



# Results up on higher aluminium prices

Second quarter presentation

# 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.

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Svein Richard  
Brandtzæg

President and CEO

A white circle containing the text 'Q2 highlights' is positioned on the left side of a blue background. The background features a close-up, low-angle shot of a modern building's facade, showing geometric shapes and a dark blue sky.

# Q2

## highlights

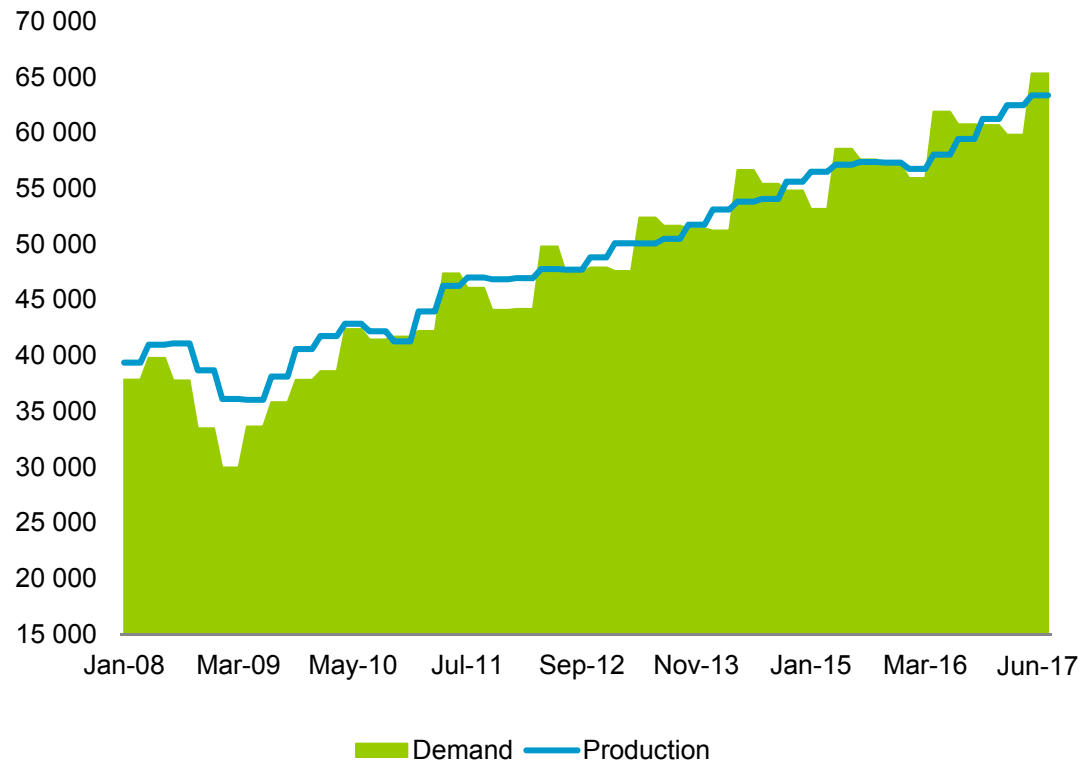
- Underlying EBIT of NOK 2 930 million
- Higher realized aluminium prices, somewhat offset by lower realized alumina prices and higher raw material costs
- Weak Rolled Products results primarily due to reduced margins linked to product mix and operational issues
- Record quarterly result in Sapa
- Agreement to acquire Sapa, closing expected in second half 2017
- Better program on track for 2017 target of NOK 500 million
- Karmøy Technology Pilot on time and budget, expected start-up Q4 2017
- 2017 global primary demand growth outlook 4-6%, global market largely balanced

# Global primary aluminium deficit in Q2

Driven by increasing deficit outside China

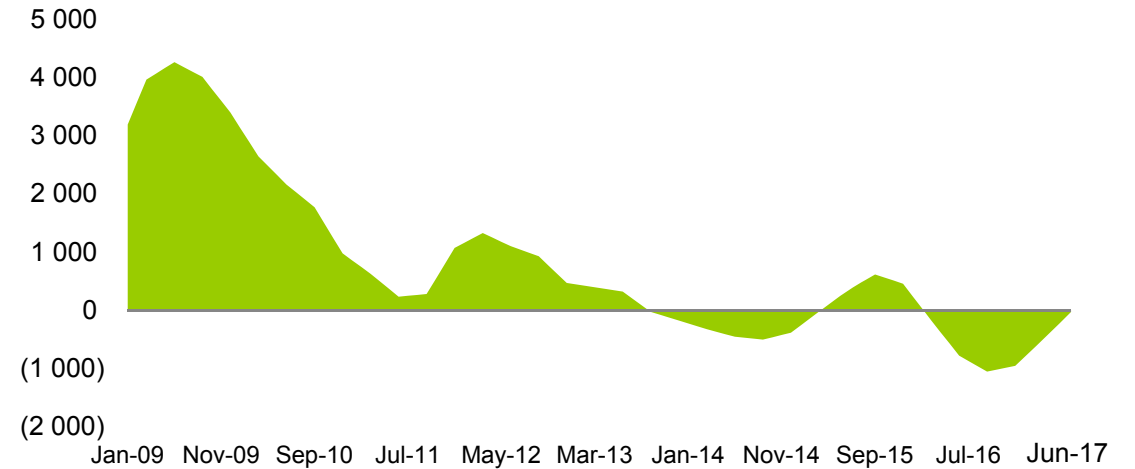
## Demand and production (quarterly annualized)

1 000 mt primary aluminium



## Production less demand<sup>\*)</sup>

1 000 mt primary aluminium



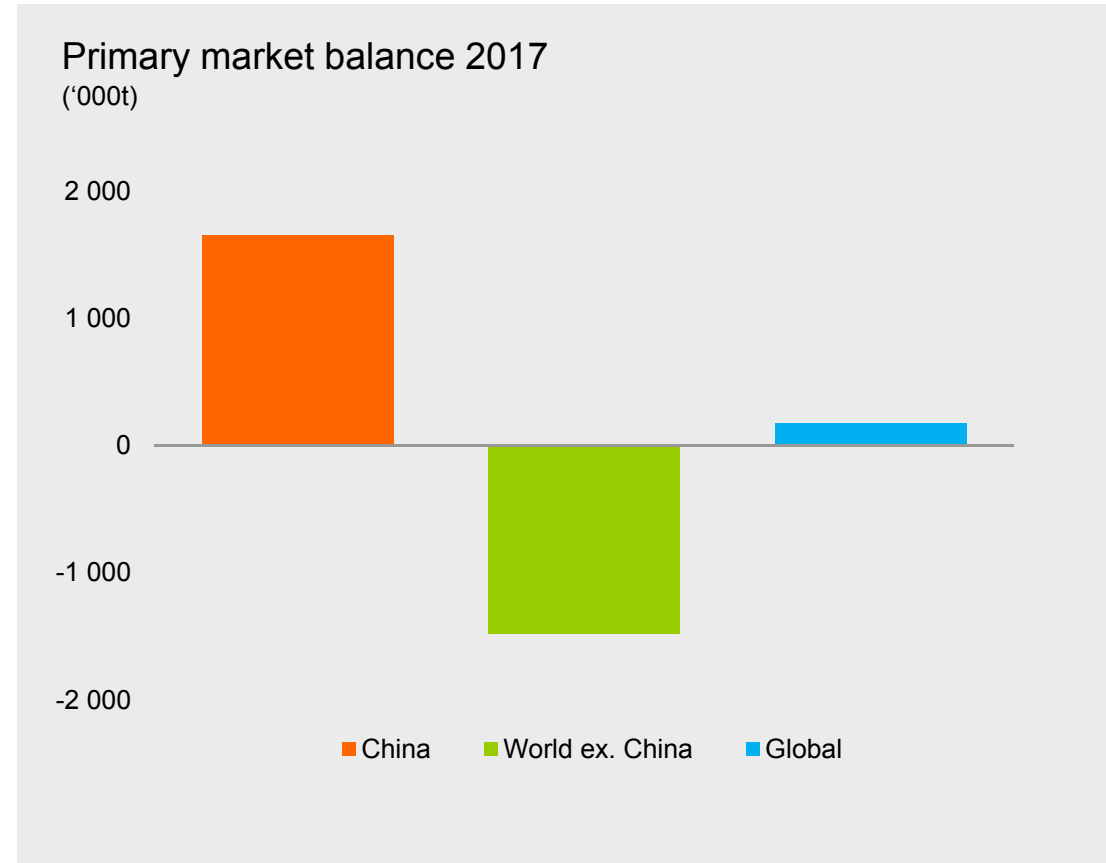
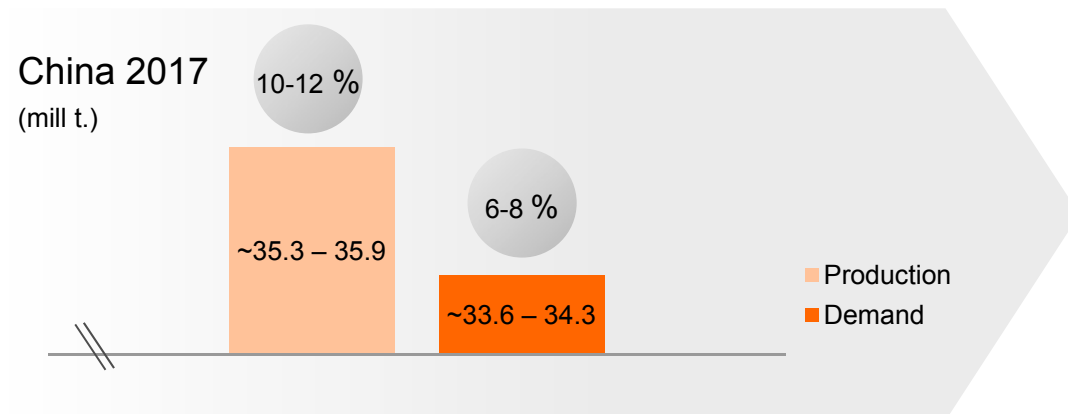
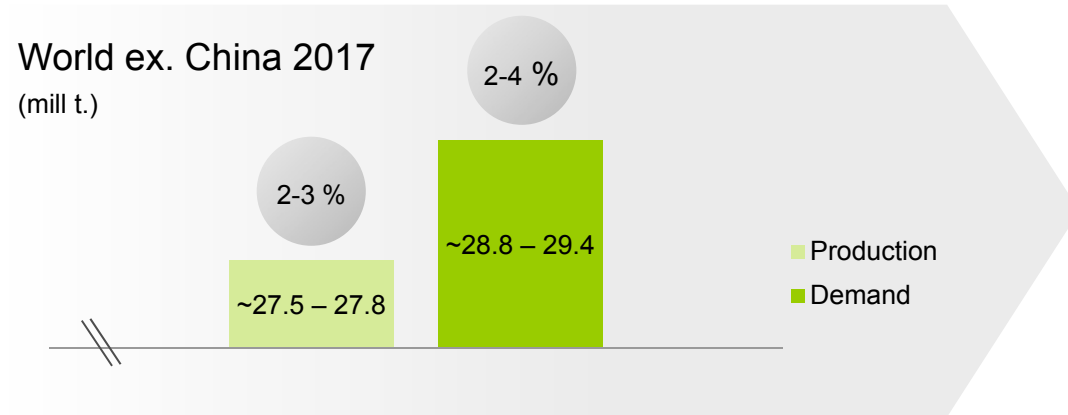
- ~5.6 % demand growth Q2-17 vs Q2-16
  - ~ 7.6 % China
  - ~ 2.7 % Western Europe
  - ~ 1.3 % North America
  - ~ 5.0 % Central and South America
- 2017 demand growth expected at 4-6 %

Source: CRU/Hydro

\* Yearly rolling average of quarterly annualized production less demand

# Primary aluminium market expected to be largely balanced in 2017

Stronger-than-expected demand and production growth in China



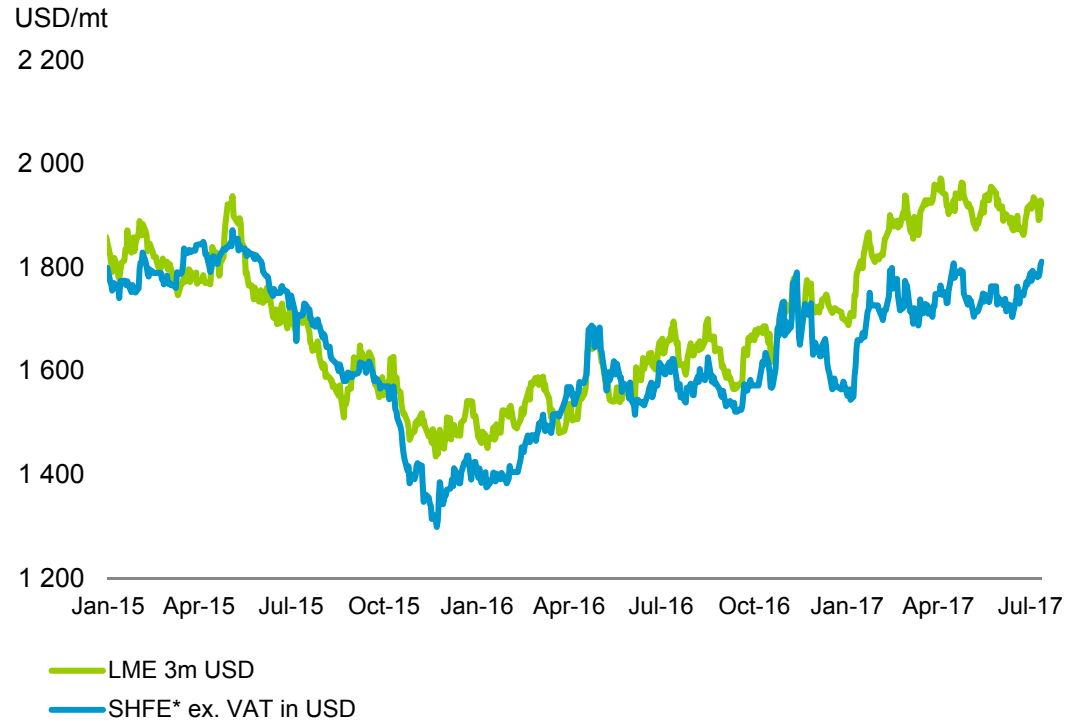
Source: CRU, Hydro analysis

% Growth from 2016 to 2017

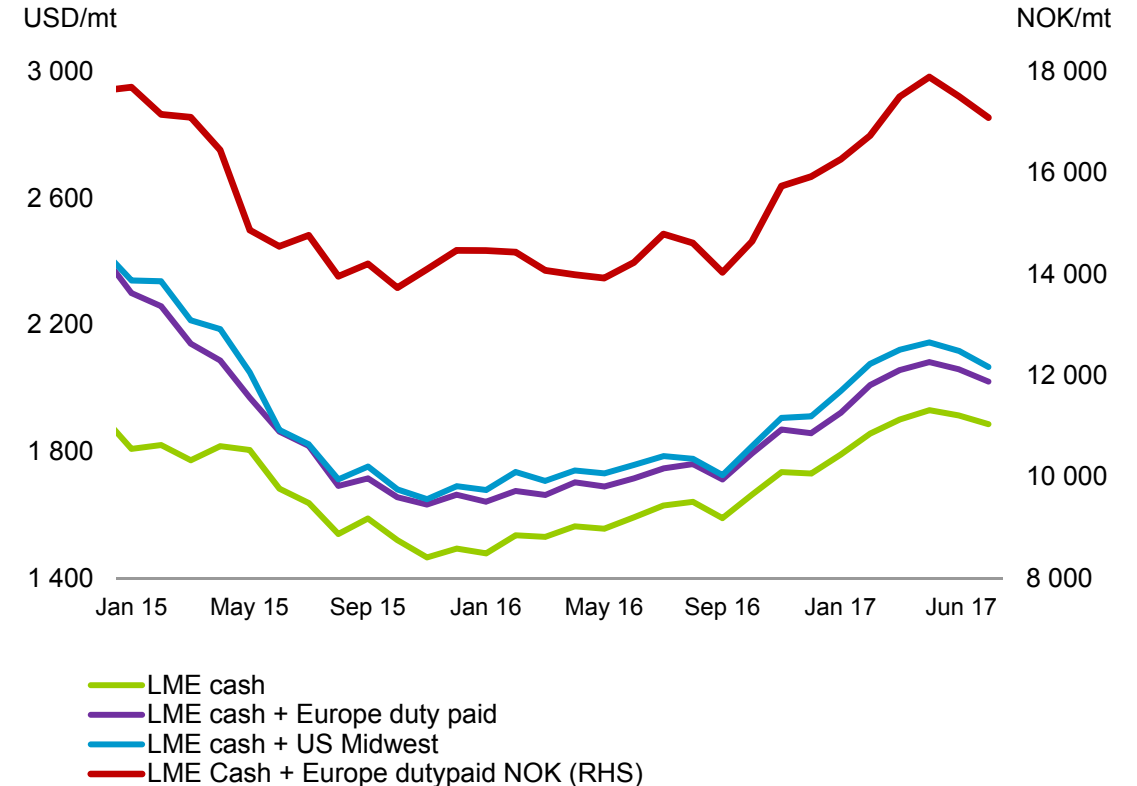
# Increasing average all-in aluminium prices in Q2

