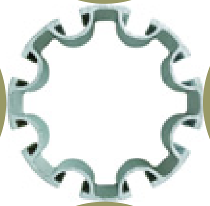
Market outlook



Arvid Moss, Executive Vice President and Head of Strategy and Business Development

Capital Markets Day, December 2, 2009

Content

Status supply & demand

- Demand, production, curtailments and stocks

China

- Primary imports , scrap imports

Supply/demand going forward

- GDP/IP and primary demand, new production, 2010/2011 supply/demand

Costs

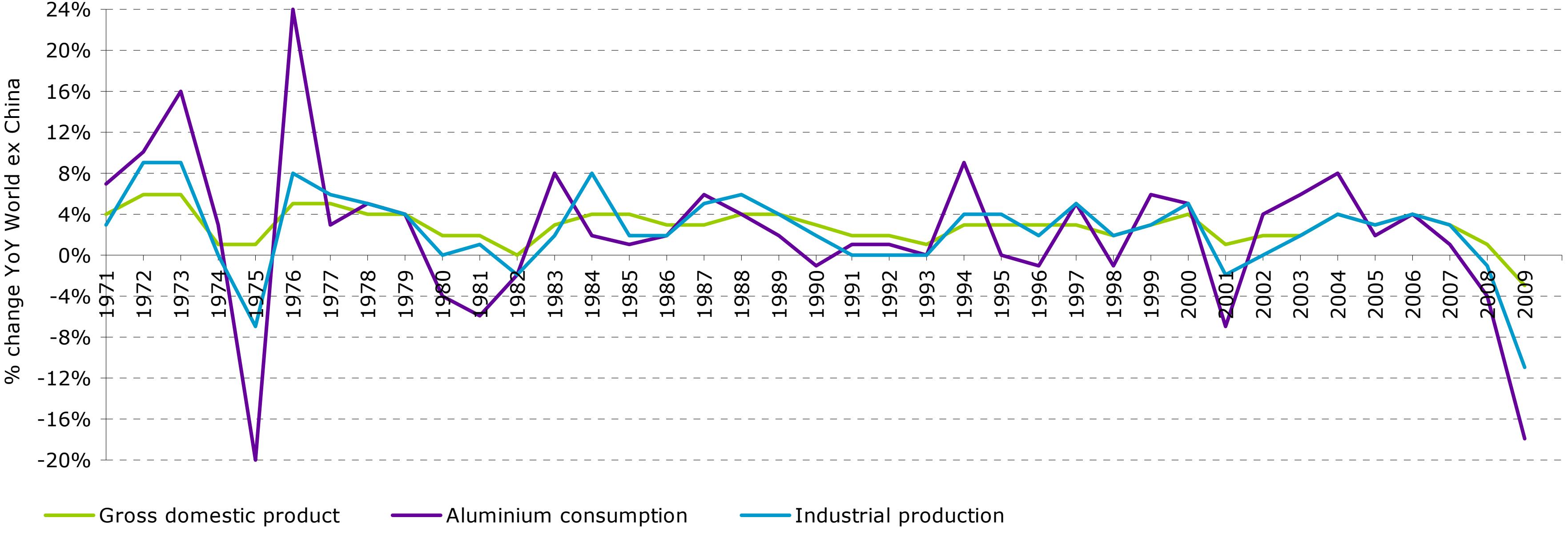
- Cost curve and cash generation through the last business cycle

