YARA

Knowledge grows

Annual report 2018

Yara grows knowledge to responsibly feed the world and protect the planet, to fulfill our vision of a collaborative society, a world without hunger and a planet respected. To meet these commitments, we have taken the lead in developing digital farming tools for precision farming and work closely with partners throughout the whole food value chain to develop more climate-friendly crop nutrition solutions. In addition, we are committed to working towards sustainable mineral fertilizer production. We foster an open culture of diversity and inclusion that promotes the safety and integrity of our employees, contractors, business partners, and society at large.

Founded in 1905 to solve the emerging famine in Europe, Yara has a worldwide presence with about 17,000 employees and operations in over 60 countries. In 2018, Yara reported revenues of USD 12.9 billion.

www.yara.com

We make a difference

Our Mission

Our mission is to responsibly feed the world and protect the planet.

It defines our company's purpose and role in the world and is balanced between two core ideas. Feeding the world embodies knowledge, economic empowerment as well as new, innovative ideas. Protecting the planet represents our commitment to sustainable agricultural practices and reducing our carbon footprint. At Yara, we believe that success can be celebrated only when it is achieved in the right way.

Our Values

We believe knowledge grows and has the power to create positive global change.

Knowledge helps feed the world, creates profitable businesses, and protects the planet at a time when the population is expanding and resources are becoming increasingly scarce.

In order to turn our mission and vision into a reality, our values are a reflection of our belief that our actions can grow knowledge to change the world:

Ambition, Curiosity, Collaboration and Accountability

Our Vision

A collaborative society; a world without hunger; a planet respected.

Our founders faced and overcame the greatest food challenge of their time. Through curiosity and collaboration, they combined and grew their knowledge to help save the lives of millions of people during the European famine that swept over the continent in the early part of the 20th century.

Our vision for the world is based on ensuring a sustainable future and a collaborative community that overcomes cultural, environmental and economic barriers to create solutions that lead to a world free from hunger and environmental impact.

Our Actions

At Yara, we have our sights firmly set on developing the next generation of sustainable crop nutrition solutions that meet the challenges of our time and beyond.

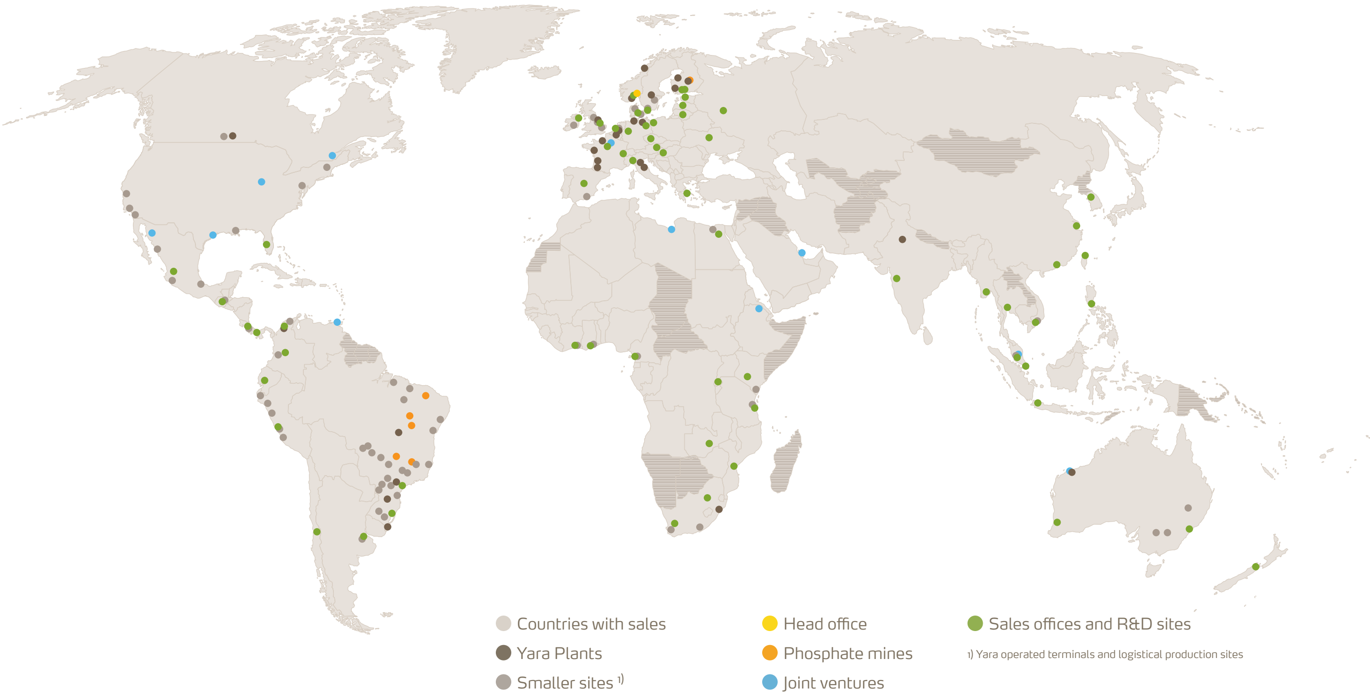
We are actively advancing our operational excellence to develop a culture of continuous improvement and improve our production efficiency.

In line with our farmer centric strategy, we are developing scalable solutions, such as digital farming tools, that can be applied and customized around the world to all types and sizes of farmers.

We are driving innovative solutions within existing and new business areas, spearheaded by investments in green ammonia production and Circular Economy.

Where we are

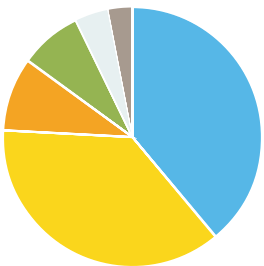
As the industry's only global player, we have production facilities on six continents, operations in more than 60 countries – and sales to about 160 countries.



2018 numbers

Employees by region

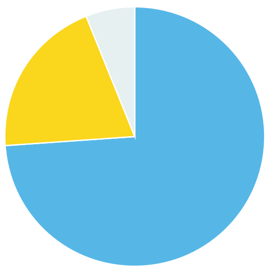
Share of employees



Europe	6,515	39 %
Brazil	6,164	37 %
Latin-America	1,487	9 %
Asia & Oceania	1,367	8 %
North-America	667	4 %
Africa	557	3 %

Sales by product

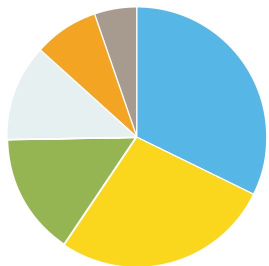
Share of sales volume (thousand tonnes)



Fertilizer	28,471	74 %
Industrial products	7,653	20 %
Ammonia trade	2,478	6 %

Revenues by region

Share of revenues (USD billion)



Europe	4,190	32 %
Brazil	3,542	27 %
Latin-America	1,094	8 %
Asia & Oceania	1,947	15 %
North-America	1,511	12 %
Africa	645	5 %

Number of employees [1)]

16,757 Globally

Total sales

38.6 Million tonnes

Revenues

12.9 USD billion

[1)] Includes permanent, temporary, interns and apprentices.

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Content

How we performed in 2018

		2018	2017
Financial performance			
Revenue and other Income	USD million	13,054	11,400
Operating income	USD million	402	457
EBITDA [1]	USD million	1,523	1,348
Net income after non-controlling interests	USD million	159	477
Investments [2]	USD million	2,080	1,505
Debt/Equity ratio [3]		0.43	0.25
Net cash flow from operations	USD million	756	791
CROGI [4]	%	7.3	7.0
ROCE [5]	%	3.7	4.0
Basic earnings per share [6]	USD	0.58	1.75
Total Equity	USD million	8,910	9,505
Share price on OSE	NOK at year-end	333.50	376.70
Social performance			
Employees [7]	Number at year-end	16,757	15,527
TRI rates [8]	Per million hours worked	1.4	1.8
Environmental performance			
GHG emissions [9]	Million tonnes CO_2 eq.	16.6	15.1
Energy use [9]	Petajoules	301	266

1) 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.

2) Investment in property, plant and equipment, long-term securities, intangibles, long-term advances and investments in non-consolidated investees.

3) Net interest-bearing debt divided by shareholders' equity plus non-controlling interests.

4) CROGI: Cash Return on Gross Investment (12 month rolling average).

5) ROCE: Return On Capital Employed (12 month rolling average).

6) Yara currently has no share-based compensation program that results in a dilutive effect on earnings per share.

7) Includes permanent, temporary, interns and apprentices.

8) TRI: Number of Total Recordable Injuries per million hours worked, contractors included.

9) Including new acquisitions, Babrala, India and Cubatão, Brazil.

Crop nutrition

Deliveries

28,471 million tonnes

(increase of 4% compared with 2017)

EBITDA

544 USD million

Industrial

Deliveries

7,653 million tonnes

(increase of 9% compared to 2017)

EBITDA

247 USD million

Production

Production

30,193 million tonnes

(increase of 9% compared to 2017)

EBITDA

792 USD million

Yara changed its operating segments effective from 1 January 2019. The financial reporting in this annual report is based on the segment structure that was effective until end of 2018. More information about the new structure is provided on page 9.

Yara's strategy

Over the past year, we have rigorously examined the internal and external aspects of our business. We have analyzed where we create the most value, where we are most challenged, and the global trends that will shape our industry in the long-term. For more than a hundred years, we have created value by sharing knowledge. For Yara to continue to grow, we must answer new challenges with new thinking.

Our new corporate strategy will guide our growth for the years to come. Through it, we will respond to the challenges facing our industry and our planet, bringing our Mission, Vision and Values to life. Our ambition is to be the Crop Nutrition Company for the Future. Throughout our history, we have transformed the lives of millions of people through our global scale and integrated business model.

The strategy will help us deliver on our mission to "Responsibly feed the world and protect the planet". This has been recognized and embraced in the whole organization and entails a clear commitment to sustainability through everything we do.

In addition to our Mission, Vision and Values, the strategy is based on four unique strengths we have identified, which differentiate us from our competitors:

Knowledge network
Unrivaled understanding of crop nutrition and farming, allowing us to sell premium products.

Responsible business
Uniquely positioned to develop business solutions that contribute to solving major global challenges.

Global presence
Unrivaled worldwide network, allowing us to optimize production and distribution to match market conditions.

Passionate people
All of us working at Yara are dedicated to the same purpose, driving both innovation, productivity and profitability.

Three strategic priorities going forward

Advance operational excellence

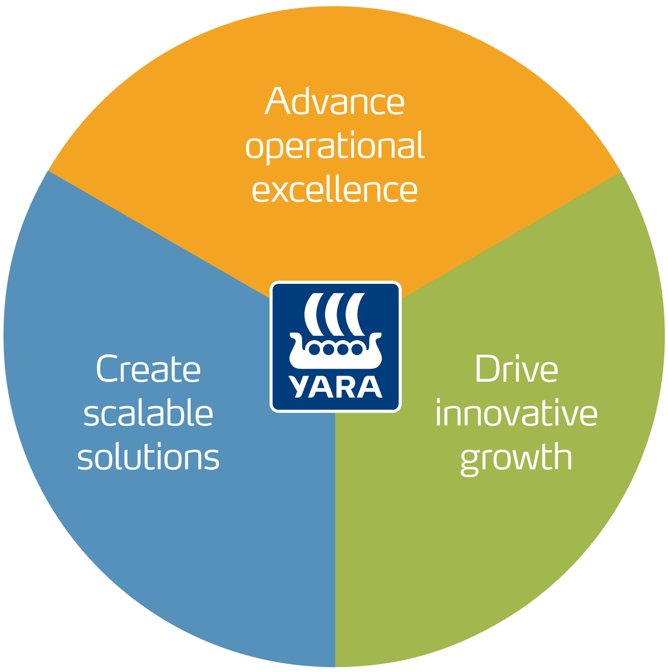
We will build on Yara's strong culture and commitment to excellence to continuously improve how we work. To compete in the challenging markets of the future, Yara must reduce complexity and improve the sustainability of our practices to lower our carbon footprint. We must also continue the work of building a culture of continuous improvement and cost efficiency. As part of this, we will further develop the Yara Improvement Program in order to improve our processes and systems to make sure we build on global best practices. As our people are critical to succeeding in this, we will strengthen our work on diversity and inclusion. Another priority will be to ensure sustainable profitability in Brazil. The businesses in the New Business segment will be developed with more tailored strategies to maximize the value of each business. We will also manage our portfolio of businesses more actively to reduce complexity. This includes actively looking for new ownership structures where other owners could be better positioned to create value from the business than Yara.

Create scalable solutions

We will continuously develop and renew innovative and sustainable solutions. As consumer preferences shift towards sustainable and ethically produced food, food companies are requiring farmers to meet stricter quality and traceability standards. Yara is uniquely positioned to drive this transition to a more sustainable agricultural system. We will communicate the sustainability benefits of our nitrate-based products more clearly, and focus on commercializing and scaling up our integrated solutions. We will bundle our premium products, our agronomic knowledge, our services, and our digital technologies to create sustainable and scalable solutions that respond to our customers' needs.

Drive innovative growth

To be the Crop Nutrition Company for the Future, we will continuously evaluate value-creating opportunities for M&A and new builds. Our approach will be more targeted than earlier, focusing on strengthening premium positions, moving down the cost curve, and securing access to competitive raw material. We will accelerate our innovation efforts in creating new stand-alone businesses by establishing our New Business segment in Yara. Given our position on sustainability, geographic presence, knowledge and emerging digital capabilities, we are in a position to succeed with many emerging opportunities.



Company overview 2018

Becoming the Crop Nutrition Company for the Future

In a year full of achievements and challenges, three things deserve extra attention.

For me, there are three main topics that not only reflect what we have done in 2018, but also what we will continue doing the coming years. We are stepping up our efforts to increase returns and drive continuous improvement, we have set a clear strategic direction, and we are driving innovation to create new businesses and revenue streams – all to deliver on our ambition to become the Crop Nutrition Company for the Future.

Our new corporate strategy is the result of a year-long process, involving all parts of the company. It is centered around the three strategic priorities of advancing operational excellence, creating scalable solutions and driving innovative growth – each designed to support us in fulfilling our strategic ambition to be the Crop Nutrition Company for the Future.

1. Increasing returns and driving improvement

After a period of growth and significant investments, our main focus is currently on optimal integration and operation of these new assets. Yara's earnings must improve in order to generate satisfactory returns for its shareholders and achieving this is a top priority for us. We are also significantly reducing our capital expenditure (CAPEX), which peaked at USD 2.2 billion in 2018, while committed investments for 2019 and 2020 are 1.3 and 1 billion US dollars respectively.

Yara's operations are affected by the global market prices. We have seen increased gas prices in 2018, which mean higher costs for us. At the same time, nitrogen prices have been at a relatively low level – although improving towards the end of the year. This has had a negative effect on revenues, but we have managed to compensate by increasing our sales of higher margin premium products. Even if we are not satisfied with our earnings, we are pleased to see an improving trend. We ended 2018 with the best fourth-quarter earnings (excluding special items) in four years, with earnings per share (EPS) up 22% year over year.

Svein Tore Holsether
President and CEO

Given our exposure towards global commodity prices – which we cannot control – it is crucial that we are vigilant about controlling what we actually can control. Already before the market prices started moving in a disadvantageous direction for us, we embarked on an ambitious path of improvement. We launched the Yara Improvement Program (YIP), with a very clear target: to improve our EBITDA with at least USD 500 million by 2020, measured in 2015 terms.

The original plan was to realize USD 300 million of improvements in 2018, but during the year we increased the target to 350 million. When we reached 31 December, the result was annual improvements of 355 million. While I am pleased that we are slightly ahead of target, our operational performance towards the end of the year was mixed, with several unplanned outages in our production plants. This shows that we still have work to do to reach the 500 million target, and that we cannot assume the path to get there will be smooth. However, YIP is fundamentally a journey towards a continuous improvement culture and way of working, and we have therefore decided to expand the program both in scope and time. All functions and processes will be included, and we will present the expanded improvement program and new targets at our Capital Markets Day later this year.

A world class safety culture is fundamental for all improvements. Safe operations are part of our license to operate. In a period with significant increase in number of employees we have seen a significant reduction in injuries. The past five years our TRI (total recordable injuries) is down almost 70 percent, from 4.3 to 1.4. However, this is overshadowed by the fatal accident suffered by one of our contractors in December. It was a tragic reminder of how important it is to eliminate injuries. We will not be satisfied before we see a TRI of zero.

2. A clear strategic direction: closer to the farmer

Like so many other sectors, the food industry is going through tremendous change. Technology is affecting how food is grown, harvested, transported and sold. At the same time, consumers are scrutinizing producers, demanding healthy food from sustainable sources. However, the technology and consumer trends are only two parts of the puzzle. Other crucial parts are the fact that 800 million people still go hungry to bed every night, 25 percent of the world's greenhouse gas emissions come from agriculture, one third of the food produced is wasted and that agriculture accounts for 70 percent of the fresh water usage. All of this is taking place while two billion people are undernourished, and the same number of people are overnourished.

If you summarize all of this, you get what at first glance looks like a Gordian knot – impossible to untie. It's no longer just about producing more food, but rather more healthy food and the food already produced cannot be wasted. At the same time emissions and water consumption must come down.

It will be extremely difficult, to say the least, but not impossible. In fact, the knowledge and solutions to produce more food with less input and reduced emissions, are already available. Today, rainforests are cut down to produce more food, resulting in increased emissions and less CO_2 capture. Through sustainable intensification of agriculture, it is possible to produce enough food within the planetary boundaries.

I am convinced that the food industry and the agricultural sector will come under even more public scrutiny, just like the energy sector and pharmaceutical industry. While it may be tempting for any company to duck those conversations, we won't. Instead, we welcome the debate and will take part in it. As long as it is science-based, we will sit down with other businesses, NGOs and governments to solve complex issues and drive sustainable agriculture. Hence, our strategic ambition of being the Crop Nutrition Company for the Future.

3. Innovation with a purpose

As already mentioned, agriculture and the entire food industry are going through tremendous change. The farmer of today is not merely an agronomist, but also head of IT, business development, procurement, marketing and sustainability.

Technology is driving and enabling this change. Farmers are digital first movers, using sensors, big data, cloud solutions and satellite supported tools. Yara has always been at the forefront of technological development. In fact, we saw the spark of light in 1905 as a result of one of the most disruptive technologies the world has seen: the electro-magnetic canon invented by the brilliant scientist Kristian Birkeland, making possible the industrial production of fertilizers.

More than a decade ago we pioneered digital farming by developing the N-sensor; a tractor mounted sensor that analyzes the nutrient level in the field and adjusts fertilizer application in real-time. Since then, this technology has been made available in hand held devices and apps on smart phones.

Today, we meet with one million farmers a year. That is good, but not enough. There are more than 500 million farmers in the world, and through new technology, we can meet many of them in the digital space – reaching them with our crop knowledge and application advice.

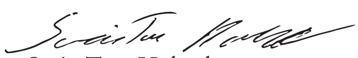
In addition to the ramping up of our digital farming unit, we have also created a segment dedicated to driving new business development. And we're seeing tangible results already: we have developed a device that can be clipped on a mobile phone, turning it into a nutrient sensor. We are improving our logistics by building the world's first battery driven, zero emission, autonomous container ship. We have entered a partnership with the world's largest waste management company to explore the opportunities in circular economy. And we are working with partners to look at the possibility to develop green ammonia. Through partnerships we make sure that we not only are working with world leading experts, but also that we limit our financial exposure.

Smart to good

The world is facing unprecedented challenges, and it is easy to be overwhelmed. Hoping that someone else will take responsibility and come up with the necessary solutions. In Yara, we have chosen to be part of the solution. Not because it's the nice thing to do, but because it's the smart thing to do. A couple of years ago, I was part of the Business and Sustainable Development Commission (BSDC) with amongst others Paul Polman of Unilever, Ho Ching of Temasek and Jack Ma of Alibaba. We looked at the potential of linking business to the UN Sustainable Development Goals (SDGs) and the conclusion was very encouraging: USD 12 trillion in potential value creation and more than 300 million new jobs.

To me, this proves that change is very much about opportunities, and not just problems. I am encouraged especially when I speak to students about this. They are more conscious than my generation ever was, when it comes to contributing to solving challenges.

Young people don't just want a paycheck and then do charity later, like the generations before them. They want to earn their paycheck by doing something good and meaningful. Because they know that if they don't, there will be no "later".



Svein Tore Holsether
President and CEO

Segment introduction

To deliver on our new strategy and become the Crop Nutrition Company for the Future, we have simplified our operating model. From 1 January 2019, Yara will be structured as the following three operational segments.

EVP Production Tove Andersen

Production

“Production’s role in positioning Yara as the Crop Nutrition Company for the Future is to deliver quality products that meet customers’ requirements and enable growth through increased efficiency. Our work on continuous improvement has yielded significant results in recent years and the benefits will multiply as this approach is applied to all processes and departments in Yara.”

Yara Production is responsible for the production of ammonia, mineral fertilizers and industrial products. Yara is the world-leading producer of nitrates, calcium nitrate, NPKs and a growing portfolio of phosphates. The segment combines safety, reliability and productivity by focusing on solid operations globally.

EVP Sales and Marketing Terje Knutsen

Sales and Marketing

"Our aspiration is to be the Crop Nutrition Company for the Future; the leading provider of sustainable crop nutrition solutions, supporting farmer profitability through knowledge, quality, productivity and simplification. Sales and Marketing will harmonize Yara’s approach to the market by gathering our core activities under one umbrella. The new segment will further increase customer focus and improve their experience.”

Yara Sales and Marketing combines crop knowledge, product portfolio and application competence to deliver differentiated and profitable solutions to customers and farmers, supporting a sustainable, premium business for Yara.

EVP New Business Yves Bonte

New Business

“In a rapidly-changing world, Yara's continued success depends on our ability to grow ideas and create new businesses and revenue streams. New Business is a flexible setting for developing and commercializing new businesses opportunities. Our segment is critical for building Yara as the Crop Nutrition Company for the Future in a decarbonized world where sustainability is a key driver for success.”

Yara New Business focuses on developing, commercializing, and scaling up profitable businesses in collaboration with other Yara segments. Its mandate is to grow ideas, innovate, develop new businesses, and create new revenue streams. Focus areas include decarbonization and circular economy.

From Colombian coffee makers to Californian coffee lovers

William Becerra (31) has been working full time as a coffee grower since he was 12 years old. Now he's one of the best growers in Colombia and his coffee is being enjoyed by high tech companies, such as Google.

Growing coffee is not something you do on the side. Either you do it, or you don't. William and his nine siblings all inherited the discipline and sense of commitment from their father, Luis Eduardo. When he turned 12, William quit school in order to focus solely on growing coffee and devoted himself to the family farm. It was difficult, but from early on he was working towards a very concrete goal: a coffee farm of his own.

"With the effort of my work I was able to save enough money to buy a one hectare farm where I planted the first Colombian coffee trees with my wife, thinking that in the future we were going to produce high quality coffee as a way of life that would allow well-being for my family."

A farm named progress

His dream became a reality in 2011, when he had saved enough money to buy a property in the village Belén. The farm had the symbolic name of El Progreso (Progress).

The farm might as well be called Ambición (Ambition). That would have been an equally fitting name.

With his wife, Edelmira Muñoz Zúñiga, he planted a variety of trees, and early on they had their eyes set on growing the best possible quality.

"Back in 2015 I joined an elite group of coffee specialists at Isnos, Huila, where I attended a few training forums about agronomic management of coffee, good agricultural practices, benefits, drying and storage of coffee. From this moment, I started to nourish my crop with Yara's products and my life changed, because I got a better productivity, going from 8 loads to 16 loads. Also, I found out the opportunity to improve my family's income by entering the specialty coffee market," he says.

A quality game

The coffee industry is all about quality. It determines what buyers are willing to pay and for the individual coffee farmer this has significant consequences; it can mean the difference between not having enough money to put food on the table and making enough to invest in the farm, the house and education for the children.

Maria José Palacio at the reputable coffee distributor Progeny, explains:

"Through our journey with Progeny Coffee, we set our goal to create a sustainable coffee chain where everyone wins, from the farmer to the consumer. We realize that in the chain there is space for a healthy income to the farmers, but it all goes along with quality. Right now a coffee farmer has two choices: grow commodity coffee and get paid a low price, in most cases below production cost, or grow specialty coffee and reach markets with a higher price. We see today a different consumer than in past years, one that is looking for quality and transparency, willing to pay extra for the experience. In Progeny, we focus on getting the farmers to a score of 85 points and above, which in the moment of comparing to other companies, quality has been a constant for more opened doors."

Just like William, Maria also has coffee in her veins, so to speak. She is the fifth generation of a Colombian coffee grower family and her coffee company is serving demanding clients in all corners of the world.

A coffee champion

William and his wife kept on working hard, always willing to learn and improve, by having the right fertilizer, applying it in the correct way and analyzing the soil conditions

In 2017, he participated in Yara's Coffee Champion program, a competition dedicated to finding the best coffee farmers in Colombia and helping them connect with top buyers internationally. William came in third in the competition and as part of the prize he was flown to the Seattle for a conference for specialty coffee. And that is where his path crossed that of Maria José Palacio.

"We met William at the SCA in Seattle the last day of the show. We had previously met another farmer who was traveling with William, who we were looking to approach, however, he recommended the people from Yara to contact us to meet William. When we arrived, we met a farmer full of hope, humble, and in his hands, you could see the hard work. For us, as a company, we are not sourcing coffee, we are looking to create long lasting relationships, where we can impact a family," says Maria, and continues: "We saw in William the kind of farmer we wanted to welcome into our family. Out of that meeting we were able to take some coffee samples, as we only import coffees 85 points and above. When we traveled back, we had the opportunity to cup Williams coffee, and it spoke by itself. Months later, we invited William to meet our team and our customer in San Francisco, where he was able to see who and where his coffee was going to be roasted and consumed. We did the same, travel to meet his family and his farm. As we write this, we have his second shipment arriving at the port of Oakland."

For William, the cooperation with Progeny, was extremely important: "Among so many coffee growers I never thought I could be one of the best, but thank God things worked out. The good reception of the coffee that I grow day after day is due to the dedication and love I put into it."

Exporting quality

The encounter in Seattle literally opened up the world to William. From that day he became an exporter of quality coffee. Through Maria José Palacio and Progeny his coffee is now being served in San Francisco, California. Even at the Google office in Palo Alto outside of San Francisco, the employees are now enjoying coffee originating from El Progreso.

It has been an incredible chain of events over two decades: William starting to work at the family farm, then managing to buy his own farm, investing in quality input, getting expert agronomic advice, optimizing his yields, getting the bronze medal in the coffee championship, meeting Maria José and ultimately being able to export his coffee at a premium price.

It is without a doubt a success story. However, William is relentless in his pursuit of a new goal: getting back to school, and then become a professional coffee taster.

"It´s something that I have pursued for a long time: selling my coffee at a good price to survive and to keep on working in my farm. This is an opportunity that will allow me to help my family financially," says William.

Report of the Board of Directors

Volume and margin growth

In 2018, Yara increased both production and deliveries, and EBITDA increased by 13 %. However, capital returns were unsatisfactory, and a key focus in 2019 is to strengthen Yara's financial returns through internal improvements and prudent capital allocation. Yara's safety incident rate continued to improve in 2018, but the positive development was overshadowed by a tragic fatality during maintenance work at our Montoir plant in France, underlining the need for continued focus and further improvement to safety practices.

Yara's after-tax measure for return on capital, CROGI, was 7.3% for 2018, up from 7.0% in 2017. Margins improved compared with 2017, mainly reflecting higher commodity nitrogen and phosphate upgrading margins. Fertilizer deliveries were 28.5 million tonnes, up 4% from 2017 mainly reflecting acquisitions in India and Brazil. Industrial deliveries were up 9%, or 3% excluding the Cubatão acquisition in Brazil.

In 2018, Yara launched its strategy as the Crop Nutrition Company for the Future. The strategy entails an increased focus on growth within downstream precision farming and solutions, while parts of the non-agricultural industrial activities are under strategic evaluation from a portfolio perspective.

Performance overview

Operational performance

Yara's Safe by Choice initiative, which started in 2013, has driven improved safety performance, with a Total Recordable Injury (TRI) rate of 1.4 per million hours worked in 2018, down from 1.8 in 2017 and 2.5 in 2016.

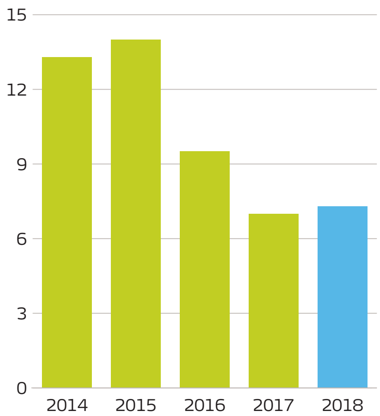
Excluding new volumes from acquisitions, full-year 2018 ammonia and finished product production was down 3% and 1% respectively compared with 2017. For ammonia, around two thirds of the reduction is explained by planned turnarounds while the remaining relates to unplanned outages.

Excluding acquisitions, deliveries were down 3% mainly due to lower nitrate deliveries in Europe and lower commodity deliveries in Brazil. The lower nitrate deliveries in Europe are explained by a combination of more turnarounds in addition to a seasonally slow market towards the end of 2018.

Margins improved in 2018 compared with 2017, mainly driven by higher production margins for urea in

CROGI

Percent, 12 month rolling average



Yara's Belle Plaine plant in Canada and higher phosphate upgrading margins in Yara's NPK plants.

Operating segments

The Crop Nutrition segment saw a 4% increase in fertilizer deliveries, while the Industrial segment saw 9% higher deliveries. The Production segment delivered an 11% increase in ammonia production and an 8% increase in finished fertilizer production.

Financial performance

Market conditions

Demand for fertilizer and industrial nitrogen products was healthy overall in 2018, but urea prices remained supply-driven, reflecting capacity growth in excess of trend consumption growth. However, urea prices increased overall compared with 2017, as the availability of urea from China continued to decrease. Chinese urea exports totaled 2.5 million tonnes for the year, down from 4.7 million tonnes in 2017.

Urea is the largest traded nitrogen fertilizer product and sets the global nitrogen commodity price, but 61% of Yara's finished products (production) is premium products like nitrates and NPKs. A key element of Yara's strategy is to continue to grow its production and sales of premium products.

Consolidated results

Yara's had a net income after non-controlling interests of USD 159 million, a 67% decrease from 2017, mainly reflecting a currency translation loss, in addition to expansion investments which generated increased depreciation but limited income in 2018 in isolation. Earnings per share were USD 0.58 in 2018 compared with USD 1.75 in 2017. Operating income was USD 402 million, down from USD 457 million in 2017, while EBITDA was USD 1,523 million, compared with USD 1,348 million in 2017. Revenue was USD 12,928 million in 2018, up from 11,358 million in 2017.

Cash flow and financial position

Net cash from operating activities was USD 756 million compared with USD 791 million in 2017, with a net operating capital increase more than explaining the decline. Net cash used for investing activities in 2018 was USD 2,000 million, reflecting planned maintenance and productivity investments in addition to growth projects and acquisitions.

Yara's financial position remained strong in 2018, with a debt/equity ratio of 0.43 at year end compared with 0.25 at the end of 2017, as the sum of maintenance and growth investments and cash returns to shareholders exceeded cash from operating activities.

Net interest-bearing debt at year-end was USD 3,794 million, while total assets were USD 16,656 million. Total equity attributable to shareholders of the parent company as of 31 December 2018 amounted to USD 8,683 million. At the end of 2018 Yara had USD 202 million in cash and cash equivalents, and USD 1,872 million in undrawn committed bank facilities. We consider the company's cash and financial position to be strong.

In the opinion of the Board of Directors, the consolidated financial statements provide a true and fair view of the group's financial performance during 2018 and financial position on 31 December 2018. According to section 3–3 of the Norwegian Accounting Act, we confirm that the consolidated financial statements and the financial statements of the parent company have been prepared based on the going concern assumption, and that it is appropriate to make that assumption.

Operating segments

The Crop Nutrition segment delivered an EBITDA of USD 544 million and a CROGI of 11.2% in 2018, compared with an EBITDA of USD 492 million and a CROGI of 11.9% in 2017. EBITDA increased mainly due to increased volumes from acquisitions, while CROGI decreased somewhat due to lower nitrate and NPK premiums.

The Industrial segment delivered an EBITDA of USD 247 million and a CROGI of 37.6% in 2018, compared with an EBITDA of USD 158 million and a CROGI of 26.2% in 2017. The improved EBITDA and CROGI was mainly driven by increased deliveries and earnings from the Cubatão acquisition in Brazil.

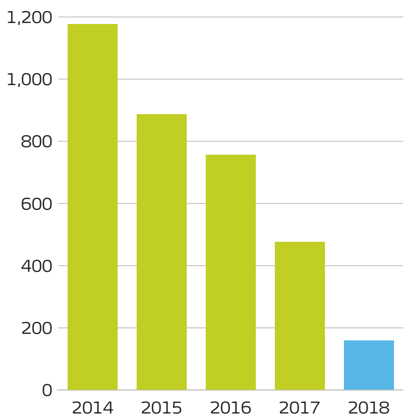
The Production segment delivered an EBITDA of USD 792 million and a CROGI of 5.2% in 2018, compared with an EBITDA of USD 722 million and a CROGI of 4.9% in 2017. EBITDA and CROGI increased due to higher production margins and new earnings from the acquisition in India.

New Accounting Standards

Yara adopted IFRS 9 Financial Instruments and IFRS 15 Revenue

Net income after non-controlling interests

USD millions



from Contracts with Customers for reporting periods beginning on and after 1 January 2018. The Group has not identified significant impacts on its consolidated statement of financial position and equity due to adoption of these new accounting standards.

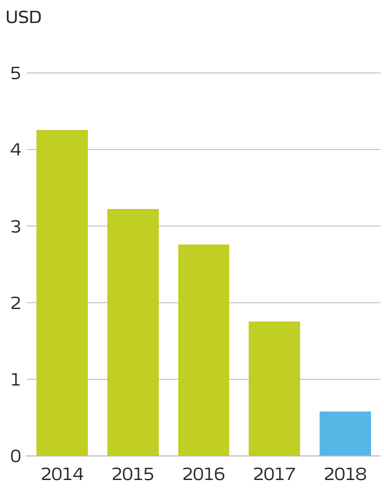
Yara adopted IFRS 16 Leases for reporting periods beginning on and after 1 January 2019. IFRS 16 will impact the Group's consolidated balance sheet by increased total assets and total liabilities. The consolidated statement of income will be impacted by reduced lease expenses and increased depreciation and interest expenses. The Group's IFRS 16 lease liability as of 1 January 2019 was approximately USD 400 million, and based on the lease portfolio at this date Yara expects a positive EBITDA effect in 2019 of approximately USD 95 million. Future changes to the lease portfolio will change the EBITDA estimate.

Please refer to note 41 in the consolidated financial statements for more information.

Yara International ASA

The parent company Yara International ASA is a holding company, with financial activities and with corporate functions. Yara International ASA had a net income of NOK 2,605 million in 2018, down from NOK 12,437 million in 2017, after dividends and group relief from subsidiaries of NOK 4,500 million (NOK 12,689 million in 2017). The net foreign currency translation loss was NOK 875 million compared with a gain of NOK 581 million in 2017.

Earnings per share



Sustainable strategy

Yara is an integrated crop nutrition company with an industrial portfolio. Yara is headquartered in Oslo, Norway and is listed on the Oslo Stock Exchange. Yara's knowledge, products and solutions grow customers' businesses profitably and responsibly, while protecting the earth's resources, food and environment. The company mission is to 'Responsibly feed the world and protect the planet'.

Company positioning

At Yara we believe that by offering a positive value proposition to our customers over time, we can deliver attractive returns to our shareholders while at the same time creating value for society – creating shared value. Yara is well positioned to address some of the major global challenges of our time, particularly within food, environment and resources, which also represent business opportunities.

On this basis, Yara's 2018 strategy update concluded in a repositioning of the company, setting the ambition of being the Crop Nutrition Company for the Future.

In accordance with Yara's vision, mission and values, sustainable business is an integral part of Yara's strategy. A key element of Yara's strategy is to take a stronger position within premium products and agronomical advice, driving increased resource efficiency and improved environmental performance within the crop value chain.

Over time, Yara expects that fertilizer demand growth will be reduced due to improved nutrient use efficiency. Although such a development represents a challenge for commodity fertilizer producers, it creates a competitive landscape where Yara's knowledge, premium products and solutions are strongly positioned to compete.

The strategic priorities of advancing operational excellence, creating scalable solutions and driving innovative growth include embedded sustainability performance elements such as driving energy efficiency, improving nutrient use efficiency and expanding Yara's crop nutrition solution outreach to customers and farmers.

Yara's unique strengths

Yara believes the following four key strengths are key to its competitive edge:

- **Global scale**
  We operate across six continents, across different commercial segments, and more than 25 plants and mines. Our global distribution network allows us to optimize product flows and plant inputs across geographies and adjust production volumes to match market conditions.

- **Knowledge network**
  Yara's deep understanding of crop nutrition, farmers and industrial markets allows us to sell highly profitable premium products and solutions that also benefit society.

- **Responsible business**
  Yara's commitment to upholding the highest standards of safety, business ethics, and social and environmental responsibility gives employees, customers, partners and regulators a

reason to believe in us. Our mission guides us to continually review and analyze how operations impact societal and environmental change.

- **Passionate people**
  Surveys consistently show that Yara employees are committed to our mission and vision and support the direction of the company in much greater numbers than global benchmarks. This passionate workforce enables the company to take on new tasks, drive profitability, optimize productivity, and propel innovative thinking.

Yara's strategic priorities

To become the Crop Nutrition Company for the Future, we have three strategic priorities going forward. They build on our integrated business model and unique strengths, and will enable us to fulfill our mission and vision. These priorities will make sure we are responding to the external environment and capturing opportunities created by the external trends:

Advance operational excellence
Our cost position compared to competitors makes it critical for us to continuously improve how we work and implement global best practices. The current gas and fertilizer markets are challenging and are expected to remain so for the foreseeable future. This puts a pressure on us to manage cost, reduce complexity, and further build a culture of continuous improvement and cost efficiency. This does not mean cutting all costs across the organization and a reduction in our activity level. Growth areas will still see increased investments. We will work broadly across all functions on operational excellence, efficiency, process improvements and developing best practice systems and tools. A crucial component of this is the Yara Improvement Program, which will be expanded to cover all of our processes. Digitalization will be a major source of improvement across most parts of Yara. Key priorities going forward will be to actively assess our portfolio of businesses, review and optimize our global operating models, including reshaping Brazil to sustainably improve returns. Our employees are the key to succeeding with this, and building on the strong Yara culture and employee engagement is important. We want to strengthen diversity and inclusion to deliver on this.

As part of advancing operational excellence, Yara's crop nutrition focused strategy naturally includes a strategic evaluation of businesses that are further away from Yara's core, to determine the most value-creating way forward for these, either within or outside Yara.

After a period of growth and significant investments, our near-term focus is on delivering on-going growth projects, continued operational improvement, and maintaining strong capital discipline. We are significantly reducing our capital expenditure, which peaked at USD 2.2 billion in 2018, while committed investments for 2019 and 2020 are 1.3 and 1 billion US dollars respectively.

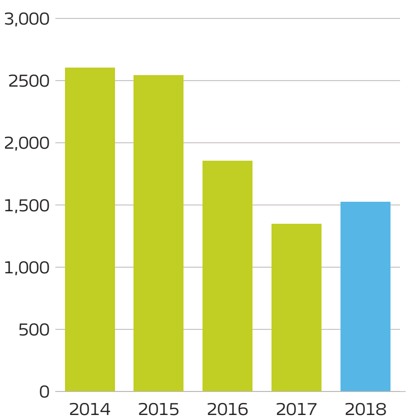
Create scalable solutions
We have over the past years moved towards a more customer centric approach towards farmers and industrial customers, in order to monetize our agronomic and chemical knowledge, and secure premiums above the commodity value of our products. The integrated business model has enabled Yara to deliver differentiated solutions. To be the Crop Nutrition Company for the Future, we need to continuously develop and renew our offerings to always provide the leading solutions ahead of competition.

The journey towards selling solutions within Sales and Marketing and New Business will be accelerated over the next years through several activities. We will to an increasing extent promote the benefits of our solutions, which include developing more sustainable farming practices, ways to improve nutrient use efficiency, and promote the benefits of nitrate based products. Collaboration with the food industry will take our solutions one step further, by not only developing our solutions to benefit the farmers, but also increasing the value of the crops further in the food chain. Digital platforms and interaction will be a core component of how we reach the farmers with these solutions, and our ambition is to be the digital leader in crop nutrition. This will increase the number of people fed in a sustainable way globally. Our solutions will contribute to reducing the CO_2 emission equivalents from plant to field, through, e.g., land use change avoidance. We will also help smallholder farmers improve their livelihoods.

Drive innovative growth
Size is critical to be the Crop Nutrition Company for the Future, and scale is an important strength for Yara. Global scale enables us to realize synergies on sourcing, supply, and market allocation. It also makes us better

EBITDA

USD millions



positioned to be in dialogue with the key stakeholders shaping regulations and policies impacting our industry. Scale and relevance increases our opportunities, both for M&A and with regards to governments/resource holders. It is an important enabler for shaping the global crop nutrition standards, e.g., through collaboration with research institutions and the wider agriculture industry. Improving margins and growth are the two only ways of creating shareholder value. Profitable growth will therefore remain a priority for Yara, both within existing and new business areas. We want to take lead in the development of several new technologies and solutions, with Yara Birkeland and demonstrating green ammonia serving as two examples.

Yara Improvement Program

Yara has established a corporate program to drive and coordinate existing and new improvement initiatives. The Yara Improvement program will deliver at least USD 500 million of annual EBITDA improvement within 2020. The most significant components of the program are:

- Yara Productivity System: improving safety, customer responsiveness, reliability, cost, productivity and quality at production sites
- Procurement Excellence: realize sustainable, incremental savings based on advanced global category management and collaborative procurement
- Improve quality, cost and speed of asset construction through standard specifications, revised requirements and focused execution strategy
- Working Capital management improvement
- IT Optimization: improving project execution and cost performance within IT services, while increasing customer and business service
- Support function efficiency and quality: standardizing processes in the supply chain and finance functions, to improve customer service and efficiency
- Sales and Marketing excellence: improving commercial activities through more focused, efficient and effective processes for Sales and Marketing channels

Approximately 35% of the improvement is targeted from production volumes, 10% from consumption factor improvements, 30% from variable unit cost reduction and 25% from fixed cost reduction. In addition, the program targets sustained capex improvements in the magnitude of USD 100 million, and working capital reductions and other one-off cash improvements of USD 200 million. Enabling these improvements will require one-off costs of approximately USD 150 million and investments of approximately USD 475 million over the period up to 2020.

Compared to the 2015 base, the improvements realized by the end of 2018 represent an annual EBITDA improvement of USD 355 million, of which USD 133 million relates to reliability improvements in Yara's production plants while procurement related improvements represent USD 151 million. Improvements realized in 2018 compared to 2017 amount to USD 113 million. Yara has identified additional improvement potential and plans to expand both the scope and timeframe of the program during first half 2019.

Growth

Yara delivered growth in 2018 through several acquisitions, and by improving its production system to increase output. In 2018 Yara acquired the Vale Cubatão Fertilizantes complex in Brazil and the Tata Chemicals Ltd Babrala urea plant and distribution business, in Uttar Pradesh, India, significantly increasing Yara's footprint in the Indian market.

Commodity scale was added in 2018 through the Freeport, US ammonia joint venture with BASF, and with the Babrala, India acquisition from Tata. The Babrala acquisition serves a captive market and provides scale to accelerate premium product sales in India.

Several expansion projects continued or were completed in 2018, in Porsgrunn, Norway; Köping, Sweden; Sluiskil, Netherlands; and Salitre and Rio Grande, both in Brazil.

Phosphate and Potash supply is being developed in the Salitre, Brazil project (P) and also in in Dallol, Ethiopia (K).

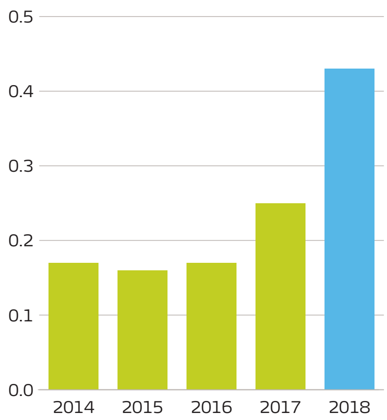
Material sustainability topics

Starting in 2015, Yara has conducted materiality analyses. Furthermore, the materiality assessment formed part of the basis for the strategy update process, which was initiated by Yara's CEO and Board of Directors in 2017 and concluded in 2018. Through the process Yara defined strategic ambitions, including sustainability, which will be made public in 2019.

Yara's materially important topics were updated through the strategy process, and now encompass: climate

Debt/equity ratio

Percent



change; energy; resources and the environment; knowledge, people and technology ; food security; agricultural productivity; farmer profitability; ethics and compliance; health and safety and product stewardship.

Creating shared value

The updated strategy sharpens Yara's drive to create shared value. The Crop Nutrition Company for the Future will need to align competitive positioning to a complex operating environment, where environmental and social challenges require private sector responses.

Yara sees stronger environmental regulations as a driver for business opportunities. Agriculture is a major source of greenhouse gas emissions and biodiversity losses, largely driven by deforestation. Soil degradation, nutrient losses to water and air, and freshwater consumption represent major challenges within agriculture, for which solutions will be needed.

In addition, farmers and the food industry are seeking a deeper engagement in their supply chains, and Yara anticipates this will change how farmers buy and apply fertilizers. Yara is already well positioned for this development, with a product portfolio, knowledge and solutions ready to support and drive improved value chain performance.

We have developed comprehensive crop nutrition solutions that improve agricultural productivity and at the same time grow farmer profitability. Increasing agricultural productivity also contributes to improving food security, while at the same time reducing pressure to convert forests and wetlands into farmland – a main source of GHG emissions.

Leveraging its agronomic knowledge, Yara is increasingly employing technology to support competitiveness and sustainability. Our digital solutions are rapidly being scaled up, enabling Yara to cover more hectares of land and reach more farmers.

In addition to environmental pressures, rural economies, accessibility and affordability of healthy and nutritious food and yield gaps for smallholder farmers are major societal issues. Yara's know-how in supporting smallholders is used both in direct outreach to more than 400,000 smallholder farmers as well as in partnerships.

People development

Yara's people processes are closely linked to Yara's overall strategy. The redefinition of Yara's people strategy followed the revision of the company's business strategy, vision, mission and values. The new people framework connects our people and organizational priorities together. The goal is to attract, develop and retain people in accordance with Yara's needs.

Yara is working on strengthening its performance culture through professional performance management processes, improving leadership development and reinforcing talent management. Yara is committed to foster diversity, inclusion and open dialogue.

At Yara, it is our strong belief that diversity is a key enabler to solving the difficult challenges the world is facing. Achieving the United Nations Sustainable Development Goal on gender equality and strengthening diversity across a number of other dimensions will also be crucial in achieving several of the other 16 UN SDGs.

Yara is committed to paying employees fairly, regardless of personal beliefs or any individual characteristics. To ensure that we offer gender equal pay, Yara has been running a project which identified gender pay gaps and we have initiated actions to close them.

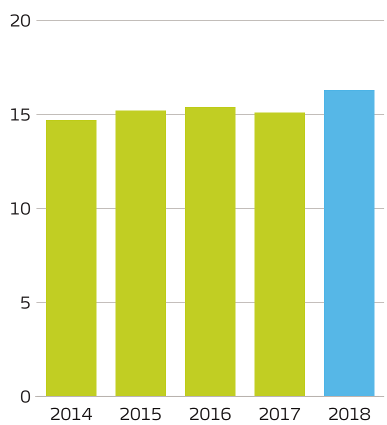
The analysis was done in countries with the largest employee populations, covering more than 60% of the relevant population. Yara found a gender equal pay gap in all countries analyzed, ranging from 2.1% in Norway to 16% in Colombia. This is the gap after correcting for factors such as responsibility in position, education and experience.

Yara has the ambition to close the gender equal pay gaps over a defined period of time by applying tighter rules and governance for salary reviews and recruitment, as well as allocating an additional budget to support the process.

Yara is committed to using feedback from employee surveys to implement improvements and keep making Yara a better and safer place to work. Therefore, we regularly run employee engagement surveys. The extensive survey done in 2017 was followed by workshops in all units, where the results were discussed and improvement actions planned. 2018 was used to implement and follow-up on these actions.

GHG emissions

Million tons of CO_2 equivalents



*) Cartagena and Galvani plants included 2015 onwards

Although Yara in 2017 performed far above the global norm for employee engagement, employees felt that there was room for improvement within customer focus and diversity. As of 2019, the company will use shorter surveys and measure the "pulse" of the organization on a more frequent basis.

At the end of 2018, females represented 21% of Yara's workforce and held 16.4% of its 175 critical positions. We have initiated various activities at all levels and in all regions to increase diversity and ensure inclusion.

At the end of 2018 Yara had 16,757 employees worldwide, of which 15,132 were employed on a permanent basis. Yara's global sick rate was approximately 3.4%, while the reported rate in Norway was 4.45%.

New business

Effective 1 January 2019, Corporate Innovation has become part of the New Business segment. Four new units have been established within the segment, focusing on Innovative Growth and Scalable Solutions.

BU Decarbonize Yara
Yara has established a business unit for decarbonization, tasked with decarbonizing the company throughout its value chain, from raw material to customer, sustaining profitability in an operating environment which is increasingly seeking carbon-neutral or zero-emission solutions.

BU Circular Economy
The Circular Economy business unit will shape the vision and the strategy on Circular Economy for Yara, supporting the company mission through creation of new markets and economic models, promoting a regenerative agriculture model and industrial symbiosis.

Innovation Support and Research

The unit's mission is to support Yara as the Crop Nutrition Company for the Future by developing Yara's knowledge, protecting its knowhow and identifying new business opportunities, and leveraging contributions from all employees as well as external know-how.

BU New Business Scale-up
New Business Scale-up will focus on developing and maturing business opportunities from proof of concept to value delivery, either into Yara's existing business, or as spin-offs.

Yara Birkeland
Based on the project of launching Yara Birkeland, the world's first zero emission autonomous container vessel, Yara Birkeland will be established as a separate company to develop digital solutions for sustainable logistics operations. The Yara Birkeland vessel is scheduled for launch in 2020, and it will replace 40,000 truck journeys annually.

Production R&D

Production R&D is executed by the Yara Technology Centre (YTC). YTC is responsible for the "Plant of the Future" where the aim is to boost productivity with Best Available Technologies, as well as evaluating new technology elements to be implemented short and medium term, with a special focus on energy and emissions.

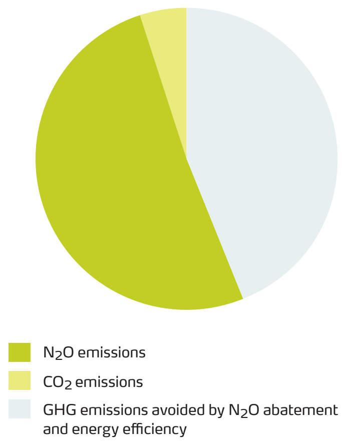
In 2018, YTC has conducted six Energy and Emission Assessments. Ideas from previous assessments have been further developed, uncovering a USD 27 million annual potential from savings or increased revenue. YTC has established projects to increase raw-material flexibility, reduce energy consumption, reduce emissions and reduce water consumption.

Yara's ammonia plants have a significantly lower energy intensity per produced unit than the global industry average, but the goal of further improvement in 2018 was not achieved, mainly due to a higher number of both planned and unplanned production stops.

