Knowledge grows

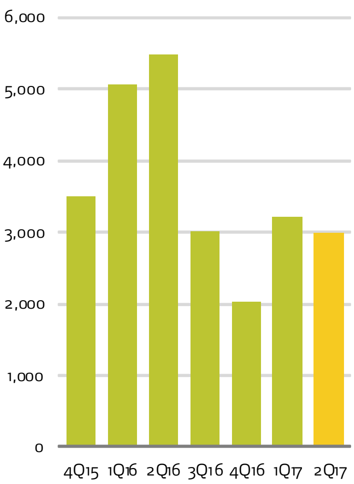
Second-quarter and half-year report 2017

Yara International ASA

- Results reflect lower commodity margins
- Strong finished fertilizer production, but lower ammonia production
- Continued growth in Industrial deliveries
- Improvement program on track

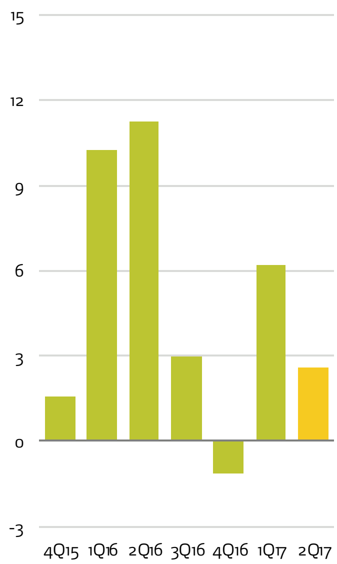
EBITDA

NOK millions

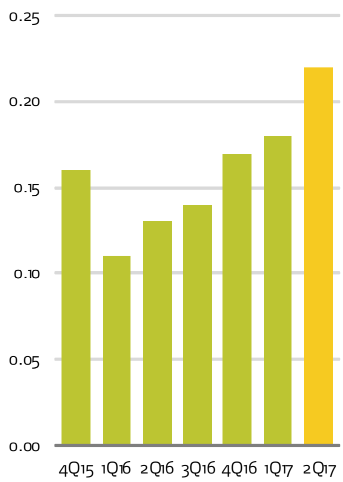


Earnings per share

NOK



Debt/equity ratio



Second quarter 2017

Financial highlights

NOK millions, except where indicated otherwise	2Q 2017	2Q 2016	1H 2017	1H 2016
Revenue and other income	23,471	25,866	46,106	50,919
Operating income	1,103	3,512	2,627	6,915
Share net income equity-accounted investees	57	82	136	82
EBITDA	2,992	5,489	6,208	10,544
EBITDA excl. special items	2,873	3,958	6,208	9,008
Net income after non-controlling interests	699	3,072	2,392	5,872
Earnings per share [1]	2.56	11.23	8.75	21.45
Earnings per share excl.currency [1]	2.82	10.77	7.47	19.90
Earnings per share excl.currency and special items [1]	2.90	6.29	7.85	15.41
Average number of shares outstanding (millions)	273.2	273.5	273.2	273.8
CROGI [2]	7.0 %	14.1 %	6.8 %	14.2 %
ROCE [2]	3.8 %	13.8 %	3.6 %	13.1 %

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 avergage.

Key Yara statistics

	2Q 2017	2Q 2016	1H 2017	1H 2016
Yara Production (Thousand tonnes) [1]				
Ammonia	1,803	1,929	3,683	3,937
Finished fertilizer and industrial products, excl. bulk blends	4,751	4,703	9,943	9,705
Yara Deliveries (Thousand tonnes)				
Ammonia trade	627	573	1,049	1,110
Fertilizer	6,707	6,921	13,092	13,148
Industrial products	1,736	1,784	3,537	3,501
Total deliveries	9,070	9,277	17,679	17,759
Yara's Energy prices (USD per MMBtu)				
Global weighted average gas cost	4.7	3.8	5.0	4.0
European weighted average gas cost	5.6	4.6	6.1	4.8

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

Market information

Average prices		2Q 2017	2Q 2016	1H 2017	1H 2016
Urea granular (fob Egypt)	USD per tonne	201	208	233	221
CAN (cif Germany)	USD per tonne	198	197	215	223
Ammonia (fob Black Sea)	USD per tonne	282	274	291	272
DAP (fob US Gulf)	USD per tonne	357	352	355	361
Phosphate rock (fob Morocco)	USD per tonne	93	116	95	119
European gas (TTF)	USD per MMBtu	5.0	4.3	5.4	4.2
US gas (Henry Hub)	USD per MMBtu	3.0	2.1	3.0	2.1
USD/NOK currency rate		8.51	8.25	8.47	8.45
EUR/NOK currency rate		9.36	9.31	9.17	9.42
BRL/NOK currency rate		2.65	2.35	2.67	2.28

Yara's second-quarter net income after non-controlling interests was NOK 699 million, compared with a NOK 3,072 million a year earlier. Excluding net foreign currency translation gain/loss and special items, the result was NOK 792 million (NOK 2.90 per share), compared with NOK 1,720 million (NOK 6.29 per share) in second quarter 2016.

"Yara reports a weaker result than a year earlier, primarily reflecting lower commodity nitrogen margins," said Svein Tore Holsether, President and Chief Executive Officer of Yara.

"Our industry is facing strong over-supply of urea and other commodity nitrogen products, and we have expected this development for some time. We are therefore focused on improving our operations and making growth investments primarily within premium fertilizer and industrial applications, where margins are more stable. The Yara Improvement Program and growth pipeline are on track to deliver minimum NOK 17 per share of annual earnings improvement within 2020," said Holsether.

Fertilizer market conditions

Following four consecutive seasons where global grain production exceeded consumption, the US Department of Agriculture currently forecasts consumption to exceed production for the 2017/18 season. The projected stocks-to-use ratio at 87 days of consumption is down four days from the 2016/17 season. Still, the strong harvests over the last years have kept grain prices relatively low. The Food and Agriculture Organization of the United Nations (FAO) food price index was up 9% from second quarter 2016, but 7% below the five-year average, while the cereal price index was 2% down from second quarter last year and 19% below the five-year average. During June, wheat prices increased significantly, also pulling other grain prices higher, as the current production forecast is vulnerable to ongoing adverse weather in the northern hemisphere, North America in particular.

Granular urea prices fob Egypt averaged USD 201 per tonne, down 3% compared to same quarter last year. From China, export costs are higher than a year ago, primarily due to increased coal prices. This cost inflation resulted in substantial production curtailments in China, and supported the urea market. Relatively slow demand and increased production outside China, with new plants starting production have reduced the need for Chinese urea exports. China exported 0.9 million tonnes urea during April and May, down from 1.4 million tonnes from the same period last year. Season-to-date (July-May), China exported 6.0 million tonnes of urea, down from 11.3 million tonnes the previous season. The worsening supply/demand balance has effectively offset the increase in Chinese production costs, leaving urea pricing stable compared to second quarter last year.

