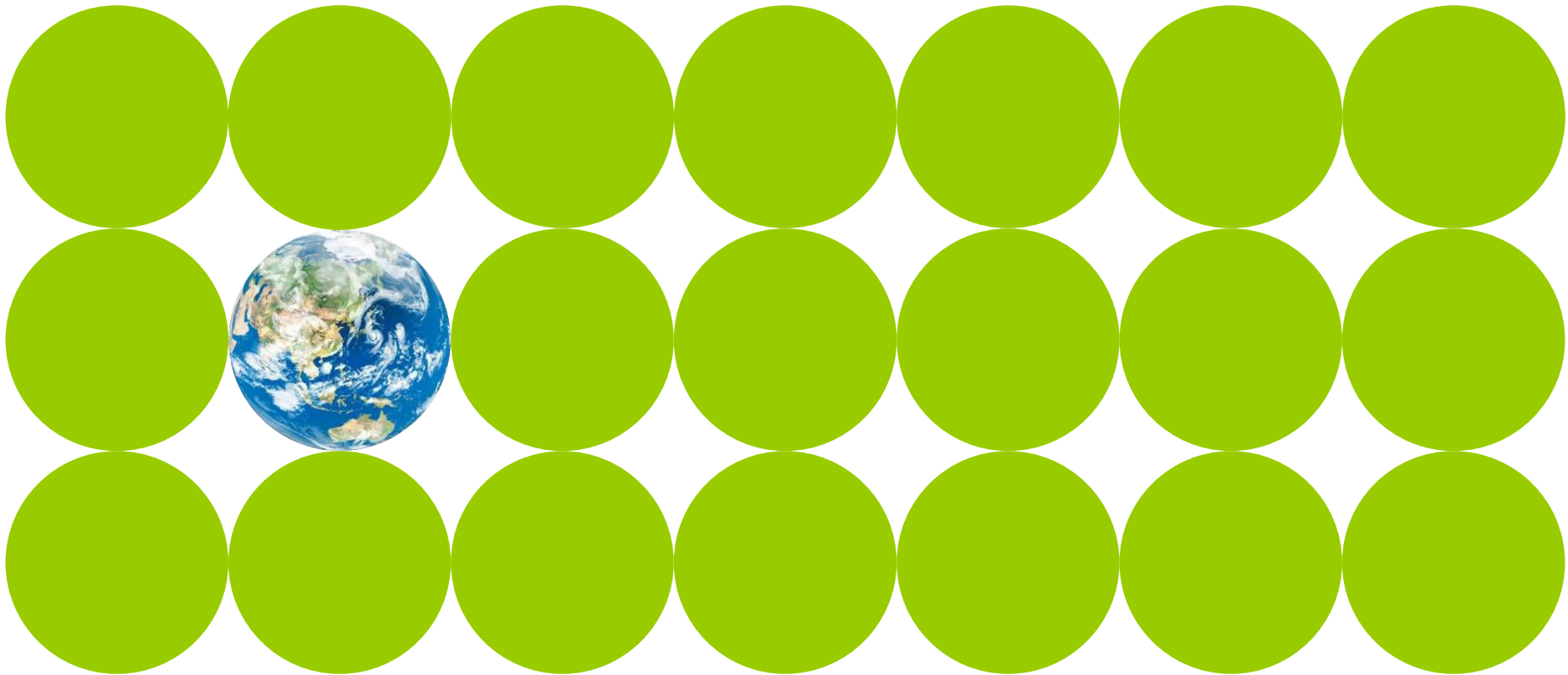


# Hydro - a resource rich and fully integrated aluminium company



Jørgen C. Arentz Rostrup, Executive Vice President and CFO  
September 28, 2010

# Cautionary note in relation to certain forward-looking statements

Certain statements contained in this announcement constitute “forward-looking information” within the meaning of Section 27A of the US Securities Act of 1933, as amended, and Section 21E of the US Securities Exchange Act of 1934, as amended. In order to utilize the “safe harbors” within these provisions, we are providing the following cautionary statement.

Certain statements included within this announcement contain (and oral communications made by us or on our behalf may contain) forward-looking information, including, without limitation, those relating to (a) forecasts, projections and estimates, (b) statements of management’s plans, objectives and strategies for Hydro, such as planned expansions, investments or other projects, (c) targeted production volumes and costs, capacities or rates, start-up costs, cost reductions and profit objectives, (d) various expectations about future developments in Hydro’s markets, particularly prices, supply and demand and competition, (e) results of operations, (f) margins, (g) growth rates, (h) risk management, as well as (i) statements preceded by “expected”, “scheduled”, “targeted”, “planned”, “proposed”, “intended” or similar statements.

Although we believe that the expectations reflected in such forward-looking statements are reasonable, these forward-looking statements are based on a number of assumptions and forecasts that, by their nature, involve risk and uncertainty. Various factors could cause our actual results to differ materially from those projected in a forward-looking statement or affect the extent to which a particular projection is realized. Factors that could cause these differences include, but are not limited to: our continued ability to reposition and restructure our upstream and downstream Aluminium business; changes in availability and cost of energy and raw materials; global supply and demand for aluminium and aluminium products; world economic growth, including rates of inflation and industrial production; changes in the relative value of currencies and the value of commodity contracts; trends in Hydro’s key markets and competition; and legislative, regulatory and political factors. For a detailed description of factors that could cause our results to differ materially from those expressed or implied by such statements, please refer to the risk factors specified under “Risk review – Risk factors” on page 134 of our Annual Report 2006 (including Form 20-F) and subsequent filings on Form 6-K with the US Securities and Exchange Commission.

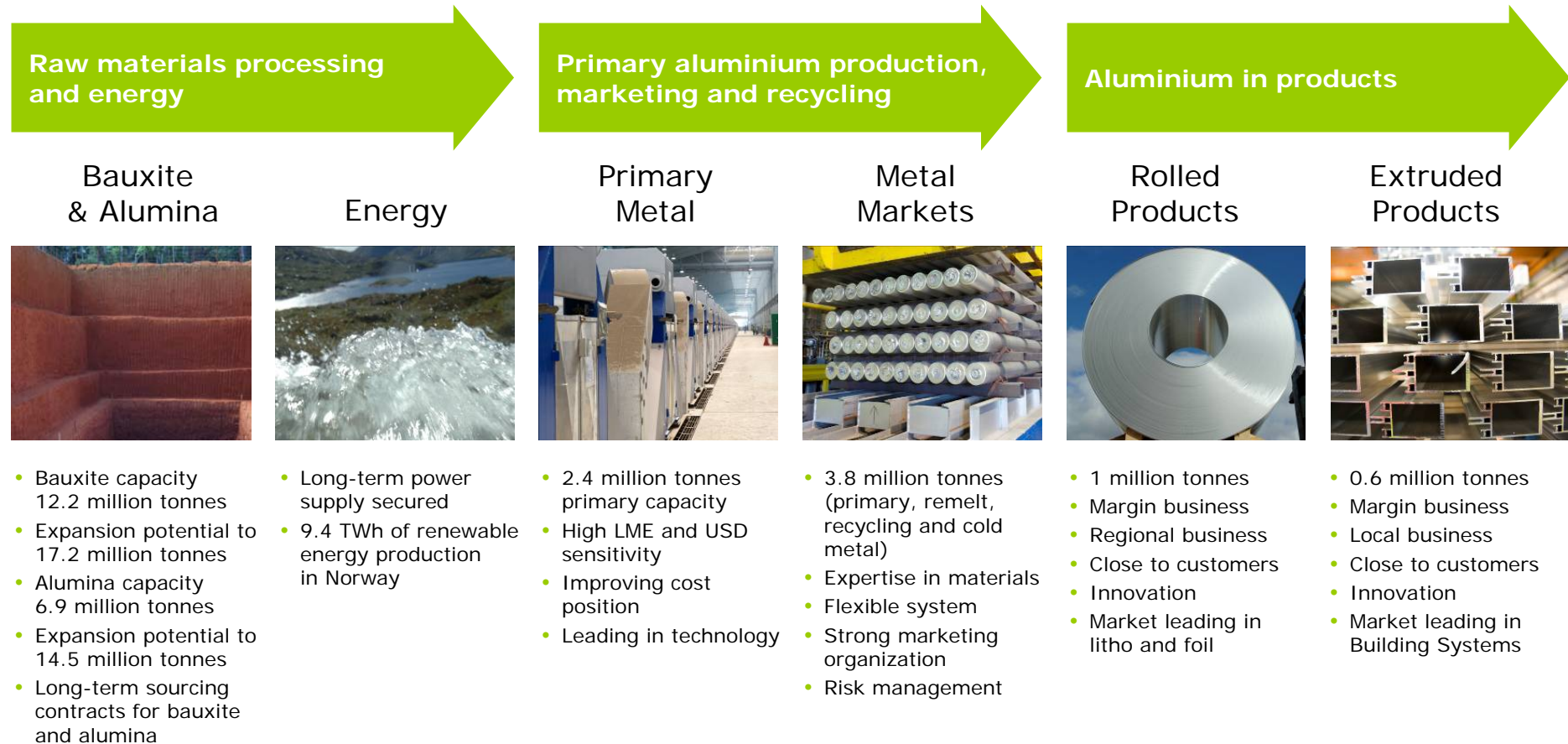
No assurance can be given that such expectations will prove to have been correct. Hydro disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

