



HYDRO

Second quarter report

2015

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Overview

Summary underlying financial and operating results and liquidity

| Key financial information | Second quarter 2015 | First quarter 2015 | %change prior quarter | Second quarter 2014 | %change prior year quarter | First half 2015 | First half 2014 | Year 2014 |
|--|---------------------|--------------------|-----------------------|---------------------|----------------------------|-----------------|-----------------|-----------|
| NOK million, except per share data | | | | | | | | |
| Revenue | 22 436 | 23 290 | (4) % | 18 272 | 23 % | 45 726 | 36 553 | 77 907 |
| Earnings before financial items and tax (EBIT) | 2 698 | 3 206 | (16) % | 620 | >100 % | 5 904 | 1 442 | 5 674 |
| Items excluded from underlying EBIT | (31) | 2 | >(100) % | (75) | 59 % | (29) | (126) | 18 |
| Underlying EBIT | 2 667 | 3 208 | (17) % | 544 | >100 % | 5 875 | 1 316 | 5 692 |
| <i>Underlying EBIT :</i> | | | | | | | | |
| Bauxite & Alumina | 482 | 780 | (38) % | (269) | >100 % | 1 261 | (557) | (55) |
| Primary Metal | 1 448 | 2 012 | (28) % | 420 | >100 % | 3 459 | 732 | 3 937 |
| Metal Markets | (89) | 24 | >(100) % | 100 | >(100) % | (65) | 241 | 634 |
| Rolled Products | 315 | 292 | 8 % | 177 | 78 % | 607 | 358 | 698 |
| Energy | 179 | 382 | (53) % | 169 | 6 % | 560 | 603 | 1 197 |
| Other and eliminations ¹⁾ | 333 | (281) | >100 % | (52) | >100 % | 51 | (61) | (717) |
| Underlying EBIT | 2 667 | 3 208 | (17) % | 544 | >100 % | 5 875 | 1 316 | 5 692 |
| Underlying EBITDA | 3 880 | 4 437 | (13) % | 1 653 | >100 % | 8 317 | 3 514 | 10 299 |
| Net income (loss) | 2 064 | 1 072 | 93 % | 269 | >100 % | 3 136 | 730 | 1 228 |
| Underlying net income (loss) | 1 830 | 2 206 | (17) % | 318 | >100 % | 4 036 | 705 | 3 728 |
| Earnings per share | 0.94 | 0.46 | >100 % | 0.09 | >100 % | 1.40 | 0.28 | 0.39 |
| Underlying earnings per share | 0.83 | 0.95 | (12) % | 0.13 | >100 % | 1.78 | 0.29 | 1.55 |
| <i>Financial data:</i> | | | | | | | | |
| Investments ²⁾ | 1 192 | 802 | 49 % | 740 | 61 % | 1 993 | 1 286 | 3 625 |
| Adjusted net interest-bearing debt | (11 000) | (13 478) | 18 % | (13 551) | 19 % | (11 000) | (13 551) | (13 587) |
| Key Operational information | | | | | | | | |
| Alumina production (kmt) | 1 437 | 1 451 | (1) % | 1 526 | (6) % | 2 888 | 2 954 | 5 933 |
| Primary aluminium production (kmt) | 509 | 497 | 2 % | 488 | 4 % | 1 005 | 972 | 1 958 |
| Realized aluminium price LME (USD/mt) | 1 803 | 1 897 | (5) % | 1 762 | 2 % | 1 851 | 1 755 | 1 850 |
| Realized aluminium price LME (NOK/mt) ³⁾ | 13 923 | 14 383 | (3) % | 10 660 | 31 % | 14 160 | 10 682 | 11 624 |
| Realized NOK/USD exchange rate ³⁾ | 7.72 | 7.58 | 2 % | 6.05 | 28 % | 7.65 | 6.09 | 6.28 |
| Metal products sales, total Hydro (kmt) ⁴⁾ | 830 | 767 | 8 % | 833 | - | 1 597 | 1 701 | 3 274 |
| Rolled Products sales volumes to external market (kmt) | 243 | 227 | 7 % | 245 | (1) % | 471 | 488 | 946 |
| Power production (GWh) | 2 103 | 3 071 | (32) % | 2 248 | (6) % | 5 173 | 5 212 | 10 206 |

1) Other and eliminations includes Hydro's 50 percent share of underlying net income from Sapa.

2) Investments include non-cash elements relating to capitalized leases.

3) Including the effect of strategic hedges (hedge accounting applied).

4) Sales from casthouses (incl. Rheinwerk), remelters, third party sources and liquid metal. Sales volumes for 2014 have been restated.

Hydro's underlying earnings before financial items and tax declined to NOK 2,667 million in the second quarter, down from NOK 3,208 million in the first quarter of 2015 mainly reflecting lower aluminium prices and the continued decline in premiums.

Underlying EBIT for Bauxite and Alumina decreased in the second quarter reflecting lower LME-linked alumina prices, a decline in alumina index prices and lower index based sales volumes.

Primary Metal underlying EBIT declined in the second quarter, mainly due to lower realized aluminium prices and premiums.

Underlying EBIT for Metal Markets declined in the second quarter impacted by higher negative currency and inventory valuation effects. Sourcing and trading operations continued to incur underlying losses, reflecting the further fall in standard ingot premiums. Results from remelt operations improved mainly due to higher margins.

Rolled Products delivered improved underlying EBIT mainly driven by seasonally higher shipments and somewhat better operating margins. Results were negatively influenced by a decrease in the contribution from the Rheinwerk smelter and negative currency developments.⁵⁾

Underlying EBIT for Energy declined compared to the first quarter, mainly due to seasonally lower production also influenced by the delayed spring thaw in the Norwegian mountains.

Underlying EBIT for Sapa increased compared to the previous quarter, due to seasonally higher sales volumes, strong North American market development, as well as improvement programs progressing ahead of plan across the organization. The second quarter results were also negatively affected by sharply falling metal premiums in North America.

Operating cash flow amounted to NOK 4.2 billion for the second quarter. Cash used for investment activities amounted to NOK 1.2 billion. Dividends paid during the quarter amounted to NOK 2.0 billion. Hydro's net cash position amounted to NOK 0.7 billion at the end of the second quarter.

5) Rolled Products incurs currency gains and losses on export sales from its Euro based operations mainly denominated in US dollars. These gains and losses affect the value of the margin contribution to underlying EBIT and can be significant. Offsetting gains and losses on internal currency hedges are reported as financial items

Reported EBIT and net income

Reported earnings before financial items and tax amounted to NOK 2,698 million in the second quarter. In addition to the factors discussed above, reported EBIT included net unrealized derivative gains and positive metal effects of NOK 132 million in total and a compensation of NOK 37 million relating to insurance proceeds. Reported earnings also included a charge of NOK 139 million (Hydro's share) for Sapa net of tax, including NOK 106 million relating to restructuring charges.

In the previous quarter reported earnings before financial items and tax amounted to NOK 3,206 million including net unrealized derivative gains and positive metal effects of NOK 72 million in total. Reported earnings also included a charge of NOK 74 million (Hydro's share) for Sapa mainly relating to unrealized derivative losses.

Net income amounted to NOK 2,064 million in the second quarter including a net foreign exchange gain of NOK 346 million due to unrealized currency gains on US dollar debt mainly in Brazil. In the previous quarter, net income was NOK 1,072 million including a net foreign exchange loss of NOK 1,587 million mainly due to the strengthening of the USD.

