



Results up on realized prices,  
higher costs

Third quarter 2018

# 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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# Third quarter results 2018

Svein Richard Brandtzæg,  
President and CEO



# Third quarter highlights

- Underlying EBIT of NOK 2 676 million
- Alunorte, Paragominas and Albras producing at 50%, affecting results negatively
  - Technical and social agreements signed with Brazilian authorities
- Higher realized all-in aluminium and alumina prices
- Increased raw material and fixed costs
- Higher power prices lift Energy result
- Stable downstream results
- *Better* improvement program hit by Alunorte situation, will not reach 2018 target
- 2018 global primary market expected in deficit
- Continued market uncertainty on US tariffs, Rusal sanctions and Alunorte situation

# Current situation in Brazil



## Embargos on Alunorte

- SEMAS: production limited to 50% of capacity
- Federal court: production limited to 50% of capacity / no use of DRS2
  - On request from Ministerio Público
- IBAMA: DRS2 embargo remains, exceptional authorization to use press filter granted on Oct 5
  - Continued use of DRS1 combined with press filter aligned with SEMAS

## Operations

- Alunorte production at 50%, using DRS1 combined with press filter
- Paragominas production at 50%, in accordance with Alunorte run-rate
- Albras production at 50%, due to reduced alumina supply from Alunorte
- Alumina secured through 2018 for primary portfolio, significant third-party sourcing

## Financials

- Limited effect on bauxite and alumina production and costs in Q4 following production disruption early October
  - Alunorte ramped up to 50% by October 12
  - Paragominas ramped up to 50% by October 9

# Alunorte site layout

Port

Porto Vila do Conde

Bavic - Vila Do Conde, Barcarena - PA

Tecon Vila do Conde Santos Brasil

Press filters and drum filters

ALUBAR Metals and Cables

Yara Brasil Fertilizantes

Albras

DRS1 bauxite deposit area

DRS2 bauxite deposit area

## Press filter technology

- Improves geotechnical safety of deposit
- Reduces amount of caustic soda in residue
- Cuts CO<sub>2</sub>-emissions from transportation
- Reduces moisture content from ~35% (drum filters) to ~20% (press filters)
- Enables storage of 4-5x more residues in same area compared to conventional drum filters

# Development of bauxite residue disposal system at Alunorte

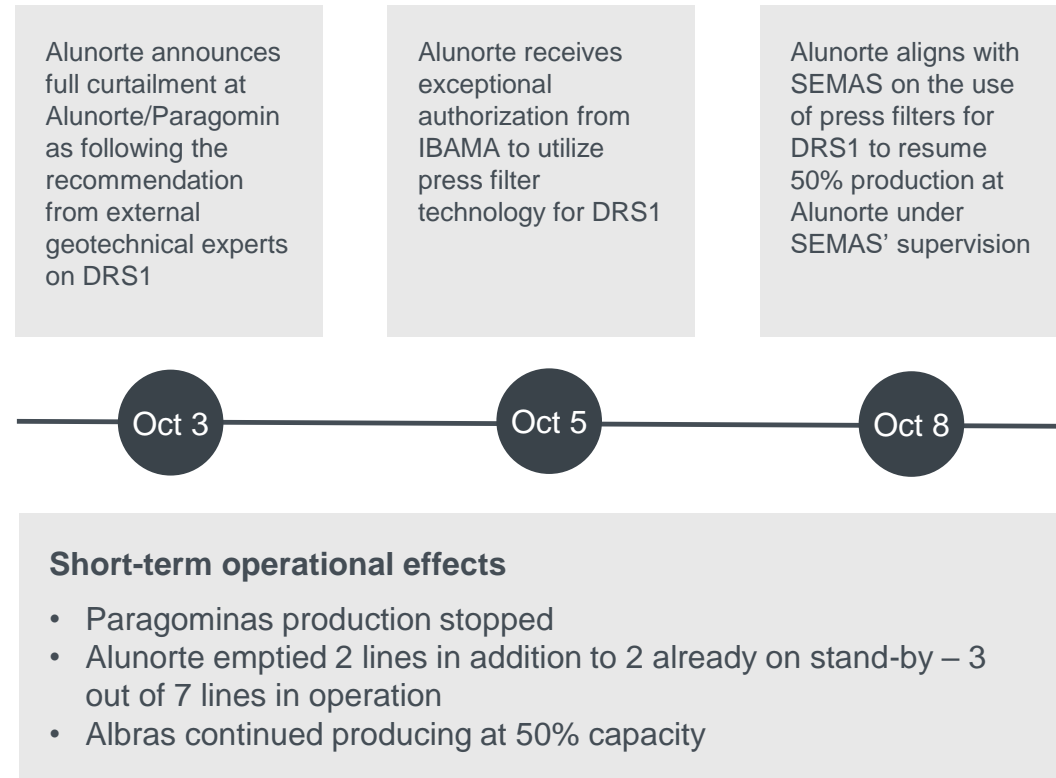
- DRS1 moving towards end of life, leading to 2014 investments decision on DRS2 and press filter – the most advanced technology reducing required storage area and environmental footprint
- Planned for parallel commissioning/start-up of press filter/DRS2 and scale down drum filter/DRS1
- Embargos on press filter/DRS2 March 2018 stopped commissioning and learning curve for new technology
  - Leading to more drum filter residue into DRS1 – accelerating depletion
- Initial assessments of potential to extend useful life of DRS1 were positive, however, findings in external report led to immediate discontinuation of DRS1 with drum filter on October 3, 2018



# Alunorte back to 50% production with use of press filters



Limited financial and operational effects from the production disruption



- Limited effect on bauxite and alumina production and costs in Q4
  - Alunorte ramped up to 50% by October 12
  - Paragominas ramped up to 50% by October 9
- DRS1 extended lifetime with use of press filter technology
  - Drier and more stackable bauxite residue used for reshaping of DRS1, in preparation for closure and rehabilitation
- Current operational mode

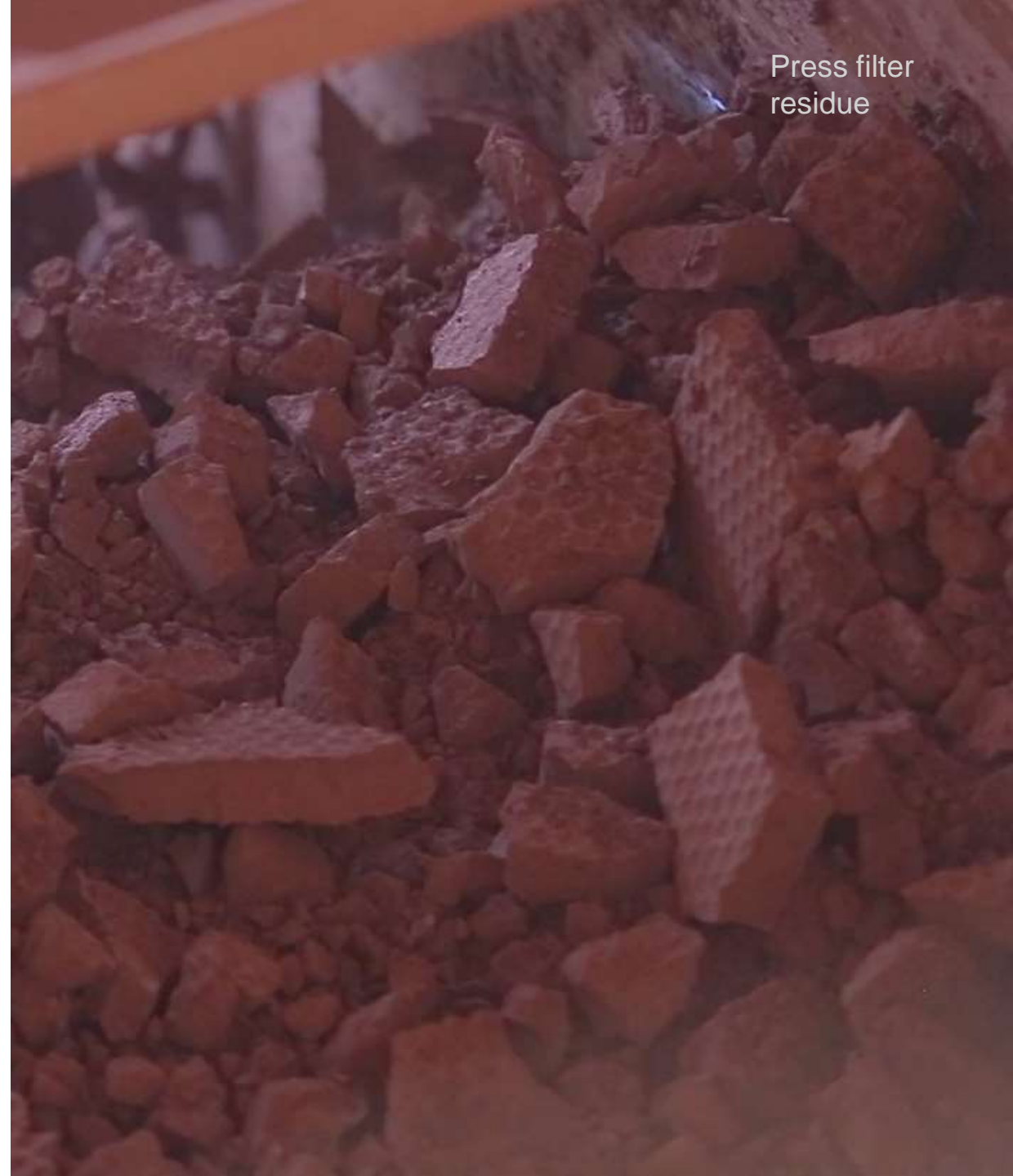
	DRS1	DRS2
Press filter	<b>Yes</b> – drier stacking, reshaping of deposit	<b>No</b> - embargo
Drum filter	<b>No</b> – not possible at current disposal site	<b>No</b> – not possible by design



# DRS2 with press filter technology only long-term sustainable solution for Alunorte

- Press filter technology reducing storage area and environmental footprint due to drier and more stackable material
- 8 press filters in place, 9th press filter to further increase robustness, to become operational Q2/Q3 2019
- DRS2/press filter embargo interrupted commissioning, learning and process optimization of press filters
- Postponed commissioning of press filters and discontinued use of DRS1/drum filters may imply delay in Alunorte ramp-up

Press filter  
residue



# Important agreements signed with authorities on September 5

- Technical TAC agreement
  - Audits, studies and monitoring of environmental situation, and improvements of the water treatment system, estimated at BRL 70 million
  - BRL 65 million for food cards to families living in close vicinity
  - Settlement of fines, totalling BRL 33 million
- Social TC agreement
  - Investment of BRL 150 million in projects supporting sustainable urban development in defined communities
- Fulfilment of obligations under TAC and TC progressing according to plan – dedicated organization to follow up





## Process going forward

- Fully committed to deliver on obligations under TAC and TC
- Construction project ongoing to increase water treatment capacity
  - Alunorte's water reservoir capacity increase to be finalized end-2018
  - Alunorte's water treatment capacity increase to be finalized by Q2 2019
- Social and environmental investments under the Sustainable Barcarena Initiative
- Continued dialogue with Government of Pará, including state environmental agency SEMAS, and Ministerio Público on creating common platform to resume production
- Other legal and political processes ongoing at state and federal level – Hydro cooperating with all relevant authorities
- Timing for embargoes being lifted remains uncertain

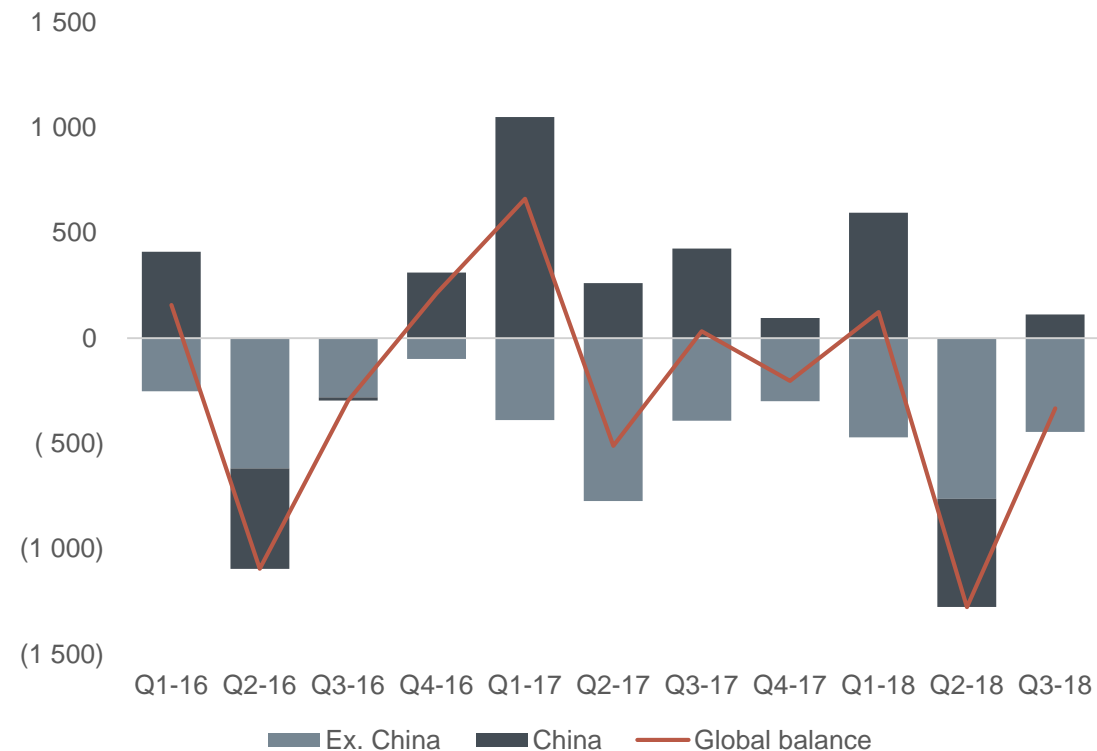
# Global aluminium market in deficit in Q3 2018



Continued deficit in world outside China, small surplus in China

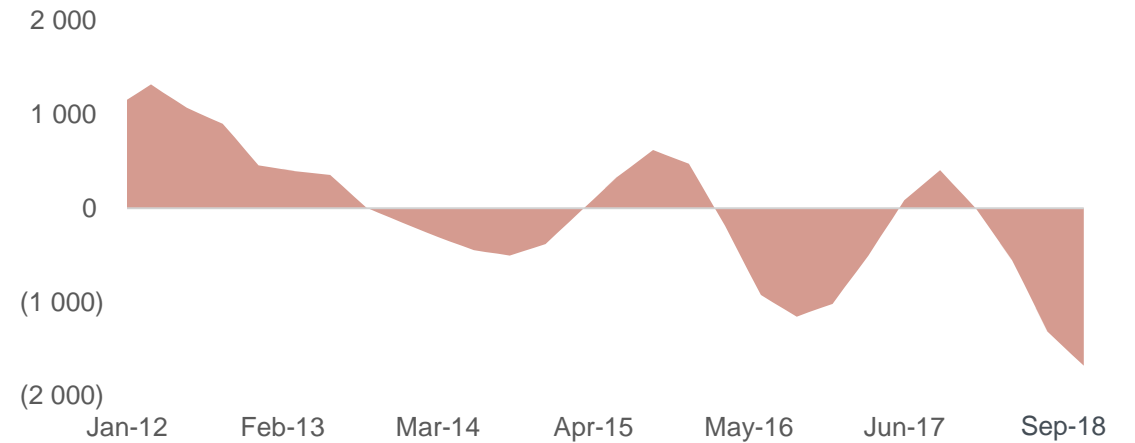
Quarterly market balances, world ex. China and China

1000 mt primary aluminium



Production less demand\*)

1 000 mt primary aluminium



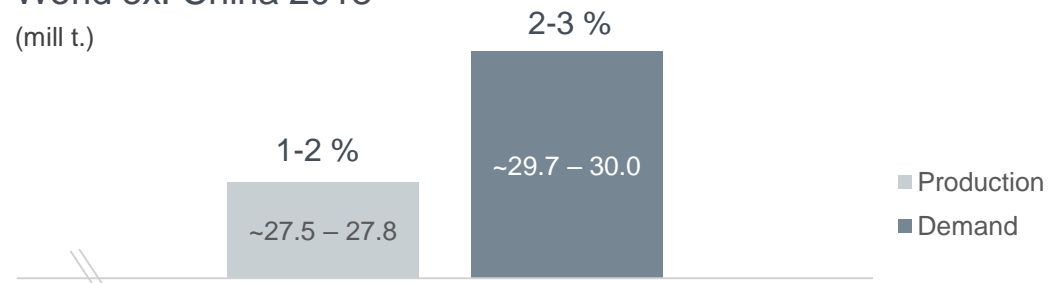
- ~4.1% demand growth Q3-18 vs Q3-17
  - ~5.4% China
  - ~2.5% World ex. China
- 2018 demand growth expected at 3-4%