# Hydro's value proposition

- Resource rich and fully integrated aluminium and energy company with global reach and attractive positions across the value chain
- Upstream cost position to be improved by the world-class Qatalum smelter
- Strong operational performance and cost focus
- Financial discipline
- Leading core technology and products
- Long-term prospects for aluminium remain encouraging

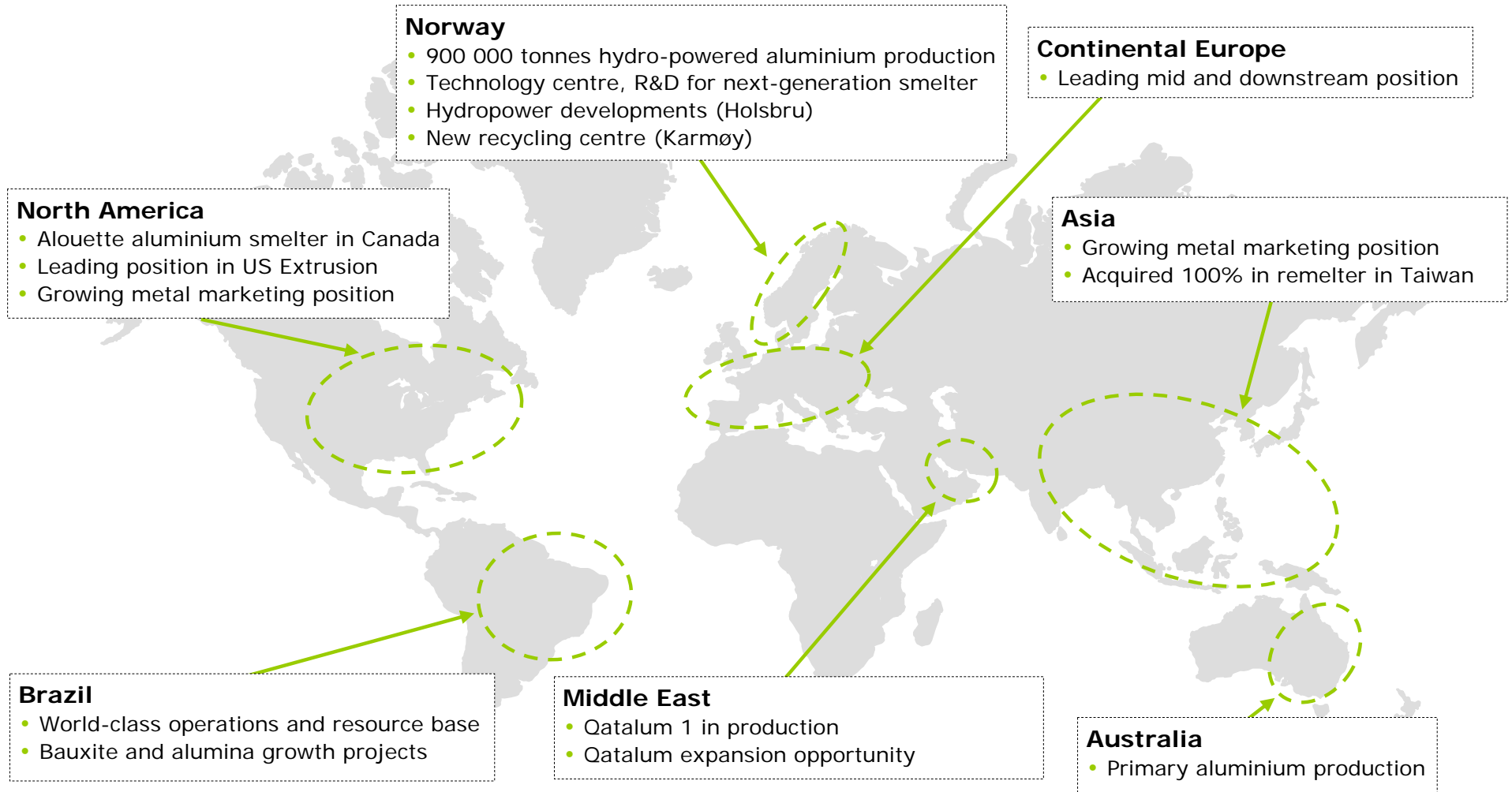


# Strong positions across aluminium value chain



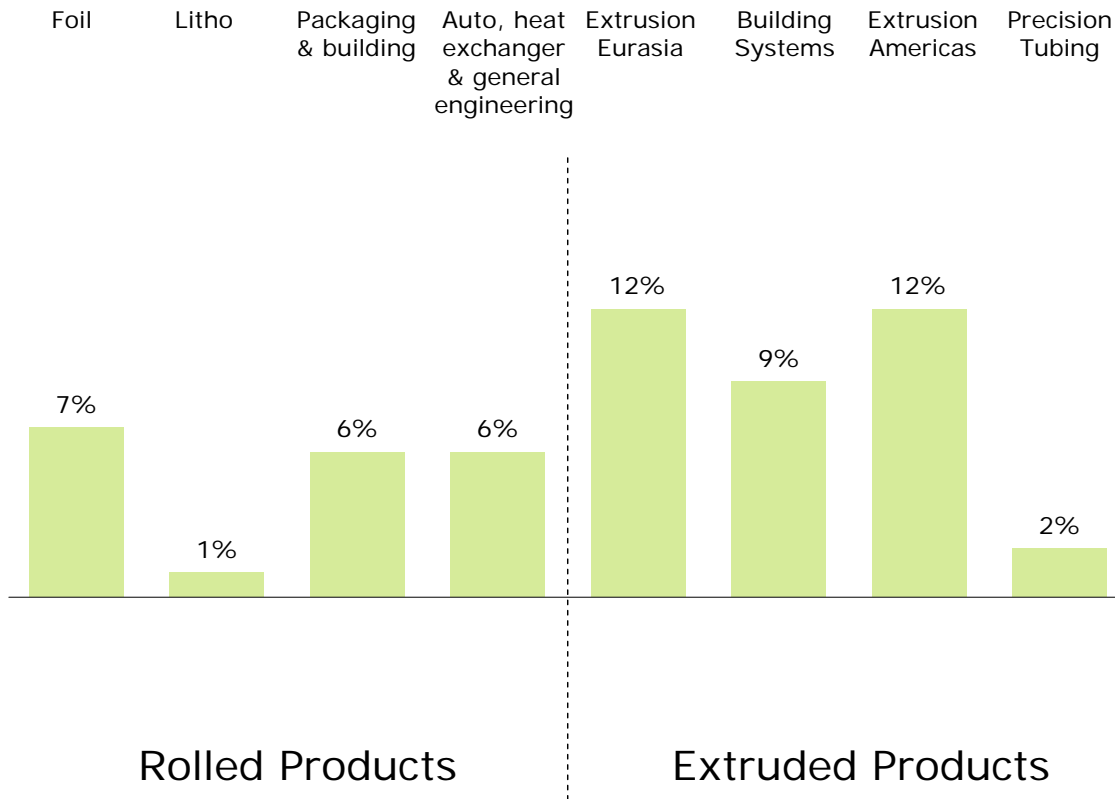
Pro forma capacity figures for end-2010. 100% of volumes for assets that are fully consolidated and pro rata share of volumes for other assets.