Ammonia prices fob Black Sea averaged at USD 282 per tonne for the quarter, compared with USD 274 per tonne a year earlier. Prices were supported through May by lack of supply from the largest ammonia supplier in Russia, linked to a dispute over pipeline tariffs through Ukraine. But during June, ammonia prices dropped sharply, as supply increased and exceeded demand.

Phosphate prices declined modestly through the quarter, but the average DAP fob US Gulf price was in line with both the first quarter and second quarter 2016.

The average phosphate rock price fob Morocco was down 20% compared to a year earlier, with upgrading margins from rock to DAP stronger than a year ago.

Regional market developments

Second-quarter nitrogen fertilizer deliveries in Western Europe are down by an estimated 10% on a year earlier, with imports down 18% as domestic producers gained market share, primarily with nitrate products, compared with a year earlier when nitrate availability in Western Europe was low due to production problems. For the full 2016/17 season, nitrogen fertilizer deliveries were up by an estimated 1% , with imports down 8%.

In Brazil, second-quarter fertilizer deliveries were 6.7 million tonnes, down 4% compared to last year. Year to date fertilizer deliveries were 13.1 million tonnes, in line with a year earlier. Imports were up 22% year to date, domestic production decreased 6%. Although industry stocks started this year 6% lower than a year earlier, the increased imports so far this year have resulted in higher industry stocks at the end of second quarter compared to a year earlier. Second-quarter urea imports were 0.9 million tonnes, stable year-over-year. Year to date urea imports were 2.9 million tons, compared to 1.9 million tons a year earlier.

Second-quarter US nitrogen deliveries are estimated to be 3% lower than a year earlier, with increased domestic production more than offset by lower net imports. Deliveries for the season are down by an estimated 5%, with reduced corn and wheat acreage, low grain prices and adverse weather all contributing to lower demand. Urea prices in the US Gulf remain depressed compared to global values, as urea supply to the region exceeds demand, not adjusting sufficiently to increased US nitrogen production.

April and May urea production in China was reported to be 18% lower than a year earlier, with season-to-date (July-May) production down 19%. Higher coal prices have increased production costs, but although domestic urea prices have increased, production curtailments remain significant. In addition to higher production costs, Chinese urea demand is also impacted by lower crop prices, with lower regulated corn prices and acreage a major contributor. The average domestic urea price for the second quarter was 16% higher than a year earlier (measured in local currency), reflecting an increase of USD 22/mt. The average export price for prilled urea was on average only USD 12/mt higher, while granular urea were exported at an average price for second quarter equal to same quarter last year. The reduction in export volumes have resulted in increased price discounts for exported urea relative to pricing of domestic sales.

In India, second quarter is off-season, but the new agricultural year (from April) started with urea sales exceeding second quarter last year by 9%. Domestic urea production was stable from last year. During the quarter, 1.7 million tonnes urea were imported, compared with 1.6 million tonnes same period last year.

Production volumes [1)]

Thousand tonnes	2Q 2017	2Q 2016	1H 2017	1H 2016
Ammonia	1,803	1,929	3,683	3,937
of which equity-accounted investees	260	269	512	533
Urea	1,259	1,302	2,572	2,671
of which equity-accounted investees	382	373	743	772
Nitrate	1,360	1,460	2,977	3,024
of which equity-accounted investees	-	-	-	-
NPK	1,362	1,097	2,732	2,316
of which equity-accounted investees	-	-	-	-
CN	385	343	748	685
UAN	233	254	483	487
SSP-based fertilizer	152	247	431	522
Total Finished Products[1)]	4,751	4,703	9,943	9,705

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

Fertilizer deliveries

Thousand tonnes	2Q 2017	2Q 2016	1H 2017	1H 2016
Fertilizer deliveries per product				
Urea	1,239	1,326	2,404	2,499
of which Yara-produced fertilizer	559	603	1,028	1,184
of which equity-accounted investees	448	520	829	889
Nitrate	1,136	1,363	2,671	2,836
of which Yara-produced fertilizer	1,078	1,280	2,542	2,632
NPK	2,304	2,256	4,709	4,443
of which Yara-produced compounds	1,138	1,085	2,564	2,286
of which Yara-produced blends	1,116	1,124	1,972	2,003
CN	355	343	655	626
of which Yara-produced fertilizer	350	337	647	616
UAN	465	483	785	837
of which Yara-produced fertilizer	337	348	607	678
SSP	410	298	522	411
of which Yara-produced fertilizer	327	260	407	362
DAP/MAP	178	227	358	493
MOP/SOP	366	383	535	552
Other fertilizer products	253	243	453	452
Total fertilizer deliveries	6,707	6,921	13,092	13,149
Fertilizer deliveries per region				
Europe	2,039	2,292	4,793	5,025
Brazil	2,165	1,986	3,727	3,575
Latin America excluding Brazil	653	633	1,119	1,064
North America	961	1,143	1,717	1,878
Asia	586	569	1,114	968
Africa	302	298	621	639
Total fertilizer deliveries	6,707	6,921	13,092	13,149

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

Industrial product deliveries

Thousand tonnes	2Q 2017	2Q 2016	1H 2017	1H 2016
Ammonia [1)]	162	159	375	330
Urea [1)]	528	489	1,086	955
of which Environmental products	216	189	433	360
Nitrate [2)]	203	197	411	381
CN	97	83	195	165
Other industrial products [3)]	287	415	556	833
Water content in Industrial Ammonia and Urea	460	414	914	810
Total Industrial product deliveries	1,736	1,756	3,537	3,475

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

Variance analysis second quarter

NOK millions	2Q 2017
EBITDA 2017	2,992
EBITDA 2016	5,489
Reported EBITDA variance	(2,497)
Special Items variance (see page 12 for details)	(1,412)
EBITDA ex special items variance	(1,085)
Volume	(107)
Price/Margin	(477)
Energy costs	(556)
Currency translation	255
Other	(200)
Total variance explained	(1,085)

Yara delivered weaker second-quarter results compared with a year earlier. EBITDA excluding special items was 27% lower compared to last year, driven mainly by higher energy costs and lower realized prices.

Total fertilizer deliveries were 3% lower than in second quarter 2016. The decline was mainly driven by lower deliveries of nitrates and compound NPKs in Europe and lower urea deliveries in North America, partly offset by continued growth in deliveries in Brazil. Adjusted for the sale of the CO2 business in 2016, Industrial deliveries were 8% higher than a year ago with all product groups contributing. Deliveries of reagent for NOx abatement were 12% higher than a year ago mainly driven by growth in the automotive segment. Other Industrial nitrogen-based chemicals increased with 6% driven mainly by higher sales of technical urea.

Ammonia production was 7% lower than a year ago reflecting mainly a major turnaround in the Le Havre plant and the fire in the Porsgrunn plant in April. The plant fire had a negative EBITDA impact of around NOK 150 million in the quarter. The plant will start up again at the end of third quarter. The EBITDA impact in third quarter will be around NOK 200 million negative. The insurance settlement will have an expected positive EBITDA impact of around NOK 150 million. Finished fertilizer production increased 1% compared to last year despite more turnarounds. Adjusted for turnarounds, finished fertilizer production was 5% higher than a year ago.

