



# Norsk Hydro

Svein Richard Brandtzæg  
2015 Global Metals, Mining &  
Steel Conference



*Better **Bigger** Greener*

# Cautionary note in relation to certain forward-looking statements

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.

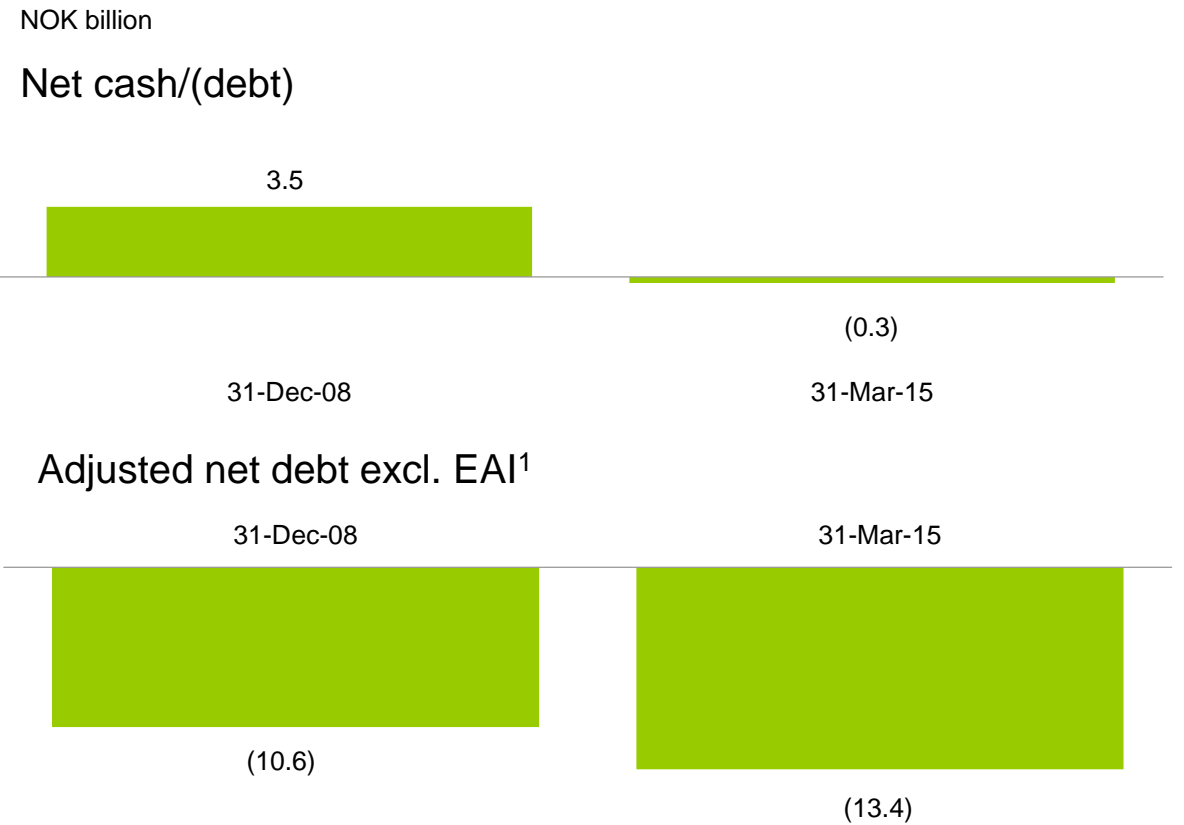
# A resource-rich, global aluminium company

With robust positions across the value chain



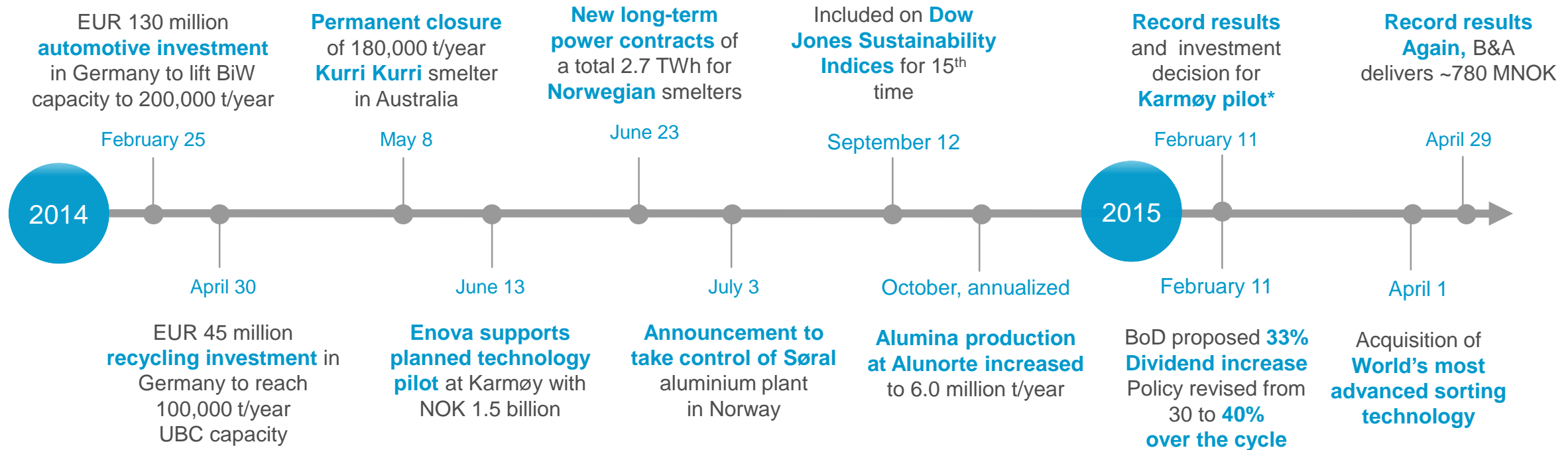
- Global provider of alumina, aluminium and aluminium products
- Leading businesses along the value chain; raw materials, energy, primary metal production, aluminium products and recycling
- 13 000 employees involved in activities in more than 50 countries
- Market capitalization ~NOK 75 billion
- Annual revenues ~NOK 78 billion
- Included in Dow Jones Sustainability Indexes and FTSE4Good

# Hydro has maintained a robust financial position



1) Net pension liability, operating lease commitments and other.

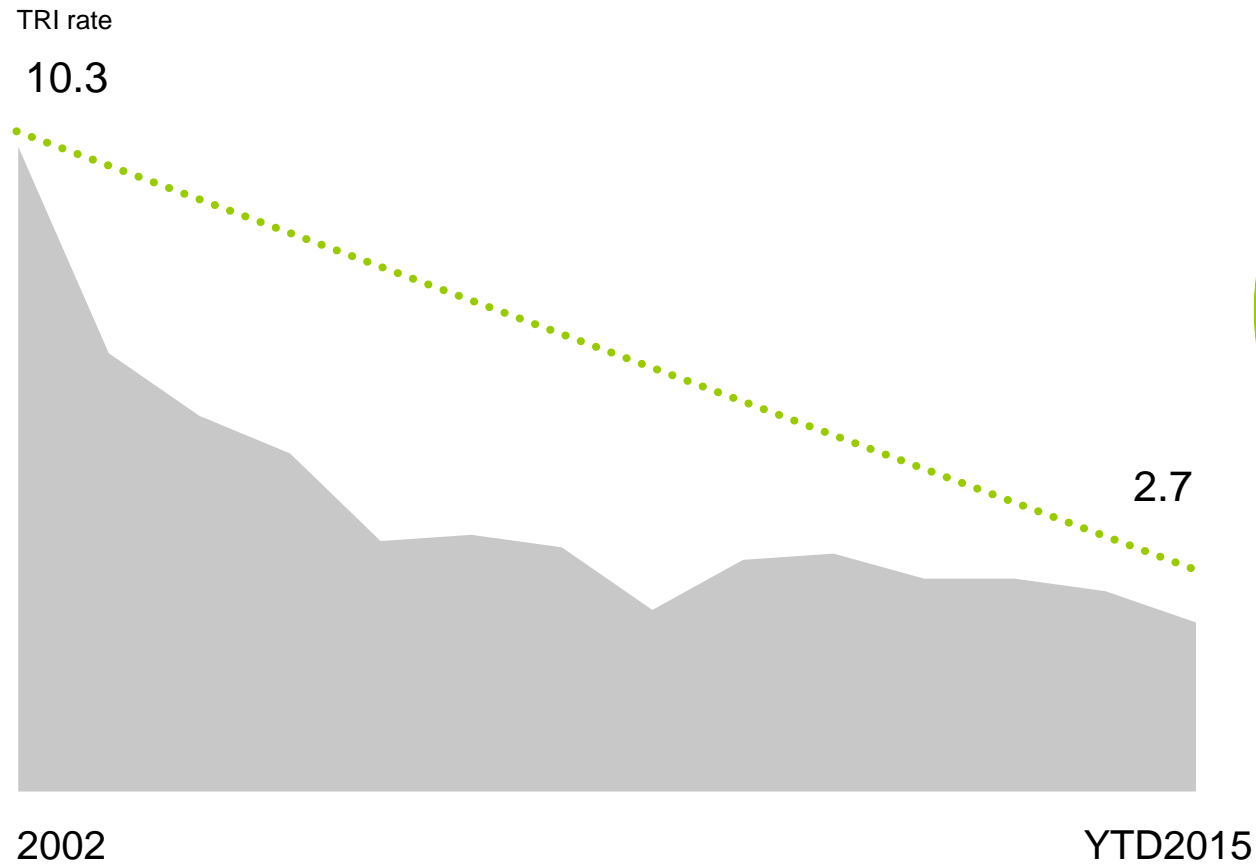
# Our agenda for value creation continues through 2015



