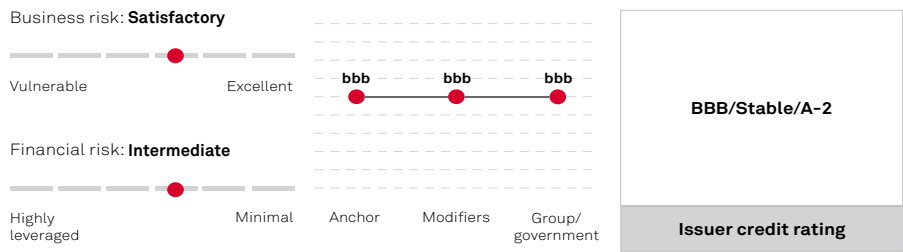


Norsk Hydro ASA

June 6, 2025

Ratings Score Snapshot



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Credit Highlights

Overview

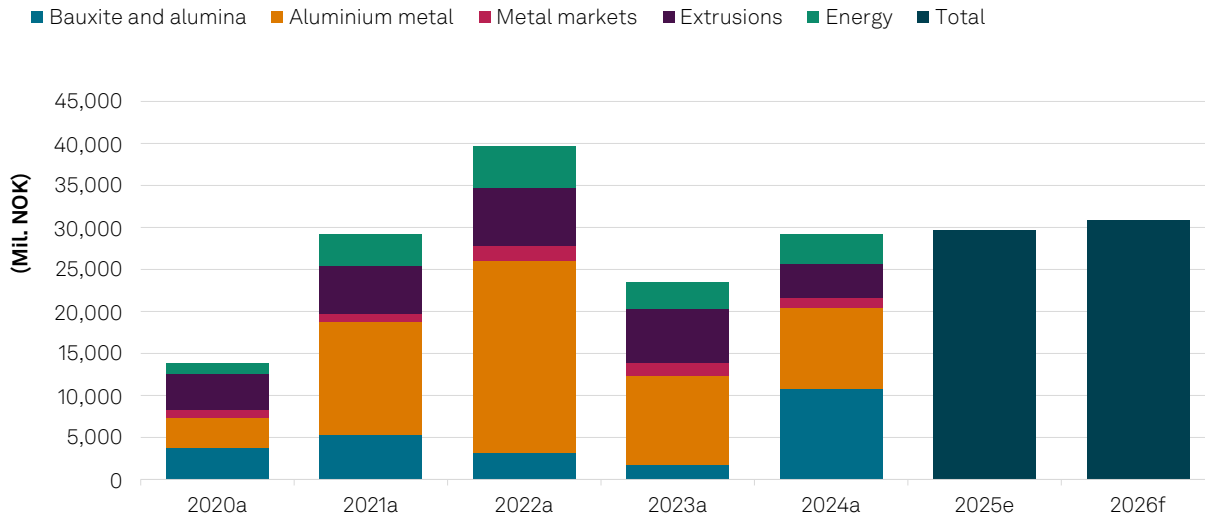
Key strengths	Key risks
Tenth-largest producer of primary aluminum globally, fully integrated into bauxite, alumina, power, and downstream operations.	Exposure to volatile aluminum industry conditions, with current macroeconomic concerns around high energy prices, inventory levels and flow of metal from China.
Aluminum smelters are positioned in the second quartile of the industry's cost curve.	High cash flow volatility, mainly driven by cyclical nature of aluminum prices, and the capital and energy-intensive nature of the business.
Important stake in energy assets and long-term contracts that mitigate the current energy scarcity in Europe.	Weak extrusion demand, notably in construction and residential building sectors.
Limited debt and a conservative financial policy.	

