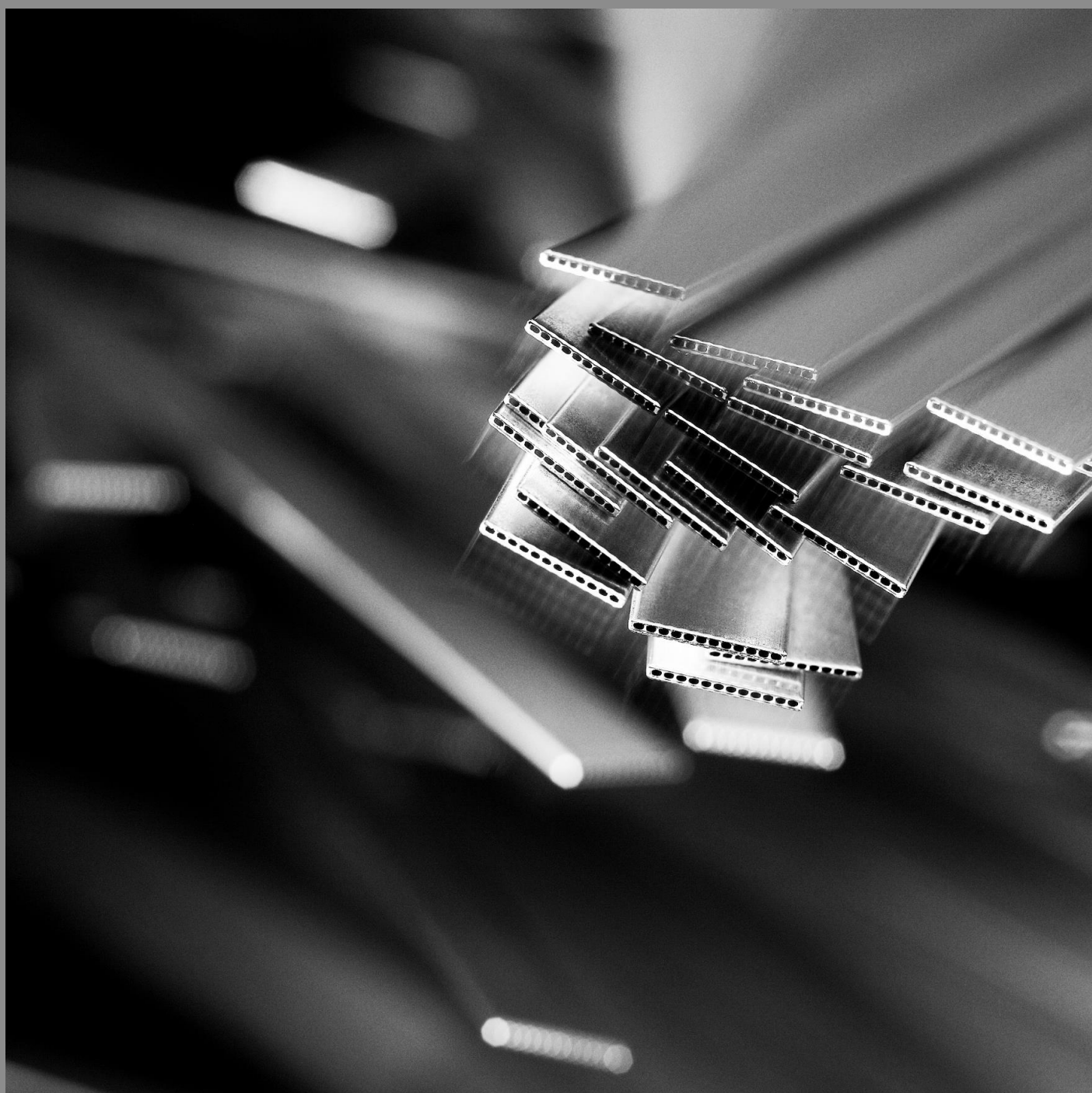


Hydro

Fourth quarter 2019  
Report



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Oslo, February 06, 2020

# Overview

## Summary underlying financial and operating results and liquidity

| <b>Key financial information</b><br>NOK million, except per share data                     | <b>Fourth quarter 2019</b> | Fourth quarter 2018 | Change prior year quarter | Third quarter 2019 | Change prior quarter | <b>Year 2019</b> | Year 2018 |
|--|----------------------------|---------------------|---------------------------|--------------------|----------------------|------------------|-----------|
| Revenue  | <b>35,490</b>              | 38,386              | (8) %                     | 37,517             | (5) %                | <b>149,766</b>   | 159,377   |
| Earnings before financial items and tax (EBIT)   | <b>(399)</b>               | 178                 | >(100) %                  | 222                | >(100) %             | <b>499</b>       | 8,522     |
| Items excluded from underlying EBIT <sup>1)</sup>  | <b>959</b>                 | 356                 | >100 %                    | 1,144              | (16) %               | <b>2,860</b>     | 547       |
| Underlying EBIT <sup>1)</sup>  | <b>560</b>                 | 534                 | 5 %                       | 1,366              | (59) %               | <b>3,359</b>     | 9,069     |
| <i>Underlying EBIT :</i>   |                            |                     |                           |                    |                      |                  |           |
| Bauxite & Alumina  | <b>(75)</b>                | 493                 | >(100) %                  | 481                | >(100) %             | <b>974</b>       | 2,282     |
| Primary Metal  | <b>155</b>                 | (677)               | >100 %                    | (39)               | >100 %               | <b>(1,259)</b>   | 1,762     |
| Metal Markets  | <b>132</b>                 | 275                 | (52) %                    | 362                | (64) %               | <b>983</b>       | 686       |
| Rolled Products  | <b>34</b>                  | (113)               | >100 %                    | 166                | (79) %               | <b>413</b>       | 413       |
| Extruded Solutions   | <b>85</b>                  | 202                 | (58) %                    | 559                | (85) %               | <b>2,009</b>     | 2,390     |
| Energy   | <b>296</b>                 | 500                 | (41) %                    | 254                | 17 %                 | <b>1,243</b>     | 1,846     |
| Other and eliminations   | <b>(67)</b>                | (145)               | 54 %                      | (417)              | 84 %                 | <b>(1,003)</b>   | (310)     |
| Underlying EBIT <sup>1)</sup>  | <b>560</b>                 | 534                 | 5 %                       | 1,366              | (59) %               | <b>3,359</b>     | 9,069     |
| Earnings before financial items, tax, depreciation and amortization (EBITDA) <sup>2)</sup> | <b>2,617</b>               | 1,854               | 41 %                      | 2,430              | 8 %                  | <b>9,878</b>     | 15,796    |
| Underlying EBITDA <sup>1)</sup>  | <b>2,792</b>               | 2,210               | 26 %                      | 3,479              | (20) %               | <b>11,832</b>    | 16,344    |
| Net income (loss)  | <b>(665)</b>               | (750)               | 11 %                      | (1,390)            | 52 %                 | <b>(2,370)</b>   | 4,323     |
| Underlying net income (loss) <sup>1)</sup>   | <b>(303)</b>               | (175)               | (73) %                    | 606                | >(100) %             | <b>708</b>       | 5,819     |
| Earnings per share   | <b>(0.23)</b>              | (0.34)              | 31 %                      | (0.62)             | 62 %                 | <b>(0.88)</b>    | 2.08      |
| Underlying earnings per share <sup>1)</sup>  | <b>(0.12)</b>              | (0.06)              | >(100) %                  | 0.33               | >(100) %             | <b>0.52</b>      | 2.75      |
| <i>Financial data:</i>   |                            |                     |                           |                    |                      |                  |           |
| Investments <sup>1) 2)</sup>   | <b>3,796</b>               | 2,624               | 45 %                      | 2,184              | 74 %                 | <b>10,907</b>    | 7,614     |
| Net cash (debt) <sup>1)</sup>  | <b>(11,760)</b>            | (11,745)            | -                         | (14,549)           | 19 %                 | <b>(11,760)</b>  | (11,745)  |
| Adjusted net cash (debt) <sup>1)</sup>   | <b>(25,447)</b>            | (24,511)            | (4) %                     | (29,606)           | 14 %                 | <b>(25,447)</b>  | (24,511)  |
| Underlying Return on average Capital Employed (RoaCE) <sup>1)</sup>                        |                            |                     |                           |                    |                      | <b>1.3 %</b>     | 6.6 %     |
| <b>Key Operational information</b>   |                            |                     |                           |                    |                      |                  |           |
|  | <b>Fourth quarter 2019</b> | Fourth quarter 2018 | Change prior year quarter | Third quarter 2019 | Change prior quarter | <b>Year 2019</b> | Year 2018 |
| Bauxite production (kmt) <sup>3)</sup>   | <b>2,222</b>               | 1,254               | 77 %                      | 2,152              | 3 %                  | <b>7,360</b>     | 6,214     |
| Alumina production (kmt)   | <b>1,430</b>               | 786                 | 82 %                      | 1,320              | 8 %                  | <b>4,487</b>     | 3,712     |
| Realized alumina price (USD/mt) <sup>4)</sup>  | <b>281</b>                 | 463                 | (39) %                    | 310                | (9) %                | <b>326</b>       | 429       |
| Primary aluminium production (kmt)   | <b>545</b>                 | 490                 | 11 %                      | 522                | 4 %                  | <b>2,038</b>     | 1,993     |
| Realized aluminium price LME (USD/mt)  | <b>1,754</b>               | 2,041               | (14) %                    | 1,784              | (2) %                | <b>1,827</b>     | 2,140     |
| Realized USD/NOK exchange rate   | <b>9.07</b>                | 8.35                | 9 %                       | 8.82               | 3 %                  | <b>8.74</b>      | 8.08      |
| Rolled Products sales volumes to external market (kmt)                                     | <b>219</b>                 | 220                 | (1) %                     | 245                | (11) %               | <b>952</b>       | 951       |
| Extruded Solutions sales volumes to external market (kmt)                                  | <b>272</b>                 | 318                 | (14) %                    | 316                | (14) %               | <b>1,269</b>     | 1,396     |
| Power production (GWh)   | <b>2,332</b>               | 2,822               | (17) %                    | 2,273              | 3 %                  | <b>9,150</b>     | 10,693    |

1) Alternative performance measures (APMs) are described in the corresponding section in the back of the report.

2) EBITDA and investments per segment are specified in Note 2: Operating segment information.

3) Paragominas production on wet basis.

4) Weighted average of own production and third party contracts. The majority of the alumina is sold linked to the alumina index with a one month delay.

## Key developments fourth quarter 2019

### The Alunorte situation

The federal court in Belem, Brazil, lifted the final embargo on Alunorte's new bauxite residue disposal area (DRS2) on September 26, allowing Alunorte to resume activities of installation and commissioning at DRS2, ending a 19-month embargo period which has restricted activities at the plant. Alunorte, with an annual production capacity of 6.3 million mt, reached 90 percent utilization of its capacity in the fourth quarter.

### Cyber attack

The cyber attack on Hydro on March 19, affected our entire global organization, with Extruded Solutions having suffered the most significant operational challenges and financial losses. The financial impact of the cyber attack is estimated to be around NOK 650-750 million for the full year. Hydro has a robust cyber insurance in place with recognized insurers. Hydro has recognized NOK 187 million insurance compensation in the fourth quarter with the majority reflected in Extruded Solutions result. Further compensation will be recognized when deemed virtually certain.

### Impairments, rationalization costs and other effects

An impairment of NOK 506 million at Hydro's majority-owned Slovalco primary aluminium plant in Slovakia was recognized in the fourth quarter, reflecting the weakening market environment combined with Slovalco's relatively high cost position and uncertainty relating to the renewal of its power contract expiring at the end of 2021. Bauxite & Alumina recognized an impairment of NOK 145 million for undeveloped bauxite resources considered unlikely for future development. Extruded Solutions recognized significant rationalization and impairment costs of NOK 267 million in the fourth quarter and NOK 651 million for the full year, related to the optimization of their asset portfolio. In addition, an increase in an environmental provision of NOK 125 million was recognized for an idle site in the US. For the full year, Rolled Products recognized a provision of NOK 1,088 million in rationalization charges related to its ongoing strategic review.

All costs described above are excluded from underlying EBIT. See *Note 4: Impairment* and the APM section for further information.

### Fourth quarter 2019 versus fourth quarter 2018

Hydro's underlying earnings before financial items and tax increased slightly in the fourth quarter. Positive effects from increased production in Brazil, a decrease in raw material costs and positive currency effects were mostly offset by a decrease in the realized aluminium and alumina price.

### Fourth quarter 2019 versus third quarter 2019

Hydro's underlying EBIT decreased, reflecting lower realized aluminium and alumina sales prices, partly offset by lower raw material costs. In addition, results in our downstream business declined due to seasonality and further weakening market demand.

### Full year 2019 versus full year 2018

Hydro's underlying EBIT decreased, mainly reflecting lower realized aluminium and alumina price, partly offset by the positive effects from increased production in Brazil, lower raw material costs and positive currency effects.

### New improvement program

As outlined on Hydro's Investor Day, new improvement programs have been launched across the company, representing NOK 7.3 billion in EBIT improvements by end of 2023 compared to 2018. The improvements include the restart of curtailed capacity of the Brazilian assets with the effect of NOK 2.7 billion. At the end of the fourth quarter NOK 1.0 billion in improvements was realized, ahead of the NOK 0.5 billion target for 2019.