Source: CRU/Hydro

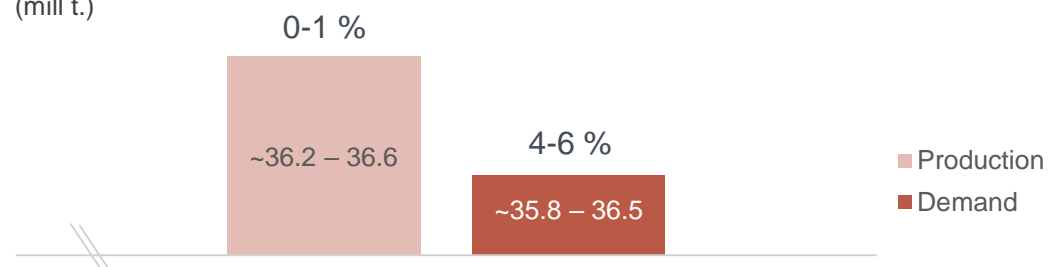
\* Yearly rolling average of quarterly annualized production less demand

# Primary aluminium market expected in deficit in 2018, continued uncertainty

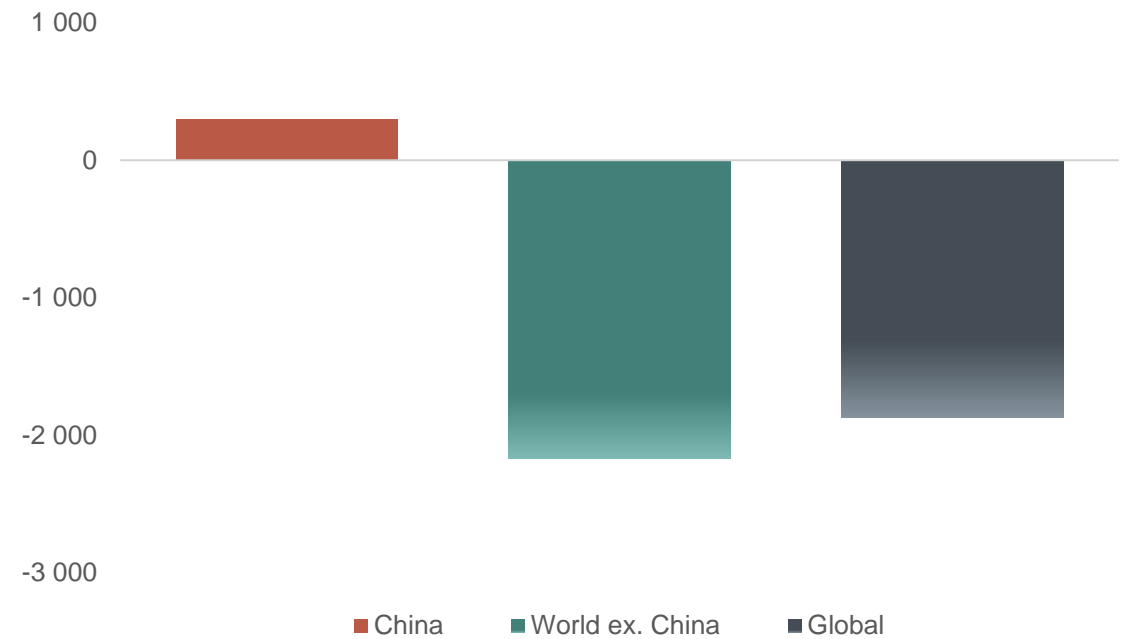
World ex. China 2018  
(mill t.)



China 2018  
(mill t.)



Estimated primary market balance 2018  
(‘000t)

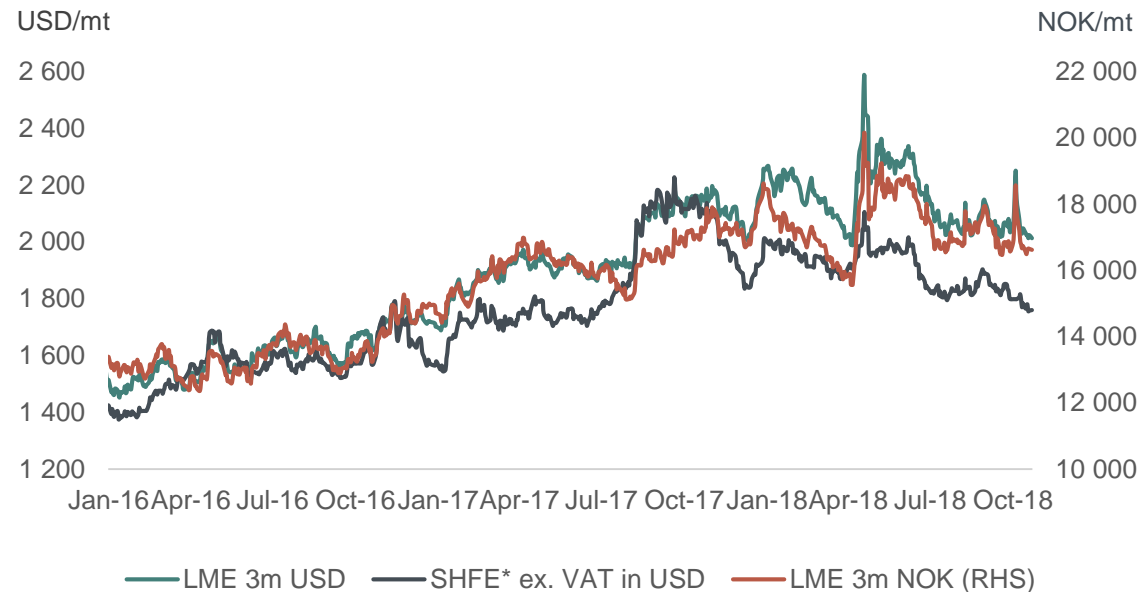


# Average aluminium prices down in Q3



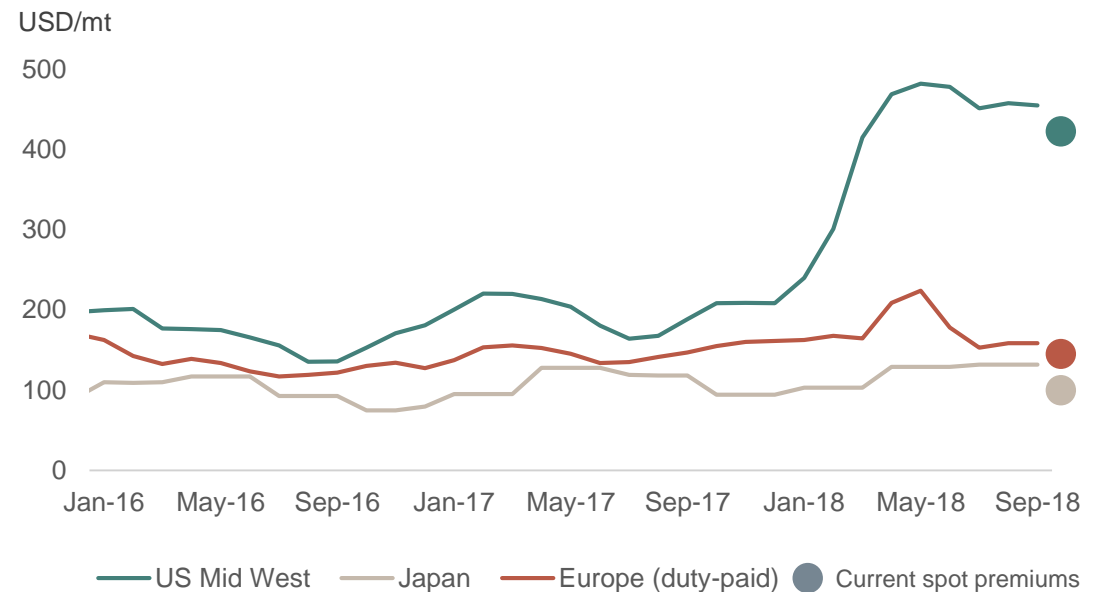
Premiums stable in the third quarter

LME and SHFE aluminium prices



- Range-bound LME development in Q3
- Continued wide price differential between LME and SHFE
- Based on gross trade data, semis exports from China increased in Q3

Regional standard ingot premiums



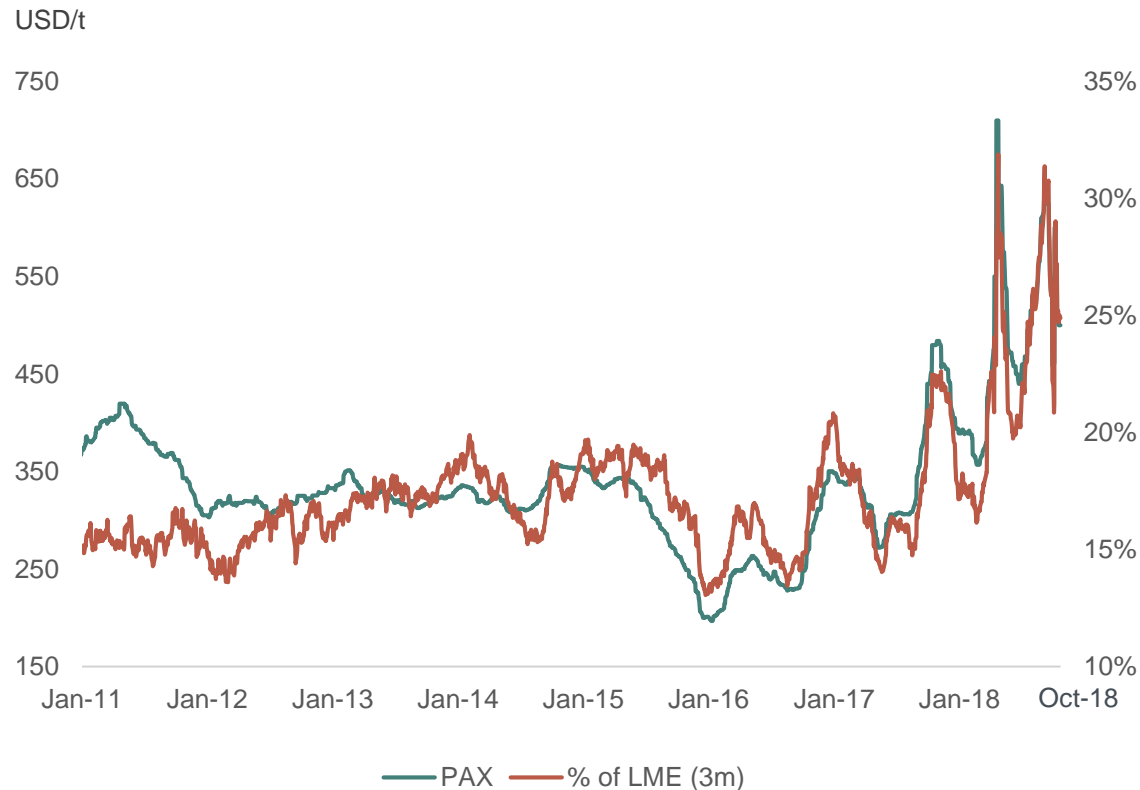
- Stable development in both US and European premiums in Q3, down on average compared to Q2

# Average alumina prices up in Q3, increasingly volatile



Market remains tight outside China due to continued Alunorte 50% supply disruption

Platts alumina index (PAX)

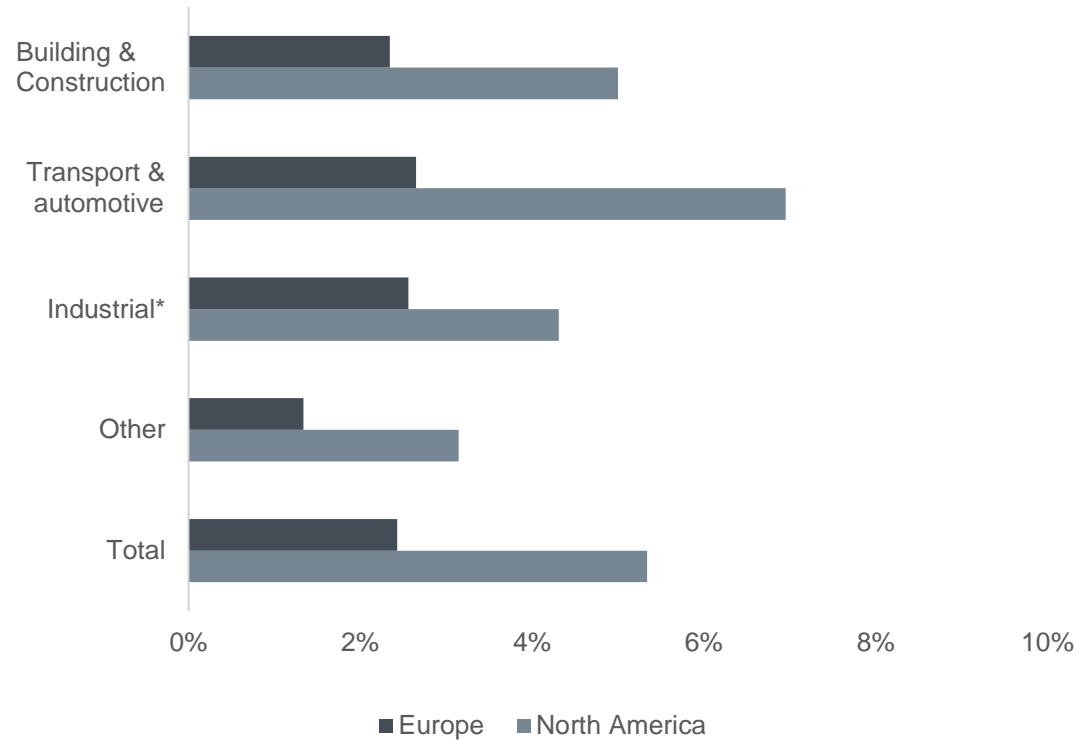


- High price volatility following uncertainty on alumina availability on Rusal sanctions, Alcoa strike and Alunorte curtailment
- Limited alumina capacity available for restarts outside China
- Alumina exports from China during Q3 on price arbitrage, despite challenging logistics
- Hydro active in third-party market sourcing alumina, primary plants covered through 2018

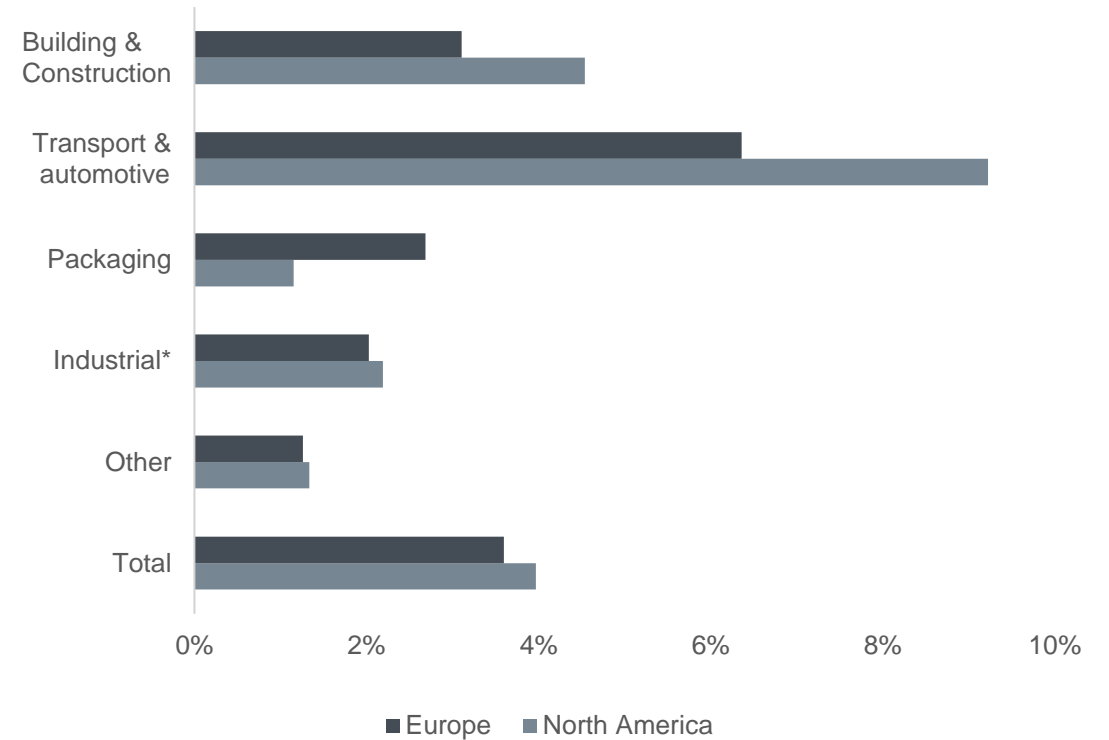
# Solid demand growth expected in key downstream segments in 2018



Extrusions – estimated market growth 2018 vs 2017 (%)



Rolled products – estimated market growth 2018 vs 2017 (%)



