Knowledge grows

Annual Report 2019

Crop Nutrition Company for the Future

Contents

About the Report

This is Yara International ASA's 2019 Annual Report. It represents Yara's first step in integrated reporting, building on the guiding principles set out in the International <IR> Framework from the International Integrated Report Council (IIRC). The report outlines Yara's business model and strategy, describes how we create value, and documents our financial, environmental and social performance in 2019.

More on integrated reporting in the inside cover in the back of the report.

About Yara

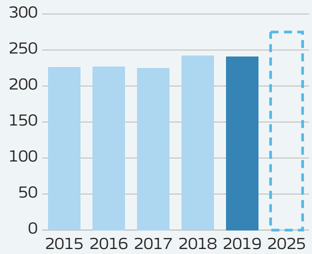
Yara grows knowledge to responsibly feed the world and protect the planet. Supporting our vision of a world without hunger, we pursue a strategy of sustainable value growth, promoting climate-friendly and high-yielding crop nutrition solutions for the world's farming community and food industry.

Yara's ambition is to be the Crop Nutrition Company for the Future. We are committed to creating value for our customers, shareholders, and society at large, as we work toward establishing a more sustainable food value chain. To achieve our ambition, we have taken the lead in developing digital farming tools for precision farming, and work closely with partners throughout the food value chain to improve the efficiency and sustainability of agriculture and food production.

Founded in 1905 to solve the emerging famine in Europe, Yara has established a unique position as the industry's only global crop nutrition company. With our integrated business model and a worldwide presence of around 16,000 employees and operations in over 60 countries, we offer a proven track record of responsible and reliable returns. In 2019, Yara reported revenues of USD 12.9 billion.

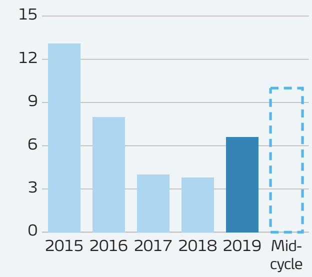
241 million people fed

Our target is to help feed more than 275 million people by 2025.



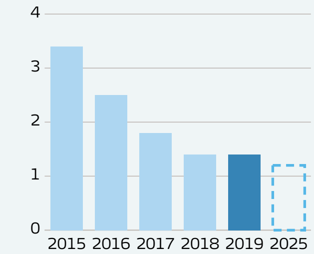
6.6% return on invested capital

We aim to achieve a ROIC above 10% through the cycle.



Total Recordable Injuries rate: 1.4

We strive for zero accidents and a TRI rate below 1.2 by 2025.



How we performed

		2019	2018
Financial performance			
Revenue and other Income	USD million	12,936	13,054
Operating income	USD million	989	402
EBITDA [1]	USD million	2,095	1,523
Net income after non-controlling interests	USD million	599	159
Investments [2]	USD million	1,134	2,080
Debt/Equity ratio [3]		0.42	0.43
Net cash flow from operations	USD million	1,907	756
Basic earnings per share [4]	USD	2,20	0.58
Social performance			
Engagement rate	Percent	75	NA
TRI rates [5]	Per million hours worked	1.4	1.4
Environmental performance			
GHG intensity [6] [7]	GHG / tonne produced	3.0	3.0
Energy use [6]	Petajoules	285	301

1) EBITDA, as defined by Yara, includes operating income, interest income, other financial income and share of net income in equity-accounted investees. It excludes depreciation, amortization and impairment loss, as well as amortization of excess values in equity-accounted investees.

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

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

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

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

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

7) The GHG intensity indicator covers scope 1, 2 and parts of scope 3 emissions from suppliers, but does not represent a complete carbon footprint. Measured against tonnes nitrogen in Yara's products.

Countries with sales [1]
Yara Plants
Smaller sites [2]
Head office
Phosphate mines
Joint ventures
Sales offices and R&D sites
Digital Hub

1) More than 10,800 Yara-branded retail outlets around the world
2) Yara operated terminals and logistical production sites

Global presence

Yara is the industry's most global player. We combine production of premium products with a farmer-centric approach, turning a century of agronomic knowledge into value for millions of farmers around the globe.

60

Operation in more than 60 countries

160

Sales to about 160 countries

28

28 production plants

200

More than 200 terminals, warehouses, blending plants and bagging facilities

10,800

Yara-branded retail outlets around the world

A defining year for the food industry

2019 was the year that agriculture reached the top of the world agenda. It is no exaggeration to say that we will not be able to solve the climate emergency and meet the Paris Agreement, unless we are able to fix the broken food system. This means that we have to produce enough food with lower carbon emissions and with less waste. Yara will play a key role in doing so, and we are taking significant steps to deliver on our strategic targets.

On track, but still not there

2019 can be summarized as a year where Yara materially improved its performance, but where there is still a lot to be done. Coming out of a large investment program and challenging markets, we improved our capital performance throughout the year, expanded our improvement program, demonstrated the resilience of our distribution business in Sales & Marketing and established a new capital allocation policy and initiated shareholder distributions of more than USD 0.75 billion since the start of 2019, equal to an average dividend yield of approximately 4% per year. In addition, we are expanding our innovative growth within digital solutions where we have already reached the 2020 goal of 10 million hectare under management. Two other important positives are the continued reduction and best-in-class performance on safety, with a TRI rate of 1.4, and our systematic work to improve on diversity and inclusion.

However, there is still a lot to be done. A return on invested capital (ROIC) at 6.6% is below the target of +10% through the cycle. This is a main concern for me, but we know the steps that need to be taken to achieve the target – and we are taking those steps.

Cheap food at a high price

As a company, we must balance the short-term with the long-term, meaning tackling the challenges in front of us while building an ever-stronger base to capture the value creating opportunities ahead.

The challenges might seem overwhelming, but we are already responding to them:

- Agriculture accounts for 23 percent of the global CO_2 emissions [1] - our contribution is complete solutions to optimize yields on existing farmland, to prevent deforestation
- Agriculture is responsible for 70 percent of freshwater usage – our contributions are precision farming tools and fertigation products that provide more crop per drop
- 1/3 of all food is wasted – our contributions are crop nutrition solutions that increase quality and shelf-life
- More than 800 million people go hungry to bed every night – our contribution is to support farmers to increase their yields and profits, and helping them to produce enough food for a growing population
- Approximately 2 billion people are undernourished while 2 billion suffer from obesity related diseases – our contributions are solutions for nutritious food, including micronutrients to adjust for nutrient deficiencies, and leading the way in transforming to a more just food system through partnerships and innovation

For decades, the growth in yields has provided more food and reduced the number of people starving by hundreds of millions. Today, however, we see that the traditional growth model is outdated. Growth has expanded beyond what natural systems can sustain and we are now facing a climate emergency. The global reduction in emissions is not at the right trajectory and we also see severe loss of biodiversity. The fact is that cheap food has come at a high price.

In August 2019, the IPCC launched their special report Climate Change and Land and in September, the Food and Land Use Coalition (FOLU) published its Growing Better report. Both reports put agriculture at the center of what must be done to transform how we produce and consume food.

Cause for realistic optimism

The FOLU report put forward some astonishing – and worrying – numbers: the total market value of the global food system is USD 10 trillion (2018 prices). However, the hidden cost is USD 12 trillion. These costs relate to health, environment, food waste and rural welfare. From a societal point of view, this means that the food system is destroying value.

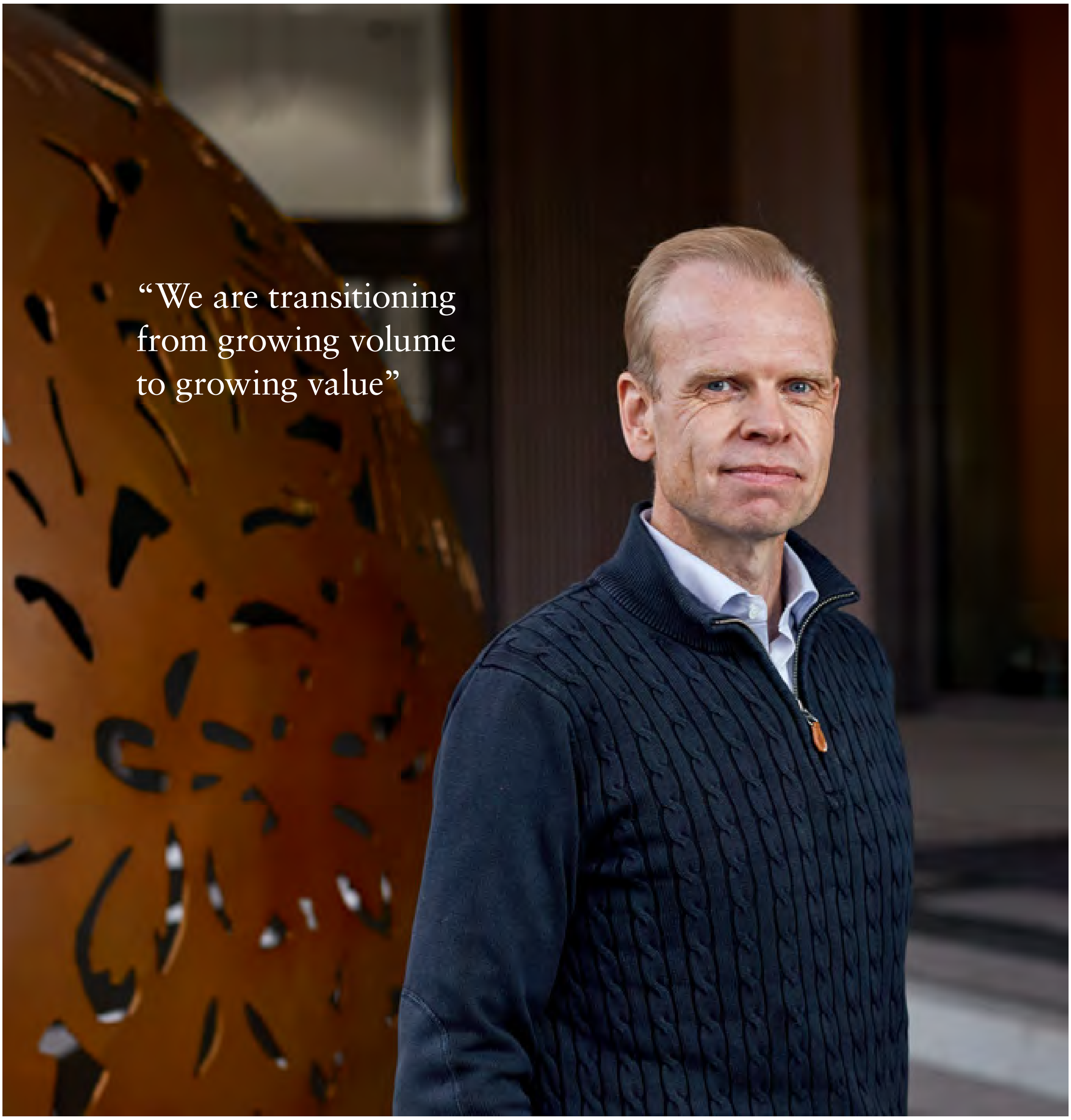
A main reason for this is that there are no incentives in place for farmers to produce in a more environmentally friendly way. We know that sustainable farming practices leads to increased costs at the farm, but the farmer isn't compensated for this.

Basically, we are asking the farmer to pay the price for climate change,

1) including forestry and land use change

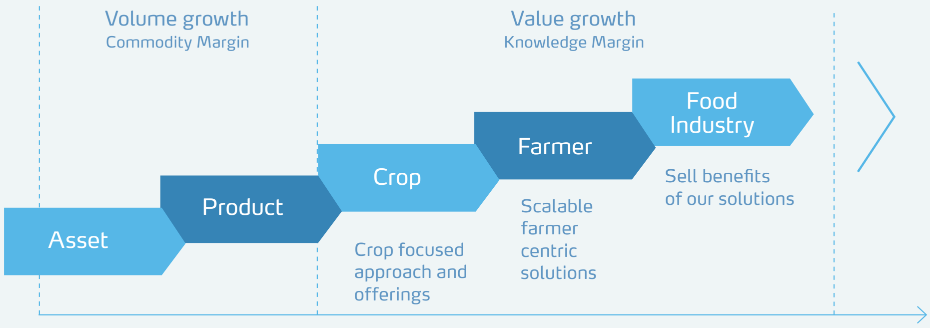
Our knowledge improves production returns

Yara Improvement Program has identified opportunities for improving turnarounds and reliability performance. An increased uptime of production will increase volumes and provide better returns from Production.



Our Strategy drives Profitability

We are transforming from pure producer to the Crop Nutrition Company for the Future, aiming to meet and create value from the fundamental changes taking place in the agricultural sector.



Our strategic transformation unlocks opportunities – and increased profitability.

instead of us paying the farmer the right price for her or his products.

This is not because the consumers are unwilling to pay a little more for sustainable food – it is because the consumers do not know the carbon footprint of the products they buy. However, that doesn't have to be the case. The technology is already ready and available to enable consumers to make fact-based, conscious and climate-friendly choices.

There are many reasons for being a pessimist. In Yara, however, we are realistic optimists. We know it is possible to produce enough food on existing land, meaning we can safeguard natural land. There will be a need to create carbon sinks, and the most promising are nature-based solutions that capture and store carbon in the soil and forests.

But these efforts require extensive collaboration throughout the whole value chain and also at the political level. Only then can we fix some of the defects that are haunting our food system.

> "The technology is already ready and available to enable consumers to make fact-based, conscious and climate-friendly choices."

Integrated reporting for integrated challenges

Yara's business model is centered around building a profitable business by solving societal challenges. In the Better Business, Better World report from 2017, it is calculated that there is a value creating potential of USD 12 trillion a year if companies align their business to the UN Sustainable Development Goals. I was part of the group preparing the report, and I'm convinced that there is tremendous value creation potential in having a sustainable business model.

Faced with integrated challenges, Yara is moving towards integrated reporting. We believe it is important to be evaluated based on our combined financial, environmental and societal performance. This approach to creating value is rooted both in our DNA and our corporate strategy. Increasingly, our returns will derive from the sustainable solutions we offer. This commitment to responsible business conduct is confirmed by us being a signatory to the UN Global Compact.

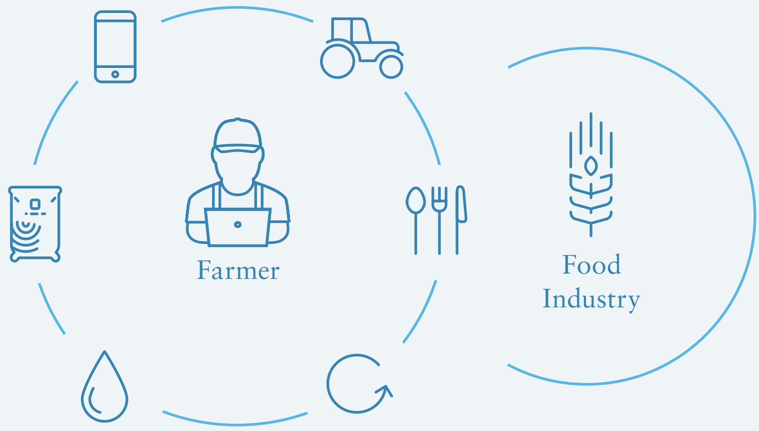
As we see it, there is no contradiction between running a sound and profitable business and aiming to solve societal challenges.

Walk the talk

It is said that action speaks louder than words, and in Yara we are continuously pursuing the actions and

Our Future focus drives Sustainability

Sustainability is deeply embedded in our strategy. By offering low-carbon solutions, higher resource efficiency and metrics to prove our case, we will help shape future standards for sustainability.



projects that live up to our bold statements. Over the past decades, Yara has moved from an owner of assets and producer of fertilizer to becoming a complete solutions provider, both for farmers and the food companies. We are transitioning from growing volume to growing value. This is a decisive, conscious and forward-looking development, allowing for improved value creation and answering to stricter regulations and a rightfully stronger public engagement.

We are confident that we have a role to play, but not in isolation. We have therefore entered several strategic partnerships with companies that are world-leading in their specific industries. For example, with IBM to develop digital solutions that enable farmers to produce more with less. Another example is how we work with Veolia on circular economy, where we are basically connecting the beginning of the value chain – nutrients in the field – with end – the waste treatment of nutrients. We are also doing pilot projects with Engie and NEL to explore the opportunities in green ammonia production, to further reduce our carbon footprint.

"Faced with integrated challenges, Yara is moving towards integrated reporting."

By partnering with other industry leaders, we are increasing the collective knowledge while decreasing the risk, both of which are important to develop environmentally and commercially sustainable solutions.

At the time of writing, the COVID-19 virus has developed into a global pandemic. Currently, we are experiencing limited operational impact, but the situation is dynamic and could change quickly, in particular with regard to operational staff and logistical challenges. Our priorities in this situation are firstly, to safeguard our employees, contractors, partners, neighbors and society at large. Secondly, to be a responsible company and behave according to government guidelines. And thirdly, to keep our operations running, to help support continued food supply, as well as supply of other essential products to society – also in times of crisis.

Yara was established in 1905, based on the world's most life-saving innovation; mineral fertilizer. Our business was from the very start based on developing a sound business and solving a global challenge. In this sense, nothing has changed. Therefore, Yara is a company with a truly proud history – and a great future.

Svein Tore Holsether
President and CEO

Mission

Responsibly feed the world
and protect the planet

Our mission defines what we do and why we do it, and it drives our company's purpose and role in the world.

Vision

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

Our Vision guides our direction, aiming for collaboration to deliver more than the standalone company can achieve.

Knowledge grows

Our agronomic, technological and market knowledge is unique in our industry. Alongside our global presence and scale, it is key for improved value growth.

Global scale

Our global position and scale allow us to optimize sourcing and product flows across geographies.

Engagement

Our local presence and close connection with farmers provide great insight into grower needs and market conditions.

Solutions

We turn insights from growers and our deep agronomic knowledge into complete crop nutrition solutions that optimize farmers' yield and profitability.

Strategy Review >

How we create value

Our business model sets us apart in our industry by combining production, sales and marketing in one, global system. It enables us to deliver premium products, share knowledge and develop innovative solutions to farmers, distributors and food value chains worldwide.

We employ

Yara employs an array of resources and assets to create value and deliver on our mission.

We produce

We produce a comprehensive range of nitrogen-based fertilizers and industrial products.

We supply

Our global distribution network enables consistent and reliable deliveries to customers worldwide.

Materials

Natural gas to produce ammonia

Minerals to produce crop nutrition

Infrastructure

28 production plants

200 infrastructure points across the world

10,800 Yara-branded retail outlets worldwide

Knowledge

Unique agronomic and industrial knowledge

16,033 employees representing great diversity

Financials

Strong track record

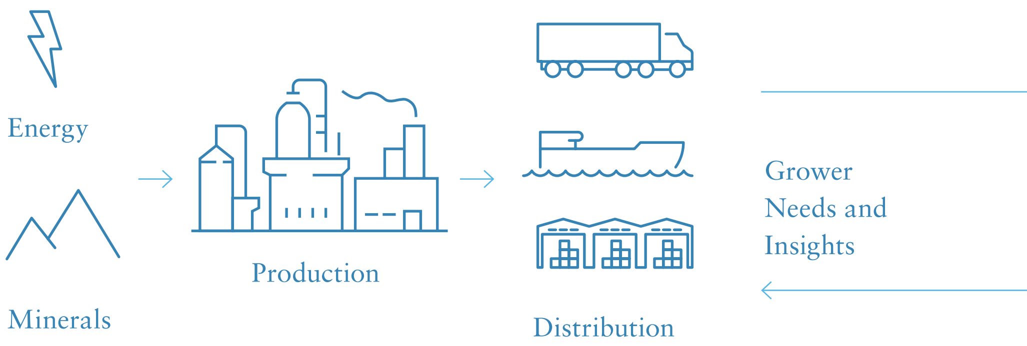
High credit rating

Liquid share

Brand

Global recognition

Associated with quality and reliability



Scale and flexibility

Our flexible and scalable production system and distribution network allow us to align our deliveries with crop cycles and market demand, and to deliver consistent quality – on time.

We produce both commodity and premium products, but primarily target growth in the latter. Tailored to specific crops and growing conditions, our premium portfolio achieves higher margins, adds value for farmers and forms the core of our complete crop nutrition solutions.

1 producer of nitrates and NPK globally

2 producer of ammonia globally

Global network of sales offices, terminals and warehouses

We deliver

We deliver complete crop nutrition solutions for the farming community and food industry, as well as nitrogen-based solutions for industrial use.

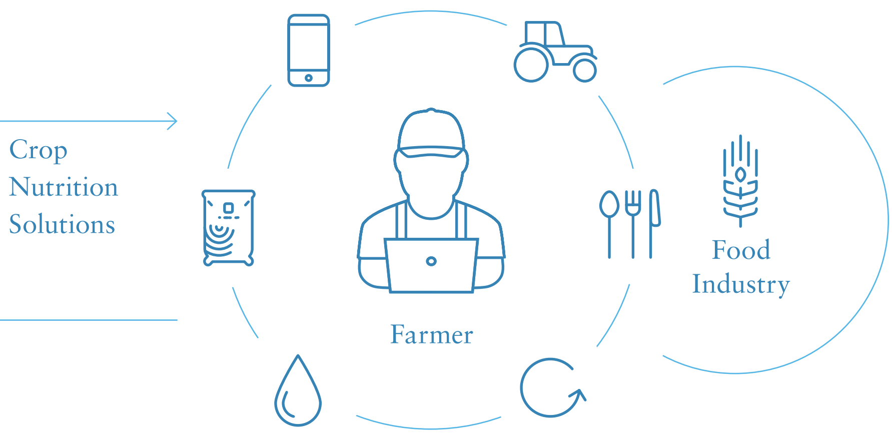
We create

Our mission - to responsibly feed the world and protect the planet - guides our value creation. By developing the best possible crop nutrition solutions for the future, we support better yields and create value for our customers and society while ensuring superior return on invested capital for our shareholders.

Environmental review, p. 30

Social review, p. 32

Financial performance, p. 34



Innovation and Engagement

Our strategy is farmer-centric, meaning that we aim to maximize farmer value by combining our crop nutrition, knowledge and services in complete offerings.

We increasingly engage in the agriculture and food value chain to develop holistic crop solutions, expand our digital services and solutions, and promote sustainable farming practices. Better yields, higher nutrient efficiency and less environmental impact is our constant goal.

Complete crop solutions

Sales to 20 million farmers

Agronomists in markets worldwide

Global Megatrends – Opportunities and Risks

Our business environment is continuously changing. Global megatrends such as value chain integration and dietary shifts impact on our ability to responsibly feed the world; others on our ability to help protect the planet.

	Climate Change	Water Stress	Soil degradation
Description	Changing climatic patterns are set to impact on agricultural production throughout the world, mainly impeding plant growth. Across most sectors, there are increasing pressure and expectations for climate actions and reduction of greenhouse gas emissions.	Water is crucial for plant growth. There is no substitute. Agriculture is a huge consumer of water, and lack of sufficient water quantity and quality is a major stress factor in crop production. Climate change disrupts precipitation patterns, while extensive irrigation taps aquifers and reduces water quality through salination.	Roughly one third of the world's soil is degraded due to a variety of factors, including soil erosion, biodiversity loss and pollution. Farming without adequate replenishment of nutrients adds to the problem and results in productivity losses. Best farming practices focus on soil health, carbon capture and regenerative agriculture.
Risks	Climate change could impact demand for our products as a result of land areas becoming unproductive or from new policies encouraging a reduction in fertilizer use. In some regions, notably Europe, the competitiveness of our fertilizer production can be challenged by carbon pricing and taxes.	Limitations on water supplies and sharper regulations can impact negatively on fertilizer demand or require new fertilizer formulations. Climate risks and farmer economics can reduce farmers' willingness to invest in water managements systems and, hence, fertigation solutions.	Soil health is becoming a key topic globally and can lead to new fertilizer polices and consumption patterns, as fertilizers are often earmarked as a cause of soil degradation. While our crop nutrition and application knowledge can contribute to soil health, we face reputational risks and an overall reduced demand for fertilizer.
Opportunities	Yara may capitalize on climate change and ensuing market adaptations along two main avenues: Our agronomic knowledge can develop solutions that respond to the changing growing environments, and our low-carbon nitrate offering is a proven choice for reducing emissions from farming. Our decarbonizing efforts also include piloting of green ammonia and mineral fertilizers, fit for a zero emissions future.	Yara has identified a fundamental and close relationship between crop nutrition and crop water consumption. We employ new knowledge and innovative technologies to advance water use efficiency and offer solutions for water-scarce agriculture, as manifested in the Yara Water Solution, our fertigation solutions and products tailored for fertigation.	Yara is well positioned to improve soil health across the world, and to deliver the solutions required to do so. Our Analytical Services analyze soil, tissue and water samples from all over the world. Our R&D on soil health management includes learnings from ongoing field trials dating back several decades. This helps to deepen our understanding of different farming environments and best practices for improving soil health.

Key Value Drivers

Nitrogen fertilizer prices

Changes in global and regional fertilizer production and capacity impact fertilizer prices and our profitability.

Natural gas prices

Hydrocarbons, mostly natural gas, is Yara's main raw material and our main cost. Affordable access to natural gas is therefore a competitive advantage, and energy price swings impacts Yara's costs.

Availability of raw materials

Our fertilizer production plants depend on consistent supplies of raw materials, most notably phosphate and potash.

	Food Industry Integration	Dietary Shifts	Circular Economy	Digitalization
Description	Agriculture and the food value chain is becoming increasingly integrated. Input providers are joining forces, farms are growing in scale and professionalism, the food industry is moving upstream, and conscious consumers are putting pressure on the food and agriculture industry to achieve new levels of sustainability.	Climate and health conscious consumers, particularly in high income countries, are increasingly driving diets towards healthier and sustainable choices, and more plant-based nutrition. Globally, however, the trend towards higher calorie intakes and increasing shares of animal protein continues.	Resource scarcity, growing sustainability awareness and increased consumer pressure is creating a push towards a circular economy, including in the agri- and food value chain. Recycling and reuse of materials coupled with reduced waste and pollution are core ideas in this trend.	Digital innovation and technological transformation fundamentally change strategies and practices in decision making, fertilizer application, farm automation and traceability. Opportunities offered by big data, artificial intelligence and blockchains impact on the entire agricultural food industry value chain.
Risks	Agri- and food industry integration is changing our competitive landscape. New and larger players with holistic solutions can put pressure on our ability to stay relevant for farmers and to defend and expand our market share.	Changing dietary patterns impact agricultural demand and crop production regionally. Lower meat consumption can in certain regions reduce fertilizer demand in grass and feed production. Demand for our mineral fertilizers can also be impacted by growth in organic food, commonly perceived as clean and healthy.	Nutrient reuse, recycling and reducing losses, whether driven by regulations or raised awareness, can reduce demand or drive cost for fertilizer. In some regions, first and foremost Europe, recycled and organic fertilizers are promoted as a substitute for mineral fertilizers.	Digital agriculture is developing rapidly, with a number of multinationals and startups making large investments into digital platforms. Securing our competitiveness on delivering knowledge and solutions hinges on our ability to achieve scale, generate value and protect our knowledge advantage.
Opportunities	Our global presence, knowledge and crop solutions make us well positioned to expand our collaboration with the food industry. Consumers are increasingly willing to pay for quality and sustainability, which we can help to achieve with better crop nutrition, application knowledge and tools. By proving our value in these partnerships, we open opportunities for commercialization of our solutions in new market channels.	Yara is well positioned to respond to changes in dietary patterns. Nitrates - the backbone of our crop nutrition solutions – is the superior source of nitrogen for most applications. Combined with our on-the-ground presence, agronomic knowledge and tools, we are equipped to develop and always provide the best solutions to local needs.	Yara has taken an early position and is engaging in innovative partnerships to create and capitalize on new business models and revenue streams through recycling of nutrients in agriculture and food value chains. By increasing resource use efficiency and reduce raw materials costs, we aim to strengthen our competitive edge and adding value to our brand.	Yara has made an early entry into the rapidly changing landscape of digitalized farming. This supports and supplements our existing business model, and it presents options to develop new crop nutrition business models. Digital services and solutions complement our existing offerings, enabling the creation of new revenue streams.

Food prices

Increasing food prices can support higher investments in agriculture and sustainable crop nutrition solutions.

Political drive

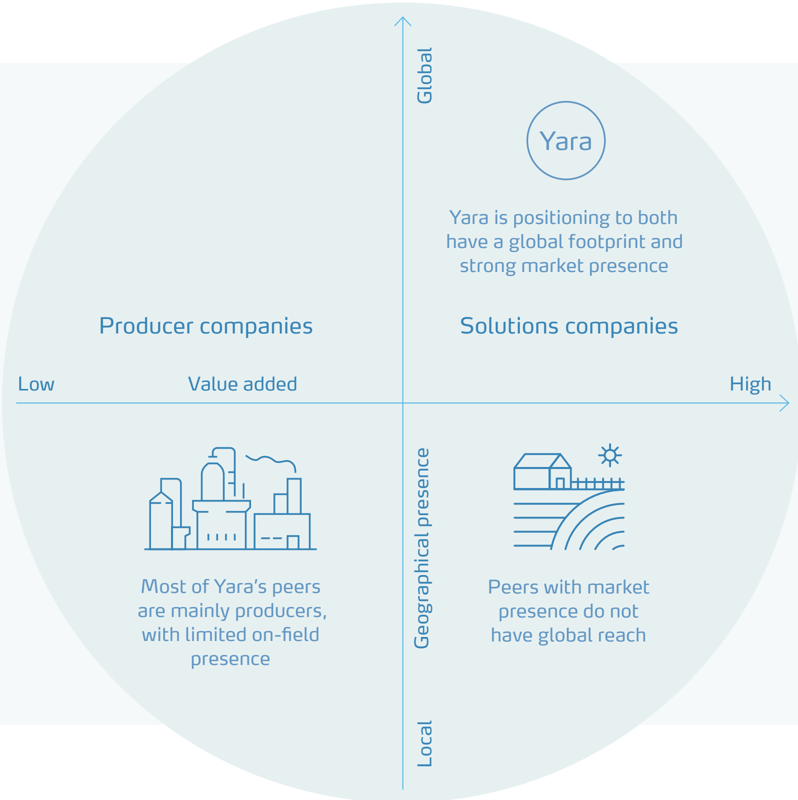
Political drive for climate-smart agriculture can strengthen demand for our crop nutrition solutions.

Production reliability

Increased plant reliability is a key driver of organic growth in our production system.

More about our risk management and risk factors on pages 43-53

Yara is uniquely positioned to become the Crop Nutrition Company for the Future. Our global presence and close interaction with farmers set us apart in our industry and enable us to drive value growth - from factory to field.



Our Strategy

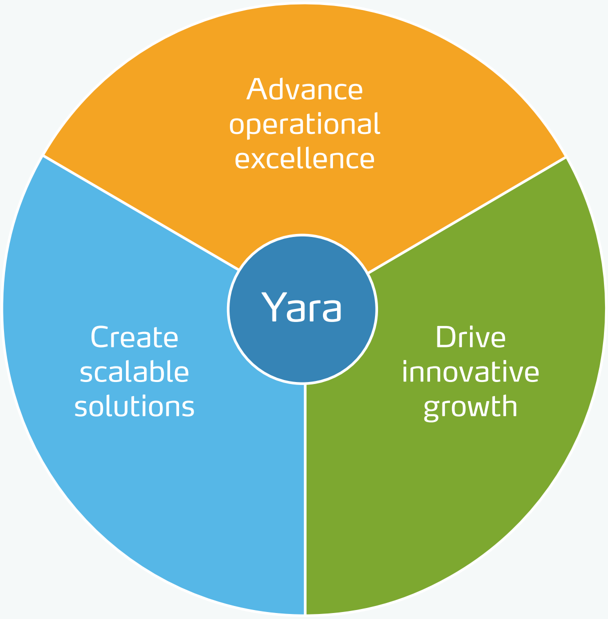
Our strategy is designed to unlock the value potential of our business model and to help us reach our ambition of becoming the Crop Nutrition Company for the Future.

Yara's strategy was renewed in 2018 setting direction for our transformation from a producer company generating value from commodity margins towards a crop nutrition company growing value from its knowledge margin. Fundamentally, our strategy is about delivering sustainable crop nutrition solutions to farmers and the food industry, while delivering a superior return on capital to shareholders.

The transformation to become the Crop Nutrition Company for the Future is founded on our global presence and our knowledge. Our global position enables us to leverage economies of scale while keeping a close connection with growers worldwide. This provides extensive market reach for our value-adding crop nutrition solutions and represents an important competitive edge in an industry otherwise characterized by product deliveries in local or regional markets and limited on-the-ground presence.

Unique agronomic expertise enables us to deliver crop nutrition, knowledge, tools and services as complete solutions. Our strategy focuses on increasing deliveries of premium products, notably nitrate-based products, and reaching higher margins. Maintaining a strong market presence is key to achieving this.

Close interaction with our customers enables us to help them capture value from our solutions. It also provides us with valuable insights from markets and growers to guide product development and innovation.



We have identified three strategic priorities to become the Crop Nutrition Company for the Future. By continuously advancing and improving our operations, we will fully exploit our business model to create scalable solutions and drive innovative growth.

Strategic collaborations within the food value chain offers opportunities to develop and deliver holistic crop solutions, with nitrates having the greatest value for cash crops.

We have identified three strategic priorities which are closely linked and will help us reach our ambition and achieve our goals. Actions defined within the three priorities will ensure that we are ready to respond to anticipated as well as emerging changes in our external environment, allowing us to capture opportunities arising from external trends and market drivers.

Within crop nutrition solutions, we aim to lift returns by working along three main avenues reflected in our strategic priorities: improvement, value, and growth. We have a unique position in our industry and aim to fortify it by offering renewed and complete solutions.

Within our industrial focus, we are evaluating the option to divest the traditional industrial line of business through an IPO of a world-leading integrated industrial nitrogen player. This would further concentrate and strengthen our position as a Crop Nutrition Company for the Future.

Strategic Priority:
Advance Operational Excellence

We continuously strive to improve our operations to unlock the full value of our growth investments, lift productivity, and reduce costs. Yara's Improvement Program has already delivered results.

Operating in a demanding external environment and competitive market, it is imperative to stay focused on cost-efficiency throughout the value chain in order to maximize revenues and profitability. This puts pressure on Yara to manage cost, reduce complexity, and further develop a culture of continuous operational improvements and cost efficiency.

While reducing costs where feasible, we intend to increase investments in growth areas. Investments in our plants, and executing our Decarbonize program, will underpin the targeted reductions in carbon intensity. Lower emissions will improve our cost position, representing positive business cases for Yara in a medium and long-term perspective.

Daily, we ensure that operational excellence go hand in hand with our priority safety performance program as well as implementation of our expanded improvement program (YIP). The program's main focus areas are higher production returns, including reliability, improved fixed cost position and smarter working capital management.

Yara will have a more active portfolio management, including the ongoing IPO process of our New Business segment, exploring a divestment of our industrial nitrogen business. For our extensive operation in Brazil, we will further unlock our growth potential and value creation from these investments, with a major improvement project done in 2018 and now being implemented.

Strategic Actions:	Next Steps:
EXPAND IMPROVEMENT PROGRAM The Yara Improvement Program (YIP) is a corporate initiative to improve operations, enhance sales and marketing activities, and position Yara for sustainable future growth.	YIP was expanded and developed further in 2019. New actions are being implemented, incl. the Yara Productivity System and digitally improved systems.
ENSURE SUSTAINABLE PROFITABILITY IN BRAZIL Yara has established a strong presence in Brazil, increasing production volumes and market shares, with potential for improving the business model in Brazil.	We are taking actions to increase the share of own-produced products and higher margin products, and to streamline our supply chain and logistics operation.
ACTIVE PORTFOLIO MANAGEMENT Yara has divested companies in order to deliver on a more focused growth strategy. In order to maximize the value of the New Business segment, Yara is currently exploring an IPO of the segment. Yara has a range of new businesses serving industrial customers; each business with distinct value creation logics and different strategies and growth agendas.	We will more actively manage our portfolio of businesses, consider how they best can grow and develop and evaluate strategic options for optimizing value of non-core assets and businesses.
IMPROVE CARBON PRODUCTIVITY Yara is a part of global agriculture, which is a major source of greenhouse gas emissions, and improving our carbon productivity is critical to operational excellence.	We will employ our global position to shape industry standards and promote more sustainable practices, taking an active role in developing emission targets for the fertilizer industry, while reducing our own emissions
STRENGTHEN DIVERSITY AND INCLUSION Diversity is not about counting the number of nationalities or gender. Diversity is about understanding the different perspectives, ways of working, and not least the solutions that a diverse workforce brings to the company. We know that a strong company culture is required to reap the benefits of diversity. Done right, diversity leads to better solutions, more innovation and higher engagement. How we enable diversity to flourish, is what determines diversity's impact on our business.	We will uphold diversity and inclusion as a key strategic priority, enforcing a holistic approach to recruitment and talent development; work-life balance; compensations and benefits.

How we measure our success

Delivering improved operations and superior profits

We target EBITDA improvements of minimum USD 600 million by 2023 compared with 2018 through the Yara Improvement Program.

Empowering an engaged, respected and diverse workforce

Our target is an Engagement index above 80% by 2025, and to increase the share of female top managers to at least 20% in 2020 and 25% in 2025.

Protecting the planet by reducing emissions from our plants

We aim to reduce emission intensity and achieve a 10% reduction in greenhouse gas emission per ton produced by 2025.

How we are responding to the UN Sustainable Development Goals

13 CLIMATE ACTION

Yara supports climate ambition through our own ambition and targets.

Yara also supports sustainable intensification in agriculture, which is the key action for reducing GHG from agriculture.

5 GENDER EQUALITY

Yara's diversity KPI supports the target on women's full and effective participation and equal opportunities.

Strategic Priority:

Drive Innovative Growth

We constantly seek profitable growth opportunities to leverage our global scale, realize synergies and take a lead in developing new technologies and solutions. We are well positioned to drive innovation and shape future crop nutrition standards.

Driving value growth through innovation and the development of new businesses is a strategic priority for Yara. We will take a proactive approach to deliver on this priority, balancing M&As, new build projects, and expansions and reconfigurations of existing plants.

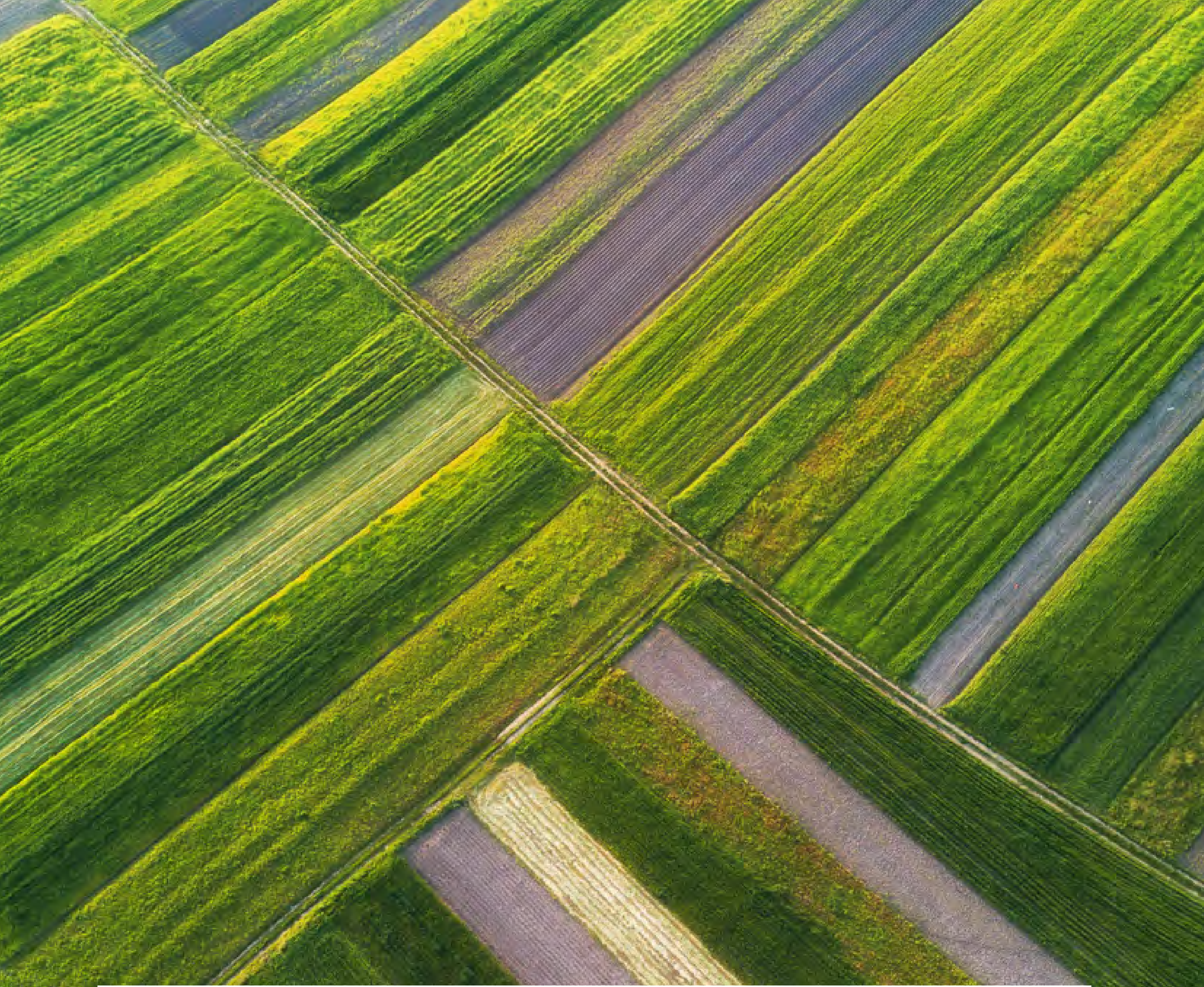
Our business model, global position and extensive knowledge is the foundation for further innovations and value growth. We employ our own knowledge and engage in collaborative R&D, driving business development to create value. This is exemplified in ongoing efforts to establish profitable, decarbonized value chains, circular economy solutions, digital solutions and value chain collaboration.

We are positioned to engage in constructive dialogue with key stakeholders shaping regulations and policies impacting our industry. In a transformative business environment, such as agriculture and the food industry, scale, position and relevance increase our opportunities to influence developments, and to create value from innovations.

In the short term, we will approach regional markets with targeted growth strategies. We see opportunities in strengthening positions that can drive demand for premium products and target high value pockets.

In a medium and long-term perspective, we will pursue growth options in expanding existing and developing new businesses, as well as from acquisitions.

Strategic Actions:	Next Steps:
SCALE UP DIGITAL FARMING Yara takes active part in a rapid digital transformation of global agriculture, with the development of large-scale digital platforms for crop knowledge and farming practices.	We will intensify our strategic efforts and capital investments in digital farming, aiming to make a real difference for farmers while generating demand for our premium products.
REGIONAL GROWTH FOCUS Yara has established a strong position in several markets worldwide, using its scale to leverage and balance its global production and regional growth.	We will pursue a targeted regional growth strategy based on our current regional positioning and nutrient demand trends, prioritizing the most attractive markets with a customized business model.
DEVELOP NEW BUSINESSES AND INNOVATION Yara has a tradition for innovation, and is positioned to succeed with emerging business opportunities, scaling up proven concepts and ideas; developing new products and solutions.	We will step up our ability to innovate and create new business and foster innovative solutions related to the megatrends, generating business i.a. from green and recycled fertilizer.



How we measure our success

Scaling digital solutions

Our target is to have more than 10 million hectares under management in 2020, and to achieve positive cash flow from digital farming by 2022.

Solving global challenges and growing our business through innovation

We aim to shape the industry by delivering sustainable and profitable growth through innovation, with a strong focus on decarbonize and circular economy activities.

How we are responding to the UN Sustainable Development Goals

2 ZERO HUNGER

Better and more efficient crop nutrition solutions for farmers are enablers for eradicating hunger.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Yara's strategic goals supports more responsible production systems.

Strategic Priority:

Create Scalable Solutions

We continuously develop our offering, provide leading solutions ahead of competition and create value from our agronomic and industrial knowledge. Our integrated business model enables us to deliver differentiated, complete solutions.

Competing in an increasingly integrated agricultural and food value chain, it is paramount to develop customer-centric solutions responding to market demand and changes in the external environment.

To be the Crop Nutrition Company for the Future, Yara constantly renews and improves its solutions, supporting more sustainable farming practices while at the same time increasing food production.

We are steadily moving from volume growth to value growth, adding knowledge to our offering to improve returns for our customers.

Nitrate-based products are the backbone of our crop nutrition solutions and contribute to sustainability by increasing nitrogen use efficiency, reducing greenhouse gas emissions, and improving the carbon footprint of agriculture. Yara will take a stronger position to promote the benefits of nitrate-based products, aiming to scale up our value-adding crop solutions.

Stepping up the development and delivery of crop nutrition solutions to increase sales of premium products is a priority. This will enable us to capitalize on the growing demand for more sustainable solutions.

We will increase food chain collaboration and scale up digital farming, responding to market and technological developments, and allowing us to open new revenue streams.

Strategic Actions:	Next Steps:
PROMOTE SUSTAINABLE SOLUTIONS Yara offers crop nutrition solutions which maximize agricultural productivity and nutrient use efficiency, reducing greenhouse gas emissions and increasing farm profitability.	We will continue to develop crop solutions for sustainable agriculture and promote nitrate-based products, which add value for Yara and increase yields and returns for farmers.
STRENGTHEN FOOD VALUE CHAIN COLLABORATION Yara is part of a global and increasingly integrated food chain, opening avenues to improved sustainable crop nutrition choices and increased growth opportunities.	We will strengthen relations with food companies to broaden the market for our value-adding crop-specific solutions, capitalize on our knowledge, and help farmers transform their practices.
PROVIDE INDUSTRIAL SOLUTIONS Yara is considering an IPO of its industrial nitrogen business, which offers a wide range of products and solutions – to industrial customers worldwide.	The IPO project will explore how to maximize value of our business towards industrial customers, which may have a better potential for further development within a different ownership structure.

How we measure our success

Improving nitrogen use efficiency in agriculture

Our target is to boost sales of premium products to 17 million tonnes and YaraVita sales to 100 million units, by 2025.

Building global food chain partnerships

We aim to generate sales of minimum 2 million tonnes of crop solutions through food companies.

How we are responding to the UN Sustainable Development Goals

Implementation of Yara's strategy will promote smarter use of crop nutrients, with benefits for carbon footprints, land use and reduced runoff and leaching.

13 CLIMATE ACTION

14 LIFE BELOW WATER

15 LIFE ON LAND

17 PARTNERSHIPS FOR THE GOALS

Strategic partnerships

We believe in the power of partnerships and are therefore teaming up with leading companies to create innovative solutions for complex challenges.

PepsiCo, one of the world's leading food and beverages companies, believes that advancing sustainable agricultural practices is pivotal to meeting increasing food demand while respecting the needs of communities and the natural world.

As part of PepsiCo's Sustainable Farming Program, Yara and PepsiCo have teamed up to champion best practices and leading technologies to support sustainable agriculture. In India, for example, through PepsiCo's demonstration farm program and best-in class crop nutrition management, the partnership is boosting potato crop yields, enhancing quality and improving farmer livelihoods. Consumers increasingly want to know that their food was produced in the right way. For PepsiCo, generating positive impact at scale through the application of local solutions is key. With more than 114 years of crop nutrition experience and strong global reach, Yara has the ability to engage with large-scale production farmers as well as with smallholders. Through food value chain partnerships like this, Yara's crop nutrition solutions and digital farming tools, we can together help to build a more sustainable food system.

IBM and Yara share a vision to advance agriculture through technology, leading to transparent, sustainable food production. In 2019, the two companies launched a strategic partnership combining Yara's agriculture expertise and digital farming capabilities with IBM's world-leading technology and services.

The first initiative uses IBM's hyperlocal weather insights to power Yara's digital farming agronomic solutions. Further, Yara is spearheading the connection of farms with the food chain and ultimately global consumers through the IBM Food Trust, a network aiming to establish connectivity and traceability from farm to fork.

Lantmännen, an agricultural cooperative and Northern Europe's leader in agriculture, machinery, bioenergy and food products, is targeting to achieve overall carbon neutrality by 2050.

The company has been working systematically for a long time to develop sustainable solutions in many areas, not least when it comes to cultivation methods and concepts. Together with Yara the company is now taking an essential and critical step in the transformation of the food system through a pilot project with the ambition to introduce a certified fossil free fertilizer. The collaboration builds on Yara's announced plans to pilot the production of mineral fertilizer with renewable energy. The fertilizers, which Yara aims to bring to market by 2022, will reduce the total CO_2-impact of grain farming by 20 percent. This will enable consumers to make sustainable food choices and reduce their climate impact.

Managing outcomes and value creation

Sourcing

Impacts

We use natural gas, electricity and minerals to make our fertilizers. The majority of our raw materials comes form non-renewable sources.

- 249,258,646 MMBtu natural gas
- 1.8 million tons phosphate

Our response

- Circular economy
- Decarbonize
- Resource optimization

Value created

- First fertilizers from secondary raw materials marketed in Finland
- Two production pilots based on renewable energy in the pipeline
- Multiple examples on industrial symbiosis initiatives

Production

Impacts

Fertilizer production is energy intensive and causes emissions to air and water. The water we withdraw is mostly returned unpolluted.

- 17.1 m tonnes CO_2e
- 8,500 tonnes NO_x
- 922 million m^3 water withdrawal

Our response

- Energy and catalyst optimization
- Decarbonization program

Value created

16,000 jobs created

Raising industry standards for energy efficiency

Transportation

Impacts

Transportation of fertilizers causes emission to air and water, and involves risks of incidents and spills.

- 2.9 million tonnes CO2e

Our response

- Product stewardship

Value created

Reliable deliveries of crop nutrition, supporting farmers worldwide

Sustainability is embedded in our strategy, priorities and actions. Our approach is to minimize any negative impacts from our activities, maximizing our contribution to responsibly feeding the world while delivering competitive shareholder returns through a clear capital allocation policy. While improvements are always ongoing, we believe that the bottom line is a solid net positive.

Fertilizer Application

Impacts

Nutrient losses from denitrification, volatilization or leaching, can cause GHG emissions and eutrophication of waterways.

- 43.8 million tonnes CO_2e

Our response

- Precision farming tools
- R&D on field emissions
- Yara Water Solution
- Nitrate strategy

Value created

Yara's sensor tools and crop nutrition solutions improve farm performance

Natural Environment

Impacts

Agriculture uses 70% of mankind's fresh water withdrawals, and uses 1/3 of the land and is the main driver of deforestation. Nutrient imbalance is a driver for soil degradation.

Our response

- Balanced crop nutrition
- Soil testing and analytical services

Value created

Reduced deforestation from agricultural intensification, sparing GHG emissions of roughly 590 billion tonnes CO_2e

Food Consumption

Impacts

Dietary changes drive food demand, while about 1/3 of the food is lost or wasted.

Our response

- Micronutrients supporting health
- R&D for improved crop quality

Value created

241 million people fed by the use of our crop nutrition solutions

Engaging with our stakeholders

We engage with a wide range of stakeholders both globally and locally. Engaging and keeping good relations with stakeholders are necessities in our transformation to become the Crop Nutrition Company for the Future.

