



First 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. Completion of the transaction is expected to take place in the second or third quarter of 2021. See note 4 to the condensed consolidated financial statements later in this report for more information on the agreement.

Following the agreement, operating results for the Rolling business are presented net of financial items and tax as “Income (loss) from discontinued operations” and separated from Hydro’s reported EBITDA and adjusted EBITDA in the first quarter reporting. 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, April 26, 2021

Overview

Summary of financial and operating results and liquidity

Key financial information NOK million, except per share data	First quarter 2021	First quarter 2020	Change prior year quarter	Fourth quarter 2020	Change prior quarter	Year 2020
Revenue	31,951	31,609	1 %	29,823	7 %	114,291
Earnings before financial items, tax, depreciation and amortization (EBITDA)	4,079	4,107	(1) %	8,601	(53) %	18,390
Adjustments to EBITDA ¹⁾	1,103	(297)	>100 %	(5,198)	>100 %	(5,284)
Adjusted EBITDA ¹⁾	5,182	3,810	37 %	3,403	53 %	13,106
<i>Adjusted EBITDA :</i>						
Hydro Bauxite & Alumina	999	1,102	(9) %	587	70 %	3,817
Hydro Aluminium Metal	1,754	1,197	49 %	1,432	25 %	3,593
Hydro Metal Markets	78	296	(74) %	287	(73) %	875
Hydro Extrusions	1,744	1,242	40 %	1,044	67 %	4,348
Hydro Energy	841	505	66 %	419	100 %	1,245
Other and eliminations	(234)	(532)	54 %	(366)	33 %	(771)
Adjusted EBITDA : ¹⁾	5,182	3,810	37 %	3,403	53 %	13,106
Earnings before financial items and tax (EBIT) ²⁾	2,233	2,228	-	6,824	(67) %	9,356
Adjusted EBIT ¹⁾	3,559	1,943	84 %	1,678	>100 %	6,040
Net income (loss) from continuing operations	1,880	(1,743)	>100 %	7,226	(74) %	3,886
Adjusted net income (loss) from continuing operations ¹⁾	2,448	834	>100 %	1,089	>100 %	2,848
Net income (loss) from discontinued operations	(380)	(282)	(35) %	(1,849)	79 %	(2,226)
Earnings per share from continuing operations	0.89	(0.75)	>100 %	3.40	(74) %	1.99
Adjusted earnings per share from continuing operations ¹⁾	1.15	0.39	>100 %	0.47	>100 %	1.32
<i>Financial data:</i>						
Investments ^{1) 2)}	1,270	1,463	(13) %	9,152	(86) %	13,324
Net cash (debt) ¹⁾	(9,000)	(15,217)	41 %	(7,830)	(15) %	(7,830)
Adjusted net cash (debt) ¹⁾	(12,278)	(32,827)	63 %	(22,620)	46 %	(22,620)
Key Operational information						
Bauxite production (kmt) ³⁾	2,813	2,585	9 %	2,556	10 %	8,640
Alumina production (kmt)	1,540	1,531	1 %	1,410	9 %	5,457
Realized alumina price (USD/mt) ⁴⁾	294	278	6 %	272	8 %	268
Primary aluminium production (kmt)	539	528	2 %	532	1 %	2,091
Realized aluminium price LME (USD/mt)	1,993	1,758	13 %	1,792	11 %	1,685
Realized USD/NOK exchange rate	8.53	9.47	(10) %	9.13	(7) %	9.42
Hydro Extrusions sales volumes to external market (kmt)	338	305	11 %	291	16 %	1,099
Power production (GWh)	2,857	2,868	-	3,396	(16) %	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) Paragominas production on wet basis.

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

Key developments first quarter 2021

Hydro's adjusted EBITDA for the first quarter of 2021 was NOK 5,182 million, compared with NOK 3,810 million for the same quarter last year. Higher all-in metal prices, improved results from Energy and improved margins and volumes in Extrusions, contributed positively to the result. These positive elements were partly offset by higher raw material costs, negative currency effects and additional maintenance related costs in Bauxite & Alumina.

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. Several Covid-19 initiatives have been implemented in our operations globally to support employees and prevent infections. In Brazil, Hydro has also provided support to the local communities in their efforts to handle the pandemic.

The first quarter saw a strong global recovery driven by the re-opening of economies and substantial fiscal stimulus. As a result, Hydro saw a decreasing oversupply in the primary aluminium market, and several analysts now expect a largely balanced market for 2021.

Hydro Extrusions achieved record results this quarter, driven by strong volume growth, improved margins, and continued cost savings from improvement program initiatives. The quarter saw a strong rebound in automotive in Europe and solid growth in the industrial segment, as well as residential building & construction.

Hydro has set out a clear strategic direction toward 2025 and aims to strengthen its position in low-carbon aluminium, while exploring new growth opportunities in renewable energy.

On March 5, 2021, Hydro entered into an agreement to sell its Rolling business to KPS Capital Partners for EUR 1,380 million (around NOK 14.2 billion) on an enterprise value basis, resulting in EUR 435 million of cash proceeds. The sale of Rolling will strengthen our ability to deliver on the 2025 strategy. Completion of the transaction is expected to take place in the second or third quarter of 2021.

Following the sale of the Rolling business, the revised 2025 improvement target is now NOK 7.4 billion. Of this, NOK 5.1 billion is targeted by end of 2021 compared to the baseline of 2018. In addition, Hydro is pursuing market and customer-driven opportunities in its current aluminium portfolio, aiming to realize NOK 1.5 billion in commercial ambitions by 2025. Based on progress in the first quarter, mainly driven by Extrusions, the improvement program is expected to exceed the year-end target.

Sustainability is the basis for our future positioning and embedded in our strategy of 'lifting profitability and driving sustainability'. We are continuing our efforts to drive change in key areas including social responsibility, environment and climate.