Source: CRU / Hydro analysis

\* Industrial includes consumer durables, electrical and machinery

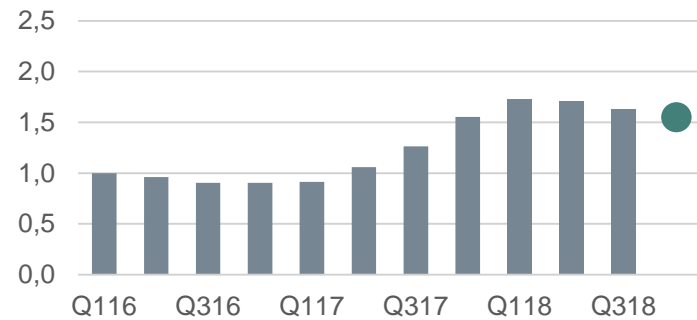
Europe excluding Russia/Turkey



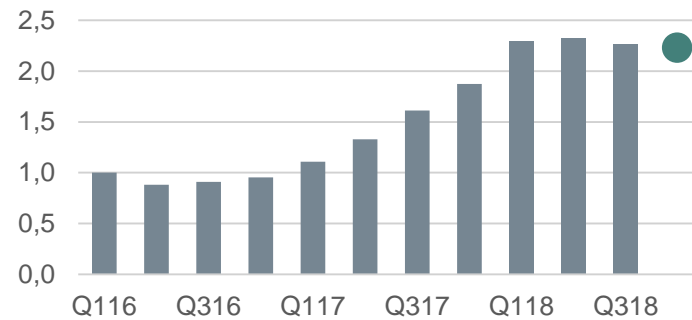
# Stabilizing raw material cost for the aluminium industry



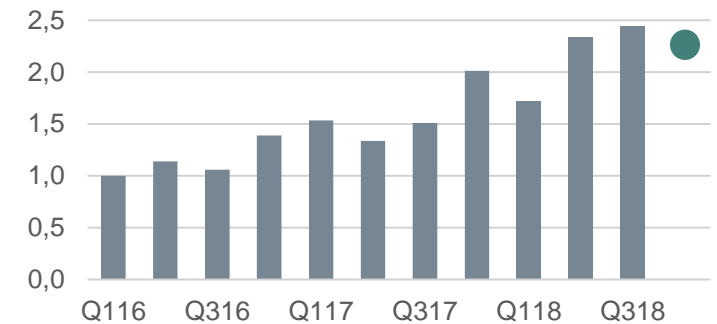
Petroleum coke FOB USG (indexed)



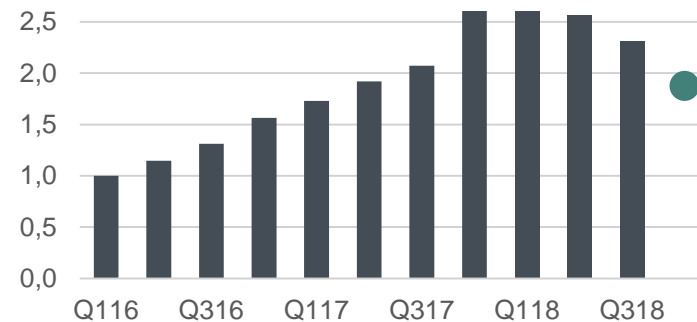
Pitch FOB USG (indexed)



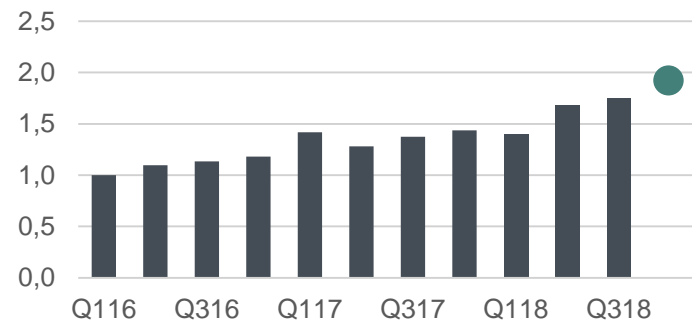
Alumina PAX index (indexed)



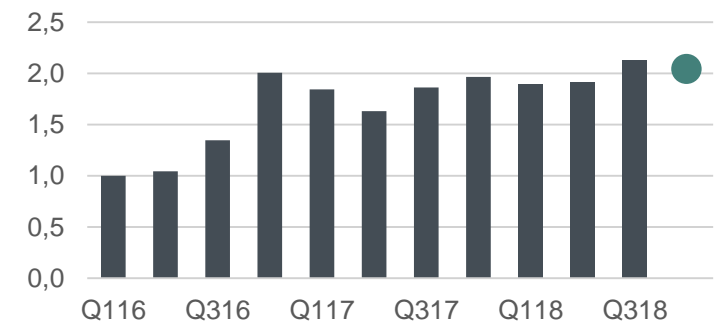
Caustic soda (indexed)



Fuel oil A1 (Indexed)



Steam coal (indexed)



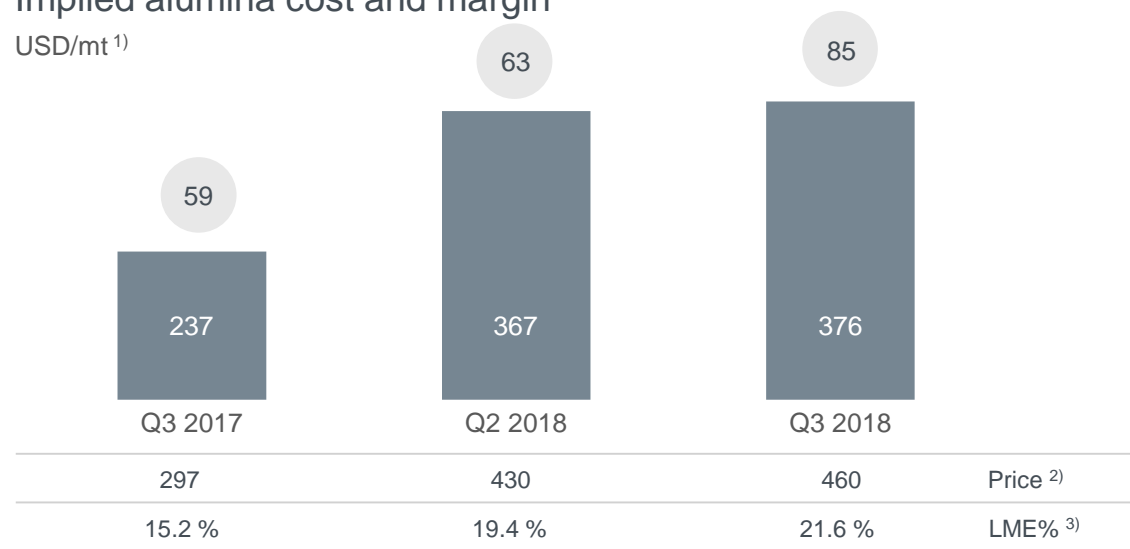
● Indication of current market prices

# Q3 vs Q2: stable upstream costs and increasing margins

Elevated cost per mt in Bauxite & Alumina following Alunorte production cut

## Implied alumina cost and margin

USD/mt <sup>1)</sup>



### Implied alumina cost in Q3 affected by:

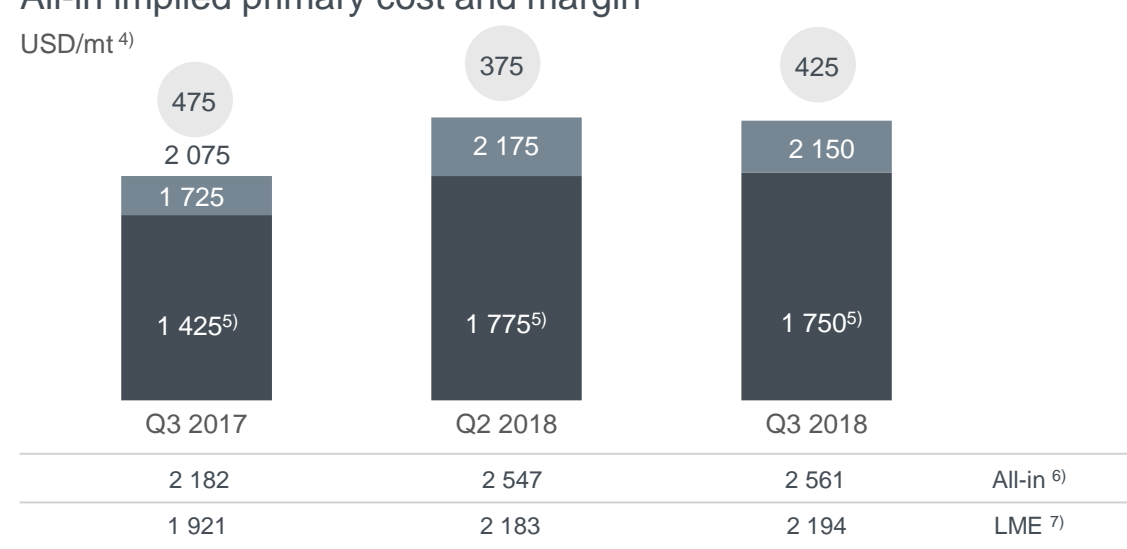
- High external alumina sourcing costs
- Increased raw material prices
- Positive contribution from weakening BRL vs USD

■ Implied EBITDA cost per mt    ● EBITDA margin per mt

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

## All-in implied primary cost and margin

USD/mt <sup>4)</sup>



### Implied primary cost in Q3 affected by:

- Increased alumina costs
- Positive contribution from Albras power sales

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

5) Realized LME aluminium price less underlying EBITDA margin, incl Qatalum, per mt primary aluminium produced  
 6) Realized LME plus realized premiums, including Qatalum  
 7) Realized LME, including Qatalum

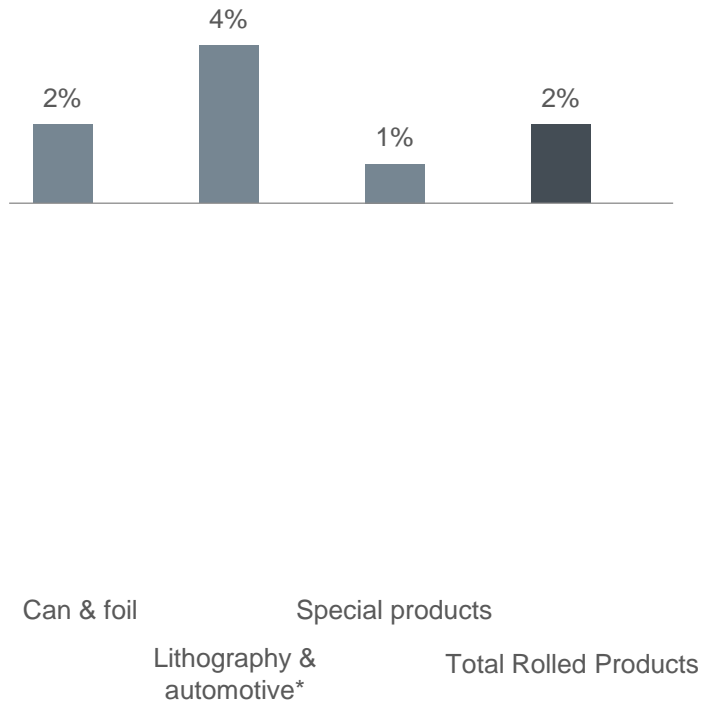
# Rolled Products: Increased sales volumes YTD 2018 vs YTD 2017

Operational issues at Alunorf impacting volumes

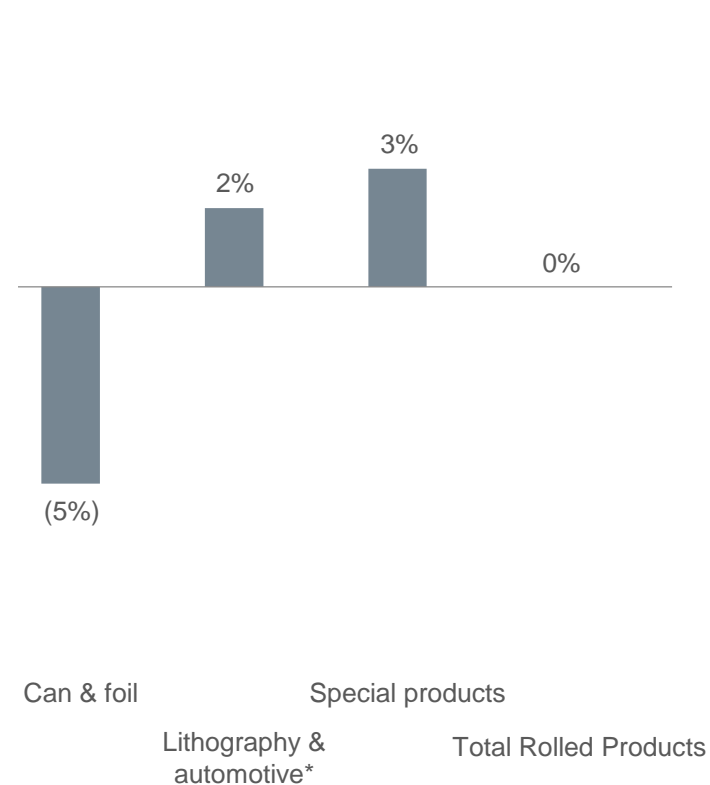
YTD 2018 vs YTD 2017

Sales volume

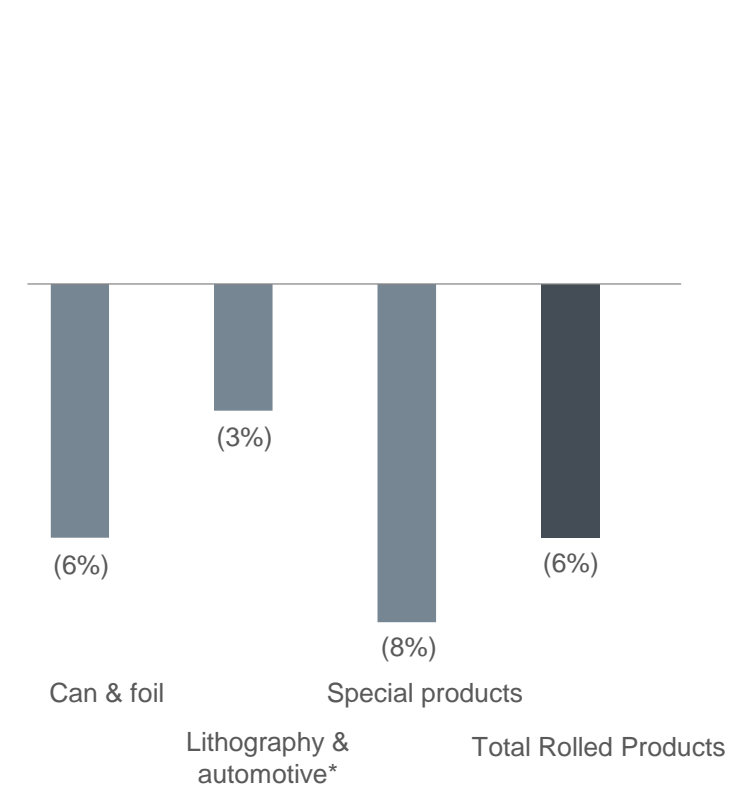
Growth in %



Q3 2018 vs Q3 2017



Q3 2018 vs Q2 2018



\* Include Body-in-White sales growth of 27% YTD 2018 vs YTD 2017, 27% Q3 2018 vs Q3 2017, -8% Q3 2018 vs Q2 2018

# Operational instability at Alunorf, UBC progressing but with delays

## Operational issues at Alunorf cold mill

- Unplanned down-times leading to reduced output and stability
- Operational performance issues to continue into Q4