YTC is central in developing concepts for "Green Nitrates" production based on renewable energy. A pilot project has been approved for public

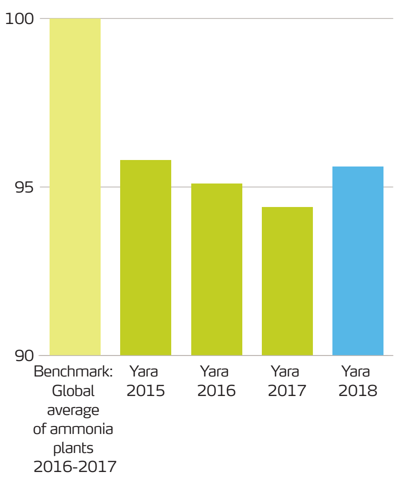
GHG emissions avoided

Percent



Energy intensity per unit in ammonia production

Percent



funding as part of the Innovation Norway “Pilot E” program.

YTC is continuously working with qualifying and monitoring Yara’s catalysts to improve the efficiency in general, and to remove more of the potent greenhouse gas nitrous oxide gas from Yara’s production processes.

Yara has intensified the roll-out of digital solutions to optimize plant performance in 2018. Advanced Process Control (APC) applications have now been implemented in a total of 15 plants, resulting in significant improvements in plant performance. 14 additional APC installations are planned for 2019.

In the Yara plant in Porsgrunn, Norway, YTC continues the EU-funded (Horizon 2020) project to develop a concept for extraction of rare earth elements from the production process. A pilot plant will be completed in 2019.

For urea, the main commodity nitrogen fertilizer, volatilization of ammonia to air causes both losses of nitrogen and air pollution. YTC has been able to reduce such losses by developing and improving Yara’s own urease inhibitor formulation. YTC continues to develop sustainable and stable solutions for other urea products, meeting legislation changes by 2020. Several initiatives have been done to improve product quality for premium AN products and launching zinc-enriched CAN.

YTC has developed technology for production of fully water-soluble high purity calcium nitrate, which has been commercialized by Yara Porsgrunn.

Product safety remains a key focus area, with significant resources invested to ensure that Yara delivers safe products.

Crop nutrition R&D

Crop Nutrition R&D enables Yara to be the leading provider of sustainable crop nutrition solutions. The organization is embedded in the BU Food Chain & Global Solutions and is contributing to the establishment of a global crop solution platform for Yara’s prioritized global crops; grassland, wheat & barley, maize, potato, coffee, cocoa and fruits and vegetables. Critical value-adding elements are combined, such as deep crop knowledge, optimized fertilizer products, tools and services. From this global platform, suitable elements are selected for local application to deliver nutrients and water in the most efficient, profitable, sustainable and certifiable way.

The development of Yara’s crop solutions is first and foremost attractive for farmers, as they increase their profitability, but they are also of interest to the wider value chain in terms of securing volume and quality, and providing differentiation e.g. through a reduced carbon footprint. In order to make the knowledge relevant for the farmer, a deep understanding of the general nutritional needs of crops needs to be related to the specific local conditions in a granular way. This includes mitigation of yield limiting factors such as drought and salinity stress. Based on acquired learnings, new products are developed consisting of nutrients and biostimulants covering different methods of application.

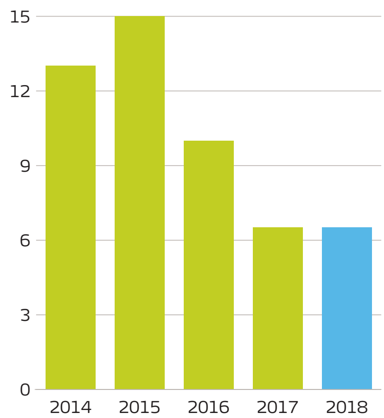
In March 2018, Yara launched BIOTRYG – a biostimulants platform. Plant biostimulants stimulate natural processes to enhance plant nutrient uptake / efficiency, tolerance to abiotic stress, and crop quality. The platform has already provided new products available in the market, based on agronomic evidence for safety and performance.

Internally, knowledge is shared e.g. via an efficient digital “Fact Finder” Tool, manuals and trainings, and externally via congresses, scientific and other publications as well as being part of delivering localized advice to farmers. Each year Yara Crop Nutrition R&D organizes around 400 strategic activities and local trials which are managed on one joint digital platform. The results provide scientific evidence with respect to agronomic performance and sustainability of Yara’s solutions. Furthermore, Crop Nutrition R&D provides stakeholder dialogues with potential commercial clients including food chain companies, Ag-companies, NGOs, policy stakeholders and academia, receiving around 260 visitor groups per year.

Crop Nutrition R&D develops tools and services in close collaboration with the BU Digital Farming. These tools are essential for commercial delivery of Yara’s knowledge to farmers. This is an area of rapid development, driven by the need to improve farm economy while reducing the environmental footprint. An updated nutrient management software and the Atfarm tool were developed and implemented in 2018. A new generation of the Yara N-Sensor with better functionality

Dividends

NOK per share [1)]



1) 2016 proposal subject to AGM approval

at much lower cost was released, and the N-Tester was further improved to significantly increase market penetration. More tools are under development, combining crop modeling, sensing and mapping technologies.

Projects on Farming for Health and Soil Health Management have been launched to investigate how Yara can contribute to more healthy food and soils, which is of increasing interest both in agriculture and with a wide range of stakeholders.

Commitments and collaboration

Yara is committed to doing business responsibly. The commitment is expressed by being a signatory to the UN Global Compact (UNGC), embracing and implementing its principles covering the areas of human rights, labor rights, environment and anti-corruption.

We support the United Nations Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, the International Bill of Human Rights, and the core conventions of the International Labor Organization (ILO).

In 2018, prior engagements were continued including the Farm to Market Alliance (FtMA) with the World Food Program (WFP) and other partners, which aims to support 1.5 million smallholder farmers. The FtMA has so far reached 150,000 farmers, with positive outcomes on yields and farm economy. Yara is a signatory to the Tropical Forest Alliance and the CEO Climate Leaders group.

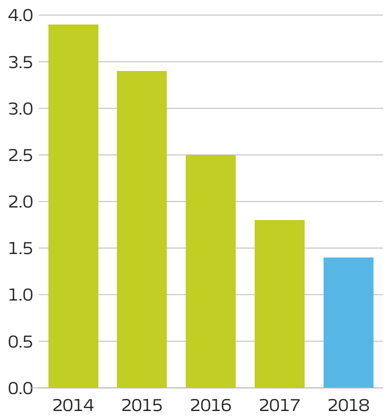
Following the 2017 launch of the Food and Land Use Coalition (FOLU), Yara maintains a role in the management team of this cross sectoral platform, driving science-based policy dialogues for transforming food and land use systems in support of the Paris Agreement and the Sustainable Development Goals.

Through 2018, Yara's CEO Svein Tore Holsether continued his engagement in the Executive Committee of the World Business Council for Sustainable Development (WBCSD), and he was also elected chair of the WBCSD Food & Nature program Board. Supporting the CEO role, Yara is a participant in multiple WBCSD projects including Factor 10 on circular economy, Climate Smart Agriculture, Natural Climate Solutions and Food Reform for Sustainability and Health (FReSH).

Yara has supported the UN process of establishing the Sustainable Development Goals (SDG) and was represented at the climate negotiations in Katowice, COP24, as well as at the United Nations High Level Political Forum on the SDGs.

TRI rate

Total Recordable Injuries per million working hours for employees and contractors



Country by country reporting

Yara's country by country report has been developed to comply with legal requirements as stated in the Norwegian Accounting Act §3-3d and the Norwegian Security Trading Act §5-5a, valid from 2014. The full country by country reporting can be found on the yara.com annual report section.

Sustainability performance

Yara will, according to the Norwegian Accounting Act §3-3c, report on its performance based on an understanding of which topics are of material importance to both Yara and society. Key topics are covered in the Report of the Board of Directors, and in addition Yara Management issues a more extensive reporting according to the updated GRI Standards on yara.com.

Health and safety

Safety is identified as an aspect of material importance to Yara and shall be embedded with priority into all our decisions. A safe business forms the cornerstone of our license to operate, and this is communicated through our Health, environment, safety, security and quality (HESQ) Policy and the Safety Principles. In all areas where Yara operates, these principles with associated requirements and practices are extended to Yara employees, to contractors at our sites, to transport partners and to customers through our certified Product Stewardship program. Our ambition is to achieve an injury-free and healthy working environment.

Yara is committed to upholding a positive working environment including both physical and mental health to support a healthy lifestyle. During 2018 Yara launched an occupational health management system to ensure a common standard and a global approach.

While this is a tough ambition in a dynamic global business, we believe that colleagues and partners can make it happen, through consistent use of safety tools and systems with the highest level of applied quality. Since mid-2013 Yara has improved safety performance under its program "Safe by Choice". The program aims to develop Yara's safety culture through both emotional, rational and sustainable organizational developments. To improve the HESQ knowledge of all our employees, leaders and contractors, an interactive training program "Together we learn" has been developed and rolled out in 2018. In addition, our HESQ Academy contains training material and background information on all HESQ areas.

Yara's total recordable incident rate has steadily declined (TRI - including lost days from work, medical treatment and restricted work) for both employees and contractors. In 2013 Yara had a combined TRI of 4.3, reaching a record low of 1.4 in 2018. We recognize the occupational and process risks inherent in our business, but we are also confident that our dedicated and committed approach to safe operations will continue to deliver sustainable improvements.

Sadly, Yara suffered a fatal accident in 2018, during maintenance work at our plant in Montoir, France. All our accidents and near misses are recorded and put under investigation to identify root causes, with corresponding learnings and measures implemented. A major incident prevention program was introduced to reduce the potential for high severity incidents.

Climate and energy

Climate change, energy, resources and the environment are seen as topics of material importance to Yara, which are also significant to society.

In 2019, Yara will launch updated strategic goals on climate, aiming to further improve its industry-leading position on GHG emissions and solutions for climate smart agriculture, and adding to its competitive edge in a society dedicated to decreasing emissions. As mentioned earlier, Yara has established a business unit for decarbonization, tasked with the program of decarbonizing the company along its entire value chain.

Production of mineral fertilizers contributes to GHG emissions. Yara has nearly halved GHG emissions from production, primarily through developing and utilizing its own nitrous oxide (N_2O) catalyst technology and continuous improvement of energy efficiency. This technology is instrumental to Yara's offering of low-carbon fertilizers. Using Yara's proven low-carbon fertilizers and best farming practices, the carbon footprint from crop production can be significantly reduced, while maintaining yields.

Yara's total GHG emissions from production plants were 16.6 million tonnes of CO_2 equivalents in 2018, compared to 15.1 million tonnes in 2017. The change is mainly linked to increased volumes as the Babrala (India) and Cubatão (Brazil) acquisitions added new capacity.

Natural gas is Yara's main raw material and also represents its largest variable cost. Affordable access to natural gas is a competitive advantage, and improving energy efficiency contributes significantly to reducing costs. In 2018, Yara's total energy consumption in production increased to 301 million GJ, in line with the increased production volumes.

About 85% of the energy is consumed in ammonia production. In recent years, most of Yara's ammonia plants have been technically upgraded to improve energy efficiency, and energy management is a significant part of the plants' environmental management systems. A number of energy saving projects have been implemented, and three of Yara's eight European ammonia plants were ranked in the top quartile of industry energy efficiency (Fertilizer Europe 2018). Yara is continuously improving energy efficiency under its improvement program and has identified, from energy efficiency diagnostics, several further savings initiatives that will improve energy efficiency.

Regional differences in climate change and energy policy implementation may pose risks if regulatory actions do not ensure fair competition. Yara engages at an international level to share knowledge and discuss how the global society can address these complex global challenges.

Approximately half of the GHG emissions from agriculture are generated by land use change, such as deforestation caused by farmland expansion. Yara believes that increasing demand for food can be met on existing acreage, which would dramatically reduce GHG emissions. Yara is well positioned to help realize higher yields, which are crucial to achieving GHG reductions, especially in developing economies.

Environmental stewardship

Environmental concerns are relevant to Yara both with respect to our own emissions and resource consumption as well as in terms of the indirect impact from the use of our products and environmental solutions.

Yara welcomes the development of circular economy, and has established a dedicated business unit to identify opportunities to contribute to and benefit from a more circular economy. Across Yara's global operations, numerous cases exist where we are already utilizing the circular economy thinking. The smart set-up of industrial production may optimize resource use across different industries. We are also actively exploring how nutrient-containing wastes or byproducts can be re-used, including in a recently established partnership with the world-leading resource- and waste management company Veolia.

Yara also offers a range of environmental solutions to reduce pollution, including abatement of nitrogen oxide (NO_x), scrubbers for SO_x emissions in the maritime sector, odor control for the toxic gas hydrogen sulfide (H_2S), water treatment and corrosion prevention. Total NO_x abatement by Yara customers is today above 1 million tonnes per annum. Yara's own NO_x emissions from production processes were close to 9,400 tonnes in 2018.

Water is crucial for agriculture, and improved water use management is urgently needed in large parts of the world. Agriculture currently represents about 70% of all fresh water withdrawals globally. Through agronomic research, Yara has identified a fundamental and close relationship between crop nutrition and crop water consumption and we employ new knowledge and innovative technologies to advance water use efficiency.

Yara has set a goal to gain corporate-wide certification of its safety, environmental and quality management systems to ISO 9001, ISO 14001 and OHSAS 18001 by the end of 2020. In 2018 Corporate Steering documents were updated and/or developed to cover all HESQ areas and set requirements for a standardized HESQ management approach at all units. An environmental risk assessment workstream was initiated in 2018 to identify and assess relevant environmental risks, not only operational and compliance risks, but also liability risks, business transaction risks and climate risks. In addition, Yara's Production segment is systematically rolling out energy management system certification (ISO 50001) to its major units. At year-end 2018, a certified environmental management system was in place at the Production segment level covering 19 out of 29 major production sites, and some Sales and Marketing and Supply Chain units.

Furthermore, Yara continues to work with its business partners and customers to pursue higher levels of performance and commitment to downstream safety, product safety and security, and product quality through our Product Stewardship program. Yara uses independent bodies to assure its processes according to either the Fertilizers Europe Product Stewardship program or the International Fertilizer Industry Association (IFA) Protect & Sustain Initiative. In addition to all of Yara's European units, over 95% of Yara's non-European units have the Product Stewardship certification.

Yara has a number of facilities that have been operated for long periods of time or have been closed. These facilities may require remediation or generate liabilities under the laws of the jurisdictions in which the facilities are located. Yara examines such impacts where they are apparent, and executes remediation or containment procedures in coordination with the appropriate authorities. For 2018 and beyond, accumulated provisions of USD 221 million have been made for environmental clean-up, remediation, decommissioning and other liabilities in several locations. This provision also includes contractual liabilities for operations on leased land as well as mandatory closure plans for operational mining sites.

Business ethics

At Yara, ethics and compliance are materially important topics and are core to delivering on our mission; to responsibly feed the world and protect the planet.

Ethics and compliance risks are integrated and operationalized in Yara's Compliance Program. The Program is structured around 15 elements, covering a range of topics from culture and tone at the top through training, communications, whistle-blowing, investigations, due diligence and much more. The key document for our ethics and compliance activities is the Yara Code of Conduct. This is updated regularly, with the latest edition launched in January 2019.

Compliance is embedded in Yara's steering systems including the Integrity Due Diligence process for business partners, identifying potential issues including environmental, human rights or corruption issues. Compliance is also an integrated part of Yara's 'Capital Value Process' which governs all significant investments and transactions.

Yara's standard terms and conditions include its policies related to anti-corruption. In addition, Yara has developed its Code of Conduct for Business Partners, which describes the standards that Yara expects of its business partners including anti-corruption.
A specific Human Rights focus was initiated in 2018 with the performance of a global human rights risk assessment, as well as targeted Human Rights Impact Assessments in identified high-risk countries. This focus continues in 2019 and implementation of mitigating actions in specific countries where human rights are limited through local legislation is in progress.

Yara's e-learning program on ethics and compliance is mandatory for all new employees, and covers various topics including anti-corruption and human rights. In addition, Yara's Ethics and Compliance Department conducts face-to-face training including role-based dilemma training on specific compliance topics. The number of employees trained in face-to-face sessions during 2018 was 3,985 globally, with human rights included as a distinct topic.

Yara has a number of well-established channels for raising matters with

Ethics & Compliance. This includes several channels for reporting possible breaches of Yara's policies and procedures, including the Code of Conduct.

In 2018 Yara received an increased number of notifications through its ethics channels when compared to previous years, which is interpreted as improved awareness. Approximately 80% of the notifications were closed within the year. These notifications are handled in accordance with Yara's Reporting and Investigation Procedure for Ethics & Compliance Matters. Topics raised included various areas of our Code of Conduct and ranged from our people and our workplace through to combating fraud, anti-corruption and working with our business partners. At year-end 2018, 217 of the 273 matters raised had been closed.

Governance review

Proactive and transparent corporate governance is crucial for aligning the interests of shareholders, management, employees, and other stakeholders. The Board of Directors believes that good corporate governance drives sustainable business conduct and long-term value creation. Yara's Board is committed to upholding high standards for ethical conduct across the organization, and has zero tolerance for unethical behavior and violations of Yara's Code of Conduct.

Corporate governance

Principles and practice

The Board of Directors and Executive Management of Yara International ASA review the company's corporate governance annually and report on the company's corporate governance in accordance with the Norwegian Accounting Act § 3-3b and the Norwegian Code of Practice for Corporate Governance (the "Code"), most recently updated 17 October 2018. The Code contains stricter requirements than mandated by Norwegian law. The Board of Directors' Corporate Governance Report is included in page 32-39 in this Annual Report and forms part of the Report of the Board of Directors.

» See corporate governance / page 32

Board and Management

Yara's Board of Directors held 10 meetings in 2018. The Board consists of five shareholder-elected members and three employee-elected members. The shareholder-elected members all have extensive line management experience from international companies. Three of the eight Board members are women.

Yara has decided not to constitute a corporate assembly. Consequently, the Board of Directors is directly accountable to the General Meeting and the shareholders. The Board has two subcommittees; an HR Committee and an Audit Committee.

The following changes were made to Yara's Board of Directors in 2018:

- Leif Teksum elected to retire as board member and Chair of the Board of Directors
- Geir Isaksen was elected as Chair of the Board of Directors
- Trond Berger was elected as a new board member

The following changes were made to Yara's Executive Management structure in March 2018:

- Petter Østbø, previously EVP Production, was appointed EVP and Chief Financial Officer (CFO), replacing Torgeir Kvidal who was appointed Head of Mining operations, reporting to EVP Production
- Tove Andersen, previously EVP Supply Chain, was appointed EVP Production
- Pablo Barrera Lopez was appointed EVP Supply Chain.
- Corporate Innovation was moved to Industrial, reporting to EVP Industrial, Yves Bonte
- Partner Operations was moved to People & Global Functions, reporting to EVP People & Global Functions, Lene Trollnes

In November 2018, Lars Røsæg was appointed EVP and Chief Financial Officer (CFO), replacing Petter Østbø who left the company.

Risk management

Yara's Board of Directors and Executive Management conduct risk assessments relating to various dimensions and aspects of operations, to verify that adequate risk management systems are in place. Yara's global reach and the nature of its operations present a complex risk picture. Strategic and operational risk include political developments and financial conditions as well as compliance-related risks, including a risk of failure to comply with all applicable international standards and local legislation on issues such as human rights, labor rights and corruption.

Compliance risk management is done through training and education of employees, a central and regional Ethics and Compliance function, and a range of channels for dialogue on dilemmas, which include access to anonymous whistle-blowing, available in 50 languages.

Yara has developed a Code of Conduct for business partners that takes into account internationally recognized and endorsed standards in key areas such as human rights, business ethics and labor conditions. An Integrity Due Diligence (IDD) process for business partners is also incorporated in Yara's steering system, identifying potential issues including environmental, human rights or corruption issues.

Principal risks

Several global trends such as population growth, resource scarcity and climate change, can be expected to affect Yara's business. At the same time, these challenges offer a range of business opportunities where Yara is well positioned to develop and offer products and solutions that meet new market demands. The development of low carbon footprint fertilizer products and applications and solutions for water-scarce agriculture are key examples of Yara's response to such global challenges.

Yara's most significant market risk is linked to the margin between nitrogen fertilizer prices and natural gas prices. Although there is a positive long-term correlation between these prices, in the short to medium term margins are influenced by the respective supply/demand balances for food and energy.

Yara's total risk exposure is analyzed, evaluated and summarized regularly at both segment and corporate level. Risk evaluations are also integrated in all business activities, both at corporate and business unit level, improving Yara's ability to monitor and mitigate risk, and identify new business opportunities.

The Board oversees the risk management process and carries out annual reviews of the company's most important areas of exposure and internal control processes. Reference is made to page 40-48 in this Annual Report for a more comprehensive description of Yara's risk management.

Future prospects

Market prospects

Market developments

The Board of Directors believes the long-term fundamentals of fertilizer demand 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.

However, there is significant potential for price volatility in agricultural commodity markets, where supply is limited and customers have a low sensitivity to price changes. Weather-related setbacks in agricultural production could further increase fertilizer demand, while a significant drop in agricultural prices, e.g. in the event of improved harvest prospects, could lead to a temporary slow-down in fertilizer deliveries. However, substantial harvest increases are required to keep pace with trend demand growth.

Following a modest production deficit for the 2017/18 season, the US Department of Agriculture projects an eight-day reduction in the global stocks-to-use ratio, as production is forecast to again fall short of consumption. The global farm margin outlook and incentives for fertilizer application remain supportive overall, and the price trend for cereals has been positive during 2018.

Achieving more efficient and balanced fertilizer use globally will require a change of fertilizer product and application practices in many markets, which is likely to lead to a further increase in differentiation and tailoring of fertilizers and related technologies. However, the extent to which individual markets will embrace and achieve such efficiency improvements is likely to vary strongly, depending on the degree of regulation and competition in their agricultural sectors.

Global nitrogen markets were supply-driven during 2018, with strong capacity growth particularly in the US, triggering a further reduction in Chinese exports, following a similar development in 2017 and 2016. For 2019, Chinese urea prices continue to be a key reference point for global nitrogen pricing, since capacity increases outside China are forecast to be below historical trend consumption growth rates, implying that demand for Chinese exports may increase going forward.

Company prospects

Taking advantage of its global distribution presence, differentiated product portfolio and increasing innovation efforts, Yara will continue to both promote and create profitable business opportunities from the needed increased emphasis on efficient fertilizer and industrial applications. Yara aims to achieve this through production and distribution growth, technology and competence development.

Capital management

Yara aims to maintain a long-term mid-investment grade rating level, i.e. BBB according to Standard & Poor's methodology and Baa2 according to Moody's methodology. This implies that the company should normally operate with a net debt around two times EBITDA, and that larger acquisitions would normally be accompanied by new equity issuance.

Investment intentions

Yara has initiated significant investments in recent years, through both expansion of existing operations, new builds and acquisitions. The Board of Directors underlines that Yara's near-term focus is on delivering its ongoing growth and improvement pipeline, and that future growth initiatives shall be evaluated with strict capital discipline.

Yara expects to invest approximately USD 1.3 billion during 2019 based on its current committed maintenance and improvement plans, in addition to announced growth investments. The investment level required to maintain current Yara production capacity and productivity is estimated to be approximately USD 7-800 million per year. In addition to planned maintenance activities, Yara has committed USD 600 million of growth and improvement investments in 2019, primarily for two projects in Brazil:

- The Salitre greenfield phosphate mining and processing, scheduled for completion end 2019
- An expansion and modernization of the Rio Grande fertilizer production and blending operations scheduled for completion in 2020
- Approximately USD 100 million is allocated for productivity and efficiency improvement projects in Yara's production plants

Dividends and buy-backs

Yara's objective is to pay out an average 40-45% of net income in the form of dividends and share buy-backs. Within this objective, a minimum 30% of net income shall be paid in the form of dividends, while share buy-backs make up the balance and are deployed with greater flexibility.

Yara's Board will propose to the Annual General Meeting a dividend payment of NOK 6.50 per share for 2018. The Board intends to propose to the Annual General Meeting a new buy-back program along the lines of the existing one.

For the parent company Yara International ASA, the 2018 result and the proposed dividend combined with other effects results in a net increase in equity of NOK 558 million.

The Board of Directors of Yara International ASA
Oslo, 29 March 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

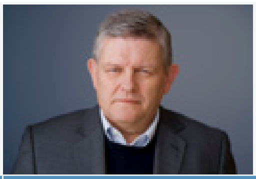
Svein Tore Holsether
President and CEO

Governance and risk management

Board of Directors 2018


	Geir Isaksen (1954)	Maria Moræus Hanssen (1965)
Position	Chairman of the Board Chairman of the HR Committee	Vice Chairman of the board and member of the Audit Committee
Elected by/year	Shareholders, 2013	Shareholders, 2015
Position	CEO of Norwegian State Railways (NSB) since 2011	CEO and Chairman of the Management Board of DEA Deutsche Erdoel AG
Education	Dr. Scient. in Agricultural Economics from the Norwegian University of Life Sciences in Ås, Norway.	Mrs. Moræus Hanssen holds a degree in Petroleum Engineering from the Norwegian University of Science and Technology (NTNU) and a degree in Petroleum Economics from IFP School (Paris).
Experience	From 1996 to 2011, Mr. Isaksen was CEO of Cermaq ASA (before 2002 Statkorn Holding ASA). During this period he led a comprehensive restructuring process and IPO of the business and contributed to significant growth in Norway and abroad. From 1995 to 1996 Geir Isaksen was CEO of Statkorn AS, and prior to this he has held director positions in the Norwegian agriculture organizations' Brussels office and Gartnerhallen, a food wholesale and distribution company.	Maria Moræus Hanssen is the Chief Executive Officer and Chairman of the Management Board of DEA Deutsche Erdoel AG since January 2018. Before joining DEA, Moræus Hanssen held the position as CEO of ENGIE E&P International and Head of E&P Business Unit in the ENGIE Group. Prior to that Mrs. Moræus Hanssen spent five years as an Investment Director with Aker ASA. Before joining Aker ASA, she held various management roles in Norsk Hydro Oil and Energy as subsequently Statoil ASA, among these Head of Field Development NCS, Offshore Installation Manager Troll B and EVP Gas Supply and Transportation.
Other assignments		
Board meetings attendance	10	9
HR Committee attendance	4	
Audit Committee attendance		6
Shares owned at year-end 2018	84	500


	Trond Berger (1957)	Geir O. Sundbø (1963)
Position	Member of the Board, Chair of the Audit Committee	Member of the Board Member of the HR Committee
Elected by/year	Shareholders, 2018	Employees, 2010
Position	EVP Chief Financial Officer Schibsted ASA	Senior Shop Steward of Yara Porsgrunn, Chairman of European Works Council (EWC), Yara International, Corporate employee representative of Yara International.
Education	MA in Economics from the BI Norwegian School of Management and is a State-Authorized Public Accountant. Graduate of the Norwegian Armed Forces' Officer Candidate School (1977).	Skilled Chemical Process operator.
Experience	Mr. Berger was appointed Executive Vice President of Schibsted ASA in 1999 and is in charge of the following business areas: Finance, Treasury, Investor Relations, Mergers and Acquisitions, Legal and e-Tech. Previous positions include: Investment Director with Stormbull (1998), Executive Vice President (CFO) of Nycomed ASA and Executive Vice President, Strategy and Business Development at Nycomed Amersham (1997-98), and partner at Arthur Andersen (1981-92).	Mr. Sundbø has been a Yara (Hydro) employee since 1987. He has been actively engaged in union matters in the Porsgrunn plant since 1989.
Other assignments		Member of the Audit Committee in the National Trade Union of Industry & Energy of Norway since 2010, Chairman since 2013.
Board meetings attendance	7	11
HR Committee attendance		6
Audit Committee attendance	4	
Shares owned at year-end 2018	3,000	255



Hilde Bakken (1966)	John Thuestad (1960)
Member of the Board Member of the HR Committee	Member of the Board Member of the Audit Committee
Shareholders, 2014	Shareholders, 2014
Executive Vice President Production, Statkraft	Executive Vice President Bauxite & Alumina, Norsk Hydro ASA
Master's degree in Petroleum Engineering from the Norwegian University of Science and Technology (NTNU).	Master's degree in Metallurgy from NTNU, Trondheim, Norway; MBA from Carnegie Mellon University, Pittsburgh, USA.
Mrs. Bakken has held various leadership roles in Statkraft within market and power production areas since 2000. Since 2010, Bakken has been part of Statkraft Executive management, from 2010 to 2013 as Chief of Staff. From 2013-2018 she was EVP for Power Generation. Since 2018, she has served as EVP Production, responsible for long term management of existing hydropower and thermal fleet in NW Europe, as well as Statkraft's District Heating business and power generation operations in 10 countries. Before joining Statkraft, she was employed in Norsk Hydro and Conoco where she has held various management and engineering positions in operations and field development on the Norwegian continental shelf.	Mr. Thuestad has been EVP of Norsk Hydro ASA and responsible for the Bauxite and Alumina Business Area since June 2018. Prior to this, Thuestad led Hydro Extruded Solutions, Europe. From 2013 to 2017, Thuestad held the position of EVP Sapa Extrusions Europe. From 2012 to 2013 he led Sapa Profiles with production plants in Europe, North America and China. From 2009 to 2012 he led Alcoa Global Primary Products with 40 locations in Australia, Latin America, Europe and North America. Thuestad has previously been the CEO of Elkem AS and Elkem Aluminium AS. Prior to that, Thuestad was Managing Director of Norzink AS and Fundo AS. Thuestad has served as Board member/Chairman of Tyssefaldene AS 1997-2000, Board member of Borregaard AS 2005-2007, Statkraft/ Groener AS 2000-2003 and as Officer of Alcoa Inc 2010 - 2011.
Several Board positions in 100% and partly owned Statkraft companies. Board member Oslo Energy Forum.	Member of the Executive Committee of the European Aluminium Association.
10	10
4	
	3
800	1,200

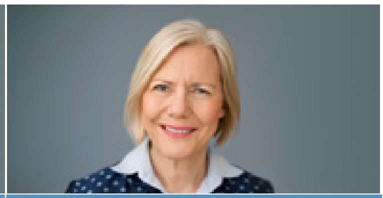
Rune Bratteberg (1960)	Kjersti Aass (1982)
Member of the Board Member of the Audit Committee	Member of the Board
Employees, 2012	Employees, 2016
Head of Chemical Compliance	Sustainability Development Director
Degree in Information Technology Degree in Nordic Languages and History.	Master of Science degree from NTNU School of Entrepreneurship – Industrial Economics and Technology Management, after Civil and Environmental Engineering studies, at Norwegian University of Science and Technology in Trondheim.
Mr. Bratteberg has been a Yara (Hydro) employee since 1986. He has held different IT and HESQ leadership positions within Hydro and Yara, from 2001 to 2009 as CIO. Bratteberg has been a member of the Chemical Industry Advisory Board to SAP AG 2004-2009, and Chairman of the Board at the Scandinavian School of Brussels 2009-2011.	Ms. Aass has been a Yara employee since 2013. She started as Manager Global Initiatives, moved into a role as Business Improvement Manager in Environmental Solutions, before taking on her current role as Sustainability Development Director in 2017. Prior to working for Yara, she worked for Médecins Sans Frontières (Doctors without Borders) in Afghanistan and Ethiopia, and as a Project Management consultant for Holte Consulting on a wide variety of projects within different industries, including telecom and construction.
10	10
7	
283	102

Executive Management 2018



	Svein Tore Holsether (1972)	Lars Røsæg (1982)	Tove Andersen (1970)
Position:	President and Chief Executive Officer	EVP, Chief Financial Officer	EVP, Production
Year of appointment:	2015	2018	2018
Employed:	2015	2017	1997
Education:	BSc degree, specializing in Finance & Management from the University of Utah, USA.	He holds a degree (Siviløkonom) from the Norwegian School of Economics (NHH), a four-year program in economics and business administration.	Master's degree in Business Administration from BI Norwegian Business School and a Master's degree in physics and mathematics from the Norwegian University of Science and Technology (NTNU).
Experience:	Previously Mr. Holsether held the position as President and CEO of Sapa AS. Prior to this he was EVP M&A Orkla 2010-2011, Business Area President Sapa Asia & Middle East 2010, CFO Sapa AB 2007-2010, CFO Orkla Specialty Materials 2006-2007, CFO Elkem ASA 2005-2006, CFO Elkem ASA North American Division 2003-2005, and various positions within the Elkem group including Vice President Group Control, Group Controller, Group Financial Analyst 1997-2003.	Mr. Røsæg has served as Chief Financial Officer since November 2018. Lars Røsæg joined Yara in 2017, and has since March 2018 held the position of Vice President Global JVs & CEO Office. He has broad experience from senior finance and strategy positions at Sapa (2012-2017) and Orkla (2005-2012).	Mrs. Andersen has previously held several positions in the company. She was Executive Vice President Supply Chain 2016-2018 and VP Supply Chain Europe 2014-2016. She has also served as VP Marketing and New Business 2011-2013, Country Manager Yara UK/ Ireland 2006-2011, Director Specialities and Retail Marketing 2005-2006, Director Business Development and Alliances 2003-2005, Manager, Business Development, Finance and Analysis Hydro Agri 2000-2003, Business Facilitator 1999-2000. She was employed by Hydro in 1997 as a trainee.
Shares owned at year-end 2018:	31,908	474	6,646

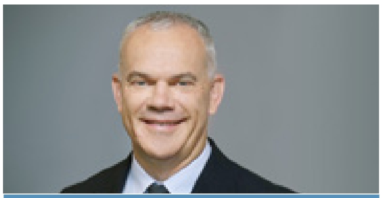




	Terje M. Tollefsen (1963)	Lene Trollnes (1968)	Kristine Ryssdal (1960)
Position:	EVP, Corporate Strategy & Business Development	EVP, People & Global Functions	EVP, General Counsel
Year of appointment:	2016	2016	2016
Employed:	1989	2016	2016
Education:	Bachelor of Business Administration degree from the Isenberg School of Management, UMass Amherst, USA.	Bachelor degree in Management Sciences and a Master's degree in Organizational Psychology from the University of Manchester Institute of Science & Technology.	Master of Laws degree from the London School of Economics, in addition to a Law degree from the University of Oslo.
Experience:	His previous positions in the company include: Senior VP Head of Strategy and Business Development 2010 - 2016, Business Unit Manager/President China 2005 - 2010, CFO Business Unit Asia 2002 - 2004. Before a two-year tenure (2000-2002) as Deputy Managing Director at a medium-sized, Oslo-based IT consultancy, Mr Tollefsen held several commercial and management positions at Norsk Hydro, including Managing Director of Norsk Hydro (Hydro Agri) Indochina.	Before joining Yara, Mrs Trollnes held the position of EVP HR & Integration at Sapa 2013-2016. Prior to this she led the integration between Sapa and Hydro (2012-2013), and held several HR and management positions at Norsk Hydro between 1992-2013, including Senior VP HR, HSE & CSR Hydro Primary Metal 2010-2013, Senior VP HR & Organization HSE & CSR Hydro Extruded Products 2008-2010, and Senior VP HR & Organization Hydro Aluminum Products 2006-2008.	Before joining Yara, Mrs Ryssdal held the position of Vice President Legal at Statoil 2012-2016. Prior to this, Ryssdal was Senior Vice President and Chief Legal Officer of Renewable Energy Corporation ASA 2008-2012, Senior Advisor Commercial & Legal Affairs at Norsk Hydro / Statoil Hydro 2006-2008, Legal Counsel at Norsk Hydro 1998-2006, and Attorney at the Attorney General's office 1987-1998.
Shares owned at year-end 2018:	7,033	11,557	4,935



Terje Knutsen (1962)	Yves Bonte (1961)	Pablo Barrera Lopez (1985)
EVP, Sales and Marketing	EVP, New Business	EVP, Supply Chain
2019	2019	2018
1987	2010	2014
Master's degree (Siviløkonom) from the Norwegian School of Economics (NHH) in Bergen, Norway.	M.Sc. in Civil Engineering from the University of Leuven in Belgium; postgraduate degree in Business Management.	Master´s degree in Finance from the Norwegian School of Economics and Business Administration (NHH).
His previous positions in the company include EVP Crop Nutrition 2015-18, Business Unit Manager North and East Europe 2012- 15, Business Unit Manager Asia 2006-12, VP Downstream Marketing 2005-06, VP Yara Specialties 2001-05, VP and Country Manager Spain and Portugal 1998- 2001. In addition, he has held a number of financial controller, commercial and management positions since joining the company in 1987 as a trainee.	From January 2010 to December 2018, Mr. Bonte was Executive Vice President Industrial. Prior to that, Mr. Bonte worked for the chemical company LyondellBasell and its predecessors for 17 years, serving as Senior VP Polypropylene Business based in Germany and the Netherlands, 2007-09; Senior VP Sales and Marketing for Asia, Middle East/Africa and Latin America based in Hong Kong, 2002-06; Head of Strategic Marketing, 2000-01; several marketing, supply chain and manufacturing positions, 1992-99. Prior to this he worked five years for Exxon Chemical in Brussels.	Mr. Barrera has served as Executive Vice President Supply Chain since April 2018. His previous positions in the company include: Country Manager Yara Chile 2017-2018, Head of Corporate Strategy in Strategy & Business Development 2015-2016, Manager Strategy in Strategy & Business Development 2014-2015. Prior to joining Yara, Mr. Barrera worked at The Boston Consulting Group between 2009-2014.
8,278	15,979	2,320



Lair Hanzen (1967)
EVP, Yara Brazil
2016
1996
MBA in International Business from the Argentinial Belgrano University and a MBA in Strategic Business Administration from the Brazilian Lutheran University (ULBRA).
Mr. Hanzen has held several positions in the company. He was Manager Downstream/ President Yara Brazil 2013-2016, Chief Financial Officer Upstream 2009-2013, VP and President Yara Brazil 2006-2009, Chief Financial Officer Yara Brazil 2000-2006, Chief Financial Officer Yara Argentina 1996-2000. Prior to joining Yara through the acquisition of Adubos Trevo, Lair held several management positions in fertilizer companies and other sectors.
13,484

* Management presentations reflect Yara's Executive Management per 22 March 2019

Corporate governance

Proactive and transparent corporate governance is crucial for aligning the interests of shareholders, management, employees and other stakeholders. Yara's Board of Directors believes that good corporate governance drives long-term value creation and promotes sustainable business conduct.

Yara is subject to corporate governance reporting requirements according to the Norwegian Accounting Act, section 3-3b, the Continuing Obligations of Stock Exchange Listed Companies at Oslo Stock Exchange, Chapter 7, and Norwegian Code of Practice for Corporate Governance (the "Code"), freely available at www.lovdata.no, www.oslobors.no and www.nues.no, respectively.

This report follows the system used in the Code and forms part of the Report of the Board of Directors.

1. Implementation and reporting of corporate governance

Yara's Board of Directors promotes and supports open and clear communication of the company's key governance and decision processes. Yara's Board of Directors believes that good corporate governance drives long-term value creation and promotes sustainable business conduct. Yara is committed to transparency and accountability, and adheres to international conventions and national legislation where it operates.

Yara complies with the recommendations of the Code with the exception of separate election of each candidate for the Board of Directors and the Nomination Committee. The justification for this deviation and the selected, alternative solution is provided in section 6 below.

2. Business

Yara actively advances the food value chain, operational excellence and sustainable fertilizer production efforts to better position itself as the Crop Nutrition Company for the Future.

Yara grows and scales knowledge to responsibly feed the world and protect the planet, to fulfill its vision of a collaborative society, a world without hunger and a planet respected.

The scope of Yara's business is defined in its Articles of Association, section 2:

"The objectives of the company are to engage in industry, commerce and transport, and to engage in other activities connected with these objectives. Activities may also proceed through participation in or in co-operation with other enterprises."

The Articles of Association are published in full on the company's website. More details on Yara's objectives, principal strategies and risk profiles are presented in the Introduction to the Annual Report and in the Report of the Board of Directors. The objectives, strategies and risk profiles are evaluated at least annually.

» yara.com / Articles of association
» Report of the Board of Directors / page 12

Yara provides information on corporate social responsibility in accordance with the Norwegian Accounting Act in the Board of Directors report. Yara has guidelines, principles, procedures and standards in place as referred to in the Accounting Act through its ethical program, and also reports in accordance with the Oslo Stock Exchange's guidance on the reporting of corporate responsibility.

More information about Yara's basic corporate values, ethical program and sustainability is available on the company's website.

» yara.com/Mission, vision and values
» yara.com/Corporate governance
» yara.com/Ethics and compliance
» yara.com/Sustainability

Yara is headquartered in Oslo, Norway, and is listed on the Oslo Stock Exchange.

3. Equity and dividends

Yara targets a BBB credit rating from Standard & Poor's. Based on Yara's scalable business model and strong track record of value-creating acquisitions, the Board believes that more than half of Yara's earnings should be reinvested in the company. Yara's objective is to pay on average 40-45% of net income to shareholders in the form of dividends and share buy-backs. Within this objective, a minimum 30% of net income shall be paid in the form of dividends, while share buy-backs may make up the balance and are deployed with greater flexibility.

New equity will only be issued in connection with concrete step growth opportunities. No general mandate is granted to the Board to increase the company's share capital.

Yara may execute share buy-back programs as an integral part of its shareholder policy. Every year since the company's IPO, Yara's Board has secured an authorization from the Annual General Meeting to buy back up to 5% of total shares in the company during the next year, for subsequent cancellation. A precondition for each annual program is that an agreement is made with the Norwegian State where the State commits to sell a proportional share of its holdings to leave the State's ownership (36.21%) unchanged. The mandates granted to the Board of Directors for the company to purchase its own shares are limited in time to the date of the next Annual General Meeting.

» Report of the Board of Directors / page 12
» The Yara Share / page 57

4. Equal treatment of shareholders and transactions with close associates

Transactions involving the company's own shares, such as the share buy-back program, are executed via the stock exchange at prevailing stock exchange prices. Shares redeemed from the Norwegian State are also priced at market value.

In 2018, there were no significant transactions between the company and related parties, except for ordinary commercial transactions with subsidiaries and non-consolidated investees. These were all based on arm's length market terms.

Regarding the company's related party transactions, the mandatory regulations in the Norwegian Public Limited Companies Act (§§ 3-8 and 3-9) are supplemented by IFRS (International Financial Reporting Standards) standards. Thus, the members of the Board of Directors and Management are required to disclose all entities that would be considered to be "related parties" under applicable IFRS regulation. Transactions with such entities are subject to specific disclosure and approval requirements.

» Note 37 and 38 to the consolidated financial statements "Related parties" and " Executive Management remuneration" / page 132 and 133

5. Freely negotiable shares

The Articles of Association place no restrictions on the transferability of Yara shares, and the shares are freely negotiable. There are no voting restrictions linked to the shares.

There are no restrictions on the purchase or sale of shares by the Board of Directors and the Executive Management, as long as insider regulations are adhered to. Yara's Long-Term Incentive Plan mandates the use of a portion of the funds received by Executive Management for the purchase of Yara shares, restricting the sale of such shares for three years following the purchase.

» Note 37 and 38 to the consolidated financial statements "Related parties" and " Executive Management remuneration" / page 132 and 133

6. General meetings

In accordance with Yara's Articles of Association and the Norwegian Public Limited Companies Act, the Yara Annual General Meeting ranks at the top of the corporate governance structure. Yara's Articles of Association §10 require the Annual General Meeting to be held every year before the end of June.

In accordance with the Norwegian Public Limited Companies Act Chapter 5, the Annual General Meeting elects the shareholders' representatives to the Board of Directors and approves the Financial Statements, the Report of the Board of Directors, and any dividend payment proposed by the Board of Directors. This Corporate Governance Report and the Board of Directors' Statement of renumeration of Executive Personnel are presented to the Annual General Meeting in accordance with the Norwegian Public Limited Companies Act Chapter 5, see further information regarding the Statement of renumeration of Executive Personnel in Section 12 below. In accordance with the Norwegian Public Limited Companies Act Chapter 7, the general meeting elects the company's external auditor and approves the auditor's renumeration. In accordance with Yara's Articles of Association §7, the Annual General Meeting elects the Nomination Committee.

The Chair of the Board and the CEO are present at the Annual General Meeting along with the leader of the Nomination Committee and the external auditor. All Board members and members of the Nomination Committee are encouraged to participate at the Annual General Meeting. The Annual General Meeting is required to elect an independent person to chair the meeting. The minutes of the Annual General Meeting are published on the company's website.

All shareholders are entitled to submit items to the Annual General Meeting agenda, and to meet, speak and vote at the meeting. In accordance with Norwegian corporate law and Yara's Articles of Association §9, shareholders registered in the Norwegian Central Securities Depository (Nw: Verdipapirsentralen) can vote in person or by proxy on each agenda item put forward in the Annual General Meeting. A form for the appointment of a proxy for voting is included in the Annual General Meeting notice, as well as information regarding which person is nominated by the company to act as a proxy for shareholders who cannot attend the Annual General Meeting in person. Shareholders registered in the Norwegian Central Securities Depository can also vote electronically in advance on each agenda item put forward in the Annual General Meeting.

The Company has chosen to not follow the Code's recommendation to vote separately on each candidate nominated for election to the Board of Directors and Nomination Committee. This choice is based on the Nomination Committee's process being focused on the combined qualifications and experience of the proposed members of the Board of Directors and the Nomination Committee, and that the voting should therefore also be combined.

The Annual General Meeting notice is sent to all shareholders individually, or to their depository banks, at least 21 days in advance of the meeting. The meeting notice includes information regarding shareholders' rights and guidelines for registering and voting at the meeting. In accordance with Yara's Articles of Association §9 the due date for shareholders to give notice of their intention to attend the Annual General Meeting is set no more than five days prior to the Annual General Meeting.

» yara.com/Corporate governance/ General meetings
» The Yara share / page 57

7. Nomination Committee

Yara's Articles of Association §7 state that the company shall have a Nomination Committee consisting of four members elected by the Annual General Meeting, and that the Annual General Meeting approves the procedure for the Nomination Committee. The Nomination Committee nominates the shareholders' representatives to the Board of Directors, including presenting relevant information about the candidates and an evaluation of their independence, and proposes the remuneration of the Directors to the Annual General Meeting. The Nomination Committee contacts major shareholders, the Board of Directors and the CEO as part of its work on candidate proposals. The Nomination Committee also recommends which members the Board should elect as Chair and Vice Chair.

The Nomination Committee nominates candidates to the Nomination Committee, hereunder the Chair of the Nomination Committee, and proposes remuneration of the Committee Members to the Annual General Meeting. The Nomination Committee justifies its recommendations. Members of the Nomination Committee are elected for two-year terms. According to the Nomination Committee procedure, there should be a gradual rotation among the committee members.

The Nomination Committee consists of the following members, all of whom are independent of the Board and Executive Management:

- Otto Søberg, Chair (CEO of Eksportkreditt Norge AS);
- Thorunn Kathrine Bakke (Director, Norwegian Ministry of Industry, Trade and Fisheries);
- Ottar Ertzeid (Group Executive Vice President DNB Markets);
- Ann Kristin Brautaset (Deputy Director Equities at Norwegian National Insurance Scheme fund ("Folketrygdfondet")).

The contact details of the Chair of the Nomination Committee are available on the company's website, and shareholders with proposals for new Board members are encouraged to send those to the Chair.

The Nomination Committee held 14 meetings in 2018. In 2018, the remuneration to the Chair of the Nomination Committee was NOK 6,200 per meeting prior to the Annual General Meeting and thereafter NOK 8,000 per meeting. The remuneration to the other members of the Nomination Committee was NOK 5,800 per meeting prior to the Annual General Meeting and thereafter NOK 6,000 per meeting.

» yara.com/Nomination Committee procedure

8. Corporate assembly and Board of Directors: Composition and independence

In accordance with an agreement between Yara and its employees, Yara does not have a corporate assembly. Yara believes this supports more direct communication between shareholders and management, increases accountability and improves the speed and quality of the company's decision-making.

Yara's Board of Directors consists of eight members, with five shareholder-elected Board members including the Chair, all elected for two-year terms by the Annual General Meeting. The remaining three Board members are employee-elected. Two of the shareholder-elected and one of the employee-elected Board members are women. The Board elects both its Chair and the Vice Chair based on a recommendation from the Nomination Committee.

The shareholder-elected members of the Board are independent of the company's management, main shareholders and material business contracts. The same is valid for the employee representative Board members, other than their employment contracts. Members of the Executive Management are prohibited from being members of the Board.

All Board members are encouraged to own shares in the company. The shareholder-elected Board members Geir Isaksen, Maria Moræus Hanssen, Hilde Bakken, Trond Berger and John Thuestad owned 84, 500, 800, 3,000 and 1,200 shares respectively at year's end. The three employee-elected board members Kjersti Aass, Rune Bratteberg and Geir Sundbø owned respectively 102, 283 and 255 shares at year's end.

Information about the Board members' attendance in Board meetings are included in the Annual Report.

» yara.com/Corporate governance
» Board of Directors / page 28
» Note 37 to the consolidated financial statements "Related parties" / page 132

9. The work of the Board of Directors

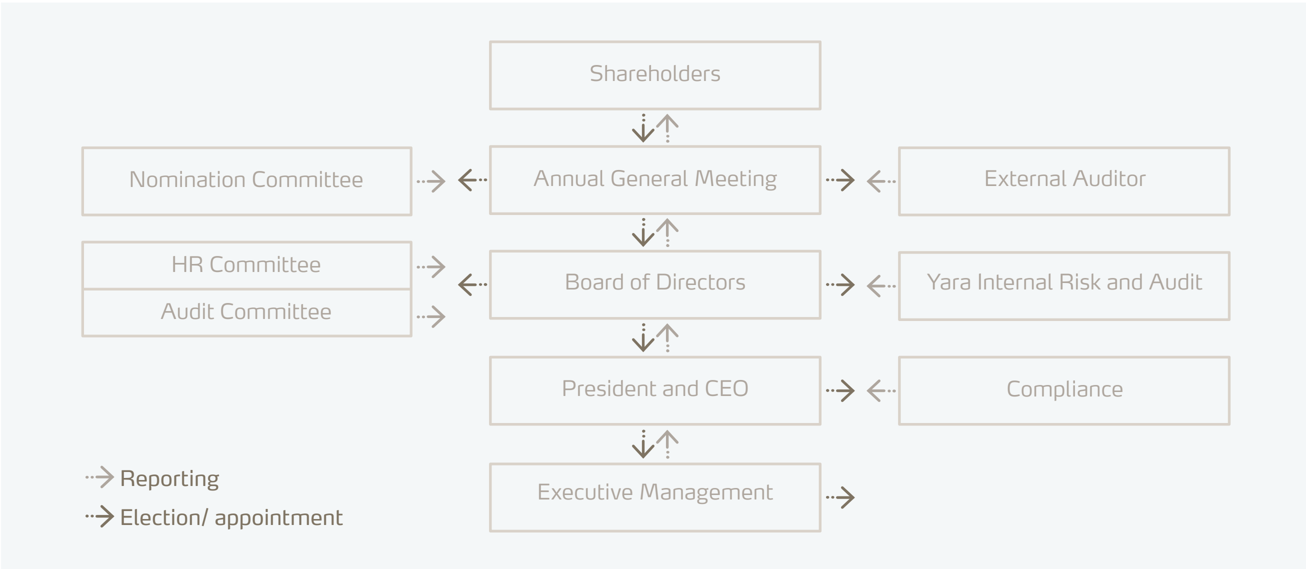
The Board has established written instructions for its own work and the work of the CEO. Board members and members of Yara's Management are in accordance with the Rules of Procedure for the Board of Directors of Yara and Yara's Code of Conduct, committed to make the company aware of any material interest they may have in items to be considered by the Board. Furthermore, the Rules of Procedure for the Board of Directors of Yara include provisions governing matters where Board members may be disqualified due to a special or prominent interest in the matter, including transactions with Board members.

» Note 37 to the consolidated financial statements "Related parties" / page 132

If the Chair is or has been personally involved in matters of material significance to the company, any Board review of such matters will be chaired by another member of the Board. In the case of the Chair's absence, Board meetings will be chaired by the Vice Chair.

The Board of Directors held 10 meetings in 2018. One board member

Yara corporate governance structure



was appointed at the Annual General Meeting 2018 and thus attended seven meetings in 2018. One board member was excused from one of the meetings. The remaining board members attended all meetings in 2018. The Board conducts an annual evaluation of its qualifications, experience and performance, which is also presented to the Nomination Committee.

The Board of Directors have established an Audit Committee and an HR Committee. Both committees work as preparatory bodies for the Board and according to specific mandates approved by the Board.

