Financial statements

Consolidated financial statements

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

Consolidated statement of income

NOK millions, except share information	Notes	2016	2015
Revenue		95,245	108,011
Other income	7	1,867	3,683
Commodity based derivatives gain/(loss)	33	58	203
Revenue and other income	6	97,170	111,897
Raw materials, energy costs and freight expenses		(68,644)	(79,941)
Change in inventories of own production		(962)	874
Payroll and related costs	8	(8,520)	(8,047)
Depreciation, amortization and impairment loss	9	(6,427)	(6,933)
Other operating expenses	8	(3,847)	(3,745)
Operating costs and expenses	6	(88,399)	(97,793)
Operating income	6	8,771	14,104
Share of net income in equity-accounted investees	16, 19	(348)	(310)
Interest income and other financial income	10	725	605
Earnings before interest expense and tax (EBIT)	6	9,149	14,398
Foreign currency translation gain/(loss)	10	115	(2,463)
Interest expense and other financial items	10	(901)	(1,291)
Income before tax		8,363	10,644
Income tax expense	11	(2,041)	(2,209)
Net income		6,322	8,435
Net income attributable to			
Shareholders of the parent	12	6,360	8,083
Non-controlling interests	25	(37)	351
Net income		6,322	8,435
Earnings per share [1]		23.25	29.38
Weighted average number of shares outstanding [2]	12	273,499,403	275,114,375

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 the second, third and fourth quarter 2015 and the first and second quarter 2016 due to the share buyback program.

Consolidated statement of comprehensive income

NOK millions, except share information	Notes	2016	2015
Net income		6,322	8,435
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations	31	(1,320)	6,259
Available-for-sale financial assets - change in fair value	33	(19)	31
Cash flow hedges	32	-	18
Hedge of net investments	32	108	(796)
Share of other comprehensive income of equity-accounted investees, excluding remeasurements	16	45	64
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		(1,186)	5,577
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Remeasurements of the net defined benefit pension liability	26	(760)	577
Remeasurements of the net defined benefit pension liability for equity-accounted investees	16	-	11
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		(760)	588
Reclassification adjustments of the period:			
- cash flow hedges	32	4	6
- exchange differences on foreign operations disposed of in the year	4	(22)	(341)
Net reclassification adjustment of the period		(18)	(335)
Total other comprehensive income, net of tax		(1,964)	5,830
Total comprehensive income		4,358	14,265
Total comprehensive income attributable to			
Shareholders of the parent		4,194	13,783
Non-controlling interests	25	165	481
Total		4,358	14,265

Consolidated statement of changes in equity

NOK millions	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 31 December 2014	468	117	9,445	3	(145)	(804)	8,499	54,681	63,765	4,196	67,962
Net income	-	-	-	-	-	-	-	8,083	8,083	351	8,435
Other comprehensive income, net of tax	-	-	5,787	31	24	(796)	5,047	577	5,624	130	5,755
Share of other comprehensive income of equity-accounted investees	-	-	20	-	44	-	64	11	75	-	75
Total other comprehensive income, net of tax	-	-	5,807	31	69	(796)	5,111	588	5,700	130	5,830
Long-term incentive plan	-	-	-	-	-	-	-	(4)	(4)	-	(4)
Transactions with non-controlling interests	-	-	743	-	-	-	743	(325)	418	(2,893)	(2,475)
Treasury shares	(2)	-	-	-	-	-	-	(362)	(364)	-	(364)
Redeemed shares, Norwegian State [2]	(1)	-	-	-	-	-	-	(127)	(127)	-	(127)
Share capital increase in subsidiary, non-controlling interest	-	-	-	-	-	-	-	-	-	298	298
Dividends distributed	-	-	-	-	-	-	-	(3,581)	(3,581)	(246)	(3,827)
Balance at 31 December 2015	466	117	15,996	34	(76)	(1,600)	14,353	58,954	73,890	1,837	75,727
Net income	-	-	-	-	-	-	-	6,360	6,360	(37)	6,322
Other comprehensive income, net of tax	-	-	(1,544)	(19)	4	108	(1,451)	(760)	(2,211)	202	(2,009)
Share of other comprehensive income of equity-accounted investees	-	-	1	-	44	-	44	-	45	-	45
Total other comprehensive income, net of tax	-	-	(1,543)	(19)	48	108	(1,406)	(760)	(2,166)	202	(1,964)
Long term incentive plan	-	-	-	-	-	-	-	(3)	(3)	-	(3)
Transactions with non-controlling interests	-	-	-	-	-	-	-	1	1	(11)	(10)
Step-up of tax base in Australia [4]	-	-	-	-	-	-	-	814	814	-	814
Treasury shares	-	-	-	-	-	-	-	(93)	(93)	-	(93)
Redeemed shares, Norwegian State [3]	(1)	-	-	-	-	-	-	(251)	(252)	-	(252)
Share capital increase in subsidiary, non-controlling interest	-	-	-	-	-	-	-	-	-	340	340
Dividends distributed	-	-	-	-	-	-	-	(4,106)	(4,106)	(5)	(4,111)
Balance at 31 December 2016	464	117	14,452	14	(28)	(1,492)	12,947	60,916	74,444	2,326	76,770

1) Par value 1.70.
2) As approved by General Meeting 11 May 2015.
3) As approved by General Meeting 10 May 2016.
4) See note 11.

Consolidated statement of financial position

NOK millions	Notes	31 Dec 2016	31 Dec 2015
Assets			
Non-current assets			
Deferred tax assets	11	2,585	2,950
Intangible assets	13	9,183	9,583
Property, plant and equipment	14	59,739	52,424
Equity-accounted investees	16	9,190	9,769
Other non-current assets	18	3,242	2,956
Total non-current assets		83,938	77,681
Current assets			
Inventories	20	17,580	19,948
Trade receivables	21	10,332	12,098
Prepaid expenses and other current assets	22	4,813	4,383
Cash and cash equivalents	23	3,751	3,220
Non-current assets or disposal group classified as held-for-sale	15	92	1,533
Total current assets		36,567	41,182
Total assets		120,505	118,863

Consolidated statement of financial position

NOK millions, except for number of shares	Notes	31 Dec 2016	31 Dec 2015
Equity and liabilities			
Equity			
Share capital reduced for treasury stock	24	464	466
Premium paid-in capital		117	117
Total paid-in capital		582	583
Other reserves		12,947	14,353
Retained earnings		60,916	58,954
Total equity attributable to shareholders of the parent		74,444	73,890
Non-controlling interests	25	2,326	1,837
Total equity		76,770	75,727
Non-current liabilities			
Employee benefits	26	4,071	3,751
Deferred tax liabilities	11	4,396	5,392
Other long-term liabilities		1,404	1,448
Long-term provisions	27	834	773
Long-term interest-bearing debt	28	13,992	9,354
Total non-current liabilities		24,698	20,718
Current liabilities			
Trade and other payables	29	14,762	14,674
Current tax liabilities	11	530	693
Short-term provisions	27	323	325
Other short-term liabilities		859	875
Bank loans and other interest-bearing short-term debt	30	2,323	3,635
Current portion of long-term debt	28	240	2,102
Liability associated with disposal group classified as held-for-sale		-	115
Total current liabilities		19,037	22,418
Total equity and liabilities		120,505	118,863
Number of shares outstanding [1]		273,217,830	274,173,369

1) Number of shares outstanding was reduced in the second, third and fourth quarter 2015 and first and second quarter 2016 due to the share buy-back program.

The Board of Directors of Yara International ASA
Oslo, 23 March 2017

Leif Teksum
Chairperson

Maria Moræus Hanssen
Vice chair

John Thuestad
Board member

Hilde Bakken
Board member

Geir O. Sundbø
Board member

Geir Isaksen
Board member

Rune Bratteberg
Board member

Kjersti Aass
Board member

Svein Tore Holsether
President and CEO

Consolidated statement of cash flows

NOK millions	Notes	2016	2015
Operating activities			
Operating Income		8,771	14,104
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation, amortization and impairment loss	9	6,427	6,933
Write down inventory and trade receivables		156	265
Tax paid [1]		(2,736)	(3,380)
Dividend from equity-accounted investees	16	358	807
Interest and bank charges received/(paid) [2]		(486)	(681)
(Gain)/loss on disposal and divestments	4	(1,559)	(3,280)
Other		(97)	(60)
Working capital changes that provided/(used) cash			
Trade receivables		1,572	256
Inventories		2,596	(1,520)
Prepaid expenses and other current assets [2]		228	2,131
Trade payables		(379)	(200)
Other interest free liabilities		(767)	(744)
Net cash provided by operating activities		14,084	14,631
Investing activities			
Purchases of property, plant and equipment	14	(12,873)	(9,631)
Net cash outflow on acquisition of subsidiary	5	(480)	(1,406)
Purchases of other long-term investments	13	(286)	(904)
Net sales/(purchases) of short-term investments		-	(132)
Proceeds from sales of property, plant and equipment		62	138
Net cash flow on divested assets	4	2,846	4,794
Proceeds from sales of other long-term investments	3	127	254
Net cash used in investing activities		(10,604)	(6,888)
Financing activities			
Loan proceeds		5,466	19
Principal payments		(4,328)	(1,479)
Purchase of treasury shares		(93)	(364)
Redeemed shares Norwegian State		(252)	(127)
Dividend	24	(4,108)	(3,581)
Transactions with non-controlling interests	25	-	(2,825)
Other cash transfers (to)/from non-controlling interest	25	327	54
Net cash used in financing activities		(2,989)	(8,304)
Foreign currency effects on cash and cash equivalents		39	189
Net increase/(decrease) in cash and cash equivalents		531	(371)
Cash and cash equivalents at 1 January		3,220	3,591
Cash and cash equivalents at 31 December	23	3,751	3,220
Bank deposits not available for the use of other group companies	23	256	436

1) Profit attributable to foreign shareholder (Yara) is subject to tax in Qatar. The tax is paid by Qafco, but refunded by Yara. Tax paid to Qatar was NOK 301 million in 2016 (NOK 334 million in 2015).
2) Reclassification between interest and bank charges received/(paid) and prepaid expenses and other current assets for 2015 of NOK 641 million.

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 Drammensveien 131, 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 6 Segment information, note 16 Associated companies and joint ventures, and note 17 Joint operations.

Statement of compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the European Union (EU) and effective as of 31 December 2016. Yara also provide additional disclosures in accordance with requirements in the Norwegian Accounting Act.

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, derivative financial instruments, contingent consideration and defined benefit plan assets.

The consolidated financial statements are presented in the Norwegian krone (NOK), which is also the functional currency of Yara International ASA. All values are rounded to the nearest million (NOK million), except when otherwise indicated.

Basis of consolidation
The consolidated financial statements include Yara International ASA and entities controlled by Yara International ASA (its subsidiaries). Control is achieved when the Group has power over the investee, is exposed to, or has rights to, variable returns from its involvement with the investee, and has the ability to use its power to affect its returns. When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more elements of control. Consolidation of a subsidiary begins when the Group obtains control and ceases when the Group loses control. Specifically, 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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Profit or losses from transactions with associated companies and joint ventures are recognized in the Group's consolidated financial statements only to the extent of interest in the associate or joint ventures that is not related to the Group. When a group entity transacts with a joint operation in which a group entity is a joint operator, such as a sale or contribution of assets, the Group is considered to be conducting the transaction with the other parties to the joint operation. Gains and losses resulting from the transaction are recognized in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation. When a group entity enters into a transaction with a joint operation in which it is a joint operator, such as purchase of assets, it does not recognize its share of the gain and losses until it resells those assets to a third party.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control, 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.

New and revised standards - adopted
In the current year, the Group has applied the following amendments to IFRSs that are effective for an accounting period beginning after 1 January 2016 and which are relevant for Yara:

- Amendments to IAS 1 Presentation of Financial Statements
  These amendments are part of IASB's Disclosure Initiative and include narrow-focus improvements in the areas of materiality, disaggregation and subtotals, notes structure, disclosure of accounting policies, and presentation of items of other comprehensive income (OCI) arising from equity-accounted investments. The amendments clarify rather than significantly change existing IAS 1 requirements.
- Amendments to IFRS 11 Joint Arrangements
  These amendments state that for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations, the relevant principles in IFRS 3 and other relevant standards should be applied.
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
  These amendments clarify that revenue-based methods cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.
- Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
  These amendments clarify that changing from one disposal through sale or distribution to owners or vice versa would not be considered a new plan of disposal. Rather it is a continuation of the original plan and no interruption of the application of the requirements in IFRS 5.
- Amendments to IFRS 7 Financial Instruments: Disclosures
  An amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. Another amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report.

- Amendment to IAS 19 Employee Benefits
  The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

The application of the above amendments has not resulted in any material impact on the financial performance or the financial position of Yara, nor to the disclosures in the Group's consolidated financial statements.

New and revised standards – not yet effective
At the date of authorization of these consolidated financial statements, the following Standards, amendments to Standards, and interpretations applicable to Yara have been issued, but were not yet effective.

Amendments to IAS 7 Statement of Cash Flows (issued 2016)
The amendments require companies to provide information about changes in their financing liabilities to help investors to evaluate changes in liabilities arising from financing activities. The amendments are part of the IASB's Disclosure Initiative—a portfolio of projects aimed at improving the effectiveness of disclosures in financial reports. Yara will implement the amendments from the effective date 1 January 2017. No significant impacts to the consolidated financial statements are expected.

Amendments to IAS 12 Income Taxes (issued 2016)
The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. Yara will implement the amendments from the effective date 1 January 2017. No significant impacts to the consolidated financial statements are expected.

Annual Improvements to IFRS Standards 2014-2016: IFRS 12 Disclosure of Interests in Other Entities (issued 2016)
The amendments clarify the scope of the disclosure requirements in IFRS 12 by specifying that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to interests that are classified as held-for-sale or discontinued operations. Yara will implement the amendments from the effective date 1 January 2017. No significant impacts to the consolidated financial statements are expected.

IFRIC Interpretation 22—Foreign Currency Transactions and Advance Consideration (issued 2016)
IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. Yara will implement it from the effective date 1 January 2018, but does not expect it to have significant impact on the consolidated financial statements.

IFRS 9 Financial Instruments (issued 2014)
IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments; Recognition and measurement, and sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. Yara will implement the Standard from its effective date 1 January 2018.

Classification determines how financial assets and financial liabilities are accounted for in financial statements and, in particular, how they are measured on an ongoing basis. IFRS 9 introduces a logical approach for the classification of financial assets driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach reduces the number of categories of financial assets to financial assets measured at amortized cost and financial assets measured at fair value. However, the standard introduces a "fair value through other comprehensive income" measurement category for certain simple debt instruments. Yara will implement these classification changes from the effective date of the standard.

IFRS 9 introduces a new, expected loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognized, and it lowers the threshold for recognition of full lifetime expected losses. For Yara this change will mainly relate to trade receivables. These are essentially without a significant financing component, and preliminary calculations do not indicate a material transition effect for Yara nor changed amounts of recognized losses in the future. However, impairment losses may be recognized at an earlier stage going forward as a credit event no longer will be necessary for recognizing an impairment loss. Furthermore, the impact of initial application of IFRS 9 will also be affected by the specific business and economic conditions which cannot fully be anticipated prior to the transition date.

IFRS 9 also introduces a reformed model for hedge accounting with enhanced disclosures about risk management activity. The changes represent increased flexibility in hedge accounting as it allows entities to hedge one or more risk components of non-financial contracts. Yara has not yet concluded whether or not to apply these new possibilities, but the effects to the consolidated financial statements are expected to be limited.

IFRS 15 Revenue from contracts with customers (issued 2014)
IFRS 15 will from its effective date 1 January 2018 replace the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction contracts, and the related interpretations when it becomes effective.

The objective of the standard is to establish a new set of principles that shall be applied to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In order to operationalize these principles, the standard introduces a five step model to be applied;

1. Identify customer contracts
2. Identify performance obligations in the contracts
3. Determine the transaction price
4. Allocate the transaction price
5. Recognize revenue when a performance obligation is satisfied

Yara expects to use the cumulative effect implementation approach and only apply IFRS 15 from the date of initial application 1 January 2018. Please find a description of the nature of Yara's revenue streams in note 6 Segment information.

When selling fertilizer and industrial products, Yara arranges delivery of the goods to the customer's location. The use of incoterms varies between regions, markets and customers. According to the existing guidance under IAS 18, Yara currently does not account for freight provided in the sale of goods as an additional service. Revenue is recognized when the risk and rewards are transferred to the customer, which is normally at the point of final delivery, on the basis that some risks and rewards are retained during shipping. Under IFRS 15, Yara still considers shipping and handling activities that occur before customers take control of the goods to be part of fulfilling the sale of the goods. However, when the Group uses incoterms which transfer the responsibility for the goods to the customer before the freight service is delivered, Yara acknowledges that these freight services under IFRS 15 normally will qualify as distinct services which shall be accounted for as separate performance obligations. This means that Yara must allocate consideration to these freight services based on stand-alone selling prices, and recognize the corresponding revenue over time as the freight service is performed. However, since goods are typically sold ex-warehouse and the majority of deliveries to the customer's location are done within days, the timing effects in the consolidated financial statements are expected to be limited.

In some markets Yara also offers equipment and services to store or handle product. These additional goods and services are provided separately or they are bundled with the sale of product, or with each other. Compared with fertilizer and industrial products, external revenues derived from such sales have historically been very limited. Consequently, the IFRS 15 impact to these revenues is not material at the initial date of applying the standard. However, Yara's farmer-centric approach and strategy to increase its "knowledge margin" are expected to increase such sales going forward. As this will lead to a larger degree of integration of both new and existing Yara deliveries into solutions, representing multiple element transactions with customers, Yara expects to identify an increasing number of additional distinct products and services which qualify as performance obligations which have to be accounted for separately.

Yara must under IFRS 15 disclose more comprehensive information about the company's contracts with customers, including information which enables users of the financial statements to understand the relationship between the disclosure of disaggregated revenue and revenue information that is disclosed for each reportable segment. Furthermore, freight services which qualify as separate performance obligations should be presented as a separate category in the disclosure of revenue information.

IFRS 16 Leases (issued 2016)

IFRS 16 was issued in January 2016 and applies to annual periods beginning after 1 January 2019. The Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 will replace IAS 17 Leases and related interpretations from its effective date.

The standard provides a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset has a low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset, and a lease liability representing its obligation to make lease payments.

Yara will implement IFRS 16 from its effective date 1 January 2019, and is currently assessing the effects of implementing the Standard. The expected implementation method and impact on the consolidated financial statements are not yet determined. However, IFRS 16 will have an isolated negative effect on Alternative Performance Measures using total assets as a variable, including return on capital employed (ROCE). On the contrary, a positive impact on EBITDA is expected since the costs will be presented as depreciations and interest expense in the income statement, rather than operating lease expense. For cash return on gross investment (CROGI) there will be a positive effect on gross cash flow, but a negative effect on gross investments. Please see note 36 for more information about the Group's operating and financial lease commitments.

Foreign currency translation

Group companies

The individual financial statements of a subsidiary are prepared in the subsidiary's functional currency. This is normally the currency of the country where the subsidiary is located. 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, 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.

Transactions and balances

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 foreign currency translations are recognized in the income statement with the exception of foreign currency translations 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 foreign currency translations are recognized as a separate component of other comprehensive income until the disposal of the net investment or settlement of the monetary item. Then they are recognized in the consolidated statement of income. Tax charges and credits attributable to foreign currency translations on those borrowings are also recognized in other comprehensive income.

Foreign exchange hedges

To hedge the Group's currency exposure, Yara 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 businesses are accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquire. Acquisition-related costs are recognized in profit or loss as incurred.

At the acquisition date the identifiable assets acquired and the liabilities assumed, with limited exceptions, are recognized at their fair value.

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

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

Changes in the fair value of a contingent consideration that arise from additional information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date, are adjusted retrospectively with corresponding adjustments against goodwill.

Any contingent consideration to be transferred by Yara will be recognized at fair value at the acquisition date. Contingent considerations are classified as assets or liabilities and are measured at fair value with change in fair value recognized either in profit or loss or as a change in other comprehensive income. Contingent consideration not within the scope of IAS 39 is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured. Subsequent settlement is accounted for within equity.

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 where the accounting is incomplete. Those provisional amounts are adjusted, or additional assets or liabilities are recognized, within the next twelve months from the acquisition date 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, the amount recognized for non-controlling interest, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) 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 cash-generating units (CGUs) that are expected to benefit from the combination.

CGUs 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. Any impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the CGU, and then to the CGUs other assets on a pro rata basis of the carrying amounts. 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 joint arrangements is described under associated companies and joint arrangements below.

Assets held-for-sale

Non-current assets and disposal groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group), and its sale is highly probable. When the sale is highly probable the management is committed to the sale and the sale is expected to be completed within one year.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held-for-sale when the criteria described above are met. The Group discontinues the use of the equity method in relation to the portion that is classified as held-for-sale.

Non-current assets (and disposal groups) classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell.

Fair value measurement

The Group measures financial instruments, such as derivatives, at fair value at each balance sheet date. The Group does not hold significant non-financial assets or liabilities that are required to be measured at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the most advantageous market for the asset or liability in the absence of a principal market. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

All assets and liabilities for which fair value is measured at the balance sheet date or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

In estimating the fair value of an asset or liability, the Group uses market-observable data to the extent this is available. Where level 1 inputs are not available, the Group may engage external qualified valuation experts to perform the valuation.

Assets and liabilities acquired through business combinations are normally categorized in level 3 of the fair value hierarchy. The Group applies generally accepted valuation techniques for the relevant asset or liability. The discount factor used is entity specific, including various risk factors.

Revenue recognition

Please find a description of the nature of the Group's external revenues in note 6 Segment information.

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.

Contracts with larger customers often include sales incentives. Volume discounts are the dominant sales incentives used by Yara. Volume discounts are normally triggered when pre-defined volume thresholds are met. The discounts may have prospective or retrospective effect. Volume discounts with retrospective effect are systematically accrued based on discounts expected to be taken. The discounts are then recognized as reduction of revenue based on the best estimate of the amounts potentially due to the customer. If the discount cannot be reliably estimated, revenue is reduced by the maximum potential rebate.

The products are normally sold with standard warranties which provide protection to the customers that the product have the agreed-upon specifications. Consequently, product warranty are limited to quality issues on delivered product. These standard warranties are accounted for using IAS 37 Provisions, contingent Liabilities and Contingent Assets. The Group does not have any other significant obligations for returns or refunds.

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

Sale of equipment and services

In some markets the Group deliver equipment and services to store and handle products. To the extent these deliveries represent multiple element arrangements, they are analyzed into the separately identifiable components for revenue recognition. Revenue from sale of equipment is recognized upon delivery to the customer. Revenue from services is recognized by reference to the stage of completion of the contract. Compared to the sale of goods, revenue derived from sale of equipment and services is very limited.

Government grants

Government grants are recognized in the consolidated financial statement when the Group has reasonable assurance that it will comply with conditions attached to them and the grants will be received. 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 deducted in the carrying amount of the asset, and recognized in the statement of income on a systematic basis over the useful life of the asset as a reduction to depreciation expense.

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. It is accounted for by using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, carry forward of unused tax credits, and any unused tax losses, and 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 of other assets and liabilities in a transaction (other than in a business combination) that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, 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 there is probable that sufficient taxable profits are expected to reverse in the foreseeable future to utilize the benefits of the temporary differences.

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. If the tax relate to items recognized in other comprehensive income, the tax is also recognized as other comprehensive income. 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 acquired separately

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 estimated 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.

Research and development expenditures

Expenditure on research activities is expensed in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, an only if, all of the following have been demonstrated;

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- The intention to complete the intangible asset and use or sell it
- The ability to use or sell the intangible asset
- How the intangible asset will generate probable future economic benefits
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development

Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Exploration and evaluation expenditure

Yara incurs costs related to evaluation and exploration of phosphate and potash mining projects. Expenditures to acquire mineral interests and to carry out activities within pre-feasibility and definitive feasibility studies, are capitalized as exploration and evaluation expenditure within intangible assets until the projects has reached the development phase. 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 expenditures, including expenditures to acquire mineral interests, related to mines that find proven 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

Measurement

Property, plant and equipment (PP&E) is recognized at cost when there are probable future economic benefits and the cost can be measured reliably. The carrying value of PP&E is comprised of the historical 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. 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. Depreciation of an asset begins when it is available for use, which is defined to be when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management. Any decommissioning asset is depreciated over the useful life of the respective PP&E.

PP&E are depreciated on a straight-line basis over their expected useful life. Individual parts of PP&E with different useful lives are accounted for and depreciated separately. Expected useful lives and residual values are, unless immaterial, re-assessed annually. An asset's carrying amount is written down to its recoverable amount if the assets carrying amount is higher. Gain or loss due to sale or retirement of PP&E is calculated as the difference between sales proceeds and carrying value, and is recognized in the statement of income.

Repair and maintenance

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. Major replacements and renewals are capitalized and depreciated separately based on their specific useful lives, and any replaced assets are derecognized. All other repair and maintenance costs are expensed as incurred.

Stripping costs

Stripping costs (removal of mine waste materials) in the production phase of existing mines are capitalized as a component of existing tangible mine assets when the activity gives improved access to ore. Stripping activity assets are depreciated on a straight-line basis over the useful lives of the underlying mine assets.

Associated companies and joint arrangements

Associated companies are investments in companies where the Group has significant influence, but not control. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Significant influence normally exists when the Group controls between 20% and 50% of the voting rights. Yara currently has one investment with ownership less than 20% which is classified as an associate. Please see note 16 for more information.

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is either a joint operation or a joint venture. The classification depends upon rights and obligations of the parties to the arrangement. In a joint operation the parties have rights to the assets, and obligations for the liabilities, relating to the arrangement. In a joint venture the parties have rights to the net assets of the arrangement.

Investments in associates and joint ventures

The share of results, assets and liabilities of associated companies and joint ventures are incorporated into the consolidated financial statements using the equity method of accounting. Under the equity method of accounting, the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the Groups share of net assets of the investee. The profit or loss of the Group includes its share of the profit or loss of the investee, and the other comprehensive income of the Group includes its share of other comprehensive income of the investee.

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.

The equity-accounted investees are tested for impairment if indications of loss in value are identified. An impairment loss is recognized if the recoverable amount, estimated as the higher of fair value less costs to sell or value in use, is below the carrying value.

Accounting policies of equity-accounted investees are changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in joint operations

The Group recognizes in relation to its interests in a joint operation:

- Its assets, including its share of assets held jointly;
- Its liabilities, including its share of any liabilities incurred jointly;
- Its revenue from the sale of its share of the output arising from the joint operation;
- Its share of the revenue from the sale of the output by the joint operation and;
- Its expenses, including its share of any expenses incurred jointly.

The Group accounts for these assets, liabilities, revenues and expenses in accordance with the applicable IFRSs.

Inventory

Inventories are stated at the lower of cost, using the first-in first-out method ("FIFO"), and net realizable value. The cost of inventories comprise all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition, including direct materials, direct labor, and an appropriate portion of production overhead, or the purchase price of the inventory. Yara is using the standard costing method for cost measurement which take into account normal levels of materials and supplies, labour, efficiency and capacity utilization. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and other selling costs.

Impairment of non-current assets other than goodwill

Non-current assets other than goodwill are tested for impairment annually, or whenever events or changes in circumstances indicate that such carrying amounts may not be recoverable. Indications that could trigger an impairment test include for instance:

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

An impairment loss is recognized to the extent that the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate.

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 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 exists. 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.

Past service costs arising from the amendment of plan benefits, are recognized immediately in profit or loss. Remeasurement gains and losses are recognized as retained earnings through other comprehensive income in the period they occur, and will not be reclassified to profit or loss in subsequent periods.

Defined contribution plans

Obligations for contributions to defined contribution 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

Yara's long-term incentive program for Yara Management and top executives 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. Yara purchases the 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 37. If an executive does not meet the vesting conditions the net proceeds must be returned to Yara and will be recognized directly against equity.