BiW = Body-in-White

\* Build decision requires sustainable power sourcing

# Targeted improvement efforts – world class results!





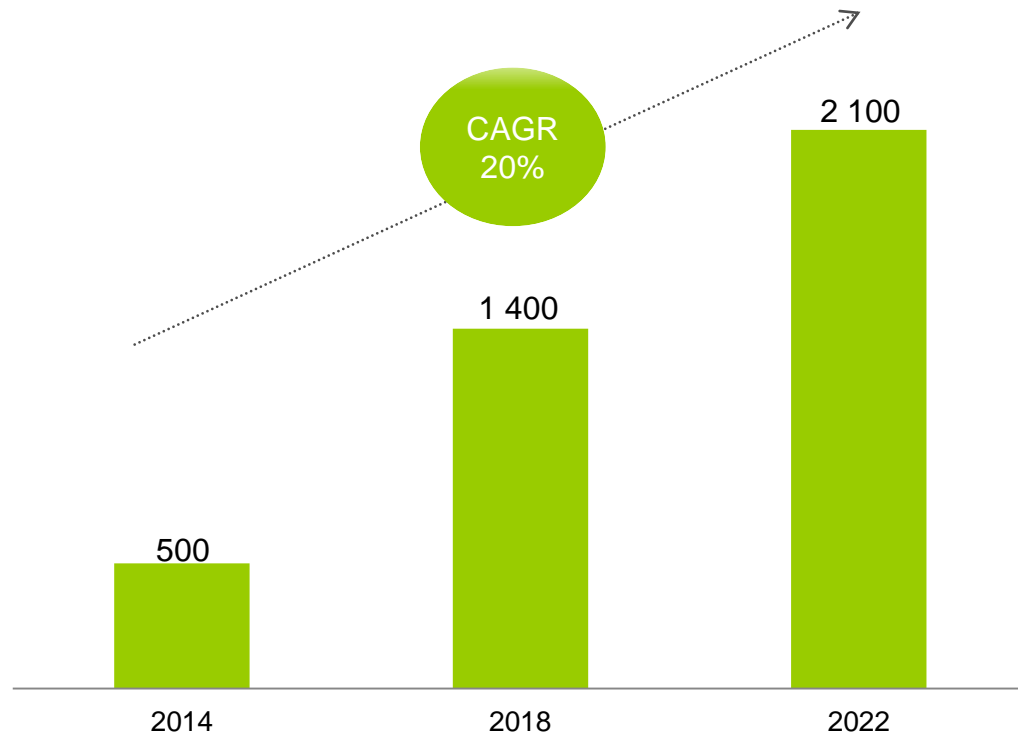
# Market Developments



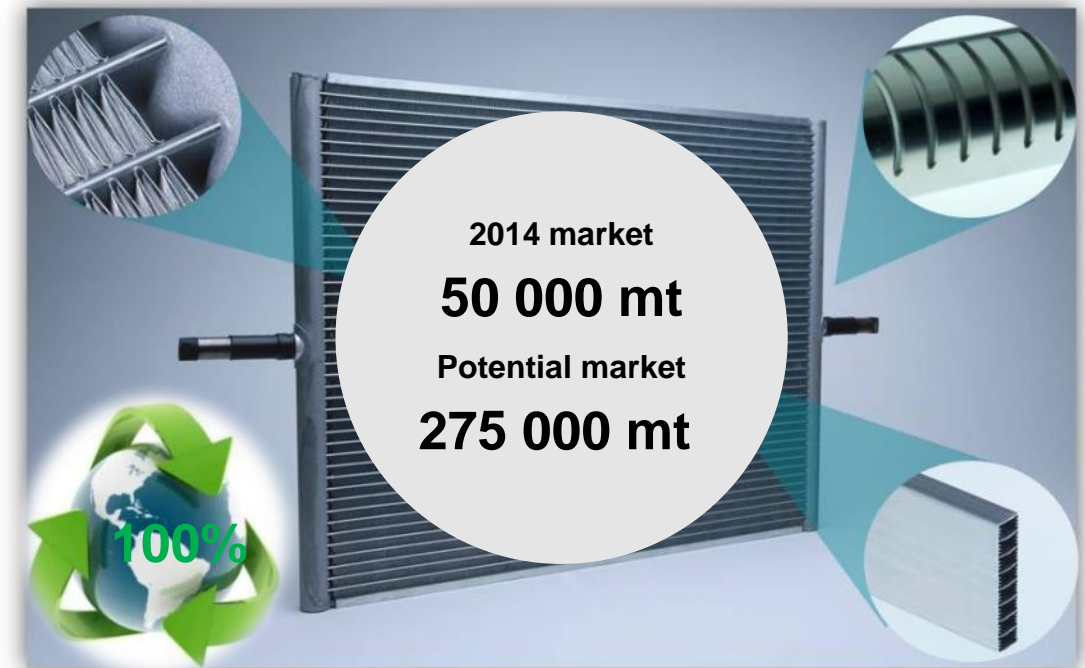
# Aluminium's inherent qualities driving substitution driven demand

