



# Well positioned in declining markets, low-carbon aluminium gaining ground

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July 21, 2023

# 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.

# Q2 2023 | Adjusted EBITDA NOK 7.1 billion

Free cash flow NOK 3.7 billion, adjusted RoaCE 13.6 %

Robust results and strong extrusion margins, despite weaker markets and price pressure

Improvement program and commercial ambitions on track for 2023 targets

Alumetal acquisition significantly strengthens recycling position in Europe

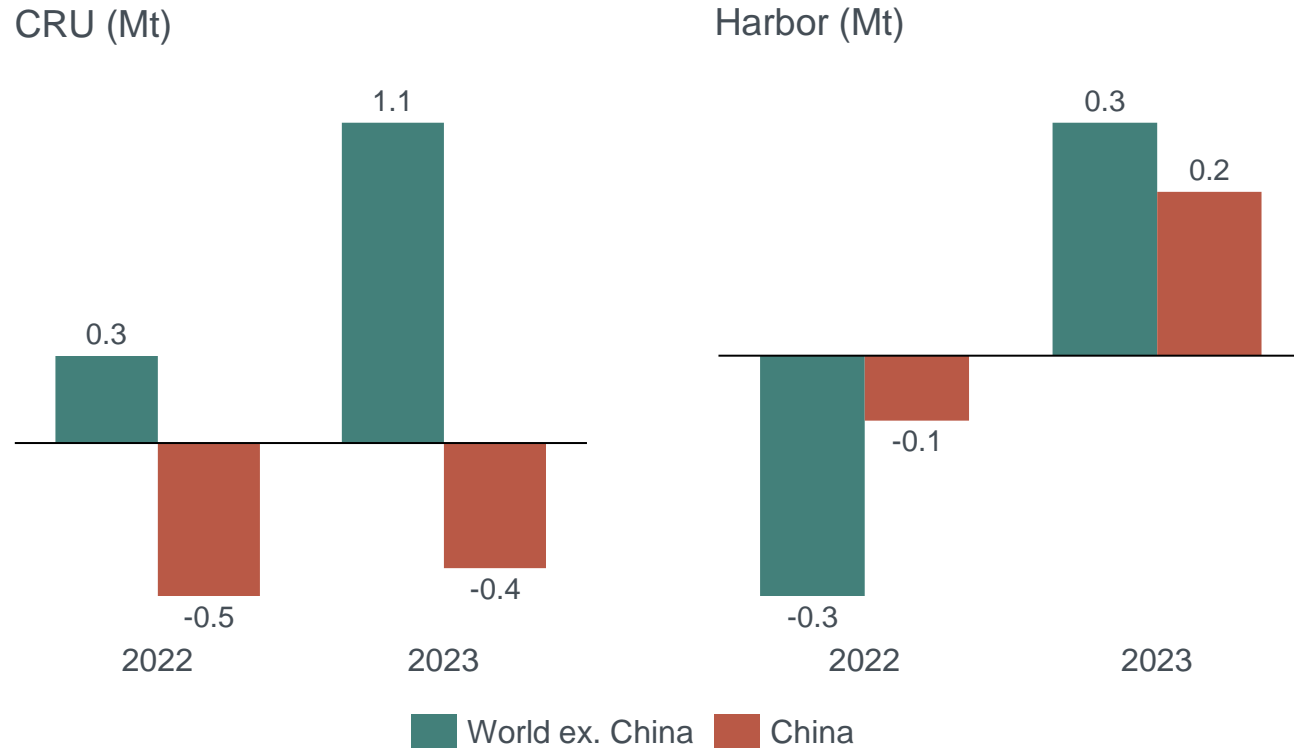
Good progress on low-carbon aluminium partnerships

Increased 2023 capex guidance on currency translation, inflation and return-seeking investments

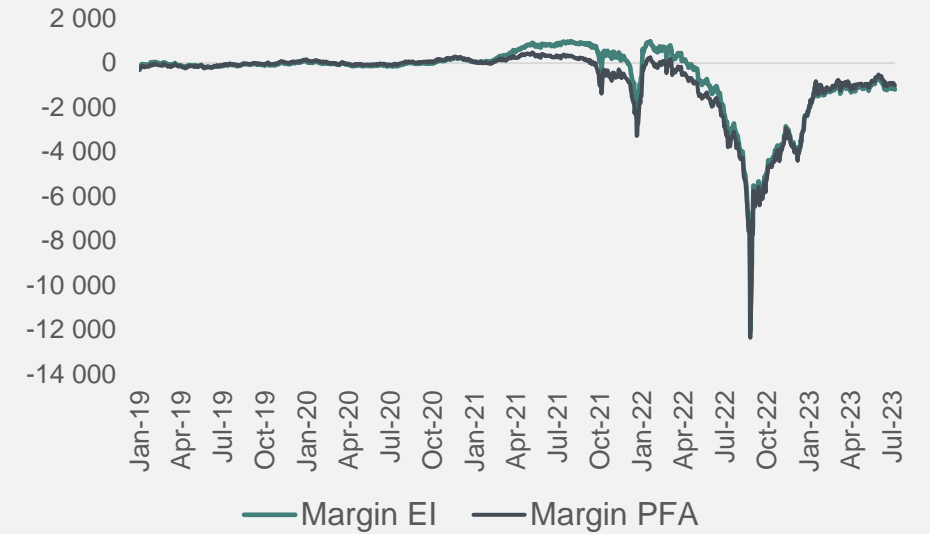
# Market balance weakening

Strong demand decline in most western markets in 2023

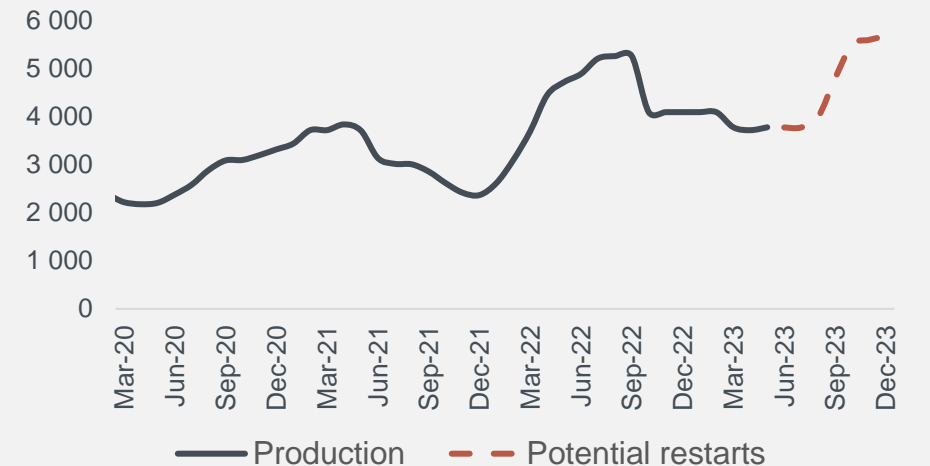
## Estimated global balance



## European smelter margin\* per VAP (USD/t)



## Yunnan annual primary production ('000t)



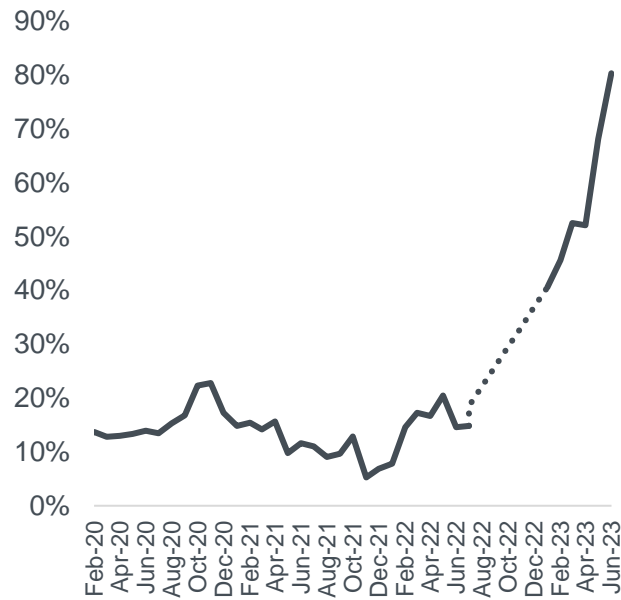
\*Smelter based on Germany 1Y power and spot alumina  
Source: CRU, HARBOR, Bloomberg, MacroMicro, Fastmarkets, CM, Hydro analysis

