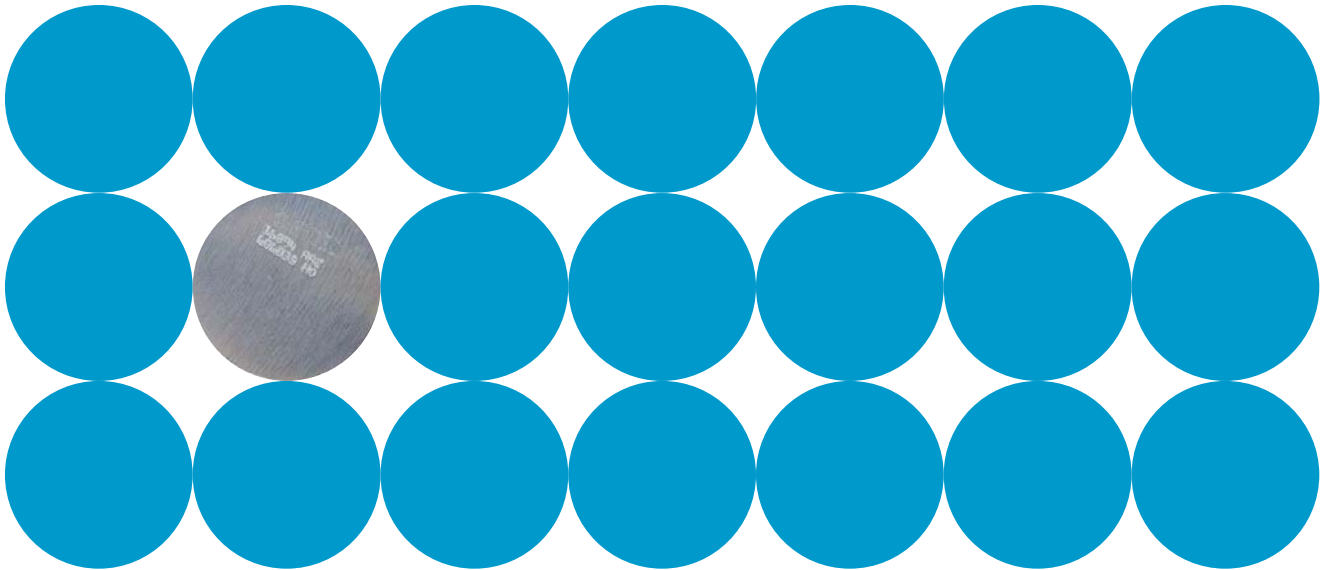


# The Aluminium market



Eigil Madsen, Corporate Strategy and Business Development  
NFF, May 19, 2009

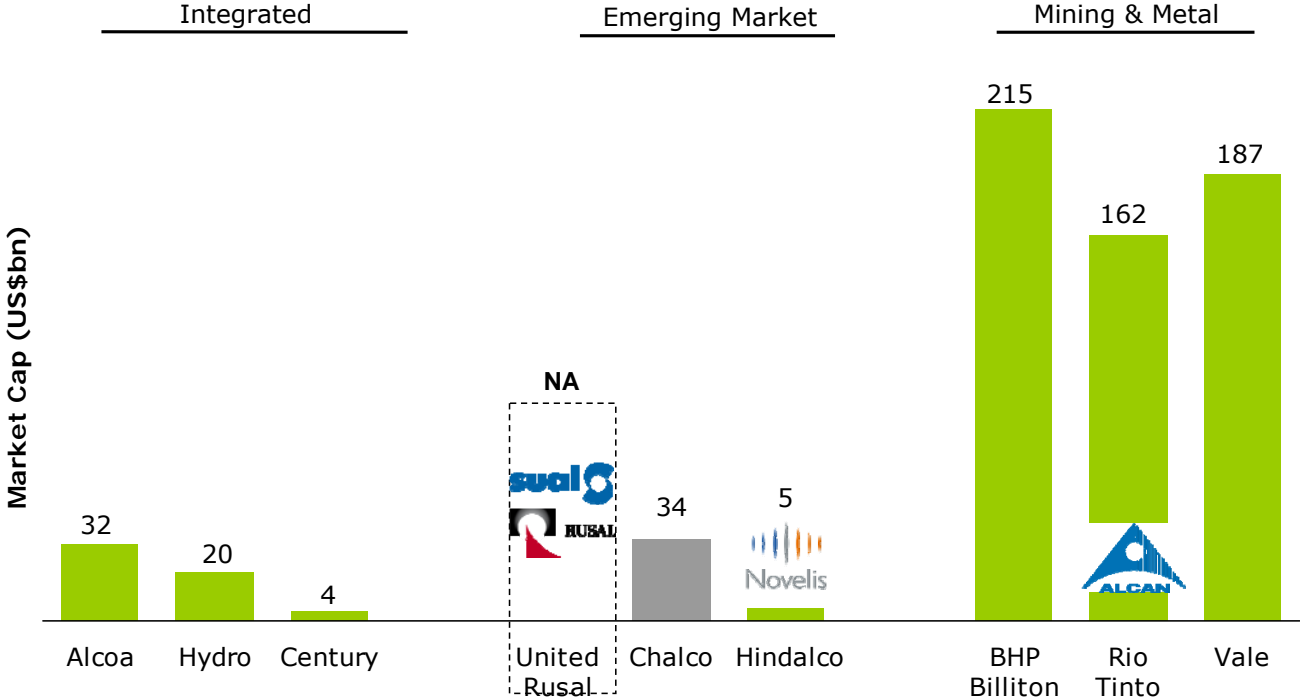
# Cautionary statement

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.

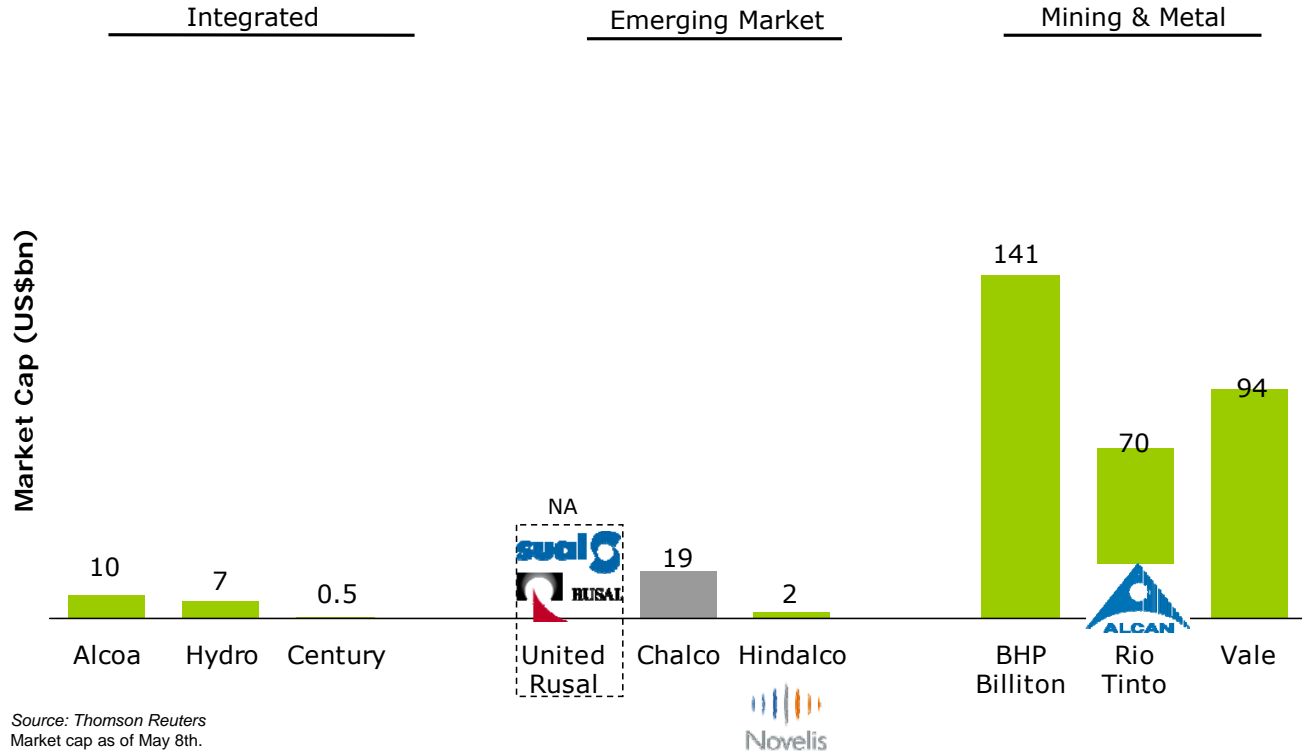
Although we believe that the expectations reflected in such forward-looking statements are reasonable, these forward-looking statements are based on a number of assumptions and forecasts that, by their nature, involve risk and uncertainty. Various factors could cause our actual results to differ materially 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.

