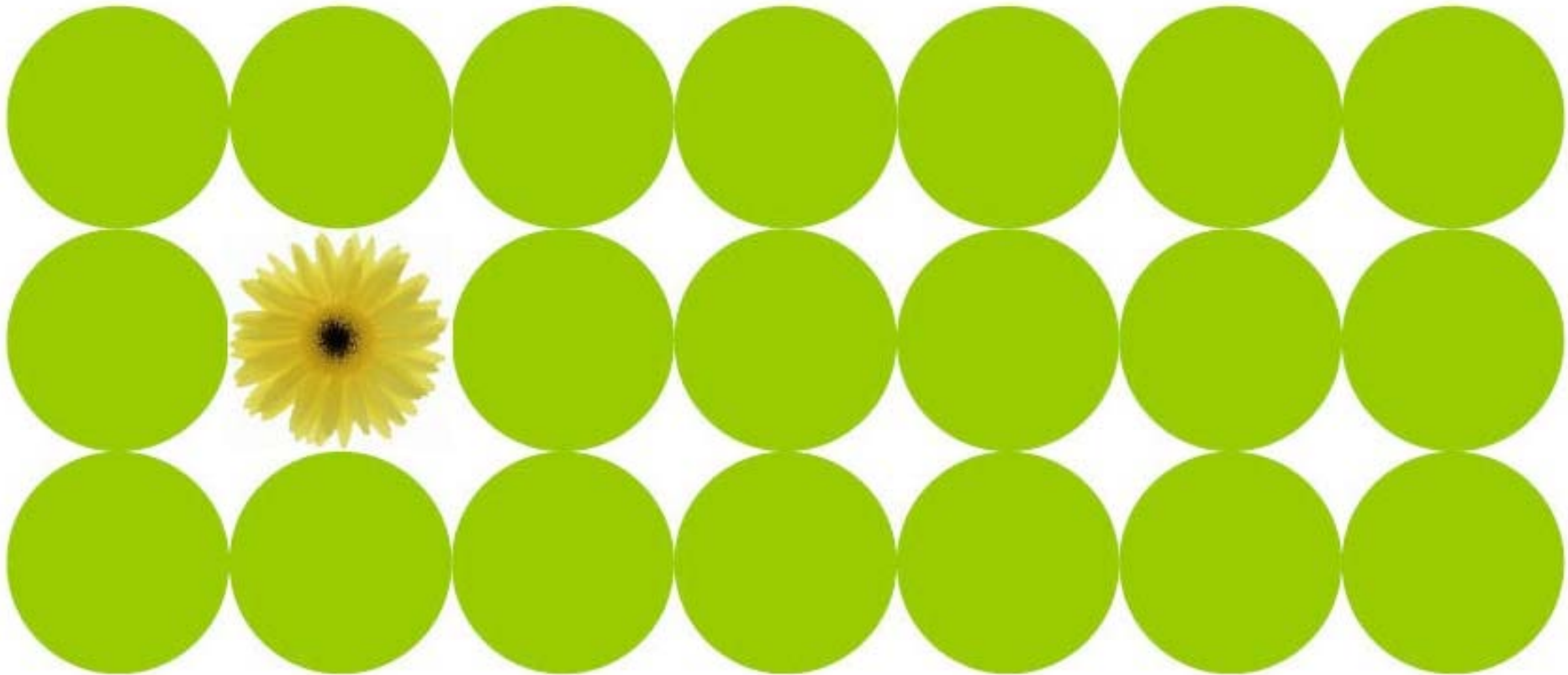
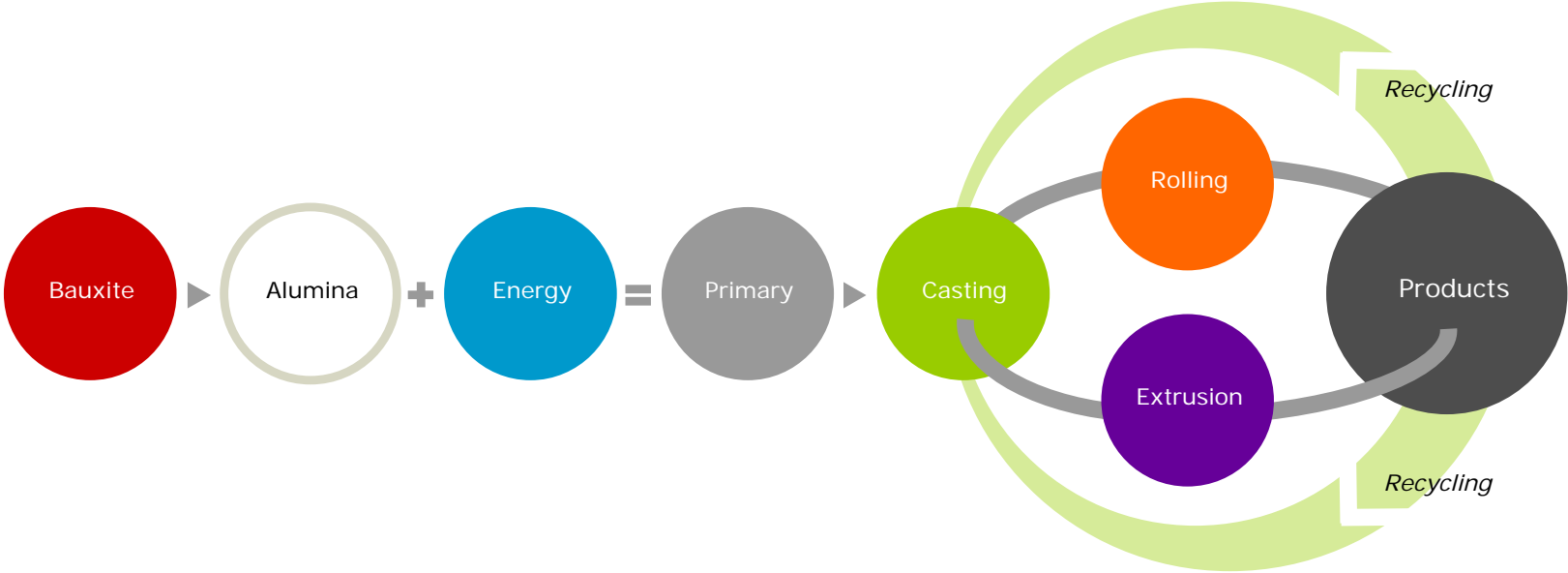


Hydro - a resource rich and fully integrated aluminium company



Jørgen C. Arentz Rostrup, Executive Vice President and CFO
SEB Enskilda Nordic Seminar, January 11, 2012

