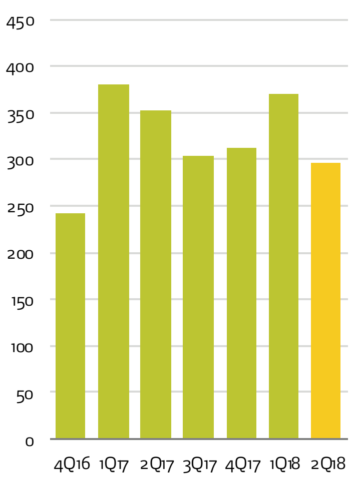
Knowledge grows

Second-quarter and half-year report 2018

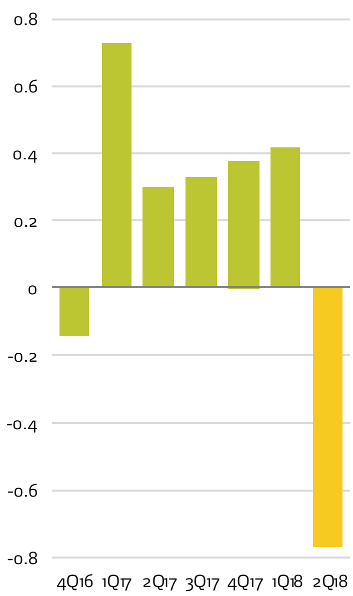
Yara International ASA

- Higher deliveries and prices offset by higher gas cost
- Cubatão acquisition successfully completed
- Yara improvement program on track
- Non-cash currency loss due to USD strengthening in 2Q

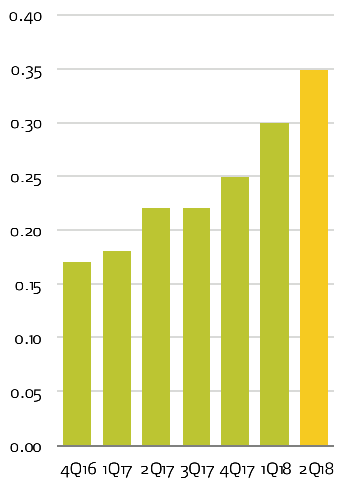
EBITDA
USD millions



Earnings per share
USD



Debt/equity ratio



Second quarter 2018

Financial highlights

USD millions, except where indicated otherwise	2Q 2018	2Q 2017	1H 2018	1H 2017
Revenue and other income	3,192	2,759	6,048	5,442
Operating income	38	130	171	310
Share net income equity-accounted investees	17	7	27	16
EBITDA	296	352	666	733
EBITDA excl. special items	321	338	698	733
Net income after non-controlling interests	(211)	82	(96)	283
Basic earnings per share [1]	(0.77)	0.30	(0.35)	1.03
Basic earnings per share excl. currency [1]	0.04	0.33	0.45	0.88
Basic earnings per share excl. currency and special items [1]	0.17	0.34	0.59	0.93
Average number of shares outstanding (millions)	273.2	273.2	273.2	273.2
CROGI (Cash Return on Gross Investment) [2]	5.3 %	7.0 %	6.4 %	6.8 %
ROCE (Return on Capital Employed) [2]	1.3 %	3.8 %	3.0 %	3.6 %

1) USD per share. Yara currently has no share-based compensation programs resulting in a dilutive effect on earnings per share.
2) Quarterly numbers annualized. Year-to-date numbers 12-month rolling average.

Key Yara statistics

	2Q 2018	2Q 2017	1H 2018	1H 2017
Yara Production (Thousand tonnes) [1]				
Ammonia	2,033	1,803	4,160	3,683
Finished fertilizer and industrial products, excl. bulk blends	5,240	4,751	10,560	9,943
Yara Deliveries (Thousand tonnes)				
Ammonia trade	689	627	1,274	1,049
Fertilizer	7,331	6,604	13,263	12,962
Industrial products	1,982	1,707	3,737	3,475
Total deliveries	10,109	8,971	18,410	17,554
Yara's Energy prices (USD per MMBtu)				
Global weighted average gas cost	6.1	4.7	6.0	5.0
European weighted average gas cost	8.1	5.6	7.9	6.1

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

Market information

Average prices		2Q 2018	2Q 2017	1H 2018	1H 2017
Urea granular (fob Egypt)	USD per tonne	247	201	254	233
CAN (cif Germany)	USD per tonne	211	198	228	215
Ammonia (fob Black Sea)	USD per tonne	231	282	259	291
DAP (fob US Gulf)	USD per tonne	410	357	406	355
Phosphate rock (fob Morocco)	USD per tonne	89	93	88	95
European gas (TTF)	USD per MMBtu	7.3	5.0	7.5	5.4
US gas (Henry Hub)	USD per MMBtu	2.9	3.0	3.0	3.0
EUR/USD currency rate		1.19	1.10	1.21	1.08
USD/BRL currency rate		3.60	3.21	3.42	3.18

Yara's second-quarter net income after non-controlling interests was negative USD 211 million, compared with USD 82 million a year earlier. The negative result includes a currency translation loss of USD 302 million, which is a non-cash effect mainly resulting from a strengthening US dollar through the quarter, which is fundamentally positive for Yara.

Excluding net foreign currency translation gain/loss and special items, the result was USD 46 million (USD 0.17 per share), compared with USD 93 million (USD 0.34 per share) in second quarter 2017.

"Yara reports 13% higher deliveries, despite the truck-drivers' strike in Brazil. However, underlying EBITDA was five percent lower, as improved deliveries and sales prices were offset by increased energy cost," said Svein Tore Holsether, President and Chief Executive Officer of Yara.

"While the operating environment for our business is likely to remain tough for some time yet, the market balance looks set to gradually improve after 2018. We remain focused on our improvement and growth programs, which have improved Yara's earnings by more than 25% in the last 12 months, and will deliver even higher earnings going forward," said Holsether.

Fertilizer market conditions

Global grain markets are expected to tighten. Following a modest production deficit for the 2017/18 season, the US Department of Agriculture forecasts an increased deficit for the 2018/19 season, resulting in lower grain inventories. The projected ending stocks-to-use ratio at 82 days of consumption is down eight days from the start of the season, and grain prices have improved, supporting fertilizer demand. The Food and Agriculture Organization of the United Nations (FAO) food price index is up 1% from second quarter last year, and 2% below the five-year average, while the cereal price index was up 13% on second quarter last year and 1% above the five-year average. Recent pressure on several agricultural commodities could be linked to the ongoing trade tensions.

Granular urea prices fob Egypt averaged USD 247 per tonne for second quarter, up from USD 201 per tonne same quarter last year, and improving sharply in June. The urea market continues to be supported by high production cost in China, with anthracite coal prices higher than a year ago, resulting in domestic urea prices in China at or above USD 300 per tonne. However, urea prices elsewhere remained lower than Chinese prices, as relatively weak demand combined with increased production outside China reduced demand for Chinese exports. Before the improvement in June, global market prices were low enough for Chinese imports to become viable. Short term price volatility in the global market is high, as the global balance excluding China moves between a modest surplus or deficit. This was evident in June when demand improved, leading to rapidly increasing prices.

Ammonia prices fob Black Sea were on average USD 231 per tonne for the quarter, compared with USD 282 per tonne last year. Due to capacity additions in USA, Russia and Saudi Arabia, the ammonia market is fundamentally oversupplied when production runs at high utilization rates. Prices were close to production costs for many producers in second quarter 2018, resulting in modest production curtailments.

Phosphate prices averaged USD 410 per tonne fob US Gulf for DAP for the quarter, up from USD 357 per tonne last year, amid strong demand and a major production curtailment by Mosaic in Florida. In addition, Chinese exporters have raised the price at which they are willing to export.

The average phosphate rock price fob Morocco was down 4% compared to a year earlier, with upgrading margins from rock to DAP stronger than a year ago.

Regional market developments

Second-quarter nitrogen deliveries in Western Europe were up by an estimated 6% from last year, catching up some of the deficit caused by the late spring, while imports were down 8%. For the full season, deliveries were down 4%, partly due to the late spring, with a similar decline for imports.

In Brazil, April fertilizer deliveries were strong, 25% above April last year. But the transport strike, followed by the uncertainty related to trucking cost, led to a sharp drop in activity. For May, fertilizer deliveries were 27% lower than May last year and 4% behind year to date. Year-to-date urea imports were 2.3 million tonnes, down from 2.9 million tonnes in the same period last year. Second-quarter urea imports were 1.0 million tonnes, compared to 0.9 million tonnes last year.

Second-quarter US nitrogen supply is estimated to be up around 13% compared to a year earlier, driven by a 20% increase in domestic production, bringing seasonal supply to the same level as the previous season. Due to the increase in domestic production, imports of all the major nitrogen products are reduced sharply.

