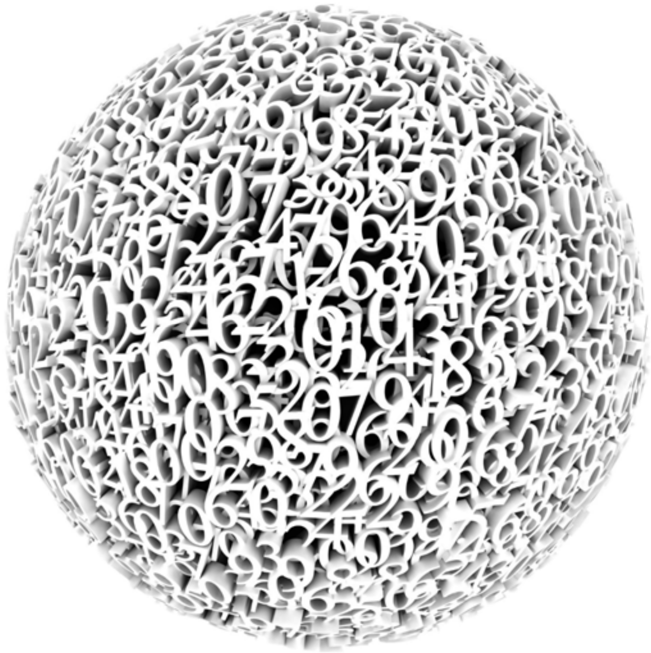


Finance

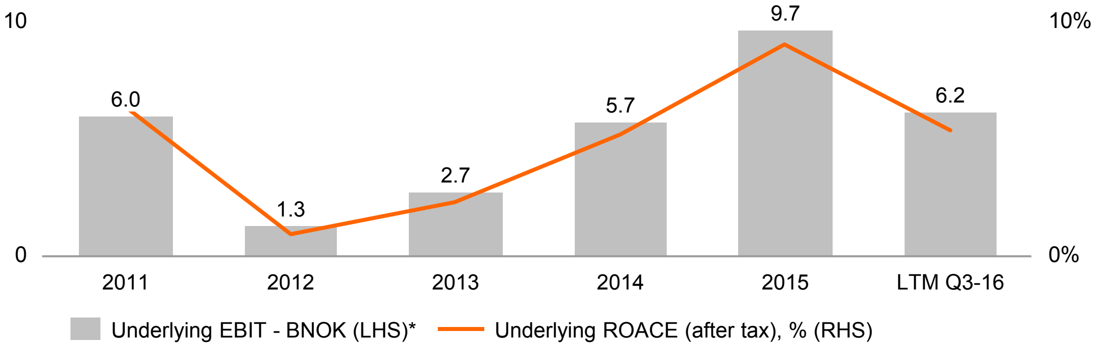
Maximizing long-term value creation potential

Eivind Kallevik

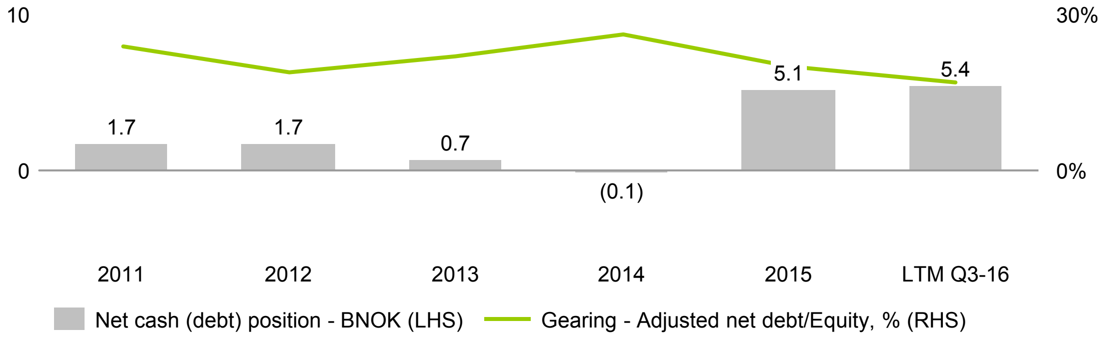
Capital Markets Day 2016

Financial performance over time

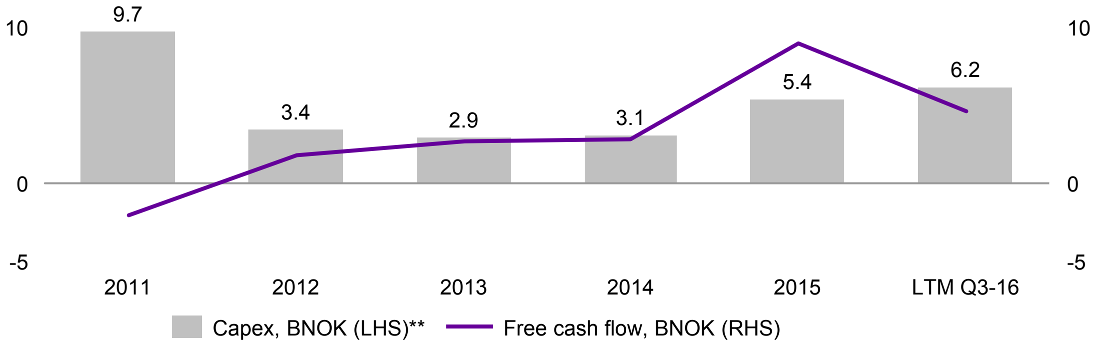
Earnings and RoACE supported by continuous improvements



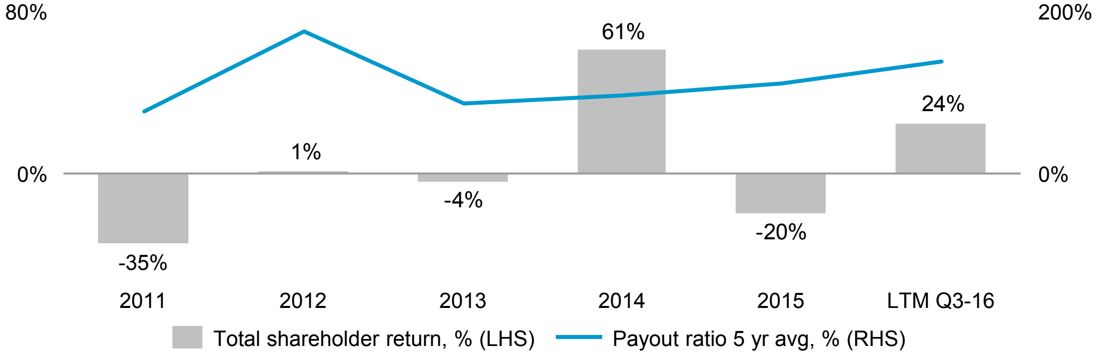
Uncompromised balance sheet strength



Capital discipline and positive FCF generation



Reliable cash returns to shareholders in a volatile environment



LTM – last 12 months (Q4'15 – Q3'16)
Total shareholder return = (Price end of period – Price beginning of period + Dividends in the period)/Price beginning of period
Payout ratio 5 year average – dividend per share divided by earnings per share from continuing operations for the last 5 years
Free cash flow (consolidated) = operating cash flow – net investments
* Underlying EBIT excluding extruded products
**Capex excluding extruded products. 2011 includes capex related to the acquisition of Vale's assets in Brazil.

HYDRO

01

Prudent financial framework

Prudent financial framework

Managing industry cyclicality, driving long-term shareholder value

Lifting cash flow potential

Improving efficiency, strengthening margins

Improvement efforts
- 4.5 BNOK 2009-2015
- 1.1 BNOK 2016E
- 1.8 BNOK 2017-2019E [1)]

Managing working capital

Financial strength and flexibility

Investment grade credit rating

Financial ratio targets over the cycle
- FFO/aND [2)] > 40%
- aND/E [3)] < 55%

Strong liquidity

Disciplined capital allocation

Long-term sustaining capex below depreciation
- Around 4 BNOK per year

Total capex incl. growth
- 2016E BNOK 7.8 [4)]
- Average 2017-2019E BNOK 6.0 [4)]

Selective value-add growth

Attractive organic growth prospects and M&A optionality

Reliable shareholder remuneration policy

Sector competitive TSR

Dividend policy since 2014
- Dividend 1 NOK/share
- 40% payout ratio of Net income over the cycle

Special dividends and share buybacks in the toolbox

Effective risk management

Volatility mitigated by strong balance sheet and relative positioning

Hedging policy
- Operational LME and currency hedging
- Limited financial hedging
- Long-term debt in USD

