



Well-positioned in challenging markets

CFO, Eivind Kallevik

SEB Nordic Seminar

Copenhagen 2016



Cautionary note in relation to certain forward-looking statements

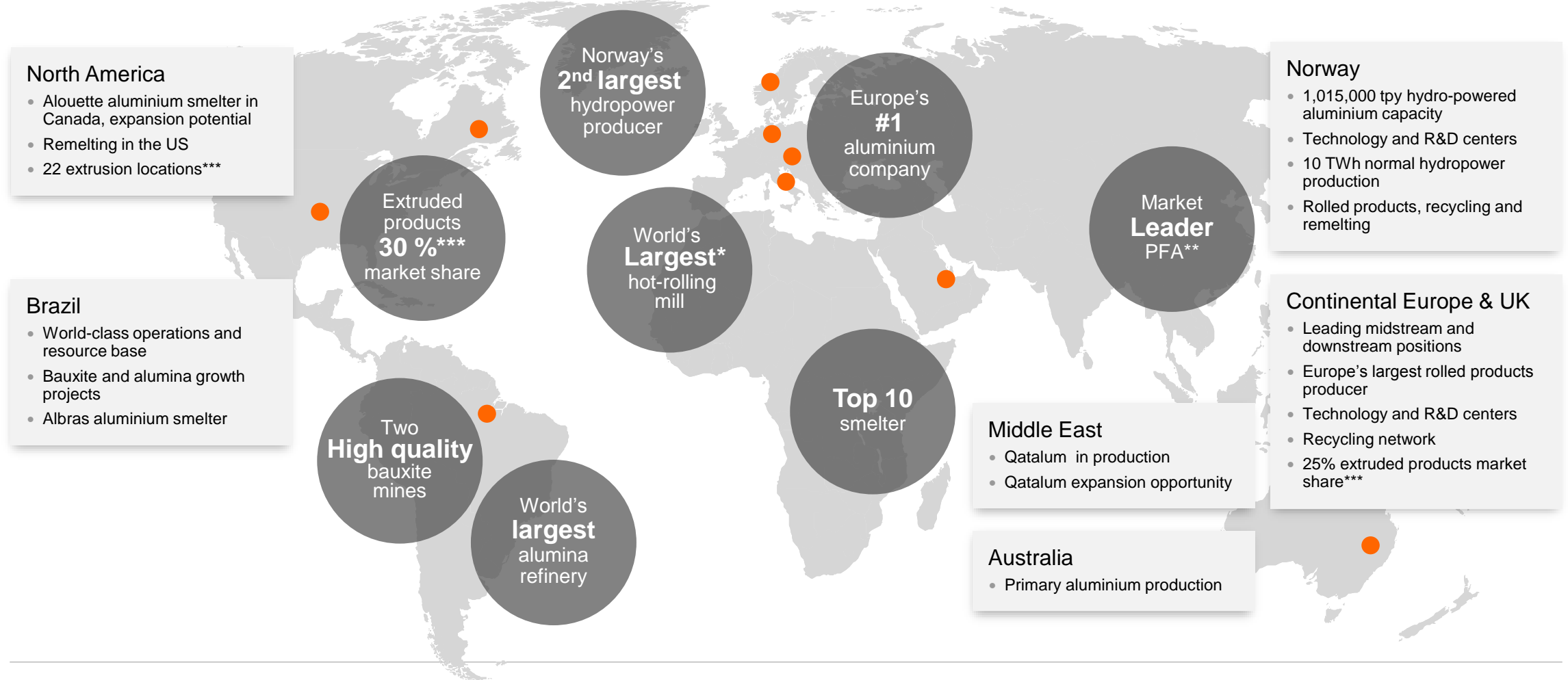
Certain statements included within this announcement contain forward-looking information, including, without limitation, those relating to (a) forecasts, projections and estimates, (b) statements of management's plans, objectives and strategies for Hydro, such as planned expansions, investments or other 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.

Attractively positioned world-class assets with global reach

Now in a first-quartile position on the industry cost curve



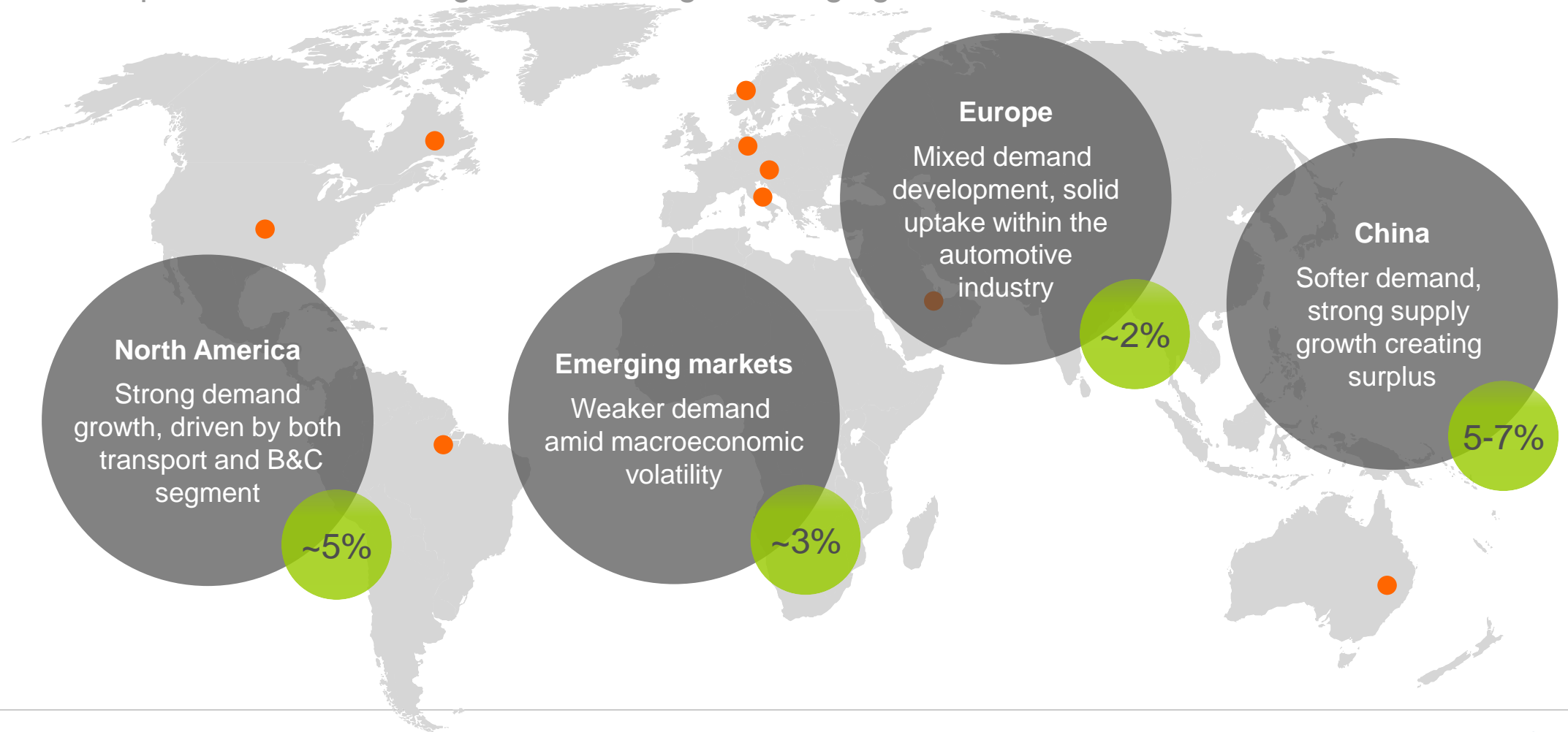
* Outside China
 ** Primary Foundry Alloys
 *** Sapa JV

