Alcoa

Annual Report 2020

Alcoa Norway ANS

Contents

This is Alcoa Norway ANS

Alcoa's history in Norway

Alcoa's presence in Norway dates back to the 1920s. It all started with a cooperation arrangement for management of materials with Elkem (formerly known as 'Elektrokjemisk'). Alcoa began producing aluminium in Mosjøen in 1962 in partnership with Elkem ASA. Alcoa's Lista plant started producing aluminium in 1971. Alcoa assumed 100% ownership of these facilities in 2009. The two smelters have a combined potroom capacity of 296,000 metric tons per year and use emission-free renewable power. Alcoa also operates an anode plant in Mosjøen which supplies the Mosjøen smelter as well as Alcoas smelter in Fjardaal, Iceland.

Alcoa Norway's products and customers

Alcoa Norway supplies its products to European rolling mills, extrusion plants and foundries. Alcoa Norway is well known for its Just in Time shipments and consistent metal quality - a flexible supplier close to the markets in Europe.

Alcoa Norway and innovation

Alcoa's facilities at Lista and in Mosjøen are among the region's largest industrial companies. Both are key driving forces for innovation in the Agder region (Lista) and the Nordland region (Mosjøen), respectively. Many Alcoa technologies have been developed in Norway, among them New Søderberg, cleansing technology, energy recovery technology, small pre-bake pots, cast house technology, and various niche products. Alcoa Norway cut its greenhouse gas emissions by more than 55 % between 1990 and now.

The communities in which Alcoa operates

The communities of Mosjøen and Lista are both situated in municipalities offering a good level of education, leisure activities, public services and day-care for children.

Engaged employees

Alcoa is committed to advancing its communities. Alcoa employees across the globe participate in volunteer activities where Alcoa support through its Alcoa Foundation programs.

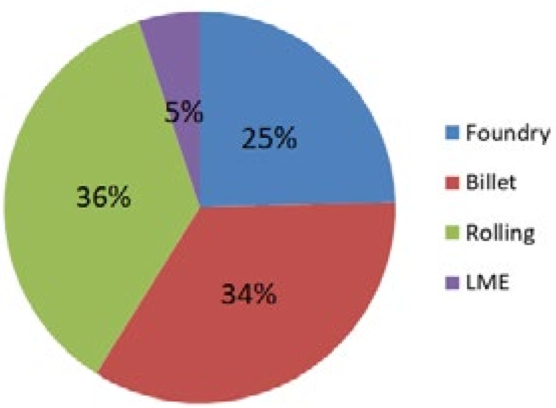
Highlights 2020

- **Good operations and financial performance in a year with pandemic**
- **Record potroom production**
- **Both plants certified by Aluminium Stewardship Initiative (ASI)**
- **Both plants achieve EcoLum™ standard, Alcoa Mosjøen also qualified for EcoDura™**

Key Figures

	2020	2019
Net operating revenues NOK million	7,070	7,461
Income from operations NOK million	817	(204)
Net operating margin (%)	12%	(3%)
Net profit NOK million	825	(203)
Cash Flow from operations NOK million	565	320
Equity ratio (%)	47	43
Dividend paid NOK million	-	-
Average LME-3 month quotation USD/T	1,731	1,811
Numer of employees	763	757

Sales 2020



OUR VALUES

- **Act with Integrity**

  We are open, honest and accountable.
  We do what we say we'll do.

- **Operate with Excellence**

  We relentlessly pursue outstanding and sustainable results. As we creatively transform ideas into value.

- **Care for People**

  We treat all people with dignity and provide a diverse, inclusive work culture. We work safely, promote wellness and protect the environment.

Report

(Figures in parenthesis show the corresponding figures for the same period in 2019.)

The company's net operating revenues in 2020 were NOK 7,070 million (7,461). Income from operations was NOK 817 million (minus 204) and net profit was NOK 825 million (minus 203). Cash flow before financing and cash distribution was NOK 565 million (320).

Market development

The Covid-19 pandemic was the main focal point in 2020, affecting lives and livelihoods and various economic activities, especially automotive and other transport, and, ultimately, demand for aluminium. Last year also brought environment and climate change higher up on political and social priority lists, as policymakers increasingly recognised the importance of sustainable products, including aluminium. The European Commission launched the "Green Recovery" program, a share of Covid relief support earmarked for sustainability purposes. In parallel, aluminium end users are increasingly seeking information about the carbon footprint of metal they purchase.

Global primary aluminium demand declined by 3.4% year on year in 2020 to 62.3 million tons, according to CRU. There were significant regional differences. World ex-China primary aluminium consumption dropped by 13%, while China posted a 4% growth, as activities rebounded sharply after China relatively quickly brought the virus under control. With that, China's share of the world's primary aluminium demand increased to 60% from 55% in 2019.

European demand was hit by declining activities in the automotive sector and a slowdown in the construction sector. Overall, primary aluminium demand in Europe dropped by 11.6% compared to 2019, as CRU data shows.

World primary aluminium production, on the other hand, increased by 2.7% to 64.9 million tons, mostly due to rising output growth in China. European smelter output decreased by about 1% compared to 2019, according to European Aluminium data.

The average 2020 LME price for delivery in 3 months dropped to USD 1,731/t, USD 80/t lower than the average 2019 LME price.

Regional premium in Europe (Duty-Paid P1020 ingot in-warehouse Rotterdam) was also affected by overall market developments. The average premium value in 2020 was USD 129/t in 2020, 9% lower than in the previous year.

Alcoa Norway's business concept is to supply customised products to meet customer specifications. The prices obtained by Alcoa Norway are based on the LME quotation for primary aluminium with an additional product premium, dependent on the specific product to be delivered to the customer. This product premium varies with alloy and shape. All exports from Alcoa Norway to the end customers were done through the Spanish Alcoa company Aluminio Español S.L.U., which provided a single point of contact with the European end customers.

Total shipments of metal processed in Alcoa Norway's casthouses were 358,566 tons in 2020 (373,880). Market conditions for rolling ingots were heavily impacted by the Covid-19 pandemic in the second and third quarters and sales fell by approximately 20% compared to 2019 on an annual basis. The reduced volume was partly offset by production of 18.000 tons of unalloyed LME metal. Market conditions for billets and foundry were less affected, and demand was only slightly below the 2019 level.

Operations

Total production in Alcoa Norway's potrooms at Mosjøen and Lista was 291,330 tons. This was 4,290 tons higher than in 2019 and the highest production level ever recorded by the company.

The performance of the Søderberg potrooms at Lista continued to improve during 2020. Production totalled 91,151 tons, 1616 tons higher than the previous year. Amperage to pots increased gradually during the year and reached a 6% higher level at the end of the year. Energy consumption and current efficiency were stable. A plan for further increase of amperage in 2021 has been established.

Mosjøen's prebake potrooms achieved a record-high production of 200,179 tons. Higher amperage to pots, higher number of pots in operation and stable production throughout the year were the main drivers behind the increased production. Emissions of fluoride remained well below limits. Potroom operation in Mosjøen has been very stable with excellent operating results for many years. Total production of anodes at the Mosjøen plant was 295,000 tons.

Casthouse production in 2020 totalled 357,827 tons, 15,086 tons lower than in 2019. Annual demand for billet was good and Lista production was only slightly below the record production from last year. Production in Mosjøen dropped by 13,877 tons compared to 2019 because of reduced demand, predominantly from the automotive sector which impacts both slab and foundry demand, due to impacts from the Covid-19 pandemic.

Alcoa Norway has modern and flexible aluminium casthouses with good product quality and high productivity. Alcoa Norway is able to supply approximately 380,000 tons of primary aluminium products annually, remelting some purchased metal in addition to its own potroom metal.

The total number of full-time equivalents was 763 at the end of 2020, 6 more than previous yearend.

Financial results

Income from operations increased by NOK 1,021 million, from minus NOK 204 million in 2019 to NOK 817 million in 2020. Net operating margin was 12% (minus 3%). Return on capital emplyed was 22% (minus 5%).

Lower LME price and lower average premiums had a negative impact on revenue in 2020. Alumina showed a higher cost in 2020 as a new pricing formula was introduced when the long-term contracts expired in 2019.

