Knowledge grows

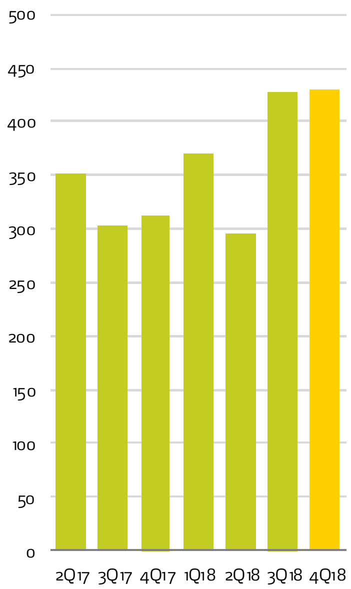
Fourth-quarter report 2018

Yara International ASA

- EBITDA excluding special items up 21% with improved margins
- Lower deliveries due to downtime and slow off-season market
- Proposed dividend of NOK 6.50 per share

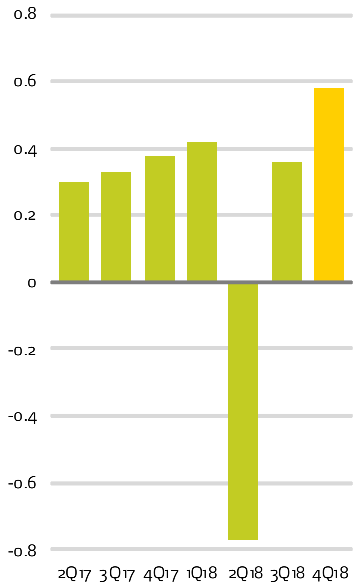
EBITDA

USD millions

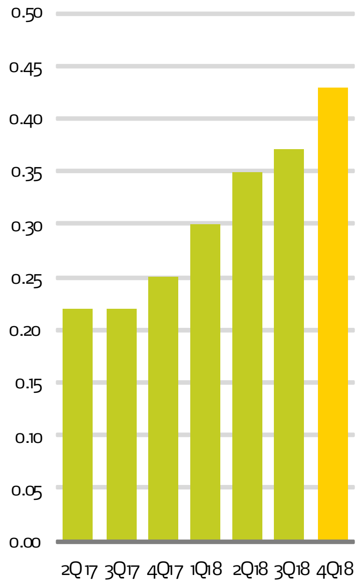


Earnings per share

USD



Net debt/equity ratio



Fourth quarter 2018

Financial highlights

USD millions, except where indicated otherwise	4Q 2018	4Q 2017	2018	2017
Revenue and other income	3,459	2,936	13,054	11,400
Operating income	78	59	402	457
Share of net income in equity-accounted investees	29	14	82	29
EBITDA	430	312	1,523	1,348
EBITDA excl. special items	424	350	1,525	1,430
Net income after non-controlling interests	157	104	159	477
Basic earnings per share 1)	0.58	0.38	0.58	1.75
Basic earnings per share excl. currency 1)	0.33	0.28	1.31	1.45
Basic earnings per share excl. currency and special items 1)	0.60	0.49	1.68	1.83
Average number of shares outstanding (millions)	273.0	273.2	273.2	273.2
CROGI (Cash Return on Gross Investment) 2)	8.6 %	7.1 %	7.3 %	7.0 %
ROCE (Return on Capital Employed) 2)	3.9 %	3.6 %	3.7 %	4.0 %

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

	4Q 2018	4Q 2017	2018	2017
Yara Production (Thousand tonnes) 1)				
Ammonia	2,096	1,973	8,305	7,459
Finished fertilizer and industrial products, excl. bulk blends	5,649	5,113	21,887	20,203
Yara Deliveries (Thousand tonnes)				
Ammonia trade	621	527	2,478	2,023
Fertilizer	6,795	6,680	28,471	27,290
Industrial products	1,965	1,801	7,653	6,996
Total deliveries	9,381	9,008	38,601	36,308
Yara's Energy prices (USD per MMBtu)				
Global weighted average gas cost	6.6	5.2	6.2	5.0
European weighted average gas cost	9.4	6.6	8.3	6.1

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

Market information

Average prices		4Q 2018	4Q 2017	2018	2017
Urea granular (fob Egypt)	USD per tonne	311	272	278	243
CAN (cif Germany)	USD per tonne	262	239	240	218
Ammonia (fob Black Sea)	USD per tonne	326	286	287	267
DAP (fob US Gulf)	USD per tonne	427	366	418	354
Phosphate rock (fob Morocco)	USD per tonne	96	84	91	90
European gas (TTF)	USD per MMBtu	8.2	6.7	7.9	5.7
US gas (Henry Hub)	USD per MMBtu	3.8	2.9	3.2	3.0
EUR/USD currency rate		1.14	1.18	1.18	1.13
USD/BRL currency rate		3.81	3.25	3.65	3.19

Yara's fourth-quarter net income after non-controlling interests was USD 157 million, compared with USD 104 million a year earlier. Excluding net foreign currency translation gain/loss and special items, the result was USD 165 million (USD 0.60 per share), compared with USD 134 million (USD 0.49 per share) in fourth quarter 2017.

"Yara shows improved results in fourth quarter with EBITDA ex special items up 21%. We saw improved margins in a slow off-season market, and the improvement program continued to deliver," said Svein Tore Holsether, President and Chief Executive Officer of Yara.

"Following a period of heavy investments, our focus in 2019 is on ramping up our current growth projects, continued operational improvement, and maintaining strong capital discipline", said Holsether.

Fertilizer market conditions

Global grain markets are tightening. Following a modest production deficit for the 2017/18 season, the US Department of Agriculture reports an increased deficit for the current season, resulting in lower grain inventories. The projected ending stocks-to-use ratio at 106 days of consumption is down 8 days from the start of the season. With 60% of the stocks being in China, and limited interaction between China and the rest of the world on grains, it may be more appropriate to assess the balance excluding China. If so, the projected ending stocks-to-use ratio at 53 days of consumption is down 10 days from the start of the season. Grain prices have improved, and The Food and Agriculture Organization of the United Nations (FAO) grain price index is up 8% from fourth quarter the previous year, and 1% higher than the five-year average. As grains have performed better than other food commodities, the overall food price index is down 7%, both compared to same quarter the previous year and the five-year average.

From being in a surplus situation for the first half of the year, the global urea balance outside China returned to a deficit for the second half, driven by stronger demand. Granular urea prices fob Egypt averaged USD 311 per tonne for fourth quarter, up from USD 272 per tonne same quarter the previous year. Active buying through public tenders in India, Pakistan and Bangladesh, on top of demand from private markets, lifted global urea demand. Prices needed to be at a level where Chinese exports were attractive to cover the deficit in the global market. The higher price had this effect, as Chinese urea exports picked up through fourth quarter, from 0.2 million tonnes in October, to 0.4 million tonnes in November, and 0.6 million tonnes in December.

Ammonia prices fob Black Sea were on average USD 326 per tonne for the quarter, compared to USD 286 per tonne the previous year. Higher natural gas prices have raised the cost floor for producers in Europe, but the market was also supported by some curtailments of ammonia supply, not related to market conditions.

Phosphate prices averaged USD 427 per tonne fob US Gulf for DAP for the quarter, up from USD 366 per tonne the previous year, amid strong demand, a major production curtailment by Mosaic in Florida, and relatively slow ramp-up of new capacity in Saudi Arabia and Morocco. Strong Chinese exports were needed to cover demand, and prices needed to be at a level attracting such exports. China exported 2.6 million tonnes of DAP during the quarter, up from 1.8 million tonnes the previous year.

The average phosphate rock price fob Morocco was up 14% compared to a year earlier, but with upgrading margins from rock to DAP still stronger than a year ago.

Regional market developments

Fourth-quarter nitrogen deliveries in Western Europe were down by an estimated 17% from fourth quarter the previous year, while imports were down by 20%. Season to date, nitrogen deliveries were down 10% on the previous season, with imports down 10% as well.

