



HYDRO

4

FOURTH
QUARTER REPORT

2017

Contents

Financial review	2
Overview	2
Market developments and outlook	5
Additional factors impacting Hydro	8
Underlying EBIT	9
Finance	15
Tax	15
 Pro forma information	 16
 Interim financial statements	 18
Condensed consolidated statements of income (unaudited)	18
Condensed consolidated statements of comprehensive income (unaudited)	19
Condensed consolidated balance sheets (unaudited)	20
Condensed consolidated statements of cash flows (unaudited)	21
Condensed consolidated statements of changes in equity (unaudited)	22
Notes to the condensed consolidated financial statements (unaudited)	23
 Alternative performance measures	 30
 Additional information	 36
Financial calendar	36

Oslo, February 15, 2018

Overview

Summary underlying financial and operating results and liquidity

Key financial information

NOK million, except per share data	Fourth quarter 2017	Third quarter 2017	Change prior quarter	Fourth quarter 2016	Change prior year quarter	Year 2017	Year 2016
Revenue	38 803	22 799	70 %	21 250	83 %	109 220	81 953
Earnings before financial items and tax (EBIT)	4 511	2 323	94 %	1 964	>100 %	12 189	7 011
Items excluded from underlying EBIT ¹⁾	(956)	123	>(100) %	(135)	>(100) %	(974)	(586)
Underlying EBIT ¹⁾	3 555	2 446	45 %	1 829	94 %	11 215	6 425
<i>Underlying EBIT :</i>							
Bauxite & Alumina	1 872	413	>100 %	711	>100 %	3 704	1 227
Primary Metal	1 377	1 298	6 %	601	>100 %	5 061	2 258
Metal Markets	185	91	>100 %	152	22 %	544	510
Rolled Products	95	95	-	6	>100 %	380	708
Extruded Solutions ²⁾	284					284	
Energy	457	368	24 %	359	27 %	1 531	1 343
Other and eliminations ²⁾	(715)	181	>(100) %	(1)	>(100) %	(289)	380
Underlying EBIT ¹⁾	3 555	2 446	45 %	1 829	94 %	11 215	6 425
Earnings before financial items, tax, depreciation and amortization (EBITDA) ³⁾	6 481	3 766	72 %	3 563	82 %	18 344	12 485
Underlying EBITDA ¹⁾	5 524	3 889	42 %	3 143	76 %	17 369	11 474
Net income (loss)	3 600	2 184	65 %	1 008	>100 %	9 184	6 586
Underlying net income (loss) ¹⁾	2 816	1 785	58 %	968	>100 %	8 396	3 875
Earnings per share	1.71	1.00	72 %	0.52	>100 %	4.30	3.13
Underlying earnings per share ¹⁾	1.33	0.82	62 %	0.48	>100 %	3.95	1.84
<i>Financial data:</i>							
Investments ^{1) 3)}	24 632	1 424	>100 %	3 541	>100 %	28 848	9 137
Adjusted net cash (debt) ¹⁾	(17 968)	(2 976)	>(100) %	(5 598)	>(100) %	(17 968)	(5 598)
Underlying Return on average Capital Employed (RoCE) ¹⁾						9.6 %	5.1 %

Key Operational information

	Fourth quarter 2017	Third quarter 2017	Change prior quarter	Fourth quarter 2016	Change prior year quarter	Year 2017	Year 2016
Bauxite production (kmt) ⁴⁾	3 049	3 043	-	3 063	-	11 435	11 132
Alumina production (kmt)	1 693	1 605	5 %	1 635	4 %	6 397	6 341
Primary aluminium production (kmt)	528	527	-	526	-	2 094	2 085
Realized aluminium price LME (USD/mt)	2 092	1 921	9 %	1 647	27 %	1 915	1 574
Realized aluminium price LME (NOK/mt)	17 066	15 496	10 %	13 659	25 %	15 888	13 193
Realized USD/NOK exchange rate	8.16	8.07	1 %	8.29	(2) %	8.30	8.38
Rolled Products sales volumes to external market (kmt)	224	236	(5) %	213	5 %	940	911
Extruded Solutions sales volumes to external market (kmt) ⁵⁾	318	170	87 %	155	>100 %	845	682
Power production (GWh)	3 089	2 509	23 %	2 551	21 %	10 835	11 332

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

2) Other and eliminations includes Hydro's 50 percent share of underlying net income from Sapa until end of third quarter 2017, while 100 percent of Extruded Solutions' underlying EBIT is disclosed separately as of fourth quarter 2017.

3) EBITDA and investments per segment are specified in Note 2: Operating segment information.

4) Paragominas production, on wet basis.

5) Hydro's 50 percent share of Sapa sales volumes until end of third quarter 2017 and 100 percent of Extruded Solutions sales volumes as of the fourth quarter 2017.

Hydro's underlying earnings before financial items and tax increased to NOK 3,555 million in the fourth quarter, up from NOK 2,446 million in the third quarter. The increase mainly reflects a higher realized alumina sales price and all-in metal price¹⁾, partly offset by increased raw material costs and fixed costs.

Compared to the fourth quarter of 2016 the underlying EBIT increased significantly from NOK 1,829 million to NOK 3,555 million. The increase reflects a higher all-in metal price and alumina sales price, partly offset by increased raw material costs and fixed costs.

For the full year 2017 Hydro's underlying EBIT increased to NOK 11,215 million from NOK 6,425 million for 2016. The increase reflects a higher all-in metal price and alumina sales price, partly offset by increased raw material costs, fixed costs and negative currency effects.

Due to performance challenges in Rolled Products and slower than expected progress of improvements at Albras in Primary Metal, progress on Hydro's "Better" improvement program is behind plan. While Hydro did not reach the 2017 target of NOK 500 million, the delay is not expected to impact the revised 2019 target of NOK 3.0 billion.

Hydro's acquisition of Orkla's 50 percent ownership in Sapa was completed on October 2, 2017, giving Hydro full ownership of Sapa. Financial results for the new fully owned entity are presented in the new business area Extruded Solutions. Sapa's results for the first nine months are reported as a 50 percent owned joint venture accounted for under the equity method within the Other and eliminations business area. For more information see note 4 to the interim financial statements.

Hydro's net cash position decreased from NOK 7.7 billion²⁾ to a net debt position of NOK 4.1 billion at the end of the quarter. Net cash provided by operating activities amounted to NOK 6.4 billion. Net cash used in investment activities, excluding short term investments, amounted to NOK 14.1 billion.

For 2017, Hydro's Board of Directors proposes a dividend of NOK 1.75 per share reflecting Hydro's strong operational performance for 2017 and solid financial position. This is up from NOK 1.25 per share paid out for 2016, which is still to be considered a floor. The proposed payment represents a 41 percent pay-out ratio of reported net income for the year and demonstrates the company's commitment to provide a competitive cash return to shareholders, also taking into account the volatility in the aluminium industry.

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

2) 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

Reported earnings before financial items and tax amounted to NOK 4,511 million for the fourth quarter. In addition to the factors discussed above, reported EBIT included net unrealized derivative losses of NOK 231 million, positive metal effects of NOK 146 million, a charge of NOK 210 million, of which NOK 181 million is linked to an environmental liability at the Kurri Kurri site and NOK 29 million is related to rationalization costs in Extruded Solutions. In addition, a charge of NOK 245 million related to a customs case in Germany and a gain of NOK 33 million in relation to remeasurement of environmental liabilities in Germany. Reported earnings also included a net remeasurement gain of NOK 2,171 million relating to previously owned shares in Sapa and an inventory valuation expense of NOK 707 million related to the Sapa transaction.

In the previous quarter reported earnings before financial items and tax amounted to NOK 2,323 million, including net unrealized derivative gains of NOK 23 million and negative metal effects of NOK 151 million. Reported earnings also included a net gain of NOK 6 million in Sapa (Hydro's share net of tax) relating to unrealized derivative gains.

For the full year 2017, reported earnings before financial items and tax amounted to NOK 12,189 million. Reported EBIT included net unrealized derivative losses of NOK 466 million and positive metal effects of NOK 419 million. Reported EBIT also included a net loss of NOK 19 million in Sapa (Hydro's share net of tax) relating to unrealized derivative losses and net foreign exchange losses, a charge of NOK 210 million, of which NOK 181 million is linked to an environmental liability at the Kurri Kurri site and NOK 29 million is related to rationalization costs in Extruded Solutions. In addition a charge of

NOK 245 million related to a customs case in Germany and a gain of NOK 33 million in relation to remeasurement of environmental liabilities in Germany. Reported EBIT also included a net gain of NOK 2,171 million and an inventory valuation expense of NOK 707 million, both related to the Sapa transaction.