Power costs were substantially lower than the year before as spot electricity prices in Norway were affected by high levels of precipitation and warmer-than-average temperatures. Because of the weakening of the NOK versus the Euro, the mark-to-market value on the power contracts resulted in an unrealized loss of NOK 121 million in 2020 (loss NOK 882 million).

Conversion costs per ton aluminium produced increased slightly at both plants but remained at competitive levels on the world cost curve.

The average NOK/USD rate increased from 8,80 in 2019 to 9,40 in 2020.

Net financial items were NOK 8 million in 2020 (1). Net interest income was NOK 7 million (4). Ordinary depreciation was NOK 398 million (418).

Capital expenditures totalled NOK 296 million in 2020 (252). Working capital at year-end was NOK 619 million compared to NOK 715 million at the start of the year. The decrease in working capital was mainly due to lower stocks of finished goods and raw materials.

Liquidity reserves were NOK 918 million at year-end (349). The intercompany long-term loan position at the end of 2020 was NOK 2,300 million.

There was no excess cash distribution to the owners in 2020. Total equity at year-end was NOK 4,325 million (3,494). The equity ratio was 47%.

Taxes are not expensed in the income statement, since the tax obligation sits with the partners, Norsk Alcoa AS and Norsk Alcoa Smelting AS.

The financial statement has been prepared under the assumptions of going concern.

Financial risk

From 2020 the price of alumina is linked to API (Alumina Price Index), a pricing mechanism derived from the weighted average of a prior month's daily spot prices from three different indices.

Alcoa Norway has entered into several long-term power purchase agreements which has secured approximately 50% of the necessary power for the Norwegian smelters for the period 2020-2035. The remaining 50% is currently purchased under short-term contracts. Financial compensation of the indirect carbon emission costs passed through the electricity bill is received in accordance with EU Commission Guidelines and the Norwegian compensation regime.

Alcoa Norway has covered its physical coke and pitch needs under Alcoa Corporation contracts.

Aluminium is quoted in USD in all markets. Changes in the USD exchange rate have an impact on the prices realized in local currency. The majority of exports from Alcoa Norway are invoiced in Euro while major raw materials are invoiced in USD. The currency risk is managed at group level.

Alcoa Norway does not insure its credit risk. Most sales are intercompany transactions.

In October 2019 Alcoa Norway ANS committed to a one-year multicurrency revolving credit facility for NOK 1,300 billion which is guaranteed on an unsecured basis by Alcoa Corporation. In September 2020 the revolving credit facility was amended and renewed for one year.

Alcoa Norway has a long-term debt of NOK 2,300 million. The agreement expires in July 2027.

Alcoa's sustainable development efforts

Alcoa's businesses affect their surroundings. We therefore have a substantial responsibility to our neighbours. We meet our commitments by fulfilling and contributing to the United Nations' sustainability goals, shown below.

Figure 1: UN's Sustainable Development Goals

To Alcoa, the concept «sustainable development» means a continuous process and a strategic effort. Our main target is to create value for communities in which we operate while keeping environmental impacts as small as possible.

We have specific targets for water- and waste treatment, and emission reductions from our operations. Alcoa Norway's and Alcoa Corporation's ambitions and targets, as per the UN's categories, are shown below.

Figure 2: Alcoa's sustainable development ambitions and targets by UN categories

Equality, diversity, and discrimination

Alcoa will offer its employees an inclusive workplace. Working for us means working in an environment where employees thrive, are safe, trust each other, and have equal opportunities regardless of race, culture, gender, age, and sexuality. Our employees are treated with openness and respect, they feel accepted and valued. Alcoa has no tolerance for discrimination or sanctions of any kind against individual employees.

An inclusive workplace is a process that is never complete. Alcoa Norway has considerable opportunity when it comes to gender equality and diversity in the workforce. Our ambition is a working environment that consists of a broader range of people than today. We are making efforts to attract a more diverse range of job seekers for us to hire, promote, and safeguard.

In ensuring that our work culture provides a safe and positive working environment, Alcoa will regularly ask for feedback from their employees on their work experience and how they feel and are treated on the job. We conduct employee surveys at least once every year. At the same time, management has regular meetings with labour unions and their representatives, trade unions, and shop stewards.

Alcoa Norway regards equality and diversity as important recruitment assets. We want fully equal opportunities for women and men in our workplaces. We aim to develop and retain our female employees and we encourage women to apply for leading positions in the company.

Historically, the share of female employees has been lower than we would like, both for operators and for management. Alcoa Norway wants to change this. We have set ambitious targets to promote diversity within the organization. Alcoa Corporation developed systems to measure progress in this area. Diversity and equality are embedded in the Alcoa sustainability goals and the proportion of women at all Alcoa locations is a part of management compensation.

Approximately 12% of the total workforce is female. This is changing, particularly among highly educated employees. Approximately 25% of relief workers in the summer period is women.

There are no discernible wage differences between male and female operators, while the average salary for female office staff is 97% of the corresponding salary for males. This difference is a result of differing job categories and seniority.

Safety

Injuries and preventive measures

Alcoa's safety culture is expressed as "safety first – above operation, above profitability, above all". Each briefing from management starts with a safety review.

Alcoa employees shall have a safe workplace, everywhere and all the time. Employees shall be confident that work tasks are performed under strict Health, Safety, and Environmental (HSE) requirements, that Alcoa has good procedures for both preventive and reactive health prevention work, and that these procedures are accessible and well known.

Alcoa Norway had no fatal or serious injuries (FSI) in 2020. Alcoa's safety results are reported by One Alcoa, a system operated by Alcoa and external providers. The following injuries were reported for 2020:

- Three injuries causing absence from work (H1[1]): dislocated knee, torn upper arm ligament, fracture in arm
- One injury resulting in restricted work and five injuries requiring medical treatment (H2[1])
- 43 injuries requiring first aid treatment

To minimize and manage workplace risks, Alcoa employs two important evaluations and working methods: Human Performance (HP) and Critical Risk (CR). HP applies preventive thinking while CR focuses on the consequence of an event.

Alcoa has used Forwood Critical Risk Management (CRM) as its tool for CR management. Forwood CRM is an app-based tool that can be used via PC, mobile and tablet, and contains detailed checklists to verify safe practice where performance of work tasks can be considered risky.

Critical risk in Alcoa Norway's operations is defined by which activities have the highest statistical probability of critical incidents. These are:

- Liquid metal
- Mobile equipment
- Falls
- Cranes
- Electrical safety
- Confined working spaces
- Lock-Tag-Verify (LTV)
- Securing machinery
- Covid-19 pandemic

[1] Lost Workday Rate (H1) and Total Recordable Rate (H2) show the number of incidents per 1,000,000 working hours. H1 represents lost workday injuries while H2 represents all recordable injuries including lost workdays, medical treatment, and restricted work. The rates are used to compare the safety performance between plants of different sizes.

Persistent focus on HP and critical control has had a positive impact on our employees' approach to and understanding of security in that they know that they are individually the last barrier to risk.

Additional tools are technology, such as AGVs (Automated Guided Vehicles), or robots and remote-controlled solutions ensuring limited human exposure to risk. AGVs have successfully reduced risk of impact with mobile equipment in the pot rooms. Robotic wall construction in the anode bakery has significantly reduced ergonomic risks.

Health

The sick leave in 2020 was 5.9%, 0.9 percentage points higher than in 2019.

Operations in 2020 were strongly affected by the Covid-19 pandemic and, subsequently, adhering to national and Alcoa's internal guidelines. Diligent adherence to guidelines ensured that both Alcoa Norway operations remained infection-free. Health surveys of employees in 2020 were reduced in scope as a consequence of strict infection control measures.

Some of the increased sickness-related absence is due to long-term employee issues. Both smelters participate in the «inclusive working life» program, which involves a continuous follow-up of people on sick leave and arrangements for workers on sick leave to resume old or new adapted work tasks as early as possible. Alcoa is also very attentive to preventive health promotion measures and encourages and facilitates both physical exercise and job rotation.

Ergonomic risk assessment and vibration measurements with a focus on hand-held tools and full-body vibration in vehicles have been performed. All these activities are part of regular workplace surveys that the occupational health service conducts.