# Dramatic reduction in values. May 08



# Dramatic reduction in values. May 09



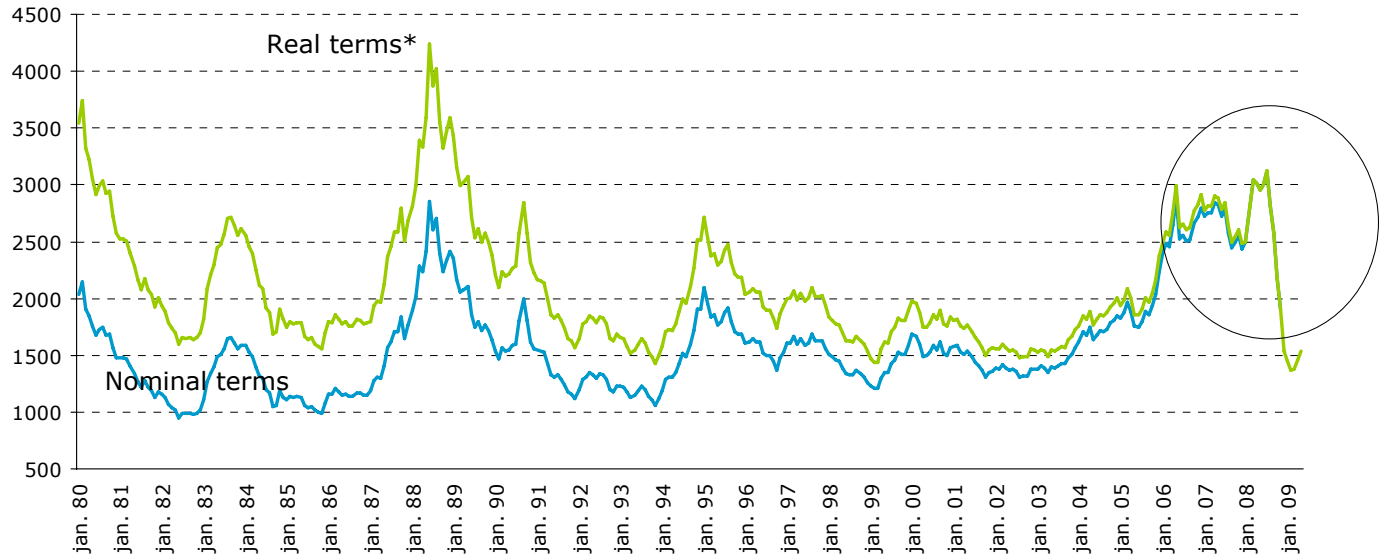
Source: Thomson Reuters  
Market cap as of May 8th.

# Historic collapse in LME since July 2008

Feb and Mar 2009: 1370 USD/ton level. April: 1460. MTD May 1530.  
Have prices bottomed?