In the previous year, reported earnings before financial items and tax amounted to NOK 7,011 million including net unrealized derivative gains and positive metal effects of NOK 553 million in total. Reported earnings also included charges of NOK 192 million relating to the demolition of the Kurri Kurri site, impairment charges of NOK 426 million relating to the part-owned projected CAP alumina refinery and the Hannover site, a net gain of NOK 314 million relating to the sale of certain assets in Grenland, in addition to a negative adjustment relating to the sale of the Slim rolling mill in the fourth quarter of 2015. Other positive effects of NOK 223 million reflects the compensation relating to the completion of outstanding contractual arrangements with Vale and a charge of NOK 32 million relating to remeasurement of environmental liabilities in Germany. In addition, reported earnings included a net gain of NOK 113 million for Sapa (Hydro's share net of tax), relating to unrealized derivative gains, rationalization charges and net foreign exchange gains.

Net income amounted to NOK 3,600 million in the fourth quarter including net foreign exchange losses of NOK 696 million, mainly unrealized, reflecting the strengthening of EUR forward rates against NOK resulting in an unrealized loss on embedded derivatives in power contracts denominated in EUR while the strengthening of USD against BRL affected US dollar debt in Brazil.

In the previous quarter net income amounted to NOK 2,184 million including a reduction in tax expense and related interest income of NOK 125 million in total following a closed tax case in September 2017. Net income also included net foreign exchange gains of NOK 520 million, mainly unrealized, reflecting a weakening of USD against BRL affecting US dollar debt in Brazil, while the weakening of EUR forward rates against NOK resulted in an unrealized gain on the embedded derivatives in power contracts denominated in EUR.

Net income for 2017 amounted to NOK 9,184 million. This included a net foreign exchange loss of NOK 875 million reflecting a strengthening of USD against BRL affecting US dollar debt in Brazil, while the strengthening of EUR forward rates against NOK resulted in an unrealized loss on the embedded derivatives in power contracts denominated in EUR.

For the previous year net income amounted to NOK 6,586 million. This included a net foreign exchange gain of NOK 2,266 million reflecting the strengthening BRL versus US dollars affecting US dollar liabilities in Brazil, as well as the strengthening Norwegian kroner versus Euro affecting liabilities in Euro in Norway and embedded currency derivatives in power contracts. Net income also included a reduction in tax expense and related interest income of NOK 700 million in total following settlement of a tax case in April 2016.

Market developments and outlook

Industry statistics, commentary and other information in the table and text in this section have been derived from analyst reports, trade associations and other public sources as well as Hydro's own analysis unless otherwise indicated. The information in this section is intended to provide an overview of the main developments in the key markets Hydro is exposed to. Statistics presented in prior reports may have been restated based on updated information. Currency rates have been derived from Norges Bank.

Market statistics	Fourth quarter 2017	Third quarter 2017	Change prior quarter	Fourth quarter 2016	Change prior year quarter	Year 2017	Year 2016
USD/NOK Average exchange rate	8.16	7.96	3 %	8.38	(3) %	8.26	8.40
USD/NOK Period end exchange rate	8.21	7.97	3 %	8.62	(5) %	8.21	8.62
BRL/NOK Average exchange rate	2.51	2.52	-	2.54	(1) %	2.59	2.42
BRL/NOK Period end exchange rate	2.48	2.50	(1) %	2.65	(6) %	2.48	2.65
USD/BRL Average exchange rate	3.24	3.16	3 %	3.30	(2) %	3.19	3.48
USD/BRL Period end exchange rate	3.31	3.19	4 %	3.25	2 %	3.31	3.25
EUR/NOK Average exchange rate	9.60	9.35	3 %	9.04	6 %	9.33	9.29
EUR/NOK Period end exchange rate	9.84	9.41	5 %	9.09	8 %	9.84	9.09
<i>Bauxite and alumina:</i>							
Average alumina price - Platts PAX FOB Australia (USD/t)	446	334	33 %	308	45 %	355	254
China bauxite import price (USD/mt CIF China)	53	51	4 %	49	7 %	51	49
Global production of alumina (kmt)	30 838	31 247	(1) %	30 409	1 %	124 017	114 963
Global production of alumina (ex. China) (kmt)	14 181	14 114	-	14 164	-	55 963	54 720
<i>Primary aluminium:</i>							
LME three month average (USD/mt)	2 119	2 028	4 %	1 709	24 %	1 980	1 610
LME three month average (NOK/mt)	17 285	16 125	7 %	14 320	21 %	16 337	13 509
Standard ingot premium (EU DP Cash)	159	141	13 %	131	22 %	148	132
Extrusion ingot premium (DP)	353	345	2 %	312	13 %	334	317
Global production of primary aluminium (kmt)	16 019	16 087	-	15 449	4 %	63 552	58 982
Global consumption of primary aluminium (kmt)	16 122	16 096	-	15 262	6 %	63 595	60 087
Global production of primary aluminium (ex. China) (kmt)	6 937	6 856	1 %	6 846	1 %	27 213	26 945
Global consumption of primary aluminium (ex. China) (kmt)	7 251	7 299	(1) %	6 963	4 %	29 196	28 249
Reported primary aluminium inventories (kmt)	5 283	5 557	(5) %	5 086	4 %	5 283	5 086
<i>Rolled products and extruded products:</i>							
Consumption rolled products - Europe (kmt)	1 150	1 235	(7) %	1 092	5 %	4 882	4 706
Consumption rolled products - USA & Canada (kmt)	1 208	1 275	(5) %	1 143	6 %	5 049	4 786
Consumption extruded products - Europe (kmt)	707	763	(7) %	687	3 %	3 053	2 976
Consumption extruded products - USA & Canada (kmt)	583	628	(7) %	545	7 %	2 448	2 351
<i>Energy:</i>							
Average southern Norway spot price (NO2) (NOK/MWh)	287	258	11 %	296	(3) %	269	233
Average mid Norway spot price (NO3) (NOK/MWh)	291	267	9 %	333	(13) %	275	266
Average nordic system spot price (NOK/MWh)	294	266	11 %	311	(5) %	274	250

Bauxite and alumina

In 2017, China imported 68.8 million mt of bauxite, 32 percent higher than 2016. The increase was driven by surging imports from Guinea reaching 27.6 million mt in 2017 from 11.9 million mt in 2016 as new bauxite mines continued increasing production. Imports from Malaysia decreased 37 percent to 4.9 million mt as a bauxite mining moratorium imposed from January 2016 was enforced more effectively. After a three year government imposed export ban, imports from Indonesia resumed in July reaching 1.3 million mt for the year. Imports from Brazil decreased 25 percent to 3.3 million mt.

Chinese alumina imports amounted to 2.9 million mt in 2017, a 5 percent decrease compared with 2016. Imports from Australia decreased 31 percent compared to 2016, offset by higher imports from Indonesia and Vietnam as new refineries reached full capacity during the year.

Platts alumina spot prices averaged USD 446 per mt in the fourth quarter, an increase of USD 112 per mt compared to the previous quarter. Prices started the quarter at USD 440 per mt, increasing to an all time high of USD 484 per mt by the end of October before retreating to USD 389 per mt at year-end. Average prices represented 21 percent of LME in the fourth quarter compared with 16.5 percent in the previous quarter. According to Chinese import statistics, Chinese bauxite price averaged USD 51 per mt in 2017, 3 percent higher compared to 2016.

Primary aluminium

Three-month LME prices ranged between USD 2,006 and USD 2,257 per mt throughout the fourth quarter of 2017. The average LME three-month price was USD 2,119, increasing by USD 91 per mt compared to the third quarter. European average all-in metal prices¹⁾ increased from USD 2,153 per mt in the third quarter to USD 2,260 in the fourth quarter, both due to increase in LME prices and premiums.

European duty paid standard ingot premiums ended the quarter at USD 162 per mt, compared to USD 152 at the beginning of the quarter, and averaged USD 159 per mt in the fourth quarter compared to USD 141 per mt in the third quarter. Midwest premiums started the fourth quarter at USD 204 per mt, and ended the quarter at USD 209 per mt, averaging USD 209 per mt compared to USD 173 per mt in the third quarter.

Shanghai Futures Exchange (SHFE) prices decreased slightly compared to the third quarter, in contrast to the positive LME development during the quarter. The main reason for the decrease was increasing reported stock levels in China, in spite of the Chinese Government's efforts to reduce the capacity. Arbitrage potential and semis exports increased during the quarter compared to the third quarter.

Global primary aluminium consumption decreased by 0.2 percent to 16.1 million mt in the fourth quarter compared to the third, mainly due to seasonality. Compared to the fourth quarter of 2016, global demand increased 5.6 percent. Global demand for primary aluminium grew by 5.8 percent in 2017, and is expected to grow by around 4-5 percent in 2018.

Outside China, demand seasonally decreased by 0.7 percent in the fourth quarter compared to the third quarter, while the year-on-year increase from the fourth quarter of 2016 was 4.1 percent. Consumption outside China amounted to 7.3 million mt for the fourth quarter of 2017. Corresponding production amounted to 6.9 million mt, an increase of 1.2 percent compared to the third quarter. Production outside China experienced a 1.2 percent increase compared to the fourth quarter of 2016, largely driven by ramp up of new production capacity in India. Demand for primary aluminium outside China grew by around 3.4 percent in 2017, and is expected to grow by 3-4 percent in 2018. Production outside China is expected to increase by 3-4 percent in 2018.

