



Second 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, July 22, 2021

# Overview

## Summary of financial and operating results and liquidity

<b>Key financial information</b> NOK million, except per share data	<b>Second quarter 2021</b>	Second quarter 2020	Change prior year quarter	First quarter 2021	Change prior quarter	<b>First half 2021</b>	First half 2020	Year 2020
Revenue	<b>34,559</b>	25,343	36 %	31,951	8 %	<b>66,510</b>	56,952	114,291
Earnings before financial items, tax, depreciation and amortization (EBITDA)	<b>4,899</b>	2,032	>100 %	4,079	20 %	<b>8,978</b>	6,139	18,390
Adjustments to EBITDA <sup>1)</sup>	<b>1,698</b>	762	>100 %	1,103	54 %	<b>2,802</b>	465	(5,284)
Adjusted EBITDA <sup>1)</sup>	<b>6,598</b>	2,794	>100 %	5,182	27 %	<b>11,780</b>	6,604	13,106
<i>Adjusted EBITDA :</i>								
Hydro Bauxite & Alumina	<b>855</b>	1,550	(45) %	999	(14) %	<b>1,854</b>	2,652	3,817
Hydro Aluminium Metal	<b>2,807</b>	560	>100 %	1,754	60 %	<b>4,561</b>	1,757	3,593
Hydro Metal Markets	<b>335</b>	58	>100 %	78	>100 %	<b>413</b>	355	875
Hydro Extrusions	<b>1,830</b>	649	>100 %	1,744	5 %	<b>3,574</b>	1,891	4,348
Hydro Energy	<b>761</b>	122	>100 %	841	(10) %	<b>1,602</b>	627	1,245
Other and eliminations	<b>10</b>	(144)	>100 %	(234)	>100 %	<b>(224)</b>	(677)	(771)
Adjusted EBITDA : <sup>1)</sup>	<b>6,598</b>	2,794	>100 %	5,182	27 %	<b>11,780</b>	6,604	13,106
Earnings before financial items and tax (EBIT) <sup>2)</sup>	<b>3,034</b>	(1,588)	>100 %	2,233	36 %	<b>5,267</b>	640	9,356
Adjusted EBIT <sup>1)</sup>	<b>4,891</b>	1,000	>100 %	3,559	37 %	<b>8,450</b>	2,943	6,040
Net income (loss) from continuing operations	<b>2,397</b>	(1,487)	>100 %	1,880	27 %	<b>4,278</b>	(3,230)	3,886
Adjusted net income (loss) from continuing operations <sup>1)</sup>	<b>3,150</b>	318	>100 %	2,448	29 %	<b>5,597</b>	1,152	2,848
Net income (loss) from discontinued operations <sup>3)</sup>	<b>407</b>	16	>100 %	(380)	>100 %	<b>27</b>	(266)	(2,226)
Earnings per share from continuing operations	<b>1.06</b>	(0.62)	>100 %	0.89	19 %	<b>1.95</b>	(1.36)	1.99
Adjusted earnings per share from continuing operations <sup>1)</sup>	<b>1.45</b>	0.17	>100 %	1.15	26 %	<b>2.60</b>	0.56	1.32
<i>Financial data:</i>								
Investments <sup>1) 2)</sup>	<b>1,689</b>	1,312	29 %	1,270	33 %	<b>2,959</b>	2,775	13,324
Net cash (debt) <sup>1)</sup>	<b>(3,574)</b>	(13,165)	73 %	(8,278)	57 %	<b>(3,574)</b>	(13,165)	(7,795)
Adjusted net cash (debt) <sup>1)</sup>	<b>(10,231)</b>	(29,178)	65 %	(12,723)	20 %	<b>(10,231)</b>	(29,178)	(23,297)
<b>Key Operational information</b>								
	<b>Second quarter 2021</b>	Second quarter 2020	Change prior year quarter	First quarter 2021	Change prior quarter	<b>First half 2021</b>	First half 2020	Year 2020
Bauxite production (kmt) <sup>4)</sup>	<b>2,660</b>	2,332	14 %	2,813	(5) %	<b>5,473</b>	4,917	8,640
Alumina production (kmt)	<b>1,586</b>	1,442	10 %	1,540	3 %	<b>3,126</b>	2,973	5,457
Realized alumina price (USD/mt) <sup>5)</sup>	<b>289</b>	261	11 %	294	(2) %	<b>292</b>	270	268
Primary aluminium production (kmt)	<b>561</b>	509	10 %	539	4 %	<b>1,100</b>	1,037	2,091
Realized aluminium price LME (USD/mt)	<b>2,236</b>	1,579	42 %	1,993	12 %	<b>2,111</b>	1,676	1,685
Realized USD/NOK exchange rate	<b>8.38</b>	9.93	(16) %	8.53	(2) %	<b>8.45</b>	9.67	9.42
Hydro Extrusions sales volumes to external market (kmt)	<b>342</b>	224	52 %	338	1 %	<b>680</b>	529	1,099
Power production (GWh)	<b>2,374</b>	2,097	13 %	2,857	(17) %	<b>5,231</b>	4,965	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 for April and May 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 second quarter 2021

Hydro's adjusted EBITDA for the second quarter of 2021 was NOK 6,598 million, compared with NOK 2,794 million for the same quarter last year. Higher all-in metal prices and volumes in Hydro Aluminium Metal, 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.

Our top priority is the health and safety of our people and the communities where we operate. Hydro's operations have been operating largely as normal during the quarter, and we continue to support the local communities in management of the pandemic.

The second quarter saw a continuation of the global recovery which began in late 2020. The global economic outlook continues to improve, supported by progress on vaccination and fewer new cases of covid-19. As a result, global demand for aluminium increased, and the primary aluminium market for 2021 is expected to remain largely balanced.

During the quarter, the London Metal Exchange cash price for aluminium traded at its highest level in close to a decade, and the strong demand dynamics have also improved premiums. These factors have supported the record high result in Aluminium Metal of NOK 2,807 million in adjusted EBITDA. Aluminium Metal has also completed the ramp-up of Husnes during the second quarter. The plant is now back at full capacity of 195,000 mt for the first time in over a decade.

Extrusions achieved record results in the second quarter, topping the previous record set in the first quarter 2021. The results were driven by strong volume growth, improved margins, and continued cost savings from improvement program initiatives. The quarter saw sustained momentum in automotive in Europe and solid growth in the industrial segment and residential building & construction. To further improve performance and cash generation in Extrusions, investment decisions have been made to invest in new press capacity in Cressona, US and Nenzing, Austria. The investments will improve performance and increase capacity by around 30,000 mt and grow volumes in attractive segments, including transportation, engineering and building & construction.

Strong performance in Extrusions is the main driver for being ahead of the 2025 improvement program target of NOK 7.4 billion, where NOK 5.1 billion is targeted by the end of 2021, compared to the baseline of 2018.

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. On March 5, 2021, Hydro entered into an agreement to sell its Hydro Rolling business to KPS Capital Partners, and the sale was completed on June 1, 2021. The total enterprise value for Hydro Rolling, including the Bonn property sold to Cube Real Estate, was EUR 1,407 million. The sale strengthens Hydro's ability to deliver on its strategic direction.

Sustainability is one of our competitive advantages and a key enabler for successfully delivering on our 2025 strategy. During the second quarter, Hydro Bauxite & Alumina received the license to operate its advanced bauxite residue deposit DRS2, which will reduce the required storage area for bauxite tailings. In addition, Bauxite & Alumina also signed an agreement with the University of São Paulo to research more-sustainable alternatives for bauxite waste in civil construction.

