

Financial update

Jørgen C. Arentz Rostrup

Capital Markets Day 2012



Agenda



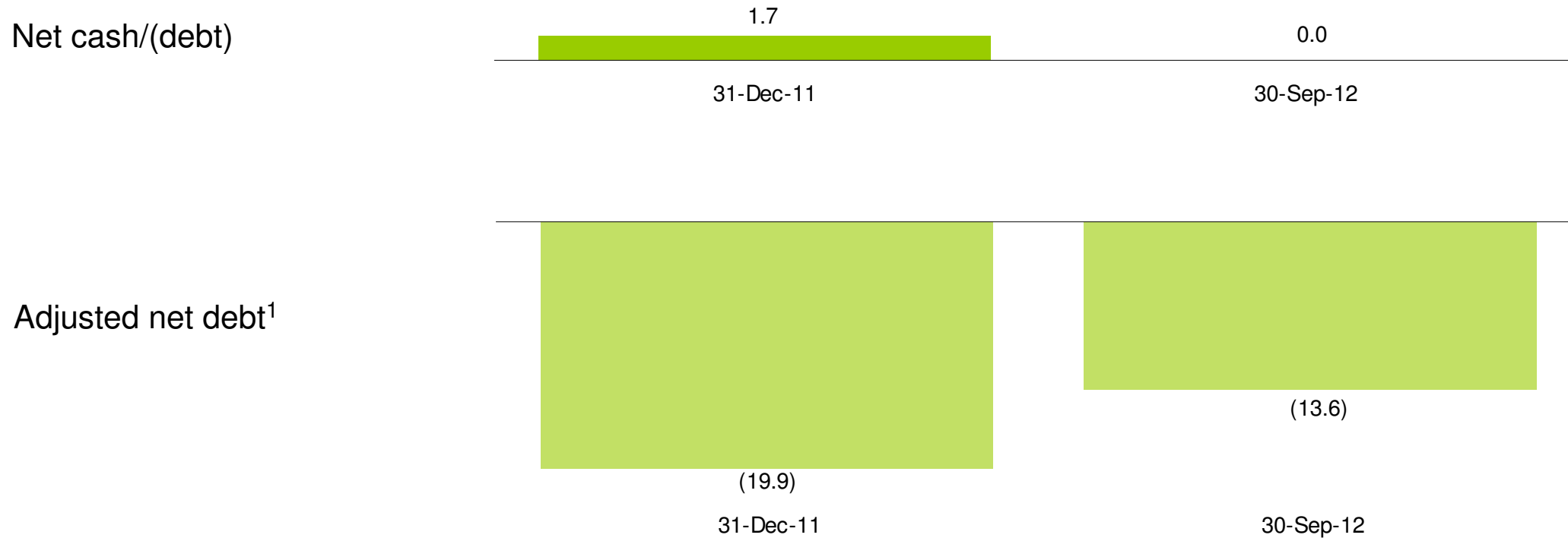
- Financial and shareholder policy
- Financial reporting going forward
- Improvement efforts
- Earning drivers

01

Financial and
shareholder policy

Robust financial position

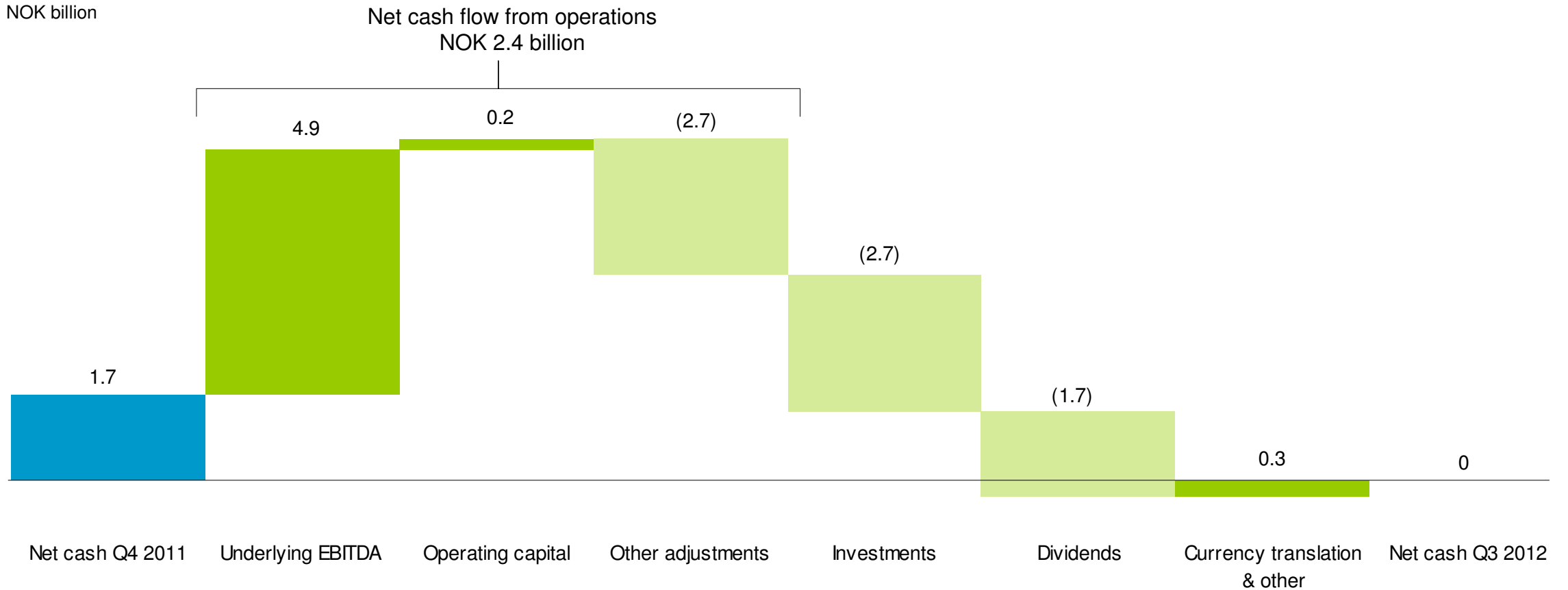
NOK billion



1) Net pension liability, operating lease commitments and other. Net interest-bearing debt in equity accounted investments taken out of adjusted net debt as of Sep 30, 2012, (NOK 6.3 billion) due to end of completion guarantee Qatalum.

Net cash development YTD 2012

NOK billion



Priorities for capital allocation



- Maintain a solid balance sheet
- Ensure competitive return to shareholders
- Pursue disciplined and selected growth

