



Third quarter 2021  
Report



## About our reporting

### Key financial metrics

Hydro reviewed the key financial metrics used for performance follow-up and managing capital during 2020. The goals of the review were to achieve clear communication aligned with industry and peer practice and simplify where possible. This process resulted in Hydro deciding to focus on EBITDA and adjusted EBITDA as the main performance measures going forward.

### Discontinued operations

On March 5, 2021, Hydro announced an agreement to sell its Hydro Rolling business to KPS Capital Partners. On June 1, 2021, the transaction was completed. See note 4 to the condensed consolidated financial statements later in this report for more information on the agreement. Operating results for the Rolling business and the gain on disposal are presented net of financial items and tax as "Income (loss) from discontinued operations" and separated from Hydro's reported EBITDA and adjusted EBITDA. All prior periods income statements in the report have been reclassified accordingly. In addition, depreciation of property, plant and equipment for Hydro Rolling has been excluded from operating results in periods subsequent to the date of the agreement.

Assets and liabilities related to the Rolling business are presented as assets held for sale in Hydro's consolidated balance sheet as of March 31, 2021. Assets and liabilities in prior periods will not be reclassified.

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Oslo, October 25, 2021

# Overview

## Summary of financial and operating results and liquidity

<b>Key financial information</b> NOK million, except per share data	<b>Third quarter 2021</b>	Third quarter 2020	Change prior year quarter	Second quarter 2021	Change prior quarter	<b>First 9 months 2021</b>	First 9 months 2020	Year 2020
Revenue	<b>36,710</b>	27,516	33 %	34,559	6 %	<b>103,221</b>	84,468	114,291
Earnings before financial items, tax, depreciation and amortization (EBITDA)	<b>4,610</b>	3,651	26 %	4,899	(6) %	<b>13,588</b>	9,790	18,390
Adjustments to EBITDA <sup>1)</sup>	<b>2,608</b>	(551)	>100 %	1,698	54 %	<b>5,410</b>	(86)	(5,284)
Adjusted EBITDA <sup>1)</sup>	<b>7,219</b>	3,100	>100 %	6,598	9 %	<b>18,998</b>	9,704	13,106
<i>Adjusted EBITDA :</i>								
Hydro Bauxite & Alumina	<b>1,055</b>	578	83 %	855	23 %	<b>2,909</b>	3,229	3,817
Hydro Aluminium Metal	<b>4,263</b>	404	>100 %	2,807	52 %	<b>8,824</b>	2,161	3,593
Hydro Metal Markets	<b>170</b>	233	(27) %	335	(49) %	<b>583</b>	588	875
Hydro Extrusions	<b>1,457</b>	1,412	3 %	1,830	(20) %	<b>5,031</b>	3,304	4,348
Hydro Energy	<b>465</b>	200	>100 %	761	(39) %	<b>2,067</b>	827	1,245
Other and eliminations	<b>(192)</b>	272	>(100) %	10	>(100) %	<b>(416)</b>	(405)	(771)
Adjusted EBITDA : <sup>1)</sup>	<b>7,219</b>	3,100	>100 %	6,598	9 %	<b>18,998</b>	9,704	13,106
Earnings before financial items and tax (EBIT) <sup>2)</sup>	<b>2,533</b>	1,893	34 %	3,034	(17) %	<b>7,801</b>	2,533	9,356
Adjusted EBIT <sup>1)</sup>	<b>5,309</b>	1,419	>100 %	4,891	9 %	<b>13,759</b>	4,363	6,040
Net income (loss) from continuing operations	<b>1,127</b>	(111)	>100 %	2,397	(53) %	<b>5,405</b>	(3,340)	3,886
Adjusted net income (loss) from continuing operations <sup>1)</sup>	<b>3,498</b>	607	>100 %	3,150	11 %	<b>9,095</b>	1,759	2,848
Net income (loss) from discontinued operations <sup>3)</sup>	<b>(19)</b>	(111)	83 %	407	>(100) %	<b>8</b>	(377)	(2,226)
Earnings per share from continuing operations	<b>0.50</b>	(0.05)	>100 %	1.06	(53) %	<b>2.45</b>	(1.42)	1.99
Adjusted earnings per share from continuing operations <sup>1)</sup>	<b>1.60</b>	0.28	>100 %	1.45	10 %	<b>4.20</b>	0.84	1.32
<i>Financial data:</i>								
Investments <sup>1) 2)</sup>	<b>1,957</b>	1,396	40 %	1,689	16 %	<b>4,916</b>	4,171	13,324
Net cash (debt) <sup>1)</sup>	<b>(1,221)</b>	(9,866)	88 %	(3,574)	66 %	<b>(1,221)</b>	(9,866)	(7,795)
Adjusted net cash (debt) <sup>1)</sup>	<b>(10,520)</b>	(26,463)	60 %	(10,231)	(3) %	<b>(10,520)</b>	(26,463)	(23,297)
<b>Key Operational information</b>								
	<b>Third quarter 2021</b>	Third quarter 2020	Change prior year quarter	Second quarter 2021	Change prior quarter	<b>First 9 months 2021</b>	First 9 months 2020	Year 2020
Bauxite production (kmt) <sup>4)</sup>	<b>2,756</b>	1,167	>100 %	2,660	4 %	<b>8,230</b>	6,084	8,640
Alumina production (kmt)	<b>1,579</b>	1,074	47 %	1,586	-	<b>4,705</b>	4,047	5,457
Realized alumina price (USD/mt) <sup>5)</sup>	<b>302</b>	260	16 %	289	5 %	<b>295</b>	267	268
Primary aluminium production (kmt)	<b>573</b>	522	10 %	561	2 %	<b>1,673</b>	1,559	2,091
Realized aluminium price LME (USD/mt)	<b>2,419</b>	1,596	52 %	2,210	9 %	<b>2,204</b>	1,649	1,685
Realized USD/NOK exchange rate	<b>8.64</b>	9.22	(6) %	8.38	3 %	<b>8.52</b>	9.52	9.42
Hydro Extrusions sales volumes to external market (kmt)	<b>315</b>	278	13 %	342	(8) %	<b>995</b>	807	1,099
Power production (GWh)	<b>1,688</b>	3,161	(47) %	2,374	(29) %	<b>6,919</b>	8,126	11,522

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) Net income (loss) from discontinued operations includes results from Hydro's Rolling business up to divestment on June 1 and all prior periods.

4) Paragominas production on wet basis.

5) 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 third quarter 2021

Hydro's adjusted EBITDA for the third quarter of 2021 was NOK 7,219 million, compared with NOK 3,100 million for the same quarter last year. Higher all-in metal and alumina prices, in addition to improved upstream volumes contributed positively to adjusted EBITDA. These positive elements were partly offset by higher raw material costs upstream and negative currency effects.

Our top priority remains the health and safety of our people and the communities where we operate. Hydro continues to implement guidelines in accordance with national regulations in handling of the pandemic. During the quarter, Hydro was able to lift Covid-related restrictions at workplaces in several countries with high degrees of vaccination and low infection rates.

The aluminium market was in deficit during the third quarter. In China, energy supply constraints and consumption limitations resulted in supply cuts. Outside of China, demand continued to rise in key segments like building and construction, while several disruptions impacted supply. As a result, global inventories were reduced during the quarter, and the primary aluminium market for 2021 is expected to be in a deficit.

These market conditions elevated the London Metal Exchange cash price for aluminium and aluminium premiums to near record highs, supporting the record high result in Aluminium Metal of NOK 4,263 million in adjusted EBITDA for the third quarter.

The alumina market also tightened during the quarter. Energy constraints in China and production disruptions in the Atlantic region impacted the global supply of alumina. As a result, the Atlantic alumina market traded at a premium compared to the Pacific. Alumina prices on the Platts alumina index rose from USD 285 per mt at the start of the quarter to over USD 480 per mt by mid-October.

In general, the prices of raw material used in producing alumina and aluminium rose during the quarter. The market prices for caustic soda, fuel oil, coal, pet coke, and pitch continued to increase, which began during the second half of 2020. Energy prices also rose globally during the quarter. Further, energy consumption restrictions have triggered supply cuts for alloying metals such as magnesium and silicon.

During the third quarter, dry hydrological conditions resulted in lower power production volumes in Energy. As a result, Energy became a net spot purchaser of power. The dry conditions also contributed to high spot prices in southern Norway which peaked at over NOK 1,200 per MWh in September. The negative impact of purchasing in the spot market was largely mitigated by a gain from price area differences.

Hydro has set out a clear strategic direction toward 2025 and aims to strengthen its position in low-carbon aluminium, while exploring growth opportunities in new energy. Sustainability is one of our competitive advantages and a key enabler for successfully delivering on our 2025 strategy.

Hydro reached its 2021 improvement target of NOK 5.1 billion already during the third quarter. Strong performance in Extrusions is the main driver for achieving the target ahead of schedule. The overall 2025 improvement program of NOK 7.4 billion, compared to a baseline of 2018, remains on track.

Robust operations in Brazil has been a key lever within the improvement program. During the third quarter, Alunorte produced at nameplate capacity for the third consecutive quarter at an annualized rate of 6.3 million tonnes of alumina. Hydro has also strengthened its position in Brazil from a sustainability standpoint during the third quarter.

Switching from heavy fuel oil to liquid natural gas at Alunorte is expected to reduce CO<sub>2</sub> emissions by six hundred thousand tonnes. This project is a key enabler of Hydro's 2030 goal to reduce CO<sub>2</sub> emissions by 30 percent. During the third quarter, Hydro executed definitive commercial terms with New Fortress Energy to supply natural gas to Alunorte for a term of 15 years.

In addition, Hydro aims to reforest mined out areas at Paragominas bauxite mine in Brazil 1:1. This means that for every one hectare made available in the year, one hectare will be recovered within two years after availability. During the third quarter, Hydro's Brazil-Norway Biodiversity Research Consortium confirmed that reforested areas of Paragominas have attracted native bird species, a good indicator of reforestation quality. During the quarter, Hydro has also committed an additional BRL 100 million (NOK ~160 million) in the development of multipurpose social centers for local communities in northern Brazil.