Furthering our sustainability agenda, recycling will play a vital part in the transition towards a low-carbon economy. During the quarter, Aluminium Metal signed a letter of intent with Midwest Energy and Communications to build an aluminium recycling plant in Michigan, United States, a key step in reaching Hydro's ambition of doubling recycling of post-consumer scrap by 2025. The facility is projected to produce 120 000 mt of aluminium per year from 2023 and marks the first large scale production of low carbon Hydro CIRCAL in North America. In addition, investment decisions to increase recycling capacity by a total of 65,000 mt have been taken at our operations in Sjunnen in Sweden, Navarra in Spain, and Rackwitz in Germany.

Hydro has also explored growth opportunities and partnerships in new energy during the quarter. Hydro's dedicated company for renewables development, Hydro REIN, and Swedish wind developer Eolus agreed to acquire Stor-Skälsjön, a licensed wind power project in Sweden totaling 260 MW. Hydro REIN, along with Equinor and RWE Renewables, has also signed a collaboration agreement to prepare and submit an application to develop a large-scale fixed bottom offshore wind farm in the Norwegian North Sea (Sørlige Nordsjø II).

Hydro sees a substantial potential for industrial hydrogen consumption, which will help reduce our CO2 emissions. In the second quarter, Hydro's newly established hydrogen company signed a Memorandum of Understanding with Everfuel. The two companies will use the capacity in future Hydro-owned or jointly owned hydrogen production facilities to supply the maritime sector, industry and the green mobility market in Europe with renewable hydrogen.

Hydro's strong shareholder focus and commitment to paying a predictable dividend continues in 2021. Hydro's Board of Directors' proposal to pay a dividend of NOK 1.25 per share for 2020 was approved at the Annual General Meeting and paid to shareholders on May 19, 2021, amounting to 95 percent of adjusted net income. Hydro's dividend policy remains to pay out a minimum of 50 percent of adjusted net income over the cycle with a NOK 1.25 per share dividend floor. The policy, which was updated in 2021, reflects Hydro's ambition to lift performance and cash returns for shareholders.

Compared to the first quarter 2021, Hydro's adjusted EBITDA increased from NOK 5,182 million to NOK 6,598 million in second quarter 2021. Higher all-in metal prices in Hydro Aluminium Metal, higher results in Metal Markets, and higher margins and volumes in Hydro Extrusions contributed to the improvement. This improvement was partly offset by higher raw material costs upstream, lower realized alumina prices, and lower Energy production.

Adjusted EBITDA for the first half of 2021 increased, compared to the same period last year. Higher all-in metal prices and volumes in Hydro Aluminium Metal, 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.

Net income from continuing operations amounted to NOK 2,397 million in the second quarter. In addition to the factors described above, Net income from continuing operations included a net foreign exchange gain of NOK 550 million and a NOK 1,646 million unrealized loss on LME related contracts.

To provide a better view of Hydro's financial solidity at the balance sheet date and increase transparency, Hydro has reviewed the definitions of Net cash (debt) and Adjusted net cash (debt). The Net cash (debt) definition has been changed to include cash collateral for long-term liabilities, compared to only cash collateral for short-term liabilities in previous definition. The Adjusted net cash (debt) definition has been updated to not include cash collateral for short- and long-term liabilities. With these changes, increases or decreases in cash collateral will not impact Hydro's net cash (debt) but will be reflected in Adjusted net cash (debt). Information for previous periods have been re-presented accordingly.

Hydro's net debt<sup>1</sup> position decreased from NOK 8.3 billion to NOK 3.6 billion at the end of the quarter. Net cash provided by operating activities excluding changes in short-term and long-term collateral amounted to NOK 4.0 billion. Net cash used in investment activities, excluding short term investments, amounted to NOK 1.6 billion.

Hydro held NOK 20.1 billion in cash and cash equivalents and NOK 0.9 billion in money market funds, included in short-term investments, at the end of the second quarter. 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.

## 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.

Adjusting items to EBITDA, EBIT and net income <sup>1)</sup>	Second quarter 2021	Second quarter 2020	First quarter 2021	First half 2021	First half 2020	Year 2020
NOK million						
Unrealized derivative effects on LME related contracts	1,646	572	1,181	2,827	382	(336)
Unrealized derivative effects on power and raw material contracts	10	62	(11)	(1)	(121)	171
Significant rationalization charges and closure costs	279	134	-	279	138	187
Alunorte agreements - provision	-	-	-	-	129	129
Transaction related effects	-	6	(45)	(45)	(51)	(5,407)
Net foreign exchange (gain) loss	(5)	-	(22)	(27)	-	-
Other effects	(232)	(12)	-	(232)	(12)	(30)
Adjusting items to EBITDA <sup>2)</sup>	1,698	762	1,103	2,802	465	(5,284)
Impairment charges	7	1,826	122	129	1,839	1,968
Depreciation	151	-	101	252	-	-
Adjusting items to EBIT	1,857	2,588	1,326	3,183	2,304	(3,316)
Net foreign exchange (gain)/loss	(550)	(563)	(653)	(1,202)	3,621	3,800
Other finance (income) expense	-	-	-	-	-	(128)
Calculated income tax effect	(555)	(221)	(106)	(661)	(1,543)	(1,393)
Adjusting items to net income from continuing operations	752	1,805	567	1,320	4,382	(1,038)
Income (loss) tax rate	29%	(24)%	29%	29%	5%	19%
Adjusted income (loss) tax rate	33%	61%	26%	30%	54%	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.

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

# Market developments and outlook

<b>Market statistics<sup>1)</sup></b>	<b>Second quarter 2021</b>	Second quarter 2020	Change prior year quarter	First quarter 2021	Change prior quarter	<b>First half 2021</b>	First half 2020	Year 2020
USD/NOK Average exchange rate	<b>8.37</b>	10.00	(16) %	8.51	(2) %	<b>8.44</b>	9.74	9.40
USD/NOK Period end exchange rate	<b>8.56</b>	9.74	(12) %	8.52	-	<b>8.56</b>	9.74	8.53
BRL/NOK Average exchange rate	<b>1.59</b>	1.86	(15) %	1.56	2 %	<b>1.57</b>	2.00	1.84
BRL/NOK Period end exchange rate	<b>1.72</b>	1.79	(4) %	1.48	16 %	<b>1.72</b>	1.79	1.64
USD/BRL Average exchange rate	<b>5.29</b>	5.38	(2) %	5.48	(3) %	<b>5.38</b>	4.92	5.15
USD/BRL Period end exchange rate	<b>4.97</b>	5.46	(9) %	5.75	(14) %	<b>4.97</b>	5.46	5.19
EUR/NOK Average exchange rate	<b>10.09</b>	11.01	(8) %	10.26	(2) %	<b>10.18</b>	10.73	10.72
EUR/NOK Period end exchange rate	<b>10.17</b>	10.91	(7) %	10.00	2 %	<b>10.17</b>	10.91	10.47
<i>Bauxite and alumina:</i>								
Average alumina price - Platts PAX FOB Australia (USD/t)	<b>277</b>	244	14 %	299	(7) %	<b>288</b>	264	271
China bauxite import price (USD/mt CIF China) <sup>2)</sup>	<b>45</b>	46	(2) %	44	2 %	<b>45</b>	47	45
Global production of alumina (kmt)	<b>33,749</b>	31,157	8 %	32,904	3 %	<b>66,654</b>	62,473	126,836
Global production of alumina (ex. China) (kmt)	<b>15,232</b>	14,531	5 %	14,821	3 %	<b>30,053</b>	29,091	58,289
<i>Primary aluminium:</i>								
LME cash average (USD/mt)	<b>2,396</b>	1,498	60 %	2,094	14 %	<b>2,246</b>	1,595	1,705
LME three month average (USD/mt)	<b>2,409</b>	1,529	58 %	2,104	14 %	<b>2,257</b>	1,622	1,731
Standard ingot premium (EU DP Cash)	<b>239</b>	102	>100 %	166	44 %	<b>203</b>	124	126
Extrusion ingot premium (EU DP)	<b>880</b>	213	>100 %	452	95 %	<b>666</b>	235	247
Chinese production of primary aluminium (kmt)	<b>9,728</b>	8,892	9 %	9,654	1 %	<b>19,382</b>	17,736	36,679
Chinese consumption of primary aluminium (kmt)	<b>10,600</b>	10,444	1 %	9,125	16 %	<b>19,725</b>	17,631	37,758
Global production of primary aluminium (ex. China) (kmt)	<b>7,196</b>	6,919	4 %	7,100	1 %	<b>14,295</b>	13,944	28,028
Global consumption of primary aluminium (ex. China) (kmt)	<b>6,946</b>	5,236	33 %	7,114	(2) %	<b>14,060</b>	11,960	25,100
Global production of primary aluminium (kmt)	<b>16,924</b>	15,811	7 %	15,869	7 %	<b>33,677</b>	31,680	64,707
Global consumption of primary aluminium (kmt)	<b>17,546</b>	15,680	12 %	16,239	8 %	<b>33,785</b>	29,590	62,858
Reported primary aluminium inventories (ex. China) (kmt)	<b>3,240</b>	3,365	(4) %	3,535	(8) %	<b>3,240</b>	3,365	3,003
Reported primary aluminium inventories (China) (kmt)	<b>1,669</b>	1,521	10 %	2,111	(21) %	<b>1,669</b>	1,521	1,420
<i>Extruded products:</i>								
Consumption extruded products - Europe (kmt)	<b>911</b>	692	32 %	901	1 %	<b>1,812</b>	1,530	3,053
Consumption extruded products - USA & Canada (kmt)	<b>630</b>	451	40 %	626	1 %	<b>1,256</b>	1,027	2,170
<i>Energy:</i>								
Average southern Norway spot price (NO2) (NOK/MWh)	<b>493</b>	50	>100 %	469	5 %	<b>481</b>	102	98
Average mid Norway spot price (NO3) (NOK/MWh)	<b>335</b>	61	>100 %	383	(13) %	<b>358</b>	110	100
Average nordic system spot price (NOK/MWh)	<b>423</b>	62	>100 %	435	(3) %	<b>428</b>	110	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 rebounded to pre-crisis levels in the second quarter of 2021, driven by strong recovery in demand in industrial sectors. The US economy is growing at its fastest rate for several decades, supported by significant fiscal stimulus in the first quarter.

