Knowledge grows

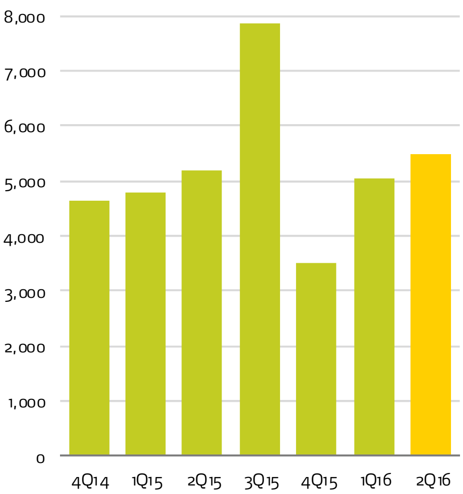
Second-quarter and half-year report 2016

Yara International ASA

- Results impacted by lower fertilizer prices
- Positive impact from lower energy prices and stronger US dollar
- Deliveries of Yara-produced fertilizer up 8%
- Continued strong production performance, especially ammonia
- Gain of NOK 1.6 billion from sale of CO_2 business
- Improvement program: at least USD 500 million identified

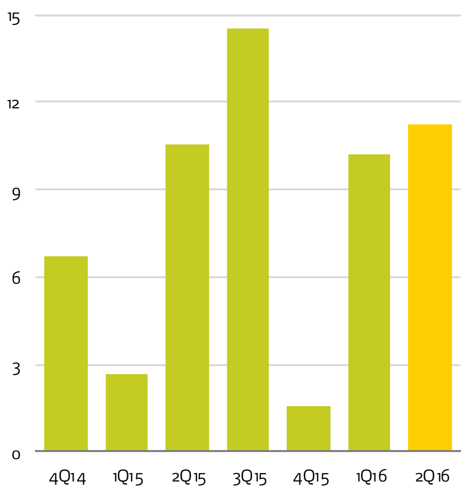
EBITDA

NOK millions

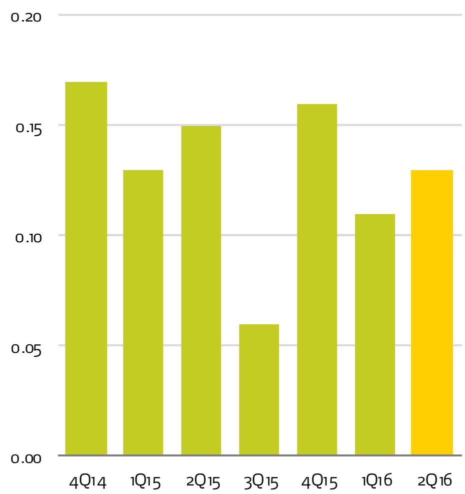


Earnings per share

NOK



Debt/equity ratio



Second quarter 2016

Financial highlights

NOK millions, except where indicated otherwise	2Q 2016	2Q 2015	1H 2016	1H 2015
Revenue and other income	25,866	27,929	50,919	55,697
Operating income	3,512	3,556	6,915	7,546
Share net income equity-accounted investees	82	152	82	(487)
EBITDA	5,489	5,179	10,544	9,973
EBITDA excl. special items	3,958	5,055	9,008	10,797
Net income after non-controlling interests	3,072	2,916	5,872	3,645
Earnings per share [1]	11.23	10.59	21.45	13.24
Earnings per share excl.currency [1]	10.81	9.83	19.96	16.95
Earnings per share excl.currency and special items [1]	6.37	9.58	15.51	20.08
Average number of shares outstanding (millions)	273.5	275.3	273.8	275.4
CROGI [2]	14.1 %	13.7 %	14.2 %	13.2 %
ROCE [2]	13.8 %	13.9 %	13.1 %	12.8 %

1) NOK per share. Yara currently has no share-based compensation programs that result in a dilutive effect on EPS.
2) Quarter numbers annualized. Year-to-date numbers 12-month rolling average.

Key statistics

		2Q 2016	2Q 2015	1H 2016	1H 2015
Average prices					
Urea prilled (fob Black Sea)	USD per tonne	198	277	202	286
CAN (cif Germany)	USD per tonne	197	273	223	284
Ammonia (fob Black Sea)	USD per tonne	274	393	272	403
DAP (fob US Gulf)	USD per tonne	352	469	361	476
Phosphate rock (fob Morocco)	USD per tonne	116	122	119	123
European gas (TTF)	USD per MMBtu	4.3	6.8	4.2	6.9
US gas (Henry Hub)	USD per MMBtu	2.1	2.7	2.1	2.8
Yara's gas & oil cost (weighted average) [1]	USD per MMBtu	3.8	5.7	4.0	5.9
Yara's European gas & oil cost (weighted average) [1]	USD per MMBtu	4.6	7.5	4.8	7.5
USD/NOK currency rate		8.25	7.75	8.45	7.75
EUR/NOK currency rate		9.31	8.56	9.42	8.65
BRL/NOK currency rate		2.35	2.52	2.28	2.62
Production (Thousand tonnes) [1]					
Ammonia		1,929	1,817	3,937	3,817
Finished fertilizer and industrial products, excl. bulk blends		4,703	4,791	9,705	9,980
Total Production		6,633	6,609	13,642	13,798
Sales (Thousand tonnes)					
Ammonia trade		573	547	1,110	1,149
Fertilizer		6,921	6,898	13,148	13,462
Industrial products		1,784	1,733	3,501	3,433
Total deliveries		9,277	9,178	17,759	18,044

1) Including Yara's share in equity-accounted investees.

Yara's second-quarter net income after non-controlling interests was NOK 3,072 million, compared with NOK 2,916 million a year earlier. Excluding net foreign currency translation gain/(loss) and special items, the result was NOK 1,744 million, compared with NOK 2,637 million in second quarter 2015. The corresponding earnings per share were NOK 6.37 compared with NOK 9.58 a year earlier.

"Yara reports strong deliveries and production, but margins declined due to lower fertilizer prices globally. The challenging market situation underlines the need to further strengthen our operations." said Svein Tore Holsether, President and Chief Executive Officer of Yara.

As communicated earlier we are establishing a program to drive and coordinate existing and new improvement initiatives. I am pleased to announce that we have so far identified at least USD 500 million of annual improvement potential," said Holsether.

Fertilizer market conditions

Another strong global grain harvest is expected for 2016/17, where The US Department of Agriculture is currently forecasting output to exceed the previous record from 2014/15. But as consumption is growing, the stocks to use ratio drops by 1 day, to 88 days of consumption, despite the record projected crop. Still, the strong harvests have resulted in lower prices for several key crops, measured in US dollar. The Food and Agriculture Organization of the United Nations (FAO) food price index was down 5% from second quarter 2015 and 19% below the five-year average, while the cereal price index was down 6% and 24% below the five-year average.

As the US dollar has strengthened against many relevant currencies, the price developments have been significantly less negative (in some cases positive) in key producing regions outside the US, including Brazil. On average this second quarter compared to a year earlier, the Brazilian Real has depreciated by 14%.

Prilled urea prices fob Black Sea averaged USD 198 per tonne for the quarter, down 29% on the same quarter last year, caused by lower production costs globally, but most importantly in China. From China, export costs have declined mainly due to lower coal prices and a weaker currency. In addition, production has increased in Egypt, and from new plants in Algeria, FSU and the US. The lower urea price level reduced the export attractiveness for the Chinese producers, as urea exports at 4.3 million tonnes for January through May were down from 6.1 million tonnes same period last year. Season to date (July-May), China exported 11.3 million tonnes, down from 15.5 million tonnes the previous season.

The ammonia market has been stable through second quarter. Due to lower global oil and gas prices, the floor for ammonia prices have been significantly reduced. At current prices around USD 275 per tonne fob Black Sea, Ukrainian export is curtailed. But most ammonia producers are still making positive margins, due to the energy price developments.

Relatively slow demand has resulted in declining phosphate fertilizer prices. The average DAP fob US Gulf price was down 25% compared to a year earlier. For the phosphate producers, roughly half of the price decline was offset by reduced sulphur and ammonia costs. Similar to the developments in the urea market, Chinese producers scaled down exports due to the lower prices. Through May, China exported 1.4 million tonnes DAP this year, 35% less than the previous year.

Phosphate rock prices have declined slightly, while upgrading margins from rock to DAP were reduced significantly.

