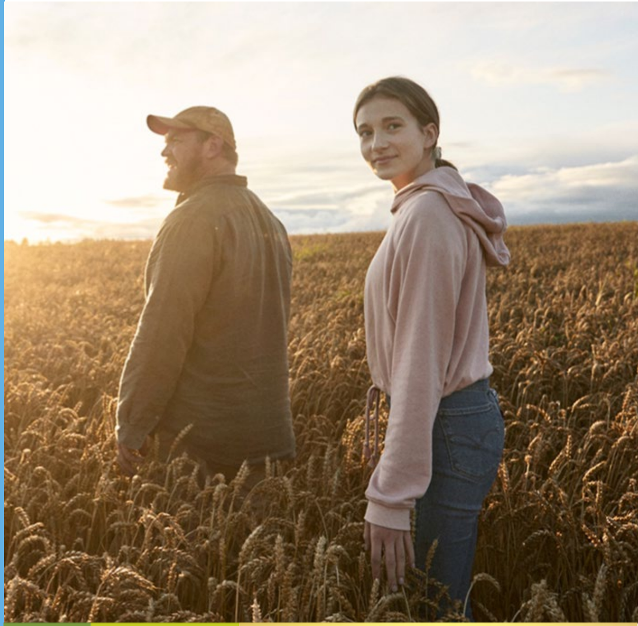
Knowledge grows



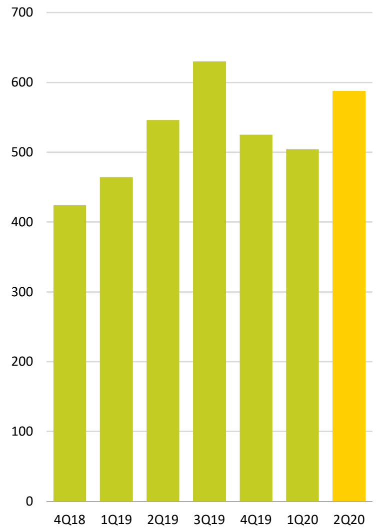
Second-quarter and half-year report 2020

Yara International ASA

- Second quarter EBITDA[1] up 8%, mainly reflecting improved margins and lower fixed cost
- First-half 2020 deliveries in line with a year earlier
- USD 1 billion free cashflow[2] rolling 4 quarters
- Completion of Qafco transaction expected within 2-3 weeks; 5% buyback[3] to be initiated upon completion and receipt of proceeds, utilizing full AGM mandate

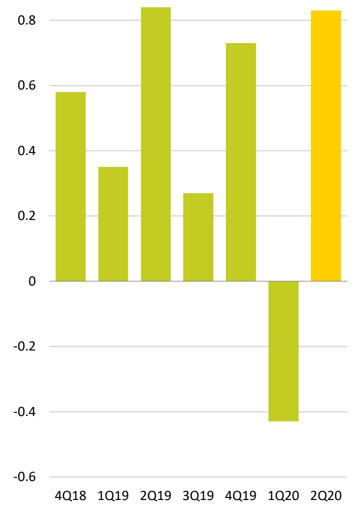
EBITDA[1]

USD millions

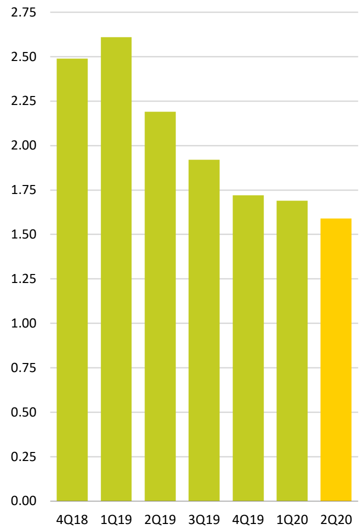


Earnings per share

USD



Net debt/EBITDA[1]



1) EBITDA excluding special items. The Net debt/EBITDA ratio is based on rolling 12-months EBITDA.
2) Net cash provided by operating activities minus net cash used in investing activities (see cash flow statement page 18).
3) Approx 3.2% of shares outstanding to be purchased in the market by the end of first quarter 2021. Including the proportional redemption of shares owned by the Norwegian state, the total buyback and redemption will amount to 5% of shares outstanding.

Second quarter 2020

Financial highlights[1)]

USD millions, except where indicated otherwise	2Q 2020	2Q 2019	1H 2020	1H 2019
Revenue and other income	2,869	3,402	5,720	6,416
Operating income	335	266	583	464
EBITDA	583	541	1,094	1,006
EBITDA excl. special items	588	546	1,092	1,010
Net income attributable to shareholders of the parent	223	230	106	326
Basic earnings per share [2)]	0.83	0.84	0.39	1.19
Basic earnings per share excl. foreign currency translation and special items [2)]	1.06	0.77	1.45	1.36
Net cash provided by operating activities	736	680	928	934
Net cash used in investing activities	(139)	(246)	(338)	(489)
Net debt/equity ratio	0.45	0.44	0.45	0.44
Net debt/EBITDA excl. special items (last 12 months) ratio	1.59	2.19	1.59	2.19
Average number of shares outstanding (millions)	268.8	272.5	269.6	272.6
Return on invested capital (ROIC) [3)]	9.0 %	7.1 %	7.3 %	5.4 %

1) See page 33-38 for definitions, explanations and reconciliations of Alternative Performance Measures (APMs).
2) USD per share. Yara currently has no share-based compensation programs resulting in a dilutive effect on earnings per share.
3) Quarterly numbers annualized. Year-to date numbers 12-months rolling average.

Key Yara statistics

	2Q 2020	2Q 2019	1H 2020	1H 2019
Yara production (thousand tonnes) [1)]				
Ammonia	1,868	2,172	3,792	4,237
Finished fertilizer and industrial products, excl. bulk blends	5,087	5,473	10,418	10,956
Yara deliveries (thousand tonnes)				
Ammonia trade (reflected in Production)	523	670	943	1,168
Sales and Marketing Segment	8,117	8,347	15,540	15,071
New Business Segment	868	1,019	1,823	1,976
Production segment	132	286	323	363
Total deliveries	9,640	10,322	18,629	18,578
Yara's Energy prices (USD per MMBtu)				
Global weighted average gas cost	3.2	4.8	3.7	5.4
European weighted average gas cost	2.8	5.5	3.5	6.6

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

Market information

Average of publication prices		2Q 2020	2Q 2019	1H 2020	1H 2019
Urea granular (fob Egypt)	USD per tonne	226	273	236	269
CAN (cif Germany)	USD per tonne	177	214	186	231
Ammonia (fob Black Sea)	USD per tonne	196	221	209	246
DAP (fob US Gulf)	USD per tonne	301	366	299	382
Phosphate rock (fob Morocco)	USD per tonne	79	94	78	97
European gas (TTF)	USD per MMBtu	1.7	4.3	2.4	5.2
US gas (Henry Hub)	USD per MMBtu	1.7	2.6	1.8	2.7
EUR/USD currency rate		1.1	1.1	1.1	1.1
USD/BRL currency rate		5.4	3.9	4.8	3.8

Yara's second-quarter EBITDA excluding special items was up 8% compared with a year earlier, mainly driven by improved margins and lower fixed cost. Net income after non-controlling interests was USD 223 million (USD 0.83 per share), compared with USD 230 million (USD 0.84 per share) a year earlier. Excluding currency effects and special items, the result was USD 1.06 per share compared with USD 0.77 per share in second quarter 2019.

"Yara delivers improved results, with second-quarter EBITDA excluding special items up 8%. I am pleased to see the Yara organization continuing to perform well in a demanding environment," said Svein Tore Holsether, President and Chief Executive Officer of Yara.

"Our cash flow also continued to improve, with more than one billion US dollars of free cash flow generated over the last four quarters and completion of the Qafco transaction is expected within 2-3 weeks. We will initiate a buyback of 5% of Yara's share capital upon completion and receipt of the Qafco proceeds," said Holsether.

Variance analysis

USD millions	2Q 2020	1H 2020
EBITDA 2020	583	1,094
EBITDA 2019	541	1,006
Reported EBITDA variance	42	88
Special items variance (see page 11 for details)	1	7
EBITDA variance ex special items	42	81
Volume/Mix	(37)	103
Price/Margin excluding energy	(70)	(300)
Energy price	110	240
Currency translation	42	78
Other	(3)	(39)
Total variance explained	42	81

Second quarter

Yara's second-quarter EBITDA excluding special items was 8% higher than a year earlier as lower gas prices and lower fixed costs more than offset lower deliveries and lower realized prices. Lower deliveries reflect early spring phasing of European fertilizer volumes, and weaker industrial nitrogen demand due to Covid-19.

Production segment

- Focus on operational continuity
- Lower gas prices partly offset by lower nitrogen and phosphate prices
- Underlying production output in line with a year earlier

The production segment second-quarter EBITDA excluding special items was 5% higher than a year earlier, reflecting lower gas prices partially offset by weaker commodity prices and slightly lower production output. Yara's plants are running without significant disruptions, supported by strong focus on HESQ and operational continuity in order to reduce the risk of prolonged outages.

Production of finished products was 7% lower than a year earlier due to reclassification of the QAFCO investment to held-for-sale, while underlying production of finished products was down 1%. Ammonia production was down 14%, mainly due to the closure of Yara Trinidad and reclassification off QAFCO. Adjusting for these portfolio effects, the ammonia production was down 1% compared with a year earlier.

Sales and Marketing segment

- Improved results mainly reflecting higher margins
- Higher deliveries and margins in Brazil
- Lower volumes in Europe reflect early spring phasing of deliveries

The Sales and Marketing second-quarter EBITDA excluding special items was 25% higher than a year earlier, reflecting mainly higher deliveries in Brazil at increased margins. European deliveries were down 10% following a strong first quarter as spring application started earlier than the year before. Overall positive margin development despite lower NPK and nitrate premiums. Fixed costs were lower than a year ago, partially due to a stronger US Dollar.

New Business segment

- Main Covid-19 impact on Maritime
- Industrial nitrogen demand also impacted, but improving trend towards the end of the quarter

The New Business segment second-quarter EBITDA excluding special items was 34% lower than a year earlier, mainly reflecting lower activity level in Maritime and lower demand for AdBlue and TAN products following Covid-19. Deliveries of industrial nitrogen have however had an improving trend towards the end of the quarter.

