



First quarter results 2019



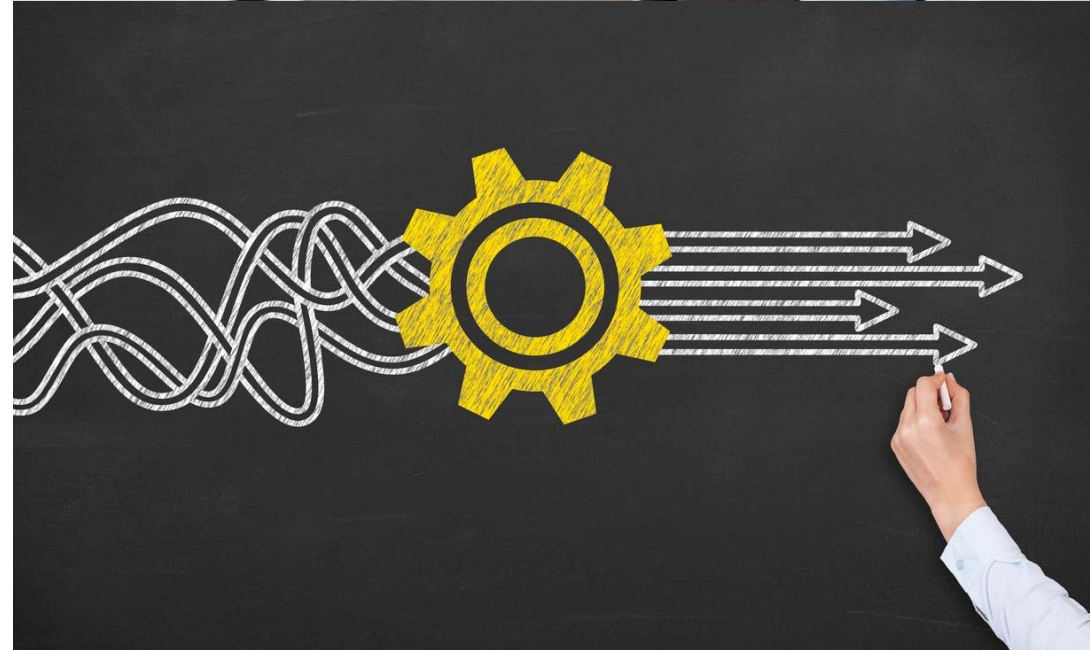

**Lifting
profitability**




**Driving
sustainability**

Immediate actions to improve performance and cash generation

- Safe and efficient operations - always key priority
- Return Alunorte, Paragominas and Albras to full production and operational excellence
- Rolled Products restructuring and strategic review
- New improvement efforts across all business areas and staffs
- Ensuring stricter capital discipline and capital allocation
- Evaluate the way we work to simplify and optimize
- Hydro will host Investor Day on September 24, in Oslo





Q1 2019: Results down on volume, price and raw material cost



First quarter highlights

- Underlying EBIT of NOK 559 million
- Production embargos at Alunorte lifted by Federal Court – Alunorte, Paragominas and Albras resuming production
- Financial impact of cyber attack NOK 300-350 million in Q1 – main impact in Extruded Solutions
- Strong performance in Extruded Solutions, in particular in North American operations
- Primary Metal results down on price and raw material cost
- Strong Energy results on high prices
- 2019 global primary market expected in deficit, continued macro uncertainty

All result explanations versus same quarter previous year

Operations in Pará moving towards normal production

Status

- Federal court in Belem, Brazil, lifted production embargoes May 15 and 20 – allowing full value chain in Pará to move towards normal production
- Federal court decision to keep embargos on the new bauxite residue disposal area (DRS2)

Operations and ramp-up process

Alunorte

- Estimated to reach 75-85% capacity utilization within two months
- The timing of return to nameplate capacity is dependent on further process optimization of press filters, as well as commissioning of 9th press filter starting during Q3 2019
- Further testing of press filters at higher capacity utilization necessary for evaluating overall capacity
- Lifetime of DRS1 estimated to ~1 year, further geotechnical studies is being conducted with the aim of verifying an extended lifetime
- DRS2 with leading press filter technology only long-term sustainable solution for Alunorte

Paragominas

- Will be ramped up in line with the ramp-up speed at Alunorte

Albras

- Estimated to reach full production within 3-4 months



Going forward

- Safe ramp-up of Alunorte, Albras and Paragominas key priority
- Fully committed to deliver on obligations under technical and social agreement (TAC and TC)
- Continued dialogue with state environmental agency SEMAS and Ministerio Público on creating common platform – timing for embargoes on DRS2 being lifted remains uncertain



Status update cyber attack

Operational and financial impact

- Overall financial impact for Q1 NOK 300-350 million
 - Of which Extruded Solutions NOK 250-300 million
- Production running close to normal in Extruded Solutions, with value creation approaching 100%
- Production running as normal in other business areas, with only few manual operations
- Estimated financial impact for Q2 NOK 200-250 million
 - Of which Extruded Solutions NOK 100-150 million
- Hydro has a robust cyber insurance policy in place with recognized insurers

Way forward

- Recovery towards normal IT operations progressing according to plan
- Increasing robustness through further strengthening IT infrastructure and cyber security