# Growing LME inventories of Russian metal causes concern

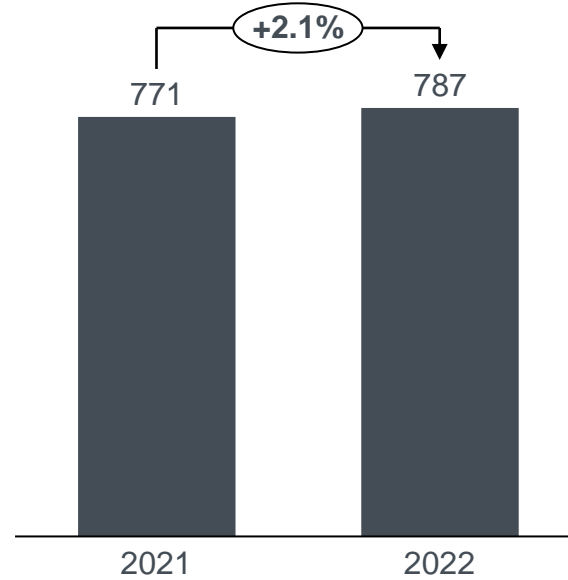
May put the global aluminium index set by LME at risk

## Russian metal

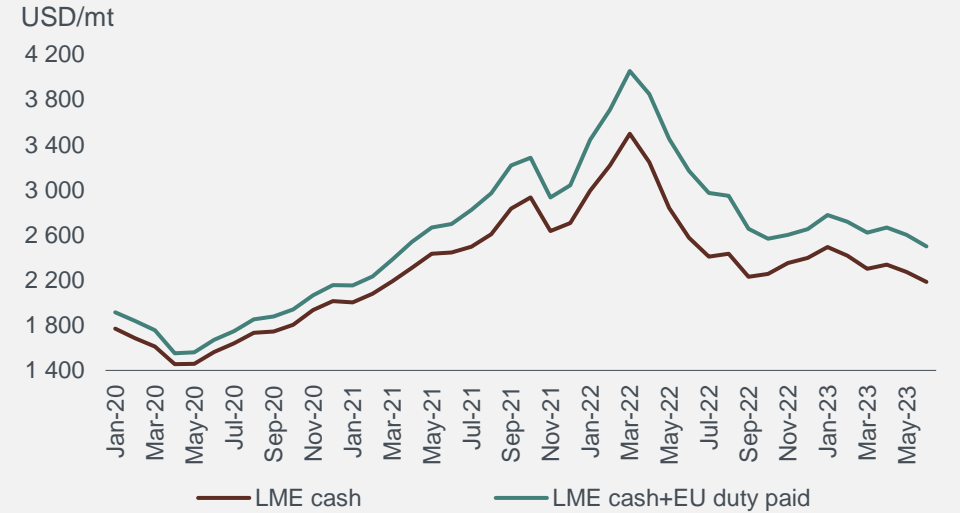
Russian share of available metal in LME warehouses



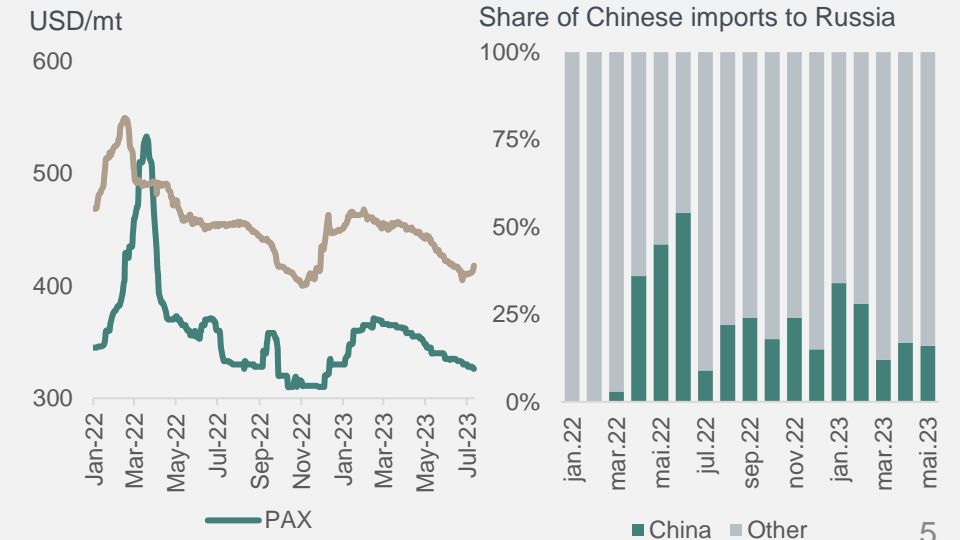
Russian exports of primary aluminium to EU ('000 tonnes)



## Aluminium prices



## Alumina prices and Russian alumina imports



Source: LME, Eurostat, Platts, IHS, AXS marine, Hydro analysis

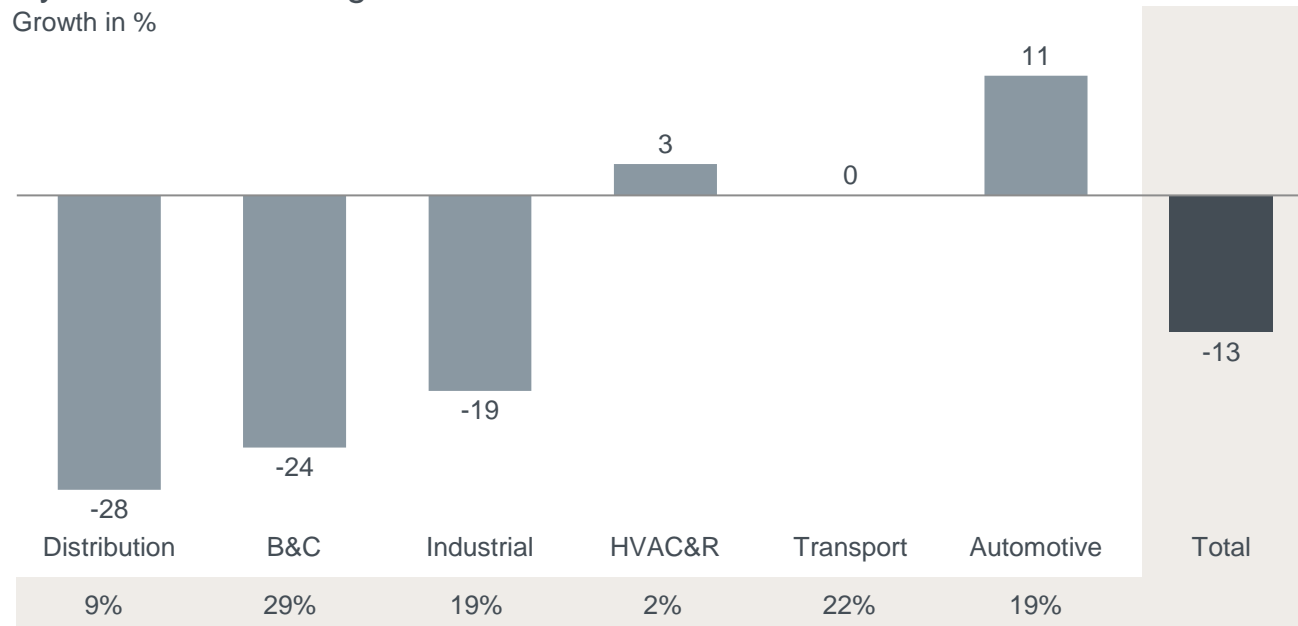
# Automotive volumes improving in Extrusions, weaker markets in B&C and industrial segments

North American and European 2023 demand forecasts revised down 5% and 10%, respectively

## Extrusion sales volumes

Q2 2023 vs Q2 2022

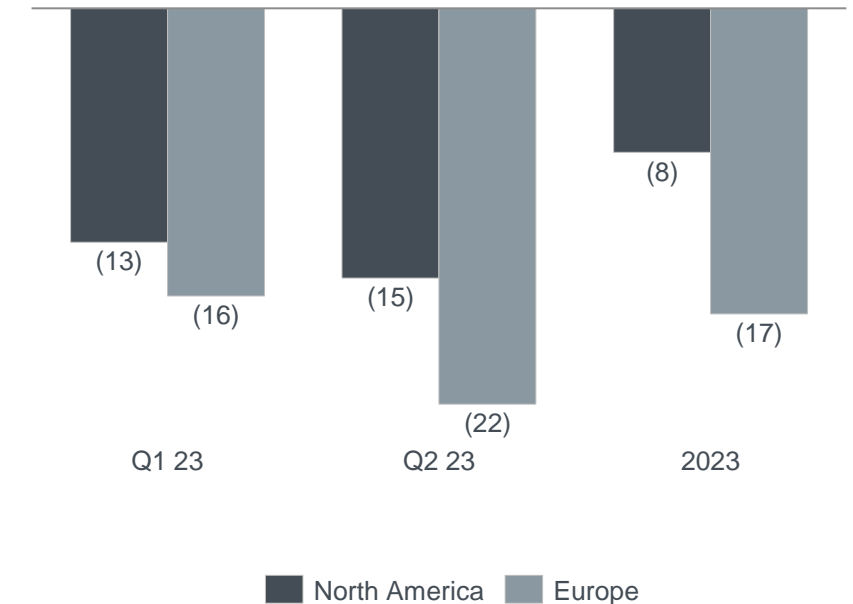
Hydro Extrusions segment sales volume  
Growth in %



