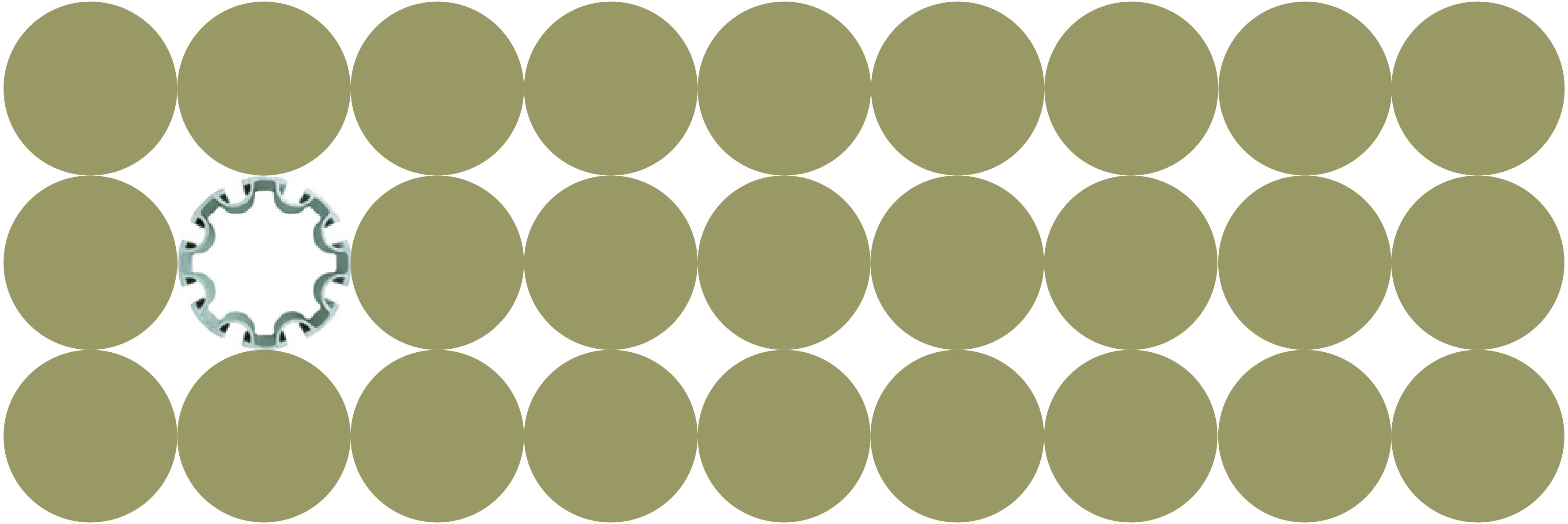
Metal Markets



Kjetil Ebbesberg, Executive Vice President and Head of Metal Markets

Capital Markets Day, December 2, 2009

Integrated business strategy

Creating additional value midstream

Upstream & Energy

- Energy competence
- Bauxite, alumina and carbon
- World class primary production
- New technology
- Future growth

Midstream

- Optimize value on top of LME
- Enhance value of market system
- Remelting & recycling
- Sourcing & trading
- Operational LME risk management

Downstream

- Rolled Products and Extrusion
- Cost and market focus, margin management
- Future growth Extrusion and Building Systems

