Knowledge grows

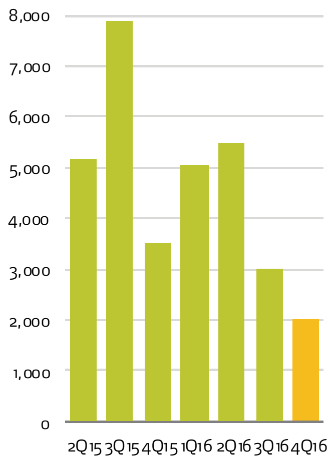
# Fourth-quarter 2016 report

Yara International ASA

- Weaker results reflecting lower prices
- Strong production and deliveries
- Strong Industrial result
- Improvement program established
- Proposed dividend NOK 10 per share, 43% of net income

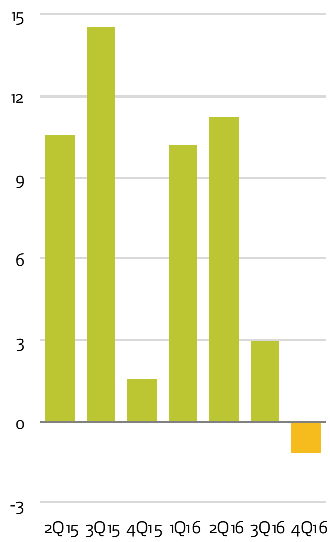
EBITDA

NOK millions

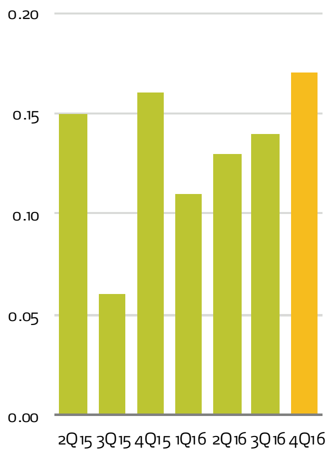



Earnings per share

NOK




Debt/equity ratio



# Fourth quarter 2016

## Financial highlights

| NOK millions, except where indicated otherwise | 4Q 2016 | 4Q 2015 | 2016 | 2015 |
|---|---|---|---|---|
| Revenue and other income | 22,327 | 25,722 | 97,170 | 111,897 |
| Operating income | 521 | 685 | 8,771 | 14,104 |
| Share net income equity-accounted investees | (358) | 12 | (348) | (310) |
| EBITDA | 2,015 | 3,504 | 15,563 | 21,361 |
| EBITDA excl. special items | 2,474 | 3,508 | 14,449 | 18,920 |
| Net income after non-controlling interests | (333) | 434 | 6,360 | 8,083 |
| Earnings per share [1] | (1.22) | 1.58 | 23.25 | 29.38 |
| Earnings per share excl.currency [1] | (0.62) | 0.64 | 22.82 | 36.18 |
| Earnings per share excl.currency and special items [1] | 1.66 | 3.97 | 20.70 | 31.44 |
| Average number of shares outstanding (millions) | 273.2 | 274.6 | 273.5 | 275.1 |
| CROGI [2] | 4.7 % | 9.0 % | 9.5 % | 14.0 % |
| ROCE [2] | 0.0 % | 2.2 % | 7.5 % | 12.9 % |

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

| | | 4Q 2016 | 4Q 2015 | 2016 | 2015 |
|---|---|---|---|---|---|
| **Average prices** | | | | | |
| Urea prilled (fob Black Sea) | USD per tonne | 206 | 250 | 199 | 272 |
| CAN (cif Germany) | USD per tonne | 184 | 255 | 199 | 270 |
| Ammonia (fob Black Sea) | USD per tonne | 190 | 355 | 236 | 387 |
| DAP (fob US Gulf) | USD per tonne | 324 | 421 | 347 | 459 |
| Phosphate rock (fob Morocco) | USD per tonne | 99 | 126 | 111 | 124 |
| | | | | | |
| European gas (TTF) | USD per MMBtu | 5.4 | 5.5 | 4.5 | 6.4 |
| US gas (Henry Hub) | USD per MMBtu | 3.0 | 2.1 | 2.5 | 2.6 |
| Yara's gas & oil cost (weighted average) [1] | USD per MMBtu | 4.3 | 5.2 | 4.1 | 5.5 |
| Yara's European gas & oil cost (weighted average) [1] | USD per MMBtu | 5.3 | 6.2 | 5.0 | 7.1 |
| USD/NOK currency rate | | 8.37 | 8.53 | 8.40 | 8.06 |
| EUR/NOK currency rate | | 9.03 | 9.33 | 9.29 | 8.94 |
| BRL/NOK currency rate | | 2.54 | 2.21 | 2.42 | 2.45 |
| | | | | | |
| **Production (Thousand tonnes) [1]** | | | | | |
| Ammonia | | 1,885 | 1,612 | 7,504 | 7,035 |
| Finished fertilizer and industrial products, excl. bulk blends | | 5,042 | 4,560 | 19,497 | 19,224 |
| Total Production | | 6,927 | 6,172 | 27,001 | 26,259 |
| | | | | | |
| **Sales (Thousand tonnes)** | | | | | |
| Ammonia trade | | 507 | 450 | 2,043 | 2,103 |
| Fertilizer | | 6,858 | 6,147 | 27,249 | 26,544 |
| Industrial products | | 1,775 | 1,759 | 6,892 | 7,032 |
| Total deliveries | | 9,140 | 8,355 | 36,184 | 35,679 |

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

Yara's fourth-quarter net income after non-controlling interests was a negative NOK 333 million, compared with a positive NOK 434 million a year earlier. Excluding net foreign currency translation gain/(loss) and special items, the result was NOK 454 million (NOK 1.66 per share), compared with NOK 1,091 million (NOK 3.97 per share) in fourth quarter 2015.

"Yara reports a weaker result than a year earlier, reflecting lower fertilizer prices as the global nitrogen price floor was tested during the quarter. But our operational performance improved significantly, with finished fertilizer sales and production up 15% and 11% respectively," said Svein Tore Holsether, President and Chief Executive Officer of Yara.

"The whole Yara organization is working hard to further improve operations, to deliver on the Yara Improvement Program which we have announced earlier. The program has already delivered approximately USD 25 million of EBITDA improvement in 2016, and will deliver at least USD 500 million of annual EBITDA improvement within 2020," said Holsether.

## Fertilizer market conditions

Another strong global grain harvest is expected for the 2016/17 season, with the US Department of Agriculture currently forecasting output to exceed the previous record from 2014/15 by 2%. But consumption is also growing, and the projected stocks-to-use ratio is stable at 90 days of consumption, despite the record projected crop. Still, the strong harvests have resulted in lower prices for grains, but for several other key crops, including sugar, coffee, oils and dairy products, prices are higher than a year ago. The Food and Agriculture Organization of the United Nations (FAO) food price index was up 11% from fourth quarter 2015, but 10% below the five-year average, while the cereal price index was down 8% and 26% below the five-year average.

Prilled urea prices fob Black Sea increased through the quarter, and averaged USD 206 per tonne, down 18% compared to a year ago, but 13% higher than the previous quarter. From China, export costs increased compared to previous quarters primarily due to higher coal prices. The cost inflation in China resulted in increased prices globally, despite increased production in Egypt, and from new plants in Algeria, FSU and the US, reducing the need for Chinese urea exports. China exported 1.4 million tonnes urea during fourth quarter, down from 4.2 million tonnes a year earlier. For the full year, China exported 8.9 million tonnes urea, down from 13.7 million tonnes in 2015.

Ammonia prices fob Black Sea averaged USD 190 per tonne for the quarter, down from USD 355 per tonne a year earlier, as new ammonia plants have come on-stream in Russia, Saudi Arabia and USA, and generated a global surplus. At prices below USD 200 per tonne fob Black Sea, Ukrainian exports have been curtailed, and several other exporters have initiated production curtailments. However, prices have increased sharply towards the end of the quarter, driven by lack of supply from the largest ammonia supplier in Russia, due to a dispute over pipeline tariffs through Ukraine.

Relatively slow demand has resulted in declining phosphate fertilizer prices and the average DAP fob US Gulf price was down 23% compared with a year earlier. For phosphate producers, more than 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. In 2016, China exported 6.8 million tonnes DAP, 15% less than the previous year, and with a 26% drop in exports of MAP.

The average phosphate rock price fob Morocco was down 21% compared to a year earlier, and upgrading margins from rock to DAP were also lower.