Margins in the quarter were impacted by both higher gas costs and lower realized prices. Yara's average realized fertilizer urea prices decreased 7% while realized nitrate and NPK prices were 1% and 5% lower respectively than a year ago. Yara's average European gas cost was 22% higher than in second quarter 2016 on a USD per MMBtu basis. Yara's average gas cost outside Europe increased 31% mainly driven by a contractual gas price step-up in in Yara's Pilbara ammonia plant in Australia.

Industrial premiums were lower compared to a year earlier primarily reflecting contractual time lag effects.

Regional developments

In Europe, Yara's total fertilizer deliveries were 10% lower than in second quarter last year, in line with total nitrogen industry deliveries. The development reflects strong deliveries during the first half of the 2016/17 fertilizer season. Yara's full-season deliveries were 1% higher than the previous season.

Yara Brazil's fertilizer deliveries were 10% higher than a year earlier, while total market deliveries were 4% lower compared to last year. More than half of the growth in the quarter relates to growth on premium products.

Deliveries in North America were 16% lower than a year ago reflecting mainly a slower market for commodity nitrogen products. Deliveries of Yara premium products increased in second quarter.

Other Items

The positive currency translation effect relates to a stronger US dollar versus the Norwegian krone in second quarter 2017 compared to a year ago.

The negative "Other" variance is explained mainly by higher fixed costs and the divestment of the CO2 business in second quarter 2016. The fixed costs increase is lower than inflation and reflects growth activities.

Improvement program

Yara has established a corporate program to drive and coordinate existing and new improvement initiatives. The Yara Improvement program will deliver at least USD 500 million of annual EBITDA improvement (NOK 10 net income per share) compared to 2015 within 2020, of which an estimated USD 150 million in 2017.

The roll-out of the program is going according to plan and as of second quarter 2017, USD 120 million dollars have been realized of which procurement related improvements account for around 50% while the remaining 50% relate to reliability and energy efficiency improvements.

Variance first half

NOK millions	1H 2017
EBITDA 2017	6,208
EBITDA 2016	10,544
Reported EBITDA variance	(4,336)
Special Items variance (see page 12 for details)	(1,536)
EBITDA ex special items variance	(2,800)
Volume	(12)
Price/Margin	(1,261)
Energy costs	(1,294)
Currency translation	246
Other	(479)
Total variance explained	(2,800)

Yara delivered weaker first-half results compared with a year earlier. EBITDA excluding special items was 30% lower compared to last year, driven by both lower realized fertilizer prices and higher energy costs.

Total fertilizer deliveries first half 2017 were in line with same period last year with lower deliveries in Europe offset by growth in Brazil and Asia. Adjusted for the sale of the CO_2 business in 2016, first-half deliveries were 13% higher than a year ago. Reagent for NOx abatement sales were up 15% compared to 2016 driven by strong urea sales to automotive and power segments. Base chemicals were up 12% reflecting higher sales among all product groups. Technical ammonium nitrate volumes increased with 8% driven by higher sales to Latin America, as well as Asia and Oceania.

While ammonia production was 6% lower than first half last year, finished fertilizer production was up 2% compared to last year. The lower ammonia production reflects both unplanned stops and higher turnaround activity. Also finished fertilizer production saw higher turnaround activity, but this was more than offset by increased production in several sites. NPK production increased by 18%, CN production by 9%, while urea and nitrates were down 4% and 2% respectively.

Margins during first half 2017 were lower than a year ago, impacted by both higher gas costs and lower realized prices on all key products. Yara's average realized fertilizer urea prices decreased 5% while realized nitrate and NPK prices were 8% and 4% lower respectively than a year ago.

Yara's average gas cost in Europe was 27% higher than first half 2016. Gas costs outside Europe were 26% higher mainly driven by a contractual gas price step-up in in Yara's Pilbara ammonia plant in Australia.

Industrial premiums for the first half 2017 were lower compared to a year earlier primarily reflecting contractual time lag effects.

Regional developments

In Europe, Yara's total fertilizer deliveries were 5% lower than first half last year reflecting a strong first half of the season. Yara's full-season deliveries were 1% higher than a season ago.

Yara Brazil's fertilizer deliveries first half 2017 were 6% higher than a year earlier, mainly driven by growth in deliveries of premium products.

Other Items

The positive currency translation effect relates to a stronger US dollar versus the Norwegian krone in second quarter 2017 compared to a year ago.

The negative "Other" variance reflects mainly higher fixed costs and the loss of EBITDA from the divested CO_2 business.

Financial items

NOK millions	2Q 2017	2Q 2016	1H 2017	1H 2016
Interest income	152	169	323	344
Dividends and net gain/(loss) on securities	13	10	13	25
Interest income and other financial income	165	179	336	370
Interest expense	(140)	(204)	(270)	(434)
Net interest expense on net pension liability	(17)	(16)	(33)	(32)
Net foreign currency translation gain/(loss)	(155)	122	429	471
Other	(31)	(36)	(57)	(69)
Interest expense and foreign currency translation gain/(loss)	(343)	(134)	68	(64)
Net financial income/(expense)	(178)	45	404	305

Second-quarter net financial expense was NOK 178 million compared with an income of NOK 45 million in the same quarter last year. The variance primarily reflects a net foreign currency translation loss of NOK 155 million this quarter, compared with a gain of NOK 122 million a year ago.

Second quarter interest expense was NOK 64 million lower than in the same quarter last year, despite NOK 3.4 billion higher average gross debt than last year. The effect of the increased debt level was more than offset by increased capitalized interest related to expansion projects and a reduced portion of funding in high interest currencies such as the Brazilian real.

The US dollar depreciation against the euro (6.8 %) and the Norwegian krone (2.5 %) during the quarter generated a foreign currency translation gain of approximately NOK 450 million on Yara's US dollar denominated debt positions. At the same time, some of Yara's main emerging market currencies also weakened significantly, with the Brazilian real depreciating 4.9 % against the US dollar and 10.8 % against the euro. The resulting translation losses offset the gains on the US dollar debt positions against EUR and NOK position. In the same quarter last year, opposite currency rate movements generated a foreign currency translation gain.

Yara's US dollar debt generating currency effects in the income statement was approximately USD 1,800 million at the start of the third quarter 2017, with around 40% of the exposure towards the euro and 40% of the exposure towards emerging market currencies.

First-half net financial income was NOK 404 million compared with NOK 305 million in the same period last year. The variance is primarily explained by NOK 164 million lower interest expense this year, reflecting an increase in capitalized interest related to expansion projects and a reduced portion of Yara's funding in high interest currencies.

Tax

Second quarter provisions for current and deferred taxes were NOK 298 million, 30% of income before tax. The tax rate is negatively impacted by impairment of tax assets in Brazil.