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

Provisions

A provision is recognized when the Group has a present obligation (legal or constructive) following a past event, it is probable that an outflow of resources embodying economic benefits will be required 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. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of the 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 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 provisions. An onerous contract is considered to exist where the Group has a contract where the unavoidable costs of meeting the obligations under it exceeds the economic benefits expected to be received from the contract.

Decommissioning

Decommissioning refers to the process of dismantling and removing of equipment and site restoration when a site is closed down. A liability is recognized as soon as a decommissioning obligation arises. The obligation can be legal or constructive, and is accounted for based on a best estimate discounted to the present value. The unwinding charge of the discounted provision is recognized in the income statement as financial expense. If an obligation arises during construction or due to new legal requirements, the cost estimate of decommissioning is capitalized and depreciated over the useful life of the asset. If an obligation arises as a result of day-to-day operations where the asset has been used to produce inventory, the cost is expensed as incurred.

Environmental provisions

When a probable environmental obligation arises as a result of a past event, 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

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. 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 comprises 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 using the effective interest method. 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. Subsequently, such assets are 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

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exits if one or more events after the initial recognition of the asset (an incurred "loss event"), have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

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 using the effective interest method.

Derivative financial instruments

The Group uses derivative financial instruments to hedge exposure against currency risk, interest rate risk and commodity price risk arising in operating, financing and investment activities. These derivatives are initially recognized at fair value on the date a derivative contract is entered into, and are subsequently re-measured to their fair value at each balance sheet date.

On a running basis, the Group enters into sale and purchase transactions for physical gas, ammonia and other commodities. The majority of these transactions relate to the Group's expected sale, purchase or usage requirements, and are measured at cost according to the own use exemption in IAS 39. However, some transactions falls within the scope of IAS 39 as they can be settled net and do not qualify for the own use exemption. These are accounted for as derivatives at fair value under IAS 39 in the statement of financial position. Gains and losses arising from changes in fair value on these derivatives, and that do not qualify for hedge accounting, are recognized in the consolidated statement of income.

Fair value on 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. If the derivative is designated and effective as a hedging instrument, 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

Embedded derivatives 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 instruments in cash flow hedges are recognized in equity until the hedged transactions are recognized. Any ineffective part of a 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. Any ineffective part of a hedge is recognized in the consolidated statement of income.

Hedge accounting ceases when the hedging instrument expires, is sold, terminated or exercised. Hedge accounting also ceases if the hedge relationship for some reason no longer 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 are 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.

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, judgments and assumptions

General

The preparation of consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the use of Yara's accounting policies requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are considered 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 judgments, estimates and assumptions may significantly differ from actual results are discussed below.

Key sources of estimation uncertainty

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 2016, mainly due to uncertain economic conditions in local markets. None of these facilities were temporarily or permanently closed at the end of 2016. Already recognized impairments have been evaluated for reversals. Total impairment write-down recognized on property, plant and equipment in 2016 was NOK 404 million. The carrying amount of property, plant and equipment at 31 December 2016 is NOK 59,739 million. See note 14 and 19 for further details.

Equity-accounted investees

Yara has a number of associated entities and joint ventures. 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 and political risk in the area where it operates. Yara carries out impairment testing if and when there are impairment indicators. No impairment write-down was recognized on equity-accounted investees in 2016. The total carrying value of equity-accounted investees at 31 December 2016 is NOK 9,190 million. See note 16 for more information.

Goodwill and other intangible assets

Determining whether goodwill and other intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which goodwill and other intangible assets have 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 value of goodwill and other intangible assets at 31 December 2016 is NOK 7,001 million and NOK 2,182 million, respectively. Yara recognized impairment of goodwill and other intangible assets of NOK 169 million in 2016, of which NOK 140 million was related to Yara Dallol. Details of recognized goodwill are provided in note 13 and the impairment information, including sensitivity disclosures, is provided in note 19. Other intangible assets mainly comprises 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. See note 13 and 19 for further details.

Inventory

Yara has significant carrying amounts related to inventory recognized in the consolidated statement of financial position. As some of Yara's products are traded in markets where there are limited observable market references available, estimates and assumptions are required in determining net realizable value. Management has used its best estimates in setting net realizable value for inventory. The carrying amount of inventory at 31 December 2016 is NOK 17,580 million and write-down at year-end is NOK 139 million. See note 20 for more information.

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 these assets should be recognized, also taking into consideration that stronger evidence for utilization is required for entities with a history of recent tax losses. The carrying amounts of deferred tax assets and deferred tax liabilities are NOK 2,585 million and NOK 4,396 million, respectively, at 31 December 2016. The amount of unrecognized deferred tax assets is NOK 2,054 million, of which NOK 1,287 million is related to unused tax losses in Brazil. Further information about deferred tax is provided in note 11. Yara's operations in Brazil also generate sales related tax credits. Recognition of these assets are based on Management assumptions related to future operating results and timing of utilization. Yara has recognized NOK 955 million of such tax credits that are classified as non-current assets.

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 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 2016 is NOK 3,656 million. The gross pension liabilities have a carrying value of NOK 16,905 million at the same date. Detailed information, including sensitivity disclosures, is provided in note 26.

Critical judgements in applying accounting policies

Assessment of influence and control and classification of joint arrangements

Management has used judgment in relation to the classification of Yara Freeport LLC DBA Texas Ammonia as and classified it as a joint operation. The unit is constructing an ammonia plant in the US. The company is owned 68% by Yara but controlled jointly with the other owner. The reason for the classification as a joint operation is that the partners have equal number of board representatives and relevant activities that significantly affect the return on the investment requires the approval of representatives from both partners. The same judgment have been made for the 55% owned Yara Pilbara Nitrates and the 49% owned Tringen, also on the basis of required consensus when making relevant decisions. See note 17 for further details on joint operations.

Step-up of tax base in Australia

The step-up of the tax base for various assets as part of the transaction with the non-controlling interest in Yara Pilbara Holding (Pilbara) in 2015 was finally submitted in 2016. The calculation resulted in a NOK 814 million positive adjustment to Yara's net deferred tax position. Management has used judgements related to the allocation of the purchase price to various tax assets. The transaction is considered an equity transaction by the Management since it was triggered by a transaction with the non-controlling interest, also classified as an equity transaction. See note 11 for more information.

Divestments

Management has determined that the sale of Yara's European CO_2 business in 2016, including the associate Yara Praxair, and the sale of the associate GrowHow UK in 2015 do not qualify as discontinued operations on the basis that neither of these represented a separate major line of business or a geographical area of operations for Yara. See note 4 for more information.

Note 2 Composition of the group

The consolidated financial statement of Yara comprises 156 legal companies that are controlled by Yara. The material subsidiaries are disclosed in the table below, including the main parent(s). This list also includes major holding companies.

Subsidiaries	Ownership	Registered office	Main parent(s)
Yara Argentina S.A.	100.0%	Argentina	Yara Holdings Spain S.A.U.
Yara Australia Pty Ltd.	100.0%	Australia	Yara Technology B.V.
Yara Nipro Pty Ltd.	100.0%	Australia	Yara Australia Pty Ltd.
Yara Pilbara Fertilisers Pty Ltd.	100.0%	Australia	Yara Pilbara Holdings Ltd.
Yara Pilbara Holdings Pty Ltd.	100.0%	Australia	Yara Australia Pty Ltd. (51%) and Chemical Holdings Pty Ltd. (49%)
Chemical Holdings Pty Ltd.	100.0%	Australia	Yara Australia Pty Ltd.
Yara Barbados Inc.	100.0%	Barbados	Fertilizer Holdings AS
Yara Belgium S.A.	100.0%	Belgium	Yara Nederland B.V.
Yara S.A.	100.0%	Belgium	Yara Belgium S.A.
Yara Tertre S.A.	100.0%	Belgium	Yara Belgium S.A.
Yara Trinidad Ltd.	100.0%	Bermuda	Yara Caribbean Ltd.
Yara Agrofertil S.A. Indústria e Comércio de Fertilizantes	100.0%	Brazil	Yara Brasil Fertilizantes S.A.
Galvani Industria, Comercio e Servicos S.A.	60.0%	Brazil	YARA Agrofértil S.A. Indústria e Comércio de Fertilizantes
Yara Brasil Fertilizantes S.A.	100.0%	Brazil	Yara South America Investments B.V.
Yara Belle Plaine Inc.	100.0%	Canada	Yara Canada Holding Inc.
Yara Canada Holding Inc.	100.0%	Canada	Fertilizer Holdings AS
Yara Canada Inc.	100.0%	Canada	Fertilizer Holdings AS
Yara Trading (Shanghai) Co. Ltd.	100.0%	China	Yara Asia Pte Ltd.
Yara Colombia S.A.	98.0%	Colombia	OFD Holding S. de R.L. (50.4%) and Yara International ASA (47.6%)
Yara Costa Rica S. de R.L.	87.5%	Costa Rica	Yara Iberian S.A.U.
Yara Danmark Gødning A/S	100.0%	Denmark	Yara Chemical Holding Danmark A/S
Yara Chemical Holding Danmark A/S	100.0%	Denmark	Fertilizer Holdings AS
Yara Phosphates Oy	100.0%	Finland	Yara Suomi Oy
Yara Suomi Oy	100.0%	Finland	Yara Nederland B.V.
Yara France SAS	100.0%	France	Yara Nederland B.V.
Yara Besitz GmbH	100.0%	Germany	Yara GmbH & Co. KG
Yara Beteiligungs GmbH	100.0%	Germany	Yara Nederland B.V.
Yara Brunsbüttel GmbH	100.0%	Germany	Yara GmbH & Co. KG
Yara Environmental Technologies GmbH	100.0%	Germany	Yara GmbH & Co. KG
Yara GmbH & Co. KG	100.0%	Germany	Yara Investments Germany S.E.

Table continues >>

>> Table continued

Subsidiaries	Ownership	Registered office	Main parent(s)
Yara Industrial GmbH	100.0%	Germany	Yara GmbH & Co. KG
Yara Investment GmbH	100.0%	Germany	Yara GmbH & Co. KG
Yara Ghana Ltd.	100.0%	Ghana	Yara Nederland B.V.
Yara Hellas S.A.	100.0%	Greece	Yara Nederland B.V.
Yara Guatemala S.A.	100.0%	Guatemala	Yara International ASA
Yara Hungaria Gyarto es Kereskedelmi KFT	100.0%	Hungary	Yara Suomi Oy
P.T. Yara Indonesia	100.0%	Indonesia	Yara Asia Pte Ltd.
Yara Insurance Dac	100.0%	Ireland	Fertilizer Holdings AS
Yara Italia S.p.A.	100.0%	Italy	Yara Investment GmbH (72.3%) and Yara Nederland B.V. (27.7%)
Yara East Africa Ltd.	100.0%	Kenya	Yara Overseas Ltd.
Yara International (Malaysia) Sdn. Bhd.	70.0%	Malaysia	Yara Asia Pte Ltd.
Yara México S. de R.L. de C.V.	99.9%	Mexico	OFD Holding S. de R.L. (70.7%) and Yara Nederland B.V. (29.2%)
Fertilizer Holdings AS	100.0%	Norway	Yara International ASA
Yara Marine Technologies AS	63.3%	Norway	Marine Global Holding AS
Marine Global Holding AS	63.3%	Norway	Fertilizer Holdings AS
OFD Holding S. de R.L.	100.0%	Norway	Fertilizer Holdings AS
Yara AS	100.0%	Norway	Fertilizer Holdings AS
Yara Norge AS	100.0%	Norway	Yara International ASA
Yara LPG Shipping AS	100.0%	Norway	Fertilizer Holdings AS
Yara Peru S.R.L.	100.0%	Peru	OFD Holding S. de R.L.
Yara Fertilizers Philippines Inc.	100.0%	Philippines	Yara Asia Pte Ltd.
Yara Poland Sp.zo.o	100.0%	Poland	Yara Nederland B.V.
Yara Asia Pte Ltd.	100.0%	Singapore	Yara International ASA
Yara Animal Nutrition South Africa (Pty) Ltd.	100.0%	South Africa	Yara Phosphates Oy
Yara Africa Fertilizers (Pty) Ltd.	100.0%	South Africa	Yara Nederland B.V.
Yara Holdings Spain S.A.U.	100.0%	Spain	Yara Nederland B.V.
Yara Iberian S.A.U.	100.0%	Spain	Yara Holdings Spain S.A.U.
Yara AB	100.0%	Sweden	Yara Holding Sverige AB
Yara Holding Sverige AB	100.0%	Sweden	Fertilizer Holdings AS
Yara Switzerland Ltd.	100.0%	Switzerland	Yara Nederland B.V.
Yara Tanzania Ltd.	100.0%	Tanzania	Fertilizer Holdings AS
Yara Thailand Ltd.	100.0%	Thailand	Yara Asia Pte Ltd.
Yara Dallol B.V.	51.8%	The Netherlands	Yara Nederland B.V.
Yara Benelux B.V.	100.0%	The Netherlands	Yara Nederland B.V.
Yara Finance Coöperatief W.A.	100.0%	The Netherlands	Fertilizer Holdings AS
Yara Finance Netherlands B.V.	100.0%	The Netherlands	Yara Finance Coöperatief W.A.
Yara Holding Netherlands B.V.	100.0%	The Netherlands	Fertilizer Holdings AS
Yara Industrial B.V.	100.0%	The Netherlands	Yara Holding Netherlands B.V.
Yara Investments Germany B.V.	100.0%	The Netherlands	Yara Nederland B.V.
Yara Nederland B.V.	100.0%	The Netherlands	Yara Holding Netherlands B.V.
Yara Sluiskil B.V.	100.0%	The Netherlands	Yara Nederland B.V.
Yara South America Investments B.V.	100.0%	The Netherlands	Yara Nederland B.V.
Yara Technology B.V.	100.0%	The Netherlands	Yara Nederland B.V.
Yara Vlaardingen B.V.	100.0%	The Netherlands	Yara Nederland B.V.
Yara Caribbean Ltd.	100.0%	Trinidad and Tobago	Yara Barbados Inc.
Yara Overseas Ltd.	100.0%	United Kingdom	Yara UK Ltd.
Yara UK Ltd.	100.0%	United Kingdom	Fertilizer Holdings AS
Yara North America Inc.	100.0%	United States	Yara International ASA
Freeport Ammonia LLC	100.0%	United States	Yara North America Inc.
Yara West Sacramento Terminal LLC	100.0%	United States	Yara North America Inc.
Yara Fertilizer Zambia Ltd.	100.0%	Zambia	Yara Nederland B.V.

Note 3

Business combinations

Business combinations 2016

On 1 April 2016, Yara acquired Greenbelt Fertilizers for a consideration of NOK 404 million. Greenbelt Fertilizers is a distributor of fertilizers in Zambia, Malawi and Mozambique and owns three blending plants and three warehouses. The main reason for the acquisition is to further improve Yara's downstream position within a fast-growing agricultural region. The acquired business is included in the Crop Nutrition segment.

Consideration

NOK millions	Greenbelt 1 April	Other transactions
Cash transferred	360	120
Deferred consideration and earn out [1]	44	8
Total considerations	404	128

1) The earn out agreement for Greenbelt is limited to USD 6 million.

Acquisition-related costs amounting to NOK 3 million for the Greenbelt acquisition 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.

Identifiable assets acquired and liabilities recognized at the date of acquisition (fair value)

NOK millions	Greenbelt 1 April	Other transactions
Assets		
Customer relationships, part of intangible assets	23	-
Other, part of intangible assets	31	-
Property, plant and equipment	95	63
Inventories	171	-
Trade receivables	276	-
Prepaid expenses and other current assets	9	-
Cash and cash equivalents	4	-
Total assets	609	63
Liabilities		
Trade and other payables	69	-
Other short-term liabilities	174	-
Total liabilities	243	-
Total identifiable net assets at fair value	367	63

The receivables acquired in the business combination have a gross contractual amount equal to their fair value.

The initial accounting for the acquisitions have only been provisionally determined at the end of the reporting period. The tax values are impacted by the transaction.

For the Greenbelt acquisition goodwill of NOK 37 million arose due to future economic benefits from the assembled workforce. It also reflects a willingness to pay for operational benefits in raw material sourcing and increased sale of premium offering products. For other transactions a goodwill of NOK 65 million was recognized. Total impact of the acquisitions on the total assets of the Group was NOK 646 million for Greenbelt and NOK 128 million for other transactions.

The net cash outflow on acquisitions of Greenbelt and other transactions was NOK 356 million and NOK 120 million respectively. Net cash outflow is presented as part of "Cash outflow on business combinations" in the consolidated statement of cash flows.

In 2016 Yara recognized revenues of NOK 406 million (of which NOK 85 million was internal) and a negative EBITDA of NOK 25 million related to Greenbelt. Net income before tax was negative NOK 71 million. Yara has reported a consolidated income before tax of NOK 8,363 million. If the combination had taken place at the beginning of the year, Yara's 'pro-forma' YTD consolidated income before tax would have been NOK 8,360 million.

In determining the 'pro-forma' net income before tax the following adjustments have been made:
- calculated depreciation of 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 business combination.

Business combinations 2015
In December 2015, Yara acquired the assets of West Sacramento Nitrogen Operations (USA) from Agrium for a purchase price of NOK 239 million, mainly allocated to property, plant and equipment. The site is used as an import terminal for finished products and complements Yara's terminals in San Diego, Stockton and Port Hueneme.

The business combinations completed in 2015 are regarded non-material both individually and combined, therefore no detailed information is disclosed. Yara paid significant deferred and contingent considerations in 2015 related to business combinations in 2014. These cash flows are presented in the table below.

Considerations paid during 2015

NOK millions	Galvani 1 December 2014	OFD 1 October 2014	Other 2015
Cash transferred	-	-	260
Deferred and contingent considerations paid	1,091	58	-
Cash and cash equivalent balances acquired	-	-	(3)
Total considerations paid	1,091	58	257

Note 4 Divestments

Divestments 2016
On 1 June 2016, Yara completed the sale of its European CO_2 business, including sale of its 34% stake in Yara Praxair Holding AS. The CO_2 business has been classified as a disposal group held-for-sale since fourth quarter 2015.

Yara's European CO_2 business sold approximately 800 thousand metric tonnes of liquid CO_2 and 60 thousand metric tonnes of dry ice, delivering an EBITDA of EUR 19.5 million and revenues of EUR 112 million primarily from the food and beverage industry. The business operates five CO_2 liquefaction plants, three CO_2 ships, seven ship terminals and six dry ice production facilities. The equity-accounted investee, Yara Praxair Holding, operating in Scandinavia and formed in 2007, had an EBITDA of EUR 36 million and revenues of EUR 141 million in 2015 (100% basis).

The sale also includes an agreement for Yara to supply Praxair with raw CO_2 gas and continue to operate three of the CO_2 liquefaction units which are integrated within Yara's fertilizer plants.

The CO_2 business is part of Yara's Industrial segment but the transaction also includes certain assets reported in the Production segment.

Carrying values of derecognized assets and liabilities at the date of closing

NOK millions	Production	Industrial	Total
Assets			
Intangible assets	-	52	52
Property, plant and equipment	92	819	911
Equity-accounted investees	-	231	231
Inventories	6	21	27
Trade receivables	-	192	192
Prepaid expenses and other current assets	-	4	4
Cash and cash equivalents	-	3	3
Total assets	98	1,321	1,419
Liabilities			
Long-term provisions	-	27	27
Deferred tax liabilities	-	5	5
Trade and other payables	-	47	47
Bank loans and other interest-bearing short term debt	-	1	1
Other short-term liabilities	-	19	19
Total liabilities	-	99	99

Assets and liabilities were presented as a disposal group held-for-sale since 2015.

Gain on divestment

NOK millions	Production	Industrial	Total
CO_2 business	220	677	896
Yara Praxair Holding AS	-	655	655
Net gain on divested assets	220	1,332	1,552

A currency translation gain on foreign operations of NOK 22 million has been reclassified from other comprehensive income to the statement of income on disposal. The reported net gain also includes transaction related costs of NOK 16 million.

Net cash flow on divested assets

NOK millions	Total
Cash received sale of CO_2 business	1,996
Cash received sale of Yara Praxair Holding AS	853
Cash transferred	(3)
Net cash flow on divested assets	2,846

Divestments 2015

On 31 July 2015, Yara sold its 50% stake in GrowHow UK Group Limited to CF Industries. Yara and CF Industries have each owned 50% of GrowHow UK since 2007 and 2010 respectively. GrowHow UK has two production sites in Ince and Billingham with a total production capacity of approximately 0.8 million tonnes of ammonia, 1.1 million tonnes of ammonium nitrate and 0.5 million tonnes of compound NPK. With limited export possibilities, GrowHow UK primarily serves the UK fertilizer market. The investment in GrowHow UK was accounted for based on the equity method.

The table below presents the impact of GrowHow UK on the various financial statements of Yara:

NOK millions	2015
Statement of income	
Other income	3.199
Share of net income in equity-accounted investees	131
Statement of other comprehensive income	
Exchange differences on foreign operations disposed of in the year	(312)
Exchange differences on translation of foreign operations	180
Remeasurements of the net defined benefit pension liability for equity-accounted investees	11
Statement of cash flows	
Proceeds from sales of other long-term investments	4.794

Note 5 Other business initiatives

Other business initiatives 2016

On 10 August 2016, Yara entered into an agreement to acquire the Tata Chemicals Ltd ("TCL") Babrala urea plant and distribution business in Uttar Pradesh, India, for INR 26,696 million (USD 400 million) on a debt and cash free basis, including normalized net working capital. The plant has an annual production of 0.7 million tonnes ammonia and 1.2 million tonnes urea, and generated revenues and EBITDA of respectively USD 350 million and USD 35 million in the fiscal year ended 31 March 2016. The plant was commissioned in 1994, and is the most energy efficient plant in India, with energy efficiency on par with Yara's best plants. The agreement will be subject to regulatory approvals and sanctioning by the relevant courts in India, a process which is expected to take 9-12 months after which closing of the transaction can take place.

On 11 April 2016, Yara announced that it will invest approximately BRL 1 billion (USD 275 million) in expanding and modernizing its Rio Grande plant, which is strategically located in southern Brazil, a key region in the country's growing agricultural industry. Set for completion in 2020, the investment will create one of the biggest and most modern fertilizer sites in the Americas. The expansion project will double the site's current 800,000 tonnes annual fertilizer production and blending capacity, and provide customers with increased access to Yara's premium products, thereby reducing reliance on finished fertilizer imports. It will also improve health, environment, safety and quality performance, including substantially lower emissions than required by legislation. The scope includes new warehouses, new acidulation and granulation lines, fully automated blending and bagging equipment for small (50 kg) and big (1 tonne) bags, a boiler for steam production, a wastewater treatment plant and rest areas for truck drivers.

Other business initiatives 2015

In 2015, Yara acquired an additional 49% interest in Yara Pilbara Holding (Pilbara) and reduced its ownership in Yara Dallol (Dallol) from 69% to 51.8%. See note 25 for more information

Yara announced on 29 July 2015 that it will be investing USD 263 million in Sluiskil, Netherlands, to increase granulation capacity enabling increased production of granular urea with sulphur, and nitrates. The new granulator will have an annual capacity of 660,000 tonnes of urea with sulphur. In parallel with increasing urea production, Sluiskil will reduce UAN production by approximately 230,000 tonnes per annum, freeing up nitric acid capacity enabling 130,000 tonnes per annum of additional CAN production. The new plant will be based on technology developed by Yara. Completion is expected in second half 2017.

On 19 February 2015, Yara announced that it has agreed with BASF to build a world scale ammonia plant in Texas. The ammonia plant is owned 68% by Yara and 32% by BASF. The plant will have a capacity of about 750,000 metric tonnes per year. Each party will off-take ammonia from the plant in accordance with its equity share. Total capital investment for the plant is estimated to USD 600 million. The feedstock contracts have take-or-pay clauses, partly supported by guarantees from Yara and BASF. The total take-or-pay commitment on Yara's share is USD 488 million (undiscounted). In addition, Yara is building an ammonia tank at the BASF terminal bringing Yara's total investments to USD 490 million. BASF will upgrade its current terminal and pipeline assets. The plant is expected to be completed by the end of 2017. Yara is managing the construction of the plant, while BASF will operate the plant and the export terminal. The entity is classified as a joint operation and Yara accounts for the assets, liabilities, revenues and expenses relating to its 68% interest in the investment.

Note 6 Segment information

The operating segments presented are the key components of Yara's business. These segments are managed and monitored as separate and strategic businesses, and are evaluated on a regular basis by Yara's senior management. Financial and operational information are prepared for each segment, and the information disclosed is basically the same as used by Yara's senior management to assess performance and allocate resources.

Crop Nutrition

The Crop Nutrition 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, Crop Nutrition is represented in 57 countries and sells to approximately 160 countries. The segment also includes smaller production facilities for products which are primarily marketed in the region where they are located.

The Crop Nutrition segment sells a comprehensive portfolio of nitrogen-based fertilizer including ammonia, urea, urea ammonium nitrate (UAN), calcium ammonium nitrate (CAN), ammonium nitrate (AN), calcium nitrate (CN), and compound fertilizer (NPK) which contains all of the three major plant nutrients: nitrogen (N), phosphorus (P) and potassium (K). The segment also sells phosphate- and potash-based fertilizers, which to a large extent are sourced from third parties. In some markets the segment also delivers equipment and services to store or handle products.

Fertilizer products are mainly sold spot to distributors based on ordinary purchase orders and frame agreements. In some cases the products are also sold directly to farmers, to co-operatives, or as spot sales without frame agreements. The composition of customers and products sold differs between local and regional markets, and the off-take of product varies through the fertilizer seasons in the different markets.

The major part of volume sold is purchased from the Production segment based on arm's length pricing. Consequently, the Crop Nutrition segment mainly generates margins through distribution, management of working capital, and sales and marketing activities, rather than manufacturing of product. The segment therefore has a high capital turnover, a relatively low EBITDA margin compared with revenues, and a low ratio of property, plant and equipment to total assets compared to a production-oriented fertilizer operation.

Industrial

The Industrial segment sells urea, ammonia, phosphate, nitric acid, technical ammonium nitrate (TAN) and calcium nitrate (CN) for industrial applications within base chemicals, mining applications, animal nutrition, environmental solutions and industrial nitrates. These products are based on Yara's core production outputs, and the majority of volume sold is purchased from the production segment based on arm's length pricing. The customers are mainly large, industrial companies which use the products in their own production processes. In addition, the segment also sells products to distributors and other customers. The customer contracts are to a large extent medium to long term contracts which specify minimum purchase/maximum delivery. However, product is also sold spot based on ordinary purchase orders. In some markets the segment also delivers equipment and services to store or handle products.

The Industrial segment offers a growing portfolio of environmental solutions, technology and services, including a total solution of reagents, technology and service for NO_x abatement for industrial plants and transport on both land and sea. The main external revenues within this area are derived from the product AdBlue/Air1, a high specification urea-based reagent used by heavy-duty diesel vehicles to reduce nitrogen oxide emission. Together with sales of nitrogen chemicals to the European process industry and the global industrial explosives industry, environmental solutions represent the segment's main markets.

Production

The Production segment comprises Yara's manufacturing plants producing ammonia, fertilizer and industrial products. In addition, Yara's mining operations are reported within the Production segment. About 80 percent of the sales in the segment are group internal sales. The segment's external sales mainly relate to Yara's global trade and shipping of ammonia, but also some fertilizer sales since for instance Galvani is reported as one single operation within the segment.

The Production segment holds ownership interests in several associates and joint arrangements. The investments in Trinidad Nitrogen Company Ltd, Yara Pilbara Nitrates Pty Ltd and Yara Freeport LLC DBA Texas Ammonia are classified as joint operations, for which Yara consolidates its share of assets, liabilities, revenues and expenses. The investments in joint ventures and associates are accounted for using the equity method of accounting. Please find additional information about the accounting for joint arrangements and associates in the accounting policies section and separate notes.

The Production segment's operating results are strongly linked to its production margins, which are primarily driven market prices for ammonia, urea, phosphoric acid, as well as energy and raw materials such as phosphate rock and potash. In addition, operating results can be strongly influenced by movements in currency exchange rates. Variations in the Production segment's operating results are comparable to other fertilizer producers, and typically results are less stable than those of Yara's Crop Nutrition and Industrial segments.