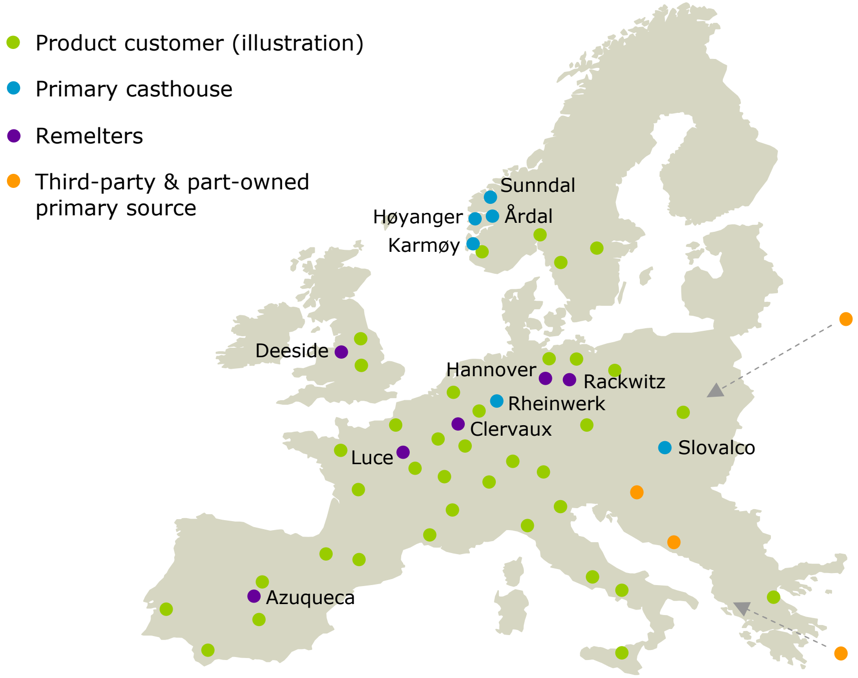
Midstream business scope

Business concept:

- Increased business volume through limited asset investments
- Optimized system costs related to sourcing, casthouse operations and marketing of metal products
- Maximize casthouse capacity utilization
- Basis for strategic alliances
- Gain leading position in scrap conversion

Supply network Europe

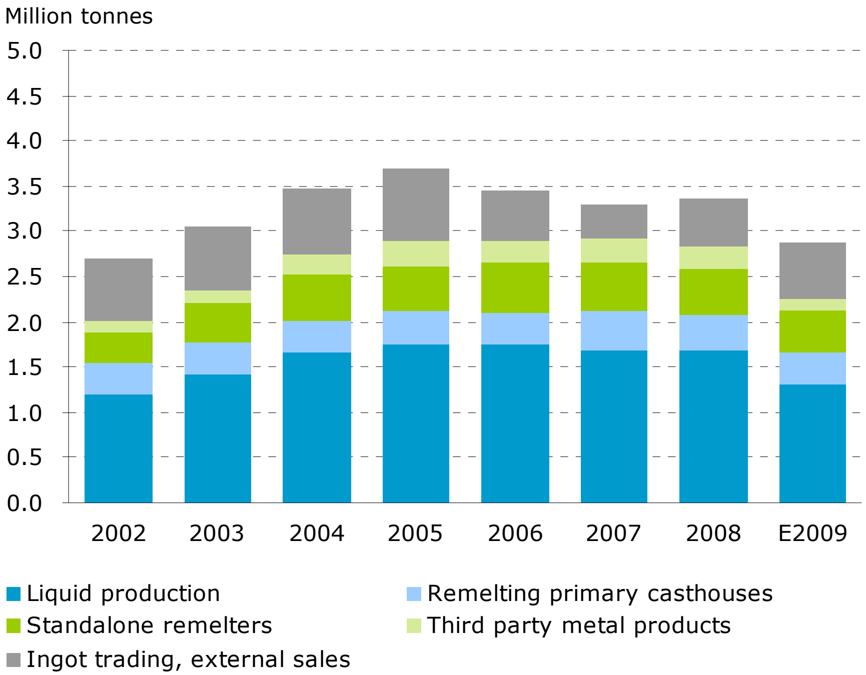
- Capacity in Europe
  - 1.1 mill tonnes of primary metal
  - 1.0 mill tonnes of remelting and recycling*
  - 0.6 mill tonnes Qatalum (100%)
  - 0.2 mill tonnes of third party metal products
- Flexible multi-sourcing system
- Stand-alone remelters close to customers
- Extracting value servicing customers and optimising logistics



* Excluding downstream capacities in Rolled Products and Extruded Products

Casthouse value added products

Leading supplier in Europe – growing in Asia and the US



Value added products (2008 global sales):

Extrusion ingot
(1 600 000 tonnes)