Net interest-bearing debt

NOK millions	2Q 2017	1H 2017
Net interest-bearing debt at beginning of period	(14,454)	(12,802)
Cash earnings [1]	2,238	4,374
Dividends received from equity-accounted investees	39	62
Net operating capital change	1,214	46
Investments (net)	(2,742)	(5,297)
Yara dividend	(2,732)	(2,732)
Foreign currency translation gain/(loss)	(155)	429
Other [2]	(239)	(911)
of which foreign currency translation adjustment	577	(69)
Net interest-bearing debt at end of period	(16,831)	(16,831)

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 second quarter 2017 was NOK 16,831 million, compared with NOK 14,454 million at the end of the first quarter 2017. Positive cash earnings were more than consumed by investments and payment of Yara dividend of NOK 2,732 million.

The investment activity for the quarter reflects planned maintenance programs and growth investments. This includes the investment in the Salitre mining project of NOK 419 million and expansion of the Køping plant of NOK 258 million.

Working capital decreased during the quarter, with release of receivables more than offsetting inventory build-up, mainly in Brazil.

The debt/equity ratio at the end of second quarter 2017, calculated as net interest-bearing debt divided by shareholders' equity plus non-controlling interests, was 0.22 compared with 0.18 at the end of first quarter 2017.

First-half net interest-bearing debt increased by NOK 4,029 million, with investments and Yara dividend more than offsetting cash earnings.

Outlook

Following four consecutive strong grain harvests globally, the US Department of Agriculture projects a four-day reduction in the global stocks-to-use ratio for the 2017/18 season, as production is forecast to fall short of consumption. The global farm margin outlook and incentives for fertilizer application remains supportive overall, and the price trend for cereals, meat and dairy products has been positive year to date.

Chinese urea prices continue to be a key reference point for global nitrogen pricing, but higher production cost in China has resulted in significant curtailments and reduced exports. At the same time, strong urea capacity increases outside China are weighing on global urea prices, as non-Chinese fob prices are reduced in order to displace Chinese exports. Yara expects this situation to persist also into 2018, given the significant number of new plants entering the market over the next year.

In Europe, second-quarter nitrogen industry deliveries were 10% lower than a year earlier, following strong deliveries earlier in the season, with deliveries up 1% for the full 2016/17 season. Yara is seeing a normal rate of order taking at the start of the new season, at higher prices than a year ago, and expects roughly stable European nitrogen consumption for the 2017/18 season.

Based on current forward markets for natural gas (10 July) Yara's spot-priced gas costs for third and fourth quarter 2017 are expected to be respectively NOK 150 million higher and NOK 75 million higher than a year earlier. The estimates may change depending on future spot gas prices. In addition, natural gas costs in the Pilbara plant will be approximately NOK 180 million higher per quarter in 2017 due to a contractual step-up effective end 2016.

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 (NOK 10 net income per share) within 2020, of which an estimated USD 150 million will be realized in 2017.

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 average 2015 market prices, these projects are expected to generate approximately USD 650 million of annual EBITDA improvement (NOK 7 net income per share) by 2020 when fully operational.

Risk and uncertainty

As described in Yara's Annual Report for 2016 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 37 in the annual report for 2016 provides details of related parties. During the first half of 2017 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, 17 July 2017

Leif Teksum
Chairperson

Maria Moræus Hanssen

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

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

Net interest bearing debt is defined by Yara as cash and cash equivalents and other liquid assets, reduced for bank loans, other short-term interest bearing debt and long-term interest bearing debt, including current portion.

The debt/equity ratio is calculated as net interest-bearing debt divided by shareholders’ equity plus non-controlling interests.
Earnings per share excluding currency and special items represent net income after non-controlling interests, excluding foreign currency translation gain/loss and special items after tax, divided by average number of shares outstanding in the period.

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

Reconciliations of alternative performance measures are provided on page 27, 28 and 29.

Special items

	EBITDA effect				Operating income effect			
NOK millions	2Q 2017	2Q 2016	1H 2017	1H 2016	2Q 2017	2Q 2016	1H 2017	1H 2016
Asset impairment write-down	-	-	-	-	(46)	-	(46)	-
Total Crop Nutrition	-	-	-	-	(46)	-	(46)	-
Gain of sale of CO_2 business	-	1,333	-	1,333	-	1,333	-	1,333
Total Industrial	-	1,333	-	1,333	-	1,333	-	1,333
Refund of energy intensive tax	102	-	102	-	102	-	102	-
Asset impairment write-down	-	-	-	-	(97)	(241)	(97)	(241)
Contract derivatives gain/(loss)	17	(66)	(102)	(61)	17	(66)	(102)	(61)
Gain on swap of mineral rights	-	44	-	44	-	44	-	44
Gain on sale of CO_2 business	-	220	-	220	-	220	-	220
Total Production	119	198	-	203	21	(43)	(98)	(38)
Total Yara	119	1,531	-	1,536	(25)	1,290	(144)	1,295

Condensed consolidated interim statement of income

NOK millions, except share information	Notes	2Q 2017	2Q 2016	1H 2017	1H 2016	2016
Revenue		23,345	24,310	46,088	49,213	95,245
Other income	5	106	1,621	120	1,767	1,867
Commodity based derivatives gain/(loss)		20	(66)	(102)	(61)	58
Revenue and other income		23,471	25,866	46,106	50,919	97,170
Raw materials, energy costs and freight expenses		(17,608)	(17,598)	(34,348)	(34,933)	(69,606)
Payroll and related costs		(2,191)	(2,074)	(4,386)	(4,193)	(8,520)
Depreciation, amortization and impairment loss	5,6	(1,665)	(1,715)	(3,108)	(3,176)	(6,427)
Other operating expenses		(903)	(967)	(1,638)	(1,702)	(3,847)
Operating costs and expenses		(22,368)	(22,354)	(43,479)	(44,004)	(88,399)
Operating income		1,103	3,512	2,627	6,915	8,771
Share of net income in equity-accounted investees		57	82	136	82	(348)
Interest income and other financial income		165	179	336	370	725
Earnings before interest expense and tax (EBIT)		1,326	3,773	3,099	7,367	9,149
Foreign currency translation gain/(loss)		(155)	122	429	471	115
Interest expense and other financial items		(188)	(256)	(361)	(535)	(901)
Income before tax		983	3,639	3,167	7,302	8,363
Income tax expense		(298)	(584)	(821)	(1,463)	(2,041)
Net income		685	3,055	2,346	5,839	6,322
Net income attributable to						
Shareholders of the parent		699	3,072	2,392	5,872	6,360
Non-controlling interests		(15)	(18)	(46)	(34)	(37)
Net income		685	3,055	2,346	5,839	6,322
Earnings per share [1]		2.56	11.23	8.75	21.45	23.25
Weighted average number of shares outstanding [2]	2	273,217,830	273,514,770	273,217,830	273,784,070	273,499,403

1) Yara currently has no share-based compensation that results in a dilutive effect on earnings per share.
2) Weighted average number of shares outstanding was reduced in the first and second quarter 2016 due to the share buy-back program.