After a slow start, the EU is closing the gap on vaccinations, with more than 50 percent of the population having received at least one dose. This is expected to give a boost to consumer spending in the second half of the year. World GDP growth is expected to be 5.5-6.0 percent in 2021.

Strong demand coupled with pandemic-induced supply constraints have led to significant market imbalances, causing shortages and price surges on a range of key inputs, raw materials and within transportation. This has fuelled concerns about inflation and policy tightening. Vaccination progress, risk of mutations and new lockdown measures, coupled with global supply chain disruption driving inflationary pressure continue to add uncertainty.

## Bauxite and alumina

The average Platts alumina index decreased in the second quarter of 2021 to USD 277 per mt, compared to USD 299 per mt in the first quarter 2021. The Platts alumina index started the quarter around USD 270 per mt and slowly rose through the quarter to USD 286 at the end of June. Compared to the second quarter of 2020, the average Platts alumina index was 14 percent higher.

In April and May 2021, China's net alumina imports reached 367 kmt compared to 456 kmt in the same period in 2020. Australia accounted for 71 percent of Chinese alumina imports in the period with smaller contributions from Vietnam and Kazakhstan.

China imported 17.9 million mt of bauxite in the first two months of the second quarter of 2021, 8 percent lower than the same period a year ago, due to lower exports from Australia and Indonesia partially offset by larger volumes from Guinea. Guinea, Australia and Indonesia accounted for 99 percent of China's bauxite imports in the period.

The average April, May 2021 Chinese bauxite import price was USD 45 per mt CIF, down from USD 46 per mt CIF in the second quarter 2020.

## Primary aluminium

The three-month aluminium price increased during the second quarter of 2021, starting at a low end of the quarterly price range at USD 2226 per mt and ending the quarter at USD 2524 per mt, as global demand continued to recover and supply restrictions emerged in China. The average price for the quarter was USD 2409 per mt.

European duty paid standard ingot premiums ended the second quarter at USD 275 per mt, up from USD 220 per mt at the end of the first quarter, supported by the announcement of a Russian export tax on primary aluminium. The US Midwest premium was up USD 168 per mt during the quarter ending at USD 637 per mt. The US Midwest premium increased strongly throughout the quarter, as a combination of lower import volumes and increasing demand led to continued market tightness.

Shanghai Futures Exchange (SHFE) prices increased by USD 263 per mt ex. VAT during the quarter, ending at USD 2574 per mt ex VAT. Average SHFE for the quarter was up USD 339 per mt ex. VAT compared to the first quarter. The average estimated export arbitrage increased to USD 15 per mt in the second quarter 2021.

Global primary aluminium consumption was up 11.9 percent compared to the second quarter of 2020, driven by an increase of 32.7 percent in World ex. China., and external sources<sup>2</sup> are estimating a fairly balanced market for 2021.

The European consumption of extrusion ingot, sheet ingot and primary foundry alloys increased in the second quarter of 2021 compared to the same period 2020 when the negative impact of the Covid-19 pandemic on demand was very high.

Total global stocks at the end of the second quarter of 2021 were estimated to be 12.3 million mt, down 0.6 million mt compared to the first quarter and down 0.3 million mt compared to the second quarter 2020.

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<sup>2</sup> CRU and HARBOR

## Extruded products

European demand for extrusions is estimated to have increased 32 percent during the second quarter of 2021 compared to the same quarter last year and 1 percent compared to the first quarter of 2021, partly driven by seasonality. Underlying demand has continued to improve across key segments, especially for the industrial and the building & construction segment. Demand in the industrial segment continues to advance in line with improving industrial production. Commercial building & construction, although supported by public sector spending, is impacted by weaker orders, while residential building & construction is experiencing strong demand supported by refurbishing. Emerging sub-segments such as e-commerce warehouses are also experiencing strong growth. Automotive demand continues to rebound, supported by strong sales of electric vehicles. However, shortage of semiconductors has constrained production from some automakers, impacting the underlying demand.

While the continued impact of Covid-19 remains uncertain, CRU estimates that the European demand for extruded products will increase by around 10 percent for the third quarter of 2021 compared to the same quarter last year.

North American extrusion demand is estimated to have increased 40 percent during the second quarter of 2021 compared to the same quarter last year and 1 percent compared to the first quarter of 2021. Demand has continued to rebound across key segments with a very strong outlook for the rest of the year. Automotive demand has continued to improve, although partly impacted by labour and semiconductor shortages for some automakers. The transport segment continues to be supported by strong orders, with trailer industry build rates increasing 62 percent in April and May compared to the same months last year. Residential construction spending was up 30 percent in April and May compared to same period last year, while non-residential spending was down 5 percent over the same period.

While the continued market impact of the Covid-19 remains uncertain, CRU estimates that the North American market will increase by 5 percent for the third quarter of 2021 compared to the same quarter last year.

## Energy

Nordic power prices were significantly higher compared to the same quarter last year, and stable compared to the previous quarter. The high prices were mainly driven by dry weather conditions, low wind power production and high exports to the continent. Drier conditions and an increase in export capacity to 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 normal, compared to around 12 TWh above normal at the end of the previous quarter and 12 TWh above normal at the end of the second quarter last year. Water reservoirs in Norway were at 66 percent of full capacity at the end of the quarter, which is 2 percentage points below the normal level.



## Additional factors impacting Hydro

During the second quarter Hydro hedged part of its LME exposure totaling 240 thousand tonnes for 2022 and 210 thousand tonnes for 2023, resulting in an accumulated hedge of 250 thousand tonnes for 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 was also hedged, using both fixed price physical contracts and financial derivatives.

During the second quarter Hydro hedged USD/BRL at Albras amounting to USD 75 million for the second half of 2021, and USD 150 million per year for 2022 and 2023, for which hedge accounting is applied.

