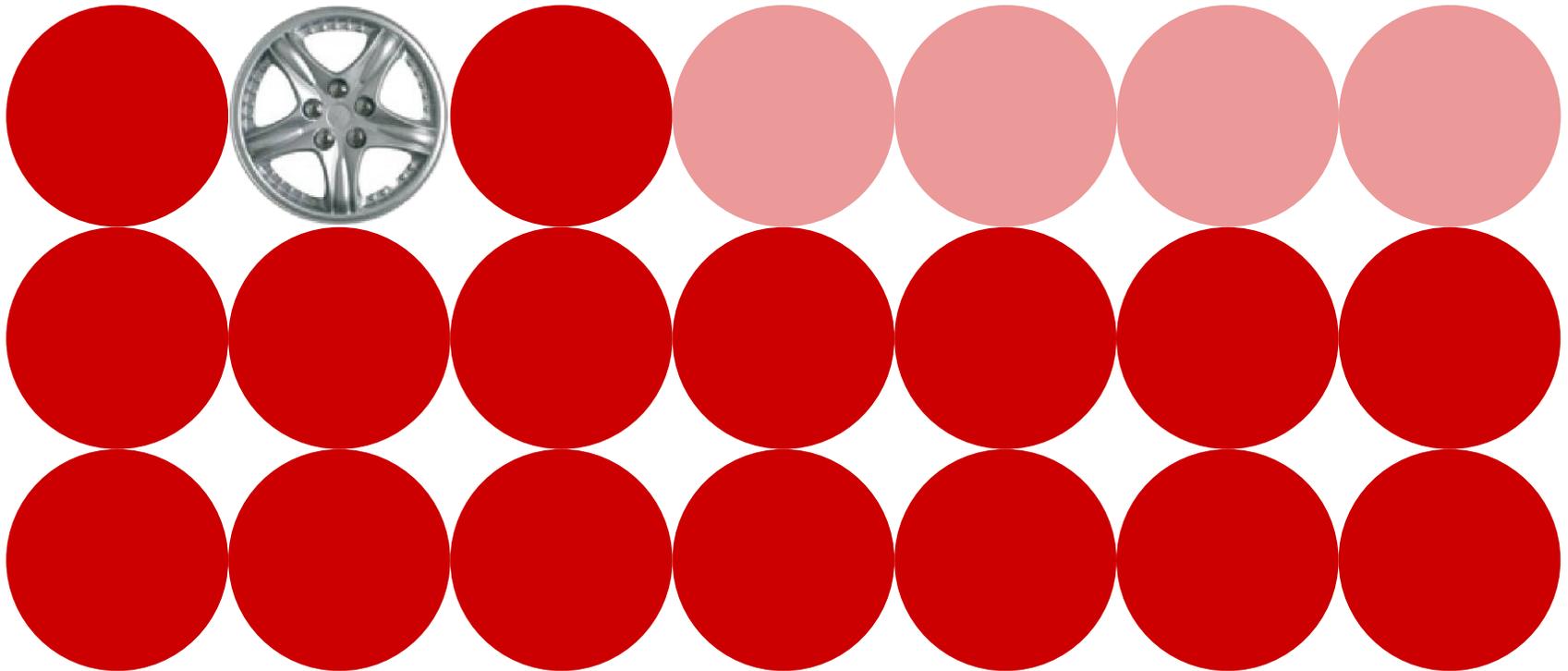


# Hydro - a resourceful aluminium company



John Ove Ottestad, Executive Vice President and Chief Financial Officer  
March 7, 2008

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# A resourceful aluminium company



- 25 000 employees<sup>1)</sup>
- Operations in more than 30 countries
- Turnover
  - 2006: NOK 99 billion
  - 2007: NOK 94 billion
- Underlying EBIT
  - 2006: NOK 10.2 billion
  - 2007: NOK 9.9 billion
- Market capitalization NOK 90 billion<sup>2)</sup>

