



# Hydro takes action to strengthen robustness amid Covid-19

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President & CEO

# Health and safety for people and communities top priority

Aiming to make a difference where we operate

- Safety and health initiatives, in line with local and international health authorities
- Support to local communities
- Supplies to the health sector



# Covid-19 situation increasingly impacting the global economy and aluminium demand

- Estimates for 2020 GDP significantly revised downwards – external estimates pointing towards global recession
- Closures across the aluminium value chain, on reduced demand and government imposed restrictions
- Key aluminium sectors automotive and building & construction hit hard – closures and reduced activity
- External expectations of global primary aluminium market surplus significantly higher than latest Hydro estimate of 0.5-1 million mt
- Governments responding with fiscal measures and monetary support
- Significant uncertainty going forward

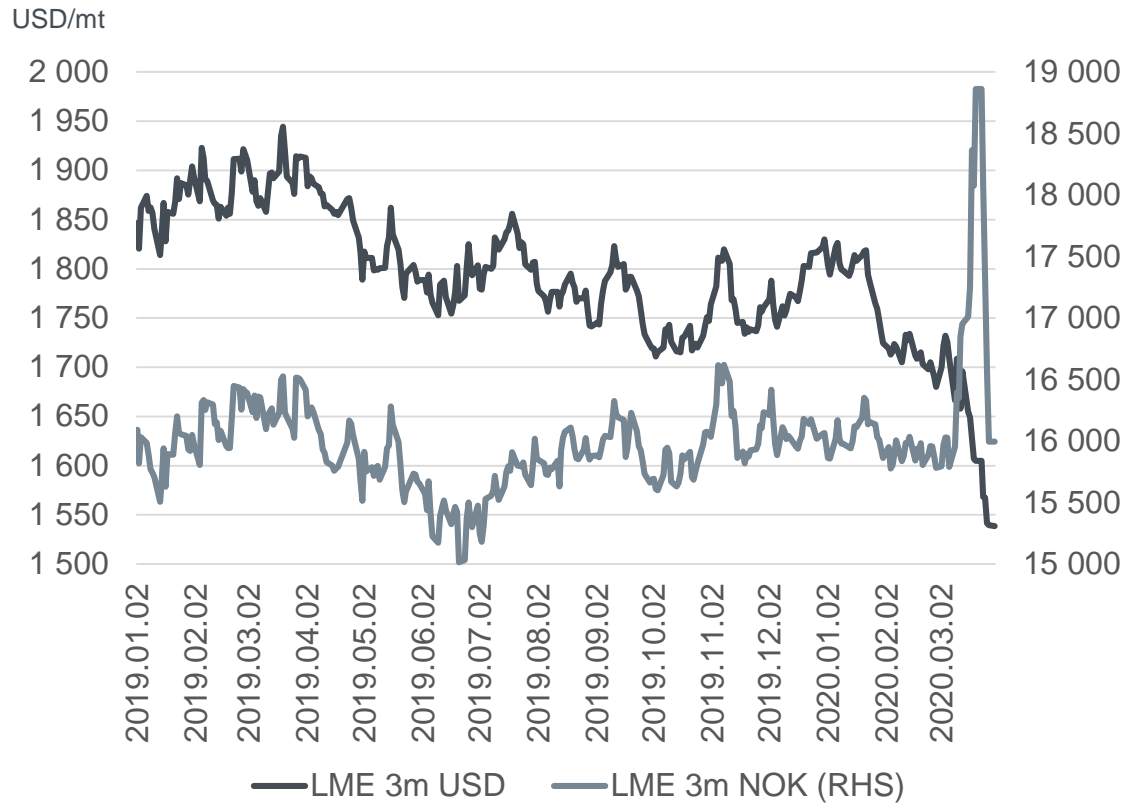


# Falling LME prices, Hydro tailwind on currency



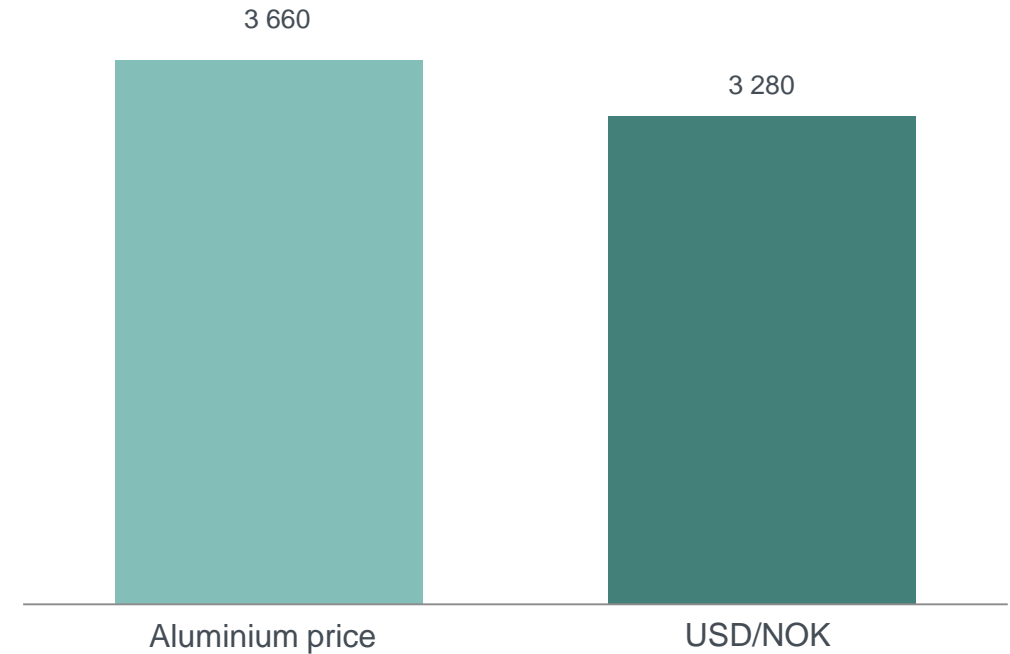
Both cost and revenue drivers trending downwards, Hydro highly sensitive to LME and currency

