Proactive portfolio, performance and margin management

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Agenda

- Performance management
- Earnings drivers
- Financial position

Strong positions across aluminium value chain

Raw materials processing and energy

Primary aluminium production, marketing and recycling

Aluminium in products

Bauxite & Alumina

- High LME sensitivity
- Ramp-up to capacity

Energy

- Production and market prices strongly linked to hydrological conditions
- Stable annual result contribution
- Stable cost base

Primary Metal

- High LME and USD sensitivity
- Improving cost position

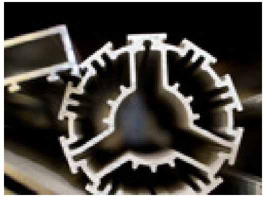
Metal Markets

- Margin business
- Results influenced by currency fluctuations

Rolled Products

- Margin business
- Volume sensitive - high share of fixed costs

Extruded Products



- Margin business
- Volume sensitive – but flexible production system

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Performance management

Continuous drive for improvement

Planning and performance framework

Strategy
- Market outlook
- Portfolio development
- Business strategy
- Financial scenarios

Business plan
- Financial and operational targets
- Capital frames
- Key performance indicators
- Action plans

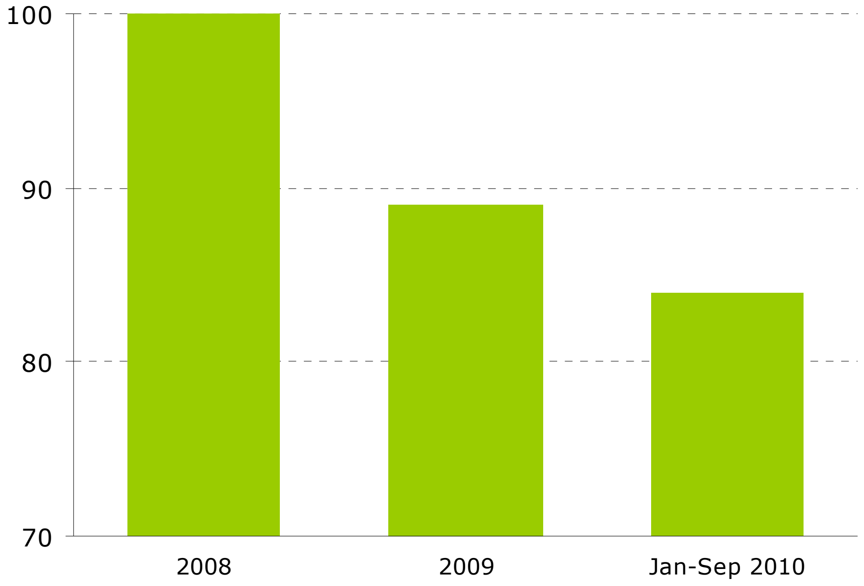
Individual goals
- Leadership expectations and development
- Personal targets
- Incentive systems

Performance follow-up
- Performance vs targets
- Business reviews and deep-dives
- Corrective actions
- Management reviews

Top-down … integrated … aligned … balanced

Primary Metal repositioning continues

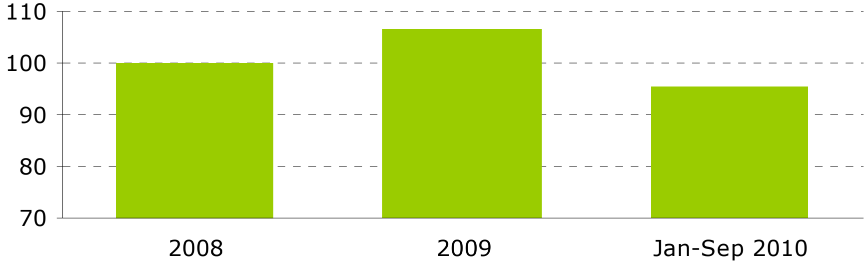
Fixed cost development quarterly average, indexed