The Alunorte currency hedge already in place for USD/BRL is around USD 200 million per year for 2021 to 2023, for which hedge accounting is applied. As such, the total USD/BRL hedge amounts to USD 275 million for 2021 and USD 350 million per year for 2022 and 2023.

Aluminium Metal has sold forward around 65 percent of its expected primary aluminium production for the third quarter of 2021 at a price level of around USD 2,360 per mt<sup>3</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 June. Based on the elements approved, Hydro has concluded that an estimated compensation for aluminium produced and sold in the first half year can be recognized. An amount of compensation reflecting the uncertainty has been recognized in the interim result.

On July 14, 2021 the EU Commission released a comprehensive package of legislative proposals on how to achieve emission reduction of 55 percent by 2030 (compared to 1990 baseline). The legislative proposals will be subject to political debate and scrutiny by the European Parliament and the Member States over the over coming years before the legislation is finalized. Although the existing carbon leakage protection is proposed to be maintained until a workable Carbon Border Adjustment Mechanism (CBAM) is in place, high political uncertainty remains. Aluminium is one of the industries included in the first phase of CBAM, planned to be effective from 2023 to 2026, which covers direct emissions only. The recently agreed ETS Guidelines for compensation on indirect emissions costs were initially valid until 2030 but are likely to be reviewed in 2025 with a possible transition towards a CBAM system after this date.

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<sup>3</sup> Prices are fixed mainly one month prior to production. As a result, and due to the hedging of product inventories, Hydro's realized aluminium prices lag LME spot prices by around 1.5 to 2 months before taking into account the effects of the strategic hedges.

## Risks and uncertainties

Hydro is subject to a range of risks and uncertainties which may affect its business operations, financial condition and results of operations. An evaluation of Hydro's major risks has been performed as part of Hydro's semi-annual overall enterprise risk assessment. The description of principal risks and uncertainties in the Financial statements and Board of Directors' Report 2020 gives a fair description of principal risks and uncertainties that may affect Hydro in the second half of 2021, and the company is not aware of any significant new risks or uncertainties or significant changes to those risks or uncertainties, except for those described in this report.

## Related parties

Note section 9 – Related parties and remuneration - to the Financial statements and Board of Director's report 2020 provides details of related parties. During the first half of 2021 there have not been any changes or transactions with related parties that significantly impact the group's financial position or result for the period.

# 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	Second quarter 2021	Second quarter 2020	Change prior year quarter	First quarter 2021	Change prior quarter	First half 2021	First half 2020	Year 2020
Earnings before financial items, tax, depreciation and amortization (EBITDA) (NOK million)	940	1,550	(39) %	1,026	(8) %	1,966	2,523	3,683
Adjusted EBITDA (NOK million)	855	1,550	(45) %	999	(14) %	1,854	2,652	3,817
Adjusted EBIT (NOK million)	383	1,047	(63) %	556	(31) %	939	1,582	1,806
Alumina production (kmt)	1,586	1,442	10 %	1,540	3 %	3,126	2,973	5,457
Sourced alumina (kmt)	737	667	11 %	698	6 %	1,435	1,330	3,053
Total alumina sales (kmt)	2,349	2,243	5 %	2,269	4 %	4,618	4,383	8,495
Realized alumina price (USD/mt) <sup>1)</sup>	289	261	11 %	294	(2) %	292	270	268
Bauxite production (kmt) <sup>2)</sup>	2,660	2,332	14 %	2,813	(5) %	5,473	4,917	8,640
Sourced bauxite (kmt) <sup>3)</sup>	1,676	1,315	28 %	1,103	52 %	2,779	2,829	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 decreased compared to the second quarter of last year. Increased raw material 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 quarter.

Compared to the first quarter of 2021 the adjusted EBITDA decreased. Lower alumina sales prices and higher raw material prices were partly offset by lower operational costs associated with the decommissioned crane.

Adjusted EBITDA for the first half of 2021 decreased compared to the same period in 2020. Higher raw material 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 half of 2021.

## Hydro Aluminium Metal

	Second quarter 2021	Second quarter 2020	Change prior year quarter	First quarter 2021	Change prior quarter	First half 2021	First half 2020	Year 2020
<b>Operational and financial information<sup>1)</sup></b>								
Earnings before financial items, tax, depreciation and amortization (EBITDA) (NOK million)	1,037	324	>100 %	500	>100 %	1,537	1,732	3,667
Adjusted EBITDA (NOK million)	2,807	560	>100 %	1,754	60 %	4,561	1,757	3,593
Adjusted EBITDA including Qatalum 50% pro rata (NOK million)	3,229	944	>100 %	2,218	46 %	5,447	2,544	5,087
Adjusted EBIT (NOK million)	2,246	(37)	>100 %	1,185	90 %	3,431	536	1,225
Realized aluminium price LME (USD/mt) <sup>2)</sup>	2,236	1,579	42 %	1,993	12 %	2,111	1,676	1,685
Realized aluminium price LME (NOK/mt) <sup>2)</sup>	18,746	15,689	19 %	16,999	10 %	17,851	16,213	15,870
Realized premium above LME (USD/mt) <sup>3)</sup>	332	212	56 %	264	26 %	298	224	220
Realized premium above LME (NOK/mt) <sup>3)</sup>	2,780	2,106	32 %	2,253	23 %	2,518	2,162	2,077
Realized USD/NOK exchange rate	8.38	9.93	(16) %	8.53	(2) %	8.45	9.67	9.42
Primary aluminium production (kmt)	561	509	10 %	539	4 %	1,100	1,037	2,091
Casthouse production (kmt)	553	478	16 %	534	3 %	1,087	982	2,013
Total sales (kmt)	594	510	17 %	599	(1) %	1,193	1,087	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) Realized aluminium prices lag the LME price developments by approximately 1.5 - 2 months.

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

	Second quarter 2021	Second quarter 2020	Change prior year quarter	First quarter 2021	Change prior quarter	First half 2021	First half 2020	Year 2020
<b>Operational and financial information Qatalum (50%)</b>								
Revenue (NOK million)	1,646	1,541	7 %	1,498	10 %	3,144	3,026	5,733
Adjusted EBITDA (NOK million)	703	410	72 %	611	15 %	1,314	852	1,748
Adjusted EBIT (NOK million)	449	83	>100 %	335	34 %	784	233	551
Net income (loss) (NOK million)	513	26	>100 %	147	91 %	660	65	254
Adjusted Net income (loss) (NOK million)	281	26	>100 %	147	91 %	428	65	254
Primary aluminium production (kmt)	79	79	-	78	1 %	156	157	316
Casthouse sales (kmt)	80	86	(7) %	80	1 %	160	167	326

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

Compared to the first quarter of 2021, adjusted EBITDA for Aluminium Metal increased due to higher all-in metal prices partly offset by negative currency effects.

Adjusted EBITDA for the first half of 2021 increased 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>Second quarter 2021</b>	Second quarter 2020	Change prior year quarter	First quarter 2021	Change prior quarter	<b>First half 2021</b>	First half 2020	Year 2020
Earnings before financial items, tax, depreciation and amortization (EBITDA) (NOK million)	<b>333</b>	(282)	>100 %	55	>100 %	<b>388</b>	239	913
Adjusted EBITDA Recycling (NOK million)	<b>131</b>	41	>100 %	89	47 %	<b>220</b>	162	411
Adjusted EBITDA Commercial (NOK million)	<b>204</b>	17	>100 %	(11)	>100 %	<b>193</b>	193	464
Adjusted EBITDA Metal Markets (NOK million)	<b>335</b>	58	>100 %	78	>100 %	<b>413</b>	355	875
Currency effects	<b>4</b>	(112)	>100 %	(42)	>100 %	<b>(37)</b>	64	13
Inventory valuation effects	<b>5</b>	(2)	>100 %	(41)	>100 %	<b>(37)</b>	(1)	(23)
Adjusted EBITDA excl. currency and inventory valuation effects	<b>326</b>	172	89 %	161	>100 %	<b>487</b>	291	884
Adjusted EBIT (NOK million)	<b>301</b>	21	>100 %	43	>100 %	<b>343</b>	282	728
Recycling production (kmt)	<b>154</b>	88	75 %	143	8 %	<b>296</b>	224	488
Metal products sales excluding ingot trading (kmt) <sup>1)</sup>	<b>735</b>	606	21 %	742	(1) %	<b>1,477</b>	1,281	2,621
Hereof external sales (kmt)	<b>607</b>	459	32 %	588	3 %	<b>1,195</b>	1,013	2,088

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

Adjusted EBITDA for Metal Markets increased in the second quarter compared to the same quarter last year due to improved results from the recyclers, driven by higher volumes, and an increase in results from the sourcing and trading activities in addition to positive currency effects.