Consolidated financial segment information

Yara's steering model reflects management's focus on Alternative Performance Measures. EBITDA 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, amortization and impairment loss, as well as amortization of excess value in associated companies and joint ventures. In addition the segments are measured on CROGI (Cash Return on Gross Investment) and ROCE (Return on Capital Employed). CROGI is defined as gross cash flow after tax divided by gross investment. ROCE is as an additional performance measure to CROGI to simplify benchmarking with other companies, and is defined as EBIT minus tax divided by average capital employed.

Inter-segment sales and transfers are based on the arm's-length principle reflecting 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 Production-, Crop Nutrition-, or Industrial segment, are reported separately as "Other and eliminations". These include interest income and expenses, foreign currency translation gains and losses, the net effect of pension plans, corporate overhead costs, and other costs not allocated to the operating segments. In addition, elimination of gains and losses related to transactions between the segments is reported as "other and eliminations".

Operating segment information, Consolidated statement of income

NOK millions, except percentages	Notes	2016	2015
External revenues and other income			
Crop Nutrition		72,677	80,198
Industrial		16,074	17,233
Production		8,472	14,383
Other and eliminations		(52)	82
Total		97,170	111,897
Internal revenues and other income			
Crop Nutrition		1,531	1,591
Industrial		108	113
Production		33,316	41,429
Other and eliminations		(34,954)	(43,132)
Total		-	-
Revenues and other income			
Crop Nutrition		74,207	81,789
Industrial		16,181	17,346
Production		41,788	55,812
Other and eliminations		(35,006)	(43,050)
Total		97,170	111,897
Operating expenses excl depreciation, amortization and impairment loss			
Crop Nutrition		(69,268)	(76,056)
Industrial		(13,341)	(15,968)
Production		(34,801)	(41,103)
Other and eliminations		35,438	42,267
Total		(81,972)	(90,860)
Depreciation, amortization and impairment loss			
Crop Nutrition		(821)	(760)
Industrial		(98)	(204)
Production		(5,390)	(5,867)
Other and eliminations		(118)	(102)
Total	9	(6,427)	(6,933)
Operating Income			
Crop Nutrition		4,118	4,973
Industrial		2,742	1,174
Production		1,597	8,842
Other and eliminations		314	(886)
Total		8,771	14,104
Share of net income in equity-accounted investees			
Crop Nutrition		30	26
Industrial		63	102
Production		(441)	(438)
Total	16	(348)	(310)
Interest income and other financial income			
Crop Nutrition		501	428
Industrial		11	6
Production		150	117
Other and eliminations		64	54
Total	10	725	605
EBITDA			
Crop Nutrition		5,470	6,188
Industrial		2,916	1,489
Production		6,681	14,414
Other and eliminations		496	(729)
Total		15,563	21,361

Operating segment information, Other

NOK millions	Notes	2016	2015
Reconciliation of EBITDA to Income before tax			
EBITDA		15,563	21,361
Depreciation and amortization [1]	9	(6,414)	(6,962)
Foreign currency translation gain/(loss)	10	115	(2,463)
Interest expense and other financial items	10	(901)	(1,291)
Income before tax		8,363	10,644
EBIT			
Crop Nutrition		4,649	5,428
Industrial		2,816	1,282
Production		1,306	8,521
Other and eliminations		377	(832)
Total		9,149	14,398
Investments [2]			
Crop Nutrition		1,462	1,455
Industrial		205	242
Production		12,017	9,519
Other and eliminations		173	101
Total		13,856	11,316

1) Including amortization and impairment of excess value in equity-accounted investees
2) Includes investments in property, plant and equipment, intangible assets, equity-accounted investees and other equity investments.

Operating segment information, Alternative Performance Measures

NOK millions, except percentages	Notes	2016	2015
Gross cash flow after tax [1]			
Crop Nutrition		4,315	4,837
Industrial		2,228	1,194
Production		6,245	12,174
Other and eliminations		697	323
Total		13,485	18,528
Gross investment [2]			
Crop Nutrition		27,428	27,710
Industrial		4,048	5,464
Production		110,954	100,661
Other and eliminations		(1,172)	(1,585)
Total		141,258	132,250
Cash Return on Gross Investment (CROGI)			
Crop Nutrition		15.7%	17.5%
Industrial [4]		55.0%	22.0%
Production		5.6%	12.1%
Total [3]		9.5%	14.0%

1) Defined as EBITDA less total tax expense, excluding tax on net foreign currency translation 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 25% is used for the segments. These two effects explain the higher CROGI for Yara in total than for the segments. See page 52 "Definitions and variance analysis" for more information.
4) 2016 includes gain on sale of the European CO_2 business.

Operating segment information, Alternative Performance Measures

NOK millions, except percentages	Notes	2016	2015
Earnings before interest, after tax			
Crop Nutrition		3,495	4,077
Industrial		2,128	987
Production		869	6,281
Other and eliminations		577	220
Total		7,069	11,565
Capital employed 1)			
Crop Nutrition		23,826	24,607
Industrial		3,436	4,009
Production		68,670	63,202
Other and eliminations		(1,829)	(2,094)
Total		94,103	89,723
Return on capital employed (ROCE)			
Crop Nutrition		14.7%	16.6%
Industrial 3)		61.9%	24.6%
Production		1.3%	9.9%
Total 2)		7.5 %	12.9%

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.
2) Cash and other liquid assets are included in capital employed when calculating the ROCE for the segments, but not included for Total. In addition, actual Yara tax is used for calculating the Yara ROCE while a tax rate of 25% is used for the segments. These two effects explain the variance in ROCE between Yara segments. See page 52 "Definitions and variance analysis" for more information.
3) 2016 includes gain on sale of the European CO_2 business.

Operating segment information, Consolidated statement of financial position

NOK millions	Notes	2016	2015
Assets 1)			
Crop Nutrition		33,582	36,057
Industrial		4,760	6,509
Production		80,125	75,077
Other and eliminations		2,038	1,220
Total		120,505	118,863
Current assets 1)			
Crop Nutrition		23,284	26,373
Industrial		3,337	5,126
Production		11,733	12,638
Other and eliminations		(1,787)	(2,956)
Total		36,567	41,182
Non-current assets 1)			
Crop Nutrition		10,298	9,683
Industrial		1,423	1,383
Production		68,392	62,465
Other and eliminations		3,825	4,150
Total		83,938	77,681
Equity-accounted investees			
Crop Nutrition		355	357
Industrial		290	276
Production		8,545	9,136
Total	16	9,190	9,769

1) Assets excludes internal cash accounts and accounts receivable related to group relief.

Information about products and major customers

Revenues by product group

NOK millions		2016		2015
Ammonia		7,889		11,813
of which industrial products	2,465		3,435	
Urea		17,034		20,394
of which fertilizer	11,048		14,038	
of which Yara-produced fertilizer	5,289		5,490	
of which Yara-produced industrial products	4,679		5,058	
of which equity-accounted investees	3,850		5,695	
Nitrate		13,344		15,972
of which fertilizer	11,248		13,746	
of which Yara-produced fertilizer	10,447		12,415	
of which Yara-produced industrial products	1,740		1,721	
NPK		32,308		32,811
of which Yara-produced compounds	17,528		17,887	
of which Yara-produced blends	13,843		13,560	
CN		4,224		4,187
of which fertilizer	3,319		3,329	
of which Yara-produced fertilizer	3,265		3,271	
of which Yara-produced industrial products	873		796	
UAN		2,377		2,803
of which Yara-produced fertilizer	1,926		2,221	
DAP/MAP		3,314		3,827
MOP/SOP		3,381		3,841
SSP		1,844		1,840
Other products		9,530		10,523
of which industrial products	3,208		4,162	
Total sales		95,245		108,011

Yara serves a large number of customers. No revenues from transactions with any single customer amount to ten percent or more of Yara's total revenues.

Information about geographical areas

NOK millions	Revenues [1] 2016	Revenues [1] 2015	Non-current assets [2] 2016	Non-current assets [2] 2015	Investments [2] 2016	Investments [2] 2015
Belgium	1,457	1,662	1,623	1,733	392	236
Denmark	1,472	1,687	269	229	63	15
Finland	1,759	1,950	6,967	6,590	1,496	1,395
France	5,341	7,506	1,541	1,387	635	419
Germany	3,721	4,773	2,463	2,509	448	699
Great Britain	4,414	5,303	332	412	93	130
Italy	3,128	3,354	1,432	1,613	175	669
Spain	1,489	1,970	51	58	2	1
Sweden	2,067	2,189	1,498	1,213	495	500
The Netherlands	1,717	2,071	5,854	5,431	1,315	587
Other	3,715	4,134	251	95	7	5
Total EU	30,282	36,599	22,281	21,269	5,119	4,658
Norway	1,633	1,893	8,255	4,169	3,648	1,175
Other Europe	1,269	1,316	1,279	2,181	1	810
Total Europe	33,184	39,808	31,815	27,619	8,768	6,643
Africa	5,478	6,548	2,336	1,974	600	239
Asia	8,259	10,809	8,597	9,163	41	19
Australia and New Zealand	1,574	1,570	11,076	11,910	345	419
North America	10,935	13,267	13,904	12,781	1,850	2,240
Brazil	26,801	26,401	10,565	7,601	1,816	1,195
Other South and Central America	9,014	9,609	2,594	2,586	436	561
Total outside Europe	62,061	68,203	49,072	46,015	5,088	4,673
Total	95,245	108,011	80,887	73,634	13,856	11,316

1) Revenues are identified by customer location.
2) The identification of non-current assets and investments is based on location of operation. Excluded from non-current assets are financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts. Investments include the acquisition cost for property, plant and equipment, intangible assets, equity-accounted investees and other equity investments.

Note 7 Other income

NOK millions	Notes	2016	2015
Divestment of the European CO_2 business	4	1,552	-
Divestment of GrowHow UK	4	-	3,199
Sale of white certificates		107	205
Gain on swap of mineral rights		44	-
Insurance compensations		64	130
Other		100	148
Total		1,867	3,683

Note 8 Operating expense

NOK millions	Notes	2016	2015
Payroll and related costs			
Salaries		(6,625)	(6,263)
Social security costs		(1,161)	(1,075)
Social benefits		(70)	(67)
Net periodic pension cost	26	(664)	(643)
Total		(8,520)	(8,047)
Other operating expenses			
Selling and administrative expense		(1,823)	(1,927)
Rental of buildings etc. [1]		(275)	(257)
Travel expense		(441)	(421)
Gain /(loss) on trade receivables		(154)	(213)
Fees auditors, lawyers, consultants		(736)	(541)
Other expenses		(419)	(387)
Total		(3,847)	(3,745)
Research costs [2]		(312)	(161)

1) Expenses mainly relate to lease contracts for property and company cars.
2) Yara has focus on orienting research and development resources towards commercial activities, both with respect to process and product improvements and agronomical activities. In 2016, Yara spent higher expenses on research mainly related to improvements in the efficiency of its production plants.

Note 9 Depreciation, amortization and impairment loss

NOK millions	Notes	2016	2015
Depreciation of property, plant and equipment	14	(5,109)	(4,663)
Impairment loss property, plant and equipment	14,19	(404)	(1,183)
Reversal of impairment loss property, plant and equipment	14,19	26	22
Total depreciation and impairment loss property, plant and equipment		(5,486)	(5,824)
Amortization of intangible assets	13	(771)	(800)
Impairment loss intangible assets	13,19	(169)	(308)
Total amortization and impairment loss intangible assets		(940)	(1,108)
Total depreciation, amortization and impairment loss		(6,427)	(6,933)

Note 10 Financial income and expense

NOK millions	Notes	2016	2015
Interest income on customer credits		529	444
Interest income, other		161	135
Dividends and net gain/(loss) on securities		36	26
Interest income and other financial income		725	605
Net foreign currency translation gain/(loss)	31	115	(2,463)
Interest expense		(1,071)	(1,001)
Capitalized interest		364	111
Net interest on net long-term employee benefit obligations	26	(66)	(82)
Reclassification adjustments cash flow hedge [1]	32,33	(6)	(7)
Other financial expense		(122)	(312)
Interest expense and other financial expense		(901)	(1,291)
Net financial income/(expense)		(61)	(3,150)

1) Interest rate swap designated as cash flow hedge transferred from equity.

Note 11 Income taxes

The major components of income tax expense for the years ended 31 December are:

NOK millions	2016	2015
Consolidated statement of income		
Current taxes		
Current year	(1,798)	(2,879)
Prior years adjustment	149	83
Total	(1,649)	(2,796)
Deferred taxes		
Deferred tax income/(expense) recognized in the current year	157	1,519
Adjustments to deferred tax attributable to changes in tax rates and laws	(28)	(53)
(Write-downs)/reversal of previous write-downs of deferred tax assets	(521)	(879)
Total	(391)	587
Total tax income/(expense) recognized in statement of consolidated income	(2,041)	(2,209)
Other comprehensive income		
Current tax		
Hedge of net investment	(36)	294
Intercompany currency effect on debt treated as part of net investment	(105)	130
Total current tax	(141)	425
Deferred tax		
Pensions	197	(138)
Available-for-sale financial assets	5	(7)
Cash flow hedges	-	(7)
Total	201	(152)
Transfers to profit and loss		
Cash flow hedges	(1)	(1)
Total	(1)	(1)
Total tax income/(expense) recognized directly in other comprehensive income	59	272
Total tax income/(expense) recognized in comprehensive income	(1,982)	(1,938)

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.

Reconciliation of Norwegian nominal statutory tax rate to effective tax rate

NOK millions, except percentages	2016		2015	
Income before tax		8,363		10,644
Expected income taxes at statutory tax rate [1]	25.0 %	(2,091)	27.0 %	(2,874)
Tax law changes	0.1 %	(11)	0.7%	(79)
Foreign tax rate differences	(5.8 %)	483	(7.9 %)	845
Unused tax losses and tax offsets not recognized as deferred tax assets	7.1 %	(593)	6.5 %	(689)
Previously unrecognized and unused tax losses and deductible temporary differences now recognized as deferred tax assets	(2.4 %)	202	(0.4 %)	39
Non-deductible expenses	1.3 %	(111)	0.9 %	(93)
Share of net income equity-accounted investees	1.1 %	(94)	0.9 %	(92)
Tax free income sale of subsidiaries and associates [2]	(3.2 %)	271	(8.1 %)	864
Tax free income miscellaneous	(1.5 %)	122	(2.0 %)	209
Prior year assessment	(1.8 %)	149	(0.8 %)	82
Withholding tax	0.8 %	(68)	2.1 %	(222)
Other, net	3.6 %	(301)	1.9 %	(201)
Total income tax expense		(2,041)		(2,209)
Effective tax rate		24.4%		20.8%

1) Calculated as Norwegian nominal statutory tax rate of 25% (2015: 27%) applied to income before tax.
2) Tax free income from sale of European CO_2 Business in 2016 and sale of GrowHow UK in 2015. See Note 4 Divestments for more information.

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.

2016

NOK millions	Opening balance	Charged to income	Reclassified from equity to profit or loss	Changes in tax rate	Recognized in other comprehen-sive income	Transfer	Acquisitions/ disposals	Foreign currency translation	Closing balance
Non-current items									
Intangible assets	(323)	105	-	(10)	-	-	5	(12)	(235)
Property, plant and equipment	(3,885)	16	-	22	-	-	439	(38)	(3,446)
Pensions	726	(87)	-	(6)	197	-	-	(59)	770
Equity securities available-for-sale	(12)	-	-	-	5	-	-	1	(6)
Other non-current assets	(1,918)	341	-	44	-	-	367	7	(1,160)
Other non-current liabilities and accruals	888	(152)	(1)	(28)	-	-	(46)	5	666
Total	(4,525)	223	(1)	22	201	-	766	(98)	(3,411)
Current items									
Inventory valuation	244	(176)	-	11	-	-	9	10	97
Accrued expenses	284	(67)	-	(16)	-	-	47	18	266
Assets classified as held-for-sale	(51)	45	-	2	-	-	-	5	-
Total	477	(199)	-	(3)	-	-	56	32	363
Tax loss carry forwards	3,011	134	-	(74)	-	-	(1)	220	3,289
Unused tax credits	1	-	-	-	-	-	-	-	1
Valuation allowance	(1,404)	(521)	-	26	-	-	1	(156)	(2,054)
Net deferred tax asset/(liability)	(2,442)	(363)	(1)	(28)	201	-	822	(2)	(1,812)

Step-up of the tax base in Australia

In fourth quarter 2015, Yara acquired the remaining 49% in Yara Pilbara Holding (Pilbara). This transaction made it possible for Yara to include Pilbara in Yara's Australian tax group and by that achieving a step-up of the tax base for various assets. The step-up was provisionally determined at year-end 2015. The calculations were finalized in fourth quarter 2016 and resulted in a NOK 814 million positive adjustment to Yara's net deferred tax position. This is presented as an equity transaction since it was triggered by a transaction with the non-controlling interest, also classified as an equity transaction.

2015

NOK millions	Opening balance	Charged to income	Reclassified from equity to profit or loss	Changes in tax rate	Recognized in other comprehen-sive income	Transfer	Acquisitions/ disposals [1]	Foreign currency translation	Closing balance
Non-current items									
Intangible assets	(846)	513	-	(4)	-	-	28	(14)	(323)
Property, plant and equipment	(4,343)	236	-	12	-	38	282	(110)	(3,885)
Pensions	820	27	-	(6)	(138)	-	-	24	726
Equity securities available-for-sale	(4)	-	-	-	(7)	-	-	(1)	(12)
Other non-current assets	(967)	(1,036)	-	89	-	8	-	(12)	(1,918)
Other non-current liabilities and accruals	471	415	(1)	(23)	(7)	-	-	32	888
Total	(4,869)	155	(1)	68	(152)	45	310	(81)	(4,525)
Current items									
Inventory valuation	178	87	-	(12)	-	4	1	(12)	244
Accrued expenses	247	66	-	(11)	-	-	-	(17)	284
Assets classified as held-for-sale	-	-	-	-	-	(49)	-	(3)	(51)
Total	425	153	-	(24)	-	(45)	1	(33)	477
Tax loss carry forwards	2,035	1,214	-	(98)	-	-	-	(140)	3,011
Unused tax credits	2	(2)	-	-	-	-	-	-	1
Valuation allowance	(559)	(879)	-	-	-	-	-	34	(1,404)
Net deferred tax asset/(liability)	(2,963)	641	(1)	(53)	(152)	-	311	(220)	(2,442)

1) Step-up of the tax values in Yara Pilbara and includes NOK 51 million of intangible assets and NOK 308 million for property, plant and equipment. It is related to the acquisition of the remaining 49% of Yara Pilbara.

Valuation allowance on deferred tax assets

NOK millions	2016	2015
Unrecognized deferred tax assets are attributable to the following		
Tax losses	1,671	927
Deductible temporary differences	383	478
Total	2,054	1,404

Unrecognized tax losses are mainly related to the tax loss carry forwards arising from the activities in Brazil. Utilization of the tax loss carry forwards in Brazil is without time limitation but restricted to 30% of taxable income each year. Unrecognized tax losses in Brazil is NOK 1,287 million (2015: NOK 754 million). The increase is due to a later expected utilization.

Specification of expiration of tax loss carry forwards

NOK millions	2016
2017	19
2018	76
2019	90
2020	89
2021	345
After 2021	130
Without expiration	10,319
Total tax loss carry forwards	11,068
Deferred tax effect of tax loss carry forwards	3,289
Valuation allowance on tax losses	(1,671)
Recognized in the statement of financial position	1,618

Yara's recognized tax losses carry forwards primarily relate to the business in Norway and Brazil, where tax losses are without expiration.

Deferred tax presented in the statement of financial position

NOK millions	2016	2015
Deferred tax assets	2,585	2,950
Deferred tax liabilities	(4,396)	(5,392)
Net deferred tax asset/(liability)	(1,812)	(2,442)

Undistributed earnings of foreign subsidiaries and in foreign associates and joint arrangements is amounting to approximately NOK 86 billion that for the main part can be distributed as tax-free dividends. For the expected part of dividend that cannot be distributed as tax-free income, a deferred tax liability of NOK 70 million is recognized.

Note 12 Earnings per share

NOK millions, except share information	2016	2015
Earnings		
Net income for the purposes of basic earnings per share (profit for the year attributable to the equity holders of Yara International ASA)	6,360	8,083
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	273,499,403	275,114,375
Earnings per share	23.25	29.38

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 24.

Note 13 Intangible assets

2016

NOK millions, except percentages	Goodwill	Exploration and evaluation assets [1]	Supplier contracts	Other intangibles [2]	Total
Cost					
Balance at 1 January	7,168	475	2,350	4,050	14,043
Addition at cost	-	8	-	263	271
Derecognition	-	-	(2,239)	(137)	(2,376)
Acquisition new companies	100	-	-	55	155
Transfer	-	(23)	-	48	25
Foreign currency translation	44	30	(105)	8	(23)
Balance at 31 December	7,312	490	6	4,286	12,095
Amortization and impairment					
Balance at 1 January	(152)	(267)	(1,918)	(2,124)	(4,460)
Amortization	-	-	(408)	(363)	(771)
Impairment loss [3]	(165)	-	-	(4)	(169)
Derecognition	-	-	2,239	124	2,363
Foreign currency translation	5	9	84	27	126
Balance at 31 December	(311)	(258)	(2)	(2,340)	(2,912)
Carrying value					
Balance at 1 January	7,016	208	433	1,926	9,583
Balance at 31 December	7,001	233	4	1,946	9,183
Useful life in years			5	3 - 15	
Amortization rate			20 %	5 - 35 %	

1) Exploration and evaluation assets are intangible assets under development, and are not amortized.
2) Other intangibles comprises mainly customer relationships in addition to patents/trademarks and software.
3) Impairment loss mainly related to the Dallol mining project. See note 19 for more information.

Assets used as security

No intangible assets were pledged as security in 2016 (2015: NOK 57 million). See note 35 for more information.

2015

NOK millions, except percentages	Goodwill	Exploration and evaluation assets [1]	Supplier contracts	Other intangibles [2]	Total
Cost					
Balance at 1 January	6,995	2,324	1,977	3,731	15,028
Addition at cost	-	418	-	247	665
Derecognition	-	-	-	(32)	(32)
Acquisition new companies	81	-	-	2	83
Transfer to assets held-for-sale	(32)	-	-	(51)	(83)
Other transfer [3]	(105)	(2,259)	-	60	(2,305)
Foreign currency translation	229	(8)	373	93	687
Balance at 31 December	7,168	475	2,350	4,050	14,043
Amortization and impairment					
Balance at 1 January	(101)	-	(1,200)	(1,718)	(3,020)
Amortization	-	-	(450)	(350)	(800)
Impairment loss [4]	(43)	(261)	-	(4)	(308)
Derecognition	-	-	-	31	31
Transfer to assets held-for-sale	-	-	-	33	33
Foreign currency translation	(7)	(5)	(267)	(116)	(396)
Balance at 31 December	(152)	(267)	(1,918)	(2,124)	(4,460)
Carrying value					
Balance at 1 January	6,894	2,324	777	2,014	12,008
Balance at 31 December	7,016	208	433	1,926	9,583
Useful life in years			5	3 - 15	
Amortization rate			20 %	5 - 35 %	

1) Exploration and evaluation assets are intangible assets under development, and are not amortized.
2) Other intangibles comprises mainly customer relationships in addition to patents/trademarks and software.
3) Includes transfer of carrying amounts from Dallol and Salitre projects previously classified as exploration and evaluation assets within intangible assets. These projects entered the development phase in 2015 and are now presented as assets under construction.
4) See note 19 for more information.

Note 14 Property, plant and equipment

2016

NOK millions, except percentages	Land	Machinery and equipment	Buildings	Asset under construction	Vessels [1]	Other	Total
Cost							
Balance at 1 January	1,788	66,774	12,655	11,178	38	843	93,276
Addition at cost	4	2,060	513	10,365	268	54	13,263
Derecognition	(2)	(1,756)	(242)	(64)	(8)	(2)	(2,074)
Acquisition new companies	50	18	90	-	-	-	158
Transfers	(1)	1,563	1,234	(4,900)	2,030	16	(57)
Foreign currency translation	64	(1,792)	110	4	84	49	(1,482)
Balance at 31 December	1,903	66,868	14,360	16,582	2,412	960	103,085
Depreciation and impairment							
Balance at 1 January	(39)	(35,766)	(4,777)	(40)	(32)	(198)	(40,852)
Depreciation	-	(4,386)	(613)	-	(39)	(71)	(5,109)
Impairment loss [2]	(12)	(260)	(67)	(65)	-	-	(404)
Reversed impairment	5	12	10	-	-	-	26
Derecognition	-	1,572	213	39	-	-	1,825
Transfers	-	7	(115)	-	-	-	(108)
Foreign currency translation	1	1,224	58	(3)	(1)	(4)	1,275
Balance at 31 December	(44)	(37,597)	(5,291)	(69)	(72)	(273)	(43,346)
Carrying value							
Balance at 1 January	1,749	31,007	7,878	11,138	6	646	52,424
Balance at 31 December	1,859	29,270 [3]	9,069 [4]	16,514	2,340	687	59,739
Useful life in years		4 - 20	20 - 50		20	5 - 10	
Depreciation rate		5 - 25 %	2 - 5 %		5 %	10 - 20 %	

1) During 2016, construction of five ammonia vessels was completed. Vessels are from 2016 shown as a separate asset category due to the materiality of the carrying amounts.
2) Impairments are mainly related to the Montoir and Trinidad plants. For more information, please see note 19 Impairment of non-current assets.
3) Includes net carrying value related to finance leases of NOK 136 million in 2016.
4) Includes net carrying value related to finance leases of NOK 117 million in 2016.

Assets used as security
Property, plant and equipment pledged as security was NOK 456 million in 2016 (2015: NOK 6,371 million). The main reason for the reduction in amounts pledged as security is due to the repayment of Yara Pilbara's term loan of USD 100 million in 2016. See note 28 and 35 for more information.

Government grants
Government grants related to assets have been recognized as deduction to the carrying value by reducing “Addition at cost” with NOK 39 million in 2016 (2015: NOK 12 million).

Borrowing costs
The amount of borrowing cost capitalized amounted to NOK 364 million in 2016 (2015: NOK 111 million). The average rate for the borrowing cost capitalized was 5.8% in 2016.

Compensations
Compensations from insurance companies related to property, plant and equipment recognized in the consolidated statement of income amounted to NOK 4 million in 2016 (2015: NOK 144 million).

2015

NOK millions, except percentages	Land	Machinery and equipment	Buildings	Asset under construction	Other	Total
Cost						
Balance at 1 January	1,895	60,393	12,383	5,149	1,054	80,874
Addition at cost	20	2,182	350	7,630	124	10,307
Derecognition	(20)	(1,747)	(81)	(7)	-	(1,855)
Acquisition new companies	15	196	72	-	11	295
Transfer to assets held-for-sale [1)]	(35)	(1,564)	(505)	(53)	(345)	(2,502)
Other transfer [2)]	(6)	4,093	224	(2,315)	104	2,100
Foreign currency translation	(82)	3,219	213	774	(67)	4,058
Balance at 31 December	1,788	66,774	12,655	11,178	881	93,276
Depreciation and impairment						
Balance at 1 January	(31)	(31,851)	(4,138)	(40)	(230)	(36,290)
Depreciation	-	(4,041)	(542)	-	(80)	(4,663)
Impairment loss	(30)	(898)	(255)	-	-	(1,183)
Reversed impairment	12	2	8	-	-	22
Derecognition	12	1,693	65	-	-	1,770
Transfer to assets held-for-sale [1)]	-	1,213	206	-	88	1,507
Other transfer	-	(2)	2	-	-	-
Foreign currency translation	(2)	(1,880)	(123)	-	(9)	(2,014)
Balance at 31 December	(39)	(35,766)	(4,777)	(40)	(230)	(40,852)
Carrying value						
Balance at 1 January	1,864	28,542	8,244	5,109	825	44,584
Balance at 31 December	1,749	31,007 [3)]	7,878 [4)]	11,138	652	52,424
Useful life in years		4 - 20	20 - 50		5 - 10	
Depreciation rate		5 - 25 %	2 - 5 %		10 - 20 %	

1) Transfer to assets held-for-sale consist mainly of the assets of the CO_2 business that was divested in 2016.
2) Includes transfer of carrying amounts from Dallol and Salitre projects previously classified as exploration and evaluation assets within intangible assets. These projects entered the development phase in 2015 and are now presented as assets under construction.
3) Includes net carrying value related to finance leases of NOK 164 million in 2015.
4) Includes net carrying value related to finance leases of NOK 120 million in 2015.