Although US denominated crop prices are lower than a year ago, they are still supportive for fertilizer use, nitrogen fertilizer in particular. For phosphate and potassium fertilizers, where many farmers can reduce application for a while without significant negative yield effects, global demand is more affected by the reduced crop prices.

Regional market developments

Second-quarter nitrogen fertilizer deliveries in Western Europe are estimated up 6% on a year earlier, with imports up 5%. Season to date deliveries were 1% lower than a year earlier, with 7% increased imports. Deliveries by domestic producers were negatively affected by production problems.

In Brazil, second-quarter fertilizer deliveries were 7.0 million tonnes, up 14% on same period last year. Year to date, fertilizer deliveries were up 13%. Imports of all fertilizer were stable, domestic production decreased by 2%, and industry stocks started 2016 5% lower than a year earlier. Second-quarter urea imports were 0.9 million tonnes, compared to 0.5 million tonnes a year earlier. Year to date, Brazil imported 1.9 million tonnes urea, 49% more than last year.

Second-quarter US nitrogen deliveries are estimated to be 10% higher than a year ago, with higher imports accounting for two thirds of the increase. Increased corn plantings positively affected nitrogen demand. Total season deliveries are estimated to be in line with the previous season.

Through May, urea production in China was reported 6% higher than a year earlier, with season-to-date (July-May) production up 8%. Although this season started with low urea inventories, stronger production and lower exports have increased domestic supply. Combined with relatively slow demand, domestic urea prices have been declining. The average Chinese urea price for the second quarter was 17% lower than a year earlier.

Second quarter is off season in India, but new season urea sales have started (April and May) slowly, down 37% on same period last year, mainly due to high carry over inventories from the previous season. Domestic production for the same two months are stable from last year, and second-quarter urea imports at 1.6 million exceeded the 1.5 million tonnes imported in second quarter 2015, driven by increased imports during June.

Production volumes [1)]

Thousand tonnes	2Q 2016	2Q 2015	1H 2016	1H 2015
Ammonia	1,929	1,817	3,937	3,817
of which equity-accounted investees	269	353	533	710
Urea	1,302	1,321	2,671	2,629
of which equity-accounted investees	373	409	772	783
Nitrate	1,460	1,496	3,024	3,134
of which equity-accounted investees	-	70	-	199
NPK	1,023	1,120	2,233	2,455
of which equity-accounted investees	-	26	-	83
CN	343	373	685	737
UAN	254	223	487	498
SSP-based fertilizer	321	259	605	529
Total production [1)]	6,633	6,609	13,642	13,798

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

Total deliveries

Thousand tonnes	2Q 2016	2Q 2015	1H 2016	1H 2015
Ammonia	762	732	1,479	1,545
of which industrial products [1)]	166	165	337	365
Urea	1,814	1,960	3,452	3,773
of which fertilizer	1,326	1,473	2,499	2,847
of which Yara-produced fertilizer	603	571	1,184	1,091
of which Yara-produced industrial products [2)]	356	401	704	780
of which equity-accounted investees	520	636	889	1,178
Nitrate	1,518	1,417	3,148	3,180
of which fertilizer	1,353	1,240	2,798	2,835
of which Yara-produced fertilizer	1,270	1,108	2,593	2,555
of which Yara-produced industrial products	133	137	260	257
NPK	2,256	2,127	4,443	4,309
of which Yara-produced compounds	1,085	1,059	2,286	2,325
of which Yara-produced blends	1,124	986	2,003	1,754
CN	435	408	800	763
of which fertilizer	343	327	626	604
of which Yara-produced fertilizer	337	320	616	593
of which Yara-produced industrial products	72	75	145	146
UAN	483	438	837	856
of which Yara-produced fertilizer	348	331	678	662
SSP	298	278	411	342
of which Yara-produced fertilizer	260	251	362	312
DAP/MAP	227	355	493	550
MOP/SOP	383	333	552	482
Other industrial products	872	907	1,687	1,723
Other fertilizer products	228	304	456	600
Total deliveries	9,277	9,259	17,759	18,123

1) 82% ammonia equivalents
2) 46% urea equivalents

Fertilizer deliveries by region

Thousand tonnes	2Q 2016	2Q 2015	1H 2016	1H 2015
Europe	2,293	2,204	5,026	5,211
Brazil	1,986	1,820	3,575	3,194
Latin America	631	640	1,061	1,116
North America	1,143	1,031	1,878	1,932
Asia	569	683	970	1,103
Africa	298	515	639	900
Total fertilizer deliveries	6,921	6,894	13,148	13,456

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

Variance analysis second quarter

NOK millions	2Q 2016
EBITDA 2016	5,489
EBITDA 2015	5,179
Variance EBITDA	310
Volume	181
Price/Margin	(2,730)
Energy costs	1,165
Special items	1,407
Other	(81)
Currency translation	367
Total variance explained	310

Yara delivered weaker underlying second-quarter results compared with a year earlier. EBITDA excluding special items was 22% lower as weaker fertilizer prices were only partly offset by positive energy and currency translation gains. The reported EBITDA for second quarter includes the gain of NOK 1,553 million from divesting Yara's European CO_2 business.

Volume development

Yara's production system continued to perform well during the second quarter. Adjusting for portfolio effects (GrowHow divestment on ammonia and finished products and the inclusion of 100% of Pilbara on ammonia), production of ammonia increased 5% with production records set in several key ammonia plants. Production of finished products was in line with second quarter last year. Higher production of nitrates and SSP offset a 6% reduction in NPK, partly due to a weaker NPK market.

Total Yara fertilizer deliveries were in line with second quarter 2015, but with deliveries of Yara-produced products 8% higher than a year ago mainly driven by higher nitrate deliveries in Europe.

Yara's second-quarter fertilizer deliveries in Europe were 4% higher than a year ago with deliveries of Yara-produced nitrates and NPK 14% and 3% higher respectively. Yara's full season deliveries ended 5% lower compared to the previous season.

Yara-Brazil fertilizer deliveries were 15% higher than a year ago with around 30% of the growth coming from higher deliveries of premium products.

Adjusting for the divestment of the CO_2 business (effective from 1 June), Industrial deliveries were in line with last year. Deliveries of reagent for NOx abatement increased 6%, driven by a 16% growth in AdBlue deliveries. Technical ammonium nitrate (TAN) deliveries were 4% higher compared to last year despite a challenging market situation for the mining industry while technical ammonia and urea volumes were down 6% compared to a year ago.

Margin development

Overall, margins declined compared to second quarter last year as sales prices fell more than input costs.

Yara's average realized urea and nitrate fertilizer prices decreased around 25%.

NPK premiums measured in absolute terms were in line with second quarter last year.

Yara's average European gas cost was 39% below second quarter 2015 on a USD per MMBtu basis, offsetting around two thirds of the negative price effect for products produced in Europe. Yara's average gas costs outside Europe decreased 19%.

Industrial margins were up compared with second quarter last year, especially for deliveries of reagents and technical ammonia and urea partly reflecting positive time lag effects.

Other Items

Second-quarter 2016 special items were a net positive NOK 1,531 million, reflecting mainly the gain of NOK 1,553 million from divesting the European CO_2 business.

Variance analysis first half

NOK millions	1H 2016
EBITDA 2016	10,544
EBITDA 2015	9,973
Variance EBITDA	571
Volume	(352)
Price/Margin	(4,780)
Energy costs	2,351
Special items	2,360
Other	(78)
Currency translation	1,069
Total variance explained	571

Yara delivered weaker underlying first-half results compared with a year earlier. Weaker fertilizer prices only partially offset by lower energy costs and positive currency effects resulted in an EBITDA excluding special items 17% lower than a year earlier.

Volume development

Yara's production system performed well during the first half. Adjusting for portfolio effects (GrowHow divestment on ammonia and finished products and the inclusion of 100% of Pilbara on ammonia), production of ammonia increased 6% while production of finished products was in line with the first six months of last year.

Total Yara-fertilizer deliveries were 2% lower compared to first half last year with deliveries of Yara produced products 2% higher with a catch up in the second quarter.

Yara's fertilizer deliveries in Europe were 4% lower compared to a year ago, mainly driven by a 6% decrease in nitrate deliveries. Both urea and compound NPK deliveries were in line with the first six months of 2015.