Strong demand
growth, near-term
supply overhang



Primary demand growth of 4-5% expected in 2016

Mixed developments in mature regions, softening in emerging markets

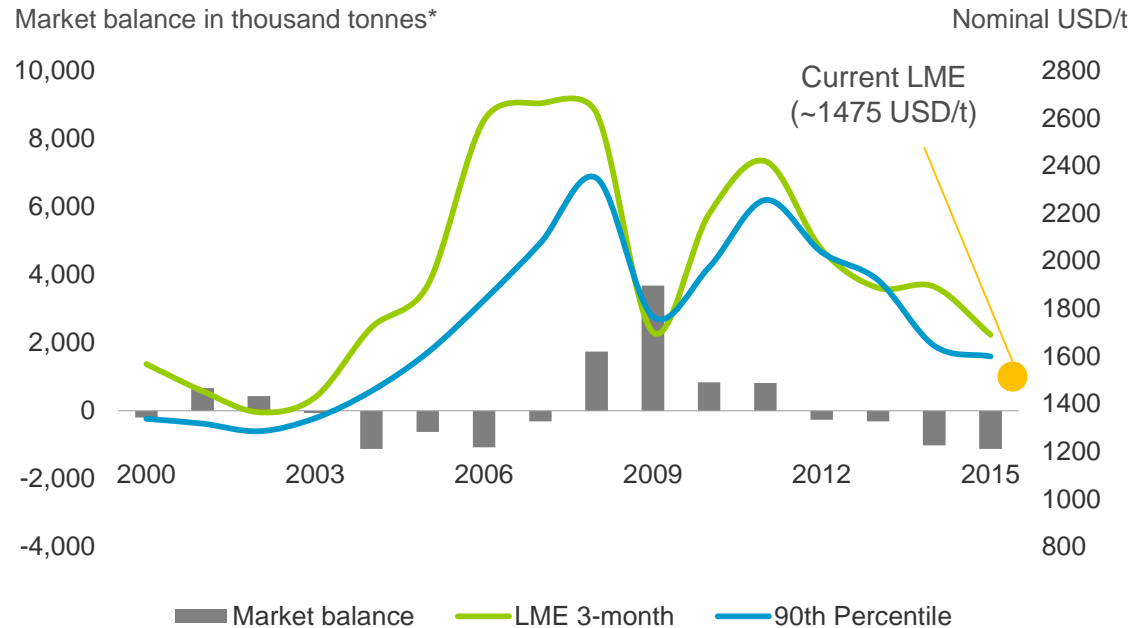


Aluminium price falls on global oversupply and lower cost curve

Disrupting the strong correlation between LME and 90th percentile smelters

World ex-China

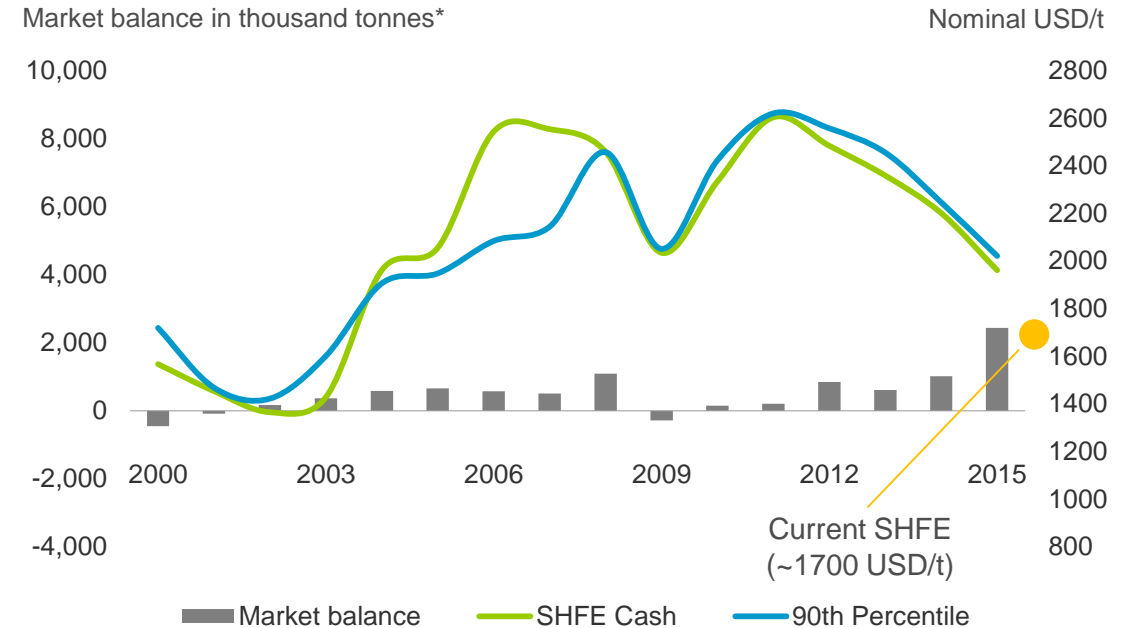
Market balance in thousand tonnes*



- Cost curve moving down due to lower underlying cost elements, currency and curtailments

China

Market balance in thousand tonnes*



- SHFE price falls into uncharted territory
- At present, a large share of primary smelters cash negative
- Closures have been announced, still overcapacity