Condensed consolidated interim statement of comprehensive income

NOK millions	2Q 2017	2Q 2016	1H 2017	1H 2016	2016
Net income	685	3,055	2,346	5,839	6,322
Other comprehensive income that may be reclassified to statement of income					
Exchange differences on translation of foreign operations	(881)	874	(621)	(1,718)	(1,320)
Available-for-sale financial assets - change in fair value	(3)	34	(3)	-	(19)
Hedge of net investments	127	(59)	135	239	108
Share of other comprehensive income of equity-accounted investees, excluding remeasurements	16	20	18	15	45
Net other comprehensive income that may be reclassified to statement of income in subsequent periods	(743)	869	(472)	(1,465)	(1,186)
Other comprehensive income that will not be reclassified to statement of income in subsequent periods					
Remeasurements of the net defined benefit pension liability	-	(324)	-	(1,093)	(760)
Net other comprehensive income that will not be reclassified to statement of income in subsequent periods	-	(324)	-	(1,093)	(760)
Reclassification adjustments of the period					
- cash flow hedges	1	1	2	2	4
- exchange differences on foreign operations disposed of in the year	(1)	(22)	(1)	(22)	(22)
Net reclassification adjustments of the period	1	(21)	2	(20)	(18)
Total other comprehensive income, net of tax	(742)	524	(470)	(2,578)	(1,964)
Total comprehensive income	(57)	3,579	1,876	3,261	4,358
Total comprehensive income attributable to					
Shareholders of the parent	88	3,437	2,000	3,124	4,194
Non-controlling interests	(145)	142	(124)	137	165
Total	(57)	3,579	1,876	3,261	4,358

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 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 [2]	(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
Net income	-	-	-	-	-	-	-	487	487	(4)	483
Other comprehensive income, net of tax	-	-	367	(19)	2	(131)	220	333	553	31	584
Share of other comprehensive income of equity-accounted investees	-	-	1	-	28	-	29	-	30	-	30
Total other comprehensive income, net of tax	-	-	368	(19)	30	(131)	249	333	582	31	614
Long term incentive plan	-	-	-	-	-	-	-	(11)	(11)	-	(11)
Transactions with non-controlling interests	-	-	-	-	-	-	-	1	1	(11)	(10)
Step-up of tax base in Australia	-	-	-	-	-	-	-	814	814	-	814
Share capital increase in subsidiary, non-controlling interest	-	-	-	-	-	-	-	-	-	223	223
Dividends distributed	-	-	-	-	-	-	-	2	2	-	2
Balance at 31 December 2016	464	117	14,452	14	(28)	(1,492)	12,947	60,916	74,444	2,326	76,770
Net income	-	-	-	-	-	-	-	2,392	2,392	(46)	2,346
Other comprehensive income, net of tax	-	-	(544)	(3)	2	135	(410)	-	(410)	(78)	(488)
Share of other comprehensive income of equity-accounted investees	-	-	-	-	18	-	18	-	18	-	18
Total other comprehensive income, net of tax	-	-	(544)	(3)	20	135	(392)	-	(392)	(78)	(470)
Long term incentive plan	-	-	-	-	-	-	-	10	10	-	10
Transactions with non-controlling interests	-	-	-	-	-	-	-	(5)	(5)	(19)	(24)
Share capital increase in subsidiary, non-controlling interest	-	-	-	-	-	-	-	-	-	78	78
Dividends distributed	-	-	-	-	-	-	-	(2,732)	(2,732)	(4)	(2,736)
Balance at 30 June 2017	464	117	13,909	11	(8)	(1,357)	12,555	60,580	73,716	2,256	75,973

1) Par value 1.70.

2) As approved by General Meeting 10 May 2016.

Condensed consolidated interim statement of financial position

NOK millions	Notes	30 Jun 2017	30 Jun 2016	31 Dec 2016
Assets				
Non-current assets				
Deferred tax assets		2,975	2,952	2,585
Intangible assets	5,6	9,145	9,426	9,183
Property, plant and equipment	5,6	62,295	54,703	59,739
Equity-accounted investees		8,811	9,398	9,190
Other non-current assets		3,088	3,003	3,242
Total non-current assets		86,314	79,482	83,938
Current assets				
Inventories	7	18,965	18,717	17,580
Trade receivables		10,593	11,844	10,332
Prepaid expenses and other current assets		5,059	4,039	4,813
Cash and cash equivalents		2,299	7,640	3,751
Non-current assets and disposal group classified as held-for-sale		85	125	92
Total current assets		37,000	42,364	36,567
Total assets		123,314	121,847	120,505

Condensed consolidated interim statement of financial position

NOK millions, except share information	Notes	30 Jun 2017	30 Jun 2016	31 Dec 2016
Equity and liabilities				
Equity				
Share capital reduced for treasury stock		464	464	464
Premium paid-in capital		117	117	117
Total paid-in capital		582	582	582
Other reserves		12,555	12,699	12,947
Retained earnings		60,580	59,288	60,916
Total equity attributable to shareholders of the parent		73,716	72,568	74,444
Non-controlling interests		2,256	2,086	2,326
Total equity	2	75,973	74,654	76,770
Non-current liabilities				
Employee benefits		3,861	4,518	4,071
Deferred tax liabilities		4,819	5,096	4,396
Other long-term liabilities		1,409	1,399	1,404
Long-term provisions		870	774	834
Long-term interest-bearing debt	8	14,686	13,402	13,992
Total non-current liabilities		25,645	25,190	24,698
Current liabilities				
Trade and other payables		16,030	16,660	14,762
Current tax liabilities		327	232	530
Short-term provisions		324	270	323
Other short-term liabilities		569	904	859
Bank loans and other interest-bearing short-term debt		4,114	2,873	2,323
Current portion of long-term debt		333	1,064	240
Total current liabilities		21,696	22,004	19,037
Total equity and liabilities		123,314	121,847	120,505
Number of shares outstanding 1)	2	273,217,830	273,217,830	273,217,830

1) The number of shares outstanding outstanding was reduced in the first and second quarter 2016 due to the share buy-back program.