# Attractively positioned, global reach

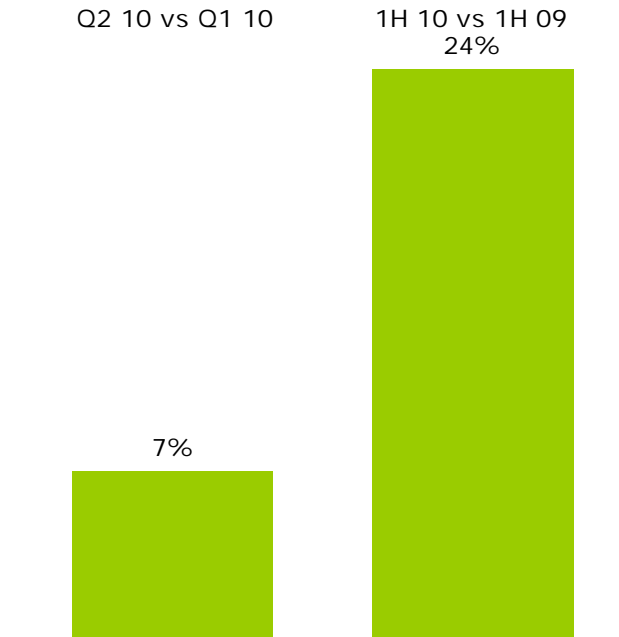


# Downstream sales up on demand and seasonal effects

Hydro's downstream sales Q2 2010 vs Q1 2010

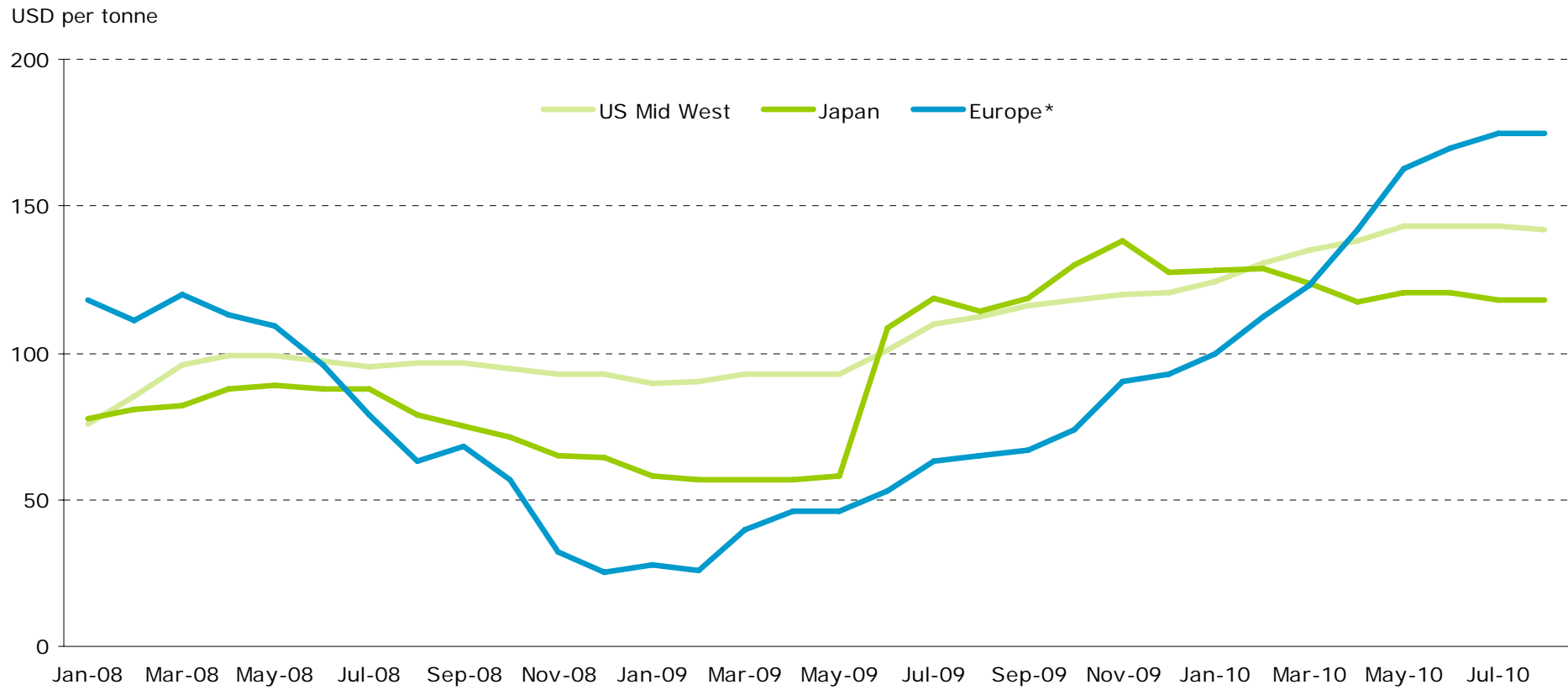


Total downstream sales\*



\* Excluding Automotive Structures

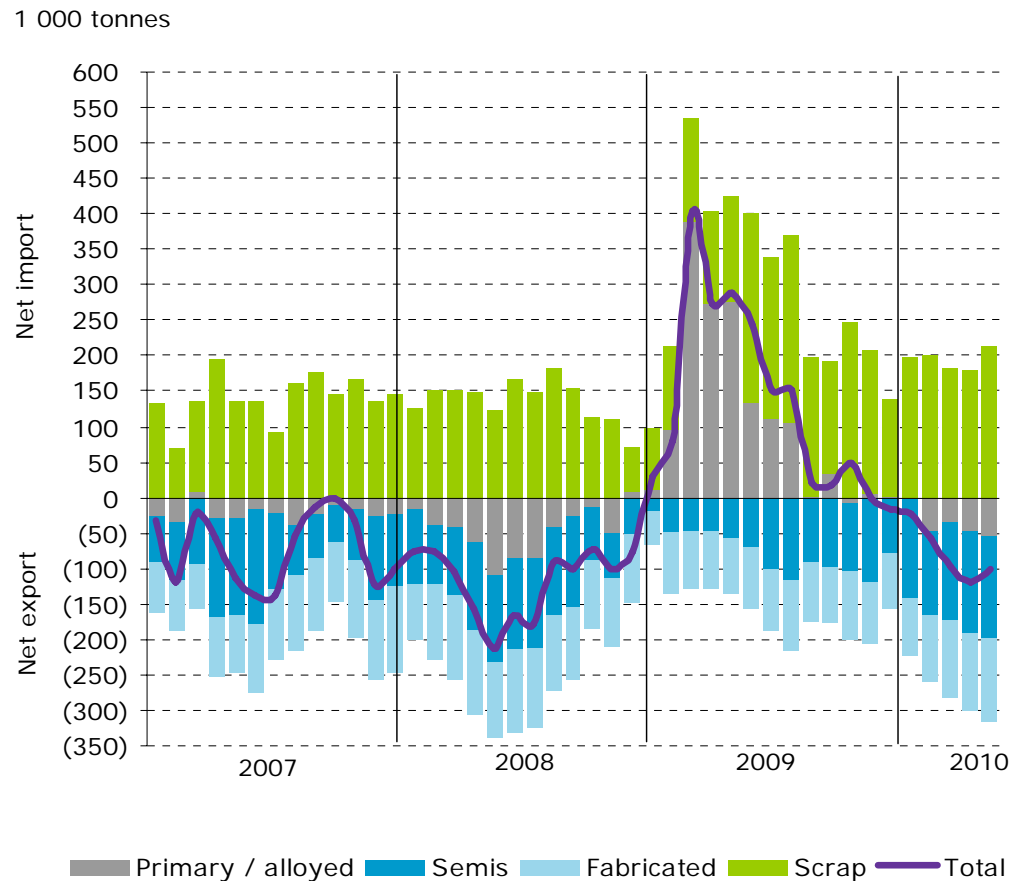
# Increased ingot premiums



\* Duty-paid

Source: Metal Bulletin, MW/MJP: Platts

# China balanced in primary aluminium

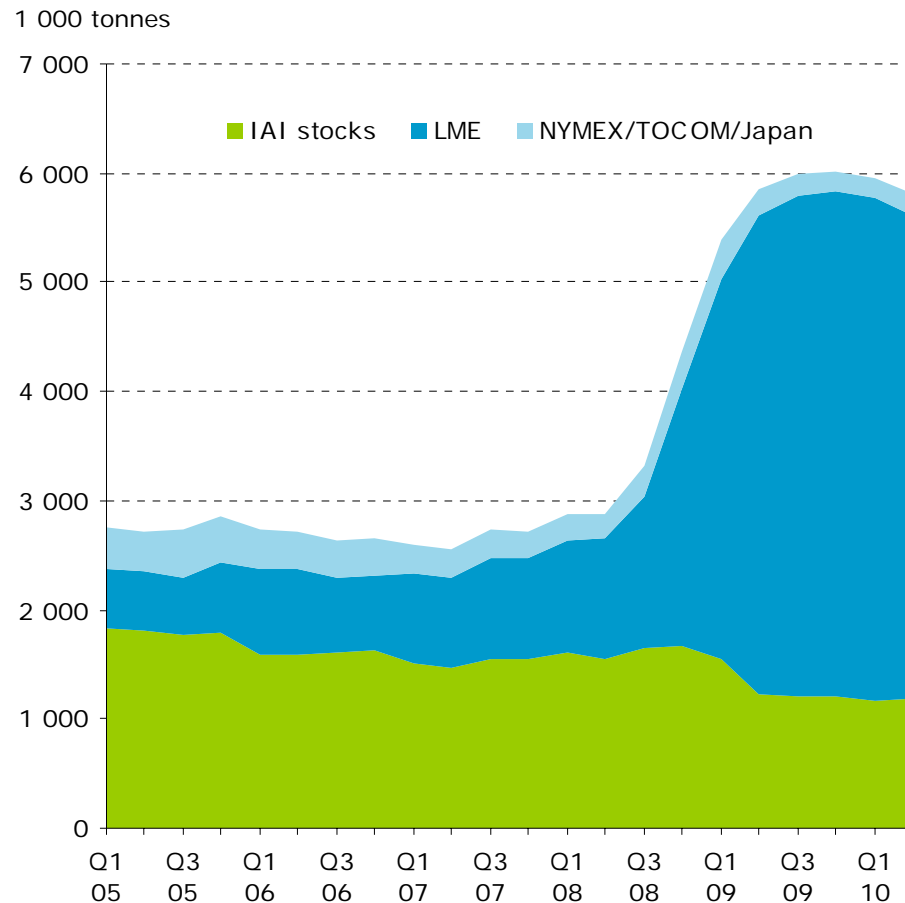


- Balanced supply and demand during Q2
  - Announced production cuts due to low prices and high costs