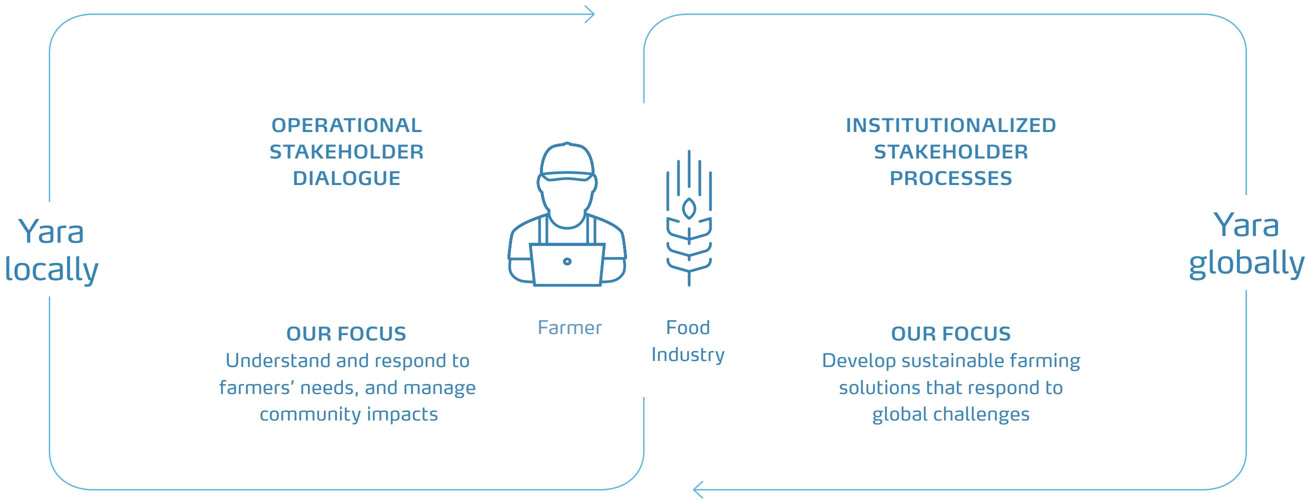
Farmers
With agronomist working worldwide, Yara has access to deep understanding of farmers' needs and capacity to respond.

Employees
Yara strives for a corporate culture of openness and accessibility to senior management, engaging employees in corporate matters through several channels

Food Industry
Ever more conscious consumers drive demand for both quality, traceability and sustainability in the food chain.

Industry organizations
Companies cannot drive industry change alone. As members of industry associations we are able to share best practices and speak with one voice.

Civil society
Civil society helps set sustainability and people's needs on the agenda, and through collaboration we can mutually enhance knowledge.



Local communities
Trust and support in local communities is key to our license to operate.

Suppliers
We stay in regular contact with a wide range of suppliers and expect them to conform to internationally recognized best practices.

Investors
Our Value Growth strategy is dedicated to creating superior shareholder return, while being future-fit for sustainability-focused investors.

Academia
Yara supports a science-based approach to sustainable agriculture, and we thrive from engaging with the academic society to learn and share.

Governments
Regulatory actions are crucial to reach the SDGs and the Paris agreement, and Yara engages to share our knowledge.

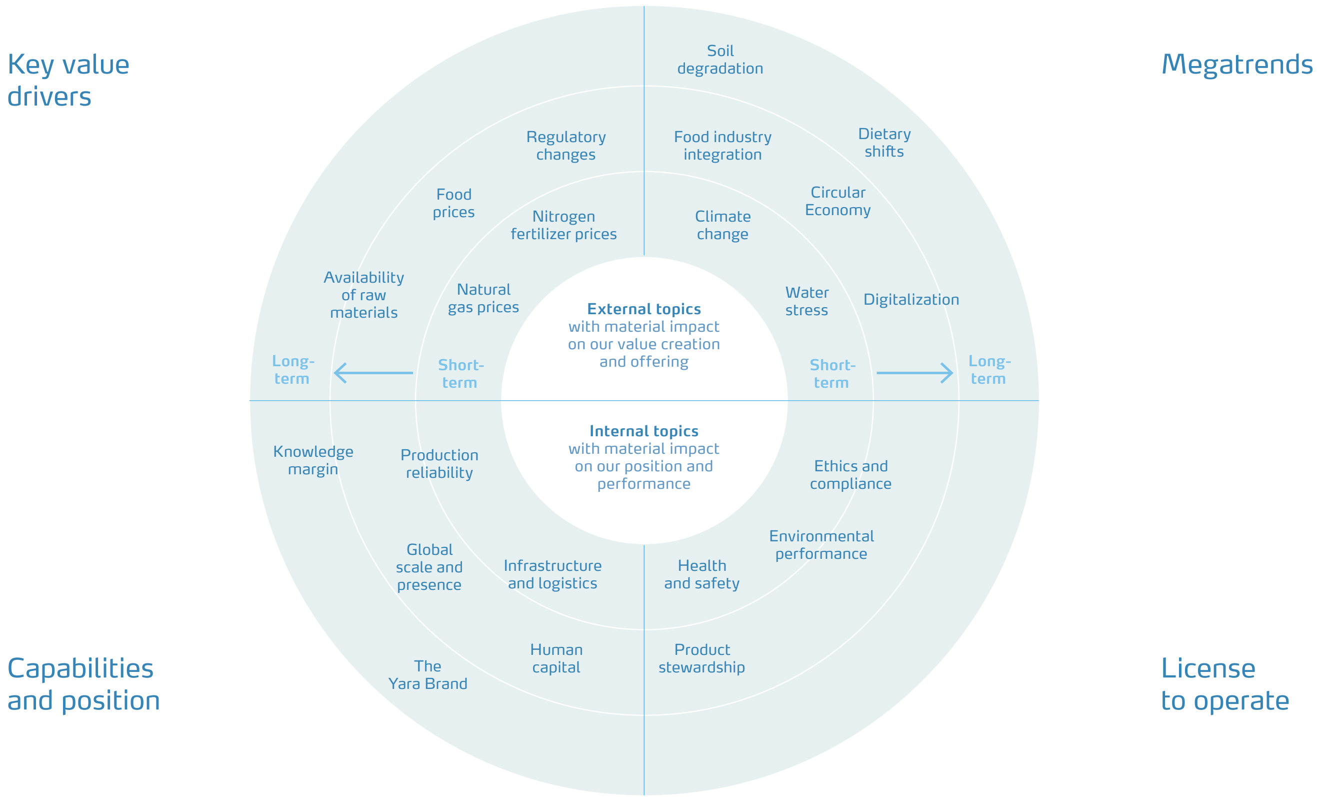
Agriculture is often perceived as a major contributor to several of the biggest global challenges of our time. Our view is that agriculture also holds solutions to many of them, and our strategy is designed to enable such solutions.

In order to succeed with our strategy, we need to promote and demonstrate the benefits of sustainable farming solutions and to raise the benchmarks of the fertilizer industry. We engage extensively in institutional stakeholder processes related to these topics on the global level, engaging with key stakeholders to build knowledge, develop relations, find solutions and inspire collaboration.

A focal point of our stakeholder engagement is understanding and responding to farmer's needs and managing community impacts. By gathering insights locally, we enable development of improved solutions.

Topics material for our value creation

Along with the new strategy, we have updated our materiality assessment to better reflect the topics that we consider material for our value creation.



Yara made its first materiality assessment in 2015, in a process involving key representatives from our business segments, expert organization and management. This process used the Sustainability Accounting Standards Board's (SASB) standards for chemicals and mining industries as its starting point.

The current update incorporates Yara's most recent strategy update process, which was presented at the Capital Markets Day in 2019, as well as the latest view on megatrends impacting Yara. The analysis is underpinned by our ambition to become the Crop Nutrition Company for the Future.

Value creation is the starting point for presenting which topics we regard as material for our ability to realize our strategy, short, medium and long-term.

We have sorted the topics in four categories for clarity:

- Key value drivers include topics that directly impact our profitability and that we actively manage to mitigate any negative impacts (p. 10-11).
- Megatrends cover topics that are shaping our business environment and are largely outside our sphere of control, but where Yara is capable of responding (p. 10-11)
- Capabilities and position describe resources and assets that define our company and form the basis of our business model and strategy
- License to operate includes core topics of our efforts to ensure that we conduct our business in the right way, with the least possible negative impact on people or the environment (see also the separate GRI report).

Segment
Production

Our Production segment is the world's leading producer of ammonia, nitrates, and NPKs, providing the foundation for our crop nutrition and industrial solutions. Production combines cost-efficient raw material sourcing, operational efficiency, industrial expertise, clean production technologies and safety.

Performance
Production's financial results improved significantly in 2019, mainly due to lower European gas prices. Finished products production was up 1% on 2018 levels, driven mainly by growth volume, while Ammonia production increased by 3% driven by growth and fewer turnarounds. Importantly, Production also recorded its lowest ever TRI rate (total recordable injuries) in 2019.

Prospects
Production will target stable operations through our reliability improvement program, including a dedicated turnaround task force. Our lean transformation is maturing and all Yara sites are working to raise performance through continuous improvement. To target the next level of operational excellence, we will ramp up our digital transformation and expect to start delivering significant value this year. We will also progress on the world's first commercial green ammonia and start executing our plan to cut GHGs by 10% by 2025. All this while achieving the best safety standards in the industry.

Strategic ambitions

- Reliable operations through sustaining culture of continuous improvement
- Continue our digital transformation
- Develop Yara towards low carbon intensity
- Deliver efficiently on current portfolio of growth projects.

Production	EBITDA	Assets
30,539	1,140	11,412
Thousand tonnes	USD million	USD million

Segment
Sales and Marketing

Yara's Sales and Marketing segment markets and distributes a complete range of crop nutrition products and programs globally. By combining our agronomic knowledge with our range of premium products and digital tools, we help farmers across the globe improve their profitability while at the same time reducing the carbon footprint of their production.

Performance
2019 was a challenging year for agriculture. A number of weather-related incidents in addition to a challenging crop price environment, negatively impacted overall demand, and fertilizer markets remained oversupplied during 2019 for all nutrients. Yara's fertilizer deliveries reflects this development as they were 5% lower than in 2018. Despite this, overall financial performance improved in 2019 as the negative volume impact was offset by higher margins and cost improvements. During 2019, adoption of our digital tools increased rapidly in both professional and smallholder markets, overdelivering on targets communicated at the beginning of 2019.

Prospects
Despite 2019 being a challenging year for the agricultural industry, we are confident that we are on the right track to achieve our long-term target of growing our premium product deliveries by 3.5 million tonnes and grow our YaraVita sales to 100 million liters. We expect the progress in digital farming to continue, supporting both the core business and enabling us to broaden our offering to include new data-based revenue streams. This combination will enable us to reach our break-even target for Digital farming in 2023. Furthermore, we are actively engaging with other stakeholders in the food value chain. This will open potential new channels for our crop solution concepts, which we believe will be an important lever in reaching our premium product targets in the years to come.

Strategic ambitions

- Grow our premium product deliveries by 3.5 million tonnes
- Grow our YaraVita sales to 100 million liters
- Work towards reaching our break even target for Digital farming in 2023.

Deliveries	EBITDA	Assets
30,540	743	4,347
Thousand tonnes	USD million	USD million

Segment

New Business

New Business develops and markets environmental solutions and essential products for industrial applications. Its key segments contribute to a better tomorrow by offering a growing portfolio of emission abatement for the transportation and maritime sectors, as well as water treatment products. New Business also provides essential products to modern cement and mining companies. Our customers are able to meet tougher environmental legislation and operate more cost efficiently.

Performance

2019 was a strong year for New Business with a 65% growth in EBITDA from 115M USD in 2018 to 190M USD in 2019. A key driver of this success was Yara Marine Technologies who has to date successfully delivered over 300 cost efficient scrubber systems for removing sulphur oxides (SO_x) from a ship's engine and boiler exhaust. We also maintained our status as the global leader in providing NO_x abatement for the transportation sector and we see continued market growth.

Prospects

Yara is currently exploring an IPO of the New Business segment.

The IPO project will explore how to maximize value of our business towards industrial customers, which may have a better potential for further development within a different ownership structure. A key focus for next year will be to continue our strong underlying business performance, so we are in a solid position for a potential IPO. Part of this will entail the optimization of our existing New Business Segment, but innovation will remain an important component of our growth. We will continue to develop new markets, new customer segments, new products and new applications of existing products.

Strategic ambitions

- Complete the IPO process
- Optimize existing New Business segment

Deliveries	EBITDA	Assets
4,106	190	484
Thousand tonnes	USD million	USD million

Performance Review >

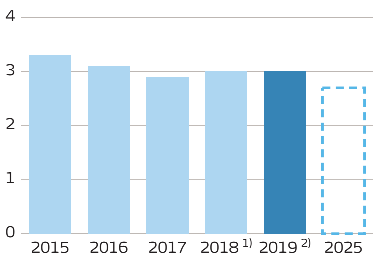
Environmental performance

Protecting the planet by reducing emissions from our plants

Improving nitrogen use efficiency in agriculture

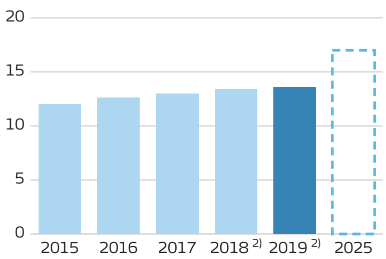
2025 target: >10% reduction

Carbon intensity
Tonnes CO_2e / tonnes N



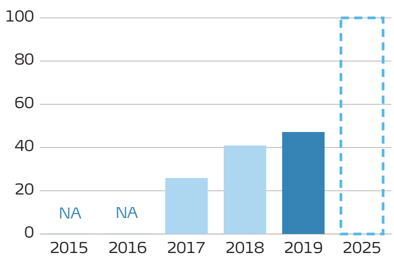
2025 target: >17 million tonnes

Premium product growth
Million tonnes



2025 target: >100 million units

YaraVita sales
Million units



1) 2018 onwards, direct emissions from own generation of electricity has been included.
2) Due to re-classification of products, there may be minor differences in comparability before/after 2017

Environmental performance has been identified as a materially important part of Yara's license to operate. We have identified three corporate KPIs linked to environment, with climate intensity improvements being the target set for Yara's production system. Further, nutrient losses from farmers' fields is an important externality in the value chain. Yara's premium products have a demonstrable better performance than commodities, and we have set increased sales of premium products as a proxy target for improved nutrient use efficiency.

Yara reports with full transparency on all environmental aspects of our operations. Whereas the most material indicators are reflected here, a complete account is found in the separate GRI report, published on yara.com alongside the annual reporting.

			2019	2018	2017	2016	2015
GHG	Direct GHG emissions (Scope 1)	Million tons CO_2e	17,1	17,1	14,9	15,7	15,3
Energy consumption		PJ	285	301	266	266	253
Emissions to air	NO_X	tonnes NO_2	8,500	9,400	7,800	7,600	8,300
	SO_X	tonnes SO_2	2,100	2,800	2,000	2,000	2,600
	Dust	Tonnes	2,500	3,900	3,400	4,200	4,600
Raw materials consumption	Natural gas 2)	MMBtu	249,258,646	245,429,308	219,982,380	227,708,686	215,180,975
	Phosphate, P2O5	Tonnes	1,758,096	1,532,427	1,676,671	1,492,123	1,354,230
	Potash, K2O	Tonnes	2,057,282	2,143,023	2,302,813	2,352,442	1,919,997
Water withdrawal	Used in production processes	Million m^3	922	925	783	851	866
Environmental provisions		USD million	77	75	48	37	22
Fines and penalties for environmental breaches		USD	229,000	300,000	146,000	115,000	- 1)

1) Only significant fines were reported prior to 2016, i.e. above USD 5m. In 2015, none such fines were on record.
2) Consumption provided for the period December-November.

Corporate KPIs

Carbon intensity

The carbon intensity KPI is defined as tonnes emissions of CO_2e per tonnes nitrogen in Yara's own produced products. The CO_2e emissions include scope 2 emissions (electricity consumption) and emissions from production of third-party ammonia sourced. Information on transportation and other scope 3 emissions are found in the GRI report. The KPI is to reduce the carbon intensity by >10% from 2018 to 2025. Our ambition is to become climate neutral by 2050.

Premium product growth

Nitrogen losses contribute to air and water pollution. Through scientific studies and own field trials, Yara can document an improved nitrogen use efficiency on the farm from its range of premium products when compared to commodities. Increased sales volumes is a proxy for improved environmental performance downstream of our operations. 2018 is the baseline year.

YaraVita sales

YaraVita is a specialty product range for foliar application, seed treatment or fertilizer coatings. The products contribute to increased yields, quality and farm profitability.

Performance indicators

GHG

Yara's direct emissions of greenhouse gases. The main part of the emissions is CO_2 from the ammonia production process. Yara's uses catalyst systems to eliminate more than 90% of its N_2O emissions, but a fraction remains and is accounted for here.

Emissions to air

The main emissions to air from fertilizer plants and phosphate mines are nitrogen oxides, sulphur oxides, ammonia, fluorides and dust. More details are available in the GRI report.

Raw materials consumption

Ammonia is produced from nitrogen from the air reacting with hydrogen, mostly harvested from natural gas. Yara also sources phosphorous and potash, e.g. for NPK fertilizers.

Water withdrawal

The total withdrawal figure is given here. In Yara's production, water is primarily used for cooling purposes. Thus, nearly all the water that Yara withdraws is returned to the water course, unpolluted.

Environmental provisions

Environmental provisions are the estimated future cost for environmental remediation on Yara's sites. More information is found in the notes to the financial statements.

Fines and penalties

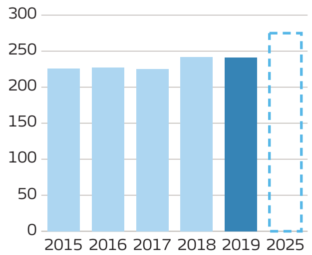
Total sum of fines and other penalties for environmental breaches. If any severe cases over a materiality threshold of USD 5 million are identified, a description is available in the separate GRI report.

Social performance

Help feed more than 275 million people by 2025

2025 target: **275 million**

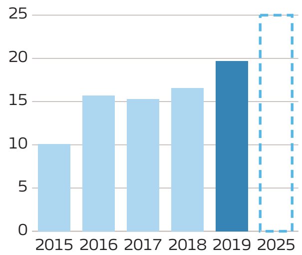
Number of people fed
Calculation



Empowering an engaged, respected and diverse workforce

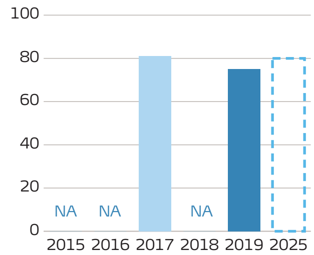
2020 target: **>20%**
2025 target:**>25%**

Female top managers
% of the top leadership positions



2025 target: **>80%**

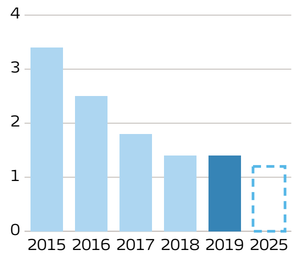
Employee engagement index
Calculated from survey



Strive towards zero accidents with no fatalities and TRI below 1.2 by 2025

2025 target: **<1.2**

TRI
Recordable injuries per million hours worked for employees and contractors combined



Most of Yara's material topics involve a social dimension. A calculated number of people we help feed is a key outcome goal of Yara. Successful implementation of our value adding strategy depends on our knowledge and access to human capital, measured as diversity and engagement scores.

Safety is a top priority, and we set ourselves a high goal from an already industry-leading level, based on our belief that all accidents are preventable.

		2019	2018	2017	2016	2015
Gender pay gap	Percent	4,9	NA	NA	NA	NA
Employee turnover rate	Calculated rate	14.4%	11.4%	17.3%	10.5%	NA
Environmental grievances from local communities	Number of registered grievances	135	165	165	252	132
Fines for non-compliance with laws and regulations in the social and economic area	USD	257,000	81,000	400,000	170,000	0 [1)]
Number of face-to-face risked based anti-corruption trainings	Headcount	2,699	3,985	3,737	2,642	4,779
Employees completion of Ethics e-learning	Headcount	12,341	10,993	NA	NA	NA
Reported fraud & corruption incidents	Number	57	51	46	50	5
Reported discrimination and harassment cases	Number	76	119	109	22	20

1) Only significant fines were reported prior to 2016, i.e. above USD 5m. In 2015, none such fines were on record.

Corporate KPIs

Employee engagement index

Employee engagement is measured through surveys done by an external third party, providing a data-driven analysis against international benchmarks. Historically, the surveys have not been performed every year.

Female top managers

Female top managers are measured as % of the top leadership critical positions defined in Yara. The KPI is defined based on our strong belief that diversity is a key enabler to solving the difficult challenges the world is facing.

Corporate Goals

TRI

Total recordable injuries (TRI) is the sum of loss time injuries (LTI), restricted work cases (RWI) and medical treatment cases (MTC). The TRI rate is calculated as the TRI per million hours worked for employees and contractors combined. We believe every accident is preventable and work accordingly.

Number of people fed

Fertilizers help provide half the food in the world. The figure is calculated using wheat as a proxy, with average N and calorific content of wheat multiplied by Yara's total N deliveries. Typical N losses from the field, food loss and waste and share of wheat not used for human consumption is subtracted to provide a calorific estimate of people fed. This indicator currently does not factor in positive contributions such as increased sales of premium products and precision farming solutions, both improving yields per tonne nitrogen delivered.

Performance indicators

Gender pay gap

From 2019 a proxy measure of the gender equal pay gap has been implemented to follow up the development on a monthly basis. The proxy calculates the average difference of base salary between men and women corrected for the two factors responsibility in position and documented performance. As of December 2019, the proxy gender equal pay gap for Yara globally was 4.9%.

Employee turnover

The rate is calculated as number of permanent staff terminations in the period divided by the starting permanent employee headcount. The global figure incorporates substantial variability, as each labor market has different characteristics. For 2019, Yara regions had the following turnover rates: Brazil, 21%; rest of Latin America, 16%; Asia & Oceania, 14%; Europe, 10%; North America, 7%.

Grievances from local communities

Number of environmental grievance cases registered from neighbors of our infrastructure or production facilities.

Non-compliance

The sum of registered fines in Yara for issues other than environmental breaches.

Number of face-to-face risked based Ethics trainings

The Ethics and Compliance training program is delivered by the dedicated regional compliance managers. Training content is targeted at the participants based on a risk assessment considering factors such as function, role, seniority and location.

Employees completion of Ethics e-learning

The mandatory e-learning includes all topics covered by the Code of Conduct. All new hires with access to a PC are expected to complete the e-learning within 3 months. The purpose is to prevent corruption and human rights abuses and to promote a culture in which these matters are difficult to perpetrate. This is measured as the headcount of employees at year-end, who has completed the e-learning. In 2019, there were in total 14,405 employees who had access to the learning platform.

Reported fraud & corruption incidents

Through whistle-blowing and other channels, Yara is alerted to a number of cases where employees or others suspect fraud or corruption. Yara encourages such reporting. The figures represent the raw number of reported cases. Each case is investigated, and action is taken for all cases which are substantiated. Further details on substantiated cases is reported in the separate GRI report.

Reported discrimination and harassment incidents

Yara encourages all to raise any concern if there is suspicion of violations of regulatory requirements or Yara's Code of Conduct. For People cases, the figure provided represents the number of reported cases involving discrimination or harassment. Each case is investigated, and action is taken for all cases which are substantiated. Further details on substantiated cases is reported in the separate GRI report.

Human rights management

Yara's Code of Conduct includes our Human Rights Policy with identified salient risks. An annual human rights risk assessment ranks the countries where Yara operates in terms of human rights risk exposure. The 2019 risk assessment identified 17 high risk countries. In 2019, Human Rights Impact Assessments were conducted in two high-risk countries (India and Colombia) and one medium risk country (Philippines). Mitigating actions is a line and local management responsibility, monitored by the Ethics and Compliance department.

A more complete review is presented in the GRI report, available on the yara.com annual reporting section.

Financial performance

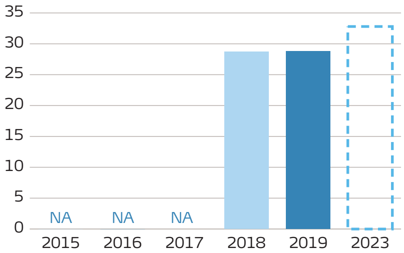
Yara's full-year 2019 EBITDA result excluding special items was 42% higher compared to last year, reflecting higher production margins driven by lower European gas cost.

Delivering improved operations & superior profits

2023 target: 32.8 million tonnes

Production output

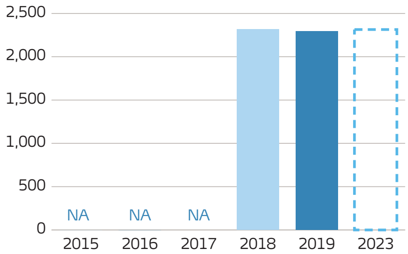
Million tonnes. Production adjusted for major turnarounds and market optimization effects, to better reflect underlying performance.



2023 target: < USD 2.3 billion

Fixed cost

Million USD. Total fixed cost adjusted for portfolio and currency effects

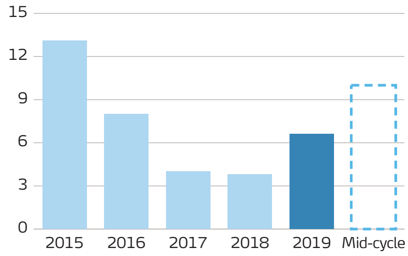


Creating sustainable returns

Mid-cycle target: > 10%

ROIC

Return on invested capital will reflect the value created for shareholders



Yara's full-year 2019 EBITDA result excluding special items was 42% higher compared to last year, reflecting higher production margins driven by lower European gas cost, improved product mix and currency effects.

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 in May 2018.

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 compared to 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.

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.

Financial highlights [1)]

USD millions, except where indicated otherwise	2019	2018	2017	2016	2015
Revenue and other income	12,936	13,054	11,400	11,597	13,787
Operating income	989	402	457	1,043	1,657
EBITDA [2)]	2,095	1,523	1,348	1,854	2,545
EBITDA [2)] excl. special items	2,165	1,525	1,430	1,719	2,362
Net income attributable to shareholders of the parent	599	159	477	756	887
Basic earnings per share [3)]	2.20	0.58	1.75	2.76	3.22
Basic earnings per share excl. foreign currency translation and special items [3)]	3.09	1.68	1.83	2.44	3.90
Net cash provided by operating activities	1,907	756	791	1,676	1,896
Net cash used in investing activities	(1,044)	(2,000)	(1,338)	(1,267)	(960)
Net debt/equity ratio	0.42	0.43	0.25	0.17	0.16
Net debt/EBITDA excl. special items (last 12 months) ratio	1.72	2.49	1.66	0.86	0.57
Average number of shares outstanding (millions)	272.3	273.2	273.2	273.5	275.1
Return on invested capital (ROIC) [4)]	6.6%	3.8%	4.0%	8.0%	13.1%

1) See page 196 for definitions, explanations and reconciliations of Alternative Performance Measures (APMs).
2) EBITDA 2019 includes a USD 118 million positive impact from IFRS 16 compared with 2018, see note 4.5 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 statistics

Average prices	2019	2018	2017	2016	2015
Production (Thousand tonnes) [1)]					
Ammonia	8,479	8,305	7,459	7,504	7,035
Finished fertilizer and industrial products, excl. bulk blends	22,060	21,887	20,203	19,497	19,224
Deliveries (Thousand tonnes) [1)]					
Ammonia trade (reflected in Production)	2,527	2,478	2,023	2,043	2,103
Sales and Marketing Segment	30,540	31,622	30,691	30,532	29,766
New Business Segment	4,106	3,937	3,456	3,149	2,859
Production segment	853	565	138	147	150
Total deliveries	38,025	38,601	36,308	35,872	34,879
Yara's energy prices(USD per MMBtu)					
Global weighted average gas cost	4.7	6.2	5.0	5.0	4.1
European weighted average gas cost	5.4	8.3	6.1	6.1	5.0

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

Market information

Average of publication prices		2019	2018	2017	2016	2015
Urea granular (fob Egypt)	USD per tonne	261	278	243	217	295
CAN (cif Germany)	USD per tonne	221	240	218	199	270
Ammonia (fob Black Sea)	USD per tonne	233	287	267	236	387
DAP (fob US Gulf)	USD per tonne	344	418	354	347	459
Phosphate rock (fob Morocco)	USD per tonne	89	91	90	111	124
European gas (TTF)	USD per MMBtu	4.5	7.9	5.7	4.5	6.4
US gas (Henry Hub)	USD per MMBtu	2.6	3.2	3.0	2.5	2.6
EUR/USD currency rate		1.1	1.2	1.13	1.11	1.32
USD/BRL currency rate		3.9	3.6	3.19	3.49	2.35

Improvement program

Yara launched an extended improvement program at its Capital Markets day on 26 June 2019. 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.

Improvement program

	2019	2018
Production - ammonia (kt) 1)	7,772	7,850
Production - finished products (kt) 1)	21,067	20,870
Energy efficiency (GJ/T) 2)	33.7	33.9
Fixed cost (USD millions) 3)	2,291	2,314
Net operating capital (days) 3)	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 200 in the APM section.

Financial items

Net financial expense for the year 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

2019 current and deferred taxes were a tax cost of USD 214 million. See note 2.8 for more information.

Net interest-bearing debt

As a supplement to the consolidated statement of cash flows (page 92), this table highlights the key factors behind the development in net interest-bearing debt. Net interest-bearing debt at the end of 2019 was USD 3,725 million, down from USD 4,203 million at the end of 2018, adjusted for IFRS16 implementation effect.

The positive cash earnings exceeded 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. Of the remaining investments, the majority was regular maintenance investments in Yara's production system.

During 2019, Yara paid out dividends and purchased 1,362,013 own shares under the 2019 buy-back program for a total of USD 268 million. The shares will be canceled at the next Annual General meeting to be held in May 2020.

The debt/equity ratio at the end of 2019, calculated as net interest-bearing debt divided by shareholders' equity plus non-controlling interests, was 0.42 compared with 0.43 at the end of 2018. At the end of 2019, the net debt/EBITDA excl. Special items (last 12 months) ratio is 1.7, down from 2.5 at the end of 2018.

Variance analysis

USD millions	2019
EBITDA 2019	2,095
EBITDA 2018	1,523
Reported EBITDA variance	573
Special items variance (see page 39 for details)	(67)
EBITDA variance ex special items	640
Volume/Mix	101
Price/Margin excluding energy	(105)
Energy price	447
Currency translation	96
IFRS 16 effect	118
Other	(18)
Total variance explained	640

Net interest-bearing debt

USD millions	2019
Net interest-bearing debt at the end of previous period	(3,794)
IFRS 16 implementation effect (1 January 2019)	(409)
Net interest-bearing debt at beginning of period, including IFRS 16 implementation effect	(4,203)
Cash earnings [1]	1 618
Dividends received from equity-accounted investees	166
Net operating capital change	112
Investments (net)	(1,044)
Yara dividend and buy-backs	(268)
New leases [2]	(116)
Other, including foreign currency translation gain/(loss)	10
Net interest-bearing debt at end of period	(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.

Financial items

USD millions	2019	2018	2017	2016	2015
Interest income	74	78	75	82	71
Dividends and net gain/(loss) on securities	2	3	2	4	3
Interest income and other financial income	76	81	77	87	74
Interest expense	(157)	(127)	(57)	(85)	(111)
Net interest expense on net pension liability	(9)	(7)	(8)	(8)	(10)
Net foreign currency translation gain/(loss)	(145)	(278)	99	14	(312)
Other	(15)	(19)	(17)	(15)	(39)
Interest expense and foreign currency translation gain/(loss)	(327)	(431)	17	(94)	(472)
Net financial income/(expense)	(251)	(350)	94	(7)	(398)

Production volumes

Thousand tonnes	2019	2018	2017	2016	2015
Ammonia	8,479	8,305	7,459	7,504	7,035
of which equity-accounted investees	1,000	1,039	1,061	1,033	1,280
Urea	6,417	6,327	5,257	5,167	4,762
of which equity-accounted investees	1,504	1,517	1,573	1,536	1,593
Nitrate	6,225	6,136	6,173	6,044	5,997
NPK	5,697	5,736	5,504	4,891	4,850
CN	1,543	1,623	1,511	1,379	1,477
UAN	974	835	931	909	925
SSP-based fertilizer	1,089	1,115	822	1,106	1,212
MAP	115	116	-	-	-
Total Finished Products [1)]	22,060	21,887	20,199	19,497	19,224

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

Deliveries excl. New Business and Ammonia Trade [1)]

Thousand tonnes	2019	2018	2017	2016	2015
Urea	6,955	7,618	4,757	4,676	4,852
of which Yara-produced	4,267	4,218	1,997	2,117	1,755
of which equity-accounted investees	2,035	2,450	1,821	1,796	2,153
Nitrate	5,590	5,589	5,703	5,730	5,594
of which Yara-produced	5,307	5,259	5,401	5,372	5,112
NPK	9,938	10,361	10,413	10,407	9,486
of which Yara-produced compounds	5,660	5,506	5,382	5,046	4,479
of which Yara-produced blends	3,802	4,405	4,664	5,083	4,600
CN	1,234	1,235	1,185	1,132	1,038
of which Yara-produced	1,217	1 217	1,167	1,114	1,021
UAN	1,289	1,184	1,299	1,357	1,295
of which Yara-produced	1,100	1 002	1,050	1,115	1,043
SSP	647	1,016	939	954	961
of which Yara-produced	458	916	700	826	832
Ammonia	1,068	1,101	-	-	-
of which Yara-produced	888	902	-	-	-
DAP/MAP	557	591	675	831	888
MOP/SOP	1,334	1,178	1,368	1,253	1,222
Other products	2,780	2,314	951	903	1,150
Total deliveries excluding New Business	31,392	32,187	27,290	27,243	26,486

New Business deliveries [1)]

Thousand tonnes	2019	2018	2017	2016	2015
Ammonia			704	659	711
Urea	839	795	2,211	2,025	1,841
Nitrate	1,027	960	747	724	680
Calcium Nitrate	434	412	419	371	358
Other Industrial products	196	237	1,077	1,007	1,893
Water content in Industrial Ammonia and Urea	1,609	1,533	1,837	1,658	1,549
Total New Business deliveries (incl. water)	4,106	3,937	6,995	6,443	7,032

1) For the years prior to 2018 deliveries reflect the previous segment structure.

Special items

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

The Yara share

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

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

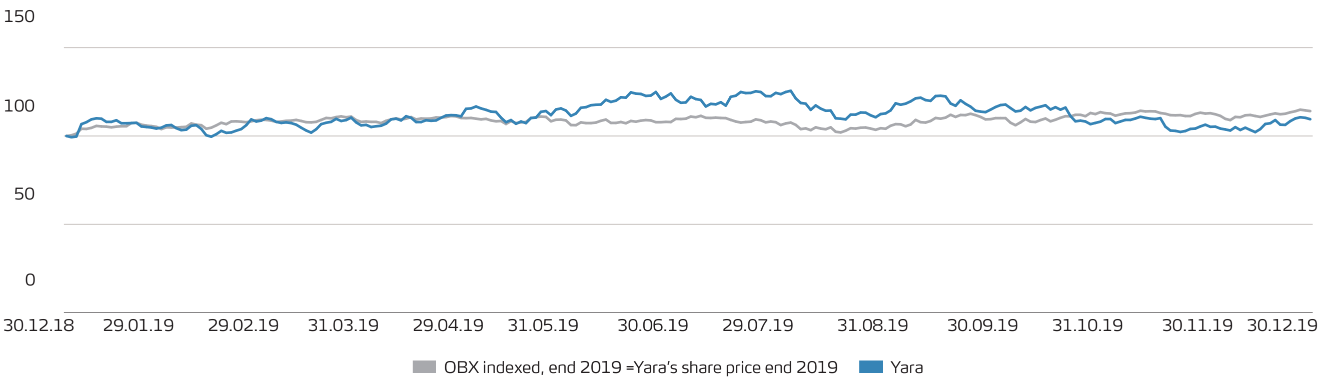
Share performance and distribution

In 2019 a total of 517 million Yara shares were traded, of which 145 million were traded on the OSE at a value of NOK 54 billion, making Yara the sixth most traded company on the OSE. The average daily trading volume for Yara shares on the OSE during 2019 was 580,521.

The highest closing price during the year was NOK 418.90 and the lowest was NOK 331.20. The year-end closing price was NOK 365.20, representing a 10% increase from the 2018 year-end closing price. Yara's total shareholder return in 2019 was 11% with dividends reinvested. Yara's market value as of 31 December 2019 was NOK 99.5 billion, making Yara the sixth-largest company quoted on the Oslo Stock Exchange.

At year-end 2019 Yara had 35,422 shareholders. Non-Norwegian investors

Yara share & OBX performance



Common share data

	Q1	Q2	Q3	Q4	2019	2018
Basic earnings per share	0.35	0.84	0.27	0.73	2.2	0.58
Average number of shares outstanding1)	272,697,830	272,525,904	272,402,637	271,661,032	272,319,232	273,169,994
Period end number of shares outstanding 1)	272,697,830	272,402,637	272,402,637	271,040,624	271,040,624	272,697,830
Average daily trading volume 2)	567,243	606,765	525,696	627,824	580,521	538,174
Average closing share price	347	379	394	363	371	371
Closing share price (end of period)	347	414	392	365	365	368
Closing share price high	362	416	419	393	419	419
Market capitalization (end of period NOK billion)	94.7	112.7	106.7	99.5	99.5	100.5
Dividend per share					15.00 3)	6.50

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

owned 42.2% of the total stock, of which 17.7% were from the United States and 8.2% from the United Kingdom. The Norwegian State, through the Ministry of Trade and Industry, is the largest single owner with 36.2% of the shares. Norwegian private ownership of Yara shares was 21.6% at the end of 2019.

ADR performance and voting rights

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

On 31 December 2019, the ADR was quoted at USD 20.76, a 7.7% increase for the year. To find a recent price quote for Yara ADRs please go to www.adr.com. The ticker symbol is YARIY.

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

Cash distribution policy

Yara's objective is to pay out 50% of net income in the form of dividends and share buybacks. Shareholder returns are distributed primarily as cash, with buybacks as supplemental lever. The dividend pertaining to a fiscal year will be declared at Yara's Annual General Meeting in the following year.

In 2019 Yara paid out USD 268 million in dividends and share buybacks, representing approximately 190% of net income in 2018. Dividends accounted for USD 203 million, representing 34% of 2019 net income, while share buybacks amounted to USD 65 million, representing 11% of 2019 net income.

Yara's Board will propose to the Annual General Meeting a dividend payment of NOK 15 per share for 2019, which represents approximately 75% of net income after non-controlling interests, totaling a payment of USD 439 million based on outstanding shares at 31 December 2019 and USDNOK exchange rates at 11 February 2020.

The Yara Annual General Meeting on 7 May 2019 authorized Yara's Board to buy back up to 5% of total shares

Shareholding distribution

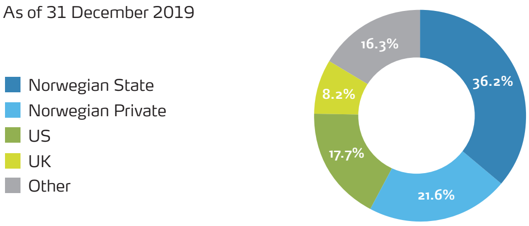
As of 31 December 2019

Ownership structure

No. of shares	No of shareholders	% of share capital
1-100	20,952	0.27
101-1000	11,642	1.42
1,001-10,000	2,084	2.27
10,001-100,000	527	6.28
100,001-1,000,000	183	21.07
above 1,000,000	34	68.71
Total	35,422	

Shareholding distribution

As of 31 December 2019



Shareholding distribution [1)]

As of 31 December 2019

Ownership structure

Name	Holding (%)
Ministry of Trade, Industry and Fisheries	36.2
Norwegian National Insurance Scheme fund	6.6
Sprucegrove Investment Management, Ltd.	2.4
The Vanguard Group, Inc.	1.9
BlackRock Institutional Trust Company, N.A.	1.9
Fidelity Management & Research Company	1.8
Templeton Investment Councel, L.L.C.	1.8
Polaris Capital Management, LLC	1.6
SAFE Investment Company Limited	1.3
KLP Forsikring	1.3
DNB Asset Management AS	1.3
Capital World Investors	1.2
Storebrand Kapitalforvaltning AS	1.2
Nordea Funds Oy	1.2
Pelham Capital Ltd.	1.2
State Street Global Advisors (US)	1.1

1) This shareholder list is delivered by Nasdaq and VPS through their service Nominee ID. The list is made by analyzing information provided by registered shareholders on request from Yara International. Neither Nasdaq nor VPS guarantee that the information is complete. For a list of the largest registered shareholders as of 31 December 2019, see note 11 on page 185 in this annual report.

(13,620,131 shares) before the 2020 Yara Annual General Meeting, at a purchase price not less than NOK 10 and not more than NOK 1,000. A precondition for the program was that an agreement was entered into with the Norwegian State where the State committed to sell a proportional share of its holdings to leave the State's ownership (36.21%) unchanged.

2020 Annual General Meeting

The Yara Annual General Meeting will take place at 17:00 (CEST) Thursday 7 May 2020, at Yara headquarters in Drammensveien 131, Oslo. Shareholders who wish to attend the Annual General Meeting are asked to inform Yara's registrar by 12:00 CEST on Tuesday 5 May 2020.

Shareholders may also register electronically on the Yara webpage www.yara.com/register or at the Norwegian

Central Securities Depository investor services site at www.vps.no.

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

Analyst coverage

24 financial analysts provide market updates and estimates for Yara's financial results, of whom 12 are located outside Norway.

Rating

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

Change of address

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

Registrar information

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

Share facts

Symbol: YAR
Listing: Oslo Stock Exchange (OSE)

Yara's registrar in Norway
DNB ASA
Verdipapirservice
Dronning Eufemias gate 30
N-0021 Oslo
Phone: +47 23 26 80 20
E-mail: KUA@dnb.no
www.dnb.no

Yara's ADR depositary bank
J.P. Morgan is the depositary bank for Yara ADRs:
J.P. Morgan Chase Bank N.A.
383 Madison Ave,
Floor 11
New York NY 1017
USA
Phone (US): 800-990-1135
Phone (outside US): +1 651-453-2128
Contact: please use online form https://www.shareowneronline.com/informational/contact-us/

2020 Dividend schedule

Ex-dividend date	8 May 2020
Payment date	18 May 2020

2020 Release dates

First quarter	23 April 2020
Second quarter	17 July 2020
Third quarter	20 October 2020
Fourth quarter	9 February 2020

Risk Management >

Risk management

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

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

Risk responsibilities

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

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

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

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

Framework and procedures

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

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

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

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

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

Task Force on Climate-related Financial Disclosures (TCFD)

Yara supports and is implementing the recommendations of the TCFD. Climate change is a strategic risk factor for Yara and consequently integrated in our risk management and strategy development processes.

Governance	References:
Yara's Board of Directors and Executive Management define the company's risk appetite across material risk factors and review risk exposures and control systems. Our annual strategy review cycle incorporates climate change, as does the assessment of megatrends. Both are presented to and approved by the Board and Executive Management.	Risk Management, p. 46 Risk Appetite, p. 48 Report of the Board of Directors, p. 73

Strategy	References:
Climate change affects agriculture and has implications for our markets and supply chain, and for regulations and technology. Furthermore, extreme weather events pose risks to our infrastructure. Our sustainable crop nutrition solutions represent opportunities to capitalize on climate change.	Global Megatrends, p. 12 Strategic Priorities, p. 15 Risk Factors, p. 50

Risk Management	References:
Climate risks are integrated in our Enterprise Risk Management system as well as our regular assessment of megatrends.	Risk management, p. 46

Metrics and targets	References:
Yara has reduced GHG emissions significantly over the last decade, and we are investing to reach a 10% reduction in emission intensity by 2025. Our long-term ambition is to achieve carbon neutrality by 2050.	Advance Operational Excellence, p. 14 Environmental performance, p. 30

Risk appetite

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

Health, safety and security exposure

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

Bribery, corruption and competition law exposure

We are committed to upholding high standards for human rights, ethical and lawful conduct across the organization in relation to business partners, investors, regulatory authorities and society at large. We have zero tolerance for bribery, corruption and violation of competition law.

Environmental exposure from operations or products

Yara strives to be best in class compared to industry peers and is committed to explore and promote the highest standards of environmental responsibility and has a low risk appetite for causing damage to the environment as a result of our operations or products.

Product portfolio exposure to regulatory changes

Yara has a low risk appetite for exposure to incompliance to regulatory requirements impacting the product portfolio in our value chain, and proactively seeks to reduce operational, commercial and financial exposure. Yara will proactively liaise with regulatory bodies in order to adapt and adhere to stricter regulations.

Exposure to global nitrogen price dynamics

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

Exposure to natural gas price dynamics

Securing access to, and stable supply of, favorably priced natural gas is imperative to our operations and competitiveness. In regions with efficient gas markets, we will seek exposure to spot market prices unless exceptional market circumstances clearly give reason for deviation. In regions without efficient gas markets, Yara seeks to enter into longer term contracts if favorable gas prices are obtainable.

Phosphate rock sourcing exposure

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

JV ownership structure exposure – new entries

When entering into new JVs, Yara has a low risk appetite for minority equity positions and will only engage in JVs provided that agreements are commercially attractive, secure acceptable governance standards, policies and procedures, and financial control for Yara. Yara will only enter into new JVs where we are confident that we can bring Ethics & Compliance and HESQ standards to an acceptable level.

Cost curve position in production portfolio

Yara seeks investments in new production capacity which strengthens Yara's position on the cost curve compared to peers, unless there are other compelling financial or strategic reasons. Investments in current production portfolio are prioritized to capacity which is deemed competitive, also considering commercial and strategic aspects. As a result, the overall portfolio of production investments should improve Yara's position on the cost curve over time.

Exposure to new business areas outside current core operation

Yara is willing to invest funds in a defined set of new business areas to mitigate risk in core business and to develop new revenue streams. The company is willing to be exposed to uncertainty around future revenue generation, but the resources employed are considered moderate and reviewed on an annual basis.

Production reliability on priority plants

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

Tax jurisdiction compliance exposure

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

Long term credit rating down grade exposure

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

Exposure to non-USD currencies

We have a low risk appetite for exposure related to financial risk not derived from the underlying business. Yara has a low to moderate risk appetite for economic currency exposure optimizing the cost of hedging with estimated currency movements. Limits for economic exposure are set per currency and on a country basis.

Information and cyber security exposure

Yara has a low appetite for risk exposure to cyber incidents in the office and production environment. Yara seeks high level of protection to mitigate exposure to safety and reliability issues in our production sites, in addition to leakage of confidential data, legal and regulatory compliance violations, insider threat from dismissed employees or contractors and loss or malicious modification of business-critical data.

Leadership and organizational competence exposure

We are developing a skilled organization with regards to leadership competencies and organizational competence in areas of key strategic importance necessary to strengthen Yara's competitiveness in a changing business environment and to deliver on Yara's strategic goals and objectives. This is being achieved through an integrated Talent & Leadership process based on the business needs and on Yara values.

Risk factors

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

Strategic risks

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

Strategic risks	Factor	Mitigation
Market dynamics – Nitrogen commodity fertilizer prices	A large part of our business consists of sales of fertilizer products used in agriculture. While a growing world population, economic growth and changing dietary patterns are driving overall demand for food and fertilizer, swings in agricultural prices along with changes in global and regional fertilizer production capacity could significantly impact our profitability	Yara's business model, with a mix of Own Produced Products and Third-Party Products marketed by our global Sales & Marketing organization, offers flexibility to adjust to supply and demand fluctuations. We increasingly focus on expanding sales of differentiated products where pricing and demand is less volatile. Yara invests in developing farmer centric solutions that integrate knowledge, digital tools and services with our product portfolio to further differentiate our offering to the farmer. Yara also conducts global optimization with risk reduction in mind, e.g. prioritizing a global presence, counter-seasonality and market flexibility in addition to short-term profitability. Third Party Products exposure limits have been established and are closely monitored for the most Third-Party Products intensive countries.
Market dynamics – natural gas prices	Due to natural gas being a key raw material in the production of nitrogen-based chemicals and fertilizer products, the pricing and availability of natural gas across regions is a strategic factor for Yara. Securing access to and stable supplies of favourably priced natural gas is imperative to our operations and competitiveness.	Yara's risk exposure towards energy sourcing is minimized through global purchasing activities, based on our energy strategy. Executing this strategy, we are continuously monitoring options for additional and alternative sources of favorably priced natural gas in existing and new areas of production. All our European gas contracts are hub-based contracts, and we are well positioned to cover the risk of spot exposure. In some of our plants we have the operational flexibility to reduce gas purchases and import ammonia for fertilizer production if gas prices peak, and we benefit from a natural hedge in the correlation between nitrogen fertilizer prices and global energy prices.
Raw materials availability	Yara is sourcing a wide range of raw materials for fertilizer production from third parties, e.g. phosphate and potash (P&K). Terminations, material change or failure of delivery in these arrangements can have a negative impact on Yara's operations.	With respect to raw materials, as one of the world's largest buyer of phosphate and potash, we benefit from scale advantages in sourcing. To mitigate the risk of failure in sourcing of these key raw materials, Yara aims for long-term relationships with a wide network of suppliers, continuously aiming to optimize the company's phosphate balance. Yara currently evaluates several options for increasing the company's degree of self-sufficiency in specialty phosphate.

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

Operational risks

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

Operational risks	Factor	Mitigation
Production reliability	Production unreliability and irregularities may result in lost volumes and contribution. Increased plant reliability is a key driver of organic growth in our production system.	We actively seek to increase plant reliability and minimize irregularities by refining and implementing companywide technical and operational standards along with best practices for operations, maintenance and turnarounds, and through continuous investments in process safety. Employees undergo extensive training and risk awareness programs, and process safety and productivity are subject to frequent and regular audits. Yara's company-wide Improvement Program focuses on improving cost, reliability and operational efficiency.
Human capital	Yara's ability to compete effectively and meet market demands depends heavily on the competence, engagement and performance of its employees. Qualified, diverse and motivated staff is essential for Yara's business to be successful.	Yara recognizes that People are the enabler for success and Passionate People is identified as one of our four unique strengths. A People Strategy Project was launched in 2019 to realign with the latest updates within the Corporate Strategy and to respond to the world around us. Diversity & Inclusion is fully integrated in Yara's business strategy and drives equality and diversity through an engaged workforce. Diversity is further anchored in key human resource processes such as recruitment, succession planning, performance management and employee development. Yara regularly deploys global employee surveys to focus management initiatives on the employee engagement agenda and the Diversity & Inclusion agenda. Yara is committed to promote equal opportunities and to fight discrimination.
Information and Cyber Security	New and increasingly sophisticated computer viruses and new digital crime models combined with the significantly increased internet exposure of our computerized industrial control systems may result in safety and reliability risks at any of our production and product handling sites. Leakage of confidential data, legal and regulatory compliance violations loss or malicious modification of business-critical data can negatively impact any and all of our business processes.	In the process of addressing risks of cyber-incidents, Yara is actively focusing on to ensuring proactive monitoring of threats, vulnerabilities and effectiveness of security controls for high value assets throughout the company and raising awareness of cyber risks and threats for our employees globally.
Supply chain disruptions	Yara's ability to produce and supply markets with products can be impacted negatively by disruptions in our supply chain,	Yara has centralized functions as well as local operations, for management of in- and outbound supply chains securing raw materials to our production units and supply of products to the markets. Yara is operating globally and we have flexibility and measures built into our business model to adjust for potential irregularities.