Second-quarter urea production in China is estimated to be 4% above second quarter last year, and down 3% for the season. An increased environmental focus is limiting urea production, together with higher coal prices, anthracite coal in particular, increasing production costs. As a result, although domestic urea prices have increased, production curtailments remain significant, including production based on natural gas. The average domestic urea price for the second quarter was 22% higher than a year earlier (measured in local currency), equivalent to an increase of USD 73 per tonne, indicating a relatively tight domestic market. China exported only 0.3 million tonnes urea during April and May, down from 0.9 million tonnes same period last year. Season-to-date (July-May), China exported 2.5 million tonnes of urea, down from 6.0 million tonnes same period last season, as the domestic market offered better value for the producers.

In India, second quarter is off-season, but urea sales are reported 2% higher than a year earlier, while urea production was up by 8%. At the end of second quarter, urea stocks are reported 15% lower than a year earlier.

Production volumes [1)]

Thousand tonnes	2Q 2018	2Q 2017	1H 2018	1H 2017
Ammonia	2,033	1,803	4,160	3,683
of which equity-accounted investees	500	260	996	512
Urea	1,597	1,259	3,203	2,572
of which equity-accounted investees	395	382	784	743
Nitrate	1,387	1,360	2,912	2,977
NPK	1,359	1,362	2,721	2,732
CN	408	385	814	748
UAN	207	233	416	483
SSP-based fertilizer	260	152	473	431
MAP	21	-	21	-
Total Finished Products[1)]	5,240	4,751	10,560	9,943

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

Fertilizer deliveries

Thousand tonnes	2Q 2018	2Q 2017	1H 2018	1H 2017
Fertilizer deliveries per product				
Urea	1,872	1,244	3,289	2,413
of which Yara-produced	907	563	1,621	1,037
of which equity-accounted investees	711	448	1,225	829
Nitrate	1,401	1,137	2,708	2,672
of which Yara-produced	1,319	1,079	2,523	2,543
NPK	2,366	2,310	4,519	4,714
of which Yara-produced compounds	1,289	1,162	2,566	2,588
of which Yara-produced blends	1,007	1,097	1,740	1,954
CN	371	355	662	655
of which Yara-produced	364	350	652	647
UAN	475	465	746	785
of which Yara-produced	361	337	591	607
SSP	218	295	282	373
of which Yara-produced	191	211	227	258
DAP/MAP	94	178	223	358
MOP/SOP	296	366	425	535
Other fertilizer products	238	255	408	457
Total fertilizer deliveries	7,331	6,604	13,263	12,962
Fertilizer deliveries per region				
Europe	2,413	2,039	4,676	4,790
Brazil	1,671	2,052	3,021	3,581
Latin America excluding Brazil	711	664	1,156	1,138
North America	1,076	961	1,849	1,717
Asia	1,045	586	1,849	1,114
Africa	414	302	712	622
Total fertilizer deliveries	7,331	6,604	13,262	12,962

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 2018	2Q 2017	1H 2018	1H 2017
Ammonia [1)]	179	160	349	370
Urea [1)]	584	528	1,147	1,086
of which Environmental products	246	216	461	433
Nitrate [2)]	246	192	436	389
CN	91	97	187	195
Other industrial products [3)]	382	277	649	537
Water content in Industrial Ammonia and Urea	501	454	968	897
Total Industrial product deliveries [4)]	1,982	1,707	3,737	3,475

1) Pure product equivalents.
2) Including AN Solution.
3) Including nitric acid, feed phosphates, sulphuric acid and other minor products.
4) 2017 deliveries restated. Divested business excluded (30-40 kt quarterly impact).

Variance analysis second quarter

USD millions	2Q 2018
EBITDA 2018	296
EBITDA 2017	352
Reported EBITDA variance	(55)
Special items variance (see page 12 for details)	(38)
EBITDA ex special items variance	(17)
Volume	20
Price/Margin	74
Energy costs	(86)
Currency	(14)
Other	(12)
Total variance explained	(17)

Yara's second-quarter results were 16% lower compared with a year earlier. The result include negative net special items of USD 24 million compared to net positive special items last year of USD 14 million (for more details on special items, see page 12). Underlying EBITDA results were 5% lower than last year as higher deliveries and sales prices were more than offset by higher European gas costs and a weaker US dollar.

Total fertilizer deliveries were 11% higher compared to a year earlier driven by increased deliveries in Europe and inclusion of the Babrala acquisition in India and the Cubatão acquisition in Brazil (included from mid-May). Adjusted for these portfolio effects, fertilizer deliveries were 6% higher than a year ago. Industrial deliveries were 16% higher than a year ago including the Cubatão acquisition. Adjusting for Cubatão, deliveries were 7% higher than a year ago.

After a slow first quarter, deliveries in Europe picked up in second quarter and were 18% higher than a year earlier. Yara has seen strong order taking at the start of the new season, enabling higher and more frequent price increases than a year ago.

Yara's fertilizer deliveries in Brazil were 19% lower than a year earlier impacted by the truck-drivers' strike during the quarter. Yara's EBITDA impact of the strike is approximately USD 15 million in the quarter.

Margins in the quarter were somewhat lower than a year ago as higher realized prices were offset by higher gas prices in Europe.

Ammonia production was 13% higher than second quarter last year. Adjusted for portfolio effects (Babrala, Cubatão and Freeport), ammonia production was 1% lower compared to last year. Finished fertilizer production increased 10%. Adjusted for portfolio effects, finished fertilizer production was 1% higher than a year ago. Yara has scheduled several large ammonia turnarounds in second half 2018, with an expected net volume impact of around 150 kilotonnes compared with a year earlier.

A weaker US dollar versus Yara's other main currencies resulted in a negative translation effect on Yara's fixed cost base compared with second quarter 2017.

The negative Other variance of USD 12 million include USD 10 million in EBITDA contribution from new businesses (Babrala, Cubatão and Freeport), more than offset by higher fixed costs.

Yara Improvement program

At the end of second quarter 2018, the Yara Improvement Program has delivered USD 310 million of annual sustained benefits, up from USD 275 million reported end first quarter 2018. The increase reflects continued improvements in production reliability in addition to further procurement related savings. The total program is on track to reach the 2018 target of USD 350 million.

The improvements valued at current margins are roughly in line with the USD 310 million based on 2015 margins.

Variance analysis first half

USD millions	1H 2018
EBITDA 2018	666
EBITDA 2017	733
Reported EBITDA variance	(66)
Special items variance (see page 12 for details)	(31)
EBITDA ex special items variance	(35)
Volume	(11)
Price/Margin	153
Energy costs	(136)
Currency translation	(49)
Other	7
Total variance explained	(35)

Yara delivered weaker first-half results compared with a year earlier. EBITDA excluding special items was 5% lower as higher sales prices were more than offset by higher energy prices and a weaker US dollar.

Total fertilizer deliveries were 2% higher compared to a year earlier. Adjusted for the Babrala (India) and Cubatão (Brazil) acquisitions, fertilizer deliveries were 2% lower than a year ago driven primarily by lower deliveries in Brazil. Industrial deliveries were 8% higher compared to first half last year. Adjusted for the Cubatão acquisition in second quarter 2018, deliveries were 3% higher compared to first half last year.

Realized prices were higher compared to first half last year for all main product groups, but most of the price increase was offset by higher gas costs in Europe leaving overall margins only marginally higher compared to a year earlier.

Total ammonia production was 13% higher than first half last year. Adjusted for portfolio effects (Babrala, Cubatão and Freeport), production was 3% higher than first half last year mainly reflecting regularity improvements. Finished fertilizer production increased 6% compared to first half 2017. Adjusted for portfolio effects, finished fertilizer production was 1% lower than a year ago.

A weaker US dollar versus Yara's other main currencies during the first half of 2018 resulted in a negative translation effect on Yara's fixed cost.

A net EBITDA impact of around USD 20 million coming from the Babrala and Cubatão acquisitions and the Freeport ammonia plant is included in the Other variance.

Financial items

USD millions	2Q 2018	2Q 2017	1H 2018	1H 2017
Interest income	20	18	40	38
Dividends and net gain/(loss) on securities	3	2	3	2
Interest income and other financial income	22	19	43	40
Interest expense	(28)	(16)	(50)	(32)
Net interest expense on net pension liability	(2)	(2)	(3)	(4)
Net foreign currency translation gain/(loss)	(302)	(18)	(294)	51
Other	(6)	(4)	(9)	(7)
Interest expense and foreign currency translation gain/(loss)	(338)	(40)	(357)	8
Net financial income/(expense)	(316)	(21)	(314)	48

Second-quarter net financial expense was USD 316 million compared with USD 21 million in the same quarter last year. The variance primarily reflects a net foreign currency translation loss of USD 302 million this quarter.

Interest expense was USD 12 million higher than a year earlier, mainly reflecting an average gross debt level around USD 1.5 billion higher.

The net foreign currency translation loss for the quarter was USD 302 million, reflecting currency rate changes from 31 March to 30 June 2018. The currency loss is a non-cash effect mainly resulting from a stronger US dollar, which is fundamentally positive for Yara.

