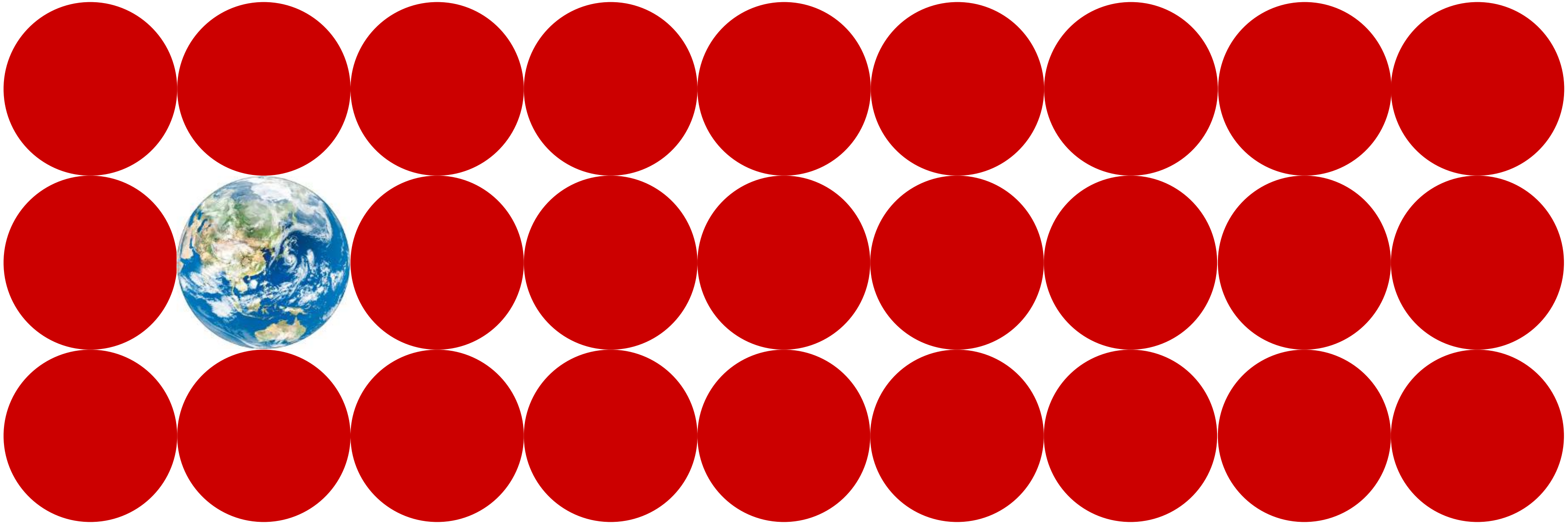
Hydro's financial and performance update



Jørgen C. Arentz Rostrup, Executive Vice President and CFO
December 1, 2011

Agenda

- Financial position and policy
- Earning drivers
- Performance management
- Summary