Brazil imported 2.1 million tonnes of urea during fourth quarter, up from 1.7 million tonnes a year earlier. For the full year, 5.6 million tons urea were imported during 2018, compared to 5.4 million tonnes the year before.

Fourth-quarter urea production in China is estimated to be 2% below fourth quarter the previous year, as both coal and natural gas based production were curtailed both years. The average domestic urea price for the fourth quarter was 17% higher than a year earlier (measured in local currency), equivalent to an increase of USD 30 per tonne, indicating a relatively tight domestic market, although prices declined during November and December. China exported 1.3 million tonnes during fourth quarter, of which half in December, in a response to stronger global pricing earlier in the quarter, compared to 1.1 million tonnes fourth quarter the previous year. Season-to-date, urea supply for the domestic market is estimated down 4% on the previous season.

In India, urea sales so far this season (April-December) are reported similar to same period last year, similarly for production, resulting in a stable need for imports. Fourth quarter import activity was supported by low stocks at the start of the quarter.

Production volumes

Thousand tonnes	4Q 2018	4Q 2017	2018	2017
Ammonia	2,096	1,973	8,305	7,459
of which equity-accounted investees	239	279	1,039	1,061
Urea	1,538	1,357	6,327	5,257
of which equity-accounted investees	360	416	1,517	1,573
Nitrate	1,626	1,613	6,136	6,173
NPK	1,478	1,366	5,736	5,504
CN	401	384	1,623	1,511
UAN	193	220	835	931
SSP-based fertilizer	359	173	1,115	822
MAP	54		116	
Total Finished Products[1)]	5,649	5,113	21,888	20,199

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

Fertilizer deliveries

Thousand tonnes	4Q 2018	4Q 2017	2018	2017
Fertilizer deliveries per product				
Urea	1,350	1,150	5,975	4,756
of which Yara-produced	805	454	3,104	1,997
of which equity-accounted investees	379	500	2,116	1,821
Nitrate	1,319	1,524	5,576	5,703
of which Yara-produced	1,255	1,439	5,248	5,401
NPK	2,696	2,679	10,361	10,413
of which Yara-produced compounds	1,388	1,366	5,506	5,382
of which Yara-produced blends	1,178	1,165	4,405	4,664
CN	264	245	1,236	1,185
of which Yara-produced	260	241	1,218	1,168
UAN	200	233	1,184	1,299
of which Yara-produced	193	201	1,002	1,050
SSP	189	175	1,016	939
of which Yara-produced	171	139	916	699
DAP/MAP	132	118	591	676
MOP/SOP	274	332	1,178	1,367
Other fertilizer products	373	224	1,354	951
Total fertilizer deliveries	6,795	6,680	28,471	27,290
Fertilizer deliveries per region				
Europe	1,974	2,279	8,855	9,278
Brazil	2,493	2,297	9,248	9,044
Latin America excluding Brazil	518	590	2,315	2,384
North America	670	662	2,988	3,034
Asia	857	550	3,748	2,221
Africa	283	303	1,317	1,328
Total fertilizer deliveries	6,795	6,680	28,471	27,290

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 2018	4Q 2017	2018	2017
Ammonia [1)]	184	173	702	701
Urea [1)]	586	581	2,328	2,211
of which Environmental products	252	238	942	868
Nitrate [2)]	262	174	971	747
CN	118	113	412	419
Other industrial products [3)]	296	268	1,252	1,077
Water content in Industrial Ammonia and Urea	519	491	1,989	1,840
Total Industrial product deliveries	1,965	1,801	7,653	6,996

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

Variance analysis fourth quarter and full year

USD millions	4Q	2018
EBITDA 2018	430	1,523
EBITDA 2017	312	1,348
Reported EBITDA variance	118	175
Special items variance (see page 10 for details)	43	80
EBITDA variance ex special items	74	94
Volume	(6)	(19)
Price/Margin excluding energy	135	417
Energy price	(93)	(337)
Currency translation	27	8
Other	12	25
Total variance explained	74	94

Fourth quarter variance

Yara's fourth quarter EBITDA results excluding special items were 21% higher than a year ago reflecting higher production margins, portfolio effects and a stronger US dollar.

Total fertilizer deliveries were 2% higher compared to a year earlier. Adjusted for portfolio effects, fertilizer deliveries were 7% lower driven by a 13% drop in deliveries in Europe and a 5% drop in Brazil. The development in Europe reflects a combination of production outages, especially for nitrates, and a weaker market as total industry nitrogen deliveries were down 17% compared to a year ago. The drop in Brazil reflects a conscious decision to reduce commodity deliveries and overall margins in Brazil improved compared to a year ago.

Industrial deliveries were 9% higher compared to a year ago driven by the Cubatão acquisition. Adjusted for portfolio effects, deliveries were in line with fourth quarter 2017.

Margins improved compared to a year ago mainly reflecting higher urea margins in Yara's Belle Plaine plant in Canada and higher phosphate upgrading margins in Yara's NPK plants. In Europe, higher commodity nitrogen prices were offset by higher gas prices resulting in relatively stable production margins compared to a year ago. Realized Crop Nutrition and Industrial margins were in line with fourth quarter last year.

The EBITDA impact of Babrala in India, Cubatão in Brazil and the new ammonia plant in Freeport, Texas, amount to USD 28 million in the quarter and is included in the "Other" category in the variance table.

Full-year variance

Yara's full-year 2018 EBITDA results excluding special items was 7% higher compared to last year reflecting higher margins and earnings from businesses acquired during 2018.

Total 2018 fertilizer deliveries were 4% higher compared to 2017. Adjusting for the inclusion of Babrala and Cubatão in 2018, fertilizer deliveries were 3% lower than in 2017. The reduction was mainly driven by lower nitrate deliveries in Europe and lower commodity deliveries in Brazil. In Europe, the drop is explained by a combination of more turnarounds in addition to a slow market towards the end of 2018.

Total Industrial deliveries were 9% higher compared to 2017, or 3% higher when adjusting for the Cubatão acquisition which was fully consolidated from May 2018. The underlying growth was mainly driven by AdBlue.

Adjusted for portfolio effects, full-year 2018 ammonia and finished product production were down 3% and 1% respectively compared to 2017. For ammonia, around two thirds of the reduction can be explained by more turnarounds while the remaining relates to unplanned outages.

Margins in 2018 improved compared to 2017 mainly driven by higher production margins for urea in Yara's Belle Plaine plant in Canada and higher phosphate upgrading margins in Yara's NPK plants.

The full-year EBITDA impact of the acquired businesses in 2018 (Babrala, Cubatão and the new ammonia plant in Freeport) amount to USD 86 million and is included in the "Other" category in the variance table. This is partly offset by higher fixed cost, primarily related to digital initiatives.

At the end of 2018, the Yara Improvement Program has delivered USD 355 million of annual sustained benefits, up from USD 240 million compared to year-end 2017 and ahead of the year-end target of USD 350 million. The USD 115 million in incremental improvements realized during 2018 reflect a combination of reliability improvements for finished products offsetting unplanned ammonia outages and additional procurement savings. Applying actual 2018 margins instead of 2015 margins, the improvements realized in 2018 amount to around USD 90 million.

Financial items

USD millions	4Q 2018	4Q 2017	2018	2017
Interest income	17	18	78	75
Dividends and net gain/(loss) on securities	0	0	3	2
Interest income and other financial income	17	18	81	77
Interest expense	(38)	(15)	(127)	(57)
Net interest expense on net pension liability	(2)	(2)	(7)	(8)
Net foreign currency translation gain/(loss)	86	31	(278)	99
Other	(3)	(8)	(19)	(17)
Interest expense and foreign currency translation gain/(loss)	43	5	(431)	17
Net financial income/(expense)	60	23	(350)	94

Fourth-quarter net financial income was USD 60 million compared with USD 23 million in the same quarter previous year. The variance primarily reflects a net foreign currency translation gain of USD 86 million this quarter vs. USD 31 million a year earlier.

Interest expense this quarter was USD 23 million higher than in the same quarter last year, mainly reflecting an average gross debt level around USD 1.3 billion higher.