HR Committee

The HR Committee reviews the performance of, and proposes terms and compensation for, the CEO to the Board of Directors. The committee also reviews and proposes guidelines for executive remuneration and material employment matters, and advises the CEO on other HR matters. The HR Committee consists of three members elected by the Board from its own members. The committee held six meetings in 2018. The Chair of the Board became a member (and Chair) of the HR Committee after the Annual General Meeting 2018 and thus attended four of the committee meetings in 2018. One member of the committee was excused from two of the meetings. All members attended the four other meetings.

Audit Committee

The Audit Committee assists the Board of Directors in assessing the integrity of the company's financial statements, financial reporting processes and internal controls, risk management and performance of the external auditor. The Audit Committee further evaluates plans and internal audits performed by the Internal Risk and Audit department within the areas of financial reporting and control.

The Audit Committee conducts an annual evaluation according to its mandate. Yara's Audit Committee consists of three members of the Board and the committee has the independence and competence required by legislation. The Chair of the Board is not a member of the Audit Committee. The Audit Committee held seven meetings in 2018. One member ceased his position in the Committee in May. He had then attended 3 meetings in 2018. At the same time a new Chair of the Committee was appointed. The new Chair then attended 4 meetings during the rest of the year. One member was excused from one of the meetings. The third member of the Committee attended all meetings in 2018.

The Yara Internal Risk and Audit function assists the Executive Management and the Board of Directors with a systematic, disciplined approach for evaluating governance, risk management and internal control.

10. Risk management and internal control

Yara's risk management and internal control activities are integrated with the corporate strategy and business planning processes, based on the principle that risk evaluation is an integral part of all business activities. While risk management is a centrally governed process, the responsibility for day-to-day risk management activities is placed with the business segments and expert organizations. The Yara Board of Directors and Executive Management evaluate and define yearly risk appetite across key operational and strategic dimensions. The main objective for a more systematic and comprehensive assessment of risk appetite is to align boundaries for risk which will guide efficient resource allocation. Defining risk appetite is also a prerequisite for setting optimal risk tolerance with supporting controls.

The Board believes that expressing the company's risk appetite within important areas of its business activity helps to convey how the company approaches and evaluates risk to investors, customers and society at large.

The Board carries out separate annual reviews of the company's most important risk exposures and internal control systems. Risks are also considered by the Board in relation to the assessment of specific projects and ongoing operations.

The Audit Committee performs ongoing evaluations of risk and control related to financial reporting. Yara Internal Risk and Audit supports Yara Management and the Board of Directors in terms of evaluating the effectiveness and efficiency of internal controls and gives an independent view on risk management.

Yara Internal Risk and Audit performs independent audits both at subsidiary and group level, as well as audits and reviews of specialist functions involved in business operations, financial reporting and risk management. The Chief Internal Risk and Audit Executive reports functionally to the Board of Directors and administratively to the Chief Executive Officer. Yara Internal Risk and Audit has no direct operational responsibility or authority over any of the activities it reviews. The unit has unrestricted access to all functions, records, physical properties, and personnel relevant to the performance of its tasks. It also has full and free access to Yara Executive Management, the Board of Directors and the Audit Committee.

The external auditor provides a description of the main elements in the audit, including observations on Yara internal control related to the Financial Reporting process, to the Audit Committee.

Yara's internal control framework is based on the principles of the integrated framework for internal control established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
The five framework components are:

- control environment;
- risk assessment;
- control activities;
- information and communication;
- and monitoring.

The content of the different elements are described below.

Control Environment

Yara's Corporate Social Responsibility policy and Code of Conduct are integrated in its risk management and internal control systems, through global employee training programs, and an Integrity Due Diligence process which covers both existing business partners and forward-looking business development activities.

Yara's Steering System is one of the pillars of Yara's internal control system. It aims to ensure that all Yara employees act in a consistent manner and in line with quality standards and business needs. All Yara employees are encouraged to raise questions or issues about such matters with line management and through alternative channels, including a whistle-blowing system.

Risk Assessment

The Enterprise Risk Management unit is the key facilitator of the internal risk management system and shall assist Executive Management with implementing and maintaining an appropriate risk management framework to support identification, analysis, management and reporting of all types of risk. The unit further coordinates risk management activities within Yara and consolidates reporting on risks.

Control Activities

Yara's Group Accounting is responsible for the preparation of the Financial Statement and to ensure that the Financial Statement is reported according to applicable laws and regulations and in accordance with adopted accounting policies.

The Controller function is responsible for the Board of Directors and Management reporting as well as planning and coordinating the business plan process.

The Internal Control function regulates the governance structure for Internal Control over Financial Reporting (ICFR) as well as manages and controls risks related to financial reporting.

The Audit Committee performs reviews of the quarterly and annual financial statements with special focus on transaction types, which includes judgments, estimates or issues with major impact on the Financial Statement. The internal and external auditors participate in these meetings. In addition to the quarterly and annual reporting, the Board of Directors receives pre-quarterly performance reports.

Information and communication

The Yara Steering System provides all employees with an overview of the prevailing corporate policies and procedures. Yara's Accounting Manual describes corporate accounting policies and is continuously updated and revised for any changes related to IFRS and Yara's Accounting Policies.

Monitoring

All bodies and functions described above monitor and assess for any need of corrective actions related to financial and operational risk within their area of responsibility.

» Risk management / page 40
» yara.com / Corporate Social Responsibility policy and Code of Conduct
» yara.com / Ethics handbook

11. Remuneration of the Board of Directors

The remuneration of the Board of Directors is proposed by the Nomination Committee and approved by the Annual General Meeting, and is not linked to the company's performance. Board members are not granted share options, and shareholder-elected Board members do not have specific assignments for the company in addition to their duties as Board members.

The remuneration of the Board of Directors reflects the Board's responsibility, expertise, time commitment and the complexity of the company's activities.

In 2018, the remuneration to the Chair of the Board of Directors was NOK 575,000 per annum prior to the Annual General Meeting, increasing to NOK 609,000 per annum thereafter. The remuneration to the Vice Chair was NOK 356,500 per annum prior to the Annual General Meeting, increasing to NOK 375,000 per annum after the Annual General Meeting. The remuneration to the other Board members was NOK 312,000 per annum prior to the Annual General Meeting and NOK 330,000 per annum thereafter. Board members resident outside Scandinavia was entitled to a meeting allowance of NOK 11,200 per meeting prior to the Annual General Meeting, increasing to NOK 11,400 per meeting after the Annual General Meeting.

The remuneration to the Chair of the Audit Committee was NOK 159,500 per annum prior to the Annual General Meeting, increasing to NOK 169,000 per annum thereafter. The remuneration to the other Audit Committee members was NOK 92,500 per annum prior to the Annual General Meeting and NOK 95,000 per annum thereafter.

The remuneration to the Chair of the HR Committee was NOK 7,500 per meeting prior to the Annual General Meeting, increasing to NOK 7,700 per meeting thereafter. The remuneration to the other HR Committee members was NOK 7,100 per meeting prior to the Annual General Meeting and NOK 7,300 per meeting thereafter.

The total compensation to Board members in 2018 is disclosed in Note 37 in the consolidated financial statements.

» Note 37 to the consolidated financial statements "Related parties" / page 132

12. Remuneration of executive personnel

The Board of Directors determines the remuneration of the President and CEO based on a proposal from the HR Committee and approves the the general terms of the company's incentive plans for Executive Management and other key employees. The President and CEO determines the compensation to the other members of Yara's Executive Management.

The Board of Directors prepares guidelines for the remuneration of Executive Management which are communicated to the Annual General Meeting. The guidelines to be presented to the Annual General Meeting 2019 will be made available as a separate document in the appendices to the Annual General Meeting notice, in addition to being disclosed in note 38 on the consolidated financial statement.

The statement is prepared in accordance with the Public Limited Companies Act section 6-16a. Pursuant to the Public Limited Companies Act section 5-6 (3) the statement will be presented to the Annual General Meeting (AGM) for advisory vote except for the parts regarding share-based remuneration (Long-Term Incentive Plan and Voluntary Share Purchase Program) which will be presented to the AGM for approval. The Ministry of Trade, Industry and Fisheries disclosed amended guidelines for remuneration of executives in state-owned and partly state-owned companies with effect from 13 February 2015. Yara's remuneration principles applying to the Executive Management comply with these guidelines. For executives employed by Yara companies in other countries remuneration may deviate from the guidelines depending on local market conditions.

General Principle

Yara's policy concerning remuneration of the CEO and other members of Yara's Executive Management is to provide remuneration opportunities which:

- Are attractive to recruit and retain executives;
- Are responsible as well as competitive;
- Reward the executives' performance, measured as their contribution to the overall success of Yara;
- Support the creation of sustainable shareholder value.

Total compensation for each member of Executive Management is compared to the relevant market on a regular basis. Yara's remuneration of the Executive Management includes the following elements:

Base Salary

Base Salary is reviewed once a year as per 1st June along with the Annual Salary Review for all employees in Yara. The annual salary adjustment for employees in Yara International ASA and Norwegian subsidiaries form the basis for the Executive Management salary development.

Short-Term Incentive Plan

The Short-Term Incentive Plan represents performance-driven variable compensation components based on financial and non-financial performance at company and/or segment/organizational level. The specific performance components vary by unit and position and are set on an annual basis. The annual incentive bonus is not linked to the Yara share price but requires Yara Net Income excluding special items exceeding zero.

The annual incentive bonus payout is calculated according to the formula shown below:

Bonus Payout = Base Salary x Target Bonus percent x Yara Financial Performance Multiplier x Individual Performance Multiplier

Target Bonus

The Target Bonus is a percentage of Base Salary and should reflect the expected bonus in a normal year. The percentage is set according to position responsibility and comparison with the market. The Target Bonuses for executives on Norwegian employment contracts are between

28% and 40%. For executives employed by Yara companies in other countries the Target Bonus may deviate from the above depending on local market conditions.

Yara Financial Performance Multiplier

Bonus pay varies with Yara financial performance within a range. For 2018 the financial performance was measured by Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA). From 2019 this measure has been replaced by Return on Invested Capital (ROIC [1)]) in line with Yara's financial reporting.

The multiplier is minimum 25%, provided that Yara Net Income exceeding zero and maximum 125%. The annual target for ROIC is approved by Yara International ASA Board of Directors.

Individual Performance Multiplier

The Individual Performance Multiplier is based on the overall performance evaluation of the employee. The performance evaluation considers the results of operational and organizational Key Performance Indicators (KPIs), the promotion of Yara's Mission, Vision and Values, and demonstrated behaviors. The KPIs cover the following areas:

- Safety & Compliance;
- Achievement of production and sales volumes;
- Cost efficiency and Profitability;
- Achievement on specific projects.

The Individual Performance Modifier can be in the range from 0% to a maximum of 200%. On the average across the company, the individual multiplier should be 100%.

Bonus Payout

For executives on Norwegian employment contracts the maximum Bonus Payout is capped at 50% of Annual Base Salary. For executives employed by Yara companies in other countries the Bonus Payout may exceed 50% depending on local market conditions.

Long-Term Incentive Plan

The main purpose of the Long-Term Incentive Plan (LTIP) is to create an alignment between executives and shareholder interests and to ensure retention of key talent in the company. The program provides a cash amount to eligible executives, who are required to invest the net amount after tax in Yara shares within a period of one month after the grant, and to retain the shares for 3 years. After the lock up-period, executives are free to keep or sell the shares at their discretion. The annual grant is jointly conditional on Yara's ROIC [1)] excluding special items reaching a defined average target over the past three years and Yara's Net Result excluding currency gain/loss being positive over the last three years. Yara's CEO can in any case decide that LTIP shall not be granted in a given year and Yara's Board of Directors can decide that LTIP shall not be granted to the CEO. The amount granted is linked to the individual position responsibility and shall not exceed 30% of annual base salary.

Benefit Plans

Company paid Pension Plans

Pension Plans in Yara should be defined contribution ("DC") plans. Executive Management on Norwegian employment contracts are eligible to the company paid DC Pension Plan applicable for all Yara employees in Norway. The contribution rates to this plan is 7% of part of pensionable salary up to 7.1 times Norwegian Social Security Base Amount (G) and 18% of pensionable salary between 7.1G and 12G.

Yara has a DC Pension Plan covering salary in excess of 12G applicable for employees on Norwegian employment contracts. From December 2015 this plan was closed for new members. For internal recruits to the Executive Management who are members of the plan at commencement, future contribution to the plan stops and they become deferred members of the plan. Current members of the Executive Management at 3 December 2015 remain active members of the plan with future contributions.

For employees on Norwegian employment contracts, the upper retirement age is 70 years with the possibility for flexible retirement from age 62 in the company paid DC plans. Yara has a defined benefit early retirement plan for executives on Norwegian employment contracts covering the period from age 65 to 67 with a defined benefit equal to 65% of final salary limited to 12G. From 1st January 2015, the plan was closed for new members and ceased for employees below age 50. A DC pension plan was established to compensate members for the shortfall. Executives who were previously members of other Defined Benefit Pension Plans being terminated or converted to DC plans might have cash allowances to compensate for the shortfall.

Executives employed by Yara companies in other countries will be covered by company paid pension plans according to national plans and markets.

Personal Insurance Schemes

The executives are members of the personal insurance schemes applicable to all Yara employees. These are Group Life Insurance, Disability Pension, lump-sum payment in the event of disability, occupational diseases, occupational and non-occupational accident and Health Insurance. In addition, they are provided with a Travel Insurance covering both the executive and family.

Other compensation elements

Executives are granted benefits in kind according to the applicable market standard. These are typically cell phone, internet connection and company car, alternatively fixed car allowance.

Members of Yara Executive Management on Norwegian contracts are entitled to a severance pay equal to six

1) Definition is provided on page 54.

months basic salary on certain conditions. The severance pay is calculated from the end of the notice period. Other income the executive receives during the severance pay period will be deducted from the severance pay.

Voluntary Share Purchase Program

Executive Management members employed in Norway can take part in the annual offer to all permanent Yara employees in Norway where they can buy Yara shares to a value of NOK 7,500 alternatively NOK 15,000 with a tax-exempt discount of NOK 1,500 in the first alternative and NOK 3,000 in the latter. Yara offers the employees an interest-free loan with repayment of one year for the purchase of the shares. This plan comes in addition to the LTIP.

Salary and other benefits earned in 2018 are disclosed in note 38. For additional information about existing pension plans see note 26.

» Note 38 to the consolidated financial statements “Executive Management Remuneration” / page 133

» Note 26 to the consolidated financial statements “Employee retirement plans and other similar obligations” / page 109

13. Information and communication

Communication with the financial markets is based on the principles of openness and equal treatment of all shareholders. To ensure that the same information is available to everyone at the same time, Yara’s main communication channel is the company’s website (www.yara.com).

Although Yara holds regular meetings for analysts, investors, journalists and employees, all new information is first published to the Oslo Stock Exchange and at the company’s website. Yara will provide a consistent level of information regardless of whether the news is positive or negative.

The company’s website (www.yara.com) contains an updated financial calendar, financial reports and other investor-related information. Yara’s Board of Directors receives regular updates from the Executive Management, detailing how the company is perceived by the financial markets.

Yara does not give guidance on financial results, meaning that Yara will not provide specific numeric estimates for future prices, volumes or results. However, Yara provides sensitivities that can be used to calculate the financial effects of changes in market prices and currency exchange rates. Wherever possible, Yara will also refer to sources of relevant and publicly available information. However, referred sources do not necessarily represent Yara's own point of view.

Ahead of announcement of quarterly results, Yara has a so-called "closed period," meaning that contact with external analysts, investors and journalists is minimized. Yara will not comment upon own activities or market developments during that period, to minimize the risk of unequal information in the marketplace. The closed periods are from 16 January until fourth quarter results publication, from 1 April until first quarter results publication, from 1 July until second quarter results publication and from 1 October until third quarter results publication.

» yara.com / Investor relations

14. Take-overs

The Board of Directors will not seek to hinder or obstruct takeover bids. In the event of a takeover bid for the company, the Board will seek to comply with the Code recommendations, obtaining a valuation from an independent expert and making a recommendation to Yara’s shareholders regarding acceptance of the bid. The Board will ensure that shareholders are given sufficient information and time to form an opinion on an offer.

The Norwegian Securities Act regulates takeover attempts. Shareholders at the Annual General Meeting will, according to law, make the decision on any potential takeover bids.

15. Auditor

To the Audit Committee, the external auditor shall provide a description of the main elements of the audit of the preceding financial year, including any uncovered material weaknesses related to internal controls of the financial reporting process.

The external auditor shall also:

- Annually confirm its independence;
- Disclose any services besides the statutory audit services which have been provided to the company during the financial year;
- Disclose any threats to its independence and document measures taken to mitigate such threats.

The use of the external group auditor for advisory services, tax services and other services outside the ordinary audit scope shall be pre-approved by the Chief Accounting Officer if the total fee for the legal or reporting unit exceeds NOK 150,000 or USD 20,000. The external group auditor is responsible for reporting such services to the Audit Committee and to perform an ongoing assessment of independence.

The external auditor participates in the meetings of the Audit Committee that approve financial statements. In addition, the external auditor meets with the Board at least once per year to review the company’s internal control procedures, potential weaknesses identified and proposals for improvement. The external auditor and the Board meet at least once a year without Yara Executive Management being present. Norwegian laws and regulations stipulate the type of non-audit services that external auditors can perform for Yara.

Risk management

Yara is committed to proactive and effective risk management to mitigate adverse effects on our operations and to identify and explore business opportunities. Ultimately, risk management contributes to achieving our long-term strategies and short-term goals.

Yara's global risk management process aims to identify, assess and manage risk factors that could affect the performance of any parts of the company's operation. To this end, we have implemented a continuous and systematic process to mitigate potential damages and losses, and to capitalize on business opportunities.

Risk responsibilities

Yara's Board of Directors is responsible for defining risk appetite for all main risk categories relevant to the company. The Board oversees the risk management process and carries out annual reviews of the company's most important risk categories and internal control arrangements.

Yara's Executive Management is responsible for reviewing and operationalizing the defined risk appetite by maintaining an enterprise-wide system for risk management. The Executive Management performs risk assessments and actively monitors the development of top risks and initiates actions accordingly. Risk assessments performed by the operating segments and expert organizations are reviewed periodically in business review meetings.

Understanding and managing risk is an integral part of all our business activities. The operating segments and expert organizations are the risk owners and regularly perform risk assessments based on established procedures to identify, assess and manage the risks that affect their business and analyze how these risks influence performance.

The Enterprise Risk Management function has the responsibility to facilitate the operational risk management activities and develop risk policies and tools as well as maintaining an aggregated view of risk exposure. The function is reporting to the Chief Financial Officer.

Framework and procedures

Yara has implemented a framework with clear policies and procedures to facilitate risk management across the organization. This creates a stable environment within which we can deliver on our strategic and operational objectives, and systematically identify and capture business opportunities.

Our framework is inspired by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) ERM framework and the ISO 31000 risk management standard as the best practice benchmarks for assessing the soundness, efficiency and effectiveness of our risk management.

The materiality of each risk factor is determined by assessing the likelihood and consequence. In this appraisal, a combination of qualitative and quantitative risk assessment techniques is deployed. Risks are evaluated to determine whether the level is acceptable or unacceptable and to prioritize those that have the greatest potential to impact on our performance.

We implement mitigating strategies and pursue business opportunities to ensure that each risk is optimally managed. Risk mitigation plans are based on evaluations of the cost of control and potential impacts relative to the benefits of reducing the risk. Our operating segments and expert organizations are responsible for making business continuity planning part of their key risk management activities and preparing contingency plans for high-impact, low-likelihood risks.

Once primary risks are managed, we continually monitor residual risks to ensure that they remain at an acceptable level and that events are properly addressed and managed. The risk profile is reviewed and updated at least annually, with more frequent updates if new opportunities or risks are identified. The risk mitigation plan is reviewed and updated on a quarterly basis to reflect the current status of risks and action plans and is communicated to the Executive Management during quarterly business review meetings.

Risk appetite

Risk appetite is broadly defined as the level of risk an entity deems acceptable in the pursuit of overall goals. Yara's Board of Directors is responsible for defining Yara's risk appetite. The Board and Executive Management have jointly evaluated and defined risk appetite across key operational and strategic dimensions, arriving at a set of practical guidance statements on key risks. These risk appetite statements set boundaries for strategic initiatives, guide resource allocation and aid decision-making within the company. Furthermore, they convey the way we approach and evaluate risk to our investors, customers and society at large.

Health, safety and security exposure

We aim to minimize the exposure of workers and contractors to conditions that could negatively affect their health, security and safety. Securing safe and healthy working conditions is our highest priority. Zero injury is our ambition. Further we aim to minimize the probability of process safety accidents negatively affecting people, environment, asset and the reputation of Yara.

We operate our production assets according to environmental legislation and continuously seek to reduce our environmental impact.

Code of conduct compliance exposure

We are committed to upholding high standards for ethical conduct across the organization in relation to business partners, investors, regulatory authorities and society at large. We have zero tolerance for violation of our Code of Conduct.

Exposure to global nitrogen price dynamics

We optimize our business model by seeking exposure to fertilizer market prices for own produced products.

Exposure to natural gas price dynamics

Securing access to, and stable supplies of, favourably priced natural gas is imperative to our operations and competitiveness. In regions with a competitive gas market, we will have a high risk appetite for spot gas contracts, while we generally seek to secure gas supply through long-term contracts in regions with a less competitive gas market.

Speciality phosphate sourcing exposure

Securing key raw materials for our fertilizer production is crucial for our production plants. The demand for raw materials is covered by our own production as well as sourcing from third parties. Yara has a low risk appetite and seeks opportunities to increase production of specialty phosphate (P).

Production reliability exposure

Yara has a low risk appetite for unplanned production downtime and aims to produce optimally at all times, balancing investments to improve regularity and plant profitability.

Tax jurisdiction compliance exposure

Within the framework of tax laws and regulations we optimize our tax cost in the same way as other costs. Yara does not pursue tax solutions without existence of commercial purpose and is committed to a transparent management of tax.

Long term credit rating down grade exposure

We believe a solid financial base is the foundation for the pursuit of sound growth opportunities and have a low risk appetite for financial exposure not derived from the underlying business. We have a low risk appetite for a credit rating downgrade to below investment grade BBB/Baa2. We accept the underlying US dollar exposure embedded in the Yara business model but keep a major part of the company's debt in US dollar as a partial hedge.

Exposure to non-USD currencies

We have a low risk appetite for exposure related to financial risk not derived from the underlying business. Yara has a low to moderate risk appetite for economic currency exposure optimizing the certain cost of hedging with likely currency movements. Limits for economic exposure are set per currency with strict limits on country basis. We take higher currency risk embedded in Yara business model but finance the company in main currency (USD) as hedge.

Risk factors

Yara is exposed to a number of strategic, operational, financial, health, environment, safety, security and quality related risks, as well as compliance risks that could have an adverse material effect on the company's business, reputation, operating results or financial condition. Several inherent business risks also represent business opportunities, underlining the need for systematic risk management of our operational and financial performance. The Executive Management currently considers the following risk areas and factors to be the most relevant to Yara's business.

Strategic risks

Yara's business is closely interlinked with the major global challenges of resource scarcity, food insecurity and global warming. Execution of our strategy for sustainable, profitable growth depends on our ability to manage strategically important risk and opportunities relevant to our industry and arising from our business environment.

Strategic risks	Factor	Mitigation
Market dynamics – Nitrogen commodity fertilizer prices	A large part of our business consists of sales of fertilizer products used in agriculture. While a growing world population, economic growth and changing dietary patterns are driving overall demand for food and fertilizer, swings in agricultural prices along with changes in global and regional fertilizer production capacity could significantly impact our profitability	Yara's business model, with a mix of own produced (OPP) and Third Party Products marketed by our global Sales and Marketing organization, offers flexibility to adjust to supply and demand fluctuations. We increasingly focus on expanding sales of differentiated products where pricing and demand will be less volatile. Yara focuses also on developing farmer centric solutions that integrate knowledge, digital tools and services with our product portfolio to further differentiate our offering to the farmer. Yara also conducts global optimization with risk reduction in mind, e.g. prioritizing a global presence, counter-seasonality and market flexibility in addition to short-term profitability. Third Party Products exposure limits have been established and are closely monitored for the most Third Party Products intensive countries.
Market dynamics – natural gas prices	Due to natural gas being a key raw material in the production of nitrogen-based chemicals and fertilizer products, the pricing and availability of natural gas across regions is a strategic factor for Yara. Securing access to and stable supplies of favourably priced natural gas is imperative to our operations and competitiveness.	Yara's risk exposure towards energy sourcing is minimized through global purchasing activities, based on our energy strategy. Executing this strategy, we are continuously monitoring options for additional and alternative sources of favourably priced natural gas in existing and new areas of production. All our European gas contracts are hub-based contracts, and we are well positioned to cover the risk of spot exposure. In some of our plants we have the operational flexibility to reduce gas purchases and import ammonia for fertilizer production if gas prices peak, and we benefit from a natural hedge in the high correlation between nitrogen fertilizer prices and global energy prices.
Raw materials availability	Yara is sourcing from third parties a wide range of raw materials for fertilizer production, not at least phosphate and potash (P&K). Terminations, material change or failure of delivery in these arrangements can have a negative impact on Yara's operations.	With respect to raw materials, as one of the world's largest buyer of phosphate and potash, we benefit from scale advantages in sourcing. To mitigate the risk of failure in sourcing of these key raw materials, Yara aims for long-term relationships with a wide network of suppliers, continuously aiming to optimize the company's phosphate balance. Yara currently evaluates several options for increasing the company's degree of selfsufficiency in specialty phosphate through vertical integration.

Strategic risks	Factor	Mitigation
Environmental risks and regulatory framework on production/ application of nitrogen fertilizer	Environmental impacts constitute strategic risks on Yara's license to operate, as drivers for regulatory actions and for market interventions. There is an increasing trend of stricter governmental regulations impacting production, (e.g. Emission trading system in Europe and ever stricter limits of emissions to air and water across the world) and application of fertilizer related both to the environmental aspects and safety of handling and applying fertilizer. These regulations could have a substantial impact on Yara's earnings.	Yara continuously discuss and participate in various arenas to understand and influence existing and ongoing new regulations aimed at fertilizers. The risk is primarily mitigated by contact with governmental bodies to ensure that balanced information is available and to ensure influence to reach acceptable solutions. Yara also continuously discuss with the EU on the future CO_2 emissions structure for the fertilizer industry arguing that the European ammonia industry is the most efficient globally which needs to be reflected when policies are made. On existing assets, Yara has established rigid management systems and policies to manage the environmental impacts of our operations and to reduce exposure. Moving forward, significant resources are put into developing the "Plant of the Future" in order to meet the expected environmental requirements.
Investments and integration	Yara has an ambition to grow profitably, both organically and through step growth initiatives. The profitability of future growth initiatives relies on long-term price assumptions and future operational performance. Establishment of new business areas and integration of new companies poses a risk of not being able to capture operational and financial synergies.	Yara has a well-defined capital value process for project identification, feasibility and verification at specific decision gates. A comprehensive, annual Strategy Development Process has been created. This includes key knowledge updates, such as energy and global pricing, as well as strategic assessments of specific opportunities or concerns. The integration of new businesses is managed and monitored based on accumulated learning from several large, successful business integrations completed during recent years.
Political risk	Our investments and operations may be affected as a result of changes in political leadership, policies and regulations as well as political and social instability in a country or a region. Such changes could represent threats as well as opportunities for Yara.	Country and currency credit limits are defined, to ensure that the company's exposure is controlled. These measures are also used to assess the risk profile of new projects, as part of the capital expenditure approval process.
Climate risks	Climate change pose risks which may have a negative impact for Yara. Climate risks are related to our markets, operational risks linked to our assets, in addition to the supply chain/ infrastructure risks. Climate change leads to societal processes which may pose risks on market preferences, legislation and technology. The societal aspects are as much opportunities as risks.	Yara's investments into assets are vetted against extreme weather events. Through stakeholder dialogues, Yara promotes low carbon solutions, life cycle perspectives and resource smart solutions. As a materially important topic, climate is one of the focus areas of Yara's innovation processes, where we aim to provide knowledge-based mitigation solutions. The innovation efforts include resource optimization and reducing carbon footprints in agriculture, as well as developing production processes towards zero emissions.

Operational risks

We put substantial resources and efforts into minimizing potential risk of loss from inadequate or failed internal processes, people and systems, or from external events. We do so through preventative controls and indicators. Our focus is on managing the causes and mitigating their potential impacts through detective controls and actions.

Operational risks	Factor	Mitigation
Production reliability	Production unreliability and irregularities may result in lost volumes and contribution. Increased plant reliability is a key driver of organic growth in our production system.	We actively seek to increase plant reliability and minimize irregularities prioritized based on plant profitability by developing and implementing companywide technical and operational standards along with best practices for operations, maintenance and turnarounds, and through continuous investments in process safety. Critical equipment given special attention. Employees undergo extensive training and risk awareness programs, and process safety and productivity are subject to frequent and regular audits. Yara's company-wide Improvement Program continues to improve cost, reliability and operational efficiency by 2020.
Human capital	Yara's ability to compete effectively and meet market demands depends heavily on the competence, experience and performance of its employees. Qualified, diverse and skilled staff is essential for Yara's business to be successful.	Yara's People and organization framework focuses on mitigating the risks through; Deliver; ▪ Building insights through analytics and services ▪ Providing effective and efficient HR services & processes across Yara Acquire; ▪ Brand, attract, recruit and retain talent ▪ Drive talent management for existing and future needs ▪ Drive diversity and inclusion for future success Develop; ▪ Foster a learning organization to improve our leadership and competence development at all levels ▪ We facilitate mobility and thereby individual and organizational development through cross segment/staff functions moves Empower; ▪ Foster Performance Management and drive a high-performance culture ▪ We involve and engage our employees and give them the power to act ▪ We embrace our values and secure open and transparent dialogues

Operational risks	Factor	Mitigation
Information and Cyber Security – Production and Product Handling Risks	New and increasingly sophisticated computer viruses and new digital crime models combined with the significantly increased internet exposure of our computerized industrial control systems may result in safety and reliability risks at any or all our production and product handling sites. Potential consequences are ranging from an undesired plant or process shutdown, up to HESQ, financial and reputational damage caused by corrupted and unresponsive industrial control systems.	Mitigating the risk of cyber-incidents in the physical product manufacturing & handling, the Production segment in cooperation with Yara IT maintain countermeasure governance and drive cyber-security implementation and maintenance. The Supply Chain segment has started to implement a version of the mitigating approach implemented earlier in the Production segment
Information and Cyber Security – Information Handling Risks	Leakage of confidential data, legal and regulatory compliance violations (e.g. data privacy / new GDPR directive), loss or malicious modification of business-critical data as well as the unavailability of business critical IT systems can negatively impact any and all of our business processes and can lead to severe financial and reputational damage, and significant penalties.	Yara IT and HESQ are continuously working with all information and application owners across Yara to identify and clarify business requirements for confidentiality, integrity and availability of our system- and information assets, including our handling of personal data.

Financial risks

Due to its global operation, Yara is exposed to various financial risks. Yara has in place, and is constantly developing, comprehensive policies, procedures and tools to manage these risks. In some cases, Yara may utilize derivative instruments, such as forwards, options and swaps, to reduce financial risk exposures.

Financial risks	Factor	Mitigation
Financing risks	Refinancing of maturing loans or establishment of new financing may be difficult or costly to arrange. Adverse financial market conditions could lead to higher funding costs and postponement of projects.	Yara's strategy for mitigating financing risk is to maintain a solid financial position with a strong credit rating. This is achieved by flexibility in capital expenditures. Yara reduces the refinancing risk by basing its long-term funding on a variety of sources to avoid dependency on individual markets; and by timing the maturity dates of large facilities to avoid them falling due at the same time. Committed liquidity reserves are maintained to meet unforeseen costs. Yara has access to sufficient funding and borrowing facilities to meet currently foreseeable requirements, combined with a cash position that covers short-term needs.
Credit risk	Credit risk represents exposure to potential losses deriving from non-performance of counterparties.	Credit risk is monitored and managed by the business units and expert organizations on the basis of standard Yara policy, procedures and regular reporting. Yara has a well-established system for credit management, with defined exposure limits at customer, financial institution and country level. A number of instruments, such as credit insurance, letters of credit and bank guarantees, are deployed to mitigate credit risk. Yara's geographically diversified portfolio reduces the overall credit risk of the group.
Currency risk	As the fertilizer business is essentially a US dollar business, prices of Yara's most important products and raw materials are either directly denominated or determined in US dollars. In markets outside the USA, local prices will generally adjust to fluctuations in the US dollar exchange rate, with a certain time lag.	Yara keeps a major part of its debt in US dollars in order to reduce overall economic currency exposure. Yara also utilizes derivative instruments to manage foreign currency exchange rate risks. A well-established system for currency risk management is in place, with defined currency exposure limits and standardized exposure measurement tools. Yara's geographically diversified portfolio reduces the company's overall currency risk.
Interest rate risk	Interest rates on different currencies vary depending on the economy and political actions, which will influence Yara's funding cost over time. However, the overall exposure of our business to interest rate fluctuations is considered low.	Interest rate risk is managed on an assessment of the financial markets and macroeconomic development, in relation to the expected impact an interest change will have on Yara's financial performance. As a risk mitigation measure, Yara keeps part of the long-term debt portfolio in fixed interest rate agreements. Yara also utilizes derivative instruments to manage interest rate risks.

HESQ risks

Safety is always our top priority and we believe that all injuries are preventable. We commit to excellence in our HESQ performance, which is imperative to protect our employees and contractors, and uphold reliability and performance. We have adopted a systematic approach to monitoring and reviewing the quality and handling of all our products, ensuring that proper care is taken along the entire value chain.

HESQ risks	Factor	Mitigation
Health and safety	Yara's production sites are large industrial plants, and many of Yara's raw materials, intermediates and products are classified as substances dangerous to the health. Such a working environment contains various potential occupational health and safety risks to employees and contractors working on site. While Yara's raw materials are often dangerous chemicals, the final fertilizers typically are not classified as hazardous, and the occupational health and safety risk at the use phase is minor.	Yara has a strict requirement on reporting of incidents, accidents and injuries, and works continuously to improve safety practices and safety culture by systematically enforcing strict operating procedures and developing employee and contractor competence. Yara's ambition is zero injuries and the company continues to set challenging KPI targets for occupational safety. Our Safe by Choice is the umbrella for all safety activities with the aim to reduce exposure to accidents, to develop strong safety leadership, to drive operational discipline, and to train and encourage staff to always act and react in accordance with our safety standards.
Personnel security risk	Yara's global activity may be exposed to threats from; criminals, activists, local population, competitors, terrorists and States which could harm our operations and activity, and pose security risks to our personnel, the environment we work in, our assets and our reputation.	We continuously assess and manage regional and local threats to our personnel. HESQ Security department is in charge of developing and maintaining corporate guidelines on security, and a method for assessing security risks, in addition to initiating appropriate mitigation actions in response to potential threats.
Natural disasters	Yara's production and logistics operations could be directly or indirectly affected by natural disasters.	We have implemented specific precautionary measures for operations located in areas more likely to be affected by extreme weather conditions and natural disasters. Significant efforts are also put into crisis management training and scenario planning, to minimize potential threats to security, health and operational assets.

Compliance risks

We are dedicated to conducting our business according to our Code of Conduct and the Compliance Program, as well as the universally accepted principles in the areas of human rights, labour and anti-corruption.

Compliance risks	Factor	Mitigation
Corruption risk	Corruption appears in many forms throughout the world, usually in the form of "improper advantages". With operations in over 60 countries, corruption poses a clear compliance and reputational risk to Yara and our business partners.	Our zero-tolerance stance on corruption has been systematically implemented and communicated throughout our organization and to business partners. Yara's Ethics and Compliance Department coordinates and oversees the company's work in this area through the 15 elements of Yara's Compliance program. An Integrity Due Diligence process is defined to map risks related to business partners on various topics, including Corruption, Human Rights and Labour Rights. Our whistle-blowing channels allow employees, consultants and third parties to raise concerns anonymously.
People related risks	Failure to comply with Code of Conduct and international standards will have a damaging effect on our brand and reputation. It can also negatively affect our relationship with current and future business partners, and both legal sanctions and financial loss can occur. In positive terms, demonstrating a commitment to good ethical conduct and social responsibility can be leveraged to create competitive edge and create value for business partners, employees and society at large.	Business conduct performance and reporting are set at high standards, reflecting Yara's commitments. Yara has developed its compliance program taking into account internationally recognized and endorsed standards in key areas covering such as people related risks and business partner risks.
Human rights	Business activities can impact human rights throughout our entire value chain. Through a mixture of ethical and legal obligations, human rights risks can affect Yara's reputation and standing as a responsible business.	Our policy on human rights is set out in our Code of Conduct, and is integrated in key business processes, for example in the management of capital value projects and supply chain operations. We have developed a human rights approach that is driven by qualitative and quantitative factors, allowing us to proactively monitor human rights risks wherever we operate. Yara follows the United Nations Guiding Principles on Business and Human Rights and aim to continuously improve our work in this area.

Financial Review

Financial performance

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

Financial highlights

USD millions, except where indicated otherwise	2018	2017	2016	2015	2014
Revenue and other income	13,054	11,400	11,597	13,787	15,139
Operating income	402	457	1,043	1,657	1,643
Share net income equity-accounted investees	82	29	(41)	(38)	125
EBITDA	1,523	1,348	1,854	2,545	2,603
EBITDA excl. special items	1,525	1,430	1,719	2,362	2,630
Net income after non-controlling interests	159	477	756	887	1,176
Earnings per share [1)]	0.58	1.75	2.76	3.22	4.25
Earnings per share excl.currency [1)]	1.31	1.45	2.70	4.07	4.51
Earnings per share excl.currency and special items [1)]	1.68	1.83	2.43	3.93	4.72
Average number of shares outstanding (millions)	273,2	273,2	273,2	274,6	275,1
CROGI [2)]	7.3%	7.0%	9.6%	13.3%	13.2%
ROCE [2)]	3.7%	4.0%	7.5%	11.9%	13.0%

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

Key statistics

Average prices		2018	2017	2016	2015	2014
Production (Thousand tonnes) [1)]						
Ammonia		8,305	7,459	7,504	7,035	7,096
Finished fertilizer and industrial products, excl. blends		21,887	20,203	19,497	19,224	18,827
Total		30,192	27,662	27,001	26,259	25,924
Deliveries (Thousand tonnes)						
Ammonia Trade		2,478	2,023	2,043	2,103	2,041
Fertilizer		28,471	27,290	27,249	26,544	26,317
Industrial products		7,653	6,996	6,892	7,030	6,593
Total		38,601	36,308	36,184	35,676	34,951
Yara's energy prices(USD per MMBtu)						
Global weighted average gas cost	USD per MMBtu	6.2	5.0	4.1	5.5	6.9
European weighted average gas cost	USD per MMBtu	8.3	6.1	5.0	7.1	9.1

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

Market information

Average prices		2018	2017	2016	2015	2014
Urea granular (fob Egypt)	USD per ton	278	243	217	295	370
CAN (cif Germany)	USD per ton	240	218	199	270	329
Ammonia (fob Black Sea)	USD per ton	287	267	236	387	496
DAP (fob US Gulf)	USD per ton	418	354	347	459	473
Phosphate rock (fob Morocco)	USD per ton	91	90	111	124	118
European gas (TTF)	USD per MMBtu	7.9	5.7	4.5	6.4	8.1
US gas (Henry Hub)	USD per MMBtu	3.2	3.0	2.5	2.6	4.4
EUR/USD currency rate		1.18	1.13	1.11		
USD/BRL currency rate		3.65	3.19	3.49		

Variance analysis

USD millions	2018
EBITDA 2018	1,523
EBITDA 2017	1,348
Reported EBITDA variance	175
Special items variance (see page 56 for details)	80
EBITDA variance ex special items	94
Volume	(19)
Price/Margin excluding energy	417
Energy price	(337)
Currency translation	8
Other	25
Total variance explained	94

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 deliveries of commodity fertilizers 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 higher AdBlue deliveries.

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 was driven by more turnarounds compared to 2017 while the remaining relates to unplanned outages.

Yara's margins improved in 2018 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 in Europe.

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 growth in digital initiatives.

At the end of 2018, the Yara Improvement Program had delivered USD 355 million of annual sustained benefits, up from USD 242 million compared to year-end 2017 and ahead of the year-end target of USD 350 million. The USD 113 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

Yara bases its long-term funding on diversified sources of capital to avoid dependency on individual markets. As the fertilizer business is essentially a US dollar business, with both revenues and raw material costs denominated or determined in US dollars, Yara keeps a major part of its debt in US dollars in order to reduce overall currency exposure. At year-end 2018, 98% of Yara's long-term debt was US dollar denominated or US dollar exposed through currency derivatives. USD 1,500 million of Yara's long- term debt carried fixed interest rate at an average interest cost of 4.5%. 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 in 2018, compared with a net gain in 2017.

Interest expense was USD 70 million higher than in 2017 as the average gross debt level was almost USD 1.5 billion higher.

The foreign currency translation loss 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. In 2017, 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

2018 current and deferred taxes were a tax income of USD 6 million positively impacted by tax free income, previous year adjustments and income from equity accounted investees. See note 11 for more information.

Net interest-bearing debt

As a supplement to the consolidated statement of cash flows (page 66), the table below highlights the key factors behind the development in net interest-bearing debt.

Net interest-bearing debt at the end 2018 was USD 3,794 million, up from USD 2,367 million at the end of 2017. The increase reflects a high investment activity, including the Babrala acquisition in India amounting to USD 428 million and Cubatão acquisition in Brazil amounting to 272 million. Of the remaining USD 1.3 billion in investments, the majority was regular maintenance investments in Yara's production system.

During 2018, Yara paid out dividends and purchased 520,000 own shares under the 2018 buy-back program for a total of USD 241 million. The 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 2018, calculated as net interest-bearing debt divided by shareholders' equity plus non-controlling interests, was 0.43 compared with 0.25 at the end of 2017.

Net interest-bearing debt

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

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

Financial items

USD millions	2018	2017	2016	2015	2014
Interest income	78	75	82	71	76
Dividends and net gain/(loss) on securities	3	2	4	3	11
Interest income and other financial income	81	77	87	74	87
Interest expense	(127)	(57)	(85)	(111)	(120)
Net interest expense on net pension liability	(7)	(8)	(8)	(10)	(11)
Net foreign currency translation gain/(loss)	(278)	99	14	(312)	(103)
Other	(19)	(17)	(15)	(39)	(14)
Interest expense and foreign currency translation gain/(loss)	(431)	17	(94)	(472)	(247)
Net financial income/(expense)	(350)	94	(7)	(398)	(160)

Production volumes [1)]

Thousand tonnes	2018	2017	2016	2015	2014
Ammonia	8,305	7,459	7,504	7,035	7,096
of which equity-accounted investees	1,039	1,061	1,033	1,280	1,410
Urea	6,327	5,257	5,167	4,762	4,790
of which equity-accounted investees	1,517	1,573	1,536	1,593	1,440
Nitrate	6,136	6,173	6,044	5,997	6,252
NPK	5,736	5,504	4,578	4,850	4,755
CN	1,623	1,511	1,379	1,477	1,287
UAN	835	931	909	925	934
SSP-based fertilizer	1,115	822	1,419	1,212	810
MAP	116	-	-	-	-
Total Finished Products [1)]	21,888	20,199	19,497	19,224	18,828

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

Total deliveries Crop Nutrition

Thousand tonnes	2018	2017	2016	2015	2014
Fertilizer deliveries per product					
Urea	5,975	4,756	4,676	4,852	5,295
of which Yara-produced	3,104	1,997	2,117	1,755	1,994
of which equity-accounted investees	2,116	1,821	1,797	2,153	2,471
Nitrate	5,576	5,703	5,781	5,743	5,673
of which Yara-produced	5,248	5,401	5,424	5,261	5,229
NPK	10,361	10,413	10,410	9,486	9,934
of which Yara-produced compounds	5,506	5,382	5,047	4,479	4,386
of which Yara-produced blends	4,405	4,664	5,083	4,600	5,148
CN	1,236	1,185	1,132	1,038	1,000
of which Yara-produced	1,218	1,168	1,114	1,021	973
UAN	1,184	1,299	1,356	1,295	1,333
of which Yara-produced	1,002	1,050	1,115	1,043	1,201
SSP	1,016	939	954	961	314
of which Yara-produced	916	699	826	832	105
DAP/MAP	591	676	832	888	777
MOP/SOP	1,178	1,367	1,253	1,222	989
Other fertilizer products	1,354	951	855	1,058	1,001
Total fertilizer deliveries	28,471	27,290	27,249	26,544	26,317
Fertilizer deliveries per region					
Europe	8,855	9,278	9,418	9,381	9,755
Brazil	9,248	9,044	9,213	8,403	8,302
Latin America excluding Brazil	2,315	2,384	2,217	2,208	1,562
North America	2,988	3,034	3,106	3,007	3,320
Asia	3,748	2,221	2,080	2,125	2,011
Africa	1,317	1,328	1,217	1,420	1,368
Total fertilizer deliveries	28,471	27,290	27,249	26,544	26,317

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	2018	2017	2016	2015	2014
Ammonia [1)]	702	701	669	711	730
Urea [1)]	2,328	2,211	2,025	1,841	1,679
of which Environmental products	942	868	776	706	566
Nitrate [2)]	971	747	763	680	731
CN	412	419	371	358	379
Other industrial products [3)]	1,252	1,077	1,379	1,893	1,744
Water content in Industrial Ammonia and Urea	1,989	1,840	1,686	1,549	1,330
Total Industrial product deliveries	7,653	6,996	6,892	7,032	6,593

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

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.

ROIC (Return on Invested Capital) will be used to measure performance of Yara's segments as well as the whole of the business from 2019 and will replace ROCE and CROGI. ROIC is defined as Net Operating Profit After Tax (NOPAT) divided by average invested capital and will be calculated on a 12-month rolling average basis. NOPAT is defined as operating income excluding amortization and impairment of intangible assets, 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 bank loans and other interest-bearing short term debt and current portion of long-term debt, plus property, plant and equipment, plus goodwill and plus equity accounted investees.

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 168 to 170.

Special items

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

The Yara share

Yara aims to be an attractive investment for shareholders, and to provide competitive returns compared to other investment alternatives. The Yara share shall be liquid and an attractive investment opportunity.

We are committed to serving all our shareholders and potential investors by providing consistent, open and prompt disclosure of relevant information. Our policy is equal treatment of all stakeholders, including analysts, banks, institutional investors and private shareholders. All information that may be important and relevant for Norwegian and international markets is provided in the form of releases to the Oslo Stock Exchange (OSE), media and financial newswires. Yara presents quarterly results as live webcasts and at its headquarters at Drammensveien 131 in Oslo, Norway. In addition, Yara holds regular meetings with investors both in Europe and overseas.

Share performance and distribution

In 2018 a total of 541 million Yara shares were traded, of which 176 million were traded on the OSE at a value of NOK 62.7 billion, making Yara the sixth most traded company on the OSE. The average daily trading volume for Yara shares on the OSE during 2018 was 708,558.

The highest closing price during the year was NOK 403.20 and the lowest was NOK 318.40. The year-end closing price was NOK 333.50, representing a 11% decrease from the 2017 year-end closing price. Yara's market value as of 31 December 2018 was NOK 91.1 billion, making Yara the fifth-largest company quoted on the Oslo Stock Exchange.

At year-end 2018 Yara had 34,496 shareholders. Non-Norwegian investors owned 42.6% of the total stock, of which 17.8% was from the United States and 15.4% from the United Kingdom. The Norwegian State, through the Ministry of Trade and Industry, is the largest single owner with 36.21% of the shares. Norwegian private ownership of Yara shares was 21.2% at the end of 2018.

Yara share & OBX performance

Common share data

	Q1	Q2	Q3	Q4	2018	2017
Basic earnings per share	0.42	-0.77	0.36	0.58	0.58	1.75
Average number of shares outstanding [1]	273,217,830	273,217,830	273,217,830	273,028,047	273,169,994	273,499,403
Period end number of shares outstanding [1]	273,217,830	273,217,830	273,217,830	272,697,830	272,697,830	273,217,830
Average daily trading volume [2]	700,285	813,137	622,091	706,275	708,558	660,610
Average closing share price	357	338	364	362	355	340
Closing share price (end of period)	331	338	400	334	334	377
Closing share price high	394	361	400	403	403	394
Market capitalization (end of period NOK billion)	90.5	92.3	109.2	91.1	91.1	102.9
Dividend per share					6.50 [3]	6.50

1) Excluding own shares
2) Only traded on OSE
3) Proposed

ADR performance and voting rights

Yara has a sponsored level 1 ADR (American Depository Receipt) program in the United States. The ADRs are not listed, but are bought and sold OTC, i.e. through any broker licensed to buy and sell US securities. The ADR ratio is two (2) ADRs to one (1) ordinary Yara share.

On 31 December 2018, the ADR was quoted at USD 19.27, an 15.9% decrease for the year. To find a recent price quote for Yara ADRs please go to www.adr.com. The ticker symbol is YARIY.

Shares must be registered with the Norwegian Central Securities Depository (Verdipapirsentralen) in the name of the real owner if holders want to vote for their shares at the shareholders' meeting. Holders of Yara ADRs should check their voting rights with JPMorgan, which is the depository bank for Yara ADRs.

Cash distribution policy

Yara's objective is to pay out an average 40–45% of net income in the form of dividends and share buybacks. Within this objective, a minimum 30% of net income is to be paid in the form of dividends, while share buybacks make up the balance and are deployed with greater flexibility. The dividend pertaining to a fiscal year will be declared at Yara's Annual General Meeting in the following year.

In 2018 Yara paid out NOK 1,957 million in dividends and share buybacks, representing approximately 50% of net income in 2017. Dividends accounted for NOK 1,776 million, representing 45% of 2018 net income, while share buybacks amounted to NOK 181 million, representing 5% of 2018 net income.

Yara's Board will propose to the Annual General Meeting a dividend payment of NOK 6.50 per share for 2018, which represents approximately 130% of net income after non-controlling interests, totaling a payment of NOK 1,773 million based on outstanding shares at 31 December 2018.

The Yara Annual General Meeting on 8 May 2018 authorized Yara's Board to buy back up to 5% of total shares (13,660,891 shares) before the 2018 Yara Annual General Meeting, at a purchase price not less than NOK 10 and not more than NOK 1,000.

Shareholding distribution

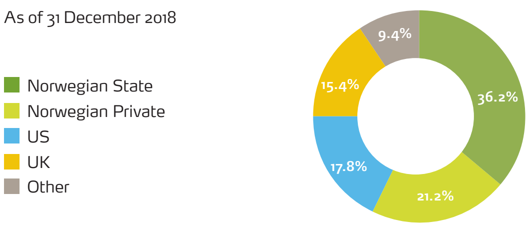
As of 31 December 2018

Ownership structure

No. of shares	No of sharehholders	% of share capital
1-100	20995	0.27
101-1000	11570	1.4
1,001-10,000	2048	2.25
10,001-100,000	488	6.06
100,001-1,000,000	189	20.68
above 1,000,000	36	69.34

Shareholding distribution

As of 31 December 2018



Shareholding distribution 1)

As of 31 December 2018

Ownership structure

Name	Holding (%)
The Ministry of Trade, Industry and Fisheries	36.2%
Norwegian National Insurance Scheme fund	4.9%
Capital World Investors	2.5%
Sprucegrove Investment Management, Ltd.	2.4%
Fidelity Management & Research Company	2.0%
DNB Asset Management AS	1.9%
BlackRock Institutional Trust Company, N.A.	1.8%
The Vanguard Group, Inc.	1.7%
Templeton Investment Counsel, L.L.C.	1.6%
Ruffer LLP	1.6%
Polaris Capital Management, LLC	1.5%
KLP Forsikring	1.4%
Nordea Funds Oy	1.2%
SAFE Investment Company Limited	1.2%
Pelham Capital Ltd.	1.2%

1) This shareholder list is delivered by Nasdaq and VPS through their service Nominee ID. The list is made by analyzing information provided by registered shareholders on request from Yara International. Neither Nasdaq nor VPS guarantee that the information is complete. For a list of the largest registered shareholders as of 31 December 2018, see note 12 on page 158 in this annual report.

