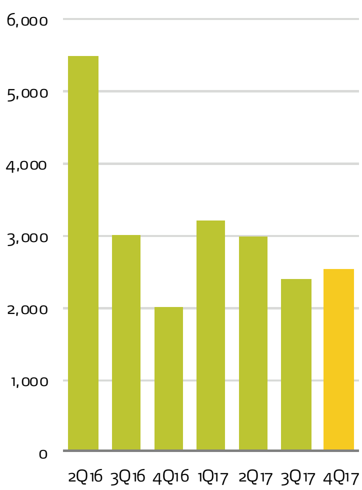
Knowledge grows

Fourth-quarter report 2017

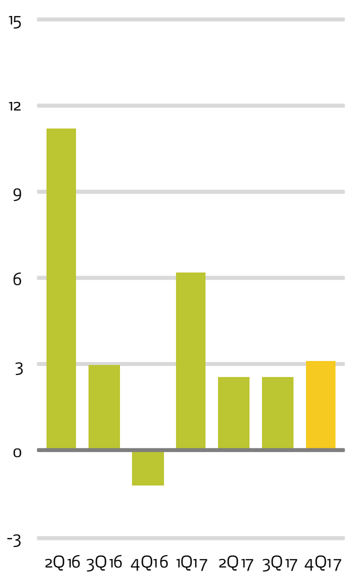
Yara International ASA

- Improvement program ahead of schedule
- Improved results reflecting higher margins
- Strong full-year Industrial results
- Proposed dividend NOK 6.50 per share, 45% of net income

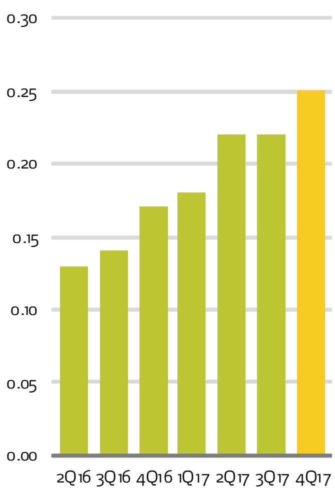
EBITDA
NOK millions



Earnings per share
NOK



Debt/equity ratio



Fourth quarter 2017

Financial highlights

NOK millions, except where indicated otherwise	4Q 2017	4Q 2016	2017	2016
Revenue and other income	23,937	22,327	93,812	97,170
Operating income	455	521	3,777	8,771
Share net income equity-accounted investees	113	(358)	245	(348)
EBITDA	2,526	2,015	11,120	15,563
EBITDA excl. special items	2,845	2,474	11,782	14,449
Net income after non-controlling interests	846	(333)	3,948	6,360
Earnings per share [1)]	3.10	(1.22)	14.45	23.25
Earnings per share excl.currency [1)]	2.26	(0.71)	12.00	22.56
Earnings per share excl.currency and special items [1)]	3.88	1.58	14.94	20.44
Average number of shares outstanding (millions)	273.2	273.2	273.2	273.5
CROGI [2)]	7.1 %	4.7 %	7.0 %	9.5 %
ROCE [2)]	3.6 %	0.0 %	4.0 %	7.5 %

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 Yara statistics

	4Q 2017	4Q 2016	2017	2016
Yara Production (Thousand tonnes) [1)]				
Ammonia	1,973	1,885	7,459	7,504
Finished fertilizer and industrial products, excl. bulk blends	5,113	5,042	20,203	19,497
Yara Deliveries (Thousand tonnes)				
Ammonia trade	527	507	2,023	2,043
Fertilizer	6,642	6,863	27,159	27,260
Industrial products	1,834	1,775	7,117	6,892
Total deliveries	9,003	9,145	36,298	36,195
Yara's Energy prices (USD per MMBtu)				
Global weighted average gas cost	5.2	4.3	5.0	4.1
European weighted average gas cost	6.6	5.3	6.1	5.0

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

Market information

Average prices		4Q 2017	4Q 2016	2017	2016
Urea granular (fob Egypt)	USD per tonne	272	233	243	217
CAN (cif Germany)	USD per tonne	239	184	218	199
Ammonia (fob Black Sea)	USD per tonne	286	190	267	236
DAP (fob US Gulf)	USD per tonne	366	324	354	347
Phosphate rock (fob Morocco)	USD per tonne	84	99	90	111
European gas (TTF)	USD per MMBtu	6.7	5.4	5.7	4.5
US gas (Henry Hub)	USD per MMBtu	2.9	3.0	3.0	2.5
USD/NOK currency rate		8.16	8.37	8.27	8.40
EUR/NOK currency rate		9.61	9.03	9.32	9.29
BRL/NOK currency rate		2.51	2.54	2.59	2.42

Yara's fourth-quarter net income after non-controlling interests was NOK 846 million, compared with negative NOK 333 million a year earlier. Excluding net foreign currency translation gain/loss and special items, the result was NOK 1,061 million (NOK 3.88 per share), compared with NOK 432 million (NOK 1.58 per share) in fourth quarter 2016.

"Yara reports improved results with higher production, and the Yara Improvement Program ahead of schedule," said Svein Tore Holsether, President and Chief Executive Officer of Yara.

"Our financial results are better, mainly due to higher market prices. However, fertilizer markets remain fundamentally supply-driven, and we remain focused on strengthening our own operations," said Holsether.

Fertilizer market conditions

Following four consecutive seasons where global grain production exceeded consumption, the US Department of Agriculture forecasts consumption to exceed production marginally for the 2017/18 season. The projected stocks-to-use ratio at 91 days of consumption is down one day from the 2016/17 season. Still, the strong harvests over the last years have kept grain prices relatively low, although higher than a year ago. The Food and Agriculture Organization of the United Nations (FAO) food price index was up 2% from fourth quarter 2016, but 5% below the five-year average, while the cereal price index was 8% up from fourth quarter the previous year and 12% below the five-year average.

Granular urea prices fob Egypt averaged USD 272 per tonne, up 17% compared to the same quarter the previous year. The stronger prices are caused by higher export costs from China than a year ago, primarily due to increased coal prices, but also due to curtailed natural gas supply to the fertilizer sector. 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. This resulted in global urea prices disconnecting from the Chinese domestic price during parts of 2017, including second half of fourth quarter.