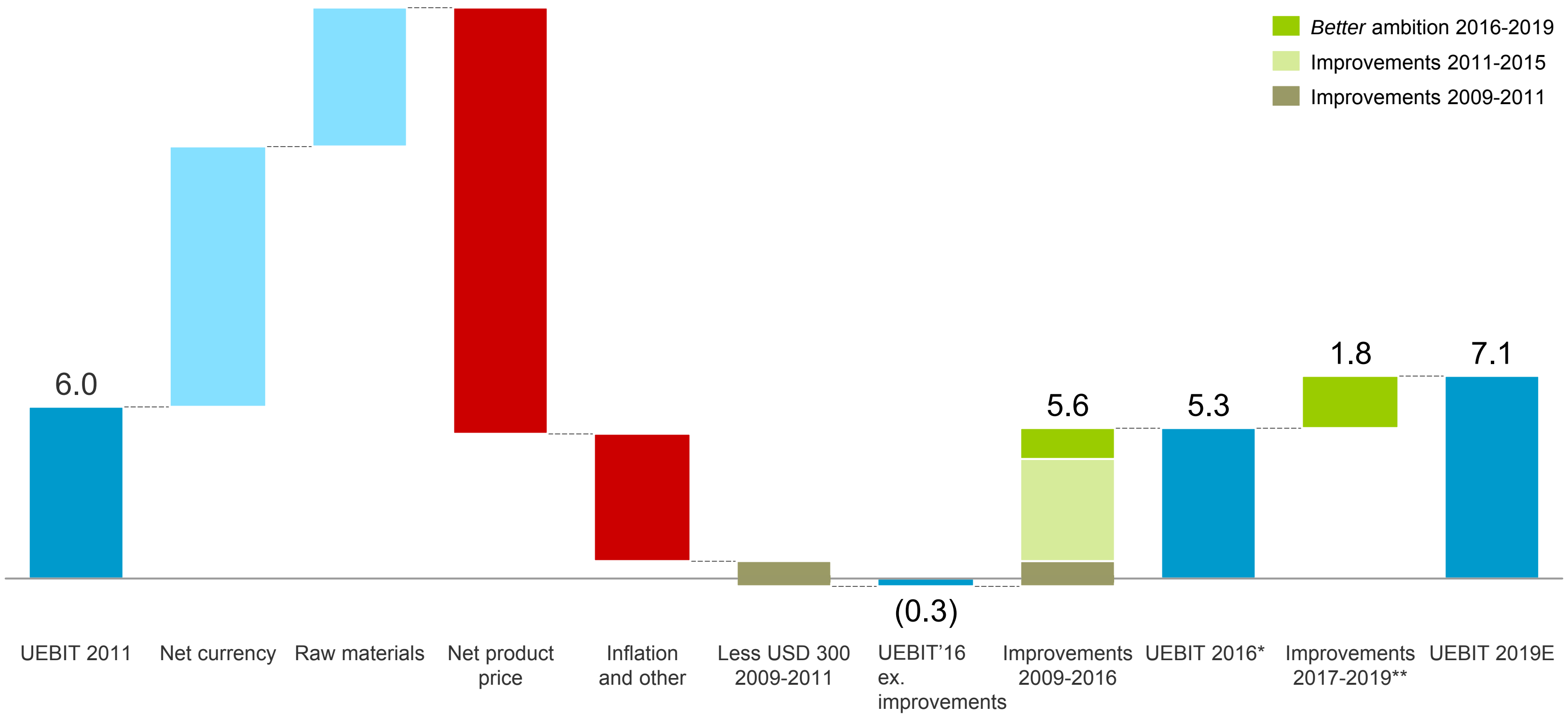
Diversified business

1) Real 2015 terms
2) Funds from operations / adjusted net debt
3) Adjusted net debt / Equity
4) With Karmøy Technology Pilot net investment, after ENOVA support

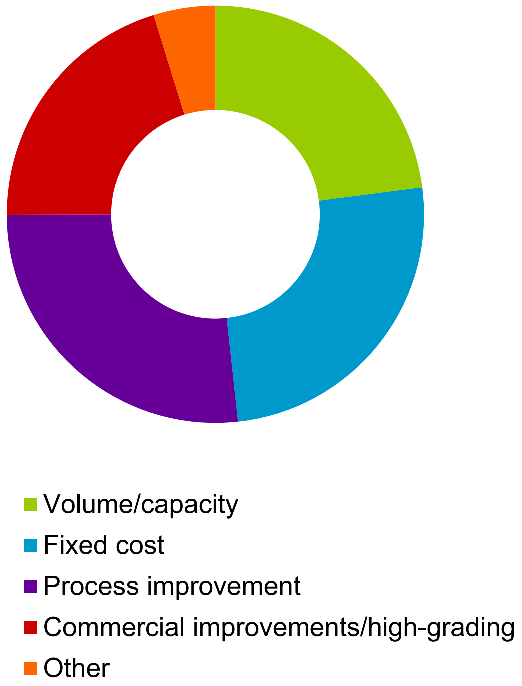
Supporting earnings with industry-leading improvement ambitions

Underlying EBIT development

NOK billion



Better improvement ambition by categoty, 2.9 BNOK 2016-2019



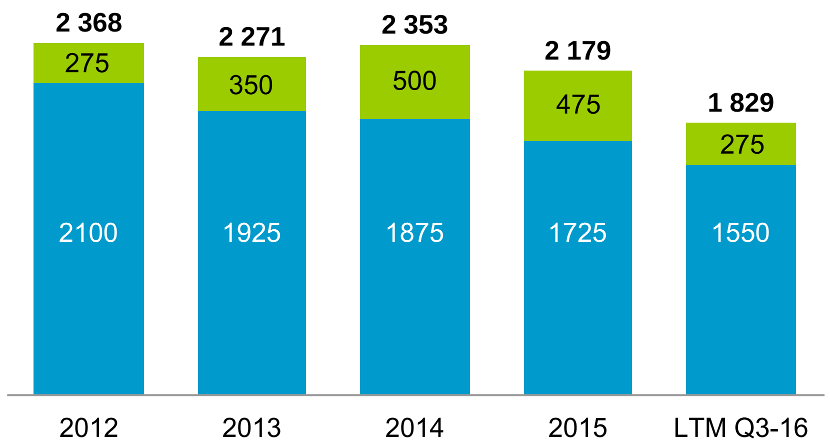
Hydro UEBIT excluding Extruded Products before 2013 and Sapa after 2013. Improvements exclude Sapa
* Underlying EBIT 2016 - Q3 annualized
** Remaining improvement programs in real 2015 terms

Structurally improved cost position upstream

Productivity gains supported by currency tailwinds

All-in implied primary cost and margin, USD/mt [1)]

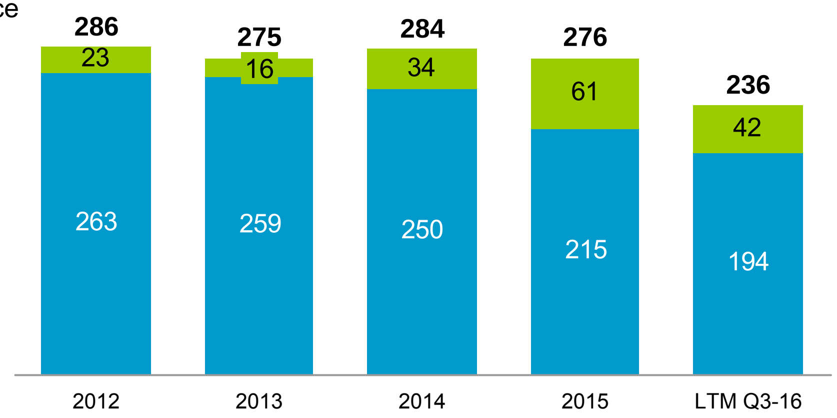
Realized all-in price [2)]



	2012	2013	2014	2015	LTM Q3-16
USD/NOK	***5.8***	***5.9***	***6.3***	***8.0***	***8.4***
Implied margin in NOK	1 575	2 100	3 075	3 700	2 425

Implied alumina cost and margin, USD/mt [3)]

Realized alumina price



	2012	2013	2014	2015	LTM Q3-16
USD/BRL	***2.0***	***2.1***	***2.4***	***3.3***	***3.6***
Implied margin in NOK	133	94	213	485	358

Implied margin   Implied cost

1) Realized all-in aluminium price minus underlying EBITDA margin, including Qatalum, per mt aluminium sold. Implied primary cost and margin rounded to the nearest “25”
2) Realized LME plus realized premium, including Qatalum
3) Realized alumina price minus underlying EBITDA for B&A, per mt alumina sales