An important milestone towards reaching our climate strategy and global commitment to reduce greenhouse gas emissions by 30 percent by 2030, was achieved as Hydro has made the investment decision for the fuel switch project at the Alunorte refinery in Brazil. Hydro has signed a Memorandum of Understanding with New Fortress Energy with the aim to replace a major part of its current fuel oil consumption at the Hydro Alunorte alumina refinery in Brazil with more environmentally friendly natural gas.

The quarter also saw strong demand for our low carbon aluminium products, Hydro CIRCAL and Hydro REDUXA. The volume of Hydro REDUXA sold in the first quarter was approximately 60 percent of the total Hydro REDUXA volume sold in 2020.

Hydro Energy also experienced a record quarter driven by higher power prices, production volumes and the expiry of legacy power contracts. The new growth initiatives within Energy are progressing well. In April, hydrogen was included as a new growth area, Hydro will explore the potential for developing and operating hydrogen facilities to meet the large internal demand, as well as serving an external market, leveraging the company's industrial and renewable power expertise.

Compared to the fourth quarter 2020, Hydro's adjusted EBITDA increased from NOK 3,403 million to NOK 5,182 million. Higher realized alumina and aluminium prices, improved results from Energy, and higher sales from Extrusions were partly offset by higher raw material costs and negative currency effects.

Net income from continuing operations amounted to NOK 1,880 million in the first quarter. In addition to the factors described above, net income from continuing operations included a net foreign exchange gain, mainly unrealized, of NOK 653 million and a NOK 1,181 million unrealized loss on LME related contracts.

Hydro's net debt¹ position increased from NOK 7.8 billion to NOK 9.0 billion at the end of the quarter. Net cash provided by operating activities amounted to NOK 0.5 billion. Net cash used in investment activities, excluding short term investments, amounted to NOK 1.3 billion.

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

Hydro held NOK 15.0 billion in cash and cash equivalents and NOK 2.5 billion in short-term bank deposits and NOK 0.5 billion in money market funds, included in short-term investments, at the end of the first quarter. Short-term bank 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.

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 income¹⁾	First quarter 2021	First quarter 2020	Fourth quarter 2020	Year 2020
NOK million				
Unrealized derivative effects on LME related contracts	1,181	(189)	(126)	(336)
Unrealized derivative effects on power and raw material contracts	(11)	(183)	133	171
Significant rationalization charges and closure costs	-	4	70	187
Alunorte agreements - provision	-	129	-	129
Transaction related effects	(45)	(57)	(5,291)	(5,407)
Net foreign exchange (gain) loss	(22)	-	-	-
Other effects	-	-	16	(30)
Adjusting items to EBITDA ²⁾	1,103	(297)	(5,198)	(5,284)
Impairment charges	122	12	52	1,968
Depreciation	101	-	-	-
Adjusting items to EBIT	1,326	(285)	(5,146)	(3,316)
Net foreign exchange (gain)/loss	(653)	4,184	(1,349)	3,800
Other finance (income) expense	-	-	(128)	(128)
Calculated income tax effect	(106)	(1,322)	486	(1,393)
Adjusting items to net income from continuing operations	567	2,577	(6,138)	(1,038)
Income (loss) tax rate	29%	21%	10%	19%
Adjusted income (loss) tax rate	27%	51%	25%	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

Market statistics¹⁾	First quarter 2021	First quarter 2020	Change prior year quarter	Fourth quarter 2020	Change prior quarter	Year 2020
USD/NOK Average exchange rate	8.51	9.49	(10) %	9.03	(6) %	9.40
USD/NOK Period end exchange rate	8.52	10.51	(19) %	8.53	-	8.53
BRL/NOK Average exchange rate	1.56	2.13	(27) %	1.67	(7) %	1.84
BRL/NOK Period end exchange rate	1.48	2.02	(27) %	1.64	(10) %	1.64
USD/BRL Average exchange rate	5.48	4.46	23 %	5.40	1 %	5.15
USD/BRL Period end exchange rate	5.75	5.20	11 %	5.19	11 %	5.19
EUR/NOK Average exchange rate	10.26	10.47	(2) %	10.76	(5) %	10.72
EUR/NOK Period end exchange rate	10.00	11.51	(13) %	10.47	(5) %	10.47
<i>Bauxite and alumina:</i>						
Average alumina price - Platts PAX FOB Australia (USD/t)	299	285	5 %	282	6 %	271
China bauxite import price (USD/mt CIF China) ²⁾	44	48	(8) %	44	-	45
Global production of alumina (kmt)	32,969	31,320	5 %	32,648	1 %	127,008
Global production of alumina (ex. China) (kmt)	14,972	14,560	3 %	14,929	-	58,446
<i>Primary aluminium:</i>						
LME cash average (USD/mt)	2,094	1,692	24 %	1,920	9 %	1,705
LME three month average (USD/mt)	2,104	1,715	23 %	1,934	9 %	1,731
Standard ingot premium (EU DP Cash)	166	147	13 %	141	18 %	126
Extrusion ingot premium (EU DP)	452	258	75 %	287	57 %	247
Chinese production of primary aluminium (kmt)	9,671	8,856	9 %	9,656	-	36,732
Chinese consumption of primary aluminium (kmt)	8,966	7,198	25 %	9,949	(10) %	37,645
Global production of primary aluminium (ex. China) (kmt)	7,010	7,034	-	7,081	(1) %	28,058
Global consumption of primary aluminium (ex. China) (kmt)	7,103	6,682	6 %	6,809	4 %	24,698
Global production of primary aluminium (kmt)	16,681	15,890	5 %	16,736	-	64,789
Global consumption of primary aluminium (kmt)	16,069	13,880	16 %	16,758	(4) %	62,343
Reported primary aluminium inventories (ex. China) (kmt)	2,958	2,806	5 %	3,002	(1) %	3,002
Reported primary aluminium inventories (China) (kmt)	2,184	2,514	(13) %	1,419	54 %	1,419
<i>Extruded products:</i>						
Consumption extruded products - Europe (kmt)	889	838	6 %	757	17 %	3,053
Consumption extruded products - USA & Canada (kmt)	608	576	6 %	578	5 %	2,169
<i>Energy:</i>						
Average southern Norway spot price (NO2) (NOK/MWh)	469	154	>100 %	137	>100 %	98
Average mid Norway spot price (NO3) (NOK/MWh)	383	158	>100 %	113	>100 %	100
Average nordic system spot price (NOK/MWh)	435	158	>100 %	148	>100 %	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

While global growth declined around 4 percent in 2020, economic activity recovered sharply in the second half of the year. This has continued in the first quarter of 2021, led by a strong recovery in demand in the industrial sectors. Global growth expectations for the full year 2021 have been revised upwards, now at 5-6 percent, mainly driven by strong activity in US and China.