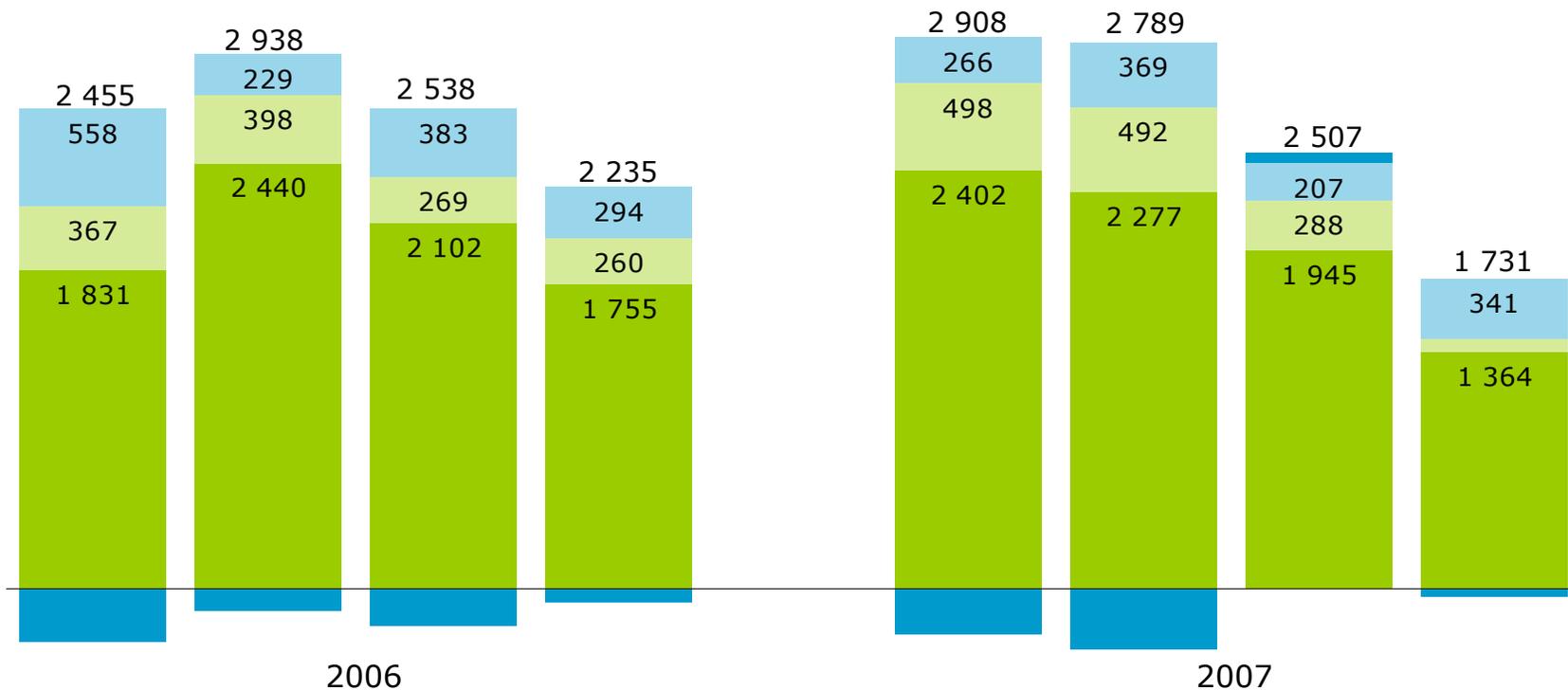
1) Excluding Polymers

2) Close March 3, 2008

# Underlying EBIT per segment

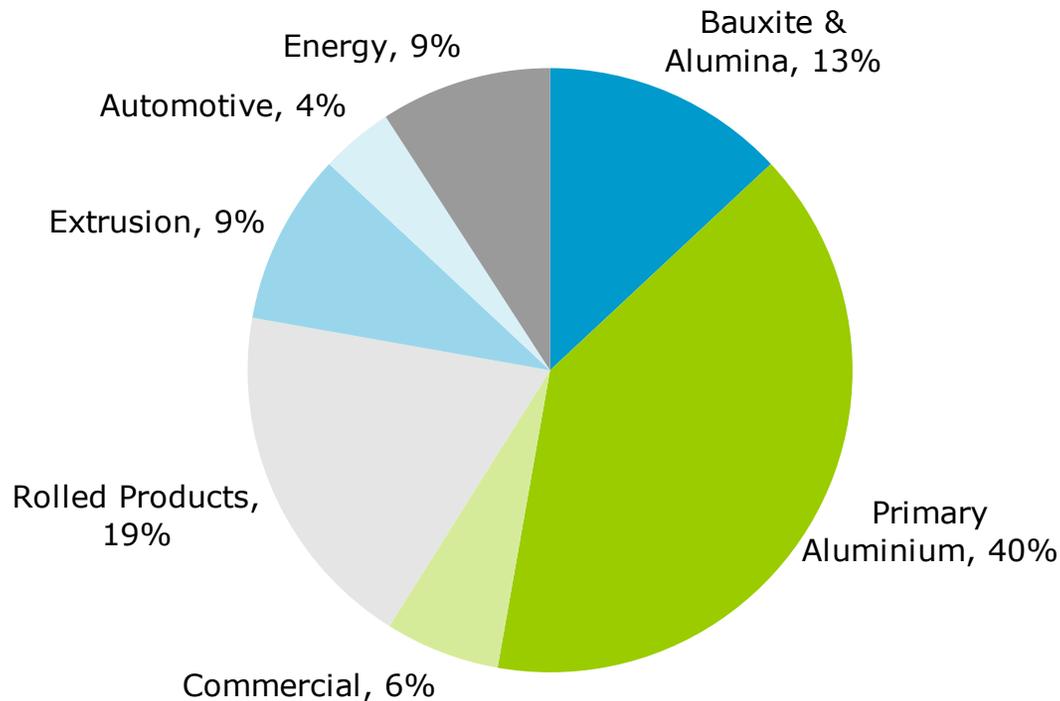
NOK million

■ Aluminium Metal    
 ■ Aluminium Products    
 ■ Energy    
 ■ Corporate and eliminations