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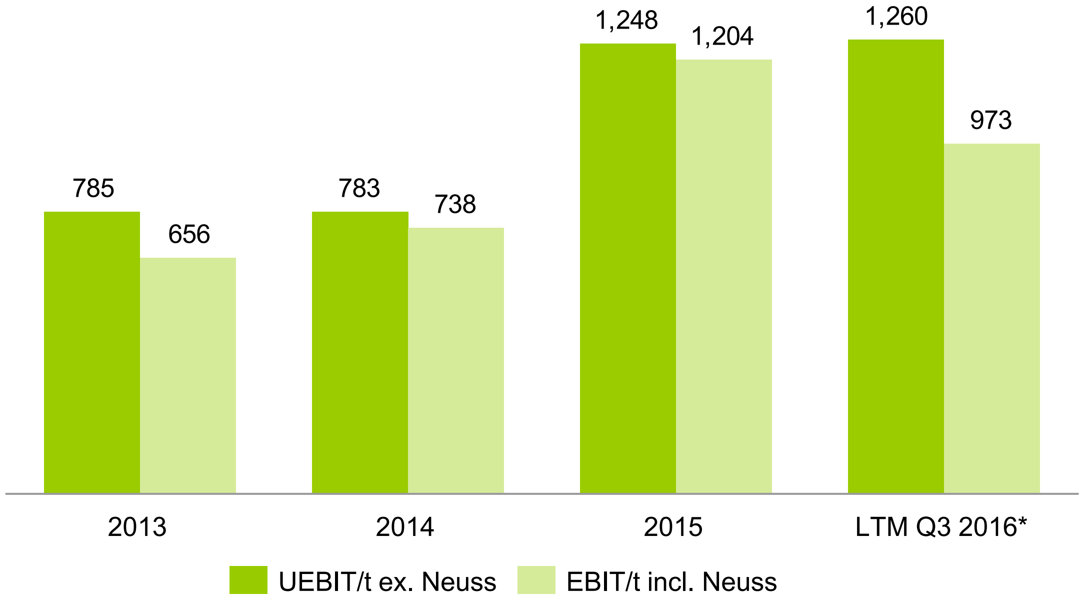
Improving margins downstream

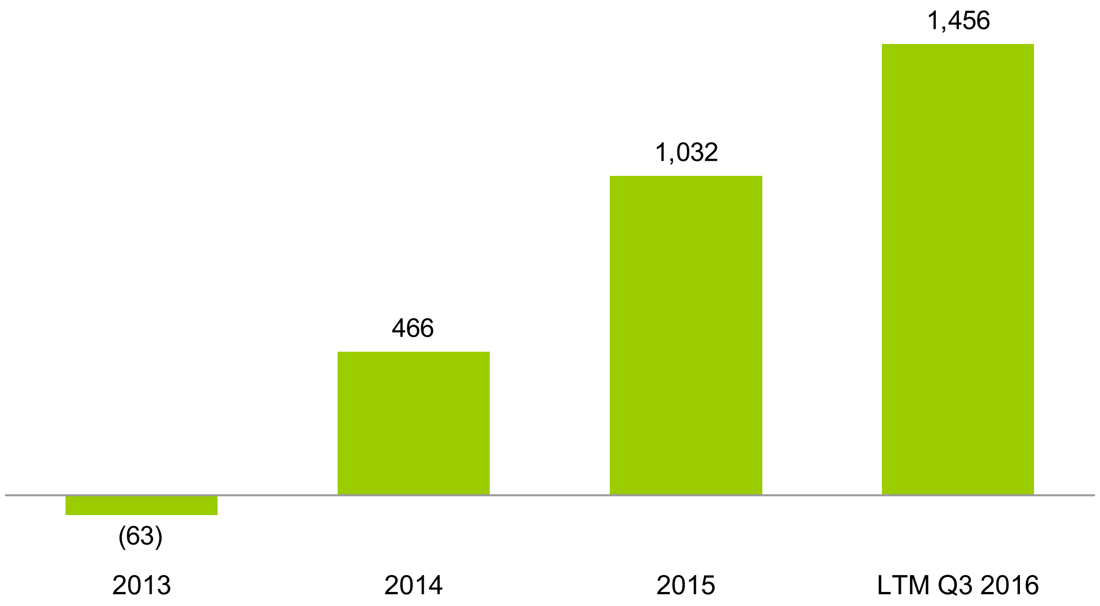
Rolled Products Underlying EBIT per mt

NOK



Sapa (100%) Underlying EBIT per mt

NOK



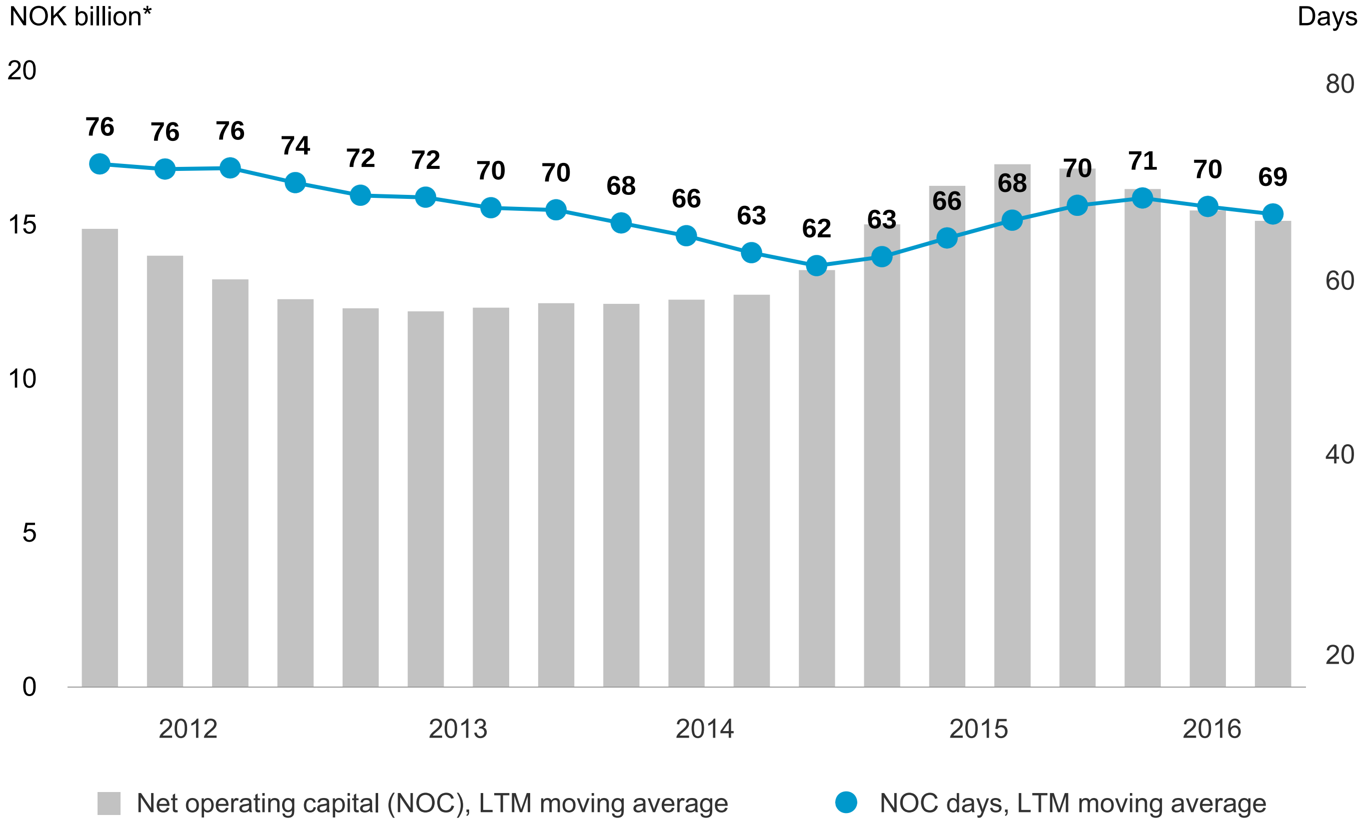
- Gradual margin improvement in Rolled Products despite margin pressure, as a result of portfolio high-grading, improvements and currency support
- Negative effect from the Neuss smelter to be mitigated with a more competittive power contract from 2018

- Strong margin growth in Sapa as a result of restructuring efforts and higher share of value-add products, supported by strong markets and currency

* Excluding Slim

Optimizing working capital remains key priority

Release in 2016 following the above-average inventory build-up last year



- Net operating capital generally follows LME
- NOC release throughout 2016 driven by
  - Unwinding of the above average inventory build-up in 2015
  - Improved inventory turnover in Rolled Products and Primary Metal
  - Lower price level
- Inventory build-up through 2015
  - Intensified business activity on the back of tighter markets and higher all-in prices in 2014
  - Replaced by supply overhang and subsequent collapse in premiums in early 2015

* Pro-forma, excluding extruded products for Q1 2012 – Q3 2013

Continuous portfolio review

Recent non-core and legacy asset divestments contribute to cash flow

Asset/business	Completed	Cash effect	Accounting effect	Description
Casthouse Hannover, Germany	Q1 2014	~MEUR 7	~MEUR 4	Legacy asset
Koorang Bulk Facilities, Australia	Q4 2014	~MAUD 12	~MAUD 11	Stranded asset following closure of Kurri smelter
Slim Rolling Mill, Italy	Q4 2015	Neutral	(MEUR 50)	Rolling mill targeting non-core product segments
Menstad property (West), Norway	Q4 2015	MNOK 25	MNOK 22	Legacy asset
Herøya Industrial Park, Norway	Q2 2016	Not disclosed	~MNOK 350	Legacy asset
Menstad property (East), Norway	Nov 2016	~MNOK 16	~MNOK 16	Legacy asset
Herøya Nett, Norway	Ongoing	TBD	TBD	Legacy asset
Hannover property, Germany	Ongoing	TBD	TBD	Legacy asset