Continued wide arbitrage between LME and SHFE

## LME and SHFE aluminium prices



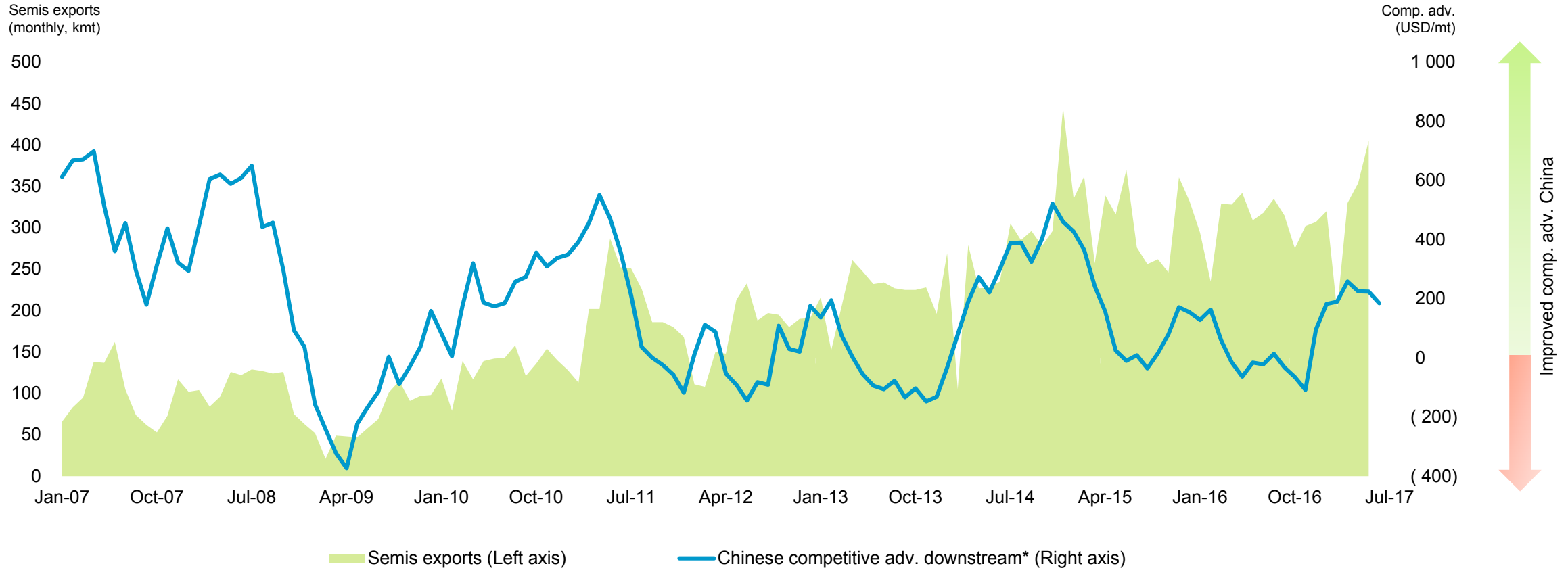
## All-in aluminium prices



Source: Metal Bulletin, Platts, Reuters Ecowin, Hydro analysis  
 \* Shanghai Futures Exchange

# Increasing Chinese Apr-May semis export

Preliminary export figures indicate stable exports in June compared to May



Source: CRU/Ecowin

\* Est. metal cost China versus Europe

Europe: LME cash + European duty-paid standard ingot premium

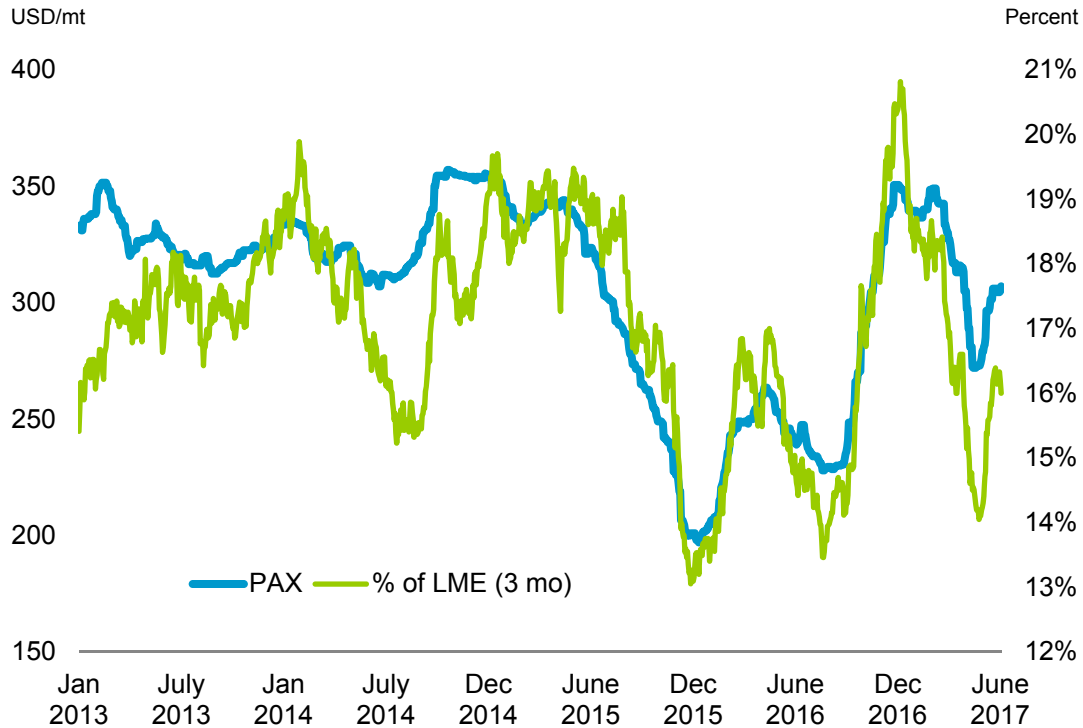
China: SHFE cash + avg. local premium + freight – export rebates (~13 %)



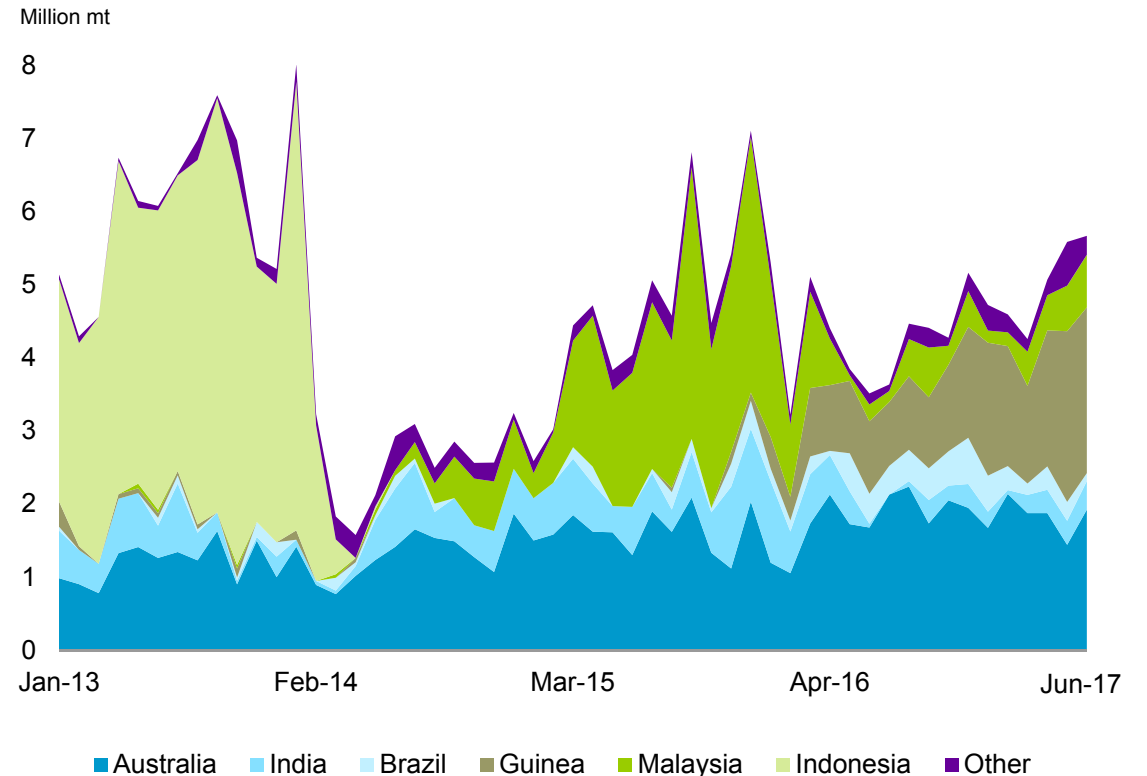
# Q2 average alumina prices down, declining trend reversed in June

Increasing Atlantic bauxite exports to China, primarily from Guinea

Platts alumina index (PAX)



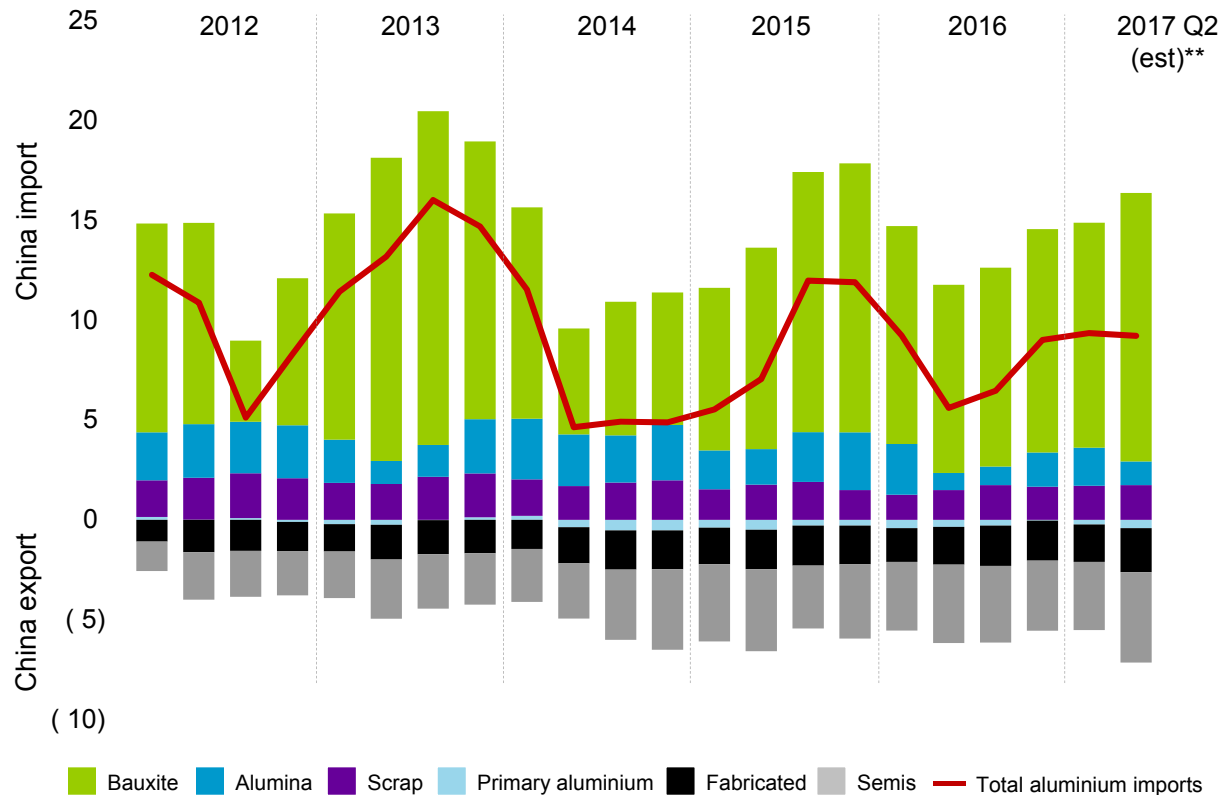
Monthly Chinese bauxite imports



Source: Platts, Ecwin, China Customs

# China: bauxite imports remain high in Q2, increasing semis export

Annualized aluminium equivalents\*, million mt



- Bauxite and alumina
  - Continued high volumes from Australia and Guinea
  - Alumina imports remain subdued
- Primary aluminium exports at low levels
- Largely stable scrap imports
- Increased exports of semis and fabricated products

Source: CRU/Antaika/Hydro

\* Bauxite/alumina to aluminium conversion factor: 5.6/1.925

\*\* Quarterly annualized for Q2 2017 based on April/May data; full Q2 figures not available

# On track for 2019 target of NOK 2.9 billion

Slightly behind plan, still expect to reach 2017 target of NOK 500 million



- High production at Alunorte and Paragominas, commercial and procurement contributing positively
- On track for 2019 target



- Operational issues reducing improvement speed
- On track for 2019 target



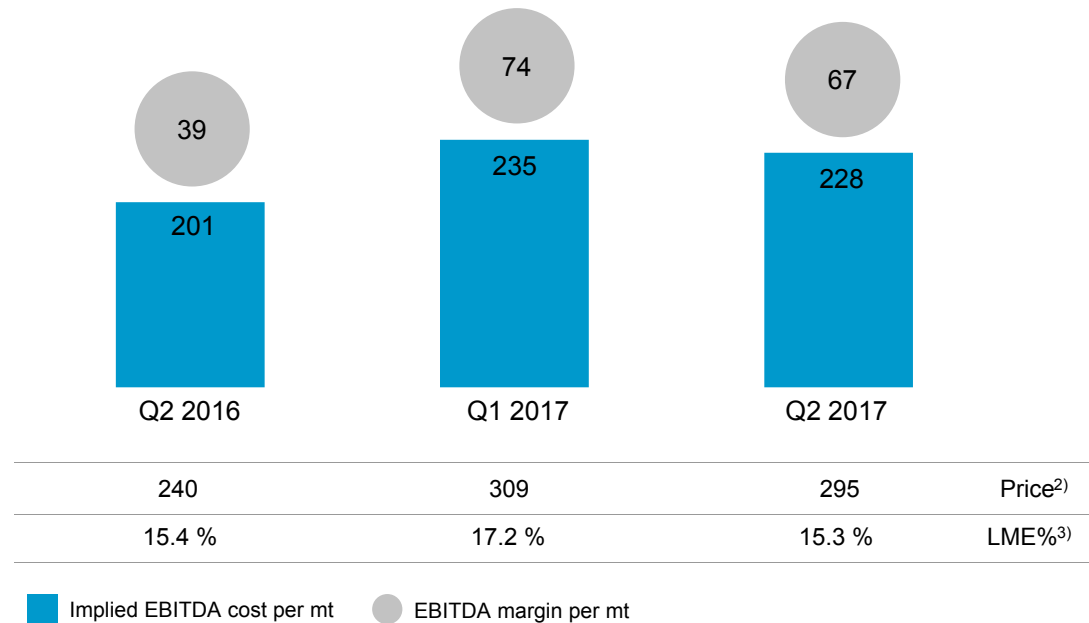
- Slower than expected progress in Albras, partly offset by improved overall performance
- On track for 2019 target



1) From 2016 – 2019, real 2015 terms. Includes some larger investments of NOK ~3 billion NOK in 2015-2019: AL3 and UBC in Rolled Products. Creep projects in Primary Metal. Alunorte debottlenecking in B&A.