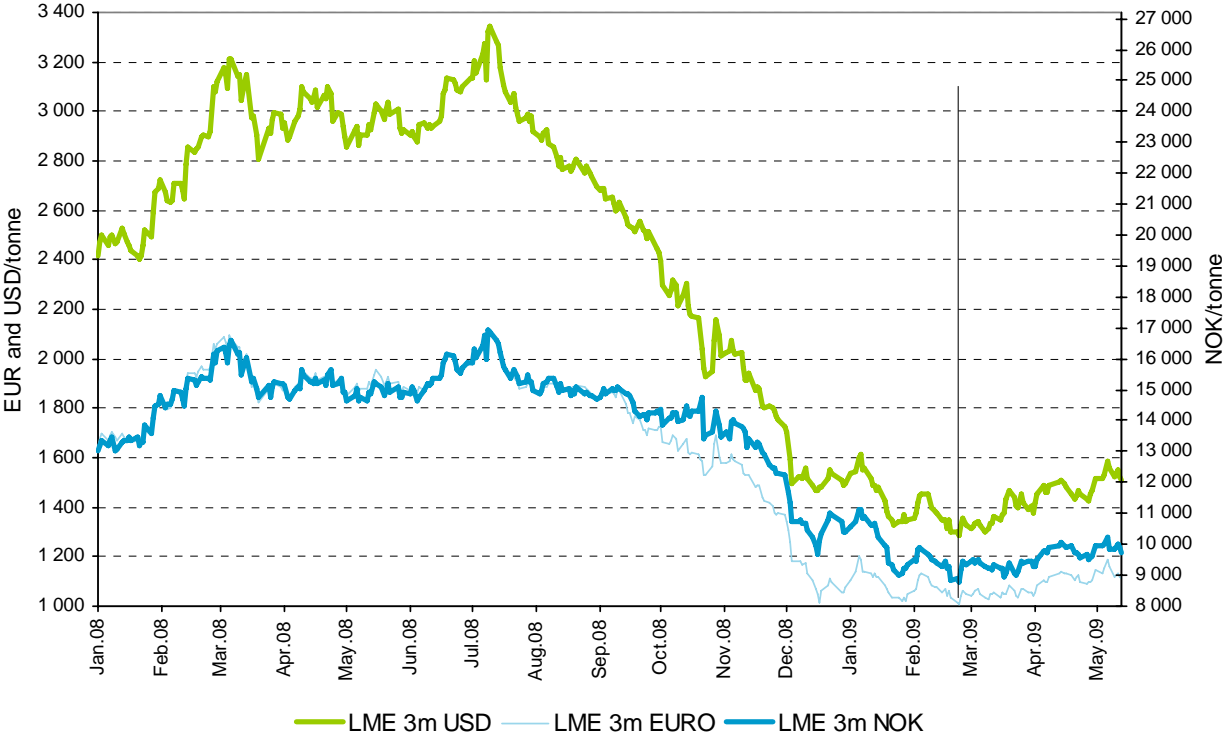
## 3m LME 1980-2009

USD/tonn

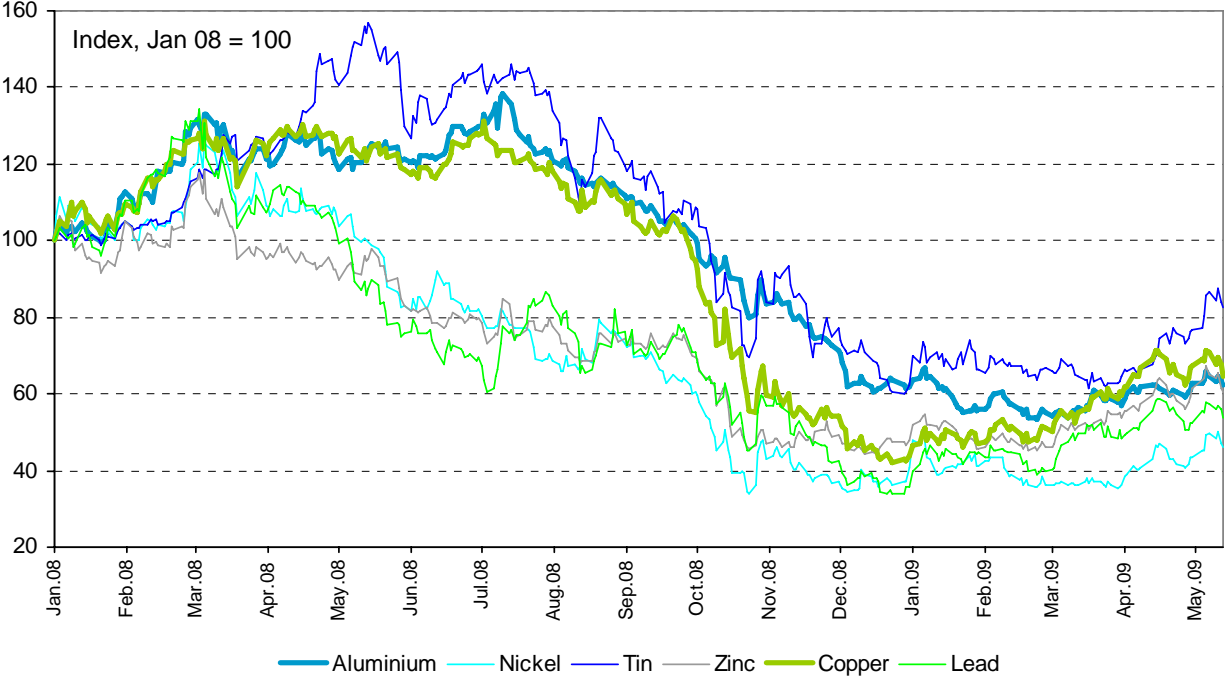


\*2% p.a. used as deflator

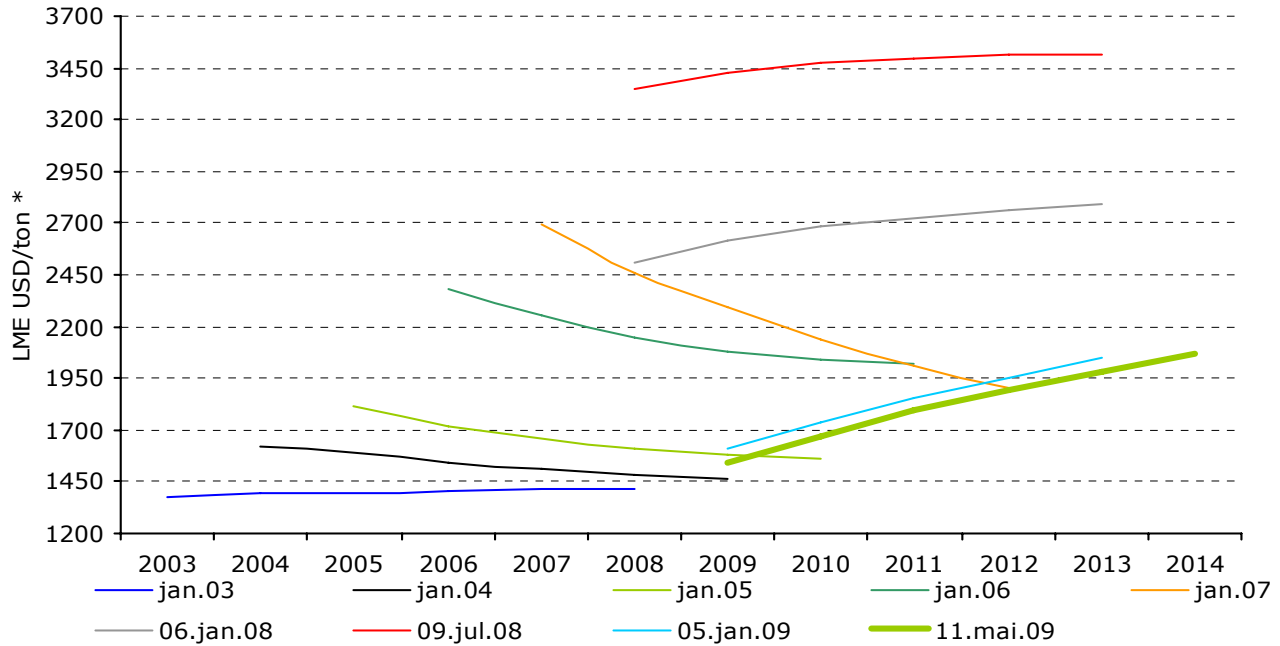
# 3m LME development



# Base metals price index (USD)

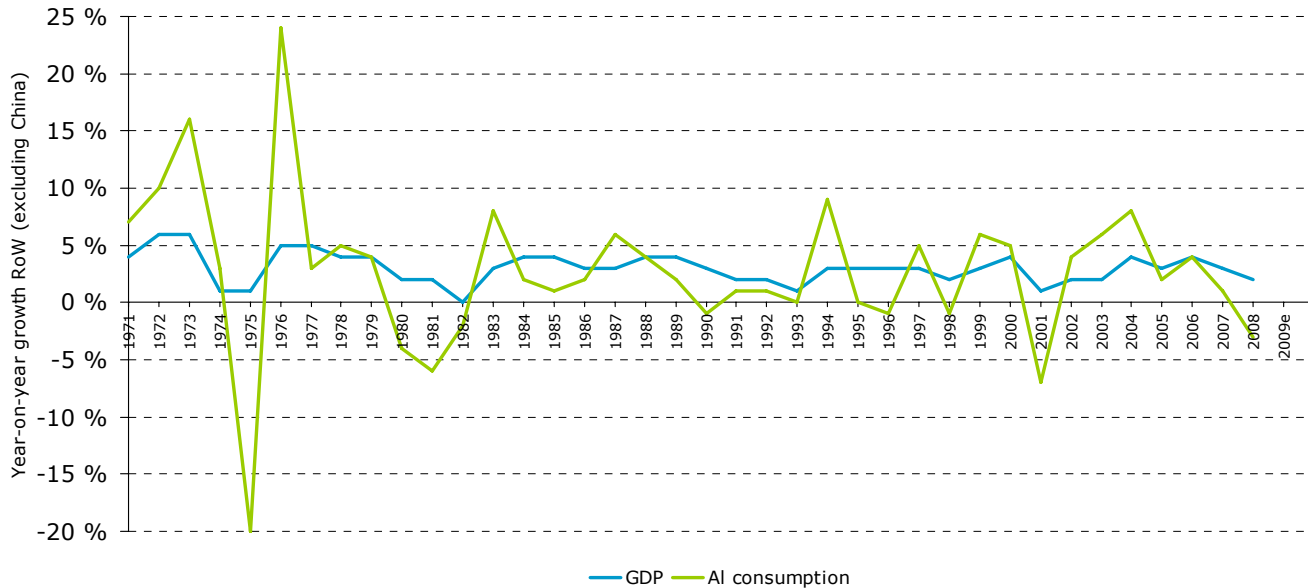


# LME forward curves 2003-09

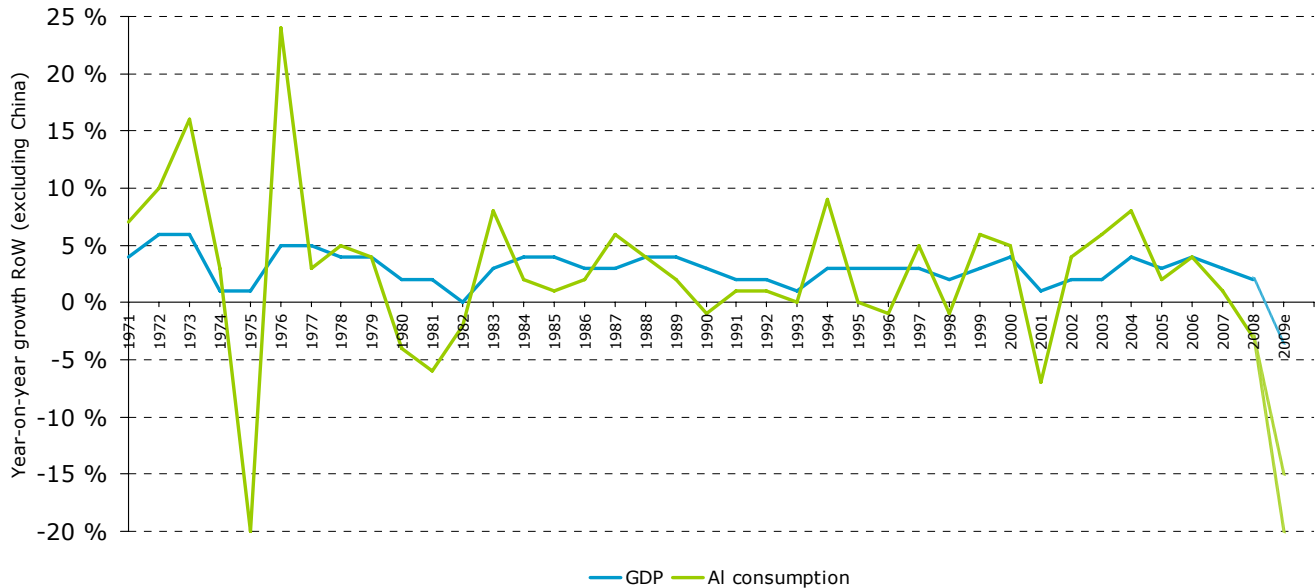