US demand is supported through significant fiscal stimulus measures and GDP is expected to return to pre-crisis levels during the first half of 2021. Recovery in the Eurozone experienced a set-back in the first quarter, following slower-than-anticipated vaccination progress and new waves of infection resulting in prolonged lockdown measures. The Eurozone GDP is not expected to return to pre-crisis levels until 2022². Vaccination progress, risk of mutations and new lockdown measures coupled with global supply chain disruption, continue to add uncertainty.

Bauxite and alumina

The average Platts alumina index increased to USD 299 per mt in the first quarter of 2021, compared to USD 282 per mt in the fourth quarter 2020. The Platts alumina index started the quarter at USD 305 per mt, remained in a narrow range until mid-March ending the quarter at USD 275 per mt driven by weaker demand expectations in China. Compared to the first quarter of 2020, the average Platts alumina index was 5 percent higher.

In the first two months of 2021, China's net alumina imports reached 488 kmt compared to 690 kmt in the same period in 2020. Australia accounted for 73 percent of Chinese alumina imports in the period with smaller contributions from Vietnam, Kazakhstan and Venezuela.

China imported 17.1 million mt of bauxite in January and February 2021, 7 percent lower than the same period last year, 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 Chinese bauxite import price was USD 44 per mt CIF for January and February 2021, down from USD 48 per mt CIF in the first quarter 2020.

Primary aluminium

The three-month aluminium price increased during the first quarter of 2021, starting at a low end of the quarterly price range at USD 1980 per mt and ending the quarter at USD 2212 per mt. The average price for the quarter was USD 2104 per mt. The price was relatively stable above USD 2200 per mt towards the end of the quarter as global demand continued to recover and supply restrictions emerged in China. Certain smelters in the province of Inner Mongolia were forced to cut production in February due to new energy consumption restrictions set by the regional government.

European duty paid standard ingot premiums ended the first quarter at USD 220 per mt, up from USD 150 per mt at the end of the fourth quarter 2020. The US Midwest premium was up USD 146 per mt during the quarter ending at USD 469 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 212 per mt ex. VAT during the quarter, ending at USD 2311 per mt ex VAT. Average SHFE for the quarter was up USD 167 per mt ex. VAT compared to fourth quarter last year. The average estimated export arbitrage increased to USD 7 in the first quarter 2021.

Global primary aluminium consumption was up 15.8 percent compared to the first quarter of 2020, driven by an increase of 24.6 percent in China. Compared to the fourth quarter of 2020 global consumption was down 4.1 percent due to low demand during Chinese New Year while World ex. China consumption increased 4.3 percent.

Overall global demand for primary aluminium declined in 2020, leading to a significant primary aluminium surplus of between 2-3 million mt. External sources³ are estimating a surplus of between 0.4-0.6 million mt for 2021.

The consumption of extrusion ingot and sheet ingot increased in the first quarter of 2021 compared to the same period 2020. The demand for primary foundry alloys was slightly lower in the first quarter 2021 compared to the same period 2020 mainly due to the negative impact of the semiconductor shortage and lower registrations in the automotive industry.

² Forecast from OECD and IHS Markit

³ CRU and HARBOR

Total global stocks at the end of the first quarter of 2021 were estimated to be 13.7 million mt, up 0.6 million mt compared to the fourth quarter of 2020 and up 1 million mt compared to the first quarter 2020.

Extruded products

European demand for extrusions is estimated to have increased 6 percent during the first quarter of 2021 compared to the same quarter last year and 17 percent compared to the fourth quarter of 2020, partly driven by seasonality. Underlying demand has continued to improve across key segments, especially for the automotive and industrial segment. Automotive demand is supported by restocking and increasing sales of automobiles, particularly electric vehicles. Demand in the industrial segment, such as machinery & equipment, 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 and construction is experiencing strong demand supported by refurbishing.

While the continued impact of Covid-19 remains uncertain, CRU estimates that the European demand for extruded products will increase by around 30 percent for the second quarter of 2021 compared to the same quarter last year, which was heavily impacted by Covid-19.

North American extrusion demand is estimated to have increased 6 percent during the first quarter of 2021 compared to the same quarter last year and 5 percent compared to the fourth quarter of 2020. Although the Covid-19 virus is still impacting all market segments, demand has continued to develop better than expected with a positive outlook for the year. Automotive demand has continued to rebound, although partly impacted by labour and semiconductor shortages for some automakers. The transport segment has been supported by strong orders, with trailer industry bookings increasing 80 percent in January and February compared to the same months last year. Residential construction spending was up 22 percent in January and February of the first quarter compared to same period last year, while non-residential spending was down 7 percent over the same period.

While the continued market impact of the Covid-19 virus remains uncertain, CRU estimates that the North American market will increase by 36 percent for the second quarter of 2021 compared to the same quarter last year, which was strongly impacted by Covid-19.

Energy

Nordic power prices were significantly higher compared to the same quarter last year, and higher than the previous quarter. The increased prices were driven mainly by low temperatures and high consumption in addition to low wind power production and dry weather conditions. Drier conditions and an increase in export capacity to the continent has resulted in higher prices in southern Norway compared to the rest of the Nordic area.