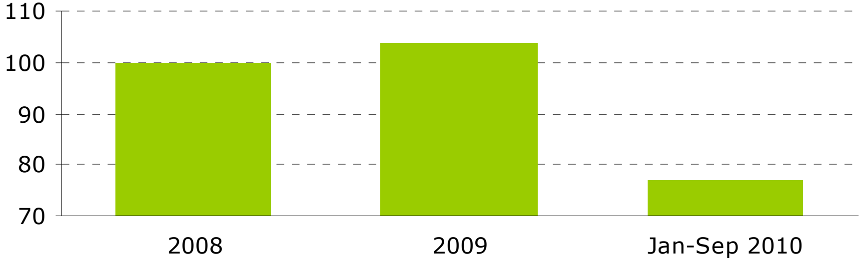
- Continuous cost focus
- Further improvement potential in cash cost position
  - Estimated first nine months 2010 cash cost USD 1 750/NOK 10 600
- USD 100 per tonne cost improvement program on track with USD 50 cost savings for 2010
  - NOK 75 million demanning charge expected in Q4 2010
- Extended program with additional USD 200 per tonne reduction in cash cost by end-2013 on target
  - Expected to be somewhat offset by increased energy costs

Strong cost focus in Extruded Products

Fixed cost per tonne quarterly average for Extrusion Eurasia, indexed

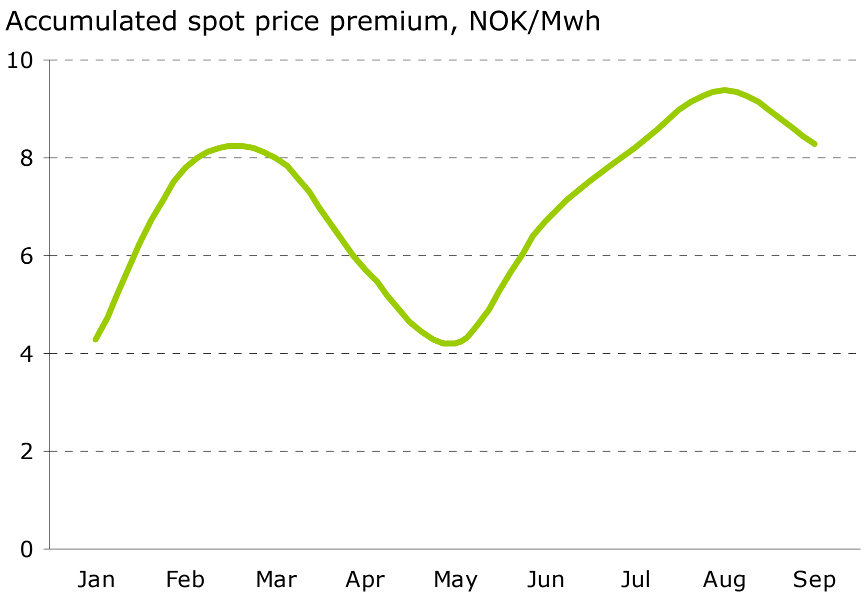


Fixed cost per tonne quarterly average for Precision Tubing, indexed



- Competitive cost base from measures implemented in 2009
- Cost per tonne down from 2008-level
- Firm cost management
- Continuous improvements with strong focus on customer needs

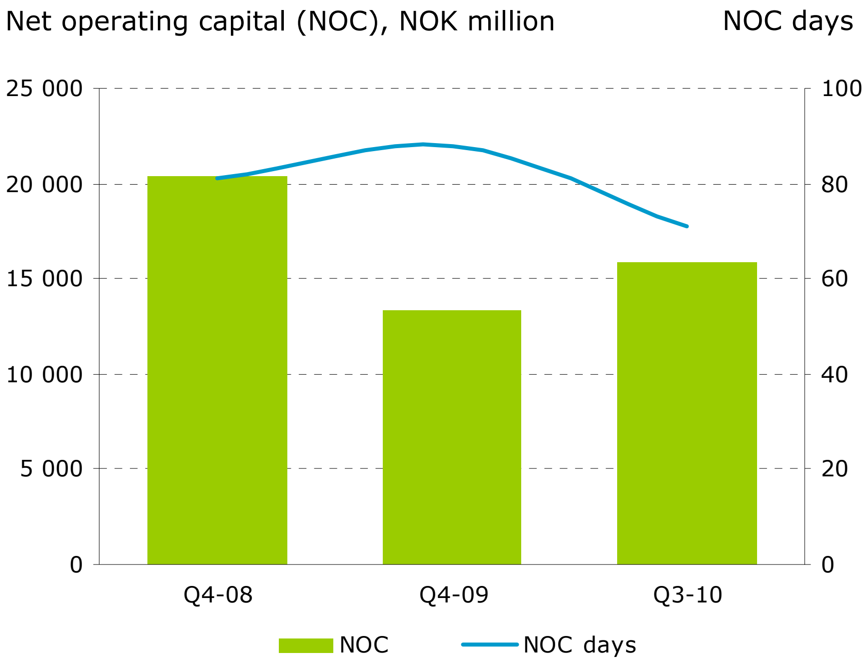
Solid energy market operations secure spot premium