# Large reduction in Aluminium consumption expected globally ex. China in 2009

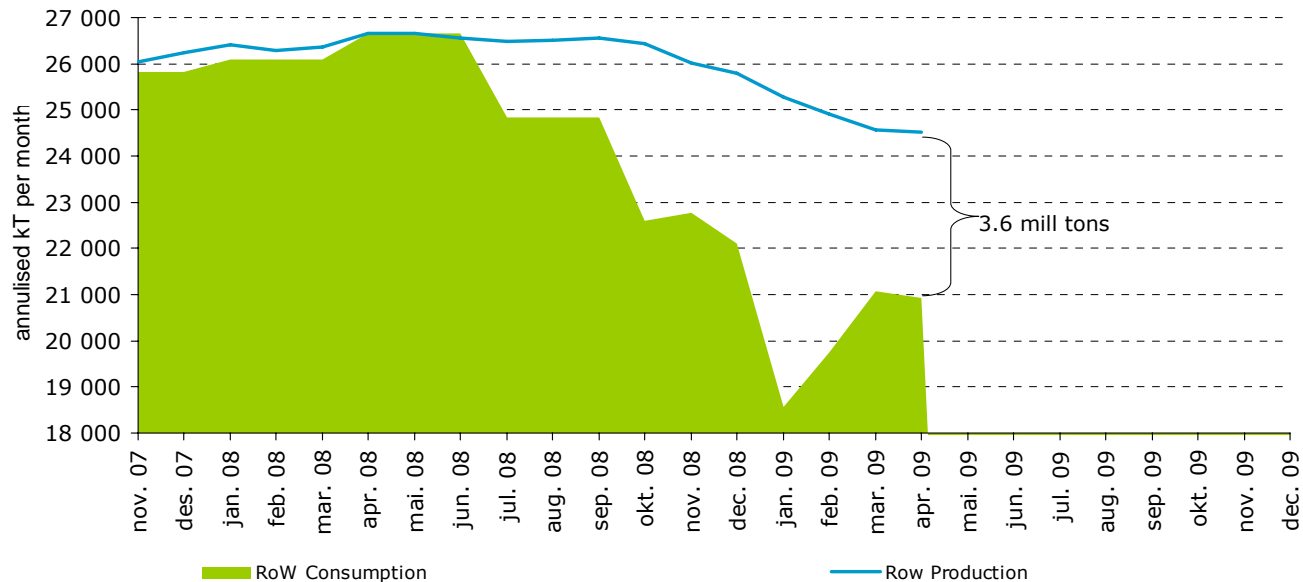


# Large reduction in Aluminium consumption expected globally ex. China in 2009



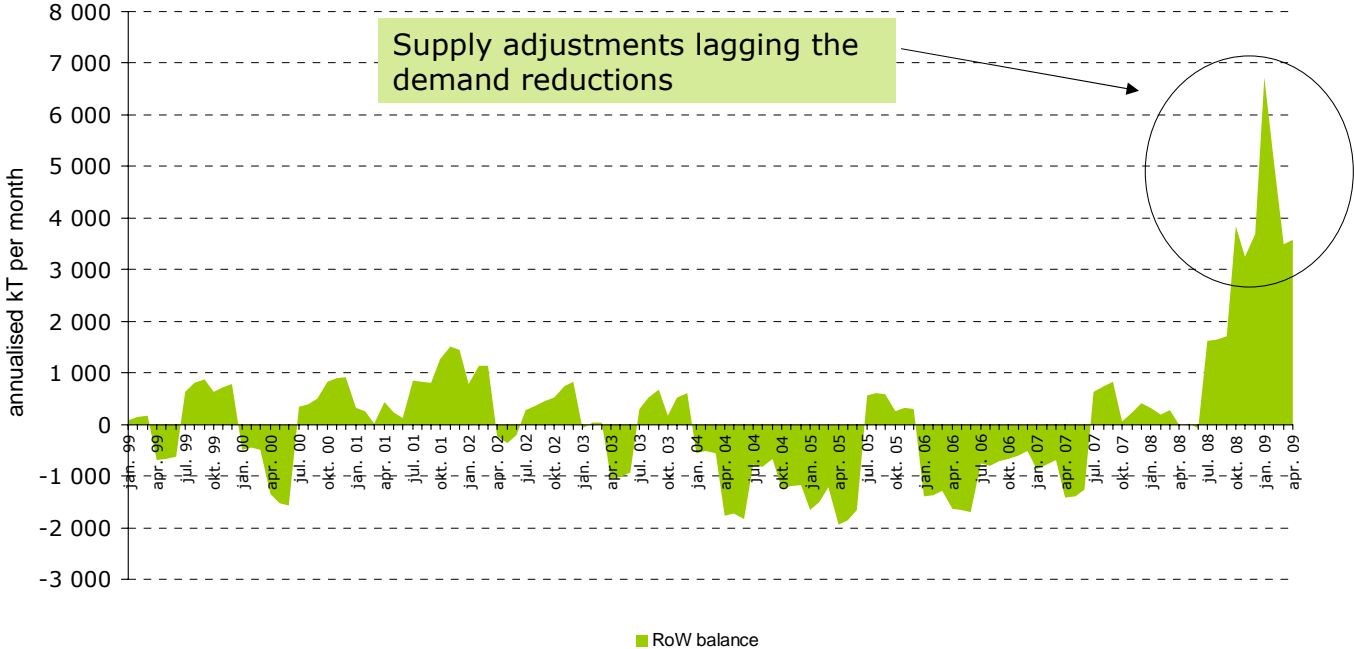
# Global supply demand gap ex. China still at a high level

Global ex China (annualised per month)



