Hydro

Second quarter 2019 Report

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Oslo, July 22, 2019

Overview

Summary underlying financial and operating results and liquidity

Key financial information NOK million, except per share data	**Second quarter 2019**	Second quarter 2018	Change prior year quarter	First quarter 2019	Change prior quarter	**First half 2019**	First half 2018	Year 2018
Revenue	**39,176**	41,254	(5) %	37,583	4 %	**76,759**	81,225	159,377
Earnings before financial items and tax (EBIT)	**656**	2,986	(78) %	20	>100 %	**676**	6,287	8,522
Items excluded from underlying EBIT[1]	**219**	(274)	>100 %	539	(59) %	**758**	(428)	547
Underlying EBIT[1]	**875**	2,713	(68) %	559	57 %	**1,434**	5,859	9,069
Underlying EBIT :								
Bauxite & Alumina	**415**	364	14 %	153	>100 %	**568**	1,104	2,282
Primary Metal	**(604)**	755	>(100) %	(771)	22 %	**(1,375)**	1,578	1,762
Metal Markets	**299**	237	26 %	190	57 %	**489**	415	686
Rolled Products	**75**	212	(65) %	138	(46) %	**213**	444	413
Extruded Solutions	**772**	957	(19) %	593	30 %	**1,365**	1,691	2,390
Energy	**176**	417	(58) %	517	(66) %	**693**	695	1,846
Other and eliminations	**(258)**	(229)	(13) %	(261)	1 %	**(519)**	(68)	(310)
Underlying EBIT[1]	**875**	2,713	(68) %	559	57 %	**1,434**	5,859	9,069
Earnings before financial items, tax, depreciation and amortization (EBITDA)[2]	**2,737**	4,860	(44) %	2,094	31 %	**4,831**	10,052	15,796
Underlying EBITDA[1]	**2,928**	4,586	(36) %	2,633	11 %	**5,561**	9,624	16,344
Net income (loss)	**(190)**	2,073	>(100) %	(124)	(53) %	**(315)**	4,149	4,323
Underlying net income (loss)[1]	**281**	2,096	(87) %	124	>100 %	**405**	4,298	5,819
Earnings per share	**(0.04)**	1.03	>(100) %	0	>(100) %	**(0.04)**	2.05	2.08
Underlying earnings per share[1]	**0.19**	1.02	(81) %	0.13	51 %	**0.31**	2.07	2.75
Financial data:								
Investments[1) 2)]	**3,173**	1,620	96 %	1,753	81 %	**4,926**	2,939	7,614
Net cash (debt)[1]	**(15,117)**	(7,528)	>(100) %	(12,099)	(25) %	**(15,117)**	(7,528)	(11,745)
Adjusted net cash (debt)[1]	**(27,905)**	(20,209)	(38) %	(24,394)	(14) %	**(27,905)**	(20,209)	(24,511)

Key Operational information	**Second quarter 2019**	Second quarter 2018	Change prior year quarter	First quarter 2019	Change prior quarter	**First half 2019**	First half 2018	Year 2018
Bauxite production (kmt)[3]	**1,624**	1,348	20 %	1,361	19 %	**2,986**	3,675	6,214
Alumina production (kmt)	**932**	829	12 %	805	16 %	**1,737**	2,106	3,712
Realized alumina price (USD/mt)[4]	**365**	430	(15) %	373	(2) %	**369**	398	429
Primary aluminium production (kmt)	**486**	492	(1) %	485	-	**971**	1,006	1,993
Realized aluminium price LME (USD/mt)	**1,858**	2,183	(15) %	1,912	(3) %	**1,886**	2,161	2,140
Realized USD/NOK exchange rate	**8.59**	7.92	8 %	8.52	1 %	**8.55**	7.92	8.08
Rolled Products sales volumes to external market (kmt)	**242**	251	(4) %	246	(2) %	**488**	496	951
Extruded Solutions sales volumes to external market (kmt)	**348**	373	(7) %	333	4 %	**681**	735	1,396
Power production (GWh)	**1,993**	2,550	(22) %	2,553	(22) %	**4,546**	4,983	10,693

1) Alternative performance measures (APMs) are described in the corresponding section in the back of the report.
2) EBITDA and investments per segment are specified in Note 2: Operating segment information.
3) Paragominas production on wet basis.
4) Weighted average of own production and third party contracts. The majority of the alumina is sold linked to either the LME prices or alumina index with a one month delay.

Key developments second quarter 2019

The Alunorte situation
The federal court in Belem, Brazil, lifted the production embargo on the Alunorte alumina refinery under the criminal lawsuit on Monday, May 20, allowing Alunorte to ramp up towards normal production after running at half capacity for more than a year. This decision came after the decision on Wednesday, May 15, to lift the production embargo under the civil lawsuit. The federal court decided to keep the embargoes on the new bauxite residue disposal area (DRS2). Alunorte, with an annual production capacity of 6.3 million mt, reached 80-85 utilization of its capacity during June. For more information on the background of the Alunorte situation please see the 2018 Annual report.

Cyber attack
The cyber attack that hit Hydro on March 19 affected our entire global organization, with Extruded Solutions having suffered the most significant operational challenges and financial losses. At the end of the second quarter operations have largely returned to normal. The overall financial impact of the cyber attack is estimated at NOK 250-300 million in the second quarter. Hydro has a robust cyber insurance in place with recognized insurers. Hydro has not yet recognized any insurance compensation. This will be recorded when deemed virtually certain.

Second quarter 2019 versus Second quarter 2018
Hydro's underlying earnings before financial items and tax decreased in the second quarter, mainly reflecting a decrease in the realized aluminium and alumina price and effects from the cyber attack partly offset by positive currency effects.

Second quarter 2019 versus first quarter 2019
Results increased reflecting reduced raw material cost, increased sales volumes partly offset by lower realized aluminium and alumina prices and weaker results from our Energy business.

First half year 2019 versus first half year 2018
Hydro’s underlying EBIT decreased significantly, mainly reflecting a decrease in the realized aluminium and alumina price and effects from the cyber attack partly offset by positive currency effects.

Improvement program
Hydro’s "Better" improvement program will not reach its original 2019 target. This is mainly due to the production embargo at Alunorte and subsequent production curtailments at Alunorte’s bauxite source Paragominas and Hydro’s part owned subsidiary Albras aluminium plant.

Net debt position
Hydro's net debt[1] position increased from NOK 12.1 billion to NOK 15.1 billion at the end of the quarter, Net cash provided by operating activities amounted to NOK 2.6 billion. Net cash used in investment activities, excluding short term investments, amounted to NOK 2.7 billion. During the second quarter dividends paid to Norsk Hydro ASA shareholders amounted to NOK 2.6 billion.

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

Reported EBIT and net income

In addition to the factors discussed above, reported earnings before financial items and tax (EBIT) and net income include effects that are disclosed in the below table. Items excluded from underlying EBIT and underlying net income (loss) are defined and described as part of the APM section in the back of this report.

Items excluded from underlying EBIT and net income[1)] NOK million	**Second quarter 2019**	Second quarter 2018	First quarter 2019	**First half 2019**	First half 2018	Year 2018
Unrealized derivative effects on LME related contracts	**11**	(306)	200	**211**	(419)	39
Unrealized derivative effects on power and raw material contracts	**(72)**	92	12	**(60)**	5	(260)
Metal effect, Rolled Products	**3**	(60)	267	**270**	(14)	(73)
Significant rationalization charges and closure costs[2)]	**200**	-	-	**200**	-	79
Impairment charges[2)]	**28**	-	-	**28**	-	-
Alunorte agreements - provision[3)]	**14**	-	35	**49**	-	519
Transaction related effects [4)]	**35**	-	-	**35**	-	-
Other effects[5)]	**-**	-	26	**26**	-	203
Pension[6)]	**-**	-	-	**-**	-	40
Items excluded from underlying EBIT	**219**	(274)	539	**758**	(428)	547
Net foreign exchange (gain)/loss	**451**	306	(208)	**243**	639	1,303
Calculated income tax effect	**(198)**	(8)	(83)	**(281)**	(62)	(355)
Items excluded from underlying net income	**472**	24	248	**719**	148	1,495
Income (loss) tax rate	**>(100) %**	19%	>100%	**>100%**	23%	33%
Underlying income (loss) tax rate	**58%**	19%	65%	**60%**	23%	30%

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

2) Impairment and rationalization charges in Q2 2019 of NOK 228 million include a write down of assets and provision for costs related to reduction of existing over capacity in certain extrusion segments in Europe. In 2018 rationalization costs in Rolled products was NOK 39 million and closure costs in Extruded Solutions was NOK 40 million.

3) Alunorte agreements - provision refers to adjustments in the first and second quarter of 2019 to the provision recognized in 2018 in relation to the TAC and TC agreements with the Government of Parà and Ministèrio Pùblico made on September 5, 2018.

4) Transaction related effects include the revaluation loss of Hydro's pre-transactional 50 percent share in Technal Middle East, as well as the fair value allocated to inventory sold during second quarter.

5) Other effects include for the first quarter a charge of NOK 26 million due to adjustments to the value of certain assets in relation to the Sapa acquisition. In the fourth quarter 2018 other effects include a charge of NOK 80 million due to adjustments to the value of certain assets in relation to the Sapa acquisition and a gain of NOK 34 million due to remeasurement of environmental liabilities related to closed business in Germany. Subsequent to the release of fourth quarter 2018 on February 7, 2019, an agreement in principle was reached between Sapa Profiles Inc. (SPI) and the United States Department of Justice (DOJ) Civil and Criminal Divisions. Following the agreement, an increase, NOK 157 million, of the provision was recognized in the final annual results of 2018 (see note 35 in the 2018 Annual report).

6) Pension includes in 2018 a charge of NOK 40 million due to remeasurement of all UK schemes with Guaranteed Minimum Pensions (GMP) required to be adjusted to equalize pension benefits for gender. The remeasurement is based on the accrued pension benefits in the period between 1990 and 1997.