Extrusions is a selective growth area for Hydro, and aims to achieve a commercial uplift of NOK 1.2 billion by 2025, with automotive being a key contributor. During the quarter, Precision Tubing announced investment in a new automotive press in Suzhou, to deliver crash management systems and other automotive safety components to the growing e-mobility sector in China. The press will increase capacity by around 12 thousand tonnes. In general, electric vehicle sales are growing worldwide, with higher aluminium intensity than vehicles with internal combustion engines.

Hydro also has ambitions to double its recycling of post-consumer scrap (“PCS”) by 2025. Recently, Extrusions announced that it will upgrade its recycler in The Dalles, Oregon, United States. This upgrade will allow The Dalles to process an additional 10,000 tonnes of PCS each year and increase overall recycled aluminium output by 27,000 tonnes. This upgrade will also reduce energy consumption and result in lower CO<sub>2</sub> emissions and metal costs at the site. The investment at The Dalles comes on top of the previously announced recycling investments in 2021 which provide 185,000 tonnes of additional cast-house products, based on an additional intake of 65,000 tonnes of PCS.

In all the new energy areas, Hydro continued to develop profitable projects and partnerships during the quarter. In Batteries, Hydro’s 50/50 joint venture with Northvolt, Hydrovolt, has ramped up its facility in Norway and is expected to begin recycling batteries by year end. Hydrovolt’s order book is full for 2022.

Compared to the second quarter 2021, Hydro’s adjusted EBITDA increased from NOK 6,598 million to NOK 7,219 million in the third quarter 2021. Higher all-in metal and alumina prices and currency contributed positively to adjusted EBITDA. This improvement was partly offset by costs upstream, lower volumes and margins in Extrusions and lower Energy production.

Adjusted EBITDA for the first nine months of 2021 increased compared to the same period last year. Higher all-in metal and alumina prices, improved volumes upstream, improved margins and volumes in Hydro Extrusions, and better results from Hydro Energy, contributed positively to adjusted EBITDA. These positive elements were partly offset by higher raw material costs upstream and negative currency effects, in addition to increased operational costs in Bauxite & Alumina relating to the decommissioning of a crane used to unload bauxite from ships.

Net income from continuing operations amounted to NOK 1,127 million in the third quarter. In addition to the factors described above, Net income from continuing operations included a net foreign exchange loss of NOK 622 million and a NOK 3,005 million unrealized loss on LME related contracts.

Hydro’s net debt<sup>1</sup> position decreased from NOK 3.6 billion to NOK 1.2 billion at the end of the quarter. Net cash provided by operating activities excluding changes in short-term and long-term collateral<sup>2</sup> and excluding purchases of money market funds<sup>3</sup> amounted to NOK 3.2 billion. Net cash used in investment activities, excluding short term investments, amounted to NOK 0.5 billion.

Adjusted net debt remained largely stable compared to the second quarter, ending the third quarter at NOK 10.5 billion. The decrease in net debt was more than offset by an increase in collateral requirements amounting to NOK 6.3 billion at the end of the quarter, mainly relating to strategic and operational hedging positions.

Hydro held NOK 18.8 billion in cash and cash equivalents, NOK 1.0 billion in time deposits and NOK 1.4 billion in money market funds, included in short-term investments, at the end of the third quarter. Time deposits and money market funds are normally available at short notice. The revolving credit facility of USD 1.6 billion was fully available at the end of the quarter.

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

<sup>2</sup> Adjusted net cash excludes the amount paid as collateral for short- and long-term liabilities, mainly derivative positions, see the APM section.

<sup>3</sup> Hydro’s purchase of money market funds and other trading securities are included in cash from operating activities. During the third quarter, Hydro purchased money market funds for a total amount of NOK 500 million.

## 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. Adjusting items to EBIT and adjusted net income (loss) are defined and described as part of the APM section in the back of this report.

<b>Adjusting items to EBITDA, EBIT and net income<sup>1)</sup></b>	<b>Third quarter 2021</b>	Third quarter 2020	Second quarter 2021	<b>First 9 months 2021</b>	First 9 months 2020	Year 2020
<b>NOK million</b>						
Unrealized derivative effects on LME related contracts	<b>3,005</b>	(593)	1,646	<b>5,832</b>	(210)	(336)
Unrealized derivative effects on power and raw material contracts	<b>(338)</b>	160	10	<b>(340)</b>	38	171
Significant rationalization charges and closure costs	<b>30</b>	(20)	279	<b>309</b>	118	187
Community contributions Brazil	<b>202</b>	-	-	<b>202</b>	129	129
Transaction related effects	<b>(254)</b>	(65)	-	<b>(300)</b>	(116)	(5,407)
Net foreign exchange (gain) loss	<b>(35)</b>	-	(5)	<b>(62)</b>	-	-
Other effects	-	(33)	(232)	<b>(232)</b>	(45)	(30)
<b>Adjusting items to EBITDA<sup>2)</sup></b>	<b>2,608</b>	(551)	1,698	<b>5,410</b>	(86)	(5,284)
Impairment charges	<b>14</b>	77	7	<b>143</b>	1,916	1,968
Depreciation	<b>154</b>	-	151	<b>406</b>	-	-
<b>Adjusting items to EBIT</b>	<b>2,776</b>	(474)	1,857	<b>5,959</b>	1,830	(3,316)
Net foreign exchange (gain)/loss	<b>622</b>	1,528	(550)	<b>(580)</b>	5,149	3,800
Other finance (income) expense	-	-	-	-	-	(128)
Calculated income tax effect	<b>(1,027)</b>	(336)	(555)	<b>(1,688)</b>	(1,879)	(1,393)
<b>Adjusting items to net income from continuing operations</b>	<b>2,371</b>	718	752	<b>3,690</b>	5,100	(1,038)
<b>Income (loss) tax rate</b>	<b>30%</b>	>100 %	29%	<b>30%</b>	(2)%	19%
<b>Adjusted income (loss) tax rate</b>	<b>30%</b>	49%	33%	<b>30%</b>	53%	45%

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

<b>Market statistics<sup>1)</sup></b>	<b>Third quarter 2021</b>	<b>Third quarter 2020</b>	<b>Change prior year quarter</b>	<b>Second quarter 2021</b>	<b>Change prior quarter</b>	<b>First 9 months 2021</b>	<b>First 9 months 2020</b>	<b>Year 2020</b>
USD/NOK Average exchange rate	<b>8.76</b>	9.13	(4) %	8.37	5 %	<b>8.56</b>	9.53	9.40
USD/NOK Period end exchange rate	<b>8.78</b>	9.48	(7) %	8.56	3 %	<b>8.78</b>	9.48	8.53
BRL/NOK Average exchange rate	<b>1.68</b>	1.70	(1) %	1.59	6 %	<b>1.61</b>	1.90	1.84
BRL/NOK Period end exchange rate	<b>1.62</b>	1.67	(3) %	1.72	(6) %	<b>1.62</b>	1.67	1.64
USD/BRL Average exchange rate	<b>5.23</b>	5.37	(3) %	5.29	(1) %	<b>5.33</b>	5.07	5.15
USD/BRL Period end exchange rate	<b>5.41</b>	5.66	(4) %	4.97	9 %	<b>5.41</b>	5.66	5.19
EUR/NOK Average exchange rate	<b>10.33</b>	10.67	(3) %	10.09	2 %	<b>10.23</b>	10.71	10.72
EUR/NOK Period end exchange rate	<b>10.17</b>	11.10	(8) %	10.17	-	<b>10.17</b>	11.10	10.47
<i>Bauxite and alumina:</i>								
Average alumina price - Platts PAX FOB Australia (USD/t)	<b>327</b>	274	19 %	277	18 %	<b>301</b>	268	271
China bauxite import price (USD/mt CIF China) <sup>2)</sup>	<b>48</b>	43	12 %	46	4 %	<b>46</b>	46	45
Global production of alumina (kmt)	<b>32,757</b>	31,828	3 %	33,380	(2) %	<b>99,020</b>	94,301	126,836
Global production of alumina (ex. China) (kmt)	<b>14,909</b>	14,377	4 %	15,131	(1) %	<b>44,825</b>	43,468	58,289
<i>Primary aluminium:</i>								
LME cash average (USD/mt)	<b>2,646</b>	1,707	55 %	2,396	10 %	<b>2,381</b>	1,633	1,705
LME three month average (USD/mt)	<b>2,652</b>	1,742	52 %	2,434	9 %	<b>2,391</b>	1,662	1,731
Standard ingot premium (EU DP Cash)	<b>358</b>	121	>100 %	239	50 %	<b>254</b>	123	126
Extrusion ingot premium (EU DP)	<b>1,192</b>	230	>100 %	880	35 %	<b>841</b>	233	247
Chinese production of primary aluminium (kmt)	<b>9,585</b>	9,308	3 %	9,733	(2) %	<b>28,999</b>	27,039	36,686
Chinese consumption of primary aluminium (kmt)	<b>10,275</b>	10,148	1 %	10,601	(3) %	<b>30,027</b>	27,774	37,764
Global production of primary aluminium (ex. China) (kmt)	<b>7,342</b>	6,986	5 %	7,202	2 %	<b>21,614</b>	20,918	28,006
Global consumption of primary aluminium (ex. China) (kmt)	<b>7,144</b>	6,168	16 %	7,291	(2) %	<b>21,774</b>	18,174	25,098
Global production of primary aluminium (kmt)	<b>16,927</b>	16,294	4 %	16,936	-	<b>50,613</b>	47,957	64,691
Global consumption of primary aluminium (kmt)	<b>17,419</b>	16,316	7 %	17,891	(3) %	<b>51,801</b>	45,948	62,862
Reported primary aluminium inventories (ex. China) (kmt)	<b>2,901</b>	3,170	(8) %	3,241	(10) %	<b>2,901</b>	3,170	3,003
Reported primary aluminium inventories (China) (kmt)	<b>1,332</b>	1,454	(8) %	1,711	(22) %	<b>1,332</b>	1,454	1,420
<i>Extruded products:</i>								
Consumption extruded products - Europe (kmt)	<b>823</b>	766	7 %	917	(10) %	<b>2,656</b>	2,296	3,053
Consumption extruded products - USA & Canada (kmt)	<b>619</b>	558	11 %	647	(4) %	<b>1,885</b>	1,591	2,170
<i>Energy:</i>								
Average southern Norway spot price (NO2) (NOK/MWh)	<b>807</b>	52	>100 %	493	64 %	<b>591</b>	85	98
Average mid Norway spot price (NO3) (NOK/MWh)	<b>536</b>	67	>100 %	335	60 %	<b>418</b>	96	100
Average nordic system spot price (NOK/MWh)	<b>704</b>	95	>100 %	423	66 %	<b>521</b>	105	116

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 global economy has rebounded to pre-crisis levels, driven by strong recovery in demand in industrial sectors. The pace of growth slowed in the third quarter amid a surge in Delta variant coronavirus infections, and due to global supply-chain shortages and constraints on energy consumption in China. The Eurozone, which has yet to recover to pre-crisis levels in terms of GDP, experienced a strong quarter but the pace of growth will slow over the next quarters as reopening effects fade.