LME aluminium prices



Main sensitivities +10%

NOK million



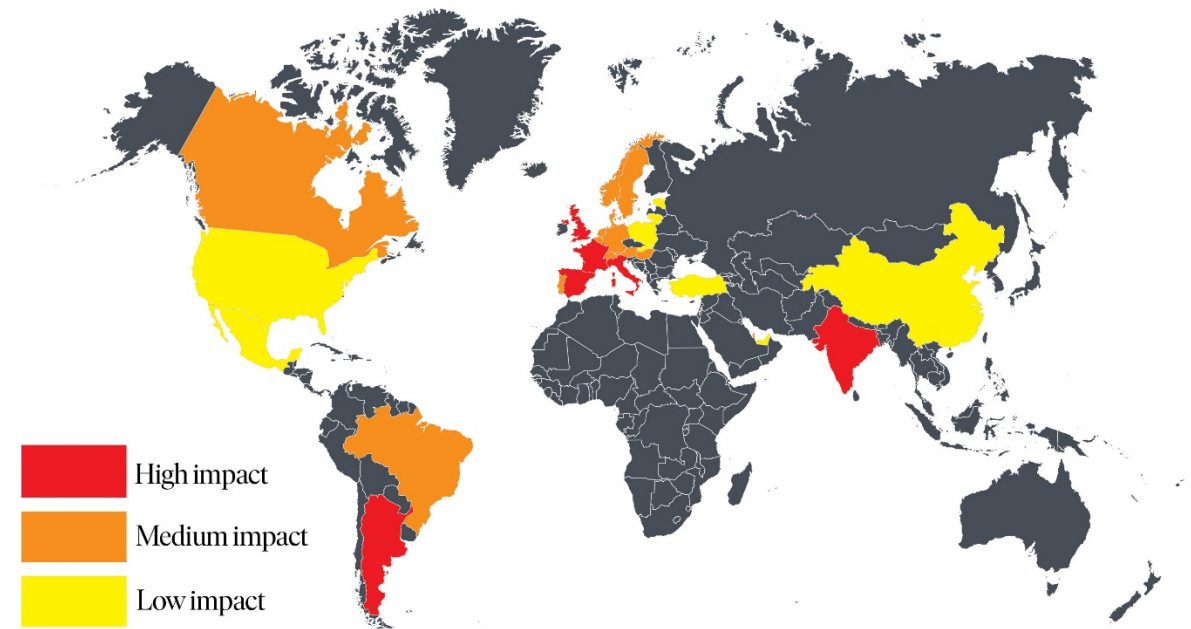
# Operational update per business area

- Energy
  - Operations mostly running as normal, high market uncertainty
- Bauxite & Alumina
  - Operating at normal levels, high market uncertainty
- Primary Metal
  - Primary production operations mostly running as normal
  - Recycler Azuqueca temporarily idled this week, recyclers Luce and Clervaux temporarily idled last week
  - High market uncertainty
- Rolled Products
  - Operations mostly running as normal
  - Negative impact expected as customers closing production, particularly in automotive sector
- Extruded Solutions
  - An increasing number of sites impacted by the situation with reduced production on several sites
  - ~35% of sites are running at approximately normal levels
  - ~40% are running at reduced levels
  - ~25% of sites are either closed or running at very low levels

# Temporarily curtailments in Extruded Solutions, responding to weaker markets

- An increasing number of sites impacted by the Covid-19 situation
  - ~35% of sites are running at approx. normal levels
  - ~40% are running at reduced levels
  - ~25% of sites are either closed or running at very low levels
- Broad-based market decline impacting most sectors, building & construction and automotive hardest hit
- Broad-based market decline impacting most geographies, Southern Europe, Southern America, India, UK so far hardest hit
- Significant uncertainty on market development into Q2

Hydro global impact overview



High: Closures, layoffs, high absentee rate, Medium: Some proactive measure in place (shift reductions), Low: No immediate impact on operations

# Forceful mitigating actions to safeguard liquidity and operations

- Temporarily curtailments and temporary layoffs
- Hydro freezes 25% of remaining 2020 capex
- Postponed Husnes aluminium plant restart
- Cost cuts and cost discipline across the company, continuously evaluating further mitigating measures
- CMB salary freeze salary and bonus freeze
- Board resolution to amend dividend proposal of NOK 1.25 per share and instead propose that Board is authorized to resolve distribution of dividend at later stage if conditions allow for it\*

\* Pending approval from the AGM on May 11, 2020



# Mitigating actions to safeguard liquidity

## Postponement of dividend payment\*

- Due to significant uncertainty related to Covid-19 and the impact on Hydro's operations, markets and financials, the Board has resolved not to propose to the General Meeting a dividend of NOK 1.25 per share as previously announced
- Board will propose to AGM that it is granted a power of attorney to distribute a dividend at later stage if it deems that market conditions and Hydro's financial situation allow for it
- Board proposal does not entail change in general dividend policy, with 40% payout ratio of reported net income over the cycle with NOK 1.25 per share considered floor

## Capex freeze in 2020

- To further safeguard liquidity, Hydro has decided to freeze capital expenditure in 2020 by BNOK 2 - until we have more visibility
- Updated capex estimate for 2020 is BNOK 7.5-8, until further notice.

## Liquidity and available credit lines

- Hydro entered 2020 with strong liquidity and available credit lines
  - BNOK 12.3 in cash and cash equivalents
  - USD 1.6 billion in multi-currency revolving credit facility maturing in 2025 – currently undrawn





**Lifting profitability,  
driving sustainability**

## **Hydro's overall priorities in the Covid-19 situation**

- Health and safety first
- Keeping the wheels turning - maintaining operations and generating cash
- Thinking ahead – implement measures and mitigating actions that positions Hydro post Covid-19



# Hydro

*We are aluminium*