Market developments and outlook

Market statistics	**Second quarter 2019**	Second quarter 2018	Change prior year quarter	First quarter 2019	Change prior quarter	**First half 2019**	First half 2018	Year 2018
USD/NOK Average exchange rate	**8.65**	8.02	8 %	8.58	1 %	**8.61**	7.93	8.13
USD/NOK Period end exchange rate	**8.52**	8.16	4 %	8.60	(1) %	**8.52**	8.16	8.69
BRL/NOK Average exchange rate	**2.21**	2.23	(1) %	2.28	(3) %	**2.24**	2.32	2.23
BRL/NOK Period end exchange rate	**2.23**	2.12	5 %	2.20	1 %	**2.23**	2.12	2.24
USD/BRL Average exchange rate	**3.92**	3.61	9 %	3.77	4 %	**3.84**	3.42	3.66
USD/BRL Period end exchange rate	**3.82**	3.85	(1) %	3.90	(2) %	**3.82**	3.85	3.88
EUR/NOK Average exchange rate	**9.72**	9.55	2 %	9.74	-	**9.73**	9.59	9.60
EUR/NOK Period end exchange rate	**9.69**	9.51	2 %	9.66	-	**9.69**	9.51	9.95
Bauxite and alumina:								
Average alumina price - Platts PAX FOB Australia (USD/t)	**363**	519	(30) %	387	(6) %	**375**	451	474
China bauxite import price (USD/mt CIF China)	**53**	52	1 %	54	(1) %	**53**	53	53
Global production of alumina (kmt)	**30,753**	30,862	-	30,565	1 %	**61,318**	61,379	124,107
Global production of alumina (ex. China) (kmt)	**13,464**	13,171	2 %	13,293	1 %	**26,757**	26,579	53,248
Primary aluminium:								
LME cash average (USD/mt)	**1,792**	2,259	(21) %	1,880	(5) %	1,826	2,209	2,110
LME three month average (USD/mt)	**1,818**	2,257	(19) %	1,859	(2) %	1,850	2,210	2,115
Standard ingot premium (EU DP Cash)	**146**	203	(28) %	132	11 %	139	184	164
Extrusion ingot premium (EU DP)	**352**	479	(27) %	438	(20) %	394	414	455
Chinese production of primary aluminium (kmt)	**9,056**	9,061	-	8,844	2 %	17,900	17,756	36,087
Chinese consumption of primary aluminium (kmt)	**9,717**	9,574	1 %	8,063	21 %	17,780	17,650	35,653
Global production of primary aluminium (ex. China) (kmt)	**7,061**	6,871	3 %	6,861	3 %	13,922	13,714	27,648
Global consumption of primary aluminum (ex. China) (kmt)	**7,656**	7,659	-	7,256	6 %	14,912	14,936	29,635
Global production of primary aluminium (kmt)	**16,117**	15,932	1 %	15,705	3 %	31,822	31,470	63,735
Global consumption of primary aluminum (kmt)	**17,373**	17,233	1 %	15,319	13 %	32,692	32,586	65,288
Reported primary aluminium inventories (ex. China) (kmt)	**2,605**	2,802	(7) %	2,754	(5) %	2,605	2,802	2,935
Reported primary aluminium inventories (China) (kmt)	**1,927**	2,616	(26) %	2,487	(23) %	1,927	2,616	2,075
Rolled products and extruded products:								
Consumption rolled products - Europe (kmt)	**1,310**	1,294	1 %	1,273	3 %	**2,583**	2,552	4,951
Consumption rolled products - USA & Canada (kmt)	**1,370**	1,321	4 %	1,390	(1) %	**2,760**	2,642	5,327
Consumption extruded products - Europe (kmt)	**875**	870	1 %	809	8 %	**1,684**	1,683	3,242
Consumption extruded products - USA & Canada (kmt)	**651**	670	(3) %	635	3 %	**1,286**	1,310	2,562
Energy:								
Average southern Norway spot price (NO2) (NOK/MWh)	**360**	369	(3) %	468	(23) %	**414**	365	415
Average mid Norway spot price (NO3) (NOK/MWh)	**343**	376	(9) %	452	(24) %	**397**	375	423
Average nordic system spot price (NOK/MWh)	**346**	373	(7) %	457	(24) %	**401**	372	423

On March 8, 2018 the US administration announced a 10 percent tariff on aluminium imports to the US, effective from March 23, 2018. Argentina and Australia are exempt from the 10 percent tariff, although Argentina will be covered by a quota. On September 30, 2018 the US, Canada and Mexico came to an agreement on a revised trade deal, called the United States Mexico Canada Agreement (USMCA), replacing the 1994 NAFTA agreement. Following additional negotiations, the 10 percent tariff on aluminium between the US, Canada and Mexico was removed effective from May 20, 2019. The USMCA was ratified by Mexico on June 20, 2019.

Bauxite and alumina

The average Platts alumina spot prices decreased in the second quarter of 2019 (USD 363 per mt) compared to the first quarter 2019. The production embargo affecting the Alunorte alumina refinery was lifted during the quarter, as a result production rates have increased putting the alumina price under pressure.

The Platts alumina spot price started the quarter at USD 418 per mt, drifting to USD 321 per mt at the end of the quarter. A short rally occurred in the second half of May driven by alumina production curtailments in China because of allegations of environmental pollution. Compared to the second quarter of 2018 (USD 519 per mt), the Platts alumina spot price was substantially lower.

China imported 19.0 million mt of bauxite in April and May 2019 at an annualised second quarter rate 41 percent higher than same period a year ago. Guinea remains the largest exporter to China as projects continues ramping-up. Guinea and Australia maintained their dominant market share accounting for 80 percent of China's bauxite imports in the period under review. Imports from Malaysia increased to 0.3 million mt in the period under review as the bauxite mining ban was lifted. Exports from Malaysia are now capped at 0.6 million mt per month, volumes are thus not expected to return to previous highs (24.2 million mt in 2015). Bauxite imports trends from other regions did not change materially in April and May. The average Chinese bauxite import price was USD 53 per mt CIF in April and May 2019, marginally above the USD 52 per mt CIF in the second quarter 2018 but below the USD 54 per mt CIF in the first quarter 2019.

Primary aluminium

Three-month LME prices ranged between USD 1,753 and USD 1,913 per mt during the second quarter of 2019, with a declining trend throughout the quarter trading mostly in the range of USD 1,750-1,800 per mt. Prices have been pressured by a market slowdown in Asia and Europe, in addition to the ongoing US-China trade dispute. Prices ended the second quarter at USD 1,794 per mt and have since been trading around USD 1,800 per mt.

European duty paid standard ingot premiums ended the second quarter at USD 150 per mt, compared to USD 145 per mt at the beginning of the quarter, while the Midwest premiums started the second quarter at USD 419 per mt, and ended at USD 408 per mt. In July, both premiums have traded around the same levels as at the end of the second quarter.

Average Shanghai Futures Exchange (SHFE) prices decreased by USD 155 per mt ex. VAT compared to the second quarter in 2018, compared to a decline of USD 439 per mt in the equivalent LME. Compared to the first quarter of 2019, average SHFE increased by USD 84 per mt, while the equivalent LME price declined USD 62 per mt. Consequently, average export arbitrage potential decreased during the quarter compared to the first quarter of 2019. At current prices the estimated arbitrage for Chinese exports is marginally positive.

Global primary aluminium consumption was slightly up compared to the second quarter of 2018, driven by a combination of growth around 1.5 percent in China and a flat development in the world outside China. Compared to the first quarter of 2019, global demand increased considerably, mostly due to seasonal effects in China. Global demand for primary aluminium is expected to soften in 2019, with risk on the downside to our estimated growth of 1-2 percent.

Demand for primary aluminium outside China grew by 2.2 percent in 2018 and is expected to grow by 0-1 percent in 2019. Production outside China is expected to increase by 2-3 percent in 2019, compared to 1.6 percent in 2018. Production of primary aluminium in China was flat in 2018, but is expected to grow by 1-2 percent in 2019, with mixed growth drivers including several price driven curtailments in the second half of 2018 and start of 2019, together with new smelters still ramping up. Demand for primary aluminium in China is expected to increase by 1-3 percent in 2019, lower than the 3.7 percent demand growth in 2018 and significantly lower than the 8.0 percent demand growth in 2017.

The global primary aluminium market ended at approximately 1.5 million mt deficit in 2018, and is expected to be in a 1-1.5 million mt deficit in 2019.

European demand for sheet ingot increased in the second quarter 2019 compared to the second quarter of 2018 while demand for extrusion ingot only improved slightly in that period. Consumption of primary foundry alloys decreased in the second quarter of 2019 compared to the same period last year, mainly due to the weak development in the European automotive industry.

Total global stocks at the end of the second quarter of 2019 were estimated to be 10.8 million mt, down around 1.3 million mt compared to the first quarter of 2019. Stocks were also down around 1.3 million mt compared to the second quarter of 2018.

Rolled products

European demand growth for flat rolled products increased by around 1 percent compared to the second quarter of 2018, due to weaker automotive growth. Compared to the first quarter of 2019, demand increased by around 3 percent mainly due to seasonality.

Due to the ongoing strong substitution towards aluminium, demand in automotive continued to show a positive development despite a steep drop in car production resulting from reduced consumer confidence in Europe and lower car demand from China. European car production is expected to recover somewhat in the third quarter. Building and construction demand growth was robust, supported by good weather conditions across Europe. Demand for beverage can was solid, supported by the substitution of PET bottles by aluminium cans. Demand in foil and general engineering was flat. In both segments, import pressure especially from China increased substantially.

The European demand for flat rolled products is expected to increase by around 2 percent in 2019.

Extruded products

European demand for extrusions in the second quarter has been relatively flat compared to the same quarter of 2018. Compared to the first quarter of 2019 demand increased by 8 percent, driven by seasonality. The building and construction market continues to be positive in the Eastern European countries such as Poland and Hungary, with somewhat negative developments in Western Europe. The transportation market experienced weak developments across sub-segments driven by market uncertainty. However, with the emerging growth in electric vehicles, extruders continue to capture lightweighting and material substitution opportunities within the automotive segment. The European demand for extruded products is expected to increase by 1 percent for 2019 compared to 2018.