### Net debt position

Hydro's net debt<sup>1</sup> position decreased from NOK 14.5 billion to NOK 11.8 billion at the end of the quarter. Net cash provided by operating activities amounted to NOK 5.7 billion. Net cash used in investment activities, excluding short term investments, amounted to NOK 2.9 billion.

### Dividend

For 2019, Hydro's Board of Directors proposes a dividend of NOK 1.25 per share reflecting Hydro's robust financial situation, taking into account a demanding year for the company and the volatility in the aluminium industry. The proposed payment demonstrates the company's commitment to provide a predictable dividend to shareholders. Hydro has a dividend policy of 40 percent payout ratio of reported net income over the cycle with NOK 1.25 per share considered as a floor. The average five-year payout ratio is 68 percent.

<sup>1</sup> Net cash (debt) includes Cash and cash equivalents and Short-term investments less Bank loans and other interest bearing Short-term debt and Long-term debt.

## Reported EBIT and net income

In addition to the factors discussed above, reported earnings before financial items and tax (EBIT) and net income include effects that are disclosed in the below table. Items excluded from underlying EBIT and underlying net income (loss) are defined and described as part of the APM section in the back of this report.

| Items excluded from underlying EBIT and net income <sup>1)</sup>    | Fourth quarter 2019 | Fourth quarter 2018 | Third quarter 2019 | Year 2019 | Year 2018 |
|---|---------------------|---------------------|--------------------|-----------|-----------|
| NOK million   |                     |                     |                    |           |           |
| Unrealized derivative effects on LME related contracts              | 1                   | 22                  | (120)              | 91        | 39        |
| Unrealized derivative effects on power and raw material contracts   | 8                   | (82)                | (46)               | (99)      | (260)     |
| Metal effect, Rolled Products                                       | (23)                | 93                  | 123                | 370       | (73)      |
| Significant rationalization charges and closure costs <sup>2)</sup> | 78                  | 79                  | 1,206              | 1,484     | 79        |
| Impairment charges <sup>3)</sup>                                    | 783                 | -                   | 95                 | 906       | -         |
| Alunorte agreements - provision <sup>4)</sup>                       | -                   | -                   | 30                 | 80        | 519       |
| Transaction related effects <sup>5)</sup>                           | (14)                | -                   | -                  | 21        | -         |
| Pension <sup>6)</sup>   | -                   | 40                  | (62)               | (62)      | 40        |
| Other effects <sup>7)</sup>   | 125                 | 203                 | (82)               | 68        | 203       |
| Items excluded from underlying EBIT                                 | 959                 | 356                 | 1,144              | 2,860     | 547       |
| Net foreign exchange (gain)/loss                                    | (442)               | 408                 | 1,403              | 1,204     | 1,303     |
| Calculated income tax effect  | (154)               | (188)               | (550)              | (986)     | (355)     |
| Items excluded from underlying net income                           | 362                 | 575                 | 1,996              | 3,078     | 1,495     |
| Income (loss) tax rate  | >(100) %            | (38)%               | 1%                 | (52)%     | 33%       |
| Underlying income (loss) tax rate                                   | >100 %              | >100 %              | 47%                | 72%       | 30%       |

1) Negative figures indicate reversal of a gain and positive figures indicate reversal of a loss.

2) Significant rationalization and closure costs in the fourth quarter include a provision for costs related to reduction of overcapacity, closures and environmental clean-up activities in Extruded Solutions and reversal of an earlier recognized provision for environmental costs related to an idle plant in Rolled Products. In the third quarter rationalization charges include provisions for costs related to reduction of overcapacity, closures and environmental clean-up activities mainly in Rolled Products in addition to some charges in Extruded Solutions.

3) Impairment charges include for the fourth quarter 2019 write downs of an undeveloped area in Brazil, the Svalco smelter and various assets in Extruded Solutions. Impairment charges amounting to a sum of NOK 122 million in the second and third quarter relate to write downs of assets in Extruded Solutions.

4) Alunorte agreements - provision relates to provisions for the TAC and TC agreements with the Government of Pará and Ministério Público made on September 5, 2018, including later adjustments for changes in cost estimates.

5) Transaction related effects include a net gain of NOK 14 million related to divestment of an Extruded Solutions plant in the fourth quarter 2019. In addition the year 2019 include a loss of NOK 35 million related to revaluation of Hydro's pre-transactional 50 percent share in Technal Middle East and to fair value allocated to inventory sold during second quarter.

6) Pension includes adjustments in Extruded Solutions as described in the corresponding section in the back of the report.

7) Other effects include adjustments in Rolled Products, Extruded Solutions, Energy, as well as Other and eliminations as described in the corresponding section in the back of the report.

# Market developments and outlook

| <b>Market statistics<sup>1)</sup></b>                            | <b>Fourth quarter 2019</b> | Fourth quarter 2018 | Change prior year quarter | Third quarter 2019 | Change prior quarter | <b>Year 2019</b> | Year 2018 |
|--|----------------------------|---------------------|---------------------------|--------------------|----------------------|------------------|-----------|
| USD/NOK Average exchange rate                                    | <b>9.12</b>                | 8.43                | 8 %                       | 8.86               | 3 %                  | <b>8.80</b>      | 8.13      |
| USD/NOK Period end exchange rate                                 | <b>8.78</b>                | 8.69                | 1 %                       | 9.09               | (3) %                | <b>8.78</b>      | 8.69      |
| BRL/NOK Average exchange rate                                    | <b>2.21</b>                | 2.22                | -                         | 2.24               | (1) %                | <b>2.23</b>      | 2.23      |
| BRL/NOK Period end exchange rate                                 | <b>2.18</b>                | 2.24                | (2) %                     | 2.19               | -                    | <b>2.18</b>      | 2.24      |
| USD/BRL Average exchange rate                                    | <b>4.12</b>                | 3.80                | 8 %                       | 3.97               | 4 %                  | <b>3.94</b>      | 3.66      |
| USD/BRL Period end exchange rate                                 | <b>4.02</b>                | 3.88                | 4 %                       | 4.16               | (3) %                | <b>4.02</b>      | 3.88      |
| EUR/NOK Average exchange rate                                    | <b>10.09</b>               | 9.62                | 5 %                       | 9.85               | 3 %                  | <b>9.85</b>      | 9.60      |
| EUR/NOK Period end exchange rate                                 | <b>9.86</b>                | 9.95                | (1) %                     | 9.90               | -                    | <b>9.86</b>      | 9.95      |
| <i>Bauxite and alumina:</i>                                      |                            |                     |                           |                    |                      |                  |           |
| Average alumina price - Platts PAX FOB Australia (USD/t)         | <b>280</b>                 | 451                 | (38) %                    | 299                | (6) %                | <b>331</b>       | 474       |
| China bauxite import price (USD/mt CIF China) <sup>2)</sup>      | <b>49</b>                  | 55                  | (11) %                    | 50                 | (2) %                | <b>51</b>        | 53        |
| Global production of alumina (kmt)                               | <b>31,379</b>              | 31,678              | (1) %                     | 31,473             | -                    | <b>124,431</b>   | 124,230   |
| Global production of alumina (ex. China) (kmt)                   | <b>14,262</b>              | 13,601              | 5 %                       | 14,311             | -                    | <b>55,461</b>    | 53,309    |
| <i>Primary aluminium:</i>  |                            |                     |                           |                    |                      |                  |           |
| LME cash average (USD/mt)  | <b>1,754</b>               | 1,971               | (11) %                    | 1,762              | -                    | <b>1,791</b>     | 2,110     |
| LME three month average (USD/mt)                                 | <b>1,759</b>               | 1,978               | (11) %                    | 1,789              | (2) %                | <b>1,811</b>     | 2,115     |
| Standard ingot premium (EU DP Cash)                              | <b>136</b>                 | 131                 | 4 %                       | 153                | (11) %               | <b>142</b>       | 164       |
| Extrusion ingot premium (EU DP)                                  | <b>269</b>                 | 494                 | (46) %                    | 313                | (14) %               | <b>341</b>       | 455       |
| Chinese production of primary aluminium (kmt)                    | <b>8,788</b>               | 9,060               | (3) %                     | 8,908              | (1) %                | <b>35,466</b>    | 36,221    |
| Chinese consumption of primary aluminium (kmt)                   | <b>8,980</b>               | 8,787               | 2 %                       | 9,247              | (3) %                | <b>36,002</b>    | 35,787    |
| Global production of primary aluminium (ex. China) (kmt)         | <b>7,114</b>               | 6,968               | 2 %                       | 7,082              | -                    | <b>27,942</b>    | 27,641    |
| Global consumption of primary aluminium (ex. China) (kmt)        | <b>6,859</b>               | 7,207               | (5) %                     | 7,038              | (3) %                | <b>28,435</b>    | 29,401    |
| Global production of primary aluminium (kmt)                     | <b>15,902</b>              | 16,028              | (1) %                     | 15,990             | (1) %                | <b>63,408</b>    | 63,863    |
| Global consumption of primary aluminium (kmt)                    | <b>15,839</b>              | 15,994              | (1) %                     | 16,285             | (3) %                | <b>64,436</b>    | 65,188    |
| Reported primary aluminium inventories (ex. China) (kmt)         | <b>3,161</b>               | 2,935               | 8 %                       | 2,591              | 22 %                 | <b>3,161</b>     | 2,935     |
| Reported primary aluminium inventories (China) (kmt)             | <b>1,419</b>               | 2,075               | (32) %                    | 1,741              | (18) %               | <b>1,419</b>     | 2,075     |
| <i>Rolled products and extruded products:</i>                    |                            |                     |                           |                    |                      |                  |           |
| Consumption rolled products - Europe (kmt)                       | <b>1,203</b>               | 1,203               | -                         | 1,215              | (1) %                | <b>4,985</b>     | 4,959     |
| Consumption rolled products - USA & Canada (kmt)                 | <b>1,301</b>               | 1,388               | (6) %                     | 1,376              | (5) %                | <b>5,473</b>     | 5,327     |
| Consumption extruded products - Europe (kmt) <sup>3)</sup>       | <b>N/A</b>                 | 751                 | N/A                       | 787                | N/A                  | <b>N/A</b>       | 3,242     |
| Consumption extruded products - USA & Canada (kmt) <sup>3)</sup> | <b>543</b>                 | 607                 | (11) %                    | 617                | (12) %               | <b>2,428</b>     | 2,562     |
| <i>Energy:</i>   |                            |                     |                           |                    |                      |                  |           |
| Average southern Norway spot price (NO2) (NOK/MWh)               | <b>392</b>                 | 455                 | (14) %                    | 328                | 20 %                 | <b>387</b>       | 415       |
| Average mid Norway spot price (NO3) (NOK/MWh)                    | <b>381</b>                 | 455                 | (16) %                    | 343                | 11 %                 | <b>380</b>       | 423       |
| Average nordic system spot price (NOK/MWh)                       | <b>390</b>                 | 460                 | (15) %                    | 342                | 14 %                 | <b>384</b>       | 423       |

1) Industry statistics have been derived from analyst reports, trade associations and other public sources unless otherwise indicated. These statistics do not have any direct relationship to the reported figures of Norsk Hydro. Amounts presented in prior reports may have been restated based on updated information.

2) The quarterly China bauxite import price is an estimate based on the average of the first 2 months of the quarter. For year 2019 is based on the average of January to November

3) Market information not available at time of publishing

## Bauxite and alumina

The average Platts alumina index decreased in the fourth quarter of 2019 (USD 280 per mt) compared to the third quarter 2019 (USD 299 per mt). The World ex-China alumina market surplus increased during the quarter on the back of higher production at the Alunorte alumina refinery following the lifting of the embargo and ramping up of production at the greenfield Al Taweelah refinery in Abu Dhabi.

The Platts alumina index started the quarter at USD 291 per mt, declining gradually to USD 275 per mt at the end of the quarter. Compared to the fourth quarter of 2018 (USD 451 per mt), the Platts alumina index was substantially lower.

China imported 13.7 million mt of bauxite in October and November 2019 at an annualized fourth quarter rate 2 percent lower than the same period a year ago; imports from Guinea were lower due to disruptions related to the wet season in the country. Guinea and Australia maintained their dominant market share accounting for 75 percent of China's bauxite imports in the quarter. Imports from Indonesia increased to 3.9 million mt compared to 2.5 million mt for the corresponding quarter last year. The average Chinese bauxite import price was USD 48.9 per mt CIF in October and November 2019, down from USD 54.7 per mt CIF in the fourth quarter 2018, and down from USD 49.6 per mt CIF in the third quarter of 2019.

China imported 91.8 million mt of bauxite in the year to November 2019, 16.3 million mt or 22 percent higher than the same period last year. Guinea and Australia maintained their dominant market share accounting for around 80 percent of China's bauxite imports in 2019.

## Primary aluminium

The three-month aluminium price increased in the fourth quarter, starting the quarter at the lower end of the quarterly price range at USD 1730 per mt and ending the quarter at a USD 1830 per mt. The price movement was somewhat volatile during the quarter before the price moved above USD 1800 per mt, the increase being in line with other base metals, based on trade optimism following positive development from the phase one trade agreement between China and USA.

European duty paid standard ingot premiums ended the quarter at USD 140 per mt, down from USD 150 per mt at the end of the third quarter. The US Midwest premium was down USD 77 per mt from USD 397 mt at the beginning of the quarter to USD 320 per mt due to low demand in the US.