- Significant intra-day spot price volatility in Nordic power markets
- Value enhancement through optimization using asset flexibility
- Maintenance schedule adapted to market
- Flexibility depends on hydrological situation
- Optimization with smelter production

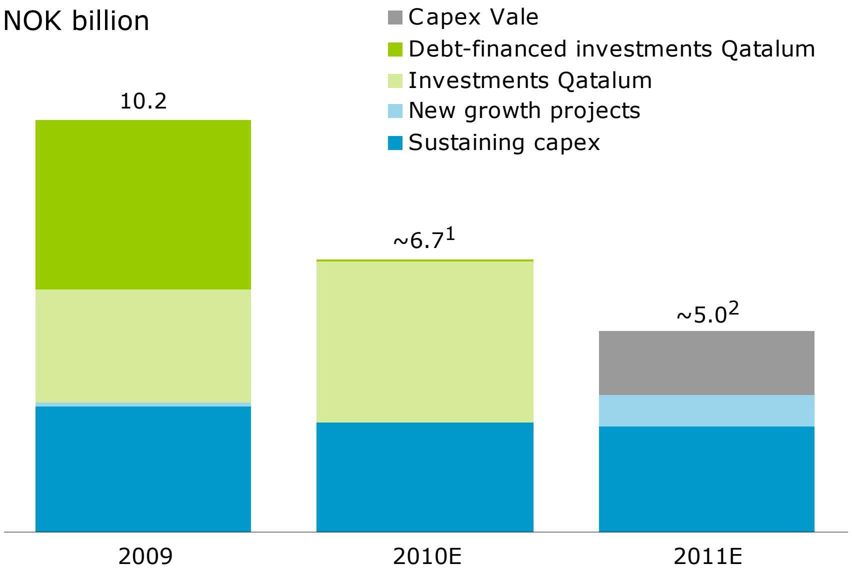
* Difference between realized spot price and monthly average spot price

Net operating capital reduced



- Reduction of NOK 5.8 billion in 2009
- Increase of NOK 2.9 billion in 2010
- Strong management focus
- Ambition 2011
  - Stable inventory levels and payable days
  - Reduction in days receivables

Capital allocation mainly upstream



1)Including net operating capital in Qatalum
2)Excluding Vale assets acquisition

- Qatalum capital expenditure completed in 2010
  - Equity contribution ~NOK 4 billion
- Sustaining capex NOK 3.5 billion annually from 2011 including Vale assets
- Growth projects in 2011
  - Holsbru hydro power development
  - Recycling center Karmøy
  - Extruded Products expansion China
  - Paragominas and CAP development under evaluation

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Earnings drivers

Understanding of earnings drivers

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

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Price and currency sensitivities

Aluminium price sensitivity +/- 10%

NOK million

Currency sensitivities +/- 10%

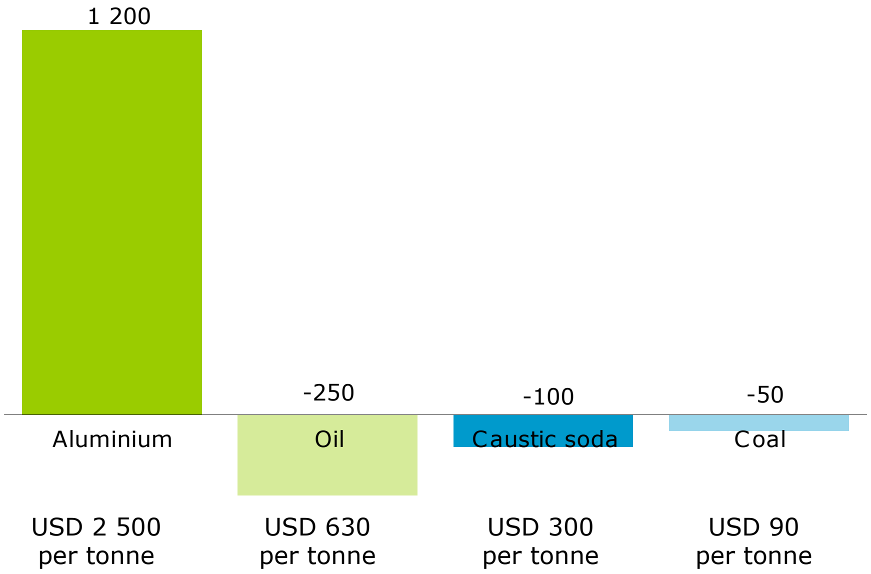
NOK million	EBIT	Financial items	Income before tax	Net income
USD	2 800	(650)	2 150	1 450
BRL	(850)	800	(50)	(50)
EUR	(50)	(1 050)	(1 100)	(800)