Ammonia prices fob Black Sea were on average USD 286 per tonne for the quarter, compared with USD 190 per tonne a year earlier. The ammonia market is fundamentally oversupplied, when production runs at high utilization rates, like it did in fourth quarter 2016, due to capacity additions in USA, Russia and Saudi Arabia. For fourth quarter 2017, a combination of supply limitations of mainly technical character, and strong Asian demand, pulled prices up to well above the cost of production for most producers.

Phosphate prices averaged USD 366 per tonne fob US Gulf for DAP for the quarter, up from USD 324 per tonne a year earlier. Higher prices of sulphur and ammonia increased the cost of producing DAP, explaining most of the price increase. Reduced exports from China offset the added capacity in Saudi Arabia and Morocco, and towards the end of the quarter, Mosaic announced a major production curtailment in Florida.

The average phosphate rock price fob Morocco was down 15% compared to a year earlier, with upgrading margins from rock to DAP overall stronger than a year ago, depending on the producers cost position on sulphur and ammonia, the other two key raw materials.

Regional market developments

Fourth-quarter nitrogen fertilizer deliveries in Western Europe are down by an estimated 7% on a year earlier, and in line with the 5-year average, with imports down 15%. Season to date, deliveries are stable from last season, with imports down 1%. Similar to a year ago, early buying has been relatively strong this season.

In Brazil, fourth-quarter fertilizer deliveries were 9.6 million tonnes, stable from the previous year. Urea imports were 1.7 million tonnes, compared to 1.3 million tonnes the previous year. Full year fertilizer deliveries were 34.4 million tonnes, up 1% from the previous year. Imports were up 8% on 2016, domestic production decreased 10%. Urea imports were 5.4 million tons, compared to 4.0 million tons a year earlier, setting a new record.

Fourth-quarter US nitrogen supply is estimated to be down around 15% on a year earlier, despite increased domestic production, due to low imports. Season to date, US nitrogen supply is estimated to lag last season by 8% at the end of 2017. Urea prices in the US Gulf remained depressed compared to global values, due to slow demand, making the US market relatively unattractive for urea exporters.

Fourth-quarter urea production in China is estimated to be 4% below same quarter last year, with season-to-date production down 4% as well. Higher coal prices have increased production costs, so although domestic urea prices have increased, production curtailments remain significant. In addition, due to environmental concerns, natural gas is diverted from fertilizer production to heating for winter. The average domestic urea price for the fourth quarter was 27% higher than a year earlier (measured in local currency), reflecting an increase of USD 65 per tonne. China exported 1.1 million tonnes urea during the fourth quarter, modestly lower than 1.4 million tonnes for the same period the previous year. But for the full year, China exported 4.7 million tonnes of urea, down from 8.9 million tonnes during 2016. Despite the worsening supply/demand balance outside China, higher Chinese production costs have led to stronger global urea pricing.

In India, urea sales so far in the agricultural year (April-December) exceeded last year by 4%, while urea production was down by 3%. During the same period, 5 million tonnes urea were imported, similar to same period the previous year, resulting in lower inventories at end December than a year earlier.

Production volumes 1)

Thousand tonnes	4Q 2017	4Q 2016	2017	2016
Ammonia	1,973	1,885	7,459	7,504
of which equity-accounted investees	279	252	1,061	1,033
Urea	1,357	1,326	5,257	5,167
of which equity-accounted investees	416	373	1,573	1,536
Nitrate	1,613	1,554	6,173	6,044
NPK	1,366	1,280	5,504	4,891
CN	384	337	1,511	1,379
UAN	220	220	931	909
SSP-based fertilizer	173	326	822	1,106
Total Finished Products1)	5,113	5,042	20,199	19,497

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

Fertilizer deliveries

Thousand tonnes	4Q 2017	4Q 2016	2017	2016
Fertilizer deliveries per product				
Urea	1,150	1,264	4,756	4,676
of which Yara-produced	454	573	1,997	2,117
of which equity-accounted investees	500	510	1,821	1,797
Nitrate	1,513	1,477	5,659	5,781
of which Yara-produced	1,428	1,403	5,356	5,424
NPK	2,679	2,797	10,413	10,410
of which Yara-produced compounds	1,366	1,375	5,382	5,047
of which Yara-produced blends	1,165	1,330	4,663	5,083
CN	245	227	1,185	1,132
of which Yara-produced	241	224	1,168	1,114
UAN	233	291	1,299	1,356
of which Yara-produced	201	234	1,050	1,115
SSP	175	172	939	954
of which Yara-produced	139	126	699	826
DAP/MAP	118	156	676	832
MOP/SOP	332	285	1,367	1,253
Other fertilizer products	197	193	864	866
Total fertilizer deliveries 1)	6,642	6,863	27,159	27,260
Fertilizer deliveries per region				
Europe	2,243	2,293	9,159	9,418
Brazil 1)	2,297	2,448	9,044	9,213
Latin America excluding Brazil	587	533	2,373	2,217
North America	662	801	3,034	3,106
Asia	550	520	2,221	2,080
Africa	303	268	1,328	1,228
Total fertilizer deliveries	6,642	6,863	27,159	27,260

1) Fertilizer deliveries in Brazil for the period 1Q-3Q 17 have been restated. The restated numbers are 305 kilotonnes lower compared to the 3Q 17 report
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	4Q 2017	4Q 2016	2017	2016
Ammonia 1)	177	183	713	669
Urea 1)	581	553	2,211	2,025
of which Environmental products	238	223	868	776
Nitrate 2)	186	201	791	763
CN	113	103	419	371
Other industrial products 3)	279	269	1,117	1,379
Water content in Industrial Ammonia and Urea	498	467	1,866	1,686
Total Industrial product deliveries	1,834	1,775	7,117	6,892

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

Variance analysis fourth quarter

NOK millions	4Q 2017
EBITDA 2017	2,526
EBITDA 2016	2,015
Reported EBITDA variance	511
Special items variance (see page 11 for details)	139
EBITDA ex special items variance	372
Volume	(74)
Price/Margin	1,274
Energy costs	(531)
Currency translation	(207)
Other	(91)
Total variance explained	372

Yara delivered higher fourth-quarter results compared with a year earlier. EBITDA excluding special items was 15% higher compared with fourth quarter 2016 explained by higher margins.

Total fertilizer deliveries were 3% lower compared to a year earlier, driven by lower deliveries in North America, Brazil and Europe. Industrial deliveries were 3% higher than a year ago reflecting continued growth for AdBlue.