# Lower alumina prices, slightly lower implied alumina cost

Implied alumina cost and margin, USD/mt <sup>1)</sup>



## Developments Q2 vs Q1

- Margins down on lower realized prices
- Implied alumina cost in Q2 affected by:
  - Higher caustic soda and bauxite consumption at Alunorte
  - Lower alumina and bauxite sourcing costs
  - Weaker BRL vs USD

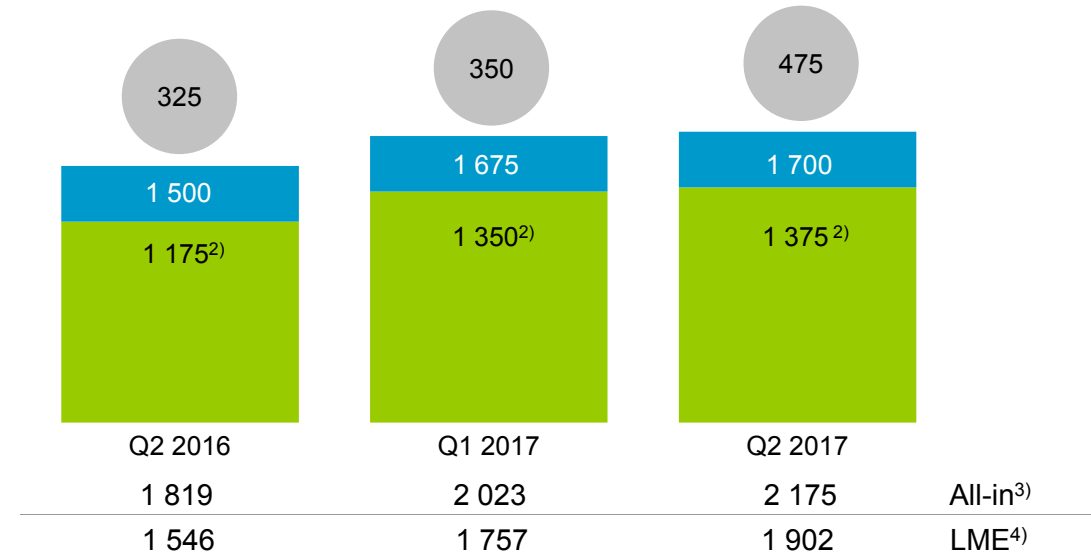
1) Realized alumina price minus underlying EBITDA for B&A, per mt alumina sales

2) Realized alumina price

3) Realized alumina price as % of three-month LME price with one month lag

# Increased all-in implied primary cost, higher margins

All-in implied primary cost and margin, USD/mt <sup>1)</sup>



- All-in Implied EBITDA cost per mt
- LME Implied EBITDA cost per mt
- All-in EBITDA margin per mt

## Developments Q2 vs Q1

- Margins up from Q1 on increased realized aluminium prices
- All-in implied primary cost up on increased alumina costs

1) Realized all-in aluminium price minus underlying EBITDA margin, including Qatalum, per mt aluminium sold. Implied primary cost and margin rounded to nearest USD 25

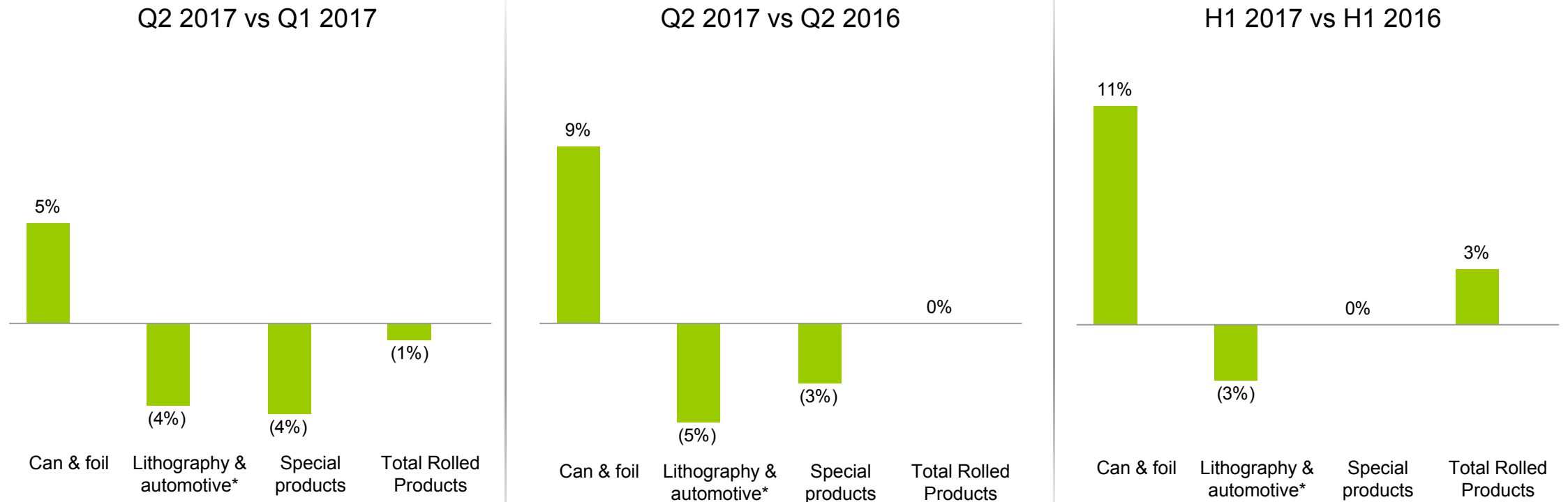
2) Realized LME aluminium price minus underlying EBITDA margin, including Qatalum, per mt primary aluminium produced

3) Realized LME plus realized premiums, including Qatalum

4) Realized LME, including Qatalum

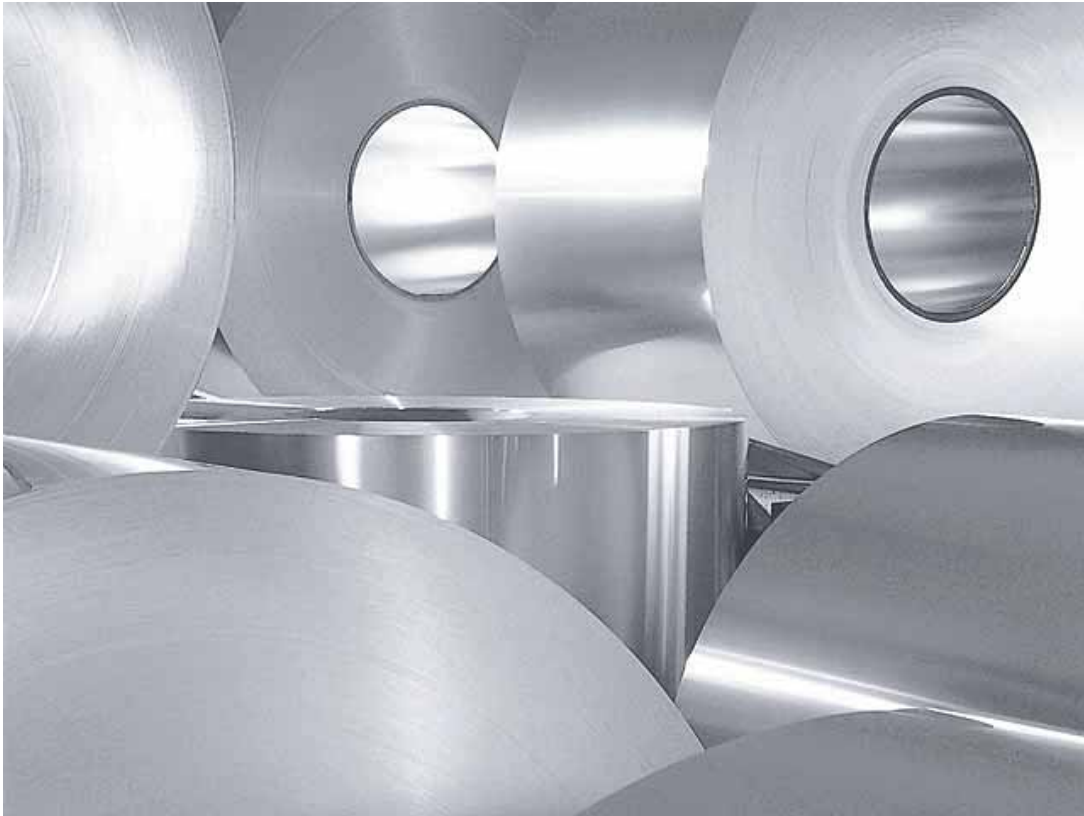
# Rolled Products: Q2 sales affected by operational issues

Overall healthy demand growth, continued strong growth within Body-in-White car parts



\* Include BiW sales growth of 7% Q2 2017 vs Q1 2017, 10% Q2 2017 vs Q2 2016 and 18% H1 2017 vs H1 2016

# Actions to resolve operational issues in Rolled Products



- Operational challenges at Hamburg and Alunorf
  - Expected to return to normal performance during H2 2017
- Ramp-up challenges in the Used Beverage Can line
  - Output speed of >40 000 mtpa expected by end-2017
- Automotive Line 3 in process of qualifying products, with some delays
  - Ramp-up during 2017, increasing volumes during 2018-2019

Prioritizing short and medium term performance through targeted initiatives to lift production reliability and strengthening project organizations

# Hydro to acquire Sapa, creating a global aluminium champion

## Transactional details

- Sapa enterprise value BNOK 27
  - Accretive to earnings and strong cash generation from Sapa from day 1
  - Synergies of MNOK 200 per year
  - Sapa to become new business area in Hydro
- 
- To be financed through cash positions and bond issue
  - Dividend policy to remain at 40% of net income over the cycle
- 
- Subject to customary regulatory approvals\*
  - Anticipated closing in second half 2017

## Strategic fit and rationale

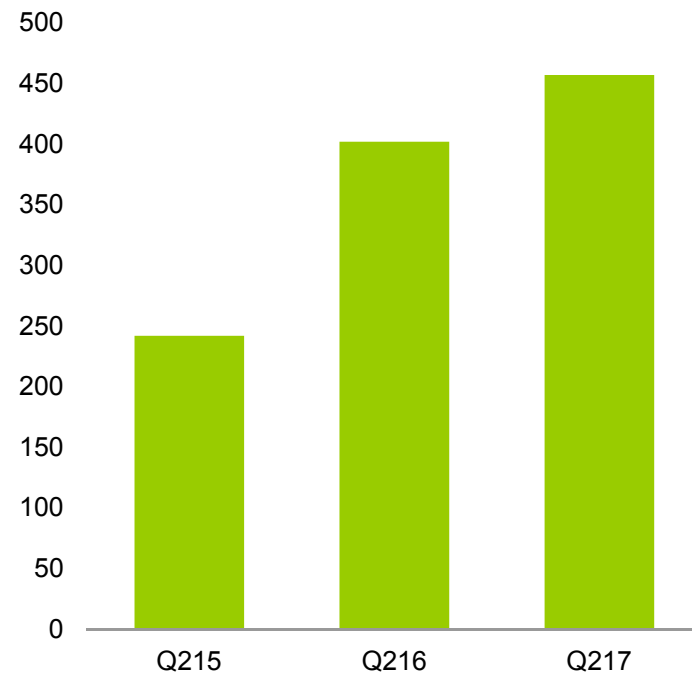


\* Regulatory approvals required in Brazil, Canada, China, EU, Turkey before closing

# Record quarterly result in Sapa in Q2

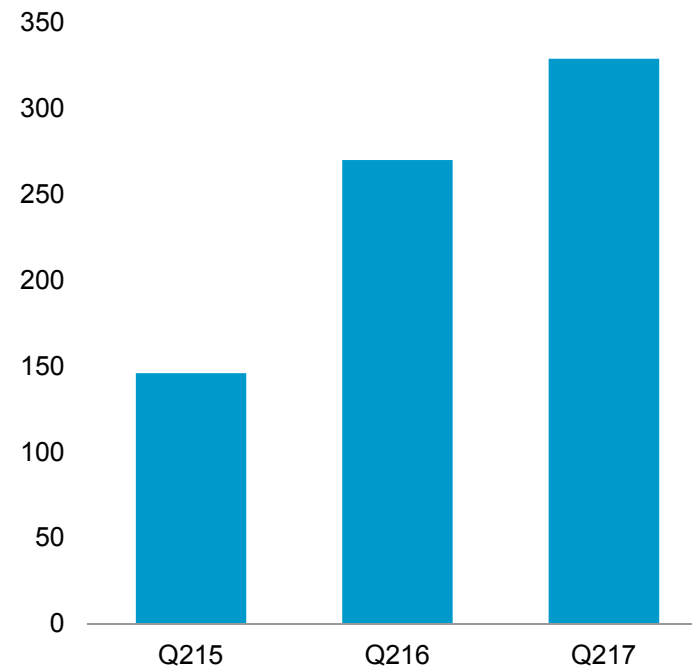
Hydro share of underlying EBIT

NOK million



Hydro share of underlying net income

NOK million



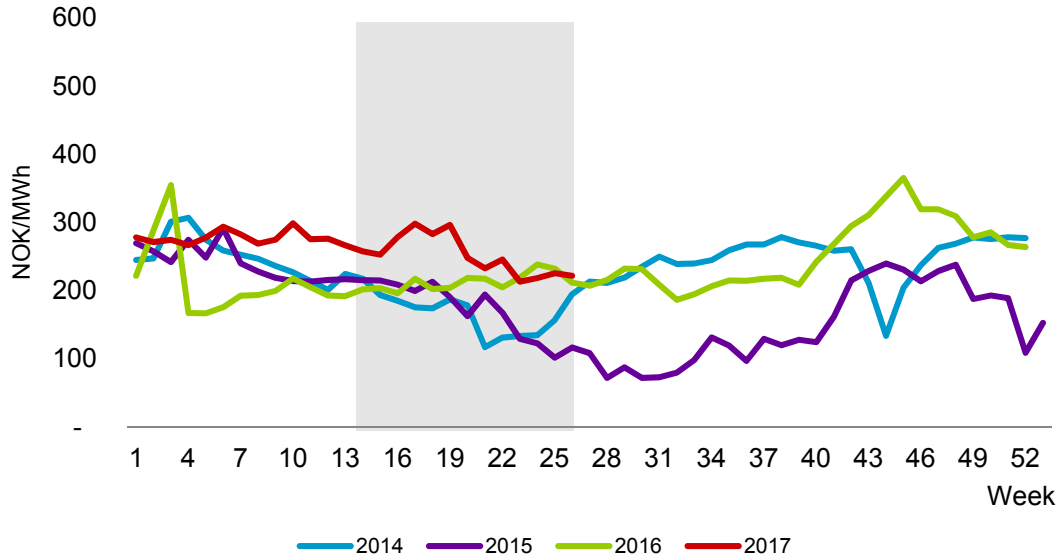
# Seasonally stronger market demand for extruded products



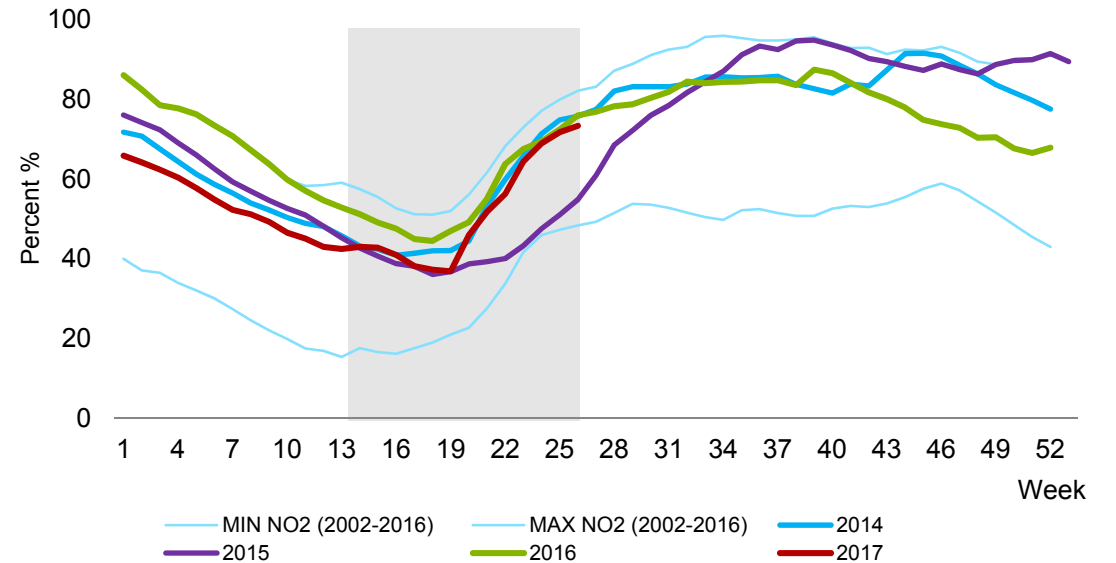
- Seasonally stronger demand in Q2 versus Q1
  - ~3% increase in North America
  - ~9% increase in Europe
- Demand increased year-over-year
  - ~3% in North America
    - Stronger automotive demand and higher building and construction activity
    - Reduced demand from commercial transportation
  - ~2% in Europe
    - Positive developments in automotive and transportation
    - Improved building and construction market

# Energy: Seasonally lower prices during snow melt period in Q2

Market price Southwestern Norway (NO2)



Water reservoir levels Southwestern Norway (NO2)



Energy price NOK/MWh	Q2 2017	Q1 2017
Southwestern Norway (NO2)	252	278
System	257	280

Reservoir levels	Jun 30, 2017	Mar 31, 2017
Southwestern Norway (NO2)	73.4%	42.5%
Norway	67.8%	34.8%