- Annual sensitivities based on expected business volumes for 2011 (including Vale assets for the full year), LME USD 2 500, NOK/USD 6.00, NOK/BRL 3.33 and NOK/EUR 7.70.
- Aluminium price sensitivity is net of aluminium price indexed costs and exclusive of Vale-hedge and unrealized effects related to operational hedging
- USD sensitivity on financial items is based on estimated year-end financial position post acquisition

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

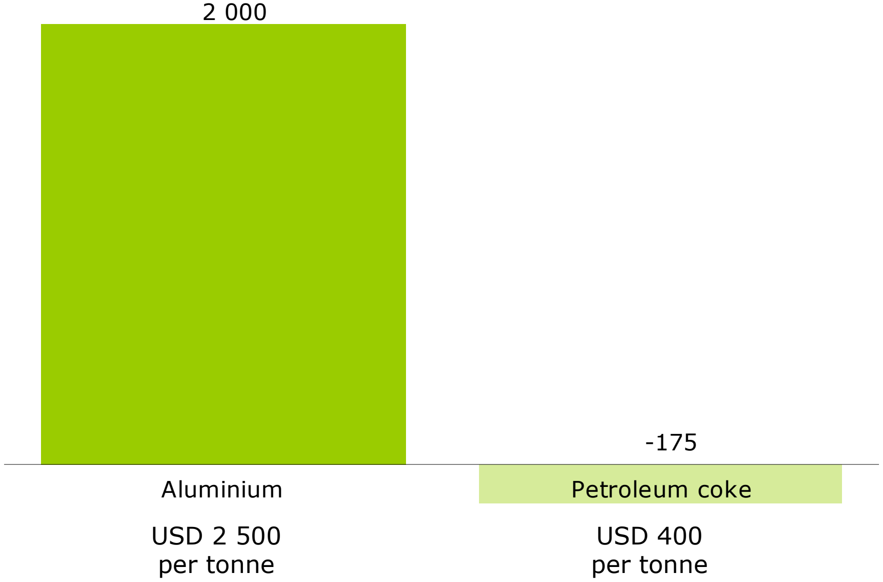
Vale aluminium earnings considerations

- Ongoing purchase price allocation evaluations
  - Excess value depreciation expected to be significantly reduced compared to pro forma financial statements in Prospectus from June 2010
  - From NOK 1.5 billion to around NOK 1.0 billion
  - Subject to further verifications after closing and sensitive to currency rates and Hydro’s share price development
- Effective tax rate ~20%
- Majority of LME exposure for 2011 hedged at ~USD 2 400
- Assumed debt ~USD 700 million
  - Renegotiated at competitive terms

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% of 3-month LME price per tonne alumina
- ~2-3 months lag

Alumina freight

- ~1.5 million tonnes alumina in trans-Atlantic seaborne freight

Carbon

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

Power

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

Attractive Qatalum fundamentals

- 2011 focus
  - Ramp-up to be completed by June 2011
  - Stabilize production
- Depreciated over ~20 years
- Marginal tax implications
- First quartile cash cost based on very competitive gas contract
- Earnings capacity
  - Cash costs estimated in the range 1 400-1 500 USD per tonne at current market conditions when in full production
- Robust insurance coverage
  - Part of insurance compensation expected to be recognized in Q4 2010 result