A precondition for the program was that an agreement was entered into with the Norwegian State where the State committed to sell a proportional share of its holdings to leave the State's ownership (36.21%) unchanged.

As of 31 December 2018 Yara had bought 520,000 shares under the existing authorization.

2018 Annual General Meeting

The Yara Annual General Meeting will take place at 17:00 (CEST) Tuesday 7 May 2019, at Yara headquarters in Drammensveien 131, Oslo. Shareholders who wish to attend the Annual General Meeting are asked to inform Yara's registrar by 12:00 CEST on Friday 3 May 2019. Shareholders may also register electronically on the Yara webpage www.yara.com/register or at the Norwegian Central Securities Depository investor services site at www.vps.no.

For more information on how to vote, consult Yara's voting form or visit the company's website.

Analyst coverage

26 financial analysts provide market updates and estimates for Yara's financial results, of whom 16 are located outside Norway.

Rating

Rating agencies Moody's and Standard & Poor's have rated Yara as solid investment grade. Reflecting its strong market position and cost leadership, Yara is rated investment grade 'Baa2' with Moody's and 'BBB' with Standard & Poor's.

Change of address

Shareholders registered in the Norwegian Central Securities Depository should send information about changes of address to their registrars and not directly to the company.

Registrar information

Registered shareholders may contact our registrar in Norway regarding share transfers, address changes and other issues related to their holding of Yara shares. The contact details are shown below.

Share facts

Symbol: YAR
Listing: Oslo Stock Exchange (OSE)

Yara's registrar in Norway
DNB ASA
Verdipapirservice
Dronning Eufemias gate 30
N-0021 Oslo
Phone: +47 23 26 80 21
E-mail: KUA@dnb.no
www.dnb.no

Yara's ADR depositary bank
JPMorgan is the depositary bank for Yara ADRs:
JPMorgan Chase Bank N.A.
1 Chase Manhattan Plaza, Floor 21
New York
NY 10005
USA
Phone (US): 800-990-1135
Phone (outside US): +1 651-453-2128
E-mail: jpmorgan.adr@wellsfargo.com
www.adr.com

2018 Dividend schedule

Ex-dividend date	8 May 2019
Payment date	20 May 2019

2019 Release dates

First quarter	26 April 2019
Second quarter	16 July 2019
Third quarter	18 October 2019
Fourth quarter	11 February 2020

Financial statements

Consolidated financial statements

» Due to rounding differences, figures or percentages may not add up to the total.

Consolidated statement of income

USD millions, except share information	Notes	2018	2017
Revenue from contracts with customers	5	12,928	11,358
Other income	7	122	55
Commodity based derivatives gain/(loss)	33	4	(13)
Revenue and other income	5	13,054	11,400
Raw materials, energy costs and freight expenses	8	(10,096)	(8,602)
Change in inventories of own products		144	55
Payroll and related costs	8	(1,207)	(1,090)
Depreciation and amortization	9	(807)	(724)
Impairment loss	19	(150)	(60)
Expected and realized credit loss on trade receivables	21	(13)	(14)
Other operating expenses	8	(523)	(507)
Operating costs and expenses	5	(12,652)	(10,942)
Operating income	5	402	457
Share of net income in equity-accounted investees	16, 19	82	29
Interest income and other financial income	10	81	77
Earnings before interest expense and tax	5	566	563
Foreign currency translation gain/(loss)	10	(278)	99
Interest expense and other financial items	10	(153)	(82)
Income before tax		134	581
Income tax	11	6	(99)
Net income		141	482
Net income attributable to			
Shareholders of the parent	12	159	477
Non-controlling interests	25	(19)	5
Net income		141	482
Basic earnings per share [1]	12	0.58	1.75
Weighted average number of shares outstanding [2]	12	273,169,994	273,217,830

1) Yara currently has no share-based compensation that results in a dilutive effect on earnings per share.
2) Weighted average number of shares outstanding was reduced in the fourth quarter 2018 due to the share buyback program.

Consolidated statement of comprehensive income

USD millions, except share information	Notes	2018	2017
Net income		141	482
Other comprehensive income that may be reclassified to profit or loss in subsequent periods			
Currency translation adjustments		(222)	235
Hedge of net investments	33	(41)	33
Share of other comprehensive income of equity-accounted investees, excluding remeasurements	16	-	4
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		(263)	273
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods			
Currency translation adjustments [1]		(126)	85
Net gain/(loss) on equity instruments at fair value through other comprehensive income	33	(5)	(1)
Remeasurements gains/(loss) of defined benefit plans	26	(75)	64
Remeasurements of the net defined benefit pension liability for equity-accounted investees	16	1	-
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		(203)	148
Reclassification adjustments of the period			
Cash flow hedges	33	1	1
Total other comprehensive income, net of tax		(465)	421
Total comprehensive income, net of tax		(325)	903
Total comprehensive income attributable to			
Shareholders of the parent		(278)	900
Non-controlling interests	25	(47)	3
Total		(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.

Consolidated statement of changes in equity

USD millions	Notes	Share Capital 1)	Premium paid-in capital	Currency translation adjust-ments	Fair value reserve of financial assets at FVOCI 2)	Cash flow hedges	Hedge of net invest-ments	Total other reserves	Retained earnings	Attri-butable 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	38	-	-	-	-	-	-	-	-	-	-	-
Transactions with non-controlling interests	25	-	-	-	-	-	-	-	(1)	(1)	(2)	(3)
Share capital increase in subsidiary, non-controlling interest	25	-	-	-	-	-	-	-	-	-	9	9
Dividends distributed	24	-	-	-	-	-	-	-	(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)	41	-	-	-	-	-	-	-	(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		-	-	-	-	-	-	-	1	1	-	1
Total other comprehensive income, net of tax		-	-	(320)	(5)	1	(41)	(364)	(73)	(437)	(28)	(465)
Transactions with non-controlling interests	25	-	-	-	-	-	-	-	(7)	(7)	(6)	(13)
Transfer to retained earnings	32	-		-	2			2	(2)	-		-
Treasury shares 4)	24	-	-	-	-	-	-	-	(33)	(33)	-	(33)
Share capital increase in subsidiary, non-controlling interest	25	-	-	-	-	-	-	-	-	-	2	2
Dividends distributed	24	-	-	-	-	-	-	-	(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 67 for further information.
4) As approved by General Meeting 8 May 2018.

Consolidated statement of financial position

USD millions	Notes	31 Dec 2018	31 Dec 2017	31 Dec 2016
Assets				
Non-current assets				
Deferred tax assets	11	407	371	300
Intangible assets	13	1,052	1,106	1,067
Property, plant and equipment	9,14	8,430	7,967	6,939
Equity-accounted investees	16	1,027	1,096	1,067
Other non-current assets	18	420	460	377
Total non-current assets		11,337	11,000	9,750
Current assets				
Inventories	20	2,568	2,229	2,042
Trade receivables	21	1,601	1,398	1,200
Prepaid expenses and other current assets	6,22	741	607	559
Cash and cash equivalents	23	202	544	436
Non-current assets or disposal group classified as held-for-sale	15	206	4	11
Total current assets		5,319	4,783	4,247
Total assets		16,656	15,783	13,997

Consolidated statement of financial position

USD millions, except for number of shares	Notes	31 Dec 2018	31 Dec 2017	31 Dec 2016
Equity and liabilities				
Equity				
Share capital reduced for treasury stock	24	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	25	227	280	270
Total equity		8,910	9,505	8,917
Non-current liabilities				
Employee benefits	26	485	439	473
Deferred tax liabilities	11	416	502	511
Other long-term liabilities	33	201	169	163
Long-term provisions	27	238	115	97
Long-term interest-bearing debt	28	2,776	2,429	1,625
Total non-current liabilities		4,116	3,654	2,869
Current liabilities				
Trade and other payables	29	1,835	1,652	1,414
Prepayments from customers	6	343	265	300
Current tax liabilities		63	62	62
Short-term provisions	27	55	90	38
Other short-term liabilities	33	88	75	100
Bank loans and other short-term interest-bearing debt	30	397	439	270
Current portion of long-term debt	28	824	43	28
Liability associated with non-current assets or disposed group classified as held-for-sale	15	26	-	-
Total current liabilities		3,630	2,625	2,211
Total equity and liabilities		16,656	15,783	13,997
Number of shares outstanding [1]		272,697,830	273,217,830	273,217,830

1) Number of shares outstanding was reduced in the fourth quarter 2018 due to the share buy-back program.

The Board of Directors of Yara International ASA
Oslo, 29 March 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

Consolidated statement of cash flows

USD millions	Notes	2018	2017
Operating activities			
Operating income		402	457
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	9	807	724
Impairment loss	19	150	60
Write-down and reversal of write-down on inventory and trade receivables		11	24
Income taxes paid		(110)	(196)
Dividend from equity-accounted investees	16	155	8
Interest and bank charges received/(paid)		(158)	(63)
(Gain)/loss on disposal	4	(13)	20
Other		(3)	(40)
Working capital changes that provided/(used) cash			
Trade receivables		(209)	(144)
Inventories		(468)	(105)
Prepaid expenses and other current assets		(125)	(55)
Trade and other payables		249	121
Other interest-free liabilities		66	(21)
Net cash provided by operating activities		756	791
Investing activities			
Purchases of property, plant and equipment	14	(1,336)	(1,341)
Net cash outflow on business combinations	3	(648)	(23)
Purchases of other long-term investments	18	(58)	(55)
Proceeds from sales of property, plant and equipment		9	13
Net cash flow on divested assets		-	35
Proceeds from sales of other long-term investments		34	21
Net cash used in investing activities		(2,000)	(1,350)
Financing activities			
Loan proceeds	28, 30	1,602	1,113
Principal payments	28, 30	(464)	(147)
Purchase of treasury shares		(21)	-
Dividends	24	(219)	(321)
Net cash transfers from/(to) non-controlling interest	25	-	6
Net cash provided by financing activities		897	651
Foreign currency effects on cash and cash equivalents		5	16
Net increase/(decrease) in cash and cash equivalents		(341)	109
Cash and cash equivalents at 1 January		544	436
Cash and cash equivalents at 31 December [1]	23	202	544
Bank deposits not available for the use of other group companies	23	52	24

1) Excluded expected credit loss provisions on bank deposits.

Accounting policies

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

The consolidated financial statements consist of the Group and the Group's interests in associated companies and jointly controlled entities. The principal activities of the Group are described in note 5 Segment information, note 16 Associated companies and joint ventures, and note 17 Joint operations.

Statement of compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) and effective as of 31 December 2018. Yara also provides additional disclosures in accordance with requirements in the Norwegian Accounting Act.

Basis of preparation
The consolidated financial statements have been prepared under the historical cost convention; modified to include revaluation to fair value of equity instruments, derivative financial instruments, contingent consideration and defined benefit plan assets.

The consolidated financial statements are presented in US dollars (USD) as Yara's fertilizer business is essentially a USD business. All values are rounded to the nearest USD million, except when otherwise indicated. The functional currency of Yara International ASA is Norwegian kroner (NOK).

Basis of consolidation
The consolidated financial statements include Yara International ASA and entities controlled by Yara International ASA (its subsidiaries). Control is achieved when the Group has power over the investee, is exposed to, or has rights to, variable returns from its involvement with the investee, and has the ability to use its power to affect its returns. When the Group has less than a majority of the voting rights of an investee, it has power over the investee if the voting rights in practice are sufficient to unilaterally direct the relevant activities of the investee.

The Group re-assesses whether it controls an investee when facts and circumstances indicate that there are changes to one or more elements of control. Consolidation of a subsidiary begins when the Group obtains control and ceases when the Group loses control. This means that income and expenses of subsidiaries acquired or disposed of are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of Yara International ASA and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

All intra group transactions, balances, income and expenses are eliminated in full upon consolidation. Accounting policies of subsidiaries, associates, joint ventures and joint operations are changed if necessary to ensure consistency with the policies adopted by the Group.

Profit or losses from transactions with associates and joint ventures are recognized in the Group's consolidated financial statements only to the extent of interest in the associate or joint venture that is not related to the Group. When a group entity transacts with a joint operation in which a group entity is a joint operator, such as a sale or contribution of assets, the Group is considered to be conducting the transaction with the other parties to the joint operation. Gains and losses resulting from the transaction are recognized in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation. When a group entity enters into a transaction with a joint operation in which it is a joint operator, such as purchase of assets, it does not recognize its share of the gains and losses until it resells those assets to a third party.

Changes in the Group's ownership in subsidiaries that do not result in the Group losing control, are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, is recognized directly in equity and attributed to owners of the Company.

New and revised standards - adopted
The Group has applied the following amendments to IFRS that are effective for accounting periods beginning on or after 1 January 2018, and which are relevant for Yara:

- IFRS 9 Financial Instruments (issued 2014)
  IFRS 9 replaced IAS 39 Financial Instruments; Recognition and measurement. Please find information on implementation effects in Note 41 New accounting standards.

- IFRS 15 Revenue from contracts with customers (issued 2014)
  IFRS 15 replaced IAS 18 Revenue, IAS 11 Construction contracts, and the related interpretations. Please find information on implementation effects in Note 41 New accounting standards.

- Amendments to IFRS 2 Share-based Payment (issued 2016)
  The amendments refer to the classification and measurement of share-based payment transactions and address mainly the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction, the classification of a share-based payment transaction with net settlement features for withholding tax obligations, and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

- IFRIC Interpretation 22—Foreign Currency Transactions and Advance Consideration (issued 2016)
  IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. When an entity recognizes a non-monetary asset or non-monetary liability arising from a payment or receipt of advance consideration before the entity recognizes the related asset, expense or income, the date of the transaction for the purpose of determining the exchange rate is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

Yara has not identified significant impact to the Group's consolidated statement of financial position and equity due to adoption of the mentioned amendments.

New and revised standards – not yet effective

The following amendments to IFRS applicable to Yara have been issued but were not yet effective on the balance sheet date:

- IFRS 16 Leases (issued 2016)
  IFRS 16 applies to annual periods beginning on or after 1 January 2019 and replaces IAS 17 Leases and related interpretations from its effective date. Please find information on implementation effects in Note 41 New accounting standards.

- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (issued 2017)
  The Interpretation is effective for annual reporting periods beginning on or after 1 January 2019 and addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes.

- Amendments to IFRS 9 Financial Instruments
  Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes an early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. This amendment is effective for annual periods beginning on or after 1 January 2019. Retrospective application is required.

- Amendments to IAS 19 Employee Benefits
  When accounting for defined benefit plans under IAS 19, the standard generally required entities to measure the current service cost using actuarial assumptions determined at the start of the annual reporting period. Similarly, the net interest was generally calculated by multiplying the net defined benefit liability (asset) by the discount rate, both as determined at the start of the annual reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  1) Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.

  2) Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments apply prospectively to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019.

Except for IFRS 16 Leases, Yara has not identified significant impact to the Group's consolidated financial statements as a result of the mentioned amendments.

Foreign currency translation

Group companies

The individual financial statements of a subsidiary are prepared in the subsidiary's functional currency. This is the currency of the primary economic environment in which the subsidiary operates. In preparing the consolidated financial statements, the financial statements of foreign operations are translated using the exchange rates at year-end for statement of financial position items and monthly average exchange rates for statement of income items.

Translation gains and losses, including effects of exchange rate changes on transactions designated as hedges of net foreign investments, are included in other comprehensive income as a separate component. The translation difference derived from each foreign subsidiary, associated company or jointly controlled entity, is reversed through the statement of income as part of the gain or loss arising from the divestment or liquidation of such a foreign operation.

Transactions and balances

In individual companies, transactions in currencies other than the entity's functional currency are recognized by applying the exchange rate at the date of transaction. Monetary items denominated in foreign currencies are translated using the exchange rate at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

All foreign currency translations are recognized in the statement of income except for foreign currency translations on foreign currency borrowings that provide a hedge against a net investment in a foreign entity, or monetary items that are regarded as a part of the net investments. Such foreign currency translations are recognized as a separate component of other comprehensive income, including tax charges and credits attributable to these borrowings and monetary items. When the net investment is disposed of, or the monetary item is settled, they are recognized in the consolidated statement of income.

Foreign exchange hedges

Yara enters into currency-based derivative financial instruments to hedge the Group's currency exposure. The Group's accounting policies for such contracts are described below under Financial Instruments.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The cost of an acquisition is the aggregate of the consideration transferred measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

Identifiable assets acquired and liabilities assumed are recognized at their acquisition date fair values, if not otherwise stated. The non-controlling interest is measured either at fair value or at the proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of Yara's previously held equity interest in the acquiree is re-measured to the fair value at the acquisition date. Any gain or loss is recognized in profit or loss or other comprehensive income, as appropriate.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items where the accounting is incomplete. Those provisional amounts are adjusted within the next 12 months from the acquisition date to reflect new information obtained about facts and circumstances that existed at the acquisition date, and which would have affected the amounts recognized at that date.

Any contingent consideration is recognized at fair value at the acquisition date as part of the consideration transferred in exchange for the acquiree. Contingent considerations classified as assets or liabilities are subsequently measured at fair value at each reporting date with changes in fair value recognized in profit or loss. Contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity. Changes in the fair value of a contingent consideration are adjusted retrospectively in goodwill within 12 month from the acquisition date if the changes relate to additional information on facts and circumstances that existed at the acquisition date.

Goodwill

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interest, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to cash-generating units (CGUs) that are expected to benefit from the combination.

CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. Any impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the CGU, and then to the CGUs' other assets on a pro rata basis of the carrying amounts. An impairment loss recognized for goodwill is not reversed in a subsequent period. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

The Group's accounting policy for goodwill arising on the acquisition of an associate or joint arrangement is described under associated companies and joint arrangements below.

Assets held-for-sale

Non-current assets (or disposal groups) are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group), and its sale is highly probable.

When the Group is committed to a plan involving disposal of an investment in an associate or joint venture, or a portion of such an investment, the investment or the portion of the investment that will be disposed of is classified as held-for-sale when the criteria described above are met. The Group discontinues the use of the equity method in relation to the portion that is classified as held-for-sale.

Non-current assets (and disposal groups) classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell.

Fair value measurement

The Group measures financial instruments at fair value at each balance sheet date. The Group does not hold significant non-financial assets or liabilities that are required to be measured at fair value.

Fair value is the price that would be received or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All assets and liabilities for which fair value is measured or disclosed are categorized within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

In estimating the fair value of an asset or liability, the Group uses market-observable data to the extent this is available. Where level 1 inputs are not available, the Group may engage external qualified valuation experts to perform the valuation.

Assets and liabilities acquired through business combinations are normally categorized in level 3 of the fair value hierarchy. The Group applies generally accepted valuation techniques for the relevant asset or liability. The discount factor used is entity specific, including various risk factors.

Revenue recognition

Please find a description of the nature of external revenues in the Yara Group in note 5 Segment information.

The Yara Group adopted IFRS 15 Revenue from Contracts with Customers for reporting periods beginning on and after 1 January 2018, and adjusted the opening balance of equity at the date of initial application with the cumulative effect of implementation. No comparative information has been restated. Hence, comparative information is prepared according to the principles of the previous IAS 18 and IAS 11.

Yara has not identified significant impact to the Group's statement of financial position and equity as a result of implementing IFRS 15 (see note 41 New Accounting Standards). As a result, accounting policies for comparative information according to IAS 18 and IAS 11, and disclosures of the amounts by which line items are affected compared to revenue standards no longer in effect, is not provided in these financial statements.

Under IFRS 15 Yara recognizes as revenue the agreed transaction price in the contract with the customer at the time when the Group transfers the control of a distinct product or service to a customer. The nature of Yara's revenue recognition is categorized as follows:

- Sale of fertilizer and chemical products

  Yara sells fertilizer and chemical products to customers worldwide. Ordinary purchase orders are normally the contracts with the customer which create enforceable rights and obligations. 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 leading to variable consideration amounts. 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. Normally customer contracts do not include a significant financing component.

  Yara does not have significant incremental costs of obtaining or fulfilling contracts with customers which the Group expects to recover.

- 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. This means that Yara allocates consideration to these freight/insurance services based on known or estimated standalone selling prices, and recognizes the corresponding revenue 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 or 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. The percentage of completion method provides a faithful depiction of transfer of these offerings since it is reasonably possible to estimate the stages of project completion on an ongoing basis. Offerings which represent multiple element arrangements 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.

Government grants

Government grants are recognized in the consolidated financial statement when the Group has reasonable assurance that it will comply with conditions attached to them and the grants will be received. Government grants that compensate the Group for expenses are recognized in the statement of income as a deduction of the related expenses as they are incurred. Government grants that compensate the Group for the cost of an asset are deducted in the carrying amount of the asset, and recognized in the statement of income on a systematic basis over the useful life of the asset as a reduction to depreciation expense.

Dividends received

Dividends from investments are recognized in the statement of income when the Group has a right to receive the dividends.

Interest income

Interest income is recognized in the statement of income as it is accrued, based on the effective interest method.

Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year.

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. It is accounted for by using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, carry forward of unused tax credits, and any unused tax losses. However, deferred tax assets are recognized only to the extent these can be utilized against probable taxable profits.

Deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill, or from the initial recognition of other assets and liabilities in a transaction (other than in a business combination) that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, associates and interests in jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests, are recognized only to the extent it is probable that sufficient taxable profits are expected to reverse in the foreseeable future to utilize the benefits of the temporary differences.

Current and deferred tax for the period
Current and deferred taxes are recognized as expense or income in the statement of income, except when they relate to items recognized directly in equity or in other comprehensive income. If the tax relate to items recognized in other comprehensive income or directly in equity, the tax is also recognized as other comprehensive income or directly in equity. Uncertain tax positions, for example from unresolved disputes with tax authorities, are provided for if there are probable cash outflows.

Intangible assets
Intangible assets acquired separately
Intangible assets with finite useful lives, and that are acquired separately, are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period. The effect of any changes in estimate is accounted for on a prospective basis. Intangible assets with indefinite useful lives, and that are acquired separately, are carried at cost less accumulated impairment losses.

Research and development expenditures
Expenditures on research activities are expensed in the period in which they incur. An internally-generated intangible asset arising from development is recognized if, an only if, all of the following have been demonstrated;
- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- The intention to complete the intangible asset and use or sell it
- The ability to use or sell the intangible asset
- How the intangible asset will generate probable future economic benefits
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development

Where no internally-generated intangible asset can be recognized, development expenditures are recognized in profit or loss in the period in which they incur.

Exploration and evaluation expenditures
Yara incurs costs related to evaluation and exploration of phosphate and potash mining projects. Expenditures to acquire mineral interests and to carry out activities within pre-feasibility and definitive feasibility studies, are capitalized as exploration and evaluation expenditure within intangible assets until the projects have reached the development phase. If, following evaluation, the exploratory mine has not found proved reserves, the previously capitalized costs are evaluated for de-recognition or tested for impairment.

Capitalized exploration and evaluation expenditures, including expenditures to acquire mineral interests, related to mines that find proven reserves, are transferred from Exploration expenditure (Intangible assets) to Assets under construction (Property, plant and equipment) when the project reaches the development phase.

Property, plant and equipment
Measurement
An item of property, plant and equipment (PP&E) is recognized at cost if it is probable that the item will generate future economic benefits for Yara and the cost can be measured reliably. The carrying value of PP&E is comprised of the historical cost less accumulated depreciation and any impairment loss. If a legal or constructive obligation exists to decommission PP&E, the carrying value of the assets are increased with the discounted value of such obligations. Borrowing costs are added to the cost of assets that take a substantial period of time to get ready for their intended use or sale ("qualifying assets") if they are directly attributable to the acquisition, construction or production of such assets.

Depreciation of an asset begins when it is available for use. An asset is available for use when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management. Decommissioning obligations and borrowing costs added to the carrying amount of PP&E are depreciated over the useful life of the respective PP&E.

PP&E are depreciated on a straight-line basis over their expected useful life. Individual parts of PP&E with different useful lives are accounted for and depreciated separately. Expected useful lives and residual values are, unless immaterial, re-assessed annually. An asset's carrying value is written down to its recoverable amount if the asset's carrying value is higher. Gain or loss due to sale or retirement of PP&E is calculated as the difference between sales proceeds and the carrying value, and is recognized in the statement of income.

Repair and maintenance
Costs related to periodic maintenance on PP&E are recognized as assets and depreciated on a systematic basis until the next periodic maintenance if the criteria for capitalizing such maintenance are met. Major replacements and renewals are capitalized and depreciated separately based on their specific useful lives. Any replaced assets are derecognized. All other repair and maintenance costs are expensed as incurred.

Stripping costs
Stripping costs (removal of mine waste materials) in the production phase of existing mines are capitalized as a component of existing tangible mine assets when the activity gives improved access to ore. Stripping activity assets are depreciated on a straight-line basis over the useful lives of the underlying mine assets.

Associated companies and joint arrangements
Associated companies are investments in companies where the Group has significant influence, but not control. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Significant

influence normally exists when the Group holds directly or indirectly between 20% and 50% of the voting rights.

A joint arrangement is an arrangement in which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is either a joint operation or a joint venture. The classification depends upon rights and obligations of the parties to the arrangement. In a joint operation the parties have rights to the assets and obligations for the liabilities of the arrangement. In a joint venture the parties have rights to the net assets of the arrangement.

Investments in associates and joint ventures

The share of results, assets and liabilities of associated companies and joint ventures are incorporated into the consolidated financial statements using the equity method of accounting. Under the equity method of accounting, the investment is initially recognized at cost and the carrying value is subsequently increased or decreased to recognize Yara's share of profit or loss of the investee after the date of acquisition.

Any excess of the cost of acquisition of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment.

The equity-accounted investees are tested for impairment if indications of loss in value are identified. An impairment loss is recognized if the recoverable amount, estimated as the higher of fair value less costs to sell and value in use, is below the carrying value.

Accounting policies of equity-accounted investees are changed where necessary to ensure consistency with the policies adopted by the Yara Group.

Investments in joint operations

The Group recognizes in relation to its interests in a joint operation:

- Its assets, including its share of assets held jointly;
- Its liabilities, including its share of any liabilities incurred jointly;
- Its revenue from the sale of its share of the output arising from the joint operation;
- Its share of the revenue from the sale of the output by the joint operation and;
- Its expenses, including its share of any expenses incurred jointly.

The Group accounts for these assets, liabilities, revenues and expenses in accordance with the applicable IFRSs.

Inventory

Inventories are stated at the lower of cost, using weighted average, and net realizable value.

The cost of inventories comprise all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. This include direct materials, direct labor, and an appropriate portion of production overhead, or the purchase price of the inventory. Yara is using the standard costing method for cost measurement which take into account normal levels of materials and supplies, labor, efficiency and capacity utilization. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and other selling costs.

Impairment of non-current assets other than goodwill

Non-current assets other than goodwill are tested for impairment whenever events or changes in circumstances indicate that such carrying amounts may not be recoverable. Indications that could trigger an impairment test include for instance:

- Significant underperformance relative to historical or projected future results
- Significant changes in the Group's use of the assets or the strategy for the overall business
- Significant negative industry or economic trends

An impairment loss is recognized to the extent that the assets' carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate.

Previously recognized impairment losses, except for impaired goodwill, are reversed if the assumptions for impairment are no longer present. Impairment losses are only reversed to the extent that the asset's carrying value does not exceed the carrying value that would have been determined, net of depreciation, if no impairment had been recognized.

Own shares

When own shares are repurchased the amount of consideration paid, including directly attributable costs, is recognized as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity. Gain/loss from the sale of own shares is recognized as a change in equity.

Dividends paid

Dividends are recognized as a liability in the period that they are declared by the Annual General Meeting.

Employee benefits

Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan. The amount is an estimation of future benefits that the employees have earned in return for their service in current and prior periods. The benefit is discounted to determine its present value, and the fair value of plan assets is deducted. The discount rate is the yield at the balance sheet date on high quality corporate bonds or government bonds where no market for high quality corporate bonds exists. If the bond has a different maturity from the obligation, the discount rate is adjusted. Qualified actuaries using the projected credit unit method perform the calculations.

Past service costs arising from the amendment of plan benefits are recognized immediately in profit or loss. Remeasurement gains and losses are recognized as retained earnings through other comprehensive income in the period they occur, and will not be reclassified to profit or loss in subsequent periods.

Defined contribution plans

Obligations for contributions to defined contribution plans are recognized as an expense in the statement of income when employees have rendered services entitling them to the contributions. Prepaid contributions are recognized as an asset to the extent that a cash refund or deduction in future payments is available.

Other long-term benefits

The Group's obligation in respect of other long-term benefits is the amount of future benefits that the employees have earned in return for their service in current and prior periods. The obligation is discounted based on the same principles as defined benefit plans.

Share-based compensation

Yara has a long-term incentive program which provides a fixed cash amount to eligible top executives who are required to invest the net amount after tax in Yara shares within a period of one month after the grant. Yara purchases the shares on behalf of the executives at market prices. The executives holds all shareholder rights from the date of purchase but cannot sell the shares in the three years vesting period. The incentive program does not have dilutive effect since it represents ordinary shares outstanding.

The fair value of the purchased shares is recognized as reduction in equity. The costs of the incentive program is recognized over the vesting period. The employee tax is calculated and expensed at the grant date.

The Group may also offer employees an opportunity to purchase shares in Yara at a reduced price. The related cost is recognized when the employee exercises this option.

Provisions

A provision is recognized when the Group has a present obligation (legal or constructive) following a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of the cash flows.

Restructuring

A restructuring provision is recognized when the Group has developed a detailed formal plan for the restructuring, and has raised a valid expectation that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The restructuring provision includes only the direct expenditures arising from the restructuring. These expenditures are those that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Group has a contract where the unavoidable costs of meeting the obligations under it exceeds the economic benefits expected to be received from the contract.

Decommissioning

Decommissioning refers to the process of dismantling and removing equipment and site restoration when a site is closed down. A liability is recognized as soon as a decommissioning obligation arises. The obligation can be legal or constructive, and is accounted for based on a best estimate discounted to the present value. The discounted provision is progressively unwound, with the unwinding charge presented as a finance cost. The unwinding charge takes the provision from its current net present value to its future end value.

If an obligation exits to decommission PP&E, the carrying value of the assets is increased with the discounted value of the obligation. This is also the case if an obligation arises during construction or due to new legal requirements. The decommissioning asset is depreciated over the useful life of the asset. If an obligation arises as a result of day-to-day operations where the asset has been used to produce inventory, the cost is expensed as incurred.

Decommissioning provisions are updated when new information becomes available.

Legal Claims

Yara is party to a number of lawsuits related to laws and regulations in various jurisdictions arising out of the conduct of its business. Legal claims are assessed on an individual basis and provisions are recognized if the specific claims give rise to present, probable obligations and the costs can be reliably measured.

Environmental provisions

When a legal or constructive environmental obligation arises as a result of a past event, and the cost can be reliably measured, a provision is recognized.

Emission rights

Due to EU regulations in regard to greenhouse gas emissions, Yara receives annual emissions rights. These emission rights can be used to settle the Group's obligation that arises as a result of actual emissions. Granted emission rights received in a period are initially recognized at nominal value (nil value). Purchased emission rights are initially recognized at cost (purchase price) within intangible assets. A provision is recognized when the level of emissions exceeds the level of allowances granted. If Yara's emissions are less than the emission rights allocated to its operations, these may be sold in the market. Gains are recognized if and when such transactions occur.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognized when the Group becomes part to the contractual obligations of the instrument.

The Yara Group adopted IFRS 9 Financial Instruments for reporting periods beginning on and after 1 January 2018, and adjusted the opening balance of equity at the date of initial application with the cumulative effect of implementation. No comparative information has been restated. Hence, comparative information is prepared according to the principles of the previous IAS 39. Since Yara has not identified significant impact to the Group's statement of financial position and equity as a result of implementing the new standard (see note 41 New accounting standards), accounting policies for the comparative information according to IAS 39 is not provided in these financial statements.

Classification and measurement

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).

Cash, cash equivalents and other liquid assets include bank deposit and monetary items which are due in less than three months. These are initially recognized at fair value. Subsequently they are measured at amortized cost using the effective interest method. Short term items are normally not discounted.

Trade receivables are initially recognized according to IFRS 15 at the agreed transaction price in the contract with the customer. Subsequently they are measured at amortized costs using the effective interest method. Short term receivables are normally not discounted.

Other short-term / long-term receivables, loans and deposits are initially recognized at fair value. Subsequently they are measured at amortized cost using the effective interest method. Short term items are normally not discounted.

The Yara Group has equity shares within the scope of IFRS 9 to a limited extent. These equity instruments are initially recognized at fair value. Subsequently they are measured at fair value through other comprehensive income (no recycling).

Trade payables are initially recognized at fair value. Subsequently they are measured at amortized cost using the effective interest method. Short term payables are normally not discounted.

Interest-bearing borrowings are initially recognized at fair value less direct transaction costs. Subsequently they are measured at amortized cost using the effective interest method.

Contingent consideration is initially recognized at fair value and subsequently measured at fair value through profit or loss.

Derivatives are initially recognized at fair value and subsequently measured at fair value through profit or loss.

Interest and bank charges paid are classified as operating cash flows in the consolidated statement of cash flows.

Impairment of financial assets

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). The calculation of expected credit loss (ECL) is based on both historical and forward looking information, and is done on local unit level. When calculating ECL for trade receivables not yet due and trade receivables less than 90 days overdue, the last 5 years historical loss percentage is used as an allowance floor.

Forward looking information is taken into account by assessing available information on local unit level which could indicate an expected future loss that is higher or lower than the experience, including regional macroeconomic information. Calculation of ECL for trade receivables more than 90 days overdue is based on a separate, individual assessment of each receivable.

On other receivables, loans and deposits, Yara records 12-months expected credit losses if there has not been any significant increase in credit risk since initial recognition (the general approach). If there has been a significant increase in credit risk, lifetime expected credit losses is recorded. The 12-months expected credit losses reflect losses from default events that are possible within the next 12 months. They are calculated as the Probability of Default based on the credit rating of different counterparts multiplied with the Loss Given Default based on listed corporate bonds. If a significant increase in credit risk since initial recognition is identified, a lifetime expected credit loss for the specific receivable, loan or deposit will be recognized based on an individual assessment. The credit risk has normally increased significantly when a receivable is defaulted.

A receivable is considered to be in default when it is overdue and enforcement activities have started. If there is a reasonable expectation that enforcement activities will not lead to recovery, the receivable is credit impaired. The receivable is written off when enforcement activities lead to objective evidence of the receivable being irrecoverable.

Yara's expected credit losses on other receivables, loans and deposits are limited. As a result, disclosures are reduced due to materiality.

Derivative financial instruments

The Group uses derivative financial instruments to hedge exposure against currency risk, interest rate risk and commodity price risk arising in operating, financing and investment activities. These derivatives are initially recognized at fair value on the date a derivative contract is entered into, and are subsequently remeasured to their fair value at each balance sheet date.

On a running basis, the Group enters into sale and purchase transactions for physical gas, ammonia and other commodities. The majority of these transactions relate to the Group's expected sale, purchase or usage requirements, and are measured at cost according to the own use exemption in IFRS 9. However, some other type of transactions falls within the scope of IFRS 9 as they can be settled net and do not qualify for the own use exemption. These are accounted for as derivatives at fair value under IFRS 9 in the statement of financial position. Gains and losses arising from changes in fair value on these derivatives, and that do not qualify for hedge accounting, are recognized in the consolidated statement of income.

Fair value on derivatives is measured based on quoted market prices when these are available. When quoted prices from active markets are not available, the Group estimates fair value by using valuation models that make maximum use of observable market data. The resulting change in fair value is recognized immediately in the statement of income. If the derivative is designated and effective as a hedging instrument, the timing of the recognition in the consolidated statement of income depends on the nature of the hedge relationship.

A derivative is classified as a non-current asset or a non-current liability if the remaining maturity of the derivative is more than 12 months, and as a current asset or a current liability if the remaining maturity of the derivative is less than 12 months.

Embedded derivatives

Embedded derivatives are separated and treated as derivatives when the risks and characteristics of the derivative are not closely related to the host contract, and the host contract is not measured at fair value with changes in fair value recognized in the consolidated statement of income.

Hedge accounting

Yara applies hedge accounting according to IFRS 9 and designates certain derivatives as either hedges of the fair value of recognized assets or liabilities (fair value hedges), hedges of foreign currency risk of recognized assets or liabilities (cash flow hedges), or hedges of net investments in foreign operations.

- Cash flow hedges
  Changes in fair value of financial instruments used as hedging instruments in cash flow hedges are recognized in equity until the hedged transactions are recognized. Any ineffective part of a hedge is recognized in the consolidated statement of income.

- Fair value hedges
  Changes in fair value of financial instruments designated as fair value hedges are recognized in the consolidated statement of income. The carrying amount of the hedged item is adjusted for changes in the fair value attributable to the hedged risk.

- Hedge of net investment
  Changes in fair value of financial instruments used as hedges of net investment in foreign operations are recognized as other comprehensive income. Any ineffective part of a hedge is recognized in the consolidated statement of income.

Hedge accounting ceases when the hedging instrument expires, is sold, terminated or exercised. Hedge accounting also ceases if the hedge relationship for some reason no longer fulfill the requirements for hedge accounting.

Leasing

Assets which are leased on conditions which substantially transfer all the economic risks and rewards to Yara (finance lease) are accounted for as property, plant and equipment at the present value of minimum lease payments, or fair value if this is lower. The corresponding finance lease liabilities are initially included in long-term debt. Property, plant and equipment are depreciated over the estimated useful lives of the assets or lease term if shorter. The related liabilities are reduced by the amount of lease payments less the effective interest expense.

Other leases are accounted for as operating leases with lease payments recognized as an expense over the lease terms.

EU Directive 83/349

Yara GmbH & Co. KG with legal seat in Dülmen/Germany, and its directly and indirectly owned subsidiaries, are included in the consolidated financial statement of Yara International ASA as defined by sec. 291 HGB (German commercial code). For the purpose of sec. 264b HGB, Yara GmbH & Co. KG makes use of the relief to not disclose any independent financial statement and notes.

Notes to the Consolidated financial statements

Note 1 Key sources of estimation uncertainty, judgments and assumptions

General

The preparation of consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the use of Yara's accounting policies requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are considered to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The accounting policies applied by Yara in which judgments, estimates and assumptions may significantly differ from actual results are discussed below.

Key sources of estimation uncertainty

Impairment of assets

Property, plant and equipment

Yara has significant carrying amounts related to property, plant and equipment recognized in the consolidated statement of financial position. The value in use of some of these assets could be influenced by changes in market conditions in the regions where Yara carries out its business. Significant and prolonged adverse market conditions related for example to increases in natural gas cost and/or lower market prices for products sold could lead to temporary or permanent closures of production facilities. Such closures will be considered as an impairment indicator and an impairment test will be carried out. The outcome of such impairment tests may be that significant impairment losses are recognized in the statement of income. A reduction to the expected useful life of the assets can also lead to periods with higher depreciation expense going forward. Yara has carried out impairment tests for certain production facilities during 2018, mainly due to uncertain economic conditions in local markets. The production plant in Pardies, France has ceased all activities during 2018. The plant was fully impaired in 2015 and the decision to close the plant permanently was taken in 2017. No other facilities have been temporarily or permanently closed during 2018. Impairments recognized in prior periods have been evaluated for reversals. Total impairment recognized on property, plant and equipment in 2018 is USD 136 million. The carrying amount of property, plant and equipment at 31 December 2018 is USD 8,430 million. See note 14 and 19 for further details.

Goodwill and other intangible assets

Determining whether goodwill and other intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which goodwill and other intangible assets have been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and was a suitable discount rate in order to calculate present value. The carrying value of goodwill and other intangible assets at 31 December 2018 USD 842 million and USD 210 million, respectively. Yara recognized impairment of goodwill and other intangible assets of USD 15 million in 2018. Details of recognized goodwill are provided in note 13 and the impairment information, including sensitivity disclosures, is provided in note 19. Other intangible assets mainly comprises evaluation and exploration assets, software, customer relationships and patent and trademarks either identified as part of the purchase price allocation of new business combinations or internally developed. See note 14 and 19 for further details.

Business combinations

Yara is required to allocate the purchase price of acquired companies to the assets acquired and liabilities assumed based on their estimated fair values. Such valuations require management to make judgements in selecting valuation methods and use estimates and assumptions. Management's estimates of fair value and useful lives are based upon assumptions believed to be reasonable, but which are inherently uncertain and, as a result, actual results may differ from estimates. During 2018, Yara made two larger acquisitions with fair value of identifiable assets amounting to USD 775 million in total. These acquisitions are further described in note 3. Yara engaged independent third-party firms to assist in determining the fair values of the assets acquired and liabilities assumed. The purchase price allocations are preliminary and may be adjusted as a result of obtaining additional information regarding the preliminary estimates of fair values made at the date of purchase.

Tax assets and liabilities

Yara recognizes deferred tax assets if it is probable that sufficient taxable income will be available in the future against which the temporary differences and unused tax losses can be utilized. Management has considered future taxable income in assessing whether these assets should be recognized, taking into consideration that stronger evidence for utilization is required for entities with a history of recent tax losses. The carrying amounts of deferred tax assets and deferred tax liabilities are USD 407 million and USD 416 million, respectively, at 31 December 2018. The amount of unrecognized deferred tax assets is USD 320 million, of which USD 179 million is related to unused tax losses in Brazil. Further information about deferred tax is provided in note 11. Yara's operations in Brazil also generate tax credits. Recognition of these assets are based on Management assumptions related to future operating results and timing of utilization. Yara has recognized USD 207 million of such tax credits which are classified as non-current assets.

Yara is engaged in a number of juridical and administrative proceedings related to disputed tax matters with uncertain outcome. Management is required to estimate the probability of cash outflow on a case-by-case basis. The estimated maximum exposure on tax contingencies is approximately USD 272 million of which USD 112 million is related to tax cases in Brazil. The estimated maximum exposure of USD 272 million is excluding a separately disclosed case with the Dutch tax authorities. Further information is provided in note 27.

Pension liabilities

The fair value of pension liabilities is calculated based on several actuarial and economic assumptions. Any changes in the assumptions used would affect the estimated pension obligation. Changes in the discount rate have the most significant impact. The discount rate and other key assumptions are determined locally for each individual pension plan, based on the economic environment in which the plan is established. Assumptions are normally reviewed annually when the actuarial calculation is carried out, unless there are significant changes during the year. The carrying amount of the net pension and other long-term employee benefits liabilities at 31 December 2018 is USD 426 million. The gross pension and other long-term employee benefits liabilities have a carrying value of USD 2,047 million at the same date. Detailed information, including sensitivity disclosures, is provided in note 26.

Critical judgments in applying accounting policies

Assessment of influence and control and classification of joint arrangements

Management has used judgment in relation to the classification of Yara Freeport LLC DBA Texas Ammonia and classified it as a joint operation. The unit constructed an ammonia plant in the US which opened in April 2018. The company is owned 68% by Yara but controlled jointly with the other owner. The company has been classified as a joint operation because the partners have equal number of board representatives and because relevant activities that significantly affect the return on the investment requires approval of representatives from both partners. The same judgment have been made for the 50% owned Yara Pilbara Nitrates and the 49% owned Tringen, also on the basis of required consensus when making relevant decisions. See note 17 for further details on joint operations.

Note 2

Composition of the group

The consolidated financial statement of Yara comprises 135 legal companies that are controlled by Yara. The material subsidiaries are disclosed in the table below, including the main parent(s). This list also includes major holding companies.

Subsidiaries	Ownership	Registered office	Main parent(s)
Yara Argentina S.A.	100.0%	Argentina	Yara Iberian S.A.U.
Yara Australia Pty Ltd.	100.0%	Australia	Yara Technology B.V.
Yara Nipro Pty Ltd.	100.0%	Australia	Yara Australia Pty Ltd.
Yara Pilbara Fertilisers Pty Ltd.	100.0%	Australia	Chemical Holdings Pty Ltd.
Chemical Holdings Pty Ltd.	100.0%	Australia	Yara Australia Pty Ltd.
Yara Environmental Technologies GmbH	100.0%	Austria	Yara Investment GmbH
Yara Barbados Inc.	100.0%	Barbados	Fertilizer Holdings AS
Yara Belgium S.A./N.V.	100.0%	Belgium	Yara Nederland B.V.
Yara S.A.	100.0%	Belgium	Yara Holding Netherlands B.V.
Yara Tertre S.A.	100.0%	Belgium	Yara Belgium S.A./N.V.
Yara Trinidad Ltd.	100.0%	Bermuda	Yara Caribbean Ltd.
Galvani Industria, Comercio e Servicos S.A.	60.0%	Brazil	Yara Brasil Fertilizantes S.A.
Yara Brasil Fertilizantes S.A.	100.0%	Brazil	Yara South America Investments B.V.
Yara Belle Plaine Inc.	100.0%	Canada	Yara Canada Holding Inc.
Yara Canada Holding Inc.	100.0%	Canada	Fertilizer Holdings AS
Yara Canada Inc.	100.0%	Canada	Fertilizer Holdings AS
Yara Trading (Shanghai) Co. Ltd.	100.0%	China	Yara Asia Pte Ltd.
Yara Colombia S.A.	99.4%	Colombia	Yara International ASA (70.4%) and OFD Holding S. de R.L. (29%)
Yara Costa Rica S. de R.L.	87.6%	Costa Rica	Yara Iberian S.A.U.
Yara Danmark A/S	100.0%	Denmark	Fertilizer Holdings AS
Yarecuador Compania Ltd.	100.0%	Ecuador	Yara Colombia S.A.
Yara Dallol B.V.	54.1%	Ethiopia	Yara Nederland B.V.
Yara Phosphates Oy	100.0%	Finland	Yara Suomi Oy
Yara Suomi Oy	100.0%	Finland	Yara Nederland B.V.
Yara France SAS	100.0%	France	Yara Nederland B.V.
Yara Besitz GmbH	100.0%	Germany	Yara GmbH & Co. KG
Yara Brunsbüttel GmbH	100.0%	Germany	Yara GmbH & Co. KG
Yara Environmental Technologies GmbH	100.0%	Germany	Yara GmbH & Co. KG

Table continues >>

>> Table continued

Subsidiaries	Ownership	Registered office	Main parent(s)
Yara GmbH & Co. KG	100.0%	Germany	Yara Investments Germany SE
Yara Investment GmbH	100.0%	Germany	Yara GmbH & Co. KG
Yara Investments Germany SE	100.0%	Germany	Yara Nederland B.V.
Yara Ghana Ltd.	100.0%	Ghana	Yara Nederland B.V.
Yara Hellas S.A.	100.0%	Greece	Yara Nederland B.V.
Yara Guatemala S.A.	100.0%	Guatemala	Yara International ASA
Yara Hungaria Gyarto es Kereskedelmi KFT	100.0%	Hungary	Yara Suomi Oy
Yara Fertilisers India Pvt. Ltd.	100.0%	India	Yara Asia Pte Ltd.
Yara Insurance DAC	100.0%	Ireland	Fertilizer Holdings AS
Yara Italia S.p.A.	100.0%	Italy	Yara Investment GmbH (72.3%) and Yara Nederland B.V. (27.7%)
Yara Côte d'Ivoire S.A.	100.0%	Ivory Coast	Fertilizer Holdings AS
Yara East Africa Ltd.	100.0%	Kenya	Yara Overseas Ltd.
Yara International (M) Sdn. Bhd.	70.0%	Malaysia	Yara Asia Pte Ltd.
Yara México S. de R.L. de C.V.	99.9%	Mexico	OFD Holding S. de R.L. (70.7%) and Yara Nederland B.V. (29.2%)
Fertilizer Holdings AS	100.0%	Norway	Yara International ASA
Yara Marine Technologies AS	100.0%	Norway	Marine Global Holding AS
OFD Holding S. de R.L.	100.0%	Norway	Fertilizer Holdings AS
Yara AS	100.0%	Norway	Fertilizer Holdings AS
Yara Birkeland AS	100.0%	Norway	Fertilizer Holdings AS
Yara Norge AS	100.0%	Norway	Yara International ASA
Yara LPG Shipping AS	100.0%	Norway	Fertilizer Holdings AS
Yara Peru S.R.L.	100.0%	Peru	OFD Holding S. de R.L.
Yara Fertilizers Philippines Inc.	100.0%	Philippines	Yara Asia Pte Ltd.
Yara Poland Sp.zo.o	100.0%	Poland	Yara Nederland B.V.
Yara Asia Pte Ltd.	100.0%	Singapore	Yara International ASA
Yara Animal Nutrition South Africa (Pty) Ltd.	100.0%	South Africa	Yara Phosphates Oy
Yara Africa Fertilizers (Pty) Ltd.	100.0%	South Africa	Yara Nederland B.V.
Yara Iberian S.A.U.	100.0%	Spain	Yara Nederland B.V.
Yara Marine Technologies AB	100.0%	Sweden	Yara Marine Technologies AS
Yara AB	100.0%	Sweden	Fertilizer Holdings AS
Yara Switzerland Ltd.	100.0%	Switzerland	Yara Nederland B.V.
Yara Tanzania Ltd.	100.0%	Tanzania	Fertilizer Holdings AS
Yara Thailand Ltd.	100.0%	Thailand	Yara Asia Pte Ltd.
Yara Holding Netherlands B.V.	100.0%	The Netherlands	Fertilizer Holdings AS
Yara Nederland B.V.	100.0%	The Netherlands	Yara Holding Netherlands B.V.
Yara Sluiskil B.V.	100.0%	The Netherlands	Yara Nederland B.V.
Yara South America Investments B.V.	100.0%	The Netherlands	Yara Nederland B.V.
Yara Technology B.V.	100.0%	The Netherlands	Yara Nederland B.V.
Yara Vlaardingen B.V.	100.0%	The Netherlands	Yara Nederland B.V.
Yara Caribbean Ltd.	100.0%	Trinidad and Tobago	Yara Barbados Inc.
Yara UK Ltd.	100.0%	United Kingdom	Fertilizer Holdings AS
Yara North America Inc.	100.0%	United States	Yara International ASA
Freeport Ammonia LLC	100.0%	United States	Yara North America Inc.
Yara West Sacramento Terminal LLC	100.0%	United States	Yara North America Inc.
Yara Fertilizer Zambia Ltd.	100.0%	Zambia	Yara Nederland B.V.

Note 3 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 0.2 million tonnes of ammonia, 0.5 million tonnes of nitrates and 0.7 million tonnes of phosphate fertilizer. The acquisition brings nitrogen production assets into Yara's growing portfolio in Brazil, strengthening and growing Yara's integrated position within both industrial and fertilizer markets. The plant is reported in the Production segment, while sales are reported in Crop Nutrition and Industrial segments.

Consideration

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

Acquisition costs of USD 1 million for the 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 consolidated 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 27. Integration and acquisition-related costs for the Babrala acquisition of USD 2 million have been recognized 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	-
Intangible assets	-	4
Property, plant and equipment	234	270
Inventories	4	67
Trade receivables [1]	113	18
Prepaid expenses and other current asets	16	3
Cash and cash equivalents	-	13
Other liquid assets	-	-
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 short-term interest-bearing 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 70. 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 124 million. The receivables acquired in the business combination of Vale Cubatão have a gross contractual amount approximately equal to their fair value.

The purchase price allocations for both transactions are preliminary determined and may be subject to changes.

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 willlingness 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 consolidated 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 acquisition of Cubatão had taken place at the beginning of the year, the effect on Yara's "pro-forma" year-to-date consolidated income before tax would have been:

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

If the acquisition of Babrala 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.

Note 4 Other business initiatives

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 rock 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. The related assets and liabilities are classified as a held-for-sale disposal group. 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. More information is provided in note 15.

Note 5 Segment information

Yara has changed its operating segments effective from 1 January 2019. See note 42 for more information. The operating segment information provided in this note is in line with the segment structure that was effective until 31 December 2018.

The operating segments presented are the key components of Yara's business. These segments are managed and monitored as separate and strategic businesses, and are evaluated on a regular basis by Yara's Chief Executive Officer (CEO) as the Chief Operating Decision Maker. Financial and operational information are prepared for each segment, and the information disclosed is basically the same as used by the CEO to assess performance and allocate resources.