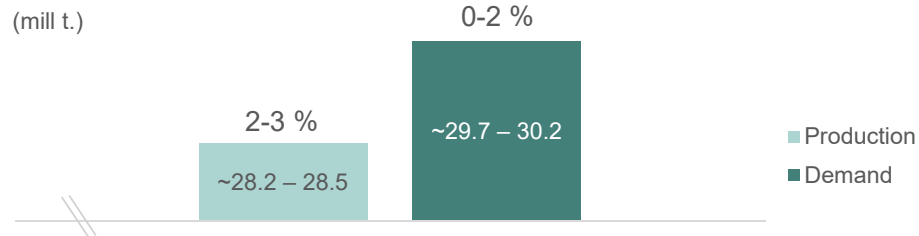


Global market expected in deficit for 2019

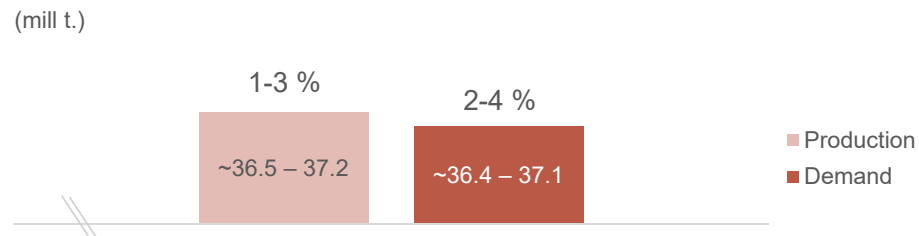
China largely balanced, world outside China in deficit