Compared to the third quarter of 2017, Chinese aluminium consumption increased by 0.8 percent to 8.9 million mt. The year-on-year increase compared to the fourth quarter of 2016 was 6.9 percent. Corresponding aluminium production decreased by 1.6 percent compared to the third quarter, but increased 5.6 percent compared to the fourth quarter of 2016. The Chinese government has announced that they will continue with smelter curtailments next winter in order to reduce air pollution in a number of Chinese cities. Production of primary aluminium in China grew by 13.4 percent in 2017, but due to the capacity control measurements that were introduced in 2017 production increase is expected to be dampened to around 4-6 percent in 2018. Demand is expected to increase by 4-6 percent in 2018 compared to a growth of 8 percent in 2017.

The global primary aluminium market is expected to be largely balanced in 2018.

European demand for extrusion ingot increased in the fourth quarter compared to the fourth quarter of 2016. Demand for sheet ingot and primary foundry alloys also continued increasing, mainly due to the positive developments in the automotive industry.

Total global stocks at the end of the fourth quarter were estimated to be 12.5 million mt, at the same level as at end of the third quarter as well as at the fourth quarter of 2016. LME stocks have declined further, amounting to 1.1 million mt at the

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

end of the fourth quarter, down 0.2 million mt from the end of the third quarter. Compared to fourth quarter of last year, LME stocks are down 1.1 million mt. Chinese reported stocks have increased 0.1 million mt since the third quarter, and 1.3 million mt since the fourth quarter of 2016. Estimated unreported global stocks were stable compared to the third quarter of 2017 but have decreased 0.2 million mt compared to the fourth quarter of 2016.

Rolled products

European demand for flat rolled products declined by around 7 percent compared to the third quarter of 2017 due to seasonality. Compared to the fourth quarter of the previous year demand increased by around 5 percent.

The substitution of steel by aluminium for automotive body sheet remains to be the key growth driver in automotive. European demand for automotive products was also driven by an increase in car production. Building and construction demand continued to recover. Beverage can developed positively driven by conversions of beverage can production lines from steel to aluminium. Foil products growth was supported by higher US foil demand as a result of imposed anti-dumping duties on Chinese imports to US. The demand growth in general engineering was solid, especially in the industrial goods related segments.

The European demand for flat rolled products is expected to increase in the first quarter of 2018 due to seasonality and solid demand across segments.

Extruded products

European demand for extrusions declined 7 percent compared to the third quarter of 2017, mainly due to seasonality. Compared to the fourth quarter of the previous year demand increased by 3 percent, caused by growth within the automotive and building and construction markets.

The North American demand for extrusion also experienced a seasonal reduction of 7 percent compared to the third quarter, demand increased 7 percent compared to the same quarter last year.

For the full year Europe experienced stronger automotive and transportation demand, as well as improved demand in the building and construction markets. North America was also driven by stronger automotive demand and higher activity in the building and construction market. The commercial transportation market has declined slightly, but improved towards the end of the year.

The first quarter is seasonally stronger than the fourth which is expected to be reflected in increased sales volumes. The current market conditions are expected to continue into the first quarter of 2018.

Energy

Nordic spot prices were on average higher compared to previous quarter. Seasonally higher consumption, increasing export volumes towards continental Europe and somewhat lower than expected availability of nuclear power in Sweden gave support to prices. The hydrological balance improved significantly during the quarter limiting the increase in prices.

The Nordic hydrological balance ended at around 14 TWh above normal¹⁾ for the fourth quarter compared to around 9 TWh below normal at the end of the previous quarter. Water reservoirs in Norway were 72 percent of full capacity at the end of the quarter, which is slightly below the normal level. Snow reservoirs were well above normal levels at the end of the quarter.

1) Normal based on long term historical averages.

Additional factors impacting Hydro

Primary Metal has sold forward around 50 percent of its expected primary aluminium production for the first quarter of 2018 at a price level of around USD 2,100 per mt.¹⁾

On July 10, 2017, Hydro entered into a contract to acquire 50 percent of the shares in Sapa AS, which was a joint venture owned 50 percent by Hydro and 50 percent by Orkla, a listed company in Norway. Following completion of the transaction on October 2, 2017, Hydro owns 100 percent of Sapa AS, which is now renamed Hydro Extruded Solutions AS. For more information see note 4 to the interim financial statements.

Sapa Profiles Inc. (SPI), a Portland, Oregon based subsidiary of Hydro Extruded Solutions AS (formerly Sapa AS) is 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. SPI is cooperating fully in these investigations. The investigations are currently ongoing, and, at this point, the outcome of the investigations and of any identified quality issues, including financial consequences, is uncertain. SPI also has been temporarily suspended as a federal government contractor. Based on the information currently known to Hydro, Hydro does not expect any resulting liabilities to have a material adverse effect on its consolidated results of operations, liquidity or financial position. As part of the share purchase agreement the parties have agreed that Orkla ASA shall indemnify Hydro for 50 percent of any liability in relation to this case.

The US tax reform enacted on December 22, 2017 will result in significant changes to existing tax laws in several areas affecting Hydro. While the changes are expected to have a net positive impact on Hydro's US operations, the tax reform also makes it necessary to review the impact of interest limitation provisions and base erosion anti abuse tax on certain intercompany transactions.

Hydro has made an investment decision to upgrade and start up the second production line at Hydro Husnes, Norway. The line is expected to begin operations in the first half of 2020 doubling annual primary aluminium production at Husnes to around 190,000 mt.

Extruded Solutions has agreed with Arconic to acquire its two extrusion plants in Brazil. The agreement will strengthen Hydro's downstream position in Brazil and create a solid platform for further growth. The two extrusion plants in Utinga and Tubarão in southern Brazil have combined more than 600 employees, one cast house, seven presses ranging from 7 to 14 inches and value-added capabilities. Brazilian competition authorities have approved the acquisition and closing of the transaction is expected within the first half of 2018.

Hydro started producing the first aluminium metal at the technology pilot in Karmøy on January 29, marking the start of verifying, at an industrial scale, the world's most climate-and energy efficient aluminium technology. The technology pilot is designed with an annual production capacity of approximately 75,000 mt, consisting of 48 cells running on the HAL4e technology (12.3 kWh/kg) and 12 cells using the HAL4e Ultra technology (11.5-11.8 kWh/kg).

1) 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.

Underlying EBIT

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

Bauxite & Alumina

Operational and financial information	Fourth quarter 2017	Third quarter 2017	Change prior quarter	Fourth quarter 2016	Change prior year quarter	Year 2017	Year 2016
Earnings before financial items and tax (EBIT) (NOK million)	1 872	413	>100 %	680	>100 %	3 704	1 196
Underlying EBIT (NOK million)	1 872	413	>100 %	711	>100 %	3 704	1 227
Underlying EBITDA (NOK million)	2 551	1 057	>100 %	1 258	>100 %	6 190	3 221
Alumina production (kmt)	1 693	1 605	5 %	1 635	4 %	6 397	6 341
Sourced alumina (kmt)	610	667	(9) %	883	(31) %	2 522	2 541
Total alumina sales (kmt)	2 344	2 251	4 %	2 472	(5) %	8 920	8 843
Realized alumina price (USD/mt) ¹⁾	398	297	34 %	257	55 %	326	240
Bauxite production (kmt) ²⁾	3 049	3 043	-	3 063	-	11 435	11 132
Sourced bauxite (kmt) ³⁾	2 103	2 013	4 %	2 235	(6) %	7 601	8 499

1) 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.

2) Paragominas production, on wet basis.

3) 40 percent MRN off take from Vale and 5 percent Hydro share on wet basis.

Underlying EBIT for Bauxite & Alumina increased significantly compared to the third quarter mainly due to higher realized alumina prices, driven by a higher alumina index and LME. Both the bauxite mine in Paragominas and alumina refinery at Alunorte reached record yearly production of 11.4 million mt and 6.4 million mt respectively for 2017.

Bauxite & Alumina achieved its "Better Bauxite & Alumina" improvement program target of NOK 1 billion of annual improvements two years ahead of schedule and have increased the 2019 target to NOK 1.3 billion.

Compared to the fourth quarter of 2016 the underlying EBIT increased, mainly due to higher realized alumina prices, partly offset by increased raw material cost.

Compared to the year 2016 the underlying EBIT increased mainly due to higher realized alumina prices. This was partly offset by increased raw material cost and negative currency effects.

