



HYDRO

2

2016

SECOND QUARTER REPORT

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Oslo, July 21, 2016

Overview

Summary underlying financial and operating results and liquidity

Key financial information	Second quarter 2016	First quarter 2016	%change prior quarter	Second quarter 2015	%change prior year quarter	First half 2016	First half 2015	Year 2015
NOK million, except per share data								
Revenue	20 391	20 138	1 %	22 436	(9) %	40 529	45 726	87 694
Earnings before financial items and tax (EBIT)	1 978	1 693	17 %	2 698	(27) %	3 672	5 904	8 258
Items excluded from underlying EBIT ¹⁾	(360)	(192)	(87) %	(31)	>(100) %	(552)	(29)	1 398
Underlying EBIT ²⁾	1 618	1 501	8 %	2 667	(39) %	3 119	5 875	9 656
<i>Underlying EBIT :</i>								
Bauxite & Alumina	174	189	(8) %	482	(64) %	363	1 261	2 421
Primary Metal	702	318	>100 %	1 448	(52) %	1 020	3 459	4 628
Metal Markets	75	167	(55) %	(89)	>100 %	241	(65)	379
Rolled Products	242	248	(2) %	315	(23) %	491	607	1 142
Energy	301	398	(24) %	179	68 %	699	560	1 105
Other and eliminations ³⁾	125	181	(31) %	333	(63) %	306	51	(19)
Underlying EBIT ²⁾	1 618	1 501	8 %	2 667	(39) %	3 119	5 875	9 656
Underlying EBITDA ^{2) 4)}	2 862	2 716	5 %	3 880	(26) %	5 578	8 317	14 680
Net income (loss)	2 077	2 382	(13) %	2 064	1 %	4 459	3 136	2 333
Underlying net income (loss) ²⁾	1 126	822	37 %	1 830	(38) %	1 949	4 036	6 709
Earnings per share	0.95	1.12	(15) %	0.94	1 %	2.08	1.40	0.99
Underlying earnings per share ²⁾	0.52	0.39	32 %	0.83	(38) %	0.91	1.78	2.98
<i>Financial data:</i>								
Investments ⁵⁾	1 711	1 970	(13) %	1 192	44 %	3 681	1 993	5 865
Adjusted net interest-bearing debt ^{2) 6)}	(8 758)	(9 206)	5 %	(11 000)	20 %	(8 758)	(11 000)	(8 173)

Key Operational information	Second quarter 2016	First quarter 2016	%change prior quarter	Second quarter 2015	%change prior year quarter	First half 2016	First half 2015	Year 2015
Bauxite production (kmt) ⁷⁾	2 609	2 682	(3) %	2 232	17 %	5 292	4 366	10 060
Alumina production (kmt)	1 554	1 517	2 %	1 437	8 %	3 071	2 888	5 962
Primary aluminium production (kmt)	518	514	1 %	509	2 %	1 032	1 005	2 046
Realized aluminium price LME (USD/mt)	1 546	1 497	3 %	1 803	(14) %	1 522	1 851	1 737
Realized aluminium price LME (NOK/mt)	12 826	12 950	(1) %	13 923	(8) %	12 887	14 160	13 813
Realized USD/NOK exchange rate	8.30	8.65	(4) %	7.72	7 %	8.47	7.65	7.95
Rolled Products sales volumes to external market (kmt)	238	229	4 %	243	(2) %	467	471	948
Sapa sales volumes (kmt) ⁸⁾	183	174	5 %	179	2 %	358	355	682
Power production (GWh)	2 674	3 160	(15) %	2 103	27 %	5 835	5 173	10 894

1) Items excluded from underlying EBIT are specified in the corresponding section.

2) Alternative performance measures (APMs) are defined in the corresponding section.

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

4) Underlying EBITDA is defined as underlying EBIT plus depreciation, amortization and impairments.

5) Additions to property, plant and equipment (capital expenditures) plus long-term securities, intangible assets, long-term advances and investments in equity accounted investments.

6) Adjusted net interest-bearing debt is specified in the APM section.

7) Paragominas on wet basis.

8) Hydro's 50 percent share of Sapa sales volumes.

Hydro's underlying earnings before financial items and tax increased somewhat to NOK 1,618 million in the second quarter, from NOK 1,501 million in the first quarter. The increase mainly reflected higher realized aluminium and alumina prices, in addition to higher volumes, partly offset by negative currency developments.

Underlying EBIT for Bauxite & Alumina decreased compared to first quarter. Positive effects from higher realized alumina prices, driven by higher alumina index prices during the quarter, further reduction in raw material consumption, reduced raw material prices were offset by negative currency effects, as the Brazilian Real strengthened against the USD, and increased other costs. Annualized production volume at Alunorte increased and approached name-plate capacity of 6.3 million mt per year. Paragominas had lower production due to scheduled maintenance of the ball mill in June.

Underlying EBIT for Primary Metal increased in the second quarter mainly due to higher realized all-in metal prices, higher volumes, lower carbon costs and seasonally lower fixed costs. This was partly offset by negative currency effects. The result in second quarter was also positively influenced by a insurance refund of NOK 50 million related to a power outage in Årdal in January 2016, in addition to a positive effect of NOK 75 million related to a reversal of ICMS tax accrual on sales of surplus power in Brazil in previous periods.

Underlying EBIT for Metal Markets declined in the second quarter mainly due to negative currency and inventory valuation effects, in addition to somewhat lower results from the remelters.

Rolled Products underlying EBIT remained close to the first quarter level. Positive volume effects were offset by negative currency effects on margins from a weakening US dollar versus Euro and declining results in the Neuss smelter mainly due to higher alumina prices.

Underlying EBIT for Energy declined compared to the previous quarter due to seasonally lower production and higher area cost, partly offset by lower production cost. The lower cost was mainly driven by transmission costs and property taxes⁹⁾.

Underlying EBIT for Sapa increased compared to the previous quarter, mainly due to seasonally higher demand and stronger margins.

During the second quarter Hydro made progress in accordance with plan on its "Better" improvement ambition targeting NOK 2.9 billion of annual improvements by 2019.

Hydro's net cash position¹⁰⁾ increased in the second quarter by NOK 0.8 billion to NOK 4.8 billion at the end of the quarter. Net cash provided by operating activities amounted to NOK 3.7 billion. Net cash used in investment activities, excluding short term investments, amounted to NOK 0.9 billion. Dividends paid amounted to NOK 2.0 billion in the quarter.

9) From 2015 property tax is charged to the period it becomes an unconditional payment obligation (in Norway when invoiced). This leads to periodic variations within the year without affecting the annual property tax level.

