Knowledge grows

# Annual report 2017

In collaboration with customers and partners, Yara grows knowledge to responsibly feed the world and protect the planet, to fulfill its vision of a collaborative society, a world without hunger and a planet respected.

Our crop nutrition solutions and precision farming offerings allow farmers to increase yields and improve product quality while reducing environmental impact. Our environmental and industrial solutions improve air quality and reduce emissions, and are key ingredients in the production of a wide range of products. We foster an open culture of diversity and inclusion that promotes the safety and integrity of our employees, contractors, business partners, and society at large.

Founded in 1905 to solve emerging famine in Europe, Yara has a worldwide presence with more than 16,000 employees and operations in over 60 countries. In 2017, Yara reported revenues of USD 11.4 billion.

www.yara.com

# We make a difference

## Our Mission

### Responsibly feed the world and protect the planet

Our mission is our reason to exist. It defines our company's purpose and role in the world and is balanced between three core ideas. Feeding the world embodies knowledge, economic empowerment and new innovative ideas. Protecting the planet represents our commitment to emission abatement and sustainable agricultural practices. At Yara we believe that success can be celebrated only when it is achieved in the right way.

We believe knowledge grows and has the power to create positive global change. We understand that knowledge helps feed the world, creates profitable businesses, and protects the planet at a time when the population is expanding and our resources are increasingly challenged.

## Our Vision

### A collaborative society; a world without hunger; a planet respected.

Our founders faced and overcame the greatest food challenge of their time. With collaboration and curiosity, they combined and grew their knowledge to help save the lives of millions of people.

Our vision for the world is based upon ensuring a sustainable future. A collaborating community that overcomes cultural, environmental and economic barriers to create solutions that will lead to a world free from hunger and a planet respected.

## Our Values

### Ambition

Performing above expectations, taking initiative and constantly working in line with Yara´s ambitions and personal goals.

### Curiosity

Asking bold, brave questions; curiosity is the lifeblood of our culture. It is curiosity that builds knowledge and it's the power of inquiry that led Yara's three remarkable founders to head off an impending famine in the early 20th century.

### Collaboration

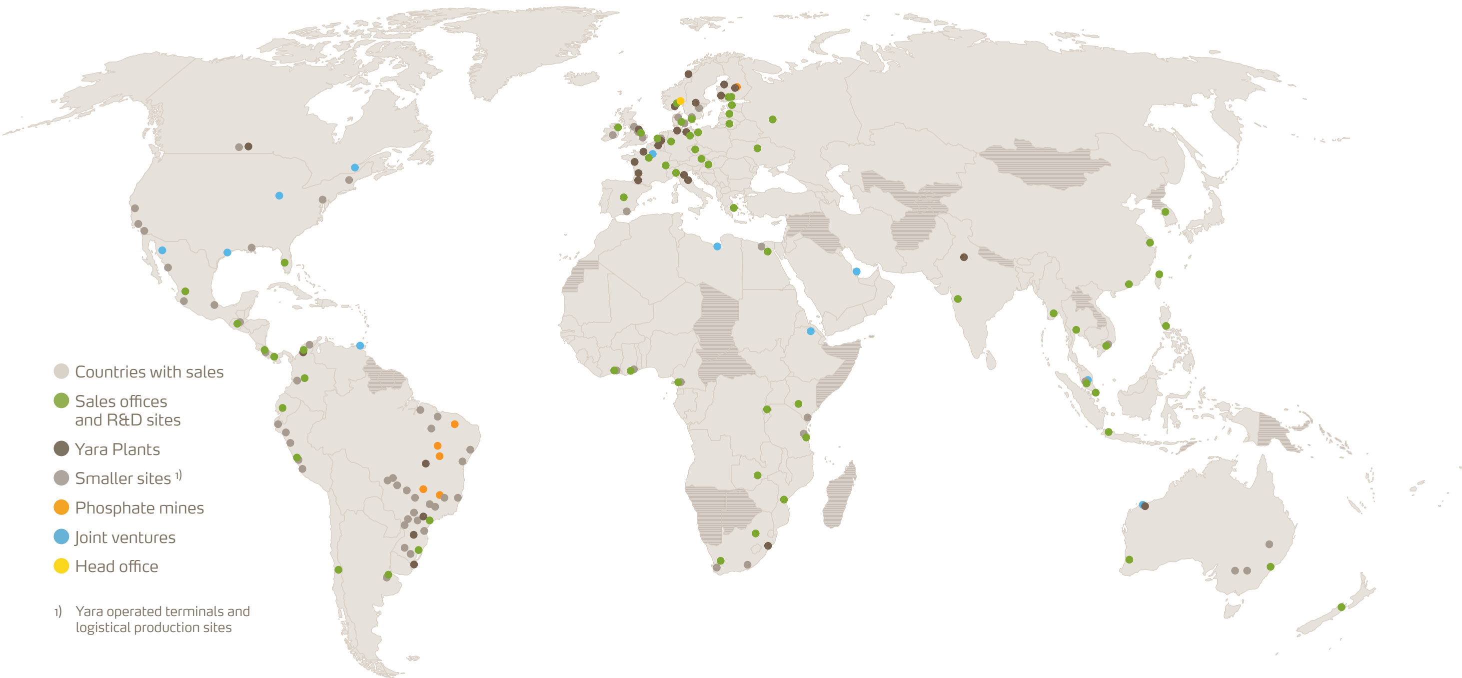
Working together with mutual respect, partnership, and appreciation of all perspectives and approaches. The art of collaboration - both internally within Yara and externally with the rest of the world - amplifies our collective knowledge.

### Accountability

Being reliable, taking responsibility and always having Yara´s and society´s interests in mind when faced with tough decisions. Through accountability trust is earned.

# Where we are

As the industry's only global player, we have production facilities on six continents, operations in more than 60 countries – and sales to about 160 countries.




# 2017 numbers

## Number of employees [1]

15,527

Globally

## Total sales

36.3

Million tonnes

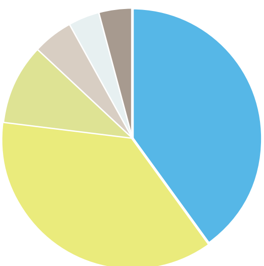
## Revenues

93.8

NOK billion

## Employees by region

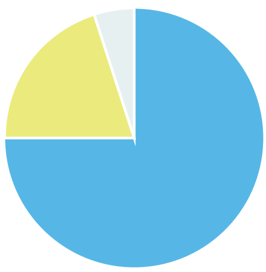
Share of employees



| | | |
|---|---|---|
| Europe | 6,242 | 40 % |
| Brazil | 5,719 | 37 % |
| Latin-America | 1,496 | 10 % |
| Asia & Oceania | 780 | 5 % |
| North-America | 650 | 4 % |
| Africa | 640 | 4 % |

## Sales by product

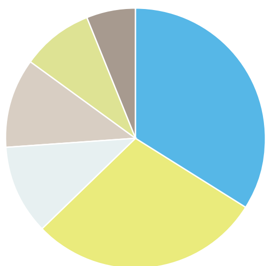
Share of sales volume (thousand tonnes)



| | | |
|---|---|---|
| Fertilizer | 27,159 | 75 % |
| Industrial products | 7,117 | 20 % |
| Ammonia trade | 2,023 | 5 % |

## Revenues by region

Share of revenues (NOK million)



| | | |
|---|---|---|
| Europe | 31,912 | 34 % |
| Brazil | 26,625 | 29 % |
| North-America | 10,448 | 11 % |
| Asia & Oceania | 10,364 | 11 % |
| Latin-America | 8,823 | 9 % |
| Africa | 5,306 | 6 % |

1) Includes permanent, temporary, interns and apprentices.

## Our DNA

At Yara we work to improve livelihoods and peoples' lives. We apply knowledge to address global challenges and when we succeed, society is better off.

Our company was founded in 1905 as a solution for the European famine that swept over the continent in the early part of the 20th century. Since then, we have continuously developed solutions that improve and increase global food production in a sustainable way. Through this expertise, we have also managed to create additional environmental solutions that reduce harmful emissions.

Global challenges are real and will not vanish on their own. Climate change is affecting our way of life. The world's population continues to increase. We have more mouths to feed, limited land to farm and less resources to draw upon.

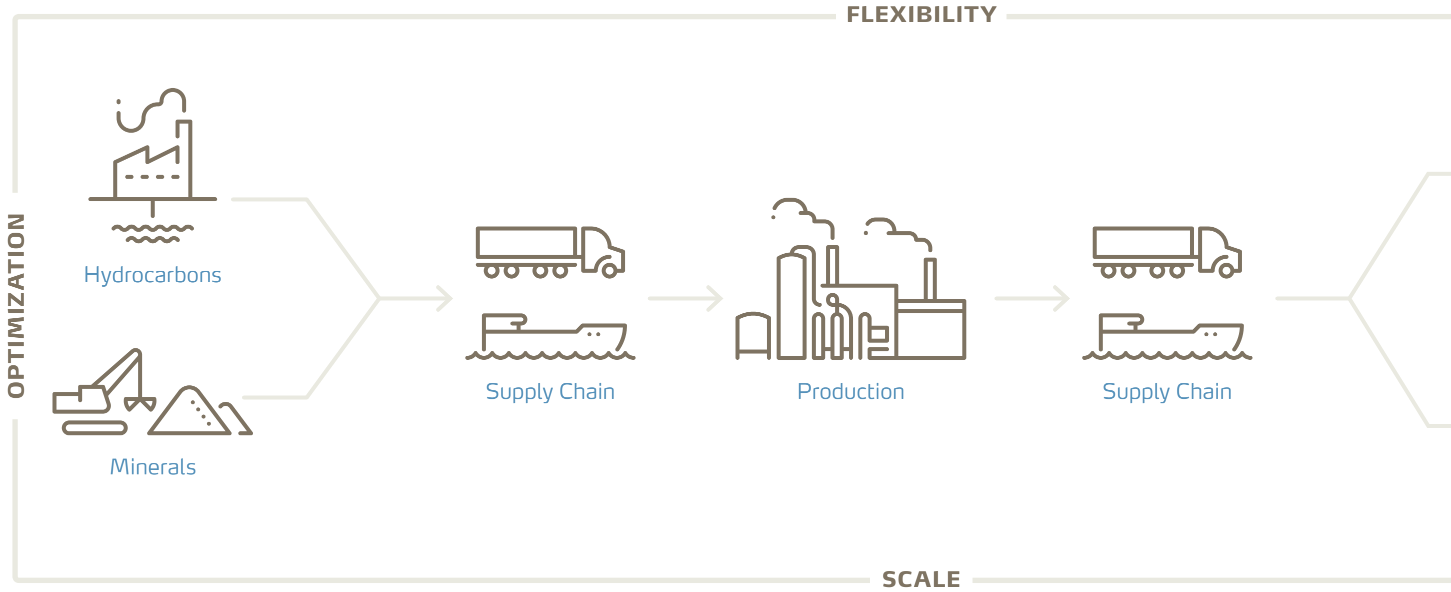
At Yara, we believe in meeting these challenges head on. There is no trade-off between building a profitable business and solving global challenges. But both companies and governments must do their part. Together we make a difference, and our mission, vision and values embody Yara's spirit and DNA.

# Annual report 2017
# Content

# Leveraging scale and knowledge

Yara has defined a mission that states our purpose, why we exist. Our strategy details how we deliver on our mission and how we contribute to achieving our vision.

## Our Business model



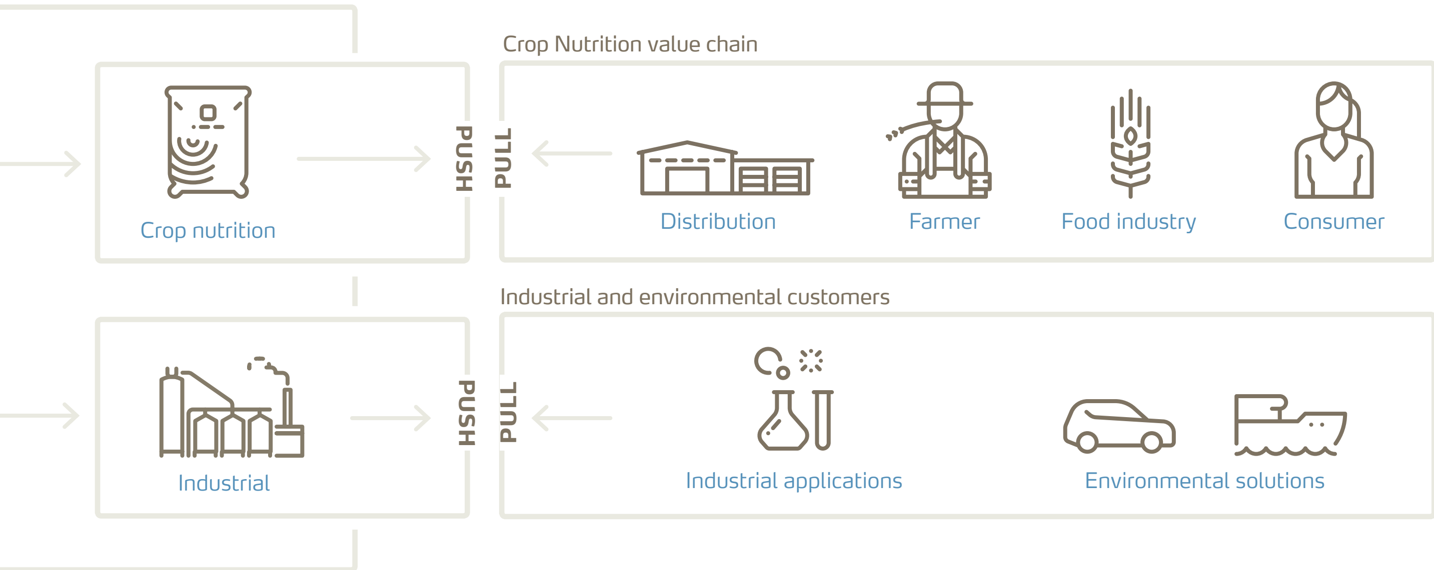

## Our strategy

Yara believes that by offering a positive value proposition to our customers, we can deliver attractive returns to our shareholders while creating value for society, contributing to the Sustainable Development Goals and the Paris agreement.

Yara's business model is uniquely positioned to address some of the major global challenges of our time, particularly within food and resource scarcity, and climate change. The world's need for food and clean air are long- term drivers for our business. Yara has developed solutions which, in addition to delivering better productivity and quality, also contribute to sustainable farming through lowering carbon emissions and optimizing water usage. At the same time, our environmental product offerings contribute to the reduction of harmful emissions to the air. Our ability to translate global challenges into value-creating business opportunities is the reason we exist, and the foundation of our strategy.

Yara's integrated business model delivers scale advantages, extensive flexibility and value chain presence to create a platform for business expansion and margin improvements within both crop nutrition and industrial products.

The Industrial segment contributes to stabilizing margins through the commodity cycle. For Yara Crop Nutrition, the value chain extends beyond the farmer, through partnerships with the food industry in response to consumer trends. The value we create through this integrated business model sustains our global presence and differentiation, and strengthens our competitive edge.




## Our competitive edge comes from four sources

**Knowledge Margin**
Knowledge gathered over a century helps farmers and industrial customers improve their profits. Through our farmer centric approach and our knowledge, we help farmers increase their profitability, which entitles us to realize a higher margin on our products than we otherwise would. The same applies within Industrial, where we apply our knowledge in order to identify and develop very profitable niche applications for our products.

**Global Optimization and Scale**
Our global downstream presence combined with our large production footprint allow Yara to optimize in which markets we place products through the year, accounting for changes in seasons and regional demand. The flexibility enables Yara to run on higher plant utilization, reduces logistical costs, and ensures higher reliability of supply.

Our production scale allows us to reduce costs and optimize raw material efficiency. We leverage our scale to achieve efficient logistics and high production asset utilization.

**Competitive Raw Material Cost**
Yara leverages our scale in order to source gas and other raw materials at the lowest possible price. We pursue acquisition opportunities providing access to low-cost resources.

**Operational Excellence**
Yara is the world's largest operator of fertilizer plants. We apply global processes, knowledge and best practice to ensure our productivity system and production technologies are second to none.

# How we performed 2017

| | | 2017 | 2016 |
|---|---|---|---|
| **Financial performance** | | | |
| Revenue and other Income | NOK million | 93,812 | 97,170 |
| Operating income | NOK million | 3,777 | 8,771 |
| EBITDA [1] | NOK million | 11,120 | 15,563 |
| Net income after non-controlling interests | NOK million | 3,948 | 6,360 |
| Investments [2] | NOK million | 11,105 | 13,450 |
| Debt/Equity ratio [3] | | 0.25 | 0.17 |
| Cash flow from operations | NOK million | 6,478 | 14,084 |
| CROGI [4] | % | 7.0 | 9.5 |
| ROCE [5] | % | 4.0 | 7.5 |
| Earnings per share [6] | NOK | 14.45 | 23.25 |
| Total Equity | NOK million | 77,831 | 76,770 |
| Share price on OSE | NOK at year-end | 376.70 | 340 |
| **Social performance** | | | |
| Employees [7] | Number at year-end | 15,527 | 14,736 |
| TRI rates [8] | Per million hours worked | 1.8 | 2.5 |
| **Environmental performance** | | | |
| GHG emissions [9] | Million tonnes $CO_2$ eq. | 15.1 | 15.4 |
| Energy use [9] | Petajoules | 266 | 266 |

1) EBITDA, as defined by Yara, includes operating income, interest income, other financial income and share of net income in equity-accounted investees. It excludes depriciation, amortization and impairment loss, as well as amortization of excess values in equity-accounted investees.

2) Investment in property, plant and equipment, long-term securities, intangibles, long-term advances and investments in non-consolidated investees.

3) Net interest-bearing debt divided by shareholders' equity plus non-controlling interests.

4) CROGI: Cash Return on Gross Investment (12 month rolling average).

5) ROCE: Return On Capital Employed (12 month rolling average).

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

7) Includes permanent, temporary, interns and apprentices.

8) TRI: Number of Total Recordable Injuries per million hours worked, contractors included.

9) Excluding Lifeco (2016 restated).

# Highlights

**Yara Improvement Program**
Yara established in 2016 a corporate program to drive and coordinate improvement initiatives. The Yara Improvement program will deliver at least USD 500 million of annual EBITDA improvement compared to 2015 within 2020.

Compared to the 2015 base, the improvements represent annual EBITDA effects of USD 240 million, of which around 60% relate to reliability improvements in Yara's production system while procurement related improvements represent the remainder. The impact of improvements realized in 2017 compared to 2016 amount to around USD 140 million, of which 50% relates to reliability improvements which have enabled higher deliveries of finished fertilizer and Industrial products.

The remaining 50% of the USD 140 million reflect energy efficiency and procurement related improvements which had a positive margin impact in 2017.

**Acquisition of ATC**
In November 2017, Yara completed the acquisition of Agronomic Technology Corp (ATC), which operates Adapt-N, a leading nitrogen recommendation platform in the US that improves farmer profitability and agricultural sustainability.

In line with Yara's strategy to accelerate its investments in digital farming, the acquisition of ATC offers farmers and advisors solutions such as Adapt-N and N-Insight to optimize fertilizer use on individual field zones. Combining scientific multi-variable modelling of crops, weather, and field data, ATC's solutions enable online diagnostic and simulation of farmers' choices to maximize yield, input cost efficiency, and the sustainability of farming.

ATC will help Yara implement its farmer-centric strategy and is an important building block in expanding the company's position in Digital Farming.

**Acquisition of Vale Cubatão Fertilizantes**
Also in November, Yara entered into an agreement to acquire the Vale Cubatão Fertilizantes complex in Brazil from Vale S.A. for an enterprise value of USD 255 million. The acquisition will establish Yara as a nitrogen producer in Brazil, strengthening its production footprint and complementing its existing distribution position.

The Cubatão asset is a nitrogen and phosphate complex with an annual production capacity of approximately 200 kilotons of ammonia, 600 kilotons of nitrates and 980 kilotons of phosphate fertilizer. The complex employs approximately 970 permanent and 930 contracted employees

**Yara Birkeland**
In May, Yara and Kongsberg entered into a collaborative partnership to build an autonomous and zero emissions ship called "Yara Birkeland". Named after Yara's founding father, the scientist Kristian Birkeland, it will be the world's most advanced container feeder ship.

Operation is planned to start in 2019, shipping products from Yara's Porsgrunn production plant to Brevik and Larvik in Norway. As a result, Yara will reduce diesel-powered truck haulage by 40,000 journeys a year.

# Company overview 2017

# Improving operations and remaining curious in challenging markets

Curiosity and imagination were key focus areas for Yara in 2017, as we celebrated the 150th anniversary of our founding father, the innovator and visionary scientist Kristian Birkeland. Combining genuine curiosity and research, he invented a process to extract nitrogen from the air and the ability to produce mineral fertilizers.

Curiosity and imagination were also instrumental in the collaboration developing Yara Birkeland, a fully electric and autonomous vessel. This project reminds me of Albert Einstein's words, "Logic can get you from A to B – imagination will take you everywhere".

### Yara Improvement Program

When markets are challenging, we have no alternative but to rise to the occasion and face challenges head-on. Hence, last year provided an excellent opportunity to focus on our innovative capabilities. To innovate, we need groundbreaking ideas, and developing new ideas is deeply rooted in our curiosity. But 2017 was also about ambition, and in particular how to grow and develop Yara, even as over-capacity and weaker demand for fertilizers globally have impacted our business.

In response to a challenging market environment, we have launched the Yara Improvement Program which targets a minimum USD 500 million EBITDA improvement by 2020 in 2015 terms. We are ahead of plan, and as an example, we have improved reliability at our plants over the last two years, increasing our total production volume by 729,000 tonnes, effectively adding the equivalent of a medium-sized production plant to Yara's portfolio and contributing over USD 100 million EBITDA impact. I also want to congratulate Yara's procurement function, for having contributed substantially to the success of our Improvement Program. This is the new way of working, making Yara fit for the future and ready for leveraging market growth.

We want every single Yara employee to ask themselves "what can I do to make our operations smarter, more efficient and better". Visiting a number of plants during 2017, I have seen the broad involvement of our organization, and have been truly impressed by the commitment shown by everyone at Yara.

### Focus on safety

Yara's Safety Culture is unrivalled in our industry, but we are not yet where we want to be – Safe by Choice. 2017 was a year of contrasts showing us that life is vulnerable. As CEO, it is difficult to accept that we lost three contractors. Three lost lives are nothing but tragic, leaving family, friends and colleagues filled with sorrow. These tragic accidents should remind us that we need to show how much we appreciate the people we share our lives with.

On the other hand, Yara has never been safer. Since 2012, the number of working hours have doubled, while the probability of accidents has more than halved, due to our relentless focus on safety.

“By using our imagination and curiosity – we can get anywhere we want”.

Svein Tore Holsether
President and CEO

As a result, close to all of our colleagues stayed clear of injuries last year, as Yara achieved a record low TRI [1] of 1,8 in 2017 compared with 5.0 in 2012. However, behind the statistics are real people, mothers and fathers, husbands and wives, daughters and sons. We must never forget this.

### The right kind of business

As a global business, we have an obligation to not only live up to our own standards, but also send a message to authorities, organizations and other businesses that we are interested in doing business only if it's done in a transparent manner and according to our high standards.

And throughout 2017 we have continued to work hard and meticulously with our local organizations. Through training and exercises, we are better equipped to meet future incidents with the right response. Our Ethics & Compliance standards are non-negotiable and form our license to operate. We never compromise on them.

### Delivering growth in challenging markets

Global urea prices increased during 2017 primarily due to higher coal prices and production cost in China. However, as significant capacity additions outside China have reduced the need for Chinese exports, global urea markets have become more volatile and price floors of non-Chinese producers are also tested.

In this situation, reliability and operational improvements are key focus areas at Yara, to increase profitability through improved operational efficiency. We delivered significant results in 2017, reflected through increased deliveries of finished fertilizer by 4%, compared with 2016. We also realized improved margins, with nitrate prices around 3% higher than in 2016.

### Growing our digital offering

Yara Crop Nutrition consistently pursues its crop roadmap, delivering not only volume growth, but value growth. Going into 2018 we are integrating our Indian business, following up on and executing our growth strategy. By combining scale, knowledge and a farmer centric approach, Yara has a unique opportunity to extend the consistent growth we have seen through our crop nutrition business in India.

We also started realizing our ambitious digital agenda, initiating Yara Digital Farming. While many perceive digitalization as a threat to their business, we see endless opportunities. While travelling in Thailand, I met a farmer growing Chinese Cabbage. At first he seemed to use simple means. Hand pumping the water for irrigation, manually distributing the fertilizer, no heavy equipment. But he carried a smartphone and could receive advice from Yara's agronomists – and as a result he had increased his yields and profitability. To me this was a true eye-opener of how new applications and platforms can make it easier for farmers, regardless of their locations, to gain new knowledge. Our digital strategy in crop nutrition is a logical expansion of our farmer centric strategy, aiming to provide farmers with digital solutions that will make a real difference on the yield, quality and sustainability of their fields.

### Growing the AdBlue business

The Industrial segment delivered record underlying financial results in 2017. Improved results has been delivered across the main industrial businesses, driven by the improving economy, but also Yara's differentiation enabled by our sales excellence program and solution concepts. In particular the AdBlue by Yara delivered very well, realizing 14% higher sales volumes compared with 2016.

[1] TRI: Number of Total Recordable Injuries per million hours worked, contractors included.

Delivered EBITDA effects of

USD 240 million

through the Yara Improvement Program, compared with 2015 baseline

Finished fertilizer production

+4%

compared with 2016

Industrial sales

+8%

compared with 2016

In 2017 we finalized the upgrade of our Brunsbüttel plant, developing the world's largest AdBlue production facility. At the inauguration I met with our business partners who told me how important this facility was to their businesses. Now more than ever, we are able to serve our business partners with unprecedented flexibility, reliability and quality. The production from Brunsbüttel will remove NOx equaling the emissions from the transport sectors in Germany, Austria and Switzerland combined. Yara Industrial truly responds to our Mission. By increasing sales, we decrease the pollution caused by the automotive sector.

**Building new capabilities**

Knowledge and innovation moves the world forward. And innovation with a purpose is the real game changer. Yara has during 2017 increased our long-term innovation focus with dedicated resources.

We believe in creating ecosystems of change where the contributors are considered as partners, rather than customer and supplier. We are a strong believer in system innovation and proactively look for collaboration with new partners such as research institutes, academia and other corporations to make our industry greener, smarter and more efficient. Some examples are the PACE platform for Circular Economy, the SINTEF Innovation Lab and Yara Birkeland where the collaboration with Kongsberg and Marin Teknikk are key to make it a reality.

Inspired by our founder – a true innovator – we remain curious building a future Yara answering our mission to "Responsibly feed the world and protect the planet".

**Business with a purpose**

At Yara, you are part of creating shared value – value that is not only restricted to our shareholders– it is value created for the society. A guiding framework, we are committing to the UN Global Compact's principles in the four areas of human rights, labour, environment and anti-corruption.

In this regard, I was inspired by the Chairman and CEO of BlackRock, one of the world's most important investment banks, Mr. Larry Fink, who said in his annual letters to CEOs: "Society is demanding that companies, both public and private, serve a social purpose. To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society."

I fully agree. This is Yara's value proposition to our employees, our business partners and owners. We have a greater desire than just go to work. Through our work we are part of changing the world for the better.

For the last two years, I have served as commissioner in the Business & Sustainable Development Commission (BSDC), where we set ourselves two goals: To identify business opportunities in the 17 United Nations Sustainable Development Goals (SDGs) and explore how businesses can contribute to achieving the SDGs.

In a world of inequalities, we believe more sustainable and inclusive economic models can realize a range of new opportunities, particularly in the agriculture sector. Initiated by the BSDC, the Food and Land Use Coalition will continue the work to develop sustainable food value chains reflecting the global challenges we face, and provide sustainable solutions that looks beyond conventional business models by engaging in cross sectoral partnerships.

The SDGs are at the core of our business strategy because it's financially right – it's morally right, and if you take a closer look at Yara's Mission - it's our responsibility. And if we could have asked Kristian Birkeland, he would have given us a thumbs up.
I am proud of my colleagues, for taking responsibility, for contributing to making us a better company and for being innovative. By continuing to use our imagination and curiosity – we can get anywhere we want.

Svein Tore Holsether
President and CEO

# Segment introduction

Yara's long-term strategy rests on a unique business model and global presence, giving us a strong position for profitable growth. The business model provides scale advantages, extensive flexibility and global optimization to create a platform for business expansion and margin improvements along three main avenues: commodity products, value added crop solutions, and industrial products. Three operating segments supported by a global supply chain function cover the value chain, from raw materials to a complete offering of products, solutions, technologies and knowledge:

**Crop Nutrition**

**Crop Nutrition** provides worldwide sales, marketing and distribution of a complete range of crop nutrition products and programs.

**Industrial**

**Industrial** develops and markets environmental solutions and essential products for industrial applications.

**Production**

**Production** runs large-scale manufacturing of nitrogen-based products and phosphate mines, the starting point for our crop nutrition and industrial solutions.

**Supply Chain**

**Supply Chain** is a global function responsible for optimization of energy, raw materials and third party sourcing, as well as logistics and customer service centers.

# Crop Nutrition

Yara Crop Nutrition offers the industry's most comprehensive sustainable crop nutrition solutions, supporting farmer profitability through knowledge, quality and productivity. Our aim is to be the farmer's preferred crop nutrition partner, and deliver knowledge and sustainable solutions, in addition to products.

The Crop Nutrition segment is headed by EVP Terje Knutsen.

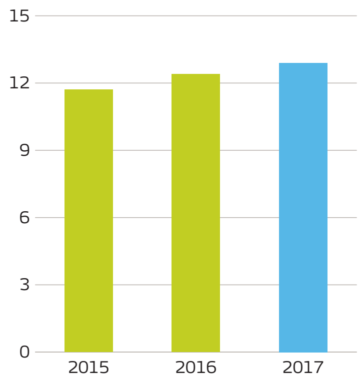
### key figures

Number of employees 3,610

- Deliveries: 27,159 million tonnes
- EBITDA: NOK 4,037 million

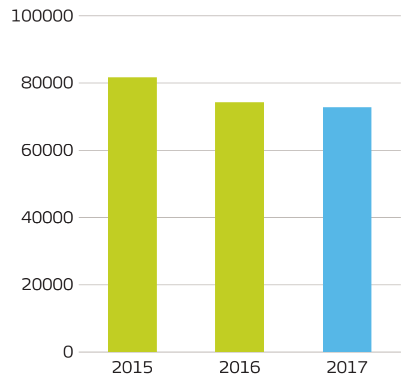
### Premium products

Million tonnes




### Total revenues

NOK million




# Industrial

Yara Industrial adds value and stability to Yara's integrated business model by holding a market leading position in nitrogen applications for industrial use and environmental solutions. Yara develops and offers innovative products and solutions based on our experience in nitrogen chemicals to make life safer, healthier and easier.

The Industrial segment is headed by EVP Yves Bonte.

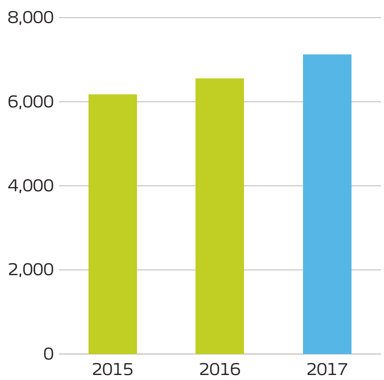
### key figures

Number of employees: 537

- Deliveries: 7,117 million tonnes (increase of 8% compared with 2016)
- EBITDA: NOK 1,289 Million (EBITDA adjusted for special items: 1,643)

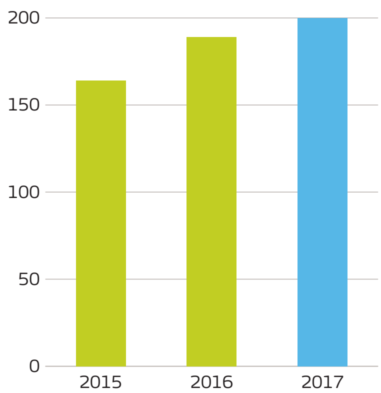
### Total Industrial deliveres

Thousand tonnes, excluding $CO_2$




### Industrial EBITDA development

USD million, excluding $CO_2$ and special items



# Production

The Production Segment is headed by EVP Petter Østbø

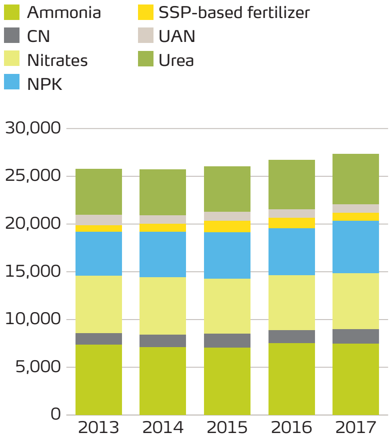
The Production segment is responsible for the production of ammonia, fertilizers and industrial products. With its high quality NPKs and global number two position in ammonia, Yara is the world leading producer of nitrates, calcium nitrate, NPKs and a growing portfolio of phosphates, providing the foundation for Yara's sales organizations in Crop Nutrition and Industrial. Yara Production combines safety, reliability and productivity by focusing on solid operations on all sites.

### key figures

Number of employees: 7,774

- Production volume: 27,662 million tonnes
- EBITDA: NOK 5,996 million
- Gross invested capital at the end of 2017: USD 14.9 billion

### Volumes




# Supply Chain

Yara's Supply Chain function is headed by EVP Tove Andersen.

Supply Chain is a global function generating value by realizing the benefits of Yara's knowledge and scale in procurement and capturing the benefits of our integrated business model through the global optimization process, efficient supply chain operations and IT platforms.

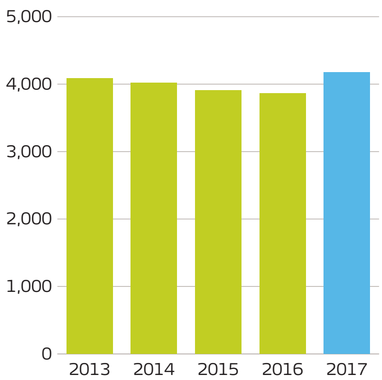
### key figures

Number of employees: 3,021

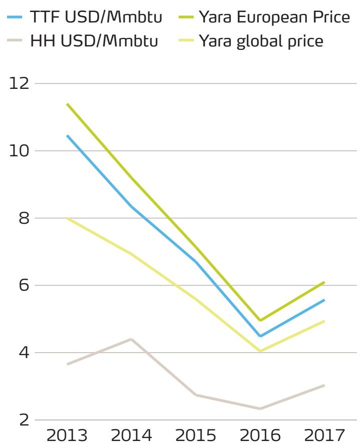
- Total procurement spend: USD 10.2 billion
- Yara Improvement Program Contribution from Supply Chain: Approximately USD 90 million savings realized vs 2015-base.

### Ammonia sourcing and trade

in kt




### Energy prices



# Report of the Board of Directors

# Improved reliability and production volumes

In 2017 Yara delivered higher production volumes, but earnings declined due to lower fertilizer prices. Yara's safety incident rate continued to improve in 2017, but the positive development was overshadowed by three tragic fatalities, one in Mexico and two in Brazil, underlining the need for continued focus and further improvement to safety practices. Yara cannot and will not accept fatalities or serious injuries at Yara, and these tragic accidents make us even more determined to drive and enforce our safety first culture and way of working.

Yara's after-tax measure for return on capital, CROGI, was 7.0% for 2017, down from 9.5% in 2016 and below Yara's target of minimum 10% average over the business cycle. Margins were significantly lower compared with 2016, due to both lower commodity upgrading margins and lower premiums for nitrates and NPKs. Fertilizer deliveries were 27.2 million tonnes, in line with 2016 as lower deliveries in Europe and Brazil were offset by growth in the rest of Latin America and in Asia. Industrial deliveries were up 3%.

Yara's CROGI was also impacted by a higher than normal level of on-going expansion investments which are not yet complete and therefore not generating income. Yara's 2017 CROGI excluding plant under construction was 7.9%.

Significant progress was made during 2017 in delivering on Yara's strategic objectives, including both plant expansions, new-build projects and acquisitions.

## Performance overview

### Operational performance

Yara's Safe by Choice initiative, which started in 2013, has driven improved safety performance, with a Total Recordable Injury (TRI) rate of 1.8 per million hours worked in 2017, down from 2.5 in 2016 and 3.4 in 2015.

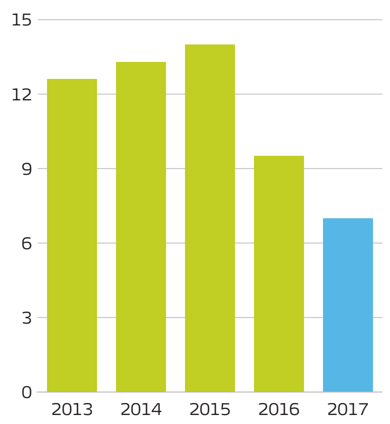
Yara's ammonia production decreased 1%, while finished fertilizer production increased by 4% compared with 2016. Production reliability improved in most plants during 2017, however for ammonia the reliability improvement was more than offset by lower production in the Porsgrunn plant due to a fire in April and resulting six-month shutdown for repairs.

In Europe, Yara's total fertilizer deliveries were 3% lower than in 2016, driven by lower nitrate and urea deliveries while NPK deliveries were 2% higher.

Yara Brazil's fertilizer deliveries in 2017 were 2% lower than a year ago driven, by lower deliveries of blended commodity products. Deliveries of Yara-produced premium products increased almost 20%, primarily reflecting higher compound NPK deliveries.

**CROGI**

Percent, 12 month rolling average



Margins in 2017 were lower than a year ago. While Yara's weighted average gas cost increased 22% or around 1 USD per MMBtu, prices were on average only marginally higher than in 2016. Fertilizer nitrate prices increased around 3%, compound NPK prices were 2% lower while fertilizer urea prices were in line with 2016. Realized Industrial urea prices were 1% higher, ammonia prices increased 2% while Industrial nitrate prices were 3% lower than a year ago.

### Operating segments

The Crop Nutrition segment saw stable fertilizer sales volumes overall. The Industrial segment delivered a 3% increase in deliveries, but adjusted for the divestment of the $CO_2$ business in 2016, Industrial deliveries were up 8%. The Production segment saw a 1% decrease in ammonia production and a 4% increase in finished fertilizer production.

## Financial performance

### Market conditions

Demand for fertilizer and industrial nitrogen products was healthy overall in 2017, but urea prices remained supply-driven, reflecting strong capacity growth particularly from North Africa and the US. However, urea prices increased overall compared with 2016, driven by higher production costs in China, including higher coal prices. Chinese urea exports totaled 4.7 million tonnes for the year, down from 8.9 million tonnes in 2016.

Urea is the largest traded nitrogen fertilizer product and sets the global nitrogen commodity price, but most of Yara's production and deliveries are premium products like nitrates and NPKs, as well as industrial applications.

### Consolidated results

Yara delivered weaker financial results in 2017, with net income after non-controlling interests at NOK 3,948 million, a 38% decrease from 2016, mainly reflecting higher energy cost. Earnings per share were NOK 14.45 in 2017, compared with NOK 23.25 in 2016. Operating income was NOK 3,777 million, down from NOK 8,771 million in 2016, while EBITDA was NOK 11,120 million, compared with NOK 15,563 million in 2016. Revenue was NOK 93.5 billion in 2017, down from 95.2 billion in 2016.

### Cash flow and financial position

Net cash from operating activities was NOK 6,478 million compared with NOK 14,084 million in 2016, with lower operating margins accounting for most of the decline. Net cash used for investing activities in 2017 was NOK 11,105 million, reflecting planned maintenance and productivity investments in addition to growth projects.

Yara's financial position remained strong in 2017, with a debt/equity ratio of 0.25 at year end compared with 0.17 at the end of 2016, as the sum of maintenance and growth investments and cash returns to shareholders exceeded cash from operating activities.

Net interest-bearing debt at year-end was NOK 19,383 million, while total assets were NOK 129,246 million. Total equity attributable to shareholders of the parent company as of 31 December 2017 amounted to NOK 75,540 million. At the end of 2017 Yara had NOK 4,456 million in cash and cash equivalents, and NOK 18,244 million in undrawn committed bank facilities. We consider the company's cash and financial position to be strong.

In the opinion of the Board of Directors, the consolidated financial statements provide a true and fair view of the group's financial performance during 2017 and financial position on 31 December 2017. According to section 3–3 of the Norwegian Accounting Act, we confirm that the consolidated financial statements and the financial statements of the parent company have been prepared based on the going concern assumption, and that it is appropriate to make that assumption.

### Operating segments

The Crop Nutrition segment delivered an EBITDA of NOK 4,037 million and a CROGI of 11.8% in 2017. EBITDA and CROGI were both lower primarily due to lower nitrate and NPK premiums.

The Industrial segment delivered an EBITDA of NOK 1,289 million and a CROGI of 25.9% in 2017. The EBITDA and CROGI decline mainly reflected the 2016 gain on sale of the $CO_2$ business.

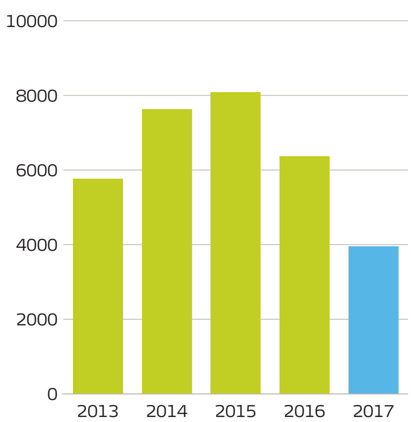
The Production segment delivered an EBITDA of NOK 5,996 million and a CROGI of 4.9% in 2017. The EBITDA and CROGI declined mainly due to higher energy costs.

### Yara International ASA

The parent company Yara International ASA is a holding company, with financial activities and with corporate functions. Yara International ASA had a net income of NOK 12,437 million in 2017, up from NOK 1,897 million in 2016, after dividends and group relief from subsidiaries of NOK 12,689 million (NOK 1,638 million in 2016). The net foreign currency translation gain

**Net income after non-controlling interests**

NOK millions



was NOK 581 million compared with a gain of NOK 747 million in 2016.

## Sustainable strategy

Yara is an integrated crop nutrition company with an industrial portfolio. Yara is headquartered in Oslo, Norway and is listed on the Oslo Stock Exchange. Yara's knowledge, products and solutions grow customers' businesses profitably and responsibly, while protecting the earth's resources, food and environment. The company mission is to 'Responsibly feed the world and protect the planet'.

### Competitive edge

Yara has identified four key drivers of its competitive edge. In our industry, knowledge is a unique competitive advantage to Yara, where also knowledge sharing through partnerships, extension services to farmers, policy influencing and customer or vendor training are examples.

- **Global optimization and scale**
  Global optimization and scale Our significant manufacturing capacity of both commodity and value-added nitrogen products provide the necessary scale and infrastructure to sustain our global distribution and marketing network, which includes more than 200 terminals, warehouses, blending plants and bagging facilities, located in more than 60 countries.

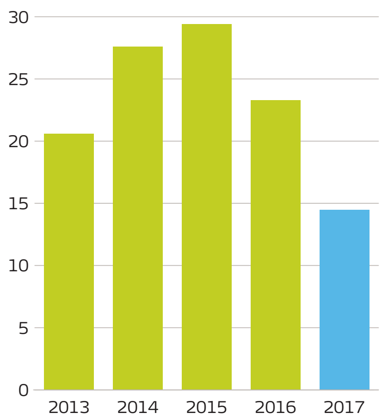
- **Knowledge margin**
  Yara's diverse staff represents expertize with deep insights and analytic capacity, which is one of the key drivers for the leading positioning in our industry. Innovation is recognized as a strategic capability, leading Yara to dedicate resources into protecting and advancing our knowledge margin. The combined knowledge differentiates Yara in a wide range of aspects, including agronomy, sustainable agriculture, market insights, process safety and efficiency, product stewardship and environmental solutions.

- **Competitive raw material cost**
  Yara is the largest industrial buyer of natural gas in Europe, the world's second largest buyer of potash and third largest buyer of phosphates. Increased exposure to low cost gas remains a key priority. In addition, Yara is seeking to increase our vertical integration on scarce raw materials such as apatite phosphate rock and sulphate of potash.

- **Operational excellence**
  Yara's production system counts more than 20 production sites and more than 200 terminals, which give support to Yara's aim of being a reliable supplier to our customers. Through benchmarking and sharing of best practices, Yara works continuously to improve raw material efficiency, implementing effective supply chains while maintaining a strong fixed cost discipline.

**Earnings per share**

NOK




### Yara Improvement Program

Yara has established a corporate program to drive and coordinate existing and new improvement initiatives. The Yara Improvement program will deliver at least USD 500 million of annual EBITDA improvement within 2020, of which an estimated USD 350 million will be reached in 2018. The most significant components of the program are:

- Yara Productivity System: improving safety, customer responsiveness, reliability, cost, productivity and quality at production sites
- Procurement Excellence: realize sustainable, incremental savings based on advanced global category management and collaborative procurement
- Improve quality, cost and speed of asset construction through standard specifications, revised requirements and focused execution strategy
- Working Capital management improvement
- IT Optimization: improving project execution and cost performance within IT services, while increasing customer and business service
- Support function efficiency and quality: standardizing processes in the supply chain and finance functions, to improve customer service and efficiency
- Sales & Marketing excellence: improving commercial activities in the Crop Nutrition and Industrial segments through more focused, efficient and effective processes for sales & marketing channels

Approximately 35% of the improvement will come from production volumes, 10% from consumption factor improvements, 30% from variable unit cost reduction and 25% from fixed cost reduction. In addition, the program will deliver sustained capex improvements in the magnitude of USD 100 million, and one-off working capital reductions of at least USD 125 million. Enabling these improvements will require one-off costs of approximately USD 125 million and investments of approximately USD 475 million over the period up to 2020.

Compared to the 2015 base, the improvements realized by the end of 2017 represent an annual EBITDA improvement of USD 240 million, of which around 60% relate to reliability improvements in Yara's production plants while procurement related improvements represent the remainder. Improvements realized in 2017 compared to 2016 amount to around USD 140 million.

## Growth

Yara pursued its strategy of profitable growth in 2017 through several acquisitions, and by managing its production system to improve profitability. Most recently Yara announced the acquisition of the Vale Cubatão Fertilizantes complex in Brazil. The acquisition of the Tata Chemicals Ltd Babrala urea plant and distribution business, in Uttar Pradesh, India, was announced in 2016 and closed in January 2018, significantly increasing Yara's footprint in the Indian market.