Copper and steel both have to pave way for the metal of the future

Global Body-in-White demand in thousand tonnes



Significant substitution potential within HVAC&R



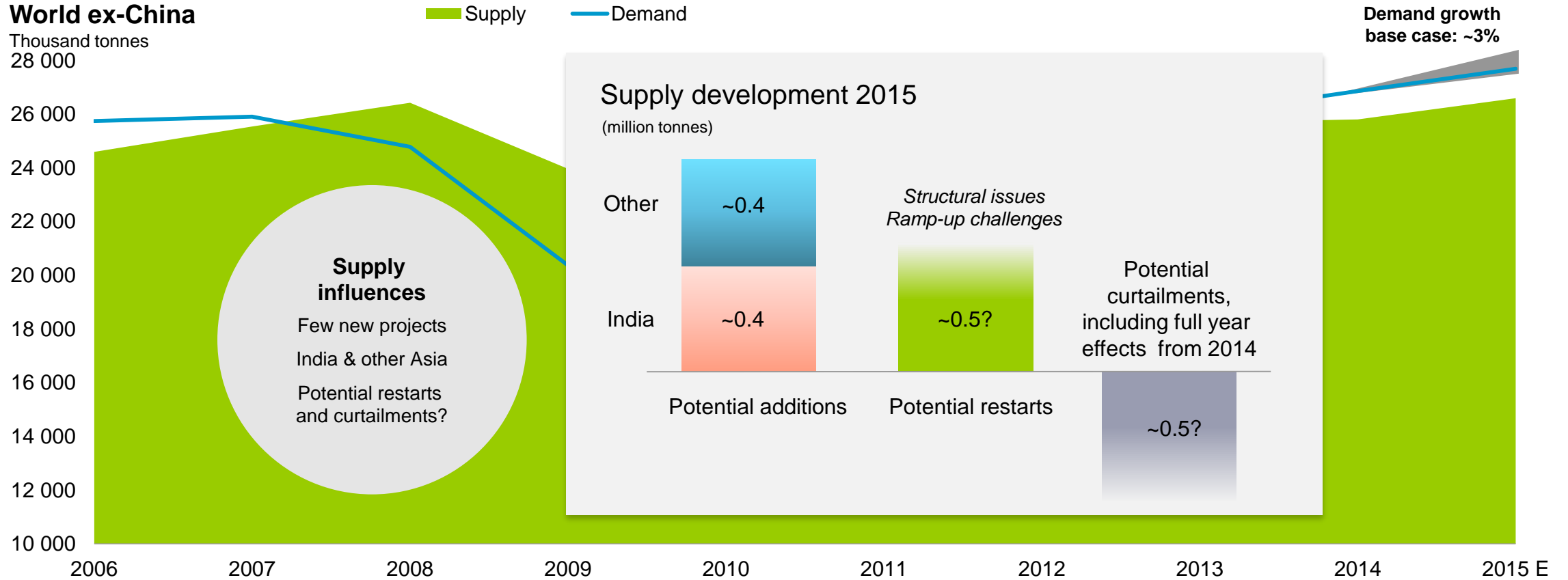
Source: CRU, Hydro Analysis



# Limited expected supply growth going forward

## World ex-China

Thousand tonnes  
28 000



Source: CRU, Hydro Analysis

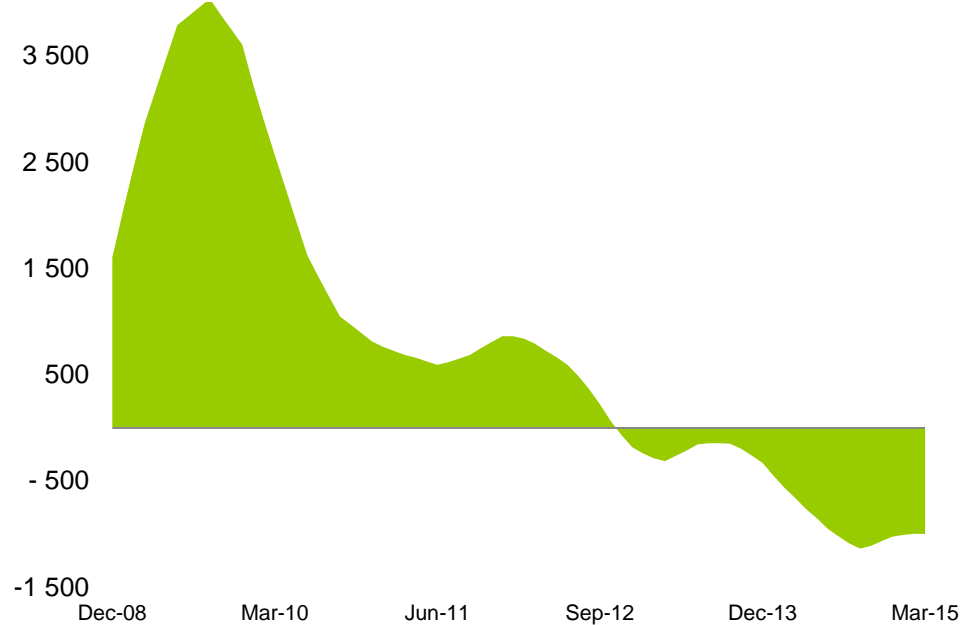
# Inventory reductions driven by primary curtailments

In world ex-China

## Production less demand world ex-China

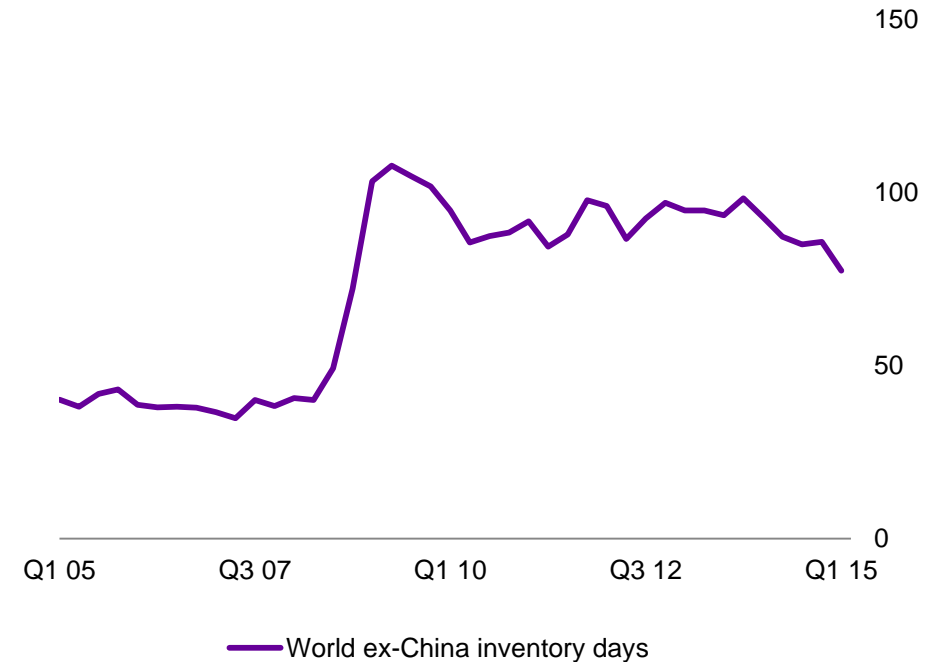
Quarterly annualized\*

Primary aluminium, in thousand tonnes



## Inventory days

World ex-China reported primary aluminium inventories



Source: CRU/Hydro

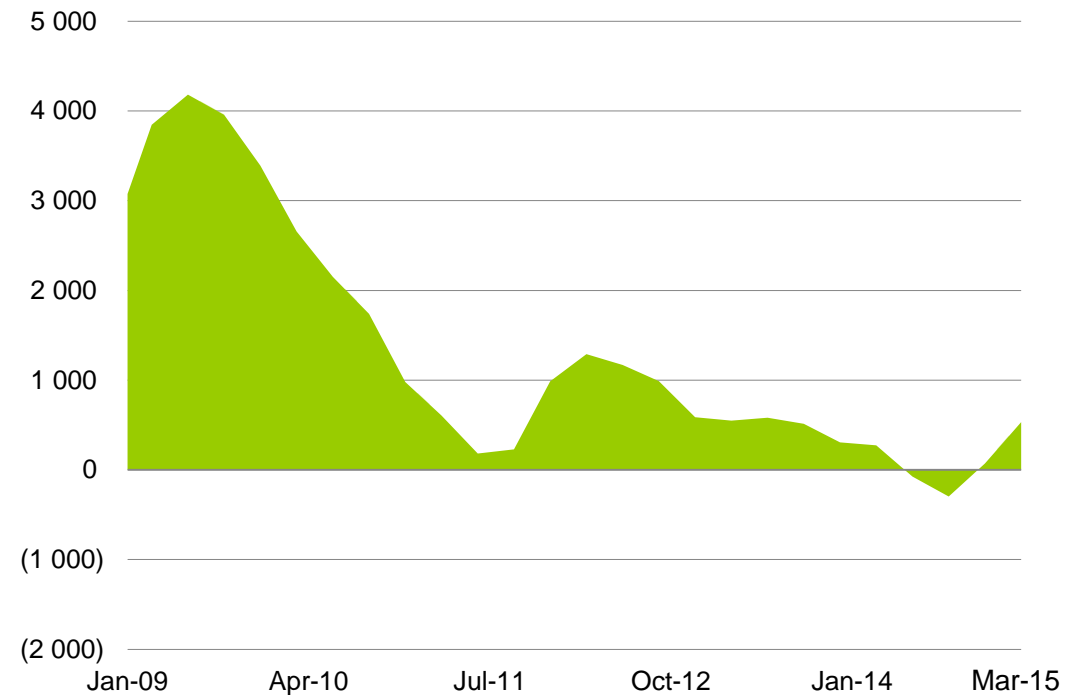
\*12 month rolling average \*\* CRU estimates

# Global primary aluminium market slightly oversupplied

Chinese exports decline amid reduced metal advantage

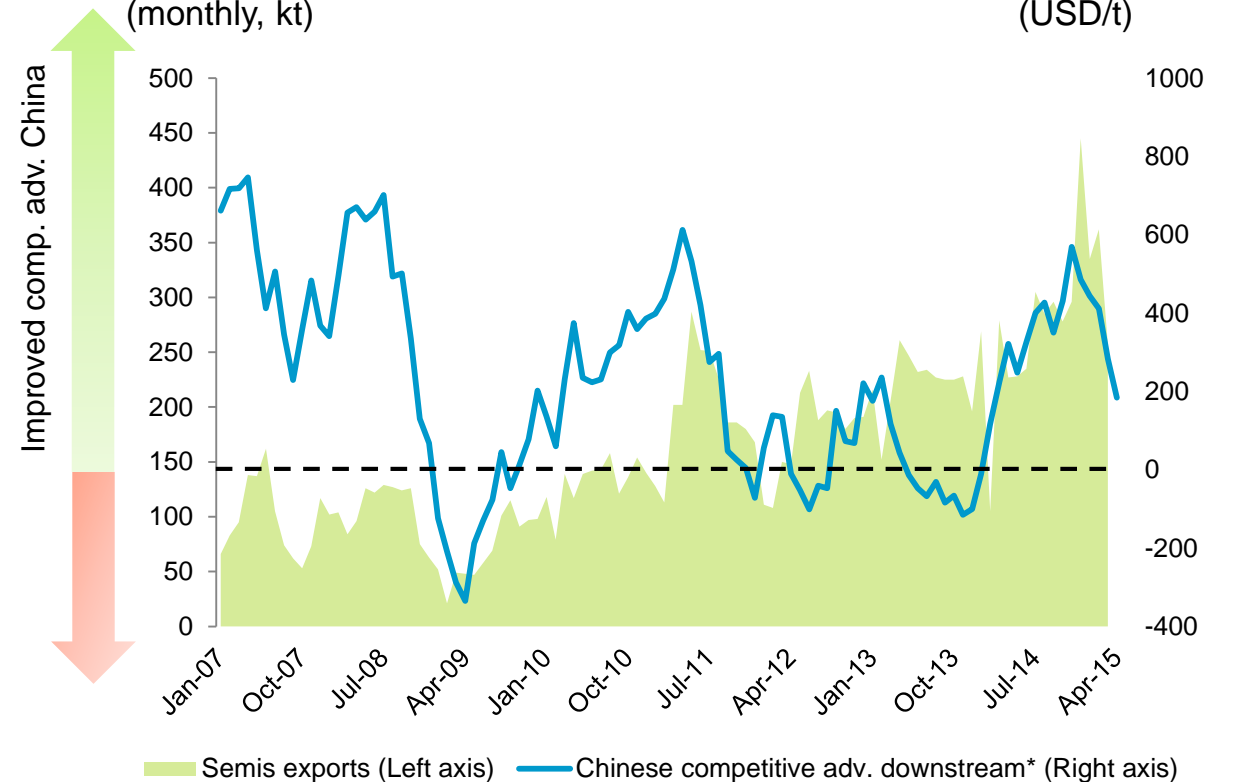
Production less demand (quarterly annualized)\*