Capex/opex in different geographical regions

Key take aways

Historic downturn in 2009

World outside China

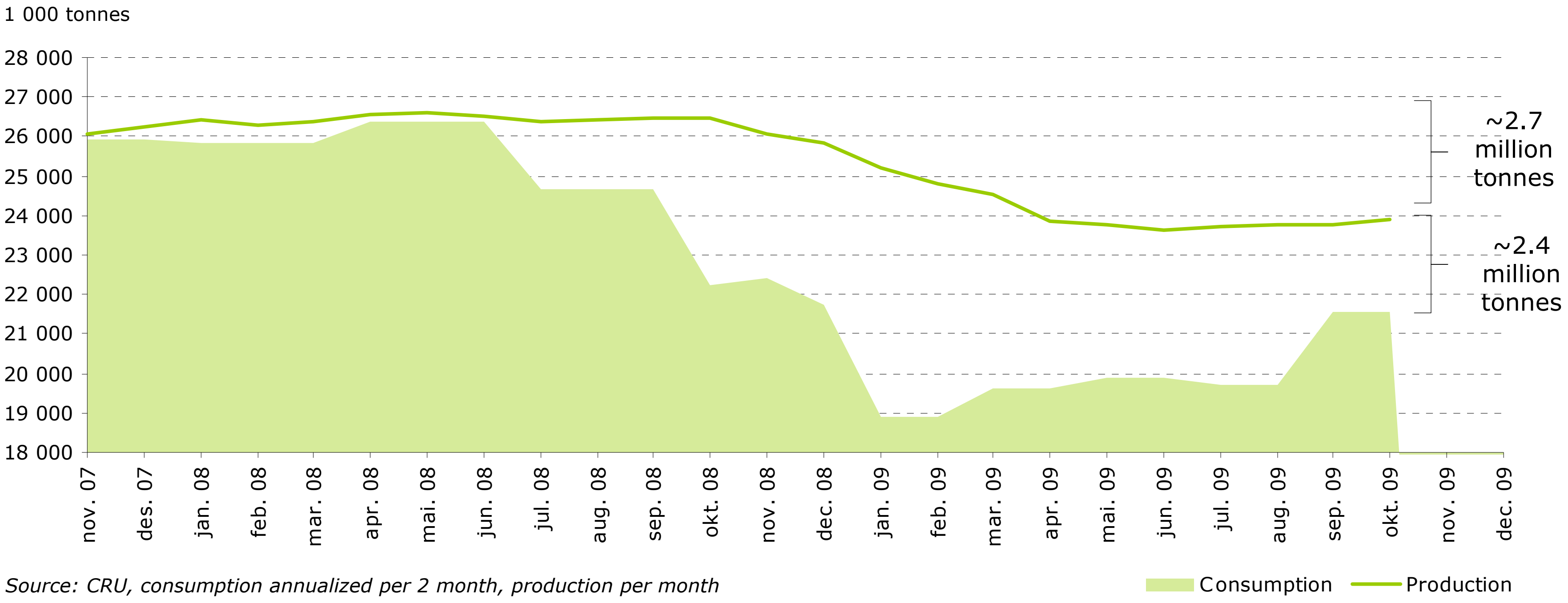


Source: Global Insight / CRU / Hydro

HYDRO

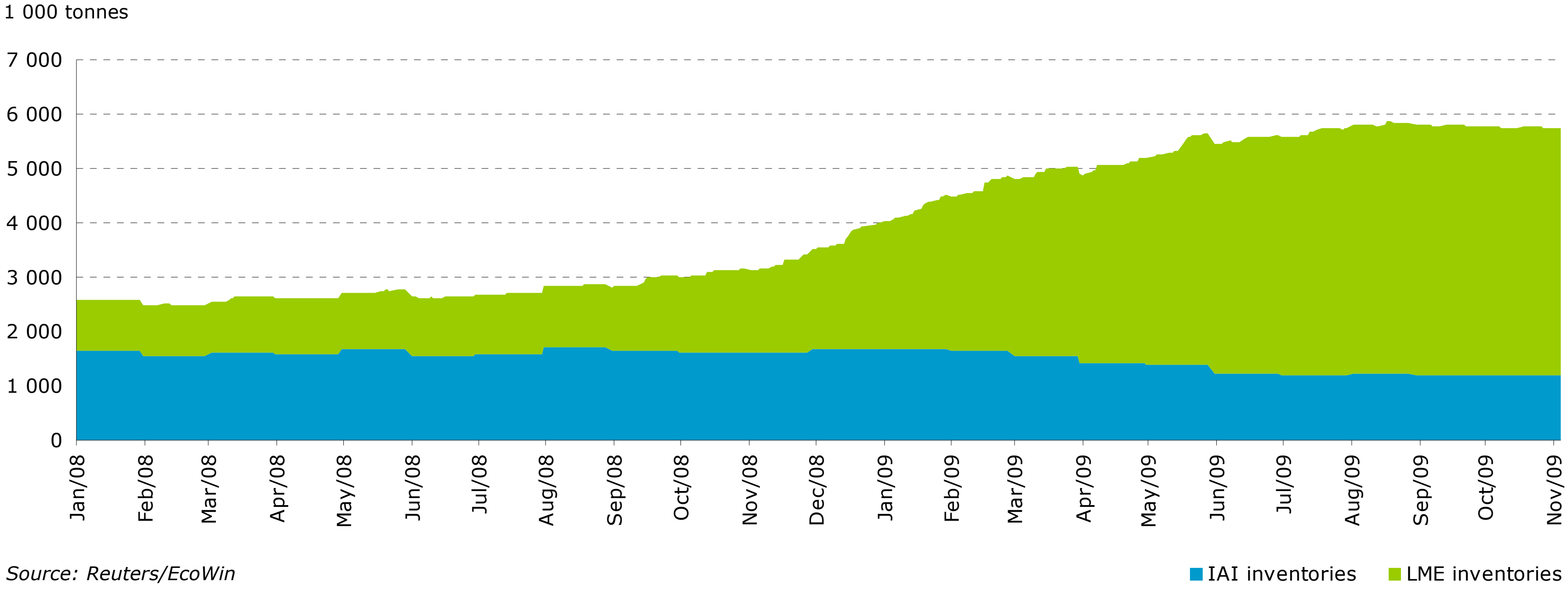
Imbalance reduced

World outside China



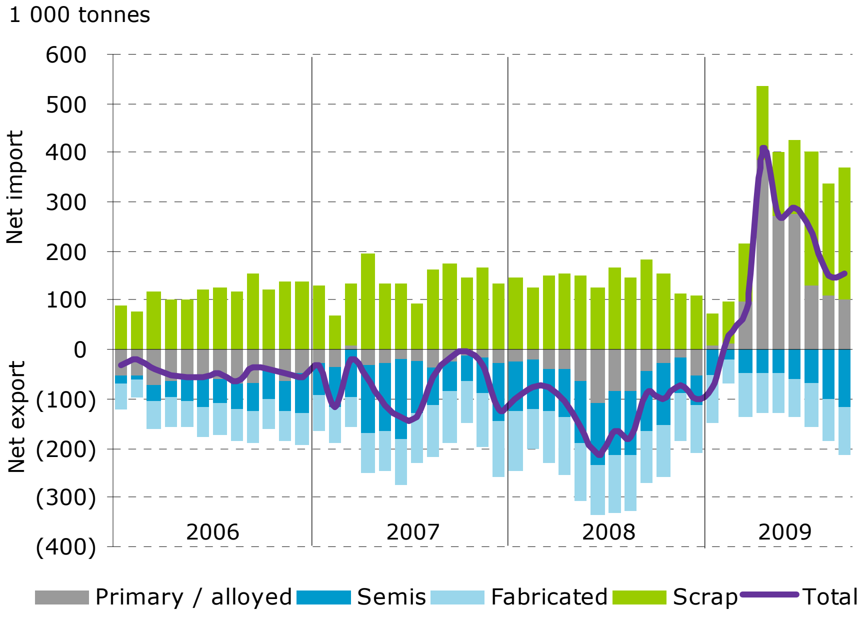
Source: CRU, consumption annualized per 2 month, production per month

LME and IAI inventories 2008-2009



Source: Reuters/EcoWin

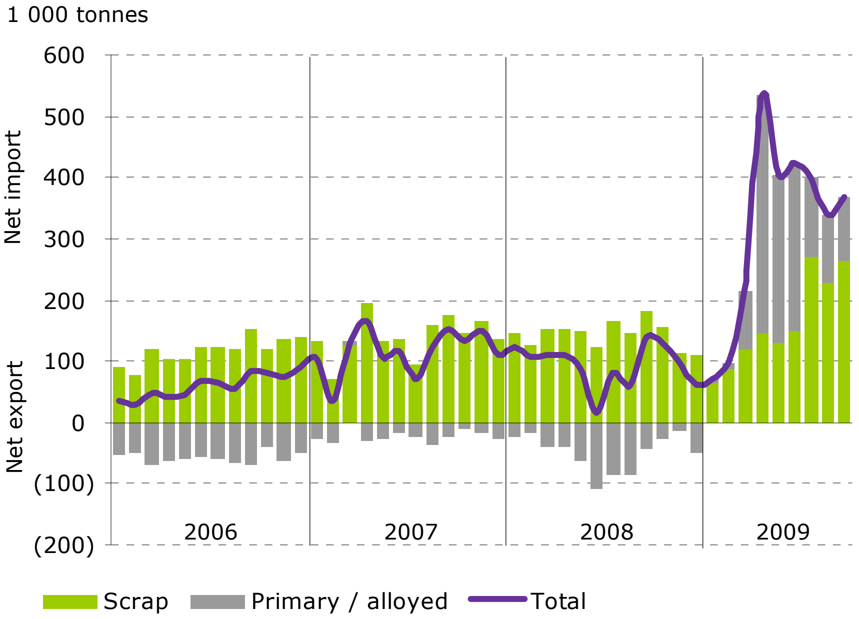
Swift response to market conditions from China