The Board of Directors and Chief Executive Officer
Yara International ASA
Oslo, 17 July 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	2Q 2017	2Q 2016	1H 2017	1H 2016	2016
Operating activities						
Operating income		1,103	3,512	2,627	6,915	8,771
Adjustments to reconcile operating income to net cash provided by operating activities						
Depreciation, amortization and impairment loss		1,665	1,715	3,108	3,176	6,427
Write-down and reversals, net		7	102	3	90	156
Tax paid		(287)	(1,549)	(1,146)	(2,147)	(2,736)
Dividend from equity-accounted investees		39	27	62	342	358
Change in net operating capital [1]		1,207	2,728	43	3,743	3,789
(Gain)/loss on disposal		(2)	(1,592)	(4)	(1,666)	(1,559)
Other		(1,077)	(615)	(1,081)	(558)	(1,121)
Net cash provided by operating activities		2,655	4,328	3,612	9,894	14,084
Investing activities						
Purchases of property, plant and equipment		(2,657)	(3,609)	(5,175)	(6,070)	(12,873)
Cash outflow on business combinations		(70)	(356)	(70)	(356)	(480)
Purchases of other long-term investments		(114)	137	(180)	46	(286)
Proceeds from sales of property, plant and equipment		51	(2)	59	11	62
Proceeds from sales of other long-term investments		48	2,770	69	2,856	2,973
Net cash used in investing activities		(2,742)	(1,059)	(5,297)	(3,514)	(10,604)
Financing activities						
Loan proceeds/(repayments), net	8	2,349	4,332	2,952	2,065	1,138
Purchase of treasury shares		-	-	-	(93)	(93)
Redeemed shares Norwegian State		-	(252)	-	(252)	(252)
Dividend	2	(2,732)	(3,898)	(2,732)	(3,898)	(4,108)
Other cash transfers (to)/from non-controlling interests		37	51	50	112	327
Net cash from/(used in) financing activities		(346)	232	269	(2,067)	(2,989)
Foreign currency effects on cash and cash equivalents		(47)	123	(36)	106	39
Net increase/(decrease) in cash and cash equivalents		(479)	3,625	(1,452)	4,420	531
Cash and cash equivalents at beginning of period		2,778	4,015	3,751	3,220	3,220
Cash and cash equivalents at end of period		2,299	7,640	2,299	7,640	3,751
Bank deposits not available for the use of other group companies				187	372	256

1) 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 2016 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 2016. These condensed consolidated interim financial statements are unaudited.

The accounting policies applied by the Group in these condensed consolidated interim financial statements are mainly the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2016. From 1 January 2017, the Group changed the cost formula of interchangeable inventories from the first-in, first-out (FIFO) cost formula to weighted average. The effect of changing the accounting policy is regarded immaterial for the Group and a restatement of previously reported figures is assessed not to be necessary.

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 2016.

Note 2 Shares, dividend and share buy-back program

The Annual General Meeting in May 2017 approved a dividend for 2016 of NOK 2,732 million (NOK 10 per share), which has been paid out during second quarter 2017.

On 10 May 2016, the Annual General Meeting authorized the Board of Directors to acquire up to 13,660,891 shares (5%) in the open market and from the Norwegian State. The purchase price should not be less than NOK 10 nor more than NOK 1,000. The shares acquired pursuant to this authorization were to be subsequently cancelled. Yara renewed its agreement with the Norwegian State according to which the State's shares were to be redeemed on a pro-rata basis to ensure the State's ownership was unchanged in the event of a cancellation of shares bought back. Yara did not purchase own shares under the 2016 buy-back program.

In May 2017, 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 2017 buy-back program.

	Ordinary shares	Own shares
Total at 31 December 2015	275,083,369	(910,000)
Treasury shares - share buy-back program [1]		(280,000)
Redeemed shares Norwegian State [2]	(675,539)	
Shares cancelled [2]	(1,190,000)	1,190,000
Total at 30 June 2016	273,217,830	-
Total at 31 December 2016	273,217,830	-
Total at 30 June 2017	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 2017	2Q 2016	1H 2017	1H 2016	2016
External revenue and other income					
Crop Nutrition	17,407	18,324	34,810	37,119	72,677
Industrial	3,788	5,032	7,725	9,014	16,074
Production	2,295	2,525	3,582	4,840	8,472
Other and eliminations	(19)	(16)	(12)	(55)	(52)
Total	23,471	25,866	46,106	50,919	97,170
Internal revenue and other income					
Crop Nutrition	364	338	778	641	1,531
Industrial	33	46	54	70	108
Production	8,337	8,194	17,762	18,041	33,316
Other and eliminations	(8,734)	(8,578)	(18,594)	(18,752)	(34,954)
Total	-	-	-	-	-
Revenue and other income					
Crop Nutrition	17,771	18,662	35,588	37,760	74,207
Industrial	3,821	5,078	7,779	9,085	16,181
Production	10,632	10,719	21,345	22,881	41,788
Other and eliminations	(8,753)	(8,593)	(18,606)	(18,807)	(35,006)
Total	23,471	25,866	46,106	50,919	97,170
Operating income					
Crop Nutrition	589	978	1,296	2,476	4,118
Industrial	329	1,651	672	2,030	2,742
Production	153	584	871	2,132	1,597
Other and eliminations	32	299	(212)	277	314
Total	1,103	3,512	2,627	6,915	8,771
EBITDA					
Crop Nutrition	1,005	1,330	2,055	3,108	5,470
Industrial	373	1,693	749	2,116	2,916
Production	1,531	2,120	3,530	4,965	6,681
Other and eliminations	83	346	(126)	355	496
Total	2,992	5,489	6,208	10,544	15,563
Investments 1)					
Crop Nutrition	415	440	790	647	1,462
Industrial	88	57	135	94	205
Production	2,710	3,100	4,472	4,875	12,017
Other and eliminations	51	66	131	75	173
Total	3,264	3,662	5,527	5,692	13,856
Total Assets 2)					
Crop Nutrition			34,581	36,983	33,582
Industrial			5,102	4,727	4,760
Production			81,892	78,368	80,125
Other and eliminations			1,739	1,769	2,038
Total			123,314	121,847	120,505

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	1H 2017	1H 2016	2016
CROGI (12-month rolling average)			
Yara [1]	6.8%	14.2%	9.5%
Crop Nutrition	13.0%	16.3%	15.7%
Industrial [2]	31.4%	43.6%	55.0%
Production [2]	4.5%	11.0%	5.6%
ROCE (12-month rolling average)			
Yara [1]	3.6%	13.1%	7.5%
Crop Nutrition	11.1%	15.4%	14.7%
Industrial [2]	34.3%	51.5%	61.9%
Production [2]	0.0%	7.9%	1.3%

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 and 2016 include gain on sale of the European CO_2 business.

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 2017						
Crop Nutrition	589	35	105	729	276	1,005
Industrial	329	17	3	348	25	373
Production	153	5	41	199	1,332	1,531
Other and eliminations	32	-	17	49	34	83
Total	1,103	57	165	1,326	1,666	2,992
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
1H 2017						
Crop Nutrition	1,296	28	234	1,558	497	2,055
Industrial	672	22	6	700	50	749
Production	871	87	75	1,032	2,497	3,530
Other and eliminations	(212)	-	21	(191)	65	(126)
Total	2,627	136	336	3,099	3,109	6,208
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
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

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

Note 4 Business initiatives

On 10 August 2016, Yara entered into an agreement to acquire the Tata Chemicals Ltd's ("TCL") Babrala urea plant and distribution business in Uttar Pradesh, India, for INR 26,696 million (USD 411 million based on June 2017 closing rate) on a debt and cash free basis, including normalized net working capital. In addition Yara expects to incur transfer fees and stamp duties of approximately USD 30 million. The plant has an annual production of 0.7 million tons ammonia and 1.2 million tons urea, and reported revenues and EBITDA of INR 19,830 million and INR 2,750 million respectively in the fiscal year ended 31 March 2017. 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 awaits final approval from the NCLT (National Company Law Tribunal), and closing is targeted third quarter 2017.

