



Knowledge grows

# Fourth-quarter report 2019

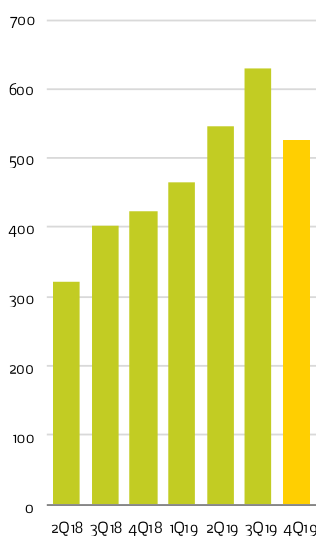
Yara International ASA



- Strategy execution drives improved commercial margins and bottom line
- Plant portfolio benefiting from lower gas cost, but unsatisfactory performance in some plants
- Continued earnings growth in New Business
- USD 848 million free cash flow<sup>1)</sup> improvement
- Proposed NOK 15 per share dividend and 0.8<sup>2)</sup>% share buy-back

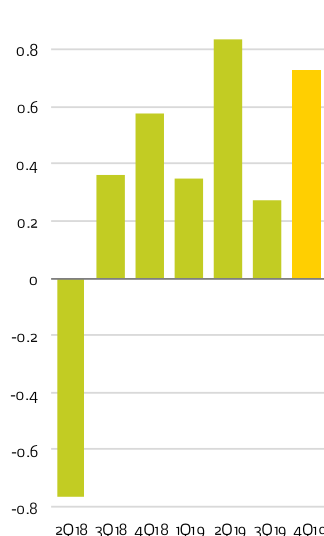
## EBITDA<sup>3)</sup>

USD millions

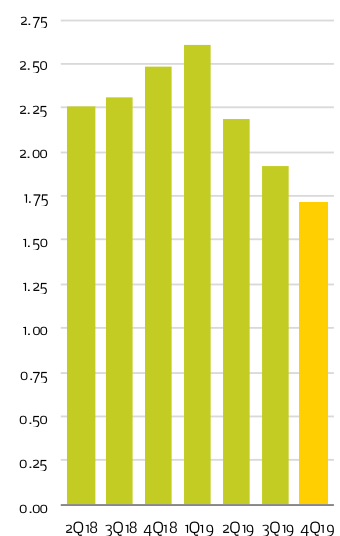


## Earnings per share

USD



## Net debt/EBITDA<sup>3)</sup>



1) Net cash provided by operating activities minus net cash used in investing activities (see cash flow statement, page 16)

2) 0.5% of shares outstanding to be purchased in the market during first quarter 2020. Including the proportional redemption of shares owned by the Norwegian state, the total buy-back and redemption will amount to approximately 0.8% of shares outstanding.

3) EBITDA excluding special items. The Net debt/EBITDA ratio is based on rolling 12 months EBITDA.

# Fourth quarter 2019

## Financial highlights<sup>1)</sup>

USD millions, except where indicated otherwise	4Q 2019	4Q 2018	2019	2018
Revenue and other income	3,028	3,459	12,936	13,054
Operating income	211	78	989	402
EBITDA <sup>2)</sup>	499	430	2,095	1,523
EBITDA <sup>2)</sup> excl. special items	525	424	2,165	1,525
Net income attributable to shareholders of the parent	199	157	599	159
Basic earnings per share <sup>3)</sup>	0.73	0.58	2.20	0.58
Basic earnings per share excl. foreign currency translation and special items <sup>3)</sup>	0.80	0.60	3.09	1.68
Net cash provided by operating activities	688	(89)	1,907	756
Net cash used in investing activities	(300)	(371)	(1,044)	(2,000)
Net debt/equity ratio	0.42	0.43	0.42	0.43
Net debt/EBITDA excl. special items (last 12 months) ratio	1.72	2.49	1.72	2.49
Average number of shares outstanding (millions)	271.7	273.0	272.3	273.2
Return on invested capital (ROIC) <sup>4)</sup>	5.8 %	3.4 %	6.6 %	3.8 %

1) See page 33 for definitions, explanations and reconciliations of Alternative Performance Measures (APMs).

2) EBITDA 4Q 2019 includes a USD 37 million positive impact from IFRS 16 compared with 4Q 2018, see note 8 Leases for more information.

3) USD per share. Yara currently has no share-based compensation programs resulting in a dilutive effect on earnings per share.

4) Quarterly numbers annualized.

## Key Yara statistics

	4Q 2019	4Q 2018	2019	2018
<b>Yara production (thousand tonnes)<sup>1)</sup></b>				
Ammonia	2,048	2,096	8,479	8,305
Finished fertilizer and industrial products, excl. bulk blends	5,433	5,649	22,060	21,887
<b>Yara deliveries (thousand tonnes)</b>				
Ammonia trade (reflected in Production)	712	621	2,527	2,478
Sales and Marketing Segment	7,160	7,530	30,540	31,622
New Business Segment	1,026	1,044	4,106	3,937
Production segment	199	186	853	565
<b>Total deliveries</b>	<b>9,097</b>	<b>9,381</b>	<b>38,025</b>	<b>38,601</b>
<b>Yara's Energy prices (USD per MMBtu)</b>				
Global weighted average gas cost	4.0	6.6	4.7	6.2
European weighted average gas cost	4.3	9.4	5.4	8.3

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

## Market information

Average of publication prices		4Q 2019	4Q 2018	2019	2018
Urea granular (fob Egypt)	USD per tonne	238	311	261	278
CAN (cif Germany)	USD per tonne	201	262	221	240
Ammonia (fob Black Sea)	USD per tonne	224	326	233	287
DAP (fob US Gulf)	USD per tonne	283	427	344	418
Phosphate rock (fob Morocco)	USD per tonne	79	96	89	91
European gas (TTF)	USD per MMBtu	4.1	8.2	4.5	7.9
US gas (Henry Hub)	USD per MMBtu	2.4	3.8	2.6	3.2
EUR/USD currency rate		1.1	1.1	1.1	1.2
USD/BRL currency rate		4.1	3.8	3.9	3.6

Yara's fourth-quarter net income after non-controlling interests was USD 199 million compared with USD 157 million a year earlier. Excluding net foreign currency translation gain/loss and special items, the result was USD 216 million (USD 0.80 per share), compared with USD 164 million (USD 0.60 per share) in fourth quarter 2018.

"Yara delivers improved results again, with fourth-quarter EBITDA excluding special items and IFRS 16 up 15%. The

results mainly reflect improved commercial margins and lower gas cost", said Svein Tore Holsether, President and Chief Executive Officer of Yara.

"I am pleased to see our crop nutrition focused strategy delivering results and that our free cash flow continues to increase, enabling us to deliver on our capital allocation policy with a substantial dividend increase", said Holsether.

## Variance analysis fourth quarter and full year

USD millions	4 Q 2019	2019
EBITDA 2019	499	2,095
EBITDA 2018	430	1,523
Reported EBITDA variance	69	573
Special items variance (see page 10 for details)	(31)	(67)
EBITDA variance ex special items	100	640
Volume/Mix	34	101
Price/Margin excluding energy	(161)	(105)
Energy price	170	447
Currency translation	16	96
IFRS 16 effect	37	118
Other	4	(18)
Total variance explained	100	640

### Fourth quarter

Yara's fourth-quarter EBITDA excluding special items and IFRS 16 impact was 15% higher than a year earlier as higher commercial margins, improved product mix and lower energy costs more than offset the impact from lower commodity prices. Including IFRS 16 impact the increase was 24%.

#### Production segment

- Nitrogen and phosphate price decline only partially offset by lower energy prices
- Unsatisfactory production performance in some plants

The Production segment fourth-quarter EBITDA excluding special items and IFRS 16 impact was 17% lower than a year earlier, reflecting lower production and lower urea prices, only partially offset by lower European gas prices. The total production portfolio output was affected by challenges at some sites, while other sites showed improved performance. Finished products production was 216kt lower compared to last year, due to reliability issues at some plants and market optimization. Ammonia production was 48kt lower than last year due to outages at some sites and the Trinidad closure.

#### Sales and Marketing segment

- Improved commercial margins
- Lower fixed cost

The Sales and Marketing segment fourth-quarter EBITDA excluding special items and IFRS 16 impact was 13% higher than a year earlier, reflecting improved margins which more than offset lower deliveries. Total Sales and Marketing deliveries were down 5% compared to a year earlier,

primarily reflecting a 9% reduction in deliveries in Europe. However, commercial margins were 6% higher versus same period last year, reflecting good commercial performance. Fixed costs were lower than a year earlier.

#### New Business segment

- Improved financial performance for most units
- Strong deliveries for Maritime

The New Business segment fourth-quarter EBITDA excluding special items and IFRS 16 impact was 4% higher than a year earlier, mainly reflecting improved results in Maritime and AdBlue.

### Full year

Yara's full-year 2019 EBITDA excluding special items and IFRS 16 impact was 34% higher than a year earlier, reflecting higher production margins driven by lower European gas cost, improved product mix, and currency effects. Including IFRS 16 impact the increase was 42%.

#### Production segment

The Production segment full-year 2019 EBITDA excluding special items and IFRS 16 impact was 41% higher than a year earlier. Upgrading margins improved significantly compared to a year earlier, reflecting lower European gas prices partially offset by lower urea prices. Finished products production was 173kt higher compared to last year, mainly driven by the Cubatão acquisition. Ammonia production was 174kt higher driven by the Freeport plant in Texas that started up May 2018.

### Sales and Marketing segment

The Sales and Marketing segment full-year 2019 EBITDA excluding special items and IFRS 16 impact was 7% higher than a year earlier, reflecting improved margins which more than offset lower deliveries. Total Sales and Marketing deliveries were down 2% compared to a year earlier, primarily reflecting lower deliveries of blends in Brazil. However, commercial margins were 2% higher versus same period last year, reflecting mainly improved product mix in line with strategy. Fixed costs were lower than a year earlier. Adjusted for the Cubatão and Babrala acquisitions deliveries were 4% down compared to last year.

### New Business segment

The New Business full-year 2019 EBITDA excluding special items and IFRS 16 impact was 47% higher than one year earlier, with deliveries 4% higher and commercial margins flat compared to a year earlier.

### Improvement program

Yara launched an extended improvement program at its Capital Markets day on 26 June. As part of this, Yara moved to reporting operational metrics on a rolling 12-month basis, to better reflect underlying performance. On a rolling 12-month basis, underlying production increased by 119 thousand tonnes compared to 2018, as improvements during the year were partially offset by outages in some plants during fourth quarter.

Energy efficiency improved with better performance in second half 2019 and fixed cost shows an improving trend with a reduction of USD 23 million on a comparable and currency adjusted basis. Net operating capital days increased by 13 days relative to 2018 driven by commercial management of operating capital and falling urea prices. Absolute net operating capital levels reduced in Q4.