Foundry alloys
(350 000 tonnes)

Sheet ingot
(600 000 tonnes)

Standard ingot (2008 global sales, own production):

Standard ingot
(200 000 tonnes*)

- Standard metal
- Commodity market
- Further upgrading

*) Own production only, excluding traded third-party volumes (300 000 tonnes)

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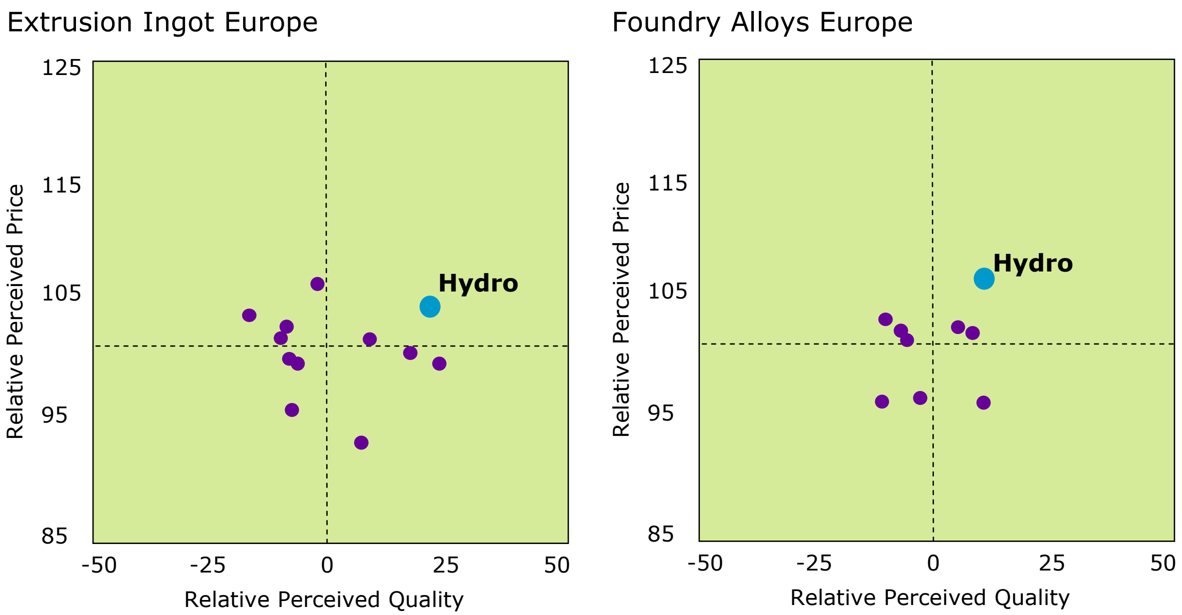
Customer value added services

1. Product mix/development
   - Alloys
   - Dimensions
   - Specifications
2. Scrap conversion services
3. Market / LME
   - Pricing services
   - Customer e-portal
   - Market information
4. Technical support
   - Alloys & process services
   - Laboratory services
5. Loyalty program