Primary Metal

Operational and financial information ¹⁾	Fourth quarter 2017	Third quarter 2017	Change prior quarter	Fourth quarter 2016	Change prior year quarter	Year 2017	Year 2016
Earnings before financial items and tax (EBIT) (NOK million)	1 112	1 282	(13) %	619	80 %	4 729	2 285
Underlying EBIT (NOK million)	1 377	1 298	6 %	601	>100 %	5 061	2 258
Underlying EBITDA (NOK million)	1 900	1 795	6 %	1 068	78 %	7 078	4 172
Realized aluminium price LME (USD/mt) ²⁾	2 092	1 921	9 %	1 647	27 %	1 915	1 574
Realized aluminium price LME (NOK/mt) ²⁾	17 066	15 496	10 %	13 659	25 %	15 888	13 193
Realized premium above LME (USD/mt) ³⁾	259	261	(1) %	240	8 %	265	263
Realized premium above LME (NOK/mt) ³⁾	2 116	2 106	-	1 993	6 %	2 197	2 201
Realized USD/NOK exchange rate	8.16	8.07	1 %	8.29	(2) %	8.30	8.38
Primary aluminium production (kmt)	528	527	-	526	-	2 094	2 085
Casthouse production (kmt)	550	548	-	523	5 %	2 169	2 146
Total sales (kmt)	554	568	(2) %	528	5 %	2 278	2 248

1) Operating and financial information includes Hydro's proportionate share of underlying income (loss) of 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%)	Fourth quarter 2017	Third quarter 2017	Change prior quarter	Fourth quarter 2016	Change prior year quarter	Year 2017	Year 2016
Revenue (NOK million)	1 613	1 370	18 %	1 256	28 %	5 821	4 801
Underlying EBIT (NOK million)	318	220	45 %	107	>100 %	985	341
Underlying EBITDA (NOK million)	599	497	21 %	407	47 %	2 157	1 528
Net income (loss) (NOK million)	259	159	62 %	49	>100 %	747	98
Underlying Net income (loss) (NOK million)	259	159	62 %	49	>100 %	747	98
Primary aluminium production (kmt)	78	78	-	77	1 %	310	306
Casthouse sales (kmt)	86	78	10 %	80	8 %	325	310

Underlying EBIT for Primary Metal improved in the fourth quarter due to higher realized aluminium prices, partly offset by higher raw material prices and fixed costs.

The "Better Primary Metal" improvement program was behind plan for 2017 due to slower than expected progress of improvements at Albras. The delay is not expected to impact the 2019 target of NOK 1.0 billion.

Compared to the fourth quarter of 2016, underlying EBIT improved substantially, mainly due to higher realized all-in metal prices¹⁾ partly offset by higher raw material costs in addition to higher fixed costs.

Underlying EBIT for the year 2017 improved substantially compared to 2016, mainly due to the same factors discussed above in addition to negative currency effects.

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

Metal Markets

Operational and financial information	Fourth quarter 2017	Third quarter 2017	Change prior quarter	Fourth quarter 2016	Change prior year quarter	Year 2017	Year 2016
Earnings before financial items and tax (EBIT) (NOK million)	158	59	>100 %	172	(8) %	485	629
Underlying EBIT (NOK million)	185	91	>100 %	152	22 %	544	510
Currency effects	47	12	>100 %	(6)	>100 %	83	-
Inventory valuation effects	(19)	(29)	34 %	9	>(100) %	(38)	(13)
Underlying EBIT excl. currency and inventory valuation effects	157	107	46 %	149	5 %	499	524
Underlying EBITDA (NOK million)	209	114	84 %	175	19 %	638	604
Remelt production (kmt)	137	136	1 %	133	3 %	568	548
Metal products sales excluding ingot trading (kmt) ¹⁾	720	707	2 %	660	9 %	2 921	2 893
Hereof external sales (kmt)	589	639	(8) %	616	(5) %	2 575	2 627

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

Underlying EBIT for Metal Markets improved in the fourth quarter, mainly due to higher results from sourcing and trading activities, in addition to positive currency effects and increased results from the remelters.

Compared to the fourth quarter of 2016, underlying EBIT for Metal Markets mainly improved due to positive currency effects, partly offset by negative inventory valuation effects.

Underlying EBIT for the year 2017 improved somewhat compared with 2016, mainly due to positive currency effects and improved results from sourcing and trading activities. This was partly offset by lower results from the remelters, in addition to more negative inventory valuation effects.

Rolled Products

Operational and financial information	Fourth quarter 2017	Third quarter 2017	Change prior quarter	Fourth quarter 2016	Change prior year quarter	Year 2017	Year 2016
Earnings before financial items and tax (EBIT) (NOK million)	-	(22)	100 %	91	(100) %	512	953
Underlying EBIT (NOK million)	95	95	-	6	>100 %	380	708
Underlying EBITDA (NOK million)	325	312	4 %	222	46 %	1 240	1 507
Sales volumes to external market (kmt)	224	236	(5) %	213	5 %	940	911
Sales volumes to external markets (kmt) - Product areas							
Can & foil	87	91	(4) %	79	10 %	352	321
Lithography & automotive	68	76	(10) %	67	2 %	297	298
Special products	69	69	(1) %	67	3 %	291	292
Rolled Products	224	236	(5) %	213	5 %	940	911

Underlying EBIT for the fourth quarter was on same level as the third quarter of 2017. Increasing margins driven by product mix and positive inventory effects were offset by seasonal reduction in sales volumes and year end maintenance costs. The Neuss smelter result decreased in the fourth quarter due to increasing alumina and raw material prices.

In 2017, technical issues caused delays in ramp up of both the new recycling line for used beverage cans (UBC) and the Automotive line 3. This, together with performance issues in some of the plants, adversely affected Rolled Products' improvement ambition in 2017. The "Better Rolled Products" improvement ambition has been delayed by one year, now targeting NOK 900 million by 2020, the revised 2019 target is NOK 700 million.

Compared to the fourth quarter of 2016 the underlying EBIT increased. Higher volumes and margins as well as positive inventory effects more than offset negative currency developments and costs related to the ongoing ramp-up activities for the new Automotive line 3. Results from the Neuss smelter have improved driven by the all-in metal price development.

Underlying EBIT for the year was significantly below 2016 due to a combination of factors. These include, reduced margins, costs related to year end maintenance and implementation of new equipment, ramp-up costs for the new automotive line 3, negative currency effects and inflationary cost pressure. Results from the Neuss smelter have improved driven by higher all-in metal price development.

Extruded Solutions

Operational and financial information	Fourth quarter 2017	Third quarter 2017	Change prior quarter	Fourth quarter 2016	Change prior year quarter	Year 2017	Year 2016
Earnings before financial items and tax (EBIT) (NOK million)	1 722					1 722	
Underlying EBIT (NOK million)	284					284	
Underlying EBITDA (NOK million)	728					728	
Sales volumes to external markets (kmt)	318					318	
Sales volumes to external markets (kmt) - Business units							
Extrusion Europe	130					130	
Extrusion North America	134					134	
Building Systems	19					19	
Precision tubing	34					34	
Extruded Solutions	318					318	

The new Extruded Solutions business area was formed at the beginning of the fourth quarter following Hydro's acquisition of the remaining 50 percent of Sapa shares. The business areas' financial results are fully consolidated from the closing date October 2, 2017. Extruded Solutions' underlying EBIT includes certain effects of the acquisition such as increased depreciation and amortization following fair value adjustments related to long-lived assets.

Sapa's financial results prior to the transaction were reported as a 50 percent owned joint venture in the Other and eliminations section.

For pro forma information related to the Extruded Solutions business area and a more detailed results explanation please see the corresponding section later in this report.

For further details on the acquisition please also see note 4: Acquisition of Sapa.

Energy

Operational and financial information	Fourth quarter 2017	Third quarter 2017	Change prior quarter	Fourth quarter 2016	Change prior year quarter	Year 2017	Year 2016
Earnings before financial items and tax (EBIT) (NOK million)	457	368	24 %	364	26 %	1 531	1 343
Underlying EBIT (NOK million)	457	368	24 %	359	27 %	1 531	1 343
Underlying EBITDA (NOK million)	519	424	23 %	412	26 %	1 757	1 553
Direct production costs (NOK million) ¹⁾	171	154	11 %	156	9 %	614	639
Power production (GWh)	3 089	2 509	23 %	2 551	21 %	10 835	11 332
External power sourcing (GWh)	2 498	2 497	-	2 238	12 %	9 562	8 935
Internal contract sales (GWh)	3 724	3 723	-	3 379	10 %	14 424	13 435
External contract sales (GWh)	230	115	>100 %	235	(2) %	767	769
Net spot sales (GWh)	1 633	1 168	40 %	1 176	39 %	5 206	6 063

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

Underlying EBIT for Energy increased compared to the previous quarter, mainly due to higher production and prices, partly offset by lower commercial results. The high production during the fourth quarter was driven by high inflow as well as preparation for maintenance in the first quarter.

Compared to the fourth quarter of the previous year underlying EBIT increased mainly due to higher production.

Compared to the previous year underlying EBIT increased mainly due to higher prices, improved commercial results and lower area costs, partly offset by lower production.

