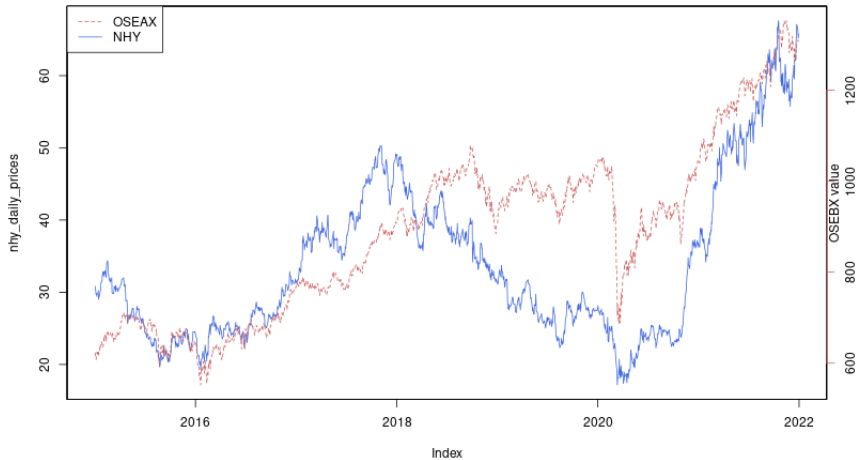


Updating the NHY valuation, December 2021

Two years passes



Key accounting items

Year	2021	2020	2019	2018	2017
Revenue	149,654	114,291	149,766	159,377	109,222
Total revenue and income	153,212	121,928	151,007	160,913	113,692
Depreciation, amortization	7,844	7,175	8,572	7,369	6,160
Total expenses	135,325	112,572	150,508	152,391	101,500
EBIT	17,887	9,356	499	8,522	12,180
Net income	13,942	1,660	-2,370	4,323	9,180

Amounts in NOK million (except per share amounts)

Implied Fractions

	Average	2021	2020	2019
Growth in revenue	12.35%	30.9%	-23.7%	-6.1%
Expenses as fraction of revenues	94.72%	90.4%	98.5%	100.0%
Depreciation as fraction of expenses	5.75%	5.8%	6.4%	5.0%

Investments

From Cash flow accounts

	2021	2020
Purchases of property, plant and equipment	-6020	-5527
Purchases of other long-term investments	-911	-222
Proceeds from sales of property, plant and equipment	371	260
Proceeds from sales of other long-term investments	327	311
Net long term investments	-7629	-6320

Forecast Parameters

Growth in revenue	12.35%	
Costs as fraction of revenue	94.72%	
depreciation as fraction of expenses	5.75%	
Investement growth rate	12.35%	(assume grow at same r
tax rate	22.00%	
Long term economic growth	2.00%	

FCF Forecast

	2021	2022	2023	2024	2025	2026	2027
Revenues	149,654	168,132	188,893	212,217	238,421	267,860	
Costs		159,259	178,924	201,017	225,838	253,724	
Taxable income		8,873	9,969	11,200	12,583	14,136	
Tax		1,952	2,193	2,464	2,768	3,110	
After-tax income		6,921	7,776	8,736	9,815	11,026	
Depreciation		9,164	10,296	11,567	12,996	14,600	
Investments	7,629	8,571	9,629	10,818	12,154	13,655	
Free Cash Flow		7,515	8,442	9,485	10,656	11,972	12,211

Working Capital changes not included in this simplified estimation.

Cost of capital calculation

Interest rate long term debt	3.00%
Book value of interest-bearing debt	28,418
Risk-free interest rate	2.50%
Beta of NHY equity	1.55
Market risk premium	5.00%
Market capitalization norsk hydro	143,837
Cost of equity capital	10.25%
Cost of capital(all-equity)	9.05%
WACC	8.95%

The final valuation

Year	2021	2022	2023	2024	2025	2026	...
FCF		7,515	8,442	9,485	10,656	11,972	
Terminal Value (Year 5)						175,828	
Present value of firm	151,275						
Book value debt	28,418						
Implied equity value	122,857						
Shares outstanding (mill)	2,069						
Predicted share price	59						
Actual share price	69.52						

Takeaway from the update

- ▶ Valuations Change Continuously
 - ▶ Due to conditions internal to the firm
 - ▶ Revenue Growth
 - ▶ Beta
 - ▶ (Both above driven partly by external conditions, though)
 - ▶ Due to changes to the external environment
 - ▶ 2020-2021: Covid-19, changing demand (and other things)
 - ▶ Interest Rate Changes
 - ▶ Russian invasion of Ukraina → energy costs

Moving on past Yearend 2021