  - New capacity coming on stream
- Modest primary production surplus expected in 2010
- Limited export of primary metal expected in 2010

Source: Hydro / Antaike, July 2010



# Stable inventory levels

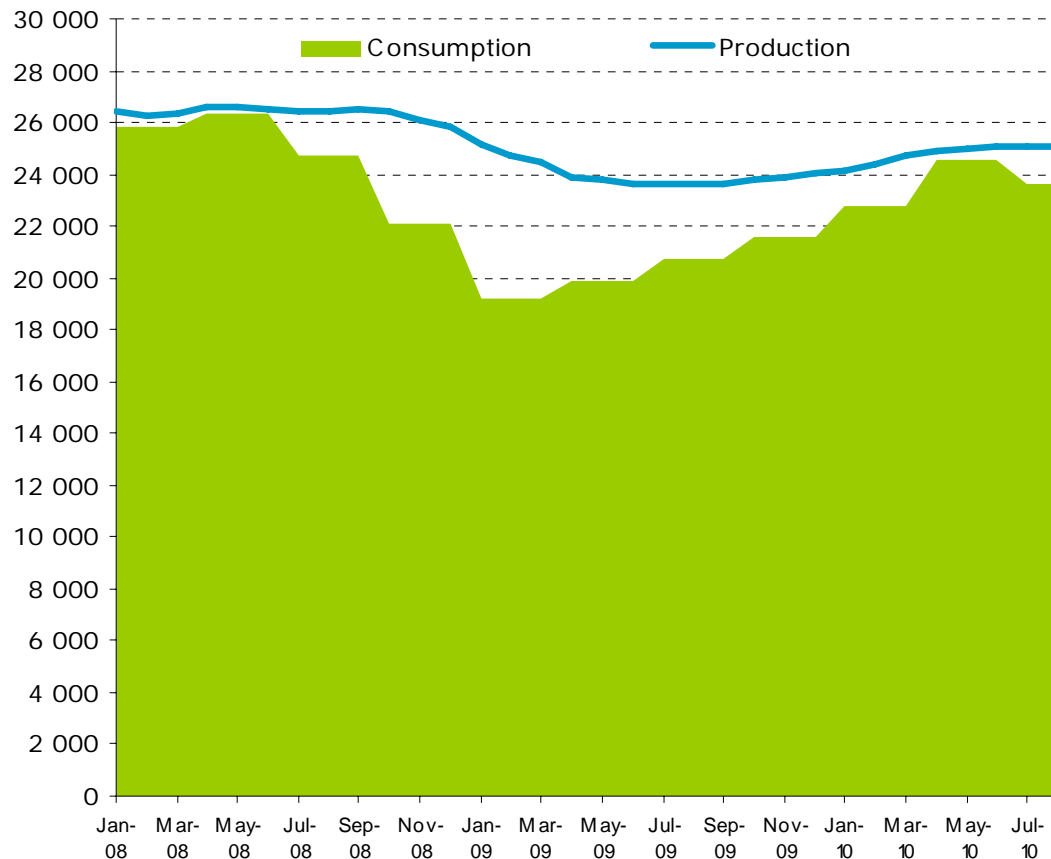


Source: CRU

- Reported inventories outside China: ~6 million tonnes
- Large portion of inventories held by financial investors
  - Unavailable to market
  - Time horizon depending on interest rates, warehousing costs and LME contango
  - Contracts believed to be shorter term than previously
- Industry analysts indicate increased unreported inventories during Q2