## External market forecasts\*

Year over Year

Extrusion market growth per quarter  
Growth in %



Share of Q2 2023 Hydro Extrusions sales

\*Source: CRU

# Making progress on Hydro's 2025 strategy



## 1 Strengthen position in low-carbon aluminium



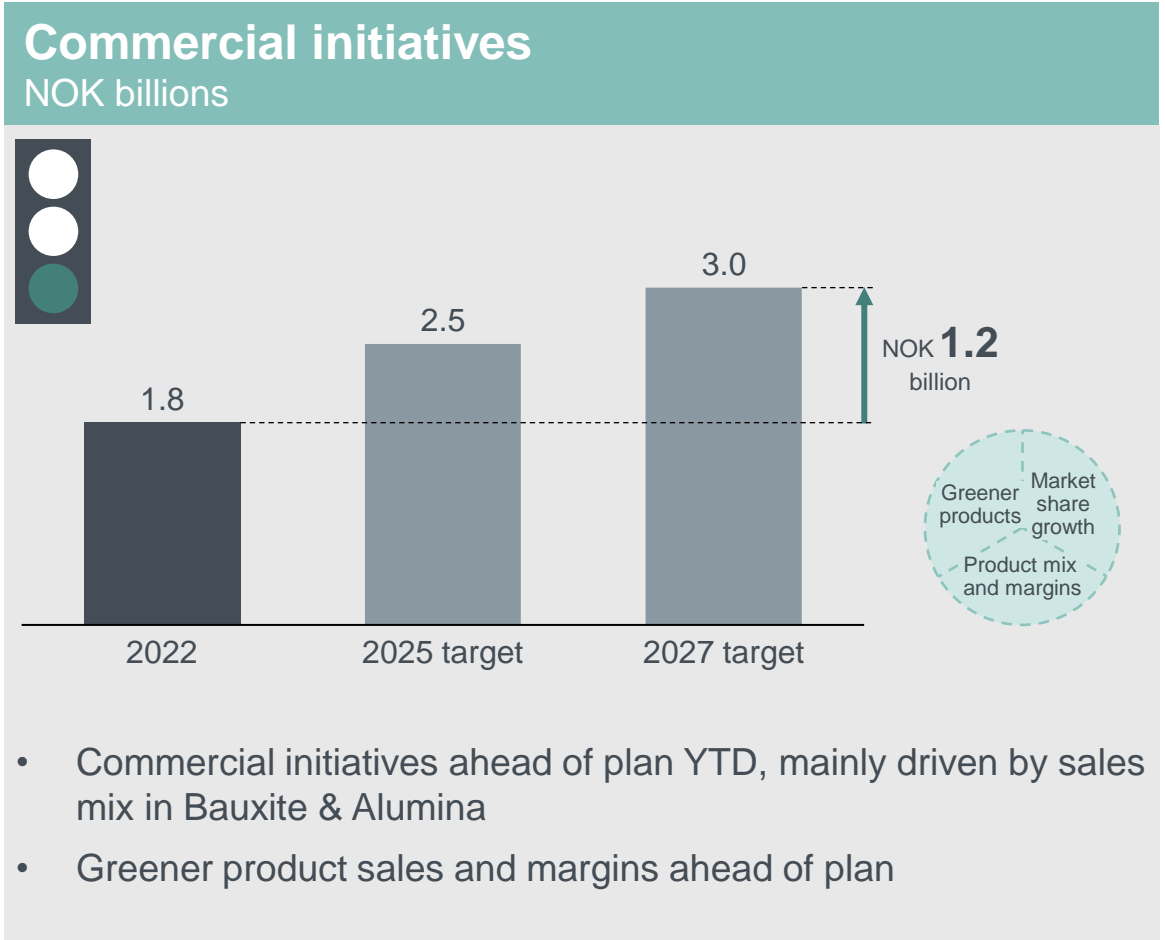
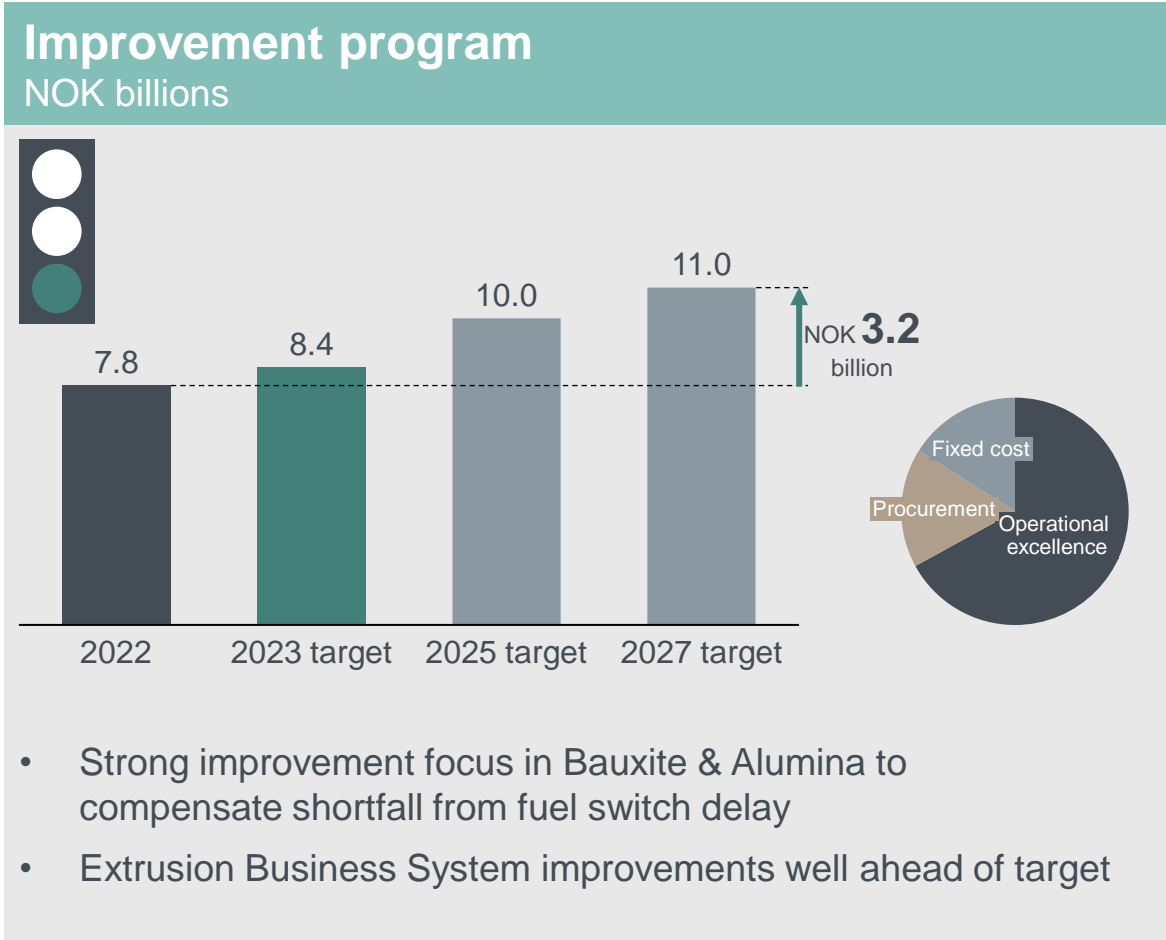
## 2 Diversify and grow in new energy



Lifting profitability, driving sustainability



# Improvement program and commercial initiatives ensure robustness in more challenging market





# Strong improvement drive in Extrusions

Fall in demand and lower recycling margins offset with additional improvement initiatives

## Top line initiatives

- Market share growth
- Margin uplift through commercial excellence and dedicated segment focus
- Stronger market positions through greener product offering

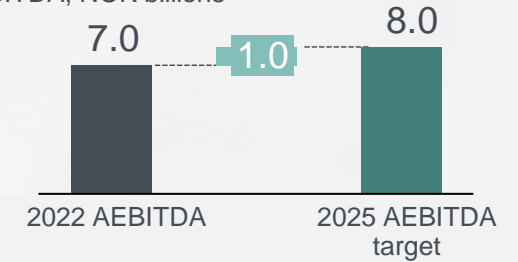
## Adjusting cost proactively in response to volume drop

- Restructuring
- SG&A cost review
- Procurement
- Operational improvements through our ways of working, Extrusion Business System (EBS)