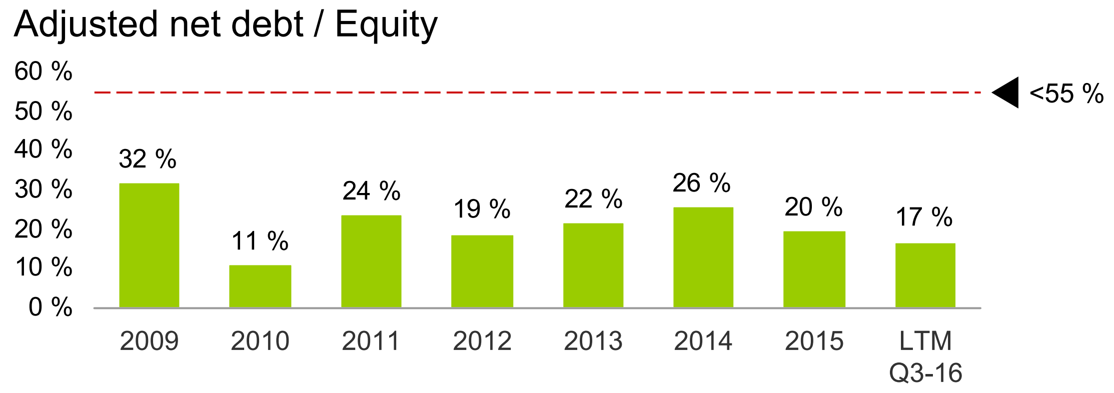
Maintain investment-grade credit rating

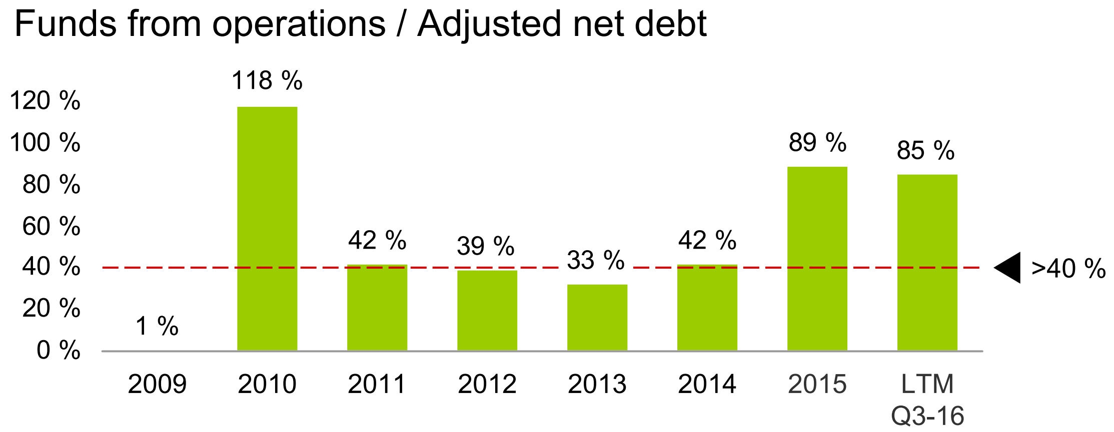
Funds from operations determine the balance sheet structure

- Maintain investment-grade rating
  - Currently: BBB (S&P), Baa2 (Moody's), both with stable outlook
- Financial ratio ambitions over business cycle
  - Funds from operations to adjusted net debt > 40%
  - Adjusted net debt to equity < 55%
- Strong liquidity
  - NOK 8.0 billion in cash and cash equivalents by end-Q3 2016
  - USD 1.7 billion credit facility with maturity 2020, currently undrawn

*«Hydro's solid credit profile and Baa2 rating are underpinned by the group's **conservative and proactive management of the balance sheet**, with low absolute level of adjusted debt and high level of cash», Moody's*

*«Hydro continues to maintain a prudent financial policy and a very comfortable liquidity position» …«Our base case takes into account Hydro's **conservative financial policies, modest leverage, and limited pressure on dividends**», Standard&Poor's*



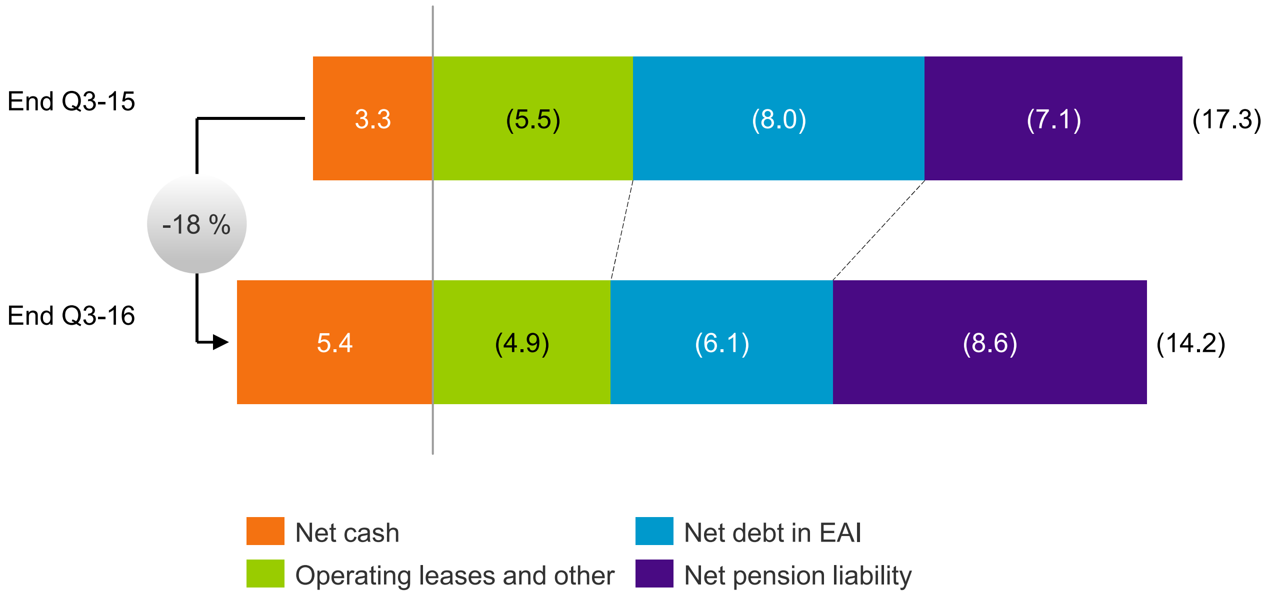


Maintain a solid balance sheet

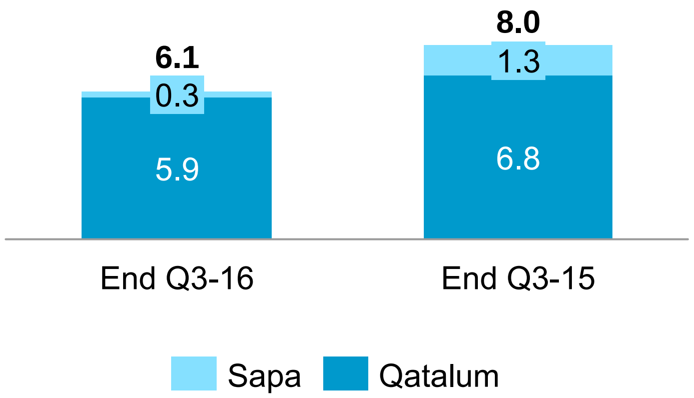
Reduced adjusted net debt

Adjusted net debt

NOK billion



- Reduction in Qatalum and Sapa net debt due to positive net cash flow and stronger NOK