Financial risks

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

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

HESQ risks

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

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

Compliance risks

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

Compliance risks	Factor	Mitigation
Corruption risk	Corruption appears in many forms throughout the world, usually in the form of "improper advantages". With operations in over 60 countries Yara is exposed to countries, markets and counterparts with varying ethical standards and business conduct. Corruption poses both compliance and reputational risks to Yara and our business partners.	Our zero-tolerance stance on bribery, corruption and violation of competition laws has been systematically implemented and communicated throughout our organization and to business partners through policy commitments, trainings and awareness raising. Yara's Ethics and Compliance department coordinates and oversees the company's work in this area through Yara's Compliance program. Yara's Integrity Due Diligence process is defined to identify and mitigate risks related to business partners on various topics, including corruption, human rights and labor rights. Our whistle-blowing channels allow employees, consultants and third parties to raise concerns anonymously.
People related risks	Failure to comply with the Code of Conduct and international standards will have a damaging effect on our brand and reputation. It can also negatively affect our relationship with current and future business partners, resulting in both legal sanctions and financial loss. In positive terms, demonstrating a commitment to ethical business conduct and social responsibility can be leveraged to create competitive edge and create value for business partners, employees and society at large.	We are committed to creating an equal opportunity workplace free from harassment, where hiring and development are based on achievements, qualifications, and skills of each individual. Ethical and compliant business conduct and reporting are set at high standards, reflecting Yara's commitments. Yara has developed its compliance program taking into account internationally recognized and endorsed standards in key areas such as people related risks.
Human rights risks	Yara's operations may impact human rights throughout our entire value chain. Through a mixture of ethical and legal obligations, risk of negative impact on human rights may affect Yara's reputation and standing as a responsible business.	Yara's human rights policy is set out in the Code of Conduct, and is integrated in the Compliance Program and key business processes, such as risk management and the capital value process. Yara follows the United Nations Guiding Principles on Business and Human Rights and aim to continuously improve our work in this area. Our annual global human rights risk assessment allows us to proactively monitor exposure to human rights risks wherever we operate, and guides us in prioritizing locations for human rights impact assessments.

Corporate Management >

Corporate governance

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

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

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

1. Implementation and reporting of corporate governance

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

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

2. Business

Yara grows knowledge to responsibly feed the world and protect the planet, to fulfill our vision of a collaborative society, a world without hunger and a planet respected. To meet these commitments, we have taken the lead in developing digital farming tools for precision farming and work closely with partners throughout the whole food value chain to develop more climate-friendly crop nutrition solutions. In addition, we are committed to working towards sustainable mineral fertilizer production. We foster an open culture of diversity and inclusion that promotes the safety and integrity of our employees, contractors, business partners, and society at large. Founded in 1905 to solve the emerging famine in Europe, Yara has a worldwide presence with about 16,000 employees and operations in over 60 countries. In 2019, Yara reported revenues of USD 12.9 billion. The scope of Yara's business is defined in its Articles of Association, section 2:

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

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

» yara.com/this-is-yara/corporate-governance/shareholders/articles-of-association/

» Report of the Board of Directors / page 73

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

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

» yara.com/this-is-yara/mission-vision-and-values/
» yara.com/this-is-yara/corporate-governance/
» yara.com/Ethicsandcompliance
» yara.com/this-is-yara/sustainability/

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

3. Equity and dividends

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

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

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

» Report of the Board of Directors / page 73
» The Yara Share / page 40

4. Equal treatment of shareholders and transactions with close associates

Transactions involving the company's own shares, such as the share buy-back program, are executed via the stock exchange at prevailing stock exchange prices, with on-going disclosure via stock exchange releases and the company's own web pages. Share redemptions from the Norwegian State are carried out at the same price terms as for the buy-backs carried out via the stock exchange. Yara may execute buybacks via external bank mandate subject to "safe harbor" exemptions.

In 2019, there were no significant transactions between the company and related parties, except for ordinary commercial transactions with subsidiaries and non-consolidated investees. These were all based on arm's length market terms.

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

» Note 8.1 and 8.2 to the consolidated financial statements "Related parties" and " Executive Management remuneration" / page 161 and 162

5. Shares and negotiability

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

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

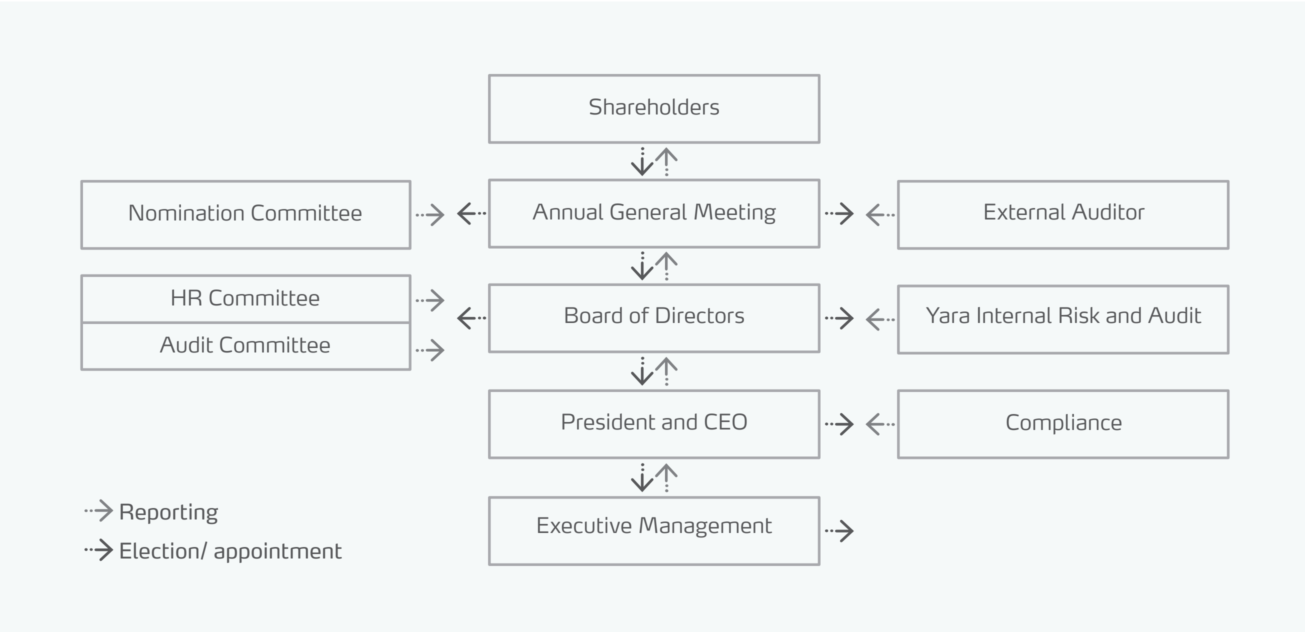
» Note 8.1 and 8.2 to the consolidated financial statements "Related parties" and " Executive Management remuneration" / page 161 and 162

6. General meetings

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

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

Yara corporate governance structure



the company's external auditor and approves the auditor's renumeration. In accordance with Yara's Articles of Association §7, the Annual General Meeting elects the Nomination Committee.

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

All shareholders are entitled to submit items to the Annual General Meeting agenda, and to meet, speak and vote at the meeting. In accordance with Norwegian corporate law and Yara's Articles of Association §9, shareholders registered in the Norwegian Central Securities Depository (No: Verdipapirsentralen) can vote in person or by proxy on each agenda item put forward in the Annual General Meeting. A form for the appointment of a proxy for voting is included in the Annual General Meeting notice, as well as information regarding which person is nominated by the company to act as a proxy for shareholders who cannot attend the Annual General Meeting in person. Shareholders registered in the Norwegian Central Securities Depository can also vote electronically in advance on each agenda item put forward in the Annual General Meeting.

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

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

» yara.com/this-is-yara/corporate-governance/shareholders/annual-general-meetings/
» The Yara share / page 40

7. Nomination Committee

Yara's Articles of Association §7 states that the company shall have a Nomination Committee consisting of four members elected by the Annual General Meeting, and that the Annual General Meeting approves the procedure for the Nomination Committee. The Nomination Committee nominates the shareholders' representatives to the Board of Directors, including presenting relevant information about the candidates and an evaluation of their independence, and proposes the remuneration of the Directors to the Annual General Meeting. The Nomination

Committee contacts major shareholders, the Board of Directors and the CEO as part of its work on candidate proposals. The Nomination Committee also recommends which members the Board should elect as Chair and Vice Chair.

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

The Nomination Committee consists of the following members, all of whom are independent of the Board and Executive Management:
Otto Søberg, Chair (CEO of Eksportkreditt Norge AS);
Thorunn Kathrine Bakke (Director, Norwegian Ministry of Industry, Trade and Fisheries);
Ottar Ertzeid (Group Executive Vice President DNB Markets);
Ann Kristin Brautaset (Deputy Director Equities at Norwegian National Insurance Scheme fund ("Folketrygdfondet")).

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

The Nomination Committee held 16 meetings in 2019. In 2019, the remuneration to the Chair of the Nomination Committee was NOK 8,000 per meeting prior to the Annual General Meeting and thereafter NOK 8,200 per meeting. The remuneration to the other members of the Nomination Committee was NOK 6,000 per meeting prior to the Annual General Meeting and thereafter NOK 6,200 per meeting.

» yara.com/this-is-yara/corporate-governance/shareholders/nomination-committee/

8. Board of directors: Composition and independence

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

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

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

All Board members are encouraged to own shares in the company. The shareholder-elected Board members Geir Isaksen, Hilde Bakken, Trond Berger, Håkon Reistad Fure, Kimberly Lein-Mathisen, Adele Norman Pran and John Thuestad owned 84, 800, 3,000, 22,500, 0, 10 and 1,200 shares respectively at years end.
The four employee-elected Board members Eva Safrine Aspvik, Rune Bratteberg, Kari Nøstberg, and Geir Sundbø owned respectively 531, 326, 447 and 298 shares at year-end.

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

» yara.com/this-is-yara/corporate-governance/
» Board of Directors / page 66
» Note 8.1 to the consolidated financial statements "Related parties" / page 161

9. The work of the board of directors

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

» Note 8.1 to the consolidated financial statements "Related parties" / page 161

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

The Board of Directors held 11 meetings in 2019. Shareholder-elected Board members Kimberley Lein-Mathisen, Adele Norman Pran and Håkon Reistad Fure were appointed at the

Annual General Meeting 2019, and employee-elected Board member Eva Safrine Aspvik was elected thereafter. Lein-Mathisen, Norman Pran and Reistad Fure attended 7 meetings in 2019. Aspvik was excused from one of the meetings and attended 6 meetings. From September 2019 the employee-elected Board member Kjersti Aas was replaced by Kari Nøstberg, who attended 3 meetings in 2019. As for the remaining board members, one was excused from three of the meetings and one was excused from two of the meetings, hence attended 8 and 9 meetings respectively in 2019. The remaining board members attended all 11 meetings in 2019. The Board conducts an annual evaluation of its qualifications, experience and performance, which is also presented to the Nomination Committee.

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

HR Committee

The HR Committee reviews the performance of, and proposes terms and compensation for, the CEO to the Board of Directors. The committee also reviews and proposes guidelines for executive remuneration and material employment matters and advises the CEO on other HR matters. The HR Committee consists of three members elected by the Board from its own members. The committee held five meetings in 2019. All members attended all five meetings in 2019.

Audit Committee

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

The Audit Committee conducts an annual evaluation according to its mandate. Yara's Audit Committee consists of three members of the Board and the committee has the independence and competence required by legislation. The Chair of the Board is not a member of the Audit Committee. The Audit Committee held seven meetings in 2019. One member was appointed at the Annual General Meeting 2019 and thus attended four of the committee meetings in 2019. The remaining members attended all meetings in 2019.

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

» yara.com/this-is-yara/corporate-governance/board-of-directors/audit-committee/

10. Risk management and internal control

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

The Board believes that expressing the company's risk appetite within important areas of its business activity helps to convey how the company approaches and evaluates risk to investors, customers and society at large. The Board carries out separate annual reviews of the company's most important risk exposures and internal control systems. Risks are also considered by the Board in relation to the assessment of specific projects and ongoing operations.

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

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

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

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

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

The content of the different elements is described below.

Control Environment

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

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

Risk Assessment

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

Control Activities

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

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

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

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

Information and communication

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

Monitoring

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

» Risk management / page 43
» yara.com/this-is-yara/ethics-and-compliance/policies/code-of-conduct/
» yara.com/this-is-yara/ethics-and-compliance/

11. Remuneration of the board of directors

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

The remuneration of the Board of Directors reflects the Board's responsibility, expertise, time commitment and the complexity of the company's activities. In 2019, the remuneration to the Chair of the Board of Directors was NOK 609,000 per annum prior to the Annual General Meeting, increasing to NOK 646,000 per annum thereafter. The remuneration to the Vice Chair was NOK 375,000 per annum prior to the Annual General Meeting, increasing to NOK 386,000 per annum after the Annual General Meeting. The remuneration to the other Board members was NOK 330,000 per annum prior to the Annual General Meeting and NOK 340,000 per annum thereafter. Board members resident outside Scandinavia was entitled to a meeting allowance of NOK 11,400 per meeting prior to the Annual General Meeting, increasing to NOK 23,000 per meeting after the Annual General Meeting.

The remuneration to the Chair of the Audit Committee was NOK 169,000 per annum prior to the Annual General Meeting, increasing to NOK 174,000 per annum thereafter. The remuneration to the other Audit Committee members was NOK 95,000 per annum prior to the Annual General Meeting and NOK 98,000 per annum thereafter.

The remuneration to the Chair of the HR Committee was NOK 7,700 per meeting prior to the Annual General Meeting, increasing to NOK 7,900 per meeting thereafter. The remuneration to the other HR Committee members was NOK 7,300 per meeting prior to the Annual General Meeting and NOK 7,500 per meeting thereafter.

The total compensation to Board members in 2019 is disclosed in Note 8.1 in the consolidated financial statements.

» Note 8.1 to the consolidated financial statements "Related parties" / page 161

12. Remuneration of executive personnel

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

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

General Principle

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

- Are attractive to recruit and retain executives;
- Are responsible as well as competitive but not market leading;
- Reward the executives' performance, measured as their contribution to the overall success of Yara;
- Support the creation of sustainable value to Yara's shareholders and other stakeholders

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

Base Salary

Base Salary is reviewed once a year as per 1st June along with the Annual Salary Review for all employees in Yara. The development of basic salary for Executive Management is based on the following:

- Annual salary adjustment for employees in Yara International ASA and Norwegian subsidiaries;
- Benchmark of Executive Management Salaries in peer companies

Share Based Remuneration

The main purpose of the Share Based Remuneration (SBR) is to support the alignment between executives and shareholder interests and to ensure retention of key talent in the company. The SBR provides a cash amount to eligible executives, who are required to invest the net amount after tax in Yara shares within a period of one month after the grant, and to retain the shares for minimum 3 years. After the lock-in period, executives are free to keep or sell the shares at their discretion. Executives who resign from Yara must reimburse to the company at the time of resignation the net proceeds of the selling of the shares that are still within the lock-in period. The grant of SBR is conditional on Yara's Net Result excluding special items and currency gain/loss being positive over the last three years.

Yara's CEO can in any case decide that SBR shall not be granted in a given year and Yara's Board of Directors can decide that SBR shall not be granted to the CEO. Such an evaluation will amongst other factors be evaluated against Yara's performance towards its strategic targets of sustainable value creation, hereunder Key Performance Indicators (KPIs) linked to environmental, social and financial performance. The amount granted is linked to the responsibility in the position. For Yara CEO, SBR is 30% of Base Salary. For the other members of Executive Management, SBR is 20% or 25%.

Short-Term Incentive Plan

Yara has defined and communicated long-term strategic targets. Those targets form the basis for the annual Business Plan. The annual KPIs are ambitious and stretched and are taken from Yara's business plan for the current year as a step towards achieving the company's long-term strategic targets. The relationship between the long-term strategic targets and the Key Performance Indicators is illustrated in the table on next page.

Strategic Priorities	Long-term targets		KPIs
Advance operational excellence	Delivering improved operations and superior profits	Yara Improvement Program EBITDA improvements > MUSD 600 in 2023 vs 2018	Fixed Cost Produced Volumes Energy Efficiency in production Inventory Days Credit Days Customer satisfaction EBITDA impact by Business Unit Procurement savings
	Driving quality and diversity through an engaged and respected workforce	Engagement index >80% by 2025, and >20% female top managers by 2020 and >25% by 2025	Total Recordable Injuries (TRI) % Female senior Leadership position holders % Employee engagement
	Protecting the planet by aiming for climate neutrality by 2050	>10% decline in kg CO_2e/kg N produced by 2025	Tonne CO_2 eqv./tonne N
Create scalable solutions	Improving margins and nitrogen use efficiency through premium product growth	>3.5 million tonnes premium products growth and >100 million units of YaraVita sales by 2025, improving overall EBITDA/t in Sales & Marketing	Product deliveries (kt) Commercial CB1/t EBITDA/t
	Build profitable global food chain partnerships	>2 million tonnes of crop solution sales generated through food companies by 2025	Product deliveries (kt)
Drive innovative growth	Building closeness to farmers through scaling up digital farming	>10 million ha under management in 2020 and positive EBITDA from digital farming in 2022	KPI's driving progress towards successful completion of defined development projects
	Solving global challenges and growing profitable business through innovation	Shaping the industry by delivering sustainable and profitable innovations with de-carbonization and circular economy	

The Short-Term Incentive Plan depends on four main factors;

- A trigger which must be met for any incentive at all to be paid out, the trigger is having a net income above zero
- Provided this is in place, the other three factors are multipliers defining the pay-out to each member of the plan;
- Target Incentive as a percentage of Base Salary;
- Yara Financial Performance measured by Yara's Return on Invested Capital (ROIC) excluding Special Items;
- Executive Management's contribution to the achieved results of the KPIs and strategic targets. The KPIs should express ambitious and stretched goals

These three elements are described in further detail below:

Target Incentive

The Target Incentive is linked to the responsibility in the position and comparison with the market. The Target Incentive is 40% of base salary for Yara CEO and 28% to 35% of base salary for the other members of Executive Management on Norwegian employment contracts. For executives employed by Yara companies in other countries the Target Incentive sometimes deviate from the above depending on local market conditions.

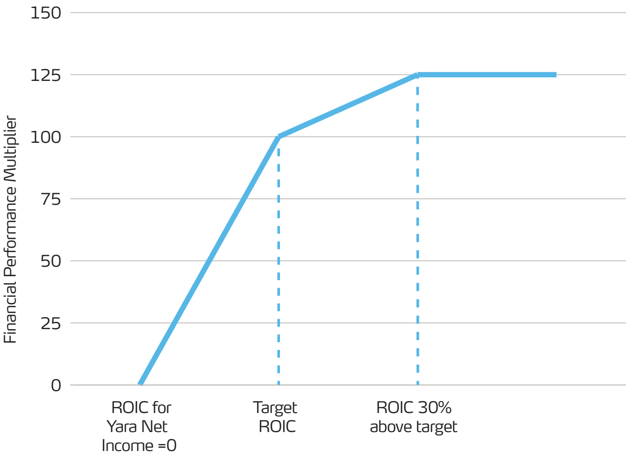
Yara Financial Performance

Given that Yara's net income is above zero, the financial performance multiplier will be in the range of 0 up to maximum 125% depending on the targeted and achieved ROIC. The multiplier scale is shown in the table below.

The basis for setting the ROIC target is Yara's long-term strategic target of 10% return on capital employed. The target for an individual year will vary depending on where we are in the industry cycle and will for some years be lower and for other years higher than the strategic target. The annual target for ROIC is approved by Yara International ASA Board of Directors.

Yara ROIC

In %



Note: Yara Net Income and ROIC are both excluding special items and currency effects
Special Items are substantial, one-time expenses or sources of income not being expected to recur in future years. For example, restructuring costs, earnings from discontinued operations, etc. In addition, significant events affecting ROIC not considered in the target setting might cause negative or positive adjustments subject to BoD approval. Such events are mainly:

- Change in gas prices
- Change in nitrogen commodity prices

Executive Management Performance

The Executive Management Performance multiplier is based on measurable KPIs, the promotion of Yara's Mission, Vision and Values and demonstrated behaviors. The relationship between Yara's long-term strategic targets and the annual KPIs is shown in the table above.

To achieve 100% multiplier on Executive Management Performance, all the KPI targets must be fully achieved and the executive must have demonstrated behavior according to Yara's Values.

Short-Term Incentive Payout

For executives on Norwegian employment contracts the maximum Short-Term Incentive Payout is capped at 50% of Annual Base Salary. It is not permitted to accrue any calculated payout in excess of the capped amount to future year where the payment may be less than 50% of Base Salary. For executives employed by Yara companies in other countries the payout may exceed 50% depending on local market conditions. For the year 2016 to 2018 the annual payouts for Yara CEO varied between 21% and 36% of Base Salary. The average annual payouts for the other executives on Norwegian employment contracts varied between 16% and 31% of Base Salary.

Benefit Plans

Company paid Pension Plans

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

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

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

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

Personal Insurance Schemes

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

Other compensation elements

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

Members of Yara Executive Management on Norwegian contracts are entitled to a severance pay equal to six months basic salary on certain conditions. The severance pay is calculated from the end of the notice period. Other income the executive receives during the severance pay period will be deducted from the severance pay.

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

Salary and other benefits earned in 2019 are disclosed in note 8.2. For additional information about existing pension plans see note 5.4.

» Note 8.2 to the consolidated financial statements "Executive Management Remuneration" / page 162
» Note 5.4 to the consolidated financial statements "Employee benefits" / page 136

13. Information and communications

Communication with financial markets is based on the principles of openness and equal treatment of all shareholders. Yara shall provide the public with accurate, comprehensive and timely information, to form a good basis for making decisions related to valuation and trade of the Yara share. The aim of providing such information is to reduce investors' risk and the volatility of the Yara share, contributing to a pricing of the Yara share that reflects the company's underlying values and future prospects.

Yara's main communication channels are stock exchange releases, press releases and its own web pages (www.yara.com) in order to secure that the same information is made available to all audiences simultaneously. Although Yara holds regular meetings for analysts, investors, journalists and employees, all material new information is first published to the stock exchange and Yara's web pages. Yara will provide a consistent level of information regardless of whether the news is positive or negative.

Yara does not provide guidance on financial results. However, Yara may communicate guidance and/or targets for discrete activity areas. In addition, Yara provides sensitivities that can be used to calculate the financial effects of changes in market prices and currency exchange rates.

Yara Spokespersons to financial markets (investors, analysts and financial media) are the Chief Executive Officer, the Chief Financial Officer, SVP Investor Relations, VP Corporate Communications and Investor Relations Officer(s) or others authorized by these. Questions from investors and financial analysts to other Yara personnel shall be referred to Investor Relations. All meetings with investors and financial analysts shall be arranged/coordinated by Investor Relations, and presentation materials for such meetings shall be prepared or approved by Investor Relations. Investor Relations shall normally accompany Yara managers in investor/analyst meetings.

Yara publishes quarterly financial results according to its financial calendar which is published annually on its web pages and to the stock exchange. Ahead of announcements of quarterly results, Yara has a so-called "closed period" when contact with external analysts, investors and journalists is minimized. Yara will not comment upon own activities or market developments during this period, to minimize the risk of unequal information in the marketplace. The closed periods are from 16 January until fourth quarter results publication, from 1 April until first quarter results publication, from 1 July until second quarter results publication and from 1 October until third quarter results publication.

Yara shall comply with relevant regulations for companies listed on the Oslo Stock Exchange.

» yara.com/investor-relations/

14. Take-overs

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

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

15.Auditor

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

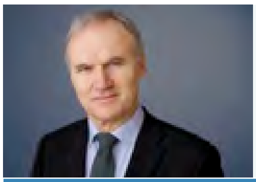
The external auditor shall also:
- Annually confirm its independence;

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

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

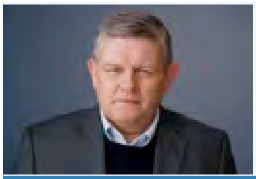
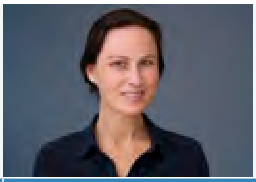
The external auditor participates in the meetings of the Audit Committee that approve financial statements. In addition, the external auditor meets with the Board at least once per year to review the company's internal control procedures, potential weaknesses identified and proposals for improvement. The external auditor and the Board meet at least once a year without Yara Executive Management being present.

Board of Directors 2019



	Geir Isaksen (1954)	Hilde Bakken (1966)
Position	Chairman of the Board Chairman of the HR Committee	Member of the Board Member of the HR Committee
Elected by/year	Shareholders, 2013	Shareholders, 2014
Position	Chief Executive Officer of NSB/Vy since 2011	Executive Vice President Production in Statkraft since 2018
Education	Dr. Scient. in Agricultural Economics from the Norwegian University of Life Sciences in Ås, Norway.	Master's degree in Petroleum Engineering from the Norwegian University of Science and Technology (NTNU).
Experience	From 1996 to 2011, Mr. Isaksen was CEO of Cermaq ASA (before 2002 Statkorn Holding ASA). During this period, he led a comprehensive restructuring process and IPO of the business and contributed to significant growth in Norway and abroad. From 1995 to 1996 Geir Isaksen was CEO of Statkorn AS, and prior to this he has held director positions in the Norwegian agriculture organizations' Brussels office and Gartnerhallen, a food wholesale and distribution company.	Mrs. Bakken has held various leadership roles in Statkraft within market and power production areas since 2000. Since 2010, Bakken has been part of Statkraft Executive management, from 2010 to 2013 as Chief of Staff. From 2013-2018 she was EVP for Power Generation. Since 2018, she has served as EVP Production, responsible for long term management of existing hydropower and thermal fleet in NW Europe, as well as Statkraft's District Heating business and power generation operations in 10 countries. Before joining Statkraft, she was employed in Norsk Hydro and Conoco where she has held various management and engineering positions in operations and field development on the Norwegian continental shelf.
Other assignments	Chairman of the board in Vy Buss AS, CargoNet AS and the Church City Mission (Kirkens Bymisjon), member of the board of the employer association Spekter.	Several Board positions in 100% and partly owned Statkraft companies.
Board meetings attendance	11	11
HR Committee attendance	5	5
Audit Committee attendance		
Shares owned at year-end 2019	84	800

	Trond Berger (1957)	Håkon Reistad Fure (1987)
Position	Vise chairman of the Board Chair of the Audit Committee	Member of the Board
Elected by/year	Shareholders, 2018	Shareholders, 2019
Position	Investment Director at Blommenholm Industrier since 2019	Partner of Magni Partners since 2014
Education	MA in Economics from the BI Norwegian School of Management and is a State-Authorized Public Accountant. Graduate of the Norwegian Armed Forces' Officer Candidate School (1977).	Fure holds an MSc in Finance from the Norwegian School of Management (Handelshøyskolen BI)
Experience	In 2019, Mr. Berger was appointed Investment director at Blommenholm Industrier. From 1999 to 2019, Mr. Berger served as Executive Vice President of Schibsted ASA. Previous positions also include:: Investment Director with Stormbull (1998), Executive Vice President (CFO) of Nycomed ASA and Executive Vice President, Strategy and Business Development at Nycomed Amersham (1997-98), and partner at Arthur Andersen (1981-92).	In 2016, Mr. Fure was elected to the board of Avida, where he also acted as CEO in 2018. He joined the corporate assembly of Storebrand ASA in 2015 and was subsequently elected a board member of Storebrand ASA in 2015 directly representing a group of shareholders. During his tenure as a board member the company's solidity and profitability improved materially and he left the board in 2018. Previous experience in Equity Research at DNB Markets
Other assignments	Board member of Schibsted companies, Polaris Media and Oslo House.	
Board meetings attendance	11	7
HR Committee attendance		
Audit Committee attendance	7	
Shares owned at year-end 2019	3,000	22,500

John Thuestad (1960)	Adele Bugge Norman Pran (1970)
Member of the Board Member of the Audit Committee	Member of the Board Member of the Audit Committee
Shareholders, 2014	Shareholders, 2019
Executive Vice President Bauxite & Alumina at Norsk Hydro ASA since 2018	Professional Boardmember and management consultant
Master's degree in Metallurgy from NTNU, Trondheim, Norway; MBA from Carnegie Mellon University, Pittsburgh, USA.	Bachelor and Master's in law from the University of Oslo and Master in Auditing and Accounting. IB from United World College of the Atlantic.
Mr. Thuestad has been EVP of Norsk Hydro ASA and responsible for the Bauxite and Alumina Business Area since June 2018. Prior to this, Thuestad led Hydro Extruded Solutions, Europe. From 2013 to 2017, Thuestad held the position of EVP Sapa Extrusions Europe. From 2012 to 2013 he led Sapa Profiles with production plants in Europe, North America and China. From 2009 to 2012 he led Alcoa Global Primary Products with 40 locations in Australia, Latin America, Europe and North America. Thuestad has previously been the CEO of Elkem AS and Elkem Aluminium AS. Prior to that, Thuestad was Managing Director of Norzink AS and Fundo AS. Thuestad has served as Board member/Chairman of Tyssefaldene AS 1997-2000, Board member of Borregaard AS 2005-2007, Statkraft/ Groener AS 2000-2003 and as Officer of Alcoa Inc 2010 - 2011.	Mrs Pran is a professional boardmember. Previously she has been in the Private Equity industry for 13 years. As a Partner of Herkules Capital Mrs. Pran was in charge of the following business areas: Finance, Treasury, Investor Relations, Acquisitions and divestments, strategy and Business development, Legal, Compliance and ESG (2004-2016). Prior to Herkules Capital Mrs. Pran was part of the Deals team in PWC (1999-2004).
Member of the Executive Committee of the European Aluminium Association.	Mrs. Pran is currently on the board of ABG Sundal and Collier ASA, B2Holding ASA, Zalaris ASA, Motorgruppen AS, Løvenskiold Fossum AS and Hitec Vision ASA
9	7
	4
1,200	10

Kimberly Lein-Mathisen (1972)
Member of the Board
Shareholders, 2019
General Manager of Microsoft Norge AS since 2016
BS in engineering from the U. of Illinois, and MBA from Harvard Business School.
Kimberly Lein-Mathisen is the General Manager of Microsoft Norway. She is a passionate voice for how technology and diversity can lift Norway. She has 20+ years of experience in Branded Consumer Goods, Pharmaceuticals, Media, and Technology leading across geographies in North America, Europe and Asia. Her roles have included CEO of Lilleborg (Orkla Home & Personal Care); Global VP & Alliance Leader, Eli Lilly; General Manager, Germany and Norway, Eli Lilly; Co-Founder Appear Networks; and Production Leader, Procter & Gamble. Kimberly has extensive board experience including Abelia, NHST (parent of Dagens Næringsliv), Meda AB, Borregaard, and Kappa Bioscience.
7
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Board of Directors 2019

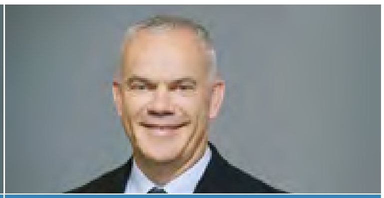
	Geir O. Sundbø (1963)	Rune Bratteberg (1960)
Position	Member of the Board Member of the HR Committee	Member of the Board Member of the Audit Committee
Elected by/year	Employees, 2010	Employees, 2012
Position	Corporate employee representative of Yara International Chairman of European Works Council (EWC) of Yara International	Head of Chemical Compliance
Education	Skilled Chemical Process operator.	Degree in Information Technology Degree in Nordic Languages and History.
Experience	Mr. Sundbø has been a Yara (Hydro) employee since 1987 He has been actively engaged in union matters since 1989	Mr. Bratteberg has been a Yara (Hydro) employee since 1986. He has held different IT and HESQ leadership positions within Hydro and Yara, from 2001 to 2009 as CIO. Bratteberg has been a member of the Chemical Industry Advisory Board to SAP AG 2004-2009, and Chairman of the Board at the Scandinavian School of Brussels 2009-2011.
Other assignments		
Board meetings attendance	8	11
HR Committee attendance	5	
Audit Committee attendance		7
Shares owned at year-end 2019	298	326

	Kari-Marie Nøstberg (1960)	Eva Safrine Aspvik (1972)
Position	Member of the Board	Member of the board
Elected by/year	Employees, 2019	Employees, 2019
Position	Precious Metal Pool Manager in Yara	Union representative Yara Glomfjord
Education	Ms. Nøstberg is a Business economist and structural engineer, and holds a degree in Management, Logistics and Operations Management in addition.	Skilled chemical process operator
Experience	Ms. Nøstberg has been a Yara (Hydro) employee since 1992, currently in the position of Precious Metal Pool Manager, Yara Catalyst. She has held different positions in Yara Porsgrunn related to purchasing and logistics. And as building engineer in Hydro Rjukan and Statens vegvesen in Telemark. She has been engaged in union matters in Yara since 2010 and has been deputy as employee representative in Member of the Board of Yara International since 2016. She has been member of the Board in Porsgrunn Bamble Borgestad Boligbyggelag 2013-2017.	Aspvik has been a Yara employee since 2002. She has been actively engaged in union matters at the Glomfjord plant since 2010.
Other assignments		
Board meetings attendance	3	6
HR Committee attendance		
Audit Committee attendance		
Shares owned at year-end 2019	447	531

Executive Management 2019



	Svein Tore Holsether (1972)	Lars Røsæg (1982)	Tove Andersen (1970)
Position:	President and Chief Executive Officer	EVP, Chief Financial Officer	EVP, Production
Year of appointment:	2015	2018	2018
Employed:	2015	2017	1997
Education:	BSc degree, specializing in Finance & Management from the University of Utah, USA.	He holds a degree ("Siviløkonom") from the Norwegian School of Economics (NHH), a four-year programme in economics and business administration.	Master's degree in Business Administration from BI Norwegian Business School and a Master's degree in physics and mathematics from the Norwegian University of Science and Technology (NTNU).
Experience:	Previously Mr. Holsether held the position as President and CEO of Sapa AS. Prior to this he was EVP M&A Orkla 2010-2011, Business Area President Sapa Asia & Middle East 2010, CFO Sapa AB 2007-2010, CFO Orkla Specialty Materials 2006-2007, CFO Elkem ASA 2005-2006, CFO Elkem ASA North American Division 2003-2005, and various positions within the Elkem group including Vice President Group Control, Group Controller, Group Financial Analyst 1997-2003.	Mr. Røsæg has served as Chief Financial Officer since November 2018. Lars Røsæg joined Yara in 2017, and has since March 2018 held the position of Vice President Global JVs & CEO Office. He has broad experience from senior finance and strategy positions at Sapa (2012-2017) and Orkla (2005-2012).	Mrs. Andersen has previously held several positions in the company. She was Executive Vice President Supply Chain 2016-2018 and VP Supply Chain Europe 2014-2016. She has also served as VP Marketing and New Business 2011-2013, Country Manager Yara UK/ Ireland 2006-2011, Director Specialities and Retail Marketing 2005-2006, Director Business Development and Alliances 2003-2005, Manager, Business Development, Finance and Analysis Hydro Agri 2000-2003, Business Facilitator 1999-2000. She was employed by Hydro in 1997 as a trainee.
Shares owned at year-end 2019:	34,613	3,442	7,862

	Kristine Ryssdal (1960)	Lair Hanzen (1967)
Position:	EVP, General Counsel	EVP, Yara Brazil
Year of appointment:	2016	2016
Employed:	2016	1996
Education:	Master of Laws degree from the London School of Economics, in addition to a Law degree from the University of Oslo.	MBA in International Business from the Argentinial Belgrano University and a MBA in Strategic Business Administration from the Brazilian Lutheran University (ULBRA).
Experience:	Before joining Yara, Mrs Ryssdal held the position of Vice President Legal at Statoil 2012-2016. Prior to this, Ryssdal was Senior Vice President and Chief Legal Officer of Renewable Energy Corporation ASA 2008-2012, Senior Advisor Commercial & Legal Affairs at Norsk Hydro / Statoil Hydro 2006-2008, Legal Counsel at Norsk Hydro 1998-2006, and Attorney at the Attorney General's office 1987-1998.	Mr. Hanzen has held several positions in the company. He was Manager Downstream/ President Yara Brazil 2013-2016, Chief Financial Officer Upstream 2009-2013, VP and President Yara Brazil 2006-2009, Chief Financial Officer Yara Brazil 2000-2006, Chief Financial Officer Yara Argentina 1996-2000. Prior to joining Yara through the acquisition of Adubos Trevo, Lair held several management positions in fertilizer companies and other sectors.
Shares owned at year-end 2019:	5,795	16,081



Terje Knutsen (1962)	Pablo Barrera Lopez (1985)	Lene Trollnes (1968)
EVP, Sales & Marketing	EVP, Strategy and Supply Chain	EVP, People & Global Functions
2019	2018	2016
1987	2014	2016
Master's degree (Siviløkonom) from the Norwegian School of Economics (NHH) in Bergen, Norway.	Master´s degree in Finance from the Norwegian School of Economics and Business Administration (NHH).	Bachelor's degree in Management Sciences and a Master's degree in Organizational Psychology from the University of Manchester Institute of Science & Technology.
His previous positions in the company include EVP Crop Nutrition 2015-18, Business Unit Manager North and East Europe 2012- 15, Business Unit Manager Asia 2006-12, VP Downstream Marketing 2005-06, VP Yara Specialties 2001-05, VP and Country Manager Spain and Portugal 1998- 2001. In addition, he has held a number of financial controller, commercial and management positions since joining the company in 1987 as a trainee.	Mr. Barrera has served as Executive Vice President Supply Chain since April 2018. His previous positions in the company include: Country Manager Yara Chile 2017-2018, Head of Corporate Strategy in Strategy & Business Development 2015-2016, Manager Strategy in Strategy & Business Development 2014-2015. Prior to joining Yara, Mr. Barrera worked at The Boston Consulting Group between 2009-2014.	Before joining Yara, Mrs Trollnes held the position of EVP HR & Integration at Sapa 2013-2016. Prior to this she led the integration between Sapa and Hydro (2012-2013), and held several HR and management positions at Norsk Hydro between 1992-2013, including Senior VP HR, HSE & CSR Hydro Primary Metal 2010-2013, Senior VP HR & Organization HSE & CSR Hydro Extruded Products 2008-2010, and Senior VP HR & Organization Hydro Aluminum Products 2006-2008.
9,531	3,337	12,861

* Management presentations reflect Yara's Executive Management per 18 March 2020

Directors' Report >

Improved margins and cash flow

Yara delivered improved margins and cash flow in 2019, with earnings before interest, tax and depreciation (EBITDA) up 38% from a year earlier. Capital returns also improved, but Yara remains focused on further strengthening its financial returns through internal improvements and prudent capital allocation. Yara's safety incident rate remained at a low and industry-leading 1.4 total recordable injuries (TRI) per 1 million working hours.

Yara's return on invested capital (ROIC) is at 6.6%, up from 3.8% in 2018. Margins improved compared with 2018, mainly reflecting lower European gas cost and improved product mix. Total deliveries were 38 million tonnes, down 1.5% from 2018 mainly reflecting reduced deliveries of low-margin blended fertilizers in Brazil.

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

Performance overview

Operational performance

Yara's Safe by Choice initiative, which started in 2013, has driven improved safety performance, with a TRI rate of 1.4 per million hours worked in 2019, in line with 2018 and down from 1.8 in 2017.

Full-year 2019 ammonia and finished product production was up 2% and 1% respectively compared with 2018. For ammonia, the increase is mostly driven by the Freeport plant in Texas that started up May 2018.

Deliveries were down 1.5% mainly due to reduced deliveries of low-margin blended fertilizers in Brazil.

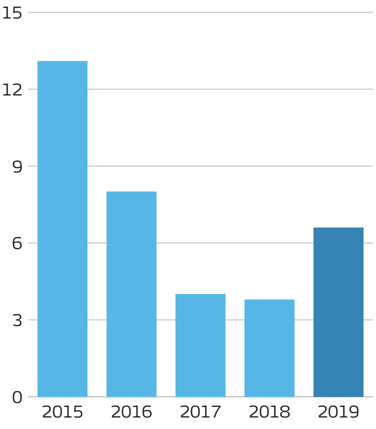
Margins improved in 2019 compared with 2018, mainly driven by lower gas prices, better product mix and improved commercial margins for premium products.

Operating segments

The Sales & Marketing segment saw a 3% decrease in fertilizer deliveries, while the New Business segment saw

ROIC [1)]

Percent, 12 month rolling average



4% higher deliveries. The Production segment delivered a 2% increase in ammonia production and a 1% increase in finished fertilizer production.

Financial performance

Market conditions

Demand for fertilizer and industrial nitrogen products was healthy overall in 2019, but urea prices remained supply-driven, as consumption growth was met with increased exports mainly from China. Urea prices fell overall compared with 2018, mainly reflecting lower production cost and a weaker currency in China. Chinese urea exports totaled 4.9 million tonnes for the year, up from 2.5 million tonnes in 2018.

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

Consolidated results

Yara had a net income after non-controlling interests of USD 599 million, a 277% increase from 2018, mainly reflecting improved margins and lower currency losses compared to 2018. Earnings per share were USD 2.2 in 2019 compared with NOK 0.58 in 2018. Operating income was USD 989 million, up from USD 402 million in 2018, while EBITDA was USD 2,095 million compared with USD 1,523 million in 2018. Revenue was USD 12,936 million in 2019, down from 13,054 million in 2018.

Cash flow and financial position

Net cash from operating activities was USD 1,907 million compared with USD 756 million in 2018, with higher operating income and lower operating capital being the main contributors. Net cash used for investing activities in 2019 was USD 1,044 million, reflecting planned maintenance and productivity investments in addition to growth projects.

Yara's financial position improved in 2019, with a debt/equity ratio of 0.42 at year-end compared with 0.43 at the end of 2018 after completing a buyback of 0.5% in the fourth quarter, reflecting higher cash flow from operation combined with less capital expenditures.

Net interest-bearing debt was USD 3,725 million at year end, while total assets were USD 16,725 million. Total equity attributable to shareholders of the parent company as of 31 December 2019 amounted to USD 8,830 million. At the end of 2019 Yara had USD 300 million in cash and cash equivalents, and USD 2,090 million in undrawn committed bank facilities. We consider the company's cash and financial position to be strong.

In the opinion of the Board of Directors, the consolidated financial statements provide a true and fair view of the group's financial performance during 2019 and financial position on 31 December 2019. According to section 3–3 of the Norwegian Accounting Act, we confirm that the consolidated financial statements and the financial statements of the parent company have been prepared based on the going concern assumption, and that it is appropriate to make that assumption.

Operating segments

The Sales & Marketing segment delivered an EBITDA of USD 743 million and a ROIC of 15.2% in 2019, compared with an EBITDA of USD 613 million and a ROIC of 14.4% in 2018 (restated according to new segment structure). EBITDA and ROIC increased mainly due to improved commercial margins and lower fixed costs.

The New Business segment delivered an EBITDA of USD 190 million and a ROIC of 40.2% in 2019, compared with an EBITDA of USD 115 million and a ROIC of 32.9% in 2018 (restated according to new segment structure). The EBITDA and ROIC improvement was mainly driven by improved results within the Maritime and AdBlue businesses.

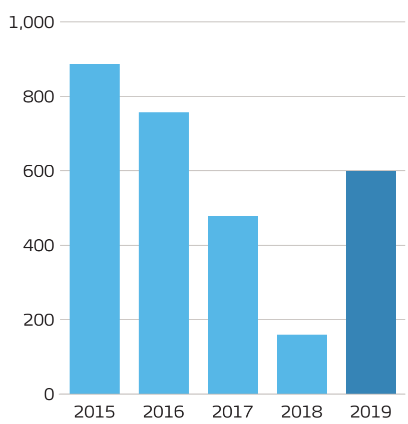
The Production segment delivered an EBITDA of USD 1,140 million and a ROIC of 3.1% in 2019, compared with an EBITDA of USD 856 million and a ROIC of 0.6% in 2018 (restated according to new segment structure). EBITDA and ROIC increased mainly due to higher nitrogen upgrading margins.

New Accounting Standards

Yara adopted IFRS 16 Leases for reporting periods beginning on and after 1 January 2019. The new standard represents a significant change in Yara's accounting for leases as a lessee. For each contract that meets the lease definition in the standard, IFRS 16 requires Yara 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

Net income after non-controlling interests

USD millions



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. As of 31 December 2019, right-of-use assets amounts to USD 428 million and lease liabilities amounts to USD 435 million. The effect on EBITDA is positive with USD 118 million. Please see note 4.5 Leases in the consolidated financial statements for more information.

Yara International ASA

The parent company Yara International ASA is a holding company, with financial activities and with corporate functions. Yara International ASA had a net income of NOK 1,138 million negative in 2019, down from NOK 2,605 million positive in 2018, after dividends and group relief from subsidiaries of NOK 900 million (NOK 4,500 million in 2018). The net foreign currency translation loss was NOK 613 million compared with a loss of NOK 875 million in 2018.

Environmental Performance

In 2019, Yara established a corporate scorecard which was presented at the Capital Markets Day. Here, environmental performance was embedded as part of how we measure progress in strategy implementation.

The indicators are carbon intensity for our products and sales of premium products, which support reduced nutrient losses from the field. Our GHG emissions intensity will be reduced by more than 10% from 2018 to 2025.

An investment plan of USD 200-450 million is being developed to profitably improve energy efficiency and further improve the effectiveness of catalyst systems. investments were being planned, and performance was at the same level as 2018, which is mainly explained by the investment plan not yet being executed.

Improved nitrogen use efficiency has also been identified by Yara as an opportunity to improve on a major environmental externality. Globally, about half the nitrogen supplied to farmers' fields is not absorbed by the crops. Yara's range of premium products performs better, and Yara has set a KPI of increasing sales of such products.

Yara reports with full transparency on environmental indicators. The most material performance indicators cover emissions to air, energy and greenhouse gases and raw materials consumption as well as environmental provisions. These are found on pages 20-31, while a full disclosure including descriptions of management systems is available in the separate GRI Sustainability report issued by Yara's management, which is available on the yara.com annual report section.

Social Performance

As part of Yara's strategy update, several performance indicators and goals where defined and disclosed at the 2019 Capital Markets Day. In the social performance area, KPIs have been determined for diversity, employee engagement, total recordable injuries (TRI) rate and also an outcome goal on number of people we help feed.

Driving equality and diversity through an engaged and respected workforce is a key enabler to deliver on the overall strategy. We have set a goal of improving on an already high employee engagement index to >80% in 2025. In 2020 we set a goal of having 20% female top managers, with a further improvement to 25% or more in 2025.

At year-end 2019, Yara had 20% female top managers, while the employee engagement index was registered at 75%.

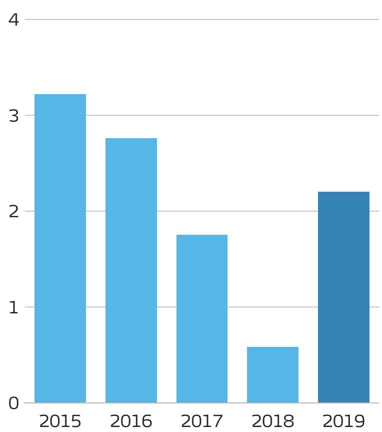
Yara is committed to paying employees fairly, regardless of any individual characteristics. A 2017 comprehensive analysis identified a gender pay gap in Yara ranging from 2.1% in Norway to 16% in Colombia.

From 2019 a proxy measure of the gender equal pay gap has been implemented to follow up the development on a monthly basis. The proxy calculation of the proxy measure is simplified compared to the analysis made in 2017. It calculates the average difference of base salary between men and women corrected for the two factors responsibility in position and documented performance.

Following the 2019 annual salary adjustments, the overall gender pay gap proxy was at 5.5%. An extraordinary salary review was run in December 2019 to further close the gap. As a result, the global gender pay gap has been reduced to 4.9%.

Earnings per share

USD



Safety remains a main priority in Yara. Yara's TRI rate was 1.4 in 2019, which is the same as in 2018. Yara believes every injury is preventable, and we strive towards zero injuries with no fatalities and a TRI of less than 1.2 in 2025.

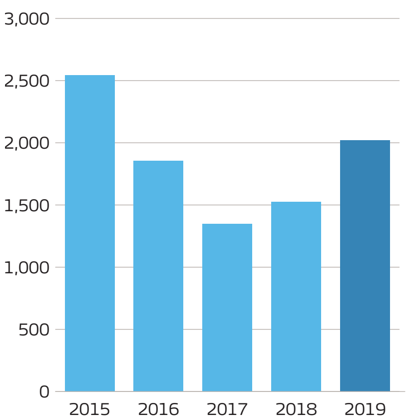
Yara's sick leave rate was 3.2% in 2019, compared to 3.4% in 2018.

The outcome of our crop nutrient deliveries is increased farm productivity, helping reduce the economic drivers for deforestation and helping to feed a growing global population. Yara's goal is to grow our deliveries and thereby help feed more people. In 2019, our deliveries helped feed 241 million people, compared to 242 million people in 2018. In 2025, our goal is to help feed 275 million people.

The most material social performance indicators; Number of people fed, employee turnover, grievances from local communities, non-compliance and ethics training; are disclosed at pages 32-33. Here, human rights management is also presented. A full account for the social dimension is available in the separate GRI report, issued by Yara's management.

EBITDA

USD millions



The Company

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

Yara's business activities are carried out within three operational segments; Production, Sales & Marketing and New Business.

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

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

The New Business segment develops and markets environmental solutions and essential products for industrial applications, leveraging Yara's global distribution network to offer reliable deliveries of safe and cost-efficient solutions worldwide.

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. The announced evaluation of an IPO of the industrial nitrogen businesses would be based on its robust growth story over many years. At the same time Yara would be able to build a stronger and more focused Crop Nutrition company. The IPO / spin-off evaluation and scope assessment is expected to be completed by mid-2020.

Yara sees the following four strengths as key to its competitive edge:

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

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

- **Responsible business**
  Yara's commitment to upholding the highest standards of safety, business ethics, and social and environmental responsibility gives employees, customers, partners and regulators a reason to believe in us. Our mission guides us to continually review and analyze how operations impact societal and environmental change.

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

Strategy

In 2018, we analyzed where we create the most value, where we are most challenged, and the global trends that will shape our industry in the long-term. This led to our new corporate strategy, which will guide our growth for the years to come.

At the Capital Markets Day in 2019, we further detailed how we will deliver upon the strategy. Our strategic ambition is to be the Crop Nutrition Company for the Future, a strategy which also enables delivering on the company Mission, Vision and Values.

Value Growth

Based on megatrends and our analysis of how and where we create value, the strategy implies a shift from volume growth to value growth. While global scale remains a strategic strength and increased volumes is a target, we will measure success as added value.

Several megatrends points towards stronger demand for more precise and efficient use of crop nutrients, rather than commodity driven volume growth. Our approach focuses on solutions, meaning that we combine our crop nutrition, knowledge and services in complete offerings.

Megatrends

The global environment is rapidly evolving, and we have identified seven megatrends which impacts our business, and which may constitute risks or opportunities.

In our main market, the agricultural sector, three biophysical trends will create increasing dynamics which must be addressed: Climate change, water stress and soil degradation. These trends can influence the demand side for fertilizers, driving shifts in agricultural production.

Our global positioning is a natural hedge against downside risks.

Yara is also positioned to gain advantages in the market by providing solutions, including reducing carbon footprints, water solutions and balanced crop nutrition programs.

Four socioeconomic megatrends will also drive developments in our markets: Food Industry Integration, Dietary Shifts, Circular Economy and Digitalization. These are megatrends where Yara has a strong position through our global reach and advanced knowledge.

Material Aspects

In addition to the megatrends, there are also key value drivers which influence Yara's profitability. The main ones are Nitrogen fertilizer prices, Natural gas prices, Availability of raw materials, Food prices and Regulatory developments.

We recognize our internal capacities as materially important for our ability to create sustainable value over time:

Increased production reliability will improve our costs and energy efficiency; our infrastructure and logistics enable flexibility and seasonal arbitrage; our global scale and presence drives our economy of scale and market reach; human capital represents Yara's unique knowledge which differentiates the company; our knowledge margin is the result of systematically aggregating our human capital and long standing history; and the Yara Brand represents our values and company personality.