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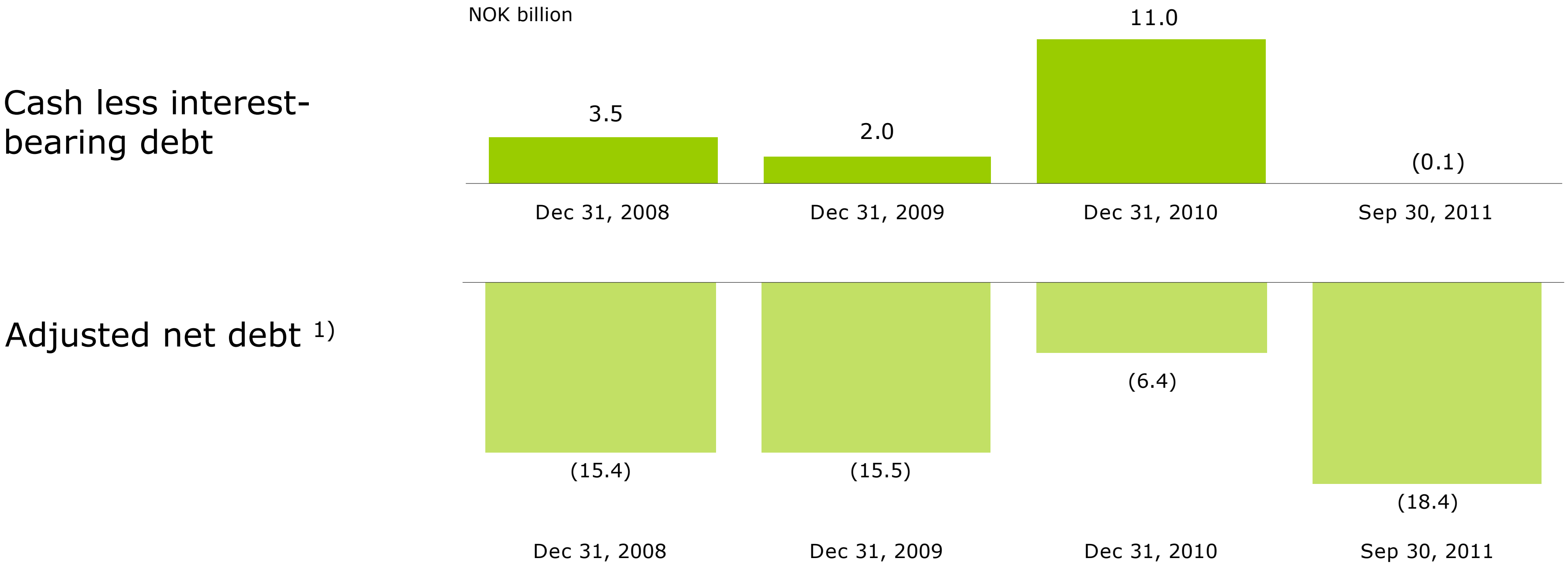
Financial position and policy

Robust financial position



1) Net interest-bearing debt in equity accounted investments, net pension liability, operating lease commitments and other

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Priorities for capital allocation

- Maintain a solid balance sheet
- Competitive cash distribution to shareholders
- Disciplined and selected growth

Maintain financial flexibility

- Robust balance sheet
- Strong focus on liquidity
  - NOK 6.9 billion in cash and cash equivalents end-Q3 2011
  - USD 1.7 billion facility, currently undrawn
- Maintain investment grade rating
  - BBB/Baa2
- Intention to re-establish Hydro in bond markets

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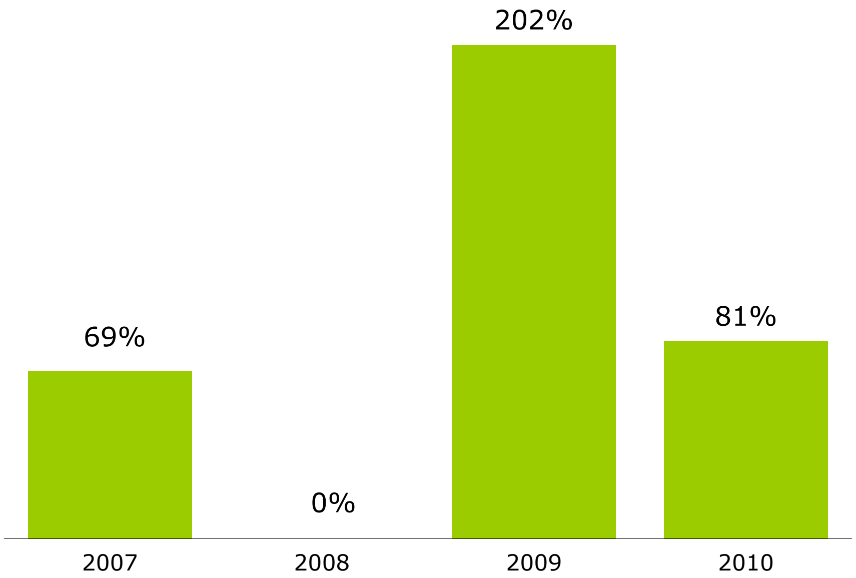
Shareholder policy