Yara-Brazil fertilizer deliveries during the first half were 19% higher than a year ago compared to a growth of 13% in total industry deliveries. Around 30% of Yara's growth relates to premium products.

Adjusting for the divestment of the CO_2 business (effective from 1 June), Industrial deliveries were in line with last year. Deliveries of reagents for NOx abatement increased 9% and technical ammonium nitrate (TAN) deliveries were 3% higher compared to first half 2015 despite a challenging market situation for the mining industry. On the negative side, technical ammonia and urea volumes were 4% lower compared to a year ago and feed phosphate deliveries were 5% lower.

Margin development

Margins declined compared to second quarter last year as sales prices fell more than input costs.

Yara's average realized urea and nitrate fertilizer prices decreased around 20%.

NPK premiums measured in absolute terms were in line with first half last year.

Yara's average European gas cost was 36% below first half 2015 on a USD per MMBtu basis partly offsetting the negative price effect for products produced in Europe. Yara's average gas costs outside Europe decreased 19%.

Margins for technical urea and ammonia as well as reagent sales were higher compared to first half last year whereas feed phosphates margins decreased.

Other Items

First-half 2016 special items were a net positive NOK 1,536 million, reflecting mainly the gain of NOK 1,553 million from divesting the European CO_2 business in second quarter. Net special items first half 2015 were a negative NOK 824 million reflecting the write-down of the Lifeco assets in first quarter 2015.

US dollar appreciated 9% versus Norwegian krone compared with second quarter 2015, explaining the majority of the NOK 1,069 million positive currency translation effect in

Financial items

NOK millions	2Q 2016	2Q 2015	1H 2016	1H 2015
Interest income from customers	122	92	260	203
Interest income, other	47	26	84	40
Dividends and net gain/(loss) on securities	10	9	25	9
Interest income and other financial income	179	128	370	252
Interest expense	(204)	(178)	(434)	(421)
Net interest expense on net pension liability	(16)	(19)	(32)	(39)
Net foreign currency translation gain/(loss)	122	342	471	(1,490)
Other	(36)	(29)	(69)	(114)
Interest expense and foreign currency translation gain/(loss)	(134)	115	(64)	(2,065)
Net financial income/(expense)	45	243	305	(1,813)

Second-quarter net financial income was NOK 45 million compared with NOK 243 million previous year. The variance primarily reflects a net foreign currency translation gain of NOK 122 million this quarter, compared with NOK 342 million a year earlier.

Interest income from customers increased with NOK 30 million compared with second quarter 2015, while other interest income increased with NOK 21 million.

Second-quarter interest expense was NOK 26 million higher than in the same quarter last year amid an average gross debt around NOK 1.8 billion higher than a year earlier.

The net foreign currency translation gain in the second quarter was NOK 122 million. That figure comprises a gain of NOK 539 million related to internal currency positions, and a loss of NOK 417 million stemming mainly from Yara's US dollar denominated positions towards Brazilian real and euro. During the quarter, the US dollar depreciated almost 10% against the Brazilian real and appreciated 1% – 3% against Yara's other main currencies. In the same quarter last year, the net foreign currency translation gain was NOK 342 million as the US dollar depreciated 3% - 4% against most of Yara's other main currencies.

Yara's net US dollar debt generating currency effects in the income statement was approximately USD 1,300 million at the start of the third quarter 2016, with around 75% of the exposure towards euro and the rest mainly towards Yara's emerging market currencies.

First-half net financial income was NOK 305 million compared with a net financial expense of NOK 1,813 million in the same period last year. The variance is primarily explained by a NOK 471 million foreign currency translation gain this year compared with a NOK 1,490 million loss a year ago. The gain this year includes NOK 621 million related to internal currency positions, while last year's figure included a loss of NOK 142 million related to such positions.

Tax

Second-quarter provisions for current and deferred taxes were NOK 584 million, approximately 16% of income before tax. The tax rate was positively impacted by the sale of Yara's European CO_2 business that is partially exempted from tax. Excluding this tax free gain the tax rate was approximately 23%.

First-half tax cost was NOK 1,463 million, approximately 20% of income before tax. The rate was lower than the same period last year (26%) as last year's rate was negatively affected by the write-down of the Lifeco assets and this year's rate was positively affected by the partial tax free gain from the sale of Yara's European CO_2 business.

Net interest-bearing debt

NOK millions	2Q 2016	1H 2016
Net interest-bearing debt at beginning of period	(8,465)	(11,868)
Cash earnings [1]	1,894	5,778
Dividends received from equity-accounted investees	27	342
Net operating capital change	2,830	3,833
Investments (net)	(3,817)	(6,271)
Sale of CO2 business	2,758	2,758
Yara dividend	(3,898)	(3,898)
Share buy-back/redemption of shares	(252)	(346)
Foreign currency translation gain/(loss)	122	471
Other [2]	(896)	(495)
of which foreign currency translation adjustment	(565)	(550)
Net interest-bearing debt at end of period	(9,698)	(9,698)

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

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

As a supplement to the consolidated statement of cash flows (page 18), this table highlights the key factors behind the development in net interest-bearing debt.

Net interest-bearing debt was NOK 9,698 million at the end of the second quarter, compared with NOK 8,465 million at the end of the first quarter 2016. Cash earnings, reduction of working capital and proceeds from sale of the CO_2 business of NOK 2,758 million were more than consumed by investments and payment of Yara dividend of NOK 3,898 million.

The investment activity for the quarter mainly reflects growth investments and planned maintenance programs. This includes investment in the Freeport ammonia plant (joint venture with BASF) of NOK 690 million, construction of ammonia vessels of NOK 411 million and the acquisition of Greenbelt fertilizers of NOK 360 million.

Working capital has been reduced during the quarter by NOK 2,830 million, mainly reflecting seasonally lower receivables.

The debt/equity ratio at the end of second quarter 2016, was 0.13 compared with 0.11 at the end of first quarter 2016.

First-half net interest-bearing debt decreased by NOK 2,171 million, mainly reflecting cash earnings and release of working capital, partially offset by investments and Yara dividend payment.

Outlook

Despite a projected fourth consecutive strong grain harvest globally, the US Department of Agriculture projects a stable stocks-to-use ratio over the next year, as consumption continues to grow. The global farm margin outlook and incentives for fertilizer application remain supportive overall, also due to lower prices for fertilizers and other agricultural inputs.

Chinese urea production and export costs continue to be the main reference point for global nitrogen pricing, with fob prices around USD 200 per tonne appearing to represent a break-even level for high-cost Chinese producers. However, ongoing production increases in other key trade locations like the US and North Africa are partially displacing Chinese urea exports, leading to structurally lower prices in those locations compared with Chinese prices.

In Europe, nitrogen industry deliveries for the 2015/16 season were almost in line with the previous season, despite weather-related delays and delayed purchasing. Pre-buying incentives are improved for the 2016/17 season, given significantly lower nitrogen prices, and Yara enters the third quarter with a stronger European order book than a year ago.

Yara sees continued fertilizer demand growth in Brazil, where improved agricultural export competitiveness and credit availability compared with a year earlier have positively impacted fertilizer demand in 2016. However, phosphate and potash demand in other regions is impacted by lower crop prices, as application of these nutrients in some cases can be reduced without an immediate yield impact.

As communicated earlier, Yara is establishing a corporate program to drive and coordinate existing and new improvement initiatives. The program has so far identified at least USD 500 million annual EBITDA improvement potential, to be fully realized by 2020. Yara will provide regular progress updates as the program components and timeline are developed going forward.

Based on current forward markets for oil products and natural gas (12 July) Yara's spot-priced gas and oil costs for third and fourth quarter 2016 are expected to be respectively NOK 650 million and NOK 250 million lower than a year earlier. The estimates may change depending on future spot gas prices. Lower gas prices have improved the relative competitiveness of European nitrogen fertilizer plants compared with a year ago.

Risk and uncertainty

As described in Yara's Annual Report for 2015 Yara's total risk exposure is analysed and evaluated at group level. Risk evaluations are integrated in all business activities both at group and business unit level, increasing Yara's ability to take advantage of business opportunities. Yara's most important market risk is related to the margin between nitrogen fertilizer prices and natural gas prices. Although there is a positive long-term correlation between these prices, margins are influenced by the supply/ demand balance for food relative to energy. Yara has in place a system for credit and currency risk management with defined limits for exposure both at country, customer and currency level. Yara's geographically diversified portfolio reduces the overall credit and currency risk of the Group. As the fertilizer business is essentially a US dollar business, with both revenues and raw material costs mainly priced in US dollars, Yara seeks to keep most of its debt in US dollars to reduce its overall US dollar currency exposure. There has not been any significant change in the risk exposures and the risks and uncertainties for the remaining six months of the year are described in Outlook.