# Capital employed – upstream focus

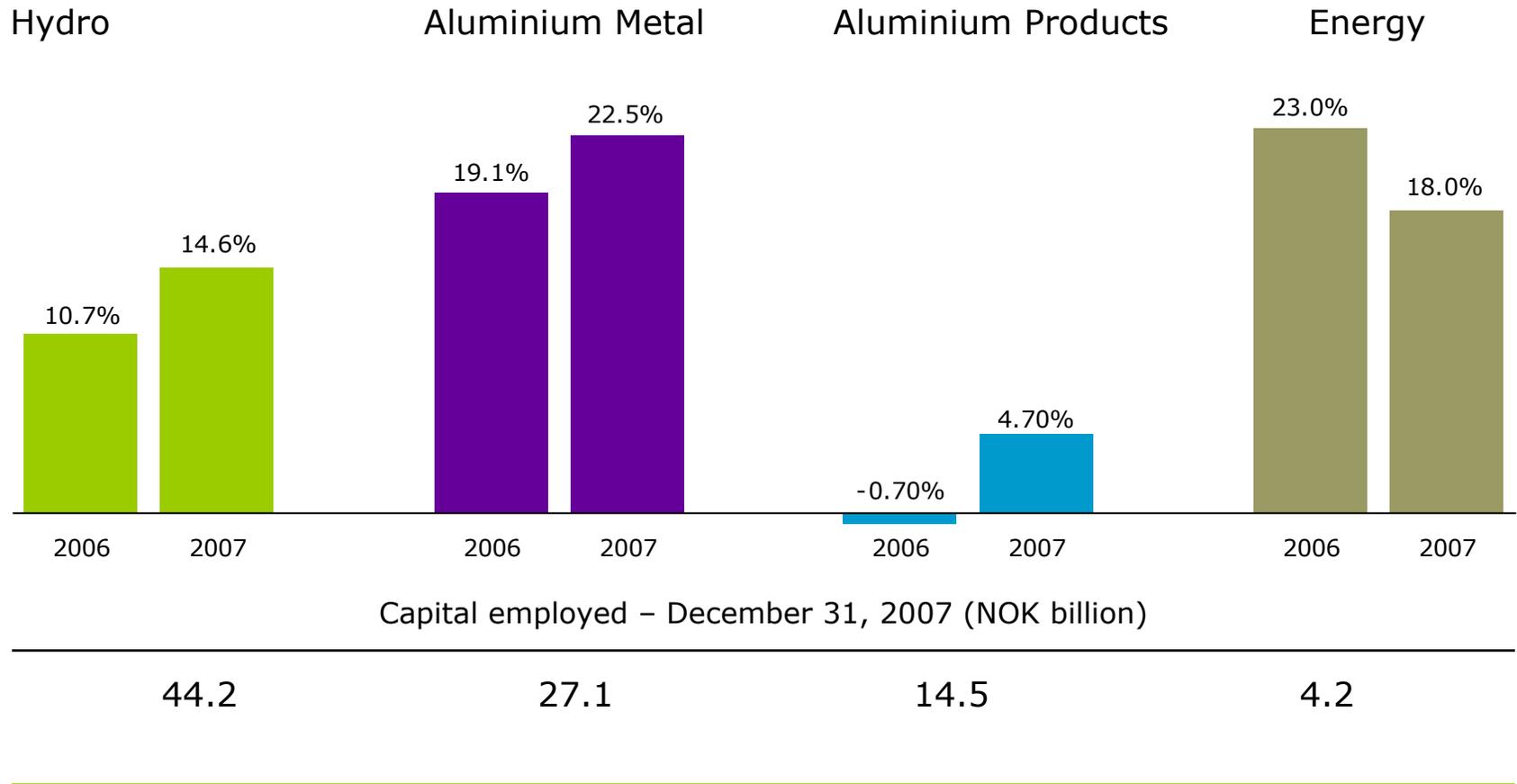
Total NOK 44 billion<sup>1)</sup> 31 December 2007