The US dollar appreciated around 6% against the Norwegian krone and up to 9% against Yara's emerging market currencies in the quarter, generating a loss on Yara's US denominated debt positions in these currencies. However, gains on internal funding positions, mainly euro against Norwegian krone and Brazilian real vs. both euro and Norwegian krone, more than offset those losses and the net foreign currency translation gain in the quarter was USD 86 million. In the same period a year ago, losses on US dollar denominated debt positions were more than offset by gains on internal funding positions.

Yara's US dollar debt generating currency effects in the income statement was approximately USD 3,400 million at the start of the first quarter 2019. Around 50% of the exposure was against the Norwegian krone and around 35% against Yara's emerging market currencies.

Full-year net financial expense was USD 350 million compared with an income of USD 94 million previous year. The variance is primarily explained by a net foreign currency translation loss this year, compared with a net gain previous year.

Interest expense was USD 70 million higher than previous year as the average gross debt level was almost USD 1.5 billion higher.

The foreign currency translation loss this year of USD 278 million stemmed mainly from Yara's US dollar denominated debt positions as the US dollar appreciated against all of Yara's other main currencies. The year before, the reported net gain comprised a gain of USD 84 million on the US denominated debt positions and a gain of USD 15 million on internal positions in other currencies than USD.

Tax

A tax cost of USD 14 million was recognized in the quarter. The low tax percentage is mainly due to negative results in certain countries with higher tax rate than the average.

Net interest-bearing debt

USD millions	4Q 2018	YTD 2018
Net interest-bearing debt at beginning of period	(3,351)	(2,367)
Cash earnings 1)	261	1,082
Dividends received from equity-accounted investees	57	155
Net operating capital change	(321)	(428)
Acquisition of Cubatão	6	(272)
Acquisition of Babrala	7	(428)
Other investments (net)	(384)	(1,341)
Yara dividend and buy-backs	(21)	(241)
Other, including foreign currency translation gain/(loss)	(47)	45
Net interest-bearing debt at end of period	(3,794)	(3,794)

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 16), this table highlights the key factors behind the development in net interest-bearing debt.

Net interest-bearing debt at the end of fourth quarter was USD 3,794 million, up from USD 3,351 million at the end of the third quarter 2018. The increase reflects higher working capital of USD 321 million and investments of USD 371 million, of which Rio Grande plant modernization and the Salitre mining project in Brazil amounted to around USD 101 million.

During fourth quarter 2018, Yara has purchased 520,000 own shares under the 2018 buy-back program for a total consideration of NOK 181 million (USD 21 million). These shares will be cancelled at the next Annual General meeting to be held in May 2019.

The net debt/equity ratio at the end of fourth quarter 2018, calculated as net interest-bearing debt divided by shareholders' equity plus non-controlling interests, was 0.43 compared with 0.37 at the end of third quarter 2018.

Outlook

Fertilizer industry fundamentals are attractive, as long-term population growth and dietary improvement trends drive food demand. At the same time, the twin challenges of resource efficiency and environment footprint require significant agricultural productivity improvements, including improved fertilizer efficiency. Yara's crop nutrition focused position and strategy is well positioned to both address and create business opportunities from these challenges.

Yara's market environment is improving, due to a combination of a tightening global grain balance and receding urea supply pressure, driving in an improving nitrogen price trend. However, gas prices have also increased in several regions. Based on current forward markets for natural gas (18 January) Yara's spot-priced gas costs for first and second quarter 2019 are expected to be respectively USD 20 million higher and USD 10 million lower than a year earlier. The estimates may change depending on future spot gas prices.

Yara's near-term operational focus is on delivering its ongoing growth and improvement pipeline. Yara's growth investments peaked in 2018, with revenues ramping up in 2019 as a total of eight new plant expansions and M&A projects reach full utilization, adding 1.4 million tonnes of new ammonia production and 2.9 million tonnes of new finished fertilizer production. Applying 2015 market prices, the growth pipeline has so far delivered approximately USD 140 million of a targeted USD 600 million of annual EBITDA improvement by 2020. Due to a delayed ramp-up, the positive impact from the growth projects in 2019 will be somewhat lower than previously stated, and is now estimated to be USD 330 million. Yara's improvement program has to date delivered approximately USD 355 million of a targeted minimum USD 500 million of annual EBITDA improvement (USD 1.25 EPS) within 2020, also applying 2015 prices. Yara has identified additional improvement potential and plans to expand both the scope and timeframe of the program during first half 2019.

Yara's strategic focus is to be the crop nutrition company for the future; growing sustainable solutions to farmers and industry while delivering a superior return on capital. Yara is also placing greater emphasis on active portfolio management, to create value through both growth and divestment initiatives. Yara is currently evaluating strategic options for its Environmental Solutions business.

The global urea supply-demand balance looks set to remain positive longer term, as nitrogen supply growth is forecast to decline from 2019, and lead times for new projects are typically three to five years. Also, demand growth is likely to pick up since increased grain production is needed to keep pace with consumption and global grain stocks are relatively low, particularly excluding China.

Dividend proposal and buy-back program

Yara's Board will propose to the Annual General Meeting a dividend payment of NOK 6.50 per share for 2018.

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

The Board of Directors and Chief Executive Officer
Yara International ASA
Oslo, 7 February 2019

Geir Isaksen
Chairperson

Maria Moræus Hanssen
Vice chair

John Thuestad
Board member

Hilde Bakken
Board member

Trond Berger
Board member

Geir O. Sundbø
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 treated 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 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 in Crop Nutrition and Industrial 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 includes all activities which normally are to be considered as "operating". Share of net income in equity-accounted investees is however not included.

EBITDA 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 is also presented because 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. 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's 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 net 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	Notes	4Q 2018	4Q 2017	YTD 2018	YTD 2017	4Q 2018	4Q 2017	YTD 2018	YTD 2017
Sale of land Brazil		-	8	-	8	-	8	-	8
Gain from changes in pension plan		-	7	-	7	-	7	-	7
Damaged inventory		-	-	(6)	-	-	-	(7)	-
Stamp duty on purchase of Babrala (India)	5	-	-	(9)	-	-	-	(9)	-
Environmental provision Brazil		(3)	-	(3)	-	(3)	-	(3)	-
Impairment of non-current assets	8	-	-	-	-	(13)	(10)	(27)	(15)
Restructuring costs	9	(0)	-	(12)	-	(0)		(12)	-
Total Crop Nutrition		(4)	15	(30)	15	(16)	5	(57)	(1)
Closure of Helsingborg plant		-	(3)	-	(3)	-	(8)	-	(8)
Sale of 5% stake in Pilbara Nitrates		-	(6)	-	(6)	-	(6)	-	(6)
Discontinuation of pilot plant		-	(33)	-	(33)	-	(48)	-	(48)
Restructuring costs	9	(1)	-	(9)	-	(1)	-	(9)	-
Total Industrial		(1)	(43)	(9)	(43)	(1)	(62)	(9)	(62)
Reduced contingent consideration Santa Quiteria	6	15	-	15	-	15	-	15	-
Impairment of held-for-sale assets in Galvani	6	-	-	-	-	-	-	(33)	-
Derecognition of deferred consideration related to Galvani	6	-	-	21	-	-	-	21	-
Take-or-pay compensation from customer	11	-	-	15	-	-	-	15	-
Environmental provisions		(4)	(8)	(10)	(17)	(4)	(8)	(10)	(17)
Provision for closing of Pardies site		(1)	2	(1)	(31)	(1)	2	(1)	(31)
Pension adjustments		-	(4)	-	(4)	-	(4)	-	(4)
Contract derivatives gain/(loss)		-	-	4	(14)	-	-	4	(14)
Refund of energy intensive tax		-	-	-	12	-	-	-	13
Impairment of non-current assets	8	-	-	-	-	(79)	(3)	(86)	(18)
QAFCO tax adjustment		-	-	(7)	-	-	-	-	-
Total Production		10	(10)	37	(54)	(69)	(13)	(75)	(72)
Total Yara		5	(38)	(2)	(82)	(87)	(70)	(142)	(134)