Fully integrated throughout the value chain



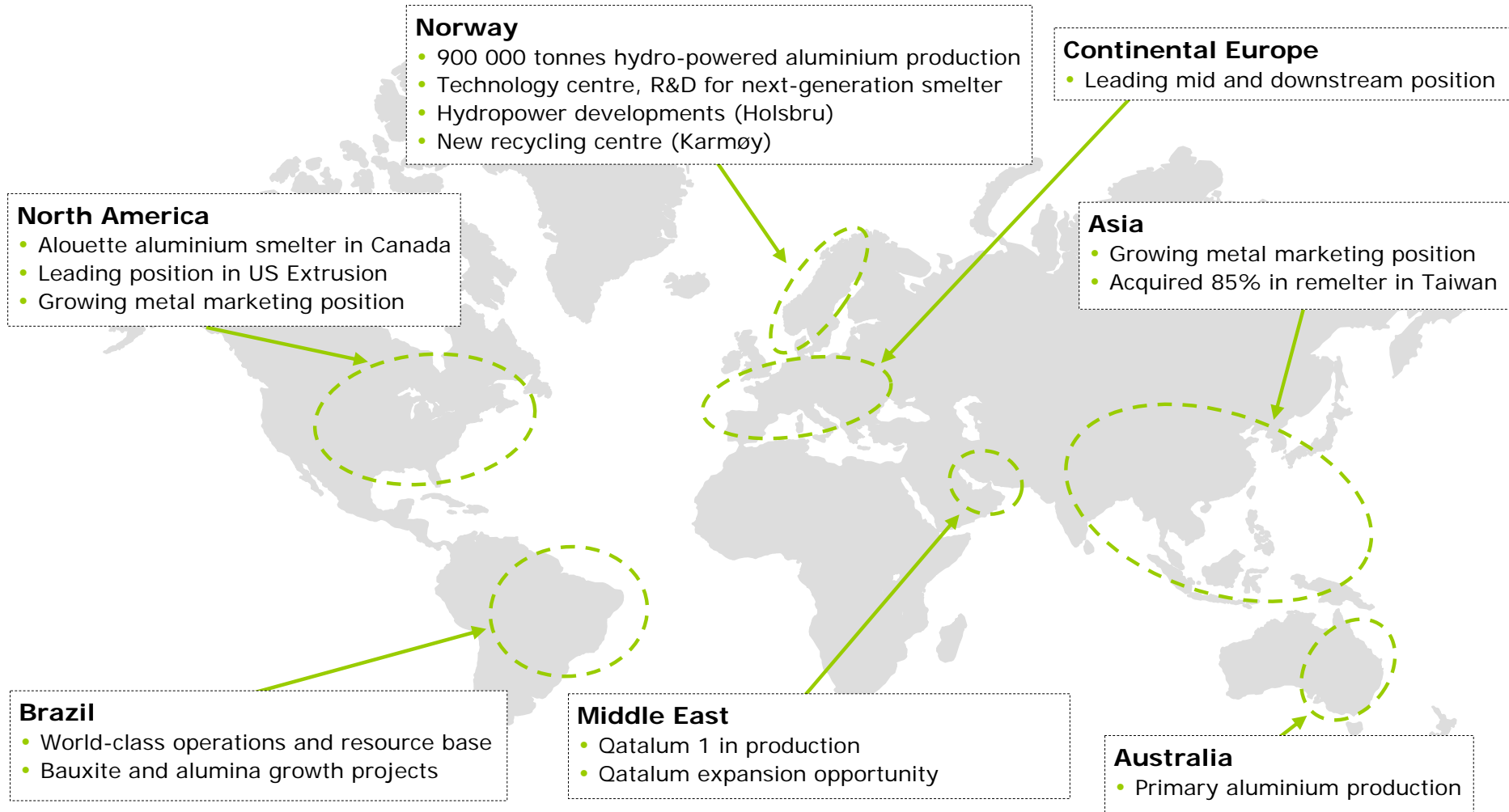
Aluminium is part of the solution



5-7%
annual
growth in
demand

Source: CRU

Attractively positioned, global reach



World-class bauxite and alumina assets

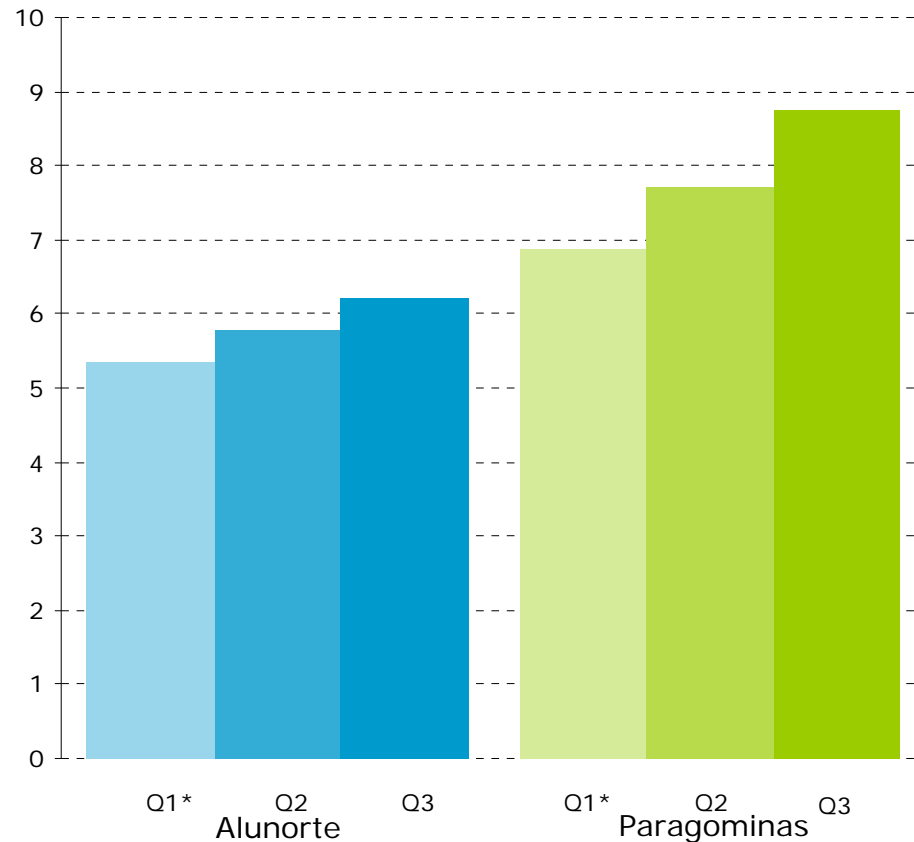
Paragominas and Alunorte



- Integrated through pipeline
- Technological frontrunner
- Competitive cost position
- Top quality alumina
- Successful integration
- Solid production improvement

Further improved bauxite and alumina production

Annualized production million mt



- Alunorte production up 16% from Q1 to Q3 2011
- Paragominas production up 27% from Q1 to Q3 2011
- Continued focus on implementing Hydro production system
- Focus on stabilizing production in Q4

* Pro-forma

Qatalum streamlining in 2012

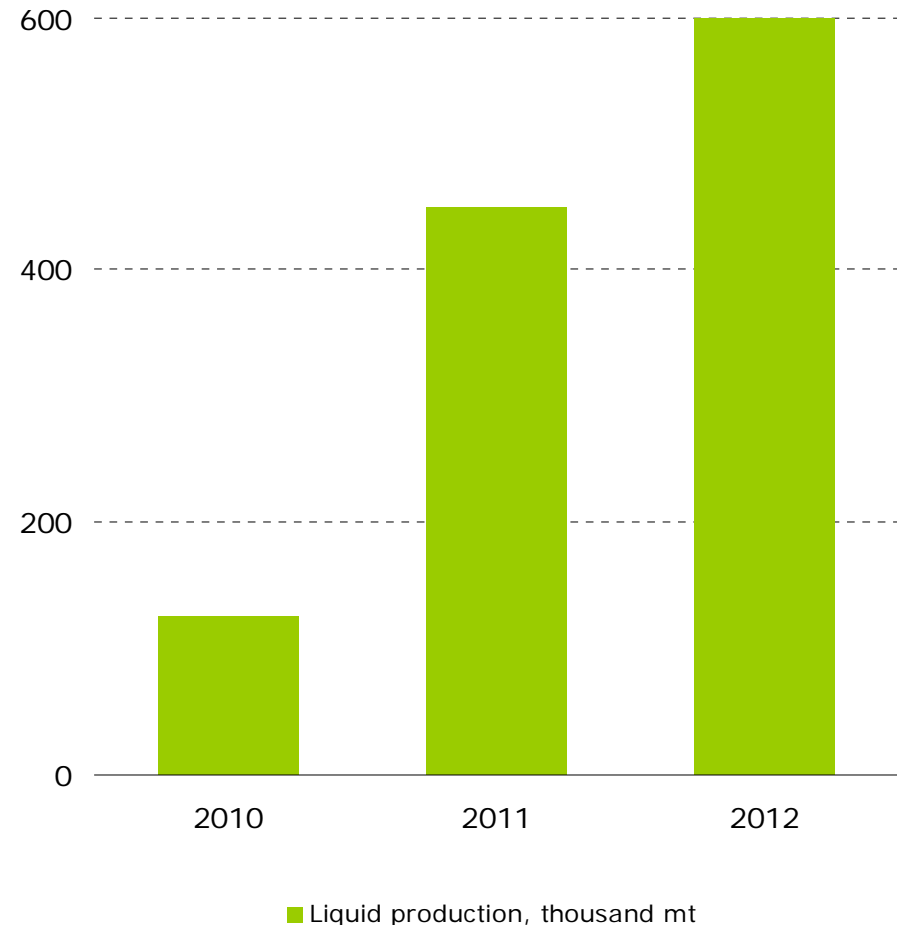


- All cells in production
- 1350 MW power plant at full capacity
- Focus on production optimization
- Target annual production of 600 000 mt