Our license to operate is key for continued operations and builds on four main topics: Ethics and compliance; environmental performance; health and safety; and product stewardship.

Value creation narrative

Our value creation is based on an extensive product portfolio, global positioning and unique knowledge, enabling our crop nutrition solutions. We produce a comprehensive range of nitrogen-based fertilizers and industrial products from plants and mines in Europe, Australia, Asia and North and South America.

Our global distribution network enables consistent and reliable deliveries to customers worldwide. Through deeper engagement in the food value chain, we will enhance our ability to meet farmers' and food industry needs, including the delivery of higher quality and yields, improved nutrient use efficiency and lower environmental impacts.

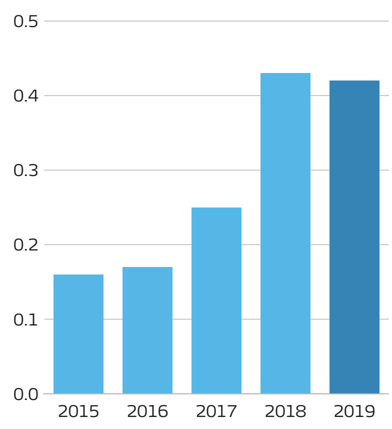
As part of our strategy, we increasingly engage in the agriculture and food value chain to explore growth opportunities arising from digital solutions, circular economy and other trends. Based on our knowledge, global positioning and portfolio of products and solutions, we create value based on improved performance on yield, quality and sustainability.

Strategic Priorities

In order to deliver on the strategy, three strategic priorities have been

Debt/equity ratio

Percent



defined: Advance operational excellence, Create scalable solutions and Drive innovative growth.

Operational excellence involves continuously working to improve our operations to unlock the full value of our growth investments, lift productivity, and reduce emissions and costs.

Scalable solutions imply developing our offering, provide leading solutions ahead of competition and create value from our agronomic and industrial knowledge, including through working in partnerships.

Innovative growth is about seeking profitable growth opportunities to leverage our global scale, realize synergies and take a lead in developing new technologies and solutions. This also covers a strategic approach to M&As, a focus on regional developments and innovation including digital solutions.

Across the three priority areas, a number of key actions have been developed as well as a company scorecard. This gives clarity on how the strategy will be executed and how we measure our degree of success. The specific KPIs, goals and details on performance are found in the performance review section, pages 29-39.

Strategy implementation

In 2019 Yara prioritized several steps to deliver on its strategy to become The Crop Nutrition Company for the Future.

Yara launched an extended improvement program at its Capital Markets day on 26 June 2019. As part of this, Yara moved to reporting operational metrics on a rolling 12-month basis, to better reflect underlying performance and focus on operational excellence.

Innovation is key to deliver on our strategy, and in 2019 Circular Economy and Decarbonize departments were embedded into Sales and Marketing and Production segments correspondingly. Yara further developed these activities by entering into collaboration agreements with Veolia on recycling of nutrients, Lantmännen on fossil free food chain and Engie and Nel on hydrogen-based fertilizer production.

In 2019 Yara scaled up Digital Farming, reaching more than 10.4 million ha farmland under management and more than 750 thousand Farmweather users. Other Crop Nutrition focused activities in 2019 included increasing sales of crop solutions generated through food companies and continuous focus on growing share of our premium portfolio, including YaraVita.

Stakeholders and Commitments

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

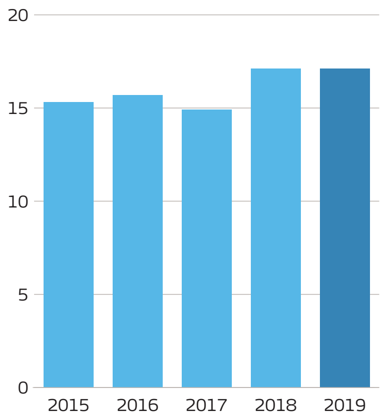
We support the United Nations Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, the International Bill of Human Rights, the core conventions of the International Labor Organization (ILO), UN's Women Empowerment Principles and the UN's LGBTI Standards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

Yara maintains ongoing multi-stakeholder dialogues on international arenas: in 2019, Yara was actively involved at WEF's Annual Meeting in Davos, at its International Business Council in Geneva and at WEF's Sustainable Development Impact Summit in New York, alongside the UN's COP on Climate Change. Yara is a member of the World Business Council for Sustainable Development (WBCSD), with a specific project focus on Climate Smart Agriculture, Natural Climate Solutions, Food Reform for Sustainability and Health, as well as the Vision 2050 Refresh initiative, for which Yara hosted a CEO Roundtable discussion in Oslo to define what it will take to advance sustainable development over the next decade. Svein Tore Holsether, CEO and President of Yara is a member of WBCSD's Executive Committee, as well as the Chair of WBCSD's Food and Nature Board. In 2019, Yara has also become an active member of the Business for Nature Coalition, advocating a series of policy improvements to support businesses to reduce climate and environmental impacts. Yara is member of industry associations including the International Fertilizer Association.

Locally and regionally, Yara engages with our relevant stakeholders in a systematic way. Connecting with farmers, the main users of our products, is a core part of Yara's strategy and business model. Both through open meetings, surveys and customer relations we build our understanding of farmers' needs, which are as diverse as the farmer constituency is.

GHG emissions

Million tonnes of CO_2 equivalents



*) CO_2 from own electricity generation included from 2018 onwards; Babrala and Cubatão included 2018 onwards

We engage in policy processes to share our knowledge about production processes and balanced crop nutrition. Being part of industry associations and communities of practice, such as The Fertilizer Society, brings us further insights.

Through our Investor Relations function, we are committed to serving all our shareholders and potential investors by providing consistent, open and prompt disclosure of relevant information.

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

We build on our company infrastructure with 28 production sites, 200 infrastructure points across the world and 10,800 branded retail stores. These assets provide an unmatched global scale and flexibility, enabling us to align our deliveries with crop cycles and market demand, and to deliver consistently and on time.

The human capital and knowledge network enable Yara to deliver tailored solutions according to specific crops and growing conditions, leveraging our premium portfolio which achieves higher margins and adds value for farmers.

The human capital and knowledge assets are being further developed through employee engagement and R&D activities. In 2019, the R&D activities were organized as part of the segments' activities. The main focus areas are reliability and efficiency in production systems, catalyst technology, agronomy and technology development including digital solutions.

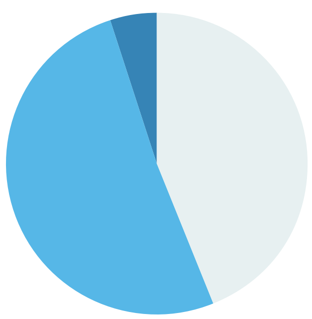
We have a strong track record on financial performance with high credit rating, delivering competitive shareholder returns through a clear capital allocation policy.

The Yara Brand represents a strong asset, with global recognition. The Viking ship logo is associated with quality and reliability, which enables us to build trust and partner with farmers, food industry companies, academia and others in order to create forward thrust in strategy execution.

The basis of the production system is raw materials which are employed and upgraded. Our main input is natural gas which is used to produce ammonia, the starting point of all nitrogen fertilizers. We both source and mine phosphorous, and we procure potash, both being used for complex or blended NPK fertilizers.

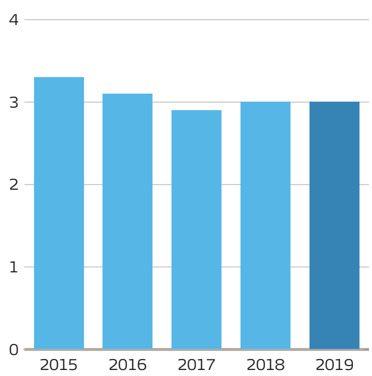
GHG emissions avoided

Percent



Carbon intensity

Tonnes CO_2e / tonnes N



1) 2018 onwards, direct emissions from own generation of electricity has been included.
2) Due to re-classification of products, there may be minor differences in comparability before/after 2017

Governance and Risk

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

Sustainability governance
The environmental and social dimensions of sustainability are governed through Yara's steering system and defined in our HESQ Policy and Code of Conduct, both signed by our CEO and President.

Yara's ultimate ambition of zero injuries is anchored in our Health, Environment, Safety and Quality (HESQ) Policy. Health and safety are always top priorities, and we continue to set challenging KPIs for personnel and process safety. Our focus is on actions that will further develop the safety culture at Yara with the aim to reduce exposure to hazards through safety leadership and greater responsibility for oneself and others.

The HESQ Policy is maintained by the Corporate HESQ function, which oversees performance on health, safety, quality, security and environment. Yara's production system is undergoing ISO certification, implementing ISO 9001, 14001, 50001 and OHSAS 18001.

In addition, Yara implements the voluntary Product Stewardship standards from Fertilizer Europe and the International Fertilizer Association, safeguarding quality control and responsible conduct from sourcing through production and transport to product delivery.

The Head of Corporate HESQ reports to EVP People and Global Functions, presents reports to the full Board of Directors and Board's Audit Committee at least once per year and has organizational responsibility for ensuring that appropriate health, safety and security governance is in place over the whole of the company.

Within this framework, Yara's plants and units maintain close control of their own health and safety performance, local employee involvement, compliance with national legislation, and adherence to Yara's high technical and operational requirements.

The Ethics & Compliance function maintains and implements the Code of Conduct through an extensive Compliance Program. The Code of Conduct includes our anti-corruption policies and states a clear commitment to respecting internationally recognized human rights throughout our own operations, as well as in our supply chain.

All new employees must undertake an Ethics & Compliance e-learning course within three months after enrolling in Yara. Additional training for managers and others is targeted according to risk assessments, and safeguards includes an anonymous whistle-blowing function.

A human rights assessment has been performed, and a deeper analysis of prioritized areas according to risk is being rolled out. Findings from the impact assessments performed in India, the Philippines and Colombia in 2019 show that contracted labor performing services for Yara are at risk of negative human rights impacts, especially where manual labor is combined with heat exposure.

Specific concerns relate to manual labor in hot working conditions, piece rate pay, living wage, working terms & conditions, freedom of association, grievance channels and right to remedy. The mitigating actions remain a local management responsibility, while the Ethics and Compliance department monitors implementation and reports on progress.

Yara's Ethics and Compliance Department plays a key role in the management of all risks related to corruption, fraud, human rights and business partner integrity. Ethics training of employees is among the KPIs followed by Yara's Board of Directors. The Chief Compliance Officer reports administratively to Yara's General Counsel, twice annually to the Board of Directors, the Audit Committee quarterly and to the CEO monthly (or on an ad hoc basis, as necessary) on matters relating to ethics and compliance, including human rights and corruption.

Yara has a Compliance Committee, which is chaired by the CEO and attended by the members of Yara's Executive Management. The Compliance Committee meets quarterly and acts as a focal point for matters related to ethics and compliance.

Country by country reporting

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

Sustainability performance and governance is anchored with the CFO in Yara Finance. This function oversees sustainability reporting and benchmarking, as well as implementation of external standards according to relevance and prioritization. For 2020, internalizing the recommendations of the Task Force of Climate Related Financial Disclosures (TCFD) will be progressed.

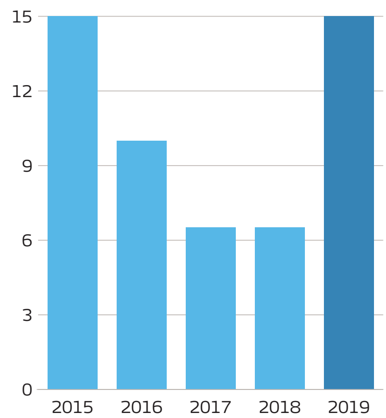
Corporate governance

Principles and practice

The Board of Directors and Executive Management of Yara International ASA review the company's corporate governance annually and report on the company's corporate governance

Dividends

NOK per share [1]



1) 2019 proposal subjec to AGM approval

in accordance with the Norwegian Accounting Act § 3-3b and the Norwegian Code of Practice for Corporate Governance (the "Code"), most recently updated 17 October 2018. The Code contains stricter requirements than mandated by Norwegian law. The Board of Directors' Corporate Governance Report is included in page 54-71 in this Annual Report and forms part of the Report of the Board of Directors.
» See corporate governance / page 54

Board and Management

Yara's Board of Directors held 11 meetings in 2019. The Board consists of seven shareholder-elected members and four employee-elected members. Three of the eight Board members are women.

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

The following changes were made to Yara's Board of Directors in 2019:

- Shareholder-elected Board members Kimberley Lein-Mathisen, Adele Norman Pran and Håkon Reistad Fure and employee-elected Board member Eva Safrine Aspvik were elected as new board members
- Employee-elected Board member Kjersti Aas was replaced by Kari Nøstberg

The following changes were made to Yara's Executive Management structure in 2019:

- EVP New Business Yves Bonte took up the role as CEO New Business, reporting to an internal board of directors chaired by Yara's President & CEO, and consequently ceased being a member of the Yara Corporate Management Team.
- Pablo Barrera Lopez assumed responsibility for Strategy & Business Development in addition to his existing role as EVP Supply Chain
- EVP Strategy & Business Development Terje M. Tollefsen took up the position of Newco IPO Lead / SVP Strategy & Business Development.

Risk management

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

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

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

Principal risks

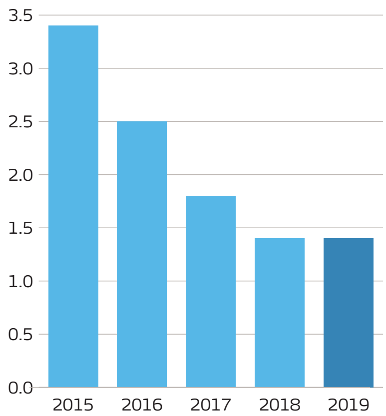
Several global trends such as population growth, resource scarcity and climate change, can be expected to affect Yara's business. At the same time, these challenges offer a range of business opportunities where Yara is well positioned to develop and offer products and solutions that meet new market demands.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

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

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

TRI rate

Total Recordable Injuries per million working hours for employees and contractors



The Board oversees the risk management process and carries out biannual reviews of the company's most important areas of exposure and internal control processes. Reference is made to page 43-53 in this Annual Report for a more comprehensive description of Yara's risk management.

Future prospects

Market prospects

Market developments

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

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

Following a modest production deficit for the 2018/19 season, the US Department of Agriculture projects a two-day reduction in the global stocks-to-use ratio, as production is forecast to again fall short of consumption. The global farm margin outlook and incentives for fertilizer application remain supportive overall, and the price trend for food has been positive during 2018.

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

Global nitrogen markets remained supply-driven during 2019, as consumption growth was met with increased exports mainly from China. For 2020, Chinese urea prices continue to be a key reference point for global nitrogen pricing, since capacity increases outside China are forecast to be below historical trend consumption growth rates, implying that demand for Chinese exports may increase going forward.

Company prospects

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

Capital management

Yara'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. Yara's improving cash flow from strategy execution, a robust outlook and increased hurdle rate for new investments may lead to increased dividend capacity going forward.

Investment intentions

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

Yara expects to invest approximately USD 1.2 billion during 2020 based on its current committed maintenance and improvement plans and announced growth investments. Yara has committed USD 600 million of growth and improvement investments in 2020, primarily for two projects in Brazil:

- The Salitre greenfield phosphate mining and processing, scheduled for completion second half 2021
- An expansion and modernization of the Rio Grande fertilizer production and blending operations scheduled for completion at the end of 2020
- Approximately USD 200 million is allocated for productivity and efficiency improvement projects in Yara's production plants

Dividends and buy-backs

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

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

COVID-19 crisis

After the closure of the 2019 accounting, the COVID-19 crisis has emerged and become global. Yara has set up a Crisis Response Team reporting directly to the CEO. The company priorities are firstly, to safeguard our employees, contractors, partners, neighbors and society at large. Secondly, to be a responsible company and behave according to government guidelines. And thirdly, to keep our operations running, to help support continued food supply, as well as supply of other essential products to society – also in times of crisis. Yara is at the time of its annual report publication experiencing limited operational impact from COVID-19, but the situation is dynamic and could change quickly, in particular with regard to operational staff and logistical challenges. Yara has a strong focus on maintaining sufficient financial capacity to responsibly mitigate the situation and will closely monitor the situation in the coming weeks and months.

The Board of Directors of Yara International ASA
Oslo, 17 March 2020

Geir Isaksen
Chairperson

Trond Berger
Board member

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

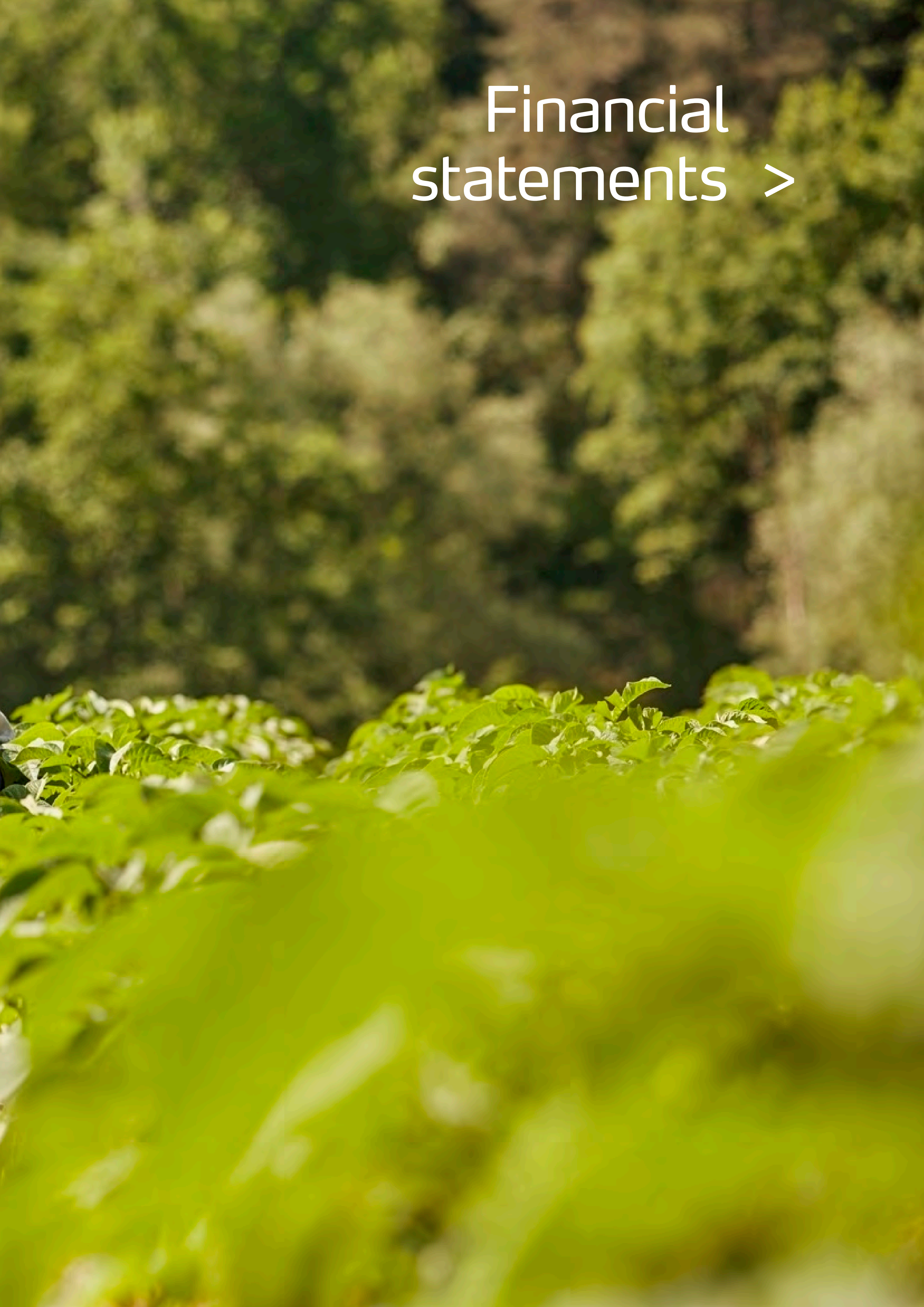
Eva Safrine Aspvik
Board member

Rune Bratteberg
Board member

Geir O. Sundbø
Board member

Svein Tore Holsether
President and CEO

Financial statements >



Financial statements

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

Consolidated statement of income

USD millions, except share information	Notes	2019	2018
Revenue from contracts with customers	2.1, 2.3	12,858	12,928
Other income	2.2	78	126
Revenue and other income		12,936	13,054
Raw materials, energy costs and freight expenses	2.4	(9,317)	(10,096)
Change in inventories of own products		(17)	144
Payroll and related costs	2.5	(1,180)	(1,207)
Depreciation and amortization	4.1, 4.2, 4.5	(922)	(807)
Impairment loss	4.7	(43)	(150)
Expected and realized credit loss on trade receivables	3.2	(7)	(13)
Other operating expenses	2.6	(460)	(523)
Operating costs and expenses		(11,946)	(12,652)
Operating income		989	402
Share of net income in equity-accounted investees	4.3	65	82
Interest income and other financial income	2.7	76	81
Foreign currency translation gain/(loss)	2.7, 6.1	(145)	(278)
Interest expense and other financial items	2.7	(182)	(153)
Income before tax		803	134
Income tax expense	2.8	(214)	6
Net income		589	141
Net income attributable to			
Shareholders of the parent		599	159
Non-controlling interests	5.2	(10)	(19)
Net income		589	141
Basic earnings per share [1)]		2.20	0.58
Weighted average number of shares outstanding [2)]	5.1	272,319,232	273,169,994

1) Yara currently has no share-based compensation that results in a dilutive effect on earnings per share.
2) Weighted average number of shares outstanding was reduced in 4th quarter 2019 due to share buy-back program.

Consolidated statement of comprehensive income

USD millions	Notes	2019	2018
Net income		589	141
Other comprehensive income that may be reclassified to statement of income in subsequent periods (net of tax)			
Currency translation adjustments		30	(222)
Hedge of net investments	2.8, 6.2	(9)	(41)
Net other comprehensive income that may be reclassified to statement of income in subsequent periods, net of tax		20	(263)
Other comprehensive income that will not be reclassified to statement of income in subsequent periods (net of tax)			
Currency translation adjustments [1)]		(24)	(126)
Net gain/(loss) on equity instruments at fair value through other comprehensive income	6.3	(2)	(5)
Remeasurement gain/(loss) on defined benefit plans	2.8, 5.4	(9)	(73)
Net other comprehensive income that will not be reclassified to statement of income in subsequent periods, net of tax		(35)	(203)
Total other comprehensive income, net of tax		(14)	(465)
Total comprehensive income, net of tax		576	(325)
Total comprehensive income attributable to			
Shareholders of the parent		585	(278)
Non-controlling interests	5.2	(10)	(47)
Total		576	(325)

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

Consolidated statement of changes in equity

USD millions	Notes	Share Capital [1]	Premium paid-in capital	Currency translation adjust-ments	Equity instruments at FVOCI [2]	Cash flow hedges	Hedge of net invest-ments	Total other reserves	Retained earnings	Attri-butable to share-holders of the parent	Non-controlling interests	Total equity
Balance at 31 December 2017		66	(49)	(1,000)	-	(3)	(159)	(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		-	-	(320)	(5)	1	(41)	(364)	(73)	(437)	(28)	(465)
Transactions with non-controlling interests	5.2	-	-	-	-	-	-	-	(7)	(7)	(6)	(13)
Transfer to retained earnings	6.3	-	-	-	2	-	-	2	(2)	-	-	-
Treasury shares [3]	5.1	-	-	-	-	-	-	-	(33)	(33)	-	(33)
Share capital increase in subsidiary, non-controlling interest	5.2	-	-	-	-	-	-	-	-	-	2	2
Dividends distributed	5.1	-	-	-	-	-	-	-	(219)	(219)	(2)	(221)
Balance at 31 December 2018		66	(49)	(1,319)	(2)	(3)	(199)	(1,523)	10,189	8,683	227	8,910
Net income		-	-	-	-	-	-	-	599	599	(10)	589
Total other comprehensive income, net of tax		-	-	7	(2)	-	(9)	(4)	(9)	(14)	-	(14)
Transactions with non-controlling interests	5.2	-	-	(54)	-	-	-	(54)	(97)	(151)	(137)	(288)
Treasury shares [4]	5.1	-	-	-	-	-	-	-	(83)	(83)	-	(83)
Dividends distributed	5.1	-	-	-	-	-	-	-	(203)	(203)	(2)	(205)
Balance at 31 December 2019		66	(49)	(1,367)	(4)	(2)	(209)	(1,582)	10,395	8,830	79	8,909

1) Par value NOK 1.70.
2) See note 6.3 Financial instruments.
3) As approved by General Meeting 8 May 2018.
4) As approved by General Meeting 7 May 2019.

Consolidated statement of financial position

USD millions	Notes	31 Dec 2019	31 Dec 2018
Assets			
Non-current assets			
Deferred tax assets	1, 2.8	484	407
Intangible assets	1, 4.2	1,031	1,052
Property, plant and equipment	1, 4.1	8,614	8,430
Right-of-use assets	4.5	428	-
Associated companies and joint ventures	4.3	970	1,027
Other non-current assets	4.6	414	420
Total non-current assets		11,940	11,337
Current assets			
Inventories	3.1	2,360	2,568
Trade receivables	3.2	1,564	1,601
Prepaid expenses and other current assets	3.3	553	741
Cash and cash equivalents	3.4	300	202
Non-current assets and disposal group classified as held-for-sale	7.2	9	206
Total current assets		4,785	5,319
Total assets		16,725	16,656

Consolidated statement of financial position

USD millions, except share information	Notes	31 Dec 2019	31 Dec 2018
Equity and liabilities			
Equity			
Share capital reduced for treasury stock	5.1	66	66
Premium paid-in capital		(49)	(49)
Total paid-in capital		17	17
Other reserves		(1,582)	(1,523)
Retained earnings		10,395	10,189
Total equity attributable to shareholders of the parent		8,830	8,683
Non-controlling interests	5.2	79	227
Total equity		8,909	8,910
Non-current liabilities			
Employee benefits	1, 5.4	498	485
Deferred tax liabilities	2.8	416	416
Other long-term liabilities	6.3	247	201
Long-term provisions	5.6	303	238
Long-term interest-bearing debt	5.3	2,698	2,776
Long-term lease liabilities	4.5	337	-
Total non-current liabilities		4,499	4,116
Current liabilities			
Trade and other payables	5.5	1,614	1,835
Prepayments from customers	2.1	399	343
Current tax liabilities	1, 2.8	140	63
Short-term provisions	5.6	72	55
Other short-term liabilities	6.3	101	88
Short-term interest-bearing debt	5.3	494	397
Current portion of long-term debt	5.3	398	824
Short-term lease liabilities	4.5	98	-
Liability associated with non-current assets and disposal group classified as held-for-sale	7.2	-	26
Total current liabilities		3,317	3,630
Total equity and liabilities		16,725	16,656
Number of shares outstanding [1]		271,040,624	272,697,830

1) Number of shares outstanding was reduced in 4th quarter 2019 due to share buy-back program.

The Board of Directors of Yara International ASA
Oslo, 17 March 2020

Geir Isaksen Chairperson	Trond Berger Board member	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

Consolidated statement of cash flows

USD millions	Notes	2019	2018
Operating activities			
Operating Income		989	402
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	4.1, 4.2, 4.5	922	807
Impairment loss	4.7	43	150
Write down inventory and trade receivables		12	11
Income taxes paid		(135)	(110)
Dividend from equity-accounted investees	4.3	166	155
Interest and bank charges received/(paid) 1)		(169)	(158)
(Gain)/loss on disposal	4.1, 4.2	(33)	(13)
Other		(4)	(3)
Working capital changes that provided/(used) cash			
Trade receivables		(5)	(209)
Inventories		171	(468)
Prepaid expenses and other current assets		(21)	(125)
Trade and other payables		(54)	249
Other interest-free liabilities		25	66
Net cash provided by operating activities		1,907	756
Investing activities			
Purchases of property, plant and equipment	4.1	(1,066)	(1,336)
Net cash outflow on business combinations	7.1	-	(648)
Purchases of other long-term investments	4.2	(30)	(58)
Proceeds from sales of property, plant and equipment		13	9
Net cash flow on divested assets		3	-
Proceeds from sales of other long-term investments		37	34
Net cash used in investing activities		(1,044)	(2,000)
Financing activities			
Loan proceeds 2)	5.3	538	1,602
Principal payments 2)	5.3	(920)	(464)
Payments of lease liabilities 3)	4.5	(108)	-
Purchase of treasury shares	5.1	(65)	(21)
Dividend	5.1	(203)	(219)
Net cash transfers from/(to) non-controlling interest	5.2	(1)	-
Net cash provided by financing activities		(758)	897
Foreign currency effects on cash and cash equivalents		(7)	5
Net increase/(decrease) in cash and cash equivalents		98	(341)
Cash and cash equivalents at 1 January		202	544
Cash and cash equivalents at 31 December 4)	3.4	301	202
Bank deposits not available for the use of other group companies	3.4	35	52

1) Including interest expenses on lease liabilities.
2) Loan proceeds and principal payments related to short-term borrowings for which maturity is three months or less, are presented net.
3) In 2018, cash flows related to operational leases according to IAS17 were included in "Net cash provided by operating activities".
4) Excluded expected credit loss provisions on bank deposits, which amounts to USD 0.9 million (2018: USD 0.4 million). See note 3.4 for more information.

Basis for preparation

Corporate information

Yara (the Group) consists of Yara International ASA and its subsidiaries. Yara International ASA is a public limited company incorporated in Norway. The Company's registered office is at Drammensveien 131, Oslo, Norway. The principal activities of the Group are described in note 2.3 Segment information, note 4.3 Associated companies and joint ventures, and note 4.4 Joint operations.

The consolidated financial statements consist of the Group and the Group's interests in associated companies and jointly controlled entities. Information on the Group's structure is provided in note 8.4 Composition of the Group. Information on other related party relationships of the Group is provided in note 8.1 Related parties

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) and effective as of 31 December 2019. Yara also provides additional disclosures in accordance with requirements in the Norwegian Accounting Act.

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

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

Materiality judgments

These financial statements aim to provide useful financial information which meet the common information needs of its primary users. Materiality judgments are necessary to meet this objective, and Yara has made such judgments related to recognition, measurement, presentation and disclosures. With reference to the complete set of financial statements, information is considered material if omitting, misstating or obscuring it could reasonably be expected to influence decisions taken by primary users based on the information provided. The materiality judgments are reassessed at each reporting date and updated based on changed facts and Yara specific circumstances.

Basis of consolidation

The consolidated financial statements include Yara International ASA and entities controlled by Yara International ASA (its subsidiaries). Control is achieved when the Group has power over the investee, is exposed to, or has rights to, variable returns from its involvement with the investee, and has the ability to use its power to affect its returns. When the Group has less than a majority of the voting rights of an investee, it has power over the investee if the voting rights in practice are sufficient to unilaterally direct the relevant activities of the investee. The Group re-assesses if it controls an investee when facts and circumstances indicate that there are changes to one or more elements of control.

Consolidation of a subsidiary begins when the Group obtains control and ceases when the Group loses control. This means that income and expenses of subsidiaries acquired or disposed of are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of Yara International ASA and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

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

Profit or losses from transactions with associates and joint ventures are recognized in the Group's consolidated financial statements only to the extent of interest in the associate or joint venture that is not related to the Group.

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

EU Directive 83/349

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

Foreign currency translation

Group companies

The individual financial statements of a subsidiary are prepared in the subsidiary's functional currency. In preparing the consolidated financial statements, the financial statements of foreign operations are translated using the exchange rates at year-end for statement of financial position items and monthly average exchange rates for statement of income items. Translation gains and losses, including effects of exchange rate changes on transactions designated as hedges of net foreign investments, are included in other comprehensive income as a separate component. The translation difference derived from each foreign subsidiary, associated company or jointly controlled entity, is reversed through the statement of income as part of the gain or loss arising from the divestment or liquidation of such a foreign operation.

Transactions and balances

In individual companies, transactions in currencies other than the entity's functional currency are recognized by applying the exchange rate at the date of transaction. Monetary items denominated in foreign currencies are translated using the exchange rate at the balance sheet date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

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

Significant accounting policies

Significant accounting policies are included in the relevant notes to the Consolidated Financial Statements as follows:

Accounting Policies	Note
Revenue recognition	2.1
Dividends received	2.7
Interest income	2.7
Income taxes	2.8
Inventories	3.1
Property, plant and equipment	4.1
Goodwill	4.2
Intangible assets	4.2
Research and development expenditures	4.2
Investments in associates and joint ventures	4.3
Investments in joint operations	4.4
Leases	4.5
Impairment of non-current assets other than goodwill	4.7
Own shares	5.1
Dividends paid	5.1
Employee benefit obligations	5.4
Provisions	5.6
Hedge accounting	6.2
Financial Instruments	6.3
Fair value measurement	6.3
Business combinations	7.1

New and revised accounting standards and interpretations

Adopted

The Group has applied the below amendments to IFRS that are effective for accounting periods beginning on or after 1 January 2019, and which are relevant for Yara. Except for IFRS 16 Leases, Yara has not identified significant impact to the Group's consolidated financial statements as a result of the mentioned amendments.

- IFRS 16 Leases (issued 2016)

  IFRS 16 replaced IAS 17 Leases and related interpretations from its effective date. Please find information on implementation effects in Note 4.5 Leases.

- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (issued 2017)

  The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes.

- Amendments to IFRS 9 Financial Instruments - Prepayment features with negative compensation

  Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes an early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

- Amendments to IAS 19 Employee Benefits

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

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

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

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

Not yet effective

The below amendments to IFRS applicable to Yara have been issued but were not yet effective on the balance sheet date. Yara has at the date of the Board approval of these financial statements, not identified significant impact to Yara's consolidated financial statements as a result of these amendments.

- Amendments to IFRS 3 - Definition of a Business

  Amendments to IFRS 3 are issued to help entities determine whether an acquired set of activities and assets are a business or not. These amendments narrow and clarify the definition of a business, and permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. They are effective for annual periods beginning on or after 1 January 2020 and Yara will prospectively apply them to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the effective date.

- Amendments to IAS 1 and IAS 8 - Definition of Material

  Amendments to IAS 1 and IAS 8 are issued to clarify the definition of material and how it should be applied by (a) including in the definition guidance that until now has featured elsewhere in IFRS standards; (b) improving the explanations accompanying the definition; and (c) ensuring that the definition of material is consistent across all IFRS standards. The amendments are effective for annual periods beginning on or after 1 January 2020 and Yara will apply them prospectively.

- Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform

Effective for annual periods beginning on or after 1 January 2020, amendments to IFRS 9, IAS 39 and IFRS 7 are issued to respond to the effects of the interest rate benchmark reforms on financial reporting. The amendments to IFRS 9 and IAS 39 provide temporary reliefs which enable hedge accounting to continue for affected hedges during the period of uncertainty before the interest rate benchmarks are amended as a result of the reforms. The amendments to IFRS 7 introduce new disclosure requirements. The amendments are applicable to Yara as the Group has fair value hedges exposed to the interest rate benchmarks NIBOR and STIBOR as well as net investment hedges exposed to USD LIBOR, ref. note 6.2 Hedge accounting. Yara closely monitors the outcome of relevant interest rate benchmark reforms to determine the effects for Yara. Please see note 6.1 Financial risks for more information on Yara's strategy to manage the risk exposure related to the interest rate benchmark reforms. Yara will implement the changes from their effective date, due to the endorsement by the European Union in January 2020.

- IFRS 17 Insurance Contracts

IFRS 17 was issued in May 2017 and covers recognition, measurement, presentation and disclosure for insurance contracts. This new standard is expected to be effective for reporting periods starting on or after 1 January 2021, with comparative figures required. However, in June 2019 IASB issued an exposure draft proposing a deferral of the effective date for one year to 1 January 2022. Once effective, IFRS 17 will replace IFRS 4 Insurance contracts. Yara has not yet assessed implications of this new standard for the Group.

1 Key sources of estimation uncertainty, judgments and assumptions

General

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

Key sources of estimation uncertainty

Impairment of assets

Property, plant and equipment

Yara has significant carrying amounts related to property, plant and equipment recognized in the consolidated statement of financial position. The value-in-use of some of these assets could be influenced by changes in market conditions in the regions where Yara carries out its business. Significant and prolonged adverse market conditions related for example to increases in natural gas cost and/or lower market prices for products sold could lead to temporary or permanent closures of production facilities. Such closures will be considered as an impairment indicator and an impairment test will be carried out. The outcome of such impairment tests may be that significant impairment losses are recognized in the statement of income. A reduction to the expected useful life of the assets can also lead to periods with higher depreciation expense going forward. Yara has carried out impairment tests for certain production facilities during 2019, mainly due to uncertain economic conditions in local markets. In November 2019, Yara announced the closure of the wholly-owned ammonia plant in Point Lisas, Trinidad and consequently production ceased in December 2019. The plant was fully impaired in 2016. No other facilities have been temporarily or permanently closed during 2019 due to adverse market conditions. Impairments recognized in prior periods have been evaluated for reversals. Total impairment recognized on property, plant and equipment in 2019 is USD 26 million. The carrying amount of property, plant and equipment at 31 December 2019 is USD 8,614 million. See note 4.1 and 4.7 for further details.

Goodwill and other intangible assets

Determining whether goodwill and other intangible assets are impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill and other intangible assets have been allocated. The value-in-use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and was a suitable discount rate in order to calculate present value. The carrying value of goodwill and other intangible assets at 31 December 2019 is USD 844 million and USD 187 million, respectively. Yara recognized impairment of goodwill of USD 3 million in 2019. Details of recognized goodwill are provided in note 4.2 and the impairment information, including sensitivity disclosures, is provided in note 4.7. Other intangible assets mainly comprises software, customer relationships and patent and trademarks either identified as part of the purchase price allocation of new business combinations or internally developed. See note 4.2 and 4.7 for further details.

Tax assets and liabilities

Yara recognizes deferred tax assets if it is probable that sufficient taxable income will be available in the future against which the temporary differences and unused tax losses can be utilized. Management has considered future taxable income in assessing whether these assets should be recognized, taking into consideration that stronger evidence for utilization is required for entities with a history of recent tax losses. The carrying amounts of deferred tax assets and deferred tax liabilities are USD 484 million and USD 416 million, respectively, at 31 December 2019. The amount of unrecognized deferred tax assets is USD 319 million, of which USD 173 million is related to unused tax losses in Brazil. Further information about deferred tax is provided in note 2.8.

Yara's operations in Brazil also generate tax credits. Recognition of these assets are based on Management assumptions related to future operating results and timing of utilization. Yara has recognized USD 213 million of such tax credits which are classified as non-current assets. Unrecognized amount of the same credits is USD 20 million which reflects the challenges of utilizing all credits through ordinary operations. Further information is provided in note 4.6.

Yara is engaged in a number of juridical and administrative proceedings related to disputed tax matters with uncertain outcome. Management is required to estimate the probability of cash outflow on a case-by case basis. The estimated maximum exposure on tax contingencies is approximately USD 284 million of which USD 151 million is related to tax cases in Brazil. The estimated maximum exposure of USD 284 million is excluding a separately disclosed case with the Dutch tax authorities. Further information is provided in note 5.6.

Yara has operations in multiple countries, each with its own taxation regime. Management is required to make judgments, estimates and assumptions in relation to tax treatments. In certain cases, it may be unclear how tax law applies to a particular transaction or circumstance until the relevant taxation authority or court takes a decision in the future. Consequently, this may affect tax assets or liabilities. When assessing whether uncertainty over tax treatments exists Yara will consider current tax law and regulations, general practice, decisions and rulings by the court or other relevant authorities as well as tax memorandum prepared by internal or external experts. In case of uncertain tax treatments Yara will consider the probability that a taxation authority will accept an uncertain tax treatment. When concluding that it is not probable that the taxation authority will accept an uncertain tax treatment, Yara will reflect the effect of uncertainty by using the method that provides better prediction resolution of uncertainty.

Employee benefits obligations

The fair value of pension liabilities is calculated based on several actuarial and economic assumptions. Any changes in the assumptions used would affect the estimated pension obligation. Changes in the discount rate have the most significant impact. The discount rate and other key assumptions are determined locally for each individual pension plan, based on the economic environment in which the plan is established. Assumptions are normally reviewed annually when the actuarial calculation is carried out, unless there are significant changes during the year. The carrying amount of the net pension and other long-term employee benefits liabilities at 31 December 2019 is USD 441 million. The gross pension and other long-term employee benefits liabilities have a carrying value of USD 2,241 million at the same date. Detailed information, including sensitivity disclosures, is provided in note 5.4.

Critical judgments in applying accounting policies

Assessment of influence and control and classification of joint arrangements

Management has used judgment in relation to the classification of Yara Freeport LLC DBA Texas Ammonia and classified it as a joint operation. The unit constructed an ammonia plant in the US which opened in April 2018. The company is owned 68% by Yara but controlled jointly with the other owner. The company has been classified as a joint operation because the partners have equal number of board representatives and because relevant activities that significantly affect the return on the investment requires approval of representatives from both partners. The same judgment have been made for the 50% owned Yara Pilbara Nitrates and the 49% owned Tringen, also on the basis of required consensus when making relevant decisions. See note 4.4 for further details on joint operations.

2 Results for the year

2.1 Revenues from contracts with customers

Overview and accounting policies

A description of the nature of external revenues in the Yara Group can be found in note 2.3 Segment information.

Under IFRS 15, Yara recognizes as revenue the agreed transaction price in a contract with a customer at the time when the Group transfers the control of a distinct product or service to the customer.

The nature of Yara's revenue recognition is categorized as follows:

Sale of fertilizer and chemical products

Yara sells fertilizer and chemical products to customers worldwide. Ordinary purchase orders are normally the contracts with the customer which create enforceable rights and obligations. Revenue is recognized when control of the products is transferred to the customer. This is normally determined by the incoterm used in the sales transactions. The use of incoterms varies between regions, markets and customers, but products are typically sold ex-warehouse.

Contracts with larger customers often include sales incentives leading to variable consideration amounts. Volume discounts are the dominant sales incentives used by Yara. These discounts may have prospective or retrospective effect. Volume discounts with retrospective effect are systematically accrued and recognized as reduction of revenue based on the best estimate of the amounts potentially due to the customer. If the discount cannot be reliably estimated, revenue is reduced by the maximum potential discount. Discount which qualify as material rights are accounted for as separate performance obligations.

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

The majority of sales in the Group have credit terms of less than 90 days. Normally customer contracts do not include a significant financing component.

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

Freight/insurance services

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

Other products and services

Other products and services include a number of different offerings including equipment and services to store or handle product, and technology offerings in Yara's Environmental Solutions Business. Revenues from sale of equipment are recognized upon delivery to the customer. Revenues from sale of services are recognized over time as the service is performed. Revenues from technology offerings in Yara's Environmental Solutions Business are recognized over time using the percentage of completion method if they meet the criteria for over time recognition in IFRS 15. The percentage of completion method is an input method (based on costs incurred) and provides a faithful depiction of the transfer of these offerings since it is reasonably possible to estimate the stages of project completion on an ongoing basis. Offerings which represent multiple element arrangements are analyzed to identify distinct goods or services that shall be accounted for as separate performance obligations.

Urea sales in India

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

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

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

Disaggregation of external revenues by nature

USD millions	Fertilizer and chemical products	Freight/ insurance services	Other products and services	Total
2019				
Sales & Marketing	10,345	366	18	10,729
New Business	862	87	384	1,333
Production	657	68	59	784
Other and eliminations	-	-	12	12
Total	11,864	520	473	12,858
2018 Restated [1]				
Sales & 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
Total	12,173	517	239	12,928

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

Disaggregation of external revenues by product group

USD millions	2019	2018
Ammonia	949	1,140
Urea	2,710	2,864
Nitrate	1,872	1,811
NPK	4,131	4,165
CN	551	545
UAN	301	258
SSP	157	216
DAP/MAP	269	294
MOP/SOP	575	452
Other fertilizer and chemical products	870	945
Other products and services	473	239
Total revenues	12,858	12,928

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

Disaggregation of external revenues by geographical area

USD millions	Europe	Brazil	Latin America ex. Brazil	Asia	North America	Africa	Total
2019							
Sales & Marketing	3,416	3,481	844	1,361	1,029	597	10,729
New Business	684	109	73	181	165	121	1,333
Production	148	75	31	243	287	-	784
Other and eliminations	12	-	-	-	-	-	12
Total	4,259	3,665	948	1,785	1,482	718	12,858
2018 Restated [1]							
Sales & 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
Total	4,190	3,542	1,094	1,947	1,511	645	12,928

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

Revenues from external costumers of an amount of USD 234 million (2018: USD 244 million) are attributed to Norway (Yara's country of domicile).

Customer contract balances and unsatisfied performance obligations

The timing of revenue recognition, billings and cash collections results in billed trade receivables, unbilled receivables (contract assets), and prepayments and deposits from customers (contract liabilities). Information on billed trade receivables can be found in note 3.2.

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

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

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

USD millions	Notes	2019	2018
Contract assets			
Opening balance 01.01		42	14
Transferred to receivables in the period		(117)	(12)
Increase due to measure of progress in the period		113	40
Revenue recognized in the period from performance obligations satisfied in previous periods		-	-
Impairment		-	-
Currency translation effect		-	(1)
Closing balance 31.12	3.3	38	42
Contract liabilities			
Opening balance 01.01		343	265
Share of opening balance recognized as revenue in the period		(319)	(262)
Cash received not recognized as revenue in the period [1]		376	342
Currency translation effect		-	(1)
Closing balance 31.12		399	343
Unsatisfied performance obligations			
Initial contract price on signed contracts		621	593
Aggregate contract revenue incurred to date [2]		(420)	(138)
Transaction price allocated to unsatisfied performance obligations		201	456
Unsatisfied performance obligations to be recognized within			
1 year		149	296
2-3 years		52	160
Transaction price allocated to unsatisfied performance obligations		201	456

1) Presented net of amounts created and released within the same reporting period.
2) Based on the percentage of completion method.

2.2 Other income

Accounting policies

A white certificate is an instrument issued by an authorized body guaranteeing that a specified amount of energy savings has been achieved. Yara receives such instruments from voluntarily participating in the white certificate scheme in Italy. The white certificates under this scheme is tradable and Yara sells these instruments to energy producers in the scheme on a running basis. Yara recognizes the white certificates received at zero cost and recognizes a gain equal to the selling price once they are sold.

Compensation from insurance companies is recognized in profit and loss when it becomes a receivable. The compensation becomes receivable when it is "virtually certain" that the it will be received.

Please see separate notes referred to in the table below for the accounting for other specified items.

Specification

USD millions	Notes	2019	2018
Sale of white certificates		37	35
Insurance compensations		14	27
Commodity based derivatives gain/(loss)	6.3	13	4
Derecognition of deferred consideration related to GICS (former Galvani)	7.2	-	21
Change in fair value of contingent consideration related to santa Quiteria	7.2	-	15
Recognition of take-or-pay compensation from customer		-	15
Other		15	9
Total		78	126

2.3 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 & Marketing
New Business
Production

The new Sales & 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 & Marketing activity in GICS and Cubatão previously reported within the Production segment to the new Sales & 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 & Marketing

The Sales & 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 & 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 & Marketing segment mainly increases Yara's margins through distribution, management of working capital, and Sales & 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 revenues streams. The main businesses in the segment sell urea, technical ammonium nitrate and calcium nitrate for industrial applications within mining applications, environmental solutions and industrial nitrates. These products are based on Yara's core production outputs and the volume sold is mainly purchased from the Production segment based on the arm's length principle. The customer contracts are to a large extent medium to long-term contracts, however products are also sold spot based on ordinary purchase orders. In some markets the segment delivers equipment and services to store or handle products.

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

Production

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

The Production segment holds ownership interests in associates and joint arrangements. The investments in the joint arrangements Trinidad Nitrogen Company Ltd, Yara Pilbara Nitrates Pty Ltd and Yara Freeport LLC DBA Texas Ammonia are classified as joint operations, for which Yara consolidate its share of assets, liabilities, revenues and costs. The 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 & 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 & Marketing and New Business are not recognized in the Yara consolidated 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 & Marketing and New Business, but can also be affected by changes in Production margins on products sold to Sales & 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 & 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.

Consolidated statement of income

USD millions, except percentages	2019	2018 Restated [1]
External revenues and other income		
Sales & Marketing	10,748	10,968
New Business	1,334	1,063
Production	843	1,017
Other and eliminations	12	5
Total	12,936	13,054
Internal revenues and other income		
Sales & Marketing	174	160
New Business	3	3
Production	6,296	6,183
Other and eliminations	(6,473)	(6,346)
Total	-	-
Revenues and other income		
Sales & Marketing	10,922	11,128
New Business	1,337	1,067
Production	7,139	7,200
Other and eliminations	(6,461)	(6,340)
Total	12,936	13,054
Operating income [2]		
Sales & Marketing	528	427
New Business	160	103
Production	315	(35)
Other and eliminations	(14)	(93)
Total	989	402
EBITDA [2]		
Sales & Marketing	743	613
New Business	190	115
Production	1,140	856
Other and eliminations	22	(62)
Total	2,095	1,523
Effect on EBITDA of implementing IFRS 16 [3]		
Sales & Marketing	55	-
New Business	14	-
Production	39	-
Other and eliminations	10	-
Total	118	-
EBITDA on IAS17 basis [3]		
Sales & Marketing	688	613
New Business	176	115
Production	1,102	856
Other and eliminations	12	(62)
Total	1,977	1,523
ROIC (12-month rolling average) [2]		
Sales & Marketing	15.2%	14.4%
New Business	40.2%	32.9%
Production	3.1%	0.6%
Total [4]	6.6%	3.8%

1) The 2018 segment figures have been restated according to the new segment structure. The Yara Group figures are unchanged.
2) See "Alternative performance measures" section 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) 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 "Alternative performance measures" section for more information.

Reconciliation of operating income to EBITDA

USD millions	Operating Income	Equity-accounted investees	Interest income and other financial income	Depreciation and amortization [1]	Impairment loss [2]	EBITDA
2019						
Sales & Marketing	528	3	62	144	5	743
New Business	160	2	1	24	3	190
Production	315	60	4	727	34	1,140
Other and eliminations	(14)	-	9	27	-	22
Total	989	65	76	922	43	2,095
2018 Restated [3]						
Sales & Marketing	427	5	67	86	28	613
New Business	103	1	1	10	-	115
Production	(35)	76	4	689	122	856
Other and eliminations	(93)	-	10	22	-	(62)
Total	402	82	81	807	150	1,523

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.

Consolidated statement of financial position

USD millions	2019	2018 Restated [1]
Total assets [2]		
Sales & Marketing	4,347	4,514
New Business	484	450
Production	11,412	11,478
Other and eliminations	483	213
Total	16,725	16,656
Current assets [2]		
Sales & Marketing	3,187	3,442
New Business	345	326
Production	1,429	1,894
Other and eliminations	(175)	(343)
Total	4,785	5,319
Non-current assets [2]		
Sales & Marketing	1,160	1,072
New Business	139	124
Production	9,983	9,584
Other and eliminations	658	557
Total	11,940	11,337
Equity-accounted investees		
Sales & Marketing	53	52
New Business	29	27
Production	887	947
Other and eliminations	1	1
Total	970	1,027
Investments [3]		
Sales & Marketing	71	308
New Business	4	9
Production	1,038	1,723
Other and eliminations	20	41
Total	1,134	2,080

1) The 2018 segment figures have been restated according to the new segment structure. The Yara Group figures are unchanged.
2) Assets excludes internal cash accounts and accounts receivable related to Group relief.
3) 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.