S&P Global Ratings forecasts a moderate increase in Norsk Hydro's profitability in 2025, underpinned by stable upstream operations and ongoing cost discipline. We project a rise in S&P Global Ratings-adjusted EBITDA to Norwegian Krone (NOK) 30 billion–32 billion in 2025, up from NOK 30.6 billion in 2024. This follows strong performance in the first quarter, with EBITDA up about 76% year-over-year to NOK 9.5 billion, driven by improved pricing, lower input costs, and favorable energy market dynamics. Upstream operations have been key to this performance, while contributions from other segments helped to offset margin pressures in downstream

activities. The company has launched a new program aimed at improving EBITDA by NOK 6.5 billion by 2030, including by NOK 600 million in 2025. The program, which aims to enhance earnings quality and mitigate exposure to volatility, will target reductions in raw materials and fixed costs, as well as investments in automation and operational efficiency. We expect this program to weigh positively on EBITDA.

A countercyclical trend in Norsk Hydro's upstream and downstream segments' contribution to EBITDA

EBITDA by division for 2020a-2026f*



Source: S&P Global Ratings. a--Actual. f--Forecast. NOK--Norwegian krone.
*Company reported EBITDA.

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Norsk Hydro to continue navigating mixed market dynamics throughout 2025. Alumina prices, a central driver of the 21.4% increase in adjusted EBITDA between 2023 and 2024, have started to decline after peaking last year. Aluminum prices have also declined due to macroeconomic headwinds and reduced input costs. A modest supply deficit is forecast for 2025, with price premiums rising in the U.S. due to tariffs and tight supply and weakening in Europe. We anticipate continued underperformance in the extrusion market, with high scrap costs and weak industrial recovery constraining demand in both Europe and North America. At this stage, we do not expect the U.S. tariffs on aluminum and potential reciprocal tariffs to impact Norsk Hydro directly, given its predominantly domestic operations and pass-through pricing.

We view Norsk Hydro's progress on the green transition as positive. The company's upstream assets--particularly Alunorte and Paragominas--remain in the lowest cost quartile globally, and its smelters rank in the top 20% globally for carbon and cost efficiency. The company's is focused on emission reductions across smelting, casting, and recycling, and addressing growing demand for low-carbon aluminum from industries driving the green transition. The company has already met its 2025 decarbonization targets and is on track to reduce its Scope 1 and Scope 2 carbon emissions by 30% by 2030, compared to 2018 levels. It also has a long-term goal of achieving net zero emissions by 2050. This progress is crucial for maintaining its competitive advantage in key markets, particularly in Europe.

We expect Norsk Hydro to maintain a conservative approach to debt management that emphasizes financial flexibility. The company aims to maintain adjusted net debt-to-EBITDA of below 2x and adjusted net debt of NOK 25 billion over the business cycle, factoring in hedging

collateral, pensions, and other relevant adjustments. Norsk Hydro's adjusted net debt was NOK 24 billion as of Dec. 31, 2024, in line with its target, while S&P Global Ratings-adjusted debt was NOK 29 billion after incorporating adjustments for leases, asset retirement obligations, and proportional consolidation of Qatalum. Over the next two years, we expect leverage to remain low, with adjusted debt to EBITDA of 0.7x-1.1x in 2025-2026 and funds from operations (FFO) to debt exceeding 80%. Norsk Hydro has allocated NOK 15 billion for capital expenditure (capex) in 2025, focusing on growth and high-return projects, particularly in extrusions, recycling, and renewable energy. The company paid a dividend of NOK 4.5 billion in the second quarter of 2025, consistent with its policy of distributing a minimum of 50% of adjusted net income over the business cycle.

Outlook

The stable outlook on our long-term rating reflects ample headroom under the rating amid macroeconomic uncertainty and recession fears related to tariffs. We expect Norsk Hydro to weather any headwinds due to its own electricity production, integrated business model, focus on low-carbon products, and prudent financial policy.

We expect the company's credit metrics to remain strong, even with generous returns to shareholders. We view adjusted FFO to debt of 45% or higher--together with positive discretionary cash flow (DCF)--throughout the business cycle as consistent with the rating. During the business cycle's low point, adjusted FFO to debt could temporarily drop to 30% or slightly lower without putting immediate pressure on the rating.