Crop Nutrition

The Crop Nutrition segment consists of Yara's worldwide marketing organization and global distribution network for fertilizer products and agronomic solutions. With a global network of sales offices, terminals and warehouses, Crop Nutrition is present in 56 countries and sells to more than 160 countries. The segment also includes smaller production facilities which upgrade intermediate products to finished fertilizers, which are primarily marketed in the region where this upgrade takes place.

The Crop Nutrition 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 Group 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 product varies throughout the fertilizer seasons in the different markets.

The majority of volume sold is purchased from the Production segment based on the arm's length principle. Consequently, the Crop Nutrition segment mainly increase margins through distribution, management of working capital, and sales and marketing activities, rather than manufacturing of product. As a result the segment is 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.

Industrial

The Industrial segment sells urea, ammonia, phosphate, nitric acid, technical ammonium nitrate and calcium nitrate for industrial applications within base chemicals, mining applications, animal nutrition, environmental solutions and industrial nitrates. These products are based on Yara's core production outputs and the majority of volume sold is purchased from the Production segment based on the arm's length principle. The customers are mainly large, industrial companies which use the products in their own production processes. The customer contracts is to a large extent medium to long-term contracts which specify minimum purchase/maximum delivery. However, product is also sold spot based on ordinary purchase orders. In some markets the Group deliver equipment and services to store or handle products.

Yara provides a growing portfolio of environmental solutions, technology and services, including a total solution of reagents, technology and service 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 specification urea-based reagent used by heavy-duty diesel vehicles to reduce nitrogen oxide emission. Together with sales of nitrogen chemicals to the European process industry and the global industrial explosives industry, environmental solutions constitute the segment's main markets.

Production

The Production segment comprises the manufacturing plants producing ammonia, fertilizer and industrial products. About 80% 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, but also some fertilizer sales since for instance the subsidiary Galvani Industria, Comercio e Servicos S.A. ("Galvani") is reported as one single operation within the segment.

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 expenses. The investments in Qatar Fertilizer Company ("Qafco") and Libyan Norwegian Fertilizer Company ("Lifeco") are accounted for using the equity method of accounting. Please find additional information about the accounting for joint arrangements and associates in the accounting policies section and separate notes.

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, and is typically less stable than the operating results of Yara's Crop Nutrition and Industrial segments.

Consolidated financial segment information

Yara's steering model reflects management's focus on Alternative Performance Measures. EBITDA is considered an important measure of performance for the company's operating segments. Yara defines EBITDA as operating income plus 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 value in equity-accounted investees. In addition the segments are measured on CROGI (Cash Return on Gross Investment) and ROCE (Return on Capital Employed). CROGI is defined as gross cash flow after tax divided by gross investment. ROCE is as an additional performance measure to CROGI to simplify benchmarking with other companies, and is defined as EBIT minus tax divided by average capital employed.

Inter-segment sales and transfers are based on the arm's-length principle reflecting prices as if sold or transferred to third parties. Results of activities considered incidental to Yara's main operations as well as revenues, expenses, liabilities and assets not originating in, or defined as part of, either the Production, Crop Nutrition, or Industrial segment, are reported separately as "Other and eliminations". These include interest income and expenses, foreign currency translation gains and losses, the net effect of pension plans, corporate overhead costs, and other costs not allocated to the operating segments. In addition, elimination of gains and losses related to transactions between the segments is reported as "Other and eliminations".

Operating segment information

Consolidated statement of income

USD millions, except percentages	Notes	2018	2017
External revenues and other income			
Crop Nutrition		9,484	8,670
Industrial		2,204	1,846
Production		1,360	891
Other and eliminations		5	(7)
Total		13,054	11,400
Internal revenues and other income			
Crop Nutrition		140	191
Industrial		14	16
Production		4,753	4,136
Other and eliminations		(4,907)	(4,342)
Total		-	-
Revenues and other income			
Crop Nutrition		9,624	8,861
Industrial		2,218	1,862
Production		6,114	5,026
Other and eliminations		(4,902)	(4,349)
Total		13,054	11,400
Operating expenses excluding depreciation, amortization and impairment loss			
Crop Nutrition		(9,138)	(8,428)
Industrial		(1,975)	(1,713)
Production		(5,414)	(4,340)
Other and eliminations		4,832	4,322
Total		(11,695)	(10,158)
Depreciation and amortization			
Crop Nutrition		(129)	(107)
Industrial		(12)	(12)
Production		(644)	(588)
Other and eliminations		(22)	(17)
Total	9	(807)	(724)
Impairment loss			
Crop Nutrition		(28)	(20)
Industrial		-	(19)
Production		(122)	(22)
Other and eliminations		-	-
Total	19	(150)	(60)
Operating income			
Crop Nutrition		329	306
Industrial		230	118
Production		(65)	77
Other and eliminations		(92)	(44)
Total		402	457
Share of net income in equity-accounted investees			
Crop Nutrition		4	3
Industrial		2	6
Production		76	20
Total	16	82	29
Interest income and other financial income			
Crop Nutrition		53	56
Industrial		2	3
Production		16	15
Other and eliminations		10	4
Total	10	81	77
EBITDA			
Crop Nutrition		544	492
Industrial		247	158
Production		792	722
Other and eliminations		(61)	(23)
Total		1,523	1,348

Other [1]

USD millions	Notes	2018	2017
Reconciliation of EBITDA to Income before tax			
EBITDA		1,523	1,348
Depreciation and amortization [2]	9	(807)	(724)
Impairment loss [2]	19	(150)	(60)
Foreign currency translation gain/(loss)	10	(278)	99
Interest expense and other financial items	10	(153)	(82)
Income before tax		134	581
Earnings before interest expense and tax			
Crop Nutrition		387	365
Industrial		234	127
Production		27	112
Other and eliminations		(82)	(40)
Total		566	563
Investments [3]			
Crop Nutrition		608	272
Industrial		14	35
Production		1,418	1,165
Other and eliminations		41	33
Total		2,080	1,505

1) See page 168 for Reconciliation of alternative performance measures in the Yara Group.
2) Including amortization and impairment of excess value in equity-accounted investees.
3) Includes investments in property, plant and equipment, intangible assets, equity-accounted investees and other equity investments.

Alternative Performance Measures [1]

USD millions, except percentages	2018	2017
Gross cash flow after tax [2]		
Crop Nutrition	448	401
Industrial	189	128
Production	792	699
Other and eliminations	23	45
Total	1,452	1,272
Gross investment [3]		
Crop Nutrition	4,017	3,387
Industrial	503	487
Production	15,270	14,176
Other and eliminations	132	86
Total	19,922	18,136
Cash Return on Gross Investment (CROGI)		
Crop Nutrition	11.2%	11.9%
Industrial	37.6%	26.2%
Production	5.2%	4.9%
Total [4]	7.3%	7.0%

1) See page 168 for Reconciliation of alternative performance measures in the Yara Group.
2) Defined as EBITDA less total tax expense, excluding tax on net foreign currency translation gain/(loss).
3) 12-month average.
4) Cash and other liquid assets are included in gross investments when calculating the CROGI for the segments, but not included for Total. In addition, actual Yara tax is used for calculating the Yara CROGI while a standardized tax rate of 25% is used for the segments. These two effects explain the higher CROGI for Yara in total than for the segments. See page 54 "Definitions and variance analysis" for more information.

Alternative Performance Measures [1]

USD millions, except percentages	2018	2017
Earnings before interest, after tax		
Crop Nutrition	291	275
Industrial	176	96
Production	27	89
Other and eliminations	1	28
Total	495	488
Capital employed [2]		
Crop Nutrition	3,393	2,857
Industrial	404	410
Production	9,420	8,855
Other and eliminations	26	(8)
Total	13,244	12,113
Return on capital employed (ROCE)		
Crop Nutrition	8.6%	9.6%
Industrial	43.5%	23.5%
Production	0.3%	1.0%
Total [3]	3.7%	4.0%

1) See page 168 for Reconciliation of alternative performance measures in the Yara Group.
2) Capital employed is defined as total assets adjusted for deferred tax assets minus other current liabilities, and is calculated on a 12-month rolling average basis.
3) Cash and other liquid assets are included in capital employed when calculating the ROCE for the segments, but not included for Total. In addition, actual Yara tax is used for calculating the Yara ROCE while a tax rate of 25% is used for the segments. These two effects explain the variance in ROCE between Yara segments. See page 54 "Definitions and variance analysis" for more information.

Consolidated statement of financial position

USD millions	2018	2017
Total assets [1]		
Crop Nutrition	4,976	4,223
Industrial	751	596
Production	10,704	10,484
Other and eliminations	224	480
Total	16,656	15,783
Current assets [1]		
Crop Nutrition	3,322	2,852
Industrial	592	435
Production	1,737	1,553
Other and eliminations	(332)	(58)
Total	5,319	4,783
Non-current assets [1]		
Crop Nutrition	1,654	1,370
Industrial	159	161
Production	8,967	8,931
Other and eliminations	557	538
Total	11,337	11,000
Equity-accounted investees		
Crop Nutrition	42	43
Industrial	37	38
Production	949	1,016
Other and eliminations	1	1
Total	1,027	1,096

1) Assets excludes internal cash accounts and accounts receivable related to group relief.

Information about products and major customers

Revenues by product group

USD millions		2018		2017
Ammonia		1,140		930
Urea		2,864		2,159
of which Yara-produced	1,750		1,216	
of which equity-accounted investees	751		581	
Nitrate		1,811		1,614
of which Yara-produced	1,665		1,491	
NPK		4,165		3,895
of which Yara-produced compounds	2,405		2,194	
of which Yara-produced blends	1,562		1,550	
CN		545		517
of which Yara-produced	536		509	
UAN		258		246
of which Yara-produced	215		195	
SSP		216		204
of which Yara-produced	193		147	
DAP/MAP		294		301
MOP/SOP		452		467
Other products		1,184		1,025
Total revenues		12,928		11,358

Yara serves a large number of customers. No revenues from transactions with any single customer amount to ten percent or more of Yara's total revenues.

Information about geographical areas

	Revenues 1)		Non-current assets 2)		Investments 2)	
USD millions	2018	2017	2018	2017	2018	2017
Belgium	225	180	254	212	99	51
Denmark	154	160	31	34	1	2
Finland	238	214	910	942	98	115
France	665	648	258	258	53	107
Germany	459	429	311	324	53	46
Great Britain	515	464	50	42	18	8
Italy	399	374	145	176	31	25
Spain	230	195	5	6	-	-
Sweden	246	242	251	247	32	68
The Netherlands	210	209	828	822	144	179
Other	483	443	21	21	2	10
Total EU	3,825	3,556	3,064	3,082	531	609
Norway	244	203	1,128	1,113	153	239
Other Europe	121	107	142	145	-	-
Total Europe	4,190	3,867	4,334	4,340	684	848
Africa	645	644	263	259	22	9
Asia	1,682	1,064	297	23	310	2
Qatar 3)	-	-	935	1,003	-	-
Australia and New Zealand	265	193	1,175	1,210	102	14
North America	1,511	1,262	1,672	1,745	146	151
Brazil	3,542	3,257	1,635	1,471	745	373
Other South and Central America	1,094	1,072	361	354	70	107
Total outside Europe	8,738	7,491	6,338	6,065	1,396	656
Total	12,928	11,358	10,671	10,404	2,080	1,505

1) Revenues are identified by customer location.
2) The identification of non-current assets and investments is based on location of operation. Excluded from non-current assets are financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts. Investments include the acquisition cost for property, plant and equipment, intangible assets, equity-accounted investees and other equity investments.
3) Yara is present in Qatar through the investment in Qafco which is accounted for by the equity method. Consequently there are non-current assets, but no revenues or investments are shown in the table.

Disaggregation of external revenues by nature

USD millions	Fertilizer and chemical products	Freight/ insurance services	Other products and services	Total
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
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	-	1,257
Other and eliminations	9	-	-	-	-	-	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	-	-	-	-	-	5
Total	3,867	3,257	1,072	1,256	1,262	644	11,358

Note 6 Customer contract balances and unsatisfied performance obligations

The timing of revenue recognition, billings and cash collections results in billed trade receivables, unbilled receivables (contract assets), and prepayments and deposits from customers (contract liabilities). Please find information on billed trade receivables in note 21.

Unbilled receivables (contract assets) are limited and refer mainly to technology offerings in Yara's Environmental Solutions Business with revenue recognition over time in accordance with the percentage-of-completion method. For such offerings, billing generally occurs upon achievement of contractual milestones subsequent to revenue recognition. Contract assets are transferred to receivables when Yara has an unconditional right to consideration.

Prepayments and deposits from customers (contract liabilities) mainly refer to Yara's fertilizer sales in Brazil where prepayments up front of the fertilizer season is common practice to reduce price risk for the customers. Prepayments in Brazil are normally done less than 90 days before delivery of the goods. To a limited extent contract liabilities also refer to up-front payments on technology offerings in Yara's Environmental Solutions Business.

Unsatisfied performance obligations refers mainly to technology deliveries in Yara's Environmental Solutions Business. For other deliveries unsatisfied performance obligations which are part of contracts that have an expected value of one year or less are not disclosed. In addition, unsatisfied performance obligations are not disclosed when Yara's right to consideration corresponds directly with the value to the customer of Yara's performance completed to date.

Detailed comparative information for 2017 is not disclosed due to Yara's implementation of IFRS 15 for reporting periods beginning on and after 1 January 2018.

USD millions	2018
Contract assets	
Opening balance 1 January	14
Share of opening balance transferred to receivables in the period	(12)
Increase due to measure of progress in the period	40
Revenue recognized in the period from performance obligations satisfied in previous periods	-
Impairment	-
Currency translation effect	(1)
Closing balance 31 December	42
Contract liabilities	
Opening balance 1 January	265
Share of opening balance recognized as revenue in the period	(262)
Increase due to cash received not recognized as revenue in the period	342
Currency translation effect	(1)
Closing balance 31 December	343
Unsatisfied performance obligations	
Initial contract price on signed contracts	593
Aggregate contract revenue incurred to date [1]	(138)
Transaction price allocated to unsatisfied performance obligations	456
Unsatisfied performance obligations to be recognized within	
1 year	296
2-3 years	160
Transaction price allocated to unsatisfied performance obligations	456

1) Based on the percentage-of-completion method.

Note 7

Other income

USD millions	Notes	2018	2017
Carbon tax refund		-	7
Sale of white certificates		35	14
Sale of land		-	10
Insurance compensations		27	14
Derecognition of contingent consideration related to Galvani	15	21	-
Change in fair value of contingent consideration related to Galvani	15	15	
Recognition of take-or-pay compensation from customer	27	15	-
Other		9	10
Total		122	55

Note 8 Operating costs and expenses

USD millions	Notes	2018	2017
Raw material, energy costs and freight expenses			
Raw material and energy costs		(7,485)	(6,512)
Freight expense		(989)	(927)
Other production related costs		(1,622)	(1,163)
Total		(10,096)	(8,602)
Payroll and related costs			
Salaries		(942)	(822)
Social security costs		(146)	(150)
Social benefits		(9)	(8)
Net periodic pension cost	26, 27	(110)	(111)
Total		(1,207)	(1,090)
Other operating expenses			
Selling and administrative expense		(244)	(223)
Rental of buildings etc.		(41)	(36)
Travel expense		(59)	(60)
Fees auditors, lawyers, consultants		(122)	(108)
Other expenses		(58)	(79)
Total		(523)	(507)
Research costs [1]		(43)	(45)

1) Yara has focused on orienting research and development resources towards commercial activities, both with respect to process and product improvements and agronomical activities.

Note 9 Depreciation and amortization

USD millions	Notes	2018	2017
Depreciation of property, plant and equipment	14	(755)	(678)
Amortization of intangible assets	13	(52)	(46)
Total depreciation and amortization		(807)	(724)

Note 10 Financial income and expenses

USD millions	Notes	2018	2017
Interest income on customer credits		63	61
Interest income, other		15	14
Dividends and net gain/(loss) on securities		3	2
Interest income and other financial income		81	77
Net foreign currency translation gain/(loss)	31	(278)	99
Interest expense		(187)	(127)
Capitalized interest		60	71
Net interest on net long-term employee benefit obligations	26	(7)	(8)
Reclassification adjustments cash flow hedge [1]	31,32	-	(1)
Other financial expense		(19)	(17)
Interest expense and other financial expense		(153)	(82)
Net financial income/(expense)		(350)	94

1) Interest rate swap designated as cash flow hedge transferred from equity.

The foreign currency translation loss this year of USD 278 million stemmed mainly from Yara's US dollar denominated debt position. In 2017, USD 84 million of the reported gain stemmed from US dollar positions and USD 15 million from internal currency positions.

Note 11 Income tax expense

The major components of income tax expense for the year ended 31 December are:

USD millions	2018	2017
Consolidated statement of income		
Current taxes		
Current year	(78)	(202)
Prior years adjustment	11	8
Total	(67)	(194)
Deferred taxes		
Deferred tax income/(expense) recognized in the current year	100	172
Adjustments to deferred tax attributable to changes in tax rates and laws	5	9
(Write-downs)/reversal of previous write-downs of deferred tax assets	(32)	(86)
Total	74	95
Total tax income/(expense) recognized in statement of consolidated income	6	(99)
Other comprehensive income		
Current tax		
Hedge of net investment	12	(10)
Intercompany currency effect on debt treated as part of net investment	-	3
Total current tax	12	(8)
Deferred tax		
Pensions	21	(18)
Available-for-sale financial assets	-	1
Cash flow hedges		-
Total	21	(17)
Transfers to profit and loss		
Total	-	-
Total tax income/(expense) recognized directly in other comprehensive income	33	(25)
Total tax income/(expense) recognized in comprehensive income	39	(123)

Taxable income differs from net income before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in future years (temporary differences). It also excludes items that are never taxable or deductible (permanent differences). The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Reconciliation of Norwegian nominal statutory tax rate to effective tax rate

USD millions, except percentages	2018		2017	
Income before tax		134		581
Expected income taxes at statutory tax rate[1]	23%	(31)	24%	(139)
Tax law changes	(2.8%)	4	(2.4%)	14
Foreign tax rate differences	(39.4%)	53	(5.3%)	31
Unused tax losses and tax offsets not recognized as deferred tax assets	44.8%	(60)	15.1%	(88)
Previously unrecognized and unused tax losses and deductible temporary differences now recognized as deferred tax assets	(18.7%)	25	(1.7%)	10
Non-deductible expenses	10.7%	(14)	1.3%	(7)
Share of net income equity-accounted investees	(14.0%)	19	(1.3%)	7
Tax free income/(non-deductible loss) from sale of subsidiaries and associates	0.1%	-	0.2%	(1)
Tax free income miscellaneous	(17.5%)	24	(0.8%)	5
Prior year adjustment	(8.1%)	11	(1.4%)	8
Withholding tax	11.4%	(15)	2.5%	(15)
Tax step-up Brazil		-	(4.3%)	25
Group internal merge		-	(11.0%)	64
Other, net	5.8%	(8)	2.0%	(12)
Total income tax income/(expense)		6		(99)
Effective tax rate		(4.8%)		17.0%

1) Calculated as Norwegian nominal statutory tax rate of 23% (2017: 24%) applied to income before tax.

Specification of deferred tax assets/(liabilities)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

2018

USD millions	Opening balance	Charged to income	Reclassified from equity to profit or loss	Changes in tax rate	Recognized in other comprehen-sive income	Acquisitions/ disposals	Foreign currency translation	Closing balance
Non-current items								
Intangible assets	(16)	13	-	-	-	(5)	1	(7)
Property, plant and equipment	(377)	(43)	-	2	-	(3)	27	(394)
Pensions	81	-	-	6	21	(2)	(12)	93
Equity securities available-for-sale	-	-	-	-	-	-	-	-
Other non-current assets	(115)	(61)	-	7	-	5	9	(156)
Other non-current liabilities and accruals	50	72	-	(1)	-	-	(5)	115
Total	(378)	(21)	-	14	21	(5)	21	(348)
Current items								
Inventory valuation	8	16	-	5	-	-	1	30
Accrued expenses	35	11	-	-	-	-	(3)	41
Total	42	27	-	5	-	-	(3)	71
Tax loss carry forwards	525	93	-	(16)	-	7	(27)	582
Unused tax credits	3	2	-	-	-	-	-	5
Valuation allowance	(324)	(32)	-	3	-	-	33	(320)
Net deferred tax asset/(liability)	(130)	69	-	5	21	2	24	(9)

2017

USD millions	Opening balance	Charged to income	Reclassified from equity to profit or loss	Changes in tax rate	Recognized in other comprehen-sive income	Acquisitions/ disposals	Foreign currency translation	Closing balance
Non-current items								
Intangible assets	(27)	12	-	1	-	(1)	-	(16)
Property, plant and equipment	(400)	36	-	16	-	(3)	(25)	(377)
Pensions	89	3	-	(1)	(18)	-	8	81
Equity securities available-for-sale	(1)	-	-	-	1	-	-	-
Other non-current assets	(135)	17	-	7	-	-	(5)	(115)
Other non-current liabilities and accruals	77	(29)	-	(2)	-	2	1	50
Total	(397)	39	-	21	(17)	(2)	(21)	(378)
Current items								
Inventory valuation	11	2	-	(3)	-	-	(2)	8
Accrued expenses	31	6	-	(2)	-	-	-	35
Total	42	8	-	(5)	-	-	(2)	42
Tax loss carry forwards	382	122	-	(6)	-	-	27	525
Unused tax credits	-	3	-	-	-	-	-	3
Valuation allowance	(239)	(86)	-	-	-	-	-	(324)
Net deferred tax asset/(liability)	(212)	86	-	10	(17)	(2)	4	(130)

Step-up of the tax base in Brazil and Europe in 2017

Yara recognized a reduction to deferred tax liabilities of USD 64 million following a group internal merge in Europe. The merge led to a settlement of internal loans with accumulated currency gains which will not generate taxable income. Also in fourth quarter 2017, Yara merged two legal companies in Brazil which resulted in an increased tax base and positive income tax effect of USD 25 million.

Valuation allowance on deferred tax assets

USD millions	2018	2017
Unrecognized deferred tax assets are attributable to the following		
Tax losses	259	273
Deductible temporary differences	61	51
Total	320	324

Unrecognized tax losses are mainly related to the tax loss carry forwards arising from the activities in Brazil. Utilization of the tax loss carry forwards in Brazil is without time limitation but restricted to 30% of taxable income each year. Unrecognized tax losses in Brazil is USD 179 million (2017: USD 198 million). The decrease is due to an earlier expected utilization of tax losses.

Specification of expiration of tax loss carry forwards

USD millions	2018
2019	9
2020	7
2021	19
2022	8
2023	3
After 2023	182
Without expiration	1,879
Total tax loss carry forwards	2,106
Deferred tax effect of tax loss carry forwards	582
Valuation allowance on tax loss carry forwards	(259)
Recognized in the statement of financial position	323

Yara's recognized tax losses carry forwards primarily relate to the business in Norway, France, Australia and Brazil, where tax losses are without expiration. The tax losses are mainly related to incurred currency losses, non-recurring transactions and loss from operations. The recognized tax assets for all units are all supported by estimated future profit level.

Deferred tax presented in the statement of financial position

USD millions	2018	2017
Deferred tax assets	407	371
Deferred tax liabilities	(416)	(502)
Net deferred tax asset/(liability)	(9)	(130)

Undistributed earnings of foreign subsidiaries and in foreign associates and joint arrangements is amounting to approximately USD 8.8 billion that for the main part can be distributed as tax-free dividends. For the expected part of dividend that cannot be distributed as tax-free income, a deferred tax liability of USD 2 million is recognized.

Note 12 Earnings per share

USD millions, except share information	2018	2017
Earnings		
Net income for the purposes of basic earnings per share (profit for the year attributable to the equity holders of Yara International ASA)	159	477
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	273,169,994	273,217,830
Earnings per share	0.58	1.75

The denominators for the purposes of calculating basic earnings per share have been adjusted for the buy-back of own shares. See note 24 for more information.

Note 13 Intangible assets

2018

USD millions, except percentages	Goodwill	Exploration and evaluation assets 1)	Software	Other intangibles 2)	Total
Cost					
Balance at 1 January	906	61	152	394	1,513
Addition at cost	-	-	27	19	46
Derecognition	-	-	(12)	(7)	(19)
Acquisition new companies	38	-	-	34	72
Transfer to asset held-for-sale	(7)	(22)	-	(8)	(37)
Other transfers	-	-	29	(31)	(1)
Foreign currency translation gain/(loss)	(55)	(7)	(12)	(25)	(99)
Balance at 31 December	883	31	185	377	1,475
Amortization and impairment					
Balance at 1 January	(41)	(33)	(102)	(231)	(407)
Amortization	-	-	(25)	(27)	(52)
Impairment loss 3)	(9)	-	-	(6)	(15)
Derecognition	-	-	11	6	17
Transfer to asset held-for-sale	7	-	-	4	11
Other transfer	-	-	-	1	1
Foreign currency translation gain/(loss)	2	2	6	12	21
Balance at 31 December	(41)	(31)	(110)	(242)	(424)
Carrying value					
Balance at 1 January	866	28	50	163	1,106
Balance at 31 December	842	-	75	135	1,052
Useful life in years			3 - 5	3 - 15	
Amortization rate			20 - 35%	5 - 35%	

1) Exploration and evaluation assets are intangible assets under development, and are not amortized.
2) Other intangibles comprises mainly customer relationships, patents and trademarks.
3) Impairment loss on Goodwill is mainly related to assets held-for-sale in Galvani. For further information, see note 19.

2017

USD millions, except percentages	Goodwill	Exploration and evaluation assets 1)	Software	Other intangibles 2)	Total
Cost					
Balance at 1 January	849	57	130	368	1,405
Addition at cost	-	2	11	46	59
Derecognition	-	-	(14)	(27)	(41)
Acquisition new companies	17	-	-	3	20
Transfers	-	(1)	15	(12)	1
Foreign currency translation gain/(loss)	40	3	10	16	69
Balance at 31 December	906	61	152	394	1,513
Amortization and impairment					
Balance at 1 January	(36)	(30)	(87)	(185)	(338)
Amortization	-	-	(21)	(25)	(46)
Impairment loss 3)	(3)	-	-	(17)	(19)
Derecognition	-	-	14	4	18
Transfers	-	-	-	(1)	(1)
Foreign currency translation gain/(loss)	(2)	(3)	(8)	(8)	(21)
Balance at 31 December	(41)	(33)	(102)	(231)	(407)
Carrying value					
Balance at 1 January	813	27	43	184	1,066
Balance at 31 December	866	28	50	163	1,106
Useful life in years			3 - 5	3 - 15	
Amortization rate			20 - 35%	5 - 35%	

1) Exploration and evaluation assets are intangible assets under development, and are not amortized.
2) Other intangibles comprises mainly customer relationships, patents and trademarks.
3) Impairment loss of other intangibles is mainly related to impairment of technology rights. See note 19 for more information.

Assets used as security

No intangible assets were pledged as security in 2018 and 2017. See note 34 for more information.

Note 14 Property, plant and equipment

2018

USD millions, except percentages	Land	Machinery and equipment	Buildings	Asset under construction	Vessels	Other	Total
Cost							
Balance at 1 January	235	9,128	2,153	2,097	280	121	14,016
Addition at cost	1	495	61	909	-	5	1,471
Derecognition	(2)	(279)	(9)	(3)	-	-	(293)
Acquisition new companies	119	309	54	21	-	-	504
Transfers to asset held-for-sale	(17)	(37)	(30)	(22)	-	(40)	(146)
Other transfers [1]	14	1,104	144	(1,277)	-	-	(15)
Foreign currency translation gain/(loss)	(29)	(504)	(129)	(135)	-	(13)	(810)
Balance at 31 December	321	10,216	2,245	1,591	280	73	14,726
					-		
Depreciation and impairment					-		
Balance at 1 January	(7)	(5,199)	(767)	(10)	(22)	(44)	(6,049)
Depreciation	-	(627)	(108)	-	(13)	(7)	(755)
Impairment loss [2]	(3)	(41)	(83)	(4)	-	(5)	(136)
Reversed impairment	1	1	1	-	-	-	3
Derecognition	-	255	7	-	-	-	262
Transfers to asset held-for-sale	3	20	9	4	-	18	54
Other transfers	-	(3)	2	-	-	-	-
Foreign currency translation gain/(loss)	-	269	50	-	-	5	325
Balance at 31 December	(6)	(5,324)	(889)	(10)	(35)	(32)	(6,296)
Carrying value							
Balance at 1 January	228	3,929	1,386	2,087	258	78	7,967
Balance at 31 December	315	4,892 [3]	1,356 [4]	1,581	245	41	8,430
Useful life in years		4 - 20	20 - 50		20	5 - 10	
Depreciation rate		5 - 25%	2 - 5%		5%	10 - 20%	

1) Several large investment projects were completed in 2018 leading to significant transfers from assets under construction to the categories of Machinery/equipment and Buildings.
2) Impairment is mainly related to the Pilbara Nitrates plant, The Galvani assets held-for-sale, and the French and Italian plants. For more information, please see note 19 Impairment of non-current assets.
3) Includes net carrying value related to finance leases of USD 12 million in 2018.
4) Includes net carrying value related to finance leases of USD 14 million in 2018.

2017

USD millions, except percentages	Land	Machinery and equipment	Buildings	Asset under construction	Vessels	Other	Total
Cost							
Balance at 1 January	221	7,767	1,668	1,926	280	112	11,974
Addition at cost	1	354	69	984	-	3	1,410
Derecognition	(4)	(201)	(23)	(35)	-	-	(264)
Acquisition new companies	-	4	6	6	-	-	16
Transfers [1]	8	514	329	(844)	-	-	6
Foreign currency translation gain/(loss)	10	691	105	60	-	7	873
Balance at 31 December	235	9,128	2,153	2,097	280	121	14,016
Depreciation and impairment							
Balance at 1 January	(5)	(4,367)	(615)	(8)	(8)	(32)	(5,035)
Depreciation	-	(560)	(95)	-	(13)	(10)	(678)
Impairment loss [2]	(1)	(24)	(9)	(8)	-	-	(43)
Reversed impairment	-	2	-	-	-	-	2
Derecognition	-	172	15	-	-	-	187
Transfers	-	9	(14)	6	-	-	-
Foreign currency translation gain/(loss)	(1)	(431)	(50)	-	-	(2)	(483)
Balance at 31 December	(7)	(5,199)	(767)	(10)	(22)	(44)	(6,049)
Carrying value					-		
Balance at 1 January	216	3,400	1,052	1,918	272	80	6,939
Balance at 31 December	228	3,929 [3]	1,386 [4]	2,087	258	78	7,967
Useful life in years		4 - 20	20 - 50		20	5 - 10	
Depreciation rate		5 - 25%	2 - 5%		5%	10 - 20%	

1) The construction of one new factory was completed in 2017 leading to significant transfers from assets under construction to the categories of Machinery/equipment and Buildings.
2) Impairments are mainly related to the Montoir plant, the Helsingborg plant, and a Crop Nutrition sales unit in Africa. For more information, please see note 19 Impairment of non-current assets.
3) Includes net carrying value related to finance leases of USD 15 million in 2017.
4) Includes net carrying value related to finance leases of USD 14 million in 2017.

Assets used as security

Property, plant and equipment pledged as security was USD 28 million in 2018 (2017: USD 37 million).

Government grants

Government grants related to assets have been recognized as deduction to the carrying value by reducing "Addition at cost" with USD 10 million in 2018 (2017: USD 2 million).

Borrowing costs

The amount of borrowing cost capitalized amounted to USD 60 million in 2018 (2017: USD 71 million). The average rate for the borrowing cost capitalized was 4,7% in 2018.

Compensations

Compensations from insurance companies recognized in the consolidated statement of income amounted to USD 5 million in 2018 (2017: USD 1 million).

Note 15 Disposal group held-for-sale

Yara has signed an 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 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 2018 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.

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. 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 the reporting period 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 2018 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	-	-	-
Assets held-for-sale	201	5	206
Deferred tax liabilities	10	-	10
Long-term provisions	5	-	5
Long-term interest-bearing debt	-	-	-
Trade and other payables	10	-	10
Current portion of long-term debt	-	-	-
Liabilities directly associated with assets held-for-sale	26	-	26
Net assets held-for-sale	175	5	180

Note 16 Associated companies and joint ventures

2018

USD millions	Balance at 1 January	Investments/ (sale, and assets held-for-sale), net and long-term loans	Yara's share of net income/ (loss)	Amortization, depreciation and write-down	Total share of net income in equity-accounted investees	Dividends/ Repayment of capital	Posted directly in equity	Foreign currency translation and other	Balance at 31 December
Qafco	1,003	2 1)	71	-	71	(150)	1	8	934
Other	94	-	12	-	11	(6)	-	(7)	93
Total	1,096	2	82	-	82	(155)	1	1	1,027

1) Profit attributable to foreign shareholder (Yara) is subject to tax in Qatar. The tax is paid by Qafco, but refunded by Yara.

2017

USD millions	Balance at 1 January	Investments/ (sale, and assets held-for-sale), net and long-term loans	Yara's share of net income/ (loss)	Amortization, depreciation and write-down	Total share of net income in equity-accounted investees	Dividends/ Repayment of capital	Posted directly in equity	Foreign currency translation and other	Balance at 31 December
Qafco	980	0 1)	20	-	20	-	4	(1)	1,003
Other	88	(2)	10	-	10	(8)	-	7	94
Total	1,067	(2)	30	-	29	(8)	4	6	1,096

1) Profit attributable to foreign shareholder (Yara) is subject to tax in Qatar. The tax is paid by Qafco, but refunded by Yara.

Due to it being impractical to obtain financial report at the same reporting date as Yara uses, there is for some of the associated companies and joint ventures a lag of 1-3 months for the numbers included.

Ownership, sales and receivables/(payables)

USD millions, except percentages	Place of incorporation and operation	Percentage owned by Yara 2018 1)	Sales from Investees to Yara Group 2)		Yara's current receivables/ (payables) net with investees	
			2018	2017	2018	2017
Lifeco	Libya	50%	(87)	(65)	(1)	5
Other			(23)	(18)	1	1
Total			(111)	(83)	-	6

1) Equals voting rights.
2) Included in raw materials, energy cost and freight expenses.

Business in equity-accounted investees

Qafco (Qatar)

Yara is the owner of 25% of Qatar Fertiliser Company (S.A.Q.), ("Qafco"), the owner and operator of a fertilizer complex in Mesaieed in Qatar. The remaining 75% of Qafco is owned by Industries Qatar, a Doha Stock Market listed company, owned 51% by Qatar Petroleum, and the rest is shared between various Qatari funds and by general public. Qafco operates six ammonia plants and six urea plants. Qafco 5 and Qafco 6, the two newest ammonia and urea trains, commenced production during 2012. Total production capacity is approximately 3.7 and 5.7 million tons of ammonia and urea, respectively. Yara is buying a significant amount of Urea produced by Qafco from Muntajat, a Qatari company coordinating sales and marketing of chemical products produced in Qatar. Qafco has 70% ownership in Gulf Formaldehyde Company, which produces and sells Urea Formaldehyde Concentrate, mainly used in the urea production process. In addition, Qafco owns 60% of Qatar Melamine Company, which owns a melamine plant located at the Qafco site, and with a capacity of 60,000 tons per year.

Lifeco (Libya)

Yara owns 50% in Libyan Norwegian Fertilizer Company ("Lifeco"), while Libya's National Oil Corporation (NOC) and the Libyan Investment Authority (LIA) each hold a 25% stake. Lifeco owns and operates two urea and two ammonia plants with nominal capacity of approximately 850,000 tons of urea and 120,000 tons of merchant ammonia per year. More than 90% of the ammonia and urea from Lifeco is exported, and Yara is Lifeco's exclusive global export product distributor. In 2015, Yara made an impairment write-down of its investment in Lifeco of USD 112 million, which was triggered by the worsening security outlook in Libya. The plant has been operating since then, but with operating losses and at less than 50% load primarily due to highly insufficient gas supply and severe repeating technical problems of the plant due to the inability to bring foreign contractors to Libya as a result of the security situation. Yara is evaluating the security of the operation of the plants on an on-going basis in cooperation with the management and the other partners, with a view to protect the safety of the employees as well as the assets.

Financial information

The following table sets forth summarized unaudited financial information of Yara's associated companies and joint ventures based on a 100% combined basis. Yara's share of these investments, which is also specified above, is accounted for using the equity method. Qafco, Lifeco and others are all classified as associated companies.

Financial position

	31 December 2018			31 December 2017		
USD millions (unaudited, 100% basis)	Qafco	Lifeco	Others	Qafco	Lifeco	Others
Cash and cash equivalents	474	30	29	453	41	29
Current assets excluding cash and cash equivalents	514	108	173	432	116	215
Non-current assets	3,324	67	111	3,515	52	118
Current liabilities	(243)	(272)	(142)	(256)	(260)	(127)
Non-current liabilities	(81)	-	(18)	(87)	-	(18)
Non-controlling interest	(58)	-	(5)	(54)	-	(4)
Net assets	3,930	(67)	148	4,003	(51)	213
% Share of Yara	25%	50%		25%	50%	
Yara's share of total equity	983	(34)	85	1,001	(26)	115
Reclassified to assets held-for-sale	-	-	-	-	-	-
Tax effect of Qafco [1]	(48)			2		
Losses not recognized by Yara [2]	-	34	-	-	26	-
Goodwill and fair value adjustments	-	-	8	-	-	(21)
Yara's share of total equity (carrying amount)	934	-	93	1,003	-	93

1) Tax effect is tax on profit attributable to Yara from Qafco.The tax is paid by Qafco, but refunded by Yara.
2) Losses in excess of Yara's interest in Lifeco.

Income statement

		2018			2017		
USD millions (unaudited, 100% basis)		Qafco	Lifeco	Others	Qafco	Lifeco	Others
Total operating revenues		1,711	91	511	1,427	68	654
Interest income		-	-	3	37	-	3
Depreciation, amortization & impairment loss		(289)	(21)	(12)	(286)	(25)	(11)
Operating income		457	(46)	70	136	(55)	38
Interest expense		-	-	-	(29)	-	(8)
Income tax expense		-	-	(4)	-	-	(8)
Non-controlling interest		(5)	-	(2)	(6)	-	(2)
Net income (100%)	A	512	(45)	66	139	(57)	19
% Share of Yara		25%	50%		25%	50%	
Yara's share of net income		128	(23)	11	35	(29)	10
Tax effect of Qafco [1]		(50)			(12)		
Losses not recognized by Yara [2]		-	23		-	29	
Yara group elimination		(6)	-		(3)	-	
Currency translation effects [3]		(2)	-		-	-	
Yara's share of net income (as per books)		71	-	11	20	-	10
Net other comprehensive income that may be reclassified to profit and loss account in subsequent period		-	-	-	16	-	-
Net other comprehensive income that will not be reclassified to profit and loss account in subsequent period		6	-	-	-	-	-
Total other comprehensive income, net of tax (100%)	B	6	-	-	16	-	-
% Share of Yara		25%	50%		25%	50%	
Yara's share of other comprehensive income, net of tax		1	-	11	4	-	10
Total comprehensive income	C = A+B	518	(45)	66	155	(57)	19

1) Tax effect is tax on profit attributable to Yara from Qafco. The tax is paid by Qafco, but refunded by Yara.
2) Losses in excess of Yara's interest in Lifeco.
3) Certain financial information from equity-accounted investees is only collected once per year and translated at the average rate for the year. Deviations against figures reported and translated on a monthly basis can occur.

Note 17 Joint operations

Yara has three investments that are classified as Joint operations:

Yara Pilbara Nitrates

Yara Pilbara Nitrates owns a technical ammonium nitrate (TAN) plant next to Yara's ammonia plant in the Pilbara region of Australia. The plant has an annual production capacity of about 330.000 metric tons of TAN and will primarily supply the mining operations in the region. At 31 December 2018, the company is 50% owned by Yara and 50% by Orica.

Trinidad Nitrogen Co. Ltd. (Tringen)

Tringen owns an ammonia complex consisting of two separate ammonia plants which are managed and operated by Yara under a management and operating agreement. In addition, Yara provides marketing support through sales agency agreements. The two plants have an annual production capacity of about 1 million metric tons of ammonia which is mainly exported to other markets. Yara has a 49% ownership stake in Tringen, the remaining 51% of Tringen is owned by National Enterprises Limited, which is a publicly listed Company, in which the Government of the Republic of Trinidad and Tobago has majority shareholding.

Yara Freeport LLC DBA Texas Ammonia

Yara and the BASF Group have finalized construction of an ammonia plant at BASF's site in Freeport, Texas, US. Commercial operations commenced during the second quarter of 2018. BASF manages and operates the plant. The plant has an annual production capacity of about 750.000 metric tons of ammonia and each party will off-take ammonia from the plant in accordance with their ownership share. The company is 68% owned by Yara and 32% by BASF.

The following table shows the effect of consolidating joint operations according to IFRS 11 on Yara's financial statements. Yara Pilbara Nitrates is consolidated 50%, Tringen 49%, and Yara Freeport 68% (according to ownership share). The table is based on unaudited financial information of Yara's joint operations based on their IFRS financial statements.

Financial position

	31 Dec 2018				31 Dec 2017			
USD millions (unaudited)	Yara Pilbara Nitrates	Tringen	Yara Freeport LLC DBA Texas Ammonia	Yara's share of consolidated Joint Operations	Yara Pilbara Nitrates	Tringen	Yara Freeport LLC DBA Texas Ammonia	Yara's share of consolidated Joint Operations
Assets								
Deferred tax assets	18	-	-	18	4	-	-	4
Intangible assets	-	-	4	4	-	-	1	1
Property, plant and equipment	333	79	293	706	404	75	291	770
Other non-current assets	-	-	-	-	6	-	-	6
Total non-current assets	351	79	297	727	415	75	292	782
Inventories	3	12	3	18	3	12	-	14
External trade receivables	6	-	18	24	6	-	-	6
Internal trade receivables	-	7	-	7	-	8	-	8
Prepaid expenses and other current assets	1	24	-	25	1	18	-	20
Cash and cash equivalents	41	7	30	78	15	4	3	22
Total current assets	51	50	51	152	25	42	3	71
Total assets	403	129	349	881	440	117	295	853
Total equity	102	54	291	441	191	53	256	499
Liabilities								
Employee benefits	-	13	-	13	-	13	-	13
Deferred tax liabilities	-	8	3	16	-	6	3	8
Other long-term liabilities	45	-	4	49	-	-	13	13
Long-term provisions	15	-	-	15	17	-	-	17
External long-term interest bearing debt	-	10	20	31	-	12	-	12
Internal long-term interest bearing debt	218	-	-	218	218	-	-	218
Total non-current liabilities	278	31	33	342	235	31	16	282
External trade and other payables	11	15	31	56	10	19	23	52
Internal trade and other payables	1	1	-	2	2	3	-	5
Current tax liabilities	-	-	-	-	-	-	-	-
Short-term provisions	-	-	-	-	-	-	-	-
Other short-term liabilities	11	2	-	13	2	-	-	2
Bank loans and other short-term interest-bearing debt	-	25	-	25	-	12	-	12
Total current liabilities	23	44	31	98	14	33	23	71
Total equity and liabilities	403	129	349	881	440	117	295	853

Income statement

USD millions (unaudited)	2018				2017			
	Yara Pilbara Nitrates [1]	Tringen	Yara Freeport LLC DBA Texas Ammonia	Yara's share of consolidated Joint Operations	Yara Pilbara Nitrates	Tringen	Yara Freeport LLC DBA Texas Ammonia	Yara's share of consolidated Joint Operations
Revenue and other income	3	92	94	189	-	97	-	98
Operating costs and expenses	(98)	(84)	(88)	(270)	(21)	(85)	(5)	(111)
Operating income/(loss)	(95)	8	6	(81)	(21)	13	(5)	(13)
Earnings before interest expense and tax	(95)	8	6	(81)	(21)	13	(5)	(13)
Income before tax	(103)	6	6	(91)	(24)	12	(5)	(18)
Income tax expense	14	(3)	-	5	7	(5)	(1)	2
Net income	(88)	4	6	(85)	(17)	6	(6)	(17)

1) Included in «Operating costs and expenses» is an impairment of USD 50 million. See note 19 for more information.

Note 18 Other non-current assets

USD millions	Notes	2018	2017
Prepayments for long-term employee obligations	26	59	90
Equity investments at fair value through other comprehensive income	33	21	24
Interest rate swaps designated as hedging instrument	31,33	-	1
Cross currency swaps		-	2
Prepayment for property, plant and equipment		72	97
Tax and VAT receivables [1]		212	148
Long-term loans and receivables		56	98
Expected credit loss on long-term loans and receivables		(1)	-
Total	33	420	460

1) Whereof USD 207 million related to Brazil (2017: USD 140 million).

Note 19 Impairment on non-current assets

Recognized impairment loss

USD millions	2018	2017
Asset class		
Goodwill	(9)	(3)
Other intangible assets	(8)	(17)
Property, plant and equipment	(136)	(43)
Total impairment of non-current assets	(152)	(62)
Reversal of impairment of non-current assets	3	2
Net impairment loss	(150)	(60)

USD millions	2018	2017
Segment split		
Production	(122)	(22)
Crop Nutrition	(28)	(20)
Industrial	-	(19)
Other	-	1
Net impairment loss	(150)	(60)

Impairment charges in 2018

Impairment of goodwill and intangible assets is mainly related to assets in Galvani reclassified to held-for-sale. More information is provided in note 15.

The largest impairment of property, plant and equipment is the partial impairment of the TAN plant in Pilbara, Australia, which accounts for USD 50 million of the total amount. This newly built TAN plant is owned by Yara Pilbara Nitrates which again is a 50% owned joint operation in Yara's Production segment. The plant is currently not producing and repair work is ongoing. Impairment of property, plant and equipment includes a USD 24 million impairment on Yara's production plants in Italy. These plants have also been disclosed as highly sensitive for impairment in previous periods. The impairment charge was mainly caused by slightly reduced production volume forecasts. In addition to the impairment of goodwill and intangible assets, property, plant and equipment in Galvani reclassified to held-for-sale have also been impaired with USD 21 million. More information is provided in note 15.

The remaining impairment charge comprises a number of smaller impairments, of which the largest are related to an additional impairment of the Montoir plant in France with USD 13 million, and an impairment of a fertilizer distribution terminal in North America with USD 15 million due to local market conditions.

Impairment charges in 2017

Impairment of intangible assets was mainly related to technology rights for small scale production of ammonium nitrate with USD 9 million, following a decision by Yara to discontinue the development of a pilot plant in Porsgrunn. The charge was reflected in the Industrial segment, together with related impairment of property, plant and equipment of USD 5 million. The decision to discontinue the pilot plant construction was taken after a review of Yara's capital allocation principles.

The largest impairment of property, plant and equipment during 2017 was related to the Montoir plant (France) with USD 18 million. The loss was triggered by a further reduction in forecasted sales prices. The Montoir plant is one of Yara's smallest fertilizer plants, with an annual production capacity of approximately 300,000 tonnes nitrate and 300,000 tonnes NPK. In addition to small scale, the plant has limited export opportunities and is exposed to lower profitability in its home market. The remaining impairment charge comprises a number of smaller impairments, of which the largest was related to a fertilizer terminal in Africa with USD 7 million.

Impairment testing

The mandatory impairment testing of cash generating units (CGUs) with allocated goodwill or assets with indefinite useful life are carried out during fourth quarter each year. Yara has also performed testing of other CGUs with various impairment indicators. The recoverable amounts for units with allocated goodwill have been determined based on "value-in-use".

Main assumptions

Discount rate

Discount rates used in the calculation of "value-in-use" reflect the current market assessment of the risks specific to each cash generating unit. The discount rates were estimated based on the weighted average cost of capital for the industry. This rate was further adjusted to reflect the currency in which the CGU operates and market assessments of any risk specific to the CGU for which future estimates of cash flows have not been adjusted.

Currency rates and inflation

The value-in-use calculation is performed in the most relevant currency for the CGU. When converting foreign currency cash flows to the testing currency, Yara uses the forecasted annual average rates estimated by IHS based on the "purchasing power parity" (PPP) principle. The projections include long term inflation (CPI) in which each CGU is located.

Testing of Production plants

The valuation of Yara's production plants are based on Yara's long-term commodity price and energy price forecasts. Due to the cyclicality of the fertilizer industry, Yara includes cash flow projections for a longer period than five years. Despite a relatively steady growth in market demand, history shows that there are periods with oversupply. Yara's internal commodity forecasts reflect its assessment of the supply/demand balance in the short to medium term. After a period of maximum eight years, all the main commodity sales price assumptions reflect an annual nominal growth that are not exceeding the relevant inflation rates. The main assumptions for the impairment testing of Yara's plants are:

- Fertilizer prices
  The urea price is the most important assumption when testing nitrogen fertilizer plants for impairment, as urea is the global price setter for commodity nitrogen. Yara's nitrate and NPK prices are estimated using urea as the base adding the estimated premiums on top of the commodity value of the nutrient. These premiums reflect an agronomic value-add of the products, and the estimated premiums for each plant are based on historically achieved premiums above the Yara average premium in main markets. For both NPK and nitrates, internally developed forecasts are used since there are no active forward markets for these products. External market intelligence reports are used as one of many input factors.

- Ammonia prices
  For a number of Yara's plants, the ammonia price is a key assumption for calculating the value-in-use. Some plants are net buyers of ammonia, in which case increased ammonia prices has a negative impact on earnings while other plants are net sellers of ammonia and these plants will benefit from higher ammonia prices. Internally developed price forecasts are used since there is no active forward market for ammonia. External market intelligence reports are used as one of many input factors.

- Natural gas purchase prices
  Natural gas is the most important cost factor for several of Yara's production plants. Yara maximizes the use of observable gas market input for the purpose of impairment testing. For certain regions, where no liquid market for natural gas exists, Yara prepares internal forecasts based on the expected supply/demand balance.

- Production reliability
  Production reliability is important for the plants' profitability as this impacts both the production volume and the energy consumption factor (energy per ton produced). The reliability assumption is plant specific, taking into consideration the historical experienced reliability and implemented improvement initiatives.

- Capital expenditures
  Ammonia and finished fertilizer plants require significant maintenance investments. The estimated amounts reflect past experience and plant specific knowledge. To the best of management's judgment, estimated capital expenditures do not include capital expenditures that enhance the current performance of assets and related cash flows have been treated consistently.

Testing of Crop Nutrition and Industrial units
Crop Nutrition markets and distributes a complete range of crop nutrition products, technologies and knowledge globally. The Industrial segment develops and markets environmental solutions and essential products for industrial applications. By combining knowledge with the product, both segments are able to create value over and above the commodity value of the product. The premiums and earnings generated in these two segments are generally more stable than in the Production segment, which is exposed to price volatility on both sales prices and input costs. Management forecasts are used for a period not exceeding five years with the first year derived from the CGU's business plan. After a period of five year, Yara uses a steady growth rate that is not exceeding the growth for the products, industry or countries in which the CGUs operate. The growth rate is maximum 2% (nominal) after year five.

Cash generating units with goodwill

Goodwill acquired through business combinations have been allocated to these CGUs, presented together with the applicable discount rates used for the impairment testing:

	Goodwill		Discount rate pre-tax	
USD millions, except percentages	2018	2017	2018	2017
Production				
Belle Plaine (Canada)	259	281	10.5%	8.2%
Pilbara Ammonia (Australia)	111	111	9.1%	8.0%
Finland	90	95	7.7%	6.5%
Galvani (Brazil)	42	58	16.3%	16.1%
Ammonia trade and supply (Switzerland)	55	55	8.9%	7.4%
Yara Dallol (Ethiopia)	-	-	14.8%	15.0%
Other Production [1]	8	9		
Total Production	566	608		
Crop Nutrition				
Crop Nutrition segment allocation	83	83	11.2%	10.2%
Brazil	42	50	14.5%	12.2%
Belle Plaine (Canada)	15	16	9.8%	7.2%
Latin America	15	16	17.3%	13.9%
Yara India	35	-	11.7%	
Other Crop Nutrition [1]	47	50		
Total Crop Nutrition	236	215		
Industrial				
Environmental Solutions Stationary	8	9	10.2%	9.4%
Environmental Solutions Maritime	18	19	8.3%	9.4%
Other Industrial [1]	14	15		
Total Industrial	41	43		
Total	842	866		

1) Goodwill presented within "Other" per segment are allocated to various cash generating units but presented together due to materiality.