Average Shanghai Futures Exchange (SHFE) prices decreased by USD 29 per mt ex. VAT compared to the third quarter of 2019, a similar decline to the equivalent LME. The average estimated export arbitrage in the fourth quarter was stable compared to the third quarter of 2019, however at much lower levels compared to levels observed throughout 2018 and early 2019. At current prices the estimated arbitrage for Chinese exports is marginally positive.

Global primary aluminium consumption was down 1 percent compared to the fourth quarter of 2018, driven by a combination of around 2 percent growth in China and decline of around 5 percent in the world outside China. Compared to the third quarter of 2019, global demand decreased by around 3 percent, due to both softening demand and seasonal effects in China. Global demand for primary aluminium is expected to be stronger in 2020, estimated in the range of 0 to 2 percent compared to negative 1.2 percent in 2019.

Demand for primary aluminium outside China declined by around 3 percent in 2019 and is expected to develop in the range of negative 1 percent to positive 1 percent growth in 2020. Production outside China is expected to increase by 1-3 percent in 2020, compared to 1.1 percent in 2019. Production of primary aluminium in China declined by 2.1 percent in 2019, but is expected to increase by 4-6 percent in 2020, driven by several greenfield projects and restarts of smelters that were disrupted in 2019. Demand for primary aluminium in China is expected to increase by 2-3 percent in 2020, higher than the 0.6 percent demand growth in 2019.

The global primary aluminium market ended at approximately 1 million mt deficit in 2019 and is expected to be in a 0.5-1 million mt surplus in 2020.

European demand for sheet ingot was slightly up in the fourth quarter 2019 compared to the same quarter of 2018 while demand for extrusion ingot and primary foundry alloys decreased in the fourth quarter of 2019 compared to the same period last year, mainly due to the weak development in the European manufacturing industry, such as automotive and general engineering.

Total global stocks at the end of the fourth quarter of 2019 were estimated to be 10.8 million mt, unchanged compared to the third quarter of 2019. Stocks were down around 1 million mt compared to the end of the fourth quarter of 2018.

## Rolled products

European demand for flat rolled products was stable compared to the same quarter of 2018. Compared to the third quarter, demand declined by around 1 percent driven by seasonality.

Demand in automotive was higher compared to the same quarter last year due to the continued substitution of steel by aluminium for automotive body sheet. However, demand growth was lower than in previous quarters as car manufacturers cut their inventories which led to a steep decline in car production. Beverage can continued to show solid growth rates, driven by ongoing steel line conversions and the substitution of PET bottles. Building and construction was flat across most European markets. Foil demand was weak and impacted by overstocked markets in Europe and the US. General engineering was softer due to low industrial activity. Both in foil and general engineering, import pressure especially from China increased substantially.

The European demand for flat rolled products grew by around 1 percent in 2019 supported by automotive and beverage can. European demand is expected to grow by 1 percent in 2020.

## Extruded products

European demand for extrusions continued to weaken in the fourth quarter, with overall demand estimated to have decreased close to 4 percent in 2019 compared to 2018. External sources differ in their estimates, with several sources also indicating an even larger reduction in demand due to uncertainty surrounding the extent of the decline towards the end of the year. Building and construction markets have been both seasonally and structurally weaker in the fourth quarter. However, rising building registrations in Germany indicate improving demand going forward. Automotive demand for extrusions in Europe continues to be weak due to low car production rates, slightly offset by continued substitution effects. Demand for extruded products in Europe is expected to continue to be weak into the early part of 2020.

North American extrusion demand is estimated to have decreased 11 percent during the fourth quarter of 2019 compared to the same quarter in 2018 and 12 percent compared to the third quarter of 2019. Overall, the North American demand for extruded products is estimated to have decreased 5 percent for full year 2019. Commercial transportation demand, which has been supported by sustained record trailer builds in 2019 has recently seen a significant deceleration in order activity. Heavy duty truck and recreational vehicle segments have also experienced significant drops in production rates. Despite slow build rates, automotive demand continues to be positive supported by continued material substitution. Overall demand in building & construction was still negative in the fourth quarter, but increasing housing starts indicates a slight improvement into 2020. The commercial segment is supported by non-residential construction spending. Demand for extruded products in North America is expected to continue to be weak into the early part of 2020.

## Energy

Nordic power prices were on average lower compared to the same quarter last year, but somewhat higher than the previous quarter. The lower prices compared to the same quarter last year were driven mainly by improved hydrology while the higher prices compared to the previous quarter were mainly due to seasonally higher demand and drier weather. Towards the end of the quarter the hydrology improved somewhat causing downward pressure on prices which continued into January 2020.

The Nordic hydrological balance ended the quarter around 4 TWh below normal<sup>2</sup> compared to around 15 TWh below normal at the end of the fourth quarter last year and close to normal level at the end of the previous quarter. Water reservoirs in Norway were at 63.5 percent of full capacity at the end of the quarter, which is 5 percentage points below the normal level. Snow reservoirs are close to normal at the end of the quarter.

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<sup>2</sup> Normal based on long term historical averages.



## Additional factors impacting Hydro

The federal court in Belem, Brazil, lifted the final embargo on Alunorte's new bauxite residue disposal area (DRS2) on September 26, allowing Alunorte to resume activities of installation and commissioning at DRS2, ending a 19-month embargo period which has restricted activities at the plant. Alunorte, with an annual production capacity of 6.3 million mt, has reached 90 percent utilization of its capacity in the fourth quarter. Commissioning of an additional press filter started in November. With 9 fully operational press filters we expect a capacity utilization of 100 percent by the end of 2020.

On December 18, 2019, a decision was made to curtail a maximum of 20 percent of Slovalco's primary aluminium production. The curtailment is in response to the weakening market environment, combined with Slovalco's relatively high cost position and uncertainty relating to the renewal of its power contract expiring at the end of 2021.

Primary Metal has sold forward around 50 percent of its expected primary aluminium production for the first quarter of 2020 at a price level of around USD 1,750 per mt<sup>3</sup>.

During 2019 Extruded Solutions has been undergoing an optimization of their asset portfolio to identify ways to streamline their footprint and reduce costs supporting the ongoing BNOK 1.0 improvement target. During the fourth quarter rationalization and impairment costs of NOK 267 million were incurred, reported as items excluded from underlying EBIT. The portfolio optimization will continue into 2020.

On December 12, 2019, Norsk Hydro ASA signed a USD 1,600 million revolving multi-currency credit facility with the margin linked to Hydro's greenhouse gas emission target. The facility, which is available for general corporate purposes, carries a five-year tenor with two one-year extension options and replaces Hydro's undrawn USD 1,700 million revolving credit facility signed in 2013. The margin under the facility will be adjusted based on Hydro's progress to meet its target to reduce greenhouse gas emissions by 10 percent by the end of 2025.

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<sup>3</sup> Prices are fixed mainly one month prior to production. As a result, and due to the hedging of product inventories, Hydro's realized aluminium prices lag LME spot prices by around 1 to 2 months.

# Underlying EBIT

Alternative performance measures (APMs) are described in the corresponding section in the back of the report

## Bauxite & Alumina

| Operational and financial information                        | Fourth<br>quarter<br>2019 | Fourth<br>quarter<br>2018 | Change<br>prior year<br>quarter | Third<br>quarter<br>2019 | Change<br>prior<br>quarter | Year<br>2019 | Year<br>2018 |
|--|---------------------------|---------------------------|---------------------------------|--------------------------|----------------------------|--------------|--------------|
| Earnings before financial items and tax (EBIT) (NOK million) | <b>(221)</b>              | 493                       | >(100) %                        | 450                      | >(100) %                   | <b>749</b>   | 1,763        |
| Underlying EBIT (NOK million)                                | <b>(75)</b>               | 493                       | >(100) %                        | 481                      | >(100) %                   | <b>974</b>   | 2,282        |
| Underlying EBITDA (NOK million)                              | <b>504</b>                | 877                       | (43) %                          | 1,071                    | (53) %                     | <b>3,337</b> | 4,377        |
| Alumina production (kmt)                                     | <b>1,430</b>              | 786                       | 82 %                            | 1,320                    | 8 %                        | <b>4,487</b> | 3,712        |
| Sourced alumina (kmt)  | <b>769</b>                | 1,163                     | (34) %                          | 660                      | 17 %                       | <b>2,845</b> | 3,954        |
| Total alumina sales (kmt)                                    | <b>2,164</b>              | 1,982                     | 9 %                             | 2,124                    | 2 %                        | <b>7,379</b> | 7,607        |
| Realized alumina price (USD/mt) <sup>1)</sup>                | <b>281</b>                | 463                       | (39) %                          | 310                      | (9) %                      | <b>326</b>   | 429          |
| Bauxite production (kmt) <sup>2)</sup>                       | <b>2,222</b>              | 1,254                     | 77 %                            | 2,152                    | 3 %                        | <b>7,360</b> | 6,214        |
| Sourced bauxite (kmt) <sup>3)</sup>                          | <b>1,669</b>              | 1,730                     | (4) %                           | 1,563                    | 7 %                        | <b>5,576</b> | 5,202        |

1) Weighted average of own production and third party contracts. The majority of the alumina is sold linked to the alumina index with a one month delay.

2) Paragominas on wet basis.

3) 40 percent MRN off take from Vale and 5 percent Hydro share on wet basis.

Underlying EBIT for Bauxite & Alumina decreased compared to the fourth quarter of last year. The results were driven by a decrease in the realized alumina sales price partly offset by positive effects from increased production following the lifting of the production embargo on May 20, 2019, and positive currency effects.

Compared to the third quarter of 2019 the underlying EBIT decreased. Lower alumina prices and higher fixed costs were partly offset by positive currency effects.

Underlying EBIT for the year decreased compared to 2018 driven by lower alumina sales price, partly offset by positive effects of increased production at Alunorte and Paragominas and positive currency effects.

## Primary Metal

|  | Fourth quarter 2019 | Fourth quarter 2018 | Change prior year quarter | Third quarter 2019 | Change prior quarter | Year 2019      | Year 2018 |
|--|---------------------|---------------------|---------------------------|--------------------|----------------------|----------------|-----------|
| <b>Operational and financial information<sup>1)</sup></b>    |                     |                     |                           |                    |                      |                |           |
| Earnings before financial items and tax (EBIT) (NOK million) | <b>(394)</b>        | (524)               | 25 %                      | 30                 | >(100) %             | <b>(1,838)</b> | 2,123     |
| Underlying EBIT (NOK million)                                | <b>155</b>          | (677)               | >100 %                    | (39)               | >100 %               | <b>(1,259)</b> | 1,762     |
| Underlying EBITDA (NOK million)                              | <b>812</b>          | (176)               | >100 %                    | 550                | 48 %                 | <b>1,155</b>   | 3,906     |
| Realized aluminium price LME (USD/mt) <sup>2)</sup>          | <b>1,754</b>        | 2,041               | (14) %                    | 1,784              | (2) %                | <b>1,827</b>   | 2,140     |
| Realized aluminium price LME (NOK/mt) <sup>2)</sup>          | <b>15,913</b>       | 17,038              | (7) %                     | 15,732             | 1 %                  | <b>15,975</b>  | 17,282    |
| Realized premium above LME (USD/mt) <sup>3)</sup>            | <b>257</b>          | 362                 | (29) %                    | 305                | (16) %               | <b>308</b>     | 346       |
| Realized premium above LME (NOK/mt) <sup>3)</sup>            | <b>2,333</b>        | 3,025               | (23) %                    | 2,688              | (13) %               | <b>2,695</b>   | 2,791     |
| Realized USD/NOK exchange rate                               | <b>9.07</b>         | 8.35                | 9 %                       | 8.82               | 3 %                  | <b>8.74</b>    | 8.08      |
| Primary aluminium production (kmt)                           | <b>545</b>          | 490                 | 11 %                      | 522                | 4 %                  | <b>2,038</b>   | 1,993     |
| Casthouse production (kmt)                                   | <b>523</b>          | 496                 | 5 %                       | 509                | 3 %                  | <b>1,982</b>   | 2,058     |
| Total sales (kmt)  | <b>529</b>          | 503                 | 5 %                       | 537                | (1) %                | <b>2,127</b>   | 2,145     |

1) Operating and financial information includes Hydro's proportionate share of underlying income (loss), production and sales volumes in equity accounted investments. Realized prices, premiums and exchange rates include equity accounted investments.

2) Realized aluminium prices lag the LME price developments by approximately 1.5 - 2 months.

3) Average realized premium above LME for casthouse sales from Primary Metal.

|  | Fourth quarter 2019 | Fourth quarter 2018 | Change prior year quarter | Third quarter 2019 | Change prior quarter | Year 2019    | Year 2018 |
|--|---------------------|---------------------|---------------------------|--------------------|----------------------|--------------|-----------|
| <b>Operational and financial information Qatalum (50%)</b> |                     |                     |                           |                    |                      |              |           |
| Revenue (NOK million)                                      | <b>1,512</b>        | 1,509               | -                         | 1,568              | (4) %                | <b>6,059</b> | 6,202     |
| Underlying EBIT (NOK million)                              | <b>111</b>          | 59                  | 88 %                      | 216                | (49) %               | <b>534</b>   | 971       |
| Underlying EBITDA (NOK million)                            | <b>412</b>          | 354                 | 16 %                      | 448                | (8) %                | <b>1,709</b> | 2,085     |
| Net income (loss) (NOK million)                            | <b>66</b>           | (4)                 | >100 %                    | 149                | (56) %               | <b>272</b>   | 724       |
| Underlying Net income (loss) (NOK million)                 | <b>66</b>           | (4)                 | >100 %                    | 149                | (56) %               | <b>272</b>   | 724       |
| Primary aluminium production (kmt)                         | <b>79</b>           | 74                  | 8 %                       | 79                 | -                    | <b>314</b>   | 308       |
| Casthouse sales (kmt)                                      | <b>83</b>           | 78                  | 7 %                       | 85                 | (3) %                | <b>324</b>   | 315       |

Underlying EBIT for Primary Metal increased in fourth quarter of 2019 compared to the fourth quarter of 2018 mainly due to lower raw material cost, positive currency effects, partly offset by lower all-in metal prices<sup>1)</sup>.