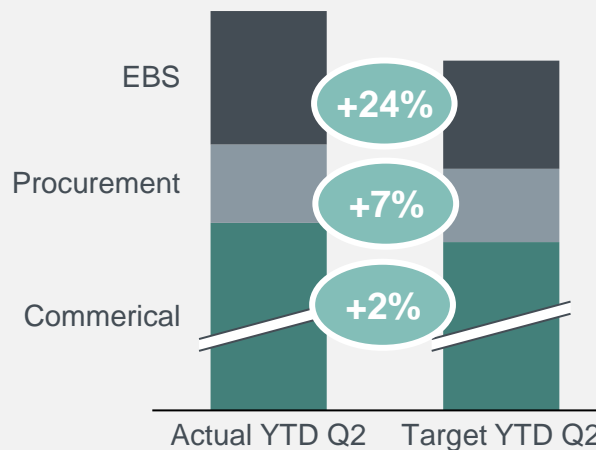
## Extrusions 2025 growth target

EBITDA, NOK billions

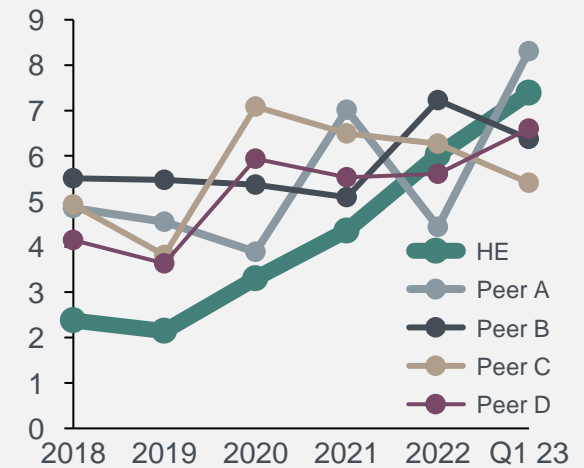


## Improvements exceeding targets and closing gaps to peers\*

EBITDA



EBITDA per tonne (in 1,000 NOK)



\*Peer group: Bonnell extrusions, Profilgruppen, Constellium (AS&I), Grupa Kety- EE

# Strong progress on recycling strategy

Strengthening positioning and widening product offering



## Alumetal acquisition complete

- More than 97 percent of shares secured by June 30, settled on July 7
- Equity value PLN 1,265 million, Enterprise value PLN 1,651 million including dividend payable
- 275,000 tonnes annual capacity and 150,000 tonnes annual PCS
- NOK 0.7 billion annual adjusted EBITDA as per Q1 2023 results
- Integration process underway, executing on identified synergies on scrap sorting and utilization



## Signed agreement to buy land for new recycler in Spain

- Torija in Spain, 120,000 tonnes annual capacity
- Investment EUR 130-140 million



## Expanding capacity at existing recyclers

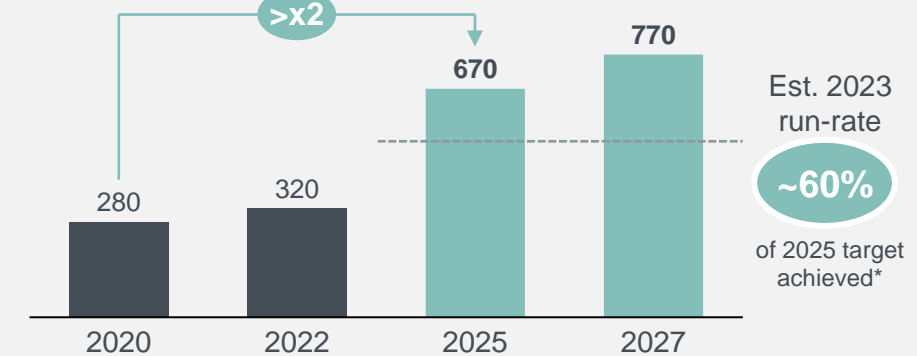
- Navarra and Sjunnen ramping up recycling capacity from casthouse expansions with 40,000 annual tonnes, on time and within budget

## Recycling 2025 and 2027 targets

Project pipeline for Aluminium Metal and Extrusions

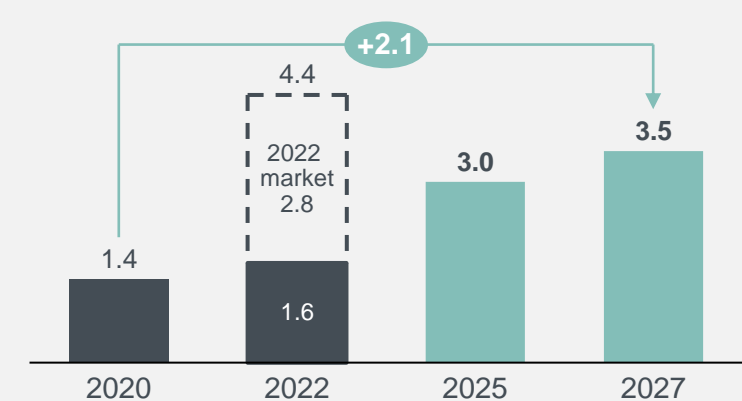
### PCS usage and ambition

In thousand tonnes



### EBITDA

In NOK billions



\*% of 2025 target achieved vs 2022

# Low-carbon aluminium gaining ground



Several new strategic partnerships signed through the quarter across segments



# Successful green transition depends on robust policies

## CBAM loophole threatening greener aluminium

- The political direction of the Green Deal and its industrial parts are aligned with Hydro's growth strategy in all business areas
- The EU Carbon Border Adjustment Mechanism (CBAM) was adopted April 2023. The EU Commission published a draft implementing regulation in June, which assigns zero carbon emissions to remelted pre-consumer scrap when imported to the EU
- The proposal allows for greenwashing of carbon intensive products and undermines the competitiveness of European producers subject to the ETS, the EU market for low-carbon products and the Green Deal objectives

CBAM- extending carbon pricing to imported products to level out ETS effects

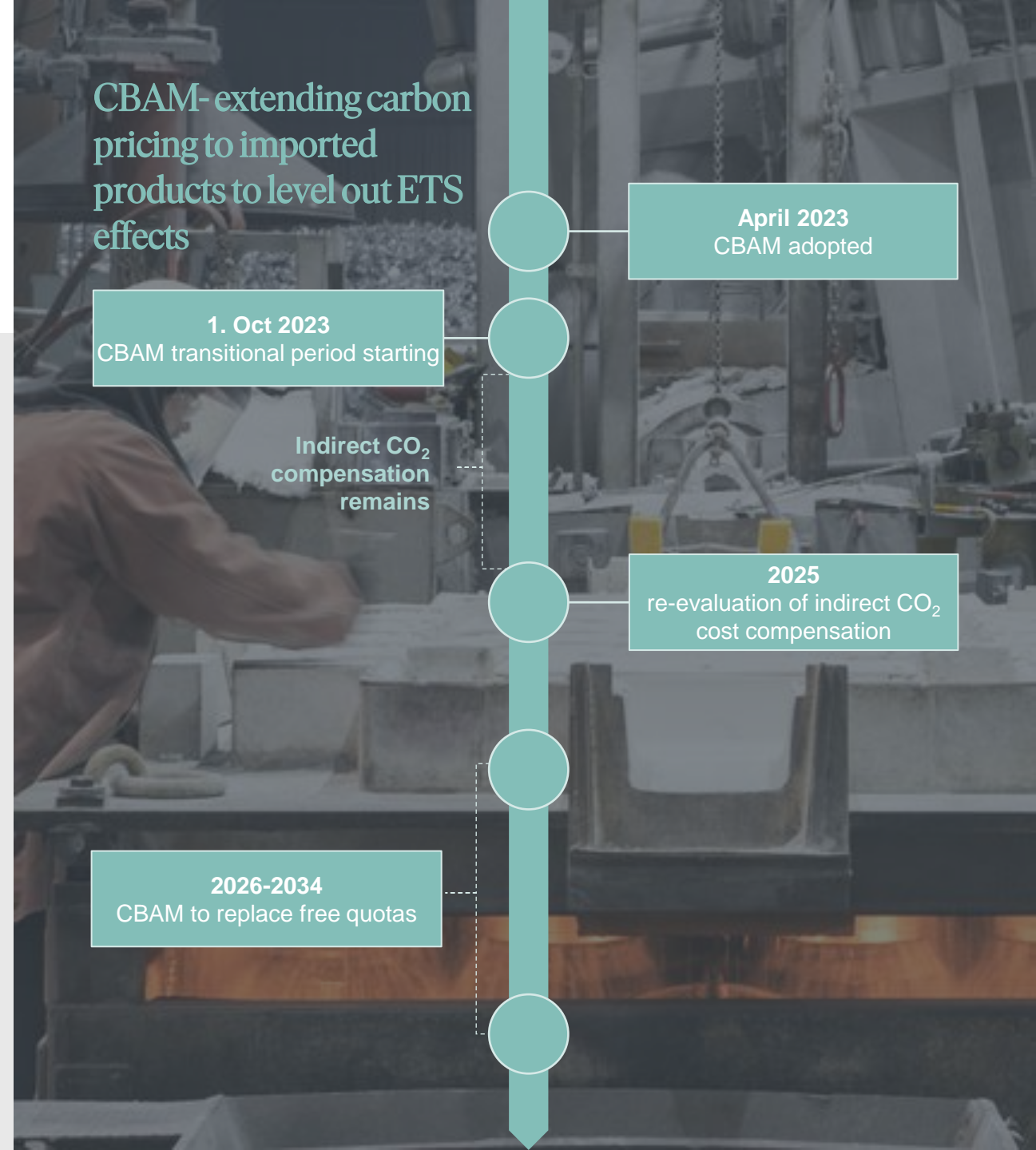
April 2023  
CBAM adopted

1. Oct 2023  
CBAM transitional period starting

Indirect CO<sub>2</sub>  
compensation  
remains

2025  
re-evaluation of indirect CO<sub>2</sub>  
cost compensation

2026-2034  
CBAM to replace free quotas



# Maturing and growing in renewable energy with Hydro Rein

## Active capital raise ongoing



- Hydro actively continues to evaluate financing alternatives for Hydro Rein and dialogues are constructively evolving