Source: CRU

# Global ex. China: Supply demand balance

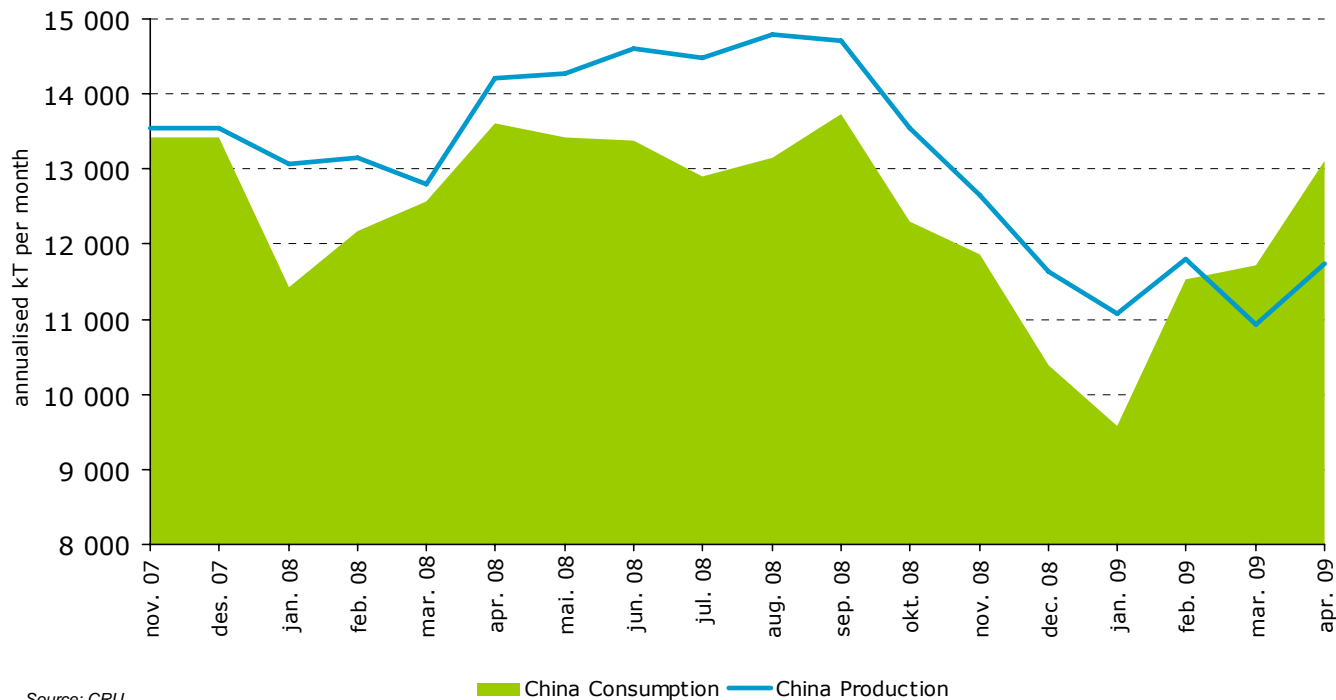


Source: CRU

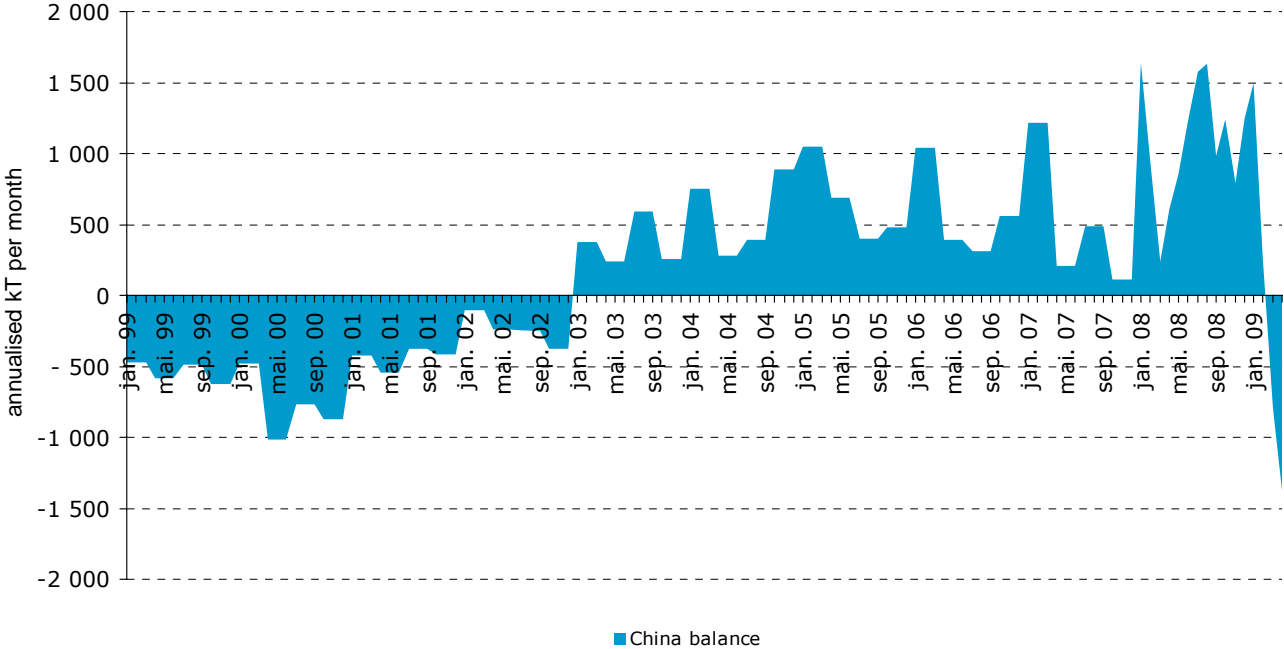


# China: More balanced than ROW

Curtailed capacity is being restarted



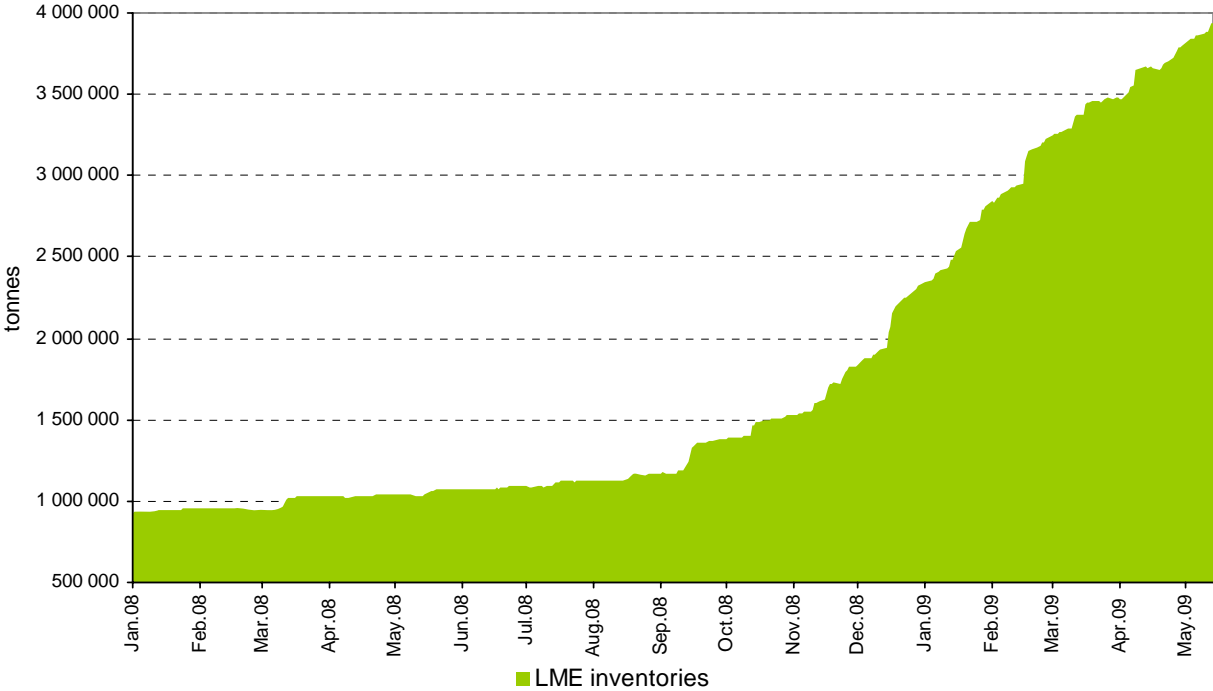
# China: Supply demand balance



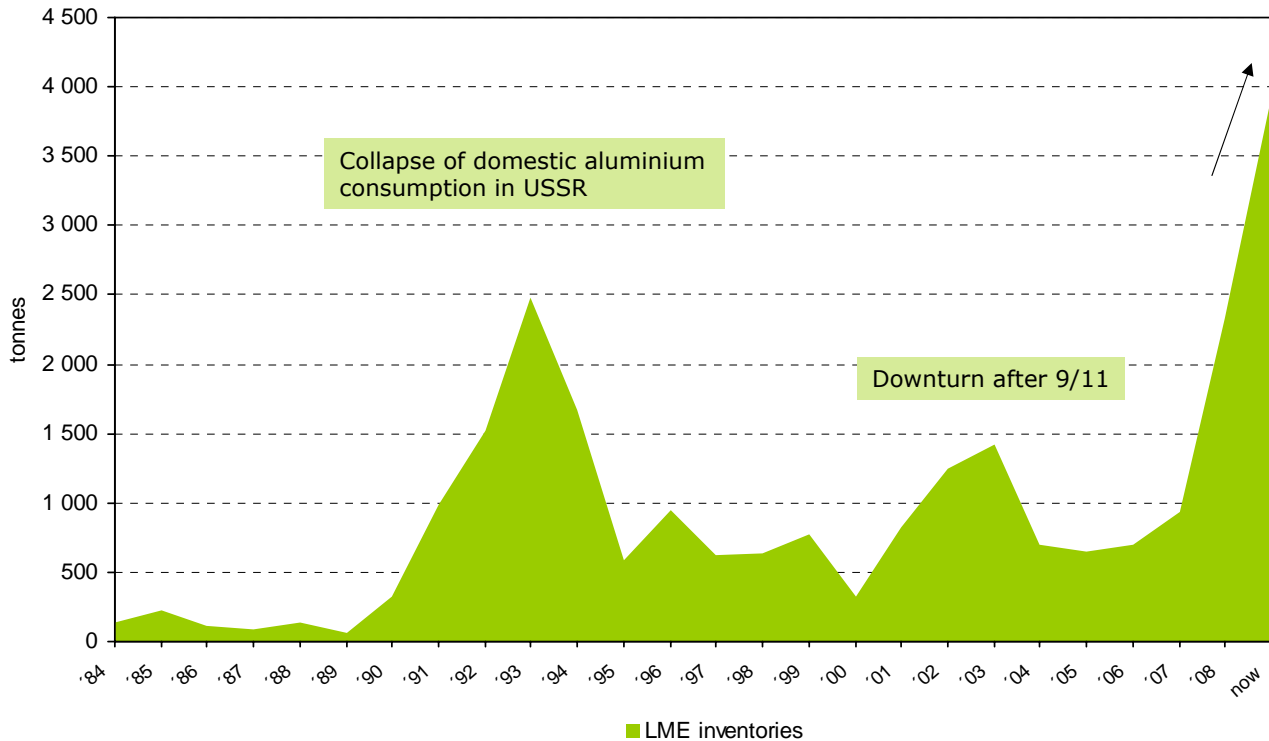