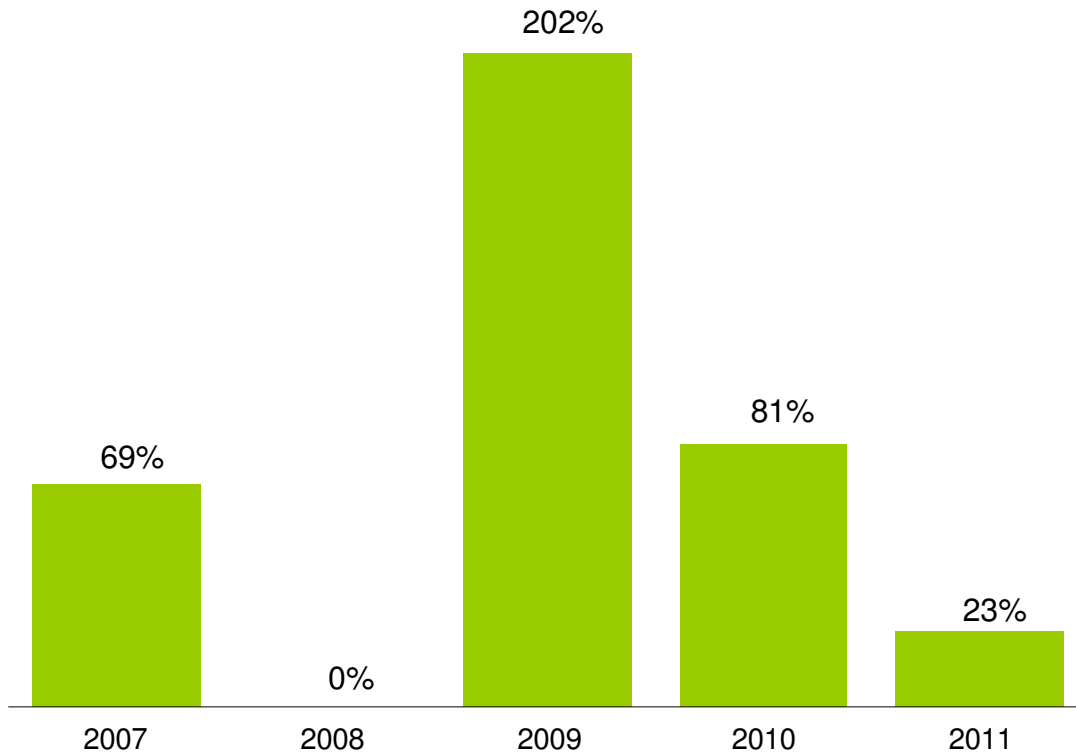
Maintain financial flexibility



- Robust balance sheet
- Strong focus on liquidity
 - NOK 8.7 billion in cash and cash equivalents by end-Q3 2012
 - USD 1.7 billion facility with maturity 2014, currently undrawn
 - NOK 1.5 billion bond issued with maturity 2019
- Maintain investment grade rating
 - Current rating: BBB/Baa2

Aiming for competitive returns to shareholders

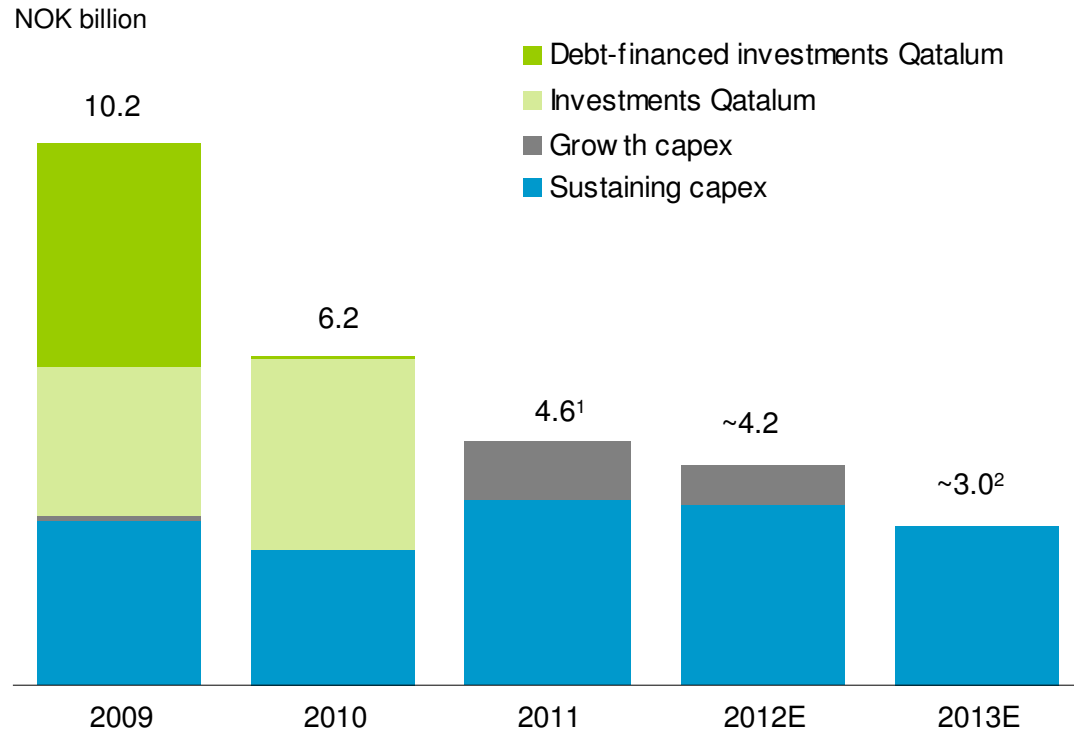
Dividend payout ratio



- Dividend payout ratio* to average 30% over the cycle
 - Average 71% 2007-2011
- Buyback of shares and extraordinary dividends considered when earnings, liquidity position and capital structure allow
- Ambition to maintain absolute dividend level for 2012

*Dividend paid divided by net income attributable to equity holders

Capital allocation mainly upstream



1) Excluding Vale assets acquisition

2) Excluding Extruded Products

- Sustaining capex NOK 3 billion annually
- No major growth projects planned for 2013
- ~85% of capital to be allocated upstream in 2013
- Depreciation significantly higher than sustaining capex

02

Financial reporting
going forward

Reporting effects following Sapa joint venture

Until closing

- Extruded Products reported as “discontinued operations” from Q4 2012
 - Continue to present Extruded Products details

After closing

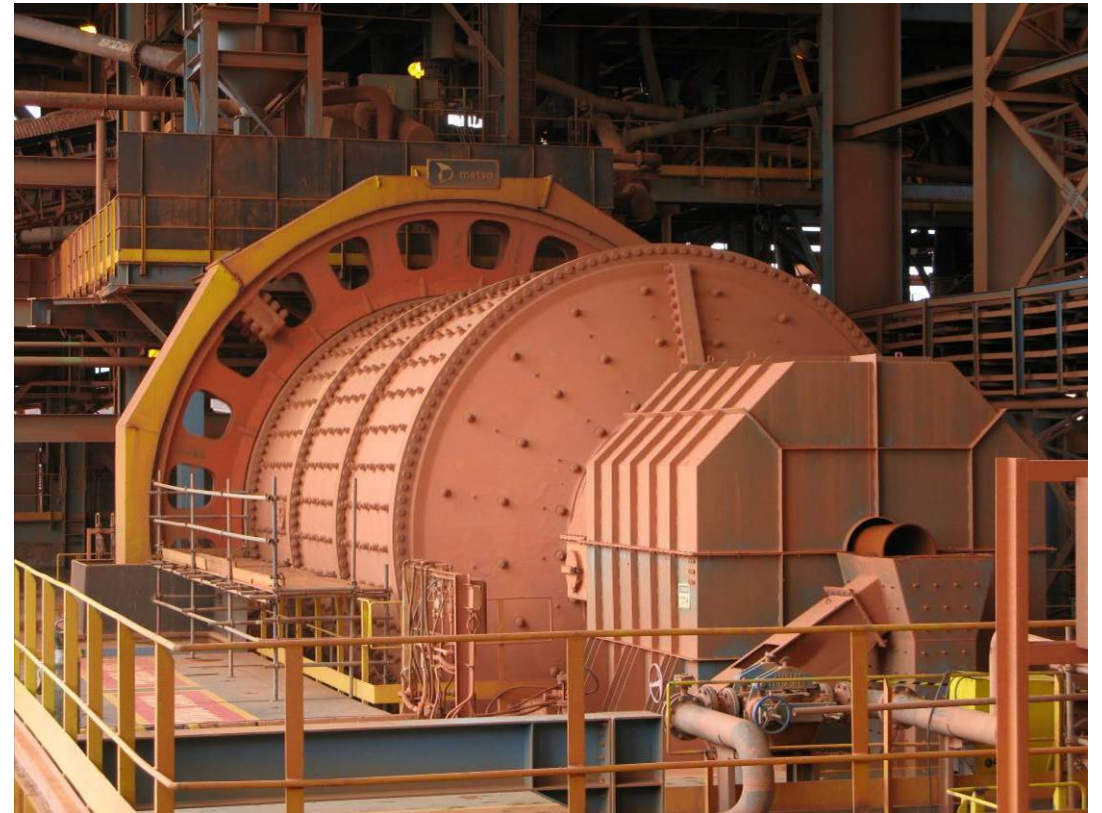
- Expect to recognize a gain
- Sapa joint venture accounted for according to equity method