## Regional market developments

Fourth-quarter nitrogen fertilizer deliveries in Western Europe are up by an estimated 11% on a year earlier, with imports stable as domestic producers increased their sales within all product groups. Season to date, fertilizer deliveries are up by an estimated 7% on last season, with imports down 3%.

In Brazil, fourth-quarter fertilizer deliveries were 9.6 million tonnes, up 21% compared to a year earlier, and full-year deliveries were up 13%, at 34.1 million tonnes. Imports of fertilizer were up 16%, domestic production decreased by 1%, and industry stocks ended 6% lower than a year earlier. Fourth-quarter urea imports were 1.3 million tonnes, compared with 1.0 million tonnes a year earlier. For the full year, Brazil imported 4.0 million tonnes urea, up from 2.8 million tonnes in 2015.

Fourth-quarter US nitrogen deliveries are estimated to be in line with a year earlier, with a modest increase in domestic production offset by lower imports. Season-to-date deliveries are lagging by an estimated 10%, following a very slow third quarter, as buyers waited for new domestic capacity additions to start producing.

October and November urea production in China was reported 23% lower than a year earlier, with year-to-date production down 6%. Higher coal prices and logistical costs have increased production costs, but although urea prices have increased, production curtailments have also increased through the quarter. The average Chinese urea price for the fourth quarter was 7% lower than a year earlier (measured in local currency) but up 13% from the previous quarter.

In India, fourth-quarter urea sales were 9% lower than a year earlier, with activity negatively impacted by the bank note withdrawal by the Indian Government. Season-to-date sales (April-August) are lagging by 7%, partly due to high stocks at the start of this season. Season-to-date domestic production was stable compared with a year ago, with urea imports down 27% at 5.0 million tonnes.

## Production volumes [1)]

| Thousand tonnes | 4Q 2016 | 4Q 2015 | 2016 | 2015 |
|---|---|---|---|---|
| Ammonia | 1,885 | 1,612 | 7,504 | 7,035 |
| of which equity-accounted investees | 252 | 286 | 1,033 | 1,280 |
| Urea | 1,326 | 1,053 | 5,167 | 4,762 |
| of which equity-accounted investees | 373 | 397 | 1,536 | 1,593 |
| Nitrate | 1,554 | 1,410 | 6,044 | 5,997 |
| of which equity-accounted investees | - | - | - | 199 |
| NPK | 1,226 | 1,214 | 4,578 | 4,850 |
| of which equity-accounted investees | - | - | - | 83 |
| CN | 337 | 351 | 1,379 | 1,477 |
| UAN | 220 | 207 | 909 | 925 |
| SSP-based fertilizer | 380 | 326 | 1,419 | 1,212 |
| Total production [1)] | 6,927 | 6,172 | 27,001 | 26,259 |

1) Incl. Yara share of production in equity-accounted investees, excl. Yara-produced blends.

## Total deliveries

| Thousand tonnes | 4Q 2016 | 4Q 2015 | 2016 | 2015 |
|---|---|---|---|---|
| Ammonia | 707 | 650 | 2,773 | 2,859 |
| of which industrial products [1)] | 183 | 176 | 669 | 699 |
| Urea | 1,816 | 1,481 | 6,699 | 6,692 |
| of which fertilizer | 1,263 | 1,006 | 4,674 | 4,852 |
| of which Yara-produced fertilizer | 573 | 321 | 2,117 | 1,755 |
| of which Yara-produced industrial products [2)] | 368 | 332 | 1,521 | 1,433 |
| of which equity-accounted investees | 509 | 459 | 1,796 | 2,153 |
| Nitrate | 1,649 | 1,493 | 6,455 | 6,247 |
| of which fertilizer | 1,448 | 1,342 | 5,691 | 5,594 |
| of which Yara-produced fertilizer | 1,374 | 1,254 | 5,334 | 5,112 |
| of which Yara-produced industrial products | 169 | 127 | 629 | 489 |
| NPK | 2,794 | 2,472 | 10,404 | 9,486 |
| of which Yara-produced compounds | 1,372 | 1,114 | 5,043 | 4,479 |
| of which Yara-produced blends | 1,330 | 1,243 | 5,083 | 4,600 |
| CN | 330 | 299 | 1,502 | 1,396 |
| of which fertilizer | 227 | 200 | 1,132 | 1,038 |
| of which Yara-produced fertilizer | 224 | 198 | 1,114 | 1,021 |
| of which Yara-produced industrial products | 101 | 88 | 355 | 326 |
| UAN | 291 | 203 | 1,356 | 1,295 |
| of which Yara-produced fertilizer | 234 | 180 | 1,115 | 1,043 |
| SSP | 172 | 166 | 954 | 961 |
| of which Yara-produced fertilizer | 126 | 148 | 826 | 832 |
| DAP/MAP | 156 | 175 | 832 | 888 |
| MOP/SOP | 285 | 300 | 1,253 | 1,222 |
| Other industrial products | 736 | 858 | 3,065 | 3,479 |
| Other fertilizer products | 205 | 257 | 891 | 1,151 |
| Total deliveries | 9,140 | 8,355 | 36,184 | 35,676 |

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

## Fertilizer deliveries by region

| Thousand tonnes | 4Q 2016 | 4Q 2015 | 2016 | 2015 |
|---|---|---|---|---|
| Europe | 2,293 | 2,084 | 9,418 | 9,381 |
| Brazil | 2,448 | 2,274 | 9,213 | 8,403 |
| Latin America | 533 | 510 | 2,217 | 2,208 |
| North America | 801 | 549 | 3,106 | 3,007 |
| Asia | 520 | 445 | 2,080 | 2,125 |
| Africa | 263 | 286 | 1,217 | 1,420 |
| Total fertilizer deliveries | 6,858 | 6,147 | 27,249 | 26,544 |

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

## Variance analysis fourth quarter

| NOK millions | 4Q 2016 |
|---|---|
| | |
| EBITDA 2016 | 2,015 |
| EBITDA 2015 | 3,504 |
| Variance EBITDA | (1,489) |
| | |
| Volume | 1,170 |
| Price/Margin | (2,407) |
| Energy costs | 335 |
| Special items | (454) |
| Currency translation | (22) |
| Other | (109) |
| Total variance explained | (1,489) |

Yara delivered weaker fourth-quarter results compared with a year earlier, with EBITDA excluding special items down 29% as higher deliveries and lower energy costs were more than offset by lower fertilizer prices.

### Volume development

Deliveries of Yara-produced fertilizer including blends were 15% higher than in fourth quarter 2015 when commodity nutrient prices fell through the quarter, while the opposite happened during fourth quarter 2016. In addition, improved reliability and fewer planned turnarounds in Yara's production plants enabled higher deliveries compared with a year earlier.

Following a slow start to the season in Europe in third quarter, fourth-quarter fertilizer deliveries were up 13% compared with a year earlier and 3% higher than fourth quarter 2014. Season-to-date deliveries were up 8%.

In Brazil, Yara's fertilizer deliveries were 8% higher than a year ago mainly driven by continued growth of premium products.

Deliveries in North America were almost 50% higher compared with a year earlier when Yara's Belle Blaine facility experienced production outages.

Adjusted for the divestment of the $CO_2$ business, Industrial deliveries were 13% higher than a year earlier with growth for all products. Reagent deliveries for NOX abatement were up 15% compared with fourth quarter 2015, technical ammonium nitrate (TAN) deliveries increased 30% driven by higher deliveries in several Latin American markets and in the Nordics. Deliveries to the process chemical industry were up 8%.

Production ran well in the quarter and full-year production records were set for ammonia, urea and nitrates. Ammonia production increased 17% compared with fourth quarter 2015, of which around two thirds reflect higher reliability, mainly in the Pilbara plant, while the remainder is explained by fewer turnarounds. Production of finished products increased 11%, mostly due to fewer turnarounds.

### Margin development

Margins were significantly lower compared with a year earlier for both commodity upgrading margins and premiums for nitrates and NPKs. Industrial margins were slightly higher compared to fourth quarter 2015.

Yara's average realized urea and nitrate prices decreased 25% and 28% respectively while realized NPK prices decreased by around 10%.

Yara's average European gas cost was 14% lower than in fourth quarter 2015 on a USD per MMBtu basis offsetting only around one third of the drop in realized commodity nitrogen prices. Yara's average gas cost outside Europe decreased 17%, within ammonia-linked gas contracts for Yara's ammonia assets on Trinidad.