## UBC recycling facility ramping up, but with delays

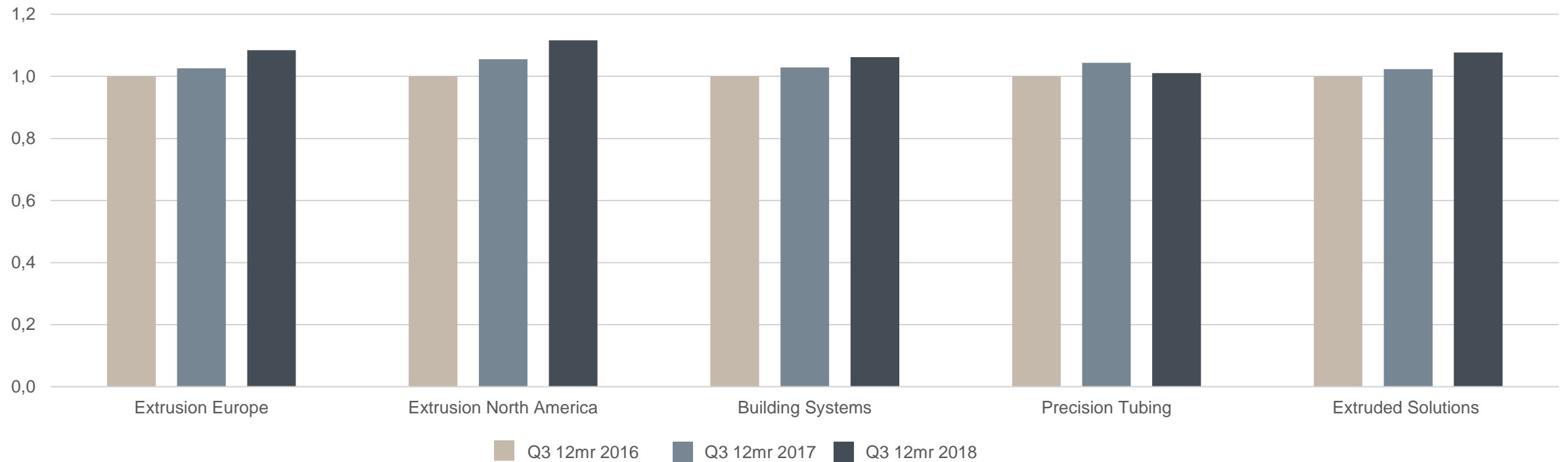
- Several modifications made Q4 2017, leading to improved performance in 2018
- Further modifications needed to resolve outstanding operational issues planned for first half 2019
- Target stable output at 40 000 mt run-rate end-2019



# Extruded Solutions: Continued improvements in net added value



Net added value\* per kg 12 month rolling  
(NOK\*\*, indexed to Q4 2015-Q3 2016)



\* Net Added Value: calculated as operating revenues less cost of material, including freight costs out  
\*\* Translated to NOK based on Q3 2018 12 months rolling currency rates

# Investing in fast-growing US transport and automotive market



- Extruded Solutions investing in new extrusion press at Cressona plant in the US
- Further equipping Extrusion North America to serve the demanding transport and automotive customers
- Growing position with unmatched value-added services and press capabilities
- Estimated investment of USD 45 million

# Interesting growth opportunities in Primary Metal

## Final build-decision to upgrade and restart second line at Husnes

- Lifting production from current 95 000 mt/year to 190 000 mt/year
- New technology elements from Karmøy Technology Pilot to be introduced, leading to increased efficiency and profitability
- Expected to begin production first half 2020
- Estimated investment of NOK 1.4 billion

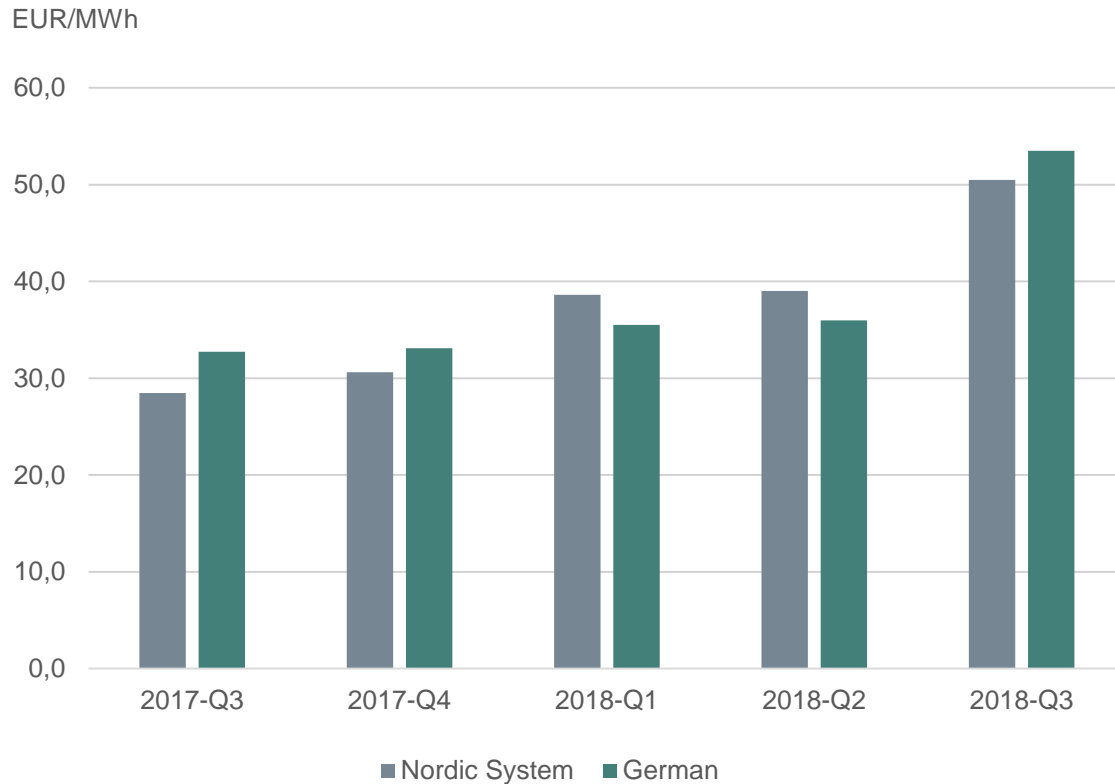
## Increasing remelt and recycling capacity

- Enabling Slovalco to serve as remelter for conversion scrap from extrusion plants in Central Europe
- Investing EUR 13 million in 50,000 mt/year remelt capacity – in addition to the current primary aluminium capacity of 170 000 mt/year
- Expanding recycling capacity at Azuqueca by 8 000 mt/year
- Enabling Azuqueca to produce and certify 75R - low-carbon and high recycled content aluminium products
- Estimated investment of EUR 10 million

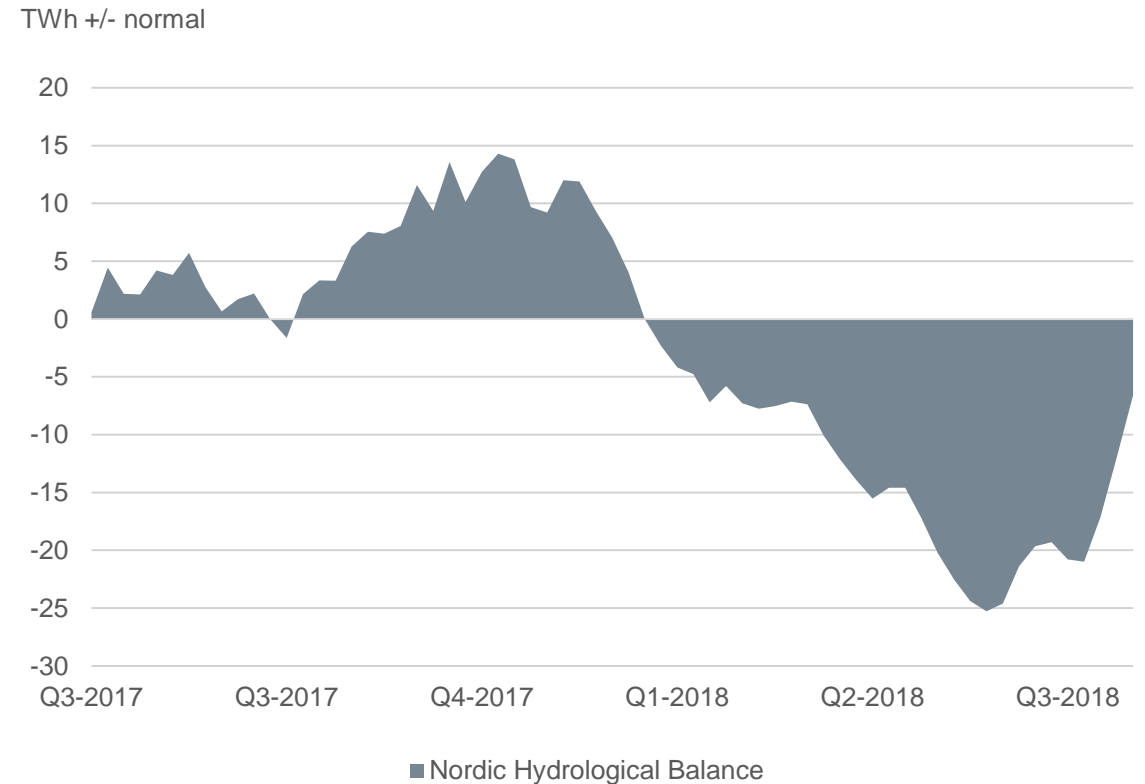


# High power prices on dry weather and strong coal and CO<sub>2</sub> prices

Nordic System and German Power Price



Nordic Hydrological Balance



Source Nordic Hydrological Balance: Wattsight. The hydrological normal is based on historical data from 1967-2011 and covers Norway and Sweden (the Nordic countries with significant hydrology resources)  
 Source Prices: NordPool (Nordic system price), Phelix (German price). The system price is the Nordic reference price for trading and clearing of most financial contracts.



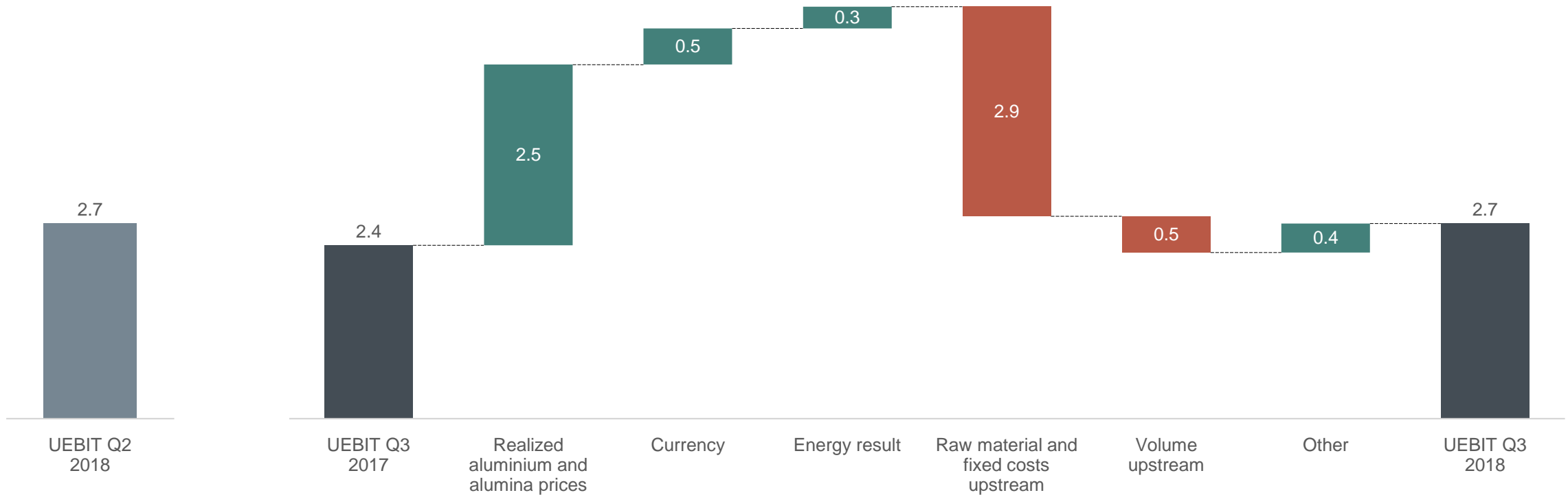
# Financial update

Eivind Kallevik,  
Executive Vice President and CFO

# Results up on realized prices, despite higher costs

Q3 2018 vs Q3 2017

NOK billion



# Key financials



Underlying EPS down to 0.74 NOK/share

NOK million	Q3 2018	Q3 2017	Q2 2018	First 9 months 2018	First 9 months 2017
Revenue	39 766	22 799	41 254	120 991	70 416
<b>Underlying EBIT</b>	<b>2 676</b>	<b>2 446</b>	<b>2 713</b>	<b>8 535</b>	<b>7 660</b>
Items excluded from underlying EBIT	620	123	(274)	192	(18)
<b>Reported EBIT</b>	<b>2 057</b>	<b>2 323</b>	<b>2 986</b>	<b>8 344</b>	<b>7 678</b>
Financial income (expense)	(423)	485	(441)	(1 339)	(338)
<b>Income (loss) before tax</b>	<b>1 634</b>	<b>2 808</b>	<b>2 545</b>	<b>7 005</b>	<b>7 340</b>
Income taxes	(710)	(624)	(473)	(1 931)	(1 756)
<b>Net income (loss)</b>	<b>925</b>	<b>2 184</b>	<b>2 073</b>	<b>5 074</b>	<b>5 585</b>
<b>Underlying net income (loss)</b>	<b>1 696</b>	<b>1 785</b>	<b>2 096</b>	<b>5 994</b>	<b>5 580</b>
Reported EPS, NOK	0.37	1.00	1.03	2.42	2.59
Underlying EPS, NOK	0.74	0.82	1.02	2.81	2.61

# Items excluded from underlying EBIT



Majority related to provisions for TAC/TC commitments in Brazil

NOK million	Q3 2018	Q3 2017	Q2 2018	First 9 months 2018	First 9 months 2017
<b>Underlying EBIT</b>	<b>2 676</b>	<b>2 446</b>	<b>2 713</b>	<b>8 535</b>	<b>7 660</b>
Unrealized derivative effects on LME related contracts	(436)	30	306	(17)	(80)
Unrealized effects on power and raw material contracts	183	(7)	(92)	178	(155)
Metal effect, Rolled Products	153	(151)	60	166	273
Alunorte agreements - provisions	(519)	-	-	(519)	-
Items excluded in equity accounted investments (Sapa)		6			(19)
<b>Reported EBIT</b>	<b>2 057</b>	<b>2 323</b>	<b>2 986</b>	<b>8 344</b>	<b>7 678</b>

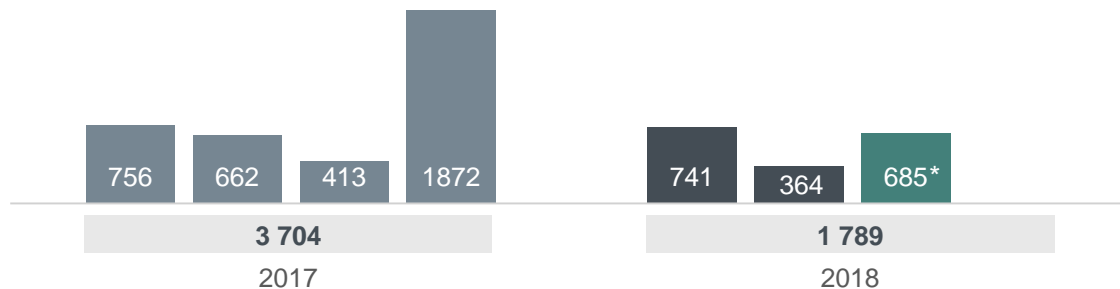
# Bauxite & Alumina

Results up on positive price and currency effects, despite production restrictions

Key figures	Q3 2018	Q3 2017	Q2 2018
Alumina production, kmt	821	1 605	829
Total alumina sales, kmt	1 711	2 251	1 842
Realized alumina price, USD/mt	460	297	430
Implied alumina cost, USD/mt	376	237	367
Bauxite production, kmt	1 286	3 043	1 348
Underlying EBITDA, NOK million	1 193	1 057	937
Underlying EBIT, NOK million	685	413	364

## Underlying EBIT

NOK million



\*Underlying EBIT excludes (519) MNOK in provisions for the TAC/TC agreements in Brazil.