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

Reported EBIT and net income

Reported earnings before financial items and tax amounted to NOK 1,978 million in the second quarter. In addition to the factors discussed above, reported EBIT included net unrealized derivative gains of NOK 32 million and positive metal effects of NOK 17 million. Reported earnings also included a charge of NOK 67 million related to environmental commitments in Kurri Kurri, a gain of NOK 342 million for the sale of certain assets in Grenland, including Herøya Industrial Park, and a negative adjustment of NOK 13 million related to the sale of the Slim rolling mill in the fourth quarter of 2015. In addition, reported earnings included a net gain of NOK 49 million in Sapa (Hydro's share net of tax), relating to unrealized derivative gains and net foreign exchange gains.

In the previous quarter reported earnings before financial items and tax amounted to NOK 1,693 million including net unrealized derivative gains and negative metal effects of negative NOK 181 million in total. Reported earnings also included a

negative adjustment of NOK 15 million related to the sale of the Slim rolling mill in the fourth quarter of 2015. In addition, reported earnings included a net gain of NOK 26 million for Sapa (Hydro's share net of tax), mainly relating to unrealized derivative gains.

Net income amounted to NOK 2,077 million in the second quarter including a net foreign exchange gain of NOK 904 million mainly 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. In the previous quarter net income was NOK 2,382 million including a reduction in tax expense and related interest income of NOK 700 million in total following settlement of a tax case in April 2016. Reported earnings also included a net foreign exchange gain of NOK 1,032 million mainly 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.

Market developments and outlook

Market statistics ¹⁾	Second quarter 2016	First quarter 2016	%change prior quarter	Second quarter 2015	%change prior year quarter	First half 2016	First half 2015	Year 2015
USD/NOK Average exchange rate	8.26	8.65	(4) %	7.75	7 %	8.45	7.76	8.07
USD/NOK Balance sheet date exchange rate	8.38	8.27	1 %	7.86	7 %	8.38	7.86	8.81
BRL/NOK Average exchange rate	2.35	2.21	6 %	2.52	(7) %	2.29	2.62	2.45
BRL/NOK Balance sheet date exchange rate	2.59	2.29	13 %	2.53	2 %	2.59	2.53	2.22
EUR/NOK Average exchange rate	9.32	9.53	(2) %	8.57	9 %	9.42	8.65	8.95
EUR/NOK Balance sheet date exchange rate	9.30	9.41	(1) %	8.79	6 %	9.30	8.79	9.62
<i>Bauxite and alumina:</i>								
Average alumina price - Platts PAX FOB Australia (USD/t)	252	222	14 %	337	(25) %	237	339	301
China bauxite import price (USD/mt CIF China)	49	50	(1) %	53	(8) %	49	55	53
Global production of alumina (kmt)	28 516	27 152	5 %	27 971	2 %	55 668	55 492	112 313
Global production of alumina (ex. China) (kmt)	13 812	13 594	2 %	13 732	1 %	27 406	27 592	55 526
<i>Primary aluminium:</i>								
LME three month average (USD/mt)	1 582	1 516	4 %	1 787	(11) %	1 549	1 800	1 680
LME three month average (NOK/mt)	13 055	13 066	-	13 831	(6) %	13 061	13 948	13 508
Standard ingot premium (EU DP Cash)	132	146	(10) %	206	(36) %	139	325	241
Extrusion ingot premium (DP)	322	319	1 %	568	(43) %	320	677	523
Global production of primary aluminium (kmt)	14 472	14 113	3 %	14 255	2 %	28 585	28 196	57 564
Global consumption of primary aluminium (kmt)	15 428	13 645	13 %	14 660	5 %	29 074	27 543	56 384
Global production of primary aluminium (ex. China) (kmt)	6 665	6 655	-	6 529	2 %	13 319	13 009	26 317
Global consumption of primary aluminium (ex. China) (kmt)	7 193	6 931	4 %	7 012	3 %	14 125	13 713	27 222
Reported primary aluminium inventories (kmt)	5 337	6 295	(15) %	7 446	(28) %	5 337	7 446	6 305
<i>Rolled products and extruded products:</i>								
Consumption rolled products - Europe (kmt)	1 202	1 160	4 %	1 175	2 %	2 362	2 307	4 547
Consumption rolled products - USA & Canada (kmt)	1 212	1 157	5 %	1 215	-	2 369	2 400	4 670
Consumption extruded products - Europe (kmt)	794	760	5 %	781	2 %	1 554	1 533	2 861
Consumption extruded products - USA & Canada (kmt)	618	599	3 %	602	3 %	1 217	1 182	2 336
<i>Energy:</i>								
Average southern Norway spot price (NO2) (NOK/MWh)	213	212	1 %	171	25 %	212	204	177
Average mid Norway spot price (NO3) (NOK/MWh)	238	221	8 %	182	31 %	230	214	190
Average nordic system spot price (NOK/MWh)	223	229	(2) %	177	26 %	226	211	187

1) Industry statistics and other information in the table and text have been derived from analyst reports, trade associations and other public sources including Hydro's own analysis unless otherwise indicated. The information included in this section does 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 1.5 million mt in the first five months of 2016, down 5 percent from the same period in 2015. Chinese bauxite imports increased 18 percent to 21.9 million mt compared to the first five months of 2015. Guinea is emerging as an important supplier to China, more than offsetting lower imports from Malaysia. Imports from Malaysia decreased 16 percent to 5.2 million mt compared to the first five months of 2015 as a result of the bauxite mining moratorium imposed on January 15, 2016. In June 2016, Malaysia extended the moratorium for an additional two months to September 15, 2016.

Platts alumina spot prices averaged USD 252 per mt in the second quarter of 2016, an increase of USD 30 per mt compared to the previous quarter. Prices started the quarter at USD 249 per mt, increased to USD 264 per mt before decreasing to USD 240 per mt at the end of the quarter. Average prices represented 16.0 percent of LME in the quarter compared with 14.6 percent in the previous quarter. According to Chinese import statistics, the average delivered China bauxite price was USD 49 per mt in May 2016, on the same level as the first quarter 2016 average.

Primary aluminium

Three-month LME prices ranged between USD 1,505 and USD 1,675 per mt throughout the second quarter of 2016. The average LME three-month price was USD 1,582, increasing by USD 67 per mt compared to the first quarter of 2016. In Europe, all-in metal prices including duty paid standard ingot premiums increased slightly in second quarter driven by higher LME. European all-in metal prices ranged between USD 1,624 and USD 1,803 per mt.

Average standard ingot premiums continued to decline slightly during the second quarter. European duty paid standard ingot premiums ended the quarter at USD 118 per mt, compared to USD 140 at the beginning of the quarter, and averaged USD 132 per mt in the second quarter compared to USD 146 per mt in the first quarter. Midwest premiums started the quarter at USD 176 per mt, and ended the quarter at USD 160 per mt, averaging USD 172 per mt compared to USD 192 per mt in the first quarter.

