419	Rossosh sale	-	1,479
Write down related to increased demolition costs	-	-	Write down related to increased demolition costs	-	(39)
Contract derivatives	(182)	4	Contract derivatives	(162)	2
Total Upstream	(19)	1,149	Total Upstream	122	1,414
Settlement of pension plan in France	1	-	Settlement of pension plan in France	1	-
Pilbara Nitrate project costs	37	-	Pilbara Nitrate project costs	37	-
Gain sale of Nordic Rus Holding	-	42	Gain sale of Nordic Rus Holding	-	42
Total Other and eliminations	38	42	Total Other and eliminations	38	42
Total Yara	120	2,152	Total Yara	191	2,359

Operational data

Thousand tons	2012	2011	2010	2009	2008
Purchase of raw materials, kt ¹⁾					
Rock Phosphate	928	954	1,025	615	1,051
Potassium	1,958	1,797	1,971	879	1,646
Downstream production, kt					
Ammonia			-	-	82
Nitrates	2,657	2,622	2,553	2,847	2,693
NPK	1,521	1,604	1,573	1,194	2,125
CN	176	166	175	106	242
UAN	192	329	232	281	304
Upstream production, kt					
Ammonia	5,340	4,935	4,956	4,463	4,341
Urea	2,979	2,715	2,622	2,520	1,935
Nitrates	2,756	2,808	2,602	2,376	2,609
NPK	3,198	3,117	3,104	2,338	3,136
CN	1,077	1,027	1,008	797	956
UAN	761	720	581	480	351
Industrial production, kt					
Ammonia		-	-	97	128
Nitrates (TAN)	429	402	380	388	425
Equity-Accounted Investees, kt ²⁾					
Ammonia	1,695	1,720	2,379	2,176	1,826
Urea	1,142	862	1,180	1,107	749
Nitrates	375	486	620	575	618
NPK	257	448	566	449	552

1) Purchased for consumption in Yara plants, including blending in Yara Brazil.

2) Yara share of production in equity-accounted investees.

The Yara *share*

YARA AIMS TO provide competitive returns compared to other investment alternatives. The Yara share shall be liquid and an attractive investment opportunity.

Yara is committed to serving all shareholders and potential investors by providing consistent, open and prompt disclosure of relevant information. The company's policy is equal treatment of all stakeholders, including analysts, banks, institutional investors and private shareholders. All information that may be important and relevant for Norwegian and international markets is provided in the form of notices to the Oslo Stock Exchange (OSE) and through press releases. Yara presents quarterly results as live webcasts and at its headquarters at Bygdøy allé 2 in Oslo. In addition, Yara holds regular meetings with investors both in Europe and in North America.

SHARE PERFORMANCE AND DISTRIBUTION

In 2012 a total of 751 million Yara shares were traded, 326 million of which on the OSE, at a total value of NOK 86.6 billion, making Yara the second most traded company on the OSE. The average daily trading volume for Yara shares on the OSE during 2012 was 1.3 million.

The highest closing price during the year was NOK 303.10 and the lowest was NOK 225.10. The year-end closing price was NOK 273.8, representing a decrease of 14% from the 2011 year-end close. Yara's market value as of 31 December 2012 was NOK 77.81 billion, making Yara the fourth-largest company quoted on the Oslo Stock Exchange.

At year-end 2012 Yara had 36,453 shareholders. Non-Norwegian investors owned approximately 42% of the total stock. 16% of

total shares were held by US investors and 6% by investors in the United Kingdom. The Norwegian State, through the Ministry of Trade and Industry, is the largest single owner with 36.21% of the shares. Norwegian private ownership of Yara shares was approximately 22%.

ADR PERFORMANCE AND VOTING RIGHTS

Yara has a sponsored level 1 ADR (American Depositary Receipt) program in the United States. The ADRs are not listed, but are bought and sold OTC, i.e. through any broker licensed to buy and sell US securities. One ADR represents one ordinary Yara share.

On 31 December 2012, the ADR was quoted at USD 49.74, a 24.8% increase for the year. To find a recent price quote for Yara ADRs please go to www.adr.com. The ticker symbol is YARIY.

Shares must be registered with the Norwegian Registry of Securities in the name of the real owner if holders want to vote for their shares at the shareholders' meeting. Holders of Yara ADRs should check their voting rights with JP Morgan, which is the depository bank for Yara ADRs.

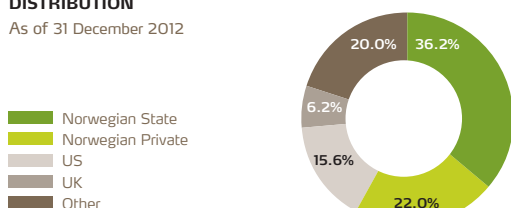
» Contact details / PAGE 65

CASH DISTRIBUTION POLICY

Yara expects to return 40–45% of average net income to shareholders over a business cycle. Dividends should be minimum 30% of net income, with share buy-backs making up the balance. Total cash

SHAREHOLDING DISTRIBUTION

As of 31 December 2012



returned to shareholders in 2012 was NOK 3,269 million or roughly 27% of 2011 net income. Dividends accounted for NOK 1,998 million representing 17% of 2011 net income while share buy-backs amounted to NOK 1,271 million representing 11% of 2011 net income.

Yara has historically aimed for a gradual increase in the absolute dividend level. This practice has resulted in dividends lagging the policy as earnings have increased strongly since Yara was listed as a separate company. Going forward Yara will practice its dividend policy more mechanically, implying that dividend payments will to a greater extent follow the development in net income. The dividend pertaining to a fiscal year will be declared at Yara's annual general meeting in the following year.

The Board of Directors will propose a dividend payment of NOK 13.00 per share for 2012 to the Annual General Meeting.

The General Meeting on 10 May 2012 authorized Yara's Board to buy back up to 5% of total shares (14,310,363 shares) before 12 May 2013, at a purchase price not less than NOK 10 and not more than NOK 1,000. A precondition for the program was that an agreement was entered into with the Norwegian State where the State committed to sell a proportional share of its holdings to leave the State's ownership (36.21%) unchanged.

As of 31 December 2012 Yara had bought 3,640,000 shares under the existing authorization.

Shareholding distribution

As of 31 December 2012

Ownership structure		
No. of shares	No. of shareholders	Percentage of share capital
1-100	21,042	0.27
101-1,000	12,405	1.48
1,001-10,000	2,251	2.34
10,001-100,000	536	6.28
100,001-one million	186	17.76
Over one million	33	71.87

Yara's 20 largest shareholders¹⁾

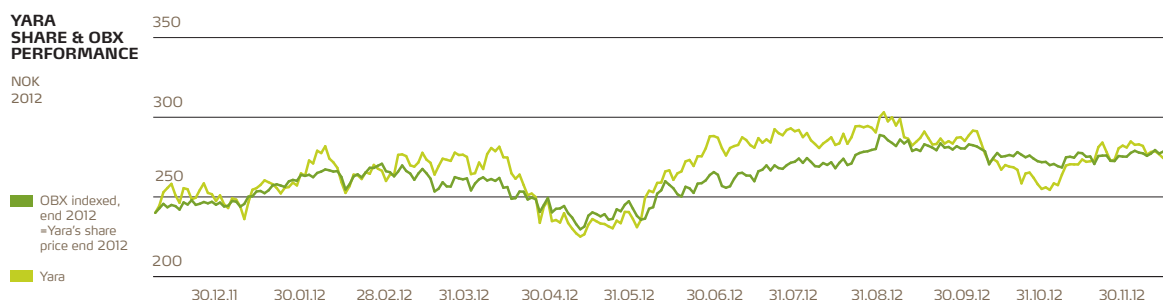
As of 31 December 2012

Shareholders	Holding (%)
Ministry of Trade and Industry	36.21
Folketrygdfondet	6.80
People's Bank of China	1.84
Fidelity Management & Research	1.77
BlackRock	1.67
DNB Asset Management	1.35
Yara International ASA	1.28
DWS Investments	1.26
Storebrand Investments	0.98
KLP	0.96
SSGA	0.93
Pareto Forvaltning	0.93
APG Asset Management	0.85
Allianz Global Investors	0.76
Swedbank Robur	0.75
Schroder Investment Management	0.64
Legal & General Investment Management	0.63
HSBC Fund Services, Hong Kong (PB)	0.59
Nordea Asset Management	0.59
Invesco Perpetual	0.58

¹⁾ This shareholder list is delivered by RD:IR and VPS through their service Nominee ID. The list is made by analyzing information provided by registered shareholders on request from Yara International. Neither RD:IR, or VPS guarantee that the information is complete. For a list of the 20 largest registered shareholders as of 31 December 2012, see note 14 on page 144 in this annual report.

YARA SHARE & OBX PERFORMANCE

NOK 2012



2013 ANNUAL GENERAL MEETING

Yara's shareholder meeting will take place at 18:00 (CET) Monday 13 May 2013, at Yara headquarters in Bygdøy allé 2, Oslo. Shareholders who wish to attend the Annual General Meeting are asked to inform Yara's registrar by 16:00 CEST on Tuesday 7 May 2013.

Shareholders may also register electronically on the Yara webpage www.yara.com/register or at the Verdipapirservice investor services site at www.vps.no.

For more information on how to vote, consult Yara's voting form or visit the company's website.

ANALYST COVERAGE

31 financial analysts provide market updates and estimates for Yara's financial results. This includes 21 analysts located outside Norway.

RATING

Rating agencies Moody's and Standard & Poor's have rated Yara as solid investment grade. Reflecting its strong market position and cost leadership, Yara is rated investment grade 'Baa2' with Moody's and 'BBB' with Standard & Poor's.

CHANGE OF ADDRESS

Shareholders registered in the Norwegian Registry of Securities should send information on changes of address to their registrars and not directly to the company.

REGISTRAR INFORMATION

Registered shareholders may contact our registrar in Norway regarding share transfers, address changes and other issues related to their holding of Yara shares. The contact details are shown below.

Common share data

NOK millions	Q1	Q2	Q3	Q4	2012	2011
Basic earnings per share	10.58	9.86	9.3	11.84	37.49	41.99
Average number of shares outstanding ¹⁾	285,456,159	283,940,417	281,363,134	280,567,264	282,821,544	287,321,413
Period end number of shares outstanding ¹⁾	285,456,159	282,287,264	280,567,264	280,567,264	280,567,264	285,456,159
Average daily trading volume ²⁾	1,844,100	1,381,620	960,144	965,112	1,289,356	2,333,288
Average closing share price	259.52	253.03	284.69	275.15	268.37	283.2
Closing share price (end of period)	271.6	258.8	287	273.79	273.79	240
Closing share price high	281.8	281.5	303.1	291.6	303.1	350
Market capitalization (end of period NOK billion)	78.1	74.4	81.6	77.8	77.8	97.3
Dividend per share					13.00 ³⁾	7

¹⁾ Excluding own shares

²⁾ Only trades on OSE

³⁾ Proposed

Share facts

SYMBOL: YAR

LISTING: Oslo Stock Exchange (OSE)

YARA'S REGISTRAR IN NORWAY

DNB ASA
Verdipapirservice
Dronning Eufemias gate 30
NO-0021 Oslo
Phone: +47 23 26 80 21
Fax: +47 22 48 11 71
www.dnb.no

YARA'S ADR DEPOSITARY BANK

JPMorgan is the depositary bank for Yara ADRs:
JPMorgan Chase Bank N.A.
1 Chase Manhattan Plaza, Floor 21.
New York
NY 10005
USA
Phone (US): 800-990-1135
Phone (outside US): +1 651-453-2128
E-mail: jpmorgan.adr@wellsfargo.com
www.adr.com

2012 DIVIDEND SCHEDULE

Ex-dividend date: 14 May 2013
Payment date: 28 May 2013

2013 QUARTERLY EARNINGS RELEASE DATES

First quarter: 22 April 2013
Second quarter: 19 July 2013
Third quarter: 18 October 2013
Fourth quarter: 11 February 2014

Financial statements

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» Due to rounding differences, figures or percentages may not add up to the total.

Consolidated *statement of income*

<i>NOK millions, except share information</i>	Notes	2012	2011
Revenue	4	83,997	77,726
Other income	2,3,11	678	2,698
Commodity based derivatives gain/(loss)	27,28	(166)	(72)
Revenue and other income	4	84,509	80,352
Raw materials, energy costs and freight expenses	30	(62,331)	(60,331)
Change in inventories of own production		(420)	2,502
Payroll and related costs	5,6,22,32	(5,052)	(4,698)
Depreciation, amortization and impairment loss	4,9,11	(3,424)	(2,677)
Other operating expenses	5,31,32,33	(2,117)	(1,908)
Operating costs and expenses	4	(73,343)	(67,112)
Operating income	4	11,166	13,240
Share of net income in equity-accounted investees	4,12	1,964	1,889
Interest income and other financial income	7,27,28	404	309
Earnings before interest expense and tax (EBIT)	4	13,535	15,438
Foreign exchange gain/(loss)	7,27,28	596	(215)
Interest expense and other financial items	7,22,27,28	(880)	(818)
Income before tax		13,251	14,404
Income tax expense	8	(2,600)	(2,315)
Net income		10,650	12,090
Net income attributable to			
Shareholders of the parent		10,602	12,066
Non-controlling interests	21	49	24
Net income		10,650	12,090
Earnings per share ¹⁾	20	37.49	41.99
Weighted average number of shares outstanding ²⁾	19,20	282,821,544	287,321,413

1) Yara currently has no share-based compensation that results in a dilutive effect on earnings per share.

2) Weighted average number of shares outstanding was reduced in first, third and fourth quarter 2011, and second, third and fourth quarter 2012, due to the share buy-back program.

Consolidated *statement of comprehensive income*

<i>NOK millions</i>	Notes	2012	2011
Net income		10,650	12,090
Exchange differences on translation of foreign operations	27	(2,957)	313
Actuarial gain/(loss) on defined benefit pension plans	22	(550)	(504)
Available-for-sale financial assets - change in fair value	13,28	(24)	27
Hedge of net investments	28	79	-
Share of other comprehensive income of equity-accounted investees	12	(68)	(177)
Reclassification adjustments related to:			
- cash flow hedges	7,28	11	11
- exchange differences on foreign operations disposed of in the year	2	(354)	144
- available-for-sale financial assets disposed of in the year	13,28	-	(2)
Total other comprehensive income, net of tax		(3,864)	(189)
Total comprehensive income		6,786	11,901
Total comprehensive income attributable to			
Shareholders of the parent		6,818	11,880
Non-controlling interests		(32)	22
Total		6,786	11,901

Consolidated *statement of changes in equity*

<i>NOK millions</i>	Share Capital ¹⁾	Premium paid-in capital	Translation of foreign operations	Available-for-sale financial assets	Cash flow hedges	Hedge of net investments	Total other reserves	Retained earnings	Attributable to shareholders of the parent	Non-controlling interests	Total equity
Balance at 1 January 2011	490	435	(26)	4	(221)	90	(152)	34,411	35,185	149	35,334
Net income	-	-	-	-	-	-	-	12,066	12,066	24	12,090
Other comprehensive income, net of tax	-	-	458	25	11	-	493	(504)	(11)	(2)	(13)
Share of other comprehensive income of equity-accounted investees	-	-	(2)	-	(57)	-	(59)	(118)	(177)	-	(177)
Total other comprehensive income, net of tax	-	-	456	25	(46)	-	434	(622)	(188)	(2)	(189)
Long term incentive plan	-	-	-	-	-	-	-	(12)	(12)	-	(12)
Buyout of non-controlling interests ⁴⁾	-	-	-	-	-	-	-	(81)	(81)	7	(74)
Treasury shares	(4)	-	-	-	-	-	-	(643)	(647)	-	(647)
Redeemed treasury shares ²⁾	-	(203)	-	-	-	-	-	203	-	-	-
Redeemed shares, Norwegian State ²⁾	(1)	(115)	-	-	-	-	-	-	(116)	-	(116)
Dividends distributed	-	-	-	-	-	-	-	(1,584)	(1,584)	(22)	(1,606)
Balance at 31 December 2011	485	117	430	29	(267)	90	282	43,737	44,623	157	44,779
Net income	-	-	-	-	-	-	-	10,602	10,602	49	10,650
Other comprehensive income, net of tax	-	-	(3,230)	(24)	11	79	(3,164)	(550)	(3,714)	(81)	(3,795)
Share of other comprehensive income of equity-accounted investees	-	-	(2)	-	1	-	(1)	(67)	(68)	-	(68)
Total other comprehensive income, net of tax	-	-	(3,232)	(24)	12	79	(3,165)	(617)	(3,783)	(81)	(3,864)
Long term incentive plan	-	-	-	-	-	-	-	(8)	(8)	-	(8)
Transactions with non-controlling interests ⁵⁾	-	-	-	-	-	-	-	(1)	(1)	1,640	1,639
Treasury shares	(6)	-	-	-	-	-	-	(948)	(954)	-	(954)
Redeemed shares, Norwegian State ³⁾	(2)	-	-	-	-	-	-	(315)	(317)	-	(317)
Dividends distributed	-	-	-	-	-	-	-	(1,998)	(1,998)	(20)	(2,018)
Balance at 31 December 2012	477	117	(2,802)	5	(255)	169	(2,883)	50,452	48,163	1,745	49,908

1) Par value 1.70.

2) As approved by General Meeting 10 May 2011.

3) As approved by General Meeting 10 May 2012.

4) Related to purchase of remaining 1.46% of shares in Yara Brazil Fertilizantes S.A.

5) Mainly related to acquisition of shares in Yara Pilbara Holdings Ltd and Yara Dallol BV. See note 3 for further information.

Consolidated *statement of financial position*

31 DECEMBER

<i>NOK millions</i>	Notes	31 DEC 2012	31 DEC 2011
ASSETS			
Non-current assets			
Deferred tax assets	8	1,385	1,474
Intangible assets	3,9,10	7,512	5,164
Property, plant and equipment	3,11,29	27,893	24,118
Equity-accounted investees	4,12	10,509	11,092
Other non-current assets	13,14,22,28	1,429	1,875
Total non-current assets	4	48,728	43,723
Current assets			
Inventories	15	11,927	12,683
Trade receivables	16,28	8,045	8,680
Prepaid expenses and other current assets	17,28	2,607	2,936
Cash and cash equivalents	18,28	9,941	5,868
Non-current assets classified as held-for-sale	18,28	11	11
Total current assets	4	32,530	30,177
Total assets	4	81,258	73,900

Consolidated *statement of financial position*

31 DECEMBER

<i>NOK millions, except for number of shares</i>	Notes	31 DEC 2012	31 DEC 2011
Equity and liabilities			
Equity			
Share capital reduced for treasury stock	19	477	485
Premium paid-in capital		117	117
Total paid-in capital		594	603
Other reserves		(2,883)	282
Retained earnings	19	50,452	43,737
Total equity attributable to shareholders of the parent		48,163	44,623
Non-controlling interests	21	1,745	157
Total equity		49,908	44,779
Non-current liabilities			
Employee benefits	22,32	2,458	2,673
Deferred tax liabilities	8	4,426	3,489
Other long-term liabilities	6,28	658	234
Long-term provisions	23	407	252
Long-term interest-bearing debt	24,28	9,287	10,280
Total non-current liabilities		17,236	16,927
Current liabilities			
Trade and other payables	4,25,28	9,665	8,523
Current tax liabilities		1,932	1,324
Short-term provisions	4,23	230	318
Other short-term liabilities	4,28	680	901
Bank loans and other interest-bearing short-term debt	26,28	604	707
Current portion of long-term debt	24,28	1,004	420
Total current liabilities		14,115	12,193
Total equity and liabilities		81,258	73,900
Number of shares outstanding	19	280,567,264	285,456,159

The Board of Directors of Yara International ASA
Oslo, 21 March 2013


Bernt Reitan
Chairperson


Elisabeth Harstad
Board member


Hilde Merete Aasheim
Board member


Juha Ilari Rantanen
Board member


Geir Olav Sundbo
Board member


Rune Asle Bratteberg
Board member


Guro Mauset
Board member


Jørgen Ole Haslestad
President and CEO

Consolidated *statement of cash flows*

<i>NOK millions</i>	Notes	2012	2011
Operating activities			
Operating Income	4	11,166	13,240
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation, amortization and impairment loss	4,9,11	3,424	2,677
Write-down		(102)	139
Tax paid		(2,702)	(1,827)
Dividend from equity-accounted investees	12	986	1,480
Interest and bank charges recived/(paid)		(433)	(491)
Gain/(loss) on sale and revaluation of non-current assets	2	(416)	(2,531)
Other		(475)	(279)
Working capital changes that provided/(used) cash			
Receivables		157	(1,738)
Inventories		310	(3,170)
Prepaid expenses and other current assets		450	239
Payables		1,162	(82)
Other interest free liabilities		(296)	(292)
Net cash provided by operating activities		13,233	7,363
Investing activities			
Purchases of property, plant and equipment	4,11	(3,569)	(2,899)
Net cash outflow on acquisition of subsidiary	3	(250)	(217)
Purchases of other long-term investments	2,3,4	(445)	(85)
Net sales/(purchases) of short-term investments	18	(1)	801
Proceeds from sales of property, plant and equipment	11	51	34
Net cash inflow on disposal of subsidiary		8	-
Proceeds from sales of other long-term investments		250	2,797
Net cash used in/(provided by) investing activities		(3,955)	431
Financing activities			
Loan proceeds		11,331	8,769
Principal payments		(13,123)	(11,141)
Purchase of treasury shares	19	(954)	(647)
Redeemed shares Norwegian State	19	(317)	(116)
Dividend	19	(1,998)	(1,584)
Net cash transfers (to)/from non-controlling interest	2,21	11	(113)
Net cash used in financing activities		(5,050)	(4,833)
Foreign currency effects on cash flows			
		(154)	(40)
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at 1 January		5,868	2,946
Cash and cash equivalents at 31 December	18	9,941	5,868
Bank deposits not available for the use of other group companies			
	18	286	311

Accounting *policies*

GENERAL

Yara (the Group) consists of Yara International ASA and its subsidiaries. Yara International ASA is a public limited company incorporated in Norway. The Company's registered office is at Bygdøy Allé 2, Oslo, Norway.

The consolidated financial statements consist of the Group and the Group's interests in associated companies and jointly controlled entities. The principal activities of the Group are described in note 4 and note 12.

STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB) and approved by the European Union (EU).

BASIS OF PREPARATION

The consolidated financial statements have been prepared under the historical cost convention; modified to include revaluation to fair value of available-for-sale financial assets and derivative financial instruments.

BASIS OF CONSOLIDATION

The consolidated financial statements include Yara International ASA and entities controlled by Yara International ASA (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Controlling interest is usually achieved when Yara has more than 50% of voting rights. In some situations de facto control of an entity may be achieved through other means than voting rights, such as through contractual agreements.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of Yara International ASA and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra group transactions, balances, income and expenses are eliminated in full on consolidation. Profit or losses from transactions with associated companies and jointly controlled entities are recognized in the Group's consolidated financial statements only to the extent of interest in the associate or jointly controlled entity that is not related to the Group.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

FOREIGN CURRENCIES

Translation to Norwegian krone (NOK) of foreign companies

The individual financial statements of a subsidiary company are prepared in the company's functional currency, normally the currency of the country where the company is located. Yara International ASA uses NOK as its functional currency, which is also used as the presentation currency for the consolidated financial statements. In preparing the consolidated financial statements, the financial statements of foreign operations are translated

using the exchange rates at year-end for statement of financial position items and monthly average exchange rates for statement of income items. Translation gains and losses, including effects of exchange rate changes on transactions designated as hedges of net foreign investments, are included in other comprehensive income as a separate component. The translation difference derived from each foreign subsidiary, associated company or jointly controlled entity, accumulated from 1 January 2004, is reversed through the statement of income as part of the gain or loss arising from the divestment or liquidation of such a foreign operation.

In individual companies, transactions in currencies other than the entity's functional currency are recorded at the exchange rate at the date of transaction. Monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

All exchange differences are recognized in the income statement with the exception of exchange differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity, or monetary items that are regarded as a part of the net investments. These exchange differences are recognized as a separate component of other comprehensive income until the disposal of the net investment or settlement of the monetary item, at which time they are recognized in the consolidated statement of income. Tax charges and credits attributable to exchange differences on those borrowings are also recognized in other comprehensive income.

Foreign exchange hedges

To hedge the Group's currency exposure the Group enters into currency-based derivative financial instruments. The Group's accounting policies for such contracts are explained below under financial instruments.

BUSINESS COMBINATIONS

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except for deferred tax assets and liabilities, share-based payment arrangements and held-for-sale assets or disposal groups. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquiree's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting in consolidated statement of income.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

GOODWILL

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination.

Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit prorated on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

The Group's accounting policy for goodwill arising on the acquisition of an associate or jointly controlled entity is described under associated companies.

REVENUE RECOGNITION

Sale of goods

Revenue from the sale of products, including products sold in international commodity markets, is recognized when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold
- the amount of revenue can be measured reliably
- it is probable that the economic benefits associated with the transaction will flow to the Group
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for products provided in the normal

course of business, net of discounts and sales related taxes. Yara's rebate arrangements include fixed-rate rebates or variable rate rebates increasing with higher volumes. For variable rate rebates, the estimated rebate is accrued at each revenue transaction, and the accrual is adjusted at the end of each rebate period, which typically is the end of a fertilizer season.

In arrangements where Yara acts as an agent, such as commission sales, only the net commission fee is recognized as revenue.

Government grants

Government grants are recognized in the consolidated financial statement when the Group has reasonable assurance that it will receive them and comply with conditions attached to them. Government grants that compensate the Group for expenses are recognized in the statement of income as the expenses are incurred. Government grants that compensate the Group for the cost of an asset are recognized in the statement of income on a systematic basis over the useful life of the asset.

Dividends received

Dividends from investments are recognized in the statement of income when the Group has a right to receive the dividends.

Interest income

Interest income is recognized in the statement of income as it is accrued, based on the effective interest method.

TAX

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year.

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences, carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent these can be utilized against probable taxable profits. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Current and deferred tax for the period

Current and deferred tax are recognized as expense or income in the statement of income, except when they relate to items recognized in other comprehensive income, in which case the tax is also recognized as other comprehensive income, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of Yara's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

INTANGIBLE ASSETS

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their esti-

mated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Separately acquired intangible assets are recognized at fair value at the time of acquisition. As part of business combinations, intangible assets acquired as a result of contracts or legal rights, or rights that can be separated from the acquired entity, are recognized at fair value.

Research costs are expensed as incurred. Costs incurred in development of certain internally generated intangible assets, such as software, are expensed until all the recognition criteria are met. Qualifying costs incurred subsequently to meeting the recognition criteria are capitalized.

Exploration and evaluation expenditure

Yara incurs costs related to evaluation and exploration of phosphate and potash. Expenditures to acquire such mineral interests and to drill and equip mines are capitalized as exploration and evaluation expenditure within intangible assets until the mine is complete and the results have been evaluated. If, following evaluation, the exploratory mine has not found proved reserves, the previously capitalized costs are evaluated for de-recognition or tested for impairment.

Capitalized exploration and evaluation expenditure, including expenditures to acquire mineral interests, related to mines that find proved reserves are transferred from Exploration expenditure (Intangible assets) to Assets under construction (Property, plant and equipment) when the project reaches the development phase.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at historic cost less accumulated depreciation and any impairment loss. If a legal or constructive obligation exists to decommission property, plant and equipment, the carrying value of the assets is increased with the discounted value of the obligation when it arises.

Expenses in connection with periodic maintenance on property, plant and equipment are recognized as assets and depreciated on a systematic basis until the next periodic maintenance, provided the criteria for capitalizing such items have been met. Expenses in connection with ordinary maintenance and repairs are recognized in the statement of income as they are incurred. Expenses incurred in connection with major replacements and renewals that materially extend the life of property, plant and equipment are capitalized and depreciated on a systematic basis.

Property, plant and equipment are depreciated on a straight-line basis over their expected useful life. If individual parts of property, plant and equipment have different useful lives they are accounted for and depreciated separately. Expected useful life and residual value is, unless immaterial, reassessed annually. An asset's carrying amount is written down to its recoverable amount if the assets carrying amount is higher than its estimated recoverable amount. Gain or loss due to sale or retirement of property, plant and equipment is calculated as the difference between sales proceeds and carrying value and is recognized in the statement of income.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets.

ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES

Associated companies are investments in companies where the Group has significant influence, but not control. Significant influence normally exists when the Group controls between 20% and 50% of the voting rights. Yara currently has one investment with ownership level less than 20% which is classified as an associate, see note 12 for more information.

A jointly controlled entity is a contractual arrangement whereby the Group and one or more parties undertake an economic activity that is subject to

joint control, which is when the strategic, financial and operating policy decisions relating to the activities of the jointly controlled entity require the unanimous consent of the parties sharing control. A jointly controlled entity is a jointly controlled entity that involves the establishment of a corporation, partnership or other entity in which each venture has an interest.

The share of results, assets and liabilities of associated companies and jointly controlled entities are incorporated into the consolidated financial statements using the equity method of accounting. Under the equity method of accounting, investments are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associated companies and jointly controlled entities, less any impairment in the value of the investment.