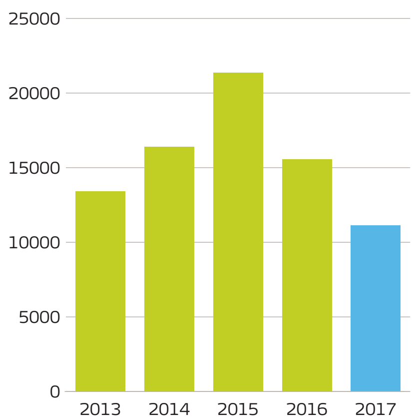
### Profitable growth

We believe growth is key to sustain and grow competitive edge and create further shareholder value, and growth within both production and in distribution is a key pillar in Yara's strategy.

Since 2004, Yara has consistently executed this growth strategy, reinforcing its position as the world's leading producer and provider of crop nutrition and industrial nitrogen solutions.

**EBITDA**

NOK millions




Yara has defined strategic priorities and follows a structured approach to managing a balanced growth portfolio consisting of bolt-on acquisitions, expansions and reconfigurations at existing sites, as well as greenfield projects when favorable conditions can be secured. Timing is essential in creating value from acquisitions, and Yara combines a continuous search for projects with patience and discipline in execution.

### Growth initiatives

Yara's growth initiatives are divided into four main categories; growing premium products sales and supply, growing commodity scale, growing industrial sales and supply and securing P and K supplies.

Commodity scale is being added through the Freeport, US ammonia joint venture with BASF, and with the Babrala, India acquirsition from Tata. The Babrala acquisition will serve a captive market and provide scale to accelerate premium product sales in India.

Multiple expansion projects continued in 2017, in Porsgrunn, Norway; Köping, Sweden; Sluiskil, Netherlands; Uusikaupunki, Finland; and Salitre and Rio Grande, both in Brazil. Yara also decided to cease operations at its production site in Pardies, France, due to low profitability.

Within the Crop Nutrition segment, Yara announced plans to step up its investment in digital farming solutions. As part of this strategy, Yara acquired a US technology company, Agronomic Technology Corp (ATC), an agricultural field modeling company for soil, water, crops, and fertilizer.

Phosphate and Potash supply is being developed in the Salitre, Brazil project (P) and also in in Dallol, Ethiopia (K).

## Company positioning

Yara believes that by offering a positive value proposition to our customers over time, we can deliver attractive returns to our shareholders while at the same time creating value for society – creating shared value. Yara is well positioned to address some of the major global challenges of our time, particularly within food, environment and resources, which also represent business opportunities.

In 2017, Yara was ranked as one of top ten companies in Fortune's list of companies changing the world, based on its shared value approach and material impact on business and society.

### Material sustainability topics

Starting in 2015, Yara has conducted materiality analyses. In 2017, the materiality analysis formed part of the basis for a strategy update process, initiated by Yara's CEO and Board of Directors. Through this process Yara aims to define new, overarching sustainability goals for the company, to be launched in 2018.

Besides the competitive edges, nine topics are currently seen as materially important to Yara: Climate change, energy, resources and the environment, food security, agricultural productivity, farmer profitability, ethics and compliance, health and safety and product stewardship.

### Creating shared value

By leveraging our industrial expertise, we have innovated over time new technologies and upgraded our production processes, thereby greatly reducing greenhouse gas (GHG) and other emissions in our own production, as well as for our customers, while optimizing energy use efficiency.

By employing our agronomic knowledge, we have developed comprehensive crop nutrition solutions that improve agricultural productivity and at the same time grow farmer profitability. Increasing agricultural productivity also contributes to improving food security, while also reducing pressure to convert forests and wetlands into farmland – a main source of GHG emissions.

Yara has also developed solutions that improve resource use efficiency, in particular by reducing the amounts of fertilizer and water needed to sustain productivity and profitability. We engage to reduce the carbon footprint of agriculture, leveraging our combined internal expertise from low-emission crop nutrition products, through life-cycle analysis capacity to precision farming tools and deep understanding of crop specific nutritional needs.

Creating shared value from existing operations and emerging opportunities allows Yara to have an impact on global issues while also strengthening our competitiveness. This capacity is utilized in partnerships and through sharing knowledge. Throughout Asia and Africa, Yara reaches more than 400,000 smallholder farmers directly every year, providing advice on how to maximize return on investment in fertilizer application.

The company strategy is well positioned to respond to global trends, based on the UN Sustainable Development Goals (SDG) and the Paris agreement.

### People development

The redefinition of Yara's people strategy followed the revision of the company's vision, mission and values. The new people framework connects our people and organizational priorities together.

Yara is working on strengthening its performance culture through professional performance management processes, improving leadership development and reinforcing talent management. Yara is committed to foster diversity and open dialogue.

The goal is to attract, develop and retain people in accordance with Yara's needs, making leadership a competitive advantage, driving a high-performance culture, being a catalyst for change and delivering operational excellence. Suitable systems and analytics are needed to reach these goals; this is being addressed by Yara's ongoing Human Capital Management project.

The identified key areas for improvements are processes within recruitment and people development, as well as the optimization of systems and tools.

At Yara, it is our strong belief that diversity is a key enabler to solving the difficult challenges the world is facing. Achieving the United Nations Sustainable Development Goal on gender equality and strengthening our diversity across a number of other dimensions, will also be crucial in meeting several of the other 16 UN SDGs. To ensure that we enforce an equal pay policy for men and women in comparable positions and markets, with comparable background and performance, we have started a process of analyzing pay data. We have found pay differences in some areas and are moving to verify and take action where there are gaps.

In order to succeed in the improvement of the processes and systems, as well as keep developing Yara as a motivating workplace, it is important to get an honest input and ideas from all Yara employees. Therefore Yara launched a global survey called "Yara Voice". Through this survey all employees have the opportunity to voice their opinion on Yara as a workplace. Yara is committed to use the feedback from the surveys to implement improvements and keep making Yara a better and safer place to work.

At the end of 2017, females represented 21% of Yara's workforce and held 15% of the 170 critical positions. We have initiated various activities at corporate and business segment level to increase gender diversity and ensure inclusion.

At the end of 2017 Yara had 15,527 employees worldwide, of which 13,775 were employed on a permanent basis. Calculated global sick rates in Yara was about 3.1%, while the reported rate in Norway was 4.35%.

### Innovation

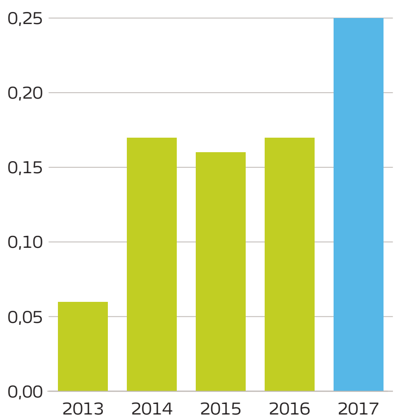
Yara innovates in order to remain relevant for its farmers and customers, to protect positions and to grow. Yara aspires to be the disruptor of its industry, by leveraging contributions from all employees as well as external know-how, using an open innovation approach.

In 2017, Yara implemented new structures for accelerating ideation and progress into new business value. Focused ideation campaigns for Crop Nutrition as well as Production will lead to internal incubation programs being launched in 2018.

In 2017, both Yara's platform for Circular Economy and the SINTEF Innovation Lab have been further developed. With SINTEF, Yara aims to explore ways to revolutionize fertilizer production and develop technologies that allow for more environmentally friendly, cheaper and smarter processes, as well as development of sensor technologies.

**Debt/equity ratio**

Percent



Yara has established a start-up accelerator and investment fund, YaraGerminate, and initiated an open innovation challenge approach which reached 150,000 students globally in 2017, delivering ideas for sustainable packaging and circular economy.

Longer term perspectives include circular economy offerings as well as de-carbonizing ammonia production. Yara has developed a relationship with a Japanese strategic innovation program, and is preparing to initiate commercial negotiations on the use of such ammonia as an energy vector.

Yara is also participating in collaboration consortia within the Dutch Institute of Sustainable Process Technology and the Dutch program on electrification of industry, focusing on long term de-carbonization technologies and economics.

During 2017, Yara started to measure its innovation pipeline both in financial terms and climate impact. In 2017, Yara's spending on Innovation and R&D was NOK 371 million.

### Innovation platforms

During 2017, two new innovation platforms were established.

**N-Tech platform:** Securing the long-term competitive position for Yara's nitrate production, and establishing a leading position on de-carbonized ammonia production combined with a business model of ammonia as an energy carrier.

**Circular Economy:** Responding to societal needs by retrieving nutrients from waste and bringing them to the market, either as organo-mineral fertilizer, as secondary sources of raw material in primary production or on the urban short nutrient cycle.

### Intellectual property

In 2017, Yara continued its efforts to strengthen and rejuvenate its patent portfolio with the filing of 19 new patent applications. At the end of 2017, Yara had over 1,300 granted and pending patent applications, an increase of 185. Yara does not foresee material effects on its operations or financial results arising from the expiration of any patents in its current portfolio.

### Production R&D

Production R&D is executed by the Yara Technology Centre (YTC). YTC is responsible for the "Plant of the Future" concept, which is a part of the Production segment's productivity strategy (YPS). YTC focuses on both product development and production processes.

One of the major tasks in the Plant of the Future project cluster has been to execute energy and emission assessments in the Porsgrunn, Sluiskil and Belle Plaine plants.

YTC is also central in the establishment of Yara's "Green Nitrates Platform", which aims to establish production based on hydrogen from electrolysis, using green energy.

YTC executes the advanced process control (APC) roll-out strategy, which targets optimized plant control for higher production and/or energy efficiency. YTC has also made major progress with increasing flexibility in the use of variable qualities of phosphate rock. In the Yara plant in Porsgrunn, Norway, a concept is being developed for extraction of rare earth materials from the phosphate rock. This project is funded by Horizon 2020.

For urea-based fertilizers, YTC has in 2017 focused on the further development and market implementation of emission-reduction measures; urea with urease inhibitor and the development of a stabilized urease inhibitor for UAS (Amidas/Ureas). For AN-based fertilizers, YTC has focused on the industrialization of zinc-enriched CAN. Zinc is important for human health, as well as being a crop nutrient.

YTC is also working to develop cost-efficient water soluble NPKs, and in 2017 completed a pilot plant which carried out its first test in 2017. Significant development efforts have also been made on coating components, to sustain Yara's competitive advantage within calcium nitrates (CN).

Products safety remains a key focus area, with significant resources invested to ensure that Yara delivers safe products.

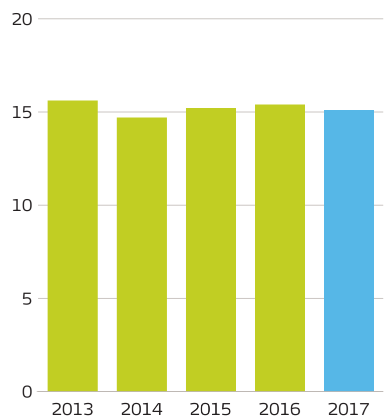
### Crop nutrition R&D

Crop Nutrition R&D enables Yara to be the leading provider of sustainable crop nutrition solutions. Through deep crop knowledge, optimized fertilizer products, tools and services, Yara can deliver nutrients and water in the most efficient, profitable and sustainable way.

Crop Nutrition R&D activities follow a customer centric approach. For Yara's prioritized global crops; grassland, wheat & barley, maize, potato, coffee, cocoa and banana; we develop a deep

**GHG emissions**

Million tons of $CO_2$ equivalents




*) Cartagena and Galvani plants included 2015 onwards

understanding of the specific nutritional needs under local conditions. Based on this knowledge, new products are developed, existing products are improved and performance and benchmarking tests are conducted.

Internally, knowledge is shared e.g. via training sessions, webinars and manuals, and externally via congresses and publications as well as being part of localized advice to farmers. Each year Yara Crop Nutrition R&D organizes around 400 strategic activities and local trials. Furthermore, Crop Nutrition R&D provides stakeholder dialogues with potential commercial clients, NGOs, policy stakeholders and academia, receiving around 260 visitor groups per year.

Tools and services are essential for commercial delivery of Yara's knowledge to the farmers, to allow nutrients and water to be used more efficiently. This is an area of rapid development, driven by the need to improve farm economy while reducing the environmental footprint. Yara is in the process of implementing of a cloud-based Crop Management System, to be delivered as part of a farmer engagement web portal.

Existing Yara tools like the N-Sensor and N-Tester are being further improved to significantly increase market penetration. New tools are under development, combining crop modeling, sensing and mapping technologies. The Yara Water Solution is being implemented and further improved to accurately manage combined water and fertilizer needs, responding to the trend of increased water scarcity in many parts of the world.

The development of Yara's crop solutions is first and foremost attractive for farmers, as they increase their profitability, but they are also of interest to the wider value chain in terms of securing volume and quality of the produce, and providing differentiating through a reduced carbon footprint.

### Commitments and collaboration

Yara is committed to doing business responsibly. The commitment is expressed by being a signatory to the UN Global Compact (UNGC), embracing and implementing its principles covering the areas of human rights, labor rights, environment and anti-corruption.

We support the United Nations Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, the International Bill of Human Rights, and the core conventions of the International Labor Organization (ILO).

In 2017, prior engagements were continued including the SAGCOT agricultural growth corridor of Tanzania, the Farm to Market alliance (FtMA) with World Food Program (WFP) and other partners, which aims to support 1.5 million smallholder farmers. The FtMA was awarded the WFP innovation award, and has so far reached more than 136,000 farmers, with positive outcomes on yields and farm economy.

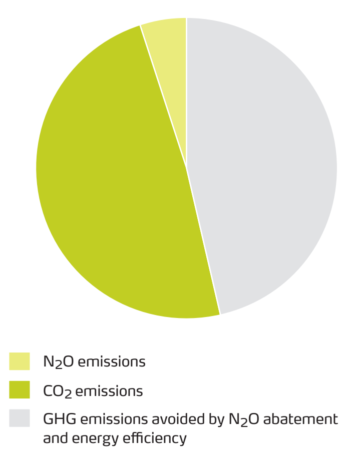
Through 2017, Yara was a key stakeholder in establishing the Food and Land use coalition (FOLU), a cross sectoral platform which will drive science based policy dialogues for transforming food and land use systems in support of the Paris agreement and the Sustainable Development Goals. Yara's CEO gave a keynote speech as the FOLU was launched during the UN General Assembly week.

Yara has supported the UN process of establishing the Sustainable Development Goals (SDG) and was represented at the climate negotiations in Bonn, COP23. In 2017, Yara followed up the SDGs by multiple engagements, including the FOLU and also by partnering with the Confederation of Norwegian Enterprise (NHO) to launch the Business and Sustainable Development Commission's (BSDC) report "Better Business, Better World" for a Norwegian audience. Yara's CEO Svein Tore Holsether continued his engagement in the Executive Committee of the World Business Council for Sustainable Development (WBCSD) throughout 2017.

Yara's country by country report has been developed to comply with legal requirements as stated in the Norwegian Accounting Act §3-3d and the Norwegian Security Trading Act

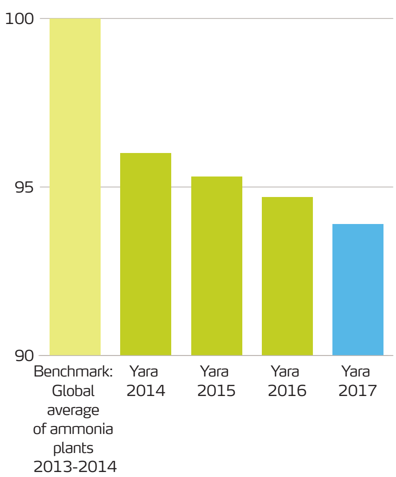
### GHG emissions avoided

Percent




### Energy intensity per unit in ammonia production

Percent



§5-5a, valid from 2014. The full country by country reporting can be found on yara.com/Sustainability/Reporting

## Sustainability performance

Yara will according to Norwegian Accounting Act §3-3c report on its performance based on an understanding of which topics are of material importance to both Yara and society. Key topics are covered in the Report of the Board of Directors, and in addition Yara Management issues a more extensive reporting according to the updated GRI Standards on yara.com.

### Climate and energy

Climate change, energy, resources and the environment are seen as topics of material importance to Yara, which are also significant to society.

Yara has a leading position in its industry on greenhouse gas (GHG) emission abatement technologies and climate smart agriculture, providing an advantageous position in a society dedicated to reducing emissions. This position is reinforced through innovation and R&D processes.

Production of mineral fertilizers contributes to GHG emissions. Yara has made large improvements in this area, reducing emissions of the potent GHG nitrous oxide ($N_2O$) from its nitric acid plants by 90% through developing and utilizing its own catalyst technology. Through continuous improvement of energy efficiency and the $N_2O$ catalysts performance, GHG emissions from Yara production ave been nearly halved compared to unabated performance. This technology is instrumental to Yara's offering of low-carbon fertilizers. Using Yara's proven low-carbon fertilizers and best farming practices, the carbon footprint from crop production can be significantly reduced, while maintaining yields.

Yara's total GHG emissions from production plants was 15.1 million tonnes of $CO_2$ equivalents in 2017, compared to 15.4 million tonnes in 2016. While production volumes of ammonia and nitric acid were slightly higher, emissions per unit were reduced. The reporting scope was adjusted according to the Greenhouse Gas Protocol guidance in 2017, which explains the apparent increase in emissions over last year's report. Data on energy and emissions from the JV Lifeco are not included and historic figures have been restated.

Natural gas is Yara's main raw material and also represents its largest variable cost. Affordable access to natural gas is a competitive advantage, and improving energy efficiency contributes significantly to reducing costs. In 2017, Yara's total energy consumption in production was 266 million GJ, the same as in 2016, while production increased.

About 90% of the energy is consumed in ammonia production. In recent years, most of Yara's ammonia plants have been technically upgraded to improve energy efficiency, and energy management is a significant part of the plants' environmental management systems. A number of energy saving projects have been implemented, and three out of Yara's eight ammonia plants were ranked in the top quartile in the industry on energy efficiency. Benchmarking carried out by the International Fertilizer Association (IFA) confirms that Yara plants on average perform better than the world industry average.

Regional differences in climate change and energy policy implementation may pose risks if regulatory actions do not ensure fair competition. Yara engages at an international level to share knowledge and discuss how the global society can address these complex global challenges.

Approximately half of the GHG emissions from agriculture are generated by land use change, such as deforestation caused by farmland expansion. Yara believes that increasing demand for food can be met on existing acreage, which would dramatically reduce GHG emissions associated with the growing of food. Yara is positioned to help realizing higher yields, which is crucial to achieving this, especially in developing economies.

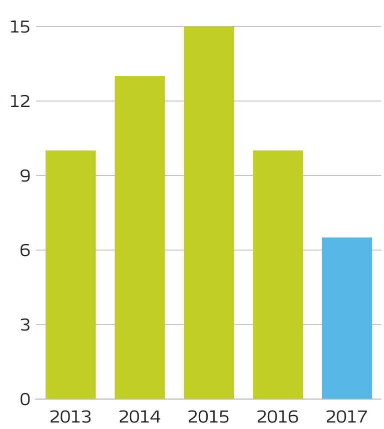
### Environmental stewardship

Environmental concerns are relevant to Yara both with respect to own emissions to air, water and soil, as well as resource consumption and waste, also in terms of the indirect impact from the use of our products and environmental solutions provided.

Yara welcomes the concept of circular economy, and is actively engaged in researching opportunities for how we as a company can contribute to and benefit from a more circular economy. Across Yara's global operations, numerous cases exist where we are already utilizing the circular economy thinking. Optimizing production processes is an ongoing effort, and smart set-up of industrial production may optimize resource use across different industries. Sharing knowledge and delivering tools to help farmers avoid nutrient losses from the field is the area where Yara may have the biggest impact. We are also actively exploring how nutrients appearing as waste through or at the end of the cycle can be assessed for re-use either directly or by processing.

## Dividends

NOK per share [1)]



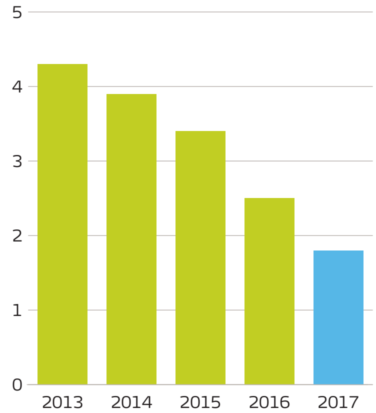

1) 2016 proposal subject to AGM approval

Yara also offers a range of environmental solutions to reduce pollution, including abatement of nitrogen oxide ($NO_X$), scrubbers for $SO_X$ emissions in the maritime sector, odor control for the toxic gas hydrogen sulfide ($H_2S$), water treatment and corrosion prevention. Total $NO_X$ abatement by Yara customers is today above 1 million tonnes per annum. Yara's own emissions from production processes is close to 8,000 tonnes of $NO_X$ per annum. Yara's environmental solutions business continues to grow, also through expansion into new market segments and geographies.

Water is crucial for agriculture, and improved water use management is urgently needed in large parts of the world. Agriculture currently consumes about 70% of all fresh water withdrawals globally. Through agronomic research, Yara has identified a fundamental and close relationship between crop nutrition and crop water consumption, and sees a potential in exploring new knowledge and innovative technologies to advance water use efficiency through technology and optimized crop nutrition. One forum chosen as a knowledge sharing platform for water management is the United Nations' CEO Water Mandate initiative, which Yara joined in 2014.

### TRI rate

Total Recordable Injuries per million working hours for employees and contractors




Yara continues to apply management system certification for all its major production sites and also for many of its supply chain and commercial units. The applicable certification cover quality, environment, product stewardship, health and safety and when relevant, energy. At year-end 2017, certified environmental management systems were in place at 18 out of 26 major production sites. The Production segment was extended certification for environmental management, covering all relevant operations.

Furthermore, we continue to work with our business partners and customers to pursue higher levels of performance and commitment to downstream safety, product security and product quality through our Product Stewardship program, using independent bodies to assure our processes according to either the Fertilizers Europe Product Stewardship program or the IFA (International Fertilizer Industry Association) Protect & Sustain Initiative. In addition to all European Yara units, 21 non-European units had the Product Stewardship certification in place, representing 75% of all relevant units.

Yara has a number of facilities that have been operated for long periods of time or have been closed. These facilities may require remediation or generate liabilities under the laws of the jurisdictions in which the facilities are located. Yara examines such impacts where they are apparent, and executes remediation or containment procedures in coordination with the appropriate authorities. For 2017 and beyond, accumulated provisions of NOK 1,037 million have been made for environmental clean-up, remediation, decommissioning and other liabilities in several locations. This also includes contractual liabilities for operations on leased land as well as mandatory closure plans of operational mining sites.

Yara is dedicated to collaboration, working with other stakeholders to promote safe, sustainable, efficient and profitable solutions, thus creating shared value while also improving Yara's competitive position.

### Health and safety

Safety has been identified as an aspect of material importance to Yara and is a top priority. A safe business forms the cornerstone of our license to operate, and this is communicated through our Safety Policy and Safety Principles. In all areas where Yara operates, these principles and practices are extended to Yara employees, to contactors at our sites, to transport partners and to customers through our Product Stewardship program. Our ambition is to achieve an injury-free environment, through management commitment and engagement of employees and contractors. While this is a tough ambition in a dynamic global business, we believe that our systems, colleagues and partners can make it happen, through consistent use of safety tools with a high level of applied quality.

Since mid-2013 Yara has been working to further improve safety performance, under its program "Safe by Choice". The program aims to develop the safety culture of Yara's growing global organization through both emotional, rational and sustainable organizational developments. There has been a steady decline in Yara's total recordable incident rate (TRI - including lost days from work, medical treatment and restricted work) both for employees and contractors. In 2013 Yara had a combined TRI of 4.3, which has improved year by year thereafter, reaching a record low of 1.8 in 2017. We recognize the occupational and process risks inherent in our business, but are also confident that our dedicated and committed approach to safety will continue delivering sustainable improvements.

Sadly, Yara suffered three fatal accidents in 2017. In Mexico, a contractor fell from height while working on a pipeline. In Brazil, a contractor working at the Salitre project site was run over by a truck, and separately a contractor was fatally injured after falling from a platform at the same site. All three accidents were put under investigation to identify root causes, with corresponding learnings and measures implemented.

### Business ethics

At Yara, ethical and compliant practices are materially important topics and are core to delivering on our mission statement; responsibly feeding the world and protecting the planet.

Ethics and compliance risks are integrated and operationalized in Yara's Compliance Program. The Program is structured around 15 elements, covering a range of topics from culture and tone at the top through training, communications, whistleblowing, investigations, due diligence and much more. The key document for Yara's ethics and compliance activities is our Code of Conduct. This is updated regularly, with the latest edition launched in January 2018.

Compliance is embedded in Yara's steering systems including the Integrity Due Diligence process for business partners, identifying potential issues including environmental, human rights or corruption issues. Compliance is also an integrated part of Yara's 'Capital Value Process' which governs all significant investments and transactions.

Yara's standard terms and conditions include our policies related to anti-corruption. In addition, Yara has developed its Code of Conduct for Business Partners, which describes the standards that Yara expects of its business partners including anti-corruption. A specific Human Rights focus in 2018 may lead to the implementation of mitigating actions in specific countries where these rights are limited through local legislation.

Yara's e-learning program on ethics and compliance is mandatory for all new employees, and covers various topics including anti-corruption and human rights. It is being updated on a regular basis, with the most recent add-ons coming on line at year end 2017. In addition, Yara's Ethics and Compliance Department has a face-to-face role based dilemma training program called "Share it!". The number of employees trained in face-to-face sessions during 2017 was 3,740 globally, with human rights included as a distinct topic.

Yara has a number of well-established channels for raising matters with Ethics & Compliance. This includes several channels for reporting possible breaches of Yara's policies and procedures including the Code of Conduct.

In 2017 Yara received an increased number of notifications through its ethics channels when compared to previous years, which is interpreted as improved awareness. Approximately 70% of the notifications were closed within the year. These notifications are handled in accordance with Yara's Reporting and Investigation Procedure for Ethics & Compliance Matters. Topics raised included various areas of our Code of Conduct and ranged from our people and our workplace through to combating fraud, anti-corruption and working with our business partners. At year end 2017, 183 of the 253 matters raised have been closed.

## Governance review

Proactive and transparent corporate governance is crucial for aligning the interests of shareholders, management, employees, and other stakeholders. The Board of Directors believes that good corporate governance drives sustainable business conduct and long-term value creation. Yara's Board is committed to upholding high standards for ethical conduct across the organization, and has zero tolerance for unethical behavior and violations of Yara's Code of Conduct.

### Corporate governance

#### Principles and practice

The Board of Directors and Executive Management of Yara International ASA review the corporate governance principles annually, reporting in accordance with the Norwegian Accounting Act § 3–3b and the Norwegian Code of Practice for Corporate Governance, most recently updated 30 October 2014. The Code contains stricter requirements than mandated by Norwegian law.

» See corporate governance / page 32

#### Board and Management

Yara's Board of Directors held 11 meetings in 2017. The Board consists of five shareholder-elected members and three employee-elected members. The shareholder-elected members all have extensive line management experience from international companies. Three of the eight Board members are women.

Yara has decided not to constitute a corporate assembly. Consequently, the Board of Directors is directly accountable to the General Meeting and the shareholders. The Board has two subcommittees; an HR Committee and an Audit Committee.

There were no changes to Yara's Board of Directors or Executive Management during 2017.

### Risk management

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

Compliance risk management is done through training and education of employees, a central and regional Ethics and Compliance function, and a range of channels for dialogue on dilemmas, which include access to anonymous whistleblowing, available in 50 languages.

Yara has developed a Code of Conduct for business partners that takes into account internationally recognized and endorsed standards in key areas such as human rights, business ethics and labor conditions. An Integrity Due Diligence (IDD) process for business partners is also incorporated in Yara's steering system, identifying potential issues including environmental, human rights or corruption issues.

#### Principal risks

Several global trends such as population growth, resource scarcity and climate change, can be expected to affect Yara's business. At the same time, these challenges offer a range of business opportunities where Yara is well positioned to develop and offer products and solutions that meet new market demands. The development of low carbon footprint fertilizer products and applications and solutions for water-scarce agriculture are key examples of Yara's response to such global challenges.

Yara's most significant market risk is linked to the margin between nitrogen fertilizer prices and natural gas prices. Although there is a positive long-term correlation between these prices, in the short to medium term margins are influenced by the respective supply/demand balances for food and energy.

Yara's total risk exposure is analyzed, evaluated and summarized regularly at both segment and corporate level. Risk evaluations are also integrated in all business activities, both at corporate and business unit level, improving Yara's ability to monitor and mitigate risk, and identify new business opportunities.

The Board oversees the risk management process and carries out biannual reviews of the company's most important areas of exposure and internal control processes. Reference is made to page 38 in this Financial Report for a more comprehensive description of Yara's risk management.

## Future prospects

### Market prospects

#### Market developments

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

However, there is significant potential for price volatility in agricultural commodity markets, where supply is limited and customers have a low sensitivity to price changes. Weather-related setbacks in agricultural production could further increase fertilizer demand, while a significant drop in agricultural prices, e.g. in the event of improved harvest prospects, could lead to a temporary slow-down in fertilizer deliveries. However, substantial harvest increases are required to keep pace with trend demand growth.

Despite a fourth consecutive strong grain harvest globally, the US Departmentof Agriculture projects two-day reduction in the global stocks-to-use ratio, as production is forecast to fall slightly short of consumption. The global farm margin outlook and incentives for fertilizer application remain supportive overall, and the price trend for cereals and meat has been positive for 2017.

Achieving more efficient and balanced fertilizer use globally will require a change of fertilizer product and application practices in many markets, which is likely to lead to a further increase in differentiation and tailoring of fertilizers and related technologies. However, the extent to which individual markets will embrace and achieve such efficiency improvements is likely to vary strongly, depending on the degree of regulation and competition in their agricultural sectors.

Global nitrogen markets were supply-driven during 2017, with strong capacity growth particularly in the US, triggering a further reduction in Chinese exports, following a similar development in 2016. For 2018, Chinese urea prices continue to be a key reference point for global nitrogen pricing, and although urea capacity increases outside China are forecast to be above historical trend consumption growth rates, the reduced availability and higher cost of Chinese urea could offset over-supply elsewhere.

### Company prospects

Taking advantage of its global distribution presence, differentiated product portfolio and increasing innovation efforts, Yara will continue to both promote and create profitable business opportunities from the needed increased emphasis on efficient fertilizer and industrial applications. Yara aims to achieve this through production and distribution growth, technology and competence development.

### Capital management

Yara aims to maintain a long-term mid-investment grade rating level, i.e. BBB according to Standard & Poor's methodology and Baa2 according to Moody's methodology. This implies that the company should normally operate with a net debt below two times EBITDA, and that larger acquisitions would normally be accompanied by new equity issuance.

### Investment intentions

Yara's growth ambitions require significant investments, through expansion of existing operations, new builds and acquisitions. The Board of Directors underlines that Yara's growth focus shall be combined with strict valuation and capital discipline, targeting opportunities where Yara has the best relative synergies, at the right time of the cycle.

Yara expects to invest approximately NOK 18 billion during 2018 based on its current committed maintenance and improvement plans, in addition to announced growth investments. The investment level required to maintain current Yara production capacity and productivity is estimated to be approximately NOK 6 billion per year. Most of the remaining NOK 12 billion is linked to committed growth and improvement projects:

- The acquisition of Tata Chemicals' urea business in India, which was completed on 12 January 2018 for USD 421 million
- The acquisition of the Vale Cubatão Fertilizantes complex in Brazil (expected mid 2018) for USD 255 million
- In Brazil, Yara plans to invest approximately USD 250 million in its Salitre greenfield phosphate mining (2018 completion) and processing (2019 completion) project, and approximately USD 100 million in expanding and modernizing its Rio Grande fertilizer production and blending operations (2020 completion)
- A frame of NOK 1.2 billion is allocated for productivity and efficiency improvement projects in Yara's production plants, as part of the Yara Improvement Program

### Dividends and buy-backs

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

Yara's Board will propose to the Annual General Meeting a dividend payment of NOK 6.50 per share for 2017, which would represent 45% of net income after non-controlling interests.

The Board believes Yara's long-term policy of distributing 40-45% of net income remains appropriate, given its current market outlook and expected pipeline of future growth opportunities.

For the parent company Yara International ASA, the 2017 result and the proposed dividend combined with other effects results in a net increase in equity of NOK 10,659 million.

Yara executes share buy-back programs as an integral part of its shareholder return policy. The Board intends to propose to the Annual General Meeting a new buy-back program along the lines of the existing one.

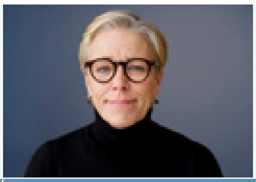
The Board of Directors of Yara International ASA
Oslo, 22 March 2018

| | | | |
|---|---|---|---|
| Leif Teksum<br>Chair | Maria Moræus Hanssen<br>Vice chair | John Thuestad<br>Board member | Hilde Bakken<br>Board member |
| Geir O. Sundbø<br>Board member | Geir Isaksen<br>Board member | Rune Bratteberg<br>Board member | Kjersti Aass<br>Board member |

Svein Tore Holsether
President and CEO

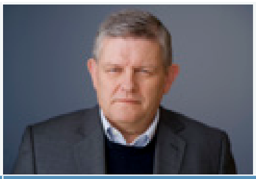
# Governance and risk management

# Board of Directors 2017



| | Leif Teksum (1952) | Maria Moræus Hanssen (1965) |
|---|---|---|
| **Position** | Chair of the Board since 2014<br>Chair of the HR Committee | Vice Chairman and Chairman of the Audit Committee |
| **Elected by/year** | Shareholders, 2014 | Shareholders, 2015 |
| **Position** | Professional board member and independent advisor | CEO and Chairman of the Management board of DEA Deutsche Erdoel AG |
| **Education** | Master's degree (siviløkonom) in Business and Economics from NHH, Bergen, Norway | Master's degree in "Petroleum Economics and Management" from IFP School - Ecole Nationale Supérieure du Pétrole et des Moteurs, Paris, and a Master's degree in "Petroleum Engineering" from the Norwegian University of Science and Technology (NTNU). |
| **Experience** | Since August 2014 Mr. Teksum has worked as a professional board member in various companies and since 2015 he has also been a partner and an independent advisor in Vest Corporate Advisors AS, a small corporate "boutique" located in Bergen, Norway. Mr. Teksum retired from DNB Bank ASA in August 2014. From 1991 until his retirement he held various positions in the DNB Group Management being responsible for large corporate clients and all international banking activities, the bank's Investment Banking area, the Asset Management area as well as the IT and Procurement activities. | Maria Moræus Hanssen is the Chief Executive Officer and Chairman of the Management board of DEA Deutsche Erdoel AG since January 2018. Before joining DEA, Maria Moræus Hanssen had been working as CEO of ENGIE E&P International and Head of E&P Business Unit in the ENGIE Group in Paris for more than two years. Moræus Hanssen looks back on a broad spectrum of jobs in management and operations in the Norwegian oil and gas industry, such as Managing Director for ENGIE E&P Norge, Investment Director at Aker ASA (2008 – 2013), Senior Vice President Gas Supply and Infrastructure at Statoil ASA (2007 – 2008), Vice President / Offshore Installation Manager at Hydro ASA (2006 – 2007), to name but a few. |
| **Other assignments** | ▪ EVRY AS – Member of the Board of Directors and Chair of the Audit Committee<br>▪ Kleven Verft Group – Chairperson of the Board of Directors<br>▪ Leonard Nilsen & Sønner – Eiendom AS – Chairperson of the Board of Directors<br>▪ Member of the Board of Directors in several family owned and controlled companies<br>▪ Vest Corporate Advisors AS – Partner | |
| **Board meetings attendance** | 11 | 10 |
| **HR Committee attendance** | 6 | |
| **Audit Committee attendance** | - | 7 |
| **Shares owned at year-end 2017** | 3,000 | 500 |

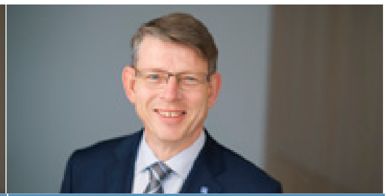
| | Geir Isaksen (1954) | Geir O. Sundbø (1963) |
|---|---|---|
| **Position** | Member of the Board | Member of the Board<br>Member of the HR Committee |
| **Elected by/year** | Shareholders, 2013 | Employees, 2010 |
| **Position** | CEO of Norwegian State Railways (NSB) since 2011 | Senior Shop Steward of Yara Porsgrunn,<br>Chairman of European Works Council (EWC), Yara International,<br>Corporate employee representative of Yara International. |
| **Education** | Dr. Scient. in Agricultural Economics | Skilled Chemical Process operator |
| **Experience** | From 1996 to 2011, Mr. Isaksen was CEO of Cermaq ASA (before 2002 Statkorn Holding ASA). During this period he led a comprehensive restructuring process and IPO of the business and contributed to significant growth in Norway and abroad. From 1995 to 1996 Geir Isaksen was CEO of Statkorn AS, and prior to this he has held director positions in the Norwegian agriculture organizations' Brussels office and Gartnerhallen, a food wholesale and distribution company | Mr. Sundbø has been a Yara (Hydro) employee since 1987. He has been actively engaged in union matters in the Porsgrunn plant since 1989. |
| **Other assignments** | | Member of the Audit Committee in the National Trade Union of Industry & Energy of Norway since 2010,<br>Chairman since 2013. |
| **Board meetings attendance** | 10 | 11 |
| **HR Committee attendance** | | 6 |
| **Audit Committee attendance** | | |
| **Shares owned at year-end 2017** | 84 | 213 |

|  |  |
|---|---|
| **Hilde Bakken (1966)** | **John Thuestad (1960)** |
| Member of the Board<br>Member of the HR Committee | Member of the Board<br>Member of the Audit Committee |
| Shareholders, 2014 | Shareholders, 2014 |
| EVP Power Generation, Statkraft | SVP of Hydro Extruded Solutions, responsible for the Extrusion Europe |
| Master's degree in Petroleum Engineering from the Norwegian University of Science and Technology (NTNU) | Master's degree in Metallurgy from NTNU, Trondheim, Norway; MBA from Carnegie Mellon University, Pittsburgh, USA. |
| Mrs. Bakken has held various leadership roles in Statkraft within market and power production areas since 2000. Since 2010, Bakken has been part of Statkraft Executive management, from 2010 to 2013 as Chief of Staff and since 2013 she has been responsible for Statkraft's power generation activities in nine countries. She is also responsible for further development of Statkraft's hydropower concessions in NorthWest Europe. Before joining Statkraft, she was employed in Norsk Hydro and Conoco where she has held various management and engineering positions in operations and field development on the Norwegian continental shelf. | Mr. Thuestad has led Hydro Extruded Solutions, Europe since Hydro's acquisition of Sapa in 2017. Prior to this Thuestad held the position as EVP Sapa Extrusions Europe since 2013. From 2012 to 2013 he led Sapa Profiles with production plants in Europe, North America and China. From 2009 to 2012 he led Alcoa Global Primary Products with 40 locations in Australia, Latin America, Europe and North America. Thuestad has previously been the CEO of Elkem AS and Elkem Aluminium AS. Prior to that, Thuestad was Managing Director of Norzink AS and Fundo AS. Thuestad has served as Board member/Chairman of Tyssefaldene AS 1997-2000, Board member of Borregaard AS 2005-2007, Statkraft/ Groener AS 2000-2003 and as Officer of Alcoa Inc 2010 - 2011. |
| Board positions in Swedish subsidiaries to Statkraft<br>Board member Oslo Energy Forum | Member of the Executive Committee of the European Aluminium Association. |
| 11 | 11 |
| 6 | |
| | 6 |
| 800 | 1200 |

|  |  |
|---|---|
| **Rune Bratteberg (1960)** | **Kjersti Aass (1982)** |
| Member of the Board<br>Member of the Audit Committee | Member of the Board |
| Employees, 2012 | Employees, 2016 |
| Head of Chemical Compliance | Sustainability Development Director, Strategy & Business Development, Yara |
| Degree in Information Technology Degree in Nordic Languages and History | Master of Science degree from NTNU School of Entrepreneurship – Industrial Economics and Technology Management, after Civil and Environmental Engineering studies, at Norwegian University of Science and Technology in Trondheim |
| Mr. Bratteberg has been a Yara (Hydro) employee since 1986. He has held different IT and HESQ leadership positions within Hydro and Yara, from 2001 to 2009 as CIO. Bratteberg has been a member of the Chemical Industry Advisory Board to SAP AG 2004-2009, and Chairman of the Board at the Scandinavian School of Brussels 2009-2011. | Ms. Aass has been a Yara employee since 2013. She started as Manager Global Initiatives, moved into a role as Business Improvement Manager in Environmental Solutions, before taking on her current role as Sustainability Development Director in 2017. Ms. Aass is the leader of Tekna in Yara – The Norwegian Society of Graduate Technical and Scientific Professional and is also co-founder of an internal women's network. Prior to working for Yara, she worked for Médecins Sans Frontières (Doctors without Borders) in Afghanistan and Ethiopia, and as a Project Management consultant for Holte Consulting on a wide variety of projects within different industries, including telecom and construction. |
| | |
| 11 | 11 |
| | |
| 7 | |
| 241 | 102 |

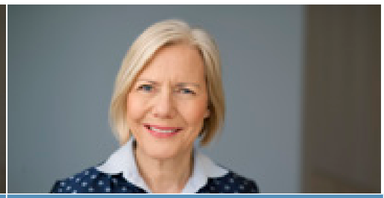
# Executive Management 2017



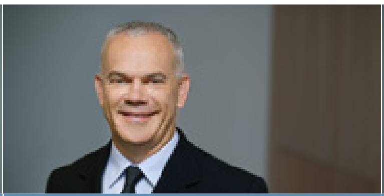


| | Svein Tore Holsether (1972) | Petter Østbø (1979) | Terje Knutsen (1962) |
|---|---|---|---|
| **Position:** | President and Chief Executive Officer | EVP, Chief Financial Officer<br>EVP, Production | EVP, Crop Nutrition |
| **Year of appointment:** | 2015 | 2016 | 2015 |
| **Employed:** | 2015 | 2010 | 1987 |
| **Education:** | BSc degree, specializing in Finance & Management from the University of Utah, USA. | Master´s degree in Finance from the Norwegian School of Economics and Business Administration (NHH, Siviløkonom). One-year qualification in history at the University of Bergen (Grunnfag). | Master's degree (Siviløkonom) from the Norwegian School of Economics (NHH) in Bergen, Norway. |
| **Experience:** | Previously Mr. Holsether held the position as President and CEO of Sapa AS. Prior to this he was EVP M&A Orkla 2010-2011, Business Area President Sapa Asia & Middle East 2010, CFO Sapa AB 2007-2010, CFO Orkla Specialty Materials 2006-2007, CFO Elkem ASA 2005-2006, CFO Elkem ASA North American Division 2003-2005, and various positions within the Elkem group including Vice President Group Control, Group Controller, Group Financial Analyst 1997-2003 | Mr. Østbø has previously held several positions in the company. VP Business Line Gas and Industrial Applications 2015-2016, VP Nitrates & $CO_2$ business units 2014-2015, VP Industrial Nitrates Business Unit 2013-2014, and VP Product Management & Optimization 2010-2013. Before joining Yara, Mr. Østbø worked at McKinsey & Company, 2003-2010. | Mr. Knutsen has served as EVP Crop Nutrition since May 2015. His previous positions in the company include SVP Business Unit North and East Europe 2012- 15, SVP Business Unit Asia 2006-12, VP Downstream Marketing 2005-06, VP Yara Specialties 2001-05, VP and Country Manager Spain and Portugal 1998- 2001. In addition, he has held a number of financial controller, commercial and management positions since joining the company in 1987 as a trainee. |
| **Shares owned at year-end 2017:** | 23,083 | 7,394 | 5,615 |





| | Terje M. Tollefsen (1963) | Lene Trollnes (1968) | Kristine Ryssdal (1960) |
|---|---|---|---|
| **Position:** | EVP, Corporate Strategy & Business Development | EVP, People & Global Functions | EVP, General Counsel |
| **Year of appointment:** | 2016 | 2016 | 2016 |
| **Employed:** | 1989 | 2016 | 2016 |
| **Education:** | Bachelor of Business Administration degree from the Isenberg School of Management, UMass Amherst, USA. | Bachelor degree in Management Sciences and a Master's degree in Organizational Psychology from the University of Manchester Institute of Science & Technology. | Master of Laws degree from the London School of Economics, in addition to a Law degree from the University of Oslo. |
| **Experience:** | His previous positions in the company include: Senior VP Head of Strategy and Business Development 2010 - 2016, Business Unit Manager/President China 2005 - 2010, CFO Business Unit Asia 2002 - 2004. Before a two-year tenure (2000-2002) as Deputy Managing Director at a medium-sized, Oslo-based IT consultancy, Mr Tollefsen held several commercial and management positions at Norsk Hydro, including Managing Director of Norsk Hydro (Hydro Agri) Indochina. | Before joining Yara, Mrs Trollnes held the position of EVP HR & Integration at Sapa 2013-2016. Prior to this she led the integration between Sapa and Hydro (2012-2013), and held several HR and management positions at Norsk Hydro between 1992-2013, including Senior VP HR, HSE & CSR Hydro Primary Metal 2010-2013, Senior VP HR & Organization HSE & CSR Hydro Extruded Products 2008-2010, and Senior VP HR & Organization Hydro Aluminum Products 2006-2008. | Before joining Yara, Mrs Ryssdal held the position of Vice President Legal at Statoil 2012-2016. Prior to this, Ryssdal was Senior Vice President and Chief Legal Officer of Renewable Energy Corporation ASA 2008-2012, Senior Advisor Commercial & Legal Affairs at Norsk Hydro / Statoil Hydro 2006-2008, Legal Counsel at Norsk Hydro 1998-2006, and Attorney at the Attorney General's office 1987-1998. |
| **Shares owned at year-end 2017:** | 6,034 | 7,174 | 2,522 |


| Yves Bonte (1961) | Lair Hanzen (1967) | Tove Andersen (1970) |
|---|---|---|
| EVP, Industrial | EVP, Yara Brazil | EVP, Supply Chain |
| 2010 | 2016 | 2016 |
| 2010 | 1996 | 1997 |
| M.Sc. in Civil Engineering from the University of Leuven in Belgium; postgraduate degree in Business Management. | MBA in International Business from the Argentinial Belgrano University and a MBA in Strategic Business Administration from the Brazilian Lutheran University (ULBRA). | Master's degree in Business Administration from BI Norwegian Business School and a Master's degree in physics and mathematics from the Norwegian University of Science and Technology (NTNU). |
| Mr. Bonte worked for the chemical company LyondellBasell and its predecessors for 17 years, serving as Senior VP Polypropylene Business based in Germany and the Netherlands, 2007- 09; Senior VP Sales & Marketing for Asia, Middle East/Africa and Latin America based in Hong Kong, 2002-06; Head of Strategic Marketing, 2000-01; several marketing, supply chain and manufacturing positions, 1992-99. Prior to this he worked five years for Exxon Chemical in Brussels. | Mr. Hanzen has held several positions in the company. He was Manager Downstream/ President Yara Brazil 2013-2016, Chief Financial Officer Upstream 2009-2013, VP and President Yara Brazil 2006-2009, Chief Financial Officer Yara Brazil 2000-2006, Chief Financial Officer Yara Argentina 1996-2000. Prior to joining Yara through the acquisition of Adubos Trevo, Lair held several management positions in fertilizer companies and other sectors. | Ms. Andersen has previously held several positions in the company. She was VP Supply Chain Europe 2014-2016, VP Marketing and New Business 2011-2013, Country Manager Yara UK/ Ireland 2006-2011, Director Specialities and Retail Marketing 2005-2006, Director Business Development and Alliances 2003-2005, Manager, Business Development, Finance and Analysis Hydro Agri 2000-2003, Business Facilitator 1999-2000. She was employed by Hydro in 1997 as a trainee. |
| 13,985 | 10,963 | 4,334 |

* Management presentations reflect Yara's Executive Management per 22 March 2018

# Corporate governance

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

Yara is subject to corporate governance reporting requirements according to the Norwegian Accounting Act, section 3-3 b, the Continuing Obligations of Stock Exchange Listed Companies at Oslo Stock Exchange and Norwegian Code of Practice for Corporate Governance (the "Code"), freely available at www.lovdata.no, www.oslobors.no and www.nues.no, respectively.

