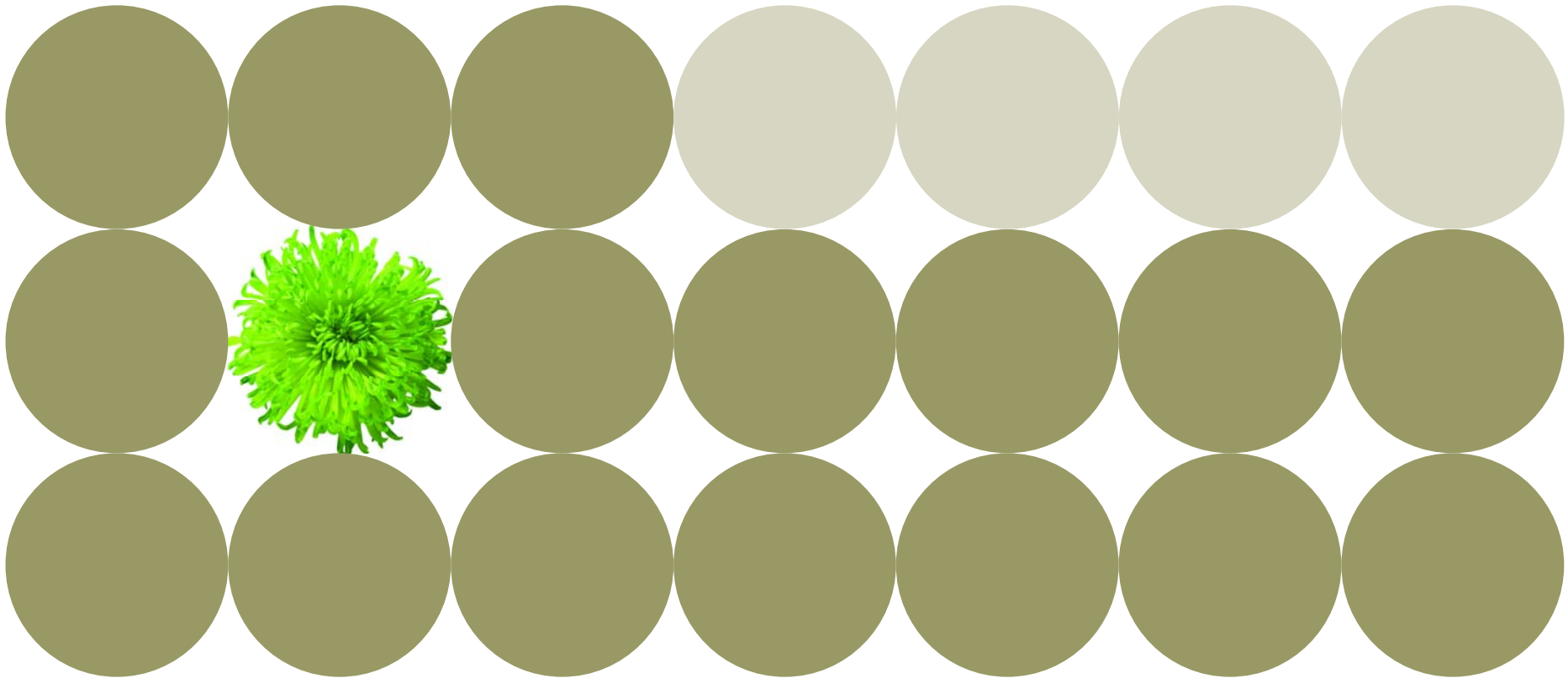


# Resource rich and fully integrated



President & CEO Svein Richard Brandtzæg

Bank of America Merrill Lynch Global Metals & Mining Conference, May 11, 2011

# Cautionary note

Certain statements included within this announcement 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.

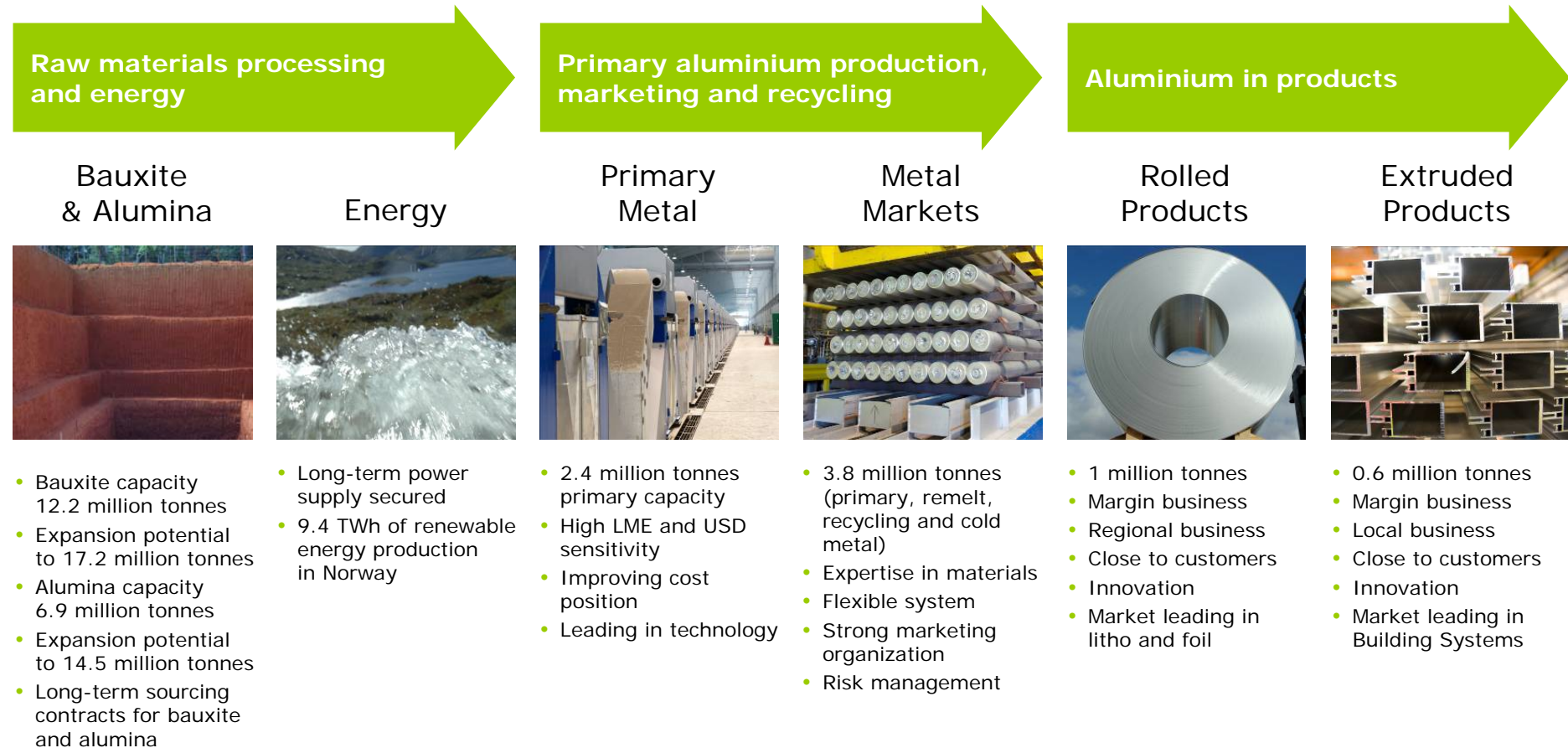
No assurance can be given that such expectations will prove to have been correct. Hydro disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