Market developments and outlook

| Market statistics ¹⁾ | Second quarter 2015 | First quarter 2015 | %change prior quarter | Second quarter 2014 | %change prior year quarter | First half 2015 | First half 2014 | Year 2014 |
|---|---------------------|--------------------|-----------------------|---------------------|----------------------------|-----------------|-----------------|-----------|
| NOK/USD Average exchange rate | 7.75 | 7.76 | - | 5.99 | 30 % | 7.76 | 6.04 | 6.30 |
| NOK/USD Balance sheet date exchange rate | 7.86 | 8.09 | (3) % | 6.15 | 28 % | 7.86 | 6.15 | 7.43 |
| NOK/BRL Average exchange rate | 2.52 | 2.72 | (7) % | 2.68 | (6) % | 2.62 | 2.63 | 2.68 |
| NOK/BRL Balance sheet date exchange rate | 2.53 | 2.49 | 2 % | 2.80 | (10) % | 2.53 | 2.80 | 2.80 |
| NOK/EUR Average exchange rate | 8.57 | 8.73 | (2) % | 8.21 | 4 % | 8.65 | 8.28 | 8.35 |
| NOK/EUR Balance sheet date exchange rate | 8.79 | 8.70 | 1 % | 8.40 | 5 % | 8.79 | 8.40 | 9.04 |
| <i>Bauxite and alumina:</i> | | | | | | | | |
| Average alumina price - Platts PAX FOB Australia (USD/t) | 337 | 341 | (1) % | 316 | 7 % | 339 | 322 | 330 |
| Global production of alumina (kmt) | 27 844 | 27 026 | 3 % | 26 136 | 7 % | 54 870 | 52 587 | 106 291 |
| Global production of alumina (ex. China) (kmt) | 14 051 | 13 511 | 4 % | 13 551 | 4 % | 27 562 | 27 565 | 54 687 |
| <i>Primary aluminium:</i> | | | | | | | | |
| LME three month average (USD/mt) | 1 787 | 1 813 | (1) % | 1 836 | (3) % | 1 800 | 1 793 | 1 894 |
| LME three month average (NOK/mt) | 13 831 | 14 062 | (2) % | 10 991 | 26 % | 13 948 | 10 829 | 11 962 |
| Global production of primary aluminium (kmt) | 14 334 | 14 013 | 2 % | 13 350 | 7 % | 28 348 | 26 498 | 54 239 |
| Global consumption of primary aluminium (kmt) | 14 751 | 12 791 | 15 % | 14 092 | 5 % | 27 542 | 26 559 | 54 139 |
| Global production of primary aluminium (ex. China) (kmt) | 6 555 | 6 479 | 1 % | 6 508 | 1 % | 13 034 | 12 878 | 25 913 |
| Global consumption of primary aluminium (ex. China) (kmt) | 7 043 | 6 659 | 6 % | 6 896 | 2 % | 13 702 | 13 511 | 26 917 |
| Reported primary aluminium inventories (kmt) | 7 508 | 7 822 | (4) % | 8 303 | (10) % | 7 508 | 8 303 | 7 381 |
| <i>Rolled products and extruded products:</i> | | | | | | | | |
| Consumption rolled products - Europe (kmt) | 1 168 | 1 143 | 2 % | 1 146 | 2 % | 2 311 | 2 277 | 4 441 |
| Consumption rolled products - USA & Canada (kmt) | 1 196 | 1 170 | 2 % | 1 139 | 5 % | 2 367 | 2 168 | 4 447 |
| Consumption extruded products - Europe (kmt) | 764 | 727 | 5 % | 754 | 1 % | 1 491 | 1 478 | 2 861 |
| Consumption extruded products - USA & Canada (kmt) | 618 | 594 | 4 % | 570 | 8 % | 1 212 | 1 100 | 2 216 |
| <i>Energy:</i> | | | | | | | | |
| Average southern Norway spot price (NO2) (NOK/MWh) | 171 | 238 | (28) % | 168 | 2 % | 204 | 208 | 228 |
| Average nordic system spot price (NOK/MWh) | 177 | 246 | (28) % | 211 | (16) % | 211 | 231 | 248 |

1) Industry statistics have been derived from analyst reports, trade associations and other public sources unless otherwise indicated. These statistics do not have any direct relationship to the reported figures of Norsk Hydro. Amounts presented in prior reports may have been restated based on updated information. Currency rates have been derived from Norges Bank.

Bauxite and alumina

Chinese alumina imports amounted to 1,590 thousand mt for the first five months of 2015, down 34 percent from the same period in 2014. For the first five months of 2015, bauxite imports amounted to 18.6 million mt, an increase of 11 percent from the same period in 2014. This was mainly due to an increase of 6.0 million mt of bauxite imports from Malaysia that offset the effects of export restrictions on bauxite from Indonesia which took effect in January 2014.

Platts alumina spot prices averaged USD 337 per mt in the second quarter of 2015, a decrease of USD 4 per mt compared to the previous quarter. Average prices represented 18.8 percent of LME in the quarter compared with 18.4 percent in the previous quarter. According to Chinese import statistics, the average delivered China bauxite price was USD 53 per mt in May 2015, USD 4 per mt below the first quarter 2015 average.

Primary aluminium

Three month LME prices ranged between USD 1,683 and USD 1,938 per mt throughout the second quarter of 2015, with the lowest prices experienced towards the end of the quarter. Average LME three month prices declined compared with the first quarter of 2015 by USD 26 per mt. In Europe, all-in prices including duty paid standard ingot premiums continued to decline during the quarter and ranged between USD 1,868 and USD 2,113 per mt.

Standard ingot premiums continued to decline significantly during the quarter. European duty paid standard ingot premiums fell to USD 185 per mt at the end of the quarter compared with USD 330 at the beginning of the quarter. Average European duty paid standard ingot premiums amounted to USD 205 per mt in the second quarter compared with USD 433 per mt in the first quarter. Midwest premiums started the quarter at USD 408 per mt and ended the quarter at USD 187 per mt. Average Midwest standard ingot premiums amounted to USD 269 per mt compared with USD 497 per mt in the first quarter.

Premium developments have been heavily influenced by increased exports of semi-finished products from China and increased metal available from warehouses partly due to a reduced contango. However, the difference between SHFE prices and all-in metal prices outside of China declined during the quarter, mainly due to the lower ingot premiums. This has reduced the incentive for China to export fabricated and semi-finished aluminium products. Exports of semi-fabricated products from China remained at higher levels compared to the second quarter of last year.

Global primary aluminium consumption increased by 15 percent to 14.8 million mt in second quarter compared with first quarter. Compared with second quarter 2014, global demand increased by 5 percent. Global demand growth for 2015 is expected to be around 5 percent.

Global demand (excluding China) increased by 5.8 percent compared with the first quarter and was 2.1 percent higher compared to the second quarter of 2014. Annualized consumption amounted to 28.2 million mt for the quarter. Corresponding production amounted to 26.3 million mt. This was the same level as in the first quarter of 2015 and up 0.7 percent from the second quarter in 2014, driven by ramp-up of new production capacity in India and some announced restarts in Europe. Global demand for primary aluminium (excluding China) is expected to grow 2 - 3 percent in 2015.

Aluminium consumption increased seasonally by 25.7 percent to 7.7 million mt in China compared to the first quarter and was up 7.1 percent compared to the second quarter of last year. Compared with the second quarter of 2014, aluminium production increased 13.7 percent. Ramp up of new capacity continued in the Northwest regions, while closures in Eastern regions have been more limited. Shanghai Futures Exchange (SHFE) prices declined 0.9 percent compared to the first quarter.