The consolidated statement of income reflects the Group's share of the results after tax of the associated companies and jointly controlled entities. The consolidated statement of comprehensive income reflects the Group's share of any income and expense recognized by the associate or jointly controlled entity outside the statement of income. Any excess of the cost of acquisition of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Yara reviews the carrying amount of equity-accounted investments for impairment if indications of loss in value are identified. Impairment indicators may be operating losses or adverse markets conditions. As Yara's associated companies and jointly controlled entities are generally not listed on a stock exchange or regularly traded, the impairment review for such investments can rarely be based on observable market prices. Fair value of the investment is estimated based on valuation model techniques. If it is considered probable that the fair value is below Yara's carrying value, an impairment loss is recognized. In preparing their individual financial statements, the accounting policies of some associated companies and jointly controlled entities do not conform with the accounting policies of Yara. Where appropriate, adjustments are therefore made in order to present the consolidated financial statements on a consistent basis.

INVENTORY

Inventories are stated at the lower of cost, using the first-in, first-out method ("FIFO"), and net realizable value. Net realizable value is estimated sales price reduced by costs of completion and other sales costs. Cost is direct materials, direct labor, other direct cost and an appropriate portion of production overhead, or the price to purchase inventory.

IMPAIRMENT OF NON-CURRENT ASSETS OTHER THAN GOODWILL

The Group assesses the carrying amount of tangible assets and identifiable intangible assets annually, or more frequently if events or changes in circumstances indicate that such carrying amounts may not be recoverable. Factors considered material by the Group and that could trigger an impairment test include:

- significant underperformance relative to historical or projected future results, or
- significant changes in the manner of the Group's use of the assets or the strategy for the overall business, or
- significant negative industry or economic trends.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less cost to sell and value in use. When it is determined that the carrying amount of tangible assets and identifiable intangible assets may not be recoverable based upon the existence of one or more of the above indicators of impairment, any impairment is measured based on discounted projected cash flows using a pre-tax discount rate. An impairment loss is recognized to the extent that the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount.

Previously recognized impairment losses, except for goodwill, are reversed if the assumptions for impairment are no longer present. Impairment losses are only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment had been recognized.

OWN SHARES

When own shares are repurchased, the amount of consideration paid, including directly attributable costs, is recognized as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity. Gain/loss from the sale of own shares is recognized as a change in equity.

DIVIDENDS PAID

Dividends are recognized as a liability in the period that they are declared by the Annual General Meeting

EMPLOYEE BENEFITS

Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan. The amount is an estimation of future benefits that the employees have earned in return for their service in current and prior periods. The benefit is discounted to determine its present value, and the fair value of the plan assets and unvested past service cost is deducted. The discount rate is the yield at the balance sheet date on high quality corporate bonds or government bonds where no market for high quality corporate bonds exist. If the bond has a different maturity from the obligation, the discount rate is adjusted. Qualified actuaries using the projected credit unit method perform the calculations.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in statement of income as an expense on a straight-line basis over the average period until the benefits become vested. To the extent benefits vest immediately, the expense is recognized immediately in the statement of income. Gains or losses arising from curtailments and settlements of pension plans are recognized immediately in the statement of income. Actuarial gains and losses in the period are recognized as other comprehensive income.

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an expense in the statement of income when employees have rendered services entitling them to the contributions. Prepaid contributions are recognized as an asset to the extent that a cash refund or deduction in future payments is available.

Other long-term benefits

The Group's obligation in respect of other long-term benefits is the amount of future benefits that the employees have earned in return for their service in current and prior periods. The obligation is discounted based on the same principles as defined benefit plans.

Share-based compensation

In the long term incentive program for Yara Management and top executives Yara shall purchase shares on behalf of the employees. The original purchase amount is recorded as reduction in equity and the recognition of costs takes place during the vesting period, see note 6. If an executive does not meet the vesting conditions the net proceed must be returned to Yara and this will be recognized directly against equity.

The Group may also give employees the possibility to purchase shares in Yara at a reduced price. The related cost is recognized when the employee exercises this possibility.

PROVISIONS

A provision is recognized when the Group has a present obligation (legal or constructive) following a past event and it is likely that this will result in an outflow of cash or transfer of other assets to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Restructuring

A restructuring provision is recognized when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as a provision. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceeds the economic benefits expected to be received from it.

Site restoration

A provision for an obligation to restore a site is recognized when it occurs as a consequence of a constructive or legal obligation.

Guarantees

A provision for guarantees is recognized when the products or services are sold. The provision is based on historical information on actual guarantee payments incurred and the probability that claims will be made.

Environmental expenditures

Environmental expenditures that increase the life, capacity, safety or efficiency of a facility are capitalized. Expenditures that relate to an existing condition caused by past operations are expensed. When environmental assessments, clean-ups or restoration are probable and the cost can be reliably measured, a provision is recognized.

Emission rights

Due to EU regulations in regard to greenhouse gas emissions, Yara receives annual emissions rights. These emission rights can be used to settle the Group's obligation that arises as a result of actual emissions. Granted emission rights received in a period are initially recognized at nominal value (nil value). Purchased emission rights are initially recognized at cost (purchase price) within intangible assets. A provision is recognized when the level of emissions exceeds the level of allowances granted.

If Yara's emissions are less than the emission rights allocated to its operations, these may be sold in the market. Gains are recognized if and when such transactions occur.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized when the Group becomes part to the contractual obligations of the instrument.

Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits and monetary items which are due in less than three months.

Other liquid assets

Other liquid assets comprise bank deposits and all other monetary items which are due between three and twelve months.

Trade receivables and other short-term receivables

Trade receivables and other short-term receivables are measured at initial recognition at fair value and subsequently measured at amortized cost. Short-term receivables, which are due within three months, are normally not discounted.

Available-for-sale financial assets

Available-for-sale financial assets are initially recognized at fair value. Available-for-sale financial assets are subsequently recognized at fair value, with gains and losses arising from changes in fair value recognized in the statement of comprehensive income, until the asset is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the consolidated statement of income for the period.

Impairment of financial assets

Financial assets, other than those recognized at fair value through the statement of income, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced directly by the impairment loss for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of income. With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In addition to the above impairment of available-for-sale equity securities, impairment may occur if the decline in fair value is significant or prolonged. In respect of available-for-sale equity securities, any increase in fair value subsequent to an impairment loss is recognized as other comprehensive income.

Trade payables and other short-term liabilities

Trade payables are initially measured at fair value and are subsequently measured at amortized cost. Short-term payables, which are due within three months, are normally not discounted.

Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less direct transaction costs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortized cost with any difference between cost and redemption being recognized in the statement of income over the period of the borrowings on an effective interest basis.

Derivative financial instruments

The Group uses derivative financial instruments to hedge exposure against foreign exchange risk, interest-rate risk and commodity risk arising in operating, financing and investment activities. Derivatives are initially recognized at fair value at the date a derivative contract is entered into, and are subsequently remeasured to their fair value at each balance sheet date. The Group routinely enters into sale and purchase transactions for physical gas, ammonia and other commodities. The majority of these transactions take the form of contracts that were entered into and continue to be held for the purpose of receipt or delivery of the physical position in accordance with the Group's expected sale, purchase or usage requirements, and are therefore not within the scope of IAS 39 (own use exemption). Certain purchase and sales contracts are within the scope of IAS 39 as they can be settled net and do not qualify for the own use exemption. Such contracts are accounted for as derivatives under IAS 39 and are recognized in the statement of financial position at fair value. Gains and losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recognized in the consolidated statement of income.

Fair value for derivatives is measured based on quoted market prices when these are available. When quoted prices from active markets are not available, the Group estimates fair value by using valuation models that make maximum use of observable market data. The resulting change in fair value is recognized immediately in the statement of income unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in the consolidated statement of income depends on the nature of the hedge relationship.

A derivative is classified as a non-current asset or a non-current liability if the remaining maturity of the derivative is more than 12 months and as a current asset or a current liability if the remaining maturity of the derivative is less than 12 months.

Embedded derivatives

Derivatives embedded in other financial instruments or other non-financial host contracts are separated and treated as derivatives when the risks and characteristics of the derivative are not closely related to the host contract and the host contract is not measured at fair value with changes in fair value recognized in the consolidated statement of income.

Hedge accounting

The Group designates certain derivatives as either hedges of the fair value of recognized assets or liabilities (fair value hedges), hedges of foreign currency risk of recognized assets or liabilities (cash flow hedges), or hedges of net investments in foreign operations.

Cash flow hedges

Changes in fair value of financial instruments used as hedging instrument in a cash flow hedge are recognized in equity until the hedged transaction is recognized. The ineffective part of the hedge is recognized in the statement of income.

Fair value hedges

Changes in fair value of financial instruments designated as fair value hedges are recognized in the consolidated statement of income. The carrying amount of the hedged item is adjusted for changes in the fair value attributable to the hedged risk.

Hedge of net investment

Changes in fair value of financial instruments used as hedges of net investment in foreign operations are recognized as other comprehensive income. The ineffective part of the hedge is recognized in the consolidated statement of income.

Hedge accounting ceases when the hedging instrument expires, is sold, terminated or exercised or the hedge relationship does not fulfill the requirements for hedge accounting.

LEASING

Property, plant and equipment which is leased on conditions which substantially transfer all the economic risks and rewards to Yara (finance lease) are accounted for as property, plant and equipment at the present value of minimum lease payments or fair value if this is lower. The corresponding finance lease liabilities are included in long-term debt. Property, plant and equipment is depreciated over the estimated useful lives of the assets. The related liabilities are reduced by the amount of lease payments less the effective interest expense.

Other leases are accounted for as operating leases with lease payments recognized as an expense over the lease terms.

NEW AND REVISED STANDARDS - ADOPTED

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2012:

- IFRS 7 Financial Instruments: Disclosures - Amendments enhancing disclosures about transfers of financial assets (issued in October 2010).

The changes in IFRS 7 Financial Instruments requires supplement disclosures for assets that have been transferred but not derecognized and where there has been some continuing involvement in a transferred asset. The Group does not have any assets with these characteristics so there has been no effect on the presentation of financial statements.

NEW AND REVISED STANDARDS - NOT YET EFFECTIVE

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- IFRS 7 Financial Instruments: Disclosures - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities. Expected adoption 1 January 2013.
- IFRS 9 Financial Instruments (issued 2009). Expected adoption 1 January 2015.
- IFRS 10 Consolidated Financial Statements. Adoption 1 January 2014.
- IFRS 11 Joint Arrangements. Adoption 1 January 2014.
- IFRS 12 Disclosure of Interests in Other entities. Adoption 1 January 2014.
- IFRS 13 Fair Value Measurement. Adoption 1 January 2013.
- IAS 1 Presentation of items in Other Comprehensive Income - Amendments to IAS 1. Adoption 1 January 2013.
- IAS 12 Income Taxes – Limited scope amendment, recovery of underlying assets (issued December 2010). Adoption 1 January 2013.
- IAS 19 Employee Benefits (Revised). Adoption 1 January 2013.
- IAS 27 Separate Financial Statements (Revised). Adoption 1 January 2014.
- IAS 28 Investments in Associates and Joint Ventures (Revised). Adoption 1 January 2014.
- IAS 32 Financial Instruments: Presentation - Amendments to application guidance on the offsetting of financial assets and financial liabilities. Expected adoption 1 January 2014.
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine. Adoption 1 January 2013.
- Improvements to IFRSs (May 2012).

Impact on the Group – selected standards not yet effective

Yara has decided to follow the effective date, 1 January 2014, as endorsed by EU of IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28.

IFRS 10 includes new definition of control. The application may result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated.

Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. These changes might lead to changed classification of Yara's joint arrangements. The new standard will require joint ventures to be accounted for using the equity method, and thus eliminating the choice of using proportionate consolidation for jointly controlled entities. This will have no impact for Yara since equity method is the adopted policy choice.

Based on the preliminary analysis of the new IFRS 10 and 11 and the revised IAS 27 and 28 Yara will classify Tringen and Lifeco as joint operations and not joint ventures or associates. If classified as joint operations, these will be consolidated in the financial statements based on its proportionate share of assets, liabilities, revenues and expenses. If Yara had implemented the new standards in 2012 and based on the information currently available, the expected financial impacts on the financial statements would be a positive impact of approximately NOK 230 million and NOK 190 million on EBITDA and operating income, respectively. Net income would not be affected by the change. Total assets of the group would increase with around NOK 500 million of which a decrease in non-current assets of NOK 500 million and an increase in current assets with NOK 1,000 million.

In 2011, Yara sold 16% in Yara Praxair Holding AS and lost joint control over the entity. This transaction gave a remeasurement gain of remaining 34% ownership in the associate of NOK 658 million. Such transactions will, under the revised IAS 28, not require remeasurement of remaining ownership interest. It is likely that this effect will have to be restated when implementing the new standard. A restatement will reduce the carrying value of the investment and Yara's equity.

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected. This standard becomes effective for annual periods beginning on or after 1 January 2013.

Effective 1 January 2013, Yara will implement the revised IAS 19. Yara's management shall no longer estimate the expected return on plan assets. Instead, Yara will apply the discount rate to calculate the net interest expense on the net pension obligation, effectively reducing net financial income. Further, unvested past service cost will be recognized immediately. The revised accounting standard requires retrospective application. Based on the information currently available, the expected financial impacts on the 2012 financial statements would be approximately NOK 10 million decrease in operating income. In addition, it would have a negative impact on interest expense and other financial items of around NOK 60 million. The net defined benefit obligation would decrease with NOK 20 million and shareholders' equity as of 1 January 2013 would increase with NOK 10 million.

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. Full evaluation of the impact has not been completed at this stage. The group will quantify the effect in conjunction with the other phases, when the final standard including all phases has been issued. This standard is expected to become effective for annual periods beginning on or after 1 January 2015.

The directors anticipate that the adoption of other new and revised standards will not significantly impact the financial statements, but might lead to more extensive disclosures.

EU-DIRECTIVE 83/349

YARA GmbH & Co. KG with legal seat in Dülmen/Germany and its directly and indirectly owned subsidiaries are included in the consolidated financial statement of Yara International ASA as defined by sec. 291 HGB (German commercial code). For the purpose of sec. 264b HGB, YARA GmbH & Co. KG makes use of the relief to not disclose any independent financial statement and notes.

Notes to the accounts

Note 1

Key sources of estimation uncertainty, judgements and assumptions

GENERAL

The preparation of consolidated financial statements in accordance with IFRSs and applying the chosen accounting policies requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The accounting policies applied by Yara in which judgements, estimates and assumptions may significantly differ from actual results are discussed below.

IMPAIRMENT OF ASSETS

Property, plant and equipment

Yara has significant carrying amounts related to property, plant and equipment recognized in the consolidated statement of financial position. The value in use of some of these assets could be influenced by changes in market conditions where Yara carries out its business. Significant and prolonged adverse market conditions related for example to increases in natural gas cost and/or lower market prices for products sold could lead to temporary or permanent closures of production facilities. Such closures will be considered as an impairment indicator and an impairment test will be carried out. The outcome of such impairment tests may be that significant impairment losses are recognized in the statement of income. A reduction to the expected useful life of the assets can also lead to periods with higher depreciation expense going forward. Yara has carried out impairment tests for certain production facilities during 2012, mainly due to uncertain economic conditions in local markets. None of these were temporarily or permanently closed at the end of 2012. Total impairment write-down recognized on property, plant and equipment in 2012 was NOK 118 million. The carrying amount of property, plant and equipment at 31 December 2012 is NOK 27,893 million. See note 11 for further details.

Equity-accounted investees

Yara has a number of associated entities and jointly controlled entities. These are recognized in the financial statements based on the equity method. In addition to being influenced by changes in market conditions, for example increases in natural gas costs and/or lower market prices for products sold, the carrying value will to some degree be subject to partner risk. Yara carries out impairment testing if and when there are impairment indicators. Total carrying value of equity-accounted investees at 31 December 2012 is NOK 10,509 million. See note 12 for more information.

Goodwill and other intangible assets

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at 31 December 2012 is NOK 4,678 million. Details of recognized goodwill are provided in note 9 and the impairment loss calculation, including sensitivity disclosures, is provided in note 10.

Intangible assets mainly comprises supplier contracts, evaluation and exploration assets, licenses, customer relationships, software, patent and trademarks either identified as part of the purchase price allocation of new business combinations or internally developed. Yara carries out impairment testing if and when there are impairment indicators also for intangible assets. The carrying amount of intangible assets at 31 December 2012 is NOK 2,833 million. See note 9 and 10 for further details.

BUSINESS COMBINATIONS

Yara is required to allocate the purchase price of acquired companies to the assets acquired and liabilities assumed based on their estimated fair values. In case of business combination achieved in stages, Yara must also estimate the fair value of the existing ownership interest when it gains control. The change in fair value is recognized in the consolidated statement of income. For our larger acquisitions, we engage independent third-party firms to assist us in determining the fair values of the assets acquired and liabilities assumed. Such valuations require management to make judgements in selecting valuation methods, estimates and assumptions. Management's estimates of fair value and useful lives are based upon assumptions believed to be reasonable, but which are inherently uncertain and, as a result, actual results may differ from estimates. Yara had several business combinations in 2012. For the business combinations in 2012 the purchase price allocations are preliminary and may be adjusted as a result of obtaining additional information regarding the preliminary estimates of fair values made at the date of purchase. The business combinations resulted in a gain in the consolidated statement of income of NOK 404 million. Further details are provided in note 2 and 3.

SITE RESTORATION AND ENVIRONMENTAL EXPENDITURES

Yara's future environmental cost depends on a number of uncertain factors, such as the extent and type of remediation required. Due to uncertainties inherent in the estimation process, it is possible that such estimates could be revised in the near term. In addition, conditions that could require future expenditures may exist for various sites, including Yara's major production facilities and product storage terminals. Such future costs are not determinable due to the unknown timing and extent of corrective actions that may be required. Yara's operations are subject to environmental laws and regulations. These laws and regulations may change, and such changes may require that the Group makes investments and/or incurs costs to meet more stringent emissions standards or to take remedial action related to e.g. soil contamination. The carrying amount of provisions for decommissioning is NOK 302 million and for environmental issues NOK 164 million at 31 December 2012. For more information see note 23.

DEFERRED TAX

Judgement is required in determining the Group's deferred tax assets and liabilities. Yara recognizes deferred tax assets if it is probable that sufficient taxable income will be available in the future against which the temporary differences and unused tax losses can be utilized. Management has considered future taxable income in assessing whether deferred income tax assets as well as the outcome of tax cases should be recognized. The carrying amounts of deferred tax assets and deferred tax liabilities are NOK 1,385 million and NOK 4,426 million, respectively, at 31 December 2012. See note 8 for further details.

DERIVATIVES

Commodity-based derivatives and certain embedded derivatives in normal purchase and sales contracts require fair value recognition in the consolidated financial statement. Some of these fair values are subject to uncertainty due to non-quoted market prices and the use of valuation models. In these models Yara uses information based on external sources to the greatest possible extent. The most significant assumptions incorporated in the valuation techniques used are forward prices for commodity products like ammonia, natural gas and naphtha. The carrying value of embedded derivatives at 31 December 2012 is NOK 518 million. Detailed information, including sensitivity disclosures, is provided in note 27 and 28.

PENSION LIABILITIES

The fair value of pension liabilities is calculated based on several actuarial and economic assumptions. Any changes in the assumptions used would affect on the estimated pension obligation. Changes in the discount rate have the most

significant impact. The discount rate and other key assumptions are determined locally for each individual pension plan, based on the economic environment in which the plan is established. Assumptions are normally reviewed annually when the actuarial calculation is carried out, unless there are significant changes during the year. The carrying amount of the net pension liabilities at 31 December 2012 is NOK 2,383 million. Detailed information, including sensitivity disclosures, is provided in note 22.

INVENTORY

Yara has significant carrying amounts related to inventory recognized in the consolidated statement of financial position. As most of Yara's products are traded in markets where there are limited observable market references available, judgement is required in determining net realizable value. Management has used its best estimate in setting net realizable value for inventory. The carrying amount of inventory at 31 December 2012 is NOK 11,927 million and write-down at year-end is NOK 96 million. See note 15 for more information.

Note 2

Business initiatives

ACQUISITIONS AND OTHER RELATED INITIATIVES

In February 2012, Yara acquired additional 16% interest and gained control over Burrup Holdings Limited. The company was immediately renamed Yara Pilbara Holdings Limited. See note 3 for more information about the business combination. Subsequent to the acquisition, Yara agreed with Orica and Apache to form joint ventures to build a 330,000 metric tons ammonium nitrate (TAN) plant on the Burrup peninsula and distribute ammonium nitrate and other explosives products to mining customers in the Pilbara region. The joint venture is owned 45% by Yara, 45% by Orica and 10% by Apache. Construction of the plant is expected to have a capital cost of approximately USD 800 million excluding capitalized interest, and be completed by the end of 2015. Tecnicas Reunidas is appointed as the Engineering, Procurement and Construction contractor under a fixed price, turnkey contract. Yara manages construction and ongoing operation of the ammonium nitrate plant. The parties have also formed a distribution and marketing joint venture to distribute all ammonium nitrate and associated products and services to mining customers in the Pilbara region. This joint venture is owned in the same proportions as the ammonium nitrate plant joint venture, but is managed by Orica. In November 2012, Orica paid Yara and Apache approximately USD 110 million for the 45% stake in the TAN joint venture, mainly through capital injection to the company. Yara recognized at the same time a dilution gain of NOK 73 million, reported as part of "Other Income" in the Statement of Income and included in the Industrial segment results. The transaction did not have any cash impact for Yara, except that a previous reported temporary shareholder loan was repaid.

In April 2012, Yara purchased 30,129,870 common shares in IC Potash Corp (ICP) at a price of \$1.32 per share from ICP in a private placement transaction. Total consideration was approximately CAD 40 million. Yara's shares represent 19.9% of the issued and outstanding common shares of ICP on a non-diluted basis. Yara also entered into an off-take arrangement for 30% of all products produced by ICP's Ochoa project in New Mexico for a period of 15 years. ICP and Yara have agreed to discuss the possibility of establishing a jointly held entity for the purpose of marketing products produced by the Ochoa project. ICP's objective is to start commercial production in first quarter 2016, with an estimated annual production of 700,000 metric tons of SOP and SOPM (Potash Magnesium Sulphate). Yara has classified ICP as an associate and therefore applies the equity method of accounting.

In May 2012, Yara increased its ownership in Yara Dallol BV (former Ethio-potash BV) from 16.67% to 51%. See note 3 for more information about the business combination.

On June 11 2012, Yara announced that The Board of Yara International ASA approved expansion projects at the company's Belle Plaine (Canada) and Porsgrunn (Norway) facilities, adding respectively 1.3 million tons of urea and 300,000 metric tons NPK on completion of the projects. The Belle Plaine expansion will comprise an integrated world scale ammonia and urea line with a urea capacity of approximately 1.3 million tons per annum. Part of the urea produced will be with sulphur, which will meet the increasing demand from the canola crop segment in the Northern Plains region. The Belle Plaine project is approved for a fast-track process, with expected production start-up in second half 2016. The final decision to implement the project is subject to an EPC contract, and agreements with Saskatchewan authorities related to utilities and other key terms of the project. In Porsgrunn, Yara will invest approximately NOK 300 million to increase NPK capacity by 300,000 metric tons. The project has already started and will be implemented with a gradual step-up in capacity from 2012 to completion in 2014.

In November 2012 the Vlaardingen specialty fertilizer plant in the Netherlands became 100% Yara owned as the joint venture Nu3 BV with ICL was dissolved. Vlaardingen has an annual capacity of about 65,000 metric tons of water soluble fertilizers and roughly 125,000 tons of liquid fertilizer. See note 3 for more information about the business combination.

On 6 December 2012 Yara International ASA entered into an agreement to acquire Bunge's fertilizer business in Brazil. Bunge operates 22 blending units across Brazil, delivering 4.8 million tons of fertilizer products in 2011. The Bunge assets also include a SSP plant with an annual production capacity of 300,000 metric tons, a port concession and a terminal development project. The business employs approximately 1,250 people. Yara and Bunge have also agreed to enter into a long-term fertilizer supply agreement, enabling Bunge to continue supplying fertilizer to farmers as part of its grain origination activities and creating a framework for logistics and other commercial activities. The transaction is valued at USD 750 million and comprises a net operating capital value of USD 385 million and other assets valued at USD 365 million. The operating capital value is subject to post-closing adjustment. The transaction will be financed from the existing cash balance of Yara International ASA. Closing of the deal is subject to approval of Brazilian competition authorities (CADE) and other customary approvals. The CADE approval process has a statutory maximum duration of 330 days from the date of signing. In case of major remedies imposed on Yara in connection with competition authority clearance, Yara may terminate the agreement with Bunge, subject to paying Bunge a termination fee of USD 47 million.

BUSINESS INITIATIVES 2011

A major business initiative in 2011 was the disposal of Yaras stake of 37.692% in the equity-accounted investee Yaibera Holding ("Rossosh") with a gain of NOK 1,479 million, including cumulative currency translation loss of NOK 160 million reclassified from equity. The gain was included in "other income" in 2011 consolidated statement of income and was recognized in the Upstream segment. The consideration of NOK 2,149 million was included in investing activities in 2011 consolidated statement of cash

flow. Also, Yara reduced its ownership in the jointly controlled entity Yara Praxair Holding AS from 50% to 34%. A gain of NOK 309 million was recognized in 2011 in addition to a fair value revaluation gain on the remaining 34% ownership of NOK 658 million. The accounting gains was reported in the Industrial segment as part of "other income" in 2011 consolidated statement of income. The consideration was NOK 329 million and was included in investing activities in 2011 consolidated statement of cash flow.

Note 3**Business combinations****YARA PILBARA**

On 1 February 2012, Yara acquired additional 16% of Burrup Holdings Limited increasing its ownership from 35% to 51% voting equity interest. The company was immediately renamed Yara Pilbara Holdings Limited. The wholly-owned subsidiary, Yara Pilbara Fertilisers Pty Ltd operates an ammonia plant completed in 2006 and located at the Burrup Peninsula in Western Australia, with an annual production capability of approximately 850,000 metric tons. The acquisition represents another important step in Yara's strategic growth ambitions and makes it possible to fully integrate the world-class asset into Yara's global production system. The work on the planned technical ammonium nitrate (TAN) project in the Burrup peninsula will be intensified. Yara has formed a joint venture with Orica and Apache to build a 330,000 metric tons ammonium nitrate (TAN) plant. See note 2 for more information.

YARA DALLOL

To achieve sufficient influence and control during the final project development phase, and in line with its strategy to achieve self-sufficiency in potash, Yara acquired additional 34.33% of Yara Dallol BV (former Ethiopotash BV) on 4 May 2012, increasing its ownership from 16.67% to 51%. The company is developing a potash resource in Dallol in the Danakil Depression of Ethiopia, based on the mining and exploration permits held by the company. Estimated capacity for the Dallol project is 1-1.5 million metric tons potash per year, with resources of more than 30 years mining.

OTHER

On 1 November 2012, the Vlaardingen specialty fertilizer plant in the Netherlands became 100% Yara owned as the joint venture NU3 B.V. with ICL was dissolved. Of the transactions included in the "Other" column, Yara Vlaardingen BV is the major transaction.

CONSIDERATIONS TRANSFERRED

NOK millions	Yara Pilbara 1 Feb 2012	Yara Dallol 4 May 2012	Other 2012
Cash	832	177	94

Acquisition-related costs, mainly related to Yara Pilbara, amounting to NOK 14 million have been excluded from the consideration transferred and have been recognized as an expense in the current year, within 'Other operating expenses' in the consolidated statement of income.

REVALUATION OF PREVIOUSLY OWNED INTERESTS

NOK millions	Yara Pilbara 1 Feb 2012	Yara Dallol 4 May 2012	Other 2012
Fair value of previously owned shares at the date of acquisition	1,670	83	68
Carrying value at the date of acquisitions	1,926	73	70
Less: Direct ownership in TAN project	(261)	-	-
Carrying value of previously owned shares at the date of acquisition	1,665	73	70
Gain/(loss) on previously held shares	5	11	(2)
Currency translation gain/(loss) on foreign operation, previously recognized in equity ¹⁾	395	-	(5)
Total gain/(loss) recognized at the date of acquisitions ²⁾	400	11	(7)

1) The currency translation gain on the foreign operation in Yara Pilbara of NOK 395 million has been recognized in Yara, directly in equity, through the statement of comprehensive income, during the period Burrup was an equity-accounted investee. This gain is recognized in the consolidated statement of income at the time Yara gained control, without effect on the consolidated equity.

2) Presented as part of "Other income" in the consolidated statement of income.

The fair value of the previously held shares has been derived from the purchase price of the controlling stake with a discount for lack of control.

IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES RECOGNIZED AT THE DATE OF ACQUISITIONS (FAIR VALUE)

NOK millions	Yara Pilbara 1 Feb 2012	Yara Dallol 4 May 2012	Other 2012
Assets			
Licenses, part of intangible assets	40	541	-
Customer relationships, part of intangible assets	-	-	74
Supplier contract, part of intangible assets	1,547	-	-
Property rent contracts, part of intangible assets	37	-	-
Property, plant and equipment	4,376	19	39
Equity-accounted investee	364	-	-
Other non-current assets	53	-	-
Inventories	287	-	68
Trade receivables	18	-	50
Prepaid expenses and other current assets	60	6	11
Cash and cash equivalents	828	6	20
Total assets	7,610	572	262
Liabilities			
Deferred tax liabilities	1,265	189	22
Long-term provisions	177	-	13
Other long-term liabilities	25	-	-
Long-term interest-bearing debt	1,662	-	-
Derivative, long-term	409	-	-
Derivative, current	14	-	-
Trade and other payables	142	14	40
Current tax liabilities	312	6	5
Bank loans and other interest-bearing short term debt	265	-	16
Other short-term liabilities	39	-	24
Total liabilities	4,311	210	120

The receivables acquired in all business combinations have a gross contractual amount equal to their fair value.