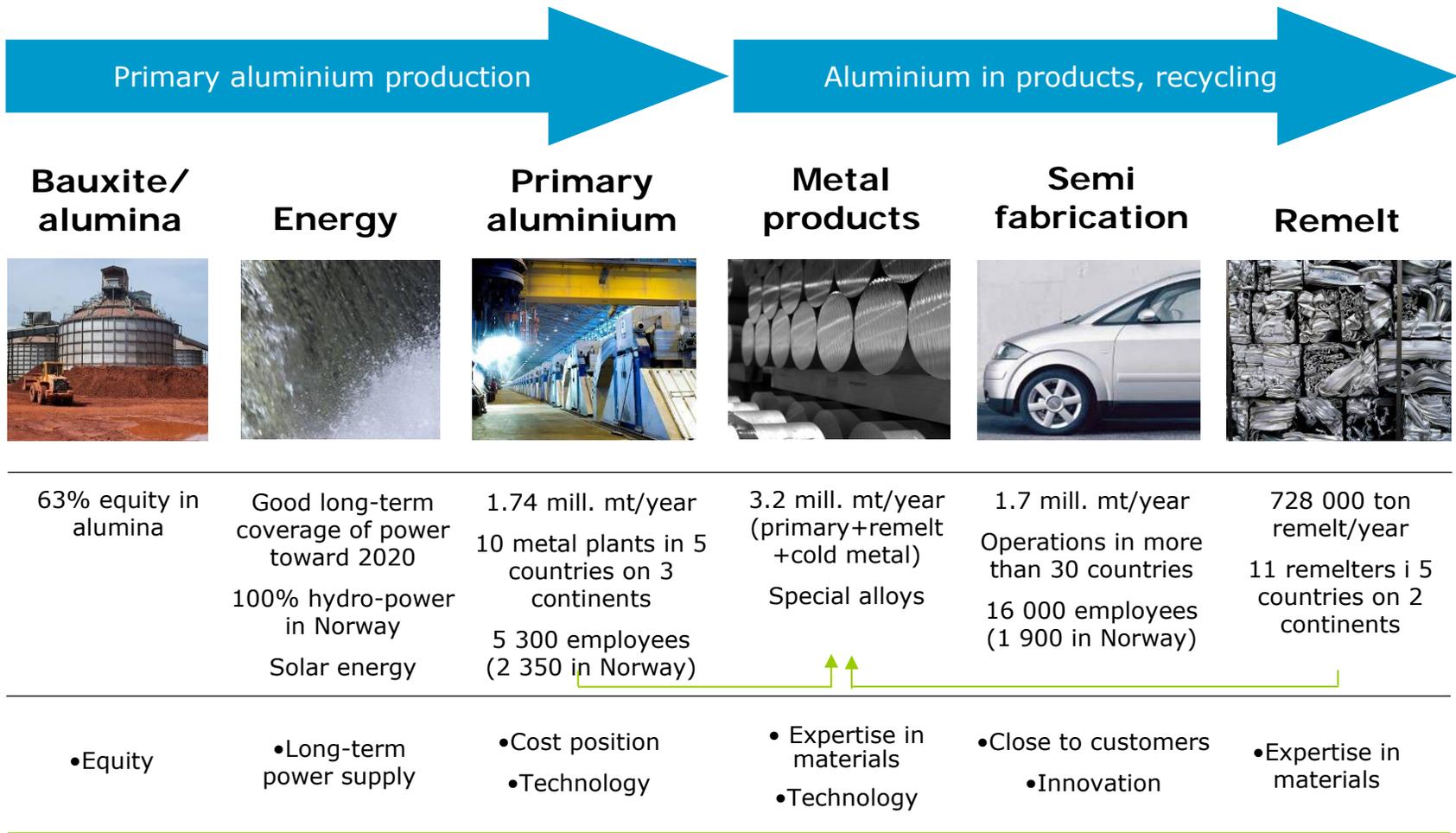
1) Including NOK 1.7 billion in negative capital employed in "Corporate and Other" not shown in graph