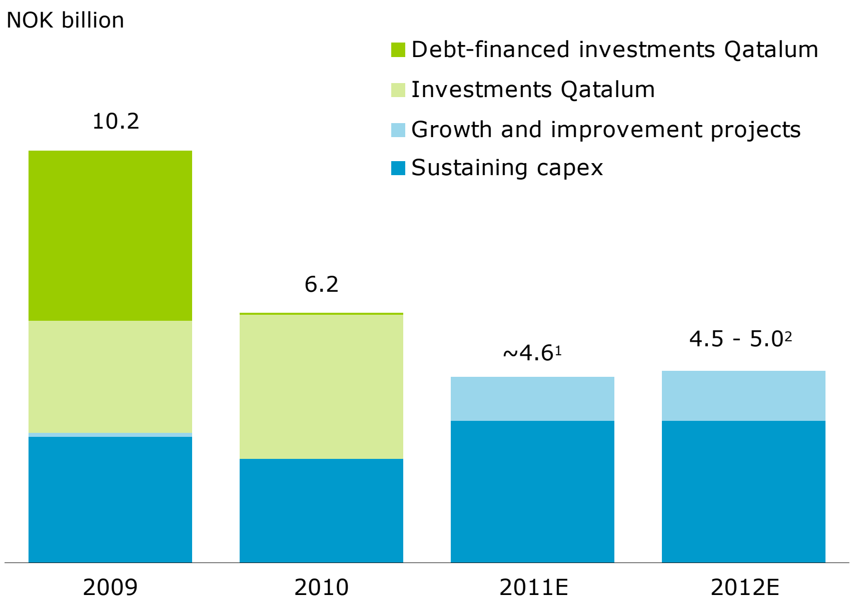
Dividend payout ratio



- Hydro aims for competitive returns compared to peers
- Dividend payout ratio* to average 30% over the cycle
  - Average 117% 2007-2010
- Buyback of shares and extraordinary dividends
  - When earnings, liquidity position and capital structure allow

*Dividend paid divided by net income attributable to equity holders

Capital allocation mainly upstream



1)Excluding Vale assets acquisition
2)Excluding investments related to CAP and Paragominas 3

- Sustaining capex NOK 3.5 billion annually including Vale assets
- Growth projects in 2012
  - Hydropower developments
  - Extruded Products expansions
  - Paragominas and CAP development under evaluation
- ~80% of capital to be allocated upstream in 2012

Net pension liability expected to increase

NOK billion	Estimate December 31, 2011	December 31, 2010
Projected benefit obligation	(21.0)	(18.4)
Fair value of plan assets	13.0	12.5
Termination benefits and other	(0.5)	(0.6)
Net pension liability at fair value	**(8.5)**	**(6.4)**
Unrecognized (gain)/loss	1.0	(1.2)
Net pension liability recognized on balance sheet	(7.5)	(7.6)
Net pension liability at fair value, net of tax	**(7.0)**	**(5.6)**

- Benefit obligation up NOK 2.6 billion
  - Based on a reduced discount rate of 1%
- Plan assets up NOK 0.5 billion
- No material change for 2012 pension cost expected

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Market update – further softening

- Decreasing prices and continued raw material cost pressure upstream
- Seasonal decline and further weakening markets downstream
- High energy production, prices currently above Q3 average
- Increasing macro uncertainty and softening markets

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Hedging policy

Upstream

- Remain primarily exposed to LME prices
  - Partly off-setting effects through raw material prices and negative currency correlations with LME
- Operational LME hedging
  - Three months forward sales to manage customers' pricing
- Currency exposure, mainly USD and BRL
  - Policy of maintaining long-term debt in USD
  - Partly natural hedge through negative correlation between LME and major exposed currencies