Shanghai Futures Exchange (SHFE) prices increased by 9 percent in the second quarter compared to the first quarter. The increased prices, together with decreased standard ingot premiums outside China, resulted in continued low export arbitrage opportunities. Compared to April and May 2015, net exports of semi-fabricated products increased by approximately 2 percent in April and May 2016. The increased SHFE prices continue to increase the risk of potential restarts of Chinese capacity. However, restarts in the second quarter have been slower than anticipated, affected by liquidity constraints and cease of SHFE-linked power subsidies due to the high prices.

Global primary aluminium consumption increased by 13 percent to 15.4 million mt in second quarter compared to the first quarter, mainly due to seasonal effects in China. Compared to the second quarter of 2015, global demand increased by 5.2 percent. Global demand for primary aluminium is expected to grow by around 4-5 percent in 2016.

Outside China, demand increased by 3.8 percent compared to the first quarter of 2016, and the year-on-year increase from the second quarter of 2015 was 2.6 percent. Quarterly consumption amounted to 7.19 million mt for the second quarter of 2016. Corresponding production amounted to 6.66 million mt, a flat development from the first quarter of 2016. Production outside China experienced a 2.1 percent increase compared to the second quarter of 2015, largely driven by ramp-up of new production capacity in India, Canada and Malaysia. This was partly offset by curtailments implemented in the US during the first quarter. Demand for primary aluminium outside China is expected to grow by around 2-4 percent in 2016.

Compared to the first quarter of 2016, Chinese aluminium consumption increased by 22.7 percent, to 8.2 million mt, due to seasonal effects. The year-on-year increase compared to the second quarter of 2015 was 7.7 percent. Corresponding aluminium production increased by 4.7 percent compared to the first quarter of 2016, and increased 1.1 percent compared to the second quarter of 2015. The ramp up of new capacity continues in the Northwest regions, Shandong and Inner Mongolia. Some capacity curtailed in the fourth quarter of 2015 is being restarted, although at a slower pace than anticipated. Demand for primary aluminium in China is expected to grow by around 5-7 percent in 2016.

European demand for extrusion ingot was slightly up in the second quarter of 2016 compared to the same period one year ago. Demand for sheet ingot and primary foundry alloys continued increasing at a higher pace than extrusion ingot, mainly due to the positive developments in the automotive industry.

LME stocks have continued to decline, amounting to 2.4 million mt at the end of the second quarter of 2016 compared to 2.7 million mt at the end of the first quarter of the year. Compared to second quarter of last year, LME stocks are down 1.2 million mt. Estimated unreported stocks increased slightly in the second quarter.

Rolled products

European demand for flat rolled products increased by around 4 percent compared to the first quarter of 2016 mainly due to seasonality and improved demand in the automotive, beverage can and the general engineering segment. Compared to the second quarter of the previous year, demand was around 2 percent higher.

European demand for automotive products was higher compared to the first quarter due to increased production of aluminium intensive cars and new models starting to replace steel in body-in-white applications. This development continues to be the main demand driver in the European aluminium flat-rolled products industry. On top of seasonal demand effects, the European building and construction market continues to recover from a low level as parts of Southern Europe develop positively. The foil market improved somewhat due to improved demand for liquid packaging. However, high import levels remain a concern for the foil market overall. The beverage can business keeps following good demand development. Furthermore, the completion of the Rexam takeover by Ball has affected the market positively. The demand in the general engineering segment was seasonally higher and remains strong.

Demand growth is expected to increase in the third quarter of 2016 mainly due to higher demand in automotive.

Extruded products

Demand for extruded products in Europe and North America increased compared to the previous quarter by 4.5 percent and 3 percent, respectively, driven by seasonality.

Compared to the same period last year, demand increased by 2.5 percent in North America and 1.5 percent in Europe. In North America, building and construction activity and automotive demand contributed positively. In Europe there were positive developments in automotive and transportation and a mixed picture in building and construction.

Going forward, a continued moderate market growth is expected in Europe, while certain market segments in North America show indications of flattening out. In both North America and Europe, aluminium substitution in the automotive industry is contributing positively. The second quarter is a seasonally strong quarter, and demand traditionally decreases in the third quarter.

Energy

The Nordic system price started the quarter at relatively low levels due to mild weather. Prices increased somewhat from April to May following dry weather development and increasing fuel prices on the continent. In June, lower nuclear power production in Sweden contributed to neutralizing the price impact from increased inflow during the snow-melt season. Overall the Nordic system price in the quarter were at the same level as in the previous quarter.

Due to the dry weather development the Nordic hydrological balance has gradually weakened and ended the quarter at 9 TWh below normal. Water reservoirs in Norway were 66 percent of full capacity at the end of the quarter, which is 4.4 percentage points above normal. Snow reservoirs were below normal at the end of the quarter.¹⁾

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 third quarter of 2016 at a price level of around USD 1,575 per mt.¹⁾ This excludes volumes from Qatalum.

Hydro and Brazilian mining company Vale has ended negotiations on the possible acquisition of Vale's 40 percent interest in Brazilian bauxite producer Mineração Rio do Norte (MRN). The two companies entered into a letter of Intent (LoI) regarding the possible transaction in October 2015, but have not been able to agree on commercial terms. Hydro will continue to own 5 percent of MRN, as well as to purchase bauxite from Vale under commercial agreements entered into in 2011.

Sapa Profiles Inc. Portland (SPI), a subsidiary of Sapa AS (owned 50 percent by Hydro) is under investigation by the United States Department of Justice (DOJ) Civil and Criminal Divisions regarding aluminum extrusions that SPI manufactured from 1996 to 2015 and 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 DOJ investigations and of the identified quality issues, including financial consequences on Sapa, is uncertain. Based on the information known to Hydro at this stage, Hydro does not expect any resulting liabilities to have a material adverse effect on its consolidated results of operations, liquidity or financial position.

In April 2016, the Norwegian Tax Appeal Board ruled in favor of Hydro in a tax dispute. Taxes related to losses on refinancing of subsidiaries in 2008 were denied for deduction in 2013 and the tax claim was paid in 2014. Following the decision in the Tax Appeal Board, Hydro recognized approximately NOK 600 million in reduced tax expense and approximately NOK 100 million in interest income in the first quarter of 2016. Hydro received the reimbursement in the second quarter of 2016. The tax authorities have notified Hydro that they will ask for a re-examination of the case by the National Tax Board (Riksskattenemnda).

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.