Compared to the first quarter of 2021, adjusted EBITDA for Metal Markets increased due to improved results from the recyclers and the sourcing and trading activities, in addition to positive currency and inventory valuation effects.

Adjusted EBITDA for the first half of 2021 increased compared to the same period in 2020, mainly due to improved results from the recyclers, driven by higher volumes, and an increase in results from the sourcing and trading activities, partly offset by a negative currency effects.

## Hydro Extrusions

<b>Operational and financial information</b>	<b>Second quarter 2021</b>	Second quarter 2020	Change prior year quarter	First quarter 2021	Change prior quarter	<b>First half 2021</b>	First half 2020	Year 2020
Earnings before financial items, tax, depreciation and amortization (EBITDA) (NOK million)	<b>1,840</b>	496	>100 %	1,842	-	<b>3,682</b>	1,676	4,225
Adjusted EBITDA (NOK million)	<b>1,830</b>	649	>100 %	1,744	5 %	<b>3,574</b>	1,891	4,348
Adjusted EBIT (NOK million)	<b>1,266</b>	89	>100 %	1,244	2 %	<b>2,510</b>	791	2,196
Sales volumes to external markets (kmt)	<b>342</b>	224	52 %	338	1 %	<b>680</b>	529	1,099
<b>Sales volumes to external markets (kmt) - Business units</b>								
Extrusion Europe	<b>147</b>	94	56 %	144	1 %	<b>291</b>	220	451
Extrusion North America	<b>140</b>	96	45 %	137	2 %	<b>277</b>	226	465
Building Systems	<b>22</b>	17	36 %	21	6 %	<b>44</b>	36	74
Precision Tubing	<b>33</b>	17	90 %	35	(7) %	<b>68</b>	47	108
Hydro Extrusions	<b>342</b>	224	52 %	338	1 %	<b>680</b>	529	1,099

Adjusted EBITDA increased compared to the same quarter last year mainly due to higher volumes, increased margins and reduced variable costs.

Compared to first quarter of 2021 the adjusted EBITDA was largely stable.

Adjusted EBITDA for the first half 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.

## Hydro Energy

<b>Operational and financial information</b>	<b>Second quarter 2021</b>	Second quarter 2020	Change prior year quarter	First quarter 2021	Change prior quarter	<b>First half 2021</b>	First half 2020	Year 2020
Earnings before financial items, tax, depreciation and amortization (EBITDA) (NOK million)	<b>764</b>	88	>100 %	900	(15) %	<b>1,664</b>	611	6,529
Adjusted EBITDA (NOK million)	<b>761</b>	122	>100 %	841	(10) %	<b>1,602</b>	627	1,245
Adjusted EBIT (NOK million)	<b>713</b>	53	>100 %	792	(10) %	<b>1,505</b>	490	974
Power production (GWh)	<b>2,374</b>	2,097	13 %	2,857	(17) %	<b>5,231</b>	4,965	11,522
External power sourcing (GWh)	<b>2,413</b>	2,430	(1) %	2,586	(7) %	<b>4,999</b>	4,851	10,014
Internal contract sales (GWh)	<b>4,248</b>	3,923	8 %	4,062	5 %	<b>8,310</b>	7,796	16,135
External contract sales (GWh)	<b>204</b>	160	27 %	255	(20) %	<b>459</b>	407	792
Net spot sales (GWh)	<b>334</b>	444	(25) %	1,126	(70) %	<b>1,460</b>	1,613	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, and higher prices. The price impact includes increased gain from price area differences, mainly due to production 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 higher prices, including an increased gain from price area differences, and lower production cost.

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

## Other and eliminations

<b>Financial information</b>	<b>Second quarter 2021</b>	Second quarter 2020	Change prior year quarter	First quarter 2021	Change prior quarter	<b>First half 2021</b>	First half 2020	Year 2020
<b>NOK million</b>								
Earnings before financial items, tax, depreciation and amortization (EBITDA)	<b>(15)</b>	(144)	90 %	(244)	94 %	<b>(259)</b>	(641)	(625)
Other	<b>(82)</b>	(87)	6 %	(144)	43 %	<b>(226)</b>	(278)	(655)
Eliminations	<b>92</b>	(58)	>100 %	(91)	>100 %	<b>2</b>	(399)	(116)
Adjusted EBITDA	<b>10</b>	(144)	>100 %	(234)	>100 %	<b>(224)</b>	(677)	(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	Second quarter 2021	Second quarter 2020	Change prior year quarter	First quarter 2021	Change prior quarter	First half 2021	First half 2020	Year 2020
Interest income	42	49	(13) %	28	52 %	70	118	208
Dividends received and net gain (loss) on securities	19	40	(52) %	11	74 %	30	5	82
Finance income	62	89	(30) %	39	59 %	101	123	290
Interest expense	(219)	(233)	6 %	(237)	8 %	(456)	(460)	(994)
Net foreign exchange gain (loss)	550	563	(2) %	653	(16) %	1,202	(3,621)	(3,800)
Net interest on pension liability	(3)	(5)	35 %	(4)	13 %	(7)	(4)	(19)
Other	(34)	(25)	(36) %	(27)	(26) %	(61)	(77)	(30)
Finance expense	294	300	(2) %	385	(24) %	678	(4,162)	(4,842)
Finance income (expense), net	355	388	(9) %	424	(16) %	779	(4,040)	(4,552)

For the second quarter, the net foreign exchange gain of NOK 550 million primarily reflects a gain from a stronger BRL versus USD affecting the USD denominated debt in Brazil, and a loss from a weaker NOK versus EUR, affecting liabilities denominated in EUR and the embedded derivatives in Norwegian power contracts.

For the first half of 2021, the net foreign exchange gain of NOK 1,202 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 gain from a stronger BRL versus USD affecting the USD denominated debt in Brazil.

# Tax

Income tax expense amounted to NOK 992 million for the second quarter of 2021, or about 29 percent of income before tax. The tax rate reflects power surtax and positive results in countries with higher than average tax rates partly offset by net income from equity accounted investments.

Income tax expense amounted to NOK 1,768 million for the first half of 2021, or about 29 percent of income before tax. The tax rate is impacted by the same factors described above.