This report follows the system used in the Code.

### 1. Implementation and reporting of corporate governance

Yara complies with the recommendations of the Code with the exception of separate election of each candidate for the Board of Directors and the Nomination Committee. The explanation for this exception is provided in section 6.

Yara's Board of Directors promotes and supports open and clear communication of the company's key governance and decision processes.

Yara believes good corporate governance drives value creation and promotes sustainable business conduct. Yara is committed to transparency and accountability, with adherence to international conventions and national legislation where it operates.

Our mission is to Responsibly feed the world and protect the planet - and vision - A collaborative society; a world without hunger; a planet respected. More information about Yara's basic corporate values and ethical program is available on our website.

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

### 2. Business

Yara is an integrated crop nutrition company with an industrial portfolio. Yara is headquartered in Oslo, Norway and is listed on the Oslo Stock Exchange. Yara's knowledge, products and solutions grow customers' businesses profitably and responsibly, while protecting the earth's resources, food and environment.

The scope of Yara's business is defined in its Articles of Association section 2:

"The objectives of the company are to engage in industry, commerce and transport, and to engage in other activities connected with these objectives. Activities may also proceed through participation in or in co-operation with other enterprises."

The Articles of Association are published in full on the company's website. More details on Yara's activities, objectives and strategies are presented in the Introduction to the Annual Report and in the Report of the Board of Directors.

» yara.com / Articles of association
» Report of the Board of Directors / page 12

### 3. Equity and dividends

Yara targets a BBB credit rating from Standard & Poor's. Based on Yara's scalable business model and strong track record of value-creating acquisitions, the Board believes that more than half of Yara's earnings should be reinvested in the company. Yara's objective is to pay on average 40-45% of net income to shareholders in the form of dividends and share buy-backs. Within this objective, a minimum 30% of net income shall be paid in the form of dividends, while share buy-backs may make up the balance and are deployed with greater flexibility.

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

Yara may execute share buy-back programs as an integral part of its shareholder policy. Every year since the company's IPO, Yara's Board has secured an authorization from the Annual General Meeting to buy back up to 5% of total shares in the company during the next year, for subsequent cancellation. A precondition for each annual program is that an agreement is entered into with the Norwegian State where the State commits to sell a proportional share of its holdings to leave the State's ownership (36.21%) unchanged. The mandates granted to the Board of Directors for the company to purchase its own shares are limited in time to the date of the next Annual General Meeting.

» Report of the Board of Directors / page 12
» The Yara Share / page 55

### 4. Equal treatment of shareholders and transactions with close associates

Yara has one class of shares, and all shares carry equal rights in the company.

Transactions involving the company's own shares, such as the share buy-back program, are executed via the stock exchange. at prevailing stock exchange prices. Shares redeemed from the Norwegian State are also priced at market value.

In 2017 there were no significant transactions between the company and related parties, except for ordinary commercial transactions with subsidiaries and non-consolidated investees. These were all based on arm's length market terms.

Regarding the company's related party transactions, the mandatory regulations in the Norwegian Public Limited Companies Act (§§ 3–8 and 3–9) are supplemented by IFRS (International Financial Reporting Standards) standards. Thus, the members of the Board of Directors and Management are required to disclose all entities that would be considered to be "related parties" under applicable IFRS regulation. Transactions with such entities are subject to specific disclosure and approval requirements. Furthermore, the Rules of Procedure for the Board of Directors of Yara include provisions governing matters where Board members may be disqualified due to a special or prominent interest in the matter, including transactions with Board members.

» Note 35 to the consolidated financial statements "Related parties" / page 128
» Article 3.5 (Disqualification) of the Rules of Procedure for the Board of Directors

### 5. Freely negotiable shares

The Articles of Association place no restrictions on the transferability of Yara shares, and the shares are freely negotiable.

There are no restrictions on the purchase or sale of shares by Board of Directors and Executive Management, as long as insider regulations are adhered to. Yara's Long-Term Incentive Plan mandates the use of a portion of the funds received by Executive Management for the purchase of Yara shares, restricting the sale of such shares for three years following such purchase.

» Note 35 to the consolidated financial statements "Related parties" / page 128

### 6. General meetings

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

The Annual General Meeting elects the Nomination Committee and shareholders' representatives to the Board of Directors, and approves the annual accounts, the report of the Board of Directors, the Corporate Governance Report and any dividend payment proposed by the Board of Directors. In accordance with the Norwegian Public Limited Companies Act, the general meeting elects the company's external auditor and approve the auditor's remuneration.

The Chairman of the Board and the CEO are present at the Annual General Meeting along with the leader of the Nomination Committee and the external auditor. All Board members and members of the Nomination Committee are encouraged to participate at the Annual General Meeting. An independent qualified person chairs the meeting. The minutes of the Annual General Meeting are published on the Yara website.

All shareholders are entitled to submit items to the Annual General Meeting agenda, to meet, speak and vote. In accordance with Norwegian corporate law and Yara's Articles of Association, shareholders registered in the Norwegian Central Securities Depository (Nw: Verdipapirsentralen) can vote in person or by proxy, or electronically in advance on each agenda item put forward in the Annual General Meeting. The Company has chosen to not follow the Code's recommendation to vote separately on each candidate nominated for election to the Board of Directors and Nomination Committee. This choice is based on the Nomination Committee's process being focused on the combined qualifications and experience of the proposed members of the Board of Directors and the Nomination Committee, and that the voting should therefore also be combined.

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

» yara.com / Corporate governance / General meetings
» The Yara share / page 55

### 7. Nomination Committee

Yara's Articles of Association state that the company shall have a Nomination Committee consisting of four members elected by the Annual General Meeting, and that the Annual General Meeting approves the procedure for the Nomination Committee. The Nomination Committee nominates the shareholders' representatives to the Board of Directors, including presenting relevant information about the candidates, and an evaluation of their independence, and proposes the remuneration of the Directors to the Annual General Meeting. The Nomination Committee contacts major shareholders, the Board of Directors and the CEO as part of its work on proposal of candidates. The Nomination Committee also recommends to the Board which members it should elect as Chair and Vice Chair.

The Nomination Committee nominates candidates to the Nomination Committee and proposes remuneration of the Committee Members to the Annual General Meeting. Members of the Nomination Committee are elected for two-year terms. According to the Nomination Committee procedure, there should be a gradual rotation among the committee members.

The Nomination Committee consists of the following members, all of whom are independent of the Board and Executive Management:

- Tom Knoff, Chair (Independent advisor)
- Thorunn Kathrine Bakke (Deputy Director General, Norwegian Ministry of Industry, Trade and Fisheries)
- Anne Carine Tanum (Chair of the boards of DNB ASA and DNB Bank ASA)
- Ann Kristin Brautaset (Deputy Director Equities, Folketrygdfondet)

The contact details of the Chair of the Nomination Committee are available on Yara's website, and shareholders with proposals for new Board members are encouraged to send those to the Chair.

The Nomination Committee held 13 meetings in 2017. The Chair received a remuneration in 2017 of NOK 5,700 per meeting prior to the Annual General Meeting and thereafter NOK 6,200 per meeting, while the other members of the Nomination Committee received a remuneration in 2017 of NOK 5,700 per meeting prior to the Annual General Meeting and thereafter NOK 5,800 per meeting.

» yara.com / Nomination Committee procedure

## 8. Corporate assembly and Board of Directors: Composition and independence

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

Yara's Board of Directors consists of eight members, with five shareholder-elected Board members including the Chair, all elected for two-year terms by the Annual General Meeting. The remaining three Board members are employee-elected. Three of the Directors are women. The Board elects both its Chair and the Vice Chair based on a recommendation from the Nomination Committee.

The shareholder-elected members of the Board are independent of the company's management, main shareholders and material business contracts. The same is valid for the employee representative Board members, other than their employment contracts. Members of the Executive Management are prohibited from being members of the Board.

All Board members are encouraged to own shares in the company. The shareholder-elected Board members Leif Teksum, Maria Moræus Hanssen, Hilde Bakken, Geir Isaksen and John Thuestad owned 3,000, 500, 800, 84, and 1,200 shares respectively at year end. The three employee-elected board members Kjersti Aass, Rune Bratteberg and Geir Sundbø owned respectively 102, 241 and 213 shares at year end.

Information about the Board members attendance in Board meetings are included in the Annual Report.

» yara.com / Corporate governance
» Board of Directors / page 12
» Note 35 to the consolidated financial statements “Related parties” / page 128

## 9. The work of the Board of Directors

The Board's work follows an annual plan which is evaluated and approved at or before the start of the calendar year. The Board conducts an annual evaluation of its qualifications, experience and performance, which is presented to the Nomination Committee.

The Board has established written instructions for its own work and the work of the Audit Committee, HR Committee and the CEO.

In the case of the Chair's absence, meetings will be chaired by the Vice Chair. If the Chair is or has been personally involved in matters of material significance to the company, any Board review of such matters will be chaired by another member of the Board.

The Board of Directors held 11 meetings in 2017. Two board members were absent from one meeting, while the remaining board members attended all meetings in 2017.

The Board of Directors have established an Audit Committee and an HR Committee. Both committees work as preparatory bodies for the Board and according to specific mandates approved by the Board.

### HR Committee

The HR Committee reviews the performance of, and proposes terms and compensation for, the CEO to the Board of Directors. The committee also reviews and proposes guidelines for executive remuneration and material employment matters, and also advises the CEO on other HR matters. The HR Committee consists of three members elected by the Board, from its own members. The committee held six meetings in 2017, which were all attended by all members.

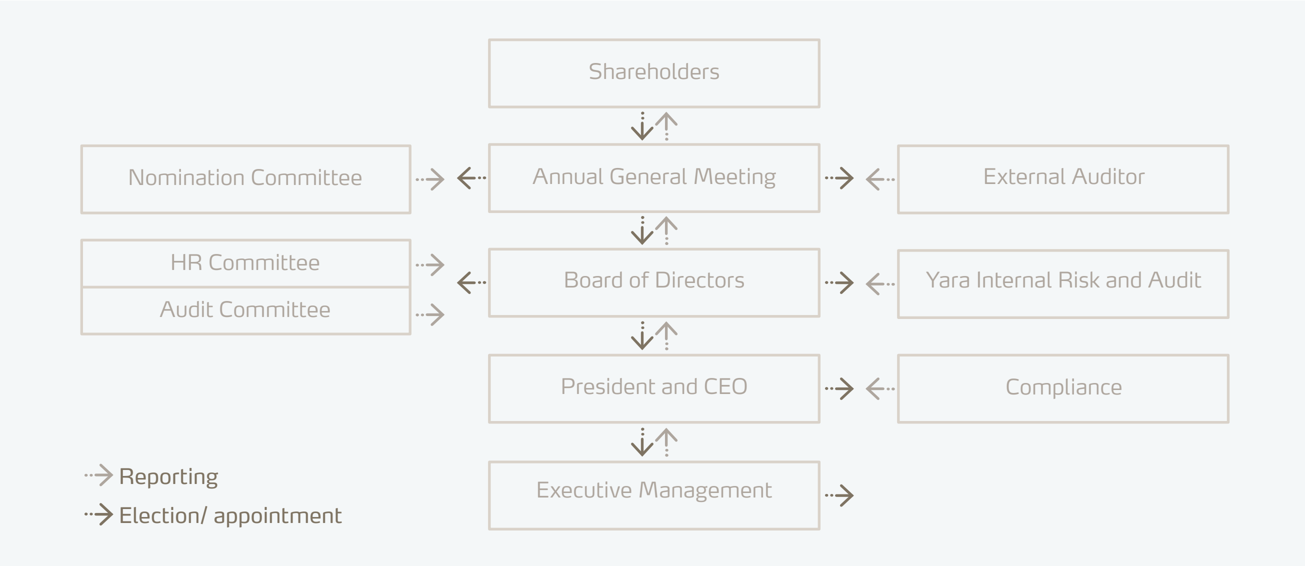
### Audit Committee

The Audit Committee assists the Board of Directors in assessing the integrity of the company's financial statements, financial reporting processes and internal controls, risk management and performance of the external auditor. The Audit Committee further evaluates plans and internal audits performed by the Internal Risk and Audit department within the areas of financial reporting and control.

The Audit Committee conducts an annual evaluation according to its mandate. Yara's Audit Committee consists of three members of the Board and the committee has the independence and competence required by the legislation. The Chairman of the Board is not a member of the Audit Committee. The Audit Committee held seven meetings in 2017. One member was absent from one meeting, while the remaining members attended all meetings in 2017.

The Yara Internal Risk and Audit function assists the Executive Management and the Board of Directors

## Yara corporate governance structure




with a systematic, disciplined approach for evaluating governance, risk management and internal control.

### 10. Risk management

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

The Yara Board of Directors and Executive Management evaluate and define yearly risk appetite across key operational and strategic dimensions. The main objective for a more systematic and comprehensive assessment of risk appetite is to align boundaries for risk which will guide efficient resource allocation. Defining risk appetite is also a prerequisite for setting optimal risk tolerance with supporting controls.

The Board believes that expressing Yara's risk appetite within important areas of its business activity helps to convey to investors, customers and society at large how the company approaches and evaluates risk.

The Board carries out separate annual reviews of the company's most important risk exposures and internal control systems. Risks are also considered by the Board in relation to assessment of specific projects and ongoing operations.

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

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

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

Yara's internal control framework is based on the principles established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) integrated framework for internal control. The five framework components are: control environment, risk assessment, control activities, information and communication, and monitoring. The content of the different elements are described below.

#### Control Environment

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

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

### Risk Assessment

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

### Control Activities

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

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

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

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

### Information and communication

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

### Monitoring

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

» Risk management / page 38
» yara.com / Corporate Social Responsibility policy and Code of Conduct
» yara.com / Ethics handbook

## 11. Remuneration of the Board of Directors

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

The remuneration of the Board of Directors reflects the Board's responsibility, expertise, time commitment and the complexity of the company's activities.

In 2017 the Chair of the Board of Directors received a fixed compensation of NOK 529,000 per annum prior to the Annual General Meeting, increasing to NOK 575,000 per annum thereafter. The Vice Chair received NOK 349,000 per annum prior to the Annual General Meeting, increasing to NOK 356,500 per annum after the Annual General Meeting. The other Board members received NOK 305,000 per annum prior to the Annual General Meeting and NOK 312,000 per annum thereafter. Board members resident outside Scandinavia received a meeting allowance of NOK 11,000 per meeting prior to the Annual General Meeting, increasing to NOK 11,200 per meeting after the Annual General Meeting.

The Chair of the Audit Committee received a fixed compensation in 2017 of NOK 156,000 per annum prior to the Annual General Meeting, increasing to NOK 159,500 per annum thereafter. The other Audit Committee members received NOK 90,500 per annum prior to the Annual General Meeting and NOK 92,500 per annum thereafter.

The Chair of the HR Committee received NOK 7,000 per meeting prior to the Annual General Meeting, increasing to NOK 7,500 per meeting thereafter. The other HR Committee members received NOK 7,000 per meeting prior to the Annual General Meeting and NOK 7,100 per meeting thereafter.

The total compensation to Board members in 2017 is disclosed in Note 35 in the consolidated financial statements.

» Note 35 to the consolidated financial statements "Related parties" / page 128

## 12. Remuneration of executive personnel

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

The Board of Directors prepares guidelines for the remuneration of Executive Management which are communicated to the Annual General Meeting. The guidelines to be presented at the Annual General Meeting 8 May 2018 will be made available as a separate document in the appendices to the notice, in addition to being disclosed in note 35 in the consolidated financial statements.

### 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 information. 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 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 Executive Management salary development. Members of Executive Management do not receive separate remuneration for board membership in Yara subsidiaries.

To increase the alignment between executive and shareholder interests, to ensure retention of key talent in the company and to reward good performance, the Board has established a Long Term Incentive plan ("LTIP") and Short Term Incentive plan ("STIP"). In designing the these incentive plans, the Board has sought to achieve a balance between the following key objectives:

- Create an alignment between executive and shareholder interests
- Reward good performance
- Recognize that Yara's earnings and valuation are significantly exposed to fluctuations in non-controllable parameters such as commodity fertilizer prices, energy prices and currency exchange rates

The LTIP aims primarily to address the first objective above, by requiring executives to use a portion of their salary to purchase and hold Yara shares, subject to the company having had an overall satisfactory financial performance over the past 3 years. Share price performance is not considered, due to the non-controllable parameters mentioned above. On the other hand, the STIP aims to recognize performance at both company, team and individual level, focusing on performance measures with minimal exposure to non-controllable parameters. The LTIP and STIP schemes are described in more detail below.

From 2018 the STIP bonus scheme applicable for managers and executives has been amended to align with best market practice. For the scheme applicable until then bonus pay was conditional on Yara's CROGI excluding special items reaching 7%, with progressively higher payout levels up to a maximum level when CROGI exceeded an upper limit (13% for 2017). From 2018 payment of STIP Bonus is conditional on Yara's Net Income excluding special items exceeding zero. Bonus pay increases within a range of Yara's EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization). The reason for changing the bonus plan threshold and funding element from CROGI to respectively Net Income and EBITDA is that these financial targets are more intuitive and in line with market practice. Total cost for the new STIP bonus scheme is expected to remain at the same level as for the previous scheme.

For executives employed by Yara companies in other countries remuneration can deviate from the guidelines depending on local market conditions.

### 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 Net Income excluding special items exceeding zero. Bonus pay increases with increase of Yara EBITDA within a range. Forecasted EBITDA gives 100% of Target Bonus. A sliding scale +/- 30% of forecasted EBITDA gives minimum 75% of target bonus, provided that Yara Net Income exceeding zero and maximum 125% of target bonus.

The previous scheme gave maximum 130% of Target Bonus when CROGI exceeded an upper limit. In the new scheme maximum payout on the EBITDA element has been reduced to 125% The reason for this is that the new breaking point at zero Net Income is lower than the previous breaking point at CROGI below 7%.

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.

The annual incentive bonus pay-out is calculated according to the formula shown below.

Yara EBITDA 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 are 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

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. Executives who resign from Yara have to reimburse to the company at the time of resignation the net proceeds of the selling of the shares that are still within the lock-in period. 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's CEO can in any case decide that LTIP shall not be granted in a given year and Yara's Board of Directors can decide that LTIP 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 the 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 the 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 the 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 all 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 15,000 with a tax-exempt discount of NOK 1,500 in the first alternative and NOK 3,000 in the latter. Yara offers the employees an interest-free loan with repayment of one year for the purchase of the shares. This plan comes in addition to the LTIP.

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 2017 are disclosed in note 35. For additional information about existing pension plans see note 24.

» **Note 35 to the consolidated financial statements "Related parties" / page 128**
» **Note 24 to the consolidated financial statements "Employee retirement plans and other similar obligations" / page 106**

## 13. Information and communication

Communication with the financial markets is based on the principles of openness and equal treatment of all shareholders. In order to ensure that the same information is available to everyone at the same time, Yara's main communication channel is Yara's website (www.yara.com).

Although Yara holds regular meetings for analysts, investors, journalists and employees, all material new information is first published to the Oslo Stock Exchange and Yara's websites. Yara will provide a consistent level of information regardless of whether the news is positive or negative.

Yara's website (www.yara.com) contains an updated financial calendar, financial reports and other investor-related information. Yara's Board of Directors receives regular updates from the Executive Management detailing the manner in which the company is perceived by the financial markets.

Yara does not give guidance on financial results, meaning that Yara will not provide own specific numeric estimates for future prices, volumes or results. However, Yara provides sensitivities that can be used to calculate the financial effects of changes in market prices and currency exchange rates. Wherever possible, Yara will also refer to sources of relevant publicly available information. However, referred sources do not necessarily represent Yara's own point of view.

Ahead of announcement of quarterly results, Yar ja has a so-called "closed period" meaning that contact with external analysts, investors and journalists is minimized. Yara will not comment upon own activities or market developments during that period, to minimize the risk of unequal information in the marketplace. The closed periods are from 16 January until fourth quarter results publication, from 1 April until first quarter results publication, from 1 July until second quarter results publication and from 1 October until third quarter results publication.

» yara.com / Investor relations

### 14. Take-overs

The Board of Directors will not seek to hinder or obstruct take-over bids. In the event of a take-over bid for the company, the Yara Board will seek to comply with the Code recommendations, including obtaining a valuation from an independent expert and making a recommendation to Yara's shareholders regarding acceptance of the bid. The Board will ensure that shareholders are given sufficient information and time to form an opinion on an offer.

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

### 15. External audit

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

The external auditor shall also:

- Annually confirm its independence
- Disclose any services besides statutory audit services which have been provided to the company during the financial year
- Disclose any threats to its independence and document measures taken to mitigate such threats

The use of the external group auditor for advisory services, tax services and other services outside the ordinary audit scope shall be pre-approved by the Chief Accounting Officer if the total fee for the legal or reporting unit exceeds NOK 100,000. The external group auditor is responsible for reporting such services to the Audit Committee and to perform an ongoing assessment of independence.

The external auditor participates in the meetings of the Audit Committee that approve financial statements. In addition, the external auditor meets with the Board, without Yara Executive Management being present, at least once per year. Norwegian laws and regulations stipulate the type of non-audit services that external auditors can perform for Yara. Remuneration to Yara's external auditor is disclosed in note 36 to the consolidated financial statements.

The Board of Directors of Yara International ASA
Oslo, 22 March 2018

Leif Teksum
Chair

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

# Risk management

Yara is committed to proactive and effective risk management to mitigate adverse effects on our operations and to identify and explore business opportunities. Ultimately, risk management contributes to achieving our long-term strategies and short-term goals.

Yara's risk management system aims to identify, assess and manage risk factors that could affect the performance of any parts of the company's operation. To this end, we have implemented a continuous and systematic process to mitigate potential damages and losses, and to capitalize on business opportunities.

### Risk responsibilities

Yara's Board of Directors is responsible for defining risk appetite for all main risk categories relevant to the company. The Board oversees the risk management process and carries out biannual reviews of the company's most important risk categories and internal control arrangements.

Yara's Executive Management is responsible for operationalizing the defined risk appetite by maintaining an enterprise-wide system for risk management. The Executive Management performs risk assessments and actively monitors the development of top risks and initiates actions accordingly. Risk assessments performed by the operating segments and expert organizations are reviewed quarterly in an established Yara Executive Management Risk Committee.

Understanding and managing risk is an integral part of all our business activities. The operating segments and expert organizations are the risk owners and regularly perform risk assessments based on established procedures to identify, assess and manage the risks that affect their business and analyze how these risks influence performance.

The Enterprise Risk Management function has the responsibility to facilitate the operational risk management activities and develop risk policies and tools as well as maintaining an aggregated view of risk exposure. The function is reporting to the Chief Financial Officer.

### Framework and procedures

Yara has implemented a framework with clear policies and procedures to facilitate risk management across the organization. This creates a stable environment within which we can deliver on our strategic and operational objectives, and systematically identify and capture business opportunities.

Our framework is inspired by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) ERM framework and the ISO 31000 risk management standard as the best practice benchmarks for assessing the soundness, efficiency and effectiveness of our risk management.

The materiality of each risk factor is determined by assessing the likelihood and consequence. In this appraisal, a combination of qualitative and quantitative risk assessment techniques is deployed. Risks are evaluated to determine whether the level is acceptable or unacceptable and to prioritize those that have the greatest potential impact on our performance.

We implement mitigating strategies and pursuit business opportunities to ensure that each risk is optimally managed. Risk mitigation plans are based on evaluations of the cost of control and potential impacts relative to the benefits of reducing the risk. Our operating segments and expert organizations are responsible for making business continuity planning part of their key risk management activities and preparing contingency plans for high-impact, low-likelihood risks.

Once primary risks are managed, we continually monitor residual risks to ensure that they remain at an acceptable level and that events are properly addressed and managed. The risk profile is reviewed and updated at least annually, with more frequent updates if new opportunities or risks are identified. The risk mitigation plan is reviewed and updated on a quarterly basis to reflect the current status of risks and action plans, and is communicated to the Executive Management during quarterly business review meetings.

# Risk appetite

Risk appetite is broadly defined as the level of risk an entity deems acceptable in the pursuit of overall goals. Yara's Board of Directors is responsible for defining Yara's risk appetite. The Board and Executive Management have jointly evaluated and defined risk appetite across key operational and strategic dimensions, arriving at a set of practical guidance statements on key risks. These risk appetite statements set boundaries for strategic initiatives, guide resource allocation and aid decision-making within the company. Furthermore, they convey the way we approach and evaluate risk to our investors, customers and society at large.

### Health and safety

We aim to minimize the exposure of workers and contractors to conditions that could negatively affect their health, security and safety. Securing safe and healthy working conditions is our highest priority. Zero injury is our ambition. Further we aim to minimize the probability of process safety accidents negatively affecting people, environment, asset and the reputation of Yara.

We operate our production assets according to environmental legislation and continuously seek to reduce our environmental impact.

### Ethics and compliance

We are committed to upholding high standards for ethical conduct across the organization in relation to business partners, investors, regulatory authorities and society at large. We have zero tolerance for violation of our Code of Conduct.

### Strategic governance

We are dedicated to maintaining an effective and efficient governance structure with appropriate control of key risks and have a low risk appetite for entering into joint ventures without adequate control.

Yara has a low appetite for minority equity positions, but will engage in such positions provided that agreements secure protection in key areas of governance and financial control. Yara will only enter into JVs where we are confident that we can bring compliance and HESQ to acceptable standards

### Growth

We believe in profitable risk taking, in terms of pursuing investments and operations in selected growth markets, given a sound understanding and mitigation of controllable risk.

### Market dynamics

We optimize our business model by seeking exposure to fertilizer market prices for own produced products.

### Energy sourcing

Securing access to, and stable supplies of, favorably priced natural gas is imperative to our operations and competitiveness. In regions with a competitive gas market, we will have a high risk appetite for spot gas contracts, while we generally seek to secure gas supply through long-term contracts in regions with a less competitive gas market.

### Dry raw material sourcing

Securing key raw materials for our fertilizer production is crucial for our production plants. The demand for raw materials is covered by our own production as well as sourcing from third parties. Yara has a low risk appetite and seeks opportunities to increase production of specialty phosphate (P).

### Operational production reliability

Yara has a low risk appetite for unplanned production downtime and aims to produce optimally at all times, balancing investments to improve regularity and plant profitability.

### Tax

Within the framework of tax laws and regulations we optimize our tax cost in the same way as other costs. Yara does not pursue tax solutions without existence of commercial purpose and is committed to a transparent management of tax.

### Finance capital discipline

We believe a solid financial base is the foundation for pursuit of sound growth opportunities, and have a low risk appetite for financial exposure not derived from the underlying business. We have a low risk appetite for a credit rating downgrade to below investment grade BBB/Baa2. We accept the underlying US dollar exposure embedded in the Yara business model, but keep a major part of the company's debt in US dollar as a partial hedge.

# Risk factors

Yara is exposed to a number of strategic, operational, financial, health, environment, safety, security and quality related risks, as well as compliance risks that could have an adverse material effect on the company's business, reputation, operating results or financial condition. Several inherent business risks also represent business opportunities, underlining the need for systematic risk management of our operational and financial performance. The Executive Management currently considers the following risk areas and factors to be the most relevant to Yara's business.

## Strategic risks

Yara's business is closely interlinked with the major global challenges of resource scarcity, food insecurity and global warming. Execution of our strategy for sustainable, profitable growth depends on our ability to manage strategically important risk and opportunities relevant to our industry and arising from our business environment.

| Strategic risks | Factor | Mitigation |
|---|---|---|
| Market dynamics – Nitrogen commodity fertilizer prices | A large part of our business consists of sales of fertilizer products used in agriculture. While a growing world population, economic growth and changing dietary patterns are driving overall demand for food and fertilizer, swings in agricultural prices along with changes in global and regional fertilizer production capacity could significantly impact our profitability | Yara's business model, with a mix of own produced (OPP) and Third Party Products marketed by our global Crop Nutrition organization, offers flexibility to adjust to supply and demand fluctuations. We increasingly focus on expanding sales of differentiated products where pricing and demand will be less volatile. Yara focuses also on developing farmer centric solutions that integrate knowledge, digital tools and services with our product portfolio to further differentiate our offering to the farmer. Yara also conducts global optimization with risk reduction in mind, e.g. prioritizing a global presence, counter-seasonality and market flexibility in addition to short-term profitability. Third Party Products exposure limits have been established and are closely monitored for the most Third Party Products intensive countries. |
| Market dynamics – natural gas prices | Due to natural gas being a key raw material in the production of nitrogen-based chemicals and fertilizer products, the pricing and availability of natural gas across regions is a strategic factor for Yara. Securing access to and stable supplies of favorably priced natural gas is imperative to our operations and competitiveness. | Yara's risk exposure towards energy sourcing is minimized through global purchasing activities, based on our energy strategy. Executing this strategy, we are continuously monitoring options for additional and alternative sources of favorably priced natural gas in existing and new areas of production. All our European gas contracts are hub-based contracts, and we are well positioned to cover the risk of spot exposure. In some of our plants we have the operational flexibility to reduce gas purchases and import ammonia for fertilizer production if gas prices peak, and we benefit from a natural hedge in the high correlation between nitrogen fertilizer prices and global energy prices. |
| Raw materials availability | Yara is sourcing from third parties a wide range of raw materials for fertilizer production, not at least phosphate and potash (P&K). Terminations, material change or failure of delivery in these arrangements can have a negative impact on Yara's operations. | With respect to raw materials, as one of the world's largest buyer of phosphate and potash, we benefit from scale advantages in sourcing. To mitigate the risk of failure in sourcing of these key raw materials, Yara aims for long-term relationships with a wide network of suppliers, continuously aiming to optimize the company's phosphate balance. Yara currently evaluates several options for increasing the company's degree of self-sufficiency in specialty phosphate through vertical integration. |

| Strategic risks | Factor | Mitigation |
|---|---|---|
| Environmental risks and regulatory framework on production/ application of nitrogen fertilizer | Environmental impacts constitute strategic risks on Yara's license to operate, as drivers for regulatory actions and for market interventions. There is an increasing trend of stricter governmental regulations impacting production, (e.g. Emission trading system in Europe and ever stricter limits of emissions to air and water across the world) and application of fertilizer related both to the environmental aspects and safety of handling and applying fertilizer. These regulations could have a substantial impact on Yara's earnings. | Yara continuously discuss and participate in various arenas to understand and influence existing and ongoing new regulations aimed at fertilizers. The risk is primarily mitigated by contact with governmental bodies to ensure that balanced information is available and to ensure influence to get to acceptable solutions. Yara also continuously discuss with the EU on the future $CO_2$ emissions structure for the fertilizer industry arguing that the European ammonia industry is the most efficient globally which needs to be reflected when policies are made. On existing assets, Yara has established rigid management systems and policies to manage the environmental impacts of our operations and to reduce exposure. Moving forward, significant resources are put into developing the "Plant of the Future" in order to meet the expected environmental requirements. |
| Investments and integration | Yara has an ambition to grow profitably, both organically and through step growth initiatives. The profitability of future growth initiatives relies on long-term price assumptions and future operational performance. Integration of new companies poses a risk of not being able to capture operational and financial synergies. | Yara has a well-defined capital value process for project identification, feasibility and verification at specific decision gates. A comprehensive, annual Strategy Development Process has been created. This includes key knowledge updates, such as energy and global pricing, as well as strategic assessments of specific opportunities or concerns. The integration of new businesses is managed and monitored based on accumulated learning from several large, successful business integrations completed during recent years. |
| Political risk | Our investments and operations may be affected as a result of changes in political leadership, policies and regulations as well as political and social instability in a country or a region. Such changes could represent threats as well as opportunities for Yara. | Country and currency credit limits are defined, to ensure that the company's exposure is controlled. These measures are also used to assess the risk profile of new projects, as part of the capital expenditure approval process. |
| Climate risks | Climate change pose risks which may have a negative impact for Yara. Climate risks are related to our markets, operational risks linked to our assets, in addition to the supply chain/ infrastructure risks. Climate change leads to societal processes which may pose risks on market preferences, legislation and technology. The societal aspects are as much opportunities as risks. | Yara's investments into assets are vetted against extreme weather events. Through stakeholder dialogues, Yara promotes low carbon solutions, life cycle perspectives and resource smart solutions. As a materially important topic, climate is one of the focus areas of Yara's innovation processes, where we aim to provide knowledge based mitigation solutions. The innovation efforts include resource optimization and reducing carbon footprints in agriculture, as well as developing production processes towards zero emissions. |

## Operational risks

We put substantial resources and efforts into minimizing potential risk of loss from inadequate or failed internal processes, people and systems, or from external events. We do so through preventative controls and indicators. Our focus is on managing the causes and mitigating their potential impacts through detective controls and actions.

| Operational risks | Factor | Mitigation |
|---|---|---|
| Production reliability | Production unreliability and irregularities may result in lost volumes and contribution. Increased plant reliability is a key driver of organic growth in our production system. | We actively seek to increase plant reliability and minimize irregularities prioritized based on plant profitability by developing and implementing company-wide technical and operational standards along with best practices for operations, maintenance and turnarounds, and through continuous investments in process safety. Critical equipment given special attention. Employees undergo extensive training and risk awareness programs, and process safety and productivity are subject to frequent and regular audits. Yara's company-wide Improvement Program continues to improve cost, reliability and operational efficiency by 2020. |
| Human capital | Yara's ability to compete effectively and meet market demands depends heavily on the competence, experience and performance of its employees. Qualified, diverse and skilled staff is essential for Yara's business to be successful. | Yara's People and organization framework focuses on mitigating the risks through;<br><br>Deliver;<br>▪ Building insights through analytics and services<br>▪ Providing effective and efficient HR services & processes across Yara<br><br>Acquire;<br>▪ Brand, attract, recruit and retain talent<br>▪ Drive talent management for existing and future needs<br>▪ Drive diversity and inclusion for future success<br><br>Develop;<br>▪ Foster a learning organization to improve our leadership and competence development at all levels<br>▪ We facilitate mobility and thereby individual and organizational development through cross segment/staff functions moves<br><br>Empower;<br>▪ Foster Performance Management and drive a high performance culture<br>▪ We involve and engage our employees and give them the power to act<br>▪ We embrace our values and secure open and transparent dialogues |

| Operational risks | Factor | Mitigation |
| --- | --- | --- |
| Supply chain | We face internal and external risks, in the Production, Industrial and Crop Nutrition part of the supply chain. Bottlenecks and inefficiencies in the planning, procurement, transport, handling or delivery of products may affect our ability to honor our commitments and could negatively impact our performance. | Internal supply chain risks are within our direct control and provide better opportunities for mitigation than external. Contingency plans to meet unexpected events are in place. A company-wide supply chain unit provides flexibility, streamlined processes and systems to strengthen our competitive edge. |
| Information and Cyber Security – Production and Product Handling Risks | New and increasingly sophisticated computer viruses and new digital crime models combined with the significantly increased internet exposure of our computerized industrial control systems may result in safety and reliability risks at any or all of our production and product handling sites. Potential consequences are ranging from an undesired plant or process shutdown, up to HESQ, financial and reputational damage caused by corrupted and unresponsive industrial control systems. | Mitigating the risk of cyber-incidents in the physical product manufacturing & handling, the Production segment in cooperation with Yara IT maintain countermeasure governance and drive cyber-security implementation and maintenance. The Supply Chain segment has started to implement a version of the mitigating approach implemented earlier in the Production segment |
| Information and Cyber Security – Information Handling Risks | Leakage of confidential data, legal and regulatory compliance violations (e.g. data privacy / new GDPR directive), loss or malicious modification of business critical data as well as the unavailability of business critical IT systems can negatively impact any and all of our business processes and can lead to severe financial and reputational damage, and significant penalties. | Yara IT and HESQ are continuously working with all information and application owners across Yara to identify and clarify business requirements for confidentiality, integrity and availability of our system- and information assets, including our handling of personal data. |

## Financial risks

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

| Financial risks | Factor | Mitigation |
|---|---|---|
| Financing risk | Refinancing of maturing loans or establishment of new financing may be difficult or costly to arrange. Adverse financial market conditions could lead to higher funding costs and postponement of projects. | Yara's strategy for mitigating financing risk is to maintain a solid financial position with a strong credit rating. This is achieved by flexibility in capital expenditures. Yara reduces the refinancing risk by basing its long-term funding on a variety of sources to avoid dependency on individual markets; and by timing the maturity dates of large facilities to avoid them falling due at the same time. Committed liquidity reserves are maintained to meet unforeseen costs. Yara has access to sufficient funding and borrowing facilities to meet currently foreseeable requirements, combined with a cash position that covers short-term needs. |
| Credit risk | Credit risk represents exposure to potential losses deriving from nonperformance of counterparties. | Credit risk is monitored and managed by the business units and expert organizations on the basis of standard Yara policy, procedures and regular reporting. Yara has a well-established system for credit management, with defined exposure limits at customer, financial institution and country level. A number of instruments, such as credit insurance, letters of credit and bank guarantees, are deployed to mitigate credit risk. Yara's geographically diversified portfolio reduces the overall credit risk of the group. |
| Currency risk | As the fertilizer business is essentially a US dollar business, prices of Yara's most important products and raw materials are either directly denominated or determined in US dollars. In markets outside the USA, local prices will generally adjust to fluctuations in the US dollar exchange rate, with a certain time lag. | Yara keeps a major part of its debt in US dollars in order to reduce overall economic currency exposure. Yara also utilizes derivative instruments to manage foreign currency exchange rate risks. A well-established system for currency risk management is in place, with defined currency exposure limits and standardized exposure measurement tools. Yara's geographically diversified portfolio reduces the company's overall currency risk. |
| Interest rate risk | Interest rates on different currencies vary dependent on the economy and political actions, which will influence Yara's funding cost over time. However, the overall exposure of our business to interest rate fluctuations is considered low. | Interest rate risk is managed on an assessment of the financial markets and macroeconomic development, in relation to the expected impact an interest change will have on Yara's financial performance. As a risk mitigation measure, Yara keeps part of the long-term debt portfolio in fixed interest rate agreements. Yara also utilizes derivative instruments to manage interest rate risks. |

## HESQ risks

Safety is always our top priority and we believe that all injuries are preventable. We commit to excellence in our HESQ performance, which is imperative to protect our employees and contractors, and uphold reliability and performance. We have adopted a systematic approach to monitoring and reviewing the quality and handling of all our products, ensuring that proper care is taken along the entire value chain.

| HESQ risks | Factor | Mitigation |
|---|---|---|
| Health and safety | Yara's production sites are large industrial plants, and many of Yara's raw materials, intermediates and products are classified as substances dangerous to the health. Such a working environment contains various potential occupational health and safety risks to employees and contractors working on site. While Yara's raw materials are often dangerous chemicals, the final fertilizers typically are not classified as hazardous, and the occupational health and safety risk at the use phase is minor. | Yara has a strict requirement on reporting of incidents, accidents and injuries, and works continuously to improve safety practices and safety culture by systematically enforcing strict operating procedures and developing employee and contractor competence. Yara's ambition is zero injuries and the company continues to set challenging KPI targets for occupational safety. Our Safe by Choice is the umbrella for all safety activities with the aim to reduce exposure to accidents, to develop strong safety leadership, to drive operational discipline, and to train and encourage staff to always act and react in accordance with our safety standards. |
| Personnel security risk | Yara's global activity may be exposed to threats from; criminals, activists, local population, competitors, terrorists and States which could harm our operations and activity, and pose security risks to our personnel, the environment we work in, our assets and our reputation. | We continuously assess and manage regional and local threats to our personnel. HESQ Security department is in charge of developing and maintaining corporate guidelines on security, and a method for assessing security risks, in addition to initiating appropriate mitigation actions in response to potential threats. |
| Natural disasters | Yara's production and logistics operations could be directly or indirectly affected by natural disasters. | We have implemented specific precautionary measures for operations located in areas more likely to be affected by extreme weather conditions and natural disasters. Significant efforts are also put into crisis management training and scenario planning, to minimize potential threats to security, health and operational assets. |

## Compliance risks

We are committed to upholding high standards for ethical conduct across the organization in relation to business partners, investors, regulatory authorities and society at large. We have zero tolerance for unethical behavior and violation of our Code of Conduct.

| Compliance risks | Factor | Mitigation |
|---|---|---|
| Corruption risk | Corruption appears in many forms throughout the world, usually in the form of "improper advantages". With operations in over 60 countries, corruption poses a clear compliance and reputational risk to Yara and our business partners. | Our zero tolerance stance on anti-corruption has been systematically implemented and communicated throughout our organization and to business partners. Yara's Ethics and Compliance Department coordinates and oversees the company's work in this area through the 15 elements of Yara's Compliance program. An Integrity Due Diligence process is defined to map risks related to business partners on various topics, including Corruption, Human Rights and Labor Rights. Our whistleblowing channels allow employees, consultants and third parties to raise concerns anonymously. |
| Ethics risk | Failure, real or perceived, to abide by our ethical principles and comply with international standards e.g. on labor relations, human rights and environmental footprint, will have a damaging effect on our brand and reputation. It can also negatively affect our relationship with current and future business partners, and both legal sanctions and financial loss can occur. In positive terms, demonstrating a commitment to good ethical conduct and awareness of environmental and social responsibility can be leveraged to create competitive edge and create value for business partners, employees and society at large. | Business conduct performance and reporting are set at high standards, reflecting Yara's commitments. Yara has developed its compliance program taking into account internationally recognized and endorsed standards in key areas such as universal human and labor rights, and business ethics. |
| Human rights | Business activities can impact human rights in both our own operations and those of our business partners. Through a mixture of ethical and legal obligations, human rights risks can affect Yara's reputation and standing as a responsible business. | Our policy on human rights is set out in our Code of Conduct, and is integrated in key business processes, for example in the management of capital value projects and supply chain operations.<br><br>We have developed a human rights approach that is driven by qualitative and quantitative factors, allowing us to proactively monitor human rights risks wherever we operate.<br><br>Yara follows the United Nations Guiding Principles on Business and Human Rights, and aim to continuously improve our work in this area. |

# Financial Review

# Financial performance

Yara delivered weaker 2017 results compared with a year earlier mainly driven by lower margins. EBITDA excluding special items was NOK 11,782 million, 18% lower compared to 2016. Net income after non-controlling interests was NOK 3,948 million, compared with NOK 6,360 million a year earlier. Excluding net foreign currency translation gain/loss and special items, the result was NOK 4,082 million (NOK 14,94 per share), compared with NOK 5,590 million (NOK 20.44 per share) in 2016.

## Financial highlights

| NOK millions, except where indicated otherwise | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Revenue and other income | 93,812 | 97,170 | 111,897 | 95,343 | 85,092 |
| Operating income | 3,777 | 8,771 | 14,104 | 10,305 | 8,074 |
| Share net income equity-accounted investees | 245 | -348 | -310 | 786 | 1,076 |
| EBITDA | 11,120 | 15,563 | 21,361 | 16,407 | 13,399 |
| EBITDA excl. special items | 11,782 | 14,449 | 18,920 | 16,544 | 13,834 |
| Net income after non-controlling interests | 3,948 | 6,360 | 8,083 | 7,625 | 5,759 |
| Earnings per share [1] | 14.45 | 23.25 | 29.38 | 27.59 | 20.67 |
| Earnings per share excl.currency [1] | 12.00 | 22.56 | 36.07 | 29.33 | 23.20 |
| Earnings per share excl.currency and special items [1] | 14.94 | 20.44 | 31.48 | 30.66 | 24.95 |
| Average number of shares outstanding (millions) | 273.20 | 273.50 | 275.11 | 276.39 | 278.65 |
| CROGI (12-month rolling average) | 7.0% | 9.5% | 14.0% | 13.3% | 12.6% |
| ROCE (12-month rolling average) | 4.0 % | 7.5 % | 12.9 % | 13.3 % | 12.6 % |

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

## Key statistics

| Average prices | | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|
| **Production (Thousand tonnes) [1]** | | | | | | |
| Ammonia | | 7,459 | 7,504 | 7,035 | 7,096 | 7,360 |
| Finished fertilizer and industrial products, excl. blends | | 20,203 | 19,497 | 19,224 | 18,827 | 18,649 |
| Total | | 27,662 | 27,001 | 26,259 | 25,924 | 26,009 |
| | | | | | | |
| **Deliveries (Thousand tonnes)** | | | | | | |
| Ammonia Trade | | 2,023 | 2,043 | 2,103 | 2,041 | 2,203 |
| Fertilizer | | 27,159 | 27,249 | 26,544 | 26,317 | 23,668 |
| Industrial products [2] | | 7,117 | 6,892 | 7,030 | 6,593 | 6,255 |
| Total | | 36,298 | 36,184 | 35,676 | 34,951 | 32,127 |
| | | | | | | |
| **Yara's energy prices(USD per MMBtu)** | | | | | | |
| Yara's gas & oil cost (weighted average) [1] | USD per MMBtu | 5.0 | 4.1 | 5.5 | 6.9 | 8.0 |
| Yara's European gas & oil cost (weighted average) [1] | USD per MMBtu | 6.1 | 5.0 | 7.1 | 9.1 | 11.4 |

1) Including Yara share of production in equity-accounted investees.
2) Including feed phosphates and $CO_2$ as from 2014 reporting. 2010 to 2013 figures have been restated accordingly.