# Historic Vale transaction completed

- Platform for further growth as fully integrated resource-rich aluminium company
- Positions Hydro as a leading global bauxite and alumina player
- Integration process well under way
- Key priority: increase production towards nameplate capacity
  - Weak production performance in Q1
- Promising growth prospects
- Vale has become key shareholder in Hydro with 22% ownership

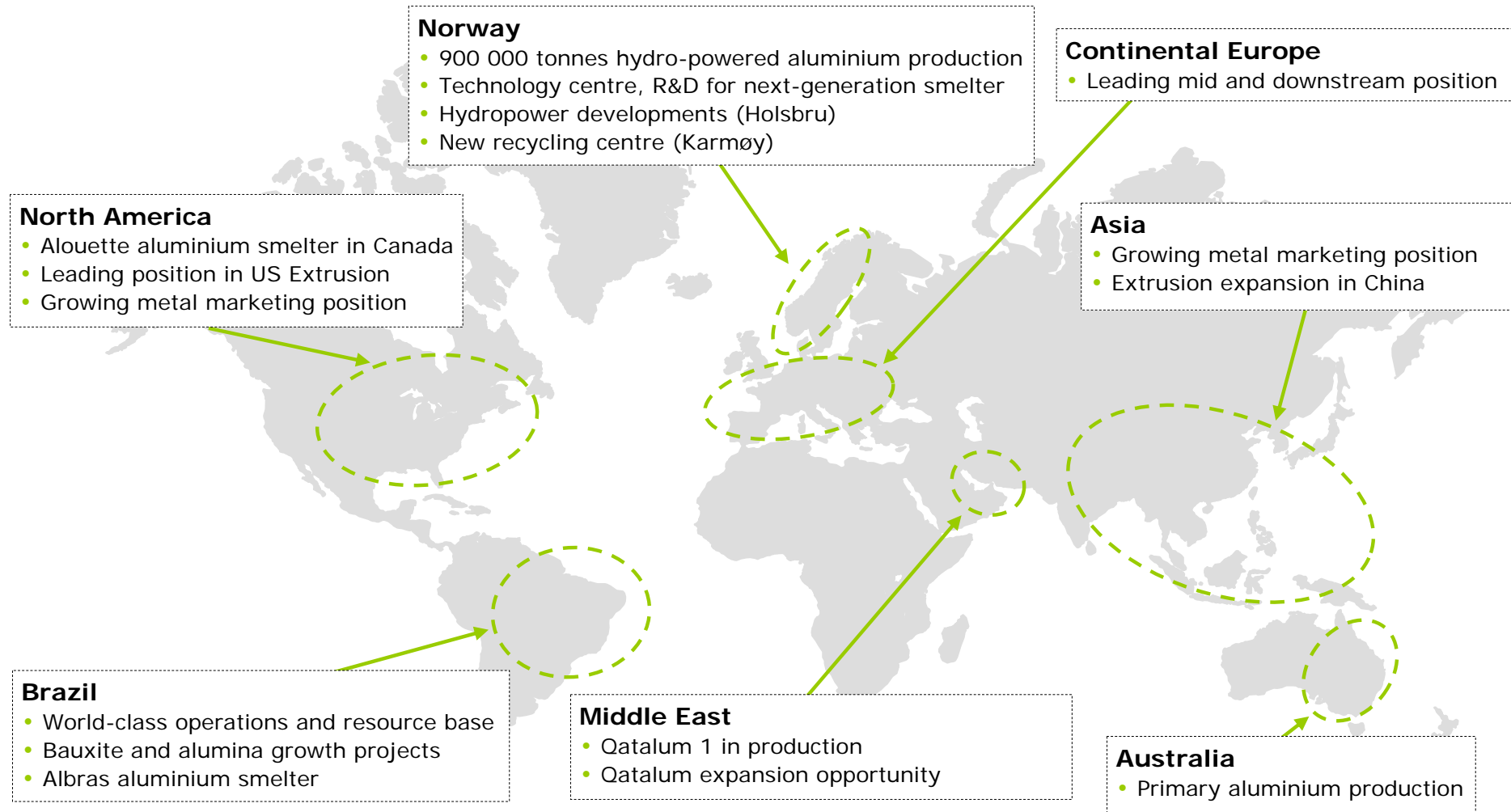


# Strong positions across aluminium value chain



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

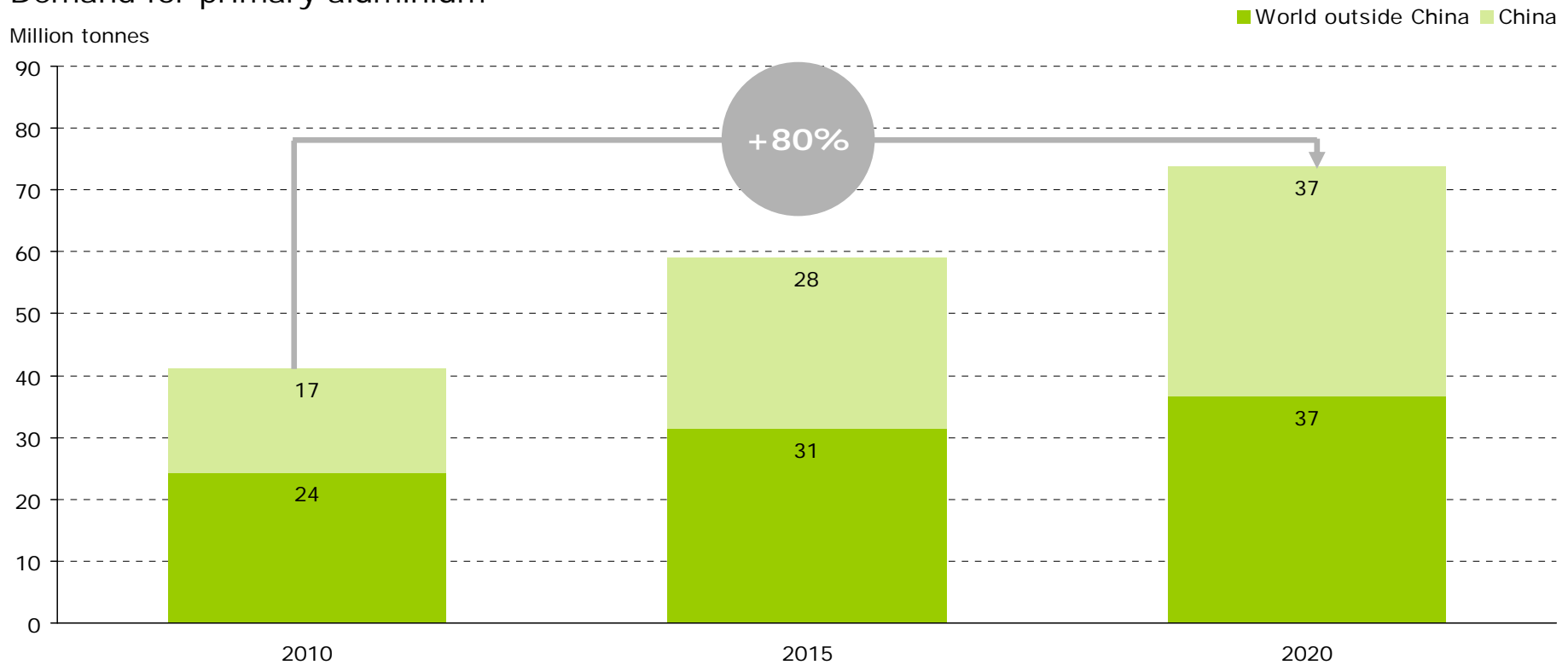