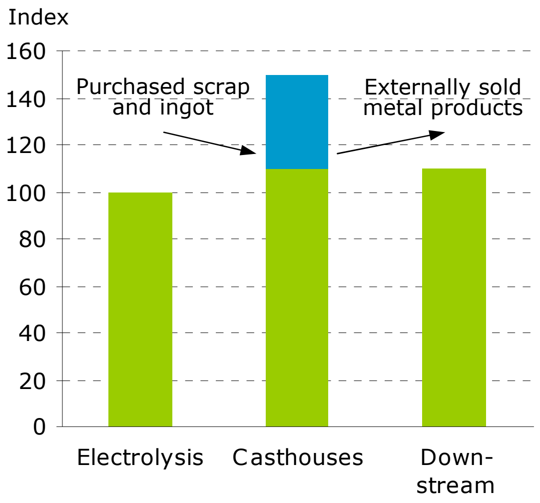
Customer rating vs peers



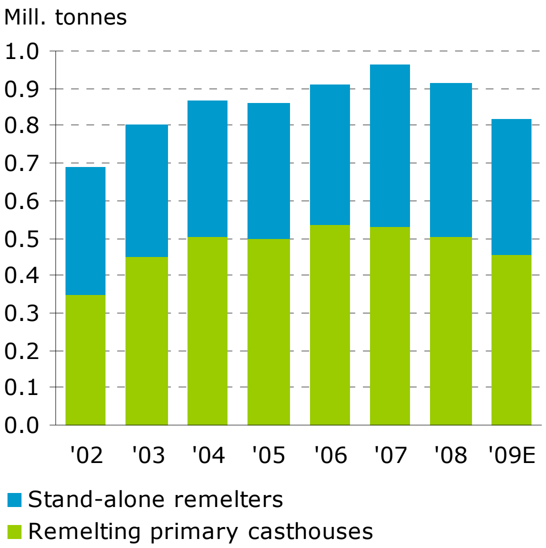
Source: PIMS

Casthouse optimisation and remelting

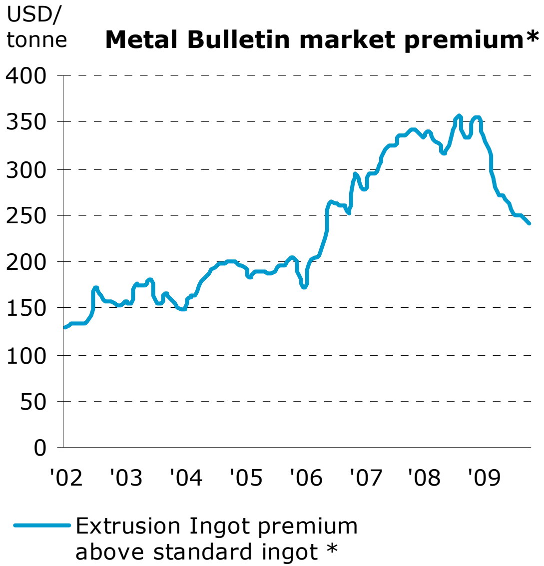
Better asset utilisation …



… through remelting …

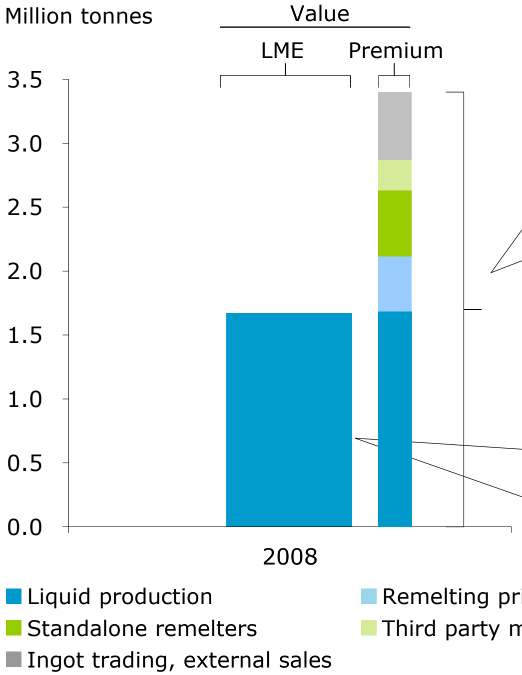


… into value added products



* *Source: Metal Bulletin (Extrusion Billet Premium 6063, EC duty paid and LME HG, EC duty paid, 3 months - in warehouse Rotterdam)*

Midstream margin and risk management



Margin business:

<u>Profit ~=</u>

product/ingot premium (out)
- scrap/ingot premium (in)
- conversion & remelt cost
- freight/handling/commercial costs

<u>Operational risk management:</u>

Shall be exposed to margin above LME

→ LME and currency in/out fully hedged

Primary liquid electrolysis metal:

<u>Profit ~=</u>

LME (out)
- primary (electrolysis) cost

<u>Operational risk management:</u>

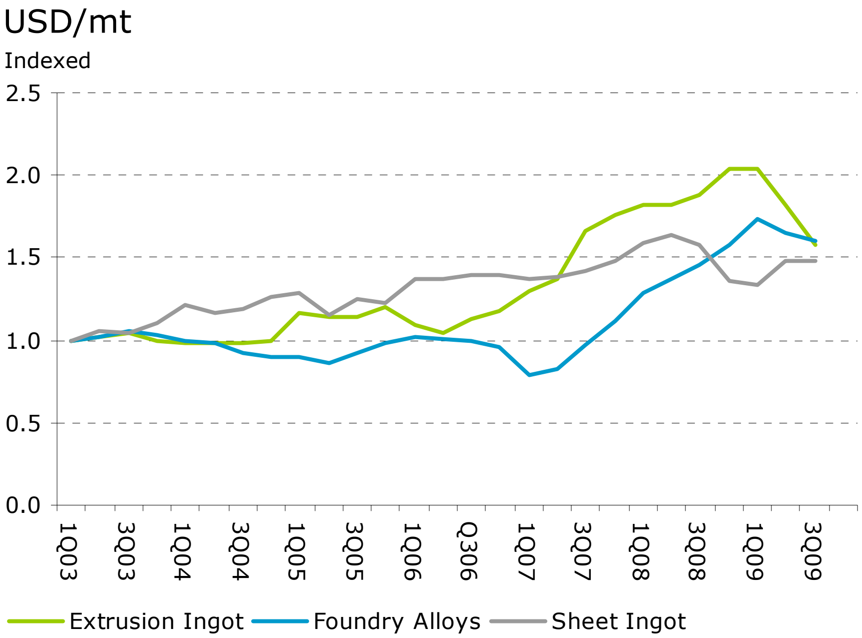
Shall be exposed to LME

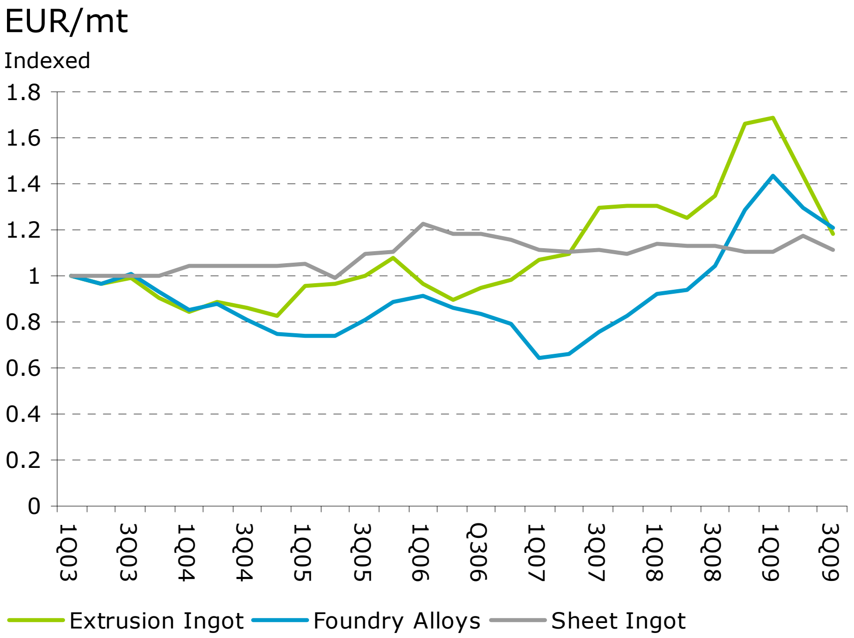
→ Forward sales 2-4 months

Main margin drivers:

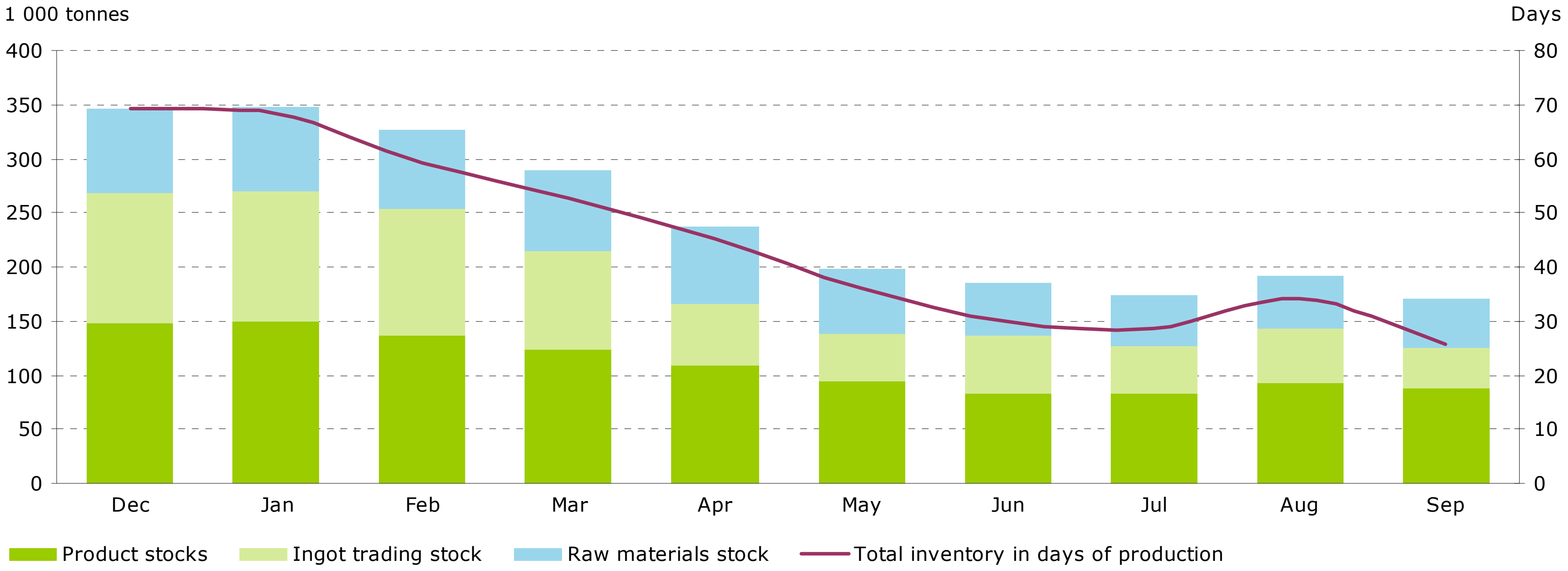
- Volumes
- Product premiums & spreads
- Currency
- Contango
- Freight costs & logistics
- Prime/scrap rates (feedstock)
- Scrap grades & discounts
- Melt loss, net
- Energy cost
- Alloy costs
- Conversion rates
- Handling/commission fees
- Fixed costs

Product premium above ingot

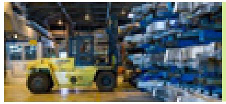




Swift inventory reduction during 2009



Metal Markets overview

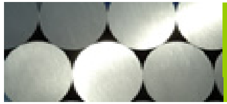


Primary casthouses (in Primary Metal)

- Sales, logistics and capacity optimization by Metal Markets on cost coverage and commission basis
- Casthouse operations and EBIT margins in Primary Metal

Remelters

- Stand-alone remelting in Europe, the US and Asia
- Full price margin remelting and scrap conversion services



Third party metal products

- Resale of 3rd party metal products and part-owned sources

Metal sourcing & trading

- Physical standard ingot portfolio management and LME paper trading

Operational hedging & risk management

- Internal operational hedging services
- Managed on net portfolio basis versus LME

Other

- Advanced tailor-made high purity aluminium
- HyCast casthouse technology development