# Interim financial statements

## Condensed consolidated statements of income (unaudited)

NOK million, except per share data	Second quarter 2021	Second quarter 2020	First half 2021	First half 2020	Year 2020
Revenue	34,559	25,343	66,510	56,952	114,291
Share of the profit (loss) in equity accounted investments	462	48	587	45	223
Other income, net	322	689	699	1,115	7,414
<b>Total revenue and income</b>	<b>35,342</b>	<b>26,081</b>	<b>67,796</b>	<b>58,112</b>	<b>121,928</b>
Raw material and energy expense	21,213	15,831	40,338	34,532	68,953
Employee benefit expense	5,206	4,722	10,218	9,873	19,123
Depreciation and amortization expense	1,885	1,820	3,639	3,717	7,175
Impairment of non-current assets	7	1,829	129	1,841	1,979
Other expenses	3,997	3,468	8,204	7,510	15,343
<b>Total expenses</b>	<b>32,308</b>	<b>27,669</b>	<b>62,529</b>	<b>57,472</b>	<b>112,572</b>
<b>Earnings before financial items and tax (EBIT)</b>	<b>3,034</b>	<b>(1,588)</b>	<b>5,267</b>	<b>640</b>	<b>9,356</b>
Finance income	62	89	101	123	290
Finance expense	294	300	678	(4,162)	(4,842)
<b>Finance income (expense), net</b>	<b>355</b>	<b>388</b>	<b>779</b>	<b>(4,040)</b>	<b>(4,552)</b>
<b>Income (loss) before tax</b>	<b>3,389</b>	<b>(1,200)</b>	<b>6,046</b>	<b>(3,400)</b>	<b>4,804</b>
Income taxes	(992)	(287)	(1,768)	170	(918)
<b>Income (loss) from continuing operations</b>	<b>2,397</b>	<b>(1,487)</b>	<b>4,278</b>	<b>(3,230)</b>	<b>3,886</b>
Income (loss) from discontinued operations	407	16	27	(266)	(2,226)
<b>Net income (loss)</b>	<b>2,805</b>	<b>(1,471)</b>	<b>4,305</b>	<b>(3,496)</b>	<b>1,660</b>
Net income (loss) attributable to non-controlling interests	220	(223)	279	(438)	(185)
<b>Net income (loss) attributable to Hydro shareholders</b>	<b>2,585</b>	<b>(1,248)</b>	<b>4,026</b>	<b>(3,059)</b>	<b>1,845</b>
Basic and diluted earnings per share from continuing operations (in NOK) <sup>1) 2)</sup>	1.06	(0.62)	1.95	(1.36)	1.99
Basic and diluted earnings per share from discontinued operations (in NOK) <sup>1)</sup>	0.20	0.01	0.01	(0.13)	(1.09)
<b>Basic and diluted earnings per share attributable to Hydro shareholders (in NOK)<sup>1)</sup></b>	<b>1.26</b>	<b>(0.61)</b>	<b>1.96</b>	<b>(1.49)</b>	<b>0.90</b>
<b>Weighted average number of outstanding shares (million)</b>	<b>2,051</b>	<b>2,049</b>	<b>2,050</b>	<b>2,048</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>Second quarter 2021</b>	Second quarter 2020	<b>First half 2021</b>	First half 2020	Year 2020
Net income (loss)	<b>2,805</b>	(1,471)	<b>4,305</b>	(3,496)	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>17</b>	364	<b>1,912</b>	(1,325)	(926)
Unrealized gain (loss) on securities, net of tax	<b>371</b>	(59)	<b>309</b>	(162)	(156)
Total	<b>388</b>	304	<b>2,221</b>	(1,487)	(1,081)
<b>Items that will be reclassified to income statement:</b>					
Currency translation differences, net of tax	<b>3,198</b>	(7,160)	<b>507</b>	(264)	(4,689)
Currency translation differences, net of tax, subsidiaries sold	<b>(554)</b>		<b>(554)</b>		
Cash flow hedges, net of tax	<b>440</b>	2	<b>192</b>	55	120
Share of items that will be reclassified to income statement of equity accounted investments, net of tax	-	-	<b>(137)</b>	-	-
Total	<b>3,085</b>	(7,158)	<b>10</b>	(209)	(4,568)
Other comprehensive income	<b>3,473</b>	(6,854)	<b>2,231</b>	(1,696)	(5,650)
Total comprehensive income	<b>6,277</b>	(8,325)	<b>6,536</b>	(5,192)	(3,990)
Total comprehensive income attributable to non-controlling interests	<b>678</b>	(714)	<b>471</b>	(861)	(867)
Total comprehensive income attributable to Hydro shareholders	<b>5,599</b>	(7,611)	<b>6,064</b>	(4,331)	(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	June 30 2021	June 30 2020	December 31 2020
<b>Assets</b>			
Cash and cash equivalents	20,147	15,385	17,638
Short-term investments	3,607	5,110	4,091
Trade and other receivables	19,838	18,916	18,364
Inventories	16,454	20,382	19,492
Other current financial assets	659	687	470
<b>Total current assets</b>	<b>60,705</b>	60,480	60,055
Property, plant and equipment	56,353	70,478	64,245
Intangible assets	9,174	10,262	9,357
Investments accounted for using the equity method	17,426	12,619	17,288
Prepaid pension	7,976	5,603	7,064
Other non-current assets	8,793	6,704	6,398
<b>Total non-current assets</b>	<b>99,722</b>	105,665	104,352
<b>Total assets</b>	<b>160,427</b>	166,145	164,408
<b>Liabilities and equity</b>			
Bank loans and other interest-bearing short-term debt	4,183	7,094	4,748
Trade and other payables	20,302	16,693	18,948
Other current liabilities	5,191	3,721	5,352
<b>Total current liabilities</b>	<b>29,676</b>	27,508	29,048
Long-term debt	24,562	26,595	24,811
Provisions	4,475	6,283	5,605
Pension liabilities	9,550	18,933	19,167
Deferred tax liabilities	4,343	2,562	3,059
Other non-current liabilities	6,276	5,401	5,273
<b>Total non-current liabilities</b>	<b>49,205</b>	59,774	57,916
<b>Total liabilities</b>	<b>78,882</b>	87,282	86,964
Equity attributable to Hydro shareholders	77,908	75,633	74,279
Non-controlling interests	3,637	3,230	3,165
<b>Total equity</b>	<b>81,545</b>	78,863	77,444
<b>Total liabilities and equity</b>	<b>160,427</b>	166,145	164,408
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	Second quarter 2021	Second quarter 2020	First half 2021	First half 2020	Year 2020
<b>Operating activities</b>					
Net income (loss)	2,805	(1,471)	4,305	(3,496)	1,660
Loss (income) from discontinued operations	(407)	(16)	(27)	266	2,226
Depreciation, amortization and impairment	1,892	3,649	3,768	5,558	9,153
Other adjustments	(2,197)	(397)	(5,429)	1,116	(869)
Net cash provided by continuing operating activities	2,093	1,765	2,617	3,444	12,170
<b>Investing activities</b>					
Purchases of property, plant and equipment	(1,369)	(1,149)	(2,386)	(2,500)	(5,527)
Purchases of other long-term investments	(267)	(50)	(323)	(113)	(222)
Purchases of short-term investments	-	(4,180)	(1,000)	(4,980)	(6,480)
Proceeds from long-term investing activities	47	69	(178)	363	637
Proceeds from sales of short-term investments	2,500	800	3,500	800	3,985
Net cash provided by (used in) continuing investing activities	911	(4,510)	(387)	(6,430)	(7,607)
<b>Financing activities</b>					
Loan proceeds	1,608	8,733	2,287	10,830	12,060
Loan repayments	(1,687)	(1,859)	(2,714)	(4,012)	(8,130)
Net decrease in other short-term debt	(35)	(278)	(189)	(233)	(221)
Proceeds from shares issued	18	8	23	13	25
Dividends paid	(2,564)	-	(2,564)	-	(2,628)
Net cash provided by (used in) continuing financing activities	(2,660)	6,604	(3,157)	6,598	1,106
Foreign currency effects on cash	346	(942)	59	(365)	(907)
Net cash provided by (used in) discontinued operations	4,445	308	3,377	(148)	590
Net increase in cash and cash equivalents	5,135	3,225	2,509	3,099	5,352
Cash and cash equivalents classified as assets held for sale	1	-	-	-	-
Cash and cash equivalents at beginning of period	15,011	12,160	17,638	12,286	12,286
Cash and cash equivalents at end of period	20,147	15,385	20,147	15,385	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							1	1
Dividends							(16)	(16)
Total comprehensive income for the period				(3,058)	(1,273)	(4,331)	(861)	(5,192)
June 30, 2020	2,272	29,106	(662)	49,687	(4,770)	75,633	3,230	78,863
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							1	1
Items not reclassified to income statement in subsidiaries sold				(1,636)	1,636			
Dividends				(2,564)		(2,564)		(2,564)
Total comprehensive income for the period				4,026	2,039	6,064	471	6,536
June 30, 2021	2,272	29,156	(584)	51,854	(4,790)	77,908	3,637	81,545