The initial accounting for the acquisitions has only been provisionally determined at the end of the year. The tax values of acquired companies are not impacted by the transactions.

YARA PILBARA

The TAN project was previously recognized as part of the carrying value of former Burrup Holdings Limited. A carrying value of NOK 261 million for Yara's direct ownership was separated before remeasuring the 35% ownership in Yara Pilbara at fair value. Yara's indirect share in the TAN project is reflected in the table above with NOK 364 million. Total carrying value of direct and indirect share in the TAN project is therefore NOK 625 million, and is presented as an

equity-accounted investee within the Industrial segment in line with the plans for execution. See note 2 for more information about the TAN project. Remaining identifiable assets and liabilities are allocated to the Upstream segment.

Pankaj and Radhika Oswal, former owners of a 65% stake in Burrup Holdings Ltd (now Yara Pilbara Holdings Ltd) have commenced a number of legal proceedings against the Yara International ASA group of companies. Of these, USD 491 million has been sought as alleged monies payable to Pankaj Oswal for cost overruns borne in connection with the construction of the ammonia plant owned by Yara Pilbara Fertilisers Pty Ltd; the remaining claims do not involve damages, but are for (amongst others) declaratory relief, injunctive relief and costs. Yara is of the view that all of the substantive claims brought by Pankaj and Radhika Oswal, including but not limited to the above-mentioned claim for USD 491 million, are lacking in merit and consequently no provisions have been made.

NON-CONTROLLING INTERESTS

NOK millions	Yara Pilbara 1 Feb 2012	Yara Dallol 4 May 2012
Non-controlling interest	49%	49%
Non-controlling interest's share of identifiable assets and liabilities	1,438	177

Yara has used the option to recognize the non-controlling interest based on its proportionate share in the recognized amounts of the identifiable net assets.

GOODWILL ARISING ON ACQUISITIONS

NOK millions	Yara Pilbara 1 Feb 2012	Yara Dallol 4 May 2012	Other 2012
Consideration transferred	832	123	91
Plus: Fair value of previously owned shares	1,670	83	68
Plus: Deferred consideration and success fee ¹⁾	-	74	(1)
Plus: Non-controlling interest	1,438	177	-
Less: Fair value of net identifiable assets acquired	(3,299)	(362)	(141)
Goodwill arising on acquisition	641	96	16
<i>of which deferred tax on fair value adjustments</i>	<i>212</i>	<i>96</i>	<i>3</i>

1) Deferred consideration related to Yara Dallol of NOK 54 million was paid in July 2012. Remaining recognized success fee is contingent on the decision to construct the mine and plant and could be higher by maximum NOK 18 million.

The remaining goodwill arose on the acquisition because the consideration included a control premium and future economic benefits from the assembled workforce. For Yara Pilbara it also reflects a willingness to pay for strategic benefits from the integration of Yara Pilbara into Yara's global production system.

None of the goodwill arising on acquisitions is deductible for tax purposes.

NET CASH OUTFLOW ON ACQUISITIONS OF SUBSIDIARIES

NOK millions	Yara Pilbara 1 Feb 2012	Yara Dallol 4 May 2012	Other 2012
Consideration paid in cash at date of acquisition	(832)	(123)	(91)
Deferred consideration paid in cash ¹⁾	-	(54)	(3)
Less: Cash and cash equivalent balances acquired	828	6	20
Net cashflow on acquisition of subsidiaries	(4)	(171)	(75)

1) Deferred consideration of NOK 54 million was paid in in July 2012.

Net cash outflow is presented as a part of "purchases of other long-term investments" in the consolidated statement of cash flows.

IMPACT OF ACQUISITIONS ON THE TOTAL ASSETS OF THE GROUP

NOK millions	Yara Pilbara 1 Feb 2012	Yara Dallol 4 May 2012	Other 2012
Consolidated identifiable assets	7,610	572	141
Plus: Goodwill arising on the acquisition	641	96	16
Less: Carrying value of previously held shares	(1,665)	(73)	(70)
Less: Fair value adjustment gain/(loss) of previously held shares	(5)	(11)	-
Less: Consideration paid for additional shares	(832)	(123)	(91)
Total impact on the total assets of the group	5,748	462	(3)

IMPACT OF ACQUISITIONS ON THE RESULTS OF THE GROUP

NOK millions	Yara Pilbara	Yara Dallol	Total
Included in 2012 consolidated figures			
Revenues	1,743	-	1,743
<i>of which internal revenues ¹⁾</i>	1,743	-	1,743
Net income before tax	208	(19)	189
'Pro forma' figures			
Yara has reported a consolidated income before tax of NOK 13,251 million. If the combinations had taken place at the beginning of the year, Yara's 'pro-forma' consolidated income before tax would have been ²⁾ ;	13,283	13,220	13,252

1) The consolidation of Yara Pilbara has not impacted the consolidated revenues since Yara has been Yara Pilbara's only customer also prior to the acquisition at 1 February 2012.

2) Adjusted by using normalized financial statement for Yara Pilbara (former Burrup Holdings), excluding certain accounting effects related to prior periods.

In determining the 'pro-forma' net income before tax the following adjustments have been made:

- calculated depreciation of tangible and intangible assets acquired on the basis of fair values arising in the initial accounting for the business combination rather than the carrying amounts recognized in the pre-acquisition financial statements.
- calculated reduced interest income on funds used for acquiring the shares.

BUSINESS COMBINATION 2011

In January 2011, Yara acquired the remaining 60% ownership interest of the company Yara Nipro Pty. Ltd. in Australia. Yara Nipro is a market leader in bulk liquid fertilizers in Eastern Australia. After the transaction, Yara owns and controls all shares of Yara Nipro.

The primary reason for the business combination was that Nipro represents a business which is complementary to the already strong position held by Yara within the horticultural segment in Australia, and Nipro's operations will be integrated with those of Yara Australia.

Nipro was an associated entity to Yara before the acquisition in January 2011. According to IFRS 3 (revised), the previously held equity interest in the acquiree at acquisition date shall be re-measured at its fair value with resulting gain or loss in statement of income. The fair value of the previously held equity interest was derived from the consideration paid per share for the 60% ownership interest, reduced with a discount for lack of control.

NOK millions	Yara Nipro January 2011
Assets	
Deferred tax	1
Customer relationships, part of intangible assets	57
Product technology, part of intangible assets	31
Property, plant and equipment	69
Inventories	29
Trade receivables	77
Prepaid expenses and other current assets	12
Cash and cash equivalents	19
Total assets	294
Liabilities	
Deferred tax liabilities	35
Long-term interest-bearing debt	17
Trade and other payables	57
Current tax liabilities	17
Other short-term liabilities	15
Total liabilities	142
Total identifiable net assets at fair value	153
Goodwill arising on acquisition	107
Fair value of previously held 40% equity interest in Nipro	(86)
Purchase consideration transferred for 60% ownership interest	174

The goodwill comprises the value of synergies arising from the acquisition, in addition to assembled workforce which did not meet the criteria for recognition as intangible assets under IAS 38 Intangible assets. None of the goodwill recognized was expected to be deductible for income tax purposes.

The gross amount of receivables was equal to carrying value. None of the trade receivables was impaired and it was expected that the full contractual amount could be collected.

ANALYSIS OF CASH FLOWS ON ACQUISITION

NOK millions	Yara Nipro January 2011
Cash consideration for 60% ownership interest (included in cash flows from investing activities)	(174)
Net cash acquired with the subsidiary (included in cash flows from investing activities)	19
Transaction costs of the acquisition (included in cash flows from operating activities)	-
Net cash flow on acquisition	(156)

GAIN RECOGNIZED ON PREVIOUSLY HELD 40% OWNERSHIP INTEREST

NOK millions	Yara Nipro January 2011
Estimated fair value	86
Carrying value	(49)
Currency translation gain of foreign operation, previously recognized as other comprehensive income	8
Gain, recognized as "other income"	44

From the date of acquisition, Yara Nipro contributed NOK 261 million of revenue and NOK 22 million to the income before tax of the Group in 2011. If the combination had taken place at the beginning of 2011, Yara's consolidated revenue and income before tax would have been NOK 80,362 million and NOK 14,407 million in 2011, respectively.

In March 2011, Yara also gained control over a former associated entity in Continental Europe. The previously held equity interest in the acquiree was re-measured at its fair value resulting in a gain of NOK 7 million in the consolidated statement of income, presented as part of "other income". The net cash flow on the transaction was positive NOK 5 million, presented as a part of investment activities. Total assets consolidated at the time Yara gained control were NOK 149 million, mainly related to trade receivables of NOK 63 million

and property, plant and equipment of NOK 37 million. Total liabilities were NOK 114 million, mainly related to accounts payable of NOK 76 million.

In October 2011, Yara acquired the Swedish company Petro Miljö AB from PetroKraft AB. Intangible assets of NOK 10 million and goodwill of NOK 54 million was recognized. Total assets consolidated at the time Yara gained control were NOK 92 million. In addition to goodwill and intangible assets total assets were mainly related to other short-term receivable of NOK 16 million and external bank accounts of NOK 5 million. Total liabilities were NOK 17 million, mainly related to prepayments from customers of NOK 13 million. The consideration was NOK 67 million and is included in investing activities in 2011 consolidated statement of cash flows.

Note 4

Segment information

The operating segments presented are the key components of Yara's business. These are evaluated on a regular basis by Yara's senior management on the basis of financial and operational information prepared specifically for each segment for the purpose of assessing performance and allocating resources. The information disclosed is on the same basis as presented internally and used for follow-up of Yara's development by Yara management.

SEGMENT STRUCTURE

The current segment structure was implemented 1 October 2003. Yara's segments are managed as separate and strategic businesses. The segment information is presented for operating segments. In addition, information about geographical areas is provided.

DOWNSTREAM

The Downstream segment consists of Yara's worldwide marketing organization and global distribution network for fertilizer products and agronomic solutions. With a global network of sales offices, terminals and warehouses, Downstream is present in about 50 countries and sells to more than 120 countries. The segment also includes smaller production facilities upgrading intermediate products to finished fertilizers, which are primarily marketed in the regions where production takes place. While approximately one-third of the sales volume is sourced from own production plants in Downstream, the remaining sales volume is purchased on an arm's-length basis from the Upstream segment or third parties. The Downstream segment is mainly a margin business, which over time provides additional and more stable margins and reduces volatility in earnings. With a relatively lower investment in chemical manufacturing capacity, the downstream operation, particularly outside of Europe, is more focused on distribution margins and operating capital management than on manufacturing margins. The segment is characterized by a high capital turnover, a low ratio of property, plant and equipment to total assets compared to a traditional, production-oriented fertilizer operation, and by a relatively low EBITDA margin in relation to revenues.

INDUSTRIAL

The Industrial segment creates value by developing and selling chemical products and CO₂ to non-fertilizer market segments. Industrial offers nitrogen chemicals, including ammonia-derived products, for use in the environmental and civil explosives applications which are growing strongly. Sales of nitrogen chemicals to the European process industry and the global industrial explosives industry constitute the segment's main markets, while sales of chemicals for environmental applications is the main growth segment.

UPSTREAM

The Upstream segment comprises ammonia and urea production in different parts of the world, phosphate mining, the global trade and shipping of ammonia, as well as nitrate and NPK fertilizer production co-located with ammonia production, and is serving both the domestic and international markets. The Upstream segment includes our large equity-accounted investees. Because of the level of ownership in these companies, their operating results are not reflected in our operating income, but Yara's share of the net income in the equity-accounted investees, is included in EBITDA and net income. The Upstream segment's operating results are, to a great degree, based on the segment's production margins, which are primarily affected by the price levels for ammonia, urea, nitrates, NPK and phosphoric acid and the price level of energy and raw materials such as phosphate rock and potash. In addition, operating results can be greatly influenced by movements in currency exchange rates. The fluctuation of the Upstream segment's operating results is typical of that of traditional fertilizer producers and is normally less stable than the operating results of Yara's Downstream and Industrial segments.

OPERATING SEGMENT INFORMATION

Yara's steering model reflects management's focus on cash flow-based performance indicators, before and after taxes. EBITDA is an approximation of cash flows from operating activities before tax and is considered an important measure of performance for the company's operating segments. Yara defines EBITDA as operating income plus interest income, other financial income and results from equity-accounted investees. It excludes depreciation, write-downs and amortization as well as amortization of excess value in equity-accounted investees. In addition the segments are followed up on CROGI (defined as gross cash flow after tax divided by gross investment). ROCE (Return on capital employed) has been included as an additional performance measure to CROGI to simplify benchmarking with other companies. ROCE is defined as EBIT minus tax divided by average capital employed. See also page 150 - 151 for more info.

Inter-segment sales and transfers reflect arm's-length prices as if sold or transferred to third parties. Results of activities considered incidental to Yara's main operations as well as revenues, expenses, liabilities and assets not originating in, or defined as part of, either the Upstream, Downstream or Industrial segment, are reported separately under the caption "other and eliminations". In addition, elimination of gains and losses related to transactions between the segments will be accounted as part of "other and eliminations". General corporate overhead costs and costs related to cash management and finance function, are also charged to "other and eliminations".

OPERATING SEGMENT INFORMATION, CONSOLIDATED STATEMENT OF INCOME

NOK millions	Notes	2012	2011
External revenues and other income			
Downstream		59,559	54,381
Industrial		12,500	12,539
Upstream		12,378	13,335
Other and eliminations		73	96
Total		84,509	80,352
Internal revenues and other income			
Downstream		950	1,056
Industrial		117	92
Upstream		32,533	30,176
Other and eliminations		(33,600)	(31,323)
Total		-	-
Revenues and other income			
Downstream		60,508	55,437
Industrial		12,617	12,631
Upstream		44,911	43,510
Other and eliminations		(33,527)	(31,227)
Total		84,509	80,352
Operating expenses excl depreciation, amortization and impairment loss			
Downstream		(56,868)	(50,629)
Industrial		(11,565)	(10,704)
Upstream		(34,939)	(33,848)
Other and eliminations		33,453	30,746
Total		(69,919)	(64,435)
Depreciation, amortization and impairment loss			
Downstream		(586)	(477)
Industrial		(189)	(260)
Upstream		(2,595)	(1,905)
Other and eliminations		(54)	(34)
Total	9, 11	(3,424)	(2,677)
Operating Income			
Downstream		3,054	4,330
Industrial		863	1,667
Upstream		7,378	7,757
Other and eliminations		(128)	(515)
Total		11,166	13,240
Share of net income in equity-accounted investees			
Downstream		74	83
Industrial		48	68
Upstream		1,843	1,738
Other and eliminations		-	-
Total	12	1,964	1,889
Interest income and other financial income			
Downstream		196	194
Industrial		3	2
Upstream		23	3
Other and eliminations		181	110
Total	7	404	309
EBITDA			
Downstream		3,910	5,085
Industrial		1,111	2,001
Upstream		11,849	11,446
Other and eliminations		107	(370)
Total		16,977	18,163

OPERATING SEGMENT INFORMATION, OTHER

NOK millions	2012	2011
Reconciliation of EBITDA to Income before tax		
EBITDA	16,977	18,163
Depreciation and amortization ¹⁾	(3,443)	(2,725)
Foreign exchange gain/(loss)	596	(215)
Interest expense and other financial items	(880)	(818)
Income before tax	13,251	14,404
EBIT		
Downstream	3,324	4,607
Industrial	914	1,737
Upstream	9,243	9,498
Other and eliminations	53	(404)
Total	13,535	15,438
Investments ²⁾		
Downstream	934	892
Industrial	692	320
Upstream	8,645	2,322
Other and eliminations	143	109
Total	10,415	3,643

1) Including amortization of excess value in equity-accounted investees

2) Includes investments in property, plant and equipment and acquisition of shares in subsidiaries, equity-accounted investees and other equity investments

OPERATING SEGMENT INFORMATION, OTHER NON-GAAP MEASURES

NOK millions, except percentages	2012	2011
Gross cash flow after tax ¹⁾		
Downstream	2,935	3,728
Industrial	852	1,501
Upstream	9,629	9,118
Other and eliminations	1,135	1,449
Total	14,551	15,796
Gross investment ²⁾		
Downstream	19,186	18,891
Industrial	6,706	5,348
Upstream	59,287	51,862
Other and eliminations	(1,188)	(616)
Total	83,992	75,485
Cash Return on Gross Investment (CROGI)		
Downstream	15.3%	19.7%
Industrial	12.7%	28.1%
Upstream	16.2%	17.6%
Total ³⁾	17.3%	20.9%

1) Defined as EBITDA less total tax expense, excluding tax on net foreign exchange gain/(loss)

2) 12 month average

3) Cash and other liquid assets are included in gross investments when calculating the CROGI for the segments, but not included for Total. In addition, actual Yara tax is used for calculating the Yara CROGI while a standardized tax rate of 30% is used for the segments. These two effects explain the higher CROGI calculated for Yara in total than for the segments. See page 60 "Definitions and variance analysis" for more information.

<i>NOK millions, except percentages</i>	2012	2011
Earnings before interest, after tax		
Downstream	2,349	3,250
Industrial	654	1,236
Upstream	7,024	7,170
Other and eliminations	1,081	1,415
Total	11,108	13,071
Capital employed ¹⁾		
Downstream	14,573	14,339
Industrial	4,545	3,313
Upstream	40,162	33,911
Other and eliminations	(1,524)	(924)
Total	57,756	50,640
Return on capital employed (ROCE)		
Downstream	16.1%	22.7%
Industrial	14.4%	37.3%
Upstream	17.5%	21.1%
Total	19.2%	25.8%

1) Capital employed is defined as total assets adjusted for deferred tax assets minus other current liabilities, and is calculated on a 12-month rolling average basis.

OPERATING SEGMENT INFORMATION, CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>NOK millions</i>	Notes	2012	2011
Assets ¹⁾			
Downstream		20,813	22,356
Industrial		5,581	5,126
Upstream		45,202	40,091
Other and eliminations		9,662	6,327
Total		81,258	73,900
Current assets ¹⁾			
Downstream		14,823	16,443
Industrial		2,612	2,820
Upstream		7,683	7,147
Other and eliminations		7,413	3,768
Total		32,530	30,177
Non-current assets ¹⁾			
Downstream		5,991	5,913
Industrial		2,970	2,306
Upstream		37,519	32,944
Other and eliminations		2,248	2,560
Total		48,728	43,723
Equity-accounted investees			
Downstream		338	431
Industrial		1,438	784
Upstream		8,734	9,878
Other and eliminations		-	-
Total	12	10,509	11,092
Debt ²⁾			
Downstream		6,926	6,241
Industrial		1,077	1,077
Upstream		5,359	4,819
Other and eliminations		(2,788)	(2,395)
Total		10,575	9,742

1) Assets excludes internal cash accounts and accounts receivable related to group relief

2) Segment debt is defined as short-term interest free liabilities excluding income taxes payable and short-term deferred tax liabilities.

INFORMATION ABOUT PRODUCTS AND MAJOR CUSTOMERS

Revenues by product group:

<i>NOK millions</i>	2012	2011
Ammonia	9,358	9,382
Nitrate	11,708	10,781
NPK	20,357	19,681
Urea	13,715	11,336
CN	2,136	1,945
UAN	2,334	2,029
Other fertilizer products	7,731	6,387
Industrial products	12,413	11,550
Feed phosphates	1,453	1,374
Other products	2,791	3,261
Total	83,997	77,726

Yara serves a large number of customers. No revenues from transactions with any single customer amount to 10% or more of Yara's total revenues.

INFORMATION ABOUT GEOGRAPHICAL AREAS, REVENUES ¹⁾

<i>NOK millions</i>	2012	2011
Belgium	1,329	1,310
Denmark	1,376	1,257
Finland	1,956	1,915
France	6,960	6,971
Germany	4,649	4,377
Great Britain	4,780	5,513
Italy	3,394	3,147
Spain	1,583	1,826
Sweden	1,902	1,799
The Netherlands	1,738	1,946
Other	3,691	3,177
Total EU	33,357	33,240
Norway	1,616	1,731
Other Europe	809	1,608
Total Europe	35,782	36,578
Africa	5,288	4,408
Asia	9,882	8,087
Australia and New Zealand	2,211	2,587
North America	13,111	11,842
South and Central America ²⁾	17,724	14,223
Total outside Europe	48,216	41,147
Total	83,997	77,726

1) Revenues are identified by customer location

2) Of which Brazil NOK 13.1 billion (2011: NOK 9.9 billion)

INFORMATION ABOUT GEOGRAPHICAL AREAS, CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NOK millions	Assets ¹⁾		Long-lived assets ¹⁾		Investments ¹⁾	
	2012	2011	2012	2011	2012	2011
Belgium	1,999	2,096	913	1,019	286	201
Denmark	419	411	195	197	17	3
Finland	5,335	5,839	2,969	3,450	568	502
France	2,980	3,381	1,211	1,287	211	517
Germany	2,825	2,758	1,398	1,293	486	213
Great Britain	3,582	3,496	1,781	1,706	73	34
Italy	2,570	2,872	922	968	113	244
Spain	640	750	41	52	2	35
Sweden	1,368	1,535	502	492	88	153
The Netherlands	6,675	5,911	4,374	4,420	921	560
Other	746	982	11	9	1	2
Total EU	29,138	30,031	14,317	14,893	2,766	2,463
Norway	7,895	7,305	3,312	3,020	572	530
Other Europe	4,461	4,559	1	(1)	2	-
Total Europe	41,493	41,894	17,630	17,913	3,340	2,993
Africa	3,041	2,824	1,264	1,560	693	9
Asia	8,622	7,731	5,945	5,146	8	5
Australia and New Zealand	7,691	2,380	4,917	1,969	5,578	221
North America	12,338	13,645	8,310	8,833	542	143
South and Central America	6,092	6,367	1,764	1,663	253	272
Total outside Europe	37,784	32,947	22,201	19,172	7,075	650
Eliminations	1,981	(941)	-	-	-	-
Total	81,258	73,900	39,831	37,085	10,415	3,643

1) The identification of assets, long-lived assets and investments is based upon location of operation. Included in long-lived assets are investments in equity-accounted investees, property, plant and equipment (net of accumulated depreciation) and non-current financial assets. Eliminations are related to internal transactions between geographical areas. Investments include the acquisition cost for property, plant and equipment, goodwill, intangible assets, and investments in subsidiaries and equity-accounted investees.

Note 5

Operating expense

NOK millions	Notes	2012	2011
Payroll and related costs			
Salaries		(3,932)	(3,646)
Social security costs		(669)	(649)
Social benefits		(63)	(53)
Net periodic pension cost	22	(387)	(351)
Total		(5,052)	(4,698)
Other operating expenses			
Selling and administrative expense		(1,048)	(1,035)
Rental of buildings etc.		(173)	(163)
Travel expense		(246)	(204)
Gain/(loss) on trade receivables	16	(29)	25
Fees auditors, lawyers, consultants		(300)	(224)
Other expenses		(322)	(307)
Total		(2,117)	(1,908)
Research and development ¹⁾		(110)	(123)

1) Over the last few years, Yara has focused on orienting research and development resources towards commercial activities, both with respect to process and product improvements and agronomical activities. It is impracticable to give a fair estimate of possible future financial returns of these activities.

Note 6

Stock-based *compensation*

LONG TERM INCENTIVE PROGRAM

A long term incentive program (LTIP) was approved by the Board of Directors in 2008 for Yara Management and Top Executives to increase the alignment between Executives and Shareholder's interests and to ensure retention of key talent in the company. The program provides a fixed LTIP cash amount to the eligible Top Executive, who is required to invest the net amount, after tax, in Yara shares within a period of one month. The employee holds all shareholder rights during the vesting period of three years. After this period,

the executive is free to keep or sell at their own discretion, observing possible limitations set by internal policies and/or legal restriction. The program plans for annual grants but it remains the CEO's decision to apply the program in any given year and to make the final decision on each individual grant.

As of 31 December 2012, 81 Top Executives are part of the program. The total consideration under this program recognized in 2012, amounts to NOK 38 million (2011: NOK 31 million).

THE YARA EXECUTIVE MANAGEMENT OWNERSHIP OF SHARES AT 31 DECEMBER 2012

	Number of shares
Jørgen Ole Haslestad	20,149
Yves Bonte	4,897
Trygve Faksvaag	5,520
Håkan Hallén	3,706
Egil Hogna	11,556
Torgeir Kvidal	3,650
Gerd Löbbert	-
Alvin Rosvoll	2,748
Bente G.H. Slaatten	2,811

Note 7

Financial income *and expense*

NOK millions	Notes	2012	2011
Interest income on customer credits	27	124	118
Interest income, other	27	266	201
Dividends and net gain/(loss) on securities	2	14	(9)
Interest income and other financial income	4	404	309
Net foreign exchange gain/(loss)	4,27	596	(215)
Interest expense	27	(750)	(682)
Capitalized interest	11,27	3	46
Return on pension plan assets	22	436	451
Interest expense defined pension liabilities	22	(438)	(457)
Reversal of value of interest rate swap ¹⁾	27	(14)	(14)
Other financial expense	27	(117)	(162)
Interest expense and other financial items	4	(880)	(818)
Net financial income (expense)		120	(724)

1) Interest rate swap designated as cash flow hedge transferred from equity

Note 8

Income taxes

The major components of income tax expense for the years ended 31 December 2012 and 2011 are:

CONSOLIDATED INCOME STATEMENT

<i>NOK millions</i>	2012	2011
Current taxes		
Current year	(2,617)	(2,279)
Prior years adjustment	(106)	38
Total	(2,723)	(2,241)
Deferred taxes		
Deferred tax expense recognized in the current year	134	(169)
Adjustments to deferred tax attributable to changes in tax rates and laws	(7)	6
(Write-downs)/reversal of previous write-downs of deferred tax assets	(4)	89
Total	123	(74)
Total income tax expense	(2,600)	(2,315)

Taxable income differs from net income before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in future years (temporary differences). It also excludes items that are never taxable or deductible (permanent differences).

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>NOK millions</i>	2012	2011
Current tax		
Hedge of net investment	31	-
Intercompany currency effect on debt treated as part of net investment	11	16
Total current tax	42	16
Deferred tax		
Pensions	186	155
Available-for-sale financial assets	8	(8)
Total	194	147
Transfers to profit and loss		
Cash flow hedges	4	4
Total	4	4
Total tax income / (expense) recognized directly in other comprehensive income	240	166

RECONCILIATION OF NORWEGIAN NOMINAL STATUTORY TAX RATE TO EFFECTIVE TAX RATE

NOK millions	2012	2012	2011
Income before tax		13,251	14,404
Expected income taxes at statutory tax rate ¹⁾	28.0%	(3,710)	(4,033)
Tax law changes	0.0%	1	3
Foreign tax rate differences	(2.5%)	335	243
Unused tax losses and tax offsets not recognized as deferred tax assets	1.0%	(129)	(54)
Previously unrecognized and unused tax losses and deductible temporary differences now recognized as deferred tax assets	(0.4%)	58	137
Non-deductible expenses	0.6%	(76)	(61)
Taxed income equity-accounted investees	(4.1%)	543	612
Tax free income miscellaneous	(1.7%)	220	231
Tax free gain sale of investments	(2.1%)	285	625
Prior year assessment	0.8%	(106)	37
Withholding and capital tax	0.2%	(26)	(91)
Other, net	0.0%	5	36
Total income tax expense		(2,600)	(2,315)
Effective tax rate		19.6%	16.1%

1) Calculated as Norwegian nominal statutory tax rate of 28% applied to income before tax.

SPECIFICATION OF DEFERRED TAX ASSETS/(LIABILITIES)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

2012

NOK millions	Opening balance	Charged to income	Recognized in other comprehensive income	Reclassified from equity to profit or loss	Acquisitions/disposals	Changes in tax rate	Exchange differences	Closing balance
Non-current items								
Intangible assets	(91)	120	-	-	(685)	(4)	9	(650)
Property, plant & equipment	(2,742)	(3)	-	-	(650)	4	160	(3,231)
Pensions	474	(56)	186	-	-	3	(27)	581
Equity securities available-for-sale	(12)	-	8	-	-	-	1	(3)
Other non-current assets	145	(132)	-	-	60	-	(8)	64
Other non-current liabilities and accruals	(87)	64	-	(4)	(141)	10	7	(152)
Total	(2,312)	(8)	194	(4)	(1,416)	13	142	(3,391)
Current items								
Inventory valuation	89	(68)	-	-	(28)	(17)	5	(18)
Accrued expenses	121	229	-	-	10	(1)	(7)	353
Total	211	162	-	-	(17)	(18)	(2)	335
Tax loss carry forwards	696	(194)	-	-	10	(11)	(48)	454
Unused tax credits	17	(5)	-	-	-	-	(1)	11
Valuation allowance	(626)	179	-	-	(46)	8	35	(450)
Net deferred tax asset/(liability)	(2,014)	134	194	(4)	(1,469)	(7)	126	(3,040)

2011

NOK millions	Opening balance	Charged to income	Recognized in other comprehensive income	Reclassified from equity to profit or loss	Acquisitions/disposals	Changes in tax rate	Exchange differences	Closing balance
Non-current items								
Intangible assets	(78)	17	-	-	(28)	1	(3)	(91)
Property, Plant & Equipment	(2,705)	(30)	-	-	(14)	15	(9)	(2,742)
Pensions	397	(84)	155	-	-	2	4	474
Equity securities available-for-sale	(5)	-	(8)	-	-	-	1	(12)
Other non-current assets	246	(79)	-	-	-	(13)	(10)	145
Other non-current liabilities and accruals	(120)	41	-	(4)	-	-	(4)	(87)
Total	(2,264)	(136)	147	(4)	(43)	6	(20)	(2,312)
Current items								
Inventory valuation	(86)	190	-	-	-	(17)	2	89
Accrued expenses	80	40	-	-	1	8	(7)	121
Total	(6)	231	-	-	-	(9)	(5)	211
Tax loss carry forwards	1,038	(257)	-	-	(10)	(25)	(50)	696
Unused tax credits	29	(13)	-	-	-	-	-	17
Valuation allowance	(809)	96	-	-	13	35	40	(626)
Net deferred tax asset/(liability)	(2,010)	(79)	147	(4)	(39)	6	(35)	(2,014)

UNRECOGNIZED DEDUCTIBLE TEMPORARY DIFFERENCES, UNUSED TAX LOSSES AND UNUSED TAX CREDITS

NOK millions	2012	2011
Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognized are attributable to the following:		
Tax losses	179	399
Deductible temporary differences	271	227
Total	450	626

NET DEFERRED TAX IS PRESENTED IN THE STATEMENT OF FINANCIAL POSITION

NOK millions	2012	2011
Net deferred tax is presented in the balance sheet		
Deferred tax assets	1,385	1,474
Deferred tax liabilities	(4,426)	(3,489)
Net deferred tax asset/(liability)	(3,040)	(2,014)

Undistributed earnings of foreign subsidiaries and in foreign non-consolidated investees is amounting to approximately NOK 56 billion that for the main part can be distributed as tax-free dividends. For the expected part of dividend that cannot be distributed tax-free, a deferred tax liability of NOK 30 million is recognized.