- Closing expected during first half 2013



Pension

- Pension liability highly dependent on assumptions
 - Hydro estimate 2% discount rate in Norway
 - Ongoing discussion on what discount rate to use
- Net pension liability at fair value estimated up ~NOK 1 billion from end-2011 to end-2012
 - Reduced discount rates
 - Extruded Products as discontinued operations
- New IFRS pension regulations as of 2013
 - Total net pension liability on balance sheet
 - No unrecognized item, re-measurements taken towards equity
 - Unrecognized loss at end-2011 of ~NOK 1 billion
- 2013 pension cost estimated to increase
 - Partly as financial item



New pricing formula for metal sales



Today

- 3-month forward pricing formula
 - 3-month LME price with 3.5-4 month lag
 - Done to match customer pricing behavior

From February 1, 2013

- 1-month forward pricing formula
 - Spot LME price with 1.5-2 month lag
 - Customer pricing metal closer to delivery following the financial crisis

Short-term update: continued challenging markets

- Decreasing LME price
- Stable Platts alumina price
- Seasonal decline downstream
- Higher energy production and prices
- Macro uncertainty and weak markets

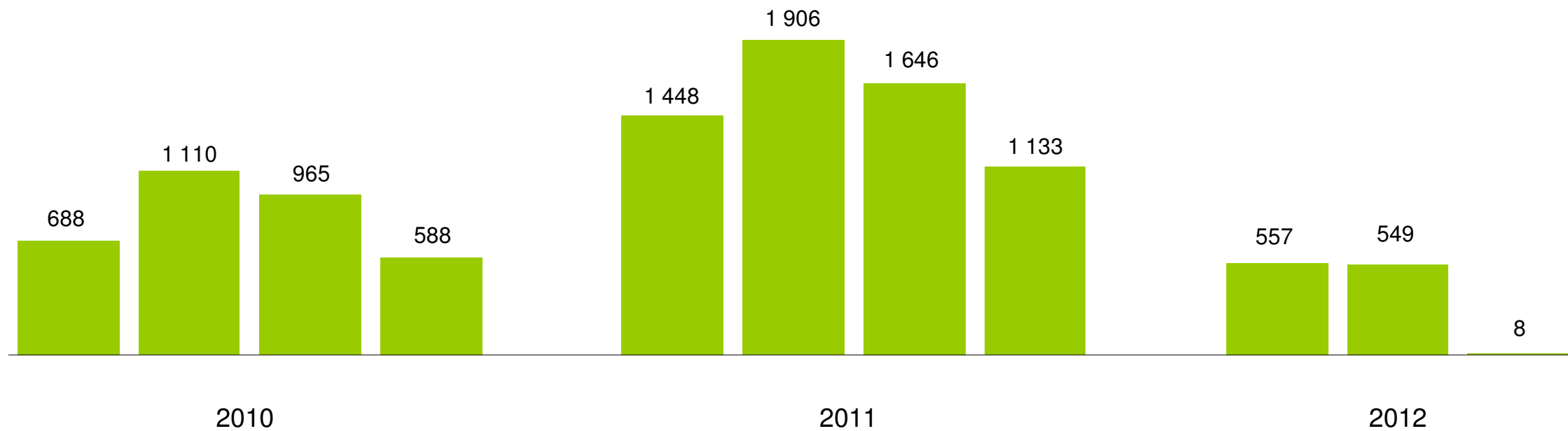


03

Improvement
efforts

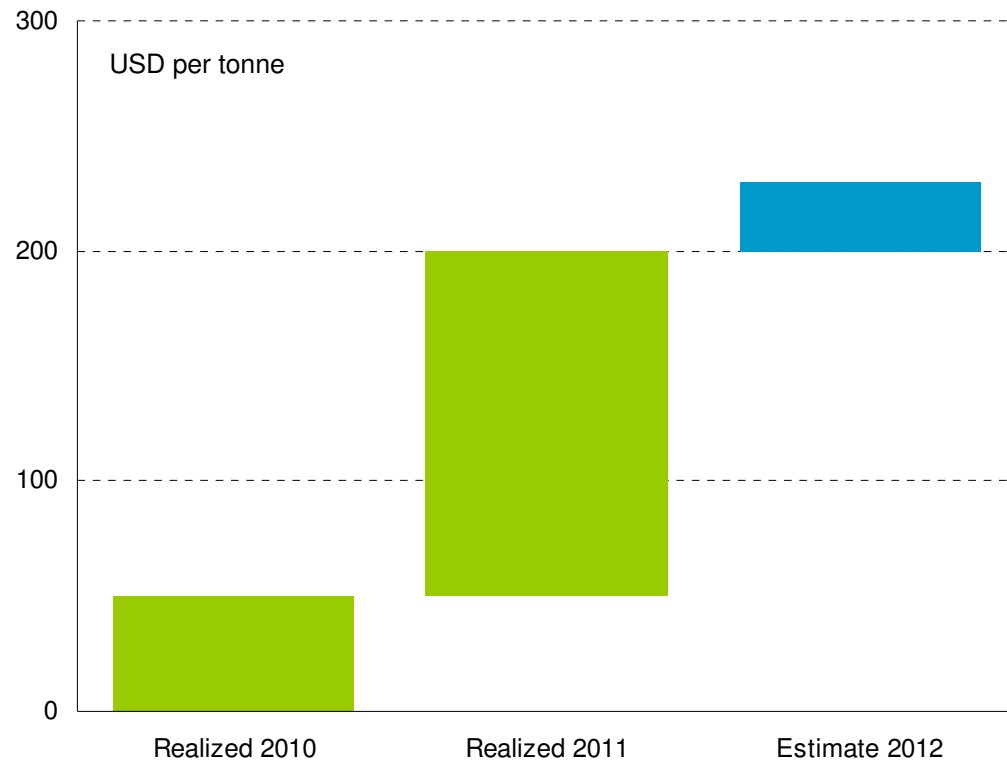
Challenging markets

Underlying EBIT in NOK million

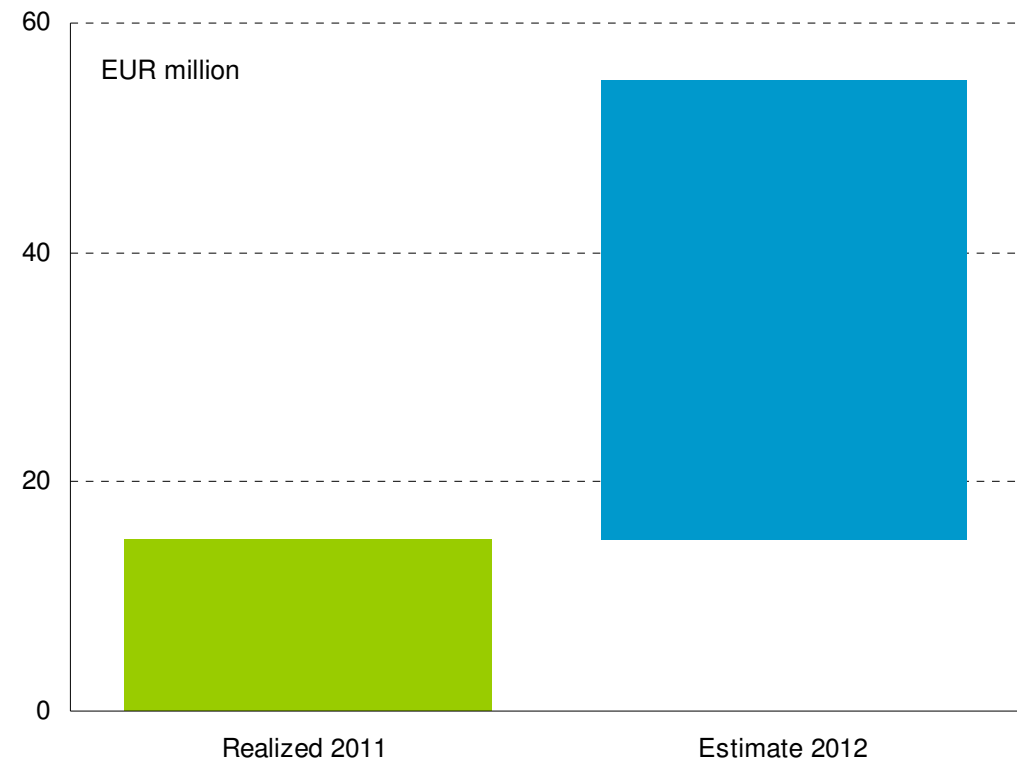


Significant achievements in ongoing improvement efforts

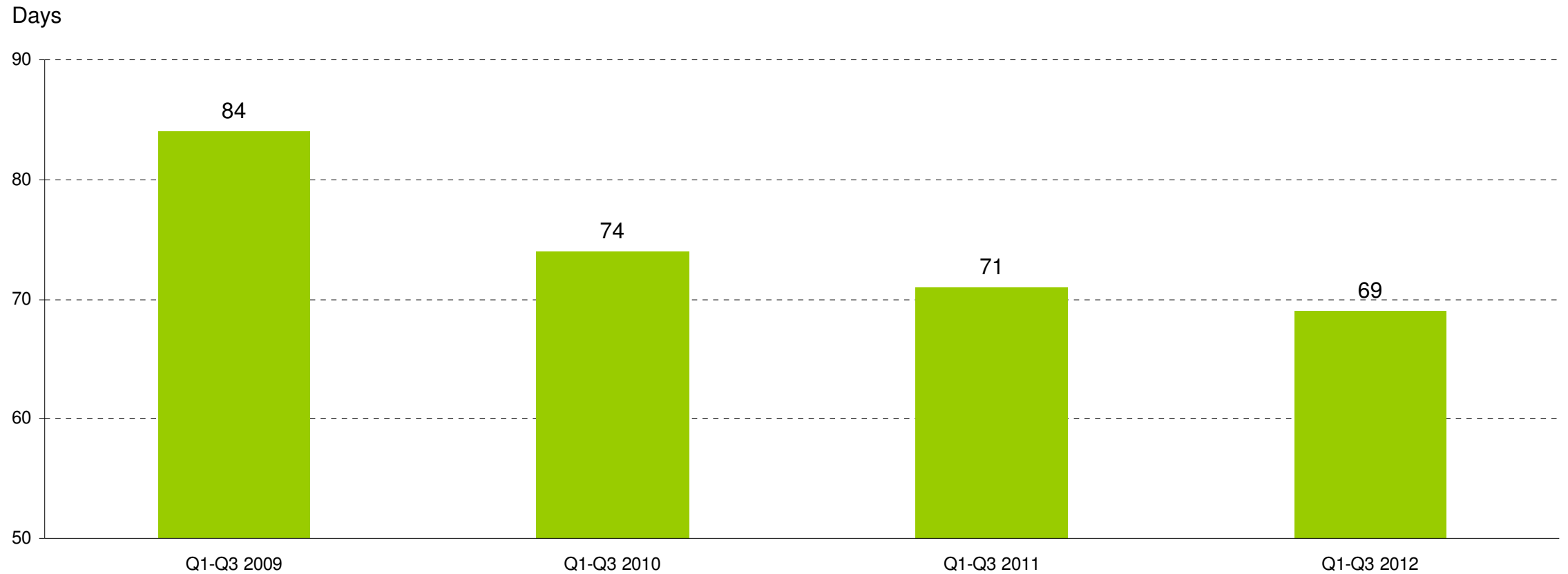
Primary Metal



Extruded Products



Positive trend in net operating capital days



04

Sensitivities

Understanding of Hydro's earning drivers

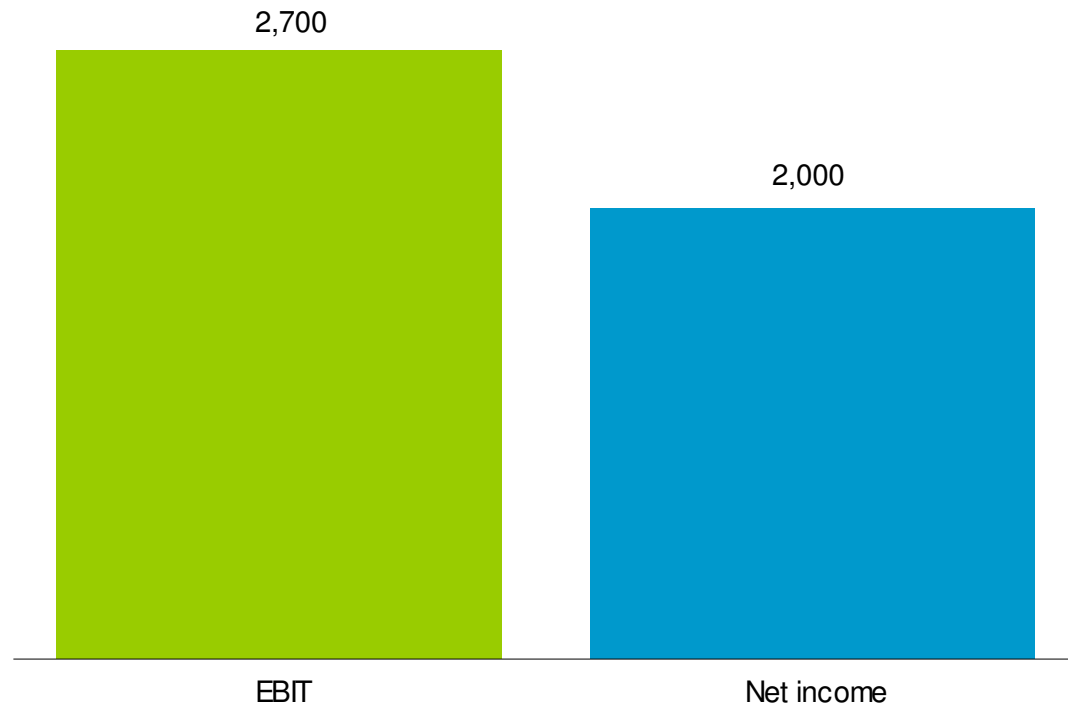


- Starting point and assumptions
- Simplified models
- Negative correlations
- Complexity

Price and currency sensitivities

Aluminium price sensitivity +10%

NOK million



Currency sensitivities +10%

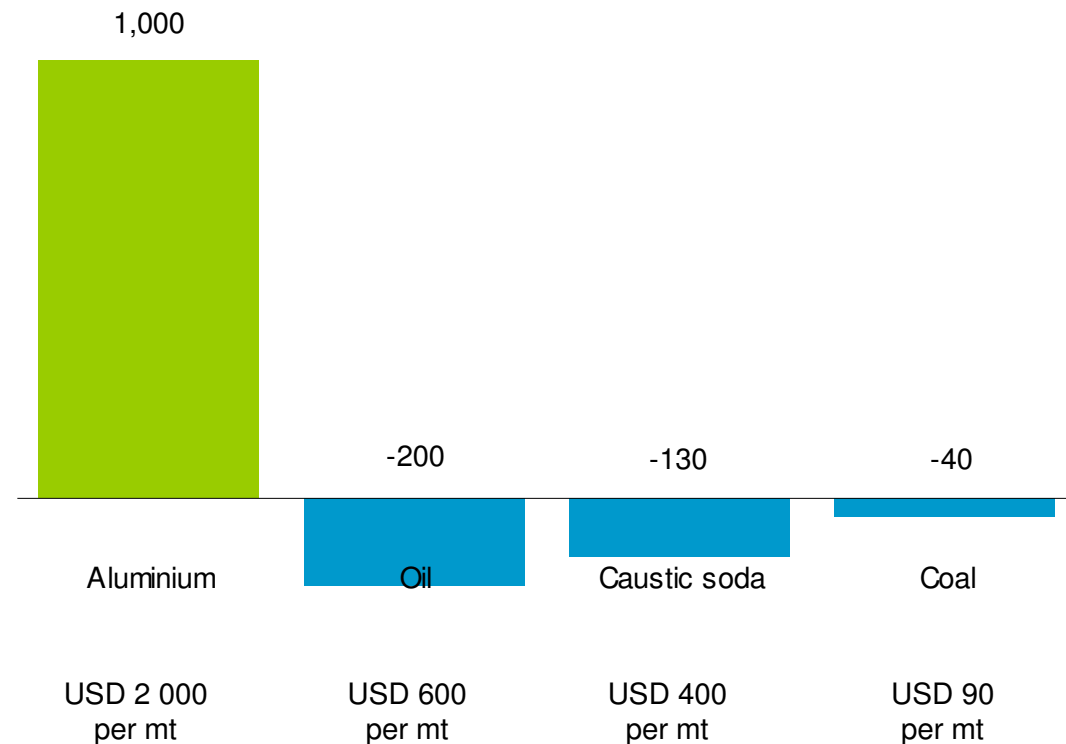
| NOK million | EBIT | Financial items | Income before tax | Net income |
|-------------|-------|-----------------|-------------------|------------|
| USD | 2 100 | (700) | 1 400 | 1 000 |
| BRL | (850) | 650 | (200) | (100) |
| EUR | (150) | (1 400) | (1 550) | (1 100) |