North American extrusion demand is estimated to decline by 3 percent in the second quarter of 2019 compared to the same quarter last year, but 2 percent higher than the first quarter of 2019. The commercial transportation market continued its sustained growth, with stable trailer build rates, which offsets a decrease in recreational vehicle and heavy-duty truck production. Automotive demand continues to grow, despite slowing build rates, due to material substitution opportunities in the segment. Housing starts in building and construction segment slowed down resulting in weak developments within the residential segment, while the commercial construction segment shows positive trends driven by the increase in non-residential construction spending in the first half of 2019. The North American demand for extruded products is expected to increase by 1 percent for 2019 compared to 2018.

Energy

Nordic power prices were, on average, on a similar level compared to the same quarter last year and significantly lower compared to the previous quarter. Prices declined during the quarter mainly due to improved hydrology in combination with high production from wind power plants. Somewhat lower continental power prices, driven largely by lower gas and coal prices also contributed to falling prices.

The Nordic hydrological balance ended the quarter at around 1 TWh below normal[2] compared to 15 TWh below normal at the end of the second quarter last year and 7 TWh below normal at the end of the previous quarter. Water reservoirs in Norway were at 70.2 percent of full capacity at the end of the quarter, which is 3.0 percentage points above the normal level. Snow reservoirs were below the normal level at the end of the quarter.

[2] Normal based on long term historical averages.

Additional factors impacting Hydro

The federal court in Belem, Brazil, lifted the production embargo on the Alunorte alumina refinery under the criminal lawsuit on May 20, allowing Alunorte to ramp up towards normal production after running at half capacity for more than a year. The decision by the federal court to lift the production embargo under the criminal lawsuit came after a decision on May 15, to lift the production embargo under the civil lawsuit. Alunorte, with an annual production capacity of 6.3 million mt, has reached 80-85 percent utilization of its capacity during June, with an estimated annual capacity utilization of 75-85 percent in the current setup. Commissioning of an additional press filter will begin during September/October. With 9 fully operational press filters we expect a capacity utilization of 85-95 percent. Further process optimization will continue, to reduce downtime and cycle time of the press filters to further increase productivity.

The federal court decided to keep the embargoes on the new bauxite residue disposal area (DRS2). The current bauxite residue deposit area (DRS1), has an estimated remaining capacity of around one year based on estimated Alunorte ramp-up schedule and volume of bauxite residue processed by the press filters. Subject to ongoing geotechnical verifications, the DRS1 remaining capacity might be extended beyond this horizon. The timing depends on both actual production volumes from Alunorte and DRS1 final regulated capacity. Using DRS2 in combination with new state-of-the art press filters is the long-term solution for Alunorte to dispose bauxite residue.

Albras' Board of Directors decided on May 21, to restart aluminium production at the Albras aluminium plant in Brazil. Albras curtailed 50 percent of its production in April 2018 and will now resume normal operations. The process to resume full production at Albras has been initiated. All electrolysis cells are expected to be fully restarted by the end of the third quarter.

The cyber attack on Hydro on March 19, affected our entire global organization, with Extruded Solutions having suffered the most significant operational challenges and financial losses. The financial impact of the cyber attack was around NOK 300-350 million in the first quarter. The financial impact for the second quarter is estimated at around NOK 250-300 million. Operations and sales have recovered successively during the quarter, reducing the incremental financial impact accordingly. Hydro has a robust cyber insurance in place with recognized insurers. Hydro has not yet recognized any insurance compensation. This will be recorded when deemed virtually certain.

Primary Metal has sold forward around 55 percent of its expected primary aluminium production for the third quarter at a price level of around USD 1,785 per mt[3]. There was a negative contribution in the second quarter from the sale of excess power following the production curtailment of the Albras smelter in Brazil. Future result effects depend on local power price developments and production level in Albras.

Hydro Extrusion Portland, Inc. (formerly Sapa Profiles, Inc.) (SPI), a Portland, Oregon-based indirect subsidiary of Hydro Extruded Solutions AS (formerly Sapa AS) (Hydro) has been under investigation by the United States Department of Justice (DOJ) Civil and Criminal Divisions regarding certain aluminum extrusions that SPI manufactured from 1996 to 2015, including extrusions that were delivered to a supplier to NASA. The criminal proceedings have been concluded by SPI entering into a plea agreement and its U.S. parent company (Sapa Extrusions, Inc., now Hydro Extrusion USA, LLC (SEI)) entering into a deferred prosecution agreement with DOJ. The U.S. District Court for the Eastern District of Virginia has entered judgment finding SPI guilty of one count of mail fraud as outlined in the plea agreement and has approved the deferred prosecution agreement between SEI and DOJ. Additionally, SPI has entered into a settlement agreement with DOJ to resolve its civil investigation. As a result, SPI and SEI have collectively paid USD 46.9 million under the above-mentioned judgment and settlement agreement during May 2019. SPI also remains temporarily suspended as a federal government contractor and may be debarred for a number of years. The financial effects were provided for in periods before 2019.

As part of the July 2017 share purchase agreement between Orkla ASA and Hydro, Orkla has paid Hydro 50 percent of the settlement amount.

In April 2019, Hydro raised EUR 800 million in the bond market, by issuing new 6-year and 10-year Eurobonds. The proceeds will be used to refinance maturing debt and for general corporate purposes.

[3] Prices are fixed mainly one month prior to production. As a result, and due to the hedging of product inventories, Hydro's realized aluminium prices lag LME spot prices by around 1 to 2 months.

Risks and uncertainties

Hydro is subject to a range of risks and uncertainties which may affect its business operations, financial condition and results of operations. An evaluation of Hydro's major risks has been performed as part of Hydro's semi-annual overall enterprise risk assessment. The description of principal risks and uncertainties in the Financial statements and Board of Directors' Report 2018 gives a fair description of principal risks and uncertainties that may affect Hydro in the second half of 2019, and the company is not aware of any significant new risks or uncertainties or significant changes to those risks or uncertainties, except for those described in this report.

Related parties

Note 11 to the Financial statements and Board of Director's report 2018 provides details of related parties. During the first half of 2019 there have not been any changes or transactions with related parties that significantly impact the group's financial position or result for the period.

Underlying EBIT

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

Bauxite & Alumina

Operational and financial information	**Second quarter 2019**	Second quarter 2018	Change prior year quarter	First quarter 2019	Change prior quarter	**First half 2019**	First half 2018	Year 2018
Earnings before financial items and tax (EBIT) (NOK million)	**401**	364	10 %	118	>100 %	**519**	1,104	1,763
Underlying EBIT (NOK million)	**415**	364	14 %	153	>100 %	**568**	1,104	2,282
Underlying EBITDA (NOK million)	**1,004**	937	7 %	758	32 %	**1,762**	2,307	4,377
Alumina production (kmt)	**932**	829	12 %	805	16 %	**1,737**	2,106	3,712
Sourced alumina (kmt)	**704**	985	(28) %	711	(1) %	**1,416**	1,884	3,954
Total alumina sales (kmt)	**1,668**	1,842	(9) %	1,423	17 %	**3,091**	3,913	7,607
Realized alumina price (USD/mt) [1]	**365**	430	(15) %	373	(2) %	**369**	398	429
Bauxite production (kmt) [2]	**1,624**	1,348	20 %	1,361	19 %	**2,986**	3,675	6,214
Sourced bauxite (kmt) [3]	**1,315**	1,250	5 %	1,029	28 %	**2,344**	2,567	5,202

1) Weighted average of own production and third party contracts. The majority of the alumina is sold linked to LME prices with a one month delay.
2) Paragominas on wet basis.
3) 40 percent MRN off take from Vale and 5 percent Hydro share on wet basis.

The 50 percent production restriction at Alunorte and subsequent reduction of production at Paragominas had a negative impact on the results for the second quarter. If we had assumed Alunorte and Paragominas operating at full production and a realized alumina price of USD 365 per mt, reflecting the price level both in the second quarter as well as just before the production restriction, and cost levels as reflected in the second quarter 2019 results, underlying EBIT would have been around NOK 1.5 billion.

Underlying EBIT for Bauxite & Alumina increased compared to the second quarter of last year. The results were driven by positive effects from increased production following the lifting of the production embargo on May 20, and positive currency effects partly offset by a decrease in the realized alumina sales price.

Compared to the first quarter of 2019 the underlying EBIT increased mainly due to increased sales volumes and positive effects from increased production following the lifting of the production embargo on May 20, partly offset by a decrease in the realized alumina sales price.

The results for the first half year decreased compared to the first half year of 2018 driven by lower alumina sales price, effects of reduced production at Alunorte and Paragominas, as a consequence of the production embargo until May 20, and higher raw material prices partly offset by positive currency effects.

Primary Metal

Operational and financial information[1]	**Second quarter 2019**	Second quarter 2018	Change prior year quarter	First quarter 2019	Change prior quarter	**First half 2019**	First half 2018	Year 2018
Earnings before financial items and tax (EBIT) (NOK million)	**(554)**	776	>(100) %	(919)	40 %	**(1,474)**	1,693	2,123
Underlying EBIT (NOK million)	**(604)**	755	>(100) %	(771)	22 %	**(1,375)**	1,578	1,762
Underlying EBITDA (NOK million)	**(27)**	1,309	>(100) %	(180)	85 %	**(207)**	2,658	3,906
Realized aluminium price LME (USD/mt)[2]	**1,858**	2,183	(15) %	1,912	(3) %	**1,886**	2,161	2,140
Realized aluminium price LME (NOK/mt)[2]	**15,959**	17,292	(8) %	16,291	(2) %	**16,130**	17,103	17,282
Realized premium above LME (USD/mt)[3]	**326**	364	(10) %	344	(5) %	**336**	328	346
Realized premium above LME (NOK/mt)[3]	**2,802**	2,881	(3) %	2,935	(5) %	**2,870**	2,600	2,791
Realized USD/NOK exchange rate	**8.59**	7.92	8 %	8.52	1 %	**8.55**	7.92	8.08
Primary aluminium production (kmt)	**486**	492	(1) %	485	-	**971**	1,006	1,993
Casthouse production (kmt)	**477**	523	(9) %	473	1 %	**950**	1,054	2,058
Total sales (kmt)	**527**	549	(4) %	534	(1) %	**1,061**	1,127	2,145

1) Operating and financial information includes Hydro's proportionate share of underlying income (loss), production and sales volumes in equity accounted investments. Realized prices, premiums and exchange rates exclude equity accounted investments.