Metal Markets earnings drivers

Remelters

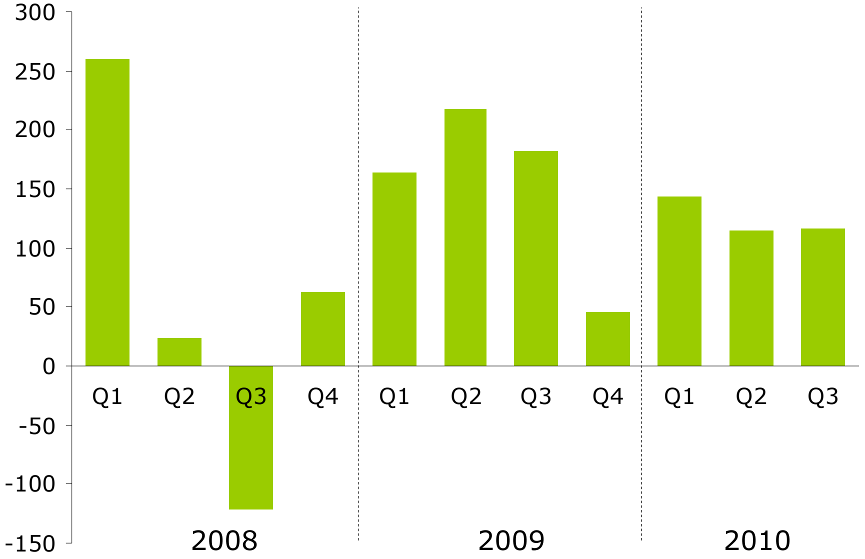
- Revenue impact – volume and product premiums above LME
- Cost impact
  - Scrap and standard ingot premiums above LME
  - Raw material mix
  - Freight cost – proximity to market
  - Gas and electricity consumption and prices

Other main businesses

- Physical and LME trading
- Third-party products
- High purity aluminium

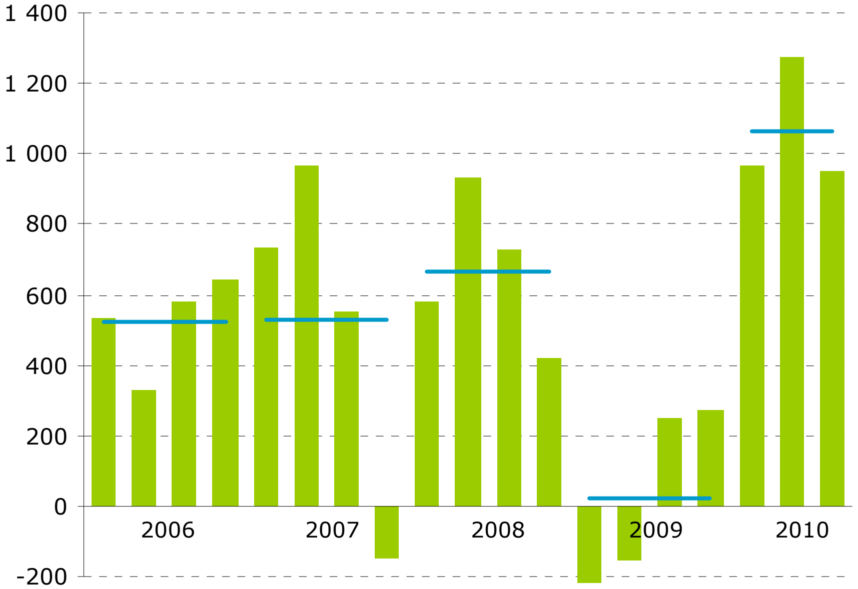
Results influenced by currency fluctuations

Underlying EBIT excluding currency effects and ingot stock valuation effect, NOK million



