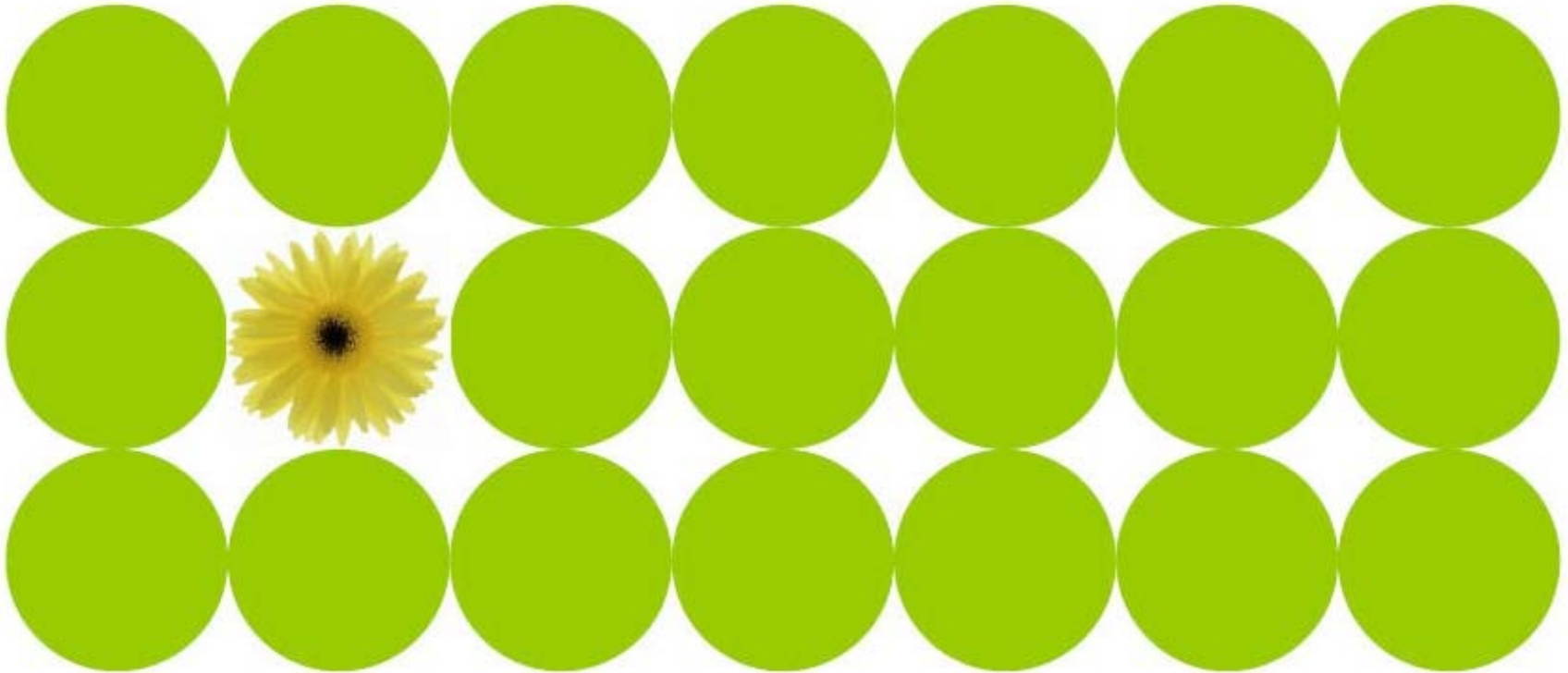


Sustainability in the aluminium industry



Jørgen C. Arentz Rostrup, Executive Vice President and CFO
CRU's 16th world aluminium conference, June 2011

1

**Hydro, an integrated
aluminium producer**

A transforming transaction



Paragominas, bauxite mine

- Capacity: 10 million tonnes
- Ownership: 60%, 100% from 2015

Bauxite licenses

CAP alumina refinery project

MRN bauxite purchase agreement

Competence

Alunorte, alumina refinery

- Capacity: 6.3 million tonnes
- Ownership: 91%
- First quartile cash cost position including Paragominas bauxite