The US dollar appreciated around 5% against both the euro and the Norwegian krone and 17% against the Brazilian real, generating a net loss of USD 192 million on Yara's US dollar denominated debt positions. Internal funding positions, mainly in euro against Norwegian krone and in Brazilian real vs. both euro and Norwegian krone, generated a net loss of USD 110 million. Last year, gains on US dollar denominated debt positions against euro and Norwegian krone (as the USD depreciated against both currencies) offset losses due to the Brazilian real and other emerging market currencies depreciating against the US dollar and the euro.

Yara's US dollar debt generating currency effects in the income statement was approximately USD 3,200 million at the start of the third quarter 2018. Around 40% of the exposure was towards the Norwegian krone and around 30% against Yara's emerging market currencies.

First-half net financial expense was USD 314 million compared with an income of USD 48 million in the same period last year. The variance is primarily explained by a net foreign currency translation loss of USD 294 million compared with a net gain of USD 51 million a year ago.

Net interest-bearing debt

USD millions	2Q 2018	1H 2018
Net interest-bearing debt at beginning of period	(2,879)	(2,367)
Cash earnings [1]	159	455
Dividends received from equity-accounted investees	26	98
Net operating capital change	388	213
Acquisition of Cubatão	(278)	(278)
Acquisition of Babrala	-	(435)
Other investments (net)	(353)	(654)
Yara dividend	(219)	(219)
Other, including foreign currency translation gain/(loss)	3	33
Net interest-bearing debt at end of period	(3,153)	(3,153)

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

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 was USD 3,153 million, up from USD 2,879 million at the end of the first quarter 2018. The increase reflects the acquisition of Cubatão in addition to other investments of USD 353 million, of which Rio Grande plant modernization and the Salitre mining project in Brazil amounted to around USD 120 million.

Working capital decreased during the quarter, reflecting seasonal accumulation of customer prepayments in Brazil.

The debt/equity ratio at the end of second quarter 2018, calculated as net interest-bearing debt divided by shareholders' equity plus non-controlling interests, was 0.35 compared with 0.30 at the end of first quarter 2018.

Outlook

Although prices have increased recently, global urea supply increases are strong in 2018, and gas cost has increased in many regions including Europe. Based on current forward markets for natural gas (10 July) Yara's spot-priced gas costs for third and fourth quarter 2018 are expected to be respectively USD 100 million higher and USD 70 million higher than a year earlier. The estimates may change depending on future spot gas prices.

Although global new capacity additions are almost halved compared with last year, higher utilization of existing capacity (e.g. in North Africa) contributes to an overall projected production increase for 2018 well above trend demand growth. Also, nitrogen demand growth has been muted during the recent 3 years, and food prices remain at low levels. The FAO cereal and dairy price indices are higher than a year ago, but the overall food price index is slightly lower.

Yara's near-term strategic focus is on delivering its on-going improvement and growth pipeline. Applying average 2015 market prices, the Improvement program has to date delivered approximately USD 310 million of the targeted minimum USD 500 million of annual EBITDA improvement (USD 1.25 net income per share) within 2020.

Yara's growth investments reach their peak this year, with strong earnings contribution from 2019 onwards as a total of 7 plant expansions and M&A come on stream in 2018, with an annualized 1.4 million tonnes of new ammonia production and 3.1 million tonnes of new finished fertilizer production. Applying average 2015 market prices, the growth pipeline is expected in 2018 to deliver approximately USD 150 million of the targeted USD 600 million of annual EBITDA improvement (USD 0.90 net income per share).

Beyond 2018, the global urea supply-demand balance looks set to gradually improve. Nitrogen supply growth is forecast to reduce significantly after 2018, and current nitrogen price levels do not provide economic incentives for new investment. Also, demand growth is likely to pick up compared with the last 3 years, as global grain stocks are relatively low, particularly excluding China, and increased production is needed to keep pace with growing consumption.

Yara's longer-term strategic focus will be on crop nutrition leadership; growing sustainable solutions to farmers and industry while delivering a superior return on capital with a strong focus on capital discipline and active portfolio management. As part of this focus, solution selling including digital farming tools and services will be important growth vehicles for Yara to reach more farmers.

Risk and uncertainty

As described in Yara's Annual Report for 2017 Yara's total risk exposure is analyzed 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. The risks and uncertainties for the remaining six months of the year are described in Outlook.

Related parties

Note 35 in the annual report for 2017 provides details of related parties. During the first half of 2018 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, 16 July 2018

Geir Isaksen Chairperson	Maria Moræus Hanssen Vice chair	John Thuestad Board member	Hilde Bakken Board member
Geir O. Sundbø Board member	Trond Berger 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 USD 5 million per item within a 12 month period. "Contract derivatives" are commodity-based derivative gains or losses (see above) which are not the result of active exposure or position management by Yara. These are defined as special items regardless of amount.

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. Tax effect on foreign currency and special items is calculated based on relevant statutory tax rate for the sake of simplicity.

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

Reconciliations of alternative performance measures are provided on page 34 to 36.

Special items

	EBITDA effect				Operating income effect			
USD millions	2Q 2018	2Q 2017	1H 2018	1H 2017	2Q 2018	2Q 2017	1H 2018	1H 2017
Stamp duty on purchase of Babrala (India)	(0)	-	(9)	-	(0)	-	(9)	-
Asset impairment write-down	-	-	-	-	(14)	(5)	(14)	(6)
Restructuring costs	(10)	-	(10)	-	(10)	-	(10)	-
Total Crop Nutrition	(10)	-	(19)	-	(24)	(5)	(33)	(6)
Restructuring costs	(9)	-	(9)	-	(9)	-	(9)	-
Total Industrial	(9)	-	(9)	-	(9)	-	(9)	-
Contract derivatives gain/(loss)	1	2	2	(12)	1	2	2	(12)
Refund of energy intensive tax	-	12	-	12	-	12	-	12
Asset impairment write-down	-	-	-	-	(6)	(12)	(6)	(12)
QAFCO tax adjustment	(7)		(7)	-	-	-	-	-
Total Production	(6)	14	(4)	-	(5)	2	(3)	(12)
Total Yara	(24)	14	(32)	-	(37)	(3)	(44)	(17)

Condensed consolidated interim statement of income

USD millions, except share information	Notes	2Q 2018	2Q 2017	1H 2018	1H 2017	2017
Revenue	3	3,185	2,744	6,023	5,440	11,358
Other income	6	6	12	23	14	55
Commodity based derivatives gain/(loss)		1	2	3	(12)	(13)
Revenue and other income		3,192	2,759	6,048	5,442	11,400
Raw materials, energy costs and freight expenses		(2,489)	(2,070)	(4,596)	(4,055)	(8,547)
Payroll and related costs		(312)	(257)	(613)	(518)	(1,090)
Depreciation and amortization	6	(199)	(178)	(401)	(348)	(724)
Impairment loss	6,7	(20)	(18)	(23)	(19)	(60)
Other operating expenses		(133)	(106)	(244)	(193)	(521)
Operating costs and expenses		(3,154)	(2,629)	(5,877)	(5,132)	(10,942)
Operating income		38	130	171	310	457
Share of net income in equity-accounted investees		17	7	27	16	29
Interest income and other financial income		22	19	43	40	77
Earnings before interest expense and tax (EBIT)		77	156	242	366	563
Foreign currency translation gain/(loss)		(302)	(18)	(294)	51	99
Interest expense and other financial items		(36)	(22)	(63)	(43)	(82)
Income before tax		(261)	115	(115)	374	581
Income tax		45	(35)	12	(97)	(99)
Net income		(216)	80	(103)	277	482
Net income attributable to						
Shareholders of the parent		(211)	82	(96)	283	477
Non-controlling interests		(5)	(2)	(7)	(5)	5
Net income		(216)	80	(103)	277	482
Basic earnings per share [1)]		(0.77)	0.30	(0.35)	1.03	1.75
Weighted average number of shares outstanding	2	273,217,830	273,217,830	273,217,830	273,217,830	273,217,830

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

Condensed consolidated interim statement of comprehensive income

USD millions	2Q 2018	2Q 2017	1H 2018	1H 2017	2017
Net income	(216)	80	(103)	277	482
Other comprehensive income that may be reclassified to statement of income (net of tax)					
Currency translation adjustments	(174)	95	(211)	133	235
Hedge of net investments	(30)	15	3	16	33
Share of other comprehensive income of equity-accounted investees, excluding remeasurements	(0)	2	(0)	2	4
Net other comprehensive income/(loss) that may be reclassified to statement of income in subsequent periods, net of tax	(204)	112	(208)	151	273
Other comprehensive income that will not be reclassified to statement of income in subsequent periods (net of tax)					
Currency translation adjustments [1)]	(107)	30	15	33	85
Net gain/(loss) on equity instruments at fair value through other comprehensive income	(1)	(0)	(3)	(0)	(1)
Remeasurement gains/(losses) on defined benefit plans	-	-	-	-	64
Net other comprehensive income that will not be reclassified to statement of income in subsequent periods, net of tax	(108)	29	12	33	148
Reclassification adjustments of the period					
Cash flow hedges	0	0	0	0	1
Total other comprehensive income, net of tax	(312)	141	(196)	184	421
Total comprehensive income, net of tax	(528)	222	(298)	461	903
Total comprehensive income attributable to					
Shareholders of the parent	(496)	232	(265)	469	900
Non-controlling interests	(32)	(10)	(33)	(7)	3
Total	(528)	222	(298)	461	903

[1)] Currency translation adjustments that will not be reclassified to statement of income are related to entities with functional currency NOK as these are not classified as "foreign operations" to Yara International ASA.