# Attractively positioned, global reach



# Significant aluminium demand growth expected

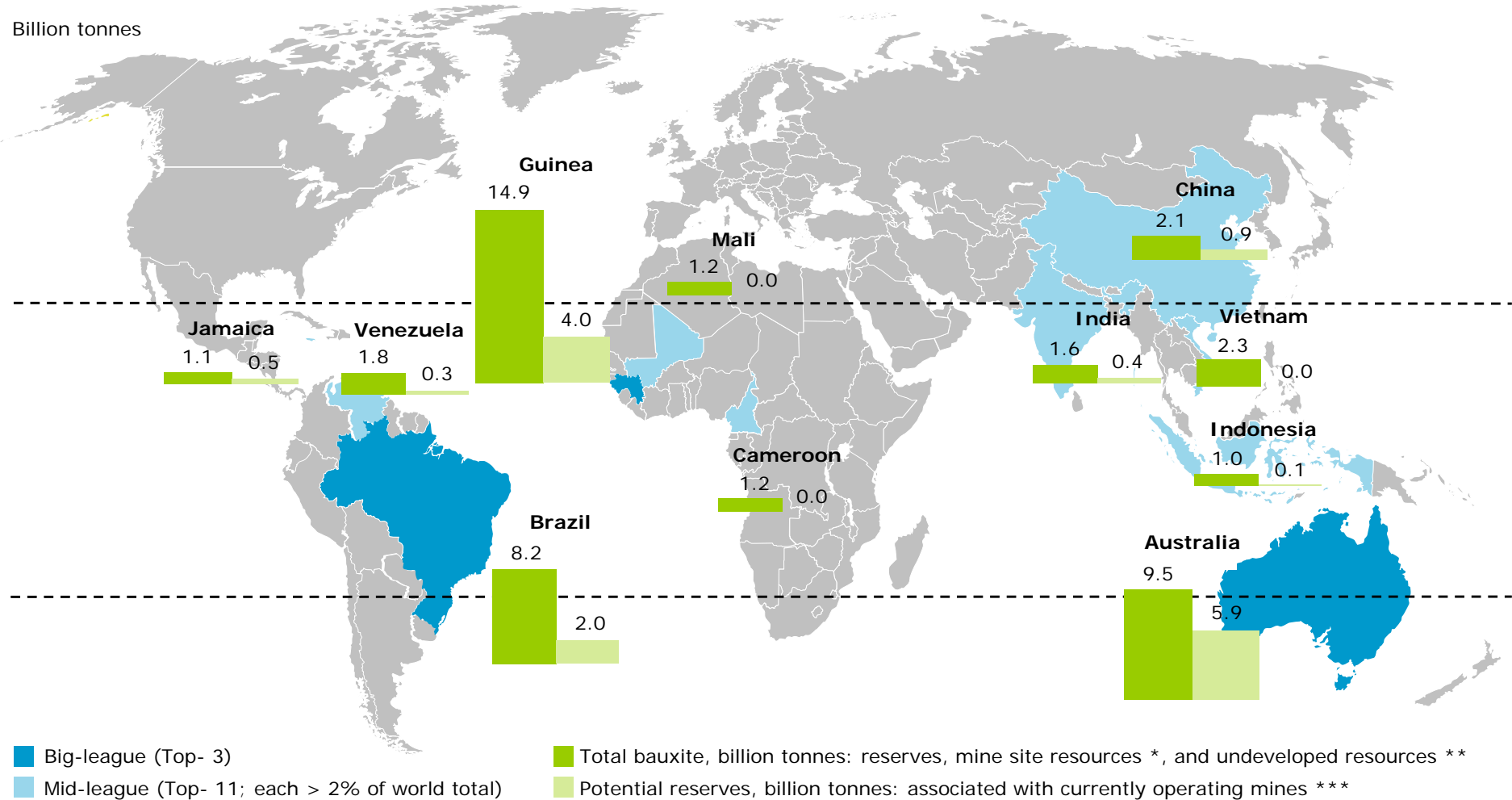
## Demand for primary aluminium

Million tonnes



Fight for raw materials to continue  
Resource-constrained world

# 66% of bauxite reserves in 3 countries



\*) Mine site resources are known bauxite resources that do not currently qualify as reserves for various reasons

\*\*) Undeveloped resources might or might not become feasible for new mines (quality, size, access, etc)

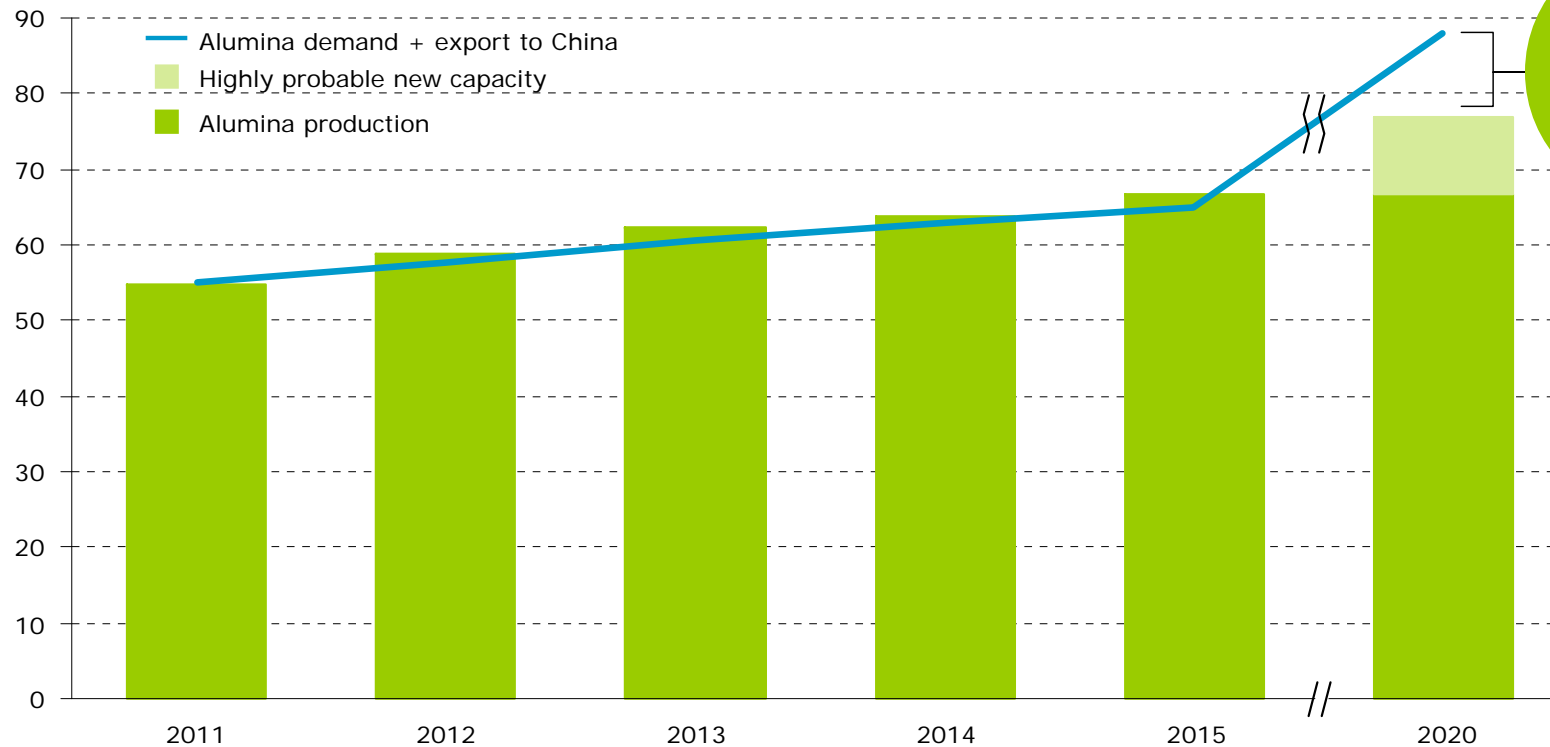
\*\*\*) Potential reserves = current reserves (economically extractible) + 70% of mine site resources. Undeveloped resources are excluded.