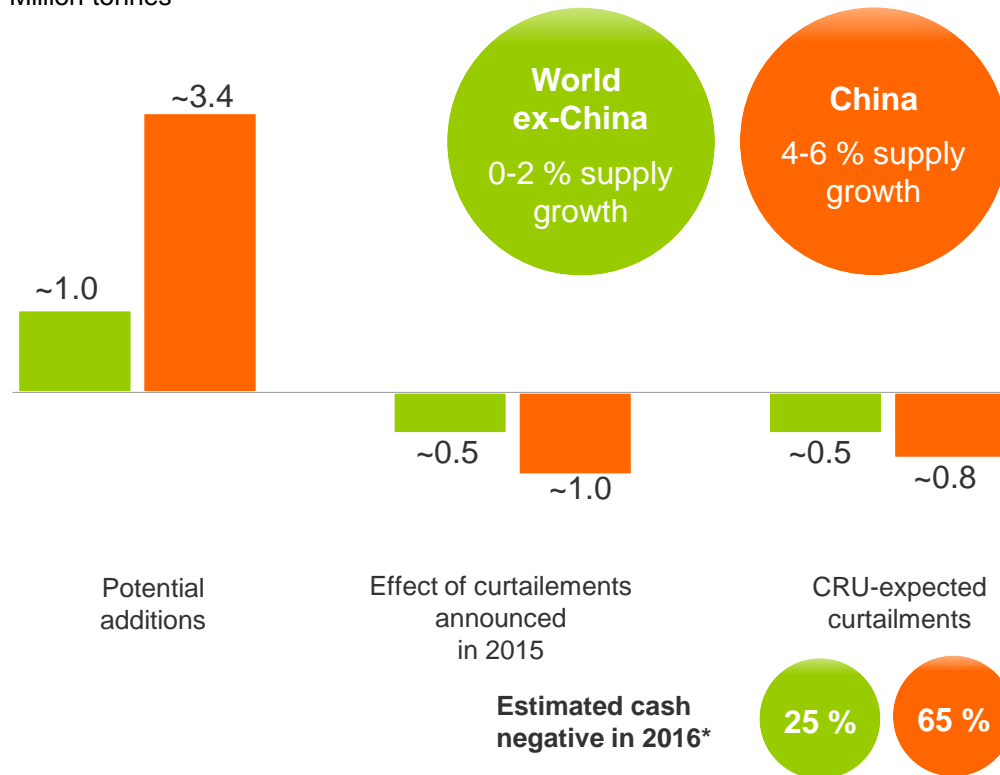
Source: CRU, Hydro Analysis
*Primary production less primary demand

2016 to remain oversupplied due to capacity additions

But expected to moderate as a result of curtailments and slower supply growth of 2-4% globally

Supply development 2016*

Million tonnes



Source: CRU, Hydro Analysis

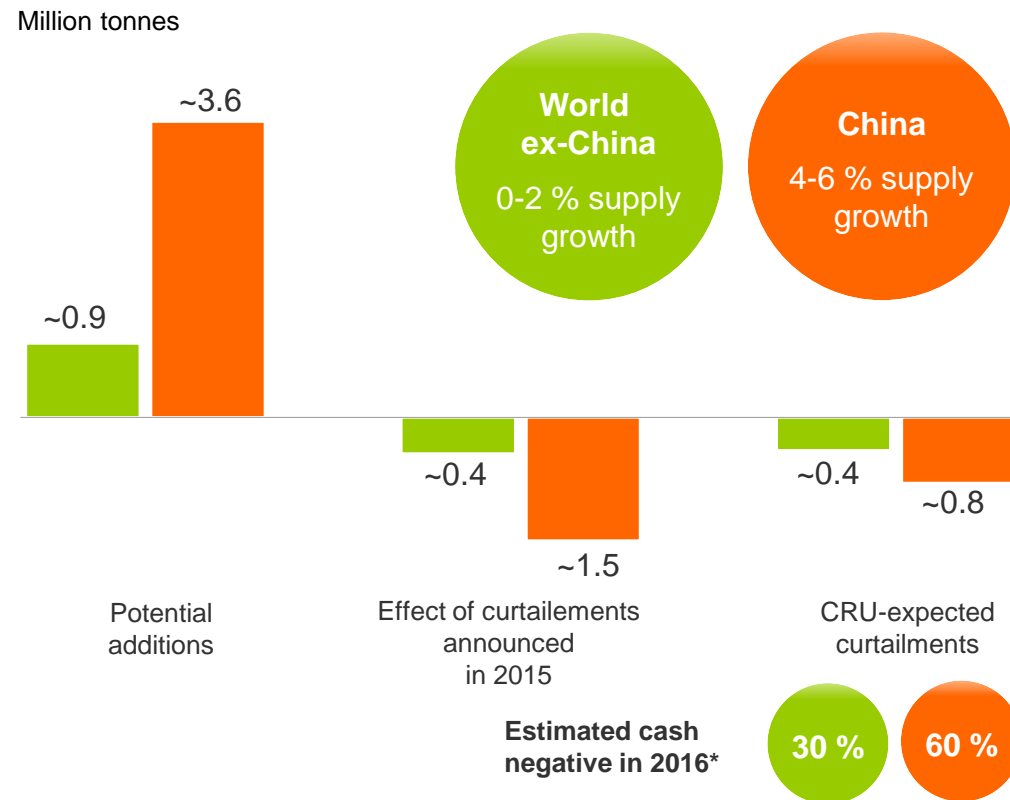
*Based on CRU BoC curve 2016 and CRU price assumptions of LME 3m at 1500 USD/t and SHFE at 10.300 RMB/t