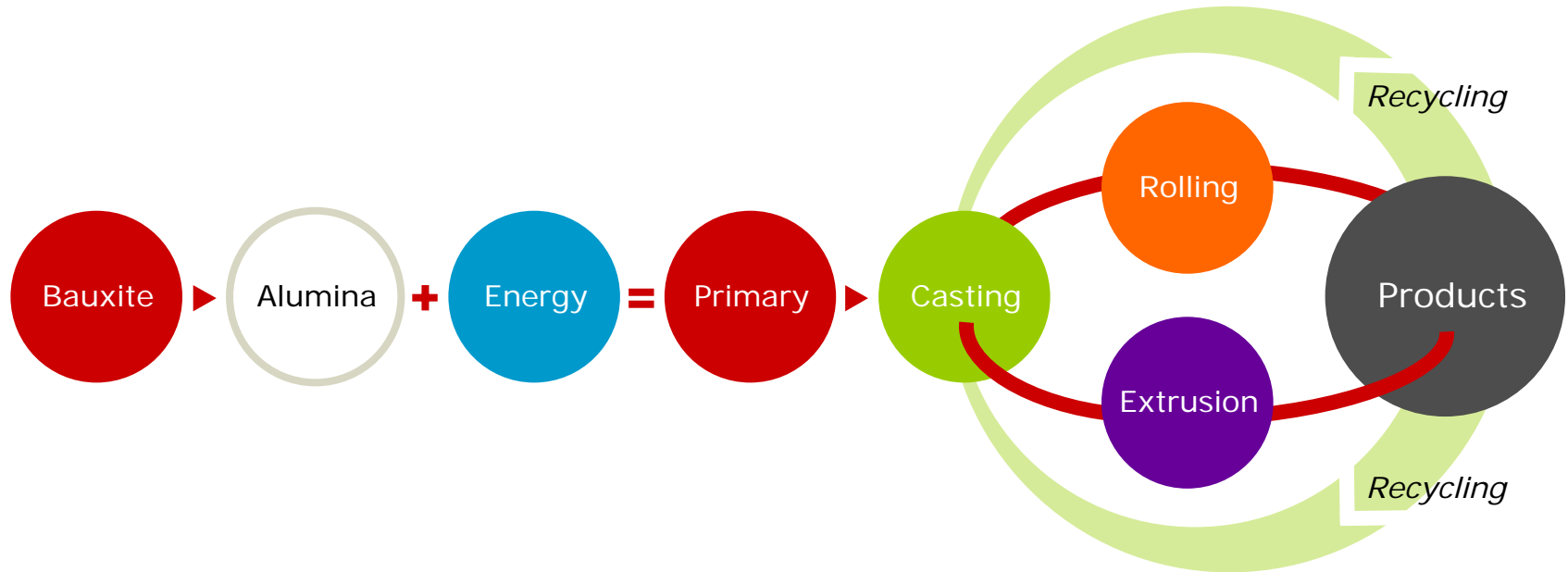


Albras, aluminium smelter

- Capacity: 460 000 tonnes
- Ownership: 51%
- Upper second quartile cash cost position

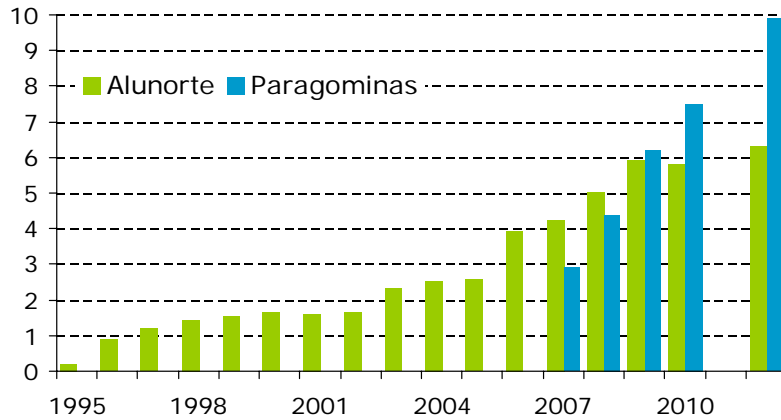
Strong positions across aluminium value chain