Condensed consolidated interim statement of income

USD millions, except share information	Notes	4Q 2018	4Q 2017	2018	2017
Revenue	3	3,401	2,911	12,928	11,358
Other income	7	58	25	122	55
Commodity based derivatives gain/(loss)		(1)	0	4	(13)
Revenue and other income		3,459	2,936	13,054	11,400
Raw materials, energy costs and freight expenses		(2,605)	(2,173)	(9,952)	(8,547)
Payroll and related costs		(302)	(276)	(1,207)	(1,090)
Depreciation and amortization	7	(214)	(184)	(807)	(724)
Impairment loss	7,8	(92)	(37)	(150)	(60)
Other operating expenses		(168)	(208)	(536)	(521)
Operating costs and expenses		(3,381)	(2,878)	(12,652)	(10,942)
Operating income		78	59	402	457
Share of net income in equity-accounted investees		29	14	82	29
Interest income and other financial income		17	18	81	77
Earnings before interest expense and tax (EBIT)		124	91	566	563
Foreign currency translation gain/(loss)		86	31	(278)	99
Interest expense and other financial items		(43)	(26)	(153)	(82)
Income before tax		167	96	134	581
Income tax		(14)	19	6	(99)
Net income		153	115	141	482
Net income attributable to					
Shareholders of the parent		157	104	159	477
Non-controlling interests		(4)	11	(19)	5
Net income		153	115	141	482
Basic earnings per share [1)]		0.58	0.38	0.58	1.75
Weighted average number of shares outstanding	2	273,028,047	273,217,830	273,169,994	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	4Q 2018	4Q 2017	2018	2017
Net income	153	115	141	482
Other comprehensive income that may be reclassified to statement of income (net of tax)				
Currency translation adjustments	2	(10)	(222)	235
Hedge of net investments	(44)	(21)	(41)	33
Share of other comprehensive income of equity-accounted investees, excluding remeasurements	0	2	(0)	4
Net other comprehensive income/(loss) that may be reclassified to statement of income in subsequent periods, net of tax	(42)	(29)	(263)	273
Other comprehensive income that will not be reclassified to statement of income in subsequent periods (net of tax)				
Currency translation adjustments [1]	(139)	(46)	(126)	85
Net gain/(loss) on equity instruments at fair value through other comprehensive income	(1)	(1)	(5)	(1)
Remeasurement gains/(losses) on defined benefit plans	(75)	64	(75)	64
Remeasurements of the net defined benefit pension liability for equity-accounted investees	1	-	1	-
Net other comprehensive income that will not be reclassified to statement of income in subsequent periods, net of tax	(213)	18	(203)	148
Reclassification adjustments of the period				
Cash flow hedges	0	0	1	1
Total other comprehensive income, net of tax	(255)	(12)	(465)	421
Total comprehensive income, net of tax	(102)	103	(325)	903
Total comprehensive income attributable to				
Shareholders of the parent	(103)	100	(278)	900
Non-controlling interests	1	3	(47)	3
Total	(102)	103	(325)	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	-	-	-	-	-	-	-	477	477	5	482
Other comprehensive income, net of tax	-	-	322	(1)	1	33	355	64	419	(2)	417
Share of other comprehensive income of equity-accounted investees	-	-	-	-	4	-	4	-	4	-	4
Total other comprehensive income, net of tax			322	(1)	5	33	359	64	423	(2)	421
Long term incentive plan	-	-	-	-	-	-	-	-	-	-	-
Transactions with non-controlling interests	-	-	-	-	-	-	-	(1)	(1)	(2)	(3)
Share capital increase in subsidiary, non-controlling interest	-	-	-	-	-	-	-	-	-	9	9
Dividends distributed	-	-	-	-	-	-	-	(321)	(321)	-	(322)
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	-	-	-	-	-	-	-	159	159	(19)	141
Other comprehensive income, net of tax	-	-	(319)	(5)	1	(41)	(364)	(75)	(439)	(28)	(467)
Share of other comprehensive income of equity-accounted investees	-	-	(0)	-	-	-	(0)	1	1	-	1
Total other comprehensive income, net of tax	-	-	(320)	(5)	1	(41)	(364)	(73)	(437)	(28)	(465)
Long term incentive plan	-	-	-	-	-	-	-	0	0	-	0
Transactions with non-controlling interests	-	-	-	-	-	-	-	(7)	(7)	(6)	(13)
Transfer to retained earnings	-	-	-	2	-	-	2	(2)	-	-	-
Treasury shares [4]	(0)	-	-	-	-	-	-	(33)	(33)	-	(33)
Share capital increase in subsidiary, non-controlling interest	-	-	-	-	-	-	-	-	-	2	2
Dividends distributed	-	-	-	-	-	-	-	(219)	(219)	(2)	(221)
Balance at 31 December 2018	66	(49)	(1,319)	(2)	(3)	(199)	(1,523)	10,189	8,683	227	8,910

[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 17 and 18 for further information.

[4] As approved by General Meeting 8 May 2018.

Condensed consolidated interim statement of financial position

USD millions	Notes	31 Dec 2018	31 Dec 2017	31 Dec 2016
Assets				
Non-current assets				
Deferred tax assets		407	371	300
Intangible assets	5	1,052	1,106	1,067
Property, plant and equipment	5,6,7	8,430	7,967	6,939
Equity-accounted investees		1,027	1,096	1,067
Other non-current assets		420	460	377
Total non-current assets		11,337	11,000	9,750
Current assets				
Inventories	9	2,568	2,229	2,042
Trade receivables	5	1,601	1,398	1,200
Prepaid expenses and other current assets		741	607	559
Cash and cash equivalents		202	544	436
Non-current assets and disposal group classified as held-for-sale	6	206	4	11
Total current assets		5,319	4,783	4,247
Total assets		16,656	15,783	13,997

Condensed consolidated interim statement of financial position

USD millions, except share information	Notes	31 Dec 2018	31 Dec 2017	31 Dec 2016
Equity and liabilities				
Equity				
Share capital reduced for treasury stock		66	66	66
Premium paid-in capital		(49)	(49)	(49)
Total paid-in capital		17	17	17
Other reserves		(1,523)	(1,161)	(1,520)
Retained earnings		10,189	10,369	10,150
Total equity attributable to shareholders of the parent		8,683	9,225	8,647
Non-controlling interests		227	280	270
Total equity	2	8,910	9,505	8,917
Non-current liabilities				
Employee benefits		485	439	473
Deferred tax liabilities		416	502	511
Other long-term liabilities		201	169	163
Long-term provisions	5,11	238	115	97
Long-term interest-bearing debt	10	2,776	2,429	1,625
Total non-current liabilities		4,116	3,654	2,869
Current liabilities				
Trade and other payables		1,835	1,652	1,414
Prepayments from customers		343	265	300
Current tax liabilities		63	62	62
Short-term provisions	11	55	90	38
Other short-term liabilities		88	75	100
Bank loans and other interest-bearing short-term debt		397	439	270
Current portion of long-term debt		824	43	28
Liabilities associated with disposal group held-for-sale	6	26	-	-
Total current liabilities		3,630	2,625	2,211
Total equity and liabilities		16,656	15,783	13,997
Number of shares outstanding	2	272,697,830	273,217,830	273,217,830

The Board of Directors and Chief Executive Officer
Yara International ASA
Oslo, 7 February 2019