Related parties

Note 35 in the annual report for 2015 provides details of related parties. During the first half of 2016 there have not been any changes or transactions that significantly impact the group's financial position or result for the period.

The Board of Directors and Chief Executive Officer
Yara International ASA
Oslo, 20 July 2016

Leif Teksum
Chairperson

Maria Moræus Hanssen
Vice chair

John Thuestad
Board member

Hilde Bakken
Board member

Geir O. Sundbø
Board member

Geir Isaksen
Board member

Rune Bratteberg
Board member

Kjersti Aass
Board member

Svein Tore Holsether
President and CEO

Definitions and variance analysis

The fertilizer season in West Europe referred to in this discussion starts 1 July and ends 30 June.

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

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

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

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

Yara's management model, referred to as Value Based Management, reflects management's focus on cash flow-based performance indicators. EBITDA, as defined by Yara, includes operating income, interest income, other financial income and share of net income in equity-accounted investees. It excludes depreciation, amortization and impairment loss, as well as amortization of excess values in equity-accounted investees. Yara's definition of EBITDA may differ from that of other companies.

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

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

ROCE (Return on capital employed) has been included as an additional performance measure to CROGI to simplify benchmarking with other companies. ROCE is defined as EBIT minus tax (less tax on net foreign currency translation gain/loss) divided by average capital employed and is calculated on a 12-month rolling average basis. Capital employed is defined as total assets adjusted for cash and cash equivalents, other liquid assets, deferred tax assets, fair value adjustment recognized in equity minus other current liabilities.

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

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

Yara defines “special items” as material items in the results which are not regarded as part of underlying business performance for the period. These fall into 2 categories, namely “non-recurring items” and “contract derivatives”. “Non-recurring items” comprise restructuring-related items and other gains or losses which are not primarily related to the period in which they are recognized, subject to a minimum value of NOK 30 million per item within a 12-month period. “Contract derivatives” are commodity-based derivatives gains or losses (see above) which are not the result of active exposure or position management by Yara. Net interest bearing debt is defined by Yara as cash and cash equivalents and other liquid assets, reduced for bank loans, other short-term interest bearing debt and long-term interest bearing debt, including current portion.

The debt/equity ratio is calculated as net interest-bearing debt divided by shareholders’ equity plus non-controlling interests.

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

Special items

	EBITDA effect				Operating income effect			
NOK millions	2Q 2016	2Q 2015	1H 2016	1H 2015	2Q 2016	2Q 2015	1H 2016	1H 2015
OFD integration costs	-	(33)	-	(58)	-	(33)	-	(58)
Total Crop Nutrition	-	(33)	-	(58)	-	(33)	-	(58)
Gain on sale of CO_2 business	1,333	-	1,333	-	1,333	-	1,333	-
Total Industrial	1,333	-	1,333	-	1,333	-	1,333	-
Costs related to flooding Ravenna plant	-	(2)	-	(39)	-	(2)	-	(39)
Asset impairment write-down	-	-	-	(929)	(241)	(31)	(241)	(67)
Tertre insurance compensation	-	55	-	55	-	55	-	55
Sale of energy efficiency certificates in Italy	-	89	-	89	-	89	-	89
Contract derivatives	(66)	15	(61)	57	(66)	15	(61)	57
Gain on swap of mineral rights	44	-	44	-	44	-	44	-
Gain on sale of CO_2 business	220	-	220	-	220	-	220	-
Total Production	197	157	203	(766)	(43)	126	(38)	96
Total Yara	1,531	124	1,536	(824)	1,290	93	1,295	38

Condensed consolidated interim statement of income

NOK millions, except share information	Notes	2Q 2016	2Q 2015	1H 2016	1H 2015	2015
Revenue		24,310	27,723	49,213	55,407	108,011
Other income	6,7	1,621	218	1,767	253	3,683
Commodity based derivatives gain/(loss)		(66)	(11)	(61)	37	203
Revenue and other income		25,866	27,929	50,919	55,697	111,897
Raw materials, energy costs and freight expenses		(17,598)	(20,162)	(34,933)	(39,934)	(79,067)
Payroll and related costs		(2,074)	(2,024)	(4,193)	(3,913)	(8,047)
Depreciation, amortization and impairment loss	7,8	(1,715)	(1,334)	(3,176)	(2,653)	(6,933)
Other operating expenses		(967)	(853)	(1,702)	(1,650)	(3,745)
Operating costs and expenses		(22,354)	(24,373)	(44,004)	(48,151)	(97,793)
Operating income		3,512	3,556	6,915	7,546	14,104
Share of net income in equity-accounted investees		82	152	82	(487)	(310)
Interest income and other financial income		179	128	370	252	605
Earnings before interest expense and tax (EBIT)		3,773	3,836	7,367	7,311	14,398
Foreign exchange gain/(loss)		122	342	471	(1,490)	(2,463)
Interest expense and other financial items		(256)	(226)	(535)	(575)	(1,291)
Income before tax		3,639	3,952	7,302	5,246	10,644
Income tax expense		(584)	(943)	(1,463)	(1,389)	(2,209)
Net income		3,055	3,009	5,839	3,857	8,435
Net income attributable to						
Shareholders of the parent		3,072	2,916	5,872	3,645	8,083
Non-controlling interests		(18)	93	(34)	212	351
Net income		3,055	3,009	5,839	3,857	8,435
Earnings per share 1)		11.23	10.59	21.45	13.24	29.38
Weighted average number of shares outstanding 2)	2	273,514,770	275,270,079	273,784,070	275,383,298	275,114,375

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

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

Condensed consolidated interim statement of comprehensive income

NOK millions	Notes	2Q 2016	2Q 2015	1H 2016	1H 2015	2015
Net income		3,055	3,009	5,839	3,857	8,435
Other comprehensive income that may be reclassified to statement of income						
Exchange differences on translation of foreign operations		874	(976)	(1,718)	1,392	6,259
Available-for-sale financial assets - change in fair value		34	(17)	-	(26)	31
Cash flow hedges		-	78	-	18	18
Hedge of net investments		(59)	153	239	(257)	(796)
Share of other comprehensive income of equity-accounted investees, excluding remeasurements		20	21	15	14	64
Net other comprehensive income that may be reclassified to statement of income in subsequent periods		869	(740)	(1,465)	1,141	5,577
Other comprehensive income that will not be reclassified to statement of income in subsequent periods						
Remeasurements of the net defined benefit pension liability	11	(324)	918	(1,093)	726	577
Remeasurements of the net defined benefit pension liability for equity-accounted investees		-	6	-	11	11
Net other comprehensive income that will not be reclassified to statement of income in subsequent periods		(324)	924	(1,093)	737	588
Reclassification adjustments of the period						
- cash flow hedges		1	1	2	2	6
- exchange differences on foreign operations disposed of in the year		(22)	-	(22)	-	(341)
Net reclassification adjustments of the period		(21)	1	(20)	3	(335)
Total other comprehensive income, net of tax		524	185	(2,578)	1,880	5,830
Total comprehensive income		3,579	3,193	3,261	5,737	14,265
Total comprehensive income attributable to						
Shareholders of the parent		3,437	3,203	3,124	5,462	13,783
Non-controlling interests		142	(9)	137	275	481
Total		3,579	3,193	3,261	5,737	14,265