Under our base-case scenario, which assumes an aluminum price of \$2,500 per metric ton (mt) for the remainder of 2025 and \$2,600 mt for 2026, we expect adjusted EBITDA of NOK 30 billion-NOK 32 billion in 2025 and NOK 31 billion-NOK 33 billion in 2026. This will translate to an adjusted FFO to debt of at least 80% in 2025 and 2026.

Downside scenario

We do not anticipate a downgrade of Norsk Hydro in the next 12 months. However, we could take a negative rating action if Norsk Hydro were to deviate from its prudent financial policy or if there was a sharp reversal in industry conditions such as prolonged low alumina and aluminum prices, capacity curtailments caused by a severe recession in Europe, and worsening trade tensions related to tariffs. Other downgrade triggers include a large debt-funded acquisition.

Upside scenario

We view an upgrade of Norsk Hydro as unlikely in the next 12-18 months. However, beyond this horizon, we could take a positive rating action if the company consistently demonstrated reduced cash flow volatility, supported by a shift from legacy aluminum production (mining and primary aluminum) to power generation and a recovery in the profitability of downstream activities.

In addition, the company would need to maintain its prudent financial policy and maintain adjusted FFO to debt at above 60% throughout the business cycle (equivalent to adjusted debt to EBITDA of below 1.5x), and above 45% at the low point of the cycle.

Our Base-Case Scenario

Assumptions

- Aluminum prices remain elevated, increasing to \$2,500 per mt for the remainder of 2025 and \$2,600 per mt from 2026 onwards, from \$2,444 per mt in 2024. Price increases are driven by supply disruptions, geopolitical tensions, and tariffs, while tight inventory increases the risk of supply issues. Energy costs and curtailments in alumina refining, along with positive long-term demand trends, continue to support prices.
- A mixed production outlook in 2025. Flat demand expected in the extrusion segment due to soft market conditions in both Europe and North America. For the aluminum metal segment, premiums in Europe could soften despite the company contracting a good portion of production in advance. Overall, we expect production levels in 2025 to remain consistent with 2024.
- Proportional consolidation of 50% of the aluminum smelter Qatalum JV with Qatar Petroleum.
- Maximized returns to shareholders (including dividends to minorities), after the company meets its debt target and allocates excess cash flow to capex, in line with its policy to distribute at least 50% of adjusted net income over the business cycle.

Key Metrics

(Bil. NOK)

--Fiscal year ended Dec. 31--

	2023a	2024a	2025e	2026e
U.S. GDP growth (%)	2.9	2.8	1.9	1.9
Eurozone GDP growth (%)	0.5	0.8	0.9	1.4
NOK/USD	10.5	10.7	11.1	10.4
BRL/USD	5.0	5.4	5.9	5.9
Aluminum prices (\$/mt)	2,444	2,597	2,546	2,600
Adjusted EBITDA	25.2	30.6	30.0-32.0	31.0-33.0
FOCF	8.9	2.8	6.0-8.0	7.0-9.0
Capex	14.3	14.0	16.0-17.0	16.5-18.5
Returns to shareholders	12.6	5.0	5.5-7.0	6.0-8.0
Free cash flows				
Adjusted debt to EBITDA (x)	0.9	0.9	0.7-1.1	0.7-1.1
Adjusted FFO to debt (%)	70.9	79.6	70-90	75-95
Adjusted net debt	22.0	28.5	28.5-30.5	29.0-31.0

Note: All numbers are S&P Global Ratings-adjusted.

Company Description

Norsk Hydro is the world's tenth largest primary aluminum producer and has operations across the global aluminum value chain, including energy, bauxite mining and alumina refining, primary aluminum, extrusions, and recycling. At the end of 2024, Norsk Hydro's adjusted revenue was NOK 213 billion and its adjusted EBITDA was NOK 30.6 billion.