Geir Isaksen
Chairperson

Maria Moræus Hanssen
Vice chair

John Thuestad
Board member

Hilde Bakken
Board member

Trond Berger
Board member

Geir O. Sundbø
Board member

Rune Bratteberg
Board member

Kjersti Aass
Board member

Svein Tore Holsether
President and CEO

Condensed consolidated interim statement of cash flows

USD millions	Notes	4Q 2018	4Q 2017	2018	2017
Operating activities					
Operating income		78	59	402	457
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation and amortization		214	184	807	724
Impairment loss	8	92	37	150	60
Write-down and reversals, net		8	9	11	24
Income taxes paid		(39)	(47)	(110)	(196)
Dividend from equity-accounted investees		57	0	155	8
Change in net operating capital [1]		(319)	(146)	(428)	(127)
Interest and bank charges received/(paid)		(84)	(36)	(158)	(63)
Other		(98)	(18)	(74)	(96)
Net cash provided by operating activities		(89)	40	756	791
Investing activities					
Purchases of property, plant and equipment		(387)	(367)	(1,336)	(1,341)
Cash outflow on business combinations	5	13	(15)	(648)	(23)
Purchases of other long-term investments		(14)	(23)	(58)	(55)
Proceeds from sales of property, plant and equipment		0	3	9	13
Proceeds from sales of other long-term investments		17	46	34	56
Net cash used in investing activities		(371)	(356)	(2,000)	(1,350)
Financing activities					
Loan proceeds/(repayments), net	10	77	604	1,138	966
Purchase of treasury shares	2	(21)	-	(21)	-
Dividend	2	-	-	(219)	(321)
Other cash transfers (to)/from non-controlling interests		0	(0)	0	6
Net cash from/(used in) financing activities		56	604	897	651
Foreign currency effects on cash and cash equivalents		2	1	5	16
Net increase/(decrease) in cash and cash equivalents		(403)	289	(341)	109
Cash and cash equivalents at beginning of period		606	255	544	436
Cash and cash equivalents at end of period [2]		203	544	203	544
Bank deposits not available for the use of other group companies				52	24

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

2) Excluded expected credit loss provisions on bank deposits.

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 13 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 Yara's 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. If the revision affects both current and future periods, the estimate is revised in the period of the revision 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. In addition, Yara reclassified certain assets and liabilities to a disposal group held-for-sale which is measured at fair value less costs to sell. The fair value is based on estimated future cash flows and is subject to estimation uncertainty. Please see note 6 Non-current assets and disposal group held-for-sale for more information.

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).

In 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.

During fourth quarter 2018, Yara has purchased 520,000 own shares under the 2018 buy-back program for a total consideration of NOK 181 million (USD 21 million). These shares will be cancelled at the next Annual General meeting to be held in May 2019. Pursuant to the agreement with the Norwegian State, total equity attributable to the shareholders of the parent has been reduced with an additional NOK 103 million (USD 12 million) for the commitment to redeem 295,175 shares from the Norwegian State.

	Ordinary shares	Own shares	Number of shares outstanding
Total at 31 December 2016	273,217,830	-	273,217,830
Total at 31 December 2017	273,217,830	-	273,217,830
Treasury shares - share buy-back program [1]		(520,000)	(520,000)
Total at 31 December 2018	273,217,830	(520,000)	272,697,830

1) As approved by General Meeting 8 May 2018.

Note 3 Operating segment information

USD millions	4Q 2018	4Q 2017	2018	2017
External revenue and other income				
Crop Nutrition	2,451	2,195	9,484	8,670
Industrial	626	491	2,204	1,846
Production	382	256	1,360	891
Other and eliminations	0	(6)	5	(7)
Total	3,459	2,936	13,054	11,400
Internal revenue and other income				
Crop Nutrition	46	53	140	191
Industrial	3	6	14	16
Production	1,307	1,074	4,753	4,136
Other and eliminations	(1,356)	(1,133)	(4,907)	(4,342)
Total	-	-	-	-
Revenue and other income				
Crop Nutrition	2,497	2,249	9,624	8,861
Industrial	629	497	2,218	1,862
Production	1,689	1,330	6,114	5,026
Other and eliminations	(1,356)	(1,139)	(4,902)	(4,349)
Total	3,459	2,936	13,054	11,400
Operating income				
Crop Nutrition	37	51	329	306
Industrial	62	(10)	230	118
Production	23	55	(65)	77
Other and eliminations	(43)	(38)	(92)	(44)
Total	78	59	402	457
EBITDA				
Crop Nutrition	96	103	544	492
Industrial	68	17	247	158
Production	303	224	792	722
Other and eliminations	(38)	(32)	(61)	(23)
Total	430	312	1,523	1,348
Investments 1)				
Crop Nutrition	87	117	608	272
Industrial	5	11	14	35
Production	385	363	1,418	1,165
Other and eliminations	14	12	41	33
Total	492	503	2,080	1,505
Total Assets 2)				
Crop Nutrition			4,976	4,223
Industrial			751	596
Production			10,704	10,484
Other and eliminations			224	480
Total			16,656	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.

	2018	2017
CROGI (12-month rolling average)		
Yara [1)]	7.3%	7.0%
Crop Nutrition	11.2%	11.9%
Industrial	37.6%	26.2%
Production	5.2%	4.9%
ROCE (12-month rolling average)		
Yara [1)]	3.7%	4.0%
Crop Nutrition	8.6%	9.6%
Industrial	43.5%	23.5%
Production	0.3%	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 9 "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
4Q 2018							
Crop Nutrition	37	(1)	12	47	37	13	96
Industrial	62	2	1	65	3	-	68
Production	23	28	3	55	170	79	303
Other and eliminations	(43)	-	1	(42)	5	-	(38)
Total	78	29	17	124	214	92	430
4Q 2017							
Crop Nutrition	51	-	13	63	28	11	103
Industrial	(10)	3	2	(5)	3	19	17
Production	55	11	3	69	148	7	224
Other and eliminations	(38)	-	1	(37)	5	-	(32)
Total	59	14	18	91	184	37	312
2018							
Crop Nutrition	329	4	53	387	129	28	544
Industrial	230	2	2	234	13	0	247
Production	(65)	76	16	27	644	122	792
Other and eliminations	(92)	-	10	(82)	22	-	(61)
Total	402	82	81	566	807	150	1,523
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
4Q 2018				
Crop Nutrition	2,348	78	5	2,431
Industrial	527	36	63	627
Production	303	19	17	340
Other and eliminations	0	-	4	4
Total	3,178	134	90	3,401
2018				
Crop Nutrition	9,154	289	18	9,460
Industrial	1,920	137	144	2,202
Production	1,098	91	68	1,257
Other and eliminations	1	-	9	9
Total	12,173	517	239	12,928

Disaggregation of external revenues by geographical area

USD millions	Europe	Brazil	Latin America ex. Brazil	Asia	North America	Africa	Total
4Q 2018							
Crop Nutrition	622	871	226	366	218	128	2,431
Industrial	358	79	32	51	75	32	627
Production	45	114	7	75	99	0	340
Other and eliminations	3	-	0	0	-	-	4
Total	1,028	1,063	265	493	392	160	3,401
4Q 2017							
Crop Nutrition	640	771	234	238	175	125	2,183
Industrial	316	25	22	27	67	34	491
Production	29	72	7	80	47	-	236
Other and eliminations	1	-	0	0	-	-	1
Total	986	868	263	345	289	160	2,911
2018							
Crop Nutrition	2,751	2,855	948	1,482	906	517	9,460
Industrial	1,301	246	114	153	259	128	2,202
Production	128	441	31	311	346	0	1,257
Other and eliminations	9	-	0	0	-	-	9
Total	4,190	3,542	1,094	1,947	1,511	645	12,928
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	-	0	0	-	-	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.

On 5 October 2018, Yara announced that it had reached an agreement to acquire the 40% non-controlling interest in Galvani Indústria, Comércio e Serviços S.A. (Galvani) from the Galvani family. As part of the deal certain assets will be transferred to the Galvani family, who will also receive a payment in cash and a contingent amount. Yara will thereby own 100% of the shares in Galvani. Yara Brazil will own 100% of the industrial unit in Paulínia with integrated Single Super Phosphate production and a fertilizer bulk blend facility, and the Serra do Salitre project with an annual production capacity of approximately 1.2 million tonnes of phosphate ore and 1.5 million tonnes of finished fertilizer (SSP equivalents). The agreement includes a cash payment of USD 70 million over a 3-year period from closing, and a conditional future payment related to project success. The production unit in Luis Eduardo Magalhães and the mining units in Angico dos Dias and Irecê (all three in the state of Bahia), as well as the Santa Quitéria greenfield phosphate project will be separated out from Galvani and will be fully controlled by a new company managed by the Galvani family. In addition, Yara will through Galvani provide a capital contribution to this new entity of USD 30 million as starting capital. This transaction is subject to conditions precedent, some of which that still need to be met. The assets and liabilities are classified as a held-for-sale disposal group. More information is provided in note 6

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. The plant is reported in the Production segment, with sales through the Crop Nutrition and Industrial segment.