- Annual sensitivities based on expected business volumes for 2013, LME USD 2 000, NOK/USD 5.80, NOK/BRL 2.80 and NOK/EUR 7.40
- Aluminium price sensitivity is net of aluminium price indexed costs and excluding unrealized effects related to operational hedging
- USD sensitivity on financial items is based on estimated year-end financial position
- Currency sensitivities on financial items includes effects from intercompany positions

Bauxite & Alumina sensitivities

Sensitivities on underlying EBIT if +10% in price

NOK million



Revenue impact

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

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 average of CMAI and Harriman US, pricing quarterly or per shipment

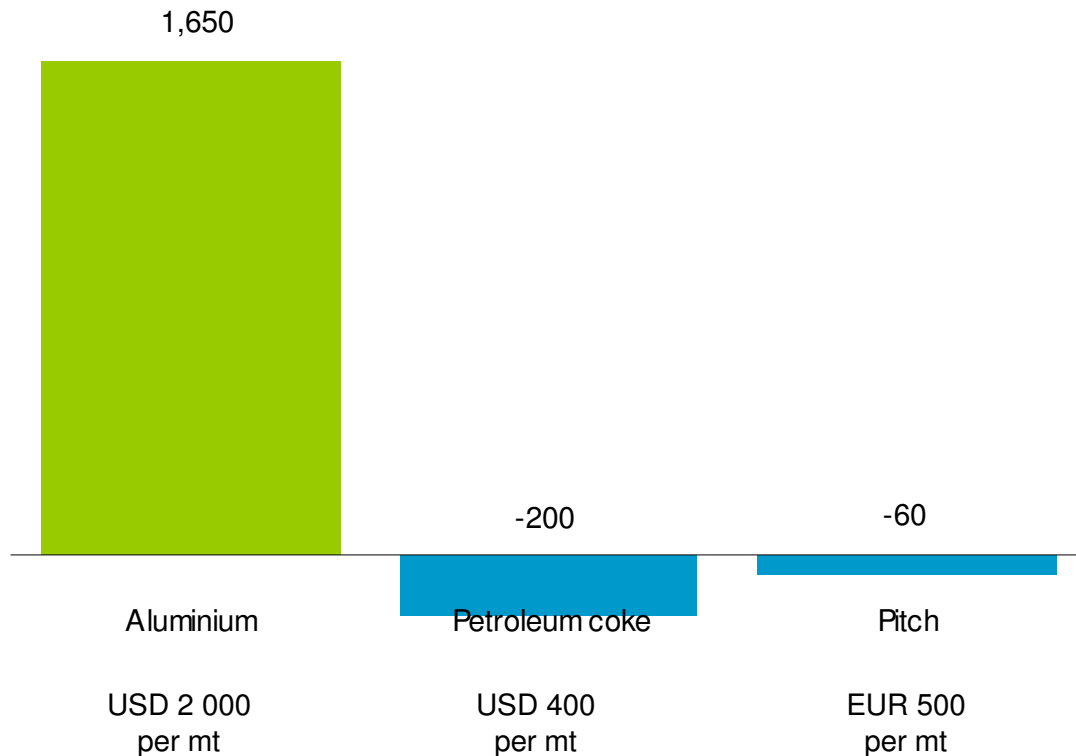
Energy

- ~0.11 tonnes coal per tonne alumina, one year contracts
- ~0.11 tonnes heavy fuel oil per tonne alumina, market prices
- 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 LME spot by ~1-2 months

Cost impact

Alumina

- ~1.9 tonnes per tonne aluminium
- ~14% of 3-month LME price per tonne alumina, increasing volumes priced on Platts index
- ~Two months lag
- ~2.5 million tonnes alumina in transatlantic freight

Carbon

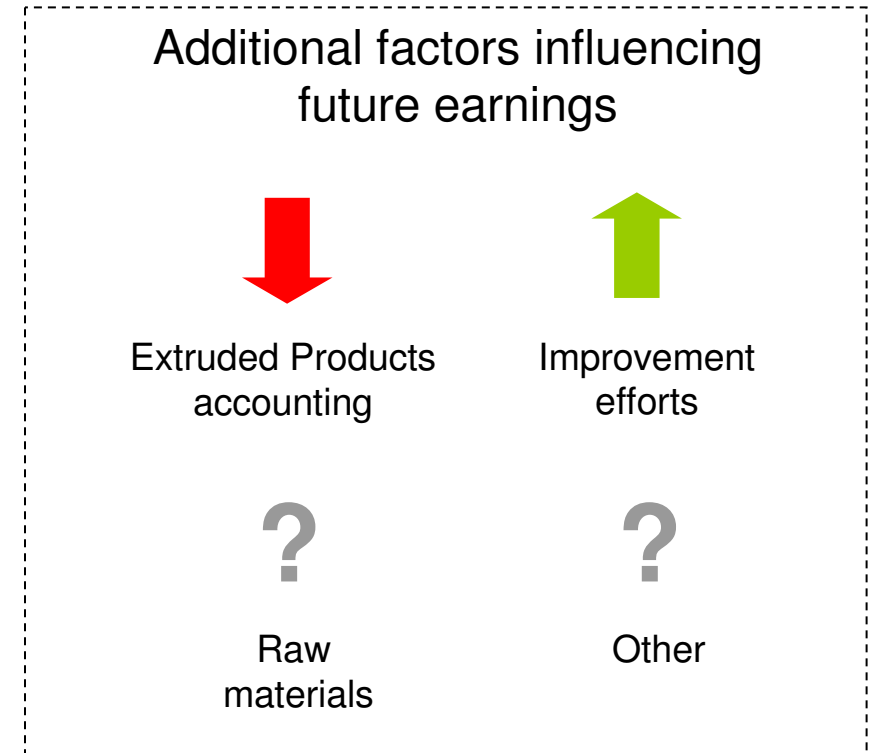
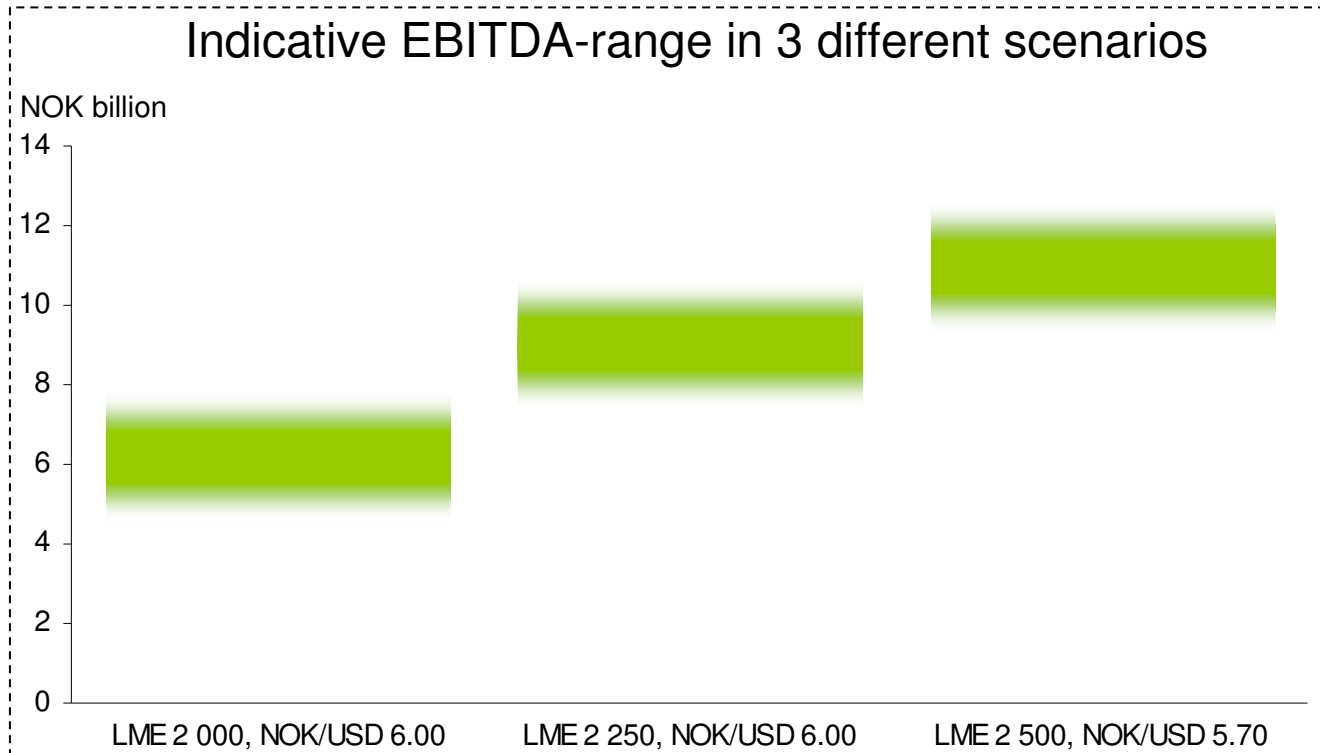
- ~0.35 tonnes petroleum coke per tonne aluminium
- ~0.08 tonnes pitch per tonne aluminium
- Half-yearly pricing