Compared to the third quarter of 2019, underlying EBIT for Primary Metal increased due to lower raw material prices and positive currency effects, partly offset by lower all-in metal prices and higher fixed cost.

Underlying EBIT for the full year of 2019 declined substantially compared to the full year of 2018. The decrease was driven by lower all-in metal prices and lower earnings on power sales in Brazil, partly offset by positive currency effects and lower raw material costs.

<sup>1)</sup> The all-in metal price refers to the LME cash price plus premiums.

## Metal Markets

|  | Fourth quarter 2019 | Fourth quarter 2018 | Change prior year quarter | Third quarter 2019 | Change prior quarter | Year 2019 | Year 2018 |
|--|---------------------|---------------------|---------------------------|--------------------|----------------------|-----------|-----------|
| <b>Operational and financial information</b>                     |                     |                     |                           |                    |                      |           |           |
| Earnings before financial items and tax (EBIT) (NOK million)     | 38                  | 419                 | (91) %                    | 381                | (90) %               | 748       | 886       |
| Underlying EBIT (NOK million)                                    | 132                 | 275                 | (52) %                    | 362                | (64) %               | 983       | 686       |
| Currency effects   | (51)                | 58                  | >(100) %                  | 24                 | >(100) %             | (119)     | (25)      |
| Inventory valuation effects                                      | (1)                 | -                   | >(100) %                  | -                  | -                    | (1)       | 53        |
| Underlying EBIT excl. currency and inventory valuation effects   | 184                 | 217                 | (15) %                    | 338                | (45) %               | 1,103     | 658       |
| Underlying EBITDA (NOK million)                                  | 167                 | 301                 | (44) %                    | 395                | (58) %               | 1,110     | 786       |
| Remelt production (kmt)  | 121                 | 135                 | (10) %                    | 125                | (3) %                | 516       | 563       |
| Metal products sales excluding ingot trading (kmt) <sup>1)</sup> | 648                 | 682                 | (5) %                     | 662                | (2) %                | 2,700     | 2,859     |
| Hereof external sales (kmt)                                      | 536                 | 532                 | 1 %                       | 517                | 4 %                  | 2,149     | 2,217     |

1) Includes external and internal sales from primary casthouse operations, remelters and third party metal sources.

Underlying EBIT for Metal Markets declined in the fourth quarter compared to the same quarter last year due to lower results from the remelters and negative currency effects.

Compared to the third quarter of 2019, underlying EBIT for Metal Markets declined due to lower results from sourcing and trading activities, lower results from the remelters and negative currency effects.

Underlying EBIT for the full year of 2019 increased compared to the full year of 2018 due to higher results from the remelters and sourcing and trading activities, partly offset by negative inventory valuation and currency effects.

## Rolled Products

|  | Fourth quarter 2019 | Fourth quarter 2018 | Change prior year quarter | Third quarter 2019 | Change prior quarter | Year 2019 | Year 2018 |
|--|---------------------|---------------------|---------------------------|--------------------|----------------------|-----------|-----------|
| <b>Operational and financial information</b>                 |                     |                     |                           |                    |                      |           |           |
| Earnings before financial items and tax (EBIT) (NOK million) | 155                 | (319)               | >100 %                    | (978)              | >100 %               | (865)     | 336       |
| Underlying EBIT (NOK million)                                | 34                  | (113)               | >100 %                    | 166                | (79) %               | 413       | 413       |
| Underlying EBITDA (NOK million)                              | 308                 | 133                 | >100 %                    | 430                | (28) %               | 1,448     | 1,340     |
| Sales volumes to external market (kmt)                       | 219                 | 220                 | (1) %                     | 245                | (11) %               | 952       | 951       |

### Sales volumes to external markets (kmt) - Product areas

|                            |     |     |       |     |        |     |     |
|----------------------------|-----|-----|-------|-----|--------|-----|-----|
| Can & foil                 | 83  | 78  | 6 %   | 92  | (10) % | 347 | 348 |
| Lithography & automotive   | 68  | 72  | (6) % | 76  | (11) % | 301 | 309 |
| GE and other <sup>1)</sup> | 68  | 70  | (2) % | 77  | (11) % | 304 | 295 |
| Rolled Products            | 219 | 220 | (1) % | 245 | (11) % | 952 | 951 |

1) Earlier named Special Products

Underlying EBIT for Rolled Products increased compared to the fourth quarter of 2018. The result from the rolling mills was stable. The Neuss smelter result increased driven by lower raw material costs and insurance compensation partly offset by lower all-in metal prices.

Underlying EBIT decreased compared to the third quarter of 2019. The result from the rolling mills decreased, mainly due to seasonally lower volumes and year end maintenance cost partly offset by positive currency effects. The result from the Neuss smelter increased benefitting from lower raw material cost.

The result for the full year 2019 was on the same level as 2018. The result from the rolling mills was somewhat weaker. Increased costs related to the closure of part of the foil production at Grevenbroich were only partly offset by positive currency effects and somewhat lower operational costs. The Neuss smelter result increased driven by lower raw material costs partly offset by lower all-in metal prices.

## Extruded Solutions

| <b>Operational and financial information</b>                 | <b>Fourth quarter 2019</b> | <b>Fourth quarter 2018</b> | <b>Change prior year quarter</b> | <b>Third quarter 2019</b> | <b>Change prior quarter</b> | <b>Year 2019</b> | <b>Year 2018</b> |
|--|----------------------------|----------------------------|----------------------------------|---------------------------|-----------------------------|------------------|------------------|
| Earnings before financial items and tax (EBIT) (NOK million) | <b>(223)</b>               | (307)                      | 27 %                             | 449                       | >(100) %                    | <b>1,353</b>     | 1,774            |
| Underlying EBIT (NOK million)                                | <b>85</b>                  | 202                        | (58) %                           | 559                       | (85) %                      | <b>2,009</b>     | 2,390            |
| Underlying EBITDA (NOK million)                              | <b>655</b>                 | 645                        | 1 %                              | 1,099                     | (40) %                      | <b>4,132</b>     | 4,114            |
| Sales volumes to external markets (kmt)                      | <b>272</b>                 | 318                        | (14) %                           | 316                       | (14) %                      | <b>1,269</b>     | 1,396            |

### Sales volumes to external markets (kmt) - Business units

|                         |            |     |        |     |        |              |       |
|-------------------------|------------|-----|--------|-----|--------|--------------|-------|
| Extrusion Europe        | <b>106</b> | 125 | (16) % | 120 | (12) % | <b>503</b>   | 568   |
| Extrusion North America | <b>116</b> | 137 | (15) % | 142 | (18) % | <b>553</b>   | 598   |
| Building Systems        | <b>20</b>  | 19  | 6 %    | 19  | 2 %    | <b>79</b>    | 77    |
| Precision Tubing        | <b>31</b>  | 37  | (16) % | 34  | (9) %  | <b>134</b>   | 154   |
| Extruded Solutions      | <b>272</b> | 318 | (14) % | 316 | (14) % | <b>1,269</b> | 1,396 |

Underlying EBIT for Extruded Solutions decreased compared to the same quarter last year. Results in all business units were lower than the same quarter last year, mainly driven by lower volumes due to the declining market, partially offset by higher margins. Results were positively impacted by insurance compensation of NOK 187 million related to the cyber-attack earlier this year.

Compared to the third quarter 2019 the underlying EBIT decreased, mainly due to seasonally lower volumes and declining markets.

For the full year Extruded Solutions underlying EBIT decreased compared to last year. Lower volumes mainly resulting from the cyber attack and a declining market as well as higher costs, were partly offset by higher margins. Extrusion Europe results were lower driven by a decline in most market segments. Extrusion North America results decreased somewhat mainly due to lower volumes and increased costs, offset by higher margins.

## Energy

| <b>Operational and financial information</b>                 | <b>Fourth quarter 2019</b> | <b>Fourth quarter 2018</b> | <b>Change prior year quarter</b> | <b>Third quarter 2019</b> | <b>Change prior quarter</b> | <b>Year 2019</b> | <b>Year 2018</b> |
|--|----------------------------|----------------------------|----------------------------------|---------------------------|-----------------------------|------------------|------------------|
| Earnings before financial items and tax (EBIT) (NOK million) | <b>312</b>                 | 507                        | (38) %                           | 295                       | 6 %                         | <b>1,291</b>     | 1,853            |
| Underlying EBIT (NOK million)                                | <b>296</b>                 | 500                        | (41) %                           | 254                       | 17 %                        | <b>1,243</b>     | 1,846            |
| Underlying EBITDA (NOK million)                              | <b>365</b>                 | 566                        | (35) %                           | 319                       | 14 %                        | <b>1,509</b>     | 2,100            |
| Direct production costs (NOK million) <sup>1)</sup>          | <b>155</b>                 | 169                        | (8) %                            | 126                       | 23 %                        | <b>586</b>       | 630              |
| Power production (GWh)                                       | <b>2,332</b>               | 2,822                      | (17) %                           | 2,273                     | 3 %                         | <b>9,150</b>     | 10,693           |
| External power sourcing (GWh)                                | <b>2,575</b>               | 2,382                      | 8 %                              | 2,483                     | 4 %                         | <b>9,660</b>     | 9,217            |
| Internal contract sales (GWh)                                | <b>4,065</b>               | 3,799                      | 7 %                              | 3,975                     | 2 %                         | <b>15,554</b>    | 14,848           |
| External contract sales (GWh)                                | <b>321</b>                 | 239                        | 35 %                             | 199                       | 62 %                        | <b>1,095</b>     | 858              |
| Net spot sales (GWh)   | <b>520</b>                 | 1,166                      | (55) %                           | 582                       | (11) %                      | <b>2,161</b>     | 4,204            |

1) Include operational costs except for depreciation, maintenance costs, property taxes, concession fees for Hydro as operator and transmission costs.

Underlying EBIT decreased significantly compared to the same quarter in the previous year. The decrease was mainly due to lower production, somewhat lower prices, partly offset by higher commercial results.

Compared to the previous quarter Underlying EBIT increased somewhat, mainly due to higher prices, higher commercial results and lower area cost. This was partly offset by lower spot volume, due to higher concession power sales, as well as somewhat higher production cost.

Compared to the previous year Underlying EBIT was significantly lower, mainly due to lower production.

## Other and eliminations

| Financial information                          | Fourth quarter 2019 | Fourth quarter 2018 | Change prior year quarter | Third quarter 2019 | Change prior quarter | Year 2019 | Year 2018 |
|--|---------------------|---------------------|---------------------------|--------------------|----------------------|-----------|-----------|
| NOK million                                    |                     |                     |                           |                    |                      |           |           |
| Earnings before financial items and tax (EBIT) | (65)                | (89)                | 27 %                      | (405)              | 84 %                 | (939)     | (214)     |
| Other  | (223)               | (299)               | 25 %                      | (160)              | (40) %               | (943)     | (851)     |
| Eliminations                                   | 156                 | 154                 | 1 %                       | (257)              | >100 %               | (61)      | 541       |
| Underlying EBIT                                | (67)                | (145)               | 54 %                      | (417)              | 84 %                 | (1,003)   | (310)     |

Other is mainly comprised of head office costs, and costs related to holding companies as well as earnings from Hydro's industrial insurance company. Other also includes integration costs related to the Sapa transaction and costs related to the cyber attack.

Eliminations are comprised mainly of unrealized gains and losses on inventories purchased from group companies which fluctuate with product flows, volumes and margin developments throughout Hydro's value chain.

# Finance

| <b>Financial income (expense)</b>                    | <b>Fourth quarter 2019</b> | Fourth quarter 2018 | Change prior year quarter | Third quarter 2019 | Change prior quarter | <b>Year 2019</b> | Year 2018 |
|--|----------------------------|---------------------|---------------------------|--------------------|----------------------|------------------|-----------|
| NOK million  |                            |                     |                           |                    |                      |                  |           |
| Interest income                                      | <b>131</b>                 | 79                  | 66 %                      | 58                 | >100 %               | <b>295</b>       | 250       |
| Dividends received and net gain (loss) on securities | <b>8</b>                   | (34)                | >100 %                    | 14                 | (41) %               | <b>70</b>        | 6         |
| <b>Financial income</b>                              | <b>140</b>                 | 45                  | >100 %                    | 72                 | 94 %                 | <b>365</b>       | 255       |
| Interest expense                                     | <b>(261)</b>               | (270)               | 3 %                       | (221)              | (18) %               | <b>(893)</b>     | (699)     |
| Capitalized interest                                 | <b>17</b>                  | -                   | -                         | 10                 | 62 %                 | <b>44</b>        | 1         |
| Net foreign exchange gain (loss)                     | <b>442</b>                 | (408)               | >100 %                    | (1,403)            | >100 %               | <b>(1,204)</b>   | (1,303)   |
| Net interest on pension liability                    | <b>(47)</b>                | (41)                | (14) %                    | (45)               | (4) %                | <b>(180)</b>     | (138)     |
| Other  | <b>(60)</b>                | (48)                | (25) %                    | (43)               | (39) %               | <b>(188)</b>     | (175)     |
| <b>Financial expense</b>                             | <b>92</b>                  | (766)               | >100 %                    | (1,700)            | >100 %               | <b>(2,420)</b>   | (2,315)   |
| <b>Financial income (expense), net</b>               | <b>231</b>                 | (721)               | >100 %                    | (1,628)            | >100 %               | <b>(2,055)</b>   | (2,060)   |

For the fourth quarter, the net foreign exchange gain, mainly unrealized, of NOK 442 million primarily reflects a stronger NOK versus EUR on a forward basis, affecting the embedded derivatives in Norwegian power contracts denominated in EUR.