First half

Yara's first-half EBITDA excluding special items was up 8% as lower gas prices, higher deliveries and a stronger US Dollar were partially offset by weaker commodity prices.

Production segment

The production segment first-half EBITDA excluding special items was 4% lower than a year earlier, mainly reflecting lower commodity prices and production output partially offset by lower gas prices. Ensuring operational continuity through Covid-19 has had priority.

Production of finished products was down 5% compared with a year earlier, mainly due to reclassification of the QAFCO investment to held-for-sale. Adjusting for this, the production of finished products was down 1%. Ammonia production was down 11%, mainly due to the closure of Trinidad and reclassification on QAFCO. Adjusting for these portfolio effects, the ammonia production was down 1% compared with a year earlier.

Sales and Marketing segment

The Sales and Marketing first-half EBITDA excluding special items was 26% higher than a year earlier, reflecting higher deliveries, increased margins and lower fixed costs. Strong first quarter deliveries were driven by spring planting and application in the Northern Hemisphere, while second quarter reflected higher deliveries at improved margins in Brazil.

New Business segment

The New Business segment first-half EBITDA excluding special items was 18% lower than a year earlier, mainly reflecting reduced demand for industrial nitrogen due to Covid-19, and lower activity in the Maritime and Stationary businesses.

Improvement program

Yara launched an extended improvement program at its Capital Markets day on June 26, 2019, following solid improvements achieved in the previous three years. As part of this, Yara moved to reporting operational metrics on a rolling 12-months basis to better reflect underlying performance.

Underlying production in second quarter was in line with a year earlier, and current initiatives in the improvement program are implemented while ensuring operational continuity through Covid-19 in order to reduce the risk of prolonged outages.

Recent improvement of Energy Efficiency is mainly due to the closure of Yara Trinidad. Fixed Costs were reduced during second quarter and is on track to achieve the 2023 ambition level of keeping the nominal costs flat. Net Operating Capital days have increased by one day compared with 2019, and is reflecting build-up of inventory at strong margins.

	L12M	2019	2018
Production - ammonia (kt) 1)	7,591	7,772	7,850
Production - finished products (kt) 1)	20,912	21,067	20,870
Energy efficiency (GJ/T) 2)	33.6	33.9	34.1
Fixed cost (USD millions) 3)	2,272	2,291	2,314
Net operating capital (days) 3)	116	115	104

1) Production output measured on rolling 12 months, adjusted for major turnarounds and market optimization effects. Adjustments are done to better reflect the underlying production performance. Numbers exclude Qafco and Lifeco volumes. 2018 baseline includes growth and debottleneck projects already communicated, and is adjusted related to Galvani and Pardies portfolio effects.
2) Energy Efficiency (GJ/t) looks at the L12M total energy consumption per tonne ammonia produced.
3) For definitions of Fixed cost and Net operating capital days, refer to page 36-37 in the APM section.

Production volumes

Thousand tonnes	2Q 2020	2Q 2019	1H 2020	1H 2019
Ammonia	1,868	2,172	3,792	4,237
of which equity-accounted investees	*-*	*213*	*181*	*447*
Urea	1,154	1,641	2,665	3,274
of which equity-accounted investees	*-*	*333*	*268*	*694*
Nitrate	1,602	1,589	3,155	3,064
NPK	1,543	1,368	2,999	2,797
CN	428	394	836	796
UAN	237	224	477	452
SSP-based fertilizer	110	248	243	526
MAP	12	9	43	47
Total Finished Products1)	5,087	5,473	10,418	10,956

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

Deliveries

Deliveries excl. New Business	2Q 2020	2Q 2019	1H 2020	1H 2019
Thousand tonnes				
Urea	1,738	1,961	3,406	3,685
of which Yara-produced	*1,058*	*1,225*	*2,167*	*2,287*
of which equity-accounted investees	*511*	*528*	*867*	*1,058*
Nitrate	1,393	1,534	3,084	2,831
of which Yara-produced	*1,296*	*1,434*	*2,881*	*2,629*
NPK	2,515	2,382	4,882	4,491
of which Yara-produced compounds	*1,454*	*1,426*	*3,067*	*2,752*
of which Yara-produced blends	*924*	*861*	*1,485*	*1,494*
CN	421	388	753	677
of which Yara-produced	*416*	*382*	*747*	*668*
UAN	507	458	864	737
of which Yara-produced	*367*	*352*	*695*	*612*
SSP	142	328	180	403
of which Yara-produced	*114*	*231*	*147*	*294*
Ammonia	254	280	510	563
of which Yara-produced	*212*	*229*	*423*	*463*
DAP/MAP	186	124	320	248
MOP/SOP	444	351	568	484
Other products	652	827	1,295	1,314
Total deliveries excluding New Business	8,250	8,634	15,863	15,434
Production segment direct deliveries included above [1]	*132*	*286*	*323*	*363*

Deliveries excl. New Business	2Q 2020	2Q 2019	1H 2020	1H 2019
Thousand tonnes				
Europe	2,742	3,038	6,184	6,018
Brazil	2,520	2,463	4,312	4,132
Latin America excluding Brazil	616	588	1,073	963
North America	1,041	1,162	1,839	1,846
Asia	905	947	1,698	1,728
Africa	426	436	756	746
Total deliveries excluding New Business	8,250	8,634	15,863	15,434

For a description of the key fertilizer products, see the Yara Fertilizer Industry Handbook:
https://www.yara.com/siteassets/investors/057-reports-and-presentations/other/2018/fertilizer-industry-handbook-2018-with-notes.pdf/

New Business deliveries	2Q 2020	2Q 2019	1H 2020	1H 2019
Thousand tonnes				
Urea [2]	174	213	364	403
Nitrate [3]	244	272	501	525
CN	85	91	188	194
Other products [4]	27	34	54	60
Water content in urea	337	421	715	798
Total New Business deliveries	868	1,019	1,823	1,976

1) Primarily product category "Other products".
2) Pure product (46% N) equivalents.
3) Including AN Solution.
4) Including feed phosphates, sulphuric acid, ammonia and other minor products.

Fertilizer market conditions

The Food and Agriculture Organization of the United Nations (FAO) grain price index has increased with 2% compared with second quarter last year, while still being 12% lower than the ten-year average. The overall food price index is 2% lower than the same quarter last year, and 14% below the ten-year average. As the Covid-19 pandemic has led to reduced demand for gasoline and diesel, it has in turn negatively impacted demand for biofuels crops. The reduction is most noticeable for corn, but also linked to sugar and palm oil. Prices have however partly rebounded during June and July, supported by easing of lockdown measures in many countries.

Global fertilizer demand remains supported by the need for higher grain production to match the continued increase in consumption. The US Department of Agriculture projects a 2% increase in global grain consumption for the 2020/21 season. At the same time production is also forecasted to be strong, raising the global grain ending stocks-to-use ratio to 114 days, representing an increase of 1 day compared with 113 days at the start of the season. Excluding China, the projected ending stocks-to-use ratio at 64 days of consumption is up by 3 days from the start of the season.

Granular urea prices fob Egypt averaged USD 226 per tonne for second quarter, representing a reduction of USD 47 per tonne compared with USD 273 per tonne last year. As last year, global urea prices fell below the Chinese price level for parts of the second quarter, which could be explained by reduced industrial demand due to Covid-19. Agricultural demand has on the contrary been robust, and urea prices reconnected to Chinese export prices in June. Despite the losses of urea demand for non-fertilizer use, the global balance ex. China improved year-on-year, as China exported 0.7 million tonnes during April and May this year, representing an increase of 0.3 million tonnes compared with same period last year. The lower global urea price can be explained by the lower export price from China, which was driven by lower domestic production costs and also by less tight supply demand balance, resulting in lower margins for Chinese producers.

Ammonia prices fob Black Sea were on average USD 196 per tonne for the quarter, representing a reduction of USD 25 per tonne compared with USD 221 per tonne last year. The ammonia market remains fundamentally oversupplied, resulting in market driven curtailments. Margins for high cost producers are under pressure, while low natural gas prices in Europe and elsewhere have altered the relative competitiveness of global ammonia producers. Trinidad is a country where production is curtailed as a consequence. The combination of current European gas prices and regional ammonia deficit places West European ammonia producers at the lower end of the cost curve in terms of delivered cost.

DAP prices averaged USD 301 per tonne fob US Gulf for the quarter, representing a reduction of USD 65 per tonne compared with USD 366 per tonne last year. Expansions in Morocco and Saudi Arabia have resulted in oversupplied phosphate markets, putting global phosphate prices under pressure. However, stable pricing through 2020 with recent modest uptick might indicate an improving supply-demand balance. Chinese phosphate exports are down year to date, and production in India is facing challenges due to Covid-19.

While lower prices for sulphur and ammonia partly compensate for the drop in DAP prices, both rock prices and the upgrading margin from rock to DAP were lower during second quarter than a year earlier.

Regional market developments

Second-quarter nitrogen deliveries in Western Europe were 6% lower compared with same quarter last year, while imports were 3% lower. For the 2019/20 season, the deliveries ended 3% lower than the previous season, while imports were 6% lower.

Brazil imported 1.1 million tonnes of urea during second quarter, up from 0.8 million tonnes same quarter last year. Year-to-date imports at 2.8 million tonnes compares to 2.5 million tonnes last year.

Second-quarter urea production in China is currently estimated to be 1% higher than the previous year despite declining production in June, while production for the full 2019/20 season ended 4% higher than the previous season. The average domestic urea price for the second quarter was 16% lower than the previous year in local currency, while 19% lower expressed in US dollars. For the season, urea supply for the domestic market is estimated 2% ahead of the previous season, as the increase in production modestly exceeds the increase in exports.

In India, urea sales have had a strong start into the new season, with second quarter sales reported 68% above same quarter last year. This indicates that farmers have chosen to buy early as second quarter is off-season in India. While weather factors and plantings have been supportive, Covid-19 linked fear of any shortages might also be an element. The urea price for farmers in India is fixed, thus eliminating price risk as a relevant factor. Urea production for second quarter is reported 8% higher than same quarter last year. Given the strong sales, inventories are low, and India is an active buyer in the global market.