Condensed consolidated interim statement of changes in equity

USD millions	Share Capital[1]	Premium paid-in capital	Currency translation adjustments	Fair value reserve of financial assets at FVOCI [2]	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 2016	66	(49)	(1,321)	2	(8)	(192)	(1,520)	10,150	8,647	270	8,917
Net income	-	-	-	-	-	-	-	283	283	(5)	277
Other comprehensive income, net of tax	-	-	168	-	-	16	184	-	184	(2)	182
Share of other comprehensive income of equity-accounted investees	-	-	-	-	2	-	2	-	2	-	2
Total other comprehensive income, net of tax	-	-	168	-	2	16	186	-	186	(2)	184
Long term incentive plan	-	-	-	-	-	-	-	1	1	-	1
Transactions with non-controlling interests	-	-	-	-	-	-	-	(1)	(1)	(2)	(3)
Share capital increase in subsidiary, non-controlling interest	-	-	-	-	-	-	-	-	-	9	9
Dividends distributed	-	-	-	-	-	-	-	(321)	(321)	(0)	(322)
Balance at 30 June 2017	66	(49)	(1,154)	1	(6)	(176)	(1,334)	10,112	8,795	269	9,064
Net income	-	-	-	-	-	-	-	194	194	10	205
Other comprehensive income, net of tax	-	-	154	(1)	1	17	171	64	235	-	235
Share of other comprehensive income of equity-accounted investees	-	-	-	-	2	-	2	-	2	-	2
Total other comprehensive income, net of tax	-	-	154	(1)	2	17	173	64	237	-	237
Long term incentive plan	-	-	-	-	-	-	-	(1)	(1)	-	(1)
Balance at 31 December 2017	66	(49)	(1,000)	-	(3)	(159)	(1,161)	10,369	9,225	280	9,505
IFRS 9 and IFRS 15 implementation effect [3]								(4)	(4)		(4)
Net income	-	-	-	-	-	-	-	(96)	(96)	(7)	(103)
Other comprehensive income, net of tax	-	-	(170)	(3)	-	3	(169)	-	(169)	(27)	(195)
Share of other comprehensive income of equity-accounted investees	-	-	(0)	-	-	-	(0)	-	(0)	-	(0)
Total other comprehensive income, net of tax	-	-	(170)	(3)	-	3	(169)	-	(169)	(27)	(196)
Long term incentive plan	-	-	-	-	-	-	-	1	1	-	1
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	(1)	(2)
Dividends distributed	-	-	-	-	-	-	-	(219)	(219)	(2)	(221)
Balance at 30 June 2018	66	(49)	(1,169)	(3)	(3)	(155)	(1,330)	10,050	8,737	243	8,980

[1] Par value 1.70.

[2] Gains or losses on investments in equity instruments for which the Group has elected to present changes in fair value in OCI, will no longer be transferred to profit or loss upon derecognition of the equity instrument.

[3] Please see Accounting Policies page 19 and 20 for further information.

Condensed consolidated interim statement of financial position

USD millions	Notes	30 Jun 2018	30 Jun 2017	31 Dec 2017	31 Dec 2016
Assets					
Non-current assets					
Deferred tax assets		410	355	371	300
Intangible assets	5	1,134	1,091	1,106	1,067
Property, plant and equipment	5,6,7	8,322	7,432	7,967	6,939
Equity-accounted investees		1,030	1,051	1,096	1,067
Other non-current assets		472	368	460	377
Total non-current assets		11,369	10,298	11,000	9,750
Current assets					
Inventories	8	2,376	2,263	2,229	2,042
Trade receivables	5	1,638	1,264	1,398	1,200
Prepaid expenses and other current assets		638	604	607	559
Cash and cash equivalents		998	274	544	436
Non-current assets and disposal group classified as held-for-sale		4	10	4	11
Total current assets		5,653	4,415	4,783	4,247
Total assets		17,022	14,713	15,783	13,997

Condensed consolidated interim statement of financial position

USD millions, except share information	Notes	30 Jun 2018	30 Jun 2017	31 Dec 2017	31 Dec 2016
Equity and liabilities					
Equity					
Share capital reduced for treasury stock		66	66	66	66
Premium paid-in capital		(49)	(49)	(49)	(49)
Total paid-in capital		17	17	17	17
Other reserves		(1,330)	(1,334)	(1,161)	(1,520)
Retained earnings		10,050	10,112	10,369	10,150
Total equity attributable to shareholders of the parent		8,737	8,795	9,225	8,647
Non-controlling interests		243	269	280	270
Total equity	2	8,980	9,064	9,505	8,917
Non-current liabilities					
Employee benefits		436	461	439	473
Deferred tax liabilities		481	575	502	511
Other long-term liabilities		161	168	169	163
Long-term provisions	5,10	179	104	115	97
Long-term interest-bearing debt	9	3,119	1,752	2,429	1,625
Total non-current liabilities		4,376	3,060	3,654	2,869
Current liabilities					
Trade and other payables		1,815	1,465	1,652	1,414
Prepayments from customers		640	447	265	300
Current tax liabilities		22	39	62	62
Short-term provisions	10	84	39	90	38
Other short-term liabilities		71	68	75	100
Bank loans and other interest-bearing short-term debt		462	491	439	270
Current portion of long-term debt		570	40	43	28
Total current liabilities		3,665	2,589	2,625	2,211
Total equity and liabilities		17,022	14,713	15,783	13,997
Number of shares outstanding	2	273,217,830	273,217,830	273,217,830	273,217,830

Condensed consolidated interim statement of cash flows

USD millions	Notes	2Q 2018	2Q 2017	1H 2018	1H 2017	2017
Operating activities						
Operating income		38	130	171	310	457
Adjustments to reconcile operating income to net cash provided by operating activities						
Depreciation and amortization		199	178	401	348	724
Impairment loss		20	18	23	19	60
Write-down and reversals, net		6	1	(5)	0	24
Tax paid		(48)	(33)	(70)	(135)	(196)
Dividend from equity-accounted investees		26	5	98	7	8
Change in net operating capital [1]		383	142	218	4	(127)
Interest and bank charges received/(paid)		(53)	(30)	(60)	(26)	(63)
Other		(48)	(98)	(21)	(102)	(96)
Net cash provided by operating activities		523	312	757	426	791
Investing activities						
Purchases of property, plant and equipment		(345)	(312)	(652)	(611)	(1,341)
Cash outflow on business combinations	5	(237)	(8)	(661)	(8)	(23)
Purchases of other long-term investments		(12)	(13)	(34)	(21)	(55)
Proceeds from sales of property, plant and equipment		1	6	4	7	13
Proceeds from sales of other long-term investments		3	6	17	8	56
Net cash used in investing activities		(589)	(322)	(1,325)	(625)	(1,350)
Financing activities						
Loan proceeds/(repayments), net	9	779	276	1,235	347	966
Dividend	2	(219)	(321)	(219)	(321)	(321)
Other cash transfers (to)/from non-controlling interests		(2)	4	(2)	6	6
Net cash from/(used in) financing activities		558	(41)	1,014	31	651
Foreign currency effects on cash and cash equivalents		(14)	2	8	6	16
Net increase/(decrease) in cash and cash equivalents		476	(49)	454	(161)	109
Cash and cash equivalents at beginning of period		521	323	544	436	436
Cash and cash equivalents at end of period		998	274	998	274	544
Bank deposits not available for the use of other group companies		-	-	16	22	24

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

The Board of Directors and Chief Executive Officer
Yara International ASA
Oslo, 16 July 2018

Geir Isaksen Chairperson	Maria Moræus Hanssen Vice chair	John Thuestad Board member	Hilde Bakken Board member
Geir O. Sundbø Board member	Trond Berger Board member	Rune Bratteberg Board member	Kjersti Aass Board member

Svein Tore Holsether
President and CEO

Notes to the condensed consolidated interim financial statements

GENERAL AND ACCOUNTING POLICIES

Yara (the Group) consists of Yara International ASA and its subsidiaries. Yara International ASA is a public limited company incorporated in Norway. The address of its registered office is Drammensveien 131, Oslo, Norway.

These unaudited, condensed consolidated interim financial statements consist of the Group and the Group's interests in associated companies and joint arrangements. They are prepared in accordance with International Accounting Standard 34 Interim Financial Reporting, and should be read in conjunction with the annual consolidated financial statements in Yara's Annual Report for 2017. Except for the changes and additions described below, the accounting policies applied are the same as those applied in the annual consolidated financial statements 2017.