Condensed consolidated interim statement of changes in equity

NOK millions	Share Capital[1]	Premium paid-in capital	Translation of foreign operations	Available for sale financial assets	Cash flow hedges	Hedge of net invest-ments	Total other reserves	Retained earnings	Attributable to share-holders of the parent	Non-controlling interests	Total equity
Balance at 31 December 2014	468	117	9,445	3	(145)	(804)	8,499	54,681	63,765	4,196	67,962
Net income	-	-	-	-	-	-	-	3,645	3,645	212	3,857
Other comprehensive income, net of tax	-	-	1,329	(26)	20	(257)	1,066	726	1,792	63	1,855
Share of other comprehensive income of equity-accounted investees	-	-	-	-	14	-	14	11	25	-	25
Total other comprehensive income, net of tax	-	-	1,329	(26)	35	(257)	1,080	737	1,817	63	1,880
Long term incentive plan	-	-	-	-	-	-	-	7	7	-	7
Transactions with non-controlling interests	-	-	-	-	-	-	-	(8)	(8)	(59)	(67)
Redeemed shares, Norwegian State [2]	(1)	-	-	-	-	-	-	(127)	(127)	-	(127)
Dividends distributed	-	-	-	-	-	-	-	(3,581)	(3,581)	(239)	(3,821)
Balance at 30 June 2015	468	117	10,774	(23)	(110)	(1,062)	9,579	55,354	65,518	4,172	69,690
Net income	-	-	-	-	-	-	-	4,439	4,439	139	4,578
Other comprehensive income, net of tax	-	-	4,458	57	4	(538)	3,981	(148)	3,832	67	3,900
Share of other comprehensive income of equity-accounted investees	-	-	20	-	30	-	50	-	50	-	50
Total other comprehensive income, net of tax	-	-	4,478	57	34	(538)	4,031	(148)	3,883	67	3,950
Long term incentive plan	-	-	-	-	-	-	-	(11)	(11)	-	(11)
Transactions with non-controlling interests	-	-	743	-	-	-	743	(317)	426	(2,833)	(2,408)
Treasury shares	(2)	-	-	-	-	-	-	(362)	(364)	-	(364)
Share capital increase in subsidiary, non-controlling interest	-	-	-	-	-	-	-	-	-	298	298
Dividends distributed	-	-	-	-	-	-	-	-	-	(7)	(7)
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	-	-	-	-	-	-	-	5,872	5,872	(34)	5,839
Other comprehensive income, net of tax	-	-	(1,911)	-	2	239	(1,670)	(1,093)	(2,763)	171	(2,593)
Share of other comprehensive income of equity-accounted investees	-	-	(1)	-	16	-	15	-	15	-	15
Total other comprehensive income, net of tax	-	-	(1,912)	-	18	239	(1,656)	(1,093)	(2,748)	171	(2,578)
Long term incentive plan	-	-	-	-	-	-	-	8	8	-	8
Treasury shares	-	-	-	-	-	-	-	(93)	(93)	-	(93)
Redeemed shares, Norwegian State [3]	(1)	-	-	-	-	-	-	(251)	(252)	-	(252)
Share capital increase in subsidiary, non-controlling interest	-	-	-	-	-	-	-	-	-	117	117
Dividends distributed	-	-	-	-	-	-	-	(4,108)	(4,108)	(5)	(4,114)
Balance at 30 June 2016	464	117	14,084	33	(58)	(1,361)	12,698	59,288	72,568	2,086	74,654

1) Par value 1.70.

2) As approved by General Meeting 11 May 2015.

3) As approved by General Meeting 10 May 2016.

Condensed consolidated interim statement of financial position

NOK millions	Notes	30 Jun 2016	30 Jun 2015	31 Dec 2015
Assets				
Non-current assets				
Deferred tax assets		2,952	2,415	2,950
Intangible assets		9,426	11,673	9,583
Property, plant and equipment	7,8	54,703	45,114	52,424
Equity-accounted investees		9,398	9,207	9,769
Other non-current assets		3,003	2,831	2,956
Total non-current assets		79,482	71,240	77,681
Current assets				
Inventories	9	18,717	19,512	19,948
Trade receivables		11,844	12,738	12,098
Prepaid expenses and other current assets		4,039	3,381	4,383
Cash and cash equivalents		7,640	2,960	3,220
Non-current assets and disposal group classified as held-for-sale	6	125	1,957	1,533
Total current assets		42,364	40,547	41,182
Total assets		121,847	111,787	118,863

Condensed consolidated interim statement of financial position

NOK millions, except share information	Notes	30 Jun 2016	30 Jun 2015	31 Dec 2015
Equity and liabilities				
Equity				
Share capital reduced for treasury stock		464	468	466
Premium paid-in capital		117	117	117
Total paid-in capital		582	585	583
Other reserves		12,698	9,579	14,353
Retained earnings		59,288	55,354	58,954
Total equity attributable to shareholders of the parent		72,568	65,518	73,890
Non-controlling interests		2,086	4,172	1,837
Total equity	2	74,654	69,690	75,727
Non-current liabilities				
Employee benefits	11	4,518	3,013	3,751
Deferred tax liabilities		5,096	5,689	5,392
Other long-term liabilities		1,399	1,198	1,448
Long-term provisions		774	755	773
Long-term interest-bearing debt	10	13,402	9,577	9,354
Total non-current liabilities		25,190	20,232	20,718
Current liabilities				
Trade and other payables		16,660	15,426	14,674
Current tax liabilities		232	1,379	693
Short-term provisions		270	316	325
Other short-term liabilities		904	885	875
Bank loans and other interest-bearing short-term debt		2,873	2,616	3,635
Current portion of long-term debt		1,064	1,243	2,102
Liabilities associated with disposal group held-for-sale	6	-	-	115
Total current liabilities		22,004	21,865	22,418
Total equity and liabilities		121,847	111,787	118,863
Number of shares outstanding [1)]	2	273,217,830	275,083,369	274,173,369

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

The Board of Directors and Chief Executive Officer
Yara International ASA
Oslo, 20 July 2016

Leif Teksum
Chairperson

Maria Moræus Hanssen
Vice chair

John Thuestad
Board member

Hilde Bakken
Board member

Geir O. Sundbø
Board member

Geir Isaksen
Board member

Rune Bratteberg
Board member

Kjersti Aass
Board member

Svein Tore Holsether
President and CEO

Condensed consolidated interim statement of cash flows

NOK millions	Notes	2Q 2016	2Q 2015	1H 2016	1H 2015	2015
Operating activities						
Operating income		3,512	3,556	6,915	7,546	14,104
Adjustments to reconcile operating income to net cash provided by operating activities						
Depreciation, amortization and impairment loss		1,715	1,334	3,176	2,653	6,933
Write-down and reversals, net		102	72	90	181	265
Tax paid [1)]		(1,549)	(865)	(2,147)	(1,495)	(3,380)
Dividend from equity-accounted investees		27	11	342	459	807
Change in net operating capital [2)]		2,728	(258)	3,743	(1,001)	(1,464)
(Gain) on disposal and revaluation of non-current assets	6	(1,592)	(69)	(1,666)	(113)	(3,280)
Other		(615)	(62)	(558)	902	645
Net cash from operating activities		4,328	3,719	9,894	9,132	14,631
Investing activities						
Purchases of property, plant and equipment		(3,609)	(1,704)	(6,070)	(3,637)	(9,631)
Cash outflow on business combinations	5	(356)	(56)	(356)	(56)	(1,406)
Purchases of other long-term investments		137	(188)	46	(275)	(904)
Sales/(purchases) of short-term investments, net		-	-	-	-	(132)
Proceeds from sales of property, plant and equipment		(2)	61	11	67	138
Proceeds from sales of other long-term investments	6	2,770	122	2,856	141	5,048
Net cash from/(used in) investing activities		(1,059)	(1,765)	(3,514)	(3,760)	(6,888)
Financing activities						
Loan proceeds/(repayments), net	10	4,332	754	2,065	(2,338)	(1,460)
Purchase of treasury shares	2	-	-	(93)	-	(364)
Redeemed shares Norwegian State	2	(252)	-	(252)	-	(127)
Dividend	2	(3,898)	(3,396)	(3,898)	(3,396)	(3,581)
Transactions with non-controlling interests		-	(240)	-	-	(2,825)
Other cash transfers (to)/from non-controlling interests		51	-	112	(290)	54
Net cash from/(used in) financing activities		232	(2,882)	(2,067)	(6,025)	(8,304)
Foreign currency effects on cash flows		123	(92)	106	21	189
Net increase/(decrease) in cash and cash equivalents		3,625	(1,020)	4,420	(632)	(371)
Cash and cash equivalents at beginning of period		4,015	3,980	3,220	3,591	3,591
Cash and cash equivalents at end of period		7,640	2,960	7,640	2,960	3,220
Bank deposits not available for the use of other group companies				372	395	436

1) Profit attributable to foreign shareholder (Yara) is subject to tax in Qatar. The tax is paid by Qafco, but refunded by Yara. Tax paid to Qatar was NOK 301 million in second quarter 2016 (NOK 334 million in second quarter 2015).