Consideration

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

Acquisition costs of USD 1 million for the Vale Cubatão acquisition and USD 9 million for the Babrala acquisition have been excluded from the consideration transferred and recognized as an expense within "Other operating expenses" in the condensed consolidated interim statement of income. Transaction costs related to the Babrala acquisition are mainly related to stamp duties and may be subject to change. Contingent liability related to stamp duties is described in note 11. Integration and acquisition-related costs for the Babrala acquisition of USD 2 million have been recognized in previous years.

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

USD millions	Babrala	Cubatão
Assets		
Deferred tax asset	-	2
Distribution network	31	-
Other intangible assets	-	4
Property, plant and equipment	234	270
Inventories	4	67
Trade receivables [1)]	113	18
Prepaid expenses and other current assets	16	3
Cash and cash equivalents	-	13
Total assets	398	377
Liabilities		
Employee benefits	3	5
Long-term provisions	-	48
Trade and other payables	17	9
Prepayments from external customers / deferred revenue	1	23
Other short-term liabilities	2	5
Short-term provisions	-	3
Bank loans and other interest-bearing short-term debt	-	41
Total liabilities	23	134
Total identifiable net assets at fair value	374	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 18.

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

The receivables acquired in the business combination of Babrala have a fair value of USD 11 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	374	243
Goodwill arising on acquisition	38	-

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)
Net working capital settlement	7	11
Paid stamp duties	(3)	-
Cash and cash equivalent balances acquired	-	13
Net cash outflow on acquisition of subsidiaries	(416)	(231)

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

Impact of the acquisition on total assets of the Group

USD millions	Babrala	Cubatão
Consolidated identifiable assets	398	377
Goodwill arising on the acquisition	38	-
Total impact on the total assets of the Group	435	377

Impact of the acquisition on the results of the Group

USD millions	Babrala	Cubatão
Included in year-to-date consolidated figures		
Revenues	394	326
of which internal revenues	-	*(64)*
EBITDA	34	48
Net income/(loss) before tax	(6)	38

The Babrala result is negatively impacted by USD 9 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 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 been higher/(lower) with:

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

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
- Eliminated sales from Vale Cubatão to Yara Brazil during the period 1 January to 15 May 2018

Note 6 Non-current assets and disposal group held-for-sale

Yara has signed a binding agreement with the non-controlling interest in Galvani to acquire their 40% equity interest. As part of the consideration, the non-controlling interest will take full ownership to certain assets and liabilities in Galvani, including the production unit in Luis Eduardo Magalhães, the mining units in Angico dos Dias and Irecê (all three in the state of Bahia) and the Santa Quitéria greenfield phosphate project. At the end of third quarter 2018, Yara concluded that the transfer was highly probable to take place within a period of 12 months. The related assets and liabilities were therefore reclassified to a disposal group held-for-sale. The disposal group is reported as part of the Production segment.

The fair value of the disposal group was determined to be lower than its carrying amount and an impairment of USD 33 million was recognized upon reclassification in third quarter 2018. The valuation is based on estimated future cash flows and is subject to estimation uncertainty. A contingent consideration liability of USD 21 million towards the non-controlling interest from the time Yara acquired the first 60% in 2014 was reversed in third quarter as it was expired and will not result in a cash outflow for Yara. The reversal is presented as "Other income" in Yara's income statement.

During fourth quarter 2018, the fair value measurement of an additional contingent consideration liability from the 2014 transaction has resulted in a gain of USD 15 million. The fair value of this contingent consideration is USD 14 million at year-end 2018. The change in fair value is presented as "Other income" in Yara's income statement.

The carrying amount of the non-controlling interest in Galvani is USD 148 million at the end of fourth quarter 2018. The difference between the carrying amount and the consideration, including fair value of transferred assets and liabilities, will be recognized in equity attributable to shareholders of the parent when the transaction is closed.

The major classes of assets and liabilities held-for-sale at 31 December are as follows:

USD millions	Part of Galvani	Other	Total
Deferred tax assets	1	-	1
Intangible assets	31	-	31
Property, plant and equipment	106	5	111
Other non-current assets	6	-	6
Inventories	27	-	27
Trade receivables	28	-	28
Prepaid expenses and other current assets	1	-	1
Cash and cash equivalents	0	-	0
Assets held-for-sale	201	5	206
Deferred tax liabilities	10	-	10
Long-term provisions	5	-	5
Trade and other payables	10	0	10
Current portion of long-term debt	0	-	0
Liabilities directly associated with assets held-for-sale	26	0	26
Net assets held-for sale	175	5	180

Note 7

Specifications to the condensed consolidated interim statement of income

Other income

USD millions		4Q 2018	4Q 2017	2018	2017
Carbon tax refund					7
Sale of white certificates		16	11	35	14
Sale of land		-	10	-	10
Insurance compensations		27	2	27	14
Derecognition of contingent consideration related to Galvani [1)]		-	-	21	-
Change in fair value of contingent consideration related to Santa Quiteria [1)]		15	-	15	-
Take-or-pay compensation from customer [2)]		-	-	15	-
Other		-	2	9	10
Total		58	25	122	55

1) See note 6 for more information.

2) See note 11 for more information.

Depreciation and amortization

USD millions		4Q 2018	4Q 2017	2018	2017
Depreciation of property, plant and equipment		(200)	(172)	(755)	(678)
Amortization of intangible assets		(14)	(12)	(52)	(46)
Total depreciation and amortization		(214)	(184)	(807)	(724)

Impairment loss

USD millions		4Q 2018	4Q 2017	2018	2017
Impairment loss tangible assets [1)]		(89)	(26)	(136)	(43)
Impairment loss goodwill and intangible assets		(4)	(13)	(16)	(19)
Reversal of impairment loss		1	1	3	2
Total impairment loss		(92)	(37)	(150)	(60)

1) See note 8 for more information.

Note 8

Impairment of non-current assets

In fourth quarter 2018, Yara recognized impairment losses of USD 92 million, of which USD 50 million is related to the newly built TAN plant owned by Yara Pilbara Nitrates, a 50% owned joint operation, and USD 24 million is related to Yara's production plants in Italy. Both impairments are reported in the Production segment. The TAN plant in Pilbara, Australia, is currently not producing and repair work is ongoing. The plant has been disclosed as sensitive for impairment over a longer period of time. Remaining carrying value of the cash generating unit is approximately USD 340 million. With no headroom, any negative adjustments to key assumptions and new information in relation to the ongoing repair work may lead to additional charges. The production plants in Italy have also been disclosed as highly sensitive for impairment in previous periods. The impairment charge was mainly caused by slightly reduced production volume forecasts. Remaining carrying value of the cash generating unit is USD 213 million.

In previous quarters during 2018, Yara has recognized total impairment losses of USD 58 million, of which USD 33 million was related to assets in Galvani reclassified to held-for-sale. More information is provided in note 6.

Note 9 Inventories

USD millions	31 Dec 2018	31 Dec 2017
Finished goods	1,416	1,246
Work in progress	54	66
Raw materials	1,098	918
Total	2,568	2,229
Write-down		
Balance at 1 January	(27)	(16)
Reversal/(write-down), net	2	(9)
Foreign currency translation gain/(loss)	1	(2)
Closing balance	(24)	(27)

Note 10 Long-term debt

Contractual payments on long-term debt

USD millions	Debentures	Bank Loans	Capital lease and other LT loans	Total
2020	-	47	6	54
2021	80	53	9	142
2022	284	194	1	479
2023	-	45	1	46
Thereafter	1,787	243	25	2,056
Total	2,151	583	42	2,776

There have been no significant changes in Yara's long-term interest-bearing debt profile during fourth quarter.