1 000 mt primary aluminium



Semis exports (monthly, kt)

Comp. adv (USD/t)



Source: CRU/Hydro

\* Yearly rolling average of quarterly annualized production less demand

Source: CRU/Ecowin

\*Est. metal cost China versus Europe

: LME cash + European duty-paid standard ingot premium

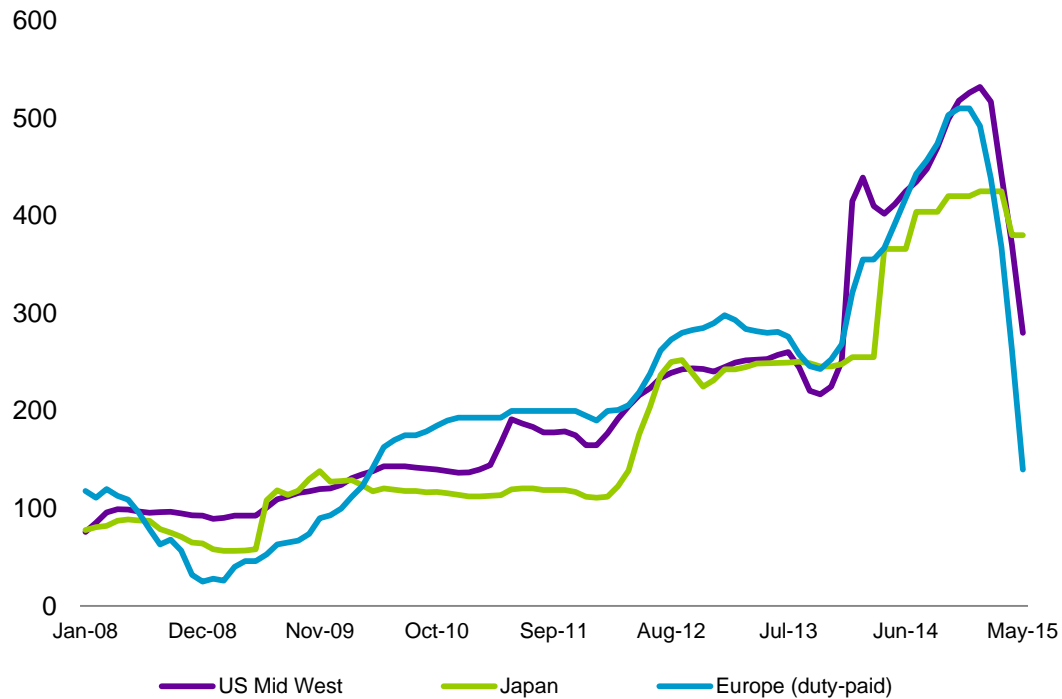
China: SHFE cash + avg. local premium + freight – export rebates (~13 %)

# Decline in all-in ingot price partly offset by weak NOK

Standard ingot premiums fall sharply

## Regional standard ingot premiums

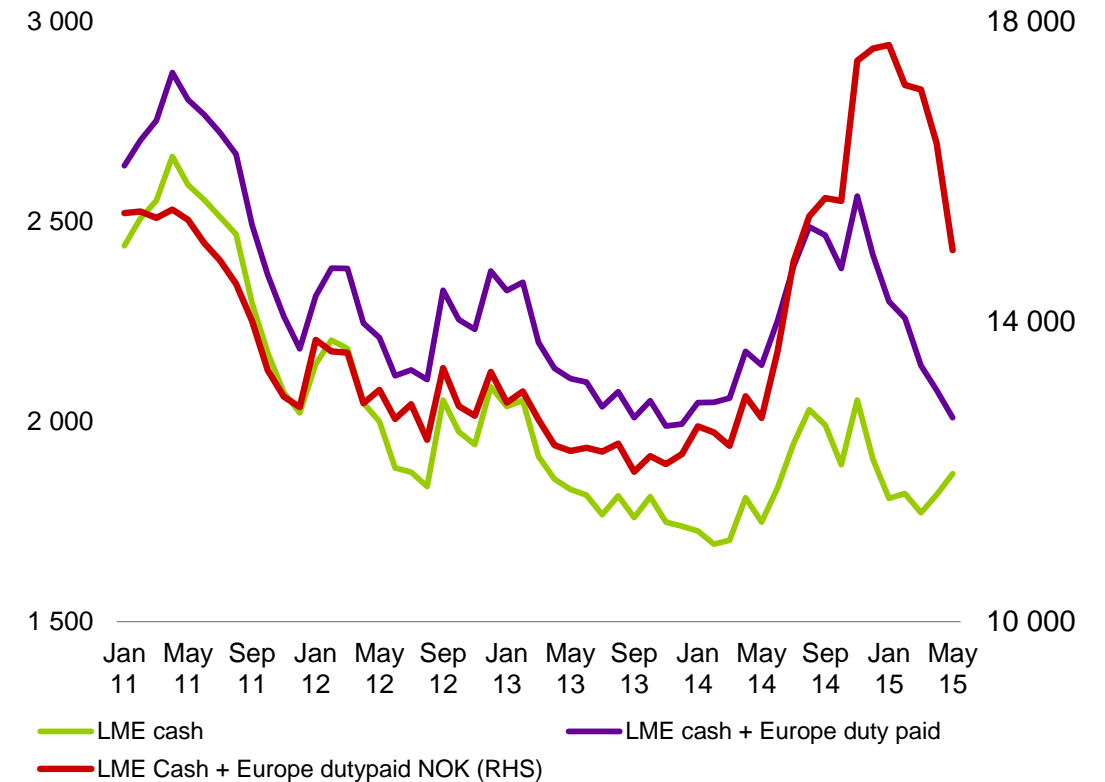
USD per tonne



## All-in ingot aluminium price

USD per tonne

NOK per tonne



Source: Metal Bulletin, MW/MJP: Platts

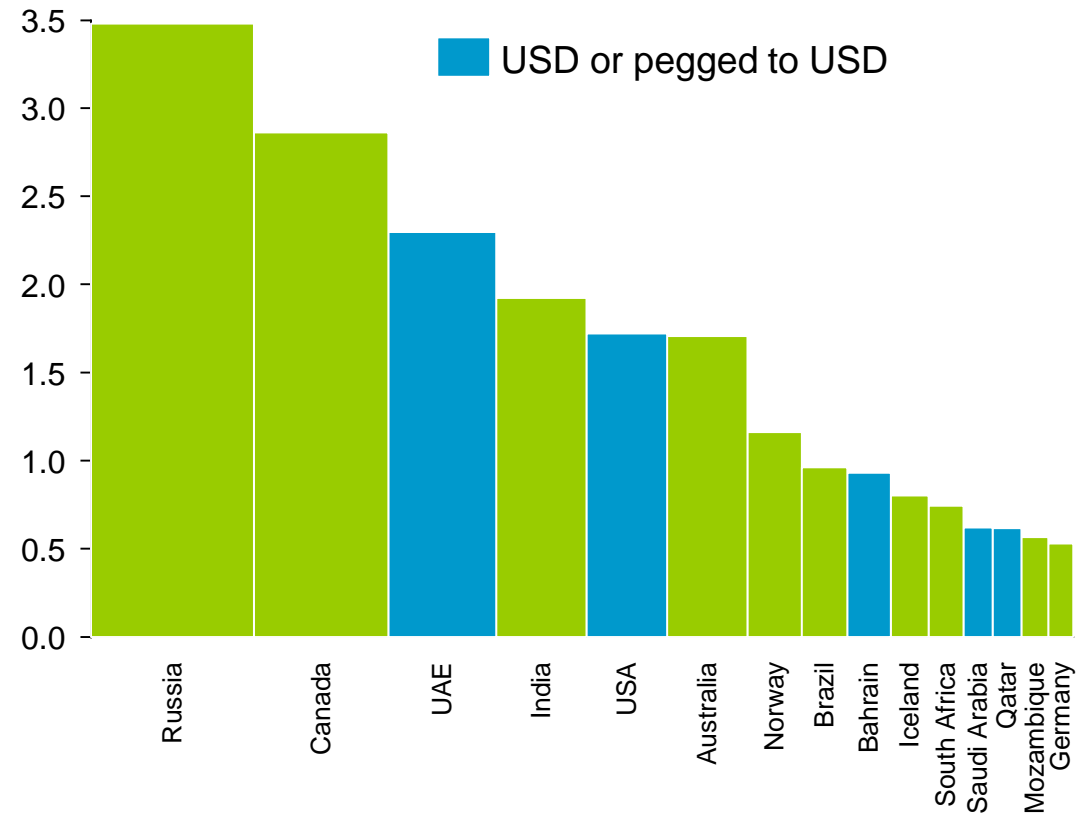
Source: Metal Bulletin, MW/MJP: Platts, Reuters Ecowin