The Nordic hydrological balance ended the quarter around 12 TWh above normal, compared to around 17 TWh above normal at the end of the previous quarter and 29 TWh above normal at the end of the first quarter last year. Water reservoirs in Norway were at 45 percent of full capacity at the end of the quarter, which is 8 percentage points above the normal level. Snow reservoirs were at normal at the end of the quarter.

Additional factors impacting Hydro

During the first quarter Hydro hedged part of its LME exposure totaling 200 thousand tonnes per year for 2022 and 2023 resulting in an accumulated hedge of 250 thousand tonnes per year for 2021 to 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 first quarter Hydro hedged USD 200 million for 2023, which is part of the USD/BRL exposure related to USD denominated sale of alumina produced in Brazil. The total, Hydro has hedged around USD 200 Million per year for 2021 to 2023.

Aluminium Metal has sold forward around 65 percent of its expected primary aluminium production for the second quarter of 2021 at a price level of around USD 2,110 per mt⁴.

Qatalum, a joint venture which Hydro owns 50/50 with Qatar Petroleum, was established in 2007 and started its first production in December 2009. Qatalum was at the outset granted a ten-year income tax holiday, which expired in September 2020. A tax reform came into effect from 2010, which introduced a generally applicable corporate income tax rate of 10 percent. A tax rate of 35 percent applies to entities with oil and gas operations or where the activities are carried out under an agreement with the government or entities owned by the government, unless such agreement specifies another tax rate. According to the Qatalum joint venture agreement, the generally applicable tax rate will apply after the expiry of the tax holiday. It is Hydro's position that the generally applicable income tax rate, currently at 10 percent, shall apply to Qatalum after the expiry of the tax holiday. However, clarification of the applicable tax rate with the Qatari tax authorities is still outstanding and Qatalum has made a tax provision based on a 35 percent tax rate.

Hydro has assessed the changes made to the CO₂ 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 March. Based on the elements approved, Hydro has concluded that an estimated compensation for aluminium produced and sold in the first quarter can be recognized. An amount of compensation reflecting the uncertainty has been recognized in the interim result.

⁴ Prices are fixed mainly one month prior to production. As a result, and due to the hedging of product inventories, Hydro's realized aluminium prices lag LME spot prices by around 1.5 to 2 months 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	First quarter 2021	First quarter 2020	Change prior year quarter	Fourth quarter 2020	Change prior quarter	Year 2020
Earnings before financial items, tax, depreciation and amortization (EBITDA) (NOK million)	1,026	973	5 %	582	76 %	3,683
Adjusted EBITDA (NOK million)	999	1,102	(9) %	587	70 %	3,817
Adjusted EBIT (NOK million)	556	535	4 %	116	>100 %	1,806
Alumina production (kmt)	1,540	1,531	1 %	1,410	9 %	5,457
Sourced alumina (kmt)	698	664	5 %	783	(11) %	3,053
Total alumina sales (kmt)	2,269	2,140	6 %	2,122	7 %	8,495
Realized alumina price (USD/mt) ¹⁾	294	278	6 %	272	8 %	268
Bauxite production (kmt) ²⁾	2,813	2,585	9 %	2,556	10 %	8,640
Sourced bauxite (kmt) ³⁾	1,103	1,514	(27) %	1,351	(18) %	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 first quarter of last year. Additional operational costs due to crane repair work and increased raw material prices were partly offset by positive currency effects and higher prices.

Compared to the fourth quarter of 2020 the adjusted EBITDA increased. Higher alumina prices and sales volumes were partly offset by higher alumina sourcing costs.

Hydro Aluminium Metal

	First quarter 2021	First quarter 2020	Change prior year quarter	Fourth quarter 2020	Change prior quarter	Year 2020
Operational and financial information¹⁾						
Earnings before financial items, tax, depreciation and amortization (EBITDA) (NOK million)	500	1,408	(64) %	1,468	(66) %	3,667
Adjusted EBITDA (NOK million)	1,754	1,197	49 %	1,432	25 %	3,593
Adjusted EBITDA including Qatalum 50% pro rata (NOK million)	2,218	1,599	41 %	1,794	26 %	5,087
Adjusted EBIT (NOK million)	1,185	573	>100 %	844	45 %	1,225
Realized aluminium price LME (USD/mt) ²⁾	1,993	1,758	13 %	1,792	11 %	1,685
Realized aluminium price LME (NOK/mt) ²⁾	16,999	16,658	2 %	16,364	4 %	15,870
Realized premium above LME (USD/mt) ³⁾	264	234	13 %	224	18 %	220
Realized premium above LME (NOK/mt) ³⁾	2,253	2,212	2 %	2,042	10 %	2,077
Realized USD/NOK exchange rate	8.53	9.47	(10) %	9.13	(7) %	9.42
Primary aluminium production (kmt)	539	528	2 %	532	1 %	2,091
Casthouse production (kmt)	534	504	6 %	523	2 %	2,013
Total sales (kmt)	599	577	4 %	547	9 %	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.

	First quarter 2021	First quarter 2020	Change prior year quarter	Fourth quarter 2020	Change prior quarter	Year 2020
Operational and financial information Qatalum (50%)						
Revenue (NOK million)	1,498	1,485	1 %	1,480	1 %	5,733
Adjusted EBITDA (NOK million)	611	442	38 %	545	12 %	1,748
Adjusted EBIT (NOK million)	335	150	>100 %	258	30 %	551
Net income (loss) (NOK million)	147	40	>100 %	183	(20) %	254
Adjusted Net income (loss) (NOK million)	147	40	>100 %	183	(20) %	254
Primary aluminium production (kmt)	78	79	(1) %	79	(2) %	316
Casthouse sales (kmt)	80	81	(1) %	81	(2) %	326

Adjusted EBITDA for Aluminium Metal improved in the first quarter of 2021 compared to the first quarter of 2020 mainly due to higher all-in metal prices, partly offset by negative currency effects and higher raw material cost.