Other and eliminations

Financial information	Fourth quarter 2017	Third quarter 2017	Change prior quarter	Fourth quarter 2016	Change prior year quarter	Year 2017	Year 2016
NOK million							
Earnings before financial items and tax (EBIT)	(810)	222	>(100) %	38	>(100) %	(495)	605
Sapa (50%) ¹⁾		209	(100) %	167	(100) %	819	777
Other	(279)	(96)	>(100) %	(130)	>(100) %	(586)	(458)
Eliminations	(436)	68	>(100) %	(38)	>(100) %	(522)	61
Underlying EBIT	(715)	181	>(100) %	(1)	>(100) %	(289)	380

1) Hydro's share of Sapa's underlying net income.

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 transaction and integration costs related to the Sapa transaction.

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.

Operational and financial information Sapa (50%)	Fourth quarter 2017	Third quarter 2017	Change prior quarter	Fourth quarter 2016	Change prior year quarter	Year 2017	Year 2016
Revenue (NOK million)		6 992		6 105		21 808	26 663
Underlying EBIT (NOK million)		294		168		1 140	1 099
Underlying EBITDA (NOK million)		456		327		1 632	1 749
Net income (loss) (NOK million)		215		190		800	889
Underlying net income (loss) (NOK million)		209		167		819	777
Sales volumes (kmt)		170		155		527	682

Following the completion of the transaction to acquire the remaining 50 percent of Sapa shares, Sapa has been renamed Extruded Solutions and the fully consolidated financial results are presented in the Extruded Solutions business area.

Finance

Financial income (expense)	Fourth quarter 2017	Third quarter 2017	Change prior quarter	Fourth quarter 2016	Change prior year quarter	Year 2017	Year 2016
NOK million							
Interest income	67	86	(22) %	116	(43) %	322	468
Dividends received and net gain (loss) on securities	75	16	>100%	20	>100%	159	105
Financial income	142	101	40 %	137	4 %	481	574
Interest expense	(115)	(62)	(86) %	(121)	5 %	(378)	(362)
Capitalized interest	8	21	(61) %	14	(39) %	76	97
Net foreign exchange gain (loss)	(696)	520	>(100%)	(26)	>(100%)	(875)	2 266
Net interest on pension liability	(51)	(34)	(49) %	(64)	21 %	(152)	(210)
Other	(65)	(61)	(6) %	(78)	17 %	(266)	(240)
Financial expense	(919)	384	>(100%)	(277)	>(100%)	(1 596)	1 552
Financial income (expense), net	(776)	485	>(100%)	(140)	>(100%)	(1 114)	2 126

The net foreign exchange loss, mainly unrealized, of NOK 696 million reflects primarily a strengthening of EUR forward rates against NOK. This resulted in an unrealized loss on the embedded derivatives in power contracts denominated in EUR. In addition the strengthening of USD against BRL affecting US dollar debt in Brazil contributed to the foreign exchange loss.

Interest expenses increased in the fourth quarter due to an increase in debt. Norsk Hydro ASA has successfully issued senior unsecured bond issues in total of NOK 3.0 billion and SEK 3.0 billion. The purpose of the bond issues are general corporate purposes and refinancing of debt raised in connection with the acquisition of Sapa AS.

Tax

Income tax expense amounted to NOK 135 million for the fourth quarter of 2017 or about 4 percent of income before tax. For the full year 2017, tax expense was about 17 percent of income before tax. The low tax rate results from a tax-free gain on the revaluation of Hydro's previous ownership interests in Sapa and positive effects from US tax reform, partly offset by a relatively high share of reported income before tax subject to power sur tax.

Pro forma information

The following section is comprised of selected financial and operating information and a discussion of underlying developments including 100 percent of the acquired Sapa business for the full year 2017 on a comparable basis with the earlier periods presented. In addition to the following pro forma information, please see note 4 to the condensed consolidated financial statements later in this report for more information on the acquisition.

Summary consolidated underlying financial and operating results

Key financial information	Fourth quarter 2017	Third quarter 2017	Change prior quarter	Fourth quarter 2016	Change prior year quarter	Year 2017	Year 2016
NOK million							
Revenue	38 803	35 454	9 %	32 568	19 %	148 920	130 630
Earnings before financial items and tax (EBIT)	3 048	2 640	15 %	2 045	49 %	11 927	8 229
Items excluded from underlying EBIT	508	114	>100 %	(128)	>100 %	510	(698)
Underlying EBIT ¹⁾	3 555	2 754	29 %	1 917	85 %	12 437	7 531
Earnings before financial items, tax, depreciation and amortization (EBITDA)	5 016	4 482	12 %	4 038	24 %	19 294	15 331
Underlying EBITDA	5 524	4 596	20 %	3 927	41 %	19 786	14 633

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

Operational and financial information	Fourth quarter 2017	Third quarter 2017	Change prior quarter	Fourth quarter 2016	Change prior year quarter	Year 2017	Year 2016
Revenue (NOK million)	14 153	13 983	1 %	12 210	16 %	57 769	53 327
Earnings before financial items and tax (EBIT) (NOK million)	258	525	(51) %	272	(5) %	2 265	2 109
Unrealized derivative effects (NOK million)	(4)	(15)	73 %	(82)	95 %	36	(333)
Significant rationalization charges and closure costs (NOK million)	29	-	-	67	(56) %	29	109
Items excluded from underlying EBIT (NOK million)	25	(15)	>100 %	(15)	>100 %	65	(224)
Underlying EBIT (NOK million) ¹⁾	284	510	(44) %	257	11 %	2 330	1 885
Earnings before financial items, tax, depreciation and amortization (EBITDA)	703	918	(23) %	667	5 %	3 917	3 739
Underlying EBITDA (NOK million)	728	903	(19) %	652	12 %	3 982	3 516
Sales volumes to external markets (kmt)	318	339	(6) %	310	3 %	1 372	1 365
Sales volumes to external markets (kmt) - Business units							
Extrusion Europe	130	138	(5) %	125	4 %	568	555
Extrusion North America	134	148	(9) %	131	2 %	584	585
Building Systems	19	18	6 %	18	5 %	78	76
Precision tubing	34	36	(4) %	35	(3) %	143	149
Extruded Solutions	318	339	(6) %	310	3 %	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.

Underlying EBIT for Extruded Solutions decreased compared to the pro forma underlying EBIT in the third quarter primarily due to seasonally lower volumes, partly offset by increased margins.

Compared to the pro forma underlying EBIT in the fourth quarter 2016 the underlying EBIT increased in 2017, driven by improved sales volumes and margins.

Pro forma underlying EBIT for the year increased compared to 2016. The increase was driven by increasing margins due to a higher share of value-add business, partly offset by increased production costs.

Interim financial statements

Condensed consolidated statements of income (unaudited)

NOK million, except per share data	Fourth quarter		Year	
	2017	2016	2017	2016
Revenue	38 803	21 250	109 220	81 953
Share of the profit (loss) in equity accounted investments	256	236	1 527	985
Other income, net	2 358	342	2 947	1 030
Total revenue and income	41 417	21 829	113 693	83 969
Raw material and energy expense	24 411	13 391	69 848	52 151
Employee benefit expense	5 578	2 382	13 285	9 485
Depreciation, amortization and impairment	1 970	1 599	6 162	5 474
Other expenses	4 948	2 493	12 209	9 848
Total expenses	36 907	19 866	101 504	76 958
Earnings before financial items and tax (EBIT)	4 511	1 964	12 189	7 011
Financial income	142	137	481	574
Financial expense	(919)	(277)	(1 596)	1 552
Financial income (expense), net	(776)	(140)	(1 114)	2 126
Income (loss) before tax	3 735	1 823	11 075	9 137
Income taxes	(135)	(815)	(1 891)	(2 551)
Net income (loss)	3 600	1 008	9 184	6 586
Net income (loss) attributable to non-controlling interests	100	(51)	401	199
Net income (loss) attributable to Hydro shareholders	3 499	1 059	8 783	6 388
Basic and diluted earnings per share attributable to Hydro shareholders (in NOK) ¹⁾	1.71	0.52	4.30	3.13
Weighted average number of outstanding shares (million)	2 045	2 043	2 044	2 042

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	Fourth quarter		Year	
	2017	2016	2017	2016
Net income (loss)	3 600	1 008	9 184	6 586
Other comprehensive income				
Items that will not be reclassified to income statement:				
Remeasurement postemployment benefits, net of tax	(276)	1 385	761	178
Share of remeasurement postemployment benefits of equity accounted investments, net of tax	-	(41)	(2)	(41)
Total	(276)	1 344	759	137
Items that will be reclassified to income statement:				
Currency translation differences, net of tax	2 002	3 669	(1 387)	4 114
Unrealized gain (loss) on securities, net of tax	(170)	(16)	(255)	(47)
Cash flow hedges, net of tax	102	79	174	115
Share of items that will be reclassified to income statement of equity accounted investments, net of tax	(718)	277	(736)	(281)
Total	1 216	4 009	(2 203)	3 901
Other comprehensive income	940	5 352	(1 444)	4 038
Total comprehensive income	4 540	6 361	7 740	10 624
Total comprehensive income attributable to non-controlling interests	150	332	103	889
Total comprehensive income attributable to Hydro shareholders	4 390	6 029	7 637	9 735