# Improved return on capital

## RoaCE



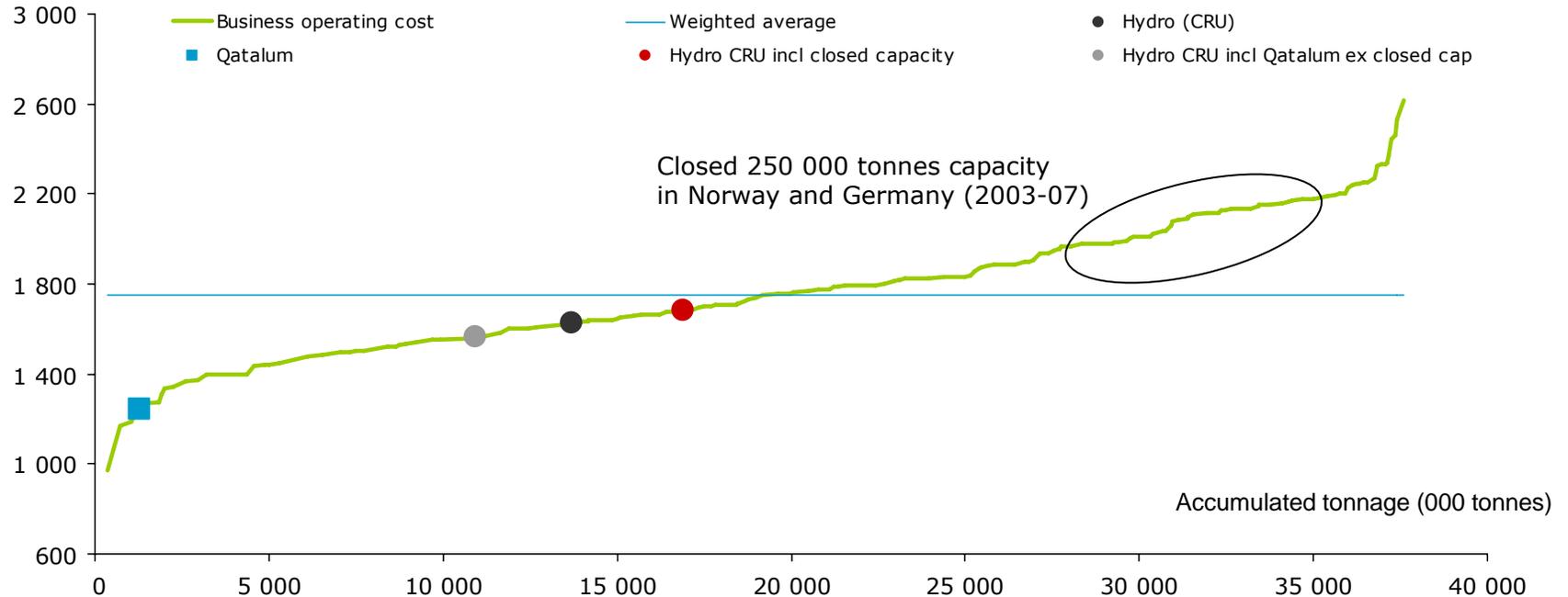
# Hydro in the aluminium value chain



# Growth and restructuring efforts

## Improved cost position

Business operating cash cost  
USD/tonne



\* Source: CRU, 2007. Business operating cost definition. Assumptions 3 month LME 2 705 USD/tonne and 3 month LME lagged 1Q 2 747 USD/tonne. Alumina spot 329 USD/tonne. Hydro numbers for Qatalum

# Qatalum smelter

## Largest greenfield capacity built in one step



- First-stage capacity
  - Smelter: 585 000 tonnes per year
  - 704 cells in 2 double-lined potrooms
  - Hydro technology
  - Anode plant and cast houses
  - 1 250 MW power plant
  - Possible expansion to 1 200 000 tonnes per year
- Technology designed for
  - Low specific energy consumption
  - High-labour productivity
  - Low emissions
- Investment costs USD 5.6 billion (100%)
- 50/50 joint venture between Hydro and Qatar Petroleum

# Hydro well covered with alumina

## New refinery positions Hydro for further growth in metal

### Alumina coverage

Percent

140%

120%

100%

80%

60%

40%

20%

0%

2007

2008

2009

2010

2011

2012

2013

2014

2015

LME-linked contracts

MoU new refinery equity

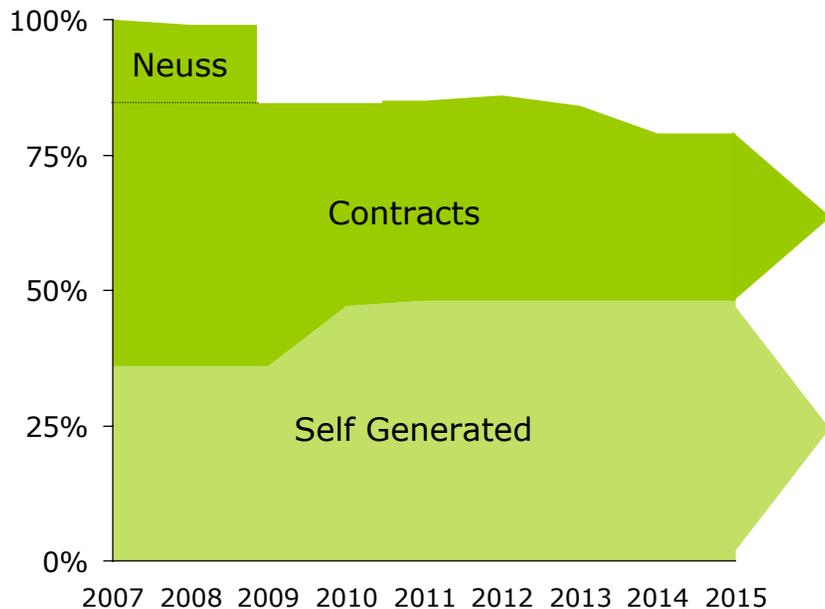
Equity

Based on existing smelter capacity and decided smelter and alumina projects

# Competitive power sourcing

## Critical for aluminium smelting

### Power coverage



- Power represents 30% of production costs
- Long-term power sourcing ensures predictable costs
- Globalization of Hydro's power activities
- 9 TWh captive hydroelectric production in Norway