The net foreign exchange loss for the full year 2019 is mainly comprised of currency loss on USD denominated debt in Brazil, and unrealized currency loss on embedded derivatives in Norwegian power contracts denominated in EUR.

# Tax

The tax expense amounted to NOK 497 million for the fourth quarter of 2019. The tax expense for the full year 2019 amounted to NOK 813 million. The tax expense reflects positive income subject to power surtax, and write off of deferred tax assets mainly in Germany, due to uncertainty related to future taxable income.

# Interim financial statements

## Condensed consolidated statements of income (unaudited)

| NOK million, except per share data   | Fourth<br>quarter<br>2019 | Fourth<br>quarter<br>2018 | Year<br>2019   | Year<br>2018 |
|--|---------------------------|---------------------------|----------------|--------------|
| Revenue  | 35,490                    | 38,386                    | 149,766        | 159,377      |
| Share of the profit (loss) in equity accounted investments                                     | 68                        | 30                        | 241            | 765          |
| Other income, net  | 409                       | 264                       | 1,000          | 772          |
| <b>Total revenue and income</b>  | <b>35,967</b>             | 38,680                    | <b>151,007</b> | 160,913      |
| Raw material and energy expense  | 22,328                    | 25,164                    | 97,474         | 102,523      |
| Employee benefit expense   | 5,928                     | 5,926                     | 24,871         | 23,176       |
| Depreciation and amortization expense  | 2,258                     | 1,719                     | 8,572          | 7,369        |
| Impairment of non-current assets   | 786                       | -                         | 912            | -            |
| Other expenses   | 5,065                     | 5,694                     | 18,678         | 19,324       |
| <b>Total expenses</b>  | <b>36,366</b>             | 38,502                    | <b>150,508</b> | 152,391      |
| Earnings before financial items and tax (EBIT)   | <b>(399)</b>              | 178                       | <b>499</b>     | 8,522        |
| Financial income   | 140                       | 45                        | 365            | 255          |
| Financial expense  | 92                        | (766)                     | (2,420)        | (2,315)      |
| Financial income (expense), net  | 231                       | (721)                     | (2,055)        | (2,060)      |
| Income (loss) before tax   | <b>(168)</b>              | (543)                     | <b>(1,556)</b> | 6,462        |
| Income taxes   | <b>(497)</b>              | (207)                     | <b>(813)</b>   | (2,139)      |
| Net income (loss)  | <b>(665)</b>              | (750)                     | <b>(2,370)</b> | 4,323        |
| Net income (loss) attributable to non-controlling interests                                    | <b>(189)</b>              | (57)                      | <b>(558)</b>   | 67           |
| Net income (loss) attributable to Hydro shareholders   | <b>(476)</b>              | (693)                     | <b>(1,811)</b> | 4,256        |
| Basic and diluted earnings per share attributable to Hydro shareholders (in NOK) <sup>1)</sup> | <b>(0.23)</b>             | (0.34)                    | <b>(0.88)</b>  | 2.08         |
| Weighted average number of outstanding shares (million)  | <b>2,048</b>              | 2,046                     | <b>2,047</b>   | 2,046        |

1) Basic earnings per share are computed using the weighted average number of ordinary shares outstanding. There were no significant diluting elements.

The accompanying notes are an integral part of the condensed consolidated financial statements (unaudited).



## Condensed consolidated statements of comprehensive income (unaudited)

| NOK million  | Fourth Quarter |                |                |                |
|--|----------------|----------------|----------------|----------------|
|  | 2019           | 2018           | 2019           | 2018           |
| Net income (loss)  | (665)          | (750)          | (2,370)        | 4,323          |
| <b>Other comprehensive income</b>  |                |                |                |                |
| <b>Items that will not be reclassified to income statement:</b>  |                |                |                |                |
| Remeasurement postemployment benefits, net of tax  | 1,118          | (1,781)        | (443)          | (718)          |
| Unrealized gain (loss) on securities, net of tax   | (277)          | 414            | (664)          | 394            |
| <b>Total</b>   | <b>840</b>     | <b>(1,367)</b> | <b>(1,107)</b> | <b>(324)</b>   |
| <b>Items that will be reclassified to income statement:</b>  |                |                |                |                |
| Currency translation differences, net of tax   | (719)          | 5,482          | (576)          | (2,031)        |
| Cash flow hedges, net of tax   | (22)           | (137)          | 19             | (14)           |
| Share of items that will be reclassified to income statement of equity accounted investments, net of tax | -              | 12             | 32             | 72             |
| <b>Total</b>   | <b>(741)</b>   | <b>5,357</b>   | <b>(526)</b>   | <b>(1,973)</b> |
| Other comprehensive income   | 99             | 3,990          | (1,633)        | (2,296)        |
| <b>Total comprehensive income</b>  | <b>(565)</b>   | <b>3,240</b>   | <b>(4,003)</b> | <b>2,027</b>   |
| Total comprehensive income attributable to non-controlling interests                                     | (222)          | 418            | (631)          | (273)          |
| Total comprehensive income attributable to Hydro shareholders  | (343)          | 2,822          | (3,372)        | 2,300          |

The accompanying notes are an integral part of the condensed consolidated financial statements (unaudited).

## Condensed balance sheets (unaudited)

| NOK million, except number of shares                  | December 31<br>2019 | December 31<br>2018<br>Restated |
|---|---------------------|---------------------------------|
| <b>Assets</b>   |                     |                                 |
| Cash and cash equivalents                             | 12,286              | 5,995                           |
| Short-term investments                                | 969                 | 975                             |
| Accounts receivables                                  | 18,959              | 20,744                          |
| Inventories   | 20,816              | 26,483                          |
| Other current assets                                  | 635                 | 801                             |
| <b>Total current assets</b>                           | <b>53,665</b>       | <b>54,998</b>                   |
| Property, plant and equipment                         | 74,243              | 74,369                          |
| Intangible assets                                     | 11,501              | 11,443                          |
| Investments accounted for using the equity method     | 11,501              | 11,570                          |
| Prepaid pension                                       | 6,676               | 5,162                           |
| Other non-current assets                              | 6,815               | 7,385                           |
| <b>Total non-current assets</b>                       | <b>110,736</b>      | <b>109,929</b>                  |
| <b>Total assets</b>                                   | <b>164,401</b>      | <b>164,928</b>                  |
| <b>Liabilities and equity</b>                         |                     |                                 |
| Bank loans and other interest-bearing short-term debt | 6,157               | 9,373                           |
| Trade and other payables                              | 18,692              | 20,381                          |
| Other current liabilities                             | 4,842               | 6,062                           |
| <b>Total current liabilities</b>                      | <b>29,691</b>       | <b>35,817</b>                   |
| Long-term debt  | 18,858              | 9,342                           |
| Provisions  | 6,515               | 5,588                           |
| Pension liabilities                                   | 17,099              | 15,648                          |
| Deferred tax liabilities                              | 3,132               | 3,031                           |
| Other non-current liabilities                         | 5,025               | 4,746                           |
| <b>Total non-current liabilities</b>                  | <b>50,629</b>       | <b>38,354</b>                   |
| <b>Total liabilities</b>                              | <b>80,320</b>       | <b>74,172</b>                   |
| Equity attributable to Hydro shareholders             | 79,932              | 85,820                          |
| Non-controlling interests                             | 4,148               | 4,936                           |
| <b>Total equity</b>                                   | <b>84,081</b>       | <b>90,756</b>                   |
| <b>Total liabilities and equity</b>                   | <b>164,401</b>      | <b>164,928</b>                  |
| Total number of outstanding shares (million)          | 2,048               | 2,046                           |

*The accompanying notes are an integral part of the condensed consolidated financial statements (unaudited).*

## Condensed consolidated statements of cash flows (unaudited)

| NOK million  | Fourth<br>quarter<br><b>2019</b> | Fourth<br>quarter<br>2018 | Year<br><b>2019</b> | Year<br>2018 |
|--|----------------------------------|---------------------------|---------------------|--------------|
| <b>Operating activities</b>                          |                                  |                           |                     |              |
| Net income (loss)                                    | <b>(665)</b>                     | (593)                     | <b>(2,370)</b>      | 4,323        |
| Depreciation, amortization and impairment            | <b>3,045</b>                     | 1,719                     | <b>9,485</b>        | 7,369        |
| Other adjustments                                    | <b>3,300</b>                     | (182)                     | <b>5,435</b>        | (4,667)      |
| Net cash provided by operating activities            | <b>5,680</b>                     | 944                       | <b>12,550</b>       | 7,025        |
| <b>Investing activities</b>                          |                                  |                           |                     |              |
| Purchases of property, plant and equipment           | <b>(2,893)</b>                   | (2,517)                   | <b>(8,726)</b>      | (7,219)      |
| Purchases of other long-term investments             | <b>(160)</b>                     | (102)                     | <b>(698)</b>        | (389)        |
| Purchases of short-term investments                  | <b>(7)</b>                       | -                         | <b>(52)</b>         | -            |
| Proceeds from long-term investing activities         | <b>133</b>                       | 29                        | <b>285</b>          | 412          |
| Proceeds from sales of short-term investments        | -                                | -                         | <b>18</b>           | -            |
| Net cash used in investing activities                | <b>(2,927)</b>                   | (2,590)                   | <b>(9,173)</b>      | (7,196)      |
| <b>Financing activities</b>                          |                                  |                           |                     |              |
| Loan proceeds  | <b>3,101</b>                     | 1,485                     | <b>15,881</b>       | 7,057        |
| Principal repayments                                 | <b>(3,792)</b>                   | (930)                     | <b>(10,090)</b>     | (5,984)      |
| Net decrease in other short-term debt                | <b>(194)</b>                     | (139)                     | <b>(257)</b>        | (2,934)      |
| Proceeds from shares issued                          | <b>6</b>                         | 12                        | <b>26</b>           | 47           |
| Dividends paid                                       | <b>(91)</b>                      | (23)                      | <b>(2,649)</b>      | (3,622)      |
| Net cash provided by (used in) financing activities  | <b>(970)</b>                     | 405                       | <b>2,911</b>        | (5,436)      |
| Foreign currency effects on cash                     | <b>(78)</b>                      | 390                       | <b>3</b>            | (226)        |
| Net increase (decrease) in cash and cash equivalents | <b>1,705</b>                     | (851)                     | <b>6,291</b>        | (5,833)      |
| Cash and cash equivalents at beginning of period     | <b>10,581</b>                    | 6,846                     | <b>5,995</b>        | 11,828       |
| Cash and cash equivalents at end of period           | <b>12,286</b>                    | 5,995                     | <b>12,286</b>       | 5,995        |

The accompanying notes are an integral part of the condensed consolidated financial statements (unaudited).

## Condensed consolidated statements of changes in equity (unaudited)

| NOK million                               | Share capital | Additional paid-in capital | Treasury shares | Retained earnings | Other components of equity | Equity attributable to Hydro shareholders | Non-controlling interests | Total equity |
|---|---------------|----------------------------|-----------------|-------------------|----------------------------|---|---------------------------|--------------|
| January 1, 2018                           | 2,272         | 29,097                     | (810)           | 56,452            | 20                         | 87,032                                    | 5,178                     | 92,209       |
| <i>Changes in equity for 2018</i>         |               |                            |                 |                   |                            |   |                           |              |
| Treasury shares issued to employees       |               | 29                         | 53              |                   |                            | 83  |                           | 83           |
| Dividends                                 |               |                            |                 | (3,581)           |                            | (3,581)                                   | (106)                     | (3,687)      |
| Capital contribution in subsidiaries      |               |                            |                 |                   |                            |   | 138                       | 138          |
| Total comprehensive income for the period |               |                            |                 | 4,256             | (1,956)                    | 2,300                                     | (273)                     | 2,027        |
| December 31, 2018                         | 2,272         | 29,126                     | (756)           | 57,127            | (1,936)                    | 85,833                                    | 4,936                     | 90,769       |
| Effect of change in accounting principle  |               |                            |                 | (13)              |                            | (13)                                      |                           | (13)         |
| January 1, 2019                           | 2,272         | 29,126                     | (756)           | 57,114            | (1,936)                    | 85,820                                    | 4,936                     | 90,756       |

### *Changes in equity for 2019*

|   |       |        |       |         |         |         |       |         |
|---|-------|--------|-------|---------|---------|---------|-------|---------|
| Treasury shares issued to employees       |       | (3)    | 45    |         |         | 42      |       | 42      |
| Capital contribution in subsidiaries      |       |        |       |         |         |         | 2     | 2       |
| Dividends                                 |       |        |       | (2,558) |         | (2,558) | (159) | (2,717) |
| Total comprehensive income for the period |       |        |       | (1,811) | (1,560) | (3,372) | (631) | (4,003) |
| December 31, 2019                         | 2,272 | 29,123 | (711) | 52,745  | (3,496) | 79,932  | 4,148 | 84,081  |

*The accompanying notes are an integral part of the condensed consolidated financial statements*

# Notes to the condensed consolidated financial statements

## Note 1: Accounting policies

All reported figures in the financial statements are based on International Financial Reporting Standards (IFRS). Hydro's accounting principles are presented in note 2 Significant accounting policies and note 3 Changes in accounting principles and new pronouncements in Hydro's Financial Statements - 2018.