Power

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

Annualized underlying EBITDA scenarios

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



Solid operational cash flow

Last 4 quarters underlying EBITDA as basis. Non-LME related revenues/cost and other currencies unchanged. Uncertainty on several items compared to baseline, including Bauxite & Alumina production increases, raw material cost development, Energy, Metal Markets and Rolled Products earnings development. Extruded Products joint venture with Sapa expected to close in first half 2012.

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Summary

Financial priorities

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





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
 - One month forward sales
- 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

Flexibility to hedge LME or currency in certain cases

Adjusted net debt

| NOK billion | Dec 31, 2009 | Dec 31, 2010 | Dec 31, 2011 | Sep 31, 2012 |
|--|-----------------|-----------------|-----------------|-----------------|
| Cash and cash equivalents | 2.5 | 10.9 | 8.4 | 8.7 |
| Short-term investments | 1.5 | 1.3 | 1.8 | 2.5 |
| Short-term debt | (1.9) | (0.9) | (4.3) | (6.3) |
| Long-term debt | (0.1) | (0.3) | (4.2) | (4.8) |
| Net cash/(debt) | 2.0 | 11.0 | 1.7 | 0.0 |
| Cash and short-term investments in captive insurance company | (1.5) | (1.4) | (1.3) | (1.3) |
| Net pension liability at fair value, net of expected tax benefit | (5.6) | (5.5) | (6.9) | (6.6) |
| Operating lease commitments, net of expected tax benefit | (1.7) | (1.7) | (3.1) | (3.1) |
| Net interest-bearing debt in equity accounted investments* | (8.0) | (7.8) | (7.4) | - |
| Other financial obligations, net of expected tax benefit | (0.9) | (0.9) | (2.9) | (2.6) |
| Net adjusted cash/(debt) | (15.5) | (6.4) | (19.9) | (13.6) |

* Net interest-bearing debt in equity accounted investments taken out of adjusted net debt as of Sep 30, 2012, (NOK 6.3 billion) due to end of completion guarantee Qatalum.

Creating a global leader

Svein Richard Brandtzæg

Capital Markets Day 2012



Hydro's path towards global leadership

Curtailing 26% of primary metal capacity



2009

Launching USD 300 program



2010

Announcing SAPA JV



Creating the world's leading aluminium solutions provider

2012



Starting up Qatalum



Acquiring bauxite and alumina assets

Qatalum

Building a world-class, first-quartile smelter



Bauxite & Alumina

Acquiring high-quality raw materials in Brazil



Sapa joint venture

Establishing a global extrusion champion



The industry's most ambitious repositioning drive

Implementing improvement programs across the value chain



Bauxite & Alumina
'From B to A'

Primary Metal
'USD 300 program'

Rolled Products
'Climb 10'

Extruded Products
'Mission 1000'

Hydro Capital Markets Day 2011

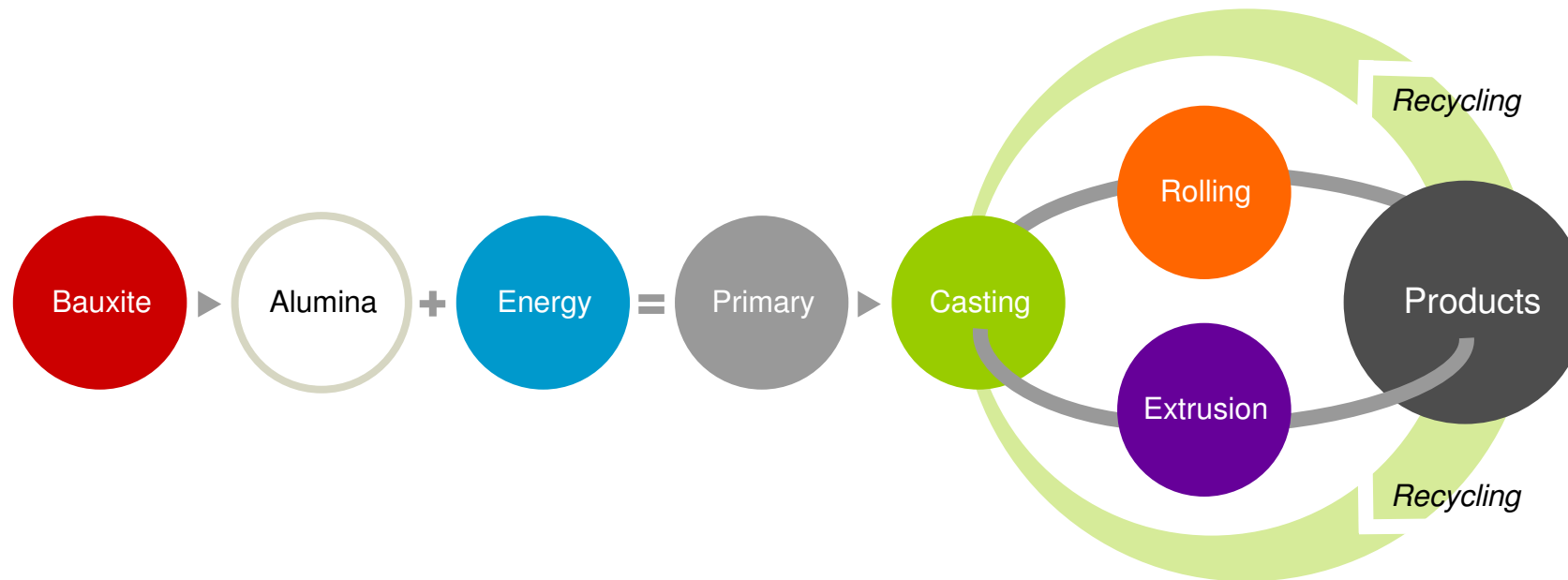
Recap

- Improve relative position
- Focus on operational excellence
- Develop commercial opportunities
- Manage portfolio actively