Total ammonia production was 5% higher than fourth quarter last year reflecting mainly lower turnaround activity compared to a year ago. Overall ammonia reliability was lower than in fourth quarter last year, when ammonia production performance was strong. Finished fertilizer production increased 1% compared to last year reflecting fewer planned turnarounds and the expansion in the Uusikaupunki NPK plant.

Margins in the quarter were higher than a year earlier with higher energy costs more than offset by higher realized prices. Fertilizer nitrate prices increased around 20%, compound NPK prices were 6% higher while fertilizer urea prices increased 13% compared to fourth quarter last year. Realized Industrial urea prices were 13% higher, ammonia prices increased 20% while Industrial nitrate prices were 7% higher than a year ago. Yara's total energy costs increased 21%, offsetting around half of the positive price effects.

Regional developments

In Europe, Yara's total fertilizer deliveries were 2% lower than fourth quarter last year compared to a 7% drop in total nitrogen industry deliveries. Yara's nitrate deliveries were in line with last year, while higher NPK deliveries in the Nordics were more than offset by lower urea and UAN deliveries.

Yara Brazil's fertilizer deliveries were 6% lower than a year earlier. While deliveries of blended commodity products were 8% lower, deliveries of Yara-produced premium products increased around 5%.

Other items

The negative currency translation effect relates mainly to a weaker US dollar versus Yara's other main currencies in fourth quarter 2017 compared to a year ago.

Special items in the quarter include closure costs of NOK 278 million related to discontinuation of a pilot plant for small scale production of ammonium nitrate in Porsgrunn.

Variance analysis full year

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

Yara delivered weaker 2017 results compared with a year earlier. EBITDA excluding special items was 18% lower compared to last year, reflecting lower margins.

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

Ammonia production was 1% lower compared to 2016. Production reliability improved in most plants during 2017. These improvements were however more than offset by lower production in the Porsgrunn ammonia plant due to the fire in April 2017. Finished fertilizer production was 4% higher than in 2016 reflecting mainly reliability improvements. The impact of the expansion in the NPK plant in Uusikaupunki was offset by more turnarounds.

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

Regional developments

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

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

Other items

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

Improvement program

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

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

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

Financial items

NOK millions	4Q 2017	4Q 2016	2017	2016
Interest income	147	168	618	690
Dividends and net gain/(loss) on securities	2	11	16	36
Interest income and other financial income	149	179	634	725
Interest expense	(125)	(146)	(474)	(713)
Net interest expense on net pension liability	(17)	(19)	(67)	(66)
Net foreign currency translation gain/(loss)	257	(241)	826	115
Other	(66)	(20)	(137)	(122)
Interest expense and foreign currency translation gain/(loss)	48	(426)	147	(786)
Net financial income/(expense)	197	(248)	782	(61)

Fourth-quarter net financial income was NOK 197 million compared with an expense of NOK 248 million previous year. The variance primarily reflects a net foreign currency translation gain of NOK 257 million this quarter, compared with a loss of NOK 241 million a year earlier.

Interest income decreased with NOK 20 million compared with the same quarter last year with average cash deposits around NOK 2.3 billion lower.

Fourth-quarter interest expense was NOK 21 million lower than a year before despite an average gross debt level around NOK 5.1 billion higher. The effect of the increased debt level was more than offset by increased capitalized interest related to expansion projects.

The net foreign currency translation gain in the quarter was NOK 257 million. While the US dollar denominated debt positions generated a net loss as the US dollar depreciated around 1 % against the euro and appreciated up to 4 % against Yara's other main currencies. This was more than offset by gains on internal currency positions in euro vs. Norwegian krone as the euro appreciated over 4 %. In the same quarter a year ago, the foreign currency translation loss was mainly due to the US dollar appreciating between 5% and 7% against most of Yara's other main currencies.

Yara's US dollar debt generating currency effects in the income statement was approximately USD 2,100 million at the start of the first quarter 2018, with around 50% of the exposure towards emerging market currencies.

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

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

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

Interest income was NOK 72 million lower than last year as average cash deposits were almost NOK 2.2 billion lower.

Tax

Fourth-quarter current and deferred tax income was NOK 170 million. The tax income reflects non-recurring tax benefits obtained through reorganization of corporate structures in Brazil and Europe. See note 6 for more information.

Net interest-bearing debt

NOK millions	4Q 2017	YTD 2017
Net interest-bearing debt at beginning of period	(16,476)	(12,802)
Cash earnings 1)	1,736	8,252
Dividends received from equity-accounted investees	-	68
Net operating capital change	(1,116)	(840)
Investments (net)	(2,908)	(11,105)
Yara dividend	-	(2,732)
Foreign currency translation gain/(loss)	257	826
Other 2)	(877)	(1,049)
of which foreign currency translation adjustment	(613)	(129)
Net interest-bearing debt at end of period	(19,383)	(19,383)

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

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

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

Net interest-bearing debt was NOK 19,383 million at the end of fourth quarter 2017 compared with NOK 16,476 million at the end of third quarter 2017. The increase reflects higher investments and working capital.

The investment activity for the quarter reflects both growth investments and planned maintenance programs. The main growth investments during the quarter were the Rio Grande plant modernization project and the Salitre mining project, amounting to around NOK 950 million.

Working capital increased during the quarter, reflecting higher inventory values and seasonal reduction in customer prepayments and payables in Brazil.

The debt/equity ratio at the end of 2017, calculated as net interest-bearing debt divided by shareholders' equity plus non-controlling interests was 0.25, compared with 0.22 at the end of third quarter 2017.

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 6.50 per share for 2017, which represent 45% of net income after non-controlling interests.

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

The Board intends to propose to the Annual General Meeting a new buy-back program along the lines of the previous one.

Outlook

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

Chinese urea prices continue to be a key reference point for global nitrogen pricing, and higher production cost in China has resulted in significant curtailments and reduced exports. Although urea capacity increases outside China are above historical trend consumption growth rates, the reduced availability and higher cost of Chinese urea is offsetting over-supply elsewhere.

Lower exports of Chinese urea are also driving higher price volatility, as global market demand for Chinese product fluctuates through the year. Urea from other locations is currently priced at a discount to Chinese product, but only a modest improvement in global demand could push global prices closer to Chinese levels. Such a scenario is not unlikely, given the approaching spring application period on the Northern hemisphere.

In Europe, season-to-date nitrogen industry deliveries are in line with a year earlier, while producer stocks are below the 5-year average. So far in the first quarter Yara's European nitrate deliveries are slightly behind the same period a year earlier.

