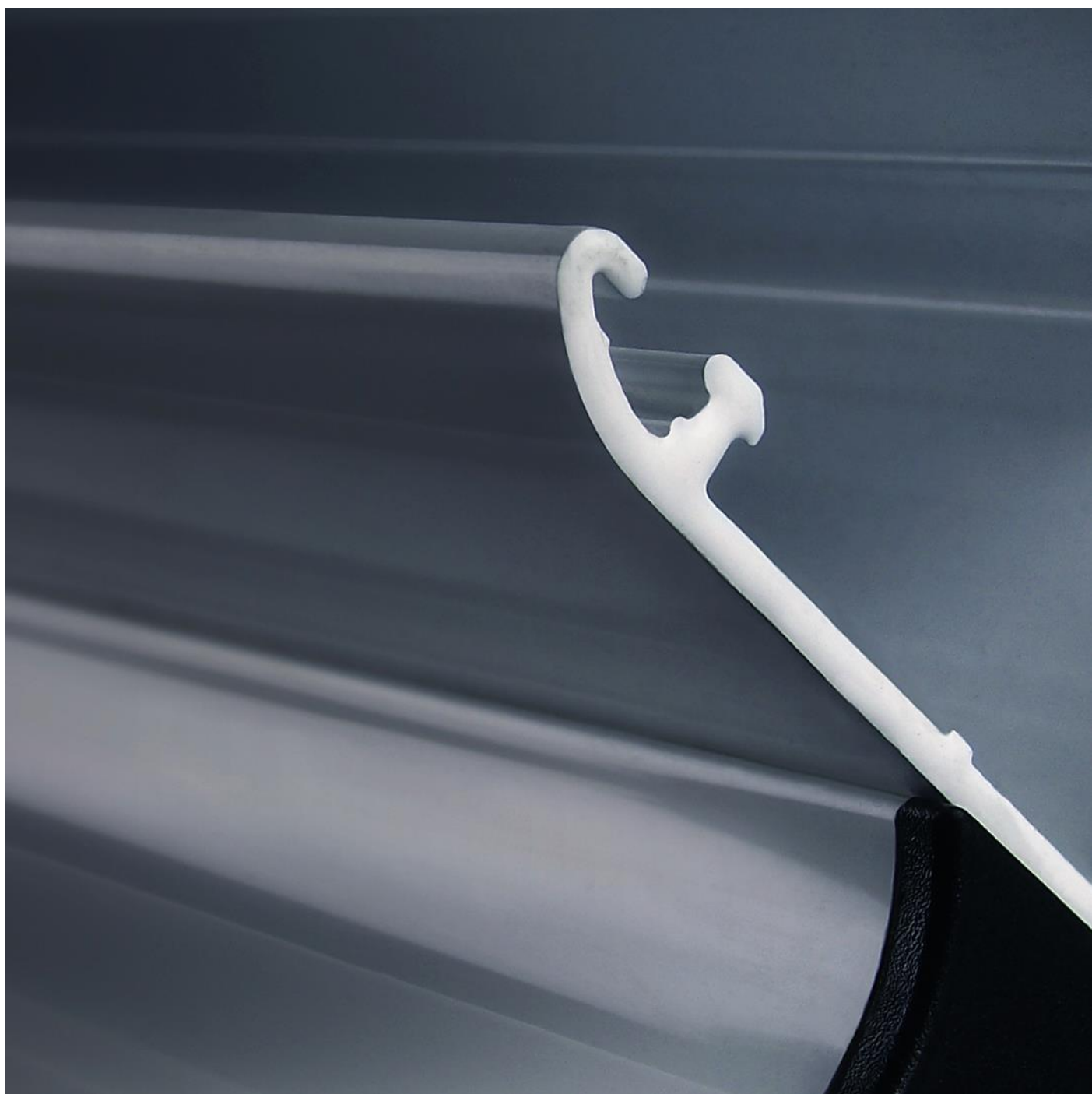




First quarter 2020
Report



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Oslo, April 28, 2020

Overview

Summary underlying financial and operating results and liquidity

Key financial information NOK million, except per share data	First quarter 2020	First quarter 2019	Change prior year quarter	Fourth quarter 2019	Change prior quarter	Year 2019
Revenue	38,124	37,583	1 %	35,490	7 %	149,766
Earnings before financial items and tax (EBIT)	2,301	20	>100 %	(399)	>100 %	499
Items excluded from underlying EBIT ¹⁾	(54)	539	>(100) %	959	>(100) %	2,860
Underlying EBIT ¹⁾	2,247	559	>100 %	560	>100 %	3,359
<i>Underlying EBIT :</i>						
Bauxite & Alumina	535	153	>100 %	(75)	>100 %	974
Primary Metal	573	(771)	>100 %	155	>100 %	(1,259)
Metal Markets	261	190	37 %	132	98 %	983
Rolled Products	299	138	>100 %	34	>100 %	413
Extruded Solutions	702	593	18 %	85	>100 %	2,009
Energy	437	517	(15) %	296	47 %	1,243
Other and eliminations	(560)	(261)	>(100) %	(67)	>(100) %	(1,003)
Underlying EBIT ¹⁾	2,247	559	>100 %	560	>100 %	3,359
Earnings before financial items, tax, depreciation and amortization (EBITDA) ²⁾	4,470	2,094	>100 %	2,617	71 %	9,878
Underlying EBITDA ¹⁾	4,403	2,633	67 %	2,792	58 %	11,832
Net income (loss)	(2,025)	(124)	>(100) %	(665)	>(100) %	(2,370)
Underlying net income (loss) ¹⁾	1,151	124	>100 %	(303)	>100 %	708
Earnings per share	(0.88)	-	>(100) %	(0.23)	>(100) %	(0.88)
Underlying earnings per share ¹⁾	0.55	0.13	>100 %	(0.12)	>100 %	0.52
<i>Financial data:</i>						
Investments ^{1) 2)}	1,590	1,753	(9) %	3,796	(58) %	10,907
Net cash (debt) ¹⁾	(15,217)	(12,099)	(26) %	(11,760)	(29) %	(11,760)
Adjusted net cash (debt) ¹⁾	(32,827)	(24,394)	(35) %	(25,447)	(29) %	(25,447)
Key Operational information						
Bauxite production (kmt) ³⁾	2,585	1,361	90 %	2,222	16 %	7,360
Alumina production (kmt)	1,531	805	90 %	1,430	7 %	4,487
Realized alumina price (USD/mt) ⁴⁾	278	373	(25) %	281	(1) %	326
Primary aluminium production (kmt)	528	485	9 %	545	(3) %	2,038
Realized aluminium price LME (USD/mt)	1,758	1,912	(8) %	1,754	-	1,827
Realized USD/NOK exchange rate	9.47	8.52	11 %	9.07	4 %	8.74
Rolled Products sales volumes to external market (kmt)	236	246	(4) %	219	8 %	952
Extruded Solutions sales volumes to external market (kmt)	305	333	(8) %	272	12 %	1,269
Power production (GWh)	2,868	2,553	12 %	2,332	23 %	9,150

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 first quarter 2020

Hydro's underlying EBIT for the first quarter of 2020 was NOK 2,247 million, compared with NOK 559 million for the same quarter last year. The successful ramp-up of Alunorte's production close to name-plate capacity, reduced raw material costs and positive currency effects, as both the NOK and BRL weakened against the USD and EUR, all contributed positively to the first quarter results. These positive elements were partly offset by reduced realized alumina and aluminium prices.