Mid- and downstream

- Operational LME and currency hedging to secure margin

Volatility mitigated by strong balance sheet

2

Earning drivers

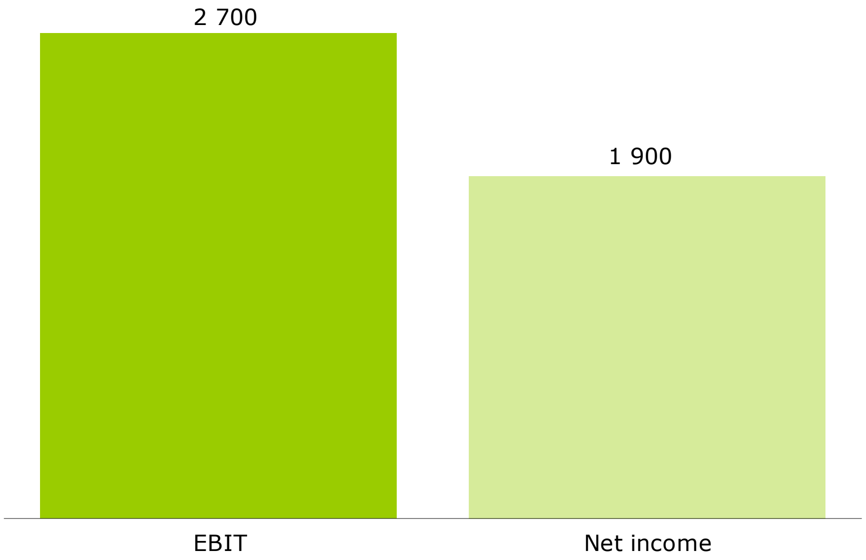
Understanding of Hydro's earning drivers

- Starting point and assumptions
- Simplified models
- Negative correlations
- Complexity

Price and currency sensitivities

Aluminium price sensitivity +10%

NOK million



Currency sensitivities +10%

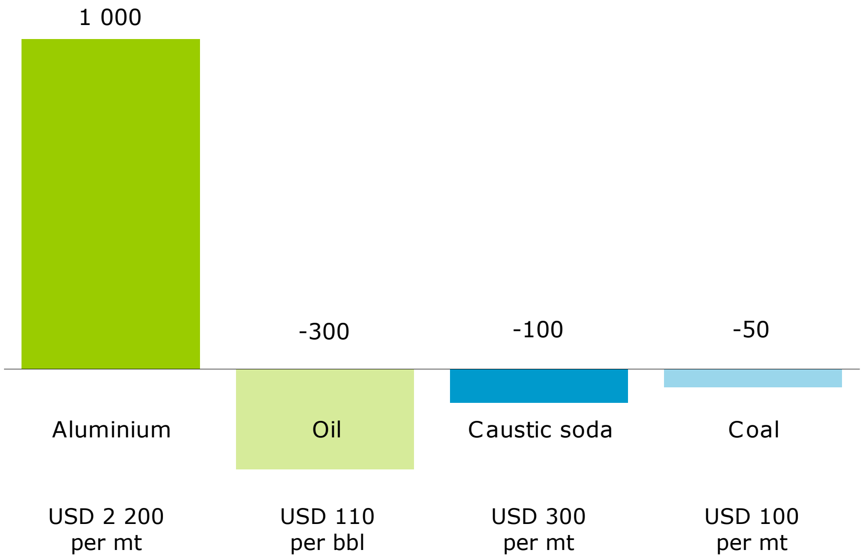
NOK million	EBIT	Financial items	Income before tax	Net income
USD	2 250	(400)	1 850	1 350
BRL	(850)	650	(200)	(100)
EUR	(150)	(850)	(1 000)	(700)

- Annual sensitivities based on expected business volumes for 2012, LME USD 2 200, NOK/USD 5.70, NOK/BRL 3.25 and NOK/EUR 7.70.
- Aluminium price sensitivity is net of aluminium price indexed costs and exclusive of unrealized effects related to operational hedging
- USD sensitivity on financial items is based on estimated year-end financial position

Bauxite & Alumina sensitivities

Sensitivities on underlying EBIT if +10% in price

NOK million



Revenue impact

- ~13-14% of 3-month LME price per tonne alumina
- ~One month lag

Cost impact

Bauxite

- ~2.4 tonnes bauxite per tonne alumina
- Pricing partly LME-linked for bauxite from MRN

Caustic soda

- ~0.09 tonnes per tonne alumina
- Formula prices based on average of CMAI and Harriman US export, pricing per quarter or per shipment.