Information about geographical areas

USD millions	Non-current assets [1]	
	2019	2018
Europe	4,512	4,334
Brazil	1,928	1,635
Latin America ex. Brazil	361	361
Asia [2]	2,405	2,407
North America	1,683	1,672
Africa	289	263
Total	11,178	10,671

1) The identification of non-current assets and investments is based on location of operation. Excluded from non-current assets are financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts.
2) Yara is present in Asia (Qatar) through the investment in QAFCO which is accounted for by the equity method and represents USD 873 million (2018: USD 935 million) of the total non-current assets in Asia.

Non-current assets of an amount of USD 1,183 million (2018: USD 1,127 million) are attributed to Norway (Yara's country of domicile).

Information related to disaggregation of external revenues by geographical area, nature and product group can be found in note 2.1.

2.4 Raw materials, energy costs and freight expenses

USD millions	Notes	2019	2018
Raw material, energy costs and freight expenses			
Raw material and energy costs		(6,968)	(7,485)
Freight expense		(942)	(989)
Other production related costs		(1,407)	(1,622)
Total		(9,317)	(10,096)

In 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. When the taxation authority issued reassessed taxes and interest charges, these were in line with the provisions made. The taxes and interest charges were fully paid during 2019.

2.5 Payroll and related costs

USD millions	Notes	2019	2018
Payroll and related costs			
Salaries	8.2	(922)	(942)
Social security costs	8.2	(146)	(146)
Social benefits	8.2	(8)	(9)
Net periodic pension cost	5.4, 5.6, 8.2	(104)	(110)
Total		(1,180)	(1,207)

2.6 Other operating expenses

USD millions	Notes	2019	2018
Other operating expenses			
Selling and administrative expense		(217)	(244)
Expensed leases	4.5	(11)	(41)
Travel expense		(47)	(59)
Fees auditors, lawyers, consultants	8.3	(133)	(122)
Other expenses		(52)	(58)
Total		(460)	(523)
Research costs	4.2	(60)	(43)

2.7 Financial income and expenses

Accounting policies

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

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

Interest expense is recognized as it is accrued.

Capitalized interest expense refers to borrowing costs which are added to the cost of PP&E that take a substantial period of time to get ready for their intended use or sale ("qualifying assets") if they are directly attributable to the acquisition, construction or production of such assets.

Specification

USD millions	Notes	2019	2018
Net interest income on customer credits		56	63
Interest income, other		18	15
Dividends and net gain/(loss) on securities		2	3
Interest income and other financial income		76	81
Net foreign currency translation gain/(loss)	6.1	(145)	(278)
Interest expense		(197)	(187)
Interest expense on lease liabilities	4.5	(15)	-
Capitalized interest	4.1	55	60
Net interest on net long-term employee benefit obligations	5.4	(9)	(7)
Other financial expense		(15)	(19)
Interest expense and other financial items		(182)	(153)
Net financial income/(expense)		(251)	(350)

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. In 2018, the reported net loss of USD 278 million stemmed mainly from Yara's US dollar denominated debt positions.

2.8 Income taxes

Accounting policies

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

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

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

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

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

Current and deferred taxes are recognized as expense or income in the statement of income, except when they relate to items recognized directly in equity or in other comprehensive income. If the tax relates to items recognized in other comprehensive income or directly in equity, the tax is also recognized as other comprehensive income or directly in equity. Uncertain tax positions, for example from unresolved disputes with tax authorities, are provided for if there are probable cash outflows. In certain cases, it may be unclear how tax law applies to a particular transaction or circumstance until the relevant taxation authority or court takes a decision in the future. Consequently, this may affect tax assets or liabilities. When assessing whether uncertainty over tax treatments exists Yara will consider current tax law and regulations, general practice, decisions and rulings by the court or other relevant authorities as well as tax memorandum prepared by internal or external experts. In case of uncertain tax treatments Yara will consider the probability that a taxation authority will accept an uncertain tax treatment. When concluding that it is not probable that the taxation authority will accept an uncertain tax treatment, Yara will reflect the effect of uncertainty by using the method that provides better prediction resolution of uncertainty.

Yara implemented the new lease standard IFRS 16 on 1 January 2019. In tax jurisdictions where the tax deductions are based on rental payments, Yara has applied the requirements in IAS 12 to the leasing transaction as a whole. No temporary difference was recognized at inception of the new lease standard. Subsequently, deferred taxes arise due to timing differences between IFRS 16 lease cost and deductible rental payments.

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

USD millions	2019	2018
Consolidated statement of income		
Current taxes		
Current year	(224)	(78)
Prior years adjustment [1]	(40)	11
Total	(264)	(67)
Deferred taxes		
Deferred tax income/(expense) recognized in the current year	67	100
Adjustments to deferred tax attributable to changes in tax rates and laws	1	5
(Write-downs)/reversal of previous write-downs of deferred tax assets	(18)	(32)
Total	50	74
Total tax income/(expense) recognized in statement of consolidated income	(214)	6
Other comprehensive income		
Current tax		
Hedge of net investment	3	12
Total	3	12
Deferred tax		
Pensions	5	21
Total	5	21
Total tax income/(expense) recognized directly in other comprehensive income	8	33
Total tax income/(expense) recognized in comprehensive income	(207)	39

1) Income tax provision of USD 38 million is recognized based on a recent court ruling. See note 5.6.

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

Reconciliation of Norwegian nominal statutory tax rate to effective tax rate

USD millions, except percentages	2019		2018	
Income before tax		803		134
Expected income taxes at statutory tax rate [1]	22%	(177)	23%	(31)
Tax law changes	(0.2%)	1	(2.8%)	4
Foreign tax rate differences	(2.6%)	21	(39.4%)	53
Unused tax losses and tax offsets not recognized as deferred tax assets	5.3%	(43)	44.8%	(60)
Previously unrecognized and unused tax losses and deductible temporary differences now recognized as deferred tax assets	(1.9%)	15	(18.7%)	25
Non-deductible expenses	1.3%	(11)	10.7%	(14)
Share of net income equity-accounted investees	(1.7%)	13	(14.0%)	19
Tax free income miscellaneous	(2.3%)	22	(17.5%)	24
Prior year adjustment [2]	5.1%	(41)	(8.1%)	11
Withholding tax	2.5%	(7)	11.4%	(15)
Other, net	(0.9%)	(9)	5.8%	(8)
Total income tax income/(expense)		(214)		6
Effective tax rate		26.7%		(4.8%)

1) Calculated as Norwegian nominal statutory tax rate of 22% (2018: 23%) applied to income before tax.
2) Income tax provision of USD 38 million is recognized based on a recent court ruling. See note 5.6.

Specification of deferred tax assets/(liabilities)

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

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

2019

USD millions	Opening balance	Charged to income	Changes in tax rate	Recognized in other comprehen-sive income	Acquisitions/ disposals	Foreign currency translation	Closing balance
Non-current items							
Intangible assets	(7)	(5)	1	-	(2)	-	(13)
Property, plant and equipment	(394)	(25)	(2)	-	(4)	(6)	(431)
Pensions	93	(2)	(2)	5	-	2	96
Equity securities	-	-	-	-	-	-	1
Other non-current assets	(156)	53	1	-	(3)	2	(103)
Other non-current liabilities and accruals	115	23	(1)	-	-	(1)	136
Total	(348)	43	(3)	5	(9)	(2)	(315)
Current items							
Inventory valuation	30	24	(2)	-	-	-	52
Accrued expenses	41	(3)	(6)	-	-	-	31
Assets classified as held for sale	0	1	-	-	-	-	1
Total	71	21	(8)	-	-	-	84
Tax loss carry forwards	582	3	1	-	-	26	612
Unused tax credits	5	(1)	-	-	-	-	4
Valuation allowance	(320)	(18)	12	-	-	7	(319)
Net deferred tax asset/(liability)	(9)	48	1	5	(9)	30	67

2018

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

Valuation allowance on deferred tax assets

USD millions	2019	2018
Unrecognized deferred tax assets are attributable to the following		
Tax losses	261	259
Deductible temporary differences	58	61
Total	319	320

Of the unrecognized deferred tax assets related to tax losses, USD 173 million is related to Brazil (2018: USD 178.8 million). Utilization of the tax loss carry forwards in Brazil is without time limitation but restricted to 30% of taxable income each year.

Specification of expiration of tax loss carry forwards

USD millions	2019
2020	6
2021	17
2022	9
2023	7
2024	2
After 2024	201
Without expiration	1,966
Total tax loss carry forwards	2,208
Deferred tax effect of tax loss carry forwards	612
Valuation allowance on tax loss carry forwards	(261)
Recognized in the statement of financial position	351

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

Deferred tax presented in the statement of financial position

USD millions	2019	2018
Deferred tax assets	484	407
Deferred tax liabilities	(416)	(416)
Net deferred tax asset/(liability)	67	(9)

Undistributed earnings of foreign subsidiaries and in foreign associates and joint arrangements is amounting to approximately USD 8.2 billion that for the main part can be distributed as tax-free dividends. For the expected part of dividend that cannot be distributed as tax-free income, a deferred tax liability of USD 2 million is recognized.

3 Current assets

3.1 Inventories

Overview

Inventories comprise finished goods, work in progress, raw materials and spare parts. Finished goods refer to own produced products and goods purchased for resale. Work in progress are partly processed, unfinished products. Raw materials include own produced raw materials, mainly ammonia and nitric acids, as well as raw materials purchased from external parties such as phosphate, potassium and other input factors used in the production. Spare parts include packing, operating and maintenance supplies. Inventories in stock in the New Business segment comprises environmental solutions, scrubbers for the maritime industry, feed phosphates, chemicals and other.

Accounting policies

Inventories are stated at the lower of cost, using weighted average, and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and other selling costs.

All amounts presented are net of write-downs. A write-down is recognized for the amount by which the carrying amount exceeds its net realizable value.

The cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. This include direct materials, direct labor, and an appropriate portion of production overhead, or the purchase price of the inventory. Yara is using the standard costing method for cost measurement which consider normal levels of materials and supplies, labor, efficiency and capacity utilization.

Spare parts held as inventories are spare parts which do not meet the criteria for being classified as Property, Plant & Equipment (PP&E).

Yara has internal sales from the production segment to the Sales & Marketing segment and the New business segment. These sales create internal margins which are eliminated and presented as "other and eliminations".

Inventory stock 2019

USD millions	Sales & Marketing	New Business	Production	Other and eliminations	Total 31 Dec 2019
Finished goods	1,090	47	300	(125)	1,312
Work in progress	2	3	42	-	47
Raw materials	411	5	319	(2)	733
Spare parts	5	1	261	-	267
Total	1,509	56	921	(126)	2,360

Inventory stock 2018

USD millions	Sales & Marketing	New Business	Production	Other and eliminations	Total 31 Dec 2018
Finished goods	1,160	47	353	(145)	1,416
Work in progress	4	3	47	-	54
Raw materials	458	8	378	(2)	842
Spare parts	7	1	248	-	256
Total	1,629	59	1,026	(147)	2,568

Write-down 2019

USD millions	Sales & Marketing	New Business	Production	Other and eliminations	Total 31 Dec 2019
Balance at 1 January	(11)	(1)	(17)	5	(24)
New write-downs recognized during the year	(31)	(1)	(24)	16	(39)
Write-downs reversed due to product sold	15	1	9	(14)	11
Write-downs reversed, other	12	1	10	-	23
Foreign currency translation gain/(loss)	-	-	-	-	-
Balance at 31 December	(15)	-	(22)	7	(30)

Write-down 2018

USD millions	Sales & Marketing	New Business	Production	Other and eliminations	Total 31 Dec 2018
Balance at 1 January	(20)	(1)	(13)	7	(27)
New write-downs recognized during the year	(19)	(2)	(48)	30	(40)
Write-downs reversed due to product sold	23	1	37	(32)	29
Write-downs reversed, other	5	-	7	-	12
Foreign currency translation gain/(loss)	-	-	1	-	1
Balance at 31 December	(11)	(1)	(17)	5	(24)

No inventories were pledged as security at end of 2019 or 2018.

3.2 Trade receivables

Accounting policies

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

In accordance with the expected credit loss model introduced by IFRS 9, Yara records lifetime expected credit losses on all trade and lease receivables (the simplified approach). The calculation of expected credit loss (ECL) is based on both historical and forward looking information, and is done on local unit level. When calculating ECL for trade receivables not yet due and trade receivables less than 90 days overdue, the last 5 years historical loss percentage is used as an allowance floor. Forward looking information is taken into account by assessing available information on local unit level which could indicate an expected future loss that is higher or lower than the experience, including regional macroeconomic information. Calculation of ECL for trade receivables more than 90 days overdue is based on a separate, individual assessment of each receivable.

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

Specification

USD millions	Notes	2019	2018
Trade receivables		1,664	1,707
Allowance for expected credit loss		(101)	(106)
Total [1)]	6.3	1,564	1,601

1) Of the total balance of USD 1,564 million about USD 752 million refers to credit insured receivables.

Movement in allowance for expected credit loss

USD millions	2019	2018
Balance at 1 January	(106)	(107)
Implementation effect IFRS 9	-	(3)
Lifetime expected credit losses recognized for existing business	(14)	(26)
Change in lifetime expected credit losses due to acquired business during the year	-	5
Amounts written off as uncollectible	6	12
Lifetime expected credit losses reversed	10	8
Foreign currency translation	2	6
Other changes	1	1
Balance at 31 December	(101)	(106)

Aging analysis of trade receivables at 31 December

Gross trade receivables

USD millions	Total	Not past due gross trade receivables [1)]	Past due gross trade receivables			
			< 30 days	30 - 90 days	91 - 180 days	> 180 days
2019	1,664	1,315	138	59	27	125
2018	1,707	1,368	128	58	26	127

1) Included in this amount is USD 194 million receivables against the Government of India with no specific due date. Of this amount, USD 78 million is recognized more than 180 days ago. The accounting policy for recognition of urea sales in India is provided on page 97.

Net trade receivables

USD millions	Total	Neither past due nor impaired	Past due but not impaired			
			< 30 days	30 - 90 days	91 - 180 days	> 180 days
2019	1,564	1,313	137	55	25	32
2018	1,601	1,364	126	56	23	32

Impairment of trade receivables

USD millions	Total	Impairment on not past due receivables	Impairment on past due receivables			
			< 30 days	30 - 90 days	91 - 180 days	> 180 days
2019	(101)	(3)	(1)	(3)	(2)	(92)
2018	(106)	(3)	(2)	(1)	(3)	(95)

3.3 Prepaid expenses and other current assets

USD millions	Notes	2019	2018
Financial instruments:			
Foreign exchange contracts	6.1	-	5
Receivables and deposits	6.3	138	117
Contracts assets	2.1	38	42
Expected credit loss on other current assets	6.3	(1)	(1)
Total financial instruments		175	163
Non-financial assets:			
VAT and sales related taxes	4.6	123	146
Prepaid income taxes		63	197
Prepaid expenses		192	235
Total non-financial assets		378	577
Total	6.3	553	741

3.4 Cash and cash equivalents

Accounting policies

Cash and cash equivalents include bank deposits and monetary items which are due in less than three months. They are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. However they are normally not discounted as they are short-term items. On deposits, Yara records a 12-month's expected credit loss if there has not been any significant increase in credit risk since initial recognition (the general approach).

Specification

USD millions	Notes	2019	2018
Cash and cash equivalents	6.3	300	202

Expected credit loss provision on bank deposits is USD 0.9 million (2018: USD 0.4 million).

External bank deposits that are not available for use by the group at 31 December 2019 have a carrying value of USD 35 million (2018: USD 52 million), mainly related to cash held by joint operations. More information about bank deposits and dividend resolutions in subsidiaries with significant non-controlling interests is provided in note 5.2.

The average interest rate for liquid assets is approximately 1.7% as of 31 December 2019 (2018: 2.2%).

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

4 Non-current assets

4.1 Property, plant and equipment

Overview

Property, plant and equipment (PP&E) mainly refers to Yara's many production plants across the world which is reported in the Production Segment, and which hold assets such as land, buildings, machinery, equipment and periodic maintenance. In addition, they hold investments in self-constructed assets not yet in use and which are categorized as assets under construction. The remaining PP&E refers to assets in the Sales & Marketing Segment which mainly consists of buildings, machinery and equipment for bagging and blending of products, as well as terminals and warehouses. PP&E in the New Business Segment is very limited.

Accounting policies

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

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

PP&E are depreciated on a straight-line basis over their expected useful life. Individual parts of PP&E with different useful lives are accounted for and depreciated separately. Expected useful lives and residual values are, unless immaterial, re-assessed annually.

Gain or loss due to sale or retirement of PP&E is calculated as the difference between sales proceeds and the carrying value, and is recognized in the statement of income.

An impairment is recognized if an asset's carrying value is higher than the recoverable amount. Non-current assets other than goodwill are tested for impairment whenever events or changes in circumstances indicate that such carrying amounts may not be recoverable. Please see note 4.7 Impairment of non-current assets.

Costs related to periodic maintenance of plants ("turnarounds") and recurring investments to extend the current plant performance for a longer period of time, are recognized as assets and depreciated on a systematic basis until the next periodic maintenance if cycle is more than one year on average. Major replacements and renewals are capitalized and depreciated separately based on their specific useful lives. Replaced assets are derecognized. Most of the remaining repair and maintenance costs are expensed as incurred.

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

Capitalization of investments as self-constructed PP&E start when defined decision gates are met. These investments are then categorized as assets under construction until they are ready for use as intended by management. Once they are ready for use they are transferred to the applicable classes of PP&E and depreciation starts.

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

2019

USD millions, except percentages and year	Land	Buildings	Machinery and equipment	Periodic maintenance	Asset under construction	Vessels	Other	Total
Cost								
Balance at 1 January	321	2,245	9,730	486	1,591	280	73	14,726
Addition at cost	-	103	254	61	718	-	3	1,138
Derecognition	(1)	(20)	(132)	(76)	(16)	-	(3)	(249)
Transfers to asset held for sale	(2)	(5)	(3)	-	-	-	-	(11)
Other transfers [1)]	-	167	333	17	(576)	-	-	(59)
Foreign currency translation	(8)	(23)	(64)	(8)	(56)	-	(2)	(161)
Balance at 31 December	309	2,466	10,117	481	1,660	280	72	15,384
						-		
Depreciation and impairment						-		
Balance at 1 January	(6)	(889)	(5,085)	(239)	(10)	(35)	(32)	(6,296)
Depreciation	-	(92)	(569)	(87)	-	(13)	(4)	(765)
Impairment loss [2)]	-	(5)	(8)	(4)	(1)	-	-	(18)
Reversed impairment	-	-	3	-	-	-	-	3
Derecognition	-	17	101	65	-	-	4	187
Transfers to asset held for sale	-	4	2	-	-	-	-	5
Other transfers [3)]	-	5	30	-	1	-	-	37
Foreign currency translation	-	12	50	15	-	-	1	77
Balance at 31 December	(6)	(948)	(5,476)	(250)	(10)	(48)	(32)	(6,770)
Carrying value								
Balance at 1 January	315	1,356	4,645	248	1,581	245	41	8,430
Balance at 31 December	303	1,517	4,641	231	1,650	232	40	8,614
Useful life in years	Indefinite	10 - 60	2 - 40	2 - 5		20	5 - 25	
Depreciation rate		2 - 6%	3 - 50%	15-50%		5%	5 - 20%	

1) Includes mainly transfers from assets under construction to other categories of PP&E due to completion of construction projects, which is netted off to 0 at total. The total balance refers to transfers from PP&E to other accounts. Of the balance, USD (62) million was transferred to Leases per IFRS 16 implementation. Please see note 4.5 Leases for more information.
2) Please see note 4.7 Impairment of non-current assets.
3) Total balance relates to transfers to Leases per IFRS 16 implementation. Please see note 4.5 Leases for more information.

Main changes in 2019

The main additions to assets under construction refers to construction of a new plant in Serra do Salitre (Brazil) and an expansion and modernization of the Rio Grande plant (Brazil).

The largest transfers from assets under construction to other categories of PP&E refer to construction projects related to the production of nitric acid in Köping in Sweden and an ammonia tank in Tertre in Belgium.

Idle items of property, plant and equipment

Yara Pilbara Nitrates owns a technical ammonium nitrate (TAN) plant next to Yara's ammonia plant in the Pilbara region of Australia. Please refer to Note 4.4 Joint operations and note 4.7 Impairment of non-current assets for more information.

Assets used as security

PP&E pledged as security was USD 27 million in 2019 (2018: USD 28 million).

Government grants

Government grants related to assets have been recognized as deduction to the carrying value by reducing "Addition at cost" with USD 12 million in 2019 (2018: USD 10 million).

Borrowing costs

The amount of borrowing cost capitalized amounted to USD 55 million in 2019 (2018: USD 60 million). The average rate for the borrowing cost capitalized was 4.7% in 1H and 3.7% in 2H 2019.

Compensations

Insurance compensations on PP&E recognized in the consolidated statement of income amounted to USD 3 million in 2019 (2018: USD 5 million).

Contractual commitments

Please find information on contractual obligations on PP&E in note 4.8 Committed future investments.

2018

USD millions, except percentages and year	Land	Buildings	Machinery and equipment	Periodic maintenance	Asset under construction	Vessels	Other	Total
Cost								
Balance at 1 January	235	2,153	8,699	430	2,097	280	121	14,016
Addition at cost	1	61	372	123	909	-	5	1,471
Derecognition	(2)	(9)	(200)	(79)	(3)	-	-	(293)
Acquisitions	119	54	309	-	21	-	-	504
Transfers to asset held for sale	(17)	(30)	(31)	(6)	(22)	-	(40)	(146)
Other transfers [1]	14	144	1,066	37	(1,277)	-	-	(15)
Foreign currency translation	(29)	(129)	(485)	(19)	(135)	-	(13)	(810)
Balance at 31 December	321	2,245	9,730	486	1,591	280	73	14,726
Depreciation and impairment								
Balance at 1 January	(7)	(767)	(4,948)	(251)	(10)	(22)	(44)	(6,049)
Depreciation	-	(108)	(549)	(78)	-	(13)	(7)	(755)
Impairment loss [2]	(3)	(83)	(35)	(5)	(4)	-	(5)	(136)
Reversed impairment	1	1	1	-	-	-	-	3
Derecognition	-	7	177	77	-	-	-	262
Transfers to asset held for sale	3	9	15	5	4	-	18	54
Other transfers	-	2	(3)	1	-	-	-	-
Foreign currency translation	-	50	257	13	-	-	5	325
Balance at 31 December	(6)	(889)	(5,085)	(239)	(10)	(35)	(32)	(6,296)
Carrying value						-		
Balance at 1 January	228	1,386	3,750	179	2,087	258	78	7,967
Balance at 31 December	315	1,356 [3]	4,645 [4]	248	1,581	245	41	8,430
Useful life in years	Indefinite	10 - 60	2 - 40	2 - 5		20	5 - 25	
Depreciation rate		2 - 6%	3 - 50%	15-50%		5%	5 - 20%	

1) Transfers from assets under construction to other categories of PP&E due to completion of construction projects.
2) Please see note 4.7 Impairment of non-current assets.
3) Includes net carrying value related to finance leases of USD 14 million in 2018.
4) Includes net carrying value related to finance leases of USD 12 million in 2018.

Main changes in 2018

Additions due to acquisitions refers mainly to the acquisition of Vale Cubatão Fertilizantes in Brazil and to the acquisition of Tata Chemicals' urea business in India, which comprises the Babrala urea plant and distribution business in Uttar Pradesh. Additions to assets under construction refer to the establishment of phosphate operations in Serra do Salitre (Brazil) and the expansion and moderation of the Rio Grande plant (Brazil).

The largest transfers from assets under construction to other categories of PP&E refer to construction projects related to the completion of the ammonia plant in Freeport, US as a joint venture with BASF and capacity expansions in Porsgrunn, Norway.

4.2 Intangible assets

Accounting Policies

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

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interest, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Useful lives are set as indefinite with no amortization as there is no foreseeable limit to the cash flows generated by goodwill. Instead of amortization, goodwill is tested for impairment. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to cash-generating units (CGUs) that are expected to benefit from the combination. For more information on impairment, please see note 4.7 Impairment of non-current assets. The Group's accounting policy for goodwill arising on the acquisition of an associate or joint arrangement is described in note 4.3 Associated companies and joint ventures.

Intangible assets other than goodwill are tested for impairment whenever events or changes in circumstances indicate that such carrying amounts may not be recoverable. Please see note 4.7 Impairment of non-current assets.

Expenditures on research activities are expensed in the period in which they incur. An internally-generated intangible asset arising from development is recognized if, an only if, all of the following have been demonstrated;

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- The intention to complete the intangible asset and use or sell it
- The ability to use or sell the intangible asset
- How the intangible asset will generate probable future economic benefits
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development

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

2019

USD millions, except percentages	Goodwill	Software	Other intangibles [1]	Total
Cost				
Balance at 1 January	883	185	408	1,475
Addition at cost	-	11	15	26
Derecognition	-	(1)	2	1
Other transfers	-	11	(10)	-
Foreign currency translation	5	(3)	(4)	(2)
Balance at 31 December	887	203	411	1,501
Amortization and impairment				
Balance at 1 January	(41)	(110)	(274)	(424)
Amortization	-	(23)	(22)	(46)
Impairment loss	(3)	-	-	(3)
Derecognition	-	-	(2)	(2)
Foreign currency translation	-	2	2	4
Balance at 31 December	(44)	(131)	(296)	(471)
Carrying value				
Balance at 1 January	842	75	135	1,052
Balance at 31 December	844	72	115	1,031
Useful life in years	Indefinite	3 - 5	5 - 40	
Amortization rate		20 - 35%	3 - 35%	

1) Other intangibles comprises mainly customer relationships, patents and trademarks, and intangible assets arising from development.

Expenditures on research and development activities

Expenditures on research and development activities are expensed in the period of the amount of USD 60 million (USD 43 million in 2018).

Assets used as security

No intangible assets were pledged as security in 2019 and 2018. See note 5.8 for more information.

2018

USD millions, except percentages	Goodwill	Software	Other intangibles 1)	Total
Cost				
Balance at 1 January	906	152	455	1,513
Addition at cost	-	27	19	46
Derecognition	-	(12)	(7)	(19)
Acquisition new companies	38	-	34	72
Transfer to asset held for sale	(7)	-	(30)	(37)
Other transfers	-	29	(31)	(1)
Foreign currency translation gain/(loss)	(55)	(12)	(32)	(99)
Balance at 31 December	883	185	408	1,475
Amortization and impairment				
Balance at 1 January	(41)	(102)	(264)	(407)
Amortization	-	(25)	(27)	(52)
Impairment loss 2)	(9)	-	(8)	(16)
Derecognition	-	11	6	17
Transfer to asset held for sale	7	-	6	13
Other transfer	-	-	1	1
Foreign currency translation gain/(loss)	2	6	13	21
Balance at 31 December	(41)	(110)	(274)	(424)
Carrying value				
Balance at 1 January	866	50	191	1,106
Balance at 31 December	842	75	135	1,052
Useful life in years	Indefinite	3 - 5	5 - 40	
Amortization rate		20 - 35%	3 - 35%	

1) Other intangibles comprises mainly customer relationships, patents and trademarks, and intangible assets arising from development.
2) Impairment loss on goodwill is mainly related to assets held for sale in GICS (former Galvani). For further information, see note 4.7.

4.3 Associated companies and joint ventures

Accounting policies

Associated companies are investments in companies where the Group has significant influence, but not control. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Significant influence normally exists when the Group holds directly or indirectly between 20% and 50% of the voting rights.

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

The share of results, assets and liabilities of associated companies and joint ventures are incorporated into the consolidated financial statements using the equity method of accounting. Under the equity method of accounting, the investment is initially recognized at cost and the carrying value is subsequently increased or decreased to recognize Yara's share of profit or loss of the investee after the date of acquisition. Any excess of the cost of acquisition of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment. The equity-accounted investees are tested for impairment if indications of loss in value are identified. An impairment loss is recognized if the recoverable amount, estimated as the higher of fair value less costs to sell and value-in-use, is below the carrying value. Accounting policies of equity-accounted investees are changed where necessary to ensure consistency with the policies adopted by the Yara Group.

2019

USD millions	Balance at 1 January	Investments/ (sale, and assets held-for-sale), net and long-term loans	Share of net income in equity-accounted investees	Dividends/ Repayment of capital	Posted directly in equity	Foreign currency translation and other	Balance at 31 December
QAFCO	934	41 [1]	55	(158)	-	-	873 [2]
Others	93	2	10	(8)	-	1	97
Total	1,027	44	65	(166)	-	1	970

1) Profit attributable to foreign shareholder (Yara) is subject to tax in Qatar. The tax is paid by QAFCO, but refunded by Yara.
2) Included in the carrying amount is a USD 30 million accrual for income tax payable. Excluding the tax liability, the carrying amount is USD 903 million.

2018

USD millions	Balance at 1 January	Investments/ (sale, and assets held-for-sale), net and long-term loans	Share of net income in equity-accounted investees	Dividends/ Repayment of capital	Posted directly in equity	Foreign currency translation and other	Balance at 31 December
QAFCO	1,003	2 [1]	71	(150)	1	8	934
Others	94	-	11	(6)	-	(7)	93
Total	1,096	2	82	(155)	1	1	1,027

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

Ownership, sales and receivables/payables

USD millions, except percentages	Place of incorporation and operation	Percentage owned by Yara 2019 [1]	Sales from Investees to Yara Group [2]		Yara's current receivables/ (payables) net with investees	
			2019	2018	2019	2018
LIFECO	Libya	50.0%	-	(87)	(3)	(1)
Others			(22)	(23)	2	1
Total			(22)	(111)	(1)	-

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

Business in equity-accounted investees

QAFCO (Qatar)

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

LIFECO (Libya)

Yara owns 50% in Libyan Norwegian Fertilizer Company ("LIFECO"), while Libya's National Oil Corporation (NOC) and the Libyan Investment Authority (LIA) each hold a 25% stake. LIFECO owns and operates two urea and two ammonia plants with nominal capacity of approximately 850,000 tonnes of urea and 120,000 tonnes of merchant ammonia per year. More than 90% of the ammonia and urea from LIFECO is exported. Yara impaired its investments in LIFECO in 2015. The plant has been operating since then, but with operating losses and limited load primarily due to insufficient gas supply and severe repeating technical problems of the plant due to the inability to bring foreign contractors to Libya as a result of the security situation. Yara is evaluating the security of the operation of the plants on an on-going basis in cooperation with the management and the other partners, with a view to protect the safety of the employees as well as the assets.

Financial information

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

Financial position

	31 December 2019			31 December 2018		
USD millions (unaudited, 100% basis)	QAFCO	LIFECO	Others	QAFCO	LIFECO	Others
Cash and cash equivalents	337	9	33	474	30	29
Current assets excluding cash and cash equivalents	480	112	195	514	108	173
Non-current assets	3,162	95	121	3,324	67	111
Current liabilities	(174)	(311)	(143)	(243)	(272)	(142)
Non-current liabilities	(137)	-	(28)	(81)	-	(18)
Non-controlling interest	(39)	-	(1)	(58)	-	(5)
Net assets	3,629	(95)	177	3,930	(67)	148
% Share of Yara	25%	50%		25%	50%	
Yara's share of total equity	907	(48)	92	983	(34)	85
Reclassified to assets held-for-sale	-	-	-	-	-	-
Tax effect of QAFCO [1]	(34)			(48)		
Losses not recognized by Yara [2]	-	48	-	-	34	-
Goodwill and fair value adjustments	-	-	6	-	-	8
Yara's share of total equity (carrying amount)	873	-	97	934	-	93

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

Income statement

		2019			2018		
USD millions (unaudited, 100% basis)		QAFCO	LIFECO	Others	QAFCO	LIFECO	Others
Total operating revenues		1,563	23	697	1,711	91	511
Interest income		43	-	-	-	-	3
Depreciation, amortization & impairment loss		(289)	(48)	(34)	(289)	(21)	(12)
Operating income		278	(72)	105	457	(46)	70
Interest expense		(5)	-	(3)	-	-	-
Income tax expense		-	-	(7)	-	-	(4)
Non-controlling interest		3	-	(1)	(5)	-	(2)
Net income (100%)	A	320	(72)	94	512	(45)	66
% Share of Yara		25%	50%		25%	50%	
Yara's share of net income		80	(36)		128	(23)	11
Tax effect of QAFCO [1]		(28)			(50)		
Losses not recognized by Yara [2]		-	36		-	23	
Yara group elimination		3	-		(6)	-	
Currency translation effects [3]		-	-		(2)	-	
Yara's share of net income (as per books)		55	-	9	71	-	11
Net other comprehensive income that may be reclassified to profit and loss account in subsequent period		-	-	-	-	-	-
Net other comprehensive income that will not be reclassified to profit and loss account in subsequent period		(4)	-	-	6	-	-
Total other comprehensive income, net of tax (100%)	B	(4)	-	-	6	-	-
% Share of Yara		25%	50%		25%	50%	
Yara's share of other comprehensive income, net of tax		(1)	-		1	-	11
Total comprehensive income	C = A+B	316	(72)	94	518	(45)	66

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

4.4 Joint operations

Accounting policies

In a joint operation the parties have rights to the assets and obligations for the liabilities of the arrangement. The Group recognizes in relation to its interests in a joint operation:

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

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

Yara Pilbara Nitrates Pty Ltd

Yara Pilbara Nitrates owns a technical ammonium nitrate (TAN) plant next to Yara's ammonia plant in the Pilbara region of Australia. The plant has an annual production capacity of about 330.000 metric tonnes of TAN and will primarily supply the mining operations in the region. The company is 50% owned by Yara and 50% by Orica. The plant has not been in production for most of the year 2019 to allow necessary rectification works to bring it to its intended capacity. The plant is scheduled to ramp up and commence operations in first half 2020. For further information please see note 4.1.

Trinidad Nitrogen Co. Ltd. (Tringen)

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

Yara Freeport LLC DBA Texas Ammonia

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

The following table shows the effect of consolidating joint operations according to IFRS 11 on Yara's financial statements. The table is based on unaudited financial information of Yara's joint operations based on their IFRS financial statements.

Financial position

USD millions (unaudited)	31 December 2019				31 December 2018			
	Yara Pilbara Nitrates	Tringen	Yara Freeport LLC DBA Texas Ammonia	Yara's share of consolidated Joint Operations	Yara Pilbara Nitrates	Tringen	Yara Freeport LLC DBA Texas Ammonia	Yara's share of consolidated Joint Operations
Assets								
Deferred tax assets	27	-	-	27	18	-	-	18
Intangible assets	-	-	-	-	-	-	4	4
Property, plant and equipment	370	76	283	729	333	79	293	706
Right-of-use asset	1	-	4	5				
Other Non-current assets	-	1	2	3	-	-	-	-
Total Non-current assets	399	77	288	764	351	79	297	727
Inventories	3	13	3	18	3	12	3	18
External trade receivables	-	-	11	11	6	-	18	24
Internal trade receivables	-	6	-	6	-	7	-	7
Prepaid expenses and other current assets	4	12	1	17	1	24	-	25
Cash and cash equivalents	10	7	15	32	41	7	30	78
Total Current assets	17	38	31	85	51	50	51	152
Total assets	416	115	319	850	403	129	349	881
Total equity	156	55	304	515	102	54	291	447
Liabilities								
Employee benefits	-	12	-	12	-	13	-	13
Deferred tax liabilities	-	7	-	7	-	8	3	11
Other long-term liabilities	46	-	-	46	45	-	4	49
Long-term provisions	25	-	-	25	15	-	-	15
External long-term interest bearing debt	-	8	4	12	-	10	20	31
Internal long-term interest bearing debt	162	-	-	162	218	-	-	218
Total non-current liabilities	233	27	4	264	278	31	27	337
External trade and other payables	24	17	11	51	11	15	31	56
Internal trade and other payables	1	2	-	3	1	1	-	2
Current tax liabilities	1	-	-	1	-	-	-	-
Short-term provisions	1	-	-	1	-	-	-	-
Other short-term liabilities	-	2	-	2	11	2	-	13
Bank loans and other short-term interest-bearing debt	-	12	-	12	-	25	-	25
Total current liabilities	27	33	11	71	23	44	31	98
Total equity and liabilities	416	115	319	850	403	129	349	881

Income statement

USD millions (unaudited)	2019				2018			
	Yara Pilbara Nitrates	Tringen	Yara Freeport LLC DBA Texas Ammonia	Yara's share of consolidated Joint Operations	Yara Pilbara Nitrates	Tringen	Yara Freeport LLC DBA Texas Ammonia	Yara's share of consolidated Joint Operations
Revenue and other income	7	79	145	231	3	92	94	189
Operating costs and expenses	(46)	(75)	(134)	(255)	(98)	(84)	(88)	(270)
Operating income/(loss)	(39)	4	11	(24)	(95)	8	6	(81)
Earnings before interest expense and tax	(38)	4	11	(23)	(95)	8	6	(81)
Income before tax	(49)	2	11	(36)	(103)	6	6	(91)
Income tax expense	8	(1)	-	7	14	(3)	-	5
Net income	(41)	1	11	(30)	(88)	4	6	(85)

4.5 Leases

Accounting policies

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.

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. Payments for short term leases, low value assets and variable amounts not included in the measurement of the lease liability, shall be classified within operating activities.

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 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 has taken 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 has expensed all other leases which expired 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, the interest rate implicit in the lease may be used for selected lease arrangements which are material on Group level if the rate can be readily determined. The incremental borrowing rates 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's, country risk premium and asset risk premium. Updated incremental borrowing rates are applied to new lease arrangements recognized during that quarter, as well as for modifications of existing leases.

As prior years comparatives are not restated, 2018 comparatives 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.

Right-of-use assets

USD millions	Land	Vessels	Buildings	Product storage	Transportation & logistics	Other assets	Total
Carrying value							
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
Balance ROU assets at 1 January 2019	123	20	99	85	55	63	447
Additions and lease modifications	30	22	12	13	31	6	114
Depreciation	(7)	(11)	(20)	(30)	(26)	(17)	(111)
Impairment	(17)	-	-	-	-	-	(17)
Foreign currency translation gain/(loss)	(1)	-	(2)	-	(1)	(1)	(4)
Balance at 31 December 2019	129	31	89	69	59	50	428

Lease liabilities

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

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 in the period amounts to USD 15 million.

Yara is committed to further lease arrangements not yet commenced as of 31 December 2019 of USD 14 million.

There are no material restrictions or covenants imposed by leases.

Maturity analysis of contractual undiscounted cash flows

USD millions	2019
2020	114
2021	88
2022	55
2023	42
2024	27
Thereafter	259
Total undiscounted lease liabilities at 31 December 2019	585

Leases expensed in the period

USD millions	2019
Expenses relating to variable fee leases not included in the measurement of lease liabilities	21
Expenses relating to short-term leases	43
Expenses relating to leased assets of low value, excluding short-term leases	3
Total leases expensed	67

Cash outflows in the period

USD millions	2019
Principal payments on recognized lease liabilities	108
Interest payments on recognized lease liabilities	13
Payments on leases expensed in the period	66
Total cash outflows for leases	187

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

USD millions	1 January 2019
Operating, non-cancellable, nominal lease commitments disclosed according to IAS 17 as of year-end 2018	578
Discounted using the incremental borrowing rate at 1 January 2019	435
Finance lease liabilities recognized at 31 December 2018	23
Accounting policy choices for non-lease components and other adjustments	(64)
Recognition exemption for short term leases	(42)
Recognition exemption for low-value assets	(1)
Extension and termination options reasonably certain to be exercised	81
Lease liabilities recognized at 1 January 2019	432

IFRS 16 adjustment for each financial statement line item

Consolidated statement of income

	2019		2019	2018
	as reported	Impact	adjusted	as reported
USD millions	(IFRS 16)	IFRS 16	(IAS 17)	(IAS 17)
Other operating expenses	(460)	(118)	(578)	(523)
EBITDA [1)]	2,095	(118)	1,977	1,523
Depreciation and amortization	(922)	111	(811)	(807)
Operating income [1)]	989	(7)	983	402
Interest expense and other financial items	(182)	15	(166)	(153)
Income before tax [1)]	803	9	812	134

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

IFRS 16 impact on EBITDA for the Group's operating segments is included in note 2.3 Segment information.

Consolidated statement of financial position

	1 Jan 2019		31 Dec 2018	31 Dec 2019		31 Dec 2019
	Opening balance	Impact	as reported	as reported	Impact	adjusted
USD millions	(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)	-
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

4.6 Other non-current assets

USD millions	Notes	2019	2018
Financial instruments:			
Equity instruments	6.1, 6.3	19	21
Receivables and deposits	6.3	83	56
Expected credit loss on long-term loans and receivables	6.3	(1)	(1)
Total financial instruments		100	76
Non-financial assets:			
Prepayments for long-term employee obligations	5.4	57	59
Prepayment for property, plant and equipment		43	72
Tax and VAT receivables		213	212
Total non-financial assets		313	344
Total		414	420

Long-term VAT receivables in Brazil

At year-end 2019, Yara has recognized USD 213 million of tax credits related to value added taxes in Brazil (2018: USD 207 million). This is included in the line "Tax and VAT receivables" in the table above. The Brazilian tax system is highly complex. There are a number of taxes by Federal, State and Municipal authorities and the legislation is subject to constant changes. The indirect taxes, such as value added taxes, are levied at Federal (PIS/COFINS) and State (ICMS) level. PIS/COFINS are charged over gross revenues, with a rate of 1.65% and 7.6%. However, fertilizer sales have a PIS/COFINS tax rate of zero. Yara accumulates credits over the acquisition of inputs and other costs (mainly bags, services and freights). These accumulated credits can be used to offset other federal taxes in many circumstances and projections indicate these will be consumed in the operation and/or refunded by the tax authorities in the following years, without any need of accounting adjustments.

The general rates for ICMS are 18%, 17%, 12%, 7% and 4%, but a temporary benefit granted for fertilizers and other industries reduces these rates to 0% on internal operations within most of the States and to 4,90% or 8,4% on interstate operations. The current legislation results in accumulation of ICMS tax credits in a number of States. Yara maintains a provision for expected discounts/losses where these credits are not expected to be realized in full through normal operations. The provision is USD 20 million at year-end 2019 (2018: USD 20 million).

4.7 Impairment on non-current assets

Accounting policies

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

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

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

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

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

Recognized impairment loss

USD millions	2019	2018
Asset class		
Goodwill	(3)	(9)
Other intangible assets	-	(8)
Property, plant and equipment	(26)	(136)
Right-of-use assets	(17)	-
Total impairment of non-current assets	(46)	(151)
Reversal of impairment of non-current assets	3	3
Net impairment loss	(43)	(150)

USD millions	2019	2018
Segment split		
Production	(34)	(122)
Sales & Marketing	(5)	(28)
New Business	(3)	-
Other	-	1
Net impairment loss	(43)	(150)

Impairment charges in 2019

Impairment of property, plant and equipment is mainly related to an additional impairment on the Montoir plant in France with USD 10 million, and impairment of assets in GICS (former Galvani) previously classified as held-for-sale with USD 8 million. More information about the impairment in Galvani is provided in note 7.2.

The right-of-use assets for the Montoir plant have also been impaired with USD 17 million.

Impairment charges in 2018

Impairment of goodwill and intangible assets was mainly related to assets in GICS (former Galvani) reclassified to held-for-sale. More information is provided in note 7.2.

The largest impairments of property, plant and equipment was the partial impairment of the TAN plant in Pilbara, Australia, which accounts for USD 50 million of the total amount, and a USD 24 million impairment on Yara's production plants in Italy. Property, plant and equipment in GICS (former Galvani) reclassified to held-for-sale has also been impaired with USD 21 million. More information is provided in note 7.2.

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

Impairment testing

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

Main assumptions

Discount rate

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

Currency rates and inflation

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

Testing of Production plants

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

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

- Ammonia prices
  For a number of Yara’s plants, the ammonia price is a key assumption for calculating the value-in-use. Some plants are net buyers of ammonia, in which case increased ammonia prices has a negative impact on earnings while other plants are net sellers of ammonia and these plants will benefit from higher ammonia prices. Internally developed price forecasts

are used since there is no active forward market for ammonia. External market intelligence reports are used as one of many input factors.

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

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

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

Testing of Sales & Marketing and New Business units

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

Cash generating units with goodwill

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

		Goodwill		Discount rate pre-tax	
USD millions, except percentages	Segment	2019	2018	2019	2018
Production Belle Plaine (Canada)	Production	270	259	9.4%	10.5%
Pilbara Ammonia (Australia)	Production	111	111	8.5%	9.1%
Finland	Production	89	90	7.6%	7.7%
Ammonia trade (Switzerland)	Production	55	55	7.4%	8.9%
Yara Dallol (Ethiopia)	Production	-	-	13.8%	14.8%
Other Production [1]	Production	8	8		
Sales & Marketing segment allocation	Sales & Marketing	83	83	8.6%	11.2%
Brazil	Production / Sales & Marketing	81	84	14.2%	14.5-16.3%
Sales & Marketing Belle Plaine (Canada)	Sales & Marketing	15	15	9.3%	9.8%
Latin America	Sales & Marketing	14	15	16.8%	17.3%
India	Production / Sales & Marketing	34	35	11.1%	11.7%
Other Sales & Marketing [1]	Sales & Marketing	53	47		
Environmental Solutions Stationary	New Business	5	8	9.8%	10.2%
Environmental Solutions Maritime	New Business	18	18	7.8%	8.3%
Other New Business [1]	New Business	8	14		
Total		844	842		

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

Sensitivities for main CGUs with allocated goodwill

Production Belle Plaine (Canada)

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

Pilbara Ammonia (Australia)

This is an ammonia plant located in Western Australia with an annual production capacity of approximately 0.8 million tonnes. The CGU's value-in-use is significantly higher than the carrying amount. No reasonable possible change in any of the key assumptions would cause the unit's recoverable amount to be lower than the carrying value.

Finland

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

Ammonia Trade (Switzerland)

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

Yara Dallol (Ethiopia)

The company is developing a potash resource in Dallol in the Danakil Depression of Ethiopia. In February 2015, Yara announced that an independent study identified an annual production of 0.6 million tonnes sulphate of potash (SOP) over 23 years from the reserves. Yara signed a mining agreement with the Ethiopian authorities in 2017. The CGU has a remaining carrying amount of USD 218 million. The cash inflow for this project starts several years in to the future and there are multiple uncertainties related to the project's profitability, mineability of the reserves, financing, and necessary governmental permits and agreements. The project is currently on hold, while working on a structural solution for the next stage of development of the project. Negative impacts on any of the above risks or failure to ensure a structural solution, could result in a decision to stop the project, and a resulting impairment loss.

Sales & Marketing segment allocation

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

Brazil

The CGU covers several aspects of fertilizer production and distribution, including phosphate mining, production of Single Super Phosphate (SSP) as well as blending and distribution of fertilizers, delivering approximately 9 million tonnes of fertilizers and covering approximately one fourth of the Brazilian market demand. The main production and blending assets comprised by the CGU are the Salitre plant and the Rio Grande plant. The Salitre plant is not operational at the end of 2019. Expected completion is during the second half of 2021. After finalization of the construction, the Salitre plant, including the mine, will have an annual production capacity of approximately 1–1.2 million tonnes of phosphate rock and 1 million tonnes of finished fertilizer (SSP equivalents), in addition to a blending capacity of approximately 1 million tonnes. Currently, The Rio Grande plant has a production capacity of 0.8 million tonnes of finished fertilizer (NPK and SSP depending on market demand), in addition to a blending capacity of approximately 1.6 million tonnes. However, there is an ongoing expansion project at the Rio Grande plant, which is expected to be finalized during the end of 2020. After finalization of the expansion project, the Rio Grande plant will have an annual production capacity of approximately 1.1 million tonnes of finished fertilizer (NPK and SSP depending on market demand), in addition to a blending capacity of approximately 2.2 million tonnes.

CGU Brazil comprises the former Crop Nutrition Brazil and Production GICS (former Galvani). During 2019, a reassessment of the CGU has taken place, resulting in these two former CGUs being combined into one. The triggering event for the reassessment was the acquisition of the 40% non-controlling interest. More information about the acquisition is provided in note 7.2. As a result of the acquisition, Yara has been able to fully integrate the GICS (former Galvani) business into the value chain, which would not have been possible with the previous partnership arrangement. Going forward the main asset of the former Galvani business, the Salitre plant, will channel more than half of its output of phosphate rock into the former Crop Nutrition business, and thereby replacing raw material volumes that were sourced externally or from other Yara plants under the previous partnership arrangement. As a result of the full vertical value chain integration, the two former CGUs are from now on considered as one.

The CGU's value-in-use is significantly higher than the carrying amount. No reasonable possible change in any of the key assumptions would cause the unit's recoverable amount to be lower than the carrying value.

Latin America

Business unit Latin America comprises 14 blending units with a total capacity of around 2 million tonnes, and a distribution network that includes Mexico, Guatemala, Costa Rica, Panama, Colombia, Ecuador, Peru, Bolivia, Chile and Argentina. The production facility in Cartagena has one ammonia plant, three nitric acid plants, one NPK plant, three ammonium nitrate solution units and one calcium nitrate plant. The CGU has a carrying amount of USD 573 million and a value-in-use that is 25% higher. The business plan for 2020 is the most important input factor, together with the discount rate and the annual growth rate. An isolated reduction to the estimated EBITDA during the projected period of 14%, a reduction to the terminal growth rate after year five of 5 percentage points or an increase to the post-tax discount rate of 3 percentage points would reduce the headroom to nil.

India

Yara acquired Tata Chemicals Limited's urea business in India on 12 January 2018 which included the Babrala urea plant and the related distribution business. The plant produces 0.7 million tonnes ammonia and 1.2 million tonnes urea. The CGU includes Yara's preexisting Crop Nutrition activity. The CGU has a carrying amount of USD 455 million and a value-in-use that is 36% higher. The premium product sales growth is the most important assumption together with the discount rate. The premium product sales growth is estimated for the first five years and a terminal growth of 2% has been used in the valuation model. Should the estimated premium product sales growth not materialize, and the growth from 2020 only be 2%, it would trigger an impairment of approximately USD 70 million. An isolated increase to the post-tax discount rate of 3 percentage points would reduce the headroom to nil.

Sensitivities for main CGUs with no allocated goodwill

Yara has performed testing of several CGUs with impairment indicators. The impairments recognized during 2019 are explained above.

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

Production Yara Pilbara Nitrates

The joint operation Yara Pilbara Nitrates owns a TAN plant in Australia. Carrying value of the CGU is USD 359 million, representing Yara's 50% ownership stake. The plant has not been in production for most of the year 2019 to allow necessary rectification works to bring it to its intended capacity. The plant is scheduled to ramp up and commence operations during the first half of 2020. An impairment of USD 50 million was recognized in 2018, and the investment is still highly sensitive for additional impairments at the end of 2019. The key assumptions are the TAN margin above ammonia cost, which is estimated for the TAN market in Western Australia, and the discount rate (9.6% on pre-tax basis). An individual reduction to the margin above ammonia cost of 10% would trigger an additional impairment of USD 79 million. An increase in the post-tax discount rate of 1 percentage point would trigger an additional impairment of USD 57 million.

Production Italy

Production Italy comprises two sites, with an annual production capacity of 0.6 million tonnes ammonia, 0.4 million tonnes nitrates, 0.6 million tonnes urea and 0.4 million tonnes NPK. The CGU has a carrying value of USD 251 million. An impairment of USD 24 million was recognized in 2018, and the CGU is still highly sensitive for additional impairments at the end of 2019. The projected fertilizer prices, natural gas purchase price and the discount rate (10.4% on pre-tax basis) are the key assumptions. An individual reduction to the fertilizer prices of 10% for all years would trigger an additional impairment of USD 178 million. An increase in the natural gas purchase price of 10% would trigger an additional impairment of USD 164 million. An increase in the post-tax discount rate of 1 percentage point would trigger an additional impairment of USD 1 million.