## Results Q3 18 vs Q3 17

- Higher realized alumina prices
- Positive currency effect
- Lower volumes due to production restrictions at Alunorte and Paragominas
- Higher raw material costs

## Outlook Q4 18

- Alunorte and Paragominas producing at 50% capacity
- Increasing raw material costs
- Limited production and cost effects from reduced operations in October

# Capex and expenses affected by the Alunorte situation



Regulatory, social and operational improvements worth ~1.1 BBRL

	Amount	Category	Purpose	Timeframe	Accounting treatment
Term of adjusted conduct (TAC)	70 MBRL	Regulatory/operational	Audits, studies and monitoring of environmental situation incl. water treatment and drainage system, and related identified improvements	2018-2021	~50% audits expensed Q3 ~50% related investments to be capitalized
	65 MBRL	Regulatory/social	Food coupons for the families living in close proximity to Alunorte	2018-2019	Expensed Q3
	33 MBRL	Regulatory	Settlement of fines for 2009 and 2018	Paid	Expensed Q1/Q3
Term of commitment (TC)	150 MBRL	Regulatory/ social	Support sustainable urban development in Para – donate housing and related infrastructure	Long-term	Expensed Q3
Sustainable Barcarena Initiative	100 MBRL	Social	Support broad collaboration for social change in Barcarena	Long-term	To be expensed as incurred
Water treatment plant	235 MBRL	Operational	Increase water treatment capacity by 50%	Q2 2019	To be capitalized
Infrastructure related to water management system	250 MBRL		Increase water reservoir capacity by 350%	End-2018	
			Strengthen infrastructure related to the water management system, enhance robustness and flexibility of the system	Q2 2019	
Enhanced operational robustness at the plant	190 MBRL	Operational	Modifications to improve equipment robustness at the plant for heavy rainfall, enhance environmental performance	2018-2020	To be capitalized

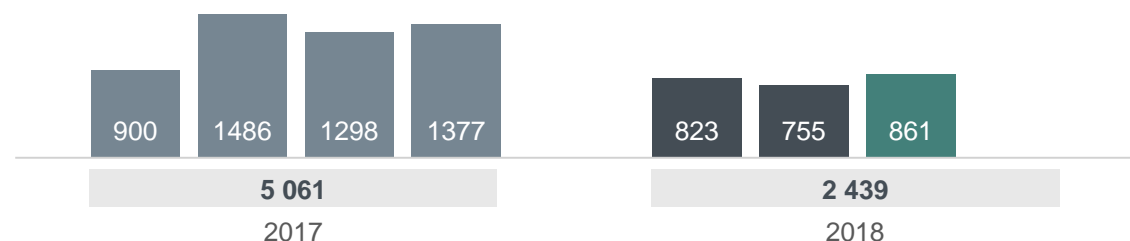
# Primary Metal

Results down on increased costs, partly offset by higher realized aluminum prices

Key figures	Q3 2018	Q3 2017	Q2 2018
Primary aluminium production, kmt	497	527	492
Total sales, kmt	516	568	549
Realized LME price, USD/mt	2 194	1 921	2 183
Realized LME price, NOK/mt	17 905	15 496	17 292
Realized premium, USD/mt	367	261	364
Implied all-in primary cost, USD/mt <sup>1)</sup>	2 150	1 725	2 175
Underlying EBITDA, NOK million	1 424	1 795	1 309
Underlying EBIT, NOK million	861	1 298	755

## Underlying EBIT

NOK million



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

2) Including Qatalum volumes



## Results Q3 18 vs Q3 17

- Higher realized aluminium prices
- Increased raw material and fixed costs
- Reduced volumes on Albras curtailment
- Positive contribution from the sale of Albras-related excess power in Brazil

## Outlook Q4 18

- ~ 60% of primary production for Q4 priced at USD ~2 050 per mt <sup>2)</sup>
- ~ 55% of premiums affecting Q4 booked at USD ~445 per mt <sup>2)</sup>
  - Q4 realized premium expected in the range of 350-400 USD/mt
- Alumina costs realized with a 2-3 months lag
- Albras producing at 50% capacity
- Limited effect from temporary power disturbance at Qatalum on October 17

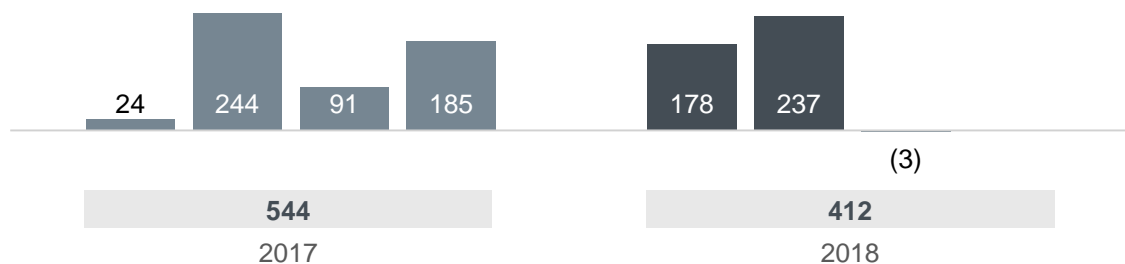
# Metal Markets

Lower contribution from commercial activities, improved results from remelters

Key figures	Q3 2018	Q3 2017	Q2 2018
Remelt production, kmt	126	136	153
Metal products sales, kmt <sup>1)</sup>	685	707	746
Underlying EBITDA, NOK million	22	114	262
Underlying EBIT excl currency and inventory valuation effects, NOK million	78	107	224
Underlying EBIT, NOK million	(3)	91	237

## Underlying EBIT

NOK million



## Results Q3 18 vs Q3 17

- Improved results from remelters on higher margins
- Lower contribution from sourcing and trading activities
- NOK 81 million in negative currency effects vs negative NOK 17 million in currency and inventory valuation effects

## Outlook Q4 18

- Volatile trading and currency effects

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



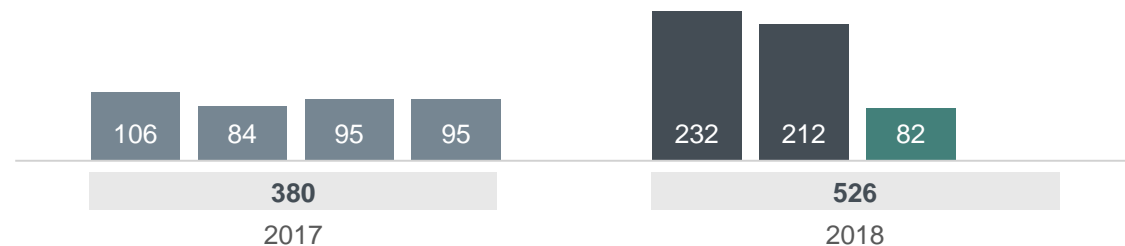
# Rolled Products

Results down despite improving AL3 and UBC performance and better margins

Key figures	Q3 2018	Q3 2017	Q2 2018
External sales volumes, kmt	235	236	251
Underlying EBITDA, NOK million	314	312	438
Underlying EBIT, NOK million	82	95	212

## Underlying EBIT

NOK million



## Results Q3 18 vs Q3 17

- Increased margins
- Improved AL3 and UBC production performance
- Higher personnel and energy costs
- Higher aluminium prices and new power contract in Neuss more than offset by increased raw material costs

## Outlook Q4 18

- Operational performance issues at Alunorf
- Increasing raw material costs affecting Neuss results
- Normal seasonal demand slowdown and higher maintenance activity

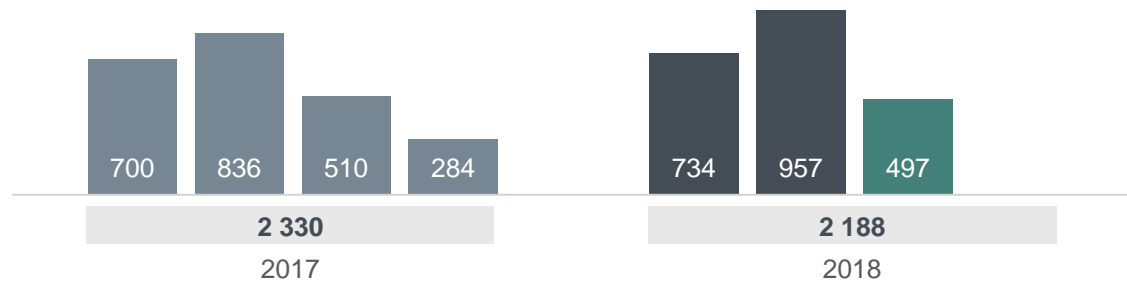
# Extruded Solutions

Results flat as NAV improvement was offset by higher costs

Key figures	Q3 2018	Q3 2017	Q2 2018
External sales volumes, kmt	343	339	373
Underlying EBITDA, NOK million	931	903	1 383
Underlying EBIT, NOK million	497	510	957

## Underlying EBIT <sup>1)</sup>

NOK million



1) Pro-forma figures for Q1-Q3 2017

2) Net added value calculated as operating revenues less cost of material, incl. freight costs out



## Results Q3 18 vs Q3 17

- Improved Net added value (NAV) <sup>2)</sup>
- Increased production and fixed costs
- Depreciation up ~MNOK 300 per year compared to “Sapa” due to transactional effects, mainly excess value depreciation

## Outlook Q4 18

- Positive market demand development
- Normal seasonal demand slowdown and higher maintenance activity

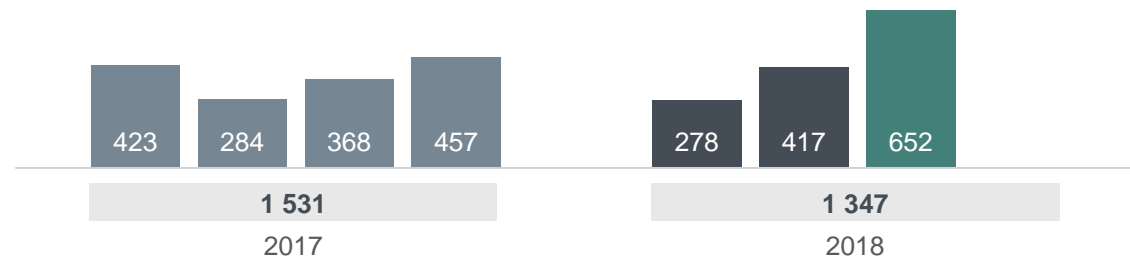
# Energy

Record quarterly result on high prices and production

Key figures	Q3 2018	Q3 2017	Q2 2018
Power production, GWh	2 888	2 509	2 550
Net spot sales, GWh	1 315	1 168	961
Southwest Norway spot price (NO2), NOK/MWh	475	258	369
Underlying EBITDA, NOK million	716	424	479
Underlying EBIT, NOK million	652	368	417

## Underlying EBIT

NOK million



## Results Q3 18 vs Q3 17

- Significantly higher power prices
- Higher power production
- Negative effects from repricing of internal power contract with Rolled Products

## Outlook Q4 18

- Price and volume uncertainty



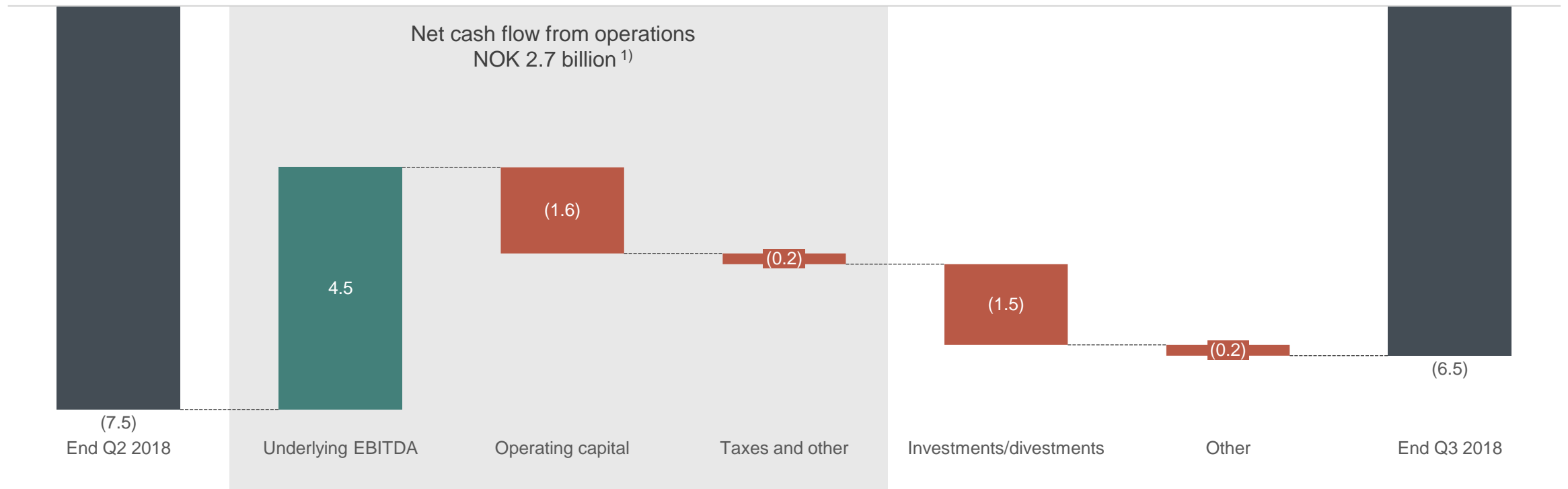
## Other and Eliminations

Underlying EBIT, NOK million	Q3 2018	Q3 2017	Q2 2018
Sapa JV		209	
Other	(190)	(96)	(156)
Eliminations	93	68	(74)
<b>Other and Eliminations</b>	<b>(97)</b>	<b>181</b>	<b>(229)</b>

# Net debt development Q3 2018

Reduction in net debt driven by cash flow from operations

NOK billion



1) Net cash provided by operating activities from cash flow statement, less change in restricted cash of ~(-0.1) BNOK

# Adjusted net debt down in Q3

Reduced net debt position and net pension liability

NOK billion	Sep 30 2018	Jun 30 2018	Mar 31 2018
Cash and cash equivalents	6.8	5.7	9.4
Short-term investments	1.2	1.1	1.0
Short-term debt	(6.6)	(5.0)	(5.3)
Long-term debt	(7.9)	(9.4)	(8.7)
<b>Net cash/(debt)</b>	<b>(6.5)</b>	<b>(7.5)</b>	<b>(3.6)</b>
Net pension liability at fair value, net of expected tax benefit	(6.4)	(7.0)	(7.5)
Other adjustments <sup>1)</sup>	(5.5)	(5.7)	(5.8)
<b>Adjusted net debt ex. EAI</b>	<b>(18.4)</b>	<b>(20.2)</b>	<b>(16.9)</b>
Net debt in EAI	(5.6)	(5.7)	(5.7)
<b>Adjusted net debt incl. EAI</b>	<b>(24.0)</b>	<b>(25.9)</b>	<b>(22.6)</b>

1) Operating lease commitments and other obligations





## 2018/19 priorities

- Safety first
- Resuming 100% production at Alunorte, Paragominas and Albras
- Value-creating integration
- Project execution

# Additional information



# Prudent financial framework



Managing industry cyclicality, driving long-term shareholder value

## Lifting cash flow potential

Improving efficiency, strengthening margins

Improvement efforts

- 5.9 BNOK 2009-2016
- 0.4 BNOK 2017
- 1.2 BNOK 2018-2019E <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

- 5.5 – 6.0 BNOK per year

Total capex incl. growth

- 2017 BNOK 7.9 <sup>4)</sup>

Selective value-add growth

Attractive organic growth prospects and M&A optionality

## Reliable shareholder remuneration policy

Sector competitive TSR

1.75 NOK/share dividend for 2017

Dividend policy

- 40% payout ratio of Net income over the cycle
- Dividend 1.25 NOK/share to be considered as floor

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

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 and including Extruded Solution for the full year

# Hydro's aspiration underpinned by firm financial targets



Medium and long-term

	Ambition	Timeframe	Q4 2017 status
Better improvement ambition	3.0 BNOK	2016-2019	1.8 BNOK 2017
Long-term sustaining capex	~ 5.5 - 6.0 BNOK	Over the cycle	5.7 BNOK 2017
Dividend payout ratio	40% of net income	Over the cycle	~70% <sup>1)</sup> 2013-2017
FFO/adjusted net debt <sup>2)</sup>	> 40%	Over the cycle	68% 2017 <sup>3)</sup>
Adjusted net debt/Equity	< 55%	Over the cycle	26% 2017
ROaCE	Competitive <sup>4)</sup>	Over the cycle	9.6% <sup>3,5)</sup> 2017

*Better Bigger Greener*

1) Payout ratio 5 year average – dividend per share divided by earnings per share from continuing operations for the last 5 years

2) FFO – funds from operations

3) Extruded Solutions reflected as 50% equity accounted investment Q1-Q3 2017 and fully consolidated in Q4 2017

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
  - 1.25 NOK/share to be considered as a floor, as communicated since Q4 2016
  - Share buybacks and extraordinary dividends as supplement in periods with strong financials and outlook
  - 2017 dividend 1.75 NOK/share, up from 1.25 NOK/share 2016
  - Five-year average ordinary pay-out ratio 2013-2017 of ~70%
- Maintain investment-grade credit rating
  - Currently: BBB stable (S&P) & Baa2 stable (Moody's)
  - Competitive access to capital is 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 6.8 billion in cash and cash equivalents, end-Q3 2018
  - USD 1.7 billion in multi-currency revolving credit facility maturing in 2020