World GDP growth is expected to grow around 5 percent in 2021.

There is significant uncertainty surrounding the market outlook as strong demand has led to supply constraints and market imbalances, causing shortages and price surges on a range of key inputs, including energy, raw materials and transportation costs. This has fuelled concerns about inflation and policy tightening. Vaccination progress, risk of mutations and continued lockdown measures continue to add uncertainty.

## Bauxite and alumina

The average Platts alumina index increased in the third quarter of 2021 to USD 327 per mt, compared to USD 277 per mt in the second quarter 2021. The Platts alumina index started the quarter around USD 285 per mt and increased through the quarter to USD 455 per mt at the end of September, driven by increasing Chinese alumina prices because of limits on energy consumption and power supply shortage in some provinces. During early October the Platts alumina index continued to increase exceeding USD 480 per mt. Unplanned production curtailments in Brazil and Jamaica also contributed to tighter global alumina markets. Compared to the third quarter of 2020, the average Platts alumina index was 19 percent higher.

In July and August 2021, China's net alumina imports reached 864 kmt compared to 645 kmt in the same period in 2020. Australia accounted for 75 percent of Chinese alumina imports in the period with Vietnam, Kazakhstan and India accounting for most of the rest.

China imported 18 million mt of bauxite in the first two months of the third quarter of 2021, 16 percent lower than the same period a year ago. Guinea, Australia and Indonesia accounted for all of China's bauxite imports in the period. In Guinea, bauxite mining and shipping operations have not been impacted by the September military coup at this point in time.

The average July, August 2021 Chinese bauxite import price was USD 48 per mt CIF, up from USD 43 per mt CIF in the third quarter 2020.

## Primary aluminium

The three-month aluminium price increased during the third quarter of 2021, starting at a low end of the quarterly price range at USD 2,512 per mt and ending the quarter at USD 2,859 per mt. The average price for the quarter was USD 2,652 per mt. The price was relatively stable above USD 2,800 per mt towards the end of the quarter as global demand continued to recover and supply restrictions intensified in China. During early October the LME continued to increase exceeding USD 3,200 per mt.

European duty paid standard ingot premiums ended the third quarter at USD 385 per mt, up from USD 275 per mt at the end of the second quarter, supported by the introduction of a Russian export tax on primary aluminium. The US Midwest premium was up USD 129 per mt during the quarter ending at USD 768 per mt. The US Midwest premium increased strongly throughout the quarter as increasing demand contributed to continued market tightness.

Shanghai Futures Exchange (SHFE) prices increased by USD 538 per mt ex. VAT during the quarter, ending at USD 3,088 per mt ex VAT. Average SHFE for the quarter was up USD 269 per mt ex. VAT compared to the second quarter. The average estimated import arbitrage increased to USD 10 per mt in the third quarter 2021.

Global primary aluminium consumption was up 6.8 percent compared to the third quarter of 2020, driven by an increase of 15.8 percent in World ex. China.

Overall global demand for primary aluminium recovered in 2021, leading to a significant primary aluminium deficit. CRU is estimating a deficit of 2.1 million mt in 2021, in large parts due to very strong demand globally and widespread supply cuts in China. In addition, the recent energy price spike in Europe has led to the curtailment of certain smelters in the region.



The European consumption of extrusion ingot and sheet ingot increased in the third quarter of 2021 compared to the same period in 2020 when the Covid-19 pandemic still had a negative impact on demand. Consumption of foundry alloys decreased in the third quarter 2021 mainly due to the negative impact of the semiconductor shortage on automotive production. Also, rising prices and limited availability of raw materials like Silicon and Magnesium are increasingly affecting value added products production globally.

Total global stocks at the end of the third quarter of 2021 were estimated by CRU to be 11.2 million mt, down 0.5 million mt compared to the second quarter and down 1.3 million mt compared to the third quarter 2020.

## Extruded products

European demand for extrusions is estimated to have increased 7 percent during the third quarter of 2021 compared to the same quarter last year, but decreased 10 percent compared to the second quarter of 2021 driven by seasonality. Underlying demand has continued to perform well across key segments, especially for the industrial and the building & construction segments. Commercial building & construction, although supported by public sector spending, is impacted by weaker orders, while the residential sector is experiencing strong demand supported by refurbishing. Demand in the industrial segment continues to advance in line with improving industrial production. Automotive demand continues to be supported by improving underlying demand, but negatively impacted by shortage of semiconductors and overall supply-chain issues, constraining automotive production for large OEMs. Shortages of magnesium, a main alloy in extrusions, are also causing supply-chain issues, putting upward pressure on extrusion billet premiums.

CRU estimates that the European demand for extruded products will increase by around 5 percent for the fourth quarter of 2021 compared to the same quarter last year. Overall, extrusion demand is estimated to increase by 13 percent in 2021 compared to 2020, bringing volume back to 2018 levels.

North American extrusion demand is estimated to have increased 11 percent during the third quarter of 2021 compared to the same quarter last year, but decreasing 4 percent compared to the second quarter of 2021, partly due to increased labor shortages. Demand has continued to remain strong across key segments with a positive outlook for the balance of the year. Residential construction spending was up 26 percent in July and August compared to same period last year, while non-residential spending was down 4 percent over the same period. The transport segment continues to be supported by strong orders, with trailer industry build rates expected to increase 38 percent in the third quarter compared to the same quarter last year. However, automotive build rates have decreased 21 percent in the third quarter compared to the same quarter last year, as light vehicle and heavy truck production continue to be impacted by labour and semiconductor shortages.

CRU estimates that the North American demand for extruded products will increase by around 2 percent for the fourth quarter of 2021 compared to the same quarter last year. Overall, extrusion demand is estimated to increase by 15 percent in 2021 compared to 2020.

## Energy

Nordic power prices were significantly higher compared to same quarter last year and the previous quarter. The high prices were mainly driven by drier than normal weather conditions and moderate wind power production, as well as high exports to the continent. The Continental power prices have increased, supported by rising continental gas and coal prices. Drier conditions and export capacity to UK and the continent continues to support higher prices in southern Norway compared to the rest of the Nordic area.

The Nordic hydrological balance ended the quarter around 20 TWh below normal, compared to around 2 TWh below normal at the end of the previous quarter and 16 TWh above normal at the end of the third quarter last year. Water reservoirs in Norway were at 64.5 percent of full capacity at the end of the quarter, which is 18 percentage points below the normal level.

## Additional factors impacting Hydro

The accumulated LME hedge in Hydro amounts to around 60 thousand tonnes for the remainder of 2021, 490 thousand tonnes for 2022 and 460 thousand tonnes for 2023. This has been achieved using both commodity derivatives and currency derivatives. Parts of the raw material exposure is also hedged, using both fixed price physical contracts and financial derivatives.

During the third quarter Hydro hedged USD/BRL at Alunorte amounting to USD 170 million for 2024, for which hedge accounting is applied.

The total USD/BRL hedge in place at Alunorte and Albras amounts to approximately USD 90 million for the remainder of 2021, USD 350 million per year for 2022 and 2023, and USD 170 million for 2024.

Aluminium Metal has sold forward around 70 percent of its expected primary aluminium production for the fourth quarter of 2021 at a price level of around USD 2,650 per mt<sup>2</sup>.

There has been a long period of uncertainty with regards to the applicable tax rate for Qatalum after the expiry of the tax holiday in September 2020. It has been Hydro's consistent position that the generally applicable income tax rate, currently at 10 percent, should apply to Qatalum after the expiry of the tax holiday. However, the joint venture partners have not been able to agree on a common interpretation of the applicable tax law, and Qatalum decided to file its 2020 tax return applying a 35 percent tax rate on 30 June 2021. Hydro is carefully considering alternative measures to protect its financial interest in this matter. For further information see Note 3.1 to the Financial statements and Board of Director's report 2020.

Hydro has assessed the changes made to the CO<sub>2</sub> compensation scheme in Norway for the period 2021 to 2030. Not all elements of the updated regulations are approved by the relevant authorities as of the end of September. Based on the elements approved, Hydro has concluded that an estimated compensation for aluminium produced and sold in the first nine months can be recognized. An amount of compensation reflecting the uncertainty has been recognized in the interim result.

The EU Commission legislative package on how to achieve emission reduction of 55 percent by 2030 compared to 1990 baseline (presented on July 14 this summer) is being intensely discussed among stakeholders. Policy-makers are ready to start negotiations in the European Parliament and in EU member states, in a process likely to last about 18 months. The proposed Carbon Border Adjustment Mechanism (CBAM) is among the main priorities for the French EU Presidency first half of next year, along with the revision of the EU Emission Trading System (ETS). Both are essential for the carbon cost for the aluminium industry and ETS in particular for the profitability of renewable energy in Europe. The carbon leakage risk is still high on the EU's agenda, and the special situation with high energy prices has only underlined the need for a workable carbon leakage protection.