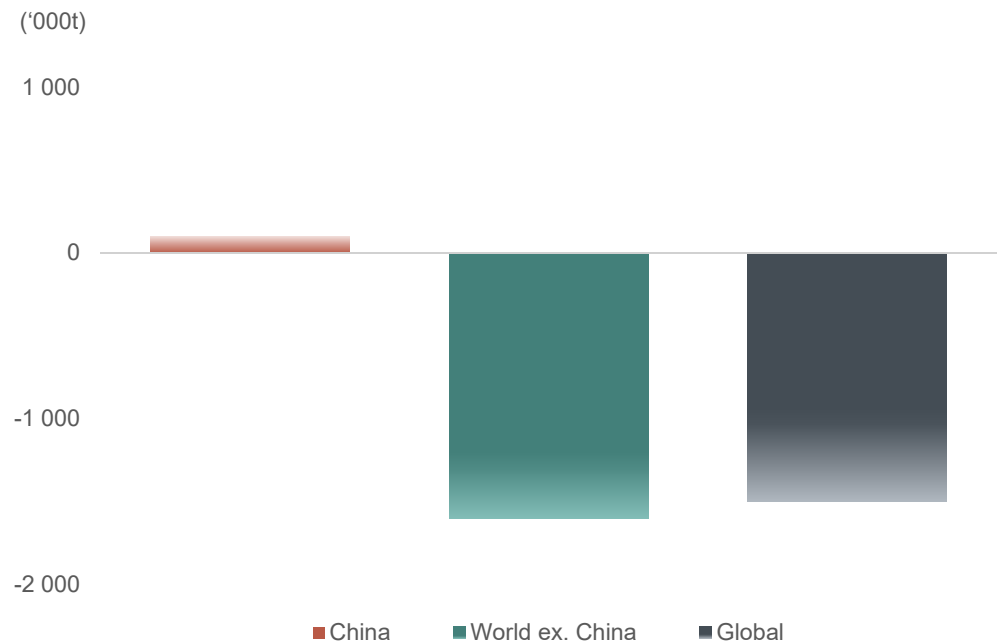
World ex. China 2019



China 2019



Estimated primary market balance 2019

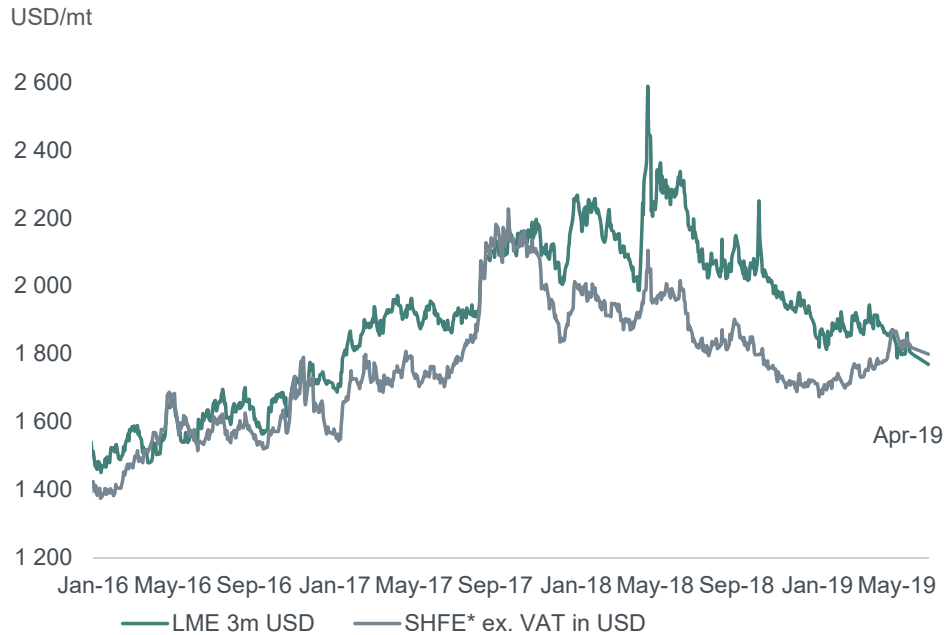


Source: CRU, Hydro analysis
%: Growth from 2018 to 2019

Declining aluminium and alumina prices

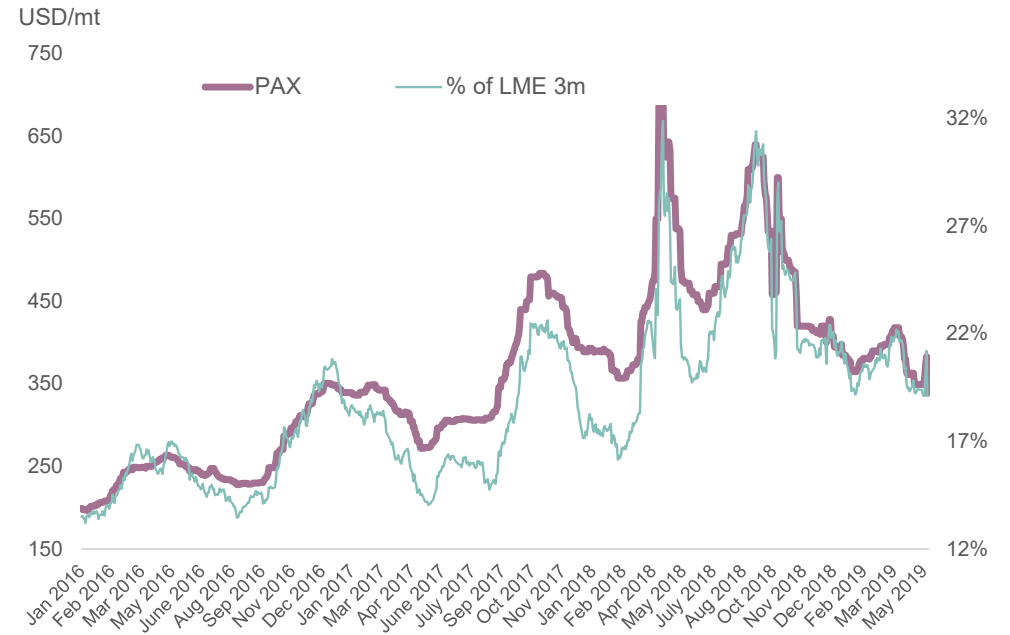


LME and SHFE aluminium prices



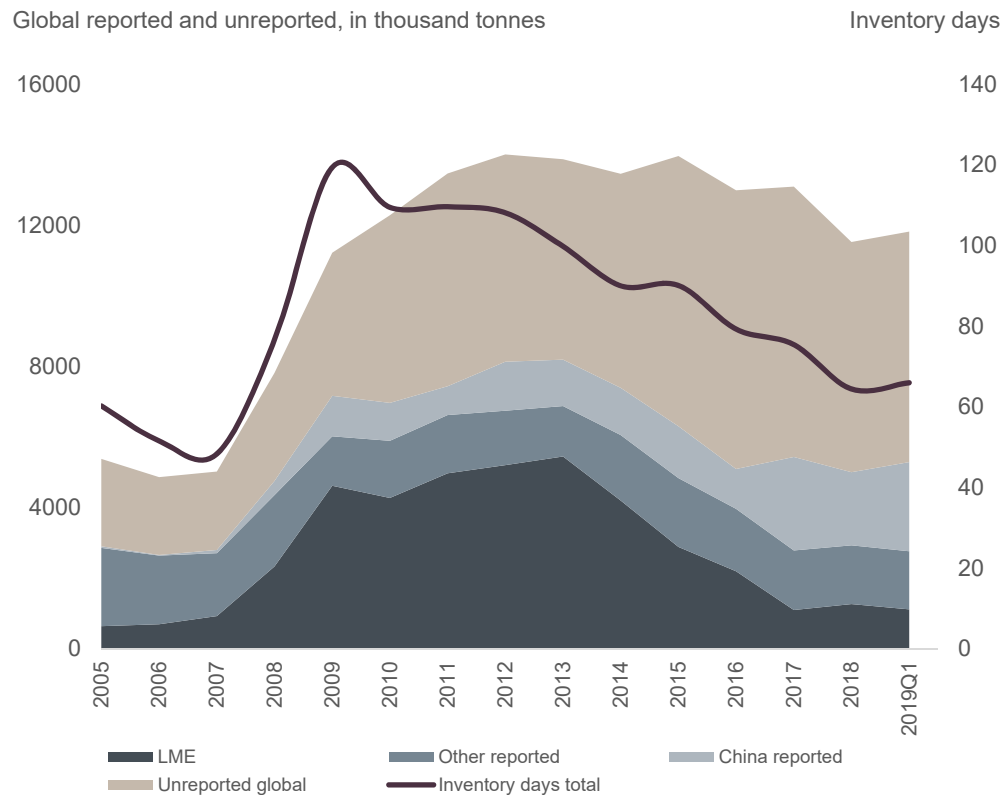
Source: Metal Bulletin, Platts, Reuters Ecowin, Hydro analysis
 * Shanghai Futures Exchange