Based on current forward markets for natural gas (31 January) Yara's spot-priced gas costs for first and second quarter 2018 are expected to be respectively NOK 225 million and NOK 300 million higher than a year earlier. The estimates may change depending on future spot gas prices.

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.

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 by end of 2018. Applying average 2015 market prices, these projects are expected to generate approximately USD 600 million of annual EBITDA improvement (NOK 6 net income per share) by 2020 when fully operational.

Yara completed its acquisition of Tata Chemicals' urea business in India on 12 January this year, marking a significant step forward for its growth ambitions in India, and adding approximately USD 40 million annually to Yara's EBITDA going forward. The closing of Yara's acquisition of the Vale Cubatão Fertilizantes complex in Brazil is expected to take place by mid 2018 (see note 4 for further details).

The Board of Directors and Chief Executive Officer
Yara International ASA
Oslo, 7 February 2018

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 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 31, 32 and 33.

Special items

		EBITDA effect				Operating income effect			
NOK millions	Notes	4Q 2017	4Q 2016	2017	2016	4Q 2017	4Q 2016	2017	2016
Sale of land in Brazil		64	-	64	-	64	-	64	-
Gain from changes in pension plans		58	-	58	-	58	-	58	-
Asset write-down		-	-	-	-	(81)	-	(127)	-
Total Crop Nutrition		122	-	122	-	41	-	(5)	-
Closure of Helsingborg plant		(27)	-	(27)		(67)	-	(67)	-
Sale of 5% stake in Pilbara Nitrates		(49)	-	(49)		(49)	-	(49)	-
Discontinuation of pilot plant		(278)	-	(278)		(396)	-	(396)	-
Gain of sale of CO2 business		-	-	-	1,333	-	-	-	1,333
Total Industrial		(354)	-	(354)	1,333	(512)	-	(512)	1,333
Environmental provisions		(66)	(130)	(139)	(130)	(66)	(130)	(139)	(130)
Provision for closing of Pardies site	10	13	-	(247)	-	13	-	(247)	-
Pension adjustments		(33)	-	(33)		(33)	-	(33)	-
Refund of energy intensive tax		-	-	102	-	-	-	102	-
Asset write-down	7	-	-	-	-	(26)	(165)	(144)	(477)
Contract derivatives gain/(loss)		-	82	(112)	58	-	82	(112)	58
Gain on swap of mineral rights		-	-	-	44	-	-	-	44
Gain on sale of CO2 business		-	-	-	220	-	-	-	220
Qafco items		-	(350)	-	(350)	-	-	-	-
Total Production		(86)	(398)	(429)	(159)	(112)	(213)	(573)	(285)
Legal settlements		-	(60)	-	(60)	-	(60)	-	(60)
Total Other		-	(60)	-	(60)	-	(60)	-	(60)
Total Yara		(318)	(458)	(662)	1,114	(583)	(273)	(1,090)	988

Condensed consolidated interim statement of income

NOK millions, except share information	Notes	4Q 2017	4Q 2016	2017	2016
Revenue		23,731	22,169	93,479	95,245
Other income	6	205	76	446	1,867
Commodity based derivatives gain/(loss)		1	82	(113)	58
Revenue and other income		23,937	22,327	93,812	97,170
Raw materials, energy costs and freight expenses		(17,714)	(16,650)	(70,315)	(69,606)
Payroll and related costs	10	(2,249)	(2,258)	(8,970)	(8,520)
Depreciation, amortization and impairment loss	6,7	(1,808)	(1,687)	(6,462)	(6,427)
Other operating expenses	6	(1,712)	(1,211)	(4,289)	(3,847)
Operating costs and expenses		(23,482)	(21,806)	(90,036)	(88,399)
Operating income		455	521	3,777	8,771
Share of net income in equity-accounted investees		113	(358)	245	(348)
Interest income and other financial income		149	179	634	725
Earnings before interest expense and tax (EBIT)		717	342	4,656	9,149
Foreign currency translation gain/(loss)		257	(241)	826	115
Interest expense and other financial items		(209)	(185)	(678)	(901)
Income before tax		765	(84)	4,803	8,363
Income tax	6	170	(252)	(815)	(2,041)
Net income		936	(336)	3,988	6,322
Net income attributable to					
Shareholders of the parent		846	(333)	3,948	6,360
Non-controlling interests		89	(3)	41	(37)
Net income		936	(336)	3,988	6,322
Earnings per share [1)]		3.10	(1.22)	14.45	23.25
Weighted average number of shares outstanding [2)]	2	273,217,830	273,217,830	273,217,830	273,499,403

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

Condensed consolidated interim statement of comprehensive income

NOK millions	Notes	4Q 2017	4Q 2016	2017	2016
Net income		936	(336)	3,988	6,322
Other comprehensive income that may be reclassified to statement of income					
Exchange differences on translation of foreign operations		1,772	3,607	(1,077)	(1,320)
Available-for-sale financial assets - change in fair value		(6)	(19)	(11)	(19)
Hedge of net investments		(168)	(330)	271	108
Share of other comprehensive income of equity-accounted investees, excluding remeasurements		14	22	34	45
Net other comprehensive income that may be reclassified to statement of income in subsequent periods		1,612	3,280	(783)	(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	11	535	473	535	(760)
Net other comprehensive income that will not be reclassified to statement of income in subsequent periods		535	473	535	(760)
Reclassification adjustments of the period					
- cash flow hedges		1	1	5	4
- exchange differences on foreign operations disposed of in the year		-	-	(1)	(22)
Net reclassification adjustments of the period		1	1	4	(18)
Total other comprehensive income, net of tax		2,148	3,755	(244)	(1,964)
Total comprehensive income		3,084	3,419	3,744	4,358
Total comprehensive income attributable to					
Shareholders of the parent		2,991	3,291	3,834	4,194
Non-controlling interests		93	127	(90)	165
Total		3,084	3,419	3,744	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	-	-	-	-	-	-	-	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	-	-	-	-	-	-	-	814	814	-	814
Treasury shares	-	-	-	-	-	-	-	(93)	(93)	-	(93)
Redeemed shares, Norwegian State [2]	(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
Net income	-	-	-	-	-	-	-	3,948	3,948	41	3,988
Other comprehensive income, net of tax	-	-	(946)	(11)	5	271	(681)	535	(146)	(131)	(277)
Share of other comprehensive income of equity-accounted investees	-	-	(1)	-	34	-	34	-	34	-	34
Total other comprehensive income, net of tax	-	-	(947)	(11)	39	271	(648)	535	(113)	(131)	(244)
Long term incentive plan	-	-	-	-	-	-	-	(1)	(1)	-	(1)
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 31 December 2017	464	117	13,505	3	11	(1,221)	12,299	62,660	75,540	2,290	77,831