Source: CRU



# LME inventories 2008-2009

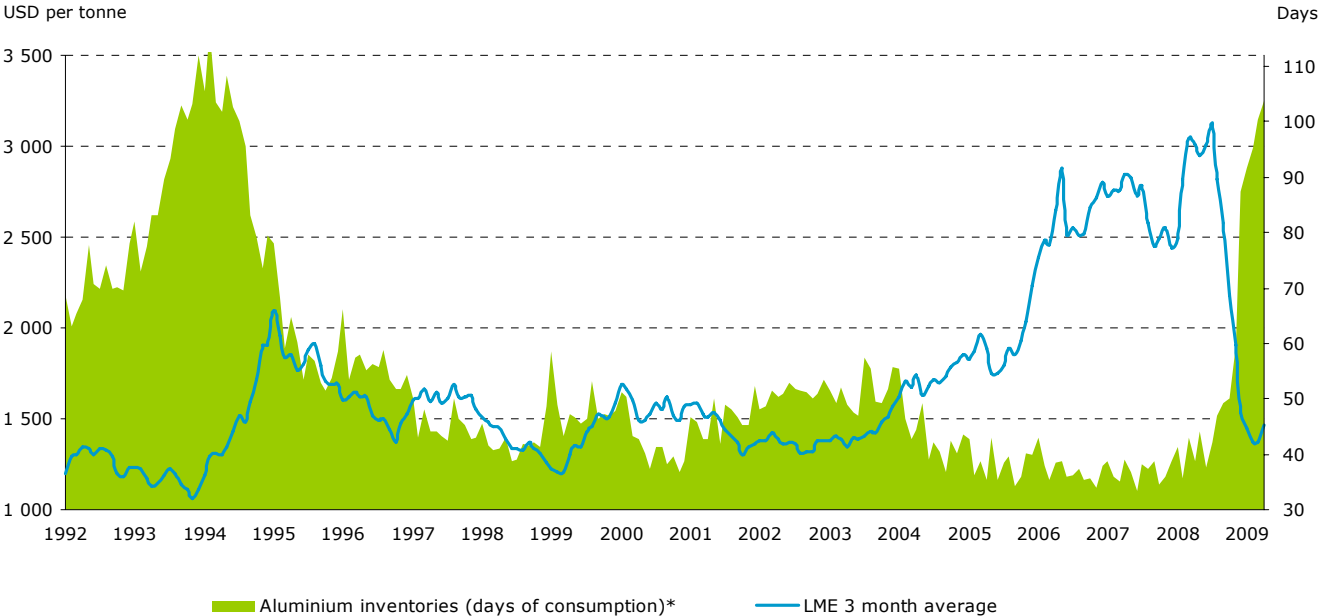


# LME stocks – still increasing





# Rapidly increasing inventories

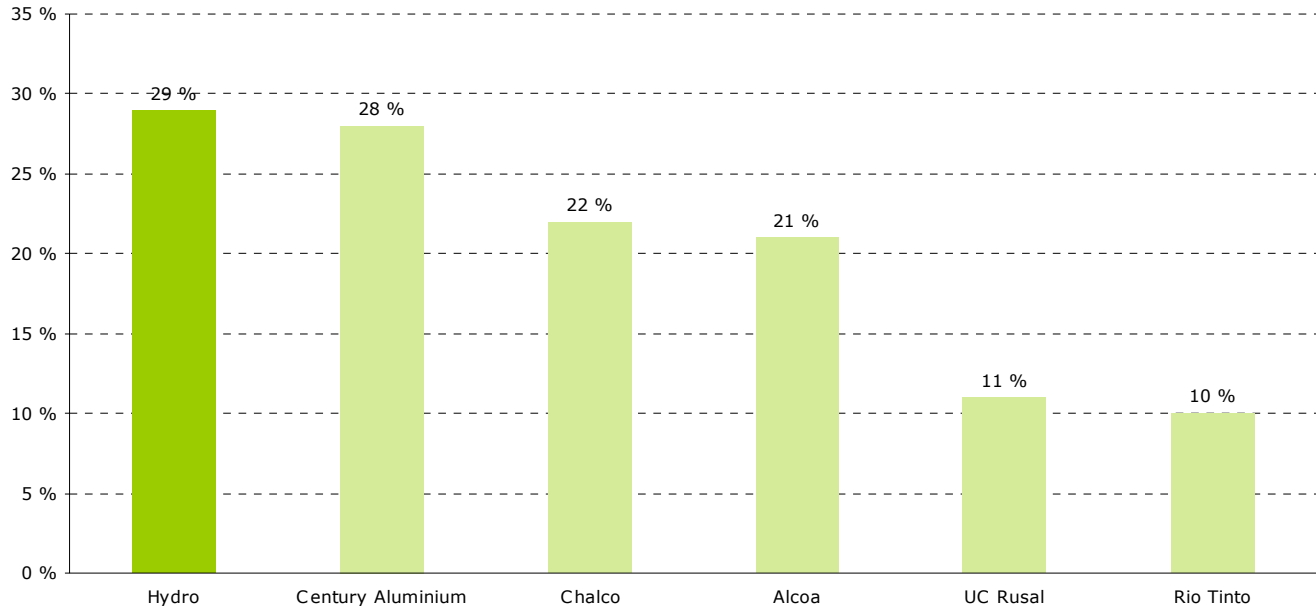


\*IAI and LME reported stocks. Annualized Western World consumption. CIS and China not included.