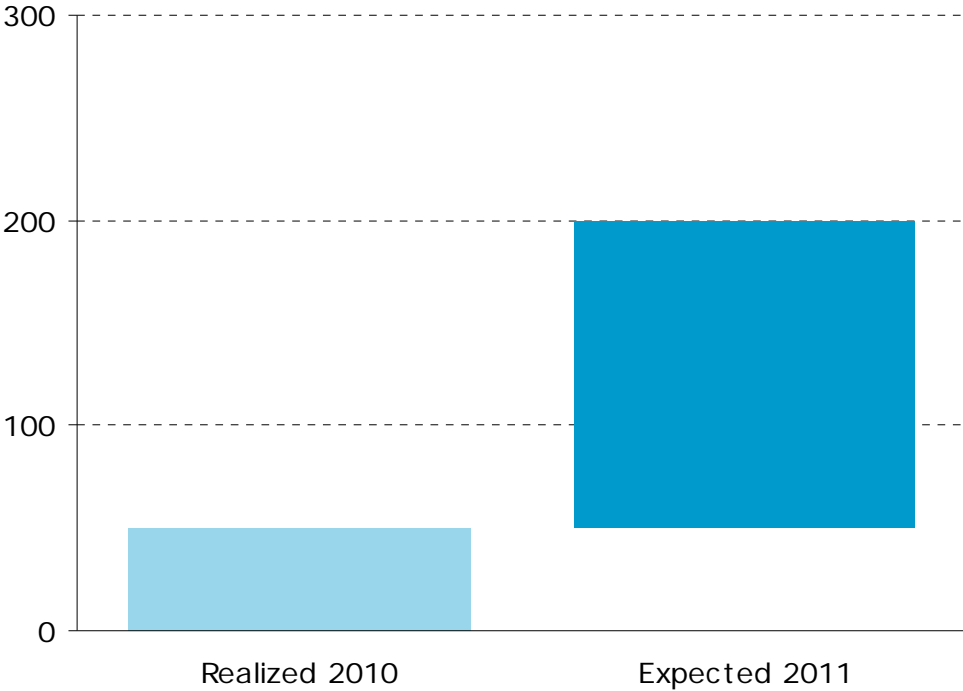
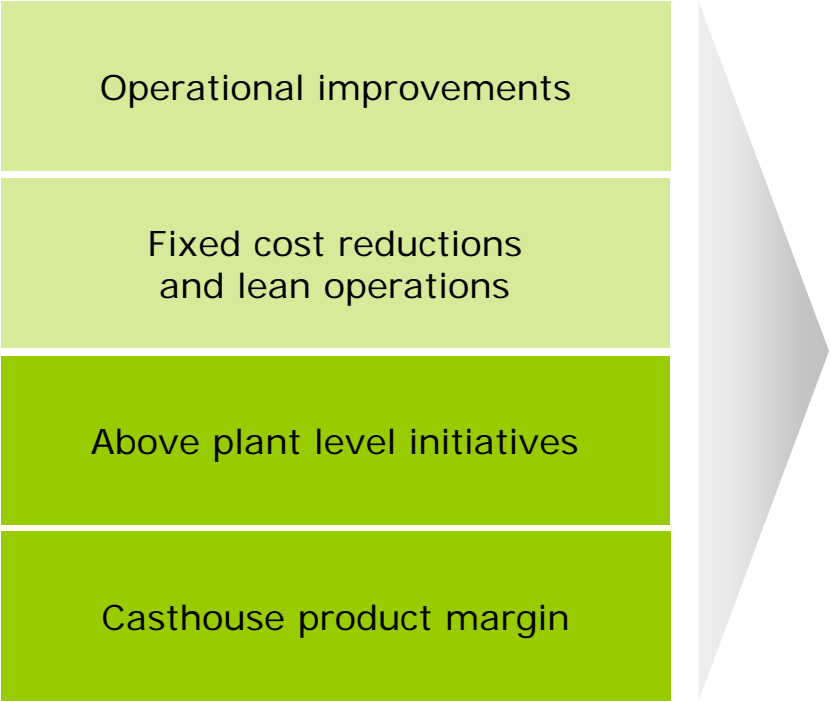
Qatalum –1st quartile cost position

Further creep potential beyond 2012

- On track to exceed nameplate capacity first year of full production
- 1st quartile cost position established
 - Cash cost around USD 1400-1500 per mt at 2010 market conditions
- Operational excellence and cost optimization focus going forward
- Project cost at USD 5.8 billion delivered



USD 300 cost improvement program on track

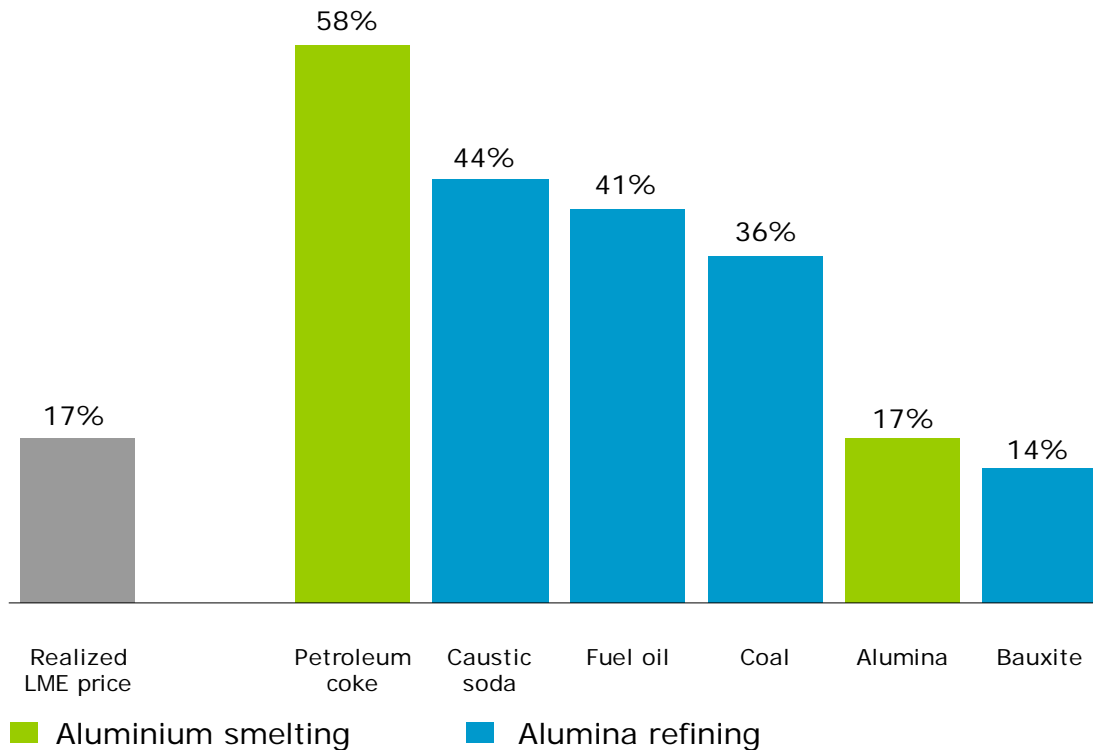


USD 300 per mt real term target for fully owned smelters excluding Neuss with 2009 as baseline. Realized in nominal terms ~USD 180 per mt. Effect of exchange rates and raw materials cost changes are neutralized

Aluminium industry facing cost pressure

Revenue and cost drivers

Jan-Sep 2011 vs 2010



- Increasing cost of input factors
- Fixed cost pressure from inflation
- Strong raw-material driven currencies

1) 1) PACE: Mid price USGC.

2) CMAI: Average acquisition price FOB USGC

3) Reuters Ecowin: Crude oil - Brent

4) Reuters Ecowin: Coal – CIF ARA

5) 13% of LME 3 month price with 2.5 months delay

6) Average LME 3 month price with 3-12 months lag

Strategy for further value creation

Bauxite & Alumina	Primary Metal	Energy	Mid- and downstream
			
<ul style="list-style-type: none">• Excellence in operations• Expand capacity• Commercialize	<ul style="list-style-type: none">• Reposition• Keep solid cash flow in current assets• Expand in first quartile assets	<ul style="list-style-type: none">• Increase value of energy business• Develop current base• Global approach to power sourcing	<ul style="list-style-type: none">• Continue proven high-end product strategy• Streamline European assets• Expand selectively in emerging markets

Macro economic situation – global uncertainty

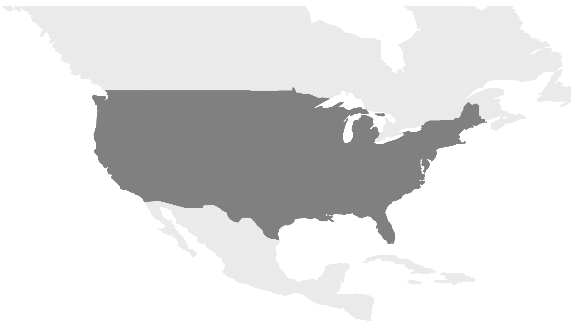
Europe

Sovereign debt concern



United States

Demand issue



China

Reduced growth



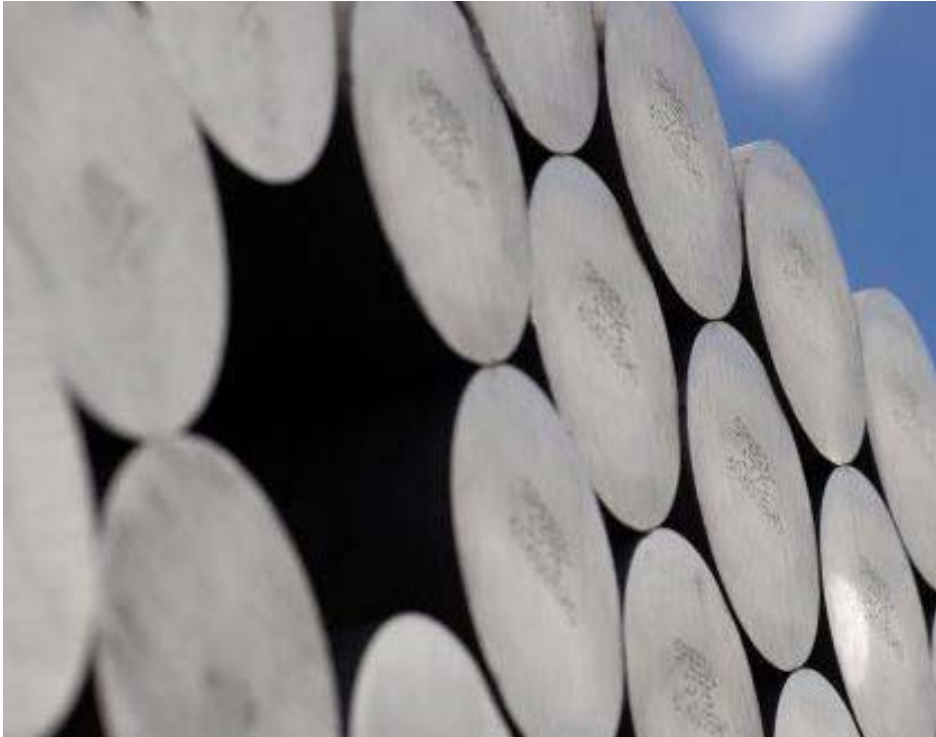
Agenda 2010 and corrective actions successfully executed