Compared to the fourth quarter of 2020, Adjusted EBITDA for Aluminium Metal increased due to higher all-in metal prices, partly offset by higher raw material cost, higher fixed cost and negative currency effects.

Hydro Metal Markets

	First quarter 2021	First quarter 2020	Change prior year quarter	Fourth quarter 2020	Change prior quarter	Year 2020
Operational and financial information						
Earnings before financial items, tax, depreciation and amortization (EBITDA) (NOK million)	55	521	(89) %	254	(78) %	913
Adjusted EBITDA Recycling (NOK million)	89	121	(26) %	137	(35) %	411
Adjusted EBITDA Commercial (NOK million)	(11)	176	>(100) %	149	>(100) %	464
Adjusted EBITDA Metal Markets (NOK million)	78	296	(74) %	287	(73) %	875
Currency effects	(42)	176	>(100) %	(1)	>(100) %	13
Inventory valuation effects	(41)	1	>(100) %	(8)	>(100) %	(23)
Adjusted EBITDA excl. currency and inventory valuation effects	161	119	35 %	295	(45) %	884
Adjusted EBIT (NOK million)	43	261	(84) %	248	(83) %	728
Remelt production (kmt)	143	137	4 %	140	2 %	488
Metal products sales excluding ingot trading (kmt) ¹⁾	742	675	10 %	672	10 %	2,621
Hereof external sales (kmt)	588	554	6 %	549	7 %	2,088

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

Adjusted EBITDA for Metal Markets decreased in the first quarter compared to the same quarter last year. Results for Recycling decreased, mainly due to lower realized sales premiums. For Commercial, an increase in results from the sourcing and trading activities were more than offset by negative currency and inventory valuation effects.

Compared to the fourth quarter of 2020, adjusted EBITDA for Metal Markets decreased. Results for the Recycling decreased due to higher raw material costs. Adjusted EBITDA for Commercial declined, driven by lower results from the sourcing and trading activities as well as negative currency and inventory valuation effects.

Hydro Extrusions

	First quarter 2021	First quarter 2020	Change prior year quarter	Fourth quarter 2020	Change prior quarter	Year 2020
Operational and financial information						
Earnings before financial items, tax, depreciation and amortization (EBITDA) (NOK million)	1,842	1,181	56 %	915	>100 %	4,225
Adjusted EBITDA (NOK million)	1,744	1,242	40 %	1,044	67 %	4,348
Adjusted EBIT (NOK million)	1,244	702	77 %	511	>100 %	2,196
Sales volumes to external markets (kmt)	338	305	11 %	291	16 %	1,099
Sales volumes to external markets (kmt) - Business units						
Extrusion Europe	144	127	14 %	118	22 %	451
Extrusion North America	137	130	6 %	121	14 %	465
Building Systems	21	19	11 %	20	6 %	74
Precision Tubing	35	29	19 %	33	8 %	108
Hydro Extrusions	338	305	11 %	291	16 %	1,099

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

Compared to the fourth quarter 2020 the adjusted EBITDA increased mainly due to seasonally higher sales volumes and lower maintenance costs, in addition to lower variable and fixed costs partly offset by lower margins.

Hydro Energy

Operational and financial information	First quarter 2021	First quarter 2020	Change prior year quarter	Fourth quarter 2020	Change prior quarter	Year 2020
Earnings before financial items, tax, depreciation and amortization (EBITDA) (NOK million)	900	523	72 %	5,732	(84) %	6,529
Adjusted EBITDA (NOK million)	841	505	66 %	419	100 %	1,245
Adjusted EBIT (NOK million)	792	437	80 %	352	>100 %	974
Power production (GWh)	2,857	2,868	-	3,396	(16) %	11,522
External power sourcing (GWh)	2,586	2,421	7 %	2,700	(4) %	10,014
Internal contract sales (GWh)	4,062	3,873	5 %	4,262	(5) %	16,135
External contract sales (GWh)	255	247	3 %	239	7 %	792
Net spot sales (GWh)	1,126	1,169	(4) %	1,595	(29) %	4,609

Adjusted EBITDA for Energy increased compared to the same quarter last year and the previous quarter. 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 mainly by a decrease in commercial results.

Other and eliminations

Financial information	First quarter 2021	First quarter 2020	Change prior year quarter	Fourth quarter 2020	Change prior quarter	Year 2020
NOK million						
Earnings before financial items, tax, depreciation and amortization (EBITDA)	(244)	(497)	51 %	(351)	30 %	(625)
Other	(144)	(191)	20 %	(231)	34 %	(655)
Eliminations	(91)	(341)	73 %	(135)	33 %	(116)
Adjusted EBITDA	(234)	(532)	54 %	(366)	33 %	(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)	First quarter 2021	First quarter 2020	Change prior year quarter	Fourth quarter 2020	Change prior quarter	Year 2020
NOK million						
Interest income	28	69	(60) %	45	(38) %	208
Dividends received and net gain (loss) on securities	11	(35)	>100 %	56	(80) %	82
Finance income	39	34	14 %	101	(61) %	290
Interest expense	(237)	(227)	(5) %	(270)	12 %	(994)
Net foreign exchange gain (loss)	653	(4,184)	>100 %	1,349	(52) %	(3,800)
Net interest on pension liability	(4)	1	>(100) %	(11)	68 %	(19)
Other	(27)	(52)	48 %	80	>(100) %	(30)
Finance expense	385	(4,462)	>100 %	1,148	(66) %	(4,842)
Finance income (expense), net	424	(4,428)	>100 %	1,248	(66) %	(4,552)

For the first quarter, the net foreign exchange gain, mainly unrealized, of NOK 653 million primarily 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 stronger USD versus BRL affecting the USD denominated debt in Brazil.

Tax

Income tax expense amounted to NOK 776 million for the first quarter of 2021, or about 29 percent of income before tax. The tax rate reflects a relatively high share of income before tax subject to power surtax.