2) Realized aluminium prices lag the LME price developments by approximately 1.5 - 2 months.

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

Operational and financial information Qatalum (50%)	**Second quarter 2019**	Second quarter 2018	Change prior year quarter	First quarter 2019	Change prior quarter	**First half 2019**	First half 2018	Year 2018
Revenue (NOK million)	**1,382**	1,592	(13) %	1,597	(13) %	**2,979**	2,948	6,202
Underlying EBIT (NOK million)	**103**	344	(70) %	104	(1) %	**207**	611	971
Underlying EBITDA (NOK million)	**398**	608	(35) %	451	(12) %	**849**	1,139	2,085
Net income (loss) (NOK million)	**24**	281	(91) %	32	(23) %	**56**	491	724
Underlying Net income (loss) (NOK million)	**24**	281	(91) %	32	(23) %	**56**	491	724
Primary aluminium production (kmt)	**78**	78	1 %	77	2 %	**155**	155	308
Casthouse sales (kmt)	**75**	80	(7) %	82	(9) %	**156**	153	315

Underlying EBIT for Primary Metal declined in second quarter of 2019 compared to the second quarter of 2018 mainly due to lower all-in metal[1] prices and lower margins on power sales in Brazil, somewhat offset by positive currency effects.

Compared to the first quarter of 2019, underlying EBIT for Primary Metal increased slightly due to lower raw material prices, lower fixed cost and positive currency effects, partly offset by lower all-in metal prices.

Underlying EBIT for the first half of 2019 declined substantially compared to the same period in 2018 due to lower all-in metal prices, lower volumes, lower margins on power sales in Brazil and higher raw material costs, partly offset by positive currency effects.

[1] The all-in metal price refers to the LME cash price plus premiums.

Metal Markets

Operational and financial information	**Second quarter 2019**	Second quarter 2018	Change prior year quarter	First quarter 2019	Change prior quarter	**First half 2019**	First half 2018	Year 2018
Earnings before financial items and tax (EBIT) (NOK million)	**361**	270	34 %	(31)	>100 %	**329**	575	886
Underlying EBIT (NOK million)	**299**	237	26 %	190	57 %	**489**	415	686
Currency effects	**(53)**	10	>(100) %	(39)	(36) %	**(92)**	(1)	(25)
Inventory valuation effects	**1**	4	(84) %	(1)	>100 %	**-**	54	53
Underlying EBIT excl. currency and inventory valuation effects	**352**	224	57 %	230	53 %	**581**	363	658
Underlying EBITDA (NOK million)	**328**	262	25 %	219	50 %	**547**	463	786
Remelt production (kmt)	**139**	153	(9) %	131	6 %	**270**	303	563
Metal products sales excluding ingot trading (kmt) [1]	**707**	746	(5) %	683	4 %	**1,389**	1,492	2,859
Hereof external sales (kmt)	**556**	563	(1) %	539	3 %	**1,096**	1,142	2,217

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

Underlying EBIT for Metal Markets improved in the second quarter compared to the same quarter last year due to increased results from the remelters and higher results in the sourcing and trading activities, partly offset by negative currency effects.

Compared to the first quarter of 2019, underlying EBIT for Metal Markets improved due to higher results from remelters and the sourcing and trading activities.

Underlying EBIT for the first half of 2019 increased compared to the same period in 2018 due to higher results from remelters and the sourcing and trading activities, partly offset by negative currency and inventory valuation effects.

Rolled Products

Operational and financial information	**Second quarter 2019**	Second quarter 2018	Change prior year quarter	First quarter 2019	Change prior quarter	**First half 2019**	First half 2018	Year 2018
Earnings before financial items and tax (EBIT) (NOK million)	**12**	353	(97) %	(53)	>100 %	**(41)**	432	336
Underlying EBIT (NOK million)	**75**	212	(65) %	138	(46) %	**213**	444	413
Underlying EBITDA (NOK million)	**326**	438	(26) %	384	(15) %	**710**	894	1,340
Sales volumes to external market (kmt)	**242**	251	(4) %	246	(2) %	**488**	496	951

Sales volumes to external markets (kmt) - Product areas								
Can & foil	**86**	92	(7) %	85	1 %	**172**	183	348
Lithography & automotive	**76**	81	(6) %	81	(7) %	**157**	159	309
Special products	**79**	77	3 %	79	-	**159**	154	295
Rolled Products	**242**	251	(4) %	246	(2) %	**488**	496	951

Underlying EBIT decreased significantly compared to the second quarter of 2018. The result from the rolling mills decreased, driven by lower volumes and personnel cost increases, partly offset by positive currency effects. The Neuss smelter result declined driven by lower all-in metal prices.

Underlying EBIT decreased compared to the first quarter of 2019. The result from the rolling mills decreased mainly due to lower volumes and a number of other smaller cost elements. The Neuss smelter result declined due to lower volumes and lower all-in metal prices, offset somewhat by lower raw material prices.

The results for the first half year decreased compared to the first half year of 2018. The result from the rolling mills decreased, mainly due to lower volumes and personnel cost increases, partly offset by positive currency effects. The Neuss smelter result was driven by lower all-in metal prices and higher raw material cost.

Extruded Solutions

Operational and financial information	**Second quarter 2019**	Second quarter 2018	Change prior year quarter	First quarter 2019	Change prior quarter	**First half 2019**	First half 2018	Year 2018
Earnings before financial items and tax (EBIT) (NOK million)	**483**	1,109	(56) %	644	(25) %	**1,127**	1,795	1,774
Underlying EBIT (NOK million)	**772**	957	(19) %	593	30 %	**1,365**	1,691	2,390
Underlying EBITDA (NOK million)	**1,279**	1,383	(7) %	1,099	16 %	**2,378**	2,538	4,114
Sales volumes to external markets (kmt)	**348**	373	(7) %	333	4 %	**681**	735	1,396

Sales volumes to external markets (kmt) - Business units								
Extrusion Europe	**142**	155	(9) %	135	5 %	**277**	**309**	568
Extrusion North America	**148**	157	(6) %	147	1 %	**295**	**309**	598
Building Systems	**22**	20	9 %	18	21 %	**40**	**40**	77
Precision Tubing	**36**	41	(12) %	33	8 %	**69**	**77**	154
Extruded Solutions	**348**	373	(7) %	333	4 %	**681**	**735**	1,396

Underlying EBIT for Extruded Solutions decreased compared to the same quarter last year. Increased cost and reduced volumes mainly resulting from the cyber attack and a somewhat softening market, were partly offset by higher margins.

Compared to the first quarter 2019 the underlying EBIT increased, primarily due to seasonally higher volumes and reduced effects of the cyber attack.

For the first half year of 2019 Extruded Solutions underlying EBIT decreased. Increased cost and reduced volumes mainly resulting from the cyber attack and a somewhat softening market were partly offset by higher margins.

Energy

Operational and financial information	**Second quarter 2019**	Second quarter 2018	Change prior year quarter	First quarter 2019	Change prior quarter	**First half 2019**	First half 2018	Year 2018
Earnings before financial items and tax (EBIT) (NOK million)	**174**	417	(58) %	510	(66) %	**685**	695	1,853
Underlying EBIT (NOK million)	**176**	417	(58) %	517	(66) %	**693**	695	1,846
Underlying EBITDA (NOK million)	**242**	479	(49) %	583	(58) %	**825**	818	2,100
Direct production costs (NOK million)[1)]	**116**	140	(17) %	189	(38) %	**305**	303	630
Power production (GWh)	**1,993**	2,550	(22) %	2,553	(22) %	**4,546**	4,983	10,693
External power sourcing (GWh)	**2,305**	2,247	3 %	2,298	-	**4,603**	4,461	9,217
Internal contract sales (GWh)	**3,778**	3,632	4 %	3,735	1 %	**7,514**	7,253	14,848
External contract sales (GWh)	**231**	205	13 %	344	(33) %	**575**	468	858
Net spot sales (GWh)	**289**	961	(70) %	770	(63) %	**1,059**	1,723	4,204

1) Include operational costs except for depreciation, maintenance costs, property taxes, concession fees for Hydro as operator and transmission costs.

Underlying EBIT decreased compared to the same quarter in the previous year. The decrease was mainly due to lower production and lower commercial results.

Compared to the previous quarter Underlying EBIT decreased, mainly due to lower production, a decrease in commercial results and lower prices, partly offset by lower production cost.

Compared to the first six months of the previous year, Underlying EBIT were stable. Lower production was mainly offset by higher prices and improved commercial results.

Other and eliminations

Financial information NOK million	**Second quarter 2019**	Second quarter 2018	Change prior year quarter	First quarter 2019	Change prior quarter	**First half 2019**	First half 2018	Year 2018
Earnings before financial items and tax (EBIT)	**(220)**	(303)	27 %	(249)	12 %	**(469)**	(8)	(214)
Other	**(253)**	(156)	(63) %	(307)	18 %	**(560)**	(363)	(851)
Eliminations	**(5)**	(74)	93 %	46	>(100) %	**41**	294	541
Underlying EBIT	**(258)**	(229)	(13) %	(261)	1 %	**(519)**	(68)	(310)

Other is mainly comprised of head office costs, and costs related to holding companies as well as earnings from Hydro's industrial insurance company. Other also includes integration costs related to the Sapa transaction and costs related to the cyber attack.

Eliminations are comprised mainly of unrealized gains and losses on inventories purchased from group companies which fluctuate with product flows, volumes and margin developments throughout Hydro's value chain.