**Includes CRU's expected curtailments

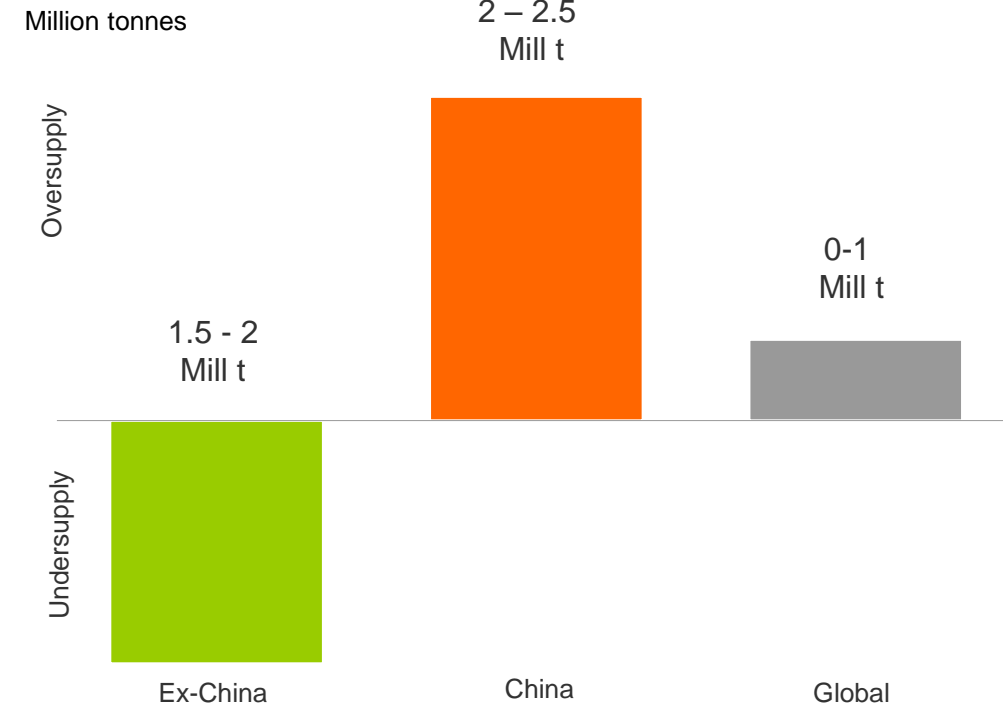
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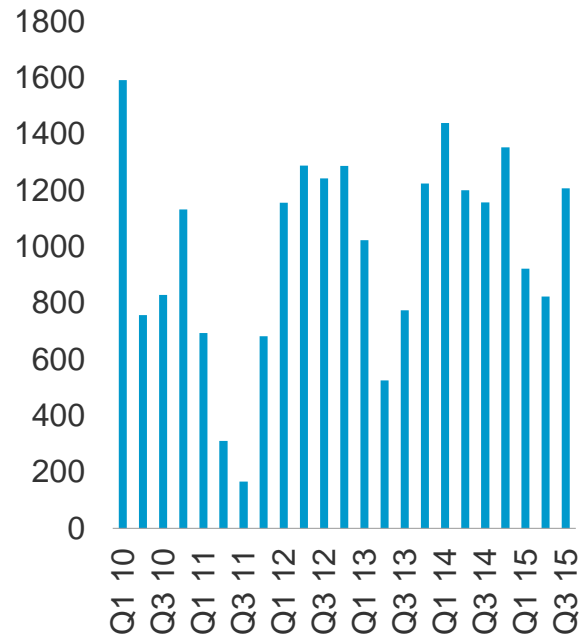
**Includes CRU's expected curtailments

Alumina prices falling on the back of oversupply and lower costs

Loss making capacity and limited storage activity increases probability of further curtailments

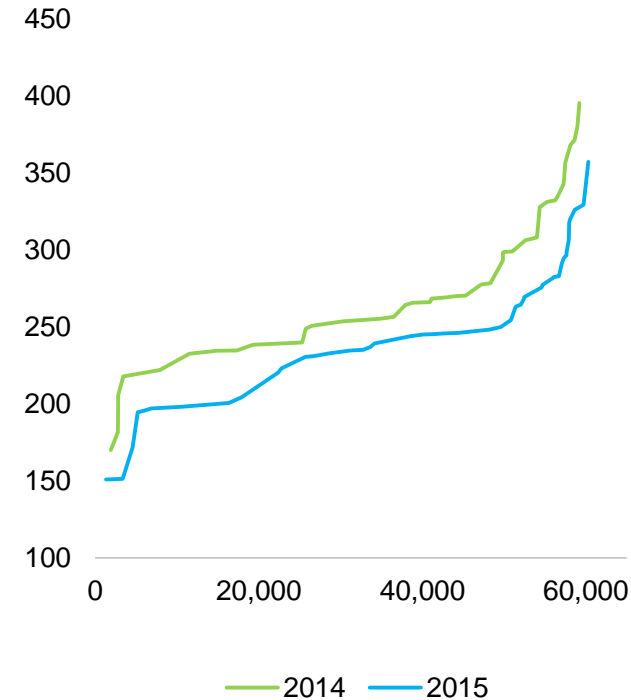
Lower Chinese alumina imports creating oversupply ex. China