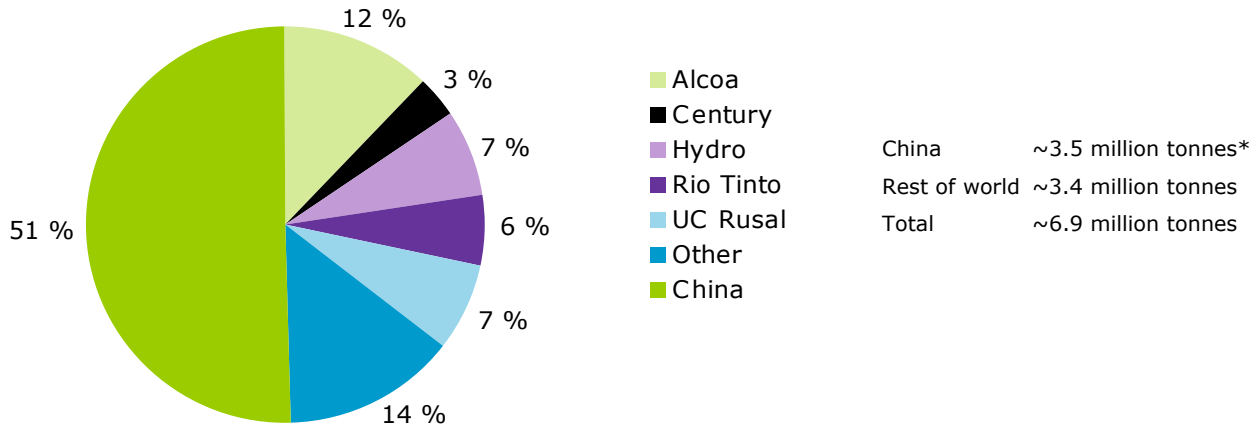
# Significant curtailments announced

Announced capacity curtailments in percent of 2008 production



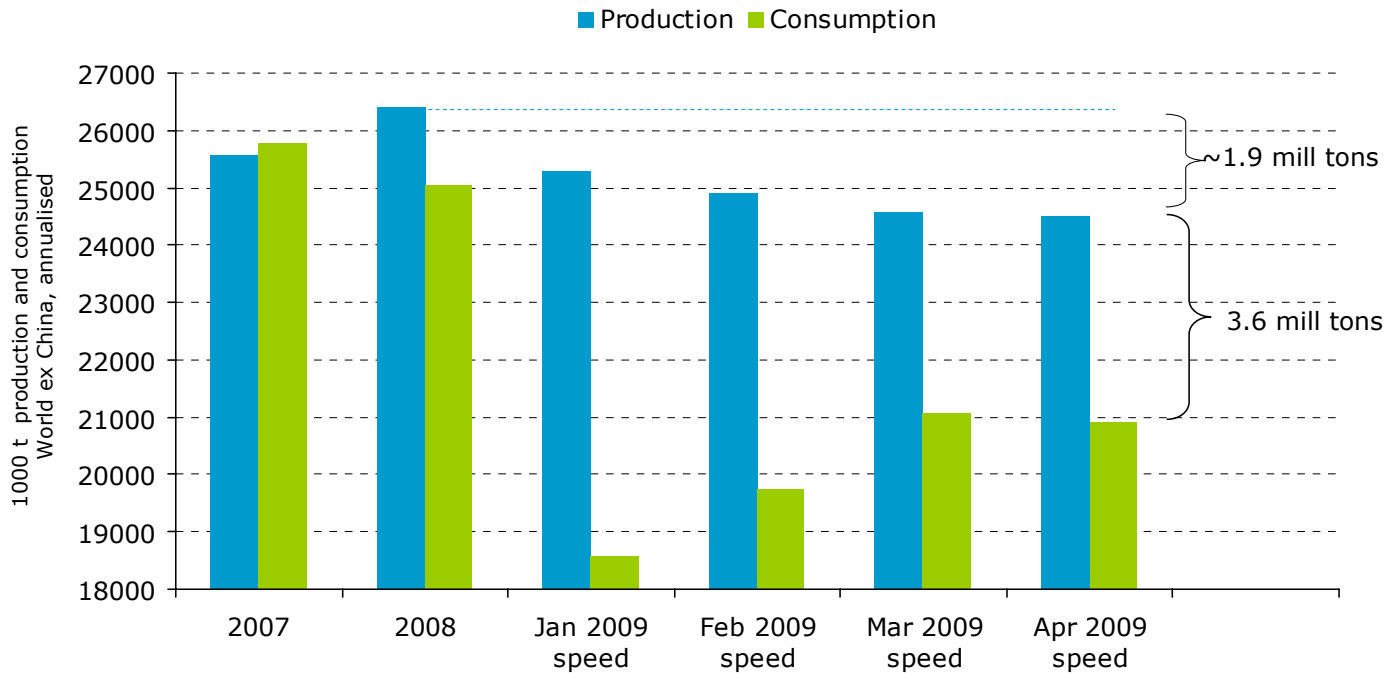
Source: CRU / company reports / Hydro estimates

# Announced capacity curtailments



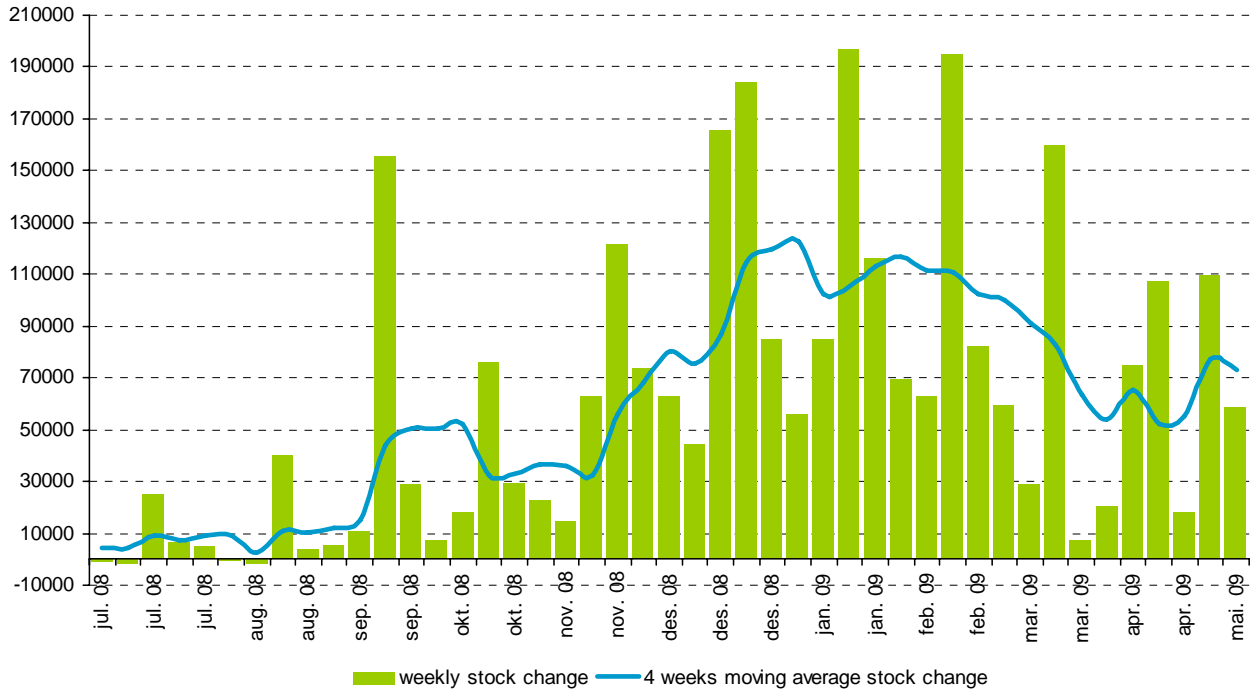
Source: CRU / company reports / Hydro estimates. \*Not adjusted for reports of restarts in China

# April speed indicates a need for additional curtailments ex China



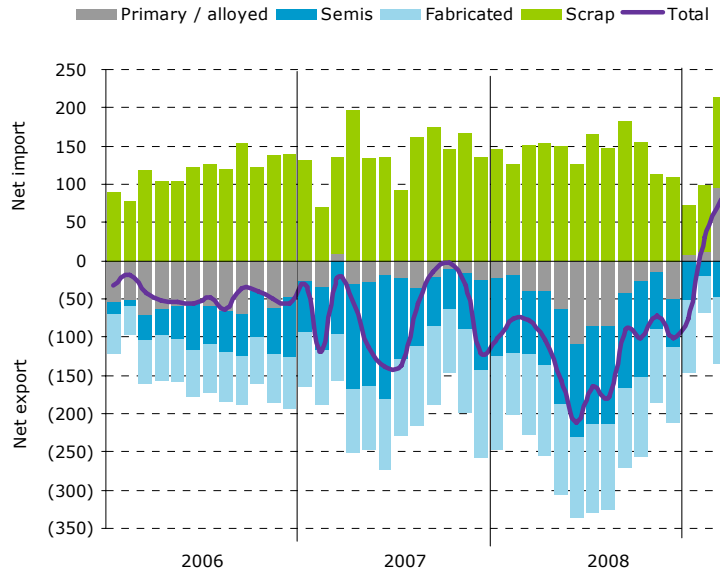
# LME stocks still increasing week by week

But is it a trend shift to a lower speed of growth that we currently observe??