Reconciliation of liabilities arising from financing activities

			Non cash changes						
USD millions	31 Dec 2017	Cash flows	Debt assumed as part of acquisition	Transfer to liability held for sale	Foreign exchange movement	Amorti zation 1)	Other 2)	Reclassi-fication 3)	31 Dec 2018
Long-term interest-bearing debt	2,429	1,199	-	(1)	(58)	(5)	(3)	(785)	2,776
Bank loans and other interest-bearing short-term debt	439	(61)	41	-	(34)	-	12	-	397
Current portion of long-term debt	43	-	-	-	(4)	-	-	785	824
Total liabilities from financing activities	2,911	1,138	41	(1)	(96)	(5)	9	-	3,997

1) Amortization of transaction cost.
2) Other non-cash changes includes USD 12 million commitment to redeem shares from the Norwegian State when Yara's own shares bought back are cancelled. Please see note 2 for more information.
3) Reclassification between long-term and short-term debt.

Note 11 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.

In connection with Yara Fertiliser India Pvt Ltd's acquisition of Tata Chemical Ltd's urea business, stamp duty may be payable on the lease of the Babrala plant site. Yara's position is that the stamp duty on this lease is less than USD 1 million. In order to ascertain the amount of stamp duty payable, Yara sought adjudication of the amount by the local tax authorities. On 18 January 2019, the authority assessed stamp duty on the lease at approximately USD 36 million. Yara is of the view that the authority's decision is incorrect, and remains of the view that the correct amount of stamp duty is less than USD 1 million. Yara Fertiliser India Pvt Ltd intends to commence legal action before the Uttar Pradesh state High Court to seek a court ruling as to the correct amount of stamp duty. A decision by the Uttar Pradesh state High Court may take up to 5 years. In addition to the stamp duty on the lease, Yara has also sought adjudication of stamp duty in the same state on the court order for the acquisition. Yara's position is that the stamp duty payable is less than USD 6 million. As of today, the relevant authority has not yet issued its decision. The provisions made for stamp duties in the Uttar Pradesh state corresponds to Yara's assessment.

Yara has for several years had a dispute with the Dutch tax authorities related to a group internal manufacturing agreement involving our plant in Sluiskil in the Netherlands. The dispute is not resolved and court hearing is scheduled to take place during first quarter 2019. Related to the same case, the Dutch tax authorities have questioned whether business or functions have been moved from the Netherlands to other jurisdictions. In that respect and to safeguard its taxing rights, the Dutch tax authorities issued during fourth quarter 2018 a new tax assessment for business restructuring (exit tax). The tax assessment would increase the tax cost with USD 500 million, plus USD 200 million in accumulated interest. It is Yara's position that the tax assessment is unreasonable and unfounded and no provision has been made for the claim. The business in the Netherlands and the way Sluiskil operates as a plant have not changed and there is no basis for the position taken by the Dutch tax authorities. The Dutch tax authorities have not yet motivated the tax charge nor have they presented how the charge has been calculated. Yara expects that the new tax assessment will not trigger any immediate tax payment and that tax payments will be deferred until the case has been fully resolved or the tax assessment has been withdrawn.

Contingent assets related to insurance compensations and take-or-pay compensation from a customer that were disclosed in the annual report for 2017 have been recognized during 2018. The related impact is presented in note 7 (other income specification).

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 12 Employee benefits

By the end of fourth quarter, the defined benefit obligations have been remeasured following full actuarial valuations of all defined benefit plans, using revised financial and demographic assumptions. Plan asset values have also been remeasured to reflect market value at the end of the quarter. The remeasurement loss is recognized as an increase in net defined benefit liability of USD 84 million (before tax) and a negative effect in other comprehensive income of USD 73 million (after tax).

The remeasurement loss is mainly due to USD 65 million lower actual return on plan assets than what has been recognized in the Statement of income during the year. Further, changes to financial and demographic assumptions represented a net remeasurement loss of USD 19 million before tax.

Note 13 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 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.

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.

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.

Note 14 Implementation of IFRS 16 Leases

The new accounting standard IFRS 16 Leases was effective from 1 January 2019. IFRS 16 sets out the principles for recognition, measurement, presentation and disclosures of leases and replaces IAS 17 and other previous guidance on lease accounting within IFRS. The new standard represents a significant change in lessees' accounting for leases but keeps the accounting model for lessors mainly unchanged .

IFRS 16 defines a lease as a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For each contract that meets this definition, IFRS 16 requires lessees to recognize a right-of-use asset and a lease liability in the balance sheet with certain exemptions for short term and low value leases. Lease payments are to be reflected as interest expense and a reduction of lease liabilities, while the right-of-use assets are to be depreciated over the shorter of the lease term and the assets' useful life. The portion of lease payments representing payments of lease liabilities shall be classified as cash flows used in financing activities in the statement of cash flows.

Yara have applied the following policies and practical expedients available upon transition:

- For contracts already assessed under IAS 17, no reassessment of whether a contract is or contains a lease is done.
- The opening balance of equity 1 January 2019 is adjusted with the cumulative implementation effect ("the modified retrospective method").
- Prior year comparatives are not restated.
- Lease liabilities are measured at the present value of remaining lease payments, discounted using the incremental borrowing rate 1 January 2019.
- Right-of-use assets are measured at an amount equal to the lease liability.
- Leases for which the lease term ends during 2019 will be expensed as short term leases.

Yara will take advantage of the accounting policy choice in IFRS 16 to not apply the standard to leases of intangible assets. This means that leases of intangible assets will be accounted for by applying IAS 38 *Intangible assets* as before.

Significant lease liabilities for the Group comprise of leases of the following tangible assets:

- *Land*
  Leases of land mainly relate to some of Yara's production sites which are located on leased land based on long-term lease arrangements.
- *Vessels*
  Yara has a fleet of vessels in operation for sea freight of ammonia including both owned and time-chartered vessels. The time-chartered vessels represent IFRS 16 lease liabilities. However, these lease liabilities are limited upon transition since most of the existing time-charters ends in 2019.
- *Product Storage*
  Yara has significant lease liabilities related to leases of warehouses, terminals, storage tanks etc.
- *Office buildings and other buildings*
  The majority of Yara offices throughout the Group's global business are rented. In addition Yara rents a number of other buildings which are mainly located at or in connection with the Group's production sites.

Other, less significant leases in Yara comprise of transportation and logistics assets, machinery and equipment, employee cars, IT infrastructure and office equipment.

Yara will apply different accounting policies to different assets as follows:

- Yara will separately expense services and other non-lease components embedded in lease contracts for land, vessels, product storage, office buildings and other buildings. For leases of other assets, Yara will capitalize non-lease components subject to fixed payments as part of the lease.
- Yara have taken advantage of the short term exemption available on transition 1 January 2019. This means that all leases with a lease term that ends in 2019 will be expensed as before and not capitalized upon transition. Subsequently, Yara will take advantage of the general short term exemption in IFRS 16 only for leases of machinery, office equipment and other equipment.
- Yara will take advantage of the general low value exemption in IFRS 16 for leases of office equipment and other equipment. This means that no low value leases of such assets will be capitalized and that lease payments will be expensed as before.

The implementation of IFRS 16 will impact the Group's consolidated balance sheet by increased total assets and total liabilities. The consolidated statement of income will be impacted by reduced lease expenses and increased depreciation and interest expenses. Alternative performance measures will be adjusted correspondingly.

Yara's IFRS 16 lease liability as of 1 January 2019 is approximately USD 400 million. The liability is based on the Group's lease portfolio, incremental borrowing rates and currency rates on the same date. Incremental borrowing rates are determined for all relevant currencies and lease terms taking into account risk free rate, Yara's credit risk premium, local unit risk premium above Yara, country risk premium and asset risk premium. Yara has sufficient headroom in its existing loan agreements to avoid negative consequences of the inclusion of the IFRS 16 lease liability.

Yara's IFRS 16 right-of-use asset as of 1 January 2019 corresponds with the lease liability.

Note 15 Post balance sheet events

The Yara Board will propose to the Annual General Meeting a dividend of NOK 6.50 per share for 2018.