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

Change of presentation currency

Yara has from 2018 changed the presentation currency of the consolidated financial statements from Norwegian kroner (NOK) to US dollars (USD). The change in presentation currency is accounted for retrospectively as a change in accounting policy. Please see note 10 for more information.

Implementation of IFRS 9 Financial Instruments

The Yara Group has adopted IFRS 9 Financial Instruments for reporting periods beginning on and after 1 January 2018. IFRS 9 has replaced IAS 39 Financial Instruments: Recognition and Measurement. The new standard sets out new requirements for the accounting of financial instruments including classification, measurement, impairment and hedge accounting.

Under IFRS 9 Yara classifies financial assets based on the business model in which they are managed and their contractual cash flows. The principal categories of financial assets under IFRS 9 are amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). In accordance with the expected loss impairment model introduced by IFRS 9, Yara records lifetime expected credit losses on all trade and lease receivables (the simplified approach). On other receivables, loans and deposits, Yara records 12 months expected credit losses and lifetime expected credit losses only if there has been a significant increase in credit risk since initial recognition (the general approach). Yara has further applied the hedge accounting requirements of IFRS 9 which aim to reflect risk management activities and allow more hedging instruments and hedged items to qualify for hedge accounting.

Yara has not identified a significant impact on the Group's statement of financial position and equity as a result of implementation of the new standard. However, the adoption of an expected loss impairment model has increased the loss allowance to some extent. Please see note 38 New Accounting Standards in Yara's annual consolidated financial statements 2017 for more information.

Yara has taken advantage of the practical expedient under IFRS 9 which allows to only adjust the opening balance of equity at the date of initial application 1 January 2018. Hence, no comparative information is restated.

Implementation of IFRS 15 Revenue from Contracts with customers

The Yara Group has adopted IFRS 15 Revenue from Contracts with Customers for reporting periods beginning on and after 1 January 2018. IFRS 15 has replaced IAS 18 Revenue, IAS 11 Construction contracts, and related interpretations. The new Standard establishes a new set of principles that shall be applied to report information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Under IFRS 15 Yara measures revenue based on the consideration specified in the contract with the customer and recognizes revenue when the Group transfers control of a product or service to a customer.

Yara has not identified a significant impact to the Group's statement of financial position and equity as a result of implementation of the new standard. As a result, these interim financial statements do not include detailed disclosures of the amounts by which line items are affected by the application of IFRS 15 compared to revenue standards no longer in effect. Please see note 38 New Accounting Standards in Yara's annual consolidated financial statements 2017 for more information.

Yara has applied the cumulative effect implementation approach and adjusted the opening balance of equity at the date of initial application 1 January 2018 with the effect of implementation. Hence, no comparative information is restated.

The nature of Yara revenues is categorized as follows:

- *Sale of fertilizer and chemical products*
  Yara sells fertilizer and chemical products to customers worldwide. Please see note 5 Segment information in the annual consolidated financial statements 2017 for more information. Revenue is recognized when the control of the products is transferred to the customer. This is normally determined by the incoterm used in the sales transactions. The use of incoterms varies between regions, markets and customers, but products are typically sold ex-warehouse.

  Contracts with larger customers often include sales incentives. Volume discounts are the dominant sales incentives used by Yara. The discounts may have prospective or retrospective effect. Volume discounts with retrospective effect are systematically accrued and recognized as reduction of revenue based on the best estimate of the amounts potentially due to the customer. If the discount cannot be reliably estimated, revenue is reduced by the maximum potential discount.

  Products are normally sold with standard warranties which provide protection to the customers that the product have the agreed-upon specifications. These standard warranties are accounted for using IAS 37 Provisions, contingent Liabilities and Contingent Assets. The Group does not have any other significant obligations for returns or refunds.

  The majority of sales in the Group have credit terms of less than 90 days.

- *Freight/insurance services*
  Yara arranges delivery to the customers location using different incoterms. When the Group uses incoterms which transfer the responsibility for the goods to the customer before the freight/insurance service is delivered (C-incoterms), Yara normally considers the freight/insurance service to be a distinct service which shall be accounted for as a separate performance obligation based on stand-alone selling prices. The corresponding revenue is recognized over time to the extent the freight/insurance service is performed. However, the timing effects are limited since the majority of deliveries to the customer's location are done within days. Shipping and handling activities that occur before customers take control of the goods are considered to be part of fulfilling the sale of the goods.

- *Other products and services*
  Other products and services include a number of different offerings including equipment and services to store and handle product and technology offerings in Yara's Environmental Solutions Business. Revenues from sale of equipment are recognized upon delivery to the customer. Revenues from sale of services are recognized over time as the service is performed. Revenues from technology offerings in Yara's Environmental Solutions Business are recognized over time using the percentage of completion method if they meet the criteria for over time recognition in IFRS 15. If offerings represent multiple element arrangements they are analyzed to identify distinct goods or services that shall be accounted for as separate performance obligations.

Urea sales in India

The business combination of Tata Chemicals Limited's urea business in India was closed 12 January 2018. The acquired business manufactures and sells urea to dealers who in turn sell to farmers and retailers. Yara sells urea under a pricing scheme policy issued by the Government of India ("GoI"). This policy aims to promote balanced nutrient application and sustained agricultural growth by making urea available to farmers across India at affordable prices on a timely basis.

The price at which Yara can sell urea to registered dealers under the pricing scheme policy is regulated and determined by GoI. This price is generally less than the cost of production and GoI provides a compensation based on a predefined method considering the sales price set by GoI to be charged registered dealers, the cost for natural gas, other variable cost (including cost of bags, water, electricity and freight) and fixed cost.

Control of goods transfers at the time the registered dealer receives the goods. The consideration received is based on the dealer's receipt of goods and constitutes of the fixed sales price to be paid by the registered dealer and the estimated compensation to be paid by GoI. As Yara has the inventory risk and controls the goods until they are delivered to the registered dealers, the compensation from GoI is presented gross in the consolidated statement of income.

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 2017.

Note 2 Shares, dividend and share buy-back program

The Annual General Meeting in May 2018 approved a dividend for 2017 of NOK 1,776 million (NOK 6.50 per share), which has been paid out during second quarter 2018 (USD 219.4 million).

On 11 May 2017, the Annual General Meeting authorized the Board of Directors to acquire up to 13,660,891 shares in the open market and from the Norwegian State. The purchase price shall not be less than NOK 10 nor more than NOK 1,000. 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 shares bought back. Yara did not purchase own shares under the 2017 buy-back program.

On 8 May 2018, 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 from NOK 10 to NOK 1,000. The shares 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 shares bought back.

Yara has not purchased own shares under the 2018 buy-back program.

	Ordinary shares	Own shares
Total at 31 December 2016	273,217,830	-
Total at 31 December 2017	273,217,830	-
Total at 30 June 2018	273,217,830	-

Note 3 Operating segment information

USD millions	2Q 2018	2Q 2017	1H 2018	1H 2017	2017
External revenue and other income					
Crop Nutrition	2,361	2,046	4,474	4,109	8,670
Industrial	522	445	1,006	912	1,846
Production	308	270	567	422	891
Other and eliminations	1	(2)	1	(1)	(7)
Total	3,192	2,759	6,048	5,442	11,400
Internal revenue and other income					
Crop Nutrition	32	43	64	92	191
Industrial	4	4	8	6	16
Production	1,116	979	2,252	2,097	4,136
Other and eliminations	(1,152)	(1,026)	(2,324)	(2,195)	(4,342)
Total	-	-	-	-	-
Revenue and other income					
Crop Nutrition	2,393	2,089	4,538	4,201	8,861
Industrial	526	449	1,014	918	1,862
Production	1,424	1,249	2,819	2,519	5,026
Other and eliminations	(1,151)	(1,028)	(2,323)	(2,196)	(4,349)
Total	3,192	2,759	6,048	5,442	11,400
Operating income					
Crop Nutrition	88	69	180	153	306
Industrial	47	39	95	79	118
Production	(82)	18	(101)	103	77
Other and eliminations	(15)	4	(3)	(25)	(44)
Total	38	130	171	310	457
EBITDA					
Crop Nutrition	153	118	295	243	492
Industrial	54	44	107	89	158
Production	95	180	252	416	722
Other and eliminations	(6)	10	13	(15)	(23)
Total	296	352	666	733	1,348
Investments 1)					
Crop Nutrition	100	49	446	93	272
Industrial	2	10	5	16	35
Production	558	319	733	527	1,165
Other and eliminations	13	6	20	16	33
Total	673	384	1,204	652	1,505
Total Assets 2)					
Crop Nutrition			4,797	4,126	4,223
Industrial			644	609	596
Production			10,636	9,771	10,484
Other and eliminations			945	207	480
Total			17,022	14,713	15,783

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.

	1H 2018	1H 2017	2017
CROGI (12-month rolling average)			
Yara [1)]	6.4%	6.8%	7.0%
Crop Nutrition	12.0%	13.1%	11.9%
Industrial	28.3%	31.5%	26.2%
Production	3.8%	4.5%	4.9%
ROCE (12-month rolling average)			
Yara [1)]	3.0%	3.6%	4.0%
Crop Nutrition	9.5%	11.1%	9.6%
Industrial	26.7%	34.5%	23.5%
Production	(0.8)%	0.1%	1.0%

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.