## Developing existing portfolio



- Progressing on construction of Stor-Skälsjön, Mendubim, Feijao and Boa Sorte
  - Installation of first wind turbine in Stor-Skälsjön completed
- Not participating in offshore wind competition in the North Sea

## Initiating new projects

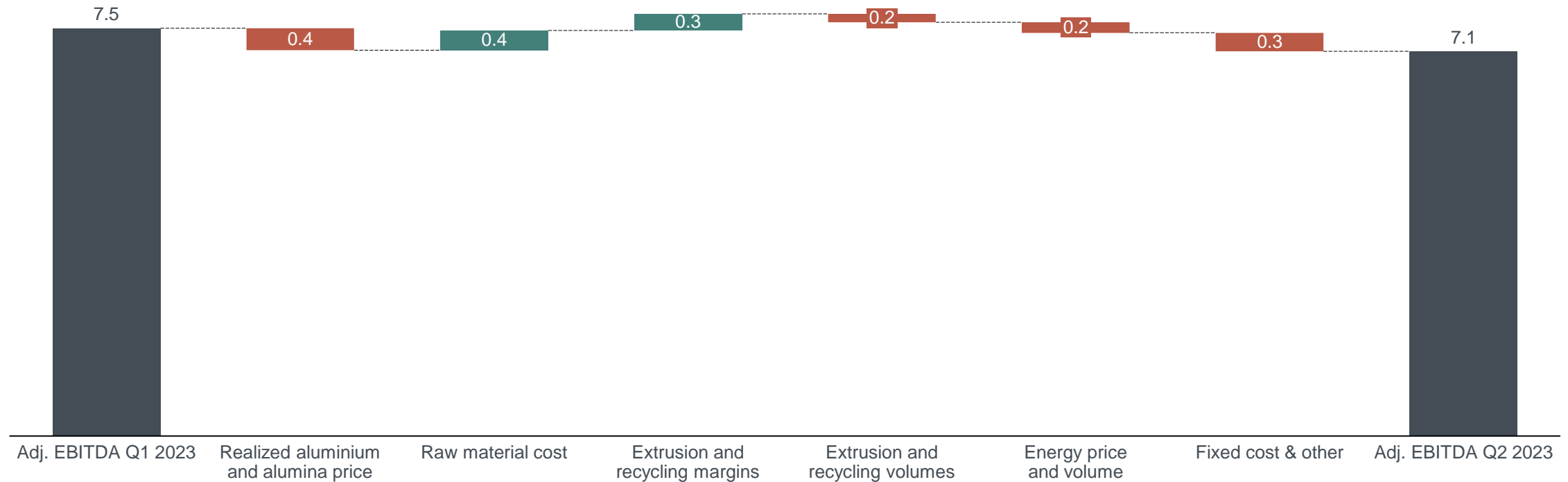


- Signed agreement with GreenGo Energy to acquire and develop four solar projects in Sweden and Denmark
  - Southern Sweden (SE4): 118 MW capacity, construction 2027 and estimated production 2028
  - Denmark (Jylland): 410 MW, construction 2025/26 and estimated production 2026/27

# Adj. EBITDA down on lower prices and higher fixed cost, partly offset by lower raw material cost and extrusion margins



Q2 2023 vs Q1 2023



# Key financials



NOK million	Q2 2023	Q2 2022	Q1 2023	Year 2022
Revenue	53 630	64 793	48 534	207 929
<b>Reported EBITDA</b>	<b>10 249</b>	<b>17 561</b>	<b>6 393</b>	<b>39 536</b>
Adjusting items to EBITDA	(3 152)	(5 966)	1 132	128
<b>Adjusted EBITDA</b>	<b>7 098</b>	<b>11 594</b>	<b>7 525</b>	<b>39 664</b>
Reported EBIT	7 939	15 418	4 233	30 715
<b>Adjusted EBIT</b>	<b>4 788</b>	<b>9 452</b>	<b>5 364</b>	<b>31 179</b>
Financial income (expense)	(953)	(1 311)	(2 212)	1 649
<b>Reported Income (loss) before tax</b>	<b>6 986</b>	<b>14 108</b>	<b>2 021</b>	<b>32 365</b>
Income taxes	(1 930)	(2 971)	(877)	(7 984)
<b>Reported Net income (loss) from continuing operations</b>	<b>5 056</b>	<b>11 136</b>	<b>1 144</b>	<b>24 381</b>
Adjusted net income (loss) from continuing operations	3 410	7 731	3 326	23 145
Earnings per share from continuing operations	2.56	5.49	0.62	11.76
Adjusted earnings per share from continuing operations	1.77	3.63	1.70	10.70
Income (loss) from discontinued operations <sup>1)</sup>	-	-	-	36

1) Income and expenses in the business to be sold are excluded from such income and expenses in continuing operations and reported separately as losses for discontinued operations. For further information and a specification of the result in the discontinued operations, see Note 4 Discontinued operations and assets held for sale to the interim financial statements

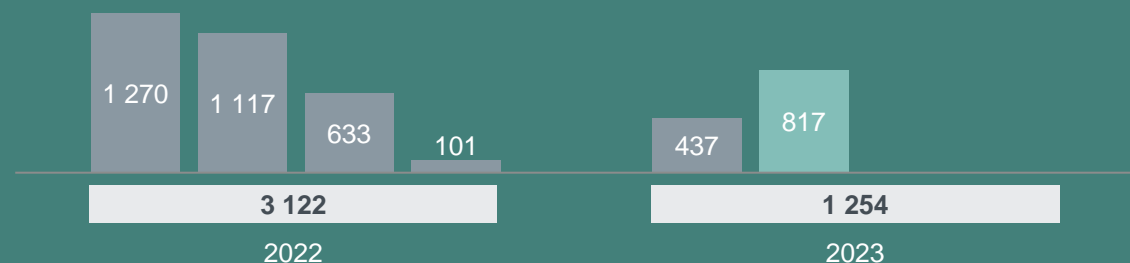
# Hydro Bauxite & Alumina

Results down on lower alumina prices and higher caustic costs, partly offset by lower energy costs and other costs

Key figures	Q2 2023	Q2 2022	Q1 2023
Alumina production, kmt	1 542	1 536	1 550
Total alumina sales, kmt	2 153	2 305	2 171
Realized alumina price, USD/mt	373	430	367
Implied alumina cost, USD/mt <sup>1)</sup>	336	378	347
Bauxite production, kmt	2 630	2 736	2 648
Adjusted EBITDA, NOK million	817	1 117	437
Adjusted EBIT, NOK million	88	484	-221
Adjusted RoaCE, % LTM <sup>2)</sup>	-1.8 %	11.6 %	-0.8 %

## Adjusted EBITDA

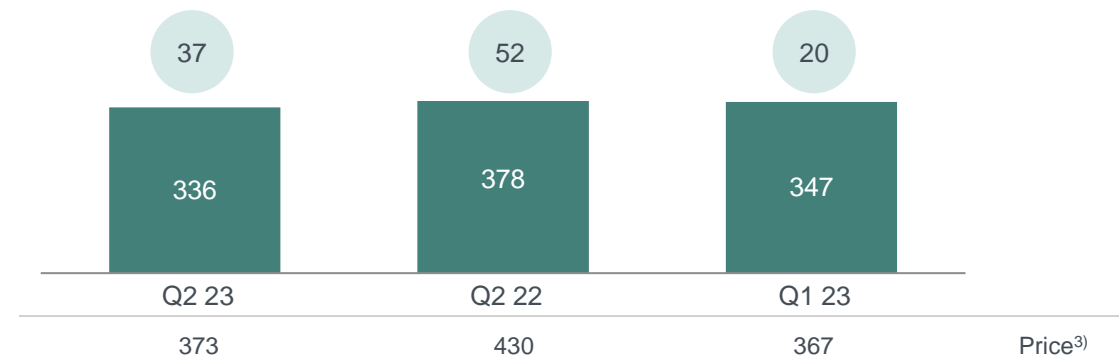
NOK million



- 1) Realized alumina price minus Adjusted EBITDA for B&A, per mt alumina sales
- 2) Adjusted RoaCE calculated as Adjusted EBIT last 4 quarters less 25% tax / Average capital employed last 4 quarters
- 3) Realized alumina price

## Implied alumina cost and margin

USD/mt<sup>1)</sup>



■ Implied EBITDA cost per mt<sup>1)</sup>

● All-in EBITDA margin per mt

## Results Q2 23 vs Q2 22

- Lower energy cost
- Lower port expenses and other costs
- Lower alumina prices
- Higher caustic cost