# Karmøy Technology Pilot on track for first metal in Q4 2017

World's most climate and energy-efficient aluminium production



- On time and budget, ~85 % completed end-Q2
- Official opening August 24
- Net Hydro capex 2015-Q2 2017 BNOK 2.2
  - Total capex BNOK 3.2
  - Enova support BNOK 1.1
- Net Hydro capex 2015-2018 BNOK 2.7
  - Total capex BNOK 4.3
  - Enova support BNOK 1.6



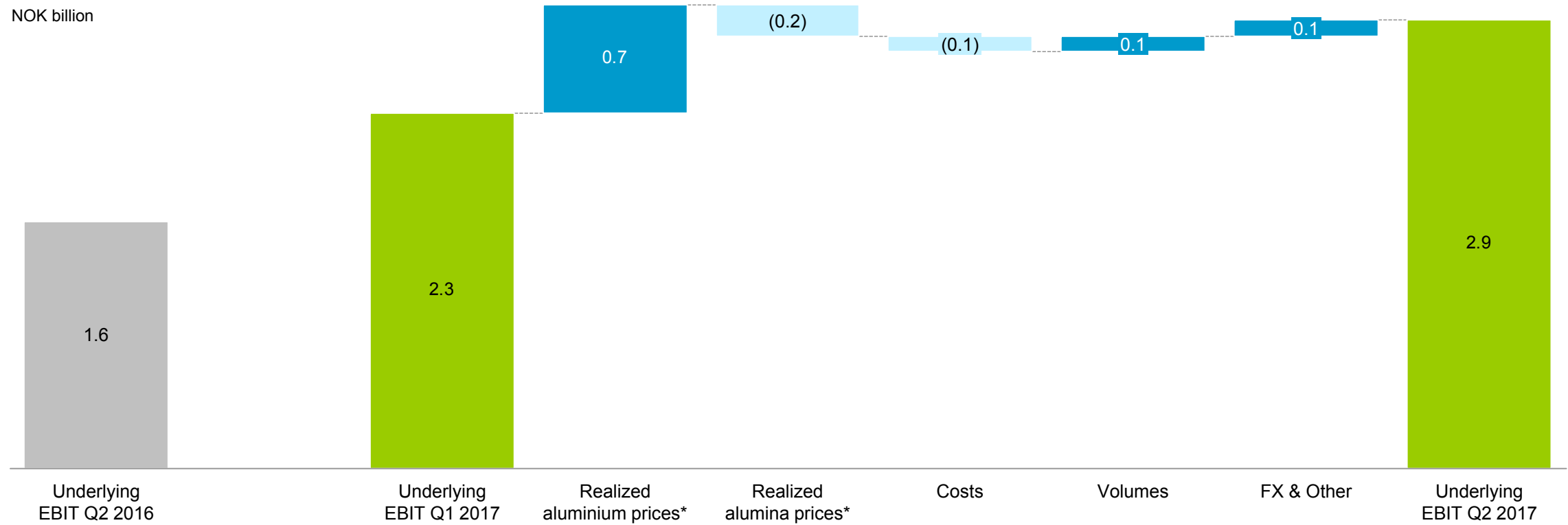
Eivind Kallevik



Executive Vice  
President and CFO

# Results up on higher aluminium prices

NOK billion



\* Price revenue effects

# Key financials

Underlying EPS up to 1.04 NOK/share

NOK million	Q2 2017	Q1 2017	Q2 2016	First half 2017	First half 2016
Revenue	24 591	23 026	20 391	47 617	40 529
<b>Underlying EBIT</b>	<b>2 930</b>	<b>2 284</b>	<b>1 618</b>	<b>5 214</b>	<b>3 119</b>
Items excluded from underlying EBIT	16	126	360	141	552
<b>Reported EBIT</b>	<b>2 946</b>	<b>2 410</b>	<b>1 978</b>	<b>5 356</b>	<b>3 672</b>
Financial income (expense)	(959)	136	948	(823)	1 949
<b>Income (loss) before tax</b>	<b>1 987</b>	<b>2 546</b>	<b>2 926</b>	<b>4 533</b>	<b>5 621</b>
Income taxes	(424)	(707)	(849)	(1 132)	(1 162)
<b>Net income (loss)</b>	<b>1 562</b>	<b>1 838</b>	<b>2 077</b>	<b>3 401</b>	<b>4 459</b>
<b>Underlying net income (loss)</b>	<b>2 214</b>	<b>1 580</b>	<b>1 126</b>	<b>3 795</b>	<b>1 949</b>
Reported EPS, NOK	0.73	0.86	0.95	1.59	2.08
Underlying EPS, NOK	1.04	0.75	0.52	1.79	0.91

# Items excluded from underlying EBIT

Excluded MNOK 16 in timing effects

NOK million	Q2 2017	Q1 2017	Q2 2016	First half 2017	First half 2016
<b>Underlying EBIT</b>	<b>2 930</b>	<b>2 284</b>	<b>1 618</b>	<b>5 214</b>	<b>3 119</b>
Unrealized derivative effects on LME related contracts	(92)	(18)	146	(110)	283
Unrealized effects on power and raw material contracts	25	(173)	(114)	(148)	(27)
Metal effect, Rolled Products	138	286	17	424	(26)
Significant rationalization charges and closure costs	-	-	(67)	-	(67)
Impairment charges	-	-	-	-	-
Gains (losses) on divestments	-	-	329	-	314
Other effects	-	-	-	-	-
Items excluded in equity accounted investments	(56)	32	49	(25)	75
<b>Reported EBIT</b>	<b>2 946</b>	<b>2 410</b>	<b>1 978</b>	<b>5 356</b>	<b>3 672</b>

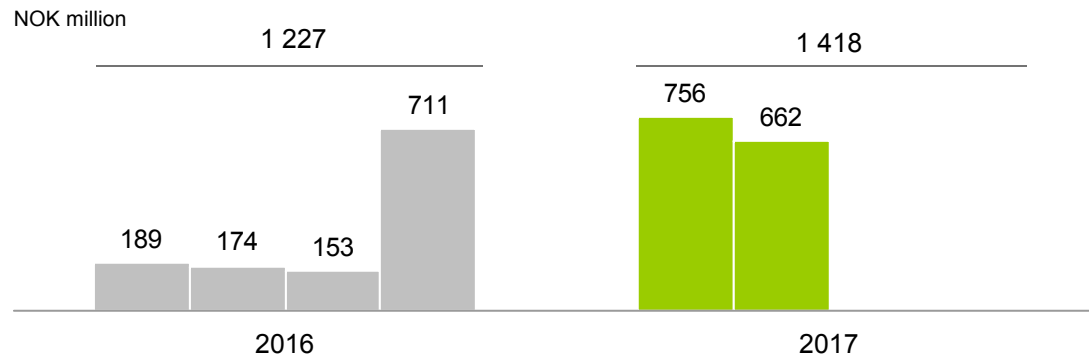
# Bauxite & Alumina

Results down on lower realized alumina prices

Key figures	Q2 2017	Q1 2017	Q2 2016
Alumina production, kmt	1 576	1 523	1 554
Total alumina sales, kmt	2 196	2 129	2 078
Realized alumina price, USD/mt	295	309	240
Implied alumina cost, USD/mt	228	235	201
Bauxite production, kmt	2 943	2 400	2 609
Underlying EBITDA, NOK million	1 248	1 334	659
Underlying EBIT, NOK million	662	756	174



## Underlying EBIT



## Q2 results

- Lower realized alumina prices, driven by reduction in PAX alumina index
- Production up at Alunorte and Paragominas
- Higher raw material consumption at Alunorte
- Additional costs Alunorte in ramp-up process of new press filter
- Negative effect from asset write-off in Alunorte

## Outlook

- Stable production at Alunorte and Paragominas
- Increased raw material costs
- Additional costs Alunorte in ramp-up process of new press filter
- Increased depreciation in Paragominas

# Primary Metal

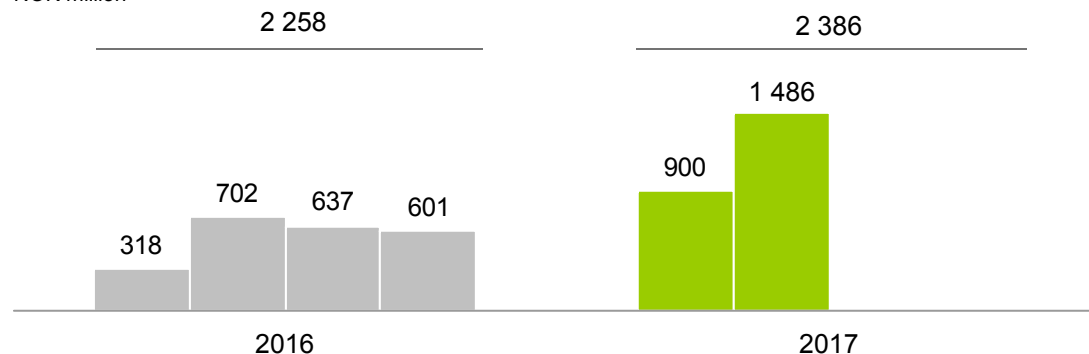
Results up on higher realized aluminium prices, partly offset by increased alumina cost

Key figures	Q2 2017	Q1 2017	Q2 2016
Primary aluminium production, kmt	523	516	518
Total sales, kmt	579	577	596
Realized LME price, USD/mt	1 902	1 757	1 546
Realized LME price, NOK/mt	16 265	14 798	12 826
Realized premium, USD/mt	273	266	270
Implied all-in primary cost, USD/mt *	1 700	1 675	1 500
Underlying EBITDA, NOK million	1 991	1 392	1 186
Underlying EBIT, NOK million	1 486	900	702



## Underlying EBIT

NOK million



## Q2 results

- Higher realized aluminium prices
- Increased raw material cost, primarily related to alumina

## Outlook

- ~ 55% of primary production for Q3 priced at USD ~1 900 per mt\*\*
- ~ 55% of premiums affecting Q3 booked at USD ~300 per mt\*\*
  - Q3 realized premium expected in the range of 225-275 USD/mt
- Reduced alumina prices, higher prices for petroleum coke

\* Realized all-in aluminium price minus underlying EBITDA margin, including Qatalum, per mt aluminium sold.

\*\* Including Qatalum volumes

# Qatalum – limited effect from imposed sanctions on Qatar

Key figures – Qatalum (50%)	Q2 2017	Q1 2017	Q2 2016
Revenue, NOK million	1 483	1 355	1 182
Underlying EBITDA, NOK million	604	457	372
Underlying EBIT, NOK million	291	157	75
Underlying Net income (loss), NOK million	232	98	11
Primary aluminium production, kmt	78	76	76
Casthouse sales, kmt	80	80	77

- On June 5 2017, Saudi Arabia, UAE, Bahrain and Egypt imposed sanctions on Qatar
- Qatalum affected through not being able to ship through the Jebel Ali Port in UAE
- Logistics have been rearranged - currently shipping through Oman
- Limited effect on financials
- Qatalum Q2 results up on increased realized aluminium price



# Metal Markets

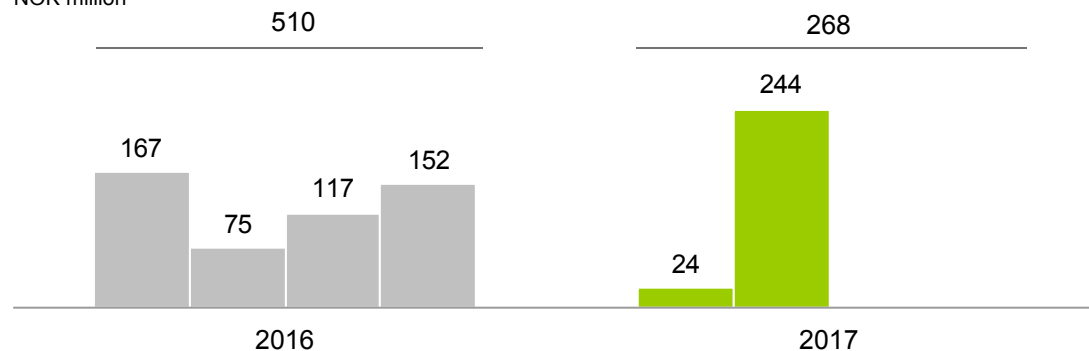
Contribution up from commercial activities and remelters, positive currency and inventory valuation effects

Key figures	Q2 2017	Q1 2017	Q2 2016
Remelt production, kmt	152	143	146
Metal products sales, kmt <sup>1)</sup>	759	735	777
Underlying EBITDA, NOK million	268	47	98
Underlying EBIT excl currency and inventory valuation effects, NOK million	152	83	113
Underlying EBIT, NOK million	244	24	75



## Underlying EBIT

NOK million



## Q2 results

- Improved remelter volumes and margins
- Increased results from metal sourcing and trading
- Seasonally higher metal product sales
- Positive currency and inventory valuation effects

## Outlook

- Seasonally lower metal product and remelter sales
- Volatile trading and currency effects

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

# Rolled Products

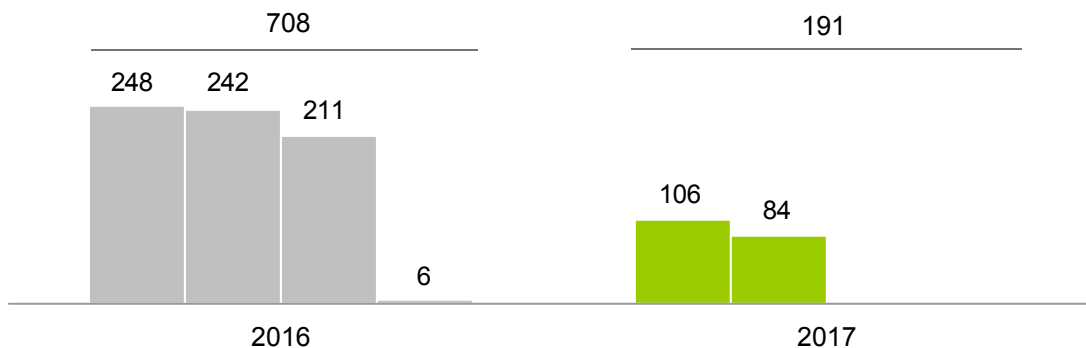
Reduced average margins, accrual for employee compensation, reduced impact from operational issues

Key figures	Q2 2017	Q1 2017	Q2 2016
External sales volumes, kmt	239	241	238
Underlying EBITDA, NOK million	297	307	432
Underlying EBIT, NOK million	84	106	242



## Underlying EBIT

NOK million



## Q2 results

- Margins down due to products mix
- Operational challenges partly solved – less financial impact in Q2
- Accrual for employee compensation mainly related to previous years
- Neuss result up on higher aluminium prices and lower alumina cost

## Outlook

- Part of negative operational effects to continue into Q3
- Neuss results driven by aluminium and raw material price development

# Energy

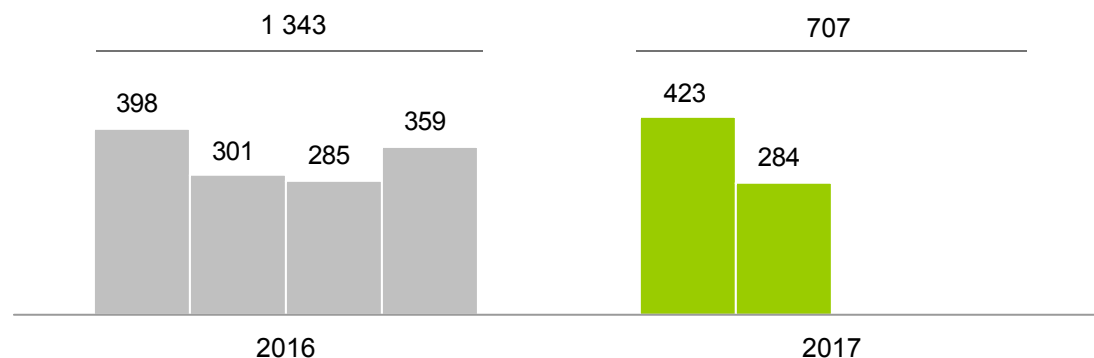
Results down on seasonally lower power production

Key figures	Q2 2017	Q1 2017	Q2 2016
Power production, GWh	2 369	2 869	2 674
Net spot sales, GWh	996	1 409	1 393
Southwest Norway spot price (NO2), NOK/MWh	252	278	213
Underlying EBITDA, NOK million	337	476	352
Underlying EBIT, NOK million	284	423	301



## Underlying EBIT

NOK million



## Q2 results

- Seasonally lower power production resulting in lower net spot sales
- Power prices somewhat down
- Lower production cost on lower property taxes

## Outlook

- Price and volume uncertainty
- Higher property taxes\*

\* From 2015 property tax is charged to the period it becomes an unconditional payment obligation (in Norway when invoiced). This leads to periodic variations within the year without affecting the annual property tax level. The variation is expected to be around MNOK 25-30 per quarter with higher taxes in Q1 and Q3 and lower taxes in Q2 and Q4.