Chinese alumina imports quarterly, thousand tonnes



Cost curves shifting down

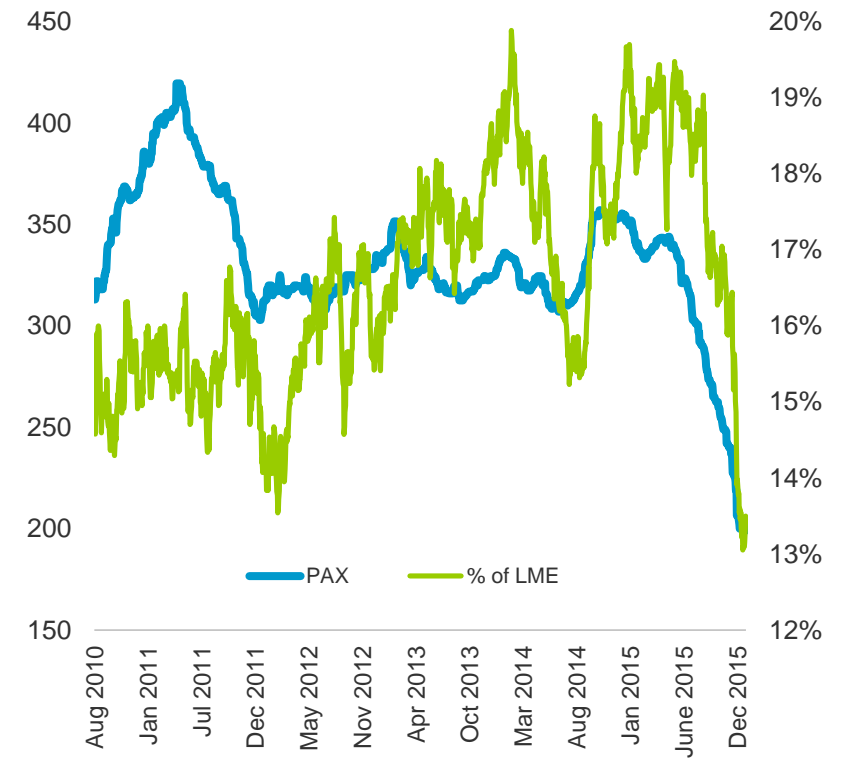
World ex. China USD/tonne



Alumina price falling

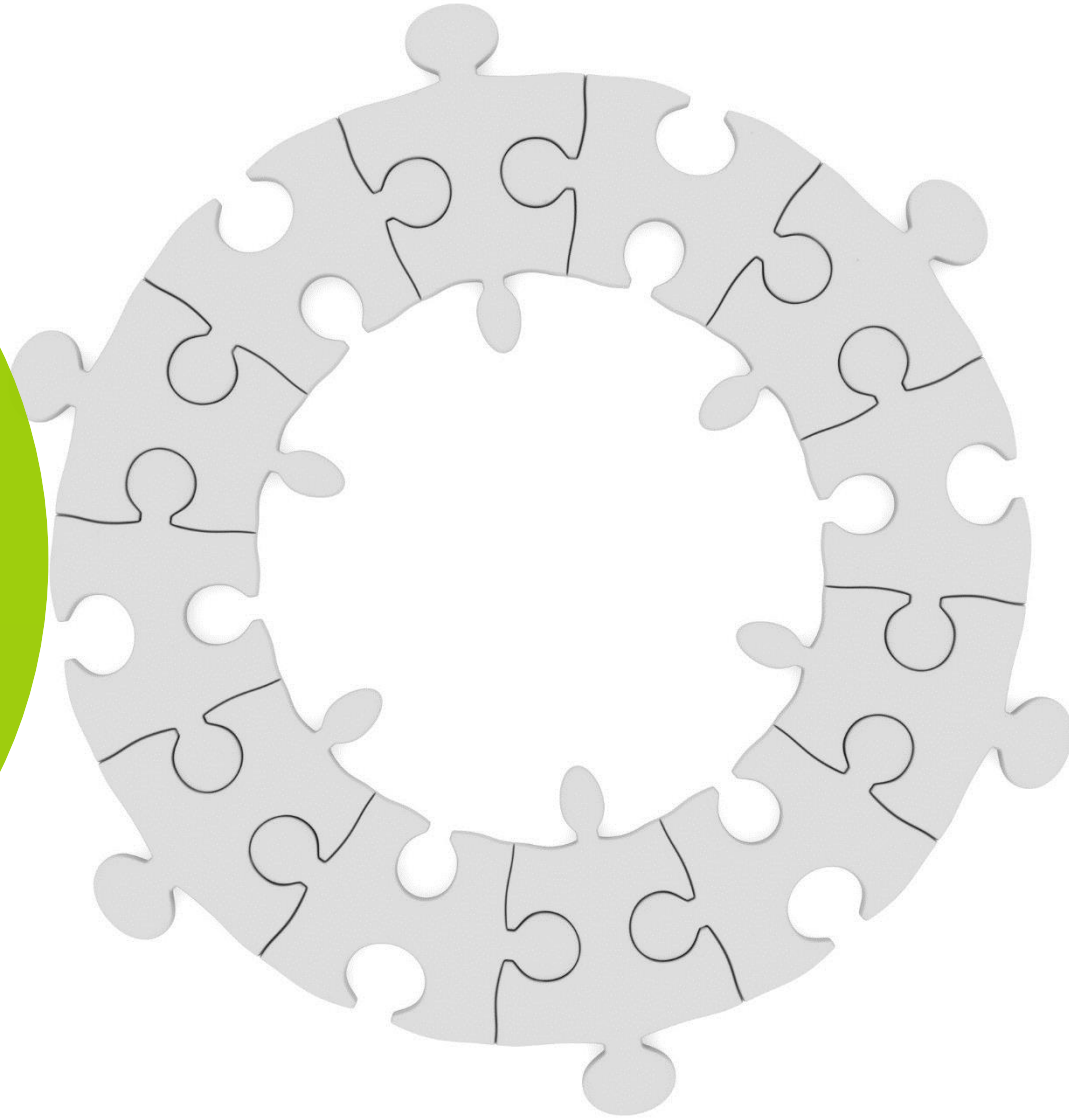
USD/tonne

Share of LME



Source: China customs, CRU, Hydro analysis

Our path towards
realizing the aspiration



Stepping up improvements throughout the value chain



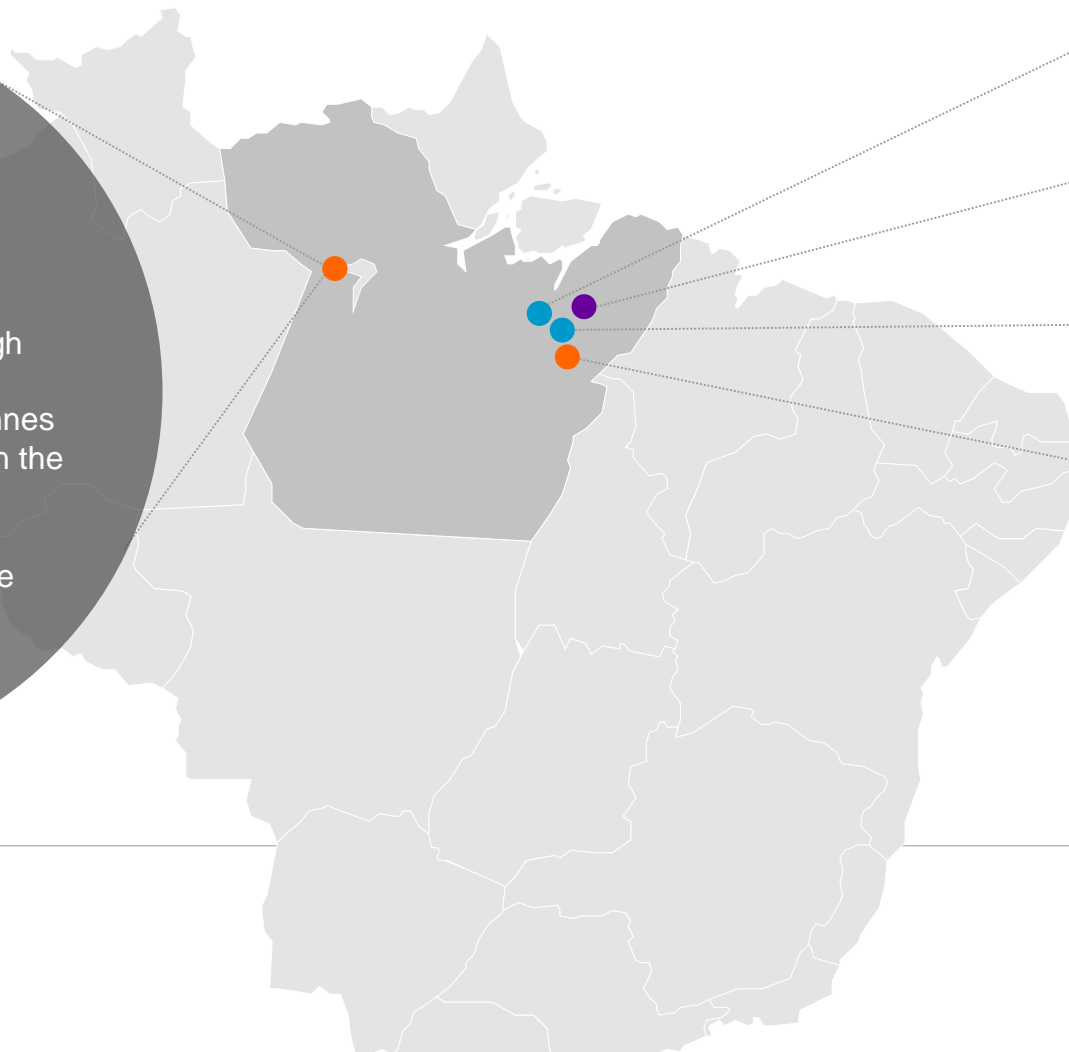
* Includes some larger investments of 3.2 billion NOK in 2015-2019: AL3 and UBC in Rolled Products, 100+100kt capacity creep in Primary Metal, Alunorte debottlenecking in B&A