European demand for extrusion ingot, sheet ingot and primary foundry alloys in the second quarter of 2015 was slightly higher compared to the same period in 2014. Product premiums have fallen following the decline in standard ingot premiums. The decline in standard ingot premiums throughout the quarter is expected to impact developments for value added premiums also going forward.

Rolled products

European demand for flat rolled products increased by around 2 percent compared to the first quarter of 2015 mainly due to seasonality and improved demand in the general engineering market segment. Demand growth was at the same level compared to the second quarter of the previous year.

Demand for automotive products was higher compared to the first quarter despite lower car production, primarily due to the increasing substitution of steel by aluminium for automotive body sheet. Despite a slight seasonal increase, building and construction market demand was low in Southern Europe in particular, following somewhat improved market conditions in the first quarter. The foil market showed a healthy demand growth, influenced by improved consumer sentiment and restocking activities. Demand growth in beverage can and general engineering markets was solid. General engineering was positively influenced by a somewhat reduced import pressure as the Euro weakened.

Market demand in the third quarter is expected to be stable.

Extruded products

Demand for extruded products in North America increased by 4 percent compared to the previous quarter, due to seasonal variations in demand and strong markets. Compared to the same quarter of the previous year, demand grew 8 percent, due to strong automotive and truck demand and a ramp-up of residential building and construction activity.

In Europe, extruded products demand seasonally increased 5 percent compared with the previous quarter. Demand is showing signs of improvement compared to the same quarter of the previous year, but weaker building and construction market is, to a large degree, offsetting most other segments.

Demand for extruded products is expected to seasonally weaken in Europe going into the third quarter, compared to the second quarter, while in North America demand is expected to remain stable. When comparing to the same quarter last year, demand in Europe in the third quarter is expected to improve slightly, while the strong development is expected to continue in North America.

Energy

The Nordic system price was stable for most of the second quarter but started to decline toward the end of the quarter as water inflow levels increased due to melting snow in the lower catchment areas in Norway and Sweden. Price development was also influenced by the expectation of increased inflow and risk of flooding during the summer months as cold weather conditions in the Norwegian mountains resulted in lower inflows than normal.

The Nordic hydrological balance started the quarter around 6 TWh above normal and ended at around 4 TWh above normal. Water reservoirs in Norway were 51 percent of full capacity at the end of the second quarter which is 17 percentage points below normal. Snow reservoirs were 20 TWh above normal at the end of the quarter.

The severe drought in Brazil, which began in early 2014, has resulted in a deteriorating hydrological balance. However, during the second quarter reservoir levels have continued to improve and thermal power production is operating at close to maximum. These factors, together with reduced demand due to lower economic growth and higher power prices, have reduced significantly the risk of rationing for 2015.

Additional factors impacting Hydro

Primary Metal has sold forward around 50 percent of its expected primary aluminium production for the third quarter of 2015 at a price level of around USD 1,750 per mt.¹⁾ This excludes volumes from Qatalum.

Hydro has reached an agreement with the state of Para in Brazil relating to the deferral of ICMS taxation for the next 15 years. For further information on the agreement, please see related stock exchange announcement "Norsk Hydro: Long-term ICMS tax framework established for Hydro's Brazil operations" dated July, 17 2015 on Hydro's website under Press room.

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 1.5 to 2 months.

Underlying EBIT

Bauxite & Alumina

| Operational and financial information | Second quarter 2015 | First quarter 2015 | %change prior quarter | Second quarter 2014 | %change prior year quarter | First half 2015 | First half 2014 | Year 2014 |
|---|---------------------|--------------------|-----------------------|---------------------|----------------------------|-----------------|-----------------|-----------|
| Underlying EBIT (NOK million) | 482 | 780 | (38) % | (269) | >100 % | 1 261 | (557) | (55) |
| Underlying EBITDA (NOK million) | 951 | 1 240 | (23) % | 162 | >100 % | 2 191 | 284 | 1 747 |
| Alumina production (kmt) | 1 437 | 1 451 | (1) % | 1 526 | (6) % | 2 888 | 2 954 | 5 933 |
| Sourced alumina (kmt) | 725 | 666 | 9 % | 431 | 68 % | 1 391 | 981 | 2 016 |
| Total alumina sales (kmt) | 2 099 | 2 136 | (2) % | 2 071 | 1 % | 4 235 | 3 977 | 7 942 |
| Realized alumina price (USD/mt) ¹⁾ | 292 | 300 | (3) % | 276 | 6 % | 296 | 273 | 284 |
| Bauxite production (kmt) ²⁾ | 2 232 | 2 135 | 5 % | 2 370 | (6) % | 4 366 | 4 612 | 9 481 |
| Sourced bauxite (kmt) ³⁾ | 2 103 | 1 806 | 16 % | 2 204 | (5) % | 3 909 | 4 078 | 8 815 |

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.

Underlying EBIT for Bauxite and Alumina decreased in the second quarter reflecting lower LME-linked alumina prices, a decline in alumina index prices and lower index based sales volumes.

Bauxite production at Paragominas increased in the second quarter following the completion of an extended maintenance period. Alumina production was stable compared to the previous quarter.

Compared with the second quarter of the previous year, underlying EBIT increased significantly influenced by higher index-linked alumina prices together with increased alumina index based sales volumes. Positive currency effects and further cost reductions relating to the "From B to A" improvement program also contributed to the higher underlying results for the quarter.

Underlying EBIT for the first half of 2015 also increased compared to the same period of the previous year influenced by the same factors discussed in the preceding paragraph.

Primary Metal

| Operational and financial information ¹⁾ | Second quarter 2015 | First quarter 2015 | %change prior quarter | Second quarter 2014 | %change prior year quarter | First half 2015 | First half 2014 | Year 2014 |
|---|---------------------|--------------------|-----------------------|---------------------|----------------------------|-----------------|-----------------|-----------|
| Underlying EBIT (NOK million) | 1 448 | 2 012 | (28) % | 420 | >100 % | 3 459 | 732 | 3 937 |
| Underlying EBITDA (NOK million) | 1 931 | 2 522 | (23) % | 852 | >100 % | 4 453 | 1 605 | 5 745 |
| Realized aluminium price LME (USD/mt) ²⁾ | 1 803 | 1 897 | (5) % | 1 762 | 2 % | 1 851 | 1 755 | 1 850 |
| Realized aluminium price LME (NOK/mt) ²⁾ | 13 923 | 14 383 | (3) % | 10 660 | 31 % | 14 160 | 10 682 | 11 624 |
| Realized premium above LME (USD/mt) ³⁾ | 509 | 614 | (17) % | 476 | 7 % | 561 | 448 | 500 |
| Realized premium above LME (NOK/mt) ³⁾ | 3 927 | 4 660 | (16) % | 2 883 | 36 % | 4 291 | 2 729 | 3 140 |
| Realized NOK/USD exchange rate | 7.72 | 7.58 | 2 % | 6.05 | 28 % | 7.65 | 6.09 | 6.28 |
| Primary aluminium production (kmt) | 509 | 497 | 2 % | 488 | 4 % | 1 005 | 972 | 1 958 |
| Casthouse production (kmt) | 516 | 495 | 4 % | 529 | (2) % | 1 010 | 1 053 | 2 088 |
| Total sales (kmt) | 544 | 534 | 2 % | 559 | (3) % | 1 078 | 1 152 | 2 220 |

- 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, and include the effects of strategic currency hedges (hedge accounting applied).
- 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 2015 | First quarter 2015 | %change prior quarter | Second quarter 2014 | %change prior year quarter | First half 2015 | First half 2014 | Year 2014 |
|--|----------------------------|---------------------------|------------------------------|----------------------------|-----------------------------------|------------------------|------------------------|------------------|
| Revenue (NOK million) | 1 542 | 1 492 | 3 % | 1 095 | 41 % | 3 034 | 2 182 | 4 918 |
| Underlying EBIT (NOK million) | 303 | 305 | (1) % | 158 | 92 % | 608 | 273 | 874 |
| Underlying EBITDA (NOK million) | 584 | 585 | - | 370 | 58 % | 1 169 | 712 | 1 772 |
| Underlying Net income (loss) (NOK million) | 245 | 246 | - | 111 | >100 % | 491 | 187 | 693 |
| Primary aluminium production (kmt) | 76 | 76 | - | 77 | (1) % | 152 | 153 | 306 |
| Casthouse sales (kmt) | 83 | 77 | 8 % | 80 | 4 % | 160 | 163 | 328 |

Underlying EBIT for Primary Metal declined in the second quarter, mainly due to lower realized aluminium prices and premiums.