# Sapa JV

## Seasonally stronger demand and continuous improvements

Key figures – Sapa (50%)	Q2 2017	Q1 2017	Q2 2016
Revenue, NOK million	7 655	7 162	7 036
Underlying EBITDA, NOK million	626	550	566
Underlying EBIT, NOK million	457	389	402
Extrusion Europe	146	137	152
Extrusion North America	177	165	132
Building Systems	92	59	83
Precision Tubing	68	62	56
Other and elimination	(25)	(34)	(21)
Underlying Net income (loss), NOK million	329	281	270
Sales volumes (kmt)	180	178	183

- Best quarterly result in Sapa's history
- Quarter-on-quarter results up on seasonally stronger demand and improved performance
- Year-on-year results up on increased value-add business and internal improvements

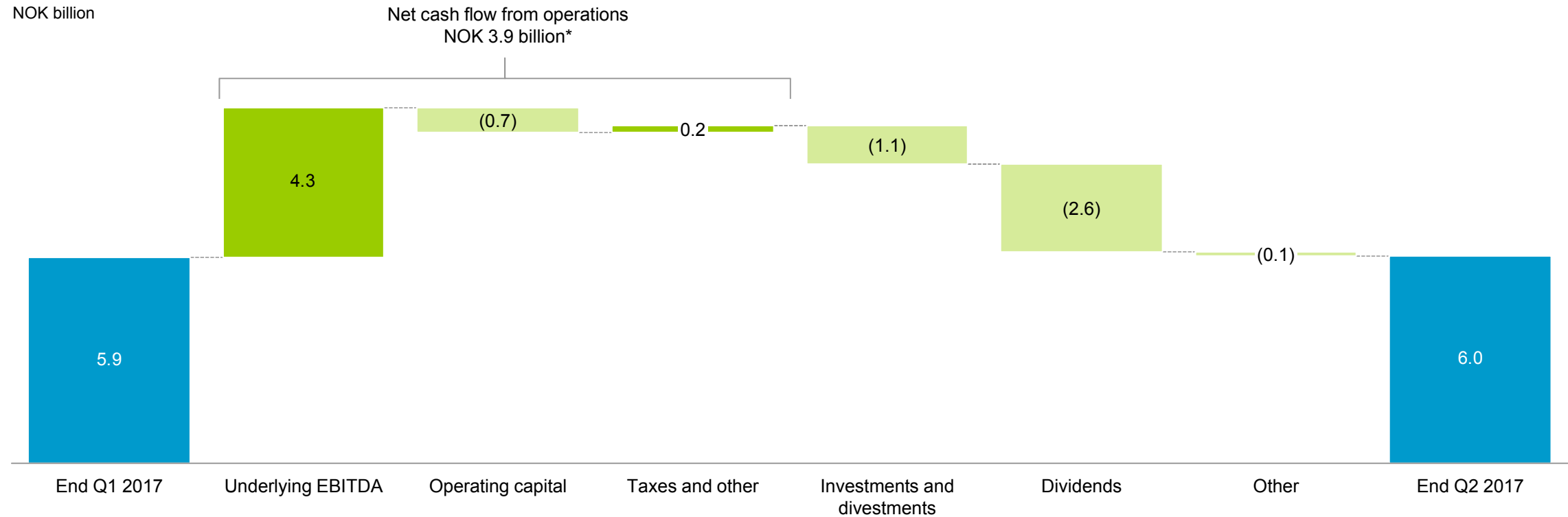
# Other and Eliminations



Other and Eliminations, Underlying EBIT, NOK million	Q2 2017	Q1 2017	Q2 2016
Sapa JV	329	281	270
Other	(71)	(140)	(100)
Eliminations	(88)	(67)	(45)
<b>Other and Eliminations</b>	<b>170</b>	<b>74</b>	<b>125</b>

# Net cash development Q2 2017

Stable net cash position



\* Net cash provided by operating activities, less change in restricted deposits of ~0.5 BNOK

# Adjusted net debt increased slightly in Q2 2017

Increased net debt in equity accounted investments

NOK billion	Jun 30 2017	Mar 31 2017	Dec 31 2016
Cash and cash equivalents	8.0	8.3	8.0
Short-term investments	4.9	4.4	4.6
Short-term debt	(3.7)	(3.5)	(3.3)
Long-term debt	(3.2)	(3.4)	(3.4)
<b>Net cash/(debt)</b>	<b>6.0</b>	<b>5.9</b>	<b>6.0</b>
Net pension liability at fair value, net of expected tax benefit	(6.9)	(6.9)	(7.3)
Other adjustments <sup>1)</sup>	(4.2)	(4.3)	(4.2)
<b>Adjusted net debt ex. EAI</b>	<b>(5.1)</b>	<b>(5.4)</b>	<b>(5.6)</b>
Net debt in EAI <sup>2)</sup>	(7.6)	(6.7)	(6.9)
<b>Adjusted net debt incl. EAI</b>	<b>(12.8)</b>	<b>(12.1)</b>	<b>(12.5)</b>



1) Operating lease commitments and other obligations

2) Equity accounted investments Qatalum and Sapa. Hydro share (50%) of net debt in Qatalum 6.0 BNOK, and in Sapa 1.6 BNOK at the end of Q2 2017



## Priorities

- Safety first
- *Better* improvement ambition: focus on Rolled Products
- Technology pilot, automotive line and recycling facility
- Sapa integration planning

04

Additional  
information

# Prudent financial framework

Managing industry cyclicality, driving long-term shareholder value

## Lifting cash flow potential

Improving efficiency, strengthening margins

Improvement efforts

- 4.5 BNOK 2009-2015
- 1.4 BNOK 2016
- 1.5 BNOK 2017-2019E<sup>1)</sup>

Managing working capital

## Financial strength and flexibility

Investment grade credit rating

Financial ratio targets over the cycle

- FFO/aND <sup>2)</sup> > 40%
- aND/E <sup>3)</sup> < 55%

Strong liquidity

## Disciplined capital allocation

Long-term sustaining capex below depreciation

- Around 4 BNOK per year

Total capex incl. growth

- 2016 BNOK 7.4 <sup>4)</sup>
- Average 2017-2019E BNOK 6.1 <sup>4)</sup>

Selective value-add growth

Attractive organic growth prospects and M&A optionality

## Reliable shareholder remuneration policy

Sector competitive TSR

Dividend policy

- Dividend 1.25 NOK/share<sup>5)</sup>
- 40% payout ratio of reported Net income over the cycle

Special dividends and share buybacks in the toolbox

## Effective risk management

Volatility mitigated by strong balance sheet and relative positioning

Hedging policy

- Operational LME and currency hedging
- Limited financial hedging
- Long-term debt in USD

Diversified business

1) Real 2015 terms

2) Funds from operations / adjusted net debt

3) Adjusted net debt / Equity

4) With Karmøy Technology Pilot net investment, after ENOVA support

5) 2016 dividend approved by the Board of Directors and paid in May 2017

# Hydro's aspiration underpinned by firm financial targets

Medium and long-term

	Ambition	Timeframe	2016 status
<i>Better</i> improvement ambition	2.9 BNOK	2016-2019	1.4 BNOK 2016
Sustaining capex	~ 4 BNOK	Over the cycle	4.9 BNOK 2016
Average capex incl. growth	6.1 BNOK <sup>1)</sup>	2017-2019	7.4 BNOK 2016
Dividend payout ratio	40% of reported net income	Over the cycle	~133% <sup>2)</sup> 2012-2016
FFO/adjusted net debt <sup>3)</sup>	> 40%	Over the cycle	95% 2016
Adjusted net debt/Equity	< 55%	Over the cycle	14% 2016
RoACE	Competitive <sup>4)</sup>	Over the cycle	5.1% <sup>5)</sup> 2016

*Better Bigger Greener*

1) With Karmøy Technology Pilot net investment, after ENOVA support

2) Payout ratio 5 year average – dividend per share divided by earnings per share from continuing operations for the last 5 years, including paid 2016 dividend

3) FFO – funds from operations

4) Measured against a relevant peer group

5) Underlying return on average capital employed after tax (RoACE)

# Shareholder and financial policy

- Hydro aims to give its shareholders competitive returns compared to alternative investments in comparable companies
- Dividend policy
  - Average ordinary payout ratio: 40% of reported net income over the cycle
  - Five-year average ordinary pay-out ratio 2012-2016 of ~133%\*
  - Ambition to pay a stable or increasing dividend: an increase from 1 NOK/share to 1.25 NOK/share\* for 2016
  - Share buybacks and extraordinary dividends as supplement in periods with strong financials and outlook
- Maintain investment-grade credit rating
  - Currently: BBB stable (S&P) & Baa2 stable (Moody's)
  - Competitive access to capital are important for Hydro's business model (counterparty risk and partnerships)
- Financial ratios over the business cycle
  - Funds from operations to adjusted net debt > 40%
  - Adjusted net debt to equity < 55%
- Strong liquidity
  - NOK 8.0 billion in cash and cash equivalents, end-Q2 2017
  - USD 1.7 billion in multi-currency revolving credit facility maturing in 2020, currently undrawn

# Hedging policy

- Hedging strategy
  - Fluctuating with the market: primarily exposed to LME and USD
  - Volatility mitigated by strong balance sheet
  - Strengthening relative position to ensure competitiveness
- Diversified business
  - Upstream cyclicality balanced with more stable earnings downstream
  - Exposed to different markets and cycles
- Bauxite & Alumina
  - Currency exposure, mainly USD and BRL
  - Exposed to LME and Platts alumina index prices
- Primary Metal
  - Operational LME hedging - one-month forward sales
  - Currency exposure, mainly USD, NOK and BRL
- Metal Markets, Rolled Products
  - Operational LME and currency hedging to secure margin
- Flexibility to hedge LME or currency in certain cases
- Maintaining long-term debt in the revenue currency (USD)

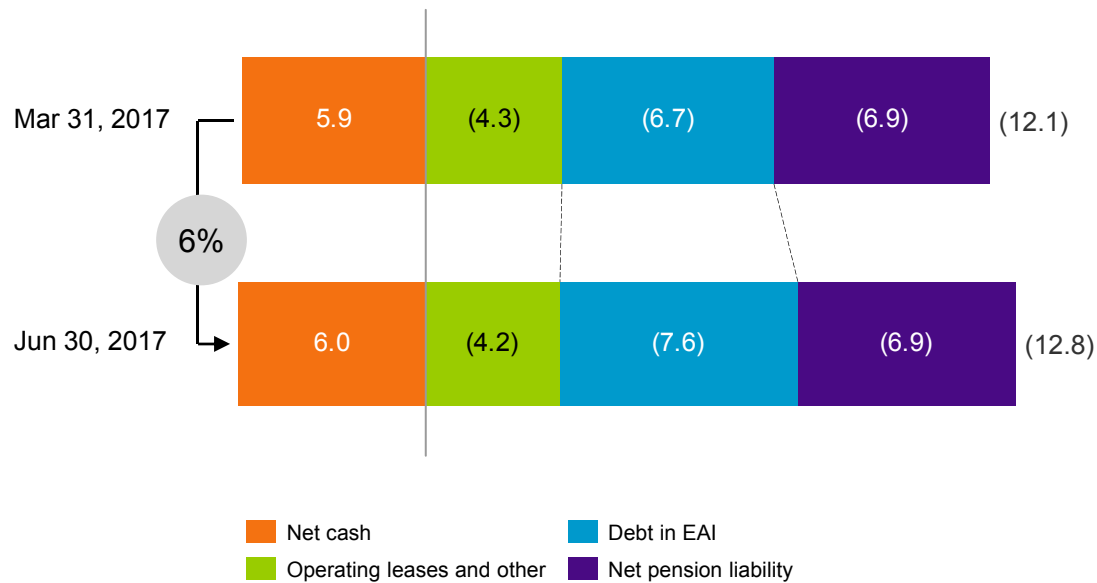
\* Including NOK 1.25 2016 dividend per share approved by the Board of Directors and paid in May 2017

# Maintaining a solid balance sheet and investment-grade credit rating

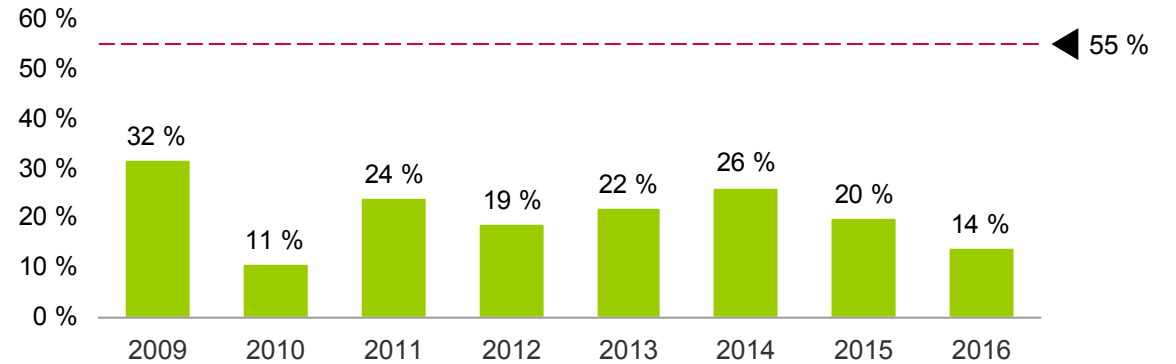
Funds from operations determine the balance sheet structure

## Adjusted net debt

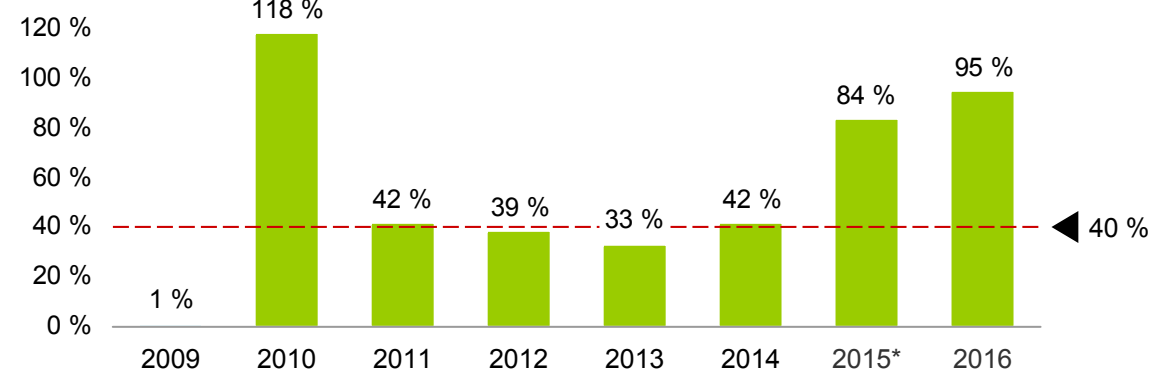
NOK billion



## Adjusted net debt / Equity



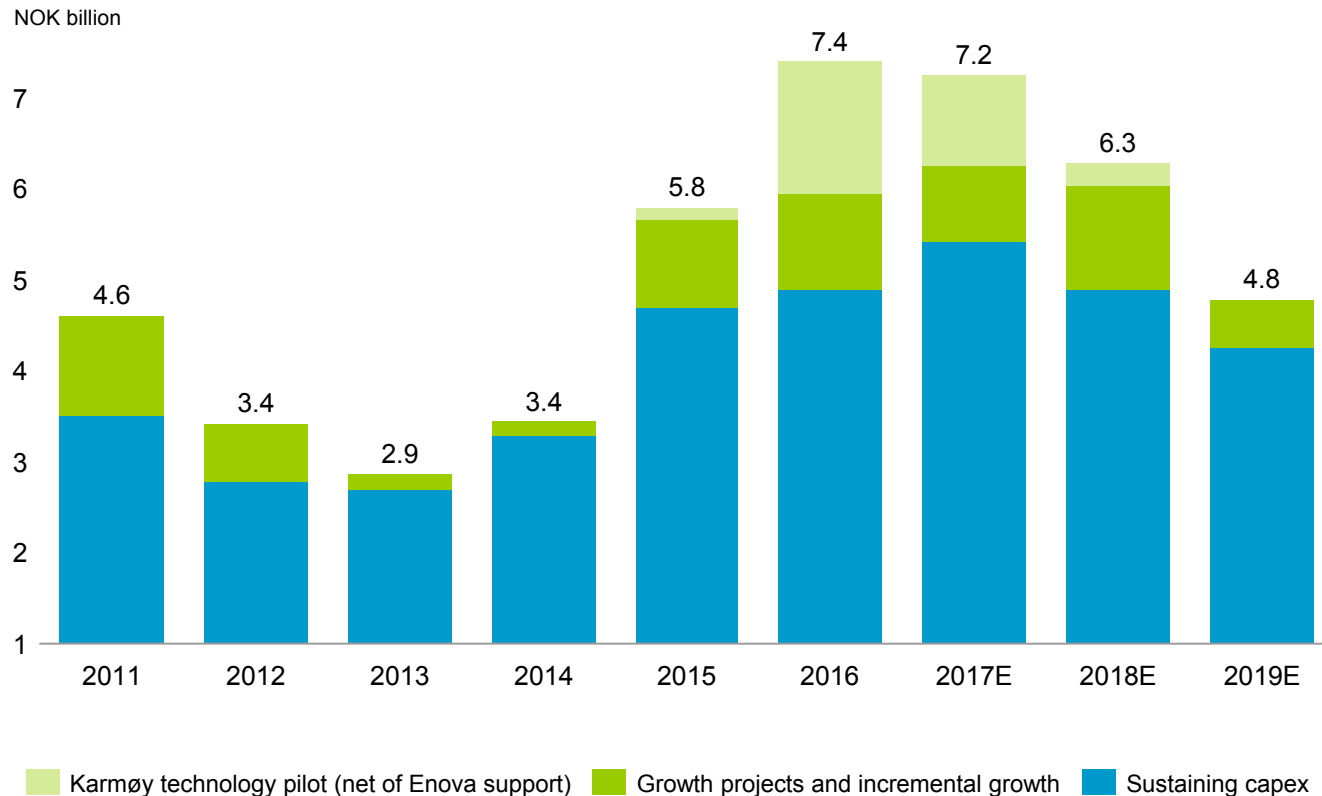
## Funds from operations / Adjusted net debt