Strengthening aluminium cluster in Pará by lifting equity bauxite production

Ensuring optimal long-term development of Hydro Alunorte's second source of high-quality bauxite

Hydro entered Lol with Vale to raise MRN ownership to 45%

- First-quartile cost position, high quality bauxite
- Annual capacity 18 million tonnes
- Largest mine in Brazil, top 3 in the world
- Hydro currently owns 5%
- Hydro has commercial off-take contracts for Vale's 40 %



Alunorte

Capacity: 6.6 million tonnes
92% Hydro ownership

Albras*

Capacity: 460 000 tonnes
51% Hydro ownership

CAP Project

Capacity: 1.9 million tonnes
81% Hydro ownership

Paragominas

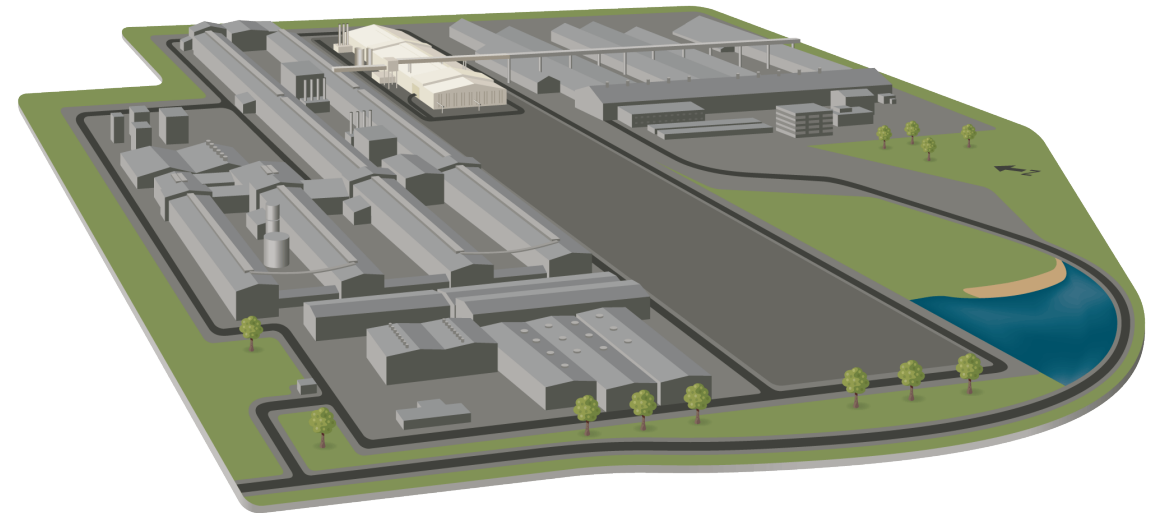
Capacity: 11.0 million tonnes
100% financial exposure
Expansion possibility to 15 million tonnes

- Bauxite
- Alumina
- Aluminium

* Included in Primary Metals business area

Establishing a new efficiency standard with the Karmøy technology pilot

- Karmøy technology pilot with annual production of 75 000 mt
 - 48 cells HAL4e technology, 12 cells HAL4e Ultra
- Pilot also responding to need for improved performance of existing smelters in challenging market conditions
 - New spin-off technology elements and improved process control
 - Pilot will reduce risk and cost of implementation
- Around ~50% of 200 000 mt creep ambitions coming from Pilot
 - estimated annual EBITDA effect of NOK ~300 million*
- Build-decision dependent on total power solution, market balance and outlook

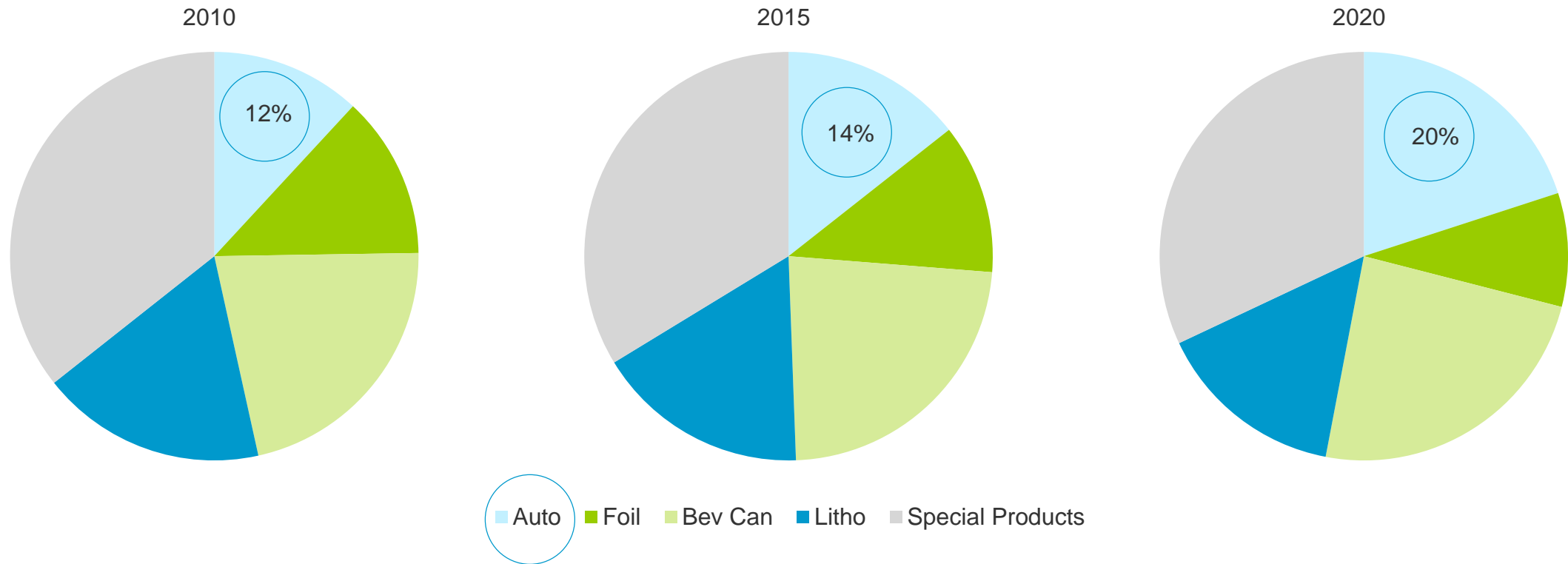


* Calculation based on actual EBITDA margin in 2014

Optimizing product portfolio by expanding in higher-margin segments

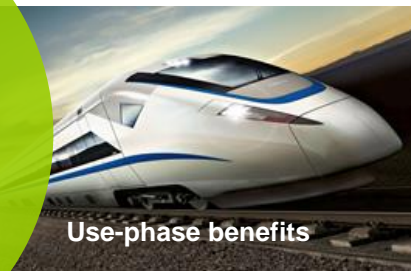
Pursuing attractive automotive growth opportunity