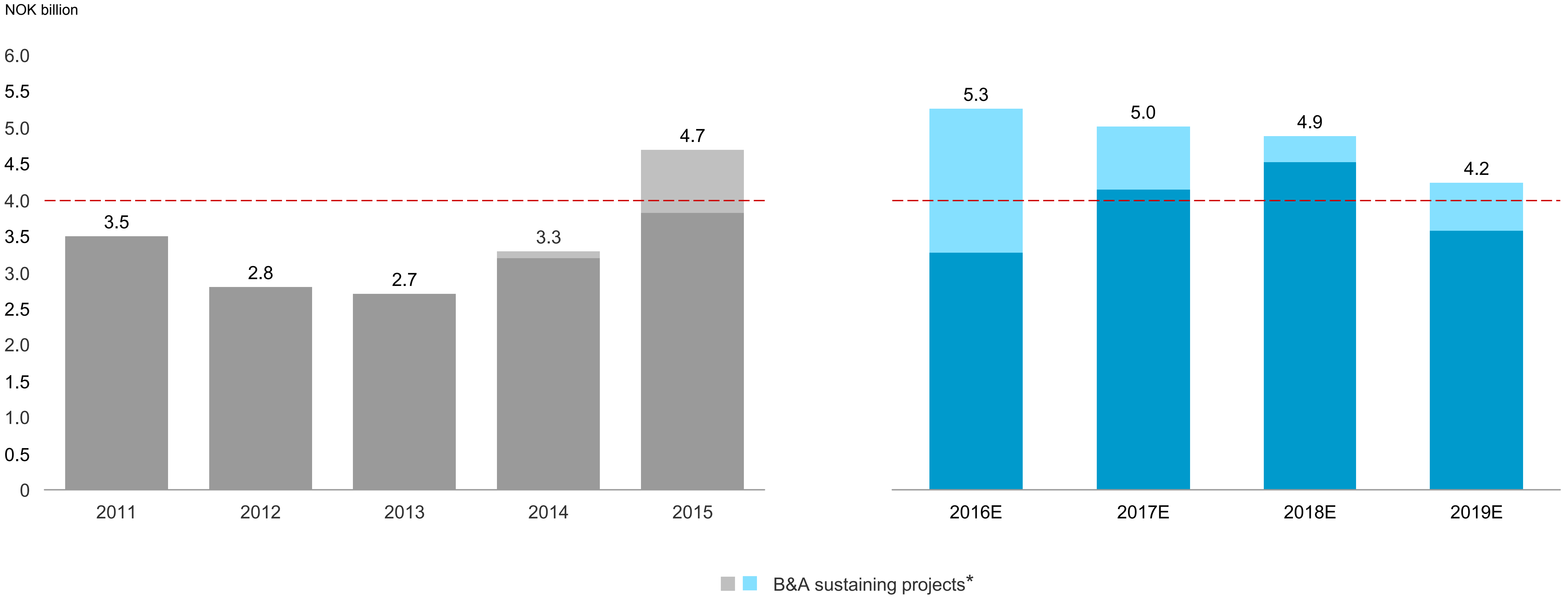


- Higher net cash position driven by cash flow from operations
- Increase in net pension liability mainly due to lower discount rates

* USD/NOK balance sheet date exchange rates 8.05 end Q3-16 and 8.50 end Q3-15

Long-term sustaining capex around NOK 4 billion

Higher than average sustaining capex driven by sustaining investments in Brazil

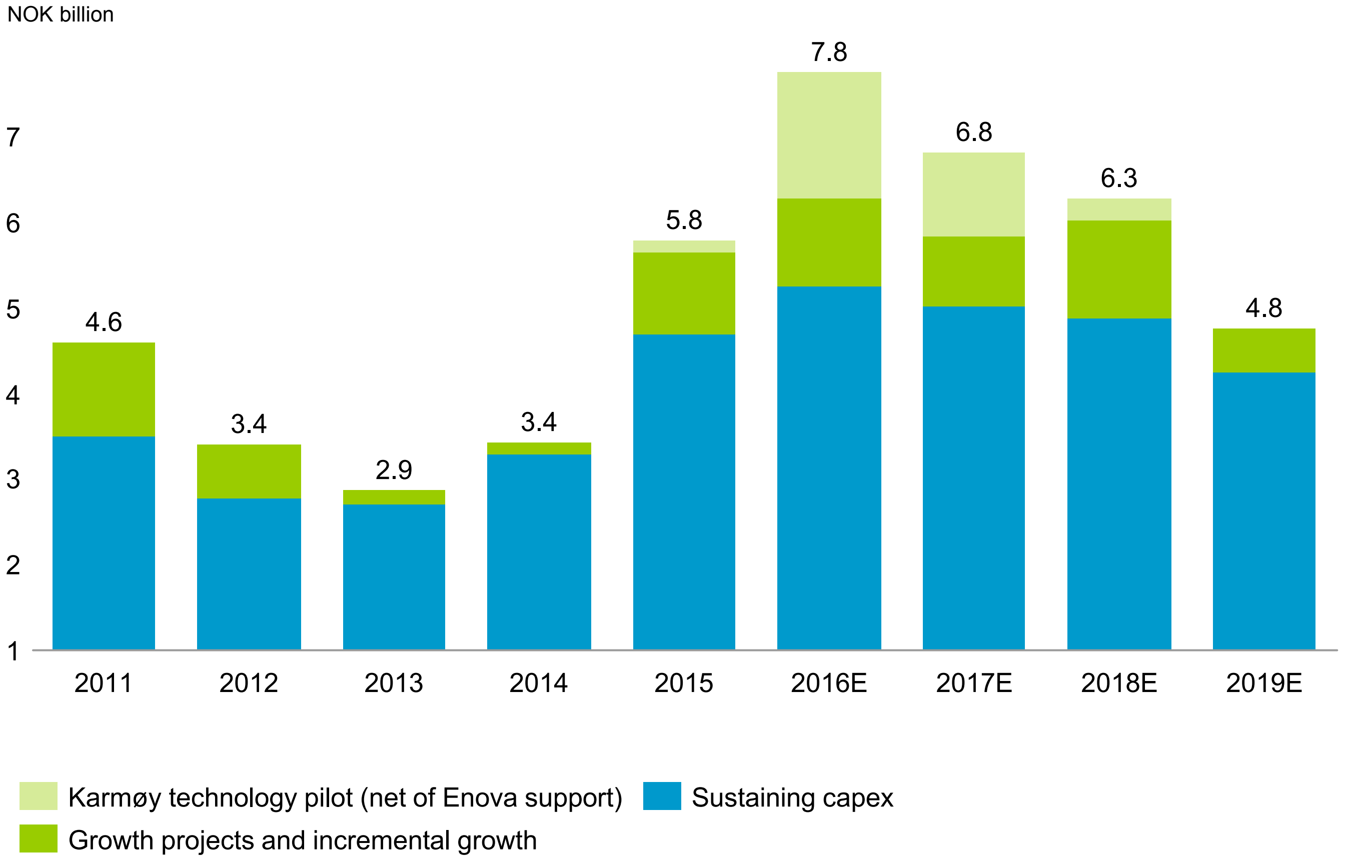


Excluding Extruded Products from 2012 onwards

* Including red mud disposal area at Alunorte, tailing dam investments at Paragominas, and opening of a new mining area at Paragominas

Growth capex focused on high-grading, recycling and technology

Majority of sustaining capex allocated upstream



- Sustaining projects for 2016-2019:
  - Red mud disposal area
  - Bauxite tailing dam
  - Opening of new bauxite mining area
  - Primary rectifiers
  - Smelter relining
  - Energy rehabilitation
- Ongoing organic growth projects:
  - RP Automotive line
  - Alunorte Debottlenecking
  - Incremental growth
- Karmøy technology pilot 2015-2018:
  - Gross investment 4.3 BNOK
  - Of which Enova support ~1.6 BNOK
  - Net investment 2.7 BNOK

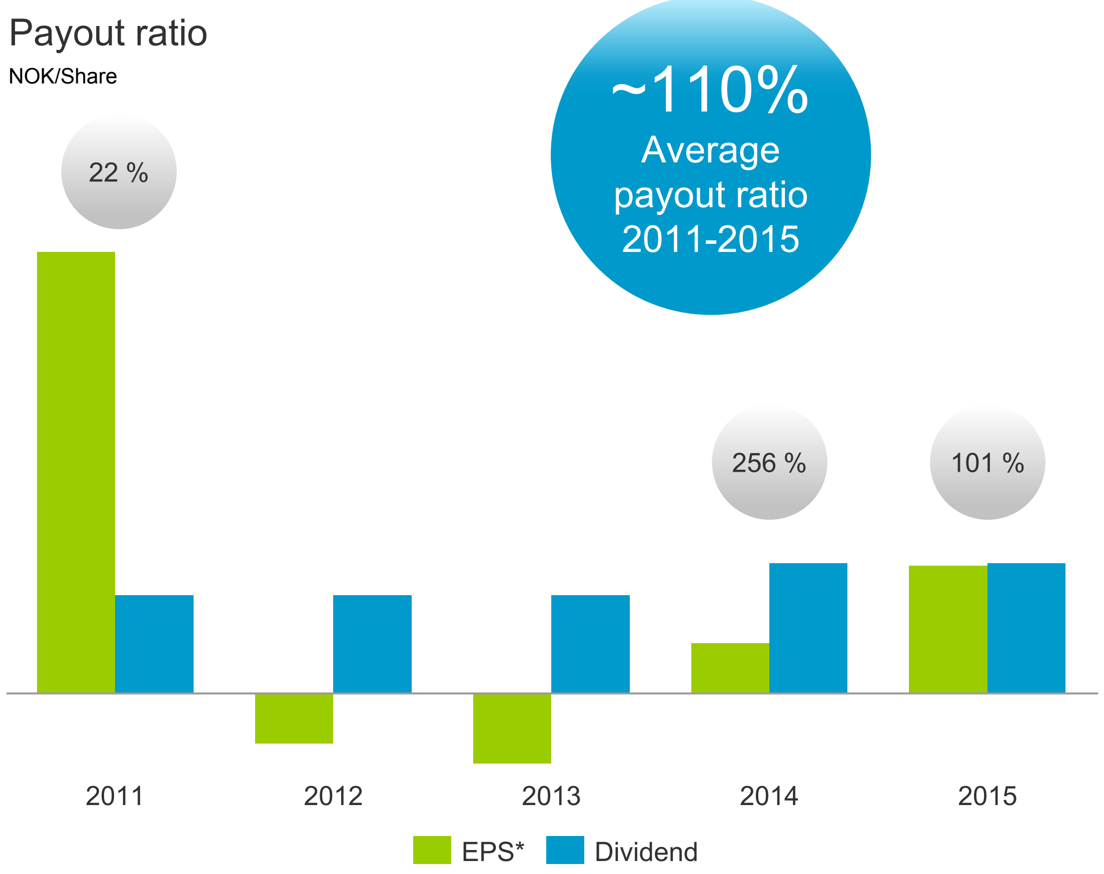
2011 excludes Vale assets acquisition
Excluding Extruded Products from 2012 onwards