2) Operating capital consists of trade receivables, inventories and trade payables.

Notes to the condensed consolidated interim financial statements

General and accounting policies

Yara (the Group) consists of Yara International ASA (the Company) and its subsidiaries. Yara International ASA is a limited company incorporated in Norway. The condensed consolidated interim financial statements consist of the Group and the Group's interests in equity-accounted investees. The consolidated financial statements of the Group as at and for the year ended 31 December 2015 are available upon request from the Company's registered office at Drammensveien 131, Oslo, Norway or at www.yara.com. These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting as approved by EU and additional requirements in the Norwegian Securities Trading Act. They do not include all of the information required for full annual consolidated financial statements, and should be read in conjunction with consolidated financial statements of the Group as at and for the year ended 31 December 2015. These condensed consolidated interim financial statements are unaudited.

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2015.

As a result of rounding differences numbers or percentages may not add up to the total.

Note 1 Judgements, estimates and assumptions

The preparation of condensed consolidated interim financial statements in accordance with IFRS and applying the chosen accounting policies requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. When preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty, were mainly the same as those that applied to the consolidated financial statements as of the period ended 31 December 2015.

Note 2 Shares, dividend and share buy-back program

The Annual General Meeting in May 2016 approved a dividend for 2015 of NOK 4,108 million (NOK 15 per share). During second quarter 2016, Yara has paid out NOK 3,898 million. Remaining amount is expected to be paid out in third quarter 2016.

In May 2015, the Annual General Meeting authorized the Board of Directors to acquire up to 5% (13,754,168 shares) of total shares in the open market and from the Norwegian State. The purchase price shall not be less than NOK 10 and not more than NOK 1,000. Within this frame, the Company has acquired 1,190,000 shares for NOK 457.3 million, of which 910,000 shares were acquired in 2015 for NOK 363.8 million and 280,000 shares were acquired during first quarter 2016 for NOK 93.5 million. In May 2016, the Annual General Meeting approved the cancellation of 1,190,000 of the Company's own shares and the redemption of 675,539 shares owned by the Norwegian State for a consideration of NOK 252 million. The consideration to the Norwegian State was paid in the second quarter 2016. The number of shares in the company is consequently reduced to 273,217,830.

In May 2016, the Annual General Meeting approved that the existing buy-back program is replaced by a new program, authorizing the Board to acquire up to 5% (13,660,891 shares) of Yara's shares before the next Annual General Meeting. Shares may be purchased within a price range of NOK 10 to NOK 1,000. The shares acquired pursuant to this authorization shall be subsequently cancelled. Yara has renewed its agreement with the Norwegian State according to which the State's shares will be redeemed on a pro-rata basis to ensure the State's ownership is unchanged in the event of a cancellation of the shares bought back.

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

	Ordinary shares	Own shares
Total at 31 December 2014	276,227,775	(730,000)
Redeemed shares Norwegian State [1)]	(414,406)	-
Shares cancelled [1)]	(730,000)	730,000
Treasury shares - share buy-back program [1)]	-	(910,000)
Total at 31 December 2015	275,083,369	(910,000)
Redeemed shares Norwegian State [2)]	(675,539)	-
Shares cancelled [2)]	(1,190,000)	1,190,000
Treasury shares - share buy-back program [1)]	-	(280,000)
Total at 30 June 2016	273,217,830	-

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

Note 3 Operating segment information

NOK millions	2Q 2016	2Q 2015	1H 2016	1H 2015	2015
External revenue and other income					
Crop Nutrition	18,324	20,912	37,119	41,443	80,198
Industrial	5,032	4,177	9,014	8,465	17,233
Production	2,525	2,821	4,840	5,735	14,383
Other and eliminations	(16)	19	(55)	53	82
Total	25,866	27,929	50,919	55,697	111,897
Internal revenue and other income					
Crop Nutrition	338	276	641	506	1,591
Industrial	46	32	70	55	113
Production	8,194	10,144	18,041	22,530	41,429
Other and eliminations	(8,578)	(10,452)	(18,752)	(23,091)	(43,132)
Total	-	-	-	-	-
Revenue and other income					
Crop Nutrition	18,662	21,188	37,760	41,950	81,789
Industrial	5,078	4,209	9,085	8,520	17,346
Production	10,719	12,965	22,881	28,266	55,812
Other and eliminations	(8,593)	(10,433)	(18,807)	(23,038)	(43,050)
Total	25,866	27,929	50,919	55,697	111,897
Operating income					
Crop Nutrition	978	1,276	2,476	2,854	4,973
Industrial	1,651	259	2,030	602	1,174
Production	584	1,921	2,132	4,364	8,842
Other and eliminations	299	100	277	(274)	(886)
Total	3,512	3,556	6,915	7,546	14,104
EBITDA					
Crop Nutrition	1,330	1,572	3,108	3,415	6,188
Industrial	1,693	335	2,116	749	1,489
Production	2,120	3,133	4,965	6,017	14,414
Other and eliminations	346	139	355	(208)	(729)
Total	5,489	5,179	10,544	9,973	21,361
Investments [1)]					
Crop Nutrition	440	263	647	684	1,455
Industrial	57	57	94	100	242
Production	3,100	1,546	4,875	2,698	9,511
Other and eliminations	66	39	75	32	108
Total	3,662	1,905	5,692	3,514	11,316
Total Assets [2)]					
Crop Nutrition			36,983	35,870	36,057
Industrial			4,727	6,053	6,509
Production			78,368	69,724	75,077
Other and eliminations			1,769	140	1,220
Total			121,847	111,787	118,863

1) Investments comprise property, plant and equipment, intangible assets, equity-accounted investees and other equity investments. The figures presented are capitalized amounts, and may deviate from cash flow from investing activities due to timing of cash outflows.

2) Assets exclude internal cash accounts and accounts receivables related to group relief.

NOK millions, except percentages	2Q 2016	2Q 2015	1H 2016	1H 2015	2015
CROGI (12-month rolling average)					
Yara [1)]			14.2 %	13.2 %	14.0 %
Crop Nutrition			16.3 %	17.9 %	17.5 %
Industrial [2)]			43.6 %	18.8 %	22.0 %
Production [2)]			11.0 %	11.4 %	12.1 %
ROCE (12-month rolling average)					
Yara [1)]			13.1 %	12.8 %	12.9 %
Crop Nutrition			15.4 %	17.2 %	16.6 %
Industrial [2)]			51.5 %	21.2 %	24.6 %
Production [2)]			7.9 %	10.5 %	9.9 %
Reconciliation of EBITDA to Income before tax					
EBITDA	5,489	5,179	10,544	9,973	21,361
Depreciation, amortization and impairment loss [3)]	(1,716)	(1,343)	(3,177)	(2,663)	(6,962)
Foreign exchange gain/(loss)	122	342	471	(1,490)	(2,463)
Interest expense and other financial items	(256)	(226)	(535)	(575)	(1,291)
Income before tax	3,639	3,952	7,302	5,246	10,644

1) Cash and other liquid assets are included in gross investments and capital employed when calculating CROGI and ROCE respectively for the segments, but not included for total Yara. In addition, actual Yara tax is used for calculating CROGI and ROCE for Yara while a standardized tax rate of 25% is used for the segments. These two effects explain the variance in CROGI and ROCE between Yara and the segments. See page 11 "Definitions and variance analysis" for more information.
2) 1H 2016 includes gain on sale of the European CO_2 business.
3) Including amortization of excess value in equity-accounted investees.