### IFRS 16 Leases

Hydro implemented IFRS 16 Leases on January 1, 2019. The standard was implemented retrospectively with the cumulative effect of initially applying the standard recognized in the balance sheet as of January 1, 2019. IFRS 16 requires all leases except short-term leases and small asset leases to be recognized on the balance sheet as a right-of-use asset and a lease liability. The right-of-use asset is recognized according to the underlying asset, i.e. included in Property, plant and equipment. The lease liability is included in Long-term debt, with the short-term portion included in Bank loans and other interest-bearing short-term debt.

At implementation of IFRS 16, the liabilities were measured as the contractually fixed payments in future periods discounted using the estimated alternative borrowing rate for the relevant duration and currency. Renewal options that at initial recognition are highly probable to be used are included in the contractual cash flows when measuring the lease liability. The right-of-use assets are measured as the remaining liability for close to all contracts. For two long-term contracts, both in Rolled Products, the asset value has been measured as if IFRS 16 had always been applied to those contracts, an alternative allowed by the implementation guidance in the standard on an individual contract basis. As required by the implementation guidance in the standard, amounts for prior periods have not been restated and are thus not fully comparable.

The right-of-use asset is depreciated over the lease term. Contractual payments represent a combination of interest on the liability and repayment of the principal amount. Lease amounts representing variable payments based on such factors as specific cost elements in related services or usage, lease amounts for short-term leases of a duration of up to 12 months as well as lease amounts for small asset leases covering such elements as PCs and other office equipment, is expensed as Other expenses over the lease term.

During the fourth quarter of 2019, Hydro expensed about NOK 90 million as lease expense in Other expenses, a slight increase from the average of about NOK 75 million in the first three quarters of the year. In the last quarter before implementing IFRS 16, the fourth quarter of 2018, Hydro expensed about NOK 250 million as lease expenses in Other expenses.

Depreciation of right-of-use assets increased by about NOK 170 million for each of the two first quarters of 2019 compared to the fourth quarter of 2018. For the third and fourth quarter of 2019 the increase was slightly higher due to new contracts. Interest on lease liabilities amounted to about NOK 200 million for 2019, an increase of about NOK 120 million compared to the level in 2018.

| Change of accounting principles, amounts in NOK million | Effect of implementing<br>IFRS 16 |
|---|-----------------------------------|
| Property, plant and equipment                           | 3,070                             |
| Deferred tax asset                                      | 6                                 |
| Other assets  | 2                                 |
| Total assets  | 3,079                             |
| Bank loans and other interest-bearing short-term debt   | 830                               |
| Long-term debt  | 2,262                             |
| Equity attributable to Hydro shareholders               | (13)                              |
| Total liabilities and equity                            | 3,079                             |

The interim accounts are presented in accordance with IAS 34 Interim Financial Reporting. The condensed consolidated interim financial information should be read in conjunction with Hydro's Financial Statements - 2018 that are a part of Hydro's Annual Report - 2018.

As a result of rounding adjustments, the figures in one or more columns may not add up to the total of that column.

## Note 2: Operating segment information

Hydro identifies its reportable segments and discloses segment information under IFRS 8 Operating Segments. This standard requires Hydro to identify its segments according to the organization and reporting structure used by management. See Hydro's Financial statements - 2018 note 7 Operating and geographic segment information for a description of Hydro's management model and segments, including a description of Hydro's segment measures and accounting principles used for segment reporting.

The following tables include information about Hydro's operating segments, including a reconciliation of EBITDA to EBIT for Hydro's operating segments.

| NOK million   | Fourth<br>quarter<br>2019 | Fourth<br>quarter<br>2018 | Year<br>2019   | Year<br>2018   |
|---|---------------------------|---------------------------|----------------|----------------|
| <b>Total revenue</b>  |                           |                           |                |                |
| Bauxite & Alumina   | 5,983                     | 8,613                     | 22,805         | 28,548         |
| Primary Metal   | 8,497                     | 9,196                     | 35,175         | 39,434         |
| Metal Markets   | 11,866                    | 12,903                    | 50,452         | 54,237         |
| Rolled Products   | 6,192                     | 6,223                     | 26,331         | 26,955         |
| Extruded Solutions  | 13,835                    | 15,218                    | 62,351         | 64,085         |
| Energy  | 2,155                     | 2,267                     | 8,221          | 8,681          |
| Other and eliminations  | (13,039)                  | (16,034)                  | (55,569)       | (62,562)       |
| <b>Total</b>  | <b>35,490</b>             | <b>38,386</b>             | <b>149,766</b> | <b>159,377</b> |
| <b>External revenue</b>   |                           |                           |                |                |
| Bauxite & Alumina   | 3,509                     | 4,232                     | 12,255         | 14,396         |
| Primary Metal   | 1,651                     | 1,505                     | 6,141          | 7,829          |
| Metal Markets   | 9,706                     | 10,121                    | 40,164         | 42,502         |
| Rolled Products   | 6,109                     | 6,287                     | 26,179         | 26,940         |
| Extruded Solutions  | 13,801                    | 15,280                    | 62,211         | 64,023         |
| Energy  | 712                       | 961                       | 2,808          | 3,673          |
| Other and eliminations  | 2                         | (1)                       | 8              | 14             |
| <b>Total</b>  | <b>35,490</b>             | <b>38,386</b>             | <b>149,766</b> | <b>159,377</b> |
| <b>Internal revenue</b>   |                           |                           |                |                |
| Bauxite & Alumina   | 2,474                     | 4,381                     | 10,550         | 14,152         |
| Primary Metal   | 6,846                     | 7,691                     | 29,035         | 31,605         |
| Metal Markets   | 2,160                     | 2,781                     | 10,287         | 11,735         |
| Rolled Products   | 83                        | (64)                      | 152            | 15             |
| Extruded Solutions  | 34                        | (62)                      | 140            | 61             |
| Energy  | 1,444                     | 1,306                     | 5,414          | 5,007          |
| Other and eliminations  | (13,040)                  | (16,033)                  | (55,577)       | (62,576)       |
| <b>Total</b>  | <b>-</b>                  | <b>-</b>                  | <b>-</b>       | <b>-</b>       |
| <b>Share of the profit (loss) in equity accounted investments</b> |                           |                           |                |                |
| Bauxite & Alumina   | -                         | -                         | -              | -              |
| Primary Metal   | 65                        | (5)                       | 270            | 722            |
| Metal Markets   | -                         | -                         | -              | -              |
| Rolled Products   | -                         | -                         | -              | -              |
| Extruded Solutions  | -                         | 10                        | 18             | 53             |
| Energy  | (7)                       | (11)                      | (29)           | (35)           |
| Other and eliminations  | 10                        | 35                        | (18)           | 24             |
| <b>Total</b>  | <b>68</b>                 | <b>30</b>                 | <b>241</b>     | <b>765</b>     |

| NOK million   | Fourth<br>quarter<br>2019 | Fourth<br>quarter<br>2018 | Year<br>2019  | Year<br>2018  |
|---|---------------------------|---------------------------|---------------|---------------|
| <b>Depreciation, amortization and impairment</b>                                    |                           |                           |               |               |
| Bauxite & Alumina <sup>1)</sup>   | 725                       | 384                       | 2,509         | 2,095         |
| Primary Metal <sup>1)</sup>   | 1,191                     | 548                       | 3,030         | 2,253         |
| Metal Markets   | 37                        | 26                        | 129           | 101           |
| Rolled Products   | 274                       | 246                       | 1,036         | 927           |
| Extruded Solutions <sup>1)</sup>  | 704                       | 443                       | 2,384         | 1,723         |
| Energy  | 66                        | 63                        | 253           | 239           |
| Other and eliminations  | 48                        | 10                        | 144           | 30            |
| <b>Total</b>  | <b>3,045</b>              | <b>1,719</b>              | <b>9,485</b>  | <b>7,369</b>  |
| <b>Earnings before financial items and tax (EBIT)<sup>2)</sup></b>                  |                           |                           |               |               |
| Bauxite & Alumina   | (221)                     | 493                       | 749           | 1,763         |
| Primary Metal   | (394)                     | (524)                     | (1,838)       | 2,123         |
| Metal Markets   | 38                        | 419                       | 748           | 886           |
| Rolled Products   | 155                       | (319)                     | (865)         | 336           |
| Extruded Solutions  | (223)                     | (307)                     | 1,353         | 1,774         |
| Energy  | 312                       | 507                       | 1,291         | 1,853         |
| Other and eliminations  | (65)                      | (89)                      | (939)         | (214)         |
| <b>Total</b>  | <b>(399)</b>              | <b>178</b>                | <b>499</b>    | <b>8,522</b>  |
| <b>Earnings before financial items, tax, depreciation and amortization (EBITDA)</b> |                           |                           |               |               |
| Bauxite & Alumina   | 504                       | 877                       | 3,258         | 3,858         |
| Primary Metal   | 769                       | (23)                      | 1,081         | 4,267         |
| Metal Markets   | 73                        | 445                       | 875           | 986           |
| Rolled Products   | 429                       | (73)                      | 170           | 1,263         |
| Extruded Solutions  | 479                       | 136                       | 3,731         | 3,498         |
| Energy  | 380                       | 573                       | 1,558         | 2,107         |
| Other and eliminations  | (17)                      | (80)                      | (795)         | (183)         |
| <b>Total</b>  | <b>2,617</b>              | <b>1,854</b>              | <b>9,878</b>  | <b>15,796</b> |
| <b>Investments<sup>3)</sup></b>   |                           |                           |               |               |
| Bauxite & Alumina   | 917                       | 38                        | 2,294         | 963           |
| Primary Metal   | 1,257                     | 915                       | 4,235         | 2,724         |
| Metal Markets   | 61                        | 87                        | 173           | 165           |
| Rolled Products   | 401                       | 600                       | 876           | 1,047         |
| Extruded Solutions  | 1,042                     | 922                       | 2,914         | 2,390         |
| Energy  | 80                        | 57                        | 313           | 280           |
| Other and eliminations  | 38                        | 5                         | 102           | 45            |
| <b>Total</b>  | <b>3,796</b>              | <b>2,624</b>              | <b>10,907</b> | <b>7,614</b>  |

1) Amount for 2019 include impairment, see note 4 Impairment of non-current assets.

2) Total segment EBIT is the same as Hydro group's total EBIT. Financial income and expense are not allocated to the segments. There are no reconciling items between segment EBIT to Hydro EBIT. Therefore, a separate reconciliation table is not presented.

3) Additions to property, plant and equipment (capital expenditures) plus long-term securities, intangible assets, long-term advances and investments in equity accounted investments, including amounts recognized in business combinations. In 2018, investments were reduced with certain indirect tax charges in Brazil not completely deducted and claimed at the time of investment. A review of deductibility resulted in reduction of asset costs for Bauxite & Alumina and Primary Metal of NOK 635 million and NOK 145 million, respectively.

| NOK million                              | EBIT         | Depr.,<br>amor. and<br>impairment | Other<br>items <sup>1)</sup> | EBITDA       |
|--|--------------|-----------------------------------|------------------------------|--------------|
| <b>EBIT - EBITDA Fourth quarter 2019</b> |              |                                   |                              |              |
| Bauxite & Alumina                        | (221)        | 725                               | -                            | 504          |
| Primary Metal                            | (394)        | 1,191                             | (28)                         | 769          |
| Metal Markets                            | 38           | 37                                | (1)                          | 73           |
| Rolled Products                          | 155          | 274                               | -                            | 429          |
| Extruded Solutions                       | (223)        | 704                               | (2)                          | 479          |
| Energy                                   | 312          | 66                                | 3                            | 380          |
| Other and eliminations                   | (65)         | 48                                | -                            | (17)         |
| <b>Total</b>                             | <b>(399)</b> | <b>3,045</b>                      | <b>(29)</b>                  | <b>2,617</b> |

| NOK million               | EBIT       | Depr.,<br>amor. and<br>impairment | Other<br>items <sup>1)</sup> | EBITDA       |
|---------------------------|------------|-----------------------------------|------------------------------|--------------|
| <b>EBIT - EBITDA 2019</b> |            |                                   |                              |              |
| Bauxite & Alumina         | 749        | 2,509                             | -                            | 3,258        |
| Primary Metal             | (1,838)    | 3,030                             | (111)                        | 1,081        |
| Metal Markets             | 748        | 129                               | (2)                          | 875          |
| Rolled Products           | (865)      | 1,036                             | -                            | 170          |
| Extruded Solutions        | 1,353      | 2,384                             | (6)                          | 3,731        |
| Energy                    | 1,291      | 253                               | 14                           | 1,558        |
| Other and eliminations    | (939)      | 144                               | -                            | (795)        |
| <b>Total</b>              | <b>499</b> | <b>9,485</b>                      | <b>(106)</b>                 | <b>9,878</b> |

1) Investment grants, and amortization of excess values in equity accounted investments and impairment loss of such investments.