Its portfolio includes:

- Bauxite and alumina operations: Accounted for 37% of EBITDA in 2024 and is primarily based in Brazil. Norsk Hydro owns 100% of the Paragominas mine, from which bauxite ore is then processed at the 60% owned Alunorte refinery to produce alumina. Alunorte is the largest alumina refinery outside China, with a capacity of 6.3 million metric tons. Norsk Hydro sold a 30% stake in Alunorte to Glencore in December 2023 for NOK 8.4 billion.
- Primary aluminum production: Accounted for 33% of EBITDA in 2024. Encompasses 10 smelters with total annual capacity of 2.1 million metric tons. Norsk Hydro's smelters are globally competitive from a cost and carbon-intensity perspective. This is mainly because of the availability of comparatively low-cost energy, since more than 70% of electricity used in primary aluminum production is from renewable sources, largely via captive hydropower production in the Hydro Energy division.
- Hydro energy: Accounted for 12% of EBITDA in 2024. The company has power plants located mainly in the Nordic region and Brazil. This division is responsible for developing new business opportunities within renewable energy and provides support to other business areas with contracts, security of supply, and energy framework conditions. This segment is integrated backward, with part of the electricity it produces--including hydropower assets in Norway--used by the group's smelters, which ensures that aluminum production is cost competitive.
- Downstream businesses: Accounted for 14% of EBITDA in 2024. Consists of the recycling business unit and all commercial activities, including sales, marketing and distribution. The recycling business operates several plants and has various greenfield and brownfield projects under construction. The downstream segment also includes the extrusion division, where Norsk Hydro has plants across 22 countries and is a market leader in North America and Europe.

Liquidity

We view Norsk Hydro's liquidity as strong, as we estimate that liquidity sources will exceed uses by more than 2x over the 12 months from March 31, 2025. Our assessment is supported by a high cash balance, \$1.6 billion available under the committed credit lines, and a comfortable debt profile. Additionally, Norsk Hydro's generally prudent liquidity management, good access to capital markets, and well-established relationships with banks further support our evaluation.

We believe that Norsk Hydro's business model, particularly its ability to release working capital during downturns and use of financial levers such as capex, enhances its ability to generate free cash flow through the business cycle. Historically, the company leveraged its ample liquidity to absorb high-impact, low-probability events without the need for refinancing, and to fund acquisitions such as the purchase of 50% in the SAPA joint venture in 2018.

Principal liquidity sources

- Estimated cash and cash equivalents of NOK 19.4 billion as of March 31, 2025;
- Availability under committed credit lines of \$1.6 billion (about NOK 16.8 billion) maturing in Dec 2026; and
- FFO of NOK 19 billion-NOK 23 billion in our base-case scenario.

Principal liquidity uses

- Modest short-term debt maturity of NOK 6.0 billion in the 12 months from March 31, 2025, and NOK 4.8 billion in the subsequent 12 months;
- Working capital outflows of around NOK 370 million;
- Capex of about NOK 16 billion;
- Dividends of NOK 5.5 billion in the 12 months from March 31, 2025, and NOK 7.2 billion in the subsequent 12 months; and
- Share repurchases of around NOK 640,000.

Environmental, Social, And Governance

Norsk Hydro's strategy focuses on green initiatives and it has clearly defined targets to become carbon-neutral from a life cycle perspective by 2050. The company's direct greenhouse gas emissions decreased by 5% in 2025 from a 2018 baseline, mainly due to fuel-switching efforts, curtailment of production at the Slovalco plant, and the installation electric boilers for generating steam in Alunorte.

The company is investing in recycling and developing low-carbon technologies and made the first commercial volumes of near-zero carbon aluminum available in 2022. The company aims to increase its recycling capacity to 850 million-1.2 billion mt by 2030, up from 700 million mt in 2024. It also currently meets about one-third of its energy needs with hydroelectricity that it produces. Hydro Rein--of which Norsk Hydro owns 50.1%--has solar and wind power projects in Brazil and the Nordic countries at various stages of development totaling 8.4 gigawatts of gross capacity. The company also purchased land in Torija, Spain to construct an aluminum recycling plant to serve automotive sector, which will produce 120,000 mt annually following an investment of €180 million. Additionally, it has completed the ramp up of recycling capacity by 20 million mt at its sites in Navarra, Spain and Sjunnen, Sweden,

We consider aluminum operations to be highly energy intensive, so any future legislation and social pressure could have a material impact on Norsk Hydro's activities. However, this progress positions Norsk Hydro well to meet demand associated with the green transition and to meet more stringent environmental regulations, particularly in Europe where the EU is aiming for the production of low-carbon aluminum by 2050. Aluminum is also attractive for auto manufacturers looking to develop fuel-efficient vehicles and can be recycled at low cost.