The Covid-19 situation causes significant market uncertainty, however, the financial impact from reduced operations was limited in the first quarter, mainly affecting Extruded Solutions. Bauxite & Alumina, Energy, Primary Metal and Rolled Products have been operating largely as normal during the quarter, while Metal Markets recycling plants were either closed, or operating at reduced capacities. Extruded Solutions have seen the largest operational impact, with only around 40 percent of plants running as normal at the end of the quarter and around 25 percent being closed or operating at very low levels.

Our top priority is the health and safety of our people and the communities where we operate, and Hydro is following recommendations from local and international health authorities, updating contingency plans to avoid disruptions and securing deliveries to customers. Hydro is closely following the local situation in areas where the health care system may be challenged and identifying ways in which Hydro can assist. Our current social and community support includes donations of funds, property, mineral water, food and test kits.

Hydro has taken several measures in response to the uncertain situation, which is affecting aluminium demand negatively and is leading to closures and reduced production across many Hydro sites. Current mitigating actions include temporary curtailments and temporary lay-offs, freezing 25 percent of remaining 2020 capital expenditure, cost cuts and additional cost discipline across the company. In addition, the Board will propose to the General Meeting that it is granted a power of attorney to distribute a dividend based on the 2019 annual accounts, restricted to a maximum payment of NOK 2.6 billion. The power of attorney is to be used if the Board, at its discretion, deems that market conditions and Hydro's financial situation allow for it.

We will continuously evaluate further measures as the situation develops.

Hydro's improvement program efforts are moving forward with full speed, with increased focus on the cost levers we can pull in these uncertain times. However, it will be hard to reach the overall target for 2020 due to the expected shortfall of volumes as well as market developments. The overall improvement target of NOK 7.3 billion for 2023 still stands. Improvement highlights for the quarter, include Alunorte approaching full capacity utilization and positive impacts from cost initiatives in Extruded Solutions and Rolled Products.

Compared to the fourth quarter 2019, Hydro's underlying EBIT increased, reflecting lower raw material costs, positive currency effects and positive seasonality effects in our downstream businesses.

Net income amounted to a loss of NOK 2.0 billion in the first quarter including net foreign exchange losses of NOK 4.6 billion, mainly unrealized, affecting the embedded derivatives in Norwegian power contracts denominated in EUR primarily reflecting a weaker NOK versus EUR, and a currency loss on USD denominated debt in Brazil due to a weaker BRL versus USD.

Hydro's net debt¹ position increased from NOK 11.8 billion to NOK 15.2 billion at the end of the quarter. Net cash provided by operating activities amounted to NOK 1.4 billion. Net cash used in investment activities, excluding short term investments, amounted to NOK 1.3 billion.

Hydro held NOK 12.2 billion in cash and cash equivalents, and NOK 0.8 billion short-term deposits, classified as short-term investments, at the end of the first quarter. The revolving credit facility of USD 1.6 billion was fully available at the end of the quarter.

¹ 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 income¹⁾	First quarter 2020	First quarter 2019	Fourth quarter 2019	Year 2019
NOK million				
Unrealized derivative effects on LME related contracts	(13)	200	1	91
Unrealized derivative effects on power and raw material contracts	(183)	12	8	(99)
Metal effect, Rolled Products	130	267	(23)	370
Significant rationalization charges and closure costs	4	-	78	1,484
Impairment charges	12	-	783	906
Alunorte agreements - provision	129	35	-	80
Transaction related effects	(57)	-	(14)	21
Pension	-	-	-	(62)
Other effects	(76)	26	125	68
Items excluded from underlying EBIT²⁾	(54)	539	959	2,860
Net foreign exchange (gain)/loss	4,553	(208)	(442)	1,204
Calculated income tax effect	(1,322)	(83)	(154)	(986)
Items excluded from underlying net income	3,176	248	362	3,078
Income (loss) tax rate	20%	>100 %	>(100) %	(52)%
Underlying income (loss) tax rate	42%	65%	>100 %	72%

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

2) The various effects are described in the APM section in the back of the report.

Market developments and outlook

Market statistics¹⁾	First quarter 2020	First quarter 2019	Change prior year quarter	Fourth quarter 2019	Change prior quarter	Year 2019
USD/NOK Average exchange rate	9.49	8.58	11 %	9.12	4 %	8.80
USD/NOK Period end exchange rate	10.51	8.60	22 %	8.78	20 %	8.78
BRL/NOK Average exchange rate	2.13	2.28	(7) %	2.21	(4) %	2.23
BRL/NOK Period end exchange rate	2.02	2.20	(8) %	2.18	(7) %	2.18
USD/BRL Average exchange rate	4.46	3.77	18 %	4.12	8 %	3.94
USD/BRL Period end exchange rate	5.20	3.90	33 %	4.02	29 %	4.02
EUR/NOK Average exchange rate	10.47	9.74	7 %	10.09	4 %	9.85
EUR/NOK Period end exchange rate	11.51	9.66	19 %	9.86	17 %	9.86
<i>Bauxite and alumina:</i>						
Average alumina price - Platts PAX FOB Australia (USD/t)	285	387	(26) %	280	2 %	331
China bauxite import price (USD/mt CIF China) ²⁾	48	54	(11) %	49	(1) %	51
Global production of alumina (kmt)	30,959	30,645	1 %	31,366	(1) %	124,403
Global production of alumina (ex. China) (kmt)	14,479	13,240	9 %	14,609	(1) %	55,870
<i>Primary aluminium:</i>						
LME cash average (USD/mt)	1,690	1,859	(9) %	1,752	(4) %	1,791
LME three month average (USD/mt)	1,713	1,880	(9) %	1,757	(3) %	1,811
Standard ingot premium (EU DP Cash)	147	132	11 %	136	8 %	142
Extrusion ingot premium (EU DP)	266	438	(39) %	269	(1) %	341
Chinese production of primary aluminium (kmt)	8,873	8,711	2 %	8,720	2 %	35,524
Chinese consumption of primary aluminium (kmt)	7,249	8,038	(10) %	8,786	(17) %	35,979
Global production of primary aluminium (ex. China) (kmt)	7,007	6,825	3 %	7,120	(2) %	28,010
Global consumption of primary aluminium (ex. China) (kmt)	6,708	7,188	(7) %	6,957	(4) %	28,477
Global production of primary aluminium (kmt)	15,881	15,536	2 %	15,839	-	63,534
Global consumption of primary aluminium (kmt)	13,958	15,227	(8) %	15,744	(11) %	64,456
Reported primary aluminium inventories (ex. China) (kmt)	2,809	2,754	2 %	3,138	(10) %	3,138
Reported primary aluminium inventories (China) (kmt)	2,515	2,487	1 %	1,419	77 %	1,419
<i>Rolled products and extruded products:</i>						
Consumption rolled products - Europe (kmt)	1,221	1,318	(7) %	1,255	(3) %	5,170
Consumption rolled products - USA & Canada (kmt)	1,286	1,390	(7) %	1,233	4 %	5,406
Consumption extruded products - Europe (kmt)	767	863	(11) %	742	3 %	3,308
Consumption extruded products - USA & Canada (kmt)	575	634	(9) %	546	5 %	2,430
<i>Energy:</i>						
Average southern Norway spot price (NO2) (NOK/MWh)	154	468	(67) %	392	(61) %	387
Average mid Norway spot price (NO3) (NOK/MWh)	158	452	(65) %	381	(59) %	380
Average nordic system spot price (NOK/MWh)	158	457	(65) %	390	(60) %	384