# China remains balanced in the longer term

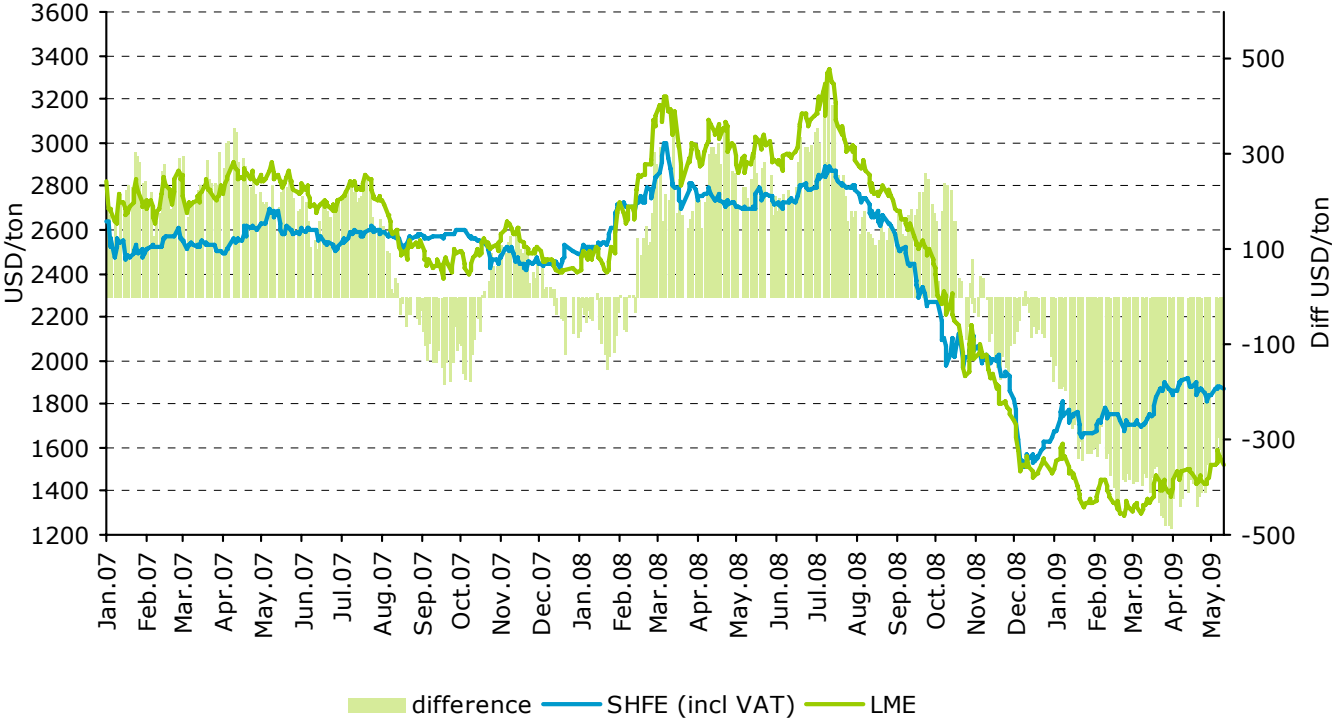
1 000 tonnes



- Swift response to drop in demand
  - Production curtailments
  - Strategic government purchases
- Shanghai price currently significantly higher than LME
  - Encourages primary aluminium imports
  - Exports of semis reduced
- China expected to be balanced in primary aluminium in the long term

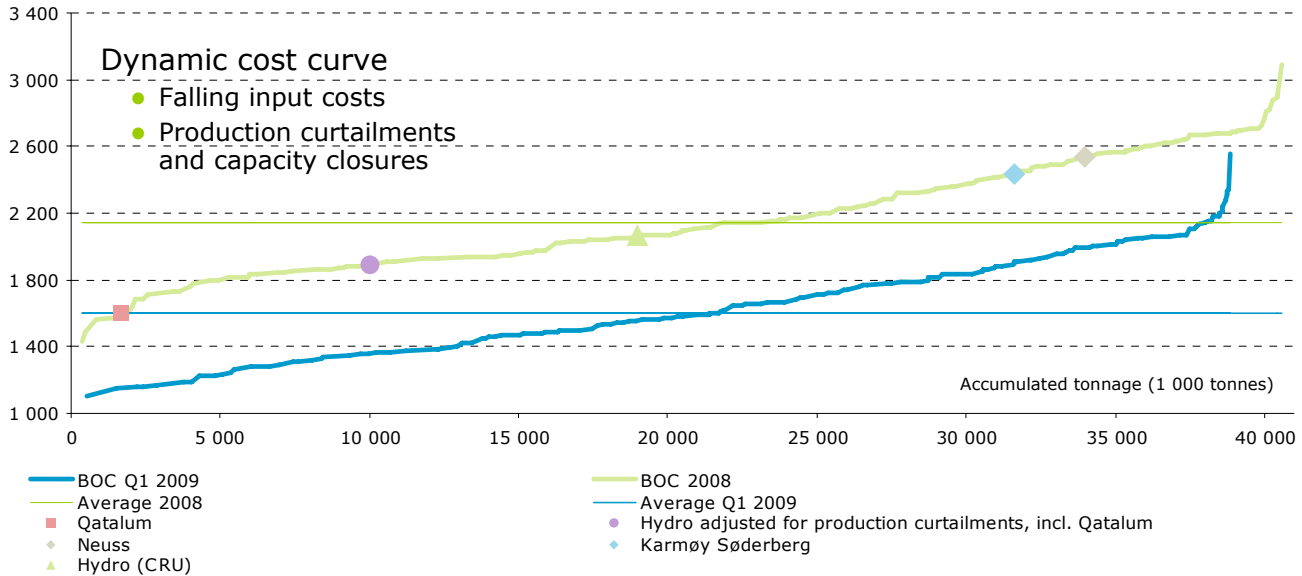
Source: Hydro / Antaike April 2, 2009

# LME vs Shanghai\* aluminium price



# Hydro improves cost position

Business operating cash cost USD/tonne



\* Source: CRU, Business Operating Cost, assumptions 2008: LME 2 833 USD/tonne, NOK/USD 5.16, Q1 2009: LME 1 600 USD/tonne, NOK/USD 6.42. Qatalum estimated by Hydro



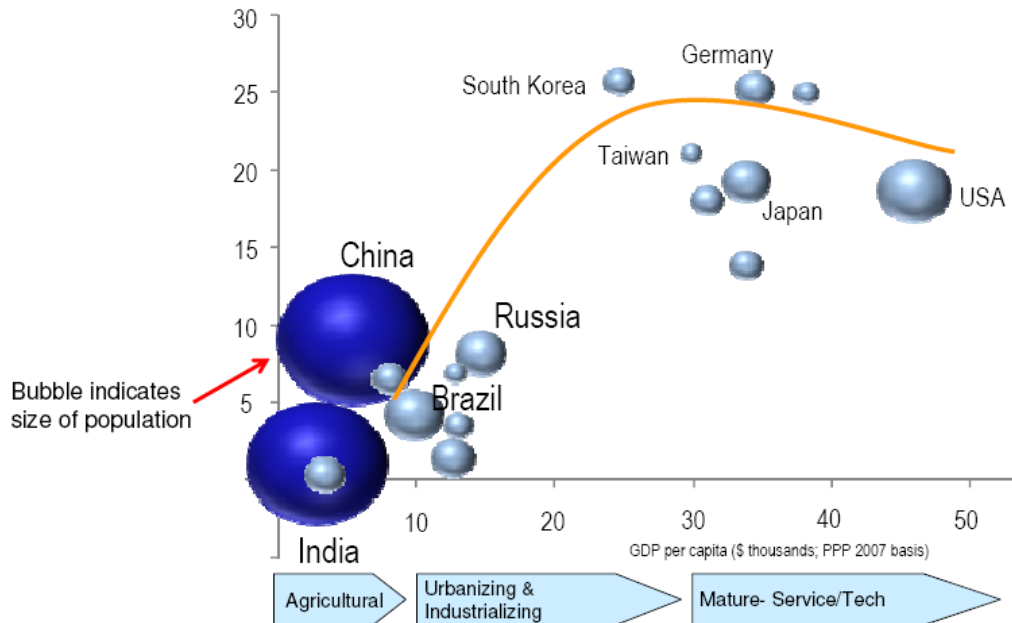
# 2009 outlook



- Aluminium prices to remain low
  - Limited forward visibility
  - Indication of slowing LME inventory build-up
- No substantial pick-up in demand
  - Primary aluminium consumption excluding China could decline up to 15-20% from 2008
  - Chinese consumption in line with 2008
- Industry input costs will come further down

# Large populations in early aluminium consumption growth phase

PRIMARY ALUMINUM DEMAND PER CAPITA '07  
(kg per capita)



# Healthy long term demand for aluminium

- Properties lead to increased market share
  - Aluminium intensive urbanisation and infrastructure
  - Climate challenge – aluminium as part of the solution
  - Recyclability more important with high energy price
- Beyond current downturn
  - Return to trend growth of 4-5% annually





[www.hydro.com](http://www.hydro.com)