Alcoa worked on a "Fatigue" standard to improve employees' working conditions. A framework was created by the Norwegian smelters to meet Alcoa's expectations. This is to prevent Alcoa's employees from being exposed to serious risk due to exhaustion and fatigue.

Task automation is still considered an important measure to improve safety and the working environment. In addition, regular work is underway to shield the employee from exposure to detrimental health effects. For example, both plants have programs to curb noise on and around the plants.

Alcoa conducts HSE audits regularly. The audits are performed by a group consisting of local HSE experts, consultants, occupational health services, and employee representatives.

Waste

To Alcoa, waste is an unwanted by-product of aluminium production. We constantly aim to limit, remove, or put waste from our processes to use, and make use of input factors and resources as many times and as long as possible. A systematic approach is utilized. The first step is to limit waste from the process. The second step is to re-use waste in an environmentally friendly way. More broadly, our approach to waste management can be presented as follows:

1. Source removal: reduce the volume or limit toxicity of waste by changing the process method, changing input factors, separating processes, improving operations, and using sustainability criteria when procuring input factors.
2. Reuse: waste is reused, either at the plant or elsewhere, to the extent possible.
3. Recycling/composting: break down waste, extract recyclable resources and reuse.
4. Energy recovery: use waste heat from processes for other purposes.
5. Handling disposal: cut volume or make waste safer before disposal.
6. Deposition of waste is the last resort.

Spent Pot Lining

Spent Pot Lining (SPL) is a term for carbon and refractory linings left in used aluminium pots. It is hazardous waste that is normally disposed. Alcoa aims to limit this type of waste by optimising pot performance. A production method that lengthens the lifetime of the pot minimizes the amount of waste per ton of aluminium produced.

Some SPL is inevitable, but this is a product that can be used as an input factor in other processes. SPL can, for example, be used as both an input factor and a fuel source in cement production, as a raw material in steel production, and a fuel source in the production of rock wool, level of purity permitting.

During 2021, Alcoa Mosjøen will carry out a pilot project which, if successful, can provide a recycled SPL at a purity level that enables its use in either graphite products or in anode production. The pilot project, which is supported by Innovation Norway, is carried out in partnership with Hydro, GE Power Norway AS, Sintef, and a research station in Luleå and is working to recycle this into a new product. The project involves crushing SPL into much smaller pieces before it can be reused in new production cycles. Alcoa aims for a trial production of 100 kilos and the goal is for the entire amount of waste of about 5,000 tonnes per year to be recycled in this way.

BADELand

With help from the Norwegian Research Council (NRC) and in partnership with Hydro, and Noralf, Alcoa initiated the BADELand project in 2020. As with SPL, BADELand is a way to raise the amount of recyclable «leftovers» from aluminium production in a pot. So far, Alcoa has shipped 200 kg of test samples to different companies conducting lab tests to assess the usability of the product.

This is a three-phased research project with a pilot phase scheduled for 2021. Its main purpose is to extract the aluminium fluoride present in bath. Bath recycling of this sort is thus a full-fledged circular option for aluminium production.

Landfills

In December 2020, the last of the two landfills for internal process waste in the Lista area was completely sealed in accordance with plans reviewed and approved by the Norwegian Environment Agency.

In Mosjøen, work is ongoing to close the older part of the Store Åsnevdal landfill. Completion is expected in 2021. A new landfill for ordinary waste will be established and operated in accordance with strict rules for a few types of waste.

Alcoa Mosjøen has worked for several years to seal the already closed Lille Åsnevdal landfill. A third-party report confirms that the measures implemented in recent years have had a good effect and greatly reduced the risk of leakage to ground.

Alcoa Norway has participated in several research projects aimed at finding better solutions for management of hazardous waste, such as used cathode relinings and dross from the casthouse. In these projects, Alcoa collaborates with other aluminium industry representatives and research communities. As part of searching for alternative uses of process waste, Alcoa Norway also participated in an Eyde cluster initiative that maps by-product streams from the process industry and hopes to contribute in finding new sustainable methods to utilize such by-products.

Sustainable value-creation in our communities

One of Alcoa's core strategies is to sustainably contribute to value-creation in areas where we are located. In this context, “values” are primarily of the economic sort, i.e. that we use local goods and services as inputs to our operations, creating economic pass-through effects in our local communities. Second, we want these pass-through effects to be of a fair, accountable, and climate-friendly nature.

Alcoa wants to be a good neighbour. In the years to come, the company will spend a lot of time reaching out to stakeholders in the community - neighbours, customers, service providers, business clusters, environmental organizations, reindeer husbandry, and politicians. Our operations are highly visible to the surroundings and so we will do our best to avoid becoming a burden for the area in which we operate.

Aluminium Stewardship Initiative and other certifications

Both the Mosjøen and Lista plants were certified in accordance with the Aluminium Stewardship Initiative (ASI) Performance Standard in 2020. ASI certification means that the plants perform a set of workstreams with high quality, including leadership, environmental management, and social responsibility. The certification confirms that Alcoa's aluminium production in Norway is operated in a way that diligently safeguards the environment. We manage our resources according to strict environmental requirements and, as far as possible, minimize all types of emissions while taking biological diversity into account.

In January 2021, Alcoa Lista received an updated permit from the Norwegian Environment Agency in accordance with the Pollution Control Act, as required by Best Available Technology reference document (BREF/BAT) regulations. This permit includes stricter limits and tougher evaluation criteria. Alcoa Lista is positioned to exceed these requirements and will work for further improvements. Mosjøen also expects an update of the permit soon after a similar process with the Norwegian Environment Agency.

Alcoa Lista was recertified in accordance with ISO 50001, in addition to undergoing annual revisions of ISO 14001 and 9001 without deviation.

Local environmental footprint

As per environmental performance, 2020 was a good year for Alcoa Lista.

- No breaches of emission permits
- No complaints from neighbours
- No uncontrolled emissions
- Record-low PAH emissions to air and water
- Record-low fluoride emissions

Mosjøen’s performance was equally good. Both aluminium plants’ emission levels were the lowest on record.

Much of the emission improvement is attributed to improvements in the electrolysis process, such as changed operating routines, reorganization, and new raw materials. One example is gas purification, where we used a new anode gas filter that replaced two older filters in November 2019. The new filter curbed diffuse dust emissions noticeably.

In addition to cuts in local emissions, several measures have been taken to reduce noise. Surveys carried out in collaboration with external experts at the same time as measures were implemented show that noise levels from Alcoa Mosjøen were reduced, an improvement for residents in the plant's immediate surroundings.

In 2020, Alcoa Lista and the State Administrator collaborated to revitalize three areas on Alcoa's property around the industrial area. The revitalization includes restoration of endangered natural elements coastal moor and dune sands by removing alien flora such as sitka spruce, mountain/shrub pine, rugosa rose and broom in the Einarsneset bird and plant protection area and to recreate biotopes for insects and amphibians in dune land in an unprotected area near Røyrtjønn nature reserve.

Together with the other Nordic aluminium plants and the Aluminium Industry's Environmental Secretariat (AMS), Alcoa Norway is participating in the ESPIAL project, an update of a study from 1994, in which the industry's environmental impact is mapped.

Water

In Alcoa's Norwegian plants, water is mainly used in the casthouses for cooling. Water is ample and supply in Norway is very good compared with aluminium production in many other countries. Alcoa nevertheless works relentlessly to cut water consumption as much as possible. This is a long-term strategic goal for Alcoa Corporation. Reduced water consumption is a required objective for all members of the International Council on Mining and Metals (ICMM). Alcoa is an ICMM member.

Alcoa's specific goal is to reduce water consumption by 5% in 2025 and 10% in 2030, respectively, compared to 2015.

On top of that all plants are required to measure water use with a high degree of accuracy. The same level of accuracy must be applied when measuring the quality of water flows back to its source, while all forms of water pollution must be avoided. All plants must also investigate and make use of all potential opportunities for reuse of water.