Sensitivities for main CGUs with allocated goodwill

Production Belle Plaine

The Production site has one ammonia plant, one nitric acid plant and one urea granulation plant, with an annual production capacity of 0.7 million tonnes ammonia, 0.1 million tonnes nitric acid, 1.1 million tonnes urea and 0.3 million tonnes UAN. The majority of the ammonia and nitric acid produced is used in the production of UAN and granular urea, but some of the ammonia is sold for agricultural purposes during peak ammonia seasons. The CGU's value-in-use is significantly higher than the carrying amount. No reasonable possible change in any of the key assumptions would cause the unit's recoverable amount to be lower than the carrying value.

Production Pilbara Ammonia (Australia)

This is an ammonia plant located in Western Australia with an annual production capacity of approximately 0.9 million tonnes. The CGU has a carrying amount of USD 848 million and a value-in-use that is 27% higher. The key assumptions for the testing are the ammonia selling price, the natural gas cost after the expiration of the long-term gas contract in 2022 and the discount rate. An individual reduction of the ammonia price of 8% for all years, an increase of the natural gas cost after 2022 of 18% or an increase of the post-tax discount rate of 2% points would reduce the headroom to nil.

Production Finland

Production Finland has several production sites. The Siilinjärvi site produces mainly NPK fertilizers and phosphoric acid, but also other industrial chemicals. It consists of several plants in addition to a mine. Uusikaupunki has three nitric acid plants as well as two fertilizer plants producing for the Finnish market and for export. Kokkola produces mainly potassium sulfate for the Mediterranean and Chinese markets and feed phosphates for markets worldwide. The CGU has a carrying amount of USD 955 million and a value-in-use that is significantly higher. The key assumptions for the testing are the urea selling price, the ammonia purchase price and the discount rate. No reasonable possible change in any of the key assumptions would cause the unit's recoverable amount to be lower than the carrying value.

Production Galvani (Brazil)

Galvani, which is a subsidiary owned 60% by Yara, is engaged in phosphate mining, production of Single Super Phosphate (SSP) and distribution of fertilizers in Brazil. During 2018, Yara signed an agreement to acquire the 40% non-controlling interest. As part of the deal certain assets and liabilities will be transferred to the non-controlling interest. These assets and liabilities are separately tested for impairment and reclassified to disposal group held-for-sale. More information about the disposal group is provided in note 15. Remaining assets are mainly related to the industrial complex of Paulinia 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 rock and 1.5 million tonnes of finished fertilizer (SSP equivalents). The related chemical plant is expected to commence operations late 2019. The CGU has a carrying amount of USD 690 million and a value-in-use that is 40% higher. Key assumptions for the impairment testing are the long term DAP selling price and the discount rate. The DAP price assumption is based on Yara's own projections. A DAP price reduction of 10% in the forecast period would reduce the headroom to nil. An increase to the post-tax discount rate of 3% points would also reduce the headroom to nil.

Production Ammonia Trade (Switzerland)

The global ammonia trade and supply unit is supplying and/or off-taking the necessary ammonia volumes for Yara's production plants. The CGU also includes five Yara owned LPG carriers. No reasonable possible change in any of the key assumptions would cause the unit's recoverable amount to be lower than the carrying value.

Production Yara Dallol (Ethiopia)

The company is developing a potash resource in Dallol in the Danakil Depression of Ethiopia. In February 2015, Yara announced that an independent study identified an annual production of 0.6 million tonnes sulphate of potash (SOP) over 23 years from the reserves. Yara signed a mining agreement with the Ethiopian authorities in 2017. The CGU has a remaining carrying amount of USD 185 million and a value-in-use that is approximately 15% higher. The cash inflow for this project starts several years in to the future and there are multiple uncertainties related to the project's profitability, mineability of the reserves, financing, required infrastructure and necessary governmental permits. Any negative adjustments could trigger a decision to stop the project and a resulting impairment loss. An isolated increase in the post-tax discount rate of more than 0.4% points would trigger additional impairment.

Crop Nutrition segment allocation

The goodwill in relation to fertilizer trade and supply is tested on Crop Nutrition segment level since the organization is serving all business units within the segment. No reasonable possible change in any of the key assumptions would cause the unit's recoverable amount to be lower than the carrying value.

Crop Nutrition Brazil

The CGU is involved in SSP production, blending and distribution through 21 locations, delivering approximately 9 million tonnes of fertilizers and covering one fourth of the Brazilian market demand. This is mainly a pure distribution business where the main cost base and the selling prices are highly correlated. The CGU has a carrying amount of USD 926 million and a value-in-use that is 76% higher. The business plan for 2019 is the most important input factor, together with the discount rate and the terminal growth rate. A terminal growth rate of 2% (nominal) is used after year five. No reasonable possible change in any of the key assumptions would cause the unit's recoverable amount to be lower than the carrying value.

Crop Nutrition Latin America

Business unit Crop Nutrition Latin America comprises 15 blending units with a capacity of 2 million tonnes and distribution network that includes Mexico, Guatemala, Costa Rica, Panama, Colombia, Ecuador, Peru, Bolivia, Chile and Argentina. The production facility in Cartagena has one ammonia plant, three nitric acid plants, one NPK plant, three ammonium nitrate solution units and one calcium nitrate plant. The CGU has a carrying amount of USD 597 million and a value-in-use that is slightly higher. The business plan for 2019 is the most important input factor, together with the discount rate and the annual growth rate. An isolated reduction to the projected EBITDA during the five year projected period of 3%, a reduction to the terminal growth rate after year five of 0.6% points or an increase to the post-tax discount rate of 0.4% points would reduce the headroom to nil.

Crop Nutrition India

Yara acquired Tata Chemicals Limited's urea business in India on 12 January 2018 which included the Babrala urea plant and the related distribution business. The plant produces 0.7 million tonnes ammonia and 1.2 million tonnes urea. The CGU includes Yara's preexisting Crop Nutrition activity. The CGU has a carrying amount of USD 390 million and a value-in-use that is 35% higher. The premium product sales growth is the most important assumption together with the discount rate. The premium product sales growth is estimated for the first five years and a terminal growth of 2% as been used in the valuation model. An isolated reduction to the projected volumes of premium product sales during the first five years of 50% or an isolated increase to the post-tax discount rate of 3% points would reduce the headroom to nil.

Sensitivities for main CGUs with no allocated goodwill

Yara has performed testing of several CGUs with impairment indicators. The impairments recognized during 2018 are explained above.

Some of the CGUs that were tested based on impairment indicators presented low headroom between the recoverable value, calculated based on value-in-use, and their carrying values. The main CGUs that are sensitive are described below:

Production Yara Pilbara Nitrates

The joint operation Yara Pilbara Nitrates owns a TAN plant in Australia. Remaining carrying value after the impairment recognized in 2018 is USD 345 million, representing Yara's 50% ownership stake. The investment is highly sensitive for additional impairments. The plant is currently not producing and repair work is ongoing. Any new information in relation to the ongoing repair work may lead to additional impairment charges. The key assumptions are the TAN margin above ammonia cost, which is estimated for the TAN market in Western Australia, and the discount rate (9.2% on pre-tax basis). An individual reduction to the margin above ammonia cost of 10% would trigger an additional impairment of USD 65 million. An increase in the post-tax discount rate of 1% point would trigger an additional impairment of USD 60 million.

Production Italy

Production Italy comprises two sites, with an annual production capacity of 0.6 million tonnes ammonia, 0.4 million tonnes nitrates, 0.6 million tonnes urea and 0.4 million tonnes NPK. The CGU has a remaining carrying value of USD 187 million after the impairment recognized in 2018. The CGU is highly sensitive for additional impairment. The projected urea price, natural gas purchase price and the discount rate (10.8% on pre-tax basis) are the key assumptions. An individual reduction to the urea price of 10% for all years would trigger an additional impairment of USD 163 million. An increase in the natural gas purchase price of 10% would trigger an additional impairment of USD 163 million. An increase in the discount rate of 1% point would trigger an additional impairment of USD 17 million.

Production Tertre

Yara's production site in Tertre, Belgium comprises one ammonia plant, one nitric acid plant and one nitrates plant, with an annual production capacity of 0.4 million tonnes ammonia, 0.7 million tonnes nitric acid and 1 million tonnes nitrates. The majority of the ammonia and nitric acid produced is used in the production of nitrates, which are sold to various European markets. The CGU has a carrying amount of USD 234 million and a value-in-use that is 23% higher. The key assumptions for the testing are the urea price, the natural gas cost and the discount rate. An individual reduction of the urea price of 2% for all years, an increase of the natural gas cost of 4% or an increase of the post-tax discount rate of 2% points would reduce the headroom to nil.

Future potential reversals of impairment

Yara has recognized impairment losses on several CGUs over time. These impairments will be reversed, fully or partly, when and if the situation improves and the recoverable value is determined to be higher than the carrying amount. The increased carrying amount cannot exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior periods.

The table below provides an overview of the main CGUs with impairments, presented with the maximum amount of potential reversals at year-end 2018 and the key conditions for such reversals to materialize.

USD millions	Asset class	Potential reversals YE 2018	Key conditions for reversals
Montoir plant (France)	Property, plant and equipment	77	Fertilizer price increase
Yara Pilbara Nitrates (Australia)	Property, plant and equipment	50	Stable production and TAN price increase
Lifeco (Libya)	Equity-accounted investee (associate)	49	Improved political situation in Libya, more stable gas supply and urea price increase
Trinidad plant (Trinidad & Tobago)	Property, plant and equipment	45	Ammonia price increase and more stable gas supply
Qafco (Qatar)	Equity-accounted investee (associate)	33	Melamin price increase
Production (Italy)	Property, plant and equipment	24	Volume increase, fertilizer price increase

Note 20 Inventories

USD millions	2018	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)
New write-downs recognized during the year	(40)	(35)
Write-downs reversed due to product sold	29	15
Write-downs reversed, other	12	12
Foreign currency translation gain/(loss)	1	(2)
Balance at 31 December	(24)	(27)

No inventories were pledged as security at end of 2018 or 2017. See note 34 for more information.

Note 21 Trade receivables

USD millions	Notes	2018	2017
Trade receivables		1,707	1,505
Allowance for expected credit loss		(106)	(107)
Total [1]	31,33	1,601	1,398

1) Of the total balance of USD 1,601 million about 700 refers to credit insured receivables.

Movement in allowance for expected credit loss

USD millions	Notes	2018	2017
Balance at 1 January		(107)	(93)
Implementation effect IFRS 9	41	(3)	-
Lifetime expected credit losses recognized for existing business		(26)	(23)
Amounts written off as uncollectible		5	2
Lifetime expected credit losses reversed		12	9
Foreign currency translation gain/(loss)		8	(2)
Companies sold		6	-
Other changes		1	-
Balance at 31 December		(106)	(107)

Aging analysis of trade receivables at 31 December

Gross trade receivables

USD millions	Total	Not past due gross trade receivables [1]	Past due gross trade receivables			
			< 30 days	30 - 90 days	91 - 180 days	> 180 days
2018	1,707	1,368	128	58	26	127
2017	1,505	1,204	125	39	19	118

Net trade receivables

USD millions	Total	Neither past due nor impaired	Past due but not impaired			
			< 30 days	30 - 90 days	91 - 180 days	> 180 days
2018	1,601	1,364	126	56	23	32
2017	1,398	1,203	121	37	17	20

Impairment of trade receivables

USD millions	Total	Impairment on not past due receivables	Impairment on past due receivables			
			< 30 days	30 - 90 days	91 - 180 days	> 180 days
2018	(106)	(3)	(2)	(1)	(3)	(95)
2017	(107)	(1)	(3)	(2)	(1)	(98)

1) Included in this amount is USD 121 million receivable against the Government of India with no specific due date. Of this amount, USD 91 million is recognized more than 180 days ago. The accounting policy for recognition of urea sales in India is provided on page 70.

Note 22 Prepaid expenses and other current assets

USD millions	Notes	2018	2017
VAT and sales related taxes		146	147
Foreign exchange contracts		5	3
Prepaid income taxes		197	158
Prepaid expenses		235	141
Other current assets		117	146
Contracts assets	6	42	12
Expected credit loss on other current assets		(1)	-
Total	33	741	607

Note 23 Cash and cash equivalents

USD millions	Notes	2018	2017
Cash and cash equivalents	33	202	544

Expected credit loss provision on bank deposits is USD 0.4 million (2017: 0).

External bank deposits that are not available for use by the group at 31 December 2018 have a carrying value of USD 52 million (2017: USD 24 million), mainly related to cash held by joint operations. More information about bank deposits and dividend resolutions in subsidiaries with significant non-controlling interests is provided in note 25.

The average interest rate for liquid assets is approximately 2.2% as of 31 December 2018 (2017: 1.2%).

Yara minimizes the counterparty exposure by keeping its cash deposits in various Nordic and international banks with established limits for exposure towards each institution.

Note 24 Share information

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 also 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 canceled. 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 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 canceled 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.

Yara has one class of shares, all with equal voting rights and the right to receive dividends.

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

1) As approved by General Meeting 8 May 2018.

Note 25 Non-controlling interests

Summarized financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below.

2018

USD millions	Total at 1 January	Share of profit	Dividend distributed	Disposals	Share capital increase	Foreign currency translation	Total at 31 December
Galvani Industria, Comercio e Servicos S.A.	194	(17)	(2)	-	-	(28)	148
Yara Dallol B.V.	69	(2)	-	-	2	-	69
Other	16	-	-	(6)	-	-	10
Total	280	(19)	(2)	(6)	2	(28)	227

2017

USD millions	Total at 1 January	Share of profit	Dividend distributed	Disposals	Share capital increase	Foreign currency translation	Total at 31 December
Galvani Industria, Comercio e Servicos S.A.	192	6	-	-	-	(3)	194
Yara Dallol B.V.	64	(2)	-	(2)	9	-	69
Other	14	2	-	-	-	1	16
Total	270	5	-	(2)	9	(2)	280

Place of incorporation and percentage of non-controlling interests

Company name	Place of incorporation	Percentage non-controlling interests [1] 2018	Percentage non-controlling interests [1] 2017
Galvani Industria, Comercio e Servicos S.A.	Brazil	40.00%	40.00%
Yara Dallol B.V. [2]	The Netherlands	45.89% [3]	46.88%

1) Equals voting rights.
2) Place of operations is Ethiopia.
3) The ownership percentage of non-controlling interests is reduced by 0.99 percentage points in 2018.

Restrictions and other information related to significant non-controlling interests

A dividend resolution by Galvani requires the approval by 75% of the voting shares, providing the non-controlling interest with a protective right. At 31 December 2018, Galvani held USD 29 million in cash and cash equivalents. The budget and business plan for the mining development projects require consent from at least one board member representing the non-controlling interest while approval of the budget and business plan for the ongoing business is controlled by Yara. The non-controlling interest is also provided with other protective rights. See note 4 and 15 for further information related to Galvani.

The shareholders in Yara Dallol have agreed that no dividends shall be distributed from the company before the start of production. After that, the company shall pay out as much as permitted by applicable law and possible restrictions in future financing agreements. At 31 December 2018, Yara Dallol held USD 5 million in cash and cash equivalents (2017: USD 9 million).

Financial position for companies with significant non-controlling interests

USD millions	2018 Galvani	2018 Yara Dallol	2017 Galvani	2017 Yara Dallol
Current Assets	100	8	153	16
Non-current assets	966	212	861	198
Current liabilities	(633)	(10)	(430)	(11)
Non-current liabilities	(38)	(25)	(98)	(25)
Equity attributable to owners of the company	(442)	(117)	(292)	(110)
Non-controlling interests	(148)	(69)	(194)	(69)

Income statement for companies with significant non-controlling interests

USD millions	2018 Galvani	2018 Yara Dallol	2017 Galvani	2017 Yara Dallol
Total operating revenues and other income	238	-	235	-
Expenses	(280)	(5)	(219)	(4)
Net income/(loss)	(42)	(5)	15	(4)
Net income attributable to shareholders of the parent	(25)	(3)	9	(2)
Net income attributable to non-controlling interests	(17)	(2)	6	(2)
Net income/(loss)	(42)	(5)	15	(4)
Other comprehensive income attributable to shareholders of the parent	(43)	-	(5)	-
Other comprehensive income attributable to non-controlling interests	(28)	-	(3)	-
Other comprehensive income/(loss) for the year	(71)	-	(8)	-
Total comprehensive income attributable to shareholders of the parent	(68)	(3)	4	(2)
Total comprehensive income attributable to non-controlling interests	(45)	(2)	3	(2)
Total comprehensive income/(loss) for the year	(113)	(5)	7	(4)
Net cash inflow/(outflow) from operating activities	542	(2)	(20)	(4)
Net cash inflow/(outflow) from investing activities	(183)	(15)	(188)	(4)
Net cash inflow/(outflow) from financing activities	(342)	12	202	15
Net cash inflow/(outflow)	17	(4)	(7)	8

Note 26 Pensions and other long-term employee benefit obligations

The Group companies provide various retirement plans in accordance with local regulations and practices in the countries in which they operate.

Defined benefit plans are generally based on years of service and average or final salary levels, offering retirement benefits in addition to what is provided by state pension plans. Most of the defined benefit plan obligations are covered by external insurance companies or by pension funds. By definition, both investment risk and actuarial risk (i.e. the actual level of benefits to be paid in the future) are retained by the Group companies.

Defined contribution plans require the companies to make agreed contributions to a separate fund when employees have rendered services entitling them to the contributions. The companies have no legal or constructive obligation to pay further contributions.

Some companies make contributions to multi-employer pension plans included in a joint arrangement with others. All multi-employer plans are accounted for as defined contribution plans.

Some companies have recognized provisions for jubilee benefits, which are classified as Other long-term employee benefits.

Long-term employee benefit obligations recognized in the statement of financial position

USD millions	Notes	2018	2017
Defined benefit plans		(468)	(422)
Surplus on funded defined benefit plans		59	90
Net liability for defined benefit plans		(410)	(331)
Termination benefits		(3)	(4)
Other long-term employee benefits		(14)	(13)
Net long-term employee benefit obligations recognized in Statement of financial position		(426)	(348)
Of which classified as Prepayments for long-term employee obligations	18	59	90
Of which classified as Long-term employee benefit obligations		(485)	(439)

Expenses for long-term employee benefit obligations recognized in the statement of income

USD millions	Notes	2018	2017
Defined benefit plans		(49)	(44)
Defined contribution plans		(31)	(29)
Multi-employer plans		(9)	(9)
Termination benefits		(19)	(35)
Other long-term employee benefits		(9)	(2)
Net expenses recognized in Statement of income		(117)	(119)
Of which classified as Payroll and related costs	8	(110)	(111)
Of which classified as Interest expense and other financial items	10	(7)	(8)

Defined benefit plans

Yara International ASA and Norwegian subsidiaries have incurred obligations under a funded defined benefit plan. The pension plan was closed to new entrants in 2006 and employees below the age of 55 at that time received a paid-up policy for previously earned benefit entitlements. The defined benefit plan was replaced by a defined contribution plan from the same date. Further pension obligations in Norway include certain unfunded pension arrangements as well as early retirement schemes. Retirement age is flexible from age 62 to age 67.

A majority of Yara's obligations under defined benefit plans are related to subsidiaries within the Eurozone:

Employees of Yara's Dutch subsidiaries hired before 1 August 2014 are members of a funded Defined Benefit pension plan. Employees born before 1950 and who were in service before 2006 are entitled to a pension scheme based on final salary at the age of retirement. The other employees are members of an Average Pay scheme. Retirement age was increased from 67 to 68 at the end of 2017. The funded Defined Benefit pension plan has been closed for new members from 1 August 2014. New hires are enrolled in a Defined Contribution pension plan from the same date.

Obligations in Finland include the statutory TyEL pension scheme, as well as an additional company paid defined benefit plan which is closed to new entrants. Both schemes are covered by pension funds. The TyEL pension scheme provides for a flexible retirement age from 63 to 68 based on the employee's salary each year and with accelerated earning of retirement benefits beyond the age of 63. A reform of the Employees Pensions Act was agreed in 2017, which will gradually increase the minimum retirement age from 63 to 65 while also gradually increase the maximum retirement age from 68 to 70. Further, accrual rates will change and retirement age will be linked to life expectancy (from year 2027). The additional company paid pension plan regulations have also been amended in order to adapt to the revised pension legislation.

Subsidiaries of Yara are also liable to retirement benefits in France, Germany, Belgium and Italy within the Eurozone.

Yara sponsors a funded defined benefit pension plan for qualifying UK employees. Under the fund, employees are entitled to annual pensions on retirement at age 62 of 1/57th of final pensionable salary for each year of service (some members have a retirement age of 65 and accrue at a rate of 1/60). Benefits are also payable on death and following other events such as withdrawing from active service. The plan was closed for new members from 2001. Broadly, about 16% of the liabilities are attributable to current employees, 21% to former employees and 63% to current pensioners.

Other defined benefit plan obligations include employees of subsidiaries in Sweden, Trinidad and South Africa.

Most defined benefit plans include benefits in case of disability, death in service and death after retirement, which are included in the valuation of liabilities.

The provision for defined benefit plans also includes liabilities for medical plans in Great Britain, Trinidad, Brazil and South Africa with a total of USD 17 million (2017: USD 10 million). The increase is due to the Cubatão acquisition.

Pension cost recognized in statement of income

The assumptions used to value the defined benefit obligations at 31 December are used in the following year to determine the net pension cost. The discount rate is used to calculate the interest income from plan assets.

The following items have been recognized in the statement of income

USD millions	2018	2017
Current service cost	(39)	(42)
Contribution by employees	3	4
Administration cost	(2)	(2)
Past service cost [1]	(4)	3
Curtailment	-	2
Other	-	1
Social security cost	(1)	(1)
Payroll and related costs	(42)	(36)
Interest expense on obligation	(46)	(43)
Interest income from plan assets	39	34
Net interest expense on the net obligation	(7)	(8)
Net pension cost recognized in Statement of income	(49)	(44)

1) The past service cost of USD 3 million in 2018 is due to a ruling by the High Court in the UK, which establishes that certain pension schemes are required to equalize benefits to address inequalities in Guaranteed Minimum Pensions (GMP) between men and women. Affected pension schemes are those that used to contract out of the State Earnings Related Pension Scheme before 1997, which had to provide GMP. The past service cost gain of 2017 of USD 3 million reflects a gain of USD 7 million arising from a pension increase exchange exercise, and a loss of USD 4m in the Dutch pension plan due to plan amendments involving increased retirement age from 67 to 68 years as well as increased pension accrual rate.

USD millions	2018	2017
Payroll and related costs		
Finland	(6)	(8)
The Netherlands	(13)	(17)
Great Britain	(6)	4
Norway	(6)	(8)
Net interest income/(expense) on the net obligation/asset		
Finland	-	-
The Netherlands	1	(1)
Great Britain	(1)	(2)
Norway	(1)	(1)

Remeasurement gains/(losses) recognized in other comprehensive income

USD millions	2018	2017
Remeasurement gains/(losses) on obligation for defined benefit plans	(11)	47
Remeasurement gains/(losses) on plan assets for defined benefit plans	(65)	65
Increase in recognized liability for defined benefit plans due to minimum funding requirement [1]	(8)	(27)
Net remeasurement gains/(losses) for defined benefit plans	(84)	84
Change in deferred tax related to remeasurement gains/(losses) for defined benefit plans [2]	10	(20)
Remeasurement gains/(losses) recognized from equity-accounted investees (net of tax)	1	-
Total remeasurement gains/(losses) recognized in other comprehensive income	(73)	64

1) Yara (UK) Ltd is committed to pay an annual contribution until 2022 in order to make good a funding deficit. Present value of future contributions will lead to an unrecognized surplus based on current IAS 19 valuation, and as Yara does not have an unconditional right to recoup any surplus arising in the Fund, an additional liability needs to be recognized.
2) Includes impact from reduction of tax percentage.

Remeasurement gains and losses include experience adjustments, reflecting the difference between estimated and actual changes in obligations and plan assets during the year, as well as the impact of change in demographic and financial assumptions when measuring the present value of pension liabilities at year-end with revised assumptions. Remeasurement gains and losses are permanently recognized directly in retained earnings in the period in which they occur.

Actuarial valuations provided the following results

USD millions	2018	2017
Present value of fully or partially funded liabilities for defined benefit plans	(1,799)	(1,870)
Present value of unfunded liabilities for defined benefit plans	(248)	(253)
Present value of liabilities for defined benefit plans	(2,047)	(2,123)
Fair value of plan assets	1,688	1,835
Recognized liability for defined benefit plans due to minimum funding requirement	(34)	(28)
Social security tax liability on defined benefit plans	(16)	(16)
Net liability recognized for defined benefit plans	(410)	(331)

Defined benefit obligations and plan assets by origin

	2018		2017	
USD millions	Obligations	Assets	Obligations	Assets
Finland	(341)	307	(363)	340
The Netherlands	(679)	620	(648)	679
Other Eurozone	(266)	103	(273)	100
Great Britain [1]	(412)	377	(471)	423
Norway [2]	(288)	220	(305)	233
Other	(111)	61	(107)	59
Total	(2,097)	1,688	(2,166)	1,835

1) Including liability for minimum funding requirement.
2) Including social security tax liability.

Development of defined benefit obligations

USD millions	2018	2017
Defined benefit obligation at 1 January	(2,123)	(1,937)
Current service cost	(39)	(42)
Interest cost	(46)	(43)
Experience adjustments	8	20
Effect of changes in financial assumptions	(37)	15
Effect of changes in demographic assumptions	18	12
Past service cost [1]	(4)	3
Curtailments	-	2
Benefits paid	83	76
Obligation assumed upon acquisition of business [2]	(5)	-
Transfer of obligation (in)/out	(3)	(3)
Other	-	(10)
Foreign currency translation on foreign plans	100	(215)
Defined benefit obligation at 31 December	(2,047)	(2,123)

1) The past service cost of USD 3 million in 2018 is due to a ruling by the High Court in the UK, which establishes that certain pension schemes are required to equalize benefits to address inequalities in Guaranteed Minimum Pensions (GMP) between men and women. Affected pension schemes are those that used to contract out of the State Earnings Related Pension Scheme before 1997, which had to provide GMP. The past service cost gain of 2017 of USD 3 million reflects a gain of USD 7 million arising from a pension increase exchange exercise, and a loss of USD 4 million in the Dutch pension plan due to plan amendments involving increased retirement age from 67 to 68 years as well as increased pension accrual rate.
2) Related to the acquisition of Cubatão.

Development of plan assets

USD millions	2018	2017
Fair value of plan assets at 1 January	1,835	1,539
Interest income from plan assets	39	34
Administration cost on plan assets	(2)	(2)
Return on plan assets (excluding the calculated interest income)	(65)	65
Employer contributions	32	69
Employees' contributions	3	4
Benefits paid	(71)	(64)
Transfer of plan assets in/(out)	3	3
Other	-	10
Foreign currency translation on foreign plans	(88)	177
Fair value of plan assets at 31 December	1,688	1,835

Depending on local regulations, Yara may be required to ensure a certain funding level of the pension plans. In the UK Yara is paying an annual contribution until 2022 in order to make good a funding deficit determined in the actuarial valuation of 2017. In The Netherlands, an agreement is in place in which Yara will need to ensure a minimum level of funding by making additional contribution to the fund. On the other hand, Yara will be able to recover parts of the contribution which has been paid to the fund, in case the funding ratio reaches a certain level. In Norway, Yara may be required to increase the capital buffer of the pension fund.

The pension funds have the legal form of foundations, independently governed by their Board of Directors or Board of Trustees. It is the responsibility of the Board to determine the investment strategy, and to review the administration of plan assets and the funding level of the pension plans.

Yara's defined benefit plan obligations are inherently exposed to inflation risk, interest rate risk and longevity risk. The investment strategies of the pension funds ensure diversement of investments in order to keep market volatility risk at a desired level. An exception is the pension fund of Yara in Finland, which has invested about 1/3 of the fair value of plan assets into shares of non-listed Pohjolan Voima Oy, a company producing electricity and heat for its shareholders on an at cost-basis. The Boards of the pension funds are targeting a satisfactory level of risk and return corresponding to the maturity profile of future pension benefit payments.

At the end of the year, the plan assets were invested as follows

USD millions, except percentages	2018		2017	
Cash and cash equivalents	22	1%	43	2%
Shares	456	27%	520	28%
Other equity instruments	18	1%	35	2%
High yield debt instruments	106	6%	111	6%
Investment grade debt instruments	665	39%	702	38%
Properties	72	4%	75	4%
Other quoted plan assets 1)	212	13%	219	12%
Total investments quoted in active markets	1,550	92%	1,705	93%
Shares and other equity instruments	99	6%	106	6%
Other plan assets 2)	38	2%	24	1%
Total unquoted investments	137	8%	130	7%
Total plan assets	1,688		1,835	

1) Other quoted plan assets include insurance policies, hybrid funds and other fund investments.
2) Other unquoted plan assets is mainly a loan to Yara Suomi Oy.

Contributions expected to be paid to the defined benefit plans for 2018 are USD 44 million (including benefits to be paid for unfunded plans). The contributions paid in 2017 were USD 45 million.

Duration of liabilities at the end of the year:

Duration of liabilities (in years)	2018
Finland	15
The Netherlands	19
Great Britain	17
Norway	13
Total 1)	16

1) Weighted average.

Valuation of defined benefit obligations

The defined benefit plans are valued at 31 December using updated financial and demographical assumptions and taking into account the relevant economic environment of each pension plan.

The discount rate is a weighted average of the yields at the balance sheet date on high quality corporate bonds, or government bonds where no deep market exists for high quality corporate bonds. The discount rate is adjusted by extrapolation if necessary, to take into account differences in maturities.

The following financial assumptions have been applied for the valuation of liabilities

Discount rate (in %)	2018	2017
Finland	1.8	1.8
The Netherlands	1.8	2.0
Great Britain	2.9	2.5
Norway	2.7	2.5
Total [1]	2.2	2.2

1) Weighted average.

Expected salary increase (in %)	2018	2017
Finland	2.3	2.3
The Netherlands	2.3	2.0
Great Britain	3.9	3.9
Norway	2.6	2.4
Total [1]	2.8	2.8

1) Weighted average.

Expected pension indexation (in %)	2018	2017
Finland	1.5	1.5
The Netherlands	1.6	1.2
Great Britain	3.0	3.1
Norway	1.1	0.8
Total [1]	1.9	1.7

1) Weighted average.

The following table presents indicators of life expectancy of the mortality tables applied for valuation of the obligations, by showing expected longevity of a current employee aged 45 today from the date he or she reaches age 65, and the expected longevity of a current retiree aged 65.

Expected longevity (in years)	Expected longevity of current employee	Expected longevity of current retiree
Finland	25.9	23.4
The Netherlands	24.7	22.7
Great Britain	24.4	22.7
Norway	24.9	23.1

Sensitivity of assumptions

Measurement of defined benefit obligations and pension costs requires the use of a number of assumptions and estimates. The table below indicates the sensitivity of the most significant assumptions applied to the defined benefit obligation, by showing the estimated result from a reasonable increase or decrease in any one of the key assumptions applied. Holding all other assumptions constant represents a limitation of the analysis, as some of the assumptions may be correlated. The methods used in preparing the analysis are consistent with previous years.

USD millions	2018	2017
Actual valuation	(2,047)	(2,123)
Discount rate +0.5%	(1,912)	(1,969)
Discount rate -0.5%	(2,200)	(2,296)
Expected rate of salary increase +0.5%	(2,065)	(2,141)
Expected rate of salary increase -0.5%	(2,030)	(2,105)
Expected rate of pension increase +0.5%	(2,161)	(2,270)
Expected rate of pension increase -0.5%	(1,947)	(1,994)
Expected longevity +1 year	(2,084)	(2,199)
Expected longevity -1 year	(1,975)	(2,048)

Note 27 Provisions and contingencies

2018

USD millions	Environmental	Restructuring	Legal Claims	Decommission	Other	Total
Balance at 1 January 2018	48	34	16	79	28	205
Additional provision in the year	15	23	12	31	18	100
Interest expense on liability	-	-	2	3	-	5
Unused provision	1	(1)	(3)	(5)	(8)	(16)
Utilization of provision	(8)	(6)	(2)	(2)	(13)	(32)
Companies purchased/(sold)	22	-	-	27	-	48
Currency translation effects	(3)	(2)	(2)	(10)	-	(17)
Balance at 31 December 2018	75	48	23	122	24	292

2017

USD millions	Environmental	Restructuring	Legal Claims	Decommission	Other	Total
Balance at 1 January 2017	37	2	20	62	13	134
Additional provision in the year	20	35	7	13	21	95
Interest expense on liability	-	-	2	2	-	4
Unused provision	(2)	-	(8)	-	(5)	(14)
Utilization of provision	(12)	(3)	(5)	(1)	(2)	(23)
Companies purchased/(sold)	-	-	-	(2)	-	(2)
Currency translation effects	4	-	-	5	1	10
Balance at 31 December 2017	48	34	16	79	28	205

Provisions presented in the consolidated statement of financial position

USD millions	2018	2017
Current liabilities	55	90
Non-current liabilities	238	115
Total	292	205

Provisions

Environmental provisions

Yara's future cost for environmental remediation depends on a number of uncertain factors, such as changes in regulations or authorities approval for the extent of actions. The estimates are followed up frequently. Due to the uncertain nature to define the exact levels of pollution and precise needs for cleanup, it is possible that they could be revised in the near term. In addition, conditions which could require future expenditures may be determined to exist for various sites, including Yara's major production facilities and warehouses.

Acquisition of the Cubatão, Brazil fertilizer units from Vale brought in new dismantling and clean up liabilities. The region has known contamination, which needs monitoring and remediation actions. Clean-up of polluted soil and groundwater at the former Oissel fertilizer site, France, continues. Assessment of applicable remediation methods is ongoing in Oissel. The Yara Siilinjärvi site, Finland, has legal obligations for landscaping of waste rock areas of the apatite mine and waste deposits of the chemical plants. These together form the most significant part of environmental provisions.

Restructuring provisions

Restructuring mainly relates to closure or significant reorganization of business locations in a country or region. The provision is a best estimate based on the detailed formal plan for the business and location affected. In 2018, Yara has recognized a provision 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.

Legal claims

Yara is party to a number of lawsuits in various jurisdictions arising out of the conduct of its business. None of these lawsuits, individually or in aggregate, are anticipated to have a material adverse effect on Yara.

Decommission provisions

Provisions have been made for where Yara has legal obligation for decommissioning. Most significant decommissioning provisions relate to contractual obligations for operations on leased land, the main ones being plants in Australia, France and UK. New environmental protection regulations applied to Yara Belle Plaine, Canada, require financial assurance for decommission and reclamation. The valuation of land lease related provisions is based on present value of expected outflow at the time of expected payout.

Other provisions

Other include onerous contracts, liquidated damages and various other provisions.

Contingencies

Legal contingencies

Yara is party to a number of lawsuits related to laws and regulations in various jurisdictions arising out of the conduct of its business. While acknowledging the uncertainties of litigation, Yara is of the opinion that based on the information currently available, these matters will be solved without material adverse effect.

Further information related to two ongoing environmental cases in Brazil, where Yara is a part due to the acquisition of Adubos Trevo from the Trevisa Group in the year 2000, is provided below since it is not possible to provide a reliable estimate of the maximum potential exposure:

- Yara has together with other companies related to the Trevisa Group been sued by an association representing approximately 1,300 potential victims in two separate lawsuits. The lawsuits are related to mine and lead industry activities performed by the company Plumbum Comércio e Representações de Produtos Mineirais e Industriais (Plumbum) in the cities Santo Amaro da Purificação and Boquira in Bahia state in Brazil. Plumbum was formerly part of the Trevisa Group. Adubos Trevo has not been involved in any of the activities included in the lawsuits. The lawsuits include claims for various personal losses, damage to properties, institution of relief funds, environmental restoration and clean-up activities. The lawsuits were filed in 2011 and 2012 but are still in the initial phase. Yara denies liability for any potential damage caused by the activities of Plumbum and has not made any provision for the claims.
- Yara is together with 22 other companies, defendants in a lawsuit filed by São Paulo Public Attorney in 1985 with a claim for compensation for environmental damage related to former activities by the defendants in the Cubatão industrial district. The defendants deny the claim on the basis that necessary actions have already been taken to recover potential damages from former activities. In September 2017, the court of first instance ruled against the defendants determining that the defendants were jointly liable to repair the damage. The nature of and amount of potential damages have not been determined and will be calculated by an expert. Yara has made a provision related to this case of USD 1.5 million. Yara and the other defendants will appeal the decision.

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.

Tax contingencies

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.

Several subsidiaries are engaged in juridical and administrative proceedings related to various disputed tax matters where the probability of cash outflow is not considered probable. The majority of these contingencies, besides the above-mentioned case, are related to taxes in Brazil, with an estimated maximum exposure of approximately USD 112 million. Tax contingencies other than Brazil and the above mentioned case in the Netherlands have an estimated maximum exposure of approximately USD 160 million.

Contingent assets

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.

Note 28 Long-term debt

USD millions, except percentages and denominated amounts	Weighted average interest rates	Denominated amounts 2018		Carrying amounts	
		Currency millions	USD millions	2018	2017
NOK (Coupon NIBOR + 0.70%) [1]	2.0%	2,200	254	254	268
NOK (Coupon 2.55%) [2]	2.6%	700	81	80	86
NOK (Coupon NIBOR + 0.75%) [1]	2.1%	1,250	144	144	152
NOK (Coupon 3.00%) [3]	3.0%	600	69	69	74
NOK (Coupon 2.45%) [3]	2.5%	1,000	115	113	120
NOK (Coupon 2.90%) [4]	2.9%	1,000	115	112	119
SEK (Coupon STIBOR + 1.00%) [1]	0.5%	450	50	50	55
SEK (Coupon 1.10%) [5]	1.2%	800	90	89	97
USD (Coupon 7.88%) [6]	8.3%	500	500	500	499
USD (Coupon 3.80%) [7]	3.9%	500	500	498	498
USD (Coupon 4.75%) [8]	4.8%	1,000	1,000	996	-
Total unsecured debenture bonds				2,905	1,968
USD	3.6%	631	631	631	403
BRL	9.1%	66	17	17	42
Total unsecured bank loans [1]				648	445
Lease obligation				23	28
Mortgage loans				22	28
Other long-term debt				3	3
Total				47	59
Outstanding long-term debt				3,600	2,473
Current portion				(824)	(43)
Total				2,776	2,429

1) Repricing within a year.
2) Fixed interest rate until 2021. Subject to fair value hedge accounting, see note 32.
3) Fixed interest rate until 2024. Subject to fair value hedge accounting, see note 32.
4) Fixed interest rate until 2027. Subject to fair value hedge accounting, see note 32.
5) Fixed interest rate until 2022. Subject to fair value hedge accounting, see note 32.
6) Fixed interest rate until 2019.
7) Fixed interest rate until 2026.
8) Fixed interest rate until 2028.

The carrying values include issuance discount, capitalized issuance costs and fair value hedge accounting adjustments as indicated above (see also note 33 for further information about fair value of financial instruments).

At 31 December 2018, the fair value of the long-term debt, including the current portion, is USD 3,549 million and the carrying value is USD 3,600 million.

Yara builds its funding on a negative pledge structure with the basic funding ranging pari passu. Substantially all unsecured debenture bonds and unsecured bank loan agreements therefore contain provisions restricting the pledging of assets to secure future borrowings.

Of the long-term debt at the end of 2018, USD 2,000 million in bond debt originates from Yara's June 2018, June 2016 and June 2009 bond issues in the US market according to 144A/Regulation S. Further, NOK 3,500 million originates from Yara's December 2014 bond issues in the Norwegian market while NOK 3,250 million and SEK 1,250 million originate from Yara's December 2017 bond issues in the Norwegian market. The entire NOK and SEK denominated bond debt is converted to USD exposure through cross-currency swaps.

Yara's additional long-term funding is based on bank loans. Yara's term loan from the Nordic Investment Bank has been reduced to USD 75 million through scheduled downpayments and linear installments will continue until December 2023. Likewise, the loan facility established in January this year with partial support by a guarantee from The Norwegian Export Credit Guarantee Agency (GIEK), has been reduced to USD 244 million through scheduled downpayments and semi-annual installments will continue until August 2026. Both the USD 150 million term loan due 2022 from the International Finance Corporation and the USD 150 million term loan due 2024 from Svensk Exportkredit AB remain fully drawn at year-end 2018. A further minor portion of the long-term bank loans is borrowed in emerging markets.

Yara has an undrawn revolving credit facility totaling USD 1,250 million due 2020.

Of the fixed interest rate debenture bonds, NOK 3,300 million and SEK 800 million are exposed to floating interest rates through interest rate swaps.

Contractual payments on long-term debt

USD millions	Debentures	Bank Loans	Capital lease and other long-term loans	Total [1]
2019	754	65	6	824
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	2,905 [2]	648	47	3,600

1) Including current portion.
2) Yara International ASA is responsible for the entire amount.

Reconciliation of liabilities arising from financing activities

USD millions	Notes	31 Dec 2017	Cash flows	Non cash changes: Debt assumed as part of acquisition	Transfer to liability held-for-sale	Foreign exchange movement	Amortization [1]	Other [2]	Reclassification [3]	31 Dec 2018
Long-term interest-bearing debt		2,429	1,199	-	(1)	(58)	(5)	(3)	(785)	2,776
Bank loans and other short-term interest-bearing debt	30	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 include USD 12 million commitment to redeem shares from the Norwegian State when Yara's own shares bought back are canceled. See note 2 for more information.
3) Reclassification between long-term and short-term debt.

Note 29 Trade payables and other payables

USD millions	Notes	2018	2017
Trade payables		1,475	1,340
Payroll and value added taxes		259	245
Other liabilities		101	66
Total	33	1,835	1,652

Terms and conditions to the above financial liabilities

Trade payables are non-interest bearing and have an average term of 60 days. Payroll and value added taxes are mainly settled bimonthly or on quarterly basis. Other payables are non-interest bearing and normally settled within 12 months.

Note 30 Bank loans and other short-term interest-bearing debt

USD millions, except percentages	Notes	2018	2017
Bank loans and overdraft facilities		330	429
Other		67	10
Total	33	397	439
Weighted average interest rates [1]			
Bank loans and overdraft facilities		6.7%	9.3%
Other		2.7%	1.2%

1) Repricing minimum annually.

At 31 December 2018, Yara had unused short-term credit facilities with various banks totaling approximately USD 620 million.

Note 31 Risk management

Risk management policies

Risk management in Yara is based on the principle that risk evaluation is an integral part of all business activities. Yara's strategic approach is to determine appropriate risk levels or limits for the main risks and to constantly maintain and develop tools and procedures for monitoring the associated exposures. The Group's policies, approved by the Board of Directors, thus provide written principles on currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. In general, risks arising from operational activities may either be accepted or reduced. The policies restrict transactions that will increase the Group's exposure beyond the level stemming from operations.

Yara's Finance, Treasury & Insurance function monitors and manages the financial risks related to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risks such as currency and interest rate risk, credit risk and liquidity risk. The Finance, Treasury & Insurance function reports regularly to the Group's management.

Based on the overall evaluation of risk, Yara may seek to reduce its inherent exposures by using insurance policies, trade finance contracts, guarantees or derivative instruments such as forward contracts, options and swaps. The use of such instruments is also governed by Board approved policies.

Yara may designate and document the use of certain derivatives and other financial assets or liabilities as hedging instruments against changes in fair value of recognized assets and liabilities (fair value hedges), highly probable forecast transactions (cash flow hedges) and net investments in foreign operations (net investment hedges). The prospective effectiveness of any such hedge is assessed at inception and verified on a quarterly basis. Derivatives not designated in a hedging relationship are classified as undesignated derivatives and acquired and managed within the framework and policies defined by the Board of Directors also when hedge accounting is not applied.

Yara's business model and positions provide natural hedges to reduce business risks inherent in the market. The most important of these is the quality and efficiency of Yara's production facilities, which ensures its competitive position. Furthermore, Yara's geographical spread supports a diversified gas supply, reducing the impact of regional price changes, and a reduced exposure to the inherent seasonality of the fertilizer business. Yara's substantial sales of differentiated products, comprising specialty fertilizers and industrial products, also contribute to more stable margins for the business as a whole. Finally, a certain correlation between energy prices and fertilizer prices reduces the volatility in Yara's results.

There were no principal changes in the Group's approach to capital management during the years ending 31 December 2018 and 31 December 2017. Yara's liquidity surplus, kept as short-term bank deposits, decreased in 2018 compared with preceding years.

Funding structure

Yara is focused on maintaining a sound funding structure. Main elements of the funding strategy are to secure long-term debt and to base the funding of Yara on diversified capital sources to avoid dependency on single markets.

Yara does not have specific debt ratio targets and the only financial covenant is to have a debt to equity ratio, calculated as net interest-bearing debt divided by shareholders' equity plus non-controlling interests, below 1.4. At the end of 2018, the ratio was 0.43 compared with 0.25 at the end of 2017. The Yara Group is not subject to any externally imposed capital requirements.

The financial structure of Yara gives Yara the necessary flexibility to capture the right industrial opportunities when they arise. As such opportunities typically materialize in periods characterized by industry margins and earnings below peak levels, Yara will seek to maintain adequate financial capacity throughout the business cycle. Yara aims to maintain a long-term mid investment grade rating level, i.e. minimum BBB according to Standard & Poor's methodology and Baa2 according to Moody's methodology. During 2018, Yara did maintain both the Baa2 rate from Moody's and the BBB rate from Standard & Poor's.

Currency risk

Prices of Yara's most important products are either directly denominated or determined in US dollars. In markets outside the US, local prices will generally adjust to fluctuations in the US dollar exchange rate, however with a certain time lag. Yara's raw materials costs, such as natural gas used in the production of ammonia, are either denominated in US dollars or highly correlated to changes in the US dollar exchange rate. In order to hedge Yara's long-term exposure to fluctuations in the US dollar exchange rate, Yara incurs most of its debt in US dollars. Throughout the year, the part of Yara's US dollar debt constituting a hedge of future earnings increased gradually from around USD 1,500 million to around USD 2,000 million (2017: increased gradually from around USD 900 million to around USD 1,500 million). A certain portion of the total debt is kept in various local currencies in order to finance local currency exposed business positions.

Yara manages currency risk by adjusting the composition of the debt or liquidity portfolios to changes in Yara's overall risk exposure. Derivative instruments may also be used to manage currency risk related to forecast purchases and sales or to offset short-term liquidity needs in one currency with surplus liquidity in another currency. Such forward contracts are not designated as hedging instruments for accounting purposes. Changes in fair value are therefore recognized in the income statement.

Sensitivity - net income

USD millions	2018	2017
A 10% weakening [1] of the US dollar at the reporting date would have increased/(decreased) net income by	259	172
A 10% weakening [1] of the euro at the reporting date would have increased/(decreased) net income by	(270)	(247)

1) Against functional currencies.

This analysis is done for illustrative purposes only, taking into consideration only the effect on the value of financial instruments in the Statement of financial position at year-end. Since all other variables are assumed to remain constant, the analysis does not reflect subsequent effects on operating income, EBITDA or equity. The analysis was performed on the same basis as in 2017.

A 10% strengthening of the currencies above at 31 December would have had the opposite effect of the amounts shown above.

Sensitivity - other comprehensive income

USD millions	2018	2017
A 10% weakening [1] of the Norwegian krone at the reporting date would have increased/(decreased) other comprehensive income by	(279)	(281)
A 10% weakening [1] of the Canadian dollar at the reporting date would have increased/(decreased) other comprehensive income by	(103)	(112)
A 10% weakening [1] of the Brazilian real at the reporting date would have increased/(decreased) other comprehensive income by	(80)	(96)
A 10% weakening [1] of the euro at the reporting date would have increased/(decreased) other comprehensive income by	7	(11)

1) Against US dollar (presentation currency of the Group).

This analysis is done for illustrative purposes only, taking into consideration only the effect on equity in foreign operations at year-end. Since all other variables are assumed to remain constant, the analysis does not reflect subsequent effects on equity. The analysis was performed on the same basis as in 2017.

Interest rate risk

Yara's exposure to changes in interest rates is mainly linked to fair value risk and cash flow risk from its debt portfolio as disclosed in note 28.

Yara has a defined framework for fair value risk arising from exposure towards fixed interest rates. In accordance with that framework, all bank loans have been borrowed at floating rates. A portion of the bond debt has been retained at fixed interest rates, while the remaining part of the bond debt has been converted to floating rates through interest rate swaps and cross-currency swaps. Consequently, the interest expense related to the converted (hedged) part of the bond debt (both converted and retained) will fluctuate in line with market changes. At the reporting date, the interest rate exposure arising from the bonds issued at fixed interest rates can be summarized as follows:

	Bonds maturing in							
USD millions, except percentages	2019	2021	2022	2024	2024	2026	2027	2028
Fixed interest rate bonds								
Basis for interest exposure	500	81	90	69	115	500	115	1,000
Fixed interest rate	7.88%	2.55%	1.10%	3.00%	2.45%	3.80%	2.90%	4.75%
Exposure after hedges								
Basis for exposure hedged	-	81	90	69	115	-	115	-
Receive fixed interest payments		2.55%	1.10%	3.00%	2.45%		2.90%	
Pay floating interest rate [1]		LIBOR 3M +1,14%	LIBOR 3M + 1,00%	LIBOR 3M + 1,33%	LIBOR 3M + 1,18%		LIBOR 3M + 1,44%	

1) Through a combination of interest rate swaps and cross-currency swaps.

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was

USD millions, except percentages	Notes	2018	2017
Net interest-bearing debt at 31 December [1]		3,794	2,367
Portion of bonds with fixed interest rate	28	1,994	997
Net interest-bearing debt/(deposits) less portion of bonds with fixed interest rate		1,800	1,370

1) For definition of net interest-bearing debt, refer to page 52.

Sensitivity

USD millions, except percentages	2018	2017
An increase of 100 basis points in USD interest rates at the reporting date would have increased/(decreased) net income by	(13)	(12)
An increase of 100 basis points in BRL interest rates at the reporting date would have increased/(decreased) net income by	(2)	(3)

All other variables remain constant. This analysis is done for illustrative purposes only, taking into consideration only the effect on financial instruments in the Statement of financial position at year-end. The analysis is performed on the same basis as in 2017. A decrease of 100 basis points at the reporting date would have increased/decreased net income with the same, but opposite amounts.

Commodity price risk

A major portion of Yara's operating revenues is derived from the sale of ammonia, urea and other fertilizers that are classified as commodities. Yara also purchases natural gas, electricity and other commodities. The prices of these commodities can be volatile and may create fluctuations in Yara's earnings.

To manage this risk, Yara's financial policy prioritizes maintaining a low debt/equity ratio and maintaining liquidity reserves. Periodically Yara utilizes derivative instruments to manage certain price risk exposures, and also for some position taking within the limits established by the risk management policies. A limited number of ordinary sales and purchase contracts contain price links against other products that are regarded as embedded derivatives recognized at fair value. The reason for embedding other price links in these contracts is normally to secure a margin for Yara. Information about commodity derivatives is presented in the derivative section below. Besides that, there are no other financial instruments that are exposed to the commodity price risk.

Credit risk

Yara has a well-established system for credit management with established limits at both customer and country level. Yara's geographically diversified portfolio reduces the overall credit risk of the Group. Credit risk arising from the inability of the counterparty to meet the terms of Yara's derivative financial instruments is generally limited to amounts, if any, by which the counterparty's obligations exceed Yara's obligations.

The exposure to credit risk is represented by the carrying amount of each class of financial assets, including derivative financial instruments, recorded in the statement of financial position and as disclosed in note 33.

Yara's policy is to enter into financial instruments with various international banks with established limits for transactions with each institution. Yara also has agreed limits for credit exposure (collateral agreements) with most of its main banks. At the end of the reporting period, Yara had deposited USD 82.8 million in cash with its counterparties to mitigate exposure from financial liabilities covered by such agreements. These deposits are reported as "other current assets" in the consolidated statement of financial position. Collateral deposits are made at overnight terms and required collateral is being reassessed twice every month.