	2019	2018
Production - ammonia (kt) <sup>1)</sup>	7,772	7,850
Production - finished products (kt) <sup>1)</sup>	21,067	20,870
Energy efficiency (GJ/T) <sup>2)</sup>	33.7	33.9
Fixed cost (USD millions) <sup>3)</sup>	2,291	2,314
Net operating capital (days) <sup>3)</sup>	115	102

1) Production output measured on rolling 12 months, adjusted for major turnarounds and market optimization effects. Adjustments are done to better reflect the underlying production performance. Numbers exclude Qafco and Lifeco volumes. 2018 baseline includes growth and debottleneck projects already communicated, and is adjusted related to Galvani and Pardies portfolio effects.

2) Energy Efficiency (GJ/t) looks at the L12M total energy consumption per tonne ammonia produced.

3) For definitions of Fixed cost and Net operating capital days, refer to page 33 in the APM section.

## Production volumes

Thousand tonnes	4Q 2019	4Q 2018	2019	2018
Ammonia	2,048	2,096	8,479	8,305
<i>of which equity-accounted investees</i>	288	239	1,000	1,039
Urea	1,566	1,538	6,417	6,327
<i>of which equity-accounted investees</i>	428	360	1,504	1,517
Nitrate	1,554	1,626	6,225	6,136
NPK	1,322	1,478	5,697	5,736
CN	336	401	1,543	1,623
UAN	265	193	974	835
SSP-based fertilizer	358	359	1,089	1,115
MAP	33	54	115	116
<b>Total Finished Products<sup>1)</sup></b>	<b>5,433</b>	<b>5,649</b>	<b>22,060</b>	<b>21,887</b>

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

## Deliveries

Deliveries excl. New Business Thousand tonnes	4Q 2019	4Q 2018	2019	2018
Urea	1,609	1,752	6,955	7,618
<i>of which Yara-produced</i>	1,027	1,046	4,267	4,218
<i>of which equity-accounted investees</i>	430	463	2,035	2,450
Nitrate	1,307	1,322	5,590	5,589
<i>of which Yara-produced</i>	1,251	1,259	5,307	5,259
NPK	2,488	2,696	9,938	10,361
<i>of which Yara-produced compounds</i>	1,316	1,388	5,660	5,506
<i>of which Yara-produced blends</i>	1,006	1,178	3,802	4,405
CN	239	263	1,234	1,235
<i>of which Yara-produced</i>	237	260	1,217	1,217
UAN	264	200	1,289	1,184
<i>of which Yara-produced</i>	225	193	1,100	1,002
SSP	66	189	647	1,016
<i>of which Yara-produced</i>	41	171	458	916
Ammonia	273	297	1,068	1,101
<i>of which Yara-produced</i>	229	244	888	902
DAP/MAP	124	132	557	591
MOP/SOP	312	274	1,334	1,178
Other products	677	592	2,780	2,314
<b>Total deliveries excluding New Business</b>	<b>7,359</b>	<b>7,716</b>	<b>31,392</b>	<b>32,187</b>
<i>Production segment direct deliveries included above<sup>1)</sup></i>	<i>199</i>	<i>186</i>	<i>853</i>	<i>565</i>

### Deliveries excl. New Business

Thousand tonnes	4Q 2019	4Q 2018	2019	2018
Europe	2,367	2,608	11,003	11,427
Brazil	2,513	2,668	10,125	9,961
Latin America excluding Brazil	458	542	1,939	2,405
North America	771	753	3,245	3,304
Asia	877	860	3,556	3,761
Africa	374	286	1,523	1,329
<b>Total deliveries excluding New Business</b>	<b>7,359</b>	<b>7,716</b>	<b>31,392</b>	<b>32,187</b>

For a description of the key fertilizer products, see the Yara Fertilizer Industry Handbook:

<https://www.yara.com/siteassets/investors/057-reports-and-presentations/other/2018/fertilizer-industry-handbook-2018-with-notes.pdf/>

### New Business deliveries

Thousand tonnes	4Q 2019	4Q 2018	2019	2018
Urea <sup>2)</sup>	208	210	839	795
Nitrate <sup>3)</sup>	249	260	1,027	960
CN	125	118	434	412
Other products <sup>4)</sup>	48	55	196	237
Water content in urea and Industrial ammonia	396	400	1,609	1,533
<b>Total New Business deliveries</b>	<b>1,026</b>	<b>1,044</b>	<b>4,106</b>	<b>3,937</b>

1) Primarily product category "Other products".

2) Pure product (46% N) equivalents.

3) Including AN Solution.

4) Including feed phosphates, sulphuric acid, ammonia and other minor products.

### Fertilizer market conditions

The Food and Agriculture Organization of the United Nations (FAO) grain price index is down 1% from fourth quarter the previous year, and 13% lower than the ten-year average. Wheat prices, however, have increased recently. The overall food price index is up 9% on fourth quarter 2018, and 10% below the ten-year average.

Global fertilizer demand remains supported by the need for higher production to match the continued increase in consumption. The US Department of Agriculture forecasts another modest global deficit for the 2019/20 season, with a global grain ending stocks-to-use ratio at 108 days, down 2 days from the start of the season. Excluding China, the projected ending stocks-to-use ratio at 57 days of consumption is also down 2 days from the start of the season.

Granular urea prices fob Egypt averaged USD 238 per tonne for fourth quarter, down from USD 311 per tonne the previous year. With limited supply growth, the global urea balance excluding China increased its deficit, triggering increased Chinese urea exports, with fourth-quarter exports at 1.7 million tonnes, up from 1.4 million tonnes a year earlier. For the full year, China exported 4.9 million tonnes, up from 2.5 million tonnes in 2018. Despite the increased deficit in the global balance excluding China, urea prices declined mainly due to lower coal prices, improved natural gas availability and a weaker Chinese currency, also in addition to the absence of the demand driven margins seen fourth quarter 2018. Throughout the quarter, Chinese and global urea prices were well aligned.

Ammonia prices fob Black Sea were on average USD 224 per tonne for the quarter, compared to USD 326 per tonne the previous year. The ammonia market is oversupplied, with some market-driven curtailments required. Margins for most producers were slim, as lower natural gas prices in Europe and elsewhere flattened the supply curve and impacted ammonia prices negatively.

DAP prices averaged USD 283 per tonne fob US Gulf for the quarter, down from USD 427 per tonne the previous year. Expansions in Morocco and Saudi Arabia together with strong phosphate exports from China have resulted in oversupplied phosphate markets, and triggered market-related curtailments as the quarter progressed, to such an extent that prices have stabilized or rebounded modestly into 2020.

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

### Regional market developments

Fourth-quarter nitrogen deliveries in Western Europe were 8% down on fourth quarter 2018, with imports down 7%. Season-to-date deliveries were lagging the previous season by 9% at end December, with imports down 12%, as buyers postponed buying for the 2020 growing season.

Brazil imported 2.0 million tonnes of urea during fourth quarter, marginally down from 2.1 million tonnes the previous year. For 2019, imports were 5.6 million tonnes, unchanged from 2018.

Fourth-quarter urea production in China is estimated to be 1% higher than the previous year, with full-year 2019 production up 3% on 2018. The average domestic urea price for the fourth quarter was 17% lower than the previous year in local currency, 19% lower in US dollars. Season-to date, urea supply for the domestic market was in line with the previous season, as the increase in production and exports was similar.

In India, sales have been strong so far this season (April-December), up 6% on the previous season. As production was up only 3%, the import requirement has increased and India has been an active buyer through the fourth quarter, a supporting factor in the global urea market.

## Financial items

USD millions	4Q 2019	4Q 2018	2019	2018
Interest income	15	17	74	78
Dividends and net gain/(loss) on securities	-	-	2	3
Interest income and other financial income	15	17	76	81
Interest expense	(46)	(38)	(157)	(127)
Net interest expense on net pension liability	(3)	(2)	(9)	(7)
Net foreign currency translation gain/(loss)	98	86	(145)	(278)
Other	6	(3)	(15)	(19)
Interest expense and foreign currency translation gain/(loss)	55	43	(327)	(431)
Net financial income/(expense)	70	60	(251)	(350)

Fourth-quarter net financial income was at a similar level to the same quarter previous year.

Interest expense this quarter was USD 8 million higher than in the same quarter previous year, mainly reflecting interest on taxes for prior periods provided for this quarter. (Please refer to note 9 on page 31 for further details). The average gross debt level was around USD 250 million lower than a year ago.

The net foreign currency translation gain this quarter stems primarily from the depreciation of the US dollar against Yara's other main currencies. The internal funding positions, mainly in euro against Norwegian krone and in Brazilian real vs. both euro and Norwegian krone, generated only minor effects. In the same quarter previous year, losses on Yara's US denominated debt positions were more than offset by gains on the internal funding positions.

Yara's US dollar debt generating currency effects in the income statement was approximately USD 3,200 million at the start of first quarter 2020. Around 55 % of the exposure was towards the Norwegian krone and around 30 % against Yara's emerging market currencies.

Full-year net financial expense was USD 251 million compared with USD 350 million previous year. The variance is primarily explained by a net foreign currency translation loss USD 133 million lower this year than the year before.

Interest expense for the full year was USD 30 million higher than a year before, partly explained by revised reporting of lease payments following the implementation of IFRS 16 and partly by interest on taxes for prior periods. Interest expense related to gross interest-bearing debt (excluding leases) was around the same level as previous year.

The foreign currency translation loss this year of USD 145 million comprised a loss of USD 76 million on the US dollar denominated debt positions and a loss of USD 69 million on internal positions in other currencies than USD. The year before, the reported net loss stemmed mainly from Yara's US dollar denominated debt positions as the US dollar appreciated against all of Yara's other main currencies.

### Tax

Fourth-quarter tax cost is USD 95 million, approximately 32% of income before tax. The tax rate is negatively impacted by a USD 38 million income tax provision related to a claim towards one of Yara's subsidiaries. See note 9 on page 31 for more information.

## Net interest-bearing debt

USD millions	4 Q 2019	2019
Net interest-bearing debt at the end of previous period	(3,968)	(3,794)
IFRS 16 implementation effect (1 January 2019)	-	(409)
Net interest-bearing debt at beginning of period, including IFRS 16 implementation effect	(3,968)	(4,203)
Cash earnings <sup>1)</sup>	369	1,618
Dividends received from equity-accounted investees	69	166
Net operating capital change	232	112
Investments (net)	(300)	(1,044)
Yara dividend and buy-backs	(65)	(268)
New leases <sup>2)</sup>	(40)	(119)
Other, including foreign currency translation gain/(loss)	(22)	13
Net interest-bearing debt at end of period	(3,725)	(3,725)

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

2) New lease arrangements in scope for IFRS 16 increase the net interest-bearing debt without having an immediate cash impact

As a supplement to the consolidated statement of cash flows (page 16), this table highlights the key factors behind the development in net interest-bearing debt.

Net interest-bearing debt at the end of the fourth quarter was USD 3,725 million, down from USD 3,968 million at the end of the third quarter 2019.

The positive cash earnings exceeded investments. In addition, working capital was released mainly due to lower receivables in India. Investments amounted to USD 300 million, reflecting primarily regular maintenance investments.

Net investments for the year 2019 amounted at USD 1,044 million, including USD 1,096 million of capital expenditures,

partly offset by cash inflows from investments of USD 52 million. Growth investments include USD 69 million related to Rio Grande project and USD 229 million related to Salitre project in Brazil.