### Note 3: Contingent liabilities

Hydro is involved in or threatened with various legal and tax matters arising in the ordinary course of business. A discussion of contingent liabilities is included in note 36 *Contingent liabilities and contingent assets* in Hydro's Annual financial statements – 2018. There is no information indicating a significant change to Hydro's contingent liabilities since the issuance of Hydro's 2018 Annual financial statements.

### Note 4: Impairment of non-current assets

The Hydro share price has been below the carrying value of net assets for a period of more than one year. This fact is considered, in combination with market expectations for our main products, key input factors and market demand, as well as individual conditions such as the newly lifted production embargo for our Brazilian alumina refinery Alunorte, when we assess whether there are impairment indicators for any of our cash generating units.

Indicators that one primary aluminium plant, Slovalco, might be impaired was identified at year-end 2019. The plant was also tested in the second quarter 2019 and at year-end 2018. The profitability of the plant is expected to be challenging going forward due to the weakening market environment, combined with Slovalco's relatively high cost position and uncertainty relating to the renewal of its power contract expiring at the end of 2021. The plant is currently curtailed by 20 percent in response to the weakening market environment. The impairment test is consistent with the methodology described in note 20 *Impairment of non-current assets* to Hydro's annual financial statements – 2018 with updated price and other relevant assumptions. The value in use is calculated using a discount rate of 9.75 percent resulted in an expected recoverable amount of about NOK 725 million, which was below the carrying value of about NOK 1.225 million. Our testing has therefore resulted in an impairment of NOK 506 million in the fourth quarter, mainly related to property, plant and equipment.

Certain undeveloped bauxite resources held by Bauxite and Alumina were reviewed for possible future development, and one area was concluded not probable to be developed and thus the carrying value of NOK 145 million was written down as impaired. In addition, impairment losses of NOK 132 million in the fourth quarter and NOK 123 million previous quarters of 2019 have been recognized related to announced closure and sale of production facilities in Extruded Solutions.



# Alternative performance measures (APMs)

Alternative performance measures, i.e. financial performance measures not within the applicable financial reporting framework, are used by Hydro to provide supplemental information, by excluding items that, in Hydro's view, does not give an indication of the periodic operating results or cash flows of Hydro. Financial APMs are intended to enhance comparability of the results and cash flows from period to period, and it is Hydro's experience that these are frequently used by analysts, investors and other parties. Management also uses these measures internally to drive performance in terms of long-term target setting and as basis for performance related pay. These measures are adjusted IFRS measures defined, calculated and used in a consistent and transparent manner over the years and across the company where relevant. Operational measures such as, but not limited to, volumes, prices per mt, production costs and improvement programs are not defined as financial APMs. To provide a better understanding of the company's underlying financial performance for the relevant period, Hydro focuses on underlying EBIT in the discussions on periodic underlying financial and operating results and liquidity from the business areas and the group, while effects excluded from underlying EBIT and net income (loss) are discussed separately in the section on reported EBIT and net income. Financial APMs should not be considered as a substitute for measures of performance in accordance with the IFRS. Disclosures of APMs are subject to established internal control procedures.

## Hydro's financial APMs

- *EBIT*: Income (loss) before tax, financial income and expense.
- *Underlying EBIT*: EBIT +/- identified items to be excluded from underlying EBIT as described below.
- *EBITDA*: EBIT + depreciation, amortization and impairments, net of investment grants.
- *Underlying EBITDA*: EBITDA +/- identified items to be excluded from underlying EBIT as described below + impairments.
- *Underlying net income (loss)*: Net income (loss) +/- items to be excluded from underlying income (loss) as described below.
- *Underlying earnings per share*: Underlying net income (loss) attributable to Hydro shareholders divided by a weighted average of outstanding shares (ref.: the interim financial statements).
- *Investments*: Additions to property, plant and equipment (capital expenditures) plus long-term securities, intangible assets, long-term advances and investments in equity accounted investments, including amounts recognized in business combinations.
- *Adjusted net cash (debt)*: Short- and long-term interest-bearing debt adjusted for Hydro's liquidity positions, and for liquidity positions regarded unavailable for servicing debt, pension obligation and other obligations which are considered debt-like in nature.
- Metal Markets specific adjustments to underlying EBIT:
  - *Currency effects* include the effects of changes in currency rates on sales and purchase contracts denominated in foreign currencies (mainly US dollar and Euro for our European operations) and the effects of changes in currency rates on the fair valuation of derivative contracts (including LME futures) and inventories mainly translated into Norwegian kroner. Hydro manages its external currency exposure on a consolidated basis in order to take advantage of offsetting positions.
  - *Inventory valuation effects* comprise hedging gains and losses relating to inventories. Increasing LME prices result in unrealized hedging losses, while the offsetting gains on physical inventories are not recognized until realized. In period of declining prices, unrealized hedging gains are offset by write-downs of physical inventories.
- *(Underlying) RoaCE*: (Underlying) RoACE is defined as (underlying) "Earnings after tax" divided by average "Capital employed". (Underlying) "Earnings after tax" is defined as (underlying) "Earnings before financial items and tax" less "Adjusted income tax expense". Since RoaCE represents the return to the capital providers before dividend and interest payments, adjusted income tax expense excludes the tax effects of items reported as "Finance income (expense), net" and in addition, for underlying figures, the tax effect of items excluded. "Capital employed" is defined as "Shareholders' Equity", including non-controlling interest plus long-term and short-term interest-bearing debt less "Cash and cash equivalents" and "Short-term investments".

### Items excluded from underlying EBIT, EBITDA, net income (loss) and earnings per share

Hydro has defined two categories of items which are excluded from underlying results in all business areas, equity accounted investments and at group level. One category is the timing effects, which are unrealized changes to the market value of certain derivatives and the metal effect in Rolled Products. When realized, effects of changes in the market values since the inception are included in underlying EBIT. Changes in the market value of the trading portfolio are included in underlying results. The other category includes material items which are not regarded as part of underlying business performance for the period, such as major rationalization charges and closure costs, major impairments of property, plant and equipment, effects of disposals of businesses and operating assets, as well as other major effects of a special nature. Materiality is defined as items with a value above NOK 20 million. All items excluded from underlying results are reflecting a reversal of transactions recognized in the financial statements for the current period, except for the metal effect. Part-owned entities have implemented similar adjustments.

- *Unrealized derivative effects on LME related contracts* include unrealized gains and losses on contracts measured at market value, which are used for operational hedging purposes related to fixed-price customer and supplier contracts, where hedge accounting is not applied. Also includes elimination of changes in fair value of certain internal physical aluminium contracts.
- *Unrealized derivative effects on power and raw material contracts* include unrealized gains and losses on embedded derivatives in raw material and power contracts for Hydro's own use and for financial power contracts used for hedging purposes, as well as elimination of changes in fair value of embedded derivatives within certain internal power contracts.
- *Metal effect in Rolled Products* is an effect of timing differences resulting from inventory adjustments due to changing aluminium prices during the production, sales and logistics process, lasting two to three months. As a result, margins are impacted by timing differences resulting from the FIFO inventory valuation method (first in, first out), due to changing aluminium prices during the process. The effect of inventory write-downs is included. Decreasing aluminium prices in Euro results in a negative metal effect on margins, while increasing prices have a positive effect.
- *Significant rationalization charges and closure costs* include costs related to specifically defined major projects, and not considered to reflect periodic performance in the individual plants or operations. Such costs involve termination benefits, dismantling of installations and buildings, clean-up activities that exceed legal liabilities, etc. Costs related to regular and continuous improvement initiatives are included in underlying results.
- *Impairment charges (PP&E and equity accounted investments)* relate to significant write-downs of assets or groups of assets to estimated recoverable amounts in the event of an identified loss in value. Gains from reversal of impairment charges are simultaneously excluded from underlying results.
- *Alunorte agreements – provision* refers to the provision recognized in relation to the TAC and TC agreements with the Government of Pará and Ministério Público made on September 5, 2018
- *Other effects* include insurance proceeds covering asset damage, legal settlements, etc. Insurance proceeds covering lost income are included in underlying results.
- *Pension* includes recognition of pension plan amendments and related curtailments and settlements.
- *Transaction related effects* reflect the net measurement (gains) losses relating to previously owned shares in acquired business and inventory valuation expense related to the transaction, as well as a net gain or loss on divested businesses and/or individual major assets..
- *Items excluded in equity accounted investments* reflects Hydro's share of items excluded from underlying net income Qatalum and are based on Hydro's definitions, including both timing effects and material items not regarded as part of underlying business performance for the period.
- *Net foreign exchange (gain) loss*: Realized and unrealized gains and losses on foreign currency denominated accounts receivable and payable, funding and deposits, embedded currency derivatives in certain power contracts and forward currency contracts purchasing and selling currencies that hedge net future cash flows from operations, sales contracts and operating capital.
- *Calculated income tax effect*: In order to present underlying net income on a basis comparable with our underlying operating performance, the underlying income taxes are adjusted for the expected taxable effects on items excluded from underlying income before tax.
- *Other adjustments to net income* include other major financial and tax related effects not regarded as part of the underlying business performance of the period.

| Items excluded from underlying EBIT per operating segment and for Other and eliminations <sup>1)</sup><br>NOK million | Fourth quarter 2019 | Fourth quarter 2018 | Third quarter 2019 | Year 2019    | Year 2018    |
|---|---------------------|---------------------|--------------------|--------------|--------------|
| Alunorte agreements - provision <sup>2)</sup>   | -                   | -                   | 30                 | 80           | 519          |
| Impairment charges <sup>5)</sup>  | 145                 | -                   | -                  | 145          | -            |
| <b>Bauxite &amp; Alumina</b>  | <b>145</b>          | <b>-</b>            | <b>30</b>          | <b>225</b>   | <b>519</b>   |
| Unrealized derivative effects on LME related contracts  | 10                  | (89)                | (27)               | 90           | (143)        |
| Unrealized derivative effects on power contracts  | 33                  | (64)                | (42)               | (17)         | (218)        |
| Impairment charges <sup>5)</sup>  | 506                 | -                   | -                  | 506          | -            |
| <b>Primary Metal</b>  | <b>549</b>          | <b>(153)</b>        | <b>(69)</b>        | <b>579</b>   | <b>(361)</b> |
| Unrealized derivative effects on LME related contracts  | 94                  | (144)               | (19)               | 235          | (200)        |
| <b>Metal Markets</b>  | <b>94</b>           | <b>(144)</b>        | <b>(19)</b>        | <b>235</b>   | <b>(200)</b> |
| Unrealized derivative effects on LME related contracts  | (41)                | 74                  | (24)               | (82)         | 111          |
| Metal effect  | (23)                | 93                  | 123                | 370          | (73)         |
| Significant rationalization charges and closure costs <sup>3)</sup>   | (57)                | 39                  | 1,145              | 1,088        | 39           |
| Other effects <sup>4)</sup>   | -                   | -                   | (99)               | (99)         | -            |
| <b>Rolled Products</b>  | <b>(120)</b>        | <b>206</b>          | <b>1,145</b>       | <b>1,277</b> | <b>77</b>    |
| Unrealized derivative effects on LME related contracts  | (70)                | 192                 | (44)               | (163)        | 299          |
| Impairment charges <sup>5)</sup>  | 132                 | -                   | 95                 | 255          | -            |
| Significant rationalization charges and closure costs <sup>3)</sup>   | 135                 | 40                  | 61                 | 396          | 40           |
| Pension <sup>6)</sup>   | -                   | 40                  | (62)               | (62)         | 40           |
| Transaction related effects <sup>7)</sup>   | (14)                | -                   | -                  | 21           | -            |
| Other effects <sup>8)</sup>   | 125                 | 237                 | 59                 | 209          | 237          |
| <b>Extruded Solutions</b>   | <b>308</b>          | <b>509</b>          | <b>109</b>         | <b>656</b>   | <b>616</b>   |
| Unrealized derivative effects on power contracts  | (15)                | (7)                 | 1                  | (6)          | (7)          |
| Other effects <sup>9)</sup>   | -                   | -                   | (42)               | (42)         | -            |
| <b>Energy</b>   | <b>(15)</b>         | <b>(7)</b>          | <b>(41)</b>        | <b>(48)</b>  | <b>(7)</b>   |
| Unrealized derivative effects on power contracts <sup>10)</sup>   | (10)                | (11)                | (5)                | (75)         | (36)         |
| Unrealized derivative effects on LME related contracts <sup>10)</sup>   | 7                   | (11)                | (7)                | 11           | (27)         |
| Other effects <sup>11)</sup>  | -                   | (34)                | -                  | -            | (34)         |
| <b>Other and eliminations</b>   | <b>(2)</b>          | <b>(56)</b>         | <b>(12)</b>        | <b>(64)</b>  | <b>(97)</b>  |
| <b>Items excluded from underlying EBIT</b>  | <b>959</b>          | <b>356</b>          | <b>1,144</b>       | <b>2,860</b> | <b>547</b>   |

1) Negative figures indicate reversal of a gain and positive figures indicate reversal of a loss.

2) Alunorte agreements - provision relates to provisions for the TAC and TC agreements with the Government of Pará and Ministério Público made on September 5, 2018, including later adjustments for changes in cost estimates.

3) Significant rationalization and closure costs in the fourth quarter include a provision for costs related to reduction of overcapacity, closures and environmental clean-up activities in Extruded Solutions and reversal of an earlier recognized provision for environmental costs related to an idle plant in Rolled Products. In the third quarter rationalization charges include provisions for costs related to reduction of overcapacity, closures and environmental clean-up activities mainly in Rolled Products in addition to some charges in Extruded Solutions.