Source: Roskill and Hydro analysis



# Alumina market expected to remain balanced

Alumina balance world outside China, million tonnes



6-10 million tonnes

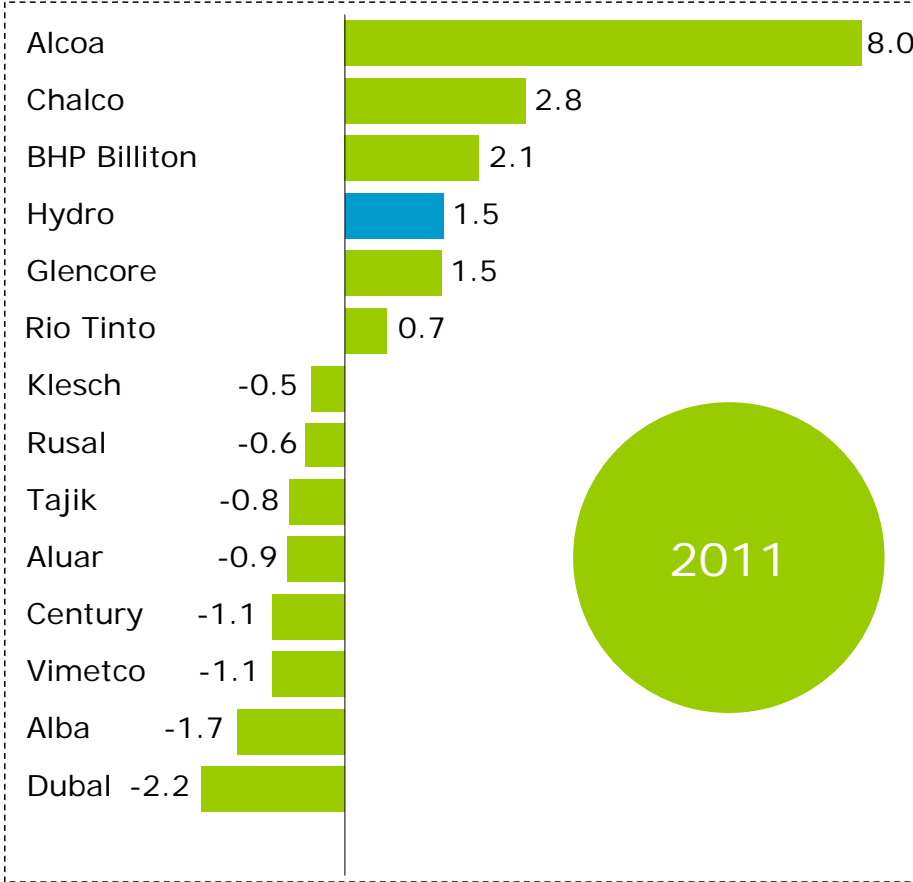
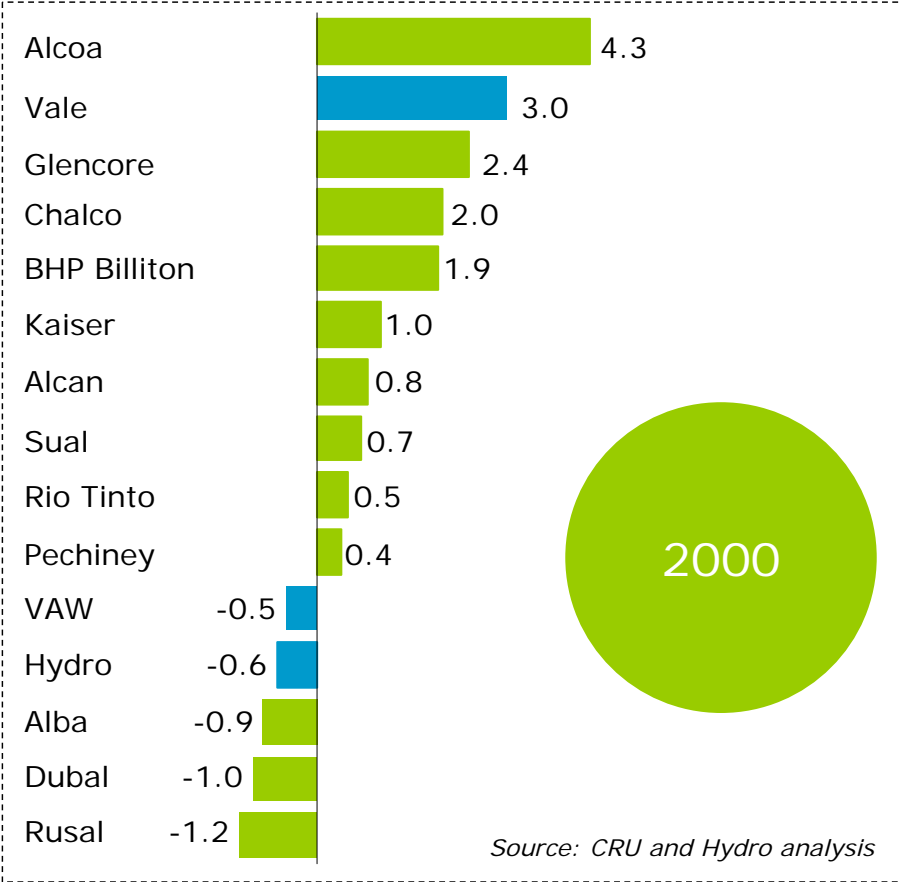
Export to China	3.5	3.5	4.0	4.5	4.5	5.0
Idled capacity	5.1	4.2	4.2	3.5	3.5	3.5