Source: Hydro / Antaike November 2009

- Production curtailments
- Strategic government purchases – lifted inland prices, import became profitable
- Government incentives increasing demand
- Recent months
  - Restart of curtailed capacity
  - Some new capacity being built
- Imports of primary aluminium expected to decrease

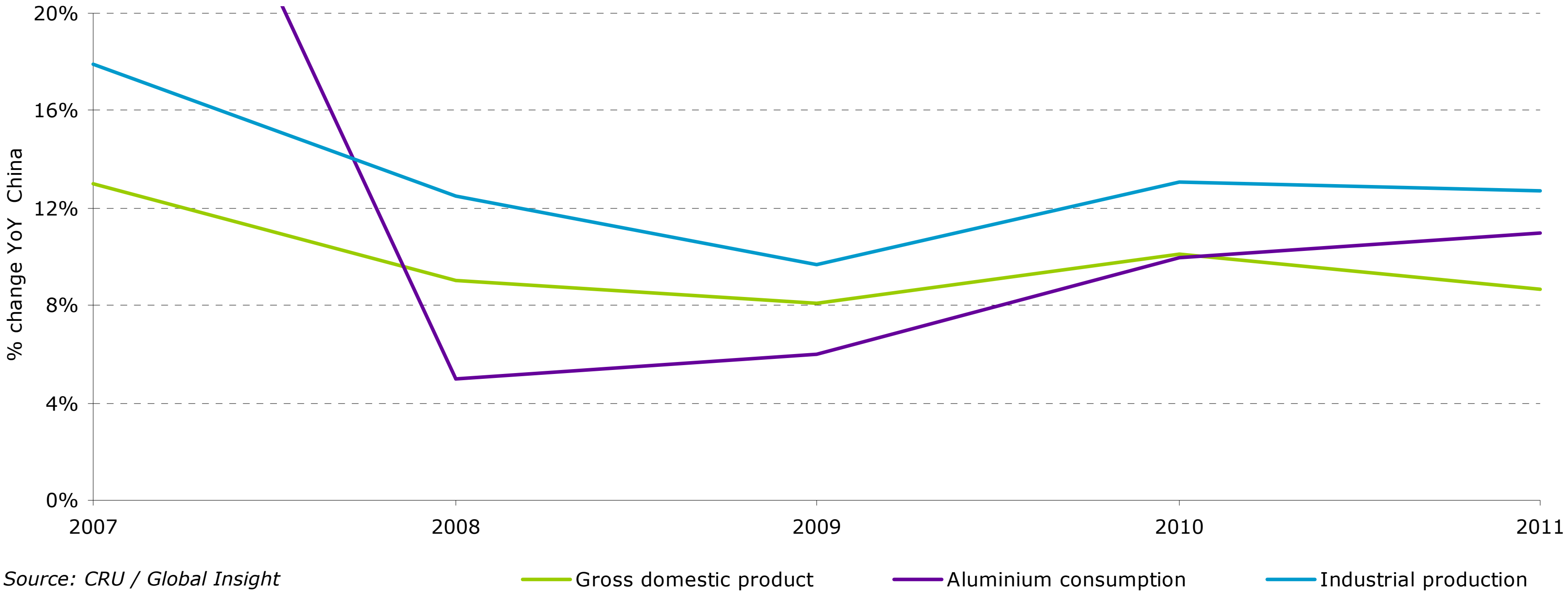
China with large increase in scrap import recently



Source: Hydro / Antaike November 2009

- With more scrap going to China more primary metal is needed as feed in the world outside China
- Providing that the level in Q3 is kept also in Q4, 2009 scrap imports to China will be around 500 000 tonnes higher than in 2008
- Scrap import may stay higher on annualized basis in 2010 than in 2009