Rolled Products earnings drivers

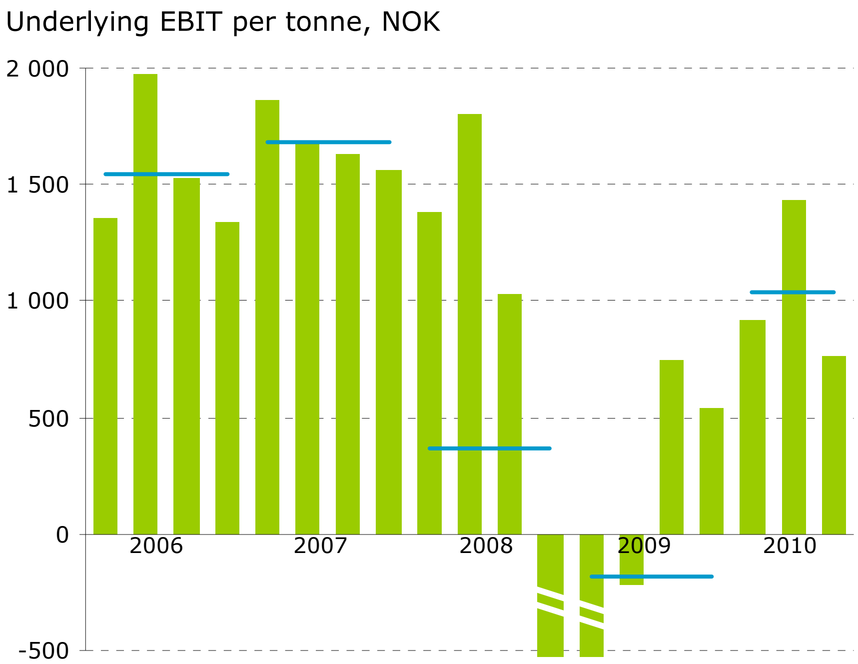
Underlying EBIT per tonne, NOK



- Contract structure
  - Margin business based on conversion price
    - LME element passed on to customers
  - Medium-term contracts
    - Range from spot contracts to multi-year contracts
- High share of fixed costs - volume sensitive
- Preferred supplier market position in high-end products
- Hydro’s market position key advantage in cost and volume driven industry

Extruded Products earnings drivers

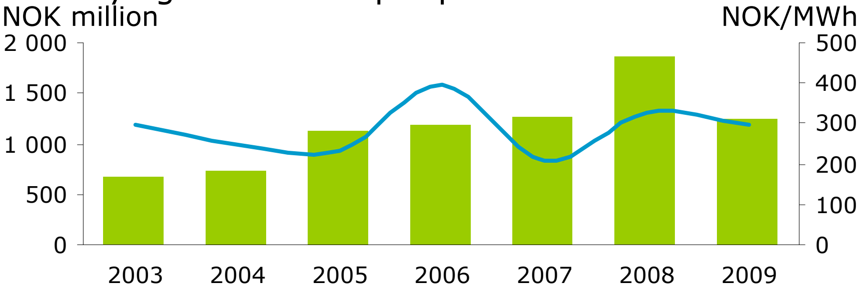
- Contract structure
  - Mainly short-term contracts
  - Large number of small orders to small/medium-sized customers
  - Produce to order - limited share of commodity type products
- Strong cost focus
- Margin management is key
- Volume sensitive - but flexible production system
- Support customers in product development
  - Focus on value creation in excess of metal price



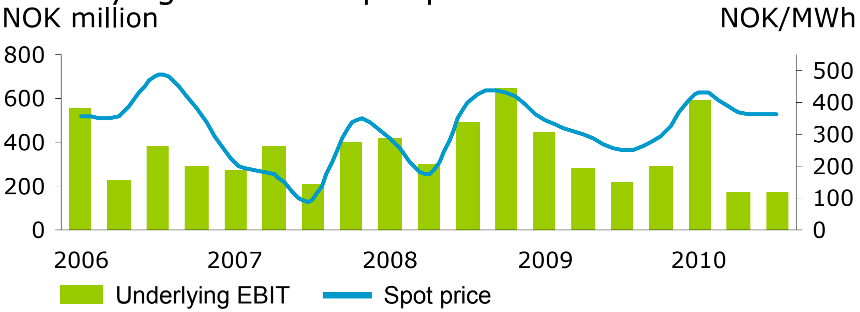
* Excluding divested businesses (Automotive Structures, Castings, Magnesium)

Energy earnings drivers

Underlying EBIT* and spot price



Underlying EBIT and spot price



- Production and market prices strongly linked to hydrological conditions
- Relatively stable annual EBIT contribution
  - Large quarterly variations due to volatile spot sales and spot prices
- Seasonal market variations in demand and supply
- Occasional delink between area prices
- Power portfolio optimized versus market
- Stable cost base