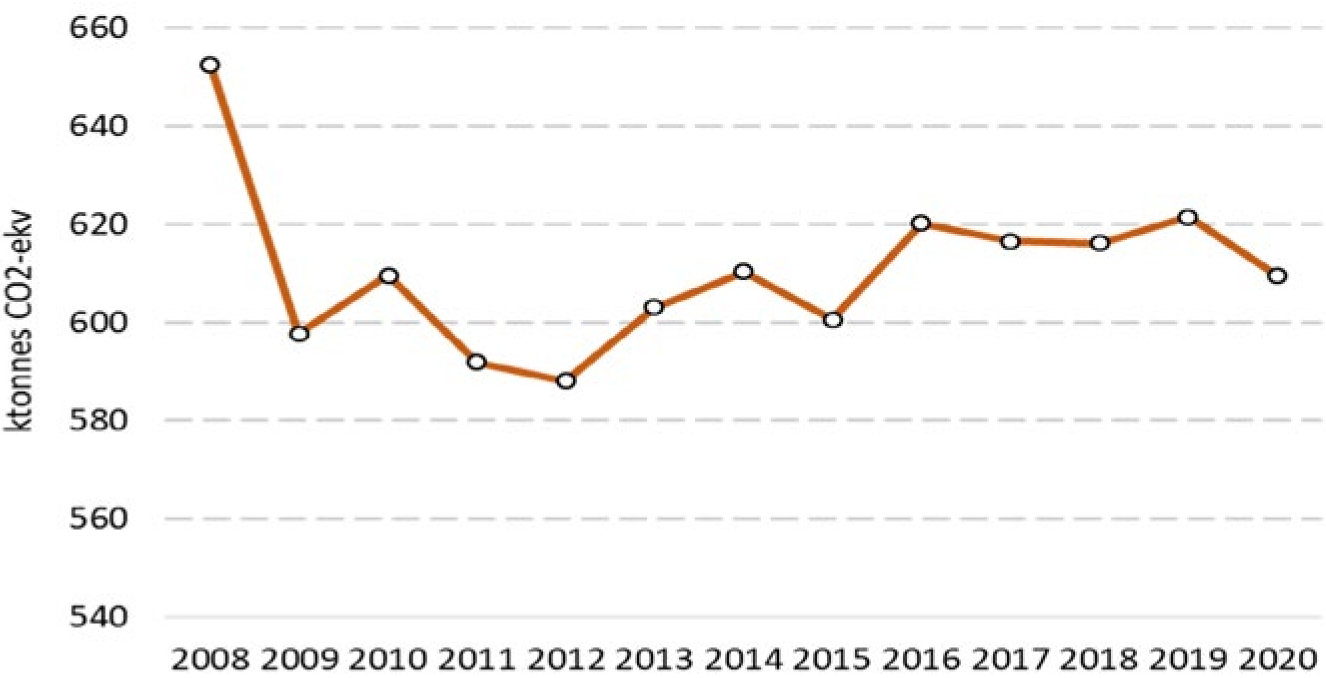
In Norway, Alcoa has repeatedly measured water quality and biota in Husebybukta, in accordance with plans approved by the Norwegian Environment Agency. Reports presenting findings from this work will be received during the first quarter. This work is also part of the collaborative project ESPIAL in the Aluminium Industry's Environmental Secretariat (AMS), which is an update of the so-called Impact Study from 1994, and which will be completed in 2021.

In the autumn of 2020, an old oil separator at Alcoa's plant in Mosjøen was replaced with a more modern type. The new oil separator is demonstrably better at separating oil from water so that the water flowing back to Vefsnfjorden is cleaner than before.

Greenhouse gas emissions

Alcoa Corporation fully supports the purpose and goal of the Paris Agreement. A core value for Alcoa is to «advance sustainably», which in practice means that growth cannot be detached from emissions. Alcoa's goal is to reduce greenhouse gas emissions, direct and indirect (from electricity supply) by 25% in 2025 and 50% in 2030, compared to 2015. Behind this ambitious target is Alcoa's determination to do its part to ensure that the Paris Agreement goal of keeping increases in global temperatures to less than 2°C is achieved.

Figure 3: Emissions from Alcoa's Norwegian operations 2008-2020, thousand tonne CO2-equivalents



Alcoa's sustainability and emission reduction targets are logical extensions of our belief that low-emission products will take up more and more space and that companies with large emissions will be considered more and more risky. Aluminium is a metal that has every characteristic needed for the future low-carbon society – it is a light, strong, and pliable metal that can be infinitely recycled. It is used in everything from renewable power production to digital communication systems.

All aluminium produced at Alcoa's Norwegian plants is certified in accordance with the ASI Chain of Custody standard, complementing Alcoa's Sustana™ certification. Alcoa's Sustana™ products include the Ecolum™ standard, which both Norwegian plants comfortably achieve as both have a carbon footprint lower than 2.5 tonnes of CO2 per tonne of aluminium. This is 75% lower than the global average. Aluminium from Alcoa Mosjøen also comes with the Ecodura™ standard for cast aluminium products, where the requirement is that at least 50% of the content in the aluminium blocks must come from recycled content.

EU climate legislation is an important driver for Alcoa's decarbonisation efforts. In 2021 the EU's emission trading scheme (ETS) will enter a new trading period going to 2030. During this period, supply of emission allowances will fall and their price will probably increase. Emissions will be more expensive. Alcoa therefore considers measures to reduce emissions to be economically prudent. Going almost emission-free, however, will most likely require a complete overhaul and replacement of the production process. This is costly, and Alcoa cannot take on this cost on its own without completely pricing itself out of the global aluminium market. To develop and deploy new low-emission technologies, Alcoa is therefore dependent on help from actors such as the EU's Innovation Fund and Enova.

The reason why Alcoa needs help with the major restructuring required is that the EU's climate policy remains one-sided. Most aluminium producers outside the EU do not pay for their emissions. As Alcoa's Norwegian operations must pay for emissions and for emission-saving measures, costs for Alcoa’s Norwegian operations rise compared to those of its competitors. For the rest of the EU this can, in the worst case, lead to curtailment of aluminium plants and a corresponding upscaling in countries outside the EU with weaker climate regulation. This is referred to as carbon leakage.

Combating carbon leakage is a key objective for the EU. Therefore, most ETS companies, including Alcoa's Norwegian companies, get most of their emission allowances free of charge. In the coming trading period, however, the amount of free quotas will most likely decrease.

Purchase of emission quotas is what is called a direct emission cost. There is also an indirect cost, which in Alcoa’s case is significantly higher. This indirect cost comes from producers of coal and gas power, which, are also part of the ETS and must buy emission allowances. Power producers pass this cost on in the power price they bid to the market. Even though there is almost no coal or gas power in Norway, this pass-through effect impacts Norwegian power prices as the Norwegian electricity system is connected to Continental Europe, despite Norwegian power generation being 100% renewable based.

The EU's way of mitigating the risk of carbon leakage is through softening both direct and indirect costs through, respectively, free allocation of allowances and CO2 compensation. The European Commission has presented its guidelines for CO2 compensation for the next trading period. The Norwegian authorities are currently turning the EU guidelines into national legislation. It is assumed that CO2 compensation will be continued as Norwegian industry, to a greater extent than its European counterparts, has very high indirect ETS costs and that carbon compensation is imperative for continued competitive Norwegian industry.

In addition to tougher targets and lower supply of allowances in the coming trading period, we can expect significant additions and extensions of the EU's climate policy going forward. The EU «Green Deal» is a collection of climate-related objectives, targets, and legislations, the most important being a new emission reduction target of 55% in 2030. Most of the legal texts will be finalized in 2021. Several of these legal texts are relevant to Alcoa's Norwegian operations.

Alcoa Foundation

In 2020 Alcoa Foundation continued the collaboration with The Researcher Factory (“Forskerfabrikken”) to promote Science, Technology, Engineering, and Mathematics (STEM) subjects. The aim is to motivate children and youth to pursue careers within the sciences and to solve tomorrows’ climate and environment challenges. In 2020, we organized five science summer schools. Kindergartens in Farsund and Vefsn were also provided with the tools and skills to playfully research together with the children. There were also entrepreneurship camps at local secondary schools in the Lister region and in Mosjøen.

Alcoa employees are also encouraged to give back to their communities through volunteer services. Because of the COVID-19 pandemic most of these activities were postponed in 2020. We hope to start up this good tradition again in 2021.

In 2020, the collaboration with several environmental organizations continued. Together with “Stiftelsen FEE Norway» (Foundation for Environmental Education), Alcoa

Foundation will work to establish “Echo schools” at the primary level. In collaboration with the Bellona foundation, young people will be engaged and motivated to tackle environmental challenges and with the organization Friends of Earth, Norway people will be encouraged to clean up the coast through the coastal clean-up lottery.