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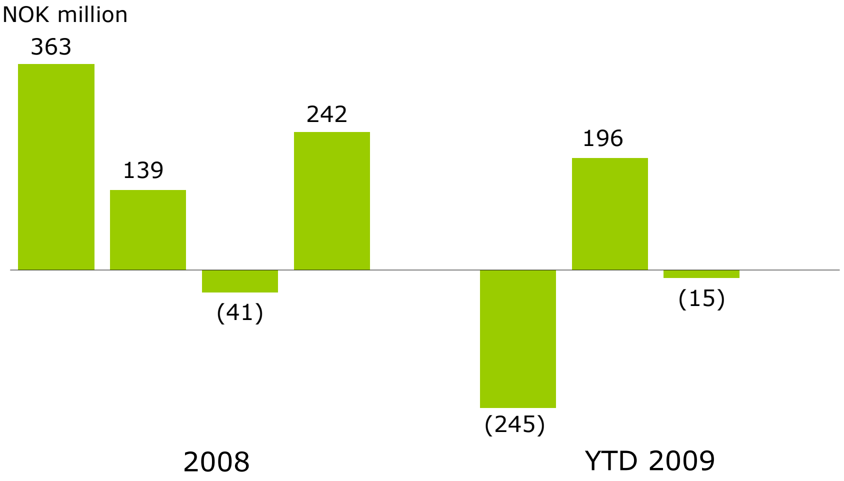
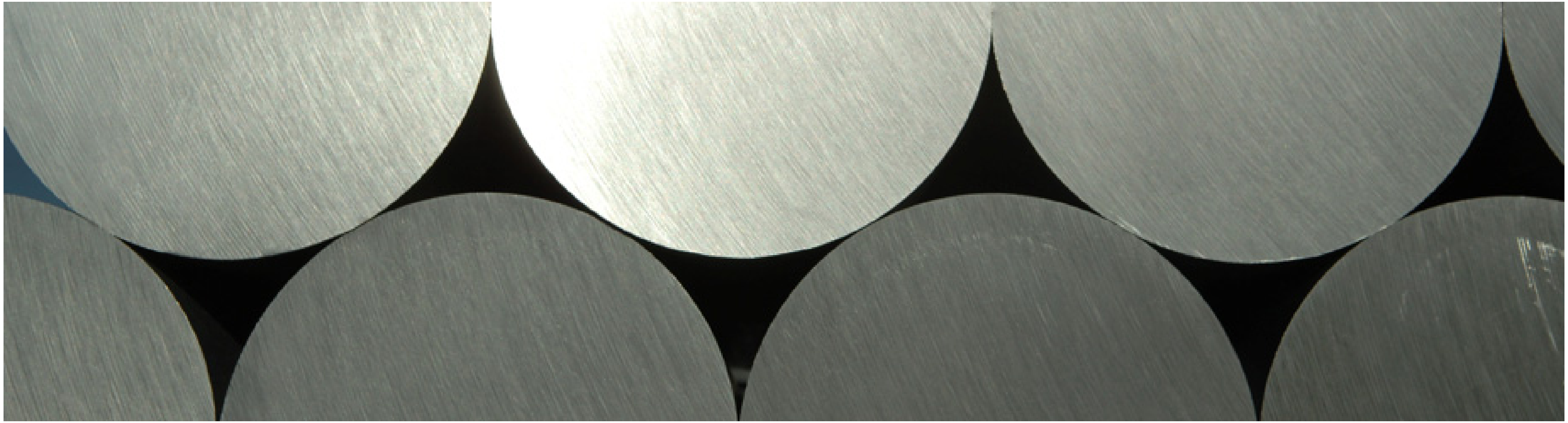
Financial results



Underlying EBIT		
	703	(63)

- Main profit from metal sourcing & trading, remelters and resale of third party metal products
- Results in periods heavily impacted by currency and operational hedging related effects
  - Currency transaction exposures hedged internally with hedge gain/loss as financial items
  - Translation of USD denominated LME derivatives and inventories from USD to NOK (reporting currency)
- Volumes and premiums sensitive to market variations



Key messages

- Unique midstream concept and market positions
- Value added products on top of commodity liquid production
- Margin management is key
- Remelting & recycling – flexible and well aligned with future needs

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