The integration of Vale Aluminium is transforming Hydro



Key operational priorities

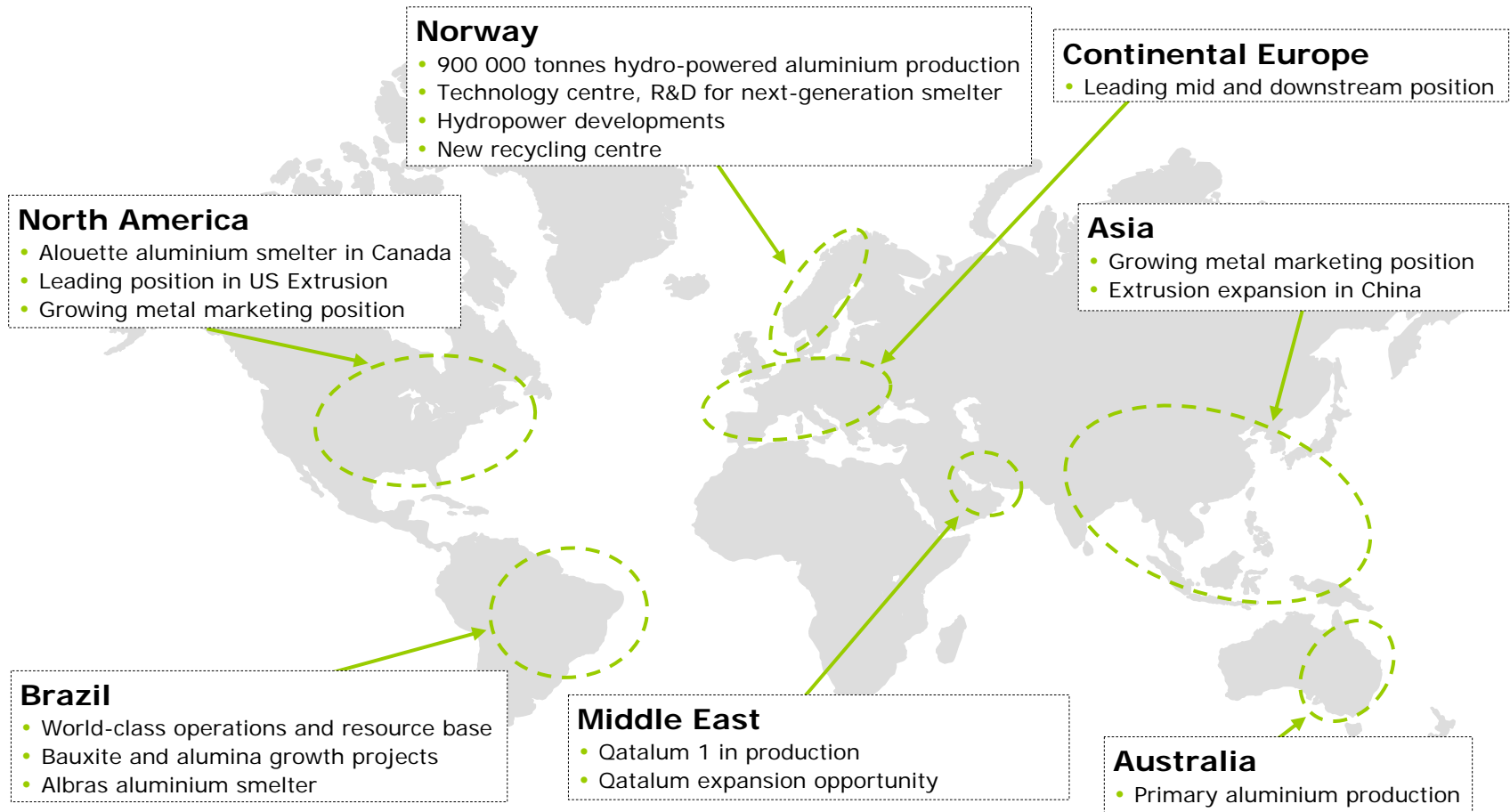
Million tonnes



- Integration of Alunorte and Paragominas
 - Operational improvements
 - Improve efficiency to achieve nameplate production capacity
- USD 300 cost improvement program
- Qatalum ramp-up
- Responsible aluminium player in HSE and CSR



Attractively positioned, global reach



Strategy for further value creation

Bauxite & Alumina



- Improve operations
- Integrate
- Expand
- Commercialize

Primary Metal



- Reposition – 300 USD/t program
- Qatalum top quartile operation
- Expand in high-class assets

Energy



- Develop current asset base
- 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 in emerging markets