### Other Items

The special items for the quarter mainly reflect a write-down of Qafco's melamine assets (see note 8, page 27) in fourth quarter 2016. More details on the special items can be found on page 11.

The US dollar depreciated 2% versus Norwegian krone compared with fourth quarter 2015, contributing to a negative currency translation effect in Yara's result.

## Variance analysis full year

| NOK millions | 2016 |
|---|---|
| | |
| EBITDA 2016 | 15,563 |
| EBITDA 2015 | 21,361 |
| Variance EBITDA | (5,797) |
| | |
| Volume | 1,041 |
| Price/Margin | (9,829) |
| Energy costs | 3,543 |
| Special items | (1,327) |
| Currency translation | 1,203 |
| Other | (428) |
| Total variance explained | (5,797) |

Yara delivered weaker 2016 results compared to a year earlier, with EBITDA excluding special items around 24% lower as lower fertilizer prices more than offset positive effects of higher deliveries, lower energy prices and a stronger US dollar.

The Yara Improvement Program delivered NOK 215 million of EBITDA improvements in 2016, explained mainly by procurement savings.

### Volume development

Total deliveries of Yara-produced fertilizer including blends increased 8% compared to 2015, mainly driven by higher deliveries in Brazil.

In Europe, deliveries were in line with 2015 but Yara-produced products were 2% higher than a year earlier.

Yara's Brazil deliveries were 14% higher than a year ago, in line with the total market growth. Around half of the increase in Yara deliveries came from premium products.

Adjusted for the divestment of the $CO_2$ business in second quarter 2016, Industrial deliveries were up 6% compared with 2015 mainly driven by higher deliveries of AdBlue and TAN.

Ammonia production was up 7% while finished fertilizer production increased by 1% compared with 2015, setting annual production records for ammonia, urea and nitrates. Adjusted for portfolio changes, production was up 5% and 3%, respectively, with urea, nitrates and SSP-based fertilizer representing the main increases within finished fertilizer . For both ammonia and finished fertilizers the improvement resulted from less turnaround activity and improved reliability.

### Margin development

Margins were significantly lower compared with 2015, due to both lower commodity upgrading margins and lower premiums for nitrates and NPKs. Industrial margins were up compared with 2015, but with a mixed picture for the different product groups.

Yara's average realized urea and nitrate fertilizer prices decreased around 25% while compound NPK prices decreased around 10% compared to 2015.

Yara's average European gas cost was 30% lower than in 2015 on a USD per MMBtu basis, while Yara's average gas costs outside Europe decreased 19%, reflecting ammonia-linked gas contracts for Yara's ammonia assets on Trinidad. Total full year impact of lower energy costs offset only around one third of the negative price effects during 2016.

### Other Items

Special items for 2016 were a net positive NOK 1,115 million, mainly reflecting the NOK 1,552 million gain from divesting the European $CO_2$ business in the second quarter. Net special items in 2015 were a positive NOK 2,441 million reflecting the gain from divesting GrowHow UK partially offset by the write-down of the Lifeco asset.

The US dollar appreciated 4% versus Norwegian krone compared with 2015, explaining the majority of the NOK 1,203 million positive currency translation effect in Yara's results.

The "Other" variance mainly reflects higher fixed costs compared with a year ago, reflecting growth-related activities.

# Financial items

| NOK millions | 4Q 2016 | 4Q 2015 | 2016 | 2015 |
|---|---|---|---|---|
| | | | | |
| Interest income from customers | 135 | 128 | 529 | 444 |
| Interest income, other | 33 | 57 | 161 | 135 |
| Dividends and net gain/(loss) on securities | 11 | 16 | 36 | 26 |
| Interest income and other financial income | 179 | 202 | 725 | 605 |
| | | | | |
| Interest expense | (146) | (242) | (713) | (898) |
| Net interest expense on net pension liability | (19) | (22) | (66) | (82) |
| Net foreign currency translation gain/(loss) | (241) | 362 | 115 | (2,463) |
| Other | (20) | (15) | (122) | (312) |
| Interest expense and foreign currency translation gain/(loss) | (426) | 82 | (786) | (3,754) |
| | | | | |
| Net financial income/(expense) | (248) | 285 | (61) | (3,150) |

Fourth-quarter net financial expense was NOK 248 million compared with an income of NOK 285 million previous year. The variance primarily reflects a net foreign currency translation loss of NOK 241 million this quarter, compared with a gain of NOK 362 million a year earlier.

Other interest income was NOK 24 million lower due to less interest from tax receivables and less cash kept in high-interest rate countries. Average cash deposits were in line with fourth quarter 2015.

Fourth-quarter interest expense was NOK 96 million lower than a year before. The variance mainly reflects a NOK 56 million increase in capitalized interest related to expansion projects and a reduced portion of the funding in high-interest rate currencies such as the Brazilian real. Average gross debt in the quarter was around NOK 1.7 billion higher than a year ago.

The net foreign currency translation loss in the fourth quarter was NOK 241 million. The US dollar appreciated between 5% and 7% against most of Yara's other main currencies during the quarter, but the resulting loss was partly offset by a foreign currency translation gain on internal currency positions, primarily in Brazilian real towards the euro. In fourth quarter 2015, there was a foreign currency translation gain of NOK 362 million, as the US dollar depreciated up to 4% against Yara's other main currencies.

Yara's net US dollar debt generating currency effects in the income statement was approximately USD 1,700 million at the start of the first quarter 2017, with around 50% of the exposure towards euro and the rest mainly towards Yara's emerging market currencies.

Full-year net financial expense was NOK 61 million compared with NOK 3,150 million previous year. The variance is primarily explained by a foreign currency translation gain of NOK 115 million in 2016 compared with a loss of NOK 2,463 million in 2015.

Interest expense was NOK 185 million lower than a year earlier as the effect of an average gross debt level around NOK 1,700 million higher was more than offset by an increase in capitalized interest related to expansion projects.

The foreign currency translation gain in 2016 of NOK 115 million comprised a loss of NOK 730 million on Yara's US dollar debt and a gain of NOK 845 million on internal positions in other currencies than USD. The corresponding figures for 2015 were a NOK 2,620 million loss on US dollar positions and a NOK 157 million gain on internal currency positions.

The "Other" line in 2015 included a NOK 100 million loss upon termination of an interest rate derivative portfolio established to hedge the interest rate on a planned bond issue.

## Tax

Fourth-quarter provisions for current and deferred taxes were NOK 252 million. The tax cost is higher than normal due to impairment of tax assets, taxrate changes and negative earnings from equity-accounted investees.

# Net interest-bearing debt

| NOK millions | 4Q 2016 | 2016 |
|---|---|---|
| | | |
| Net interest-bearing debt at beginning of period | (10,390) | (11,868) |
| Cash earnings [1] | 1,824 | 10,437 |
| Dividends received from equity-accounted investees | 4 | 358 |
| Net operating capital change | 138 | 3,945 |
| Investments (net) | (4,033) | (13,450) |
| Sale of $CO_2$ business | 89 | 2,846 |
| Share buy-back/redemption of shares | - | (346) |
| Yara dividend | - | (4,108) |
| Foreign currency translation gain/(loss) | (241) | 115 |
| Other [2] | (194) | (731) |
| of which foreign currency translation adjustment | (477) | (769) |
| Net interest-bearing debt at end of period | (12,802) | (12,802) |

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 at the end of fourth quarter 2016 was NOK 12,802 million, compared with NOK 10,390 million at the end of third quarter 2016. The increase reflects a high investment activity, within both growth and maintenance investments. The Salitre project in Brazil (NOK 427 million), investment in the Freeport ammonia plant (NOK 374 million) and the Porsgrunn expansion project (NOK 271 million) constitute the main growth projects in the quarter.

The debt/equity ratio at the end of fourth quarter 2016, calculated as net interest-bearing debt divided by shareholders' equity plus non-controlling interests, was 0.17 compared with 0.14 at the end of third quarter 2016.

Net interest-bearing debt increased by NOK 934 million during 2016, as net investments exceeded cash earnings.

### Dividend Policy

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

Yara's Board will propose to the Annual General Meeting a dividend payment of NOK 10 per share for 2016, which would represent 43% of net income after non-controlling interests. Including share redemptions paid during 2016, the total cash return to shareholders would represent 48% of net income.