Based on existing smelter capacity and decided smelter projects

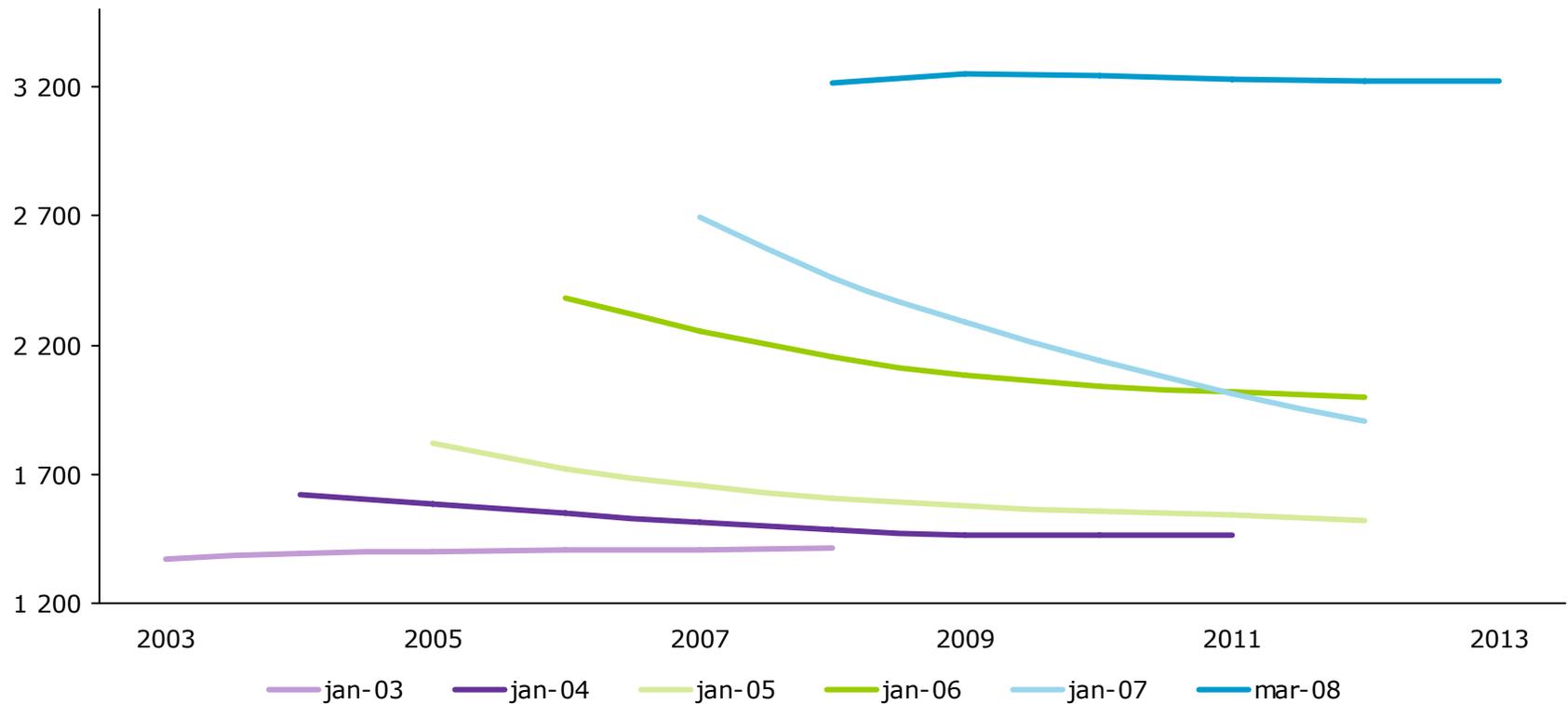


## 2008 outlook

- Rapidly growing global demand for primary metal
  - Driven by China and despite weakening development in the US economy
- Supply disturbances bolster the aluminium price
- Uncertain global economic outlook