The debt/equity ratio at the end of fourth quarter 2019, calculated as net interest-bearing debt divided by shareholders' equity plus non-controlling interests, was 0.42 compared with 0.46 at the end of third quarter 2019.

At the end of fourth quarter 2019, the net debt/EBITDA excl. Special items (last 12 months) ratio is 1.72, down from 1.92 at the end of the previous quarter.

## Outlook

Fertilizer industry fundamentals are attractive, as long-term population growth and dietary improvement trends drive food demand. However, cereal prices are currently 13% below the 10-year average, despite declining grain stocks outside China. At the same time, the twin challenges of resource efficiency and environmental footprint require significant agricultural productivity improvements going forward, including improved fertilizer efficiency. Yara's crop nutrition focused business model and strategy are well positioned to both address and create business opportunities from these challenges.

Yara's market environment is showing an improving trend, due to a combination of a tightening global grain balance and receding urea supply pressure. Natural gas input prices have also reduced significantly, and especially in Europe. Based on current forward markets for natural gas (31 January) Yara's spot-priced gas costs for first and second quarter 2020 are expected to be respectively USD 110

million and USD 60 million lower than a year earlier. The estimates may change depending on future spot gas prices.

Yara's near-term focus is on improving returns through strict capital allocation and driving operational excellence. Yara's investments peaked in 2018, with revenues ramping up from 2019 onwards as growth projects come on stream and further operational improvements are realized. The Yara improvement program targets 4.2 million additional tonnes of production by 2023 compared with 2018, in addition to fixed cost savings and improvements within energy efficiency, variable cost and operating capital.

Yara's strategic focus is to be the crop nutrition company for the future; growing sustainable solutions to farmers and industry while delivering a superior return on capital. As part of its crop nutrition focus, Yara has announced it is evaluating an IPO or spin-off of its industrial nitrogen businesses. The IPO/spin-off evaluation and scope assessment is expected to be completed by mid 2020.



## Outlook (cont.)

Global nitrogen prices have been volatile the last 1-2 years, as high-cost Chinese exports have been in demand only in parts of the year. However, supply growth outside China is receding, and this is increasing demand for Chinese exports while nitrogen price volatility is reducing as China's swing producer role becomes increasingly important in setting a price floor in the global market. The global urea supply-demand balance looks set to tighten further going forward, as nitrogen supply growth continues to decline, with lead times for new projects typically being three to five years. In addition, fertilizer demand should benefit as increased grain production is needed to keep pace with consumption growth, and global grain stocks are relatively low, particularly excluding China.

### Dividend and buy-back program

Yara's capital allocation policy is based on an overall objective to maintain a mid-investment grade credit rating, while at the same time providing investors with a potential for cyclical upside in dividends. Yara's targeted capital structure is a mid- to long-term net debt/EBITDA range of 1.5-2.0 and a net debt/equity ratio below 0.60. Subject to

these requirements, Yara's ordinary dividend shall be 50% of net income. Shareholder returns are distributed primarily as cash, with share buybacks as a supplemental lever. Under this policy, Yara's improving Yara cash flow from strategy execution, a robust outlook and increased hurdle rate for new investments may lead to increased Yara dividend capacity going forward.

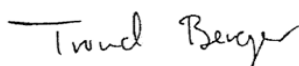
Yara's Board will propose to the Annual General Meeting a dividend of NOK 15 per share for the fiscal year of 2019. Furthermore, Yara plans to buy back 0.5% of its outstanding shares by the end of first quarter 2020. Including the proportional redemption of shares owned by the Norwegian state, the total buyback and redemption will amount to approximately 0.8% of shares outstanding, equivalent to approximately NOK 3 per share at the current share price.

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

The Board of Directors and Chief Executive Officer  
Yara International ASA  
Oslo, 6 February 2020



Geir Isaksen  
Chairperson



Trond Berger  
Vice chair



Hilde Bakken  
Board member



Håkon Reistad Fure  
Board member



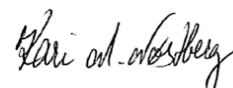
Kimberly Lein-Mathisen  
Board member




Adele Bugge Norman Pran  
Board member



John Thuestad  
Board member



Kari Marie Nøstberg  
Board member



Eva Safrine Aspvik  
Board member



Rune Bratteberg  
Board member



Geir O. Sundbø  
Board member



Svein Tore Holsether  
President and CEO

# Variance analysis and special items

## Variance analysis

In order to track underlying business developments from period to period, Yara's management also uses a variance analysis methodology ("variance analysis"), that involves the extraction of financial information from the accounting system, as well as statistical and other data from internal management information systems. Management considers the estimates produced by the variance analysis, and the identification of trends based on such analysis, sufficiently precise to provide useful data to monitor our business. However, these estimates should be understood to be less than an exact quantification of the changes and trends indicated by such analysis.

The variance analysis presented in Yara's quarterly and annual financial reports, is prepared on a Yara EBITDA basis including net income from equity-accounted investees. The

volume, margin and other variances presented therefore include effects generated by performance in equity-accounted investees.

## Special items

Yara defines "special items" as items in the results which are not regarded as part of underlying business performance for the period. These comprise restructuring related items, contract derivatives, impairments and other items which are not primarily related to the period in which they are recognized, subject to a minimum value of USD 5 million per item within a 12-month period. "Contract derivatives" are commodity-based derivative gains or losses which are not the result of active exposure or position management by Yara. Together with impairments, these are defined as special items regardless of amount.

## Special items

USD millions	Fixed cost effect				EBITDA effect				Operating income effect			
	4Q 2019	4Q 2018	2019	2018	4Q 2019	4Q 2018	2019	2018	4Q 2019	4Q 2018	2019	2018
Impairment of non-current assets	-	-	-	-	-	-	-	-	(2)	(13)	(5)	(27)
Damaged inventory	-	-	-	-	3	-	3	(6)	3	-	3	(6)
Restructuring costs	-	(1)	-	(19)	-	(1)	-	(19)	-	(1)	-	(19)
Environmental provisions	-	(3)	-	(3)	-	(3)	-	(3)	-	(3)	-	(3)
<b>Total Sales and Marketing</b>	<b>-</b>	<b>(4)</b>	<b>-</b>	<b>(22)</b>	<b>3</b>	<b>(4)</b>	<b>3</b>	<b>(28)</b>	<b>-</b>	<b>(17)</b>	<b>(2)</b>	<b>(56)</b>
Release of provision related to discontinuation of pilot plant	-	-	3	-	-	-	3	-	-	-	3	-
Impairment of goodwill	-	-	-	-	-	-	-	-	-	-	(3)	-
Restructuring costs	-	(1)	-	(2)	-	(1)	-	(2)	-	(1)	-	(2)
<b>Total New Business</b>	<b>-</b>	<b>(1)</b>	<b>3</b>	<b>(2)</b>	<b>-</b>	<b>(1)</b>	<b>3</b>	<b>(2)</b>	<b>-</b>	<b>(1)</b>	<b>(1)</b>	<b>(2)</b>
Stamp duty on purchase of Babrala (India)	-	-	-	(9)	-	-	-	(9)	-	-	-	(9)
Contract derivatives gain/(loss)	-	-	-	-	4	-	12	4	4	-	12	4
Impairment of non-current assets	-	-	-	-	-	-	-	-	(18)	(80)	(34)	(120)
Dismantling provision for closed site	-	-	(8)	-	-	-	(8)	-	-	-	(8)	-
Provision related to closure of plant	(24)	(1)	(24)	(1)	(24)	(1)	(24)	(1)	(24)	(1)	(24)	(1)
Environmental provisions	(5)	(4)	(11)	(10)	(5)	(4)	(11)	(10)	(5)	(4)	(11)	(10)
Derecognition of deferred consideration	-	-	-	-	-	-	-	21	-	-	-	21
Reduced contingent consideration	-	-	-	-	-	15	-	15	-	15	-	15
Take-or-pay compensation from customer	-	-	-	-	-	-	-	15	-	-	-	15
QAFCO tax adjustment	-	-	-	-	-	-	-	(7)	-	-	-	-
Provision for fuel taxes	-	-	-	-	-	-	(32)	-	-	-	(32)	-
<b>Total Production</b>	<b>(29)</b>	<b>(5)</b>	<b>(43)</b>	<b>(20)</b>	<b>(25)</b>	<b>10</b>	<b>(62)</b>	<b>28</b>	<b>(44)</b>	<b>(70)</b>	<b>(97)</b>	<b>(84)</b>
Portfolio management costs	(4)	-	(13)	-	(4)	-	(13)	-	(4)	-	(13)	-
<b>Total Other</b>	<b>(4)</b>	<b>-</b>	<b>(13)</b>	<b>-</b>	<b>(4)</b>	<b>-</b>	<b>(13)</b>	<b>-</b>	<b>(4)</b>	<b>-</b>	<b>(13)</b>	<b>-</b>
<b>Total Yara</b>	<b>(32)</b>	<b>(10)</b>	<b>(53)</b>	<b>(44)</b>	<b>(26)</b>	<b>5</b>	<b>(70)</b>	<b>(2)</b>	<b>(47)</b>	<b>(87)</b>	<b>(113)</b>	<b>(142)</b>

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

# Condensed consolidated interim statement of income

USD millions, except share information	Notes	4Q 2019	4Q 2018	2019	2018
Revenue from contracts with customers	3	3,004	3,401	12,858	12,928
Other income	5	20	58	65	122
Commodity based derivatives gain/(loss)		4	(1)	13	4
<b>Revenue and other income</b>		<b>3,028</b>	<b>3,459</b>	<b>12,936</b>	<b>13,054</b>
Raw materials, energy costs and freight expenses		(2,105)	(2,605)	(9,334)	(9,952)
Payroll and related costs	9	(318)	(302)	(1,180)	(1,207)
Depreciation and amortization	5,8	(239)	(214)	(922)	(807)
Impairment loss	4,5	(21)	(92)	(43)	(150)
Other operating expenses	8,9	(134)	(168)	(467)	(536)
<b>Operating costs and expenses</b>		<b>(2,817)</b>	<b>(3,381)</b>	<b>(11,946)</b>	<b>(12,652)</b>
<b>Operating income</b>		<b>211</b>	<b>78</b>	<b>989</b>	<b>402</b>
Share of net income in equity-accounted investees		13	29	65	82
Interest income and other financial income		15	17	76	81
<b>Earnings before interest expense and tax</b>		<b>239</b>	<b>124</b>	<b>1,130</b>	<b>566</b>
Foreign currency translation gain/(loss)		98	86	(145)	(278)
Interest expense and other financial items	9	(43)	(43)	(182)	(153)
<b>Income before tax</b>		<b>294</b>	<b>167</b>	<b>803</b>	<b>134</b>
Income tax	9	(95)	(14)	(214)	6
<b>Net income</b>		<b>199</b>	<b>153</b>	<b>589</b>	<b>141</b>
<b>Net income attributable to</b>					
Shareholders of the parent		199	157	599	159
Non-controlling interests		-	(4)	(10)	(19)
<b>Net income</b>		<b>199</b>	<b>153</b>	<b>589</b>	<b>141</b>
Basic earnings per share <sup>1)</sup>		0.73	0.58	2.20	0.58
<b>Weighted average number of shares outstanding</b>	<b>2</b>	<b>271,661,032</b>	<b>273,028,047</b>	<b>272,319,232</b>	<b>273,169,994</b>