- Remelt production reduced by ~50%
- 450 000 tonnes annual primary capacity curtailed
- CAPEX 2009* reduced ~50%
- Net operating capital reduced by 5.8 BNOK
- Substantial cost cutting upstream and downstream
- Managing interface with customers successfully
- Restructuring and demanning in Corporate and BA staffs

*Excluding Qatalum

Prepared for challenging period

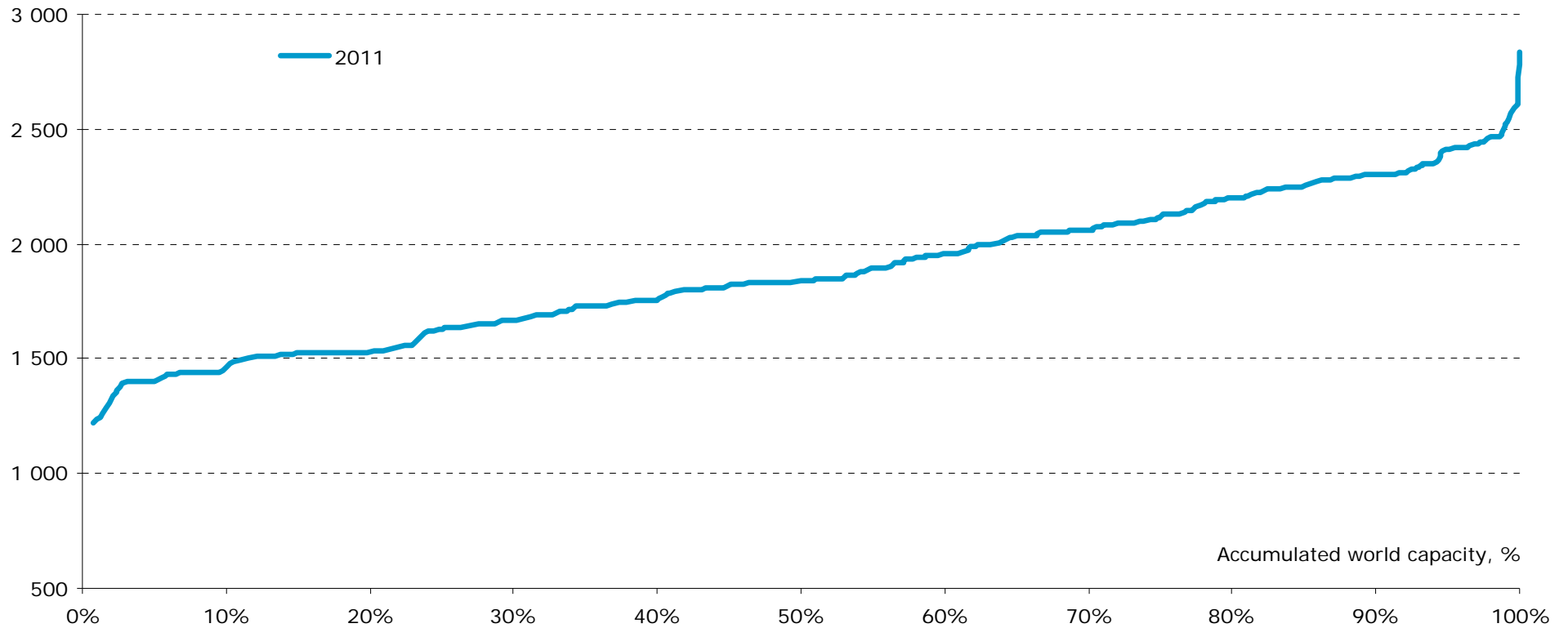


- Strong balance sheet to face volatility
- Reduction in net operating capital days and sustaining capital expenditure
- Margin management and remelt flexibility
- No restart of idled capacity
- Cost improvement programs