Finance

Financial income (expense) NOK million	**Second quarter 2019**	Second quarter 2018	Change prior year quarter	First quarter 2019	Change prior quarter	**First half 2019**	First half 2018	Year 2018
Interest income	**72**	63	14 %	34	>100 %	**106**	123	250
Dividends received and net gain (loss) on securities	**18**	26	(31) %	29	(39) %	**47**	24	6
Financial income	**90**	89	1 %	63	42 %	**153**	147	255
Interest expense	**(231)**	(148)	(56) %	(180)	(28) %	**(411)**	(271)	(699)
Capitalized interest	**15**	-	-	2	>100 %	**17**	-	1
Net foreign exchange gain (loss)	**(451)**	(306)	(48) %	208	>(100) %	**(243)**	(639)	(1,303)
Net interest on pension liability	**(47)**	(33)	(44) %	(42)	(12) %	**(88)**	(65)	(138)
Other	**(41)**	(44)	8 %	(45)	10 %	**(85)**	(87)	(175)
Financial expense	**(754)**	(530)	(42) %	(57)	>(100) %	**(811)**	(1,063)	(2,315)
Financial income (expense), net	**(664)**	(441)	(51) %	6	>(100) %	**(658)**	(916)	(2,060)

For the second quarter, the net foreign exchange loss, mainly unrealized, of NOK 451 million primarily reflects a weaker NOK versus EUR on a forward basis, affecting the embedded derivatives in Norwegian power contracts denominated in EUR.

For the first half year, the net foreign exchange loss, mainly unrealized, of NOK 243 million primarily reflects a weaker NOK versus EUR on a forward basis, affecting the embedded derivatives in Norwegian power contracts denominated in EUR.

Tax

Income tax expense amounted to NOK 183 million for the second quarter of 2019. Income tax expense for the first half 2019 amounted to NOK 333 million. The tax expense reflects the relatively high share of reported income before tax subject to power surtax.

Interim financial statements

Condensed consolidated statements of income (unaudited)

NOK million, except per share data	**Second quarter 2019**	Second quarter 2018	**First half 2019**	First half 2018	Year 2018
Revenue	**39,176**	41,254	**76,759**	81,225	159,377
Share of the profit (loss) in equity accounted investments	**47**	286	**50**	506	765
Other income, net	**139**	184	**322**	339	772
Total revenue and income	**39,362**	41,724	**77,132**	82,070	160,913
Raw material and energy expense	**25,920**	26,496	**51,056**	51,692	102,523
Employee benefit expense	**6,192**	5,828	**12,215**	11,600	23,176
Depreciation, amortization and impairment	**2,105**	1,891	**4,204**	3,799	7,369
Other expenses	**4,488**	4,524	**8,981**	8,692	19,324
Total expenses	**38,706**	38,738	**76,455**	75,783	152,391
Earnings before financial items and tax (EBIT)	**656**	2,986	**676**	6,287	8,522
Financial income	**90**	89	**153**	147	255
Financial expense	**(754)**	(530)	**(811)**	(1,063)	(2,315)
Financial income (expense), net	**(664)**	(441)	**(658)**	(916)	(2,060)
Income (loss) before tax	**(8)**	2,545	**18**	5,371	6,462
Income taxes	**(183)**	(473)	**(333)**	(1,222)	(2,139)
Net income (loss)	**(190)**	2,073	**(315)**	4,149	4,323
Net income (loss) attributable to non-controlling interests	**(105)**	(35)	**(239)**	(49)	67
Net income (loss) attributable to Hydro shareholders	**(85)**	2,108	**(76)**	4,199	4,256
Basic and diluted earnings per share attributable to Hydro shareholders (in NOK) [1)]	**(0.04)**	1.03	**(0.04)**	2.05	2.08
Weighted average number of outstanding shares (million)	**2,047**	2,046	**2,046**	2,045	2,046

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

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

Condensed consolidated statements of comprehensive income (unaudited)

NOK million	**Second quarter 2019**	Second quarter 2018	**First half 2019**	First half 2 018	Year 2018
Net income (loss)	**(190)**	2,073	**(315)**	4,149	4,323
Other comprehensive income					
Items that will not be reclassified to income statement:					
Remeasurement postemployment benefits, net of tax	**(347)**	362	**(279)**	430	(718)
Unrealized gain (loss) on securities, net of tax	**(285)**	38	**(418)**	1	394
Total	**(633)**	400	(696)	431	(324)
Items that will be reclassified to income statement:					
Currency translation differences, net of tax	**(392)**	(2,917)	**(1,569)**	(6,064)	(2,031)
Cash flow hedges, net of tax	**69**	(12)	**63**	(98)	(14)
Share of items that will be reclassified to income statement of equity accounted investments, net of tax	**21**	7	**30**	47	72
Total	**(302)**	(2,922)	(1,476)	(6,115)	(1,973)
Other comprehensive income	**(935)**	(2,522)	(2,172)	(5,684)	(2,296)
Total comprehensive income	**(1,125)**	(449)	(2,487)	(1,535)	2,027
Total comprehensive income attributable to non-controlling interests	**(93)**	(390)	(326)	(677)	(273)
Total comprehensive income attributable to Hydro shareholders	**(1,032)**	(59)	(2,160)	(857)	2,300

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

Condensed balance sheets (unaudited)

NOK million, except number of shares	**June 30 2019**	June 30 2018	December 31 2018 Restated
Assets			
Cash and cash equivalents	**10,590**	5,682	5,995
Short-term investments	**1,090**	1,136	975
Accounts receivables	**23,186**	23,442	20,744
Inventories	**22,718**	22,337	26,483
Other current assets	**471**	978	801
Total current assets	**58,055**	53,575	54,998
Property, plant and equipment	**73,193**	66,683	74,369
Intangible assets	**11,485**	11,660	11,443
Investments accounted for using the equity method	**10,936**	11,140	11,570
Prepaid pension	**5,986**	6,322	5,162
Other non-current assets	**7,322**	5,780	7,385
Total non-current assets	**108,922**	101,584	109,929
Total assets	**166,978**	155,159	164,928
Liabilities and equity			
Bank loans and other interest-bearing short-term debt	**8,177**	4,969	9,373
Trade and other payables	**21,014**	21,351	20,381
Other current liabilities	**3,688**	4,976	6,062
Total current liabilities	**32,879**	31,296	35,817
Long-term debt	**18,620**	9,377	9,342
Provisions	**5,577**	5,532	5,588
Pension liabilities	**16,646**	14,665	15,648
Deferred tax liabilities	**3,123**	3,456	3,031
Other non-current liabilities	**4,536**	3,673	4,746
Total non-current liabilities	**48,502**	36,702	38,354
Total liabilities	**81,382**	67,998	74,172
Equity attributable to Hydro shareholders	**81,143**	82,676	85,820
Non-controlling interests	**4,452**	4,486	4,936
Total equity	**85,596**	87,162	90,756
Total liabilities and equity	**166,978**	155,159	164,928
Total number of outstanding shares (million)	**2,047**	2,046	2,046

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

Condensed consolidated statements of cash flows (unaudited)

NOK million	Second quarter 2019	Second quarter 2018	Six months ended June 30 2019	Six months ended June 30 2018	Year 2018
Operating activities					
Net income (loss)	**(190)**	2,073	**(315)**	4,149	4,323
Depreciation, amortization and impairment	**2,105**	1,891	**4,204**	3,799	7,369
Other adjustments	**685**	(2,446)	**(510)**	(4,441)	(4,667)
Net cash provided by operating activities	**2,600**	1,518	**3,379**	3,507	7,025
Investing activities					
Purchases of property, plant and equipment	**(2,231)**	(1,537)	**(3,862)**	(2,906)	(7,219)
Purchases of other long-term investments	**(459)**	(104)	**(478)**	(234)	(389)
Purchases of short-term investments	**(18)**	-	**(42)**	-	-
Proceeds from long-term investing activities	**21**	19	**80**	47	412
Net cash used in investing activities	**(2,687)**	(1,622)	**(4,302)**	(3,093)	(7,196)
Financing activities					
Loan proceeds	**8,444**	2,141	**10,931**	3,735	7,057
Principal repayments	**(1,540)**	(1,926)	**(2,961)**	(3,291)	(5,984)
Net increase (decrease) in other short-term debt	**244**	(14)	**186**	(2,945)	(2,934)
Proceeds from shares issued	**4**	14	**14**	24	47
Dividends paid	**(2,558)**	(3,581)	**(2,558)**	(3,581)	(3,622)
Net cash provided by (used in) financing activities	**4,594**	(3,366)	**5,612**	(6,058)	(5,436)
Foreign currency effects on cash	**(16)**	(219)	**(94)**	(502)	(226)
Net increase (decrease) in cash and cash equivalents	**4,491**	(3,689)	**4,595**	(6,146)	(5,833)
Cash and cash equivalents at beginning of period	**6,099**	9,371	**5,995**	11,828	11,828
Cash and cash equivalents at end of period	**10,590**	5,682	**10,590**	5,682	5,995

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

Condensed consolidated statements of changes in equity (unaudited)

NOK million	Share capital	Additional paid-in capital	Treasury shares	Retained earnings	Other components of equity	Equity attributable to Hydro shareholders	Non-controlling interests	Total equity
January 1, 2018	2,272	29,097	(810)	56,452	20	87,032	5,178	92,209
Changes in equity for 2018								
Treasury shares issued to employees		29	53			83		83
Dividends				(3,581)		(3,581)	(18)	(3,599)
Capital contribution in subsidiaries							3	3
Total comprehensive income for the period				4,199	(5,056)	(857)	(677)	(1,535)
June 30, 2018	2,272	29,126	(756)	57,070	(5,036)	82,676	4,486	87,162
December 31, 2018	2,272	29,126	(756)	57,127	(1,936)	85,833	4,936	90,769
Effect of change in accounting principle				(13)		(13)		(13)
January 1, 2019	2,272	29,126	(756)	57,114	(1,936)	85,820	4,936	90,756
Changes in equity for 2019								
Treasury shares issued to employees		(3)	45			42		42
Capital contribution in subsidiaries							2	2
Dividends				(2,558)		(2,558)	(159)	(2,717)
Total comprehensive income for the period				(76)	(2,084)	(2,160)	(326)	(2,487)
June 30, 2019	2,272	29,123	(711)	54,480	(4,020)	81,143	4,452	85,596

The accompanying notes are an integral part of the condensed consolidated financial statements

Notes to the condensed consolidated financial statements

Note 1: Accounting policies

All reported figures in the financial statements are based on International Financial Reporting Standards (IFRS). Hydro's accounting principles are presented in note 2 Significant accounting policies and note 3 Changes in accounting principles and new pronouncements in Hydro's Financial Statements - 2018.

