S&P Global
Ratings

RatingsDirect®

Tear Sheet:

Norsk Hydro ASA

August 26, 2026

Primary Contact

Nikolaos Boumpoulis, CFA
London
44-20-7176-0771
nikolaos.boumpoulis
@spglobal.com

Secondary Contact

Elad Jelasko, CPA
London
44-20-7176-7013
elad.jelasko
@spglobal.com

This report does not constitute a rating action.

Norsk Hydro is poised for material EBITDA growth in 2026 thanks to surging aluminum prices. The blockage of the Strait of Hormuz, combined with damage to several aluminum facilities in the Middle East, has created a shortfall in the supply of aluminum and caused prices to spike. In 2025, the Middle East accounted for 8%-9% of global supply. Since the war broke out, the supply exported through the strait has been minimal.

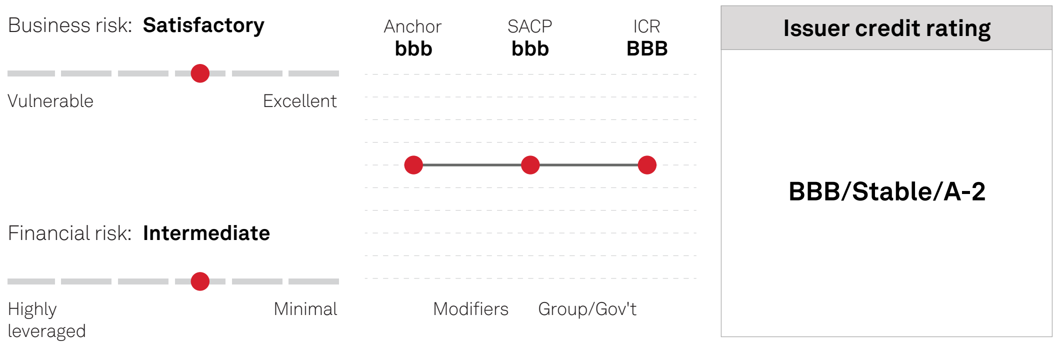
We understand that, even if the war were to cease within the short term, it would take several quarters to rebuild some of the damaged capacity and re-establish normal trade. As a result, we assume that prices will be elevated through 2027. At the same time, demand remains resilient, fueled by increased spending on AI-related infrastructure and electrification. Therefore, we forecast that Norsk Hydro's EBITDA will increase to Norwegian krone (NOK) 37 billion-NOK40 billion in 2026, from NOK31 billion in 2025. The higher prices will more than offset the cost of one-off items such as Norsk Hydro's strategic hedging program and production losses from Qatalum curtailments. In addition, weak alumina prices will weigh on the company's bauxite and alumina segment and lower energy production will depress the energy segment.

Norsk Hydro operates with minimal leverage. As of June 30, 2026, adjusted net debt as adjusted by Norsk Hydro was NOK22.8 billion. Healthy cash flow from operations, combined with a modest capital expenditure (capex) program of NOK13.5 billion in 2026 (NOK1.5 billion below that in the company's previous guidance), will result in healthy free operating cash flow (FOCF). This could enable the company to support higher shareholder remuneration.

Norsk Hydro remains committed to maintaining a rating of 'BBB' or above, as demonstrated by its cost reduction and cash preservation initiatives. At its investor day in November 2025, Norsk Hydro announced actions to improve its return on invested capital and bolster its credit ratios. These will strengthen its financial performance, in line with its publicly disclosed target of net debt to EBITDA of up to 2.0x over the cycle (as calculated by management). The actions are designed to create structural cost savings of NOK6.5 billion by the end of 2030, of which it had already realized NOK1.2 billion in 2025. The company also reduced capex by NOK1.5 billion in 2026, compared with its previous guidance, in response to soft downstream market conditions. We consider that Norsk Hydro's actions, together with its portfolio optimization (which includes extrusion production sites in Europe and the U.S.) and the reiteration of its policy of distributing at least 50% of over-the-cycle adjusted net income as dividends, support our forecast that Norsk

Hydro's financial metrics will improve to comfortably above the threshold we expect at the current rating.