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

Condensed consolidated interim statement of financial position

NOK millions	Notes	31 Dec 2017	31 Dec 2016
Assets			
Non-current assets			
Deferred tax assets		3,040	2,585
Intangible assets	6,7	9,055	9,183
Property, plant and equipment	6,7	65,238	59,739
Equity-accounted investees		8,978	9,190
Other non-current assets		3,766	3,242
Total non-current assets		90,078	83,938
Current assets			
Inventories	8	18,255	17,580
Trade receivables		11,451	10,332
Prepaid expenses and other current assets		4,973	4,813
Cash and cash equivalents		4,456	3,751
Non-current assets and disposal group classified as held-for-sale		33	92
Total current assets		39,168	36,567
Total assets		129,246	120,505

Condensed consolidated interim statement of financial position

NOK millions, except share information	Notes	31 Dec 2017	31 Dec 2016
Equity and liabilities			
Equity			
Share capital reduced for treasury stock		464	464
Premium paid-in capital		117	117
Total paid-in capital		582	582
Other reserves		12,299	12,947
Retained earnings		62,660	60,916
Total equity attributable to shareholders of the parent		75,540	74,444
Non-controlling interests		2,290	2,326
Total equity	2	77,831	76,770
Non-current liabilities			
Employee benefits		3,592	4,071
Deferred tax liabilities		4,112	4,396
Other long-term liabilities		1,383	1,404
Long-term provisions		940	834
Long-term interest-bearing debt	9	19,893	13,992
Total non-current liabilities		29,919	24,698
Current liabilities			
Trade and other payables		15,693	14,762
Current tax liabilities		504	530
Short-term provisions		736	323
Other short-term liabilities		616	859
Bank loans and other interest-bearing short-term debt		3,593	2,323
Current portion of long-term debt		354	240
Total current liabilities		21,496	19,037
Total equity and liabilities		129,246	120,505
Number of shares outstanding	2	273,217,830	273,217,830

The Board of Directors and Chief Executive Officer
Yara International ASA
Oslo, 7 February 2018

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 2017	4Q 2016	2017	2016
Operating activities					
Operating income		455	521	3,777	8,771
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation, amortization and impairment loss		1,808	1,687	6,461	6,427
Write-down and reversals, net		69	41	191	156
Tax paid		(387)	(275)	(1,645)	(2,736)
Dividend from equity-accounted investees		-	4	68	358
Change in net operating capital [1]		(1,185)	97	(1,031)	3,789
(Gain)/loss on disposal		162	80	172	(1,559)
Other		(610)	88	(1,515)	(1,121)
Net cash provided by operating activities		312	2,242	6,478	14,084
Investing activities					
Purchases of property, plant and equipment		(2,999)	(3,830)	(11,030)	(12,873)
Cash outflow on business combinations		(124)	(124)	(193)	(480)
Purchases of other long-term investments		(191)	(119)	(452)	(286)
Sales/(purchases) of short-term investments, net		2	-	1	-
Proceeds from sales of property, plant and equipment		28	12	111	62
Proceeds from sales of other long-term investments		376	116	459	2,973
Net cash used in investing activities		(2,908)	(3,944)	(11,105)	(10,604)
Financing activities					
Loan proceeds/(repayments), net	9	4,988	352	8,062	1,138
Purchase of treasury shares		-	-	-	(93)
Redeemed shares Norwegian State		-	-	-	(252)
Dividend	2	-	-	(2,732)	(4,108)
Other cash transfers (to)/from non-controlling interests		-	3	50	327
Net cash from/(used in) financing activities		4,988	356	5,379	(2,989)
Foreign currency effects on cash and cash equivalents		39	13	(47)	39
Net increase/(decrease) in cash and cash equivalents		2,431	(1,333)	706	531
Cash and cash equivalents at beginning of period		2,025	5,083	3,751	3,220
Cash and cash equivalents at end of period		4,456	3,751	4,456	3,751
Bank deposits not available for the use of other group companies				194	256

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

Notes to the condensed consolidated interim financial statements

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 31 December 2016	273,217,830	-
Total at 31 December 2017	273,217,830	-

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

Note 3 Operating segment information

NOK millions	4Q 2017	4Q 2016	2017	2016
External revenue and other income				
Crop Nutrition	17,891	17,114	71,311	72,677
Industrial	4,004	3,591	15,219	16,074
Production	2,092	1,649	7,341	8,472
Other and eliminations	(50)	(26)	(59)	(52)
Total	23,937	22,327	93,812	97,170
Internal revenue and other income				
Crop Nutrition	434	478	1,574	1,531
Industrial	52	1	129	108
Production	8,763	7,924	34,123	33,316
Other and eliminations	(9,250)	(8,403)	(35,826)	(34,954)
Total	-	-	-	-
Revenue and other income				
Crop Nutrition	18,325	17,592	72,884	74,207
Industrial	4,057	3,592	15,348	16,181
Production	10,855	9,573	41,465	41,788
Other and eliminations	(9,300)	(8,430)	(35,885)	(35,006)
Total	23,937	22,327	93,812	97,170
Operating income				
Crop Nutrition	403	451	2,505	4,118
Industrial	(91)	342	959	2,742
Production	450	(150)	683	1,597
Other and eliminations	(307)	(123)	(370)	314
Total	455	521	3,777	8,771
EBITDA				
Crop Nutrition	829	860	4,037	5,470
Industrial	129	398	1,289	2,916
Production	1,829	823	5,996	6,681
Other and eliminations	(261)	(65)	(202)	496
Total	2,526	2,015	11,120	15,563
Investments [1)]				
Crop Nutrition	955	467	2,235	1,462
Industrial	92	75	291	205
Production	2,974	3,996	9,608	12,017
Other and eliminations	98	77	269	173
Total	4,119	4,616	12,404	13,856
Total Assets [2)]				
Crop Nutrition			34,578	33,582
Industrial			4,883	4,760
Production			85,850	80,125
Other and eliminations			3,935	2,038
Total			129,246	120,505

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.