## Market information

| Average prices | | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|
| Urea granular(fob Egypt) | USD per ton | 243 | 217 | 295 | 370 | 384 |
| CAN (cif Germany) | USD per ton | 218 | 199 | 270 | 329 | 315 |
| Ammonia (fob Black Sea) | USD per ton | 267 | 236 | 387 | 496 | 477 |
| DAP (fob US Gulf) | USD per ton | 354 | 347 | 459 | 473 | 443 |
| Phosphate rock (fob Morocco) | USD per ton | 90 | 111 | 124 | 118 | 143 |
| | | | | | | |
| European gas (Zeebrugge) | USD per MMBtu | 5.7 | 4.5 | 6.4 | 8.1 | 10.6 |
| US gas (Henry Hub) | USD per MMBtu | 3.0 | 2.5 | 2.6 | 4.4 | 3.7 |
| USD/NOK currency rate | | 8.27 | 8.40 | 8.06 | 6.30 | 5.87 |
| EUR/NOK Currency rate | | 9.32 | 9.29 | | | |
| BRL/NOK Currency rate | | 2.59 | 2.42 | | | |

## Variance analysis

| NOK millions | 2017 |
|---|---|
| | |
| EBITDA 2017 | 11,120 |
| EBITDA 2016 | 15,563 |
| Reported EBITDA variance | (4,444) |
| Special items variance (see page 11 for details) | (1,776) |
| EBITDA ex special items variance | (2,667) |
| | |
| Volume | 354 |
| Price/Margin | 49 |
| Energy costs | (2,182) |
| Currency translation | (174) |
| Other | (714) |
| Total variance explained | (2,667) |

Total 2017 fertilizer deliveries were in line with 2016 deliveries. Lower deliveries in Europe and Brazil were offset by growth in the rest of Latin America and Asia. Adjusting for the divestment of the $CO_2$ business in 2016, total Industrial deliveries were 8% higher compared to 2016, driven mainly by continued growth for AdBlue and higher deliveries of nitrogen chemicals to the European process industry.

Ammonia production was 1% lower compared to 2016. Production reliability improved in most plants during 2017, these improvements were however more than offset by lower production in the Porsgrunn ammonia plant due to the fire in April 2017. Finished fertilizer production was 4% higher than in 2016 reflecting mainly reliability improvements.

Margins in 2017 were lower than in 2016. While Yara's weighted average gas cost increased 22% or around 1 USD per MMBtu, prices were on average only marginally higher than in 2016. Fertilizer nitrate prices increased around 3%, compound NPK prices were 2% lower while fertilizer urea prices were in line with 2016. Realized Industrial urea prices were 1% higher, ammonia prices increased 2% while Industrial nitrate prices were 3% lower than a year ago.

### Regional developments

In Europe, Yara's total fertilizer deliveries were 3% lower than in 2016 driven by lower nitrate and urea deliveries while NPK deliveries were 2% higher.

Yara Brazil's fertilizer deliveries in 2017 were 2% lower than a year ago driven by lower deliveries of blended commodity products. Deliveries of Yara-produced premium products increased almost 20%, primarily reflecting higher compound NPK deliveries.

### Other items

Around half of the negative "Other" variance reflects higher fixed costs, mainly related to the roll-out of the Yara Improvement program. An additional NOK 100 million is explained by the divestment of the $CO_2$ business in 2016.

### Improvement program

Yara established in 2016 a corporate program to drive and coordinate improvement initiatives. The Yara Improvement program will deliver at least USD 500 million of annual EBITDA improvement compared to 2015 within 2020.

Compared to the 2015 base, the improvements represent annual EBITDA effects of USD 240 million, of which around 60% relate to reliability improvements in Yara's production system while procurement related improvements represent the remainder.

The impact of improvements realized in 2017 compared to 2016 amount to around USD 140 million, of which 50% relates to reliability improvements which have enabled higher deliveries of finished fertilizer and Industrial products. The remaining 50% of the USD 140 million reflect energy efficiency and procurement related improvements which had a positive margin impact in 2017.

### Financial Items

Yara bases its long-term funding on diversified sources of capital to avoid dependency on individual markets. As the fertilizer business is essentially a US dollar business, with both revenues and raw material costs denominated or determined in US dollars, Yara keeps a major part of its debt in US dollars in order to reduce overall currency exposure. At year-end 2017, 97% of Yara's long-term debt was US dollar denominated or US dollar exposed through currency derivatives.
USD 1,000 million of Yara's long-term debt carried fixed interest rate at an average interest cost of 6.1%.

Full-year net financial income was NOK 782 million compared with an expense of NOK 61 million previous year. The variance is primarily explained by higher foreign currency translation gain and lower interest expense.

Interest expense was NOK 239 million lower than previous year as the effect of an average gross debt level around NOK 3,700 million higher was more than offset by an increase in capitalized interest related to expansion projects.

The foreign currency translation gain this year of NOK 826 million comprised a gain of NOK 693 million on Yara's US dollar debt and a gain of NOK 133 million on internal positions in other currencies than USD. Corresponding figures a year ago were a NOK 730 million loss on US dollar positions and a NOK 845 million gain on internal currency positions. Interest income was NOK 72 million lower than last year as average cash deposits were almost NOK 2.2 billion lower.

### Tax

2017 current and deferred taxes were NOK 815 million, representing only approximately 17% of income before tax, reflecting non-recurring tax benefits obtained through reorganization of corporate structures in Brazil and Europe. See note 10 for more information.

### Net interest-bearing debt

As a supplement to the consolidated statement of cash flows, the table on page 52, highlights the key factors behind the development in net interest-bearing debt. At the end of 2017, net interest-bearing debt was NOK 19,383, up from NOK 12,802 million at year-end 2016. Cash earnings were more than offset by investments, payment of dividends and increased working capital. Investment activity level was high in 2017, reflecting both planned maintenance and productivity investments as well as growth projects. The main growth investments during the year was the Salitre mining project, the Rio Grande plant modernization project and the Porsgrunn expansion project.

Yara's Annual General Meeting approved a dividend for 2016 of NOK 10.00 per share, giving a total dividend of NOK 2,732 million payable in 2017. 43% of 2016 net income after non-controlling interests was returned to Yara's shareholders as dividends and share buybacks.

The debt/equity ratio at the end of 2017, calculated as net interest-bearing debt divided by shareholders' equity plus non-controlling interests, was 0.25 compared to 0.17 at the end of 2016.

## Production volumes [1)]

| Thousand tonnes | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Ammonia | 7,459 | 7,504 | 7,035 | 7,096 | 7,360 |
| of which equity-accounted investees | 1,061 | 1,033 | 1,280 | 1,410 | 1,488 |
| Urea | 5,257 | 5,167 | 4,762 | 4,790 | 4,841 |
| of which equity-accounted investees | 1,573 | 1,536 | 1,593 | 1,440 | 1,616 |
| Nitrate | 6,173 | 6,044 | 5,997 | 6,252 | 6,224 |
| NPK | 5,504 | 4,578 | 4,850 | 4,755 | 4,646 |
| CN | 1,511 | 1,379 | 1,477 | 1,287 | 1,199 |
| UAN | 931 | 909 | 925 | 934 | 1,081 |
| SSP-based fertilizer | 822 | 1,419 | 1,212 | 810 | 659 |
| Total production [1)] | 20,199 | 19,497 | 19,224 | 18,828 | 18,649 |

1) Including Yara share of production in equity-accounted investees, excluding Yara-produced blends.

## Fertilizer deliveries

| Thousand tonnes | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| **Fertilizer deliveries per product** | | | | | |
| Urea | 4,756 | 4,676 | 4,852 | 5,295 | 5,494 |
| of which Yara-produced | 1,997 | 2,117 | 1,755 | 1,994 | 1,923 |
| of which equity-accounted investees | 1,821 | 1,797 | 2,153 | 2,471 | 3,100 |
| Nitrate | 5,659 | 5,781 | 5,743 | 5,673 | 5,838 |
| of which Yara-produced | 5,356 | 5,424 | 5,261 | 5,229 | 5,372 |
| NPK | 10,413 | 10,410 | 9,486 | 9,934 | 8,183 |
| of which Yara-produced compounds | 5,382 | 5,047 | 4,479 | 4,386 | 4,391 |
| of which Yara-produced blends | 4,663 | 5,083 | 4,600 | 5,148 | 3,546 |
| CN | 1,185 | 1,132 | 1,038 | 1,000 | 986 |
| of which Yara-produced | 1,168 | 1,114 | 1,021 | 973 | 971 |
| UAN | 1,299 | 1,356 | 1,295 | 1,333 | 1,290 |
| of which Yara-produced | 1,050 | 1,115 | 1,043 | 1,201 | 1,196 |
| SSP | 939 | 954 | 961 | 314 | 181 |
| of which Yara-produced | 699 | 826 | 832 | 105 | 85 |
| DAP/MAP | 676 | 832 | 888 | 777 | 377 |
| MOP/SOP | 1,367 | 1,253 | 1,222 | 989 | 596 |
| Other fertilizer products | 864 | 855 | 1,058 | 1,001 | 723 |
| Total fertilizer deliveries | 27,159 | 27,249 | 26,544 | 26,317 | 23,668 |
| | | | | | |
| **Fertilizer deliveries per region** | | | | | |
| Europe | 9,159 | 9,418 | 9,381 | 9,755 | 10,199 |
| Brazil | 9,044 | 9,213 | 8,403 | 8,302 | 5,840 |
| Latin America excluding Brazil | 2,373 | 2,217 | 2,208 | 1,562 | 1,060 |
| North America | 3,034 | 3,106 | 3,007 | 3,320 | 3,265 |
| Asia | 2,221 | 2,080 | 2,125 | 2,011 | 2,279 |
| Africa | 1,328 | 1,217 | 1,420 | 1,368 | 1,026 |
| Total fertilizer deliveries | 27,159 | 27,249 | 26,544 | 26,317 | 23,668 |

For a description of the key global fertilizer products, see the Yara Fertilizer Industry Handbook: http://yara.com/investor_relations/reports_presentations

## Industrial product deliveries

| Thousand tonnes | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Ammonia [1)] | 713 | 669 | 711 | 730 | 685 |
| Urea [1)] | 2,211 | 2,025 | 1,841 | 1,679 | 1,543 |
| of which Environmental products | 868 | 776 | 706 | 566 | 494 |
| Nitrate [2)] | 791 | 763 | 680 | 731 | 798 |
| CN | 419 | 371 | 358 | 379 | 369 |
| Other industrial products [3)] | 1,117 | 1,379 | 1,893 | 1,744 | 1,720 |
| Water content in Industrial Ammonia and Urea | 1,866 | 1,686 | 1,549 | 1,330 | 1,138 |
| Total Industrial product deliveries | 7,117 | 6,892 | 7,032 | 6,593 | 6,254 |

1) Pure product equivalents.
2) Including AN Solution.
3) Including nitric acid, feed phosphates, $CO_2$, sulphuric acid and other minor products.

## Net income from equity-accounted investees

| NOK millions | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Qafco | 187 | (459) | 544 | 678 | 960 |
| GrowHow UK Ltd | - | - | 136 | 232 | 143 |
| Lifeco | - | (10) | (1,091) | (189) | (58) |
| Other [1] | 58 | 121 | 102 | 64 | 31 |
| Total | 245 | (348) | -309 | 786 | 1,076 |

1) Pilbara Nitrates is from 2014 classified as "Joint operations" in line with IFRS 11, and is not any longer included as equity-accounted investee. 2013 figures have been restated accordingly.

## Financial items

| NOK millions | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Interest income, other | 618 | 690 | 579 | 484 | 407 |
| Dividends and net gain/(loss) on securities | 16 | 36 | 26 | 66 | 7 |
| Interest income and other financial income | 634 | 725 | 605 | 550 | 414 |
| | | | | | |
| Interest expense | (474) | (713) | (898) | (756) | (724) |
| Net interest expense on net pension liability | (67) | (66) | (82) | (69) | (87) |
| Net foreign exchange gain/(loss) | 826 | 115 | (2,463) | (698) | (949) |
| Other | (137) | (122) | (312) | (84) | (92) |
| Interest expense and foreign exchange gain/(loss) | 147 | (786) | (3,754) | (1,606) | (1,852) |
| | | | | | |
| Net financial income/(expense) | 782 | (61) | (3,150) | (1,056) | (1,439) |

## Net interest-bearing debt

| NOK millions | 2016 |
|---|---|
| Net interest-bearing debt at beginning of period | (12,802) |
| Cash earnings [1] | 8,252 |
| Dividends received from equity-accounted investees | 68 |
| Net operating capital change | (840) |
| Investments (net) | (11,105) |
| Yara dividend | (2,732) |
| Foreign currency translation gain/(loss) | 826 |
| Other [2] | (1,049) |
| of which foreign currency translation adjustment | (129) |
| Net interest-bearing debt at end of period | (19,383) |

1) Operating income plus depreciation and amortization, minus tax paid, net gain/(loss) on disposals, net interest expense and bank charges.
2) The currency effect included in «Other» is an adjustment from the currency gain/(loss) in the income statement to the currency impact on net interest bearing debt. The adjustment is mainly explained by applied hedge accounting for net investments in USD, the translation effect when consolidating net interest bearing debt to the presentation currency NOK and internal currency positions that are not related to net interest bearing debt.

# Definitions and variance analysis

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

In the segment information, "other and eliminations" consists mainly of cross-segment eliminations, in addition to Yara's headquarter costs. Profits on sales from Production to Crop Nutrition and Industrial are not recognized in the consolidated Yara condensed consolidated interim statement of income before the products are sold to external customers. These internal profits are eliminated in "Other and eliminations". Changes in "Other and eliminations" EBITDA therefore usually reflect changes in Production-sourced stock (volumes) held by Crop Nutrition and Industrial, but can also be affected by changes in Production margins on products sold to Crop Nutrition and Industrial, as transfer prices move in line with arms-length market prices. With all other variables held constant, higher stocks would result in a higher (negative) elimination effect in Yara's results, as would higher Production margins. Over time these effects tend to even out, to the extent that stock levels and margins normalize.

In the discussion of historical operating results, Yara refers to certain non-GAAP financial measures including operating income, EBITDA and CROGI. Yara's management makes regular use of these measures to evaluate the performance, both in absolute terms and comparatively from period to period. Yara manages long-term debt and taxes on a group basis. Therefore, net income is discussed only for the Group as a whole.

Operating income include all activities which normally are to be considered as "operating", Share of net income in equity-accounted investees is however not included.

EBITDA is presented because Yara believe that it is frequently used by securities analysts, investors and other interested parties as a measure of a company's operating performance and debt servicing ability. It assists in comparing performance on a consistent basis without regard to depreciation and amortization, which can vary significantly depending on accounting methods or non-operating factors, and provides a more complete and comprehensive analysis of our operating performance relative to other companies. EBITDA, as defined by Yara, includes operating income, interest income, other financial income and share of net income in equity-accounted investees. It excludes depreciation, amortization and impairment loss, as well as amortization of excess values in equity-accounted investees. Yara's definition of EBITDA may differ from that of other companies.

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

Yara management uses CROGI (Cash Return On Gross Investment) to measure financial performance of Yara's segments as well as the whole of the business. CROGI is defined as gross cash flow, divided by average gross investment and is calculated on a 12-month rolling basis. "Gross cash flow" is defined as EBITDA less total tax expense, excluding tax on net foreign currency translation gain/ loss. On Yara level, actual tax expense is used for the calculation while a standardized tax rate of 25% is used on segment level. "Gross Investment" is defined as total assets (exclusive of deferred tax assets, cash and cash equivalents, other liquid assets and fair value adjustment recognized in equity) plus accumulated depreciation and amortization, less all short-term interest-free liabilities, except deferred tax liabilities. On segment level, cash and other liquid assets are not excluded from "Gross Investment".

ROCE (Return on capital employed) is presented as an additional performance measure to CROGI to simplify benchmarking with other companies. ROCE is defined as EBIT minus tax (less tax on net foreign currency translation gain/loss) divided by average capital employed and is calculated on a 12-month rolling average basis. Capital employed is defined as total assets adjusted for cash and cash equivalents, other liquid assets, deferred tax assets, fair value adjustment recognized in equity minus other current liabilities. In order to track underlying business developments from period to period, Yara's management also uses a variance analysis methodology, developed within the Company ("Variance Analysis"), that involves the extraction of financial information from the accounting system, as well as statistical and other data from internal management information systems. Management considers the estimates produced by the Variance Analysis, and the identification of trends based on such analysis, sufficiently precise to provide useful data to monitor our business. However, these estimates should be understood to be less than an exact quantification of the changes and trends indicated by such analysis.

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

Yara defines "Special items" as items in the results which are not regarded as part of underlying business performance for the period. These comprise restructuring-related items, contract derivatives, impairments and other items which are not primarily related to the period in which they are recognized, subject to a minimum value of NOK 30 million per item within a 12month period. "Contract derivatives" are commodity-based derivatives gains or losses (see above) which are not the result of active exposure or position management by Yara.

Net interest bearing debt is defined by Yara as cash and cash equivalents and other liquid assets, reduced for bank loans, other short-term interest bearing debt and long-term interest bearing debt, including current portion. The debt/equity ratio is calculated as net interest-bearing debt divided by shareholders' equity plus non-controlling interests.

Earnings per share excluding currency and special items represent net income after non-controlling interests, excluding foreign currency translation gain/loss and special items after tax, divided by average number of shares outstanding in the period.

Net operating capital is calculated as trade receivables net of impairments plus inventories net of write-downs less trade payables.

Reconciliations of alternative performance measures are provided on page 163, 164 and 165.

## Special items

| | EBITDA effect | | Operating income effect | |
|---|---|---|---|---|
| NOK millions | 2017 | 2016 | 2017 | 2016 |
| Sale of land in Brazil | 64 | - | 64 | - |
| Gain from changes in pension plans | 58 | - | 58 | - |
| Asset write-down | - | - | (127) | - |
| Total Crop Nutrition | 122 | - | (5) | - |
| Closure of Helsingborg plant | (27) | | (67) | - |
| Sale of 5% stake in Pilbara Nitrates | (49) | | (49) | - |
| Discontinuation of pilot plant | (278) | | (396) | - |
| Gain of sale of $CO_2$ business | - | 1,333 | - | 1,333 |
| Total Industrial | (354) | 1,333 | (512) | 1,333 |
| Environmental provisions | (139) | (130) | (139) | (130) |
| Provision for closing of Pardies site | (247) | - | (247) | - |
| Pension adjustments | (33) | | (33) | - |
| Refund of energy intensive tax | 102 | - | 102 | - |
| Asset write-down | - | - | (144) | (477) |
| Contract derivatives gain/(loss) | (112) | 58 | (112) | 58 |
| Gain on swap of mineral rights | - | 44 | - | 44 |
| Gain on sale of $CO_2$ business | - | 220 | - | 220 |
| Qafco items | - | (350) | - | - |
| Total Production | (429) | (159) | (573) | (285) |
| Legal settlements | - | (60) | - | (60) |
| Total Other | - | (60) | - | (60) |
| Total Yara | (662) | 1,114 | (1,090) | 988 |

# The Yara share

Yara aims to be an attractive investment for shareholders, and to provide competitive returns compared to other investment alternatives. The Yara share shall be liquid and an attractive investment opportunity.

We are committed to serving all our shareholders and potential investors by providing consistent, open and prompt disclosure of relevant information. Our policy is equal treatment of all stakeholders, including analysts, banks, institutional investors and private shareholders. All information that may be important and relevant for Norwegian and international markets is provided in the form of releases to the Oslo Stock Exchange (OSE), media and financial newswires. Yara presents quarterly results as live webcasts and at its headquarters at Drammensveien 131 in Oslo, Norway. In addition, Yara holds regular meetings with investors both in Europe and overseas.

### Share performance and distribution

In 2017 a total of 510 million Yara shares were traded, of which 166 million were traded on the OSE at a value of NOK 56.7 billion, making Yara the fourth most traded company on the OSE. The average daily trading volume for Yara shares on the OSE during 2017 was 659,201.

The highest closing price during the year was NOK 394.00 and the lowest was NOK 301.40. The year-end closing price was NOK 376.70, representing an 11% increase from the 2016 year-end closing price. Yara's market value as of 31 December 2017 was NOK 102.9 billion, making Yara the fifth-largest company quoted on the Oslo Stock Exchange. At year-end 2017 Yara had 32,988 shareholders. Non-Norwegian investors owned 43.9% of the total stock, of which 19.2% was from the United States and 9.6% from the United Kingdom. The Norwegian State, through the Ministry of Trade and Industry, is the largest single owner with 36.21% of the shares. Norwegian private ownership of Yara shares was 19.92% at the end of 2017.

## Yara share & OBX performance


## Common share data

| | Q1 | Q2 | Q3 | Q4 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| Basic earnings per share | 6.19 | 2.56 | 2.60 | 3.10 | 14.45 | 23.25 |
| Average number of shares outstanding [1] | 273,217,830 | 273,217,830 | 273,217,830 | 273,217,830 | 273,217,830 | 273,499,403 |
| Period end number of shares outstanding [1] | 273,893,369 | 273,217,830 | 273,217,830 | 273,217,830 | 273,217,830 | 273,217,830 |
| Average daily trading volume [2] | 588,751 | 635,677 | 676,175 | 741,644 | 660,610 | 684,750 |
| Average closing share price | 335 | 321 | 328 | 373 | 340 | 305 |
| Closing share price (end of period) | 331 | 314 | 357 | 377 | 377 | 340 |
| Closing share price high | 360 | 355 | 366 | 394 | 394 | 375 |
| Market capitalization (end of period NOK billion) | 90.5 | 85.7 | 97.5 | 102.9 | 102.9 | 92.9 |
| Dividend per share | | | | | 6.50 [3] | 10.00 |

1) Excluding own shares.
2) Only trades on OSE.
3) Proposed.

### ADR performance and voting rights

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

On 31 December 2017, the ADR was quoted at USD 45.84, an 16.7% increase for the year. To find a recent price quote for Yara ADRs please go to www.adr.com. The ticker symbol is YARIY.

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

### Cash distribution policy

Yara's objective is to pay out an average 40–45% of net income in the form of dividends and share buybacks. Within this objective, a minimum 30% of net income is to be paid in the form of dividends, while share buybacks make up the balance and are deployed with greater flexibility. The dividend pertaining to a fiscal year will be declared at Yara's Annual General Meeting in the following year.

In 2017 Yara paid out NOK 2,732 million in dividends, representing approximately 43% of net income in 2016. Yara's Board will propose to the Annual General Meeting a dividend payment of NOK 6.50 per share for 2017, which represents 45% of net income after non-controlling interests, totaling a payment of NOK 1,776 million based on outstanding shares at the date this financial statement was authorized for issue.

The Yara Annual General Meeting on 11 May 2017 authorized Yara's Board to buy back up to 5% of total shares (13,660,891 shares) before the 2017 Yara Annual General Meeting, at a purchase price not less than NOK 10 and not more than NOK 1,000. A precondition for the program was that an agreement was entered into with the Norwegian State where the

### Shareholding distribution

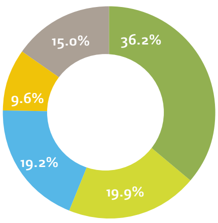
As of 31 December 2017

Ownership structure

| No. of shares | No of sharehholders | % of share capital |
|---|---|---|
| 1-100 | 19,482 | 0.25 |
| 101-1000 | 10,865 | 1.3 |
| 1,001-10,000 | 1,920 | 2.12 |
| 10,001-100,000 | 496 | 6.06 |
| 100,001-1,000,000 | 195 | 22.25 |
| above 1,000,000 | 30 | 68.02 |

### Shareholding distribution

As of 31 December 2017




### Shareholding distribution 1)

As of 31 December 2017

Ownership structure

| Name | Holding (%) |
|---|---|
| The Ministry of Trade, Industry and Fisheries | 36.2% |
| Norwegian National Insurance Scheme fund | 5.6% |
| Capital World Investors | 3.1% |
| Fidelity Management & Research Company | 2.3% |
| Sprucegrove Investment Management, Ltd. | 2.3% |
| BlackRock Institutional Trust Company, N.A. | 1.8% |
| Templeton Investment Counsel, L.L.C. | 1.7% |
| The Vanguard Group, Inc. | 1.6% |
| KLP Forsikring | 1.4% |
| DNB Asset Management AS | 1.3% |
| Nordea Funds Oy | 1.3% |
| Polaris Capital Management, LLC | 1.3% |
| SAFE Investment Company Limited | 1.2% |
| Storebrand Kapitalforvaltning AS | 1.1% |
| State Street Global Advisors (US) | 1.1% |

1) This shareholder list is delivered by Nasdaq and VPS through their service Nominee ID. The list is made by analyzing information provided by registered shareholders on request from Yara International. Neither Nasdaq nor VPS guarantee that the information is complete. For a list of the largest registered shareholders as of 31 December 2017, see note 13 on page 154 in this annual report.

State committed to sell a proportional share of its holdings to leave the State's ownership (36.21%) unchanged.

### 2017 Annual General Meeting

The Yara Annual General Meeting will take place at 17:00 (CEST) Tuesday 8 May 2018, at Yara headquarters in Drammensveien 131, Oslo. Shareholders who wish to attend the Annual General Meeting are asked to inform Yara's registrar by 12:00 CEST on Monday 7 May 2018.

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

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

### Analyst coverage

26 financial analysts provide market updates and estimates for Yara's financial results, of whom 16 are located outside Norway.

### Rating

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

### Change of address

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

### Registrar information

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

## Share facts

**Symbol:** YAR
**Listing:** Oslo Stock Exchange (OSE)

**Yara's registrar in Norway**
DNB ASA
Verdipapirservice
Dronning Eufemias gate 30
N-0021 Oslo
Phone: +47 23 26 80 21
E-mail: KUA@dnb.no
www.dnb.no

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

**2017 Dividend schedule**
Ex-dividend date 9 May 2018
Payment date 23 May 2018

**2018 Release dates**

| | |
|---|---|
| First quarter | 20 April 2018 |
| Second quarter | 17 July 2018 |
| Third quarter | 18 October 2018 |
| Fourth quarter | 08 February 2019 |

# Outlook, risks and opportunities

Our industry and operations are influenced by global megatrends as well as local and regional developments. We continuously evaluate the risk and opportunity landscape, based both on our own expertise and experience, and external considerations.

In the 2016 Global Risk report from the World Economic Forum (WEF), a number of global risks identified are directly related to our business, including water and food crises, climate change and greater incidence of extreme weather conditions. We see business opportunities arising from these challenges and will continue to address them through our global engagement and development of innovative solutions, including those linked to Climate-Smart Agriculture and Emissions to Air.

### Market outlook

Yara serves two major market segments: The agricultural market in which we are the leading supplier of nitrogen-based crop nutrition, and the industrial market where our main offerings are environmental solutions, technical ammonium nitrate and chemicals. Building on our business model and competitive edge, we see significant growth opportunities in both market segments.

### Agricultural solutions

Global demand for agricultural products is driven mainly by a growing world population and economic growth. Stronger purchasing power leads to dietary changes and higher consumption of meat, requiring larger quantities of feed grain, which again drives the demand for mineral fertilizers.

In its February 2017 ‘Agricultural Projections to 2026’, the United States Department of Agriculture (USDA) identifies long-term increases in the consumption, trade and prices of agricultural products. An anticipated global economic growth averaging 2.9% annually over the coming decade will support worldwide demand for food.

The USDA expects prices for major crops to remain relatively low in the near term, due to global production increases in recent years, although higher than the lows levels of 2016, then pick up again in the longer term.

The food price index of the Food and Agriculture Organization of the United Nations (FAO) for 2017 was on average 8% up on 2016, primarily due to higher prices for meat and dairy products, with a more modest 3% increase for cereals. The potential for land expansion is limited for cereals, and production growth will mostly be driven by yield increases. Apart from input prices, resource constraints such as land degradation, water scarcity and environmental considerations, also present limitations to production growth. There are both upside and downside risks for the global cereal market, with adverse weather being a major upside risk for cereal prices.

During 2017 the global market for the three main plant nutrients remained supply-driven and production curtailments were needed to balance the market. In coming years the continued need for increased agricultural productivity is expected to drive demand growth, and the prospects for high quality plant nutrition programs are good.

The International Fertilizer Industry Association (IFA), in its 2017 assessment ‘Fertilizer Outlook 2016/17–2021/22’, sees moderate growth in global fertilizer demand towards 2021/22. The highest growth rates are found in Eastern Europe, Asia excluding China, Latin America and Africa – while China’s N and P fertilizer demand has plateaued.

World fertilizer consumption is expected to reach 199 million tonnes of nutrients in 2021/22 (compared with an estimated 186 million tonnes in 2016/17), of which nitrogen constitutes 106 million tonnes. The nitrogen (N) market is expected to remain supply driven in the short to medium term, with costs in China being the main price setter in the global market. The cost in China is a function of coal prices, high quality anthracite coal in particular, but also natural gas prices and availability, transport costs and trade policy measures.

Tighter market conditions in China, as well as increased environmental restrictions, raising Chinese nitrogen pricing above costs, remain an upside risk. Capacity investments outside China, in North America in particular, has now passed its peak, and less new capacity is in the pipeline, due to the relatively low prices during the recent years.

In the phosphate (P) market, pricing has been stable from 2016, close to the floor of high cost producers, with demand growth more or less offsetting additional capacity. As is the case in the nitrogen market, China is a main swing supplier also for phosphates, and export cost from China is an important factor in setting global prices. But phosphate production is more consolidated than nitrogen, and volume over price strategies by the largest producers are important in this market.

The potash (K) market has seen improvement in demand from 2016, but with more capacity added as well. Prices for 2017increased compared to 2016 in most spot markets, with modest improvements through the year.

Pricing will remain dependent on the production levels of the main producers.

### Industrial solutions

Economic growth is also the main driver of demand for Yara's industrial solutions. Urbanization and a growing middle class drives demand for several chemicals where nitrogen is an important intermediate, as well as technical ammonium nitrate used for civil explosives industry. Increasing focus on clean air drives demand for abatement technology of $NO_X$ and $SO_X$ in the maritime and land-based industry, as well as for reagent for $NO_X$ abatement in the transport, industrial, power and maritime sectors.

The three nitrogen building blocks ammonia, urea and nitric acid, are used for a wide range of applications. Due to significant global capacity expansion the last years, nitrogen producers are facing higher competition and price pressure. However, Yara's growing geographical footprint, differentiated solutions and broad customer portfolio creates business stability across industry cycles.

Automotive and construction are key drivers for Yara's base chemicals business where Yara provide key intermediates for materials. In general, base chemicals demand follows GDP developments but is also influenced by societal trends and regional industrial development. In the medium term, continued improvement is expected in Yara's main markets.

The industrial nitrates business with a range of applications within waste water treatment, energy and materials expect further market growth as civilization and urbanization lead to an increasing share of the population living in cities looking for better and healthier living circumstances.

Environmental solutions constitute a legislation-driven business that has become a sizable market and is expected to continue to grow in the years to come. Increasing focus on the environment and clean air by the population and governments is driving new legislation to reduce current emissions including $NO_X$ in transportation several industrial segments. Yara continues to have a global leadership position within reagent for $NO_X$ abatement, with our main market in Europe. Our abatement technology within $NO_X$ and $SO_X$ complement our portfolio and are also expected to grow in the medium term.

Nitrogen fertilizer industry outlook

The nitrogen fertilizer industry is highly competitive, with a large number of producers. Market prices are influenced by several factors, not least the supply situation, which again is closely connected to production capacity and costs.

World capacity additions are expected to come mainly in commodities. The main recent supply additions have come in USA, Russia, North Africa and Arab Gulf. China remains a high-cost producer, and is expected to remain the global swing producer in the near future. Several new projects announced are uncertain, on timing and production volume.

China, development of energy prices, and cost of capital will remain important drivers for global nitrogen pricing in the longer term. Due to lower natural gas prices in North America, there has been considerable investment in nitrogen capacity in this region, but most of these plants are now producing, and new investments are not initiated. Regions where investments are planned, but where timing and volume are more unclear, are Sub-Saharan Africa, the former Soviet Union, Latin America and Iran.

### Company outlook

Yara supplies commodity fertilizer as well as premium products. Increasing demand for quality food drives increasing demand for premium products, and we expect this market segment, where our crop nutrition knowledge creates the highest value per acre, to grow further. Over the past years premium products and solutions have captured an increasing share of Yara's total fertilizer deliveries, now making up more than 50% of the total. Yara's ambition is to further increase the premium product share of total sales, with our portfolio driven towards greater product differentiation and lower exposure to commodity price volatility. Our innovation focus, including activities within the growing fertigation segment, supports this development.

Yara will continue to execute its growth strategy. In addition to investing NOK 5-6 billion annually in maintenance and reliability, Yara has several committed growth projects starting up over the next year, including upgrades of our global plants in Porsgrunn and Sluiskil, ammonia production in Freeport, Texas, and mining operations in Brazil. Safety is a top focus in all of our operations, to protect people and facilities from harm and to uphold and improve reliability and profitability.

In 2017 we continued to realize synergies from recent acquisitions, notably in Latin America, and improved global optimization. In addition to Latin America, we see profitable downstream growth opportunities in several markets, particularly in Asia, and with the acquisition of Tata Chemicals urea business, Yara is well positioned to continue growing in the Indian market. For environmental solutions, we see sizable global opportunities as stronger policy regulations drive demand, especially in Asia and the Americas.

Our innovation activities aim to strengthen our competitive edge, not least with regard to developing solutions to meet existing and emerging global challenges, including resource scarcity, climate change and food security.

# 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 | 2017 | 2016 |
|---|---|---|---|
| Revenue | 5 | 93,479 | 95,245 |
| Other income | 6 | 446 | 1,867 |
| Commodity based derivatives gain/(loss) | 31 | (113) | 58 |
| Revenue and other income | 5 | 93,812 | 97,170 |
| | | | |
| Raw materials, energy costs and freight expenses | 7 | (70,782) | (68,644) |
| Change in inventories of own production | | 467 | (962) |
| Payroll and related costs | 7 | (8,970) | (8,520) |
| Depreciation and amortization | 8 | (5,960) | (5,880) |
| Impairment loss | 17 | (502) | (546) |
| Other operating expenses | 7 | (4,289) | (3,847) |
| Operating costs and expenses | 5 | (90,036) | (88,399) |
| | | | |
| Operating income | 5 | 3,777 | 8,771 |
| | | | |
| Share of net income in equity-accounted investees | 14,17 | 245 | (348) |
| Interest income and other financial income | 9 | 634 | 725 |
| Earnings before interest expense and tax (EBIT) | 5 | 4,656 | 9,149 |
| | | | |
| Foreign currency translation gain/(loss) | 9 | 826 | 115 |
| Interest expense and other financial items | 9 | (678) | (901) |
| Income before tax | | 4,803 | 8,363 |
| | | | |
| Income tax expense | 10 | (815) | (2,041) |
| Net income | | 3,988 | 6,322 |
| | | | |
| **Net income attributable to** | | | |
| Shareholders of the parent | 11 | 3,948 | 6,360 |
| Non-controlling interests | 23 | 41 | (37) |
| Net income | | 3,988 | 6,322 |
| | | | |
| Basic earnings per share [1)] | | 14.45 | 23.25 |
| Weighted average number of shares outstanding [2)] | 11 | 273,217,830 | 273,499,403 |

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 first and second quarter 2016 due to the share buyback program.

# Consolidated statement of comprehensive income

| NOK millions, except share information | Notes | 2017 | 2016 |
|---|---|---|---|
| Net income | | 3,988 | 6,322 |
| | | | |
| **Other comprehensive income that may be reclassified to profit or loss in subsequent periods** | | | |
| Exchange differences on translating foreign operations | | (1,077) | (1,320) |
| Available-for-sale financial assets - change in fair value | 31 | (11) | (19) |
| Hedge of net investments | 30 | 271 | 108 |
| Share of other comprehensive income of equity-accounted investees, excluding remeasurements | 14 | 34 | 45 |
| Net other comprehensive income that may be reclassified to profit or loss in subsequent periods | | (783) | (1,186) |
| | | | |
| **Other comprehensive income that will not be reclassified to profit or loss in subsequent periods** | | | |
| Remeasurements of the net defined benefit pension liability | 24 | 535 | (760) |
| Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods | | 535 | (760) |
| | | | |
| **Reclassification adjustments of the period** | | | |
| - cash flow hedges | 30 | 5 | 4 |
| - exchange differences on foreign operations disposed of in the year | | (1) | (22) |
| Net reclassification adjustment of the period | | 4 | (18) |
| | | | |
| Total other comprehensive income, net of tax | | (244) | (1,964) |
| | | | |
| Total comprehensive income | | 3,744 | 4,358 |
| | | | |
| **Total comprehensive income attributable to** | | | |
| Shareholders of the parent | | 3,834 | 4,194 |
| Non-controlling interests | 23 | (90) | 165 |
| Total | | 3,744 | 4,358 |

# Consolidated statement of changes in equity

| NOK millions | Notes | 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 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 | 35 | - | - | - | - | - | - | - | (3) | (3) | - | (3) |
| Transactions with non-controlling interests | 23 | - | - | - | - | - | - | - | 1 | 1 | (11) | (10) |
| Step-up of tax base in Australia | 10 | - | - | - | - | - | - | - | 814 | 814 | - | 814 |
| Treasury shares | 22 | - | - | - | - | - | - | - | (93) | (93) | - | (93) |
| Redeemed shares, Norwegian State [2] | 22 | (1) | - | - | - | - | - | - | (251) | (252) | - | (252) |
| Share capital increase in subsidiary, non-controlling interest | 23 | - | - | - | - | - | - | - | - | - | 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 |
| | | | | | | | | | | | | |
| Net income | | - | - | - | - | - | - | - | 3,948 | 3,948 | 41 | 3,988 |
| | | | | | | | | | | | | |
| Other comprehensive income, net of tax | | - | - | (947) | (11) | 5 | 271 | (682) | 535 | (147) | (131) | (278) |
| Share of other comprehensive income of equity-accounted investees | | - | - | (1) | - | 34 | - | 34 | - | 34 | - | 34 |
| Total other comprehensive income, net of tax | | - | - | (947) | (11) | 39 | 271 | (648) | 535 | (113) | (131) | (244) |
| | | | | | | | | | | | | |
| Long-term incentive plan | 35 | - | - | - | - | - | - | - | (1) | (1) | - | (1) |
| Transactions with non-controlling interests | 23 | - | - | - | - | - | - | - | (5) | (5) | (19) | (24) |
| Share capital increase in subsidiary, non-controlling interest | 23 | - | - | - | - | - | - | - | - | - | 78 | 78 |
| Dividends distributed | 22 | - | - | - | - | - | - | - | (2,732) | (2,732) | (4) | (2,736) |
| Balance at 31 December 2017 | | 464 | 117 | 13,505 | 3 | 11 | (1,221) | 12,299 | 62,660 | 75,540 | 2,290 | 77,831 |

1) Par value 1.70.
2) As approved by General Meeting 10 May 2016.

# Consolidated statement of financial position

| NOK millions | Notes | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|---|
| | | | |
| **Assets** | | | |
| **Non-current assets** | | | |
| Deferred tax assets | 10 | 3,040 | 2,585 |
| Intangible assets | 12 | 9,055 | 9,183 |
| Property, plant and equipment | 13 | 65,238 | 59,739 |
| Equity-accounted investees | 14 | 8,978 | 9,190 |
| Other non-current assets | 16 | 3,766 | 3,242 |
| Total non-current assets | | 90,078 | 83,938 |
| | | | |
| **Current assets** | | | |
| Inventories | 18 | 18,255 | 17,580 |
| Trade receivables | 19 | 11,451 | 10,332 |
| Prepaid expenses and other current assets | 20 | 4,973 | 4,813 |
| Cash and cash equivalents | 21 | 4,456 | 3,751 |
| Non-current assets or disposal group classified as held-for-sale | | 33 | 92 |
| Total current assets | | 39,168 | 36,567 |
| | | | |
| Total assets | | 129,246 | 120,505 |

# Consolidated statement of financial position

| NOK millions, except for number of shares | Notes | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|---|
| | | | |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital reduced for treasury stock | | 464 | 464 |
| Premium paid-in capital | | 117 | 117 |
| Total paid-in capital | | 582 | 582 |
| | | | |
| Other reserves | | 12,299 | 12,947 |
| Retained earnings | | 62,660 | 60,916 |
| Total equity attributable to shareholders of the parent | | 75,540 | 74,444 |
| | | | |
| Non-controlling interests | 23 | 2,290 | 2,326 |
| Total equity | | 77,831 | 76,770 |
| | | | |
| **Non-current liabilities** | | | |
| Employee benefits | 24 | 3,592 | 4,071 |
| Deferred tax liabilities | 10 | 4,112 | 4,396 |
| Other long-term liabilities | 31 | 1,383 | 1,404 |
| Long-term provisions | 25 | 940 | 834 |
| Long-term interest-bearing debt | 26 | 19,893 | 13,992 |
| Total non-current liabilities | | 29,919 | 24,698 |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | 27 | 15,693 | 14,762 |
| Current tax liabilities | | 504 | 530 |
| Short-term provisions | 25 | 736 | 323 |
| Other short-term liabilities | | 616 | 859 |
| Bank loans and other interest-bearing short-term debt | 28 | 3,593 | 2,323 |
| Current portion of long-term debt | 26 | 354 | 240 |
| Total current liabilities | | 21,496 | 19,037 |
| | | | |
| Total equity and liabilities | | 129,246 | 120,505 |
| | | | |
| Number of shares outstanding | 22 | 273,217,830 | 273,217,830 |

The Board of Directors of Yara International ASA
Oslo, 22 March 2018

Leif Teksum
Chair

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 | 2017 | 2016 |
|---|---|---|---|
| | | | |
| **Operating activities** | | | |
| Operating Income | | 3,777 | 8,771 |
| | | | |
| **Adjustments to reconcile operating income to net cash provided by operating activities** | | | |
| Depreciation and amortization | 8 | 5,960 | 5,880 |
| Impairment loss | 17 | 502 | 546 |
| Write down inventory and trade receivables | | 191 | 156 |
| Tax paid | | (1,645) | (2,736) |
| Dividend from equity-accounted investees | 14 | 68 | 358 |
| Interest and bank charges received/(paid) | | (527) | (486) |
| (Gain)/loss on disposal | 4 | 172 | (1,559) |
| Other | | (346) | (97) |
| | | | |
| **Working capital changes that provided/(used) cash** | | | |
| Trade receivables | | (1,148) | 1,572 |
| Inventories | | (988) | 2,596 |
| Prepaid expenses and other current assets | | (428) | 228 |
| Trade and other payables | | 1,105 | (379) |
| Other interest free liabilities | | (214) | (767) |
| Net cash provided by operating activities | | 6,478 | 14,084 |
| | | | |
| **Investing activities** | | | |
| Purchases of property, plant and equipment | 13 | (11,030) | (12,873) |
| Net cash outflow on acquisition of subsidiary | 4 | (193) | (480) |
| Purchases of other long-term investments | 12 | (452) | (286) |
| Net sales/(purchases) of short-term investments | | 1 | - |
| Proceeds from sales of property, plant and equipment | | 111 | 62 |
| Net cash flow on divested assets | 4 | 293 | 2,846 |
| Proceeds from sales of other long-term investments | | 167 | 127 |
| Net cash used in investing activities | | (11,105) | (10,604) |
| | | | |
| **Financing activities** | | | |
| Loan proceeds | 26 | 9,238 | 5,466 |
| Principal payments | 26 | (1,176) | (4,328) |
| Purchase of treasury shares | | - | (93) |
| Redeemed shares Norwegian State | | - | (252) |
| Dividend | 22 | (2,732) | (4,108) |
| Other cash transfers from/(to)non-controlling interest | 23 | 50 | 327 |
| Net cash used in financing activities | | 5,379 | (2,989) |
| | | | |
| Foreign currency effects on cash and cash equivalents | | (47) | 39 |
| | | | |
| Net increase/(decrease) in cash and cash equivalents | | 706 | 531 |
| Cash and cash equivalents at 1 January | | 3,751 | 3,220 |
| Cash and cash equivalents at 31 December | 21 | 4,456 | 3,751 |
| | | | |
| Bank deposits not available for the use of other group companies | 21 | 194 | 256 |

# 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 5 Segment information, note 14 Associated companies and joint ventures, and note 15 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 2017. Yara also provides 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 gains 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 accounting periods beginning on or after 1 January 2017 and which are relevant for Yara:

- 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.

- 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.

- Amendments to IFRS 2 Share-based Payment (issued 2016)
  The amendments refer to the classification and measurement of share-based payment transactions and address mainly the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction, the classification of a share-based payment transaction with net settlement features for withholding tax obligations, and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

- 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.

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**

The following Standards and interpretations applicable to Yara have been issued but were not yet effective on the balance sheet date:

- IFRS 9 Financial Instruments (issued 2014)
  IFRS 9 Financial Instruments applies to annual periods beginning on or after 1 January 2018 and replaces IAS 39 Financial Instruments; Recognition and measurement from its effective date 1 January 2018. Please find a detailed impact assessment in Note 38 New accounting standards.

- IFRS 15 Revenue from contracts with customers (issued 2014)
  IFRS 15 applies to annual periods beginning on or after rom its effective date 1 January 2018 and replaces the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction contracts, and the related interpretations. Please find a detailed impact assessment in Note 38 New accounting standards.

- IFRS 16 Leases (issued 2016)
  IFRS 16 applies to annual periods beginning on or after 1 January 2019and will replace IAS 17 Leases and related interpretations from its effective date. Please find a detailed impact assessment in Note 38 New accounting standards.

- 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 the Interpretation from its effective date 1 January 2018, subject to the endorsement by the EU, which is expected in 2018 subject to the endorsement by the EU, which is expected in 2018. No significant impact to the consolidated financial statements is identified.

- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (issued 2017)
  The Interpretation is effective for annual reporting periods beginning on or after 1 January 2019 and addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. As Yara operate in complex multinational tax environments, the interpretation may have impact on Yara's tax accounting and disclosures. Yara will implement potential changes from the Interpretations effective date, subject to the endorsement by the EU. No detailed impact assessment is yet finalized.

**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 statement of income except for 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. When the net investment is diposed of or the monetary item is settled, they are recognized in the consolidated statement of income. Tax charges and credits attributable to foreign currency translations on such borrowings are also recognized in other comprehensive income.

Foreign exchange hedges

Yara enters into currency-based derivative financial instruments to hedge the Group's currency exposure. The Group's accounting policies for such contracts are described 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 acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

The identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date if not otherwise stated.

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

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 that is classified as equity is not remeasured. 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 within the next twelve months from the acquisition date to reflect new information obtained about facts and circumstances that existed at the acquisition date, and which 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 arrangement 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 plan involving disposal of an investment in an associate or joint venture, or a portion of an investment, 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 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.

Fair value is the price that would be received or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All assets and liabilities for which fair value is measured or disclosed 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 external revenues in the Group in note 5 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 warranties 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 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 it is probable that sufficient taxable profits are expected to reverse in the foreseeable future in order to utilize the benefits of the temporary differences.

### Current and deferred tax for the period
Current and deferred taxes 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 when 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. Uncertain tax positions, for example from unresolved disputes with tax authorities, are provided for if there are probable cash outflows.