An above-target dividend is proposed due to Yara's strong financial position. However, the Board believes Yara's long-term policy of distributing 40-45% of net income remains appropriate, given Yara's expected pipeline of future growth opportunities and the current market outlook.

# 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, and while grain prices are lower, prices for other key crops like sugar, coffee, oils and dairy products are higher than a year ago.

Chinese urea production and export costs continue to be the main reference point for global nitrogen pricing, and the recent increase in prilled urea prices fob China to around USD 250 per tonne appears to be mainly driven by increased production and freight costs. However, on-going urea capacity increases outside China are partially displacing Chinese urea exports, and incremental US capacity in particular may weigh on global urea prices later in 2017.

In Europe, higher nitrogen prices globally have contributed to a positive price and volume momentum for nitrates, and Yara's first-quarter European nitrate deliveries are ahead of the same period last year.

As communicated earlier, Yara has established a corporate program to drive and coordinate existing and new improvement initiatives. The Yara Improvement program will deliver at least USD 500 million of annual EBITDA improvement within 2020, of which an estimated USD 150 million will be realized in 2017. The full target, description of program components and realization timeline are described in the results presentation.

To meet growing demand for premium products in particular, Yara is expanding capacity in several plants at a significantly lower capital expenditure per capacity tonne compared with benchmark greenfield expansions. Most of these projects will be completed during 2017 and 2018. Applying current market prices, these projects are expected to generate approximately NOK 6 per share of incremental earnings by 2020 when fully operational.

Based on current forward markets for natural gas (31 January) Yara's spot-priced gas costs for first and second quarter 2017 are expected to be respectively NOK 600 million higher and NOK 700 million higher than a year earlier. The estimates may change depending on future spot gas prices.

The Board of Directors and Chief Executive Officer
Yara International ASA
Oslo, 8 February 2017

Leif Teksum
Chairperson

Maria Moræus Hanssen
Vice chair

John Thuestad
Board member

Hilde Bakken
Board member

Geir O. Sundbø
Board member

Geir Isaksen
Board member

Rune Bratteberg
Board member

Kjersti Aass
Board member

Svein Tore Holsether
President and CEO

# Definitions and variance analysis

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

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

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

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

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

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

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

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

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

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

Yara defines "special items" as material items in the results which are not regarded as part of underlying business performance for the period. These comprise restructuring-related items, contract derivatives, impairments and other items which are not primarily related to the period in which they are recognized, subject to a minimum value of NOK 30 million per item within a 12month period. "Contract derivatives" are commodity-based "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.

Reconciliations of alternative performance measures are provided on page 31 and 32.

# Special items

| | EBITDA effect | | | | Operating income effect | | | |
|---|---|---|---|---|---|---|---|---|
| NOK millions | 4Q 2016 | 4Q 2015 | 2016 | 2015 | 4Q 2016 | 4Q 2015 | 2016 | 2015 |
| | | | | | | | | |
| OFD integration costs | - | (27) | - | (101) | - | (27) | - | (101) |
| Termination of distribution agreements | - | (154) | - | (154) | - | (154) | - | (154) |
| Asset impairment | - | - | - | - | - | (80) | - | (80) |
| Total Crop Nutrition | - | (182) | - | (255) | - | (263) | - | (336) |
| | | | | | | | | |
| Gain on sale of $CO_2$ business | - | - | 1,332 | - | - | - | 1,332 | - |
| Total Industrial | - | - | 1,332 | - | - | - | 1,332 | - |
| | | | | | | | | |
| Asset impairment write-down | - | - | - | - | (165) | (1,070) | (477) | (1,368) |
| Contract derivatives | 82 | 79 | 58 | 221 | 82 | 79 | 58 | 221 |
| Gain on swap of mineral rights | - | - | 44 | - | - | - | 44 | - |
| Gain on sale of $CO_2$ business | - | - | 220 | - | - | - | 220 | - |
| Sale of GrowHow UK | - | - | - | 3,199 | - | - | - | 3,199 |
| Costs related to flooding Ravenna plant | - | - | - | (39) | - | - | - | (39) |
| Impairment Lifeco Plant | - | - | - | (929) | - | - | - | (36) |
| Tertre insurance settlement | - | - | - | 55 | - | - | - | 55 |
| Sale of energy efficiency certificates in Italy | - | 100 | - | 189 | - | 100 | - | 189 |
| Environmental provisions | (130) | - | (130) | - | (130) | - | (130) | - |
| Qafco items | (350) | - | (350) | - | - | - | - | - |
| Total Production | (398) | 178 | (158) | 2,696 | (213) | (892) | (285) | 2,220 |
| | | | | | | | | |
| Legal settlements | (60) | - | (60) | - | (60) | - | (60) | - |
| Total Other | (60) | - | (60) | - | (60) | - | (60) | - |
| | | | | | | | | |
| Total Yara | (458) | (4) | 1,115 | 2,441 | (273) | (1,155) | 988 | 1,884 |

# Condensed consolidated interim statement of income

| NOK millions, except share information | Notes | 4Q 2016 | 4Q 2015 | 2016 | 2015 |
|---|---|---|---|---|---|
| Revenue | | 22,169 | 25,499 | 95,245 | 108,011 |
| Other income | 6,7 | 76 | 144 | 1,867 | 3,683 |
| Commodity based derivatives gain/(loss) | | 82 | 79 | 58 | 203 |
| Revenue and other income | | 22,327 | 25,722 | 97,170 | 111,897 |
| | | | | | |
| Raw materials, energy costs and freight expenses | | (16,650) | (18,981) | (69,606) | (79,067) |
| Payroll and related costs | | (2,258) | (2,167) | (8,520) | (8,047) |
| Depreciation, amortization and impairment loss | 7,8 | (1,687) | (2,611) | (6,427) | (6,933) |
| Other operating expenses | | (1,211) | (1,278) | (3,847) | (3,745) |
| Operating costs and expenses | | (21,806) | (25,037) | (88,399) | (97,793) |
| | | | | | |
| Operating income | | 521 | 685 | 8,771 | 14,104 |
| | | | | | |
| Share of net income in equity-accounted investees | 8 | (358) | 12 | (348) | (310) |
| Interest income and other financial income | | 179 | 202 | 725 | 605 |
| Earnings before interest expense and tax (EBIT) | | 342 | 899 | 9,149 | 14,398 |
| | | | | | |
| Foreign currency translation gain/(loss) | | (241) | 362 | 115 | (2,463) |
| Interest expense and other financial items | | (185) | (280) | (901) | (1,291) |
| Income before tax | | (84) | 981 | 8,363 | 10,644 |
| | | | | | |
| Income tax expense | | (252) | (501) | (2,041) | (2,209) |
| Net income | | (336) | 480 | 6,322 | 8,435 |
| | | | | | |
| **Net income attributable to** | | | | | |
| Shareholders of the parent | | (333) | 434 | 6,360 | 8,083 |
| Non-controlling interests | | (3) | 46 | (37) | 351 |
| Net income | | (336) | 480 | 6,322 | 8,435 |
| | | | | | |
| Earnings per share [1)] | | (1.22) | 1.58 | 23.25 | 29.38 |
| Weighted average number of shares outstanding [2)] | 2 | 273,217,830 | 274,616,304 | 273,499,403 | 275,114,375 |