Due to Yara's geographical spread and significant number of customers there are no significant concentrations of credit risk. Therefore, Yara does not expect to incur material credit losses on its portfolio or on its financial instruments.

Yara may undertake a number of measures to reduce credit risk of particular receivables. Such measures include letters of credit, bank guarantees and credit insurance agreements. The effect of credit risk reduction from these measures is not considered to be material for the Group.

Funding and liquidity risk

The capital structure of the Group consists of debt, which includes the borrowings disclosed in notes 28 and 30, cash and cash equivalents and equity attributable to equity holders of the parent, comprising paid-in capital and retained earnings, as disclosed in notes 23, 24 and statement of changes in equity.

Main elements of the funding strategy are the establishment of a long-term debt base and the security and flexibility obtained by funding through diversified capital sources and avoidance of dependency on single institutions or markets. Yara manages liquidity risk by maintaining adequate reserves and committed bank facilities and by continuously monitoring forecasted and actual cash flows. Yara aims at an even debt repayment schedule and has secured committed undrawn credit facilities to provide sufficient reserves to meet unforeseen liquidity needs.

Included in notes 28 and 30 are overviews of undrawn facilities that the Group has at its disposal.

The following are the contractual maturities of financial liabilities, including estimated interest payments

31 December 2018

USD millions	Carrying amount	Contractual cash flows	On demand	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities								
Short-term interest-bearing debt	(397)	(502)	(128)	(367)	(7)	-	-	-
Long-term interest-bearing debt [1]	(3,600)	(4,283)	(2)	(108)	(868)	(154)	(921)	(2,230)
Accrued interest expense	(29)	(29)	-	(18)	(11)	-	-	-
Trade payables	(1,475)	(1,506)	(3)	(1,471)	(32)	-	-	-
Payroll and value added taxes	(259)	(259)	(11)	(220)	(28)	-	-	-
Other short-term liabilities	(46)	(49)	(3)	(33)	(12)	-	-	-
Other long-term liabilities	(79)	(83)	-	(4)	-	(50)	(16)	(13)
Derivative financial instruments								
Freestanding financial derivatives	(107)							
Outflow		(1,476)	-	(374)	(301)	(20)	(439)	(342)
Inflow		1,449	-	358	261	49	461	320
Commodity derivatives	(37)							
Outflow		(36)	-	-	(5)	(10)	(21)	-
Inflow		-	-	-	-	-	-	-
Hedge designated derivatives	(6)							
Outflow		(76)	-	(3)	-	(1)	(2)	(70)
Inflow		70	-	-	11	11	29	19
Total	(6,035)	(6,780)	(147)	(2,240)	(992)	(175)	(910)	(2,316)

1) Includes current portion of long-term interest bearing debt amounting to USD 824 million.

31 December 2017

USD millions	Carrying amount	Contractual cash flows	On demand	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities								
Short-term interest-bearing debt	(439)	(451)	(13)	(415)	(23)	-	-	-
Long-term interest-bearing debt [1]	(2,473)	(2,854)	(2)	(57)	(75)	(903)	(728)	(1,089)
Accrued interest expense	(16)	(16)	-	(15)	-	-	-	-
Accounts payable	(1,340)	(1,350)	(1)	(1,336)	(5)	(8)	-	-
Payroll and value added taxes	(245)	(246)	(29)	(208)	(8)	-	-	-
Other short-term liabilities	(58)	(58)	(3)	(47)	(8)	-	-	-
Other long-term liabilities	(66)	(73)	-	(13)	-	(34)	(24)	(2)
Derivative financial instruments								
Freestanding financial derivatives	(38)							
Outflow		(1,388)	-	(216)	(17)	(322)	(470)	(364)
Inflow		1,293	-	205	8	288	440	352
Commodity derivatives	(44)	-						
Outflow		(40)	-	-	(3)	(6)	(31)	-
Inflow		-	-	-	-	-	-	-
Hedge designated derivatives	(4)							
Outflow		(90)	-	(4)	(4)	(10)	(37)	(34)
Inflow		86	-	-	12	12	34	28
Total	(4,723)	(5,186)	(49)	(2,105)	(124)	(985)	(814)	(1,109)

1) Includes current portion of long-term interest bearing debt amounting to USD 43 million.

Derivative instruments

USD millions	Notes	2018	2017
Total fair value of derivatives - net			
Forward foreign exchange contracts	33	(46)	(2)
Cross-currency swaps	33	(62)	(36)
Interest rate swaps designated for hedging	33	(6)	(4)
Embedded commodity derivatives	33	(37)	(44)
Balance 31 December		(151)	(85)
Derivatives presented in the statement of financial position			
Non-current assets		-	3
Current assets		5	3
Non-current liabilities		(101)	(84)
Current liabilities		(55)	(8)
Balance 31 December		(151)	(85)

Yara is committed to outstanding forward foreign exchange contracts as follows

USD millions	2018	2017
Forward foreign exchange contracts, notional amount	730	321

All outstanding forward foreign exchange contracts at 31 December 2018 have maturity in 2019, except non-deliverable INR-forward contracts totaling USD 71 million that mature in 2020. Buy positions are mainly in US dollars against Norwegian kroner or Brazilian reals. Sell positions are in various operating currencies towards Norwegian kroner.

Note 32 Hedge accounting

A description of the Group's general risk management policies and principles can be found in note 31 Risk management.

Fair value hedges

In December 2014, Yara designated a portfolio of long-term NOK fixed-to-floating interest rate swaps as hedging instruments. The hedged risk is the change in fair value due to changes in risk-free interest rates (NIBOR) of the NOK 700 million and NOK 600 million fixed rate bond debt from 2014.

In December 2017, Yara designated a portfolio of long-term NOK and SEK fixed-to-floating interest rate swaps as hedging instruments. The hedged risk is the change in fair value due to changes in risk-free interest rates (NIBOR) of the NOK 1,000 million and NOK 1,000 million fixed rate bond debt and the change in fair value due to changes in risk-free interest rates (STIBOR) of the SEK 800 million fixed rate bond debt, all from 2017.

Subsequent to initial recognition, Yara measures interest-bearing borrowings at amortized cost. However, the designation of interest rate swaps as hedging instruments and use of hedge accounting enables Yara to include the fair value of changes in interest rates in the carrying value of the bonds. The corresponding adjustment in the Consolidated statement of income offsets the effects of the recognized interest rate swaps, leading to less volatility in net income.

As the key parameters of the hedging instruments (interest basis, inception dates and maturity dates) are identical to the respective hedged items, no ineffectiveness has been identified.

Cash flow hedges

Yara had no active cash flow hedges in 2018 or 2017. However, Yara has used derivative instruments to hedge cash flows of planned transactions in the past and may do so also in the future.

Net investment hedges

At 31 December 2018, Yara had designated in total USD 930 million (2017: USD 930 million) of its USD denominated interest-bearing debt as hedges of net investments in foreign (USD based) entities. The hedging instruments comprises USD denominated bonds, term loans and the currency component of a portion of the Group's cross-currency swap portfolio. Yara's net investment hedges are not impacted by the Group's change of presentation currency from NOK to USD since neither the parent nor the relevant foreign operations have changed their functional currencies.

The designation of interest-bearing debt as hedges of net i investments leads to changes of foreign currency translation (gain/loss) being recognized in the Consolidated statement of comprehensive income instead of in the Consolidated statement of income.

As both the hedged net investments and the hedging instruments are sensitive only to fluctuations in the USD/NOK spot rate, no ineffectiveness has been identified.

Effect on financial position and performance in 2018

USD millions	Currency	Hedge rates	Carrying amount of the hedged item [1]		Accumulated amount of hedge adjustment on the hedged item included in the carrying amount of the hedged item		Line item in the Consolidated statement of financial position in which the hedged item is included	Line item in the Consolidated statement of financial position in which the hedging instrument is included	Change in value of the hedged item used for calculating hedge ineffectiveness [2]	Change in value of the hedging instrument [2]	Hedge ineffectiveness recognized in Consolidated statement of income
			Assets	Liabilities	Assets	Liabilities					
Fair value hedges											
Interest rate risk											
- Fixed interest, NOK bonds (2014)	NOK	3M NIBOR	-	149	-	-	Long-term interest-bearing debt	Other long-term liabilities	2	(2)	-
- Fixed interest, NOK bonds (2017)	NOK	3M NIBOR	-	224	6	-	Long-term interest-bearing debt	Other long-term liabilities	2	(2)	-
- Fixed interest, SEK bonds (2017)	SEK	3M STIBOR	-	89	-	-	Long-term interest-bearing debt	Other long-term liabilities	(1)	1	-
Net investment hedges											
Foreign exchange risk											
- Net equity in subsidiaries	USD	Spot USD NOK	930	-	(199)	-	Other reserves	Long-term interest-bearing debt [3]	52	(52)	-

1) The designated nominal amounts of the hedging instruments equal the nominal amounts of the hedged items.
2) All amounts are pre-tax.
3) Includes USD 20 million related to the part of the hedging instrument (cross-currency swap) which refers to the line item other long-term liabilities.

For either hedging category, there are no balances remaining from a hedging relationship for which hedge accounting is no longer applied.

Effect on financial position and performance in 2017

USD millions	Currency	Hedge rates	Carrying amount of the hedged item [1]		Accumulated amount of hedge adjustment on the hedged item included in the carrying amount of the hedged item		Line item in the Consolidated statement of financial position in which the hedged item is included	Line item in the Consolidated statement of financial position in which the hedging instrument is included	Change in value of the hedged item used for calculating hedge ineffectiveness [2]	Change in value of the hedging instrument [2]	Hedge ineffectiveness recognized in Consolidated statement of income
			Assets	Liabilities	Assets	Liabilities					
Fair value hedges											
Interest rate risk											
- Fixed interest, NOK bonds (2014)	NOK	3M NIBOR	-	160	(1)	-	Long-term interest-bearing debt	Other long-term liabilities	(1)	1	-
- Fixed interest, NOK bonds (2017)	NOK	3M NIBOR	-	240	4	-	Long-term interest-bearing debt	Other long-term liabilities	4	(4)	-
- Fixed interest, SEK bonds (2017)	SEK	3M STIBOR	-	97	1	-	Long-term interest-bearing debt	Other long-term liabilities	1	(1)	-
Net investment hedges											
Foreign exchange risk											
- Net equity in subsidiaries	USD	Spot USD NOK	930	-	(159)	-	Other reserves	Long-term interest-bearing debt [3]	(44)	44	-

1) The designated nominal amounts of the hedging instruments equal the nominal amounts of the hedged items.
2) All amounts are pre-tax.
3) Includes USD 19 million related to the part of the hedging instrument (cross-currency swap) which refers to the line item other long-term liabilities.

Note 33 Financial instruments

Below is an overview of gains and losses from financial instruments recognized in the consolidated statement of income and consolidated statement of other comprehensive income, including amounts recognized on disposal of financial instruments. Yara adopted IFRS 9 for reporting periods beginning on and after 1 January 2018. As a result comparative information for 2017 is presented in accordance with the previous IAS 39. See note 41 New accounting standards for more information.

		IFRS 9					
		Derivatives		Equity instruments	Financial liabilities		
USD millions	Notes	Fair value through P&L	Designated for hedging	FV through OCI (no recycling)	Amortized cost	FV through P&L	Total
2018							
Consolidated statement of income							
Forward foreign exchange contracts	31	(40)	-	-	-	-	(40)
Interest income/(expense) cross-currency swaps	31	(2)	-	-	-	-	(2)
Foreign currency translation gain/(loss) cross-currency swaps	31	(31)	-	-	-	-	(31)
Interest rate swaps designated for hedging	32	-	(3)	-	-	-	(3)
Embedded commodity derivatives gain/(loss) [1]	31	1	-	-	-	-	1
Fair value change of contingent consideration	33	-	-	-	-	5	5
Derecognition of contingent consideration	15	-	-	-	-	21	21
Consolidated statement of comprehensive income [2]							
Equity instruments	33	-	-	(5)	-	-	(5)
Hedge of net investments	32	-	-	-	(52)	-	(52)
Reclassification related to cash flow hedges	32	-	1	-	-	-	1
Total		(71)	(2)	(5)	(52)	26	(104)

1) Effects of foreign currency translation on other financial instruments than derivatives are not included in the overview.
2) Amounts are presented before tax. Please see note 11 for specification of taxes.

		IAS 39					
		Derivatives		Available-for-sale financial assets	Financial liabilities		
USD millions	Notes	Fair value through P&L	Designated for hedging	FV through OCI (no recycling)	Amortized cost	FV through P&L	Total
2017							
Consolidated statement of income							
Forward foreign exchange contracts	31	15	-	-	-	-	15
Interest income/(expense) cross-currency swaps	31	(5)	-	-	-	-	(5)
Foreign currency translation gain/(loss) cross-currency swaps	31	13	-	-	-	-	13
Interest rate swaps designated for hedging	32	-	(4)	-	-	-	(4)
Embedded commodity derivatives gain/(loss) [1]	31	(16)	-	-	-	-	(16)
Available-for-sale financial assets	31	-	-	-	-	-	-
Fair value change of contingent consideration	33	-	-	-	-	(3)	(3)
Consolidated statement of comprehensive income [2]							
Available-for-sale investments - change in fair value	33	-	-	(2)	-	-	(2)
Hedge of net investments	32	-	-	-	44	-	44
Reclassification related to cash flow hedges	32	-	1	-	-	-	1
Total		7	(3)	(2)	44	(3)	43

1) Includes effect of foreign currency translation.
2) Amounts are presented before tax. Please see note 11 for specification of taxes.

Carrying amounts shown in the statement of financial position, presented together with fair value per category

31 December 2018

USD millions	Notes	Derivatives		Receivables and deposits	Equity instruments	Financial liabilities		Non-financial assets/liabilities	Total
		Fair value through P&L	Designated for hedging	Amortized cost	FV through OCI (no recycling) [2]	Amortized cost	FV through P&L	Historic cost	
Non-current assets									
Other non-current assets	18	-	-	162	21	-	-	237	420
Current assets									
Trade receivables	21	-	-	1,601	-	-	-	-	1,601
Prepaid expenses and other current assets	22	5	-	159	-	-	-	577	741
Cash, cash equivalents and other liquid assets	23	-	-	203	-	-	-	-	203
Non-current liabilities									
Other long-term liabilities	31	(95)	(6)	-	-	(61)	(17)	(22)	(201)
Long-term interest-bearing debt	28	-	-	-	-	(2,776)	-	-	(2,776)
Current liabilities									
Trade and other payables	29	(55)	-	-	-	(1,774)	(6)	-	(1,835)
Prepayments from customers		-	-	-	-	-	-	(343)	(343)
Other short-term liabilities		-	-	-	-	(29)	-	(60)	(88)
Bank loans and other interest-bearing debt	30	-	-	-	-	(397)	-	-	(397)
Current portion of long-term debt	28	-	-	-	-	(824)	-	-	(824)
Total		(144)	(6)	2,124	21	(5,861)	(23)	390	(3,499)
Fair value [1]		(144)	(6)	2,124	21	(5,855)	(23)		
Unrecognized gain/(loss)		-	-	-	-	6	-		

1) Unrecognized loss on financial instruments at amortized cost is mainly related to long-term interest-bearing debt with fixed interest rate. See note 28.
2) Including equity shares in Pohhjolan Voima Oyj, the Ravenna Servizi Industrial consortium and PlantResponse Biotech S.L. These investments are long term and not held for trading. No dividend is received in 2018.

31 December 2017

USD millions	Notes	Derivatives		Loans and receivables	Available-for-sale	Financial liabilities		Non-financial assets/liabilities	Total
		Fair value through P&L	Designated for hedging	Amortized cost	FV through P&L (no recycling)	Amortized cost	FV through P&L	Historic cost	
Non-current assets									
Other non-current assets	18	2	1	343	24	-	-	90	460
Current assets									
Trade receivables	21	-	-	1,398	-	-	-	-	1,398
Prepaid expenses and other current assets	22	3	-	305	-	-	-	299	607
Other liquid assets	23	-	-	-	-	-	-	-	-
Cash, cash equivalents and other liquid assets	23	-	-	544	-	-	-	-	544
Non-current liabilities									
Other long-term liabilities	31	(79)	(5)	-	-	(29)	(37)	(19)	(169)
Long-term interest-bearing debt	28	-	-	-	-	(2,429)	-	-	(2,429)
Current liabilities									
Trade and other payables	29	(8)	-	-	-	(1,623)	(21)	-	(1,652)
Prepayments from customers		-	-	-	-	-	-	(265)	(265)
Other short-term liabilities		-	-	-	-	(16)	-	(59)	(75)
Bank loans and other interest-bearing debt	30	-	-	-	-	(439)	-	-	(439)
Current portion of long-term debt	28	-	-	-	-	(43)	-	-	(43)
Total		(82)	(4)	2,591	24	(4,579)	(58)	46	(2,062)
Fair value [1]		(82)	(4)	2,591	24	(4,552)	(58)	46	
Unrecognized gain/(loss)		-	-	-	-	(27)	-	-	

1) Unrecognized loss on financial instruments at amortized cost is mainly related to long-term interest-bearing debt with fixed interest rate. See note 28.

Principles for estimating fair value

The following summarizes the significant methods and assumptions used in estimating fair values of financial instruments reflected in the above table.

Equity instruments

The fair value of investments in listed companies is based on year-end quoted market prices. Equity instruments that are not traded in active markets are measured based on recent market transactions and valuation techniques. When using valuation techniques market input is maximized to the extent possible.

Receivables and deposits

The carrying amounts are adjusted for expected credit losses and are considered to represent reasonable estimates on fair value. Interest-free receivables are discounted if it has a material impact on fair value.

Financial liabilities

Since no active market is available for this debt, the fair value is calculated based on the present value of future principal and interest cash flows. Cash flows have been estimated by using LIBOR with different maturities as a benchmark rate and adding a credit margin derived from recent transactions or other information available.

Interest-free short-term trade payables and other short-term debt are discounted if it has material impact on fair value. Fair value is assumed to be equal to the carrying amount.

Fair value of contingent consideration is calculated considering the present value of expected payment, discounted using a risk-adjusted discount rate. The expected payment is determined by considering the possible scenarios of financial performance, the amount to be paid under each scenario and the probability of each scenario.

Derivatives

Fair values of foreign exchange contracts and interest rate swaps are based on their listed market price, if available. If a listed market price is not available, and if it has material impact on fair value, fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate based on government bonds.

Certain of the Group's purchase and sales contracts constitute derivatives or contain embedded derivatives within the scope of IFRS 9. These derivatives have a range of different characteristics and comprises both commodity based financial contracts as well as non-financial purchase and sales contracts with maturity mainly from 3 months to 5 years. The fair value of commodity contracts constitute the unrealized gains and losses represented by the present value of future gains and losses for which the price is fixed in advance of delivery. Fair value of the embedded derivatives is calculated as present value of the difference between the price of non-closely related commodity (embedded derivative) and a pricing model which in the best way reflects market price of the contract commodity. All commodity contracts are bilateral contracts, or embedded derivatives in bilateral contracts, for which there are no active markets. Fair value of all items in this category, is therefore calculated using valuation techniques with maximum use of market inputs and assumptions that reasonably reflect factors that market participants would consider in setting a price, relying as little as possible on entity-specific inputs. Fair values of commodity contracts are especially sensitive to changes in forward commodity prices. None of the derivatives in this category are designated in hedge relationships.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method, at 31 December 2018. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

USD millions	Level 1	Level 2	Level 3	Total
Equity instruments	-	-	21	21
Foreign exchange contracts	-	5	-	5
Cross-currency swaps	-	-	-	-
Interest rate contracts designated as hedging instrument	-	-	-	-
Commodity derivatives and embedded derivatives	-	-	-	-
Contingent consideration	-	-	-	-
Total assets at fair value	-	5	21	27
Foreign exchange contracts	-	(51)	-	(51)
Cross-currency swaps	-	(62)	-	(62)
Interest rate contracts designated as hedging instrument	-	(6)	-	(6)
Commodity derivatives and embedded derivatives	-	(4)	(35)	(38)
Contingent consideration	-	(6)	(17)	(23)
Total liabilities at fair value	-	(137)	(43)	(180)

There were no transfers between Level 1 and Level 2 in the period.

The following table shows a reconciliation from the opening balances to the closing balances at 31 December 2018 for fair value measurements in Level 3 of the fair value hierarchy:

USD millions	Equity instruments	Derivatives - assets	Derivatives - liabilities	Contingent consideration	Total
Balance at 1 January	20	-	(39)	(58)	(77)
Total gains or (losses):					
in income statement	-	-	4	5	9
in other comprehensive income	(1)	-	-	-	(1)
Paid	-	-	-	-	-
Disposals or (additions)	3	-	-	21	24
Reclassification from level 3 to level 2 of the fair value hierarchy [1]	-	-	-	6	6
Foreign currency translation gain/(loss)	(1)	-	1	8	8
Balance at 31 December	21	-	(35)	(17)	(31)

1) Parts of remaining contingent consideration regarding binding agreement with the non-controlling interest in Galvani (USD 14 million as disclosed in note 15) is reclassified from level 3 to level 2 of the fair value hierarchy as parts of the remaining contingent consideration is based on quoted prices.

The following table shows a reconciliation from the opening balances to the closing balances at 31 December 2017 for fair value measurements in Level 3 of the fair value hierarchy:

USD millions	Equity instruments	Derivatives - assets	Derivatives - liabilities	Contingent consideration	Total
Balance at 1 January	21	2	(29)	(57)	(63)
Total gains or (losses):					
in income statement	-	-	(11)	(3)	(13)
in other comprehensive income	(4)	-	-	-	(4)
Paid	-	-	-	-	-
Disposals or (additions)	-	-	-	1	1
Reclassification from level 3 to level 2 of the fair value hierarchy	-	(2)	-	-	(2)
Foreign currency translation gain/(loss)	3	-	-	1	4
Balance at 31 December	20	-	(39)	(58)	(77)

Although Yara believes that its estimates of fair value are appropriate, the use of different assumptions could lead to different measurements of fair value. For fair value measurements in Level 3 of the fair value hierarchy, changing one or more of the assumptions would have the following effects:

Sensitivity of fair value measurement for Level 3, financial instruments

USD millions	Effect on profit or loss		Effect on other comprehensive income	
	Favorable	(Unfavorable)	Favorable	(Unfavorable)
Embedded derivative in energy contract (20% decrease/increase in ammonia price) [1]	18	(26)	-	-
Unlisted equity securities (20% increase/decrease in electricity price) [2]	-	(48)	43	6
Contingent consideration Galvani (20% decrease/increase in Yara DAP price) [3]	6	(6)	-	-
Total	24	(81)	43	6

1) The favorable and unfavorable effects on the embedded derivatives in the energy contracts are calculated by decreasing /increasing the input of ammonia prices by 20 percent for the whole contract period, also for long-term contracts. All other variables remain constant.
2) The favorable and unfavorable effects on the fair value of the unlisted equity securities are calculated using the same model but with an increasing/decreasing of the forward electricity prices used in the model by 20 percent. All other variables remain constant.
3) The favorable and unfavorable effects on contingent consideration regarding the binding agreement with the non-controlling interest in Galvani, are calculated by decreasing/increasing Yara DAP price. All other variables remain constant.

Note 34 Secured debt and guarantees

USD millions	2018	2017
Amount of secured debt	28	36
Assets used as security for debt		
Machinery and equipment, etc.	5	12
Buildings and structural plant	24	25
Total	28	37
Assets used as security for non-financial liabilities		
Buildings and structural plant	23	25
Total	23	25
Guarantees (off-balance sheet)		
Contingency for discounted bills	1	1
Contingency for sales under government schemes	72	75
Non-financial parent company guarantees	684	613
Non-financial bank guarantees	228	162
Total	985	852

Off-balance sheet guarantees consist mainly of commercial guarantees related to contract obligations (Bid Bonds, Performance Guarantees and Payment Guarantees) and various mandatory public guarantees (Customs Guarantees, Receivable VAT Guarantees). These guarantees are issued on behalf of Yara International ASA, its subsidiaries and equity-accounted investees. The guarantor could be required to perform in the event of a default of a commercial contract or non-compliance with public authority regulations.

Guarantees of debt issued on behalf of consolidated companies are not included since the drawings under such credit lines are included in the consolidated statement of financial position. The guarantee obligation under such guarantees is at any time limited to the amount drawn under the credit facility.

Guarantees related to pension liabilities are included to the extent such guarantees exceed the liability included in the consolidated statement of financial position.

Guarantees issued to public authorities covering tax and VAT liabilities are not included as these obligations are already included in the consolidated statement of financial position.

Total off-balance sheet guarantees increased with USD 133 million compared with 2017, mainly reflecting ongoing investment projects and commercial contracts.

Contingent liabilities related to the de-merger from Norsk Hydro ASA

Yara is contingently liable for unfunded pension liabilities accrued prior to the consummation of the de-merger from Norsk Hydro ASA (Hydro) as a matter of the joint and several liability provided by Norwegian law. Hydro's unfunded pension liabilities, calculated in accordance with Hydro's accounting policies, amounted to approximately NOK 2 billion at demerger March 24, 2004 and have been reduced by payments thereafter.

Note 35 Contractual obligations and future investments

USD millions	Investments 2019	Investments Thereafter	Investments Total
Contract commitments for investments in property, plant and equipment	497	20	517
Contract commitments for acquisition or own generated intangible assets	24	17	41
Total	521	37	558

Yara has publicly communicated committed growth investments of USD 600 million in 2019. These investments are related to projects in Brazil (Rio Grande and the Salitre mining project), the Galvani buy-out, and investments at the Porsgrunn and Køping plants. USD 450 million of these investments are included as contractual commitments in the table above. The Galvani buy-out is described in Note 15 and is not included in the table above.

Commitments related to equity-accounted investees

USD millions	Investments 2019	Investments Thereafter	Investments Total
Contract commitments for investments in property, plant and equipment:	82	-	82
Total	82	-	82

Figures in the table above are presented on a 100% basis. Yara's share of committed investments related to equity-accounted investees in 2018 is USD 20 million. The commitments are mainly related to Qafco.

Take-or-pay and Long-term contracts

Yara has entered into take-or-pay and long-term contracts providing for future payments to transportation capacity, raw materials and energy. Yara has marketing and off-take agreements with some of its equity-accounted investees, see note 16.

The non-cancelable future obligations at 31 December 2018 (undiscounted amounts)

USD millions	Total
2019	591
2020	271
2021	211
2022	112
2023	64
Thereafter	721
Total	1,971

The non-cancelable future obligations are mainly related to gas and raw material contracts. The amounts are calculated based on minimum contracted quantities and minimum contracted prices according to each contract.

Yara did not need to pay any significant amount to fulfill take-or-pay clauses in 2018.

For further information regarding future obligations, see note 26 for future obligations related to pensions, note 27 for provisions and contingencies and 36 for future commitments related to lease arrangements.

Note 36 Operating and finance lease commitments

Operating lease

Operating leases for the right to use land, buildings, offices, machinery, equipment and vessels. Total minimum future rentals due under non-cancelable operating leases are:

USD millions	2018	2017
Within 1 year	135	137
2 - 5 years	203	200
After 5 years	241	184
Total	578	520

There are no restrictions imposed by lease arrangements, such as those concerning dividends and additional debt. For some of the contracts there are renewal options that Yara may exercise.

Operating lease expenses included in operating cost and expenses

USD millions	2018	2017
Operating lease expenses	(190)	(170)

Operating lease expenses of USD 150 million (2017: USD 134 million) is included in raw materials, energy costs and freight expenses and the remaining is presented as part of other operating expenses in the consolidated statement of income.

Finance lease

Finance leases on buildings, offices, machinery and equipment. Total minimum future rentals due under non-cancelable finance leases and their present values are:

	2018		2017	
USD millions	Nominal value	Present value	Nominal value	Present value
Within 1 year	7	6	7	6
2 - 5 years	16	13	19	17
After 5 years	10	-	11	3
Total	32	19	37	27

There are no restrictions imposed by lease arrangements, such as those concerning dividends and additional debt. Renewal or purchase options clauses are common among Yara's finance lease agreements.

See note 14 for information regarding the carrying amount of finance lease assets.

Note 37 Related parties

The Norwegian State

At 31 December 2018, the Norwegian State owned 98,936,188 shares, representing 36.21% of the total number of shares issued. On the same date, the National Insurance Fund, Norway owned 13,265,638 shares, representing 4.86% of the total number of shares issued.

Yara Pension fund

One of Yara International ASA's pension plans is arranged through Yara Pension Fund. This plan has been closed for new members since July 2006. During 2018, Yara has contributed to the pension fund through deductions from premium fund.

Equity-accounted investees

Transactions with equity-accounted investees are described in note 16.

Board of Directors

Members of the Board of Directors are elected for two year terms. Their rights and obligations as board members are solely and specifically provided for the company's articles of association and Norwegian law. The company has no significant contracts in which a Board Member has a material interest.

Executive Management

Executive Management remuneration is disclosed in note 38.

Board of Directors compensation 2018 and number of shares owned 31 December 2018

USD thousands, except number of shares	Compensation earned in 2018	Number of shares
Geir Isaksen, Chairperson (from 8 May 2018) [1]	66	84
Maria Moræus Hanssen [2] [4]	72	500
Trond Berger (from 8 May 2018) [2]	40	3,000
Hilde Bakken [1]	43	800
John Gabriel Thuestad [2] [4]	48	1,200
Rune Asle Bratteberg [2] [3]	51	283
Geir O. Sundbø [1] [3]	45	255
Kjersti Aass	40	102
Leif Teksum, Chairperson (till 8 May 2018)	27	n/a

1) Member of the HR Committee in 2018.
2) Member of the Audit Committee in 2018.
3) Interest-free loan of USD 1.453 given through a trust in accordance with a Yara share purchase offer.
4) Maria Moræus Hanssen and John Thuestad receive an additional remuneration for Board members resident outside Scandinavia, currently NOK 11,400 per meeting.

Compensation of Board of Directors was USD 431 thousand in 2018 compared to USD 393 thousand in 2017.

The Chairperson and the members of the Board have no agreements for further compensation due to termination or changes in the position.

Compensation 2018 and number of shares owned by the deputy Board Members at 31 December 2018

	Compensation earned in 2018	Number of shares
Kari Marie Nøstberg [1]	-	404
Inge Stabæk [1]	-	440
Toril Svendsen	-	-
Vidar Viskjer [1]	-	283
Morten Ødegård (from 8 May 2018) [1]	-	862
Maiken Sandland (from 8 May 2018)	-	85

1) Interest-free loan of USD 1.453 given through a trust in accordance with a Yara share purchase offer.

Note 38 Executive Management remuneration

Yara Executive Management: Compensation and number of shares owned at 31 December 2018

USD thousands, except number of shares	Salary [2]	Long-term incentive plan [1]	Other benefits	Pension benefits	Bonus accrued [4]	Sum	Number of shares	Bonus paid [3]
Svein Tore Holsether [5) 7)]	821	249	45	198	299	1,613	31,908	180
Tove Andersen [5) 7)]	427	107	29	25	134	723	6,646	102
Terje Knutsen [5) 7)]	411	111	54	101	131	809	8,278	63
Yves Bonte [9)]	744	189	9	90	247	1,280	15,979	179
Lair Hanzen [8)]	561	153	3	60	487	1,264	13,484	295
Kristine Ryssdal [5) 7)]	382	75	41	17	90	605	4,935	55
Terje Morten Tollefsen [5) 7)]	380	75	33	31	78	597	7,033	60
Lene Trollnes [5) 7)]	405	105	35	17	132	694	11,557	95
Pablo Barrera Lopez (from April 1, 2018) [5) 6) 7)]	260	88	21	13	99	481	2,320	-
Lars Røsæg (from November 19, 2018) [5) 6) 7)]	48	-	4	2	75	129	474	-
Petter Østbø (till November 19, 2018) [6) 7) 10)]	402	114	20	21	-	557	n/a	109
Alvin Rosvoll (till March 21, 2018) [6) 7)]	70	-	24	22	-	116	n/a	36
Torgeir Kvidal (till March 21, 2018) [6) 7)]	76	-	7	20	-	104	n/a	58
Pierre Herben (till March 21, 2018) [6) 9) 11)]	56	-	5	18	-	79	n/a	37

1) Fixed cash amount as part of Long Term Incentive plan (see description on page 135).
2) The base salaries of Yara Executive Management employed in Norway increased with 6.6% on weighted average. For Yara Executive Management member employed in Belgium, an increase of 1.5% was applied in addition to an inflation increase of 2%. For Yara Executive Management member employed in Brazil, an inflation increase of 4% was applied, no salary increase was applied due to salary moderation applicable in Brazil. The development in base salary and actual paid salary may differ from one year to the next due to effects of the Norwegian holiday pay system, where a change in number of days holiday taken and/or annual holiday allowance impact salary paid.
3) Bonus earned in 2017, paid in 2018.
4) Estimated bonus (including holiday allowance) earned in 2018 to be paid in 2019.
5) Interest-free loan of USD 1,453 given through Yara International ASA in accordance with a Yara share purchase offer.
6) The numbers presented are for the period as member of Yara Executive Management in 2018.
7) Salary in NOK translation rate to USD: 0.1227
8) Salary in BRL translation rate to USD: 0.2726
9) Salary in EUR translation rate to USD: 1.1777
10) In addition to the figures above, a termination settlement with Petter Østbø amounts to USD 362 thousand and is related to six months period of notice without obligation to work and compensation for three months of parental leave that was not taken.
11) In addition to the figures above, a termination settlement with Pierre Herben amounts to USD 373 thousand equal to 7.75 months of total remuneration according to Belgian legislation.

Yara Executive Management: Compensation and number of shares owned at 31 December 2017

USD thousands, except number of shares	Salary [2) 6)]	Long-term incentive plan [1]	Other benefits	Pension benefits	Bonus accrued [4]	Sum	Number of shares	Bonus paid [3]
Svein Tore Holsether [5) 7)]	742	223	38	190	178	1,371	23,083	277
Torgeir Kvidal [5) 7)]	375	91	32	152	57	706	4,983	92
Terje Knutsen [5) 7)]	377	92	56	155	62	741	5,615	107
Yves Bonte [9)]	698	176	10	89	166	1,139	13,985	302
Alvin Rosvoll [5) 7)]	340	81	27	152	36	637	6,000	91
Tove Andersen [5) 7)]	373	97	26	27	101	624	4,334	125
Petter Østbø [5) 7)]	394	103	32	42	107	678	7,394	140
Lair Hanzen [8)]	570	172	25	105	229	1,102	10,963	588
Kristine Ryssdal [5) 7)]	347	72	36	17	54	526	2,522	94
Pierre Herben [9)]	347	70	6	41	42	505	4,334	71
Terje Morten Tollefsen [5) 7)]	361	72	33	53	59	578	6,034	94
Lene Trollnes [5) 7)]	346	90	37	17	94	583	7,174	94

1) Fixed cash amount as part of Long Term Incentive plan (see description on page 135).
2) The base salaries of Yara Executive Management employed in Norway increased with 3.8% on weighted average. For Yara Executive Management member employed in Belgium, the average increase was 3%. For the Executive Management member employed in Brazil an increase of 3% was applied in addition of an inflation increase of 2%. The salary amounts for Yara Executive Management member employed in Belgium and Brazil are influenced by currency fluctuations of 1.0% (EUR) and 5.9% (BRL). The development in base salary and actual paid salary may differ from one year to the next due to effects of the Norwegian holiday pay system, where a change in number of days holiday taken and/or annual holiday allowance impact salary paid.
3) Bonus earned in 2016, paid in 2017.
4) Estimated bonus (including holiday allowance) earned in 2017 to be paid in 2018.
5) Interest-free loan of USD 1,439 given through Yara International ASA in accordance with a Yara share purchase offer.
6) All have been member of Yara Executive Management for the full year 2017.
7) Salary in NOK translation rate to USD: 0.1211
8) Salary in BRL translation rate to USD: 0.3128
9) Salary in EUR translation rate to USD: 1.1336

CEO Remuneration 2018

Svein Tore Holsether's remuneration consist of the following elements:

Annual Base Salary

The Annual Base Salary is USD 829,302 (NOK 6,758,400). It was adjusted by 10% from 1st June 2018 to bring it in line with market according to our Principles for Executive Remuneration.

Short-Term Incentive Plan

The CEO is eligible for Short-Term Incentive Bonus according to the plan described below. The Target Bonus is 40% with a capped payout of 50% of Annual Base Salary.

Long-Term Incentive Plan

The CEO is entitled to an LTI of 30% of Annual Base Salary according to the LTI plan described below.

Pension Plans and Personal Insurance Plans

Svein Tore Holsether is member of the following pension plans:

- A funded Defined Contribution (DC) plan providing contribution equal to 7% of part of pensionable salary up to 7.1 times Norwegian Social Security Base Amount (G) plus 18% of salary between 7.1G and 12G
- An unfunded DC plan for salaries above 12G with contribution equal to 25% of pensionable salary exceeding 12G

Provided that he is employed by Yara at age 65 he will be entitled to an Age Limit Compensation. This provides a benefit equal to 65% of his Annual Base Salary at that time until age 67. In case he would be entitled to Severance Pay or if it is mutually agreed between him and the Yara Board of Directors to continue the employment beyond age 65 he will not be entitled to the Age Limit Compensation.

The CEO is member of the of the personal insurance schemes applicable to Yara employees in Norway.

Other compensation elements

The CEO is granted benefits in kind according to the applicable market standard, the main element being a fixed car allowance of USD 21,400 annually.

Comments to remuneration of other members of Executive Management in 2018

Lair Hanzen has Short-Term Incentive Bonus in line with market conditions for Brazil. His setup consists of one bonus scheme with 60% target bonus and an additional bonus scheme with 40% target bonus where a three-year vesting period applies. The total bonus pay-out is not limited to 50% of annual base salary as for the other members of Yara Executive Management. He is member of the Yara Brazil pension plan which is a DC pension plan providing 12% employer contribution.

Yves Bonte is a member of the Yara Belgium pension plan. This plan is a Defined Contribution (DC) plan and provides the members with a lump sum when they reach age 65. The employer contribution is calculated on the Annual Base Salary and amounts to 4.79% up to the legal ceiling and 15% above that.

Other members of Yara Executive Management are included in Yara's plans for employees in Norway. Since 2006 Yara in Norway has transitioned from Defined Benefit Pension Plans to DC pension and simplified the pension plans. This work was completed in 2015 and new hires are now enrolled in one DC pension plan covering salary up to 12 times Norwegian Social Security Base Amount (G). When former pension plans were closed, existing members have been offered transitional or compensation arrangements.

Remuneration of executive personnel

The statement is prepared in accordance with the Public Limited Companies Act section 6-16a. Pursuant to the Public Limited Companies Act section 5-6 (3) the statement will be presented to the Annual General Meeting (AGM) for advisory vote except for the parts regarding share-based remuneration (Long-Term Incentive Plan and Voluntary Share Purchase Program) which will be presented to the AGM for approval. The Ministry of Trade, Industry and Fisheries disclosed amended guidelines for remuneration of executives in state-owned and partly state-owned companies with effect from 13 February 2015. Yara's remuneration principles applying to the Executive Management comply with these guidelines. For executives employed by Yara companies in other countries remuneration may deviate from the guidelines depending on local market conditions.

General Principles for Executive Remuneration

Yara's policy concerning remuneration of the CEO and other members of Yara's Executive Management is to provide remuneration opportunities which:

- Are attractive to recruit and retain executives
- Are responsible as well as competitive
- Reward the executives' performance, measured as their contribution to the overall success of Yara
- Support the creation of sustainable shareholder value

Total compensation for each member of Executive Management is compared to the relevant market on a regular basis. Yara's remuneration of the Executive Management includes the following elements:

Base Salary

Base Salary is reviewed once a year as per 1st June along with the Annual Salary Review for all employees in Yara. The annual salary adjustment for employees in Yara International ASA and Norwegian subsidiaries form the basis for the Executive Management salary development.

Short-Term Incentive Plan

The Short-Term Incentive Plan represents performance-driven variable compensation components based on financial and non-financial performance at company and/or segment/organizational level. The specific performance components vary by unit and position and are set on an annual basis. The annual incentive bonus is not linked to the Yara share price but requires Yara Net Income excluding special items exceeding zero.

The annual incentive bonus payout is calculated according to the formula shown below:

Bonus Payout = Base Salary x Target Bonus percent x Yara Financial Performance Multiplier x Individual Performance Multiplier

Target Bonus

The Target Bonus is a percentage of Base Salary and should reflect the expected bonus in a normal year. The percentage is set according to position responsibility and comparison with the market. The Target Bonuses for executives on Norwegian employment contracts are between 28% and 40%.

For executives employed by Yara companies in other countries the Target Bonus may deviate from the above depending on local market conditions.

Yara Financial Performance Multiplier

Bonus pay varies with Yara financial performance within a range. For 2018 the financial performance was measured by Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA). From 2019 this measure has been replaced by Return on Invested Capital (ROIC [1]) in line with Yara's financial reporting.

The multiplier is minimum 25%, provided that Yara Net Income exceeding zero and maximum 125%. The annual target for ROIC is approved by Yara International ASA Board of Directors.

Individual Performance Multiplier

The Individual Performance Multiplier is based on the overall performance evaluation of the employee. The performance evaluation considers the results of operational and organizational Key Performance Indicators (KPIs), the promotion of Yara's Mission, Vision, Values, and demonstrated behaviors. The KPI's cover the following areas:

- Safety & Compliance
- Achievement of production and sales volumes
- Cost efficiency and Profitability
- Achievement on specific projects

The Individual Performance Modifier can be in the range from 0% to a maximum of 200%. On the average across the company, the individual multiplier should be 100%.

Bonus Payout

For executives on Norwegian employment contracts the maximum Bonus Payout is capped at 50% of Annual Base Salary. For executives employed by Yara companies in other countries the Bonus Payout may exceed 50% depending on local market conditions.

Long-Term Incentive Plan

The main purpose of the Long-Term Incentive Plan (LTIP) is to create an alignment between executives and shareholder interests and to ensure retention of key talent in the company. The program provides a cash amount to eligible executives, who are required to invest the net amount after tax in Yara shares within a period of one month after the grant, and to retain the shares for 3 years. After the lock up - period, executives are free to keep or sell the shares at their discretion. The annual grant is jointly conditional on Yara's ROIC [1] excluding special items reaching a defined average target over the past three years and Yara's Net Result excluding currency gain/loss being positive over the last three years. Yara's CEO can in any case decide that LTIP shall not be granted in a given year and Yara's Board of Directors can decide that LTIP shall not be granted to the CEO. The amount granted is linked to the individual position responsibility and shall not exceed 30% of annual base salary.

Benefit Plans

Company paid Pension Plans

Pension Plans in Yara should be defined contribution ("DC") plans. Executive Management on Norwegian employment contracts are eligible to the company paid DC Pension Plan applicable for all Yara employees in Norway. The contribution rates to this plan is 7% of part of pensionable salary up to 7.1 times Norwegian Social Security Base Amount (G) and 18% of pensionable salary between 7.1G and 12G.

Yara has a DC Pension Plan covering salary in excess of 12G applicable for employees on Norwegian employment contracts. From December 2015 this plan was closed for new members. For internal recruits to the Executive Management who are members of the plan at commencement, future contribution to the plan stops and they become deferred members of the plan. Current members of the Executive Management at 3 December 2015 remain active members of the plan with future contributions.

For employees on Norwegian employment contracts, the upper retirement age is 70 years with the possibility for flexible retirement from age 62 in the company paid DC plans. Yara has a defined benefit early retirement plan for executives on Norwegian employment contracts covering the period from age 65 to 67 with a defined benefit equal to 65% of final salary limited to 12G. From 1st January 2015, the plan was closed for new members and ceased for employees below age 50. A DC pension plan was established to compensate members for the shortfall. Executives who were previously members of other Defined Benefit Pension Plans being terminated or converted to DC plans might have cash allowances to compensate for the shortfall.

Executives employed by Yara companies in other countries will be covered by company paid pension plans according to national plans and markets.

Personal Insurance Schemes

The executives are members of the personal insurance schemes applicable to all Yara employees. These are Group Life Insurance, Disability Pension, lump-sum payment in the event of disability, occupational diseases, occupational and non-occupational accident and Health Insurance. In addition, they are provided with a Travel Insurance covering both the executive and family.

Other compensation elements

Executives are granted benefits in kind according to the applicable market standard. These are typically cell phone, internet connection and company car, alternatively fixed car allowance.

Members of Yara Executive Management on Norwegian contracts are entitled to a severance pay equal to six months basic salary on certain conditions. The severance pay is calculated from the end of the notice period. Other income the executive receives during the severance pay period will be deducted from the severance pay.

Voluntary Share Purchase Program

Executive Management members employed in Norway can take part in the annual offer to all permanent Yara employees in Norway where they can buy Yara shares to a value of NOK 7,500 alternatively NOK 15,000 with a tax-exempt discount of NOK 1,500 in the first alternative and NOK 3,000 in the latter. Yara offers the employees an interest-free loan with repayment of one year for the purchase of the shares. This plan comes in addition to the LTIP.

Salary and other benefits earned in 2018 are disclosed above. For additional information about existing pension plans see note 26.

1) Definition is provided on page 54.

Note 39 External audit remuneration

Deloitte AS (Deloitte) is Yara's auditor. A few subsidiaries of Yara International ASA have appointed other audit firms. The following table shows total audit and other services delivered to the group by the appointed auditor.

USD thousands	Audit fee	Assurance services	Tax services	Other non-audit services	Total
2018					
Deloitte Norway	573	267	28	62	931
Deloitte abroad	3,680	138	278	17	4,112
Total Deloitte	4,253	405	306	79	5,043
Others	189	6	89	67	351
Total	4,442	411	396	146	5,394
2017					
Deloitte Norway	534	95	-	5	634
Deloitte abroad	3,348	239	296	36	3,920
Total Deloitte	3,883	334	296	40	4,553
Others	171	-	71	30	272
Total	4,051	334	368	72	4,825

Note 40 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)	Representation in USD million	Restated consolidated net income in USD million
2017	3,948	477	-	477

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

Effects of changes in reported equity

31 December 2018

	Historical consolidated financial statements in NOK million	Consolidated financial statements in USD million 1)	Representation 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 2017

	Historical consolidated financial statements in NOK million	Consolidated financial statements in USD million 1)	Representation 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 41 New accounting standards

IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers

Yara adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers for reporting periods beginning on and after 1 January 2018. The Group has not identified significant impact on its consolidated statement of financial position and equity due to adoption of these new standards. Please see Yara's Annual Report 2017 for complementary information.

The implementation effects have been adjusted to the opening balance of equity at the date of initial application. No comparative information is restated. The effects to equity were limited and can be summarized as follows:

USD millions	As reported 31 Dec 2017	Adjustments due to IFRS 9	Adjustments due to IFRS 15	Opening balance 1 Jan 2018
Retained earnings	10,369	(3)	(1)	10,365

Adjustments due to the implementation of IFRS 15 refers to the net margin (pre-tax) of distinct freight/insurance services (C-incoterms) which were not yet performed at year end 2017, and technology offerings in Yara's Environmental Solutions Business which would have been accounted for at a future point in time under IFRS 15. Since the effects of implementing IFRS 15 are limited, the amounts by which each financial statement line item is affected in the current reporting period compared with previous guidance are not disclosed due to materiality reasons.

Adjustments due to the implementation of IFRS 9 refers to the expected loss impairment model as introduced by the new standard. No quantitative IFRS 9 implementation effects to equity were identified when assessing changes to classification, measurement and hedge accounting.

Changes to classification and measurement of financial assets and liabilities as of 1 January 2018 can be summarized as follows:

USD millions	IAS 39							
Class of financial instrument	Derivatives		Loans and receivables	Available-for-sale	Financial liabilities		Non-financial assets/liabilities	Opening balance 1 Jan 2018
Category of measurement	FV through P&L	Designated for hedging	Amortised cost	FV through OCI (no recycling)	Amortised cost	FV through P&L	Historic cost	
Total carrying amount	(82)	(4)	2,591	24	(4,579)	(58)	46	(2,062)

USD millions	IFRS 9							
Class of financial instrument	Derivatives		Receivables and deposits	Equity instruments	Financial liabilities		Non-financial assets/liabilities	Opening balance 1 Jan 2018
Category of measurement	FV through P&L	Designated for hedging	Amortised cost	FV through OCI (no recycling)	Amortised cost	FV through P&L	Historic cost	
Total carrying amount	(82)	(4)	2,337	24	(4,579)	(58)	300	(2,062)

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 has 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 has 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.

Based on the Group's lease portfolio 1 January 2019, Yara expects a positive EBITDA effect in 2019 of approximately USD 95 million.
Future changes to the lease portfolio will change the impact on EBITDA.

Note 42 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

Yara has at the same time moved certain plants that are operating in local markets from the former Crop Nutrition segment to the Production segment. These plants are:
- Babrala (India)
- Rio Grande (Brazil)
- Ponta Grossa (Brazil)

In addition, Yara has moved sales and marketing activity in Galvani and Cubatao (both in Brazil) previously reported within the Production segment to the new Sales and Marketing segment.

The above changes will lead to changes in Yara's segment reporting and is effective from 1 January 2019. A separate appendix containing restated segment figures for 2018 was published on 20 March 2019.
The appendix is available in the Investors Relation section on www.yara.com.

Financial statements

Financial statements for Yara International ASA

» Due to rounding differences, figures or percentages may not add up to the total.

YARA INTERNATIONAL ASA

Income statement

NOK millions	Notes	2018	2017
Revenues	5	2,690	2,316
Other income		1	3
Revenues and other income		2,691	2,319
Raw materials, energy costs and freight expenses		(7)	(11)
Change in inventories of own production		2	1
Payroll and related costs	3	(1,003)	(852)
Depreciation and amortization	4	(134)	(82)
Impairment loss	4	-	(118)
Other operating expenses	5	(1,933)	(1,972)
Operating costs and expenses		(3,075)	(3,034)
Operating income		(384)	(715)
Financial income/(expense), net	6	2,772	13,261
Income before tax		2,388	12,546
Income tax income/(expense)	7	216	(109)
Net income		2,605	12,437
Appropriation of net income and equity transfers			
Dividend proposed		1,771	1,776
Retained earnings		834	10,661
Total appropriation	12	2,605	12,437

YARA INTERNATIONAL ASA

Balance sheet

NOK millions	Notes	31 Dec 2018	31 Dec 2017
ASSETS			
Non-current assets			
Deferred tax assets	7	820	598
Intangible assets	4	674	497
Property, plant and equipment	4	74	73
Shares in subsidiaries	8	19,855	19,757
Intercompany receivables	14	45,118	41,994
Other non-current assets	9	399	400
Total non-current assets		66,939	63,318
Current assets			
Inventories	9	22	19
Trade receivables		4	8
Intercompany receivables	14	12,119	23,864
Prepaid expenses and other current assets	11	864	405
Cash and cash equivalents		375	3,298
Total current assets		13,384	27,595
Total assets		80,324	90,913

YARA INTERNATIONAL ASA

Balance sheet

NOK millions	Notes	31 Dec 2018	31 Dec 2017
Liabilities and shareholders' equity			
Equity			
Share capital reduced for treasury stock		463	464
Premium paid-in capital		117	117
Total paid-in capital	12	580	582
Retained earnings		20,225	19,382
Treasury shares		(283)	-
Shareholders' equity	12	20,522	19,964
Non-current liabilities			
Employee benefits	2	894	885
Long-term interest-bearing debt	13	23,108	18,567
Other long-term liabilities		602	358
Total non-current liabilities		24,604	19,810
Current liabilities			
Trade and other payables		242	278
Bank loans and other short-term interest-bearing debt	9	1,759	190
Current portion of long-term debt	13	6,798	-
Dividends payable	12	1,771	1,776
Intercompany payables	14	23,836	48,552
Other current liabilities		792	342
Total current liabilities		35,197	51,138
Total liabilities and shareholders' equity		80,324	90,913

The Board of Directors of Yara International ASA
Oslo, 29 March 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

YARA INTERNATIONAL ASA

Cash flow statement

NOK millions	Notes	2018	2017
Operating activities			
Operating income		(384)	(715)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	4	134	82
Impairment loss	4	-	118
Write-down inventory and trade receivables		1	(1)
Tax received/(paid)	7	52	(14)
Group relief received		12,723	1,604
Interest and bank charges received/(paid)		(660)	15
Other		4	203
Change in working capital			
Trade receivables		5	-
Short-term intercompany receivables/payables		(21,553)	17,921
Prepaid expenses and other current assets		(379)	164
Trade payables		(62)	98
Other current liabilities		(56)	14
Net cash provided by operating activities		(10,174)	19,491
Investing activities			
Acquisition of property, plant and equipment	4	(12)	(21)
Acquisition of other long-term investments	5	(286)	(312)
Net cash from/(to) long-term intercompany loans	13, 14	(1,964)	(22,804)
Net proceeds from long-term investments		(1)	21
Net cash provided by/(used in) investing activities		(2,263)	(23,116)
Financing activities			
Loan proceeds	13	10,128	7,014
Principal payments		1,315	44
Purchase of treasury stock	12	(181)	-
Dividend paid	12	(1,776)	(2,732)
Net cash used in financing activities		9,485	4,326
Foreign currency effects on cash and cash equivalents		29	(5)
Net increase/(decrease) in cash and cash equivalents		(2,922)	695
Cash and cash equivalents at 1 January		3,298	2,603
Cash and cash equivalents at 31 December		375	3,298

Notes to the financial statements

Note 1 Accounting policies

General
The financial statements for Yara International ASA have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway (NGAAP). Preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as disclosures of contingencies. Actual results may differ from estimates.