# Hedging policy



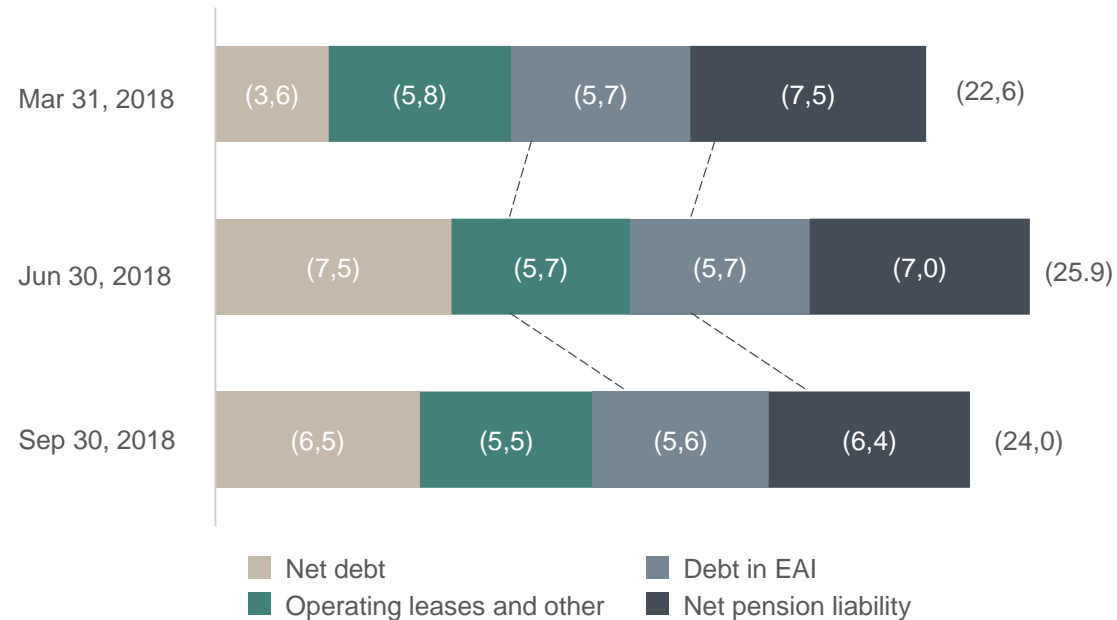
- Hedging strategy
  - Fluctuating with the market: primarily exposed to LME and USD
  - Volatility mitigated by strong balance sheet
  - Strengthening relative position to ensure competitiveness
- Diversified business
  - Upstream cyclicalities balanced with more stable earnings downstream
  - Exposed 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 a solid balance sheet and investment-grade credit rating

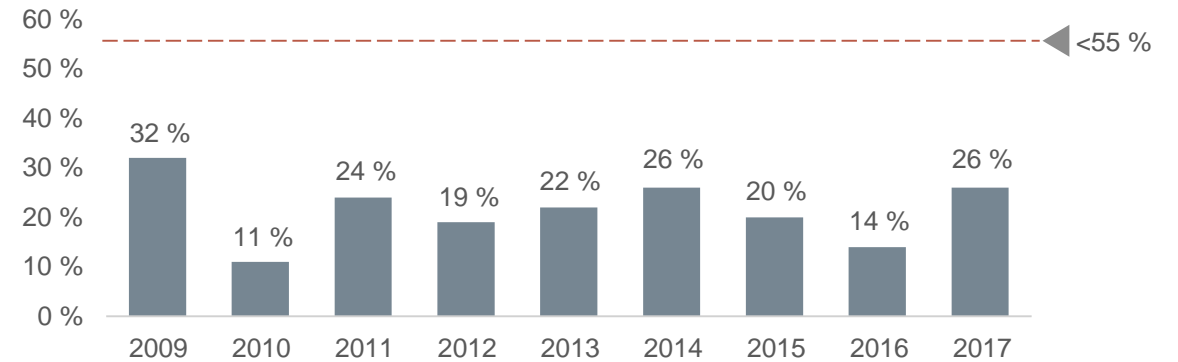


Funds from operations determine the balance sheet structure

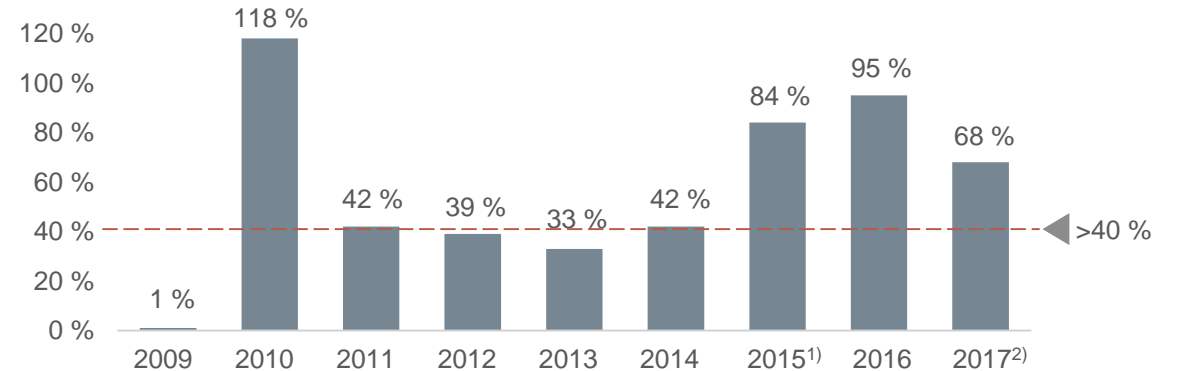
Adjusted net debt  
Global demand base metals



Adjusted net debt / Equity



Funds from operations / Adjusted net debt



1) 2015 FFO/aND ratio has been restated due to change of definition  
 2) Extruded Solutions reflected as 50% equity accounted investment Q1-Q3 2017 and fully consolidated in Q4 2017

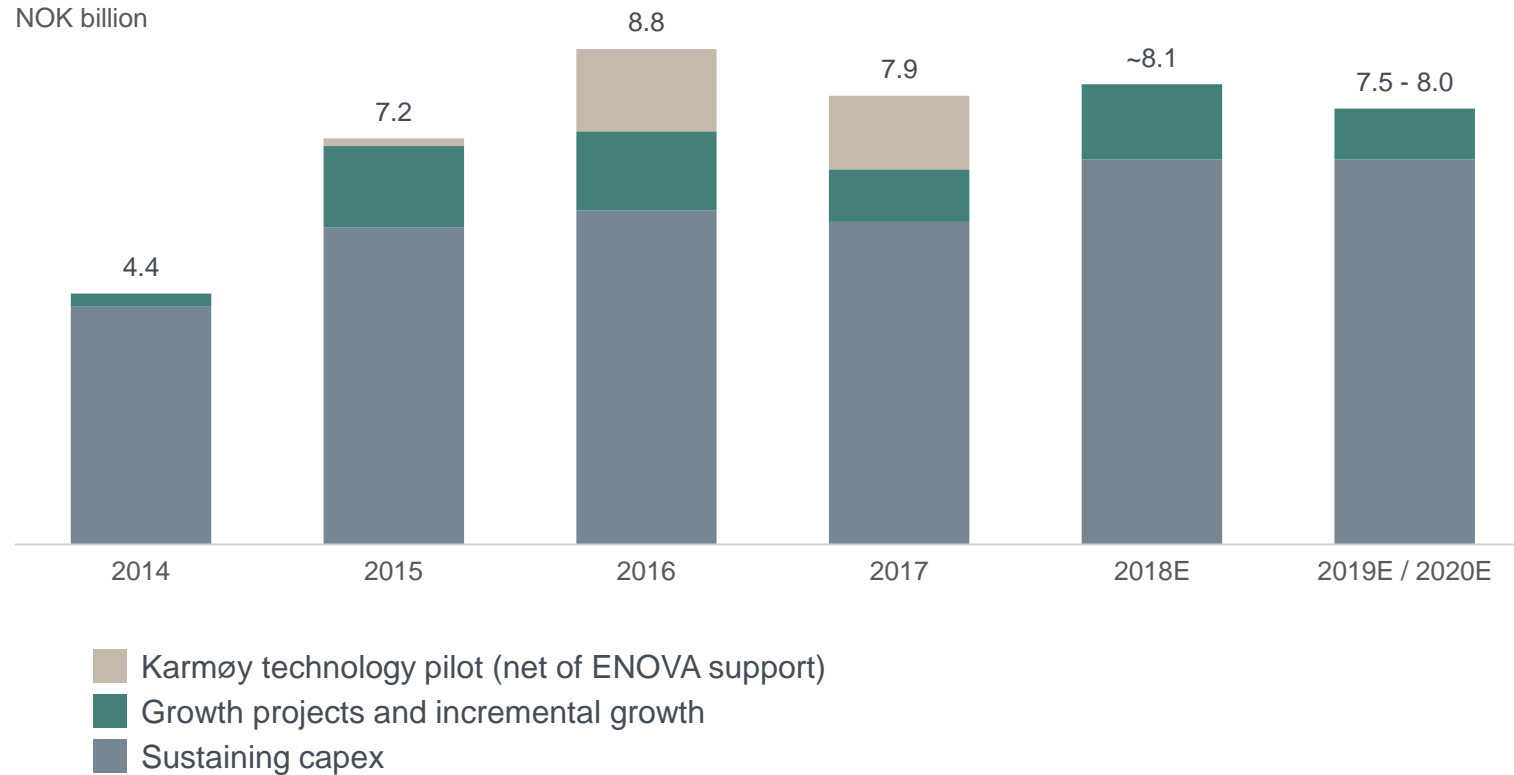
# Growth capex focused on high-grading, recycling and technology



Majority of sustaining capex allocated upstream

Capex overview as of Capital Markets Day 2017

NOK billion



- Sustaining projects for 2018-2020:
  - Bauxite residue disposal area
  - Opening of new bauxite mining area
  - Pipeline replacement
  - Primary rectifiers and asset integrity Albras
  - Smelter relining
- Ongoing organic growth projects:
  - Productivity improvements across the portfolio
- Karmøy technology pilot 2015-2018:
  - Gross investment 4.3 BNOK
  - Of which Enova support 1.6 BNOK
  - Net investment 2.7 BNOK
- Capex related to specific growth projects will be announced when decision is made<sup>2)</sup>

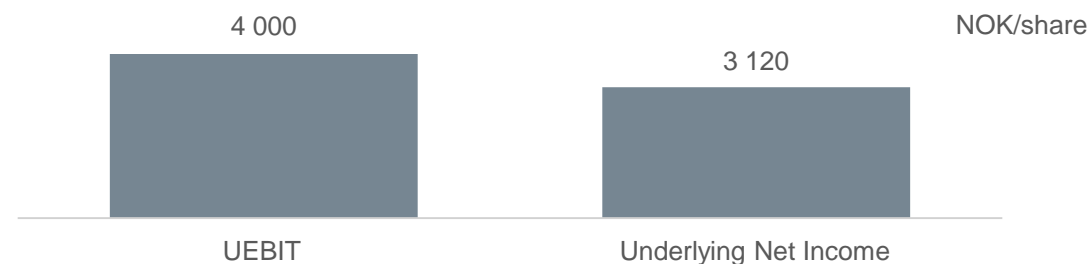
1) Includes Extruded Solutions

2) Capex estimates do not include capex related to the announced Husnes restart, and the additional investments at Alunorte in Brazil

# Significant exposure to commodity and currency fluctuations

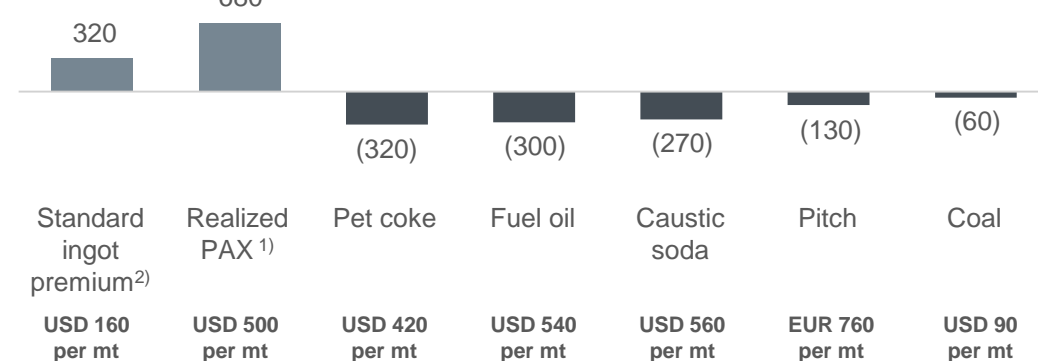
## Aluminium price sensitivity +10%

NOK million



## Other commodity prices, sensitivity +10% <sup>1)</sup>

NOK million



1) 2018 Platts alumina index exposure  
2) Europe duty paid

## Currency sensitivities +10%

Sustainable effect:

NOK million	USD	BRL	EUR
UEBIT	4 080	(1 020)	(250)

One-off reevaluation effect:

Financial items	60	620	(2 510)
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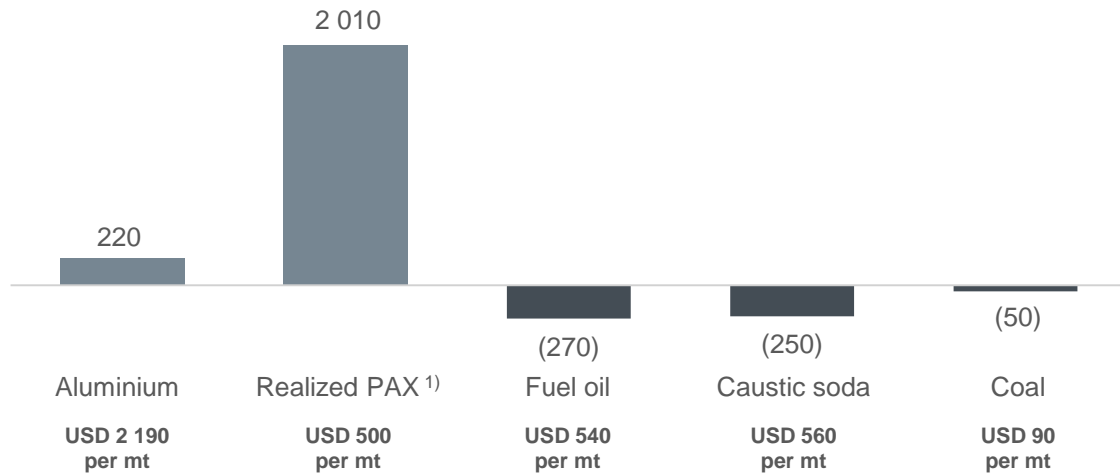
- Annual sensitivities based on normal annual business volumes (incl. 100% production at Alunorte, Paragominas and Albras), LME USD 2 190 per mt, fuel oil USD 540 per mt, petroleum coke USD 420 per mt, caustic soda USD 560 per mt, coal USD 90 per mt, USD/NOK 8.20, BRL/NOK 2.10, EUR/NOK 9.60
- Aluminium 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
- 2018 Platts alumina index (PAX) exposure used

# Bauxite & Alumina sensitivities



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

NOK million



## Currency sensitivities +10%

NOK million	USD	BRL	EUR
UEBIT	1 710	(690)	-

1) 2018 Platts alumina index exposure  
 Currency rates used: USD/NOK 8.20, BRL/NOK 2.10, EUR/NOK 9.60

## 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

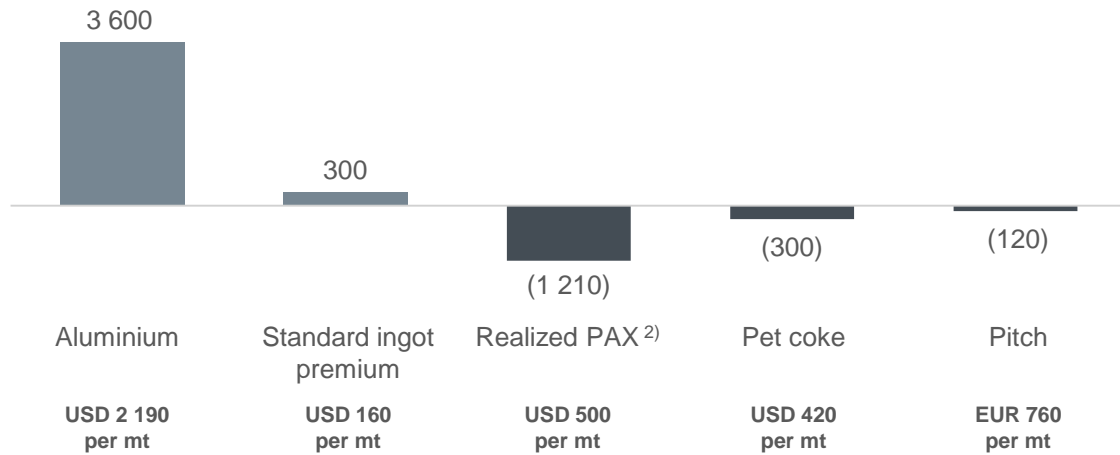
- ~0.12 tonnes coal per tonne alumina, Platts prices, one year volume contracts, weekly per shipment pricing
- ~0.11 tonnes heavy fuel oil per tonne alumina, prices set by ANP/Petrobras in Brazil, weekly pricing (ANP) or anytime (Petrobras)
- Increased use of coal as energy source in Alunorte