Note 5 Specifications to the condensed consolidated interim statement

Other income

NOK millions	2Q 2017	2Q 2016	1H 2017	1H 2016	2016
Divestment of the European CO_2 business	-	1,552	-	1,552	1,552
Carbon tax refund	57	-	57	-	-
Sale of white certificates	11	13	11	80	107
Gain on swap of mineral rights	-	44	-	44	44
Insurance compensations	-	-	-	63	64
Other	38	11	53	27	100
Total	106	1,621	120	1,767	1,867

Depreciation, amortization and impairment loss

NOK millions	2Q 2017	2Q 2016	1H 2017	1H 2016	2016
Depreciation of property, plant and equipment	(1,420)	(1,241)	(2,762)	(2,495)	(5,109)
Impairment loss property, plant and equipment[1)]	(108)	(242)	(117)	(247)	(404)
Reversal of impairment loss property, plant and equipment	7	(6)	7	11	26
Total depreciation and impairment loss property, plant and equipment	(1,521)	(1,489)	(2,872)	(2,732)	(5,486)
Amortization of intangible assets	(96)	(226)	(187)	(444)	(771)
Impairment loss intangible assets[1)]	(48)	-	(48)	-	(169)
Total amortization and impairment loss intangible assets	(144)	(226)	(235)	(444)	(940)
Total depreciation, amortization and impairment loss	(1,665)	(1,715)	(3,108)	(3,176)	(6,427)

1) See Note 6 for more information.

Note 6 Recognized impairment write-down

In the second quarter 2017, Yara recognized impairment write down of NOK 156 million, of which NOK 48 million is related to intangible assests and NOK 108 million is related to property, plant and equipment. Of this amount, a further impairment of the Montoir plant in the Production segment amounted to NOK 95 million and was triggered by a reduction to sales prices. The Montoir plant is one of Yara's smallest fertilizer plants, with an annual production capacity of approximately 300,000 tonnes nitrate and 300,000 tonnes NPK. In addition to small scale, the plant has limited export opportunities and is exposed to lower profitability in its home market. The impairment of intangible assets is mainly related to a unit within Yara's Crop Nutrition segment and reflects lower than expected return in the local market.

Note 7 Inventories

NOK millions	30 Jun 2017	30 Jun 2016	31 Dec 2016
Finished goods	9,346	9,796	9,377
Work in progress	652	605	536
Raw materials	8,966	8,316	7,667
Total	18,965	18,717	17,580
Write-down			
Balance at 1 January	(139)	(152)	(152)
Reversal/(write-down), net	13	(14)	(2)
Foreign currency translation gain/(loss)	(6)	6	14
Closing balance	(132)	(160)	(139)

Note 8 Long-term debt

Contractual payments on long-term debt

NOK millions	Debentures	Bank Loans	Capital lease and other LT loans	Total
2018	-	191	40	231
2019	6,380	271	59	6,710
2020	-	231	52	283
2021	712	160	53	925
2022	-	1,371	78	1,449
Thereafter	4,783	125	179	5,088
Total	11,876	2,349	462	14,686

In April 2017, Yara drew a further USD 100 million on the term loan with the International Financing Corporation maturing in September 2022. There have been no other significant changes in Yara's long-term interest-bearing debt profile during the second quarter.

Reconciliation of liabilities arising from financing activities

			Non cash changes				
NOK millions	31 Dec 2016	Cash flows	Foreign exchange movement	Fair value changes	Amortization [1]	Reclassification [2]	30 Jun 2017
Long-term interest-bearing debt	13,992	1,038	(272)	25	(8)	(89)	14,686
Bank loans and other interest-bearing short-term debt	2,323	1,914	(123)	-	-	-	4,114
Current portion of long-term debt	240	-	3	-	-	89	333
Total liabilities from financing activities	16,555	2,952	(392)	25	(8)	-	19,132

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

Note 9 Pardies Site

On 8 March 2017, Yara announced a plan to cease operations at its Pardies site in France. This process includes considering closing the Pardies plant and seeking buyers interested in taking over the plant. The plant has 85 employees and an annual production capacity of approximately 100,000 tonnes of technical ammonium nitrate. The Pardies operations suffer from limited scale, raw material integration and export competitiveness. The closure in 2010 of a nearby industrial operation deprived the Yara Pardies plant of many synergies that existed between the two plants, forcing Yara to close the ammonia production unit at the site. Yara has fully impaired the plant in previous periods. No decision has been made for the site at this stage and there are no significant accounting effects in Yara’s second quarter or first half results.

Responsibility statement

We confirm to the best of our knowledge, that the condensed set of interim consolidated financial statements at 30 June 2017 and for the six-month period 1 January to 30 June 2017 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, 17 July 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

Quarterly historical information

EBITDA

NOK millions	2Q 2017	1Q 2017	4Q 2016	3Q 2016	2Q 2016	1Q 2016
Crop Nutrition	1,005	1,050	860	1,502	1,330	1,778
Industrial	373	376	398	403	1,693	423
Production	1,531	1,999	823	894	2,120	2,845
Other and eliminations	83	(209)	(65)	205	346	10
Total	2,992	3,216	2,015	3,004	5,489	5,055

Results

NOK millions, except per share information	2Q 2017	1Q 2017	4Q 2016	3Q 2016	2Q 2016	1Q 2016
Revenue and other income	23,471	22,635	22,327	23,924	25,866	25,053
Operating income	1,103	1,524	521	1,336	3,512	3,403
EBITDA	2,992	3,216	2,015	3,004	5,489	5,055
Net income after non-controlling interests	699	1,692	(333)	821	3,072	2,800
Earnings per share (NOK)	2.56	6.19	(1.22)	3.00	11.23	10.22

USD[1] millions, except per share information	2Q 2017	1Q 2017	4Q 2016	3Q 2016	2Q 2016	1Q 2016
Revenue and other income	2,759	2,683	2,668	2,894	3,134	2,901
Operating income	130	181	63	161	425	394
EBITDA	352	381	242	363	664	585
Net income after non-controlling interests	82	201	(40)	99	371	325
Earnings per share (USD)	0.30	0.73	(0.15)	0.36	1.36	1.19

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

		3 month-rolling		12 month-rolling		
NOK millions		2Q 2017	2Q 2016	Jun 2016 Jun 2017	Jun 2015 - Jun 2016	2016
Operating income		1,103	3,512	4,483	13,473	8,771
Share of net income in equity-accounted investees		57	82	(293)	259	(348)
Interest income and other financial income		165	179	692	722	725
Earnings before interest expense and tax (EBIT)		1,326	3,773	4,882	14,454	9,149
Depreciation, amortization and impairment loss		1,665	1,715	6,358	7,456	6,427
Amortization of excess value in equity-accounted investees [1]		1	1	(12)	21	(12)
Earnings before interest, tax and depreciation/amortization (EBITDA)		2,992	5,489	11,228	21,931	15,563
Income tax after tax on net foreign currency translation gain/(loss)		(369)	(579)	(1,403)	(2,377)	(2,080)
Gross cash flow	A	2,623	4,910	9,825	19,555	13,483