Risk and uncertainties

Hydro is subject to a range of risks and uncertainties which may affect its business operations, financial condition and results of operations. An evaluation of Hydro's major risks has been performed as part of Hydro's semi-annual overall enterprise risk assessment. The description of principal risks and uncertainties in the Financial statements and Board of Directors' Report 2015 gives a fair description of principal risks and uncertainties that may affect Hydro in the second half of 2016, and the company is not aware of any significant new risks or uncertainties or significant changes to those risks or uncertainties, except for those described herein.

Hydro may be negatively affected by the uncertainty and consequences following the UK vote to leave the EU in the June 23rd referendum.

Related parties

Hydro has during the second quarter entered into a sales agreement with Sapa AS, owned 50 percent by Hydro, to supply extrusion ingot under an open-ended agreement starting in 2017. The agreement covers extrusion ingot in Europe, and replaces the existing contract, which was entered into at the closing of the Sapa Joint venture in 2013, and expires by the end of 2016. The agreement is at market terms, and covers a volume commitment range of 250 to 300 kmt, that can be adjusted on a yearly basis.

Note 11 to the Financial statements and Board of Director's report 2015 provides further details of related parties. During the first half of 2016 there have not been any other changes or transactions with related parties that significantly impact the group's financial position or result for the period.

Underlying EBIT

Bauxite & Alumina

Operational and financial information	Second quarter 2016	First quarter 2016	%change prior quarter	Second quarter 2015	%change prior year quarter	First half 2016	First half 2015	Year 2015
Underlying EBIT (NOK million)	174	189	(8) %	482	(64) %	363	1 261	2 421
Underlying EBITDA (NOK million)	659	640	3 %	951	(31) %	1 299	2 191	4 404
Alumina production (kmt)	1 554	1 517	2 %	1 437	8 %	3 071	2 888	5 962
Sourced alumina (kmt)	615	531	16 %	725	(15) %	1 146	1 391	2 787
Total alumina sales (kmt)	2 078	2 073	-	2 099	(1) %	4 151	4 235	8 871
Realized alumina price (USD/mt) ¹⁾	240	219	10 %	292	(18) %	229	296	276
Bauxite production (kmt) ²⁾	2 609	2 682	(3) %	2 232	17 %	5 292	4 366	10 060
Sourced bauxite (kmt) ³⁾	2 233	1 924	16 %	2 103	6 %	4 157	3 909	8 684

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 & Alumina decreased compared to first quarter. Positive effects from higher realized alumina prices, driven by higher alumina index prices during the quarter, further reduction in raw material consumption, reduced raw material prices were offset by negative currency effects, as the Brazilian Real strengthened against the USD, and increased other costs. Annualized production volume at Alunorte increased and approached name-plate capacity of 6.3 million mt per year. Paragominas had lower production due to scheduled maintenance of the ball mill in June.

Bauxite and Alumina remain on track with their new improvement program "Better Bauxite & Alumina" targeting NOK 500 million in improvements for 2016.

Compared to the second quarter of 2015 the underlying EBIT declined mainly due to lower realized alumina prices. This was partly offset by higher production, both at Alunorte and Paragominas, lower raw material prices for energy and caustic in addition to positive currency effects of a weaker Brazilian Real.

Compared to the first half year of 2015 the underlying EBIT declined mainly due to the same factors explained above.

Primary Metal

Operational and financial information ¹⁾	Second quarter 2016	First quarter 2016	%change prior quarter	Second quarter 2015	%change prior year quarter	First half 2016	First half 2015	Year 2015
Underlying EBIT (NOK million)	702	318	>100 %	1 448	(52) %	1 020	3 459	4 628
Underlying EBITDA (NOK million)	1 186	792	50 %	1 931	(39) %	1 978	4 453	6 581
Realized aluminium price LME (USD/mt) ²⁾	1 546	1 497	3 %	1 803	(14) %	1 522	1 851	1 737
Realized aluminium price LME (NOK/mt) ²⁾	12 826	12 950	(1) %	13 923	(8) %	12 887	14 160	13 813
Realized premium above LME (USD/mt) ³⁾	270	288	(6) %	509	(47) %	279	561	439
Realized premium above LME (NOK/mt) ³⁾	2 243	2 488	(10) %	3 927	(43) %	2 359	4 291	3 492
Realized USD/NOK exchange rate	8.30	8.65	(4) %	7.72	7 %	8.47	7.65	7.95
Primary aluminium production (kmt)	518	514	1 %	509	2 %	1 032	1 005	2 046
Casthouse production (kmt)	547	534	2 %	516	6 %	1 081	1 010	2 059
Total sales (kmt)	596	552	8 %	544	9 %	1 148	1 078	2 159

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

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

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

Operational and financial information Qatalum (50%)	Second quarter 2016	First quarter 2016	%change prior quarter	Second quarter 2015	%change prior year quarter	First half 2016	First half 2015	Year 2015
Revenue (NOK million)	1 182	1 140	4 %	1 542	(23) %	2 322	3 034	5 502
Underlying EBIT (NOK million)	75	28	>100 %	303	(75) %	103	608	588
Underlying EBITDA (NOK million)	372	333	12 %	584	(36) %	705	1 169	1 750
Underlying Net income (loss) (NOK million)	11	(36)	>100 %	245	(96) %	(26)	491	350
Primary aluminium production (kmt)	76	76	-	76	-	152	152	305
Casthouse sales (kmt)	77	73	5 %	83	(7) %	151	160	320

Underlying EBIT for Primary Metal increased in the second quarter mainly due to higher realized all-in metal prices, higher volumes, lower carbon costs and seasonally lower fixed costs. This was partly offset by negative currency effects. The result in second quarter was also positively influenced by a insurance refund of NOK 50 million related to a power outage in Årdal in January 2016, in addition to a positive effect of NOK 75 million related to a reversal of ICMS tax accrual on sales of surplus power in Brazil in previous periods.

Primary Metal continued to make progress on their improvement initiatives targeting roughly NOK 400 million improvements for 2016. The progress in the second quarter is in line with expectations.

Compared to the second quarter of 2015, underlying EBIT declined substantially due to lower realized all-in metal prices. This was partly offset by positive currency effects in addition to decreasing alumina and other raw material costs.

Underlying EBIT for the first half year of 2016 declined substantially compared with the same period in 2015, mainly due to the same factors explained above.