Interim financial statements

Condensed consolidated statements of income (unaudited)

NOK million, except per share data	First quarter 2021	First quarter 2020	Year 2020
Revenue	31,951	31,609	114,291
Share of the profit (loss) in equity accounted investments	125	(4)	223
Other income, net	377	426	7,414
Total revenue and income	32,454	32,031	121,928
Raw material and energy expense	19,126	18,701	68,953
Employee benefit expense	5,012	5,151	19,123
Depreciation and amortization expense	1,754	1,896	7,175
Impairment of non-current assets	122	12	1,979
Other expenses	4,207	4,042	15,343
Total expenses	30,221	29,803	112,572
Earnings before financial items and tax (EBIT)	2,233	2,228	9,356
Finance income	39	34	290
Finance expense	385	(4,462)	(4,842)
Finance income (expense), net	424	(4,428)	(4,552)
Income (loss) before tax	2,657	(2,200)	4,804
Income taxes	(776)	457	(918)
Income (loss) from continuing operations	1,880	(1,743)	3,886
Loss from discontinued operations	(380)	(282)	(2,226)
Net income (loss)	1,500	(2,025)	1,660
Net income (loss) attributable to non-controlling interests	60	(214)	(185)
Net income (loss) attributable to Hydro shareholders	1,441	(1,811)	1,845
Basic and diluted earnings per share from continuing operations (in NOK) ^{1) 2)}	0.89	(0.75)	1.99
Basic and diluted earnings per share from discontinued operations (in NOK) ¹⁾	(0.19)	(0.14)	(1.09)
Basic and diluted earnings per share attributable to Hydro shareholders (in NOK)¹⁾	0.70	(0.88)	0.90
Weighted average number of outstanding shares (million)	2,049	2,048	2,049

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	First quarter 2021	First quarter 2020	Year 2020
Net income (loss)	1,500	(2,025)	1,660
Other comprehensive income			
Items that will not be reclassified to income statement:			
Remeasurement postemployment benefits, net of tax	1,895	(1,689)	(926)
Unrealized gain (loss) on securities, net of tax	(62)	(102)	(156)
Total	1,833	(1,791)	(1,081)
Items that will be reclassified to income statement:			
Currency translation differences, net of tax	(2,690)	6,896	(4,689)
Cash flow hedges, net of tax	(248)	53	120
Share of items that will be reclassified to income statement of equity accounted investments, net of tax	(137)	-	-
Total	(3,075)	6,949	(4,568)
Other comprehensive income	(1,242)	5,158	(5,650)
Total comprehensive income	258	3,133	(3,990)
Total comprehensive income attributable to non-controlling interests	(207)	(147)	(867)
Total comprehensive income attributable to Hydro shareholders	466	3,279	(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	March 31 2021	March 31 2020	December 31 2020
Assets			
Cash and cash equivalents	15,011	12,160	17,638
Short-term investments	4,348	1,641	4,091
Trade and other receivables	16,795	24,539	18,364
Inventories	14,316	22,464	19,492
Other current financial assets	328	1,119	470
Total current assets	50,798	61,923	60,055
Assets held for sale	17,069	-	-
Property, plant and equipment	53,890	77,909	64,245
Intangible assets	8,796	12,649	9,357
Investments accounted for using the equity method	17,227	13,845	17,288
Prepaid pension	7,812	5,242	7,064
Other non-current assets	6,634	7,663	6,398
Total non-current assets	94,360	117,308	104,352
Total assets	162,228	179,232	164,408
Liabilities and equity			
Bank loans and other interest-bearing short-term debt	4,701	7,728	4,748
Trade and other payables	17,462	21,558	18,948
Other current liabilities	4,036	4,771	5,352
Total current liabilities	26,199	34,057	29,048
Liabilities included in disposal group	12,266	-	-
Long-term debt	23,658	21,290	24,811
Provisions	4,132	6,892	5,605
Pension liabilities	9,341	19,893	19,167
Deferred tax liabilities	3,535	2,838	3,059
Other non-current liabilities	5,393	7,089	5,273
Total non-current liabilities	46,060	58,002	57,916
Total liabilities	84,525	92,059	86,964
Equity attributable to Hydro shareholders	74,745	83,213	74,279
Non-controlling interests	2,958	3,959	3,165
Total equity	77,703	87,172	77,444
Total liabilities and equity	162,228	179,232	164,408
Total number of outstanding shares (million)	2,049	2,048	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	First quarter 2021	First quarter 2020	Year 2020
Operating activities			
Net income (loss)	1,500	(2,025)	1,660
Loss (income) from discontinued operations	380	282	2,226
Depreciation, amortization and impairment	1,876	1,909	9,153
Other adjustments	(3,232)	1,513	(869)
Net cash provided by continuing operating activities	524	1,679	12,170
Investing activities			
Purchases of property, plant and equipment	(1,017)	(1,351)	(5,527)
Purchases of other long-term investments	(56)	(63)	(222)
Purchases of short-term investments	(1,000)	(800)	(6,480)
Proceeds from long-term investing activities	(225)	294	637
Proceeds from sales of short-term investments	1,000	-	3,985
Net cash used in continuing investing activities	(1,298)	(1,920)	(7,607)
Financing activities			
Loan proceeds	679	2,097	12,060
Loan repayments	(1,027)	(2,153)	(8,130)
Net increase (decrease) in other short-term debt	(154)	45	(221)
Proceeds from shares issued	5	5	25
Dividends paid	-	-	(2,628)
Net cash provided by (used in) continuing financing activities	(497)	(6)	1,106
Foreign currency effects on cash	(287)	577	(907)
Net cash provided by (used in) discontinued operations	(1,068)	(456)	590
Net increase (decrease) in cash and cash equivalents	(2,626)	(126)	5,352
Cash and cash equivalents classified as assets held for sale	(1)	-	-
Cash and cash equivalents at beginning of period	17,638	12,286	12,286
Cash and cash equivalents at end of period	15,011	12,160	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		-	1			1		1
Non-controlling interest in subsidiaries sold							(42)	(42)
Total comprehensive income for the period				(1,811)	5,090	3,279	(147)	3,133
March 31, 2020	2,272	29,123	(710)	50,934	1,594	83,213	3,959	87,172
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>								
Total comprehensive income for the period				1,441	(975)	466	(207)	258
March 31, 2021	2,272	29,106	(662)	53,469	(9,439)	74,745	2,958	77,703