\* 2015 FFO/aND ratio has been restated due to change of definition

# Growth capex focused on high-grading, recycling and technology

Majority of sustaining capex allocated upstream



- Sustaining projects for 2016-2019:

- Residue disposal area
- Bauxite tailing dam
- Opening of new bauxite mining area
- Primary rectifiers
- Smelter relining
- Energy rehabilitation

- Ongoing organic growth projects:

- Automotive line (AL3)
- Alunorte Debottlenecking
- Incremental growth

- Karmøy technology pilot 2015-2018:

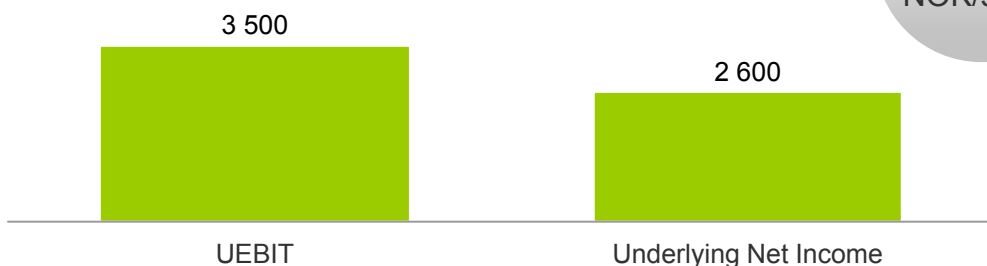
- Gross investment 4.3 BNOK
- Of which Enova support ~1.6 BNOK
- Net Hydro investment 2.7 BNOK

2011 excludes Vale assets acquisition  
 Excluding Extruded Products from 2012 onwards

# Significant exposure to commodity and currency fluctuations

## Aluminium price sensitivity +10%\*

NOK million



UEPS  
+1.11  
NOK/share

## Currency sensitivities +10%\*

### Sustainable effect:

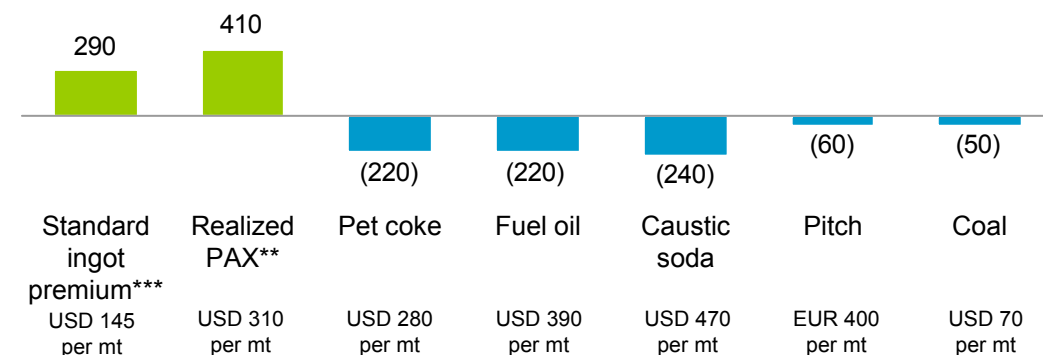
NOK million	USD	BRL	EUR
UEBIT	3 410	(1 170)	(270)

### One-off reevaluation effect:

Financial items	(370)	500	(1 820)
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## Other commodity prices, sensitivity +10%\*

NOK million



- Annual sensitivities based on normal annual business volumes, LME USD 1 900 per mt, fuel oil USD 390 per mt, petroleum coke USD 280 per mt, caustic soda USD 470 per mt, coal USD 70 per mt, USD/NOK 8.60, BRL/NOK 2.70, EUR/NOK 9.40
- Aluminium price sensitivity is net of aluminium price indexed costs and excluding unrealized effects related to operational hedging
- BRL sensitivity calculated on a long-term basis with fuel oil assumed in USD. In the short-term, fuel oil is BRL-denominated
- Excludes effects of priced contracts in currencies different from underlying currency exposure (transaction exposure)
- Currency sensitivity on financial items includes effects from intercompany positions
- 2017 Platts alumina index (PAX) exposure used

\* Excluding Sapa JV

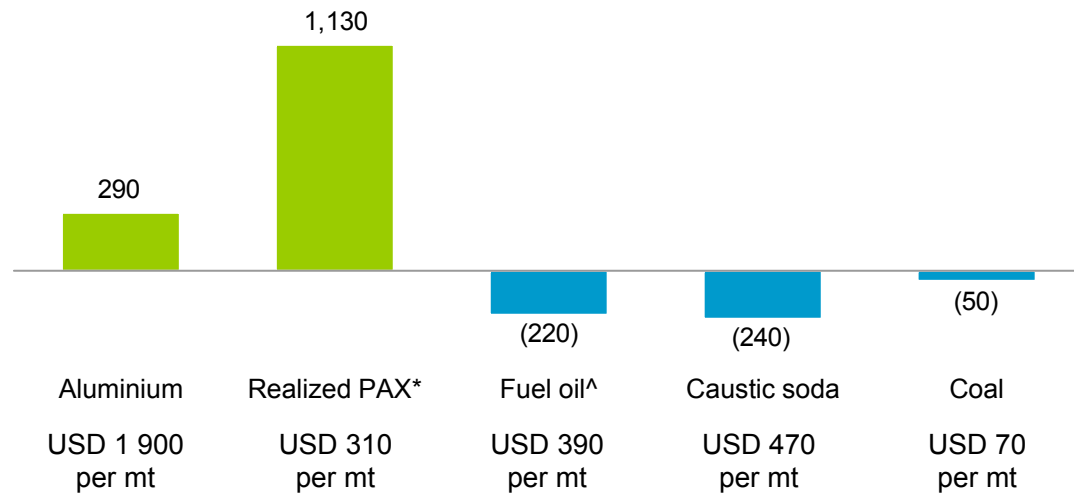
\*\* 2017 Platts alumina index exposure

\*\*\* Europe duty paid

# Bauxite & Alumina sensitivities

## Annual sensitivities on underlying EBIT if +10% in price

NOK million



## Currency sensitivities +10%

NOK million	USD	BRL	EUR
UEBIT	1 030	(800)	-

## Revenue impact

- ~14% of 3-month LME price per tonne alumina
  - ~One month lag
- Realized alumina price lags PAX by one month

## Cost impact

### Bauxite

- ~2.45 tonnes bauxite per tonne alumina
- Pricing partly LME-linked

### Caustic soda

- ~0.1 tonnes per tonne alumina
- Prices based on IHS Chemical, pricing mainly monthly per shipment

### Energy

- ~0.12 tonnes coal per tonne alumina, Platts prices, one year volume contracts, weekly per shipment pricing
- ~0.11 tonnes heavy fuel oil per tonne alumina, prices set by ANP/Petrobras in Brazil, weekly pricing (ANP) or anytime (Petrobras)
- Increased use of coal as energy source in Alunorte

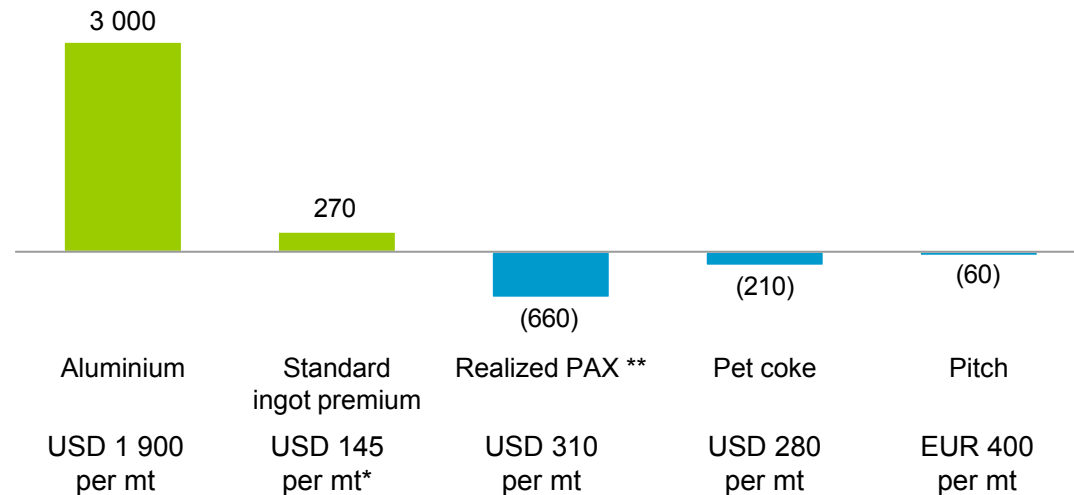
\* 2017 Platts alumina index exposure

Currency rates used: USD/NOK 8.60, BRL/NOK 2.70, EUR/NOK 9.40

# Primary Metal sensitivities

## Annual sensitivities on underlying EBIT if +10% in price

NOK million



## Currency sensitivities +10%

NOK million	USD	BRL	EUR
UEBIT	2 000	(150)	(370)

## Revenue impact

- Realized price lags LME spot by ~1-2 months
- Realized premium lags market premium by ~2-3 months

## Cost impact

### Alumina

- ~1.9 tonnes per tonne aluminium
- ~14.5% of 3-month LME price per tonne alumina, increasing volumes priced on Platts index
- ~ 2-3 months lag

### Carbon

- ~0.35 tonnes petroleum coke per tonne aluminium, Pace Jacobs Consultancy, 2-3 year volume contracts, quarterly or half yearly pricing
- ~0.08 tonnes pitch per tonne aluminium, CRU, 2-3 year volume contracts, quarterly pricing

### Power

- 13.7 MWh per tonne aluminium
- Long-term power contracts with indexations

\* Europe duty paid. Hydro Q4'16 realized premium USD 240 per mt  
 \*\*2017 Platts alumina index exposure  
 Currency rates used: USD/NOK 8.60, BRL/NOK 2.70, EUR/NOK 9.40

# Items excluded from underlying results - 2017

NOK million (+=loss/)=gain)		Q1 2017	Q2 2017
Impairment charge	Bauxite & alumina	-	-
Other effects	Bauxite & alumina	-	-
<b>Total impact</b>	<b>Bauxite &amp; alumina</b>	-	-
Unrealized derivative effects on LME related contracts	Primary metal	29	(8)
Unrealized effects on power contracts	Primary metal	73	(44)
Significant rationalization charges and closure costs	Primary metal	-	-
<b>Total impact</b>	<b>Primary metal</b>	<b>103</b>	<b>(52)</b>
Unrealized derivative effects on LME related contracts	Metal markets	38	(38)
<b>Total impact</b>	<b>Metal markets</b>	<b>38</b>	<b>(38)</b>
Unrealized derivative effects on LME related contracts	Rolled products	(58)	139
Metal effect	Rolled products	(286)	(138)
(Gains)/losses on divestments	Rolled products	-	-
<b>Total impact</b>	<b>Rolled products</b>	<b>(344)</b>	-
Unrealized derivative effects on power contracts	Energy	-	-
<b>Total impact</b>	<b>Energy</b>	-	-
Unrealized derivative effects on power contracts	Other and eliminations	100	19
Unrealized derivative effects on LME related contracts	Other and eliminations	9	(1)
Impairment charges	Other and eliminations	-	-
(Gains)/losses on divestments	Other and eliminations	-	-
Other effects	Other and eliminations	-	-
Unrealized derivative effects	Other and eliminations – Sapa (Hydro share)	(39)	67
Significant rationalization charges and closure costs	Other and eliminations – Sapa (Hydro share)	-	-
Currency (gain) loss	Other and eliminations – Sapa (Hydro share)	(4)	9
Tax on items excluded	Other and eliminations – Sapa (Hydro share)	11	(19)
<b>Total impact</b>	<b>Other and eliminations</b>	<b>78</b>	<b>74</b>
<b>Items excluded from underlying EBIT</b>	<b>Hydro</b>	<b>(126)</b>	<b>(16)</b>
Net foreign exchange (gain)/loss	Hydro	(218)	918
<b>Items excluded from underlying income (loss) before tax</b>	<b>Hydro</b>	<b>(344)</b>	<b>902</b>
Calculated income tax effect	Hydro	86	(250)
Other adjustments to net income	Hydro	-	-
<b>Items excluded from underlying net income (loss)</b>	<b>Hydro</b>	<b>(258)</b>	<b>652</b>

# Items excluded from underlying results - 2016

NOK million (+=loss/)=gain)		Q1 2016	Q2 2016	Q3 2016	Q4 2016	Year 2016
Unrealized derivative effects on LME related contracts	Bauxite & alumina	-	-	-	-	-
Impairment charge	Bauxite & alumina	-	-	-	285	285
Other effects	Bauxite & alumina	-	-	-	(254)	(254)
<b>Total impact</b>	<b>Bauxite &amp; alumina</b>	-	-	-	<b>31</b>	<b>31</b>
Unrealized derivative effects on LME related contracts	Primary metal	(72)	38	(24)	(36)	(93)
Unrealized effects on power contracts	Primary metal	(18)	(71)	(54)	18	(125)
Significant rationalization charges and closure costs	Primary metal	-	67	124	-	192
<b>Total impact</b>	<b>Primary metal</b>	<b>(90)</b>	<b>34</b>	<b>47</b>	<b>(18)</b>	<b>(27)</b>
Unrealized derivative effects on LME related contracts	Metal markets	(68)	(16)	(14)	(20)	(119)
<b>Total impact</b>	<b>Metal markets</b>	<b>(68)</b>	<b>(16)</b>	<b>(14)</b>	<b>(20)</b>	<b>(119)</b>
Unrealized derivative effects on LME related contracts	Rolled products	12	(182)	4	(16)	(183)
Metal effect	Rolled products	43	(17)	(48)	(68)	(91)
(Gains)/losses on divestments	Rolled products	15	13	-	-	28
<b>Total impact</b>	<b>Rolled products</b>	<b>69</b>	<b>(186)</b>	<b>(45)</b>	<b>(85)</b>	<b>(246)</b>
Unrealized derivative effects on power contracts	Energy	4	10	(10)	(4)	-
<b>Total impact</b>	<b>Energy</b>	<b>4</b>	<b>10</b>	<b>(10)</b>	<b>(4)</b>	<b>-</b>
Unrealized derivative effects on power contracts	Other and eliminations	(73)	175	(4)	(34)	64
Unrealized derivative effects on LME related contracts	Other and eliminations	(8)	15	2	(14)	(6)
Impairment charges	Other and eliminations	-	-	140	-	140
(Gains)/losses on divestments	Other and eliminations	-	(342)	-	-	(342)
Termination of lease contract Vækerø Park	Other and eliminations	-	-	-	-	-
Other effects	Other and eliminations	-	-	-	32	32
Unrealized derivative effects	Other and eliminations – Sapa (Hydro share)	(42)	(59)	(26)	(41)	(166)
Significant rationalization charges and closure costs	Other and eliminations – Sapa (Hydro share)	-	-	21	34	55
Other effects	Other and eliminations – Sapa (Hydro share)	-	-	-	-	-
Currency (gain) loss	Other and eliminations – Sapa (Hydro share)	4	(12)	(17)	(25)	(49)
Tax on items excluded	Other and eliminations – Sapa (Hydro share)	11	21	7	10	48
<b>Total impact</b>	<b>Other and eliminations</b>	<b>(107)</b>	<b>(202)</b>	<b>123</b>	<b>(39)</b>	<b>(225)</b>
<b>Items excluded from underlying EBIT</b>	<b>Hydro</b>	<b>(192)</b>	<b>(360)</b>	<b>101</b>	<b>(135)</b>	<b>(586)</b>
Net foreign exchange (gain)/loss	Hydro	(1 032)	(904)	(358)	26	(2 266)
<b>Items excluded from underlying income (loss) before tax</b>	<b>Hydro</b>	<b>(1 224)</b>	<b>(1 264)</b>	<b>(256)</b>	<b>(108)</b>	<b>(2 852)</b>
Calculated income tax effect	Hydro	365	313	95	68	841
Other adjustments to net income	Hydro	(700)	-	-	-	(700)
<b>Items excluded from underlying net income (loss)</b>	<b>Hydro</b>	<b>(1 559)</b>	<b>(951)</b>	<b>(161)</b>	<b>(40)</b>	<b>(2 712)</b>