# Aluminium cost curve shifts down on USD appreciation

Many aluminium-producing nations are also oil exporters

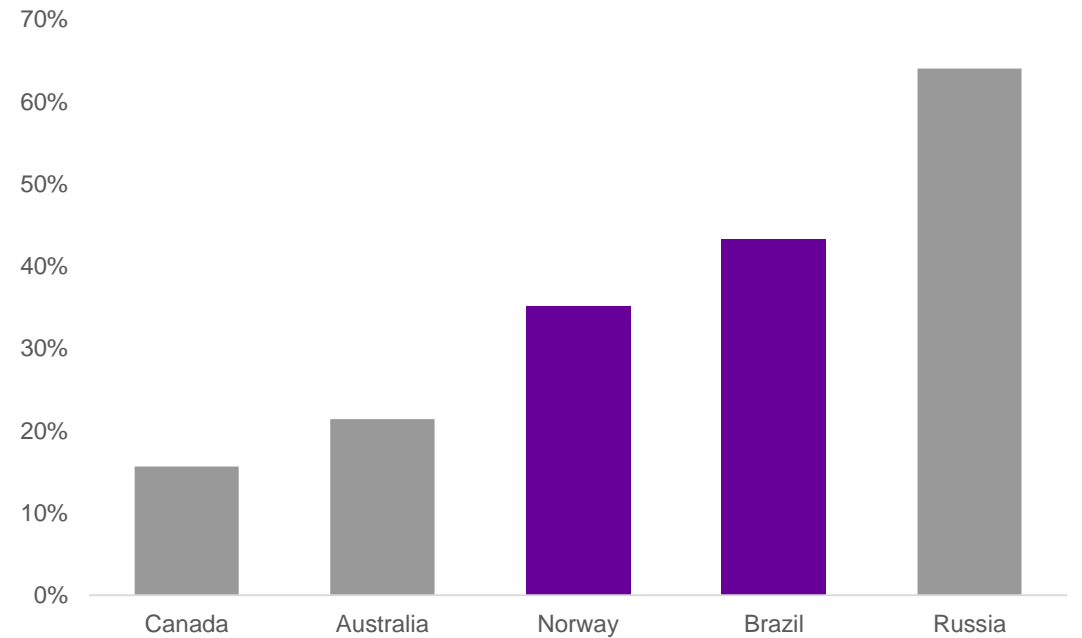
## Top 15 aluminium producers World ex-China