Continued global supply chain disruptions have the potential to impact Hydro's operations in future periods. The Aluminium industry is currently experiencing a limited availability of alloying materials like silicon and magnesium. (alloying content in value added casthouse products ranges from below 1 to up to 10 percent.) Hydro is monitoring the situation and working closely with its suppliers to ensure continued supply to its operations. For most of its production facilities, Hydro has secured alloy supply for production for the remainder of 2021 and partly into the first quarter 2022. Shifts in product portfolio where lower volumes of critical materials are used, and other contingency measures are currently being evaluated.

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<sup>2</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 1.5 to 2 months before taking into account the effects of the strategic hedges.

# Adjusted EBITDA

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

## Hydro Bauxite & Alumina

Operational and financial information	Third quarter 2021	Third quarter 2020	Change prior year quarter	Second quarter 2021	Change prior quarter	First 9 months 2021	First 9 months 2020	Year 2020
Earnings before financial items, tax, depreciation and amortization (EBITDA) (NOK million)	996	578	72 %	940	6 %	2,962	3,100	3,683
Adjusted EBITDA (NOK million)	1,055	578	83 %	855	23 %	2,909	3,229	3,817
Adjusted EBIT (NOK million)	466	108	>100 %	383	22 %	1,405	1,690	1,806
Alumina production (kmt)	1,579	1,074	47 %	1,586	-	4,705	4,047	5,457
Sourced alumina (kmt)	806	940	(14) %	737	9 %	2,241	2,270	3,053
Total alumina sales (kmt)	2,355	1,990	18 %	2,349	-	6,973	6,373	8,495
Realized alumina price (USD/mt) <sup>1)</sup>	302	260	16 %	289	5 %	295	267	268
Bauxite production (kmt) <sup>2)</sup>	2,756	1,167	>100 %	2,660	4 %	8,230	6,084	8,640
Sourced bauxite (kmt) <sup>3)</sup>	1,472	2,051	(28) %	1,676	(12) %	4,251	4,880	6,231

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.

Adjusted EBITDA for Bauxite & Alumina increased compared to the third quarter of last year. Higher alumina sales prices and increased production volumes were partly offset by increased raw material prices. The increased production volumes in this quarter were due to reduced production in the third quarter of 2020 following extended pipeline maintenance of the pipeline transporting bauxite from Hydro's Paragominas bauxite mine to the Alunorte alumina refinery.

Compared to the second quarter of 2021 the adjusted EBITDA increased. Higher alumina sales prices and lower operational costs associated with the decommissioning of a crane used for unloading bauxite from ships, were partly offset by higher raw material prices.

Adjusted EBITDA for the first nine months of 2021 decreased compared to the same period in 2020. Higher energy prices were partly offset by higher alumina sales prices. In addition, a crane used for unloading bauxite from ships has been decommissioned, resulting in increased operational costs during the first nine months of 2021.

## Hydro Aluminium Metal

	Third quarter 2021	Third quarter 2020	Change prior year quarter	Second quarter 2021	Change prior quarter	First 9 months 2021	First 9 months 2020	Year 2020
<b>Operational and financial information<sup>1)</sup></b>								
Earnings before financial items, tax, depreciation and amortization (EBITDA) (NOK million)	1,642	467	>100 %	1,037	58 %	3,179	2,199	3,667
Adjusted EBITDA (NOK million)	4,263	404	>100 %	2,807	52 %	8,824	2,161	3,593
Adjusted EBITDA including Qatalum 50% pro rata (NOK million) <sup>2)</sup>	4,797	749	>100 %	3,229	49 %	10,244	3,293	5,087
Adjusted EBIT (NOK million)	3,684	(156)	>100 %	2,246	64 %	7,115	380	1,225
Realized aluminium price LME (USD/mt) <sup>3)</sup>	2,419	1,596	52 %	2,210	9 %	2,204	1,649	1,685
Realized aluminium price LME (NOK/mt) <sup>3)</sup>	20,910	14,712	45 %	18,528	14 %	18,785	15,706	15,870
Realized premium above LME (USD/mt) <sup>4)</sup>	449	211	>100 %	332	35 %	348	219	220
Realized premium above LME (NOK/mt) <sup>4)</sup>	3,878	1,946	99 %	2,780	40 %	2,963	2,090	2,077
Realized USD/NOK exchange rate	8.64	9.22	(6) %	8.38	3 %	8.52	9.52	9.42
Primary aluminium production (kmt)	573	522	10 %	561	2 %	1,673	1,559	2,091
Casthouse production (kmt)	560	508	10 %	553	1 %	1,647	1,490	2,013
Total sales (kmt)	583	548	6 %	594	(2) %	1,775	1,634	2,182

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) Adjustment to illustrate Aluminium Metal adjusted EBITDA as if Qatalum were proportionally consolidated, in which Share of the profit (loss) in equity accounted investments is substituted with share of the company's EBITDA.

3) Realized aluminium prices lag the LME price developments by approximately 1.5 - 2 months. Includes pricing effects from LME strategic hedging program

4) Average realized premium above LME for casthouse sales from Aluminium Metal.

	Third quarter 2021	Third quarter 2020	Change prior year quarter	Second quarter 2021	Change prior quarter	First 9 months 2021	First 9 months 2020	Year 2020
<b>Operational and financial information Qatalum (50%)</b>								
Revenue (NOK million)	1,873	1,228	53 %	1,646	14 %	5,017	4,254	5,733
Adjusted EBITDA (NOK million)	870	351	>100 %	703	24 %	2,184	1,203	1,748
Adjusted EBIT (NOK million)	582	61	>100 %	449	30 %	1,366	294	551
Net income (loss) (NOK million)	336	6	>100 %	513	(35) %	996	71	254
Adjusted Net income (loss) (NOK million)	336	6	>100 %	281	19 %	764	71	254
Primary aluminium production (kmt)	80	79	1 %	79	2 %	237	237	316
Casthouse sales (kmt)	76	78	(2) %	80	(4) %	236	245	326

Aluminium Metal reported a record high quarterly result in the third quarter of 2021, and the adjusted EBITDA was significantly higher than the same quarter last year. The increase was mainly due to higher all-in metal prices and higher volumes, partly offset by negative currency effects and higher raw material cost.

Compared to the second quarter of 2021, adjusted EBITDA for Aluminium Metal increased due to higher all-in metal prices, lower fixed cost and positive currency effects, partly offset by higher raw material cost.

Adjusted EBITDA for the first nine months of 2021 increased significantly compared to the same period in 2020, mainly due to higher all-in metal prices, higher volumes, partly offset by higher raw material cost, and negative currency effects.

## Hydro Metal Markets

<b>Operational and financial information</b>	<b>Third quarter 2021</b>	<b>Third quarter 2020</b>	<b>Change prior year quarter</b>	<b>Second quarter 2021</b>	<b>Change prior quarter</b>	<b>First 9 months 2021</b>	<b>First 9 months 2020</b>	<b>Year 2020</b>
Earnings before financial items, tax, depreciation and amortization (EBITDA) (NOK million)	<b>(56)</b>	420	>(100) %	333	>(100) %	<b>332</b>	659	913
Adjusted EBITDA Recycling (NOK million)	<b>132</b>	112	19 %	131	1 %	<b>353</b>	274	411
Adjusted EBITDA Commercial (NOK million)	<b>38</b>	122	(69) %	204	(81) %	<b>231</b>	315	464
Adjusted EBITDA Metal Markets (NOK million)	<b>170</b>	233	(27) %	335	(49) %	<b>583</b>	588	875
Currency effects	<b>30</b>	(50)	>100 %	4	>100 %	<b>(7)</b>	15	13
Inventory valuation effects	<b>(72)</b>	(15)	>(100) %	5	>(100) %	<b>(109)</b>	(15)	(23)
Adjusted EBITDA excl. currency and inventory valuation effects	<b>212</b>	297	(29) %	326	(35) %	<b>699</b>	589	884
Adjusted EBIT (NOK million)	<b>133</b>	198	(33) %	301	(56) %	<b>477</b>	480	728
Recycling production (kmt)	<b>132</b>	124	7 %	154	(14) %	<b>429</b>	348	488
Metal products sales excluding ingot trading (kmt) <sup>1)</sup>	<b>675</b>	642	5 %	735	(8) %	<b>2,152</b>	1,923	2,621
Hereof external sales (kmt)	<b>573</b>	526	9 %	607	(6) %	<b>1,768</b>	1,539	2,088

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

Adjusted EBITDA for Metal Markets declined in the third quarter compared to the same quarter last year due to reduced results from the sourcing and trading activities and negative inventory valuation effects, partly offset by improved results from the recyclers and positive currency effects.

Compared to the second quarter of 2021, adjusted EBITDA for Metal Markets declined due to lower results from the sourcing and trading activities, in addition to negative inventory valuation effects. This was partly offset by positive currency effects.

Adjusted EBITDA for the first nine months of 2021 was stable compared to the same period in 2020. Improved results from the recyclers and the sourcing and trading activities was offset by negative inventory valuation and currency effects.

## Hydro Extrusions

	Third quarter 2021	Third quarter 2020	Change prior year quarter	Second quarter 2021	Change prior quarter	First 9 months 2021	First 9 months 2020	Year 2020
<b>Operational and financial information</b>								
Earnings before financial items, tax, depreciation and amortization (EBITDA) (NOK million)	1,495	1,633	(8) %	1,840	(19) %	5,177	3,309	4,225
Adjusted EBITDA (NOK million)	1,457	1,412	3 %	1,830	(20) %	5,031	3,304	4,348
Adjusted EBIT (NOK million)	828	894	(7) %	1,266	(35) %	3,338	1,685	2,196
Sales volumes to external markets (kmt)	315	278	13 %	342	(8) %	995	807	1,099
<b>Sales volumes to external markets (kmt) - Business units</b>								
Extrusion Europe	129	113	14 %	147	(12) %	419	333	451
Extrusion North America	136	119	15 %	140	(2) %	414	345	465
Building Systems	20	19	6 %	22	(11) %	64	54	74
Precision Tubing	30	28	7 %	33	(9) %	98	75	108
Hydro Extrusions	315	278	13 %	342	(8) %	995	807	1,099

Adjusted EBITDA was largely stable compared to the same quarter last year mainly due to higher volumes, increased margins, partly offset by somewhat higher variable and fixed costs. In addition, results for the third quarter 2020 were positively impacted by insurance compensation of NOK 192 million related to the cyber-attack in 2019.