# Items excluded from underlying results - 2015

NOK million (+=loss/)=gain)		Q1 2015	Q2 2015	Q3 2015	Q4 2015	Year 2015
Unrealized derivative effects on LME related contracts	Bauxite & alumina	3	(6)	(6)	19	11
<b>Total impact</b>	<b>Bauxite &amp; alumina</b>	<b>3</b>	<b>(6)</b>	<b>(6)</b>	<b>19</b>	<b>11</b>
Unrealized derivative effects on LME related contracts	Primary metal	54	(41)	75	7	95
Unrealized effects on power contracts	Primary metal	2	(2)	23	89	112
Insurance compensation (Qatalum)	Primary metal	-	(37)	-	-	(37)
<b>Total impact</b>	<b>Primary metal</b>	<b>56</b>	<b>(81)</b>	<b>99</b>	<b>96</b>	<b>169</b>
Unrealized derivative effects on LME related contracts	Metal markets	146	(45)	86	12	199
<b>Total impact</b>	<b>Metal markets</b>	<b>146</b>	<b>(45)</b>	<b>86</b>	<b>12</b>	<b>199</b>
Unrealized derivative effects on LME related contracts	Rolled products	(80)	143	82	(49)	95
Metal effect	Rolled products	(61)	(2)	344	177	458
(Gains)/losses on divestments	Rolled products	-	-	-	434	434
<b>Total impact</b>	<b>Rolled products</b>	<b>(141)</b>	<b>141</b>	<b>426</b>	<b>562</b>	<b>988</b>
Unrealized derivative effects on power contracts	Energy	1	(9)	10	1	3
<b>Total impact</b>	<b>Energy</b>	<b>1</b>	<b>(9)</b>	<b>10</b>	<b>1</b>	<b>3</b>
Unrealized derivative effects on power contracts	Other and eliminations	(154)	(150)	(106)	(122)	(533)
Unrealized derivative effects on LME related contracts	Other and eliminations	17	(20)	12	6	15
(Gains)/losses on divestments	Other and eliminations	-	-	-	(69)	(69)
Termination of lease contract Vækerø Park	Other and eliminations	-	-	-	285	285
Unrealized derivative effects	Other and eliminations – Sapa (Hydro share)	73	79	48	(105)	95
Significant rationalization charges and closure costs	Other and eliminations – Sapa (Hydro share)	22	152	68	125	366
Other effects	Other and eliminations – Sapa (Hydro share)	2	(22)	-	-	(20)
Currency (gain) loss	Other and eliminations – Sapa (Hydro share)	11	(11)	(22)	55	33
Tax on items excluded	Other and eliminations – Sapa (Hydro share)	(32)	(60)	(28)	(23)	(142)
<b>Total impact</b>	<b>Other and eliminations</b>	<b>(63)</b>	<b>(32)</b>	<b>(29)</b>	<b>152</b>	<b>28</b>
<b>Items excluded from underlying EBIT</b>	<b>Hydro</b>	<b>2</b>	<b>(31)</b>	<b>586</b>	<b>841</b>	<b>1 398</b>
Net foreign exchange (gain)/loss	Hydro	1 587	(346)	3 205	(48)	4 397
<b>Items excluded from underlying income (loss) before tax</b>	<b>Hydro</b>	<b>1 589</b>	<b>(377)</b>	<b>3 790</b>	<b>793</b>	<b>5 795</b>
Calculated income tax effect	Hydro	(454)	144	(1 069)	(38)	(1 418)
<b>Items excluded from underlying net income (loss)</b>	<b>Hydro</b>	<b>1 134</b>	<b>(234)</b>	<b>2 721</b>	<b>755</b>	<b>4 377</b>

# Operating segment information

## Underlying EBIT

NOK million	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Year 2015	Year 2016
Bauxite & Alumina	780	482	628	532	189	174	153	711	756	662	2 421	1 227
Primary Metal	2 012	1 448	762	407	318	702	637	601	900	1 486	4 628	2 258
Metal Markets	24	(89)	291	152	167	75	117	152	24	244	379	510
Rolled Products	292	315	331	204	248	242	211	6	106	84	1 142	708
Sapa	119	145	120	70	183	270	157	167	281	329	454	777
Energy	382	179	191	353	398	301	285	359	423	284	1 105	1 343
Other and Eliminations	(400)	187	(108)	(152)	(2)	(145)	(83)	(167)	(207)	(159)	(473)	(397)
<b>Total</b>	<b>3 208</b>	<b>2 667</b>	<b>2 215</b>	<b>1 566</b>	<b>1 501</b>	<b>1 618</b>	<b>1 477</b>	<b>1 829</b>	<b>2 284</b>	<b>2 930</b>	<b>9 656</b>	<b>6 425</b>

## Underlying EBITDA

NOK million	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Year 2015	Year 2016
Bauxite & Alumina	1 240	951	1 048	1 165	640	659	664	1 258	1 334	1 248	4 404	3 221
Primary Metal	2 522	1 931	1 245	883	792	1 186	1 125	1 068	1 392	1 991	6 581	4 172
Metal Markets	47	(64)	317	180	191	98	141	175	47	268	480	604
Rolled Products	465	488	517	404	446	432	407	222	307	297	1 873	1 507
Sapa	119	145	120	70	183	270	157	167	281	329	454	777
Energy	429	227	241	403	453	352	336	412	476	337	1 300	1 553
Other and Eliminations	(385)	201	(94)	(134)	12	(134)	(76)	(160)	(200)	(151)	(412)	(359)
<b>Total</b>	<b>4 437</b>	<b>3 880</b>	<b>3 394</b>	<b>2 969</b>	<b>2 716</b>	<b>2 862</b>	<b>2 753</b>	<b>3 143</b>	<b>3 637</b>	<b>4 319</b>	<b>14 680</b>	<b>11 474</b>

# Operating segment information

## EBIT

NOK million	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Year 2015	Year 2016
Bauxite & Alumina	776	487	634	513	189	174	153	680	756	662	2 411	1 196
Primary Metal	1 956	1 528	664	311	408	668	591	619	797	1 538	4 459	2 285
Metal Markets	(122)	(44)	205	141	235	91	131	172	(13)	282	180	629
Rolled Products	433	174	(95)	(358)	179	428	255	91	450	84	154	953
Sapa	45	7	55	17	209	319	172	190	313	273	123	889
Energy	381	187	182	353	394	291	295	364	423	284	1 103	1 343
Other and Eliminations	(263)	358	(13)	(251)	79	8	(220)	(151)	(316)	(176)	(170)	(285)
<b>Total</b>	<b>3 206</b>	<b>2 698</b>	<b>1 630</b>	<b>725</b>	<b>1 693</b>	<b>1 978</b>	<b>1 376</b>	<b>1 964</b>	<b>2 410</b>	<b>2 946</b>	<b>8 258</b>	<b>7 011</b>

## EBITDA

NOK million	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Year 2015	Year 2016
Bauxite & Alumina	1 237	957	1 054	1 146	640	659	664	1 513	1 334	1 248	4 393	3 475
Primary Metal	2 467	2 012	1 146	786	882	1 152	1 079	1 086	1 289	2 043	6 411	4 199
Metal Markets	(99)	(19)	231	168	259	114	154	195	9	306	281	723
Rolled Products	607	347	91	(158)	376	618	451	307	651	296	886	1 752
Sapa	45	7	55	17	209	319	172	190	313	273	123	889
Energy	428	236	231	402	450	341	346	416	476	337	1 297	1 553
Other and Eliminations	(248)	372	1	(233)	92	19	(74)	(143)	(310)	(168)	(109)	(107)
<b>Total</b>	<b>4 436</b>	<b>3 911</b>	<b>2 808</b>	<b>2 128</b>	<b>2 908</b>	<b>3 222</b>	<b>2 792</b>	<b>3 563</b>	<b>3 762</b>	<b>4 335</b>	<b>13 282</b>	<b>12 485</b>

# Operating segment information

## Total revenue

NOK million	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Year 2015	Year 2016
Bauxite & Alumina	5 461	5 127	5 758	5 542	4 212	4 572	4 925	5 834	5 911	5 858	21 889	19 543
Primary Metal	9 096	8 154	7 951	7 138	7 694	8 006	7 900	7 262	8 641	9 575	32 340	30 862
Metal Markets	12 181	13 127	11 173	10 428	11 248	11 239	10 649	10 117	12 149	13 604	46 909	43 254
Rolled Products	6 170	6 173	6 225	5 592	5 737	5 985	5 648	5 262	6 277	6 569	24 160	22 632
Sapa	-	-	-	-	-	-	-	-	-	-	-	-
Energy	1 553	1 140	1 152	1 481	1 620	1 670	1 576	2 314	1 955	1 750	5 326	7 180
Other and Eliminations	(11 171)	(11 286)	(10 666)	(9 808)	(10 373)	(11 080)	(10 525)	(9 539)	(11 906)	(12 765)	(42 931)	(41 517)
<b>Total</b>	<b>23 290</b>	<b>22 436</b>	<b>21 594</b>	<b>20 374</b>	<b>20 138</b>	<b>20 391</b>	<b>20 174</b>	<b>21 250</b>	<b>23 026</b>	<b>24 591</b>	<b>87 694</b>	<b>81 953</b>

## External revenue

NOK million	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Year 2015	Year 2016
Bauxite & Alumina	3 387	2 978	3 656	3 513	2 443	2 699	2 997	3 921	3 382	3 417	13 534	12 059
Primary Metal	1 789	1 059	1 311	1 214	1 175	1 312	1 459	1 582	1 700	1 944	5 373	5 529
Metal Markets	11 315	11 862	10 100	9 518	10 133	10 169	9 678	9 440	11 094	12 080	42 795	39 420
Rolled Products	6 079	6 254	6 334	5 625	5 795	5 831	5 637	5 205	6 153	6 629	24 293	22 469
Sapa	-	-	-	-	-	-	-	-	-	-	-	-
Energy	698	264	176	485	575	364	394	1 093	687	514	1 623	2 426
Other and Eliminations	21	19	17	19	17	15	8	10	9	6	77	50
<b>Total</b>	<b>23 290</b>	<b>22 436</b>	<b>21 594</b>	<b>20 374</b>	<b>20 138</b>	<b>20 391</b>	<b>20 174</b>	<b>21 250</b>	<b>23 026</b>	<b>24 591</b>	<b>87 694</b>	<b>81 953</b>

# Operating segment information

## Internal revenue

NOK million	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Year 2015	Year 2016
Bauxite & Alumina	2 074	2 150	2 103	2 030	1 769	1 873	1 929	1 914	2 528	2 441	8 356	7 484
Primary Metal	7 307	7 095	6 641	5 925	6 519	6 693	6 441	5 680	6 941	7 631	26 967	25 333
Metal Markets	866	1 265	1 073	910	1 116	1 070	971	677	1 054	1 523	4 114	3 834
Rolled Products	91	(81)	(109)	(33)	(58)	153	11	57	124	(61)	(132)	163
Sapa	-	-	-	-	-	-	-	-	-	-	-	-
Energy	854	877	976	996	1 044	1 306	1 182	1 221	1 267	1 236	3 703	4 753
Other and Eliminations	(11 192)	(11 306)	(10 683)	(9 827)	(10 390)	(11 095)	(10 533)	(9 549)	(11 915)	(12 772)	(43 008)	(41 567)
<b>Total</b>	-	-	-	-	-	-	-	-	-	-	-	-

## Share of profit /(loss) in equity accounted investments

NOK million	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Year 2015	Year 2016
Bauxite & Alumina	-	-	-	-	-	-	-	-	-	-	-	-
Primary Metal	250	282	25	(168)	(37)	10	74	48	98	231	389	96
Metal Markets	-	-	-	-	-	-	-	-	-	-	-	-
Rolled Products	-	-	-	-	-	-	-	-	-	-	-	-
Sapa	45	7	55	17	209	319	172	190	313	273	123	889
Energy	-	-	-	-	-	-	-	-	-	-	-	-
Other and Eliminations	(29)	(13)	35	6	(3)	(6)	10	(1)	(1)	(13)	-	-
<b>Total</b>	<b>265</b>	<b>276</b>	<b>115</b>	<b>(144)</b>	<b>170</b>	<b>323</b>	<b>256</b>	<b>236</b>	<b>409</b>	<b>491</b>	<b>512</b>	<b>985</b>

# Operating segment information

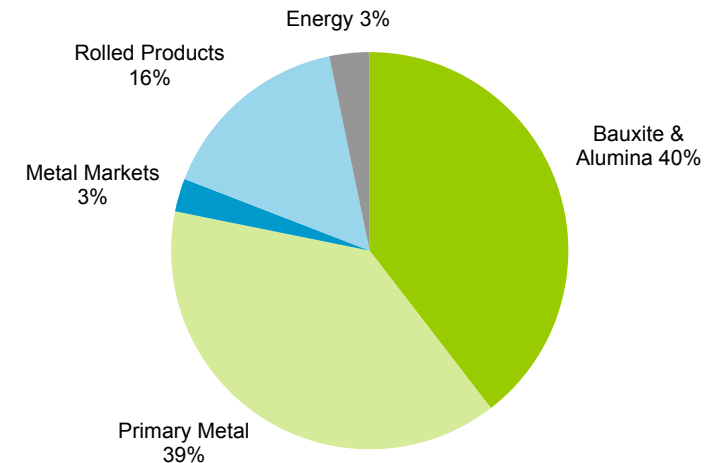
## Return on average capital employed\* (RoCE)

	Reported RoCE					Underlying RoCE				
	2016	2015	2014	2013	2012	2016	2015	2014	2013	2012
Bauxite & Alumina	2.7 %	5.3 %	(0.1) %	(2.5) %	(1.5) %	2.8 %	5.3 %	(0.1) %	(2.2) %	(1.6) %
Primary Metal	5.2 %	10.7 %	10.4 %	2.3 %	(3.1) %	5.2 %	11.0 %	10.4 %	3.9 %	0.4 %
Metal Markets	19.6 %	5.4 %	21.9 %	22.3 %	4.3 %	15.9 %	11.4 %	19.4 %	19.9 %	6.6 %
Rolled Products	6.2 %	1.1 %	8.6 %	0.7 %	6.7 %	4.6 %	7.8 %	5.3 %	5.2 %	5.3 %
Energy	18.1 %	17.2 %	17.4 %	36.1 %	23.0 %	18.1 %	17.3 %	17.4 %	36.1 %	23.2 %
<b>Hydro Group</b>	<b>6.5 %</b>	<b>7.5 %</b>	<b>4.9 %</b>	<b>1.1 %</b>	<b>(0.5) %</b>	<b>5.1 %</b>	<b>9.2 %</b>	<b>5.2 %</b>	<b>2.3 %</b>	<b>0.9 %</b>

## Capital employed – upstream focus

NOK million	Jun 30, 2017
Bauxite & Alumina	32 415
Primary Metal	31 646
Metal Markets	2 210
Rolled Products	13 005
Energy	2 668
Other and Eliminations	(347)
<b>Total</b>	<b>81 597</b>

Graph excludes BNOK (0.5) in capital employed in Other and Eliminations



\* RoCE at business area level is calculated using 30% tax rate. For Energy, 60% tax rate is used for 2016, 55% for the prior years

# Operating segment information

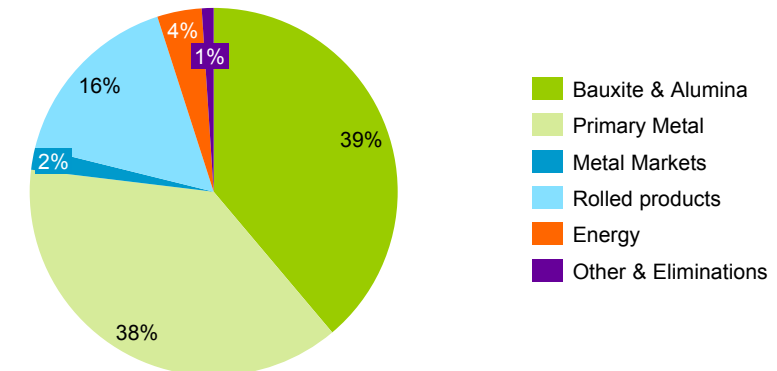
## Depreciation, amortization and impairment