	2017	2016
CROGI (12-month rolling average)		
Yara [1)]	7.0%	9.5%
Crop Nutrition	11.8%	15.7%
Industrial [2)]	25.9%	55.0%
Production [2)]	4.9%	5.6%
ROCE (12-month rolling average)		
Yara [1)]	4.0%	7.5%
Crop Nutrition	9.5%	14.7%
Industrial [2)]	23.2%	61.9%
Production [2)]	1.1%	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 10 "Definitions and variance analysis" for more information.
2) 2016 includes 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
4Q 2017						
Crop Nutrition	403	(2)	106	507	322	829
Industrial	(91)	21	14	(56)	185	129
Production	450	94	22	565	1,264	1,829
Other and eliminations	(307)	-	8	(299)	38	(261)
Total	455	113	149	717	1,809	2,526
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
2017						
Crop Nutrition	2,505	24	460	2,989	1,048	4,037
Industrial	959	50	23	1,031	258	1,289
Production	683	171	122	976	5,020	5,996
Other and eliminations	(370)	-	30	(341)	139	(202)
Total	3,777	245	634	4,656	6,464	11,120
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

Acquisitions

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

On 12 January 2018, Yara closed the acquisition of Tata Chemicals Limited's urea business in India. The transaction is valued at USD 421 million on a debt and cash free basis and comprises a net operating capital value of USD 130 million and other assets valued at USD 291 million, with the operating capital value subject to post-closing adjustment. For more information on the business combination, see note 5.

In 2017, Yara has completed three business combinations which are not disclosed as they are not considered significant. Total consideration for these business combinations was NOK 212 million.

Disposals

During fourth quarter, Yara sold a 5 % interest in both Yara Pilbara Nitrates PTY Ltd. and Orica Mining Services Pilbara Pty Ltd. to Orica for a total consideration of NOK 302 million. The transactions gave a net loss of NOK 49 million which is recognized in the condensed consolidated interim statement of income under "Other operating expenses". After the transaction Yara owns 50% of both Yara Pilbara Nitrates PTY Ltd. and Orica Mining Services Pilbara Pty Ltd.

Note 5 Business combinations after fourth-quarter end

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

The consideration for the business combination was INR 26,822 million (USD 421 million) based on a debt and cash free basis, including normalized net working capital. In addition, Yara expects to incur transaction-related costs in 2018 of approximately USD 20 million. This estimated amount might change.

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

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

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

NOK millions	Babrala 12 January 2018
Assets	
Distribution network	52
Property, plant and equipment	1,366
Other non-current assets	1
Inventories	36
Trade receivables	995
Prepaid expenses and other current asets	125
Total assets	2,575
Liabilities	
Trade and other payables	138
Other short-term liabilities	46
Total liabilities	184
Total identifiable net assets at fair value	2,391

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

Goodwill arising on acquisition

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

Note 6

Specifications to the condensed consolidated interim statement of income

Other income

NOK millions	4Q 2017	4Q 2016	2017	2016
Divestment of the European CO_2 business	-	-	-	1,552
Carbon tax refund	-	-	57	-
Sale of white certificates	94	27	117	107
Gain on swap of mineral rights	-	-	-	44
Sale of land	83	-	83	-
Insurance compensations	12	-	108	64
Other	16	49	81	100
Total	205	76	446	1,867

Depreciation, amortization and impairment loss

NOK millions	4Q 2017	4Q 2016	2017	2016
Depreciation of property, plant and equipment	(1,402)	(1,338)	(5,581)	(5,109)
Impairment loss property, plant and equipment[1)]	(212)	(70)	(359)	(404)
Reversal of impairment loss property, plant and equipment	9	12	19	26
Total depreciation and impairment loss property, plant and equipment	(1,605)	(1,396)	(5,921)	(5,486)
Amortization of intangible assets	(97)	(122)	(379)	(771)
Impairment loss intangible assets[1)]	(106)	(168)	(162)	(169)
Total amortization and impairment loss intangible assets	(203)	(291)	(541)	(940)
Total depreciation, amortization and impairment loss	(1,808)	(1,687)	(6,462)	(6,427)

1) See Note 7 for more information.

Other operating expenses

During the fourth quarter, Yara decided to discontinue the development of a pilot plant for small scale production of ammonium nitrate in Porsgrunn. Following this decision, Yara recognized closure costs of NOK 278 million which are included in the Industrial segment. The closure costs are mainly related to scrapping and decommissioning of assets under construction. Yara also recognized impairment losses on technology rights and development equipment that were acquired for this pilot plant project of NOK 118 million. The impairment is further explained in note 7.

Income tax

In fourth quarter 2017, Yara recognized a reduction to deferred tax liabilities of NOK 530 million following a group internal merge. The merge led to a settlement of internal loans with accumulated currency gains which will not generate taxable income. Also in fourth quarter 2017, Yara merged two legal companies which resulted in an increased tax base and positive income tax effect of NOK 206 million. Increased valuation allowances related to deferred tax assets in Latin America had a negative impact on the fourth quarter's tax expense.

Note 7 Recognized impairment losses

In the fourth quarter 2017, Yara recognized impairment losses of NOK 318 million. Of this amount, NOK 118 million is related to impairment of technology rights and equipment for small scale production of ammonium nitrate, following a decision by Yara to discontinue the development of a pilot plant in Porsgrunn. The charge is reflected in the Industrial segment. The decision to discontinue the pilot plant construction was taken after a review of Yara's capital allocation priorities. Also in the fourth quarter, Yara recognized a NOK 55 million impairment loss on property, plant and equipment in a Crop Nutrition sales unit in Africa, reflecting lower than expected local market returns.

On a full-year basis, the total impairment loss is NOK 521 million of which NOK 359 million relates to property, plant and equipment and NOK 162 million relates to intangible assets. The largest impairment of property, plant and equipment during 2017 is related to the Montoir plant (France) with NOK 147 million. The loss is triggered by a further reduction 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.

Note 8 Inventories

NOK millions		31 Dec 2017	31 Dec 2016
Finished goods		10,199	9,377
Work in progress		542	536
Raw materials		7,514	7,667
Total		18,255	17,580
Write-down			
Balance at 1 January		(139)	(152)
Reversal/(write-down), net		(69)	(2)
Foreign currency translation gain/(loss)		(14)	14
Closing balance		(222)	(139)

Note 9 Long-term debt

Contractual payments on long-term debt

NOK millions	Debentures	Bank Loans	Capital lease and other LT loans	Total
2019	6,287	322	57	6,666
2020	-	141	62	203
2021	703	140	61	904
2022	2,487	1,392	29	3,908
Thereafter	6,641	1,352	219	8,212
Total	16,119	3,346	427	19,893

In November 2017, Yara International ASA established a USD 150 million term loan with AB Svensk Exportkredit to be repaid in November 2024. The loan was fully drawn per end 2017.