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

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

# Condensed consolidated interim statement of comprehensive income

| NOK millions | Notes | 4Q 2016 | 4Q 2015 | 2016 | 2015 |
|---|---|---|---|---|---|
| | | | | | |
| Net income | | (336) | 480 | 6,322 | 8,435 |
| | | | | | |
| **Other comprehensive income that may be reclassified to statement of income** | | | | | |
| Exchange differences on translation of foreign operations | | 3,607 | 1,308 | (1,320) | 6,259 |
| Available-for-sale financial assets - change in fair value | | (19) | 58 | (19) | 31 |
| Cash flow hedges | | - | - | - | 18 |
| Hedge of net investments | | (330) | (187) | 108 | (796) |
| Share of other comprehensive income of equity-accounted investees, excluding remeasurements | | 22 | 41 | 45 | 64 |
| Net other comprehensive income that may be reclassified to statement of income in subsequent periods | | 3,280 | 1,221 | (1,186) | 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 | 12 | 473 | (148) | (760) | 577 |
| Remeasurements of the net defined benefit pension liability for equity-accounted investees | | - | - | - | 11 |
| Net other comprehensive income that will not be reclassified to statement of income in subsequent periods | | 473 | (149) | (760) | 588 |
| | | | | | |
| **Reclassification adjustments of the period** | | | | | |
| - cash flow hedges | | 1 | 1 | 4 | 6 |
| - exchange differences on foreign operations disposed of in the year | | - | (29) | (22) | (341) |
| Net reclassification adjustments of the period | | 1 | (28) | (18) | (335) |
| | | | | | |
| Total other comprehensive income, net of tax | | 3,755 | 1,044 | (1,964) | 5,830 |
| | | | | | |
| Total comprehensive income | | 3,419 | 1,524 | 4,358 | 14,265 |
| | | | | | |
| **Total comprehensive income attributable to** | | | | | |
| Shareholders of the parent | | 3,291 | 1,468 | 4,194 | 13,783 |
| Non-controlling interests | | 127 | 55 | 165 | 481 |
| Total | | 3,419 | 1,524 | 4,358 | 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 | - | - | - | - | - | - | - | 8,083 | 8,083 | 351 | 8,435 |
| Other comprehensive income, net of tax | - | - | 5,787 | 31 | 24 | (796) | 5,047 | 577 | 5,624 | 130 | 5,755 |
| Share of other comprehensive income of equity-accounted investees | - | - | 20 | - | 44 | - | 64 | 11 | 75 | - | 75 |
| Total other comprehensive income, net of tax | - | - | 5,807 | 31 | 69 | (796) | 5,111 | 588 | 5,700 | 130 | 5,830 |
| Long term incentive plan | - | - | - | - | - | - | - | (4) | (4) | - | (4) |
| Transactions with non-controlling interests | - | - | 743 | - | - | - | 743 | (325) | 418 | (2,893) | (2,475) |
| Treasury shares | (2) | - | - | - | - | - | - | (362) | (364) | - | (364) |
| Redeemed shares, Norwegian State [2] | (1) | - | - | - | - | - | - | (127) | (127) | - | (127) |
| Share capital increase in subsidiary, non-controlling interest | - | - | - | - | - | - | - | - | - | 298 | 298 |
| Dividends distributed | - | - | - | - | - | - | - | (3,581) | (3,581) | (246) | (3,827) |
| Balance at 31 December 2015 | 466 | 117 | 15,996 | 34 | (76) | (1,600) | 14,353 | 58,954 | 73,890 | 1,837 | 75,727 |
| Net income | - | - | - | - | - | - | - | 6,360 | 6,360 | (37) | 6,322 |
| Other comprehensive income, net of tax | - | - | (1,544) | (19) | 4 | 108 | (1,451) | (760) | (2,211) | 202 | (2,009) |
| Share of other comprehensive income of equity-accounted investees | - | - | 1 | - | 44 | - | 44 | - | 45 | - | 45 |
| Total other comprehensive income, net of tax | - | - | (1,543) | (19) | 48 | 108 | (1,406) | (760) | (2,166) | 202 | (1,964) |
| Long term incentive plan | - | - | - | - | - | - | - | (3) | (3) | - | (3) |
| Transactions with non-controlling interests | - | - | - | - | - | - | - | 1 | 1 | (11) | (10) |
| Step-up of tax base in Australia [4] | - | - | - | - | - | - | - | 814 | 814 | - | 814 |
| Treasury shares | - | - | - | - | - | - | - | (93) | (93) | - | (93) |
| Redeemed shares, Norwegian State [3] | (1) | - | - | - | - | - | - | (251) | (252) | - | (252) |
| Share capital increase in subsidiary, non-controlling interest | - | - | - | - | - | - | - | - | - | 340 | 340 |
| Dividends distributed | - | - | - | - | - | - | - | (4,106) | (4,106) | (5) | (4,111) |
| Balance at 31 December 2016 | 464 | 117 | 14,452 | 14 | (28) | (1,492) | 12,947 | 60,916 | 74,444 | 2,326 | 76,770 |

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

# Condensed consolidated interim statement of financial position

| NOK millions | Notes | 31 Dec 2016 | 31 Dec 2015 |
|---|---|---|---|
| | | | |
| **Assets** | | | |
| **Non-current assets** | | | |
| Deferred tax assets | 10 | 2,585 | 2,950 |
| Intangible assets | | 9,183 | 9,583 |
| Property, plant and equipment | 7,8 | 59,739 | 52,424 |
| Equity-accounted investees | | 9,190 | 9,769 |
| Other non-current assets | | 3,242 | 2,956 |
| Total non-current assets | | 83,938 | 77,681 |
| | | | |
| **Current assets** | | | |
| Inventories | 9 | 17,580 | 19,948 |
| Trade receivables | | 10,332 | 12,098 |
| Prepaid expenses and other current assets | | 4,813 | 4,383 |
| Cash and cash equivalents | | 3,751 | 3,220 |
| Non-current assets and disposal group classified as held-for-sale | 6 | 92 | 1,533 |
| Total current assets | | 36,567 | 41,182 |
| | | | |
| Total assets | | 120,505 | 118,863 |

# Condensed consolidated interim statement of financial position

| NOK millions, except share information | Notes | 31 Dec 2016 | 31 Dec 2015 |
|---|---|---|---|
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital reduced for treasury stock | | 464 | 466 |
| Premium paid-in capital | | 117 | 117 |
| Total paid-in capital | | 582 | 583 |
| | | | |
| Other reserves | | 12,947 | 14,353 |
| Retained earnings | | 60,916 | 58,954 |
| Total equity attributable to shareholders of the parent | | 74,444 | 73,890 |
| | | | |
| Non-controlling interests | | 2,326 | 1,837 |
| Total equity | 2 | 76,770 | 75,727 |
| | | | |
| **Non-current liabilities** | | | |
| Employee benefits | 12 | 4,071 | 3,751 |
| Deferred tax liabilities | 10 | 4,396 | 5,392 |
| Other long-term liabilities | | 1,404 | 1,448 |
| Long-term provisions | | 834 | 773 |
| Long-term interest-bearing debt | 11 | 13,992 | 9,354 |
| Total non-current liabilities | | 24,698 | 20,718 |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | | 14,762 | 14,674 |
| Current tax liabilities | | 530 | 693 |
| Short-term provisions | | 323 | 325 |
| Other short-term liabilities | | 859 | 875 |
| Bank loans and other interest-bearing short-term debt | | 2,323 | 3,635 |
| Current portion of long-term debt | | 240 | 2,102 |
| Liabilities associated with disposal group held-for-sale | | - | 115 |
| Total current liabilities | | 19,037 | 22,418 |
| | | | |
| Total equity and liabilities | | 120,505 | 118,863 |
| | | | |
| Number of shares outstanding [1)] | 2 | 273,217,830 | 274,173,369 |

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

The Board of Directors and Chief Executive Officer
Yara International ASA
Oslo, 8 February 2017