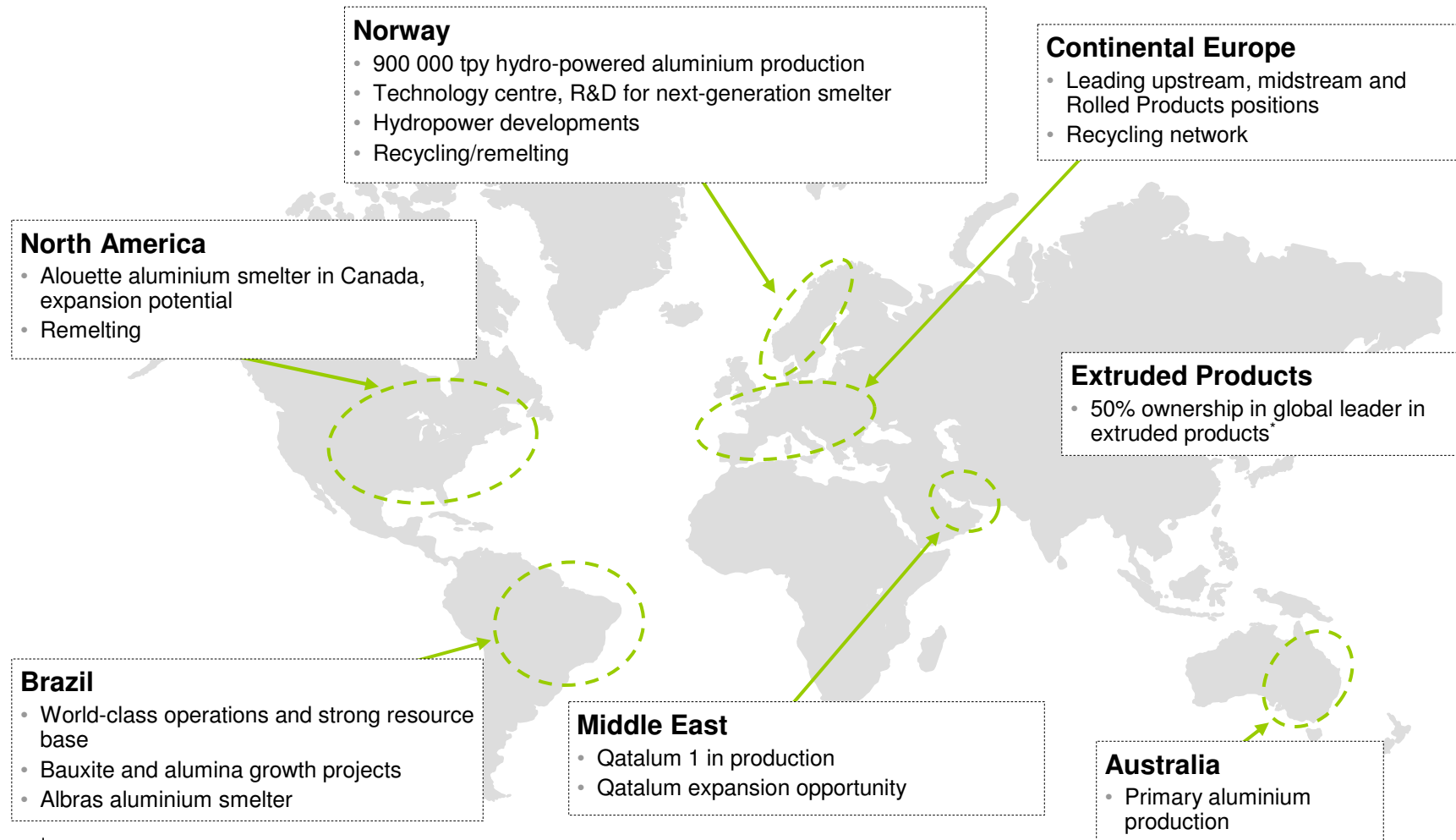


A resource-rich global aluminium company

Robust positions across the value chain



Attractively positioned, global reach



* Pending regulatory approval

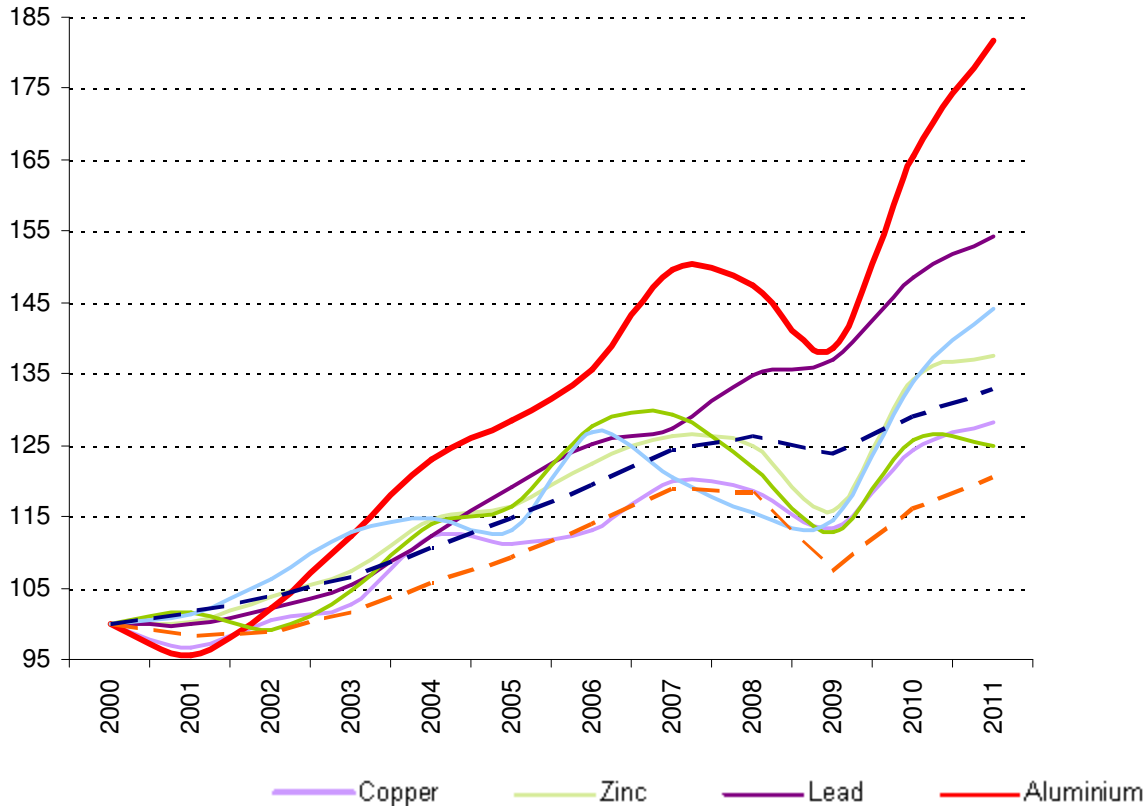
Challenging
markets, positive
long-term trends