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.

Covid-19 pandemic and macroeconomic effects

The Covid-19 outbreak escalated rapidly in the Hubei province in China ahead of Chinese New Year in January and led to a lock-down, prolonging the Chinese New Year holiday when most business is halted. This had a major effect on the Chinese economy in the first quarter, with a substantial fall in activity within key segments such as transportation and infrastructure, leading to reduced demand both for primary aluminium and semi-fabricated products. During February and March, the virus started spreading rapidly across Europe and the US, leading to nationwide lockdowns in order to contain the spread of the virus.

The national and regional restrictions imposed around the world following the Covid-19 outbreak have slowed economic growth outlook significantly. Although the scale and duration of the economic shortfall is still uncertain, there is a high risk of recession in the global economy in 2020. In order to maintain economic activity, governments and central banks across the world have introduced significant fiscal and monetary support. For aluminium, the restrictions have led to a large shortfall in demand. Key end-user segments such as the automotive and construction industries have been severely hit. As a consequence of the demand shortfall, several downstream producers have been forced to reduce output temporarily.

Bauxite and alumina

The average Platts alumina index increased in the first quarter of 2020 (USD 285 per mt) compared to the fourth quarter 2019 (USD 280 per mt). The Platts alumina index started the quarter at USD 275 per mt, increasing gradually to USD 304 per mt in early March before retreating to USD 252 per mt at the end of the quarter. Compared to the first quarter of 2019 (USD 387 per mt), the Platts alumina index was substantially lower.

Covid-19 restrictions in China caused raw material shortages and logistical constraints for alumina refineries in the provinces of Shanxi and Henan, leading to significant capacity curtailments. At the same time, Chinese aluminium production rates did not slow, driving domestic and international alumina prices higher. The spread of Covid-19 restrictions globally caused prices to fall rapidly towards the end of the quarter, continuing into April.

China's net alumina imports reached 665 kmt of alumina in January and February 2020 compared to net exports of 14 kmt in the corresponding period last year when the Alunorte production embargo was still in place, and Chinese alumina exports were required to balance the global alumina market. In the fourth quarter of 2019, China's net alumina imports reached 807 kmt.

China imported 18.4 million mt of bauxite in January and February 2020 at an annualized first quarter rate 7 percent lower than the same period a year ago. Guinea and Australia maintained their dominant market share accounting for 80 percent of China's bauxite imports in the period. Imports from Indonesia increased to 3.0 million mt, 45 percent higher than the 2.1 million mt for the corresponding quarter last year.

The average Chinese bauxite import price was USD 47.9 per mt CIF in January and February 2020, down from USD 53.7 per mt CIF in the first quarter 2019, and down from USD 48.5 per mt CIF in the fourth quarter of 2019.

Primary aluminium

The three-month aluminium price decreased in the first quarter of 2020, starting at the high end of the quarterly price range at USD 1820 per mt and ending the quarter at a low of USD 1524 per mt. After the stable price environment from late 2019 and start 2020, prices declined as the negative demand effects of Covid-19 started materializing.

European duty paid standard ingot premiums ended the first quarter at USD 122 per mt, down from USD 140 per mt at the end of the fourth quarter 2019. The US Midwest premium was down USD 60 per mt from USD 320 mt at the beginning of the quarter to USD 260 per mt.

Average Shanghai Futures Exchange (SHFE) prices decreased by USD 60 per mt ex. VAT compared to the fourth quarter of 2019. The average estimated export arbitrage in the first quarter 2020 was stable compared to the fourth quarter, however at much lower levels compared to those observed throughout 2018 and early 2019. At current prices the estimated arbitrage for Chinese exports is marginally positive.

Global primary aluminium consumption was down 8 percent compared to the first quarter of 2019, driven by a combination of around 10 percent decline in China and decline of around 7 percent in the world outside China.

Global demand for primary aluminium is expected to be weak in 2020, leading to a significant primary aluminium surplus. External sources are estimating a surplus of between 1.5-5 million mt, with both China and the rest of the world in surplus.

European demand for sheet ingot, extrusion ingot and primary foundry alloys decreased in the first quarter of 2020 compared to the same period last year, mainly due to the negative impact of the Covid-19 virus on the European economies and industries, especially automotive.

Total global stocks at the end of the first quarter of 2020 were estimated to be 12.8 million mt, up 1.9 million mt compared to the fourth quarter of 2019.

Rolled products

The European demand for flat rolled products decreased by 7.4 percent compared to the first quarter of 2019. The effect of the Covid-19 restrictions was negative in automotive, but positive in foil. Demand declined by around 3 percent compared to the fourth quarter of 2019, mainly due to weakness in automotive.

In automotive, most European car manufacturers curtailed or stopped production which led to a steep demand decline for flat rolled products during the end of the first quarter. Demand growth was stable in beverage can, where the negative effect of cancelled events was offset by higher at-home consumption. There was solid demand for foil products given the stockpiling activities of end-consumers in fast moving consumer goods. The general engineering segment has seen limited effects of Covid-19 so far, but experienced a slight demand decline in the first quarter.

The Covid-19 restrictions are expected to have significant negative effects on automotive demand in the second quarter. General engineering, including building and construction is also exposed due to high dependency on industrial production. The demand for lithographic sheet is expected to further decline in the second quarter.

While the impact of Covid-19 remains uncertain, CRU² estimates that the European demand for flat rolled products will decrease by around 20 percent for the second quarter 2020 compared to the same quarter last year.