* Underlying EBIT 2003–2006 based on USGAAP

Hedging policy

- Upstream
  - Primarily remain exposed to LME prices
    - Partly off-setting effects through raw material prices and negative currency correlations with LME
    - Majority of 2011 LME exposure in Vale transaction hedged
  - 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

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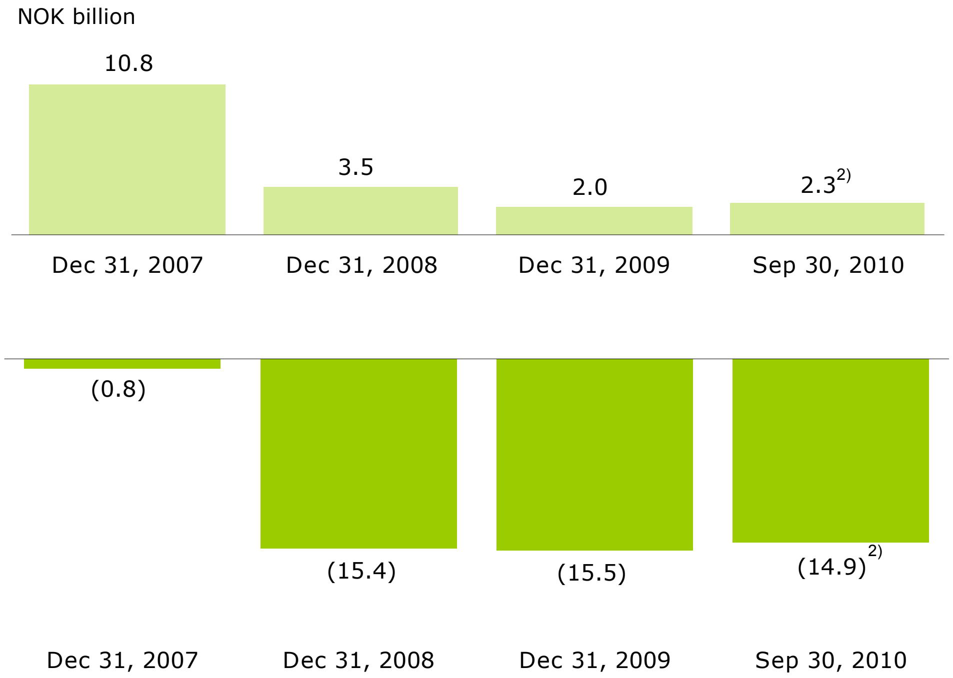
Financial position

Financial position

Cash less interest-bearing debt[1)]

Adjusted net debt[1)2)]



1) Adjusted for cash consideration to Vale
2) Net interest-bearing debt in equity accounted investments, net pension liability, operating lease commitments and other

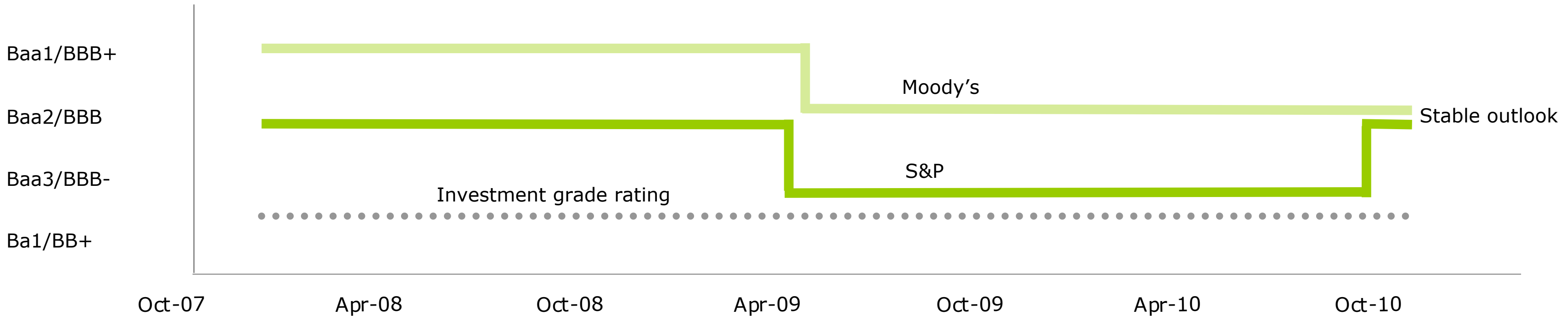
Investment grade rating confirmed

Maintain investment grade rating

- Currently: BBB (S&P), Baa2 (Moody's), both with stable outlook
- Competitive access to capital and important for Hydro's business model