Platts alumina index (PAX)

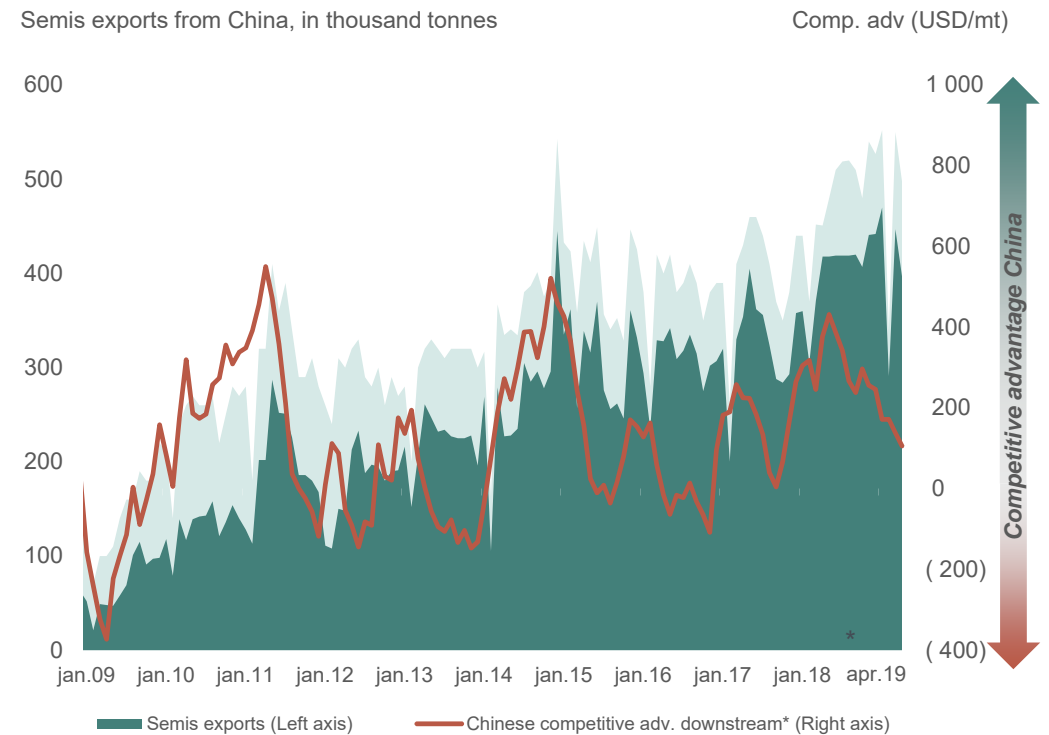


Source: Platts, Bloomberg, CRU, Metal Bulletin

Inventories gradually trending downwards, increasing Chinese semis exports



*2019 Q1 inventory days estimated on 12-months rolling historic consumption
 Source: Republished under license from CRU International Ltd, Hydro analysis

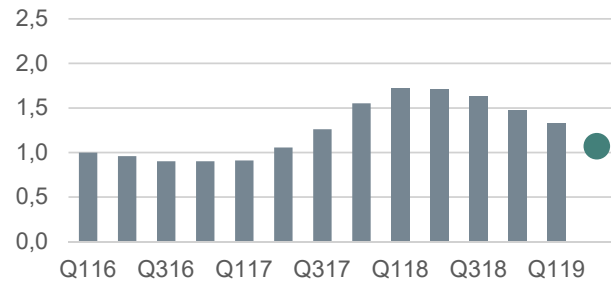


Source: CRU, Thomson Reuters
 Estimated metal cost China versus Europe
 Europe: LME cash + European duty-paid standard ingot premium
 China: SHFE cash + avg. local premium + freight – export rebates (~13 %)
 *No detailed data for April to September 2018, semis months for these months distributed flat

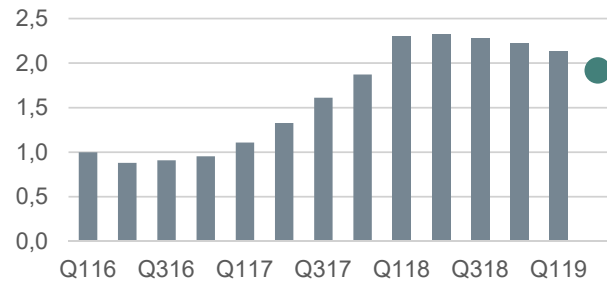
Raw material costs for the aluminium industry continue to trend downwards



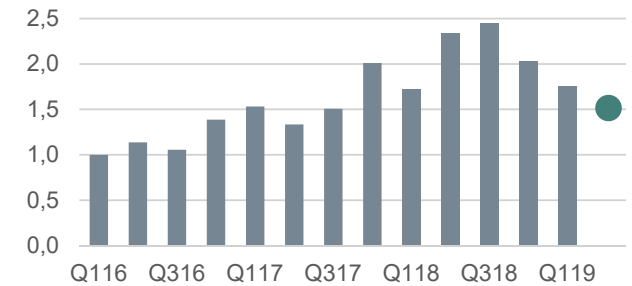
Petroleum coke FOB USG (indexed)