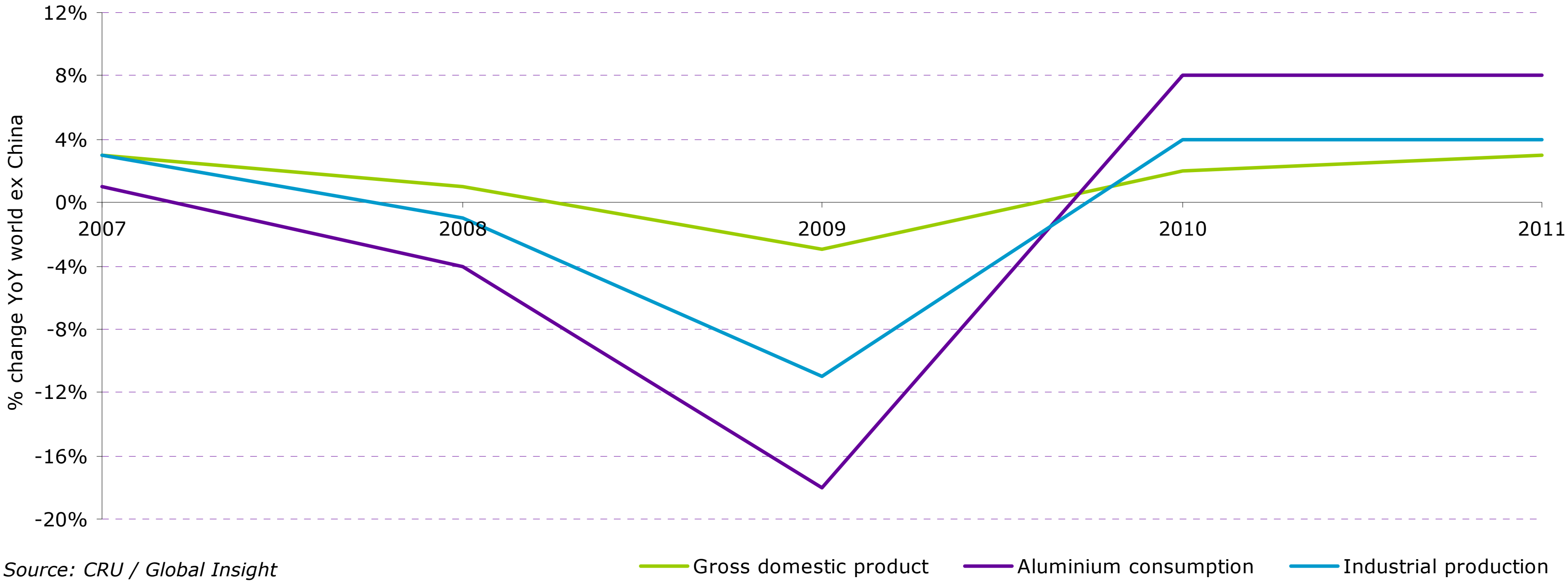
China ”recovers” from high levels



Source: CRU / Global Insight

Growth in GDP and IP in 2010 outside China

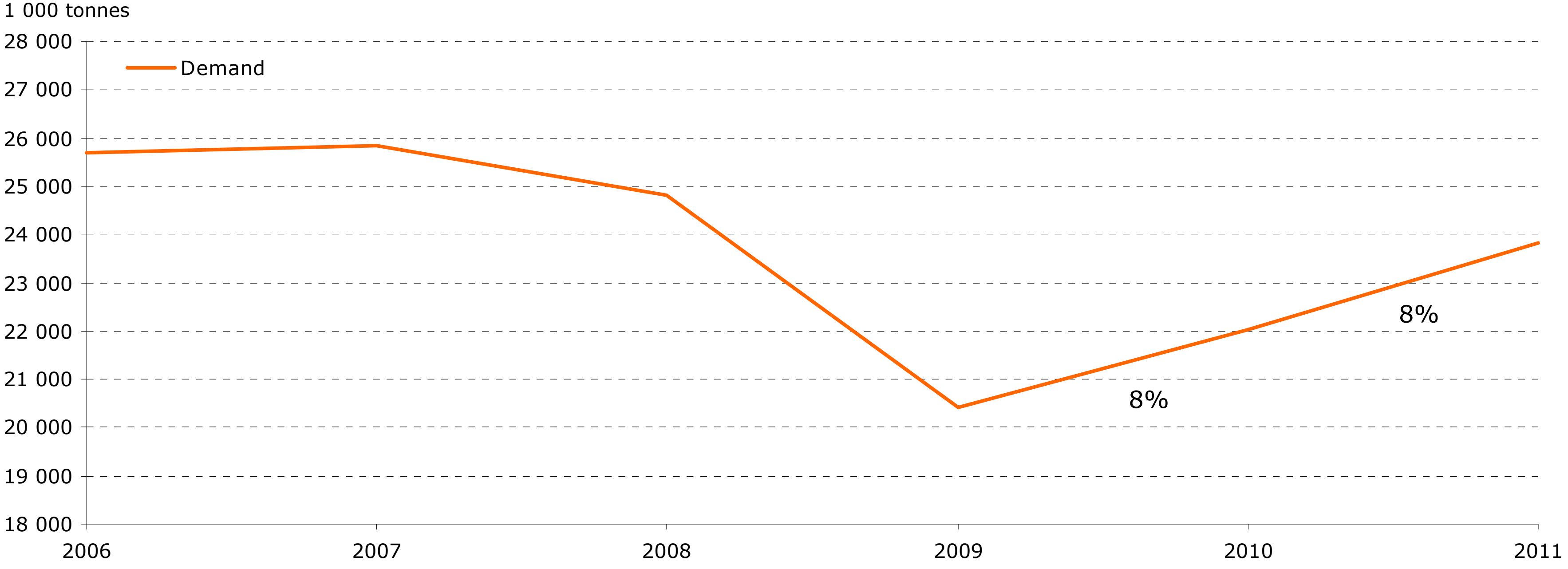
Aluminium pipeline to be refilled



Source: CRU / Global Insight

Improving demand

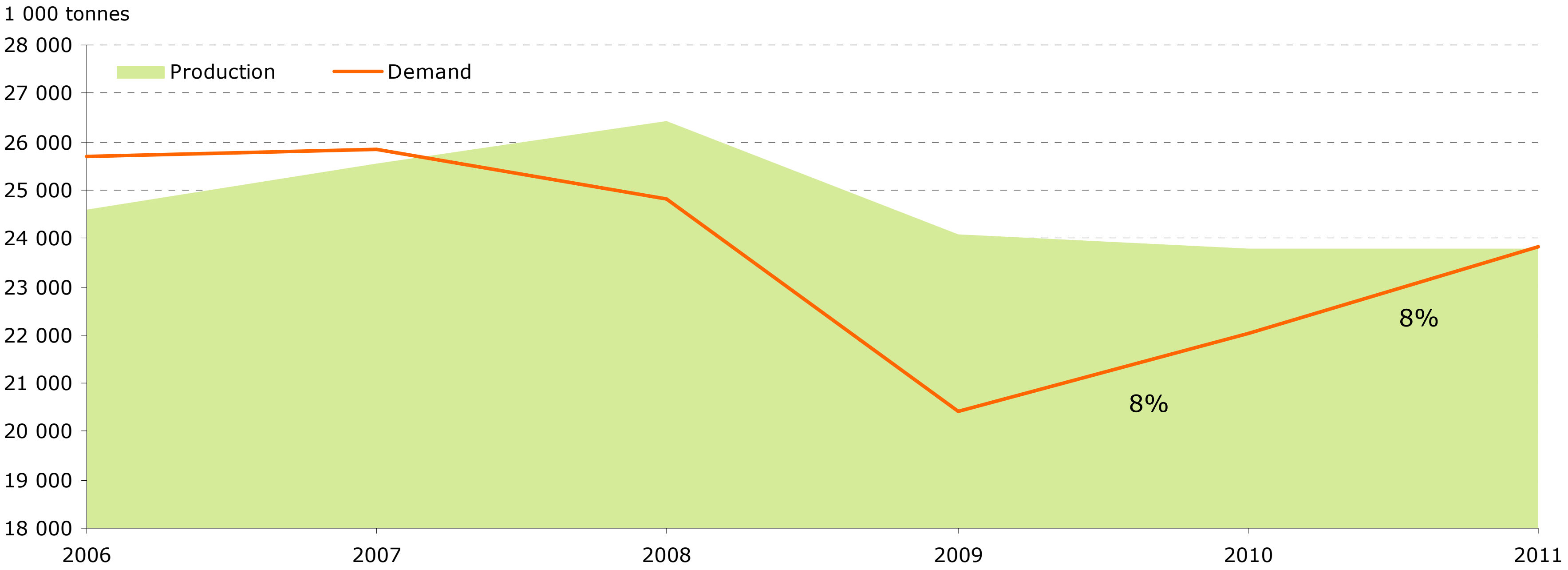