# Reduced market imbalance outside China

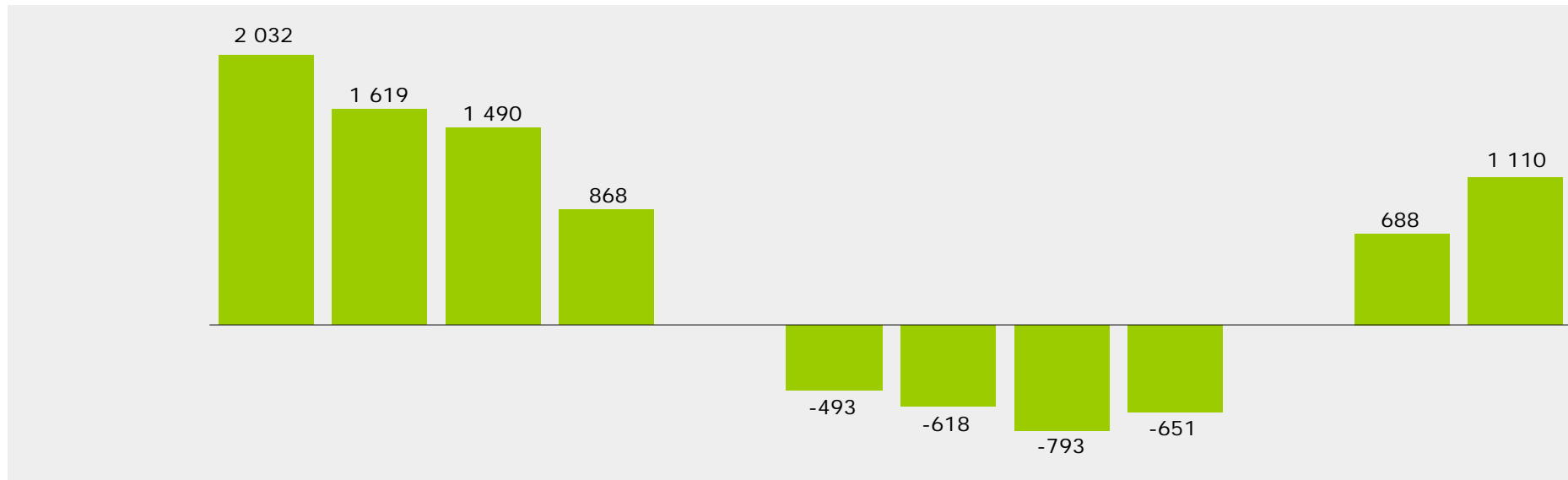
World outside China (annualized), 1 000 tonnes



- Annualized imbalance of 0.5 million tonnes in Q2
- Imbalance expected to continue in 2010
- New capacity coming on stream in Middle East and India

Source: CRU, average consumption per quarter

# Underlying EBIT



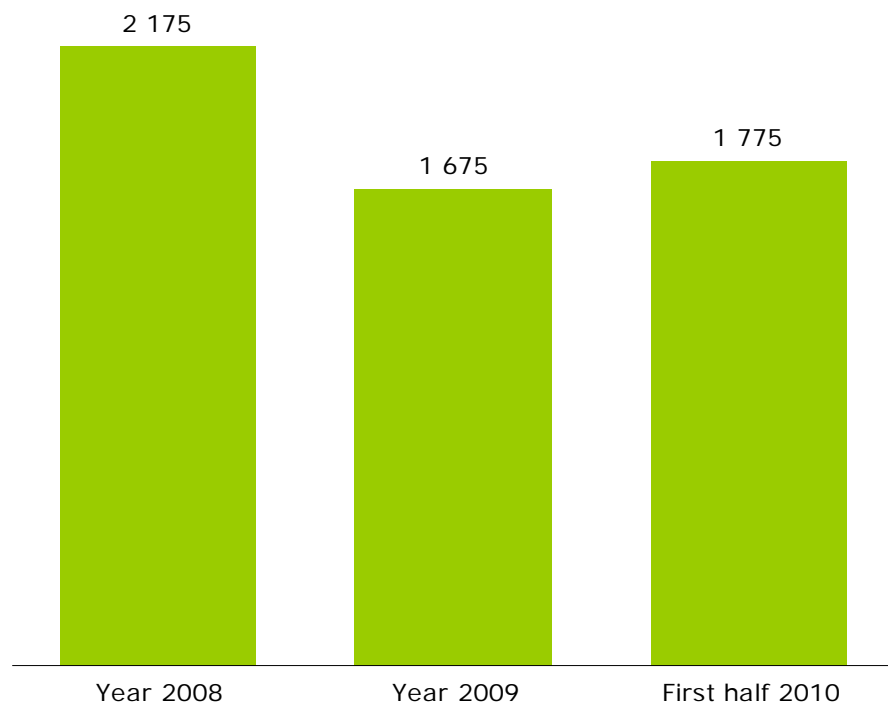
NOK million	Q1 2008	Q2 2008	Q3 2008	Q4 2008		Q1 2009	Q2 2009	Q3 2009	Q4 2009		Q1 2010	Q2 2010
Primary Metal	938	795	906	93		(185)	(895)	(760)	(717)		(49)	657
Metal Markets	363	139	(41)	242		(245)	196	(15)	(20)		65	31
Rolled Products	147	240	170	93		(53)	(28)	51	57		223	309
Extruded Products	223	296	152	(332)		(204)	(26)	95	68		117	201
Energy	421	302	493	649		447	281	217	295		588	177
Other and eliminations	(60)	(153)	(191)	124		(253)	(146)	(381)	(334)		(255)	(265)
<b>Total</b>	<b>2 032</b>	<b>1 619</b>	<b>1 490</b>	<b>868</b>		<b>(493)</b>	<b>(618)</b>	<b>(793)</b>	<b>(651)</b>		<b>688</b>	<b>1 110</b>

# Upstream repositioning continues

Cash cost up from 2009 on increased alumina cost and weaker NOK/USD

## Estimated primary aluminium production cash costs

In USD/tonne\*



\* Realized aluminium price minus EBITDA margin per tonne primary aluminium. EBITDA margin excludes bauxite, alumina and Qatalum-related earnings, but includes net earnings from primary casthouses.

- Unsatisfactory cost position
  - Estimated first half 2010 cash cost USD 1 775/ NOK 10 500
  - Stronger USD positively influences USD cash cost in Q2 vs Q1
- Norwegian smelter system challenging in current environment with high cost level
- Program for USD 100 reduction in conversion cost by end-2011 on target
- Qatalum contributing with lower costs with full effect from 2011

# Further upstream improvements necessary



- Increased ambition for an additional USD 200 reduction in cash cost
- Cost reduction and efficiency improvements
  - Purchasing
  - Logistics
  - Technology
  - Maintenance
  - Manning and organization
- Improvement in casthouse margins

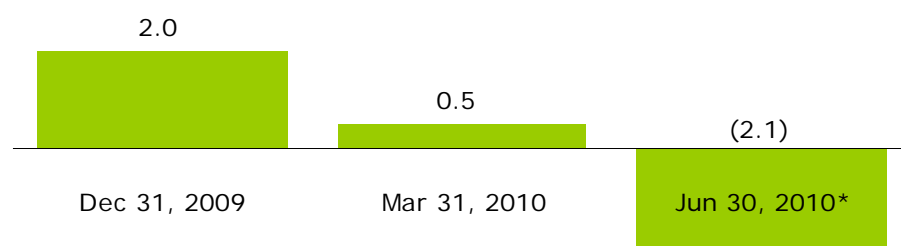
# Qatalum – a world class smelter



- 50/50 joint venture with Qatar Petroleum
- Capacity of 585 000 tonnes per year
- Very competitive cash cost position when in full production
- Investment (100%) ~USD 5.7 billion
  
- Power outage August 10
  - Affecting 444 out of 704 cells
- Ramp-up resumed September 15
- Robust insurance coverage
- Full capacity expected end-Q1 2011