## Intangible assets
### Intangible assets acquired separately
Intangible assets with finite useful lives, and 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. The effect of any changes in estimate is accounted for on a prospective basis. Intangible assets with indefinite useful lives, and 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 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 expenditures
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 have reached the development phase. If, following evaluation, the exploratory mine has not found proved reserves, the previously capitalized costs are evaluated for derecognition 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

An item of property, plant and equipment (PP&E) is recognized at cost if it is probable that 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. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are added to the cost of those assets. Qualifying assets are assets that take a substantial period of time to get ready for their intended use or sale.

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 value is written down to its recoverable amount if the asset's carrying value 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. 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 holds directly or indirectly between 20% and 50% of the voting rights.

A joint arrangement is an arrangement in 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 the carrying value is increased or decreased to recognize Yara's share of profit or loss of the investee after the date of acquisition.

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 weighted average, and net realizable value. The Group changed the cost formula from the first-in, first-out (FIFO) to weighted average from 1 January 2017. Additional disclosures and comparative information is not provided as the effect of the change is considered to be immaterial for the Group.

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. This include 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, labor, 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 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 value exceeds its recoverable amount. The recoverable amount is the higher of an asset's 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 value does not exceed the carrying value 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 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 has a long-term incentive program which provides a fixed cash amount to eligible top executives who are required to invest the net amount after tax in Yara shares within a period of one month after the grant. Yara purchases the shares on behalf of the executives at market prices. The executives holds all shareholder rights from the date of purchase but cannot sell the shares in the three years vesting period. The incentive program does not have dilutive effect since it represents ordinary shares outstanding.

The fair value of the purchased shares is recognized as reduction in equity. The costs of the incentive program is recognized over the vesting period. The employee tax is calculated and expensed at the grant date.

The Group may also offer employees an opportunity 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 restructuring provision includes only the direct expenditures arising from the restructuring, which are those 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 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.

### Legal Claims

Yara is party to a number of lawsuits related to laws and regulations in various jurisdictions arising out of the conduct of its business. Legal claims are assessed on an individual basis and provisions are recognized if the specific claims give rise to present, probable obligations and the costs can be reliably measured.

### 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 / long-term receivables, loans and deposits

Trade receivables and other short-term / long-term receivables, loans and deposits 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 measured at fair value. Gains and losses arising from changes in fair value are recognized in the statement of comprehensive income until the asset is disposed of or is determined to be impaired. Then 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 a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event), and that loss event(s) has an impact on the estimated future cash flows of the financial asset or 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 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.

Interest and bank charges paid are classified as operating cash flows in the consolidated statement of cash flows.

### 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 remeasured 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 other type of 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 consolidated 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

Assets which are 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 initially included in long-term debt. Property, plant and equipment are depreciated over the estimated useful lives of the assets or lease term if shorter. 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 2017, mainly due to uncertain economic conditions in local markets. None of these facilities were temporarily or permanently closed at the end of 2017. Already recognized impairments have been evaluated for reversals. Total impairment write-down recognized on property, plant and equipment in 2017 was NOK 359 million. The carrying amount of property, plant and equipment at 31 December 2017 is NOK 65,238 million. See notes 13 and 17 for further details.

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 2017 is NOK 7,088 million and NOK 1,967 million, respectively. Yara recognized impairment of goodwill and other intangible assets of NOK 162 million in 2017. Details of recognized goodwill are provided in note 12 and the impairment information, including sensitivity disclosures, is provided in note 17. Other intangible assets mainly comprises evaluation and exploration assets, customer relationships, software, patent and trademarks either identified as part of the purchase price allocation of new business combinations or internally developed. See note 12 and 17 for further details.

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 3,040 million and NOK 4,112 million, respectively, at 31 December 2017. The amount of unrecognized deferred tax assets is NOK 2,653 million, of which NOK 1,603 million is related to unused tax losses in Brazil. Further information about deferred tax is provided in note 10. 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 1,097 million of such tax credits that are classified as non-current assets.

Yara is engaged in a number of juridical and administrative proceedings related to disputed tax matters with uncertain outcome. Management is required to estimate the probability of cash outflow on a case-by-case basis. The estimated maximum exposure on tax contingencies is approximately NOK 2 billion, of which NOK 1.3 billion is in Brazil. Further information is provided in note 25.

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 2017 is NOK 2,852 million. The gross pension and other long-term employee benefits liabilities have a carrying value of NOK 17,878 million at the same date. Detailed information, including sensitivity disclosures, is provided in note 24.

**Critical judgments 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 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 50% owned Yara Pilbara Nitrates and the 49% owned Tringen, also on the basis of required consensus when making relevant decisions. See note 15 for further details on joint operations.

# Note 2 Composition of the group

The consolidated financial statement of Yara comprises 139 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 Iberian 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 | Chemical Holdings Pty Ltd. |
| Chemical Holdings Pty Ltd. | 100.0% | Australia | Yara Australia Pty Ltd. |
| Yara Environmental Technologies GmbH | 100.0% | Austria | Yara Investment GmbH |
| Yara Barbados Inc. | 100.0% | Barbados | Fertilizer Holdings AS |
| Yara Belgium S.A./N.V. | 100.0% | Belgium | Yara Nederland B.V. |
| Yara S.A. | 100.0% | Belgium | Yara Holding Netherlands B.V. |
| Yara Tertre S.A. | 100.0% | Belgium | Yara Belgium S.A./N.V. |
| 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 Brasil Fertilizantes S.A. |
| 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. | 98.4% | Colombia | Yara International ASA (59%) and OFD Holding S. de R.L. (39.4%) |
| Yara Costa Rica S. de R.L. | 87.6% | Costa Rica | Yara Iberian S.A.U. |
| Yara 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 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 SE |
| Yara Investment GmbH | 100.0% | Germany | Yara GmbH & Co. KG |

Table continues >>

>> Table continued

| Subsidiaries | Ownership | Registered office | Main parent(s) |
|---|---|---|---|
| | | | |
| Yara Investments Germany SE | 100.0% | Germany | Yara Nederland B.V. |
| 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 |
| Yara Fertilisers India Pvt. Ltd. | 100.0% | India | 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 Côte d'Ivoire S.A. | 100.0% | Ivory Coast | Fertilizer Holdings AS |
| Yara East Africa Ltd. | 100.0% | Kenya | Yara Overseas Ltd. |
| Yara International (M) 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 RL | 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. (40.6%) and Pataba Holdings, Inc. (59.4%) |
| 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 Iberian S.A.U. | 100.0% | Spain | Yara Nederland B.V. |
| Yara 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% | Ethiopia | Yara Nederland B.V. |
| Yara Holding Netherlands B.V. | 100.0% | The Netherlands | Fertilizer Holdings AS |
| 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 Vietnam Co. Ltd. | 100.0% | Vietnam | Yara Asia Pte Ltd. |
| Yara Fertilizer Zambia Ltd. | 100.0% | Zambia | Yara Nederland B.V. |

# Note 3 Business combinations

### Business combination after year-end 2017

The business combination of Tata Chemicals Limited's urea business in India was closed 12 January 2018 and therefore not consolidated as of 31 December 2017. The acquired business comprises the Babrala urea plant and distribution business in Uttar Pradesh. The plant has an annual production of 0.7 million tonnes ammonia and 1.2 million tonnes urea. The plant was commissioned in 1994, and is the most energy efficient plant in India. The primary reason for the business combination is to further accelerate Yara's growth in India by creating an integrated position in the world's second-largest fertilizer market.

The consideration for the business combination was INR 26,822 million (USD 421 million) based on a debt and cash free basis, including normalized net working capital. In addition, Yara expects to incur transfer fees and stamp duties of USD 37 million, of which USD 12 million has been paid.

Integration and acquisition costs amounting to NOK 18.5 million have been excluded from the consideration transferred and have been recognized as an expensed within "Other operating expenses" in the condensed consolidated statement of income. NOK 10 million was recognized in 2016, and NOK 8.5 million in 2017. The business combination will be reported within the Crop Nutrition segment.

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

The figures presented below are based on an early estimate and will be revised within first quarter 2018.

| NOK millions | |
|---|---|
| | |
| **Assets** | |
| | |
| Distribution network | 52 |
| Property, plant and equipment | 1,366 |
| Other non-current assets | 1 |
| Inventories | 36 |
| Trade receivables | 995 |
| Prepaid expenses and other current assets | 125 |
| Total assets | 2,575 |
| | |
| **Liabilities** | |
| Other long-term liabilities | |
| Trade and other payables | 138 |
| Other short-term liabilities | 46 |
| Total liabilities | 184 |
| | |
| Total identifiable net assets at fair value | 2,391 |

The receivables acquired in the business combination of Babrala are expected to have a fair value approximately equal to the gross contractual amount of NOK 995 million.

### Goodwill arising on acquisition

The preliminary goodwill amounts to NOK 1,001 million. The amount will change when the final figures are ready. The goodwill consists of Yara specific synergies and future benefits from the assembled workforce. Goodwill also reflects a willingness to pay to get an integrated position in the world's second-largest fertilizer market. The goodwill will be deductible for tax purposes.

### Business combinations 2016

On 30 October 2016, Yara acquired a fertilizer blending unit in Catalão, in Goiás State in Brazil (Adubos Sudoeste) for a consideration of NOK 128 million. The investment is aligned with the company's strategy to track the development of the agriculture market in Goiás – which has outgrown the national average in recent years. The acquired business is included in the Crop Nutrition segment.

On 1 April 2016, Yara acquired Greenbelt Fertilizers for a consideration of NOK 404 million. Greenbelt Fertilizers is a leading distributor of fertilizers in Zambia, Malawi and Mozambique. Zambia with its neighboring countries make up a fast-growing agricultural region with low but increasing fertilizer application rates, and Yara expects continued fertilizer demand growth in the region. Greenbelt started operations in Zambia in 2004 and has become a leading fertilizer distributor in Zambia, Malawi and Mozambique, with sales of 80,000 tonnes and an EBITDA of USD 5 million in the fiscal year ending 31 March 2015. Greenbelt owns three blending plants and three warehouses. The main reason for the acquisition is to further improve Yara's downstream position within a fastgrowing 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.

For the Greenbelt acquisition, a 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 a part of "Net cash outflow on acquisition of subsidiary" 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.

# Note 4 Other business initiatives and divestments

## Acquisitions

In November 2017, Yara entered into an agreement to acquire the Vale Cubatão Fertilizantes complex in Brazil from Vale S.A. for an enterprise value of USD 255 million. Yara expects to make upgrading investments of approximately USD 80 million up to 2020 in order to realize annual synergies of USD 25 million through a combination of cost, asset and product portfolio optimizations. The agreement is subject to the approval of relevant competition authorities and other regulatory approvals. The agreement is also subject to the right of first refusal of a third party not being exercised by the end of 2017. Closing is expected to take place in mid 2018. The Cubatão asset is a nitrogen and phosphate complex with an annual production capacity of approximately 200 kilotons of ammonia, 600 kilotons of nitrates and 980 kilotons of phosphate fertilizer. The purchase price will be adjusted at closing for any deviation between the closing working capital and a normalized working capital level.

In 2017, Yara has completed three business combinations which are not disclosed as they are not considered significant. Total consideration for these business combinations was NOK 212 million. The net cash outflow on these acquisitions is NOK 193 million which is presented as “net cash outflow on acquisition of subsidiary” in the consolidated statement of cash flows.

## Disposals

In December 2017, Yara sold a 5% interest in both Yara Pilbara Nitrates PTY Ltd. and Orica Mining Services Pilbara Pty Ltd. to Orica for a total consideration of NOK 302 million. The transactions gave a net loss of NOK 49 million which is recognized in the consolidated statement of income under "Other operating expenses". The net cash impact of the disposal is NOK 293 million which is presented as "net cash flow on divested assets" in the consolidated statement of cash flows. After the transaction Yara owns 50% of both Yara Pilbara Nitrates PTY Ltd. and Orica Mining Services Pilbara Pty Ltd. The disposal of 5% did not change the classification as Joint operations, see note 15.

Note 5

# 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 Chief Executive Officer (CEO) as the Chief Operating Decision Maker. Financial and operational information are prepared for each segment, and the information disclosed is basically the same as used by the CEO 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 present in 56 countries and sells to more than 160 countries. The segment also includes smaller production facilities which upgrade intermediate products to finished fertilizers, which are primarily marketed in the region where this upgrade takes place.

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

The variety of fertilizer products are mainly sold spot to distributors based on ordinary purchase orders and underlying frame agreements. To a certain extent the products are also sold directly to farmers, to co-operatives, and spot without underlying agreements. The composition and degree of customers and products sold differs between local and regional markets, and the off-take of product varies throughout the fertilizer seasons in the different markets.

The majority of volume sold is purchased from the Production segment based on the arm's length principle. Consequently, the Crop Nutrition segment mainly increase margins through distribution, management of working capital, and sales and marketing activities, rather than manufacturing of product. As a result the segment is characterized by a high capital turnover, a relatively low EBITDA margin in relation to 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 and calcium nitrate 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 the arm's length principle. The customers are mainly large, industrial companies which use the products in their own production processes. The customer contracts is 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 Group deliver equipment and services to store or handle products.

Yara provides a growing portfolio of environmental solutions, technology and services, including a total solution of reagents, technology and service for NOx abatement for industrial plants and transport at 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 constitute the segment's main markets.

### Production

The Production segment comprises the manufacturing plants producing ammonia, fertilizer and industrial products. About 80% of the sales in the segment are group internal sales. The remaining external sales mainly relate to Yara's global trade and shipping of ammonia, but also some fertilizer sales since for instance the subsidiary Galvani Industria, Comercio e Servicos S.A. ("Galvani") is reported as one single operation within the segment.

The Production segment holds ownership interests in associates and joint arrangements. The investments in the joint arrangements Trinidad Nitrogen Company Ltd, Yara Pilbara Nitrates Pty Ltd and Yara Freeport LLC DBA Texas Ammonia are classified as joint operations, for which Yara consolidate its share of assets, liabilities, revenues and expenses. The investments in Qatar Fertilizer Company ("Qafco") and Libyan Norwegian Fertilizer Company ("Lifeco") 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 highly influenced by volume output. In addition, operating results are strongly linked to its production margins. These are primarily driven by the price levels for ammonia, urea, nitrates, NPK, phosphoric acid, and the price level of energy and raw materials such as phosphate rock and potash. Operating results can also be strongly influenced by movements in currency exchange rates. The fluctuation of the Production segment's operating results is similar to other fertilizer producers, and is typically less stable than the operating results 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 share of net income in equity-accounted investees. It excludes depreciation, amortization and impairment loss, as well as amortization of excess value in equity-accounted investees. 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 | 2017 | 2016 |
|---|---|---|---|
| | | | |
| **External revenues and other income** | | | |
| Crop Nutrition | | 71,311 | 72,677 |
| Industrial | | 15,219 | 16,074 |
| Production | | 7,341 | 8,472 |
| Other and eliminations | | (59) | (52) |
| Total | | 93,812 | 97,170 |
| | | | |
| **Internal revenues and other income** | | | |
| Crop Nutrition | | 1,574 | 1,531 |
| Industrial | | 129 | 108 |
| Production | | 34,123 | 33,316 |
| Other and eliminations | | (35,826) | (34,954) |
| Total | | - | - |
| | | | |
| **Revenues and other income** | | | |
| Crop Nutrition | | 72,884 | 74,207 |
| Industrial | | 15,348 | 16,181 |
| Production | | 41,465 | 41,788 |
| Other and eliminations | | (35,885) | (35,006) |
| Total | | 93,812 | 97,170 |
| | | | |
| **Operating expenses excluding depreciation, amortization and impairment loss** | | | |
| Crop Nutrition | | (69,332) | (69,268) |
| Industrial | | (14,133) | (13,341) |
| Production | | (35,762) | (34,801) |
| Other and eliminations | | 35,653 | 35,438 |
| Total | | (83,574) | (81,972) |
| | | | |
| **Depreciation and amortization** | | | |
| Crop Nutrition | | (885) | (743) |
| Industrial | | (97) | (98) |
| Production | | (4,839) | (4,921) |
| Other and eliminations | | (139) | (118) |
| Total | 8 | (5,960) | (5,880) |
| | | | |
| **Impairment loss** | | | |
| Crop Nutrition | | (163) | (77) |
| Industrial | | (158) | - |
| Production | | (181) | (469) |
| Other and eliminations | | - | - |
| Total | 17 | (502) | (546) |
| | | | |
| **Operating Income** | | | |
| Crop Nutrition | | 2,505 | 4,118 |
| Industrial | | 959 | 2,742 |
| Production | | 683 | 1,597 |
| Other and eliminations | | (370) | 314 |
| Total | | 3,777 | 8,771 |
| | | | |
| **Share of net income in equity-accounted investees** | | | |
| Crop Nutrition | | 24 | 30 |
| Industrial | | 50 | 63 |
| Production | | 171 | (441) |
| Total | 14 | 245 | (348) |
| | | | |
| **Interest income and other financial income** | | | |
| Crop Nutrition | | 460 | 501 |
| Industrial | | 23 | 11 |
| Production | | 122 | 150 |
| Other and eliminations | | 30 | 64 |
| Total | 9 | 634 | 725 |
| | | | |
| **EBITDA** | | | |
| Crop Nutrition | | 4,037 | 5,470 |
| Industrial | | 1,289 | 2,916 |
| Production | | 5,996 | 6,681 |
| Other and eliminations | | (202) | 496 |
| Total | | 11,120 | 15,563 |

## Other [1]

| NOK millions | Notes | 2017 | 2016 |
|---|---|---|---|
| | | | |
| **Reconciliation of EBITDA to Income before tax** | | | |
| EBITDA | | 11,120 | 15,563 |
| Depreciation and amortization [2] | 8 | (5,962) | (5,868) |
| Impairment loss [2] | 17 | (502) | (546) |
| Foreign currency translation gain/(loss) | 9 | 826 | 115 |
| Interest expense and other financial items | 9 | (678) | (901) |
| Income before tax | | 4,803 | 8,363 |
| | | | |
| **EBIT** | | | |
| Crop Nutrition | | 2,989 | 4,649 |
| Industrial | | 1,031 | 2,816 |
| Production | | 976 | 1,306 |
| Other and eliminations | | (341) | 377 |
| Total | | 4,656 | 9,149 |
| | | | |
| **Investments [3]** | | | |
| Crop Nutrition | | 2,235 | 1,462 |
| Industrial | | 291 | 205 |
| Production | | 9,608 | 12,017 |
| Other and eliminations | | 269 | 173 |
| Total | | 12,404 | 13,856 |

1) See page 163 for reconciliation of reconciliation of alternative performance measures.
2) Including amortization and impairment of excess value in equity-accounted investees.
3) Includes investments in property, plant and equipment, intangible assets, equity-accounted investees and other equity investments.

## Alternative Performance Measures [1]

| NOK millions, except percentages | Notes | 2017 | 2016 |
|---|---|---|---|
| | | | |
| **Gross cash flow after tax [2]** | | | |
| Crop Nutrition | | 3,296 | 4,315 |
| Industrial | | 1,043 | 2,228 |
| Production | | 5,794 | 6,245 |
| Other and eliminations | | 363 | 697 |
| Total | | 10,497 | 13,485 |
| | | | |
| **Gross investment [3]** | | | |
| Crop Nutrition | | 28,005 | 27,428 |
| Industrial | | 4,025 | 4,048 |
| Production | | 117,169 | 110,954 |
| Other and eliminations | | 711 | (1,172) |
| Total | | 149,910 | 141,258 |
| | | | |
| **Cash Return on Gross Investment (CROGI)** | | | |
| Crop Nutrition | | 11.8% | 15.7% |
| Industrial [4] | | 25.9% | 55.0% |
| Production | | 4.9% | 5.6% |
| Total [5] | | 7.0% | 9.5% |

1) See page 163 for reconciliation of reconciliation of alternative performance measures.
2) Defined as EBITDA less total tax expense, excluding tax on net foreign currency translation gain/(loss).
3) 12-month average.
4) 2016 includes gain on sale of the European $CO_2$ business.
5) 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.

## Alternative Performance Measures [1)]

| NOK millions, except percentages | Notes | 2017 | 2016 |
|---|---|---|---|
| | | | |
| **Earnings before interest, after tax** | | | |
| Crop Nutrition | | 2,248 | 3,495 |
| Industrial | | 786 | 2,128 |
| Production | | 775 | 869 |
| Other and eliminations | | 224 | 577 |
| Total | | 4,033 | 7,069 |
| | | | |
| **Capital employed** [2)] | | | |
| Crop Nutrition | | 23,627 | 23,826 |
| Industrial | | 3,389 | 3,436 |
| Production | | 73,198 | 68,670 |
| Other and eliminations | | (64) | (1,829) |
| Total | | 100,150 | 94,103 |
| | | | |
| **Return on capital employed (ROCE)** | | | |
| Crop Nutrition | | 9.5% | 14.7% |
| Industrial [3)] | | 23.2% | 61.9% |
| Production | | 1.1% | 1.3% |
| Total [4)] | | 4.0% | 7.5% |

1) See page 163 for reconciliation of alternative performance measures.
2) 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.
3) 2016 includes gain on sale of the European $CO_2$ business.
4) 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.

## Consolidated statement of financial position

| NOK millions | Notes | 2017 | 2016 |
|---|---|---|---|
| | | | |
| **Total assets** [1)] | | | |
| Crop Nutrition | | 34,578 | 33,582 |
| Industrial | | 4,883 | 4,760 |
| Production | | 85,850 | 80,125 |
| Other and eliminations | | 3,935 | 2,038 |
| Total | | 129,246 | 120,505 |
| | | | |
| **Current assets** [1)] | | | |
| Crop Nutrition | | 23,358 | 23,284 |
| Industrial | | 3,565 | 3,337 |
| Production | | 12,718 | 11,733 |
| Other and eliminations | | (473) | (1,787) |
| Total | | 39,168 | 36,567 |
| | | | |
| **Non-current assets** [1)] | | | |
| Crop Nutrition | | 11,219 | 10,298 |
| Industrial | | 1,318 | 1,423 |
| Production | | 73,132 | 68,392 |
| Other and eliminations | | 4,408 | 3,825 |
| Total | | 90,077 | 83,938 |
| | | | |
| **Equity-accounted investees** | | | |
| Crop Nutrition | | 352 | 355 |
| Industrial | | 309 | 290 |
| Production | | 8,318 | 8,545 |
| Total | 14 | 8,979 | 9,190 |

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 | | 2017 | | 2016 |
|---|---|---|---|---|
| | | | | |
| Ammonia | | 7,724 | | 7,889 |
| of which industrial products | 2,611 | | 2,465 | |
| Urea | | 17,872 | | 17,034 |
| of which fertilizer | 11,168 | | 11,048 | |
| of which Yara-produced fertilizer | 4,909 | | 5,289 | |
| of which industrial products | 6,704 | | 4,679 | |
| of which equity-accounted investees | 3,894 | | 3,850 | |
| Nitrate | | 13,314 | | 13,344 |
| of which fertilizer | 11,245 | | 11,248 | |
| of which Yara-produced fertilizer | 10,594 | | 10,447 | |
| of which industrial products | 2,069 | | 1,740 | |
| NPK | | 32,100 | | 32,308 |
| of which Yara-produced compounds | 18,104 | | 17,528 | |
| of which Yara-produced blends | 12,738 | | 13,843 | |
| CN | | 4,279 | | 4,224 |
| of which fertilizer | 3,286 | | 3,319 | |
| of which Yara-produced fertilizer | 3,237 | | 3,265 | |
| of which industrial products | 993 | | 873 | |
| UAN | | 2,023 | | 2,377 |
| of which Yara-produced fertilizer | 1,598 | | 1,926 | |
| DAP/MAP | | 2,489 | | 3,314 |
| MOP/SOP | | 3,831 | | 3,381 |
| SSP | | 1,667 | | 1,844 |
| Other products | | 8,180 | | 9,530 |
| of which industrial products | 2,771 | | 3,208 | |
| Total sales | | 93,479 | | 95,245 |

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) | | Non-current assets 2) | | Investments 2) | |
|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | | | | | | |
| Belgium | 1,482 | 1,457 | 1,734 | 1,623 | 417 | 392 |
| Denmark | 1,319 | 1,472 | 277 | 269 | 19 | 63 |
| Finland | 1,761 | 1,759 | 7,717 | 6,967 | 942 | 1,496 |
| France | 5,328 | 5,341 | 2,115 | 1,541 | 883 | 635 |
| Germany | 3,531 | 3,721 | 2,649 | 2,463 | 384 | 448 |
| Great Britain | 3,846 | 4,414 | 341 | 332 | 63 | 93 |
| Italy | 3,103 | 3,128 | 1,438 | 1,432 | 200 | 175 |
| Spain | 1,615 | 1,489 | 49 | 51 | 1 | 2 |
| Sweden | 1,992 | 2,067 | 2,020 | 1,498 | 561 | 495 |
| The Netherlands | 1,726 | 1,717 | 6,728 | 5,854 | 1,484 | 1,315 |
| Other | 3,605 | 3,715 | 168 | 251 | 80 | 7 |
| Total EU | 29,308 | 30,282 | 25,236 | 22,281 | 5,034 | 5,119 |
| | | | | | | |
| Norway | 1,670 | 1,633 | 9,111 | 8,255 | 1,970 | 3,648 |
| Other Europe | 935 | 1,269 | 1,189 | 1,279 | - | 1 |
| Total Europe | 31,912 | 33,184 | 35,536 | 31,815 | 7,004 | 8,768 |
| | | | | | | |
| Africa | 5,306 | 5,478 | 2,128 | 2,336 | 73 | 600 |
| Asia | 8,777 | 8,259 | 8,395 | 8,597 | 21 | 41 |
| Australia and New Zealand | 1,587 | 1,574 | 9,908 | 11,076 | 115 | 345 |
| United States | 6,885 | 7,221 | 4,459 | 3,760 | 967 | 1,652 |
| Canada | 3,563 | 3,713 | 9,827 | 10,144 | 274 | 198 |
| Brazil | 26,625 | 26,801 | 12,044 | 10,565 | 3,066 | 1,816 |
| Other South and Central America | 8,823 | 9,014 | 2,896 | 2,594 | 883 | 436 |
| Total outside Europe | 61,566 | 62,061 | 49,657 | 49,072 | 5,399 | 5,088 |
| | | | | | | |
| Total | 93,479 | 95,245 | 85,193 | 80,887 | 12,403 | 13,856 |

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 6 Other income

| NOK millions | Notes | 2017 | 2016 |
|---|---|---|---|
| | | | |
| Gain from divestment of the European $CO_2$ business | 4 | - | 1,552 |
| Carbon tax refund | | 57 | - |
| Gain from sale of white certificates | | 117 | 107 |
| Gain on swap of mineral rights | | - | 44 |
| Gain from sale of land | | 83 | - |
| Insurance compensations | | 108 | 64 |
| Other | | 81 | 100 |
| Total | | 446 | 1,867 |

# Note 7 Operating costs and expenses

| NOK millions | Notes | 2017 | 2016 |
|---|---|---|---|
| | | | |
| **Raw material, energy costs and freight expenses** | | | |
| Raw material and energy costs | | (53,547) | (51,955) |
| Freight expense | | (7,626) | (7,170) |
| Other production related costs | | (9,609) | (9,518) |
| Total | | (70,782) | (68,644) |
| | | | |
| **Payroll and related costs** | | | |
| Salaries | | (6,772) | (6,625) |
| Social security costs | | (1,233) | (1,161) |
| Social benefits | | (66) | (70) |
| Net periodic pension cost | 24,25 | (900) | (664) |
| Total | | (8,970) | (8,520) |
| | | | |
| **Other operating expenses** | | | |
| Selling and administrative expense | | (1,832) | (1,823) |
| Rental of buildings etc. | | (295) | (275) |
| Travel expense | | (494) | (441) |
| Gain /(loss) on trade receivables | | (117) | (154) |
| Fees auditors, lawyers, consultants | | (895) | (736) |
| Other expenses | | (656) | (419) |
| Total | | (4,289) | (3,847) |
| | | | |
| Research costs [1] | | (371) | (312) |

1) Yara has focused on orienting research and development resources towards commercial activities, both with respect to process and product improvements and agronomical activities.

# Note 8 Depreciation and amortization

| NOK millions | Notes | 2017 | 2016 |
|---|---|---|---|
| | | | |
| Depreciation of property, plant and equipment | 13 | (5,581) | (5,109) |
| Amortization of intangible assets | 12 | (379) | (771) |
| Total depreciation and amortization | | (5,960) | (5,880) |

# Note 9 Financial income and expenses

| NOK millions | Notes | 2017 | 2016 |
|---|---|---|---|
| | | | |
| Interest income on customer credits | | 502 | 529 |
| Interest income, other | | 116 | 161 |
| Dividends and net gain/(loss) on securities | | 16 | 36 |
| Interest income and other financial income | | 634 | 725 |
| | | | |
| Net foreign currency translation gain/(loss) | 29 | 826 | 115 |
| | | | |
| Interest expense | | (1,048) | (1,071) |
| Capitalized interest | 13 | 581 | 364 |
| Net interest on net long-term employee benefit obligations | 25 | (67) | (66) |
| Reclassification adjustments cash flow hedge [1] | 30 | (6) | (6) |
| Other financial expense | | (137) | (122) |
| Interest expense and other financial expense | | (678) | (901) |
| | | | |
| Net financial income/(expense) | | 782 | (61) |

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

The foreign currency translation gain this year of NOK 826 million comprises a gain of NOK 693 million on Yara's US dollar debt and a gain of NOK 133 million on internal positions in other currencies than USD. Corresponding figures a year ago were a NOK 730 million loss on US dollar positions and a NOK 845 million gain on internal currency positions.

# Note 10 Income tax expense

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

| NOK millions | 2017 | 2016 |
|---|---|---|
| | | |
| **Consolidated statement of income** | | |
| **Current taxes** | | |
| Current year | (1,668) | (1,798) |
| Prior years adjustment | 68 | 149 |
| Total | (1,600) | (1,649) |
| | | |
| **Deferred taxes** | | |
| Deferred tax income/(expense) recognized in the current year | 1,415 | 157 |
| Adjustments to deferred tax attributable to changes in tax rates and laws | 77 | (28) |
| (Write-downs)/reversal of previous write-downs of deferred tax assets | (707) | (521) |
| Total | 785 | (391) |
| Total tax income/(expense) recognized in statement of consolidated income | (815) | (2,041) |
| | | |
| **Other comprehensive income** | | |
| **Current tax** | | |
| Hedge of net investment | (86) | (36) |
| Intercompany currency effect on debt treated as part of net investment | 22 | (105) |
| Total current tax | (64) | (141) |
| | | |
| **Deferred tax** | | |
| Pensions | (152) | 197 |
| Available-for-sale financial assets | 6 | 5 |
| Total | (146) | 201 |
| | | |
| **Reclassification adjustments to OCI** | | |
| Cash flow hedges | (1) | (1) |
| Total | (1) | (1) |
| | | |
| Total tax income/(expense) recognized directly in other comprehensive income | (211) | 59 |
| | | |
| Total tax income/(expense) recognized in comprehensive income | (1,025) | (1,982) |

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 | 2017 | | 2016 | |
|---|---|---|---|---|
| | | | | |
| Income before tax | | 4,803 | | 8,363 |
| | | | | |
| Expected income taxes at statutory tax rate [1] | 24% | (1,153) | 25% | (2,091) |
| | | | | |
| **Tax effect of the following items** | | | | |
| Tax law changes | (2.4%) | 116 | 0.1% | (11) |
| Foreign tax rate differences | (5.3%) | 253 | (5.8%) | 483 |
| Unused tax losses and tax offsets not recognized as deferred tax assets | 15.1% | (727) | 7.1% | (593) |
| Previously unrecognized and unused tax losses and deductible temporary differences now recognized as deferred tax assets | (1.7%) | 82 | (2.4%) | 202 |
| Non-deductible expenses | 1.3% | (61) | 1.3% | (111) |
| Share of net income equity-accounted investees | (1.3%) | 61 | 1.1% | (94) |
| Tax free income/(non-deductible loss) from sale of subsidiaries and associates [2] | 0.2% | (12) | (3.2%) | 271 |
| Tax free income miscellaneous | (0.8%) | 39 | (1.5%) | 122 |
| Prior years adjustment | (1.4%) | 68 | (1.8%) | 149 |
| Withholding tax | 2.5% | (122) | 0.8% | (68) |
| Tax step-up Brazil | (4.3%) | 206 | - | - |
| Group internal merge | (11.0%) | 530 | - | - |
| Other, net | 2.0% | (96) | 3.6% | (301) |
| Total income tax expense | | (815) | | (2,041) |
| | | | | |
| Effective tax rate | | 17.0% | | 24.4% |

1) Calculated as Norwegian nominal statutory tax rate of 24% (2016: 25%) applied to income before tax.
2) Tax free income from sale of European $CO_2$ Business in 2016.

### Tax effects from reorganization of corporate structures in Brazil and Europe

Yara recognized a reduction to deferred tax liabilities of NOK 530 million following a group internal merge in Europe. The merge led to a settlement of internal loans with accumulated currency gains which will not generate taxable income. Also in fourth quarter 2017, Yara merged two legal companies in Brazil which resulted in an increased tax base and positive income tax effect of NOK 206 million.

### 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 at 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.

## 2017

| NOK millions | Opening balance | Charged to income | Reclassified from equity to profit or loss | Changes in tax rate | Recognized in other comprehen-sive income | Acquisitions/ disposals | Foreign currency translation | Closing balance |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | |
| **Non-current items** | | | | | | | | |
| Intangible assets | (235) | 97 | - | 5 | - | (5) | 8 | (131) |
| Property, plant and equipment | (3,446) | 295 | - | 128 | - | (25) | (39) | (3,087) |
| Pensions | 770 | 23 | - | (8) | (152) | 1 | 27 | 662 |
| Equity securities available-for-sale | (6) | - | - | - | 6 | - | - | - |
| Other non-current assets | (1,160) | 139 | - | 60 | - | - | 16 | (946) |
| Other non-current liabilities and accruals | 666 | (237) | (1) | (20) | - | 20 | (19) | 408 |
| Total | (3,411) | 317 | (1) | 165 | (146) | (9) | (8) | (3,093) |
| | | | | | | | | |
| **Current items** | | | | | | | | |
| Inventory valuation | 97 | 16 | - | (28) | - | (1) | (18) | 66 |
| Accrued expenses | 266 | 48 | - | (13) | - | (3) | (17) | 281 |
| Total | 363 | 64 | - | (41) | - | (4) | (35) | 348 |
| | | | | | | | | |
| Tax loss carry forwards | 3,289 | 1,010 | - | (49) | - | - | 53 | 4,303 |
| Unused tax credits | 1 | 24 | - | - | - | - | 1 | 25 |
| Valuation allowance | (2,054) | (707) | - | 4 | - | 3 | 100 | (2,653) |
| Net deferred tax asset/(liability) | (1,812) | 708 | (1) | 77 | (146) | (10) | 111 | (1,071) |

## 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 | 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 Australian tax base in 2016

Following the acquisition of the remaining 49% of Yara Pilbara Holding, Yara achieved NOK 814 million positive adjustment to the net deferred tax position.

### Valuation allowance on deferred tax assets

| NOK millions | 2017 | 2016 |
|---|---|---|
| | | |
| **Unrecognized deferred tax assets are attributable to the following** | | |
| Tax losses | 2,235 | 1,671 |
| Deductible temporary differences | 419 | 383 |
| Total | 2,653 | 2,054 |

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 1,603 million (2016: NOK 1,287 million). The increase is due to a later expected utilization of tax losses.

### Specification of expiration of tax loss carry forwards

| NOK millions | 2017 |
|---|---|
| | |
| 2018 | 69 |
| 2019 | 82 |
| 2020 | 88 |
| 2021 | 397 |
| 2022 | 43 |
| After 2022 | 336 |
| Without expiration | 13,758 |
| Total tax loss carry forwards | 14,774 |
| | |
| Deferred tax effect of tax loss carry forwards | 4,303 |
| Valuation allowance on tax loss carry forwards | (2,235) |
| Recognized in the statement of financial position | 2,068 |

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 | 2017 | 2016 |
|---|---|---|
| | | |
| Deferred tax assets | 3,040 | 2,585 |
| Deferred tax liabilities | (4,112) | (4,396) |
| Net deferred tax asset/(liability) | (1,071) | (1,812) |

Undistributed earnings of foreign subsidiaries and in foreign associates and joint arrangements is amounting to approximately NOK 79 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 51 million is recognized.

## Note 11 Earnings per share

| NOK millions, except share information | 2017 | 2016 |
|---|---|---|
| | | |
| **Earnings** | | |
| Net income for the purposes of basic earnings per share (profit for the year attributable to the equity holders of Yara International ASA) | 3,948 | 6,360 |
| | | |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 273,217,830 | 273,499,403 |
| | | |
| Earnings per share | 14.45 | 23.25 |

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 22.

# Note 12 Intangible assets

## 2017

| NOK millions, except percentages | Goodwill | Exploration and evaluation assets [1] | Supplier contracts | Software | Other intangibles [2] | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Balance at 1 January | 7,312 | 490 | 6 | 1,121 | 3,164 | 12,095 |
| Addition at cost | - | 19 | - | 87 | 376 | 482 |
| Derecognition | (1) | - | - | (116) | (226) | (343) |
| Acquisition new companies | 140 | - | - | - | 26 | 165 |
| Transfer | - | (8) | - | 124 | (103) | 13 |
| Foreign currency translation | (30) | (3) | 1 | 28 | (17) | (21) |
| Balance at 31 December | 7,421 | 497 | 7 | 1,245 | 3,220 | 12,391 |
| **Amortization and impairment** | | | | | | |
| Balance at 1 January | (311) | (258) | (2) | (753) | (1,587) | (2,912) |
| Amortization | - | - | (1) | (174) | (204) | (379) |
| Impairment loss [3] | (22) | - | - | - | (140) | (162) |
| Derecognition | - | - | - | 116 | 34 | 150 |
| Transfer | - | - | - | 1 | (6) | (5) |
| Foreign currency translation | 2 | (13) | (1) | (29) | 14 | (27) |
| Balance at 31 December | (332) | (270) | (4) | (839) | (1,889) | (3,336) |
| **Carrying value** | | | | | | |
| Balance at 1 January | 7,001 | 234 | 4 | 369 | 1,577 | 9,183 |
| Balance at 31 December | 7,088 | 227 | 3 | 406 | 1,331 | 9,055 |
| Useful life in years | | | 5 | 3 - 5 | 3 - 15 | |
| Amortization rate | | | 20% | 20 - 35% | 5 - 35% | |

1) Exploration and evaluation assets are intangible assets under development and are not amortized.
2) Other intangibles comprises mainly customer relationships, patents and trademarks. It also includes intangibles under construction.
3) Impairment loss of other intangibles is mainly related to impairment of technology rights. See note 17 for more information.

## 2016

| NOK millions, except percentages | Goodwill | Exploration and evaluation assets [1] | Supplier contracts | Software | Other intangibles [2] | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Balance at 1 January | 7,168 | 475 | 2,350 | 978 | 3,072 | 14,043 |
| Addition at cost | - | 8 | - | 96 | 167 | 271 |
| Derecognition | - | - | (2,239) | (10) | (127) | (2,376) |
| Acquisition new companies | 100 | - | - | - | 55 | 155 |
| Transfer | - | (23) | - | 73 | (26) | 25 |
| Foreign currency translation | 44 | 30 | (105) | (15) | 23 | (23) |
| Balance at 31 December | 7,312 | 490 | 6 | 1,121 | 3,164 | 12,095 |
| **Amortization and impairment** | | | | | | |
| Balance at 1 January | (152) | (267) | (1,918) | (636) | (1,488) | (4,460) |
| Amortization | - | - | (408) | (138) | (225) | (771) |
| Impairment loss [3] | (165) | - | - | - | (4) | (169) |
| Derecognition | - | - | 2,239 | 6 | 118 | 2,363 |
| Foreign currency translation | 5 | 9 | 84 | 16 | 12 | 126 |
| Balance at 31 December | (311) | (258) | (2) | (753) | (1,587) | (2,912) |
| **Carrying value** | | | | | | |
| Balance at 1 January | 7,016 | 208 | 433 | 342 | 1,584 | 9,583 |
| Balance at 31 December | 7,001 | 233 | 4 | 369 | 1,577 | 9,183 |
| Useful life in years | | | 5 | 3 - 5 | 3 - 15 | |
| Amortization rate | | | 20% | 20 - 35% | 5 - 35% | |

1) Exploration and evaluation assets are intangible assets under development, and are not amortized.
2) Other intangibles comprises mainly customer relationships, patents and trademarks.
3) Impairment loss mainly related to the Dallol mining project. See note 17 for more information.

### Assets used as security

No intangible assets were pledged as security in 2017 or 2016. See note 32 for more information.

# Note 13 Property, plant and equipment

## 2017

| NOK millions, except percentages | Land | Machinery and equipment | Buildings | Asset under construction | Vessels | Other | Total |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| **Cost** | | | | | | | |
| Balance at 1 January | 1,903 | 66,868 | 14,360 | 16,582 | 2,412 | 960 | 103,084 |
| Addition at cost | 6 | 2,900 | 574 | 8,114 | - | 23 | 11,617 |
| Derecognition | (33) | (1,637) | (191) | (291) | - | - | (2,152) |
| Acquisition new companies | - | 34 | 51 | 54 | - | - | 139 |
| Transfers [1] | 65 | 4,143 | 2,620 | (6,778) | - | - | 50 |
| Foreign currency translation | (14) | 2,441 | 219 | (508) | (118) | 11 | 2,031 |
| Balance at 31 December | 1,927 | 74,748 | 17,633 | 17,173 | 2,294 | 995 | 114,770 |
| | | | | | - | | |
| **Depreciation and impairment** | | | | | - | | |
| Balance at 1 January | (44) | (37,597) | (5,291) | (69) | (72) | (273) | (43,346) |
| Depreciation | - | (4,607) | (784) | - | (110) | (80) | (5,581) |
| Impairment loss [2] | (10) | (197) | (76) | (68) | - | - | (359) |
| Reversed impairment | - | 17 | 2 | - | - | - | 19 |
| Derecognition | - | 1,396 | 118 | - | - | - | 1,513 |
| Transfers | (2) | 75 | (119) | 48 | - | - | 3 |
| Foreign currency translation | (2) | (1,655) | (134) | 5 | 4 | (6) | (1,788) |
| Balance at 31 December | (58) | (42,570) | (6,282) | (84) | (178) | (359) | (49,532) |
| | | | | | | | |
| **Carrying value** | | | | | | | |
| Balance at 1 January | 1,859 | 29,270 | 9,069 | 16,514 | 2,340 | 687 | 59,739 |
| Balance at 31 December | 1,869 | 32,178 [3] | 11,351 [4] | 17,089 | 2,116 | 636 | 65,238 |
| | | | | | | | |
| Useful life in years | | 4 - 20 | 20 - 50 | | 20 | 5 - 10 | |
| Depreciation rate | | 5 - 25% | 2 - 5% | | 5% | 10 - 20% | |

1) The construction of one new factory was completed in 2017 leading to significant transfers from assets under construction to the categories of Machinery/equipment and Buildings.
2) Impairments are mainly related to the Montoir plant, the Helsingborg plant and a Crop Nutrition sales unit in Africa. For more information, please see note 17 Impairment of non-current assets.
3) Includes net carrying value related to finance leases of NOK 121 million.
4) Includes net carrying value related to finance leases of NOK 118 million.

## 2016

| NOK millions, except percentages | Land | Machinery and equipment | Buildings | Asset under construction | Vessels | 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 [1] | (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 | 7,879 | 11,138 | 6 | 646 | 52,424 |
| Balance at 31 December | 1,859 | 29,270 [2] | 9,069 [3] | 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) Impairments are mainly related to Pardies, Montoir and Trinidad plants. For more information, please see note 17 Impairment of non-current assets.
2) Includes net carrying value related to finance leases of NOK 136 million.
3) Includes net carrying value related to finance leases of NOK 117 million.

### Assets used as security

Property, plant and equipment pledged as security was NOK 301 million in 2017 (2016: NOK 456 million).

### Government grants

Government grants related to assets have been recognized as deduction to the carrying value by reducing “Addition at cost” with NOK 15 million in 2017 (2016: NOK 39 million).

### Borrowing costs

The amount of borrowing cost capitalized amounted to NOK 581 million in 2017 (2016: NOK 364 million). The average rate for the borrowing cost capitalized was 6.6% in 2017.

### Compensations

Compensations from insurance companies recognized in the consolidated statement of income amounted to NOK 5 million in 2017 (2016: NOK 4 million).

## Note 14 Associated companies and joint ventures

### 2017

| 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 | 8,433 | 2 [1] | 164 | - | 164 | - | 34 | (414) | 8,210 |
| Other | 757 | (20) | 83 | (2) | 81 | (68) | (1) | 10 | 768 |
| Total | 9,190 | (18) | 247 | (2) | 245 | (68) | 34 | (404) | 8,978 |

1) Profit attributable to foreign shareholder (Yara) is subject to tax in Qatar. The tax is paid by Qafco, but refunded by Yara.

### 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 was NOK 284 million. See note 17 for more information.

Due to it being impractical to obtain financial report at the same reporting date as Yara uses, there is for some of the associated companies and 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 2017 [1] | Sales from Investees to Yara Group [2] | | Yara's current receivables/ (payables) net with investees | |
|---|---|---|---|---|---|---|
| | | | 2017 | 2016 | 2017 | 2016 |
| Lifeco | Libya | 49.5% | (540) | (700) | 41 | 71 |
| Other | | | (146) | (129) | 7 | (9) |
| Total | | | (686) | (829) | 48 | 62 |

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

### Business in equity-accounted investees

#### Qafco (Qatar)

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 3.7 and 5.7 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.

#### Lifeco (Libya)

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 850,000 tonnes of urea and 120,000 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. In 2015, Yara made an impairment write-down of its investment in Lifeco of NOK 893 million, which was triggered by the worsening security outlook in Libya. The plant did operate throughout all of 2017, but with operating losses and at less than 50% load primarily 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.