Note 15 Non-current assets and disposal groups held-for-sale

NOK millions	Notes	2016	2015
Non-current assets and disposal group held-for-sale	4	92	1,533
Liabilities directly associated with disposal group held-for-sale	4	-	115
Net assets held-for-sale	4	92	1,418

The change from 2015 to 2016 is due to the divestment of Yara's European CO_2 business in June 2016. Please see note 4 for more information.

Note 16 Associated companies and joint ventures

2016

NOK millions	Balance at 1 January	Investments/ (sale, and assets held-for-sale), net and long-term loans	Yara's share of net income/ (loss)	Amortization, depreciation and write-down	Total share of net income in equity-accounted investees	Dividends/ Repayment of capital	Posted directly in equity	Foreign currency translation and other	Balance at 31 December
Qafco	9,016	298 [1]	(449)	-	(449) [2]	(298)	44	(177)	8,433
Lifeco	10	-	(10)	-	(10)	-	-	-	-
Other	743	1	98	12	111	(59)	1	(40)	757
Total	9,769	299	(360)	12	(348)	(358)	45	(216)	9,190

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's share of impairment charges is NOK 284 million. See note 19 for more information.

2015

NOK millions	Balance at 1 January	Investments/ (sale, and assets held-for-sale), net and long-term loans	Yara's share of net income/ (loss)	Amortization, depreciation and write-down	Total share of net income in equity-accounted investees	Dividends/ Repayment of capital	Posted directly in equity	Foreign currency translation and other	Balance at 31 December
Qafco	7,436	374 [1]	549	-	549	(757)	44	1,370	9,016
GrowHow UK [2]	1,583	(1,792)	131	-	131	(129)	11	195	-
Lifeco	1,017	-	(1,091)	-	(1,091) [3]	-	-	84	10
Yara Praxair Holding [4]	172	(231)	46	-	46	-	-	14	-
Other	726	(2)	84	(29)	55	(42)	6	1	743
Total	10,934	(1,652)	(281)	(29)	(310)	(928)	61	1,664	9,769

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 sold its 50% stake in GrowHow UK Group Limited to CF Industries. See note 4 for more information.
3) Yara made an impairment write-down of its investment of NOK 893 million.
4) On 1 June 2016, Yara completed the sale of its European CO_2 business, including sale of its 34% stake in Yara Praxair Holding AS. See note 4 for more information.

Due to it being impractical to obtain financial reports at the same reporting date as Yara uses, there is for some of the associated companies and joint ventures a lag of 1-3 months for the numbers included.

Ownership, sales and receivables/(payables)

NOK millions, except percentages	Place of incorporation and operation	Percentage owned by Yara 2016 [1]	Sales from Investees to Yara Group [2]		Yara's current receivables/ (payables) net with investees	
			2016	2015	2016	2015
GrowHow UK	Great Britain	0.0 %	-	(942)	-	-
Lifeco	Libya	50.0 %	(700)	(1,046)	71	94
Yara Praxair Holding	Norway	0.0 %	-	(4)	-	(8)
Other			(129)	(129)	(9)	(12)
Total			(829)	(2,120)	62	73

1) Equals voting rights.
2) Included in raw materials, energy cost and freight expenses.

Business in equity-accounted investees

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, and the rest is shared between various Qatari funds and 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 tonnes of ammonia and urea, respectively. Yara is, buying a significant amount of Urea produced by Qafco from Muntajat, a Qatari company coordinating sales and marketing of chemical products produced in Qatar. 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 tonnes per year. Qafco is operating and providing marketing services for this plant.

Lifeco

Yara owns 50% in Libyan Norwegian Fertilizer Company ("Lifeco"), while Libya's National Oil Corporation (NOC) and the Libyan Investment Authority (LIA) each hold a 25% stake. Lifeco owns and operates two urea and two ammonia plants with nominal capacity of approximately 900,000 tonnes of urea and 150,000 tonnes of merchant ammonia per year. More than 90% of the ammonia and urea from Lifeco is exported, and Yara is Lifeco's exclusive global export product distributor. During 2015, Yara made an impairment write-down of its investment in Lifeco of NOK 893 million and impaired receivables against the same company of NOK 36 million. The impairments were triggered by the worsening security outlook in Libya, as Yara saw a high likelihood of a further deterioration of Lifeco's operating ability. The plant did operate throughout all of 2016, but with operating losses and at less than 50% load due to highly insufficient gas supply. Yara is evaluating the security of the operation of the plants on an on-going basis in cooperation with the management and the other partners, with a view to protect the safety of the employees as well as the assets.

Yara Praxair Holding

Yara Praxair Holding was sold 1 June 2016, when Yara completed the sale of its European CO_2 business. The investment has been classified as disposal group held-for-sale since the end of 2015. See note 4 for more information.

Financial information

The following table sets forth summarized unaudited financial information of Yara's associated companies and joint ventures based on a 100% combined basis. Yara's share of these investments, which is also specified above, is accounted for using the equity method. Qafco, Lifeco and others are all classified as associated companies.

Financial position

NOK millions (unaudited, 100% basis)	31 December 2016			31 December 2015		
	Qafco	Lifeco	Others	Qafco	Lifeco	Others
Cash and cash equivalents	6,213	748	376	6,505	952	384
Current Assets excluding cash and cash equivalents	3,355	847	1,788	3,872	942	1,860
Non-current assets	32,238	152	1,473	37,119	298	2,533
Current liabilities	(7,340)	(1,897)	(1,279)	(2,890)	(2,172)	(1,658)
Non-current liabilities	(774)	-	(360)	(6,150)	-	(809)
Non controlling interest	(426)	-	(32)	(1,117)	-	(25)
Net assets	33,266	(151)	1,966	37,339	20	2,285
% Share of Yara	25 %	50 %		25 %	50 %	
Yara's share of total equity	8,316	(76)	728	9,335	10	965
Reclassified to asset held-for-sale	-	-	-	-	-	(230)
Tax effect of Qafco [1]	117	-	-	(319)	-	-
Losses not recognized by Yara [2]	-	76	-	-	-	-
Goodwill and fair value adjustment	-	-	29	-	-	8
Yara's share of total equity (carrying amount)	8,433	-	757	9,016	10	743

1) Tax effect is tax on profit attributable to Yara from Qafco. The tax is paid by Qafco, but refunded by Yara.
2) Losses in excess of Yara's interest in Lifeco.

Income statement

NOK millions (unaudited, 100% basis)	2016 Qafco	2016 Lifeco	2016 Others	2015 Qafco	2015 Lifeco	2015 GrowHow UK	2015 Others
Total operating revenues	10,991	741	4,215	14,576	-	2,818	6,658
Interest income	-	1	18	-	-	62	39
Depreciation, amortization & impairment loss	(4,368)	(210)	(67)	(2,393)	(2,013)	(196)	(236)
Operating income	(2,738)	(157)	238	3,155	(485)	370	445
Interest expense	(293)	-	(12)	(315)	-	(89)	(55)
Income tax expense	-	-	(30)	-	-	(67)	(127)
Minority interest	644	-	(17)	43	-	-	(15)
Net income	(2,262)	(165)	183	3,217	(2,199)	277	237
% Share of Yara	25 %	50 %		25 %	50 %	50 %	
Yara's share of net income	(566)	(83)		804	(1,100)	139	-
Tax effect of Qafco [1]	117	-	-	(374)	-	-	-
Losses not recognized by Yara [2]	-	73	-	-	-	-	-
Currency translation effects [3]	(1)	-		119	8	(7)	-
Yara's share of net income (as per books)	(449)	(10)	111	549	(1,091)	131	101
Net other comprehensive income that may be reclassified to profit and loss account in subsequent period	175	-	2	184	-	-	45
Net other comprehensive income that will not be reclassified to profit and loss account in subsequent period	-	-	-	-	-	-	(1)
Total other comprehensive income, net of tax	175	-	2	184	-	-	44
Total Comprehensive income	(2,087)	(19)	186	3,401	(2,199)	277	281

1) Tax effect is tax on profit attributable to Yara from Qafco. The tax is paid by Qafco, but refunded by Yara.
2) Losses in excess of Yara's interest in Lifeco.
3) Certain financial information from equity-accounted investees is only collected once per year and translated at the average rate for the year. Deviations towards figures reported and translated on a monthly basis can occur.

Note 17 Joint operations

Yara has three investments that are classified as joint operations:

Yara Pilbara Nitrates

Yara and Orica are constructing a technical ammonium nitrate (TAN) plant next to Yara's existing ammonia plant in the Pilbara region of Australia. The construction is close to completion and the TAN plant is expected to commence commercial operations in first half 2017. The plant will have an annual production capacity of about 330.000 metric tonnes of TAN and will primarily supply the mining operations in the region. The company is 55% owned by Yara and 45% by Orica.

Trinidad Nitrogen Company Ltd. (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. The two plants have an annual production capacity of about 1 million metric tonnes of ammonia which is mainly exported to other markets. 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.

Yara Freeport LLC DBA Texas Ammonia

Yara and the BASF Group are constructing an ammonia plant at BASF's site in Freeport, Texas, US. The construction is managed by Yara in partnership with Kellogg Brown & Root LLC (KBR). BASF manages construction of the necessary site infrastructure and will operate the plant. The plant is 65% complete and is expected to commence commercial operations in late 2017. The plant will have an annual production capacity of about 750.000 metric tonnes of ammonia and each party will off-take ammonia from the plant in accordance with their ownership share. The company is 68% owned by Yara and 32% by BASF.

The following table shows the effect of consolidating joint operations according to IFRS 11 on Yara's financial statements. Yara Pilbara Nitrates is consolidated 55%, Tringen 49%, and Yara Freeport 68% (according to ownership share). The table is based on unaudited financial information of Yara's joint operations based on their IFRS financial statements.

Financial position

	31 Dec 2016				31 Dec 2015			
NOK millions (unaudited)	Yara Pilbara Nitrates	Tringen	Yara Freeport LLC DBA Texas Ammonia	Yara's share of consolidated Joint Operations	Yara Pilbara Nitrates	Tringen	Yara Freeport LLC DBA Texas Ammonia	Yara's share of consolidated Joint Operations
Assets								
Deferred tax assets	-	-	-	-	38	-	-	38
Intangible assets	5	-	-	5	3	-	-	3
Property, plant and equipment	3,925	645	2,041	6,611	3,938	705	825	5,467
Other non-current assets	-	1	-	1	-	2	-	2
Total non-current assets	3,931	645	2,041	6,617	3,978	706	825	5,509
Inventories	21	98	-	119	-	143	-	143
External trade receivables	-	-	-	-	2	-	-	2
Internal trade receivables	-	71	-	71	-	41	-	41
Prepaid expenses and other current assets	16	143	12	171	15	140	4	159
Cash and cash equivalents	39	59	11	110	21	2	187	211
Total current assets	76	371	23	470	38	326	191	554
Total assets	4,007	1,016	2,064	7,087	4,016	1,032	1,016	6,064
Total equity	668	453	1,797	2,918	921	465	745	2,131
Liabilities								
Employee benefits	-	105	-	105	-	126	-	126
Deferred tax liabilities	26	58	17	100	-	63	5	68
Other long-term liabilities	-	-	156	156	(12)	-	72	60
Long-term provisions	131	-	-	131	158	-	-	158
Internal long-term interest bearing debt	3,167	-	-	3,167	2,907	-	-	2,907
Total non-current liabilities	3,324	268	184	3,776	3,054	189	77	3,319
External trade and other payables	5	111	83	199	31	155	184	371
Internal trade and other payables	9	15	10	34	11	20	10	41
Bank loans and other short-term interest-bearing debt	-	169	-	169	-	202	-	202
Total current liabilities	15	296	94	404	42	378	194	614
Total equity and liabilities	4,007	1,016	2,064	7,087	4,016	1,032	1,016	6,064

Income statement

	2016				2015			
NOK millions (unaudited)	Yara Pilbara Nitrates	Tringen	Yara Freeport LLC DBA Texas Ammonia	Yara's share of consolidated Joint Operations	Yara Pilbara Nitrates	Tringen	Yara Freeport LLC DBA Texas Ammonia	Yara's share of consolidated Joint Operations
Revenue and other income	-	898	-	898	-	1,276	-	1,276
Operating costs and expenses	(159)	(778)	(26)	(963)	(53)	(993)	(9)	(1,055)
Operating income/(loss)	(159)	121	(26)	(64)	(53)	283	(9)	221
Earnings before interest expense and tax (EBIT)	(159)	121	(26)	(64)	(53)	284	(9)	222
Income before tax	(165)	112	35	(17)	(39)	274	5	240
Income tax expense	(61)	(37)	(12)	(110)	12	(93)	(5)	(85)
Non-controlling interests	-	-	-	-	6	-	-	6
Net income	(225)	75	23	(128)	(21)	181	-	161

Note 18 Other non-current assets

NOK millions	Notes	2016	2015
Prepayments for long-term employee obligations	25	415	780
Equity investments available-for-sale	31	182	223
Interest rate swap designated as hedging instrument	31	2	70
Prepayment for property, plant and equipment [1]		736	389
Long-term loans and receivables [1] [2]		1,907	1,494
Total		3,242	2,956

1) A reclassification of NOK 389 million between long-term loans and receivables to payment for property, plant and equipment has been made to the 2015 figures.
2) Long-term loans and receivables are mainly related to tax and VAT credits. Tax credits in Brazil amounts to NOK 955 million (2015: NOK 689 million).

Note 19 Impairment on non-current assets

Recognized impairment loss

NOK millions	2016	2015
Asset class		
Goodwill	165	43
Other intangible assets	4	265
Property, plant and equipment	404	1,183
Equity-accounted investees [1]	284	909
Total impairment of non-current assets	857	2,400
Reversal of impairment of non-current assets	(26)	(22)
Net impairment loss	830	2,378

1) Presented as part of "Share of net income in equity-accounted investees" in the consolidated statement of income.

NOK millions	2016	2015
Segment split		
Production	752	2,273
Crop Nutrition	77	104
Industrial	-	1
Other	-	-
Net impairment loss	830	2,378

Impairment charges in 2016

The goodwill impairment charge in 2016 is NOK 165 million, of which NOK 140 million is related to Yara Dallol's sulphate of potash (SOP) mine project under development in the Dallol region in Ethiopia. Higher estimated capital expenditures following the completion of the technical test work and reduced SOP price forecasts in the short to medium term have resulted in the impairment charge.

The impairment write-down of property, plant and equipment in 2016 is NOK 404 million, of which NOK 136 million is related to the Montoir plant (France) and NOK 116 million is related to the Trinidad plant. The impairments are mainly caused by a further reduction in sales prices. The Montoir plant is one of Yara's smallest fertilizer plants, with an annual production capacity of approximately 300,000 tonnes nitrate and 300,000 tonnes NPK. In addition to small scale, the plant has limited export opportunities and is exposed to lower profitability in its home market. The Trinidad plant is one of Yara's smallest ammonia plants, with an annual production capacity of approximately 270,000 tonnes ammonia. Plant profitability is impacted by frequent gas supply curtailments and lower energy efficiency than Yara's average. The recoverable amount for these two Production plants is NOK 245 million, including normalized working capital, and the after-tax discount rates used for the testing for Montoir and Trinidad are 6.7% and 9.6%, respectively.

Other impairments of property plant and equipment comprise a number of smaller amounts with none exceeding NOK 50 million.

Yara's equity-accounted investee Qafco reports impairments in 2016, mainly related its melamine plant investment. Yara's 25% share of the impairments is NOK 284 million, which is reported within the line "share of net income in equity-accounted investees" in the income statement. The melamine impairment is mainly due to lower expected sales prices of melamine. Yara has no recognized goodwill or other fair value adjustments on its investment in Qafco. More information about this associate is provided in note 16.

Impairment charges in 2015

Total impairment loss on other intangible assets in 2015 was NOK 265 million, of which NOK 166 million was related to the halted mining project in Sokli, Finland, and NOK 95 million was related to the Mine Arnaud phosphate project in Quebec, Canada, where Yara decided to limit its participation in further development of the project.

The impairment loss on property, plant and equipment in 2015 was NOK 1,183 million, of which NOK 544 million was related to the Montoir plant (France), NOK 414 million was related to Yara's Trinidad plant and NOK 112 million was related to the Pardies plant (France). These impairments were mainly caused by lower sales prices.

Total impairment loss on Yara's equity-accounted investees was NOK 909 million in 2015, of which NOK 893 million was related to Lifeco (Libya) following a worsening security outlook in Libya and an assessment of Lifeco's operating ability.

Impairment testing

The mandatory impairment testing of cash generating units (CGUs) with allocated goodwill or assets with indefinite useful life are carried out during fourth quarter each year. Yara has also performed testing of other CGUs with impairment indicators. The recoverable amounts have been determined based on "value-in-use". Key assumptions used in the calculation are generally:

- EBITDA
- Growth rates
- Capital expenditures
- Discount rate

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 Crop Nutrition units where an estimated annual growth rate is applied.

Growth rates

Yara uses a steady growth rate normally not exceeding 2.0% (including inflation) for periods that are not based on management projections. The steady growth rate period starts after year five at the latest. Yara also prepares cash flow projections for the Production plants after year five, using long-term commodity and energy forecasts as supporting documentation to the terminal-year cash flow. The growth rates used are estimated not to exceed the growth rates for the products, industry or countries in which the units operate.

Capital expenditure

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 rates represent the current market assessment of the risks specific to each cash generating unit. The discount rates are estimated based on the weighted average cost of capital for the industry. Industry characteristics are factored in by using segment beta. Beta is calculated as an average beta of BBB rated peer companies within each segment group of the industry. Discount rates are adjusted to reflect both the country risk and the degree of the particular CGU's exposure to the country risk. Cost of debt element is derived from the actual cost of debt for the peer companies in the same country where discount rate is calculated. Discount rates are determined in the same currency as cash flows and reflect only those risks for the CGU which have not been included in the cash flow.

Cash generating units with goodwill

Goodwill acquired through business combinations have been allocated for impairment testing to these CGUs, presented together with the applicable discount rates used in the impairment testing:

	Goodwill		Discount rate pre tax	
NOK millions, except percentages	2016	2015	2016	2015
Production				
Belle Plaine (Canada)	2,248	2,231	8.9%	9.3%
Pilbara Ammonia (Australia)	953	974	8.7%	10.3%
Finland	717	756	7.8%	8.3%
Galvani (Brazil)	506	424	15.1%	15.1%
Ammonia trade (Switzerland)	476	486	8.6%	10.3%
Yara Dallol (Ethiopia)	4	147	16.1%	15.5%
Other Production [1]	53	56		
Total Production	4,957	5,074		
Crop Nutrition				
Crop Nutrition segment allocation	714	729	10.6%	10.4%
Brazil	435	310	15.0%	17.0%
Belle Plaine (Canada)	126	125	8.4%	9.6%
Latin America	135	132	13.9%	14.8%
Other Crop Nutrition [1]	328	322		
Total Crop Nutrition	1,738	1,618		
Industrial				
Environmental Solutions Maritime [2]	147	152	8.7%	9.4%
Environmental Solutions Stationary [2]	71	78	8.3%	9.4%
Other Industrial [1]	89	94		
Total Industrial	307	324		
Total	7,001	7,016		

1) Goodwill presented within "Other" per segment are allocated to various cash generating units, but presented together due to materiality.
2) Environmental Solutions have been split in two separate cash generating units during 2016.

Further information about cash generating units with allocated goodwill:

Production and Crop Nutrition Belle Plaine

Goodwill in relation to the Saskferco (now Yara Belle Plaine) acquisition in 2008 was allocated to two CGUs; Production Belle Plaine and Crop Nutrition Canada. The Production site has one ammonia plant, one nitric acid plant and one urea granulation plant. It produces an average of 3,000 tonnes of urea, 700 tonnes of UAN and 1,900 tonnes 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. The change in carrying value of goodwill is fully explained by currency translation effects (CAD/NOK).

Production Pilbara Ammonia

Yara increased its ownership in Yara Pilbara Holdings from 34% to a controlling stake of 51% in 2012. The remaining 49% stake was acquired in 2015. This entity owns 100% of Yara Pilbara Fertilisers, a company that owns and operates an ammonia plant located in Western Australia with an annual production capability of approximately 850,000 metric tonnes. The change in carrying value of goodwill is fully explained by currency translation effects (USD/NOK).

Production Finland

Goodwill in relation to the Kemira GrowHow acquisition in 2007 was allocated to five CGUs, of which Production Finland was the largest (rest is included in Other Crop Nutrition and Other Industrial in the table above). Production Finland 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. Uusikaupunki has three nitric acid plants as well as two fertilizer plants producing for the Finnish market and for export. Kokkola produces mainly potassium sulfate for the Mediterranean and Chinese markets and feed phosphates for markets worldwide. The change in carrying value of goodwill is fully explained by currency translation effects (EUR/NOK).

Production Galvani

Yara acquired a controlling 60% stake in Galvani in 2014. This company is engaged in phosphate mining, production of Single Super Phosphate (SSP) and distribution of fertilizers in Brazil. Total SSP production is approximately 1 million tonnes per year through the industrial complex of Paulinia and Luis Eduardo Magalhaes. Both sites source phosphate rock from two own mines, Lagamar and Angico dos Dias, and the leased mine Irece. Galvani also owns licenses for two new greenfield phosphate mine projects in Brazil. The change in carrying value of goodwill is fully explained by currency translation effects (BRL/NOK).

Production Ammonia trade and Crop Nutrition Fertilizer trade

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. The goodwill in relation to fertilizer trade and supply is tested on Crop Nutrition segment level since the organization is serving all business units within the segment. Ammonia trade is tested as a separate CGU within the Production segment. The change in carrying value of goodwill is fully explained by currency translation effects (USD/NOK).

Production Yara Dallol

Yara increased its ownership in Yara Dallol (former Ethiopotash) to a controlling position in 2012. The company is developing a potash resource in Dallol in the Danakil Depression of Ethiopia. In February 2015, Yara announced that an independent study identified an annual production of 600,000 metric tonnes sulfate of potash (SOP) over 23 years from the reserves. During 2016, Yara recognized a goodwill impairment charge of NOK 140 million. The carrying value of goodwill is also impacted by currency translation effects (USD/NOK).

Crop Nutrition Brazil

Goodwill allocated to Crop Nutrition Brazil is mainly related to the acquisition of Bunge Fertilizers in 2013. The CGU is involved in SSP production, blending and distribution through 21 locations, delivering approximately 8.4 million tonnes of fertilizers and covering one fourth of the Brazilian market demand. The change in carrying value of goodwill is fully explained by currency translation effects (BRL/NOK).

Crop Nutrition Latin America

OFD was acquired in 2014 with production facilities in Cartagena, Colombia, and distribution companies across Latin America. Business unit Crop Nutrition Latin America comprise 17 blending units with a capacity of 1.5 million tonnes and distribution network that includes Mexico, Guatemala, Costa Rica, Panama, Colombia, Ecuador, Peru, Bolivia, Chile and Argentina. The production facility in Cartagena has one ammonia, three nitric acid plants, one NPK plant, three ammonium nitrate solution units and one calcium nitrate plant. The change in carrying value of goodwill is fully explained by currency translation effects.

Industrial Environmental Solutions Maritime

Goodwill allocated to this Industrial unit comprises the 2014 acquisitions of H+H Umwelt- und Industrietechnik and Green Tech Marine. The CGU markets urea and ammonia-based reagents as well as a broad technology portfolio for the reduction of air pollution from commercial ships. The change in carrying value of goodwill is fully explained by currency translation effects.

Industrial Environmental Solutions Stationary

Goodwill allocated to this Industrial unit comprises the 2014 acquisition of the flue gas cleaning division of Strabag and the 2011 acquisition of Yara Miljø (former Petromiljø) . The CGU markets urea and ammonia-based reagents as well as a broad technology portfolio for the reduction of air pollution from industrial plants. The change in carrying value of goodwill is fully explained by currency translation effects.

Sensitivity to changes in assumptions

Sensitivity calculations are done for all CGUs that are tested for impairment. As a basis for the sensitivity assessment, Yara uses the following assumption changes:

- An increase of discount rate of 1.0% points (after tax)
- A reduction to management projected EBITDA of 10% each year, in the period year one to five
- A reduction of nominal growth after year five of 1% point.

A combined change of all three assumptions would lead to total impairment write-down of approximately NOK 4 billion, of which NOK 1.9 billion is related to Yara's production plants in Finland and NOK 1.3 billion is related to Yara Pilbara Nitrates (TAN plant under construction). Remaining sensitivity is mainly related to other fertilizer plants in Europe. An isolated adjustment to the discount rate, EBITDA and nominal growth would give a loss of approximately NOK 1.5 billion, NOK 600 million and NOK 950 million, respectively. The total carrying value of the CGUs that are sensitive to impairment is approximately NOK 16.5 billion, with a current headroom of approximately NOK 1.3 billion. The carrying value includes non-current assets and necessary working capital.

In addition to the sensitivity information provided above, Yara regards its investment in the Yara Dallol (Ethiopia) mining development project with a total carrying value of NOK 1.7 billion to be sensitive to impairment. The cash inflow for this project starts several years in to the future and there are multiple uncertainties related to the project's profitability, mineability of the reserves, financing, required infrastructure and necessary governmental permits. Any negative development to these uncertainties could trigger a decision to stop the project and a resulting impairment loss.

Future potential reversals of impairment

Yara has over time recognized impairment losses on several cash generating units. These impairments will be reversed, fully or partly, when and if the situation improves and the recoverable value is determined to be higher than the carrying amount. The increased carrying amount cannot exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior periods.

The table below provides an overview of the main CGUs with impairments, presented with the maximum amount of potential reversals calculated at 31 December 2016 and the key conditions for such reversals to materialize.

NOK millions	Asset class	Key conditions for reversals	Amount
Montoir plant (France)	Property, plant and equipment	Fertilizer price increase	574
Trinidad plant (Trinidad & Tobago)	Property, plant and equipment	Ammonia price increase and stable gas supply	457
Pardies plant (France)	Property, plant and equipment	Technical ammonium nitrate price increase	178
Sokli mining project (Finland)	Intangible assets	Resumed project development activities	162
Lifeco (Libya)	Equity-accounted investee (associate)	Improved political situation in Libya, stable gas supply and urea price increase	885
Qafco (Qatar)	Equity-accounted investee (associate)	Melamin price increase	284

Note 20 Inventories

NOK millions	2016	2015
Finished goods	9,377	11,425
Work in progress	536	637
Raw materials	7,667	7,885
Total	17,580	19,948
Write-down		
Balance at 1 January	(152)	(92)
New write-downs recognized during the year	(262)	(122)
Write-downs reversed due to product sold	173	41
Write-downs reversed, other	87	29
Foreign currency translation	14	(8)
Balance at 31 December	(139)	(152)

No inventories were pledged as security at the end of 2016 (2015: NOK 164 million). See note 34 for more information.