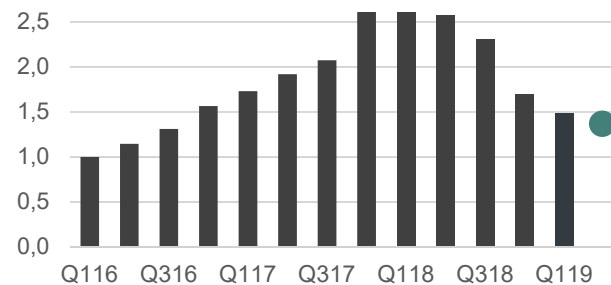
Pitch FOB USG (indexed)



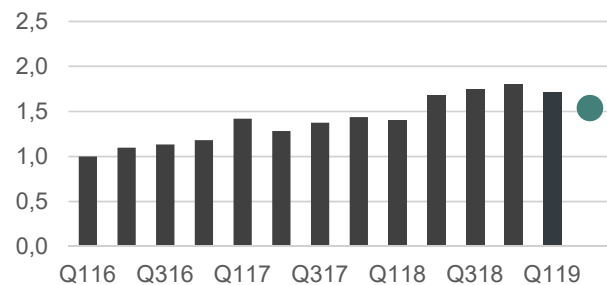
Alumina PAX index (indexed)



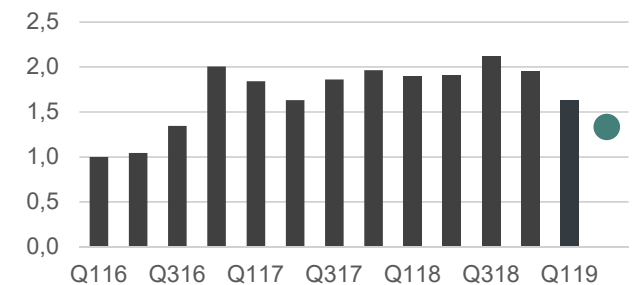
Caustic soda (indexed)



Fuel oil A1 (Indexed)



Steam coal (indexed)



● Indication of current market prices

Source: Thomson Reuters, PACE, IHS Markit, Platts, ANP, CRU

BACK-UP



Hydro

We are aluminium

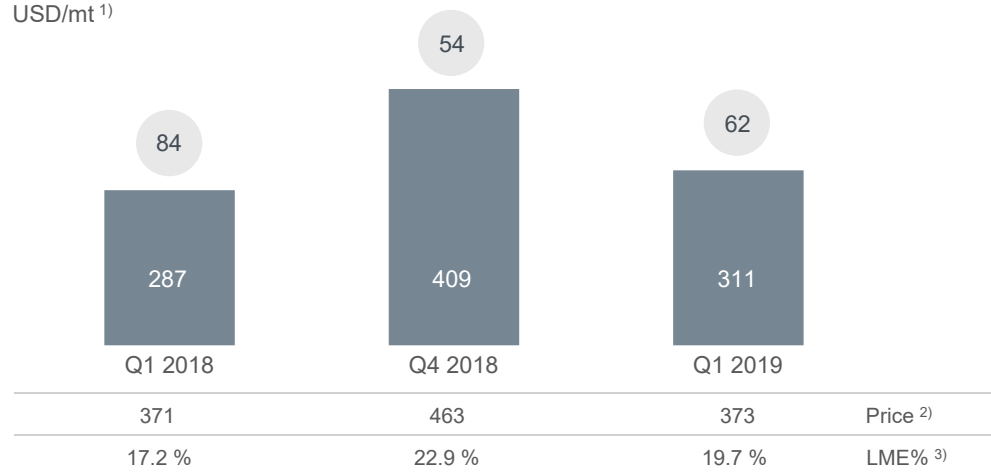


Q1 vs Q4: upstream costs down, stable margins



Implied alumina cost and margin

USD/mt¹⁾



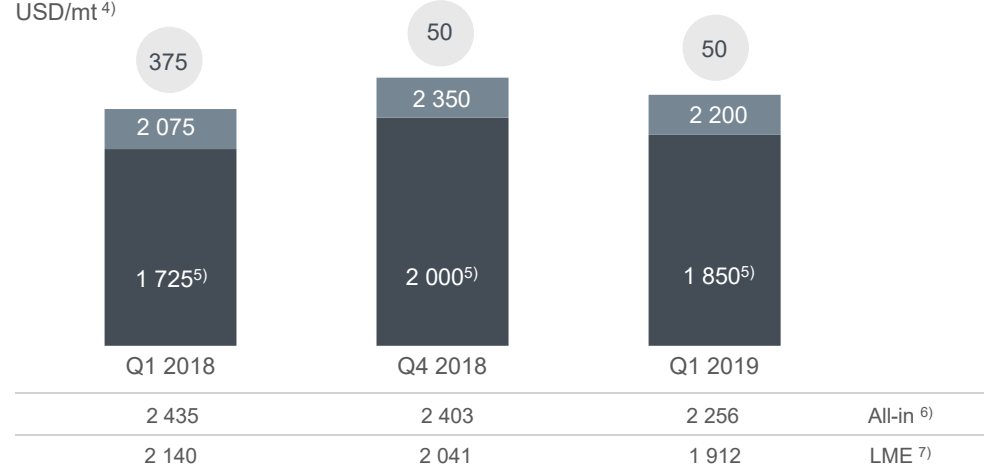
Implied alumina cost down in Q119 vs Q418, mainly on lower external alumina sourcing volume and costs