Financial items

USD millions	2Q 2020	2Q 2019	1H 2020	1H 2019
Interest income	14	18	29	39
Dividends and net gain/(loss) on securities	-	-	-	-
Interest income and other financial income	14	18	29	39
Interest expense	(32)	(38)	(70)	(77)
Net interest expense on net pension liability	(1)	(2)	(2)	(5)
Net foreign currency translation gain/(loss)	(66)	35	(367)	(43)
Other	(8)	(5)	(22)	(9)
Interest expense and foreign currency translation gain/(loss)	(106)	(9)	(460)	(134)
Net financial income/(expense)	(92)	9	(432)	(95)

The variance in financial items compared with second quarter last year primarily reflects a net foreign currency translation loss of USD 66 million this quarter, compared with a gain of USD 35 million in the same quarter last year. This quarter, a gain on Yara's US dollar denominated debt positions was more than offset by losses on internal funding positions, mainly in European euro against the Norwegian krone. In the same quarter last year, more modest currency movements resulted in a net gain on the corresponding positions.

At the start of the third quarter, the US dollar denominated debt position generating currency effects in the income statement was approximately USD 3,000 million, with around 55 % of the exposure towards the Norwegian krone and 30 % against Yara's emerging market currencies.

Yara's accounting policy regarding foreign currency transactions is described on page 19 and in the annual report for 2019 on page 93.

Interest expense was USD 6 million lower than second quarter last year. The reduction reflects both lower interest rates and an average gross debt level around USD 370 million lower.

First-half net financial expense was USD 337 million higher than a year ago. The variance is mainly explained by a higher net foreign currency translation loss, especially in the first quarter this year.

Tax

Second-quarter provisions for current and deferred taxes were USD 28 million. The tax cost for the quarter was positively impacted by currency effects on certain tax assets. The year-to-date tax cost is negatively impacted by impairment of tax assets in Brazil mainly due to currency losses.

Net interest-bearing debt

USD millions	2Q 2020	1H 2020
Net interest-bearing debt at the beginning of the period	(3,723)	(3,725)
Cash earnings [1]	449	833
Dividends received from equity-accounted investees	1	2
Net operating capital change	219	113
Investments (net)	(139)	(338)
Yara dividend and buy-backs	(401)	(453)
New leases [2]	(33)	(63)
Other, including foreign currency translation gain/(loss)	51	54
Net interest-bearing debt at end of period	(3,577)	(3,577)

1) Operating income plus depreciation and amortization, minus tax paid, net gain/(loss) on disposals, net interest expense and bank charges.
2) New lease arrangements in scope for IFRS 16 increase the net interest-bearing debt without having an immediate cash impact.

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

Net interest-bearing debt at the end of the second quarter 2020 was USD 3,577 million, which is USD 147 million lower than at the end of the first quarter. Cash earnings and positive change in working capital exceeded payment of dividends and investments this quarter. Decrease in working capital mainly reflects seasonal increase in prepayments in Brazil and lower receivables in Europe as compared to the end of the first quarter. Investments amounted to USD 139 million, reflecting primarily regular maintenance investments. Growth investments included USD 34 million related to the Rio Grande and Salitre projects in Brazil.

The debt/equity ratio at the end of second quarter 2020, calculated as net interest-bearing debt divided by shareholders' equity plus non-controlling interests, was 0.45 compared with 0.46 at the end of first quarter 2020.

At the end of second quarter 2020, the net debt/EBITDA excl. Special items (last 12 months) ratio is 1.59, down from 1.69 at the end of the first quarter 2020.

Outlook

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

Yara's market environment is in a positive trend overall, with a broadly stable global grain balance and receding urea supply pressure. Fertilizer and food demand is resilient also in times of crisis, and ensuring continuity in food production and related value chains remains a top priority for all countries. Nitrogen fertilizer markets are robust, with normal planting and application in the Northern hemisphere and strong demand from Brazil ahead of the Southern hemisphere main season. Yara's industrial business has seen weaker demand in second quarter, but with improvement towards the end of the quarter.

Natural gas input prices have continued to fall, especially in Europe. Based on current forward markets for natural gas (9 July) Yara's spot-priced gas costs for third and fourth quarter 2020 are expected to be respectively USD 60 million and USD 30 million lower than a year earlier. The estimates may change depending on future spot gas prices.

Yara has a triple responsibility in the ongoing global pandemic: Firstly, to safeguard its employees, contractors, partners, neighbors and society at large. Secondly, to be a responsible company and act in accordance with government guidelines. And thirdly, to keep operations running, to help support the supply of food and other essential products to society. This means that the timing of turnarounds, improvement initiatives and project portfolio will be optimized to reduce the risk of prolonged outages.

In the wake of Covid-19, the number of people facing acute hunger could double. Supported by the United Nations, the Norwegian government and African institutions, Yara is taking action to provide food for more than one million people in Southern and Eastern Africa. The USD 25 million initiative includes advocacy and partnerships, farmer connectivity and digital solutions, and operational support including 40,000 metric tons of high quality fertilizers with zinc for improved nutrition, to be delivered mainly during third quarter 2020.

Yara's financial situation is robust, with strong cash flow from operations and declining capital expenditure due to strong capital discipline. In addition, regulatory approvals needed to complete the sale of Yara's 25% share in Qatar Fertiliser Company have been obtained, with completion of the transaction expected within 2-3 weeks. Yara will initiate a buyback of 5% of share capital upon completion and receipt of the Qafco proceeds, utilizing the full AGM buyback mandate. The Board will consider further cash returns in connection with Q3 and Q4 results, in line with its capital allocation policy.

From third quarter 2020, Yara will report results according to a new regional organizational structure. Yara's operations will comprise five profit centers, of which three regional units, one Industrial Solutions unit and a fifth unit for global production plants and operational excellence. In addition, Yara has established a new Farming Solutions global function. Restated financial figures for 2019 through first half 2020 according to the new regional structure will be published ahead of Yara's third-quarter 2020 financial results.

Global nitrogen prices have been volatile during the last 2 years, as high-cost Chinese exports have been in demand only in parts of the year. However, supply growth outside China is receding, and this has increased demand for Chinese exports while nitrogen price volatility has reduced as a result. The latest CRU projections show global nitrogen supply growth for 2020 and 2021 at a 5-year low.

As part of its integrated performance management development, Yara has expanded the mandate of its Board Audit Committee to a Board Audit and Sustainability Committee. Furthermore, Yara's Sustainability Governance function is now part of Yara's Finance organization, reporting directly to the CFO.

Risk and uncertainty

As described in Yara's Annual Report for 2019 Yara's total risk exposure is analyzed and evaluated at group level. Risk evaluations are integrated in all business activities both at group and business unit level, increasing Yara's ability to take advantage of business opportunities. Yara's most important market risk is related to the margin between nitrogen fertilizer prices and natural gas prices. Although there is a positive long-term correlation between these prices, margins are influenced by the supply/demand balance for food relative to energy. Yara has in place a system for credit and currency risk management with defined limits for exposure both at country, customer and currency level. Yara's geographically diversified portfolio reduces the overall credit and currency risk of the Group. As the fertilizer business is essentially a US dollar business, with both revenues and raw material costs mainly priced in US dollars, Yara seeks to keep most of its debt in US dollars to reduce its overall US dollar currency exposure. There has not been any significant change in the risk exposures.

Yara continues to conduct ongoing risk assessments of the potential impacts of the Covid-19 pandemic on its business, with regular and frequent reviews of the risk picture and mitigating actions at all levels of the organization. Examples of risks Yara may experience include disruptions to logistics, sourcing and distribution, delays in maintenance and execution of projects, unavailability of qualified personnel or lower nitrogen demand. Preventive and contingency measures have been put in place across the company to safeguard employees while ensuring the continuity of Yara's operations. These measures include additional safety measures at our production sites and offices, ensuring additional transport and storage capacity and carefully considering timing and execution of scheduled maintenance. Yara has developed and maintains several financial scenarios linked to its overall risk assessments. Yara also manages and monitors financial liquidity and capital resources and has limited short term debt maturities. In addition, on the market side Yara has together with other industry players made significant efforts to enable normal deliveries, planting and application. Nitrogen fertilizer markets has historically been resilient also in times of crisis, and ensuring continuity in food production and related value chains has remained a priority for governments around the world.

The risks and uncertainties for the remaining six months of the year are described in the Outlook section.

Related parties

Note 8.1 and 8.2 in the annual report for 2019 provides details of related parties. During the first half of 2020 there have not been any changes or transactions that significantly impact the group's financial position or result for the period.

The Board of Directors and Chief Executive Officer
Yara International ASA
Oslo, 16 July 2020

Trond Berger
Chairperson

Kimberly Lein-Mathisen
Vice chair

Adele Bugge Norman Pran
Board member

John Thuestad
Board member

Rune Bratteberg
Board member

Birgitte Ringstad Vartdal
Board member

Ragnhild Flesland Høimyr
Board member

Geir O. Sundbø
Board member

Håkon Reistad Fure
Board member

Øystein Kostøl
Board member

Svein Tore Holsether
President and CEO

Variance analysis and special items

Variance analysis

In order to track underlying business developments from period to period, Yara's management also uses a variance analysis methodology ("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.

Special items

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 which are not the result of active exposure or position management by Yara. Together with impairments, these are defined as special items regardless of amount.

Special items

	Fixed cost effect				EBITDA effect				Operating income effect			
USD millions	2Q 2020	2Q 2019	1H 2020	1H 2019	2Q 2020	2Q 2019	1H 2020	1H 2019	2Q 2020	2Q 2019	1H 2020	1H 2019
Impairment of non-current assets	-	-	-	-	-	-	-	-	(9)	-	(14)	-
Total Sales and Marketing	-	-	-	-	-	-	-	-	(9)	-	(14)	-
Release of provision related to discontinuation of pilot plant	-	-	-	3	-	-	-	3	-	-	-	3
Total New Business	-	-	-	3	-	-	-	3	-	-	-	3
Contract derivatives gain/(loss)	-	-	-	-	6	6	17	8	6	6	17	8
Impairment of non-current assets	-	-	-	-	-	-	-	-	(2)	(10)	(8)	(13)
Scrapping of project development and provision for demolition	(2)	(8)	(2)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)
Total Production	(2)	(8)	(2)	(8)	(2)	(2)	9	-	(4)	(12)	1	(13)
Portfolio management costs	(3)	(4)	(7)	(7)	(3)	(4)	(7)	(7)	(3)	(4)	(7)	(7)
Total Other	(3)	(4)	(7)	(7)	(3)	(4)	(7)	(7)	(3)	(4)	(7)	(7)
Total Yara	(5)	(12)	(9)	(13)	(5)	(5)	2	(5)	(16)	(15)	(20)	(18)

Description and reconciliation of alternative performance measures are included on page 33-38.