Aluminium cost curve lifted by cost pressure

Business operating cost aluminium

USD per mt

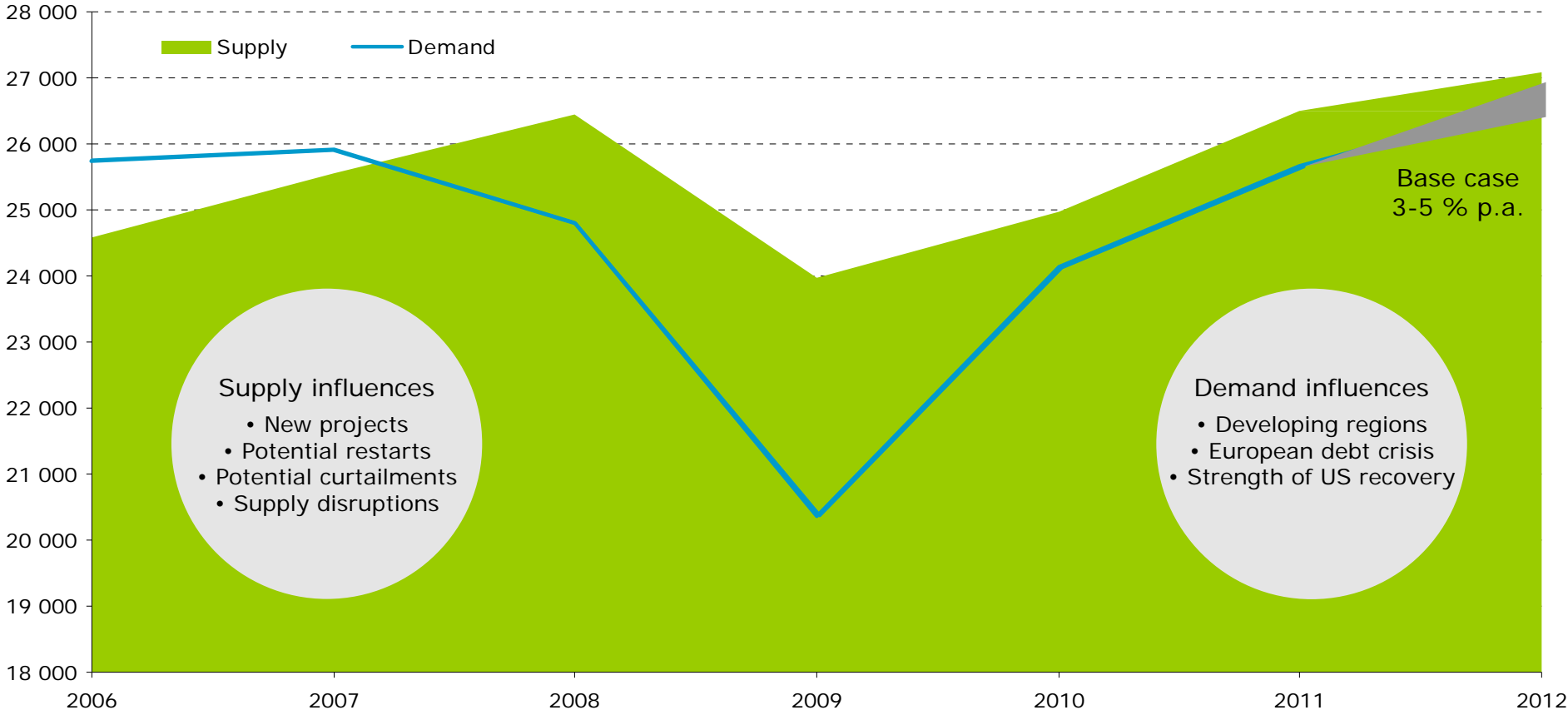


Source: CRU, LME USD 2 100 per mt, NOK/USD 5.56

Healthy demand growth expected

Manageable supply/demand balance

World excluding China, thousand mt

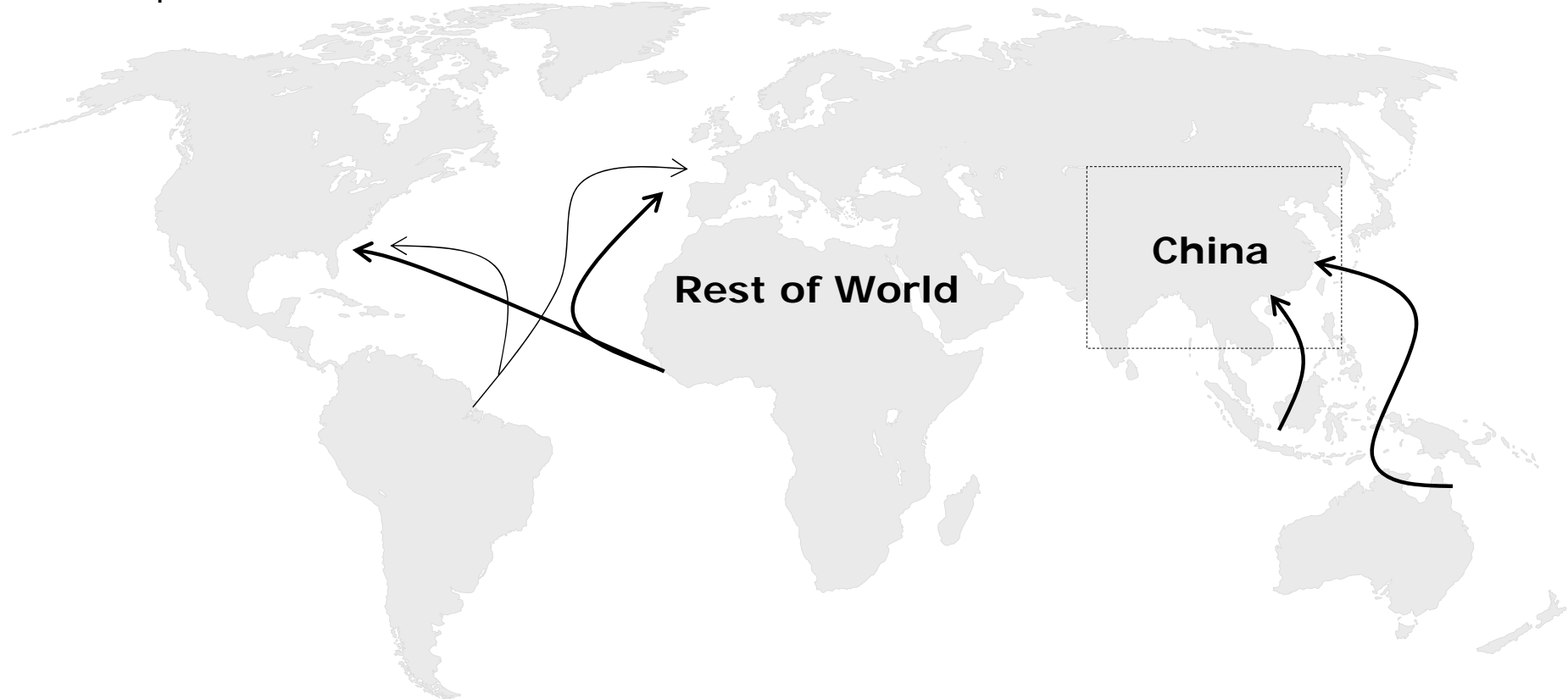


Source: CRU/Hydro



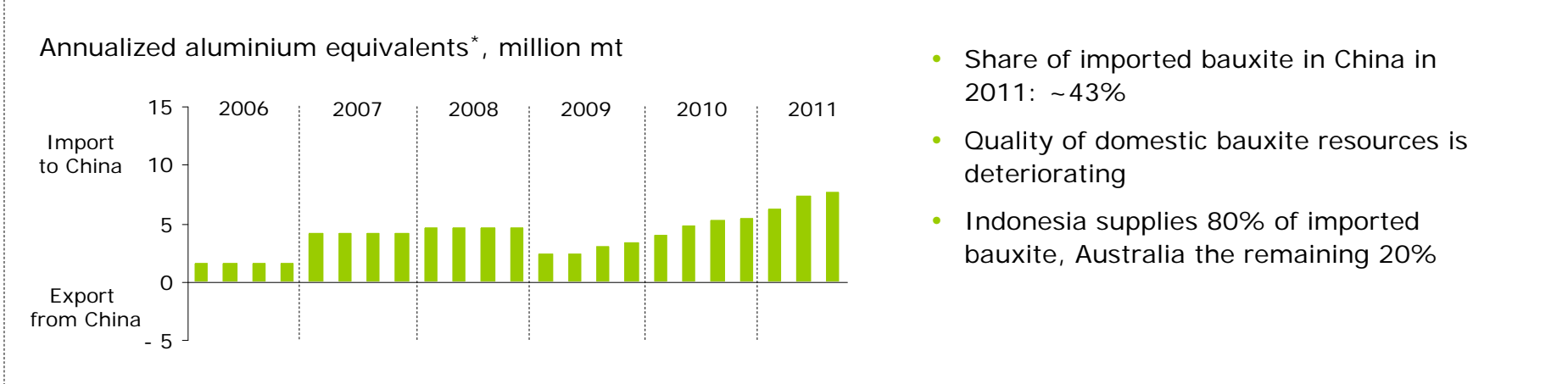
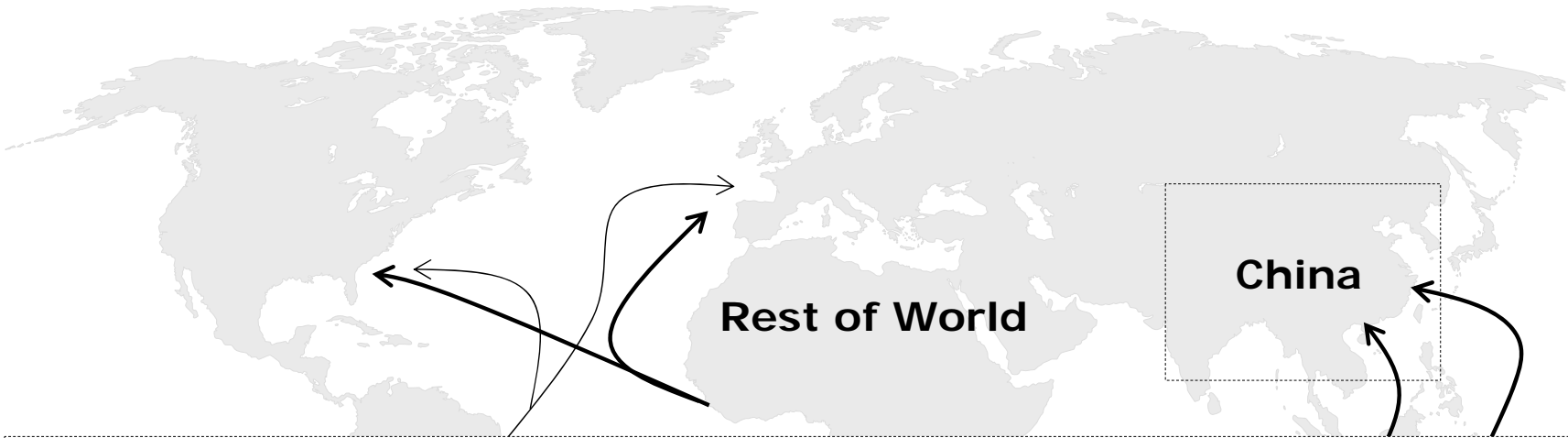
Third party sales ~20% of global bauxite production