Metal Markets

Operational and financial information	Second quarter 2016	First quarter 2016	%change prior quarter	Second quarter 2015	%change prior year quarter	First half 2016	First half 2015	Year 2015
Underlying EBIT (NOK million)	75	167	(55) %	(89)	>100 %	241	(65)	379
Currency effects	(16)	24	>(100) %	(63)	74 %	8	(71)	(43)
Inventory valuation effects	(22)	(3)	>(100) %	(47)	53 %	(25)	(75)	(29)
Underlying EBIT excl. currency and ingot inventory effects ¹⁾	113	145	(22) %	21	>100 %	259	82	451
Underlying EBITDA (NOK million)	98	191	(49) %	(64)	>100 %	289	(17)	480
Remelt production (kmt)	146	144	1 %	141	4 %	290	286	533
Metal products sales excluding ingot trading (kmt) ²⁾	777	736	5 %	750	4 %	1 513	1 375	2 722
Hereof external sales (kmt)	694	664	4 %	674	3 %	1 359	1 245	2 474

1) Alternative performance measures (APMs) are defined in the corresponding section.

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

Underlying EBIT for Metal Markets declined in the second quarter mainly due to negative currency and inventory valuation effects, in addition to somewhat lower results from the remelters.

Compared to the second quarter of 2015, underlying EBIT for Metal Markets improved mainly due to improved results from sourcing and trading activities in addition to less negative currency and inventory valuation effects, partly offset by weaker results from remelters. Underlying results in the second quarter of 2015 included substantial losses from sourcing and trading activities as a result of a decline in standard ingot premiums.

Underlying EBIT for the first half year of 2016 improved substantially compared with the same period in 2015, mainly due to same factors as described above.

Rolled Products

Operational and financial information	Second quarter 2016	First quarter 2016	%change prior quarter	Second quarter 2015	%change prior year quarter	First half 2016	First half 2015	Year 2015
Underlying EBIT (NOK million)	242	248	(2) %	315	(23) %	491	607	1 142
Underlying EBITDA (NOK million)	432	446	(3) %	488	(12) %	878	953	1 873
Sales volumes to external market (kmt)	238	229	4 %	243	(2) %	467	471	948
Sales volumes to external markets (kmt) - Product areas ¹⁾								
Can & foil	82	76	8 %	87	(6) %	157	164	331
Lithography & automotive	79	78	2 %	75	5 %	157	152	300
Special products	78	75	3 %	81	(4) %	153	155	317
Rolled Products	238	229	4 %	243	(2) %	467	471	948

1) As of the first quarter of 2016, the reporting structure for Rolled Products Sales volumes to external markets has been changed. All previous periods presented have been adjusted to present the information on a comparable basis.

Underlying EBIT remained close to the first quarter level. Positive volume effects were offset by negative currency effects on margins from a weakening US dollar versus Euro and declining results in the Neuss smelter mainly due to higher alumina prices.

Rolled Products made progress on the "Better Rolled Products" improvement program, however with delay compared to the target for 2016.

Compared to the second quarter last year the underlying EBIT was lower mainly due to the all-in metal price development affecting our Neuss smelter. For our rolling mills we saw higher sales volumes when adjusting for the Slim rolling mill divestment²⁾ but also lower realized net margins.

Underlying EBIT for the first half year in 2016 was lower than in the same period in 2015, influenced by the same factors as described above.

2) Slim rolling mill divestment was completed by December 17, 2015.

Energy

Operational and financial information	Second quarter 2016	First quarter 2016	%change prior quarter	Second quarter 2015	%change prior year quarter	First half 2016	First half 2015	Year 2015
Underlying EBIT (NOK million)	301	398	(24) %	179	68 %	699	560	1 105
Underlying EBITDA (NOK million)	352	453	(22) %	227	55 %	805	656	1 300
Direct production costs (NOK million) ¹⁾	126	193	(35) %	113	11 %	319	317	610
Power production (GWh)	2 674	3 160	(15) %	2 103	27 %	5 835	5 173	10 894
External power sourcing (GWh)	2 222	2 227	-	2 221	-	4 449	4 422	8 918
Internal contract sales (GWh)	3 340	3 339	-	3 356	-	6 679	6 670	13 731
External contract sales (GWh)	163	253	(35) %	244	(33) %	416	591	1 093
Net spot sales (GWh)	1 393	1 795	(22) %	724	92 %	3 188	2 334	4 989

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 previous quarter due to seasonally lower production and higher area cost, partly offset by lower production cost. The lower cost was mainly driven by transmission costs and property taxes²⁾.

Compared to the second quarter of the previous year, underlying EBIT increased significantly. Higher production and higher prices were partly offset by somewhat higher transmission cost and area cost.

Underlying EBIT for the first half of 2016 increased significantly compared to the same period in the previous year, mainly due to higher spot sales based on higher production and contract portfolio changes.

2) From 2015 property tax is charged to the period it becomes an unconditional payment obligation (in Norway when invoiced). This leads to periodic variations within the year without affecting the annual property tax level.

Other and eliminations

Financial information NOK million	Second quarter 2016	First quarter 2016	%change prior quarter	Second quarter 2015	%change prior year quarter	First half 2016	First half 2015	Year 2015
Sapa (50%) ¹⁾	270	183	48 %	145	86 %	453	264	454
Other	(100)	(162)	38 %	(150)	33 %	(262)	(267)	(531)
Eliminations	(45)	160	>(100) %	338	>(100) %	115	54	58
Underlying EBIT Other and eliminations	125	181	(31) %	333	(63) %	306	51	(19)

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 2016	First quarter 2016	%change prior quarter	Second quarter 2015	%change prior year quarter	First half 2016	First half 2015	Year 2015
Revenue (NOK million) ²⁾	7 036	6 953	1 %	7 242	(3) %	13 988	14 268	27 626
Underlying EBIT (NOK million)	402	286	41 %	241	67 %	688	437	704
Underlying EBITDA (NOK million)	566	450	26 %	399	42 %	1 016	752	1 364
Underlying Net income (loss) (NOK million)	270	183	48 %	145	86 %	453	264	454
Sales volumes (kmt)	183	174	5 %	179	2 %	358	355	682

2) Historical revenues have been reclassified.

Underlying EBIT for Sapa increased compared to the previous quarter, mainly due to seasonally higher market demand and stronger margins.

Underlying EBIT for Sapa increased significantly compared to the same quarter of the previous year. Earnings improved across all business areas, driven by positive effects from improvement programs, increased share of value-add products and positive market developments. The second quarter last year was negatively influenced by sharply falling metal premiums in North America.

Underlying EBIT for the first half of 2016 improved compared with the same period in 2015, influenced by the same factors discussed above.