Production Tertre

Yara's production site in Tertre, Belgium comprises one ammonia plant, one nitric acid plant and one nitrates plant, with an annual production capacity of 0.4 million tonnes ammonia, 0.7 million tonnes nitric acid and 1 million tonnes nitrates. The majority of the ammonia and nitric acid produced is used in the production of nitrates, which are sold to various European markets. The CGU has a carrying amount of USD 261 million and a value-in-use that is 24% higher. The key assumptions for the testing are the urea price, the natural gas cost and the discount rate. An individual reduction of the urea price of 3% for all years, an increase of the natural gas cost of 6% or an increase of the post-tax discount rate of 1 percentage point would reduce the headroom to nil.

Future potential reversals of impairment

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

The table below provides an overview of the main CGUs with impairments, presented with the maximum amount of potential reversals at year-end 2019 and the key conditions for such reversals to materialize.

USD millions	Asset class	Potential reversals YE 2019	Key conditions for reversals
Montoir plant (France)	Property, plant and equipment, right-of-use assets	88	Fertilizer price increase
Yara Pilbara Nitrates	Property, plant and equipment	47	Stable production and TAN price increase
LIFECO (Libya)	Equity-accounted investee (associate)	16	Improved political situation in Libya, more stable gas supply and urea price increase
QAFCO (Qatar)	Equity-accounted investee (associate)	29	Melamine price increase
Production Italy	Property, plant and equipment	18	Volume increase, fertilizer price increase and reduced natural gas purchase price

Impairment related to assets held-for-sale in GICS (former Galvani), as described in note 7.2, is not included in the table above.

4.8 Committed future investments

USD millions	Investments 2020	Investments thereafter	Investments total
Contract commitments for investments in property, plant and equipment	336	12	348
Contract commitments for acquisition or own generated intangible assets	21	-	21
Total	357	12	369

Yara has publicly communicated committed growth investments of USD 400 million in 2020 which corresponds to investments that passed decision gate that commits fund but for which external contracts are not necessarily signed. These investments are related to projects in Brazil (Rio Grande and the Salitre mining project). USD 183 million of these investments are included as contractual commitments in the table above.

Commitments related to equity-accounted investees

USD millions	Investments 2020	Investments thereafter	Investments total
Contract commitments for investments in property, plant and equipment	43	48	92
Total	43	48	92

Figures in the table above are presented on a 100% basis. Yara's share of committed investments related to equity-accounted investees in 2019 is USD 23 million. The commitments are mainly related to investments in QAFCO.

5 Equity and liabilities

5.1 Share information

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

In 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. 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). 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.

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

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

	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 [1]	-	(520,000)	(520,000)
Total at 31 December 2018	273,217,830	(520,000)	272,697,830
Redeemed shares Norwegian State [2]	(295,193)	-	(295,193)
Shares cancelled [2]	(520,000)	520,000	-
Treasury shares - share buy-back program [2]		(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.

5.2 Non-controlling interests

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

2019

USD millions	Total at 1 January	Share of profit	Dividend distributed	Disposals	Share capital increase	Foreign currency translation	Total at 31 December
GICS Indústria, Comércio e Serviços S.A. [1]	148	(9)	-	(139)	-	-	-
Yara Dallol B.V.	69	(2)	-	-	-	-	67
Other	10	1	(2)	2	-	-	12
Total	227	(10)	(2)	(137)	-	-	79

2018

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

Place of incorporation and percentage of non-controlling interests

Company name	Place of incorporation	Percentage non-controlling interests [2] 2019	Percentage non-controlling interests [2] 2018
GICS Indústria, Comércio e Serviços S.A.[1]	Brazil	-	40.00%
Yara Dallol B.V.[3]	The Netherlands	41.83% [4]	45.89%

1) Galvani Industria, Comercio e Servicos S.A. changed name to GICS Industria, Comercio e Servicos S.A. in 2019.
2) Equals voting rights.
3) Place of operations is Ethiopia.
4) The ownership percentage of non-controlling interests is reduced by 4.06 percentage points in 2019 (2018: 0.99 percentage points).

Restrictions and other information related to significant non-controlling interests

The shareholders in Yara Dallol have agreed that no dividends shall be distributed from the company before the start of production. After that, the company shall pay out as much as permitted by applicable law and possible restrictions in future financing agreements. At 31 December 2019, Yara Dallol held USD 3 million in cash and cash equivalents (2018: USD 5 million).

Financial position for companies with significant non-controlling interests

USD millions	2019	2018	
	Yara Dallol	Galvani	Yara Dallol
Current Assets	5	100	8
Non-current assets	227	966	212
Current liabilities	(12)	(633)	(10)
Non-current liabilities	(25)	(38)	(25)
Equity attributable to owners of the company	(129)	(422)	(117)
Non-controlling interests	(67)	(148)	(69)

Income statement for companies with significant non-controlling interests

USD millions	2019 Yara Dallol	2018 Galvani	2018 Yara Dallol
Total operating revenues and other income	-	238	-
Expenses	(5)	(280)	(5)
Net income/(loss)	(5)	(42)	(5)
Net income attributable to shareholders of the parent	(3)	(25)	(3)
Net income attributable to non-controlling interests	(2)	(17)	(2)
Net income/(loss)	(5)	(42)	(5)
Other comprehensive income attributable to shareholders of the parent	-	(43)	-
Other comprehensive income attributable to non-controlling interests	-	(28)	-
Other comprehensive income/(loss) for the year	-	(71)	-
Total comprehensive income attributable to shareholders of the parent	(3)	(68)	(3)
Total comprehensive income attributable to non-controlling interests	(2)	(45)	(2)
Total comprehensive income/(loss) for the year	(5)	(113)	(5)
Net cash inflow/(outflow) from operating activities	(1)	542	(2)
Net cash inflow/(outflow) from investing activities	(15)	(183)	(15)
Net cash inflow/(outflow) from financing activities	14	(342)	12
Net cash inflow/(outflow)	(2)	17	(4)

5.3 Interest-bearing debt

Accounting policies

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

Specification

USD millions, except percentages and denominated amounts	Notes	Maturity	Weighted average interest rates	Denominated amounts 2019 Currency millions	Denominated amounts 2019 USD millions	Carrying amounts 2019	Carrying amounts 2018
NOK (Coupon NIBOR + 0.70%)	6.1	2019	-	-	-	-	254
USD (Coupon 7.88%)	6.1	2019	-	-	-	-	500
NOK (Coupon 2.55%)	6.1	2021	2.6%	700	80	79	80
NOK (Coupon NIBOR + 0.75%)	6.1	2022	2.6%	1,250	142	142	144
SEK (Coupon STIBOR + 1.00%)	6.1	2022	0.8%	450	48	48	50
SEK (Coupon 1.10%)	6.1	2022	1.2%	800	86	86	89
NOK (Coupon 3.00%)	6.1	2024	3.0%	600	68	68	69
NOK (Coupon 2.45%)	6.1	2024	2.5%	1,000	114	111	113
USD (Coupon 3.80%)	6.1	2026	3.9%	500	500	498	498
NOK (Coupon 2.90%)	6.1	2027	2.9%	1,000	114	111	112
USD (Coupon 4,75%)	6.1	2028	4.8%	1,000	1,000	996	996
Total unsecured debenture bonds						2,139	2,905
USD	2.9%	2.9%	2.9%	933	933	933	631
BRL	-	-	-	-	-	-	17
Total unsecured bank loans						933	648
Mortgage loans						21	22
Other long-term debt						3	3
Total						24	24
Outstanding long-term debt						3,096	3,577
Less: Current portion						(398)	(824)
Total						2,698	2,753

The carrying values include issuance discount, capitalized issuance costs and fair value hedge accounting adjustments as indicated above (see also note 6.3 for further information about fair value of financial instruments).

At 31 December 2019, the fair value of the long-term debt, including the current portion, is USD 3,195 million and the carrying value is USD 3,096 million.

Yara builds its funding on a negative pledge structure with the basic funding ranging pari passu. Substantially all unsecured debenture bonds and unsecured bank loan agreements therefore contain provisions restricting the pledging of assets to secure future borrowings.

Of the long-term debt at the end of 2019, USD 1,500 million in bond debt originates from Yara's June 2018 and June 2016 bond issues in the US market according to 144A/Regulation S. Further, NOK 1,300 million originates from Yara's December 2014 bond issues in the Norwegian market while NOK 3,250 million and SEK 1,250 million originate from Yara's December 2017 bond issues in the Norwegian market. The entire NOK and SEK denominated bond debt is converted to USD exposure through cross-currency swaps. Bond debts of USD 500 million and NOK 2,200 million were repaid upon maturity in June 2019 and December 2019 respectively.

Yara's additional long-term funding is based on bank loans. Yara's term loan from the Nordic Investment Bank has been reduced to USD 60 million through scheduled downpayments, and linear installments will continue until December 2023. Likewise, the loan facility established in January 2018 with partial support by a guarantee from The Norwegian Export Credit Guarantee Agency (GIEK) has been reduced to USD 214 million through scheduled downpayments, and semi-annual installments will continue until August 2026. Both the USD 150 million term loan due 2022 from the International Finance Corporation and the USD 150 million term loan due 2024 from Svensk Exportkredit AB remain fully drawn at year-end 2019. A further minor portion of the long-term bank loans is borrowed in emerging markets.

Yara has undrawn revolving credit facilities totaling USD 1,100 million due 2025 and USD 250 million due 2021. The former replaced the revolving credit facility due 2020 as from July 2019.

Of the fixed interest rate debenture bonds, NOK 3,300 million and SEK 800 million are exposed to floating interest rates through interest rate swaps, see note 6.1 Financial risks.

Contractual payments on long-term debt

USD millions	Debentures [1)]	Bank Loans	Other long-term loans	Total [2)]
2020	-	397	-	398
2021	79	53	2	134
2022	277	194	-	471
2023	-	45	-	45
2024	179	180	-	359
Thereafter	1,605	63	21	1,689
Total	2,139	933	24	3,096

1) Yara International ASA is responsible for the entire amount.
2) Including current portion.

Short-term interest bearing debt

USD millions, except percentages	Notes	2019	2018
Credit facilities		418	237
Overdraft facilities		26	93
Other		50	67
Total	6.3	494	397
Weighted Average Interest Rates [1)]			
Credit facilities		4.3%	5.9%
Overdraft facilities		9.5%	8.6%
Other		2.5%	2.7%

1 Repricing minimum annually.

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 1)	Other 2)	Reclassification	
Long-term interest-bearing debt	2,776	350	-	-	(10)	2	(23)	(396)	2,698
Short-term interest-bearing debt	397	80	-	-	(2)	-	19	-	494
Current portion of long-term debt	824	(811)	-	-	(11)	-	-	396	398
Total liabilities from financing activities	3,997	(381)	-	-	(23)	2	(4)	-	3,590

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.

See note 4.5 Leases for reconciliation of liabilities arising from leasing activities.

5.4 Employee benefits

Overview

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

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

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

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

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

Accounting policies

Defined benefit plans

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

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

Defined contribution plans

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

Other long-term benefits

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

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

USD millions	Notes	2019	2018
Defined benefit plans		(480)	(468)
Surplus on funded defined benefit plans		57	59
Net liability for defined benefit plans		(424)	(410)
Termination benefits		(3)	(3)
Other long-term employee benefits		(14)	(14)
Net long-term employee benefit obligations recognized in Statement of financial position		(441)	(426)
Of which classified as Prepayments for long-term employee obligations	4.6	57	59
Of which classified as Long-term employee benefit obligations		(498)	(485)

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

USD millions	Notes	2019	2018
Defined benefit plans		(48)	(49)
Defined contribution plans		(30)	(31)
Multi-employer plans		(9)	(9)
Termination benefits		(23)	(19)
Other long-term employee benefits		(2)	(9)
Net expenses recognized in Statement of income		(113)	(117)
Of which classified as Payroll and related costs	2.5	(104)	(110)
Of which classified as Interest expense and other financial items	2.7	(9)	(7)

Defined benefit plans

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

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

Employees of Yara's Dutch subsidiaries hired before 1 August 2014 are members of a funded Defined Benefit pension plan. Employees born before 1950 and who were in service before 2006 are entitled to a pension scheme based on final salary at the age of retirement. The other employees are members of an Average Pay scheme. Retirement age is 68. The funded Defined Benefit pension plan has been closed for new members from 1 August 2014. New hires are enrolled in a Defined Contribution pension plan from the same date.

Obligations in Finland include the statutory TyEL pension scheme, as well as a voluntary defined benefit plan which is closed to new entrants. Both schemes are covered by pension funds. The TyEL pension scheme provides for a flexible retirement age from 63 to 68 based on the employee's salary each year and with accelerated earning of retirement benefits beyond the age of 63. A reform of the Employees Pensions Act was agreed in 2017, which will gradually increase the minimum retirement age from 63 to 65 while also gradually increase the maximum retirement age from 68 to 70. Further, accrual rates will change and retirement age will be linked to life expectancy (from year 2027). The voluntary pension plan regulations have also been amended in order to adapt to the revised pension legislation.

Subsidiaries of Yara are also liable to retirement benefits in France, Germany, Belgium and Italy within the Eurozone.

Yara sponsors a funded defined benefit pension plan for qualifying UK employees. Under the fund, employees are entitled to annual pensions on retirement at age 62 of 1/57th of final pensionable salary for each year of service (some members have a retirement age of 65 and accrue at a rate of 1/60). Benefits are also payable on death and following other events such as withdrawing from active service. The plan was closed for new members from 2001. Broadly, about 16% of the liabilities are attributable to current employees, 21% to former employees and 63% to current pensioners.

Other defined benefit plan obligations include employees of subsidiaries in Sweden, Trinidad and South Africa.

Most defined benefit plans include benefits in case of disability, death in service and death after retirement, which are included in the valuation of liabilities.

The provision for defined benefit plans also includes liabilities for medical plans in Great Britain, Trinidad, Brazil and South Africa with a total of USD 16 million (2018: USD 17 million).

Pension cost recognized in Statement of income

The assumptions used to value the defined benefit obligations at 31 December are used in the following year to determine the net pension cost. The discount rate is used to calculate the interest income from plan assets.

The following items have been recognized in the Statement of income

USD millions	2019	2018
Current service cost	(37)	(39)
Contribution by employees	3	3
Administration cost	(2)	(2)
Past service cost	(3)	(4)
Social security cost	(1)	(1)
Payroll and related costs	(39)	(42)
Interest expense on obligation	(46)	(46)
Interest income from plan assets	37	39
Net interest expense on the net obligation	(9)	(7)
Net pension cost recognized in Statement of income	(48)	(49)

USD millions	2019	2018
Payroll and related costs		
Finland	(6)	(6)
The Netherlands	(14)	(13)
Great Britain	(2)	(6)
Norway	(5)	(6)
Net interest income/(expense) on the net obligation/asset		
Finland	(1)	-
The Netherlands	(1)	1
Great Britain	(1)	(1)
Norway	(1)	(1)

Remeasurement gains/ losses) recognized in other comprehensive income

USD millions	2019	2018
Remeasurement gains/ losses) on obligation for defined benefit plans	(165)	(11)
Remeasurement gains/(losses) on plan assets for defined benefit plans	157	(65)
Increase in recognized net liability due to minimum funding requirement and asset ceiling limit [1]	(8)	(8)
Net remeasurement gains/(losses) for defined benefit plans	(17)	(84)
Change in deferred tax related to remeasurement gains/(losses) for defined benefit plans [2]	8	10
Remeasurement gains/(losses) recognized from equity-accounted investees (net of tax)	-	1
Total remeasurement gains/(losses) recognized in other comprehensive income	(9)	(73)

1) Yara (UK) Ltd is committed to pay an annual contribution until 2022 in order to make good a funding deficit. Present value of future contributions will lead to an unrecognized surplus based on current IAS 19 valuation, and as Yara does not have an unconditional right to recoup any surplus arising in the Fund, an additional liability needs to be recognized. The value of plan assets is also reduced to restrict the funded status to zero (asset ceiling limit).
2) Includes impact from reduction of tax percentage.

Remeasurement gains and losses include experience adjustments, reflecting the difference between estimated and actual changes in obligations and plan assets during the year, as well as the impact of change in demographic and financial assumptions when measuring the present value of pension liabilities at year-end with revised assumptions. Remeasurement gains and losses are permanently recognized directly in retained earnings in the period in which they occur.

Actuarial valuations provided the following results

USD millions	2019	2018
Present value of fully or partially funded liabilities for defined benefit plans	(1,948)	(1,799)
Present value of unfunded liabilities for defined benefit plans	(250)	(248)
Present value of liabilities for defined benefit plans	(2,198)	(2,047)
Fair value of plan assets	1,836	1,688
Adjustment in respect of minimum funding requirement	(26)	(34)
Unrecognized asset due to asset ceiling limitation	(19)	-
Social security tax liability on defined benefit plans	(17)	(16)
Net liability recognized for defined benefit plans	(424)	(410)

Defined benefit obligations and plan assets by origin

	2019		2018	
USD millions	Obligations	Assets	Obligations	Assets
Finland	(334)	310	(341)	307
The Netherlands	(753)	683	(679)	620
Other Eurozone	(289)	114	(266)	103
Great Britain [1]	(444)	417	(412)	377
Norway [2]	(306)	227	(288)	220
Other	(115)	65	(111)	61
Total	(2,240)	1,816	(2,097)	1,688

1) Including liability for minimum funding requirement and asset ceiling adjustment.
2) Including social security tax liability.

Development of defined benefit obligations

USD millions	2019	2018
Defined benefit obligation at 1 January	(2,047)	(2,123)
Current service cost	(37)	(39)
Interest cost	(46)	(46)
Experience adjustments	15	8
Effect of changes in financial assumptions	(189)	(37)
Effect of changes in demographic assumptions	9	18
Past service cost	(3)	(4)
Benefits paid	84	83
Obligation assumed upon acquisition of business [1]	-	(5)
Transfer of obligation (in)/out	-	(3)
Foreign currency translation on foreign plans	16	100
Defined benefit obligation at 31 December	(2,198)	(2,047)

1) Related to the acquisition of Cubatão

Development of plan assets

USD millions	2019	2018
Fair value of plan assets at 1 January	1,688	1,835
Interest income from plan assets	37	39
Administration cost on plan assets	(2)	(2)
Return on plan assets (excluding the calculated interest income)	157	(65)
Employer contributions	34	32
Employees' contributions	3	3
Benefits paid	(72)	(71)
Transfer of plan assets in/(out)	-	3
Foreign currency translation on foreign plans	(10)	(88)
Fair value of plan assets at 31 December	1,836	1,688

Depending on local regulations, Yara may be required to ensure a certain funding level of the pension plans. In the UK Yara is paying an annual contribution until 2022 in order to make good a funding deficit determined in the actuarial valuation of 2017. In The Netherlands, an agreement is in place in which Yara will need to ensure a minimum level of funding by making additional contribution to the fund. On the other hand, Yara will be able to recover parts of the contribution which has been paid to the fund, in case the funding ratio reaches a certain level. In Norway, Yara may be required to increase the capital buffer of the pension fund.

The pension funds have the legal form of foundations, independently governed by their Board of Directors or Board of Trustees. It is the responsibility of the Board to determine the investment strategy, and to review the administration of plan assets and the funding level of the pension plans.

Yara's defined benefit plan obligations are inherently exposed to inflation risk, interest rate risk and longevity risk. The investment strategies of the pension funds ensure diversement of investments in order to keep market volatility risk at a desired level. An exception is the pension fund of Yara in Finland, which has invested about 1/3 of the fair value of plan assets into shares of non-listed Pohjolan Voima Oy, a company producing electricity and heat for its shareholders on an at cost-basis. The Boards of the pension funds are targeting a satisfactory level of risk and return corresponding to the maturity profile of future pension benefit payments.

At the end of the year, the plan assets were invested as follows

USD millions, except percentages	2019		2018	
Cash and cash equivalents	24	1%	22	1%
Shares	515	28%	456	27%
Other equity instruments	37	2%	18	1%
High yield debt instruments	81	4%	106	6%
Investment grade debt instruments	711	39%	665	39%
Properties	72	4%	72	4%
Other quoted plan assets 1)	259	14%	212	13%
Total investments quoted in active markets	1,700	93%	1,550	92%
Shares and other equity instruments	95	5%	99	6%
Other plan assets 2)	41	2%	38	2%
Total unquoted investments	136	7%	137	8%
Total plan assets	1,836		1,688	

1) Other quoted plan assets include insurance policies, hybrid funds and other fund investments.
2) Other unquoted plan assets is mainly a loan to Yara Suomi Oy.

Contributions expected to be paid to the defined benefit plans for 2020 are USD 46 million (including benefits to be paid for unfunded plans). Contributions paid in 2019 were USD 46 million.

Duration of liabilities at the end of the year

Duration of liabilities (in years)	2019
Finland	15
The Netherlands	20
Great Britain	17
Norway	13
Total 1)	17

1) Weighted average.

Valuation of defined benefit obligations

The defined benefit plans are valued at 31 December using updated financial and demographical assumptions and taking into account the relevant economic environment of each pension plan.

The discount rate is a weighted average of the yields at the balance sheet date on high quality corporate bonds, or government bonds where no deep market exists for high quality corporate bonds. The discount rate is adjusted by extrapolation if necessary, to take into account differences in maturities.

The following financial assumptions have been applied for the valuation of liabilities

Discount rate (in %)	2019	2018
Finland	0.9	1.8
The Netherlands	1.1	1.8
Great Britain	2.0	2.9
Norway	2.1	2.7
Total [1]	1.5	2.2

1) Weighted average.

Expected salary increase (in %)	2019	2018
Finland	2.1	2.3
The Netherlands	2.3	2.3
Great Britain	3.7	3.9
Norway	2.2	2.6
Total [1]	2.6	2.8

1) Weighted average.

Expected pension indexation (in %)	2019	2018
Finland	1.0	1.5
The Netherlands	1.6	1.6
Great Britain	3.0	3.0
Norway	1.0	1.1
Total [1]	1.8	1.9

1) Weighted average.

The following table presents indicators of life expectancy of the mortality tables applied for valuation of the obligations, by showing expected longevity of a current employee aged 45 today from the date he or she reaches age 65, and the expected longevity of a current retiree aged 65.

Expected longevity (in years)	Current employee	Current retiree
Finland	25.9	23.4
The Netherlands	24.8	22.7
Great Britain	23.9	22.2
Norway	25.0	23.2

Sensitivity of assumptions

Measurement of defined benefit obligations and pension costs requires the use of a number of assumptions and estimates. The table below indicates the sensitivity of the most significant assumptions applied to the defined benefit obligation, by showing the estimated result from a reasonable increase or decrease in any one of the key assumptions applied. Holding all other assumptions constant represents a limitation of the analysis, as some of the assumptions may be correlated. The methods used in preparing the analysis are consistent with previous years.

USD millions	2019	2018
Actual valuation	(2,198)	(2,047)
Discount rate +0.5%	(2,044)	(1,912)
Discount rate -0.5%	(2,370)	(2,200)
Expected rate of salary increase +0.5%	(2,218)	(2,065)
Expected rate of salary increase -0.5%	(2,178)	(2,030)
Expected rate of pension increase +0.5%	(2,324)	(2,161)
Expected rate of pension increase -0.5%	(2,085)	(1,947)
Expected longevity +1 year	(2,280)	(2,084)
Expected longevity -1 year	(2,116)	(1,975)

5.5 Trade payables and other payables

Accounting policies

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

Specification

USD millions	Notes	2019	2018
Trade payables		1,285	1,475
Payroll and value added taxes		259	259
Other liabilities [1]		70	101
Total	6.3	1,614	1,835

1) Included in Other liabilities is USD 11 million regarding short-term derivative instruments (at fair value) and USD 26 million regarding short-term contingent consideration.

Trade payables are non interest-bearing and have an average term of 60 days. Payroll and value-added taxes are mainly settled bimonthly or on a quarterly basis. Other payables are non interest-bearing and normally settled within 12 months.

5.6 Provisions and contingencies

Accounting policies

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

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

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

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

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

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

Decommissioning provisions are updated when new information becomes available.

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

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

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

2019

USD millions	Environmental	Restructuring	Legal Claims	Decommission	Other	Total
Balance at 1 January 2019	75	48	23	122	24	292
Additional provision in the year	13	21	10	45	43	133
Interest expense on liability	(2)	-	2	-	-	1
Unused provision	-	-	(5)	-	(3)	(9)
Utilization of provision	(7)	(13)	(4)	(2)	(12)	(38)
Companies purchased/(sold)	-	-	-	-	-	-
Currency translation effects	(2)	(1)	-	(1)	1	(4)
Balance at 31 December 2019	77	55	25	164	54	375

2018

USD millions	Environmental	Restructuring	Legal Claims	Decommission	Other	Total
Balance at 1 January 2018	48	34	16	79	28	205
Additional provision in the year	15	23	12	31	18	100
Interest expense on liability	-	-	2	3	-	5
Unused provision	1	(1)	(3)	(5)	(8)	(16)
Utilization of provision	(8)	(6)	(2)	(2)	(13)	(32)
Companies purchased/(sold)	22	-	-	27	-	48
Currency translation effects	(3)	(2)	(2)	(10)	-	(17)
Balance at 31 December 2018	75	48	23	122	24	292

Provisions presented in the consolidated statement of financial position

USD millions	2019	2018
Current liabilities	72	55
Non-current liabilities	303	238
Total	375	292

Provisions

Environmental provisions

Yara's future cost for environmental remediation depends on a number of uncertain factors, such as changes in regulations or authorities approval for the extent of actions. The estimates are followed up frequently. Due to the uncertain nature to define the exact levels of pollution and precise needs for cleanup, it is possible that they could be revised in the near term. In addition, conditions which could require future expenditures may be determined to exist for various sites, including Yara's major production facilities and warehouses.

Restructuring provisions

In November 2019, Yara provided for closure costs of USD 20 million following the announcement 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 the 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) has 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.

For comparison did Yara recognize a provision of USD 19 million in 2018 related to centralization of certain supply chain functions in Europe, where USD 10 million was reported in the Crop Nutrition segment and USD 9 million in the Industrial segment.

Restructuring mainly relates to closure or significant reorganization of business locations in a country or region. The provision is a best estimate based on the detailed formal plan for the business and location affected.

Legal claims

Yara is party to a number of lawsuits in various jurisdictions arising out of the conduct of its business. None of these lawsuits, individually or in aggregate, are anticipated to have a material adverse effect on Yara.

Decommission provisions

Provisions have been made for where Yara has legal obligation for decommissioning. Most significant decommissioning provisions relate to contractual obligations for operations on leased land, the main ones being plants in Australia, France and UK. The increase in decommission provisions during 2019 is mainly due to reduced discount rates.

Other provisions

Other include onerous contracts, liquidated damages, warranties and various other provisions. The main reason for the increase in other provisions is higher warranty provisions due to increased deliveries by Yara's Maritime business.

Contingencies

Legal contingencies

Yara is party to a number of lawsuits related to laws and regulations in various jurisdictions arising out of the conduct of its business. While acknowledging the uncertainties of litigation, Yara is of the opinion that based on the information currently available, these matters will be solved without material adverse effect.

On 21 January 2020, Yara announced that the Comisión Nacional de los Mercados y la Competencia (CNMC) has 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.

In connection with Yara Fertiliser India Pvt Ltd's acquisition of Tata Chemical Ltd's urea business, stamp duty may be payable on the lease of the Babrala plant site. Yara's position is that the stamp duty on this lease is less than USD 1 million. In order to ascertain the amount of stamp duty payable, Yara sought adjudication of the amount by the local tax authorities. On 18 January 2019, the authority assessed stamp duty on the lease at approximately USD 36 million. Yara is of the view that the authority's decision is incorrect, and remains of the view that the correct amount of stamp duty is less than USD 1 million.

Yara Fertiliser India Pvt Ltd are of the view that the authority's decision is incorrect and have filed a written petition in the high court of Uttar Pradesh in March 2019 to seek the court's decision and affirmation of our position. State of Uttar Pradesh has filed its response to the Petition filed by Yara Fertilisers India Pvt Ltd. No date has yet been scheduled for substantial hearing of the petition. It may take up to 5 years to receive a decision from the Uttar Pradesh State Court.

In addition to the stamp duty on the lease, Yara has also sought adjudication of stamp duty in the same state on the court order for the acquisition. Yara's position is that the stamp duty payable is less than USD 6 million. As of today, the relevant authority has not yet issued its decision. The provisions made for stamp duties in the Uttar Pradesh state corresponds to Yara's assessment.

Further information related to two ongoing environmental cases in Brazil, where Yara is a part due to the acquisition of Adubos Trevo from the Trevisa Group in the year 2000, is provided below since it is not possible to provide a reliable estimate of the maximum potential exposure:

- Yara has together with other companies related to the Trevisa Group been sued by an association representing approximately 1,300 potential victims in two separate lawsuits. The lawsuits are related to mine and lead industry activities performed by the company Plumbum Comércio e Representações de Produtos Mineirais e Industriais (Plumbum) in the cities Santo Amaro da Purificação and Boquira in Bahia state in Brazil. Plumbum was formerly part of the Trevisa Group. Adubos Trevo has not been involved in any of the activities included in the lawsuits. The lawsuits include claims for various personal losses, damage to properties, institution of relief funds, environmental restoration and clean-up activities. The lawsuits were filed in 2011 and 2012 but are still in the initial phase. Yara denies liability for any potential damage caused by the activities of Plumbum and has not made any provision for the claims.

- Yara is together with 22 other companies, defendants in a lawsuit filed by São Paulo Public Attorney in 1985 with a claim for compensation for environmental damage related to former activities by the defendants in the Cubatão industrial district. The defendants deny the claim on the basis that necessary actions have already been taken to recover potential damages from former activities. In September 2017, the court of first instance ruled against the defendants determining that the defendants were jointly liable to repair the damage. The nature of and amount of potential damages have not been determined and will be calculated by an expert. Yara has made a provision related to this case of USD 1.8 million. Yara and the other defendants have appealed the decision.

Tax contingencies

In relation to an ongoing tax dispute and to safeguard their taxation rights, the Dutch tax authorities issued in 2018 a new tax assessment for business restructuring ("exit tax assessment"). The tax assessment would increase the tax cost with USD 500 million, plus USD 200 million in accumulated interest. It is Yara's position that the tax assessment is unreasonable and unfounded, and no provision has been made for the exit tax claim. The tax authorities principal claim is significantly lower and Yara has considered that claim separately from the exit tax assessment. Yara expects that the exit tax assessment will not trigger any immediate payment and that tax payments will be deferred until the case has been fully resolved or the tax assessment has been withdrawn.

Several subsidiaries are engaged in juridical and administrative proceedings related to various disputed tax matters where the probability of cash outflow is not considered probable. A majority of these contingencies are related to indirect taxes in Brazil, with an estimated maximum exposure of approximately USD 151 million. Tax contingencies outside Brazil and excluding the above-mentioned exit tax assessment in the Netherlands have an estimated maximum exposure of approximately USD 83 million. In 2019, Yara recognized a USD 38 million income tax provision and a USD 13 million provision for interest expense related to a previously reported contingency outside Brazil. The provisions are based on a recent court ruling against one of Yara's subsidiaries. Yara has appealed the ruling.

In 2019, Yara International ASA received a notification and request for information from the Norwegian Tax Authorities in relation to a transfer price audit. In the notification and request for information, the Tax Authorities have stated that they consider changing the company's tax assessment for the years 2015, 2016 and 2017. Yara International ASA has recently submitted its response. The Tax Authorities have not disclosed any potential amount or provided guidance on how a potential change will impact the tax assessment for these years.

Contingent assets

Contingent assets are typically related to insurance compensation. As of year-end 2019 there are no significant contingent assets.

5.7 Contractual obligations

Take-or-pay and long-term contracts

Yara has entered into take-or-pay and long-term contracts providing for future payments to transportation capacity, raw materials and energy.

The non-cancellable future obligations at 31 December 2019 (undiscounted amounts)

USD millions	Total
2020	487
2021	257
2022	154
2023	105
2024	63
Thereafter	661
Total	1,727

Future "take-or-pay" obligations are included in the table above only if they are non-cancellable and the contractually agreed pricing is fixed or may otherwise deviate from observable market prices at the time of delivery.

Yara did not need to pay any significant amount to fulfill take-or-pay clauses in 2019.

For further information regarding future obligations, see note 5.4 for future obligations related to pensions, note 5.6 for provisions and contingencies and 4.5 for future commitments related to lease arrangements.

5.8 Secured debt and guarantees

USD millions	2019	2018
Amount of secured debt	26	28
Assets used as security for debt		
Machinery and equipment, etc.	4	5
Buildings and structural plant	23	24
Total	27	28
Assets used as security for non-financial liabilities		
Buildings and structural plant	22	23
Total	22	23
Guarantees (off-balance sheet)		
Contingency for discounted bills	1	1
Contingency for sales under government schemes	57	72
Non-financial parent company guarantees	723	684
Non-financial bank guarantees	236	228
Total	1,016	985

Off-balance sheet guarantees consist mainly of commercial guarantees related to contract obligations (Bid Bonds, Performance Guarantees and Payment Guarantees) and various mandatory public guarantees (Customs Guarantees, Receivable VAT Guarantees). These guarantees are issued on behalf of Yara International ASA, its subsidiaries and equity-accounted investees. The guarantor could be required to perform in the event of a default of a commercial contract or non-compliance with public authority regulations.

Guarantees of debt issued on behalf of consolidated companies are not included since the drawings under such credit lines are included in the consolidated statement of financial position. The guarantee obligation under such guarantees is at any time limited to the amount drawn under the credit facility.

Guarantees related to pension liabilities are included to the extent such guarantees exceed the liability included in the consolidated statement of financial position.

Guarantees issued to public authorities covering tax and VAT liabilities are not included as these obligations are already included in the consolidated statement of financial position.

Contingent liabilities related to the de-merger from Norsk Hydro ASA

Yara is contingently liable for unfunded pension liabilities accrued prior to the consummation of the de-merger from Norsk Hydro ASA (Hydro) as a matter of the joint and several liability provided by Norwegian law. Hydro's unfunded pension liabilities, calculated in accordance with Hydro's accounting policies, amounted to approximately NOK 2 billion at demerger March 24, 2004 and have been reduced by payments thereafter.

6 Financial risk

6.1 Financial risks

Risk management policies

Risk management in Yara is based on the principle that risk evaluation is an integral part of all business activities. Yara's strategic approach is to determine appropriate risk levels or limits for the main risks and to constantly maintain and develop tools and procedures for monitoring the associated exposures. The Group's policies, approved by the Board of Directors, thus provide written principles on funding risk, currency risk, interest rate risk, credit risk, and the investment of excess liquidity. In general, risks arising from operational activities may either be accepted or reduced. The policies restrict transactions that will increase the Group's exposure beyond the level stemming from operations.

Yara's Executive Management is responsible for reviewing and operationalizing the board defined policies, while the operating segments and expert organizations act as risk owners. The financial risks related to the operations of the Group are thus monitored and managed by Yara's Finance, Treasury & Insurance function through internal risk reports that analyze each exposure by degree and magnitude of risk. These risks include market risks such as currency and interest rate risk, credit risk and liquidity risk. The Finance, Treasury & Insurance function reports regularly to the Group's Executive Management.

Based on the overall evaluation of risk, Yara may seek to reduce its inherent exposures by using insurance policies, trade finance contracts, guarantees or derivative instruments such as forward contracts, options and swaps. The use of such instruments is also governed by Board approved policies.

Yara may designate and document the use of certain derivatives and other financial assets or liabilities as hedging instruments against changes in fair value of recognized assets and liabilities (fair value hedges), highly probable forecast transactions (cash flow hedges) and net investments in foreign operations (net investment hedges). The prospective effectiveness of any such hedge is assessed at inception and verified on a quarterly basis. Derivatives not designated in a hedging relationship are classified as undesignated derivatives and acquired and managed within the framework and policies defined by the Board of Directors also when hedge accounting is not applied.

There were no principal changes in the Group's approach to capital management during the years ending 31 December 2019 and 31 December 2018. Yara's liquidity surplus, kept as short-term bank deposits, increased in 2019 compared with the year before.

Funding risk

The capital structure of the Group consists of interest-bearing debt as disclosed in note 5.3, cash and cash equivalents as disclosed in note 3.4 plus equity attributable to equity holders of the parent, comprising paid-in capital and retained earnings as disclosed in note 5.1 and statement of changes in equity.

Yara is focused on maintaining a sound funding structure. Main elements of the funding strategy are to keep a long-term debt base and to uphold the security and flexibility obtained through using diversified capital sources, avoiding dependency on single institutions or markets.

Yara does not have specific debt ratio targets and the only financial covenant is to have a debt to equity ratio, calculated as net interest-bearing debt divided by shareholders' equity plus non-controlling interests, below 1.4. At the end of 2019, the ratio was 0.42 compared with 0.43 at the end of 2018. The Group is not subject to any externally imposed capital requirements.

Through its financial structure, Yara has the necessary flexibility to capture the right industrial opportunities when they arise. As such opportunities typically materialize in periods characterized by industry margins and earnings below peak levels, Yara will seek to maintain adequate financial capacity throughout the business cycle. Yara aims to maintain a long-term mid investment grade rating level, i.e. minimum BBB according to Standard & Poor's methodology and Baa2 according to Moody's methodology. During 2019, Yara did maintain both the Baa2 rating by Moody's and the BBB rating by Standard & Poor's.

Currency risk

Prices of Yara's most important products are either directly denominated or determined in US dollars. In markets outside the US, local prices will generally adjust to fluctuations in the US dollar exchange rate, however with a certain time lag. Yara's raw materials costs, such as natural gas used in the production of ammonia, are either denominated in US dollars or highly correlated to changes in the US dollar exchange rate. In order to hedge Yara's long-term exposure to fluctuations in the US dollar exchange rate, Yara incurs most of its debt in US dollars. Throughout the year, the part of Yara's US dollar debt constituting a hedge of future earnings increased gradually from around USD 2,000 million to around USD 2,600 million (2018: increased gradually from around USD 1,500 million to around USD 2,000 million). A certain portion of the total debt is kept in various local currencies in order to finance local currency exposed business positions.

Yara thus primarily manages currency risks by adjusting the composition of the debt or liquidity portfolios to changes in Yara's overall risk exposure. Derivative instruments may also be used to manage currency risk related to future cash flows or to offset short-term liquidity needs in one currency with surplus liquidity in another currency. Such forward contracts are not designated as hedging instruments for accounting purposes. Changes in fair value are therefore recognized in the income statement.

Sensitivity - net income

USD millions	2019	2018
A 10% weakening [1] of the US dollar at the reporting date would have increased/(decreased) net income by	241	259
A 10% weakening [1] of the euro at the reporting date would have increased/(decreased) net income by	(263)	(270)

1) Against functional currencies.

This analysis is done for illustrative purposes only, taking into consideration only the effect on the value of financial instruments in the balance sheet as at year-end. Since all other variables are assumed to remain constant, the analysis does not reflect subsequent effects on operating income, EBITDA or equity. The analysis was performed on the same basis for 2018.

A 10% strengthening of the currencies above at 31 December would have had the opposite effect of the amounts shown above.

Sensitivity - Other comprehensive income

USD millions	2019	2018
A 10% weakening [1] of the Norwegian krone at the reporting date would have increased/(decreased) other comprehensive income by	(259)	(279)
A 10% weakening [1] of the Canadian dollar at the reporting date would have increased/(decreased) other comprehensive income by	(116)	(103)
A 10% weakening [1] of the Brazilian real at the reporting date would have increased/(decreased) other comprehensive income by	(58)	(80)
A 10% weakening [1] of the euro at the reporting date would have increased/(decreased) other comprehensive income by	(7)	7

1) Against US dollar (presentation currency of the Group).

This analysis is done for illustrative purposes only, taking into consideration only the effect on equity in foreign operations as at year-end. Since all other variables are assumed to remain constant, the analysis does not reflect subsequent effects on equity. The analysis was performed on the same basis for 2018.

Interest rate risk

Yara's exposure to changes in interest rates is mainly linked to fair value risk and cash flow risk from its debt portfolio as disclosed in note 5.3 Interest-bearing debt.

Yara has a defined framework for fair value risk arising from exposure towards fixed interest rates. In accordance with that framework, all bank loans have been borrowed at floating rates. A portion of the bond debt has been retained at fixed interest rates, while the remaining part of the bond debt has been converted to floating rates through interest rate swaps and cross-currency swaps. Consequently, the interest expense related to the converted (hedged) part of the bond debt will fluctuate in line with market changes. At the reporting date, the interest rate exposure arising from the bonds issued at fixed interest rates can be summarized as follows:

				Conversion to floating rates				Carrying amounts 2019		Carrying amounts 2018	
USD millions	Notes	Maturity	Denominated amounts 2019	Fixed interest rate	Basis for exposure hedged	Receive fixed interest payments	Pay floating interes rate [1]	Fixed interest rate	Floating interest rate	Fixed interest rate	Floating interest rate
Floating interest rate bonds											
NOK (Coupon NIBOR + 0.70%)	5.3	2019	-					-	-	-	254
NOK (Coupon NIBOR + 0.75%)	5.3	2022	142					-	142	-	144
SEK (Coupon STIBOR + 1.00%)	5.3	2022	48					-	48	-	50
Fixed interest rate bonds											
USD (Coupon 7.88%)	5.3	2019	-	-	-			-	-	500	-
NOK (Coupon 2.55%)	5.3, 6.2	2021	80	2.55%	80	2.55%	USD LIBOR 3M +1,14%	-	79	-	80
SEK (Coupon 1.10%)	5.3, 6.2	2022	86	1.10%	86	1.10%	USD LIBOR 3M +1,00%	-	86	-	89
NOK (Coupon 3.00%)	5.3, 6.2	2024	68	3.00%	68	3.00%	USD LIBOR 3M +1,33%	-	68	-	69
NOK (Coupon 2.45%)	5.3, 6.2	2024	114	2.45%	114	2.45%	USD LIBOR 3M +1,18%	-	111	-	113
USD (Coupon 3.80%)	5.3	2026	500	3.80%	-			498	-	498	-
NOK (Coupon 2.90%)	5.3, 6.2	2027	114	2.90%	114	2.90%	USD LIBOR 3M +1,44%	-	111	-	112
USD (Coupon 4,75%)	5.3	2028	1,000	4.75%	-	-		996	-	996	-
Total unsecured debenture bonds			2,153		462			1,494	645	1,994	911

1) Through a combination of interest rate swaps and cross-currency swaps.

Interest rate profile of the Group's interest-bearing financial instruments

USD millions	Notes	2019	2018
Net interest-bearing debt at 31 December [1]		3,725	3,794
Portion of bonds with fixed interest rate	5.3	1,495	1,994
Net interest-bearing debt/(deposits) less portion of bonds with fixed interest rate		2,230	1,800

1) For definition of net interest-bearing debt, please see chapter Financial performance in the Financial review section of the Annual report.

Sensitivity

USD millions	2019	2018
An increase of 100 basis points in USD interest rates at the reporting date would have increased/(decreased) net income by	(15)	(13)
An increase of 100 basis points in BRL interest rates at the reporting date would have increased/(decreased) net income by	-	(2)

All other variables remain constant. This analysis is done for illustrative purposes only, taking into consideration only the effect on financial instruments in the balance sheet as at year-end. The analysis was performed on the same basis for 2018. A decrease of 100 basis points at the reporting date would have increased profit or loss with similar, but opposite amounts.

Specific risks associated with the upcoming interest rate benchmark reform

Within its hedge accounting relationships, the Group is exposed to NIBOR, STIBOR and USD LIBOR (collectively "IBORs") interest rate benchmarks subject to interest rate benchmark reform. As listed in note 6.2 Hedge accounting, the hedged items include issued NOK and SEK fixed rate debt plus foreign currency translation risk associated with Yara's net investment in USD denominated foreign operations.

Yara Finance, Treasury & Insurance has established an IBOR transition program to understand the specific exposures and prepare an action plan in order to enable a smooth transition to alternative benchmark rates. Risks hitherto identified include, but may not be limited to, the items listed in below table.

Risk	Potential impact
Lack of standardized alternative term rates	Cash flow uncertainty, operational challenges
Economic difference vs. IBORs and alternative rates	Changes in fair value of affected contracts
Different speed of transition across products and currencies	Basis risk on hedge accounting relations
Operational adjustments required	Upgrade of IT systems, renegotiation of agreements

As none of Yara's current IBOR linked contracts already include fall back provisions in case the referenced benchmark interest rate ceases to be available, Yara monitors the output from the various working groups managing the transition to new benchmark rates carefully and will look to implement appropriate fall back language in due course.

Credit risk

Yara has a well-established system for customer credit risk management with established limits at both customer and country level. Yara's geographically diversified portfolio reduces the overall credit risk of the Group. Credit risk arising from the inability of the counterparty to meet the terms of Yara's derivative financial instruments is generally limited to amounts, if any, by which the counterparty's obligations exceed Yara's obligations.

The exposure to credit risk is represented by the carrying amount of each class of financial assets, including derivative financial instruments, recorded in the statement of financial position and as disclosed in note 6.3 Financial instruments.

Yara's policy is to enter into financial instruments with various international banks with established limits for transactions with each institution. Yara also has agreed limits for credit exposure (collateral agreements) with most of its main banks. At the end of the reporting period, Yara had deposited USD 74.8 million (2018: USD 82.8 million) in cash with its counterparties to mitigate exposure from financial liabilities covered by such agreements. These deposits are reported as "other current assets" in the consolidated statement of financial position. Collateral deposits are made at overnight terms and required collateral is being reassessed twice every month.

Yara may undertake a number of measures to reduce credit risk of particular receivables. Such measures include letters of credit, bank guarantees and credit insurance agreements. The effect of credit risk reduction from these measures is not considered to be material for the Group.

Liquidity risk

Yara manages liquidity risk by maintaining adequate reserves and committed bank facilities and by continuously monitoring forecasted and actual cash flows. Yara aims at an even debt repayment schedule and has secured committed undrawn credit facilities to provide sufficient reserves to meet unforeseen liquidity needs.

Note 5.3 Interest-bearing debt includes a list of undrawn facilities that the Group has at its disposal.

Contractual maturities of financial liabilities, including estimated interest payments

31 December 2019

USD millions	Carrying amount	Contractual cash flows	On demand	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities								
Short-term interest-bearing debt	(494)	(519)	(40)	(383)	(97)	-	-	-
Long-term interest-bearing debt [1]	(3,096)	(3,731)	(2)	(426)	(78)	(223)	(1,150)	(1,852)
Accrued interest expense	(14)	(16)	-	(14)	-	-	(2)	-
Trade payables	(1,285)	(1,302)	(3)	(1,270)	(29)	-	-	-
Payroll and value added taxes	(259)	(259)	(1)	(226)	(32)	-	-	-
Other short-term liabilities	(59)	(59)	-	(52)	(7)	-	-	-
Other long-term liabilities	(133)	(144)	-	(1)	(19)	(45)	(67)	(13)
Derivative financial instruments								
Freestanding financial derivatives	(79)							
Outflow		(1,139)	-	(343)	(12)	(112)	(539)	(133)
Inflow		1,052	-	334	9	96	489	124
Commodity derivatives	(20)							
Outflow		(23)	-	(2)	(2)	(10)	(10)	-
Inflow		-	-	-	-	-	-	-
Hedge designated derivatives	(7)							
Outflow		(64)	-	(6)	(6)	(12)	(28)	(11)
Inflow		58	-	-	11	11	25	10
Total	(5,446)	(6,147)	(45)	(2,388)	(262)	(295)	(1,281)	(1,875)

1) Includes current portion of long-term interest bearing debt amounting to USD 398 million.

See note 4.5 for contractual maturities of lease liabilities.

31 December 2018

USD millions	Carrying amount	Contractual cash flows	On demand	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities								
Short-term interest-bearing debt	(397)	(502)	(128)	(367)	(7)	-	-	-
Long-term interest-bearing debt [1]	(3,600)	(4,283)	(2)	(108)	(868)	(154)	(921)	(2,230)
Accrued interest expense	(29)	(29)	-	(18)	(11)	-	-	-
Accounts payable	(1,475)	(1,506)	(3)	(1,471)	(32)	-	-	-
Payroll and value added taxes	(259)	(259)	(11)	(220)	(28)	-	-	-
Other short-term liabilities	(46)	(49)	(3)	(33)	(12)	-	-	-
Other long-term liabilities	(79)	(83)	-	(4)	-	(50)	(16)	(13)
Derivative financial instruments								
Freestanding financial derivatives	(107)							
Outflow		(1,476)	-	(374)	(301)	(20)	(439)	(342)
Inflow		1,449	-	358	261	49	461	320
Commodity derivatives	(37)							
Outflow		(36)	-	-	(5)	(10)	(21)	-
Inflow		-	-	-	-	-	-	-
Hedge designated derivatives	(6)							
Outflow		(76)	-	(3)	-	(1)	(2)	(70)
Inflow		70	-	-	11	11	29	19
Total	(6,035)	(6,780)	(147)	(2,240)	(992)	(175)	(910)	(2,316)

1) Includes current portion of long-term interest bearing debt amounting to USD 824 million.

Derivative instruments

USD millions	Notes	2019	2018
Total fair value of derivatives			
Forward foreign exchange contracts	6.3	(7)	(46)
Cross-currency swaps	6.3	(72)	(62)
Interest rate swaps designated for hedging	6.3	(7)	(6)
Embedded commodity derivatives	6.3	(20)	(37)
Balance 31 December		(106)	(151)
Derivatives presented in the statement of financial position			
Non-current assets		1	-
Current assets		-	5
Non-current liabilities		(96)	(101)
Current liabilities		(11)	(55)
Balance 31 December		(106)	(151)

Outstanding committed forward foreign exchange contracts at 31 December

USD millions	2019	2018
Forward foreign exchange contracts, notional amount	427	730

All outstanding forward foreign exchange contracts at 31 December 2019 have maturity in 2020, except non-deliverable forward contracts totaling INR 4,622 million that mature in 2021. Buy positions are mainly in US dollars against Norwegian kroner or Brazilian reals. Sell positions are in various operating currencies towards Norwegian kroner.

6.2 Hedge accounting

A description of the Group's general risk management policies and principles can be found in note 6.1 Financial risks.

Accounting policies

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

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

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

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

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

Fair value hedges

In December 2014, Yara designated a portfolio of long-term NOK fixed-to-floating interest rate swaps as hedging instruments. The hedged risk is the change in fair value due to changes in risk-free interest rates (NIBOR) of the NOK 700 million and NOK 600 million fixed rate bond debt from 2014.

In December 2017, Yara designated a portfolio of long-term NOK and SEK fixed-to-floating interest rate swaps as hedging instruments. The hedged risk is the change in fair value due to changes in risk-free interest rates (NIBOR) of the NOK 1,000 million and NOK 1,000 million fixed rate bond debt and the change in fair value due to changes in risk-free interest rates (STIBOR) of the SEK 800 million fixed rate bond debt, all from 2017.

Subsequent to initial recognition, Yara measures interest-bearing borrowings at amortized cost. However, the designation of interest rate swaps as hedging instruments and use of hedge accounting enables Yara to include the fair value of changes in interest rates in the carrying value of the bonds. The corresponding adjustment in the Consolidated statement of income offsets the effects of the recognized interest rate swaps, leading to less volatility in net income.

As the key parameters of the hedging instruments (interest basis, inception dates and maturity dates) are identical to the respective hedged items, no ineffectiveness has been identified.

Cash flow hedges

Yara had no cash flow hedges in 2019 or 2018. However, Yara has used derivative instruments to hedge cash flows of planned transactions in the past and may do so also in the future.