World outside China



Source: CRU / Hydro

Improving demand – but current supply too high

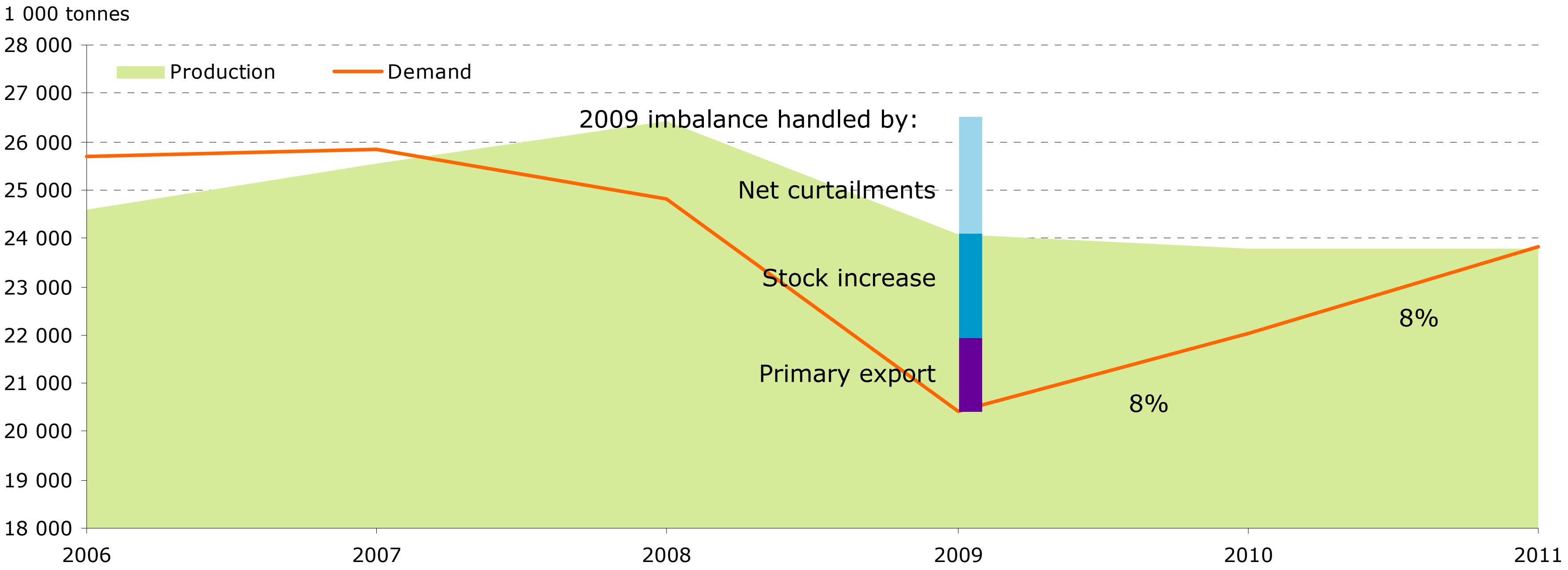
World outside China



Source: CRU / Hydro

Curtailment and China import not sufficient

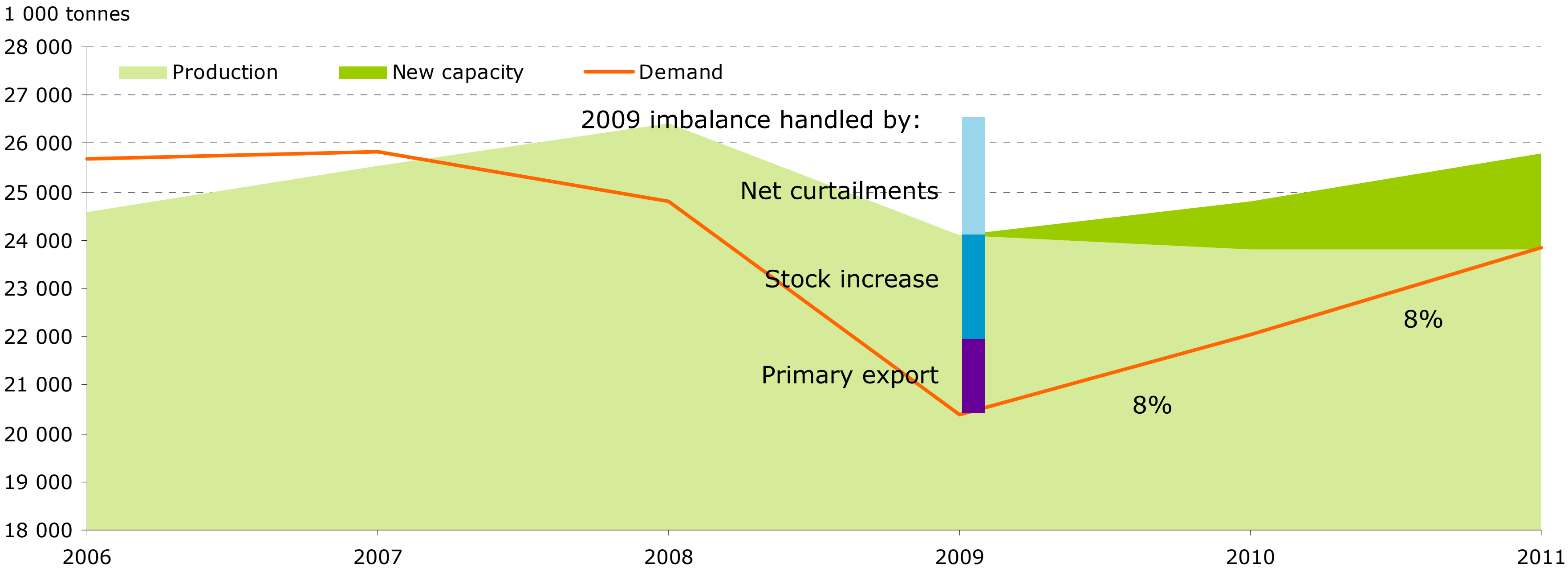
World outside China



Source: CRU / Hydro