Condensed consolidated interim statement of income

USD millions, except share information	Notes	2Q 2020	2Q 2019	1H 2020	1H 2019	2019
Revenue from contracts with customers	3	2,862	3,386	5,694	6,376	12,858
Other income	5	7	16	26	40	78
Revenue and other income		2,869	3,402	5,720	6,416	12,936
Raw materials, energy costs and freight expenses		(1,949)	(2,488)	(3,933)	(4,669)	(9,334)
Payroll and related costs		(267)	(294)	(543)	(586)	(1,180)
Depreciation and amortization	5,8	(215)	(227)	(445)	(452)	(922)
Impairment loss	5	(11)	(10)	(22)	(13)	(43)
Other operating expenses	8	(93)	(117)	(195)	(232)	(467)
Operating costs and expenses		(2,534)	(3,136)	(5,137)	(5,952)	(11,946)
Operating income		335	266	583	464	989
Share of net income in equity-accounted investees	4	9	19	16	36	65
Interest income and other financial income		14	18	29	39	76
Foreign currency translation gain/(loss)		(66)	35	(367)	(43)	(145)
Interest expense and other financial items		(41)	(45)	(94)	(90)	(182)
Income before tax		251	294	167	406	803
Income tax		(28)	(68)	(62)	(89)	(214)
Net income		223	226	105	316	589
Net income attributable to						
Shareholders of the parent		223	230	106	326	599
Non-controlling interests		1	(4)	(1)	(9)	(10)
Net income		223	226	105	316	589
Basic earnings per share [1]		0.83	0.84	0.39	1.19	2.20
Weighted average number of shares outstanding	2	268,760,982	272,525,904	269,627,609	272,611,392	272,319,232

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

Condensed consolidated interim statement of comprehensive income

USD millions	2Q 2020	2Q 2019	1H 2020	1H 2019	2019
Net income	223	226	105	316	589
Other comprehensive income that may be reclassified to statement of income (net of tax)					
Currency translation adjustments	4	39	(165)	45	30
Hedge of net investments	52	9	(73)	14	(9)
Net other comprehensive income/(loss) that may be reclassified to statement of income in subsequent periods, net of tax	56	48	(238)	58	20
Other comprehensive income that will not be reclassified to statement of income in subsequent periods (net of tax)					
Currency translation adjustments [1]	117	26	(235)	42	(24)
Net gain/(loss) on equity instruments at fair value through other comprehensive income	-	-	-	-	(2)
Remeasurement gains/(losses) on defined benefit plans	(17)	(27)	(51)	(26)	(9)
Net other comprehensive income that will not be reclassified to statement of income in subsequent periods, net of tax	100	(1)	(286)	16	(35)
Total other comprehensive income, net of tax	156	48	(524)	75	(14)
Total comprehensive income, net of tax	380	274	(420)	392	576
Total comprehensive income attributable to					
Shareholders of the parent	379	274	(419)	399	585
Non-controlling interests	1	(1)	(1)	(7)	(10)
Total	380	274	(420)	392	576

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	Other reserves[3]	Retained earnings	Attributable to share-holders of the parent	Non-controlling interests	Total equity
Balance at 31 December 2018	66	(49)	(1,523)	10,189	8,683	227	8,910
Net income	-	-	-	326	326	(9)	316
Total other comprehensive income, net of tax	-	-	99	(26)	73	2	75
Long term incentive plan	-	-	-	1	1	-	1
Dividends distributed	-	-	-	(203)	(203)	(1)	(204)
Balance at 30 June 2019	66	(49)	(1,425)	10,287	8,879	220	9,099
Net income	-	-	-	273	273	-	272
Total other comprehensive income, net of tax	-	-	(103)	17	(86)	(2)	(89)
Long term incentive plan	-	-	-	(1)	(1)	-	(1)
Transactions with non-controlling interests	-	-	(54)	(97)	(151)	(137)	(288)
Treasury shares [2]	-	-	-	(83)	(83)	-	(83)
Dividends distributed	-	-	-	-	-	(1)	(1)
Balance at 31 December 2019	66	(49)	(1,582)	10,395	8,830	79	8,909
Net income	-	-	-	106	106	(1)	105
Total other comprehensive income, net of tax	-	-	(473)	(51)	(524)	-	(524)
Long term incentive plan	-	-	-	1	1	-	1
Treasury shares [2]	-	-	-	(80)	(81)	-	(81)
Dividends distributed	-	-	-	(400)	(400)	(1)	(401)
Balance at 30 June 2020	65	(49)	(2,055)	9,971	7,932	77	8,009

1) Par value NOK 1.70.
2) As approved by General Meeting 7 May 2019.
3) Other reserves are mainly currency translation adjustments. Other reserves also includes fair value reserve of financial assets at FVOCI, hedge of net investments, and cash flow hedges.

Condensed consolidated interim statement of financial position

USD millions	Notes	30 Jun 2020	30 Jun 2019	31 Dec 2019
Assets				
Non-current assets				
Deferred tax assets		509	439	484
Intangible assets		950	1,052	1,031
Property, plant and equipment		7,946	8,519	8,614
Right-of-use assets	8	410	424	428
Associated companies and joint ventures	4	98	1,009	970
Other non-current assets		384	412	414
Total non-current assets		10,297	11,855	11,940
Current assets				
Inventories	6	2,106	2,646	2,360
Trade receivables		1,652	1,905	1,564
Prepaid expenses and other current assets		609	689	553
Cash and cash equivalents		584	320	300
Non-current assets and disposal group classified as held-for-sale	4	888	242	9
Total current assets		5,840	5,802	4,785
Total assets		16,137	17,656	16,725

Condensed consolidated interim statement of financial position

USD millions, except share information	Notes	30 Jun 2020	30 Jun 2019	31 Dec 2019
Equity and liabilities				
Equity				
Share capital reduced for treasury stock		65	66	66
Premium paid-in capital		(49)	(49)	(49)
Total paid-in capital		16	17	17
Other reserves		(2,055)	(1,425)	(1,582)
Retained earnings		9,971	10,287	10,395
Total equity attributable to shareholders of the parent		7,932	8,879	8,830
Non-controlling interests		77	220	79
Total equity	2	8,009	9,099	8,909
Non-current liabilities				
Employee benefits	9	534	512	498
Deferred tax liabilities		411	438	416
Other long-term liabilities		255	175	247
Long-term provisions		324	234	303
Long-term interest-bearing debt	7	3,400	2,750	2,698
Long-term lease liabilities	8	315	318	337
Total non-current liabilities		5,239	4,426	4,499
Current liabilities				
Trade and other payables		1,685	2,009	1,614
Prepayments from customers		521	592	399
Current tax liabilities		94	61	140
Short-term provisions		57	57	72
Other short-term liabilities		86	114	101
Short-term interest-bearing debt	7	292	515	494
Current portion of long-term debt	7	47	665	398
Short-term lease liabilities	8	107	90	98
Liability associated with non-current assets and disposal group classified as held-for-sale		-	28	-
Total current liabilities		2,889	4,131	3,317
Total equity and liabilities		16,137	17,656	16,725
Number of shares outstanding	2	268,132,237	272,402,637	271,040,624

The Board of Directors and Chief Executive Officer
Yara International ASA
Oslo, 16 July 2020

Trond Berger
Chairperson

Kimberly Lein-Mathisen
Vice chair

Adele Bugge Norman Pran
Board member

John Thuestad
Board member

Rune Bratteberg
Board member

Birgitte Ringstad Vartdal
Board member

Ragnhild Flesland Høimyr
Board member

Geir O. Sundbø
Board member

Håkon Reistad Fure
Board member

Øystein Kostøl
Board member

Svein Tore Holsether
President and CEO

Condensed consolidated interim statement of cash flows

USD millions	Notes	2Q 2020	2Q 2019	1H 2020	1H 2019	2019
Operating activities						
Operating income		335	266	583	464	989
Adjustments to reconcile operating income to net cash provided by operating activities						
Depreciation and amortization	5	215	227	445	452	922
Impairment loss	5	11	10	22	13	43
Write-down and reversals, net		7	-	9	4	12
Income taxes paid		(69)	(83)	(145)	(87)	(135)
Dividend from equity-accounted investees		1	39	2	97	166
Change in net operating capital [1]		219	314	113	119	112
Interest and bank charges received/(paid) [2]		(49)	(55)	(71)	(64)	(169)
Other		66	(39)	(30)	(64)	(34)
Net cash provided by operating activities		736	680	928	934	1,907
Investing activities						
Purchases of property, plant and equipment		(136)	(246)	(338)	(496)	(1,066)
Purchases of other long-term and short-term investments		(3)	(6)	(6)	(14)	(30)
Proceeds from sales of property, plant and equipment		1	1	2	3	13
Proceeds from sales of other long-term investments and subsidiaries		(1)	5	5	18	40
Net cash used in investing activities		(139)	(246)	(338)	(489)	(1,044)
Financing activities						
Loan proceeds/(repayments), net	7	69	(183)	223	(70)	(381)
Payments of lease liabilities	8	(30)	(27)	(59)	(50)	(108)
Purchase of treasury shares	2	-	-	(52)	-	(65)
Dividends	2	(401)	(203)	(401)	(203)	(203)
Other cash transfers (to)/from non-controlling interests		(1)	-	(1)	(1)	(1)
Net cash from/(used in) financing activities		(363)	(413)	(290)	(324)	(758)
Foreign currency effects on cash and cash equivalents		2	(1)	(15)	(3)	(7)
Net increase/(decrease) in cash and cash equivalents		235	19	284	118	98
Cash and cash equivalents at beginning of period [3]		350	302	301	203	203
Cash and cash equivalents at end of period [3]		585	321	585	321	301
Bank deposits not available for the use of other group companies				37	54	35

1) Operating capital consists of trade receivables, inventories, trade payables and prepayments from customers.
2) Including interest on lease liabilities.
3) 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 2019. The accounting policies applied are the same as those applied in the annual consolidated financial statements 2019. As a result of rounding differences numbers or percentages may not add up to the total.