Hydro's share of underlying results from Qatalum was stable compared to the first quarter of 2015.

Higher realized premiums and aluminium prices, in addition to the significantly stronger US dollar, had a substantial positive impact on underlying EBIT in the second quarter compared to the same quarter of 2014. Increased raw material costs, reflecting higher prices and currency effects, partly offset the positive developments. Improved results from Qatalum also had a positive effect on underlying results for the quarter, driven mainly by higher realized all-in metal prices.

Underlying EBIT for the first half of 2015 improved compared with the same period in 2014 mainly due to the same factors discussed in the preceding paragraph.

Metal Markets

| Operational and financial information | Second quarter 2015 | First quarter 2015 | %change prior quarter | Second quarter 2014 | %change prior year quarter | First half 2015 | First half 2014 | Year 2014 |
|--|----------------------------|---------------------------|------------------------------|----------------------------|-----------------------------------|------------------------|------------------------|------------------|
| Underlying EBIT (NOK million) | (89) | 24 | >(100) % | 100 | >(100) % | (65) | 241 | 634 |
| Currency effects ¹⁾ | (63) | (8) | >(100) % | 7 | >(100) % | (71) | - | 44 |
| Inventory valuation effects ²⁾ | (47) | (28) | (69) % | (29) | (63) % | (75) | (36) | 31 |
| Underlying EBIT excl. currency and ingot inventory effects | 21 | 60 | (64) % | 121 | (82) % | 82 | 277 | 559 |
| Underlying EBITDA (NOK million) | (64) | 47 | >(100) % | 120 | >(100) % | (17) | 277 | 712 |
| Remelt production (kmt) | 141 | 145 | (3) % | 141 | - | 286 | 280 | 538 |
| Metal products sales excluding ingot trading (kmt) ³⁾ | 750 | 626 | 20 % | 726 | 3 % | 1 375 | 1 501 | 2 852 |
| Hereof external sales (kmt) ⁴⁾ | 674 | 571 | 18 % | 619 | 9 % | 1 245 | 1 273 | 2 478 |

- 1) Includes 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 dollar denominated 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. Currency effects for 2014 have been restated.
- 2) Comprised of 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 periods of declining prices, unrealized hedging gains are offset by write-downs of physical inventories.
- 3) Includes external and internal sales from primary casthouse operations, remelters and third party metal sources. Sales volumes for 2014 have been restated.
- 4) Sales volumes for 2014 have been restated.

Underlying EBIT for Metal Markets declined in the second quarter impacted by higher negative currency and inventory valuation effects. Sourcing and trading operations continued to incur underlying losses, reflecting the further decline in standard ingot premiums. Negative effects were partly offset by improved results from remelt operations mainly due to higher margins.

Compared to the second quarter of 2014, underlying EBIT for Metal Markets declined substantially, influenced by negative results from sourcing and trading activities as a result of the decline in standard ingot premiums. This was partly offset by improved results from remelt operations due to higher margins. Underlying EBIT was also impacted by higher net negative currency and inventory valuation effects.

In the first half of 2015, underlying EBIT decreased significantly compared to the same period of the previous year, mainly due to the same factors discussed in the preceding paragraph.

Rolled Products

| Operational and financial information | Second quarter 2015 | First quarter 2015 | %change prior quarter | Second quarter 2014 | %change prior year quarter | First half 2015 | First half 2014 | Year 2014 |
|--|---------------------|--------------------|-----------------------|---------------------|----------------------------|-----------------|-----------------|-----------|
| Underlying EBIT (NOK million) | 315 | 292 | 8 % | 177 | 78 % | 607 | 358 | 698 |
| Underlying EBITDA (NOK million) | 488 | 465 | 5 % | 350 | 40 % | 953 | 701 | 1 398 |
| Sales volumes to external market (kmt) | 243 | 227 | 7 % | 245 | (1) % | 471 | 488 | 946 |
| Sales volumes to external markets (kmt) - Customer business units | | | | | | | | |
| Packaging and building ¹⁾ | 97 | 85 | 14 % | 95 | 2 % | 183 | 186 | 365 |
| Lithography, automotive & heat exchanger | 75 | 78 | (3) % | 81 | (8) % | 152 | 161 | 317 |
| General engineering | 71 | 64 | 10 % | 69 | 3 % | 135 | 141 | 263 |
| Rolled Products | 243 | 227 | 7 % | 245 | (1) % | 471 | 488 | 946 |

1) Includes beverage can, foil packaging and lacquered building products.

Underlying EBIT for Rolled Products improved compared with the first quarter of 2015, mainly driven by seasonally higher shipments for can beverage and improved demand for general engineering products. Positive effects were mostly offset by a decreased contribution from the Rheinwerk smelter, due to lower all-in metal prices and negative currency developments.²⁾ Operating margins improved somewhat.

Compared to the second quarter of last year, underlying EBIT improved mainly due to an increased contribution from the Rheinwerk smelter as a result of higher all-in metal prices, and significant positive currency developments.²⁾ Sales volumes and operating margins were stable.

Underlying EBIT for the first half year 2015 improved substantially compared to the same period last year, primarily driven by an increased contribution from the Rheinwerk smelter as a result of higher all-in metal prices, and significant positive currency developments.²⁾

2) Rolled Products incurs currency gains and losses on export sales from its Euro based operations mainly denominated in US dollars. These gains and losses affect the value of the margin contribution to underlying EBIT and can be significant. Offsetting gains and losses on internal currency hedges are reported as financial items

Energy

| Operational and financial information | Second quarter 2015 | First quarter 2015 | %change prior quarter | Second quarter 2014 | %change prior year quarter | First half 2015 | First half 2014 | Year 2014 |
|---|----------------------------|--------------------|-----------------------|---------------------|----------------------------|------------------------|-----------------|-----------|
| Underlying EBIT (NOK million) | 179 | 382 | (53) % | 169 | 6 % | 560 | 603 | 1 197 |
| Underlying EBITDA (NOK million) | 227 | 429 | (47) % | 209 | 9 % | 656 | 683 | 1 360 |
| Direct production costs (NOK million) ¹⁾ | 113 | 204 | (44) % | 140 | (19) % | 317 | 302 | 608 |
| Power production (GWh) | 2 103 | 3 071 | (32) % | 2 248 | (6) % | 5 173 | 5 212 | 10 206 |
| External power sourcing (GWh) | 2 221 | 2 200 | 1 % | 2 381 | (7) % | 4 422 | 4 695 | 9 315 |
| Internal contract sales (GWh) | 3 356 | 3 315 | 1 % | 3 361 | - | 6 670 | 6 694 | 13 514 |
| External contract sales (GWh) | 244 | 346 | (29) % | 241 | 1 % | 591 | 604 | 1 187 |
| Net spot sales (GWh) | 724 | 1 610 | (55) % | 1 028 | (30) % | 2 334 | 2 609 | 4 820 |

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

Underlying EBIT for Energy declined compared to the first quarter, mainly due to seasonally lower production that was also influenced by the delayed spring thaw in the Norwegian mountains. Lower prices also contributed to the decline, but was more than offset by reduced property taxes and volume related transmission costs.