# 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	(330)	(260)

1) Europe duty paid

2) 2018 Platts alumina index exposure

Currency rates used: USD/NOK 8.20, BRL/NOK 2.10, EUR/NOK 9.60

## 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

- ~0.40 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

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



# Items excluded from underlying results - 2018



NOK million (+=loss/)=gain)		Q3 2018	Q2 2018	Q1 2018
Alunorte agreements - provision	Bauxite & alumina	519	-	-
<b>Total impact</b>	<b>Bauxite &amp; alumina</b>	<b>519</b>	<b>-</b>	<b>-</b>
Unrealized derivative effects on LME related contracts	Primary metal	101	(41)	(114)
Unrealized effects on power contracts	Primary metal	(194)	20	20
Significant rationalization charges and closure costs	Primary metal	-	-	-
<b>Total impact</b>	<b>Primary metal</b>	<b>(93)</b>	<b>(21)</b>	<b>(94)</b>
Unrealized derivative effects on LME related contracts	Metal markets	104	(32)	(128)
<b>Total impact</b>	<b>Metal markets</b>	<b>104</b>	<b>(32)</b>	<b>(128)</b>
Unrealized derivative effects on LME related contracts	Rolled products	11	(82)	108
Metal effect	Rolled products	(153)	(60)	47
(Gains)/losses on divestments	Rolled products	-	-	-
<b>Total impact</b>	<b>Rolled products</b>	<b>(141)</b>	<b>(142)</b>	<b>154</b>
Unrealized derivative effects on LME related contracts	Extruded Solutions	211	(151)	47
<b>Total impact</b>	<b>Extruded Solutions</b>	<b>211</b>	<b>(151)</b>	<b>47</b>
<b>Total impact</b>	<b>Energy</b>	<b>-</b>	<b>-</b>	<b>-</b>
Unrealized derivative effects on power contracts	Other and eliminations	11	72	(107)
Unrealized derivative effects on LME related contracts	Other and eliminations	8	1	(26)
Impairment charges	Other and eliminations	-	-	-
(Gains)/losses on divestments	Other and eliminations	-	-	-
Other effects	Other and eliminations	-	-	-
<b>Total impact</b>	<b>Other and eliminations</b>	<b>19</b>	<b>73</b>	<b>(134)</b>
<b>Items excluded from underlying EBIT</b>	<b>Hydro</b>	<b>620</b>	<b>(274)</b>	<b>(155)</b>
Net foreign exchange (gain)/loss	Hydro	257	306	333
<b>Items excluded from underlying income (loss) before tax</b>	<b>Hydro</b>	<b>877</b>	<b>32</b>	<b>178</b>
Calculated income tax effect	Hydro	(105)	(8)	(54)
Other adjustments to net income	Hydro	-	-	-
<b>Items excluded from underlying net income (loss)</b>	<b>Hydro</b>	<b>772</b>	<b>24</b>	<b>125</b>

# Operating segment information



## Underlying EBIT

NOK million	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Year 2016	Year 2017
Bauxite & Alumina	189	174	153	711	756	662	413	1 872	741	364	685	1 227	3 704
Primary Metal	318	702	637	601	900	1 486	1 298	1 377	823	755	861	2 258	5 061
Metal Markets	167	75	117	152	24	244	91	185	178	237	(3)	510	544
Rolled Products	248	242	211	6	106	84	95	95	232	212	82	708	380
Extruded Solutions	183	270	157	167	281	329	209	284	734	957	497	777	1 103
Energy	398	301	285	359	423	284	368	457	278	417	652	1 343	1 531
Other and Eliminations	(2)	(145)	(83)	(167)	(207)	(159)	(28)	(715)	161	(229)	(97)	(397)	(1 108)
<b>Total</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>2 446</b>	<b>3 555</b>	<b>3 147</b>	<b>2 713</b>	<b>2 676</b>	<b>6 425</b>	<b>11 215</b>

## Underlying EBITDA

NOK million	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Year 2016	Year 2017
Bauxite & Alumina	640	659	664	1 258	1 334	1 248	1 057	2 551	1 370	937	1 193	3 221	6 190
Primary Metal	792	1 186	1 125	1 068	1 392	1 991	1 795	1 900	1 349	1 309	1 424	4 172	7 078
Metal Markets	191	98	141	175	47	268	114	209	201	262	22	604	638
Rolled Products	446	432	407	222	307	297	312	325	456	438	314	1 507	1 240
Extruded Solutions	183	270	157	167	281	329	209	728	1 155	1 383	931	777	1 547
Energy	453	352	336	412	476	337	424	519	339	479	716	1 553	1 757
Other and Eliminations	12	(134)	(76)	(160)	(200)	(151)	(21)	(708)	169	(223)	(90)	(359)	(1 081)
<b>Total</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>3 889</b>	<b>5 524</b>	<b>5 038</b>	<b>4 586</b>	<b>4 510</b>	<b>11 474</b>	<b>17 369</b>

# Operating segment information



## EBIT

NOK million	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Year 2016	Year 2017
Bauxite & Alumina	189	174	153	680	756	662	413	1 872	741	364	166	1 196	3 704
Primary Metal	408	668	591	619	797	1 538	1 282	1 112	917	776	954	2 285	4 729
Metal Markets	235	91	131	172	(13)	282	59	158	305	270	(107)	629	485
Rolled Products	179	428	255	91	450	84	(22)	-	78	353	223	953	512
Extruded Solutions	209	319	172	190	313	273	215	1 722	687	1 109	286	889	2 522
Energy	394	291	295	364	423	284	368	457	278	417	652	1 343	1 531
Other and Eliminations	79	8	(220)	(151)	(316)	(176)	7	(810)	295	(303)	(117)	(285)	(1 295)
<b>Total</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>2 323</b>	<b>4 511</b>	<b>3 301</b>	<b>2 986</b>	<b>2 057</b>	<b>7 011</b>	<b>12 189</b>

## EBITDA

NOK million	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Year 2016	Year 2017
Bauxite & Alumina	640	659	664	1 513	1 334	1 248	1 057	2 551	1 370	937	674	3 475	6 190
Primary Metal	882	1 152	1 079	1 086	1 289	2 043	1 779	1 635	1 443	1 330	1 517	4 199	6 747
Metal Markets	259	114	154	195	9	306	82	182	329	295	(82)	723	579
Rolled Products	376	618	451	307	651	296	196	230	302	580	455	1 752	1 372
Extruded Solutions	209	319	172	190	313	273	215	2 166	1 108	1 534	720	889	2 966
Energy	450	341	346	416	476	337	424	519	339	479	716	1 553	1 757
Other and Eliminations	92	19	(74)	(143)	(310)	(168)	13	(803)	302	(296)	(110)	(107)	(1 268)
<b>Total</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>3 766</b>	<b>6 481</b>	<b>5 193</b>	<b>4 860</b>	<b>3 890</b>	<b>12 485</b>	<b>18 344</b>

Extruded Solutions reflected as 50% equity accounted investment Q1 2016-Q3 2017 and fully consolidated in Q4 2017

# Operating segment information



## Total revenue

NOK million	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Year 2016	Year 2017
Bauxite & Alumina	4 212	4 572	4 925	5 834	5 911	5 858	5 612	8 040	6 309	6 877	6 749	19 543	25 421
Primary Metal	7 694	8 006	7 900	7 262	8 641	9 575	8 958	9 291	10 170	10 083	9 984	30 862	36 466
Metal Markets	11 248	11 239	10 649	10 117	12 149	13 604	11 862	12 991	13 898	14 205	13 230	43 254	50 606
Rolled Products	5 737	5 985	5 648	5 262	6 277	6 569	6 435	6 434	6 797	7 145	6 791	22 632	25 715
Extruded Solutions								14 153	15 911	16 980	15 976		14 153
Energy	1 620	1 670	1 576	2 314	1 955	1 750	1 831	2 169	1 762	2 163	2 488	7 180	7 705
Other and Eliminations	(10 373)	(11 080)	(10 525)	(9 539)	(11 906)	(12 765)	(11 900)	(14 276)	(14 877)	(16 198)	(15 452)	(41 517)	(50 847)
<b>Total</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>22 799</b>	<b>38 803</b>	<b>39 971</b>	<b>41 254</b>	<b>39 766</b>	<b>81 953</b>	<b>109 220</b>

## External revenue

NOK million	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Year 2016	Year 2017
Bauxite & Alumina	2 443	2 699	2 997	3 921	3 382	3 417	3 293	5 095	3 509	3 640	3 016	12 059	15 188
Primary Metal	1 175	1 312	1 459	1 582	1 700	1 944	1 865	2 068	2 018	1 993	2 312	5 529	7 578
Metal Markets	10 133	10 169	9 678	9 440	11 094	12 080	10 675	10 414	10 901	10 905	10 575	39 420	44 264
Rolled Products	5 795	5 831	5 637	5 205	6 153	6 629	6 380	6 375	6 870	7 011	6 773	22 469	25 538
Extruded Solutions								14 083	15 932	16 877	15 934		14 083
Energy	575	364	394	1 093	687	514	582	767	738	823	1 151	2 426	2 550
Other and Eliminations	17	15	8	10	9	6	3	-	4	6	5	50	18
<b>Total</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>22 799</b>	<b>38 803</b>	<b>39 971</b>	<b>41 254</b>	<b>39 766</b>	<b>81 953</b>	<b>109 220</b>

# Operating segment information



## Internal revenue

NOK million	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Year 2016	Year 2017
Bauxite & Alumina	1 769	1 873	1 929	1 914	2 528	2 441	2 320	2 944	2 800	3 237	3 733	7 484	10 234
Primary Metal	6 519	6 693	6 441	5 680	6 941	7 631	7 093	7 223	8 152	8 090	7 672	25 333	28 888
Metal Markets	1 116	1 070	971	677	1 054	1 523	1 187	2 577	2 997	3 301	2 656	3 834	6 341
Rolled Products	(58)	153	11	57	124	(61)	55	59	(72)	134	18	163	178
Extruded Solutions								70	(21)	103	42		70
Energy	1 044	1 306	1 182	1 221	1 267	1 236	1 249	1 403	1 024	1 340	1 337	4 753	5 155
Other and Eliminations	(10 390)	(11 095)	(10 533)	(9 549)	(11 915)	(12 772)	(11 903)	(14 276)	(14 881)	(16 204)	(15 457)	(41 567)	(50 865)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

NOK million	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Year 2016	Year 2017
Bauxite & Alumina	-	-	-	-	-	-	-	-	-	-	-	-	-
Primary Metal	(37)	10	74	48	98	231	159	258	210	280	238	96	745
Metal Markets	-	-	-	-	-	-	-	-	-	-	-	-	-
Rolled Products	-	-	-	-	-	-	-	-	-	-	-	-	-
Extruded Solutions	209	319	172	190	313	273	215	12	17	11	14	889	812
Energy	-	-	-	-	-	-	-	(7)	(10)	(11)	(4)	-	(7)
Other and Eliminations	(3)	(6)	10	(1)	(1)	(13)	(3)	(7)	3	5	(20)	-	(24)
<b>Total</b>	<b>170</b>	<b>323</b>	<b>256</b>	<b>236</b>	<b>409</b>	<b>491</b>	<b>371</b>	<b>256</b>	<b>221</b>	<b>286</b>	<b>229</b>	<b>985</b>	<b>1 527</b>

# Operating segment information

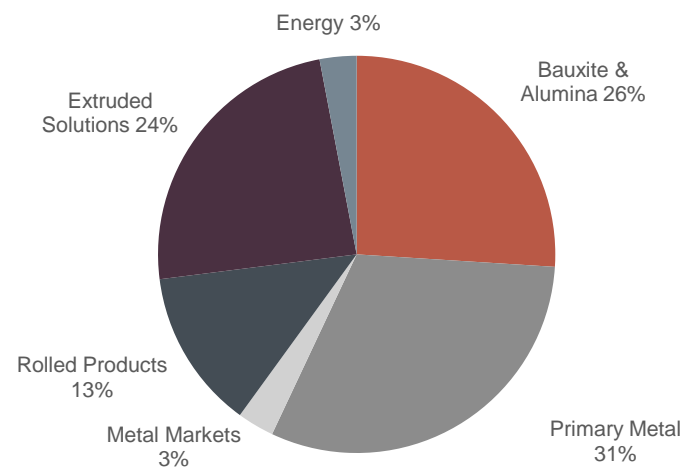


Return on average capital employed <sup>1)</sup> (ROaCE)

	Reported ROaCE						Underlying ROaCE					
	2017	2016	2015	2014	2013	2012	2017	2016	2015	2014	2013	2012
Bauxite & Alumina	8.5%	2.7 %	5.3 %	(0.1) %	(2.5) %	(1.5) %	8.5%	2.8 %	5.3 %	(0.1) %	(2.2) %	(1.6) %
Primary Metal	11.8%	5.2 %	10.7 %	10.4 %	2.3 %	(3.1) %	12.6%	5.2 %	11.0 %	10.4 %	3.9 %	0.4 %
Metal Markets	18.6%	19.6 %	5.4 %	21.9 %	22.3 %	4.3 %	20.8%	15.9 %	11.4 %	19.4 %	19.9 %	6.6 %
Rolled Products	3.2%	6.2 %	1.1 %	8.6 %	0.7 %	6.7 %	2.4%	4.6 %	7.8 %	5.3 %	5.2 %	5.3 %
Extruded Solutions <sup>2)</sup>	13.4%						6.6%					
Energy	17.5%	18.1 %	17.2 %	17.4 %	36.1 %	23.0 %	17.5%	18.1 %	17.3 %	17.4 %	36.1 %	23.2 %
<b>Hydro Group</b>	<b>11.2%</b>	<b>6.5 %</b>	<b>7.5 %</b>	<b>4.9 %</b>	<b>1.1 %</b>	<b>(0.5) %</b>	<b>9.6%</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	Sep 30, 2018
Bauxite & Alumina	26 417
Primary Metal	30 905
Metal Markets	2 578
Rolled Products	13 512
Extruded Solutions	24 629
Energy	3 272
Other and Eliminations	(7 359)
<b>Total</b>	<b>93 954</b>



Graph excludes BNOK (7.4) in capital employed in Other and Eliminations

1) ROaCE at business area level is calculated using 25% tax rate for 2017 (30% tax rate applied for prior years).

For Energy, 65% tax rate is used for 2017, 60% for 2016 and 55% for prior years

2) Extruded Solutions reflected as 50% equity accounted investment Q1-Q3 2017 and fully consolidated in Q4 2017

# Operating segment information



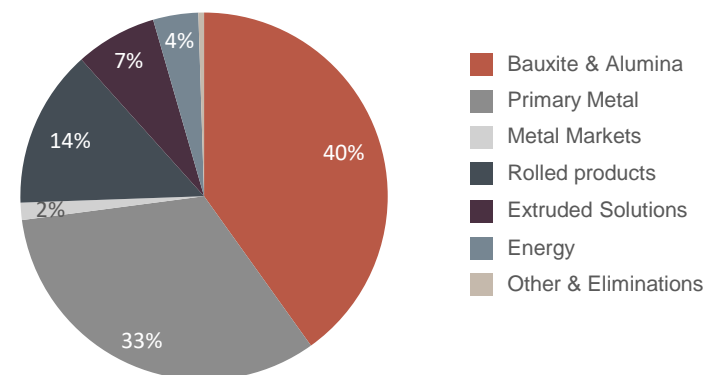
## Depreciation, amortization and impairment

NOK million	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Year 2016	Year 2017
Bauxite & Alumina	451	485	511	833	577	586	644	679	630	573	509	2 279	2 486
Primary Metal	474	484	488	467	492	505	504	526	546	575	583	1 913	2 026
Metal Markets	24	24	24	23	23	24	24	24	24	25	25	94	95
Rolled Products	197	189	196	216	201	212	217	230	223	227	231	799	860
Extruded Solutions								444	421	425	434		444
Energy	55	51	51	53	53	54	56	60	58	59	61	210	223
Other and Eliminations	13	11	146	8	6	7	7	7	7	7	7	178	28
<b>Total</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>1 450</b>	<b>1 970</b>	<b>1 909</b>	<b>1 891</b>	<b>1 851</b>	<b>5 474</b>	<b>6 162</b>

## Indicative depreciation currency exposure by business area

Percent	USD	EUR	BRL	NOK & Other
Bauxite & Alumina			100%	
Primary Metal	20%		25%	55%
Metal Markets	30%	50%		20%
Rolled Products		90%		10%
Extruded Solutions	30%	40%		30%
Energy				100%
Other & Eliminations				100%

## Depreciation by business area 2017, 6.2 BNOK



# Income statements



NOK million	Q3 2018	Q3 2017	Q2 2018	First nine months 2018	First nine months 2017
Revenue	39 766	22 799	41 254	120 991	70 416
Share of the profit (loss) in equity accounted investments	229	371	286	735	1 271
Other income, net	169	240	184	508	588
<b>Total revenue and income</b>	<b>40 163</b>	<b>23 410</b>	<b>41 724</b>	<b>122 233</b>	<b>72 276</b>
Raw material and energy expense	25 667	14 768	26 496	77 359	45 437
Employee benefit expense	5 650	2 416	5 828	17 250	7 706
Depreciation, amortization and impairment	1 851	1 450	1 891	5 650	4 192
Other expenses	4 939	2 454	4 524	13 631	7 262
<b>Earnings before financial items and tax (EBIT)</b>	<b>2 057</b>	<b>2 323</b>	<b>2 986</b>	<b>8 344</b>	<b>7 678</b>
Financial income	64	101	89	211	339
Financial expense	(486)	384	(530)	(1 549)	(677)
Income (loss) before tax	1 634	2 808	2 545	7 005	7 340
Income taxes	(710)	(624)	(473)	(1 931)	(1 756)
<b>Net income (loss)</b>	<b>925</b>	<b>2 184</b>	<b>2 073</b>	<b>5 074</b>	<b>5 585</b>
Net income (loss) attributable to non-controlling interests	174	147	(35)	124	301
Net income (loss) attributable to Hydro shareholders	751	2 037	2 108	4 949	5 284
<b>Earnings per share attributable to Hydro shareholders</b>	<b>0.37</b>	<b>1.00</b>	<b>1.03</b>	<b>2.42</b>	<b>2.59</b>