Compared to second quarter 2021 the adjusted EBITDA was lower mainly due to seasonally lower volumes and higher fixed and variable costs, partly mitigated by higher margins.

Adjusted EBITDA for the first nine months of 2021 increased compared the same period last year due to increased sales volumes and higher margins. Variable costs were lower, but this positive effect was offset by higher fixed costs due to increased maintenance and operations returning to normal levels. In addition, results for the first nine months of 2020 were positively impacted by insurance compensation of NOK 496 million related to the cyber-attack in 2019.

## Hydro Energy

<b>Operational and financial information</b>	<b>Third quarter 2021</b>	<b>Third quarter 2020</b>	<b>Change prior year quarter</b>	<b>Second quarter 2021</b>	<b>Change prior quarter</b>	<b>First 9 months 2021</b>	<b>First 9 months 2020</b>	<b>Year 2020</b>
Earnings before financial items, tax, depreciation and amortization (EBITDA) (NOK million)	<b>483</b>	186	>100 %	764	(37) %	<b>2,147</b>	797	6,529
Adjusted EBITDA (NOK million)	<b>465</b>	200	>100 %	761	(39) %	<b>2,067</b>	827	1,245
Adjusted EBIT (NOK million)	<b>417</b>	132	>100 %	713	(41) %	<b>1,922</b>	622	974
Power production (GWh)	<b>1,688</b>	3,161	(47) %	2,374	(29) %	<b>6,919</b>	8,126	11,522
External power sourcing (GWh)	<b>2,516</b>	2,463	2 %	2,413	4 %	<b>7,515</b>	7,314	10,014
Internal contract sales (GWh)	<b>4,452</b>	4,077	9 %	4,248	5 %	<b>12,762</b>	11,873	16,135
External contract sales (GWh)	<b>153</b>	146	5 %	204	(25) %	<b>612</b>	553	792
Net spot sales/(purchase) (GWh)	<b>(401)</b>	1,401	>(100) %	334	>(100) %	<b>1,059</b>	3,014	4,609

Adjusted EBITDA for Energy increased compared to the same quarter last year. The increase was mainly due to a significant change in the power contract portfolio including positive effects from the expiration of a legacy purchase contract, increased gain from price area differences and improved commercial results. This is partly offset by a negative impact from significantly lower production which resulted in net spot purchase in the third quarter. The gain from price area differences arises mainly due to production sold in Southwest Norway at higher prices than in Mid-Norway, where a significant share of our delivery commitment is.

Compared to the last quarter the Adjusted EBITDA decreased mainly due to lower production partly offset by an increased gain from price area differences.

Adjusted EBITDA for the first nine months of 2021 increased significantly compared to the same period last year. The increase was mainly due to higher prices, increased gain from price area differences, and a significant change in the power contract portfolio including positive effects from the expiration of a legacy purchase contract. This were partly offset by lower production, lower commercial results and higher production cost.

## Other and eliminations

<b>Financial information</b>	<b>Third quarter 2021</b>	<b>Third quarter 2020</b>	<b>Change prior year quarter</b>	<b>Second quarter 2021</b>	<b>Change prior quarter</b>	<b>First 9 months 2021</b>	<b>First 9 months 2020</b>	<b>Year 2020</b>
NOK million								
Earnings before financial items, tax, depreciation and amortization (EBITDA)	<b>50</b>	367	(86) %	(15)	>100 %	<b>(209)</b>	(274)	(625)
Other	<b>(68)</b>	(145)	53 %	(82)	17 %	<b>(294)</b>	(424)	(655)
Eliminations	<b>(124)</b>	417	>(100) %	92	>(100) %	<b>(122)</b>	19	(116)
Adjusted EBITDA	<b>(192)</b>	272	>(100) %	10	>(100) %	<b>(416)</b>	(405)	(771)

Other is mainly comprised of head office costs, and costs related to holding companies as well as earnings from Hydro's industrial insurance company.

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	Third quarter 2021	Third quarter 2020	Change prior year quarter	Second quarter 2021	Change prior quarter	First 9 months 2021	First 9 months 2020	Year 2020
Interest income	50	45	12 %	42	18 %	120	163	208
Dividends received and net gain (loss) on securities	9	22	(60) %	19	(56) %	39	27	82
Finance income	59	66	(12) %	62	(5) %	159	189	290
Interest expense	(254)	(263)	3 %	(219)	(16) %	(710)	(723)	(994)
Net foreign exchange gain (loss)	(622)	(1,528)	59 %	550	>(100) %	580	(5,149)	(3,800)
Net interest on pension liability	(4)	(4)	(15) %	(3)	(30) %	(11)	(8)	(19)
Other	(91)	(32)	>(100) %	(34)	>(100) %	(152)	(110)	(30)
Finance expense	(971)	(1,827)	47 %	294	>(100) %	(293)	(5,990)	(4,842)
Finance income (expense), net	(913)	(1,761)	48 %	355	>(100) %	(134)	(5,801)	(4,552)

For the third quarter, the net foreign exchange loss of NOK 622 million primarily reflects a loss from a weaker BRL versus USD affecting the USD denominated debt in Brazil.

For the first nine months of 2021, the net foreign exchange gain of NOK 580 million reflects a gain from a stronger NOK versus EUR, affecting the embedded derivatives in Norwegian power contracts and other liabilities denominated in EUR, and a loss from a weaker BRL versus USD affecting the USD denominated debt in Brazil.

# Tax

Income tax expense amounted to NOK 494 million for the third quarter of 2021, or about 30 percent of income before tax.

Income tax expense amounted to NOK 2,262 million for the first nine months of 2021, or about 30 percent of income before tax.



# Interim financial statements

## Condensed consolidated statements of income (unaudited)

NOK million, except per share data	Third quarter 2021	Third quarter 2020	First 9 months 2021	First 9 months 2020	Year 2020
Revenue	36,710	27,516	103,221	84,468	114,291
Share of the profit (loss) in equity accounted investments	280	24	867	68	223
Other income, net	577	616	1,276	1,731	7,414
<b>Total revenue and income</b>	<b>37,567</b>	<b>28,155</b>	<b>105,364</b>	<b>86,267</b>	<b>121,928</b>
Raw material and energy expense	23,701	16,546	64,039	51,078	68,953
Employee benefit expense	4,923	4,454	15,141	14,327	19,123
Depreciation and amortization expense	2,088	1,711	5,727	5,427	7,175
Impairment of non-current assets	14	75	143	1,916	1,979
Other expenses	4,308	3,477	12,512	10,987	15,343
<b>Total expenses</b>	<b>35,034</b>	<b>26,262</b>	<b>97,563</b>	<b>83,735</b>	<b>112,572</b>
<b>Earnings before financial items and tax (EBIT)</b>	<b>2,533</b>	<b>1,893</b>	<b>7,801</b>	<b>2,533</b>	<b>9,356</b>
Finance income	59	66	159	189	290
Finance expense	(971)	(1,827)	(293)	(5,990)	(4,842)
<b>Finance income (expense), net</b>	<b>(913)</b>	<b>(1,761)</b>	<b>(134)</b>	<b>(5,801)</b>	<b>(4,552)</b>
<b>Income (loss) before tax</b>	<b>1,620</b>	<b>132</b>	<b>7,667</b>	<b>(3,268)</b>	<b>4,804</b>
Income taxes	(494)	(242)	(2,262)	(72)	(918)
<b>Income (loss) from continuing operations</b>	<b>1,127</b>	<b>(111)</b>	<b>5,405</b>	<b>(3,340)</b>	<b>3,886</b>
Income (loss) from discontinued operations	(19)	(111)	8	(377)	(2,226)
<b>Net income (loss)</b>	<b>1,108</b>	<b>(221)</b>	<b>5,412</b>	<b>(3,717)</b>	<b>1,660</b>
Net income (loss) attributable to non-controlling interests	99	-	378	(437)	(185)
<b>Net income (loss) attributable to Hydro shareholders</b>	<b>1,009</b>	<b>(222)</b>	<b>5,034</b>	<b>(3,280)</b>	<b>1,845</b>
Basic and diluted earnings per share from continuing operations (in NOK) <sup>1) 2)</sup>	0.50	(0.05)	2.45	(1.42)	1.99
Basic and diluted earnings per share from discontinued operations (in NOK) <sup>1)</sup>	(0.01)	(0.05)	0	(0.18)	(1.09)
<b>Basic and diluted earnings per share attributable to Hydro shareholders (in NOK)<sup>1)</sup></b>	<b>0.49</b>	<b>(0.11)</b>	<b>2.46</b>	<b>(1.60)</b>	<b>0.90</b>
<b>Weighted average number of outstanding shares (million)</b>	<b>2,051</b>	<b>2,049</b>	<b>2,051</b>	<b>2,049</b>	<b>2,049</b>

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

2) Calculated using Income (loss) from continuing operations less Net income (loss) attributable to non-controlling interests. There are no non-controlling interests in Income from discontinued operations.