## Outlook Q3 23 vs Q2 23

- Alunorte production around nameplate capacity
- Lower raw material costs
- Higher fixed and other cost
- Lower realized alumina price



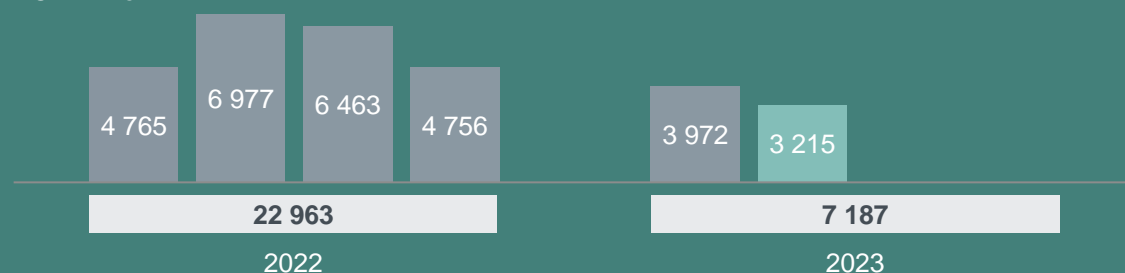
# Hydro Aluminium Metal

Results down on lower all-in metal prices, partly offset by positive currency effects, raw material cost and positive contribution from power sales

Key figures	Q2 2023	Q2 2022	Q1 2023
Primary aluminium production, kmt	506	532	499
Total sales, kmt	577	581	559
Realized LME price, USD/mt <sup>1)</sup>	2 273	3 031	2 291
Realized LME price, NOK/mt <sup>1)</sup>	24 417	28 461	23 566
Realized premium, USD/mt	456	870	503
Implied all-in primary cost, USD/mt <sup>2)</sup>	2 250	2 500	2 275
Adjusted EBITDA, NOK million	3 215	6 977	3 972
Adjusted EBITDA including Qatalum 50% pro rata (NOK million)	3 761	7 706	4 445
Adjusted EBIT, NOK million	2 550	6 349	3 328
Adjusted RoaCE, % LTM <sup>3)</sup>	25.9%	39.6%	32.1%

## Adjusted EBITDA

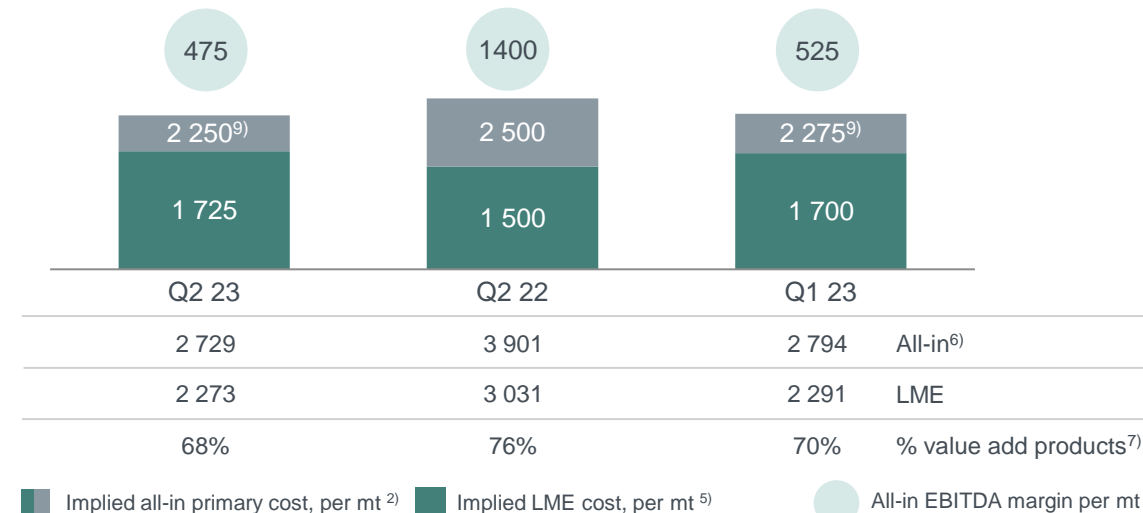
NOK million



- 1) Includes pricing effects from LME strategic hedge program
- 2) Realized all-in aluminium price minus Adjusted EBITDA margin, including Qatalum, per mt aluminium sold
- 3) Adjusted RoaCE calculated as Adjusted EBIT last 4 quarters less 25% tax / Average capital employed last 4 quarters
- 4) Implied primary costs and margin rounded to nearest USD 25
- 5) Realized LME aluminium price less Adjusted EBITDA margin, incl Qatalum, per mt primary aluminium produced

## All-in implied primary cost and margin

USD/mt<sup>1,4)</sup>



## Results Q2 23 vs Q2 22

- Lower LME and premium development
- Lower raw material and fixed cost
- Positive net foreign exchange effects
- Positive contribution from power sales

## Outlook Q3 23 vs Q2 23

- ~67% of primary production for Q3 2023 priced at USD 2 127 per mt<sup>8)</sup>
- ~46% of premiums affecting Q3 2023 booked at USD ~519 per mt<sup>8)</sup>
  - Q3 realized premium expected in the range of USD 400-450 per ton
- Lower raw material cost
- Higher fixed cost
- Lower results on power sales

- 6) Realized LME plus realized premiums, including Qatalum
- 7) % of volumes extrusion ingot, foundry alloy, sheet ingot, wire rod of total sales volumes
- 8) Bookings, also including pricing effects from LME strategic hedging program as per 31.12.2022
- 9) Excluding power sales Slovalco and Norwegian smelters

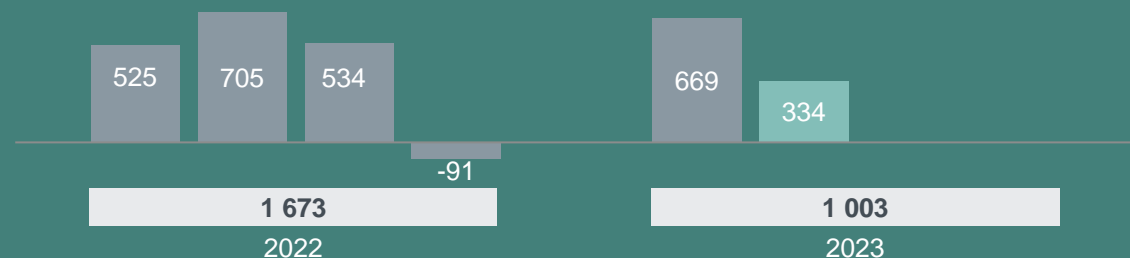
# Metal Markets

Lower results from Recyclers and negative inventory valuation and currency effects, partly offset by increased results from the sourcing and trading activities

Key figures	Q2 2023	Q2 2022	Q1 2023
Recycling production, kmt	146	158	132
Metal products sales, kmt <sup>1)</sup>	691	710	674
Adjusted EBITDA Recycling (NOK million)	299	554	284
Adjusted EBITDA Commercial (NOK million)	35	151	385
Adjusted EBITDA Metal Markets (NOK million)	334	705	669
Adjusted EBITDA excl. currency and inventory valuation effects	265	434	592
Adjusted EBIT (NOK million)	290	666	628
Adjusted RoaCE, % LTM <sup>2)</sup>	17.8%	39.9%	26.9%

## Adjusted EBITDA

NOK million



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

2) Adjusted RoaCE calculated as Adjusted EBIT last 4 quarters less 25% tax / Average capital employed last 4 quarters



## Results Q2 23 vs Q2 22

- Lower recycling results on weaker EI premiums and volumes
- Negative inventory valuation and currency effects
- Higher results from sourcing and trading activities

## Outlook Q3 23 vs Q2 23

- Continued volatile trading and currency effects
- Lower recycling margins and volumes
- Positive contribution from sourcing and trading activities

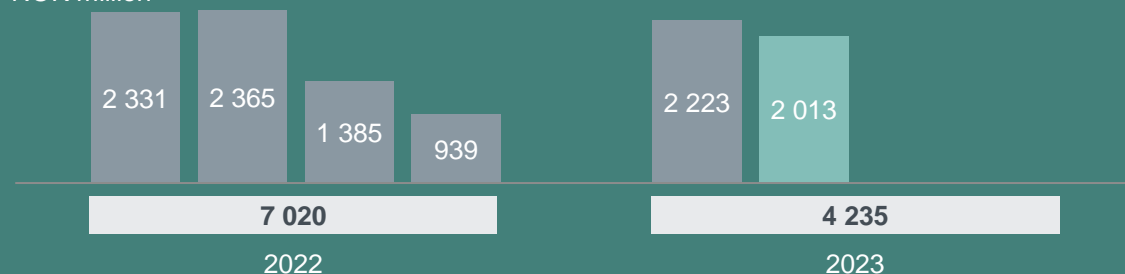
# Hydro Extrusions

Results down on lower sales volume and higher costs, partly offset by higher margins and currency

Key figures	Q2 2023	Q2 2022	Q1 2023
External sales volumes, kmt	293	338	301
Adjusted EBITDA, NOK million	2 013	2 365	2 223
Adjusted EBIT, NOK million	1 228	1 600	1 485
Adjusted RoaCE, % LTM <sup>1)</sup>	9.4%	12.0%	10.6%

## Adjusted EBITDA

NOK million



1) Adjusted RoaCE calculated as Adjusted EBIT last 4 quarters less 25% tax / Average capital employed last 4 quarters. Previous periods have been restated following a change to the capital employed definition.