2

**Fantastic opportunities
for aluminium**

The big challenges of our generation

Growth must be sustainable

Millions climb out of poverty



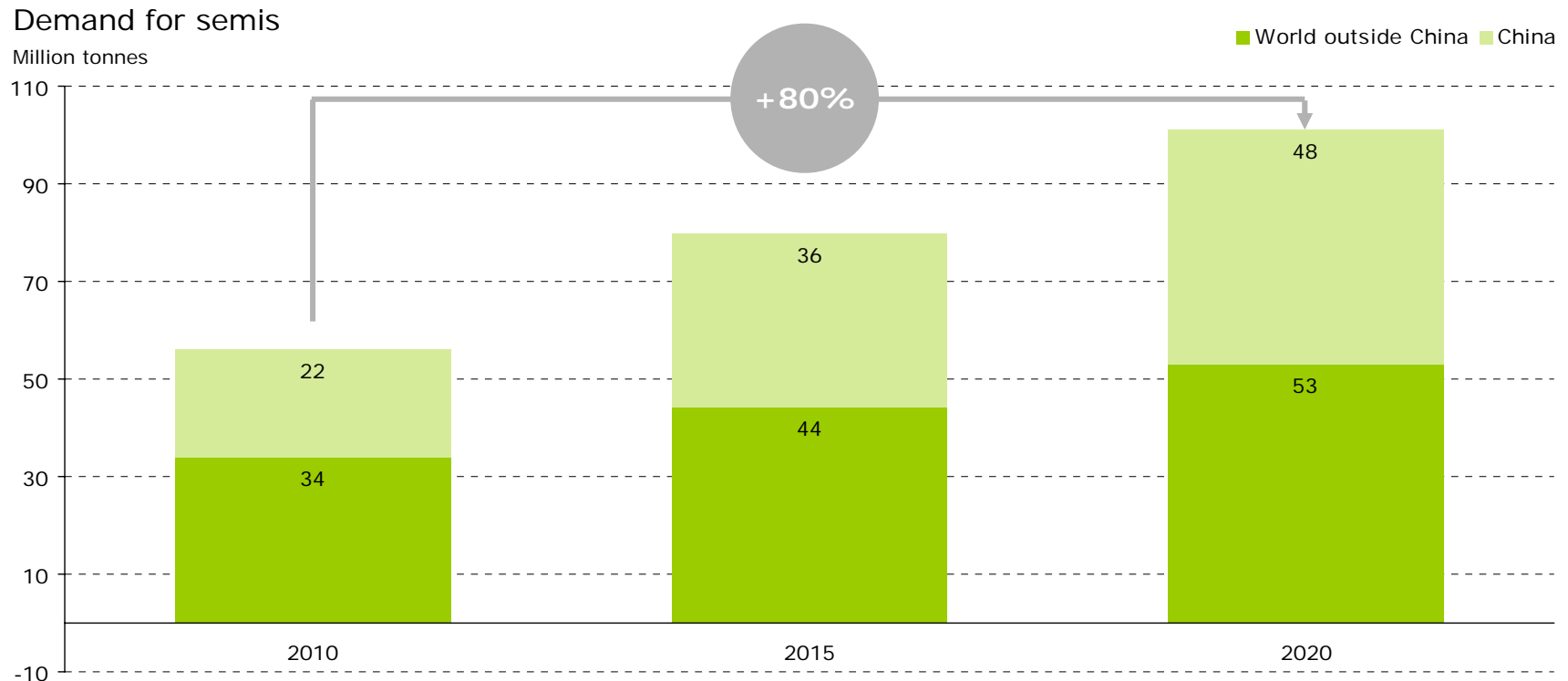
Increased energy demand



Climate change



Significant aluminium demand growth expected



Fight for raw materials to continue
Resource-constrained world

Source: CRU

Aluminium is the metal of the future



- **Lightweight**
 - 1/3 density of steel
- **Recyclability**
 - 5% of original energy consumption
 - 75% of all aluminium produced still in use