4) Other effects of NOK 99 million in the third quarter refer to a partly reversal of the provision recognized in the fourth quarter 2017 related to the customs case in Germany

5) Impairment charges include for the fourth quarter 2019 write downs of an undeveloped area in Brazil, the Svalco smelter and various assets in Extruded Solutions. Impairment charges amounting to a sum of NOK 122 million in the second and third quarter relate to write downs of assets in Extruded Solutions.

6) Pension include in the third quarter of 2019 a gain of NOK 62 million due to partially settled pension liabilities in Hydro Extrusion US LLC and in the fourth quarter 2018 a charge of NOK 40 million due to remeasurement of all UK schemes with Guaranteed Minimum Pensions (GMP) required to be adjusted to equalize pension benefits for gender. The remeasurement is based on the accrued pension benefits in the period between 1990 and 1997.

7) Transaction related effects include a net gain of NOK 14 million related to divestment of an Extruded Solutions plant in the fourth quarter 2019. In addition the year 2019 include a loss of NOK 35 million related to revaluation of Hydro's pre-transactional 50 percent share in Technal Middle East and to fair value allocated to inventory sold during second quarter.

8) Other effects include in the fourth quarter an environmental provision of NOK 125 million and in third quarter NOK 46 million related to a closed site. A charge of NOK 13 million in the third quarter and NOK 26 million in the first quarter are adjustments to the value of certain assets in relation to the Sapa acquisition. In 2018 other effects include a charge of NOK 80 million due to adjustments to the value of certain assets in relation to the Sapa acquisition. Subsequent to the release of fourth quarter 2018 on February 7, 2019, an agreement in principle was reached between Sapa Profiles Inc. (SPI) and the United States Department of Justice (DOJ) Civil and Criminal Divisions. Following the agreement, an increase, NOK 157 million, of the provision was recognized in the final annual results of 2018 (see note 35 in the 2018 Annual report).

9) Other effects include in the third quarter a dilution gain of NOK 42 million as the effect of an equity issuance in our associate Corvus, reducing our ownership share from 24.8 percent to 21.1.

10) Unrealized derivative effects on power contracts and LME related contracts result from elimination of changes in the valuation of embedded derivatives within certain internal power contracts and in the valuation of certain internal aluminium contracts.

11) Other effects in Other and eliminations in 2018 include the remeasurement of environmental liabilities related to closed business in Germany.

| <b>Underlying EBITDA</b>            | <b>Fourth quarter 2019</b> | Fourth quarter 2018 | Change prior year quarter | Third quarter 2019 | Change prior quarter | <b>Year 2019</b> | Year 2018 |
|-------------------------------------|----------------------------|---------------------|---------------------------|--------------------|----------------------|------------------|-----------|
| NOK million                         |                            |                     |                           |                    |                      |                  |           |
| EBITDA                              | <b>2,617</b>               | 1,854               | 41 %                      | 2,430              | 8 %                  | <b>9,878</b>     | 15,796    |
| Items excluded from underlying EBIT | <b>959</b>                 | 356                 | >100 %                    | 1,144              | (16) %               | <b>2,860</b>     | 547       |
| Reversal of impairments             | <b>(783)</b>               | -                   | >(100) %                  | (95)               | >(100) %             | <b>(906)</b>     | -         |
| Underlying EBITDA                   | <b>2,792</b>               | 2,210               | 26 %                      | 3,479              | (20) %               | <b>11,832</b>    | 16,344    |

| <b>Underlying earnings per share</b>                            | <b>Fourth quarter 2019</b> | Fourth quarter 2018 | Change prior year quarter | Third quarter 2019 | Change prior quarter | <b>Year 2019</b> | Year 2018 |
|---|----------------------------|---------------------|---------------------------|--------------------|----------------------|------------------|-----------|
| NOK million   |                            |                     |                           |                    |                      |                  |           |
| Net income (loss)   | <b>(665)</b>               | (750)               | 11 %                      | (1,390)            | 52 %                 | <b>(2,370)</b>   | 4,323     |
| Items excluded from net income (loss)                           | <b>362</b>                 | 575                 | (37) %                    | 1,996              | (82) %               | <b>3,078</b>     | 1,495     |
| Underlying net income (loss)                                    | <b>(303)</b>               | (175)               | (73) %                    | 606                | >(100) %             | <b>708</b>       | 5,819     |
| Underlying net income attributable to non-controlling interests | <b>(59)</b>                | (56)                | (7) %                     | (69)               | 14 %                 | <b>(365)</b>     | 184       |
| Underlying net income attributable to Hydro shareholders        | <b>(243)</b>               | (119)               | >(100) %                  | 675                | >(100) %             | <b>1,073</b>     | 5,635     |
| Number of shares  | <b>2,048</b>               | 2,046               | -                         | 2,048              | -                    | <b>2,047</b>     | 2,046     |
| Underlying earnings per share                                   | <b>(0.12)</b>              | (0.06)              | >(100) %                  | 0.33               | >(100) %             | <b>0.52</b>      | 2.75      |

| <b>Adjusted net cash (debt)</b>   | <b>Dec 31 2019</b> | Sep 30 2019 | Change prior quarter | Dec 31 2018 | Sep 30 2018 | Change prior year quarter |
|---|--------------------|-------------|----------------------|-------------|-------------|---------------------------|
| NOK million   |                    |             |                      |             |             |                           |
| Cash and cash equivalents   | <b>12,286</b>      | 10,581      | 1,705                | 5,995       | 6,846       | (851)                     |
| Short-term investments <sup>1)</sup>  | <b>969</b>         | 929         | 40                   | 975         | 1,176       | (201)                     |
| Short-term debt <sup>4)</sup>   | <b>(6,157)</b>     | (6,074)     | (83)                 | (9,373)     | (6,607)     | (2,767)                   |
| Long-term debt <sup>4)</sup>  | <b>(18,858)</b>    | (19,985)    | 1,127                | (9,342)     | (7,886)     | (1,456)                   |
| Net cash (debt) <sup>4)</sup>   | <b>(11,760)</b>    | (14,549)    | 2,789                | (11,745)    | (6,471)     | (5,275)                   |
| Cash and cash equiv. and short-term investm. in captive insurance company <sup>2)</sup>       | <b>(876)</b>       | (899)       | 24                   | (876)       | (968)       | 92                        |
| Net pension obligation at fair value, net of expected income tax benefit <sup>3)</sup>        | <b>(8,601)</b>     | (10,282)    | 1,680                | (8,813)     | (6,419)     | (2,394)                   |
| Operating lease commitments, net of expected income tax benefit <sup>4)</sup>                 | -                  | -           | -                    | -           | (1,585)     | 1,585                     |
| Short- and long-term provisions net of exp. income tax benefit, and other liab. <sup>5)</sup> | <b>(4,209)</b>     | (3,876)     | (334)                | (3,077)     | (2,938)     | (139)                     |
| Adjusted net cash (debt)  | <b>(25,447)</b>    | (29,606)    | 4,159                | (24,511)    | (18,380)    | (6,131)                   |
| Net debt in EA <sup>6)</sup>  | <b>(4,689)</b>     | (5,376)     | 687                  | (5,584)     | (5,648)     | 64                        |
| Adjusted net cash (debt) incl. EA   | <b>(30,136)</b>    | (34,982)    | 4,846                | (30,095)    | (24,028)    | (6,067)                   |

- Hydro's policy is that the maximum maturity for cash deposits is 12 months. Cash flows relating to bank time deposits with original maturities beyond three months are classified as investing activities and included in short-term investments on the balance sheet.
- Cash and cash equivalents and short-term investments in Hydro's captive insurance company Industriforsikring AS are assumed to not be available to service or repay future Hydro debt, and are therefore excluded from the measure Adjusted net debt.
- The expected income tax benefit related to the pension liability is NOK 1821 million and NOK 1877 million for December 2019 and September 2019, respectively.
- As a consequence of implementing IFRS 16 - Leases (see note 1 Accounting policies to the interim financial statements), there are no adjustments for operating leases made to the adjusted net cash (debt) for Dec 31, 2018 or later dates. The majority of such liabilities are recognized as short-term and long-term debt as of December 31, 2018.
- Consists of Hydro's short and long-term provisions related to asset retirement obligations, net of an expected tax benefit estimated at 30 percent, and other non-current financial liabilities.
- Net debt in equity accounted investments is defined as the total of Hydro's relative ownership percentage of each equity accounted investment's short and long-term interest bearing debt less their cash position, reduced by total outstanding loans from Hydro to the equity accounted investment. Net debt per individual equity accounted investment is limited to a floor of zero.

### Underlying RoaCE

Hydro uses underlying RoaCE to measure the performance for the group as a whole and within its operating segments, both in absolute terms and comparatively from period to period. Management views this measure as providing additional understanding of the rate of return on investments over time in each of its capital intensive businesses and in the operating results of its business segments. RoaCE is calculated as (U)EBIT after tax divided by average Capital employed for the respective period.

| RoaCE<br>NOK million                      | Reported |         | Underlying |         |
|---|----------|---------|------------|---------|
|   | 2019     | 2018    | 2019       | 2018    |
| EBIT                                      | 499      | 8,522   | 3,359      | 9,069   |
| Adjusted Income tax expense <sup>1)</sup> | (1,430)  | (2,757) | (2,055)    | (2,721) |
| EBIT after tax                            | (931)    | 5,765   | 1,304      | 6,348   |

| NOK million                           | Dec 31<br>2019 | Sep 30<br>2019 | Jun 30<br>2019 | Mar 31<br>2019 | Dec 31<br>2018 | Sep 30<br>2018 | Jun 30<br>2018 | Mar 31<br>2018 |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Current assets <sup>2)</sup>          | 40,410         | 45,387         | 46,375         | 48,895         | 48,028         | 46,381         | 46,757         | 44,229         |
| Property, plant and equipment         | 74,243         | 74,025         | 73,193         | 72,882         | 74,369         | 66,251         | 66,683         | 69,945         |
| Other non-current assets              | 36,494         | 36,103         | 35,729         | 35,493         | 35,560         | 34,608         | 34,901         | 34,205         |
| Current liabilities <sup>3)</sup>     | (23,534)       | (23,811)       | (24,702)       | (26,819)       | (26,444)       | (25,803)       | (26,327)       | (25,473)       |
| Non-current liabilities <sup>3)</sup> | (31,771)       | (32,509)       | (29,882)       | (28,958)       | (29,012)       | (27,482)       | (27,325)       | (28,170)       |
| Capital Employed                      | 95,841         | 99,195         | 100,713        | 101,494        | 102,501        | 93,954         | 94,689         | 94,736         |

| Return on average Capital Employed (RoaCE) <sup>4)</sup> | Reported |                    | Underlying |                    |
|--|----------|--------------------|------------|--------------------|
|  | 2019     | 2018<br>(Restated) | 2019       | 2018<br>(Restated) |
| Hydro  | (0.9) %  | 6.0 %              | 1.3 %      | 6.6 %              |

1) Adjusted Income tax expense is based on reported and underlying tax expense adjusted for tax on financial items.

2) Excluding cash and cash equivalents and short-term investments.

3) Excluding interest-bearing debt.

4) Average Capital Employed measured over the last 4 quarters to reflect the return for the full year. Restated from measuring only opening and closing balance (2 quarter average)

# Additional Information

## Financial calendar 2020

|            |                        |
|------------|------------------------|
| March 13   | Annual Report 2019     |
| April 29   | First quarter results  |
| May 11     | Annual General Meeting |
| July 22    | Second quarter results |
| October 23 | Third quarter results  |

Hydro reserves the right to revise these dates.

## Cautionary note

Certain statements included in this announcement contain forward-looking information, including, without limitation, information relating to (a) forecasts, projections and estimates, (b) statements of Hydro management concerning plans, objectives and strategies, such as planned expansions, investments, divestments, curtailments or other projects, (c) targeted production volumes and costs, capacities or rates, start-up costs, cost reductions and profit objectives, (d) various expectations about future developments in Hydro's markets, particularly prices, supply and demand and competition, (e) results of operations, (f) margins, (g) growth rates, (h) risk management, and (i) qualified statements such as "expected", "scheduled", "targeted", "planned", "proposed", "intended" or similar.

Although we believe that the expectations reflected in such forward-looking statements are reasonable, these forward-looking statements are based on a number of assumptions and forecasts that, by their nature, involve risk and uncertainty. Various factors could cause our actual results to differ materially from those projected in a forward-looking statement or affect the extent to which a particular projection is realized. Factors that could cause these differences include, but are not limited to: our continued ability to reposition and restructure our upstream and downstream businesses; changes in availability and cost of energy and raw materials; global supply and demand for aluminium and aluminium products; world economic growth, including rates of inflation and industrial production; changes in the relative value of currencies and the value of commodity contracts; trends in Hydro's key markets and competition; and legislative, regulatory and political factors.

No assurance can be given that such expectations will prove to have been correct. Hydro disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.



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Hydro is a fully integrated aluminium company with 35,000 employees in 40 countries on all continents, combining local expertise, worldwide reach and unmatched capabilities in R&D. In addition to production of primary aluminium, rolled and extruded products and recycling, Hydro also extracts bauxite, refines alumina and generates energy to be the only 360° company of the global aluminium industry. Hydro is present within all market segments for aluminium, with sales and trading activities throughout the value chain serving more than 30,000 customers. Based in Norway and rooted in more than a century of experience in renewable energy, technology and innovation, Hydro is committed to strengthening the viability of its customers and communities, shaping a sustainable future through innovative aluminium solutions.