Finance

Financial income (expense)	Second quarter 2016	First quarter 2016	% change prior quarter	Second quarter 2015	% change prior year quarter	First half 2016	First half 2015	Year 2015
NOK million								
Interest income	87	172	(49)%	59	48 %	259	134	279
Dividends received and net gain (loss) on securities	92	(15)	>100%	(1)	>100%	77	12	18
Financial income	179	157	14 %	58	>100%	336	146	297
Interest expense	(61)	(103)	41 %	(69)	10 %	(165)	(169)	(337)
Capitalized interest	32	22	48 %	7	>100%	54	7	34
Net foreign exchange gain (loss)	904	1 032	(12)%	346	>100%	1 935	(1 241)	(4 397)
Net interest on pension liability	(49)	(51)	4 %	(35)	(39)%	(100)	(71)	(215)
Other	(56)	(55)	(2)%	(49)	(14)%	(111)	(94)	(215)
Financial expense	769	844	(9)%	200	>100%	1 613	(1 568)	(5 130)
Financial income (expense), net	948	1 001	(5)%	258	>100%	1 949	(1 422)	(4 834)

The net foreign exchange gain of NOK 904 million reflects strengthening of BRL against USD affecting USD denominated debt in Brazil and strengthening of NOK against Euro affecting both embedded derivatives in power contracts and intercompany debt.

Tax

Income tax expense amounted to NOK 849 million for the second quarter of 2016 or about 29 percent of income before tax.

Items excluded from underlying 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 2016	First quarter 2016	Second quarter 2015	First half 2016	First half 2015	Year 2015
NOK million						
Unrealized derivative effects on LME related contracts	(146)	(137)	31	(283)	171	415
Unrealized derivative effects on power and raw material contracts	114	(87)	(161)	27	(312)	(419)
Metal effect, Rolled Products	(17)	43	(2)	26	(63)	458
Significant rationalization charges and closure costs	67	-	-	67	-	-
Impairment charges (PP&E and equity accounted investments)	-	-	-	-	-	-
(Gains)/losses on divestments	(329)	15	-	(314)	-	365
Other effects	-	-	(37)	-	(37)	248
Items excluded in equity accounted investment (Sapa)	(49)	(26)	139	(75)	213	331
Items excluded from underlying EBIT ²⁾	(360)	(192)	(31)	(552)	(29)	1 398
Net foreign exchange (gain)/loss	(904)	(1 032)	(346)	(1 935)	1 241	4 397
Calculated income tax effect	313	365	144	678	(311)	(1 418)
Other adjustments to net income	-	(700)	-	(700)	-	-
Items excluded from underlying net income ²⁾	(951)	(1 559)	(234)	(2 510)	901	4 377

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

2) Items excluded from underlying EBIT and net income are reconciling underlying results with reported results and are defined as part of the corresponding section in the APM description.

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 2016	First quarter 2016	Second quarter 2015	First half 2016	First half 2015	Year 2015
NOK million						
Unrealized derivative effects on LME related contracts	-	-	(6)	-	(3)	11
Bauxite & Alumina	-	-	(6)	-	(3)	11
Unrealized derivative effects on LME related contracts	38	(72)	(41)	(34)	12	95
Unrealized derivative effects on power contracts	(71)	(18)	(2)	(90)	-	112
Significant rationalization charges and closure costs	67	-	-	67	-	-
Insurance compensation (Qatalum)	-	-	(37)	-	(37)	(37)
Primary Metal	34	(90)	(81)	(56)	(25)	169
Unrealized derivative effects on LME related contracts	(16)	(68)	(45)	(85)	101	199
Metal Markets	(16)	(68)	(45)	(85)	101	199
Unrealized derivative effects on LME related contracts	(182)	12	143	(170)	63	95
Metal effect	(17)	43	(2)	26	(63)	458
(Gains)/losses on divestments	13	15	-	28	-	434
Rolled Products	(186)	69	141	(117)	-	988
Unrealized derivative effects on power contracts	10	4	(9)	14	(8)	3
Energy	10	4	(9)	14	(8)	3
Unrealized derivative effects on power contracts ²⁾	175	(73)	(150)	102	(305)	(533)
Unrealized derivative effects on LME related contracts ²⁾	15	(8)	(20)	6	(3)	15
(Gains)/losses on divestments	(342)	-	-	(342)	-	(69)
Items excluded in equity accounted investment (Sapa)	(49)	(26)	139	(75)	213	331
Termination of lease contract Vækerø Park	-	-	-	-	-	285
Other and eliminations	(202)	(107)	(32)	(309)	(95)	28
Items excluded from underlying EBIT ³⁾	(360)	(192)	(31)	(552)	(29)	1 398

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) Items excluded from underlying EBIT and net income are reconciling underlying results with reported results and are defined as part of the corresponding section in the APM description.

Interim financial statements

Condensed consolidated statements of income (unaudited)

NOK million, except per share data	Second quarter		First half		Year
	2016	2015	2016	2015	2015
Revenue	20 391	22 436	40 529	45 726	87 694
Share of the profit (loss) in equity accounted investments	323	276	493	542	512
Other income, net	481	195	592	467	461
Total revenue and income	21 195	22 908	41 614	46 735	88 667
Raw material and energy expense	13 145	14 374	25 874	29 036	56 330
Employee benefit expense	2 442	2 272	4 823	4 566	9 048
Depreciation, amortization and impairment	1 244	1 213	2 459	2 442	5 023
Other expenses	2 386	2 352	4 787	4 787	10 008
Total expenses	19 217	20 210	37 942	40 831	80 409
Earnings before financial items and tax (EBIT)	1 978	2 698	3 672	5 904	8 258
Financial income	179	58	336	146	297
Financial expense	769	200	1 613	(1 568)	(5 130)
Financial income (expense), net	948	258	1 949	(1 422)	(4 834)
Income (loss) before tax	2 926	2 955	5 621	4 482	3 425
Income taxes	(849)	(891)	(1 162)	(1 346)	(1 092)
Net income (loss)	2 077	2 064	4 459	3 136	2 333
Net income (loss) attributable to non-controlling interests	129	146	215	270	313
Net income (loss) attributable to Hydro shareholders	1 948	1 918	4 244	2 866	2 020
Basic and diluted earnings per share attributable to Hydro shareholders (in NOK) ¹⁾	0.95	0.94	2.08	1.40	0.99
Weighted average number of outstanding shares (million)	2 043	2 041	2 042	2 040	2 041

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

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

Condensed consolidated statements of comprehensive income (unaudited)