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

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

		3 month-rolling		12 month-rolling		
NOK millions		2Q 2017	2Q 2016	Jun 2016 Jun 2017	Jun 2015 - Jun 2016	2016
Net income attributable to shareholders of the parent		699	3,072	2,879	10,311	6,360
Non-controlling interests		(15)	(18)	(50)	106	(37)
Interest expense and foreign currency translation		343	134	654	1,754	786
Depreciation, amortization and impairment loss		1,665	1,715	6,358	7,456	6,427
Amortization of excess value in equity-accounted investees		1	1	(12)	21	(12)
Tax effect on foreign currency translation		(71)	5	(4)	(93)	(40)
Gross Cash Flow	A	2,623	4,910	9,825	19,555	13,483
Annualized gross cash flow	B=Ax4	10,493	19,639			
12-month rolling	B			9,825	19,555	13,483

Reconciliation of total assets to gross investments

		3 month-rolling		12 month-rolling		
NOK millions		2Q 2017	2Q 2016	Jun 2016 Jun 2017	Jun 2015 - Jun 2016	2016
Total assets		124,216	118,409	120,873	117,391	118,556
Cash and cash equivalents		(2,566)	(4,863)	(4,438)	(4,701)	(4,814)
Other liquid assets		(2)	(2)	(2)	(78)	(2)
Deferred tax assets		(2,976)	(2,938)	(2,855)	(2,770)	(2,866)
Other current liabilities		(17,733)	(18,060)	(16,831)	(17,512)	(16,771)
Accumulated depreciation and amortization		49,270	46,883	48,173	45,343	47,156
Gross investment 3-month average	C	150,209	139,429			
Gross investment 12-month average	C			144,921	137,673	141,258
Cash Return on Gross Investment, CROGI	D=B/C	7.0 %	14.1 %	6.8 %	14.2 %	9.5 %

Reconciliation of EBIT to EBIT after tax

NOK millions		3 month-rolling 2Q 2017	2Q 2016	12 month-rolling Jun 2016 Jun 2017	Jun 2015 - Jun 2016	2016
Earnings before interest expense and tax (EBIT)		1,326	3,773	4,882	14,454	9,149
Income tax after tax on net foreign currency translation gain/(loss)		(369)	(579)	(1,403)	(2,377)	(2,080)
EBIT after tax	E	957	3,194	3,479	12,078	7,069
Annualized quarter EBIT after tax	F=Ex4	3,829	12,776			
12-month rolling EBIT after tax	F			3,479	12,078	7,069

Reconciliation of total assets to capital employed

NOK millions		3 month-rolling 2Q 2017	2Q 2016	12 month-rolling Jun 2016 Jun 2017	Jun 2015 - Jun 2016	2016
Total assets		124,216	118,409	120,873	117,392	118,557
Cash and cash equivalents		(2,566)	(4,863)	(4,438)	(4,701)	(4,814)
Other liquid assets		(2)	(2)	(2)	(78)	(2)
Deferred tax assets		(2,976)	(2,938)	(2,855)	(2,770)	(2,866)
Other current liabilities		(17,733)	(18,060)	(16,831)	(17,512)	(16,771)
Capital employed 12-month average	G	100,939	92,546	96,747	92,331	94,104
Return on capital employed, ROCE	H=F/G	3.8 %	13.8 %	3.6 %	13.1 %	7.5 %

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

NOK millions		2Q 2017	2Q 2016	1H 2017	1H 2016	2016
EBITDA		2,992	5,489	6,208	10,544	15,563
Depreciation, amortization and impairment loss		(1,665)	(1,715)	(3,108)	(3,176)	(6,427)
Amortization of excess value in equity-accounted investees		(1)	(1)	(1)	(1)	12
Interest expense and other financial items		(188)	(256)	(361)	(535)	(901)
Foreign currency translation gain/(loss)		(155)	122	429	471	115
Income before tax and non-controlling interests	I	983	3,639	3,167	7,302	8,363

Reconciliation of operating income to EBITDA

NOK millions		2Q 2017	2Q 2016	1H 2017	1H 2016	2016
Operating income		1,103	3,512	2,627	6,915	8,771
Share of net income in equity-accounted investees		57	82	136	82	(348)
Interest income		152	169	323	344	690
Dividends and net gain/(loss) on securities		13	10	13	25	36
EBIT		1,326	3,773	3,099	7,367	9,149
Depreciation, amortization and impairment loss [1)]		1,666	1,716	3,109	3,177	6,414
EBITDA		2,992	5,489	6,208	10,544	15,563
Special items included in EBITDA		(119)	(1,531)	-	(1,536)	(1,114)
EBITDA excluding special items		2,873	3,958	6,208	9,008	14,449

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

Net operating capital

NOK millions		30 Jun 2017	30 Jun 2016	31 Dec 2016
Net trade receivables		10,593	11,844	10,332
Inventories		18,965	18,717	17,580
Trade payables		(13,481)	(13,798)	(12,206)
Net operating capital		16,077	16,763	15,705

Net interest-bearing debt

NOK millions		30 Jun 2017	30 Jun 2016	31 Dec 2016
Cash and cash equivalents		2,299	7,640	3,751
Other liquid assets [1)]		2	2	2
Bank loans and other short-term interest-bearing debt		(4,114)	(2,873)	(2,323)
Current portion of long-term debt		(333)	(1,064)	(240)
Long-term interest-bearing debt		(14,686)	(13,402)	(13,992)
Net interest-bearing debt	J	(16,831)	(9,698)	(12,802)

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

Debt/equity ratio

NOK millions		30 Jun 2017	30 Jun 2016	31 Dec 2016
Net interest-bearing debt	K	(16,831)	(9,698)	(12,802)
Total equity	L	(75,973)	(74,654)	(76,770)
Debt/equity ratio	M=K/L	0.22	0.13	0.17

Earnings per share

NOK millions, except earnings per share and number of shares		2Q 2017	2Q 2016	YTD 2017	YTD 2016	2016
Weighted average number of shares outstanding	N	273,217,830	273,514,770	273,217,830	273,784,070	273,499,403
Net income	O	699	3,072	2,392	5,872	6,360
Net foreign currency translation gain/(loss)	P	(155)	122	429	471	115
Tax effect on foreign currency translation gain/(loss)	Q	71	(5)	(98)	(63)	40
Non-controlling interest share of currency (gain)/loss, net after tax	R	12	10	21	15	36
Special items within EBIT	S	(25)	1,290	(144)	1,295	639
Tax effect on special items	T	4	(77)	41	(78)	(70)
Special items within EBIT net of tax	U=S+T	(21)	1,214	(103)	1,217	568
Non-controlling interest share of special items, net after tax	V	-	12	-	12	12
Earnings per share	W=O/N	2.56	11.23	8.75	21.45	23.25
Earnings per share excluding currency	X=(O-P-Q-R)/N	2.82	10.77	7.47	19.90	22.56
Earnings per share excluding currency & special items	Y=(O-P-Q-R-U-V)/N	2.90	6.29	7.85	15.41	20.44

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

www.yara.com