Leif Teksum
Chairperson

Maria Moræus Hanssen
Vice chair

John Thuestad
Board member

Hilde Bakken
Board member

Geir O. Sundbø
Board member

Geir Isaksen
Board member

Rune Bratteberg
Board member

Kjersti Aass
Board member

Svein Tore Holsether
President and CEO

# Condensed consolidated interim statement of cash flows

| NOK millions | Notes | 4Q 2016 | 4Q 2015 | 2016 | 2015 |
|---|---|---|---|---|---|
| **Operating activities** | | | | | |
| Operating income | | 521 | 685 | 8,771 | 14,104 |
| | | | | | |
| **Adjustments to reconcile operating income to net cash provided by operating activities** | | | | | |
| Depreciation, amortization and impairment loss | | 1,687 | 2,612 | 6,427 | 6,933 |
| Write-down and reversals, net | | 41 | 66 | 156 | 265 |
| Tax paid [1)] | | (275) | (738) | (2,736) | (3,380) |
| Dividend from equity-accounted investees | | 4 | - | 358 | 807 |
| Change in net operating capital [2)] | | 97 | (822) | 3,789 | (1,464) |
| (Gain)/loss on disposal | 6 | 80 | - | (1,559) | (3,280) |
| Other | | 88 | (717) | (1,121) | 645 |
| Net cash from operating activities | | 2,242 | 1,085 | 14,084 | 14,631 |
| | | | | | |
| **Investing activities** | | | | | |
| Purchases of property, plant and equipment [3)] | | (3,830) | (3,735) | (12,873) | (9,631) |
| Cash outflow on business combinations | 5 | (124) | (1,333) | (480) | (1,406) |
| Purchases of other long-term investments [3)] | | (119) | (397) | (286) | (904) |
| Sales/(purchases) of short-term investments, net | | - | 168 | - | (132) |
| Proceeds from sales of property, plant and equipment | | 12 | 18 | 62 | 138 |
| Proceeds from sales of other long-term investments | 6 | 116 | 109 | 2,973 | 5,048 |
| Net cash from/(used in) investing activities | | (3,944) | (5,170) | (10,604) | (6,888) |
| | | | | | |
| **Financing activities** | | | | | |
| Loan proceeds/(repayments), net | 11 | 352 | 1,461 | 1,138 | (1,460) |
| Purchase of treasury shares | 2 | - | (364) | (93) | (364) |
| Redeemed shares Norwegian State | 2 | - | - | (252) | (127) |
| Dividend | 2 | - | - | (4,108) | (3,581) |
| Transactions with non-controlling interests | | - | (2,771) | - | (2,825) |
| Other cash transfers (to)/from non-controlling interests | | 3 | 291 | 327 | 54 |
| Net cash from/(used in) financing activities | | 356 | (1,384) | (2,989) | (8,304) |
| | | | | | |
| Foreign currency effects on cash flows | | 13 | 135 | 39 | 189 |
| | | | | | |
| Net increase/(decrease) in cash and cash equivalents | | (1,333) | (5,334) | 531 | (371) |
| Cash and cash equivalents at beginning of period | | 5,083 | 8,554 | 3,220 | 3,591 |
| Cash and cash equivalents at end of period | | 3,751 | 3,220 | 3,751 | 3,220 |
| | | | | | |
| Bank deposits not available for the use of other group companies | | | | 256 | 436 |

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

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

3) A reclassification from previous quarters 2016 of NOK 184 million between purchase of "property, plant and equipment" and "purchase of other long-term investments", both within investing activities, was made to the full year 2016 figures.

# 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 Judgments, 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). The dividend was paid out with NOK 3,898 million during second quarter and NOK 210 million during third quarter 2016. During fourth quarter Yara received NOK 2 million for unclaimed dividends of previous years.

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 31 December 2016 | 273,217,830 | - |

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

# Note 3 Operating segment information

| NOK millions | 4Q 2016 | 4Q 2015 | 2016 | 2015 |
|---|---|---|---|---|
| **External revenue and other income** | | | | |
| Crop Nutrition | 17,114 | 18,760 | 72,677 | 80,198 |
| Industrial | 3,591 | 4,382 | 16,074 | 17,233 |
| Production | 1,649 | 2,561 | 8,472 | 14,383 |
| Other and eliminations | (26) | 18 | (52) | 82 |
| Total | 22,327 | 25,722 | 97,170 | 111,897 |
| **Internal revenue and other income** | | | | |
| Crop Nutrition | 478 | 410 | 1,531 | 1,591 |
| Industrial | 1 | 35 | 108 | 113 |
| Production | 7,924 | 9,291 | 33,316 | 41,429 |
| Other and eliminations | (8,403) | (9,736) | (34,954) | (43,132) |
| Total | - | - | - | - |
| **Revenue and other income** | | | | |
| Crop Nutrition | 17,592 | 19,171 | 74,207 | 81,789 |
| Industrial | 3,592 | 4,417 | 16,181 | 17,346 |
| Production | 9,573 | 11,852 | 41,788 | 55,812 |
| Other and eliminations | (8,430) | (9,718) | (35,006) | (43,050) |
| Total | 22,327 | 25,722 | 97,170 | 111,897 |
| **Operating income** | | | | |
| Crop Nutrition | 451 | 883 | 4,118 | 4,973 |
| Industrial | 342 | 221 | 2,742 | 1,174 |
| Production | (150) | (133) | 1,597 | 8,842 |
| Other and eliminations | (123) | (287) | 314 | (886) |
| Total | 521 | 685 | 8,771 | 14,104 |
| **EBITDA** | | | | |
| Crop Nutrition | 860 | 1,253 | 5,470 | 6,188 |
| Industrial | 398 | 308 | 2,916 | 1,489 |
| Production | 823 | 2,176 | 6,681 | 14,414 |
| Other and eliminations | (65) | (233) | 496 | (729) |
| Total | 2,015 | 3,504 | 15,563 | 21,361 |
| **Investments 1)** | | | | |
| Crop Nutrition | 467 | 582 | 1,462 | 1,455 |
| Industrial | 75 | 82 | 205 | 242 |
| Production | 3,996 | 4,344 | 12,017 | 9,511 |
| Other and eliminations | 77 | 13 | 173 | 108 |
| Total | 4,616 | 5,021 | 13,856 | 11,316 |
| **Total Assets 2)** | | | | |
| Crop Nutrition | | | 33,582 | 36,057 |
| Industrial | | | 4,760 | 6,509 |
| Production | | | 80,125 | 75,077 |
| Other and eliminations | | | 2,038 | 1,220 |
| Total | | | 120,505 | 118,863 |

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 | 4Q 2016 | 4Q 2015 | 2016 | 2015 |
|---|---|---|---|---|
| **CROGI (12-month rolling average)** | | | | |
| Yara 1) | | | 9.5 % | 14.0 % |
| Crop Nutrition | | | 15.7 % | 17.5 % |
| Industrial 2) | | | 55.0 % | 22.0 % |
| Production 2) | | | 5.6 % | 12.1 % |
| | | | | |
| **ROCE (12-month rolling average)** | | | | |
| Yara 1) | | | 7.5 % | 12.9 % |
| Crop Nutrition | | | 14.7 % | 16.6 % |
| Industrial 2) | | | 61.9 % | 24.6 % |
| Production 2) | | | 1.3 % | 9.9 % |
| | | | | |
| **Reconciliation of EBITDA to Income before tax** | | | | |
| EBITDA | 2,015 | 3,504 | 15,563 | 21,361 |
| Depreciation, amortization and impairment loss 3) | (1,673) | (2,605) | (6,414) | (6,962) |
| Foreign currency translation gain/(loss) | (241) | 362 | 115 | (2,463) |
| Interest expense and other financial items | (185) | (280) | (901) | (1,291) |
| Income before tax | (84) | 981 | 8,363 | 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 10 "Definitions and variance analysis" for more information.

2) 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 |
|---|---|---|---|---|---|---|
| **4Q 2016** | | | | | | |
| Crop Nutrition | 451 | 7 | 120 | 578 | 282 | 860 |
| Industrial | 342 | 26 | 5 | 374 | 24 | 398 |
| Production | (150) | (390) | 27 | (514) | 1,337 | 823 |
| Other and eliminations | (123) | - | 27 | (96) | 30 | (65) |
| Total | 521 | (358) | 179 | 342 | 1,673 | 2,015 |
| | | | | | | |
| **4Q 2015** | | | | | | |
| Crop Nutrition | 883 | (18) | 133 | 999 | 255 | 1,253 |
| Industrial | 221 | 30 | 1 | 252 | 56 | 308 |
| Production | (133) | - | 44 | (89) | 2,265 | 2,176 |
| Other and eliminations | (287) | - | 25 | (262) | 29 | (233) |
| Total | 685 | 12 | 202 | 899 | 2,605 | 3,504 |
| | | | | | | |
| **2016** | | | | | | |
| Crop Nutrition | 4,118 | 30 | 501 | 4,649 | 821 | 5,470 |
| Industrial | 2,742 | 63 | 11 | 2,816 | 100 | 2,916 |
| Production | 1,597 | (441) | 150 | 1,306 | 5,376 | 6,681 |
| Other and eliminations | 314 | - | 64 | 377 | 118 | 496 |
| Total | 8,771 | (348) | 725 | 9,149 | 6,414 | 15,563 |
| | | | | | | |
| **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 10 August 2016, Yara entered into an agreement to acquire the Tata Chemicals Ltd ("TCL") Babrala urea plant and distribution business in Uttar Pradesh, India, for INR 26,696 million (USD 400 million) on a debt and cash free basis, including normalized net working capital. The plant has an annual production of 0.7 million tonnes ammonia and 1.2 million tonnes urea, and generated revenues and EBITDA of respectively USD 350 million and USD 35 million in the fiscal year ended 31 March 2016. The plant was commissioned in 1994, and is the most energy efficient plant in India, with energy efficiency on par with Yara's best plants. The agreement will be subject to regulatory approvals and sanctioning by the relevant courts in India, a process which is expected to take 9-12 months after which closing of the transaction can take place.