Reconciliation of operating income to EBITDA

NOK millions	Operating income	Equity-accounted investees	Interest income and other financial income	EBIT	Depreciation, amortization and impairment loss[1)]	EBITDA
2Q 2016						
Crop Nutrition	978	38	121	1,137	194	1,330
Industrial	1,651	17	2	1,669	23	1,693
Production	584	27	39	650	1,470	2,120
Other and eliminations	299	-	18	317	29	346
Total	3,512	82	179	3,773	1,715	5,489
2Q 2015						
Crop Nutrition	1,276	40	86	1,402	170	1,572
Industrial	259	26	1	286	49	335
Production	1,921	87	23	2,031	1,102	3,133
Other and eliminations	100	-	17	117	22	139
Total	3,556	152	128	3,836	1,343	5,179
1H 2016						
Crop Nutrition	2,476	27	266	2,769	339	3,108
Industrial	2,030	30	3	2,063	52	2,116
Production	2,132	24	79	2,236	2,729	4,965
Other and eliminations	277	-	21	298	57	355
Total	6,915	82	370	7,367	3,177	10,544
1H 2015						
Crop Nutrition	2,854	33	190	3,077	338	3,415
Industrial	602	45	3	651	98	749
Production	4,364	(566)	40	3,838	2,179	6,017
Other and eliminations	(274)	-	19	(255)	47	(208)
Total	7,546	(487)	252	7,311	2,663	9,973
2015						
Crop Nutrition	4,973	26	428	5,428	760	6,188
Industrial	1,174	102	6	1,282	206	1,489
Production	8,842	(438)	117	8,521	5,893	14,414
Other and eliminations	(886)	-	54	(832)	102	(729)
Total	14,104	(310)	605	14,398	6,962	21,361

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

Note 4 Business initiatives

Acquisitions

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 kilotonnes and an EBITDA of USD 5 million in the fiscal year ending 31 March 2015. Greenbelt owns three blending plants and three warehouses. See note 5 for more information.

Other business initiatives

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

Disposals

On 20 April 2016, Yara signed the transaction documents for the sale of its European CO_2 business and its remaining 34% stake in the Yara Praxair Holding AS joint venture to U.S.-based Praxair Inc. The transaction was completed 1 June 2016. See note 6 for more information.

Note 5 Business combinations

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

Consideration

NOK millions	Greenbelt 1 Apr
Cash transferred	360
Deferred consideration and earn out [1]	44
Total considerations	404

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

Acquisition-related costs amounting to NOK 3 million have been excluded from the consideration transferred and have been recognized as an expense in the current year, within 'Other operating expenses' in the condensed consolidated interim statement of income.

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

NOK millions	Greenbelt 1 Apr
Assets	
Customer relationships, part of intangible assets	23
Other, part of intangible assets	31
Property, plant and equipment	96
Inventories	171
Trade receivables	275
Prepaid expenses and other current assets	9
Cash and cash equivalents	4
Total assets	610
Liabilities	
Trade and other payables	69
Other short-term liabilities	174
Total liabilities	243
Total identifiable net assets at fair value	367

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

Goodwill arising on acquisition

NOK millions	Greenbelt 1 Apr
Total consideration	404
Fair value of net identifiable assets acquired	(367)
Goodwill arising on acquisition	37

Goodwill arose on the acquisition 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.

Net cash outflow on acquisition

NOK millions	Greenbelt 1 Apr
Consideration paid in cash at date of acquisition	360
Cash and cash equivalent balances acquired	(4)
Net cash outflow on acquisition of subsidiaries	356

Impact of the acquisition on the total assets of the Group

NOK millions	Greenbelt 1 Apr
Consolidated identifiable assets	610
Goodwill arising on the acquisition	37
Total impact on the total assets of the Group	647

Impact of the acquisition on the results of the Group

NOK millions	Greenbelt
Included in year-to-date consolidated figures	
Revenues	79
of which internal revenues	*38*
EBITDA	(16)
Net income before tax	(23)

Pro forma figures

Yara has reported a consolidated income before tax of NOK 7,302 million. If the combination had taken place at the beginning of the year, Yara pro-forma YTD consolidated income before tax would have been NOK 7,303 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 6 Divestment

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

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

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

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

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

NOK millions	Production	Industrial	Total
Assets			
Intangible assets	-	52	52
Property, plant and equipment	92	817	909
Equity-accounted investees	-	231	231
Inventories	6	21	27
Trade receivables	-	192	192
Prepaid expenses and other current assets	-	4	4
Cash and cash equivalents	-	3	3
Total assets	98	1,319	1,417
Liabilities			
Long-term provisions	-	25	25
Deferred tax liabilities	-	5	5
Trade and other payables	-	42	42
Bank loans and other interest-bearing short term debt	-	1	1
Other short-term liabilities	-	19	19
Total liabilities	-	91	91

Gain on divestment

NOK millions	Production	Industrial	Total
CO2 business	220	678	898
Yara Praxair Holding AS	-	655	655
Net gain on divested assets	220	1,333	1,553

A currency translation gain on foreign operations of NOK 22 million has been reclassified from other comprehensive income to the statement of income on disposal. The reported net gain also includes transaction related costs of NOK 15 million.

Net cash flow on divested assets

NOK millions	Total
Cash received sale of CO2 business	1,908
Cash received sale of Yara Praxair Holding AS	853
Cash transferred	(3)
Net cash flow on divested assets	2,758

Note 7 Specifications to the condensed consolidated interim statement of income

Other income

NOK millions	2Q 2016	2Q 2015	1H 2016	1H 2015	2015
Divestment of the European CO_2 business	1,553	-	1,553	-	-
Divestment of GrowHow UK	-	-	-	-	3,199
Sale of white certificates	13	87	80	105	205
Gain on swap of mineral rights	44	-	44	-	-
Insurance compensations	-	83	63	83	130
Other	11	48	27	65	148
Total	1,621	218	1,767	253	3,683

Depreciation, amortization and impairment loss

NOK millions	2Q 2016	2Q 2015	1H 2016	1H 2015	2015
Depreciation of property, plant and equipment	(1,241)	(1,107)	(2,495)	(2,223)	(4,663)
Impairment loss property, plant and equipment	(242)	(54)	(247)	(58)	(1,183)
Reversal of impairment loss property, plant and equipment	(6)	12	11	12	22
Total depreciation and impairment loss property, plant and equipment	(1,489)	(1,148)	(2,732)	(2,268)	(5,824)
Amortization of intangible assets	(226)	(187)	(444)	(386)	(800)
Impairment loss intangible assets	-	1	-	1	(308)
Total amortization and impairment loss intangible assets	(226)	(186)	(444)	(385)	(1,108)

Note 8 Recognized impairment write-down

In the second quarter 2016, Yara recognized impairment write-down of property, plant and equipment of NOK 242 million, mainly related to the Montoir (France) and Trinidad plants. These plants also recognized impairments in fourth quarter 2015. A further reduction to sales prices has triggered the additional charge. The Montoir plant is one of Yara's smallest fertilizer plants, with an annual production capacity of approximately 300,000 tonnes nitrate and 300,000 tonnes NPK. In addition to small scale, the plant has limited export opportunities and is exposed to lower profitability in its home market. The Trinidad plant is one of Yara's smallest ammonia plants, with an annual production capacity of approximately 270,000 tonnes ammonia. Plant profitability is impacted by frequent gas supply curtailments and lower energy efficiency than Yara's average. Remaining carrying value for these two plants is NOK 152 million, including working capital.

Note 9 Inventories

NOK millions	30 Jun 2016	30 Jun 2015	31 Dec 2015
Finished goods	9,796	9,253	11,425
Work in progress	605	745	637
Raw materials	8,316	9,513	7,885
Total	18,717	19,512	19,948
Write-down			
Balance at 1 January	(152)	(92)	(92)
Reversal/(write-down), net	(14)	(7)	(52)
Foreign currency translation gain/(loss)	6	2	(8)
Closing balance	(160)	(98)	(152)

Note 10 Long-term debt

Contractual payments on long term debt

NOK millions	Debentures	Bank Loans	Capital lease and other LT loans	Total
2017	-	95	41	136
2018	-	286	52	337
2019	6,376	148	46	6,571
2020	-	126	52	178
2021	729	126	88	943
Thereafter	4,812	251	175	5,238
Total	11,917	1,031	454	13,402

In June 2016, Yara completed a USD 500 million bond issue due 2026 with a coupon rate of 3.8% pursuant to rule 144A/ Regulation S. Net proceeds will be used for general corporate purposes, thereby increasing the financial flexibility and strengthening Yara's maturity profile.

Note 11 Employee Benefits

By the end of second quarter 2016, the defined benefit obligations and plan assets have been remeasured using revised financial assumptions in order to capture the main developments in the financial markets. The net remeasurement loss of the quarter is recognized as an increase in net liability of NOK 414 million and a negative effect in other comprehensive income of NOK 324 million (after tax).

Year-to-date increase to the employee benefit liability is NOK 1,416 million and the negative effect in other comprehensive income is NOK 1,093 million. The main reason for the increased obligation is declining discount rates in the Euro zone and in the UK of approximately 0.9% points on a year-to-date basis. Full actuarial valuations of all long-term employee benefit obligations will be recognized in the fourth quarter 2016.