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

## Condensed consolidated statements of comprehensive income (unaudited)

NOK million	<b>Third quarter 2021</b>	Third quarter 2020	<b>First 9 months 2021</b>	First 9 months 2020	Year 2020
Net income (loss)	<b>1,108</b>	(221)	<b>5,412</b>	(3,717)	1,660
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified to income statement:</b>					
Remeasurement postemployment benefits, net of tax	<b>208</b>	(353)	<b>2,120</b>	(1,678)	(926)
Unrealized gain (loss) on securities, net of tax	<b>(42)</b>	80	<b>268</b>	(82)	(156)
Total	<b>166</b>	(273)	<b>2,387</b>	(1,760)	(1,081)
<b>Items that will be reclassified to income statement:</b>					
Currency translation differences, net of tax	<b>(1,360)</b>	(1,320)	<b>(852)</b>	(1,584)	(4,689)
Currency translation differences, net of tax, subsidiaries sold	<b>(24)</b>	-	<b>(578)</b>		
Cash flow hedges, net of tax	<b>(480)</b>	(154)	<b>(288)</b>	(99)	120
Share of items that will be reclassified to income statement of equity accounted investments, net of tax	-	-	<b>(137)</b>	-	-
Total	<b>(1,864)</b>	(1,474)	<b>(1,854)</b>	(1,683)	(4,568)
Other comprehensive income	<b>(1,698)</b>	(1,747)	<b>533</b>	(3,443)	(5,650)
Total comprehensive income	<b>(590)</b>	(1,968)	<b>5,946</b>	(7,160)	(3,990)
Total comprehensive income attributable to non-controlling interests	<b>(217)</b>	(169)	<b>254</b>	(1,030)	(867)
Total comprehensive income attributable to Hydro shareholders	<b>(373)</b>	(1,799)	<b>5,691</b>	(6,130)	(3,123)

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

## Condensed balance sheets (unaudited)

NOK million, except number of shares	September 30 2021	September 30 2020	December 31 2020
<b>Assets</b>			
Cash and cash equivalents	18,792	17,495	17,638
Short-term investments	7,020	5,399	4,091
Trade and other receivables	19,869	20,268	18,364
Inventories	18,966	19,288	19,492
Other current financial assets	854	553	470
<b>Total current assets</b>	<b>65,501</b>	<b>63,004</b>	<b>60,055</b>
Property, plant and equipment	54,642	68,657	64,245
Intangible assets	8,852	9,903	9,357
Investments accounted for using the equity method	17,661	12,048	17,288
Prepaid pension	8,268	5,959	7,064
Other non-current assets	10,010	6,295	6,398
<b>Total non-current assets</b>	<b>99,433</b>	<b>102,862</b>	<b>104,352</b>
<b>Total assets</b>	<b>164,934</b>	<b>165,865</b>	<b>164,408</b>
<b>Liabilities and equity</b>			
Bank loans and other interest-bearing short-term debt	4,186	6,915	4,748
Trade and other payables	20,219	17,865	18,948
Other current liabilities	7,058	3,660	5,352
<b>Total current liabilities</b>	<b>31,463</b>	<b>28,439</b>	<b>29,048</b>
Long-term debt	25,495	25,873	24,811
Provisions	4,270	6,144	5,605
Pension liabilities	9,489	19,679	19,167
Deferred tax liabilities	4,560	2,620	3,059
Other non-current liabilities	8,701	6,215	5,273
<b>Total non-current liabilities</b>	<b>52,516</b>	<b>60,531</b>	<b>57,916</b>
<b>Total liabilities</b>	<b>83,979</b>	<b>88,970</b>	<b>86,964</b>
Equity attributable to Hydro shareholders	77,535	73,833	74,279
Non-controlling interests	3,421	3,062	3,165
<b>Total equity</b>	<b>80,956</b>	<b>76,895</b>	<b>77,444</b>
<b>Total liabilities and equity</b>	<b>164,934</b>	<b>165,865</b>	<b>164,408</b>
Total number of outstanding shares (million)	2,051	2,049	2,049

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

## Condensed consolidated statements of cash flows (unaudited)

NOK million	Third quarter 2021	Third quarter 2020	First 9 months 2021	First 9 months 2020	Year 2020
<b>Operating activities</b>					
Net income (loss)	1,108	(221)	5,412	(3,717)	1,660
Loss (income) from discontinued operations	19	111	(8)	377	2,226
Depreciation, amortization and impairment	2,102	1,786	5,870	7,343	9,153
Other adjustments	(3,589)	2,325	(9,017)	3,442	(869)
Net cash provided by (used in) continuing operating activities	(360)	4,001	2,257	7,445	12,170
<b>Investing activities</b>					
Purchases of property, plant and equipment	(1,300)	(1,261)	(3,686)	(3,761)	(5,527)
Purchases of other long-term investments	(87)	(59)	(410)	(172)	(222)
Purchases of short-term investments	(1,000)	(500)	(2,000)	(5,480)	(6,480)
Proceeds from long-term investing activities	911	20	733	383	637
Proceeds from sales of short-term investments	-	500	3,500	1,300	3,985
Net cash used in continuing investing activities	(1,476)	(1,300)	(1,863)	(7,730)	(7,607)
<b>Financing activities</b>					
Loan proceeds	1,785	1,199	4,072	12,029	12,060
Loan repayments	(1,376)	(1,908)	(4,090)	(5,920)	(8,130)
Net decrease in other short-term debt	(17)	(28)	(206)	(261)	(221)
Proceeds from shares issued	14	7	37	20	25
Dividends paid	-	-	(2,564)	-	(2,628)
Net cash provided by (used in) continuing financing activities	406	(730)	(2,751)	5,868	1,106
Foreign currency effects on cash	(202)	(220)	(143)	(585)	(907)
Net cash provided by discontinued operations	277	359	3,654	211	590
Net increase (decrease) in cash and cash equivalents	(1,355)	2,110	1,154	5,209	5,352
Cash and cash equivalents at beginning of period	20,147	15,385	17,638	12,286	12,286
Cash and cash equivalents at end of period	18,792	17,495	18,792	17,495	17,638

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, 2020	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		(18)	49			32		32
Non-controlling interest in subsidiaries sold							(42)	(42)
Capital contributions in subsidiaries							2	2
Dividends							(16)	(16)
Total comprehensive income for the period				(3,280)	(2,850)	(6,130)	(1,030)	(7,160)
September 30, 2020	2,272	29,106	(662)	49,465	(6,347)	73,833	3,062	76,895
December 31, 2020	2,272	29,106	(662)	52,028	(8,464)	74,279	3,165	77,444
<i>Changes in equity for 2021</i>								
Treasury shares issued to employees		50	78			129		129
Capital contribution in subsidiaries							2	2
Items not reclassified to income statement in subsidiaries sold				(1,635)	1,635			
Dividends				(2,564)		(2,564)		(2,564)
Total comprehensive income for the period				5,034	657	5,691	254	5,946
September 30, 2021	2,272	29,156	(584)	52,863	(6,173)	77,535	3,421	80,956

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 - 2020.

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 - 2020 that are a part of Hydro's Annual Report - 2020.

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

Hydro has assessed the changes made to the CO<sub>2</sub> compensation scheme in Norway for the period 2021 to 2030. Not all elements of the updated regulations are approved by the relevant authorities as of the end of September. Based on the elements approved, Hydro has concluded that an estimated compensation for aluminium produced and sold in the first nine months can be recognized. An amount of compensation reflecting the remaining uncertainty has been recognized in the interim result.

## 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 - 2020 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. As of January 1, 2021, Hydro amended its definition of EBITDA. The measure does no longer exclude amortization and impairment of excess values in equity accounted investments. Hydro's definition of EBITDA now is Income (loss) before tax, financial income and expense, depreciation, amortization and write-downs, less investment grants. The adjustment to the definition is considered a simplification, and had an insignificant impact on reported amount for prior periods, which have not been restated.

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

NOK million	Third quarter 2021	Third quarter 2020	First 9 months 2021	First 9 months 2020	Year 2020
<b>Total revenue</b>					
Hydro Bauxite & Alumina	6,984	5,334	18,986	17,535	23,039
Hydro Aluminium Metal	9,964	8,228	28,384	25,701	34,404
Hydro Metal Markets	16,447	11,290	45,346	34,687	46,865
Hydro Extrusions	17,984	13,372	51,788	40,105	54,496
Hydro Energy	2,116	1,539	6,671	5,077	6,967
Other and eliminations	(16,784)	(12,247)	(47,954)	(38,638)	(51,479)
<b>Total</b>	<b>36,710</b>	<b>27,516</b>	<b>103,221</b>	<b>84,468</b>	<b>114,291</b>
<b>External revenue</b>					
Hydro Bauxite & Alumina	4,533	3,167	11,617	10,208	13,381
Hydro Aluminium Metal	310	1,632	1,693	4,993	7,039
Hydro Metal Markets	13,831	9,242	37,172	28,105	37,893
Hydro Extrusions	17,829	13,344	51,378	40,141	54,542
Hydro Energy	204	137	1,477	818	1,261
Other and eliminations	4	(7)	(116)	204	175
<b>Total</b>	<b>36,710</b>	<b>27,516</b>	<b>103,221</b>	<b>84,468</b>	<b>114,291</b>

NOK million	Third quarter 2021	Third quarter 2020	First 9 months 2021	First 9 months 2020	Year 2020
<b>Internal revenue</b>					
Hydro Bauxite & Alumina	2,452	2,168	7,369	7,328	9,658
Hydro Aluminium Metal	9,654	6,596	26,691	20,709	27,365
Hydro Metal Markets	2,616	2,047	8,174	6,581	8,972
Hydro Extrusions	154	28	410	(36)	(47)
Hydro Energy	1,912	1,402	5,194	4,259	5,706
Other and eliminations	(16,788)	(12,241)	(47,838)	(38,841)	(51,654)
Total	-	-	-	-	-
<b>Share of the profit (loss) in equity accounted investments</b>					
Hydro Bauxite & Alumina	-	-	-	-	-
Hydro Aluminium Metal	336	6	996	71	256
Hydro Metal Markets	-	-	-	-	-
Hydro Extrusions	-	-	-	-	-
Hydro Energy	(25)	(16)	(79)	(34)	(39)
Other and eliminations	(31)	34	(50)	31	7
Total	280	24	867	68	223
<b>Depreciation, amortization and impairment</b>					
Hydro Bauxite & Alumina	589	470	1,504	1,539	2,011
Hydro Aluminium Metal	756	589	2,186	2,374	2,992
Hydro Metal Markets	37	35	108	108	149
Hydro Extrusions	645	597	1,845	3,198	3,785
Hydro Energy	48	64	145	194	260
Other and eliminations	27	30	82	(70)	(43)
Total	2,102	1,786	5,870	7,343	9,153
<b>Earnings before financial items and tax (EBIT) <sup>1)</sup></b>					
Hydro Bauxite & Alumina	407	108	1,458	1,561	1,672
Hydro Aluminium Metal	909	(93)	1,064	(86)	794
Hydro Metal Markets	(93)	385	225	551	766
Hydro Extrusions	852	1,038	3,342	118	449
Hydro Energy	435	118	2,002	592	6,258
Other and eliminations	23	337	(291)	(204)	(582)
Total	2,533	1,893	7,801	2,533	9,356