NOK million	Second quarter		First half		Year
	2016	2015	2016	2015	2015
Net income (loss)	2 077	2 064	4 459	3 136	2 333
Other comprehensive income					
Items that will not be reclassified to income statement:					
Remeasurement postemployment benefits, net of tax	(457)	1 731	(1 123)	1 712	764
Share of remeasurement postemployment benefits of equity accounted investments, net of tax	-	-	-	-	126
Total	(457)	1 731	(1 123)	1 712	890
Items that will be reclassified to income statement:					
Currency translation differences, net of tax	3 701	1 097	2 741	(2 613)	(2 130)
Unrealized gain (loss) on securities, net of tax	9	(26)	(22)	81	15
Cash flow hedges, net of tax	95	51	47	118	72
Share of items that will be reclassified to income statement of equity accounted investments, net of tax	(21)	1	(279)	88	502
Total	3 783	1 123	2 488	(2 326)	(1 541)
Other comprehensive income	3 327	2 854	1 364	(614)	(651)
Total comprehensive income	5 404	4 918	5 823	2 522	1 681
Total comprehensive income attributable to non-controlling interests	644	290	709	(144)	(418)
Total comprehensive income attributable to Hydro shareholders	4 759	4 628	5 114	2 666	2 099

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

Condensed balance sheets (unaudited)

NOK million, except number of shares	2016	June 30 2015	December 31 2015
Assets			
Cash and cash equivalents	9 220	8 142	6 917
Short-term investments	2 629	1 240	5 752
Accounts receivables	12 085	14 847	10 797
Inventories	11 820	12 722	12 192
Other current assets	158	301	502
Total current assets	35 911	37 252	36 160
Property, plant and equipment	55 378	51 945	51 174
Intangible assets	5 622	5 547	5 121
Investments accounted for using the equity method	19 841	18 413	20 150
Prepaid pension	3 198	4 313	3 382
Other non-current assets	6 798	5 856	6 557
Total non-current assets	90 838	86 075	86 384
Total assets	126 749	123 326	122 544
Liabilities and equity			
Bank loans and other interest-bearing short-term debt	3 593	3 683	3 562
Trade and other payables	9 719	10 192	9 375
Other current liabilities	3 822	4 081	4 462
Total current liabilities	17 135	17 957	17 399
Long-term debt	3 474	5 013	3 969
Provisions	3 630	2 876	3 264
Pension liabilities	13 837	11 706	12 782
Deferred tax liabilities	2 477	2 459	1 999
Other non-current liabilities	3 154	2 919	3 801
Total non-current liabilities	26 572	24 973	25 816
Total liabilities	43 707	42 929	43 215
Equity attributable to Hydro shareholders	77 285	74 737	74 169
Non-controlling interests	5 757	5 660	5 159
Total equity	83 042	80 397	79 329
Total liabilities and equity	126 749	123 326	122 544
Total number of outstanding shares (million)	2 043	2 042	2 042

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
	2016	2015	2016	2015	2015
Operating activities					
Net income	2 077	2 064	4 459	3 136	2 333
Depreciation, amortization and impairment	1 244	1 213	2 459	2 442	5 023
Other adjustments	382	1 172	(3 457)	(34)	7 017
Net cash provided by operating activities	3 703	4 449	3 461	5 544	14 373
Investing activities					
Purchases of property, plant and equipment	(1 345)	(1 122)	(2 740)	(1 969)	(5 254)
Purchases of other long-term investments	(37)	(118)	(69)	(137)	(212)
Purchases of short-term investments	(1 300)	-	(1 300)	(500)	(5 050)
Proceeds from long-term investing activities	525	5	686	20	125
Proceeds from sales of short-term investments	4 000	1 000	4 550	1 000	1 000
Net cash provided by (used in) investing activities	1 843	(235)	1 127	(1 586)	(9 391)
Financing activities					
Loan proceeds	911	1 391	1 904	1 771	2 340
Principal repayments	(1 405)	(2 655)	(2 820)	(4 501)	(7 042)
Net increase (decrease) in other short-term debt	131	81	574	(151)	(344)
Proceeds from shares issued	9	10	19	15	35
Dividends paid	(2 159)	(2 143)	(2 159)	(2 143)	(2 370)
Net cash used in financing activities	(2 513)	(3 316)	(2 482)	(5 009)	(7 381)
Foreign currency effects on cash and bank overdraft	241	72	197	(55)	68
Net increase (decrease) in cash, cash equivalents and bank overdraft	3 274	970	2 303	(1 106)	(2 331)
Cash, cash equivalents and bank overdraft at beginning of period	5 946	7 172	6 917	9 248	9 248
Cash, cash equivalents and bank overdraft at end of period	9 220	8 142	9 220	8 142	6 917

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

Condensed consolidated statements of changes in equity (unaudited)

NOK million	Share capital	Additional paid-in capital	Treasury shares	Retained earnings	Other components of equity	Equity attributable to Hydro shareholders	Non-controlling interests	Total equity
January 1, 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
January 1, 2016	2 272	29 068	(913)	45 850	(2 107)	74 169	5 159	79 329
<i>Changes in equity for 2016</i>								
Treasury shares reissued to employees		1	44			45		45
Dividends				(2 043)		(2 043)	(116)	(2 159)
Capital contribution in subsidiaries							4	4
Items not reclassified to income statement in subsidiaries sold				16	(16)	-		-
Total comprehensive income for the period				4 244	870	5 114	709	5 823
June 30, 2016	2 272	29 070	(870)	48 067	(1 253)	77 285	5 757	83 042

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 - 2015.

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 - 2015 that are a part of Hydro's Annual Report - 2015.

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 - 2015 note 7 Operating and geographic segment information for a description of Hydro's management model and segments, including a description of Hydro's segment measures and accounting principles used for segment reporting.

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

NOK million	Second quarter		First half		Year
	2016	2015	2016	2015	2015
Total revenue					
Bauxite & Alumina	4 572	5 127	8 784	10 588	21 889
Primary Metal	8 006	8 154	15 700	17 250	32 340
Metal Markets	11 239	13 127	22 488	25 308	46 909
Rolled Products	5 985	6 173	11 722	12 343	24 160
Energy	1 670	1 140	3 289	2 693	5 326
Other and eliminations	(11 080)	(11 286)	(21 454)	(22 457)	(42 931)
Total	20 391	22 436	40 529	45 726	87 694
External revenue					
Bauxite & Alumina	2 699	2 978	5 142	6 365	13 534
Primary Metal	1 312	1 059	2 488	2 848	5 373
Metal Markets	10 169	11 862	20 302	23 177	42 795
Rolled Products	5 831	6 254	11 627	12 333	24 293
Energy	364	264	940	962	1 623
Other and eliminations	15	19	31	41	77
Total	20 391	22 436	40 529	45 726	87 694
Internal revenue					
Bauxite & Alumina	1 873	2 150	3 642	4 223	8 356
Primary Metal	6 693	7 095	13 212	14 402	26 967
Metal Markets	1 070	1 265	2 186	2 131	4 114
Rolled Products	153	(81)	95	10	(132)
Energy	1 306	877	2 350	1 731	3 703
Other and eliminations	(11 095)	(11 306)	(21 485)	(22 498)	(43 008)
Total	-	-	-	-	-
Share of the profit (loss) in equity accounted investments					
Bauxite & Alumina	-	-	-	-	-
Primary Metal	10	282	(26)	532	389
Metal Markets	-	-	-	-	-
Rolled Products	-	-	-	-	-
Energy	-	-	-	-	-
Other and eliminations	313	(6)	519	10	123
Total	323	276	493	542	512