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

# Condensed consolidated interim statement of comprehensive income

USD millions	4Q 2019	4Q 2018	2019	2018
Net income	199	153	589	141
<b>Other comprehensive income that may be reclassified to statement of income (net of tax)</b>				
Currency translation adjustments	44	2	30	(222)
Hedge of net investments	23	(44)	(9)	(41)
Net other comprehensive income/(loss) that may be reclassified to statement of income in subsequent periods, net of tax	68	(42)	20	(263)
<b>Other comprehensive income that will not be reclassified to statement of income in subsequent periods (net of tax)</b>				
Currency translation adjustments <sup>1)</sup>	73	(139)	(24)	(126)
Net gain/(loss) on equity instruments at fair value through other comprehensive income	(2)	(1)	(2)	(5)
Remeasurement gains/(losses) on defined benefit plans	84	(74)	(9)	(73)
Net other comprehensive income that will not be reclassified to statement of income in subsequent periods, net of tax	155	(213)	(35)	(203)
<b>Total other comprehensive income, net of tax</b>	<b>223</b>	<b>(255)</b>	<b>(14)</b>	<b>(465)</b>
<b>Total comprehensive income, net of tax</b>	<b>422</b>	<b>(102)</b>	<b>576</b>	<b>(325)</b>
<b>Total comprehensive income attributable to</b>				
Shareholders of the parent	422	(103)	585	(278)
Non-controlling interests	-	1	(10)	(47)
<b>Total</b>	<b>422</b>	<b>(102)</b>	<b>576</b>	<b>(325)</b>

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

# Condensed consolidated interim statement of changes in equity

USD millions	Share Capital <sup>1)</sup>	Premium paid-in capital	Other reserves <sup>4)</sup>	Retained earnings	Attributable to shareholders of the parent	Non-controlling interests	Total equity
Balance at 31 December 2017	66	(49)	(1,161)	10,369	9,225	280	9,505
IFRS 9 and IFRS 15 implementation effect	-	-	-	(4)	(4)	-	(4)
Net income	-	-	-	159	159	(19)	141
Total other comprehensive income, net of tax	-	-	(364)	(73)	(437)	(28)	(465)
Transactions with non-controlling interests	-	-	-	(7)	(7)	(6)	(13)
Transfer to retained earnings	-	-	2	(2)	-	-	-
Treasury shares <sup>2)</sup>	-	-	-	(33)	(33)	-	(33)
Share capital increase in subsidiary, non-controlling interest	-	-	-	-	-	2	2
Dividends distributed	-	-	-	(219)	(219)	(2)	(221)
Balance at 31 December 2018	66	(49)	(1,523)	10,189	8,683	227	8,910
Net income	-	-	-	599	599	(10)	589
Total other comprehensive income, net of tax	-	-	(4)	(9)	(14)	-	(14)
Transactions with non-controlling interests	-	-	(54)	(97)	(151)	(137)	(288)
Treasury shares <sup>3)</sup>	-	-	-	(83)	(83)	-	(83)
Dividends distributed	-	-	-	(203)	(203)	(2)	(205)
Balance at 31 December 2019	66	(49)	(1,582)	10,395	8,830	79	8,909

1) Par value NOK 1.70.

2) As approved by General Meeting 8 May 2018.

3) As approved by General Meeting 7 May 2019.

4) Other reserves are mainly currency translation adjustments. Other reserves also includes fair value reserve of financial assets at FVOCI, hedge of net investments, and cash flow hedges.

# Condensed consolidated interim statement of financial position

USD millions	Notes	31 Dec 2019	31 Dec 2018
<b>Assets</b>			
<b>Non-current assets</b>			
Deferred tax assets		484	407
Intangible assets		1,031	1,052
Property, plant and equipment		8,614	8,430
Right-of-use assets	8	428	-
Equity-accounted investees		970	1,027
Other non-current assets		414	420
<b>Total non-current assets</b>		<b>11,940</b>	<b>11,337</b>
<b>Current assets</b>			
Inventories	6	2,360	2,568
Trade receivables		1,564	1,601
Prepaid expenses and other current assets		553	741
Cash and cash equivalents		300	202
Non-current assets and disposal group classified as held-for-sale	4	9	206
<b>Total current assets</b>		<b>4,785</b>	<b>5,319</b>
<b>Total assets</b>		<b>16,725</b>	<b>16,656</b>

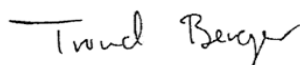
# Condensed consolidated interim statement of financial position

USD millions, except share information	Notes	31 Dec 2019	31 Dec 2018
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital reduced for treasury stock		66	66
Premium paid-in capital		(49)	(49)
<b>Total paid-in capital</b>		<b>17</b>	<b>17</b>
Other reserves	4	(1,582)	(1,523)
Retained earnings	4	10,395	10,189
<b>Total equity attributable to shareholders of the parent</b>		<b>8,830</b>	<b>8,683</b>
Non-controlling interests	4	79	227
<b>Total equity</b>	<b>2</b>	<b>8,909</b>	<b>8,910</b>
<b>Non-current liabilities</b>			
Employee benefits		498	485
Deferred tax liabilities		416	416
Other long-term liabilities		247	201
Long-term provisions		303	238
Long-term interest-bearing debt	7	2,698	2,776
Long-term lease liabilities	8	337	-
<b>Total non-current liabilities</b>		<b>4,499</b>	<b>4,116</b>
<b>Current liabilities</b>			
Trade and other payables		1,614	1,835
Prepayments from customers		399	343
Current tax liabilities		140	63
Short-term provisions		72	55
Other short-term liabilities		101	88
Bank loans and other interest-bearing short-term debt		494	397
Current portion of long-term debt		398	824
Short-term lease liabilities	8	98	-
Liabilities associated with disposal group held-for-sale	4	-	26
<b>Total current liabilities</b>		<b>3,317</b>	<b>3,630</b>
<b>Total equity and liabilities</b>		<b>16,725</b>	<b>16,656</b>
Number of shares outstanding	2	271,040,624	272,697,830

The Board of Directors and Chief Executive Officer  
Yara International ASA  
Oslo, 6 February 2020



Geir Isaksen  
Chairperson



Trond Berger  
Vice chair



Hilde Bakken  
Board member



Håkon Reistad Fure  
Board member



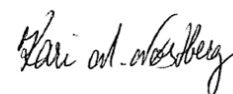
Kimberly Lein-Mathisen  
Board member



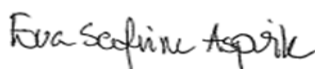
Adele Bugge Norman Pran  
Board member



John Thuestad  
Board member



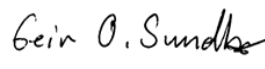
Kari Marie Nøstberg  
Board member



Eva Safrine Aspvik  
Board member



Rune Bratteberg  
Board member



Geir O. Sundbø  
Board member



Svein Tore Holsether  
President and CEO

# Condensed consolidated interim statement of cash flows

USD millions	Notes	4Q 2019	4Q 2018	2019	2018
<b>Operating activities</b>					
Operating income		211	78	989	402
<b>Adjustments to reconcile operating income to net cash provided by operating activities</b>					
Depreciation and amortization		239	214	922	807
Impairment loss	5	21	92	43	150
Write-down and reversals, net		7	8	12	11
Income taxes paid		(39)	(39)	(135)	(110)
Dividend from equity-accounted investees		69	57	166	155
Change in net operating capital <sup>1)</sup>		232	(319)	112	(428)
Interest and bank charges received/(paid) <sup>2)</sup>		(61)	(84)	(169)	(158)
Other		8	(98)	(34)	(74)
<b>Net cash provided by operating activities</b>		<b>688</b>	<b>(89)</b>	<b>1,907</b>	<b>756</b>
<b>Investing activities</b>					
Purchases of property, plant and equipment		(309)	(387)	(1,066)	(1,336)
Cash outflow on business combinations		-	13	-	(648)
Purchases of other long-term and short-term investments		(6)	(14)	(30)	(58)
Proceeds from sales of property, plant and equipment		5	-	13	9
Proceeds from sales of other long-term investments and subsidiaries		11	17	40	34
<b>Net cash used in investing activities</b>		<b>(300)</b>	<b>(371)</b>	<b>(1,044)</b>	<b>(2,000)</b>
<b>Financing activities</b>					
Loan proceeds/(repayments), net	7	(200)	77	(381)	1,138
Payments of lease liabilities <sup>3)</sup>	8	(30)	-	(108)	-
Purchase of treasury shares		(65)	(21)	(65)	(21)
Dividends	2	-	-	(203)	(219)
Other cash transfers (to)/from non-controlling interests		(1)	-	(1)	-
<b>Net cash from/(used in) financing activities</b>		<b>(296)</b>	<b>56</b>	<b>(758)</b>	<b>897</b>
Foreign currency effects on cash and cash equivalents		-	2	(7)	5
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>93</b>	<b>(403)</b>	<b>98</b>	<b>(341)</b>
Cash and cash equivalents at beginning of period <sup>4)</sup>		208	606	203	544
Cash and cash equivalents at end of period <sup>4)</sup>		301	203	301	203
Bank deposits not available for the use of other group companies				35	52

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

2) Including interest on lease liabilities.

3) In 2018, cash flows related to operational leases according to IAS 17 were included in "Net cash provided by operating activities".

4) Excluded expected credit loss provisions on bank deposits.



# Notes to the condensed consolidated interim financial statements

## GENERAL AND ACCOUNTING POLICIES

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

These unaudited, condensed consolidated interim financial statements consist of the Group and the Group's interests in associated companies and joint arrangements. They are prepared in accordance with International Accounting Standard 34 Interim Financial Reporting, and should be read in conjunction with the annual consolidated financial statements in Yara's Annual Report for 2018. Except for the changes described below, the accounting policies applied are the same as those applied in the annual consolidated financial statements 2018.

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

### IFRS 16 Leases

The Yara Group adopted IFRS 16 Leases for reporting periods beginning on and after 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 Yara's accounting for leases as a lessee, but keeps the accounting model for Yara as a lessor mainly unchanged. Please see note 3 Operating segment information and note 8 Leases for specific information on the effects of implementing IFRS 16.

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, adjusted for prepaid lease payments.
- Leases for which the lease term ends during 2019 will be expensed as short term leases.

In addition Yara takes 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 land, vessels, product storage assets (warehouses, terminals etc.), office buildings and other buildings. Other, less significant leases in Yara comprise of transportation and logistics assets, machinery and equipment, employee cars, IT infrastructure and office equipment. Yara has applied different accounting policies to different assets as follows:

- Yara expenses services and other non-lease components embedded in lease contracts for land, vessels, product storage assets, office buildings and other buildings. For leases of other assets, Yara capitalizes non-lease components subject to fixed payments as part of the lease.
- Yara expenses short term leases of machinery, office equipment and other equipment in accordance with the general short term exemption in IFRS 16. In addition Yara expenses all other leases which expires in 2019 in accordance with the short term exemption available upon transition 1 January 2019.
- Yara expenses low value leases of office equipment and other equipment in accordance with the general low value exemption in IFRS 16.