Responsibility statement

We confirm to the best of our knowledge, that the condensed set of interim consolidated financial statements at 30 June 2016 and for the six-month period 1 January to 30 June 2016 have been prepared in accordance with IAS 34 "Interim Financial Reporting" and give a true and fair view of the Group's assets, liabilities, financial position and the result for the period viewed in their entirety, and that the interim management report in accordance with the Norwegian Securities Trading Act section 5-6 fourth paragraph includes a fair review of any significant events that arose during the six-month period and their effect on the half-year financial report, any significant related parties transactions, and a description of the principal risks and uncertainties for the remaining six months this year.

The Board of Directors and Chief Executive Officer
Yara International ASA
Oslo, 20 July 2016

Leif Teksum
Chairperson

Maria Moræus Hanssen
Vice chair

John Thuestad
Board member

Hilde Bakken
Board member

Geir O. Sundbø
Board member

Geir Isaksen
Board member

Rune Bratteberg
Board member

Kjersti Aass
Board member

Svein Tore Holsether
President and CEO

Quarterly historical information

EBITDA

NOK millions	2Q 2016	1Q 2016	4Q 2015	3Q 2015	2Q 2015	1Q 2015
Crop Nutrition	1,330	1,778	1,253	1,519	1,572	1,843
Industrial	1,693	423	308	432	335	414
Production	2,120	2,845	2,176	6,221	3,133	2,884
Other and eliminations	346	10	(233)	(289)	139	(347)
Total	5,489	5,055	3,504	7,884	5,179	4,794

Results

NOK millions, except per share information	2Q 2016	1Q 2016	4Q 2015	3Q 2015	2Q 2015	1Q 2015
Revenue and other income	25,866	25,053	25,722	30,479	27,929	27,767
Operating income	3,512	3,403	685	5,874	3,556	3,990
EBITDA	5,489	5,055	3,504	7,884	5,179	4,794
Net income after non-controlling interests	3,072	2,800	434	4,004	2,916	729
Earnings per share (NOK)	11.23	10.22	1.58	14.56	10.59	2.65

USD[1)] millions, except per share information	2Q 2016	1Q 2016	4Q 2015	3Q 2015	2Q 2015	1Q 2015
Revenue and other income	3,134	2,901	3,022	3,691	3,602	3,583
Operating income	425	394	83	712	458	514
EBITDA	664	585	411	955	667	622
Net income after non-controlling interests	371	325	44	486	373	99
Earnings per share (USD)	1.36	1.19	0.16	1.77	1.36	0.36

1) USD numbers are calculated monthly based on average NOK/USD per month.

Reconcilication of non-GAAP measures

Reconciliation of operating income to gross cash flow

NOK millions		2Q 2016	2Q 2015	1H 2016	1H 2015	2015
Operating income		3,512	3,556	6,915	7,546	14,104
Share of net income in equity-accounted investees		82	152	82	(487)	(310)
Interest income and other financial income		179	128	370	252	605
Earnings before interest expense and tax (EBIT)		3,773	3,836	7,367	7,311	14,398
Depreciation, amortization and impairment loss		1,715	1,334	3,176	2,653	6,933
Amortization of excess value in equity-accounted investees 1)		1	9	1	9	29
Earnings before interest, tax and depreciation/amortization (EBITDA)		5,489	5,179	10,544	9,973	21,361
Income tax less tax on net foreign currency translation gain/(loss)		(579)	(812)	(1,401)	(1,857)	(2,833)
Gross cash flow	A	4,910	4,367	9,143	8,116	18,528

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

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

NOK millions		2Q 2016	2Q 2015	1H 2016	1H 2015	2015
Net income attributable to shareholders of the parent		3,072	2,916	5,872	3,645	8,083
Non-controlling interests		(18)	93	(34)	212	351
Interest expense and foreign currency translation gain/(loss)		134	(115)	64	2,065	3,754
Depreciation, amortization and impairment loss		1,715	1,334	3,176	2,653	6,933
Amortization of excess value in equity-accounted investees		1	9	1	9	29
Tax effect on foreign currency translation gain/(loss)		5	131	63	(468)	(624)
Gross Cash Flow	A	4,910	4,367	9,143	8,116	18,528
Annualized gross cash flow	B=Ax4	19,639	17,467			
12 month rolling	B			19,555	15,575	18,528

Reconciliation to total assets to gross investment

NOK millions		2Q 2016	2Q 2015	1H 2016	1H 2015	2015
Total assets		118,409	111,552	117,391	103,161	114,559
Cash and cash equivalents		(4,863)	(3,687)	(4,701)	(4,445)	(4,430)
Other liquid assets		(2)	(8)	(78)	(6)	(82)
Deferred tax assets		(2,938)	(2,564)	(2,770)	(2,411)	(2,677)
Other current liabilities		(18,060)	(18,289)	(17,512)	(16,857)	(17,647)
Accumulated depreciation and amortization		46,883	40,670	45,343	38,262	42,527
Gross investment 3-months average	C	139,429	127,675			
Gross investment 12-months average	C			137,672	117,704	132,249
Cash Return on Gross Investment, CROGI	D=B/C	14.1 %	13.7 %	14.2 %	13.2 %	14.0 %

Reconciliation of EBIT to EBIT minus tax

NOK millions		2Q 2016	2Q 2015	1H 2016	1H 2015	2015
Earnings before interest expense and tax (EBIT)		3,773	3,836	7,367	7,311	14,398
Income tax less tax on net foreign currency translation gain/(loss)		(579)	(812)	(1,401)	(1,857)	(2,833)
EBIT minus tax	E	3,194	3,024	5,966	5,453	11,565
Annualized quarter EBIT minus tax	F=Ex4	12,776	12,096			
12 months rolling EBIT minus tax	F			12,078	10,206	11,565

Reconciliation of total assets to capital employed

NOK millions		2Q 2016	2Q 2015	1H 2016	1H 2015	2015
Total assets		118,409	111,552	117,391	103,161	114,559
Cash and cash equivalents		(4,863)	(3,687)	(4,701)	(4,445)	(4,430)
Other liquid assets		(2)	(8)	(78)	(6)	(82)
Deferred tax assets		(2,938)	(2,564)	(2,770)	(2,411)	(2,677)
Other current liabilities		(18,060)	(18,289)	(17,512)	(16,857)	(17,647)
Capital employed 12-months average	G	92,546	87,005	92,329	79,442	89,722
Return on capital employed, ROCE	H=F/G	13.8 %	13.9 %	13.1 %	12.8 %	12.9 %

Net interest-bearing debt

NOK millions		1H 2016	1H 2015	2015
Cash and cash equivalents		7,640	2,960	3,220
Other liquid assets 1)		2	6	3
Bank loans and other short-term interest-bearing debt		(2,873)	(2,616)	(3,635)
Current portion of long-term debt		(1,064)	(1,243)	(2,102)
Long-term interest-bearing debt		(13,402)	(9,577)	(9,354)
Net interest-bearing debt	I	(9,698)	(10,471)	(11,868)

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

Debt equity ratio

NOK millions		1H 2016	1H 2015	2015
Net interest-bearing debt	I	(9,698)	(10,471)	(11,868)
Total equity	J	(74,654)	(69,690)	(75,727)
Debt/equity ratio	K=I/J	0.13	0.15	0.16

Earnings per share

NOK millions except earnings per share and number of shares		2Q 2016	2Q 2015	1H 2016	1H 2015	2015
Weighted average number of shares outstanding	L	273,514,770	275,270,079	273,784,070	275,383,298	275,114,375
Net income	M	3,072	2,916	5,872	3,645	8,083
Net foreign currency translation gain/(loss)	N	122	342	471	(1,490)	(2,463)
Tax effect on foreign currency translation gain/(loss)	O	5	131	63	(468)	(624)
Special items within EBIT	P	1,290	93	1,295	(855)	991
Tax effect on special items	Q	(77)	(25)	(78)	(8)	272
Special items within EBIT net of tax	R=P+Q	1,214	68	1,217	(864)	1,263
Earnings per share	S=M/L	11.23	10.59	21.45	13.24	29.38
Earnings per share excluding currency	T=(M-N+O)/L	10.81	9.83	19.96	16.95	36.07
Earnings per share excluding currency & special items	U=(M-N+O-R)/L	6.37	9.58	15.51	20.08	31.48

Notes

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