Yara International ASA primarily holds shares in subsidiaries and provides financing to entities in the Yara Group. Please note that the information in note 28 to the consolidated financial statements related to payments on long-term debt also applies to Yara International ASA. Revenue mainly stem from allocation of costs related to intragroup services provided.

The accompanying notes are an integral part of the financial statements.

Shares in subsidiaries
Shares in subsidiaries are presented according to the cost method. Dividends and Group reliefs are recognized in the income statement when these are proposed by the subsidiary. Group relief received is included in dividends. Shares in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may exceed the fair value of the investment. Indications may be operating losses or adverse market conditions. Fair value of the investment is estimated based on valuation model techniques. If it is considered probable that the fair value is below Yara's carrying value, the investment is impaired. The impairment is reversed if the impairment situation is no longer present.

Foreign currency transactions
The functional currency of Yara International ASA is Norwegian kroner (NOK). Transactions in currencies other than the functional currency are recorded at the exchange rate at the date of transaction. Monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Realized and unrealized currency gains and losses on transactions, assets and liabilities, denominated in a currency other than the functional currency, and that do not qualify for hedge accounting treatment, are included in net income.

Revenue
In all material respects, revenue stem from sale of intercompany services. These are recognized when the services are delivered based on intragroup allocation of costs.

Interest income is recognized in the income statement as it is accrued, based on the effective interest method.

Receivables
Trade receivables and short-term intercompany receivables are recognized at nominal value, less the accrual for expected losses of receivables. The accrual for losses is based on an individual assessment of each receivable.

Cash and cash equivalents
Cash and cash equivalents include cash, bank deposits and all other monetary instruments with a maturity of less than three months at the date of purchase.

The cash held by Yara International ASA reflects that most external bank deposits are channeled through the group treasury function. Consequently, the level of cash held should be seen in context with the intercompany receivables and payables.

Payables
Trade payables and short-term intercompany payables are recognized at nominal value.

Financial assets and liabilities
Financial assets, other than derivatives, are initially recognized in the balance sheet at fair value (cost) and subsequently at the lower of cost or fair value. Financial liabilities are initially recognized in the balance sheet at fair value (cost) and subsequently at amortized cost.

Cost of sales and other expenses
Cost of sales and other expenses are recognized in the same period as the revenue to which they relate. If there is no clear connection between the expense and revenue, an apportionment is estimated. Other exceptions to the matching criteria are disclosed where appropriate.

Income taxes
Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year.

Deferred tax
Deferred income tax expense is calculated using the liability method in accordance with the preliminary Norwegian Accounting Standard on Income Taxes ("NRS Resultatskatt"). Under this standard, deferred tax assets and liabilities are measured based on the differences between the carrying values of assets and liabilities for financial reporting and their tax basis, which is considered temporary in nature. Deferred income tax expense represents the change in deferred tax asset and liability balances during the year, except for deferred tax related to items charged to equity. Changes resulting from amendments and revisions in tax laws and tax rates are recognized when the new tax laws or rates are adopted.

Intangible assets
Intangible assets acquired individually or as a group are initially recognized at fair value when acquired, and subsequently amortized on a straight-line basis over their useful life and tested for impairment whenever indications of impairment are present.

Research costs are expensed as incurred. Costs incurred in development of certain internally generated intangible assets, such as software, are expensed until all the recognition criteria are met. Qualifying costs incurred subsequently to meeting the recognition criteria are capitalized.

Property, plant and equipment
Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is determined using the straight-line method over the assets useful life. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Inventories
Inventories are valued at the lower of cost, using weighted average, and net realizable value. The cost of inventories comprise all costs incurred in bringing the inventories to their present location and condition, including direct materials, direct labor, and an appropriate portion of production overhead, or the purchase price of the inventory.

Leased assets
Assets which are leased on conditions which substantially transfer all the economic risks and rewards to Yara (finance lease) are accounted for as property, plant and equipment at the present value of minimum lease payments, or fair value if this is lower. The corresponding finance lease liabilities are initially included in long-term debt. Property, plant and equipment are depreciated over the estimated useful lives of the assets or lease term if shorter. The related liabilities are reduced by the amount of lease payments less the effective interest expense.

Other leases are accounted for as operating leases with lease payments recognized as an expense over the lease term.

Forward currency contracts
Forward currency contracts are initially recognized in the balance sheet at fair value. Subsequent changes in fair value are recognized in the income statement.

Interest rate and foreign currency swaps
Interest income and expense relating to swaps that are not designated as hedge instruments are recognized as net income or expense over the life of the contract. Foreign currency swaps are translated into Norwegian kroner at the applicable exchange rate at the balance sheet date with the resulting unrealized currency translation gain or loss recorded in "Financial income (expense), net" in the income statement.

Shared-based compensation
Yara has a long-term incentive program which provides a fixed cash amount to eligible top executives the grant. Yara purchases the shares on behalf of the executives at market prices. The executives holds all shareholder rights from the date of purchase but cannot sell the shares in the three years vesting period. The incentive program does not have dilutive effect since it represents ordinary shares outstanding.

The fair value of the purchased shares is recognized as reduction in equity. The costs for the long-term incentive program is expensed in the year when the shares are granted. However, the costs are re-invoiced within the same year to Yara units globally as part of the shared cost model. The employee tax is calculated and expensed at the grant date.

The Company also gives employees the possibility to purchase shares in Yara at a reduced price. The related cost is recognized when the employee exercises this option.

Employee retirement plans
Employee retirement plans are measured in accordance with IAS 19 Employee Benefits, as this is permitted by the Norwegian accounting standard on pensions ("NRS 6 Pensjonskostnader"). Past service cost is recognized immediately in the Statement of income together with any gains and losses arising from curtailments and settlements. Remeasurement gains and losses are recognized directly in retained earnings.

Note 2 Pensions and other long-term employee benefit obligations

Yara International ASA has incurred obligations under a funded defined benefit plan. The pension plan was closed to new entrants in 2006 and employees below the age of 55 received a paid-up policy for previously earned benefit entitlements. The defined benefit plan was replaced by a defined contribution plan from the same date, which requires Yara International ASA to make agreed contributions when employees have rendered service entitling them to the contributions. Yara International ASA has no legal or constructive obligation to pay further contributions. This new plan applies to the future pension earnings of existing employees below the age of 55 in 2006 and all new employees. Pension liabilities for defined benefit plans also include certain unfunded obligations.

Other long-term employee benefits include a provision for jubilee benefits.

Yara International ASA is obliged to and does fulfill the requirements of the act regarding mandatory occupational pension scheme ("Lov om obligatorisk tjenestepensjon").

Long-term employee benefit obligations recognized in the statement of financial position

NOK millions	2018	2017
Pension liabilities for defined benefit plans	(885)	(878)
Termination benefits and other long-term employee benefits	(9)	(8)
Surplus on funded defined benefit plan	351	344
Net long-term employee benefit obligations	(543)	(541)

Expenses for long-term employee benefit obligations recognized in the statement of income

NOK millions	2018	2017
Defined benefit plans	(44)	(55)
Defined contribution plans	(53)	(47)
Termination benefits and other long-term employee benefits	(10)	(8)
Net expenses recognized in Statement of income	(107)	(111)

Defined benefit plans

Yara International ASA is the sponsor of Yara Pensjonskasse, a funded pension plan which also covers employees of its subsidiary Yara Norge AS. Plan benefits are based on years of service and final salary levels. Determination of the required annual contribution to Yara Pensjonskasse from each of the participating legal entities is defined by the bylaws of the pension fund, and is based on actuarial calculations. The distribution of pension costs to the participating entities is based on the same calculations. At 31 December 2018, the number of active participants in the funded defined benefit plan who were employed by Yara International ASA, was 1 and the number of retirees was 136. In addition, 365 current and previous employees of Yara International ASA have earned paid-up policies in the pension fund.

Yara International ASA participates in a multi-employer plan (AFP - "Avtalefestet pensjon") which entitles most of its employees the right to retire from the age of 62. Participating entities are required to pay an annual fee for each of its active employees. As the information required to account for this part of the plan as a defined benefit plan is not available from the plan administrator, it is accounted for as if it were a defined contribution plan. The provision for defined benefit plans includes however the calculated obligation to pay a percentage of benefits paid to its employees who have chosen early retirement under this plan. A further defined benefit obligation is recognized to account for a gratuity offered by Yara International ASA to its employees who retire with the AFP scheme.

Norwegian employees at position level of department manager or above are members of an unfunded early retirement plan. The plan covers the period from age 65 to 67 with a defined benefit equal to 65% of final salary. From 2006 accrual of pension in this plan has been limited to a salary of 12G (i.e. 12 times the Norwegian Social Security Base Amount, which from 1 May 2018 was NOK 96,883).

Effective 1 January 2015 Yara International ASA implemented changes to the early retirement schemes, both the AFP gratuity plan and the plan for early retirement from 65 to 67 for positions as department manager or above, in which all employees below age 50 were transferred to new contribution-based plans which offer increased contribution rates compared to the ordinary defined contribution plan, as well as compensation contributions, where applicable. Employees aged 50 or above retained their rights from the old plans, however with the option to choose a transfer to the new contribution-based plans. As the compensation contribution plans are unfunded and Yara International ASA retains investment risk, they are accounted for as defined benefit plans from end of 2015.

All Norwegian employees with salary above 12G as of 3 December 2015 are members of an unfunded plan which requires Yara International ASA to contribute with an amount equal to 25% of pensionable salary in excess of 12G for each year of service, with the addition of annual return on the accumulated balance. The plan was closed to new members from 3 December 2015. As the plan is unfunded and investment risk is retained by Yara International ASA, the plan is included in the obligation for defined benefit plans.

Valuation of defined benefit obligations

The defined benefit plans are valued at 31 December using updated financial and demographical assumptions and taking into account relevant economic environment factors.

It is the opinion of the management of Yara International ASA that there is a sufficiently deep market for high quality corporate bonds in Norway, which is therefore used as reference for determination of the discount rate. Normal assumptions for demographical and retirement factors have been used by the actuary when calculating the obligation. Estimated future mortality is based on published statistics and mortality tables. The actuary has used the K2013BE mortality table. According to K2013BE a current employee aged 45 today would be expected to live 24.9 years after reaching the retirement age of 65, whereas an employee aged 65 today would on average be expected to live 23.1 years.

The following financial assumptions have been applied for the valuation of liabilities (in %)

In percentages	2018	2017
Discount rate	2.7	2.5
Expected rate of salary increases	2.6	2.4
Future rate of pension increases	1.1	0.8

Actuarial valuations provided the following results

NOK millions	2018	2017
Present value of unfunded obligations	(776)	(769)
Present value of wholly or partly funded obligations	(713)	(729)
Total present value of obligations	(1,489)	(1,498)
Fair value of plan assets	1,065	1,073
Social security on defined benefit obligations	(109)	(108)
Total recognized liability for defined benefit plans	(534)	(533)

Duration of liabilities at the end of the year

Duration of liabilities (in years)	2018
Funded plan	14.8
Unfunded plans	12.3

Pension cost recognized in statement of income

The assumptions used to value the defined benefit obligations at 31 December are used in the following year to determine the net pension cost. The discount rate is used to calculate the interest income from plan assets.

The following items have been recognized in the statement of income

NOK millions	2018	2017
Current service cost	(25)	(37)
Administration cost	(2)	(1)
Social security cost	(6)	(8)
Payroll and related costs	(33)	(46)
Interest on obligation	(37)	(35)
Interest income from plan assets	26	25
Interest expense and other financial items	(10)	(10)
Total expense recognized in income statement	(44)	(55)

Sensitivity of assumptions

Measurement of defined benefit obligations and pension costs requires the use of a number of assumptions and estimates. Below table indicates the sensitivity of the most material financial assumptions applied to the defined benefit obligation, by showing the result from an increase or decrease in any one of the assumptions applied (all other assumptions held constant).

NOK millions	2018	2017
Actual valuation	(1,489)	(1,498)
Discount rate +0.5%	(1,407)	(1,408)
Discount rate -0.5%	(1,579)	(1,596)
Expected rate of salary increase +0.5%	(1,498)	(1,503)
Expected rate of salary increase -0.5%	(1,480)	(1,493)
Expected rate of pension increase +0.5%	(1,567)	(1,596)
Expected rate of pension increase -0.5%	(1,418)	(1,407)
Expected longevity +1 year	(1,540)	(1,547)
Expected longevity -1 year	(1,438)	(1,449)

Development of defined benefit obligations

NOK millions	2018	2017
Defined benefit obligation as of 1 January	(1,498)	(1,415)
Current service cost	(25)	(37)
Interest cost	(37)	(35)
Experience adjustments	19	(15)
Effect of changes in financial assumptions	(8)	(51)
Benefits paid	60	54
Defined benefit obligation as of 31 December	(1,489)	(1,498)

Development of plan assets

NOK millions	2018	2017
Fair value of plan assets as of 1 January	1,073	1,014
Interest income from plan assets	26	25
Administration cost	(2)	(1)
Return on plan assets (excluding calculated interest income)	(5)	61
Benefits paid	(28)	(26)
Fair value of plan assets as of 31 December	1,065	1,073

Yara Pensjonskasse (the pension fund) is a separate legal entity, independently governed by its Board of Directors. It is the responsibility of the pension fund's Board of Directors to determine the investment strategy, and to review the administration of plan assets and the funding level of the pension fund. If needed, Yara International ASA will be required to increase the capital buffer of the pension fund.

Yara International ASA's defined benefit plan obligations are inherently exposed to inflation risk, interest rate risk and longevity risk. The investment strategies of the pension fund ensures diversement of investments in order to keep market volatility risk at a desired level. The pension fund Board of Directors is targeting a satisfactory level of risk and return corresponding to the maturity profile of future pension benefit payments.

At the end of the year, the plan assets were invested as follows

NOK millions, except percentages	2018	2018	2017	2017
Cash and cash equivalents	33	3%	14	1%
Shares	349	33%	389	36%
Other equity instruments	82	8%	78	7%
Investment grade debt instruments	578	54%	569	53%
Properties	22	2%	22	2%
Interest rate swap derivatives	1	0%	1	0%
Total plan assets	1,065	100%	1,073	100%

Yara Pensjonskasse (the pension fund) does not hold any investments that do not have a quoted market price in an active market. Nor does it hold any financial instruments issued by Yara Group companies.

Contributions expected to be paid by Yara International ASA to the defined benefit plans for 2019 are NOK 27 million. The amount includes any premium to be paid to Yara Pensjonskasse and all benefits to be paid for unfunded plans.

Remeasurement gains/(losses) recognized in retained earnings

NOK millions	2018	2017
Cumulative amount recognized directly in retained earnings pre-tax at 1 January	(158)	(151)
Remeasurement gains/(losses) on obligation for defined benefit plans	10	(65)
Remeasurement gains/(losses) on plan assets for defined benefit plans	(5)	61
Social security on remeasurement gains/(losses) recognized directly in equity this year	1	(2)
Cumulative amount recognized directly in retained earnings pre-tax at 31 December	(152)	(158)
Deferred tax related to remeasurement gains/(losses) recognized directly in retained earnings	33	36
Cumulative amount recognized directly in retained earnings after tax at 31 December	(118)	(121)

Note 3 Remunerations and other

Remuneration and direct ownership of shares of the Chairperson and of the Board of Directors are disclosed in note 37 to the consolidated financial statement.

Remuneration to the President and Executive Management, as well as number of shares owned and Long-Term Incentive Plan, are disclosed in note 38 to the consolidated financial statements.

Partners and employees of Yara's independent auditors, Deloitte AS, own no shares in Yara International ASA, or in any of its subsidiaries. Yara International ASA's fee to Deloitte AS (Norway) for ordinary audit was NOK 3,908 thousand (2017: NOK 3,444 thousand), fee for assurance services NOK 1,704 thousand (2017: NOK 521 thousand), NOK 245 thousand for tax services (2017: no fee) and NOK 535 thousand for non-audit services (2017: NOK 42 thousand). Audit remuneration for the Group is disclosed in note 39 to the consolidated financial statement.

At 31 December 2018, the number of employees in Yara International ASA was 639 (2017: 537).

NOK millions	2018	2017
Payroll and related costs		
Salaries	(799)	(657)
Social security costs	(108)	(93)
Net periodic pension costs	(97)	(101)
Total	(1,003)	(852)

Yara provided a guarantee for unsecured loans which were granted from external banks to the Norwegian employees. Yara did not compensate the banks for these services. At 31 December 2018, the aggregate balance of all the outstanding loans for which Yara is providing a guarantee is approximately NOK 0.2 million, and the number of loans are four. The scheme in question ceased to apply and the loans are expected to be settled within two-three years.

Yara continued to give employees in Norway an opportunity to take part in a share purchase program in 2018. All permanent employees in Norway have been offered shares with a discount and given an interest-free loan with a 12-month repayment profile. In order to handle this arrangement in an efficient way, Yara has established a foundation for employees' shares in Yara. The foundation has purchased 38,400 shares during 2018. In total 38,892 shares have been sold during 2018 to 958 persons, 64 persons were allotted 21 shares and 894 persons were allotted 42 shares. As at 31 December 2018, the foundation owns 396 shares in Yara.

Note 4 Intangible assets, property, plant and equipment

2018

NOK millions, except percentages and years	Intangible assets [1]	Property, plant and equipment [1]	Total
Cost			
Balance at 1 January	900	171	1,071
Addition at cost	306	12	318
Derecognition	(35)	(15)	(50)
Balance at 31 December	1,170	168	1,339
Depreciation, amortization and impairment loss			
Balance at 1 January	(402)	(98)	(500)
Depreciation and amortization	(123)	(11)	(134)
Derecognition	29	15	44
Balance at 31 December	(497)	(95)	(590)
Carrying value			
Balance at 1 January	497	73	570
Balance at 31 December	674	74	748
Useful life in years	3 - 5	4 - 50	
Depreciation rate	20 - 35%	2 - 25%	

1) Intangible assets mainly consist of computer software systems and capitalized technology assets.
2) Property, plant and equipment for Yara International ASA consists mainly of buildings and furnishings.There were no assets pledged as security at 31 December 2018.

2017

NOK millions, except percentages and years	Intangible assets [1]	Property, plant and equipment [1]	Total
Cost			
Balance at 1 January	764	174	938
Addition at cost	332	21	353
Derecognition	(196)	(24)	(220)
Balance at 31 December	900	171	1,071
Depreciation, amortization and impairment loss			
Balance at 1 January	(263)	(67)	(330)
Depreciation and amortization	(72)	(9)	(81)
Impairment loss	(73)	(45)	(118)
Derecognition	6	24	30
Balance at 31 December	(402)	(98)	(499)
Carrying value			
Balance at 1 January	501	106	607
Balance at 31 December	497	73	570
Useful life in years	3 - 5	4 - 50	
Depreciation rate	20 - 35%	2 - 25%	

1) Intangible assets mainly consist of computer software systems and capitalized technology assets.
2) Property, plant and equipment for Yara International ASA consists mainly of buildings and furnishings.There were no assets pledged as security at 31 December 2017.

Note 5 Specification of items in the income statement

Revenue

Information about sales to geographical areas

NOK millions	2018 External	2018 Internal	2018 Total	2017 External	2017 Internal	2017 Total
Norway	-	98	98	1	92	93
European Union	22	2,258	2,280	31	1,945	1,976
Europe, outside European Union	-	3	3	-	3	3
Africa	-	23	23	-	21	21
Asia	-	45	45	-	25	25
North America	-	45	45	-	41	41
Latin America	-	176	176	-	139	139
Australia and New Zealand	2	17	19	-	17	17
Total	25	2,665	2,690	32	2,284	2,316

Other operating expenses

NOK millions	2018	2017
Selling and administrative expense	(1,341)	(1,228)
Rental and leasing [1]	(65)	(67)
Travel expense	(65)	(68)
Other [2]	(461)	(610)
Total	(1,933)	(1,972)
Of which research costs [3]	(328)	(303)

1) Expenses mainly relate to property and lease contracts for company cars.
2) In 2017, Yara decided to discontinue the development of a pilot plant for small scale production of ammonia nitrate in Porsgrunn. Following this decision, Yara recognized closure costs of NOK 278 million. The closure costs are mainly related to scrapping and decommissioning of assets under construction. Yara has recognized impairment losses on technology rights and development equipment that were acquired for this pilot plant project for NOK 118 million. See also note 8 to the consolidated financial statements.
3) Over the last few years, Yara has focused on orienting research and development resources towards commercial activities, both with respect to process and product improvements and agronomical activities. It is impracticable to give a fair estimate of possible future financial returns of these activities.

Note 6 Financial income and expense

NOK millions	Notes	2018	2017
Dividends and group relief from subsidiaries		4,500	12,689
Write-down shares in subsidiaries [1]		(466)	-
Interest income group companies	14	1,094	810
Other interest income		53	10
Interest expense group companies	14	(319)	(150)
Other interest expense		(1,165)	(633)
Interest expense defined pension liabilities	2	(37)	(35)
Return on pension plan assets	2	26	25
Net foreign currency translation gain/(loss)		(875)	581
Other financial income/(expense)		(40)	(36)
Financial income/(expense), net		2,772	13,261

1) Yara Colombia S.A.

Note 7 Income tax expense

Specification of income tax expense

NOK millions	2018	2017
Current tax expense [1]	(11)	(12)
Deferred tax income/(expense) recognized in the current year	227	(97)
Income tax income/(expense)	216	(109)

1) Withholding taxes NOK 15.6 million (2017: NOK 16.7 million) and prior year adjustments NOK 4.9 million (2017: NOK 4.5 million).

Reconciliation from nominal statutory tax rate to effective tax rate

NOK millions	2018	2017
Income before taxes	2,388	12,546
Statutory tax rate	23%	24%
Expected income taxes at statutory tax rate	(549)	(3,011)
The tax effect of the following items:		
Group relief received from subsidiary with no tax effect	920	2,937
Withholding taxes	(16)	(17)
Prior year adjustments	5	4
Tax law changes	(36)	(24)
Loss and write-down shares, not tax deductible	(107)	-
Permanent differences	(1)	1
Income tax income/(expense)	216	(109)
Effective tax rate	9%	(1%)

Specification of deferred tax assets/(liabilities)

NOK millions	Opening balance	Charged to income	Changes in tax rate	Reclassified from equity to profit or loss	Closing balance
Non-current items					
Property, plant and equipment	7	-	-		6
Pension liabilities	163	-	(7)		156
Other non-current assets	(981)	(246)	41	(2)	(1,187)
Other non-current liabilities and accruals	327	337	(14)		650
Total	(484)	92	19	(2)	(375)
Current items					
Accrued expenses	26	2	(1)		27
Total	26	2	(1)	-	27
Tax loss carry forwards	1,056	169	(54)	-	1,175
Net deferred tax asset/(liability)	598	263	(36)	(2)	820

Tax loss carry forwards are expected to be fully utilized by taxable interest income on group funding and taxable group contributions from Yara's operating companies in Norway.

Note 8 Shares in subsidiaries

Company name	Ownership [1]	Ownership by other group companies	Registered office	Functional currency	Total equity in the company 2018 functional currency millions	Net income/(loss) 2018 in functional currency millions	Carrying value 2018 NOK millions	Carrying value 2017 NOK millions
Subsidiaries owned by Yara International ASA								
Fertilizer Holdings AS	100.0%	-	Norway	NOK	27,527	2,205	16,178	16,178
Yara Norge AS	100.0%	-	Norway	NOK	1,900	671	1,303	1,303
Yara Asia Pte. Ltd.	100.0%	-	Singapore	USD	1,194	108	1,114	1,114
Yara Colombia S.A.	70.39%	29.0%	Colombia	COP	390,217	(82,066)	763	665
Yara North America Inc.	100.0%	-	USA	USD	392	14	468	468
Yara Guatemala S.A.	100.0%	-	Guatemala	GTQ	185	29	24	24
Yara Costa Rica S. de R.L.	0.03%	87.53%	Costa Rica	CRC	2,088	(1,507)	2	2
Yara Lietuva, UAB	100.0%	-	Lithuania	EUR	-	-	1	-
Yara International Employment Co. AG	100.0%	-	Switzerland	EUR	2	-	1	1
Profesionistas AAL	0.04%	99.96%	Mexico	MXN	(1)	2	-	-
Operaciones BPT	10.00%	90.00%	Mexico	MXN	-	-	-	-
Total							19,855	19,757

1) Percentage of shares owned equals percentage of voting shares owned. A number of the above mentioned companies also own shares in other companies as specified in their annual reports. See also note 2 to the consolidated financial statements.

Note 9 Specification of other balance sheet items

NOK millions	Notes	2018	2017
Other non-current assets			
Surplus on funded defined benefit plans	2	351	344
Interest rate swap designated for hedging (external)		4	23
Other		43	32
Total		399	400
Inventories			
Finished goods		18	17
Raw materials		3	2
Total		22	19
Bank loans and other short-term interest-bearing debt			
External loans	13	1,317	108
Bank overdraft		441	82
Total		1,759	190

Note 10 Guarantees

NOK millions	2018	2017
Guarantees (off-balance sheet)		
Guarantees of debt in subsidiaries	5,645	5,714
Non-financial guarantees	6,684	6,171
Total	12,329	11,885

Yara International ASA provides guarantees arising in the ordinary course of business, including performance bonds and various payment or financial guarantees. See note 34 to the consolidated financial statements for further information about guarantees.

Note 11 Risk management and hedge accounting

Risk management in Yara and the use of derivative instruments is described in note 31 to the consolidated financial statement. The exposure to credit risk is represented by the carrying amount of each class of financial assets, including derivative financial instruments, recorded in the balance sheet.

Liquidity risk

Yara International ASA manages liquidity risk by continuously monitoring forecasted and actual cash flows. Non-current intercompany receivables are related to funding of subsidiaries and have a maturity profile matching the external debt maturities (see note 14 for details). Current intercompany receivables and payables mainly reflect intercompany current account balances and will fluctuate with fertilizer seasons. Committed liquidity reserves are maintained to meet unforeseen events.

Yara International ASA has the following derivative instruments outstanding at 31 December:

NOK millions	2018	2017
Fair value of derivatives		
Forward foreign exchange contracts (external)	(388)	(16)
Forward foreign exchange contracts (Yara Group internal)	358	9
Cross currency swaps (external)	(534)	(295)
Interest rate swaps designated for hedging (external)	(54)	(30)
Balance at 31 December	(618)	(332)
Derivatives presented in the balance sheet		
Non-current assets	4	23
Current assets	379	10
Non-current liabilities	(592)	(348)
Current liabilities	(408)	(16)
Balance at 31 December	(617)	(332)

Forward foreign exchange contracts

Yara is committed to outstanding forward foreign exchange contracts as follows

NOK millions	2018	2017
Forward foreign exchange contracts (external), notional amount	5,172	1,421
Forward foreign exchange contracts (Yara Group internal), notional amount	7,585	738

All outstanding contracts at 31 December 2018 have maturity in 2019, except non-deliverable INR-forward contracts totaling NOK 616 million with maturity in 2020. External buy positions are mainly in US dollars against Norwegian kroner. External sell positions are mainly in euro, pound sterling and other operating currencies against Norwegian kroner.

Hedge accounting

Fair value hedges

In December 2014, Yara designated a portfolio of long-term NOK fixed-to-floating interest rate swaps as hedging instruments. The hedged risk is the change in fair value due to changes in risk-free interest rates (NIBOR) of the NOK 700 million and NOK 600 million fixed rate bond debt from 2014. The swaps have different interest payment dates (quarterly vs. annually), but identical interest basis and maturity as the hedged debt and are assessed to be highly effective.

In December 2017, Yara designated a portfolio of long-term NOK and SEK fixed-to-floating interest rate swaps as hedging instruments. The hedged risk is the change in fair value due to changes in risk-free interest rates (NIBOR) of the NOK 1,000 million and NOK 1,000 million fixed rate bond debt and the change in fair value due to changes in risk-free interest rates (STIBOR) of the SEK 800 million fixed rate bond debt, all from 2017. The swaps have different interest payment dates (quarterly vs. annually), but identical interest basis and maturity as the hedged debt and are assessed to be highly effective.

Subsequent to initial recognition, Yara measures interest-bearing borrowings at amortized cost. However, the designation of interest rate swaps as hedging instruments and use of hedge accounting enables Yara to include the fair value of changes in interest rates in the carrying value of the bonds. The corresponding adjustment in the Income statement offsets the effects of the recognized interest rate swaps, leading to less volatility in net income.

Cash flow hedges

Yara had no active cash flow hedges at year end 2018 or 2017. However, Yara has used derivative instruments to hedge cash flows of planned transactions in the past and may do so also in the future.

In 2007, Yara used treasury locks to hedge the future cash flows of a USD 300 million portion of the June 2009 bond issue. The loss on these contracts was recognized directly in equity and is proportionally reclassified into interest expense and deferred tax until 2019 when the bond expires. Amount reclassified to interest expense in 2018 was NOK 5 million after tax (2017: NOK 5 million).

Effect on financial position and performance in 2018

NOK millions	Currency	Hedge rates	Carrying amount of the hedged item [1]		Accumulated amount of hedge adjustment on the hedged item included in the carrying amount of the hedged item		Line item in the balance sheet in which the hedged item is included	Line item in the balance sheet in which the hedging instrument is included	Change in value of the hedged item used for calculating hedge ineffectiveness [2]	Change in value of the hedging instrument [2]	Hedge ineffectiveness recognized in income statement
			Assets	Liabilities	Assets	Liabilities					
Fair value hedges											
Interest rate risk											
- Fixed interest, NOK bonds (2014)	NOK	3M NIBOR	-	1,297	2	-	Long-term interest-bearing debt	Other long-term liabilities	11	(11)	-
- Fixed interest, NOK bonds (2017)	NOK	3M NIBOR	-	1,946	51	-	Long-term interest-bearing debt	Other long-term liabilities	17	(17)	-
- Fixed interest, SEK bonds (2017)	SEK	3M STIBOR	-	775	-	-	Long-term interest-bearing debt	Other long-term liabilities	(5)	5	-

1) The designated nominal amounts of the hedging instruments equal the nominal amounts of the hedged items.
2) All amounts are pre-tax.

For either hedging category, there are no balances remaining from a hedging relationship for which hedge accounting is no longer applied.

Effect on financial position and performance in 2017

NOK millions	Currency	Hedge rates	Carrying amount of the hedged item [1]		Accumulated amount of hedge adjustment on the hedged item included in the carrying amount of the hedged item		Line item in the balance sheet in which the hedged item is included	Line item in the balance sheet in which the hedging instrument is included	Change in value of the hedged item used for calculating hedge ineffectiveness [2]	Change in value of the hedging instrument [2]	Hedge ineffectiveness recognized in income statement
			Assets	Liabilities	Assets	Liabilities					
Fair value hedges											
Interest rate risk											
- Fixed interest, NOK bonds (2014)	NOK	3M NIBOR	-	1,308	(10)	-	Long-term interest-bearing debt	Other long-term liabilities	(6)	6	-
- Fixed interest, NOK bonds (2017)	NOK	3M NIBOR	-	1,962	34	-	Long-term interest-bearing debt	Other long-term liabilities	34	(34)	-
- Fixed interest, SEK bonds (2017)	SEK	3M STIBOR	-	792	5	-	Long-term interest-bearing debt	Other long-term liabilities	5	(5)	-

1) The designated nominal amounts of the hedging instruments equal the nominal amounts of the hedged items.
2) All amounts are pre-tax.

Note 12 Number of shares outstanding, shareholders, equity reconciliation etc.

Yara International ASA was established 10 November 2003. The company was established with a share capital of 108,610,470 consisting of 63,888,512 shares at NOK 1.70 per share. At 31 December 2018, the company has a share capital of 464,470,311 consisting of 273,217,830 ordinary shares at NOK 1.70 per share.

Yara owns 520,000 own shares at 31 December 2018. For further information on these issues see note 24 to the consolidated financial statement.

Shareholders holding 1% or more of the total 273,217,830 shares issued as of 31 December 2018 are according to information from Nasdaq.

Name	Number of shares	Holding (%)
Ministry of Trade, Industry and Fisheries	98,936,188	36.2%
Norwegian National Insurance Scheme fund	13,265,638	4.9%
Capital World Investors	6,881,575	2.5%
Sprucegrove Investment Management, Ltd.	6,489,080	2.4%
Fidelity Management & Research Company	5,486,542	2.0%
DNB Asset Management AS	5,226,197	1.9%
BlackRock Institutional Trust Company, N.A.	4,864,267	1.8%
The Vanguard Group, Inc.	4,778,801	1.7%
Templeton Investment Counsel, L.L.C.	4,477,567	1.6%
Ruffer LLP	4,396,947	1.6%
Polaris Capital Management, LLC	4,093,731	1.5%
KLP Forsikring	3,774,605	1.4%
Nordea Funds Oy	3,355,072	1.2%
SAFE Investment Company Limited	3,212,134	1.2%
Pelham Capital Ltd.	3,174,733	1.2%
Storebrand Kapitalforvaltning AS	3,147,175	1.2%
T. Rowe Price Associates, Inc.	2,993,137	1.1%
Platinum Investment Management Ltd.	2,895,052	1.1%
State Street Global Advisors (US)	2,745,613	1.0%

Shareholders' equity

NOK millions	Paid-in-capital	Retained earnings	Total shareholders equity
Balance 31 December 2016	582	8,724	9,305
Net income of the year	-	12,437	12,437
Dividend proposed	-	(1,776)	(1,776)
Cash flow hedges	-	5	5
Actuarial gain/(loss) 1)	-	(6)	(6)
Balance 31 December 2017	582	19,382	19,963
Net income of the year	-	2,605	2,605
Dividend proposed 4)	-	(1,771)	(1,771)
Cash flow hedges	-	5	5
Actuarial gain/(loss) 1)	-	3	3
Treasury shares 2) 3)	(1)	(283)	(284)
Balance 31 December 2018	581	19,941	20,522

1) Yara International ASA has decided to use the option in NRS 6A to adopt IAS19. For further information, see the Accounting policies note 1.
2) As approved by General Meeting 8 May 2018.
3) See note 24 to the consolidated financial statement for more information.
4) Based on total shares issued less 520.000 own shares less commitment to redeem 295.175 shares from the Norwegian State.

Note 13 Long-term debt

NOK millions, except percentages and denominated amounts	Weighted average interest rates	Denominated amounts 2018		Carrying amounts	
		Currency millions	NOK millions	2018	2017
Unsecured debenture bonds in NOK (Coupon NIBOR + 0.70%) [1]	2.0%	2,200	2,200	2,199	2,198
Unsecured debenture bonds in NOK (Coupon 2.55%) [2]	2.6%	700	700	698	703
Unsecured debenture bonds in NOK (Coupon NIBOR + 0.75%) [1]	2.1%	1,250	1,250	1,248	1,248
Unsecured debenture bonds in NOK (Coupon 3.00%) [3]	3.0%	600	600	599	605
Unsecured debenture bonds in NOK (Coupon 2.45%) [3]	2.5%	1,000	1,000	977	984
Unsecured debenture bonds in NOK (Coupon 2.90%) [4]	2.9%	1,000	1,000	969	978
Unsecured debenture bonds in SEK (Coupon STIBOR + 1.00%) [1]	0.5%	450	437	436	448
Unsecured debenture bonds in SEK (Coupon 1.10%) [5]	1.2%	800	777	775	792
Unsecured debenture bonds in USD (Coupon 7.88%) [6]	8.3%	500	4,341	4,338	4,089
Unsecured debenture bonds in USD (Coupon 3.80%) [7]	3.9%	500	4,341	4,319	4,074
Unsecured debenture bonds in USD (Coupon 4.75%) [8]	4.8%	1,000	8,682	8,637	-
Unsecured bank loans in USD [1]	3.6%	545	4,729	4,711	2,448
Outstanding long-term debt				29,906	18,567
Less: Current portion				(6,798)	18,567
Total				23,108	18,567

1) Repricing within a year.
2) Fixed interest rate until 2021. Subject to fair value hedge accounting, see note 32 to the consolidated financial statements.
3) Fixed interest rate until 2024. Subject to fair value hedge accounting, see note 32 to the consolidated financial statements.
4) Fixed interest rate until 2027. Subject to fair value hedge accounting, see note 32 to the consolidated financial statements.
5) Fixed interest rate until 2022. Subject to fair value hedge accounting, see note 32 to the consolidated financial statements.
6) Fixed interest rate until 2019.
7) Fixed interest rate until 2026.
8) Fixed interest rate until 2028.

At 31 December 2018, the fair value of the long-term debt, including the current portion, was NOK 29,481 million and the carrying value was NOK 29,906 million. See note 28 to the consolidated financial statements for further information about long-term debt.

Payments on long-term debt fall due as follows

NOK millions	Debentures	Bank loans	Total [1]
2019	6,537	261	6,798
2020	-	261	261
2021	698	261	959
2022	2,459	1,554	4,013
2023	-	261	261
Thereafter	15,501	2,112	17,613
Total	25,195	4,711	29,906

1) Including current portion.

Note 14 Transactions with related parties

Transactions with related parties are mainly associated with the group treasury function and rendering of group services by the employees of Yara International ASA.

NOK millions	Notes	2018	2017
Income statement			
Yara Belgium S.A.		1,744	1,437
Yara Norge AS		104	91
Yara Sluiskil B.V.		94	82
Yara Brasil Fertilizantes S.A.		89	83
Other		634	591
Internal revenues	5	2,665	2,284

NOK millions	Notes	2018	2017
Fertilizer Holdings AS		4,000	12,000
Yara Norge AS		500	451
Yara LPG Shipping AS		-	238
Dividends and group relief from subsidiaries	6	4,500	12,689
Yara Nederland B.V.		401	368
Yara Holding Netherlands B.V.		234	155
Yara Norge AS		154	45
Yara AS		72	36
Yara Sluiskil B.V.		59	46
Yara Suomi Oy		30	22
Yara AB		28	27
Other		117	111
Interest income group companies	6	1,095	810
Fertilizer Holdings AS		(174)	(54)
Yara Caribbean Ltd.		(38)	(20)
Yara Asia Pte Ltd.		(23)	(22)
Other		(84)	(55)
Interest expense group companies	6	(319)	(150)
Non-current assets			
Yara Holding Netherlands B.V.		18,862	18,424
Yara Nederland B.V.		7,942	7,659
Yara Norge AS		4,770	4,504
Yara Sluiskil B.V.		4,544	4,384
Yara Suomi Oy		3,132	2,550
Yara Investments Germany SE		2,446	1,138
Yara AB		1,582	1,609
Other		1,841	1,726
Intercompany receivables		45,118	41,994
Current assets			
Fertilizer Holdings AS		4,000	12,000
Yara AS		2,411	7,646
Yara France SAS		939	651
Yara Norge AS		721	554
Yara LPG Shipping AS		608	683
Freeport Ammonia LLC		589	-
Yara Phosphates Oy		361	283
Yara Pilbara Fertilisers Pty Ltd.		343	4
Other		2,147	2,044
Intercompany receivables		12,119	23,864
Current liabilities			
Fertilizer Holdings AS		(4,343)	(24,235)
Yara Nederland B.V.		(4,329)	(6,281)
Yara Belgium S.A.		(2,471)	(302)
Yara Caribbean Ltd.		(2,307)	(2,151)
Yara Tertre S.A.		(2,029)	(5,407)
Yara GmbH & Co. KG		(2,028)	(1,209)
Yara Asia Pte Ltd.		(1,923)	(2,655)
Other		(4,406)	(6,310)
Intercompany payables		(23,836)	(48,552)
Trinidad Nitrogen Company Ltd.		(105)	(62)
Yara Freeport LLC DBA Texas Ammonia		(383)	(35)
Yara Pilbara Nitrates Pty Ltd.		(287)	(4)
Other		(5)	(8)
ST Interest-bearing loans from Group associates and joint arrangements		(780)	(108)

Remuneration to the Board of Directors and Yara Management are disclosed in notes 37 and 38 to the consolidated financial statements.
Yara International ASA has transactions with Yara Pensjonskasse (pension fund). See note 2 for more information.

Directors' responsibility statement

2018

WE CONFIRM TO THE BEST OF OUR KNOWLEDGE THAT:

- The consolidated financial statements for 2018 have been prepared in accordance with IFRS as adopted by the EU, as well as additional information requirements in accordance with the Norwegian Accounting Act, and that
- The financial statements for the parent company for 2018 have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway, and that
- The information presented in the financial statements gives a true and fair view of the Company's and Group's assets, liabilities, financial position and result for the period viewed in their entirety, and that
- The Board of Directors' report gives a true and fair view of the development, performance and financial position of the Company and Group, and includes a description of the principle risks and uncertainties
- That the country by country report for 2018 has been prepared in accordance with the Norwegian Accounting Act § 3-3d and the Norwegian Security Trading Act § 5-5a.

The Board of Directors of Yara International ASA
Oslo, 29 March 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

Deloitte AS
Dronning Eufemias gate 14
Postboks 221 Sentrum
NO-0103 Oslo
Norway

Tel: +47 23 27 90 00
www.deloitte.no

To the General Meeting of Yara International ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Yara International ASA, which comprise:

- The financial statements of the parent company Yara International ASA (the Company), which comprise the balance sheet as at 31 December 2018, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Yara International ASA and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in our audit are:

- Tax assets and liabilities
- Impairment of non-current assets
- Acquisition of Tata Chemicals Limited's urea business and Vale Cubatão Fertilizantes

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Yara International ASA

Tax assets and liabilities

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td>There are a number of significant judgements involved in recognition of deferred tax assets related to tax losses and recognition of tax credit assets in Brazil. The Group also has a number of uncertain tax positions in relation to which management apply judgement in setting provisions.

As detailed in note 1, and 11, management applies judgement to determine to what extent these deferred tax assets and tax credits qualify for recognition in the balance sheet. This involves judgement as to the likelihood of the realization of deferred tax assets and tax credits. The expectation that the benefit of these deferred tax assets and tax credits will be realized is dependent on sufficient taxable profits in future periods and the ability to utilize the tax credits. Recoverability of the tax credits is also dependent on interpretation of laws and regulations which may be subject to change over time.

The Group has recognized deferred tax assets related to tax losses of USD 262 million. Total unrecognized deferred tax asset related to tax losses are USD 320 million, of which USD 179 million is related to unused tax losses in Brazil. The Group has recognized an amount of USD 207 million in tax credits related to the operations in Brazil.

As detailed in note 27, the Group has a number of open tax matters, for which management is required to make certain judgements as to the likely out-turn for the purposes of calculating the Group's tax liabilities. The tax matters are at various stages, from preliminary discussions with tax authorities to tax tribunal or court proceedings where the matters can take many years to resolve. A number of significant judgements are made by management in assessing whether any contingent liability or provision arises from disputes in particular in Brazil, Trinidad and the Netherlands.

As of 31 December the Group has recognized USD 63 million in taxes payable.

Because of the significant management judgement involved in the determination of tax balances, we have assessed this to be a Key Audit Matter.</td><td>• We evaluated relevant controls associated with accounting for tax balances, including deferred tax assets, tax credits and uncertain tax positions.
• We involved our tax specialists in evaluating management's judgements and conclusions.
• We challenged the appropriateness of management's assumptions and estimates in relation to the likelihood of generating future taxable profits to support the recognition of deferred tax assets. We evaluated the forecasted taxable profits and consistency of these forecasts with historical performance with special focus on Yara Brazil.
• We evaluated the process for identification of uncertain tax positions and management's assessment of the probable outcome.
• We reviewed applicable third-party evidence and correspondence with tax authorities.
• We considered the adequacy of the Group's disclosures related to uncertain tax positions, deferred tax assets and tax credits.</td></tr>
</table>

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Impairment of non-current assets

Key audit matter	How the matter was addressed in the audit
As disclosed in note 1, 13 and 14, the Group has recognized goodwill of USD 866 million and property, plant and equipment of USD 8,430 million. Property, plant and equipment is assessed for impairment at the end of each reporting period if impairment indicators are identified. In addition, goodwill is assessed annually for impairment using a value-in-use basis. As disclosed in note 19, recoverability of the assets is dependent on assumptions about future commodity prices such as urea and ammonia prices, gas prices, energy prices, as well as assumptions related to discount rates, future production levels, capital expenditures and operating costs. In total, impairments amounting to USD 152 million were recognized in the year ended 31 December 2018. Because of the significant judgement involved in determining the assumptions used in the evaluation of impairments for non-current assets we have assessed this to be a Key Audit Matter.	• We evaluated relevant controls associated with the impairment review process. • We challenged management's key assumptions used in the cash flow forecasts included within the impairment models. • We challenged specifically the urea- and ammonia prices, gas prices, energy prices, assumed production levels, operating cost, capital expenditure and discount rate assumptions, including consideration of the risk of management bias. We compared urea- and ammonia prices to third party publications. • We used internal valuation specialists in assessing assumptions used and testing the models. • We validated the mathematical accuracy of cash flow models, and agreed relevant data to the latest production plans and approved budgets. • We considered the adequacy of the disclosures provided by the Group in relation to its impairment reviews.

Acquisition of Tata Chemicals Limited's urea business and Vale Cubatão Fertilizantes

Key audit matter	How the matter was addressed in the audit
As disclosed in note 3, the business combination of Tata Chemicals Limited's urea business in India was closed on 12 January 2018 for a total consideration of USD 412 million and the business combination of the Vale Cubatão Fertilizantes complex in Brazil was closed on 15 May 2018 for a total consideration of USD 243 million. Identifiable assets and liabilities acquired in the business combination are recognized at fair values on the acquisition date. Judgement is required in identifying and valuing all the assets and liabilities acquired, in particular valuing the acquired property, plant and equipment. Tangible assets relating to land, buildings, plant and machinery have been valued at USD 504 million. The key judgements were in determining an appropriate methodology to value these assets, including assumptions used in the valuation. We assess these transactions to be key audit matters because of the significant management judgement required in respect of the purchase price allocation.	• We evaluated the process used by the management to identify and value the assets and liabilities acquired. We obtained management's calculations for the purchase price allocation and we checked the mathematical accuracy of the calculation. • We assessed the fair value adjustments to assets and liabilities and reconciled these against independent valuation reports. • We used internal valuation specialists in assessing the valuation methodology and assumptions used by the management. • We obtained and reviewed the purchase agreements and assessed whether the transactions have been accounted for in accordance with IFRS 3 Business combinations. • We reviewed the disclosures included in note 3 of the consolidated financial statements.

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Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the President and CEO for the Financial Statements

The Board of Directors and the President and CEO (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

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Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 29 March 2019
Deloitte AS

Aase Aa. Lundgaard
State Authorised Public Accountant (Norway)

Reconciliation of alternative performance measures in the Yara Group

Please see page 54-56 for definitions of Yara's return of the performance measures and specification of items classified as "special items".

Reconciliation of operating income to EBITDA and gross cash flow

USD millions		2018	2017
Operating income		402	457
Share of net income in equity-accounted investees		82	29
Interest income and other financial income		81	77
Earnings before interest expense and tax (EBIT)		566	563
Depreciation and amortization [1]		807	724
Impairment loss [2]		150	60
Earnings before interest, tax and depreciation/amortization (EBITDA)		1,523	1,348
Income tax after tax on net foreign currency translation gain/(loss)		(70)	(76)
Gross cash flow	A	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		2018	2017
Net income attributable to shareholders of the parent		159	477
Non-controlling interests		(19)	5
Financial expense and foreign currency translation		431	(17)
Depreciation and amortization [1]		807	724
Impairment loss [2]		150	60
Tax effect on foreign currency translation		(77)	23
Gross cash flow	A	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

12-months average

USD millions		2018	2017
Total assets		16,621	14,847
Cash and cash equivalents		(573)	(327)
Other liquid assets		-	-
Deferred tax assets		(402)	(349)
Other current liabilities		(2,402)	(2,057)
Accumulated depreciation and amortization		6,638	5,984
Accumulated impairment loss		40	39
Gross investment 12-month average	B	19,922	18,136
CROGI (Cash return on gross investment)	C=A/B	7.3%	7.0%

Reconciliation of EBIT to EBIT after tax

USD millions		2018	2017
Earnings before interest expense and tax (EBIT)		566	563
Income tax after tax on net foreign currency translation gain/(loss)		(70)	(76)
EBIT after tax	D	495	488

Reconciliation of total assets to capital employed and ROCE calculation

12-months average

USD millions		2018	2017
Total assets		16,621	14,847
Cash and cash equivalents		(573)	(327)
Other liquid assets		-	-
Deferred tax assets		(402)	(349)
Other current liabilities		(2,402)	(2,057)
Capital employed 12-month average	E	13,244	12,113
ROCE (Return on capital employed)	F=D/E	3.7%	4.0%

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

USD millions		2018	2017
EBITDA		1,523	1,348
Depreciation and amortization 1)		(807)	(724)
Impairment loss 2)		(150)	(60)
Foreign currency translation gain/(loss)		(278)	99
Interest expense and other financial items		(153)	(82)
Income before tax and non-controlling interests		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		31 Dec 2018	31 Dec 2017
Operating income		402	457
Share of net income in equity-accounted investees		82	29
Interest income		78	75
Dividends and net gain/(loss) on securities		3	2
EBIT		566	563
Depreciation and amortization 1)		807	724
Impairment loss 2)		150	60
EBITDA		1,523	1,348
Special items included in EBITDA 3)		2	82
EBITDA excluding special items		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 56 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]		-	-
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	G	(3,794)	(2,367)

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

Debt/equity ratio

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

Earnings per share

USD millions, except earnings per share and number of shares		2018	2017
Weighted average number of shares outstanding	J	273,169,994	273,217,830
Net income after non-controlling interests	K	159	477
Foreign currency translation gain/(loss)	L	(278)	99
Tax effect on foreign currency translation	M	77	(23)
Non-controlling interest share of foreign currency (gain)/loss, net after tax	N	(3)	(4)
Special items within EBIT [1]	O	(148)	(134)
Tax effect on special items	P	37	33
Special items within EBIT net of tax	Q=O+P	(112)	(101)
Non-controlling interest share of special items, net after tax	R	(9)	2
Net income excluding currency & special items	S=K-L-M+N-Q+R	460	499
Basic earnings per share	T=K/J	0.58	1.75
Basic earnings per share excluding foreign currency	U=(K-L-M+N)/J	1.31	1.45
Basic earnings per share excluding foreign currency & special items	V=S/J	1.68	1.83

1) See page 56 for details on special items.

Yara has signed the United Nations Global Compact, embracing its principles. The UN GC is a strategic policy initiative for businesses committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption.

WBCSD is a global, CEO-led organization of over 200 leading businesses working together to accelerate the transition to a sustainable world. We help make our member companies more successful and sustainable by focusing on the maximum positive impact for shareholders, the environment and societies.

Text: Yara
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Knowledge grows

Yara International ASA
Drammensveien 131
P.O. Box 343, Skøyen
NO-0277 Oslo Norway
Tel: +47 24 15 70 00
Fax: +47 24 15 70 01

www.yara.com