Ratings Score Snapshot



ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Recent Research

- S&P Global Ratings' Metal Price Assumptions: Mostly Higher On Supply Shocks And Lower Stocks, May 25, 2026

Company Description

Norsk Hydro is the world's 10-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 2025, Norsk Hydro's adjusted revenue was NOK218 billion and its S&P Global Ratings-adjusted EBITDA was NOK31.1 billion.

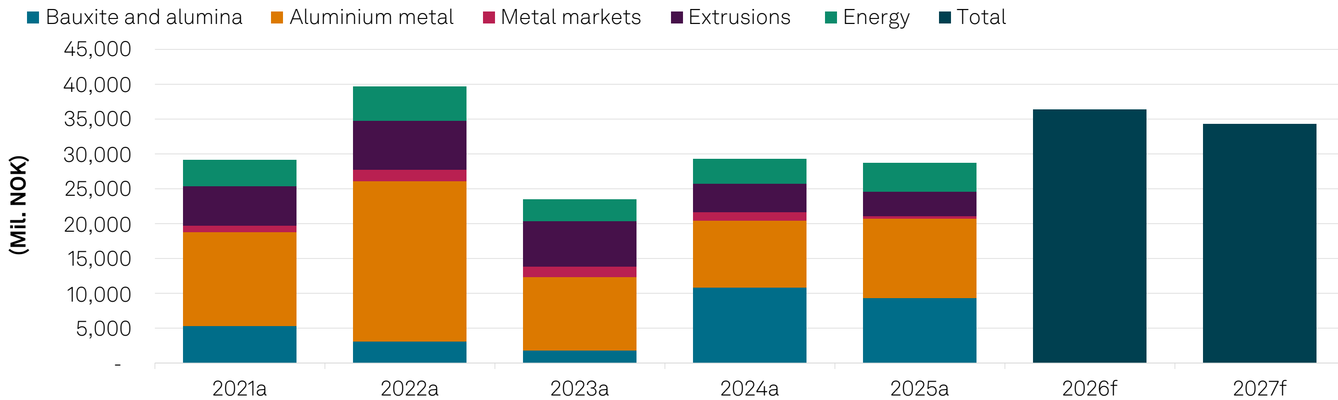
Its portfolio includes:

- **Bauxite and alumina operations:** Accounted for 36% of EBITDA in 2025 and are 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 (mt). Norsk Hydro sold a 30% stake in Alunorte to Glencore in December 2023 for NOK8.4 billion.
- **Primary aluminum production:** Accounted for 39% of EBITDA in 2025. Encompasses 10 smelters with total annual capacity of 2.1 million mt. 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 16% of EBITDA in 2025. 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 has backward integration, 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 8% of EBITDA in 2025. 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, which has plants across 22 countries and is a market leader in North America and Europe.

Norsk Hydro's upstream and downstream segments' contribution to EBITDA

EBITDA by division 2021a-2027f*



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

Outlook

The stable outlook on our long-term rating reflects ample headroom under the rating despite macroeconomic uncertainty and the supply disruption due to the war in the Middle East. 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 S&P Global Ratings-adjusted funds from operations (FFO) to debt of 45% or higher--together with positive discretionary cash flow--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 $2,700 per mt for the remainder of 2026 and $2,800 per mt for 2027, we expect adjusted EBITDA of NOK37 billion-NOK40 billion in 2026 and NOK36 billion-NOK38 billion in 2027. This will translate to adjusted FFO to debt of over 100%.

Downside scenario

In our view, our rating on Norsk Hydro is unlikely to come under pressure within the next 12 months. However, we could downgrade the rating if Norsk Hydro were to deviate from its prudent financial policy; or if there were a sharp reversal in industry conditions, such as prolonged low alumina and aluminum prices, capacity curtailments caused by a severe recession in Europe, or worsening second-order effects on the global economy from the war in the Middle East. Other downgrade triggers would include a large debt-funded acquisition.

Upside scenario

We do not anticipate upgrading Norsk Hydro within the next 12-18 months. However, beyond this horizon, we could raise the rating 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.