Reconciliation of operating income to EBITDA

USD millions	Operating income	Equity accounted investees	Interest income and other financial income	EBIT	Depreciation and amortization[1)]	Impairment loss [2)]	EBITDA
2Q 2018							
Crop Nutrition	88	5	14	108	32	14	153
Industrial	47	0	3	51	3	0	54
Production	(82)	11	1	(70)	158	6	95
Other and eliminations	(15)	-	4	(11)	6	-	(6)
Total	38	17	22	77	199	20	296
2Q 2017							
Crop Nutrition	69	4	12	86	26	6	118
Industrial	39	2	0	41	3	-	44
Production	18	1	5	23	145	12	180
Other and eliminations	4	-	2	6	4	-	10
Total	130	7	19	156	178	18	352
1H 2018							
Crop Nutrition	180	4	30	214	65	15	295
Industrial	95	0	5	100	6	0	107
Production	(101)	24	3	(74)	317	8	252
Other and eliminations	(3)	-	4	1	12	-	13
Total	171	27	43	242	401	24	666
1H 2017							
Crop Nutrition	153	3	28	184	52	7	243
Industrial	79	3	1	83	6	0	89
Production	103	10	9	122	283	12	416
Other and eliminations	(25)	-	2	(22)	8	-	(15)
Total	310	16	40	366	348	19	733
2017							
Crop Nutrition	306	3	56	365	107	20	492
Industrial	118	6	3	127	12	19	158
Production	77	20	15	112	588	22	722
Other and eliminations	(44)	-	4	(40)	17	-	(23)
Total	457	29	77	563	724	60	1,348

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

2) Including impairment loss on excess value in equity-accounted investees.

Disaggregation of external revenues by nature

USD millions	Fertilizer and chemical products	Freight/ insurance services	Other products and services	Total
2Q 2018				
Crop Nutrition	2,277	75	7	2,359
Industrial	456	44	23	522
Production	258	28	16	303
Other and eliminations	0	-	1	1
Total	2,991	147	47	3,185
1H 2018				
Crop Nutrition	4,324	136	11	4,471
Industrial	904	65	37	1,006
Production	468	41	35	544
Other and eliminations	0	-	2	2
Total	5,696	243	84	6,023

Disaggregation of external revenues by geographical area

USD millions	Europe	Brazil	Latin America ex. Brazil	Asia	North America	Africa	Total
2Q 2018							
Crop Nutrition	737	497	281	385	314	144	2,359
Industrial	315	54	28	32	61	32	522
Production	28	96	8	90	80	-	303
Other and eliminations	1	-	-	-	-	-	1
Total	1,081	648	318	507	456	176	3,185
2Q 2017							
Crop Nutrition	562	620	262	225	259	115	2,043
Industrial	305	14	27	18	48	32	445
Production	23	60	6	81	74	14	258
Other and eliminations	(2)	-	-	-	-	-	(2)
Total	889	694	295	324	380	162	2,744
1H 2018							
Crop Nutrition	1,505	986	464	710	545	261	4,471
Industrial	628	77	54	57	125	65	1,006
Production	59	143	18	162	163	-	544
Other and eliminations	2	-	-	-	-	-	2
Total	2,194	1,206	535	929	833	326	6,023
1H 2017							
Crop Nutrition	1,331	1,163	450	449	476	238	4,106
Industrial	597	33	58	43	122	59	912
Production	49	84	14	138	114	23	422
Other and eliminations	1	-	-	-	-	-	1
Total	1,979	1,280	521	629	712	319	5,440
2017							
Crop Nutrition	2,562	2,945	940	892	820	494	8,653
Industrial	1,199	76	106	95	242	127	1,846
Production	100	236	26	269	200	23	854
Other and eliminations	5	-	-	-	-	-	5
Total	3,867	3,257	1,072	1,256	1,262	644	11,358

Note 4 Business initiatives

Acquisitions

The acquisitions of Babrala and Cubatão were closed on 12 January 2018 and 15 May 2018 respectively, see note 5 for further information.

Other business initiatives

Yara and Arab Potash Company (APC), the Jordan-based potash producer have in 2018 signed a Memorandum of Understanding (MoU) for mutual cooperation in the field of potassium nitrate production and sales. The parties will explore and evaluate the possibility of doubling the production capacity of Kemapco, the potassium nitrate producing subsidiary of APC. Yara is targeting a minority position (30 percent) in Kemapco with a 100 percent distribution and marketing agreement for Yara. Potassium nitrate is a key product in solutions for fertigation, a fast growing segment that Yara and Kemapco aim to develop further through this collaboration. Kemapco is a subsidiary of the Arab Potash Company, and operates a single potassium nitrate plant in Aqaba, Jordan. Production in 2017 amounted to 130 kilotonnes potassium nitrate, with sales amounting to about USD 105 million.

Note 5 Business combinations

The business combination of Tata Chemicals Limited's urea business in India was closed 12 January 2018. 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 acquisition is reported in the Crop Nutrition segment.

The business combination of the Vale Cubatão Fertilizantes complex in Brazil was closed 15 May 2018. The Cubatão asset is a nitrogen and phosphate complex with an annual production capacity of approximately 200 kilotonnes of ammonia, 500 kilotonnes of nitrates and 700 kilotonnes of phosphate fertilizer. The acquisition brings nitrogen production assets into Yara's growing portfolio in Brazil, strengthening and growing Yara's integrated position within both industrial and fertilizer markets. The production assets are reported in the Production segment, while sales are reported in Industrial and Production segments.

Consideration

USD millions	Babrala	Cubatão
Cash transferred at closing	421	255
Net working capital adjustment	(9)	(12)
Total consideration	412	243

Net working capital adjustments for both the Babrala acquisition and the Cubatão acquisition have been preliminarily determined and may be subject to changes.

Acquisition costs of USD 0.8 million for the Vale Cubatão acquisition and USD 8.7 million for the Babrala acquisition have been excluded from the consideration transferred and recognized as an expense within 'Other operating expenses' in the consolidated interim statement of income. Transaction costs related to the Babrala acquisition is mainly stamp duties and may be subject to change. Integration and acquisition-related costs for the Babrala acquisition of USD 2.2 million have been recognized in previous years.

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

The purchase price allocation is preliminarily determined and may be subject to changes.

USD millions	Babrala 12 January 2018	Cubatão 15 May 2018
Assets		
Deferred tax asset	-	2
Distribution network	31	-
Patents and technologies, part of intangible assets	-	4
Property, plant and equipment	213	269
Inventories	4	67
Trade receivables [1)]	119	34
Prepaid expenses and other current assets	15	5
Cash and cash equivalents	-	18
Total assets	383	399
Liabilities		
Employee benefits	-	5
Long-term provisions	-	48
Trade and other payables	17	37
Prepayments from external customers / deferred revenue	-	22
Other short-term liabilities	6	-
Short-term provisions	-	3
Bank loans and other interest-bearing short-term debt	-	41
Total liabilities	23	156
Total identifiable net assets at fair value	360	243

1) For Babrala acquisition, the amount consists mainly of receivables under the pricing scheme policy of Government of India, see Accounting Policies on page 19.

The receivables acquired in the business combination of Babrala have a fair value of USD 4 million lower than the gross contractual amount of USD 123 million. The receivables acquired in the business combination of Vale Cubatão have a gross contractual amount approximately equal to their fair value.

Goodwill arising on acquisition

USD millions	Babrala	Cubatão
Total consideration	412	243
Fair value of net identifiable assets acquired	360	243
Goodwill arising on acquisition	52	-

Goodwill of the Babrala acquisition consists of Yara specific synergies and future benefits from the assembled workforce, in addition to 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.

Net cash outflow on acquisition

USD millions	Babrala	Cubatão
Consideration paid in cash at date of acquisition	(421)	(255)
Paid stamp duties	(3)	-
Cash and cash equivalent balances acquired	-	18
Net cash outflow on acquisition of subsidiaries	(424)	(237)

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

Impact of the acquisition on total assets of the Group

USD millions	Babrala	Cubatão
Consolidated identifiable assets	383	399
Goodwill arising on the acquisition	52	-
Total impact on the total assets of the Group	435	399

Impact of the acquisition on the results of the Group

USD millions	Babrala	Cubatão
Included in year-to-date consolidated figures		
Revenues	169	55
of which internal revenues	-	4
EBITDA	12	9
Net income/(loss) before tax	(5)	5

The Babrala result is negatively impacted by USD 8.7 million in stamp duties directly related to the business combination.

Pro forma figures

If the Babrala acquisition had taken place at the beginning of the year, rather than on 12 January 2018, the effect on Yara's 'pro-forma' year-to-date consolidated income before tax would not be material.

If the Vale Cubatão acquisition had taken place at the beginning of the year, Yara's 'pro-forma' year-to-date revenues and consolidated income before tax would have increased/(decreased) with:

USD millions	Cubatão [1]
Revenues	117
Consolidated income before tax	(13)

1) The pro forma figures are preliminary determined.