Extruded products

European demand for extrusions is estimated to have decreased 11 percent during the first quarter of 2020 compared to same quarter last year, but increasing 3 percent compared to the fourth quarter of 2019 driven by seasonality. Demand has been especially weak in the transport segment, as the spread of Covid-19 has seen several major automotive companies announce partial or full suspensions of automotive plants across Europe. Demand in the building and construction segment had a decent start of the year as a result of investment in new infrastructure projects and a relatively mild winter. However, considerable disruptions in building & construction activity in March in several European countries has weakened demand substantially going into the second quarter. While the impact of Covid-19 remains uncertain, CRU estimates that the European demand for extruded products will decrease by around 30 percent for the second quarter 2020 compared to the same quarter last year.

North American extrusion demand is estimated to have decreased 7-8 percent during the first quarter of 2020 compared to the same quarter in 2019, but up 7-8 percent compared to the fourth quarter of 2019 driven by seasonality. Most major markets were weaker than last year in the first two months of the quarter with March additionally impacted by the current Covid-19 outbreak. The trailer market build rates decreased in the first quarter by an estimated 25-30 percent versus the same period last year, while automotive build rates are expected to be down 4 percent due to automotive supply chain disruptions and shutdowns. Demand in the building and construction market was positive, with total construction spending up 8 percent through February. While the total impact of Covid-19 restrictions are uncertain, CRU estimates that the North American market will be down approximately 35 percent for the second quarter 2020 compared to the same quarter last year.

² CRU is an external provider of analysis, prices and consulting in the mining, metals and fertilizer markets.

Energy

Nordic power prices were significantly lower, both compared to the same quarter last year as well as the previous quarter. The lower prices were driven mainly by a strong improvement in hydrology, but there was also downward pressure from wind production above normal, and consumption below normal level due to mild temperatures. The Covid-19 situation had limited impact on Nordic power spot prices in the first quarter.

The Nordic hydrological balance ended the quarter around 30 TWh above normal³ compared to around 7 TWh below normal at the end of the first quarter last year and 4 TWh below normal at the end of the previous quarter. Water reservoirs in Norway were at 42.9 percent of full capacity at the end of the quarter, which is 6.6 percentage points above the normal level. Snow reservoirs were significantly above normal at the end of the quarter.

³ Normal based on long term historical averages.

Additional factors impacting Hydro

The Covid-19 situation is a challenge to the global economy and continues to cause significant uncertainty for Hydro's operations and financial performance. Authorities in an increasing number of countries have taken strong measures to reduce the spread of the virus. Further measures, and the outbreak of the Covid-19 virus in areas with fragile health systems, may cause disruptions to our supply chain, especially in Brazil, which may disrupt Hydro's production or sale of products. If the situation continues or escalates, it may have a significant effect on Hydro's financial results. Hydro is monitoring the situation carefully and is continuously working to find mitigating solutions if the situation continues or escalates.

Hydro decided to postpone the restart of 95,000 mt of capacity at the Husnes aluminium plant in Norway. The ramp-up was originally planned to start in the first half of 2020 but is now postponed to the third quarter of 2020 at the earliest, pending market developments and outlook into the second half of the year.

On March 6, 2020, one of the four production lines at Hydro's part-owned aluminium plant Albras, in Brazil, was shut down due to a fire in an electrical transformer. As a result, Albras is currently operating at 75 percent of capacity but expects to return to full production by the end of 2020.

To further safeguard liquidity, Hydro has decided to freeze around 25 percent of remaining capital expenditure in 2020 by NOK 2 billion until we have more visibility, resulting in the updated capex estimate for 2020 being NOK 7.5-8 billion, until further notice.

Primary Metal has sold forward around 55 percent of its expected primary aluminium production for the second quarter of 2020 at a price level of around USD 1,650 per mt⁴.

⁴ 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 1.5 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	First quarter 2020	First quarter 2019	Change prior year quarter	Fourth quarter 2019	Change prior quarter	Year 2019
Earnings before financial items and tax (EBIT) (NOK million)	406	118	>100 %	(221)	>100 %	749
Underlying EBIT (NOK million)	535	153	>100 %	(75)	>100 %	974
Underlying EBITDA (NOK million)	1,102	758	45 %	504	>100 %	3,337
Alumina production (kmt)	1,531	805	90 %	1,430	7 %	4,487
Sourced alumina (kmt)	664	711	(7) %	769	(14) %	2,845
Total alumina sales (kmt)	2,140	1,423	50 %	2,164	(1) %	7,379
Realized alumina price (USD/mt) ¹⁾	278	373	(25) %	281	(1) %	326
Bauxite production (kmt) ²⁾	2,585	1,361	90 %	2,222	16 %	7,360
Sourced bauxite (kmt) ³⁾	1,514	1,029	47 %	1,669	(9) %	5,576

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 increased compared to the first quarter of last year. The results were driven by positive effects from increased production following the lifting of the production embargo on May 20, 2019, lower raw material costs and positive currency effects, partly offset by lower alumina sales prices.

Compared to the fourth quarter of 2019 the underlying EBIT increased. Lower raw material costs, positive currency effects and increased sales volumes were partly offset by lower alumina sales prices.

Primary Metal

	First quarter 2020	First quarter 2019	Change prior year quarter	Fourth quarter 2019	Change prior quarter	Year 2019
Operational and financial information¹⁾						
Earnings before financial items and tax (EBIT) (NOK million)	784	(919)	>100 %	(394)	>100 %	(1,838)
Underlying EBIT (NOK million)	573	(771)	>100 %	155	>100 %	(1,259)
Underlying EBITDA (NOK million)	1,197	(180)	>100 %	812	47 %	1,155
Realized aluminium price LME (USD/mt) ²⁾	1,758	1,912	(8) %	1,754	-	1,827
Realized aluminium price LME (NOK/mt) ²⁾	16,658	16,291	2 %	15,913	5 %	15,975
Realized premium above LME (USD/mt) ³⁾	234	344	(32) %	257	(9) %	308
Realized premium above LME (NOK/mt) ³⁾	2,212	2,935	(25) %	2,333	(5) %	2,695
Realized USD/NOK exchange rate	9.47	8.52	11 %	9.07	4 %	8.74
Primary aluminium production (kmt)	528	485	9 %	545	(3) %	2,038
Casthouse production (kmt)	504	473	7 %	523	(4) %	1,982
Total sales (kmt)	577	534	8 %	529	9 %	2,127

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.

	First quarter 2020	First quarter 2019	Change prior year quarter	Fourth quarter 2019	Change prior quarter	Year 2019
Operational and financial information Qatalum (50%)						
Revenue (NOK million)	1,485	1,597	(7) %	1,512	(2) %	6,059
Underlying EBIT (NOK million)	150	104	20 %	111	13 %	534
Underlying EBITDA (NOK million)	442	451	(8) %	412	1 %	1,709
Net income (loss) (NOK million)	40	32	(55) %	66	(79) %	272
Underlying Net income (loss) (NOK million)	40	32	(55) %	66	(79) %	272
Primary aluminium production (kmt)	79	77	3 %	79	(1) %	314
Casthouse sales (kmt)	81	82	(1) %	83	(3) %	324

Underlying EBIT for Primary Metal improved in first quarter of 2020 compared to the first quarter of 2019 mainly due to lower raw material cost and positive currency effects, partly offset by lower all-in metal⁵ prices.