Net investment hedges

At 31 December 2019, Yara has designated in total USD 930 million (2018: USD 930 million) of its USD denominated interest-bearing debt as hedges of net investments in foreign (USD based) entities. The hedging instruments comprise USD denominated bonds, term loans and the currency component of a portion of the Group's cross-currency swap portfolio.

The designation of interest-bearing debt as hedges of net investments leads to changes of foreign currency translation (gain/loss) being recognized in the Consolidated Statement of Comprehensive income instead of in the Consolidated Statement of Income.

As both the hedged net investments and the hedging instruments are sensitive only to fluctuations in the USD/NOK spot rate, no ineffectiveness has been identified.

Effect on financial position and performance in 2019

USD millions	Currency	Hedge rates	Carrying amount of the hedged item [1]		Accumulated amount of hedge adjustment on the hedged item [4]		Line item in the Consolidated statement of financial position in which the hedged item is included	Line item in the Consolidated statement of financial position in which the hedging instrument is included	Change in value of the hedged item used for calculating hedge ineffectiveness	This year's change in value of the hedging instrument	Hedge ineffectiveness recognized in Consolidated statement of income
			Assets	Liabilities	Assets	Liabilities					
Fair value hedges											
Interest rate risk											
- Fixed interest, NOK bonds (2014)	NOK	3M NIBOR	-	147	1	-	Long-term interest-bearing debt	Other long-term liabilities	1	(1)	-
- Fixed interest, NOK bonds (2017)	NOK	3M NIBOR	-	221	6	-	Long-term interest-bearing debt	Other long-term liabilities	-	-	-
- Fixed interest, SEK bonds (2017)	SEK	3M STIBOR	-	86	-	-	Long-term interest-bearing debt	Other long-term liabilities	-	-	-
Net investment hedges											
Foreign exchange risk											
- Net equity in subsidiaries [2]	USD	Spot USD NOK	930	-	-	209	Other reserves	Long-term interest-bearing debt [3]	9	(9)	-

1) The designated nominal amounts of the hedging instruments equal the nominal amounts of the hedged items.
2) Amounts are after tax. See note 2.8 Income tax expense for the tax effect.
3) Includes USD 1 million related to the part of the hedging instrument (cross-currency swap) which refers to the line item Other long-term liabilities.
4) Included in the carrying amount of the hedged item on fair value hedges.

For either hedging category, there are no balances remaining from a hedging relationship for which hedge accounting is no longer applied.

Effect on financial position and performance in 2018

USD millions	Currency	Hedge rates	Carrying amount of the hedged item [1]		Accumulated amount of hedge adjustment on the hedged item [4]		Line item in the Consolidated statement of financial position in which the hedged item is included	Line item in the Consolidated statement of financial position in which the hedging instrument is included	Change in value of the hedged item used for calculating hedge ineffectiveness	This year's change in value of the hedging instrument	Hedge ineffectiveness recognized in Consolidated statement of income
			Assets	Liabilities	Assets	Liabilities					
Fair value hedges											
Interest rate risk											
- Fixed interest, NOK bonds (2014)	NOK	3M NIBOR	-	149	-	-	Long-term interest-bearing debt	Other long-term liabilities	2	(2)	-
- Fixed interest, NOK bonds (2017)	NOK	3M NIBOR	-	224	6	-	Long-term interest-bearing debt	Other long-term liabilities	2	(2)	-
- Fixed interest, SEK bonds (2017)	SEK	3M STIBOR	-	89	-	-	Long-term interest-bearing debt	Other long-term liabilities	(1)	1	-
Net investment hedges											
Foreign exchange risk											
- Net equity in subsidiaries [2]	USD	Spot USD NOK	930	-	-	199	Other reserves	Long-term interest-bearing debt [3]	41	(41)	-

1) The designated nominal amounts of the hedging instruments equal the nominal amounts of the hedged items.
2) Amounts are after tax. See note 2.8 Income tax expense for the tax effect.
3) Includes USD 20 million related to the part of the hedging instrument (cross-currency swap) which refers to the line item Other long-term liabilities.
4) Included in the carrying amount of the hedged item on fair value hedges.

For either hedging category, there are no balances remaining from a hedging relationship for which hedge accounting is no longer applied.

6.3 Financial instruments

Accounting policies

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

Under IFRS 9 Financial Instruments, Yara classifies financial assets based on the business model in which they are managed and their contractual cash flows. The principal categories are amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

Derivatives

The Group uses derivative financial instruments to hedge exposure against currency risk, interest rate risk and commodity price risk arising in operating, financing and investment activities. These derivatives are initially recognized at fair value and subsequently measured at fair value through profit or loss at each balance sheet date. Embedded derivatives are separated and treated as derivatives when the risks and characteristics of the derivative are not closely related to the host contract, and the host contract is not measured at fair value with changes in fair value recognized in the consolidated statement of income. Embedded derivatives may refer to financial transactions and sale and purchase transactions for gas, ammonia and other commodities.

Fair value on derivatives is measured based on quoted market prices when these are available. When quoted prices from active markets are not available, the Group estimates fair value by using valuation models that make maximum use of observable market data. The resulting change in fair value is recognized immediately in the statement of income. If the derivative is designated and effective as a hedging instrument, the timing of the recognition in the consolidated statement of income depends on the nature of the hedge relationship. A derivative is classified as non-current if the remaining maturity of the derivative is more than 12 months, and as current if the remaining maturity of the derivative is less than 12 months.

All commodity contracts are bilateral contracts, or embedded derivatives in bilateral contracts, for which there are no active markets. Fair value of all items in this category, is therefore calculated using valuation techniques with maximum use of market inputs and assumptions that reasonably reflect factors that market participants would consider in setting a price, relying as little as possible on entity-specific inputs. Fair values of commodity contracts are especially sensitive to changes in forward commodity prices. None of the derivatives in this category are designated in hedge relationships.

Receivables and deposits

See note 3.2 for information on Trade receivables and note 3.4 for Cash and Cash equivalents.

Other short-term and long-term receivables and deposits are initially recognized at fair value. Subsequently they are measured at amortized cost using the effective interest method. Short term items are normally not discounted. The carrying amounts of receivables and deposits are adjusted for expected credit losses and are considered to represent reasonable estimates on fair value. Interest-free receivables are discounted if it has a material impact on fair value. Yara records 12-months expected credit losses if there has not been any significant increase in credit risk since initial recognition (the general approach). If there has been a significant increase in credit risk, lifetime expected credit loss is recorded. The 12-months expected credit loss reflect loss from default events that are possible within the next 12 months. They are calculated as the Probability of Default based on the credit rating of different counterparts multiplied with the Loss Given Default based on listed corporate bonds. If a significant increase in credit risk since initial recognition is identified, a lifetime expected credit loss for the specific receivable or deposit will be recognized based on an individual assessment. The credit risk has normally increased significantly when a receivable is defaulted.

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

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

Equity instruments

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

Financial liabilities

Trade payables are initially recognized at fair value. Subsequently they are measured at amortized cost using the effective interest method. Short term payables are normally not discounted. However, short-term payables and other short-term debt are discounted if it has material impact on fair value. Fair value of these liabilities are assumed to be equal to their carrying amounts.

Interest-bearing borrowings are initially recognized at fair value less direct transaction costs. Subsequently they are measured at amortized cost using the effective interest method. Fair value on long-term interest-bearing debt and other long-term liabilities differs from the carrying amounts since the USD debenture bonds are held with fixed interest rates and are not subject to hedge accounting. For these USD debenture bonds with fixed interest rates and for other long term liabilities, no active market is available and fair value is calculated based on the present value of future principal and interest cash flows. Cash flows are estimated by using LIBOR with different maturities as a benchmark, and adding a credit margin derived from recent transactions or other information available.

See note 4.5 for information on lease liabilities.

Contingent consideration is initially recognized at fair value and subsequently measured at fair value through profit or loss. Fair value of contingent consideration is calculated considering the present value of expected payments, discounted using a risk-adjusted discount rate. The expected payment is determined by considering the possible scenarios of financial performance, the amount to be paid under each scenario and the probability of each scenario.

Financial instruments at fair value

Financial instruments at fair value (FV) refer to derivatives at FV through profit and loss (P&L), equity instruments at FV through OCI (other comprehensive income) and financial liabilities at FV through P&L. They are valued according to different levels in the fair value hierarchy in IFRS. The different levels are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Carrying amounts and fair value per category

31 December 2019

USD millions	Notes	Derivatives		Receivables and deposits	Equity instruments	Financial liabilities		Non-financial assets/liabilities	Total
		Fair value through P&L	Designated for hedging	Amortized cost	FV through OCI (no recycling)	Amortized cost	Fair value through P&L	Historic cost	
Non-current assets									
Other non-current assets	4.6	-	-	82	19	-	-	312	414
Current assets									
Trade receivables	3.2	-	-	1,564	-	-	-	-	1,564
Prepaid expenses and other current assets	3.3	-	-	176	-	-	-	377	553
Cash and cash equivalents	3.4	-	-	300	-	-	-	-	300
Sum financial assets		1	-	2,121	19	-	-	689	2,830
Non-current liabilities									
Other long-term liabilities	6.2	(89)	(7)	-	-	(116)	(17)	(18)	(247)
Long-term interest-bearing debt	5.3	-	-	-	-	(2,698)	-	-	(2,698)
Long-term lease liabilities	4.5	-	-	-	-	(337)	-	-	(337)
Current liabilities									
Trade and other payables	5.5	(11)	-	-	-	(1,577)	(26)	-	(1,614)
Prepayments from customers		-	-	-	-	-	-	(399)	(399)
Other short-term liabilities		-	-	-	-	(14)	-	(87)	(101)
Short-term interest-bearing debt	5.3	-	-	-	-	(494)	-	-	(494)
Current portion of long-term debt	5.3	-	-	-	-	(398)	-	-	(398)
Short-term lease liabilities	4.5	-	-	-	-	(98)	-	-	(98)
Sum financial liabilities		(100)	(7)	-	-	(5,732)	(43)	(505)	(6,386)
Total net balance		(99)	(7)	2,121	19	(5,732)	(43)	185	(3,556)
Fair value		(99)	(7)	2,121	19	(5,830)	(43)		
Unrecognized gain/(loss)		-	-	-	-	(98)	-		

Unrecognized loss on financial instruments at amortized cost is mainly related to long-term interest-bearing debt with fixed interest rate. See note 5.3 for details.

Equity instruments that are not traded in active markets are measured based on recent market transactions and valuation techniques. Equity instruments as of year-end 2019 refer mainly to shares in Pohjholan Voima Oyj. These investments are long term and not held for trading. No dividend is received in 2019.

31 December 2018

USD millions	Notes	Derivatives		Receivables and deposits	Equity instruments	Financial liabilities		Non-financial assets/liabilities	Total
		Fair value through P&L	Designated for hedging	Amortized cost	FV through OCI (no recycling)	Amortized cost	Fair value through P&L	Historic cost	
Non-current assets									
Other non-current assets	4.6	-	-	56	21	-	-	343	420
Current assets									
Trade receivables	3.2	-	-	1,601	-	-	-	-	1,601
Prepaid expenses and other current assets	3.3	5	-	159	-	-	-	577	741
Cash and cash equivalents	3.4	-	-	202	-	-	-	-	202
Sum financial assets		5	-	2,018	21	-	-	920	2,964
Non-current liabilities									
Other long-term liabilities	6.2	(95)	(6)	-	-	(61)	(17)	(22)	(201)
Long-term interest-bearing debt	5.3	-	-	-	-	(2,776)	-	-	(2,776)
Current liabilities									
Trade and other payables	5.5	(55)	-	-	-	(1,774)	(6)	-	(1,834)
Prepayments from customers		-	-	-	-	-	-	(343)	(343)
Other short-term liabilities		-	-	-	-	(29)	-	(60)	(88)
Short-term interest-bearing debt	5.3	-	-	-	-	(397)	-	-	(397)
Current portion of long-term debt	5.3	-	-	-	-	(824)	-	-	(824)
Sum financial liabilities		(149)	(6)	-	-	(5,861)	(23)	(424)	(6,464)
Total net balance		(144)	(6)	2,018	21	(5,861)	(23)	496	(3,499)
Fair value		(144)	(6)	2,018	21	(5,855)	(23)		
Unrecognized gain/(loss)		-	-	-	-	6	-		

Unrecognized gain on financial instruments at amortized cost is mainly related to long-term interest-bearing debt with fixed interest rate. See note 5.3 for details.

Financial instruments at fair value

31 December 2019

USD millions	Level 1	Level 2	Level 3	Total
Equity instruments	-	-	19	19
Derivatives, net	-	(84)	(22)	(106)
Financial liabilities	-	(6)	(37)	(43)
Net total balance	-	(90)	(40)	(130)

There were no transfers between Level 1 and Level 2 in the period.

31 December 2018

USD millions	Level 1	Level 2	Level 3	Total
Equity instruments	-	-	21	21
Derivatives, net	-	(116)	(35)	(151)
Financial liabilities	-	(6)	(17)	(23)
Net total balance	-	(122)	(31)	(153)

There were no transfers between Level 1 and Level 2 in the period.

Reconciliation of fair value instruments at Level 3 from opening to closing balance

USD millions	2019	2018
Balance at 1 January	(31)	(77)
Total gains or (losses):		
in income statement	16	9
in other comprehensive income	(2)	(1)
Payments made	1	-
Disposals or (additions)	(23)	24
Reclassification from level 3 to level 2 of the fair value hierarchy	-	6
Foreign currency translation	(2)	8
Balance at 31 December	(40)	(31)

Sensitivity of fair value measurement of financial instruments at Level 3 at 31 December 2019

	Effect on profit or loss		Effect on other comprehensive income	
USD millions	Favorable	(Unfavorable)	Favorable	(Unfavorable)
Derivatives (20% decrease/(increase) in ammonia price)	12	(18)	-	-
Equity instruments (20% increase/(decrease) in electricity price)	2	(4)	2	-
Financial liabilities (20% decrease/(increase) in Yara DAP price)	3	(5)	-	-
Total	17	(27)	2	-

The favourable and unfavourable effects on derivatives refer to embedded derivatives in energy contracts. The effects are calculated by decreasing/increasing the input of ammonia prices by 20 percent for the whole contract period, also for long-term contracts. All other variables remain constant.

The favourable and unfavourable effects on equity instruments refer to fair value of unlisted equity securities. The effects are calculated based on a valuation model for estimation of fair value, increasing/decreasing the forward electricity prices used in the model by 20 percent. All other variables remain constant.

The favourable and unfavourable effects on financial liabilities refer to contingent consideration regarding the binding agreement with the former non-controlling interest in Galvani (former Galvani). The effects are calculated by decreasing/increasing Yara DAP price. All other variables remain constant. In addition to these effects, there is a conditional future payment of maximum USD 30 million related to future project success in GICS (see note 7.2 for details). Fair value of this future payment is included as contingent consideration, but it is not included in the sensitivity analysis.

Gains and losses from financial instruments recognized in the Consolidated statement of income and Consolidated statement of comprehensive income

2019

USD millions	Notes	Derivatives		Equity instruments	Financial liabilities		Total
		Fair value through P&L	Designated for hedging	FV through OCI (no recycling)	Amortized cost	Fair value through P&L	
Consolidated statement of income [1]	6.1, 6.2	(17)	-	-	-	2	(15)
Consolidated statement of comprehensive income [2]	6.2	-	-	(2)	(12)	-	(14)
Total		(17)	-	(2)	(12)	2	(29)

1) Effects of foreign currency translation on other financial instruments than derivatives are not included in the overview.
2) Amounts are presented before tax. Please see note 2.8 for specification of taxes.

2018

USD millions	Notes	Derivatives		Equity instruments	Financial liabilities		Total
		Fair value through P&L	Designated for hedging	FV through OCI (no recycling)	Amortized cost	Fair value through P&L	
Consolidated statement of income [1]	6.1, 6.2	(71)	(3)	-	-	26	(48)
Consolidated statement of comprehensive income [2]	6.2	-	1	(5)	(52)	-	(56)
Total		(71)	(2)	(5)	(52)	26	(104)

1) Effects of foreign currency translation on other financial instruments than derivatives are not included in the overview.
2) Amounts are presented before tax. Please see note 2.8 for specification of taxes.

7 Business combinations and other business initiatives

7.1 Business combinations

Accounting policies

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

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

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

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

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

Business combinations

During 2019 Yara had no business combinations. All the information below are related to the operations in 2018.

The business combination of Tata Chemicals Limited's urea business in India was closed 12 January 2018. The acquired business comprises the Babrala urea plant and distribution business in Uttar Pradesh. The plant has an annual production of 0.7 million tonnes ammonia and 1.2 million tonnes urea. The plant was commissioned in 1994, and is the most energy efficient plant in India. The primary reason for the business combination is to further accelerate Yara's growth in India by creating an integrated position in the world's second-largest fertilizer market. The acquisition is reported in the Production segment.

The business combination of the Vale Cubatão Fertilizantes complex in Brazil was closed 15 May 2018. The Cubatão asset is a nitrogen and phosphate complex with an annual production capacity of approximately 0.2 million tonnes of ammonia, 0.5 million tonnes of nitrates and 0.7 million tonnes of phosphate fertilizer. The acquisition brings nitrogen production assets into Yara's growing portfolio in Brazil, strengthening and growing Yara's integrated position within both industrial and fertilizer markets. The plant is reported in the Production segment, while sales are reported in Sales & Marketing and New Business segments.

Consideration paid during 2018

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

Acquisition costs of USD 1 million for the Cubatão acquisition and USD 9 million for the Babrala acquisition have been excluded from the consideration transferred and recognized as an expense within "Other operating expenses" in the consolidated statement of income in 2018. Transaction costs related to the Babrala acquisition are mainly related to stamp duties and may be subject to change. Contingent liability related to stamp duties is described in note 5.6. Integration and acquisition-related costs for the Babrala acquisition of USD 2 million have been recognized previous years.

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

USD millions	Babrala 12 January 2018	Cubatão 15 May2018
Assets		
Deferred tax asset	-	2
Distribution network	31	-
Intangible assets	-	4
Property, plant and equipment	234	270
Inventories	4	67
Trade receivables [1)]	113	18
Prepaid expenses and other current assets	16	3
Cash and cash equivalents	-	13
Other liquid assets	-	-
Total assets	398	377
Liabilities		
Employee benefits	3	5
Long-term provisions	-	48
Trade and other payables	17	9
Prepayments from external customers / deferred revenue	1	23
Other short-term liabilities	2	5
Short-term provisions	-	3
Bank loans and other interest-bearing short-term debt	-	41
Total liabilities	23	134
Total identifiable net assets at fair value	374	243

1) For Babrala acquisition, the amount consists mainly of receivables under the pricing scheme policy of Government of India. See accounting policies on page 97. The receivables acquired in the business combination of Babrala have a fair value of USD 11 million lower than the gross contractual amount of USD 124 million. The receivables acquired in the business combination of Vale Cubatão have a gross contractual amount approximately equal to their fair value.

Goodwill arising on acquisition

USD millions	Babrala 12 January 2018	Cubatão 15 May2018
Total consideration	412	243
Fair value of net identifiable assets acquired	374	243
Goodwill arising on acquisition	38	-

Goodwill of the Babrala acquisition consists of Yara specific synergies and future benefits from the assembled workforce, in addition to a willingness to pay to get an integrated position in the world's second-largest fertilizer market. The goodwill will be deductible for tax purposes.

Net cash outflow on acquisition

USD millions	Babrala 12 January 2018	Cubatão 15 May2018
Consideration paid in cash at date of acquisition	(421)	(255)
Net working capital settlement	7	11
Paid stamp duties	(3)	-
Cash and cash equivalent balances acquired	-	13
Net cash outflow on acquisition of subsidiaries	(416)	(231)

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

Impact of the acquisition on total assets of the Group recognized 2018

USD millions	Babrala 12 January 2018	Cubatão 15 May2018
Consolidated identifiable assets	398	377
Goodwill arising on the acquisition	38	-
Total impact on the total assets of the Group	435	377

Impact of the acquisition on the results of the Group in 2018

USD millions	Babrala 12 January 2018	Cubatão 15 May2018
Included in year-to-date consolidated figures		
Revenues	394	326
of which internal revenues	-	(64)
EBITDA	34	48
Net income before tax	(6)	38

The Babrala result is negatively impacted by USD 9 million in stamp duties directly related to the business combination.

Pro-forma figures

If the acquisition of Cubatão had taken place at the beginning of the year, the effect on Yara's "pro-forma" year-to-date consolidated income before tax for 2018 would have been:

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

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

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

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

7.2 Other business initiatives

Minority buy-out

In 2018, Yara signed an agreement with the non-controlling interest in GICS (GICS Indústria, Comércio e Serviços S.A., former Galvani) to acquire their 40% equity interest. Assets and liabilities related to GICS were classified as held-for-sale at the end of 2018. The transaction was closed on 10 July 2019. As part of the consideration, the non-controlling interest took full ownership to certain assets and liabilities in GICS, including the production unit in Luis Eduardo Magalhães, the mining units in Angico dos Dias and Irece (all three in the state of Bahia) and the Santa Quiteria 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 led to an additional impairment of USD 8 million in 2019.

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. Yara through GICS also provided a capital contribution to the new entity of USD 30 million as starting capital, minus adjustments for a normalized level of working capital (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 GICS 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 was a reduction of USD 151 million.

Equity transactions with the non-controlling interest in GICS (former Galvani)

USD millions	GICS
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)

Major classes of assets and liabilities held-for-sale

USD millions	2019	2018
Deferred tax assets	-	1
Intangible assets	-	31
Property, plant and equipment	9	111
Other non-current assets	-	6
Inventories	-	27
Trade receivables	-	28
Prepaid expenses and other current assets	-	1
Assets held-for-sale	9	206
Deferred tax liabilities	-	10
Long-term provisions	-	5
Trade and other payables	-	10
Liabilities directly associated with assets held-for-sale	-	26
Net assets held-for-sale	9	180

Other business initiatives

Yara has announced it is evaluating an IPO or spin-off of its industrial nitrogen business in 2019. The IPO/spin-off evaluation and scope assessment is expected to be completed by mid 2020.

8 Other disclosures

8.1 Related parties

The Norwegian State

At 31 December 2019, the Norwegian State owned 98,640,995 shares, representing 36.21% of the total number of shares issued. On the same date, the National Insurance Fund, Norway owned 17,893,478 shares, representing 6.57% of the total number of shares issued.

Yara Pension fund

One of Yara International ASA's pension plans is arranged through Yara Pension Fund. This plan has been closed for new members since July 2006. During 2019, Yara has contributed to the pension fund through deductions from premium fund.

Equity-accounted investees

Transactions with equity-accounted investees are described in note 4.3.

Board of Directors

Members of the Board of Directors are elected for two year terms. Their rights and obligations as board members are solely and specifically provided for the company's articles of association and Norwegian law. The company has no significant contracts in which a Board Member has a material interest.

Executive Management

Executive Management remuneration is disclosed in note 8.2.

Board of Directors compensation 2019 and number of shares owned 31 December 2019

USD thousands, except number of shares	Compensation earned in 2019 [5]	Number of shares
Geir Isaksen, Chairperson [1]	76	84
Trond Berger [2]	61	3,000
Hilde Bakken [1]	42	800
John Gabriel Thuestad [4]	53	1,200
Rune Asle Bratteberg [2] [3]	49	326
Geir O. Sundbø [1] [3]	42	298
Håkon Reistad Fure (from 7 May 2019) [4]	41	22,500
Adele Bugge Norman Pran (from 7 May 2019) [2]	32	10
Kimberly Lein-Mathiesen (from 7 May 2019)	25	-
Eva Safrine Aspvik (from 7 May 2019) [3]	25	531
Kari Marie Nøstberg (from 1 September 2019) [3]	13	447
Maria Moræus Hanssen (till 7 May 2019) [2] [4]	23	n/a
Kjersti Aass (till 1 September 2019)	25	n/a

1) Member of the HR Committee in 2019.
2) Member of the Audit Committee in 2019.
3) Interest-free loan of USD 1.346 given through a trust in accordance with a Yara share purchase offer for employees.
4) John Gabriel Thuestad, Håkon Reistad Fure and Maria Moræus Hanssen receive an additional remuneration for Board members resident outside Scandinavia, currently NOK 23.000 per meeting.
5) Compensation in NOK translation rate to USD: 0,1137.

Compensation of Board of Directors was USD 509 thousand in 2019 compared to USD 431 thousand in 2018.

The Chairperson and the members of the Board have no agreements for further compensation due to termination or changes in the position.

Compensation 2019 and number of shares owned by the deputy Board Members at 31 December 2019

USD thousands, except number of shares	Compensation earned in 2019	Number of shares
Inge Stabæk [1]	-	483
Toril Svendsen	-	-
Vidar Viskjer [1]	-	326
Morten Ødegård [1]	-	905
Maiken Sandland	-	85
Tove Marie Fløtten (from 7 May 2019) [1]	-	219
Veronique Revoy (from 7 May 2019)	-	997

1) Interest-free loan of USD 1.346 given through a trust in accordance with a Yara share purchase offer for employees.

8.2 Yara Executive Management remuneration

Yara Executive Management: Compensation and number of shares owned at 31 December 2019

USD thousands, except number of shares	Salary [2]	Shared Based Remuneration [1]	Other benefits	Pension benefits	Short-term incentive payout accrued [4]	Sum	Number of shares	Short-term incentive payout paid [3]
Svein Tore Holsether [5) 7)]	768	231	30	224	353	1,606	34,613	311
Tove Andersen [5) 7)]	401	100	26	27	133	686	7,862	140
Terje Knutsen [5) 7)]	376	93	53	178	130	830	9,531	136
Lair Hanzen [8)]	521	148	1	57	334	1,062	16,081	471
Kristine Ryssdal [5) 7)]	349	69	31	15	110	576	5,795	94
Lene Trollnes [5) 7)]	389	97	29	15	138	669	12,861	138
Pablo Barrera Lopez [5) 7)]	345	94	33	16	147	635	3,337	103
Lars Røsæg [5) 7)]	372	97	24	15	151	659	3,442	78
Yves Bonte (till June 30, 2019) [6) 9)]	367	-	2	43	142	554	n/a	271
Terje Morten Tollefsen (till August 22, 2019) [5) 6) 7)]	229	-	15	35	59	338	n/a	82

1) Fixed cash amount as part of Shared Based Remuneration (see description on page 163).
2) For Yara Executive Management employed in Norway, no salary increase was applied. For Yara Executive Management member employed in Belgium, an inflation increase of 2% was applied, no salary increase was applied. For Yara Executive Management member employed in Brazil, a salary increase of 0,02% in line with the minimum increase under Brazil collective agreement was applied. The development in base salary and actual paid salary may differ from one year to the next due to effects of the Norwegian holiday pay system, where a change in number of days holiday taken and/or annual holiday allowance impact salary paid.
3) Short-term incentive payout earned in 2018, paid in 2019.
4) Estimated short-term incentive payout (excluding holiday allowance) earned in 2019 to be paid in 2020.
5) Interest-free loan of USD 1,346 given through Yara International ASA in accordance with a Yara share purchase offer.
6) The numbers presented are for the period as member of Yara Executive Management in 2019.
7) Salary in NOK translation rate to USD: 0,1140.
8) Salary in BRL translation rate to USD: 0.2536.
9) Salary in EUR translation rate to USD: 1.1302.

Yara Executive Management: Compensation and number of shares owned at 31 December 2018

USD thousands, except number of shares	Salary [2]	Shared Based Remuneration [1]	Other benefits	Pension benefits	Short-term incentive payout accrued [4]	Sum	Number of shares	Short-term incentive payout paid [3]
Svein Tore Holsether [5) 7)]	821	249	45	198	299	1,613	31,908	180
Tove Andersen [5) 7)]	427	107	29	25	134	723	6,646	102
Terje Knutsen [5) 7)]	411	111	54	101	131	809	8,278	63
Yves Bonte [9)]	744	189	9	90	247	1,280	15,979	179
Lair Hanzen [8)]	561	153	3	60	487	1,264	13,484	295
Kristine Ryssdal [5) 7)]	382	75	41	17	90	605	4,935	55
Terje Morten Tollefsen [5) 7)]	380	75	33	31	78	597	7,033	60
Lene Trollnes [5) 7)]	405	105	35	17	132	694	11,557	95
Pablo Barrera Lopez (from April 1, 2018) [5) 6) 7)]	260	88	21	13	99	481	2,320	-
Lars Røsæg (from November 19, 2018) [5) 6) 7)]	48	-	4	2	75	129	474	-
Petter Østbø (till November 19, 2018) [6) 7) 10)]	402	114	20	21	-	557	n/a	109
Alvin Rosvoll (till March 21, 2018) [6) 7)]	70	-	24	22	-	116	n/a	36
Torgeir Kvidal (till March 21, 2018) [6) 7)]	76	-	7	20	-	104	n/a	58
Pierre Herben (till March 21, 2018) [6) 9) 11)]	56	-	5	18	-	79	n/a	37

1) Fixed cash amount as part of Shared Based Remuneration (see description on page 163).
2) The base salaries of Yara Executive Management employed in Norway increased with 6.6% on weighted average. For Yara Executive Management member employed in Belgium, an increase of 1.5% was applied in addition to an inflation increase of 2%. For Yara Executive Management member employed in Brazil, an inflation increase of 4% was applied, no salary increase was applied due to salary moderation applicable in Brazil. The development in base salary and actual paid salary may differ from one year to the next due to effects of the Norwegian holiday pay system, where a change in number of days holiday taken and/or annual holiday allowance impact salary paid.
3) Short-term incentive payout earned in 2017, paid in 2018.
4) Estimated short-term incentive payout (excluding holiday allowance) earned in 2018 to be paid in 2019.
5) Interest-free loan of USD 1,453 given through Yara International ASA in accordance with a Yara share purchase offer.
6) The numbers presented are for the period as member of Yara Executive Management in 2018.
7) Salary in NOK translation rate to USD: 0.1227.
8) Salary in BRL translation rate to USD: 0.2726.
9) Salary in EUR translation rate to USD: 1.1777.
10) In addition to the figures above, a termination settlement with Petter Østbø amounts to USD 362 thousand and is related to six months period of notice without obligation to work and compensation for three months of parental leave that was not taken.
11) In addition to the figures above, a termination settlement with Pierre Herben amounts to USD 373 thousand equal to 7.75 months of total remuneration according to Belgian legislation.

CEO Remuneration 2019

Svein Tore Holsether's remuneration consist of the following elements:

Annual Base Salary

The Annual Base Salary is USD 769,356 (NOK 6,758,400). No adjustment of his base salary was made during 2019 and it has remained unchanged since June 2018.

Short-Term Incentive Plan

The CEO is eligible for Short-Term Incentive payout according to the plan described below. The Target payout is 40% with a capped payout of 50% of Annual Base Salary.

Share Based Remuneration

The CEO is entitled to Share Based Remuneration of 30% of Annual Base Salary according to the plan described below.

Pension Plans and Personal Insurance Plans

Svein Tore Holsether is member of the following pension plans:

- A funded Defined Contribution (DC) plan providing contribution equal to 7% of part of pensionable salary up to 7.1 times Norwegian Social Security Base Amount (G) plus 18% of salary between 7.1G and 12G;
- An unfunded DC plan for salaries above 12G with contribution equal to 25% of pensionable salary exceeding 12G

Provided that he is employed by Yara at age 65 he will be entitled to an Age Limit Compensation. This provides a benefit equal to 65% of his Annual Base Salary at that time until age 67. In case he would be entitled to Severance Pay or if it is mutually agreed between him and the Yara Board of Directors to continue the employment beyond age 65 he will not be entitled to the Age Limit Compensation.

The CEO is member of the personal insurance schemes applicable to Yara employees in Norway.

Other compensation elements

The CEO is granted benefits in kind according to the applicable market standard, the main element being a fixed car allowance of USD 19,921 (NOK 175,000) annually.

Comments to remuneration of other members of Executive Management in 2019

Lair Hanzen has Short-Term Incentive Pay in line with market conditions for Brazil. His setup consists of one Short Term Incentive scheme with 60% Incentive Target and an additional scheme with 40 Incentive Target where a three-year vesting period applies. The Short-Term Incentive Payout is not limited to 50% of annual base salary as for the other members of Yara Executive Management. He is member of the Yara Brazil pension plan which is a DC pension plan providing 12% employer contribution.

Other members of Yara Executive Management are included in Yara's plans for employees in Norway. Since 2006 Yara in Norway has transitioned from Defined Benefit Pension Plans to DC pension plan and simplified the pension plans. This work was completed in 2015 and new hires are now enrolled in one DC pension plan covering salary up to 12 times Norwegian Social Security Base Amount (G). When former pension plans were closed, existing members have been offered transitional or compensation arrangements.

Guidelines for remuneration of executives in Yara

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

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

General Principle

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

- Are attractive to recruit and retain executives;
- Are responsible as well as competitive but not market leading;
- Reward the executives' performance, measured as their contribution to the overall success of Yara;
- Support the creation of sustainable value to Yara's shareholders and other stakeholders

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

Base Salary

Base Salary is reviewed once a year as per 1st June along with the Annual Salary Review for all employees in Yara. The development of basic salary for Executive Management is based on the following:

- Annual salary adjustment for employees in Yara International ASA and Norwegian subsidiaries;
- Benchmark of Executive Management Salaries in peer companies

Share Based Remuneration

The main purpose of the Share Based Remuneration (SBR) is to support the alignment between executives and shareholder interests and to ensure retention of key talent in the company. The SBR provides a cash amount to eligible executives, who are required to invest the net amount after tax in Yara shares within a period of one month after the grant, and to retain the shares for minimum 3 years. After the lock-in period, executives are free to keep or sell the shares at their discretion. Executives who resign from Yara must reimburse to the company at the time of resignation the net proceeds of the selling of the shares that are still within the lock-in period. The grant of SBR is conditional on Yara's Net Result excluding special items and currency gain/loss being positive over the last three years.

Yara's CEO can in any case decide that SBR shall not be granted in a given year and Yara's Board of Directors can decide that SBR shall not be granted to the CEO. Such an evaluation will amongst other factors be evaluated against Yara's performance towards its strategic targets of sustainable value creation, hereunder Key Performance Indicators (KPIs) linked to environmental, social and financial performance. The amount granted is linked to the responsibility in the position. For Yara CEO, SBR is 30% of Base Salary. For the other members of Executive Management, SBR is 20% or 25%.

Short-Term Incentive Plan

Yara has defined and communicated long-term strategic targets. Those targets form the basis for the annual Business Plan. The annual KPIs are ambitious and stretched and are taken from Yara's business plan for the current year as a step towards achieving the company's long-term strategic targets. The relationship between the long-term strategic targets and the Key Performance Indicators is illustrated in the table below.

Strategic Priorities	Long-term targets		KPIs
Advance operational excellence	Delivering improved operations and superior profits	Yara Improvement Program EBITDA improvements > MUSD 600 in 2023 vs 2018	Fixed Cost Produced Volumes Energy Efficiency in production Inventory Days Credit Days Customer satisfaction EBITDA impact by Business Unit Procurement savings
	Driving quality and diversity through an engaged and respected workforce	Engagement index >80% by 2025, and >20% female top managers by 2020 and >25% by 2025	Total Recordable Injuries (TRI) % Female senior Leadership position holders % Employee engagement
	Protecting the planet by aiming for climate neutrality by 2050	>10% decline in kg CO_2e/kg N produced by 2025	Tonne CO_2 eqv./tonne N
Create scalable solutions	Improving margins and nitrogen use efficiency through premium product growth	>3.5 million tonnes premium products growth and >100 million units of YaraVita sales by 2025, improving overall EBITDA/t in Sales & Marketing	Product deliveries (kt) Commercial CB1/t EBITDA/t
	Build profitable global food chain partnerships	>2 million tonnes of crop solution sales generated through food companies by 2025	Product deliveries (kt)
Drive innovative growth	Building closeness to farmers through scaling up digital farming	>10 million ha under management in 2020 and positive EBITDA from digital farming in 2022	KPI's driving progress towards successful completion of defined development projects
	Solving global challenges and growing profitable business through innovation	Shaping the industry by delivering sustainable and profitable innovations with de-carbonization and circular economy	

The Short-Term Incentive Plan depends on four main factors;

- A trigger which must be met for any incentive at all to be paid out, the trigger is having a net income above zero

Provided this is in place, the other three factors are multipliers defining the pay-out to each member of the plan;

- Target Incentive as a percentage of Base Salary;
- Yara Financial Performance measured by Yara's Return on Invested Capital (ROIC) excluding Special Items;
- Executive Management's contribution to the achieved results of the KPIs and strategic targets. The KPIs should express ambitious and stretched goals

These three elements are described in further detail below:

Target Incentive

The Target Incentive is linked to the responsibility in the position and comparison with the market. The Target Incentive is 40% of base salary for Yara CEO and 28% to 35% of base salary for the other members of Executive Management on Norwegian employment contracts. For executives employed by Yara companies in other countries the Target Incentive sometimes deviate from the above depending on local market conditions.

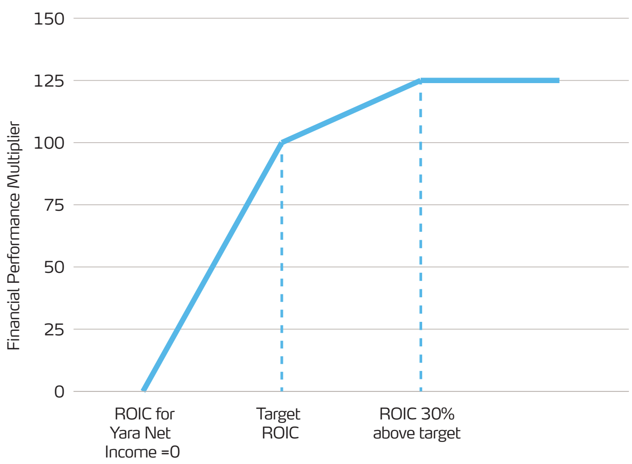
Yara Financial Performance

Given that Yara's net income is above zero, the financial performance multiplier will be in the range of 0 up to maximum 125% depending on the targeted and achieved ROIC. The multiplier scale is shown in the table below.

The basis for setting the ROIC target is Yara's long-term strategic target of 10% return on capital employed. The target for an individual year will vary depending on where we are in the industry cycle and will for some years be lower and for other years higher than the strategic target. The annual target for ROIC is approved by Yara International ASA Board of Directors.

Yara ROIC

In %



Note: Yara Net Income and ROIC are both excluding special items and currency effects

Special Items are substantial, one-time expenses or sources of income not being expected to recur in future years. For example, restructuring costs, earnings from discontinued operations, etc. In addition, significant events affecting ROIC not considered in the target setting might cause negative or positive adjustments subject to BoD approval. Such events are mainly:

- Change in gas prices
- Change in nitrogen commodity prices

Executive Management Performance

The Executive Management Performance multiplier is based on measurable KPIs, the promotion of Yara's Mission, Vision and Values and demonstrated behaviors. The relationship between Yara's long-term strategic targets and the annual KPIs is shown in the table above.

To achieve 100% multiplier on Executive Management Performance, all the KPI targets must be fully achieved and the executive must have demonstrated behavior according to Yara's Values.

Short-Term Incentive Payout

For executives on Norwegian employment contracts the maximum Short-Term Incentive Payout is capped at 50% of Annual Base Salary. It is not permitted to accrue any calculated payout in excess of the capped amount to future year where the payment may be less than 50% of Base Salary. For executives employed by Yara companies in other countries the payout may exceed 50% depending on local market conditions. For the year 2016 to 2018 the annual payouts for Yara CEO varied between 21% and 36% of Base Salary. The average annual payouts for the other executives on Norwegian employment contracts varied between 16% and 31% of Base Salary.

Benefit Plans

Company paid Pension Plans

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

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

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

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

Personal Insurance Schemes

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

Other compensation elements

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

Members of Yara Executive Management on Norwegian contracts are entitled to a severance pay equal to six months basic salary on certain conditions. The severance pay is calculated from the end of the notice period. Other income the executive receives during the severance pay period will be deducted from the severance pay.

Voluntary Share Purchase Program

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

Salary and other benefits earned in 2019 are disclosed above. For additional information about existing pension plans see note 5.4.

Covid-19

In light of the demanding situation globally related to the Covid-19 virus, Yara's Executive Management will for the second year running abstain from any salary increase in 2020. Furthermore, short-term incentive payout for Executive Management accrued for 2019 which would normally be paid out in April 2020 will be frozen. A conclusion on whether to cancel or pay the bonuses will be made once the macro-economic situation has normalized.

8.3 External audit remuneration

Deloitte AS (Deloitte) is Yara's auditor. A few subsidiaries of Yara International ASA have appointed other audit firms. The following table shows total audit and other services delivered to the group by the appointed auditor.

USD thousands	Audit fee	Assurance services	Tax services	Other non-audit services	Total
2019					
Deloitte Norway	643	105	-	51	799
Deloitte abroad	3,413	71	384	120	3,988
Total Deloitte	4,056	176	384	171	4,787
Others	207	72	110	31	421
Total	4,262	249	494	202	5,208
2018					
Deloitte Norway	573	267	28	62	931
Deloitte abroad	3,680	138	278	17	4,112
Total Deloitte	4,253	405	306	79	5,043
Others	189	6	89	67	351
Total	4,442	411	396	146	5,394

8.4 Composition of the group

The consolidated financial statement of Yara comprises 134 legal companies that are controlled by Yara. The material subsidiaries are disclosed in the table below, including the main parent(s). This list also includes major holding companies.

Subsidiaries	Ownership	Registered office	Main parent(s)
Yara Argentina S.A.	100%	Argentina	Yara Iberian S.A.U.
Yara Australia Pty Ltd.	100%	Australia	Yara Technology B.V.
Yara Nipro Pty Ltd.	100%	Australia	Yara Australia Pty Ltd.
Yara Pilbara Fertilisers Pty Ltd.	100%	Australia	Chemical Holdings Pty Ltd.
Chemical Holdings Pty Ltd.	100%	Australia	Yara Australia Pty Ltd.
Yara Environmental Technologies GmbH	100%	Austria	Yara Investment GmbH
Yara Barbados Inc.	100%	Barbados	Fertilizer Holdings AS
Yara Belgium S.A./N.V.	100%	Belgium	Yara Nederland B.V.
Yara Tertre S.A.	100%	Belgium	Yara Belgium S.A./N.V.
Yara Trinidad Ltd.	100%	Bermuda	Yara Caribbean Ltd.
GICS Indústria, Comércio e Serviços S.A.	100%	Brazil	Yara Brasil Fertilizantes S.A.
Yara Brasil Fertilizantes S.A.	100%	Brazil	Yara South America Investments B.V.
Yara Belle Plaine Inc.	100%	Canada	Yara Canada Holding Inc.
Yara Canada Holding Inc.	100%	Canada	Fertilizer Holdings AS
Yara Canada Inc.	100%	Canada	Fertilizer Holdings AS
Yara Trading (Shanghai) Co. Ltd.	100%	China	Yara Asia Pte Ltd.
Yara Colombia S.A.	99.4%	Colombia	Yara International ASA (70,4%) and OFD Holding S. de R.L. (29%)
Yara Costa Rica S. de R.L.	87.6%	Costa Rica	Yara Iberian S.A.U.
Yara Danmark A/S	100%	Denmark	Fertilizer Holdings AS
Yarecuador Compania Ltd.	100%	Ecuador	Yara Colombia S.A.
Yara Dallol B.V.	58.2%	Ethiopia	Yara Nederland B.V.
Yara Phosphates Oy	100%	Finland	Yara Suomi Oy
Yara Suomi Oy	100%	Finland	Yara Nederland B.V.
Yara France SAS	100%	France	Yara Nederland B.V.
Yara Besitz GmbH	100%	Germany	Yara GmbH & Co. KG
Yara Brunsbüttel GmbH	100%	Germany	Yara GmbH & Co. KG
Yara GmbH & Co. KG	100%	Germany	Yara Investments Germany SE
Yara Investment GmbH	100%	Germany	Yara GmbH & Co. KG
Yara Investments Germany SE	100%	Germany	Yara Nederland B.V.
Yara Ghana Ltd.	100%	Ghana	Yara Nederland B.V.
Yara Hellas S.A.	100%	Greece	Yara Nederland B.V.
Yara Guatemala S.A.	100%	Guatemala	Yara International ASA
Yara Hungaria Gyarto es Kereskedelmi KFT	100%	Hungary	Yara Suomi Oy
Yara Fertilisers India Pvt. Ltd.	100%	India	Yara Asia Pte Ltd.
P.T. Yara Indonesia	100%	Indonesia	Yara Asia Pte Ltd.
Yara Insurance DAC	100%	Ireland	Fertilizer Holdings AS
Yara Italia S.p.A.	100%	Italy	Yara Investment GmbH (72,3%) and Yara Nederland B.V. (27,7%)

Table continues >>

>> Table continued

Subsidiaries	Ownership	Registered office	Main parent(s)
Yara Côte d'Ivoire S.A.	100%	Ivory Coast	Fertilizer Holdings AS
Yara East Africa Ltd.	100%	Kenya	Yara Overseas Ltd.
Yara International (M) Sdn. Bhd.	70.0%	Malaysia	Yara Asia Pte Ltd.
Yara México S. de R.L. de C.V.	99.9%	Mexico	OFD Holding S. de R.L. (70,7%) and Yara Nederland B.V. (29,2%)
Yara Mozambique Lda.	100%	Mozambique	Yara Nederland B.V.
Fertilizer Holdings AS	100%	Norway	Yara International ASA
Herøya Nett AS	100%	Norway	Yara Norge AS
Yara Marine Technologies AS	100%	Norway	Marine Global Holding AS
OFD Holding S. de R.L.	100%	Norway	Fertilizer Holdings AS
Yara AS	100%	Norway	Fertilizer Holdings AS
Yara Birkeland AS	100%	Norway	Fertilizer Holdings AS
Yara Norge AS	100%	Norway	Yara International ASA
Yara LPG Shipping AS	100%	Norway	Fertilizer Holdings AS
Yara Peru R.L.	100%	Peru	OFD Holding S. de R.L.
Yara Fertilizers Philippines Inc.	100%	Philippines	Yara Asia Pte Ltd.
Yara Poland Sp.zo.o	100%	Poland	Yara Nederland B.V.
Yara Asia Pte Ltd.	100%	Singapore	Yara International ASA
Yara Animal Nutrition South Africa (Pty) Ltd.	100%	South Africa	Yara Phosphates Oy
Yara Africa Fertilizers (Pty) Ltd.	100%	South Africa	Yara Nederland B.V.
Yara Iberian S.A.U.	100%	Spain	Yara Nederland B.V.
Yara Marine Technologies AB	100%	Sweden	Yara Marine Technologies AS
Yara AB	100%	Sweden	Fertilizer Holdings AS
Yara Switzerland Ltd.	100%	Switzerland	Yara Nederland B.V.
Yara Tanzania Ltd.	100%	Tanzania	Fertilizer Holdings AS
Yara Thailand Ltd.	100%	Thailand	Yara Asia Pte Ltd.
Yara Holding Netherlands B.V.	100%	The Netherlands	Fertilizer Holdings AS
Yara Nederland B.V.	100%	The Netherlands	Yara Holding Netherlands B.V.
Yara Sluiskil B.V.	100%	The Netherlands	Yara Nederland B.V.
Yara South America Investments B.V.	100%	The Netherlands	Yara Nederland B.V.
Yara Technology B.V.	100%	The Netherlands	Yara Nederland B.V.
Yara Vlaardingen B.V.	100%	The Netherlands	Yara Nederland B.V.
Yara Caribbean Ltd.	100%	Trinidad and Tobago	Yara Barbados Inc.
Yara UK Ltd.	100%	United Kingdom	Fertilizer Holdings AS
Yara North America Inc.	100%	United States	Yara International ASA
Freeport Ammonia LLC	100%	United States	Yara North America Inc.
Yara West Sacramento Terminal LLC	100%	United States	Yara North America Inc.
Yara Fertilizer Zambia Ltd.	100%	Zambia	Yara Nederland B.V.

8.5 Post balance sheet date 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 S.A.U. 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, which amounts to a total of NOK 4,054 million.

On 8 March 2020, Yara announced that it had signed a share purchase agreement with Qatar Petroleum (QP) to sell its 25% share in Qatar Fertiliser Company (QAFCO). The parties have agreed on a purchase price of USD 1 billion for Yara's shares in QAFCO. The transaction is conditional on obtaining necessary local regulatory approvals and customary closing conditions. As QAFCO has been classified as an associated company of Yara, the investment has been accounted for based on the equity method. Yara has reported its share of QAFCO in its Production segment. More information about the investment is provided in note 4.3. In first quarter 2020, Yara has reclassified the investment to held-for-sale and stopped recognizing its share of the result in QAFCO. Derecognition of the investment will take place at closing. Following the closing, Yara will evaluate potential extraordinary dividends and/or share buy-backs, in line with its policy of maintaining a mid to long-term net debt/EBITDA [1] range of 1.5-2.0.

Covid-19 crisis

After the closure of the 2019 accounting, the Covid-19 crisis has emerged and become global. Yara has set up a Crisis Response Team reporting directly to the CEO. The company priorities are firstly, to safeguard our employees, contractors, partners, neighbors and society at large. Secondly, to be a responsible company and behave according to government guidelines. And thirdly, to keep our operations running, to help support continued food supply, as well as supply of other essential products to society – also in times of crisis.

Yara is at the time of its annual report experiencing limited operational impact from COVID-19, but the situation is dynamic and could change quickly, in particular with regard to operational staff and logistical challenges. Yara has a strong focus on maintaining sufficient financial capacity to responsibly mitigate the situation and will closely monitor the situation in the coming weeks and months.

1) Definition is provided on page 197.

Financial statements

Financial statements for Yara International ASA

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

YARA INTERNATIONAL ASA

Income statement

NOK millions	Notes	2019	2018
Revenues	4	2,107	2,690
Other income		1	1
Revenues and other income		2,108	2,691
Raw materials, energy costs and freight expenses		(10)	(7)
Change in inventories of own production		(7)	2
Payroll and related costs	2	(1,035)	(1,003)
Depreciation, amortization and impairment loss	3	(171)	(134)
Other operating expenses	4	(1,986)	(1,933)
Operating costs and expenses		(3,209)	(3,075)
Operating income		(1,102)	(384)
Financial income/(expense), net	5	(331)	2,772
Income before tax		(1,432)	2,388
Income tax expense	6	294	217
Net income		(1,138)	2,605
Appropriation of net income and equity transfers			
Dividend proposed		4,054	1,771
Retained earnings		(5,192)	834
Total appropriation	11	(1,138)	2,605

YARA INTERNATIONAL ASA

Balance sheet

NOK millions	Notes	31 Dec 2019	31 Dec 2018
ASSETS			
Non-current assets			
Deferred tax assets	6	1,141	820
Intangible assets	3	697	674
Property, plant and equipment	3	83	74
Shares in subsidiaries	7	19,853	19,855
Intercompany receivables	13	44,927	45,118
Other non-current assets	8	411	399
Total non-current assets		67,111	66,939
Current assets			
Inventories	8	12	22
Trade receivables		9	4
Intercompany receivables	13	9,202	12,119
Prepaid expenses and other current assets	10	829	864
Cash and cash equivalents		1,189	375
Total current assets		11,240	13,384
Total assets		78,351	80,324

YARA INTERNATIONAL ASA

Balance sheet

NOK millions	Notes	31 Dec 2019	31 Dec 2018
Liabilities and shareholders' equity			
Equity			
Share capital reduced for treasury stock		459	463
Premium paid-in capital		117	117
Total paid-in capital		577	580
Retained earnings		14,981	20,225
Treasury shares		(1,037)	(283)
Shareholders' equity	11	14,521	20,522
Non-current liabilities			
Employee benefits	1	965	894
Long-term interest-bearing debt	12	23,035	23,108
Other long-term liabilities		705	602
Total non-current liabilities		24,705	24,604
Current liabilities			
Trade and other payables		213	242
Short-term interest-bearing debt	8	2,519	1,759
Current portion of long-term debt	12	3,342	6,798
Dividends payable	11	4,054	1,771
Intercompany payables	13	28,615	23,836
Current income tax	6	10	-
Other current liabilities		370	792
Total current liabilities		39,124	35,197
Total liabilities and shareholders' equity		78,351	80,324

The Board of Directors of Yara International ASA
Oslo, 17 March 2020

Geir Isaksen
Chairperson

Trond Berger
Board member

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

YARA INTERNATIONAL ASA

Cash flow statement

NOK millions	Notes	2019	2018
Operating activities			
Operating Income		(1,102)	(384)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation, amortization and impairment loss	3	171	134
Write-down inventory and trade receivables		-	1
Tax received/(paid)	6	(2)	52
Group relief received		4,500	12,723
Interest and bank charges received/(paid)		(751)	(660)
Other		(4)	4
Change in working capital			
Trade receivables		(4)	5
Short term intercompany receivables/payables	13	4,037	(21,553)
Prepaid expenses and other current assets		62	(379)
Trade payables		(13)	(62)
Other current liabilities		(477)	(56)
Net cash provided by operating activities		6,417	(10,174)
Investing activities			
Acquisition of property, plant and equipment	3	(20)	(12)
Acquisition of other long-term investments	3	(204)	(286)
Net cash from/(to) long-term intercompany loans	13	138	(1,964)
Proceeds from sales of long-term investments		1	(1)
Net cash provided by/(used in) investing activities		(86)	(2,263)
Financing activities			
Loan proceeds	12	3,039	10,128
Principal payments		(6,198)	1,315
Purchase of treasury stock	11	(586)	(181)
Dividend paid	11	(1,772)	(1,776)
Net cash used in financing activities		(5,518)	9,485
Foreign currency effects on cash and cash equivalents		-	29
Net increase/(decrease) in cash and cash equivalents		814	(2,922)
Cash and cash equivalents at 1 January		375	3,298
Cash and cash equivalents at 31 December		1,189	375

Notes to the financial statements

Accounting policies

General

The financial statements for Yara International ASA have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway (NGAAP). Preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as disclosures of contingencies. Actual results may differ from estimates.