In determining the pro forma revenues and net income before tax, the following adjustments have been made:

- calculated depreciation of tangible and intangible assets acquired on the basis of fair values arising in the initial accounting for the business combination rather than the carrying amounts recognized in the pre-acquisition financial statements.
- calculated increased interest expense on debt used for financing the acquisition of shares.
- calculated unwinding expense of decommissioning liabilities based on liabilities recognized at acquisition rather than on decommissioning liabilities recognized in the pre-acquisition financial statements.
- eliminating sales from Vale Cubatão to Yara Brazil during the period 1 January to 15 May 2018.

Note 6 Specifications to the condensed consolidated interim statement of income

Other income

USD millions	2Q 2018	2Q 2017	1H 2018	1H 2017	2017
Carbon tax refund	-	7	-	7	7
Sale of white certificates	3	1	18	1	14
Sale of land	-	-	-	-	10
Insurance compensations	-	-	-	-	14
Other	2	5	4	7	10
Total	6	12	23	14	55

Depreciation and amortization

USD millions	2Q 2018	2Q 2017	1H 2018	1H 2017	2017
Depreciation of property, plant and equipment	(186)	(167)	(375)	(326)	(678)
Amortization of intangible assets	(13)	(11)	(25)	(22)	(46)
Total depreciation and amortization	(199)	(178)	(401)	(348)	(724)

Impairment loss

USD millions	2Q 2018	2Q 2017	1H 2018	1H 2017	2017
Impairment loss tangible assets[1)]	(20)	(13)	(25)	(14)	(43)
Impairment loss goodwill and intangible assets	-	(6)	-	(6)	(19)
Reversal of impairment loss	0	1	1	1	2
Total impairment loss	(20)	(18)	(23)	(19)	(60)

1) See Note 7 for more information.

Note 7 Impairment of non-current assets

In second quarter 2018, Yara recognized impairment losses of USD 20 million. Of this amount, approximately USD 14 million is related to logistical assets in Crop Nutrition and reflects lower than expected return in certain local markets. The remaining impairment is related to plant assets in Production.

Impairment sensitivity disclosures were included in note 17 to the annual report for 2017. There are no major changes to this information except that the sensitive units Yara Pilbara Nitrates and Production Italy show reduced headroom at the end of second quarter 2018. Yara Pilbara Nitrates' newly built TAN plant with a carrying value of approximately USD 400 million (Yara's 50%), is currently not producing and repair work is ongoing. The company is still assessing the extent of necessary repairs to be carried out before the plant is able to operate at full capacity and the related financial impact. With a limited headroom, any unfavorable new information may reduce the value-in-use of the plant and trigger an impairment charge.

Note 8 Inventories

USD millions	30 Jun 2018	30 Jun 2017	31 Dec 2017
Finished goods	1,256	1,115	1,246
Work in progress	46	78	66
Raw materials	1,074	1,070	918
Total	2,376	2,263	2,229
Write-down			
Balance at 1 January	(27)	(16)	(16)
Reversal/(write-down), net	8	1	(9)
Foreign currency translation gain/(loss)	1	(1)	(2)
Closing balance	(18)	(16)	(27)

Note 9 Long-term debt

Contractual payments on long-term debt

USD millions	Debentures	Bank Loans	Capital lease and other LT loans	Total
2019	270	32	5	307
2020	-	46	6	52
2021	87	46	6	138
2022	293	199	3	494
2023	-	44	22	66
Thereafter	1,808	250	4	2,062
Total	2,457	618	45	3,119

In June, Yara completed a USD 1,000 million bond issue due 2028 with a coupon rate of 4.750% pursuant to rule 144A/ Regulation S. Net proceeds will be used for general corporate purposes, thereby increasing the financial flexibility and strengthening Yara's maturity profile.

Reconciliation of liabilities arising from financing activities

			Non cash changes					
USD millions	31 Dec 2017	Cash flows	Debt assumed as part of acquisition	Foreign exchange movement	Fair value changes	Amorti zation 1)	Reclassi fication 2)	30 Jun 2018
Long-term interest-bearing debt	2,429	1,234		(9)	1	(5)	(530)	3,119
Bank loans and other interest-bearing short-term debt	439	1	41	(19)	-	-	-	462
Current portion of long-term debt	43	-		(4)	-	-	530	570
Total liabilities from financing activities	2,911	1,235	41	(32)	1	(5)	-	4,151

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

Note 10 Provisions and contingencies

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. In addition, 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. Yara's contingent assets consist of expected proceeds from insurance claims and a take-or-pay compensation in a sales contract which has been disputed by the customer.

There are no significant changes to Yara's contingent liabilities and contingent assets compared with year end 2017.

Provisions

During second quarter 2018, Yara recognized a provision for restructuring costs of USD 19 million related to centralization of certain supply chain functions in Europe. Of this amount, USD 10 million is reported in the Crop Nutrition segment and USD 9 million is reported in the Industrial segment.

Note 11 Change of presentation currency

Yara has from 2018 changed the presentation currency of the consolidated financial statements from Norwegian kroner (NOK) to US dollars (USD). The change in presentation currency is accounted for retrospectively as a change in accounting policy. Comparative information for 2017 has been restated on the following basis:

- Assets and liabilities in non-USD currencies are translated into USD at the closing rates of exchange on the relevant balance sheet date;
- Non-USD income and expenditure are translated at the average rates of exchange prevailing for the relevant month;
- The cumulative hedging and translation reserves were set to nil at the date of Yara's transition to IFRS 1 January 2004 and then restated on the basis that Yara has reported in USD since that date;
- Share capital, premium paid-in capital and other reserves were translated at the historic rates prevailing at the - Hydro/Yara demerger date 25 March 2004, and subsequent rates prevailing on the date of each transaction;
- Upon the disposal of a foreign operation, accumulated translation adjustments arising from currency movements between the Group's presentation currency and the functional currency of the foreign operation are reclassified from equity to the income statement. With the change in presentation currency, these accumulated currency gains or losses are being calculated based on USD rather than NOK. However, no currency movements are reclassified upon disposal of NOK operations since the functional currency of Yara International ASA is NOK;
- Net investment hedge relationships are not impacted since neither the parent nor the related foreign operation have changed their functional currencies.

A separate appendix containing all restated historical figures was issued 1 March 2018. This appendix is available in the Investor Relations section on www.yara.com.

Effects of changes in reported net income

	Historical consolidated net income in NOK million	Consolidated net income in USD million [1]	Re-presentation in USD million	Restated consolidated net income in USD million
1Q 2017	1,692	201	(0)	201
2Q 2017	699	82	(0)	82
3Q 2017	709	90	0	90
4Q 2017	846	104	0	104
2017	3,948	477	0	477

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

Effects of changes in reported equity

31 December 2016	Historical consolidated financial statements in NOK million	Consolidated financial statements in USD million [1]	Re-presentation in USD million	Restated consolidated financial statements in USD million
Share capital reduced for treasury stock	464	54	12	66
Premium paid-in capital	117	14	(62)	(49)
Total paid-in capital	582	68	(50)	17
Other reserves	12,947	1,504	(3,023)	(1,520)
Retained earnings	60,916	7,076	3,074	10,150
Total equity attributable to shareholders of the parent	74,444	8,647	-	8,647
Non-controlling interests	2,326	270	-	270
Total equity	76,770	8,917	-	8,917

1) Translated at exchange rate NOK 8.6091 : USD 1 as of 31 December 2016.

31 December 2017	Historical consolidated financial statements in NOK million	Consolidated financial statements in USD million [1]	Re-presentation in USD million	Restated consolidated financial statements in USD million
Share capital reduced for treasury stock	464	57	9	66
Premium paid-in capital	117	14	(63)	(49)
Total paid-in capital	582	71	(54)	17
Other reserves	12,299	1,502	(2,663)	(1,161)
Retained earnings	62,660	7,652	2,717	10,369
Total equity attributable to shareholders of the parent	75,540	9,225	-	9,225
Non-controlling interests	2,290	280	-	280
Total equity	77,831	9,505	-	9,505

1) Translated at exchange rate NOK 8.1887 : USD 1 as of 31 December 2017.

Total equity is equal to the previously reported NOK equity, translated at the closing rate at the end of each reporting period. The different components are restated to reflect the change in presentation currency from the implementation of IFRS in 2004.