Development and prospects

The LME price was around USD 2,000/t in the first month of 2021 and has since then increased towards USD 2,200/t. Both demand and price of aluminium showed a positive development in the second half 2020 and will have a positive impact to the Alcoa Norway results in 2021.

The COVID-19 pandemic negatively impacted customer demand for value-add aluminium products in the first half of 2020 as customers reduced production levels in response to the health implications and economic impacts of the pandemic. However, during the third and fourth quarters of 2020, value-add sales volume increased due to solid demand recovery, particularly in the automotive sector.

The Company has not experienced any significant interruption from its supply sources, and the Company’s locations have had minimal contractor- and employee-related disruptions to date. The Company continues to ensure that each location’s preparedness and response plans are up to date.

The top priorities for Alcoa Corporation are to reduce complexity, drive returns, and advance sustainably. We are focused on being a low-cost producer, improving margins, and investing wisely. Renewed focus on the Alcoa Business System and continued progress in our automation projects are important initiatives to achieve our targets. The work on improved process knowledge, safety, and environment will also continue unabated.

Allocation of profit

The partners in Alcoa Norway ANS have decided to transfer the 2020 profit, NOK 825 million, to the owners’ equity.

Oslo, 28. May 2021

for Alcoa Norway ANS

Christine E Keener

Christine Elizabeth Keener
Managing Director

for Norsk Alcoa AS and Norsk Alcoa Smelting AS

Henrik Tveten

Henrik Tveten

Christine E Keener

Christine Elizabeth Keener


38079

Comprehensive income

Amounts in NOK million	Note	2020	2019
Sales primary		7,015	7,435
Other sales		56	26
Sales	1,3	**7,070**	**7,461**
Raw materials and energy	1	(4,159)	(4,787)
Salaries, wages and related costs	4, 15	(665)	(660)
Depreciation and write-downs	19, 20	398)	(418)
Other operating costs	5	(911)	(918)
Other gains and losses	6	(121)	(882)
Operating costs		**(6,254)**	**(7,665)**
Income from operations		**817**	**(204)**
Intercompany interest income	21	83	83
Intercompany interest expenses	21	(60)	(74)
Foreign exchange gains/ (-) loss		2	0
Other financial income/ (-)expenses		(17)	(9)
Net financial items		**8**	**1**
Net profit		**825**	**(203)**
Other comprehensive income			
Cash flow hedges	1	0	30)
Remeasurement net pension liabilities		(1)	(1)
Total comprehensive income for the year		**824**	**(174)**

Balance sheet

Amounts in NOK million	Note	31/12/2020	31/12/2019
ASSETS			
Tangible assets	19,20	3,012	**3,101**
Total fixed assets		3,012	**3,101**
Inventories	9	750	939
Accounts receivable	7	753	605
Short term receivables	8	4,593	3,479
Short term financial derivatives			
Cash and short term deposits		3	2
Total current assets		**6,099**	**5,025**
Total assets		**9,110**	**8,126**
EQUITY AND LIABILITIES			
Company capital	14	4,325	3,494
Owners equity		**4,325**	**3,494**
Pension Liabilities	15	6	6
Other long term accruals	17	83	84
Accrued liabilities		**88**	**90**
Long term debt	18	2,300	2,300
Long term financial derivatives	1	790	651
Other long-term liabilities		**3,090**	**2,951**
Accounts payable	11	884	830
Other current payables	12	696	717
Short term financial derivatives	1	28	45
Current liabilities		**1,608**	**1,591**
Total equity and liabilities		**9,110**	**8,126**

Oslo, 28. May 2021

for Alcoa Norway ANS

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Cash flow Statement

Amounts in NOK million	Note	2020	2019
Net profit		825	(203)
Depreciation	20	398	418
Change in working capital		96	(44)
Change in accruals		(207)	751
Net cash flow from operating activities		**1,112**	**921**
Investments in tangible fixed assets	20	(296)	(252)
Other current receivables Alcoa Group	8	(251)	(349)
Net cash flow from investing activities		**(547)**	**(601)**
Net cash flow before financing activities		**565**	**320**
Intercompany debt	12	4	25
Distributed cash to owners	14	0	0
Net cash flow from financing		**4**	**25**
Net change in liquid reserves		**569**	**344**
Liquid reserves 1 January		349	5
Liquid reserves 31 December		**918**	**349**
Cash and short term deposits		*3*	*2*
Group bank account	*8*	*915*	*347*
Undrawn portion of credit facilities	*10*	*0*	*0*
Liquid reserve including credit facilities 31 December		**918**	**349**

ACCOUNTING PRINCIPLES

The Financial Statements have been prepared in accordance with the Norwegian Accounting Act § 3-9 and regulations relating to IFRS adopted by the Ministry of Finance 21 January 2008. This essentially means that the recognition and measurement follow international accounting standards (IFRS) and the presentation and disclosures are in accordance with Norwegian Accounting Act and generally accepted accounting principles in Norway.

The Company has adopted the following simplifications of recognition and valuation rules in IFRS:

- IFRS 1 D6 on the continuation of the cost of investments in subsidiaries, associated companies and joint ventures.
- IFRS 5 is not applied.
- IAS 10.12-13, IAS18.30 and IFRIC 17.10 are waived so that dividends and group contributions are recognized in the financial statements according to the Norwegian Accounting Act.
- IAS 9 are waived so that the contracts for the purchase of physical power to use in the company's own production is not accounted for as investment contracts in the company accounts.
- Financial assets and liabilities designated at fair value under IFRS 9 have been expanded to include financial instruments in which the criteria are met in overhead accounts.

Corporate accounts are based on the principles of historical cost accounting, with the exception of the following accounting records:

- Financial instruments at fair value, financial instruments available for sale are carried at fair value.

All amounts are in million Norwegian kroner, unless otherwise indicated.

ACCRUAL, CLASSIFICATION AND VALUATION PRINCIPLES

Assessments of the individual items in the financial statements are based on the current IFRS standards.

The accounts are primarily based on a historical cost basis except for derivative financial instruments which are carried at fair value. Fixed assets are recorded at the lower of book value and fair value. Fair value is measured as the highest of the assets value in use and sales value less cost to sell.

Provisions are made when there is an actual liability, it is likely that it will be paid and the cost can be estimated reliably. Estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognized in the period the changes occur, if they apply the current or previous periods. If the change applies future periods, the revision affects both current and future periods.

Classification of balance sheet items as current or non-current is based on a 12 months period. Items that have a lifespan of more than 12 months are long term, while other items are current. This applies to both assets and liabilities.

REVENUES

Revenue is the expected remuneration from sale of goods and is recognized as income after a pattern that reflects the transfer of control over goods or services to the customer, that is, revenue from sale of goods is recognized when title is transferred to the buyer, that is according to the agreed delivery terms. Revenue related to sale of services is accounted in accordance with the degree of completion. Revenues are net of VAT, discounts and bonuses.

MAINTENANCE COSTS

Ongoing maintenance costs are expensed as incurred. Recurring maintenance jobs (periodic maintenance), replacements and upgrades of assets are classified as investments and recognized in the balance sheet.

RESEARCH AND DEVELOPMENT COSTS

Research costs are expensed as incurred, while expenditure on development is capitalized if the criteria according to IAS 38 are met.

ENVIRONMENTAL COSTS

Imposed environmental investments that are essential for continued operations is treated as an investment and capitalized. Estimates for the costs of repairing damage to the environment resulting from construction of new facilities are included in the cost price and depreciated with the actual plant. Costs of repairing damage to the environment arising out of production are expenses as incurred.

PENSION COSTS AND COMMITMENTS

Pensions are accounted for in accordance with IAS 19. Pension costs and pension liabilities for defined benefit plans are calculated according to linear service charges based on assumptions about discount rates, future salary increases, pensions and social security benefits, and actuarial assumptions regarding mortality, voluntary retirement etc. The discount ratio is based on long term covered bonds at the balance date adjusted for expected duration of pension liabilities. Changes in liabilities due to changes in pension plans are recognized in full when determined and publicized. Changes in liabilities due to changes in assumptions (actuarial gains and losses) are recognized directly in OCI with a finite amount.