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	Third quarter 2021	Third quarter 2020	First 9 months 2021	First 9 months 2020	Year 2020
<b>Earnings before financial items, tax, depreciation and amortization (EBITDA)</b>					
Hydro Bauxite & Alumina	996	578	2,962	3,100	3,683
Hydro Aluminium Metal	1,642	467	3,179	2,199	3,667
Hydro Metal Markets	(56)	420	332	659	913
Hydro Extrusions	1,495	1,633	5,177	3,309	4,225
Hydro Energy	483	186	2,147	797	6,529
Other and eliminations	50	367	(209)	(274)	(625)
<b>Total</b>	<b>4,610</b>	<b>3,651</b>	<b>13,588</b>	<b>9,790</b>	<b>18,390</b>
<b>Investments <sup>1)</sup></b>					
Hydro Bauxite & Alumina	838	486	1,419	1,019	1,685
Hydro Aluminium Metal	604	515	1,997	1,917	2,887
Hydro Metal Markets	61	24	109	86	148
Hydro Extrusions	350	321	943	988	1,549
Hydro Energy	86	23	401	92	6,961
Other and eliminations	18	28	46	69	92
<b>Total</b>	<b>1,957</b>	<b>1,396</b>	<b>4,916</b>	<b>4,171</b>	<b>13,324</b>

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. Investments in entities reported as assets held for sale are excluded. Investments in Energy in the fourth quarter of 2020 includes the non-cash contribution of businesses to the newly formed associate Lyse Kraft DA by NOK 6,805 million.

NOK million	EBIT	Depr., amor. and impairment	Investment grants	EBITDA
<b>EBIT - EBITDA Third quarter 2021</b>				
Hydro Bauxite & Alumina	407	589	-	996
Hydro Aluminium Metal	909	756	(23)	1,642
Hydro Metal Markets	(93)	37	-	(56)
Hydro Extrusions	852	645	(2)	1,495
Hydro Energy	435	48	-	483
Other and eliminations	23	27	-	50
<b>Total</b>	<b>2,533</b>	<b>2,102</b>	<b>(25)</b>	<b>4,610</b>

NOK million	EBIT	Depr., amor. and impairment	Investment grants	EBITDA
<b>EBIT - EBITDA First 9 months 2021</b>				
Hydro Bauxite & Alumina	1,458	1,504	-	2,962
Hydro Aluminium Metal	1,064	2,186	(71)	3,179
Hydro Metal Markets	225	108	(1)	332
Hydro Extrusions	3,342	1,845	(10)	5,177
Hydro Energy	2,002	145	-	2,147
Other and eliminations	(291)	82	-	(209)
<b>Total</b>	<b>7,801</b>	<b>5,870</b>	<b>(82)</b>	<b>13,588</b>

### 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 – 2020. There is no information indicating a significant change to Hydro's contingent liabilities since the issuance of Hydro's 2020 Annual financial statements.



## Note 4: Discontinued operations and assets held for sale

Hydro entered into an agreement to sell Hydro Rolling to KPS Capital Partners on March 5, 2021. The transaction was completed on June 1. The sold business comprises the Hydro Rolling segment, and related pension liabilities and certain support functions reported as part of Other activities. The transaction was subject to approval in the EU and certain other jurisdictions. The assets and liabilities in the Rolling business were reported as *Assets held for sale* and *Liabilities in disposal groups* as of the beginning of March 2021 until completion of the transaction. The results of operations in the divested businesses are reported separately under the caption *Discontinued operations* for the current and all prior periods. The gain on sale of the business is also reported in this line item. No interest expense related to loans has been allocated to discontinued operations. Cash flows from discontinued operations are presented separately.

Sales from Hydro to the discontinued operations mainly represent aluminium sheet ingot and liquid aluminium as well as alumina and power delivered from Hydro's continued business to the rolling operations, priced with reference to observable market prices. These elements of cost are included in the result from discontinued operations as such costs are required to achieve the sales reported for the discontinued operations. Most of the supply arrangements will continue under the same or similar terms according to the sales contract for the business. Further, Hydro has charged the discontinued business for certain shared services and other expenses incurred jointly, which remains charged to the discontinued operations, while shared administration costs and other corporate charges are not included in the discontinued operations. Depreciations stopped at reclassification to held for sale, i.e. early March, as required by IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Depreciation expenses in the business held for sale has amounted to about NOK 90 million each month.

An impairment loss of NOK 1.9 billion for the asset group held for sale was recognized at the end of 2020. The asset group was assessed for possible further impairment at the end of the first quarter. The asset group was written down by an additional NOK 850 million to its estimated fair value less cost of disposal, primarily as a result of positive results in the interim period and positive remeasure effects for pension liabilities following the increased discount rates. As the transaction price was determined when the contract was entered into in March, results and value changes were for the risk of the acquirer. Direct costs related to the sales effort, completion of the transaction and separation of the business have been charged to discontinued operations, including an adjustment of NOK 19 million recognized in the third quarter. The gain on the sale was reduced to NOK 75 million including recycling of an accumulated currency gain of NOK 554 million. Certain debt and receivable positions were settled during the third quarter. The final consideration is subject to certain potential adjustments, mainly related to transfer taxes for which Hydro has assumed the responsibility.

### Summary of financial data for discontinued operations

NOK million	Third quarter 2021	Third quarter 2020	First 9 months 2021	First 9 months 2020	Year 2020
Revenue	-	5,698	11,637	17,902	24,026
Depreciation, amortization and impairment	-	300	178	897	3,099
Other expenses	-	5,515	10,330	17,305	23,187
Earnings before financial items and tax	-	(71)	1,149	(71)	(2,024)
Financial income (expense), net	-	(26)	40	(278)	(171)
Income (loss) before tax	-	(97)	1,189	(349)	(2,195)
Income tax expense	-	14	407	28	31
Income (loss) from discontinued operations	-	(111)	783	(377)	(2,226)
Impairment of discontinued operations	-	-	850	-	-
Gain on disposal (net of tax)	(19)	-	75	-	-
Gain (loss) from discontinued operations	(19)	(111)	8	(377)	(2,226)
Net cash provided by (used in) operating activities	-	518	(902)	626	1,345
Net cash provided by (used in) investing activities	277	(151)	4,567	(388)	(718)
Net cash used in financing activities	-	(8)	(13)	(27)	(37)
Foreign currency effects on cash	-	-	2	-	-
Net cash provided by discontinued operations	277	359	3,654	211	590

## 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 adjusting for items that, in Hydro's view, does not give an indication of the periodic operating results or cash flows of Hydro, or should be assessed in a different context than its classification according to its nature. 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 adjusted EBITDA in the discussions on periodic adjusted financial and operating results and liquidity from the business areas and the group, while adjusting effects excluded to EBITDA, EBIT and net income (loss) are discussed separately. Financial APMs should not be considered as a substitute for measures of performance in accordance with IFRS. Disclosures of APMs are subject to established internal control procedures.

### Hydro's financial APMs

- *EBIT*: Income (loss) before tax, financial income and expense.
- *Adjusted EBIT*: EBIT +/- identified adjusting items to EBIT as described below.
- *EBITDA*: EBIT + depreciation, amortization and impairments, net of investment grants.
- *Adjusted EBITDA*: EBITDA +/- identified adjusting items to EBITDA as described below.
- *Adjusted net income (loss) from continuing operations*: Net income (loss) from continuing operations +/- adjusting items to net income (loss) as described below.
- *Adjusted earnings per share from continuing operations*: Adjusted net income (loss) from continuing operations attributable to Hydro shareholders divided by weighted average number 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 for continuing operations.
- *Net cash (debt)*: Short- and long-term interest-bearing debt and Hydro's liquidity positions
- *Adjusted net cash (debt)*: Net cash (debt) adjusted for liquidity positions regarded unavailable for servicing debt, pension obligation and other obligations which are considered debt-like in nature.
- Aluminium Metal specific adjustment to EBITDA:
  - *Qatalum 50% pro rata* represent an adjustment to illustrate Hydro's share of EBITDA in Qatalum rather than Hydro's share of net income in Qatalum. The adjustment reflects the relevant elements of Qatalum's results as included in Hydro's income statement.
- Metal Markets specific adjustments to EBITDA:
  - *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.