Compared to the fourth quarter of 2019, underlying EBIT for Primary Metal improved due to lower raw material cost and positive currency effects.

⁵ The all-in metal price refers to the LME cash price plus premiums.

Metal Markets

	First quarter 2020	First quarter 2019	Change prior year quarter	Fourth quarter 2019	Change prior quarter	Year 2019
Operational and financial information						
Earnings before financial items and tax (EBIT) (NOK million)	485	(31)	>100 %	38	>100 %	748
Underlying EBIT (NOK million)	261	190	37 %	132	98 %	983
Currency effects	176	(39)	>100 %	(51)	>100 %	(119)
Inventory valuation effects	1	(1)	>100 %	(1)	>100 %	(1)
Underlying EBIT excl. currency and inventory valuation effects	84	230	(63) %	184	(54) %	1,103
Underlying EBITDA (NOK million)	296	219	35 %	167	77 %	1,110
Remelt production (kmt)	137	131	4 %	121	13 %	516
Metal products sales excluding ingot trading (kmt) ¹⁾	675	683	(1) %	648	4 %	2,700
Hereof external sales (kmt)	554	539	3 %	536	4 %	2,149

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

Underlying EBIT for Metal Markets improved in the first quarter compared to the same quarter last year due to positive currency effects, partly offset by lower results from the remelters and the sourcing and trading activities.

Compared to the fourth quarter of 2019, underlying EBIT for Metal Markets improved due to positive currency effects, partly offset by lower results from the remelters and the sourcing and trading activities.

Rolled Products

	First quarter 2020	First quarter 2019	Change prior year quarter	Fourth quarter 2019	Change prior quarter	Year 2019
Operational and financial information						
Earnings before financial items and tax (EBIT) (NOK million)	68	(53)	>100 %	155	(56) %	(865)
Underlying EBIT (NOK million)	299	138	>100 %	34	>100 %	413
Underlying EBITDA (NOK million)	588	384	53 %	308	91 %	1,448
Sales volumes to external market (kmt)	236	246	(4) %	219	8 %	952
Sales volumes to external markets (kmt) - Product areas						
Can & foil	85	85	-	83	3 %	347
Lithography & automotive	74	81	(9) %	68	9 %	301
GE and other ¹⁾	77	79	(3) %	68	12 %	304
Rolled Products	236	246	(4) %	219	8 %	952

1) Earlier named Special Products.

Underlying EBIT increased compared to the first quarter of 2019. The result from the rolling mills was stable, reduced sales volumes, margins and higher depreciation, were offset by reduced costs. The Neuss smelter benefited from lower raw material costs.

Underlying EBIT increased significantly compared to the fourth quarter of 2019. The result from the rolling mills increased, mainly due to seasonal effects on volumes and reduced costs. The Neuss smelter benefited from lower raw material costs partly offset by lower all-in metal prices.

Extruded Solutions

Operational and financial information	First quarter 2020	First quarter 2019	Change prior year quarter	Fourth quarter 2019	Change prior quarter	Year 2019
Earnings before financial items and tax (EBIT) (NOK million)	628	644	(3) %	(223)	>100 %	1,353
Underlying EBIT (NOK million)	702	593	18 %	85	>100 %	2,009
Underlying EBITDA (NOK million)	1,242	1,099	13 %	655	90 %	4,132
Sales volumes to external markets (kmt)	305	333	(8) %	272	12 %	1,269

Sales volumes to external markets (kmt) - Business units

Extrusion Europe	127	135	(6) %	106	20 %	503
Extrusion North America	130	146	(11) %	116	12 %	553
Building Systems	19	18	6 %	20	(4) %	79
Precision Tubing	29	33	(12) %	31	(4) %	134
Extruded Solutions	305	333	(8) %	272	12 %	1,269

Underlying EBIT for Extruded Solutions increased compared to the same quarter last year. The Covid-19 situation, which reduced sales volumes and caused temporarily plant shut-downs towards the end of the quarter has had similar negative effects as the Cyber-attack had on the first quarter of 2019. Results were also positively impacted by insurance compensation of NOK 113 million related to the cyber-attack in 2019. The negative effects of declining markets have been offset by reduced costs, increased margins and positive currency effects.

Compared to the fourth quarter 2019 the underlying EBIT increased mainly due to seasonally higher volumes, higher margins, insurance compensation, and positive currency effects, partly offset by the effects of the Covid-19 situation.

Energy

Operational and financial information	First quarter 2020	First quarter 2019	Change prior year quarter	Fourth quarter 2019	Change prior quarter	Year 2019
Earnings before financial items and tax (EBIT) (NOK million)	454	510	(11) %	312	46 %	1,291
Underlying EBIT (NOK million)	437	517	(15) %	296	47 %	1,243
Underlying EBITDA (NOK million)	505	583	(13) %	365	38 %	1,509
Direct production costs (NOK million) ¹⁾	179	189	(5) %	155	16 %	586
Power production (GWh)	2,868	2,553	12 %	2,332	23 %	9,150
External power sourcing (GWh)	2,421	2,298	5 %	2,575	(6) %	9,660
Internal contract sales (GWh)	3,873	3,735	4 %	4,065	(5) %	15,554
External contract sales (GWh)	247	344	(28) %	321	(23) %	1,095
Net spot sales (GWh)	1,169	770	52 %	520	>100 %	2,161

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

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

Compared to the previous quarter Underlying EBIT increased, mainly due to strong commercial results and higher production, partly offset mainly by significantly lower prices and somewhat higher production cost.

Other and eliminations

Financial information	First quarter 2020	First quarter 2019	Change prior year quarter	Fourth quarter 2019	Change prior quarter	Year 2019
NOK million						
Earnings before financial items and tax (EBIT)	(525)	(249)	>(100) %	(65)	>(100) %	(939)
Other	(219)	(307)	29 %	(223)	2 %	(943)
Eliminations	(341)	46	>(100) %	156	>(100) %	(61)
Underlying EBIT	(560)	(261)	>(100) %	(67)	>(100) %	(1,003)

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 costs related to the cyber-attack in 2019.