Compared to the second quarter of the previous year, underlying EBIT increased somewhat due to lower area costs partly offset by lower production.

Underlying EBIT for the first half of 2015 declined slightly compared to the same period in the previous year, mainly due to lower net spot sales volumes and higher production costs, partly offset by reduced area costs. Net spot sales volumes were also impacted by expired sourcing contracts.

Other and eliminations

| Financial information | Second quarter 2015 | First quarter 2015 | %change prior quarter | Second quarter 2014 | %change prior year quarter | First half 2015 | First half 2014 | Year 2014 |
|---|----------------------------|--------------------|-----------------------|---------------------|----------------------------|------------------------|-----------------|--------------|
| Sapa (50%) ¹⁾ | 145 | 119 | 22 % | 131 | 11 % | 264 | 166 | 199 |
| Other | (150) | (117) | (29) % | (176) | 15 % | (267) | (303) | (549) |
| Eliminations | 338 | (284) | >100 % | (8) | >100 % | 54 | 77 | (367) |
| Underlying EBIT Other and eliminations | 333 | (281) | >100 % | (52) | >100 % | 51 | (61) | (717) |

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

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%) | Second quarter 2015 | First quarter 2015 | %change prior quarter | Second quarter 2014 | %change prior year quarter | First half 2015 | First half 2014 | Year 2014 |
|---|----------------------------|--------------------|-----------------------|---------------------|----------------------------|------------------------|-----------------|-----------|
| Revenue (NOK million) | 7 247 | 7 067 | 3 % | 5 772 | 26 % | 14 314 | 11 445 | 23 192 |
| Underlying EBIT (NOK million) | 241 | 196 | 23 % | 175 | 38 % | 437 | 253 | 326 |
| Underlying EBITDA (NOK million) | 399 | 353 | 13 % | 321 | 24 % | 752 | 541 | 958 |
| Underlying Net income (loss) (NOK million) | 145 | 119 | 22 % | 131 | 10 % | 264 | 166 | 199 |
| Sales volumes (kmt) | 179 | 177 | 1 % | 184 | (3) % | 355 | 364 | 699 |

Underlying EBIT for Sapa increased compared to the previous quarter, due to seasonally higher sales volumes, strong North American market development, as well as improvement programs progressing ahead of plan across the organization. The second quarter results were also impacted negatively by sharply falling metal premiums in North America.

Underlying EBIT increased compared to the same quarter of the previous year driven by strong North American demand, positive currency developments, as well as positive contributions from improvement programs and restructuring efforts.

Underlying EBIT for the first half of 2015 improved by more than 70 percent compared with the same period in 2014, influenced by the same factors discussed above.

Reported EBIT for Sapa for the second quarter was negatively influenced by restructuring cost and unrealized derivative losses. The restructuring cost relates to Southern Europe and China.

Finance

| Financial income (expense) | Second quarter 2015 | First quarter 2015 | % change prior quarter | Second quarter 2014 | % change prior year quarter | First half 2015 | First half 2014 | Year 2014 |
|--|---------------------|--------------------|------------------------|---------------------|-----------------------------|-----------------|-----------------|-----------|
| NOK million | | | | | | | | |
| Interest income | 59 | 75 | (22)% | 72 | (18)% | 134 | 132 | 275 |
| Dividends received and net gain (loss) on securities | (1) | 13 | >(100)% | 26 | >(100)% | 12 | 29 | 71 |
| Financial income | 58 | 88 | (34)% | 98 | (41)% | 146 | 161 | 347 |
| Interest expense | (69) | (100) | 32 % | (130) | 47 % | (169) | (228) | (438) |
| Capitalized interest | 7 | - | - | 1 | >100% | 7 | 2 | 3 |
| Net foreign exchange gain (loss) | 346 | (1 587) | >100% | (101) | >100% | (1 241) | 92 | (3 161) |
| Net interest on pension liability | (35) | (36) | 1 % | (47) | 25 % | (71) | (94) | (189) |
| Other | (49) | (45) | (10)% | (19) | >(100)% | (94) | (40) | (115) |
| Financial expense | 200 | (1 768) | >100% | (297) | >100% | (1 568) | (268) | (3 900) |
| Financial income (expense), net | 258 | (1 680) | >100% | (199) | >100% | (1 422) | (107) | (3 554) |

The net foreign exchange gain was comprised of unrealized currency gains on US dollar debt mainly in Brazil.

Tax

Income tax expense amounted to NOK 891 million for the second quarter of 2015 or about 30 percent of income before tax.

Items excluded from underlying EBIT and net income

To provide a better understanding of Hydro's underlying performance, the items in the table below have been excluded from EBIT and net income.

Items excluded from underlying EBIT are comprised mainly of unrealized gains and losses on certain derivatives, impairment and rationalization charges, effects of disposals of businesses and operating assets, as well as other items that are of a special nature or are not expected to be incurred on an ongoing basis.

| Items excluded from underlying net income ¹⁾ | Second quarter 2015 | First quarter 2015 | Second quarter 2014 | First half 2015 | First half 2014 | Year 2014 |
|---|---------------------------|--------------------------|---------------------------|--------------------|--------------------|--------------|
| NOK million | | | | | | |
| Unrealized derivative effects on LME related contracts ²⁾ | 31 | 140 | (136) | 171 | (131) | (352) |
| Unrealized derivative effects on power and raw material contracts ³⁾ | (161) | (151) | 40 | (312) | (135) | 72 |
| Metal effect, Rolled Products ⁴⁾ | (2) | (61) | (58) | (63) | (58) | (449) |
| Significant rationalization charges and closure costs ⁵⁾ | - | - | - | - | - | - |
| Impairment charges (PP&E and equity accounted investments) ⁶⁾ | - | - | - | - | 33 | 207 |
| (Gains)/losses on divestments ⁷⁾ | - | - | (8) | - | (8) | (8) |
| Other effects ⁸⁾ | (37) | - | - | (37) | - | 36 |
| Items excluded in equity accounted investment (Sapa) | 139 | 74 | 87 | 213 | 173 | 512 |
| Items excluded from underlying EBIT | (31) | 2 | (75) | (29) | (126) | 18 |
| Net foreign exchange (gain)/loss ⁹⁾ | (346) | 1 587 | 101 | 1 241 | (92) | 3 161 |
| Calculated income tax effect ¹⁰⁾ | 144 | (454) | 23 | (311) | 193 | (680) |
| Items excluded from underlying net income | (234) | 1 134 | 49 | 901 | 5 | 2 499 |

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

2) Unrealized gains and losses on contracts used for operational hedging purposes where hedge accounting is not applied, as well as for LME derivatives in equity accounted investments and elimination of changes in fair value of certain internal physical aluminium contracts.

3) Unrealized gains and losses on embedded derivatives in raw material and power contracts for own use and financial power contracts used for hedging purposes, as well as financial power contracts in equity accounted investments and elimination of changes in fair value of embedded derivatives within certain internal power contracts.