# Financial position

Net cash / (debt) in NOK billion



NOK billion	Dec 31, 2009	Mar 31, 2010	Jun 30, 2010
Cash and cash equivalents	2.5	2.5	2.2
Short-term investments	1.5	1.6	1.3
Short-term debt	(1.9)	(1.0)	(1.5)
Long-term debt	(0.1)	(2.6)	(2.1)
<b>Net cash/(debt)</b>	<b>2.0</b>	<b>0.5</b>	<b>(0.1)</b>
<b>Pro forma net cash/(debt)</b>	<b>2.0</b>	<b>0.5</b>	<b>(2.1)*</b>
Net int.-bearing debt in equity accounted invest.	(8.0)	(8.1)	(9.1)
Net pension liability at fair value, net of expected tax benefit	(5.6)	(5.3)	(5.2)
Other adjustments**	(3.9)	(4.0)	(3.8)
<b>Adjusted net debt</b>	<b>(15.6)</b>	<b>(16.9)</b>	<b>(18.2)</b>

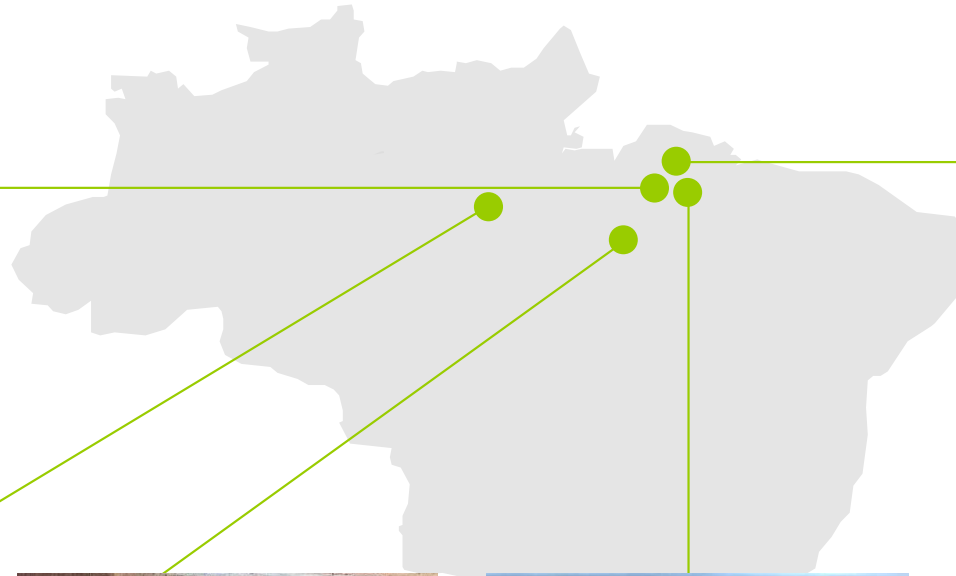
\*\* Operating lease commitments and other

\* Pro forma for rights issue proceeds, cash payment and assumed net debt in Vale transaction

# World-class assets in resource-rich Brazil



**CAP alumina refinery project**  
Increasing stake from 20% to 81%



**Alunorte alumina refinery**  
Increasing stake from 34% to 91%



**MRN bauxite mine**  
Current stake 5%  
Signed volume off-take agreement for Vale's 40% stake in mine



**Paragominas bauxite mine**  
Taking over 60%, increasing to 100% by 2015



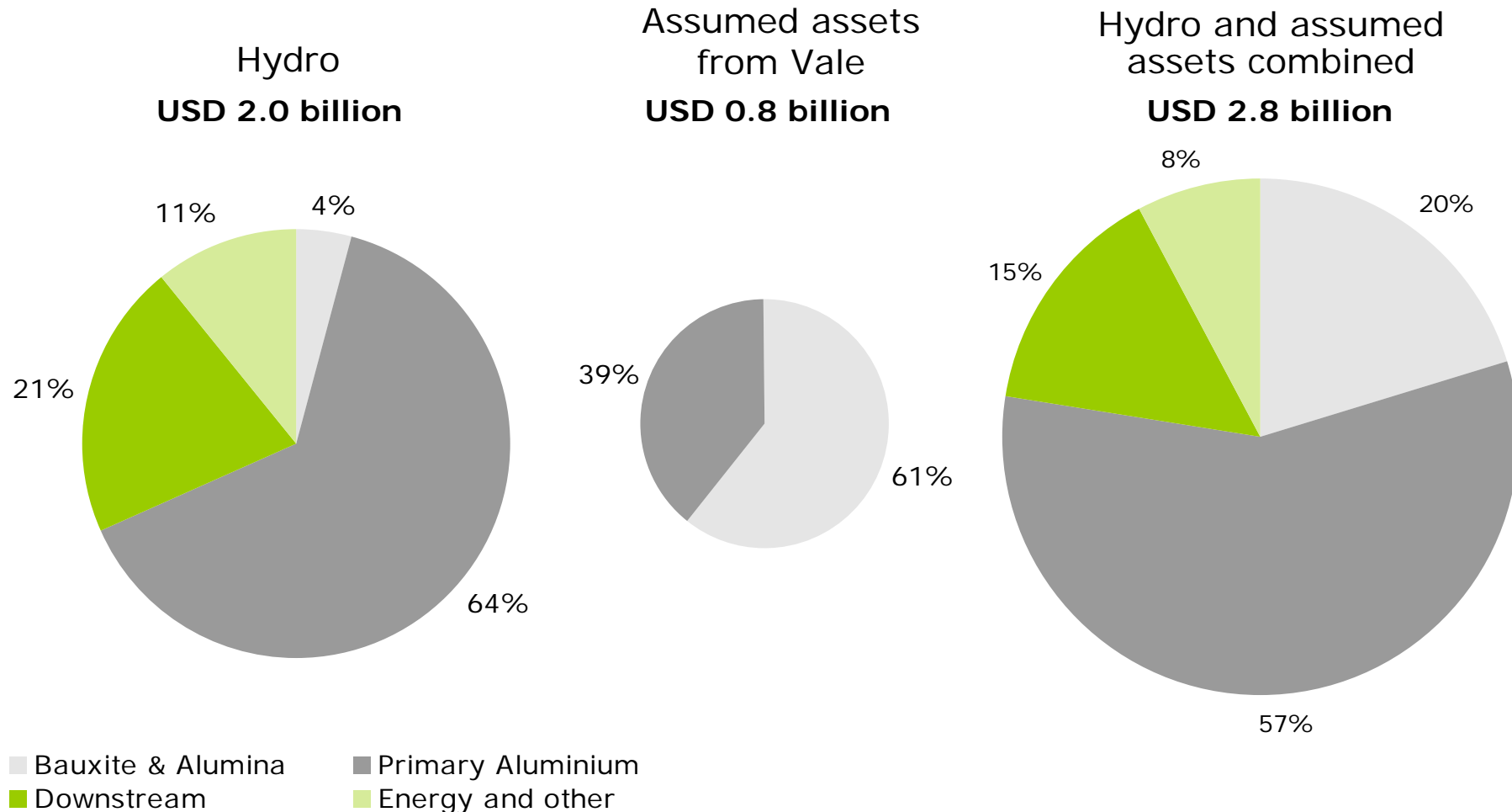
**Albras aluminium smelter**  
Taking over 51%