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

Finance income (expense) NOK million	First quarter 2020	First quarter 2019	Change prior year quarter	Fourth quarter 2019	Change prior quarter	Year 2019
Interest income	69	34	>100 %	131	(47) %	295
Dividends received and net gain (loss) on securities	(35)	29	>(100) %	8	>(100) %	70
Finance income	34	63	(46) %	140	(75) %	365
Interest expense	(237)	(180)	(31) %	(261)	9 %	(893)
Capitalized interest	9	2	>100 %	17	(49) %	44
Net foreign exchange gain (loss)	(4,553)	208	>(100) %	442	>(100) %	(1,204)
Net interest on pension liability	(23)	(42)	44 %	(47)	50 %	(180)
Other	(54)	(45)	(21) %	(60)	9 %	(188)
Finance expense	(4,859)	(57)	>(100) %	92	>(100) %	(2,420)
Finance income (expense), net	(4,824)	6	>(100) %	231	>(100) %	(2,055)

For the first quarter, the net foreign exchange loss, mainly unrealized, of NOK 4 553 million primarily reflects a weaker NOK versus EUR, affecting the embedded derivatives in Norwegian power contracts denominated in EUR and the currency loss on USD denominated debt in Brazil, due to a weaker BRL versus USD.

Tax

The tax income amounted to NOK 498 million for the first quarter of 2020. The tax rate of 20 percent reflects negative results in certain countries with higher tax rate than the average, partly offset by the relatively high share of reported income before tax subject to power sur tax.

Interim financial statements

Condensed consolidated statements of income (unaudited)

NOK million, except per share data	First quarter 2020	First quarter 2019	Year 2019
Revenue	38,124	37,583	149,766
Share of the profit (loss) in equity accounted investments	(4)	3	241
Other income, net	473	183	1,000
Total revenue and income	38,594	37,769	151,007
Raw material and energy expense	23,148	25,136	97,474
Employee benefit expense	6,361	6,023	24,871
Depreciation and amortization expense	2,186	2,095	8,572
Impairment of non-current assets	12	3	912
Other expenses	4,585	4,493	18,678
Total expenses	36,293	37,750	150,508
Earnings before financial items and tax (EBIT)	2,301	20	499
Finance income	34	63	365
Finance expense	(4,859)	(57)	(2,420)
Finance income (expense), net	(4,824)	6	(2,055)
Income (loss) before tax	(2,523)	26	(1,556)
Income taxes	498	(150)	(813)
Net income (loss)	(2,025)	(124)	(2,370)
Net income (loss) attributable to non-controlling interests	(214)	(134)	(558)
Net income (loss) attributable to Hydro shareholders	(1,811)	9	(1,811)
Basic and diluted earnings per share attributable to Hydro shareholders (in NOK) ¹⁾	(0.88)	0	(0.88)
Weighted average number of outstanding shares (million)	2,048	2,046	2,047

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	First Quarter		
	2020	2019	2019
Net income (loss)	(2,025)	(124)	(2,370)
Other comprehensive income			
Items that will not be reclassified to income statement:			
Remeasurement postemployment benefits, net of tax	(1,689)	69	(443)
Unrealized gain (loss) on securities, net of tax	(102)	(132)	(664)
Total	(1,791)	(64)	(1,107)
Items that will be reclassified to income statement:			
Currency translation differences, net of tax	6,896	(1,177)	(576)
Cash flow hedges, net of tax	53	(6)	19
Share of items that will be reclassified to income statement of equity accounted investments, net of tax		9	32
Total	6,949	(1,174)	(526)
Other comprehensive income	5,158	(1,237)	(1,633)
Total comprehensive income	3,133	(1,362)	(4,003)
Total comprehensive income attributable to non-controlling interests	(147)	(233)	(631)
Total comprehensive income attributable to Hydro shareholders	3,279	(1,128)	(3,372)

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

Condensed balance sheets (unaudited)

NOK million, except number of shares	March 31 2020	March 31 2019	December 31 2019
Assets			
Cash and cash equivalents	12,160	6,099	12,286
Short-term investments	1,641	1,274	969
Trade and other receivables	24,539	23,542	18,959
Inventories	22,464	25,004	20,816
Other current financial assets	1,119	349	635
Total current assets	61,923	56,268	53,665
Property, plant and equipment	77,909	72,882	74,243
Intangible assets	12,649	11,133	11,501
Investments accounted for using the equity method	13,845	11,349	11,501
Prepaid pension	5,242	5,854	6,676
Other non-current assets	7,663	7,157	6,815
Total non-current assets	117,308	108,376	110,736
Total assets	179,232	164,644	164,401
Liabilities and equity			
Bank loans and other interest-bearing short-term debt	7,728	8,913	6,157
Trade and other payables	21,558	22,146	18,692
Other current liabilities	4,771	4,674	4,842
Total current liabilities	34,057	35,732	29,691
Long-term debt	21,290	10,559	18,858
Provisions	6,892	5,673	6,515
Pension liabilities	19,893	15,981	17,099
Deferred tax liabilities	2,838	3,052	3,132
Other non-current liabilities	7,089	4,252	5,025
Total non-current liabilities	58,002	39,517	50,629
Total liabilities	92,059	75,249	80,320
Equity attributable to Hydro shareholders	83,213	84,692	79,932
Non-controlling interests	3,959	4,703	4,148
Total equity	87,172	89,394	84,081
Total liabilities and equity	179,232	164,644	164,401
Total number of outstanding shares (million)	2,048	2,046	2,048

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

Condensed consolidated statements of cash flows (unaudited)

NOK million	First quarter 2020	First quarter 2019	Year 2019
Operating activities			
Net income (loss)	(2,025)	(124)	(2,370)
Depreciation, amortization and impairment	2,199	2,098	9,485
Other adjustments	1,188	(1,195)	5,435
Net cash provided by operating activities	1,362	779	12,550
Investing activities			
Purchases of property, plant and equipment	(1,505)	(1,631)	(8,726)
Purchases of other long-term investments	(64)	(19)	(698)
Purchases of short-term investments	(800)	(24)	(52)
Proceeds from long-term investing activities	318	59	285
Proceeds from sales of short-term investments	-	-	18
Net cash used in investing activities	(2,051)	(1,615)	(9,173)
Financing activities			
Loan proceeds	2,097	2,487	15,881
Loan repayments	(2,162)	(1,421)	(10,090)
Net increase (decrease) in other short-term debt	46	(58)	(257)
Proceeds from shares issued	5	10	26
Dividends paid	-	-	(2,649)
Net cash provided by (used in) financing activities	(14)	1,018	2,911
Foreign currency effects on cash	577	(78)	3
Net increase (decrease) in cash and cash equivalents	(126)	104	6,291
Cash and cash equivalents at beginning of period	12,286	5,995	5,995
Cash and cash equivalents at end of period	12,160	6,099	12,286

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, 2019	2,272	29,126	(756)	57,114	(1,936)	85,820	4,936	90,756
<i>Changes in equity for 2019</i>								
Total comprehensive income for the period				9	(1,137)	(1,128)	(233)	(1,362)
March 31, 2019	2,272	29,126	(756)	57,123	(3,073)	84,692	4,703	89,394
December 31, 2019	2,272	29,123	(711)	52,745	(3,496)	79,932	4,148	84,081
<i>Changes in equity for 2020</i>								
Treasury shares issued to employees		0	1			1		1
Minority interest in subsidiaries sold							(42)	(42)
Total comprehensive income for the period				(1,811)	5,090	3,279	(147)	3,133
March 31, 2020	2,272	29,123	(710)	50,934	1,594	83,213	3,959	87,172

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

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 Hydro's Financial Statements - 2019.