- **Corrosion resistant**
 - Oxide layer
- **Formability**
 - Extrusion, rolling, casting
 - Low melting point vs. steel
- **Excellent conductivity**
 - Thermal – electrical
- **Alloying technology**
 - Gives wide range of physical properties

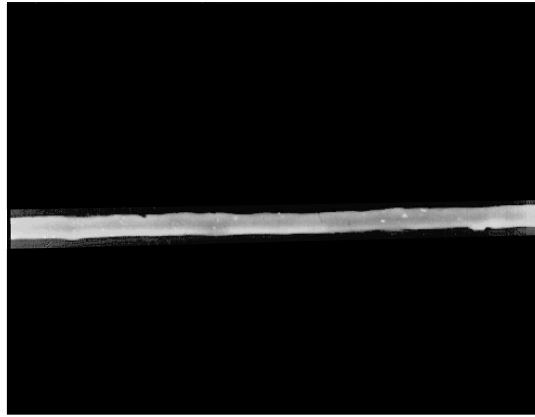
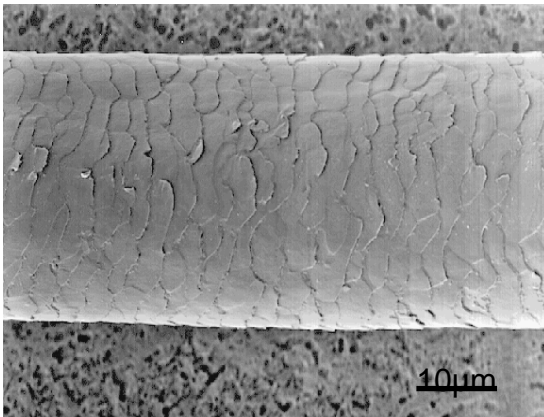
Properties lead to increased market share

- Aluminium intensive urbanization and infrastructure
- Climate challenge – aluminium as part of the solution
- Recyclability more important with high energy prices