## Results Q2 23 vs Q2 22

- Lower sales volumes and recycling margins
- Higher sales margins
- Positive currency effects
- Higher variable and fixed costs
- Negative metal effects

## Outlook Q3 23 vs Q3 22

- Continued strong margins offsetting cost increases
- Positive currency effects
- Lower sales volumes
- Lower recycling margins
- Market uncertainty remains

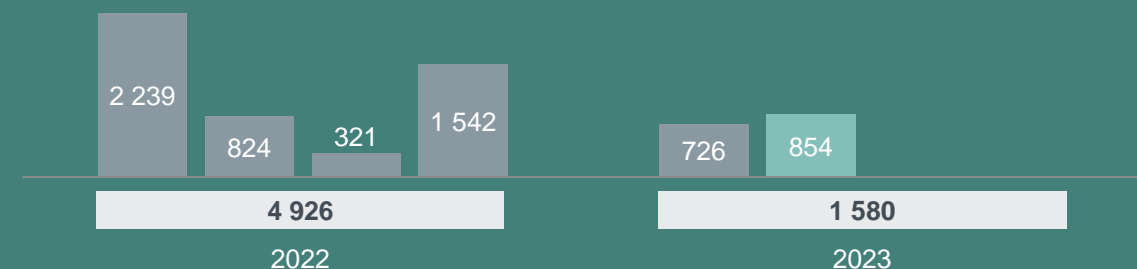
# Hydro Energy

Higher production offset mainly by lower gain on price area differences, lower prices and loss on internal contract

Key figures	Q2 2023	Q2 2022	Q1 2023
Power production, GWh	2 431	1 602	2 610
Net spot sales, GWh <sup>3)</sup>	333	-433	817
Southwest Norway spot price (NO2), NOK/MWh	958	1 752	1 182
Adjusted EBITDA, NOK million	854	824	726
Adjusted EBIT, NOK million	805	777	677
Adjusted RoaCE, % LTM <sup>1),2)</sup>	18.9%	36.9%	19.7%

## Adjusted EBITDA

NOK million



- 1) Adjusted RoaCE calculated as Adjusted EBIT last 4 quarters less tax/ Average capital employed last 4 quarters
- 2) 40% tax rate applied for 2022 and 2023
- 3) Volume affected by disrupted delivery from a long-term power purchase agreement in the northern part of the Nord Pool area. The non-delivered volume were 0.3 TWh in the quarter



## Results Q2 23 vs Q2 22

- Negative results on Aluminium Metal buy-back contract net NOK ~0.45 billion
- Higher production volumes and net spot sales
- Lower prices
- Lower gain on area price differences

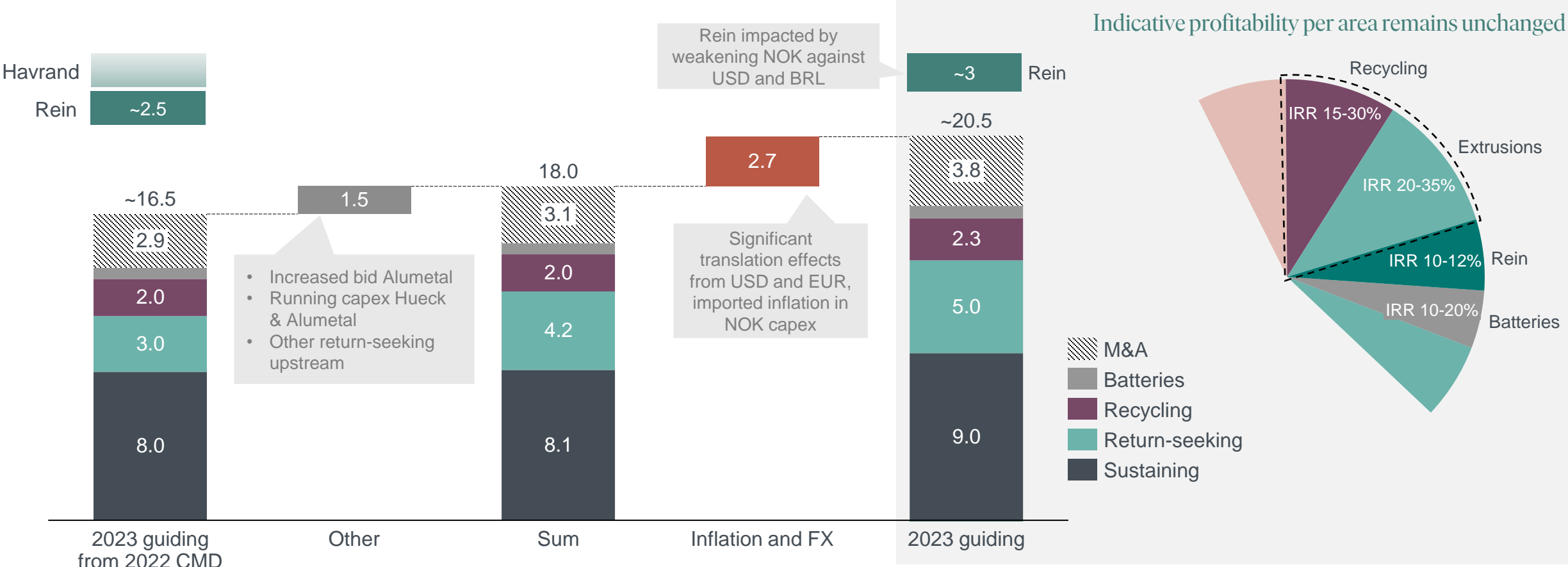
## Outlook Q3 23 vs Q2 23

- Lower losses from Aluminium Metal buy-back contract (~190GWh locked in at ~1400 NOK/ MWh)
- Lower production volumes and net spot sales
- Lower energy prices
- Continued volume and price uncertainty

# Lifting guidance on FX and return seeking investments



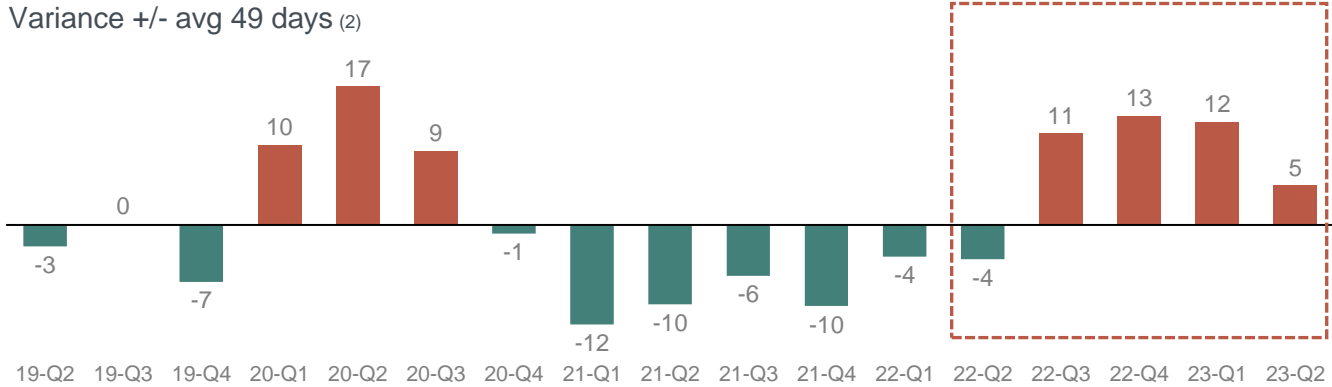
No further increased capital allocation is planned for 2023.