■ Implied EBITDA cost per mt ● EBITDA margin per mt

- 1) Realized alumina price minus underlying EBITDA for B&A, per mt alumina sales
- 2) Realized alumina price
- 3) Realized alumina price as % of three-month LME price with one month lag
- 4) Realized all-in aluminium price less underlying EBITDA margin, incl Qatalum, per mt aluminium sold.
Implied primary cost and margin rounded to nearest USD 25

All-in implied primary cost and margin

USD/mt⁴⁾



Implied primary cost down in Q119 vs Q418, mainly on reduced raw material and fixed costs

■ All-in Implied EBITDA cost per mt ■ LME Implied EBITDA cost per mt ●

- 5) Realized LME aluminium price less underlying EBITDA margin, incl Qatalum, per mt primary aluminium produced
- 6) Realized LME plus realized premiums, including Qatalum
- 7) Realized LME, including Qatalum

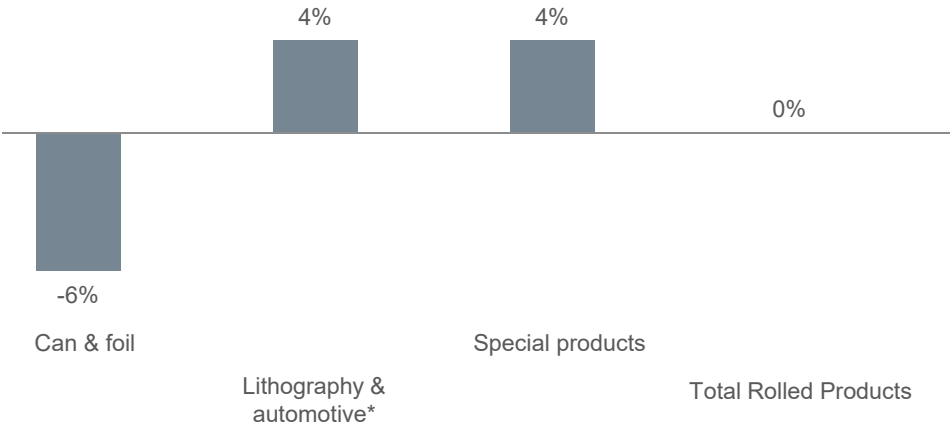
Rolled Products: Stable sales volumes Q1 2019 vs Q1 2018



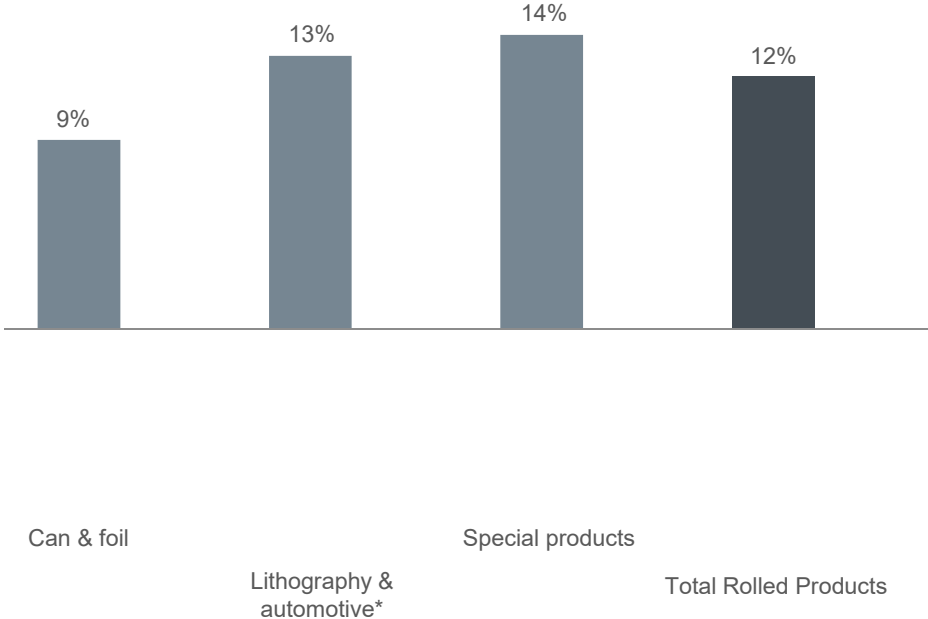
Lower foil sales offset by higher sales in automotive and general engineering