Million tonnes; % of total 2014 primary aluminium production



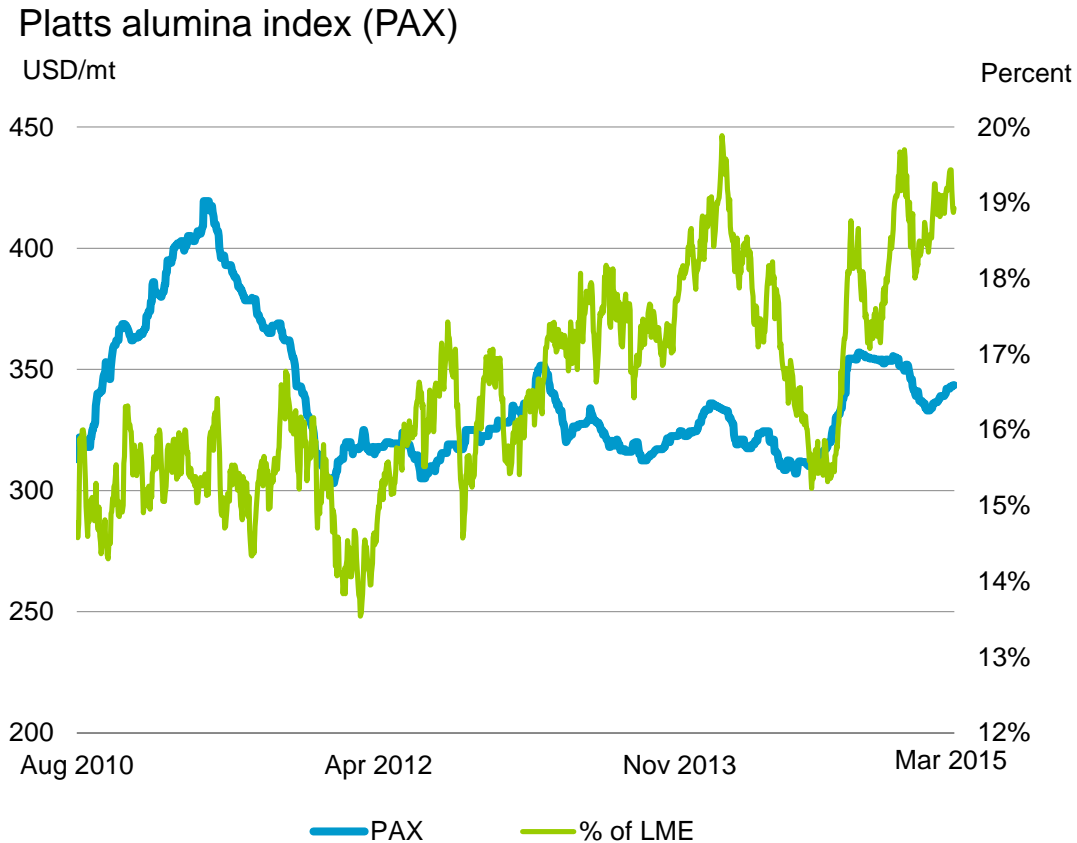
## USD appreciation

Against currencies of major aluminium producers  
March 14 - March 15

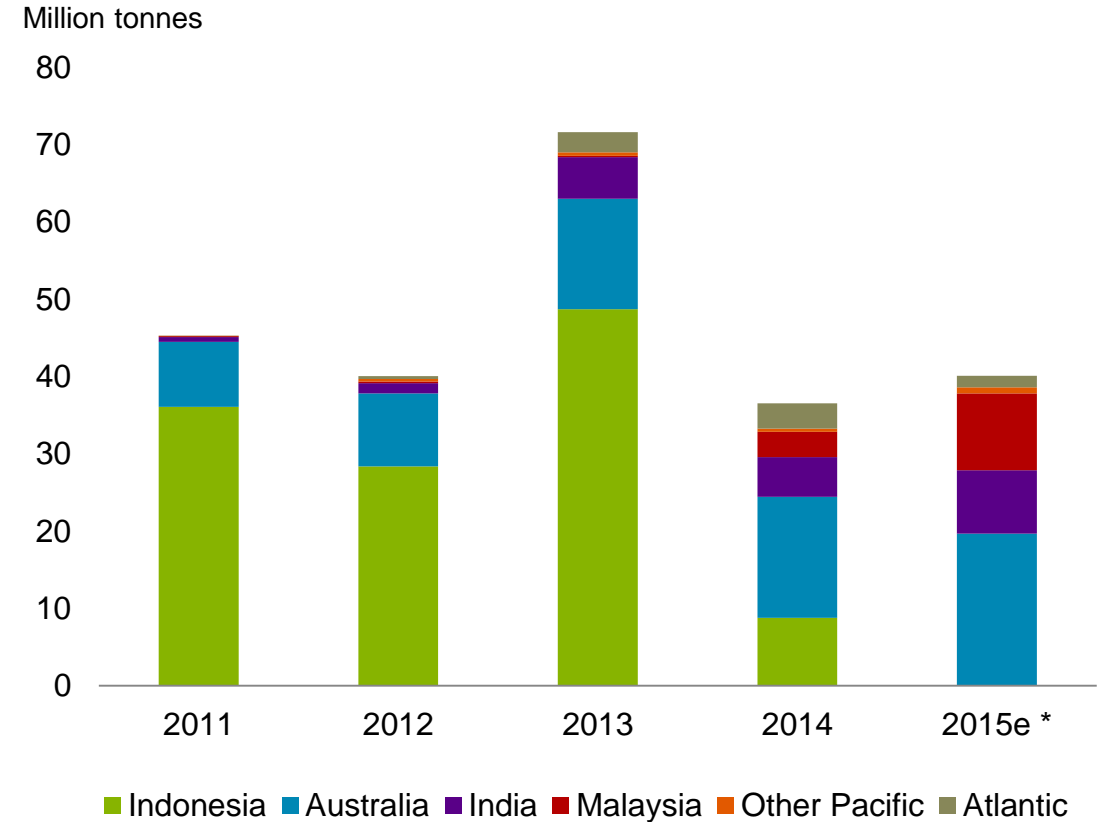


Source: Thomson ONE, CRU, Hydro

# Resilient alumina prices, bauxite source diversification continues



## Chinese bauxite imports by origin



Source: Platts, Ecwin, China Customs,  
\* Based on actual Q1 2015 annualized



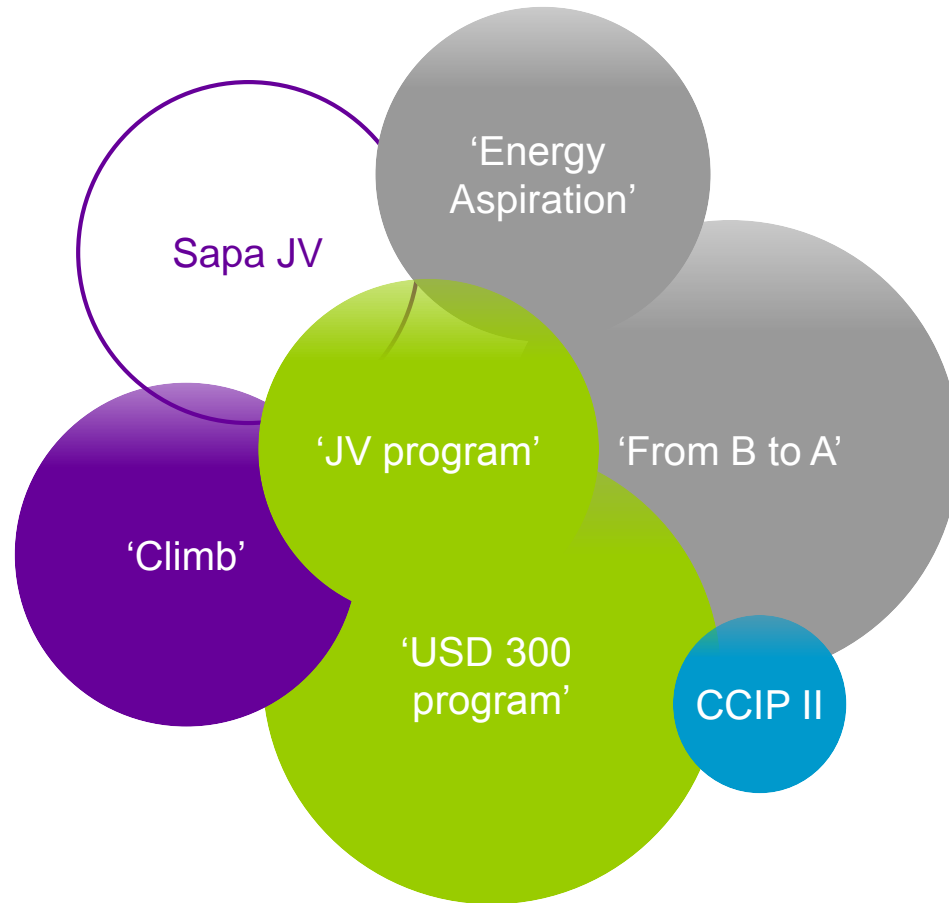
# Hydro's aspiration for higher value creation



*Better Bigger Greener*

*Better*

# Hydro improvement drive continues at full pace



Total contribution from Hydro's improvement programs (excl. Sapa)

2011\*-2014  
**BNOK 3.7**

2015-2016\*\*  
**BNOK 1.5**

\* USD 300 from 2009

\*\* Real 2014 terms

Realized improvement efforts is YTD Q314 annualized.

# Significant improvements in margins in B&A, following operational issues of 2013

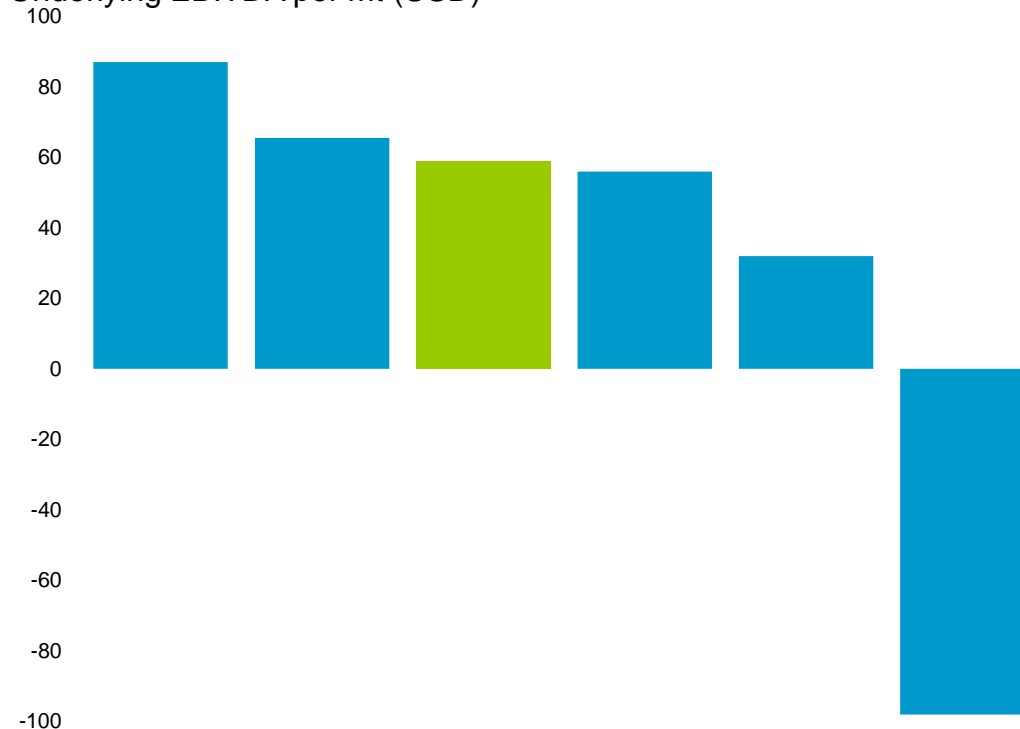
**Bauxite & Alumina 2H 2013**

Underlying EBITDA per mt (USD)



**Bauxite & Alumina 2H 2014**

Underlying EBITDA per mt (USD)



All figures based on public accounting data, not verified by Hydro. Data not adjusted for different accounting principles and non-specified underlying items. Hydro makes no representation as to the accuracy or completeness of such information. The analyses are based on assumptions subject to uncertainty and therefore intended only for general comparisons across companies and should not be used to support any individual investment decision. All results are provided for informational purposes only. Adjustments for RTA og Hydro: EBITDA pr. ton alumina equivalent, other companies EBITDA pr. ton alumina produced. Bauxite to alumina factor: 2,4

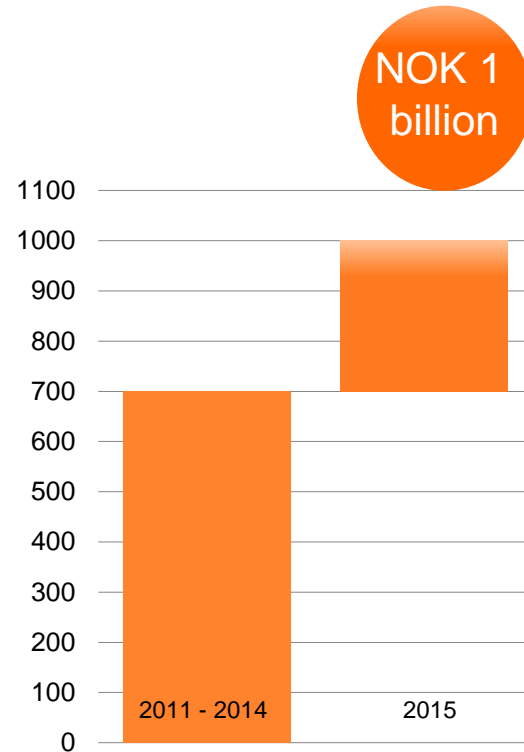
# Additional improvements to be delivered and contracts to be repriced

## Bauxite and Alumina

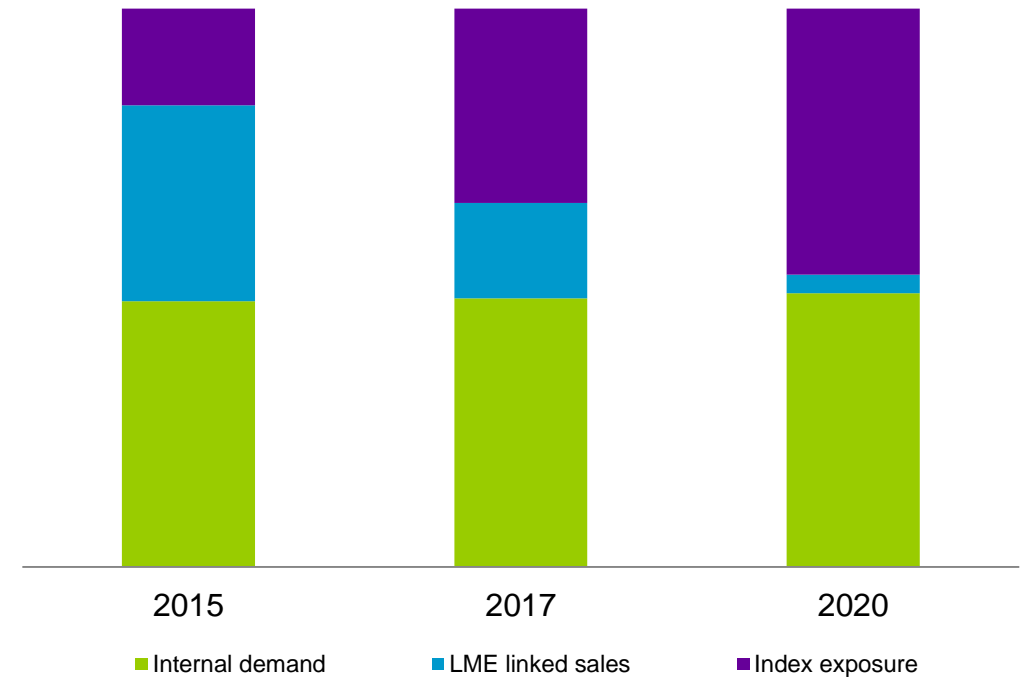
### Improvement categories

- Bauxite**
  - Increase productivity and rightsize organization
  - Stabilize performance at nameplate capacity
  - Improve logistics efficiency
- Alumina**
  - Increase productivity and rightsize organization
  - Support production at nameplate capacity
  - Improve product flow and minimize tailings
- Commercial**
  - Base bauxite and alumina pricing on fundamentals
  - Increase logistical flexibility and optimize scheduling