### 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 2017 | | | 31 December 2016 | | |
|---|---|---|---|---|---|---|
| | Qafco | Lifeco | Others | Qafco | Lifeco | Others |
| Cash and cash equivalents | 3,711 | 335 | 239 | 6,213 | 748 | 376 |
| Current assets excluding cash and cash equivalents | 3,539 | 949 | 1,665 | 3,355 | 847 | 1,788 |
| Non-current assets [1] | 28,785 | 428 | 959 | 32,238 | 152 | 1,473 |
| Current liabilities | (2,098) | (2,132) | (1,033) | (7,340) | (1,897) | (1,279) |
| Non-current liabilities | (709) | - | (150) | (774) | - | (360) |
| Non-controlling interest | (443) | - | (35) | (426) | - | (32) |
| Net assets | 32,785 | (420) | 1,645 | 33,266 | (151) | 1,966 |
| % Share of Yara | 25.0% | 49.5% | | 25.0% | 49.5% | |
| Yara's share of total equity | 8,196 | (208) | 709 | 8,316 | (76) | 728 |
| Reclassified to asset held-for-sale | - | - | - | - | - | - |
| Tax effect of Qafco [1] | 14 | - | - | 117 | - | - |
| Losses not recognized by Yara [2] | - | 208 | - | - | 76 | - |
| Goodwill and fair value adjustments | - | - | 59 | - | - | 29 |
| Yara's share of total equity (carrying amount) | 8,210 | - | 768 | 8,433 | - | 757 |

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) | | 2017 Qafco | 2017 Lifeco | 2017 Others | 2016 Qafco | 2016 Lifeco | 2016 Others |
|---|---|---|---|---|---|---|---|
| Total operating revenues | | 11,783 | 565 | 5,379 | 10,991 | 741 | 4,215 |
| Interest income | | 308 | - | 22 | - | 1 | 18 |
| Depreciation, amortization & impairment loss | | (2,365) | (206) | (86) | (4,368) | (210) | (67) |
| Operating income | | 1,126 | (452) | 310 | (2,738) | (157) | 238 |
| Interest expense | | (240) | - | (62) | (293) | - | (12) |
| Income tax expense | | - | - | (68) | - | - | (30) |
| Non-controlling interest | | (46) | - | (17) | 644 | - | (17) |
| Net income (100%) | A | 1,143 | (472) | 159 | (2,262) | (165) | 183 |
| % Share of Yara | | 25.0% | 49.5% | | 25.0% | 49.5% | |
| Yara's share of net income | | 286 | (234) | | (566) | (83) | |
| Tax effect of Qafco [1] | | (98) | - | | 117 | - | |
| Losses not recognized by Yara [2] | | - | 234 | | - | 73 | |
| Yara group elimination | | (23) | - | | 10 | | |
| Currency translation effects [3] | | (1) | - | | (11) | - | |
| Yara's share of net income (as per books) | | 164 | - | 81 | (449) | (10) | 111 |
| Net other comprehensive income that may be reclassified to profit and loss account in subsequent period | | 136 | - | (2) | 175 | - | 2 |
| Net other comprehensive income that will not be reclassified to profit and loss account in subsequent period | | - | - | - | - | - | - |
| Total other comprehensive income, net of tax (100%) | B | 136 | - | (2) | 175 | - | 2 |
| % Share of Yara | | 25.0% | 49.5% | | 25.0% | 49.5% | |
| Yara's share of other comprehensive income, net of tax | | 34 | - | | 45 | - | |
| Total comprehensive income | C=A+B | 1,279 | (472) | 157 | (2,087) | (165) | 186 |

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 15 Joint operations

Yara has three investments that are classified as joint operations:

### Yara Pilbara Nitrates

Yara and Orica have constructed a technical ammonium nitrate (TAN) plant next to Yara's existing ammonia plant in the Pilbara region of Australia. The plant has an annual production capacity of about 330,000 metric tonnes of TAN and will primarily supply the mining operations in the region. During 2017, Yara sold 5% of its ownership share so as of 31 December 2017, the company is 50% owned by Yara and 50% by Orica.

### Tringen

Tringen owns an ammonia complex consisting of two separate ammonia plants in Trinidad 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 near completion and is expected to commence commercial operations in first quarter 2018. 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 50%, 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 2017 | | | | 31 Dec 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| 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 | 30 | - | - | 30 | - | - | - | - |
| Intangible assets | 4 | - | 4 | 8 | 5 | - | - | 5 |
| Property, plant and equipment | 3,312 | 612 | 2,383 | 6,307 | 3,925 | 645 | 1,979 | 6,549 |
| Other non-current assets | 48 | 1 | - | 49 | - | 1 | - | 1 |
| Total non-current assets | 3,394 | 613 | 2,387 | 6,394 | 3,931 | 645 | 1,979 | 6,555 |
| Inventories | 22 | 96 | - | 118 | 21 | 98 | - | 119 |
| External trade receivables | 52 | - | - | 52 | - | - | - | - |
| Internal trade receivables | - | 69 | - | 69 | - | 71 | - | 71 |
| Prepaid expenses and other current assets | 11 | 150 | 3 | 165 | 16 | 143 | 12 | 171 |
| Cash and cash equivalents | 121 | 32 | 24 | 177 | 39 | 59 | 11 | 110 |
| Total current assets | 206 | 348 | 27 | 580 | 76 | 371 | 23 | 470 |
| Total assets | 3,600 | 961 | 2,414 | 6,974 | 4,007 | 1,016 | 2,002 | 7,025 |
| | | | | | | | | |
| Total equity | 1,560 | 432 | 2,095 | 4,087 | 668 | 453 | 1,735 | 2,857 |
| | | | | | | | | |
| **Liabilities** | | | | | | | | |
| Employee benefits | - | 109 | - | 109 | - | 105 | - | 105 |
| Deferred tax liabilities | - | 47 | 21 | 68 | 26 | 58 | 17 | 100 |
| Other long-term liabilities | - | - | 106 | 106 | - | - | 156 | 156 |
| Long-term provisions | 141 | - | - | 141 | 131 | - | - | 131 |
| External long-term interest-bearing debt | - | 100 | - | 100 | - | 105 | - | 105 |
| Internal long-term interest-bearing debt | 1,785 | - | - | 1,785 | 3,167 | - | - | 3,167 |
| Total non-current liabilities | 1,926 | 256 | 128 | 2,309 | 3,324 | 268 | 173 | 3,765 |
| External trade and other payables | 82 | 152 | 190 | 424 | 5 | 111 | 92 | 209 |
| Internal trade and other payables | 17 | 21 | - | 37 | 9 | 15 | - | 25 |
| Current tax liabilities | - | - | - | - | - | - | 1 | 1 |
| Other short-term liabilities | 15 | - | 1 | 16 | - | - | - | - |
| Bank loans and other interest-bearing short-term debt | - | 100 | - | 100 | - | 169 | - | 169 |
| Total current liabilities | 114 | 273 | 191 | 578 | 15 | 296 | 94 | 404 |
| Total equity and liabilities | 3,600 | 960 | 2,414 | 6,974 | 4,007 | 1,017 | 2,002 | 7,025 |

### Income statement

| NOK millions (unaudited) | 2017 Yara Pilbara Nitrates | 2017 Tringen | 2017 Yara Freeport LLC DBA Texas Ammonia | 2017 Yara's share of consolidated Joint Operations | 2016 Yara Pilbara Nitrates | 2016 Tringen | 2016 Yara Freeport LLC DBA Texas Ammonia | 2016 Yara's share of consolidated Joint Operations |
|---|---|---|---|---|---|---|---|---|
| Revenue and other income | (3) | 807 | - | 804 | - | 898 | - | 898 |
| Operating costs and expenses | (168) | (699) | (43) | (910) | (159) | (778) | (26) | (963) |
| Operating income/(loss) | (171) | 108 | (43) | (106) | (159) | 121 | (26) | (64) |
| Earnings before interest expense and tax (EBIT) | (170) | 109 | (43) | (104) | (159) | 121 | (26) | (64) |
| Income before tax | (200) | 98 | (43) | (145) | (165) | 112 | (26) | (79) |
| Income tax expense | 60 | (43) | (4) | 13 | (61) | (37) | (12) | (110) |
| Non-controlling interests | - | - | - | - | - | - | - | - |
| Net income | (141) | 55 | (47) | (132) | (225) | 75 | (38) | (189) |

# Note 16 Other non-current assets

| NOK millions | Notes | 2017 | 2016 |
|---|---|---|---|
| Prepayments for long-term employee obligations | 24 | 740 | 415 |
| Equity investments available-for-sale | 29 | 196 | 182 |
| Interest rate swap designated as hedging instrument | 29 | 10 | 2 |
| Prepayment for property, plant and equipment | | 792 | 736 |
| Long-term loans and receivables [1] | | 2,028 | 1,907 |
| Total | | 3,766 | 3,242 |

1) Long-term loans and receivables are mainly related to tax and VAT credits. Tax credits in Brazil amounts to NOK 1,097 million (2016: NOK 955 million).

# Note 17 Impairment on non-current assets

## Recognized impairment loss

| NOK millions | 2017 | 2016 |
|---|---|---|
| | | |
| **Asset class** | | |
| Goodwill | (22) | (165) |
| Other intangible assets | (140) | (4) |
| Property, plant and equipment | (359) | (404) |
| Reversal of impairment | 19 | 26 |
| Impairment loss of intangible assets and property, plant and equipment | (502) | (546) |
| Equity-accounted investees [1] | - | (284) |
| Total impairment of non-current assets | (502) | (830) |

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

| NOK millions | 2017 | 2016 |
|---|---|---|
| | | |
| **Segment split** | | |
| Production | (181) | (752) |
| Crop Nutrition | (163) | (77) |
| Industrial | (158) | - |
| Other | - | - |
| Net impairment loss | (502) | (830) |

### Impairment charges in 2017

Impairment of other intangible assets is mainly related to technology rights for small scale production of ammonium nitrate with NOK 73 million, following a decision by Yara to discontinue the development of a pilot plant in Porsgrunn. The charge is reflected in the Industrial segment, together with related impairment of property, plant and equipment of NOK 45 million. The decision to discontinue the pilot plant construction was taken after a review of Yara's capital allocation priorities.

The largest impairment of property, plant and equipment during 2017 is related to the Montoir plant (France) with NOK 147 million. The loss is triggered by a further reduction in forecasted 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 remaining impairment charge comprises a number of smaller impairments, of which the largest is related to a fertilizer terminal in Africa with NOK 56 million.

### Impairment charges in 2016

The goodwill impairment charge in 2016 was NOK 165 million, of which NOK 140 million was 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 resulted in the impairment charge.

The impairment of property, plant and equipment in 2016 was NOK 404 million, of which NOK 136 million relates to the Montoir plant (France) and NOK 116 million relates to the Trinidad plant. The impairment was mainly caused by a further reduction to forecasted sales prices.

Yara's equity accounted investee Qafco reported impairments in 2016, mainly related its melamine plant investment. Yara's 25% share of the impairments was NOK 284 million, which was reported within the line "share of net income in equity accounted investees" in the income statement.

### 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 various impairment indicators. The recoverable amounts for units with allocated goodwill have been determined based on "value-in-use".

### Main assumptions

Discount rate

Discount rates used in the calculation of "value-in-use" reflect the current market assessment of the risks specific to each cash generating unit. The discount rates were estimated based on the weighted average cost of capital for the industry. This rate was further adjusted to reflect the currency in which the CGU operates and market assessments of any risk specific to the CGU for which future estimates of cash flows have not been adjusted.

Currency rates and inflation

The value-in-use calculation is performed in the most relevant currency for the CGU. When converting foreign currency cash flows to the testing currency, Yara uses the forecasted annual average rates estimated by IHS based on the "purchasing power parity" (PPP) principle. The projections include long term inflation (CPI) in which each CGU is located.

Testing of Production plants

The valuation of Yara's production plants are based on Yara's long-term commodity price and energy price forecasts. Due to the cyclicality of the fertilizer industry, Yara includes cash flow projections for a longer period than five years. Despite a relatively steady growth in market demand, history shows that there are periods with oversupply. Yara's internal commodity forecasts reflect its assessment of the supply/demand balance in the short to medium term. After a period of maximum eight years, all the main commodity sales price assumptions reflect an annual nominal growth that are not exceeding the relevant inflation rates. The main assumptions for the impairment testing of Yara's plants are:

- Fertilizer prices
  The urea price is the most important assumption when testing nitrogen fertilizer plants for impairment, as urea is the global price setter for commodity nitrogen. Yara's nitrate and NPK prices are estimated using urea as the base adding the estimated premiums on top of the commodity value of the nutrient. These premiums reflect an agronomic value-add of the products, and the estimated premiums for each plant are based on historically achieved premiums above the Yara average premium in main markets. For both NPK and nitrates, internally developed forecasts are used since there are no active forward markets for these products. External market intelligence reports are used as one of many input factors.

- Ammonia prices
  For a number of Yara's plants, the ammonia price is a key assumption for calculating the value-in-use. Some plants are net buyers of ammonia, in which case increased ammonia prices has a negative impact on earnings while other plants are net sellers of ammonia and these plants will benefit from higher ammonia prices. Internally developed price forecasts are used since there is no active forward market for ammonia. External market intelligence reports are used as one of many input factors.

- Natural gas purchase prices
  Natural gas is the most important cost factor for several of Yara's production plants. Yara maximizes the use of observable gas market input for the purpose of impairment testing. For certain regions, where no liquid market for natural gas exists, Yara prepares internal forecasts based on the expected supply/demand balance.

- Production reliability
  Production reliability is important for the plants' profitability as this impacts both the production volume and the energy consumption factor (energy per ton produced). The reliability assumption is plant specific, taking into consideration the historical experienced reliability and implemented improvement initiatives.

- Capital expenditures
  Ammonia and finished fertilizer plants require significant maintenance investments. The estimated amounts reflect past experience and plant specific knowledge. 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.

Testing of Crop Nutrition and Industrial units

Crop Nutrition markets and distributes a complete range of crop nutrition products, technologies and knowledge globally. The Industrial segment develops and markets environmental solutions and essential products for industrial applications. By combining knowledge with the product, both segments are able to create value over and above the commodity value of the product. The premiums and earnings generated in these two segments are generally more stable than in the Production segment, which is exposed to price volatility on both sales prices and input costs. Management forecasts are used for a period not exceeding five years with the first year derived from the CGU's business plan. After a period of five year, Yara uses a steady growth rate that is not exceeding the growth for the products, industry or countries in which the CGUs operate. The growth rate is maximum 2% (nominal) after year five.

### Cash generating units with goodwill

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

| | Goodwill | | Discount rate pre tax | |
|---|---|---|---|---|
| NOK millions, except percentages | 2017 | 2016 | 2017 | 2016 |
| | | | | |
| **Production** | | | | |
| Belle Plaine (Canada) | 2,300 | 2,248 | 8.2% | 8.9% |
| Pilbara Ammonia (Australia) | 907 | 953 | 8.0% | 8.7% |
| Finland | 774 | 717 | 6.5% | 7.8% |
| Galvani (Brazil) | 473 | 506 | 16.1% | 15.1% |
| Ammonia Trade and Supply (Switzerland) | 453 | 476 | 7.4% | 8.6% |
| Dallol (Ethiopia) | 4 | 4 | 15.0% | 16.1% |
| Other Production 1) | 70 | 53 | | |
| Total Production | 4,980 | 4,957 | | |
| | | | | |
| **Crop Nutrition** | | | | |
| Crop Nutrition segment allocation | 679 | 714 | 10.2% | 10.6% |
| Brazil | 407 | 435 | 12.2% | 15.0% |
| Belle Plaine (Canada) | 129 | 126 | 7.2% | 8.4% |
| Latin America | 128 | 135 | 13.9% | 13.9% |
| Other Crop Nutrition 1) | 414 | 328 | | |
| Total Crop Nutrition | 1,756 | 1,738 | | |
| | | | | |
| **Industrial** | | | | |
| Environmental Solutions Maritime | 154 | 147 | 9.4% | 8.3% |
| Environmental Solutions Stationary | 75 | 71 | 9.4% | 8.7% |
| Other Industrial 1) | 123 | 89 | | |
| Total Industrial | 352 | 307 | | |
| | | | | |
| Total | 7,088 | 7,001 | | |

1) Goodwill presented within "Other" per segment are allocated to various cash generating units but presented together due to materiality.

**Sensitivities for main CGUs with allocated goodwill**

Production Belle Plaine

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, but some of the ammonia is sold for agricultural purposes during peak ammonia seasons. The CGU's value-in-use is significantly higher than the carrying amount. No reasonable possible change in any of the key assumptions would cause the unit's recoverable amount to be lower than the carrying value.

Production Pilbara Ammonia

This is an ammonia plant located in Western Australia with an annual production capability of approximately 850,000 tonnes. The CGU has a carrying amount of NOK 6.5 billion and a value-in-use that is 70% higher. The key assumptions for the testing are the ammonia selling price, the natural gas cost after the expiration of the long-term gas contract in 2022 and the discount rate. An individual reduction of the ammonia price of 16% for all years, an increase of the natural gas cost after 2022 of 32% or an increase of the post-tax discount rate of 4% points would reduce the headroom to nil.

Production Finland

Production Finland has several production sites. The Siilinjärvi site produces mainly NPK 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 CGU has a carrying amount of NOK 7.8 billion and a value-in-use that is 50% higher. The key assumptions for the testing are the urea selling price, the ammonia purchase price and the discount rate. An individual reduction of the urea price of 15% for all years, an increase of the ammonia cost of 23% for all years or an increase of the post-tax discount rate of 2% points would reduce the headroom to nil.

Production Galvani

Galvani, which is a subsidiary owned 60% by Yara, 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. A new phosphate mine, Salitre, is under development with expected start-up of phosphate rock extraction in second quarter 2018. The Salitre mine will increase the beneficiation of rock with around 1 million tonnes, to approximately 1.45 million tonnes. The related chemical plant is expected to commence operations in late-2019. The CGU has a carrying amount of NOK 7 billion. The key assumptions for the testing of Galvani is the long term TSP selling price, which is the most relevant phosphate price to base the assumptions on, the increase of rock beneficiation volume following the Salitre expansion and the discount rate. The selling price assumptions are based on Yara's own projections.

Production Ammonia Trade and Supply

The global ammonia trade and supply unit is supplying and/or off-taking the necessary ammonia volumes for Yara's production plants. The CGU also includes five Yara owned LPG carriers. No reasonable possible change in any of the key assumptions would cause the unit's recoverable amount to be lower than the carrying value.

Production Dallol

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 tonnes sulphate of potash (SOP) over 23 years from the reserves. In 2016, Yara recognized a goodwill impairment charge of NOK 140 million that was triggered by higher estimated capital expenditures following the completion of the technical test work and reduced SOP price forecasts. In November 2017, Yara signed a mining agreement with the Ethiopian authorities. The CGU has a remaining carrying amount of NOK 1.4 billion and a value-in-use that is marginally higher. 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 adjustments could trigger a decision to stop the project and a resulting impairment loss. An isolated increase in the post-tax discount rate of more than 0.4% points would trigger additional impairment.

Crop Nutrition segment allocation

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. No reasonable possible change in any of the key assumptions would cause the unit's recoverable amount to be lower than the carrying value.

Crop Nutrition Brazil

The CGU is involved in SSP production, blending and distribution through 21 locations, delivering approximately 9 million tonnes of fertilizers and covering one fourth of the Brazilian market demand. This is mainly a pure distribution business where the main cost base and the selling prices are highly correlated. The CGU has a carrying amount of NOK 7.6 billion and a value-in-use that is 25% higher. The business plan for 2018 is the most important input factor, together with the discount rate and the terminal growth rate. A terminal growth rate of 2% (nominal) is used after year five. An isolated reduction to the projected EBITDA of 10% in the five year projected period, a reduction of the terminal growth rate after year five of 2% points (0% growth) or an increase to the post-tax discount rate of 1.4% points would reduce the headroom to nil.

Crop Nutrition Latin America

Business unit Crop Nutrition Latin America comprise 18 blending units with a capacity of 1.6 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 plant, three nitric acid plants, one NPK plant, three ammonium nitrate solution units and one calcium nitrate plant. The CGU has a carrying amount of NOK 4.7 billion and a value-in-use that is 30% higher. The business plan for 2018 is the most important input factor, together with the discount rate and the annual growth rate. An isolated reduction to the projected EBITDA during the five year projected period of 20%, a reduction to the terminal growth rate after year five with 4% points (negative nominal growth of 2.5%) or an increase to the post-tax discount rate of 2% points would reduce the headroom to nil.

**Sensitivities for main CGUs with no allocated goodwill**

Yara has performed testing of several CGUs with impairment indicators. The impairments recognized during 2017 are explained above. As the remaining carrying values for CGUs with impairments are mainly related to working capital items, there are limited exposure for further impairments.

Some of the CGUs that were tested based on impairment indicators presented low headroom between the recoverable value, calculated based on value-in-use, and their carrying values. The main CGUs that are sensitive are described below:

Production Yara Pilbara Nitrates

The joint operation Yara Pilbara Nitrates has a TAN plant in Australia. The carrying value of the CGU is NOK 3.4 billion, representing Yara's 50% ownership stake. The investment is highly sensitive for impairment. The key assumptions are the TAN margin above ammonia cost, which is estimated for the TAN market in Western Australia, and the discount rate (8.2% on pre-tax basis). An individual reduction to the margin above ammonia cost of 8% or an increase in the post-tax discount rate of 0.8% points would reduce the headroom to nil.

Production Italy

Production Italy, consisting of two sites, has a total carrying value of NOK 2 billion and has a value-in-use that is 10% higher. The CGU is highly sensitive for impairment. The projected fertilizer selling prices, natural gas purchase price and the discount rate (10.3% on pre-tax basis) are the key assumptions. An individual reduction to the urea price of 1%, an increase in the natural gas purchase price of 2% or an increase in the discount rate of 1.3% would reduce the headroom to nil.

**Future potential reversals of impairment**

Yara has recognized impairment losses on several CGUs over time. 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 at year-end 2017 and the key conditions for such reversals to materialize.

| NOK millions | Asset class | Potential reversals YE 2017 | Key conditions for reversals |
|---|---|---|---|
| Montoir plant (France) | Property, plant and equipment | 672 | Fertilizer price increase |
| Lifeco (Libya) | Equity accounted investee (associate) | 576 | Improved political situation in Libya, more stable gas supply and urea price increase |
| Trinidad plant (Trinidad & Tobago) | Property, plant and equipment | 369 | Ammonia price increase and stable gas supply |
| Qafco (Qatar) | Equity accounted investee (associate) | 287 | Melamine price increase |
| Sokli mining project (Finland) | Intangible assets | 175 | Resumed project development activities |

## Note 18 Inventories

| NOK millions | 2017 | 2016 |
|---|---|---|
| Finished goods | 10,199 | 9,377 |
| Work in progress | 542 | 536 |
| Raw materials | 7,514 | 7,667 |
| Total | 18,255 | 17,580 |
| | | |
| **Write-down** | | |
| Balance at 1 January | (139) | (152) |
| New write-downs recognized during the year | (284) | (262) |
| Write-downs reversed due to product sold | 119 | 173 |
| Write-downs reversed, other | 96 | 87 |
| Foreign currency translation | (14) | 14 |
| Balance at 31 December | (222) | (139) |

No inventories were pledged as security at end of 2017 or 2016. See note 32 for more information.

# Note 19 Trade receivables

| NOK millions | Notes | 2017 | 2016 |
|---|---|---|---|
| | | | |
| Trade receivables | | 12,327 | 11,133 |
| Allowance for impairment loss | | (875) | (801) |
| Total | 29 | 11,451 | 10,332 |

### Movement in allowance for impairment loss

| NOK millions | 2017 | 2016 |
|---|---|---|
| | | |
| Balance at 1 January | (801) | (711) |
| Impairment losses recognized on receivables | (191) | (177) |
| Amounts written off during the year as uncollectible | 16 | 33 |
| Impairment losses reversed | 75 | 92 |
| Foreign currency translation | 24 | (36) |
| Other changes | 3 | (3) |
| Balance at 31 December | (875) | (801) |

### Aging analysis of trade receivables at 31 December

#### Gross trade receivables

| | | | Past due gross trade receivables | | | |
|---|---|---|---|---|---|---|
| NOK millions | Total | Not past due gross trade receivables | < 30 days | 30 - 90 days | 91 - 180 days | > 180 days |
| | | | | | | |
| 2017 | 12,327 | 9,863 | 1,020 | 323 | 153 | 968 |
| 2016 | 11,133 | 8,901 | 737 | 414 | 161 | 920 |

#### Net trade receivables

| | | | Past due but not impaired | | | |
|---|---|---|---|---|---|---|
| NOK millions | Total | Neither past due nor impaired | < 30 days | 30 - 90 days | 91 - 180 days | > 180 days |
| | | | | | | |
| 2017 | 11,451 | 9,852 | 993 | 302 | 141 | 163 |
| 2016 | 10,332 | 8,890 | 731 | 395 | 121 | 194 |

#### Impairment of trade receivables

| | | | Impairment on past due receivables | | | |
|---|---|---|---|---|---|---|
| NOK millions | Total | Impairment on not past due receivables | < 30 days | 30 - 90 days | 91 - 180 days | > 180 days |
| | | | | | | |
| 2017 | (875) | (11) | (27) | (20) | (12) | (805) |
| 2016 | (801) | (11) | (6) | (18) | (40) | (725) |

# Note 20 Prepaid expenses and other current assets

| NOK millions | 2017 | 2016 |
|---|---|---|
| | | |
| VAT and sales related taxes | 1,206 | 1,184 |
| Foreign exchange contracts | 26 | 19 |
| Commodity derivatives and embedded derivatives | - | 16 |
| Prepaid income taxes | 1,294 | 1,374 |
| Prepaid expenses | 1,153 | 1,191 |
| Other current assets | 1,294 | 1,028 |
| Total | 4,973 | 4,813 |

# Note 21 Cash, cash equivalents and other liquid assets

| NOK millions | Notes | 2017 | 2016 |
|---|---|---|---|
| | | | |
| Cash and cash equivalents | 31 | 4,456 | 3,751 |
| Other liquid assets | 31 | 1 | 2 |

External bank deposits that are not available for use by the group at 31 December 2017 have a carrying value of NOK 194 million (2016: NOK 256 million), mainly related to 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 23.

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

The average interest rate for liquid assets is approximately 1.2% as of 31 December 2017 (2016: 3.0%).

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 22 Share information

On 11 May 2017, 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 canceled.

Yara's largest shareholder, the Norwegian State, has committed to sell a proportionate part of its shares, leaving the State's ownership unchanged at 36.21%. The compensation to the State will be equal to the average price paid in the market for the buy-back of shares, plus interests of NIBOR +1%, calculated from the date of the acquisition of the corresponding shares.

Yara has not purchased own shares under the 2017 share 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 canceled and shares held by the Norwegian State were redeemed on a pro rata basis.

Dividend proposed for 2017 is NOK 6.50 per share, amounting to NOK 1,776 million. Dividend approved for 2016 and paid out in 2017 was NOK 2,732 million.

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 2015 | 275,083,369 | (910,000) |
| | | |
| Treasury shares - share buy-back program [1] | | (280,000) |
| Redeemed shares Norwegian State [2] | (675,539) | |
| Shares canceled [2] | (1,190,000) | 1,190,000 |
| Total at 31 December 2016 | 273,217,830 | - |
| | | |
| Total at 31 December 2017 | 273,217,830 | - |

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

# Note 23 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.

## 2017

| NOK millions | Total at 1 January | Share of profit | Dividend distributed | Disposals | Share capital increase | Foreign currency translation | Total at 31 December |
|---|---|---|---|---|---|---|---|
| Galvani Industria, Comercio e Servicos S.A. | 1,652 | 47 | (1) | - | - | (106) | 1,592 |
| Yara Dallol B.V. | 553 | (20) | - | (16) | 76 | (29) | 565 |
| Other | 120 | 13 | (3) | (2) | 2 | 4 | 134 |
| Total | 2,326 | 41 | (4) | (19) | 78 | (131) | 2,290 |

## 2016

| NOK millions | Total at 1 January | Share of profit | Dividend distributed | Disposals | Share capital increase | 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 |

## Place of incorporation and percentage of non-controlling interests

| Company name | Place of incorporation | Percentage non-controlling interests [1] 2017 | Percentage non-controlling interests [1] 2016 |
|---|---|---|---|
| Galvani Industria, Comercio e Servicos S.A. | Brazil | 40.00% | 40.00% |
| Yara Dallol B.V. [2] | The Netherlands | 46.88% [3] | 48.24% |

1) Equals voting rights.
2) Place of operations is Ethiopia.
3) The ownership percentage of non-controlling interests is reduced by 1.36 percentage points in 2017 following the signing of an option agreement with one of the partners, which is considered virtually certain to be exercised by Yara.

### Restrictions and other information related to significant non-controlling interests

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 2017, Galvani held NOK 185 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.

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 2017, Yara Dallol held NOK 77 million in cash and cash equivalents.

### Financial position for companies with significant non-controlling interests

| | 2017 | | 2016 | |
|---|---|---|---|---|
| NOK millions | Galvani | Yara Dallol | Galvani | Yara Dallol |
| | | | | |
| Current Assets | 1,251 | 132 | 1,385 | 75 |
| Non-current assets | 7,052 | 1,625 | 5,439 | 1,676 |
| Current liabilities | (3,525) | (92) | (1,453) | (97) |
| Non-current liabilities | (801) | (202) | (1,243) | (210) |
| Equity attributable to owners of the company | (2,385) | (899) | (2,476) | (889) |
| Non-controlling interests | (1,592) | (565) | (1,652) | (553) |

### Income statement for companies with significant non-controlling interests

| | 2017 | | 2016 | |
|---|---|---|---|---|
| NOK millions | Galvani | Yara Dallol | Galvani | Yara Dallol |
| | | | | |
| Total operating revenues and other income | 1,910 | - | 1,922 | - |
| Expenses | (1,789) | (35) | (1,964) | (98) |
| Net income/(loss) | 121 | (35) | (43) | (98) |
| | | | | |
| Net income attributable to shareholders of the parent [1] | 74 | (15) | (28) | (109) |
| Net income attributable to non-controlling interests | 47 | (20) | (15) | 11 |
| Net income/(loss) | 121 | (35) | (43) | (98) |
| | | | | |
| Other comprehensive income attributable to shareholders of the parent | (158) | (46) | 356 | (13) |
| Other comprehensive income attributable to non-controlling interests | (106) | (29) | 238 | (5) |
| Other comprehensive income/(loss) for the year | (264) | (75) | 594 | (18) |
| | | | | |
| Total comprehensive income attributable to shareholders of the parent [1] | (84) | (61) | 328 | (122) |
| Total comprehensive income attributable to non-controlling interests | (59) | (49) | 223 | 6 |
| Total comprehensive income/(loss) for the year | (143) | (110) | 551 | (116) |
| | | | | |
| Net cash inflow/(outflow) from operating activities | (176) | (30) | 104 | (91) |
| Net cash inflow/(outflow) from investing activities | (1,555) | (34) | (1,013) | (265) |
| Net cash inflow/(outflow) from financing activities | 1,680 | 130 | 265 | 327 |
| Net cash inflow/(outflow) | (51) | 66 | (645) | (28) |

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

## Note 24 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 | 2017 | 2016 |
|---|---|---|---|
| | | | |
| Defined benefit plans | | (3,453) | (3,966) |
| Surplus on funded defined benefit plans | | 740 | 414 |
| Net liability for defined benefit plans | | (2,713) | (3,552) |
| | | | |
| Termination benefits | | (31) | (19) |
| Surplus on other long-term employee obligations | | - | 1 |
| Other long-term employee benefits | | (108) | (85) |
| Net long-term employee benefit obligations recognized in Statement of financial position | | (2,852) | (3,656) |
| | | | |
| Of which classified as Prepayments for long-term employee obligations | 16 | 740 | 415 |
| Of which classified as Long-term employee benefit obligations | | (3,592) | (4,071) |

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

| NOK millions | Notes | 2017 | 2016 |
|---|---|---|---|
| | | | |
| Defined benefit plans | | (367) | (379) |
| Defined contribution plans | | (238) | (226) |
| Multi-employer plans | | (72) | (72) |
| Termination benefits [1] | | (274) | (30) |
| Other long-term employee benefits | | (16) | (24) |
| Net expenses recognized in Statement of income | | (968) | (731) |
| | | | |
| Of which classified as Payroll and related costs | 7 | (900) | (664) |
| Of which classified as Interest expense and other financial items | 9 | (67) | (66) |

1) Includes NOK 228 million related to closure of the Pardies site. See note 25 for further details.

### 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. 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 was increased from 67 to 68 at the end of 2017. 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 was agreed in 2017, which will gradually increase the minimum retirement age from 63 to 65 while also gradually increase 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. The plan was closed for new members from 2001.

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 (2016: NOK 80 million).

### Defined benefit obligations and plan assets by origin

| NOK millions | 2017 Obligations | 2017 Assets | 2016 Obligations | 2016 Assets |
|---|---|---|---|---|
| Finland | (2,969) | 2,781 | (2,864) | 2,712 |
| The Netherlands | (5,303) | 5,563 | (5,114) | 4,553 |
| Other Eurozone | (2,238) | 823 | (1,937) | 600 |
| Great Britain | (3,631) | 3,463 | (3,670) | 3,133 |
| Norway | (2,495) | 1,910 | (2,354) | 1,770 |
| Other | (878) | 487 | (861) | 481 |
| Total | (17,513) | 15,026 | (16,801) | 13,249 |

### 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 %) | 2017 | 2016 |
|---|---|---|
| Finland | 1.8 | 1.5 |
| The Netherlands | 2.0 | 1.8 |
| Great Britain | 2.5 | 2.7 |
| Norway | 2.5 | 2.5 |
| Total [1] | 2.2 | 2.1 |

1) Weighted average.

| Expected salary increase (in %) | 2017 | 2016 |
|---|---|---|
| Finland | 2.3 | 2.3 |
| The Netherlands | 2.0 | 2.0 |
| Great Britain | 3.9 | 3.9 |
| Norway | 2.4 | 2.4 |
| Total [1] | 2.8 | 2.8 |

1) Weighted average.

| Expected pension indexation (in %) | 2017 | 2016 |
|---|---|---|
| Finland | 1.5 | 1.5 |
| The Netherlands | 1.2 | 1.2 |
| Great Britain | 3.1 | 3.1 |
| Norway | 0.8 | 0.4 |
| 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 | 25.0 | 22.8 |
| Great Britain | 25.2 | 23.3 |
| Norway | 24.9 | 22.6 |

## Actuarial valuations provided the following results

| NOK millions | 2017 | 2016 |
|---|---|---|
| | | |
| Present value of fully or partially funded liabilities for defined benefit plans | (15,312) | (14,719) |
| Present value of unfunded liabilities for defined benefit plans | (2,070) | (1,959) |
| Present value of liabilities for defined benefit plans | (17,382) | (16,678) |
| | | |
| Fair value of plan assets | 15,026 | 13,249 |
| Recognized liability for defined benefit plans due to minimum funding requirement | (226) | - |
| Social security tax liability on defined benefit plans | (131) | (123) |
| Net liability recognized for defined benefit plans | (2,713) | (3,552) |

## Duration of liabilities at the end of the year:

| Duration of liabilities (in years) | 2017 |
|---|---|
| | |
| Finland | 15 |
| The Netherlands | 18 |
| Great Britain | 17 |
| Norway | 13 |
| 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 | 2017 | 2016 |
|---|---|---|
| | | |
| Current service cost | (347) | (308) |
| Contribution by employees | 29 | 29 |
| Administration cost | (15) | (16) |
| Past service cost [1] | 23 | (26) |
| Settlements | - | 10 |
| Curtailment | 15 | 6 |
| Other | 5 | - |
| Social security cost | (10) | (8) |
| Payroll and related costs | (300) | (313) |
| | | |
| Interest expense on obligation | (352) | (414) |
| Interest income from plan assets | 285 | 348 |
| Net interest expense on the net obligation | (67) | (66) |
| | | |
| Net pension cost recognized in Statement of income | (367) | (379) |

1) The past service cost gain of 2017 of NOK 23 million reflects a gain of NOK 58 million arising from a pension increase exchange exercise in the UK, and a loss of NOK 33 million in the Dutch pension plan due to plan amendments involving increased retirement age from 67 to 68 years as well as increased pension accrual rate. In 2016 past service cost of NOK 26 million was recognized in the Statement of income relating to the pension reform in Finland.

| NOK millions | 2017 | 2016 |
|---|---|---|
| | | |
| **Payroll and related costs** | | |
| Finland | (64) | (70) |
| The Netherlands | (140) | (107) |
| Great Britain | 32 | (19) |
| Norway | (65) | (49) |
| | | |
| **Net interest income/(expense) on the net obligation/asset** | | |
| Finland | (3) | 8 |
| The Netherlands | (7) | (9) |
| Great Britain | (13) | (12) |
| Norway | (11) | (10) |

## Remeasurement gains/(losses) recognized in other comprehensive income

| NOK millions | 2017 | 2016 |
|---|---|---|
| | | |
| Remeasurement gains/(losses) on obligation for defined benefit plans | 388 | (1,328) |
| Remeasurement gains/(losses) on plan assets for defined benefit plans | 538 | 403 |
| Remeasurement gains/(losses) transferred upon acquisition of subsidiary | 3 | - |
| (Increase)/decrease in social security tax liability on remeasurement gains/(losses) for defined benefit plans (Norway only) | (3) | (6) |
| Increase in recognized liability for defined benefit plans due to minimum funding requirement [1] | (228) | - |
| Net remeasurement gains/(losses) for defined benefit plans | 699 | (930) |
| | | |
| Change in deferred tax related to remeasurement gains/(losses) for defined benefit plans [2] | (164) | 170 |
| Total remeasurement gains/(losses) recognized in other comprehensive income | 535 | (760) |

1) Yara (UK) Ltd is committed to pay an annual contribution until 2022 in order to make good a funding deficit. Present value of future contributions will lead to an unrecognized surplus based on current IAS 19 valuation, and as Yara does not have an unconditional right to recoup any surplus arising in the Fund, an additional liability needs to be recognized.
2) 2017 includes impact from reduction of tax percentage in Norway, Germany, Belgium (2016: UK, Norway, France and Italy)

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.

### 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 | 2017 | 2016 |
|---|---|---|
| | | |
| Actual valuation | (17,382) | (16,678) |
| | | |
| Discount rate +0.5% | (16,126) | (15,431) |
| Discount rate -0.5% | (18,808) | (18,101) |
| | | |
| Expected rate of salary increase +0.5% | (17,535) | (16,857) |
| Expected rate of salary increase -0.5% | (17,232) | (16,506) |
| | | |
| Expected rate of pension increase +0.5% | (18,589) | (17,835) |
| Expected rate of pension increase -0.5% | (16,328) | (15,652) |
| | | |
| Expected longevity +1 year | (18,003) | (17,344) |
| Expected longevity -1 year | (16,770) | (16,009) |

## Development of defined benefit obligations

| NOK millions | 2017 | 2016 |
|---|---|---|
| | | |
| Defined benefit obligation at 1 January | (16,678) | (16,557) |
| Current service cost | (347) | (308) |
| Interest cost | (352) | (414) |
| Experience adjustments | 168 | 3 |
| Effect of changes in financial assumptions | 121 | (1,325) |
| Effect of changes in demographic assumptions | 99 | 8 |
| Past service cost [1] | 23 | (26) |
| Settlements | - | 10 |
| Curtailments | 15 | 6 |
| Benefits paid | 630 | 646 |
| Obligation transferred upon divestment of business | - | 44 |
| Obligation assumed upon acquisition of business | (4) | - |
| Transfer of obligation (in)/out | (24) | (90) |
| Other [2] | (78) | - |
| Foreign currency translation on foreign plans | (955) | 1,325 |
| Defined benefit obligation at 31 December | (17,382) | (16,678) |

1) The past service cost gain of 2017 of NOK 23 million reflects a gain of NOK 58 million arising from a pension increase exchange exercise in the UK, and a loss of NOK 33m in the Dutch pension plan due to plan amendments involving increased retirement age from 67 to 68 years as well as increased pension accrual rate. In 2016 past service cost of NOK 26 million was recognized in the Statement of income relating to the pension reform in Finland.
2) Related to changes to contracts for certain deferred members for the Belgium pension plan.

## Development of plan assets

| NOK millions | 2017 | 2016 |
|---|---|---|
| | | |
| Fair value of plan assets at 1 January | 13,249 | 13,833 |
| Interest income from plan assets | 285 | 348 |
| Administration cost on plan assets | (15) | (16) |
| Return on plan assets (excluding the calculated interest income) | 538 | 398 |
| Employer contributions | 581 | 251 |
| Employees' contributions | 29 | 29 |
| Benefits paid | (530) | (542) |
| Plan assets transferred upon divestment of business | - | (7) |
| Transfer of plan assets in/(out) | 24 | 102 |
| Other [1] | 84 | - |
| Foreign currency translation on foreign plans | 782 | (1,147) |
| Fair value of plan assets at 31 December | 15,026 | 13,249 |

1) Related to changes to contracts for certain deferred members for the Belgium pension plan and also the recognition of an insurance contract for the pension plan in Belgium which has not previously been recognized as a plan asset.

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 2022 in order to make good a funding deficit determined in the actuarial valuation of 2017. 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 which has been 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 | 2017 | 2017 | 2016 | 2016 |
|---|---|---|---|---|
| | | | | |
| Cash and cash equivalents | 350 | 2% | 190 | 1% |
| Shares | 4,259 | 28% | 4,037 | 30% |
| Other equity instruments | 283 | 2% | 128 | 1% |
| High yield debt instruments | 909 | 6% | 608 | 5% |
| Investment grade debt instruments | 5,753 | 38% | 5,376 | 41% |
| Properties | 618 | 4% | 531 | 4% |
| Interest rate swap derivatives | 1 | - | 1 | - |
| Other quoted plan assets [1] | 1,790 | 12% | 1,259 | 10% |
| Total investments quoted in active markets | 13,962 | 93% | 12,131 | 92% |
| | | | | |
| Shares and other equity instruments | 869 | 6% | 931 | 7% |
| Other plan assets [2] | 195 | 1% | 187 | 1% |
| Total unquoted investments | 1,064 | 7% | 1,118 | 8% |
| | | | | |
| Total plan assets | 15,026 | | 13,249 | |

1) Other quoted 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 2018 are NOK 352 million (including benefits to be paid for unfunded plans). The contributions paid in 2017 were NOK 681 million. The decrease from 2017 is mainly due to NOK 345 additional contribution which was required to be paid in 2017 for the pension plan in the Netherlands in order to ensure sufficient funding ratio.

# Note 25 Provisions and contingencies

### 2017

| NOK millions | Environmental | Restructuring | Legal Claims | Decommission | Other | Total |
|---|---|---|---|---|---|---|
| | | | | | | |
| Balance at 1 January 2017 | 323 | 14 | 170 | 535 | 116 | 1,158 |
| | | | | | | |
| Additional provision in the year | 161 | 272 | 62 | 105 | 172 | 772 |
| Interest expense on liability | 1 | - | 13 | 17 | - | 31 |
| Unused provision | (12) | - | (63) | - | (41) | (117) |
| Utilisation of provision | (97) | (21) | (40) | (11) | (20) | (190) |
| Companies purchased/(sold) | - | - | - | (13) | - | (13) |
| Currency translation effects | 17 | 14 | (8) | 11 | (1) | 34 |
| Balance at 31 December 2017 | 392 | 279 | 134 | 645 | 226 | 1,676 |

### 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 | 330 |
| Interest expense on liability | 1 | - | - | 16 | - | 17 |
| Unused provision | (9) | (1) | (29) | (71) | (76) | (185) |
| Utilisation 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 |

### Provisions presented in the consolidated statement of financial position

| NOK millions | 2017 | 2016 |
|---|---|---|
| | | |
| Current liabilities | 736 | 323 |
| Non-current liabilities | 940 | 834 |
| Total | 1,676 | 1,158 |

## Provisions

### Environmental provisions

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 provisions

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. In 2017, Yara has recognized provisions of NOK 260 million following its decision to stop the industrial production at the Pardies site in October 2018. The provision include termination benefits and other directly related closure costs. The plant has 86 employees and an annual production capacity of approximately 100,000 tonnes of technical ammonium nitrate. The Pardies operations suffer from limited scale, raw material integration and export competiveness. The closure in 2010 of a nearby industrial operation deprived the Yara Pardies plant of many synergies that existed between the two plants, forcing Yara to close the ammonia production unit at the site. The plant has been fully impaired in previous periods.

### 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

Provisions have been made where Yara has legal or constructive obligations for decommission as a result of past events.

### Other provisions

Other consists of onerous contracts and various provisions for constructive obligations as a result of past events.

## Contingencies

### Legal contingencies

Yara is party to a number of lawsuits related to laws and regulations in various jurisdictions arising out of the conduct 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 material adverse effect.

Further information related to two ongoing environmental cases in Brazil, where Yara is a part due to the acquisition of Adubos Trevo from the Trevisa Group in the year 2000, is provided below since it is not possible to provide a reliable estimate of the maximum potential exposure:

- Yara has together with other companies related to the Trevisa Group been sued by an association representing approximately 1,300 potential victims in two separate lawsuits. The lawsuits are related to mine and lead industry activities performed by the company Plumbum Comércio e Representações de Produtos Mineirais e Industriais (Plumbum) in the cities Santo Amaro da Purificação and Boquira in Bahia state in Brazil. Plumbum was formerly part of the Trevisa Group. Adubos Trevo has not been involved in any of the activities included in the lawsuits. The lawsuits include claims for various personal losses, damage to properties, institution of relief funds, environmental restoration and clean-up activities. The lawsuits were filed in 2011 and 2012 but are still in the initial phase. Yara denies liability for any potential damage caused by the activities of Plumbum and has not made any provision for the claims.

- Yara is together with 22 other companies, defendants in a lawsuit filed by São Paulo Public Attorney in 1985 with a claim for compensation for environmental damage related to former activities by the defendants in the Cubatão industrial district. The defendants deny the claim on the basis that necessary actions have already been taken to recover potential damages from former activities. In September 2017, the court of first instance ruled against the defendants determining that the defendants were jointly liable to repair the damage. The nature of and amount of potential damages have not been determined and will be calculated by an expert. Yara has made a provision related to this case of NOK 12 million. Yara and the other defendants will appeal the decision.

### Tax contingencies

Several subsidiaries are engaged in juridical and administrative proceedings related to various disputed tax matters where the probability of cash outflow is not considered probable. The majority of these contingencies are related to taxes in Brazil, with an estimated maximum exposure of approximately NOK 1,300 million. Of these contingencies, approximately NOK 400 million is covered by indemnification from acquisition. Tax contingencies other than Brazil have an estimated maximum exposure of approximately NOK 650 million, mainly related to tax disputes in Trinidad and the Netherlands.

### Contingent assets

Yara expects to receive NOK 250 million of insurance compensations related to past incidents with incurred losses. A majority of the amount is expected to be recognized as other income when the claims become virtually certain. The actual compensation may deviate from this estimate. Yara has also contingent asset of NOK 130 million related to a take-or-pay compensation in a sales contract which has been disputed by the customer.