CURRENCY

The company's functional and presentation currency is Norwegian Krone (NOK). Transactions in foreign currencies are recorded at the rate on the transaction date, while monetary items in foreign currencies are remeasured to the end of period currency rate on the balance sheet date. Foreign exchange gain/losses, including translation differences are recognized as financial items. For hedge accounting, see derivatives.

DERIVATIVES

The company uses derivative financial instruments to hedge the exposure of currency and price risk relating to finished goods, raw materials and other major purchases. Derivatives are recognized initially at cost and are valued in the following periods at fair value and recorded as assets or liabilities. Gains and losses resulting from sale or changes in fair value are recognized in profit and loss if the derivatives are not part of a hedging portfolio that meets the criteria for hedge accounting. Gains and losses on derivatives that are part of a hedging relationship are recorded simultaneously and classified consistently with the transaction that is hedged. This means the effects related to hedging of future transactions (cash flow hedge) is recognized temporarily in equity and recognized in the income only when the hedged transaction is realized. Gains and losses on derivatives treated as fair value hedges are recorded in profit and loss and offset wholly or partly changes in value of the hedged item.

RECEIVABLES

Accounts receivable and other receivables are recorded at nominal value less provision for doubtful debts. Provisions for losses are based on an individual assessment of each receivable.

INVENTORIES

Inventories are valued at the lower of average historical cost and net realizable value. Net realizable value is measured as expected selling price minus selling costs. For raw materials and work in progress net realizable value is calculated to net sales value of finished goods reduced for the remaining production costs. The cost of manufactured products includes direct materials and wages, plus a proportionate share of overhead cost based on normal operating capacity.

FIXED ASSETS AND DEPRECIATION

Fixed assets are valued at historical cost less depreciation. Depreciation is calculated on the basis of cost less any residual value and is distributed linearly over the estimated useful life of each asset. Cost includes direct planning and project costs, and interest incurred during construction. Depreciation starts when the asset is ready for use and is revised annually.

LEASING

IFRS 16 regulates the recognition, measurement, presentation and disclosure requirements relating to leases and requires that leases be capitalized in the accounts of the lessee in the form of a lease obligation (obligation to pay rent) and an asset that represents the lessee's right to use the underlying asset. This is as accounting of financial leases under IAS 17. The standard allows leases that are short term (up to 12 months) or where underlying assets have a low value (must be made a material valuation) to be expensed. At initial recognition, the liability is measured as the present value of future lease payments during the lease term. The right to use the asset is measured at cost. In retrospect, the usage right is depreciated and interest expense on the liability is expensed under finance costs. The lease payments ("installments") reduce the carrying amount of the lease.

INCOME TAX

Income tax liability is borne by the owners and is not recognized in the company's income statement or balance sheet. The tax disclosure informs about the company's tax position of which the owners are liable.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS ADOPTED

Classification of Liabilities as Current or Non-current – Amendments to IAS 1

The narrow-scope amendments to IAS1 Presentations of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the "settlement" of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16

The amendment to IAS 16 Property, Plant and Equipment(PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is "testing whether the asset is functioning properly" when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produce that are not an output of the entity's ordinary activities.

Reference to the Conceptual Framework – Amendments to IFRS 3

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions. Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognized at the acquisition date.

Notes to the accounts

1 FINANCIAL MARKET RISK - RISK FACTORS

In addition to the operative risk, Alcoa Norway is exposed to risk in the product and input factor markets, as well in foreign exchange.

Aluminium and alumina
From 2013 all exports from Alcoa Norway has been done through the Spanish Alcoa company Aluminio Español. The sales prices between the two entities reflect the sales prices to the end customers less a selling fee.

From 2020 the alumina is supplied from Alcoa Corporation based on an internal index price.

Currency risk
Fluctuations in the value of Norwegian kroner against other currencies are important to Alcoa Norway's net income beacuse the company exports the majority of its product to markets where the price is fixed in a foreign currency. Aluminium is quoted in USD in all markets, and changes in the USD exchange rates have an impact of the price realized in local currency. In addition, fluctuations in NOK also affects the prices of raw materials.

As a result of IFRS 9, all derivative contracts are recognised at fair value. When calculating the fair value, all derivative contracts are measured against the observed forward exchange rate on the balance sheet date day.

For fair value hedges, any changes in the value of derivative contracts are reported in the income statement. The same applies to the currency element of the underlying hedged items.

Power
Beginning 2017 Alcoa Norway entered into several long-term power purchase agreements, which secured approximately 50% of the necessary power for the Norwegian smelters for the period 2020-2035. The remaining 50% is currently purchased under short-term contracts. Financial compensation of the indirect carbon emission costs passed through in the electricity bill is received in accordance with EU Commission Guidelines and the Norwegian compensation regime.

DERIVATIVES
All derivatives are booked at fair value. The original contract is measured against the relevant market rates at year-end. Consequently, fair value is unrealised gain/loss on derivatives.

	Change Nominal value cash flow hedges	31.12.2020 Fair value	31.12.2020 Nominal value	31.12.2019 Fair value	31.12.2019 Nominal value
Fair value hedge					
Currency forwards, currency swaps		(13)	1,487	(100)	1,991
Other derivatives					
Power contracts		(804)	0	(597)	0
Total	**0**	**(817)**	**1,487**	**(696)**	**1,991**

Classification of financial assets and liabilities

31/12/2019	Financial instruments measured at fair value through profit or loss	Financial instruments measured at amortized Cost	Financial instrumnents measured at fair value through OCI (derivatives used for hedging)	Total
Assets				
Receivables from customers (note 7)	0	753	0	753
Other current receivables (note 8)	0	4,593	0	4,593
Derivatives (note 1)	0	0	0	0
Cash and short term deposits	0	3	0	3
Total financial assets	**0**	**5,349**	**0**	**5,349**
Liabilities				
Payables to suppliers (note 11)	0	884	0	884
Other current payables (note 12)	0	696	0	696
Other long term liabilities (note 17 and 19)	0	88	0	88
Long term debt (note 18)	0	2,300	0	2,300
Derivatives (note 1)	817	0	0	817
Total financial liabilities	**817**	**3,968**	**0**	**4,786**

31/12/2019	Financial instruments measured at fair value through profit or loss	Financial instruments measured at amortized Cost	Financial instrumnents measured at fair value through OCI (derivatives used for hedging)	Total
Assets				
Receivables from customers (note 7)	0	605	0	605
Other current receivables (note 8)	0	3,479	0	3,479
Derivatives (note 1)	0	0	0	0
Cash and short term deposits	0	2	0	2
Total financial assets	**0**	**4,086**	**0**	**4,086**
Liabilities				
Payables to suppliers (note 11)	0	830	0	830
Other current payables (note 12)	0	717	0	717
Other long term liabilities (note 17 and 19)	0	90	0	90
Long term debt (note 18)	0	2,300	0	2,300
Derivatives (note 1)	696	0	0	696
Total financial liabilities	**696**	**3,936**	**0**	**4,632**

Fair value hierarchy

The company uses the following hierarchy for determining and disclosing the fair value of financial instruments based on the following valuation techniques:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques, for which all inputs that either directly or indirectly have a significant effect on the recorded fair value, are observable.

Level 3: Techniques that use inputs that have a significant effect on the recorded fair value, but which are not based on observable market data.

As of 31.12.2020 the company held the following financial instruments measured at fair value:

Financial assets and liabilities measured at fair value	31/12/2020	Level 1	Level 2	Level 3
Currency forwards	(13)	(13)	0	0
Power contracts	(804)	(804)	0	0

During the reporting period ending 31 December 2020, there were no transfers between Level 1 and Level 2.

2 TAXES

Taxes have not been charged to these accounts since the tax liabilities rest with the owners.

The following figures from Alcoa Norway ANS are included in the calculation basis for the owner companies' tax accounts:

Tax basis	2020	2019
Profit before taxes	825	(203)
Permanent differences	6	2
Changes in temporary differences	184	977
Change temp. differences, no impact on P&L /recorded against equity*	0	30
Tax basis	**1,015**	**807**
Temporary differences		
Inventory reserve	44	45
Other	(822)	(702)
Short-term items	**(778)**	**(656)**
Fixed assets reserve	410	511
Environmental accrual	(33)	(67)
Right of Use Assets	7	3
Other	(6)	(6)
Long-term items	**379**	**442**
Temporary differences	**(399)**	**(215)**

* Mainly due to hedge effects recognised against equity.