### Improvements in NOK million

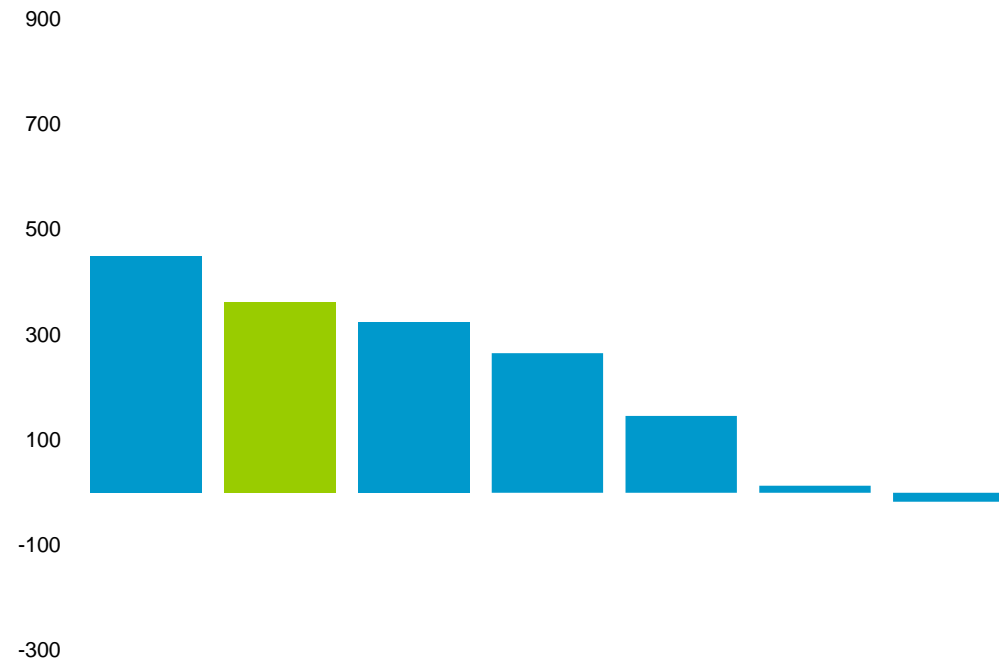


### Index spot price exposure

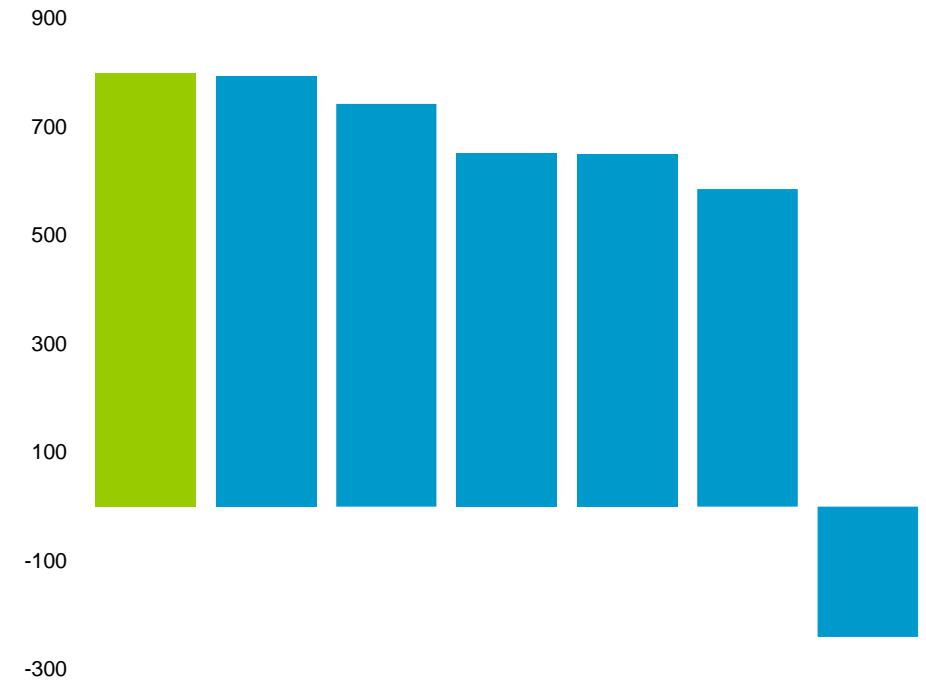


# Industry leading margin generation in Primary Metal

**Primary Metal**  
Underlying EBITDA per mt (USD)  
**1H 2012**



**Primary Metal**  
Underlying EBITDA per mt (USD)  
**2H 2014**



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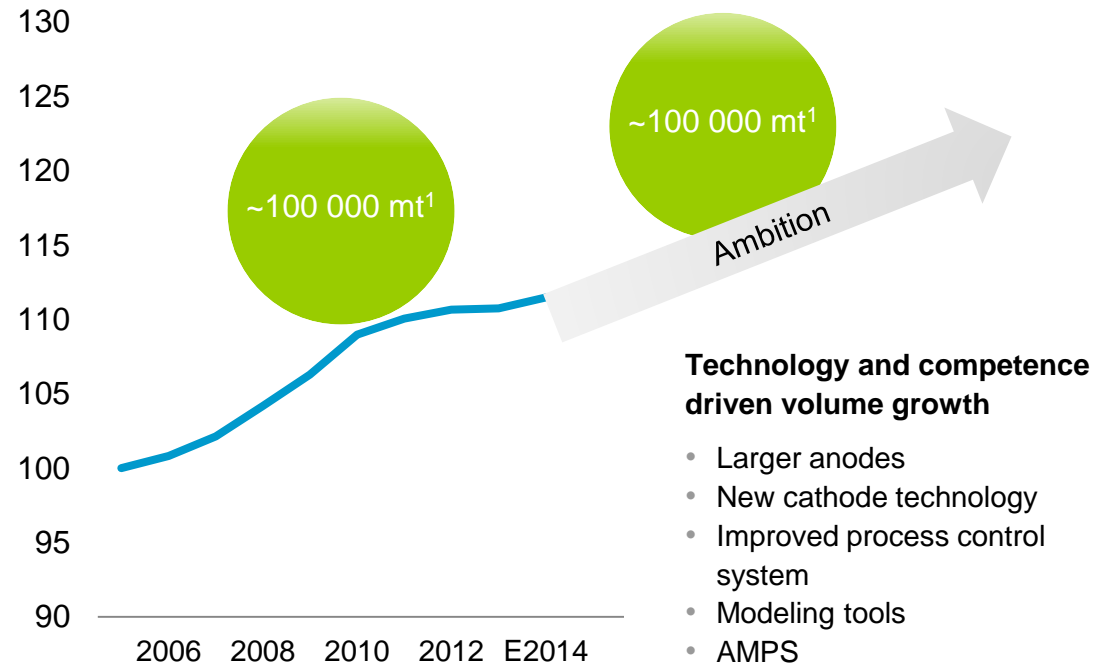
# Research and development allows world leading improvement programs