As part of the crop nutrition focused strategy, Yara is simplifying its operating model which leads to changes in the reporting segments. The new Sales and Marketing segment will include the existing Crop Nutrition units, in addition to the following businesses which will be transferred from the former Industrial segment:

- Base chemicals
- Industry Reagents
- Animal Nutrition (excluding South Africa)

The New Business segment will include business units for decarbonization, circular economy, autonomous logistics operations and the following businesses from the former Industrial segment:

- Environmental Solutions
- Mining Applications
- Animal Nutrition South Africa
- Industrial Nitrates

The above changes will lead to changes in Yara's segment reporting and will be effective from 1 January 2019. A separate appendix will be issued before the publication of Yara's first quarter 2019 results containing restated historical figures.

Quarterly historical information

EBITDA

USD millions	4Q 2018	3Q 2018	2Q 2018	1Q 2018	4Q 2017	3Q 2017	2Q 2017	1Q 2017
Crop Nutrition	96	153	153	141	103	147	118	124
Industrial	68	72	54	53	17	52	44	45
Production	303	237	95	157	224	81	180	237
Other and eliminations	(38)	(36)	(6)	18	(32)	23	10	(25)
Total	430	427	296	370	312	303	352	381

Results

USD millions, except per share information	4Q 2018	3Q 2018	2Q 2018	1Q 2018	4Q 2017	3Q 2017	2Q 2017	1Q 2017
Revenue and other income	3,459	3,547	3,192	2,856	2,936	3,021	2,759	2,683
Operating income	78	153	38	134	59	88	130	181
EBITDA	430	427	296	370	312	303	352	381
Net income after non-controlling interests	157	98	(211)	116	104	90	82	201
Basic earnings per share	0.58	0.36	(0.77)	0.42	0.38	0.33	0.30	0.73

Reconciliation of alternative performance measures

Please see page 9 and 10 for definitions of alternative performance measures.

Reconciliation of operating income to EBITDA and gross cash flow

USD millions		3-month rolling 4Q 2018	3-month rolling 4Q 2017	12-month rolling 2018	12-month rolling 2017
Operating income		78	59	402	457
Share of net income in equity-accounted investees		29	14	82	29
Interest income and other financial income		17	18	81	77
Earnings before interest expense and tax (EBIT)		124	91	566	563
Depreciation and amortization [1]		214	184	807	724
Impairment loss [2]		92	37	150	60
Earnings before interest, tax and depreciation/amortization (EBITDA)		430	312	1,523	1,348
Income tax after tax on net foreign currency translation gain/(loss)		7	24	(70)	(76)
Gross cash flow	A	436	335	1,452	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

USD millions		3-month rolling 4Q 2018	3-month rolling 4Q 2017	12-month rolling 2018	12-month rolling 2017
Net income attributable to shareholders of the parent		157	104	159	477
Non-controlling interests		(4)	11	(19)	5
Financial expense and foreign currency translation		(43)	(5)	431	(17)
Depreciation and amortization [1]		214	184	807	724
Impairment loss [2]		92	37	150	60
Tax effect on foreign currency translation		20	5	(77)	23
Gross cash flow	A	436	335	1,452	1,272
Annualized gross cash flow	B=Ax4	1,744	1,342		
12-month rolling	B			1,452	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

USD millions		3-month rolling 4Q 2018	3-month rolling 4Q 2017	12-month rolling 2018	12-month rolling 2017
Total assets		16,719	15,270	16,621	14,847
Cash and cash equivalents		(410)	(332)	(573)	(327)
Other liquid assets		0	(1)	(0)	(0)
Deferred tax assets		(426)	(363)	(402)	(349)
Other current liabilities		(2,395)	(2,047)	(2,402)	(2,057)
Accumulated depreciation and amortization		6,655	6,329	6,638	5,984
Accumulated impairment loss		40	40	40	39
Gross investment 3-month average	C	20,182	18,896		
Gross investment 12-month average	C			19,922	18,136
CROGI (Cash Return on Gross Investment)	D=B/C	8.6 %	7.1 %	7.3 %	7.0 %

Reconciliation of EBIT to EBIT after tax

USD millions		3-month rolling 4Q 2018	3-month rolling 4Q 2017	12-month rolling 2018	12-month rolling 2017
Earnings before interest expense and tax (EBIT)		124	91	566	563
Income tax after tax on net foreign currency translation gain/(loss)		7	24	(70)	(76)
EBIT after tax	E	131	114	495	488
Annualized quarter EBIT after tax	F=Ex4	522	457		
12-month rolling EBIT after tax	F			495	488

Reconciliation of total assets to capital employed and ROCE calculation

USD millions		3-month rolling 4Q 2018	3-month rolling 4Q 2017	12-month rolling 2018	12-month rolling 2017
Total assets		16,719	15,270	16,621	14,847
Cash and cash equivalents		(410)	(332)	(573)	(327)
Other liquid assets		0	(1)	(0)	(0.40)
Deferred tax assets		(426)	(363)	(402)	(349)
Other current liabilities		(2,395)	(2,047)	(2,402)	(2,057)
Capital employed 3-month average	G	13,487	12,527		
Capital employed 12-month average	G			13,244	12,113
ROCE (Return on Capital Employed)	H=F/G	3.9%	3.6%	3.7%	4.0%

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

USD millions		4Q 2018	4Q 2017	2018	2017
EBITDA		430	312	1,523	1,348
Depreciation and amortization [1]		(214)	(184)	(807)	(724)
Impairment loss [2]		(92)	(37)	(150)	(60)
Foreign currency translation gain/(loss)		86	31	(278)	99
Interest expense and other financial items		(43)	(26)	(153)	(82)
Income before tax and non-controlling interests	I	167	96	134	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		4Q 2018	4Q 2017	2018	2017
Operating income		78	59	402	457
Share of net income in equity-accounted investees		29	14	82	29
Interest income		17	18	78	75
Dividends and net gain/(loss) on securities		0	0	3	2
EBIT		124	91	566	563
Depreciation and amortization [1]		214	184	807	724
Impairment loss [2]		92	37	150	60
EBITDA		430	312	1,523	1,348
Special items included in EBITDA [3]		(5)	38	2	82
EBITDA excluding special items		424	350	1,525	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 10 for details on special items.

Net operating capital

USD millions		31 Dec 2018	31 Dec 2017
Trade receivables		1,601	1,398
Inventories		2,568	2,229
Trade payables [1)]		(1,475)	(1,340)
Prepayments from customers		(343)	(265)
Net operating capital		2,352	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		31 Dec 2018	31 Dec 2017
Cash and cash equivalents		202	544
Other liquid assets [1)]		0	0
Bank loans and other short-term interest-bearing debt		(397)	(439)
Current portion of long-term debt		(824)	(43)
Long-term interest-bearing debt		(2,776)	(2,429)
Net interest-bearing debt	J	(3,794)	(2,367)

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

Net debt/equity ratio

USD millions		31 Dec 2018	31 Dec 2017
Net interest-bearing debt	K	(3,794)	(2,367)
Total equity	L	(8,910)	(9,505)
Net debt/equity ratio	M=K/L	0.43	0.25

Earnings per share

USD millions, except earnings per share and number of shares		4Q 2018	4Q 2017	2018	2017
Weighted average number of shares outstanding	N	273,028,047	273,217,830	273,169,994	273,217,830
Net income after non-controlling interests	O	157	104	159	477
Foreign currency translation gain/(loss)	P	86	31	(278)	99
Tax effect on foreign currency translation	Q	(20)	(5)	77	(23)
Non-controlling interest share of foreign currency (gain)/loss, net after tax	R	(0)	(1)	(3)	(4)
Special items within EBIT [1)]	S	(87)	(70)	(148)	(134)
Tax effect on special items	T	13	15	37	33
Special items within EBIT net of tax	U=S+T	(74)	(55)	(112)	(101)
Non-controlling interest share of special items, net after tax	V	-	2	(9)	2
Net income excluding currency & special items	W=O-P-Q+R-U+V	165	134	460	499
Basic earnings per share	X=O/N	0.58	0.38	0.58	1.75
Basic earnings per share excluding foreign currency	Y=(O-P-Q+R)/N	0.33	0.28	1.31	1.45
Basic earnings per share excluding foreign currency & special items	Z=W/N	0.60	0.49	1.68	1.83

Notes

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