- Bauxite licenses
- Sales contract portfolio
- Competence



# Upstream earnings become more robust

Average 2007-2008 EBITDA

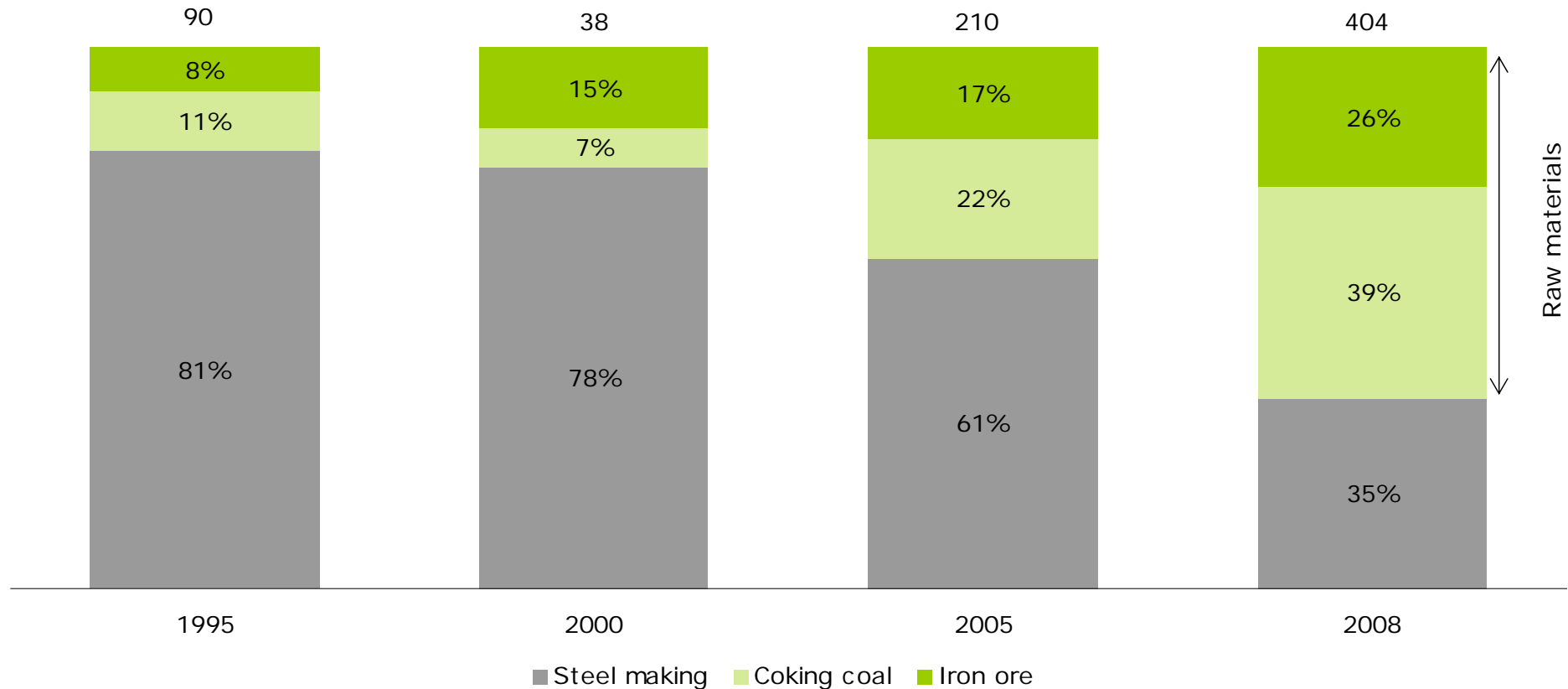


Hydro Underlying EBITDA based on IFRS. Assumed assets EBITDA based on US GAAP and full consolidation. No proforma adjustments have been made.

# Resource owners take rising share of profits

Significant shift in profit pool split in steel sector

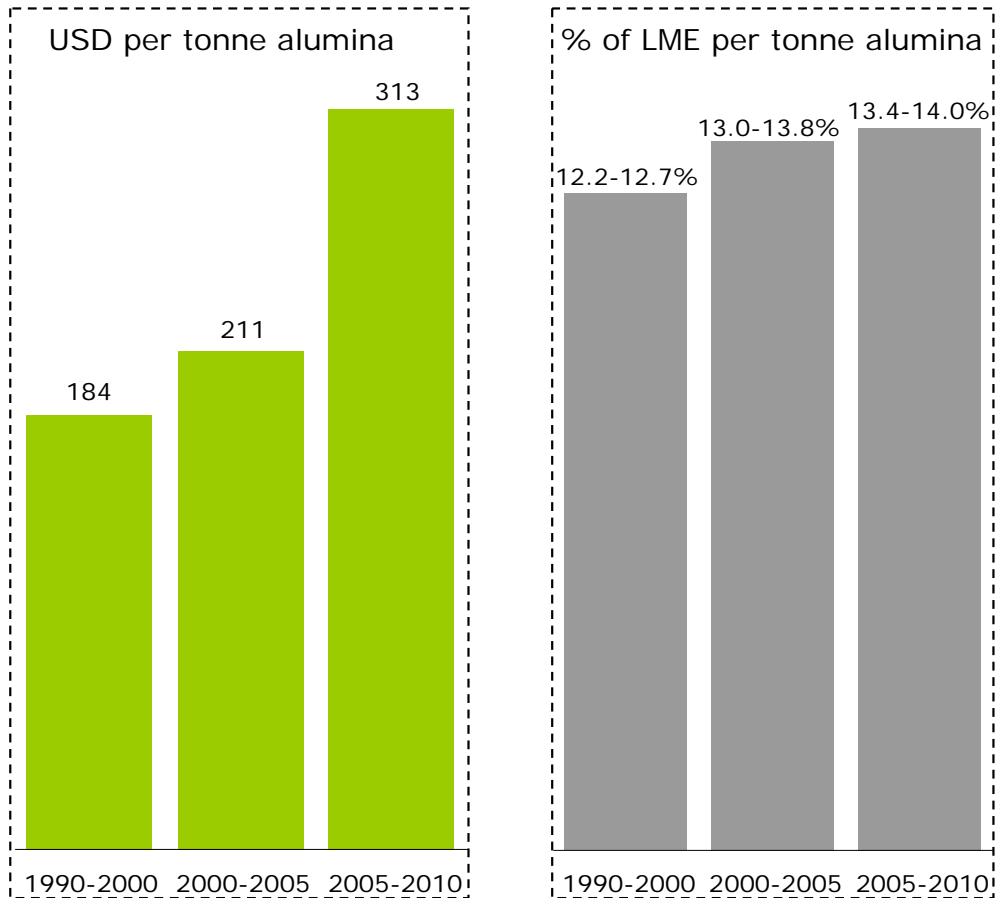
USD billion <sup>1)</sup>



1) Calculated based on EBITDA x demand/production, calculated for 12 major regions; with EBITDA based on historical highs and lows by region and product  
 Source: McKinsey & Company, Karel Aaloot, 43<sup>rd</sup> Annual Conference of the WSA, October 2009

# Alumina prices on upwards trend

Hydro estimates of average contract prices



- 3 to 10 years contract prices have moved upwards
- Bauxite and alumina prices strongly affected by Chinese growth
- China bauxite imports expected to further increase
- Increasing spot prices and current contract prices closer to 15%