Yara International ASA primarily holds shares in subsidiaries and provides financing to entities in the Yara Group. Please note that the information in note 5.3 to the consolidated financial statements related to payments on long-term debt also applies to Yara International ASA. Revenue mainly stem from allocation of costs related to intragroup services provided.

The accompanying notes are an integral part of the financial statements.

Shares in subsidiaries

Shares in subsidiaries are presented according to the cost method. Dividends and Group reliefs are recognized in the income statement when these are proposed by the subsidiary. Group relief received is included in dividends. Shares in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may exceed the fair value of the investment. Indications may be operating losses or adverse market conditions. Fair value of the investment is estimated based on valuation model techniques. If it is considered probable that the fair value is below Yara's carrying value, the investment is impaired. The impairment is reversed if the impairment situation is no longer present.

Foreign currency transactions

The functional currency of Yara International ASA is Norwegian kroner (NOK). Transactions in currencies other than the functional currency are recorded at the exchange rate at the date of transaction. Monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Realized and unrealized currency gains and losses on transactions, assets and liabilities, denominated in a currency other than the functional currency, and that do not qualify for hedge accounting treatment, are included in net income.

Revenue

In all material respects, revenue stem from sale of intercompany services. These are recognized when the services are delivered based on intragroup allocation of costs.

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

Receivables

Trade receivables and short-term intercompany receivables are recognized at nominal value, less the accrual for expected losses of receivables. The accrual for losses is based on an individual assessment of each receivable.

Cash and cash equivalents

Cash and cash equivalents include bank deposits and monetary items which are due in less than three months.

The cash held by Yara International ASA reflects that most external bank deposits are channeled through the group treasury function. Consequently, the level of cash held should be seen in context with the intercompany receivables and payables.

Payables

Trade payables and short-term intercompany payables are recognized at nominal value.

Financial assets and liabilities

Financial assets, other than derivatives, are initially recognized in the balance sheet at fair value (cost) and subsequently at the lower of cost or fair value. Financial liabilities are initially recognized in the balance sheet at fair value (cost) and subsequently at amortized cost.

Cost of sales and other expenses

Cost of sales and other expenses are recognized in the same period as the revenue to which they relate. If there is no clear connection between the expense and revenue, an estimated allocation is done. Other exceptions to the matching criteria are disclosed where appropriate.

Income taxes

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

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

Deferred income tax expense is calculated using the liability method in accordance with the preliminary Norwegian Accounting Standard on Income Taxes ("NRS Resultatskatt"). Under this standard, deferred tax assets and liabilities are measured based on the differences between the carrying values of assets and liabilities for financial reporting and their tax basis, which is considered temporary in nature. Deferred income tax expense represents the change in deferred tax asset and liability balances during the year, except for deferred tax related to items charged to equity. Changes resulting from amendments and revisions in tax laws and tax rates are recognized when the new tax laws or rates are adopted.

Intangible assets

Intangible assets acquired individually or as a group are initially recognized at fair value, and subsequently amortized on a straight-line basis over their useful life. They are tested for impairment whenever indications of impairment are present.

Research costs are expensed as incurred. Costs incurred in development of internally generated intangible assets are capitalized if defined recognition criteria are met. If these recognition criteria is not met, development cost are expensed in the period they incur.

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is determined using the straight-line method over the assets' useful life. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Inventories

Inventories are valued at the lower of cost, using weighted average, and net realizable value. The cost of inventories comprise all costs incurred in bringing the inventories to their present location and condition, including direct materials, direct labor, and an appropriate portion of production overhead, or the purchase price of the inventory.

Leased assets

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

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

Forward currency contracts

Forward currency contracts are initially recognized in the balance sheet at fair value. Subsequent changes in fair value are recognized in the income statement.

Interest rate and foreign currency swaps

Interest income and expense relating to swaps that are not designated as hedge instruments are recognized as net income or expense over the life of the contract. Foreign currency swaps are translated into Norwegian kroner at the applicable exchange rate at the balance sheet date with the resulting unrealized currency translation gain or loss recorded in "Financial income/(expense), net" in the income statement.

Shared-based remuneration

Yara has a shared-based remuneration program which provides a fixed cash amount to eligible top executives. Yara purchases the shares on behalf of the executives at market prices. The executives holds all shareholder rights from the date of purchase but cannot sell the shares in the three years vesting period. This program does not have dilutive effect since it represents ordinary shares outstanding.

The fair value of the purchased shares is recognized as reduction in equity. The costs for the Shared Based Remuneration program is expensed in the year when the shares are granted. However, the costs are re-invoiced within the same year to Yara units globally as part of the shared cost model. The employee tax is calculated and expensed at the grant date.

The Company also gives employees the possibility to purchase shares in Yara at a reduced price. The related cost is recognized when the employee exercises this option.

Employee retirement plans

Employee retirement plans are measured in accordance with IAS 19 Employee Benefits, as this is permitted by the Norwegian accounting standard on pensions ("NRS 6 Pensjonskostnader"). Past service cost is recognized immediately in the Statement of income together with any gains and losses arising from curtailments and settlements. Remeasurement gains and losses are recognized directly in retained earnings.

1 Employee benefits

Yara International ASA has incurred obligations under a funded defined benefit plan. The pension plan was closed to new entrants in 2006 and employees below the age of 55 received a paid-up policy for previously earned benefit entitlements. The defined benefit plan was replaced by a defined contribution plan from the same date, which requires Yara International ASA to make agreed contributions when employees have rendered service entitling them to the contributions. Yara International ASA has no legal or constructive obligation to pay further contributions. This new plan applies to the future pension earnings of existing employees below the age of 55 in 2006 and all new employees. Pension liabilities for defined benefit plans also include certain unfunded obligations.

Other long-term employee benefits include a provision for jubilee benefits.

Yara International ASA is obliged to and does fulfill the requirements of the act regarding mandatory occupational pension scheme ("Lov om obligatorisk tjenestepensjon").

Defined benefit plans

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

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

Defined contribution plans

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

Other long-term benefits

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

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

NOK millions	Notes	2019	2018
Pension liabilities for defined benefit plans		(956)	(885)
Termination benefits and other long-term employee benefits		(9)	(9)
Surplus on funded defined benefit plan	8	348	351
Net long-term employee benefit obligations		(617)	(543)

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

NOK millions	2019	2018
Defined benefit plans	(42)	(44)
Defined contribution plans	(57)	(53)
Termination benefits and other long-term employee benefits	(11)	(10)
Net expenses recognized in Statement of income	(110)	(107)

Defined benefit plans

Yara International ASA is the sponsor of Yara Pensjonskasse, a funded pension plan which also covers employees of its subsidiary Yara Norge AS. Plan benefits are based on years of service and final salary levels. Determination of the required annual contribution to Yara Pensjonskasse from each of the participating legal entities is defined by the bylaws of the pension fund, and is based on actuarial calculations. The distribution of pension costs to the participating entities is based on the same calculations. At 31 December 2019, the number of active participants in the funded defined benefit plan who were employed by Yara International ASA, was 1 and the number of retirees was 134. In addition, 366 current and previous employees of Yara International ASA have earned paid-up policies in the pension fund.

Yara International ASA participates in a multi-employer plan (AFP - "Avtalefestet pensjon") which entitles most of its employees the right to retire from the age of 62. Participating entities are required to pay an annual fee for each of its active employees. As the information required to account for this part of the plan as a defined benefit plan is not available from the plan administrator, it is accounted for as if it were a defined contribution plan. The provision for defined benefit plans includes however the calculated obligation to pay a percentage of benefits paid to its employees who have chosen early retirement under this plan. A further defined benefit obligation is recognized to account for a gratuity offered by Yara International ASA to its employees who retire with the AFP scheme.

Norwegian employees at position level of department manager or above are members of an unfunded early retirement plan. The plan covers the period from age 65 to 67 with a defined benefit equal to 65% of final salary. From 2006 accrual of pension in this plan has been limited to a salary of 12G (i.e. 12 times the Norwegian Social Security Base Amount, which from 1 May 2019 was NOK 99,858).

Effective 1 January 2015 Yara International ASA implemented changes to the early retirement schemes, both the AFP gratuity plan and the plan for early retirement from 65 to 67 for positions as department manager or above, in which all employees below age 50 were transferred to new contribution-based plans which offer increased contribution rates compared to the ordinary defined contribution plan, as well as compensation contributions, where applicable. Employees aged 50 or above retained their rights from the old plans, however with the option to choose a transfer to the new contribution-based plans. As the compensation contribution plans are unfunded and Yara International ASA retains investment risk, they are accounted for as defined benefit plans.

All Norwegian employees with salary above 12G as of 3 December 2015 are members of an unfunded plan which requires Yara International ASA to contribute with an amount equal to 25% of pensionable salary in excess of 12G for each year of service, with the addition of annual return on the accumulated balance. The plan was closed to new members from 3 December 2015. As the plan is unfunded and investment risk is retained by Yara International ASA, the plan is included in the obligation for defined benefit plans.

Valuation of defined benefit obligations

The defined benefit plans are valued at 31 December using updated financial and demographical assumptions and taking into account relevant economic environment factors.

It is the opinion of the management of Yara International ASA that there is a sufficiently deep market for high quality corporate bonds in Norway, which is therefore used as reference for determination of the discount rate. Normal assumptions for demographical and retirement factors have been used by the actuary when calculating the obligation. Estimated future mortality is based on published statistics and mortality tables. The actuary has used the K2013BE mortality table. According to K2013BE a current employee aged 45 today would be expected to live 25.0 years after reaching the retirement age of 65, whereas an employee aged 65 today would on average be expected to live 23.2 years.

The following financial assumptions have been applied for the valuation of liabilities

In percentages	2019	2018
Discount rate	2.1	2.7
Expected rate of salary increases	2.2	2.6
Future rate of pension increases	1.0	1.1

Actuarial valuations provided the following results

NOK millions	2019	2018
Present value of unfunded obligations	(838)	(776)
Present value of wholly or partly funded obligations	(765)	(713)
Total present value of obligations	(1,602)	(1,489)
Fair value of plan assets	1,113	1,065
Social security on defined benefit obligations	(118)	(109)
Total recognized liability for defined benefit plans	(608)	(534)

Duration of liabilities at the end of the year

Duration of liabilities (in years)	2019
Funded plan	15.9
Unfunded plans	11.2

Pension cost recognized in Statement of income

The assumptions used to value the defined benefit obligations at 31 December are used in the following year to determine the net pension cost. The discount rate is used to calculate the interest income from plan assets.

The following items have been recognized in the Statement of income

NOK millions	2019	2018
Current service cost	(23)	(25)
Administration cost	(2)	(2)
Social security cost	(6)	(6)
Payroll and related costs	(31)	(33)
Interest on obligation	(39)	(37)
Interest income from plan assets	28	26
Interest expense and other financial items	(11)	(10)
Total expense recognized in income statement	(42)	(44)

Sensitivity of assumptions

Measurement of defined benefit obligations and pension costs requires the use of a number of assumptions and estimates. Below table indicates the sensitivity of the most material financial assumptions applied to the defined benefit obligation, by showing the result from an increase or decrease in any one of the assumptions applied (all other assumptions held constant).

NOK millions	2019	2018
Actual valuation	(1,602)	(1,489)
Discount rate +0.5%	(1,514)	(1,407)
Discount rate -0.5%	(1,699)	(1,579)
Expected rate of salary increase +0.5%	(1,616)	(1,498)
Expected rate of salary increase -0.5%	(1,590)	(1,480)
Expected rate of pension increase +0.5%	(1,686)	(1,567)
Expected rate of pension increase -0.5%	(1,526)	(1,418)
Expected longevity +1 year	(1,658)	(1,540)
Expected longevity -1 year	(1,546)	(1,438)

Development of defined benefit obligations

NOK millions	2019	2018
Defined benefit obligation as of 1 January	(1,489)	(1,498)
Current service cost	(23)	(25)
Interest cost	(39)	(37)
Experience adjustments	(14)	19
Effect of changes in financial assumptions	(98)	(8)
Benefits paid	61	60
Defined benefit obligation as of 31 December	(1,602)	(1,489)

Development of plan assets

NOK millions	2019	2018
Fair value of plan assets as of 1 January	1,065	1,073
Interest income from plan assets	28	26
Administration cost	(2)	(2)
Return on plan assets (excluding calculated interest income)	51	(5)
Benefits paid	(29)	(28)
Fair value of plan assets as of 31 December	1,113	1,065

Yara Pensjonskasse (the pension fund) is a separate legal entity, independently governed by its Board of Directors. It is the responsibility of the pension fund's Board of Directors to determine the investment strategy, and to review the administration of plan assets and the funding level of the pension fund. If needed, Yara International ASA will be required to increase the capital buffer of the pension fund.

Yara International ASA's defined benefit plan obligations are inherently exposed to inflation risk, interest rate risk and longevity risk. The investment strategies of the pension fund ensures diversement of investments in order to keep market volatility risk at a desired level. The pension fund Board of Directors is targeting a satisfactory level of risk and return corresponding to the maturity profile of future pension benefit payments.

At the end of the year, the plan assets were invested as follows

NOK millions, except percentages	2019	2019	2018	2018
Cash and cash equivalents	33	3%	33	3%
Shares	388	35%	349	33%
Other equity instruments	95	9%	82	8%
Investment grade debt instruments	575	52%	578	54%
Properties	20	2%	22	2%
Total plan assets	1,113	100%	1,065	100%

Yara Pensjonskasse (the pension fund) does not hold any investments that do not have a quoted market price in an active market. Nor does it hold any financial instruments issued by Yara Group companies.

Contributions expected to be paid by Yara International ASA to the defined benefit plans for 2020 are NOK 26 million. The amount includes any premium to be paid to Yara Pensjonskasse and all benefits to be paid for unfunded plans.

Remeasurement gains/(losses) recognized in retained earnings

NOK millions	2019	2018
Cumulative amount recognized directly in retained earnings pre-tax at 1 January	(152)	(158)
Remeasurement gains/(losses) on obligation for defined benefit plans	(112)	10
Remeasurement gains/(losses) on plan assets for defined benefit plans	51	(5)
Social security on remeasurement gains/(losses) recognized directly in equity this year	(7)	1
Cumulative amount recognized directly in retained earnings pre-tax at 31 December	(219)	(152)
Deferred tax related to remeasurement gains/(losses) recognized directly in retained earnings	48	33
Cumulative amount recognized directly in retained earnings after tax at 31 December	(171)	(118)

2 Remuneration and other

Remuneration and direct ownership of shares of the chairperson and of the board of directors are disclosed in note 8.1 to the consolidated financial statement.

Remuneration to the President and Yara management, as well as number of shares owned and Shared Based Remuneration program, are disclosed in note 8.2 to the consolidated financial statements.

Partners and employees of Yara's independent auditors, Deloitte AS, own no shares in Yara International ASA, or in any of its subsidiaries. Yara International ASA's fee to Deloitte AS (Norway) for ordinary audit was NOK 4,996 thousand (2018: NOK 3,908 thousand), fee for assurance services NOK 952 thousand (2018: NOK 1,704 thousand), NOK 54 thousand for tax services (2018: NOK 245 thousand) and NOK 416 thousand for non-audit services (2018: NOK 535 thousand). Audit remuneration for the group is disclosed in note 8.3 to the consolidated financial statement.

At 31 December 2019, the number of employees in Yara International ASA was 599 (2018: 639)

NOK millions	2019	2018
Payroll and related costs		
Salaries	(821)	(799)
Social security costs	(115)	(108)
Net periodic pension costs	(99)	(97)
Total	(1,035)	(1,003)

Yara provided a guarantee for unsecured loans which were granted from external banks to the Norwegian employees. Yara did not compensate the banks for these services. At 31 December 2019, the aggregate balance of all the outstanding loans for which Yara is providing a guarantee is approximately NOK 0.2 millions, and the number of loans are 1. The scheme in question ceased to apply and the loans are expected to be settled within 1 year.

Yara continued to give employees in Norway an opportunity to take part in a share purchase program in 2019. All permanent employees in Norway have been offered shares with a discount and given an interest-free loan with a 12-month repayment profile. In order to handle this arrangement in an efficient way, Yara has established a foundation for employees' shares in Yara. The foundation has purchased 40,200 shares during 2019. In total 40,439 shares have been sold during 2019 to 965 persons, 48 persons were allotted 21 shares and 917 persons were allotted 43 shares. As at 31 December 2019, the foundation owns 157 shares in Yara.

3 Intangible assets, property, plant and equipment

2019

NOK millions, except percentages and years	Intangible assets [1]	Property, plant and equipment [2]	Total
Cost			
Balance at 1 January	1,170	168	1,339
Addition at cost	181	23	203
Derecognition	(1)	(1)	(2)
Balance at 31 December	1,350	190	1,541
Depreciation, amortization and impairment loss			
Balance at 1 January	(497)	(95)	(590)
Depreciation and amortization	(158)	(13)	(171)
Balance at 31 December	(654)	(107)	(761)
Carrying value			
Balance at 1 January	674	74	748
Balance at 31 December	697	83	780
Useful life in years	3 - 5	4 - 50	
Depreciation rate	20 - 35%	2 - 25%	

1) Intangible assets mainly consist of computer software systems and capitalized technology assets.
2) Property, plant and equipment for Yara International ASA consists mainly of buildings and furnishings. There were no assets pledged as security at 31 December 2019.

2018

NOK millions, except percentages and years	Intangible assets [1]	Property, plant and equipment [2]	Total
Cost			
Balance at 1 January	900	171	1,071
Addition at cost	306	12	318
Derecognition	(35)	(15)	(50)
Balance at 31 December	1,170	168	1,339
Depreciation, amortization and impairment loss			
Balance at 1 January	(402)	(98)	(500)
Depreciation and amortization	(123)	(11)	(134)
Derecognition	29	15	44
Balance at 31 December	(497)	(95)	(590)
Carrying value			
Balance at 1 January	497	73	570
Balance at 31 December	674	74	748
Useful life in years	3 - 5	4 - 50	
Depreciation rate	20 - 35%	2 - 25%	

1) Intangible assets mainly consist of computer software systems and capitalized technology assets.
2) Property, plant and equipment for Yara International ASA consists mainly of buildings and furnishings. There were no assets pledged as security at 31 December 2018.

4 Specification of items in the income statement

Revenue

Information about sales to geographical areas

NOK millions	2019			2018		
	External	Internal	Total	External	Internal	Total
Norway	-	91	91	-	98	98
European Union	38	1,715	1,753	22	2,258	2,280
Europe, outside European Union	-	4	4	-	3	3
Africa	-	21	21	-	23	23
Asia	-	57	57	-	45	45
North America	-	35	35	-	45	45
Latin America	-	126	126	-	176	176
Australia and New Zealand	-	20	20	2	17	19
Total	38	2,069	2,107	25	2,665	2,690

Other operating expenses

NOK millions	2019	2018
Selling and administrative expense	(1,508)	(1,341)
Rental and leasing [1)]	(58)	(65)
Travel expense	(49)	(65)
Other	(371)	(461)
Total	(1,986)	(1,933)
Of which research costs [2)]	(506)	(328)

1) Expenses mainly relate to office and lease contracts for company cars.
2) Over the last few years, Yara has focused on orienting research and development resources towards commercial activities, both with respect to process and product improvements and agronomical activities.

5 Financial income and expenses

NOK millions	Notes	2019	2018
Dividends and Group relief from subsidiaries		900	4,500
Write-down shares in subsidiaries [1)]		-	(466)
Loss on sale of shares in subsidiaries [2)]		(2)	-
Interest income group companies	13	1,017	1,094
Other interest income		34	53
Interest expense group companies	13	(274)	(319)
Other interest expense		(1,367)	(1,165)
Interest expense defined pension liabilities	1	(39)	(37)
Return on pension plan assets	1	28	26
Net foreign exchange gain/(loss)		(613)	(875)
Other financial income/(expense)		(15)	(40)
Financial income/(expense), net		(331)	2,772

1) Yara Colombia S.A.
2) Yara Costa Rica S. de RL.

6 Income taxes

Specification of income tax expense

NOK millions	2019	2018
Current tax expense [1]	(12)	(11)
Deferred tax income/(expense) recognized in the current year	306	227
Income tax income/(expense)	294	216

1) Withholding taxes and prior years adjustment, see specification in the table below.

Reconciliation from nominal statutory tax rate to effective tax rate

NOK millions	2019	2018
Income before taxes	(1,432)	2,388
Statutory tax rate	22%	23%
Expected income taxes at statutory tax rate	315	(549)
The tax effect of the following items:		
Group relief received from subsidiary with no tax effect	-	920
Withholding taxes	(7)	(16)
Prior years adjustment	(5)	5
Tax law changes	-	(36)
Non-deductible expenses	(16)	(107)
Other	7	(1)
Income tax income/(expense)	294	216
Effective tax rate	21%	9%

Specification of deferred tax assets/(liabilities)

NOK millions	Opening balance	Charged to income	Reclassified from equity to profit or loss	Charged to equity	Closing balance
Non-current items					
Intangible assets	-				
Property, plant and equipment	6	-			7
Pension liabilities	156	(51)		14	120
Other non-current assets	(1,189)	440	1		(748)
Other non-current liabilities and accruals	650	(151)			499
Total	(379)	239	1	14	(125)
Current items					
Accrued expenses	27	1			29
Total	27	1	-		29
Tax loss carry forwards	1,173	63	-		1,236
Net deferred tax asset/(liability)	820	303	1	14	1,140

Tax loss carry forwards are expected to be fully utilized by taxable interest income on group funding and taxable group contributions from Yara's operating companies in Norway.

In 2019, Yara International ASA received a notification and request for information from the Norwegian Tax Authorities in relation to a transfer price audit. In the notification and request for information, the Tax Authorities have stated that they consider changing the company's tax assessment for the years 2015, 2016 and 2017. Yara International ASA has recently submitted its response. The Tax Authorities have not disclosed any potential amount or provided guidance on how a potential change will impact the tax assessment for these years.

7 Shares in subsidiaries

Company name	Ownership [1]	Ownership by other group companies	Registered office	Functional currency	Total equity in the company 2019 functional currency millions	Net income/ (loss) 2019 in functional currency millions	Carrying value 2019 NOK millions	Carrying value 2018 NOK millions
Subsidiaries owned by Yara International ASA								
Fertilizer Holdings AS	100%	-	Norway	NOK	28,984	701	16,178	16,178
Yara Norge AS	100%	-	Norway	NOK	2,058	1,083	1,303	1,303
Yara Asia Pte. Ltd.	100%	-	Singapore	USD	1,301	107	1,114	1,114
Yara Colombia S.A.	70.39%	29%	Colombia	COP	390,583	335	763	763
Yara North America Inc.	100%	-	USA	USD	366	(20)	468	468
Yara Guatemala S.A.	100%	-	Guatemala	GTQ	200	14	24	24
Yara Lietuva, UAB	100%	-	Lithuania	EUR	(4)	(4)	1	1
Yara International Employment Co. AG	100%	-	Switzerland	EUR	2	-	1	1
Profesionistas AAL	0.04%	99.96%	Mexico	MXN	-	2	-	-
Operaciones BPT	10%	90%	Mexico	MXN	-	-	-	-
Yara Costa Rica S. de RL. [2]	-	87.56%	Costa Rica	CRC	-	-	-	2
Total							19,853	19,855

1) Percentage of shares owned equals percentage of voting shares owned. A number of the above mentioned companies also own shares in other companies as specified in their annual reports. See also note 8.4 to the consolidated financial statements.
2) Disposed of in 2019, shares were sold to Yara Iberian S.A.

8 Specification of balance sheet items

NOK millions	Notes	2019	2018
Other non-current assets			
Surplus on funded defined benefit plans	1	348	351
Long-term fair value derivative hedging instrument		2	-
Interest rate swap designated for hedging (external)		4	4
Other		57	43
Total		411	399
Inventories			
Finished goods		11	18
Raw materials		1	3
Total		12	22
Short-term interest-bearing debt			
External loans	12	2,379	1,317
Bank overdraft		141	441
Total		2,519	1,759

9 Guarantees

NOK millions	2019	2018
Guarantees (off-balance sheet)		
Guarantees for debt in subsidiaries	5,749	5,645
Non-financial guarantees	9,658	6,684
Total	15,408	12,329

Yara International ASA provides guarantees arising in the ordinary course of business, including performance bonds and various payment or financial guarantees. See note 5.8 Secured debt and guarantees to the consolidated financial statements for further information about guarantees.

10 Financial risks and hedge accounting

Financial risks in Yara and the use of derivative instruments are described in note 6.1 to the consolidated financial statement. The exposure to credit risk is represented by the carrying amount of each class of financial assets, including derivative financial instruments, recorded in the balance sheet.

Liquidity risk

Yara International ASA manages liquidity risk by continuously monitoring forecasted and actual cash flows. Non-current intercompany receivables are related to funding of subsidiaries and have a maturity profile matching the external debt maturities (see note 12 for details). Current intercompany receivables and payables mainly reflect intercompany current account balances and will fluctuate with fertilizer seasons. Committed liquidity reserves are maintained to meet unforeseen events.

Yara International ASA has the following derivative instruments outstanding at 31 December

NOK millions	2019	2018
Fair value of derivatives		
Forward foreign exchange contracts (external)	(31)	(388)
Forward foreign exchange contracts (Yara Group internal)	7	358
Cross currency swaps (external)	(631)	(534)
Interest rate swaps designated for hedging (external)	(61)	(54)
Balance at 31 December	(716)	(618)
Derivatives presented in the balance sheet		
Non-current assets	6	4
Current assets	10	379
Non-current liabilities	(697)	(592)
Current liabilities	(35)	(408)
Balance at 31 December	(716)	(618)

Forward foreign exchange contracts

Yara is committed to the following outstanding forward foreign exchange contracts

NOK millions	2019	2018
Forward foreign exchange contracts (external), notional amount	2,268	5,172
Forward foreign exchange contracts (Yara Group internal), notional amount	6,939	7,585

All outstanding forward foreign exchange contracts at 31 December 2019 have maturity in 2020, except non-deliverable forward contracts totaling NOK 572 million that mature in 2021. External buy positions are mainly in US dollars against Norwegian kroner or Brazilian reals. External sell positions are in various operating currencies towards Norwegian kroner.

Hedge accounting

Fair value hedges

In December 2014, Yara designated a portfolio of long-term NOK fixed-to-floating interest rate swaps as hedging instruments. The hedged risk is the change in fair value due to changes in risk-free interest rates (NIBOR) of the NOK 700 million and NOK 600 million fixed rate bond debt from 2014. The swaps have different interest payment dates (quarterly vs. annually), but identical interest basis and maturity as the hedged debt and are assessed to be highly effective.

In December 2017, Yara designated a portfolio of long-term NOK and SEK fixed-to-floating interest rate swaps as hedging instruments. The hedged risk is the change in fair value due to changes in risk-free interest rates (NIBOR) of the NOK 1,000 million and NOK 1,000 million fixed rate bond debt and the change in fair value due to changes in risk-free interest rates (STIBOR) of the SEK 800 million fixed rate bond debt, all from 2017. The swaps have different interest payment dates (quarterly vs. annually), but identical interest basis and maturity as the hedged debt and are assessed to be highly effective.

Subsequent to initial recognition, Yara measures interest-bearing borrowings at amortized cost. However, the designation of interest rate swaps as hedging instruments and use of hedge accounting enables Yara to include the fair value of changes in interest rates in the carrying value of the bonds. The corresponding adjustment in the Consolidated Statement of Income offsets the effects of the recognized interest rate swaps, leading to less volatility in net income.

Cash flow hedges

Yara had no cash flow hedges in 2019 or 2018. However, Yara has used derivative instruments to hedge cash flows of planned transactions in the past and may do so also in the future.

In 2007, Yara used treasury locks to hedge the future cash flows of a USD 300 million portion of the June 2009 bond issue. The loss on these contracts was recognized directly in equity and was proportionally reclassified into interest expense and deferred tax until 2019 when the bond expired. Amount reclassified to interest expense in 2019 was NOK 5 million after tax (2018: NOK 5 million).

Effect on financial position and performance in 2019

NOK millions	Currency	Hedge rates	Carrying amount of the hedged item [1)]		Accumulated amount of hedge adjustment on the hedged item included in the carrying amount of the hedged item		Line item in the balance sheet in which the hedged item is included	Line item in the balance sheet in which the hedging instrument is included	Change in value of the hedged item used for calculating hedge ineffectiveness [2)]	Change in value of the hedging instrument [2)]	Hedge ineffectiveness recognized in income statement
			Assets	Liabilities	Assets	Liabilities					
Fair value hedges											
Interest rate risk											
- Fixed interest, NOK bonds (2014)	NOK	3M NIBOR	-	1,288	11	-	Long-term interest-bearing debt	Other long-term liabilities	9	(9)	-
- Fixed interest, NOK bonds (2017)	NOK	3M NIBOR	-	1,946	52	-	Long-term interest-bearing debt	Other long-term liabilities	1	(1)	-
- Fixed interest, SEK bonds (2017)	SEK	3M STIBOR	-	756	-	2	Long-term interest-bearing debt	Other long-term liabilities	(2)	2	-

1) The designated nominal amounts of the hedging instruments equal the nominal amounts of the hedged items.
2) All amounts are pre-tax.

For either hedging category, there are no balances remaining from a hedging relationship for which hedge accounting is no longer applied.

Effect on financial position and performance in 2018

NOK millions	Currency	Hedge rates	Carrying amount of the hedged item [1)]		Accumulated amount of hedge adjustment on the hedged item included in the carrying amount of the hedged item		Line item in the balance sheet in which the hedged item is included	Line item in the balance sheet in which the hedging instrument is included	Change in value of the hedged item used for calculating hedge ineffectiveness [2)]	Change in value of the hedging instrument [2)]	Hedge ineffectiveness recognized in income statement
			Assets	Liabilities	Assets	Liabilities					
Fair value hedges											
Interest rate risk											
- Fixed interest, NOK bonds (2014)	NOK	3M NIBOR	-	1,297	2	-	Long-term interest-bearing debt	Other long-term liabilities	11	(11)	-
- Fixed interest, NOK bonds (2017)	NOK	3M NIBOR	-	1,946	51	-	Long-term interest-bearing debt	Other long-term liabilities	17	(17)	-
- Fixed interest, SEK bonds (2017)	SEK	3M STIBOR	-	775	-	-	Long-term interest-bearing debt	Other long-term liabilities	(5)	5	-

1) The designated nominal amounts of the hedging instruments equal the nominal amounts of the hedged items.
2) All amounts are pre-tax.

For either hedging category, there are no balances remaining from a hedging relationship for which hedge accounting is no longer applied.

Specific risks associated with the upcoming interest rate benchmark reform

Within its hedge accounting relationships, the Yara is exposed to NIBOR, STIBOR and USD LIBOR (collectively "IBORs") interest rate benchmarks subject to interest rate benchmark reform. The hedged items include issued NOK and SEK fixed rate debt plus foreign currency translation risk associated with Yara's net investment in USD denominated foreign operations.

Yara Finance, Treasury & Insurance has established an IBOR transition program to understand the specific exposures and prepare an action plan in order to enable a smooth transition to alternative benchmark rates. Risks hitherto identified include, but may not be limited to, the items listed in below table.

Risk	Potential impact
Lack of standardized alternative term rates	Cash flow uncertainty, operational challenges
Economic difference vs. IBORs and alternative rates	Changes in mark-to-market value of affected contracts
Different speed of transition across products and currencies	Basis risk on hedge accounting relations
Operational adjustments required	Upgrade of IT systems, renegotiation of agreements

As none of Yara's current IBOR linked contracts already include fall back provisions in case the referenced benchmark interest rate ceases to be available, Yara monitors the output from the various working groups managing the transition to new benchmark rates carefully and will look to implement appropriate fall back language in due course.

11 Number of shares outstanding, shareholders, equity reconciliation etc.

Yara International ASA was established 10 November 2003. The company was established with a share capital of NOK 108,610,470 consisting of 63,888,512 shares at NOK 1.70 per share. At 31 December 2019, the company has a share capital of NOK 463,084,483 consisting of 272,402,637 ordinary shares at NOK 1.70 per share.

Yara owns 1,362,013 own shares at 31 December 2019. For further information on these issues see note 5.1 to the consolidated financial statement.

Shareholders holding 1% or more of the total 272,402,637 shares issued as of 31 December 2019 are according to information from Nasdaq.

Name	Number of shares	Holding (%)
Ministry of Trade, Industry and Fisheries	98,640,995	36.2%
Norwegian National Insurance Scheme fund	17,893,478	6.6%
Sprucegrove Investment Management, Ltd.	6,496,700	2.4%
The Vanguard Group, Inc.	5,203,959	1.9%
BlackRock Institutional Trust Company, N.A.	5,104,435	1.9%
Fidelity Management & Research Company	4,875,087	1.8%
TemplexInvestment Counsel, L.L.C.	4,807,414	1.8%
Polaris Capital Management, LLC	4,440,776	1.6%
SAFE Investment Company Limited	3,652,404	1.3%
KLP Forsikring	3,640,472	1.3%
DNB Asset Management AS	3,410,541	1.3%
Capital World Investors	3,321,609	1.2%
Storebrand Kapitalforvaltning AS	3,248,079	1.2%
Nordea Funds Oy	3,225,947	1.2%
Pelham Capital Ltd	3,174,733	1.2%
State Street Global Advisors (US)	3,083,417	1.1%

Shareholders' equity

NOK millions	Paid-in-capital	Retained earnings	Total shareholders equity
Balance 31 December 2017	582	19,382	19,963
Net income of the year	-	2,605	2,605
Dividend proposed	-	(1,771)	(1,771)
Cash flow hedges	-	5	5
Actuarial gain/(loss) [1]	-	3	3
Treasury shares [2]	(1)	(283)	(284)
Balance 31 December 2018	581	19,942	20,522
Net income of the year	-	(1,138)	(1,138)
Dividend proposed [5]	-	(4,054)	(4,054)
Cash flow hedges	-	2	2
Actuarial gain/(loss) [1]	-	(53)	(53)
Adjustment to proposed dividend previous years	-	(2)	(2)
Treasury shares [3] [4]	(4)	(754)	(757)
Balance 31 December 2019	577	13,943	14,521

1) Yara International ASA has decided to use the option in NRS 6A to adopt IAS19. For further information, see the accounting policies on page 173.
2) As approved by General Meeting 8 May 2018.
3) As approved by General Meeting 7 May 2019.
4) See note 5.1 to the consolidated financial statement for more information.
5) Based on total shares issued less 1.362.013 own shares less commitment to redeem 773.187 shares from the Norwegian State.

12 Long-term debt

NOK millions, except percentages and denominated amounts	Notes	Maturity	Weighted average interest rates	Denominated amounts 2019		Carrying amounts	
				Currency millions	NOK millions	2019	2018
Unsecured debenture bonds in NOK (Coupon NIBOR + 0.70%)			-	-	-	-	2,199
Unsecured debenture bonds in USD (Coupon 7.88%)	6.1		0.0%	-	-	-	4,338
Unsecured debenture bonds in NOK (Coupon 2.55%)	6.1	2021	2.6%	700	700	693	698
Unsecured debenture bonds in NOK (Coupon NIBOR + 0.75%)		2022	2.6%	1,250	1,250	1,250	1,248
Unsecured debenture bonds in SEK (Coupon STIBOR + 1.00%)		2022	0.8%	450	426	425	436
Unsecured debenture bonds in SEK (Coupon 1.10%)	6.1	2022	1.2%	800	756	756	775
Unsecured debenture bonds in NOK (Coupon 3.00%)	6.1	2024	3.0%	600	600	595	599
Unsecured debenture bonds in NOK (Coupon 2.45%)	6.1	2024	2.5%	1,000	1,000	974	977
Unsecured debenture bonds in USD (Coupon 3.80%)	6.1	2026	3.9%	500	4,397	4,378	4,319
Unsecured debenture bonds in NOK (Coupon 2.90%)	6.1	2027	2.9%	1,000	1,000	972	969
Unsecured debenture bonds in USD (Coupon 4.75%)	6.1	2028	4.8%	1,000	8,793	8,752	8,637
Unsecured bank loans in USD			2.9%	545	4,790	7,584	4,711
Outstanding long-term debt						26,377	29,906
Less: Current portion						(3,342)	(6,798)
Total						23,035	23,108

At 31 December 2019, the fair value of the long-term debt, including the current portion, is NOK 27,254 million and the carrying value is NOK 26,377 million. See notes 5.3 Interest-bearing debt and 6.1 Financial risks to the consolidated financial statements for further information about long-term debt.

Payments on long-term debt fall due as follows

NOK millions	Debentures	Bank loans	Total [1]
2020	-	3,342	3,342
2021	693	264	958
2022	2,430	1,577	4,006
2023	-	264	264
2024	1,568	1,583	3,152
Thereafter	14,102	553	14,655
Total	18,793	7,584	26,377

1) Including current portion.

13 Transactions with related parties

Transactions with related parties are mainly associated with the group treasury function and rendering of group services by the employees of Yara International ASA.

NOK millions	Notes	2019	2018
Income statement			
Yara Belgium S.A.		1,297	1,744
Yara Norge AS		88	104
Yara Sluiskil B.V.		80	94
Yara Brasil Fertilizantes S.A.		67	89
Other		537	634
Internal revenues	4	2,069	2,665
Yara Norge AS		900	500
Fertilizer Holdings AS		-	4,000
Dividends and Group relief from subsidiaries	5	900	4,500
Yara Nederland B.V.		274	401
Yara Holding Netherlands B.V.		261	234
Yara Norge AS		177	154
Yara Sluiskil B.V.		61	59
Yara AB		32	28
Yara Suomi Oy		32	30
Other		181	189
Interest income group companies	5	1,018	1,095
Fertilizer Holdings AS		(47)	(174)
Yara Switzerland Ltd		(47)	(17)
Yara Asia Pte Ltd		(33)	(23)
Yara Caribbean Ltd		(32)	(38)
Yara Canada Holding Inc.		(30)	(15)
Other		(85)	(52)
Interest expense group companies	5	(274)	(319)

NOK millions	Notes	2019	2018
Non-current assets			
Yara Holding Netherlands B.V.		18,796	18,862
Yara Norge AS		4,831	4,770
Yara Sluiskil B.V.		4,505	4,544
Yara Nederland B.V.		4,196	7,942
Yara Investments Germany SE		3,166	2,446
Yara Suomi Oy		3,105	3,132
Yara Investment GmbH		1,648	-
Yara AB		1,547	1,582
Other		3,132	1,841
Intercompany receivables		44,927	45,118
Current assets			
Yara AS		3,575	2,411
Yara France SAS		1,080	939
Yara Norge AS		999	721
Freeport Ammonia LLC		523	589
Yara LPG Shipping AS		467	608
Yara Phosphates Oy		456	361
Yara Belgium S.A.		349	25
Fertilizer Holdings AS		-	4,000
Other		1,752	2,465
Intercompany receivables		9,202	12,119
Current liabilities			
Yara Nederland B.V.		(6,579)	(4,329)
Yara Asia Pte Ltd		(3,181)	(1,923)
Yara Switzerland Ltd		(2,536)	(780)
Yara Canada Holding Inc.		(2,007)	(661)
Yara Tertre S.A.		(1,985)	(2,029)
Fertilizer Holdings AS		(1,912)	(4,343)
Other		(10,416)	(9,771)
Intercompany payables		(28,615)	(23,836)
Trinidad Nitrogen Company Ltd.		(118)	(105)
Yara Freeport LLC DBA Texas Ammonia		(198)	(383)
Yara Pilbara Nitrates Pty Ltd		(12)	(287)
Other		(17)	(5)
Short-term interest-bearing loans from Group associates and joint arrangements		(345)	(780)

Remuneration to the Board of Directors and Yara Management is disclosed in notes 8.1 and 8.2 to the consolidated financial statements.
Yara International ASA has transactions with Yara Pensjonskasse (pension fund). See note 1 for more information.

Directors' responsibility statement

2019

WE CONFIRM TO THE BEST OF OUR KNOWLEDGE THAT:

- The consolidated financial statements for 2019 have been prepared in accordance with IFRS as adopted by the EU, as well as additional information requirements in accordance with the Norwegian Accounting Act, and that
- The financial statements for the parent company for 2019 have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway, and that
- The information presented in the financial statements gives a true and fair view of the Company's and Group's assets, liabilities, financial position and result for the period viewed in their entirety, and that
- The Board of Directors' report gives a true and fair view of the development, performance and financial position of the Company and Group, and includes a description of the principle risks and uncertainties
- That the country by country report for 2019 has been prepared in accordance with the Norwegian Accounting Act § 3-3d and the Norwegian Security Trading Act § 5-5a.

The Board of Directors of Yara International ASA
Oslo, 17 March 2020

Geir Isaksen Chairperson	Trond Berger Board member	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

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To the General Meeting of Yara International ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Yara International ASA, which comprise:

- The financial statements of the parent company Yara International ASA (the Company), which comprise the balance sheet as at 31 December 2019, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Yara International ASA and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in our audit are:

- Tax assets and liabilities
- Impairment of goodwill and property, plant and equipment

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Tax assets and liabilities

Key audit matter	How the matter was addressed in the audit
As detailed in note 1 and 2.8, the Group has recognized deferred tax assets of USD 484 million. Total unrecognized deferred tax assets are USD 319 million, of which USD 173 million represent unused tax losses in Brazil. Furthermore, Yara's operations in Brazil also generate tax credits. As disclosed in note 1 and 4.6, the Group has recognized an amount of USD 213 million in tax credits related to the operations in Brazil. Recognition of these assets are based on management assumptions related to future operating results and timing of utilization. As detailed in note 1, and 2.8, management applies judgment to determine to what extent these deferred tax assets and tax credits qualify for recognition in the statement of financial position. This involves judgment as to the likelihood of the realization of deferred tax assets and tax credits. The expectation that the benefit of these deferred tax assets and tax credits will be realized is dependent on sufficient taxable profits in future periods and the ability to utilize the tax credits. Recoverability of the tax credits is also dependent on interpretation of laws and regulations, which may be subject to change over time. As detailed in note 1 and 5.6, the Group is engaged in a number of juridical and administrative proceedings related to disputed tax matters with uncertain outcome. Management is required to make certain judgments and estimates to recognize and measure the effect of uncertain tax positions. Due to the significant management judgment involved in estimation and recognition of deferred tax assets, uncertain tax positions and tax credits, we have assessed this to be a Key Audit Matter.	Our audit procedures included the following, among others: • We evaluated relevant controls associated with accounting for tax balances, including deferred tax assets, tax credits and uncertain tax positions. • We involved our tax specialists in evaluating management's judgments and conclusions. • We challenged the appropriateness of management's assumptions and estimates in relation to the likelihood of generating future taxable profits to support the recognition of deferred tax assets. We evaluated the forecasted taxable profits and consistency of these forecasts with historical performance. • We evaluated management's assessment of the probable outcome related to uncertain tax positions. • We reviewed applicable third-party evidence and correspondence with tax authorities. • We considered the adequacy of the Group's disclosures related to uncertain tax positions, deferred tax assets and tax credits.

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Impairment of goodwill, property, plant and equipment

Key audit matter	How the matter was addressed in the audit
As disclosed in note 1, 4.1 and 4.2, the Group has recognized goodwill of USD 844 million and property, plant and equipment (PP&E) of USD 8,614 million. The Company's goodwill is tested for impairment on an annual basis while PP&E is tested for impairment when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Determining whether goodwill and PP&E are impaired requires estimation of the value in use. As disclosed in note 4.7, the value in use calculation requires management to make significant estimates and assumptions related to future commodity prices, gas prices as well as assumptions related to discount rates, future production levels and capital expenditures. Changes in these assumptions could have a significant impact on the value of goodwill and PP&E. Net impairment losses of USD 43 million were recognized in the year ended 31 December 2019. Due to the significant judgment involved in determining the assumptions used in the testing for impairment of goodwill, property, plant and equipment we have assessed this to be a Key Audit Matter.	Our audit procedures included the following, among others: • We evaluated relevant controls associated with the impairment review process. • We challenged management's key assumptions used in the cash flow forecasts included within the impairment models. • We challenged specifically the urea- and ammonia prices, gas prices, assumed production levels, capital expenditure and discount rate assumptions, including consideration of the risk of management bias. • We compared urea- and ammonia and gas prices to third party publications. • We used internal valuation specialists in assessing discount rate assumptions used and testing the models. • We validated the mathematical accuracy of cash flow models, and agreed relevant data to the latest production plans and approved budgets. • We considered the adequacy of the disclosures provided by the Group in relation to its impairment reviews.

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Independent Auditor's Report –
Yara International ASA

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the President and CEO for the Financial Statements

The Board of Directors and the President and CEO (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Independent Auditor's Report –
Yara International ASA

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 17 March 2020
Deloitte AS

Aase Aa. Lundgaard
State Authorised Public Accountant (Norway)

Reconciliation of alternative performance measures in the Yara Group

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 "Financial performance" page 39 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 & 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-months 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, reduced for short-term 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 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 36.

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 "Financial performance" page 39 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 special items

USD millions		2019	2018
Operating income		989	402
Share of net income in equity-accounted investees		65	82
Interest income and other financial income		76	81
Earnings before interest expense and tax (EBIT)		1,130	566
Depreciation and amortization [1)]		923	807
Impairment loss [2)]		43	150
Earnings before interest, tax and depreciation/amortization (EBITDA)		2,095	1,523
Special items included in EBITDA [3)]		70	2
EBITDA, excluding special items	A	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		2019	2018
Operating income		989	402
Amortization and impairment of intangible assets		46	60
Interest income from external customers		60	69
Calculated tax cost (25% flat rate) on items above		(274)	(133)
Share of net income in equity-accounted investees		65	82
Net operating profit after tax (NOPAT)	B	886	481

Reconciliation of net income to net operating profit after tax

USD millions		2019	2018
Net income		589	141
Amortization and impairment of intangible assets		46	60
Interest income from external customers		60	69
Interest income and other financial items		(76)	(81)
Interest expense and other financial items		182	153
Foreign currency translation (gain)/loss		145	278
Income tax, added back		214	(6)
Calculated tax cost (25% flat rate)		(274)	(133)
Net operating profit after tax (NOPAT)	B	886	481

Reconciliation of invested capital and ROIC calculation

USD millions		12-months average 2019	12-months average 2018
Total current assets		5,375	5,281
Cash and cash equivalents		(306)	(573)
Normalized level of operating cash		200	200
Total current liabilities		(3,738)	(3,255)
Bank loans and other interest-bearing short-term debt		430	467
Current portion of long-term debt		726	373
Short-term lease liabilities		83	-
Property, plant and equipment		8,386	8,277
Right-of-use assets		389	-
Goodwill		841	913
Equity-accounted investees		1,007	1,041
Capital employed 12-month average	C	13,395	12,725
Return on invested capital (ROIC)	D=B/C	6.6%	3.8%

Reconciliation of EBITDA to income before tax

USD millions		2019	2018
EBITDA		2,095	1,523
Depreciation and amortization [1]		(923)	(807)
Impairment loss [2]		(43)	(150)
Foreign currency translation gain/(loss)		(145)	(278)
Interest expense and other financial items		(182)	(153)
Income before tax		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 & Marketing segment

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

1) Reference to note 2.3 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 [1)]		(923)	(807)
Impairment loss [2)]		(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)	E	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	F	12,918	12,997
Credit days	G=(E/F)*365	48	42
Inventories as reported		2,360	2,568
Adjustment for 12-months average		140	(146)
Inventories (12-months average)	H	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	I	7,770	8,269
Inventory days	J=(H/I)*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)	K	1,422	1,403
Operating costs and expenses		11,946	12,652
Depreciation and amortization [1)]		(923)	(807)
Impairment loss [2)]		(43)	(150)
Other non-supplier related costs		(701)	(745)
Operating costs and expenses, adjusted	L	10,280	10,950
Payable days	M=(K/L)*365	50	47
Net operating capital days	N=G+J-M	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 [1]		(1,285)	(1,475)
Prepayments from customers		(399)	(343)
Net operating capital [2]		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
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	O	(3,725)	(3,794)

Net debt/equity ratio

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

Net debt/EBITDA excluding special items ratio

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

Earnings per share

USD millions, except earnings per share and number of shares		2019	2018
Weighted average number of shares outstanding	S	272,319,232	273,169,994
Net income attributable to shareholders of the parent	T	599	159
Foreign currency translation gain/(loss)	U	(145)	(278)
Tax effect on foreign currency translation	V	38	77
Non-controlling interest share of foreign currency translation (gain)/loss, net after tax	W	(1)	(3)
Special items within income before tax [1]	X	(126)	(148)
Tax effect on special items	Y	23	37
Special items within income before tax, net after tax	Z=X+Y	(102)	(112)
Special items within income tax [2]	AA	(38)	-
Non-controlling interest's share of special items, net after tax	AB=T–U–V+W–Z+AA	(2)	(9)
Net income excluding currency and special items	AC=T–U–V+W–Z-AA+AB	842	460
Basic earnings per share	AD=T/S	2.20	0.58
Basic earnings per share excluding foreign currency translation and special items	AE=AC/S	3.09	1.68

1) See section "Variance analysis and special items" for details on special items, totaling to USD 113 million in 2019 (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 5.6 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 5.6 Provisions and contingencies for more information.

THE GLOBAL COMPACT
WE SUPPORT

Yara has signed the United Nations Global Compact, embracing its principles. The UN GC is a strategic policy initiative for businesses committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption.

wbcsd

WBCSD is a global, CEO-led organization of over 200 leading businesses working together to accelerate the transition to a sustainable world. We help make our member companies more successful and sustainable by focusing on the maximum positive impact for shareholders, the environment and societies.

BUSINESS & SUSTAINABLE DEVELOPMENT COMMISSION

The Food and Land Use Coalition

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