4) Timing differences resulting from inventory adjustments due to changing aluminium prices during the production, sales and logistics process, as well as inventory write-downs for Rolled Products.

5) Costs that are typically non-recurring for significant individual plants or operations, for example termination benefits, plant removal costs and clean-up activities in excess of legal liabilities, etc.

6) Write-downs of assets or groups of assets to estimated recoverable amounts in the event of an identified loss in value.

7) Net gain or loss on divested businesses and individual major assets.

8) Other effects include recognition of pension plan amendments and related curtailments and settlements, insurance proceeds, legal settlements, etc.

9) Realized and unrealized gains and losses on foreign currency denominated accounts receivable and payable, funding and deposits, forward currency contracts purchasing and selling currencies that hedge net future cash flows from operations, embedded foreign currency derivatives in power contracts, sales contracts and working capital.

10) In order to present underlying net income on a basis comparable with our underlying operating performance, we have calculated an income tax effect of items excluded from underlying income before tax.

Items excluded from underlying EBIT - Operating segments

The following includes a summary table of items excluded from underlying EBIT for each of the operating segments and for Other and eliminations.

| Items excluded from underlying EBIT ¹⁾ | Second quarter 2015 | First quarter 2015 | Second quarter 2014 | First half 2015 | First half 2014 | Year 2014 |
|--|---------------------------|--------------------------|---------------------------|--------------------|--------------------|--------------|
| NOK million | | | | | | |
| Unrealized derivative effects on LME related contracts | (6) | 3 | (1) | (3) | (4) | (16) |
| Bauxite & Alumina | (6) | 3 | (1) | (3) | (4) | (16) |
| Unrealized derivative effects on LME related contracts | (41) | 54 | (38) | 12 | (50) | (86) |
| Unrealized derivative effects on power contracts | (2) | 2 | (8) | - | 35 | 63 |
| Unrealized derivative effects on power contracts (Søral) | - | - | 24 | - | (9) | (16) |
| Unrealized derivative effects on raw material contracts | - | - | 9 | - | 18 | 37 |
| Impairment charges (Qatalum) | - | - | - | - | - | 28 |
| Insurance compensation (Qatalum) | (37) | - | - | (37) | - | (55) |
| Transaction effects Søral acquisition | - | - | - | - | - | 38 |
| Primary Metal | (81) | 56 | (14) | (25) | (6) | 9 |
| Unrealized derivative effects on LME related contracts | (45) | 146 | 6 | 101 | 41 | (117) |
| Impairment charges | - | - | - | - | 33 | 33 |
| Metal Markets | (45) | 146 | 6 | 101 | 75 | (83) |
| Unrealized derivative effects on LME related contracts | 143 | (80) | (101) | 63 | (117) | (119) |
| Metal effect | (2) | (61) | (58) | (63) | (58) | (449) |
| Impairment charges | - | - | - | - | - | 145 |
| Rolled Products | 141 | (141) | (159) | - | (174) | (423) |
| Unrealized derivative effects on power contracts | (9) | 1 | 4 | (8) | 7 | 4 |
| Energy | (9) | 1 | 4 | (8) | 7 | 4 |
| Unrealized derivative effects on power contracts ²⁾ | (150) | (154) | 12 | (305) | (187) | (16) |
| Unrealized derivative effects on LME related contracts ²⁾ | (20) | 17 | (2) | (3) | (1) | (13) |
| (Gains)/losses on divestments | - | - | (8) | - | (8) | (8) |
| Items excluded in equity accounted investment (Sapa) | 139 | 74 | 87 | 213 | 173 | 512 |
| Other effects ³⁾ | - | - | - | - | - | 53 |
| Other and eliminations | (32) | (63) | 88 | (95) | (23) | 528 |
| Items excluded from underlying EBIT | (31) | 2 | (75) | (29) | (126) | 18 |

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

2) 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.

3) Other effects include the remeasurement of environmental liabilities, due to change in interest rate, related to closed business in Germany.

Interim financial statements

Condensed consolidated statements of income (unaudited)

| NOK million, except per share data | Second quarter | | First half | | Year |
|---|----------------|--------------|----------------|--------------|---------|
| | 2015 | 2014 | 2015 | 2014 | 2014 |
| Revenue | 22 436 | 18 272 | 45 726 | 36 553 | 77 907 |
| Share of the profit (loss) in equity accounted investments | 276 | 122 | 542 | 162 | 415 |
| Other income, net | 195 | 147 | 467 | 279 | 751 |
| Total revenue and income | 22 908 | 18 540 | 46 735 | 36 995 | 79 073 |
| Raw material and energy expense | 14 374 | 12 526 | 29 036 | 24 813 | 51 480 |
| Employee benefit expense | 2 272 | 2 018 | 4 566 | 4 051 | 8 089 |
| Depreciation, amortization and impairment | 1 213 | 1 104 | 2 442 | 2 222 | 4 771 |
| Other expenses | 2 352 | 2 272 | 4 787 | 4 467 | 9 059 |
| Total expenses | 20 210 | 17 921 | 40 831 | 35 553 | 73 399 |
| Earnings before financial items and tax (EBIT) | 2 698 | 620 | 5 904 | 1 442 | 5 674 |
| Financial income | 58 | 98 | 146 | 161 | 347 |
| Financial expense | 200 | (297) | (1 568) | (268) | (3 900) |
| Financial income (expense), net | 258 | (199) | (1 422) | (107) | (3 554) |
| Income (loss) before tax | 2 955 | 421 | 4 482 | 1 335 | 2 121 |
| Income taxes | (891) | (152) | (1 346) | (604) | (892) |
| Net income (loss) | 2 064 | 269 | 3 136 | 730 | 1 228 |
| Net income (loss) attributable to minority interests | 146 | 84 | 270 | 153 | 432 |
| Net income (loss) attributable to Hydro shareholders | 1 918 | 185 | 2 866 | 578 | 797 |
| Basic and diluted earnings per share attributable to Hydro shareholders (in NOK) ¹⁾ | 0.94 | 0.09 | 1.40 | 0.28 | 0.39 |
| Weighted average number of outstanding shares (million) | 2 041 | 2 040 | 2 040 | 2 039 | 2 040 |

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)

Condensed consolidated statements of comprehensive income (unaudited)

| NOK million | Second quarter | | First half | | Year |
|--|----------------|--------------|----------------|--------------|----------------|
| | 2015 | 2014 | 2015 | 2014 | 2014 |
| Net income (loss) | 2 064 | 269 | 3 136 | 730 | 1 288 |
| Other comprehensive income | | | | | |
| Items that will not be reclassified to income statement: | | | | | |
| Remeasurement postemployment benefits, net of tax | 1 731 | (715) | 1 712 | (728) | (2 340) |
| Share of remeasurement postemployment benefit of equity accounted investments, net of tax | - | 1 | - | 1 | (150) |
| Total | 1 731 | (714) | 1 712 | (727) | (2 490) |
| Items that will be reclassified to income statement: | | | | | |
| Currency translation differences, net of tax | 1 097 | 2 228 | (2 613) | 2 430 | 7 004 |
| Unrealized gain (loss) on securities, net of tax | (26) | 5 | 81 | 6 | 90 |
| Cash flow hedges, net of tax | 51 | (56) | 118 | 116 | 9 |
| Share of items that will be recycled to profit or loss of equity accounted investments, net of tax | 1 | 127 | 88 | 14 | 666 |
| Total | 1 123 | 2 304 | (2 326) | 2 567 | 7 769 |
| Other comprehensive income | 2 854 | 1 590 | (614) | 1 840 | 5 279 |
| Total comprehensive income | 4 918 | 1 859 | 2 522 | 2 571 | 6 507 |
| Total comprehensive income attributable to minority interests | 290 | 351 | (144) | 511 | 959 |
| Total comprehensive income attributable to Hydro shareholders | 4 628 | 1 508 | 2 666 | 2 059 | 5 548 |