Q1 2019 vs Q1 2018

Sales volume
Growth in %



Q1 2019 vs Q4 2018



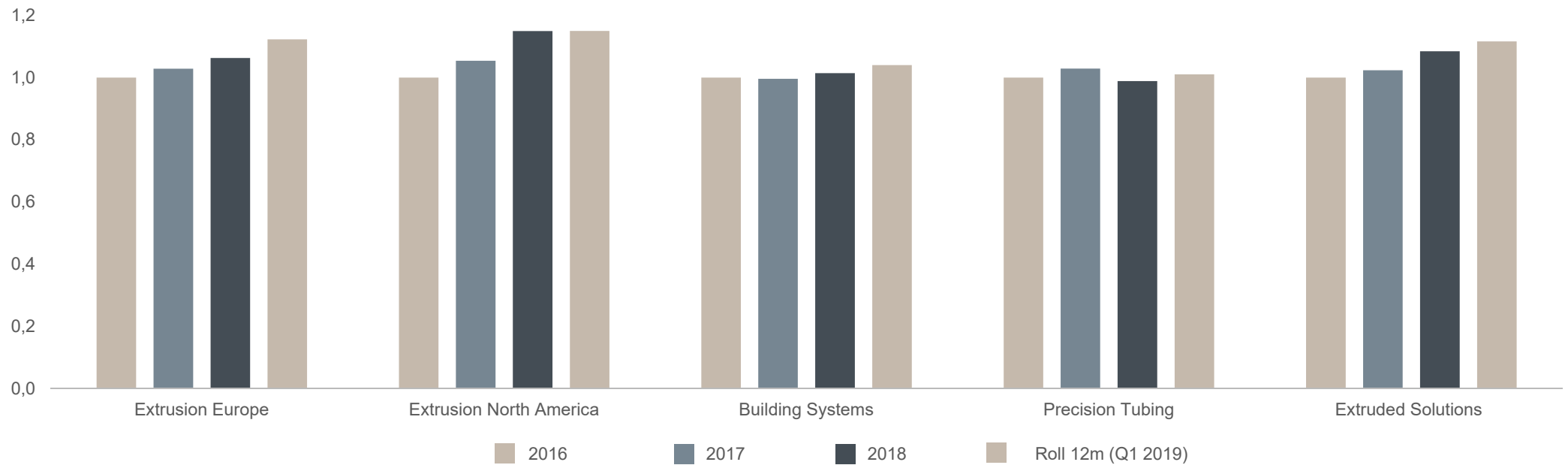
* Include Body-in-White sales growth of 35% Q1 2019 vs Q1 2018, 14% Q1 2019 vs Q4 2018

Extruded Solutions: Continued improvements in net added value



Net added value* per kg

(NOK**, indexed to 2016)

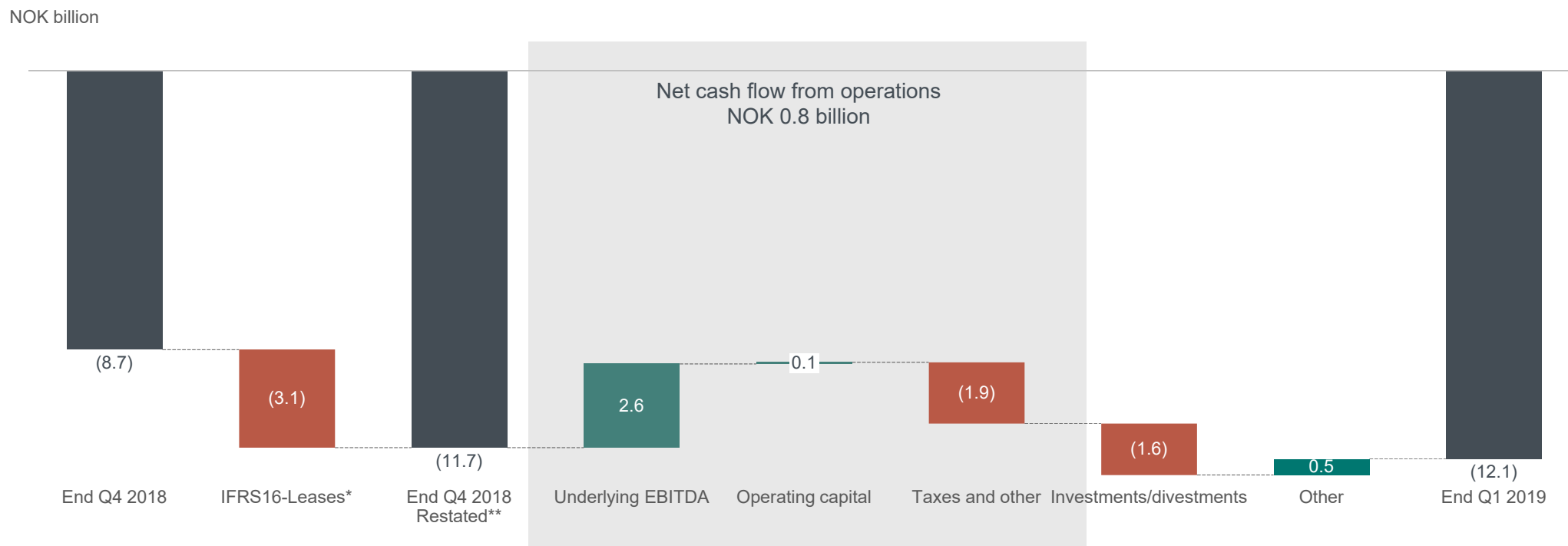


* Net Added Value: calculated as operating revenues less cost of material, including freight costs out

** Translated to NOK based on Q1 2019 12 months rolling currency rates

Net debt increased in Q1 2019

Affected by the new IFRS16 Leases standard



*IFRS16 standard requires all leases except short-term leases and small asset leases to be recognized on the balance sheet as of January 1, 2019.