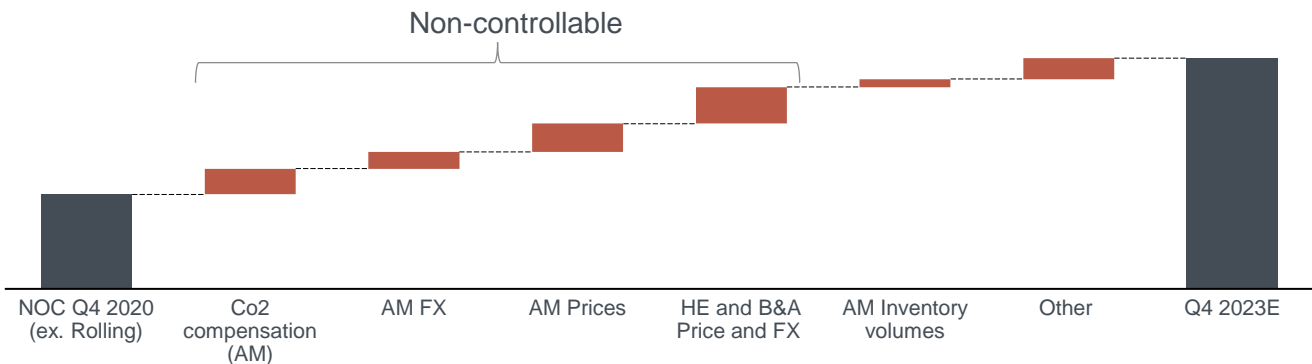
# NOC days improving, strong cash effective release in Q2

## Net Operating Capital Days (1)

Variance +/- avg 49 days (2)



## Q4-20 to Q4 23, book values



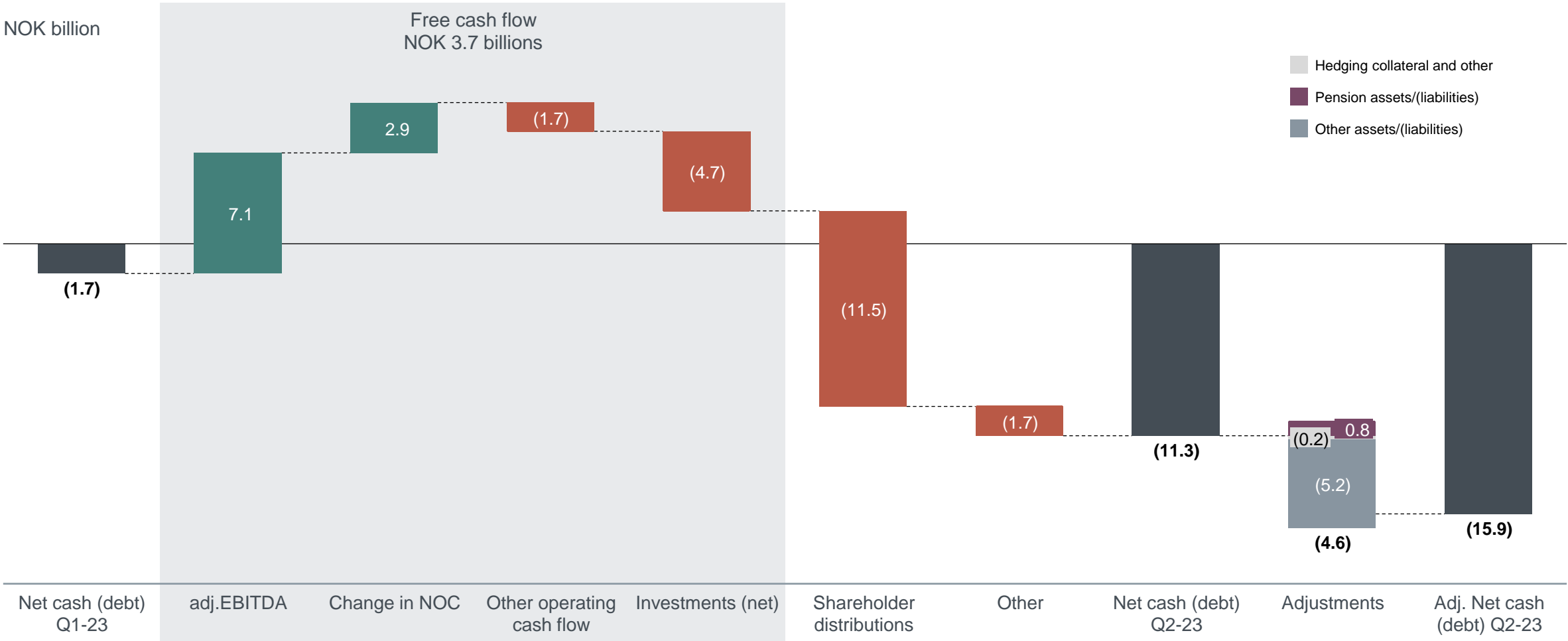
- Strong cash focus in the business areas.
- Cash effective release of NOK 2.9 billion in Q2, driven by inventory release.
- Further improvements are expected, but structural supply chain changes and introduction of CO<sub>2</sub> compensation scheme has increased the NOC level on permanent basis.
- Cash release assumption remains at NOK 2 billion for the year, but is sensitive to changes in price and activity level.

1) NOC-days calculated as: (closing balance NOC book value for the quarter / adjusted revenue during the quarter) \* number of days in quarter  
 2) Avg 2018-2022 partly reflecting new CO<sub>2</sub> compensation scheme and structural supply chain changes. Net operating capital days are estimates excluding Rolling in 2019-2020

# Net debt increase following dividend payment in May



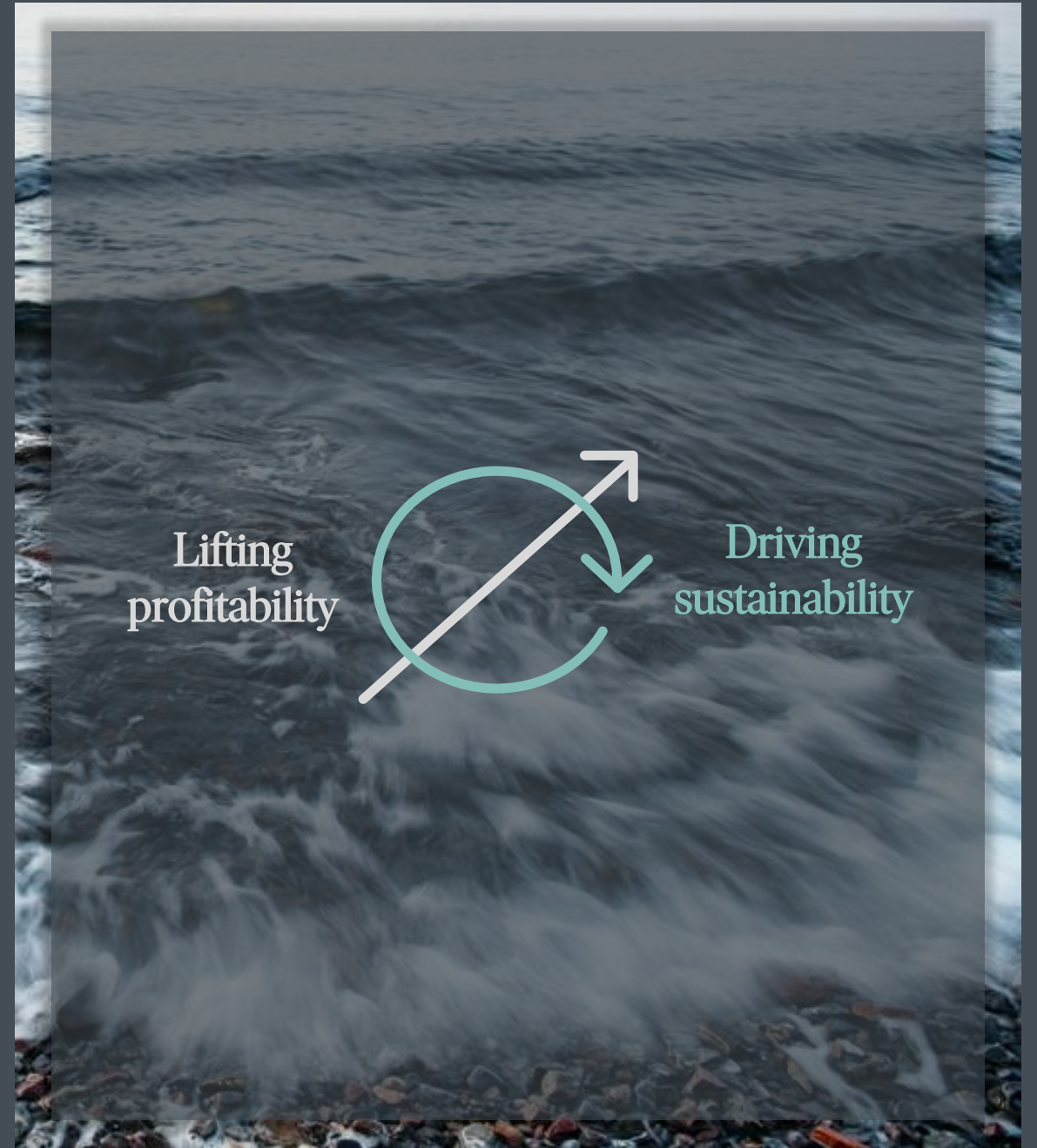
Robust earnings and release of NOC offset by investments and dividend to shareholders



Free cash flow: Excludes hedging collateral (LT/ST restricted cash) and net purchases of money market funds  
Collateral: Includes collateral for short-term and long-term liabilities, mainly related to strategic hedges and the operational hedging activity

# Priorities

1. Health and safety first
2. Maintain robustness in falling markets
3. Enabling and seizing opportunities in greener aluminium at premium pricing
4. Deliver on Recycling and Extrusions growth ambitions
5. Progressing on renewable energy portfolio





Next event

**Third quarter results**  
**October 24, 2023**

For more information see  
[www.hydro.com/ir](http://www.hydro.com/ir)

# Investor Relations in Hydro

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*Industries that matter*