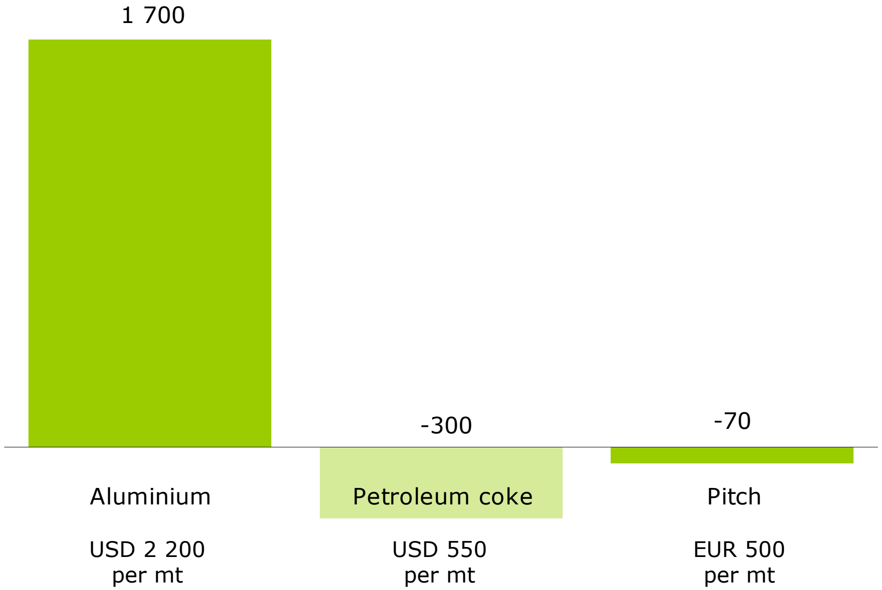
Energy

- ~0.13 tonnes coal per tonne alumina
  - 1 year contracts
- ~0.11 tonnes heavy fuel oil per tonne alumina
  - Long-term supply commitments, price follows market
- Increased use of coal as energy source in Alunorte

Primary Metal sensitivities

Sensitivities on underlying EBIT if +10% in price

NOK million



Revenue impact

- Realized price lags 3-month LME price by ~3-4 months
- Qatalum and Albras realized price lags spot price LME by ~1 month

Cost impact

Alumina

- ~1.9 tonnes per tonne aluminium
- ~13.5-14% of 3-month LME price per tonne alumina
- ~2-3 months lag

Alumina freight

- ~1.5 million tonnes alumina in transatlantic seaborne freight

Carbon

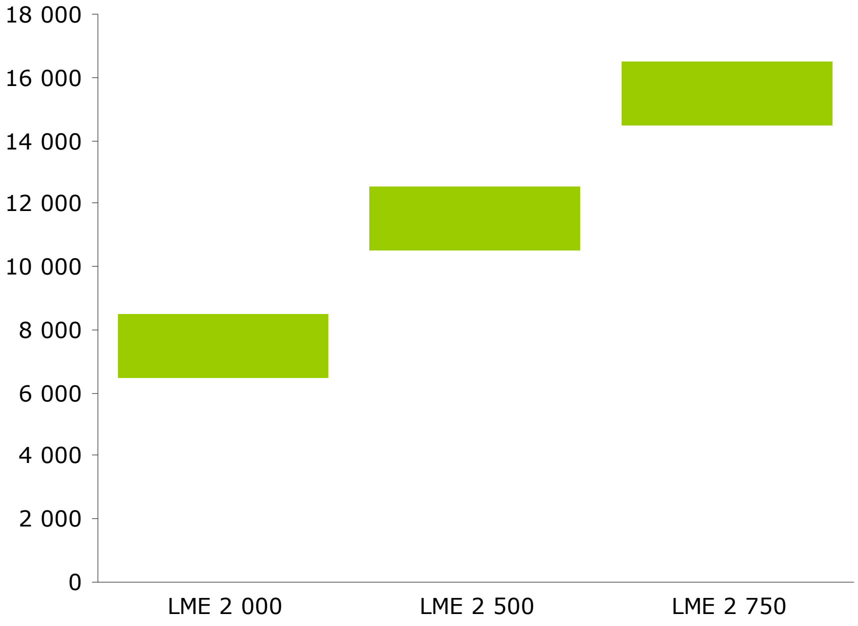
- Raw material petroleum coke and pitch
  - ~0.35 tonnes petroleum coke per tonne aluminium
  - ~0.08 tonnes pitch per tonne aluminium
- Long-term supply commitments, priced every 6 months