On 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 neighbouring 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. 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 tonnes annual fertilizer production and blending capacity, and provide customers with increased access to Yara's premium products, thereby reducing reliance on finished fertilizer imports. It will also improve health, environment, safety and quality performance, including substantially lower emissions than required by legislation. The scope includes new warehouses, new acidulation and granulation lines, fully automated blending and bagging equipment for small (50 kg) and big (1 tonne) bags, a boiler for steam production, a wastewater treatment plant and rest areas for truck drivers.

## 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 main reason for the acquisition is to further improve Yara's downstream position within a fast growing agricultural region. The acquired business is included in the Crop Nutrition segment.

## Consideration

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

1) The earn out agreement 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 condensed consolidated interim statement of income.

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

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

The receivables acquired in the business combination have a gross contractual amount equal to their fair value.
The initial accounting for the acquisition has only been provisionally determined at the end of the reporting period. The tax values are impacted by the transaction.

## Goodwill arising on acquisition

| NOK millions | Greenbelt 1 Apr | Other transactions |
|---|---|---|
| Total consideration | 404 | 128 |
| Fair value of net identifiable assets acquired | (367) | (63) |
| Goodwill arising on acquisition | 37 | 65 |

For the Greenbelt acquisition goodwill 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.

## Net cash outflow on acquisition

| NOK millions | Greenbelt 1 Apr | Other transactions |
|---|---|---|
| | | |
| Consideration paid in cash at date of acquisition | 360 | 120 |
| Cash and cash equivalent balances acquired | (4) | - |
| Net cash outflow on acquisition of subsidiaries | 356 | 120 |

Net cash outflow is presented as a part of "Cash outflow on business combinations" in the condensed consolidated interim statement of cash flows.

## Impact of the acquisition on the total assets of the Group

| NOK millions | Greenbelt 1 Apr | Other transactions |
|---|---|---|
| | | |
| Consolidated identifiable assets | 609 | 63 |
| Goodwill arising on the acquisition | 37 | 65 |
| Total impact on the total assets of the Group | 647 | 128 |

## Impact of the acquisition on the results of the Group

| NOK millions | Greenbelt |
|---|---|
| | |
| **Included in year-to-date consolidated figures** | |
| Revenues | 406 |
| *of which internal revenues* | *85* |
| EBITDA | (25) |
| Net income before tax | (71) |

## Pro forma figures

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 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.

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

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

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

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

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

## Gain on divestment

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

A currency translation gain on foreign operations of NOK 22 million has been reclassified from other comprehensive income

## Net cash flow on divested assets

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

Note 7

# Specifications to the condensed consolidated interim statement of income

## Other income

| NOK millions | 4Q 2016 | 4Q 2015 | 2016 | 2015 |
|---|---|---|---|---|
| Divestment of the European $CO_2$ business | - | - | 1,552 | - |
| Divestment of GrowHow UK | - | - | - | 3,199 |
| Sale of white certificates | 27 | 100 | 107 | 205 |
| Gain on swap of mineral rights | - | - | 44 | - |
| Insurance compensations | - | - | 64 | 130 |
| Other | 49 | 44 | 100 | 148 |
| Total | 76 | 144 | 1,867 | 3,683 |

## Depreciation, amortization and impairment loss

| | | | | |
|---|---|---|---|---|
| Depreciation of property, plant and equipment | (1,338) | (1,247) | (5,109) | (4,663) |
| Impairment loss property, plant and equipment | (70) | (1,112) | (404) | (1,183) |
| Reversal of impairment loss property, plant and equipment | 12 | - | 26 | 22 |
| Total depreciation and impairment loss property, plant and equipment | (1,396) | (2,359) | (5,486) | (5,824) |
| | | | | |
| Amortization of intangible assets | (122) | (212) | (771) | (800) |
| Impairment loss intangible assets | (168) | (41) | (169) | (308) |
| Total amortization and impairment loss intangible assets | (291) | (253) | (940) | (1,108) |
| | | | | |
| Total depreciation, amortization and impairment loss | (1,687) | (2,611) | (6,427) | (6,933) |

Note 8

# Impairment of non-current assets

In the fourth quarter 2016, Yara recognized impairment write down of intangible assets of NOK 168 million, of which NOK 140 million is related to Yara Dallol. This is a sulphate of potash (SOP) mine project in the Dallol region in Ethiopia with expected annual production of 600,000 metric tonnes of SOP. The project is under development and remains attractive, but the outlook has been reduced due to higher estimated capital expenditure following completion of the technical test work. In addition the SOP price forecasts has been reduced in the short to medium term.

Yara also made impairment write-down of property, plant and equipment of NOK 70 million during fourth quarter 2016. On a year-to date basis, the total impairment of the asset class is NOK 404 million, of which NOK 136 million is related to the Montoir plant (France) and NOK 116 million is related to the Trinidad plant. Both plants were also impaired in 2015. A further reduction to sales prices have triggered the additional charge in 2016. 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 at year-end 2016 is NOK 245 million, including working capital.

Yara's equity accounted investee Qafco reported impairments in the fourth quarter 2016, mainly related its melamine plant investment. Yara's 25% share of the impairments is NOK 284 million and is reported within the line "share of net income in equity accounted investees" in the income statement. The carrying value of Yara's investment in Qafco is NOK 8,423 million at year-end 2016.

# Note 9 Inventories

| NOK millions | 31 Dec 2016 | 31 Dec 2015 |
|---|---|---|
| | | |
| Finished goods | 9,377 | 11,425 |
| Work in progress | 536 | 637 |
| Raw materials | 7,667 | 7,885 |
| Total | 17,580 | 19,948 |
| | | |
| Write-down | | |
| Balance at 1 January | (152) | (92) |
| Reversal/(write-down), net | (2) | (52) |
| Foreign currency translation gain/(loss) | 14 | (8) |
| Closing balance | (139) | (152) |

# Note 10 Step-up of the tax base in Australia

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

# Note 11 Long-term debt

## Contractual payments on long-term debt

| NOK millions | Debentures | Bank Loans | Capital lease and other LT loans | Total |
|---|---|---|---|---|
| | | | | |
| 2018 | - | 493 | 64 | 557 |
| 2019 | 6,491 | 279 | 63 | 6,833 |
| 2020 | - | 238 | 54 | 293 |
| 2021 | 700 | 164 | 56 | 920 |
| 2022 | - | 129 | 79 | 208 |
| Thereafter | 4,883 | 128 | 170 | 5,182 |
| Total | 12,074 | 1,433 | 486 | 13,992 |

In January 2017, Yara established a USD 150 million term loan with International Financing Corporation (IFC) to be repaid in September 2022.

## Note 12 Employee Benefits

By the end of fourth quarter, the defined benefit obligations have been remeasured following full actuarial valuations of all defined benefit plans, using revised financial and demographic assumptions. Plan asset values have also been remeasured to reflect market value at the end of the quarter. The remeasurement gain of the quarter is recognized as a decrease in net defined benefit liability of NOK 659 million (before tax) and a positive effect in other comprehensive income of NOK 473 million (after tax). The remeasurement loss of the year is NOK 930 million (before tax) on the net defined benefit liability and a negative effect in other comprehensive income of NOK 760 million (after tax).

The remeasurement loss of the year reflects a decrease in yield on high quality corporate bonds in Europe during 2016. Yield on high quality corporate bonds is used as reference to determine the discount rate, which is used for calculating the present value of future pension benefit payments. The remeasurement loss from changes in financial assumptions is accompanied by a positive impact from actual return on plan assets in excess of what has been recognized in Statement of income during the year.

## Note 13 Contingencies

Yara is party to a number of lawsuits in various jurisdictions arising out of the conduct of its business. There are no significant changes to the contingencies disclosed in the annual report for 2015, except that Yara has settled the dispute with suppliers that involved a total claim of USD 140 million. The net legal settlement cost in fourth quarter 2016 is NOK 60 million, including the compensation to these suppliers.

## Note 14 Post balance sheet event

Yara Board will propose to the Annual General Meeting a dividend of NOK 10 per share for 2016.