Aiming for reliable and competitive returns to shareholders

Aiming for competitive shareholder returns compared to alternative investments in peers

Dividend policy since 2014

- Ordinary dividend: 40% of net income over the cycle
- Five-year average ordinary pay-out ratio 2011-2015 of ~110%
- Committed to a stable and reliable dividend level
  - Currently 1 NOK/share since 2014
- Share buybacks and extraordinary dividends as supplement in periods with strong financials and earnings outlook



Payout ratio - dividend paid divided by reported EPS from continuing operations
2011 includes Alunorte revaluation gain
* EPS from continuing operations

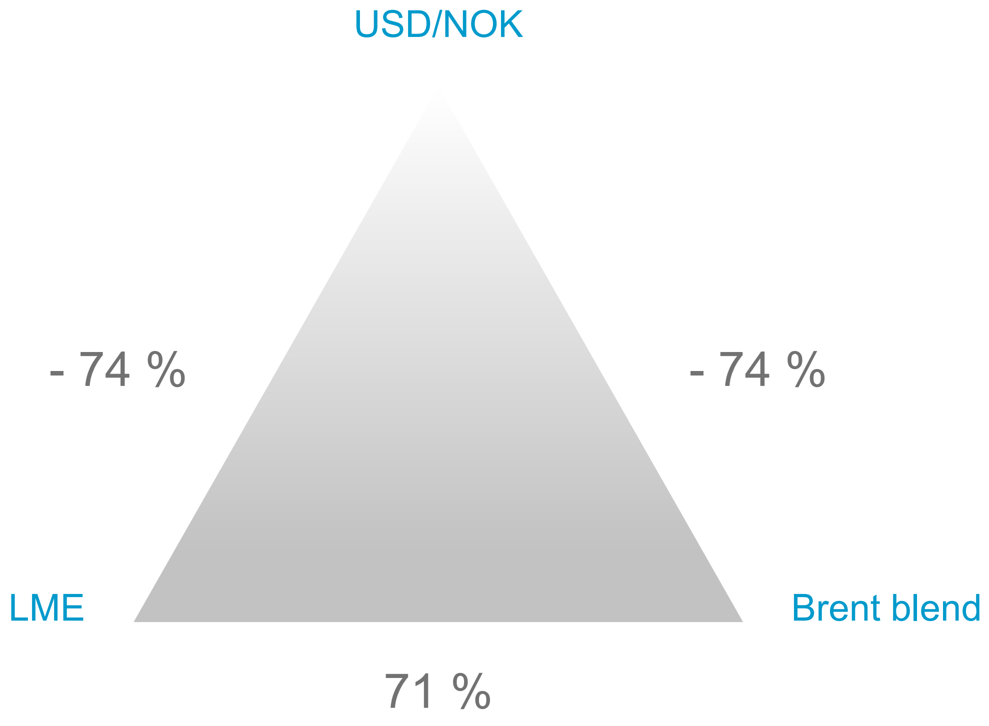
Limited financial hedging, flexible business model

Historical correlations between commodities and currencies indicate a natural earnings hedge

- Hedging strategy
  - Fluctuating with the market: revenues primarily exposed to LME, PAX and USD
  - Volatility mitigated by strong balance sheet
  - Strengthening relative position to ensure competitiveness
- Diversified business
  - Upstream cyclicality balanced with more stable earnings downstream
  - Exposed to different markets and cycles
- Bauxite & Alumina
  - Currency exposure, mainly USD and BRL
  - Exposed to LME and Platts alumina index prices
- Primary Metal
  - Operational LME hedging - one-month forward sales
  - Currency exposure, mainly USD, NOK and BRL
- Metal Markets, Rolled Products
  - Operational LME and currency hedging to secure margin
- Flexibility to hedge LME or currency in certain cases
- Maintaining long-term debt in the revenue currency (USD)

Cross-correlations between currencies and commodities

Monthly correlations 1994-2016



Source: Thomson Reuters, Hydro analysis

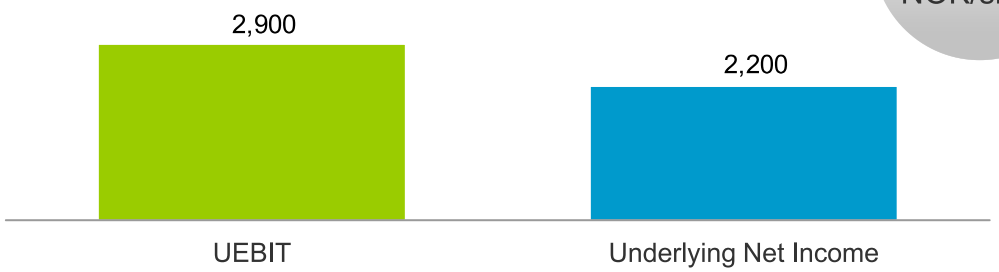
02

Sensitivities and scenarios

Significant exposure to commodity and currency fluctuations

Aluminium price sensitivity +10%*

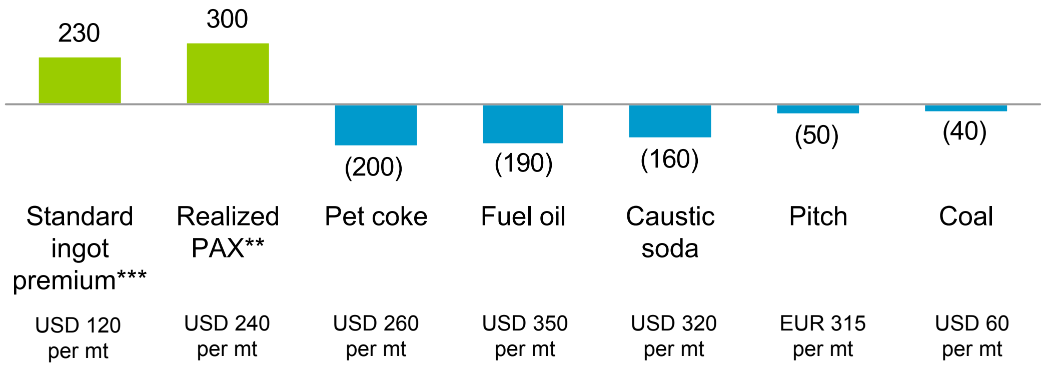
NOK million



UEPS
+0.98
NOK/share

Other commodity prices, sensitivity +10%*

NOK million



Currency sensitivities +10%*

Sustainable effect:

NOK million	USD	BRL	EUR
UEBIT	2 780	(1 120)	(250)
UEBITDA	2 830	(840)	(160)
UEPS	0.91	(0.31)	(0.06)

One-off reevaluation effect:

Financial items	(590)	510	(2 560)

- Annual sensitivities based on normal annual business volumes, LME USD 1 625 per mt, fuel oil USD 350 per mt, petroleum coke USD 260 per mt, caustic soda USD 320 per mt, coal USD 60 per mt, USD/NOK 8.30, BRL/NOK 2.60, EUR/NOK 9.30
- Aluminium price sensitivity is net of aluminium price indexed costs and excluding unrealized effects related to operational hedging
- BRL sensitivity calculated on a long-term basis with fuel oil assumed in USD. In the short-term, fuel oil is BRL-denominated
- Excludes effects of priced contracts in currencies different from underlying currency exposure (transaction exposure)
- Currency sensitivity on financial items includes effects from intercompany positions
- 2017 Platts alumina index (PAX) exposure used