IFRS 16 Leases
Hydro implemented IFRS 16 Leases on January 1, 2019. The standard was implemented retrospectively with the cumulative effect of initially applying the standard recognized in the balance sheet as of January 1, 2019. IFRS 16 requires all leases except short-term leases and small asset leases to be recognized on the balance sheet as a right-of-use asset and a lease liability. The right-of-use asset is recognized according to the underlying asset, i.e. included in Property, plant and equipment. The lease liability is included in Long-term debt, with the short-term portion included in Bank loans and other interest-bearing short-term debt.

At implementation of IFRS 16, the liabilities are measured as the contractually fixed payments in future periods discounted using the estimated alternative borrowing rate for the relevant duration and currency. Renewal options that at initial recognition are highly probable to be used are included in the contractual cash flows when measuring the lease liability. The right-of-use assets are measured as the remaining liability for close to all contracts. For two long-term contracts, both in Rolled Products, the asset value has been measured as if IFRS 16 had always been applied to those contracts, an alternative allowed by the implementation guidance in the standard on an individual contract basis. As required by the implementation guidance in the standard, amounts for prior periods have not been restated and are thus not fully comparable.

The right-of-use asset is depreciated over the lease term. Contractual payments represent a combination of interest on the liability and repayment of the principal amount. Lease amounts representing variable payments based on such factors as specific cost elements in related services or usage, lease amounts for short-term leases of a duration of up to 12 months as well as lease amounts for small asset leases covering such elements as PCs and other office equipment, is expensed as Other expenses over the lease term.

During the second quarter of 2019, Hydro expensed about NOK 75 million, in the first quarter about NOK 70 million as lease expense in Other expenses compared to about NOK 250 million during the fourth quarter of 2018. Depreciation of right-of-use assets increased by about NOK 170 million for each of the two first quarters of 2019 compared to the fourth quarter of 2018. Interest on lease liabilities amounted to about NOK 40 million for each of the first two quarters of 2019, and increase of about NOK 20 million per quarter compared to the level in 2018.

Change of accounting principles, amounts in NOK million	Effect of implementing IFRS 16
Property, plant and equipment	3,070
Deferred tax asset	6
Other assets	2
Total assets	3,079
Bank loans and other interest-bearing short-term debt	830
Long-term debt	2,262
Equity attributable to Hydro shareholders	(13)
Total liabilities and equity	3,079

The interim accounts are presented in accordance with IAS 34 Interim Financial Reporting. The condensed consolidated interim financial information should be read in conjunction with Hydro's Financial Statements - 2018 that are a part of Hydro's Annual Report - 2018.

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

Note 2: Operating segment information

Hydro identifies its reportable segments and discloses segment information under IFRS 8 Operating Segments. This standard requires Hydro to identify its segments according to the organization and reporting structure used by management. See Hydro's Financial statements - 2018 note 7 Operating and geographic segment information for a description of Hydro's management model and segments, including a description of Hydro's segment measures and accounting principles used for segment reporting.

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

NOK million	**Second quarter 2019**	Second quarter 2018	**First half 2019**	First half 2018	Year 2018
Total revenue					
Bauxite & Alumina	**5,745**	6,877	**10,611**	13,186	28,548
Primary Metal	**8,937**	10,083	**17,960**	20,253	39,434
Metal Markets	**13,301**	14,205	**26,260**	28,103	54,237
Rolled Products	**6,623**	7,145	**13,467**	13,942	26,955
Extruded Solutions	**17,270**	16,980	**33,283**	32,891	64,085
Energy	**1,815**	2,163	**4,076**	3,926	8,681
Other and eliminations	**(14,515)**	(16,198)	**(28,897)**	(31,076)	(62,562)
Total	**39,176**	41,254	**76,759**	81,225	159,377
External revenue					
Bauxite & Alumina	**2,692**	3,640	**5,062**	7,148	14,396
Primary Metal	**1,457**	1,993	**2,847**	4,011	7,829
Metal Markets	**10,577**	10,905	**20,716**	21,805	42,502
Rolled Products	**6,654**	7,011	**13,432**	13,881	26,940
Extruded Solutions	**17,271**	16,877	**33,195**	32,809	64,023
Energy	**519**	823	**1,502**	1,561	3,673
Other and eliminations	**5**	6	**5**	10	14
Total	**39,176**	41,254	**76,759**	81,225	159,377
Internal revenue					
Bauxite & Alumina	**3,052**	3,237	**5,549**	6,038	14,152
Primary Metal	**7,480**	8,090	**15,113**	16,242	31,605
Metal Markets	**2,724**	3,301	**5,543**	6,298	11,735
Rolled Products	**(31)**	134	**35**	61	15
Extruded Solutions	**(1)**	103	**88**	82	61
Energy	**1,296**	1,340	**2,574**	2,365	5,007
Other and eliminations	**(14,520)**	(16,204)	**(28,902)**	(31,085)	(62,576)
Total	**-**	-	**-**	-	-
Share of the profit (loss) in equity accounted investments					
Bauxite & Alumina	**-**	-	**-**	-	-
Primary Metal	**24**	280	**56**	490	722
Metal Markets	**-**	-	**-**	-	-
Rolled Products	**-**	-	**-**	-	-
Extruded Solutions	**5**	11	**18**	29	53
Energy	**(9)**	(11)	**(18)**	(20)	(35)
Other and eliminations	**27**	5	**(5)**	8	24
Total	**47**	286	**50**	506	765

NOK million	**Second quarter 2019**	Second quarter 2018	**First half 2019**	First half 2018	Year 2018
Depreciation, amortization and impairment					
Bauxite & Alumina	**589**	573	**1,194**	1,203	2,095
Primary Metal	**605**	575	**1,223**	1,122	2,253
Metal Markets	**29**	25	**59**	49	101
Rolled Products	**251**	227	**498**	450	927
Extruded Solutions	**535**	425	**1,041**	846	1,723
Energy	**62**	59	**125**	116	239
Other and eliminations	**34**	7	**64**	14	30
Total	**2,105**	1,891	**4,204**	3,799	7,369
Earnings before financial items and tax (EBIT) [1)]					
Bauxite & Alumina	**401**	364	**519**	1,104	1,763
Primary Metal	**(554)**	776	**(1,474)**	1,693	2,123
Metal Markets	**361**	270	**329**	575	886
Rolled Products	**12**	353	**(41)**	432	336
Extruded Solutions	**483**	1,109	**1,127**	1,795	1,774
Energy	**174**	417	**685**	695	1,853
Other and eliminations	**(220)**	(303)	**(469)**	(8)	(214)
Total	**656**	2,986	**676**	6,287	8,522
Earnings before financial items, tax, depreciation and amortization (EBITDA)					
Bauxite & Alumina	**989**	937	**1,713**	2,307	3,858
Primary Metal	**23**	1,330	**(306)**	2,773	4,267
Metal Markets	**390**	295	**388**	623	986
Rolled Products	**263**	580	**457**	882	1,263
Extruded Solutions	**1,017**	1,534	**2,167**	2,642	3,498
Energy	**240**	479	**817**	818	2,107
Other and eliminations	**(186)**	(296)	**(405)**	7	(183)
Total	**2,737**	4,860	**4,831**	10,052	15,796
Investments [2)]					
Bauxite & Alumina	**624**	293	**1,038**	533	963
Primary Metal	**1,173**	603	**1,976**	1,134	2,724
Metal Markets	**34**	34	**67**	45	165
Rolled Products	**145**	126	**284**	253	1,047
Extruded Solutions	**1,030**	487	**1,327**	766	2,390
Energy	**139**	74	**186**	171	280
Other and eliminations	**28**	3	**50**	37	45
Total	**3,173**	1,620	**4,926**	2,939	7,614

1) Total segment EBIT is the same as Hydro group's total EBIT. Financial income and expense are not allocated to the segments. There are no reconciling items between segment EBIT to Hydro EBIT. Therefore, a separate reconciliation table is not presented.

2) Additions to property, plant and equipment (capital expenditures) plus long-term securities, intangible assets, long-term advances and investments in equity accounted investments, including amounts recognized in business combinations. In 2018, investments were reduced with certain indirect tax charges in Brazil not completely deducted and claimed at the time of investment. A review of deductibility resulted in reduction of asset costs for Bauxite & Alumina and Primary Metal of NOK 635 million and NOK 145 million, respectively.

NOK million	EBIT	Depr., amor. and impairment	Other items[1)]	EBITDA
EBIT - EBITDA Second quarter 2019				
Bauxite & Alumina	401	589	-	989
Primary Metal	(554)	605	(27)	23
Metal Markets	361	29	-	390
Rolled Products	12	251	-	263
Extruded Solutions	483	535	(1)	1,017
Energy	174	62	4	240
Other and eliminations	(220)	34	-	(186)
Total	656	2,105	(25)	2,737

NOK million	EBIT	Depr., amor. and impairment	Other items[1)]	EBITDA
EBIT - EBITDA First half 2019				
Bauxite & Alumina	519	1,194	-	1,713
Primary Metal	(1,474)	1,223	(55)	(306)
Metal Markets	329	59	-	388
Rolled Products	(41)	498	-	457
Extruded Solutions	1,127	1,041	(1)	2,167
Energy	685	125	7	817
Other and eliminations	(469)	64	-	(405)
Total	676	4,204	(49)	4,831

1) Investment grants, and amortization of excess values in equity accounted investments and impairment loss of such investments.