New capacity coming in – adding to the challenge

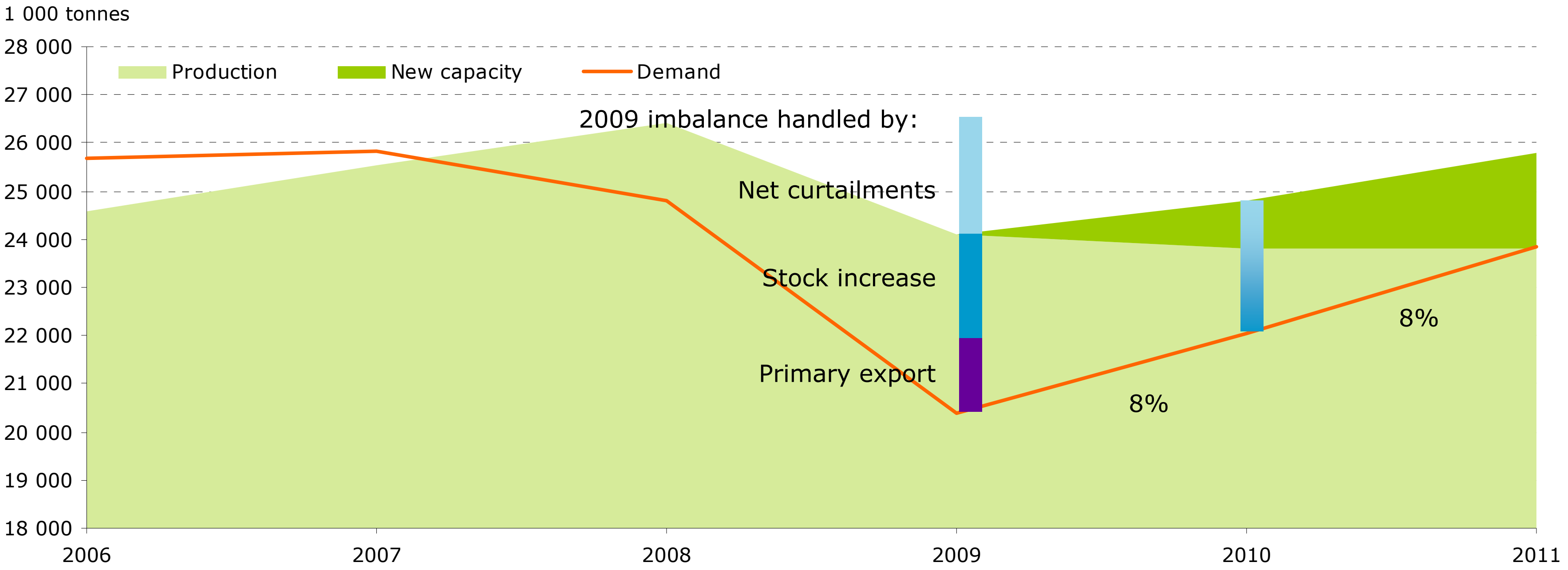
World outside China



Source: CRU / Hydro

Imbalance, though reduced

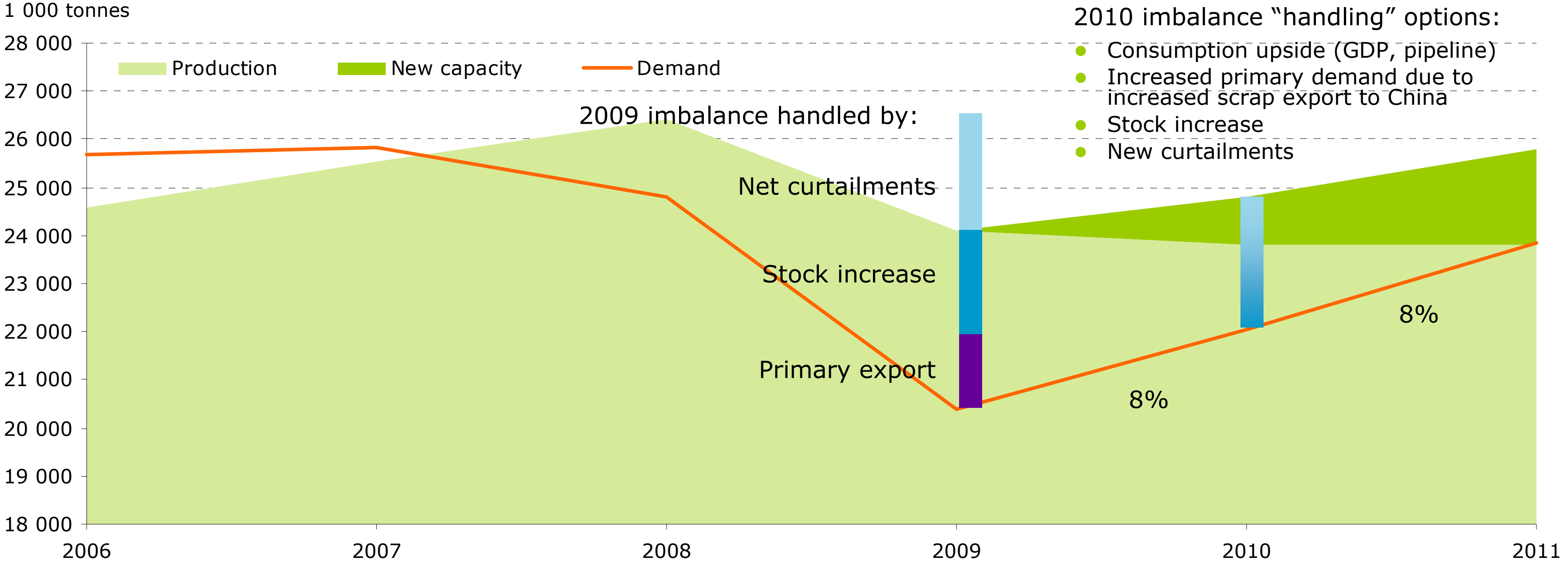
World outside China



Source: CRU / Hydro

2010 balance – scenario thinking

World outside China



2010 imbalance "handling" options:

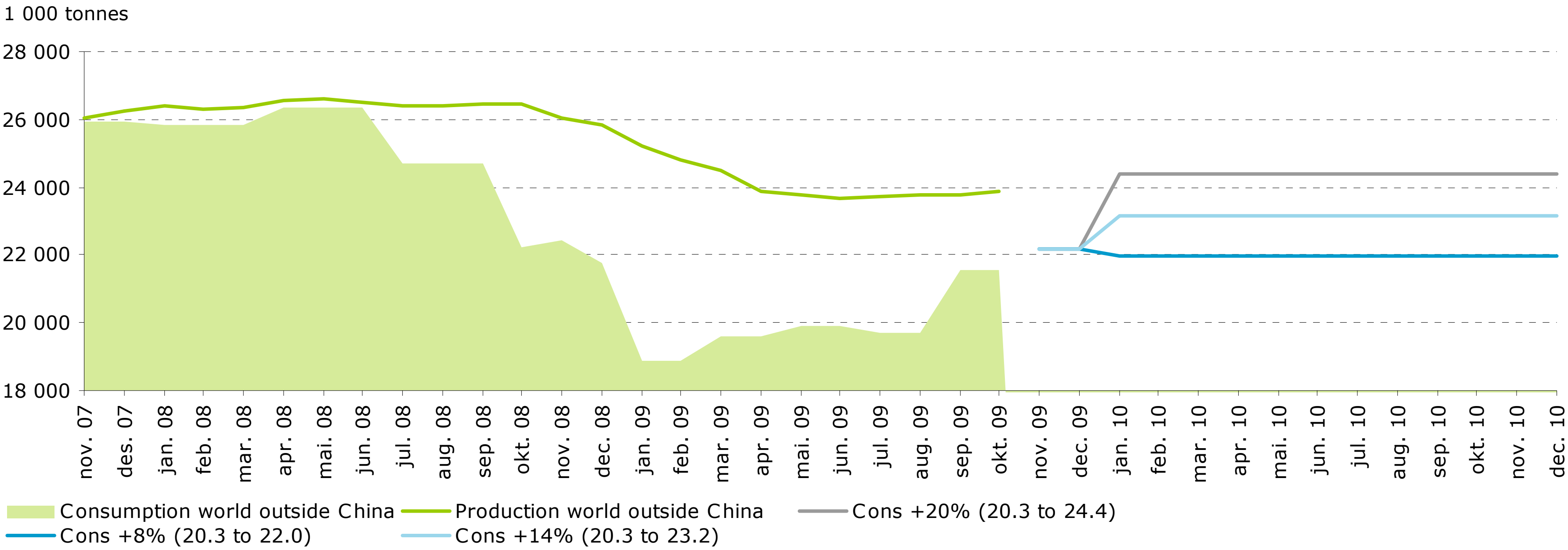
- Consumption upside (GDP, pipeline)
- Increased primary demand due to increased scrap export to China
- Stock increase
- New curtailments

Source: CRU / Hydro

HYDRO

Example of different growth rates

World outside China, annualized



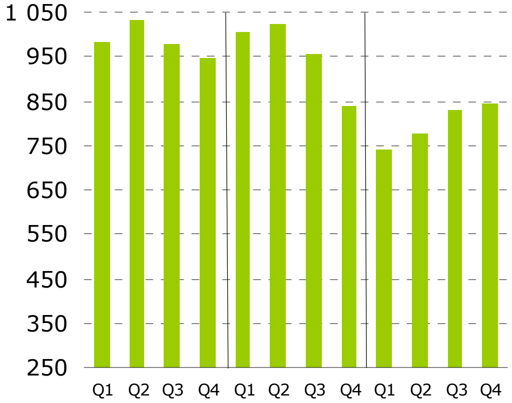
Source: CRU / Hydro. Consumption annualized per 2 month, Production per month