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

Condensed balance sheets (unaudited)

| NOK million, except number of shares | 2015 | June 30 2014 | December 31 2014 |
|---|----------------|-----------------|---------------------|
| Assets | | | |
| Cash and cash equivalents | 8 142 | 6 617 | 9 253 |
| Short-term investments | 1 240 | 1 765 | 1 786 |
| Accounts receivables | 14 847 | 10 835 | 11 703 |
| Inventories | 12 722 | 10 213 | 12 642 |
| Other current assets | 301 | 371 | 543 |
| Total current assets | 37 252 | 29 799 | 35 927 |
| Property, plant and equipment | 51 945 | 54 041 | 55 719 |
| Intangible assets | 5 547 | 5 828 | 5 947 |
| Investments accounted for using the equity method | 18 413 | 16 717 | 18 095 |
| Prepaid pension | 4 313 | 3 178 | 2 881 |
| Other non-current assets | 5 856 | 7 082 | 7 703 |
| Total non-current assets | 86 075 | 86 847 | 90 345 |
| Total assets | 123 326 | 116 647 | 126 273 |
| Liabilities and equity | | | |
| Bank loans and other interest-bearing short-term debt | 3 683 | 6 141 | 6 039 |
| Trade and other payables | 10 192 | 8 936 | 9 663 |
| Other current liabilities | 4 081 | 2 608 | 3 414 |
| Total current liabilities | 17 957 | 17 684 | 19 116 |
| Long-term debt | 5 013 | 4 093 | 5 128 |
| Provisions | 2 876 | 2 857 | 3 993 |
| Pension liabilities | 11 706 | 10 257 | 12 796 |
| Deferred tax liabilities | 2 459 | 2 894 | 1 676 |
| Other non-current liabilities | 2 919 | 2 599 | 3 622 |
| Total non-current liabilities | 24 973 | 22 701 | 27 215 |
| Total liabilities | 42 929 | 40 386 | 46 332 |
| Equity attributable to Hydro shareholders | 74 737 | 70 542 | 74 030 |
| Minority interest | 5 660 | 5 720 | 5 911 |
| Total equity | 80 397 | 76 261 | 79 941 |
| Total liabilities and equity | 123 326 | 116 647 | 126 273 |
| Total number of outstanding shares (million) | 2 042 | 2 040 | 2 040 |

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 | | Six months ended June 30 | | Year |
|--|----------------|---------|-----------------------------|---------|---------|
| | 2015 | 2014 | 2015 | 2014 | 2014 |
| Operating activities | | | | | |
| Net income (loss) | 2 064 | 269 | 3 136 | 730 | 1 228 |
| Depreciation, amortization and impairment | 1 213 | 1 104 | 2 442 | 2 222 | 4 771 |
| Other adjustments | 1 172 | (194) | (34) | (2 524) | (34) |
| Net cash provided by continuing operating activities | 4 449 | 1 179 | 5 544 | 428 | 5 965 |
| Investing activities | | | | | |
| Purchases of property, plant and equipment | (1 122) | (705) | (1 969) | (1 290) | (3 294) |
| Purchases of other long-term investments | (118) | (17) | (137) | (31) | 166 |
| Purchases of short-term investments | - | (500) | (500) | (1 000) | (1 500) |
| Proceeds from sales of property, plant and equipment | 4 | 22 | 17 | 23 | 113 |
| Proceeds from sales of other long-term investments | 1 | 7 | 3 | (12) | (10) |
| Proceeds from sales of short-term investments | 1 000 | 1 750 | 1 000 | 1 750 | 2 250 |
| Net cash provided by (used in) continuing investing activities | (235) | 557 | (1 586) | (560) | (2 275) |
| Financing activities | | | | | |
| Loan proceeds | 1 391 | 1 968 | 1 771 | 3 620 | 6 880 |
| Principal repayments | (2 655) | (2 124) | (4 501) | (3 610) | (8 226) |
| Net increase (decrease) in other short-term debt | 81 | 65 | (151) | 54 | 170 |
| Proceeds from shares issued | 10 | 6 | 15 | 11 | 21 |
| Dividends paid | (2 143) | (1 604) | (2 143) | (1 686) | (1 943) |
| Net cash used in continuing financing activities | (3 316) | (1 689) | (5 009) | (1 611) | (3 098) |
| Foreign currency effects on cash and bank overdraft | 72 | 90 | (55) | 87 | 387 |
| Net cash used in discontinued operations | - | - | - | (139) | (139) |
| Net increase (decrease) in cash, cash equivalents and bank overdraft | 970 | 137 | (1 106) | (1 795) | 840 |
| Cash, cash equivalents and bank overdraft at beginning of period | 7 172 | 6 476 | 9 248 | 8 408 | 8 408 |
| Cash, cash equivalents and bank overdraft at end of period | 8 142 | 6 613 | 8 142 | 6 613 | 9 248 |

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

Condensed consolidated statements of changes in equity (unaudited)

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 | | Total equity |
|--|---------------|----------------------------|-----------------|-------------------|----------------------------|---|-------|--------------|
| | | | | | | Minority interests | | |
| January 1, 2014 | 2 272 | 29 049 | (1 006) | 46 617 | (6 950) | 69 981 | 5 283 | 75 264 |
| <i>Changes in equity for 2014</i> | | | | | | | | |
| Treasury shares reissued to employees | | (4) | 35 | | | 31 | | 31 |
| Dividends | | | | (1 530) | | (1 530) | (74) | (1 604) |
| Items not reclassified to income statement in subsidiaries sold/liquidated | | | | 1 | (1) | - | | - |
| Total comprehensive income for the period | | | | 578 | 1 482 | 2 059 | 511 | 2 571 |
| June 30, 2014 | 2 272 | 29 045 | (972) | 45 666 | (5 470) | 70 542 | 5 720 | 76 261 |
| January 1, 2015 | 2 272 | 29 045 | (972) | 45 872 | (2 187) | 74 030 | 5 911 | 79 941 |
| <i>Changes in equity for 2015</i> | | | | | | | | |
| Treasury shares reissued to employees | | 24 | 58 | | | 82 | | 82 |
| Dividends | | | | (2 042) | | (2 042) | (106) | (2 148) |
| Total comprehensive income for the period | | | | 2 866 | (199) | 2 666 | (144) | 2 522 |
| June 30, 2015 | 2 272 | 29 068 | (913) | 46 696 | (2 386) | 74 737 | 5 660 | 80 397 |

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 and note 3 Changes in accounting principles and new pronouncements in Hydro's Financial Statements - 2014.

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 - 2014 that are a part of Hydro's Annual Report - 2014.