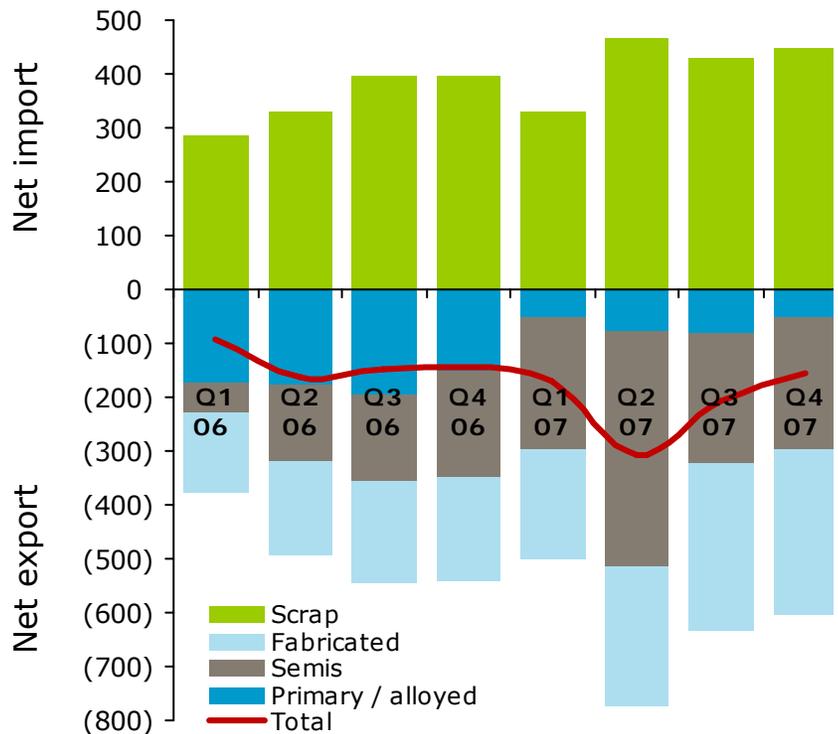
# Significant change in forward curve

LME forward price, USD/tonne



# China striving for balance

1 000 tonnes

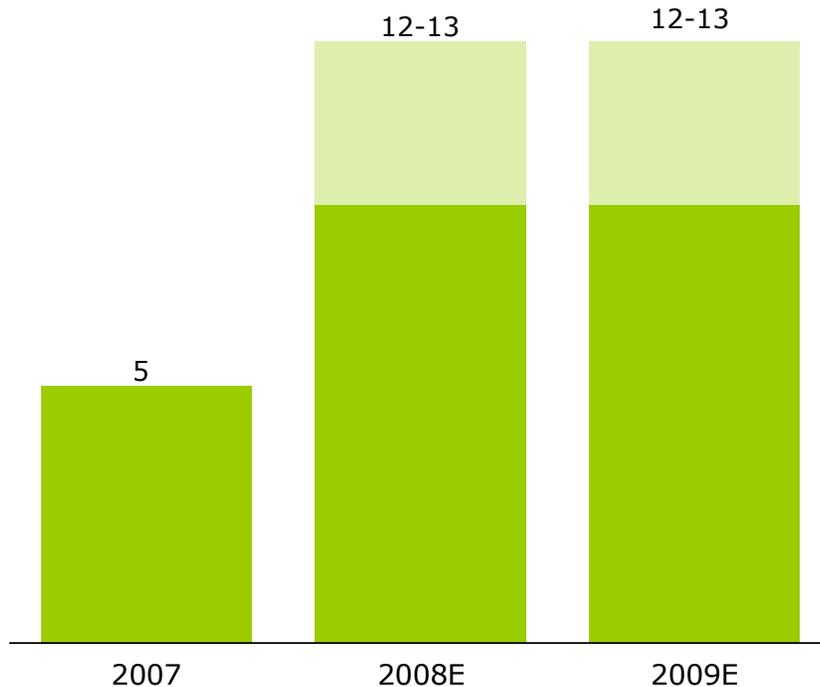


- Export tax on metal and low value-added products
- Majority of export to Asian markets
- China expected to be balanced, medium to long-term

Source: Hydro 2007 / Antaike

# Capital allocation

NOK billion

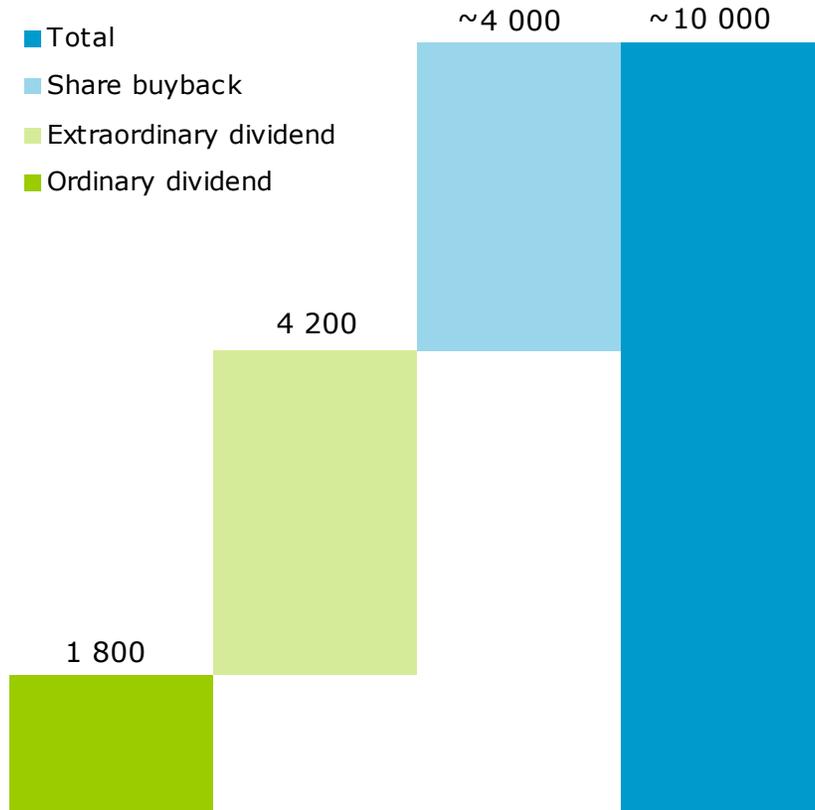


■ Debt-financed investments in joint ventures (upstream)