HYDRO

Quarterly development indicate underlying growth

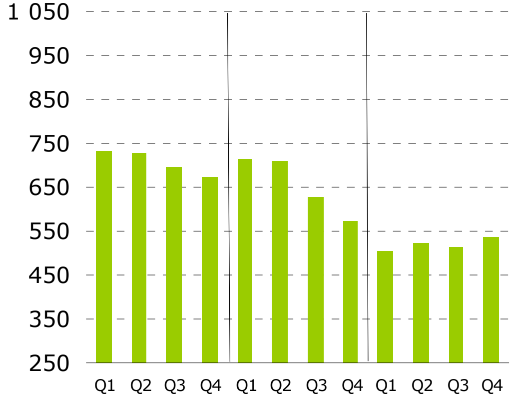
Rolled Products,
West Europe

1 000 tonnes



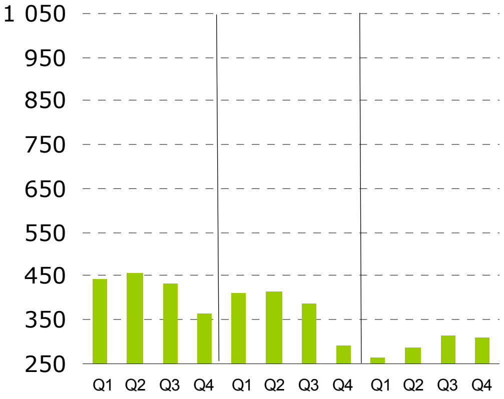
Extruded Products,
West Europe

1 000 tonnes



Extruded Products,
North America

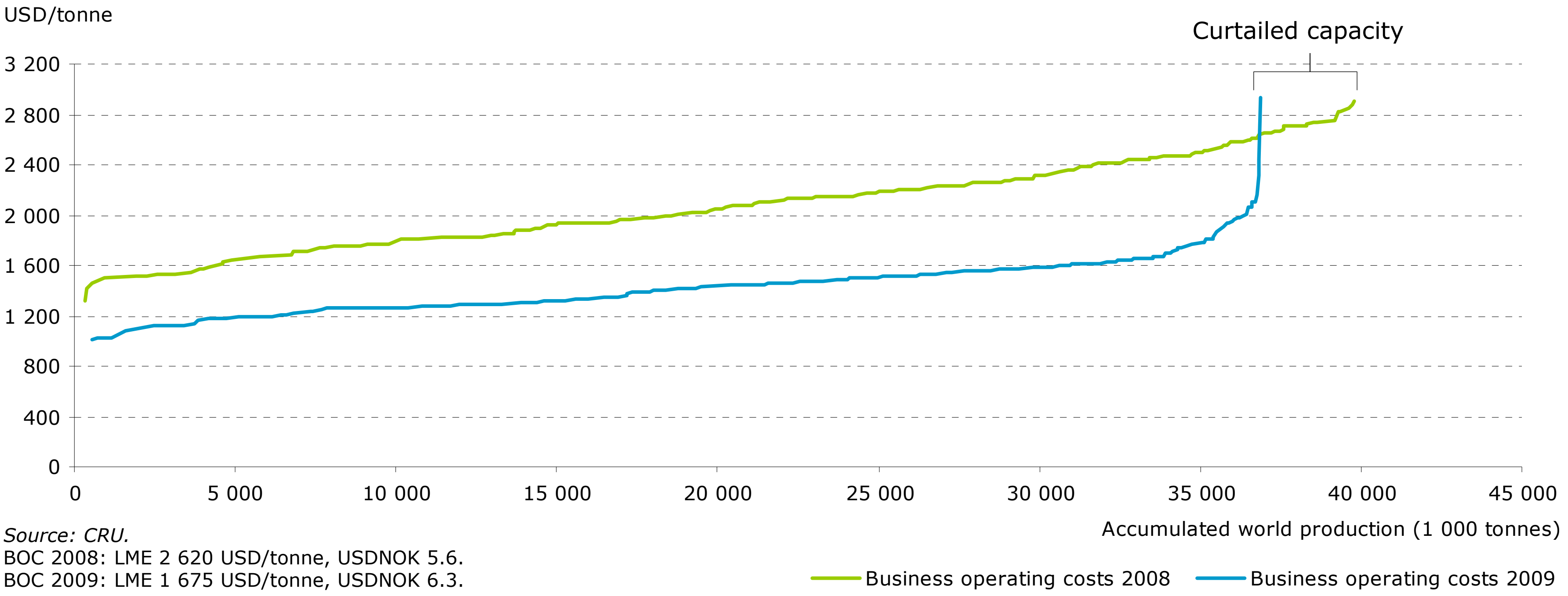
1 000 tonnes



Source: CRU

Industry costs have come down

However, very high uncertainty with regards to timing, contracts and currency

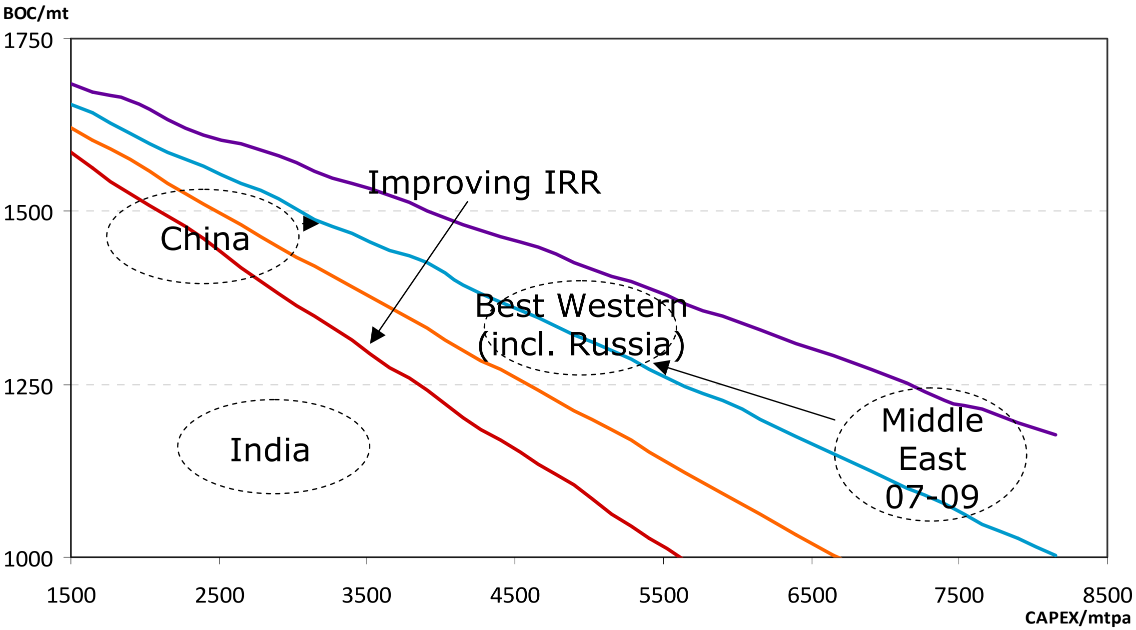


Source: CRU.
BOC 2008: LME 2 620 USD/tonne, USDNOK 5.6.
BOC 2009: LME 1 675 USD/tonne, USDNOK 6.3.

Capex/opex combinations new capacity

Power at full cost, smelter facility cost, anode and casthouse concept will differ

ISO IRR – LME 1800



Key take aways

- Imbalance between supply and demand in the world outside China continuing into 2010
  - But consumption is increasing
- Outlook 2010
  - Demand growth outside China expected – growth level uncertain
    - Fill up pipeline
    - Risk for "W"
  - Reduced primary metal export to China expected
  - Scrap export to China has increased during the last quarter – new trend?
  - Some new capacity coming on stream, expect current curtailments outside China to remain curtailed

- The supply/demand imbalance continues into 2010 – but at a lower level than in 2009 – prepare for adapting to different scenarios www.hydro.com