Source: Hydro analysis / CRU



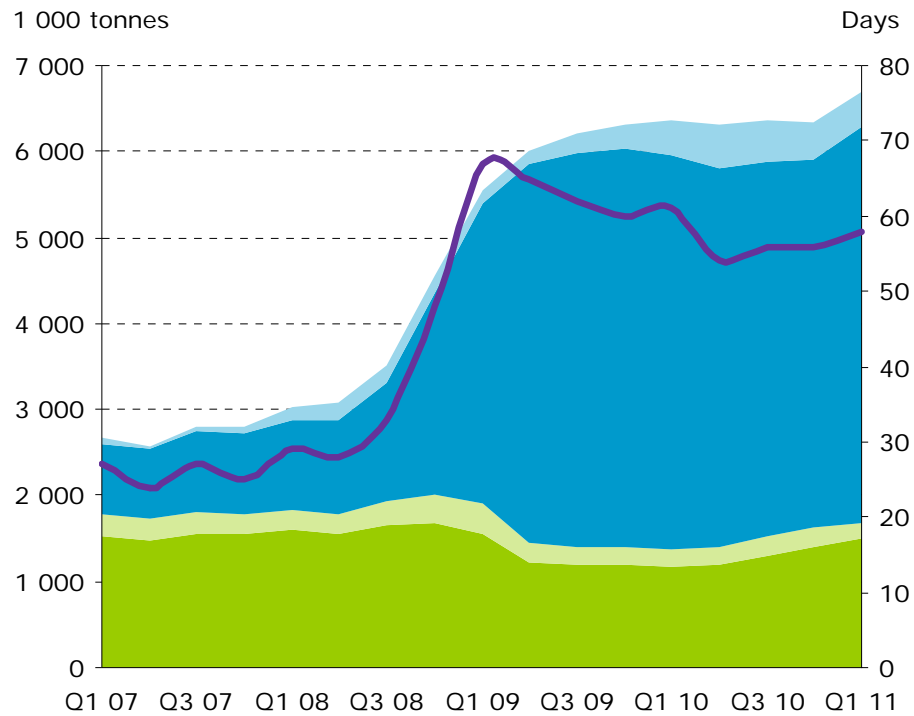
# Alumina market is consolidating

Net long alumina position, million tonnes



# Global inventory days trending down

World reported primary aluminium inventories

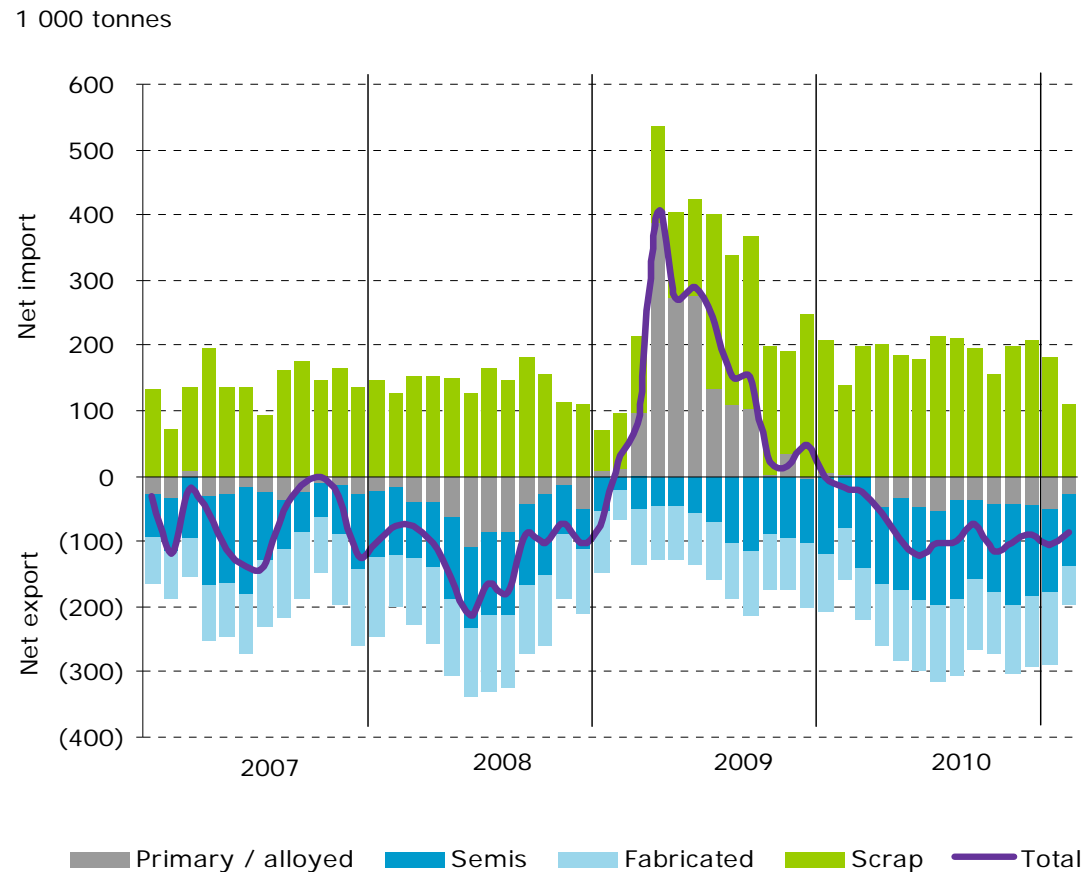


■ IAI                      ■ Other  
■ LME                      ■ SHFE  
— Global inventory days

Source: CRU

- Inventory days reduction driven by increased consumption
- Q1 LME stocks increase believed to partly reflect unreported metal moved into reported warehouses
- High inventories well known in market
  - Different views on unreported inventories
- Estimated total reported and unreported inventories ~11 million tonnes
  - Represents ~3 months of consumption
- Financial deals locking up metal
  - Profitable on a 3-6 month horizon

# China balanced in primary aluminium

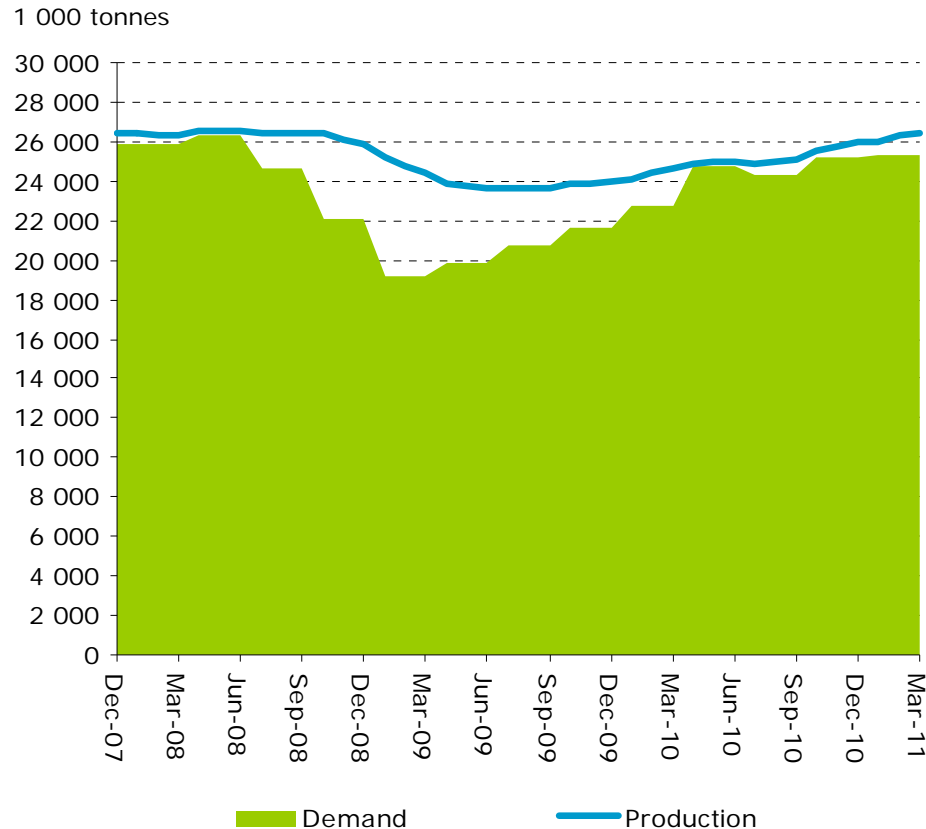


- Reduced production due to Chinese New Year celebration in February
- Production resumed after Chinese New Year
  - China expected to be broadly balanced in 2011
- New capacity to be built in north and west China
  - Partly replacing high-cost production in south and east

Source: Hydro / Antaike, April 2011

# Positive 2011 market outlook maintained

World outside China (quarterly annualized)