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 June. Based on the elements approved, Hydro has concluded that an estimated compensation for aluminium produced and sold in the first half year 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	Second quarter 2021	Second quarter 2020	First half 2021	First half 2020	Year 2020
<b>Total revenue</b>					
Hydro Bauxite & Alumina	5,976	6,173	12,001	12,201	23,039
Hydro Aluminium Metal	9,467	7,720	18,420	17,473	34,404
Hydro Metal Markets	15,275	10,485	28,899	23,397	46,865
Hydro Extrusions	17,470	11,593	33,804	26,733	54,496
Hydro Energy	2,213	1,423	4,556	3,538	6,967
Other and eliminations	(15,843)	(12,051)	(31,170)	(26,390)	(51,479)
<b>Total</b>	<b>34,559</b>	<b>25,343</b>	<b>66,510</b>	<b>56,952</b>	<b>114,291</b>
<b>External revenue</b>					
Hydro Bauxite & Alumina	3,538	3,792	7,084	7,041	13,381
Hydro Aluminium Metal	621	1,393	1,383	3,361	7,039
Hydro Metal Markets	12,552	8,510	23,341	18,863	37,893
Hydro Extrusions	17,346	11,581	33,549	26,797	54,542
Hydro Energy	486	47	1,273	681	1,261
Other and eliminations	16	20	(120)	210	175
<b>Total</b>	<b>34,559</b>	<b>25,343</b>	<b>66,510</b>	<b>56,952</b>	<b>114,291</b>

NOK million	Second quarter 2021	Second quarter 2020	First half 2021	First half 2020	Year 2020
<b>Internal revenue</b>					
Hydro Bauxite & Alumina	2,438	2,380	4,917	5,160	9,658
Hydro Aluminium Metal	8,846	6,328	17,037	14,112	27,365
Hydro Metal Markets	2,723	1,975	5,558	4,534	8,972
Hydro Extrusions	125	12	256	(64)	(47)
Hydro Energy	1,727	1,376	3,282	2,857	5,706
Other and eliminations	(15,858)	(12,070)	(31,050)	(26,600)	(51,654)
Total	-	-	-	-	-
<b>Share of the profit (loss) in equity accounted investments</b>					
Hydro Bauxite & Alumina	-	-	-	-	-
Hydro Aluminium Metal	513	26	660	66	256
Hydro Metal Markets	-	-	-	-	-
Hydro Extrusions	-	-	-	-	-
Hydro Energy	(32)	(5)	(55)	(17)	(39)
Other and eliminations	(20)	28	(19)	(3)	7
Total	462	48	587	45	223
<b>Depreciation, amortization and impairment</b>					
Hydro Bauxite & Alumina	472	503	915	1,069	2,011
Hydro Aluminium Metal	736	1,130	1,430	1,785	2,992
Hydro Metal Markets	35	37	71	73	149
Hydro Extrusions	573	2,046	1,201	2,601	3,785
Hydro Energy	48	65	97	130	260
Other and eliminations	28	(133)	54	(100)	(43)
Total	1,892	3,649	3,768	5,558	9,153
<b>Earnings before financial items and tax (EBIT) <sup>1)</sup></b>					
Hydro Bauxite & Alumina	467	1,047	1,051	1,453	1,672
Hydro Aluminium Metal	325	(777)	155	7	794
Hydro Metal Markets	299	(319)	318	166	766
Hydro Extrusions	1,269	(1,548)	2,489	(920)	449
Hydro Energy	716	20	1,567	474	6,258
Other and eliminations	(43)	(11)	(313)	(541)	(582)
Total	3,034	(1,588)	5,267	640	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	Second quarter 2021	Second quarter 2020	First half 2021	First half 2020	Year 2020
<b>Earnings before financial items, tax, depreciation and amortization (EBITDA)</b>					
Hydro Bauxite & Alumina	940	1,550	1,966	2,523	3,683
Hydro Aluminium Metal	1,037	324	1,537	1,732	3,667
Hydro Metal Markets	333	(282)	388	239	913
Hydro Extrusions	1,840	496	3,682	1,676	4,225
Hydro Energy	764	88	1,664	611	6,529
Other and eliminations	(15)	(144)	(259)	(641)	(625)
<b>Total</b>	<b>4,899</b>	<b>2,032</b>	<b>8,978</b>	<b>6,139</b>	<b>18,390</b>
<b>Investments <sup>1)</sup></b>					
Hydro Bauxite & Alumina	399	289	581	533	1,685
Hydro Aluminium Metal	663	651	1,393	1,402	2,887
Hydro Metal Markets	31	19	48	62	148
Hydro Extrusions	340	301	593	667	1,549
Hydro Energy	251	34	315	70	6,961
Other and eliminations	5	18	29	41	92
<b>Total</b>	<b>1,689</b>	<b>1,312</b>	<b>2,959</b>	<b>2,775</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 Second quarter 2021</b>				
Hydro Bauxite & Alumina	467	472	-	940
Hydro Aluminium Metal	325	736	(25)	1,037
Hydro Metal Markets	299	35	(1)	333
Hydro Extrusions	1,269	573	(2)	1,840
Hydro Energy	716	48	-	764
Other and eliminations	(43)	28	-	(15)
<b>Total</b>	<b>3,034</b>	<b>1,892</b>	<b>(27)</b>	<b>4,899</b>