# Note 26 Long-term debt

| NOK millions, except percentages and denominated amounts | Weighted average interest rates | Denominated amounts 2017 | 2017 | 2016 |
|---|---|---|---|---|
| | | | | |
| NOK (Coupon NIBOR + 0.70%) 1) | 1.6% | 2,200 | 2,198 | 2,197 |
| NOK (Coupon 2.55%) 2) | 2.6% | 700 | 703 | 700 |
| NOK (Coupon NIBOR + 0.75%) 1) | 1.6% | 1,250 | 1,248 | - |
| NOK (Coupon 3.00%) 3) | 3.0% | 600 | 605 | 601 |
| NOK (Coupon 2.45%) 3) | 2.5% | 1,000 | 984 | - |
| NOK (Coupon 2.90%) 4) | 2.9% | 1,000 | 978 | - |
| SEK (Coupon STIBOR + 1.00%) 1) | 0.2% | 450 | 448 | - |
| SEK (Coupon 1.10%) 5) | 1.2% | 800 | 792 | - |
| USD (Coupon 7.88%) 6) | 8.3% | 500 | 4,089 | 4,293 |
| USD (Coupon 3.80%) 7) | 3.9% | 500 | 4,074 | 4,282 |
| Total unsecured debenture bonds | | | 16,119 | 12,074 |
| | | | | |
| USD | 2.6% | 403 | 3,298 | 1,034 |
| BRL (Brazil) | 10.0% | 139 | 344 | 588 |
| MYR (Malaysia) | - | - | - | 1 |
| Total unsecured bank loans 1) | | | 3,643 | 1,622 |
| | | | | |
| Lease obligation | | | 232 | 260 |
| Mortgage loans | | | 226 | 246 |
| Other long-term debt | | | 28 | 30 |
| Total | | | 485 | 536 |
| | | | | |
| Outstanding long-term debt | | | 20,247 | 14,232 |
| Less: Current portion | | | (354) | (240) |
| Total | | | 19,893 | 13,992 |

1) Repricing within a year.
2) Fixed interest rate until 2021. Subject to fair value hedge accounting, see note 30.
3) Fixed interest rate until 2024. Subject to fair value hedge accounting, see note 30.
4) Fixed interest rate until 2027. Subject to fair value hedge accounting, see note 30.
5) Fixed interest rate until 2022. Subject to fair value hedge accounting, see note 30.
6) Fixed interest rate until 2019.
7) Fixed interest rate until 2026.

The carrying values include issuance discount, capitalized issuance costs and fair value hedge accounting adjustments as indicated above (see also note 31 for further information about fair value of financial instruments).

At 31 December 2017, the fair value of the long-term debt, including the current portion, is NOK 20,022 million and the carrying value is NOK 20,247 million. The method used for calculating fair value is considered to be within level 2 in the fair value hierarchy, see note 31 Financial instruments.

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 2017, USD 1,000 million in bond debt originates from Yara's June 2016 and June 2009 bond issues in the US market according to 144A/Regulation S. Further, NOK 3,500 million originates from Yara's December 2014 bond issues in the Norwegian market while NOK 3,250 million and SEK 1,250 million originate from Yara's December 2017 bond issues in the Norwegian market. The entire NOK and SEK denominated bond debt is converted to USD exposure through cross-currency swaps.

Yara's additional long-term funding is based on bank loans. Yara's term loan from the Nordic Investment Bank has been reduced to USD 90 million through scheduled down-payments and linear installments will continue until December 2023. In January 2017, Yara International ASA established a new USD 150 million term loan due 2022 with the International Finance Corporation and in November 2017, Yara International ASA established a new USD 150 million term loan due 2024 with Svensk Exportkredit AB. Both loans are fully drawn at year-end 2017. A further minor portion of the long-term bank loans is borrowed in emerging markets.

Yara has an undrawn revolving credit facility totaling USD 1,250 million due 2020. In January 2018, Yara International ASA signed a new USD 260 million loan facility to be repaid with semi-annual installments until August 2026. The facility, which was drawn in February 2018, is partially supported by a guarantee from The Norwegian Export Credit Guarantee Agency (GIEK).

Of the fixed interest rate debenture bonds, NOK 3,300 million and SEK 800 million are 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] |
|---|---|---|---|---|
| | | | | |
| 2018 | - | 297 | 57 | 354 |
| 2019 | 6,287 | 322 | 57 | 6,666 |
| 2020 | - | 141 | 62 | 203 |
| 2021 | 703 | 140 | 61 | 904 |
| 2022 | 2,487 | 1,392 | 12 | 3,891 |
| Thereafter | 6,641 | 1,352 | 236 | 8,229 |
| Total | 16,119 [2] | 3,643 | 485 | 20,247 |

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

### Reconciliation of liabilities arising from financing activities

| NOK millions | Notes | 31 Dec 2016 | Cash flows | Non-cash changes | | | | 31 Dec 2017 |
|---|---|---|---|---|---|---|---|---|
| | | | | Foreign exchange movement | Fair value changes | Amortization [1] | Reclassification [2] | |
| Long-term interest-bearing debt | | 13,992 | 6,599 | (549) | (32) | (10) | (108) | 19,893 |
| Bank loans and other interest-bearing short-term debt | 28 | 2,323 | 1,463 | (192) | - | - | - | 3,593 |
| Current portion of long-term debt | | 240 | - | 7 | - | - | 108 | 354 |
| Total liabilities from financing activities | | 16,555 | 8,062 | (735) | (32) | (10) | - | 23,840 |

1) Amortization of transaction cost.
2) Reclassification between long-term and short-term debt.

# Note 27 Trade payables and other payables

| NOK millions | 2017 | 2016 |
|---|---|---|
| | | |
| Trade payables | 10,974 | 9,621 |
| Payroll and value added taxes | 2,009 | 1,926 |
| Prepayments from customers | 2,167 | 2,585 |
| Other liabilities | 543 | 630 |
| Total | 15,693 | 14,762 |

**Terms and conditions to the above financial liabilities**

Trade payables are 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 28 Bank loans and other interest-bearing short-term debt

| NOK millions, except percentages | Notes | 2017 | 2016 |
|---|---|---|---|
| | | | |
| Bank loans and overdraft facilities | | 3,515 | 2,225 |
| Other | | 78 | 98 |
| Total | 31 | 3,593 | 2,323 |
| | | | |
| **Weighted average interest rates [1]** | | | |
| Bank loans and overdraft facilities | | 9.3% | 11.1% |
| Other | | 1.2% | 0.0% |

1) Repricing minimum annually.

At 31 December 2017, Yara had unused short-term credit facilities with various banks totaling approximately NOK 8.0 billion.

# Note 29 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 2017 and 31 December 2016. Yara's liquidity surplus, kept as short-term bank deposits, decreased in 2017 compared with preceding years.

## 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.

Yara does not have specific debt ratio targets and the only financial covenant is to have a debt to equity ratio, calculated as net interest-bearing debt divided by shareholders' equity plus non-controlling interests, below 1.4. At the end of 2017, the ratio was 0.25 compared with 0.17 at the end of 2016. The Group is not subject to any externally imposed capital requirements.

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. During 2017, Yara did maintain both the Baa2 rate from Moody's and the BBB rate from Standard & Poor's.

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 increased gradually from around USD 900 million to around USD 1,500 million (2016: around USD 900 million throughout the year). A 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 - net income

| NOK millions | 2017 | 2016 |
|---|---|---|
| | | |
| A 10% weakening [1] of the US dollar at the reporting date would have increased/(decreased) net income by | 1,406 | 983 |
| A 10% weakening [1] of the euro at the reporting date would have increased/(decreased) net income by | (2,019) | (695) |

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 2016.

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 | 2017 | 2016 |
|---|---|---|
| | | |
| A 10% weakening [1] of the US dollar at the reporting date would have increased/(decreased) other comprehensive income by [2] | (2,691) | (3,397) |
| A 10% weakening [1] of the Canadian dollar at the reporting date would have increased/(decreased) other comprehensive income by | (913) | (994) |
| A 10% weakening [1] of the Brazilian real at the reporting date would have increased/(decreased) other comprehensive income by | (782) | (529) |
| A 10% weakening [1] of the euro at the reporting date would have increased/(decreased) other comprehensive income by | (91) | (1,043) |

1) Against the Norwegian krone (presentation currency of the Group).
2) Exposure includes Qatari riyal which is pegged to the US dollar, ref Yara's investment in Qafco. Figure for 2016 is adjusted correspondingly.

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 2016.

**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 26.

Yara has a defined framework for fair value risk arising from exposure towards fixed interest rates. In accordance with that framework, Yara has during 2017 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. 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 | Notes | 2017 | 2016 |
|---|---|---|---|
| | | | |
| Net interest-bearing debt at 31 December [1] | | 19,383 | 12,802 |
| | | | |
| Fixed portion of bonds | 26 | 8,163 | 8,576 |
| Net interest-bearing debt/(deposits) less fixed portion of bonds | | 11,220 | 4,226 |

1) For definition of net interest-bearing debt, refer to page 165.

### Sensitivity

| NOK millions, except percentages | 2017 | 2016 |
|---|---|---|
| | | |
| An increase of 100 basis points in USD interest rates at the reporting date would have increased/(decreased) net income by | (102) | (46) |
| An increase of 100 basis points in BRL interest rates at the reporting date would have increased/(decreased) net income by | (29) | (13) |

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 was performed on the same basis for 2016. A decrease of 100 basis points at the reporting date would have increased net income 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 are 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 31.

Yara has a well-established system for credit management with established limits at both customer and country level. Yara's geographically diversified portfolio reduces the overall credit risk of the Group. Credit risk arising from the inability of the counterparty to meet the terms of Yara's derivative financial instruments 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 26 and 28, 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 26 and 28 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

## 31 December 2017

| 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 | (3,593) | (3,694) | (108) | (3,396) | (190) | - | - | - |
| Long-term interest-bearing debt [1] | (20,247) | (23,370) | (17) | (465) | (616) | (7,397) | (5,958) | (8,917) |
| Accrued interest expense | (128) | (128) | - | (126) | (2) | (1) | - | - |
| Trade payables | (10,974) | (11,058) | (12) | (10,942) | (38) | (68) | - | - |
| Payroll and value added taxes | (2,009) | (2,011) | (240) | (1,701) | (69) | - | - | - |
| Other short-term liabilities | (478) | (478) | (26) | (383) | (69) | - | - | - |
| Other long-term liabilities | (544) | (594) | - | (106) | (1) | (278) | (193) | (16) |
| | | | | | | | | |
| **Derivative financial instruments** | | | | | | | | |
| Freestanding financial derivatives | (311) | | | | | | | |
| Outflow | | (11,370) | - | (1,770) | (139) | (2,638) | (3,846) | (2,977) |
| Inflow | | 10,592 | - | 1,681 | 67 | 2,360 | 3,605 | 2,879 |
| Commodity derivatives | (359) | | | | | | | |
| Outflow | | (328) | - | - | (23) | (53) | (253) | - |
| Inflow | | - | - | - | - | - | - | - |
| Hedge designated derivatives | (30) | | | | | | | |
| Outflow | | (733) | - | (33) | (36) | (85) | (300) | (279) |
| Inflow | | 702 | - | - | 98 | 98 | 276 | 230 |
| | | | | | | | | |
| Total | (38,674) | (42,470) | (403) | (17,241) | (1,018) | (8,062) | (6,669) | (9,080) |

1) Includes current portion of long-term interest-bearing debt amounting to NOK 354 million.

## 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) | (520) | (2) | (1) | (1) | (294) | (195) | (27) |
| | | | | | | | | |
| **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) | (33,169) | (193) | (14,261) | (1,137) | (1,744) | (9,748) | (6,084) |

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

### Derivative instruments

| NOK millions | Notes | 2017 | 2016 |
|---|---|---|---|
| | | | |
| **Total fair value of derivatives** | | | |
| Forward foreign exchange contracts | 31 | (16) | (126) |
| Cross-currency swaps | 31 | (295) | (512) |
| Interest rate swaps designated for hedging | 31 | (30) | 2 |
| Embedded commodity derivatives | 31 | (359) | (230) |
| Balance at 31 December | | (700) | (866) |
| | | | |
| **Derivatives presented in the statement of financial position** | | | |
| Non-current assets | | 23 | 2 |
| Current assets | | 26 | 35 |
| Non-current liabilities | | (685) | (757) |
| Current liabilities | | (65) | (146) |
| Balance at 31 December | | (700) | (866) |

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

| NOK millions | 2017 | 2016 |
|---|---|---|
| | | |
| Forward foreign exchange contracts, notional amount | 2,625 | 2,726 |

All outstanding forward foreign exchange contracts at 31 December 2017 have maturity in 2018. Buy positions are mainly in US dollars against Norwegian kroner or Brazilian reals. Sell positions are in various operating currencies towards Norwegian kroner.

# Note 30 Hedge accounting

### Fair value hedges

In December 2014, Yara designated a portfolio of long-term NOK interest rate swaps as hedging instruments. The hedged risk is the change in fair value due to changes in NIBOR interest rates of the NOK 1,300 million fixed rate bond debt issued in 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.

In December 2017, Yara designated a portfolio of long-term NOK and SEK interest rate swaps as hedging instruments. The hedged risk is the change in fair value due to changes in NIBOR interest rates of the NOK 2,000 million fixed rate bond debt and the change in fair value due to changes in STIBOR interest rates of the SEK 800 million fixed rate bond debt, all from 2017. 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.

There are no fair value hedges of USD debt outstanding at 31 December 2017.

| NOK millions | 2017 | 2016 |
|---|---|---|
| | | |
| **NOK bond debt fair value hedge** | | |
| Change in fair value of the derivatives | (27) | (17) |
| Change in fair value of the bonds | 27 | 23 |
| Ineffectiveness (loss)/gain booked in statement of income | - | 5 |
| | | |
| Total gain/(loss) on fair value hedge included in the carrying amount of bond debt at year-end | 25 | (2) |
| | | |
| **SEK bond debt fair value hedge** | | |
| Change in fair value of the derivatives | (5) | |
| Change in fair value of the bonds | 5 | |
| Ineffectiveness (loss)/gain booked in statement of income | - | |
| | | |
| Total gain/(loss) on fair value hedge included in the carrying amount of bond debt at year-end | 5 | |

### Cash flow hedges

Yara had no active cash flow hedges at year end 2017 or 2016. However, Yara has in the past done cash flow hedges on transactions entered into prior to planned financing activities and such hedges may be established going forward subject to business needs.

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.

Amount reclassified to interest expense in 2017 was NOK 5 million after tax (2016: NOK 4 million).

### Hedges of net investment

At 31 December 2017, the Group held in total USD 930 million (2016: 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 2017, the hedges had a negative fair value of NOK 1,220 million recognized in other comprehensive income (2016: negative NOK 1,492 million). There is not recognized any ineffectiveness in 2017 or 2016.

## Note 31 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 [2] |
|---|---|---|---|---|---|---|---|
| **2017** | | | | | | | |
| **Consolidated statement of income** | | | | | | | |
| Forward foreign exchange contracts | | 119 | - | - | - | - | 119 |
| Interest income/(expense) cross-currency swaps | 29 | (42) | - | - | - | - | (42) |
| Foreign currency translation gain/(loss) cross-currency swaps | | 109 | - | - | - | - | 109 |
| Interest rate swaps designated for hedging | | - | (32) | - | - | - | (32) |
| Embedded commodity derivatives gain/(loss) [1] | 29 | (129) | - | - | - | - | (129) |
| Available-for-sale financial assets | 29 | - | - | 3 | - | - | 3 |
| Fair value change of contingent consideration | | - | - | - | - | (21) | (21) |
| **Consolidated statement of comprehensive income [3]** | | | | | | | |
| Available-for-sale investments - change in fair value | | - | - | (17) | - | - | (17) |
| Hedge of net investments | 30 | - | - | - | 357 | - | 357 |
| Reclassification related to cash flow hedges | 30 | - | 6 | - | - | - | 6 |
| Total | | 56 | (26) | (15) | 357 | (21) | 351 |
| **2016** | | | | | | | |
| **Consolidated statement of income** | | | | | | | |
| Forward foreign exchange contracts | | (833) | - | - | - | - | (833) |
| Interest income/(expense) cross-currency swaps | 29 | 12 | - | - | - | - | 12 |
| Foreign currency translation gain/(loss) cross-currency swaps | | 85 | - | - | - | - | 85 |
| Interest rate swaps designated for hedging | | - | (10) | - | - | - | (10) |
| Embedded commodity derivatives gain/(loss) [1] | | 52 | | - | - | - | 52 |
| Available-for-sale financial assets | 29 | - | - | 15 | - | - | 15 |
| Fair value change of contingent consideration | 29 | - | - | - | - | 83 | 83 |
| **Consolidated statement of comprehensive income [3]** | | | | | | | |
| Available-for-sale investments - change in fair value | | - | - | (24) | - | - | (24) |
| Hedge of net investments | 30 | - | - | - | 144 | - | 144 |
| Reclassification related to cash flow hedges | | - | 6 | - | - | - | 6 |
| Total | | (684) | (4) | (9) | 144 | 83 | (470) |

1) Includes effect of foreign currency translation.
2) Effects of foreign currency translation on other financial instruments than derivatives are not included in the overview, except currency translation on debt used as hedging instruments for net investment hedges.
3) Amounts are presented before tax. Please see note 10 for specification of taxes.

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

### 31 December 2017

| 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 | 16 | 13 | 10 | 2,807 | 196 | - | 4 | 736 | 3,766 |
| **Current assets** | | | | | | | | | |
| Trade receivables | 19 | - | - | 11,451 | - | - | - | - | 11,451 |
| Prepaid expenses and other current assets | 20 | 26 | - | 2,499 | - | - | - | 2,447 | 4,972 |
| Other liquid assets | 21 | - | - | 1 | - | - | - | - | 1 |
| Cash and cash equivalents | 21 | - | - | 4,457 | - | - | - | - | 4,457 |
| **Non-current liabilities** | | | | | | | | | |
| Other long-term liabilities | | (645) | (40) | - | - | (239) | (305) | (155) | (1,383) |
| Long-term interest-bearing debt | 26 | - | - | - | - | (19,893) | - | - | (19,893) |
| **Current liabilities** | | | | | | | | | |
| Trade and other payables | 27 | (65) | - | - | - | (13,291) | (170) | (2,167) | (15,693) |
| Other short-term liabilities | | - | - | - | - | (128) | - | (487) | (616) |
| Bank loans and other interest-bearing debt | 28 | - | - | - | - | (3,593) | - | - | (3,593) |
| Current portion of long-term debt | 26 | - | - | - | - | (354) | - | - | (354) |
| Total | | (670) | (30) | 21,215 | 196 | (37,498) | (471) | 374 | (16,885) |
| Fair value [1] | | (670) | (30) | 21,215 | 196 | (37,274) | (471) | | |
| Unrecognized gain/(loss) | | - | - | - | - | 224 | - | | |

1) Unrecognized gain on financial instruments at amortized cost is mainly related to long-term interest-bearing debt with fixed interest rate. See note 26.

### 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 | 16 | - | 2 | 2,642 | 182 | - | - | 415 | 3,242 |
| **Current assets** | | | | | | | | | |
| Trade receivables | 19 | - | - | 10,332 | - | - | - | - | 10,332 |
| Prepaid expenses and other current assets | 20 | 35 | - | 2,210 | - | - | - | 2,565 | 4,811 |
| Other liquid assets | 21 | - | - | 2 | - | - | - | - | 2 |
| Cash and cash equivalents | 21 | - | - | 3,751 | - | - | - | - | 3,751 |
| **Non-current liabilities** | | | | | | | | | |
| Other long-term liabilities | | (757) | - | - | - | (199) | (319) | (129) | (1,404) |
| Long-term interest-bearing debt | 26 | - | - | - | - | (13,992) | - | - | (13,992) |
| **Current liabilities** | | | | | | | | | |
| Trade and other payables | 27 | (146) | - | - | - | (11,858) | (173) | (2,586) | (14,762) |
| Other short-term liabilities | | - | - | - | - | (79) | - | (781) | (859) |
| Bank loans and other interest-bearing debt | 28 | - | - | - | - | (2,323) | - | - | (2,323) |
| Current portion of long-term debt | 26 | - | - | - | - | (240) | - | - | (240) |
| Total | | (868) | 2 | 18,937 | 182 | (28,691) | (492) | (514) | (11,444) |
| Fair value [1] | | (868) | 2 | 18,937 | 182 | (28,935) | (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 26.

## 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 and rely as little as possible on entity-specific inputs is used when measurements are based on valuation techniques.

### Trade receivables and other receivables

Interest-free receivables are discounted if it has a material impact on fair value. The carrying amount has been reduced for impaired receivables and reflects a reasonable approximation of fair value.

### Cash and cash equivalents

Fair value is assumed to be equal to the carrying amount.

### Long-term interest-bearing debt and other long-term liabilities

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 8 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 consideration is calculated according to the underlying contracts, taken into consideration probability of criteria for consideration being met at the reporting date, and discounted using a risk-free interest rate (based on government bonds) if this has material impact on fair value.

## Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method, at 31 December 2017. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| NOK millions | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | | | | |
| Equity securities available-for-sale | 32 | - | 164 | 196 |
| Foreign exchange contracts | - | 26 | - | 26 |
| Cross-currency swaps | - | 13 | - | 13 |
| Interest rate contracts designated as hedging instrument | - | 10 | - | 10 |
| Contingent consideration | - | - | 4 | 4 |
| | | | | |
| Total assets at fair value | 32 | 49 | 168 | 249 |
| | | | | |
| Foreign exchange contracts | - | (42) | - | (42) |
| Cross-currency swaps | - | (309) | - | (309) |
| Interest rate contracts designated as hedging instrument | - | (40) | - | (40) |
| Commodity derivatives and embedded derivatives | - | (39) | (320) | (359) |
| Contingent consideration | - | - | (475) | (475) |
| | | | | |
| Total liabilities at fair value | - | (429) | (795) | (1,224) |

### The following table shows a reconciliation from the opening balances to the closing balances at 31 December 2017 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 | 182 | 16 | (246) | (492) | (540) |
| Total gains or (losses): | | | | | |
| in income statement | 3 | | (89) | (21) | (108) |
| in other comprehensive income | (32) | - | - | | (32) |
| Purchases | - | - | - | | - |
| Additions or (disposals) | (3) | - | - | 12 | 9 |
| Reclassification from level 3 to level 2 of the fair value hierarchy | - | (16) | - | - | (16) |
| Foreign currency translation | 15 | - | 15 | 30 | 60 |
| | | | | | |
| Balance at 31 December | 164 | - | (320) | (471) | (627) |

### 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) | - | - | - | | - |
| Foreign currency translation | (17) | - | - | (23) | (40) |
| | (11) | - | 6 | (72) | (77) |
| Balance at 31 December | 182 | 16 | (246) | (492) | (540) |

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) 1) | 149 | (207) | | |
| Unlisted equity securities (20% increase/decrease in electricity price) 2) | | (39) | 40 | (1) |
| Contingent consideration (20% increase/decrease in USD/BRL exchange rate) 3) | 81 | (81) | - | - |
| | | | | |
| Total | 230 | (328) | 40 | (1) |

1) The favorable and unfavorable effects on the embedded derivatives in the energy contracts are calculated by increasing/ decreasing the input of ammonia prices by 20 percent for the whole contract period, also for long-term contracts. All other variables remain constant.

2) The favorable and unfavorable effects on the fair value of the unlisted equity securities are calculated using the same model but with an increasing/decreasing of the forward electricity prices used in the model by 20 percent. All other variables remain constant.

3) The favorable and unfavorable effects on the fair value of the contingent consideration are calculated using the same model but increasing/decreasing the USD/BRL exchange rate with 20 percent. All other variables remain constant. However, the significant sensitivity related to contingent consideration is based on the achievement of milestones in projects. If the contracted milestones are not achieved, the contingent consideration would be derecognized through the income statement.

## Note 32 Secured debt and guarantees

| NOK millions | 2017 | 2016 |
|---|---|---|
| | | |
| Amount of secured debt | 296 | 332 |
| | | |
| **Assets used as security for debt** | | |
| Machinery and equipment, etc. | 96 | 97 |
| Buildings and structural plant | 204 | 190 |
| Other (including land and shares) 1) | - | 170 |
| Total | 301 | 456 |
| | | |
| **Assets used as security for non-financial liabilities** | | |
| Buildings and structural plant | 201 | 186 |
| Total | 201 | 186 |
| | | |
| **Guarantees (off-balance sheet)** | | |
| Contingency for discounted bills | 11 | 4 |
| Contingency for sales under government schemes | 615 | 717 |
| Non-financial parent company guarantees | 5,022 | 4,177 |
| Non-financial bank guarantees | 1,330 | 981 |
| Total | 6,977 | 5,880 |

1) Decrease of NOK 170 millions is due to one of Yara's subsidiaries having repaid most of its long-term interest-bearing debt during 2017.

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 increased with NOK 1,097 million compared with 2016, mainly reflecting ongoing investment projects and commercial contracts.

### Contingent liabilities related to the de-merger 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 de-merger 24 March 2004 and have been reduced by payments thereafter.

## Note 33 Contractual obligations and future investments

| NOK millions | Investments 2018 | Investments Thereafter | Investments Total |
|---|---|---|---|
| | | | |
| Contract commitments for investments in property, plant and equipment | 7,890 | 654 | 8,544 |
| Contract commitments for other future investments | 5,493 | 3 | 5,496 |
| Contract commitments for acquisition or own generated intangible assets | 70 | 26 | 96 |
| Total | 13,453 | 683 | 14,136 |

Yara has publicly communicated committed growth investments of NOK 6.7 billion in the time period 2018-2019. 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 5.8 billion is included in contractual commitments in the table above. Contractual commitments for other future investments are related to the Babrala acquisition which was closed 12 January 2018 with NOK 3.4 billion (see note 3) and Vale Cubatão with NOK 2.1 billion with expected closing in mid 2018.

### Commitments related to equity-accounted investees

| NOK millions | Investments 2018 | Investments Thereafter | Investments Total |
|---|---|---|---|
| | | | |
| Contract commitments for investments in property, plant and equipment: | 1,190 | - | 1,190 |
| Total | 1,190 | - | 1,190 |

Figures in the table above are presented on a 100% basis. Yara's share of committed investments related to equity accounted investees in 2017 is NOK 318 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 14.

### The non-cancelable future obligations at 31 December 2017 (undiscounted amounts)

| NOK millions | Total |
|---|---|
| | |
| 2018 | 4,387 |
| 2019 | 2,815 |
| 2020 | 1,851 |
| 2021 | 1,820 |
| 2022 | 1,625 |
| Thereafter | 2,665 |
| Total | 15,162 |

Future "take-or-pay" obligations are included in the table above only if they are non-cancelable and the contractually agreed pricing is fixed or may otherwise deviate from observable market prices at the time of delivery.

Yara did not need to pay any significant amount to fulfill take-or-pay clauses in 2017.

| NOK millions | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|---|---|---|---|---|---|---|
| Sales commitments [1] | 547 | 163 | 72 | 37 | 30 | 849 |

1) Sales commitments are mainly related to industrial products.

For further information regarding future obligations, see note 24 for future obligations related to pensions, note 25 for provisions and contingencies and note 34 for future commitments related to lease arrangements.

# Note 34 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 non-cancelable operating leases are

| NOK millions | 2017 | 2016 |
|---|---|---|
| Within 1 year | 1,118 | 1,060 |
| 2 - 5 years | 1,633 | 2,038 |
| After 5 years | 1,509 | 1,247 |
| Total | 4,260 | 4,345 |

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 | 2017 | 2016 |
|---|---|---|
| Operating lease expenses | (1,407) | (1,858) |

Operating lease expenses of NOK 1,112 million (2016: NOK 1,583 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 non-cancelable finance leases and their present values are

| | 2017 | | 2016 | |
|---|---|---|---|---|
| NOK millions | Nominal value | Present value | Nominal value | Present value |
| Within 1 year | 59 | 51 | 40 | 37 |
| 2 - 5 years | 159 | 139 | 193 | 168 |
| After 5 years | 87 | 28 | 110 | 60 |
| Total | 305 | 218 | 343 | 265 |

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 13 for information regarding the carrying amount of finance lease assets.

# Note 35 Related parties

### The Norwegian State

At 31 December 2017, 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 15,343,656 shares, representing 5.61% of the total number of shares issued.

### Equity-accounted investees

Transactions with equity-accounted investees are described in note 14.

### 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 2017, 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 2017 and number of shares owned 31 December 2017

| NOK thousands, except number of shares | Compensation earned in 2017 | Number of shares |
|---|---|---|
| Leif Teksum, Chair 1) | 602 | 3,000 |
| Maria Moræus Hanssen 2) | 561 | 500 |
| Geir Isaksen | 309 | 84 |
| Hilde Bakken 1) | 352 | 800 |
| John Gabriel Thuestad 2) | 378 | 1,200 |
| Rune Asle Bratteberg 2) 3) | 378 | 241 |
| Geir O. Sundbø 1) 3) | 352 | 213 |
| Kjersti Aass 3) | 309 | 102 |

1) Member of the HR Committee in 2017.
2) Member of the Audit Committee in 2017.
3) Interest-free loan of NOK 11.876 given through Yara International ASA in accordance with a Yara share purchase offer.

Compensation of Board of Directors was NOK 3,283 thousand in 2016 compared to NOK 3,243 thousand in 2017.
The Chair and the members of the Board have no agreements for further compensation due to termination or changes in the position.

#### Compensation 2017 and number of shares owned by the deputy Board Members at 31 December 2017

| | Compensation earned in 2017 | Number of shares |
|---|---|---|
| Per Rosenberg 1) | - | 360 |
| Kari Marie Nøstberg 1) | - | 362 |
| Inge Stabæk 1) | - | 398 |
| Toril Svendsen | - | - |
| Vidar Viskjer 1) | - | 241 |

1) Interest-free loan of NOK 11.876 given through Yara International ASA in accordance with a Yara share purchase offer.

## Yara Executive Management: Compensation and number of shares owned at 31 December 2017

| 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 5) | 6,123 | 1,843 | 311 | 1,570 | 1,471 | 11,319 | 23,083 | 2,285 |
| Torgeir Kvidal 5) | 3,098 | 749 | 261 | 1,252 | 471 | 5,831 | 4,983 | 756 |
| Terje Knutsen 5) | 3,111 | 760 | 459 | 1,276 | 514 | 6,121 | 5,615 | 886 |
| Yves Bonte | 5,762 | 1,454 | 82 | 734 | 1,371 | 9,403 | 13,985 | 2,496 |
| Alvin Rosvoll 5) | 2,810 | 670 | 222 | 1,258 | 295 | 5,255 | 6,000 | 748 |
| Tove Andersen 5) | 3,083 | 801 | 217 | 220 | 831 | 5,152 | 4,334 | 1,030 |
| Petter Østbø 5) | 3,250 | 851 | 261 | 349 | 887 | 5,598 | 7,394 | 1,156 |
| Lair Hanzen | 4,705 | 1,424 | 210 | 864 | 1,891 | 9,094 | 10,963 | 4,850 |
| Kristine Ryssdal 5) | 2,862 | 594 | 297 | 137 | 449 | 4,339 | 2,522 | 773 |
| Pierre Herben | 2,861 | 574 | 53 | 338 | 345 | 4,171 | 4,334 | 585 |
| Terje Morten Tollefsen 5) | 2,980 | 594 | 271 | 438 | 486 | 4,769 | 6,034 | 773 |
| Lene Trollnes 5) | 2,858 | 742 | 306 | 137 | 772 | 4,817 | 7,174 | 773 |

1) Fixed cash amount as part of Long-Term Incentive Plan (see description on page 131).
2) The base salaries of Yara Executive Management employed in Norway increased with 3.8% on weighted average. For Yara Executive Management member employed in Belgium, the average increase was 3%. For the Executive Management member employed in Brazil an increase of 3% was applied in addition of an inflation increase of 2%. The salary amounts for Yara Executive Management member employed in Belgium and Brazil are influenced by currency fluctuations of 1.0% (EUR) and 5.9% (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 2016, paid in 2017.
4) Estimated bonus (including holiday allowance) earned in 2017 to be paid in 2018.
5) Interest-free loan of NOK 11.876 given through Yara International ASA 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 | 1,030 | 4,778 | 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.

Svein Tore Holsether's annual base salary is NOK 6,144,000.

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 12% 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 information. 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 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 Executive Management salary development. Members of Executive Management do not receive separate remuneration for board membership in Yara subsidiaries.

To increase the alignment between executive and shareholder interests, to ensure retention of key talent in the company and to reward good performance, the Board has established a Long Term Incentive plan (LTIP) and Short Term Incentive plan (STIP). In designing the these incentive plans, the Board has sought to achieve a balance between the following key objectives:

(1) Create an alignment between executive and shareholder interests
(2) Reward good performance
(3) Recognize that Yara's earnings and valuation are significantly exposed to fluctuations in non-controllable parameters such as commodity fertilizer prices, energy prices and currency exchange rates

The LTIP aims primarily to address the first objective above, by requiring executives to use a portion of their salary to purchase and hold Yara shares, subject to the company having had an overall satisfactory financial performance over the past 3 years. Share price performance is not considered, due to the non-controllable parameters mentioned above. On the other hand, the STIP aims to recognize performance at both company, team and individual level, focusing on performance measures with minimal exposure to non-controllable parameters. The LTIP and STIP schemes are described in more detail below.

From 2018 the STIP bonus scheme applicable for managers and executives has been amended to align with best market practice. For the scheme applicable until then bonus pay was conditional on Yara's CROGI excluding special items reaching 7%, with progressively higher payout levels up to a maximum level when CROGI exceeded an upper limit (13% for 2017). From 2018 payment of STIP bonus is conditional on Yara's Net Income excluding special items exceeding zero. Bonus pay increases within a range of Yara's EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization). The reason for changing the bonus plan threshold and funding element from CROGI to respectively Net Income and EBITDA is that these financial targets are more intuitive and in line with market practice. Total cost for the new STIP bonus scheme is expected to remain at the same level as for the previous scheme.

For executives employed by Yara companies in other countries remuneration can deviate from the guidelines depending on local market conditions.

### 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 Net Income excluding special items exceeding zero. Bonus pay increases with increase of Yara EBITDA within a range. Forecasted EBITDA gives 100% of Target Bonus. A sliding scale +/- 30% of forecasted EBITDA gives minimum 75% of target bonus, provided that Yara Net Income exceeding zero and maximum 125% of target bonus.

The previous scheme gave maximum 130% of Target Bonus when CROGI exceeded an upper limit. In the new scheme maximum payout on the EBITDA element has been reduced to 125% The reason for this is that the new breaking point at zero Net Income is lower than the previous breaking point at CROGI below 7%.

For executives on Norwegian employment contracts, the maximum payout 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.

The annual incentive bonus pay-out is calculated according to the formula shown below.

Yara EBITDA 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 are 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

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. Executives who resign from Yara have to reimburse to the company at the time of resignation the net proceeds of the selling of the shares that are still within the lock-in period. 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's CEO can in any case decide that LTIP shall not be granted in a given year and Yara's Board of Directors can decide that LTIP 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 the 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 the 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 the 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 all 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 15,000 with a tax-exempt discount of NOK 1,500 in the first alternative and NOK 3,000 in the latter. Yara offers the employees an interest-free loan with repayment of one year for the purchase of the shares. This plan comes in addition to the LTIP.

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 2017 are disclosed above. For additional information about existing pension plans see note 24.

# Note 36 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 |
|---|---|---|---|---|---|
| | | | | | |
| **2017** | | | | | |
| Deloitte Norway | 4,403 | 780 | - | 42 | 5,225 |
| Deloitte abroad | 27,620 | 1,977 | 2,445 | 299 | 32,342 |
| Total Deloitte | 32,024 | 2,757 | 2,445 | 340 | 37,566 |
| | | | | | |
| Others | 1,403 | - | 589 | 249 | 2,242 |
| Total | 33,426 | 2,757 | 3,034 | 589 | 39,809 |
| | | | | | |
| **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 |

# Note 37 Post balance sheet events

Yara Board will propose to the Annual General Meeting a dividend of NOK 6.5 per share for 2017. The total dividend payment will be NOK 1,776 million based on current outstanding shares.

From 1 January 2018, Yara will change the presentation currency of the Group from Norwegian krone to US dollar. A separate appendix has been issued containing restated historical figures. The impact on comparative figures for 2017 statement of income, other than change of consolidation currency, is not material as there are no significant sales transactions with currency recycling effects.

In January 2018, Yara International ASA signed a new USD 260 million loan facility to be repaid with semi-annual installments until August 2026. The facility is partially supported by a guarantee from The Norwegian Export Credit Guarantee Agency (GIEK).

On 12 January 2018, Yara closed the acquisition of Tata chemicals Limited's urea business in India. For more information on the business combination, see note 3.

Yara and Arab Potash Company, the Jordan-based potash producer have recently signed an Memorandum of Understanding for mutual cooperation in the field of potassium nitrate production and sales. The parties will explore and evaluate the possibility of doubling the production capacity of Kemapco, the potassium nitrate producing subsidiary of Arab Potash Company, and accordingly Yara is targeting a minority position (30%) in Kemapco with a 100% distribution and marketing agreement for Yara. Production in 2017 amounted to 130 kt potassium nitrate, with sales amounting to about USD 105 million.

# Note 38 New accounting standards

The Yara Group will adopt IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customer for reporting periods beginning on and after their effective date 1 January 2018. Based on currently available information, Yara has not identified significant impact on its statement of financial position and equity due to adoption of these new standards. The effect to equity as of year end 2017 can be summarized as follows:

| NOK millions | As reported 31 Dec 2017 | Estimated adjustments due to IFRS 9 | Estimated adjustments due to IFRS 15 | Adjusted opening balance 1 Jan 2018 |
|---|---|---|---|---|
| | | | | |
| Retained earnings | 62,660 | (27) | (8) | 62,625 |

The Group will adopt IFRS 16 Leases for reporting periods beginning on and after its effective date 1 January 2019. As the Group has not yet completed its detailed assessments, no reliable estimates of financial impact due to adoption of this standard is currently available.

The impact of the different standards is described in more detail below.

### IFRS 9 Financial Instruments (issued 2014)

IFRS 9 will from its effective date 1 January 2018 replace IAS 39 Financial Instruments: Recognition and Measurement, and it sets out new requirements for the accounting for financial instruments including classification, measurement, impairment and hedge accounting. Retrospective application is required except for the new hedge accounting requirements which should be applied prospectively.

The Group has performed an impact assessment of the aspects of IFRS 9 based on currently available information. Overall, the Group has not identified significant impact on its statement of financial position and equity. However, the effect of applying the expected loss impairment model as required by IFRS 9 will increase the loss allowance to some extent resulting in a negative impact on equity. As of year end 2017 this effect is calculated to be NOK 32 million (pre tax). Yara has not identified changes to financial liabilities.

Yara will take advantage of the practical expedient under IFRS 9 which allows to only adjust the opening balance of equity at the date of initial application 1 January 2018. No comparative information will be restated.

#### Classification and measurement

Trade receivables as well as other short and long-term loans, receivables and deposits, are considered to meet the criteria for amortized cost measurement and the implementation of IFRS 9 represents as such no change compared to the current practice.

The Yara Group has equity shares to a limited extent. These are currently held as available-for-sale and accounted for at fair value with changes through Other Comprehensive Income (OCI). IFRS 9 represents no change as Yara will apply the option within IFRS 9 to present fair value changes in OCI.

Derivatives constitutes forward exchange contracts, cross-currency swaps and interest rate swaps. Interest rate swaps and the currency component of cross-currency swaps qualify for hedge accounting. All derivatives are currently accounted for at fair value through profit and loss. Implementation of IFRS 9 represents no change.

#### Impairment

IFRS 9 requires the Yara Group to record expected credit losses (ECL) either on a 12-months or lifetime basis. Yara will record lifetime expected losses on all trade and lease receivables (the simplified approach). On other receivables, loans and deposits, Yara will record 12 months expected credit losses and lifetime expected credit losses only if there has been a significant increase in credit risk since initial recognition (the general approach).

The expected loss impairment model requires loss allowances on trade receivables and other receivables, loans and deposits not yet due. Since no allowances has normally been made for these receivables using the incurred loss model under IAS 39, loss allowances are expected to increase.

The increase in loss allowance on trade receivables as of year end 2017 is calculated to be NOK 23 million (pre-tax). The calculation is based on both historical and forward looking information. In the calculation, the last 5 years historical loss percentage is used as an allowance floor for trade receivables not yet due and trade receivables less than 90 days overdue.

The increase in loss allowance on other receivables, loans and deposits is calculated to be NOK 9 million (pre-tax). The increase refers to 12-months expected credit losses of a maximum of 0,4 percent which is calculated as the Probability of Default multiplied with the Loss Given Default.

#### Hedge accounting

IFRS 9 introduces a reformed model for hedge accounting which aims to reflect the entity's risk management activities, provide more principle-based requirements and allow more hedging instruments and hedged items to qualify for hedge accounting. Yara will apply the hedge accounting requirements of IFRS 9 and not the accounting policy choice within the standard to continue to apply the requirements of IAS 39.

Yara is currently doing fair value hedges and hedges of net investments in foreign operations. The current hedge relationships qualify as continuing hedges upon the adoption of IFRS 9. In the past, Yara has also done cash flow hedges on transactions entered into prior to planned financing activities. While no transactions of that kind are active at present, such hedges may be established going forward subject to business needs.

For the time being, Yara has no intention to engage in other types of hedging and will as such not take use of the extended flexibility provided by IFRS 9 in the foreseeable future. No quantitative IFRS 9 implementation effects are identified when assessing the existing hedge relationships. However, Yara has ensured that all current hedge accounting relationships are aligned with the Group's risk management objectives and strategy as required by IFRS 9.

### IFRS 15 Revenue from contracts with customers (issued 2014)

IFRS 15 will from its effective date 1 January 2018 replace IAS 18 Revenue, IAS 11 Construction contracts, and related interpretations. The new Standard establishes a new set of principles that shall be applied to report information 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;

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 (or as) a performance obligation is satisfied

Under IFRS 15 an entity recognizes revenue when (or as) the "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Please find a description of the nature of Yara's revenue streams in note 5 Segment information.

Yara has performed an impact assessment of the aspects of IFRS 15 based on currently available information. Overall, there has not been identified significant impact to the Groups statement of financial position and equity. As of year end 2017 the implementation effect to equity is estimated to be NOK 10 million (pre-tax). Yara will apply the cumulative effect implementation approach which allows to only adjust the opening balance of equity at the date of initial application 1 January 2018. No prior year comparatives will be restated.

Areas of specific importance when assessing the impact of applying IFRS 15 are as follows:

#### Freight/insurance services when selling goods

In general Yara have under IAS 18 not accounted for freight/insurance as distinct services when selling goods. When using C-incoterms (CIF, CIP, CPT, CFR), Yara considers under IFRS 15 freight/insurance to be distinct services which shall be accounted for separately from the sale of product as the control of the products is transferred to the customer before the freight/insurance service is performed. This means that Yara will allocate consideration to these freight/insurance services based on stand-alone selling prices, and recognize the corresponding revenue over time as the freight/insurance service is performed. However, the timing effects are limited since products are typically sold ex-warehouse and the majority of deliveries to the customer's location are done within days. 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.

The adjustment to equity refers to the net margin (pre-tax) of freight/insurance services (C-incoterms) which is not yet performed at year end 2017, and can be presented as follows:

| NOK millions | 1. January 2018 |
|---|---|
| | |
| Deferred freight/insurance revenue (C-incoterms) - Gross amount | (62) |
| Deferred freight/insurance costs (C-incoterms) - Gross amount | 60 |
| IFRS 15 implementation effect to equity (pre-tax) - Net amount increase/(decrease) | (2) |

#### Farmer centric and digital offerings

As part of Yara's farmer centric and digital strategy, the Group develops solutions that integrate knowledge, tools and services in our product portfolio. Several service and technology elements are bundled into packages, and these deliveries may also include or be linked to sale of product.

IFRS 15 requires to identify distinct goods and services in multi-element arrangements and account for them separately based on stand-alone selling prices. As a result, the development and bundling of farmer centric and digital deliveries may lead to timing differences and reallocation of revenue from the sale of fertilizer to the various distinct components. This is also applicable if customers receive the above mentioned services or tools for free or at discounted prices based on the delivery of certain volumes of fertilizer.

Compared with sales of fertilizer and industrial products, revenue derived from farmer centric and digital offerings as of year end 2017 is very limited. No significant implementation effect to equity is identified. However, Yara expects that the impact of these offerings to revenue recognition will evolve going forward.

#### Construction Contracts

Yara's Environmental Solutions Business have customer contracts as part of the technology offering of $NO_X$ and $SO_X$ abatement systems in marine and stationary applications which are currently accounted for using the stage of completion method under IAS 11 Construction Contracts. Based on an assessment of the portfolio of such contracts as of year end 2017, Yara has reached the conclusion that performance obligations related to several technology deliveries do not meet the criteria for over time revenue recognition under IFRS 15. This means that revenue derived from these contracts would have been accounted for at a future point in time under IFRS 15 leading to a negative implementation effect to equity at the date of initial application of the standard. The adjustment to equity refers to the net margin (pre-tax) of these deliveries already booked using the stage of completion method under IAS 11, and is estimated to be NOK 8 million.

#### Volume discounts

Volume discounts are the dominant sales incentives used by Yara. They are normally triggered when pre-defined volume thresholds are met and may have prospective or retrospective effect. Volume discounts with retrospective effect are systematically accrued based on discounts expected to be taken and 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.

Under IFRS 15 volume discounts give rise to variable consideration which shall be estimated and recognized as revenue only to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. When providing retrospective volume rebates, Yara will apply either the expected value method or the most likely amount method depending on which of them better predicts the amount of variable consideration in the different local markets. As of year end 2017, no implementation effects to equity are identified as a result of change in estimates or the IFRS 15 constraint. Neither has there been identified volume discounts arrangements which qualify as material rights and shall be accounted for as separate performance obligations.

### Warranty

The products are normally sold with standard warranties which provide protection to the customers that the product have the agreed-upon specifications. Consequently, product warranties are limited to quality issues on delivered product. Yara will account for these standard warranties using IAS 37 Provisions, Contingent Liabilities and Contingent Assets. This is consistent with the Group's current accounting treatment.

### IFRS 16 Leases (issued 2016)

IFRS 16 will from its effective date 1 January 2019 replace IAS 17 Leases and related interpretations. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. Yara intends to use the modified retrospective implementation approach which allows to adjust the opening balance of equity with the cumulative implementation effect at the date of initial application. No prior year comparatives will be restated.

IFRS 16 provides a single lessee accounting model which requires to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset has a low value. The 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. The accounting for lessors will not significantly change, meaning that a continued classification of leases as either an operating lease or a finance lease is required.

As at 31 December 2017 the Group has non-cancelable operating lease commitments reported according to IAS 17 of NOK 4,260 million, as informed in note 34 The lease commitment according to IFRS 16 will be different taking into account discounted cash flows, reasonably certain lease terms and potential use of exemptions due to short term and low value. Operating lease expenses reported according to IAS 17 in the consolidated statement of income amounts to NOK 1,407 million.