SPECIFICATION OF EXPIRATION OF TAX LOSS CARRY FORWARDS AND UNUSED TAX CREDITS

NOK millions	
2013	24
2014	303
2015	44
2016	11
2017	21
After 2017	599
Without expiration	672
Total tax loss carry forwards	1,672
Deferred tax effect of tax loss carry forwards	454
Valuation allowance	(179)
Deferred tax assets recognized in statement of financial position	275

Yara's recognized tax losses carried forwards primarily relates to the business in Brasil and Italy where tax losses are without expiration.

Note 9

Intangible assets

2012

NOK million, except percentages and years	Goodwill	Exploration and evaluation assets ³⁾	Supplier contracts	Other intangibles ⁴⁾	Total
Cost					
Balance at 1 January	4,231	-	-	1,708	5,938
Addition at cost	-	51	-	143	194
Disposal	-	-	-	(19)	(19)
Acquisition new companies ¹⁾	753	541	1,547	151	2,992
Transfer	-	128	-	42	170
Foreign currency translation	(264)	(18)	(61)	(106)	(449)
Balance at 31 December	4,720	702	1,486	1,918	8,826
Amortization and impairment					
Balance at 1 January	(41)	-	-	(733)	(774)
Amortization	-	-	(295)	(171)	(466)
Impairment loss ²⁾	-	-	-	(156)	(156)
Disposal	-	-	-	15	15
Transfer	-	-	-	(6)	(6)
Foreign currency translation	-	-	11	62	73
Balance at 31 December	(41)	-	(284)	(988)	(1,314)
Carrying value					
Balance at 1 January	4,189	-	-	975	5,164
Balance at 31 December	4,678	702	1,202	929	7,512
Useful life in years			5	3 - 15	
Amortization rate			20%	5 - 35%	

2011

NOK million, except percentages and years	Goodwill	Exploration and evaluation assets ³⁾	Supplier contracts	Other intangibles ⁴⁾	Total
Cost					
Balance at 1 January	4,031	-	-	1,539	5,570
Addition at cost	-	-	-	55	55
Disposal	-	-	-	(10)	(10)
Acquisition new companies ¹⁾	166	-	-	94	260
Transfer	10	-	-	21	32
Foreign currency translation	24	-	-	8	32
Balance at 31 December	4,231	-	-	1,708	5,938
Amortization and impairment					
Balance at 1 January	(43)	-	-	(591)	(634)
Amortization	-	-	-	(156)	(156)
Disposal	-	-	-	10	10
Transfer	-	-	-	(4)	(4)
Foreign currency translation	1	-	-	8	9
Balance at 31 December	(41)	-	-	(733)	(774)
Carrying value					
Balance at 1 January	3,989	-	-	948	4,937
Balance at 31 December	4,189	-	-	975	5,164
Useful life in years				3 - 15	
Amortization rate				5 - 35%	

1) Additions related to acquisition of new companies, is in 2012 mainly related to the purchase of additional 16% of Yara Pilbara Holdings Limited (former Burrup Holdings Limited), and additional 34.33% of Yara Dallol BV (former Ethiopotash BV). In 2011 it was related to the purchase of the remaining 60% of Yara Nipro Pty Ltd. and 100% of Yara Miljö (former Petro Miljö). See note 3 for more information.

2) During 2012, Yara recognized a NOK 156 million impairment write-down of intangible assets related to customer relationships originating from the Balderton acquisition in 2010 following a Yara management decision to discontinue trade with some of the previous customers of Balderton. Of this impairment, NOK 86 million was recognized in Upstream and NOK 69 million in Downstream.

3) Exploration and evaluation assets are intangible assets under development, and are not amortized.

4) Other intangibles mainly comprises patents/ trademarks, software and customer relationships.

Note 10

Impairment testing *of goodwill*

Goodwill acquired through business combinations have been allocated for impairment testing to these cash-generating units (CGUs), presented together with the applicable discount rates used in the impairment testing:

	Carrying value NOK millions		Discount rate after tax (WACC)		Discount rate before tax	
	2012	2011	2012	2011	2012	2011
Saskferco acquisition (now Yara Belle Plaine):						
Upstream Yara Belle Plaine	1,974	2,071	8.0%	8.1%	9.7%	10.4%
Downstream Yara Belle Plaine	111	116	8.0%	8.1%	9.7%	10.7%
Kemira GrowHow acquisition:						
Upstream Finland	584	617	8.3%	8.2%	10.7%	11.4%
Industrial Belgium	55	58	8.3%	8.3%	11.1%	11.7%
Upstream Belgium	43	46	8.3%	8.3%	12.1%	12.2%
Downstream Northern Europe	38	40	8.2%	7.5%	10.7%	9.9%
Downstream Continental Europe	39	41	8.2%	7.5%	10.4%	9.9%
Balderton acquisition:						
Upstream Ammonia trade	308	332	10.2%	10.3%	11.4%	11.7%
Downstream Fertilizer trade	462	498	10.2%	10.3%	11.8%	11.6%
Burru acquisition (now Yara Pilbara):						
Upstream Yara Pilbara Fertilizer	617		8.8%		14.8%	
Ethiopotash acquisition (now Yara Dallol):						
Upstream Yara Dallol	93		13.6%		15.5%	
Other CGUs						
Downstream Yara Brazil	88	103	10.1%	10.1%	13.6%	14.8%
Downstream Yara Ghana	32	40	11.8%	11.5%	16.0%	15.8%
Downstream Yara Mexico	17	17	9.7%	9.1%	13.6%	12.9%
Downstream Yara Phosyn	11	11	9.0%	8.8%	11.6%	11.8%
Downstream Yara Nipro	104	110	10.8%	11.0%	13.6%	15.5%
Industrial Yara Miljö AB (former Petro Miljö)	55	56	11.1%	11.5%	13.2%	15.6%
Downstream Yara Vlaardingen	16					
Other	30	32				
Total	4,678	4,189				

DETERMINATION OF RECOVERABLE AMOUNT:

Yara has used "value in use" to determine the recoverable amounts of all cash generating units. Key assumptions used in the calculation of value in use are:

- EBITDA
- Growth rates
- Capital expenditures
- Discount rate

Yara Dallol is involved in a potash mining project with currently ongoing feasibility studies. Key assumptions for this CGU differs from the other units because cash inflows are several years in the future and because the outcome of the feasibility studies and the expected ability to develop the reserves are essential to defend the carrying value. See more information under "Sensitivity to changes in assumptions".

EBITDA

EBITDA represents the operating margin before depreciation and amortization and is estimated based on the expected future development for Yara's existing businesses and their main markets. Committed operational efficiency programs are taken into consideration. Changes in the outcome of

these initiatives may affect future estimated EBITDA margin. EBITDA for the first year is based on the latest approved business plan for the CGU. The two most important assumptions in the corporate business plan are the expected agricultural commodity prices and the global urea supply/demand balance. Yara utilizes available internal and external information when setting business plan assumptions. For the following four years, management projections are applied based on available forecasts for volumes, sales prices, energy and other cost components, with the exception of some Downstream units where an estimated annual growth rate is applied (see below).

GROWTH RATES

Yara uses a steady growth rate not exceeding 2.5% (including inflation) for periods that are not based on management projections. The steady growth rate period starts after year five at the latest. The rates used are estimated not to exceed the growth rates for the products, industry or countries in which the units operate.

CAPITAL EXPENDITURE

Capital expenditure necessary to meet the expected growth in revenues is taken into consideration. To the best of management's judgment, estimated capital expenditures do not include capital expenditures that enhance the current performance of assets and related cash flows have been treated consistently.

DISCOUNT RATE

Discount rate reflect the current market assessment of the risks specific to each cash generating unit. The discount rates were estimated based on the weighted average cost of capital for the industry. This rate was further adjusted to reflect the currency in which the CGU operates and market assessments of any risk specific to the CGU for which future estimates of cash-flows have not been adjusted.

CGU INFORMATION**Saskferco acquisition**

Goodwill in relation to the Saskferco (now Yara Belle Plaine) acquisition in 2008 was allocated to two CGUs. Changes in carrying values of goodwill are only related to currency translation effects (CAD/NOK). Further information about the CGU Upstream Belle Plaine: The site has one ammonia plant, one nitric acid plant and one urea granulation plant. It produces an average of 3,000 tons of urea, 700 tons of UAN and 1,900 tons of ammonia per day. The majority of the ammonia produced is used in the production of UAN and granular urea, however some products are sold for agricultural purposes during peak ammonia seasons.

Kemira GrowHow acquisition

Goodwill in relation to the Kemira GrowHow acquisition in 2007 was allocated to five CGUs. Changes in carrying values of goodwill are only related to currency translation effects (EUR/NOK). Further information about the CGU Upstream Finland: The CGU has several production sites. The Siilinjärvi site produces mainly fertilizers and phosphoric acid, but also other industrial chemicals. It consists of several plants in addition to a mine. Uusi-kaupunki has three nitric acid plants as well as two fertilizer plants producing for the Finnish market and for export. Kokkola produces mainly potassium sulfate and feed phosphates and Harjavalta produces special fertilizers, both for markets worldwide.

Balderton acquisition

Goodwill in relation to the Balderton transaction in 2010 was allocated to two CGUs and is fully integrated in Yara's global supply and trade operation in Ammonia and Fertilizer products. Changes in carrying values of goodwill are only related to currency translation effects (USD/NOK).

Burrup acquisition

Goodwill in relation to the acquisition of additional 16% in Burrup (now Yara Pilbara) in 2012 was allocated to one CGU. See note 3 for more information about the CGU and the business combination.

Ethiopotash acquisition

Goodwill in relation to the acquisition of additional 34.33% in Ethiopotash (now Yara Dallol) in 2012 was allocated to one CGU. See note 3 for more information about the CGU and the business combination.

SENSITIVITY TO CHANGES IN ASSUMPTIONS

Yara performs sensitivity analysis when testing assets for impairment. As a basis for the sensitivity evaluation, Yara has used the following changed assumptions for all CGUs:

- Increase of discount rate with 1.0% points (after tax)
- Reduction to management projected EBITDA with 10% each year, in the period years 1 to 5
- No nominal growth after year 5 (instead of up to 2.5% steady growth)

A combined change of all three assumptions would lead to a total impairment write-down of around NOK 350 million. Management assess that Yara Pilbara and Yara Dallol are the main investments which are sensitive to negative changes in key assumptions.

Yara Pilbara

Yara owns 51% and is fully consolidating the entity. Total carrying value of fixed and intangible assets on a 100% basis is NOK 5,881 million as of 31 December 2012. A combined change of all three main assumptions would lead to an impairment write-down of around NOK 200 million. An isolated increase in the discount rate of 2% points or an isolated decrease of EBITDA of more than 10% during the first five years would lead to impairment. The main uncertainty related to the projected EBITDA is the future ammonia sales price.

Yara Dallol

Yara owns 51% and is fully consolidating the entity. Total carrying value of fixed and intangible assets on a 100% basis is NOK 653 million as of 31 December 2012. This company is involved with a potash mining project in Ethiopia and feasibility studies are currently ongoing. The project will not generate cash flows until several years in the future. The main uncertainties are related to the confirmation of economically recoverable reserves, including the long-term expected price of Potash, and the ability to successfully develop the reserves. Negative changes to these assumptions could ultimately lead to impairment of all recognized assets.

Note 11

Property, plant and equipment

2012

<i>NOK millions, except percentages and year</i>	Land	Machinery and equipment ³⁾	Buildings ⁴⁾	Assets under construction	Other	Total
Cost						
Balance at 1 January	637	40,655	6,022	1,027	409	48,749
Addition at cost	18	1,696	270	1,911	1	3,896
Disposal	(8)	(1,154)	(79)	(1)	(3)	(1,245)
Acquisition new companies ¹⁾	59	208	4,082	85	-	4,434
Transfer ²⁾	(2)	1,191	218	(1,602)	-	(195)
Foreign currency translation	(37)	(1,853)	(472)	(59)	(14)	(2,436)
Balance at 31 December	667	40,742	10,041	1,361	392	53,203
Depreciation and impairment						
Balance at 1 January	(26)	(21,606)	(2,818)	-	(180)	(24,631)
Depreciation	-	(2,336)	(380)	-	(20)	(2,736)
Impairment loss	(2)	(38)	(78)	-	-	(118)
Reversed impairment	4	33	14	-	-	51
Disposal	-	951	73	-	3	1,027
Transfer	-	9	13	-	-	22
Foreign currency translation	1	926	144	-	4	1,075
Balance at 31 December	(23)	(22,062)	(3,032)	-	(193)	(25,310)
Carrying value						
Balance at 1 January	611	19,049	3,204	1,027	229	24,118
Balance at 31 December	644	18,680	7,009	1,361	198	27,893
Useful life in years		4 - 20	20 - 50		5 - 10	
Depreciation rate		5 - 25%	2 - 5%		10 - 20%	

2011

<i>NOK millions, except percentages and year</i>	Land	Machinery and equipment ³⁾	Buildings ⁴⁾	Assets under construction	Other	Total
Cost						
Balance at 1 January	632	36,774	5,296	3,356	417	46,474
Addition at cost	-	1,896	161	1,195	-	3,252
Disposal	(1)	(907)	(32)	-	(7)	(948)
Acquisition new companies ¹⁾	9	89	7	-	-	105
Transfer ²⁾	-	2,869	611	(3,511)	-	(32)
Foreign currency translation	(4)	(65)	(20)	(13)	(1)	(103)
Balance at 31 December	637	40,655	6,022	1,027	409	48,749
Depreciation and impairment						
Balance at 1 January	(24)	(20,220)	(2,594)	-	(166)	(23,005)
Depreciation	-	(2,182)	(218)	-	(21)	(2,422)
Impairment loss	(1)	(99)	(10)	-	-	(110)
Reversed impairment	-	7	2	-	-	9
Disposal	-	795	28	-	7	830
Transfer	-	47	(41)	-	-	6
Foreign currency translation	-	46	14	-	-	61
Balance at 31 December	(26)	(21,606)	(2,818)	-	(180)	(24,631)
Carrying value						
Balance at 1 January	607	16,554	2,702	3,356	251	23,470
Balance at 31 December	611	19,049	3,204	1,027	229	24,118
Useful life in years		4 - 20	20 - 50		5 - 10	
Depreciation rate		5 - 25%	2 - 5%		10 - 20%	

1) Additions related to acquisition of new companies, is in 2012 mainly related to the purchase of additional 16% of Yara Pilbara Holdings Limited (former Burrup Holdings Limited), and additional 34.33% of Yara Dallol BV (former Ethiopotash BV). In 2011 it was related to the purchase of the remaining 60% of Yara Nipro Pty Ltd. and 100% of Yara Miljø (former Petro Miljø). See note 3 for more information.

2) Transfer is mainly related to transfer from plant under construction to machinery and equipment. In 2012 transfer also includes NOK 8 million transferred to assets held for sale, and NOK 128 million transferred to exploration and evaluation assets.

3) Includes net carrying value related to finance leases of NOK 146 million in 2012 (2011: NOK 176 million).

4) Includes net carrying value related to finance leases of NOK 110 million in 2012 (2011: NOK 61 million).

Property, plant and equipment pledged as security was NOK 4,861 million in 2012 (2011: NOK 195 million). See note 29 for more information.

Government grants related to assets have been recognized as deduction to the carrying value by reducing "Addition at cost" with NOK 12 million in 2012. (2011: NOK 43 million).

Of total impairment losses, NOK 96 million was recognized in Upstream and NOK 22 million in Downstream. Impairment was mainly related to decommissioning assets, following increased provisions, and reduction in expected useful life for certain assets. Of total reversal of impairment losses,

NOK 38 million was recognized in Upstream and NOK 12 million in Downstream.

The amount of borrowing cost capitalized amounted to NOK 3 million in 2012 (2011: NOK 46 million). The average rate for the borrowing cost capitalized was 4.9% in 2012.

Compensations from insurance companies recognized in the consolidated income statement amounted to NOK 23 million in 2012 (2011: NOK 6 million).

Note 12

Associated companies and jointly controlled entities

2012

NOK millions	Balance at 1 January	Investments / (sale), net and long-term loans	Transfers to/from subsidiary	Yara's share of net income/ (loss)	Amortization, depreciation and write-down	Total share of net income in equity-accounted investees	Dividends received	Posted directly in equity	Foreign currency translation and other	Balance at 31 December
Qafco	5,033	238 ¹⁾	-	1,368	-	1,368	(390)	1	(412)	5,837
GrowHow UK	1,248	-	-	437	-	437	(272)	(42)	(43)	1,328
Lifeco	1,436	-	-	(196)	-	(196)	-	-	(91)	1,150
Yara Praxair Holding	702	-	-	38	(8)	29	-	-	-	732
Yara Pilbara Nitrates ²⁾	-	625	-	(6)	-	(6)	-	(2)	7	624
IC Potash Corp ³⁾	-	231	-	(9)	-	(9)	-	(2)	(10)	209
Tringen	188	-	-	250	-	250	(239)	(23)	(16)	160
Synagri	74	-	-	26	-	26	(15)	-	(5)	81
Yara Pilbara (Burrup) ²⁾	1,899	-	(1,916)	8	(7)	-	-	-	16	-
NU3 ⁴⁾	96	(90)	-	9	-	9	(10)	-	(5)	-
Other	417	(6)	(7)	58	(3)	55	(61)	(1)	(9)	388
Total	11,092	998	(1,922)	1,983	(19)	1,964	(986)	(69)	(568)	10,509

1) Profit attributable to foreign shareholder (Yara) is subject to tax in Qatar. The tax is paid by Qafco, but refunded by Yara.

2) Yara acquired additional 16% interest and gained control over Burrup Holdings Limited in 2012, and the company was renamed Yara Pilbara Holdings Limited. Subsequent to the acquisition, Yara agreed to form Yara Pilbara Nitrates with Orica and Apache, where Yara holds 45% ownership.

3) Yara acquired 19.9% of the shares in IC Potash Corp in 2012.

4) The Vlaardingen specialty fertilizer plant in the Netherlands became 100% Yara owned in 2012 as the joint ventures NU3 BV with ICL was dissolved.

2011

NOK millions	Balance at 1 January	Investments / (sale), net and long-term loans	Transfers to/from subsidiary	Yara's share of net income/ (loss)	Amortization, depreciation and write-down	Total share of net income in equity-accounted investees	Dividends received	Posted directly in equity	Foreign currency translation and other	Balance at 31 December
Qafco	3,923	156 ³⁾	-	1,018	-	1,018	(184)	(57)	177	5,033
Yara Pilbara (Burrup)	1,676	-	-	211	(41)	169	-	-	54	1,899
Lifeco	1,539	-	-	(131)	-	(131)	-	-	28	1,436
GrowHow UK	1,600	-	-	334	-	334	(622)	(113)	48	1,248
Yara Praxair Holding ¹⁾	23	636	-	47	(5)	42	-	-	-	702
Tringen	120	85	-	243	-	243	(263)	(5)	8	188
NU3	90	-	-	6	-	6	-	-	-	96
Synagri	59	-	-	14	-	14	-	-	2	74
Yaibera (Rossosh) ²⁾	756	(511)	-	112	-	112	(343)	-	(14)	-
Other	437	21	(57) ⁴⁾	83	(2)	81	(69)	(2)	5	417
Total	10,223	387	(57)	1,937	(48)	1,889	(1,480)	(177)	306	11,092

1) Yara reduced its ownership in Yara Praxair Holding AS from 50% to 34% in 2011.

2) Yara sold shares in Yaibera (Rossosh) in 2011.

3) Profit attributable to foreign shareholder (Yara) is subject to tax in Qatar. The tax is paid by Qafco, but refunded by Yara.

4) Yara acquired all the remaining shares of Yara Nipro in 2011. See note 3 for more information.

Due to it being impractical to obtain financial report at the same reporting date as Yara uses, there is for some of the associated companies and jointly controlled entities a lag of 1-3 month for the numbers included.

OWNERSHIP, SALES AND RECEIVABLES/PAYABLES

NOK millions, except ownership	Place of incorporation and operation	Percentage owned by Yara (equals voting rights)	Sales from Investees to Yara Group ¹⁾		Yara's current receivable/ (payable) net with investees	
			2012	2011	2012	2011
Qafco	Qatar	25.0%	(5,367)	(3,382)	(58)	(31)
GrowHow UK Ltd	Great Britain	50.0%	(1,087)	(918)	(106)	42
Lifeco	Libya	50.0%	(325)	(376)	(223)	(99)
Yara Praxair Holding	Norway	34.0%	(4)	(7)	8	7
Yara Pilbara Nitrates	Australia	45.0%	-	-	(3)	-
IC Potash Corp	Canada	19.9%	-	-	-	-
Tringen	Trinidad and Tobago	49.0%	(2,547)	(2,509)	(167)	(300)
Synagri	Canada	50.0%	-	-	(63)	(54)
Yara Pilbara (Burrup) ²⁾	Australia	35.0%	(72)	(2,027)	-	(74)
NU3	Belgium	50.0%	(336)	(395)	-	(40)
Other			(94)	(2,619)	(3)	-
Total			(9,831)	(12,234)	(615)	(548)

1) Included in raw materials, energy cost and freight expenses.

2) Sales until Yara gained control in February 2012.

BUSINESS IN EQUITY-ACCOUNTED INVESTEEES

Qafco

Yara is the owner of 25% of Qatar Fertiliser Company (S.A.Q.), ("Qafco"), the owner and operator of a fertilizer complex in Mesaieed in Qatar. The remaining 75% of Qafco is owned by Industries Qatar, a Doha Stock Market listed company, owned 51% by Qatar Petroleum, 19% by The General Retirement and Social Insurance Authority and 30% by general public. Qafco operates six ammonia plants and six urea plants. Qafco 5 and Qafco 6, the two newest ammonia and urea trains, commenced production during 2012. Total production capacity is approximately 3.5 and 5.6 million tons of ammonia and urea, respectively. Yara provides marketing support and technical assistance for Qafco's fertilizer operations. Qafco has 70% ownership in Gulf Formaldehyde Company, which produces and sells Urea Formaldehyde Concentrate, mainly used in the urea production process. In addition, Qafco owns 60% of Qatar Melamine Company, which owns a melamine plant located at the Qafco site, and with a capacity of 60,000 tons per year. Qafco is operating and providing marketing services for this plant.

GrowHow UK

Yara has a 50% interest in GrowHow UK Group Limited, a jointly controlled entity with CF Industries Inc. with a turnover in excess of GBP 500 million. The company is based in Ince and is the UK's leading manufacturer of ammonium nitrate and compound fertilizers, and a major supplier for process chemicals and utilities. GrowHow UK Group Ltd operates production sites in Billingham and Ince. The company is responsible for the sales of the jointly controlled entities' fertilizer and associated process chemical products in the UK.

Lifeco

Yara owns 50% in Libyan Norwegian Fertilizer Company (Lifeco), together with Oil Corporation of Libya (NOC) and the Libyan Investment Authority (LIA) each holding a 25% stake. Lifeco is operating two ammonia and two urea plants. More than 90% of the ammonia and urea from Lifeco is exported, and Yara is Lifeco's exclusive global export product distributor. Lifeco suspended its operations in February 2011 following the unrest in Libya and restarted during third quarter 2012. The ammonia production ran at reduced rates in 2012 and the urea lines started in January 2013 as the power supply and utilities were not fully available. Approximately NOK 507 million of the carrying value of Yara's investment is related to bank deposits in Libyan banks, and NOK 621 million is related to the plant in Marsa el Brega. The plant is insured by a Libyan insurance company. The policy does not cover damage caused by war, civil war, revolution or terrorism. See note 23 related to ongoing investigations of the establishment and follow-up of Yara's interest in Lifeco.

Yara Praxair Holding

Yara holds a 34% ownership in Yara Praxair, which is one of the leading industrial gases companies in Scandinavia. The company supplies atmospheric, process and specialty gases to a wide variety of industries: food and beverages, healthcare, fish farming, chemicals, refining, primary metals and metal fabrication as well as other areas of general industry. The entity comprises Yara's previous industrial gases business located in Norway, Denmark and Sweden.

Yara Pilbara Nitrates

Subsequent to the acquisition of additional 16% interest in Burrup Holdings Limited in February 2012, Yara has agreed with Orica and Apache to form joint venture to build a 330,000 metric tons ammonium nitrate (TAN) plant on the Burrup peninsula, Yara Pilbara Nitrates. The parties have also formed a distribution and marketing joint venture (included in "Other") to distribute all ammonium nitrate and associated products and services to mining customers in the Pilbara region. The joint ventures are directly and indirectly owned 45% by Yara, 45% by Orica and 10% by Apache.

IC Potash Corp

In April 2012, Yara purchased 30,129,870 common shares in IC Potash Corp (ICP). Yara's shares represent 19.9% of the issued and outstanding common shares of ICP on a non-diluted basis. Yara also entered into an off-take arrangement for 30% of all products produced by ICP's Ochoa project in New Mexico for a period of 15 years. ICP and Yara have agreed to discuss the possibility of establishing a jointly held entity for the purpose of marketing products produced by the Ochoa project. ICP's objective is to start commercial production in first quarter 2016, with an estimated annual production of 700,000 metric tons of SOP and SOPM (Potash Magnesium Sulphate).

Tringen

Tringen owns an ammonia complex consisting of two separate ammonia plants which are managed and operated by Yara under a management and operating agreement. In addition Yara provides marketing support through sales agency agreements. Yara has a 49% ownership stake in Tringen, the remaining 51% of Tringen is owned by National Enterprises Limited, which is a publicly listed Company, in which the Government of the Republic of Trinidad and Tobago has majority shareholding.

Synagri

Synagri LP provides products and services to the retail agricultural sector. Yara has a 50% ownership in Synagri, Cargill Limited owns the remaining 50%. The joint venture sells in the Canadian provinces of Eastern Ontario and Quebec.

Yara Pilbara (Burrup)

In February 2012, Yara acquired additional 16% of Burrup Holdings Limited and gained control over the entity. The company was immediately renamed Yara Pilbara Holdings Limited. See note 2 and 3 for more information.

NU3

In November 2012, the Vlaardingen specialty fertilizer plant in the Netherlands became 100% Yara owned as the joint venture NU3 B.V. with ICL was dissolved. See note 2 and 3 for more information.

Carrying value and share of net income by segment for associated companies and jointly controlled entities are disclosed in note 4.

ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES - 100% BASIS

The following table sets forth summarized unaudited financial information of Yara's associated companies and jointly controlled entities on a 100% combined basis. Yara's share of these investments, which is also specified above, is accounted for using the equity method.

<i>NOK millions (unaudited)</i>	31 Dec 2012	31 Dec 2011
Total assets	46,614	50,984
Total liabilities	(13,668)	(20,422)
Net assets	32,946	30,562
Yara's share of total equity	9,289	8,996

<i>NOK millions (unaudited)</i>	2012	2011
Total revenues	22,584	23,797
Net income	7,911	7,232
Yara's share of net income	1,983	1,937

Note 13**Equity securities**

<i>NOK millions</i>	Notes	2012	2011
1 January		283	340
Foreign currency translation		(13)	(1)
Additions		6	25
Disposals ²⁾		-	(101)
Transfer to subsidiary ¹⁾	2,3	(73)	-
Write-down recognized in statement of income		-	(13)
Net gain/(loss) transferred to other comprehensive income		(32)	34
Total at 31 December		170	283
Unlisted equity securities		170	283
Total at 31 December		170	283

1) The transfer to subsidiary in 2012 is related to the increase of ownership in Yara Dallol BV (former Etiopotash BV) from 16.67% to 51%.

2) The disposal in 2011 is related to the sale of shares in Hankkija Maatalous.

Note 14

Other non-current *assets*

NOK millions, except percentages	Notes	2012	2011
Prepayments for long-term employee obligations	22	74	483
Equity investments available-for-sale	2,13,28	170	283
Interest rate swap designated as hedging instrument	27,28	167	167
Long-term loans and receivables ¹⁾	28	1,018	942
Total		1,429	1,875
Long-term loans and receivables			
Effective interest rate, interest-bearing loans and receivables		3.9%	2.4%

1) Mainly related to tax and VAT credits.

The long-term loans and receivables bear interest at variable rates with minimum annual repricing.