These condensed consolidated financial statements are presented in US dollars (USD) million, except when otherwise indicated. Individual financial statements of Yara International ASA and its subsidiaries are prepared in the respective entities' functional currency. Functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of Yara International ASA is Norwegian kroner (NOK). In the individual financial statements, transactions in currencies other than the entity's functional currency are recognized by applying the exchange rate at the date of transaction. At the balance sheet date, monetary items denominated in foreign currencies are translated using the exchange rate at that date. The changes in value due to such foreign currency translations are recognized in the statement of income of the individual entity and reflected as "foreign currency translation gain/loss" in the consolidated statement of income for the Group. When preparing the consolidated financial statements, all items in the individual financial statements are translated into USD using the exchange rates at period end for statement of financial position items and monthly average exchange rates for statement of income items. Gains and losses derived from this translation are included in other comprehensive income as a separate component.

Note 1 Judgments, estimates and assumptions

Yara is facing risks and uncertainties which requires management to make judgements, estimates and assumptions when preparing consolidated financial statements, and which may significantly differ from actual results and may lead to material adjustments to carrying amounts. The significant judgments, estimates and assumptions related to impairment of assets, taxes, pensions and joint arrangements as communicated in the consolidated financial statements as of 31 December 2019, also apply to these interim financial statements. As a result of the outbreak of Covid-19 in 2020, all significant estimates and underlying assumptions have been reviewed in the light of this new situation. So far, Yara has not experienced any major disruption to its operations or experienced significant financial effects due to Covid-19. In addition to the accounting areas listed above, Yara has also focused on estimates related to expected credit loss on trade receivables and on inventory valuation. With the turmoil in the financial markets during the first half of the year, Yara has updated the defined benefit obligation with revised financial assumptions and the fair value of the plan assets as of 30 June 2020. This resulted in a loss recognized through Other Comprehensive Income. Except for that, Yara has not identified significant Covid-19 impact to these condensed consolidated financial statements as of 30 June 2020.

Note 2 Shares, dividend and share buy-back program

The Annual General Meeting in May 2020 approved a dividend for 2019 of NOK 4,045 million (NOK 15.00 per share), which has been paid out during second quarter 2020 (USD 400 million).

On 7 May 2020, the Annual General Meeting authorized the Board of Directors to acquire up to 13,406,611 shares in the open market and from the Norwegian State. Shares may be purchased within a price range from NOK 10 to NOK 1,000. The shares shall be subsequently cancelled. Yara has renewed its agreement with the Norwegian State according to which the State's shares will be redeemed on a pro-rata basis to ensure the State's ownership is unchanged in the event of a cancellation of shares bought back. Yara has not purchased own shares under the 2020 buy-back program.

Under the 2019 buy-back program, Yara purchased 1,362,013 own shares in 2020 for a total consideration of NOK 496 million (USD 52 million) and 1,362,013 own shares in 2019 for a total consideration of NOK 486 million (USD 53 million). These shares were cancelled at the Annual General Meeting on 7 May 2020. Pursuant to the agreement with the Norwegian State, total equity attributable to the shareholders of the parent has been reduced with an additional NOK 555 million (USD 59 million) for the redemption of 1,546,374 shares from the Norwegian State.

	Ordinary shares	Own shares	Number of shares outstanding
Total at 31 December 2018	273,217,830	(520,000)	272,697,830
Redeemed shares Norwegian State [1]	(295,193)	-	(295,193)
Shares cancelled [1]	(520,000)	520,000	-
Treasury shares - share buy-back program [1]	-	(1,362,013)	(1,362,013)
Total at 31 December 2019	272,402,637	(1,362,013)	271,040,624
Treasury shares - share buy-back program [1]	-	(1,362,013)	(1,362,013)
Redeemed shares Norwegian State [2]	(1,546,374)	-	(1,546,374)
Shares cancelled [2]	(2,724,026)	2,724,026	-
Total at 30 June 2020	268,132,237	-	268,132,237

1) As approved by the General Meeting 7 May 2019.
2) As approved by General Meeting 7 May 2020.

Note 3 Operating segment information

On 20 May 2020, Yara announced that the company will move to a regional organizational structure effective 1 June 2020. Yara's operations will from then comprise three regional units, one unit for global production plants and operational excellence, and one unit for Industrial Solutions. As a result Yara will going forward have the following reportable operating segments: Europe, Americas, Africa & Asia, Global Plants & Operational Excellence, and Industrial Solutions.

Implementation of the new organizational structure is currently ongoing and is not finalized as of the end of the second quarter 2020. Yara will therefore report second-quarter 2020 results according to its previous reportable operating segments; Sales and Marketing, New Business and Production. The information disclosed is the same as used by Yara's Chief Executive Officer (CEO) as of the second quarter as the Chief Operating Decision Maker. Restated financial figures for 2019 and first half 2020 according to the new reportable operating segments will be published during September prior to Yara's third-quarter 2020 financial results.

Sales and Marketing

The Sales and Marketing segment offers a comprehensive portfolio of nitrogen-based fertilizer including urea, urea ammonium nitrate (UAN), calcium ammonium nitrate (CAN), ammonium nitrates (AN), calcium nitrates (CN) and compound fertilizer (NPK) that contain all of the three major plant nutrients: nitrogen (N), phosphorus (P) and potassium (K) as well as foliar and fertigation solutions through micronutrients. The segment also sells phosphate- and potash-based fertilizers, which to a large extent are sourced from third parties. In some markets the segment delivers equipment and services to store or handle products.

The variety of fertilizer products are mainly sold spot to distributors based on ordinary purchase orders and underlying frame agreements. To a certain extent the products are also sold directly to farmers, to co-operatives, and spot without underlying agreements. The composition and degree of customers and products sold differs between local and regional markets, and the off-take of products varies throughout the fertilizer seasons in the different markets.

In addition to offering nitrogen-based fertilizer, the Sales and Marketing segment offers products for animal nutrition and industry solutions. Animal nutrition deliveries include urea and phosphates that are used as raw materials for feed products in both agriculture and aquaculture. Industrial solutions include products such as ammonia, urea and nitric acid used as input factors for a large range of products and applications. These deliveries have normally less price volatility because of longer term contracts.

The volume sold is mainly purchased from the Production segment based on the arm's length principle. Consequently, the Sales and Marketing segment mainly increases Yara's margins through distribution, management of working capital, and sales and marketing activities, rather than manufacturing of product. The segment is therefore characterized by a high capital turnover, a relatively low EBITDA margin in relation to revenues, and a low ratio of property, plant and equipment to total assets compared to a production-oriented fertilizer operation.

New Business

The New Business segment focuses on developing, commercializing, and scaling up profitable businesses for the benefit of Yara. Its mandate is to grow ideas, to develop new businesses, and to create new revenue streams. The main businesses in the segment sell urea, technical ammonium nitrate and calcium nitrate for industrial applications within mining applications, environmental solutions and industrial nitrates. These products are based on Yara's core production outputs and the volume sold is mainly purchased from the Production segment based on the arm's length principle. The customer contracts are to a large extent medium to long-term contracts, however products are also sold spot based on ordinary purchase orders. In some markets the segment delivers equipment and services to store or handle products.

Yara's portfolio of environmental solutions includes total solutions for NOx abatement for industrial plants and transport at both land and sea. The main external revenues within this area are derived from the product AdBlue/Air1, a high concentration urea-based reagent used by heavy-duty diesel vehicles to reduce nitrogen oxide emission.

Production

The Production segment comprises the manufacturing plants producing ammonia, fertilizer and industrial products. About 90% of the sales in the segment are group internal sales. The remaining external sales mainly relate to Yara's global trade and shipping of ammonia.

The Production segment holds ownership interests in associates and joint arrangements. The investments in the joint arrangements Trinidad Nitrogen Company Ltd, Yara Pilbara Nitrates Pty Ltd and Yara Freeport LLC DBA Texas Ammonia are classified as joint operations, for which Yara consolidate its share of assets, liabilities, revenues and costs.

The Production segment's operating results are highly influenced by volume output. In addition, operating results are strongly linked to its production margins. These are primarily driven by the price levels for ammonia, urea, nitrates, NPK, phosphoric acid, and the price level of energy and raw materials such as phosphate rock and potash. Operating results can also be strongly influenced by movements in currency exchange rates.

The fluctuation of the Production segment's operating results is similar to other fertilizer producers. It is typically less stable than the operating results of Yara's Sales and Marketing and New Business segments.

Other and eliminations

In the segment information, "Other and eliminations" consists mainly of cross-segment eliminations and Yara's headquarter costs. Profits on sales from Production to Sales and Marketing and New Business 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 Sales and Marketing and New Business, but can also be affected by changes in Production margins on products sold to Sales and Marketing and New Business as transfer prices move in line with arm's length market prices. With all other variables held constant, higher stocks in Sales and Marketing and New Business 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.

USD millions	2Q 2020	2Q 2019	1H 2020	1H 2019	2019
External revenue and other income					
Sales and Marketing	2,465	2,868	4,874	5,365	10,748
New Business	236	312	511	636	1,334
Production	168	220	332	410	843
Other and eliminations	-	2	3	4	12
Total	2,869	3,402	5,720	6,416	12,936
Internal revenue and other income					
Sales and Marketing	42	34	76	79	174
New Business	2	1	2	2	3
Production	1,398	1,607	2,700	3,198	6,296
Other and eliminations	(1,442)	(1,642)	(2,779)	(3,279)	(6,473)
Total	-	-	-	-	-
Revenue and other income					
Sales and Marketing	2,506	2,902	4,951	5,444	10,922
New Business	238	313	513	638	1,337
Production	1,567	1,827	3,032	3,609	7,139
Other and eliminations	(1,442)	(1,640)	(2,776)	(3,275)	(6,461)
Total	2,869	3,402	5,720	6,416	12,936
Operating income [1)]					
Sales and Marketing	186	139	349	253	528
New Business	19	32	54	72	160
Production	145	101	182	168	315
Other and eliminations	(15)	(6)	(2)	(29)	(14)
Total	335	266	583	464	989
EBITDA [1)]					
Sales and Marketing	244	196	460	366	743
New Business	25	37	66	84	190
Production	322	306	555	571	1,140
Other and eliminations	(7)	2	13	(15)	22
Total	583	541	1,094	1,006	2,095
Investments [2)]					
Sales and Marketing	14	16	22	27	71
New Business	-	1	1	2	4
Production	142	262	329	435	1,038
Other and eliminations	2	4	4	7	20
Total	158	282	356	471	1,134
Total Assets [3)]					
Sales and Marketing	4,287	4,915	4,287	4,915	4,347
New Business	421	547	421	547	484
Production	10,704	11,725	10,704	11,725	11,412
Other and eliminations	725	468	725	468	483
Total	16,137	17,656	16,137	17,656	16,725

1) See section "Alternative performance measures" for reconciliation of alternative performance measures in the Yara Group.
2) 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.
3) Assets exclude internal cash accounts, internal accounts receivable and accounts related to group relief.