Lease terms are determined by including extension and termination options which are reasonably certain to be exercised. Yara strives to consider all relevant facts and

circumstances that create an economic incentive for Yara to exercise such options. However, use of significant judgment may be needed.

Yara discounts the lease liability by using incremental borrowing rates. However, in the implicit interest rate may be used for selected lease arrangements which are material on group level and the rate can be readily determined. The incremental borrowing rates applied on new contracts are updated on a quarterly basis and are determined for all relevant currencies and lease terms taking into account the risk free rate, Yara's credit risk premium, local unit risk premium above Yara country risk premium and asset risk premium.

Comparatives for 2018 are not restated and are prepared in accordance with IAS 17 and other previous guidance on lease accounting within IFRS. Under this previous guidance finance leases were accounted for as property, plant and equipment at the present value of minimum lease payments, or fair value if this is lower, and depreciated over the estimated useful lives of the assets or lease term if shorter. The corresponding finance lease liabilities were initially included in long-term debt and subsequently reduced by the amount of lease payments less the effective interest expense. Other leases were accounted for as operating leases with lease payments recognized as an expense over the lease terms.

## Note 1 Judgments, estimates and assumptions

The preparation of condensed consolidated interim financial statements in accordance with IFRS and Yara's accounting policies requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in

the period in which the estimate is revised if the revision affects only that period. If the revision affects both current and future periods, the estimate is revised in the period of the revision and future periods.

When preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty, were mainly the same as those that applied to the consolidated financial statements as of the period ended 31 December 2018.

## Note 2 Shares, dividend and share buy-back program

The Annual General Meeting in May 2019 approved a dividend for 2018 of NOK 1,772 million (NOK 6.50 per share), which was paid out during second quarter 2019 (USD 203 million).

On 7 May 2019, the Annual General Meeting authorized the Board of Directors to acquire up to 13,620,131 shares in the open market and from the Norwegian State. Shares may be purchased within a price range from NOK 10 to NOK 1,000. The shares shall be subsequently cancelled. Yara has renewed its agreement with the Norwegian State according to which the State's shares will be redeemed on a pro-rata basis to ensure the State's ownership is unchanged in the event of a cancellation of shares bought back.

During fourth quarter 2019, Yara has purchased 1,362,013 own shares under the 2019 buy-back program for a total

consideration of NOK 486 million (USD 53 million). These shares will be cancelled at the next Annual General meeting to be held in May 2020. Pursuant to the agreement with the Norwegian State, total equity attributable to the shareholders of the parent has been reduced with an additional NOK 273 million (USD 30 million) for the commitment to redeem 773,187 shares from the Norwegian State.

In 2018, Yara purchased 520,000 own shares under the 2018 buy-back program for a total consideration of NOK 181 million (USD 21 million). These shares were cancelled at the Annual General meeting on 7 May 2019. Pursuant to the agreement with the Norwegian State, total equity attributable to the shareholders of the parent was reduced with an additional NOK 103 million (USD 12 million) for the redemption of 295,193 shares from the Norwegian State.

	Ordinary shares	Own shares	Number of shares outstanding
Total at 31 December 2017	273,217,830	-	273,217,830
Treasury shares - share buy-back program <sup>1)</sup>	-	(520,000)	(520,000)
Total at 31 December 2018	273,217,830	(520,000)	272,697,830
Redeemed shares Norwegian State <sup>2)</sup>	(295,193)	-	(295,193)
Shares cancelled <sup>2)</sup>	(520,000)	520,000	-
Treasury shares - share buy-back program <sup>2)</sup>	-	(1,362,013)	(1,362,013)
Total at 31 December 2019	272,402,637	(1,362,013)	271,040,624

1) As approved by the General Meeting 8 May 2018.

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

## Note 3 Operating segment information

As part of Yara's crop nutrition focused strategy, Yara has simplified its operating model and changed its operating segments effective from 1 January 2019. Yara's new segment structure is comprised of three segments:

- Sales and Marketing
- New Business
- Production

The new Sales and Marketing segment includes the former Crop Nutrition units, in addition to the lines of business of Base Chemicals, Industry Reagents and Animal Nutrition (excluding South Africa) which were transferred from the former Industrial segment.

The New Business segment includes the business units Environmental Solutions, Mining Applications, Animal nutrition South Africa and Industrial Nitrates from the former Industrial segment.

Yara has moved 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) and Ponta Grossa (Brazil). In addition, Yara has moved fertilizer sales and marketing activity in Galvani and Cubatão previously reported within the Production segment to the new Sales and Marketing segment.

The operating segments presented are the key components of Yara's business. These segments are managed and monitored as separate and strategic businesses which are evaluated on a regular basis by Yara's Chief Executive Officer (CEO) as the Chief Operating Decision Maker.

Financial and operational information is prepared for each segment, and the information disclosed is the same as used by the CEO to assess performance and allocate resources.

A separate appendix containing restated segment figures for 2018 was published on 20 March 2019. The appendix is available in the Investor relations section on Yara.com. Due to the changes in the segment structure, new descriptions of the segments are presented below.

### Sales and Marketing

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

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

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

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

### New Business

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

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

### Production

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

The Production segment holds ownership interests in associates and joint arrangements. The investments in the joint arrangements Trinidad Nitrogen Company Ltd, Yara Pilbara Nitrates Pty Ltd and Yara Freeport LLC DBA Texas Ammonia are classified as joint operations, for which Yara consolidate its share of assets, liabilities, revenues and costs. The investments in Qatar Fertilizer Company ("Qafco") and Libyan Norwegian Fertilizer Company ("Lifeco") are accounted for using the equity method of accounting.

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

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

### Other and eliminations

In the segment information, "Other and eliminations" consists mainly of cross-segment eliminations and Yara's headquarter costs. Profits on sales from Production to Sales and Marketing and New Business are not recognized in the Yara condensed consolidated interim statement of income before the products are sold to external customers. These internal profits are eliminated in "Other and eliminations". Changes in "Other and eliminations" EBITDA therefore usually reflect changes in Production-sourced stock (volumes) held by Sales and Marketing and New Business, but can also be affected by changes in Production margins on products sold to Sales and Marketing and New Business as transfer prices move in line with arm's length market prices. With all other variables held constant, higher stocks in Sales and Marketing and New Business would result in a higher (negative) elimination effect in Yara's results, as would higher Production margins. Over time these effects tend to even out, to the extent that stock levels and margins normalize.

USD millions	4Q 2019	4Q 2018 Restated <sup>1)</sup>	2019	2018 Restated <sup>1)</sup>
<b>External revenue and other income</b>				
Sales and Marketing	2,440	2,845	10,748	10,968
New Business	348	318	1,334	1,063
Production	236	296	843	1,017
Other and eliminations	4	-	12	5
<b>Total</b>	<b>3,028</b>	<b>3,459</b>	<b>12,936</b>	<b>13,054</b>
<b>Internal revenue and other income</b>				
Sales and Marketing	35	50	174	160
New Business	1	-	3	3
Production	1,373	1,698	6,296	6,183
Other and eliminations	(1,408)	(1,748)	(6,473)	(6,346)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Revenue and other income</b>				
Sales and Marketing	2,475	2,895	10,922	11,128
New Business	349	317	1,337	1,067
Production	1,609	1,994	7,139	7,200
Other and eliminations	(1,404)	(1,748)	(6,461)	(6,340)
<b>Total</b>	<b>3,028</b>	<b>3,459</b>	<b>12,936</b>	<b>13,054</b>
<b>Operating income <sup>2)</sup></b>				
Sales and Marketing	115	74	528	427
New Business	39	35	160	103
Production	8	15	315	(35)
Other and eliminations	49	(45)	(14)	(93)
<b>Total</b>	<b>211</b>	<b>78</b>	<b>989</b>	<b>402</b>
<b>EBITDA <sup>2)</sup></b>				
Sales and Marketing	163	125	743	613
New Business	48	39	190	115
Production	231	305	1,140	856
Other and eliminations	57	(39)	22	(62)
<b>Total</b>	<b>499</b>	<b>430</b>	<b>2,095</b>	<b>1,523</b>
<b>Effect on EBITDA of implementing IFRS 16 <sup>3)</sup></b>				
Sales and Marketing	15	-	55	-
New Business	6	-	14	-
Production	12	-	39	-
Other and eliminations	3	-	10	-
<b>Total</b>	<b>37</b>	<b>-</b>	<b>118</b>	<b>-</b>
<b>EBITDA on IAS17 basis <sup>3)</sup></b>				
Sales and Marketing	148	125	688	613
New Business	41	39	176	115
Production	219	305	1,102	856
Other and eliminations	54	(39)	12	(62)
<b>Total</b>	<b>462</b>	<b>430</b>	<b>1,977</b>	<b>1,523</b>
<b>Investments <sup>4)</sup></b>				
Sales and Marketing	27	83	71	308
New Business	2	3	4	9
Production	352	392	1,038	1,723
Other and eliminations	5	14	20	41
<b>Total</b>	<b>386</b>	<b>492</b>	<b>1,134</b>	<b>2,080</b>
<b>Total Assets <sup>5)</sup></b>				
Sales and Marketing	4,347	4,514	4,347	4,514
New Business	484	450	484	450
Production	11,426	11,478	11,426	11,478
Other and eliminations	473	213	473	213
<b>Total</b>	<b>16,730</b>	<b>16,656</b>	<b>16,730</b>	<b>16,656</b>

1) The 2018 segment figures have been restated according to the new segment structure. The Yara Group figures are unchanged.

2) See page 33 for Reconciliation of alternative performance measures in the Yara Group.

3) The effect on EBITDA of implementing IFRS 16 and EBITDA on IAS 17 basis is provided for information purposes only.

4) Investments comprise property, plant and equipment, intangible assets, equity-accounted investees and other equity investments. The figures presented are capitalized amounts, and may deviate from cash flow from investing activities due to timing of cash outflows.

5) Assets exclude internal cash accounts, internal accounts receivable and accounts related to group relief.

	2019	2018 Restated <sup>1)</sup>
ROIC (12-month rolling average) <sup>2)</sup>		
Yara <sup>3)</sup>	6,6%	3,8%
Sales and Marketing	15,2%	14,4%
New Business	40,2%	32,9%
Production	3,1%	0,6%

1) The 2018 segment figures have been restated according to the new segment structure. The Yara Group figures are unchanged.

2) See page 33 for Reconciliation of alternative performance measures in the Yara Group.

3) A normalized operating cash requirement is employed in the ROIC calculation for Yara, but not for the segments. This effect explains the variance in ROIC between Yara and the segments. See page 33 "Alternative performance measures" for more information.