Bauxite production 2011: ~250 million mt



Source: Antaike/Hydro

China highly dependent on bauxite import



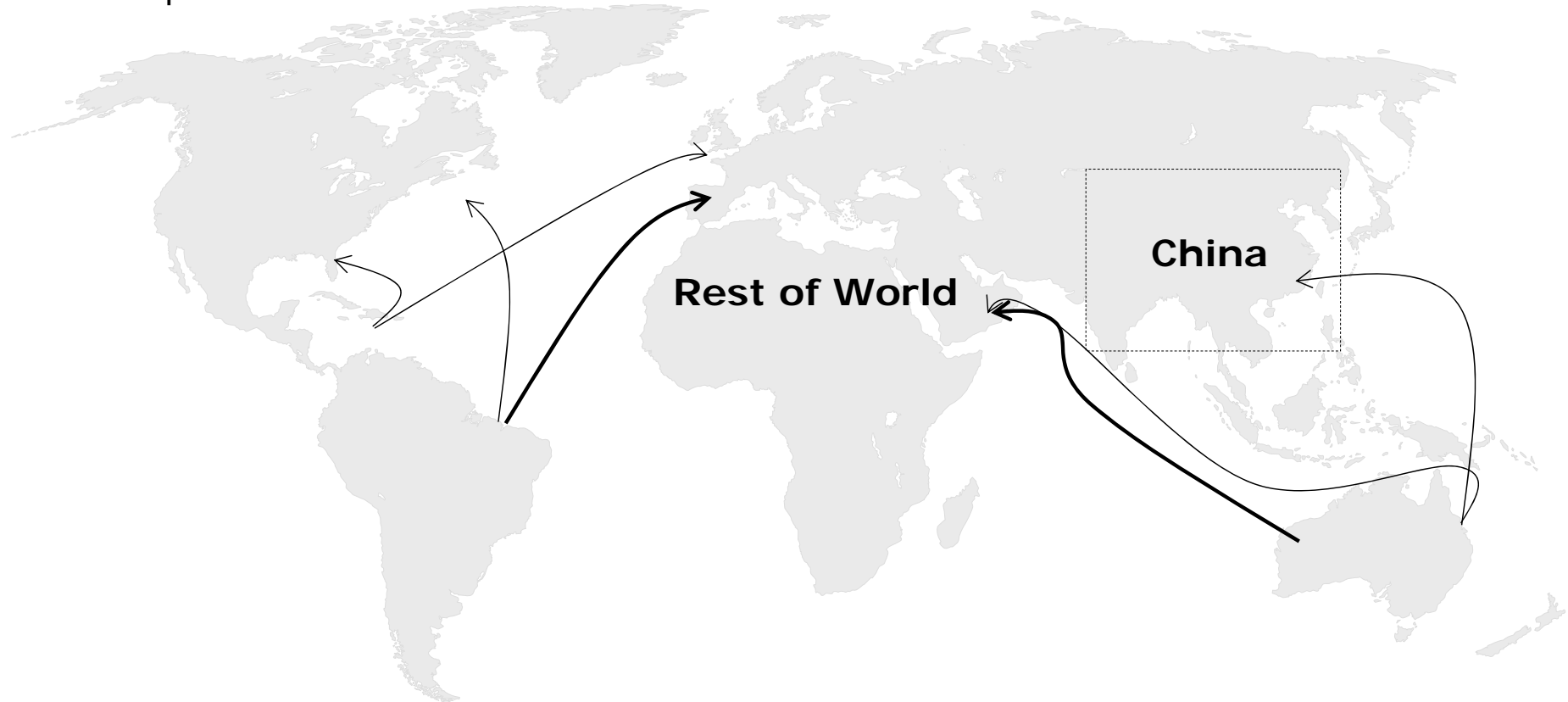
Source: Antaike/Hydro

■ Bauxite *Bauxite to aluminium conversion factor: 5.4



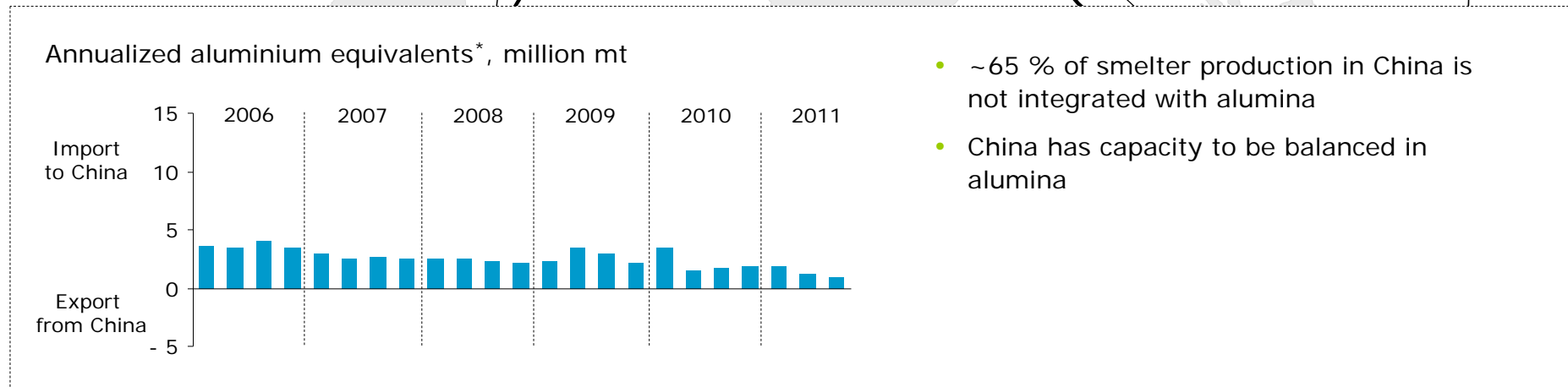
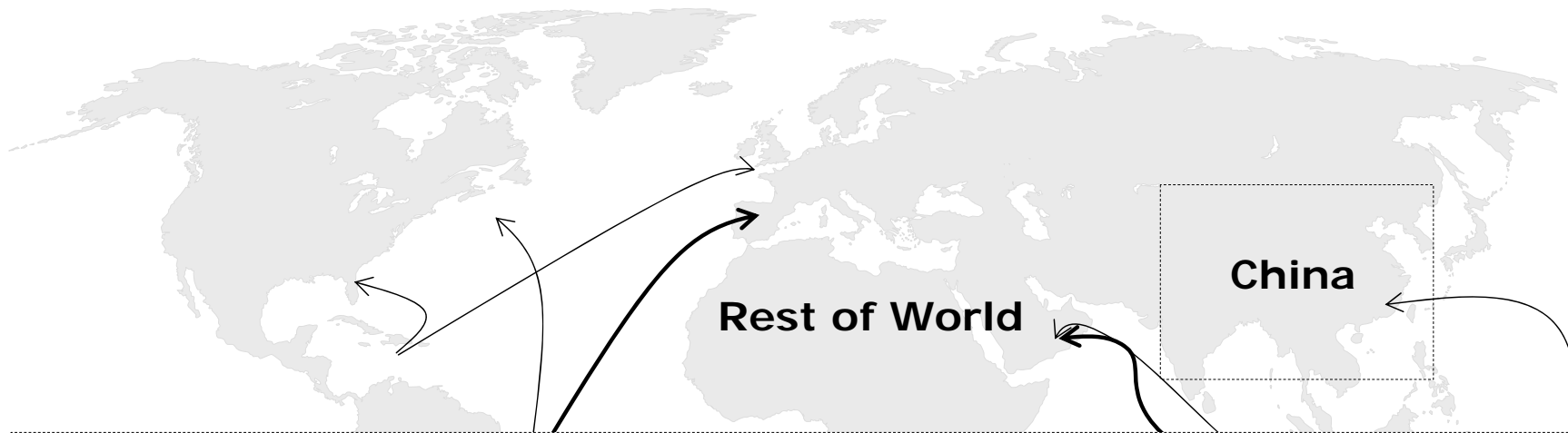
Third party sales ~35% of global alumina production

Alumina production 2011: ~90 million mt



Source: Antaike/Hydro

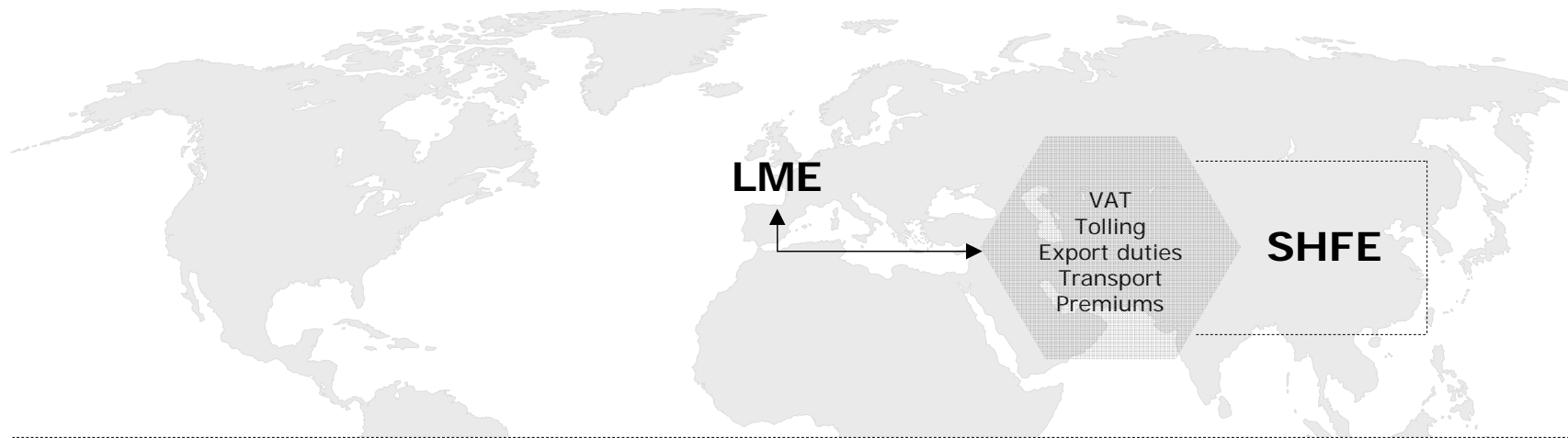
Chinese domestic alumina capacity increasing