Segment information related to inventories can be found in note 6.

	1H 2020	1H 2019	2019
ROIC (12-month rolling average) [1]			
Yara [2]	7.3 %	5.4 %	6.6 %
Sales and Marketing	18.7 %	14.0 %	15.2 %
New Business	39.0 %	36.5 %	40.2 %
Production	3.0 %	2.8 %	3.1 %

1) See section "Alternative performance measures" for reconciliation of alternative performance measures in the Yara Group.
2) A normalized operating cash requirement is employed in the ROIC calculation for Yara, but not for the segments. This effect explains the variance in ROIC between Yara and the segments. See section "Alternative performance measures" for more information.

Reconciliation of operating income to EBITDA

USD millions	Operating income	Equity-accounted investees	Interest income and other financial income	Depreciation and amortization [1]	Impairment loss [2]	EBITDA
2Q 2020						
Sales and Marketing	186	5	13	32	9	244
New Business	19	-	-	5	-	25
Production	145	4	1	171	2	322
Other and eliminations	(15)	-	1	7	-	(7)
Total	335	9	14	215	11	583
2Q 2019						
Sales and Marketing	139	4	15	37	-	196
New Business	32	-	-	6	-	37
Production	101	15	2	178	10	306
Other and eliminations	(6)	-	1	6	-	2
Total	266	19	18	227	10	541
1H 2020						
Sales and Marketing	349	3	27	67	14	460
New Business	54	2	-	10	-	66
Production	182	11	1	354	8	555
Other and eliminations	(2)	-	1	14	-	13
Total	583	16	29	445	22	1,094
1H 2019						
Sales and Marketing	253	3	34	75	-	366
New Business	72	-	-	11	-	84
Production	168	33	3	354	13	571
Other and eliminations	(29)	-	2	13	-	(15)
Total	464	36	39	453	13	1,006
2019						
Sales and Marketing	528	3	62	144	5	743
New Business	160	2	1	24	3	190
Production	315	60	4	727	34	1,140
Other and eliminations	(14)	-	9	27	-	22
Total	989	65	76	923	43	2,095

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

Disaggregation of external revenues by nature

USD millions	Fertilizer and chemical products	Freight/ insurance services	Other products and services	Total
2Q 2020				
Sales and Marketing	2,377	81	5	2,463
New Business	183	15	39	236
Production	131	15	14	160
Other and eliminations	1	-	2	3
Total	2,691	111	59	2,862
2Q 2019				
Sales and Marketing	2,765	97	4	2,866
New Business	217	22	73	312
Production	176	16	13	205
Other and eliminations	-	-	2	2
Total	3,159	135	92	3,386
1H 2020				
Sales and Marketing	4,699	163	9	4,870
New Business	375	40	96	511
Production	243	33	30	306
Other and eliminations	1	-	6	6
Total	5,319	235	139	5,694
1H 2019				
Sales and Marketing	5,171	175	8	5,354
New Business	432	44	160	636
Production	318	33	30	381
Other and eliminations	1	-	4	5
Total	5,922	252	202	6,376
2019				
Sales and Marketing	10,345	366	18	10,729
New Business	862	87	384	1,333
Production	657	68	59	784
Other and eliminations	-	-	12	12
Total	11,864	520	473	12,858

Disaggregation of external revenues by geographical area

USD millions	Europe	Brazil	Latin America ex. Brazil	Asia	North America	Africa	Total
2Q 2020							
Sales and Marketing	726	689	248	322	314	164	2,463
New Business	115	22	15	33	27	24	236
Production	33	22	6	56	44	-	160
Other and eliminations	3	-	-	-	-	-	3
Total	876	733	269	410	385	188	2,862
2Q 2019							
Sales and Marketing	913	805	249	362	375	162	2,866
New Business	154	27	20	40	41	30	312
Production	39	16	8	78	65	-	205
Other and eliminations	2	-	-	-	-	-	2
Total	1,108	848	277	480	481	192	3,386
1H 2020							
Sales and Marketing	1,714	1,266	427	627	563	273	4,870
New Business	257	47	30	63	60	53	511
Production	71	42	16	75	103	-	306
Other and eliminations	6	-	-	-	-	-	6
Total	2,049	1,355	474	765	726	326	5,694
1H 2019							
Sales and Marketing	1,920	1,452	411	682	607	282	5,354
New Business	310	55	41	91	80	59	636
Production	72	37	18	122	131	-	381
Other and eliminations	5	-	-	-	-	-	5
Total	2,308	1,545	470	895	818	341	6,376
2019							
Sales and Marketing	3,416	3,481	844	1,361	1,029	597	10,729
New Business	684	109	73	181	165	121	1,333
Production	148	75	31	243	287	-	784
Other and eliminations	12	-	-	-	-	-	12
Total	4,259	3,665	948	1,785	1,482	718	12,858

Note 4 Non-current assets held-for-sale

On 8 March 2020, Yara announced that it had signed a share purchase agreement with Qatar Petroleum (QP) to sell its 25% share in Qatar Fertiliser Company (QAFCO). The parties have agreed on a purchase price of USD 1 billion for Yara's shares in QAFCO. The transaction is conditional on obtaining necessary local regulatory approvals and customary closing conditions.

As QAFCO has been classified as an associated company of Yara, the investment has been accounted for based on the equity method. In first quarter 2020, Yara has reclassified the investment to held-for-sale and stopped recognizing its share of the result in Qafco. Derecognition of the investment will take place at completion.

Regulatory approvals needed to complete the sale of Yara's 25% share in Qatar Fertiliser Company have been obtained, with completion of the transaction expected within 2-3 weeks.

Note 5 Specifications to the condensed consolidated interim statement of income

Other income

USD millions	2Q 2020	2Q 2019	1H 2020	1H 2019	2019
Sale of white certificates	-	5	6	15	37
Insurance compensations	-	3	-	10	14
Commodity based derivatives gain/(loss)	6	6	17	8	13
Other	1	2	3	6	15
Total	7	16	26	40	78

Depreciation and amortization

USD millions	2Q 2020	2Q 2019	1H 2020	1H 2019	2019
Depreciation of property, plant and equipment	(174)	(189)	(362)	(380)	(765)
Depreciation of right-of-use assets	(31)	(27)	(62)	(50)	(111)
Amortization of intangible assets	(10)	(11)	(20)	(23)	(46)
Total depreciation and amortization	(215)	(227)	(445)	(452)	(922)

Impairment loss

USD millions	2Q 2020	2Q 2019	1H 2020	1H 2019	2019
Impairment loss tangible assets	(2)	(13)	(11)	(16)	(26)
Impairment loss goodwill and intangible assets	(9)	-	(9)	-	(3)
Reversal of impairment loss	-	3	-	3	3
Impairment loss ROU assets	-	-	(1)	-	(17)
Total impairment loss	(11)	(10)	(22)	(13)	(43)

Note 6 Inventories

USD millions	Sales and marketing	New Business	Production	Other and eliminations	Total
30 Jun 2020					
Finished goods	909	47	200	(96)	1,059
Work in progress	2	2	35	-	39
Raw materials	372	3	367	(1)	741
Spare parts	5	4	258	-	267
Total 30 Jun 2020, net of write-down	1,288	55	860	(97)	2,106
Write-down, closing balance 30 Jun 2020	(11)	-	(19)	4	(26)
30 Jun 2019					
Finished goods	1,090	55	295	(141)	1,300
Work in progress	5	4	34	-	43
Raw materials	589	9	439	(2)	1,035
Spare parts	6	1	262	-	269
Total 30 Jun 2019, net of write-down	1,690	68	1,031	(143)	2,646
Write-down, closing balance 30 Jun 2019	(9)	(1)	(16)	2	(24)
31 Dec 2019					
Finished goods	1,090	47	300	(125)	1,312
Work in progress	2	3	42	-	47
Raw materials	411	5	319	(2)	733
Spare parts	5	1	261	-	267
Total 31 Dec 2019, net of write-down	1,509	56	921	(126)	2,360
Write-down, closing balance 31 Dec 2019	(15)	-	(22)	7	(30)

Note 7 Interest-bearing debt and financial instruments at fair value

Contractual payments on long-term interest-bearing debt

USD millions	Debentures [1]	Bank Loans	Other LT loans	Total
2021	74	46	2	122
2022	263	188	-	450
2023	-	53	-	53
2024	174	181	-	354
Thereafter	2,354	46	21	2,421
Total	2,864	514	23	3,400
Current portion	-	47	-	47
Total including current portion	2,864	561	23	3,448

1) Yara International ASA is responsible for the entire amount.

At 30 June 2020, the fair value of the long-term debt, including the current portion, is USD 3,688 million and the carrying value is USD 3,448 million. The difference between fair value and carrying value increased by USD 222 million during the quarter as lower risk-free rates and credit spreads lead to lower discount rates applied in the calculation of fair value.

In June, Yara completed a USD 750 million bond issue due 2030 with a coupon rate of 3.1480% pursuant to rule 144A/Regulation S. Net proceeds will be used for general corporate purposes, thereby increasing the financial flexibility and strengthening Yara's maturity profile.

Yara's USD 1,100 million long-term revolving credit facility remains completely undrawn. All other unused credit facilities with various banks are now short-term, and the total frame available through those facilities totals approximately USD 1,340 million.

Reconciliation of liabilities arising from financing activities

USD millions	31 Dec 2019	Cash flows	Non-cash changes: Debt assumed as part of acquisition	Transfer to liability held-for-sale	Foreign exchange movement	Amortization [1]	Other	Reclassification	30 Jun 2020
Long-term interest-bearing debt	2,698	746	-	-	(2)	(3)	27 [2]	(65)	3,400
Short-term interest-bearing debt	494	(143)	-	-	(35)	-	(24) [3]	-	292
Current portion of long-term debt	398	(379)	-	-	(37)	-	-	65	47
Total liabilities from financing activities	3,590	223	-	-	(74)	(3)	3	-	3,739

1) Amortization of transaction cost.
2) Value changes on interest rate swaps designated as hedging instruments.
3) Includes provision for buy-back of the Norwegian State's shares and a loan arrangement in India that has been offset against the subsidy receivable.