Key Metrics

Norsk Hydro ASA--Forecast summary

Period ending	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027
(Mil. NOK)	2023a	2024a	2025a	2026e	2027f
U.S. GDP growth (%)	2.9	2.8	2.1	2.1	1.9
Eurozone GDP growth (%)	0.6	0.9	1.5	0.5	1.0
NOK/USD	10.6	10.7	10.4	9.8	9.4
BRL/USD	5.0	5.4	5.6	5.2	5.3
Aluminum prices ($/mt)	2,444	2,597	2,631	3,300	3,000
EBITDA (reported)	23,407	26,656	25,877	36,330	34,255
Plus/(less): Other	1,798	4,041	5,175	2,412	2,757
EBITDA	25,205	30,697	31,052	38,742	37,012
Less: Cash interest paid	(1,959)	(2,661)	(2,358)	(2,327)	(2,258)
Less: Cash taxes paid	(7,619)	(5,287)	(5,518)	(9,429)	(8,945)
Funds from operations (FFO)	15,627	22,749	23,177	26,986	25,809
Interest expense	2,609	3,378	2,798	2,612	2,543
Cash flow from operations (CFO)	23,220	16,859	24,600	28,321	28,729
Capital expenditure (capex)	14,276	14,080	11,938	13,856	15,356
Free operating cash flow (FOCF)	8,944	2,779	12,661	14,464	13,373
Dividends	12,574	5,015	4,581	7,113	8,113
Debt (reported)	30,972	30,079	32,269	32,269	31,269
Plus: Lease liabilities debt	5,117	4,669	4,305	4,305	4,305
Plus: Pension and other postretirement debt	435	--	--	--	--
Less: Accessible cash and liquid Investments	(23,608)	(14,322)	(21,724)	(24,378)	(23,326)
Plus/(less): Other	9,112	8,141	7,552	6,320	4,506
Debt	22,029	28,567	22,401	18,517	16,754
Cash and short-term investments (reported)	27,259	18,516	26,685	29,338	28,287
Adjusted ratios					
Debt/EBITDA (x)	0.9	0.9	0.7	0.5	0.5
FFO/debt (%)	70.9	79.6	103.5	145.7	154.0
FOCF/debt (%)	40.6	9.7	56.5	78.1	79.8
DCF/debt (%)	(26.3)	(15.8)	32.2	31.6	22.4

Norsk Hydro ASA--Forecast summary

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. NOK--Norwegian krone.

Financial Summary

Norsk Hydro ASA--Financial Summary

Period ending	Dec-31-2020	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025
Reporting period	2020a	2021a	2022a	2023a	2024a	2025a
Display currency (mil.)	NOK	NOK	NOK	NOK	NOK	NOK
Revenues	143,803	157,023	218,447	202,783	213,382	218,126
EBITDA	15,638	29,643	42,186	25,205	30,697	31,052
Funds from operations (FFO)	13,130	25,409	34,987	15,627	22,749	23,177
Interest expense	1,476	1,159	1,481	2,609	3,378	2,798
Cash interest paid	890	904	1,034	1,959	2,661	2,358
Operating cash flow (OCF)	13,931	11,651	30,842	23,220	16,859	24,600
Capital expenditure	6,678	6,553	10,215	14,276	14,080	11,938
Free operating cash flow (FOCF)	7,253	5,098	20,627	8,944	2,779	12,661
Discretionary cash flow (DCF)	4,625	2,276	5,787	(5,787)	(4,508)	7,224
Cash and short-term investments	21,729	29,686	33,978	27,259	18,516	26,685
Gross available cash	20,061	23,323	30,415	24,507	15,140	22,570
Debt	29,870	15,775	11,517	22,029	28,567	22,401
Common equity	77,444	88,380	107,798	107,183	107,452	107,096
Adjusted ratios						
EBITDA margin (%)	10.9	18.9	19.3	12.4	14.4	14.2
Return on capital (%)	5.9	21.2	30.8	13.1	15.3	15.3
EBITDA interest coverage (x)	10.6	25.6	28.5	9.7	9.1	11.1
FFO cash interest coverage (x)	15.8	29.1	34.8	9.0	9.5	10.8
Debt/EBITDA (x)	1.9	0.5	0.3	0.9	0.9	0.7
FFO/debt (%)	44.0	161.1	303.8	70.9	79.6	103.5
OCF/debt (%)	46.6	73.9	267.8	105.4	59.0	109.8
FOCF/debt (%)	24.3	32.3	179.1	40.6	9.7	56.5
DCF/debt (%)	15.5	14.4	50.3	(26.3)	(15.8)	32.2