NOK million	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Year 2016	Year 2017
Net income (loss)	2 382	2 077	1 119	1 008	1 838	1 562	2 184	3 600	2 076	2 073	925	6 586	9 184
<b>Underlying net income (loss)</b>	<b>822</b>	<b>1 126</b>	<b>958</b>	<b>968</b>	<b>1 580</b>	<b>2 214</b>	<b>1 785</b>	<b>2 816</b>	<b>2 201</b>	<b>2 096</b>	<b>1 696</b>	<b>3 875</b>	<b>8 396</b>
Earnings per share	1.12	0.95	0.53	0.52	0.86	0.73	1.00	1.71	1.02	1.03	0.37	3.13	4.30
<b>Underlying earnings per share</b>	<b>0.39</b>	<b>0.52</b>	<b>0.46</b>	<b>0.48</b>	<b>0.75</b>	<b>1.04</b>	<b>0.82</b>	<b>1.33</b>	<b>1.06</b>	<b>1.02</b>	<b>0.74</b>	<b>1.84</b>	<b>3.95</b>



# Balance sheets



NOK million	Sep 30 2018	Jun 30 2018	Mar 31 2018	Dec 31 2017 <sup>1)</sup>	Sep 30 2017	Jun 30 2017	Mar 31 2017
Cash and cash equivalents	6 846	5 682	9 371	11 828	17 853	7 993	8 333
Short-term investments	1 176	1 136	1 031	1 311	1 985	4 896	4 403
Accounts receivable	21 727	23 442	22 785	19 983	13 156	13 465	12 851
Inventories	23 916	22 337	20 626	20 711	13 585	12 940	12 557
Other current assets	738	978	818	798	255	290	301
Property, plant and equipment	66 251	66 683	69 945	72 933	56 500	57 610	59 627
Intangible assets	10 695	11 660	12 133	12 712	5 427	5 577	5 919
Investments accounted for using the equity method	11 094	11 140	10 551	11 221	18 178	18 800	19 937
Prepaid pension	6 857	6 322	5 933	5 750	5 296	5 018	4 718
Other non-current assets	5 962	5 780	5 588	6 028	5 322	5 252	5 630
<b>Total assets</b>	<b>155 261</b>	<b>155 159</b>	<b>158 781</b>	<b>163 273</b>	<b>137 557</b>	<b>131 840</b>	<b>134 276</b>
Bank-loans and other interest-bearing short-term debt	6 607	4 969	5 269	8 245	9 065	3 741	3 481
Trade and other payables	19 906	21 351	20 621	19 571	10 347	10 472	10 224
Other current liabilities	5 897	4 976	4 852	5 521	3 542	2 911	3 337
Long-term debt	7 886	9 377	8 746	9 012	3 077	3 183	3 373
Provisions	5 358	5 532	5 652	5 828	4 507	4 452	4 526
Pension liabilities	14 416	14 665	14 911	15 118	12 808	12 997	12 804
Deferred tax liabilities	3 952	3 456	3 522	3 501	2 621	2 566	2 567
Other non-current liabilities	3 756	3 673	4 084	4 269	3 691	3 955	3 174
Equity attributable to Hydro shareholders	83 012	82 676	86 233	87 032	82 685	82 343	84 952
Non-controlling interests	4 472	4 486	4 891	5 178	5 216	5 219	5 838
<b>Total liabilities and equity</b>	<b>155 261</b>	<b>155 159</b>	<b>158 781</b>	<b>163 273</b>	<b>137 557</b>	<b>131 840</b>	<b>134 276</b>

1) Restated

# Operational data



Bauxite & Alumina	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Year 2016	Year 2017
Alumina production (kmt)	1 517	1 554	1 635	1 635	1 523	1 576	1 605	1 693	1 277	829	821	6 341	6 397
Sourced alumina (kmt)	531	615	512	883	600	645	667	610	900	985	907	2 541	2 522
Total alumina sales (kmt)	2 073	2 078	2 221	2 472	2 129	2 196	2 251	2 344	2 071	1 842	1 711	8 843	8 920
Realized alumina price (USD) <sup>1)</sup>	219	240	240	257	309	295	297	398	371	430	460	240	326
Implied alumina cost (USD) <sup>2)</sup>	183	201	204	197	235	228	237	265	287	367	376	197	242
Bauxite production (kmt) <sup>3)</sup>	2 682	2 609	2 777	3 063	2 400	2 943	3 043	3 049	2 326	1 348	1 286	11 132	11 435
Sourced bauxite (kmt) <sup>4)</sup>	1 924	2 233	2 108	2 235	1 675	1 809	2 013	2 103	1 317	1 250	905	8 499	7 601
Underlying EBITDA margin <sup>11)</sup>	15.2%	14.4%	13.5%	21.6%	22.6%	21.3%	18.8%	31.7%	21.7%	13.6%	17.7%	16.5%	24.3%
Primary Metal <sup>5)</sup>	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Year 2016	Year 2017
Realized aluminium price LME, USD/mt	1 497	1 546	1 612	1 647	1 757	1 902	1 921	2 092	2 140	2 183	2 194	1 574	1 915
Realized aluminium price LME, NOK/mt <sup>7)</sup>	12 950	12 826	13 375	13 659	14 798	16 265	15 496	17 066	16 929	17 292	17 905	13 193	15 888
Realized premium above LME, USD/mt <sup>6)</sup>	288	270	251	240	266	273	261	259	295	364	367	263	265
Realized premium above LME, NOK/mt <sup>6)7)</sup>	2 488	2 243	2 082	1 993	2 236	2 330	2 106	2 116	2 335	2 881	2 999	2 201	2 197
Realized NOK/USD exchange rate <sup>7)</sup>	8.65	8.30	8.30	8.29	8.42	8.55	8.07	8.16	7.91	7.92	8.16	8.38	8.30
Implied primary cost (USD) <sup>8)</sup>	1 225	1 175	1 275	1 325	1 350	1 375	1 425	1 575	1 725	1 775	1 750	1 250	1 425
Implied all-in primary cost (USD) <sup>9)</sup>	1 550	1 500	1 550	1 550	1 675	1 700	1 725	1 850	2 075	2 175	2 150	1 550	1 725
Primary aluminium production, kmt	514	518	526	526	516	523	527	528	514	492	497	2 085	2 094
Casthouse production, kmt	534	547	541	523	521	551	548	550	531	523	507	2 146	2 169
Total sales, kmt <sup>10)</sup>	552	596	573	528	577	579	568	554	578	549	516	2 248	2 278
Underlying EBITDA margin <sup>11)</sup>	10.3%	14.8%	14.2%	14.7%	16.1%	20.8%	20.0%	20.4%	13.3%	13.0%	14.3%	13.5%	19.4%

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. Sourced alumina volumes have been re-calculated, with Q1 2018 being adjusted accordingly.

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  
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



<b>Metal Markets</b>	<b>Q1 2016</b>	<b>Q2 2016</b>	<b>Q3 2016</b>	<b>Q4 2016</b>	<b>Q1 2017</b>	<b>Q2 2017</b>	<b>Q3 2017</b>	<b>Q4 2017</b>	<b>Q1 2018</b>	<b>Q2 2018</b>	<b>Q3 2018</b>	<b>Year 2016</b>	<b>Year 2017</b>
Remelt production (1 000 mt)	144	146	125	133	143	152	136	137	150	153	126	548	568
Third-party Metal Products sales (1 000 mt)	72	74	78	80	79	80	74	86	70	77	83	304	319
Metal Products sales excl. ingot trading (1 000 mt) <sup>1)</sup>	736	777	720	660	735	759	707	720	745	746	685	2 893	2 921
Hereof external sales excl. ingot trading (1 000 mt)	664	694	652	616	672	675	639	589	580	563	543	2 627	2 575
External revenue (NOK million)	10 133	10 169	9 678	9 440	11 094	12 080	10 675	10 414	10 901	10 905	10 575	39 420	44 264
<b>Rolled Products</b>	<b>Q1 2016</b>	<b>Q2 2016</b>	<b>Q3 2016</b>	<b>Q4 2016</b>	<b>Q1 2017</b>	<b>Q2 2017</b>	<b>Q3 2017</b>	<b>Q4 2017</b>	<b>Q1 2018</b>	<b>Q2 2018</b>	<b>Q3 2018</b>	<b>Year 2016</b>	<b>Year 2017</b>
Rolled Products external shipments (1 000 mt)	229	238	231	213	241	239	236	224	245	251	235	911	940
Rolled Products – Underlying EBIT per mt, NOK	1 086	1 017	914	29	442	351	400	424	949	844	349	777	404
Underlying EBITDA margin <sup>2)</sup>	7.8%	7.2%	7.2%	4.2%	4.9%	4.5%	4.8%	5.0%	6.7%	6.1%	4.6%	6.7%	4.8 %
<b>Extruded Solutions<sup>3)</sup></b>	<b>Q1 2016</b>	<b>Q2 2016</b>	<b>Q3 2016</b>	<b>Q4 2016</b>	<b>Q1 2017</b>	<b>Q2 2017</b>	<b>Q3 2017</b>	<b>Q4 2017</b>	<b>Q1 2018</b>	<b>Q2 2018</b>	<b>Q3 2018</b>	<b>Year 2016</b>	<b>Year 2017</b>
Extruded Solutions external shipments (1 000 mt)				310	355	359	339	318	362	373	343	1 365	1 372
Extruded Solutions – Pro-forma underlying EBIT per mt, NOK				829	1 973	2 328	1 505	893	2 028	2 566	1 449	1 381	1 699
Underlying EBITDA margin <sup>2)</sup>				5.3%	7.7%	8.2%	6.5%	5.2%	7.3%	8.1%	5.8%	6.6%	6.9%
<b>Energy</b>	<b>Q1 2016</b>	<b>Q2 2016</b>	<b>Q3 2016</b>	<b>Q4 2016</b>	<b>Q1 2017</b>	<b>Q2 2017</b>	<b>Q3 2017</b>	<b>Q4 2017</b>	<b>Q1 2018</b>	<b>Q2 2018</b>	<b>Q3 2018</b>	<b>Year 2016</b>	<b>Year 2017</b>
Power production, GWh	3 160	2 674	2 946	2 551	2 869	2 369	2 509	3 089	2 433	2 550	2 888	11 332	10 835
Net spot sales, GWh	1 795	1 393	1 699	1 176	1 409	996	1 168	1 633	763	961	1 315	6 063	5 206
Nordic spot electricity price, NOK/MWh	229	223	235	311	280	257	266	294	372	373	484	250	274
Southern Norway spot electricity price (NO2), NOK/MWh	212	213	212	296	278	252	258	287	361	369	475	233	269
Underlying EBITDA margin <sup>2)</sup>	28.0%	21.1%	21.3%	17.8%	24.4%	19.3%	23.1%	23.9 %	19.2%	22.2%	28.8%	21.6%	22.8%

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

2) Underlying EBITDA divided by total revenues

3) Q4 2016, FY 2017 and historical operational data based on pro forma figures

# Pro forma information



## Summary consolidated underlying financial and operating results

NOK million	Q3 2018	Q3 2017	Q2 2018	2017	2016
Revenue	39 766	35 454	41 254	148 920	130 630
EBIT	2 057	2 640	2 986	11 927	8 229
Items excluded from underlying EBIT	620	114	(274)	510	(698)
Underlying EBIT	2 676	2 754	2 713	12 437	7 531
EBITDA	3 890	4 482	4 860	19 294	15 331
Underlying EBITDA	4 510	4 596	4 586	19 786	14 633

## Extruded Solutions

NOK million	Q3 2018	Q3 2017	Q2 2018	2017	2016
Revenue	15 976	13 983	16 980	57 769	53 327
EBIT	286	525	1 109	2 265	2 109
Items excluded from underlying EBIT	211	(15)	(151)	65	(224)
Underlying EBIT <sup>1)</sup>	497	510	957	2 330	1 885
EBITDA	720	918	1 534	3 917	3 739
Underlying EBITDA	931	903	1 383	3 982	3 516
Sales volumes to external market (kmt)	343	339	373	1 372	1 365

1) Underlying EBIT includes certain effects of the acquisition such as increased depreciation and amortization following fair value adjustment related to long-lived assets.

# Extruded Solutions, information by business area



Historical Sapa information (100% basis) Q1 2016 – Q3 2017 and FY 2015-16

Extruded Solutions, fully consolidated in Hydro in 2018 and Q4 2017<sup>1)</sup>

Precision Tubing	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	2016	Q4 2017	Q1 2018	Q2 2018	Q3 2018
Volume (kmt)	37	40	37	35	36	38	36	150	35	37	41	41
Operating revenues (NOKm)	1 620	1 664	1 549	1 543	1 651	1 734	1 601	6 376	1 645	1 700	1 910	1 873
Underlying EBITDA (NOKm)	144	169	135	161	180	193	157	608	138	168	120	121
Underlying EBIT (NOKm)	86	112	76	103	123	136	97	376	66	103	55	50

Extrusion Europe	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	2016	Q4 2017	Q1 2018	Q2 2018	Q3 2018
Volume (kmt)	148	157	142	130	154	155	142	577	134	159	160	138
Operating revenues (NOKm)	5 366	5 468	4 932	4 565	5 553	5 999	5 460	20 331	5 541	6 600	6 664	5 867
Underlying EBITDA (NOKm)	349	425	276	221	390	416	290	1 271	240	417	504	263
Underlying EBIT (NOKm)	223	304	154	97	274	292	164	778	59	246	333	98

Building Systems	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	2016	Q4 2017	Q1 2018	Q2 2018	Q3 2018
Volume (kmt)	19	21	18	19	20	21	19	77	19	20	21	18
Operating revenues (NOKm)	1 869	1 939	1 680	1 685	1 830	2 044	1 765	7 173	1 960	2 057	2 124	1 919
Underlying EBITDA (NOKm)	110	210	104	109	155	219	118	533	137	167	198	130
Underlying EBIT (NOKm)	75	166	67	74	119	183	85	381	85	116	146	70

Extrusion North America	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	2016	Q4 2017	Q1 2018	Q2 2018	Q3 2018
Volume (kmt)	150	155	149	131	150	151	148	585	134	152	157	152
Operating revenues (NOKm)	5 265	5 234	5 183	4 617	5 514	5 753	5 369	20 299	5 211	5 882	6 519	6 541
Underlying EBITDA (NOKm)	414	362	361	199	437	466	390	1 335	248	448	606	439
Underlying EBIT (NOKm)	315	263	260	89	330	353	284	927	119	325	481	314

Other and eliminations	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	2016	Q4 2017	Q1 2018	Q2 2018	Q3 2018
Underlying EBITDA (NOKm)	(116)	(33)	(64)	(37)	(63)	(43)	(41)	(249)	(35)	(45)	(46)	(21)
Underlying EBIT (NOKm)	(127)	(41)	(69)	(28)	(69)	(49)	(42)	(266)	(45)	(55)	(58)	(35)

1) Includes certain effects of the acquisition such as increased depreciation and amortization following fair value adjustments related to long-lived assets. Estimate increased depreciation of around MNOK 300 per annum for Extruded Solutions vs "old Sapa".

# Historical information for Sapa



## 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	Q3 2017	Year 2015	Year 2016
Sales volume (1000 mt)	359	367	350	322	353	358	341	312	349	366	340	310	355	359	339	1 363	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	13 983	55 252	53 327
Underlying EBITDA	440	641	492	343	705	799	734	491	901	1 132	812	653	1 100	1 252	912	2 729	3 498
Underlying EBIT	155	350	201	(55)	392	483	404	128	571	804	487	335	778	914	588	1 407	2 197
Underlying net income (loss)	69	263	110	(44)	238	291	240	139	365	540	315	334	562	658	419	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	Q3 2017	Year 2015	Year 2016
Reported EBIT	(3)	168	198	(679)	201	65	174	88	655	920	497	350	856	781	604	528	2 420
Reported net income (loss)	(103)	89	107	(719)	89	14	109	34	418	639	344	379	625	545	430	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	Q3 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>604</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)	15	(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)	15	(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>588</b>	<b>1 407</b>	<b>2 197</b>

1) Historical revenues have been reclassified

2) Negative figures represent a net cost to be added to get from reported EBIT to Underlying EBIT

Next events

**Capital Markets Day**  
**November 29, 2018**

**Fourth quarter results**  
**February 7, 2019**

For more information see  
[www.hydro.com/ir](http://www.hydro.com/ir)

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