Note 15

Inventories

NOK millions	2012	2011
Finished goods	6,823	7,952
Work in progress	543	536
Raw materials	4,560	4,195
Total	11,927	12,683
Write-down		
Balance at 1 January	(265)	(98)
New write-downs recognized during the year	(137)	(272)
Write-downs reversed due to product sold	224	90
Write-downs reversed, other	73	19
Foreign currency translation	9	(3)
Closing Balance 31 December	(96)	(265)

Inventories pledged as security was NOK 141 million in 2012. There were no inventories pledged as security in 2011. See note 29 for more information.

Note 16

Trade *receivables*

NOK millions	Notes	2012	2011
Trade receivables		8,476	9,181
Allowance for impairment losses		(432)	(502)
Total	28	8,045	8,680

MOVEMENT IN THE ALLOWANCE FOR IMPAIRMENT LOSS

NOK millions	Notes	2012	2011
Balance at 1 January		(502)	(634)
Impairment losses recognized on receivables during the year		(59)	(38)
Amounts written off during the year as uncollectible		27	81
Impairment losses reversed		34	66
Currency translation effects		46	25
Other changes (including disposal/acquisition of companies)		21	(4)
Balance at 31 December		(432)	(502)

AGEING ANALYSIS OF TRADE RECEIVABLES AT 31 DECEMBER

Gross trade receivables

NOK millions	Total	Not past due	Past due			
			< 30 days	30 - 90 days	91 - 180 days	> 180 days
2012	8,476	7,033	723	184	54	480
2011	9,181	7,420	753	346	74	589

Net trade receivables

NOK millions	Total	Neither past due nor impaired	Past due but not impaired			
			< 30 days	30 - 90 days	91 - 180 days	> 180 days
2012	8,045	7,019	710	171	46	99
2011	8,680	7,398	749	334	71	127

Impairment of trade receivables

NOK millions	Total	Impairment on not past due receivables	Impairment on past due receivables			
			< 30 days	30 - 90 days	91 - 180 days	> 180 days
2012	(432)	(16)	(13)	(14)	(8)	(381)
2011	(502)	(21)	(4)	(13)	(3)	(461)

Note 17

Prepaid expenses and other current assets

NOK millions	Notes	2012	2011
VAT and sales related taxes	28	748	875
Financial derivatives	28	2	30
Commodity derivatives and embedded derivatives	28	71	75
Prepaid income taxes		446	543
Prepaid expenses		892	723
Other current assets	28	449	689
Total		2,607	2,935

Note 18

Cash, cash equivalents and other liquid assets

NOK millions	Notes	2012	2011
Cash and cash equivalents	28	9,941	5,868
Other liquid assets	28	-	1

Cash and cash equivalents have a maturity of three months or less. External bank deposits in subsidiaries that are not available for the use of group at 31 December 2012 is NOK 286 million (2011: NOK 311 million).

Other liquid assets comprise of bank deposits with maturity between three months and one year.

The average interest rate for liquid assets is approximately 1.7% as of 31 December 2012 (2011: 2.9%).

Note 19

Share information

On 10 May 2012, the General Meeting of Yara approved a share buy-back program, authorizing the Board of Directors for a period of 12 months to let the Company acquire up to 5% of total shares in the open market and from the Norwegian State. The purchase price shall not be less than NOK 10 nor more than NOK 1,000. Shares acquired may either be used for cancellation, or, according to decision by the Board of Directors, as consideration in commercial transactions. The 2012 buy-back program is similar to previous years' programs.

Yara's largest shareholder, the Norwegian State, has committed to sell a proportionate part of its shares, leaving the State's ownership unchanged at 36.21%. The compensation to the State will be equal to the average price paid in the market for the buy-back of shares, plus interests of NIBOR +1%, calculated from the date of the acquisition of the corresponding shares.

During 2012, Yara purchased 3,640,000 shares for a total consideration of NOK 953.7 million under the 2012 share buy-back program. Yara also pur-

chased 19,084 own shares that were reissued to employees. At 31 December 2012, no shares were owned by the employee trust. The trust is included in the consolidated financial statements.

During 2011, Yara purchased 300,000 shares for a total consideration of NOK 88.7 million under the 2010 share buy-back program, and further 2,200,000 shares for a total consideration of NOK 558.7 million under the 2011 share buy-back program. Yara also purchased 19,137 own shares that were reissued to employees together with the 15 shares held by the employee trust at the beginning of the year. At 31 December 2011, no shares were owned by the employee trust.

Dividend proposed for 2012 is NOK 13.00 per share, amounting to NOK 3,647 million. Dividend approved for 2011 and paid out in 2012 was NOK 1,998 million.

	Ordinary shares	Own shares ¹⁾
Total at 31 December 2010	288,831,918	(450,015)
Treasury shares - share buy-back program ²⁾	-	(300,000)
Redeemed shares Norwegian State ³⁾	(425,759)	-
Shares cancelled ³⁾	(750,000)	750,000
Treasury shares - employee trust	-	15
Treasury shares - share buy-back program ³⁾	-	(2,200,000)
Total at 31 December 2011	287,656,159	(2,200,000)
Redeemed shares Norwegian State ⁴⁾	(1,248,895)	-
Shares cancelled ⁴⁾	(2,200,000)	2,200,000
Treasury shares - share buy-back program ⁴⁾	-	(3,640,000)
Total at 31 December 2012	284,207,264	(3,640,000)

1) Including employee trust.

2) As approved by General Meeting 11 May 2010.

3) As approved by General Meeting 10 May 2011.

4) As approved by General Meeting 10 May 2012.

Note 20

Earnings *per share*

NOK millions, except number of shares	2012	2011
Earnings		
Net income for the purposes of basic earnings per share (profit for the year attributable to the equity holders of Yara International ASA)	10,602	12,066
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	282,821,544	287,321,413

The denominators for the purposes of calculating basic earnings per share have been adjusted for the buy-back of own shares and redemption of shares held by the Norwegian State, see note 19.

Note 21

Non-controlling *interests*

NOK millions	2012	2011
Total at 1 January	(157)	(149)
Share of profit for the year	(49)	(24)
Dividends distributed	20	22
Acquisitions	(5)	-
Disposals	12	10
Share capital increase	(34)	-
Companies acquired	(1,615)	(17)
Companies sold	2	-
Currency effect	81	2
Total at 31 December	(1,745)	(157)

NON-CONTROLLING INTERESTS ARE MAINLY RELATED TO THE FOLLOWING UNITS

Company name	Registered office	Non-controlling interests	2012	Non-controlling interests	2011
Yara Pilbara Fertilisers Pty Ltd	Australia	49.0%	(1,438)	-	-
Yara Dallol B.V.	The Netherlands	49.0%	(177)	-	-
AS Ammonia	Denmark	33.3%	(53)	33.3%	(57)
Yara Agri Trade Misr SAE	Egypt	49.0%	(29)	49.0%	(34)
Yara East Africa Ltd	Kenya	30.0%	(27)	30.0%	(30)
Yara Cameroun s.a.	Cameroun	35.0%	(14)	35.0%	(14)
Yara Alboran S.A.	Spain	-	-	47.0%	(13)
Other			(7)		(8)
Total at 31 December			(1,745)		(157)

Note 22

Employee retirement plans *and other similar obligations*

The Group companies provide various retirement plans in accordance with local regulations and practices in the countries in which they operate.

Defined benefit plans are generally based on years of service and final salary levels, offering retirement benefits in addition to what is provided by state pension plans. Most of the defined benefit plan obligations are covered by external insurance companies or by pension funds that are legally separated from the companies. By definition, both investment risk and actuarial risk (i.e. the actual level of benefits to be paid in the future) are retained by the Group companies.

Defined contribution plans require the companies to make agreed contributions to a separate fund when employees have rendered services entitling them to the contributions. The companies have no legal or constructive obligation to pay further contributions.

Some companies make contributions to multi-employer pension plans included in a joint arrangement with others. All multi-employer plans are accounted for as defined contribution plans.

Some companies have recognized provisions for jubilee benefits, which are classified as Other long-term employee benefits.

LONG-TERM EMPLOYEE BENEFIT OBLIGATIONS RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION

NOK millions	Notes	2012	2011
Defined benefit plans		(2,337)	(2,529)
Prepayments for defined benefit plans		68	483
Net liability for defined benefit plans		(2,269)	(2,045)
Termination benefits		(44)	(59)
Prepayments for other long-term employee obligations		6	-
Other long-term employee benefits		(77)	(86)
Net long-term employee benefit obligations recognized in Statement of financial position		(2,383)	(2,190)
Of which classified as Prepayments for long-term employee obligations	14	74	483
Of which classified as Long-term employee obligations		(2,458)	(2,673)

EXPENSES FOR LONG-TERM EMPLOYEE BENEFIT OBLIGATIONS RECOGNIZED IN THE STATEMENT OF INCOME

NOK millions	Notes	2012	2011
Defined benefit plans		(150)	(161)
Defined contribution plans		(127)	(109)
Multi-employer plans		(36)	(37)
Termination benefits		(34)	(20)
Other long-term employee benefits		(44)	(31)
Net expenses recognized in Statement of income		(391)	(358)
Of which classified as Payroll and related costs	5	(387)	(351)
Of which classified as Interest expense and other financial items	7	(4)	(6)

DEFINED BENEFIT PLANS

Yara International ASA and Norwegian subsidiaries have incurred obligations under a funded defined benefit plan. The pension plan was closed to new entrants in 2006 and employees below the age of 55 at that time received a paid-up policy for previously earned benefit entitlements. The defined benefit plan was replaced by a defined contribution plan from the same date. Further pension obligations in Norway include certain unfunded pension arrangements as well as an early retirement scheme. Normal retirement age is 67 with the option for early retirement from the age of 62.

A majority of Yara's obligations under defined benefit plans are related to subsidiaries within the Eurozone.

Employees of Yara's Dutch subsidiaries are members of a funded pension plan. Employees born before 1950 and who were in service before 2006 are entitled to a pension scheme based on final salary at the age of retirement. Normal retirement age is 65 with the option for early retirement from the age of 61. All other employees are members of an Average Pay scheme.

Obligations in Finland include the statutory TyEL pension scheme as well as a further defined benefit plan which is closed to new entrants. Both schemes are covered by pension funds. The TyEL pension scheme provides

for a flexible retirement age from 63 to 68 based on the employee's salary each year and with accelerated earning of retirement benefits beyond the age of 63. There is also a possibility for early retirement at the age of 62 with a permanent reduction of benefits.

Subsidiaries of Yara are also liable to retirement benefits in France, Germany, Belgium and Italy within the Eurozone.

The pension plan in Great Britain is funded and provides retirement benefits based on final salary. Normal retirement age is 62 except for some contracts with retirement age of 65.

Other defined benefit plan obligations include employees of subsidiaries in Sweden, Trinidad and South Africa.

Most defined benefit plans include benefits in case of disability, death in service and death after retirement, which are included in the valuation of liabilities.

The provision for defined benefit plans also includes liabilities for medical plans in Great Britain, Trinidad and South Africa with a total of NOK 30 million (2011: NOK 35 million).

Defined benefit obligations by origin:

NOK millions	2012	2011
Eurozone	(6,624)	(5,810)
Great Britain	(2,523)	(2,447)
Norway	(1,790)	(1,925)
Other	(400)	(363)
Total	(11,336)	(10,544)

VALUATION OF DEFINED BENEFIT OBLIGATIONS

The defined benefit plans are valued at 31 December using updated financial and demographical assumptions and taking into account the relevant economic environment of each pension plan.

The discount rate is a weighted average of the yields at the balance sheet date on high quality corporate bonds, or government bonds where no deep market exists for high quality corporate bonds. The discount rate is adjusted by extrapolation if necessary, to take into account differences in maturities.

During 2012 Yara concluded that a sufficiently deep market has developed for high quality corporate bonds in Norway, effectively increasing the applied discount rate for the pension obligations in Norway.

The following financial assumptions have been applied for the valuation of liabilities (weighted average in %):

	2012	2011
Discount rate	3.6	4.4
Expected rate of salary increases	3.3	3.5
Future rate of pension increases	2.0	2.1

Actuarial valuations provided the following results:

NOK millions	2012	2011
Present value of fully or partially funded liabilities for defined benefit plans	(9,900)	(8,939)
Present value of unfunded liabilities for defined benefit plans	(1,436)	(1,605)
Present value of liabilities for defined benefit plans	(11,336)	(10,544)
Fair value of plan assets	9,104	8,573
Past service cost not recognized in the Statement of financial position (unvested)	10	13
Social security tax liability on defined benefit plans	(46)	(87)
Net liability recognized for defined benefit plans	(2,269)	(2,045)

PENSION COST RECOGNIZED IN STATEMENT OF INCOME

The assumptions used to value the defined benefit obligations as of 31 December are used in the following year to determine the net pension cost.

The expected long-term rate of return on plan assets is based on forecasts of expected return for individual asset classes and the determined long-term portfolio structure for each of the pension funds. Forecasts are based on long-term historical average returns, taking into account current yield level and expected inflation.

The following financial assumptions have been applied for the valuation of pension cost items (weighted average in %):

	2012	2011
Discount rate	4.4	4.7
Expected rate of return on plan assets	5.2	5.4
Expected rate of salary increases	3.5	3.6
Future rate of pension increases	2.1	2.2

The following items have been recognized in the Statement of income:

NOK millions	2012	2011
Current service cost	(183)	(180)
Contribution by employees	20	20
Past service cost (vested)	(4)	(8)
Settlements ¹⁾	26	17
Social security cost	(6)	(5)
Payroll and related costs	(148)	(156)
Interest on obligation	(438)	(456)
Expected return on plan assets	436	451
Interest expense and other financial items	(2)	(5)
Net pension cost recognized in Statement of income	(150)	(161)

1) Settlements are related to termination of certain employee benefit obligations in France.

SENSITIVITY OF ASSUMPTIONS

Measurement of defined benefit obligations and pension costs requires the use of a number of assumptions and estimates. Below table indicates the sensitivity of the most material financial assumptions applied to the defined benefit obligation (DBO) and pension cost items, by showing the result from an increase or decrease in any one of the assumptions applied (all other assumptions held constant).

NOK millions	DBO at 31 Dec 2012	Service Cost 2012	Interest cost 2012
Actual valuation	(11,336)	(183)	(438)
Discount rate +0.5%	(10,537)	(166)	(459)
Discount rate -0.5%	(12,238)	(202)	(415)
Expected rate of salary increase +0.5%	(11,443)	(189)	(442)
Expected rate of salary increase -0.5%	(11,234)	(176)	(435)
Expected rate of pension increase +0.5%	(12,082)	(197)	(464)
Expected rate of pension increase -0.5%	(10,681)	(170)	(416)

Development of defined benefit obligations

NOK millions	2012	2011
Defined benefit obligation as of 1 January	(10,544)	(9,870)
Current service cost	(183)	(180)
Interest cost	(438)	(456)
Actuarial gains / (losses)	(1,080)	(457)
Past service cost	(2)	(6)
Settlements ¹⁾	26	17
Benefits paid	492	464
Transfer of obligation (in)/out	(6)	(18)
Exchange difference on foreign plans	400	(40)
Defined benefit obligation as of 31 December	(11,336)	(10,544)

1) Settlements are related to termination of certain employee benefit obligations in France.

Development of plan assets

NOK millions	2012	2011
Fair value of plan assets as of 1 January	8,573	8,355
Expected return on plan assets	436	451
Actuarial gains / (losses) on plan assets	328	(233)
Employer contributions	504	298
Employees' contributions	20	20
Benefits paid	(408)	(354)
Transfer of plan assets in/(out)	6	5
Exchange difference on foreign plans	(354)	30
Fair value of plan assets as of 31 December	9,104	8,573

The actual return on plan assets in 2012 was a positive NOK 764 millions (2011: Positive 218 millions).

Plan assets are comprised as follows:

NOK millions	2012	2012	2011	2011
Equity instruments	3,031	33%	2,761	32%
Debt instruments	4,942	54%	4,597	54%
Investments/lending to Yara Group companies ¹⁾	138	2%	146	2%
Property	203	2%	215	3%
Bank deposits	196	2%	395	5%
Other	594	7%	459	5%
Total plan assets	9,104	100%	8,573	100%

1) Loan from Pension fund to Yara Suomi Oy (Finland).

Contributions expected to be paid to the defined benefit plans for 2013 are NOK 274 million (including benefits to be paid for unfunded plans). The decrease from 2012 company contributions total of NOK 589 million, is primarily due to an additional contribution which was required in 2012 to meet coverage ratio requirements of the Dutch pension plan.

Actuarial gains / (losses) recognized in other comprehensive income

NOK millions	2012	2011
Actuarial gains / (losses) on obligation for defined benefit plans	(1,080)	(457)
Actuarial gains / (losses) on plan assets for defined benefit plans	328	(233)
(Increase) / decrease in social security tax liability on actuarial gains / (losses) for defined benefit plans (Norway only)	35	(27)
(Increase) / decrease in recognized liability for defined benefit plans due to regulations in IFRIC 14 (current period)	-	61
Net change in actuarial gains / (losses) for defined benefit plans	(717)	(655)
Change in deferred tax related to actuarial gains / (losses) for defined benefit plans ¹⁾	167	151
Actuarial gains / (losses) recognized from Equity Accounted Investees (net of tax)	(65)	(118)
Total actuarial gains / (losses) recognized in other comprehensive income	(615)	(622)

1) Includes impact from reduction of tax percentage in Great Britain and Sweden (2011: Finland and Great Britain).

Actuarial gains and losses include experience adjustments, reflecting the difference between estimated and actual changes in obligations and plan assets during the year, as well as the impact of change in assumptions when measuring the present value of pension liabilities at year-end with revised assumptions.

Actuarial gains and losses are permanently recognized directly in retained earnings in the period in which they occur. The cumulative amount of actuarial losses recognized in other comprehensive income is NOK 2,461 million (2011: NOK 1,846 million).

Historical information

NOK millions	2012	2011	2010	2009	2008
Present value of the defined benefit obligation	(11,336)	(10,544)	(9,870)	(9,808)	(10,339)
Of which impact of experience adjustments	51	(50)	113	81	(380)
Fair value of plan assets	9,104	8,573	8,355	7,975	7,827
Of which impact of experience adjustments	328	(233)	444	516	(1,204)
Deficit in the plan ¹⁾	(2,232)	(1,972)	(1,515)	(1,833)	(2,513)

1) Social security cost is not included.

Note 23

Provisions and contingencies

2012

NOK millions	Environmental	Restructuring	Legal Claims	Decommission	Other	Total
Balance at 1 January 2012	209	67	105	150	39	571
Additional provision in the year	46	11	27	35	48	167
Interest expense on liability	1	-	3	9	-	12
Unused provision	(17)	(7)	(35)	-	(8)	(67)
Utilisation of provision	(65)	(45)	(11)	(48)	(21)	(191)
Companies purchased/sold	-	-	1	175	16	193
Currency translation effects	(10)	(3)	(13)	(19)	(2)	(47)
Balance at 31 December 2012	164	23	76	302	72	637

2011

NOK millions	Environmental	Restructuring	Legal Claims	Decommission	Other	Total
Balance at 1 January 2011	181	131	138	142	160	751
Additional provision in the year	55	14	55	47	130	301
Interest expense on liability	1	2	10	-	-	13
Reclassification ¹⁾	-	-	-	-	20	20
Unused provision	(3)	(9)	(65)	-	(17)	(94)
Utilisation of provision	(23)	(69)	(26)	(39)	(256)	(413)
Companies purchased/sold	-	-	-	-	1	1
Currency translation effects	(2)	(1)	(8)	-	2	(9)
Balance at 31 December 2011	209	67	105	150	39	571

1) Reclassification of items previously presented as other liabilities.

PROVISIONS PRESENTED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NOK millions	2012	2011
Current liabilities	230	318
Non-current liabilities	407	252
Total	637	571

ENVIRONMENTAL

Yara's future cost for environmental clean-up depends on a number of uncertain factors, such as the extent and type of remediation required. Due to uncertainties inherent in the estimation process, it is possible that such estimates could be revised in the near term. In addition, conditions which could require future expenditures may be determined to exist for various sites, including Yara's major production facilities and product storage terminals. The amount of such future costs is not determinable due to the unknown timing and extent of corrective actions which may be required.

Yara's operations are subject to environmental laws and regulations. These laws and regulations are subject to change, and such changes may require that the company make investments and/or incur costs to meet more stringent emissions standards or to take remedial actions related to e.g. soil contamination.

RESTRUCTURING

Restructuring mainly relates to closure or significant reorganisation of business locations in a country or region. The provision is a best estimate based on the detailed formal plan for the business and location affected.

LEGAL CLAIMS

Yara is party to a number of lawsuits in various jurisdictions arising out of the conduct of its business. None of these lawsuits, individually or in aggregate, is anticipated to have a material adverse effect on Yara.

DECOMMISSION

Provisions have been made where Yara has legal or constructive obligations for decommission as a result of past events.

OTHER

Other consists of various provisions for constructive obligations as a result of past events.

CONTINGENCIES

Total contingent liabilities at 31 December 2012 is NOK 280 million of which NOK 255 million is related to various sales taxes in one of Yara's subsidiaries. Yara contests the claims, both as to the actual liability and the amount, and has undertaken appropriate legal actions to reject the claims. Based on legal advice, the main part of the claims has not been recognized. The cases are ongoing and subject to uncertainty with regard to timing and final outcome.

INVESTIGATION

In April 2011, Yara decided to initiate an external investigation related to the establishment of Libyan Norwegian Fertilizer Company (Lifeco), and in parallel notified The Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime (ØKOKRIM) of the possibility that irregular payments may have occurred in 2007 in connection with the negotiations preceding the company's investment in Libya. Yara subsequently widened its investigation to comprise other issues, and has communicated likely irregularities related to processes in India and Switzerland. In May 2011, ØKOKRIM charged the company with violation of the Norwegian penal code paragraph 276a, cf paragraph 276b. In June 2012, Yara published the main findings of the external investigation which confirmed previously communicated areas of concern:

- Unacceptable offers of payment to a consultant are documented, related to the establishment of Libyan Norwegian Fertilizer Company (Lifeco). The completion of the actual payment is not documented.
- An unacceptable payment of USD 1 million in 2007 to a consultant in India is documented, related to negotiations with Krishak Bharati Cooperative Limited (Kribhco).
- A number of payments over several years from the company Balderton in Switzerland have been uncovered, totaling approximately USD 15 million. The payments have been made to persons employed by or associated with companies which are suppliers to Yara or Balderton. Payments from Balderton which have no commercial basis have also been uncovered.

At this stage, it is not possible to estimate the outcome of ØKOKRIM'S investigations and potential financial effects for Yara.

Note 24

Long-term debt *by currencies*

NOK millions, except percentages and denominated amounts	Weighted average interest rates	Denominated amounts 2012	2012	2011
NOK (Coupon NIBOR + 2.50%)	-	-	-	300
NOK (Coupon NIBOR + 3.75%) ¹⁾	5.7%	300	300	300
NOK (Coupon 7.40%) ²⁾	7.5%	325	340	341
NOK (Coupon 8.80%) ³⁾	8.9%	1,000	1,083	1,068
USD (Coupon 5.25%) ²⁾	5.1%	500	2,833	3,059
USD (Coupon 7.88%) ⁴⁾	8.3%	500	2,756	2,966
Total unsecured debenture bonds			7,311	8,032
USD	0.8%	325	1,810	2,219
EUR	6.0%	-	2	2
BRL (Brazil)	5.1%	7	19	32
COP (Colombia)	8.2%	450	1	5
Total unsecured bank loans ¹⁾			1,833	2,257
Lease obligations			165	231
Mortgage loans			947	146
Other long-term debt			34	33
Total			1,146	410
Outstanding long-term debt			10,290	10,700
Less: Current portion			(1,004)	(420)
Total			9,287	10,280

1) Repricing within a year.

2) Fixed interest rate until 2014. Subject to fair value hedge accounting, see note 27.

3) Fixed interest rate until 2016. Subject to fair value hedge accounting, see note 27.

4) Fixed interest rate until 2019.

The carrying values include issuance discount, capitalised issuance costs and fair value adjustments (see note 27 for further information about fair value of financial instruments).

At 31 December 2012, the fair value of the long-term debt, including the current portion, was NOK 11,280 million and the carrying value was NOK 10,290 million.

Yara builds its funding on a negative pledge structure with the basic funding ranging pari passu. Substantially all unsecured debenture bonds and unsecured bank loan agreements therefore contain provisions restricting the pledging of assets to secure future borrowings.

Of the long-term debt at the end of 2012, the USD 1,000 million bond debt originated from Yara's December 2004 and June 2009 bond issues in the US market according to 144A/Regulation S. A further NOK 1,625 million originated from Yara's March 2009 bond issues in the Norwegian market.

Yara's additional long-term funding is based on bank loans. USD 160 mil-

lion was drawn on the bank facility due 2013 at year end, but repaid in full in January 2013. Yara's term loan from the Nordic Investment Bank has been reduced to USD 165 million through scheduled downpayments and linear instalments will continue until December 2023. A further minor portion of the long-term debt was borrowed in emerging markets. In June, Yara renewed its undrawn credit facility due 2012 for one year with a revised frame of USD 840 million (hitherto USD 1 billion). That facility remained undrawn at year end, as did the USD 300 million facility due 2015 and USD 71 million of the facility due 2013.

Following the acquisition of a controlling stake in Yara Pilbara, their USD 125 million term loan due 2016 and the USD 20 million drawing on their revolving credit facility due 2014 have been included in Yara's consolidated figures as mortgage loans. USD 40 million of the credit facility remained undrawn at year end. The USD 20 million drawing on that facility was repaid in January 2013.

Of the fixed interest rate debenture bonds, NOK 1,325 million and USD 100 million is exposed to floating interest rates through interest rate swaps.

CONTRACTUAL PAYMENTS ON LONG-TERM DEBT

NOK millions	Debentures	Bank Loans	Capital lease and other long-term loans	Total ²⁾
2013	-	982	21	1,004
2014	3,418	90	35	3,542
2015	-	85	16	101
2016	1,083	86	828	1,997
2017	-	85	18	103
Thereafter	2,811	503	229	3,543
Total	7,311 ¹⁾	1,833	1,146	10,290

1) Of which Yara International ASA is responsible for the entire amount.

2) Including current portion.

Note 25

Trade payables and other payables

NOK millions	Notes	2012	2011
Trade payables	27	6,807	6,309
Payroll and value added taxes	27	1,154	972
Prepayments from customers		1,315	945
Other liabilities	27	389	297
Total	28	9,665	8,523

Note 26

Bank loans and other short-term interest-bearing debt

NOK millions	Notes	2012	2011
Bank loans and overdraft facilities ¹⁾		388	384
Other		217	324
Total	28	604	707
Weighted Average Interest Rates			
Bank loans and overdraft facilities ²⁾		9.5%	6.3%
Other ²⁾		1.9%	1.4%

1) Overdraft facilities mainly in emerging markets.

2) Minimum annual repricing.

As of 31 December 2012, Yara has unused short-term credit facilities with various banks totalling approximately NOK 6.8 billion. This figure includes the undrawn portions of the long-term credit facilities expiring in 2013 (see note 24 for further information about long-term facilities).

Note 27

Risk management *and* hedge accounting

RISK MANAGEMENT POLICIES

Risk management in Yara is based on the principle that risk evaluation is an integral part of all business activities. Yara has established procedures for determining appropriate risk levels for the main risks and monitoring these risk exposures. Based on the overall evaluation of risk, Yara may use derivative instruments such as forward contracts, options and swaps to reduce exposures.

Yara's business model and positions provide natural hedges to reduce business risks inherent in the market. The most important of these is the quality and efficiency of Yara's production facilities, which ensures its competitive position. Furthermore, Yara's geographical spread supports a diversified gas supply, reducing the impact of regional price changes, and a reduced exposure to the inherent seasonality of the fertilizer business. Yara's substantial sales of differentiated products, comprising specialty fertilizers and industrial products, also contribute to more stable margins for the business as a whole. Finally, a certain correlation between energy prices and fertilizer prices reduces the volatility in Yara's results.

Yara is focused on maintaining a sound funding structure. Main elements of the funding strategy are to secure long-term debt and to base the funding of Yara on diversified capital sources to avoid dependency on single markets.

The financial structure of Yara gives Yara the necessary flexibility to capture the right industrial opportunities when they arise. As such opportunities typically materialize in periods characterized by industry margins and earnings below peak levels, Yara will seek to maintain adequate financial capacity throughout the business cycle. Yara aims to maintain a long-term mid investment grade rating level, i.e. minimum BBB according to Standard & Poor's methodology and Baa2 according to Moody's methodology. Yara maintained the Baa2 rate from Moody's and the BBB rate from Standard & Poor's during 2012.

The debt/equity ratio at the end of 2012, calculated as net interest-bearing debt divided by shareholders' equity plus non-controlling interests, was 0.02 compared with 0.12 at the end of 2011. The Yara Group is not subject to any externally imposed capital requirements.

There were no principal changes in the Group's approach to capital management during the years ending 31 December 2012 and 31 December 2011. However, due to strong cash flow, the Group has through the years accumulated a liquidity surplus kept as short-term bank deposits.

Yara's Finance & Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risks such as currency and interest rate risk, credit risk and liquidity risk. The Finance & Treasury function reports regularly to the Group's management.

The Group may seek to manage the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity.

CURRENCY RISK

Prices of Yara's most important products are either directly denominated or determined in US dollars. In markets outside the US, local prices will generally adjust to fluctuations in the US dollar exchange rate, however with a certain time lag. Yara's raw materials costs, such as natural gas used in the production of ammonia, are either denominated in US dollars or highly correlated to changes in the US dollar exchange rate. In order to hedge Yara's long-term exposure to fluctuations in the US dollar exchange rate, Yara incurs most of its debt in US dollars. A certain portion of the total debt is, however, kept in various local currencies in order to finance local currency exposed business positions.