Peer Comparison

Norsk Hydro ASA--Peer Comparisons

	Norsk Hydro ASA	Alcoa Corp.	Aluminum Corp. of China Ltd.	Rio Tinto PLC	Constellium SE
Foreign currency issuer credit rating	BBB/Stable/A-2	BB+/Stable/--	BBB/Positive/--	A/Stable/A-1	BB-/Positive/--
Local currency issuer credit rating	BBB/Stable/A-2	BB+/Stable/--	BBB/Positive/--	A/Stable/A-1	BB-/Positive/--
Period	Annual	Annual	Annual	Annual	Annual
Period ending	2025-12-31	2025-12-31	2025-12-31	2025-12-31	2025-12-31
Mil.	NOK	NOK	NOK	NOK	NOK
Revenue	218,126	129,345	347,524	581,031	85,172

Norsk Hydro ASA--Peer Comparisons

EBITDA	31,052	18,498	59,844	230,485	7,319
Funds from operations (FFO)	23,177	14,930	45,511	179,305	5,444
Interest	2,798	2,590	3,415	22,742	1,179
Cash interest paid	2,358	1,884	8,127	8,690	1,371
Operating cash flow (OCF)	24,600	12,023	41,565	171,745	4,537
Capital expenditure	11,938	5,837	13,309	124,345	3,286
Free operating cash flow (FOCF)	12,661	6,186	28,256	47,399	1,250
Discretionary cash flow (DCF)	7,224	5,047	21,285	(17,712)	91
Cash and short-term investments	26,685	16,099	46,700	83,740	1,210
Gross available cash	22,570	16,099	46,700	83,740	1,210
Debt	22,401	28,862	57,319	287,662	27,362
Equity	107,096	62,440	176,658	675,648	9,788
EBITDA margin (%)	14.2	14.3	17.2	39.7	8.6
Return on capital (%)	15.3	7.6	17.5	18.8	9.6
EBITDA interest coverage (x)	11.1	7.1	17.5	10.1	6.2
FFO cash interest coverage (x)	10.8	8.9	6.6	21.6	5.0
Debt/EBITDA (x)	0.7	1.6	1.0	1.2	3.7
FFO/debt (%)	103.5	51.7	79.4	62.3	19.9
OCF/debt (%)	109.8	41.7	72.5	59.7	16.6
FOCF/debt (%)	56.5	21.4	49.3	16.5	4.6
DCF/debt (%)	32.2	17.5	37.1	(6.2)	0.3

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 July 1, 2026. Our assessment is supported by a high cash balance, $2.4 billion available under the committed credit lines, and a comfortable debt profile. 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 has 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% of the SAPA joint venture in 2018.

Principal liquidity sources	Principal liquidity uses
• Estimated cash and cash equivalents of NOK17.4 billion; • Availability under the committed credit line of $1.6 billion (about NOK15.7 billion) maturing in November 2030 and $0.8 billion (about NOK7.8 billion) maturing in November 2027; and	• Debt maturity of NOK1.0 billion in the next 12-24 months; • Working capital outflows of about NOK1.0 billion in the next 12 months and NOK0.2 billion in the subsequent 12 months;

- FFO of NOK23 billion-NOK25 billion in our base-case scenario over the next 24 months.
- Capex of about NOK13 billion-NOK15 billion a year over the next 24 months; and
- Dividends of NOK6.0 billion-NOK7.5 billion a year over the next 24 months.

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**
Modifiers	
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

- Criteria | Corporates | General: Sector, July 7, 2025
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short, April 7, 2017
- General Criteria: Rating Government, 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
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013

- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011