Financial ratios ambitions over business cycle

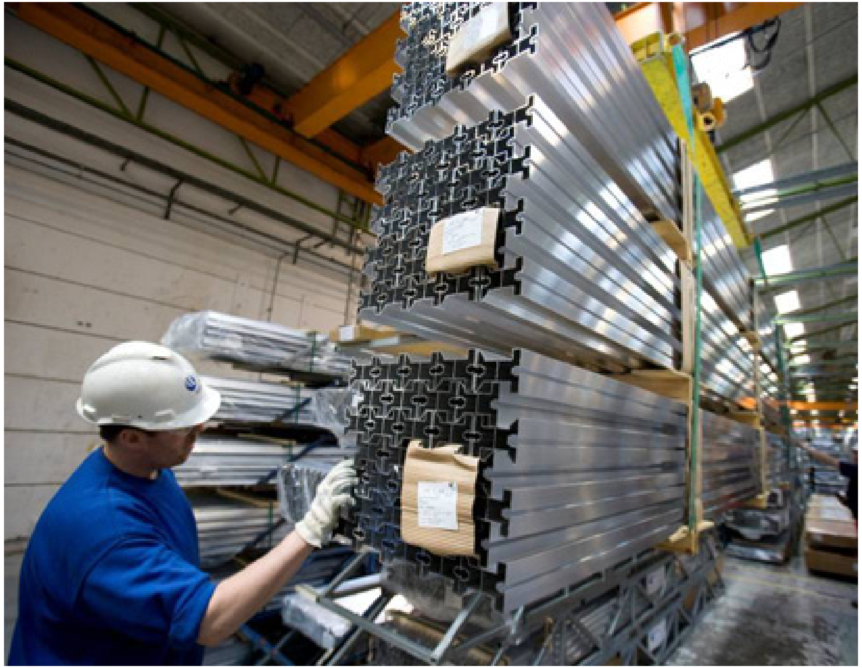
- Funds from operations to net adjusted debt > 40%
- Net adjusted debt to equity < 0.55



Maintain financial flexibility

- Strong focus on liquidity
- Maintain revolving credit facility to support unexpected or short-term funding requirements
- Intention to re-establish Hydro as issuer in bond markets
  - Long-term funding of long-term funding requirements

Financial priorities

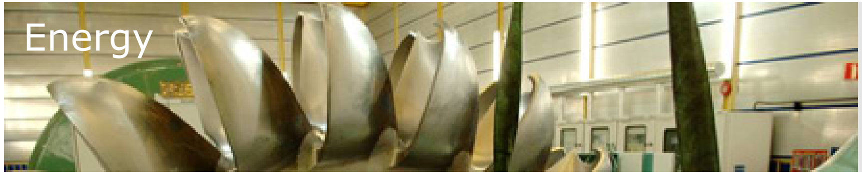


- Continuous improvements
- Vale integration
- Margin management
- Cash flow and financial flexibility
- Shareholder returns

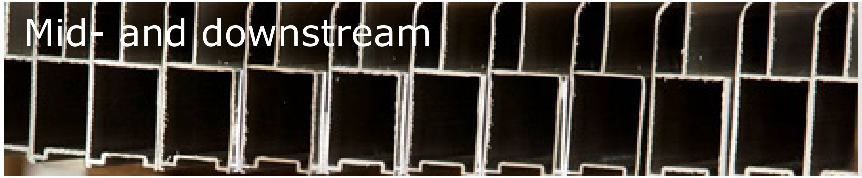
Strategy for further value creation

- Integrate
- Expand
- Commercialize

- Reposition
- Keep solid cash flow in current assets
- Expand in high-class assets



- Increase value of business and competence
- Focus on operation and commercialization of current assets
- Implement global approach to power sourcing



- Continue proven high-end product strategy
- Pursue profitable life-cycle investments: recycling, energy-efficient building systems, aluminum in transport
- Expand selectively in emerging markets

Shaping the future

- Innovation and technology
- Operational excellence
- Value creation

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