Yara manages foreign currency exchange rate risks by adjusting the composition of the debt portfolio to changes in Yara's overall risk exposure. Derivative instruments are also utilized to manage foreign currency exchange rate risk related to forecast purchases and sales or to offset short-term liquidity needs in one currency with surplus liquidity in another currency. Such forward contracts are not designated as hedging instruments for accounting purposes. Changes in fair value are therefore recognized in the income statement.

The foreign exchange gain for the year was NOK 596 million, compared with a loss of NOK 215 million in 2011. Throughout the year, the part of Yara's US dollar debt established to hedge future earnings was kept around USD 800 million (2011: USD 900-1,000 million).

Exchange differences from foreign operations resulted in a loss of NOK 2,957 million recognized in the statement of other comprehensive income (2011: gain NOK 313 million). Yara's exposure is mainly related to subsidiaries with functional currencies US dollars, Canadian dollars and Euro. At 31 December 2012 Yara's equity exposure to US dollar was 22% of the total book value of equity, to Canadian dollar 21% and to Euro 29% (2011: US dollar: 15%, Canadian dollar: 20%, Euro: 28%).

Sensitivity

A 10% weakening of US dollars or Euro against Norwegian kroner and other functional currencies at 31 December would have increased/(decreased) profit or loss by the amounts shown below. This analysis is done for illustrative purposes only, taking into consideration only the effect on financial instruments in the balance sheet as at year-end. Since all other variables are assumed to remain constant, the analysis does not reflect subsequent effects on operating income, EBITDA or equity. The analysis was performed on the same basis for 2011.

NOK millions	2012	2011
USD -10% gain/(loss)	642	1,125
EUR -10% gain/(loss)	681	511

A 10% weakening of the Norwegian kroner against the above currencies at 31 December would have had the equal but opposite effect to the amounts shown above.

A 10% weakening of US dollars, Canadian dollars or Euro against Norwegian kroner and other functional currencies at 31 December would have increased/

(decreased) other comprehensive income by the amounts shown below. This analysis is done for illustrative purposes only, taking into consideration only the effect on equity in foreign operations as at year-end. Since all other variables are assumed to remain constant, the analysis does not reflect subsequent effects on equity. The analysis was performed on the same basis for 2011.

NOK millions	2012	2011
USD -10% increase/(decrease) in other comprehensive income	(1,082)	(654)
CAD -10% increase/(decrease) in other comprehensive income	(1,037)	(917)
EUR -10% increase/(decrease) in other comprehensive income	(1,462)	(1,272)

A 10% weakening of the Norwegian krone against the above currencies at 31 December would have had the equal but opposite effect to the amounts shown above.

INTEREST RATE RISK

Yara's exposure to changes in interest rates is mainly linked to fair value risk and cash flow risk from its debt portfolio as disclosed in note 24. Yara has

chosen to retain a significant part of its debt at fixed interest rates. During 2012, Yara has kept USD 400 million of the USD 500 million fixed interest bond issued in 2004 and the entire USD 500 million fixed interest bond issued in 2009 as fixed interest rate debt. Information about financial instruments designated as hedge instruments is presented in the derivative section below.

AT THE REPORTING DATE THE INTEREST RATE PROFILE OF THE GROUP'S INTEREST-BEARING FINANCIAL INSTRUMENTS WAS:

NOK millions	2012	2011
Net interest-bearing debt at 31 December	954	5,539
Fixed portion of bonds	4,981	5,358
Net interest-bearing debt/(deposits) less fixed portion of bonds	(4,027)	180

Sensitivity

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore changes in interest rates will not affect the interests on the USD 900 million portion of the bond debts which are not hedged. Yara Group has no interest-bearing financial instruments where effects are booked in other comprehensive income. Therefore other comprehensive income will not be affected by interest rate changes.

An increase of 100 basis points in USD interest rates at the reporting date would have decreased profit or loss by NOK 21 million (2011: NOK 26 million). An increase of 100 basis points in NOK interest rates at the reporting date would have increased profit or loss by NOK 53 million (2011: NOK 22 million). All other variables remain constant. This analysis is done for illustrative purposes only, taking into consideration only the effect on financial instruments in the balance sheet as at year-end. The analysis is performed on the same basis for 2011. A decrease of 100 basis points at the reporting date would have increased/decreased profit or loss with the same amounts.

COMMODITY PRICE RISK

A major portion of Yara's operating revenues is derived from the sale of ammonia, urea and other fertilizers that may generally be classified as commodities. Yara also purchases natural gas, electricity and other commodities. The prices of these commodities can be volatile and may create fluctuations in Yara's earnings. To manage this risk, Yara's financial policy prioritizes maintaining a low debt/equity ratio and maintaining liquidity reserves. Periodically Yara utilizes derivative instruments to manage certain price risk exposures and also for some position taking within the limits established by the risk management policies. A limited number of ordinary sales and purchase contracts contain price links against other products that are regarded as embedded derivatives recognized at fair value. The reason for embedding other price links in these contracts is normally to secure a

margin for Yara. Information about commodity derivatives is presented in the derivative section below. Besides that, there are no other financial instruments that are exposed to the commodity price risk.

CREDIT RISK

Yara has a well-established system for credit management with established limits at both customer and country level. Yara's geographically diversified portfolio reduces the overall credit risk of the Group. Credit risk arising from the inability of the counterparty to meet the terms of Yara's financial instrument contracts is generally limited to amounts, if any, by which the counterparty's obligations exceed Yara's obligations. Yara's policy is to enter into financial instruments with various international banks with established limits for transactions with each institution. Due to Yara's geographical spread and significant number of customers there are no significant concentrations of credit risk. Therefore, Yara does not expect to incur material credit losses on its portfolio or other derivative financial instruments.

The exposure to credit risk is represented by the carrying amount of each class of financial assets, including derivative financial instruments, recorded in the statement of financial position. Yara undertakes a number of measures that reduce credit risk of particular receivables. Such measures include letters of credit, bank guarantees and credit insurance agreements. Effect of credit risk reduction from these measures is not considered to be material for the Group.

As of 31 December 2012, NOK 63 million of cash was held as collateral to mitigate Yara's credit exposure related to positive fair values on interest rate swaps. According to the agreements with the counterparties, cash is received when the positive fair values for the different swap agreements are above an agreed threshold.

FUNDING AND LIQUIDITY RISK

The capital structure of the Group consists of debt, which includes the borrowings disclosed in notes 24 and 26, cash and cash equivalents and equity attributable to equity holders of the parent, comprising paid-in capital and retained earnings as disclosed in notes 19, 20 and statement of changes in equity.

Main elements of the funding strategy are the establishment of a long-term debt base and the security and flexibility obtained by funding through diversified capital sources and avoidance of dependency on single institu-

tions or markets. Yara manages liquidity risk by maintaining adequate reserves and committed bank facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Yara aims at an even debt repayment schedule and has secured committed undrawn credit facilities to provide sufficient reserves to meet unforeseen liquidity needs.

Included in notes 24 and 26 are overviews of undrawn facilities that the Group has at its disposal.

THE FOLLOWING ARE THE CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES, INCLUDING ESTIMATED INTEREST PAYMENTS AND EXCLUDING THE IMPACT OF NETTING AGREEMENTS:

31 DECEMBER 2012

NOK millions	Carrying amount	Contractual cash flows	On demand	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities								
Short-term interest-bearing debt	(604)	(605)	(174)	(338)	(94)	-	-	-
Long-term interest-bearing debt	(10,125)	(12,152)	-	(1,153)	(249)	(4,011)	(2,984)	(3,755)
Obligations under finance leases	(165)	(165)	-	(8)	(9)	(22)	(45)	(81)
Accrued interest expense	(107)	(107)	-	(107)	-	-	-	-
Accounts payable	(6,807)	(6,807)	(18)	(6,759)	(30)	-	-	-
Payroll and value added taxes	(1,154)	(1,153)	(37)	(1,045)	(72)	-	-	-
Other short-term liabilities	(193)	(195)	(5)	(64)	(127)	-	-	-
Other long-term liabilities	(44)	(47)	(4)	(2)	(1)	(8)	(25)	(6)
Derivative financial instruments								
Freestanding financial derivatives	(22)							
Outflow		(1,116)	-	(1,116)	-	-	-	-
Inflow		1,094	-	1,094	-	-	-	-
Commodity derivatives	(518)							
Outflow		(589)	-	(114)	(58)	(76)	(226)	(116)
Inflow		71	-	48	23	-	-	-
Hedge designated derivatives	167							
Outflow		(115)	-	-	(45)	(35)	(36)	-
Inflow		286	-	80	10	94	102	-
Total	(19,573)	(21,599)	(238)	(9,484)	(652)	(4,058)	(3,214)	(3,958)

31 DECEMBER 2011

NOK millions	Carrying amount	Contractual cash flows	On demand	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities								
Short-term interest-bearing debt	(707)	(708)	(310)	(284)	(114)	-	-	-
Long-term interest-bearing debt	(10,469)	(13,097)	-	(526)	(340)	(649)	(6,180)	(5,402)
Obligations under finance leases	(231)	(233)	-	(12)	(10)	(21)	(58)	(131)
Accrued interest expense	(105)	(105)	-	(105)	-	-	-	-
Accounts payable	(6,309)	(6,309)	(135)	(5,848)	(326)	-	-	-
Payroll and value added taxes	(972)	(970)	(52)	(855)	(62)	(1)	-	-
Other short-term liabilities	(224)	(224)	(9)	(103)	(112)	-	-	-
Other long-term liabilities	(32)	(35)	(6)	1	(1)	(18)	(5)	(6)
Derivative financial instruments								
Freestanding financial derivatives	(5)							
Outflow		(3,295)	-	(3,295)	-	-	-	-
Inflow		3,284	-	3,284	-	-	-	-
Commodity derivatives	37							
Outflow		(38)	-	(38)	-	-	-	-
Inflow		85	-	60	25	-	-	-
Hedge designated derivatives	167							
Outflow		(132)	-	-	(53)	(44)	(35)	-
Inflow		307	-	72	9	87	139	-
Total	(18,850)	(21,470)	(512)	(7,649)	(984)	(646)	(6,139)	(5,540)

DERIVATIVE INSTRUMENTS

NOK millions	2012	2011
Fair value of derivatives		
Forward foreign exchange contracts	(22)	(5)
Interest rate swaps designated for hedging	167	167
Embedded derivatives in sales and purchase contracts	(518)	42
Commodity derivatives	-	(4)
Balance 31 December	(373)	199
Derivatives presented in the statement of financial position		
Non-current assets	167	167
Current assets	73	105
Non-current liabilities	(418)	-
Current liabilities	(196)	(73)
Balance 31 December	(373)	199

Yara is committed to outstanding forward foreign exchange contracts as follows

NOK millions	2012	2011
Forward foreign exchange contracts, notional amount	2,722	4,820

All outstanding contracts at 31 December 2012 have maturity in 2013. Buy positions are mainly in Norwegian kroner and US dollars. Sell positions are in various operating currencies, mainly Euro and Canadian dollars.

HEDGE ACCOUNTING

Fair value hedge

USD bond debt

The interest rate swap designated as a hedge instrument outstanding at 31 December 2012 is a fixed to floating interest rate swap for USD 100 million. The hedged risk is the change in fair value due to changes in risk-free interest rates (LIBOR) of a USD 100 million portion of the US dollar bond debt from 2004. The swap has identical interest basis, interest payment dates and maturity (2014) to the hedged debt and is assessed to be highly effective. The change in fair value of the derivative is recognized in consolidated statement of income as a gain of NOK 2.5 million (2011: NOK 2 million). It is offset by an opposite change in fair value of the corresponding portion of the bond debt, which is also recognized in consolidated statement of income. At 31 December 2012 loss on the fair value hedge included in the carrying amount of the fixed rate debt was NOK 47 million (2011: NOK 68 million). There is not recognized any ineffectiveness in 2012 or 2011.

NOK bond debt

From 2011 Yara designated the long term NOK interest swaps as hedging instruments. The hedged risk is the change in fair value due to changes in risk-free interest rates (NIBOR) of the NOK 1,000 million and NOK 325 million bond debt from 2009. The swaps have different interest payment dates (semi-annually vs. annually), but identical interest basis and maturity (2016 and 2014 respectively) to the hedged debt and are assessed to be highly effective. The change in fair value of the derivatives is recognized in consolidated statement of income as a gain of NOK 25.5 million (2011: NOK 73 million). Change in fair value of the corresponding portions of the bond debt is recognized in consolidated statement of income as a loss of NOK 18 million (2011: NOK 86 million), which is also recognized in con-

solidated statement of income. At 31 December 2012 the loss on the fair value hedge included in the carrying amount of the fixed rate debt was NOK 104 million (2011: NOK 86 million). The ineffectiveness recognized as income in statement of income in 2012 is NOK 7.5 million (2011: NOK 13 million expense).

Cash flow hedge

In 2004, Yara used interest rate swaps to hedge the future cash flows of a USD 300 million portion of the December 2004 bond issue. The loss on these contracts was recognized directly in equity and will be reclassified into interest expense and income tax over the duration of the bond (due in 2014). The reclassification into interest expense for 2012 was NOK 12.3 million (2011: NOK 11.5 million) and the related deferred tax benefit was NOK 3.4 million (2011: NOK 3.2 million).

In 2007, Yara used interest rate derivatives to hedge the future cash flows of a USD 300 million portion of the June 2009 bond issue. The loss on these contracts was recognized directly in equity and will be reclassified into interest expense and income tax over the duration of the bond (due in 2019). The reclassification into interest expense for 2012 was NOK 3 million (2011: NOK 3 million) and the related deferred tax benefit was NOK 0.9 million (2011: NOK 0.8 million).

Hedge of net investment

At 31 December 2012, the Group held in total USD 655 million (2011: USD 290 million) of debt designated as hedges of net investments in foreign entities. The hedges were assessed to be highly effective. The gain recognized in the statement of other comprehensive income is on before tax basis NOK 110 million (2011: loss NOK 0.4 million). At 31 December 2012 the hedges had a fair value of NOK 170 million recognized as a gain in equity (2011: NOK 90 million). There is not recognized any ineffectiveness in 2012 or 2011.

Note 28

Financial instruments

CARRYING AMOUNTS SHOWN IN THE STATEMENT OF FINANCIAL POSITION, PRESENTED TOGETHER WITH FAIR VALUE PER CATEGORY

31 DECEMBER 2012

NOK millions	Notes	Derivatives at fair value through profit and loss	Derivatives designated as hedging instruments	Loans and receivables	Available-for-sale financial assets	Financial liabilities at amortized cost	Non-financial assets and liabilities	Total
Non-current assets								
Other non-current assets	13,14,22,27	-	167	1,017	170	-	74	1,429
Current assets								
Trade receivables	16	-	-	8,045	-	-	-	8,045
Prepaid expenses and other current assets	17,27	73	-	1,197	-	-	1,337	2,607
Other liquid assets	18	-	-	-	-	-	-	-
Cash and cash equivalents	18	-	-	9,941	-	-	-	9,941
Non-current liabilities								
Other long-term liabilities		(418)	-	-	-	(44)	(196)	(658)
Long-term interest-bearing debt	24	-	-	-	-	(9,287)	-	(9,287)
Current liabilities								
Trade and other payables	25	(196)	-	-	-	(8,154)	(1,315)	(9,665)
Other short-term liabilities		-	-	-	-	(107)	(573)	(680)
Bank loans and other interest-bearing debt	26	-	-	-	-	(604)	-	(604)
Current portion of long-term debt	26	-	-	-	-	(1,004)	-	(1,004)
Total		(541)	167	20,200	170	(19,200)	(672)	124
Fair value		(541)	167	20,201	170	(20,189)		
Unrecognized gain/loss		-	-	2	-	(990) ¹⁾		

1) Unrecognized loss on financial instruments at amortized cost is mainly related to long-term interest-bearing debt with fixed interest rate. See note 24.

31 DECEMBER 2011

NOK millions	Notes	Derivatives at fair value through profit and loss	Derivatives designated as hedging instruments	Loans and receivables	Available-for-sale financial assets	Financial liabilities at amortized cost	Non-financial assets and liabilities	Total
Non-current assets								
Other non-current assets	13,14,22,27	-	167	942	283	-	483	1,875
Current assets								
Trade receivables	16	-	-	8,680	-	-	-	8,680
Prepaid expenses and other current assets	17,27	105	-	1,564	-	-	1,267	2,935
Other liquid assets	18	-	-	1	-	-	-	1
Cash and cash equivalents	18	-	-	5,868	-	-	-	5,868
Non-current liabilities								
Other long-term liabilities		-	-	-	-	(32)	(201)	(234)
Long-term interest-bearing debt	24	-	-	-	-	(10,280)	-	(10,280)
Current liabilities								
Trade and other payables	25	(73)	-	-	-	(7,505)	(945)	(8,523)
Other short-term liabilities		-	-	-	-	(105)	(797)	(901)
Bank loans and other interest-bearing debt	26	-	-	-	-	(707)	-	(707)
Current portion of long-term debt	26	-	-	-	-	(420)	-	(420)
Total		32	167	17,054	283	(19,049)	(193)	(1,706)
Fair value		32	167	17,054	283	(20,270)		
Unrecognized gain/loss		-	-	-	-	(1,221) ¹⁾		

1) Unrecognized loss on financial instruments at amortized cost is mainly related to long-term interest-bearing debt with fixed interest rate. See note 24.

Below is an overview of gains and losses from financial instruments recognized in the consolidated statement of income and consolidated statement of other comprehensive income, including amounts recognized on disposal of financial instruments:

NOK millions	Notes	Derivatives at fair value through profit and loss	Derivatives designated as hedging instruments	Loans and receivables ²⁾	Available-for-sale financial assets	Financial liabilities at amortized cost ²⁾	Total
2012							
Consolidated statement of income							
Commodity based derivatives gain/(loss)	27	(166)	-	-	-	-	(166)
Interest income/(expense) and other financial income/(expense)	27	-	21	-	-	-	21
Foreign exchange gain/(loss)	27	78	-	-	-	-	78
Consolidated statement of comprehensive income							
Available-for-sale investments - change in fair value ¹⁾	13	-	-	-	(32)	-	(32)
Hedge of net investments ¹⁾	27	-	-	-	-	110	110
Reclassification adjustments related to:							
- cash flow hedges ¹⁾²⁾	27	-	16	-	-	-	16
- available for sale investments disposed of in the year ¹⁾²⁾	13	-	-	-	-	-	-
Total		(88)	36	-	(32)	110	26
2011							
Consolidated statement of income							
Commodity based derivatives gain/(loss)	27	(72)	-	-	-	-	(72)
Interest income/(expense) and other financial income/(expense)	27	(35)	56	-	3	-	23
Foreign exchange gain/(loss)	27	21	-	-	-	-	21
Consolidated statement of comprehensive income							
Available-for-sale investments - change in fair value ¹⁾	13	-	-	-	37	-	37
Hedge of net investments ¹⁾	27	-	-	-	-	-	(0)
Reclassification adjustments related to:							
- cash flow hedges ¹⁾²⁾	27	-	15	-	-	-	15
- available for sale investments disposed of in the year ¹⁾²⁾	13	-	-	-	(3)	-	(3)
Total		(87)	71	-	37	-	20

1) Amounts are presented before tax.

2) Effects of foreign currency exchange on other financial instruments than derivatives are not included in the overview.

PRINCIPLES FOR ESTIMATING FAIR VALUE

The following summarizes the major methods and assumptions used in estimating fair values of financial instruments reflected in the table.

Equity securities available-for-sale

The fair value of investments in listed companies is based on year-end quoted market prices. Available-for-sale instruments that are not traded in active markets are measured based on recent market transactions and valuation techniques. An approach to maximize the use of market inputs and rely as little as possible on entity-specific inputs is used when measurements are based on valuation techniques.

Trade receivables and other receivables

Interest-free receivables are discounted if it has a material impact on fair value. The carrying amount has been reduced for impaired receivables and reflects a reasonable approximation of fair value.

Cash and cash equivalents

Fair value is assumed to be equal to the carrying amount.

Long-term interest-bearing debt and other long-term liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows. Since there is no active market with quoted prices, we have used valuation techniques to estimate the fair value. It is estimated by using LIBOR with different maturities as a benchmark rate and adding a credit margin derived from recent transactions or other information available.

Trade payables and other short-term debt

Interest-free short-term payables are discounted if it has material impact on fair value. Fair value is assumed to be equal to the carrying amount.

Foreign exchange contracts and interest rate swaps

The fair value of foreign exchange contracts and interest rate swaps is based on their listed market price, if available. If a listed market price is not available, fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds) if this has material impact on fair value.

Commodity derivatives and embedded derivatives

Certain of the Groups purchase and sales contracts constitute derivatives or contain embedded derivatives within the scope of IAS 39. Derivatives under IAS 39 are recognized at fair value in the statement of financial position with changes through the statement of income. The commodity derivative category constitutes derivatives with a wide range of different characteristics and comprises both commodity based financial contracts as well as non-financial purchase and sales contracts with maturity from 3 months to 9 years.

The fair value of commodity contracts constitute the unrealized gains and losses represented by the present value of future gains and losses for which the price is fixed in advance of delivery. Fair value of embedded derivatives is calculated as present value of the difference between the price of non-closely related commodity (embedded derivative) and a pricing model which in the best way reflects market price of the contract commodity. All commodity contracts are bilateral contracts, or embedded derivatives in bilateral contracts, for which there are no active markets. Fair value of all items in this category, is therefore calculated using valuation techniques with maximum use of market inputs and assumptions that reasonably reflect factors that market participants would consider in setting a price, relying as little as possible on entity-specific inputs. Fair values of commodity contracts are especially sensitive to changes in forward commodity prices. None of the derivatives in this category are designated in hedge relationships.

FAIR VALUE HIERARCHY

The table below analyses financial instruments carried at fair value, by valuation method at 31 December 2012. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOK millions	Level 1	Level 2	Level 3	Total
Equity securities available-for-sale	-	-	170	170
Foreign exchange contracts	-	2	-	2
Interest rate contracts designated as hedging instrument	-	167	-	167
Commodity derivatives and embedded derivatives	-	-	71	71
Total assets at fair value	-	169	240	410
Foreign exchange contracts	-	(24)	-	(24)
Commodity derivatives and embedded derivatives	-	-	(589)	(589)
Total liabilities at fair value	-	(24)	(589)	(614)

There were no transfers between Level 1 and 2 in the period.

The following table shows a reconciliation from the beginning balances to the ending balances at 31 December 2012 for fair value measurements in Level 3 of the fair value hierarchy:

NOK millions	Equity securities available-for-sale	Derivatives - assets	Derivatives - liabilities	Total
Opening balance	283	75	(34)	324
Total gains or (losses):				
in income statement ¹⁾	-	(4)	(162)	(166)
in other comprehensive income ²⁾	(32)	-	-	(32)
Acquisition new companies ³⁾	6	-	(407)	(401)
Transfer to subsidiary	(73)	-	-	(73)
Foreign currency translation	(13)	-	13	0
Closing balance	170	71	(589)	(348)

1) Losses of NOK 4 million and NOK 162 million are included in "Other income".

2) Loss of NOK 32 millions is disclosed as "Available-for-sale investments - change in fair value".

3) See note 3.

Although Yara believes that its estimates of fair value are appropriate, the use of different assumptions could lead to different measurements of fair value. For fair value measurements in Level 3 of the fair value hierarchy, changing one or more of the assumptions would have the following effects:

Sensitivity of fair value measurement for Level 3 financial instruments

NOK millions	Effect on profit or loss		Effect on other comprehensive income	
	Favourable	(Unfavourable)	Favourable	(Unfavourable)
Embedded derivative in energy contract (20% decrease/increase in ammonia price)	297	(369)		
Embedded derivative in energy contract (20% increase/decrease in oil-product price)	143	(14)	-	-
Unlisted equity securities (20% increase/decrease in electricity price)	-	(51)	53	(1)
Total	440	(434)	53	(1)

The favourable and unfavourable effects on the embedded derivatives in the energy contracts are calculated by increasing/ decreasing the input of ammonia price or relevant oil-product forward prices by 20% for the whole contract period, also for long-term contracts. All other variables remain constant.

The favourable and unfavourable effects on the fair value of the unlisted equity securities are calculated using the same model but with an increasing/ decreasing of the forward electricity prices used in the model by 20%. All other variables remain constant.

Note 29

Secured debt and guarantees

NOK millions	Notes	2012	2011
Amount of secured debt		953	146
Assets used as security			
Machinery and equipment, etc.	11	156	31
Buildings and structural plant	11	4,253	160
Inventory	15	141	-
Other (including land and shares)		348	3
Total		4,897	195
Guarantees (off-balance sheet)			
Contingency for discounted bills		5	9
Guarantees of debt in the name of equity-accounted investees		-	16
Non-financial parent company guarantees		2,438	1,865
Non-financial bank guarantees		431	806
Total		2,874	2,696

Amount of secured debt and assets used as security have increased compared with last year following the acquisition of a controlling stake in Yara Pilbara.

Guarantees of debt include parent company guarantees issued on behalf of equity-accounted investees covering external credit facilities in the name of the equity-accounted investees. Yara could be required to perform in the event of a default by the entity guaranteed.

Guarantees of debt issued on behalf of consolidated companies are not included since at any time the drawings under such credit lines are included in the consolidated statement of financial position. The guarantee obligations under such guarantees are at any time limited to the amount drawn under the credit facility.

Non-financial guarantees consist of commercial guarantees related to contract obligations (Bid Bonds, Performance Guarantees and Payment Guarantees) and various mandatory public guarantees (Customs Guarantees, Receivable VAT Guarantees) recorded as off-balance sheet liabilities. These guarantees are issued on behalf of Yara International ASA, its subsidiaries and equity-accounted investees. The guarantor could be required to perform in the event of a default of a commercial contract or non-compliance with public authority regulations.

Guarantees related to pension liabilities are included to the extent such guarantees exceed the liability included in the consolidated statement of financial position.

Guarantees issued to public authorities covering tax and VAT liabilities are not included as these obligations are already included in the consolidated statement of financial position.

CONTINGENT LIABILITIES RELATED TO THE DE-MERGER FROM NORSK HYDRO ASA

Under the Norwegian Public Limited Companies Act, Yara may be contingently liable for obligations established by Norsk Hydro ASA (Hydro) prior to the de-merger, unless the right to enforce against Yara any rights to payments (or other rights) has been specifically waived by the party holding the right. Following the de-merger of Hydro's oil and gas division in 2007, these obligations may now be allocated to either Hydro or Statoil ASA. At the end of 2012, Yara remains contingently liable for approximately NOK 400 million of such outstanding guarantees.

Hydro also has unfunded pension liabilities. To the extent such liabilities have accrued prior to the consummation of the de-merger, Yara is contingently liable for such liabilities as a matter of the joint and several liability provided by Norwegian law. Hydro's unfunded pension liabilities, calculated in accordance with Hydro's accounting policies, amounted to approximately NOK 2 billion at demerger March 24, 2004 and have been reduced by payments thereafter.

Note 30

Contractual obligations *and future investments*

COMMITMENTS RELATED TO FULLY CONSOLIDATED COMPANIES

NOK millions	Investments 2013	Investments Thereafter	Investments Total
Contract commitments for investments in property, plant and equipment	334	-	334
Contract commitments for other future investments	11	-	11
Total	345	-	345

COMMITMENTS RELATED TO EQUITY-ACCOUNTED INVESTEEES

NOK millions	Investments 2013	Investments Thereafter	Investments Total
Contract commitments for investments in property, plant and equipment:	778	775	1,553

Approximately NOK 1.3 billion of committed investments is related to construction of the ammonium nitrate plant in Yara Pilbara Nitrates (TAN).

TAKE-OR-PAY AND LONG-TERM CONTRACTS ¹⁾

Yara has entered into take-or-pay and long-term contracts providing for future payments to transportation capacity, raw materials and energy. Yara has marketing and off-take agreements with some of our equity-accounted investees. See note 12 for more information.

The non-cancelable future obligation as of 31 December 2012

NOK millions	Total
2013	(3,676)
2014	(2,195)
2015	(1,722)
2016	(851)
2017	(1,096)
Thereafter	(2,448)
Total	(11,848)

The non-cancelable future obligations are mainly related to gas and raw material contracts. The amounts are calculated based on minimum contracted quantities and market prices as of 31 December 2012. The increase in non-cancelable future obligations from 2011 is mainly related to Yara Pilbara being fully consolidated in 2012.

Yara purchased more than the minimum volume for all agreements with take-or-pay clauses during 2012.

NOK millions	2013	2014	2015	2016	2017	Total
Sales commitments ¹⁾	1,219	1,139	426	86	86	2,955

¹⁾ Sales commitments are mainly related to industrial products.

For further information on future obligations see note 22 for future obligations related to pensions, note 23 for provisions and contingencies and note 31 for future commitments related to lease arrangements.

Note 31

Operating lease commitments

Operating leases related to buildings, offices, equipment and vessels. Total minimum future rentals due under non-cancelable operating leases are:

NOK millions	2012	2011
Within year 1	808	888
Within year 2	611	625
Within year 3	471	501
Within year 4	327	465
Within year 5	236	329
After 5 years	801	545
Total	3,254	3,354

Due to the strategic importance of shipping capacity of ammonia for Yara's business, Yara has a number of operating leases on vessels. The commitments in relation to this are the main part of total minimum future rentals amounting to NOK 2,094 million. The commitments due to these arrangements vary depending on the contract length for each vessel.