In December 2017, Yara International ASA issued new NOK denominated bonds totalling NOK 3,250 million and new SEK denominated bonds totalling SEK 1,250 million. Of these bonds, NOK 1,000 million maturing in 2027, NOK 1,000 million maturing in 2024 and SEK 800 million maturing in 2022 were issued at fixed interest rates, but have been converted to floating rates using interest rate derivatives. The remaining NOK 1,250 million and SEK 450 million bonds, both maturing in 2022, were issued at floating interest rates.

Reconciliation of liabilities arising from financing activities

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

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

Note 10 Provisions

In third quarter 2017, Yara recognized a provision of NOK 260 million following its decision to stop the industrial production at the Pardies site in October 2018. The provision includes termination benefits and other directly related closure costs. In fourth quarter 2017, a curtailment gain on defined benefit plans of NOK 13 million was recognized, reducing the total year-to-date expense to NOK 247 million. The plant has 86 employees and an annual production capacity of approximately 100,000 tonnes of technical ammonium nitrate. The Pardies operations suffer from limited scale, raw material integration and export 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. The plant has been fully impaired in previous periods.

Note 11 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 is recognized as a decrease in net defined benefit liability of NOK 700 million (before tax) and a positive effect in other comprehensive income of NOK 535 million (after tax).

The remeasurement gain is mainly due to NOK 538 million higher actual return on plan assets than what has been recognized in the Statement of income during the year. Further, an observed increase in yield on high quality corporate bonds in Europe, other than UK, during 2017, also contributed to the remeasurement gain. 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. There is also a positive impact from experience adjustments and change in demographic assumptions.

Note 12 Contingencies

Legal contingencies

Yara is party to a number of lawsuits related to laws and regulations in various jurisdictions arising out of the conduct of its business. While acknowledging the uncertainties of litigation, Yara is of the opinion that based on the information currently available, these matters will be solved without material adverse effect. Further information related to two ongoing environmental cases in Brazil, where Yara is a part due to the acquisition of Adubos Trevo from the Trevisa Group in the year 2000, is provided below since it is not possible to provide a reliable estimate of the maximum potential exposure:

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

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

Tax contingencies

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

Contingent assets

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

Note 13 Post balance sheet events

Yara Board will propose to the Annual General Meeting a dividend of NOK 6.5 per share for 2017.

From 1 January 2018, Yara will change the presentation currency of the Group from Norwegian krone to US dollar. A separate appendix will be issued before the publication of Yara's first quarter 2018 results containing restated historical figures. The impact on comparative figures for 2017 statement of income, other than change of consolidation currency, is not expected to be material as there are no significant sales transactions with currency recycling effects.

In January 2018, Yara International ASA signed a new USD 260 million loan facility to be repaid with semi-annual installments until August 2026. The facility is partially supported by a guarantee from The Norwegian Export Credit Guarantee Agency (GIEK).

Note 14 New accounting standards effective from 2018

The Yara Group has adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customer for reporting periods beginning on and after their effective date 1 January 2018. Based on currently available information, Yara has not identified significant impact on its statement of financial position and equity due to adoption of these new standards.

As of 1 January 2018 the implementation effect to equity of implementing IFRS 9 is estimated to be negative by less than NOK 50 million (pre-tax). The negative effect refers to increases in loss allowances on trade receivables and other receivables, loans and deposits due to change to an expected loss impairment model as required under IFRS 9.

The opening balance 2018 implementation effect to equity of implementing IFRS 15 is estimated to be negative by less than NOK 40 million (pre-tax). The negative effect refers to the net margin of freight/insurance services which are considered to be distinct services under IFRS 15 (C-incoterms), and which is not yet performed at year end 2017. The negative effect also refers to the net margin of technology deliveries in Yara's Environmental Solutions Business which are currently accounted for using the stage of completion method under IAS 11 Construction Contracts, but would have been accounted for at a future point in time under IFRS 15.

Yara will adjust the opening balance of equity at the date of initial application 1 January 2018. No comparative information will be restated.

Quarterly historical information

EBITDA

NOK millions	4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016	3Q 2016	2Q 2016	1Q 2016
Crop Nutrition	829	1,153	1,005	1,050	860	1,502	1,330	1,778
Industrial	129	411	373	376	398	403	1,693	423
Production	1,829	637	1,531	1,999	823	894	2,120	2,845
Other and eliminations	(261)	185	83	(209)	(65)	205	346	10
Total	2,526	2,386	2,992	3,216	2,015	3,004	5,489	5,055

Results

NOK millions, except per share information	4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016	3Q 2016	2Q 2016	1Q 2016
Revenue and other income	23,937	23,769	23,471	22,635	22,327	23,924	25,866	25,053
Operating income	455	694	1,103	1,524	521	1,336	3,512	3,403
EBITDA	2,526	2,386	2,992	3,216	2,015	3,004	5,489	5,055
Net income after non-controlling interests	846	709	699	1,692	(333)	821	3,072	2,800
Earnings per share (NOK)	3.10	2.60	2.56	6.19	(1.22)	3.00	11.23	10.22

USD[1)] millions, except per share information	4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016	3Q 2016	2Q 2016	1Q 2016
Revenue and other income	2,936	3,021	2,759	2,683	2,668	2,894	3,134	2,901
Operating income	58	88	130	181	63	161	425	394
EBITDA	312	303	352	381	242	363	664	585
Net income after non-controlling interests	104	90	82	201	(40)	99	371	325
Earnings per share (USD)	0.38	0.33	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

Please see page 10 and 11 for definitions of alternative performance measures.