NOK million	Second quarter		First half		Year
	2016	2015	2016	2015	2015
Depreciation, amortization and impairment					
Bauxite & Alumina	485	470	936	930	1 983
Primary Metal	484	483	958	994	1 952
Metal Markets	24	25	47	48	101
Rolled Products	189	173	387	346	732
Energy	51	48	106	96	195
Other and eliminations	11	14	25	29	61
Total	1 244	1 213	2 459	2 442	5 023
Earnings before financial items and tax (EBIT) ¹⁾					
Bauxite & Alumina	174	487	363	1 264	2 411
Primary Metal	668	1 528	1 076	3 484	4 459
Metal Markets	91	(44)	326	(166)	180
Rolled Products	428	174	607	607	154
Energy	291	187	685	568	1 103
Other and eliminations	327	364	614	146	(48)
Total	1 978	2 698	3 672	5 904	8 258
EBITDA					
Bauxite & Alumina	659	957	1 299	2 194	4 393
Primary Metal	1 152	2 012	2 034	4 478	6 411
Metal Markets	114	(19)	373	(118)	281
Rolled Products	618	347	994	954	886
Energy	341	236	791	664	1 297
Other and eliminations	338	379	639	175	14
Total	3 222	3 911	6 131	8 346	13 282
Investments ²⁾					
Bauxite & Alumina	462	294	1 320	523	1 923
Primary Metal	895	437	1 446	812	1 839
Metal Markets	18	131	27	157	280
Rolled Products	252	215	727	356	1 434
Energy	75	99	130	125	290
Other and eliminations	9	16	31	19	99
Total	1 711	1 192	3 681	1 993	5 865

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 2016			
Bauxite & Alumina	174	485	659
Primary Metal	668	484	1 152
Metal Markets	91	24	114
Rolled Products	428	189	618
Energy	291	51	341
Other and eliminations	327	11	338
Total	1 978	1 244	3 222

NOK million	EBIT	Depr., amor. and impairment ¹⁾	EBITDA
EBIT - EBITDA First half 2016			
Bauxite & Alumina	363	936	1 299
Primary Metal	1 076	959	2 034
Metal Markets	326	47	373
Rolled Products	607	387	994
Energy	685	106	791
Other and eliminations	614	25	639
Total	3 672	2 459	6 131

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.

Note 4: Taxes

In April 2016, the Norwegian Tax Appeal Board ruled in favor of Hydro in a tax dispute. Taxes related to losses on refinancing of subsidiaries in 2008 were denied for deduction in 2013 and the tax claim was paid in 2014. Following the decision in the Tax Appeal Board, Hydro recognized approximately NOK 600 million in reduced tax expense and approximately NOK 100 million in interest income in the first quarter of 2016. Hydro received the reimbursement in the second quarter of 2016. The tax authorities have notified Hydro that they will ask for a re-examination of the case by the National Tax Board (Riksskattenemnda).

Alternative performance measures (APMs)

APMs are used by Hydro for annual and periodic financial reporting in order to provide a better understanding of the company's underlying financial performance and are also used by management to drive performance. These measures are adjusted IFRS measures defined, calculated and used in a consistent and transparent manner over the years and across the company as relevant. Operational measures such as volumes and prices per mt are not defined as APMs.

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

1. 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, but 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.
2. 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.
3. Metal effect, Rolled Products is an effect of timing differences resulting from inventory adjustments due to changing aluminium prices during the production, sales and logistics process, as well as inventory write-downs.
4. Significant rationalization charges and closure costs include costs that are typically non-recurring for individual plants or operations. Such costs involve termination benefits, dismantling of installations and buildings, clean-up activities that exceed legal liabilities, etc.
5. Impairment charges (PP&E and equity accounted investments) relate to significant write-downs of assets or groups of assets to estimated recoverable amounts in the event of an identified loss in value.
6. (Gains) losses on divestments include a net gain or loss on divested businesses and/or individual major assets.
7. Other effects include recognition of pension plan amendments and related curtailments and settlements, insurance proceeds, legal settlements, etc.
8. Items excluded in equity accounted investments (Sapa) reflects Hydro's share of items excluded from underlying net income in Sapa.
9. 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.
10. Calculated income tax effect: In order to present underlying net income on a basis comparable with our underlying operating performance, we calculate the income tax effect of items excluded from underlying income before tax.
11. Other adjustments to net income include other major financial and tax related effects.

Metal Markets specific adjustments to underlying EBIT

1. 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.
2. 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.

Adjusted net interest-bearing debt

Adjusted net interest-bearing debt is defined in Note 40 to the Financial statements and Board of Directors' Report 2015. Net debt in equity accounted investments is not included in the below.

Adjusted net interest-bearing debt

NOK million	June 30 2016	March 31 2016	June 30 2015	December 31 2015
Net cash (debt)	4 781	3 937	686	5 138
Cash and cash equiv. and short-term investm. in captive insurance company	(1 127)	(1 189)	(1 138)	(1 129)
Net pension obligation at fair value, net of expected income tax benefit	(8 728)	(8 409)	(6 310)	(7 955)
Operating lease commitments, net of expected income tax benefit	(487)	(487)	(1 600)	(1 187)
Short- and long-term provisions net of exp. income tax benefit, and other liab.	(3 197)	(3 059)	(2 637)	(3 040)
Adjusted net interest-bearing debt	(8 758)	(9 206)	(11 000)	(8 173)


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, 2016 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.

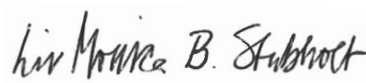
Oslo, July 20, 2016



DAG MEJDELL
Chair



IRENE RUMMELHOFF
Deputy chair



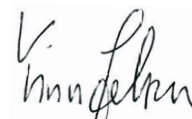
LIV MONICA BARGEM STUBHOLT
Board member



OVE ELLEFSEN
Board member



BILLY FREDAGSVIK
Board member



FINN JEBSEN
Board member



STEN ROAR MARTINSEN
Board member



PEDRO JOSÉ RODRIGUES
Board member



THOMAS SCHULZ
Board member



MARIANNE WIINHOLT
Board member



SVEIN RICHARD BRANDTZÆG
President and CEO

Additional information

Financial calendar 2016

October 25	Third quarter results
December 1-2	Capital Markets Day

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 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