### Reconciliation of operating income to EBITDA

USD millions	Operating income	Equity-accounted investees	Interest income and other financial income	EBIT	Depreciation and amortization <sup>1)</sup>	Impairment loss <sup>2)</sup>	EBITDA
<b>4Q 2019</b>							
Sales and Marketing	115	(3)	13	126	35	3	163
New Business	39	-	-	40	8	-	48
Production	8	15	1	24	189	18	231
Other and eliminations	49	-	1	50	7	-	57
<b>Total</b>	<b>211</b>	<b>13</b>	<b>15</b>	<b>239</b>	<b>239</b>	<b>21</b>	<b>499</b>
<b>4Q 2018 Restated <sup>3)</sup></b>							
Sales and Marketing	74	(1)	15	87	25	13	125
New Business	35	1	-	36	3	-	39
Production	15	28	1	44	182	79	305
Other and eliminations	(45)	-	1	(43)	5	-	(39)
<b>Total</b>	<b>78</b>	<b>29</b>	<b>17</b>	<b>124</b>	<b>214</b>	<b>92</b>	<b>430</b>
<b>2019</b>							
Sales and Marketing	528	3	62	593	144	5	743
New Business	160	2	1	163	24	3	190
Production	315	60	4	378	727	34	1,140
Other and eliminations	(14)	-	9	(5)	27	-	22
<b>Total</b>	<b>989</b>	<b>65</b>	<b>76</b>	<b>1,130</b>	<b>923</b>	<b>43</b>	<b>2,095</b>
<b>2018 Restated <sup>3)</sup></b>							
Sales and Marketing	427	5	67	498	86	28	613
New Business	103	1	1	105	10	-	115
Production	(35)	76	4	45	689	122	856
Other and eliminations	(93)	-	10	(83)	22	-	(62)
<b>Total</b>	<b>402</b>	<b>82</b>	<b>81</b>	<b>566</b>	<b>807</b>	<b>150</b>	<b>1,523</b>

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

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

3) The 2018 segment figures have been restated according to the new segment structure. The Yara Group figures are unchanged.

## Disaggregation of external revenues by nature

USD millions	Fertilizer and chemical products	Freight/ insurance services	Other products and services	Total
<b>4Q 2019</b>				
Sales and Marketing	2,343	85	6	2,434
New Business	212	21	115	347
Production	185	19	15	219
Other and eliminations	(1)	-	4	4
<b>Total</b>	<b>2,740</b>	<b>124</b>	<b>141</b>	<b>3,004</b>
<b>4Q 2018 Restated <sup>1)</sup></b>				
Sales and Marketing	2,724	97	4	2,825
New Business	232	22	65	318
Production	222	15	17	254
Other and eliminations	-	-	4	4
<b>Total</b>	<b>3,178</b>	<b>134</b>	<b>90</b>	<b>3,401</b>
<b>2019</b>				
Sales and Marketing	10,345	366	18	10,729
New Business	862	87	384	1,333
Production	657	68	59	784
Other and eliminations	-	-	12	12
<b>Total</b>	<b>11,864</b>	<b>520</b>	<b>473</b>	<b>12,858</b>
<b>2018 Restated <sup>1)</sup></b>				
Sales and Marketing	10,561	367	13	10,941
New Business	829	85	150	1,064
Production	782	64	67	913
Other and eliminations	1	-	9	9
<b>Total</b>	<b>12,173</b>	<b>517</b>	<b>239</b>	<b>12,928</b>

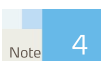
<sup>1)</sup> The 2018 segment figures have been restated according to the new segment structure. The Yara Group figures are unchanged.



## Disaggregation of external revenues by geographical area

USD millions	Europe	Brazil	Latin America ex. Brazil	Asia	North America	Africa	Total
<b>4Q 2019</b>							
Sales and Marketing	691	846	197	324	226	149	2,434
New Business	178	26	15	60	39	30	347
Production	35	21	6	64	94	-	219
Other and eliminations	4	-	-	-	-	-	4
<b>Total</b>	<b>908</b>	<b>893</b>	<b>219</b>	<b>448</b>	<b>359</b>	<b>178</b>	<b>3,004</b>
<b>4Q 2018 Restated <sup>1)</sup></b>							
Sales and Marketing	837	1,007	238	368	246	130	2,825
New Business	142	28	21	49	48	30	318
Production	45	28	7	75	99	-	254
Other and eliminations	3	-	-	-	-	-	4
<b>Total</b>	<b>1,028</b>	<b>1,063</b>	<b>265</b>	<b>493</b>	<b>392</b>	<b>160</b>	<b>3,401</b>
<b>2019</b>							
Sales and Marketing	3,416	3,481	844	1,361	1,029	597	10,729
New Business	684	109	73	181	165	121	1,333
Production	148	75	31	243	287	-	784
Other and eliminations	12	-	-	-	-	-	12
<b>Total</b>	<b>4,259</b>	<b>3,665</b>	<b>948</b>	<b>1,785</b>	<b>1,482</b>	<b>718</b>	<b>12,858</b>
<b>2018 Restated <sup>1)</sup></b>							
Sales and Marketing	3,549	3,370	995	1,494	1,001	531	10,941
New Business	503	75	68	141	163	114	1,064
Production	128	97	31	311	346	-	913
Other and eliminations	9	-	-	-	-	-	9
<b>Total</b>	<b>4,190</b>	<b>3,542</b>	<b>1,094</b>	<b>1,947</b>	<b>1,511</b>	<b>645</b>	<b>12,928</b>

<sup>1)</sup> The 2018 segment figures have been restated according to the new segment structure. The Yara Group figures are unchanged.



## Business initiatives

### Minority buy-out

In 2018, Yara signed an agreement with the non-controlling interest in Galvani to acquire their 40% equity interest. The transaction was closed on 10 July 2019.

As part of the consideration, the non-controlling interest has taken 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. 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 to disposal group held-for-sale in 2018. A further assessment in second quarter 2019 led to an additional impairment of USD 8 million.

In addition to fair value of assets and liabilities transferred, consideration includes a cash payment of USD 70 million

over a three year period from closing and a conditional future payment related to project success of maximum USD 30 million. In addition, Yara is through Galvani providing a capital contribution to the new entity of USD 30 million as starting capital, minus adjustments for a normalized level of working capital, which was paid in October (USD 2.6 million). The remaining cash flow will follow the payment schedule over a three-year-period.

The carrying amount of the non-controlling interest in Galvani at the date of closing (10 July 2019) was USD 139 million. The difference between the carrying amount and the consideration, including fair value of assets and liabilities that have been transferred, was recognized in equity attributable to shareholders of the parent. Effect on equity attributable to the shareholders of the parent in third quarter 2019 was a reduction of USD 151 million.

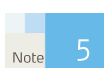
### Equity transactions with the non-controlling interest in Galvani <sup>1)</sup>:

USD millions	Galvani
Carrying amount of non-controlling interests acquired/(divested)	139
Consideration	(290)
Increase/(decrease) in equity attributable to owners to the group	(151)
Presented in the statement of changes in equity:	
Increase/(decrease) to other reserves	(54)
Increase/(decrease) to retained earnings	(97)
Total	(151)

1) The transactions happened in the third quarter.

### Other business initiatives

Yara announced on 26 June 2019 that it is evaluating an IPO of its industrial nitrogen businesses. The IPO scope evaluation is expected to be completed by mid 2020.



## Specifications to the condensed consolidated interim statement of income

### Other income

USD millions	4Q 2019	4Q 2018	2019	2018
Sale of white certificates	11	16	37	35
Insurance compensations	3	27	14	27
Derecognition of contingent consideration related to Galvani	-	-	-	21
Change in fair value of contingent consideration related to Galvani	-	15	-	15
Take-or-pay compensation from customer	-	-	-	15
Other	7	-	15	9
<b>Total</b>	<b>20</b>	<b>58</b>	<b>65</b>	<b>122</b>

### Depreciation and amortization

USD millions	4Q 2019	4Q 2018	2019	2018
Depreciation of property, plant and equipment	(194)	(200)	(765)	(755)
Depreciation of right-of-use assets	(34)	-	(111)	-
Amortization of intangible assets	(11)	(14)	(46)	(52)
<b>Total depreciation and amortization</b>	<b>(239)</b>	<b>(214)</b>	<b>(922)</b>	<b>(807)</b>

### Impairment loss

USD millions	4Q 2019	4Q 2018	2019	2018
Impairment loss tangible assets	(4)	(89)	(26)	(136)
Impairment loss goodwill and intangible assets	-	(4)	(3)	(16)
Reversal of impairment loss	-	1	3	3
Impairment loss ROU assets	(17)	-	(17)	-
<b>Total impairment loss</b>	<b>(21)</b>	<b>(92)</b>	<b>(43)</b>	<b>(150)</b>

The largest impairment in the fourth quarter 2019 is related to impairment of a right-of-use asset in the Production segment due to local market conditions.

## Note 6 Inventories

USD millions	31 Dec 2019	31 Dec 2018
Finished goods	1,312	1,416
Work in progress	47	54
Raw materials	1,000	1,098
<b>Total</b>	<b>2,360</b>	<b>2,568</b>
<b>Write-down</b>		
Balance at 1 January	(24)	(27)
Reversal/(write-down), net	(6)	2
Foreign currency translation gain/(loss)	-	1
<b>Closing balance</b>	<b>(29)</b>	<b>(24)</b>

## Note 7 Long-term debt

### Contractual payments on long-term debt

USD millions	Debentures	Bank Loans	Other LT loans	Total
2021	79	54	2	135
2022	277	195	-	471
2023	-	45	-	45
2024	179	181	-	359
Thereafter	1,605	61	21	1,688
<b>Total</b>	<b>2,139</b>	<b>536</b>	<b>24</b>	<b>2,698</b>

The NOK 2,200 million bond issued in 2014 was repaid upon maturity in December. There have been no other significant changes in Yara's long-term interest-bearing debt profile during the fourth quarter.

Yara's USD 1,100 million revolving credit facility remains completely undrawn, as does the USD 250 million facility maturing in 2021. In addition, Yara has unused short-term credit facilities with various banks totaling approximately USD 740 million.

### Reconciliation of liabilities arising from financing activities

USD millions	31 Dec 2018	Cash flows	Non-cash changes						31 Dec 2019
			Debt assumed as part of acquisition	Transfer to liability held-for-sale	Foreign exchange movement	Amortization <sup>1)</sup>	Other <sup>2)</sup>	Reclassification	
Long-term interest-bearing debt	2,776	350	-	-	(10)	2	(23)	(396)	2,698
Bank loans and other interest-bearing short-term debt	397	80	-	-	(2)	-	19	-	494
Current portion of long-term debt	824	(811)	-	-	(11)	-	-	396	398
<b>Total liabilities from financing activities</b>	<b>3,997</b>	<b>(381)</b>	<b>-</b>	<b>-</b>	<b>(23)</b>	<b>2</b>	<b>(4)</b>	<b>-</b>	<b>3,590</b>

1) Amortization of transaction cost.

2) Including lease liabilities reclassified to Long-term lease liabilities in the statement of financial position and provision for buy-back of the Norwegian State's shares.