## Primary Metal



### Fully-owned smelters – increasing output from existing lines, gaining productivity

Production development in Norwegian fully-owned smelters, indexed from 2005



# Step-change innovation keeps us one step ahead of the competition

## Rolled Products

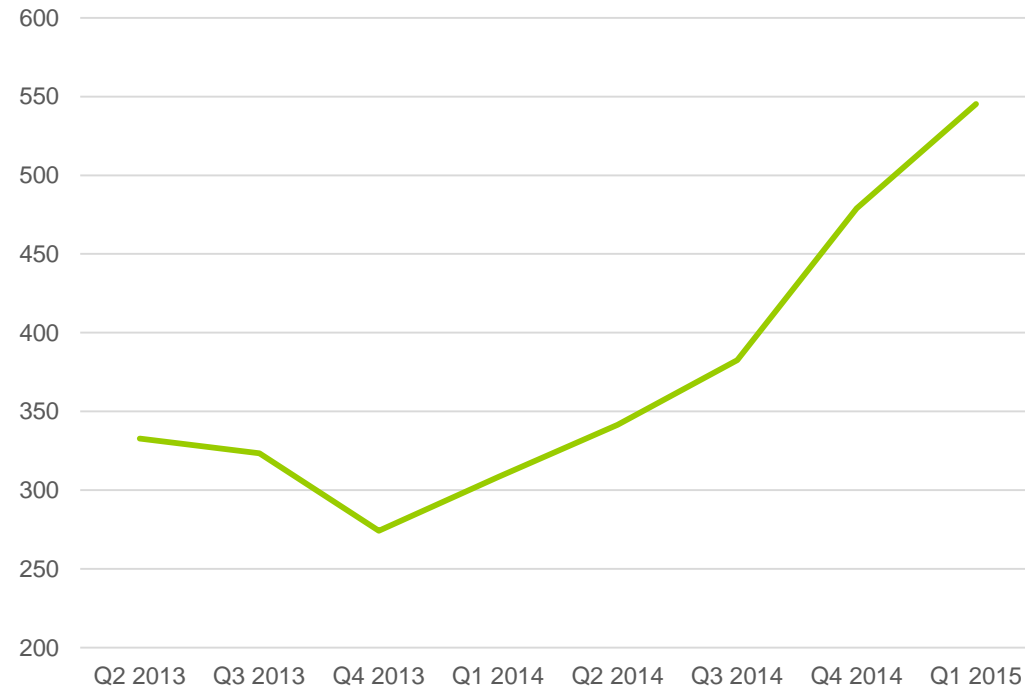


# Earning improvements on the back of restructuring and strong US demand

## Sapa

### Underlying EBITDA development. Rolling 4 quarters\*

NOK Million



\* Q2-2013 to Q2 -2014 containing pro-forma figures for Q1-Q3 2013.

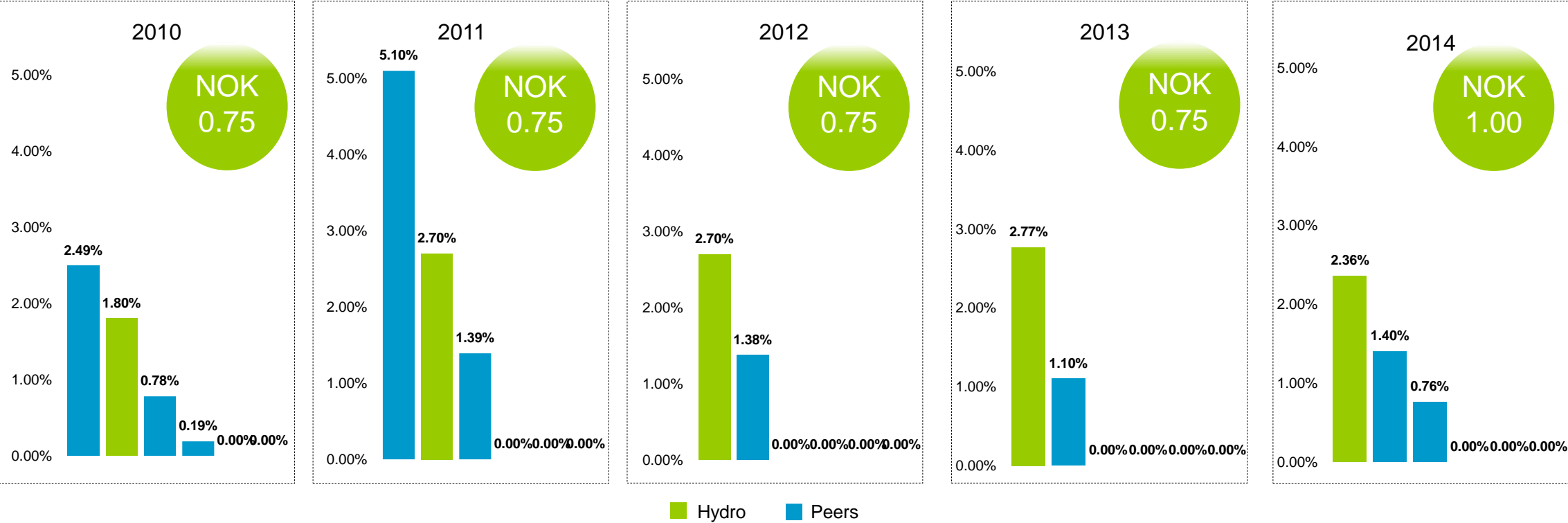
### Sapa and Ford F-150, a multi-plant delivery to the World's most selling vehicle



# Increasing our cash returns to shareholders

Hydro compared to its aluminium peers

Dividend yield in percentage, based on year-end share-prices



Source: Thomson ONE





# Several alternatives for capital allocation

Strong balance sheet and credit grade rating are high priorities in cyclical industry

- Maintain investment-grade rating
  - Currently: BBB (S&P), Baa2 (Moody's), both with stable outlook
  - Competitive access to capital important for Hydro's business model
- Financial ratio ambitions over business cycle
  - Funds from operations to net adjusted debt > 40%
  - Net adjusted debt to equity < 0.55
- Funds from operations determined balance sheet structure over the last years



# *Biggger*



# High-grading portfolio and fully utilizing existing assets



## Bauxite & Alumina

- Move beyond nameplate capacity
- Further improve bauxite positions
- Mature CAP project and Paragominas expansion for when time is right



## Energy

- Mature captive growth opportunities
- Raise income potential from market operations
- Leverage value from Nordic power surplus



## Primary Aluminium

- Enhance position in high-margin segments
- Realize 100,000 tonnes creep in fully-owned smelters
- Extend technology lead with Karmøy pilot plant
- Mature Qatalum 2 and Alouette expansion for when time is right



## Rolled Products

- Expand automotive capacity to 200,000 t/yr by end-2016
- Increase recycling of post-consumed scrap above 250,000 t/year\*
- Build positions and lift margins through technology leadership and innovation

\* Includes recycling ambition in Primary Metal

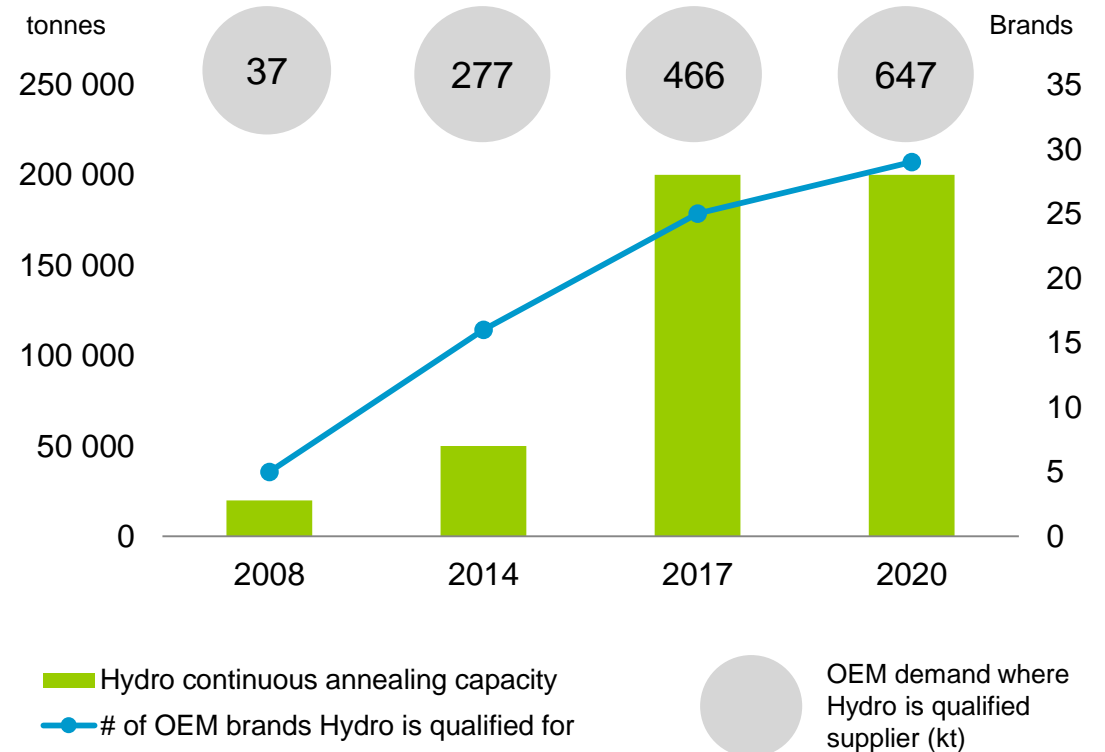
# Pursuing attractive growth opportunities



## Major step in automotive Body-in-White (BiW) market

- Installation of automotive line 3 lifting capacity to 200 thousand tonnes per year
- Step change in BiW production process
- Production start second half 2016

## Hydro BiW development



# *Greener*

# The industry's most ambitious climate strategy: Carbon-neutral by 2020

Supported by the three pillars of Hydro's technology strategy



## Energy and primary production

Reduce emissions, increase efficiency



## Aluminium in use

Maximize user-phase benefits



## 'End-of-life'

Increase recycling, back to the loop



# Hydro 2015

## Lifting performance and shareholder value

- Delivering on improvement programs
- Targeting high-margin markets and maturing growth portfolio, while maintaining tight capital discipline
- Increasing energy-efficiency and lowering climate footprint

*Better Bigger Greener*