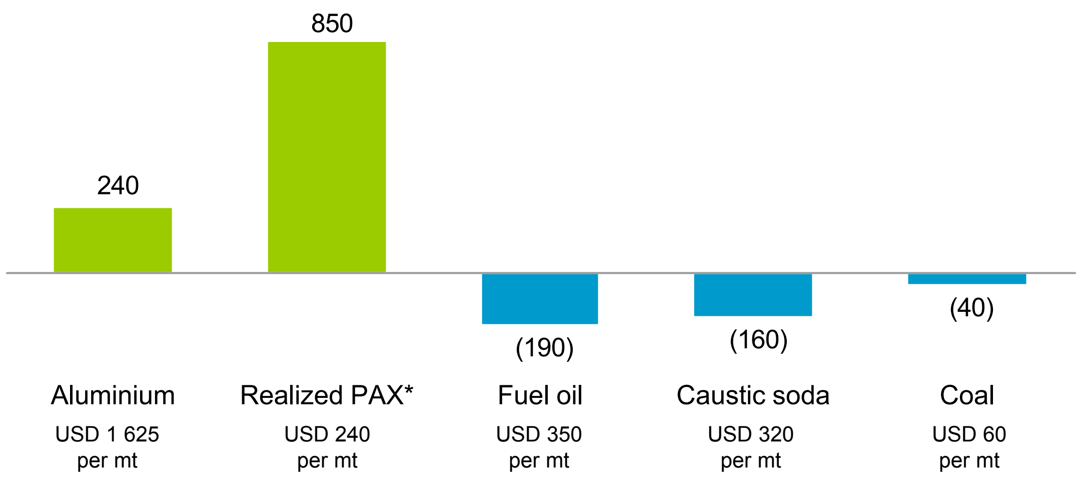
* Excluding Sapa JV
** 2017 Platts alumina index exposure
*** Europe duty paid standard ingot premium

HYDRO

Bauxite & Alumina sensitivities

Annual sensitivities on underlying EBIT if +10% in price

NOK million



Currency sensitivities +10%

NOK million	USD	BRL	EUR
UEBIT	810	(770)	-

Revenue impact

- ~14.5% of 3-month LME price per tonne alumina
  - ~One month lag
- Realized alumina price lags PAX by one month

Cost impact

Bauxite

- ~2.45 tonnes bauxite per tonne alumina
- Pricing partly LME-linked for bauxite from MRN

Caustic soda

- ~0.1 tonnes per tonne alumina
- Prices based on IHS Chemical, pricing mainly monthly per shipment

Energy

- ~0.11 tonnes coal per tonne alumina, Platts prices, one year volume contracts, weekly per shipment pricing
- ~0.11 tonnes heavy fuel oil per tonne alumina, prices set by ANP/Petrobras in Brazil, weekly pricing (ANP) or anytime (Petrobras)
- Increased use of coal as energy source in Alunorte

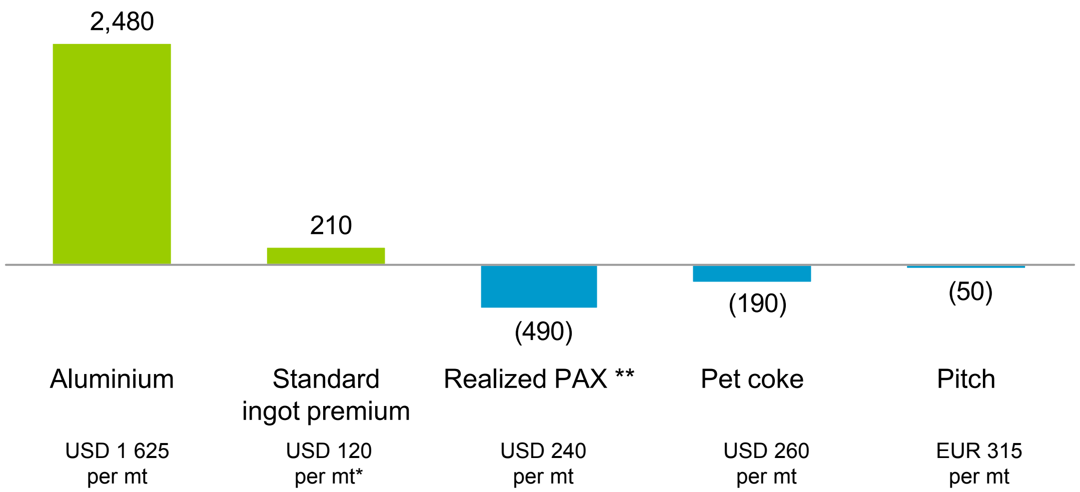
* 2017 Platts alumina index exposure
Currency rates used: USD/NOK 8.30, BRL/NOK 2.60, EUR/NOK 9.30

HYDRO

Primary Metal sensitivities

Annual sensitivities on underlying EBIT if +10% in price

NOK million



Currency sensitivities +10%

NOK million	USD	BRL	EUR
UEBIT	1 630	(350)	(130)

Revenue impact

- Realized price lags LME spot by ~1-2 months
- Realized premium lags market premium by ~1-2 months

Cost impact

Alumina

- ~1.9 tonnes per tonne aluminium
- ~14.5% of 3-month LME price per tonne alumina, increasing volumes priced on Platts index
  - ~ 2-3 months lag

Carbon

- ~0.35 tonnes petroleum coke per tonne aluminium, Pace Jacobs Consultancy, 2-3 year volume contracts, half yearly pricing
- ~0.08 tonnes pitch per tonne aluminium, CRU, 2-3 year volume contracts, quarterly pricing

Power

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

* Europe duty paid. Hydro Q3'16 realized premium USD 251 per mt
** 2017 Platts alumina index exposure
Currency rates used: USD/NOK 8.30, BRL/NOK 2.60, EUR/NOK 9.30

Commodities and currencies need to be seen in tandem

Spot prices and currency rates indicate earnings upside

Underlying EBIT sensitivity to changes in LME and USD/NOK

Change in LME price

Change in USD/NOK

Change in UEBIT (BNOK)	- 10%	0	+ 10%
+10%	(0.4)	2.8	6.0
0	(2.9)	0	2.9
-10%	(5.4)	(2.8)	(0.2)

Key variables “run-rate”* vs Q3-16 realized

	Q3-16 realized	Run-rate*	% change	Annual effect: Impact on UEBIT (BNOK)	Annual effect: Impact on UEPS (NOK/share)
LME	1 625	1 770	9 %	2.6	0.9
PAX	240	320	33 %	1.0	0.6
USD/NOK	8.3	8.6	4 %	1.0	0.3
BRL/NOK	2.6	2.5	(4) %	0.4	0.1
Total				5.0	1.9

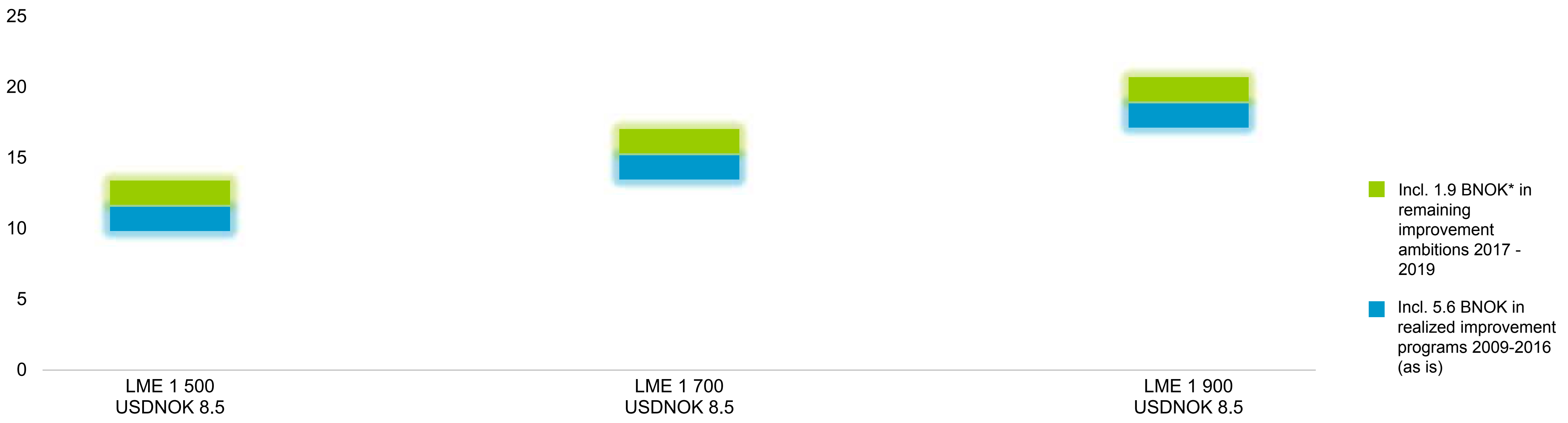
* Run rate – market rates as of November 25, 2016

Improvement efforts lift EBITDA potential

Scenarios are not forecasts, but represent earnings potential based on sensitivities