## Note 8 Leases

Yara adopted IFRS 16 Leases for reporting periods beginning on and after 1 January 2019 using the modified retrospective method. As a result prior years comparatives for 2018 are not disclosed. See accounting policy section on pages 17-18.

### Right-of-use assets

USD millions	Land	Vessels	Buildings	Product storage	Transportation & logistics	Other assets	Total
<b>Carrying value</b>							
Prepaid lease payments	10	-	-	2	-	-	13
Leases previously accounted for as PP&E (finance leases)	-	-	14	-	-	11	25
Leases capitalized due to implementation of IFRS 16	113	20	85	83	55	52	409
<b>Balance ROU assets at 1 January 2019</b>	<b>123</b>	<b>20</b>	<b>99</b>	<b>85</b>	<b>55</b>	<b>63</b>	<b>447</b>
Additions and lease modifications	30	22	12	13	24	13	114
Depreciation	(7)	(11)	(20)	(30)	(26)	(17)	(111)
Impairment	(17)	-	-	-	-	-	(17)
Foreign currency translation gain/(loss)	(1)	-	(2)	-	(1)	(1)	(4)
<b>Balance at 31 December 2019</b>	<b>129</b>	<b>31</b>	<b>89</b>	<b>69</b>	<b>53</b>	<b>57</b>	<b>428</b>

### Lease liabilities

USD millions	Long-term	Short-term	Total
<b>Carrying value</b>			
Lease obligations under IAS 17 (finance leases)	17	6	23
New lease obligations due to implementation of IFRS 16	327	82	409
<b>Balance lease obligations at 1 January 2019</b>	<b>344</b>	<b>88</b>	<b>432</b>
Additions and lease modifications	116	-	116
Reclassification to short-term	(119)	119	-
Lease payments	-	(108)	(108)
Foreign currency translation gain/(loss)	(4)	-	(4)
<b>Balance at 31 December 2019</b>	<b>337</b>	<b>98</b>	<b>435</b>

The weighted average incremental borrowing rate applied to lease liabilities at initial application 1 January 2019 was 3.8 percent. Interest expense on lease liabilities amounts to USD 4 million in the fourth quarter and USD 15 million year to date.

### Leases expensed in the period

Leases expensed amounts to USD 17 million in the fourth quarter and USD 67 million year to date. The expensed leases refers to leases with variable payments, leases of low value, or leases of short term including leases that expire in 2019 and which are covered by the short term exemption available on transition to IFRS 16 at 1 January 2019.

### IAS 17 operating lease commitments 31 Dec 2018 compared to IFRS 16 lease liability 1 January 2019

Operating, non-cancellable, nominal lease commitments disclosed according to IAS 17 as of year end 2018 amounted to USD 578 million. Using the incremental borrowing rates for relevant currencies and lease terms at 1 January 2019, the discounted IAS 17 commitments amounts to USD 435 million compared to new lease obligations of USD 409 million capitalized under IFRS 16. The difference is explained by an effect of extended lease terms under IFRS 16 of USD 92 million, which is more than offset by the effects of Yara's use of short term and low value exemptions as well as different accounting and interpretation of non-lease components and other contractual commitments under IFRS 16.

## IFRS 16 adjustment for each financial statement line item

## Consolidated statement of income

USD millions	4Q 2019		4Q 2019	4Q 2018
	As reported	Impact	Adjusted	As reported
	(IFRS 16)	IFRS 16	(IAS 17)	(IAS 17)
Other operating expenses	(134)	(37)	(171)	(168)
EBITDA <sup>1)</sup>	499	(37)	462	430
Depreciation and amortization	(239)	34	(205)	(214)
Operating income <sup>1)</sup>	211	(3)	209	78
Interest expense and other financial items	(43)	4	(39)	(43)
Income before tax <sup>1)</sup>	294	2	295	167

USD millions	2019		2019	2018
	As reported	Impact	Adjusted	As reported
	(IFRS 16)	IFRS 16	(IAS 17)	(IAS 17)
Other operating expenses	(467)	(118)	(585)	(536)
EBITDA <sup>1)</sup>	2,095	(118)	1,977	1,523
Depreciation and amortization	(922)	111	(811)	(807)
Operating income <sup>1)</sup>	989	(7)	983	402
Interest expense and other financial items	(182)	15	(166)	(153)
Income before tax <sup>1)</sup>	803	9	812	134

<sup>1)</sup> Impairment of ROU assets has not been assessed in the context of IAS 17.

IFRS impact on EBITDA for the Group's operating segments are included in note 3 Segment information.

## Consolidated statement of financial position

USD millions	1 Jan 2019		31 Dec 2018	31 Dec 2019		31 Dec 2019
	Opening balance	Impact	As reported	As reported	Impact	Adjusted
	(IFRS 16)	IFRS 16	(IAS 17)	(IFRS 16)	IFRS 16	(IAS 17)
Property, plant & equipment	8,404	25	8,430	8,614	24	8,638
Right-of-use assets	447	(447)	-	428	(428)	-
Prepaid expenses and other current assets	729	13	741	553	12	565
Total assets	17,065	(409)	16,656	16,725	(392)	16,334
Long-term interest bearing debt	2,759	17	2,776	2,698	14	2,713
Long-term lease liabilities	344	(344)	-	337	(337)	-
Bank loans and other short-term interest bearing debt	391	6	397	494	6	500
Other short-term liabilities	88	-	88	101	(2)	99
Short-term lease liabilities	88	(88)	-	98	(98)	-
Total equity and liabilities	17,065	(409)	16,656	16,725	(417)	16,308

## Note 9 Provisions and contingencies

### Provisions

In fourth quarter 2019, Yara recognized a USD 38 million income tax provision and a USD 13 million provision for interest expense. The provisions are based on a recent court ruling against one of Yara's subsidiaries. Yara has appealed the case. The tax claim was included in the disclosed amount of tax contingencies outside Brazil in Yara's 2018 annual report.

Also in fourth quarter 2019, Yara provided for closure costs of USD 24 million following the announcement in November 2019 to close the wholly-owned ammonia plant in Point Lisas, Trinidad. The cost is reflected in Yara's Production segment. The Yara Trinidad plant is one of three ammonia plants operated by Yara Trinidad Ltd. The remaining two plants, Tringen I and Tringen II, are jointly owned by Yara International ASA and National Enterprises Ltd (NEL). The Trinidad plant is one of Yara's smallest ammonia plants, with an annual production capacity of approximately 270,000 tonnes ammonia. In addition to small scale, the plant has a lower energy efficiency than Yara's average. Plant profitability has also been impacted by lower ammonia prices, and in addition negotiations with The National Gas Company of Trinidad and Tobago (NGC) have failed to reach an agreement that could sustain plant operations. The plant ceased production of ammonia in December 2019 and has been fully impaired in previous periods.

In third quarter 2019, Yara provided for energy taxes of USD 32 million and calculated interest cost of USD 3 million after an internal review of a production facility's compliance with energy tax rules. In fourth quarter 2019, the taxation authority issued reassessed taxes and interest charges. These were in line with the provisions made in third quarter 2019. The taxes and interest charges were fully paid during fourth quarter.

### Contingencies

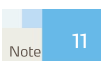
Several subsidiaries are engaged in juridical and administrative proceedings related to various disputed tax matters where the probability of cash outflow is not considered probable. In addition, Yara is party to a number of lawsuits related to laws and regulations in various jurisdictions. Except from the cases mentioned specifically in this note, there are no significant changes to Yara's contingent liabilities and contingent assets compared with year-end 2018.

On 21 January 2020, Yara announced that the Comisión Nacional de los Mercados y la Competencia (CNMC) had initiated an investigation against Yara Iberian SA of possible infringements of the Spanish Competition Act. Yara cooperated fully with the CNMC during the dawn raid.

## Note 10 Employee benefits

By the end of fourth quarter, the defined benefit obligations have been remeasured following full actuarial valuations of all defined benefit plans, using revised financial and demographic assumptions. Plan asset values have also been remeasured to reflect market value at the end of the quarter. The net remeasurement gain of the quarter is recognized as a decrease in net liability of USD 101 million and a positive effect in other comprehensive income of USD 84 million (after tax).

The increase to the gross employee benefit liability is USD 156 million for the year, which is partly offset by a positive return on plan assets of USD 139 million in excess of what is recognized as interest income on plan assets. The net impact to other comprehensive income is a remeasurement loss of USD 9 million (after tax). The main reason for the increase in defined benefit obligations is declining discount rates in the Euro zone and the UK of approximately 0.75% points during the year.



## Post balance sheet events

On 21 January 2020, Yara announced that the Comisión Nacional de los Mercados y la Competencia (CNMC) had initiated an investigation against Yara Iberian SA of possible infringements of the Spanish Competition Act. Yara cooperated fully with the CNMC during the dawn raid.

Yara's Board will propose to the Annual General Meeting a dividend of NOK 15 per share for 2019.

# Quarterly historical information

## EBITDA

USD millions	4Q 2019	3Q 2019	2Q 2019	1Q 2019	4Q 2018 <sup>1)</sup>	3Q 2018 <sup>1)</sup>	2Q 2018 <sup>1)</sup>	1Q 2018 <sup>1)</sup>
Sales and Marketing	163	214	196	170	125	154	157	177
New Business	48	59	37	46	39	26	29	22
Production	231	338	306	265	305	280	119	153
Other and eliminations	57	(20)	2	(17)	(39)	(32)	(9)	18
<b>Total</b>	<b>499</b>	<b>591</b>	<b>541</b>	<b>465</b>	<b>430</b>	<b>427</b>	<b>296</b>	<b>370</b>

<sup>1)</sup> The 2018 segment figures have been restated according to the new segment structure. The Yara Group figures are unchanged.

## Results

USD millions, except per share information	4Q 2019	3Q 2019	2Q 2019	1Q 2019	4Q 2018	3Q 2018	2Q 2018	1Q 2018
Revenue and other income	3,028	3,491	3,402	3,014	3,459	3,547	3,192	2,856
Operating income	211	314	266	198	78	153	38	134
EBITDA	499	591	541	465	430	427	296	370
Net income after non-controlling interests	199	74	230	96	157	98	(211)	116
Basic earnings per share	0.73	0.27	0.84	0.35	0.58	0.36	(0.77)	0.42



# Alternative performance measures

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

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

Definitions and explanations for use of the APMs are described below. Reconciliations of the APMs to the most directly reconcilable line item, subtotal or total presented in the financial statements are provided on the following pages.

## Operating income

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

## EBITDA

Earnings before interest, tax, depreciation and amortization (EBITDA) is used for providing consistent information on Yara's operating performance and debt servicing ability which is relative to other companies and frequently used by securities analysts, investors and other stakeholders. EBITDA, as defined by Yara, includes operating income, interest income from external customers, 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 exclusive special items

EBITDA exclusive special items is an adjusted EBITDA measurement which is used in the internal financial

reporting to management and which Yara also considers to be relevant for external stakeholders. It aims to better mirror the underlying performance in the reported period, adjusting for items which are not primarily related to the period in which they are recognized. See section "Variance analysis and special items" for details on special items.