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 - 2019 that are a part of Hydro's Annual Report - 2019.

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 - 2019 note 1.4 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	First quarter 2020	First quarter 2019	Year 2019
Total revenue			
Bauxite & Alumina	6,029	4,866	22,805
Primary Metal	9,753	9,023	35,175
Metal Markets	12,912	12,959	50,452
Rolled Products	6,597	6,844	26,331
Extruded Solutions	15,140	16,013	62,351
Energy	2,115	2,261	8,221
Other and eliminations	(14,421)	(14,382)	(55,569)
Total	38,124	37,583	149,766
External revenue			
Bauxite & Alumina	3,249	2,370	12,255
Primary Metal	1,968	1,390	6,141
Metal Markets	10,353	10,139	40,164
Rolled Products	6,701	6,777	26,179
Extruded Solutions	15,215	15,924	62,211
Energy	633	983	2,808
Other and eliminations	5	-	8
Total	38,124	37,583	149,766

NOK million	First quarter 2020	First quarter 2019	Year 2019
Internal revenue			
Bauxite & Alumina	2,780	2,496	10,550
Primary Metal	7,785	7,633	29,035
Metal Markets	2,559	2,820	10,287
Rolled Products	(104)	66	152
Extruded Solutions	(76)	89	140
Energy	1,482	1,278	5,414
Other and eliminations	(14,426)	(14,382)	(55,577)
Total	-	-	-
Share of the profit (loss) in equity accounted investments			
Bauxite & Alumina	-	-	-
Primary Metal	40	32	270
Metal Markets	-	-	-
Rolled Products	-	-	-
Extruded Solutions	-	12	18
Energy	(12)	(9)	(29)
Other and eliminations	(31)	(32)	(18)
Total	(4)	3	241
Depreciation, amortization and impairment			
Bauxite & Alumina	567	605	2,509
Primary Metal	655	619	3,030
Metal Markets	36	29	129
Rolled Products	290	247	1,036
Extruded Solutions	554	506	2,384
Energy	65	62	253
Other and eliminations	33	30	144
Total	2,199	2,098	9,485
Earnings before financial items and tax (EBIT) ¹⁾			
Bauxite & Alumina	406	118	749
Primary Metal	784	(919)	(1,838)
Metal Markets	485	(31)	748
Rolled Products	68	(53)	(865)
Extruded Solutions	628	644	1,353
Energy	454	510	1,291
Other and eliminations	(525)	(249)	(939)
Total	2,301	20	499

1) 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.

NOK million	First quarter 2020	First quarter 2019	Year 2019
Earnings before financial items, tax, depreciation and amortization (EBITDA)			
Bauxite & Alumina	973	724	3,258
Primary Metal	1,408	(328)	1,081
Metal Markets	521	(2)	875
Rolled Products	358	194	170
Extruded Solutions	1,181	1,150	3,731
Energy	523	576	1,558
Other and eliminations	(493)	(219)	(795)
Total	4,470	2,094	9,878
Investments ¹⁾			
Bauxite & Alumina	244	413	2,294
Primary Metal	751	803	4,235
Metal Markets	43	33	173
Rolled Products	127	139	876
Extruded Solutions	366	296	2,914
Energy	36	47	313
Other and eliminations	23	22	102
Total	1,590	1,753	10,907

1) 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.

NOK million	EBIT	Depr., amor. and impairment	Other items ¹⁾	EBITDA
EBIT - EBITDA First quarter 2020				
Bauxite & Alumina	406	567	-	973
Primary Metal	784	655	(31)	1,408
Metal Markets	485	36	-	521
Rolled Products	68	290	-	358
Extruded Solutions	628	554	(2)	1,181
Energy	454	65	3	523
Other and eliminations	(525)	33	-	(493)
Total	2,301	2,199	(30)	4,470

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 4.1 *Uncertain assets and liabilities* in Hydro's Annual financial statements – 2019. There is no information indicating a significant change to Hydro's contingent liabilities since the issuance of Hydro's 2019 Annual financial statements.

Note 4: Dividend

Hydro's Board of Directors proposed a dividend of NOK 1.25 per share for the fiscal year 2019 as disclosed in note 7.7 Dividends to Hydro's financial statements - 2019. In response to the significant uncertainty related to the Covid-19 situation and its impact on Hydro's operations, markets and financial position. The Board has decided to change its proposal. The Board will propose to the General Meeting that it is granted a power of attorney to distribute a dividend based on the 2019 annual accounts. The power of attorney is to be used if the Board deems that the market conditions and Hydro's financial situation allow for it. The maximum dividend payment will be NOK 2.6 billion, corresponding to NOK 1.25 per share, and the power of attorney will expire at the date of the annual General Meeting in 2021.

Note 5: Measurement uncertainty

The significant volatility in financial and non-financial markets during March and April, 2020 has resulted in increased measurement uncertainty for assets and liabilities. Hydro uses the measurement principles described in the Financial statements – 2019. Measurement uncertainty is significant for the following classes of assets and liabilities:

Accounts receivable

Many of our customers are impacted by the Covid-19 pandemic, immediate measures to limit spread of the disease cause significant uncertainty for customers operations and liquidity. Customers' ability to pay could change rapidly and is more difficult to assess in the current circumstances. Use of credit insurance and similar measures reduces Hydro's risk to a certain extent.

Of total trade receivables at March 31, 2020, about 9 percent were past due compared to about 12 percent at the end of 2019, with the majority due within 30 days for both periods. The Extruded Solutions segment has the majority of overdue receivables.

Long-lived assets

Long-lived assets, including property plant and equipment and goodwill, are tested for impairment using value-in-use models. Such models rely on estimates for future volumes, prices and cost of production, all of which are more uncertain than previously. The current full and partial closure of certain production facilities are considered temporary and facilities are expected to restart when regulatory measures and market conditions allow. Should the current situation develop into an economic downturn, Hydro may need to write down assets as impaired. As of April 2020, it is highly uncertain when and to what level economic activity will return.

The Hydro share price has been trading 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, when we assess whether there are impairment indicators for any of our cash generating units.

Financial assets and liabilities

Financial assets and liabilities, including derivatives and embedded derivative positions, are measured as discounted future cash flows with market prices at the balance sheet date unless the instrument has an observed market price. Financial market volatility has increased the range of possible outcomes and reduced liquidity in many such markets. Valuation is thus more judgmental in terms of establishing relevant market references, such as discount rates and forward curves for commodity prices. Hydro has not changed valuation method for any of its financial assets or liabilities.