Note 21 Trade receivables

NOK millions	Notes	2016	2015
Trade receivables		11,133	12,809
Allowance for impairment loss		(801)	(711)
Total	31	10,332	12,098

Movement in allowance for impairment loss

NOK millions	2016	2015
Balance at 1 January	(711)	(514)
Impairment losses recognized on receivables	(177)	(262)
Amounts written off during the year as uncollectible	33	40
Impairment losses reversed	92	31
Foreign currency translation	(36)	13
Other changes	(3)	(19)
Balance at 31 December	(801)	(711)

Aging analysis of trade receivables at 31 December

Gross trade receivables

NOK millions	Total	Not past due gross trade receivables	Past due gross trade receivables			
			< 30 days	30 - 90 days	91 - 180 days	> 180 days
2016	11,133	8,901	737	414	161	920
2015	12,809	10,710	834	337	137	791

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
2016	10,332	8,890	731	395	121	194
2015	12,098	10,696	833	329	118	123

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
2016	(801)	(11)	(6)	(18)	(40)	(725)
2015	(711)	(14)	(1)	(8)	(19)	(668)

Note 22 Prepaid expenses and other current assets

NOK millions	2016	2015
VAT and sales related taxes	1,184	1,263
Foreign exchange contracts	19	133
Commodity derivatives and embedded derivatives	16	-
Prepaid income taxes	1,374	729
Prepaid expenses	1,191	1,263
Other current assets	1,028	995
Total	4,813	4,383

Note 23 Cash, cash equivalents and other liquid assets

NOK millions	Notes	2016	2015
Cash and cash equivalents	33	3,751	3,220
Other liquid assets	33	2	3

External bank deposits that are not available for use by the group at 31 December 2016 have a carrying value of NOK 256 million (2015: NOK 436 million), manly related to a technical reserve in Yara Insurance required by the regulators and cash held by equity-accounted investees and joint operations. More information about bank deposits and dividend resolutions in subsidiaries with significant non-controlling interests is provided in note 25.

Other liquid assets comprise of bank deposits with maturity between three months and one year.

The average interest rate for liquid assets is approximately 3.0 % as of 31 December 2016 (2015: 4.5 %).

Yara minimizes the counterparty exposure by keeping its cash deposits in various Nordic and international banks with established limits for exposure towards each institution.

Note 24 Share information

On 10 May 2016, the Annual General Meeting 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 shall be subsequently cancelled.

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 interest at NIBOR +1%, calculated from the date of the acquisition of the corresponding shares.

Yara has not purchased own shares under the 2016 buy-back program.

During 2016, Yara purchased 280,000 shares for a total consideration of NOK 93.5 million under the 2015 share buy-back program. Shares were cancelled and shares held by the Norwegian State were redeemed on a pro rata basis.

During 2015, Yara purchased 910,000 shares for a total consideration of NOK 363.8 million under the 2015 share buy-back program. Shares were cancelled and shares held by the Norwegian State were redeemed on a pro rata basis.

Dividend proposed for 2016 is NOK 10.00 per share, amounting to NOK 2,732 million. Dividend approved for 2015 and paid out in 2016 was NOK 4,108 million.

During 2016, Yara received NOK 2.5 million of unclaimed dividends that have expired.

Yara has one class of shares, all with equal voting rights and the right to receive dividends.

	Ordinary shares	Own shares
Total at 31 December 2014	276,227,775	(730,000)
Redeemed shares Norwegian State [1]	(414,406)	
Shares cancelled [1]	(730,000)	730,000
Treasury shares - share buy-back program [1]		(910,000)
Total at 31 December 2015	275,083,369	(910,000)
Treasury shares - share buy-back program [1]		(280,000)
Redeemed shares Norwegian State [2]	(675,539)	
Shares cancelled [2]	(1,190,000)	1,190,000
Total at 31 December 2016	273,217,830	-

1) As approved by General Meeting 11 May 2015
2) As approved by General Meeting 10 May 2016

Note 25 Non-controlling interests

Summarized financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below.

2016

NOK millions	Total at 1 January	Share of profit	Dividend distributed	Additions	Disposals	Share capital increase	Companies acquired	Foreign currency translation	Total at 31 December
Galvani Industria, Comercio e Servicos S.A.	1,245	(15)	(2)	-	-	187	-	238	1,652
Yara Dallol B.V.	394	11	-	-	-	153	-	(5)	553
Other	197	(33)	(3)	-	(11)	-	-	(31)	120
Total	1,837	(37)	(5)	-	(11)	340	-	202	2,326

2015

NOK millions	Total at 1 January	Share of profit	Dividend distributed	Additions	Disposals	Share capital increase	Companies acquired	Foreign currency translation	Total at 31 December
Yara Pilbara Holdings Ltd [1]	2,570	412	(235)	-	(3,057)	-	-	310	-
Galvani Industria, Comercio e Servicos S.A.	1,181	(10)	-	-	-	298	(2)	(222)	1,245
Yara Dallol B.V.	166	(8)	-	203	-	-	-	33	394
Other	279	(43)	(11)	-	(36)	-	-	9	197
Total	4,196	351	(246)	203	(3,094)	298	(2)	130	1,837

1) Including Yara Pilbara Fertilisers Pty Ltd.

In 2015, Yara acquired the 49% non-controlling interest in Yara Pilbara Holding (Pilbara) for NOK 3,068 million in cash. This transaction made it possible for Yara to include Pilbara in Yara's Australian tax group and by that achieve a step-up of various tax assets that was not finally determined until 2016. More information about this tax effect is provided in note 11.

Also in 2015, Yara reduced its ownership in Yara Dallol (Dallol) from 69% to 51.8% for a total consideration of NOK 308 million in cash.

Place of incorporation and percentage of non-controlling interests

Company name	Place of incorporation	Percentage non-controlling interests [1] 2016	Percentage non-controlling interests [1] 2015
Galvani Industria, Comercio e Servicos S.A.	Brazil	40.00 %	40.00 %
Yara Dallol B.V. [2]	The Netherlands	48.24 %	48.24 %

1) Equals voting rights.
2) Place of operations is Ethiopia.

Restrictions and other information related to significant non-controlling interests

The shareholders in Yara Dallol have agreed that no dividends shall be distributed from the company before the start of production. After that, the company shall pay out as much as permitted by applicable law and possible restrictions in future financing agreements. At 31 December 2016, Yara Dallol held NOK 13 million in cash and cash equivalents. Yara has the overall management and control of the project development while the non-controlling interest is provided with minority protective rights.

A dividend resolution by Galvani requires the approval by 75% of the voting shares, providing the non-controlling interest with a protective right. At 31 December 2016, Galvani held NOK 257 million in cash and cash equivalents. The budget and business plan for the mining development projects require consent from at least one board member representing the non-controlling interest while approval of the budget and business plan for the ongoing business is controlled by Yara. The non-controlling interest is also provided with other protective rights.

Financial position for companies with significant non-controlling interests

	2016		2015	
NOK millions	Yara Dallol	Galvani	Yara Dallol	Galvani
Current assets	75	1,385	46	1,756
Non-current assets	1,676	5,439	1,588	3,571
Current liabilities	(97)	(1,453)	(116)	(1,613)
Non-current liabilities	(210)	(1,243)	(289)	(603)
Equity attributable to shareholders of the parent	(889)	(2,476)	(835)	(1,866)
Non-controlling interests	(553)	(1,652)	(394)	(1,245)

Income statement for companies with significant non-controlling interests

	2016		2015	
NOK millions	Yara Dallol	Galvani	Yara Dallol	Galvani
Total operating revenues and other income	-	1,922	-	1,765
Expenses	(98)	(1,964)	(38)	(1,790)
Net income/(loss)	(98)	(43)	(37)	(26)
Net income attributable to shareholders of the parent [1]	(109)	(28)	(29)	(16)
Net income attributable to non-controlling interests	11	(15)	(8)	(10)
Net income/(loss)	(98)	(43)	(37)	(26)
Other comprehensive income attributable to shareholders of the parent	(13)	356	146	(333)
Other comprehensive income attributable to non-controlling interests	(5)	238	33	(222)
Other comprehensive income/(loss) for the year	(18)	594	179	(555)
Total comprehensive income attributable to shareholders of the parent [1]	(122)	328	117	(349)
Total comprehensive income attributable to non-controlling interests	6	223	25	(232)
Total comprehensive income/(loss) for the year	(116)	551	142	(581)
Net cash inflow/(outflow) from operating activities	(91)	104	(70)	83
Net cash inflow/(outflow) from investing activities	(265)	(1,013)	(135)	(568)
Net cash inflow/(outflow) from financing activities	327	265	220	457
Net cash inflow/(outflow)	(28)	(645)	14	(28)

1) Yara Dallol 2016 includes an impairment charge on goodwill of NOK 140 million that is related to majority share only.

Note 26

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 average or 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. 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	2016	2015
Defined benefit plans		(3,966)	(3,622)
Prepayments for defined benefit plans		414	779
Net liability for defined benefit plans		(3,552)	(2,842)
Termination benefits		(19)	(31)
Prepayments for other long term employee obligations		1	1
Other long-term employee benefits		(85)	(99)
Net long-term employee benefit obligations recognized in Statement of financial position		(3,656)	(2,971)
Of which classified as Prepayments for long-term employee obligations	18	415	780
Of which classified as Long-term employee benefit obligations		(4,071)	(3,751)

Expenses for long-term employee benefit obligations recognized in the statement of income

NOK millions	Notes	2016	2015
Defined benefit plans		(379)	(416)
Defined contribution plans		(226)	(173)
Multi-employer plans		(72)	(65)
Termination benefits		(30)	(19)
Other long-term employee benefits		(24)	(52)
Net expenses recognized in statement of income		(731)	(725)
Of which classified as Payroll and related costs	8	(664)	(643)
Of which classified as Interest expense and other financial items	10	(66)	(82)

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 early retirement schemes. These plans were closed for new members from 1 August 2015. Retirement age is flexible from age 62 to age 67.

A majority of Yara's obligations under defined benefit plans are related to subsidiaries within the Eurozone.

Employees of Yara's Dutch subsidiaries hired before 1 August 2014 are members of a funded Defined Benefit 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. The other employees are members of an Average Pay scheme. Retirement age is 67. The funded Defined Benefit pension plan has been closed for new members from 1 August 2014. New hires are enrolled in a Defined Contribution pension plan from the same date.

Obligations in Finland include the statutory TyEL pension scheme as well as a voluntary 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. A reform of the Employees Pensions Act has been agreed, which, from 2017, will gradually increase the minimum retirement age from 63 to 65 while also gradually increasing the maximum retirement age from 68 to 70. Further, accrual rates will change and retirement age will be linked to life expectancy (from year 2027). The voluntary pension plan regulations have also been amended in order to adapt to the revised pension legislation.

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 80 million (2015: NOK 87 million).

Defined benefit obligations and plan assets by origin

	2016		2015	
NOK millions	Obligations	Assets	Obligations	Assets
Finland	(2,864)	2,712	(2,678)	3,034
The Netherlands	(5,114)	4,553	(5,087)	4,575
Other Eurozone	(1,937)	600	(1,835)	494
Great Britain	(3,670)	3,133	(3,870)	3,504
Norway	(2,354)	1,770	(2,261)	1,731
Other	(861)	481	(944)	495
Total	(16,801)	13,249	(16,675)	13,833

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.

The following financial assumptions have been applied for the valuation of liabilities

Discount rate (in %)	2016	2015
Finland	1.5	2.4
The Netherlands	1.8	2.1
Great Britain	2.7	3.7
Norway	2.5	2.5
Total [1]	2.1	2.7

1) Weighted average.

Expected salary increase (in %)	2016	2015
Finland	2.3	2.3
The Netherlands	2.0	2.8
Great Britain	3.9	3.7
Norway	2.4	2.4
Total [1]	2.8	2.9

1) Weighted average.

Expected pension indexation (in %)	2016	2015
Finland	1.5	1.5
The Netherlands	1.2	1.4
Great Britain	3.1	3.0
Norway	0.4	0.2
Total [1]	1.7	1.7

1) Weighted average.

The following table presents indicators of life expectancy of the mortality tables applied for valuation of the obligations, by showing expected longevity of a current employee aged 45 today from the date he or she reaches age 65, and the expected longevity of a current retiree aged 65.

Expected longevity (in years)	Expected longevity of current employee	Expected longevity of current retiree
Finland	25.9	23.4
The Netherlands	24.9	22.6
Great Britain	25.4	23.3
Norway	24.9	22.6

Actuarial valuations provided the following results

NOK millions	2016	2015
Present value of fully or partially funded liabilities for defined benefit plans	(14,719)	(14,552)
Present value of unfunded liabilities for defined benefit plans	(1,959)	(2,005)
Present value of liabilities for defined benefit plans	(16,678)	(16,557)
Fair value of plan assets	13,249	13,833
Social security tax liability on defined benefit plans	(123)	(118)
Net liability recognized for defined benefit plans	(3,552)	(2,842)

Duration of liabilities at the end of the year:

Duration of liabilities (in years)	2016
Finland	16
The Netherlands	19
Great Britain	17
Norway	14
Total [1]	16

1) Weighted average.

Pension cost recognized in statement of income

The assumptions used to value the defined benefit obligations at 31 December are used in the following year to determine the net pension cost. The discount rate is used to calculate the interest income from plan assets.

The following items have been recognized in the statement of income

NOK millions	2016	2015
Current service cost	(324)	(303)
Contribution by employees	29	28
Past service cost [1]	(26)	(29)
Settlements	10	(19)
Curtailment	6	-
Social security cost	(8)	(11)
Payroll and related costs	(313)	(334)
Interest expense on obligation	(414)	(398)
Interest income from plan assets	348	316
Net interest expense on the net obligation	(66)	(82)
Net pension cost recognized in statement of income	(379)	(416)

1) In 2016 a past service cost of NOK 26 million was recognized in the statement of income relating to the pension reform in Finland. The past service cost recognized in 2015 relates to certain plan amendments in Finland, UK and France.

NOK millions	2016	2015
Payroll and related costs		
Finland	(70)	(64)
The Netherlands	(107)	(104)
Great Britain	(19)	(28)
Norway	(49)	(74)
Net interest income/(expense) on the net obligation/asset		
Finland	8	(2)
The Netherlands	(9)	(11)
Great Britain	(12)	(19)
Norway	(10)	(9)

Sensitivity of assumptions

Measurement of defined benefit obligations and pension costs requires the use of a number of assumptions and estimates. The table below indicates the sensitivity of the most significant assumptions applied to the defined benefit obligation (DBO), by showing the estimated result from a reasonable increase or decrease in any one of the key assumptions applied. Holding all other assumptions constant represents a limitation of the analysis, as some of the assumptions may be correlated. The methods used in preparing the analysis are consistent with previous years.

NOK millions	2016	2015
Actual valuation	(16,678)	(16,557)
Discount rate +0.5%	(15,431)	(15,349)
Discount rate -0.5%	(18,101)	(17,917)
Expected rate of salary increase +0.5%	(16,857)	(16,714)
Expected rate of salary increase -0.5%	(16,506)	(16,403)
Expected rate of pension increase +0.5%	(17,835)	(17,296)
Expected rate of pension increase -0.5%	(15,652)	(15,979)
Expected longevity +1 year	(17,344)	(17,101)
Expected longevity -1 year	(16,009)	(16,012)

Development of defined benefit obligations

NOK millions	2016	2015
Defined benefit obligation at 1 January	(16,557)	(15,794)
Current service cost	(308)	(291)
Interest cost	(414)	(398)
Experience adjustments	3	(53)
Effect of changes in financial assumptions	(1,325)	622
Effect of changes in demographic assumptions	8	(13)
Past service cost	(26)	(29)
Settlements	10	(19)
Curtailments	6	-
Benefits paid	646	662
Obligation transferred upon divestment of business [1]	44	-
Transfer of obligation (in)/out [2]	(90)	-
Foreign currency translation on foreign plans	1,325	(1,245)
Defined benefit obligation at 31 December	(16,678)	(16,557)

1) Related to divestment of CO_2 business.
2) Mainly related to reclassification from defined contribution plan of certain pension liabilities in Belgium (NOK 119 million), which is partly offset by the reclassification of a defined benefit plan in Norway upon conversion into a defined contribution plan (NOK 22 million).

Development of plan assets

NOK millions	2016	2015
Fair value of plan assets at 1 January	13,833	12,538
Interest income from plan assets	348	316
Administration cost on plan assets	(16)	(12)
Return on plan assets (excluding the calculated interest income)	398	253
Employer contributions	251	275
Employees' contributions	29	28
Benefits paid	(542)	(563)
Plan assets transferred upon divestment of business [1]	(7)	-
Transfer of plan assets in/(out) [2]	102	-
Foreign currency translation on foreign plans	(1,147)	998
Fair value of plan assets at 31 December	13,249	13,833

1) Related to divestment of CO_2 business.
2) Mainly related to reclassification from defined contribution plan of certain pension liabilities in Belgium (NOK 109 million).

The actual return on plan assets in 2016 was a positive NOK 730 million (2015: Positive NOK 557 million).

Depending on local regulations, Yara may be required to ensure a certain funding level of the pension plans. In the UK Yara is paying an annual contribution until 2018 in order to make good a funding deficit determined in the actuarial valuation of 2014. In The Netherlands, an agreement is in place in which Yara will need to ensure a minimum level of funding by making additional contribution to the fund. On the other hand, Yara will be able to recover parts of the contribution, paid to the fund in case the funding ratio reaches a certain level. In Norway, Yara may be required to increase the capital buffer of the pension fund.

The pension funds have the legal form of foundations, independently governed by their Board of Directors or Board of Trustees. It is the responsibility of the Board to determine the investment strategy, and to review the administration of plan assets and the funding level of the pension plans.

Yara's defined benefit plan obligations are inherently exposed to inflation risk, interest rate risk and longevity risk. The investment strategies of the pension funds ensure diversement of investments in order to keep market volatility risk at a desired level. An exception is the pension fund of Yara in Finland, which has invested about 1/3 of the fair value of plan assets into shares of non-listed Pohjolan Voima Oy, a company producing electricity and heat for its shareholders on an at cost-basis. The Boards of the pension funds are targeting a satisfactory level of risk and return corresponding to the maturity profile of future pension benefit payments.

At the end of the year, the plan assets were invested as follows

NOK millions, except percentages	2016	2016	2015	2015
Cash and cash equivalents	190	1 %	318	2 %
Shares	4,037	30 %	3,994	29 %
Other equity instruments	128	1 %	58	-
High yield debt instruments	608	5 %	226	2 %
Investment grade debt instruments	5,376	41 %	6,363	46 %
Properties	531	4 %	529	4 %
Interest rate swap derivatives	1	-	4	-
Other plan assets [1]	1,259	10 %	1,018	7 %
Total investments quoted in active markets	12,131	92 %	12,510	90 %
Shares and other equity instruments	931	7 %	1,143	8 %
Other and unquoted plan assets [2]	187	1 %	180	1 %
Total unquoted investments	1,118	8 %	1,323	10 %
Total plan assets	13,249		13,833	

1) Other plan assets include insurance policies, hybrid funds and other fund investments.
2) Other unquoted plan assets is mainly a loan to Yara Suomi Oy.

Contributions expected to be paid to the defined benefit plans for 2017 are NOK 624 million (including benefits to be paid for unfunded plans). The contributions paid in 2016 were NOK 356 million. The increase is mainly due to NOK 272 additional contribution required for the pension plan in the Netherlands in order to ensure sufficient funding ratio.

Remeasurement gains/(losses) recognized in other comprehensive income

NOK millions	2016	2015
Remeasurement gains/(losses) on obligation for defined benefit plans	(1,328)	557
Remeasurement gains/(losses) on plan assets for defined benefit plans	403	253
(Increase)/decrease in social security tax liability on remeasurement gains/(losses) for defined benefit plans (Norway only)	(6)	(56)
Net remeasurement gains/(losses) for defined benefit plans	(930)	754
Change in deferred tax related to remeasurement gains/(losses) for defined benefit plans [1]	170	(177)
Remeasurement gains/(losses) recognized from Equity-accounted Investees (net of tax)	-	11
Total remeasurement gains/(losses) recognized in other comprehensive income	(760)	588

1) 2016 includes impact from reduction of tax percentage in UK, Norway, France and Italy (2015: France, Norway and UK).

Remeasurement 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 demographic and financial assumptions when measuring the present value of pension liabilities at year-end with revised assumptions.

Remeasurement gains and losses are permanently recognized directly in retained earnings in the period in which they occur. The cumulative amount of remeasurement losses recognized in other comprehensive income is NOK 3,460 million (2015: NOK 2,700 million).

Note 27 Provisions and contingencies

2016

NOK millions	Environmental	Restructuring	Legal Claims	Decommission	Other	Total
Balance at 1 January 2016	193	7	148	576	173	1,098
Additional provision in the year	169	14	62	37	48	306
Interest expense on liabilities	1	-	-	16	-	41
Unused provision	(9)	(1)	(29)	(71)	(76)	(185)
Utilization of provision	(27)	(7)	(25)	(13)	(21)	(92)
Companies purchased/(sold)	-	-	-	-	(3)	(3)
Currency translation effects	(5)	-	13	(9)	(7)	(8)
Balance at 31 December 2016	323	14	170	535	116	1,158

2015

NOK millions	Environmental	Restructuring	Legal Claims	Decommission	Other	Total
Balance at 1 January 2015	165	19	178	548	162	1,072
Additional provision in the year	48	6	59	37	70	220
Interest expense on liabilities	1	-	1	17	-	19
Unused provision	(1)	(2)	(36)	(3)	(33)	(75)
Utilization of provision	(41)	(16)	(21)	(51)	(35)	(164)
Companies purchased/(sold)	18	-	-	-	-	18
Currency translation effects	3	-	(33)	28	9	8
Balance at 31 December 2015	193	7	148	576	173	1,098

Provisions presented in the consolidated statement of financial position

NOK millions	2016	2015
Current liabilities	323	325
Non-current liabilities	834	773
Total	1,158	1,098

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 changes, and such changes may require that the company makes investments and/or incur costs to meet more stringent emission standards or to take remedial actions related to e.g. soil contamination.

Restructuring

Restructuring mainly relates to closure or significant reorganization 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, are 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 onerous contracts and various provisions for constructive obligations as a result of past events.

Contingencies

Yara is involved in a number of legal proceedings during the normal course of its business. While acknowledging the uncertainties of litigation, Yara is of the opinion that based on the information currently available, these matters will be solved without any material adverse effect on Yara's consolidated results of operations, liquidity or financial position. In 2016, Yara settled disputes with suppliers that involved a total claim of USD 140 million that was disclosed as a contingent liability in the 2015 Annual report.

Several subsidiaries are engaged in judicial and administrative proceedings related to various disputed tax matters. The majority of these contingencies are related to indirect taxes in Brazil, amounting to approximately NOK 800 million including cases where the probability of cash outflow is considered remote. Such cases have varying risk of loss, and the final outcome is normally several years into the future. Yara follows the development on case-by-case basis, making provisions if and when cash outflow is assessed to be probable.

Note 28 Long-term debt

NOK millions, except percentages and denominated amounts	Weighted average interest rates	Denominated amounts 2016	2016	2015
NOK (Coupon 8.80%)	-	-	-	1,007
NOK (Coupon NIBOR + 0.70%) 1)	1.9 %	2,200	2,197	2,197
NOK (Coupon 2.55%) 2)	2.6 %	700	700	705
NOK (Coupon 3.00%) 3)	3.0 %	600	601	604
USD (Coupon 7.88%) 4)	8.3 %	500	4,293	4,381
USD (Coupon 3.80%) 5)	3.9 %	500	4,282	-
Total unsecured debenture bonds			12,074	8,893
USD	2.1 %	120	1,034	1,099
BRL (Brazil)	17.7 %	222	588	60
MYR (Malaysia)	2.8 %	0.385	1	1
Total unsecured bank loans 1)			1,622	1,160
Lease obligation			260	290
Mortgage loans			246	1,093
Other long-term debt			30	19
Total			536	1,402
Outstanding long-term debt			14,232	11,456
Less: Current portion			(240)	(2,102)
Total			13,992	9,354

1) Repricing within a year.
2) Fixed interest rate until 2021. Subject to fair value hedge accounting, see note 32.
3) Fixed interest rate until 2024. Subject to fair value hedge accounting, see note 32.
4) Fixed interest rate until 2019.
5) Fixed interest rate until 2026.

The carrying values include issuance discount, capitalised issuance costs and fair value hedge accounting adjustments as indicated above (see also note 33 for further information about fair value of financial instruments).

At 31 December 2016, the fair value of the long-term debt, including the current portion, was NOK 14,467 million and the carrying value was NOK 14,232 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 2016, USD 500 million originated from Yara's June 2016 bond debt and USD 500 million from Yara's June 2009 bond issue, both in the US market according to 144A/Regulations. A further NOK 3,500 million originated from Yara's December 2014 bond issue in the Norwegian market. The latter has been converted to USD exposure through cross-currency swaps.

Yara's additional long-term funding was based on bank loans. Yara's term loan from the Nordic Investment Bank has been reduced to USD 105 million through scheduled downpayments and linear installments will continue until December 2023. A further minor portion of the long-term bank loans was borrowed in emerging markets.

During the year, Yara repaid NOK 1,000 million of its bond debt and a USD 100 million term loan in Yara Pilbara upon maturity in March and September respectively.

By year-end, Yara has an undrawn revolving credit facility totaling USD 1,250 million due 2020. In January 2017, Yara established a USD 150 million loan agreement with IFC with maturity in 2023. The first drawdown of the loan is expected in March 2017.

Of the fixed interest rate debenture bonds, NOK 1,300 million was exposed to floating interest rates through interest rate swaps.

Contractual payments on long-term debt, including current portion

NOK millions	Debentures	Bank Loans	Capital lease and other long-term loans	Total [1]
2017	-	189	50	240
2018	-	493	64	557
2019	6,491	279	63	6,833
2020	-	238	54	293
2021	700	164	56	920
Thereafter	4,883	257	249	5,390
Total	12,074 [2]	1,622	536	14,232

1) Including current portion.
2) Yara International ASA is responsible for the entire amount.

Note 29 Trade payables and other payables

NOK millions	2016	2015
Trade payables	9,621	9,826
Payroll and value added taxes	1,926	1,882
Prepayments from customers	2,585	2,382
Other liabilities	630	584
Total	14,762	14,674

Terms and conditions to the above financial liabilities:

Trade payables are mainly non-interest bearing and have an average term of 60 days. Payroll and value added taxes are mainly settled bimonthly or on quarterly basis. Other payables are non-interest bearing and normally settled within 12 months.

Note 30 Bank loans and other interest bearing short-term debt

NOK millions, except percentages	Notes	2016	2015
Bank loans and overdraft facilities		2,225	3,472
Other		98	163
Total	33	2,323	3,635
Weighted average interest rates [1]			
Bank loans and overdraft facilities		11.1%	6.9%
Other		0.0%	2.6%

1) Repricing minimum annually.

At 31 December 2016, Yara had unused short-term credit facilities with various banks totalling approximately NOK 2.7 billion.

Note 31 Risk management

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 or limits for the main risks and for monitoring these risk exposures. Based on the overall evaluation of risk, Yara may use insurance policies, trade finance contracts, guarantees or 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.

There were no principal changes in the Group's approach to capital management during the years ending 31 December 2016 and 31 December 2015. Through recent years, strong cash flow has generated a liquidity surplus kept as short-term bank deposits. While the volume of such deposits has fluctuated throughout the year, the balance at year end 2016 was somewhat higher than at year end 2015.

Funding structure

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 debt/equity ratio at the end of 2016 calculated as net interest-bearing debt divided by shareholders' equity plus non-controlling interests, was 0.17 compared with 0.16 at the end of 2015. The Yara Group is not subject to any externally imposed capital requirements.

Yara maintained the Baa2 rate from Moody's and the BBB rate from Standard & Poor's during 2016.

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's Finance, Treasury & Insurance 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 that analyze 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 & Insurance function reports regularly to the Group's management.

The Group may seek to reduce the exposure to such risks by using derivative financial instruments to hedge the inherent exposures. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on currency 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. Throughout the year, the part of Yara's US dollar debt established to hedge future earnings was kept around USD 900 million (2015: USD 900 million). A certain portion of the total debt is kept in various local currencies in order to finance local currency exposed business positions.

Yara manages currency risks by adjusting the composition of the debt or liquidity portfolios to changes in Yara's overall risk exposure. Derivative instruments may also be used to manage currency 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.

Sensitivity - profit or loss

NOK millions	2016	2015
A 10% weakening [1] of the US dollar at the reporting date would have increased/(decreased) profit or loss by	983	1,131
A 10% weakening [1] of the euro at the reporting date would have increased/(decreased) profit or loss by	(695)	(602)

1) Against the Norwegian krone and other functional currencies.