# Quarterly historical information

## EBITDA

| NOK millions | 4Q 2016 | 3Q 2016 | 2Q 2016 | 1Q 2016 | 4Q 2015 | 3Q 2015 | 2Q 2015 | 1Q 2015 |
|---|---|---|---|---|---|---|---|---|
| Crop Nutrition | 860 | 1,502 | 1,330 | 1,778 | 1,253 | 1,519 | 1,572 | 1,843 |
| Industrial | 398 | 403 | 1,693 | 423 | 308 | 432 | 335 | 414 |
| Production | 823 | 894 | 2,120 | 2,845 | 2,176 | 6,221 | 3,133 | 2,884 |
| Other and eliminations | (65) | 205 | 346 | 10 | (233) | (289) | 139 | (347) |
| Total | 2,015 | 3,004 | 5,489 | 5,055 | 3,504 | 7,884 | 5,179 | 4,794 |

## Results

| NOK millions, except per share information | 4Q 2016 | 3Q 2016 | 2Q 2016 | 1Q 2016 | 4Q 2015 | 3Q 2015 | 2Q 2015 | 1Q 2015 |
|---|---|---|---|---|---|---|---|---|
| Revenue and other income | 22,327 | 23,924 | 25,866 | 25,053 | 25,722 | 30,479 | 27,929 | 27,767 |
| Operating income | 521 | 1,336 | 3,512 | 3,403 | 685 | 5,874 | 3,556 | 3,990 |
| EBITDA | 2,015 | 3,004 | 5,489 | 5,055 | 3,504 | 7,884 | 5,179 | 4,794 |
| Net income after non-controlling interests | (333) | 821 | 3,072 | 2,800 | 434 | 4,004 | 2,916 | 729 |
| Earnings per share (NOK) | (1.22) | 3.00 | 11.23 | 10.22 | 1.58 | 14.56 | 10.59 | 2.65 |

| USD[1] millions, except per share information | 4Q 2016 | 3Q 2016 | 2Q 2016 | 1Q 2016 | 4Q 2015 | 3Q 2015 | 2Q 2015 | 1Q 2015 |
|---|---|---|---|---|---|---|---|---|
| Revenue and other income | 2,668 | 2,894 | 3,134 | 2,901 | 3,022 | 3,691 | 3,602 | 3,583 |
| Operating income | 63 | 161 | 425 | 394 | 83 | 712 | 458 | 514 |
| EBITDA | 242 | 363 | 664 | 585 | 411 | 955 | 667 | 622 |
| Net income after non-controlling interests | (40) | 99 | 371 | 325 | 44 | 486 | 373 | 99 |
| Earnings per share (USD) | (0.15) | 0.36 | 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.

# Reconciliation of alternative performance measures

## Reconciliation of operating income to EBITDA and gross cash flow

| NOK millions | | 4Q 2016 | 4Q 2015 | 2016 | 2015 |
|---|---|---|---|---|---|
| Operating income | | 521 | 685 | 8,771 | 14,104 |
| Share of net income in equity-accounted investees | | (358) | 12 | (348) | (310) |
| Interest income and other financial income | | 179 | 202 | 725 | 605 |
| Earnings before interest expense and tax (EBIT) | | 342 | 899 | 9,149 | 14,398 |
| Depreciation, amortization and impairment loss | | 1,687 | 2,611 | 6,427 | 6,933 |
| Amortization of excess value in equity-accounted investees [1] | | (14) | (6) | (12) | 29 |
| Earnings before interest, tax and depreciation/amortization (EBITDA) | | 2,015 | 3,504 | 15,563 | 21,361 |
| Income tax less tax on net foreign currency translation gain/(loss) | | (341) | (398) | (2,080) | (2,833) |
| Gross cash flow | A | 1,674 | 3,106 | 13,483 | 18,528 |

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

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

| NOK millions | | 4Q 2016 | 4Q 2015 | 2016 | 2015 |
|---|---|---|---|---|---|
| Net income attributable to shareholders of the parent | | (333) | 434 | 6,360 | 8,083 |
| Non-controlling interests | | (3) | 46 | (37) | 351 |
| Interest expense and foreign currency translation | | 426 | (82) | 786 | 3,754 |
| Depreciation, amortization and impairment loss | | 1,687 | 2,611 | 6,427 | 6,933 |
| Amortization of excess value in equity-accounted investees | | (14) | (6) | (12) | 29 |
| Tax effect on foreign currency translation | | (89) | 104 | (40) | (624) |
| Gross Cash Flow | A | 1,674 | 3,106 | 13,483 | 18,528 |
| | | | | | |
| Annualized gross cash flow | B=Ax4 | 6,697 | 12,426 | | |
| 12 month rolling | B | | | 13,483 | 18,528 |

## Reconciliation of total assets to gross investments

| | | 3-months rolling | | 12-months rolling | |
|---|---|---|---|---|---|
| NOK millions | | 4Q 2016 | 4Q 2015 | 2016 | 2015 |
| Total assets | | 117,372 | 118,470 | 118,556 | 114,559 |
| Cash and cash equivalents | | (4,399) | (4,968) | (4,814) | (4,430) |
| Other liquid assets | | (2) | (228) | (2) | (82) |
| Deferred tax assets | | (2,757) | (2,862) | (2,866) | (2,677) |
| Other current liabilities | | (15,574) | (17,341) | (16,771) | (17,647) |
| Accumulated depreciation and amortization | | 47,097 | 45,313 | 46,995 | 42,422 |
| Gross investment 3-months average | C | 141,737 | 138,384 | | |
| Gross investment 12-months average | C | | | 141,097 | 132,144 |
| | | | | | |
| Cash Return on Gross Investment, CROGI | D=B/C | 4.7 % | 9.0 % | 9.5 % | 14.0 % |

## Reconciliation of EBIT to EBIT minus tax

| NOK millions | | 4Q 2016 | 4Q 2015 | 2016 | 2015 |
|---|---|---|---|---|---|
| Earnings before interest expense and tax (EBIT) | | 342 | 899 | 9,149 | 14,398 |
| Income tax less tax on net foreign currency translation gain/(loss) | | (341) | (398) | (2,080) | (2,833) |
| EBIT minus tax | E | 1 | 502 | 7,069 | 11,565 |
| Annualized quarter EBIT minus tax | F=Ex4 | 3 | 2,006 | | |
| 12 months rolling EBIT minus tax | F | | | 7,069 | 11,565 |

## Reconciliation of total assets to capital employed

| | | 3-months rolling | | 12-months rolling | |
|---|---|---|---|---|---|
| NOK millions | | 4Q 2016 | 4Q 2015 | 2016 | 2015 |
| Total assets | | 117,372 | 118,470 | 118,556 | 114,559 |
| Cash and cash equivalents | | (4,399) | (4,968) | (4,814) | (4,430) |
| Other liquid assets | | (2) | (228) | (2) | (82) |
| Deferred tax assets | | (2,757) | (2,862) | (2,866) | (2,677) |
| Other current liabilities | | (15,574) | (17,341) | (16,771) | (17,647) |
| Capital employed 12-months average | G | 94,640 | 93,072 | 94,103 | 89,723 |
| Return on capital employed, ROCE | H=F/G | 0.0 % | 2.2 % | 7.5 % | 12.9 % |

## Net interest-bearing debt

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

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

## Debt/equity ratio

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

## Earnings per share

| NOK millions, except earnings per share and number of shares | | 4Q 2016 | 4Q 2015 | 2016 | 2015 |
|---|---|---|---|---|---|
| Weighted average number of shares outstanding | L | 273,217,830 | 274,616,304 | 273,499,403 | 275,114,375 |
| Net income | M | (333) | 434 | 6,360 | 8,083 |
| Net foreign currency translation gain/(loss) | N | (241) | 362 | 115 | (2,463) |
| Tax effect on foreign currency translation gain/(loss) | O | 89 | (104) | 40 | 624 |
| Non-controlling interest share of currency gain/(loss), net after tax | P | (11) | 0 | (36) | (30) |
| Special items within EBIT | Q | (624) | (1,156) | 639 | 991 |
| Tax effect on special items | R | (1) | 241 | (70) | 272 |
| Special items within EBIT net of tax | S=Q+R | (625) | (915) | 568 | 1,263 |
| Non-controlling interest share of special items, net after tax | T | - | - | 12 | 40 |
| Earnings per share | U=M/L | (1.22) | 1.58 | 23.25 | 29.38 |
| Earnings per share excluding currency | V=(M-N-O-P)/L | (0.62) | 0.64 | 22.82 | 36.18 |
| Earnings per share excluding currency & special items | W=(M-N-O-P-S-T)/L | 1.66 | 3.97 | 20.70 | 31.44 |

# Notes

Yara International ASA
Drammensveien 131
NO–0277 Oslo Norway
Tel: +47 24 15 70 00
Fax: +47 24 15 70 01

www.yara.com