3 NET SALES BY MARKETS (%)

	2020	2019
Spain	91	92
Norway	4	3
Iceland	5	5
Total:	**100**	**100**

4 SALARIES, WAGES AND RELATED COSTS

	2020	2019
Salaries	546	546
Social security tax	41	46
Pension costs	27	25
Other	49	41
Totalt	**664**	**660**
Number of full-time equivalents as of 31.12.2020	763	757

Remuneration Managing Director, 1000 NOK

	2020	2019
Salary and performance pay		3,058
Other benefits		189
Total remuneration	2,128	3,247
Pension cost		78

Managing Director has a shared role and remuneration is allocated to Alcoa Norway ANS based on a distribution key.

Stock-based compensation benefits are provided to certain employees through the issue of shares/options in the listed ultimate parent entity Alcoa Corporation. Alcoa Norway ANS recognizes the compensation expenses according to IFRS 2 Share-based payment. Stock options under Alcoa's stock-based compensation plans have been granted at exercise prices that are not less than market prices at the dates of grant. Stock option features are as follows:

Grant date	Vesting	Term	Reload feature	Method of Settlement
2010 and forward	3 years (1/3 each year)	10 years	None	Equity

In addition to the stock options described above, Alcoa granted restricted share units (stock awards) that vest in three years from the date of grant. Many plan participants can choose whether to receive their award in form stock options, restricted share units or a combination of both. The choice is made before the grant is issued and is irrevocable.

The following table summarizes the total compensastion expenses recognized for all options and restricted share units:

Compensation expenses reported in income before social security tax, NOK 1000:

	2020	2019
Stock option grants	82	178
Restricted share unit grants	1,014	828
Total compensation expense:	**1,096**	**1,005**

	Stock options	Restricted share units
Outstanding at December 31.12. 2020 NOK 1000	874	3,239

5 OTHER OPERATING COSTS

	2020	2019
Travel- and entertainment costs	1	6
Expensed machinery, inventory and other materials	145	130
Repair and maintenance	101	100
Distribution costs	209	223
Other external services	254	227
Property tax	24	27
Other operating costs	177	206
	911	**918**

Expenses auditor, NOK 1000	**2020**	**2019**
Audit fees	673	628
Other authorization services	65	51
Tax consultancy	0	0
Auditors assistance	18	0
Total remuneration	**756**	**679**

All amounts excl. VAT

6 OTHER GAINS AND LOSSES

	2020	2019
Fair Value adjustments power contracts	(121)	(882)
	(121)	**(882)**

7 ACCOUNTS RECEIVABLE

	2020	2019
Receivables from external customers	38	32
Receivables from Alcoa customers	715	573
	753	**605**

8 CURRENT RECEIVABLES

	2020	2019
Other current receivables Alcoa group - Financial account	936	384
Account receivables Alcoa Group	3,066	2,815
Other current receivables	592	280
	4,593	**3,479**

9 INVENTORIES

	2020	2019
Finished goods	113	128
Work in process	218	287
Raw materials	340	450
Operating materials	79	75
	750	**939**

10 INTEREST BEARING CREDIT FACILITIES

	2020	2019
Bank overdraft facilities	0	0
Other credit facilities	1,300	1,300
	1,300	**1,300**

2 October 2019 Alcoa Norway entered into a one-year NOK 1.300.000.000 multicurrency revolving facility agreement which is guaranteed on an unsecured basis by Alcoa Corporation. In September 2020 this revolving credit facility was amended and renewed for one year. The covenants are based on financial indicators for Alcoa Norway ANS.

11 ACCOUNTS PAYABLE

	2020	2019
Payables to suppliers	734	729
Intercompany current payables Alcoa	150	101
	884	**830**

12 CURRENT PAYABLES

	2020	2019
Other current payables Alcoa group - Financial account	21	37
Other current payables Alcoa group	519	516
Value added tax, vacation pay and employee tax payables	135	126
Other current payables	21	39
	696	**717**

13 OWNERSHIP STRUCTURE

Company name:	**2020**	**2019**
Norsk Alcoa AS	78.53%	78.53%
Norsk Alcoa Smelting AS	21.47%	21.47%
	100.00%	**100.00%**

14 EQUITY

	Other compre-hensive income	Other equity	Totalt
Equity 01.01.2020	(6,132)	9,625	3,494
Net profit 2020	0	825	825
Other comprehensive income 2020:			
Cash Flow hedges 2020	5	0	5
Remeasurement pension liabilities	1	0	1
Transactions with owners 2020:			
Stock option program	1	0	1
Dividend 2020	0	0	0
Equity 31.12. 2020	**(6,126)**	**10,450**	**4,325**

15 PENSION PLANS

The pension costs show the future pension entitlement earned by employees in the financial year. This may be in the form of an annual contribution to the employee pension plans (contribution plan) or the entitlement to a specified future pension (defined benefit plan) earned during the year.

Defined contribution plans

Defined contribution plans comprise arrangements whereby the company makes annual contributions to the employee's pension plans, and where the return on the pension plan assets will determine the amount of the future pension.

Defined benefit plans

The company has granted additional pensions for some of the pensioners. The defined benefit obligations related to these pensioners are included in the balance sheet. The pension cost is booked similar as defined contribution cost.

The company follows the IAS 19 requirements for pension. Hence the unfunded pension obligation is measured at fair value in the balance sheet and all accumulated gains and losses during year are recognised in Other Comprehensive Income.

The company's pension schemes are in accordance with Norwegian pension law.

Changes in net pension liabilities through the year	**2020**	**2019**
Net pension liability ending balance previous year	6	5
Change in accounting principle IAS 19	0	0
Net pension liability opening balance	6	5
Net pension cost for the year	0	0
Contributions	(1)	(1)
Remeasurements loss (gain)	1	1
Net pension liability 31.12.	**6**	**6**

Components of net periodic pension cost incl payroll tax	**2020**	**2019**
Current service cost (incl. social tax)	0	0
Interest cost on pension liability	0	0
Net periodic pension cost	**0**	**0**
Defined contribution plan	23	25
Multi-employer plan - New early retirement scheme	10	10
Pension cost, total	**33**	**35**

The net total of pension liability	2020	2019
Gross pension liabilty /funded and unfunded plans (PBO)	6	6
Pension fund (fair value)	0	0
Net pension liability /-fund	6	6
Unrecognised actuarial gains and losses	0	0
Net pension liability /-fund	**6**	**6**

Economic assumptions:	2020	2019
Dicount rate	1.50%	1.80%
Assumed salary increase	2.00%	2.25%
Assumed pension increase	1.50%	1.80%
Assumed adjustment in National Insurance base rate (G)	1.75%	2.00%

The company's pension scheme covers 1.300 full- and part time employees and 70 retirees as of 31.12.2020

16 MORTGAGES AND GUARANTEES

	2020	2019
Assets pledged as security:		
Fixed assets	3,012	3,101
Inventory	750	939
Trade debtors	5,349	4,086
Total	**9,110**	**8,126**

Assets are pledged as security for USD 1 500 million Revolver Credit Agreement in Alcoa Nederland Holding B.V.
The revolver loan parties including Alcoa Norway are guarantors of a USD 750 million Corporate bond.

Guarantee liabilities	126	124

17 LONG TERM ACCRUAL

In Mosjøen the plant has received a new permit for the operation of the landfill in Store Åsnevdal until 2030. Cost of closing this landfill was capitalized in 2018 and there is a corresponding long term liability of NOK million 22 that payments will be booked against.

At year-end 2020 NOK 12 million received as prepayment for future deliveries to one major customer was booked as other deferred credits. The balance will be reduced with deliveries in a 5-year agreement starting late 2021.

In addition Alcoa Norway has NOK 5 million stock option liabilities towards the employees and NOK 44 million in long term leasing liabilities booked, see also note 19.

18 LONG TERM DEBT

Intercompany long term debt as of 31.12.2020 is NOK 2.300.000.000 with expiration date 14 July 2027.
Interest on the Loan is equal to the NIBOR + 1,63%.