This analysis is done for illustrative purposes only, taking into consideration only the effect on the value of 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 2015.

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.

Sensitivity - Other comprehensive income

NOK millions	2016	2015
A 10% weakening [1] of the US dollar at the reporting date would have increased/(decreased) other comprehensive income by	(2,555)	(2,191)
A 10% weakening [1] of the euro at the reporting date would have increased/(decreased) other comprehensive income by	(1,043)	(1,254)
A 10% weakening [1] of the Canadian dollar at the reporting date would have increased/(decreased) other comprehensive income by	(994)	(979)

1) Against the Norwegian krone and other functional currencies.

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 2015.

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 28. Yara has chosen to retain a significant part of its debt at fixed interest rates.

Yara has kept the entire USD 500 million fixed interest bond issued in 2009 as well as the entire USD 500 million fixed interest bond issued in 2016 as fixed interest rate debt during 2016. 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, except percentages	2016	2015
Net interest-bearing debt at 31 December [1]	12,802	11,868
Fixed portion of bonds	8,576	4,381
Net interest-bearing debt/(deposits) less fixed portion of bonds	4,226	7,488

1) For definition of net interest-bearing debt, refer to page 51.

Sensitivity

NOK millions, except percentages	2016	2015
An increase of 100 basis points in USD interest rates at the reporting date would have increased/(decreased) profit or loss by	(46)	(65)
An increase of 100 basis points in NOK interest rates at the reporting date would have increased/(decreased) profit or loss by	17	(7)

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 2015. 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

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 and as disclosed in note 33.

Yara has a well-established system for credit management with established limits at both counterparty 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. Yara also has agreed limits for credit exposure (collateral agreements) with most of its main banks. 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 on its financial instruments.

Yara may undertake a number of measures to reduce credit risk of particular receivables. Such measures include letters of credit, bank guarantees and credit insurance agreements. The effect of credit risk reduction from these measures is not considered to be material for the Group.

Funding and liquidity risk

The capital structure of the Group consists of debt, which includes the borrowings disclosed in notes 28 and 30, cash and cash equivalents and equity attributable to equity holders of the parent, comprising paid-in capital and retained earnings as disclosed in notes 22, 23 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 institutions or markets. Yara manages liquidity risk by maintaining adequate reserves and committed bank facilities and by continuously monitoring forecasted and actual cash flows. 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 28 and 30 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 2016

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	(2,323)	(2,443)	(167)	(2,152)	(125)	-	-	-
Long-term interest-bearing debt [1]	(14,232)	(16,998)	-	(371)	(454)	(1,398)	(8,870)	(5,904)
Accrued interest expense	(79)	(79)	-	(71)	(4)	(4)	-	-
Accounts payable	(9,621)	(9,696)	(8)	(9,411)	(268)	(3)	(4)	(1)
Payroll and value added taxes	(1,926)	(1,937)	(16)	(1,818)	(101)	-	(2)	-
Other short-term liabilities	(484)	(484)	-	(294)	(190)	-	-	-
Other long-term liabilities	(518)	(3,535)	(2)	(1)	(761)	(294)	(195)	(2,281)
Derivative financial instruments								
Freestanding financial derivatives	(638)							
Outflow		(6,165)	-	(1,692)	(46)	(74)	(3,463)	(890)
Inflow		5,396	-	1,563	34	54	2,999	746
Commodity derivatives	(230)							
Outflow		(246)	-	-	(1)	(32)	(213)	-
Inflow		-	-	-	-	-	-	-
Hedge designated derivatives	2							
Outflow		(230)	-	(14)	(17)	(29)	(108)	(62)
Inflow		233	-	-	36	36	108	54
Total	(30,049)	(36,184)	(193)	(14,261)	(1,897)	(1,744)	(9,748)	(8,338)

1) Includes current portion of long-term interest bearing debt amounting to NOK 240 million.

31 December 2015

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	(3,635)	(3,822)	(288)	(2,806)	(729)	-	-	-
Long-term interest-bearing debt [1]	(11,456)	(13,311)	-	(1,330)	(1,299)	(664)	(8,878)	(2,076)
Accrued interest expense	(92)	(92)	-	(92)	-	-	-	-
Accounts payable	(9,826)	(9,782)	(112)	(9,618)	(43)	(3)	(4)	(1)
Payroll and value added taxes	(1,882)	(1,863)	(115)	(1,673)	(73)	-	(1)	-
Other short-term liabilities	(510)	(481)	(1)	(295)	(185)	-	-	-
Other long-term liabilities	(414)	(416)	-	-	(1)	(203)	(203)	(9)
Derivative financial instruments								
Freestanding financial derivatives	(544)							
Outflow		(9,174)	-	(4,584)	(20)	(85)	(2,841)	(1,644)
Inflow		8,494	-	4,615	34	54	2,384	1,407
Commodity derivatives	(294)							
Outflow		(294)	-	(1)	(6)	(21)	(199)	(67)
Inflow		-	-	-	-	-	-	-
Hedge designated derivatives	70							
Outflow		(285)	-	(42)	(14)	(23)	(98)	(107)
Inflow		357	-	88	36	36	108	90
Total	(28,583)	(30,669)	(516)	(15,738)	(2,300)	(909)	(9,732)	(2,407)

1) Includes current portion of long-term interest bearing debt amounting to NOK 2,102 million.

Derivative instruments

NOK millions	Notes	2016	2015
Total fair value of derivatives			
Forward foreign exchange contracts	33	(126)	65
Interest rate swaps	33	(512)	(609)
Interest rate swaps designated for hedging	33	2	70
Embedded derivatives in sales and purchase contracts	33	(230)	(294)
Balance at 31 December		(866)	(768)
Derivatives presented in the statement of financial position			
Non-current assets		2	70
Current assets		35	133
Non-current liabilities		(757)	(896)
Current liabilities		(146)	(74)
Balance at 31 December		(866)	(768)

Yara is committed to outstanding forward foreign exchange contracts as follows

NOK millions	2016	2015
Forward foreign exchange contracts, notional amount	2,726	8,027

All outstanding forward foreign exchange contracts at 31 December 2016 have maturity in 2017. Buy positions are mainly in Norwegian kroner against US dollars and US dollars towards Brazilian reals. Sell positions are in various operating currencies towards Norwegian kroner.

Note 32 Hedge accounting

Fair value hedges

NOK bond debt

Two long-term NOK interest swaps were designated as hedging instruments since 2011. The hedged risk was the change in fair value due to changes in risk-free interest rates (NIBOR) of the NOK 1,000 million bond debt from 2009. The swaps had different interest payment dates (semi-annually vs. annually), but identical interest basis and maturity as the hedged debt and were assessed to be highly effective. These swaps matured in 2016 upon maturity of the associated bonds.

In December 2014, Yara designated a portfolio of 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 1,300 million fixed rate bond debt from 2014. The swaps have different interest payment dates (quarterly vs. annually), but identical interest basis and maturity as the hedged debt and are assessed to be highly effective.

USD bond debt

There are no fair value hedges of USD debt outstanding at 31 December 2016.

NOK millions	2016	2015
NOK bond debt fair value hedge		
Change in fair value of the derivatives	17	8
Change in fair value of the bonds	(23)	(11)
Ineffectiveness	(5)	(2)
Total loss on fair value hedge included in the carrying amount of bond debt at year-end	(2)	(18)

Cash flow hedges

In 2007, Yara used treasury locks 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 is proportionally reclassified into interest expense and deferred tax until 2019 when the bond expires.

During the second half of 2014 and the first half of 2015, Yara used treasury locks to hedge future cash flows of a planned bond issue. Throughout 2015, however, liquidity inflow from divestments and a revision of Yara's interest rate strategy led to a deferral of the planned bond issue and the criteria for hedge accounting were no longer present. The hedging relationship was therefore terminated during third quarter 2015 and a loss of NOK 100 million was recognized in the statement of income.

Effect booked in statement of income

NOK millions	2016	2015
Interest expense		
2009-bond cash flow hedge	6	5
2014 cash flow pre-hedge [1]	-	2
Total	6	7
Deferred tax	(1)	(1)
Net effect in statement of income	4	6

1) Discontinued in Q3 2015

Effects booked in statement of comprehensive income

NOK millions	2016	2015
Period gain/(loss)		
2014 cash flow pre-hedge	-	25
Total	-	25
Deferred tax	-	7
Net effect in statement of comprehensive income	-	18

Hedges of net investment

At 31 December 2016, the Group held in total USD 780 million (2015: USD 780 million) of debt designated as hedges of net investments in foreign entities. The hedges were assessed to be highly effective. At 31 December 2016, the hedges had a negative fair value of NOK 1,492 million recognized in other comprehensive income (2015: negative NOK 1,600 million). There is not recognized any ineffectiveness in 2016 or 2015.

Note 33 Financial instruments

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	Available-for-sale financial assets	Financial liabilities at amortized cost	Contingent consideration at fair value	Total
2016							
Consolidated statement of income							
Commodity based derivatives gain/(loss)	31	58	-	-	-	-	58
Fair value change of contingent consideration		-	-	-	-	3	3
Interest income/(expense) and other financial income/(expense)	31	1	(10)	15	-	-	6
Foreign currency translation gain/(loss)	31	(833)	-	-	-	80	(753)
Consolidated statement of comprehensive income [2]							
Available-for-sale investments - change in fair value		-	-	(24)	-	-	(24)
Hedge of net investments	32	-	-	-	144	-	144
Reclassification adjustments related to:							
- cash flow hedges [1]	32	-	6	-	-	-	6
Total		(774)	(4)	(9)	144	83	(560)
2015							
Consolidated statement of income							
Commodity based derivatives gain/(loss)	31	203	-	-	-	-	203
Fair value change of contingent consideration		-	-	-	-	(72)	(72)
Interest income/(expense) and other financial income/(expense)	31	(99)	34	5	-	-	(60)
Foreign currency translation gain/(loss)	31	(102)	-	-	-	(142)	(244)
Consolidated statement of comprehensive income [2]							
Available-for-sale investments - change in fair value		-	-	38	-	-	38
Hedge of net investments	32	-	-	-	(1,090)	-	(1,090)
Reclassification adjustments related to:							
- cash flow hedges [1]	32	-	7	-	-	-	7
Total		2	41	43	(1,090)	(213)	(1,217)

1) Effects of foreign currency translation on other financial instruments than derivatives are not included in the overview.
2) Amounts are presented before tax.

Carrying amounts shown in the statement of financial position, presented together with fair value per category

31 December 2016

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	Contingent consideration at fair value	Non-financial assets and liabilities	Total
Non-current assets									
Other non-current assets	18	-	2	2,642	182	-	-	415	3,242
Current assets									
Trade receivables	21	-	-	10,332	-	-	-	-	10,332
Prepaid expenses and other current assets	22	35	-	2,210	-	-	-	2,565	4,811
Other liquid assets	23	-	-	2	-	-	-	-	2
Cash and cash equivalents	23	-	-	3,751	-	-	-	-	3,751
Non-current liabilities									
Other long-term liabilities		(757)	-	-	-	(199)	(319)	(129)	(1,404)
Long-term interest-bearing debt	28	-	-	-	-	(13,992)	-	-	(13,992)
Current liabilities									
Trade and other payables	29	(146)	-	-	-	(11,858)	(173)	(2,586)	(14,762)
Other short-term liabilities		-	-	-	-	(79)	-	(781)	(859)
Bank loans and other interest-bearing debt	30	-	-	-	-	(2,323)	-	-	(2,323)
Current portion of long-term debt	28	-	-	-	-	(240)	-	-	(240)
Total		(868)	2	18,937	182	(28,691)	(492)	(514)	(11,444)
Fair value [1]		(868)	2	18,937	182	(28,447)	(492)		
Unrecognized gain/(loss)		-	-	-	-	(244)	-		

1) Unrecognized loss on financial instruments at amortized cost is mainly related to long-term interest-bearing debt with fixed interest rate. See note 28.

31 December 2015

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	Contingent consideration at fair value	Non-financial assets and liabilities	Total
Non-current assets									
Other non-current assets	18	-	70	1,883	223	-	-	780	2,956
Current assets									
Trade receivables	21	-	-	12,098	-	-	-	-	12,098
Prepaid expenses and other current assets	22	133	-	2,256	-	-	-	1,992	4,380
Other liquid assets	23	-	-	3	-	-	-	-	3
Cash and cash equivalents	23	-	-	3,220	-	-	-	-	3,220
Non-current liabilities									
Other long-term liabilities		(896)	-	-	-	(109)	(305)	(138)	(1,448)
Long-term interest-bearing debt	28	-	-	-	-	(9,354)	-	-	(9,354)
Current liabilities									
Trade and other payables	29	(74)	-	-	-	(12,043)	(174)	(2,382)	(14,674)
Other short-term liabilities		-	-	-	-	(92)	-	(782)	(875)
Bank loans and other interest-bearing debt	30	-	-	-	-	(3,635)	-	-	(3,635)
Current portion of long-term debt	28	-	-	-	-	(2,102)	-	-	(2,102)
Total		(837)	70	19,460	223	(27,335)	(480)	(531)	(9,430)
Fair value [1]		(837)	70	19,460	223	(28,401)	(480)		
Unrecognized gain/(loss)		-	-	-	-	(586)	-		

1) Unrecognized loss on financial instruments at amortized cost is mainly related to long-term interest-bearing debt with fixed interest rate. See note 28.

Principles for estimating fair value

The following summarizes the major methods and assumptions used in estimating fair values of financial instruments reflected in the above 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 which relies 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

Since there is no active market with quoted prices, we have used valuation techniques to estimate the fair value. Fair value for disclosure purposes is thus calculated based on the present value of future principal and interest cash flows. Cash flows have been 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 Group's 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 range of different characteristics and comprises both commodity based financial contracts as well as non-financial purchase and sales contracts with maturity mainly from 3 months to 5 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 the 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.

Contingent consideration

Fair value of contingent considerations is calculated considering the present value of expected payment, discounted using a risk-adjusted discount rate. The expected payment is determined by considering the possible scenarios of financial performance, the amount to be paid under each scenario and the probability of each scenario.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method, at 31 December 2016. 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).

2016

NOK millions	Level 1	Level 2	Level 3	Total
Equity securities available-for-sale	-	-	182	182
Foreign exchange contracts	-	19	-	19
Interest rate contracts designated as hedging instrument	-	2	-	2
Commodity derivatives and embedded derivatives	-	-	16	16
Total assets at fair value	-	21	198	219
Foreign exchange contracts	-	(145)	-	(145)
Interest rate derivative contracts	-	(512)	-	(512)
Commodity derivatives and embedded derivatives	-	-	(246)	(246)
Contingent consideration	-	-	(492)	(492)
Total liabilities at fair value	-	(657)	(738)	(1,395)

There were no transfers between Level 1 and Level 2 in the period.

The following table shows a reconciliation from the opening balances to the closing balances at 31 December 2016 for fair value measurements in Level 3 of the fair value hierarchy:

NOK millions	Equity securities available-for-sale	Derivatives - assets	Derivatives - liabilities	Contingent consideration	Total
Balance at 1 January	223	-	(294)	(480)	(551)
Total gains or (losses):					
– in income statement	15	16	42	83	156
– in other comprehensive income	(28)	-	-	-	(28)
Additions or (disposals)	(17)	-	-	-	(17)
Additions related to business combinations	-	-	-	(23)	(23)
Foreign currency translation	(11)	-	6	(72)	(77)
Balance at 31 December	182	16	(246)	(492)	(540)

The following table shows a reconciliation from the opening balances to the closing balances at 31 December 2015 for fair value measurements in Level 3 of the fair value hierarchy:

NOK millions	Equity securities available-for-sale	Derivatives - assets	Derivatives - liabilities	Contingent consideration	Total
Balance at 1 January	176	18	(448)	(1,320)	(1,575)
Total gains or (losses):					
– in income statement	-	(20)	221	(213)	(12)
– in other comprehensive income	38	-	-	-	38
Settlement	-	-	-	1,091	1,091
Foreign currency translation	9	2	(66)	(38)	(93)
Balance at 31 December	223	-	(294)	(480)	(551)

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

	Effect on profit or loss		Effect on other comprehensive income	
NOK millions	Favorable	(Unfavorable)	Favorable	(Unfavorable)
Embedded derivative in energy contract (20% decrease/increase in ammonia price)	112	(149)	-	-
Unlisted equity securities (20% increase/decrease in electricity price)	-	-	38	(38)
Total	112	(149)	38	(38)

The favourable and unfavourable effects on the embedded derivative in the energy contract is calculated by increasing/ decreasing the input of ammonia prices by 20 percent for the whole contract period. 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 increase/decrease of the forward electricity prices used in the model by 20 percent. All other variables remain constant.

The fair value of contingent consideration as of 31 December 2016 is NOK 492 million, of which NOK 472 million is related to arrangements with a stated maximum amount. Nominal value of the maximum amount related to these arrangements is NOK 547 million. Contingent consideration without a stated maximum amount has a fair value of NOK 20 million as of 31 December 2016 and the final amount depends on the net income after tax from an acquired business for the years 2017 and 2018.

Note 34 Secured debt and guarantees

NOK millions	2016	2015
Amount of secured debt	332	1,144
Assets used as security for debt		
Machinery and equipment, etc.	97	4,849
Buildings and structural plant	190	1,428
Inventories	-	164
Other (including land and shares)	170	298
Total	456	6,739
Assets used as security for non-financial liabilities		
Buildings and structural plant	186	-
Total	186	-
Guarantees (off-balance sheet)		
Contingency for discounted bills	4	13
Contingency for sales under government schemes [1]	717	801
Non-financial parent company guarantees	4,177	9,941
Non-financial bank guarantees	981	1,155
Total	5,880	11,909

1) 2015 restated to include the contingency for sales under government schemes.

The amount of secured debt has decreased with NOK 812 million during 2016 reflecting the repayment of the term loan in Yara Pilbara. The volume of assets pledged as security has decreased correspondingly.

Off-balance sheet guarantees consist mainly of commercial guarantees related to contract obligations (Bid Bonds, Performance Guarantees and Payment Guarantees) and various mandatory public guarantees (Customs Guarantees, Receivable VAT Guarantees). 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 of debt issued on behalf of consolidated companies are not included since the drawings under such credit lines are included in the consolidated statement of financial position. The guarantee obligation under such guarantees is at any time limited to the amount drawn under the credit facility.

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.

Total off-balance sheet guarantees decreased with NOK 6.029 million compared with 2015, mainly reflecting completion of construction projects and lower raw material prices.

Contingent liabilities related to the demerger from Norsk Hydro ASA

Yara is contingently liable for unfunded pension liabilities accrued prior to the consummation of the de-merger from Norsk Hydro ASA (Hydro) 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 35 Contractual obligations and future investments

NOK millions	Investments 2017	Investments Thereafter	Investments Total
Contract commitments for investments in property, plant and equipment	9,293	2,145	11,438
Contract commitments for other future investments	3,367	-	3,367
Contract commitments for acquisition or own generated intangible assets	75	8	83
Total	12,735	2,153	14,888

Yara has publicly communicated committed growth investments of NOK 8.8 billion in the time period 2017-2018. These investments are related to projects in Brazil (Rio Grande and the Salitre mining project), Porsgrunn, Köping, Sluiskil, and the joint project with BASF to build an ammonia plant in Texas. Of this amount, NOK 7.9 billion is included in contractual commitments in the table above. Contractual commitments for other future investments are related to the Babrala acquisition which is pending approval in India.

Commitments related to equity-accounted investees

NOK millions	Investments 2017	Investments Thereafter	Investments Total
Contract commitments for investments in property, plant and equipment:	1,222	-	1,222
Total	1,222	-	1,222

Figures in the table above are presented on a 100% basis. Yara's share of committed investments related to equity-accounted investees in 2016 is NOK 327 million. The commitments are mainly related to investments in Qafco.

Take-or-pay and Long-term contracts

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 its equity-accounted investees, see note 16.

The noncancellable future obligations at 31 December 2016 (undiscounted amounts)

NOK millions	Total
2017	4,849
2018	2,979
2019	2,849
2020	2,083
2021	1,661
Thereafter	3,270
Total	17,691

The noncancellable future obligations are mainly related to gas and raw material contracts. The amounts are calculated based on minimum contracted quantities and minimum contracted prices according to each contract. Where price is defined by reference to an index or otherwise not fixed by contract, current prices are used to calculate noncancellable future obligations.

Yara did not need to pay any significant amount to fulfill take-or-pay clauses in 2016.

NOK millions	2017	2018	2019	2020	2021	Total
Sales commitments [1]	227	68	15	15	-	326

1) Sales commitments are mainly related to industrial products.

For further information regarding future obligations, see note 26 for future obligations related to pensions, note 27 for provisions and contingencies and 36 for future commitments related to lease arrangements.

Note 36 Operating and finance lease commitments

Operating lease

Operating leases for the right to use land, buildings, offices, machinery, equipment and vessels. Total minimum future rentals due under noncancellable operating leases are:

NOK millions	2016	2015
Within 1 year	1,060	1,424
2 - 5 years	2,038	2,113
After 5 years	1,247	1,151
Total	4,345	4,688

There are no restrictions imposed by lease arrangements, such as those concerning dividends and additional debt. For some of the contracts there are renewal options that Yara may exercise.

Operating lease expenses included in operating cost and expenses

NOK millions	2016	2015
Operating lease expenses	(1,858)	(1,900)

Operating lease expenses of NOK 1,583 million (2015: NOK 1,643 million) is included in raw materials, energy costs and freight expenses and the remaining is presented as part of other operating expenses in the consolidated statement of income.

Finance lease

Finance leases on buildings, offices, machinery and equipment. Total minimum future rentals due under noncancellable finance leases and their present values are:

	2016		2015	
NOK millions	Nominal value	Present value	Nominal value	Present value
Within 1 year	40	37	47	40
2 - 5 years	193	168	236	203
After 5 years	110	60	114	60
Total	343	265	397	303

There are no restrictions imposed by lease arrangements, such as those concerning dividends and additional debt. Renewal or purchase options clauses are common among Yara's finance lease agreements.

See note 14 for information regarding the carrying amount of finance lease assets.

Note 37 Related parties

The Norwegian State
At 31 December 2016, the Norwegian State owned 98,936,188 shares, representing 36.21% of the total number of shares issued. On the same date, the National Insurance Fund, Norway owned 16,245,892 shares, representing 5.95% of the total number of shares issued.

Equity-accounted investees
Transactions with equity-accounted investees are described in note 16.

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. During 2016, Yara has contributed to the pension fund through deductions from premium 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 2016 and number of shares owned 31 December 2016

NOK thousands, except number of shares	Compensation earned in 2016	Number of shares
Leif Teksum, Chairperson [1]	573	1,500
Maria Moræus Hanssen [2]	620	-
Geir Isaksen [1]	309	84
Hilde Bakken [1]	351	500
John Gabriel Thuestad [2]	392	1,200
Rune Asle Bratteberg [2] [3]	392	201
Geir O. Sundbø [1] [3]	344	173
Kjersti Aass (from 10 May 2016) [3]	196	62
Guro Mauset (till 10 May 2016) [3]	106	225

1) Member of the HR Committee in 2016. Geir O. Sundbø replacing Geir Isaksen from 9 March 2016.
2) Member of the Audit Committee in 2016.
3) Interest-free loan of NOK 11.902 given through a trust in accordance with a Yara share purchase offer.

Compensation of Board of Directors was NOK 3,283 thousand in 2016 compared to NOK 3,161 thousand in 2015.
The Chairperson and the members of the Board have no agreements for further compensation due to termination or changes in the position.

Compensation 2016 and number of shares owned by the deputy Board Members at 31 December 2016

	Compensation earned in 2016	Number of shares
Per Rosenberg [1]	-	320
Kari Marie Nøstberg [1]	-	322
Inge Stabæk [1]	-	358
Toril Svendsen	-	-
Vidar Viskjer [1]	-	201

1) Interest-free loan of NOK 11.902 given through a trust in accordance with a Yara share purchase offer.

Yara Executive Management: Compensation and number of shares owned at 31 December 2016

NOK thousands, except number of shares	Salary 2)	Long term incentive plan 1)	Other benefits	Pension benefits	Bonus accrued 4)	Sum	Number of shares	Bonus paid 3)
Svein Tore Holsether	6,000	1,800	311	1,455	2,285	11,851	17,218	1,269
Torgeir Kvidal	3,162	731	516	976	756	6,141	8,413	1,541
Terje Knutsen	2,852	731	415	860	886	5,743	4,380	1,455
Yves Bonte	5,560	1,390	57	719	2,487	10,213	12,026	3,059
Alvin Rosvoll	2,733	670	256	1,069	748	5,475	4,928	1,230
Tove Andersen (from February 8, 2016)	2,610	741	195	202	838	4,586	3,035	604
Petter Østbø (from February 8, 2016)	2,754	767	252	137	1,156	5,066	5,009	681
Lair Hanzen (from February 8, 2016)	3,807	1,203	-	191	4,922	10,123	7,797	2,429
Kristine Ryssdal (from May 18, 2016)	1,697	580	127	84	773	3,261	1,233	-
Pierre Herben (from June 1, 2016)	1,597	556	31	169	546	2,899	3,610	-
Terje Morten Tollefsen (from June 1, 2016)	1,692	580	135	181	773	3,361	5,004	-
Lene Trollnes (from September 1, 2016)	967	580	2,067	45	773	4,432	4,746	-
Trygve Faksvaag (till May 17, 2016)	892	-	108	310		1,309	8,589	1,039
Gerd Löbbert (till February 8, 2016) 5)	516	-	8,253	66		8,835		1,852
Kaija Korolainen (till February 8, 2016) 5)	265	-	4,010	62		4,337		815
Bente Slaatten (till February 8, 2016) 5)	232	-	3,566	82		3,879		1,043

1) Fixed cash amount as part of Long Term Incentive plan (see description on page 134).
2) The base salaries of Yara Executive Management employed in Norway increased with 2.25% on weighted average. For Yara Executive Management member employed in Belgium, no increase was applied due to the salary moderation applicable in Belgium. For the Executive Management member employed in Brazil an increase of 2.7% was applied in addition of an inflation increase of 7.8%. The salary amounts for Yara Executive Management member employed in Belgium and Brazil are influenced by currency fluctuations of 3.43% (EUR) and 1.02% (BRL). 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 impact salary paid.
3) Bonus earned in 2015, paid in 2016.
4) Estimated bonus (including holiday allowance) earned in 2016 to be paid in 2017.
5) Includes salary in the period they were part of Yara Management, performance related bonus paid in 2016 related to 2015, termination compensation according to what was disclosed in the Consolidated Financial Statements in 2015 and settlement of unused holidays etc.

Yara Executive Management: Compensation and number of shares owned at 31 December 2015

NOK thousands, except number of shares	Salary 2)	Long term incentive plan 1)	Other benefits	Pension benefits	Bonus accrued 5)	Sum	Number of shares	Bonus paid 3)
Svein Tore Holsether (from 9 September 2015)	1,869	1,800	6,057	438	1,421	11,585	10,393	-
Torgeir Kvidal (CEO till 9 September 2015) 4)	4,166	715	296	1,160	1,602	7,939	7,137	1,505
Gerd Löbbert	6,120	1,551	712	799	2,203	11,385	7,274	2,713
Egil Hogna (till 1 May 2015)	1,128	-	83	324	-	1,535	8,418	1,692
Terje Knutsen (from 1 May 2015)	1,896	667	238	426	1,003	4,230	3,054	-
Yves Bonte	5,642	1,429	374	731	3,306	11,482	9,959	2,636
Thor Giæver (till 9 September 2015) 4)	1,500	-	145	301	418	2,364	2,864	504
Trygve Faksvaag	2,413	482	342	614	1,042	4,893	7,907	985
Kaija Korolainen	2,543	513	226	588	804	4,674	1,651	805
Bente Slaatten	2,258	448	286	550	1,055	4,597	5,053	917
Alvin Rosvoll	2,700	684	371	879	1,208	5,842	5,775	1,370

1) Fixed cash amount as part of Long Term Incentive plan (see description on page 134).
2) The base salaries of Yara Executive Management employed in Norway increased with 2.6% on average with the exception of members employed in Belgium. For Yara Executive Management members employed in Belgium, an increase of 6.4% was applied. The salary amounts for Yara Executive Management members employed in Belgium are influenced by currency fluctuations. 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 impact salary paid.
3) Bonus earned in 2014, paid in 2015.
4) Torgeir Kvidal took on the position as acting CEO and Thor Giæver is acting CFO till 9 September 2015.
5) Estimated bonus (including holiday allowance) earned in 2015 to be paid in 2016.