No purchase options exist on the vessels. There are no restrictions imposed by lease arrangements, such as those concerning dividends and additional debt. For some of the vessels there are renewal options that Yara can exercise.

OPERATING LEASE EXPENSES INCLUDED IN OPERATING COST AND EXPENSES

NOK millions	2012	2011
Operating lease expenses	(1,177)	(1,094)

Note 32

Related parties

THE NORWEGIAN STATE

At 31 December 2012 the Norwegian State owned 102,915,622 shares, representing 36.2% of the total number of shares issued. On the same date, the National Insurance Fund, Norway owned 18,259,822 shares, representing 6.4% of the total number of shares issued.

EQUITY-ACCOUNTED INVESTEEES

Transactions with equity-accounted investees are described in note 12.

YARA PENSION FUND

One of Yara International ASA's pension plans is arranged through Yara Pension Fund. This plan has been closed for new members since July 2006. Yara has during 2012 contributed to the pension fund.

BOARD OF DIRECTORS

Members of the Board of Directors are elected for two year terms. Their rights and obligations as board members are solely and specifically provided for the company's articles of association and Norwegian law. The company has no significant contracts in which a board member has a material interest.

BOARD OF DIRECTORS COMPENSATION 2012 AND NUMBER OF SHARES OWNED 31 DECEMBER 2012

<i>NOK thousands, except number of shares</i>	Compensation	Number of shares
Bernt Reitan, Chairperson ¹⁾³⁾	429	8,000
Elisabeth Harstad ¹⁾²⁾	385	-
Juha Ilari Rantanen ¹⁾⁴⁾	214	500
Hilde Merete Aasheim ²⁾	348	-
Rune Asle Bratteberg 2012 ²⁾⁴⁾	173	54
Guro Mausest ⁴⁾	133	78
Geir Olav Sundbø ¹⁾	279	26

1) Member of the compensation committee in 2012.

2) Member of the audit committee in 2012.

3) Chairperson since May 2012.

4) Member of the Board of Directors since May 2012.

Compensation of board of directors was NOK 2,420 thousand in 2011.

The chairperson and the members of the board have no agreements for further compensation due to termination or changes in the position.

BOARD OF DIRECTORS COMPENSATION FOR MEMBERS UNTIL MAY 2012

<i>NOK thousands</i>	Compensation
Øivind Lund ¹⁾	299
Leiv L. Nergaard	205
Kristine Haukalid	153
Svein Flatebø ²⁾	153

1) Chairperson until May 2012.

2) Interest-free loan of NOK 5,897 given through a trust in accordance with a Yara share purchase offer.

COMPENSATION 2012 AND NUMBER OF SHARES OWNED BY THE DEPUTY BOARD MEMBERS AT 31 DECEMBER 2012

<i>NOK thousands, except number of shares</i>	Compensation	Number of shares
Per Rosenberg ¹⁾	-	173
Heidi R. Skjellaug	-	24
Steffen Richardsen ¹⁾	-	703
Karl Edvard Juul ¹⁾	-	173
Vigleik Heimdal ¹⁾	-	355

1) Interest-free loan of NOK 5,897 given through a trust in accordance with a Yara share purchase offer.

YARA EXECUTIVE MANAGEMENT

<i>NOK thousands</i>	Salary ²⁾	Performance bonus related to 2011	Long term incentive plan ¹⁾	Other benefits	Pension benefits
Jørgen Ole Haslestad	5,900	2,098	1,632	268	2,738
Hallgeir Storvik (till 14 June 2012)	1,754	1,669	-	37	627
Tor Holba (till 14 June 2012)	1,176	1,208	-	917	797
Gerd Löbbert (from 1 December 2012)	349	-	-	393	51
Jan Duerloo (from 15 June 2012 till 30 November 2012)	1,016	-	874	425	159
Egil Hogna	3,341	1,498	793	248	841
Yves Bonte	4,105	2,007	1,034	580	548
Torgeir Kvidal	2,386	1,040	625	222	603
Trygve Faksvaag	2,291	984	440	499	687
Hakan Hallén	2,609	1,116	498	230	1,090
Bente Slaatten	2,021	729	384	206	494
Alvin Rosvoll (from 15 June 2012)	1,354	-	613	162	459

1) Fixed cash amount as part of Long Term Incentive plan (see description on page 124).

2) The base salaries of Yara Executive management increased 3.8% on average compared with 2011, excluding the promotional increase for Torgeir Kvidal. The base salary for the CEO increased by 3.95%. The development in base salary and actual paid salary may differ from one year to the next due to effects of the Norwegian holiday pay system, where a change in number of days holiday taken and / or annual holiday allowance impacts salary paid.

The total salary, including performance-based bonuses for Yara Executive management was NOK 37,665 thousand in 2011. Other benefits amounted to NOK 4,350 thousand in 2011. In addition pension benefits earned during 2011 were NOK 8,547 thousand. The Remuneration related to Long Term Incentive Plan was NOK 6,602 thousand in 2011. Members of the Executive management may also receive one-time bonuses when specific projects have been completed and new members of the Executive management may be entitled to a sign-on bonus. These are included in "Other benefits".

Tor Holba, who was a member of the Executive management until June 2012, was on an international assignment contract. The base salary in the international assignment contract is a guaranteed net compensation. Yara covers any taxes and/or social security premiums due. In the above table the net compensation is grossed-up using the applicable tax-rate. For the international assignment contracts, the benefits linked to their agreement are included in 'other benefits' and are grossed-up using the applicable tax rate.

PENSIONS BENEFITS AND TERMINATION AGREEMENTS

Jørgen Ole Haslestad participates in the ordinary pension scheme of employees in Norway (as described in note 22) with retirement age of 65 years. He is also entitled to an early retirement benefit at the age of 62 equal to 70% of the pensionable income calculated on a 10 years earning period. A deduction shall be made pro rata in case of less than 10 years earning period. Håkan Hallén is entitled to the same early retirement benefit.

Tor Holba is a member of the Yara IEC (International Employment Company) Pension Plan. This plan is a defined contribution plan and provides the members with a lump sum when they reach the age of 60.

Yves Bonte and Gerd Löbber are members of the Yara Belgium pension plan. This plan is a defined contribution plan and provides the members with a lump sum when they reach the age of 65. The employer contribution is calculated on the annual base salary and amounts to 4.79% up to the legal ceiling and 15% above that. Jan Duerloo is a member of the defined benefit plan in Yara Belgium with a retirement age of 65.

Other members of Yara Executive management are included in Yara's ordinary pension scheme for employees in Norway. Until 1 July 2006 this was a final salary based defined benefit scheme. From 1 July 2006 it was switched to a defined contribution scheme for all employees under the age of 55 at that time. All Norwegian employees including Yara Executive management are members of an operational defined contribution scheme for salaries above 12 times the Norwegian Social Security base amount (12G) with contribution equal to 25% of pensionable salary in excess of 12G.

The members of Yara Executive management are subject to termination benefits in accordance to applicable law. For Jørgen Ole Haslestad a notice period of 6 months is applicable. In case his employment contract is terminated, he is entitled to a severance pay of 6 months. For Tor Holba a notice of 3 months is applicable, in case of termination, and a minimum severance payment of 1.5 months per year of service with a maximum of 24 months.

The specific early retirement, termination benefits and 12G schemes described above were established prior to the 2011 Guidelines for the Employment of Executives in Norwegian State Owned Enterprises and Companies and do not apply to contracts effective after 2011.

GUIDELINES FOR REMUNERATION TO MEMBERS OF EXECUTIVE MANAGEMENT

In accordance with the Norwegian Public Limited Companies Act § 6-16 a, the Board of Directors prepares a separate statement related to the determination of salary and other benefits for the Executive management. The statement will be presented for the Annual General Meeting for voting. The guidelines for the coming accounting year are unchanged from the previous year and the remuneration to Executive management has been in accordance with these guidelines.

Yara's policy concerning remuneration of the CEO and other members of Yara's Executive management is to provide remuneration opportunities which:

- Are competitive to recruit and retain executives
- Reward the executives' performance, measured as their contribution to the overall success of Yara
- Support the creation of sustainable shareholder value

Yara's remuneration of the Executive Management Group consists of the following elements: Base pay, an annual incentive bonus, a retirement plan, death and disability coverage and other components such as car, phone expenses, etc. In addition, executives on expatriate contracts have various other costs covered by the company. The annual salary adjustment for employees in Yara International ASA and Norwegian subsidiaries forms the basis for the Yara Executive management salary development. Members of Yara Executive management do not receive separate remuneration for board membership in Yara subsidiaries.

Executive Management members being employed in Norway can take part in the annual offer to all permanent Yara employees in Norway where they can buy Yara shares to a value of NOK 7,500 with a tax-exempt discount of NOK 1,500.

The annual incentive bonus represents performance-driven variable compensation components based on financial and non-financial performance, such as profitability and HES (Health, Environment and Safety) results, at company and/or segment level. The specific performance components vary by unit and position and are set individually on an annual basis. The annual incentive bonus is not linked to the Yara share price, but is conditional on Yara's CROGI (cash return on gross investment) reaching 7%, with progressively higher payout levels up to a maximum level when CROGI exceeds 17%. The maximum pay-out shall not exceed 50% of annual base salary.

For the 2013 annual incentive bonus the CEO has the following four variable compensation components which are equally weighted, subject to the Yara CROGI conditions described above:

- Safety
- Sales volume
- Fixed cost
- Growth initiatives and innovation

To increase the alignment between Executive and Shareholder interests and to ensure retention of key talent in the company, a Long Term Incentive plan has been approved by the Board. This program provides a fixed cash amount to eligible executives, who are required to invest the net amount after tax in Yara shares within a period of one month after grant. The acquired shares are locked in for a period of three years after the purchase. After this period executives are free to keep or sell the shares at their discretion. The annual amount granted under the Long Term Incentive plan is not linked to Yara's financial results, and shall not exceed 30% of annual base salary. The amount granted is linked to individual position and is determined annually by the CEO.

All new pension plans in Yara shall be Defined Contribution plans. All Executives below age 55 (per 1 July 2006) on Norwegian employment contracts are part of the Defined Contribution Retirement plan. The normal retirement age for employees in Yara International ASA and Norwegian subsidiaries is 67 with the option for early retirement from the age of 62.

Salary and other benefits earned in 2012 are disclosed above. For additional information about existing pension plans see note 22.

Note 33

External audit remuneration

Deloitte AS (Deloitte) is Yara's auditor. A few subsidiaries of Yara International ASA have appointed other audit firms. The following table shows total audit and other services delivered to the group by the appointed auditor.

<i>NOK thousands</i>	Audit fee	Assurance services	Tax services	Other audit services	Total
2012					
Deloitte Norway	4,763	200	175	97	5,235
Deloitte Abroad	20,651	1,112	2,087	1,198	25,048
Total Deloitte	25,414	1,312	2,262	1,295	30,283
Others	827	-	139	51	1,017
Total	26,241	1,312	2,401	1,346	31,300
2011					
Deloitte Norway	4,509	145	53	64	4,771
Deloitte Abroad	18,394	310	2,205	831	21,741
Total Deloitte	22,903	455	2,258	895	26,512
Others	1,196	304	437	380	2,317
Total	24,099	759	2,695	1,275	28,829

Note 34

Post balance sheet events

The Board of Directors propose to the Annual General Meeting a dividend of NOK 13 per share for 2012.

Yara International ASA

Income statement

<i>NOK millions</i>	Notes	2012	2011
Revenues	6,16	831	772
Other income		67	-
Revenues and other income		898	772
Raw materials, energy costs and freight expenses		(28)	(22)
Change in inventories of own production		6	8
Payroll and related costs	2,3	(478)	(418)
Depreciation and amortization	4,5	(33)	(29)
Other operating expenses	6	(612)	(583)
Operating costs and expenses		(1,146)	(1,044)
Operating income		(247)	(272)
Financial income (expense), net	7,16	5,143	2,538
Income before tax		4,896	2,266
Income tax expense	8	(227)	(363)
Net income		4,670	1,903
Appropriation of net income and equity transfers			
Dividend proposed		3,647	1,998
Retained earnings		1,023	(95)
Total appropriation	14	4,670	1,903

Yara International ASA

Balance sheet

31 DECEMBER

<i>NOK millions</i>	Notes	31 DEC 2012	31 DEC 2011
ASSETS			
Non-current assets			
Deferred tax assets	8	215	139
Intangible assets	5	60	74
Property, plant and equipment	4	14	14
Shares in subsidiaries	9	5,430	5,286
Intercompany receivables	16	16,607	21,381
Shares in associated companies	10	18	18
Other non-current assets	11,13	220	203
Total non-current assets		22,564	27,115
Current assets			
Inventories	11	46	40
Trade receivables		7	5
Intercompany receivables	16	18,767	10,716
Prepaid expenses and other current assets	13	161	207
Cash and cash equivalents		8,724	4,971
Total current assets		27,705	15,940
Total assets		50,269	43,055

Yara International ASA

Balance sheet

31 DECEMBER

NOK millions	Notes	31 DEC 2012	31 DEC 2011
LIABILITIES AND SHAREHOLDERS' EQUITY			
Equity			
Share capital reduced for treasury stock		477	485
Premium paid-in capital		117	117
Total paid-in capital		594	603
Retained earnings		8,161	7,873
- Treasury shares		(948)	(555)
Shareholders' equity	14	7,808	7,921
Non-current liabilities			
Employee benefits	2	326	509
Other long-term liabilities		-	1
Long-term interest bearing debt	15	7,311	7,732
Total non-current liabilities		7,637	8,242
Current liabilities			
Bank loans and other interest-bearing short-term debt	11,16	281	343
Current portion of long-term debt	15	-	300
Dividend payable	14	3,647	1,998
Intercompany payables	16	30,192	23,491
Current income tax	8	327	329
Other current liabilities	13	376	431
Total current liabilities		34,823	26,893
Total liabilities and shareholders' equity		50,269	43,055

The Board of Directors of Yara International ASA
Oslo, 21 March 2013


Bernt Reitan
Chairperson


Elisabeth Harstad
Board member


Hilde Merete Aasheim
Board member


Juha Ilari Rantanen
Board member


Geir Olav Sundbo
Board member


Rune Asle Bratteberg
Board member


Guro Mauset
Board member


Jørgen Ole Haslestad
President and CEO

Yara International ASA

Cash flow statement

<i>NOK millions</i>	Noter	2012	2011
Operating activities			
Operating Income		(247)	(272)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	4,5	33	29
Tax received/(paid)	8	(301)	(376)
Dividend received from subsidiary and associated companies		67	51
Group relief received		1,760	3,170
Interest and bank charges received/(paid)		942	669
Other		(6)	5
Change in working capital			
Trade receivables		(1)	53
Short term intercompany receivables/payables		1,691	4,241
Prepaid expenses and other current assets		157	287
Trade payable		16	(15)
Other current liabilities		(191)	(373)
Net cash provided by operating activities		3,920	7,469
Investing activities			
Acquisition of property, plant and equipment	4	(4)	(5)
Acquisition of other long-term investments		(15)	(27)
Net sales/(purchases) of short-term investments	11	-	800
Net cash from/(to) long term intercompany loans	16	3,477	(29)
Proceeds from sales of long-term investments		1	98
Net cash provided by investing activities		3,458	838
Financing activities			
Principal payments		(356)	(2,506)
Purchase of treasury stock	14	(954)	(647)
Redeemed shares Norwegian State	14	(317)	(116)
Dividend paid	14	(1,998)	(1,584)
Net cash used in financing activities		(3,625)	(4,854)
Foreign currency effects on cash flows		-	31
Net increase/(decrease) in cash and cash equivalents		3,753	3,484
Cash and cash equivalents at 1 January		4,971	1,486
Cash and cash equivalents at 31 December		8,724	4,971

Notes to the accounts

Note 1

Accounting policies

GENERAL

The financial statements for Yara International ASA have been prepared in accordance with the rules of the Norwegian Accounting Act and generally accepted accounting practice in Norway (NGAAP). Financial statement preparation requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as disclosures of contingencies. Actual results may differ from estimates.

Yara International ASA was established on 10 November 2003, for the purpose of acting as the transferee company in the demerger of Hydro Agri from Norsk Hydro ASA. Until the completion of the de-merger, there were no subsidiaries or operational activity in Yara International ASA.

For information about risk management see note 13 to the Yara International ASA financial statements and note 27 to the consolidated financial statements.

Yara International ASA provides financing to most of the subsidiaries in Norway as well as abroad. See note 16. The information given in note 24 to the consolidated financial statements on payments on long-term debt also applies to Yara International ASA.

The accompanying notes are an integral part of the financial statements.

FOREIGN CURRENCY TRANSACTIONS

Realized and unrealized gains and losses on transactions, assets and liabilities denominated in a currency other than the functional currency of Yara International ASA that do not qualify for hedge accounting treatment, are included in net income.

REVENUE

Sale of goods

Revenue from sale products including products sold in international commodities markets is recognized when the products are delivered to the customer, assuming the risk and rewards have been transferred to the customer. Yara's rebate arrangements include fixed-rate rebates or variable rate rebates increasing with increasing volumes. For variable rate rebates, the estimated rebate is accrued at each revenue transaction, and the accrual is adjusted at the end of each "rebate period", which typically is the end of a fertilizer season.

Sale of services

Revenues from the sale of intercompany services are recognized when the services are delivered.

Dividends and group contribution

Dividends and group contribution from subsidiaries are recognized in the income statement when the subsidiary has proposed these.

Interest income

Interest income is recognized in the income statement as it is accrued, based on the effective interest method.

RECEIVABLES

Trade receivables and other receivables are recognized at nominal value, less the accrual for expected losses of receivables. The accrual for losses is based on an individual assessment of each receivable.

COST OF SALES AND OTHER EXPENSES

In principle, cost of sales and other expenses are recognized in the same period as the revenue to which they relate. In instances where there is no clear connection between the expense and revenue, the apportionment is estimated. Other exceptions to the matching criteria are disclosed where appropriate.

INCOME TAXES

Deferred income tax expense is calculated using the liability method in accordance with Norsk Regnskaps Standard ("NRS") regarding Income Taxes ("Resultatskatt"). Under this standard, deferred tax assets and liabilities are measured based on the differences between the carrying values of assets and liabilities for financial reporting and their tax basis, which is considered temporary in nature. Deferred income tax expense represents the change in deferred tax asset and liability balances during the year except for deferred tax related to items charged in other comprehensive income. Changes resulting from amendments and revisions in tax laws and tax rates are recognized when the new tax laws or rates are enacted.

INTANGIBLE ASSETS

Intangible assets acquired individually or as a group are recorded at fair value when acquired. Intangible assets with finite useful lives are amortized on a straight-line basis over their benefit period.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at historical cost less accumulated depreciation. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Depreciation is determined using the straight-line method.

SUBSIDIARIES AND ASSOCIATED COMPANIES

Shares in subsidiaries and associated companies are in Yara International ASA's financial statements presented according to the cost method. Group relief received is included in dividends from subsidiaries. Yara reviews subsidiaries and associated companies for impairment if indications of loss in value are identified. Impairment indications may include operating losses, or adverse market conditions. Fair value of the investment is estimated based on valuation model techniques. If it is considered probable that the fair value is below Yara's carrying value, the investment is written down as impaired.

INVENTORIES

Inventories are valued at the lower of cost, using the “first-in, first-out method” (“FIFO”), and net realizable value. Cost includes direct materials, direct labor, other direct cost, and the appropriate portion of production overhead or the price to purchase inventory.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, bank deposits and all other monetary instruments with a maturity of less than three months at the date of purchase.

The level of cash held by Yara International ASA reflects that most external bank deposits are channeled through the group treasury function and should thus be seen in context with the intercompany receivables and payables.

LEASED ASSETS

Leases that provide Yara with substantially all the rights and obligations of ownership are accounted for as finance leases. Such leases are valued at the present value of minimum lease payments or fair value if this is lower, and recorded as assets under property, plant and equipment. The liability is included in long-term debt. The assets are subsequently depreciated and the related liabilities are reduced by the amount of the lease payments less the effective interest expense. Other leases are accounted for as operating leases with lease payments recognized as an expense over the lease term.

FINANCIAL ASSETS AND LIABILITIES

Financial assets are initially recognized in the balance sheet at fair value (cost) and subsequently at the lower of cost or fair value. Financial liabilities are initially recognized in the balance sheet at fair value (cost) and subsequently at cost.

FORWARD CURRENCY CONTRACTS

Forward currency contracts are initially recognized in the balance sheet at fair value and are subsequently recognized at fair value with changes in fair value recognized in the income statement.

INTEREST RATE AND FOREIGN CURRENCY SWAPS

Interest income and expense relating to swaps that are not designated as hedge instruments are netted and recognized as income or expense over the life of the contract. Foreign currency swaps are translated into Norwegian krone at applicable exchange rates at the balance sheet date with the resulting unrealized exchange gain or loss recorded in interest expense and foreign exchange gain/(loss).

LONG-TERM INCENTIVE PROGRAM

The long term incentive program for Yara Management and top executives provides a fixed cash amount to the eligible top executive, who is required to invest the net amount after tax in Yara shares within a period of one month after the grant. The acquired shares are locked in for a period of three years after the purchase. After this period the executive is free to keep or sell the shares at his or her discretion. If an executive does not meet the vesting conditions the net proceed must be returned to Yara.

The Company also gives employees the possibility to purchase share in Yara at a reduced price. The cost of this is recognized when the employee exercises this possibility.

EMPLOYEE RETIREMENT PLANS

Pension costs are calculated in accordance with the NRS. Prior service costs are amortized on a straight-line basis over the average remaining service period of active participants. Actuarial gains and losses are recognized in retained earnings.

Note 2

Employee retirement plans *and other similar obligations*

Yara International ASA has incurred obligations under a funded defined benefit plan. The pension plan was closed to new entrants in 2006 and employees below the age of 55 at that time received a paid-up policy for previously earned benefit entitlements. The defined benefit plan was replaced by a defined contribution plan from the same date, which requires Yara International ASA to make agreed contributions when employees have rendered service entitling them to the contributions. Yara International ASA has no legal or constructive obligation to pay further contributions. This new plan

applies to the future pension earnings of existing employees below the age of 55 in 2006 and all new employees.

Other long-term employee benefits include a provision for jubilee benefits.

Yara International ASA is obliged to and does fulfill the requirements of the act regarding mandatory occupational pension scheme ("Lov om obligatorisk tjenestepensjon").

LONG-TERM EMPLOYEE BENEFIT OBLIGATIONS RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION

<i>NOK millions</i>	2012	2011
Pension liabilities defined benefit plans	(317)	(498)
Termination benefits and other long-term employee benefits	(9)	(11)
Net long-term employee benefit obligations recognized in Statement of financial position	(326)	(509)

EXPENSES FOR LONG-TERM EMPLOYEE BENEFIT OBLIGATIONS RECOGNIZED IN THE STATEMENT OF INCOME

<i>NOK millions</i>	2012	2011
Defined benefit plans	(41)	(35)
Defined contribution plans	(17)	(17)
Termination benefits and other long-term employee benefits	(1)	(1)
Net expenses recognized in Statement of income	(59)	(53)

DEFINED BENEFIT PLANS

Yara International ASA is the sponsor of a funded pension plan which also covers employees of its subsidiaries Yara Norge AS and Yaraship Services AS. Plan benefits are based on years of service and final salary levels. Determination of the required annual contribution to the pension fund from each of the participating legal entities is defined by the bylaws of the pension fund, and is based on actuarial calculations. The distribution of pension costs to the participating entities is based on the same calculations. As of 31 December 2012, the number of active participants in the funded defined benefit plan was 39 and the number of retirees was 89. In addition, 341 existing and previous employees of Yara International ASA have earned paid-up policies in the pension fund (Yara Pensjonskasse).

Further pension obligations include certain unfunded pension arrangements as well as an early retirement scheme. Normal retirement age is 67 with the option for early retirement from the age of 62. Benefits earned from defined benefit plans are generally based on years of service and final salary levels.

VALUATION OF DEFINED BENEFIT OBLIGATIONS

The defined benefit plans are valued at 31 December using updated financial and demographical assumptions and taking into account relevant economic environment factors.

During 2012 the management of Yara International ASA concluded that a sufficiently deep market has developed for high quality corporate bonds in

Yara International ASA participates in a multi-employer plan (AFP - "Avtalefestet pensjon") which entitles most of its employees the right to retire from the age of 62. Participating entities are required to pay an annual fee for each of its active employees. As the information required to account for this part of the plan as a defined benefit plan is not available from the plan administrator, it is rather accounted for as if it were a defined contribution plan. The provision for defined benefit plans includes however the calculated obligation to pay a percentage of benefits paid to its employees who choose early retirement under this plan. A further defined benefit obligation is recognized to account for a gratuity offered by Yara International ASA to its employees who retire with the AFP scheme.

Norway, effectively increasing the applied discount rate for the pension obligations in Norway. Normal assumptions for demographical and retirement factors have been used by the actuary when calculating the obligation. Estimated future mortality is based on published statistics and mortality tables. The actuary has used the K2005 mortality table.

The following financial assumptions have been applied for the valuation of liabilities (in %):

	2012	2011
Discount rate	3.7	3.2
Expected rate of salary increases	3.4	4.0
Future rate of pension increases	1.3	1.3

Actuarial valuations provided the following results

<i>NOK millions</i>	2012	2011
Present value of unfunded obligations	(539)	(572)
Present value of wholly or partly funded obligations	(559)	(601)
Total present value of obligations	(1,099)	(1,173)
Fair value of plan assets	821	737
Social security on defined benefit obligations	(39)	(61)
Total recognized liability for defined benefit plans	(317)	(498)

PENSION COST RECOGNIZED IN STATEMENT OF INCOME

The assumptions used to value the defined benefit obligations as of 31 December are used in the following year to determine the net pension cost.

The expected long-term rate of return on plan assets is based on forecasts of expected return for individual asset classes and the determined long-term portfolio structure. Forecasts are based on long-term historical average returns, taking into account current yield level and expected inflation.

The following financial assumptions have been applied for the valuation of pension cost items (in %):

	2012	2011
Discount rate	3.2	3.6
Expected rate of return on plan assets	5.5	5.8
Expected rate of salary increases	4.0	4.0
Future rate of pension increases	1.3	1.6

The following items have been recognized in the Statement of income:

<i>NOK millions</i>	2012	2011
Current service cost	(40)	(36)
Social security cost	(5)	(4)
Payroll and related costs	(45)	(41)
Interest on obligation	(37)	(41)
Expected return on plan assets	41	47
Interest expense and other financial items	4	6
Total expense recognized in income statement	(41)	(35)

SENSITIVITY OF ASSUMPTIONS

Measurement of defined benefit obligations and pension costs requires the use of a number of assumptions and estimates. Below table indicates the sensitivity of the most material financial assumptions applied to the defined benefit obligation (DBO) and pension cost items, by showing the result from an increase or decrease in any one of the assumptions applied (all other assumptions held constant).

NOK millions	DBO at 31 Dec 2012	Service Cost 2012	Interest cost 2012
Actual valuation	(1,099)	(40)	(37)
Discount rate +0.5%	(1,038)	(38)	(43)
Discount rate -0.5%	(1,166)	(41)	(31)
Expected rate of salary increase +0.5%	(1,106)	(41)	(37)
Expected rate of salary increase -0.5%	(1,091)	(39)	(37)
Expected rate of pension increase +0.5%	(1,145)	(40)	(39)
Expected rate of pension increase -0.5%	(1,055)	(39)	(35)

Development of defined benefit obligations

NOK millions	2012	2011
Defined benefit obligation as of 1 January	(1,173)	(1,119)
Current service cost	(40)	(36)
Interest cost on obligation	(37)	(41)
Actuarial gains / (losses) on obligation	113	(9)
Benefits paid	38	37
Transfer of obligation from Other long-term employee benefits	-	(5)
Defined benefit obligation as of 31 December	(1,099)	(1,173)

Development of plan assets

NOK millions	2012	2011
Fair value of plan assets as of 1 January	737	797
Expected return on plan assets	41	47
Actuarial gains / (losses) on plan assets	39	(95)
Employer contributions	17	-
Benefits paid	(12)	(11)
Fair value of plan assets as of 31 December	821	737

The actual return on plan assets in 2012 was a positive NOK 80 million (2011: negative NOK 48 million).

Plan assets are comprised as follows:

NOK millions	2012	2012	2011	2011
Equity instruments	317	39%	280	38%
Debt instruments	461	56%	435	59%
Property	19	2%	21	3%
Bank deposits	23	3%	2	0%
Total plan assets	821	100%	737	100%

Yara Pensjonskasse (the pension fund) does not hold any financial instruments issued by Yara Group companies.

Contributions expected to be paid to the defined benefit plans for 2013 are NOK 39 million (including benefits to be paid for unfunded plans).

Movement in actuarial gains / (losses) recognized directly in retained earnings

NOK millions	2012	2011
Cumulative amount recognized directly in retained earnings pre tax at 1 January	(186)	(66)
Actuarial gain / (loss) recognized during the period	173	(119)
Cumulative amount recognized directly in retained earnings pre tax at 31 December	(12)	(186)
Deferred tax related to actuarial gains / (losses) recognized directly in retained earnings	3	52
Cumulative amount recognized directly in retained earnings after tax at 31 December	(9)	(134)

Historical information

NOK millions	2012	2011	2010	2009	2008
Present value of the defined benefit obligation	(1,099)	(1,173)	(1,119)	(1,049)	(1,078)
Fair value of plan assets	821	737	797	713	597
Deficit in the plan ¹⁾	(278)	(436)	(322)	(336)	(481)
Experience adjustments arising on plan liabilities	14	9	27	39	(37)
Experience adjustments arising on plan assets	39	(95)	28	42	(116)

1) Social security cost is not included.