Reconciliation of operating income to EBITDA and gross cash flow

		3-month rolling		12-month rolling	
NOK millions		4Q 2017	4Q 2016	2017	2016
Operating income		455	521	3,777	8,771
Share of net income in equity-accounted investees		113	(358)	245	(348)
Interest income and other financial income		149	179	634	725
Earnings before interest expense and tax (EBIT)		717	342	4,656	9,149
Depreciation, amortization and impairment loss		1,808	1,687	6,462	6,427
Amortization of excess value in equity-accounted investees 1)		1	(14)	2	(12)
Earnings before interest, tax and depreciation/amortization (EBITDA)		2,526	2,015	11,120	15,563
Income tax after tax on net foreign currency translation gain/(loss)		210	(341)	(623)	(2,080)
Gross cash flow	A	2,736	1,674	10,497	13,483

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

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

		3-month rolling		12-month rolling	
NOK millions		4Q 2017	4Q 2016	2017	2016
Net income attributable to shareholders of the parent		846	(333)	3,948	6,360
Non-controlling interests		89	(3)	41	(37)
Interest expense and foreign currency translation		(48)	426	(147)	786
Depreciation, amortization and impairment loss		1,808	1,687	6,462	6,427
Amortization of excess value in equity-accounted investees		1	(14)	2	(12)
Tax effect on foreign currency translation		39	(89)	192	(40)
Gross cash flow	A	2,736	1,674	10,497	13,483
Annualized gross cash flow	B=Ax4	10,943	6,697		
12-month rolling	B			10,497	13,483

Reconciliation of total assets to gross investments

		3-month average		12-month average	
NOK millions		4Q 2017	4Q 2016	2017	2016
Total assets		124,474	117,371	122,760	118,556
Cash and cash equivalents		(2,712)	(4,399)	(2,711)	(4,814)
Other liquid assets		(5)	(2)	(3)	(2)
Deferred tax assets		(2,962)	(2,757)	(2,885)	(2,866)
Other current liabilities		(16,677)	(15,574)	(17,010)	(16,771)
Accumulated depreciation and amortization		51,920	47,284	49,761	47,155
Gross investment 3-month average	C	154,038	141,925		
Gross investment 12-month average	C			149,912	141,259
Cash Return on Gross Investment, CROGI	D=B/C	7.1 %	4.7 %	7.0 %	9.5 %

Reconciliation of EBIT to EBIT after tax

NOK millions		3-month rolling 4Q 2017	3-month rolling 4Q 2016	12-month rolling 2017	12-month rolling 2016
Earnings before interest expense and tax (EBIT)		717	342	4,656	9,149
Income tax after tax on net foreign currency translation gain/(loss)		210	(341)	(623)	(2,080)
EBIT after tax	E	927	1	4,033	7,069
Annualized quarter EBIT after tax	F=Ex4	3,707	3		
12-month rolling EBIT after tax	F			4,033	7,069

Reconciliation of total assets to capital employed

NOK millions		3-month average 4Q 2017	3-month average 4Q 2016	12-month average 2017	12-month average 2016
Total assets		124,474	117,371	122,760	118,556
Cash and cash equivalents		(2,712)	(4,399)	(2,711)	(4,814)
Other liquid assets		(5)	(2)	(3)	(2)
Deferred tax assets		(2,962)	(2,757)	(2,885)	(2,866)
Other current liabilities		(16,677)	(15,574)	(17,010)	(16,771)
Capital employed 3-month average	G	102,117	94,640		
Capital employed 12-month average	G			100,151	94,103
Return On Capital Employed, ROCE	H=F/G	3.6 %	0.0 %	4.0 %	7.5 %

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

NOK millions		4Q 2017	4Q 2016	YTD 2017	2016
EBITDA		2,526	2,015	11,120	15,563
Depreciation, amortization and impairment loss		(1,808)	(1,687)	(6,462)	(6,427)
Amortization of excess value in equity-accounted investees		(1)	14	(2)	12
Interest expense and other financial items		(209)	(185)	(678)	(901)
Foreign currency translation gain/(loss)		257	(241)	826	115
Income before tax and non-controlling interests	I	765	(84)	4,803	8,363

Reconciliation of operating income to EBITDA excluding special items

NOK millions		4Q 2017	4Q 2016	YTD 2017	2016
Operating income		455	521	3,777	8,771
Share of net income in equity-accounted investees		113	(358)	245	(348)
Interest income		147	168	618	690
Dividends and net gain/(loss) on securities		2	11	16	36
EBIT		717	342	4,656	9,149
Depreciation, amortization and impairment loss 1)		1,809	1,673	6,464	6,414
EBITDA		2,526	2,015	11,120	15,563
Special items included in EBITDA 2)		319	458	662	(1,114)
EBITDA excluding special items		2,845	2,474	11,782	14,449

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

2) See page 11 for details on special items.

Net operating capital

NOK millions		31 Dec 2017	31 Dec 2016
Net trade receivables		11,451	10,332
Inventories		18,255	17,580
Trade payables		(13,141)	(12,206)
Net operating capital		16,565	15,705

Net interest-bearing debt

NOK millions		31 Dec 2017	31 Dec 2016
Cash and cash equivalents		4,456	3,751
Other liquid assets [1]		1	2
Bank loans and other short-term interest-bearing debt		(3,593)	(2,323)
Current portion of long-term debt		(354)	(240)
Long-term interest-bearing debt		(19,893)	(13,992)
Net interest-bearing debt	J	(19,383)	(12,802)

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

Debt/equity ratio

NOK millions		31 Dec 2017	31 Dec 2016
Net interest-bearing debt	K	(19,383)	(12,802)
Total equity	L	(77,831)	(76,770)
Debt/equity ratio	M=K/L	0.25	0.17

Earnings per share

NOK millions, except earnings per share and number of shares		4Q 2017	4Q 2016	YTD 2017	2016
Weighted average number of shares outstanding	N	273,217,830	273,217,830	273,217,830	273,499,403
Net income	O	846	(333)	3,948	6,360
Net foreign currency translation gain/(loss)	P	257	(241)	826	115
Tax effect on foreign currency translation gain/(loss)	Q	(39)	89	(192)	40
Non-controlling interest share of currency (gain)/loss, net after tax	R	(11)	(11)	(36)	(36)
Special items within EBIT [1]	S	(585)	(624)	(1,092)	639
Tax effect on special items	T	122	(1)	268	(70)
Special items within EBIT net of tax	U=S+T	(462)	(625)	(824)	568
Non-controlling interest share of special items, net after tax	V	19	-	19	12
Earnings per share	W=O/N	3.10	(1.22)	14.45	23.25
Earnings per share excluding currency	X=(O-P-Q+R)/N	2.26	(0.71)	12.00	22.56
Earnings per share excluding currency & special items	Y=(O-P-Q+R-U-V)/N	3.88	1.58	14.94	20.44

1) See page 11 for details on special items.

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