# Long alumina and bauxite position

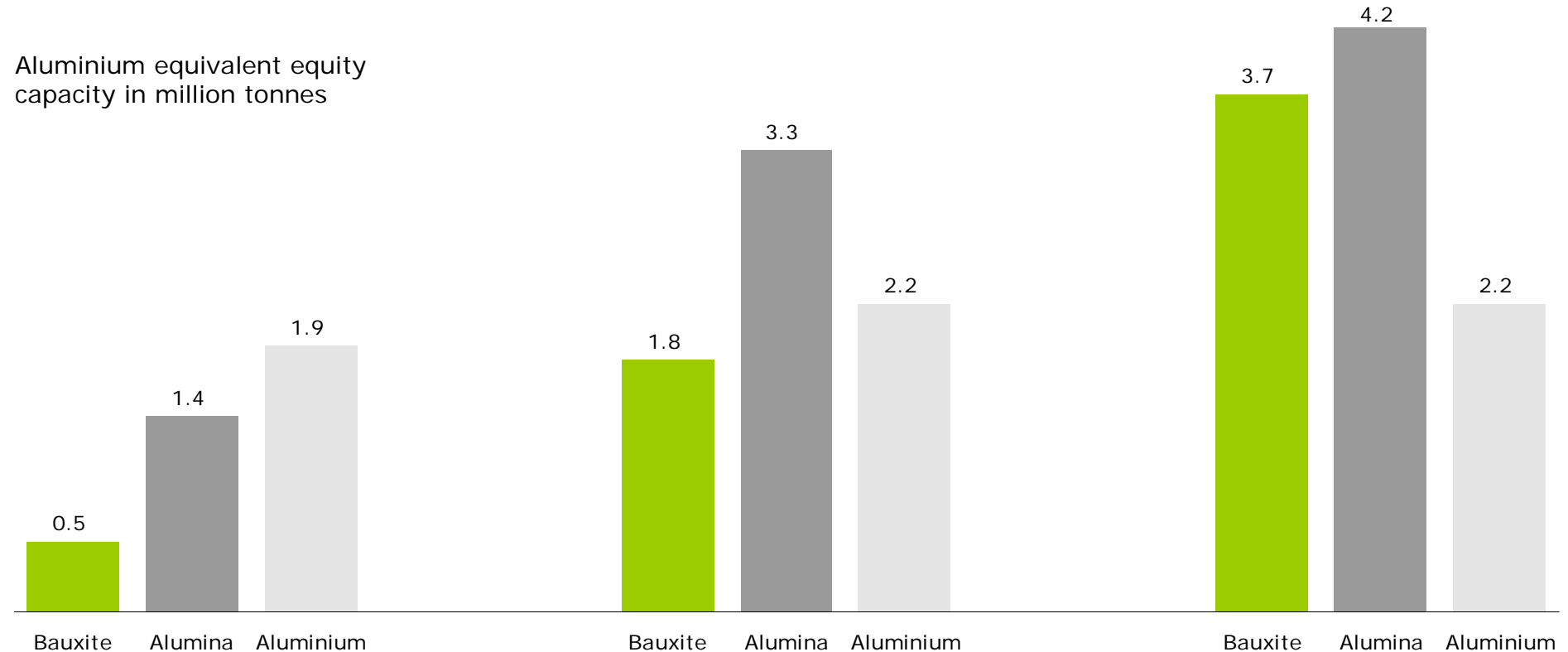
Upstream position transformed

Hydro end-2010

Pro forma end-2010  
(60% Paragominas)

Pro forma 2016  
(100% Paragominas)

Aluminium equivalent equity capacity in million tonnes



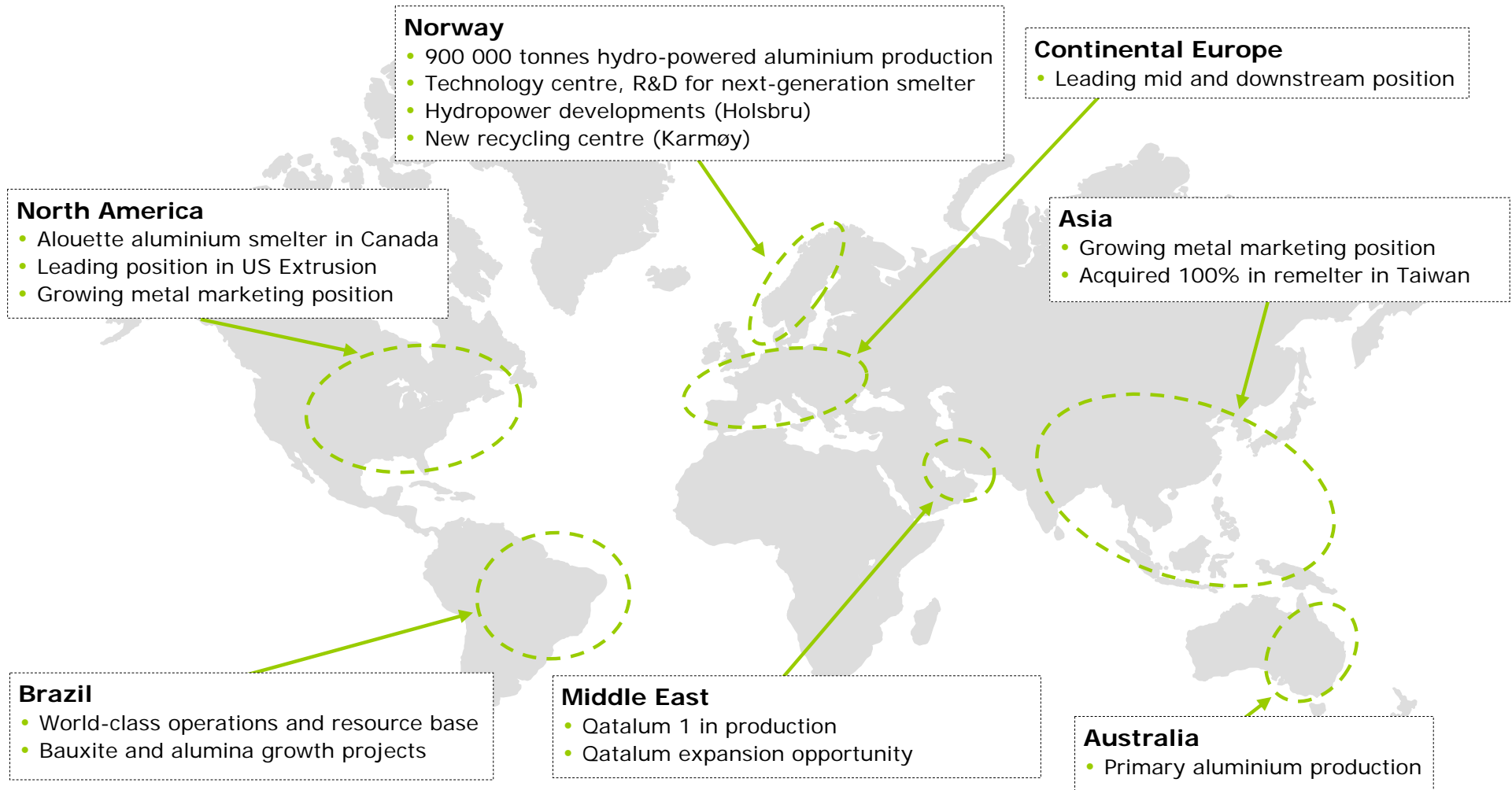
Includes idled capacity. Assumed assets included on a pro rata basis. Expansions include Paragominas to 15 million tonnes and CAP first phase.

# Takeover of Vale's aluminium business on track

- NOK 10 billion rights issue successfully completed July 16
- Hydro's integration planning well underway
- All relevant regulatory applications submitted
- Consent received from joint-venture partner Nippon Amazon Aluminium Company for transfer of ownership in Alunorte and Albras
- Closing expected during Q4 2010
- Vale to receive 22% of outstanding shares at closing








# Attractively positioned, global reach



# World-class upstream growth pipeline

Strong track-record in project execution

Qatalum aluminium plant Qatar	Hydropower developments Norway	Paragominas bauxite mine Brazil	CAP alumina refinery Brazil	Aluminium and power plant Angola
				
<ul style="list-style-type: none"><li>• Potential for expanding Qatalum from 0.6 to 1.2-1.5 million tonnes</li><li>• Scale benefits</li><li>• Utilize next-generation technology, HAL4e</li></ul>	<ul style="list-style-type: none"><li>• Development potential 0.5-1.0 TWh</li><li>• Utilizing existing concession areas and infrastructure</li><li>• First planned project: Holsbru (84 GWh)</li></ul>	<ul style="list-style-type: none"><li>• Brownfield expansion from 9.9 to 15 million tonnes</li><li>• Supply to CAP</li></ul>	<ul style="list-style-type: none"><li>• First-phase capacity: 1.86 million tonnes</li><li>• Expansion potential to 7.44 million tonnes</li><li>• 81% owned by Hydro post transaction (20% pre-transaction)</li></ul>	<ul style="list-style-type: none"><li>• Integrated hydropower smelter</li><li>• Capacity: 450 000 tonnes</li><li>• Long-term prospect</li></ul>
<p>Contributed by Vale</p>				

# Priorities

- Firm cost control
- Solid operations
- Capture market opportunities
- Cash flow generation
- Qatalum ramp-up
- Upstream repositioning
- Vale assets integration





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