We believe that Norsk Hydro's diversified operations across the aluminum value chain and in multiple regions helps to mitigate rating volatility from most one-off environmental, social, and governance events, such as major environmental accidents or a license revocation. Past operational issues in Brazil and a cyberattack on its downstream division in 2019 underscore the benefits of diversification. However, Norsk Hydro's global reach can also complicate its ability to monitor and comply with local regulations.

Norsk Hydro had a workforce of 33,798 employees as of Dec. 31, 2024, with women occupying about 35% of senior management roles. Most of Norsk Hydro's downstream operations are in Western Europe, but its mining operations are concentrated in Brazil, which is classified as higher risk in S&P country risk assessments. After four years of no fatalities, in October 2023

two contractors died, one at the Alunorte refinery in Brazil and another at the Qatalum plant in Qatar. Another person died at the Albras smelter in Brazil in July 2024. The company is currently investigating the root causes of the deaths.

Governance in terms of disclosure and board and management processes are at least on a par with other large metal and mining companies that we rate.

Government Influence

We continue to view Norsk Hydro as a government-related entity (GRE) with a low likelihood of extraordinary state support, reflecting the commercial nature of its business as just one investment in Norway's diversified portfolio. The company invested in mining assets in Brazil in 2011 and a new aluminum smelter in Qatar in 2007. Most of the company's growth projects are outside Norway, positioning it as a global business with a reduced connection to the Norwegian economy. We understand that the government does not plan to increase its current 34.3% stake in Norsk Hydro. In contrast, we factor in one notch of uplift for extraordinary state support for other Norwegian GREs such as Equinor (67% government-owned) and Telenor (54% government-owned), which benefit from a stronger link to the Norwegian government.

We see Norsk Hydro's Norwegian hydropower plants as an important factor differentiating it from other state-owned companies that we do not consider to be GREs, such as Yara International ASA (36%).

Rating Component Scores	
Foreign currency issuer credit rating	BBB/Stable/A-2
Local currency issuer credit rating	BBB/Stable/A-2
Business risk	Satisfactory
Country risk	Low
Industry risk	Moderately High
Competitive position	Satisfactory
Financial risk	Intermediate
Cash flow/leverage	Intermediate
Anchor	bbb
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Strong (no impact)
Management and governance	Neutral (no impact)
Comparable rating analysis	Neutral (no impact)
Stand-alone credit profile	bbb

Related Criteria

- [General Criteria: Rating Government-Related Entities: Methodology And Assumptions](#), March 25, 2015

- [Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers](#), Dec. 16, 2014
- [General Criteria: Country Risk Assessment Methodology And Assumptions](#), Nov. 19, 2013
- [Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments](#), April 1, 2019
- [Criteria | Corporates | General: Corporate Methodology](#), Jan. 7, 2024
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [General Criteria: Methodology: Industry Risk](#), Nov. 19, 2013
- [Criteria For Determining Management And Governance Credit Factors For Corporate Entities](#), Jan. 7, 2024
- [General Criteria: Principles of Credit Ratings](#), Feb. 16, 2011
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [Criteria | Corporates | General: Sector-Specific Corporate Methodology](#), April 4, 2024

Ratings Detail (as of June 06, 2025)*

Norsk Hydro ASA	
Issuer Credit Rating	BBB/Stable/A-2
Issuer Credit Ratings History	
19-Nov-2010	BBB/Stable/A-2
06-May-2010	BBB-/Watch Pos/A-3
20-Mar-2009	BBB-/Negative/A-3
*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.	

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