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

Condensed balance sheets (unaudited)

NOK million, except number of shares	December 31	
	2017	2016
Assets		
Cash and cash equivalents	11 828	8 037
Short-term investments	1 311	4 611
Accounts receivables	19 983	10 884
Inventories	20 873	12 381
Other current assets	602	457
Total current assets	54 597	36 371
Property, plant and equipment	73 020	58 734
Intangible assets	12 712	5 811
Investments accounted for using the equity method	11 221	19 807
Prepaid pension	5 750	4 195
Other non-current assets	6 028	5 875
Total non-current assets	108 730	94 422
Total assets	163 327	130 793
Liabilities and equity		
Bank loans and other interest-bearing short-term debt	8 245	3 283
Trade and other payables	19 561	10 108
Other current liabilities	5 521	3 716
Total current liabilities	33 326	17 106
Long-term debt	9 012	3 397
Provisions	5 828	4 384
Pension liabilities	15 118	12 871
Deferred tax liabilities	3 522	2 384
Other non-current liabilities	4 269	3 011
Total non-current liabilities	37 749	26 047
Total liabilities	71 075	43 153
Equity attributable to Hydro shareholders	87 074	81 906
Non-controlling interests	5 178	5 733
Total equity	92 252	87 640
Total liabilities and equity	163 327	130 793
Total number of outstanding shares (million)	2 045	2 043

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

Condensed consolidated statements of cash flows (unaudited)

NOK million	Fourth quarter		Year	
	2017	2016	2017	2016
Operating activities				
Net income	3 600	1 008	9 184	6 586
Depreciation, amortization and impairment	1 970	1 599	6 162	5 474
Other adjustments	829	1 640	(999)	(2 042)
Net cash provided by operating activities	6 399	4 247	14 347	10 018
Investing activities				
Purchases of property, plant and equipment	(3 049)	(2 562)	(7 296)	(6 913)
Purchases of other long-term investments	(11 115)	(61)	(11 190)	(183)
Purchases of short-term investments	-	(1 600)	(5 094)	(4 650)
Proceeds from long-term investing activities	41	238	742	1 115
Proceeds from sales of short-term investments	552	1 300	8 402	5 850
Net cash used in investing activities	(13 571)	(2 685)	(14 436)	(4 781)
Financing activities				
Loan proceeds	7 500	1 377	15 271	5 208
Principal repayments	(5 290)	(2 916)	(10 917)	(7 525)
Net increase (decrease) in other short-term debt	(1 268)	(72)	2 515	265
Proceeds from shares issued	11	5	40	28
Dividends paid	(74)	(117)	(3 069)	(2 362)
Net cash provided by (used in) financing activities	879	(1 723)	3 840	(4 386)
Foreign currency effects on cash	268	246	40	269
Net increase (decrease) in cash and cash equivalents	(6 025)	85	3 791	1 120
Cash and cash equivalents at beginning of period	17 853	7 952	8 037	6 917
Cash and cash equivalents at end of period	11 828	8 037	11 828	8 037

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
December 31, 2015	2 272	29 068	(913)	45 850	(2 107)	74 169	5 159	79 329
<i>Changes in equity for 2016</i>								
Treasury shares issued to employees		1	44			45		45
Dividends				(2 043)		(2 043)	(320)	(2 362)
Capital contribution in subsidiaries							4	4
Items not reclassified to income statement in subsidiaries sold				16	(16)	-		-
Total comprehensive income for the period				6 388	3 348	9 735	889	10 624
December 31, 2016	2 272	29 070	(870)	50 210	1 224	81 906	5 733	87 640
<i>Changes in equity for 2017</i>								
Treasury shares issued to employees		27	60			87		87
Dividends				(2 556)		(2 556)	(702)	(3 258)
Capital contribution in subsidiaries							3	3
Items not reclassified to income statement in subsidiaries acquired and sold, net				(3)	3	-	40	40
Total comprehensive income for the period				8 783	(1 147)	7 637	103	7 740
December 31, 2017	2 272	29 097	(810)	56 435	80	87 074	5 178	92 252

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

Notes to the condensed consolidated financial statements

Note 1: Accounting policies

All reported figures in the financial statements are based on International Financial Reporting Standards (IFRS). Hydro's accounting principles are presented in note 2 Significant accounting policies in Hydro's Financial Statements - 2016.

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 - 2016 that are a part of Hydro's Annual Report - 2016.

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 - 2016 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 Extruded Solutions segment includes the business acquired as a 100 percent owned subsidiary in fourth quarter 2017. For the previous periods, the segment includes the same business reported as 50 percent owned joint venture, reported using the equity method. The segment was previously named Sapa. The acquisition is described in Note 4 Acquisition of Sapa.

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

NOK million	Fourth quarter		Year	
	2017	2016	2017	2016
Total revenue				
Bauxite & Alumina	8 040	5 834	25 421	19 543
Primary Metal	9 291	7 262	36 466	30 862
Metal Markets	12 991	10 117	50 606	43 254
Rolled Products	6 434	5 262	25 715	22 632
Extruded Solutions ¹⁾	14 153	-	14 153	-
Energy	2 169	2 314	7 705	7 180
Other and eliminations	(14 276)	(9 539)	(50 847)	(41 517)
Total	38 803	21 250	109 220	81 953
External revenue				
Bauxite & Alumina	5 095	3 921	15 188	12 059
Primary Metal	2 068	1 582	7 578	5 529
Metal Markets	10 414	9 440	44 264	39 420
Rolled Products	6 375	5 205	25 538	22 469
Extruded Solutions ¹⁾	14 083	-	14 083	-
Energy	767	1 093	2 550	2 426
Other and eliminations	-	10	18	50
Total	38 803	21 250	109 220	81 953
Internal revenue				
Bauxite & Alumina	2 944	1 914	10 234	7 484
Primary Metal	7 223	5 680	28 888	25 333
Metal Markets	2 577	677	6 341	3 834
Rolled Products	59	57	178	163
Extruded Solutions ¹⁾	70	-	70	-
Energy	1 403	1 221	5 155	4 753
Other and eliminations	(14 276)	(9 549)	(50 865)	(41 567)
Total	-	-	-	-
Share of the profit (loss) in equity accounted investments				
Bauxite & Alumina	-	-	-	-
Primary Metal	258	48	745	96
Metal Markets	-	-	-	-
Rolled Products	-	-	-	-
Extruded Solutions ¹⁾	12	190	812	889
Energy	(7)	-	(7)	-
Other and eliminations	(7)	(1)	(24)	-
Total	256	236	1 527	985

NOK million	Fourth quarter		Year	
	2017	2016	2017	2016
Depreciation, amortization and impairment				
Bauxite & Alumina	679	833	2 486	2 279
Primary Metal	526	467	2 026	1 913
Metal Markets	24	23	95	94
Rolled Products	230	216	860	799
Extruded Solutions ¹⁾	444	-	444	-
Energy	60	53	223	210
Other and eliminations	7	8	28	178
Total	1 970	1 599	6 162	5 474
Earnings before financial items and tax (EBIT)²⁾				
Bauxite & Alumina	1 872	680	3 704	1 196
Primary Metal	1 112	619	4 729	2 285
Metal Markets	158	172	485	629
Rolled Products	-	91	512	953
Extruded Solutions ¹⁾	1 722	190	2 522	889
Energy	457	364	1 531	1 343
Other and eliminations	(810)	(151)	(1 295)	(285)
Total	4 511	1 964	12 189	7 011
EBITDA				
Bauxite & Alumina	2 551	1 513	6 190	3 475
Primary Metal	1 635	1 086	6 747	4 199
Metal Markets	182	195	579	723
Rolled Products	230	307	1 372	1 752
Extruded Solutions ¹⁾	2 166	190	2 966	889
Energy	519	416	1 757	1 553
Other and eliminations	(803)	(143)	(1 268)	(107)
Total	6 481	3 563	18 344	12 485
Investments³⁾				
Bauxite & Alumina	662	1 629	1 634	3 544
Primary Metal	1 144	1 057	3 537	3 396
Metal Markets	70	58	143	101
Rolled Products	496	661	997	1 615
Extruded Solutions ¹⁾	22 137	-	22 137	-
Energy	114	115	361	318
Other and eliminations	8	22	39	162
Total	24 632	3 541	28 848	9 137

1) The Extruded Solutions segment includes the business acquired as a 100 percent owned subsidiary in fourth quarter 2017. For the previous periods, the segment includes the same business reported as 50 percent owned joint venture, reported using the equity method.

2) 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.

3) 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.