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 CO₂ 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 March. Based on the elements approved, Hydro has concluded that an estimated compensation for aluminium produced and sold in the first quarter can be recognized. An amount of compensation reflecting the 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	First quarter 2021	First quarter 2020	Year 2020
Total revenue			
Hydro Bauxite & Alumina	6,026	6,029	23,039
Hydro Aluminium Metal	8,953	9,753	34,404
Hydro Metal Markets	13,624	12,912	46,865
Hydro Extrusions	16,334	15,140	54,496
Hydro Energy	2,343	2,115	6,967
Other and eliminations	(15,327)	(14,340)	(51,479)
Total	31,951	31,609	114,291
External revenue			
Hydro Bauxite & Alumina	3,546	3,249	13,381
Hydro Aluminium Metal	762	1,968	7,039
Hydro Metal Markets	10,789	10,353	37,893
Hydro Extrusions	16,203	15,215	54,542
Hydro Energy	787	633	1,261
Other and eliminations	(136)	191	175
Total	31,951	31,609	114,291

NOK million	First quarter 2021	First quarter 2020	Year 2020
Internal revenue			
Hydro Bauxite & Alumina	2,479	2,780	9,658
Hydro Aluminium Metal	8,191	7,785	27,365
Hydro Metal Markets	2,835	2,559	8,972
Hydro Extrusions	131	(76)	(47)
Hydro Energy	1,556	1,482	5,706
Other and eliminations	(15,191)	(14,530)	(51,654)
Total	-	-	-
Share of the profit (loss) in equity accounted investments			
Hydro Bauxite & Alumina	-	-	-
Hydro Aluminium Metal	147	40	256
Hydro Metal Markets	-	-	-
Hydro Extrusions	-	-	-
Hydro Energy	(23)	(12)	(39)
Other and eliminations	1	(31)	7
Total	125	(4)	223
Depreciation, amortization and impairment			
Hydro Bauxite & Alumina	443	567	2,011
Hydro Aluminium Metal	694	655	2,992
Hydro Metal Markets	36	36	149
Hydro Extrusions	628	554	3,785
Hydro Energy	49	65	260
Other and eliminations	27	32	(43)
Total	1,876	1,909	9,153
Earnings before financial items and tax (EBIT) ¹⁾			
Hydro Bauxite & Alumina	583	406	1,672
Hydro Aluminium Metal	(171)	784	794
Hydro Metal Markets	19	485	766
Hydro Extrusions	1,220	628	449
Hydro Energy	851	454	6,258
Other and eliminations	(271)	(530)	(582)
Total	2,233	2,228	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	First quarter 2021	First quarter 2020	Year 2020
Earnings before financial items, tax, depreciation and amortization (EBITDA)			
Hydro Bauxite & Alumina	1,026	973	3,683
Hydro Aluminium Metal	500	1,408	3,667
Hydro Metal Markets	55	521	913
Hydro Extrusions	1,842	1,181	4,225
Hydro Energy	900	523	6,529
Other and eliminations	(244)	(497)	(625)
Total	4,079	4,107	18,390
Investments ¹⁾			
Hydro Bauxite & Alumina	183	244	1,685
Hydro Aluminium Metal	730	751	2,887
Hydro Metal Markets	17	43	148
Hydro Extrusions	253	366	1,549
Hydro Energy	64	36	6,961
Other and eliminations	23	23	92
Total	1,270	1,463	13,324

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
EBIT - EBITDA First quarter 2021				
Hydro Bauxite & Alumina	583	443	-	1,026
Hydro Aluminium Metal	(171)	694	(24)	500
Hydro Metal Markets	19	36	-	55
Hydro Extrusions	1,220	628	(6)	1,842
Hydro Energy	851	49	-	900
Other and eliminations	(271)	27	-	(244)
Total	2,233	1,876	(30)	4,079

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. The sold business comprises the Hydro Rolling segment, and related pension liabilities and certain support functions reported as part of Other activities. The transaction is subject to approval in the EU and certain other jurisdictions and is expected to be completed in the second or third quarter of 2021. The Rolling business is reported as Assets held for sale and Discontinued operations as of the beginning of March 2021. The results of operations in the businesses to be sold are reported separately under the caption *Discontinued operations* for the current and all prior periods. No interest expense related to loans is allocated to discontinued operations. Cash flows from discontinued operations are presented separately. In the balance sheet as of March 31, 2021, assets in the business about to be disposed of and the related liabilities are reported as *Assets held for sale* and *Liabilities in disposal groups*, respectively. Prior period balance sheets are not reclassified. Other components of equity includes positive cumulative translation differences of NOK 567 million related to assets held for sale.

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 corporate cost is 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 100 million each month.

In impairment loss of NOK 1.9 billion for the asset group held for sale was recognized at the end of 2020. The asset group is assessed for possible further impairment or reversal of previous impairment write-down. The asset group has been 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.