Power

- 13.8 MWh per tonne aluminium
- Long-term power contracts with indexations

Annualized underlying EBITDA scenarios

EBITDA, NOK million



- Scenarios are not forecasts, but represent earnings potential based on sensitivities
- Solid operational cash flow
- Indicative EBITDA-range in 3 different scenarios
  - LME 2 000, NOK/USD 6.00
  - LME 2 500, NOK/USD 5.50
  - LME 2 750, NOK/USD 5.50
- Last 4 quarters underlying EBITDA as baseline
- Non-LME related revenues/cost and other currencies unchanged
- Several factors may influence future earnings

Uncertainty on several items compared to baseline, including Bauxite & Alumina production increases and Qatalum in ramp-up during last four quarters, raw material cost development, Energy and downstream earnings development.

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Performance management

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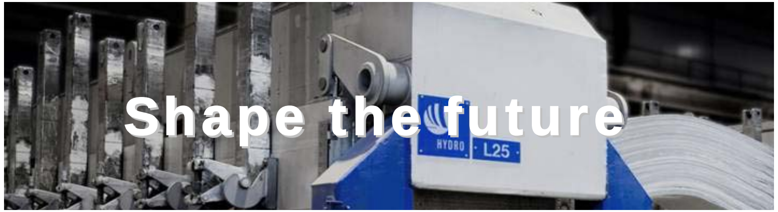
Agenda 2010 and corrective actions successfully executed



- 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

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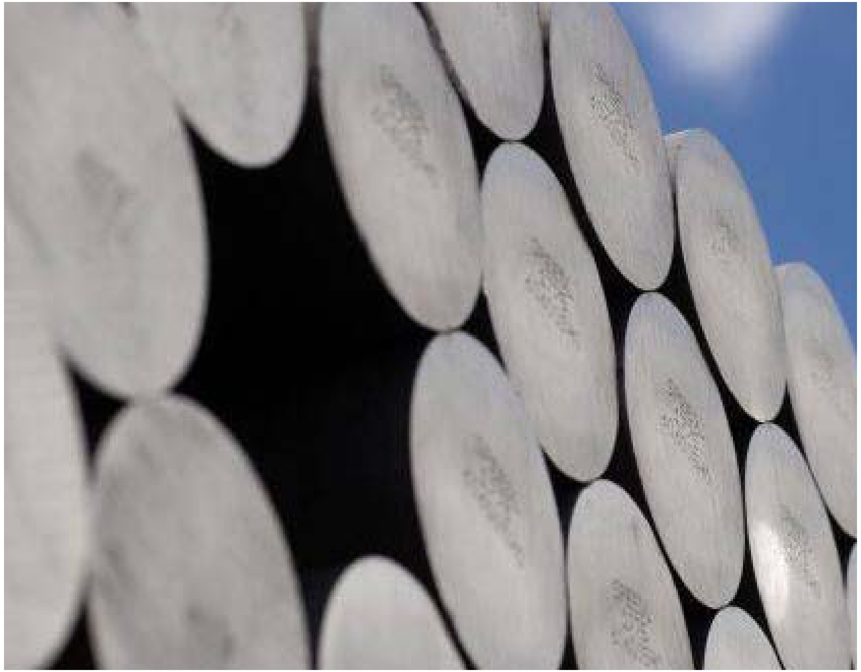
Prepared for challenging period