Innovation drives aluminium demand

Hydro aims at forefront position

Minimum thickness for maximum protection



Power house



Aluminium tubing

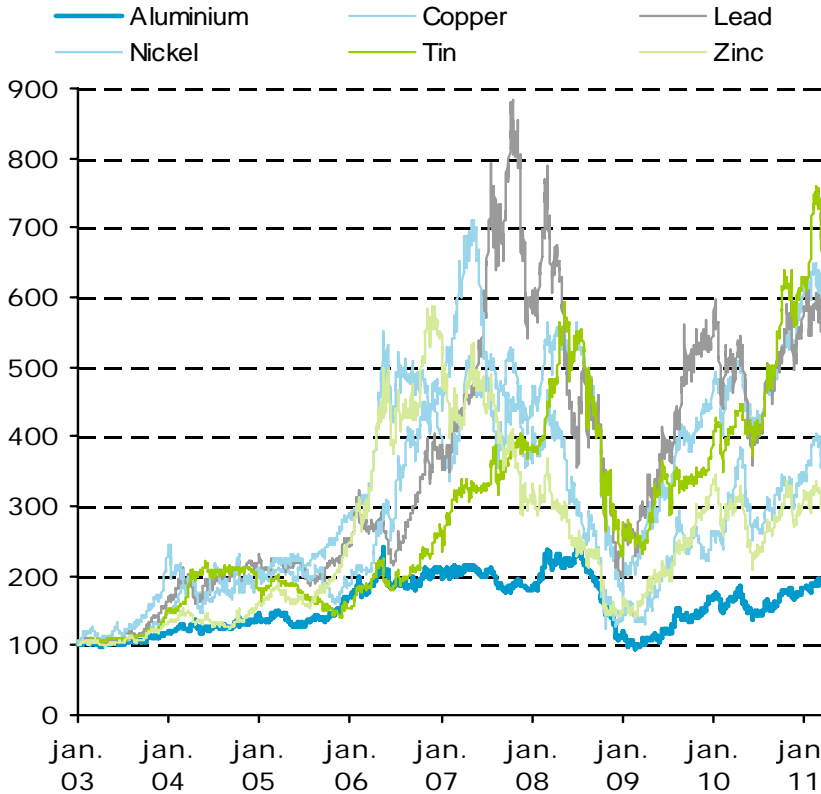


3

A sustainable industry?

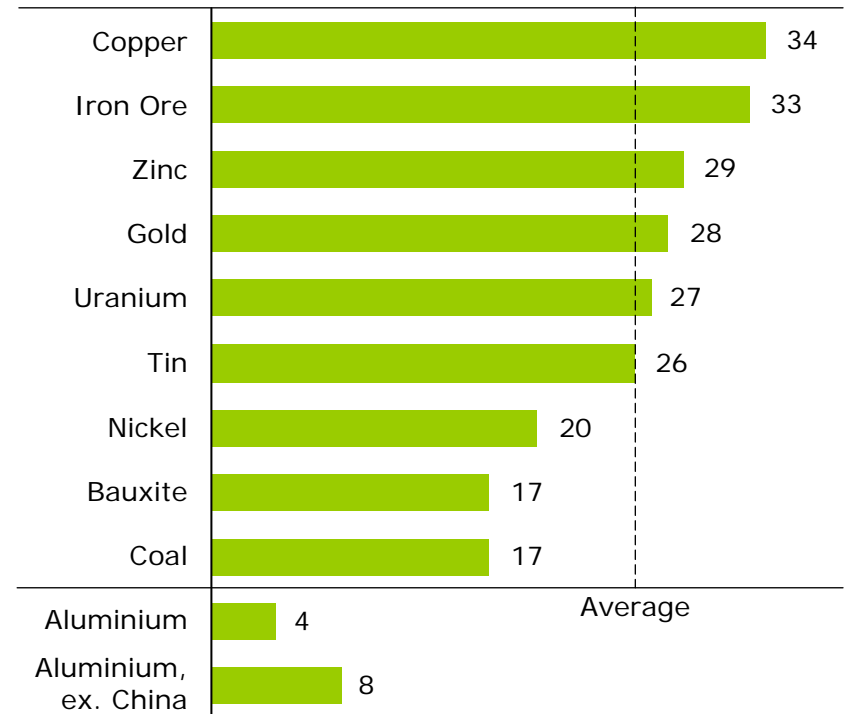
Aluminium weakest performer among base metals