Summary of financial data for discontinued operations

NOK million	First quarter 2021	First quarter 2020	01.01-31.12 2020
Revenue	6,896	6,570	24,026
Depreciation, amortization and impairment	178	290	3,099
Other expenses	6,124	6,312	23,187
Earnings before financial items and tax	603	73	(2,024)
Financial income (expense), net	66	(396)	(171)
Income (loss) before tax	669	(323)	(2,195)
Income tax expense	199	(41)	31
Income (loss) from discontinued operations	470	(282)	(2,226)
Impairment from discontinued operations	850	-	-
Loss from discontinued operations	(380)	(282)	(2,226)
Net cash provided by (used in) operating activities	(858)	(317)	1,345
Net cash used in investing activities	(201)	(131)	(718)
Net cash used in financing activities	(9)	(8)	(37)
Net cash provided by (used) in discontinued operations	(1,068)	(456)	590

Asset groups held for sale

NOK million	March 31 2021	March 31 2020	December 31 2020
Current assets	10,633	-	-
Non-current assets	6,436	-	-
Total assets	17,069	-	-
Current liabilities	2,726	-	-
Non-current liabilities	9,540	-	-
Liabilities in disposal group	12,266	-	-

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.
- *Adjusted net cash (debt)*: Short- and long-term interest-bearing debt adjusted for Hydro's liquidity positions, and for liquidity positions regarded unavailable for servicing debt, pension obligation and other obligations which are considered debt-like in nature.
- 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.

Adjusting items to EBITDA and EBIT per operating segment and for Other and eliminations ¹⁾ NOK million	First quarter 2021	First quarter 2020	Fourth quarter 2020	Year 2020
Alunorte agreements - provision ²⁾	-	129	-	129
Unrealized derivative effects on raw material contracts	-	-	5	5
Unrealized effects on physical raw material contracts	(27)	-	-	-
Hydro Bauxite & Alumina	(27)	129	5	134
Unrealized derivative effects on LME related contracts	1,256	(64)	(99)	(160)
Unrealized derivative effects on power contracts	34	(147)	153	218
Net foreign exchange (gain)/loss ³⁾	(35)	-	-	-
Other effects ⁴⁾	-	-	(90)	(131)
Hydro Aluminium Metal	1,254	(211)	(36)	(74)
Unrealized derivative effects on LME related contracts	24	(224)	32	(38)
Hydro Metal Markets	24	(224)	32	(38)
Unrealized derivative effects on LME related contracts	(98)	114	(57)	(129)
Significant rationalization charges and closure costs ⁵⁾	-	4	70	187
Transaction related effects ⁶⁾	-	(57)	14	(37)
Other effects ⁷⁾	-	-	101	101
Hydro Extrusions	(98)	61	129	123
Unrealized derivative effects on power contracts	(19)	(17)	(5)	25
(Gains)/losses on divestments ⁸⁾	(45)	-	(5,308)	(5,308)
Net foreign exchange (gain)/loss ³⁾	4	-	-	-
Hydro Energy	(59)	(17)	(5,313)	(5,283)
Unrealized derivative effects on power contracts ⁹⁾	-	(19)	(19)	(76)
Unrealized derivative effects on LME related contracts ⁹⁾	1	(16)	(2)	(8)
(Gains)/losses on divestments ¹⁰⁾	-	-	3	(62)
Net foreign exchange (gain)/loss ³⁾	9	-	-	-
Other effects	-	-	4	0
Other and eliminations	10	(35)	(15)	(146)
Adjusting items to EBITDA	1,103	(297)	(5,198)	(5,284)
Impairment charges				
Hydro Aluminium Metal ¹¹⁾	-	-	-	504
Hydro Extrusions ¹²⁾	122	12	52	1,625
Other and eliminations ¹⁰⁾	-	-	-	(161)
Depreciation ¹³⁾	101	-	-	-
Adjusting items to EBIT	1,326	(285)	(5,146)	(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) Realized currency gains and losses from risk management contracts and embedded currency derivatives in physical power and raw material prices.

4) Other effects in Hydro Aluminium Metal in fourth quarter 2020 relates to an insurance refunds related to property damage at Albras.

5) 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.

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

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

8) 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.

9) 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.

10) 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.

11) Impairment charges in Hydro Aluminium Metal reflect write downs related to the Svalco smelter.

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

13) 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	First quarter 2021	First quarter 2020	Change prior year quarter	Fourth quarter 2020	Change prior quarter	Year 2020
NOK million						
Net income (loss) from continuing operations	1,880	(1,743)	>100 %	7,226	(74) %	3,886
Adjusting items to net income (loss) from continuing operations ¹⁾	567	2,577	(77) %	(6,138)	>100 %	(1,038)
Adjusted net income (loss) from continuing operations	2,448	834	>100 %	1,089	>100 %	2,848
Adjusted net income attributable to non-controlling interests from continuing operations	93	32	>100 %	117	(20) %	150
Adjusted net income from continuing operations attributable to Hydro shareholders	2,355	802	>100 %	972	>100 %	2,698
Number of shares	2,049	2,048	-	2,049	-	2,049
Adjusted earnings per share from continuing operations	1.15	0.39	>100 %	0.47	>100 %	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)	Mar 31 2021	Dec 31 2020	Change prior quarter	Mar 31 2020	Dec 31 2019	Change prior year quarter
NOK million						
Cash and cash equivalents	15,011	17,638	(2,627)	12,160	12,286	(126)
Short-term investments ¹⁾	4,348	4,091	258	1,641	969	672
Short-term debt	(4,701)	(4,748)	47	(7,728)	(6,157)	(1,571)
Long-term debt	(23,658)	(24,811)	1,153	(21,290)	(18,858)	(2,432)
Net cash (debt)	(9,000)	(7,830)	(1,170)	(15,217)	(11,760)	(3,457)
Cash and cash equiv. and short-term investm. in captive insurance company ²⁾	(1,014)	(956)	(59)	(897)	(876)	(22)
Net pension obligation at fair value, net of expected income tax benefit ³⁾	405	(9,868)	10,273	(12,384)	(8,601)	(3,783)
Short- and long-term provisions net of exp. income tax benefit, and other liab. ⁴⁾	(2,669)	(3,966)	1,298	(4,328)	(4,209)	(119)
Adjusted net cash (debt)	(12,278)	(22,620)	10,342	(32,827)	(25,447)	(7,380)

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 1934 million and NOK 2236 million for March 2021 and December 2020, 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.

Additional Information

Financial calendar 2021

May 6	Annual General Meeting
July 23	Second quarter results
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.



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Our purpose is to create more viable societies by developing natural
resources into products and solutions in innovative and efficient ways.