Note 3: Contingent liabilities

Hydro is involved in or threatened with various legal and tax matters arising in the ordinary course of business. A discussion of contingent liabilities is included in note 36 *Contingent liabilities and contingent assets* in Hydro's Annual financial statements – 2018. There is no information indicating a significant change to Hydro's contingent liabilities since the issuance of Hydro's 2018 Annual financial statements.

Note 4: Impairment of non-current assets

The Hydro share price has been below the carrying value of net assets for a period of about eight months. This fact is considered, in combination with market expectations for our main products, key input factors and market demand, as well as individual conditions such as the newly lifted production embargo for our Brazilian alumina refinery Alunorte, when we assess whether there are impairment indicators for any of our cash generating units.

An indicator that one primary aluminium plant, Slovalco, might be impaired was identified in the second quarter. The profitability of the plant is expected to be challenging going forward with the recent reduction in aluminium prices. The plant was also tested for impairment at the end of 2018. The impairment test is consistent with the methodology described in note 20 *Impairment of non-current assets* to Hydro's annual financial statements – 2018 with updated price and other relevant assumptions, including a higher expected price level for energy in central Europe compared to areas where most of our other smelters are situated. The estimated recoverable amount equals the carrying amount of NOK 1.1 billion. Any negative development in such factors as aluminium price, operating costs or production volume reducing the plant margin is likely to lead to a write-down of the plant.

Impairment losses of NOK 28 million have been recognized related to announced closure of four production facilities in Extruded Solutions.

Alternative performance measures (APMs)

Alternative performance measures, i.e. financial performance measures not within the applicable financial reporting framework, are used by Hydro to provide supplemental information, by excluding items that, in Hydro's view, does not give an indication of the periodic operating results or cash flows of Hydro. Financial APMs are intended to enhance comparability of the results and cash flows from period to period, and it is Hydro's experience that these are frequently used by analysts, investors and other parties. Management also uses these measures internally to drive performance in terms of long-term target setting and as basis for performance related pay. These measures are adjusted IFRS measures defined, calculated and used in a consistent and transparent manner over the years and across the company where relevant. Operational measures such as, but not limited to, volumes, prices per mt, production costs and improvement programs are not defined as financial APMs. To provide a better understanding of the company's underlying financial performance for the relevant period, Hydro focuses on underlying EBIT in the discussions on periodic underlying financial and operating results and liquidity from the business areas and the group, while effects excluded from underlying EBIT and net income (loss) are discussed separately in the section on reported EBIT and net income. Financial APMs should not be considered as a substitute for measures of performance in accordance with the IFRS. Disclosures of APMs are subject to established internal control procedures.

Hydro's financial APMs

- *EBIT:* Income (loss) before tax, financial income and expense.
- *Underlying EBIT:* EBIT +/- identified items to be excluded from underlying EBIT as described below.
- *EBITDA:* EBIT + depreciation, amortization and impairments, net of investment grants.
- *Underlying EBITDA:* EBITDA +/- identified items to be excluded from underlying EBIT as described below + impairments.
- *Underlying net income (loss):* Net income (loss) +/- items to be excluded from underlying income (loss) as described below.
- *Underlying earnings per share:* Underlying net income (loss) attributable to Hydro shareholders divided by a weighted average of outstanding shares (ref.: the interim financial statements).
- *Investments:* Additions to property, plant and equipment (capital expenditures) plus long-term securities, intangible assets, long-term advances and investments in equity accounted investments, including amounts recognized in business combinations.
- *Adjusted net cash (debt):* Short- and long-term interest-bearing debt adjusted for Hydro's liquidity positions, and for liquidity positions regarded unavailable for servicing debt, pension obligation and other obligations which are considered debt-like in nature.
- Metal Markets specific adjustments to underlying EBIT:
  - *Currency effects* include the effects of changes in currency rates on sales and purchase contracts denominated in foreign currencies (mainly US dollar and Euro for our European operations) and the effects of changes in currency rates on the fair valuation of derivative contracts (including LME futures) and inventories mainly translated into Norwegian kroner. Hydro manages its external currency exposure on a consolidated basis in order to take advantage of offsetting positions.
  - *Inventory valuation effects* comprise hedging gains and losses relating to inventories. Increasing LME prices result in unrealized hedging losses, while the offsetting gains on physical inventories are not recognized until realized. In period of declining prices, unrealized hedging gains are offset by write-downs of physical inventories.

Items excluded from underlying EBIT, EBITDA, net income (loss) and earnings per share

Hydro has defined two categories of items which are excluded from underlying results in all business areas, equity accounted investments and at group level. One category is the timing effects, which are unrealized changes to the market value of certain derivatives and the metal effect in Rolled Products. When realized, effects of changes in the market values since the inception are included in underlying EBIT. Changes in the market value of the trading portfolio are included in underlying results. The other category includes material items which are not regarded as part of underlying business performance for the period, such as major rationalization charges and closure costs, major impairments of property, plant and equipment, effects of disposals of businesses and operating assets, as well as other major effects of a special nature. Materiality is defined as items with a value above NOK 20 million. All items excluded from underlying results are reflecting a reversal of transactions recognized in the financial statements for the current period, except for the metal effect. Part-owned entities have implemented similar adjustments.

- *Unrealized derivative effects on LME related contracts* include unrealized gains and losses on contracts measured at market value, which are used for operational hedging purposes related to fixed-price customer and supplier contracts, where hedge accounting is not applied. Also includes elimination of changes in fair value of certain internal physical aluminium contracts.
- *Unrealized derivative effects on power and raw material contracts* include unrealized gains and losses on embedded derivatives in raw material and power contracts for Hydro's own use and for financial power contracts used for hedging purposes, as well as elimination of changes in fair value of embedded derivatives within certain internal power contracts.
- *Metal effect in Rolled Products* is an effect of timing differences resulting from inventory adjustments due to changing aluminium prices during the production, sales and logistics process, lasting two to three months. As a result, margins are impacted by timing differences resulting from the FIFO inventory valuation method (first in, first out), due to changing aluminium prices during the process. The effect of inventory write-downs is included. Decreasing aluminium prices in Euro results in a negative metal effect on margins, while increasing prices have a positive effect.
- *Significant rationalization charges and closure costs* include costs related to specifically defined major projects, and not considered to reflect periodic performance in the individual plants or operations. Such costs involve termination benefits, dismantling of installations and buildings, clean-up activities that exceed legal liabilities, etc. Costs related to regular and continuous improvement initiatives are included in underlying results.
- *Impairment charges (PP&E and equity accounted investments)* relate to significant write-downs of assets or groups of assets to estimated recoverable amounts in the event of an identified loss in value. Gains from reversal of impairment charges are simultaneously excluded from underlying results.
- *Alunorte agreements – provision* refers to the provision recognized in relation to the TAC and TC agreements with the Government of Parà and Ministèrio Pùblico made on September 5, 2018
- *(Gains) losses on divestments* include a net gain or loss on divested businesses and/or individual major assets.
- *Other effects* include insurance proceeds covering asset damage, legal settlements, etc. Insurance proceeds covering lost income are included in underlying results.
- *Pension* includes recognition of pension plan amendments and related curtailments and settlements.
- *Transaction related effects* reflect the net measurement (gains) losses relating to previously owned shares in acquired business and inventory valuation expense related to the transaction.
- *Items excluded in equity accounted investments* reflects Hydro's share of items excluded from underlying net income Qatalum and are based on Hydro's definitions, including both timing effects and material items not regarded as part of underlying business performance for the period.
- *Net foreign exchange (gain) loss:* Realized and unrealized gains and losses on foreign currency denominated accounts receivable and payable, funding and deposits, embedded currency derivatives in certain power contracts and forward currency contracts purchasing and selling currencies that hedge net future cash flows from operations, sales contracts and operating capital.
- *Calculated income tax effect:* In order to present underlying net income on a basis comparable with our underlying operating performance, the underlying income taxes are adjusted for the expected taxable effects on items excluded from underlying income before tax.
- *Other adjustments to net income* include other major financial and tax related effects not regarded as part of the underlying business performance of the period.

Items excluded from underlying EBIT per operating segment and for Other and eliminations [1] NOK million	**Second quarter 2019**	Second quarter 2018	First quarter 2019	**First half 2019**	First half 2018	Year 2018
Alunorte agreements - provision[2]	**14**	-	35	**49**	-	519
Bauxite & Alumina	**14**	-	35	**49**	-	519
Unrealized derivative effects on LME related contracts	**(15)**	(41)	122	**107**	(156)	(143)
Unrealized derivative effects on power contracts	**(35)**	20	27	**(8)**	40	(218)
Primary Metal	**(50)**	(21)	149	**99**	(115)	(361)
Unrealized derivative effects on LME related contracts	**(62)**	(32)	222	**160**	(160)	(200)
Metal Markets	**(62)**	(32)	222	**160**	(160)	(200)
Unrealized derivative effects on LME related contracts	**60**	(82)	(77)	**(17)**	26	111
Metal effect	**3**	(60)	267	**270**	(14)	(73)
Significant rationalization charges and closure costs	**-**	-	-	**-**	-	39
Rolled Products	**63**	(142)	191	**253**	12	77
Unrealized derivative effects on LME related contracts	**27**	(151)	(77)	**(50)**	(104)	299
Impairment charges[3]	**28**	-	-	**28**	-	-
Significant rationalization charges and closure costs[3]	**200**	-	-	**200**	-	40
Pension [4]	**-**	-	-	**-**	-	40
Transaction related effects [5]	**35**	-	-	**35**	-	-
Other effects[6]	**-**	-	26	**26**	-	237
Extruded Solutions	**289**	(151)	(51)	**238**	(104)	616
Unrealized derivative effects on power contracts	**2**	-	6	**8**	-	(7)
Energy	**2**	-	6	**8**	-	(7)
Unrealized derivative effects on power contracts[7]	**(39)**	72	(21)	**(61)**	(35)	(36)
Unrealized derivative effects on LME related contracts[7]	**1**	1	10	**10**	(25)	(27)
Other effects[8]	**-**	-	-	**-**	-	(34)
Other and eliminations	**(39)**	73	(11)	**(50)**	(60)	(97)
Items excluded from underlying EBIT	**219**	(274)	539	**758**	(428)	547