Source: CRU

- World outside China
  - Annualized demand at 25.3 million tonnes in Q1
    - Up 1% vs Q4 2010
  - 7% demand growth expected in 2011
  - Capacity development
    - 1.2 million tonnes curtailed capacity restarted or in process of being restarted
    - 1.2 million tonnes curtailed capacity may restart if current market conditions continue
  
- China
  - Annualized demand at 16.7 million tonnes in Q1
    - Down 3% vs Q4 2010
  - 10% demand growth expected in 2011
  - Broadly balanced in primary aluminium



# Paragominas

One of the world's largest bauxite mines

- 2010 production: 7.5 million tonnes
- Targeting significant production increase
- Possible expansion: up to 15 million tonnes
- Current reserve life: 30 years
  - ~300 million tonnes
  - Long-life resource



# Alunorte

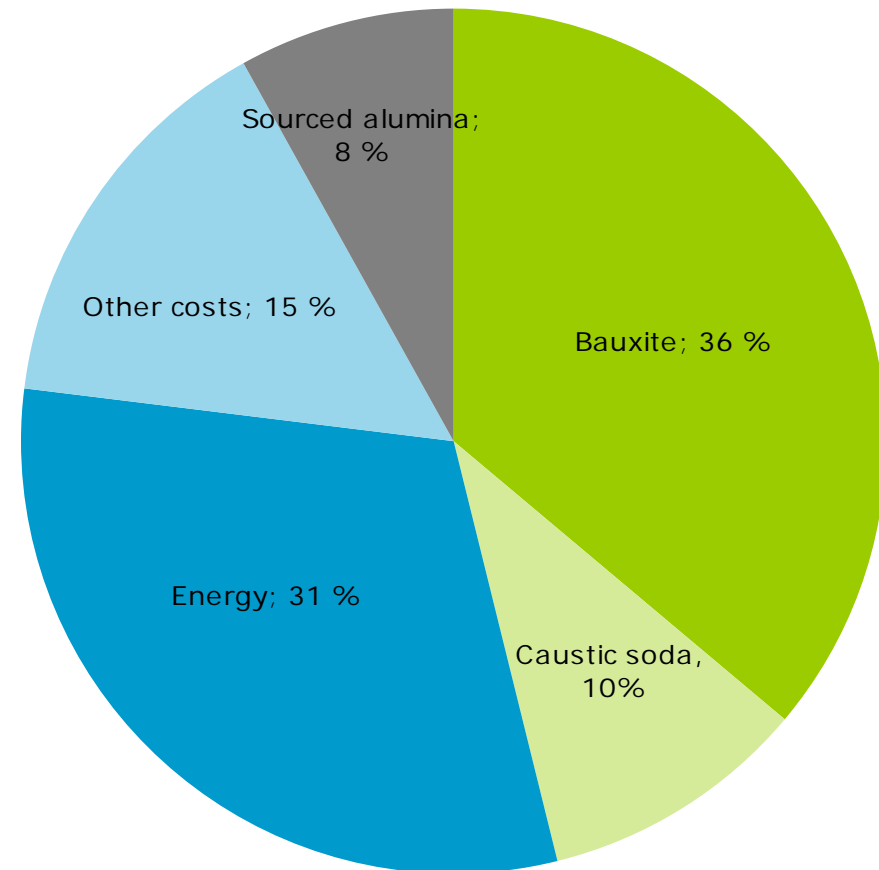
World's largest alumina refinery

- 2010 production: 5.8 million tonnes
- Targeting stable production above 6 million tonnes
- World-class conversion cost position
- Modern technology
- Bauxite supplied from Paragominas and MRN

# Favorable integrated alumina cash cost position

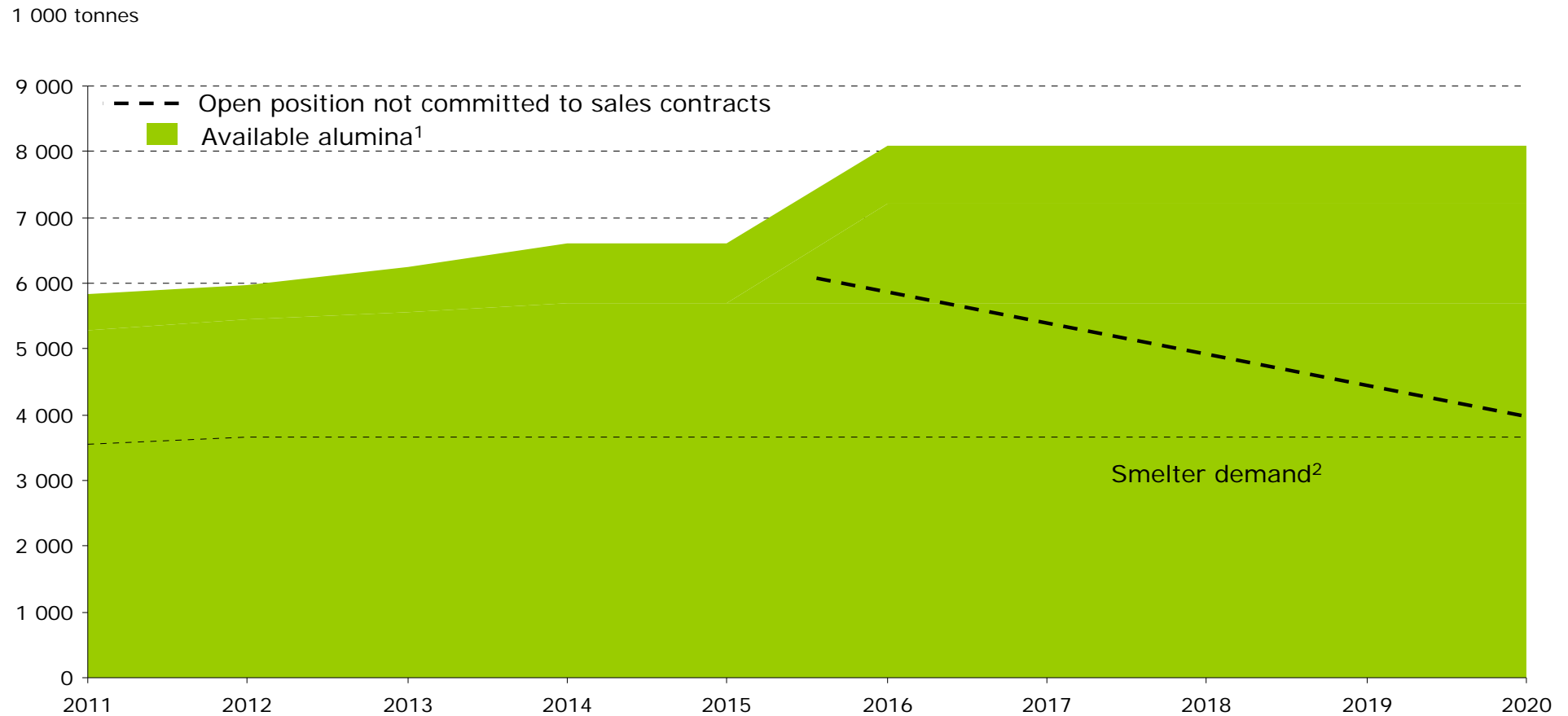
- Integrated alumina cash cost position 2010
  - USD 238 per tonne
  - Alunorte, Paragominas and sourced alumina
- Bauxite
  - Cash cost to be improved as Paragominas increase production and pipeline is fully utilized
- Energy
  - First-quartile energy consumption – 8 MJ/t
  - Energy mix of heavy fuel oil and coal
- Caustic soda
  - Competitive caustic soda consumption due to bauxite with low level of reactive silica
- Other costs
  - Maintenance, labor and other
- Sourced alumina
  - Alumina purchased for resale