Indicative EBITDA-range in 3 scenarios

NOK billion

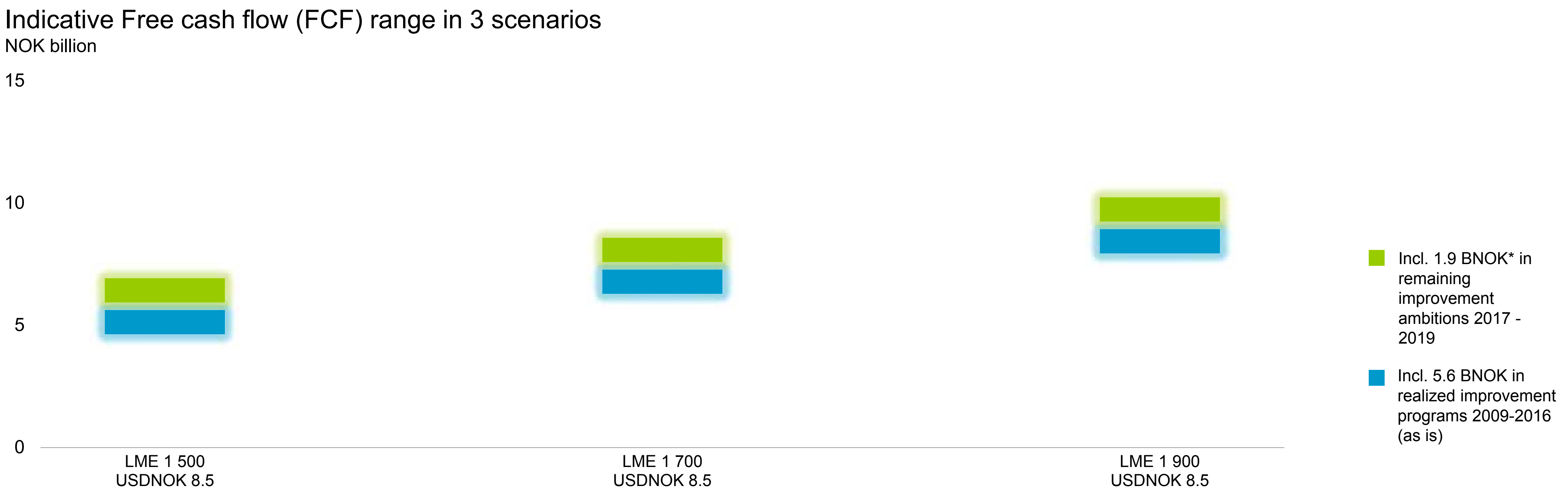


Additional factors influencing earnings (not included in the scenarios):
Production volumes, alumina sales pricing on PAX, energy prices, downstream margin developments, raw material cost development, premiums, inflation, currency, depreciation, other

Last 4 quarters underlying EBITDA as basis. USD/NOK 8.5, BRL/NOK 2.5, realized premium above LME 275 USD/mt, PAX 300 USD/mt assumed for all scenarios. Other assumptions unchanged.
Improvements used for scenarios exclude Sapa.
* Future improvement efforts in real 2015 terms, before depreciation.

Improvement efforts and capital discipline contribute to FCF growth…

Scenarios are not forecasts, but represent earnings potential based on sensitivities



Additional factors influencing earnings (not included in the scenarios):
Production volumes, alumina sales pricing on PAX, energy prices, downstream margin developments, raw material cost development, premiums, inflation, currency, taxes, investments, interest expense, depreciation, other

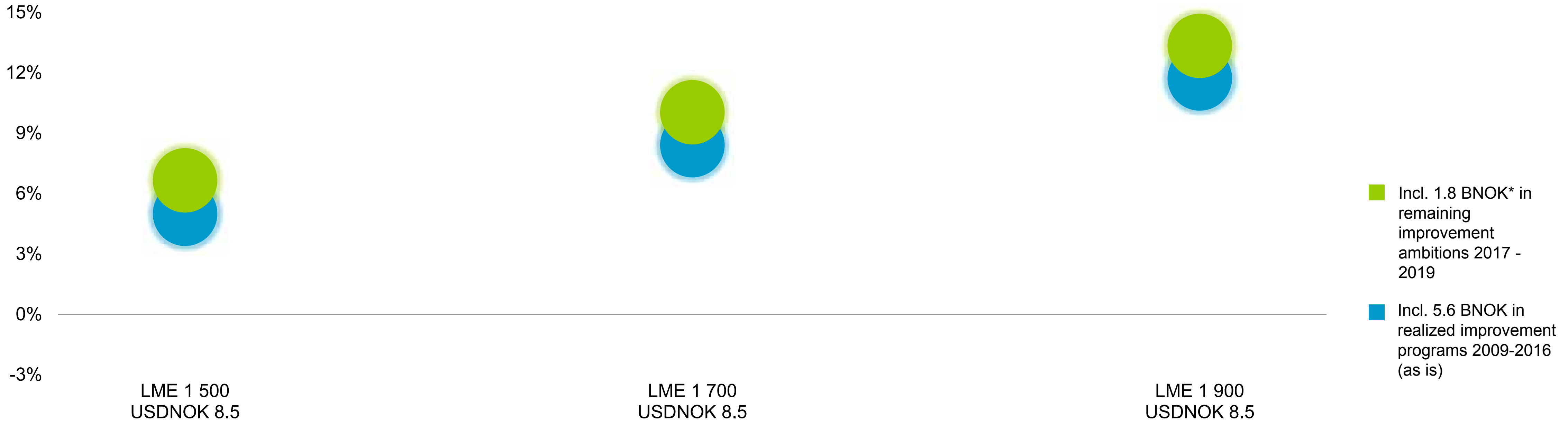
Last 4 quarters underlying EBITDA as basis. USD/NOK 8.5, BRL/NOK 2.5, realized premium above LME 275 USD/mt, PAX 300 USD/mt assumed for all scenarios. Long-term capex 4.0 BNOK per year. Other assumptions unchanged. Improvements used for scenarios exclude Sapa.
* Future improvement efforts in real 2015 terms, before depreciation

HYDRO

…and lift potential for competitive returns

Scenarios are not forecasts, but represent earnings potential based on sensitivities

Indicative RoaCE range in 3 scenarios



Additional factors influencing earnings (not included in the scenarios):
Production volumes, alumina sales pricing on PAX, energy prices, downstream margin developments, raw material cost development, premiums, inflation, currency, taxes, interest expense, other

Last 4 quarters underlying EBITDA as basis. USD/NOK 8.5, BRL/NOK 2.5, realized premium above LME 275 USD/mt, PAX 300 USD/mt assumed for all scenarios. Other assumptions unchanged.
Improvements used for scenarios exclude Sapa.
* Future improvement efforts in real 2015 terms, after depreciation

03

Financial targets and aspiration

Driving long-term shareholder value

Balancing capital allocation and financial strength

Solid balance sheet and liquidity

Maintain financial flexibility
Enable access to capital markets
Navigate through the cycles
Manage business risks
Act on opportunities

Capital expenditures

Sustaining capex to ensure operational excellence

Investments to keep market share, reduce costs, strengthen margins

Reliable and predictable dividend

Deliver competitive cash returns to shareholders

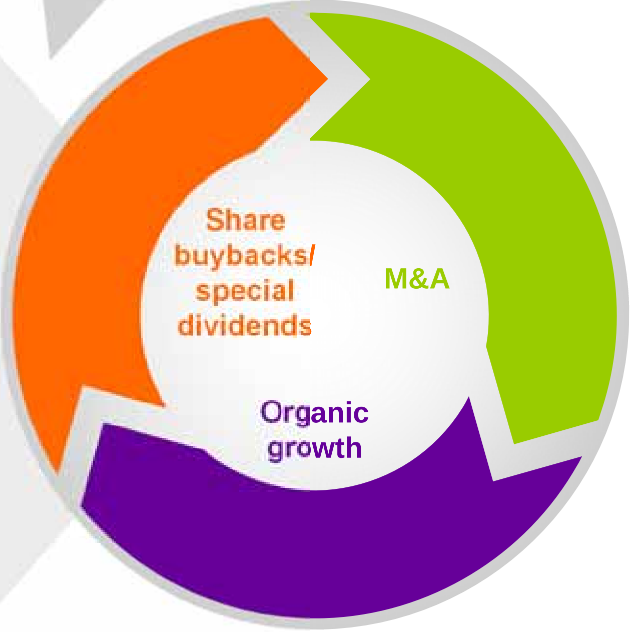
Long-term shareholder value

- Reinvest in profitable growth

or

- Return to shareholders

Allocation based on best risk-adjusted returns



HYDRO

Hydro's aspiration underpinned by firm financial targets

Medium and long-term

	Ambition	Timeframe	CMD 2016 status
Better improvement ambition	2.9 BNOK	2016-2019	1.1 BNOK 2016E
Sustaining capex	~ 4 BNOK	Over the cycle	5.3 BNOK 2016E
Average capex incl. growth	6.0 BNOK [1]	2017-2019	7.8 BNOK 2016E
Dividend payout ratio	40% of net income	Over the cycle	~110% [2] 2011-2015
FFO/adjusted net debt [3]	> 40%	Over the cycle	85% LTM Q3-16
Adjusted net debt/Equity	< 55%	Over the cycle	17% LTM Q3-16
RoACE	Competitive [4]	Over the cycle	5.4% [5] LTM Q3-16

Better Bigger Greener

1) With Karmøy Technology Pilot net investment, after ENOVA support
2) Payout ratio 5 year average – dividend per share divided by earnings per share from continuing operations for the last 5 years
3) FFO – funds from operations
4) Measured against a relevant peer group
5) Underlying return on average capital employed after tax (RoACE)

HYDRO

Maximizing long-term value creation potential

- Continuous cost and margin improvements
- Working capital management
- Financial strength and flexibility
- Disciplined capital allocation
- Reliable shareholder remuneration policy
- Effective risk management