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 - 2014 note 8 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 | | First half | | Year |
|---|----------------|---------------|---------------|---------------|---------------|
| | 2015 | 2014 | 2015 | 2014 | 2014 |
| Total revenue | | | | | |
| Bauxite & Alumina | 5 127 | 3 828 | 10 588 | 7 340 | 15 847 |
| Primary Metal | 8 154 | 6 384 | 17 250 | 13 003 | 28 064 |
| Metal Markets | 13 127 | 10 109 | 25 308 | 20 401 | 43 029 |
| Rolled Products | 6 173 | 5 275 | 12 343 | 10 513 | 21 455 |
| Energy | 1 140 | 1 381 | 2 693 | 2 920 | 6 303 |
| Other and eliminations | (11 286) | (8 706) | (22 457) | (17 623) | (36 790) |
| Total | 22 436 | 18 272 | 45 726 | 36 553 | 77 907 |
| External revenue | | | | | |
| Bauxite & Alumina | 2 978 | 2 404 | 6 365 | 4 612 | 9 568 |
| Primary Metal | 1 059 | 1 337 | 2 848 | 2 564 | 6 397 |
| Metal Markets | 11 862 | 8 853 | 23 177 | 17 573 | 37 981 |
| Rolled Products | 6 254 | 5 212 | 12 333 | 10 502 | 21 345 |
| Energy | 264 | 436 | 962 | 1 243 | 2 492 |
| Other and eliminations | 19 | 29 | 41 | 60 | 124 |
| Total | 22 436 | 18 272 | 45 726 | 36 553 | 77 907 |
| Internal revenue | | | | | |
| Bauxite & Alumina | 2 150 | 1 424 | 4 223 | 2 728 | 6 279 |
| Primary Metal | 7 095 | 5 047 | 14 402 | 10 439 | 21 667 |
| Metal Markets | 1 265 | 1 256 | 2 131 | 2 829 | 5 048 |
| Rolled Products | (81) | 63 | 10 | 11 | 109 |
| Energy | 877 | 945 | 1 731 | 1 677 | 3 810 |
| Other and eliminations | (11 306) | (8 735) | (22 498) | (17 683) | (36 914) |
| Total | - | - | - | - | - |
| Share of the profit (loss) in equity accounted investments | | | | | |
| Bauxite & Alumina | - | - | - | - | - |
| Primary Metal | 282 | 77 | 532 | 169 | 728 |
| Metal Markets | - | - | - | - | - |
| Rolled Products | - | - | - | - | - |
| Energy | - | - | - | - | - |
| Other and eliminations | (6) | 45 | 10 | (7) | (313) |
| Total | 276 | 122 | 542 | 162 | 415 |

| NOK million | Second quarter | | First half | | Year |
|---|----------------|--------------|--------------|--------------|---------------|
| | 2015 | 2014 | 2015 | 2014 | 2014 |
| Depreciation, amortization and impairment | | | | | |
| Bauxite & Alumina | 470 | 431 | 930 | 841 | 1 802 |
| Primary Metal | 483 | 427 | 994 | 864 | 1 794 |
| Metal Markets | 25 | 21 | 48 | 70 | 112 |
| Rolled Products | 173 | 172 | 346 | 343 | 845 |
| Energy | 48 | 40 | 96 | 79 | 162 |
| Other and eliminations | 14 | 13 | 29 | 25 | 55 |
| Total | 1 213 | 1 104 | 2 442 | 2 222 | 4 771 |
| Earnings before financial items and tax (EBIT) ¹⁾ | | | | | |
| Bauxite & Alumina | 487 | (269) | 1 264 | (553) | (39) |
| Primary Metal | 1 528 | 434 | 3 484 | 738 | 3 928 |
| Metal Markets | (44) | 93 | (166) | 166 | 717 |
| Rolled Products | 174 | 336 | 607 | 532 | 1 121 |
| Energy | 187 | 165 | 568 | 596 | 1 193 |
| Other and eliminations | 364 | (140) | 146 | (38) | (1 245) |
| Total | 2 698 | 620 | 5 904 | 1 442 | 5 674 |
| EBITDA | | | | | |
| Bauxite & Alumina | 957 | 163 | 2 194 | 288 | 1 763 |
| Primary Metal | 2 012 | 866 | 4 478 | 1 611 | 5 736 |
| Metal Markets | (19) | 114 | (118) | 236 | 829 |
| Rolled Products | 347 | 508 | 954 | 875 | 1 966 |
| Energy | 236 | 205 | 664 | 675 | 1 355 |
| Other and eliminations | 379 | (127) | 175 | (12) | (1 190) |
| Total | 3 911 | 1 728 | 8 346 | 3 672 | 10 460 |
| Investments ²⁾ | | | | | |
| Bauxite & Alumina | 294 | 109 | 523 | 168 | 701 |
| Primary Metal | 437 | 348 | 812 | 654 | 1 606 |
| Metal Markets | 131 | 22 | 157 | 28 | 95 |
| Rolled Products | 215 | 144 | 356 | 233 | 783 |
| Energy | 99 | 92 | 125 | 166 | 364 |
| Other and eliminations | 16 | 27 | 19 | 37 | 76 |
| Total | 1 192 | 740 | 1 993 | 1 286 | 3 625 |

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.

| NOK million | EBIT | Depr., amor. and impairment ¹⁾ | EBITDA |
|--|--------------|---|--------------|
| EBIT - EBITDA Second quarter 2015 | | | |
| Bauxite & Alumina | 487 | 470 | 957 |
| Primary Metal | 1 528 | 483 | 2 012 |
| Metal Markets | (44) | 25 | (19) |
| Rolled Products | 174 | 173 | 347 |
| Energy | 187 | 48 | 236 |
| Other and eliminations | 364 | 14 | 379 |
| Total | 2 698 | 1 213 | 3 911 |

| NOK million | EBIT | Depr., amor. and impairment ¹⁾ | EBITDA |
|--------------------------------------|--------------|---|--------------|
| EBIT - EBITDA first half 2015 | | | |
| Bauxite & Alumina | 1 264 | 930 | 2 194 |
| Primary Metal | 3 484 | 994 | 4 478 |
| Metal Markets | (166) | 48 | (118) |
| Rolled Products | 607 | 346 | 954 |
| Energy | 568 | 96 | 664 |
| Other and eliminations | 146 | 29 | 175 |
| Total | 5 904 | 2 443 | 8 346 |

1) Depreciation, amortization and impairment write-down of tangible and intangible assets, 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.

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, 2015 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.

Oslo, July 20, 2015



DAG MEJDELL
Chair



INGE K. HANSEN
Deputy chair



LIV MONICA BARGEM STUBHOLT
Board member



OVE ELLEFSEN
Board member



BILLY FREDAGSVIK
Board member



FINN JEBSEN
Board member



STEN ROAR MARTINSEN
Board member



EVA PERSSON
Board member



PEDRO JOSÉ RODRIGUES
Board member



IRENE RUMMELHOFF
Board member



SVEIN RICHARD BRANDTZÆG
President and CEO

Additional information

Financial calendar

2015

October 21 Third quarter results

December 3-4 Capital Markets Day

Hydro reserves the right to revise these dates.

Cautionary note

Certain statements included within this announcement contain forward-looking information, including, without limitation, those relating to (a) forecasts, projections and estimates, (b) statements of management's plans, objectives and strategies for Hydro, such as planned expansions, investments 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, as well as (i) statements preceded by "expected", "scheduled", "targeted", "planned", "proposed", "intended" or similar statements.

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 aluminium business; 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 global aluminium company with production, sales and trading activities throughout the value chain, from bauxite, alumina and energy generation to the production of primary aluminium and rolled products as well as recycling. Based in Norway, the company has 13,000 employees involved in activities in more than 50 countries on all continents. Rooted in more than a century of experience in renewable energy production, technology development and progressive partnerships, Hydro is committed to strengthening the viability of the customers and communities we serve.

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HYDRO

Infinite aluminium