Svein Tore Holsether's annual base salary is NOK 6,000,000 which is unchanged from 2015. On his own initiative he wanted no increase to be applied to his base salary for 2016.

Lair Hanzen has Short Term incentive bonus in line with market conditions for Brazil. His setup consists of one bonus scheme with 60% target bonus and an additional bonus scheme with 40% target bonus where a three years vesting period applies. The total bonus pay-out is not limited to 50% of annual base salary as for the other members of Yara Executive Management.

Pensions benefits and termination agreements

Yves Bonte and Pierre Herben are members of the Yara Belgium pension plan. This plan is a Defined Contribution (DC) plan and provides the members with a lump sum when they reach age 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.

Lair Hanzen is member of the Yara Brazil pension plan which is a DC pension plan providing 6% employer contribution.

Other members of Yara Executive Management are included in Yara's plans for employees in Norway. Since 2006 Yara in Norway has been in process for transition from defined benefit pension plans to DC pension and to simplify the pension plans. This work was completed in 2015 and new hires are now enrolled in one DC pension plan covering salary up to 12 times Norwegian Social Security Base Amount (G). When former pension plans were closed, existing members have been offered transitional or compensation arrangements

Svein Tore Holsether is member of the following pension plans:
- A funded DC plan providing contribution equal to 7% of part of pensionable salary up to 7.1 times G plus 20% of salary between 7.1G and 12G
- An unfunded DC plan for salaries above 12G with contribution equal to 25% of pensionable salary in excess of 12G

Provided that he is employed by Yara at age 65 he will be entitled to an Age Limit Compensation. This provides a benefit equal to 65% of his annual base salary at that time until age 67. In case he would be entitled to Severance Pay or if it is mutually agreed between him Yara Board of Directors to continue the employment beyond age 65 he will not be entitled to the Age Limit Compensation.

Torgeir Kvidal is member of the following pension plans:
- A funded DC plan providing contribution equal to 7% of part of pensionable salary up to 7.1 times G plus 20% of salary between 7.1G and 12G
- An unfunded DC plan for salaries above 12G with contribution equal to 25% of pensionable salary in excess of 12G
- An unfunded DC plan providing individually calculated contribution rates compensating shortfall of early retirement plan from age 65 to 67

Terje Knutsen and Alvin Rosvoll are members of the following pension plans:
- A funded DC plan providing contribution equal to 4,5% of part of pensionable salary between 1G and to 7.1G and plus 8.5% of salary between 7.1G and 12G
- An unfunded DC plan for salaries above 12G with contribution equal to 25% of pensionable salary in excess of 12G
- An early retirement plan covering the period from age 65 to 67 with a defined benefit equal to 65% of final salary. From 2006 accrual of pension in this plan has been limited to a salary of 12G

Tove Andersen, Petter Østbø and Terje Morten Tollefsen are members of the following pension plans:
- A funded DC plan providing contribution equal to 7% of part of pensionable salary up to 7.1 times G plus 20% of salary between 7.1G and 12G
- An unfunded DC plan providing individually calculated contribution rates compensating shortfall of early retirement plan from age 65 to 67

Lene Trollnes and Kristine Ryssdal are members of the following pension plan:
- A funded DC plan providing contribution equal to 7% of part of pensionable salary up to 7.1 times G plus 20% of salary between 7.1G and 12G

Statement on 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 to the Annual General Meeting for voting. The Ministry of Trade, Industry and Fisheries disclosed amended Guidelines for Remuneration of Executives in State Owned Companies with effect from 13 February 2015. Yara's remuneration principles applying to the Executive Management comply with these guidelines. Consequently the rules applying for membership in the company pension plan for salaries above 12G has been amended accordingly and the plan was closed for new members from 3 December 2015.

General Principle

Yara's policy concerning remuneration of the CEO and other members of Yara's Executive Management is to provide remuneration opportunities which:
- Are responsible as well as competitive and attractive 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 Long Term Incentive plan, a pension plans, 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.

From 2017 the Long Term Incentive plan has been made conditional to Yara's financial performance. For Short Term Incentive Bonus 2017 the maximum level of payout is conditional on Yara's CROGI (Cash Return on Gross Investment) exceeding 13% (14,5% for 2016). For Executives employed by Yara companies in other countries remuneration can deviate from the guidelines depending on local market conditions. Apart from this, no other changes have been made to the guidelines for 2017 compared with 2016.

Short Term Incentive bonus

The annual incentive bonus represents performance-driven variable compensation components based on financial and non-financial performance 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 excluding special items reaching 7%, with progressively higher payout levels up to a maximum level when CROGI exceeds 13%. The annual incentive bonus pay-out is calculated according to the formula shown below. For Executives on Norwegian employment contracts, the maximum pay-out shall not exceed 50% of annual base salary. For Executives employed by Yara companies in other countries the bonus pay-out can exceed 50% depending on local market conditions.

CROGI multiplier x Individual relative performance multiplier x Target bonus = Bonus payout

Individual Relative Performance

The Individual Relative Performance is determined based on achievements of operational and organizational key performance indicators (KPIs) and an overall performance evaluation. The KPIs are established based on quantified targets set up in the business plan for the actual year and reflect the role and responsibility of each position covering the following areas:
- Safety & Compliance
- Achievement of production and sales volumes
- Cost efficiency and Profitability
- Achievement on specific projects

Promotion of Yara's Mission, Vision and Values and contribution to Yara overall is subject to discretionary evaluation.

Target Bonus

The Target Bonus is a percentage of base salary. The percentage is set according to position level and content and comparison with the market. The target bonuses for Executives on Norwegian employment contract are between 28% and 40% with maximum bonus pay capped at 50% of annual base salary according to what is explained above. For Executives employed by Yara companies in other countries the target bonus can deviate from the above depending on local market conditions.

Long Term Incentive plan

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 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 grant is jointly conditional on Yara's CROGI (Cash Return on Gross Investment) excluding special items reaching an average of 7% over the past three years and Yara's Net Result excluding currency gain/loss being positive for the last three years as a whole. Yara CEO can in any case decide that Long Term Incentive shall not be granted in a given year and Yara Board of Directors can decide that Long Term Incentive shall not be granted to the CEO. The amount granted is linked to the individual position and shall not exceed 30% of annual base salary.

Benefit Plans

All new pension plans in Yara should be defined contribution (DC) plans. For all new hires and internal recruits to Yara Executive Management on Norwegian employment contracts, future contributions to the pension plan is limited to a salary of 12 times Norwegian Social Security Base Amount (12G).

Yara has a DC pension plan covering salary in excess of 12G applicable for employees on Norwegian employment contracts. From December 2015 the membership rules of this plan were changed. The plan was closed for new members. For internal recruits to Yara Executive Management who are members of the plan at commencement, future contribution to the plan stops and they become deferred members of the plan. Current members of Yara Executive Management at 3 December 2015 remain active members of the plan with future contributions.

For Executives on Norwegian employment contracts, Yara has a company set upper limit for retirement at age 70 from 1 July 2016 with the possibility for flexible retirement from age 62 in the company paid DC plans. Yara has a defined benefit early retirement plan for Executives on Norwegian employment contracts covering the period from age 65 to 67 with a defined benefit equal to 65% of final salary limited to 12G. From 1 January 2015, the plan was closed for new members and ceased for employees below age 50. A DC pension plan was established to compensate members for the shortfall.

The Executives are members of the personal insurance schemes applicable to Yara employees. These are Group Life Insurance, Disability Pension, lump-sum payment in the event of disability, occupational diseases, occupational and non-occupational accident and Health Insurance. In addition they are provided with a Travel Insurance covering both the Executive and family.

Others

Executive Management members 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 alternatively NOK 13,500 with a tax-exempt discount of NOK 1,500 in both cases. This comes in addition to the Long Term Incentive plan.

New members of Yara Executives on Norwegian Contracts entered into after March 2015, are entitled to a severance pay equal to six months basic salary on certain conditions. The severance pay is calculated from the end of the notice period. Other income the Executive receives during the Severance Pay period will be deducted from the Severance Pay. Salary and other benefits earned in 2016 are disclosed above. For additional information about existing pension plans see note 26.

Note 38 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.

NOK thousands	Audit fee	Assurance services	Tax services	Other non-audit services	Total
2016					
Deloitte Norway	4,336	1,539	277	1,610	7,762
Deloitte abroad	27,892	1,092	2,675	480	32,140
Total Deloitte	32,228	2,631	2,952	2,090	39,901
Others	1,590	-	105	104	1,798
Total	33,817	2,631	3,057	2,195	41,700
2015					
Deloitte Norway	4,602	808	28	106	5,544
Deloitte abroad	33,244	460	1,788	781	36,273
Total Deloitte	37,846	1,268	1,816	887	41,817
Others	2,216	48	918	289	3,471
Total	40,062	1,316	2,734	1,176	45,288

Note 39 Post balance sheet events

Yara Board will propose to the Annual General Meeting a dividend of NOK 10 per share for 2016. The total dividend payment will be NOK 2,732 million based on current outstanding shares.

On 8 March 2017, Yara announced a plan to cease operations at its Pardies site in France. This plant has 85 employees and an annual production capacity of approximately 100,000 tonnes of technical ammonium nitrate. The non-current assets are fully written down as of 31 December 2016 after recognizing several impairment charges during the last years.

Financial statements

Financial statements for Yara International ASA

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

YARA INTERNATIONAL ASA

Income statement

NOK millions	Notes	2016	2015
Revenues	6	2,115	1,921
Other income		-	11
Revenues and other income		2,115	1,931
Raw materials, energy costs and freight expenses		(8)	(25)
Change in inventories of own production		(8)	6
Payroll and related costs	3	(794)	(685)
Depreciation and amortization	4,5	(52)	(34)
Other operating expenses	6	(1,489)	(1,665)
Operating costs and expenses		(2,351)	(2,402)
Operating income		(237)	(471)
Financial income (expense), net	7	2,418	9,986
Income before tax		2,181	9,515
Income tax expense	8	(285)	65
Net income		1,897	9,580
Appropriation of net income and equity transfers			
Dividend proposed		2,732	4,113
Retained earnings		(835)	5,466
Total appropriation	13	1,897	9,580

YARA INTERNATIONAL ASA

Balance sheet

NOK millions	Notes	31 DEC 2016	31 DEC 2015
ASSETS			
Non-current assets			
Deferred tax assets	8	697	1,000
Intangible assets	5	501	320
Property, plant and equipment	4	106	103
Shares in subsidiaries	9	19,401	19,426
Intercompany receivables	15	17,839	16,455
Other non-current assets	10	393	465
Total non-current assets		38,937	37,769
Current assets			
Inventories	10	17	25
Trade receivables		7	16
Intercompany receivables	15	8,367	20,856
Prepaid expenses and other current assets		443	665
Cash and cash equivalents		2,603	808
Total current assets		11,437	22,371
Total assets		50,374	60,140

YARA INTERNATIONAL ASA

Balance sheet

NOK millions	Notes	31 DEC 2016	31 DEC 2015
Liabilities and shareholders' equity			
Equity			
Share capital reduced for treasury stock		464	466
Premium paid-in capital		117	117
Total paid-in capital		582	583
Retained earnings		8,723	10,321
- Treasury shares		-	(362)
Shareholders' equity	13	9,305	10,542
Non-current liabilities			
Employee benefits	2	840	798
Long-term interest bearing debt	14	12,074	7,887
Other long-term liabilities		512	609
Total non-current liabilities		13,426	9,293
Current liabilities			
Trade ant other payables		159	162
Bank loans and other interest-bearing short-term debt	10	193	1,929
Current portion of long-term debt	14	-	1,007
Dividends payable	13	2,732	4,113
Intercompany payables	15	24,319	32,699
Current income tax	8	-	20
Other current liabilities		240	375
Total current liabilities		27,643	40,305
Total liabilities and shareholders' equity		50,374	60,140

The Board of Directors of Yara International ASA
Oslo, 23 March 2017

Leif Teksum
Chairperson

Maria Moræus Hanssen
Vice chair

John Thuestad
Board member

Hilde Bakken
Board member

Geir O. Sundbø
Board member

Geir Isaksen
Board member

Rune Bratteberg
Board member

Kjersti Aass
Board member

Svein Tore Holsether
President and CEO

YARA INTERNATIONAL ASA

Cash flow statement

NOK millions	Notes	2016	2015
Operating activities			
Operating Income		(237)	(471)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation, amortization and impairment loss	4,5	52	34
Write-down inventory and trade receivables		(11)	11
Tax received/(paid)	8	(45)	(5)
Dividend received from subsidiary and associated companies		-	-
Group relief received		11,534	7,000
Interest and bank charges received/(paid) [1)]		10	(23)
Other		(29)	19
Change in working capital			
Trade receivables		16	(17)
Short term intercompany receivables/payables		(4,578)	(1,984)
Prepaid expenses and other current assets [1)]		762	119
Trade payables		(3)	(35)
Other current liabilities		(318)	(649)
Net cash (used in)/ provided by operating activities		7,154	3,997
Investing activities			
Acquisition of property, plant and equipment	4	(12)	(7)
Acquisition of other long-term investments	5	(221)	(144)
Net cash from/(to) long term intercompany loans	15	(1,955)	277
Proceeds from sales of long-term investments		1	88
Net cash (used in)/provided by investing activities		(2,187)	214
Financing activities			
Loan proceeds	14	4,057	-
Principal payments		(2,775)	(472)
Purchase of treasury stock	13	(93)	(364)
Redeemed shares Norwegian State	13	(252)	(127)
Dividend paid	13	(4,108)	(3,581)
Net cash used in financing activities		(3,173)	(4,545)
Net increase/(decrease) in cash and cash equivalents		1,795	(333)
Cash and cash equivalents at 1 January		808	1,141
Cash and cash equivalents at 31 December		2,603	808

1) Reclasseification between interest and bank charges received/(paid) and prepaid expenses and other current assets for 2015 of NOK 641 million.

Notes to the accounts

Note 1 Accounting policies

General
The financial statements for Yara International ASA have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles 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 primarily holds shares in subsidiaries and provides financing to entities in the Yara Group. Please note that the information in note 28 to the consolidated financial statements related to payments on long-term debt also applies to Yara International ASA. Revenue mainly stem from allocation of costs related to intragroup services provided.

The accompanying notes are an integral part of the financial statements.

Shares in subsidiaries
Shares in subsidiaries are presented according to the cost method. Dividends and Group reliefs are recognized in the income statement when these are proposed by the subsidiary. Group relief received is included in dividends. Shares in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may exceed the fair value of the investment. Indications may be 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 impaired. The impairment is reversed if the impairment situation is no longer present.

Foreign currency transactions
Realized and unrealized currency gains and losses on transactions, assets and liabilities, denominated in a currency other than the functional currency Norwegian kroner (NOK) of Yara International ASA, and that do not qualify for hedge accounting treatment, are included in net income.

Revenue
In all material respects, revenue stem from sale of intercompany services. These are recognized when the services are delivered based on intragroup allocation of costs.

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

Receivables
Trade receivables and short term intercompany 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.

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 cash held by Yara International ASA reflects that most external bank deposits are channeled through the group treasury function. Consequently, the level of cash held should be seen in context with the intercompany receivables and payables.

Payables
Trade payables and short term intercompany payables are recognized at nominal value.

Financial assets and liabilities
Financial assets, other than derivatives, 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 amortized cost.

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. If 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 the preliminary Norwegian Accounting Standard on Income Taxes ("NRS 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 to equity. Changes resulting from amendments and revisions in tax laws and tax rates are recognized when the new tax laws or rates are adopted.

Intangible assets
Intangible assets acquired individually or as a group are recorded at fair value when acquired. Intangible assets are amortized on a straight-line basis over their useful life and tested for impairment whenever indications of impairment are present.

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.

Property, plant and equipment
Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is determined using the straight-line method over the assets useful life. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Inventories
Inventories are valued at the lower of cost, using the "first-in first-out method" ("FIFO"), and net realizable value. The cost of inventories comprise all costs incurred in bringing the inventories to their present location and condition, including direct materials, direct labor, and an appropriate portion of production overhead, or the purchase price of the inventory.

Leased assets
Leases that provide Yara with substantially all the rights and obligations of ownership are accounted for as finance leases. Finance leases are valued at the present value of minimum lease payments or fair value if this is lower, and is accounted for as Property, Plant and Equipment. The corresponding finance lease liabilities are included in long-term debt. Property, Plant and Equipment are subsequently depreciated over the estimated useful lives of the assets. 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.

Forward currency contracts
Forward currency contracts are initially recognized in the balance sheet at fair value. Changes in fair value are 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 kroner at the applicable exchange rate at the balance sheet date with the resulting unrealized currency translation gain or loss recorded in "Financial income (expense), net" in the income statement.

Shared-based compensation
Yara's long term incentive program for Yara Management and top executives provides a fixed cash amount to the eligible top executive, who are 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. Yara purchases the shares on behalf of the employees. If an executive does not meet the vesting conditions the net proceed must be returned to Yara. The costs for the long term incentive program is expensed in the year when the shares are granted. However, the costs are re-invoiced within the same year to Yara units globally as part of the shared cost model.

The Company also gives employees the possibility to purchase shares in Yara at a reduced price. The related cost is recognized when the employee exercises this option.

Employee retirement plans
Employee retirement plans are measured in accordance with IAS 19 Employee Benefits, as this is permitted by the Norwegian accounting standard on pensions ("NRS 6 Pensjonskostnader"). Past service cost is recognized immediately in the Statement of income together with any gains and losses arising from curtailments and settlements. Re-measurement gains and losses are recognized directly 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 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

NOK millions	2016	2015
Pension liabilities for defined benefit plans	(833)	(790)
Termination benefits and other long-term employee benefits	(7)	(7)
Surplus on funded defined benefit plans	329	349
Net long-term employee benefit obligations	(511)	(448)

Expenses for long-term employee benefit obligations recognized in the statement of income

NOK millions	2016	2015
Defined benefit plans	(40)	(57)
Defined contribution plans	(43)	(22)
Termination benefits and other long-term employee benefits	(8)	(6)
Net expenses recognized in statement of income	(91)	(85)

Defined benefit plans

Yara International ASA is the sponsor of Yara Pensjonskasse, a funded pension plan which also covers employees of its subsidiary Yara Norge AS. Plan benefits are based on years of service and final salary levels. Determination of the required annual contribution to Yara Pensjonskasse 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. At the beginning of the year, 17 retirees were transferred from the subsidiary Yaraship Services AS. At 31 December 2016, the number of active participants in the funded defined benefit plan who were employed by Yara International ASA, was 3 and the number of retirees was 174. In addition, 310 current and previous employees of Yara International ASA have earned paid-up policies in the pension fund.

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 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 have chosen 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.

Norwegian employees at position level of department manager or above are members of an unfunded early retirement plan. The plan covers the period from age 65 to 67 with a defined benefit equal to 65% of final salary. From 2006 accrual of pension in this plan has been limited to a salary of 12G (i.e. 12 times the Norwegian Social Security Base Amount, which from 1 May 2016 was NOK 92,576).

Effective 1 January 2015 Yara International ASA implemented changes to the early retirement schemes, both the AFP gratuity plan and the plan for early retirement from 65 to 67 for positions as department manager or above. The plans were closed for new members from 1 August 2015, and all employees below age 50 were transferred to new contribution-based plans which offer increased contribution rates compared to the ordinary defined contribution plan, as well as compensation contributions, where applicable. Employees aged 50 or above retained their rights from the old plans, however with the option to choose a transfer to the new contribution-based plans. As the plans were unfunded and Yara International ASA retains investment risk, the new contribution-based plans were accounted for as defined benefit plans at the end of 2015. Early 2016 the Financial Supervisory Authority of Norway accepted Yara's request to convert the new plan with increased contribution rates into a funded contribution plan, after which the plan was reclassified to a defined contribution plan.

All Norwegian employees with salary above 12G as of 3 December 2015 are members of an unfunded plan which requires Yara International ASA to contribute with an amount equal to 25% of pensionable salary in excess of 12G for each year of service, with the addition of annual return on the accumulated balance. The plan was closed to new members from 3 December 2015. As the plan is unfunded and investment risk is retained by Yara International ASA, the plan is included in the obligation for defined benefit plans.

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.

It is the opinion of the management of Yara International ASA that there is a sufficiently deep market for high quality corporate bonds in Norway, which is therefore used as reference for determination of the discount rate. 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 K2013 mortality table. According to K2013 a current female employee aged 45 today would be expected to live 25.8 years after reaching the retirement age of 65, whereas a female employee aged 65 today would on average be expected to live 24.1 years. Corresponding expectations for male employees are 22.6 years for current employees and 21.0 years for a male employee aged 65.

In percentages	2016	2015
Discount rate	2.5	2.5
Expected rate of salary increases	2.4	2.4
Future rate of pension increases	0.4	0.2

Actuarial valuations provided the following results:

NOK millions	2016	2015
Present value of unfunded obligations	(730)	(693)
Present value of wholly or partly funded obligations	(685)	(640)
Total present value of obligations	(1,415)	(1,333)
Fair value of plan assets	1,014	990
Social security on defined benefit obligations	(103)	(98)
Total recognized liability for defined benefit plans	(504)	(441)

Duration of liabilities at the end of the year:

Duration of liabilities (in years)	2016
Funded plan	13
Unfunded plans	14

Pension cost recognized in statement of income

The assumptions used to value the defined benefit obligations at 31 December are used in the following year to determine the net pension cost. The discount rate is used to calculate the interest income from plan assets.

The following items have been recognized in the statement of income:

NOK millions	2016	2015
Current service cost	(33)	(31)
Administration cost	(1)	(2)
Settlements [1]	8	(9)
Social security cost	(6)	(8)
Payroll and related costs	(32)	(50)
Interest on obligation	(33)	(30)
Interest income from plan assets	25	23
Interest expense and other financial items	(8)	(8)
Total expense recognized in income statement	(40)	(57)

1) A settlement loss of NOK 9 million was recognized in 2015 related to the changes in early retirement schemes. The settlement loss was partially reversed in 2016, as an unfunded defined benefit plan established in 2015 was converted into a defined contribution plan.

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), by showing the result from an increase or decrease in any one of the assumptions applied (all other assumptions held constant).

NOK millions	2016	2015
Actual valuation	(1,415)	(1,333)
Discount rate +0.5%	(1,328)	(1,246)
Discount rate -0.5%	(1,512)	(1,429)
Expected rate of salary increase +0.5%	(1,430)	(1,341)
Expected rate of salary increase -0.5%	(1,402)	(1,325)
Expected rate of pension increase +0.5%	(1,474)	(1,402)
Expected rate of pension increase -0.5%	(1,367)	(1,303)
Expected longevity +1 year	(1,454)	(1,369)
Expected longevity -1 year	(1,376)	(1,297)

Development of defined benefit obligations

NOK millions	2016	2015
Defined benefit obligation at 1 January	(1,333)	(1,275)
Current service cost	(33)	(31)
Interest cost	(33)	(30)
Experience adjustments	(43)	(49)
Effect of changes in financial assumptions	(29)	15
Settlements [1)]	8	(9)
Benefits paid	50	48
Transfer of 17 retirees from Yaraship Services AS	(17)	-
Reclassification to defined contribution plan	13	-
Defined benefit obligation at 31 December	(1,415)	(1,333)

1) A settlement loss of NOK 9 million was recognized in 2015 related to the changes in early retirement schemes. The settlement loss was partially reversed in 2016, as an unfunded defined benefit plan established in 2015 was converted into a defined contribution plan.

Development of plan assets

NOK millions	2016	2015
Fair value of plan assets at 1 January	990	948
Interest income from plan assets	25	23
Administration cost	(1)	(2)
Return on plan assets (excluding calculated interest income)	(8)	41
Transfer of 17 retirees from Yaraship Services AS	31	-
Benefits paid	(23)	(20)
Fair value of plan assets at 31 December	1,014	990

The actual return on plan assets in 2016 was a positive NOK 16 million (2015: positive NOK 62 million).

Yara Pensjonskasse (the pension fund) is a separate legal entity, independently governed by its Board of Directors. It is the responsibility of the pension fund Board of Directors to determine the investment strategy, and to review the administration of plan assets and the funding level of the pension fund. If needed, Yara International ASA will be required to increase the capital buffer of the pension fund.

Yara International ASA's defined benefit plan obligations are inherently exposed to inflation risk, interest rate risk and longevity risk. The investment strategies of the pension fund ensures diversement of investments in order to keep market volatility risk at a desired level. The pension fund Board of Directors is targeting a satisfactory level of risk and return corresponding to the maturity profile of future pension benefit payments.

At the end of the year, the plan assets were invested as follows:

NOK millions, except percentages	2016	2016	2015	2015
Cash and cash equivalents	15	1 %	34	3 %
Shares	365	36 %	393	40 %
Other equity instruments	68	7 %	33	3 %
High yield debt instruments	55	5 %	42	4 %
Investment grade debt instruments	487	48 %	464	47 %
Properties	22	2 %	21	2 %
Interest rate swap derivatives	1	-	2	-
Total plan assets	1,014	100 %	990	100 %

Yara Pensjonskasse (the pension fund) does not hold any investments that do not have a quoted market price in an active market. Nor does it hold any financial instruments issued by Yara Group companies.

Contributions expected to be paid by Yara International ASA to the defined benefit plans for 2017 are NOK 33 million. The amount includes any premium to be paid to Yara Pensjonskasse and all benefits to be paid for unfunded plans.

Remeasurement gains/(losses) recognized in retained earnings

NOK millions	2016	2015
Cumulative amount recognized directly in retained earnings pre tax at 1 January	(67)	(27)
Remeasurement gains/(losses) on obligation for defined benefit plans	(71)	(35)
Remeasurement gains/(losses) on plan assets for defined benefit plans	(8)	41
Social security on remeasurement gains/(losses) recognized directly in equity this year	(5)	(47)
Cumulative amount recognized directly in retained earnings pre tax at 31 December	(151)	(67)
Deferred tax related to remeasurement gains/(losses) recognized directly in retained earnings	36	17
Cumulative amount recognized directly in retained earnings after tax at 31 December	(115)	(50)

Note 3 Remunerations and other

Remuneration and direct ownership of shares of the chairperson and of the board of directors are disclosed in note 37 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 note 37 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 International ASA's fee to Deloitte AS (Norway) for ordinary audit was NOK 3.515 thousand (2015: NOK 3.650 thousand), fee for assurance services NOK 1,264 thousand (2015: NOK 665 thousand), fee for tax services NOK 237 thousand (2015: no fee for tax services) and fee for non-audit services NOK 1,610 thousand (2015: NOK 46 thousand). Audit remuneration for the group is disclosed in note 38 to the consolidated financial statement.

At 31 December 2016 the number of employees in Yara International ASA was 503 (2015: 437)

NOK millions	2016	2015
Payroll and related costs		
Salaries	(622)	(580)
Social security costs	(88)	(75)
Net periodic pension costs	(83)	(78)
Internal invoicing of payroll related costs	-	48
Total	(794)	(685)

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 2016, the aggregate balance of all the outstanding loans for which Yara are providing a guarantee is approximately NOK 0.5 million, and the number of loans are 7.

Yara continued to give employees in Norway an opportunity to take part in a share purchase program in 2016. 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 34,200 shares during 2016. In total 35,256 shares have been sold during 2016 to 889 persons, 193 persons were allotted 24 shares and 696 persons were allotted 44 shares. At 31 December 2016, the foundation owned 34 shares in Yara.