Pension assets and liabilities

Pension liabilities for defined benefit obligations are measured as the discounted expected payments to employees, net of dedicated assets. As there is increased uncertainty related to increases of employee benefits and relevant interest rates in countries where such schemes are offered as well as valuation of dedicated assets, there is increased uncertainty for valuation of pension liabilities and prepaid pensions, impacting remeasurements of such assets and liabilities through Other Comprehensive Income. During the first quarter of 2020, the discount rate in Norway decreased significantly while the value of plan assets declined, resulting in a negative remeasurement effect of about NOK 2 billion before tax. Translation of pension liabilities held in other currencies, predominantly EUR, resulted in increased liabilities of NOK 2.2 billion.

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.

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 ¹⁾ NOK million	First quarter 2020	First quarter 2019	Fourth quarter 2019	Year 2019
Alunorte agreements - provision ²⁾	129	35	-	80
Impairment charges ³⁾	-	-	145	145
Bauxite & Alumina	129	35	145	225
Unrealized derivative effects on LME related contracts	(64)	122	10	90
Unrealized derivative effects on power contracts	(147)	27	33	(17)
Impairment charges ⁴⁾	-	-	506	506
Primary Metal	(211)	149	549	579
Unrealized derivative effects on LME related contracts	(224)	222	94	235
Metal Markets	(224)	222	94	235
Unrealized derivative effects on LME related contracts	177	(77)	(41)	(82)
Metal effect	130	267	(23)	370
Significant rationalization charges and closure costs ⁵⁾	-	-	(57)	1,088
Other effects ⁶⁾	(76)	-	-	(99)
Rolled Products	230	191	(120)	1,277
Unrealized derivative effects on LME related contracts	114	(77)	(70)	(163)
Impairment charges ⁷⁾	12	-	132	255
Significant rationalization charges and closure costs ⁸⁾	4	-	135	396
Pension ⁹⁾	-	-	-	(62)
Transaction related effects ¹⁰⁾	(57)	-	(14)	21
Other effects ¹¹⁾	-	26	125	209
Extruded Solutions	74	(51)	308	656
Unrealized derivative effects on power contracts	(17)	6	(15)	(6)
Other effects ¹²⁾	-	-	-	(42)
Energy	(17)	6	(15)	(48)
Unrealized derivative effects on power contracts ¹³⁾	(19)	(21)	(10)	(75)
Unrealized derivative effects on LME related contracts ¹³⁾	(16)	10	7	11
Other and eliminations	(35)	(11)	(2)	(64)
Items excluded from underlying EBIT	(54)	539	959	2,860

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, and similar agreements.

3) Impairment charges for 2019 in Bauxite & Alumina include write downs of an undeveloped area in Brazil.

4) Impairment charges for 2019 include write downs related to the Svalco smelter in Primary Metal.

5) Significant rationalization and closure costs in 2019 include a reversal of NOK 57 million in the fourth quarter 2019 of recognized provisions in the third quarter for closures and environmental clean-up activities in Rolled Products.

6) Other effects in the first quarter 2020 include an insurance refund of NOK 39 related to property damage. NOK 37 million in the first quarter 2020 and NOK 99 million in the third quarter 2019 refer to partly reversals of the provision recognized in 2017 related to the customs case in Germany.

7) Impairment charges include impairments of various assets in Extruded Solutions.

8) Significant rationalization and closure costs include provisions for costs related to reduction of overcapacity, closures and environmental clean-up activities in Extruded Solutions.

9) Pension include in 2019 a gain of NOK 62 million due to partially settled pension liabilities in Hydro Extrusion US LLC.

10) Transaction related effects include a net gain of NOK 57 million in the first quarter 2020 and NOK 14 million in the fourth quarter 2019 related to divestments of Extruded Solutions plants. 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.

11) Other effects in Extruded Solutions in 2019 include an environmental provision of NOK 170 million related to a closed site and charge of NOK 39 million for adjustments to the value of certain assets in relation to the Sapa acquisition.

12) Other effects in Energy include in 2019 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.

13) 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.

Underlying EBITDA	First quarter 2020	First quarter 2019	Change prior year quarter	Fourth quarter 2019	Change prior quarter	Year 2019
NOK million						
EBITDA	4,470	2,094	>100 %	2,617	71 %	9,878
Items excluded from underlying EBIT	(54)	539	>(100) %	959	>(100) %	2,860
Reversal of impairments	(12)	-	-	(783)	98 %	(906)
Underlying EBITDA	4,403	2,633	67 %	2,792	58 %	11,832

Underlying earnings per share	First quarter 2020	First quarter 2019	Change prior year quarter	Fourth quarter 2019	Change prior quarter	Year 2019
NOK million						
Net income (loss)	(2,025)	(124)	>(100) %	(665)	>(100) %	(2,370)
Items excluded from net income (loss)	3,176	248	>100 %	362	>100 %	3,078
Underlying net income (loss)	1,151	124	>100 %	(303)	>100 %	708
Underlying net income attributable to non-controlling interests	32	(133)	>100 %	(59)	>100 %	(365)
Underlying net income attributable to Hydro shareholders	1,119	256	>100 %	(243)	>100 %	1,073
Number of shares	2,048	2,046	-	2,048	-	2,047
Underlying earnings per share	0.55	0.13	>100 %	(0.12)	>100 %	0.52

Adjusted net cash (debt)	Mar 31 2020	Dec 31 2019	Change prior quarter	Mar 31 2019	Dec 31 2018	Change prior year quarter
NOK million						
Cash and cash equivalents	12,160	12,286	(126)	6,099	5,995	104
Short-term investments ¹⁾	1,641	969	672	1,274	975	299
Short-term debt	(7,728)	(6,157)	(1,571)	(8,913)	(9,373)	460
Long-term debt	(21,290)	(18,858)	(2,432)	(10,559)	(9,342)	(1,217)
Net cash (debt)	(15,217)	(11,760)	(3,457)	(12,099)	(11,745)	(354)
Cash and cash equiv. and short-term investm. in captive insurance company ²⁾	(897)	(876)	(22)	(879)	(876)	(4)
Net pension obligation at fair value, net of expected income tax benefit ³⁾	(12,384)	(8,601)	(3,783)	(8,414)	(8,813)	399
Short- and long-term provisions net of exp. income tax benefit, and other liab. ⁴⁾	(4,328)	(4,209)	(119)	(3,001)	(3,077)	75
Adjusted net cash (debt)	(32,827)	(25,447)	(7,380)	(24,394)	(24,511)	117
Net debt in EA ⁵⁾	(6,488)	(5,537)	(952)	(5,737)	(5,584)	(153)
Adjusted net cash (debt) incl. EA	(39,316)	(30,983)	(8,332)	(30,131)	(30,095)	(36)

1) 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.

2) 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.

3) The expected income tax benefit related to the pension liability is NOK 2266 million and NOK 1821 million for March 2020 and December 2019, respectively.

4) 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.

5) 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.

Additional Information

Financial calendar 2020

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.