## EBITDA in USD per tonne Sales & Marketing segment

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

## ROIC

With effect from 2019, Yara replaced the previous CROGI and ROCE performance measures with Return on Invested Capital (ROIC). The rationale for the change is that ROIC enables better benchmarking with comparable companies and businesses, both for internal and external stakeholders.

ROIC is defined as Net Operating Profit After Tax (NOPAT) divided by average invested capital 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 right-of-use assets, plus goodwill and plus equity-accounted investees.

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

### Basic earnings per share excluding currency and special items

Earnings per share excluding currency and special items is an adjusted EPS measurement which Yara considers to be relevant for both internal and external stakeholders as it aims to mirror the underlying performance in the reported period, adjusting for currency effects and items which are not primarily related to the period in which they are recognized. This APM represent net income after non-controlling interests, excluding foreign currency translation gain/loss and special items after tax, divided by average number of shares outstanding in the period. Tax effect on foreign currency and special items is calculated based on relevant statutory tax rate for simplicity.

### Capital structure measures

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

### Yara Improvement Program (YIP)

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

also considers to be relevant for external stakeholders. The operational metrics are reported on a rolling 12-months basis and include:

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

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

Fixed cost is defined as the subtotal "operating costs and expenses" in the consolidated income statement minus variable product cost (raw materials, energy, freight), other variable operating expenses, depreciation, amortization and impairment loss. The reported amounts are adjusted for items which are not considered to be part of underlying business performance for the period (see section "Variance analysis and special items" for details on special items), currency effects, and items which relate to portfolio and structural changes. The currency effects are calculated by converting from local currency to reporting currency using baseline exchange rates as of 2018. The portfolio and structural changes refer to the acquisition of the Vale Cubatão Fertilizantes complex in Brazil and the ammonia plant in Freeport. Furthermore, the fixed cost amount reported for 2018 is adjusted for the effects of implementing IFRS 16 in 2019.

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

## Reconciliation of operating income to EBITDA excluding effect of special items

USD millions		4Q 2019	4Q 2018	2019	2018
Operating income		211	78	989	402
Share of net income in equity-accounted investees		13	29	65	82
Interest income and other financial income		15	17	76	81
Earnings before interest expense and tax (EBIT)		239	124	1,130	566
Depreciation and amortization <sup>1)</sup>		239	214	923	807
Impairment loss <sup>2)</sup>		21	92	43	150
Earnings before interest, tax and depreciation/amortization (EBITDA)		499	430	2,095	1,523
Special items included in EBITDA <sup>3)</sup>		26	(5)	70	2
EBITDA, excluding special items	A	525	424	2,165	1,525

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

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

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

## Reconciliation of operating income to net operating profit after tax

USD millions		4Q 2019	4Q 2018	2019	2018
Operating income		211	78	989	402
Amortization and impairment of intangible assets		11	17	46	60
Interest income from external customers		15	16	60	69
Calculated tax cost (25% flat rate) on items above		(59)	(28)	(274)	(133)
Share of net income in equity-accounted investees		13	29	65	82
Net operating profit after tax (NOPAT)	B	191	112	886	481
Annualized NOPAT	C=Bx4	763	447		
12-month rolling NOPAT	C			886	481

## Reconciliation of net income to net operating profit after tax

USD millions		4Q 2019	4Q 2018	2019	2018
Net income		199	153	589	141
Amortization and impairment of intangible assets		11	17	46	60
Interest income from external customers		15	16	60	69
Interest income and other financial items		(15)	(17)	(76)	(81)
Interest expense and other financial items		43	43	182	153
Foreign currency translation (gain)/loss		(98)	(86)	145	278
Income tax, added back		95	14	214	(6)
Calculated tax cost (25% flat rate)		(59)	(28)	(274)	(133)
Net operating profit after tax (NOPAT)	B	191	112	886	481
Annualized NOPAT	C=Bx4	763	447		
12-month rolling NOPAT	C			886	481

## Reconciliation of invested capital and ROIC calculation

USD millions		3-month average		12-month average	
		4Q 2019	4Q 2018	2019	2018
Total current assets		4,938	5,368	5,375	5,281
Cash and cash equivalents		(275)	(410)	(306)	(573)
Normalized level of operating cash		200	200	200	200
Total current liabilities		(3,377)	(3,377)	(3,738)	(3,255)
Bank loans and other interest-bearing short-term debt		401	307	430	467
Current portion of long-term debt		578	635	726	373
Short-term lease liabilities		96	-	83	-
Property, plant and equipment		8,392	8,385	8,386	8,277
Right-of-use assets		433	-	389	-
Goodwill		836	855	841	913
Equity-accounted investees		997	1,029	1,007	1,041
Invested capital	D	13,219	12,992	13,395	12,725
Return on invested capital (ROIC)	E=C/D	5.8 %	3.4 %	6.6 %	3.8 %

## Reconciliation of EBITDA to income before tax

USD millions		4Q 2019	4Q 2018	2019	2018
EBITDA		499	430	2,095	1,523
Depreciation and amortization <sup>1)</sup>		(239)	(214)	(923)	(807)
Impairment loss <sup>2)</sup>		(21)	(92)	(43)	(150)
Foreign currency translation gain/(loss)		98	86	(145)	(278)
Interest expense and other financial items		(43)	(43)	(182)	(153)
Income before tax		294	167	803	134

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

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

## Reconciliation of EBITDA in USD per tonne Sales and Marketing segment

USD millions (except deliveries shown in thousand tonnes)		2019	2018
EBITDA Sales and Marketing segment <sup>1)</sup>		743	613
Special items within Sales and Marketing EBITDA <sup>2)</sup>		3	(29)
EBITDA Sales and Marketing excl. special items		740	641
Total deliveries Sales and Marketing segment <sup>3)</sup>		30,540	31,622
EBITDA (excl. special items) in USD per tonne Sales and Marketing segment		24.24	20.28

1) Reference to note 3 Operating segment information.

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

3) See section "Deliveries" for details on deliveries.

## Reconciliation of operating costs and expenses to fixed cost

USD millions		2019	2018
Operating costs and expenses		11,946	12,652
Variable part of Raw materials, energy costs and freight expenses		(8,714)	(9,259)
Variable part of Other operating expenses		(25)	(36)
Depreciation and amortization <sup>1)</sup>		(923)	(807)
Impairment loss <sup>2)</sup>		(43)	(150)
Currency effects (using baseline exchange rates as of 2018)		102	-
Special items within fixed cost		(53)	(44)
Estimated IFRS 16 effects		-	(110)
Adjustment for portfolio and structural changes		-	68
Fixed cost		2,291	2,314

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

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

## Reconciliation of Net operating capital days

USD millions		2019	2018
Trade receivables as reported		1,564	1,601
Adjustment for VAT payables		(64)	(90)
Adjustment for 12-months average		186	(14)
Adjusted trade receivables (12-months average)	F	1,686	1,497
Revenue from contracts with customers		12,858	12,928
Interest income from external customers		60	69
Total revenue and interest income from customers	G	12,918	12,997
Credit days	$H=(F/G) * 365$	48	42
Inventories as reported		2,360	2,568
Adjustment for 12-months average		140	(146)
Inventories (12-months average)	I	2,500	2,422
Raw materials, energy costs and freight expenses		9,334	9,952
Fixed product costs and freight expenses external customers		(1,564)	(1,683)
Product variable costs	J	7,770	8,269
Inventory days	$K=(I/J) * 365$	117	107
Trade and other payables as reported		1,614	1,835
Adjustment for other payables		(329)	(360)
Adjustment for 12-months average		137	(72)
Trade payables (12-months average)	L	1,422	1,403
Operating costs and expenses		11,946	12,652
Depreciation and amortization <sup>1)</sup>		(923)	(807)
Impairment loss <sup>2)</sup>		(43)	(150)
Other non-supplier related costs		(701)	(745)
Operating costs and expenses, adjusted	M	10,280	10,950
Payable days	$N=(L/M) * 365$	50	47
Net operating capital days	$O=H+K-N$	115	102

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

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

## Net operating capital

USD millions		31 Dec 2019	31 Dec 2018
Trade receivables		1,564	1,601
Inventories		2,360	2,568
Trade payables <sup>1)</sup>		(1,285)	(1,475)
Prepayments from customers		(399)	(343)
Net operating capital <sup>2)</sup>		2,240	2,352

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.

2) Change in net operating capital as presented in the table above does not reconcile to change in net operating capital as presented in the Condensed consolidated interim statement of cash flows due to currency effects and items included in trade payables which are related to investments.

### Net interest-bearing debt

USD millions		31 Dec 2019	31 Dec 2018
Cash and cash equivalents		300	202
Bank loans and other short-term interest-bearing debt		(494)	(397)
Current portion of long-term debt		(398)	(824)
Short-term lease liabilities		(98)	-
Long-term interest-bearing debt		(2,698)	(2,776)
Long-term lease liabilities		(337)	-
Net interest-bearing debt	P	(3,725)	(3,794)

### Net debt/equity ratio

USD millions		31 Dec 2019	31 Dec 2018
Net interest-bearing debt	P	(3,725)	(3,794)
Total equity	Q	(8,909)	(8,910)
Net debt/equity ratio	R=P/Q	0.42	0.43

### Net debt/EBITDA excluding special items ratio

USD millions		31 Dec 2019	31 Dec 2018
Net interest-bearing debt	P	(3,725)	(3,794)
EBITDA, excluding special items (last 12 months)	A	2,165	1,525
Net debt/EBITDA excluding special items ratio	S=(P)/A	1.72	2.49

### Earnings per share

USD millions, except earnings per share and number of shares		4Q 2019	4Q 2018	2019	2018
Weighted average number of shares outstanding	T	271,661,032	273,028,047	272,319,232	273,169,994
Net income attributable to shareholders of the parent	U	199	157	599	159
Foreign currency translation gain/(loss)	V	98	86	(145)	(278)
Tax effect on foreign currency translation	W	(25)	(20)	38	77
Non-controlling interest share of foreign currency translation (gain)/loss, net after tax	X	-	-	(1)	(3)
Special items within income before tax <sup>1)</sup>	Y	(60)	(87)	(126)	(148)
Tax effect on special items	Z	8	13	23	37
Special items within income before tax, net after tax	AA=Y+Z	(52)	(74)	(102)	(112)
Special items within income tax <sup>2)</sup>	AB	(38)	-	(38)	-
Non-controlling interest's share of special items, net after tax	AC=U-V-W+X-AA+AB	-	-	(2)	(9)
Net income excluding currency and special items	AD=U-V-W+X-AA-AB+AC	216	165	842	460
Basic earnings per share	AE=U/T	0.73	0.58	2.20	0.58
Basic earnings per share excluding foreign currency translation and special items	AF=AD/T	0.80	0.60	3.09	1.68

1) See section "Variance analysis and special items" for details on special items, totaling to USD 47 million in fourth quarter (within operating income). In addition to this, an amount of USD 13 million relates to interest on the USD 38 million tax provision recognized in fourth quarter 2019. See note 9 Provisions and contingencies for more information.

2) The full amount of USD 38 million relates to the income tax provision recognized in fourth quarter 2019. See note 9 Provisions and contingencies for more information.





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