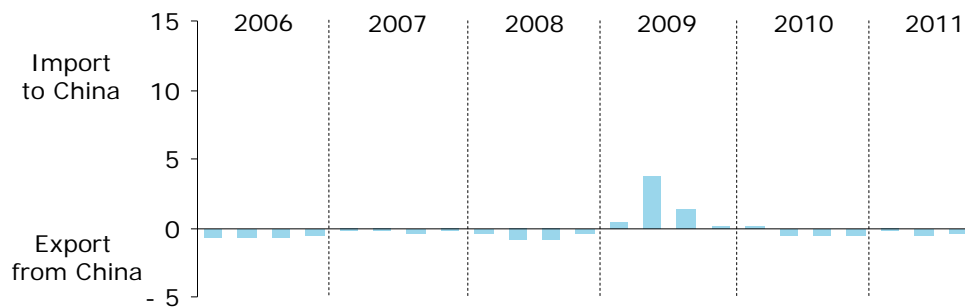
Source: Antaike/Hydro

■ Alumina *Alumina to aluminium conversion factor: 1.925

Chinese trade barriers for primary aluminium



Annualized aluminium equivalents, million mt

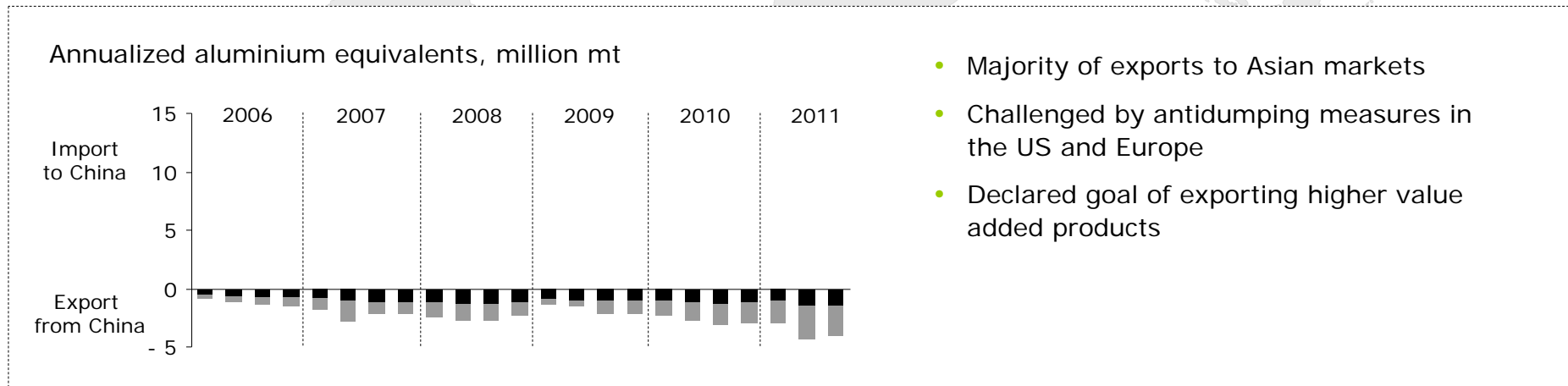
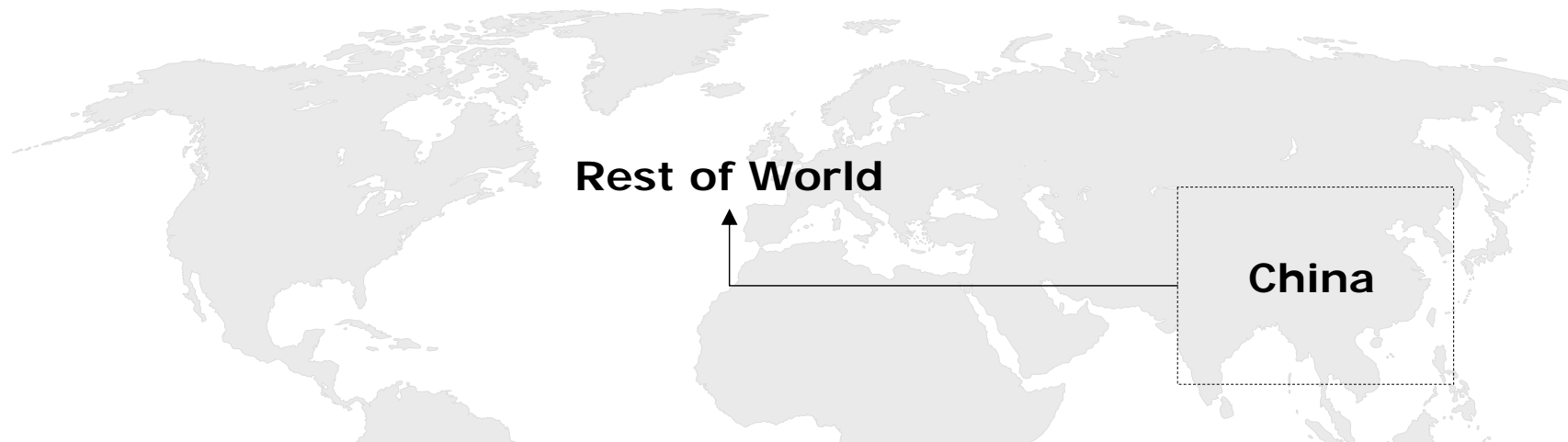


- Declared goal of self-sufficiency in primary aluminium
- Arbitrage opportunities between LME and SHFE in 2009

Source: Antaike/Hydro

■ Primary Aluminium

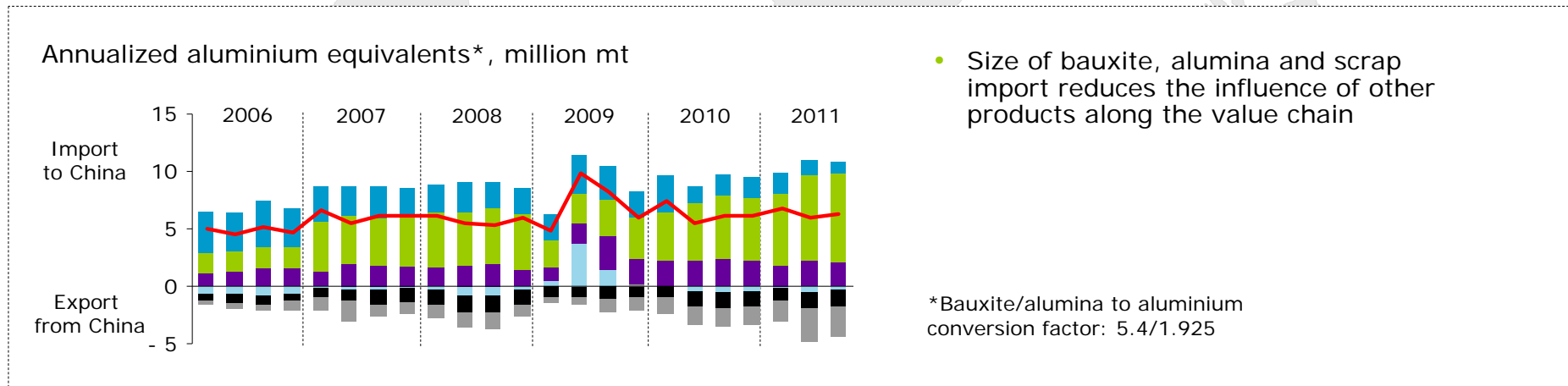
China increasing exports of fabricated and semis



Source: Antaike/Hydro

■ Fabricated ■ Semis

China – significant net importer of aluminium


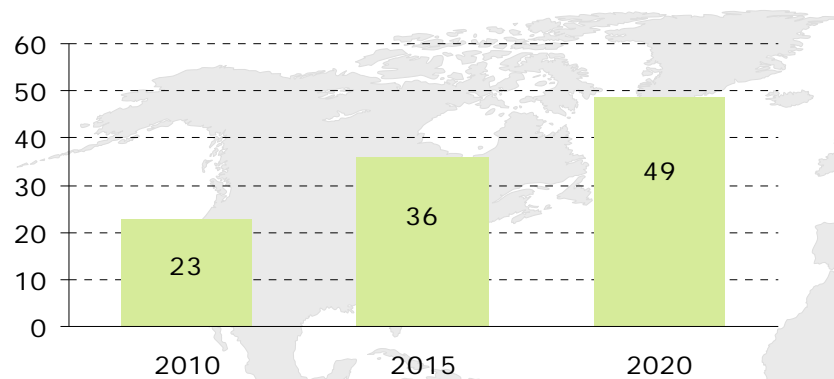


Source: Antaike/Hydro

Alumina Bauxite Scrap Primary aluminium Fabricated Semis

Demand will increase substantially...