See note 8 for reconciliation of liabilities arising from leasing.

Financial instruments at fair value at end of period

USD millions	2Q 2020	2Q 2019	1H 2020	1H 2019	2019
Equity instruments	22	21	22	21	19
Derivatives, net	(105)	(123)	(105)	(123)	(106)
Financial liabilities	(44)	(24)	(44)	(24)	(43)
Financial instruments at fair value in the statement of financial position at end of period	(127)	(126)	(127)	(126)	(130)

There has been no transfer between levels of the fair value hierarchy used in measuring the fair value in the period.

Note 8 Leases

Right-of-use assets

USD millions	1H 2020	1H 2019	2019
Carrying value			
Opening balance	428	447	447
Additions and lease modifications	64	26	114
Depreciation	(63)	(50)	(111)
Impairment	(1)	-	(17)
Foreign currency translation gain/(loss)	(18)	1	(4)
Closing balance	410	424	428

Lease liabilities

USD millions	1H 2020	1H 2019	2019
Carrying value			
Opening balance	435	432	432
Additions and lease modifications	63	26	116
Lease payments	(59)	(50)	(108)
Foreign currency translation gain/(loss)	(17)	-	(4)
Closing balance	422	408	435

Lease liabilities classified as short-term amounts to USD 107 million (30 June 2019: USD 90 million).
Interest expensed on lease liabilities in the quarter amounts to USD 4 million (2Q 2019: USD 4 million) and USD 7 million year-to-date (1H 2019: USD 8 million).

Undiscounted cash flows by maturity

USD millions	Total
2020	63
2021	105
2022	64
2023	44
2024	31
Thereafter	269
Total undiscounted lease liabilities at 30 June 2020	577

Leases expensed in the period

Leases expensed in quarter amounts to USD 15 million (2Q 2019: USD 22 million) and USD 34 million (1H 2019: USD 45 million) year-to-date, and refers to leases with variable payments, leases of low value, or leases of short term.

Note 9 Employee benefits

By the end of second quarter, the defined benefit obligations have been remeasured using revised financial assumptions. Following a decrease in yield on high quality corporate bonds during 2020, the discount rate for Euro zone has been decreased by 0.15 percentage points, the discount rate for UK has been decreased by 0.5 percentage points, and the discount rate for Norway has been reduced by 0.8 percentage points. Other financial assumptions have been revised where deemed appropriate. Plan asset values have also been remeasured to reflect market value at the end of the quarter. The net remeasurement loss is recognized as an increase in net liability of USD 23 million in the second quarter and USD 65 million year-to-date. The negative effect in other comprehensive income is USD 17 million (after tax) in the second quarter and USD 51 million (after tax) year-to-date.

Responsibility statement

We confirm to the best of our knowledge, that the condensed set of interim consolidated financial statements at 30 June 2020 and for the six-month period 1 January to 30 June 2020 have been prepared in accordance with IAS 34 "Interim Financial Reporting" and give a true and fair view of the Group's assets, liabilities, financial position and the result for the period viewed in their entirety, and that the interim management report in accordance with the Norwegian Securities Trading Act section 5-6 fourth paragraph includes a fair review of any significant events that arose during the six-month period and their effect on the half-year financial report, any significant related parties transactions, and a description of the principal risks and uncertainties for the remaining six months this year.

The Board of Directors and Chief Executive Officer
Yara International ASA
Oslo, 16 July 2020

Trond Berger
Chairperson

Kimberly Lein-Mathisen
Vice chair

Adele Bugge Norman Pran
Board member

John Thuestad
Board member

Rune Bratteberg
Board member

Birgitte Ringstad Vartdal
Board member

Ragnhild Flesland Høimyr
Board member

Geir O. Sundbø
Board member

Håkon Reistad Fure
Board member

Øystein Kostøl
Board member

Svein Tore Holsether
President and CEO

Quarterly historical information

EBITDA

USD millions	2Q 2020	1Q 2020	4Q 2019	3Q 2019	2Q 2019	1Q 2019
Sales and Marketing	244	216	163	214	196	170
New Business	25	42	48	59	37	46
Production	322	233	231	338	306	265
Other and eliminations	(7)	20	57	(20)	2	(17)
Total	583	511	499	591	541	465

Results

USD millions, except per share information	2Q 2020	1Q 2020	4Q 2019	3Q 2019	2Q 2019	1Q 2019
Revenue and other income	2,869	2,851	3,028	3,491	3,402	3,014
Operating income	335	248	211	314	266	198
EBITDA	583	511	499	591	541	465
Net income after non-controlling interests	223	(117)	199	74	230	96
Basic earnings per share	0.83	(0.43)	0.73	0.27	0.84	0.35

Alternative performance measures

Yara makes regular use of certain non-GAAP financial alternative performance measures (APMs), both in absolute terms and comparatively from period to period. The APMs used are the following:

- Operating income
- EBITDA
- EBITDA excluding special items
- Return on invested capital (ROIC)
- EBITDA per tonne Sales and Marketing segment
- Fixed cost
- Net operating capital (days)
- Net interest-bearing debt
- Net debt/equity ratio
- Net debt/EBITDA excluding special items ratio
- Basic earnings per share excluding currency and special items

Definitions and explanations for use of the APMs are described below, including reconciliations of the APMs to the most directly reconcilable line item, subtotal or total presented in the financial statements.

Operating income

Operating income is directly identifiable from Yara's consolidated statement of income and is considered key information in order to understand the Group's financial performance. It provides performance information which covers all activities which normally are to be considered as "operating". Share of net income in equity-accounted investees is however not included.

EBITDA

Earnings before interest, tax, depreciation and amortization (EBITDA) is used for providing consistent information on Yara's operating performance and debt servicing ability. Such a measure is relative to other companies and frequently used by securities analysts, investors and other stakeholders. EBITDA, as defined by Yara, includes operating income, share of net income in equity-accounted investees, interest income and other financial income. 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 excluding special items

EBITDA excluding special items is used to better mirror the underlying performance in the reported period, adjusting for items which are not primarily related to the period in which they are recognized. See section "Variance analysis and special items" on page 11 for details on special items.

Reconciliation of operating income to EBITDA excluding effect of special items

USD millions		2Q 2020	2Q 2019	Jul 2019–Jun 2020	Jul 2018–Jun 2019	2019
Operating income		335	266	1,108	695	989
Share of net income in equity-accounted investees		9	19	44	91	65
Interest income and other financial income		14	18	65	77	76
Earnings before interest expense and tax		358	304	1,217	863	1,130
Depreciation and amortization [1]		215	227	915	859	923
Impairment loss [2]		11	10	51	140	43
Earnings before interest, tax and depreciation/amortization (EBITDA)		583	541	2,183	1,862	2,095
Special items included in EBITDA [3]		5	5	63	(25)	70
EBITDA, excluding special items	A	588	546	2,246	1,837	2,165

1) Including amortization of excess value in equity-accounted investees.
2) Including impairment loss on excess value in equity-accounted investees.
3) See section "Variance analysis and special items" on page 11 for details on special items.

Reconciliation of operating income to EBITDA excluding effect of special items

USD millions		1H 2020	1H 2019	2019
Operating income		583	464	989
Share of net income in equity-accounted investees		16	36	65
Interest income and other financial income		29	39	76
Earnings before interest expense and tax		627	540	1,130
Depreciation and amortization [1]		445	453	923
Impairment loss [2]		22	13	43
Earnings before interest, tax and depreciation/amortization (EBITDA)		1,094	1,006	2,095
Special items included in EBITDA [3]		(2)	5	70
EBITDA, excluding special items	A	1,092	1,010	2,165

1) Including amortization of excess value in equity-accounted investees.
2) Including impairment loss on excess value in equity-accounted investees.
3) See section "Variance analysis and special items" for details on special items.

Reconciliation of EBITDA to income before tax

USD millions	2Q 2020	2Q 2019	1H 2020	1H 2019	2019
EBITDA	583	541	1,094	1,006	2,095
Depreciation and amortization [1]	(215)	(227)	(445)	(453)	(923)
Impairment loss [2]	(11)	(10)	(22)	(13)	(43)
Foreign currency translation gain/(loss)	(66)	35	(367)	(43)	(145)
Interest expense and other financial items	(41)	(45)	(94)	(90)	(182)
Income before tax	251	294	167	406	803

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

ROIC

Return on invested capital (ROIC) is defined as Net Operating Profit After Tax (NOPAT) divided by average invested capital calculated on a 12-months rolling average basis. NOPAT is defined as operating income excluding amortization and impairment of intangible assets other than goodwill, plus interest income from external customers, minus tax cost calculated on the previous mentioned items with a 25% flat rate, and plus net income from equity-accounted investees. Average invested capital is defined as total current assets excluding cash and cash equivalents, plus a normalized cash level of USD 200 million, minus total current liabilities excluding short-term interest-bearing debt and current portion of long-term debt, plus property, plant and equipment, plus right-of-use assets, plus goodwill and plus equity-accounted investees.

NOPAT and average invested capital are defined and reconciled as components in the reporting of ROIC as an APM. They are not considered to be separate APMs.