**The Net cash (debt) position per December 31, 2018 was restated due to the implementation of IFRS16.

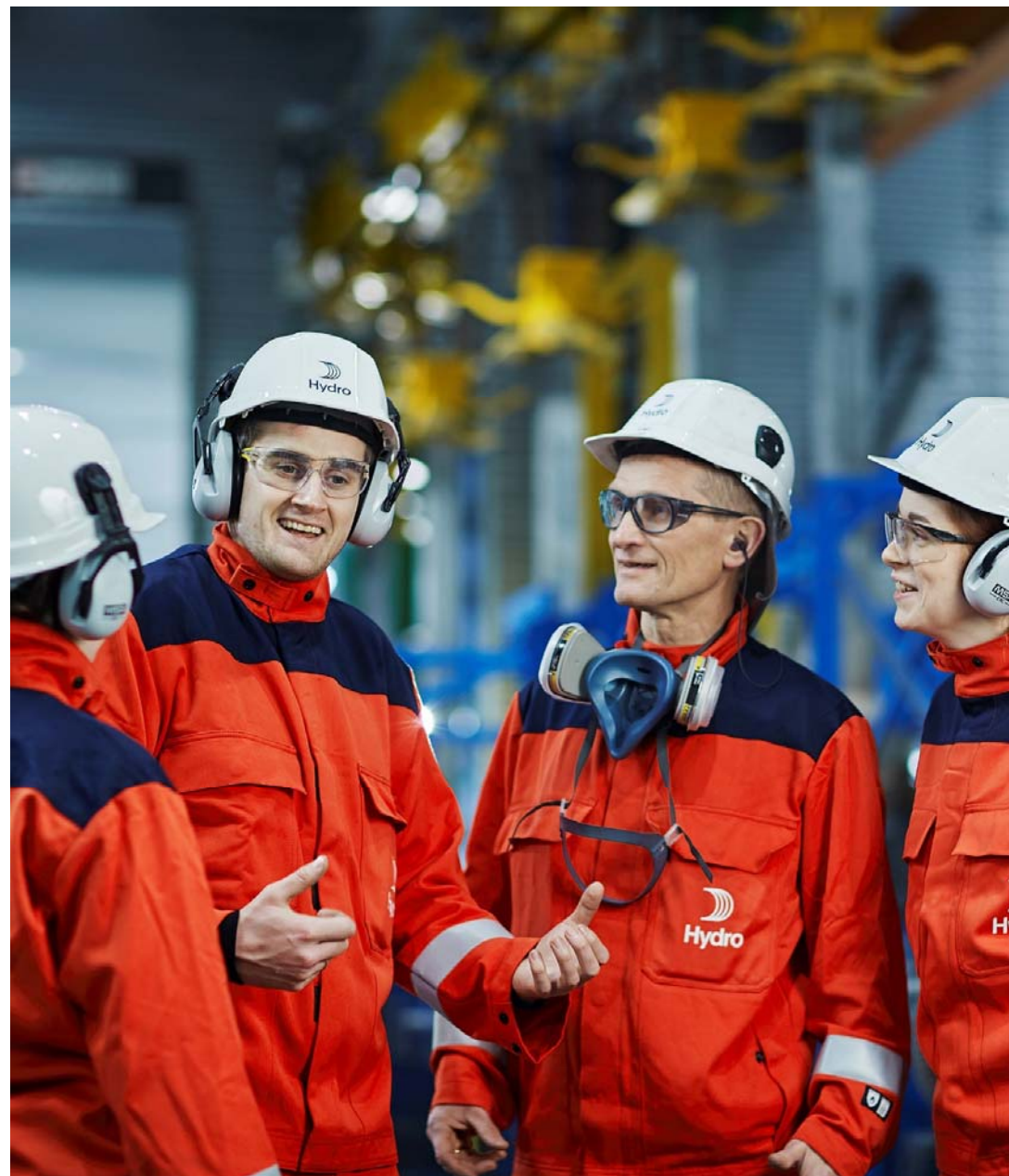
Adjusted net debt up in Q1

Driven by increased net debt position

NOK billion	Mar 31 2019	Dec 31 2018 Restated ¹⁾	Dec 31 2018	Sep 30 2018
Cash and cash equivalents	6.1	6.0	6.0	6.8
Short-term investments	1.3	1.0	1.0	1.2
Short-term debt	(8.9)	(9.4)	(8.5)	(6.6)
Long-term debt	(10.6)	(9.3)	(7.1)	(7.9)
Net cash/(debt)	(12.1)	(11.7)	(8.7)	(6.5)
Net pension liability at fair value, net of expected tax benefit	(8.4)	(8.8)	(8.8)	(6.4)
Other adjustments ²⁾	(3.9)	(4.0)	(5.6)	(5.5)
Adjusted net debt ex. EAI	(24.4)	(24.5)	(23.1)	(18.4)
Net debt in EAI	(5.7)	(5.6)	(5.6)	(5.6)
Adjusted net debt incl. EAI	(30.1)	(30.1)	(28.7)	(24.0)

1) Restated with implementation of IFRS16 - Leases

2) "Other adjustments" include, e.g., asset retirement obligations, cash and short-term investments in Industriforsikring. Operating lease obligations included pre the implementation of IFRS16 on Jan 1, 2019.





2019 priorities

- Safe and efficient operations
- Ramp up Alunorte, Paragominas and Albras, resume DRS2 operations
- Rolled Products restructuring and strategic review
- New improvement drive
- Focus on cash



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