NOK million	EBIT	Depr., amor. and impairment	Investment grants	EBITDA
<b>EBIT - EBITDA First half 2021</b>				
Hydro Bauxite & Alumina	1,051	915	-	1,966
Hydro Aluminium Metal	155	1,430	(48)	1,537
Hydro Metal Markets	318	71	(1)	388
Hydro Extrusions	2,489	1,201	(8)	3,682
Hydro Energy	1,567	97	-	1,664
Other and eliminations	(313)	54	-	(259)
<b>Total</b>	<b>5,267</b>	<b>3,768</b>	<b>(57)</b>	<b>8,978</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 are for the risk of the acquiror. Direct costs related to the sales effort, completion of the transaction and separation of the business have been charged to discontinued operations. The gain on the sale was NOK 94 million including recycling of an accumulated currency gain of NOK 554 million. 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	Second quarter 2021	Second quarter 2020	First half 2021	First half 2020	01.01-31.12 2020
Revenue	4,741	5,635	11,637	12,204	24,026
Depreciation, amortization and impairment	-	307	178	597	3,099
Other expenses	4,206	5,477	10,330	11,790	23,187
Earnings before financial items and tax	546	(73)	1,149	-	(2,024)
Financial income (expense), net	(26)	144	40	(252)	(171)
Income (loss) before tax	521	71	1,189	(252)	(2,195)
Income tax expense	208	55	407	14	31
Income (loss) from discontinued operations	313	16	783	(266)	(2,226)
Impairment of discontinued operations	-	-	850	-	-
Gain on disposal (net of tax)	94	-	94	-	-
Gain (loss) from discontinued operations	407	16	27	(266)	(2,226)
Net cash provided by (used in) operating activities	(44)	425	(902)	108	1,345
Net cash provided by (used in) investing activities	4,491	(106)	4,290	(237)	(718)
Net cash used in financing activities	(4)	(11)	(13)	(19)	(37)
Foreign currency effects on cash	2	-	2	-	-
Net cash provided by (used) in discontinued operations	4,445	308	3,377	(148)	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 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.
- *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.
- *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, 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>Second quarter 2021</b>	Second quarter 2020	First quarter 2021	<b>First half 2021</b>	First half 2020	Year 2020
Alunorte agreements - provision <sup>2)</sup>	-	-	-	-	129	129
Unrealized derivative effects on raw material contracts	(84)	-	(27)	(112)	-	5
<b>Hydro Bauxite &amp; Alumina</b>	<b>(84)</b>	-	(27)	<b>(112)</b>	129	134
Unrealized derivative effects on LME related contracts	1,740	200	1,256	2,996	137	(160)
Unrealized derivative effects on power contracts	104	48	34	138	(100)	218
Significant rationalization charges and closure costs <sup>3)</sup>	184	-	-	184	-	-
Net foreign exchange (gain)/loss <sup>4)</sup>	(26)	-	(35)	(62)	-	-
Other effects <sup>5)</sup>	(232)	(12)	-	(232)	(12)	(131)
<b>Hydro Aluminium Metal</b>	<b>1,770</b>	236	1,254	<b>3,024</b>	25	(74)
Unrealized derivative effects on LME related contracts	1	340	24	25	116	(38)
<b>Hydro Metal Markets</b>	<b>1</b>	340	24	<b>25</b>	116	(38)
Unrealized derivative effects on LME related contracts	(106)	13	(98)	(204)	128	(129)
Significant rationalization charges and closure costs <sup>6)</sup>	95	134	-	95	137	187
Transaction related effects <sup>7)</sup>	-	6	-	-	(51)	(37)
Other effects <sup>8)</sup>	-	-	-	-	-	101
<b>Hydro Extrusions</b>	<b>(10)</b>	154	(98)	<b>(108)</b>	215	123
Unrealized derivative effects on power contracts	(9)	33	(19)	(28)	16	25
(Gains)/losses on divestments <sup>9)</sup>	-	-	(45)	(45)	-	(5,308)
Net foreign exchange (gain)/loss <sup>4)</sup>	6	-	4	10	-	-
<b>Hydro Energy</b>	<b>(3)</b>	33	(59)	<b>(63)</b>	16	(5,283)
Unrealized derivative effects on power contracts <sup>10)</sup>	-	(19)	-	-	(38)	(76)
Unrealized derivative effects on LME related contracts <sup>10)</sup>	10	18	1	10	2	(8)
(Gains)/losses on divestments <sup>11)</sup>	-	-	-	-	-	(62)
Net foreign exchange (gain)/loss <sup>4)</sup>	16	-	9	25	-	-
<b>Other and eliminations</b>	<b>25</b>	(1)	10	<b>35</b>	(36)	(146)
<b>Adjusting items to EBITDA</b>	<b>1,698</b>	762	1,103	<b>2,802</b>	465	(5,284)
<b>Impairment charges</b>						
Hydro Aluminium Metal <sup>12)</sup>	-	504	-	-	504	504
Hydro Extrusions <sup>13)</sup>	7	1,483	122	129	1,496	1,625
Other and eliminations <sup>11)</sup>	-	(161)	-	-	(161)	(161)
Depreciation <sup>14)</sup>	151	-	101	252	-	-
<b>Adjusting items to EBIT</b>	<b>1,857</b>	2,588	1,326	<b>3,183</b>	2,304	(3,316)

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

2) Alunorte agreements - provision in 2020 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) 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 related to property damage at Albras.

6) Significant rationalization and closure costs in 2020 include provisions for costs related to reduction of overcapacity, closures and environmental clean-up activities in Hydro Extrusions.

7) Transaction related effects in 2020 relate to divestments of Hydro Extrusions plants.

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

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) Impairment charges relate to reversal of previously impaired industrial park in Germany in the second quarter, and the gain on selling the property in the third quarter 2020.

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.

<b>Adjusted earnings per share from continuing operations</b>	<b>Second quarter 2021</b>	Second quarter 2020	Change prior year quarter	First quarter 2021	Change prior quarter	<b>First half 2021</b>	First half 2020	Year 2020
NOK million								
Net income (loss) from continuing operations	<b>2,397</b>	(1,487)	>100 %	1,880	27 %	<b>4,278</b>	(3,230)	3,886
Adjusting items to net income (loss) from continuing operations <sup>1)</sup>	<b>752</b>	1,805	(58) %	567	33 %	<b>1,320</b>	4,382	(1,038)
Adjusted net income (loss) from continuing operations	<b>3,150</b>	318	>100 %	2,448	29 %	<b>5,597</b>	1,152	2,848
Adjusted net income attributable to non-controlling interests from continuing operations	<b>176</b>	(25)	>100 %	93	89 %	<b>270</b>	6	150
Adjusted net income from continuing operations attributable to Hydro shareholders	<b>2,973</b>	344	>100 %	2,355	26 %	<b>5,327</b>	1,145	2,698
Number of shares	<b>2,051</b>	2,049	-	2,049	-	<b>2,050</b>	2,048	2,049
Adjusted earnings per share from continuing operations	<b>1.45</b>	0.17	>100 %	1.15	26 %	<b>2.60</b>	0.56	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.

<b>Adjusted net cash (debt)<sup>5)</sup></b>	<b>Jun 30 2021</b>	Mar 31 2021	Change prior quarter	Jun 30 2020	Mar 31 2020	Change prior year quarter
NOK million						
Cash and cash equivalents	<b>20,147</b>	15,011	5,136	15,385	12,160	3,225
Short-term investments <sup>1)</sup>	<b>3,607</b>	4,348	(741)	5,110	1,641	3,469
Short-term debt	<b>(4,183)</b>	(4,701)	518	(7,094)	(7,728)	634
Long-term debt	<b>(24,562)</b>	(23,658)	(904)	(26,595)	(21,290)	(5,305)
Collateral for long-term liabilities	<b>1,417</b>	722	696	29	22	7
Net cash (debt)	<b>(3,574)</b>	(8,278)	4,705	(13,165)	(15,195)	2,030
Reversal of collateral for short-term and long-term liabilities	<b>(3,156)</b>	(1,167)	(1,989)	(123)	(84)	(39)
Cash and cash equiv. and short-term investm. in captive insurance company <sup>2)</sup>	<b>(1,059)</b>	(1,014)	(45)	(898)	(897)	-
Net pension obligation at fair value, net of expected income tax benefit <sup>3)</sup>	<b>373</b>	405	(32)	(11,127)	(12,384)	1,257
Short- and long-term provisions net of exp. income tax benefit, and other liab. <sup>4)</sup>	<b>(2,815)</b>	(2,669)	(147)	(3,865)	(4,328)	463
Adjusted net cash (debt)	<b>(10,231)</b>	(12,723)	2,492	(29,178)	(32,888)	3,710

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 1947 million and NOK 1934 million for June 2021 and March 2021, 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) Previous periods have been re-presented following a change to the net debt definition as described in the Key developments section of this report.

# Responsibility statement

We confirm to the best of our knowledge that the condensed set of financial statements for the period January 1 to June 30, 2021 has been prepared in accordance with IAS 34 - Interim Financial Reporting, and gives a true and fair view of the Hydro Group's assets, liabilities, financial position and result for the period. We also confirm to the best of our knowledge that the financial review includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the financial statements, any major related parties transactions, and a description of the principal risks and uncertainties for the remaining six months of the financial year.

  
Dag Mejdell  
Chair

  
Irene Rummelhoff  
Deputy chair

  
Arve Baade  
Board member

  
Rune Bjerke  
Board member

  
Liselott Kilaas  
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Ellen Merete Olstad  
Board member

  
Thomas Schulz  
Board member

  
Marianne Wiinholt  
Board member

  
Hilde Merete Aasheim  
President and CEO

# Additional Information

## Financial calendar 2021

October 26      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.



*Industries that matter*

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Hydro is a leading industrial company committed to a sustainable future. Our purpose is to create more viable societies by developing natural resources into products and solutions in innovative and efficient ways.