Integrated alumina cash cost position 2010





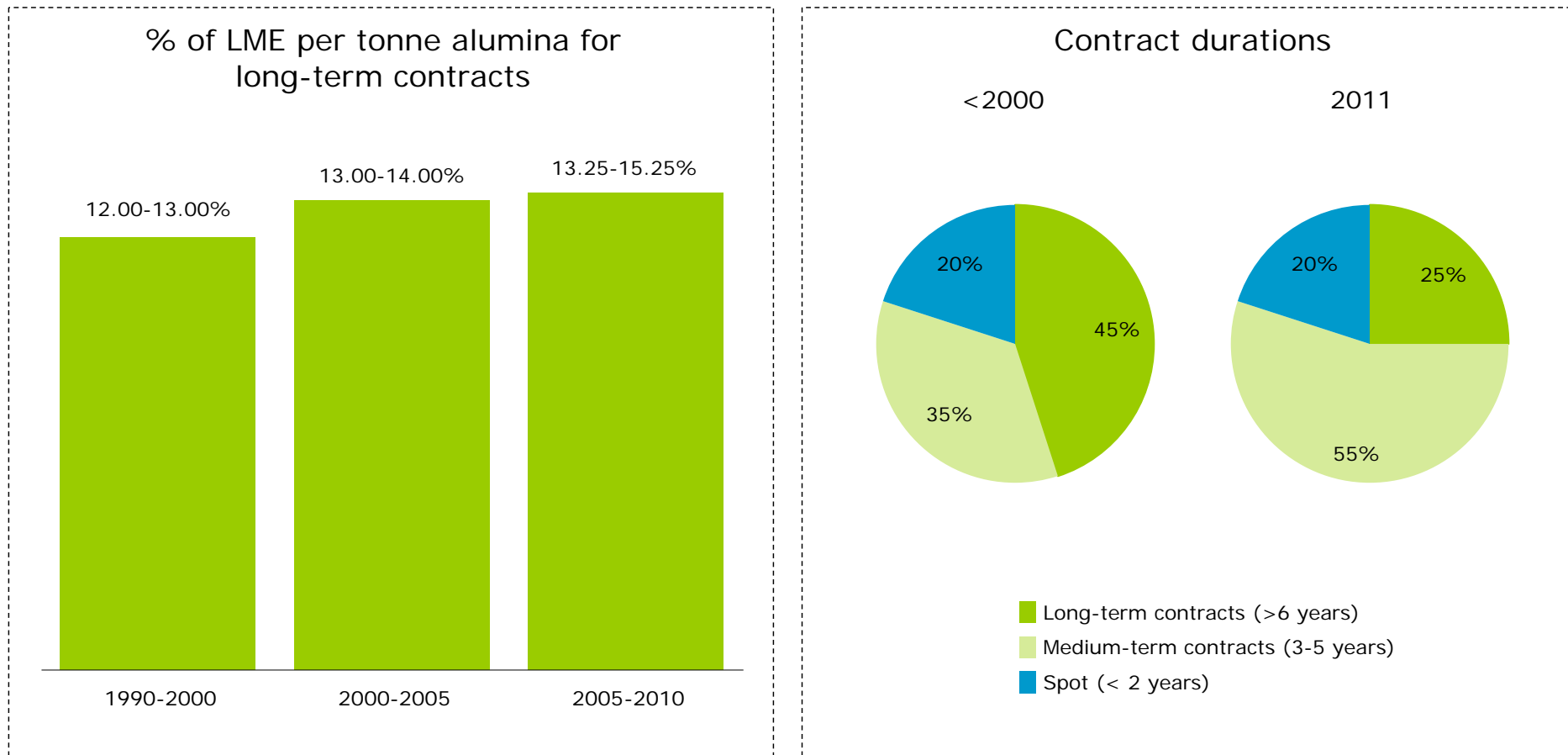
# Attractive alumina position



1) Alunorte, CAP 1st phase from 2015 and sourcing contracts

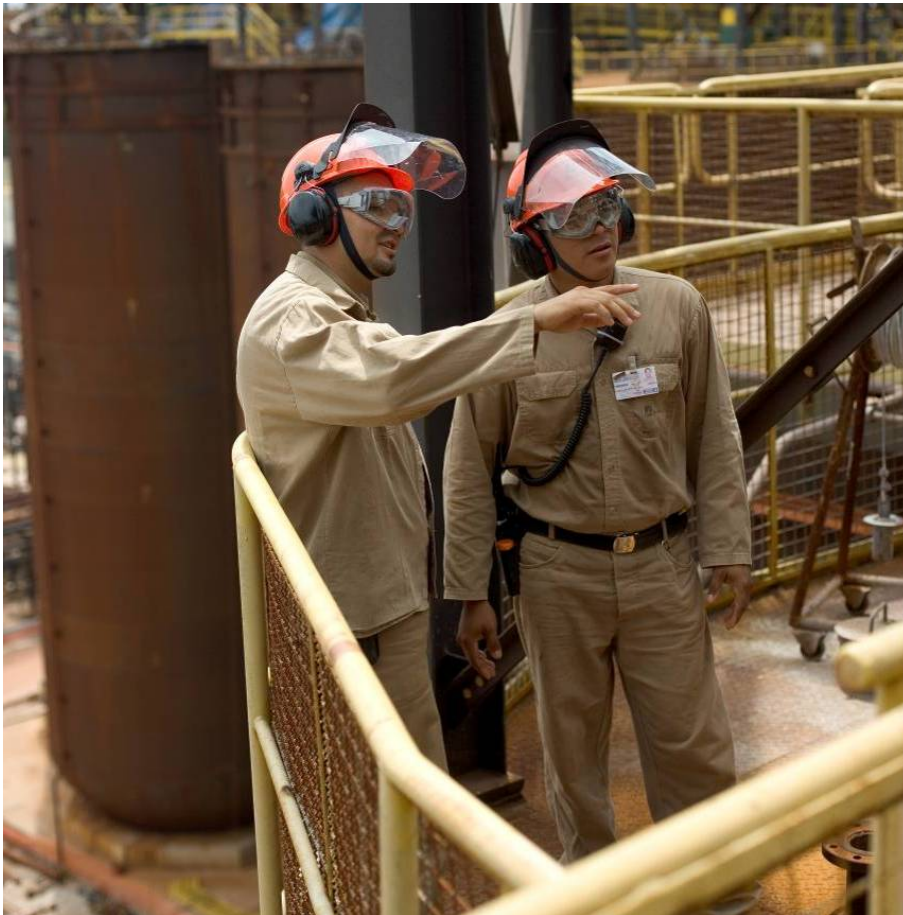
2) Sunndal 3 line assumed back in operation, Neuss and Søråf at 2010 production level