Commodity prices, indexed

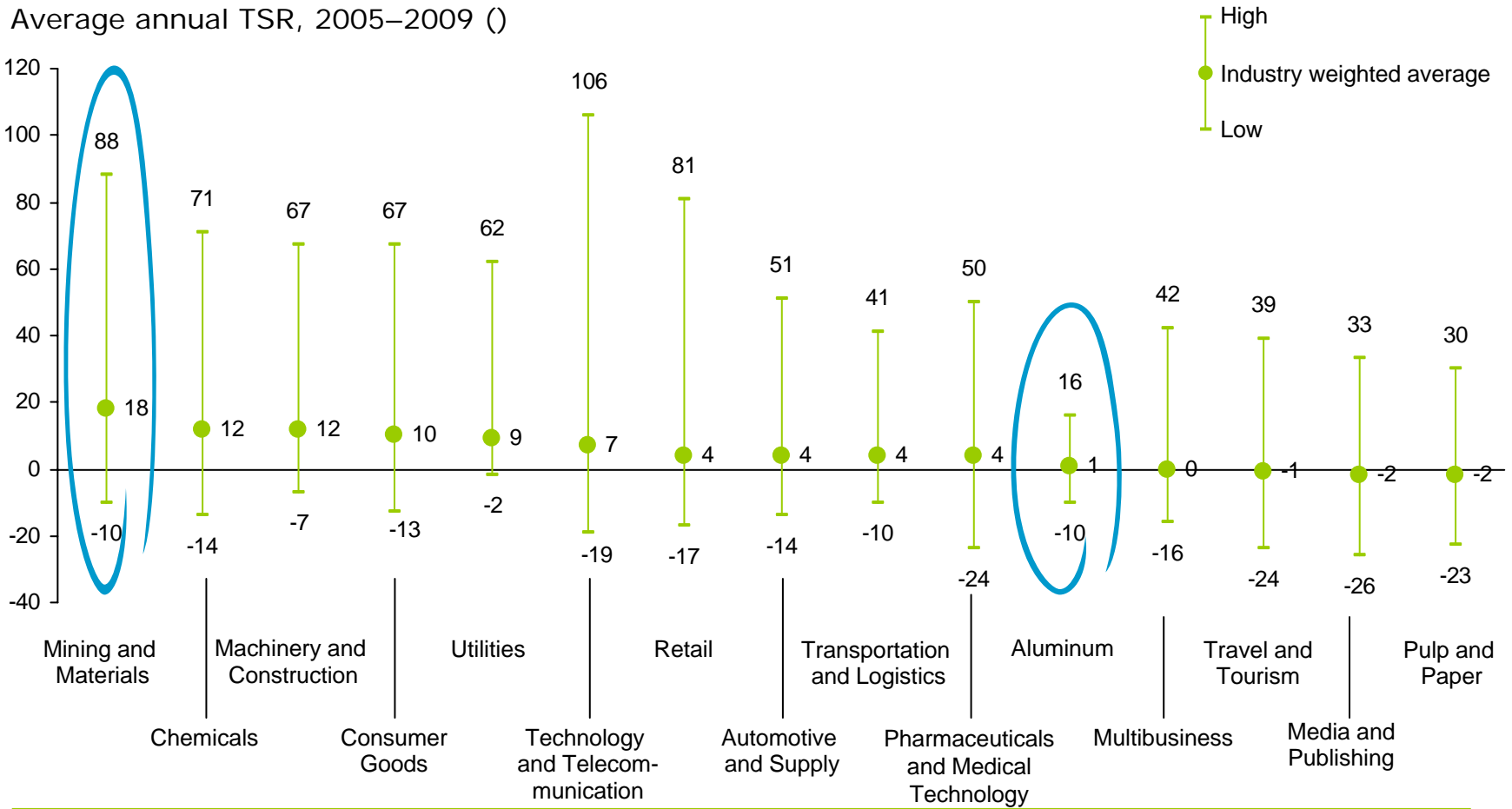


Source: McKinsey, CRU, Reuters

Premium above 90th percentile cash cost (1990-2005), percentage



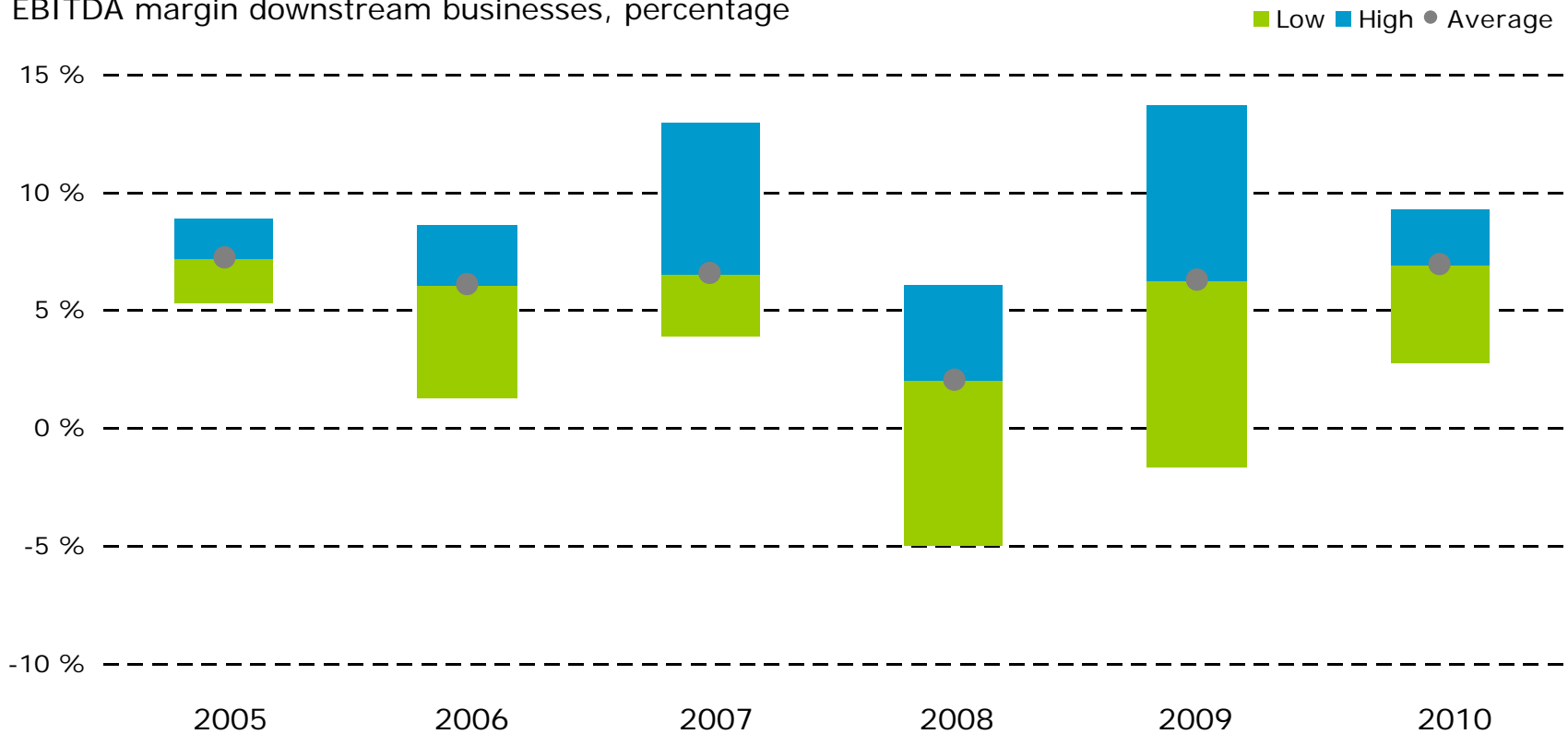
Total shareholder returns for aluminium companies low compared to other industries



Source: Boston Consulting Group

Low returns permeates the whole value chain

EBITDA margin downstream businesses, percentage



Source: Company reports. 8 core companies

Encouraging developments



- Development of more liquid bauxite and alumina markets
- Bauxite, a fight for cost efficient resources going forward
- Technology and application development
- Continued strong demand in overseas market for advanced technology products

Responsibility

The world needs aluminium

Ability

Aluminium is a fantastic material to meet market needs

Profitability

Sustainable return is the premise for developing aluminium's full potential



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