Sales by segment



Hydro's climate strategy is to be carbon-neutral from a life-cycle perspective by 2020

Hydro
carbon neutral
in 2020
From a life-cycle
perspective



Integrated into business strategy in all business areas

- Increasing energy-efficiency and reducing emissions in production processes in aluminium plants, rolling mills, and alumina refinery
- Increasing production of renewable hydropower, evaluating potential of switching to renewable energy sources or natural gas in production processes
- Developing products and solutions, establishing partnerships with advanced customers, and identifying new applications for metal and downstream products
- Supporting global energy-efficiency goals by helping customers reduce energy consumption and emissions and by promoting sustainable frameworks
- Reducing waste and saving ~95% of energy by recycling of post-consumed scrap in Primary Metal and Rolled Products
- Utilizing advanced sorting technology and developing recycle-friendly alloys

Strengthening
relative industry position
with ambitious targets



Prudent financial framework

Relative positioning and reliable dividend in cyclical industry

Operating and commercial excellence

Improving efficiency, strengthening margins

Improvement efforts

- 3.7 BNOK 2011-2014 ¹⁾
- 0.8 BNOK 2015
- 2.9 BNOK 2016-2019

Managing working capital

Financial strength and flexibility

Investment grade credit rating

- > BBB Stable

Financial ratio targets over the cycle

- FFO/NaD ²⁾ > 40%
- NaD/E ³⁾ < 55%

Strong liquidity

Disciplined capital allocation

Long-term sustaining capex below depreciation

- 3.5-4.0 BNOK per year

Total capex incl. growth

- 2015 BNOK 5.8
- 2016 BNOK 8.6 ⁴⁾
- Average 2016-2018 BNOK 6.6 ⁴⁾

Attractive organic growth prospects for the future

M&A optionality

Reliable shareholder remuneration policy

Sector competitive TSR

Dividend 1 NOK/share

40% payout ratio of Net Income over the cycle

Special dividends and share buybacks in the toolbox

Effective risk management

Volatility mitigated by strong balance sheet and relative positioning

Hedging policy

- Operational LME and currency hedging
- Limited financial hedging
- Long-term debt in USD

Diversified business

1) USD 300 program from 2009

2) Funds from operations / net adjusted debt

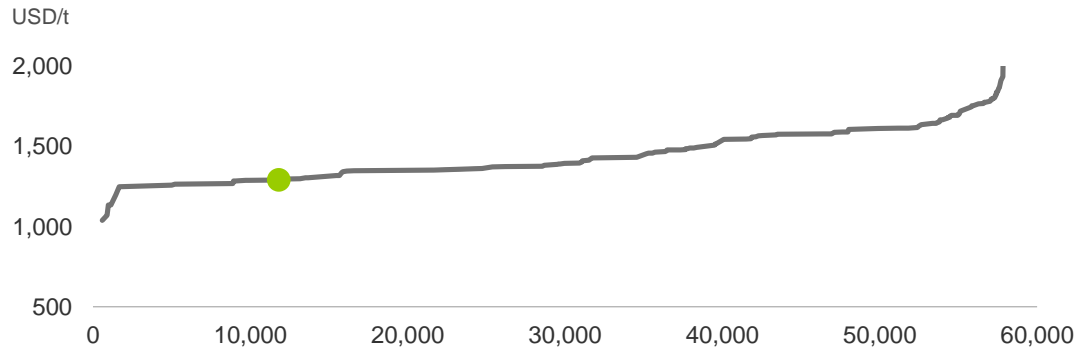
3) Net adjusted debt / Equity

4) With Karmøy Technology Pilot gross investment, before ENOVA support

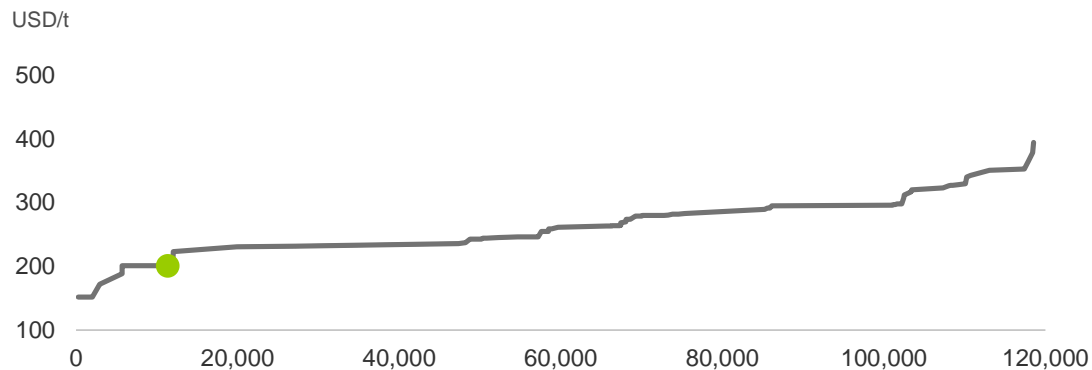
Leading performance compared to aluminium peers