# Shift towards shorter contract durations



Source: Hydro estimates

# Hydro's commercial strategy

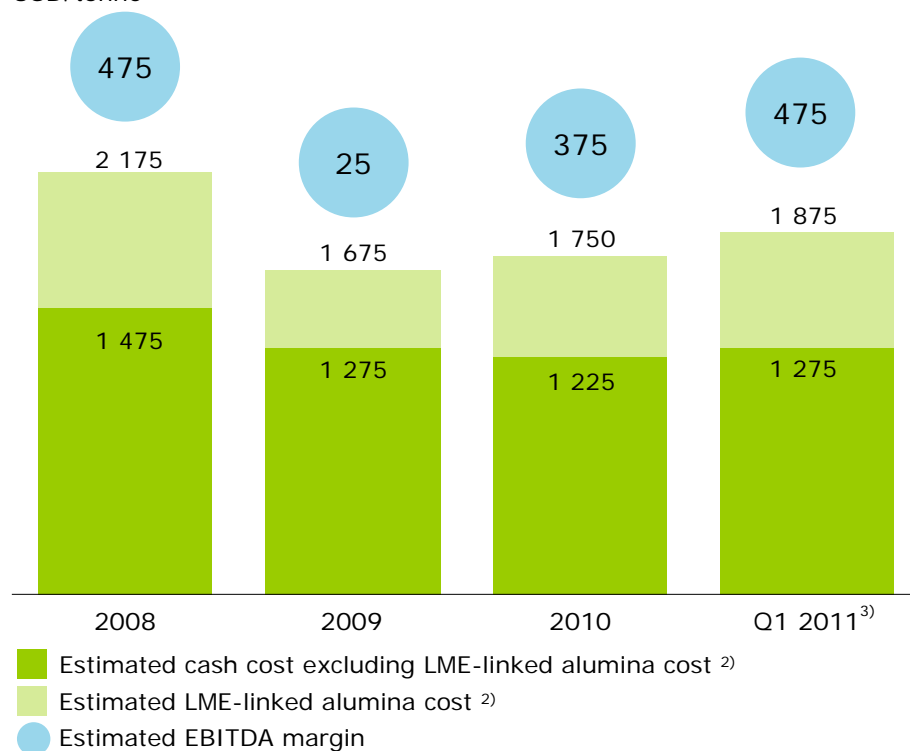


- Move towards index pricing
  - Currently not offering medium/long-term LME linked contracts
  - First contract based on index pricing signed
- Actively promote index pricing
- Focus on contracts with 1-4 year duration
- Focus on selling to end-users
- Hydro's existing combined sales portfolio
  - Average alumina price ~13-14% of LME
    - Similar percentage expected for 2011-2015
  - Minor volumes available for sale before 2016
  - Majority of sales contracts expire in 2016-2018

# Ambitious cost improvement program on target

Estimated primary aluminium cash cost and margin

USD/tonne <sup>1)</sup>



1) Realized aluminium price minus EBITDA margin per tonne primary aluminium. Excludes Qatalum earnings and volumes, but includes net earnings from primary casthouses.

2) 13% of LME 3 month price with 2.5 months delay

3) Albras included from March 1, 2011

- USD 300 per tonne cost improvement
  - USD 50 per tonne realized in 2010
  - Further USD 125 per tonne targeted in 2011
- Cash cost up ~USD 125 from 2010 due to increased raw material costs
  - Energy
  - LME-linked alumina prices
  - Petroleum coke
  - Weaker USD
- Program assumptions
  - Higher energy and petroleum coke costs may offset some improvements
  - Improvements may be influenced by fluctuations in raw material prices and currencies
  - Applies to ~1 000 000 tonnes annual capacity



# Attractive Qatalum fundamentals

## Joint venture (50/50) between Qatar Petroleum and Hydro

- Capacity: 585 000 tonnes

## World-class smelter

- Cash costs estimated around 1 400-1 500 USD per tonne at 2010 market conditions when in full production

**Ideally located to serve all major markets in Asia, US and Europe**

## 2011 focus

- Ramp-up to be completed by June 2011
- Stabilize production and cost optimization

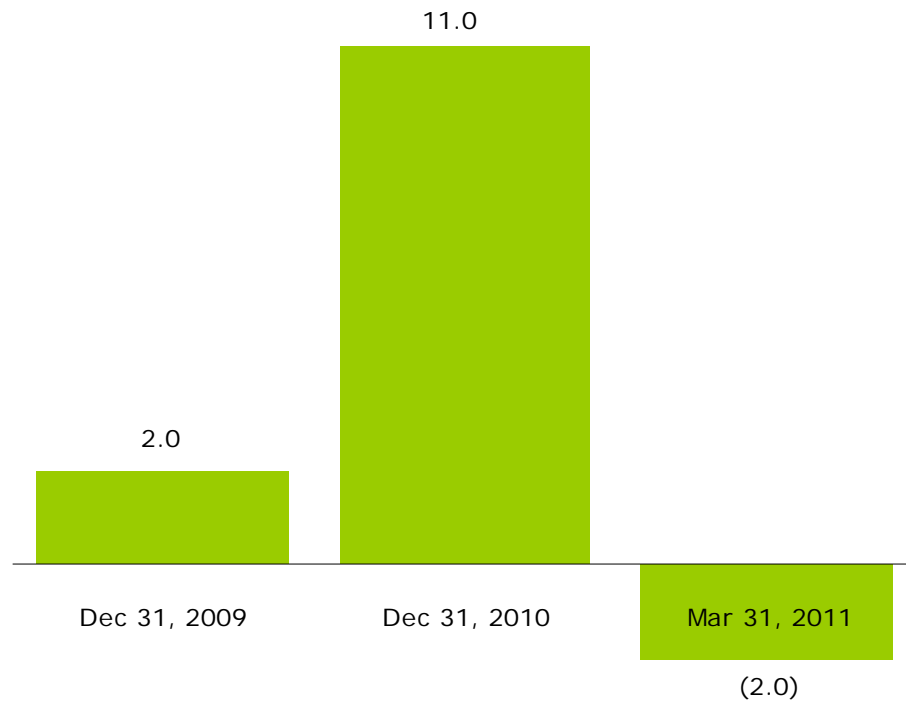


## Q1 highlights

- Underlying EBIT NOK 1 448 million
- Stronger sales supported by seasonally improved markets
- Stable Bauxite & Alumina result, weak production performance
- Primary Metal up on higher prices, partly offset by increased raw material costs
- Down- and midstream lifted by higher sales and lower costs
- Solid Energy result

# Robust financial position

Net cash/(debt), NOK billion



NOK billion	Dec 31, 2009	Dec 31, 2010	Mar 31, 2011
Cash and cash equivalents	2.6	10.9	3.7
Short-term investments	1.5	1.3	1.3
Short-term debt	(2.0)	(0.9)	(2.5)
Long-term debt	(0.1)	(0.3)	(4.5)
<b>Net cash/(debt)</b>	<b>2.0</b>	<b>11.0</b>	<b>(2.0)</b>
Net int.-bearing debt in equity accounted invest.	(8.0)	(7.8)	(7.3)
Net pension liability at fair value, net of expected tax benefit	(5.6)	(5.6)	(5.5)
Other adjustments*	(4.0)	(4.0)	(5.6)
<b>Adjusted net debt</b>	<b>(15.6)</b>	<b>(6.4)</b>	<b>(20.5)</b>

\* Operating lease commitments and other



# Strategy for further value creation

## Bauxite & Alumina



- Integrate
- Expand
- Commercialize

## Primary Metal



- Reposition
- Qatalum ramp-up
- Keep solid cash flow in current assets
- Expand in high-class assets

## Energy



- Increase value of business and competence
- Focus on operation and commercialization of current assets
- Implement global approach to power sourcing

## Mid- and downstream



- Continue proven high-end product strategy
- Pursue profitable life-cycle investments: recycling, energy-efficient building systems, aluminum in transport
- Expand selectively in emerging markets

# Priorities 2011



- **Successful integration and improved performance in Bauxite & Alumina**
- **Primary Metal repositioning through USD 300 program and Qatalum ramp-up**
- **Solid operations with firm cost control and strong market focus**



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