19 LEASES

This note provides information for leases where the Company is a lessee of objects in categories machine, vechicle, building, structure and land. The Company follow the exception in IFRS16 for short term lease (less 12 months) and low value lease (less USD 5000). Hence such lease is not booked to balance sheet.

The balance sheet shows the following amounts relating to leases:

Right of use assets	2020	2019
Building and fixed structures	12	11
Machine / vehicle	33	22
Property and land	32	31
Other	2	2
	78	**66**

Lease liabilities	2020	2019
Current	10	11
Non-current	44	39
	55	**51**

Depreciation charge of right-of-use assets	2020	2019
Building and fixed structures	2	1
Machine / vehicle	8	7
Property and land	3	2
Other	1	1
	14	**12**

Interest Expense	2020	2019
Building and fixed structures	0	0
Machine / vehicle	1	1
Property and land	2	2
Other	0	0
	3	**3**

Two contracts are considered substantial with annual payment above 1 MNOK and duration above 5 years.

Category	Description	Annual lease MNOK	Duration	Extension right
Property and land	Kolo Veidekke	2	31/12/2026	25 years
Property and land	Plot of land	1	31/12/2057	99 years

Estimated rent payment all lease:

Due date:	1 year	2-5 years	> 5 years	Total
Nominal value	22	29	40	85
Present value	22	27	22	71

20 FIXED ASSETS

Cost price and net book value	Machinery	Buildings & structures	Land and depletable asset	Construction work in progress	Software	Total
Cost price:						
Balance 01.01	7,504	2,714	77	262	36	10,593
Additions	298	20	0	(22)	0	296
Retirements	(104)	(5)	0	0	0	(108)
Reclassifications	0	0	0	0	0	0
Balance 31.12	7,698	2,729	77	240	36	10,781
Of which capitalized interest expences on tangible fixed assets of own production	0	0	0	0	0	0
Depreciation and Write-down:						
Balance 01.01	(5,689)	(1,804)	(19)	0	(34)	(7,546)
Retirements	95	5	0	0	0	100
Ordinary depreciation	(314)	(68)	0	0	(2)	(384)
Balance 31.12	(5,908)	(1,868)	(19)	0	(36)	(7,831)
Net book value:						
Balance 01.01	1,815	909	58	262	2	3,047
Balance 31.12	1,790	861	58	240	1	2,950
Economic life	5-20 years	25-50 years	0-20 years	-	5 years	
Depreciation method	Linear	Linear	Linear	-	Linear	

Investments in and sales of fixed assets	2020 Inv.	2020 Sale	2019 Inv.	2019 Sale
Machinery and equipment	298	0	184	0
Buildings	20	0	26	0
Other fixed property	0	0	0	0
Constr. work in progress	(22)	0	41	0
Software	0	0	1	0
Totalt	**296**	**0**	**252**	**0**

21 RELATED PARTIES TRANSACTIONS

	2020	2019
Net sales primary	5,394	7,223
Other net sales & cost recharge	58	30
Raw materials	1,807	1,842
Other operating cost	118	160
Interest income	60	83
Interest cost	83	74

22 MAJOR OCCURENCES AFTER 31.12.2020

There are no known events after the balance sheet date.

Auditor´s Report

To the Partnership Meeting of Alcoa Norway ANS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Alcoa Norway ANS, which comprise the balance sheet as at 31 December 2020, statement of comprehensive income and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

PricewaterhouseCoopers AS, Petter Dass gate 3, Postboks 524, NO-8656 Mosjøen
T: 02316, org. no.: 987 009 713 VAT, www.pwc.no
State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation and a true and fair view of the financial statements in accordance with simplified application of International Accounting Standards according to the Norwegian Accounting Act section 3-9, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to https://revisorforeningen.no/revisjonsberetninger

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Mosjøen, 31 May 2021
PricewaterhouseCoopers AS

Silja Eriksen
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

10 years summary

Income Statement

NOK million	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Net operating revenues	7,070	7,461	7,791	7,430	6,110	6,261	5,967	5,112	5,162	5,769
Cost of goods sold	(5,856)	(7,259)	(6,244)	(5,761)	(4,669)	(5,549)	(5,072)	(4,800)	(3,567)	(4,763)
Depreciation	(398)	(406)	(390)	(382)	(393)	(396)	(418)	(413)	(413)	(439)
Income from operations	817	(204)	1,157	1,287	1,048	316	477	(101)	1,182	567
Net financial items	8	1	(9)	(47)	(61)	3	11	11	9	13
Net income	825	(203)	1,147	1,240	987	318	489	(91)	1,191	579

Balance sheet

NOK million	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Intangible assets	-	-	4	3	1	1	3			
Fixed assets	3,012	3,101	3,202	3,364	3,563	3,767	4,000	4,251	4,566	4,892
Long-term receivables	-	-	8	48	34	390	703	1,025	1	1
Current assets	6,099	5,025	4,747	3,654	2,030	1,861	2,919	1,790	1,843	2,053
Total assets	9,110	8,126	7,949	7,026	5,642	5,662	7,313	6,747	7,435	6,947
Equity	4,325	3,494	3,666	2,948	2,235	2,123	6,198	5,800	6,472	5,853
Long-term liabilities	3,178	3,041	2,695	2,386	30	107	19	98	170	348
Current liabilities	1,608	1,591	1,588	1,691	3,377	3,432	1,096	849	793	746

Cash flow/liquidity

NOK million	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Net cash flow from operations	1,112	921	986	1,690	1,209	1,347	1,071	584	866	1,239
Capital expenditures	(296)	(252)	(235)	(187)	(192)	(144)	(170)	(86)	(81)	(156)
Other investments/receivables	(251)	(349)	(675)	(1,346)	(301)	(140)	1,015			
Net cash flow before financing	565	320	76	156	715	1,063	901	497	786	1,082
Dividend	-	-	(400)	(481)	(850)	(4,400)	-	(800)	(800)	(800)
Net debt	4	25	53	431	-	2,300				
Liquid reserves	918	349	5	276	170	305	1,342	440	803	817

Profitability

		2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Net operating margin	%	12	(3)	15	17	17	5	8	(2)	23	10
Return on assets	%	9	(3)	15	20	19	5	7	(1)	16	8

Other data

		2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Primary aluminium capacity	1000 tons	296	294	292	292	292	290	290	290	286	286
Primary aluminium shipments	1000 tons	359	374	369	369	360	335	361	345	336	335
Sales outside Norway	%	96	97	97	98	98	97	97	97	98	97
Average LME 3	USD/ton	1,731	1,811	2,116	1,979	1,609	1,682	1,893	1,888	2,050	2,422
Currency rate	NOK/USD	9,40	8.80	8.13	8.25	8.40	8.07	6.30	5.88	5.82	5.61
Employees at year-end	Nos.										
Lost workday	Nos./mill.	763	757	744	731	725	722	726	728	737	739
injuries	Work hours	1.8	1.4	0.7	0.8	0.7	-	-	1.6	-	-

Organisasjonskart

Alcoa Norway ANS
Managing Direktør
Christine E. Keener

- Finance - **Henrik Tveten**
- Energy - **Ole Løfsnæs**

Alcoa Lista
Operations Manager and Country Manager
Grethe Hindersland

- Potrooms – **Jan Ove Hansen**
- Casthouse – **Aida Bermudez**
- Technical/Cathode – **Kenneth Olsen**
- Plant Controller – **Stig Abelsen**
- HR – **Terje Vatne Næss**
- Procurement – **Stanley Syvertsen**
- EHS – **Gunnar Fossland**

Alcoa Mosjøen
Operations Manager
Roy Hammer

- Potrooms – **Gaute Nyland**
- Anode – **Erik Nordstoga**
- Casthouse – **Petter Sørensen**
- Technical – **Arve Næstby**
- Plant Controller – **Jonas Skjærvik**
- HR – **Jan-Ivar Myrflott**
- EHS – **Helgi Einarsson**
- Procurement – **Rune Jensen**
- Logistics – **Tore Almås**

Alcoa Norway ANS
Postboks 750
NO-8651 MOSJØEN
+47 75 17 91 00

www.alcoa.com/norway