Strong relative position drives value-creation in challenging markets

First-quartile aluminium producer

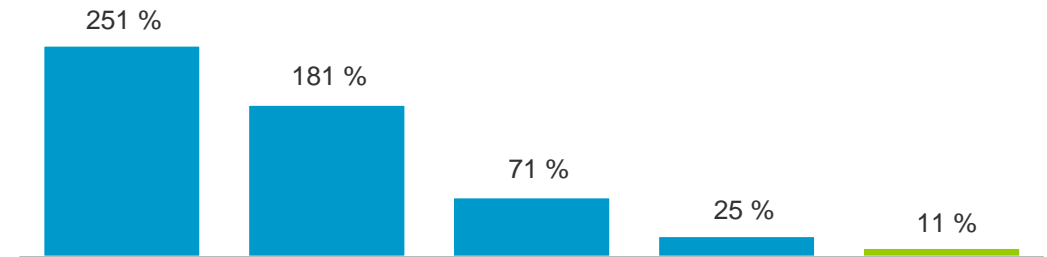


First quartile alumina position



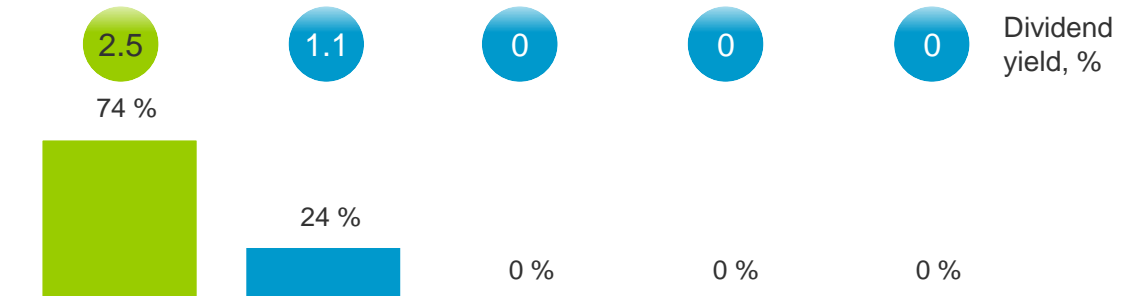
Strongest balance sheet,

Total Debt/Total Equity, 2010-2014



Highest underlying payout ratio and dividend yield

2010-2014



Source: ThomsonOne, CRU, company filings

Total debt/Total Equity= (Long Term Debt + Short Term Debt & Current Portion of Long Term Debt) /Equity attributable to shareholders

Dividend yield = Dividend Per Share / Market Price at Year End

Underlying dividend payout ratio = Dividend Per Share / Underlying Earnings Per Share

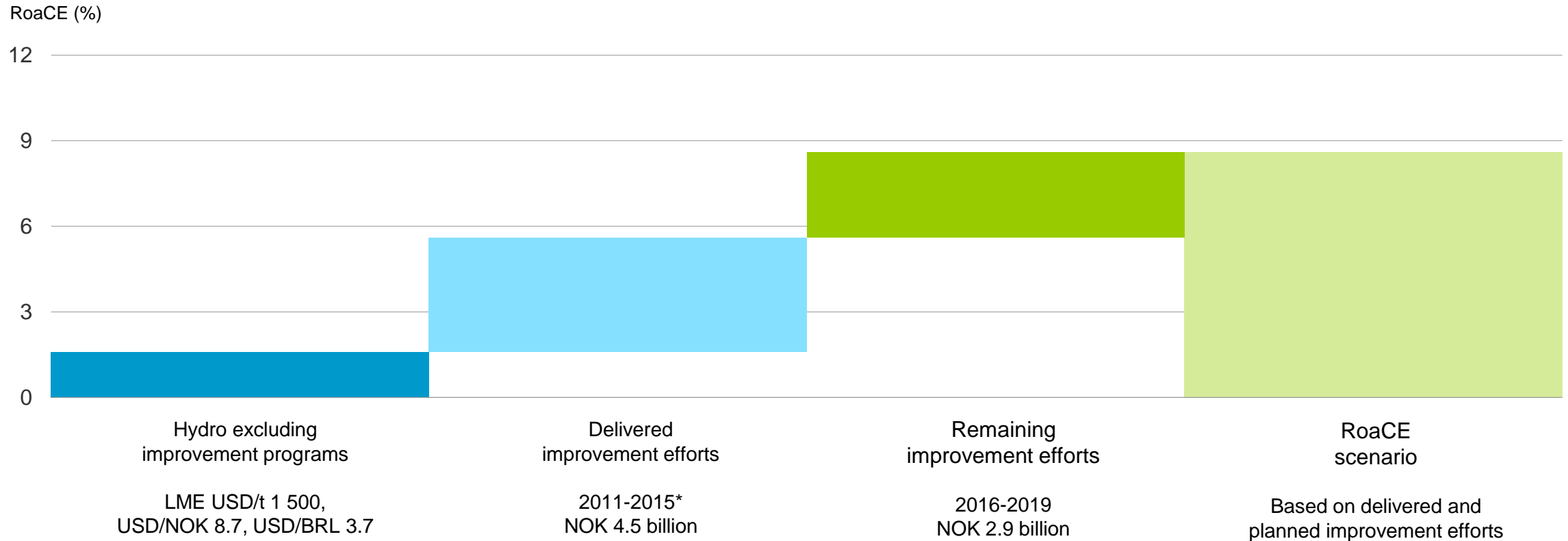
■ Peers ■ Hydro

Aluminium peers included: Alcoa, Century, Chalco, Rusal



Hydro's roadmap towards sustainable profitability

Solid contribution from improvement efforts and currency tailwinds compensate for lower prices



Last 4 quarters underlying EBITDA as basis. Adjusted using Hydro sensitivities to LME 1 500, Hydro realized premium of 275, USD/NOK 8.7, USD/BRL 3.7
 Remaining improvement efforts are real 2015 and after depreciation. Sapa improvement efforts are excluded from improvement efforts
 * USD 300 from 2009



Ambitious mid-term strategic goals within the Hydro aspiration

	Ambitions	Target	Timeframe
<i>Better</i>	• Improve safety performance, strive for injury free environment	TRI<2	2020
	• Deliver on <i>Better</i> improvement ambition	BNOK 2.9	2019
	• Secure new competitive sourcing contracts in Norway post 2020	4-6 TWh	2020
	• Lift Paragominas production	11 mill mt/yr	2018
	• Lift Alunorte production	6.6 mill mt/yr	2018
	• Shift alumina sales to PAX-based pricing	> 85% PAX*	2020
	• Extend technology lead with Karmøy technology pilot	Build decision	2016
<i>Bigger</i>	• Realize technology-driven smelter capacity creep	200,000 mt/yr	2025
	• Lift equity bauxite production	19 mill mt/yr**	Long-term
	• Expand BiW capacity	200,000 mt/yr***	2017
	• Ramp up UBC line to full capacity	>40 000 mt/yr	2017
<i>Greener</i>	• Become carbon-neutral from a life-cycle perspective	Zero	2020
	• Increase recycling of post-consumed scrap	>250,000 mt/yr	2020
	• Deliver of reforestation ambition	1:1	2017

* Based on sourcing volume of ~ 2.3 million tonnes per annum
 ** Provided the acquisition of the 40% stake in MRN from Vale
 *** Refers to nominal capacity

