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] 2017	Revenues [1] 2016	Non-current assets [2] 2017	Non-current assets [2] 2016	Investments [2] 2017	Investments [2] 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

NOK millions (unaudited)	31 Dec 2017				31 Dec 2016			
	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

NOK millions	Total	Not past due gross trade receivables	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

NOK millions	Total	Neither past due nor impaired	Past due but not 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

NOK millions	Total	Impairment on not past due receivables	Impairment on 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), manly 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

	2017		2016	
NOK millions	Obligations	Assets	Obligations	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	Amorti-zation [1]	Reclassi-fication [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

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

General Principle

Yara's policy concerning remuneration of the CEO and other members of Yara's Executive Management is to provide remuneration opportunities which:
- Are responsible as well as competitive and attractive to recruit and retain executives
- Reward the executives' performance, measured as their contribution to the overall success of Yara
- Support the creation of sustainable shareholder value

Yara's remuneration of the Executive Management 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 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 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 there 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. 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. 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. 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. 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. • We involved our local tax specialists in evaluating management's judgements and conclusions. • 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. • We evaluated the process for identification of uncertain tax positions and management's assessment of the probable outcome. • We reviewed applicable third-party evidence and correspondence with tax authorities. • 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. 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. 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. • We challenged management's key assumptions used in the cash flow forecasts included within the impairment models. • We challenged specifically the urea- and ammonia prices, gas prices, 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. • We used internal valuation specialists in assessing assumptions used and testing the models. • We validated the mathematical accuracy of cash flow models, and agreed relevant data to the latest production plans and approved budgets. • We considered the 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. 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. • We tested the reconciliation of volumes in the calculation model used for preparing the basis for elimination against the inventory volumes reported in the consolidation system. • On a sample basis, we tested margins used for calculating the elimination of internal profit. • We validated the mathematical accuracy of the model used for calculating the internal profit

Other Information

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

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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