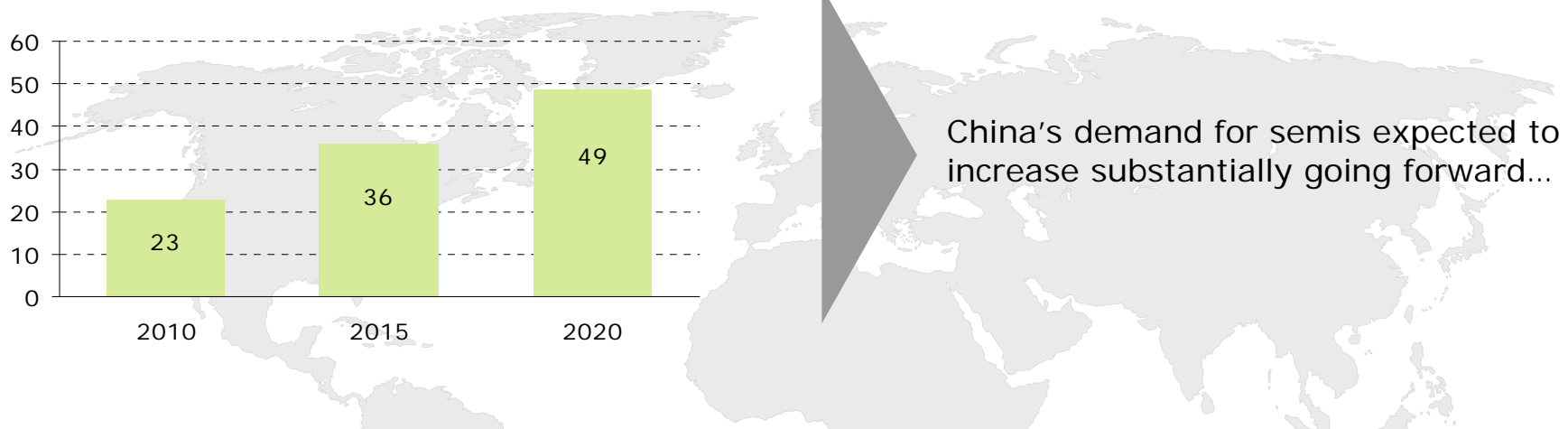
Demand for semis, China, million mt



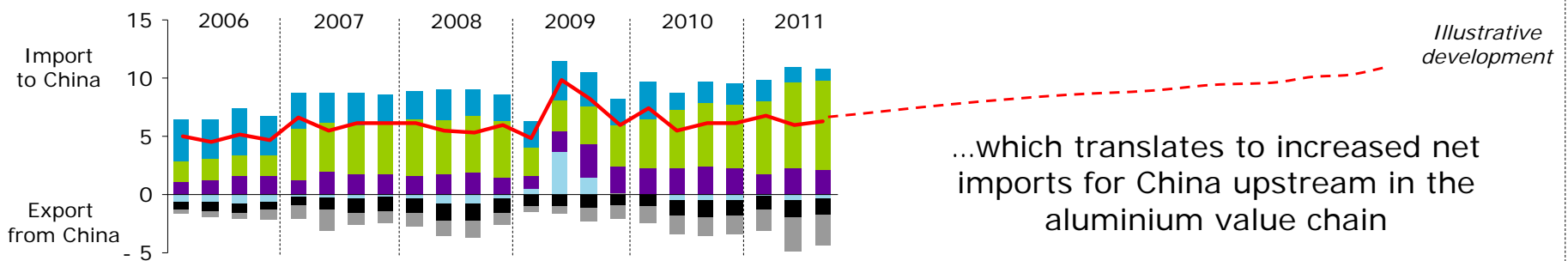
China's demand for semis expected to increase substantially going forward...

...as a consequence, China will be increasingly short upstream

Demand for semis, China, million mt



Annualized aluminium equivalents*, million mt



Source: CRU/Antaika/Hydro

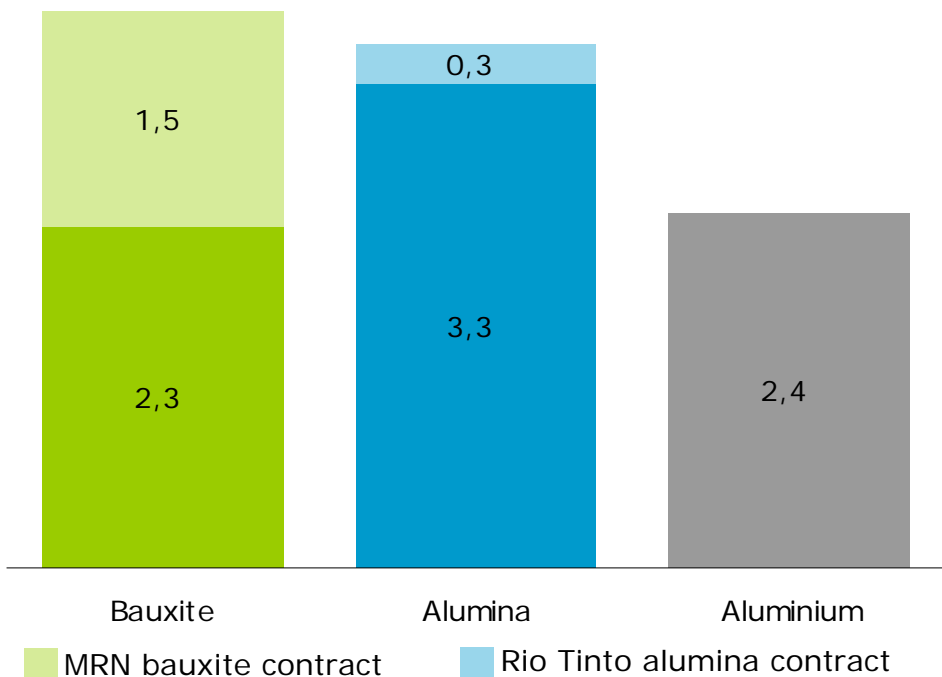
■ Alumina
 ■ Bauxite
 ■ Scrap
 ■ Primary aluminium
 ■ Fabricated
 ■ Semis

* Bauxite/alumina to aluminium conversion factor: 5.4/1.925



Long upstream positions give strategic flexibility

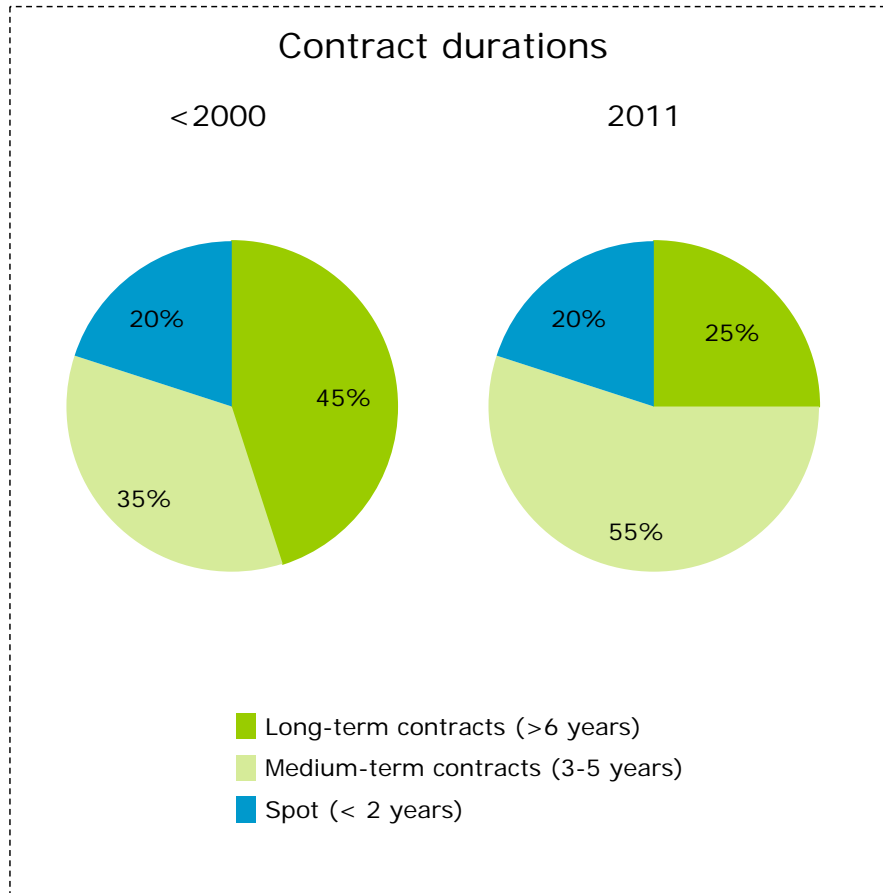
Million mt



Current annual consolidated capacity in metal equivalents

- Industry consolidation
- Long position creates flexibility
 - Growing smelter portfolio
 - Capturing commercial opportunities
- CAP and Paragominas projects will further strengthen alumina position

Alumina pricing shifting from LME-link to market fundamentals



- Future pricing should reflect fundamentals of bauxite and alumina value chain
- Spot market activity is important
- New norm for the industry
 - Index pricing and shorter-term contracts (3-4 years)
 - Getting wider acceptance in the market

Ideally positioned for future growth



Holsbru
Vasstøl
Hydro power



Paragominas
Bauxite



CAP
Alumina



Alouette
Metal



Qatalum 2
Metal



Acro
Suzhou
Extrusion

Future value creation

- Improve relative position
- Focus on operational excellence
- Develop commercial opportunities
- Manage portfolio actively

www.hydro.com