1) Negative figures indicate reversal of a gain and positive figures indicate reversal of a loss.
2) Alunorte agreements - provision refers to adjustments in the first and the second quarter of 2019 to the provision that was initially recognized in 2018 in relation to the TAC and TC agreements with the Government of Parà and Ministèrio Pùblico made on September 5, 2018.
3) Impairment and rationalization charges of NOK 228 million include the write down of assets and provision for costs related to reduction of existing over capacity in certain extrusion segments in Europe. Rationalization charges and closure costs in 2018 was NOK 40 million.
4) Pension includes in the fourth quarter 2018 a charge of NOK 40 million due to remeasurement of all UK schemes with Guaranteed Minimum Pensions (GMP) required to be adjusted to equalize pension benefits for gender. The remeasurement is based on the accrued pension benefits in the period between 1990 and 1997.
5) Transaction related effects include the revaluation loss of Hydro's pre-transactional 50 percent share in Technal Middle East, as well as the fair value allocated to inventory sold during second quarter.
6) For the first quarter 2019 other effects include a charge of NOK 26 million due to adjustments to the value of certain assets in relation to the Sapa acquisition. In the fourth quarter 2018 other effects include a charge of NOK 80 million due to adjustments to the value of certain assets in relation to the Sapa acquisition and a gain of NOK 34 million due to remeasurement of environmental liabilities related to closed business in Germany. Subsequent to the release of fourth quarter 2018 on February 7, 2019, an agreement in principle was reached between Sapa Profiles Inc. (SPI) and the United States Department of Justice (DOJ) Civil and Criminal Divisions. Following the agreement, an increase, NOK 157 million, of the provision was recognized in the final annual results of 2018 (see note 35 in the 2018 Annual report).
7) Unrealized derivative effects on power contracts and LME related contracts result from elimination of changes in the valuation of embedded derivatives within certain internal power contracts and in the valuation of certain internal aluminium contracts.
8) Other effects in Other and eliminations in 2018 include the remeasurement of environmental liabilities related to closed business in Germany.

Underlying EBITDA NOK million	**Second quarter 2019**	Second quarter 2018	Change prior year quarter	First quarter 2019	Change prior quarter	**First half 2019**	First half 2018	Year 2018
EBITDA	**2,737**	4,860	(44) %	2,094	31 %	**4,831**	10,052	15,796
Items excluded from underlying EBIT	**219**	(274)	>100 %	539	(59) %	**758**	(428)	547
Reversal of impairments	**(28)**	-	-	-	-	**(28)**	-	-
Underlying EBITDA	**2,928**	4,586	(36) %	2,633	11 %	**5,561**	9,624	16,344

Underlying earnings per share NOK million	**Second quarter 2019**	Second quarter 2018	Change prior year quarter	First quarter 2019	Change prior quarter	**First half 2019**	First half 2018	Year 2018
Net income (loss)	**(190)**	2,073	>(100) %	(124)	(53) %	**(315)**	4,149	4,323
Items excluded from net income (loss)	**472**	24	>100 %	248	90 %	**720**	148	1,495
Underlying net income (loss)	**281**	2,096	(87) %	124	>100 %	**405**	4,298	5,819
Underlying net income attributable to non-controlling interests	**(104)**	17	>(100) %	(133)	22 %	**(237)**	58	184
Underlying net income attributable to Hydro shareholders	**385**	2,079	(81) %	256	50 %	**642**	4,240	5,635
Number of shares	**2,047**	2,046	-	2,046	-	**2,046**	2,045	2,046
Underlying earnings per share	**0.19**	1.02	(81) %	0.13	51 %	**0.31**	2.07	2.75

Adjusted net cash (debt) NOK million	**Jun 30 2019**	Mar 31 2019	Change prior quarter	Jun 30 2018	Mar 31 2018	Change prior year quarter
Cash and cash equivalents	**10,589**	6,099	4,490	5,682	9,371	(3,689)
Short-term investments[1)]	**1,090**	1,274	(184)	1,136	1,031	105
Short-term debt[4)]	**(8,177)**	(8,913)	736	(4,969)	(5,269)	300
Long-term debt[4)]	**(18,620)**	(10,559)	(8,061)	(9,377)	(8,746)	(631)
Net cash (debt)[4)]	**(15,117)**	(12,099)	(3,018)	(7,528)	(3,612)	(3,915)
Cash and cash equiv. and short-term investm. in captive insurance company [2)]	**(944)**	(879)	(64)	(1,059)	(1,026)	(33)
Net pension obligation at fair value, net of expected income tax benefit [3)]	**(8,757)**	(8,414)	(343)	(6,998)	(7,517)	519
Operating lease commitments, net of expected income tax benefit [4)]	**-**	-	-	(1,585)	(1,585)	-
Short- and long-term provisions net of exp. income tax benefit, and other liab.[5)]	**(3,087)**	(3,001)	(85)	(3,040)	(3,150)	110
Adjusted net cash (debt)	**(27,905)**	(24,394)	(3,511)	(20,209)	(16,890)	(3,319)
Net debt in EAI[6)]	**(5,386)**	(5,737)	351	(5,658)	(5,666)	8
Adjusted net cash (debt) incl. EAI	**(33,291)**	(30,131)	(3,160)	(25,868)	(22,556)	(3,311)

1) Hydro's policy is that the maximum maturity for cash deposits is 12 months. Cash flows relating to bank time deposits with original maturities beyond three months are classified as investing activities and included in short-term investments on the balance sheet.

2) Cash and cash equivalents and short-term investments in Hydro's captive insurance company Industriforsikring AS are assumed to not be available to service or repay future Hydro debt, and are therefore excluded from the measure Adjusted net debt.

3) The expected income tax benefit related to the pension liability is NOK 1889 million and NOK 1713 million for June 2019 and March 2019, respectively.

4) As a consequence of implementing IFRS 16 - Leases (see note 1 Accounting policies to the interim financial statements), there are no adjustments for operating leases made to the adjusted net cash (debt) for Dec 31, 2018 or later dates. The majority of such liabilities are recognized as short-term and long-term debt as of December 31, 2018.

5) Consists of Hydro's short and long-term provisions related to asset retirement obligations, net of an expected tax benefit estimated at 30 percent, and other non-current financial liabilities.

6) Net debt in equity accounted investments is defined as the total of Hydro's relative ownership percentage of each equity accounted investment's short and long-term interest bearing debt less their cash position, reduced by total outstanding loans from Hydro to the equity accounted investment. Net debt per individual equity accounted investment is limited to a floor of zero.

Responsibility statement

We confirm to the best of our knowledge that the condensed set of financial statements for the period January 1 to June 30, 2019 has been prepared in accordance with IAS 34 - Interim Financial Reporting, and gives a true and fair view of the Hydro Group's assets, liabilities, financial position and result for the period. We also confirm to the best of our knowledge that the financial review includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the financial statements, any major related parties transactions, and a description of the principal risks and uncertainties for the remaining six months of the financial year.

DAG MEJDELL
Chair

IRENE RUMMELHOFF
Deputy chair

ARVE BAADE
Board member

ROELAND BAAN
Board member

FINN JEBSEN
Board member

LISELOTT KILAAS
Board member

PETER KUKIELSKI
Board member

STEN ROAR MARTINSEN
Board member

THOMAS SCHULZ
Board member

SVEIN KÅRE SUND
Board member

MARIANNE WIINHOLT
Board member

HILDE MERETE AASHEIM
President and CEO

Additional Information

Financial calendar 2019

September 24	Investor Day
October 23	Third quarter results

Hydro reserves the right to revise these dates.

Cautionary note

Certain statements included in this announcement contain forward-looking information, including, without limitation, information relating to (a) forecasts, projections and estimates, (b) statements of Hydro management concerning plans, objectives and strategies, such as planned expansions, investments, divestments, curtailments or other projects, (c) targeted production volumes and costs, capacities or rates, start-up costs, cost reductions and profit objectives, (d) various expectations about future developments in Hydro's markets, particularly prices, supply and demand and competition, (e) results of operations, (f) margins, (g) growth rates, (h) risk management, and (i) qualified statements such as “expected”, “scheduled”, “targeted”, “planned”, “proposed”, “intended” or similar.

Although we believe that the expectations reflected in such forward-looking statements are reasonable, these forward-looking statements are based on a number of assumptions and forecasts that, by their nature, involve risk and uncertainty. Various factors could cause our actual results to differ materially from those projected in a forward-looking statement or affect the extent to which a particular projection is realized. Factors that could cause these differences include, but are not limited to: our continued ability to reposition and restructure our upstream and downstream businesses; changes in availability and cost of energy and raw materials; global supply and demand for aluminium and aluminium products; world economic growth, including rates of inflation and industrial production; changes in the relative value of currencies and the value of commodity contracts; trends in Hydro's key markets and competition; and legislative, regulatory and political factors.

No assurance can be given that such expectations will prove to have been correct. Hydro disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Hydro

We are aluminium

Norsk Hydro ASA
NO-0240 Oslo
Norway

T +47 22 53 81 00
www.hydro.com

Design and production: Hydro
Print: Printbox

Hydro is a fully integrated aluminium company with 35,000 employees in 40 countries on all continents, combining local expertise, worldwide reach and unmatched capabilities in R&D. In addition to production of primary aluminium, rolled and extruded products and recycling, Hydro also extracts bauxite, refines alumina and generates energy to be the only 360° company of the global aluminium industry. Hydro is present within all market segments for aluminium, with sales and trading activities throughout the value chain serving more than 30,000 customers. Based in Norway and rooted in more than a century of experience in renewable energy, technology and innovation, Hydro is committed to strengthening the viability of its customers and communities, shaping a sustainable future through innovative aluminium solutions.