IMPLEMENTATION OF REVISED IAS 19

Effective 1 January 2013, Yara International ASA will implement the revised IAS 19. Management shall no longer estimate the expected return on plan assets. Instead, Yara International ASA will apply the discount rate to calculate the net interest expense on the net pension obligation, effectively reducing net financial income.

The revised accounting standard requires retrospective application. The expected financial impact on the 2012 financial statements would be approximately NOK 13 million reduction in net income. No change is expected for recognized pension liability or shareholders' equity.

Note 3**Remunerations and other**

Remuneration and direct ownership of shares of the chairperson and of the board of directors are disclosed in note 32 to the consolidated financial statement.

Remuneration to the President and Yara management, as well as number of shares owned and Long Term Incentive Plan, are disclosed in notes 6 and 32 to the consolidated financial statements.

Partners and employees of Yara's independent auditors, Deloitte AS, own no shares in Yara International ASA, or in any of its subsidiaries. Yara Interna-

tional ASA's fee to Deloitte AS (Norway) for ordinary audit was NOK 3.852 thousand (2011: NOK 3,609 thousand), fee for assurance services NOK 39 thousand (2011: NOK 28 thousand), fee for tax services NOK 175 thousand (2011: NOK 53 thousand) and fee for non-audit services NOK 50 thousand (2011: NOK 64 thousand). Audit remuneration for the group is disclosed in note 33 to the consolidated financial statement.

At 31 December 2012 the number of employees in Yara International ASA was 302 (2011: 275).

NOK millions	2012	2011
Payroll and related costs		
Salaries	(408)	(367)
Social security costs	(56)	(49)
Net periodic pension costs	(63)	(58)
Internal invoicing of payroll related costs	48	57
Sum	(478)	(418)

External commercial banks provide the Norwegian employees with a range of banking services, including unsecured personal loans at favorable rates of interest. Yara does not compensate the banks for these services. In connection with the replacement of transferred employee loans related to the demerger from Hydro, Yara provides a guarantee for all such loans as well as of new unsecured loans by the banks to the Norwegian employees. For most employees the amount guaranteed will not exceed NOK 100,000. At 31 December 2012, the aggregate balance of all the outstanding loans for which Yara are providing a guarantee is approximately NOK 1,8 millions, and the number of loan is 30.

Yara continued to give employees in Norway an opportunity to take part in a share purchase program in 2012. All permanent employees in Norway have been offered shares with a discount and given an interest-free loan with a 12-month repayment profile. In order to handle this arrangement in an efficient way, Yara has established a foundation for employees' shares in Yara. The foundation has purchased 19,084 shares during 2012. In total 19,084 shares have been sold during 2012 to 734 persons, and each person was allotted 26 shares. As at 31 December 2012 the foundation owns no shares in Yara.

Note 4**Property, plant and equipment****2012**

<i>NOK millions, except percentages and years</i>	Property, plant and equipment
Cost	
Balance at 1 January	53
Addition at cost	4
Balance at 31 December	57
Depreciation	
Balance at 1 January	(39)
Depreciation	(4)
Balance at 31 December	(43)
Carrying value	
Balance at 1 January	14
Balance at 31 December	14
Useful life in years	4 - 50
Depreciation rate	2 - 25%

2011

<i>NOK millions, except percentages and years</i>	Property, plant and equipment
Cost	
Balance at 1 January	47
Addition at cost	5
Balance at 31 December	53
Depreciation	
Balance at 1 January	(35)
Depreciation	(4)
Balance at 31 December	(39)
Carrying value	
Balance at 1 January	13
Balance at 31 December	14
Useful life in years	4 - 50
Depreciation rate	2 - 25%

Property, plant and equipment mainly comprises machinery and equipment.

There were no assets pledged as security at 31 December 2012 and 2011.

Note 5

Intangible *assets*

2012

<i>NOK millions, except percentages and years</i>		Intangible assets
Cost		
Balance at 1 January		199
Addition at cost		15
Balance at 31 December		214
Amortization		
Balance at 1 January		(125)
Amortization		(29)
Balance at 31 December		(154)
Carrying value		
Balance at 1 January		74
Balance at 31 December		60
Useful life in years		3 - 5
Amortization rate		20 - 35%

2011

<i>NOK millions, except percentages and years</i>		Intangible assets
Cost		
Balance at 1 January		172
Addition at cost		27
Balance at 31 December		199
Amortization		
Balance at 1 January		(100)
Amortization		(25)
Balance at 31 December		(125)
Carrying value		
Balance at 1 January		72
Balance at 31 December		74
Useful life in years		3 - 5
Amortization rate		20 - 35%

Intangible assets mainly consist of computer software systems.

Note 6**Specification** *of items in the income statement***REVENUE**

Information about sales to geographical areas

NOK millions	2012			2011		
	External	Internal	Total	External	Internal	Total
Norway	8	32	40	10	40	50
European Union	35	745	780	22	666	688
Europe, outside European Union	-	1	1	1	1	2
Asia	1	-	1	1	-	1
North America	9	-	9	6	-	6
South America	-	-	-	25	-	25
Total	53	778	831	65	707	772

OTHER OPERATING EXPENSE

NOK millions	2012	2011
Selling and administrative expense	(450)	(426)
Rental and leasing ¹⁾	(41)	(36)
Travel expense	(49)	(38)
Other	(72)	(83)
Total	(612)	(583)
Of which research and development expense ²⁾	(98)	(51)

1) Expenses mainly relate to property and lease contracts for company cars.

2) Over the last few years, Yara has focused on orienting research and development resources towards commercial activities, both with respect to process and product improvements and agronomical activities. It is impracticable to give a fair estimate of possible future financial returns of these activities.

Note 7**Financial income** *and expense*

NOK millions	Notes	2012	2011
Dividends and group relief from subsidiaries		4,053	1,796
Gain/(loss) on receivables from subsidiaries		-	41
Sale of associated companies		-	27
Dividends from associated companies		14	15
Interest income group companies	16	1,361	1,306
Other interest income		167	92
Interest expense group companies	16	(163)	(183)
Other interest expense		(515)	(563)
Interest expense defined pension liabilities		(37)	(41)
Return on pension plan assets		41	47
Net foreign exchange gain/(loss)		190	85
Other financial income/(expense)		33	(84)
Financial income/(expense), net		5,143	2,538

Note 8

Income taxes

SPECIFICATION OF INCOME TAX EXPENSE

NOK millions	2012	2011
Current tax expense	(355)	(285)
Deferred tax income/(expense)	129	(78)
Income tax expense	(227)	(363)

RECONCILIATION OF NORWEGIAN NOMINAL STATUTORY TAX RATE TO EFFECTIVE TAX RATE

NOK millions	2012	2011
Income before taxes	4,896	2,266
Expected income taxes at statutory tax rate, 28%	(1,371)	(635)
Non-deductible expenses	(1)	(2)
Dividend exclusion	14	10
Effect of valuation allowances	23	(29)
Loss and write-down shares, not tax deductible	-	7
Group relief received from daughter company with no tax effect	1,120	280
Other, net	(12)	5
Income tax expense	(227)	(363)

RECONCILIATION OF CURRENT TAX LIABILITY

NOK millions	Current tax	
	2012	2011
Balance at 1 January	(329)	(424)
Payments	287	376
Current year	(285)	(281)
Balance at 31 December	(327)	(329)

SPECIFICATION OF DEFERRED TAX ASSETS/(LIABILITIES)

NOK millions	Deferred tax	
	2012	2011
Non-current items		
Pension liabilities	138	189
Other non-current assets	(43)	(40)
Other non-current liabilities and accruals	55	55
Total	151	205
Current items		
Inventory valuation	2	2
Accrued expenses	68	(39)
Total	70	(37)
Valuation allowance	(6)	(29)
Net deferred tax assets	215	139
Change in deferred tax		
Balance at 1 January	139	188
Charge (credit) to equity for the year	(53)	29
Charge (credit) to profit or loss for the year	129	(78)
Balance at 31 December	215	139

Note 9**Shares in subsidiaries**

Company name	Ownership ¹⁾	Ownership by other group companies	Registered office	Local currency	Total equity in the company 2012 local currency millions	Net income in 2012 local currency millions	Carrying value 2012 NOK millions
Subsidiaries owned by Yara International ASA							
Yara China Ltd.	100%	-	China	HKD	-	(2)	-
Yara Guatemala S.A.	100%	-	Guatemala	GTQ	56	15	24
Yara Colombia Ltda.	100%	-	Colombia	COP	40,258	9,136	17
Hydro Agri Russland AS	100%	-	Norway	NOK	41	-	21
Yaraship Services AS	100%	-	Norway	NOK	18	1	1
Yara Hellas S.A.	100%	-	Greece	EUR	17	4	21
Yara Norge AS	100%	-	Norway	NOK	2,315	236	1,303
Fertilizer Holdings AS	100%	-	Norway	NOK	4,295	4,256	2,459
Yara Rus Ltd.	100%	-	Russia	RUB	(42)	2	-
Yara North America Inc.	100%	-	USA	USD	173	30	468
Yara Asia Pte. Ltd.	100%	-	Singapore	USD	578	102	1,114
Yara International Employment Co. AG	100%	-	Switzerland	EUR	1	-	1
Yara México Profesionales / Operativos S. de R.L. de C.V.	10%	90%	Mexico	MXN	(8)	16	-
Total							5,430

1) Percentage of shares owned equals percentage of voting shares owned. A number of the above mentioned companies also own shares in other companies as specified in their annual reports.

Note 10**Shares in associated companies**

<i>NOK millions, except ownership</i>	Ownership ¹⁾	Country	Total equity in the company ²⁾	Net income ²⁾	Carrying value in 2012	Carrying value in 2011
Name						
Abonos del Pacifico, S.A.	34%	Costa Rica	227	56	18	18
Talconor AS	50%	Norway	2	1	-	-
Total					18	18

1) Equals voting rights

2) According to the last Annual Report

There are no significant transactions between the associated companies listed above and other Yara group companies.

Note 11

Specification of items in the balance sheet

NOK millions	Notes	2012	2011
Other non-current assets			
Long term loans, mortgage bonds and non-marketable shares 0-20%		43	23
Interest rate swap designated as hedging instrument	13	167	167
Other		10	13
Total		220	203
Inventories			
Raw materials		5	6
Work in progress		7	7
Finished goods		33	28
Total		46	40
Bank loans and other interest-bearing short-term debt			
External loans		123	208
Bank overdraft		158	134
Total		281	343

Note 12

Guarantees

NOK millions	2012	2011
Guarantees (off-balance sheet)		
Guarantees of debt in the name of equity accounted investees	-	16
Guarantees of debt in subsidiaries	1,184	1,296
Non-financial guarantees	2,784	3,282
Total	3,969	4,593

Yara International ASA provides guarantees arising in the ordinary course of business, including performance bonds and various payment or financial guarantees. See note 29 to the consolidated financial statements for further information about guarantees.

Note 13**Risk management and hedge accounting**

Risk management in Yara and the use of derivative instruments are described in note 27 to the consolidated financial statements. Yara International ASA has the following derivative instruments outstanding at 31 December:

NOK millions	Notes	2012	2011
Fair value of derivatives			
Forward foreign exchange contracts (external)		(5)	(18)
Forward foreign exchange contracts (Yara Group internal)		(183)	285
Interest rate swaps designated for hedging (external)		167	167
Balance at 31 December		(21)	433
Derivatives presented in the balance sheet			
Non-current assets	11	167	167
Current assets		1	295
Current liabilities		(189)	(28)
Balance at 31 December		(21)	433

FORWARD FOREIGN EXCHANGE CONTRACTS

Yara is committed to outstanding forward foreign exchange contracts as follows:

NOK millions	2012	2011
Forward foreign exchange contracts (external), notional amount	1,093	3,264
Forward foreign exchange contracts (Yara Group internal), notional amount	13,198	13,660

All outstanding contracts at 31 December 2012 have maturity in 2013. External buy positions are mainly in Norwegian kroner and US dollars. External sell positions are in various operating currencies, mainly euro and Canadian dollars.

HEDGE ACCOUNTING**Fair value hedge****USD bond debt**

The interest rate swap designated as a hedge instrument outstanding at 31 December 2012 is a fixed to floating interest rate swap for USD 100 million. The hedged risk is the change in fair value due to changes in risk-free interest rates (LIBOR) of a USD 100 million portion of the US dollar bond debt from 2004. The swap has identical interest basis, interest payment dates and maturity (2014) to the hedged debt and is assessed to be highly effective. The change in fair value of the derivative is recognized in consolidated statement of income as a gain of NOK 2.5 million (2011: NOK 2 million). It is offset by an opposite change in fair value of the corresponding portion of the bond debt, which is also recognized in consolidated statement of income. At 31 December 2012 loss on the fair value hedge included in the carrying amount of the fixed rate debt was NOK 47 million (2011: loss NOK 68 million). There is not recognized any ineffectiveness in 2012 or 2011.

NOK bond debt

From 2011 Yara designated the long term NOK interest swaps as hedging instruments. The hedged risk is the change in fair value due to changes in risk-free interest rates (NIBOR) of the NOK 1,000 million and NOK 325 million bond debt from 2009. The swaps have different interest payment

dates (semi-annually vs. annually), but identical interest basis and maturity (2016 and 2014 respectively) to the hedged debt and are assessed to be highly effective. The change in fair value of the derivatives is recognized in consolidated statement of income as a gain of NOK 25.5 million (2011: NOK 72 million). Change in fair value of the corresponding portions of the bond debt is recognized in consolidated statement of income as a loss of NOK 18 million (2011: NOK 86 million). At 31 December 2012 the loss on the fair value hedge included in the carrying amount of the fixed rate debt was NOK 104 million (2011: loss NOK 86 million). The ineffectiveness recognized as income in statement of income in 2012 is NOK 7.5 million (2011: NOK 13 million expense).

Cash flow hedge

In 2004, Yara used interest rate swaps to hedge the future cash flows of a USD 300 million portion of the December 2004 bond issue. The loss on these contracts was recognized directly in other comprehensive income and will be reclassified into interest expense and income tax over the duration of the bond (due in 2014). The reclassification into interest expense for 2012 was NOK 12.3 million (2011: NOK 11.5 million) and the related deferred tax benefit was NOK 3.4 million (2011: NOK 3.2 million).

In 2007, Yara used interest rate derivatives to hedge the future cash flows of a USD 300 million portion of the June 2009 bond issue. The loss on these contracts was recognized directly in other comprehensive income and will be reclassified into interest expense and income tax over the duration of the bond (due in 2019). The reclassification into interest expense for 2012 was NOK 3 million (2011: NOK 3 million) and the related deferred tax benefit was NOK 0.9 million (2011: NOK 0.8 million).

Note 14

Number of shares outstanding, *shareholders, equity reconciliation etc.*

Yara International ASA was established 10 November 2003. The company was established with a share capital of 108,610,470 consisting of 63,888,512 shares at NOK 1.70 per share. At 31 December 2012, the company has a share capital of 483,152,348 consisting of 284,207,264 ordinary shares at NOK 1.70 per share. For further information on these issues see note 19 to the consolidated financial statement.

Shareholders holding 1% or more of the total 284,207,264 shares issued as of 31 December 2012 are according to information in the Norwegian securities' registry system (Verdipapirsentralen):

Name	Number of shares	Holding (%)
Norwegian Ministry of Trade and Industry	102,915,622	36.2%
The National Insurance Fund (Folketrygdfondet)	18,259,822	6.4%
Clearstream Banking (nominee)	10,934,285	3.9%
State Street Bank (nominee)	5,747,780	2.0%
Bank of New York Mellon (nominee)	5,286,250	1.9%
State Street Bank (nominee)	5,034,823	1.8%
Fidelity Low-Priced	4,750,000	1.7%
State Street Bank (nominee)	4,198,449	1.5%
State Street Bank (nominee)	3,977,834	1.4%
Yara International ASA	3,639,677	1.3%
J.P.Morgan Chase Bank (nominee)	3,453,754	1.2%
Bank of New York Mellon (nominee)	3,225,518	1.1%
J.P.Morgan Chase Bank (nominee)	3,115,244	1.1%
Bank of New York (nominee)	2,851,698	1.0%

SHAREHOLDERS EQUITY

NOK millions	Paid in capital	Retained earnings	Total shareholders equity
Balance 31 December 2010	926	7,929	8,855
Net income of the year	-	1,903	1,903
Dividend proposed	-	(1,998)	(1,998)
Cash flow hedges	-	11	11
Actuarial gain/(loss) ¹⁾	-	(86)	(86)
Redeemed treasury shares ²⁾	(203)	203	-
Redeemed shares, Norwegian State ²⁾	(116)	-	(116)
Treasury shares	(4)	(643)	(647)
Balance 31 December 2011	603	7,318	7,921
Net income of the year	-	4,670	4,670
Dividend proposed	-	(3,647)	(3,647)
Cash flow hedges	-	11	11
Actuarial gain/(loss) ¹⁾	-	125	125
Redeemed shares, Norwegian State ³⁾	(2)	(315)	(317)
Treasury shares	(6)	(948)	(954)
Balance 31 December 2012	594	7,214	7,808

1) Yara International ASA has decided to use the option in NRS 6A to adopt IAS19. For further information, see the accounting principles note 1.

2) As approved by General Meeting 10 May 2011.

3) As approved by General Meeting 10 May 2012.

Note 15**Long-term debt****LONG-TERM DEBT PAYABLE IN VARIOUS CURRENCIES**

<i>NOK millions, except percentages and denominated amounts</i>	Weighted average interest rates	Denominated amounts 2012	2012	2011
Unsecured debenture bonds in NOK (Coupon NIBOR + 2.50%)	-	-	-	300
Unsecured debenture bonds in NOK (Coupon NIBOR + 3.75%) ¹⁾	5.7%	300	300	300
Unsecured debenture bonds in NOK (Coupon 7.40%) ²⁾	7.5%	325	340	341
Unsecured debenture bonds in NOK (Coupon 8.80%) ³⁾	8.9%	1,000	1,083	1,068
Unsecured debenture bonds in USD (Coupon 5.25%) ²⁾	5.1%	500	2,833	3,059
Unsecured debenture bonds in USD (Coupon 7.88%) ⁴⁾	8.3%	500	2,756	2,966
Outstanding long-term debt			7,311	8,032
Less: Current portion			-	300
Total			7,311	7,732

1) Repricing within a year.

2) Fixed interest rate until 2014. Hedged through fair value hedges, see note 27 to the consolidated financial statements.

3) Fixed interest rate until 2016. Hedged through fair value hedges, see note 27 to the consolidated financial statements.

4) Fixed interest rate until 2019.

At 31 December 2012, the fair value of the long-term debt, including the current portion, was NOK 8,360 million and the carrying value was NOK 7,311 million. See note 24 to the consolidated financial statements for further information about long-term debt.

PAYMENTS ON LONG-TERM DEBT FALL DUE AS FOLLOWS:

<i>NOK millions</i>	Debentures	Bank loans	Other long-term debt	Total
2014	3,418	-	-	3,418
2015	-	-	-	-
2016	1,083	-	-	1,083
2017	-	-	-	-
Thereafter	2,811	-	-	2,811
Total	7,311	-	-	7,311

Note 16

Transactions *with related parties*

Transactions with related parties are mainly associated with the group treasury function and rendering of group services by the employees of Yara International ASA.

NOK millions	Notes	2012	2011
Income statement			
Yara Belgium S.A.		649	592
Yara Norge AS		31	39
Yara Sluiskil B.V.		22	18
Yara France		11	9
Yara GmbH & Co. KG		10	11
Other		54	38
Internal revenues	6	778	707
Yara Nederland B.V.		438	473
Fertilizer Holdings AS		427	381
Yara Holding Netherlands		175	168
Yara Norge AS		88	64
Yara AS		74	44
Other		159	176
Interest income group companies	7	1,361	1,306
Yara AS		(55)	(44)
Yara Nederland B.V.		(25)	(34)
Fertilizer Holdings AS		(19)	(2)
Yara Suomi Oy		(3)	(19)
Yara GmbH & Co. KG		(10)	(19)
Other		(50)	(65)
Interest expense group companies	7	(163)	(183)
Non-current assets			
Yara Nederland B.V.		6,301	10,367
Fertilizer Holdings AS		5,577	6,004
Yara Holding Netherlands		2,788	3,002
Yara UK Limited		1,291	1,329
Other		650	679
Intercompany receivables		16,607	21,381
Current assets			
Fertilizer Holdings AS		12,578	2,497
Yara Norge AS		2,134	2,140
Yara Suomi Oy		1,627	1,777
Yara Italia S.p.A.		676	1,488
Yara Switzerland Ltd		538	777
Other		1,214	2,037
Intercompany receivables		18,767	10,716
Current liabilities			
Yara Nederland B.V.		(8,285)	(5,338)
Yara Belgium S.A.		(4,785)	(77)
Yara Norge AS		(2,284)	(2,443)
Yara S.A.		(2,174)	(1,144)
Yara GmbH & Co. KG		(1,643)	(2,518)
Yara Suomi Oy		(1,579)	(3,272)
Yara Asia Pte Ltd		(1,162)	(325)
Yara Caribbean Ltd		(1,125)	(963)
Yara AS		(1,091)	(1,678)
Yara Switzerland Ltd		(864)	(850)
Yara France		(646)	(596)
Yara Tertre SA		(478)	(953)
Other		(4,079)	(3,335)
Intercompany payable		(30,192)	(23,491)
Qatar Fertiliser Company S.A.Q.		(79)	(117)
Trinidad Nitrogen Company Ltd.		(44)	(92)
GrowHow UK Ltd.		-	-
External loans		(122)	(208)

Remuneration to the Board of Directors and Yara management are disclosed in notes 6 and 32 to the consolidated financial statements. Yara International ASA has transactions with Yara Pensjonskasse (pension fund). See note 2 for more information.

Directors responsibility statement

2012

WE CONFIRM TO THE BEST OF OUR KNOWLEDGE THAT:

- the consolidated financial statements for 2012 have been prepared in accordance with IFRS as adopted by the EU, as well as additional information requirements in accordance with the Norwegian Accounting Act, and that
- the financial statements for the parent company for 2012 have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway, and that
- the information presented in the financial statements gives a true and fair view of the Company's and Group's assets, liabilities, financial position and result for the period viewed in their entirety, and that
- the Board of Directors' report gives a true and fair view of the development, performance and financial position of the Company and Group, and includes a description of the principle risks and uncertainties.

*The Board of Directors of Yara International ASA
Oslo, 21 March 2013*


Bernt Reitan
Chairperson


Elisabeth Harstad
Board member


Hilde Merete Aasheim
Board member


Juha Ilari Rantanen
Board member


Geir Olav Sundbø
Board member


Rune Asle Bratteberg
Board member


Guro Mauset
Board member


Jørgen Ole Haslestad
President and CEO



Deloitte AS
Karenslyst alle 20
Postboks 347 Skøyen
NO-0213 Oslo
Norway

Tel: +47 23 27 90 00
Fax: +47 23 27 90 01
www.deloitte.no

To the Annual Shareholders' Meeting of Yara International ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Yara International ASA, which comprise the financial statements for the parent company and the financial statements for the group. The financial statements for the parent company comprise the balance sheet as at 31 December 2012, the income statement and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information. The financial statements for the group comprise the statement of financial position as per 31 December 2012, the statement of income, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the President and CEO's Responsibility for the Financial Statements

The Board of Directors and the President and CEO are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian accounting act and accounting standards and practices generally accepted in Norway for the company accounts and in accordance with International Financial Reporting Standards as adopted by EU for the group accounts, and for such internal control as the Board of Directors and the President and CEO determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Independent Auditor's Report to the
Annual Shareholders' Meeting of
Yara International ASA

Opinion on the financial statements for the parent company

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Yara International ASA as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian accounting act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements of the group

In our opinion, the financial statements of the group are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the group Yara International ASA as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the allocation of the profit

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report and the statement of corporate governance principles and practices concerning the financial statements and the going concern assumption, and the proposal in the financial statements for the allocation of the profit complies with the law and regulations and that the information is consistent with the financial statements.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 21 March 2013
Deloitte AS

Ingebret G. Hisdal
State Authorised Public Accountant (Norway)

Reconciliation of *non-GAAP* measures

2012

RECONCILIATION OF OPERATING INCOME TO GROSS CASH FLOW

<i>NOK millions</i>	2012	2011
Operating income	11,166	13,240
Share of net income in equity-accounted investees	1,964	1,889
Interest income	390	318
Net gain/(loss) on securities	12	(10)
Dividend from 0-20% companies	2	1
Earnings before interest expense and tax (EBIT)	13,535	15,438
Depreciation, amortization and impairment loss	3,424	2,677
Amortization of excess value in equity-accounted investees	19	48
Earnings before interest, tax and depreciation/amortization (EBITDA)	16,977	18,163
Income tax less tax on net foreign exchange gain/(loss)	(2,427)	(2,366)
Gross Cash Flow	14,551	15,796

RECONCILIATION OF NET INCOME AFTER NON-CONTROLLING INTERESTS TO GROSS CASH FLOW

<i>NOK millions</i>	2012	2011
Net income attributable to shareholders of the parent	10,602	12,066
Non-controlling interests	49	24
Interest expense and foreign exchange gain/(loss)	284	1,033
Depreciation, amortization and impairment loss	3,424	2,677
Amortization of excess value in equity-accounted investees	19	48
Tax effect on foreign exchange gain/(loss)	174	(52)
Gross Cash Flow	14,551	15,796

RECONCILIATION OF TOTAL ASSETS TO GROSS INVESTMENTS

12 months average

<i>NOK millions, except percentages</i>	2012	2011
Total assets	80,903	68,409
Cash and cash equivalents	(9,029)	(4,524)
Other liquid assets	-	(346)
Deferred tax assets	(1,389)	(1,640)
Fair value adjustment recognized in equity	-	(1)
Other current liabilities	(12,728)	(11,257)
Accumulated depreciation and amortization	26,236	24,844
Gross investment 12 months average	83,992	75,485
Cash Return on Gross Investment, CROGI	17.3%	20.9%

RECONCILIATION OF EBIT TO EBIT AFTER TAX

<i>NOK millions</i>	2012	2011
Earnings before interest expense and tax (EBIT)	13,535	15,438
Income tax less tax on net foreign exchange gain/(loss)	(2,427)	(2,366)
EBIT after tax (EBITAT)	11,108	13,071

RECONCILIATION OF TOTAL ASSETS TO CAPITAL EMPLOYED

12 months average

<i>NOK millions, except percentages</i>	2012	2011
Total assets	80,903	68,409
Cash and cash equivalents	(9,029)	(4,524)
Other liquid assets	-	(346)
Deferred tax assets	(1,389)	(1,640)
Fair value adjustment recognized in equity	-	(1)
Other current liabilities	(12,728)	(11,257)
Capital employed 12 months average	57,756	50,640
Return on capital employed, ROCE	19.2%	25.8%

RECONCILIATION OF EBITDA TO INCOME BEFORE TAX AND NON-CONTROLLING INTERESTS

<i>NOK millions</i>	2012	2011
EBITDA Downstream	3,910	5,085
EBITDA Industrial	1,111	2,001
EBITDA Upstream	11,849	11,446
EBITDA Other and eliminations	107	(370)
EBITDA Yara	16,977	18,163
Depreciation, amortization and impairment loss	(3,424)	(2,677)
Amortization of excess value in equity-accounted investees	(19)	(48)
Interest expense	(1,204)	(1,153)
Capitalized interest	3	46
Foreign exchange gain/(loss)	596	(215)
Other financial income/expense, net	321	289
Income before tax and non-controlling interest	13,251	14,404

RECONCILIATION OF OPERATING INCOME TO EBITDA

<i>NOK millions</i>	2012	2011
Operating Income	11,166	13,240
Share of net income in equity-accounted investees	1,964	1,889
Interest income	390	318
Dividends and net gain/(loss) on securities	14	(9)
EBIT	13,535	15,438
Depreciation, amortization and impairment loss ¹⁾	3,443	2,725
EBITDA	16,977	18,163

1) Including amortization of excess value in equity-accounted investees.



Yara has signed the United Nations Global Compact, embracing its principles. The UN GC is a strategic policy initiative for businesses committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption.



Global Compact
LEAD

Yara has been admitted to the UN Global Compact LEAD. The group of companies comprise a vanguard playing an essential role in shaping expectations of corporate sustainability as well as advancing broader UN goals and issues. LEAD was launched in 2011 to provide knowledge and inspiration on

advanced aspects of corporate sustainability, and to provide leadership for global issue platforms.



FTSE Group confirms that Yara has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index company FTSE Group, FTSE4Good is an equity index series that is

designed to facilitate investment in companies that meet globally recognised corporate responsibility standards. Companies in the FTSE4Good Index Series have met stringent social and environmental criteria, and are positioned to capitalise on the benefits of responsible business practice.



Yara International ASA

Bygdøy allé 2
P. O. Box 2464, Solli
NO-0202 Oslo
Norway
Tel: +47 24 15 70 00
Fax: +47 24 15 70 01

www.yara.com

By executing its growth strategy, Yara creates value also for its customers, and it creates value for society at large. By creating value, Yara creates impact.

YARA PIONEERED mineral fertilizers a hundred years ago, creating impact within world agriculture – increasing yields, improving food security. Building on our industrial experience and leveraging our agricultural expertise, we have developed crop nutrition concepts and environmental solutions, creating value for our shareholders and stakeholders, and for society at large.



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