- ~80% of 2008-2009 investments upstream
- Qatalum: USD 2.8 billion
- Alunorte 3: USD 0.3 billion
- Aluminium Products
  - Selective growth initiatives in Extrusion and Building Systems
- Sustaining capex NOK 3 billion annually

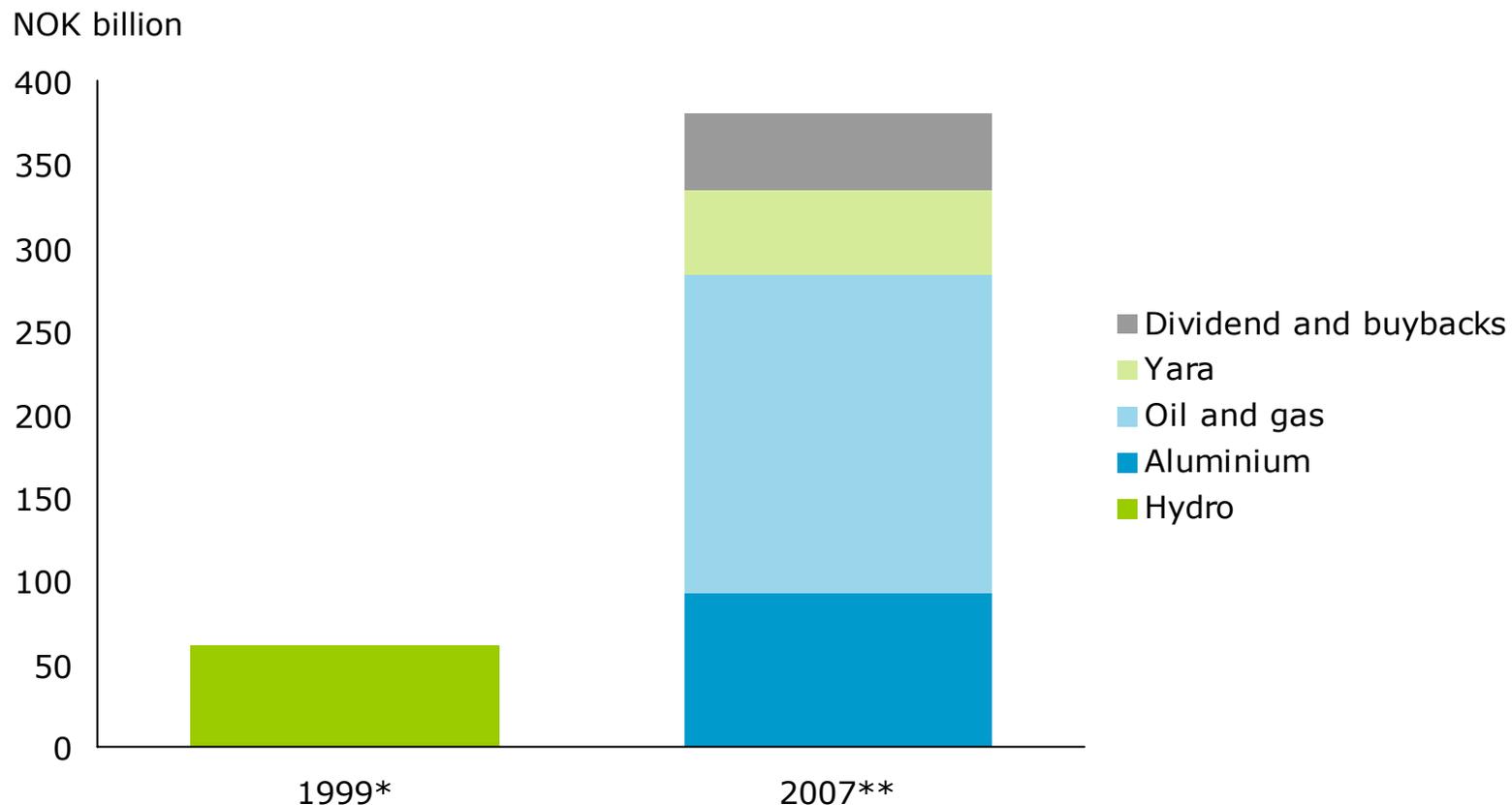
# Dividend and share buyback for 2007

NOK million



- Dividend
  - Ordinary NOK 1.50 per share
  - Extraordinary NOK 3.50 per share
  - **Total NOK 5.00 per share**
- Share buyback authorization
  - ~NOK 4 billion
- Maintain flexibility to pursue business opportunities in an uncertain financial environment
- Proposal to be considered by the Annual General Meeting on May 6

# Restructuring the Hydro conglomerate has created significant value



\* 4 January 1999 close, nominal value

\*\* 28 September 2007 close. Aluminium and Oil & Energy based on transaction equation adjusted for dividend payments



# Hydro's competitive strengths

- Power position
- Operational performance
- Technological leadership across value chain
- Close to markets and customers
- Reputable partner in joint ventures
- Distinct project management skills
- Financial capacity to grow



[www.hydro.com](http://www.hydro.com)