Reconciliation of operating income to net operating profit after tax

USD millions		2Q 2020	2Q 2019	Jul 2019–Jun 2020	Jul 2018–Jun 2019	2019
Operating income		335	266	1,108	695	989
Amortization and impairment of intangible assets		10	11	43	58	46
Interest income from external customers		13	16	56	65	60
Calculated tax cost (25% flat rate) on items above		(89)	(73)	(302)	(204)	(274)
Share of net income in equity-accounted investees		9	19	44	91	65
Net operating profit after tax (NOPAT)	B	277	239	949	704	886
Annualized NOPAT	C=Bx4	1,108	957			
12-month rolling NOPAT	C			949	704	886

Reconciliation of net income to net operating profit after tax

USD millions		2Q 2020	2Q 2019	Jul 2019–Jun 2020	Jul 2018–Jun 2019	2019
Net income		223	226	377	560	589
Amortization and impairment of intangible assets		10	11	43	58	46
Interest income from external customers		13	16	56	65	60
Interest income and other financial income		(14)	(18)	(65)	(77)	(76)
Interest expense and other financial items		41	45	185	181	182
Foreign currency translation (gain)/loss		66	(35)	468	27	145
Income tax, added back		28	68	187	95	214
Calculated tax cost (25% flat rate)		(89)	(73)	(302)	(204)	(274)
Net operating profit after tax (NOPAT)	B	277	239	949	704	886
Annualized NOPAT	C=Bx4	1,108	957			
12-month rolling NOPAT	C			949	704	886

Reconciliation of invested capital and ROIC calculation

		3-month average		12-month average		
USD millions		2Q 2020	2Q 2019	Jul 2019–Jun 2020	Jul 2018–Jun 2019	2019
Total current assets as reported		5,840	5,802	5,840	5,802	4,785
Cash and cash equivalents as reported		(584)	(320)	(584)	(320)	(300)
Normalized level of operating cash		200	200	200	200	200
Total current liabilities as reported		(2,889)	(4,131)	(2,889)	(4,131)	(3,317)
Short-term interest-bearing debt as reported		292	515	292	515	494
Current portion of long-term debt as reported		47	665	47	665	398
Short-term lease liabilities as reported		107	90	107	90	98
Property, plant and equipment as reported		7,946	8,519	7,946	8,519	8,614
Right-of-use assets as reported		410	424	410	424	428
Goodwill as reported		794	854	794	854	844
Equity-accounted investees as reported		98	1,009	98	1,009	970
Adjustment for 3-months/12-months average		98	(85)	698	(496)	180
Invested capital	D	12,358	13,542	12,958	13,132	13,395
Return on invested capital (ROIC)	E=C/D	9.0 %	7.1 %	7.3 %	5.4 %	6.6 %

EBITDA in USD per tonne Sales and Marketing segment

One of Yara's strategic priorities is to improve margins by promoting sustainable solutions using nitrate-based products (premium products). Nitrate-based products maximize agricultural productivity and nitrogen use efficiency, reducing greenhouse gas emissions and increasing farm profitability. This strategic priority is measured by the 12-months rolling EBITDA per tonne in the Sales and Marketing segment, which is defined as the EBITDA for this segment excluding special items divided by the total deliveries by this segment. As EBITDA per tonne is presented to report on the progress towards Yara's strategic goals, previous calendar year is considered to represent the relevant comparatives.

Reconciliation of EBITDA in USD per tonne Sales and Marketing segment

USD millions (except deliveries shown in thousand tonnes)	Jul 2019–Jun 2020	2019
EBITDA Sales and Marketing segment [1]	837	743
Special items within Sales and Marketing EBITDA [2]	3	3
EBITDA Sales and Marketing excl. special items	834	740
Total deliveries Sales and Marketing segment [3]	32,578	30,540
EBITDA (excl. special items) in USD per tonne Sales & Marketing segment	25.61	24.24

1) Reference to note 3 Operating segment information.
2) See section "Variance analysis and special items" for details on special items.
3) See section "Deliveries" for details on deliveries.

Yara Improvement Program (YIP)

Yara has established a corporate program to drive and coordinate existing and new improvement initiatives, the Yara Improvement Program. At its Capital Markets Day on 26 June 2019, Yara launched an extended version of this program which distinguish between three defined pillars; a) higher production returns and lower variable costs, b) leaner cost base, and c) smarter working capital management. At the same time, Yara moved to reporting operational metrics on underlying value drivers to provide information on project performance to management, and which Yara also considers to be relevant for external stakeholders. The operational metrics are reported on a rolling 12-months basis and include:

- production volume (kt),
- energy efficiency (Gj/T),
- fixed cost (USD millions), and
- net operating capital (days).

The fixed cost and the net operating capital measures represent financial alternative performance measures and are defined below. The production volume and energy efficiency are physical measures and is defined and reported on page 4.

Fixed cost is defined as the subtotal "Operating costs and expenses" in the consolidated statement of income minus variable product cost (raw materials, energy, freight), other variable operating expenses, depreciation, amortization and impairment loss. The reported amounts are adjusted for items which are not considered to be part of underlying business performance for the period (see section "Variance analysis and special items" on page 11 for details on special items), currency effects, and items which relate to portfolio and structural changes. The currency effects are calculated by converting from local currency to reporting currency using baseline exchange rates as of 2018. The portfolio and structural changes refer to the acquisition of the Vale Cubatão Fertilizantes complex in Brazil and the ammonia plant in Freeport.

Net operating capital days are reported on a 12-months average basis and is defined as the net of credit days, inventory days and payable days. Credit days are calculated as trade receivables, adjusted for VAT payables, relative to total revenue and interest income from customers. Inventory days are calculated as the total inventory balance relative to product variable costs. Payable days are calculated as trade payables adjusted for payables related to investments, relative to supplier related operating costs and expenses.

As Yara Improvement program performance measures are presented to report on the progress towards Yara's strategic goals, previous calendar year is considered to represent the relevant comparatives.

Reconciliation of operating costs and expenses to fixed cost

USD millions	Jul 2019–Jun 2020	2019
Operating costs and expenses	11,132	11,946
Variable part of Raw materials, energy costs and freight expenses	(7,991)	(8,714)
Variable part of Other operating expenses	(32)	(25)
Depreciation and amortization [1]	(915)	(923)
Impairment loss [2]	(51)	(43)
Currency effects (using baseline exchange rates as of 2018)	178	102
Special items within fixed cost	(49)	(53)
Fixed cost	2,272	2,291

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

Reconciliation of Net operating capital days

USD millions		Jul 2019–Jun 2020	2019
Trade receivables as reported		1,652	1,564
Adjustment for VAT payables		(96)	(64)
Adjustment for 12-months average		94	186
Adjusted trade receivables (12-months average)	F	1,650	1,686
Revenue from contracts with customers		12,175	12,858
Interest income from external customers		52	56
Total revenue and interest income from customers	G	12,227	12,914
Credit days	H=(F/G)*365	49	48
Inventories as reported		2,106	2,360
Adjustment for 12-months average		187	140
Inventories (12-months average)	I	2,293	2,500
Raw materials, energy costs and freight expenses		8,598	9,334
Fixed product costs and freight expenses external customers		(1,531)	(1,564)
Product variable costs	J	7,068	7,770
Inventory days	K=(I/J)*365	118	117
Trade and other payables as reported		1,685	1,614
Adjustment for other payables		(356)	(329)
Adjustment for payables related to investments		(58)	(116)
Adjustment for 12-months average		(25)	162
Trade payables (12-months average)	L	1,246	1,331
Operating costs and expenses		11,132	11,946
Depreciation and amortization		(914)	(922)
Impairment loss		(51)	(43)
Other non-supplier related costs		(1,342)	(1,271)
Operating costs and expenses, adjusted	M	8,824	9,710
Payable days	N=(L/M)*365	52	50
Net operating capital days	O=H+K-N	116	115

Capital structure measures

Yara reports the Group's net interest-bearing debt, net debt/equity ratio and net debt/EBITDA excluding special items ratio to provide information on the Group's financial position as references to the targeted capital structure as communicated in Yara's financial policy. In addition, Yara's reporting of net interest-bearing debt highlights key development factors which supplement the consolidated statement of cash flows. Net interest-bearing debt is defined by Yara as cash and cash equivalents and other liquid assets, reduced for short-term and long-term (including current portion) interest-bearing debt, and lease liabilities. The net debt/equity ratio is calculated as net interest-bearing debt divided by shareholders' equity plus non-controlling interests. The Net Debt/EBITDA ratio is calculated as net interest-bearing debt divided by EBITDA excluding special items on a 12-months rolling basis.

Net interest-bearing debt

USD millions		30 Jun 2020	30 Jun 2019	31 Dec 2019
Cash and cash equivalents		585	320	300
Short-term interest-bearing debt		(292)	(515)	(494)
Current portion of long-term debt		(47)	(665)	(398)
Short-term lease liabilities		(107)	(90)	(98)
Long-term interest-bearing debt		(3,400)	(2,750)	(2,698)
Long-term lease liabilities		(315)	(318)	(337)
Net interest-bearing debt	P	(3,577)	(4,019)	(3,725)

Net debt/equity ratio

USD millions		30 Jun 2020	30 Jun 2019	31 Dec 2019
Net interest-bearing debt	P	(3,577)	(4,019)	(3,725)
Total equity	Q	(8,009)	(9,099)	(8,909)
Net debt/equity ratio	R=P/Q	0.45	0.44	0.42

Net debt/EBITDA excluding special items ratio

USD millions		30 Jun 2020	30 Jun 2019	31 Dec 2019
Net interest-bearing debt	P	(3,577)	(4,019)	(3,725)
EBITDA, excluding special items (last 12 months)	A	2,246	1,837	2,165
Net debt/EBITDA excluding special items ratio	S=(P)/A	1.59	2.19	1.72

Basic earnings per share excluding currency and special items

Basic earnings per share (EPS) excluding currency and special items is an adjusted EPS measurement which mirrors the underlying performance in the reported period by adjusting for currency effects and items which are not primarily related to the period in which they are recognized.

This APM 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. The tax effect on foreign currency and special items is calculated based on relevant statutory tax rate for simplicity.

Earnings per share

USD millions, except earnings per share and number of shares		2Q 2020	2Q 2019	1H 2020	1H 2019	2019
Weighted average number of shares outstanding	T	268,760,982	272,525,904	269,627,609	272,611,392	272,319,232
Net income attributable to shareholders of the parent	U	223	230	106	326	599
Foreign currency translation gain/(loss)	V	(66)	35	(367)	(43)	(145)
Tax effect on foreign currency translation	W	18	(8)	100	8	38
Non-controlling interest share of foreign currency translation (gain)/loss, net after tax	X	-	(1)	-	(1)	(1)
Special items within income before tax [1]	Y	(16)	(15)	(20)	(18)	(126)
Tax effect on special items	Z	1	4	1	5	23
Special items within income before tax, net after tax	AA=Y+Z	(15)	(11)	(19)	(13)	(102)
Special items within income tax	AB	-	-	-	-	(38)
Non-controlling interest's share of special items, net after tax	AC	-	(2)	(1)	(2)	(2)
Net income excluding currency and special items	AD=U−V−W+X−AA-AB+AC	285	210	390	371	842
Basic earnings per share	AE=U/T	0.83	0.84	0.39	1.19	2.20
Basic earnings per share excluding foreign currency translation and special items	AF=AD/T	1.06	0.77	1.45	1.36	3.09

1) See section "Variance analysis and special items" for details on special items.

Notes

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