### Adjusting items to EBITDA, EBIT, net income (loss) and earnings per share

Hydro has defined two categories of items which are adjusted to 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. When realized, effects of changes in the market values since the inception are included in adjusted EBITDA and adjusted EBIT. Changes in the market value of trading portfolios are included in adjusted 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, effects of disposals of businesses and operating assets, major impairments of property, plant and equipment, as well as other major effects of a special nature, and realized effects of currency derivatives entered into for risk management purposes. Materiality is defined as items with a value above NOK 20 million. All adjusting items to results are reflecting a reversal of transactions or other effects recognized in the financial statements for the current period. 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 future expected sales and purchase transactions, both fixed-price customer and supplier contracts and transactions at not yet determined market prices. 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 risk management purposes, as well as elimination of changes in fair value of embedded derivatives within certain internal power contracts.
- *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 adjusted results.
- *Significant community contributions Brazil* refers to the provision recognized in relation to Alunorte's TAC and TC agreements with the Government of Pará and Ministério Público made on September 5, 2018, including later cost adjustments and certain similar agreements.
- *Other effects* include insurance proceeds covering asset damage, legal settlements, etc. Insurance proceeds covering lost income or expenses incurred in the same or a prior period are included in adjusted results.
- *Pension* includes recognition of pension plan amendments and related curtailments and settlements.
- *Transaction related effects* reflect the (gains) losses on divested of businesses and individual assets, the net remeasurement (gains) losses relating to previously owned shares in acquired business as well as inventory valuation expense related to acquisitions.
- *Adjusting items in equity accounted investments* reflects Hydro's share of items excluded from adjusted 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.
- *Impairment charges (PP&E, intangible assets 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 also adjusted for.
- *Realized foreign exchange gain (loss) on risk management instruments* represents such items as foreign currency derivatives entered into and managed to mitigate currency risk in the production margin, i.e. the difference between sales price for products such as aluminium or alumina versus the cost of raw materials and energy used in production. Realized embedded currency derivatives in certain power contracts in Norway denominated in Euro are also adjusted for. Such currency effects are included in currency gains and losses in finance expense in the income statement, and included in adjusted EBITDA and adjusted EBIT.
- *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 and forward currency contracts purchasing and selling currencies that hedge net future cash flows from operations, sales contracts and operating capital, with the exceptions of the realized foreign currency exchange gain (loss) on risk management instruments mentioned above.
- *Calculated income tax effect*: In order to present adjusted net income from continuing operations on a basis comparable with our adjusted operating performance, the adjusted income taxes include adjustments for the expected taxable effects on adjusting items to income before tax.
- *Other adjustments to net income from continuing operations* include other major financial and tax related effects not regarded as part of the business performance of the period.

<b>Adjusting items to EBITDA and EBIT per operating segment and for Other and eliminations <sup>1)</sup></b> NOK million	<b>Third quarter 2021</b>	Third quarter 2020	Second quarter 2021	<b>First 9 months 2021</b>	First 9 months 2020	Year 2020
Community contributions Brazil <sup>2)</sup>	202	-	-	202	129	129
Unrealized derivative effects on raw material contracts	(143)	-	(84)	(254)	-	5
<b>Hydro Bauxite &amp; Alumina</b>	<b>59</b>	-	(84)	<b>(52)</b>	129	134
Unrealized derivative effects on LME related contracts	2,764	(198)	1,740	5,760	(61)	(160)
Unrealized derivative effects on power contracts	(122)	165	104	16	65	218
Significant rationalization charges and closure costs <sup>3)</sup>	13	-	184	197	-	-
Net foreign exchange (gain)/loss <sup>4)</sup>	(35)	-	(26)	(97)	-	-
Other effects <sup>5)</sup>	-	(30)	(232)	(232)	(42)	(131)
<b>Hydro Aluminium Metal</b>	<b>2,621</b>	(63)	1,770	<b>5,645</b>	(38)	(74)
Unrealized derivative effects on LME related contracts	226	(187)	1	251	(71)	(38)
<b>Hydro Metal Markets</b>	<b>226</b>	(187)	1	<b>251</b>	(71)	(38)
Unrealized derivative effects on LME related contracts	20	(201)	(106)	(184)	(73)	(129)
Unrealized derivative effects on power contracts	(52)	-	-	(52)	-	-
Significant rationalization charges and closure costs <sup>6)</sup>	17	(20)	95	112	118	187
Transaction related effects <sup>7)</sup>	(23)	-	-	(23)	(51)	(37)
Other effects <sup>8)</sup>	-	-	-	-	-	101
<b>Hydro Extrusions</b>	<b>(38)</b>	(220)	(10)	<b>(147)</b>	(6)	123
Unrealized derivative effects on power contracts	(22)	14	(9)	(50)	30	25
(Gains)/losses on divestments <sup>9)</sup>	-	-	-	(45)	-	(5,308)
Net foreign exchange (gain)/loss <sup>4)</sup>	5	-	6	15	-	-
<b>Hydro Energy</b>	<b>(18)</b>	14	(3)	<b>(80)</b>	30	(5,283)
Unrealized derivative effects on power contracts <sup>10)</sup>	-	(19)	-	-	(57)	(76)
Unrealized derivative effects on LME related contracts <sup>10)</sup>	(6)	(7)	10	4	(6)	(8)
(Gains)/losses on divestments <sup>11)</sup>	(231)	(65)	-	(231)	(65)	(62)
Net foreign exchange (gain)/loss <sup>4)</sup>	(5)	-	16	20	-	-
<b>Other and eliminations</b>	<b>(242)</b>	(95)	25	<b>(207)</b>	(131)	(146)
<b>Adjusting items to EBITDA</b>	<b>2,608</b>	(551)	1,698	<b>5,410</b>	(86)	(5,284)
<b>Impairment charges</b>						
Hydro Aluminium Metal <sup>12)</sup>	-	-	-	-	504	504
Hydro Extrusions <sup>13)</sup>	14	77	7	143	1,573	1,625
Other and eliminations <sup>11)</sup>	-	-	-	-	(161)	(161)
Depreciation <sup>14)</sup>	154	-	151	406	-	-
<b>Adjusting items to EBIT</b>	<b>2,776</b>	(474)	1,857	<b>5,959</b>	1,830	(3,316)

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

2) Community agreements includes 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) Rationalization and closure costs related to planned closure of Aluchemie.

4) Realized currency gains and losses from risk management contracts and embedded currency derivatives in physical power and raw material prices.

5) Other effects in Hydro Aluminium Metal in second quarter 2021 excludes the recognized deferred tax asset in Qatalum after the end of the tax holiday period. Other effects in Hydro Aluminium Metal in 2020 relates to an insurance refunds for property damage at Albras.

6) Significant rationalization and closure costs include provisions for costs related to reduction of overcapacity, closures and environmental clean-up activities in Hydro Extrusions.

7) Transaction related effects relate to divestments of Hydro Extrusions plants.

8) Other effects in Hydro Extrusions in 2020 include an environmental provision of NOK 101 million related to a closed site.

9) Divestment gain in Hydro Energy in 2021 relates to the lower level of influence in Kyoto Group, which is now traded at the multilateral trading facility Euronext Growth Market, Oslo, for which equity accounting has ended. The gain in 2020 represent the gain on contributing the Røldal Suldal power assets to Lyse Kraft DA, which is partly owned by Hydro. The gain is net of the unrealized share equal to Hydro's retained ownership interest of 25.6 percent, which is eliminated.

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) Reversal of gain of sales of properties in Germany in 2020 and 2021. The property sold in 2020 was previously impaired, and the impairment was reversed when the property was sold.

12) Impairment charges in Hydro Aluminium Metal reflect write downs related to the Slovalco smelter.

13) Impairment charges include impairments of various assets, including goodwill, in Hydro Extrusions.

14) Excess depreciation related to the anode producer Aluchemie which is expected to close at the end of 2021.

Adjusted earnings per share from continuing operations NOK million	Third quarter 2021	Third quarter 2020	Change prior year quarter	Second quarter 2021	Change prior quarter	First 9 months 2021	First 9 months 2020	Year 2020
Net income (loss) from continuing operations	1,127	(111)	>100 %	2,397	(53) %	5,405	(3,340)	3,886
Adjusting items to net income (loss) from continuing operations <sup>1)</sup>	2,371	718	>100 %	752	>100 %	3,690	5,100	(1,038)
Adjusted net income (loss) from continuing operations	3,498	607	>100 %	3,150	11 %	9,095	1,759	2,848
Adjusted net income attributable to non-controlling interests from continuing operations	212	27	>100 %	176	20 %	482	34	150
Adjusted net income from continuing operations attributable to Hydro shareholders	3,285	580	>100 %	2,973	10 %	8,613	1,726	2,698
Number of shares	2,051	2,049	-	2,051	-	2,051	2,049	2,049
Adjusted earnings per share from continuing operations	1.60	0.28	>100 %	1.45	10 %	4.20	0.84	1.32

1) Adjusting items to net income (loss) consist of the Adjusting items to EBIT specified on the previous page. In addition, a compensation received of NOK 128 million related to a financial claim for which there has been a legal dispute over several years was adjusted in the fourth quarter of 2020. These items are net of calculated tax effects, for most items based on a 30 percent standardized tax rate.

Adjusted net cash (debt) NOK million <sup>1)</sup>	Sep 30 2021	Jun 30 2021	Change prior quarter	Sep 30 2020	Jun 30 2020	Change prior year quarter
Cash and cash equivalents	18,792	20,147	(1,355)	17,495	15,385	2,110
Short-term investments <sup>2)</sup>	7,020	3,607	3,413	5,399	5,110	289
Short-term debt	(4,186)	(4,183)	(3)	(6,915)	(7,094)	179
Long-term debt	(25,495)	(24,562)	(933)	(25,873)	(26,595)	722
Collateral for long-term liabilities	2,647	1,417	1,230	28	29	(1)
Net cash (debt)	(1,221)	(3,574)	2,353	(9,866)	(13,165)	3,299
Reversal of collateral for short-term and long-term liabilities <sup>3)</sup>	(6,305)	(3,156)	(3,149)	(402)	(123)	(278)
Cash and cash equiv. and short-term investm. in captive insurance company <sup>4)</sup>	(1,072)	(1,059)	(13)	(915)	(898)	(18)
Net pension obligation at fair value, net of expected income tax benefit <sup>5)</sup>	648	373	275	(11,569)	(11,127)	(442)
Short- and long-term provisions net of expected income tax benefit, and other liabilities <sup>6)</sup>	(2,570)	(2,815)	245	(3,711)	(3,865)	154
Adjusted net cash (debt)	(10,520)	(10,231)	(290)	(26,463)	(29,178)	2,715

1) Previous periods have been re-presented following a change to the net debt definition implemented in the second quarter 2021.

2) 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.

3) Collateral provided as cash, mainly related to strategic and operational hedging activities

4) 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.

5) The expected income tax benefit related to the pension liability is NOK 1869 million and NOK 1947 million for September 2021 and June 2021, respectively.

6) 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.

# Additional Information

## Financial calendar

December 13 Capital Markets Day

### 2022

February 22 Annual report including fourth quarter results

May 3 First quarter results

May 10 Annual General Meeting

July 22 Second quarter results

October 25 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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