The financial impact to Yara of implementing the new standard is currently not available as the Group has not yet completed its detailed assessments. However, preliminary assessments indicates that current operating lease arrangements meet the definition of a lease under IFRS 16. This means that Yara will recognize a right-of-use asset and a corresponding liability in respect of these leases under IFRS 16, and recognize interest on its lease liabilities and deprecations on it right-of-use assets instead of operating lease expenses. Yara may choose to apply the exception to expense leases which qualify as short term or low value on a straight-line basis in the income statement. As of year end 2017 such short term or low value leases constitute less than five percent of the reported non-cancelable operating lease commitments and less than 15 percent of the reported operating lease costs.

IFRS 16 will have an isolated negative effect on Alternative Performance Measures using total assets as a variable like for example return on capital employed (ROCE). The impact on EBITDA will be positive since the costs will be presented as depreciations and interest expense 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 find definitions of alternative performance measures on page 163.

# 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 | 2017 | 2016 |
|---|---|---|---|
| | | | |
| Revenues | 6 | 2,316 | 2,115 |
| Other income | | 3 | - |
| Revenues and other income | | 2,319 | 2,115 |
| | | | |
| Raw materials, energy costs and freight expenses | | (11) | (8) |
| Change in inventories of own production | | 1 | (8) |
| Payroll and related costs | 3 | (852) | (794) |
| Depreciation, amortization impairment loss | 4,5 | (200) | (52) |
| Other operating expenses | 6 | (1,972) | (1,489) |
| Operating costs and expenses | | (3,034) | (2,351) |
| | | | |
| Operating income | | (715) | (237) |
| | | | |
| Financial income (expense), net | 7 | 13,261 | 2,418 |
| Income before tax | | 12,546 | 2,181 |
| | | | |
| Income tax expense | 8 | (109) | (285) |
| Net income | | 12,437 | 1,897 |
| | | | |
| Appropriation of net income and equity transfers | | | |
| Dividend proposed | | 1,776 | 2,732 |
| Retained earnings | | 10,661 | (835) |
| Total appropriation | 13 | 12,437 | 1,897 |

YARA INTERNATIONAL ASA

# Balance sheet

| NOK millions | Notes | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|---|
| | | | |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Deferred tax assets | 8 | 598 | 697 |
| Intangible assets | 5 | 497 | 501 |
| Property, plant and equipment | 4 | 73 | 106 |
| Shares in subsidiaries | 9 | 19,757 | 19,401 |
| Intercompany receivables | 15 | 41,994 | 17,839 |
| Other non-current assets | 10 | 400 | 393 |
| Total non-current assets | | 63,318 | 38,937 |
| | | | |
| **Current assets** | | | |
| Inventories | 10 | 19 | 17 |
| Trade receivables | | 8 | 7 |
| Intercompany receivables | 15 | 23,864 | 8,367 |
| Prepaid expenses and other current assets | 12 | 405 | 443 |
| Cash and cash equivalents | | 3,298 | 2,603 |
| Total current assets | | 27,595 | 11,437 |
| | | | |
| Total assets | | 90,913 | 50,374 |

## YARA INTERNATIONAL ASA
# Balance sheet

| NOK millions | Notes | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|---|
| | | | |
| **Liabilities and shareholders' equity** | | | |
| **Equity** | | | |
| Share capital reduced for treasury stock | | 464 | 464 |
| Premium paid-in capital | | 117 | 117 |
| Total paid-in capital | 13 | 582 | 582 |
| | | | |
| Retained earnings | | 19,382 | 8,723 |
| Shareholders' equity | 13 | 19,964 | 9,305 |
| | | | |
| **Non-current liabilities** | | | |
| Employee benefits | 2 | 885 | 840 |
| Long-term interest-bearing debt | 14 | 18,567 | 12,074 |
| Other long-term liabilities | | 358 | 512 |
| Total non-current liabilities | | 19,810 | 13,426 |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | | 278 | 159 |
| Bank loans and other interest-bearing short-term debt | 10 | 190 | 193 |
| Dividends payable | 13 | 1,776 | 2,732 |
| Intercompany payables | 15 | 48,552 | 24,319 |
| Other current liabilities | 12 | 342 | 240 |
| Total current liabilities | | 51,138 | 27,643 |
| | | | |
| Total liabilities and shareholders' equity | | 90,913 | 50,374 |

The Board of Directors of Yara International ASA
Oslo, 22 March 2018

Leif Teksum
Chair

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 | 2017 | 2016 |
|---|---|---|---|
| | | | |
| **Operating activities** | | | |
| Operating income | | (715) | (237) |
| | | | |
| **Adjustments to reconcile operating income to net cash provided by operating activities** | | | |
| Depreciation, amortization and impairment loss | 4,5 | 200 | 52 |
| Write-down inventory and trade receivables | | (1) | (11) |
| Tax received/(paid) | | (14) | (45) |
| Group relief received | | 1,604 | 11,534 |
| Interest and bank charges received/(paid) | | 15 | 10 |
| Other | | 203 | (29) |
| | | | |
| **Change in working capital** | | | |
| Trade receivables | | - | 16 |
| Short-term intercompany receivables/payables | 15 | 17,921 | (4,578) |
| Prepaid expenses and other current assets | | 164 | 762 |
| Trade payables | | 98 | (3) |
| Other current liabilities | | 14 | (318) |
| Net cash provided by operating activities | | 19,491 | 7,154 |
| | | | |
| **Investing activities** | | | |
| Acquisition of property, plant and equipment | 4 | (21) | (12) |
| Acquisition of other long-term investments | 5 | (312) | (221) |
| Net cash from/(to) long-term intercompany loans | 14,15 | (22,804) | (1,955) |
| Proceeds from sales of long-term investments | | 21 | 1 |
| Net cash provided by/(used in) investing activities | | (23,116) | (2,187) |
| | | | |
| **Financing activities** | | | |
| Loan proceeds | 14 | 7,014 | 4,057 |
| Principal payments | | 44 | (2,775) |
| Purchase of treasury stock | 13 | - | (93) |
| Redeemed shares Norwegian State | 13 | - | (252) |
| Dividend paid | 13 | (2,732) | (4,108) |
| Net cash used in financing activities | | 4,326 | (3,173) |
| | | | |
| Foreign currency effects on cash and cash equivalents | | (5) | - |
| | | | |
| Net increase/(decrease) in cash and cash equivalents | | 695 | 1,795 |
| Cash and cash equivalents at 1 January | | 2,603 | 808 |
| Cash and cash equivalents at 31 December | | 3,298 | 2,603 |

# 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 Yare Group. Please note that the information in note 26 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
The functional currency of Yara International ASA is Norwegian kroner (NOK). Transactions in currencies other than the 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.

Realized and unrealized currency gains and losses on transactions, assets and liabilities, denominated in a currency other than the functional currency, 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
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, an apportionment is estimated. Other exceptions to the matching criteria are disclosed where appropriate.

### Income taxes
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 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 weighted average, 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
Assets which are 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 initially included in long-term debt. Property, plant and equipment are depreciated over the estimated useful lives of the assets or lease term if shorter. 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 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 has a long-term incentive program which provides a fixed cash amount to eligible top executives who are required to invest the net amount after tax in Yara shares within a period of one month after the grant. Yara purchases the shares on behalf of the executives at market prices. The executives holds all shareholder rights from the date of purchase but cannot sell the shares in the three years vesting period. The incentive program does not have dilutive effect.

The fair value of the purchased shares is recognized as reduction in equity. 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 employee tax is calculated and expensed at the grant date.

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. Remeasurement 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. Pension liabilities for defined benefit plans also include certain unfunded obligations.

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 | 2017 | 2016 |
|---|---|---|
| | | |
| Pension liabilities for defined benefit plans | (878) | (833) |
| Termination benefits and other long-term employee benefits | (8) | (7) |
| Surplus on funded defined benefit plans | 344 | 329 |
| Net long-term employee benefit obligations | (541) | (511) |

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

| NOK millions | 2017 | 2016 |
|---|---|---|
| | | |
| Defined benefit plans | (55) | (40) |
| Defined contribution plans | (47) | (43) |
| Termination benefits and other long-term employee benefits | (8) | (8) |
| Net expenses recognized in statement of income | (111) | (91) |

### Defined benefit plans

Yara International ASA is the sponsor of Yara Pensjonskasse, a funded pension plan which also covers employees of its subsidiaries Yara Norge AS and Yaraship Services AS. Plan benefits are based on years of service and final salary levels. Determination of the required annual contribution to 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 31 December 2017, the number of active participants in the funded defined benefit plan who were employed by Yara International ASA, was 2 and the number of retirees was 137. In addition, 313 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 2017 was NOK 93,634).

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, in which 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. In 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 K2013BE mortality table. According to K2013BE a current female employee aged 45 today would be expected to live 26.0 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 22.8 years for current employees and 21.0 years for a male employee aged 65.

The following financial assumptions have been applied for the valuation of liabilities (in %)

| In percentages | 2017 | 2016 |
|---|---|---|
| | | |
| Discount rate | 2.5 | 2.5 |
| Expected rate of salary increases | 2.4 | 2.4 |
| Future rate of pension increases | 0.8 | 0.4 |

## Actuarial valuations provided the following results

| NOK millions | 2017 | 2016 |
|---|---|---|
| | | |
| Present value of unfunded obligations | (769) | (730) |
| Present value of wholly or partly funded obligations | (729) | (685) |
| Total present value of obligations | (1,498) | (1,415) |
| Fair value of plan assets | 1,073 | 1,014 |
| Social security on defined benefit obligations | (108) | (103) |
| Total recognized liability for defined benefit plans | (533) | (504) |

## Duration of liabilities at the end of the year

| Duration of liabilities (in years) | 2017 |
|---|---|
| | |
| Funded plan | 14 |
| Unfunded plans | 11 |

### 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 | 2017 | 2016 |
|---|---|---|
| | | |
| Current service cost | (37) | (33) |
| Administration cost | (1) | (1) |
| Settlements [1] | - | 8 |
| Social security cost | (8) | (6) |
| Payroll and related costs | (46) | (32) |
| | | |
| Interest on obligation | (35) | (33) |
| Interest income from plan assets | 25 | 25 |
| Interest expense and other financial items | (10) | (8) |
| | | |
| Total expense recognized in income statement | (55) | (40) |

1) A settlement loss from 2015 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 | 2017 | 2016 |
|---|---|---|
| | | |
| Actual valuation | (1,498) | (1,415) |
| | | |
| Discount rate +0.5% | (1,408) | (1,328) |
| Discount rate -0.5% | (1,596) | (1,512) |
| | | |
| Expected rate of salary increase +0.5% | (1,503) | (1,430) |
| Expected rate of salary increase -0.5% | (1,493) | (1,402) |
| | | |
| Expected rate of pension increase +0.5% | (1,596) | (1,474) |
| Expected rate of pension increase -0.5% | (1,407) | (1,367) |
| | | |
| Expected longevity +1 year | (1,547) | (1,454) |
| Expected longevity -1 year | (1,449) | (1,376) |

### Development of defined benefit obligations

| NOK millions | 2017 | 2016 |
|---|---|---|
| | | |
| Defined benefit obligation at 1 January | (1,415) | (1,333) |
| Current service cost | (37) | (33) |
| Interest cost | (35) | (33) |
| Experience adjustments | (15) | (43) |
| Effect of changes in financial assumptions | (51) | (29) |
| Settlements [1] | - | 8 |
| Benefits paid | 54 | 50 |
| Transfer of 17 retirees from Yaraship Services AS | - | (17) |
| Reclassification to defined contribution plan | - | 13 |
| Defined benefit obligation at 31 December | (1,498) | (1,415) |

1) A settlement loss from 2015 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 | 2017 | 2016 |
|---|---|---|
| | | |
| Fair value of plan assets at 1 January | 1,014 | 990 |
| Interest income from plan assets | 25 | 25 |
| Administration cost | (1) | (1) |
| Return on plan assets (excluding calculated interest income) | 61 | (8) |
| Transfer of 17 retirees from Yaraship Services AS | - | 31 |
| Benefits paid | (26) | (23) |
| Fair value of plan assets at 31 December | 1,073 | 1,014 |

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 | 2017 | 2017 | 2016 | 2016 |
|---|---|---|---|---|
| | | | | |
| Cash and cash equivalents | 14 | 1% | 15 | 1% |
| Shares | 389 | 36% | 365 | 36% |
| Other equity instruments | 78 | 7% | 68 | 7% |
| High yield debt instruments | - | - | 55 | 5% |
| Investment grade debt instruments | 569 | 53% | 487 | 48% |
| Properties | 22 | 2% | 22 | 2% |
| Interest rate swap derivatives | 1 | - | 1 | - |
| Total plan assets | 1,073 | 100% | 1,014 | 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 2018 are NOK 31 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 | 2017 | 2016 |
|---|---|---|
| | | |
| Cumulative amount recognized directly in retained earnings pre tax at 1 January | (151) | (67) |
| Remeasurement gains / (losses) on obligation for defined benefit plans | (65) | (71) |
| Remeasurement gains / (losses) on plan assets for defined benefit plans | 61 | (8) |
| Social security on remeasurement gains / (losses) recognized directly in equity this year | (2) | (5) |
| Cumulative amount recognized directly in retained earnings pre tax at 31 December | (158) | (151) |
| Deferred tax related to remeasurement gains / (losses) recognized directly in retained earnings | 36 | 36 |
| Cumulative amount recognized directly in retained earnings after tax at 31 December | (121) | (115) |

## Note 3 Remunerations and other

Remuneration and direct ownership of shares of the Chair and of the board of directors are disclosed in note 35 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 35 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 3,444 thousand (2016: NOK 3,515 thousand), fee for assurance services NOK 521 thousand (2016: NOK 1,264 thousand), no fee for tax services (2016: NOK 237 thousand) and fee for non-audit services NOK 42 thousand (2016: NOK 1,610 thousand). Audit remuneration for the group is disclosed in note 36 to the consolidated financial statement.

At 31 December 2017, the number of employees in Yara International ASA was 537 (2016: 476).

| NOK millions | 2017 | 2016 |
|---|---|---|
| | | |
| **Payroll and related costs** | | |
| Salaries | (657) | (622) |
| Social security costs | (93) | (88) |
| Net periodic pension costs | (101) | (83) |
| Total | (852) | (794) |

Yara provided a guarantee for unsecured loans which were granted from external banks to the Norwegian employees. Yara did not compensate the banks for these services. At 31 December 2017, the aggregate balance of all the outstanding loans for which Yara is providing a guarantee is approximately NOK 0.5 millions, and the number of loans are 7. The scheme in question ceased to apply and the loans are expected to be settled within 2-3 years.

Yara continued to give employees in Norway an opportunity to take part in a share purchase program in 2017. 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 35,834 shares during 2017. In total 34,890 shares have been sold during 2017 to 916 persons, 83 persons were allotted 20 shares and 833 persons were allotted 40 shares. As at 31 December 2017, the foundation owns 888 shares in Yara.

# Note 4 Property, plant and equipment

## 2017

| NOK millions, except percentages and years | Property, plant and equipment |
|---|---|
| | |
| **Cost** | |
| Balance at 1 January | 174 |
| Addition at cost | 21 |
| Derecognition | (24) |
| Balance at 31 December | 171 |
| | |
| **Depreciation** | |
| Balance at 1 January | (67) |
| Depreciation | (9) |
| Impairment loss | (45) |
| Derecognition | 24 |
| Balance at 31 December | (98) |
| | |
| **Carrying value** | |
| Balance at 1 January | 106 |
| Balance at 31 December | 73 |
| | |
| Useful life in years | 4 - 50 |
| Depreciation rate | 2 - 25% |

## 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% |

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

Yara decided to discontinue the development of a pilot plant for small scale production of ammonia nitrate in Porsgrunn. Yara has recognized impairment losses on development equipment that was acquired for this pilot plant project for NOK 45 million. See also note 8 to the consolidated financial statements.

There were no assets pledged as security at 31 December 2017 or 2016.

# Note 5 Intangible assets

## 2017

| NOK millions, except percentages and years | Intangible assets |
|---|---|
| | |
| **Cost** | |
| Balance at 1 January | 764 |
| Addition at cost | 332 |
| Derecognition | (196) |
| Balance at 31 December | 900 |
| | |
| **Amortization** | |
| Balance at 1 January | (263) |
| Amortization | (72) |
| Impairment loss | (73) |
| Derecognition | 6 |
| Balance at 31 December | (402) |
| | |
| **Carrying value** | |
| Balance at 1 January | 501 |
| Balance at 31 December | 497 |
| | |
| Useful life in years | 3 - 5 |
| Amortization rate | 20 - 35% |

## 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% |

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

Yara decided to discontinue the development of a pilot plant for small scale production of ammonia nitrate in Porsgrunn. Yara has recognized impairment losses on technology rights of NOK 73 million and scrapping of activated development cost of 190 million related to the pilot plant project. See also note 8 to the consolidated financial statements.

# Note 6 Specification of items in the income statement

### Revenue

Information about sales to geographical areas

| NOK millions | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | External | Internal | Total | External | Internal | Total |
| Norway | 1 | 92 | 93 | 9 | 88 | 97 |
| European Union | 31 | 1,945 | 1,976 | 23 | 1,689 | 1,712 |
| Europe, outside European Union | - | 3 | 3 | - | 4 | 4 |
| Africa | - | 21 | 21 | - | 22 | 22 |
| Asia | - | 25 | 25 | 7 | 27 | 34 |
| North America | - | 41 | 41 | 22 | 33 | 55 |
| Latin America | - | 139 | 139 | 7 | 163 | 170 |
| Australia and New Zealand | - | 17 | 17 | - | 20 | 20 |
| Total | 32 | 2,284 | 2,316 | 68 | 2,046 | 2,115 |

### Other operating expenses

| NOK millions | 2017 | 2016 |
|---|---|---|
| Selling and administrative expense | (1,228) | (1,205) |
| Rental and leasing [1] | (67) | (59) |
| Travel expense | (68) | (64) |
| Other [2] | (610) | (161) |
| Total | (1,972) | (1,489) |
| | | |
| Of which research costs [3] | (303) | (216) |

1) Expenses mainly relate to property and lease contracts for company cars.
2) Yara decided to discontinue the development of a pilot plant for small scale production of ammonia nitrate in Porsgrunn. Following this decision, Yara recognized closure costs of NOK 278 million. The closure costs are mainly related to scrapping and decommissioning of assets under construction. Yara has recognized impairment losses on technology rights and development equipment that were acquired for this pilot plant project for NOK 118 million. See also note 8 to the consolidated financial statements.
3) Over the last few years, Yara has focused on orienting research and development resources towards commercial activities, both with respect to process and product improvements and agronomical activities. It is impracticable to give a fair estimate of possible future financial returns of these activities.

# Note 7 Financial income and expense

| NOK millions | Notes | 2017 | 2016 |
|---|---|---|---|
| Dividends and group relief from subsidiaries | | 12,689 | 1,638 |
| Interest income group companies | 15 | 810 | 687 |
| Other interest income | | 10 | 42 |
| Interest expense group companies | 15 | (150) | (178) |
| Other interest expense | | (633) | (552) |
| Interest expense defined pension liabilities | 2 | (35) | (33) |
| Return on pension plan assets | 2 | 25 | 25 |
| Net foreign currency translation gain/(loss) | | 581 | 747 |
| Other financial income/(expense) | | (36) | 40 |
| Financial income/(expense), net | | 13,261 | 2,418 |

Note 8

# Income tax expense

## Specification of income tax expense

| NOK millions | 2017 | 2016 |
|---|---|---|
| | | |
| Current tax expense [1] | (12) | 36 |
| Deferred tax income/(expense) recognized in the current year | (97) | (321) |
| Income tax expense | (109) | (285) |

1) Net amount of withholding tax and prior years adjustment, see specification in the table below.

## Reconciliation from Norwegian nominal statutory tax rate to effective tax rate

| NOK millions | 2017 | 2016 |
|---|---|---|
| | | |
| Income before taxes | 12,546 | 2,181 |
| Statutory tax rate | 24% | 25% |
| Expected income taxes at statutory tax rate | (3,011) | (545) |
| | | |
| **The tax effect of the following items** | | |
| Group relief received from subsidiary with no tax effect | 2,937 | 250 |
| Withholding taxes | (17) | (20) |
| Prior years adjustments | 4 | 57 |
| Tax law changes | (24) | (27) |
| Loss and write-down shares, not tax deductible | - | 5 |
| Permanent differences | 1 | (4) |
| Income tax expense | (109) | (285) |
| | | |
| Effective tax rate | (1%) | (13%) |

## Specification of deferred tax assets/(liabilities)

| NOK millions | Opening balance | Charged to income | Changes in tax rate | Reclassified from equity to profit or loss | Closing balance |
|---|---|---|---|---|---|
| | | | | | |
| **Non-current items** | | | | | |
| Intangible assets | 13 | (12) | (1) | | - |
| Property, plant and equipment | (3) | 10 | - | | 7 |
| Pension liabilities | 163 | 7 | (7) | | 163 |
| Other non-current assets | (723) | (287) | 30 | (1) | (981) |
| Other non-current liabilities and accruals | 471 | (125) | (20) | | 327 |
| Total | (79) | (407) | 3 | (1) | (484) |
| | | | | | |
| **Current items** | | | | | |
| Accrued expenses | 42 | (14) | (2) | | 26 |
| Total | 42 | (14) | (2) | - | 26 |
| | | | | | |
| Tax loss carry forwards | 734 | 347 | (24) | - | 1,056 |
| Net deferred tax asset/(liability) | 697 | (73) | (24) | (1) | 598 |

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

Other current assets include prepaid income taxes of NOK 61 million.

# Note 9 Shares in subsidiaries

| Company name | Ownership [1] | Ownership by other group companies | Registered office | Local currency | Total equity in the company 2017 local currency millions | Net income /(loss) in 2017 local currency millions | Carrying value 2017 NOK millions | Carrying value 2016 NOK millions |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | |
| **Subsidiaries owned by Yara International ASA** | | | | | | | | |
| Fertilizer Holdings AS [2] | 100.0% | - | Norway | NOK | 29,365 | 13,275 | 16,178 | 16,156 |
| Yara Norge AS | 100.0% | - | Norway | NOK | 1,800 | 666 | 1,303 | 1,303 |
| Yara Asia Pte. Ltd. | 100.0% | - | Singapore | USD | 1,086 | 113 | 1,114 | 1,114 |
| Yara Colombia S.A. | 59.0% | 39.4% | Colombia | COP | 269,487 | (113,753) | 665 | 310 |
| Yara North America Inc. | 100.0% | - | USA | USD | 393 | 26 | 468 | 468 |
| Yara Guatemala S.A. | 100.0% | - | Guatemala | GTQ | 157 | 45 | 18 | 24 |
| Yara Costa Rica S. de RL. | 0.001% | 87.5% | Costa Rica | CRC | 3,598 | (698) | 2 | 2 |
| Yara International Employment Co. AG | 100.0% | - | Switzerland | EUR | 2 | - | 1 | 1 |
| Operaciones BPT | 10.0% | 90.0% | Mexico | MXN | (3) | - | - | - |
| Profesionistas AAL | 0.04% | 99.96% | Mexico | MXN | - | - | - | - |
| Total | | | | | | | 19,757 | 19,401 |

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) During 2017, Yaraship Services AS and Yara Agri Russland AS were merged into Fertilizer Holdings AS.

# Note 10 Specification of other balance sheet items

| NOK millions | Notes | 2017 | 2016 |
|---|---|---|---|
| | | | |
| **Other non-current assets** | | | |
| Surplus on funded defined benefit plans | 2 | 344 | 329 |
| Long-term loans, mortgage bonds and non-marketable shares 0-20% | | - | 21 |
| Interest rate swap designated for hedging (external) | 12 | 23 | 2 |
| Other | | 32 | 41 |
| Total | | 400 | 393 |
| | | | |
| **Inventories** | | | |
| Finished goods | | 17 | 12 |
| Raw materials | | 2 | 1 |
| Work in progress | | - | 4 |
| Total | | 19 | 17 |
| | | | |
| **Bank loans and other interest-bearing short-term debt** | | | |
| External loans | 14 | 108 | 165 |
| Bank overdraft | | 82 | 28 |
| Total | | 190 | 193 |

# Note 11 Guarantees

| NOK millions | 2017 | 2016 |
|---|---|---|
| | | |
| **Guarantees (off-balance sheet)** | | |
| Guarantees of debt in subsidiaries | 5,714 | 4,335 |
| Non-financial guarantees | 6,171 | 5,546 |
| Total | 11,885 | 9,881 |

Yara International ASA provides guarantees arising in the ordinary course of business, including performance bonds and various payment or financial guarantees. See note 32 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 29 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.

### 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 | 2017 | 2016 |
|---|---|---|
| | | |
| **Fair value of derivatives** | | |
| Forward foreign exchange contracts (external) | (16) | (11) |
| Forward foreign exchange contracts (Yara Group internal) | 9 | (96) |
| Cross currency swaps (external) | (295) | (512) |
| Interest rate swaps designated for hedging (external) | (30) | 2 |
| Balance at 31 December | (332) | (617) |
| | | |
| **Derivatives presented in the balance sheet** | | |
| Non-current assets | 23 | 2 |
| Current assets | 10 | - |
| Non-current liabilities | (348) | (512) |
| Current liabilities | (16) | (107) |
| Balance at 31 December | (332) | (617) |

### Forward foreign exchange contracts

Yara is committed to outstanding forward foreign exchange contracts as follows

| NOK millions | 2017 | 2016 |
|---|---|---|
| | | |
| Forward foreign exchange contracts (external), notional amount | 1,421 | 1,499 |
| Forward foreign exchange contracts (Yara Group internal), notional amount | 738 | 7,026 |

All outstanding contracts at 31 December 2017 have maturity in 2018. External buy positions are mainly in US dollars towards Norwegian kroner. External sell positions are mainly in euro, pound sterling and other operating currencies towards Norwegian kroner.

## Hedge accounting

### Fair value hedge

In December 2014, Yara designated a portfolio of long-term NOK interest rate 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.

In December 2017, Yara designated a portfolio of long-term NOK and SEK interest rate 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 2,000 million fixed rate bond debt and the change in fair value due to changes in risk-free interest rates (STIBOR) of the SEK 800 million fixed rate bond debt, all from 2017. 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.

There are no fair value hedges of USD debt outstanding at 31 December 2017.

| NOK millions | 2017 | 2016 |
|---|---|---|
| | | |
| **NOK bond debt fair value hedge** | | |
| Change in fair value of the derivatives | (27) | (17) |
| Change in fair value of the bonds | 27 | 23 |
| Ineffectiveness (loss)/gain booked in statement of income | - | 5 |
| | | |
| Total gain/(loss) on fair value hedge included in the carrying amount of bond debt at year-end | 25 | (2) |
| | | |
| **SEK bond debt fair value hedge** | | |
| Change in fair value of the derivatives | (5) | |
| Change in fair value of the bonds | 5 | |
| Ineffectiveness (loss)/gain booked in statement of income | - | |
| | | |
| Total loss on fair value hedge included in the carrying amount of bond debt at year-end | 5 | |

### Cash flow hedge

Yara had no active cash flow hedges at year end 2017 or 2016. However, Yara has in the past done cash flow hedges on transactions entered into prior to planned financing activities and such hedges may be established going forward subject to business needs.

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. Amount reclassified to interest expense in 2017 was NOK 5 million after tax (2016: NOK 4 million).

# 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 2017, 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 2017. For further information on these issues see note 22 to the consolidated financial statement.

Shareholders holding 1% or more of the total 273,217,830 shares issued as of 31 December 2017 are according to information in the Norwegian securities' registry system (Verdipapirsentralen):

| Name | Number of shares | Holding (%) |
|---|---|---|
| The Ministry of Trade, Industry and Fisheries | 98,936,188 | 36.2% |
| Norwegian National Insurance Scheme fund | 15,343,656 | 5.6% |
| Capital World Investors | 8,478,092 | 3.1% |
| Fidelity Management & Research Company | 6,230,222 | 2.3% |
| Sprucegrove Investment Management, Ltd. | 6,155,780 | 2.3% |
| BlackRock Institutional Trust Company, N.A. | 4,958,097 | 1.8% |
| Templeton Investment Counsel, L.L.C. | 4,650,967 | 1.7% |
| The Vanguard Group, Inc. | 4,326,782 | 1.6% |
| KLP Forsikring | 3,957,743 | 1.4% |
| DNB Asset Management AS | 3,657,220 | 1.3% |
| Nordea Funds Oy | 3,579,822 | 1.3% |
| Polaris Capital Management, LLC | 3,555,457 | 1.3% |
| SAFE Investment Company Limited | 3,238,127 | 1.2% |
| Storebrand Kapitalforvaltning AS | 3,022,946 | 1.1% |
| State Street Global Advisors (US) | 2,980,369 | 1.1% |

## Shareholders equity

| NOK millions | Paid-in-capital | Retained earnings | Total shareholders equity |
|---|---|---|---|
| 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 2) | (1) | (251) | (252) |
| Treasury shares 3) | - | (93) | (93) |
| Balance 31 December 2016 | 582 | 8,724 | 9,305 |
| | | | |
| Net income of the year | - | 12,437 | 12,437 |
| Dividend proposed | - | (1,776) | (1,776) |
| Cash flow hedges | - | 5 | 5 |
| Actuarial gain/(loss) 1) | - | (6) | (6) |
| Balance 31 December 2017 | 582 | 19,382 | 19,963 |

1) Yara International ASA has decided to use the option in NRS 6A to adopt IAS19. For further information, see the accounting principles note 1.
2) As approved by General Meeting 10 May 2016.
3) See note 22 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 2017 | 2017 | 2016 |
|---|---|---|---|---|
| Unsecured debenture bonds in NOK (Coupon NIBOR + 0.70%) [1] | 1.6% | 2,200 | 2,198 | 2,197 |
| Unsecured debenture bonds in NOK (Coupon 2.55%) [2] | 2.6% | 700 | 703 | 700 |
| Unsecured debenture bonds in NOK (Coupon NIBOR + 0.75%) [1] | 1.6% | 1,250 | 1,248 | - |
| Unsecured debenture bonds in NOK (Coupon 3.00%) [3] | 3.0% | 600 | 605 | 601 |
| Unsecured debenture bonds in NOK (Coupon 2.45%) [3] | 2.5% | 1,000 | 984 | - |
| Unsecured debenture bonds in NOK (Coupon 2.90%) [4] | 2.9% | 1,000 | 978 | - |
| Unsecured debenture bonds in SEK (Coupon STIBOR + 1.00%) [1] | 0.2% | 450 | 448 | - |
| Unsecured debenture bonds in SEK (Coupon 1.10%) [5] | 1.2% | 800 | 792 | - |
| Unsecured debenture bonds in USD (Coupon 7.88%) [6] | 8.3% | 500 | 4,089 | 4,293 |
| Unsecured debenture bonds in USD (Coupon 3.80%) [7] | 3.9% | 500 | 4,074 | 4,282 |
| Unsecured bank loans in USD [1] | 2.7% | 300 | 2,448 | - |
| Outstanding long-term debt | | | 18,567 | 12,074 |

1) Repricing within a year.
2) Fixed interest rate until 2021. Subject to fair value hedge accounting, see note 30 to the consolidated financial statements.
3) Fixed interest rate until 2024. Subject to fair value hedge accounting, see note 30 to the consolidated financial statements.
4) Fixed interest rate until 2027. Subject to fair value hedge accounting, see note 30 to the consolidated financial statements.
5) Fixed interest rate until 2022. Subject to fair value hedge accounting, see note 30 to the consolidated financial statements.
6) Fixed interest rate until 2019.
7) Fixed interest rate until 2026.

At 31 December 2017, the fair value of the long-term debt was NOK 18,363 million and the carrying value was NOK 18,567 million. See note 26 to the consolidated financial statements for further information about long-term debt.

### Payments on long-term debt fall due as follows

| NOK millions | Debentures | Bank loans | Total |
|---|---|---|---|
| 2018 | - | - | - |
| 2019 | 6,287 | - | 6,287 |
| 2020 | - | - | - |
| 2021 | 703 | - | 703 |
| 2022 | 2,487 | 1,218 | 3,706 |
| Thereafter | 6,641 | 1,230 | 7,871 |
| Total | 16,119 | 2,448 | 18,567 |

# 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 | 2017 | 2016 |
|---|---|---|---|
| **Income statement** | | | |
| Yara Belgium S.A. | | 1,437 | 1,186 |
| Yara Norge AS | | 91 | 87 |
| Yara Brasil Fertilizantes S.A. | | 83 | 91 |
| Yara Sluiskil B.V. | | 82 | 48 |
| Other | | 591 | 633 |
| Internal revenues | 6 | 2,284 | 2,046 |

| NOK millions | Notes | 2017 | 2016 |
|---|---|---|---|
| | | | |
| Fertilizer Holdings AS | | 12,000 | - |
| Yara Norge AS | | 451 | 1,490 |
| Yara LPG Shipping AS | | 238 | - |
| Yara AS | | - | 148 |
| Dividends and group relief from subsidiaries | 7 | 12,689 | 1,638 |
| | | | |
| Yara Nederland B.V. | | 368 | 349 |
| Yara Holding Netherlands B.V. | | 155 | 73 |
| Yara Sluiskil B.V. | | 46 | 3 |
| Yara Norge AS | | 45 | 13 |
| Yara AS | | 36 | 13 |
| Yara AB | | 27 | 11 |
| Yara Suomi Oy | | 22 | 14 |
| Other | | 111 | 212 |
| Interest income group companies | 7 | 810 | 687 |
| | | | |
| Fertilizer Holdings AS | | (54) | (48) |
| Yara Asia Pte Ltd | | (22) | (9) |
| Yara Caribbean Ltd | | (20) | (7) |
| Yara Belle Plaine Inc. | | (12) | (7) |
| Yara AS | | (6) | (39) |
| Other | | (37) | (68) |
| Interest expense group companies | 7 | (150) | (178) |
| | | | |
| **Non-current assets** | | | |
| Yara Holding Netherlands B.V. | | 18,424 | 4,305 |
| Yara Nederland B.V. | | 7,659 | 7,583 |
| Yara Norge AS | | 4,504 | - |
| Yara Sluiskil B.V. | | 4,384 | 545 |
| Yara Suomi Oy | | 2,550 | 999 |
| Yara AB | | 1,609 | 1,546 |
| Yara Investments Germany SE | | 1,138 | 1,053 |
| Other | | 1,726 | 1,808 |
| Intercompany receivables | | 41,994 | 17,839 |
| | | | |
| **Current assets** | | | |
| Fertilizer Holdings AS | | 12,000 | 148 |
| Yara AS | | 7,646 | 148 |
| Yara France SAS | | 651 | 46 |
| Yara Norge AS | | 554 | 2,797 |
| Yara LPG Shipping AS | | 683 | 642 |
| Yara Trinidad Ltd. | | 349 | 315 |
| Yara Suomi Oy | | 298 | 381 |
| Yara Iberian S.A.U. | | 218 | 84 |
| Other | | 1,465 | 3,806 |
| Intercompany receivables | | 23,864 | 8,367 |
| | | | |
| **Current liabilities** | | | |
| Fertilizer Holdings AS | | (24,235) | - |
| Yara Nederland B.V. | | (6,281) | (1,477) |
| Yara Tertre S.A. | | (5,407) | - |
| Yara Asia Pte Ltd | | (2,655) | (2,529) |
| Yara Caribbean Ltd | | (2,151) | (2,200) |
| Yara S.A. | | (1,325) | (3,468) |
| Yara GmbH & Co. KG | | (1,209) | (1,260) |
| Yara Belgium S.A. | | (302) | (4,536) |
| Other | | (4,985) | (8,848) |
| Intercompany payables | | (48,552) | (24,319) |
| | | | |
| Trinidad Nitrogen Company Ltd. | | (62) | (115) |
| Yara Freeport LLC DBA Texas Ammonia | | (35) | (16) |
| Other | | (12) | (34) |
| ST Interest-bearing loans from Group associates and joint arrangements | | (108) | (165) |

Remuneration to the Board of Directors and Yara Management are disclosed in note 35 to the consolidated financial statements. Yara International ASA has transactions with Yara Pensjonskasse (pension fund). See note 2 for more information.

# Directors' responsibility statement
## 2017

### WE CONFIRM TO THE BEST OF OUR KNOWLEDGE THAT:

- The consolidated financial statements for 2017 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 2017 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
- That the country by country report for 2017 has been prepared in accordance with the Norwegian Accounting Act § 3-3d and the Norwegian Security Trading Act § 5-5a.

The Board of Directors of Yara International ASA
Oslo, 22 March 2018

Leif Teksum
Chair

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 2017, 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 2017, 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 2017, 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 present fairly, in all material respect the financial position of the Group as at 31 December 2017, 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 and the Group 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:

- Tax assets and liabilities
- Impairment of non-current assets
- Elimination of internal profit on inventory

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*Tax assets and liabilities*

| Key audit matter | How the matter was addressed in the audit |
|---|---|
| There are a number of significant judgements involved in the determination of tax balances, specifically in relation to the recognition of tax losses and tax credits in Brazil. The Group also has a number of uncertain tax positions in relation to which management apply judgement in setting provisions.<br><br>As detailed in note 1, and 10, management applies judgement to determine to what extent these tax assets and tax credits qualify for recognition in the balance sheet. This involves judgement as to the likelihood of the realization of deferred tax assets and tax credits. The expectation that the benefit of these tax assets and tax credits will be realized is dependent on sufficient taxable profits in future periods and the ability to utilize the tax credits. Recoverability of the tax credits is also dependent on interpretation of laws and regulations which may be subject to change over time.<br><br>The amount of unrecognized deferred tax assets is NOK 2,653 million, of which NOK 1,603 million is related to unused tax losses in Brazil. The Group has recognized an amount of NOK 1,097 million in tax credits related to the operations in Brazil.<br><br>As detailed in note 25, the Group has a number of open tax matters, for which management is required to make certain judgements as to the likely outturn for the purposes of calculating the Group's tax liabilities. The tax matters are at various stages, from preliminary discussions with tax authorities through to tax tribunal or court proceedings where the matters can take many years to resolve. A number of significant judgements are made by management in assessing whether any contingent liability or provision arises from disputes in particular in Brazil, Trinidad and the Netherlands.<br><br>As of 31 December the Group has recognized NOK 504 million in taxes payable. | • We evaluated relevant controls associated with accounting for tax balances, including deferred tax assets, tax credits and uncertain tax positions.<br>• We involved our local tax specialists in evaluating management's judgements and conclusions.<br>• 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 historical performance with special focus on Yara Brazil.<br>• We evaluated the process for identification of uncertain tax positions and management's assessment of the probable outcome.<br>• We reviewed applicable third-party evidence and correspondence with tax authorities.<br>• We considered the adequacy of the Group's disclosures related to uncertain tax positions, deferred taxes and tax credits. |

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*Impairment of non-current assets*

| Key audit matter | How the matter was addressed in the audit |
|---|---|
| As disclosed in note 1, 12 and 13, the Group has recognized goodwill of NOK 7,088 million and property, plant and equipment of NOK 65,238 million. Property, plant and equipment is 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.<br><br>As disclosed in note 17, recoverability of the assets is dependent on assumptions about future commodity prices as urea and ammonia prices, gas prices, energy prices and discount rates, as well as assumptions related to future production levels, capital expenditures and operating costs.<br><br>In total, impairments amounting to NOK 521 million were recognized in the year ended 31 December 2017. | • We evaluated relevant controls associated with the impairment review process.<br>• We challenged management's key assumptions used in the cash flow forecasts included within the impairment models.<br>• We challenged specifically the urea- and ammonia prices, gas prices, energy 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.<br>• We used internal valuation specialists in assessing assumptions used and testing the models.<br>• We validated the mathematical accuracy of cash flow models, and agreed relevant data to the latest production plans and approved budgets.<br>• We considered the adequacy of the disclosures provided by the Group in relation to its impairment reviews. |

*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.<br><br>As disclosed in note 5 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.<br>• 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.<br>• On a sample basis, we tested margins used for calculating the elimination of internal profit.<br>• 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 the Board of Directors and the President and CEO for the Financial Statements*
The Board of Directors and the President and CEO (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of 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 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 Group 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, including 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 and the Group'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 and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw

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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 and the Group 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.

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 and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, 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 and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 22 March 2018
Deloitte AS

**Aase Aa. Lundgaard**
State Authorised Public Accountant (Norway)

# Reconciliation of alternative performance measures

Please see page 53-54 for definitions of Yara's return of the performance measures and specification of items classified as "special items".

## Reconciliation of operating income to EBITDA and gross cash flow

| NOK millions | | 2017 | 2016 |
|---|---|---|---|
| | | | |
| Operating income | | 3,777 | 8,771 |
| Share of net income in equity-accounted investees | | 245 | (348) |
| Interest income and other financial income | | 634 | 725 |
| Earnings before interest expense and tax (EBIT) | | 4,656 | 9,149 |
| Depreciation and amortization | | 5,960 | 5,880 |
| Impairment loss | | 502 | 546 |
| Amortization of excess value in equity-accounted investees [1] | | 2 | (12) |
| Earnings before interest, tax and depreciation/amortization (EBITDA) | | 11,120 | 15,563 |
| Income tax after tax on net foreign currency translation gain/(loss) | | (623) | (2,080) |
| Gross cash flow | A | 10,497 | 13,483 |

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 | | 2017 | 2016 |
|---|---|---|---|
| | | | |
| Net income attributable to shareholders of the parent | | 3,948 | 6,360 |
| Non-controlling interests | | 41 | (37) |
| Interest expense and foreign currency translation | | (147) | 786 |
| Depreciation and amortization | | 5,960 | 5,880 |
| Impairment loss | | 502 | 546 |
| Amortization of excess value in equity-accounted investees | | 2 | (12) |
| Tax effect on foreign currency translation | | 192 | (40) |
| Gross cash flow | A | 10,497 | 13,483 |

## Reconciliation of total assets to gross investments and CROGI calculation

12-months average

| NOK millions | | 2017 | 2016 |
|---|---|---|---|
| | | | |
| Total assets | | 122,760 | 118,556 |
| Cash and cash equivalents | | (2,711) | (4,814) |
| Other liquid assets | | (3) | (2) |
| Deferred tax assets | | (2,885) | (2,866) |
| Other current liabilities | | (17,010) | (16,771) |
| Accumulated depreciation and amortization | | 49,761 | 47,155 |
| Gross investment 12-months average | B | 149,912 | 141,259 |
| | | | |
| Cash return on gross investment, CROGI | C=A/B | 7.0% | 9.5% |

## Reconciliation of EBIT to EBIT after tax

| NOK millions | | 2017 | 2016 |
|---|---|---|---|
| | | | |
| Earnings before interest expense and tax (EBIT) | | 4,656 | 9,149 |
| Income tax after tax on net foreign currency translation gain/(loss) | | (623) | (2,080) |
| EBIT after tax | D | 4,033 | 7,069 |

## Reconciliation of total assets to capital employed and ROCE calculation

12-months average

| NOK millions | | 2017 | 2016 |
|---|---|---|---|
| | | | |
| Total assets | | 122,760 | 118,556 |
| Cash and cash equivalents | | (2,711) | (4,814) |
| Other liquid assets | | (3) | (2) |
| Deferred tax assets | | (2,885) | (2,866) |
| Other current liabilities | | (17,010) | (16,771) |
| Capital employed 12-months average | E | 100,151 | 94,103 |
| | | | |
| Return on capital employed, ROCE | F=D/E | 4.0% | 7.5% |

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

| NOK millions | | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|---|
| | | | |
| EBITDA | | 11,120 | 15,563 |
| Depreciation and amortization | | (5,960) | (5,880) |
| Impairment loss | | (502) | (546) |
| Amortization of excess value in equity-accounted investees | | (2) | 12 |
| Interest expense and other financial items | | (678) | (901) |
| Foreign currency translation gain/(loss) | | 826 | 115 |
| Income before tax and non-controlling interests | | 4,803 | 8,363 |

## Reconciliation of operating income to EBITDA excluding special items

| NOK millions | | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|---|
| | | | |
| Operating income | | 3,777 | 8,771 |
| Share of net income in equity-accounted investees | | 245 | (348) |
| Interest income | | 618 | 690 |
| Dividends and net gain/(loss) on securities | | 16 | 36 |
| EBIT | | 4,656 | 9,149 |
| Depreciation and amortization [1] | | 5,962 | 5,868 |
| Impairment loss | | 502 | 546 |
| EBITDA | | 11,120 | 15,563 |
| Special items included in EBITDA | | 662 | (1,114) |
| EBITDA, excluding special items | | 11,782 | 14,449 |

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

## Net operating capital

| NOK millions | | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|---|
| | | | |
| Trade receivables | | 11,451 | 10,332 |
| Inventories | | 18,255 | 17,580 |
| Trade payables | | (13,141) | (12,206) |
| Net operating capital | | 16,565 | 15,705 |

## Net interest-bearing debt

| NOK millions | | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|---|
| | | | |
| Cash and cash equivalents | | 4,456 | 3,751 |
| Other liquid assets [1] | | 1 | 2 |
| Bank loans and other short-term interest-bearing debt | | (3,593) | (2,323) |
| Current portion of long-term debt | | (354) | (240) |
| Long-term interest-bearing debt | | (19,893) | (13,992) |
| Net interest-bearing debt | G | (19,383) | (12,802) |

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 2017 | 31 Dec 2016 |
|---|---|---|---|
| | | | |
| Net interest-bearing debt | G | (19,383) | (12,802) |
| Total equity | H | (77,831) | (76,770) |
| Debt/equity ratio | I=G/H | 0.25 | 0.17 |

## Earnings per share

| NOK millions, except earnings per share and number of shares | | 2017 | 2016 |
|---|---|---|---|
| | | | |
| Weighted average number of shares outstanding | J | 273,217,830 | 273,499,403 |
| Net income | K | 3,948 | 6,360 |
| Net foreign currency translation gain/(loss) | L | 826 | 115 |
| Tax effect on foreign currency translation gain/(loss) | M | (192) | 40 |
| Non-controlling interest share of currency (gain)/loss, net after tax | N | (36) | (36) |
| Special items within EBIT | O | (1,092) | 639 |
| Tax effect on special items | P | 268 | (70) |
| Special items within EBIT net of tax | Q=O+P | (824) | 568 |
| Non-controlling interest share of special items, net after tax | R | 19 | 12 |
| | | | |
| Earnings per share | S=K/J | 14.45 | 23.25 |
| Earnings per share excluding currency | T=(K-L-M+N)/J | 12.00 | 22.56 |
| Earnings per share excluding currency & special items | U=(K-L-M+N-Q-R)/J | 14.94 | 20.44 |

THE GLOBAL COMPACT
WE SUPPORT

Yara has signed the United Nations Global Compact, embracing its principles. The UN GC is a strategic policy initiative for businesses committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption.

wbcsd

WBCSD is a global, CEO-led organization of over 200 leading businesses working together to accelerate the transition to a sustainable world. We help make our member companies more successful and sustainable by focusing on the maximum positive impact for shareholders, the environment and societies.

BUSINESS & SUSTAINABLE DEVELOPMENT COMMISSION

The Food and Land Use Coalition

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**Knowledge grows**


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