Responsibility statement

We confirm to the best of our knowledge, that the condensed set of interim consolidated financial statements at 30 June 2018 and for the six-month period 1 January to 30 June 2018 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, 16 July 2018

Geir Isaksen
Chairperson

Maria Moræus Hanssen
Vice chair

John Thuestad
Board member

Hilde Bakken
Board member

Geir O. Sundbø
Board member

Trond Berger
Board member

Rune Bratteberg
Board member

Kjersti Aass
Board member

Svein Tore Holsether
President and CEO

Quarterly historical information

EBITDA

USD millions	2Q 2018	1Q 2018	4Q 2017	3Q 2017	2Q 2017	1Q 2017
Crop Nutrition	153	141	103	147	118	124
Industrial	54	53	17	52	44	45
Production	95	157	224	81	180	237
Other and eliminations	(6)	18	(32)	23	10	(25)
Total	296	370	312	303	352	381

Results

USD millions, except per share information	2Q 2018	1Q 2018	4Q 2017	3Q 2017	2Q 2017	1Q 2017
Revenue and other income	3,192	2,856	2,936	3,021	2,759	2,683
Operating income	38	134	59	88	130	181
EBITDA	296	370	312	303	352	381
Net income after non-controlling interests	(211)	116	104	90	82	201
Basic earnings per share	(0.77)	0.42	0.38	0.33	0.30	0.73

Reconciliation of alternative performance measures

Please see page 11 and 12 for definitions of alternative performance measures.

Reconciliation of operating income to EBITDA and gross cash flow

		3-month rolling		12-month rolling		
USD millions		2Q 2018	2Q 2017	Jul 2017–Jun 2018	Jul 2016–Jun 2017	2017
Operating income		38	130	318	535	457
Share of net income in equity-accounted investees		17	7	41	(35)	29
Interest income and other financial income		22	19	81	82	77
Earnings before interest expense and tax (EBIT)		77	156	439	583	563
Depreciation and amortization 1)		199	178	777	700	724
Impairment loss 2)		20	18	65	55	60
Earnings before interest, tax and depreciation/amortization (EBITDA)		296	352	1,281	1,338	1,348
Income tax after tax on net foreign currency translation gain/(loss)		(33)	(43)	(52)	(169)	(76)
Gross cash flow	A	263	308	1,229	1,170	1,272

1) Including amortization of excess value in equity-accounted investees.
2) Including impairment loss on excess value in equity-accounted investees.

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

		3-month rolling		12-month rolling		
USD millions		2Q 2018	2Q 2017	Jul 2017 Jun 2018	Jul 2016–Jun 2017	2017
Net income attributable to shareholders of the parent		(211)	82	98	342	477
Non-controlling interests		(5)	(2)	4	(6)	5
Financial expense and foreign currency translation		338	40	348	78	(17)
Depreciation and amortization 1)		199	178	777	700	724
Impairment loss 2)		20	18	65	55	60
Tax effect on foreign currency translation		(78)	(8)	(63)	(1)	23
Gross cash flow	A	263	308	1,229	1,170	1,272
Annualized gross cash flow	B=Ax4	1,054	1,233			
12-month rolling	B			1,229	1,170	1,272

1) Including amortization of excess value in equity-accounted investees.
2) Including impairment loss on excess value in equity-accounted investees.

Reconciliation of total assets to gross investments and CROGI calculation

		3-month average		12-month average		
USD millions		2Q 2018	2Q 2017	Jul 2017 Jun 2018	Jul 2016–Jun 2017	2017
Total assets		16,626	14,646	15,755	14,369	14,847
Cash and cash equivalents		(614)	(302)	(434)	(529)	(327)
Other liquid assets		(0)	(0)	(1)	(0)	(0)
Deferred tax assets		(388)	(351)	(372)	(340)	(349)
Other current liabilities		(2,453)	(2,091)	(2,206)	(2,000)	(2,057)
Accumulated depreciation and amortization		6,666	5,773	6,423	5,702	5,984
Accumulated impairment loss		40	38	40	27	39
Gross investment 3-month average	C	19,876	17,712			
Gross investment 12-month average	C			19,206	17,230	18,136
CROGI (Cash Return on Gross Investment)	D=B/C	5.3 %	7.0 %	6.4 %	6.8 %	7.0 %

Reconciliation of EBIT to EBIT after tax

USD millions		3-month average 2Q 2018	2Q 2017	12-month average Jul 2017 Jun 2018	Jul 2016–Jun 2017	2017
Earnings before interest expense and tax (EBIT)		77	156	439	583	563
Income tax after tax on net foreign currency translation gain/(loss)		(33)	(43)	(52)	(169)	(76)
EBIT after tax	E	44	112	387	414	488
Annualized quarter EBIT after tax	F=Ex4	177	450			
12-month rolling EBIT after tax	F			387	414	488

Reconciliation of total assets to capital employed and ROCE calculation

USD millions		3-month average 2Q 2018	2Q 2017	12-month average Jul 2017 Jun 2018	Jul 2016–Jun 2017	2017
Total assets		16,626	14,646	15,755	14,369	14,847
Cash and cash equivalents		(614)	(302)	(434)	(529)	(327)
Other liquid assets		(0)	(0)	(1)	(0)	(0)
Deferred tax assets		(388)	(351)	(372)	(340)	(349)
Other current liabilities		(2,453)	(2,091)	(2,206)	(2,000)	(2,057)
Capital employed 3-month average	G	13,171	11,901			
Capital employed 12-month average	G			12,742	11,501	12,113
ROCE (Return on Capital Employed)	H=F/G	1.3%	3.8%	3.0%	3.6%	4.0 %

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

USD millions		2Q 2018	2Q 2017	1H 2018	1H 2017	2017
EBITDA		296	352	666	733	1,348
Depreciation and amortization [1)]		(199)	(178)	(401)	(348)	(724)
Impairment loss [2)]		(20)	(18)	(24)	(19)	(60)
Foreign currency translation gain/(loss)		(302)	(18)	(294)	51	99
Interest expense and other financial items		(36)	(22)	(63)	(43)	(82)
Income before tax and non-controlling interests	I	(261)	115	(115)	374	581

1) Including amortization of excess value in equity-accounted investees.
2) Including impairment loss on excess value in equity-accounted investees.

Reconciliation of operating income to EBITDA excluding special items

USD millions		2Q 2018	2Q 2017	1H 2018	1H 2017	2017
Operating income		38	130	171	310	457
Share of net income in equity-accounted investees		17	7	27	16	29
Interest income		20	18	40	38	75
Dividends and net gain/(loss) on securities		3	2	3	2	2
EBIT		77	156	242	366	563
Depreciation and amortization [1)]		199	178	401	348	724
Impairment loss [2)]		20	18	24	19	60
EBITDA		296	352	666	733	1,348
Special items included in EBITDA [3)]		24	(14)	32	(0)	82
EBITDA excluding special items		321	338	698	733	1,430

1) Including amortization on excess value in equity-accounted investees.
2) Including impairment loss on excess value in equity-accounted investees.
3) See page 12 for details on special items.

Net operating capital

USD millions		30 Jun 2018	30 Jun 2017	31 Dec 2017
Trade receivables		1,638	1,264	1,398
Inventories		2,376	2,263	2,229
Trade payables [1]		(1,454)	(1,162)	(1,340)
Prepayments from customers		(640)	(447)	(265)
Net operating capital		1,919	1,918	2,023

1) Trade and other payables in the statement of financial position also includes payables related to payroll and value added taxes, which is not included in the calculation of net operating capital above.

Net interest-bearing debt

USD millions		30 Jun 2018	30 Jun 2017	31 Dec 2017
Cash and cash equivalents		998	274	544
Other liquid assets [1]		0	0	0
Bank loans and other short-term interest-bearing debt		(462)	(491)	(439)
Current portion of long-term debt		(570)	(40)	(43)
Long-term interest-bearing debt		(3,119)	(1,752)	(2,429)
Net interest-bearing debt	J	(3,153)	(2,008)	(2,367)

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

Debt/equity ratio

USD millions		30 Jun 2018	30 Jun 2017	31 Dec 2017
Net interest-bearing debt	K	(3,153)	(2,008)	(2,367)
Total equity	L	(8,980)	(9,064)	(9,505)
Debt/equity ratio	M=K/L	0.35	0.22	0.25

Earnings per share

USD millions, except earnings per share and number of shares		2Q 2018	2Q 2017	1H 2018	1H 2017	2017
Weighted average number of shares outstanding	N	273,217,830	273,217,830	273,217,830	273,217,830	273,217,830
Net income	O	(211)	82	(96)	283	477
Foreign currency translation gain/(loss)	P	(302)	(18)	(294)	51	99
Tax effect on foreign currency translation	Q	78	8	74	(12)	(23)
Non-controlling interest share of foreign currency (gain)/loss, net after tax	R	(1)	(1)	(2)	(2)	(4)
Special items within EBIT [1]	S	(44)	(3)	(51)	(17)	(134)
Tax effect on special items	T	10	1	12	5	33
Special items within EBIT net of tax	U=S+T	(34)	(2)	(39)	(12)	(101)
Non-controlling interest share of special items, net after tax	V	-	-	-	-	2
Basic earnings per share	W=O/N	(0.77)	0.30	(0.35)	1.03	1.75
Basic earnings per share excluding foreign currency	X=(O-P-Q+R)/N	0.04	0.33	0.45	0.88	1.45
Basic earnings per share excluding foreign currency & special items	Y=(O-P-Q+R-U-V)/N	0.17	0.34	0.59	0.93	1.81

1) See page 12 for details on special items.

Notes

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