Note 4 Property, plant and equipment

2016

NOK millions, except percentages and years	Property, plant and equipment
Cost	
Balance at 1 January	162
Addition at cost	12
Balance at 31 December	174
Depreciation	
Balance at 1 January	(58)
Depreciation	(9)
Balance at 31 December	(67)
Carrying value	
Balance at 1 January	103
Balance at 31 December	106
Useful life in years	4 - 50
Depreciation rate	2 - 25%

2015

NOK millions, except percentages and years	Property, plant and equipment
Cost	
Balance at 1 January	155
Addition at cost	7
Balance at 31 December	162
Depreciation	
Balance at 1 January	(50)
Depreciation	(8)
Balance at 31 December	(58)
Carrying value	
Balance at 1 January	105
Balance at 31 December	103
Useful life in years	4 - 50
Depreciation rate	2 - 25%

Property, plant and equipment for Yara International ASA consists mainly of buildings and furnishings.

There were no assets pledged as security at 31 December 2016 and 2015.

Note 5 Intangible assets

2016

NOK millions, except percentages and years	Intangible assets
Cost	
Balance at 1 January	540
Addition at cost	224
Balance at 31 December	764
Amortization	
Balance at 1 January	(220)
Amortization	(43)
Balance at 31 December	(263)
Carrying value	
Balance at 1 January	320
Balance at 31 December	501
Useful life in years	3 - 5
Amortization rate	20 - 35 %

2015

NOK millions, except percentages and years	Intangible assets
Cost	
Balance at 1 January	397
Addition at cost	144
Balance at 31 December	540
Amortization	
Balance at 1 January	(193)
Amortization	(26)
Balance at 31 December	(220)
Carrying value	
Balance at 1 January	204
Balance at 31 December	320
Useful life in years	3 - 5
Amortization rate	20 - 35 %

Intangible assets mainly consist of computer software systems and capitalized technology assets.

Note 6 Specification of items in the income statement

Revenue

Information about sales to geographical areas

NOK millions	2016			2015		
	External	Internal	Total	External	Internal	Total
Norway	9	88	97	2	95	97
European Union	23	1,689	1,712	36	1,568	1,604
Europe, outside European Union	-	4	4	-	4	4
Africa	-	22	22	-	15	15
Asia	7	27	34	7	23	30
North America	22	33	55	10	31	41
Latin America	7	163	170	10	103	113
Australia and New Zealand	-	20	20	-	16	16
Total	68	2,046	2,115	66	1,855	1,921

Other operating expenses

NOK millions	2016	2015
Selling and administrative expense	(1,205)	(1,389)
Rental and leasing [1]	(59)	(56)
Travel expense	(64)	(62)
Other	(161)	(158)
Total	(1,489)	(1,665)
Of which research costs [2]	(216)	(138)

1) Expenses mainly relate to lease contracts for property and company cars.
2) Yara has focus on orienting research and development resources towards commercial activities, both with respect to process and product improvements and agronomical activities. In 2016, Yara spent higher expenses on research mainly related to improvements in the efficiency of its production plants.

Note 7 Financial income and expense

NOK millions	Notes	2016	2015
Dividends and group relief from subsidiaries		1,638	11,534
Sale of associated companies		-	69
Interest income group companies	15	687	627
Other interest income		42	25
Interest expense group companies	15	(178)	(142)
Other interest expense		(552)	(457)
Interest expense defined pension liabilities	2	(33)	(30)
Return on pension plan assets	2	25	23
Net foreign currency translation gain/(loss)		747	(1,442)
Other financial income/(expense)		40	(221)
Financial income/(expense), net		2,418	9,986

Note 8
Income taxes

Specification of income tax expense

NOK millions	2016	2015
Current tax expense	36	(5)
Deferred tax income/(expense) recognized in the current year	(321)	70
Income tax expense	(285)	65

Reconciliation of Norwegian nominal statutory tax rate to effective tax rate

NOK millions	2016	2015
Income before taxes	2,181	9,515
Expected income taxes at statutory tax rate, 25 %	(545)	(2,569)
Non-deductible expenses	(4)	(1)
Effect of valuation allowances	-	1
Loss and write-down shares, not tax deductible	5	17
Group relief received from subsidiary with no tax effect	250	2,700
Tax law changes	(27)	(78)
Other, net	37	(6)
Income tax expense	(285)	65

Reconciliation of current tax asset/(liability)

NOK millions	2016	2015
Balance at 1 January	(20)	(20)
Payments	45	5
Current tax expense	36	(5)
Balance at 31 December	61	(20)

Specification of deferred tax assets/(liabilities)

NOK millions	2016	2015
Non-current items		
Intangible assets	13	19
Pension liabilities	163	154
Property, plant & equipment	(3)	(3)
Other non-current assets	(723)	(923)
Other non-current liabilities and accruals	471	479
Total	(79)	(274)
Current items		
Inventory valuation	-	1
Accrued expenses	42	90
Total	42	91
Tax loss carry forwards	734	1,183
Net deferred tax assets	697	1,000
Change in deferred tax		
Balance at 1 January	1,000	929
Charge (credit) to equity for the year	19	2
Charge (credit) to profit or loss for the year	(321)	70
Balance at 31 December	697	1,000

Tax losses are expected to be fully utilized by taxable interest income on group funding and taxable group contributions from Yara's operating companies in Norway.

Note 9 Shares in subsidiaries

Company name	Ownership [1]	Ownership by other group companies	Registered office	Local currency	Total equity in the company 2016 local currency millions	Net income /(loss) in 2016 local currency millions	Carrying value 2016 NOK millions	Carrying value 2015 NOK millions
Subsidiaries owned by Yara International ASA								
Yara Guatemala S.A.	100.0%	-	Guatemala	GTQ	112	34	24	24
Yara Colombia S.A.	47.6%	50.4%	Colombia	COP	252,416	(65,519)	310	17
Hydro Agri Russland AS	100.0%	-	Norway	NOK	22	-	21	21
Yaraship Services AS	100.0%	-	Norway	NOK	24	4	1	1
Yara Costa Rica S. de RL.	0.001%	87.5%	Costa Rica	CRC	4,271	(3,047)	2	-
Yara Hellas S.A. [2]	-	-	-	-	-	-	-	21
Yara Norge AS	100.0%	-	Norway	NOK	2,559	947	1,303	1,303
Fertilizer Holdings AS	100.0%	-	Norway	NOK	26,494	4,776	16,156	16,453
Yara Rus Ltd.	100.0%	-	Russia	RUB	(72)	12	-	-
Yara North America Inc.	100.0%	-	USA	USD	367	27	468	468
Yara Asia Pte. Ltd.	100.0%	-	Singapore	USD	972	115	1,114	1,114
Yara International Employment Co. AG	100.0%	-	Switzerland	EUR	1	-	1	1
Profesionalistas AAL / Yara Servicions Op	10.0%	90.0%	Mexico	MXN	(4)	2	-	2
Total							19,401	19,426

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. See also note 2 to the consolidated financial statements.
2) In December 2016, shares in the subsidiary Yara Hellas S.A. were transferred from Yara International ASA to Yara Nederland B.V.

Note 10 Specification of balance sheet items

NOK millions	Notes	2016	2015
Other non-current assets			
Surplus on funded defined benefit plans	2	329	349
Long term loans, mortgage bonds and non-marketable shares 0-20%	12	21	12
Interest rate swap designated as hedging instrument		2	70
Other		41	34
Total		393	465
Inventories			
Raw materials		1	1
Work in progress		4	7
Finished goods		12	17
Total		17	25
Bank loans and other interest-bearing short-term debt			
External loans	14	165	1,619
Bank overdraft		28	309
Total		193	1,929

Note 11 Guarantees

NOK millions	2016	2015
Guarantees (off-balance sheet)		
Guarantees of debt in subsidiaries	4,335	3,220
Non-financial guarantees	5,546	11,831
Total	9,881	15,051

Yara International ASA provides guarantees arising in the ordinary course of business, including performance bonds and various payments or financial guarantees. See note 34 to the consolidated financial statements for further information about guarantees.

Note 12 Risk management and hedge accounting

Risk management in Yara and the use of derivative instruments are described in note 31 to the consolidated financial statement. The exposure to credit risk is represented by the carrying amount of each class of financial assets, including derivative financial instruments, recorded in the balance sheet.

Liquidity risk

Yara International ASA manages liquidity risk by continuously monitoring forecasted and actual cash flows. Non-current intercompany receivables are related to funding of subsidiaries and have a maturity profile matching the external debt maturities (see note 14 for details). Current intercompany receivables and payables mainly reflect intercompany current account balances and will fluctuate with fertilizer seasons. Committed liquidity reserves are maintained to meet unforeseen events.

Yara International ASA has the following derivative instruments outstanding at 31 December:

NOK millions	2016	2015
Fair value of derivatives		
Forward foreign exchange contracts (external)	(11)	(50)
Forward foreign exchange contracts (Yara Group internal)	(96)	(166)
Interest rate swaps designated for hedging (external)	2	70
Balance at 31 December	(105)	(146)
Derivatives presented in the balance sheet		
Non-current assets	2	70
Current liabilities	(107)	(216)
Balance at 31 December	(105)	(146)

Forward foreign exchange contracts

Yara is committed to outstanding forward foreign exchange contracts as follows:

NOK millions	2016	2015
Forward foreign exchange contracts (external), notional amount	1,499	4,556
Forward foreign exchange contracts (Yara Group internal), notional amount	7,026	7,129

All outstanding contracts at 31 December 2016 have maturity in 2017. External buy positions are mainly in US dollars towards Norwegian kroner. External sell positions are mainly in euro, Canadian dollars and other operating currencies towards Norwegian kroner.

Fair value hedges

NOK bond debt

Two long-term NOK interest swaps were designated as hedging instruments since 2011. The hedged risk was the change in fair value due to changes in risk-free interest rates (NIBOR) of the NOK 1,000 million bond debt from 2009. The swaps had different interest payment dates (semi-annually vs. annually), but identical interest basis and maturity as the hedged debt and were assessed to be highly effective. These swaps matured in 2016 upon maturity of the associated bonds.

In December 2014, Yara designated a portfolio of 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 1,300 million fixed rate bond debt from 2014. The swaps have different interest payment dates (quarterly vs. annually), but identical interest basis and maturity as the hedged debt and are assessed to be highly effective.

NOK millions	2016	2015
NOK bond debt fair value hedge		
Change in fair value of the derivatives	17	8
Change in fair value of the bonds	(23)	(11)
Ineffectiveness	(5)	(2)
Loss on fair value hedge included in the carrying amount of the fixed rate debt	(2)	(18)

Cash flow hedges

In 2007, Yara used treasury locks 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 is proportionally reclassified into interest expense and deferred tax until 2019 when the bond expires.

During the second half of 2014 and the first half of 2015, Yara used treasury locks to hedge future cash flows of a planned bond issue. Throughout 2015, however, liquidity inflow from divestments and a revision of Yara's interest rate strategy led to a deferral of the planned bond issue and the criteria for hedge accounting were no longer present. The hedging relationship was therefore terminated during third quarter 2015 and a loss of NOK 100 million was recognized in the statement of income.

Interest expense

NOK millions	2016	2015
2009-bond cash flow hedge	6	5
2014 cash flow pre-hedge [1]	-	27
Total	6	32
Deferred tax	(1)	(8)
Net effect in statement of income	4	24

1) Discontinued in Q3 2015.

Note 13 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 2016, the company has a share capital of 464,470,311 consisting of 273,217,830 ordinary shares at NOK 1.70 per share.

Yara did not own any own shares at 31 December 2016. For further information on these issues see note 24 to the consolidated financial statement.

Shareholders holding 1% or more of the total 273,217,830 shares issued as of 31 December 2016 are according to information in the Norwegian securities' registry system (Verdipapirsentralen):

Name	Number of shares	Holding (%)
Ministry of Trade, Industry and Fisheries	98,936,188	36.2%
Norwegian National Insurance Scheme fund	16,245,892	5.9%
Fidelity Management & Research Company	6,446,231	2.4%
Sprucegrove Investment Management, Ltd.	6,005,512	2.2%
Templeton Investment Counsel, L.L.C.	5,248,330	1.9%
Allianz Global Investors GmbH	4,422,236	1.6%
BlackRock Institutional Trust Company, N.A.	4,377,642	1.6%
Nordea Funds Oy	4,301,526	1.6%
The Vanguard Group, Inc.	3,716,989	1.4%
KLP Forsikring	3,674,843	1.3%
LSV Asset Management	3,372,720	1.2%
SAFE Investment Company Limited	3,283,215	1.2%
Storebrand Kapitalforvaltning AS	3,110,006	1.1%
Polaris Capital Management, LLC	2,776,400	1.0%
State Street Global Advisors (US)	2,687,156	1.0%
Silchester International Investors, L.L.P.	2,629,082	1.0%

Shareholders equity

NOK millions	Paid-in-capital	Retained earnings	Total shareholders equity
Balance 31 December 2014	586	4,987	5,573
Net income of the year	-	9,580	9,580
Dividend proposed	-	(4,113)	(4,113)
Cash flow hedges	-	24	24
Actuarial gain/(loss) [1]	-	(31)	(31)
Redeemed shares, Norwegian State [2]	(1)	(127)	(127)
Treasury shares [4]	(2)	(362)	(364)
Balance 31 December 2015	583	9,959	10,542
Net income of the year	-	1,897	1,897
Dividend proposed	-	(2,732)	(2,732)
Cash flow hedges	-	4	4
Actuarial gain/(loss) [1]	-	(65)	(65)
Adjustment to proposed dividend previous years	-	5	5
Redeemed shares, Norwegian State [3]	(1)	(251)	(252)
Treasury shares [4]	-	(93)	(93)
Balance 31 December 2016	582	8,724	9,305

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 11 May 2015.
3) As approved by General Meeting 10 May 2016.
4) See note 24 to the consolidated financial statement for more information.

Note 14 Long-term debt

NOK millions, except percentages and denominated amounts	Weighted average interest rates	Denominated amounts 2016	2016	2015
Unsecured debenture bonds in NOK (Coupon 8.80%)	-	-	-	1,007
Unsecured debenture bonds in NOK (Coupon NIBOR + 0.70%) [1]	1.9 %	2,200	2,197	2,197
Unsecured debenture bonds in NOK (Coupon 2.55%) [2]	2.6 %	700	700	705
Unsecured debenture bonds in NOK (Coupon 3.00%) [3]	3.0 %	600	601	604
Unsecured debenture bonds in USD (Coupon 7.88%) [4]	8.3 %	500	4,293	4,381
Unsecured debenture bonds in USD (Coupon 3.80%) [5]	3.9 %	500	4,282	-
Outstanding long-term debt			12,074	8,893
Less: Current portion			-	(1,007)
Total			12,074	7,887

1) Repricing within a year.
2) Fixed interest rate until 2021. Subject to fair value hedge accounting, see note 32 to the consolidated financial statements.
3) Fixed interest rate until 2024. Subject to fair value hedge accounting, see note 32 to the consolidated financial statements.
4) Fixed interest rate until 2019.
5) Fixed interest rate until 2026.

At 31 December 2016, the fair value of the long-term debt, was NOK 12,352 million and the carrying value was NOK 12,074 million. See note 28 to the consolidated financial statements for further information about long-term debt.

Payments on long-term debt fall due as follows:

NOK millions	Debentures	Total
2017	-	-
2018	-	-
2019	6,491	6,491
2020	-	-
2021	700	700
Thereafter	4,883	4,883
Total	12,074	12,074

Note 15 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	2016	2015
Income statement			
Yara Belgium S.A.		1,186	1,088
Yara Brasil Fertilizantes S.A.		91	60
Yara Norge AS		87	94
Yara Suomi Oy		87	93
Other		594	520
Internal revenues	6	2,046	1,855
Yara Nederland B.V.		349	376
Yara Australia Pty Ltd.		89	28
Yara Holding Netherlands B.V.		73	53
Yara Colombia S.A.		18	12
Yara UK Ltd.		15	54
Other		142	105
Interest income group companies	7	687	627
Fertilizer Holdings AS		(48)	(75)
Yara Australia Pty Ltd.		(46)	(1)
Yara AS		(39)	(48)
Yara Asia Pte Ltd.		(9)	(1)
Other		(36)	(17)
Interest expense group companies	7	(178)	(142)
Non-current assets			
Yara Nederland B.V.		7,583	8,942
Yara Holding Netherlands B.V.		4,305	4,397
Yara AB		1,546	541
Yara Investments Germany SE		1,053	-
Yara Suomi Oy		999	767
Yara Colombia S.A.		689	704
Other		1,665	1,105
Intercompany receivables		17,839	16,455
Current assets			
Yara Norge AS		2,797	1,547
Yara Australia Pty Ltd.		1,754	4,981
Yara LPG Shipping AS		642	-
Fertilizer Holdings AS		-	10,000
Other		3,174	4,328
Intercompany receivables		8,367	20,856
Trinidad Nitrogen Company Ltd.		-	192
Other		-	7
ST Interest-bearing lending to Group associates and joint arrangements		-	199
Current liabilities			
Yara Belgium S.A.		(4,536)	(1,472)
Yara S.A.		(3,468)	(3,573)
Yara Asia Pte Ltd.		(2,529)	(3,924)
Yara Caribbean Ltd.		(2,200)	(2,165)
Yara Belle Plaine Inc.		(1,535)	(551)
Yara UK Limited		(1,501)	(873)
Yara Nederland B.V.		(1,477)	(2,772)
Yara GmbH & Co. KG		(1,260)	(1,127)
Fertilizer Holdings AS		-	(9,961)
Other		(5,813)	(6,281)
Intercompany payable		(24,319)	(32,699)
Trinidad Nitrogen Company Ltd.		(115)	-
Yara Freeport LLC DBA Texas Ammonia		(16)	(275)
Other		(34)	-
ST Interest-bearing loans from Group associates and joint arrangements		(165)	(275)

Remuneration to the Board of Directors and Yara Management are disclosed in note 37 to the consolidated financial statements. Yara International ASA has transactions with Yara Pensjonskasse (pension fund). See note 2 for more information.

Directors' responsibility statement
2016

WE CONFIRM TO THE BEST OF OUR KNOWLEDGE THAT:

- The consolidated financial statements for 2016 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 2016 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, 23 March 2017

Leif Teksum Chairperson	Maria Moræus Hanssen Vice chair	John Thuestad Board member	Hilde Bakken Board member
Geir O. Sundbø Board member	Geir Isaksen Board member	Rune Bratteberg Board member	Kjersti Aass Board member

Svein Tore Holsether
President and CEO

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To the General Meeting of Yara International ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Yara International ASA. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December, 2016, and the income statement, and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the statement of financial position as at 31 December 2016, and statement of income, statement of comprehensive income, statement of changes in equity, statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in our audit are:

- Accounting for taxation in Brazil and Australia
- Impairment of non-current assets
- Elimination of internal profit on inventory

Deloitte.

Accounting for taxation in Brazil and Australia

Key audit matter	How the matter was addressed in the audit
The amount of unrecognized deferred tax assets is NOK 2,054 million, of which NOK 1,287 million is related to unused tax losses in Brazil. The group has recognized an amount of NOK 955 million in sales related tax credits related to the operations in Brazil. Furthermore, the group has recognized a positive adjustment to the group's net deferred tax position of NOK 814 million related to the step-up of the tax base for various assets as part of the transaction with the non-controlling interest in Yara Pilbara Holding in Australia. Judgement is used related to the allocation of the purchase price to the various assets. As detailed in note 1 and 11, management applies judgement to determine to what extent these tax assets and sales related tax credits qualify for recognition in the balance sheet. This involves judgement as to the likelihood of the realization of deferred tax assets and sales related tax credits. The expectation that the benefit of these tax assets and sales related tax credits will be realized is dependent on sufficient taxable profits in future periods and the ability to utilize the sales related tax credits.	• We evaluated relevant controls associated with accounting for deferred tax assets and sales related tax credits. • We challenged the appropriateness of management's assumptions and estimates in relation to the likelihood of generating future taxable profits to support the recognition of deferred tax assets. We evaluated the forecasted taxable profits and consistency of these forecasts with Yara Brazil's and Yara Pilbara's historical performance. • Based on our knowledge and experience of Yara Brazil's operations we evaluated the assumptions used to determine the utilization of sales related tax credits. • We involved Deloitte taxation specialists in Brazil and Australia with required local tax competence. • We used internal valuation specialists in assessing assumptions used and for testing the fair value allocation used for calculating the tax step up in Australia. • We considered the adequacy of the group's disclosures related to deferred taxes and sales related tax credits.

Impairment of non-current assets

Key audit matter	How the matter was addressed in the audit
As disclosed in note 1, 13 and 14, the group has recognized goodwill of NOK 7,001 million and property, plant and equipment of NOK 59,739 million. These non- current assets are assessed for impairment at the end of each reporting period if impairment indicators are identified. In addition, goodwill is assessed annually for impairment using a value-in-use basis. As disclosed in note 19, recoverability of the assets is dependent on assumptions about future commodity prices and discount rates and energy prices, as well as assumptions related to future production levels, capital expenditures and operating costs. In total, impairments amounting to NOK 573 million were recognized in the year ended 31 December 2016.	• We evaluated relevant controls associated with the impairment review process. • We challenged management's key assumptions used in the cash flow forecasts included within the impairment models. • We challenged specifically the urea- and ammonia prices, gas prices, assumed production levels, operating cost and discount rate assumptions, including consideration of the risk of management bias. We compared urea- and ammonia prices to third party publications. • We used internal valuation specialists in assessing assumptions used and testing the models. • We validated the mathematical accuracy of cash flow models and agreed relevant data to the latest production plans and approved budgets. • We considered the disclosures provided by the group in relation to its impairment reviews.

Deloitte.

Elimination of internal profit on inventory

Key audit matter	How the matter was addressed in the audit
The Crop Nutrition segment consists of Yara's worldwide marketing organization and global distribution network for fertilizer products. The Industrial segment sells urea, ammonia, phosphate, nitric acid, technical ammonium nitrate (TAN) and calcium nitrate (CN) for industrial applications within base chemicals, mining applications, animal nutrition, environmental solutions and industrial nitrates. As disclosed in note 6 a significant portion of the Crop Nutrition and Industrial segment sales volume are purchased from the Production segment. Internal profit on inventory held by the Crop Nutrition and Industrial segment at year-end is eliminated at group level. Calculation of the elimination is complex and involves manual processes. Any changes related to product flows, including volatility in commodity prices, increase the risk that internal profit is not correctly eliminated and may have a material impact on the net profit.	• We evaluated relevant controls associated with elimination of internal profit on inventory. • We tested the reconciliation of volumes in the calculation model used for preparing the basis for elimination against the inventory volumes reported in the consolidation system. • On a sample basis, we tested margins used for calculating the elimination of internal profit. • We validated the mathematical accuracy of the model used for calculating the internal profit

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
The board of Directors and the President and CEO (management) is responsible for the preparation and fair the financial statements of the parent company in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the parent company use the going concern basis of accounting

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insofar as it is not likely that the enterprise will cease operations. The financial statements of the group use the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility
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 concerning the financial statements and in the statements on Corporate Governance and Corporate Responsibility and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

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, 23 March 2017
Deloitte AS

Aase Aa. Lundgaard
State Authorised Public Accountant (Norway)

Reconciliation of alternative performance measures

Reconciliation of operating income to EBITDA and gross cash flow

NOK millions		2016	2015
Operating income		8,771	14,104
Share of net income in equity-accounted investees		(348)	(310)
Interest income and other financial income		725	605
Earnings before interest expense and tax (EBIT)		9,149	14,398
Depreciation, amortization and impairment loss		6,427	6,933
Amortization of excess value in equity-accounted investees [1]		(12)	29
Earnings before interest, tax and depreciation/amortization (EBITDA)		15,563	21,361
Income tax less tax on net foreign currency translation gain/(loss)		(2,080)	(2,833)
Gross cash flow		13,483	18,528

1) Included in share of net income in equity-accounted investees.

Reconciliation of net income after non-controlling interests to gross cash flow

NOK millions		2016	2015
Net income attributable to shareholders of the parent		6,360	8,083
Non-controlling interests		(37)	351
Interest expense and foreign currency translation		786	3,754
Depreciation, amortization and impairment loss		6,427	6,933
Amortization of excess value in equity-accounted investees		(12)	29
Tax effect on foreign currency translation		(40)	(624)
Gross Cash Flow	A	13,483	18,528

Reconciliation of total assets to gross investments

12-months average

NOK millions		2016	2015
Total assets		118,556	114,559
Cash and cash equivalents		(4,814)	(4,430)
Other liquid assets		(2)	(82)
Deferred tax assets		(2,866)	(2,677)
Other current liabilities		(16,771)	(17,647)
Accumulated depreciation and amortization		46,995	42,422
Gross investment 12-months average	B	141,097	132,144
Cash Return on Gross Investment, CROGI	C=A/B	9.5 %	14.0 %

Reconciliation of EBIT to EBIT minus tax

NOK millions		2016	2015
Earnings before interest expense and tax (EBIT)		9,149	14,398
Income tax less tax on net foreign currency translation gain/(loss)		(2,080)	(2,833)
EBIT minus tax	D	7,069	11,565

Reconciliation of total assets to capital employed

12-months average

NOK millions		2016	2015
Total assets		118,556	114,559
Cash and cash equivalents		(4,814)	(4,430)
Other liquid assets		(2)	(82)
Deferred tax assets		(2,866)	(2,677)
Other current liabilities		(16,771)	(17,647)
Capital employed 12-months average	E	94,103	89,723
Return on capital employed, ROCE	F=D/E	7.5 %	12.9 %

Reconciliation of EBITDA to income before tax and non-controlling interests

NOK millions		31 Dec 2016	31 Dec 2015
EBITDA		15,563	21,361
Depreciation, amortization and impairment loss		(6,427)	(6,933)
Amortization of excess value in equity-accounted investees		12	(29)
Interest expense		(1,491)	(1,407)
Capitalized interest		364	111
Foreign currency translation gain/(loss)		115	(2,463)
Other financial income/expense, net		226	5
Income before tax and non-controlling interests		8,363	10,644

Reconciliation of operating income to EBITDA

NOK millions		31 Dec 2016	31 Dec 2015
Operating income		8,771	14,104
Share of net income in equity-accounted investees		(348)	(310)
Interest income		690	579
Dividends and net gain/(loss) on securities		36	26
EBIT		9,149	14,398
Depreciation, amortization and impairment loss [1]		6,414	6,962
EBITDA		15,563	21,361
Special items included in EBITDA		(1,114)	(2,441)
EBITDA, excluding special items		14,449	18,920

1) Including amortization of excess value in equity-accounted investees

Net operating capital

NOK millions		31 Dec 2016	31 Dec 2015
Trade receivables		10,332	12,098
Inventories		17,580	19,948
Trade payables		(12,206)	(12,208)
Net Operating capital		15,705	19,838

Net interest-bearing debt

NOK millions		31 Dec 2016	31 Dec 2015
Cash and cash equivalents		3,751	3,220
Other liquid assets [1]		2	3
Bank loans and other short-term interest-bearing debt		(2,323)	(3,635)
Current portion of long-term debt		(240)	(2,102)
Long-term interest-bearing debt		(13,992)	(9,354)
Net interest-bearing debt	G	(12,802)	(11,868)

1) Other liquid assets is included in "Prepaid expenses and other current assets" in statement of financial position.

Debt/equity ratio

NOK millions		31 Dec 2016	31 Dec 2015
Net interest-bearing debt	G	(12,802)	(11,868)
Total equity	H	(76,770)	(75,727)
Debt/equity ratio	I=G/H	0.17	0.16

Earnings per share

NOK millions, except earnings per share and number of shares		2016	2015
Weighted average number of shares outstanding	J	273,499,403	275,114,375
Net income	K	6,360	8,083
Net foreign currency translation gain/(loss)	L	115	(2,463)
Tax effect on foreign currency translation gain/(loss)	M	40	624
Non-controlling interest share of currency gain/(loss), net after tax	N	(36)	(30)
Special items within EBIT	O	639	991
Tax effect on special items	P	(70)	272
Special items within EBIT net of tax	Q=O+P	568	1,263
Non-controlling interest share of special items, net after tax	R	12	40
Earnings per share	S=K/J	23.25	29.38
Earnings per share excluding currency	T=(K-L-M-N)/J	22.82	36.18
Earnings per share excluding currency & special items	U=(K-L-M-N-Q-R)/J	20.70	31.44