NOK million	EBIT	Depr., amor. and impairment	Other items ²⁾	EBITDA
EBIT - EBITDA Fourth quarter				
Bauxite & Alumina	1 872	679	-	2 551
Primary Metal	1 112	526	(2)	1 635
Metal Markets	158	24	-	182
Rolled Products	-	230	-	230
Extruded Solutions ¹⁾	1 722	444	1	2 166
Energy	457	60	2	519
Other and eliminations	(810)	7	-	(803)
Total	4 511	1 970	-	6 481

NOK million	EBIT	Depr., amor. and impairment	Other items ²⁾	EBITDA
EBIT - EBITDA				
Bauxite & Alumina	3 704	2 486	-	6 190
Primary Metal	4 729	2 026	(9)	6 747
Metal Markets	485	95	-	579
Rolled Products	512	860	-	1 372
Extruded Solutions ¹⁾	2 522	444	1	2 966
Energy	1 531	223	3	1 757
Other and eliminations	(1 295)	28	-	(1 268)
Total	12 189	6 162	(7)	18 344

1) The Extruded Solutions segment includes the business acquired as a 100 percent owned subsidiary in fourth quarter 2017. For the previous periods, the segment includes the same business reported as 50 percent owned joint venture, reported using the equity method.

2) 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. Hydro is of the opinion that it is not probable that the resulting liabilities, if any, will have a material adverse effect on its consolidated results of operations, liquidity or financial position.

Note 4: Acquisition of Sapa

On July 10, 2017, Hydro entered into a contract to acquire 50 percent of the shares in Sapa AS, which was a joint venture owned 50 percent by Hydro and 50 percent by Orkla, a listed company in Norway. Following completion of the transaction on October 2, 2017, Hydro owns 100 percent of the parent company Sapa AS, which is now renamed Hydro Extruded Solutions AS.

The acquisition of Orkla's ownership interest in Sapa confirms Hydro's strategy of being integrated and the combination is intended to make Hydro fully integrated across the value chain and markets. Hydro will increase its strength in technology, research and development, innovation and product development, and the service offering to the customers.

Hydro has paid a cash consideration of NOK 11 860 million for the 50 percent shares acquired on October 2, with certain post-closing adjustments made during December resulting in a payment of NOK 46 million for the shares. The pricing is based on an agreed enterprise value of NOK 27 billion for 100 percent of Sapa on a cash and debt free basis, adjusted for

certain items such as level of working capital and investments made during 2017. The fair value of Hydro's previously held 50 percent interest in Sapa is estimated at NOK 8,906 billion, resulting in a total value of Sapa's net assets of NOK 20,813 billion. A remeasurement gain of NOK 2,171 million, including certain items previously recognized in Other Comprehensive Income of NOK 751 million, was recognized in Other income, net, in the fourth quarter of 2017.

Acquisition related costs incurred during 2017 were approximately NOK 35 million, included in operating costs.

Hydro has started the process of identifying the fair value of assets acquired and liabilities assumed. This process depends on access to detailed information of Sapa's businesses, and many of these procedures could thus not start before Hydro obtained control with Sapa at completion of the transaction. The estimated fair value of net assets of Sapa included in the table below are the current estimates based on the valuation of the specific assets and liabilities, which is not yet completed. The valuation of property, plant and equipment and intangible assets is considered good estimates, however, certain quality assurance procedures have not yet been completed.

Sapa had uncertain and contingent liabilities mainly related to historic environmental issues on sites held and sites resold to others prior to Hydro's acquisition, as well as certain tax exposures. Investigation of the magnitude of such uncertain and contingent liabilities is not yet completed. Further, Sapa Profiles, Inc, a US subsidiary of Sapa, is under investigation by the United States Department of Justice. This matter is further described in the section Additional factors impacting Hydro. The outcome of this investigation is not known, and the estimate included in the summary of assets and liabilities below may thus be changed. As no claim has been specified towards the company, a range of possible outcomes has not been established. Hydro will be entitled to reimbursement from the seller for 50 percent of the amount to be finally paid related to this case, and for certain environmental costs. The preliminary estimate of contingent obligations in the acquired business included in the table below amounts to about NOK 850 million and a related indemnity asset receivable from the seller of about NOK 130 million.

A preliminary estimate of goodwill in the transaction amounts to NOK 4,119 million, including goodwill recognized in Sapa prior to the acquisition, and is reflected in the preliminary purchase price allocation. Significant contributors to the estimated goodwill are synergies in the transaction, the assembled and skilled work force in the organization as well as the time value of deferred tax liabilities recognized at nominal amounts as required by IFRS.

Any adjustments in later period will impact deferred tax and goodwill in addition to the item valued. Depreciation and amortization of assets may be impacted should the value of property, plant and equipment or intangible assets, or the remaining useful life of such assets, be reconsidered in later periods. The final fair value assessment is required to be completed within 12 months from completion of the transaction, and may differ from these estimates.

Acquired assets and liabilities

NOK million

Cash and cash equivalents	892
Accounts receivables	8 775
Inventories	6 469
Other current assets	233
Total current assets	16 369
Property, plant and equipment	14 052
Intangible assets, including goodwill	7 016
Other non-current assets	1 969
Total non-current assets	23 037
Total assets acquired	39 405
Bank loans and other interest-bearing short-term debt	3 556
Other current liabilities	10 081
Total non-current liabilities	13 637
Long-term debt	64
Deferred tax liabilities	2 486
Other non-current liabilities	2 365
Total non-current liabilities	4 915
Net assets acquired	20 853
Non-controlling interests	40
Net assets acquired by Hydro	20 813

The results from January to September for Sapa are reported as result from the 50 percent owned joint venture accounted for under the equity method, no results from the acquired businesses were included in Hydro's consolidated income statement as results from the Group's controlled business as of September 30, 2017. The result for the fourth quarter is included in the consolidated income statement, including certain effects of the acquisition, such as the holding gain on the previously held shares, depreciation and amortization of fair value adjustments related to long-lived assets, and the expensed mark-up on inventory values. The acquired business is reported as a separate segment, Extruded Solutions in the period after the acquisition. Revenue in the acquired business for the fourth quarter of 2017 amounted to NOK 14,153 million. Earnings before financial items and tax (EBIT) from the acquired business, including the expensed mark-up on inventory values amounted to a loss of NOK 449 million for the fourth quarter. Excluding the higher cost of goods sold, EBIT amounted to a positive NOK 258 million.

The following information represents pro forma financial information as if the acquisition was completed as of the beginning of 2017. The pro forma financial information is based on Hydro's interim financial statements as of December 31, 2017, and Sapa's management reporting as of September 30, 2017. This pro forma financial information is based on the transaction completed by Hydro and Orkla as of October 2, 2017. Terms of the transaction may have been different had the acquisition been completed at an earlier time. Items directly related to the transaction as such, including the holding gain on previously held shares and the expensed mark-up on inventory values as of the transaction date has been excluded from the pro forma information as those items are not considered illustrative for the result of the combined businesses on an ongoing basis. Pro forma information has been prepared for information purposes only, and is not intended to indicate what the results of operations would have been if the transaction had occurred at the beginning of 2017.

Pro forma combined financial information Hydro

NOK million	2017
Revenue	148 920
Earnings before financial items and tax (EBIT)	11 927
Net income	8 090
Net income (loss) attributable to non-controlling interests	402
Net income (loss) attributable to Hydro shareholders	7 687

Hydro issued an information memorandum dated July 31, 2017 describing the acquisition. The document contains more detailed information about the transaction, and is available at www.hydro.com.

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.
- *(Underlying) RoaCE*: (Underlying) RoaCE is defined as (underlying) "Earnings after tax" divided by average "Capital employed". (Underlying) "Earnings after tax" is defined as (underlying) "Earnings before financial items and tax" less "Adjusted income tax expense". Since RoaCE represents return to the capital providers before dividend and interest payments, adjusted income tax expense excludes the tax effects of items reported as "Financial income (expense), net" and in addition, for underlying figures, the tax effect of items excluded. "Capital Employed" is defined as "Shareholders' Equity", including non-controlling interest plus long-term and short-term interest-bearing debt less "Cash and cash equivalents" and "Short term investments". Capital Employed can be derived by deducting "Cash and cash equivalents", "Short-term investments" and "Short-term and long-term interest free liabilities" (including deferred tax liabilities) from "Total assets". The two different approaches yield the same value.
- *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.

Items excluded from underlying EBIT and net income ¹⁾	Fourth quarter 2017	Third quarter 2017	Fourth quarter 2016	Year 2017	Year 2016
NOK million					
Unrealized derivative effects on LME related contracts	140	(30)	(87)	220	(401)
Unrealized derivative effects on power and raw material contracts	91	7	(20)	246	(61)
Metal effect, Rolled Products	(146)	151	(68)	(419)	(91)
Significant rationalization charges and closure costs	210	-	-	210	192
Impairment charges	-	-	285	-	426
(Gains)/losses on divestments	-	-	-	-	(314)
Other effects	212	-	(223)	212	(223)
Transaction related effects (Sapa)	(1 463)	-	-	(1 463)	-
Items excluded in equity accounted investments (Sapa)	-	(6)	(23)	19	(113)
Items excluded from underlying EBIT	(956)	123	(135)	(974)	(586)
Net foreign exchange (gain)/loss	696	(520)	26	875	(2 266)
Calculated income tax effect	(523)	123	68	(564)	841
Other adjustments to net income	-	(125)	-	(125)	(700)
Items excluded from underlying net income	(783)	(398)	(40)	(788)	(2 712)
Income (loss) tax rate	4 %	22 %	45 %	17 %	28 %
Underlying income (loss) tax rate	19 %	26 %	44 %	24 %	38 %

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

- *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 (PPE 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.