NOK million	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Year 2015	Year 2016
Bauxite & Alumina	460	470	420	633	451	485	511	833	577	586	1 983	2 279
Primary Metal	511	483	483	475	474	484	488	467	492	505	1 952	1 913
Metal Markets	23	25	26	27	24	24	24	23	23	24	101	94
Rolled Products	173	173	186	200	197	189	196	216	201	212	732	799
Sapa	-	-	-	-	-	-	-	-	-	-	-	-
Energy	47	48	50	49	55	51	51	53	53	54	195	210
Other and Eliminations	15	14	14	18	13	11	146	8	6	7	61	178
<b>Total</b>	<b>1 229</b>	<b>1 213</b>	<b>1 178</b>	<b>1 403</b>	<b>1 215</b>	<b>1 244</b>	<b>1 416</b>	<b>1 599</b>	<b>1 352</b>	<b>1 389</b>	<b>5 023</b>	<b>5 474</b>

## Indicative depreciation currency exposure by business area

Percent	USD	EUR	BRL	NOK & Other
Bauxite & Alumina			100%	
Primary Metal	25%		25%	50%
Metal Markets	25%	45%		30%
Rolled Products		90%		10%
Energy				100%
Other & Eliminations				100%

## Depreciation by business area 2016, 5.0 BNOK



# Income statements

NOK million	Q2 2017	Q1 2017	Q2 2016	First half 2017	First half 2016	Year 2016
Revenue	24 591	23 026	20 391	47 617	40 529	81 953
Share of the profit (loss) in equity accounted investments	491	409	323	900	493	985
Other income, net	184	164	481	348	592	1 030
<b>Total revenue and income</b>	<b>25 266</b>	<b>23 599</b>	<b>21 195</b>	<b>48 865</b>	<b>41 614</b>	<b>83 969</b>
Raw material and energy expense	15 848	14 822	13 145	30 669	25 874	52 151
Employee benefit expense	2 677	2 613	2 442	5 291	4 823	9 485
Depreciation, amortization and impairment	1 389	1 352	1 244	2 741	2 459	5 474
Other expenses	2 406	2 402	2 386	4 808	4 787	9 848
<b>Earnings before financial items and tax (EBIT)</b>	<b>2 946</b>	<b>2 410</b>	<b>1 978</b>	<b>5 356</b>	<b>3 672</b>	<b>7 011</b>
Financial income	134	104	179	238	336	574
Financial expense	(1 093)	33	769	(1 061)	1 613	1 552
Income (loss) before tax	1 987	2 546	2 926	4 533	5 621	9 137
Income taxes	(424)	(707)	(849)	(1 132)	(1 162)	(2 551)
<b>Net income (loss)</b>	<b>1 562</b>	<b>1 838</b>	<b>2 077</b>	<b>3 401</b>	<b>4 459</b>	<b>6 586</b>
Net income (loss) attributable to non-controlling interests	78	76	129	154	215	199
Net income (loss) attributable to Hydro shareholders	1 484	1 762	1 948	3 247	4 244	6 388
<b>Earnings per share attributable to Hydro shareholders</b>	<b>0.73</b>	<b>0.86</b>	<b>0.95</b>	<b>1.59</b>	<b>2.08</b>	<b>3.13</b>

NOK million	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Year 2015	Year 2016
Net income (loss)	1 072	2 064	(1 345)	541	2 382	2 077	1 119	1 008	1 838	1 562	2 333	6 586
<b>Underlying net income (loss)</b>	<b>2 206</b>	<b>1 830</b>	<b>1 377</b>	<b>1 296</b>	<b>822</b>	<b>1 126</b>	<b>958</b>	<b>968</b>	<b>1 580</b>	<b>2 214</b>	<b>6 709</b>	<b>3 875</b>
Earnings per share	0.46	0.94	(0.65)	0.23	1.12	0.95	0.53	0.52	0.86	0.73	0.99	3.13
<b>Underlying earnings per share</b>	<b>0.95</b>	<b>0.83</b>	<b>0.61</b>	<b>0.59</b>	<b>0.39</b>	<b>0.52</b>	<b>0.46</b>	<b>0.47</b>	<b>0.75</b>	<b>1.04</b>	<b>2.98</b>	<b>1.83</b>

# Balance sheets

NOK million	Jun 30 2017	Mar 31 2017	Dec 31 2016	Sep 30 2016	Jun 30 2016	Mar 31 2016
Cash and cash equivalents	7 993	8 333	8 037	7 952	9 220	5 946
Short-term investments	4 896	4 403	4 611	4 438	2 629	5 479
Accounts receivable	13 465	12 851	10 884	11 495	12 085	12 699
Inventories	12 940	12 557	12 381	11 517	11 820	11 684
Other current assets	290	301	457	204	158	128
Property, plant and equipment	57 610	59 627	58 734	54 476	55 378	51 828
Intangible assets	5 577	5 919	5 811	5 469	5 622	5 132
Investments accounted for using the equity method	18 800	19 937	19 807	19 333	19 841	19 455
Prepaid pension	5 018	4 718	4 195	3 227	3 198	3 319
Other non-current assets	5 252	5 630	5 875	6 563	6 798	6 845
<b>Total assets</b>	<b>131 840</b>	<b>134 276</b>	<b>130 793</b>	<b>124 672</b>	<b>126 749</b>	<b>122 515</b>
Bank-loans and other interest-bearing short-term debt	3 741	3 481	3 283	3 562	3 593	3 753
Trade and other payables	10 472	10 224	10 108	9 131	9 719	8 857
Other current liabilities	2 911	3 337	3 716	4 193	3 822	3 864
Long-term debt	3 183	3 373	3 397	3 409	3 474	3 735
Provisions	4 452	4 526	4 384	3 764	3 630	3 443
Pension liabilities	12 997	12 804	12 871	13 771	13 837	13 457
Deferred tax liabilities	2 566	2 567	2 384	2 480	2 477	2 222
Other non-current liabilities	3 955	3 174	3 011	2 969	3 154	3 436
Equity attributable to Hydro shareholders	82 343	84 952	81 906	75 877	77 285	74 524
Non-controlling interests	5 219	5 838	5 733	5 518	5 757	5 224
<b>Total liabilities and equity</b>	<b>131 840</b>	<b>134 276</b>	<b>130 793</b>	<b>124 672</b>	<b>126 749</b>	<b>122 515</b>

# Operational data

Bauxite & Alumina	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Year 2015	Year 2016
Alumina production (kmt)	1 451	1 437	1 498	1 577	1 517	1 554	1 635	1 635	1 523	1 576	5 962	6 341
Sourced alumina (kmt)	666	725	806	590	531	615	512	883	600	645	2 787	2 541
Total alumina sales (kmt)	2 136	2 099	2 268	2 368	2 073	2 078	2 221	2 472	2 129	2 196	8 871	8 843
Realized alumina price (USD) <sup>1)</sup>	300	292	273	245	219	240	240	257	309	295	276	240
Implied alumina cost (USD) <sup>2)</sup>	225	233	217	187	183	201	204	197	235	228	215	197
Bauxite production (kmt) <sup>3)</sup>	2 135	2 232	2 735	2 959	2 682	2 609	2 777	3 063	2 400	2 943	10 060	11 132
Sourced bauxite (kmt) <sup>4)</sup>	1 806	2 103	2 377	2 398	1 924	2 233	2 108	2 235	1 675	1 809	8 684	8 499
Underlying EBITDA margin <sup>11)</sup>	22.7%	18.5%	18.2%	21.0%	15.2%	14.4%	13.5%	21.6%	22.6%	21.3%	20.1%	16.5%

Primary Metal <sup>5)</sup>	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Year 2015	Year 2016
Realized aluminium price LME, USD/mt	1 897	1 803	1 685	1 555	1 497	1 546	1 612	1 647	1 757	1 902	1 737	1 574
Realized aluminium price LME, NOK/mt <sup>7)</sup>	14 383	13 923	13 779	13 125	12 950	12 826	13 375	13 659	14 798	16 265	13 813	13 193
Realized premium above LME, USD/mt <sup>6)</sup>	614	509	342	291	288	270	251	240	266	273	439	263
Realized premium above LME, NOK/mt <sup>6)7)</sup>	4 660	3 927	2 796	2 460	2 488	2 243	2 082	1 993	2 236	2 330	3 492	2 201
Realized NOK/USD exchange rate <sup>7)</sup>	7.58	7.72	8.18	8.44	8.65	8.30	8.30	8.29	8.42	8.55	7.95	8.38
Realized NOK/USD exchange rate excluding hedge	7.58	7.72	8.18	8.44	8.65	8.30	8.30	8.29	8.42	8.55	7.95	8.38
Implied primary cost (USD) <sup>8)</sup>	1 150	1 225	1 325	1 275	1 225	1 175	1 275	1 325	1 350	1 375	1 250	1 250
Implied all-in primary cost (USD) <sup>9)</sup>	1 800	1 775	1 675	1 575	1 550	1 500	1 550	1 550	1 675	1 700	1 725	1 550
Primary aluminium production, kmt	497	509	520	521	514	518	526	526	516	523	2 046	2 085
Casthouse production, kmt	495	516	524	525	534	547	541	523	521	551	2 059	2 146
Total sales, kmt <sup>10)</sup>	534	544	550	531	552	596	573	528	577	579	2 159	2 248
Underlying EBITDA margin <sup>11)</sup>	27.7%	23.7%	15.7%	12.4%	10.3%	14.8%	14.2%	14.7%	16.1%	20.8%	20.3%	13.5%

- 1) Weighted average of own production and third party contracts, excluding hedge results. The majority of the alumina is sold linked to either the LME prices or alumina index with a one month delay.
- 2) Implied alumina cost (based on EBITDA and sales volume) replaces previous apparent alumina cash cost
- 3) Paragominas production, on wet basis
- 4) 40 percent MRN offtake from Vale and 5 percent Hydro share on wet basis
- 5) Operating and financial information includes Hydro's proportionate share of production and sales volumes in equity accounted investments. Realized prices, premiums and exchange rates exclude equity accounted investments
- 6) Average realized premium above LME for casthouse sales from Primary Metal.
- 7) Including strategic hedges/hedge accounting applied
- 8) Realized LME price minus Underlying EBITDA margin (incl. Qatalum) per mt primary aluminium produced. Includes net earnings from primary casthouses
- 9) Realized all-in price minus Underlying EBITDA margin (incl. Qatalum) per mt primary aluminium sold. Includes net earnings from primary casthouses
- 10) Total sales replaces previous casthouse sales due to change of definition
- 11) Underlying EBITDA divided by total revenues

# Operational data

Metal Markets	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Year 2015	Year 2016
Remelt production (1 000 mt)	145	141	117	130	144	146	125	133	143	152	533	548
Third-party Metal Products sales (1 000 mt)	74	80	81	84	72	74	78	80	79	80	319	304
Metal Products sales excl. ingot trading (1 000 mt) <sup>1)</sup>	626	750	676	670	736	777	720	660	735	759	2 722	2 893
Hereof external sales excl. ingot trading (1 000 mt)	571	674	616	613	664	694	652	616	672	675	2 474	2 627
External revenue (NOK million)	11 315	11 862	10 100	9 518	10 133	10 169	9 678	9 440	11 094	12 080	42 795	39 420

Rolled Products	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Year 2015	Year 2016
Rolled Products external shipments (1 000 mt)	227	243	248	229	229	238	231	213	241	239	948	911
Rolled Products – Underlying EBIT per mt, NOK	1 284	1 294	1 332	888	1 086	1 017	914	29	442	351	1 204	777
Underlying EBITDA margin <sup>2)</sup>	7.5%	7.9%	8.3%	7.2%	7.8%	7.2%	7.2%	4.2%	4.9%	4.5%	7.8%	6.7%

Energy	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Year 2015	Year 2016
Power production, GWh	3 071	2 103	2 839	2 882	3 160	2 674	2 946	2 551	2 869	2 369	10 894	11 332
Net spot sales, GWh	1 610	724	1 363	1 292	1 795	1 393	1 699	1 176	1 409	996	4 989	6 063
Nordic spot electricity price, NOK/MWh	246	177	122	204	229	223	235	311	280	257	187	250
Southern Norway spot electricity price (NO2), NOK/MWh	238	171	102	197	212	213	212	296	278	252	177	233
Underlying EBITDA margin <sup>2)</sup>	27.6%	19.9%	20.9%	27.2%	28.0%	21.1%	21.3%	17.8%	24.4%	19.3%	24.4%	21.6%

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

2) Underlying EBITDA divided by total revenues

# Sapa joint venture

## Sapa JV (100 % basis), underlying (unaudited)

NOK million, except sales volumes	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Year 2015	Year 2016
Sales volume (1000 mt)	359	367	350	322	353	358	341	312	349	366	340	310	355	359	1 364	1 365
Revenues*	11 311	11 496	11 561	11 842	14 051	14 484	13 895	12 821	13 905	14 071	13 140	12 210	14 323	15 309	55 252	53 327
Underlying EBITDA	440	641	492	343	705	799	734	491	901	1 132	812	653	1 100	1 252	2 729	3 498
Underlying EBIT	155	350	201	(55)	392	483	404	128	571	804	487	335	778	914	1 407	2 197
Underlying net income (loss)	69	263	110	(44)	238	291	240	139	365	540	315	334	562	658	907	1 553

## Sapa JV (100 % basis), reported (unaudited)

NOK million	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Year 2015	Year 2016
Reported EBIT	(3)	168	198	(679)	201	65	174	88	655	920	497	350	856	781	528	2 420
Reported net income (loss)	(103)	89	107	(719)	89	14	109	34	418	639	344	379	625	545	246	1 779

## Sapa JV (100 % basis), reconciliation between reported and underlying EBIT (unaudited)

NOK million, except sales volumes	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Year 2015	Year 2016
<b>Reported EBIT</b>	<b>(3)</b>	<b>168</b>	<b>198</b>	<b>(679)</b>	<b>201</b>	<b>65</b>	<b>174</b>	<b>88</b>	<b>655</b>	<b>920</b>	<b>497</b>	<b>350</b>	<b>856</b>	<b>781</b>	<b>528</b>	<b>2 420</b>
Items excluded from EBIT:																
Unrealized derivative effects	73	36	66	(79)	(145)	(158)	(95)	208	83	116	51	82	78	133	(189)	333
Restructuring cost and other items	(231)	(218)	(70)	(546)	(47)	(260)	(135)	(249)	-	-	(42)	(67)	-	-	(690)	(109)
Total items excluded from EBIT**	(159)	(182)	(4)	(624)	(191)	(418)	(230)	(41)	83	116	9	15	78	133	(879)	223
<b>Underlying EBIT</b>	<b>155</b>	<b>350</b>	<b>201</b>	<b>(55)</b>	<b>392</b>	<b>483</b>	<b>404</b>	<b>128</b>	<b>571</b>	<b>804</b>	<b>487</b>	<b>335</b>	<b>778</b>	<b>914</b>	<b>1 407</b>	<b>2 197</b>

\* Historical revenues have been reclassified

\*\* Negative figures represent a net cost to be added to get from reported EBIT to Underlying EBIT

# Sapa joint venture

## Sapa JV (100 % basis), information by business area

Precision Tubing	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	2015	2016
Volume (kmt)	37	40	37	35	36	38	145	150
Operating revenues (NOKm)	1 620	1 664	1 549	1 543	1 651	1 734	6 299	6 376
Underlying EBITDA (NOKm)	144	169	135	161	180	193	353	608
Underlying EBIT (NOKm)	86	112	76	103	123	136	124	376
Building Systems	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	2015	2016
Volume (kmt)	19	21	18	19	20	21	77	77
Operating revenues (NOKm)	1 869	1 939	1 680	1 685	1 830	2 044	7 097	7 173
Underlying EBITDA (NOKm)	110	210	104	109	155	219	220	533
Underlying EBIT (NOKm)	75	166	67	74	119	183	71	381
Other and eliminations	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	2015	2016
Underlying EBITDA (NOKm)	(116)	(33)	(64)	(37)	(63)	(43)	(155)	(249)
Underlying EBIT (NOKm)	(128)	(41)	(69)	(28)	(69)	(49)	(194)	(266)

Extrusion Europe	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	2015	2016
Volume (kmt)	148	157	142	130	154	155	563	577
Operating revenues (NOKm)	5 366	5 468	4 932	4 565	5 553	5 999	20 925	20 331
Underlying EBITDA (NOKm)	349	425	276	221	390	416	1 016	1 271
Underlying EBIT (NOKm)	223	304	154	97	274	292	475	778
Extrusion North America	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	2015	2016
Volume (kmt)	150	155	149	131	150	151	598	585
Operating revenues (NOKm)	5 265	5 234	5 183	4 617	5 514	5 753	21 696	20 299
Underlying EBITDA (NOKm)	414	362	361	199	437	466	1 295	1 335
Underlying EBIT (NOKm)	315	263	260	90	331	353	931	927

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