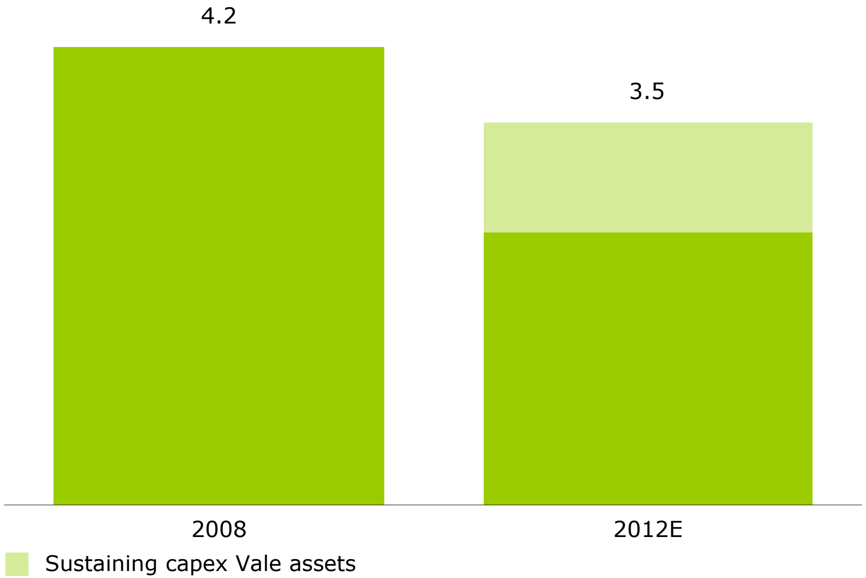
- Strong balance sheet to face volatility
- Reduction in net operating capital days and sustaining capital expenditure
- Margin management and remelt flexibility
- No restart of idled capacity
- Cost improvement programs

Reduced operating capital

Average LME	**2H 2008** **2360 USD / mt**	**Q3 2011** **2430 USD / mt**
Net receivables / payables	**-22 %** From NOK 5.2 to 4.1 billion	
Inventory	**-10 %** From NOK 16.0 to 14.4 billion	
Net Operating Capital days	**-22 %** Reduced by 20 days	

Sustaining capital expenditure reduction

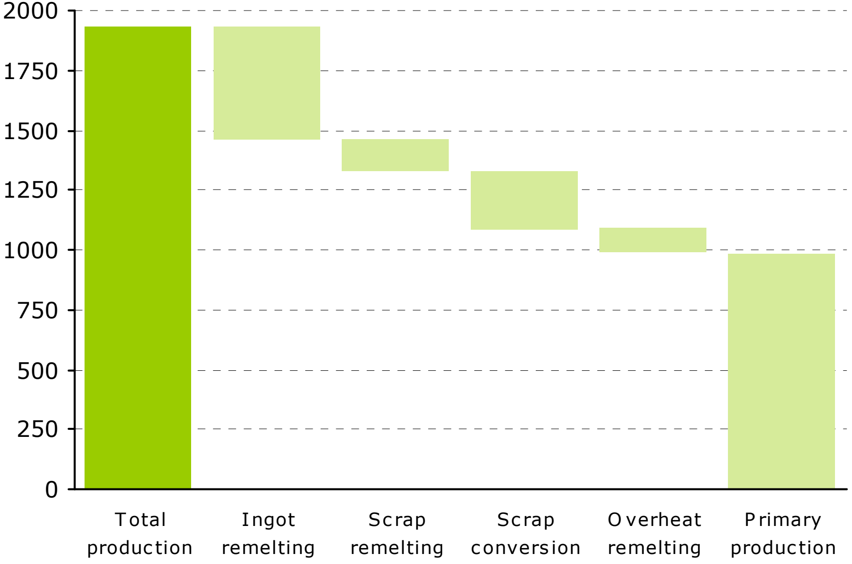
Sustaining capital expenditure
In NOK billion



- Sustaining capital expenditure significantly down from 2008
- Lower level maintained
- Below 2008 level with significantly larger company

Significant system flexibility from remelting

Metal product capacities Europe 2011*



*Excluding curtailed primary capacities and remelting capacity in Rheinwerk and downstream operations