- *(Gains) losses on divestments* include a net gain or loss on divested businesses and/or individual major assets.
- *Other effects* include recognition of pension plan amendments and related curtailments and settlements, insurance proceeds covering asset damage, legal settlements, etc. Insurance proceeds covering lost income are included in underlying results.
- *Transaction related effects (Sapa)* reflect the net measurement gain relating to previously owned shares in Sapa and an inventory valuation expense related to the Sapa transaction.
- *Items excluded in equity accounted investments* reflects Hydro's share of items excluded from underlying net income in Sapa, until end of third quarter 2017, and 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 eliminations¹⁾
NOK million

	Fourth quarter 2017	Third quarter 2017	Fourth quarter 2016	Year 2017	Year 2016
Impairment charges	-	-	285	-	285
Other effects ²⁾	-	-	(254)	-	(254)
Bauxite & Alumina	-	-	31	-	31
Unrealized derivative effects on LME related contracts	100	(20)	(36)	101	(93)
Unrealized derivative effects on power contracts	(16)	36	18	50	(125)
Significant rationalization charges and closure costs	181	-	-	181	192
Primary Metal	265	16	(18)	331	(27)
Unrealized derivative effects on LME related contracts	27	31	(20)	58	(119)
Metal Markets	27	31	(20)	58	(119)
Unrealized derivative effects on LME related contracts	(4)	(35)	(16)	41	(183)
Metal effect	(146)	151	(68)	(419)	(91)
(Gains) losses on divestments	-	-	-	-	28
Other effects ³⁾	245	-	-	245	-
Rolled Products	95	116	(85)	(132)	(246)
Unrealized derivative effects on LME related contracts	(4)	-	-	(4)	-
Significant rationalization charges and closure costs	29	-	-	29	-
Transaction related effects (Sapa) ⁴⁾	(1 463)	-	-	(1 463)	-
Extruded Solutions	(1 438)	-	-	(1 438)	-
Unrealized derivative effects on power contracts	-	-	(4)	-	-
Energy	-	-	(4)	-	-
Unrealized derivative effects on power contracts ⁵⁾	107	(29)	(34)	197	64
Unrealized derivative effects on LME related contracts ⁵⁾	21	(5)	(14)	23	(6)
Impairment charges	-	-	-	-	140
(Gains)/losses on divestments	-	-	-	-	(342)
Other effects ⁶⁾	(33)	-	32	(33)	32
Unrealized derivative effects (Sapa)	-	(8)	(41)	20	(166)
Significant rationalization charges and closure costs (Sapa)	-	-	34	-	55
Net foreign exchange (gain) loss (Sapa)	-	-	(25)	5	(49)
Calculated income tax effect (Sapa)	-	2	10	(6)	48
Other and eliminations	95	(40)	(39)	206	(225)
Items excluded from underlying EBIT	(956)	123	(135)	(974)	(586)

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

2) Other effects in Bauxite & Alumina include a compensation relating to the completion of outstanding contractual arrangements with Vale.

3) Other effects in Rolled Products reflect a charge related to a customs case in Germany.

4) Transaction related effects include the revaluation gain of Hydro's pre-transactional 50 percent share in Sapa, as well as the fair value allocated to inventory of finished goods and to the backlog of contractual deliveries as of closure, sold during fourth quarter 2017.

5) 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.

6) Other effects in Other and eliminations include the remeasurement of environmental liabilities related to closed business in Germany.

Underlying EBITDA

	Fourth quarter 2017	Third quarter 2017	Change prior quarter	Fourth quarter 2016	Change prior year quarter	Year 2017	Year 2016
NOK million							
EBITDA	6 481	3 766	72 %	3 563	82 %	18 344	12 485
Items excluded from underlying EBIT	(956)	123	>(100) %	(135)	>(100) %	(974)	(586)
Reversal of impairments	-	-	-	(285)	100 %	-	(426)
Underlying EBITDA	5 524	3 889	42 %	3 143	76 %	17 369	11 474

Underlying earnings per share

NOK million	Fourth quarter 2017	Third quarter 2017	Change prior quarter	Fourth quarter 2016	Change prior year quarter	Year 2017	Year 2016
Net income (loss)	3 600	2 184	65 %	1 008	>100 %	9 184	6 586
Items excluded from net income (loss)	(783)	(398)	(97) %	(40)	>(100) %	(788)	(2 712)
Underlying net income (loss)	2 816	1 785	58 %	968	>100 %	8 396	3 875
Underlying net income attributable to non-controlling interests	90	102	(11) %	(5)	>100 %	331	112
Underlying net income attributable to Hydro shareholders	2 726	1 684	62 %	973	>100 %	8 066	3 762
Number of shares	2 045	2 045	-	2 043	-	2 044	2 042
Underlying earnings per share	1.33	0.82	62 %	0.48	>100 %	3.95	1.84

Adjusted net cash (debt)

NOK million	Dec 31 2017	Sep 30 2017	Change prior quarter	Dec 31 2016	Sep 30 2016	Change prior quarter
Cash and cash equivalents	11 828	17 853	(6 025)	8 037	7 952	85
Short-term investments ¹⁾	1 311	1 985	(674)	4 611	4 438	174
Short-term debt	(8 245)	(9 065)	820	(3 283)	(3 562)	279
Long-term debt	(9 012)	(3 077)	(5 936)	(3 397)	(3 409)	12
Net cash (debt)	(4 118)	7 697	(11 815)	5 969	5 419	550
Cash and cash equiv. and short-term investm. in captive insurance company ²⁾	(1 076)	(1 064)	(12)	(1 103)	(1 128)	25
Net pension obligation at fair value, net of expected income tax benefit ³⁾	(7 895)	(6 527)	(1 368)	(7 338)	(8 597)	1 259
Operating lease commitments, net of expected income tax benefit ⁴⁾	(1 585)	(507)	(1 078)	(507)	(487)	(20)
Short- and long-term provisions net of exp. income tax benefit, and other liab. ⁵⁾	(3 295)	(2 574)	(720)	(2 619)	(3 279)	660
Adjusted net cash (debt)	(17 968)	(2 976)	(14 992)	(5 598)	(8 072)	2 474
Net debt in EAI ⁶⁾	(5 798)	(6 895)	1 096	(6 887)	(6 141)	(746)
Adjusted net cash (debt) incl. EAI	(23 767)	(9 871)	(13 896)	(12 485)	(14 213)	1 728

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 1 474 million and NOK 985 million for December 2017 and September 2017, respectively.

4) Operating lease commitments are discounted using a rate of 1.14 percent for 2017 (1.29 for 2016). The expected tax benefit on operating lease commitments is estimated at 30 percent. The net present value of operating lease commitments is re-calculated once a year in connection with full year reporting.

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. Per December 2017, the adjustment is related to Qatalum.

Underlying RoaCE

Hydro uses underlying RoaCE to measure the performance for the group as a whole and within its operating segments, both in absolute terms and comparatively from period to period. Management views this measure as providing additional understanding of the rate of return on investments over time in each of its capital intensive businesses and in the operating results of its business segments.

NOK million	Reported		Underlying	
	2017	2016	2017	2016
EBIT	12 189	7 011	11 215	6 425
Adjusted Income tax expense ¹⁾	(2 225)	(1 913)	(2 651)	(2 452)
EBIT after tax	9 964	5 098	8 564	3 973

NOK million	December 31		
	2017	2016	2015
Current assets ²⁾	41 459	23 722	23 491
Property, plant and equipment	73 020	58 734	51 174
Other non-current assets	35 710	35 688	35 210
Current liabilities ³⁾	(25 081)	(13 823)	(13 837)
Non-current liabilities ⁴⁾	(28 737)	(22 651)	(21 847)
Capital Employed	96 370	81 670	74 191

Return on average Capital Employed (RoaCE)	Reported		Underlying	
	2017	2016	2017	2016
Hydro	11.2 %	6.5 %	9.6 %	5.1 %

1) Adjusted income tax expense is based on reported and underlying tax expense adjusted for tax on financial items.

2) Excluding cash and cash equivalents and short-term investments.

3) Excluding bank loans and other interest-bearing short-term debt.

4) Excluding long-term debt.

Additional information

Financial calendar

Financial calendar 2018

March 23	Annual report
April 25	First quarter results
May 7	Annual General Meeting
July 24	Second quarter results
October 24	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 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.

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HYDRO

Infinite aluminium