- Geographical flexibility
  - 26 casthouses at 20 locations across 4 continents
- Product flexibility
  - 6 plants with multiple product casthouses
- Sourcing system flexibility
- Corrective measures taken in 2011
  - Highest cost remelting taken out
  - Reduced lowest margin sales

Rolled Products – Climb 10 program

Achieve cost of capital through structured approach

Plant portfolio optimization	• Divestment of Spanish INASA plant • Streamlining Malaysia plant
Product focus – competence and asset based	• Plant and product mix optimization
Margin focus	• Further margin management tools • Price mechanisms in long term contracts
Cost and net operating capital improvement	• Business system roll-out • Cost programs and German agenda • Inventory focus project

Extruded Products – improvement measures

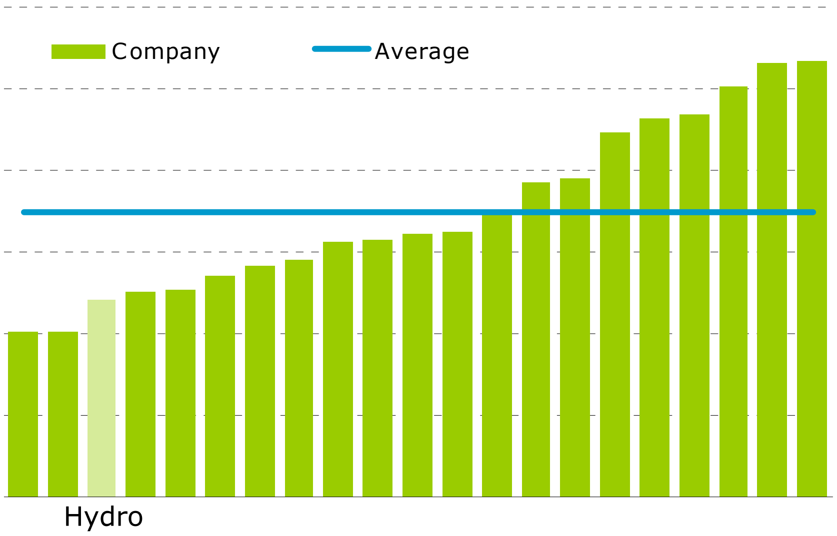
Restructuring Building Systems	**EUR 30 million cost reductions by end-2012** • Turnaround in Iberia and Italy, multiple closures • Leaner organizational and logistical improvements • Fixed cost reductions
Margin management	**Margin improvements in several sectors** • Systematically targeting advanced segments • Innovation in the interface with customers
Productivity increases	**10% higher productivity than 2009[1,2]** • Process improvements • Technical innovation and automation
Further improvements in working capital	**26% lower operating capital days than 2009[2]** • Strong focus on metal sourcing, forecasting and planning

1)Tonnes per man-year
2)Jan-Sep 2011 vs 2009

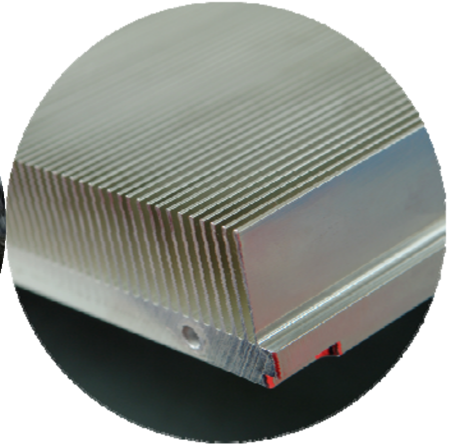
Solid operational performance in Energy

PA benchmarking production cost 2010

NOK/MWh



- Strong commercial activities
  - Contributing with more than NOK 200 million first 3 quarters in 2011
- Production at low costs – third lowest in PA cost benchmarking
- Continued safe operations in 2011 – no serious injuries

Summary CMD 2011

- Encouraging long-term outlook for aluminium
- Macro uncertainty and softening markets
- Operational performance
- Measures and programs
- Financial robustness
- Integrated portfolio
- Performance frontrunner

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