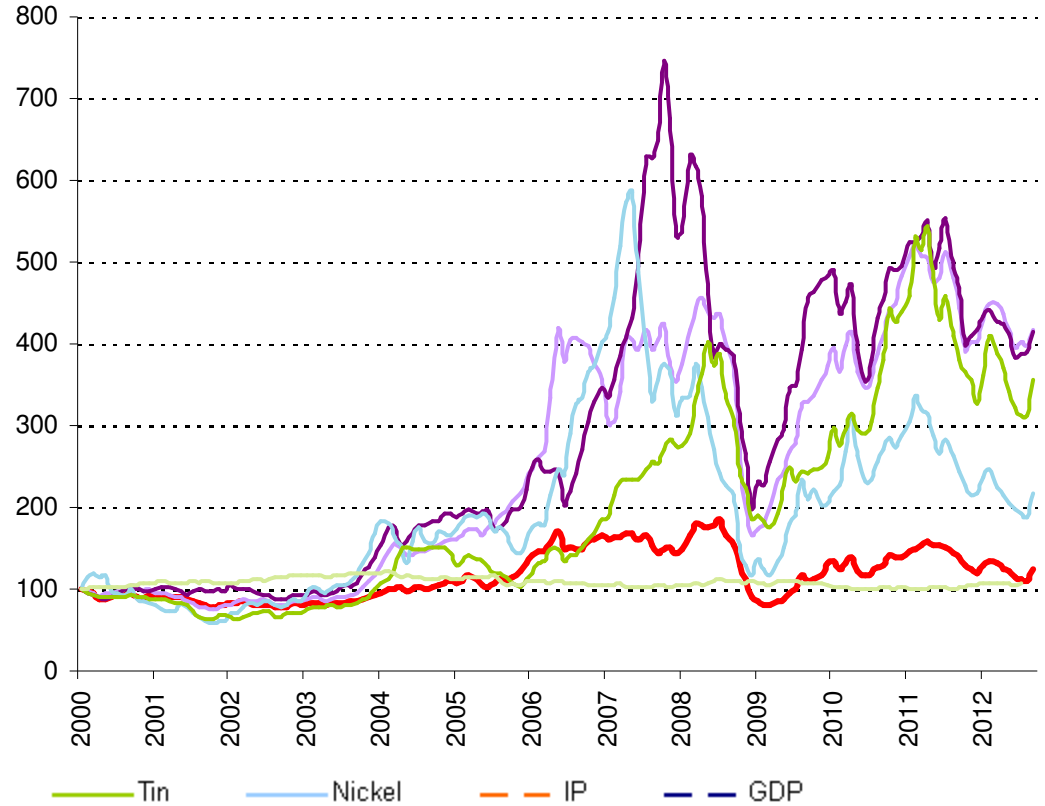
Solid history of growth in aluminium demand

Yet industry's ability to capitalize on the rising trend remains a concern

Yearly consumption (Index 2000=100)



3-month LME price (Index 2000=100)



Source: CRU/Global Insight

Volatile world economy



North America

- Labor market improving
- Consumer sentiment picking up
- Industrial production moderating

Europe

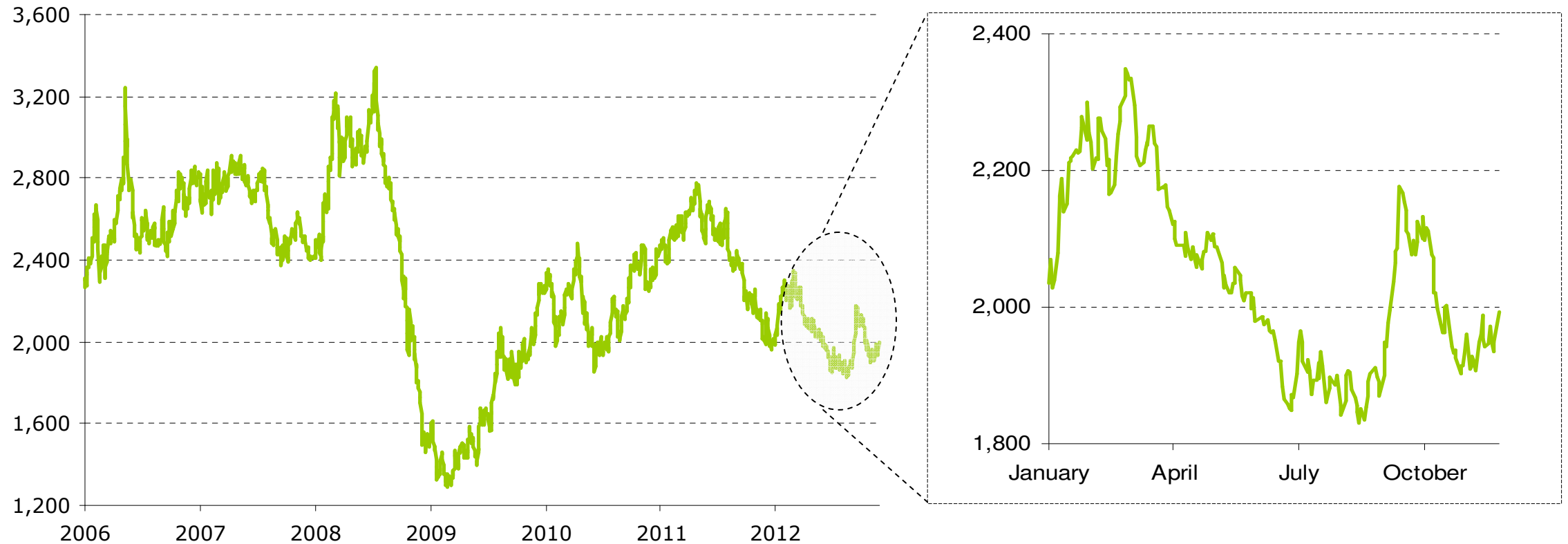
- Ongoing sovereign debt crisis
- Weak growth in industrial production in line with poor PMI
- ECB shows strong willingness to support the euro

China

- Economic growth softening
- Exports subdued by weaker global demand
- Rebalancing of the economy

Aluminium prices reflecting current macroeconomic uncertainty

LME 3-month in USD per mt

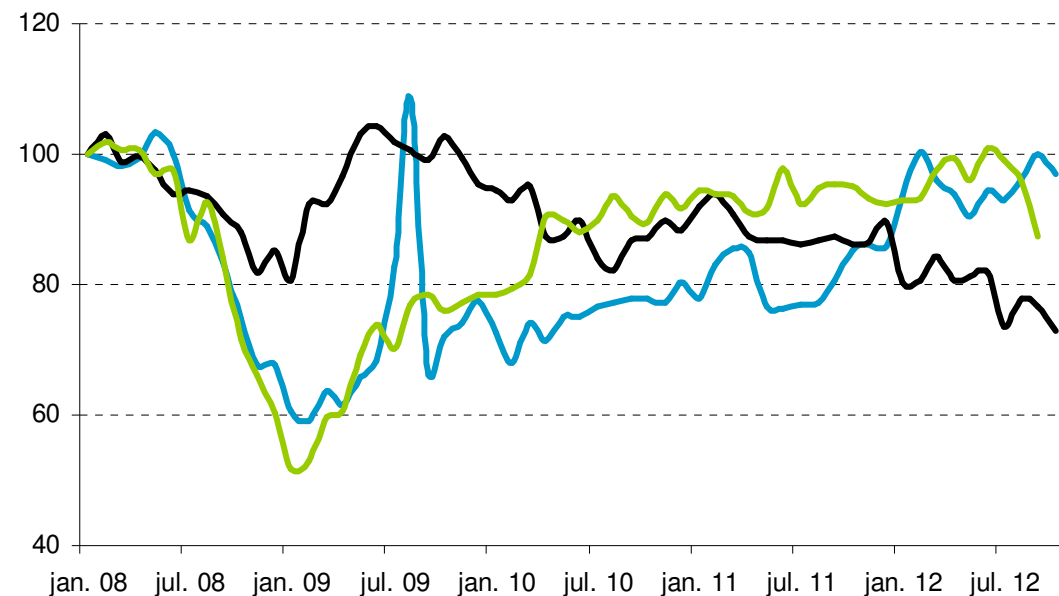


Source: Reuters Ecowin

Demand-side indicators illustrating multi-speed world economy

Automotive indicators

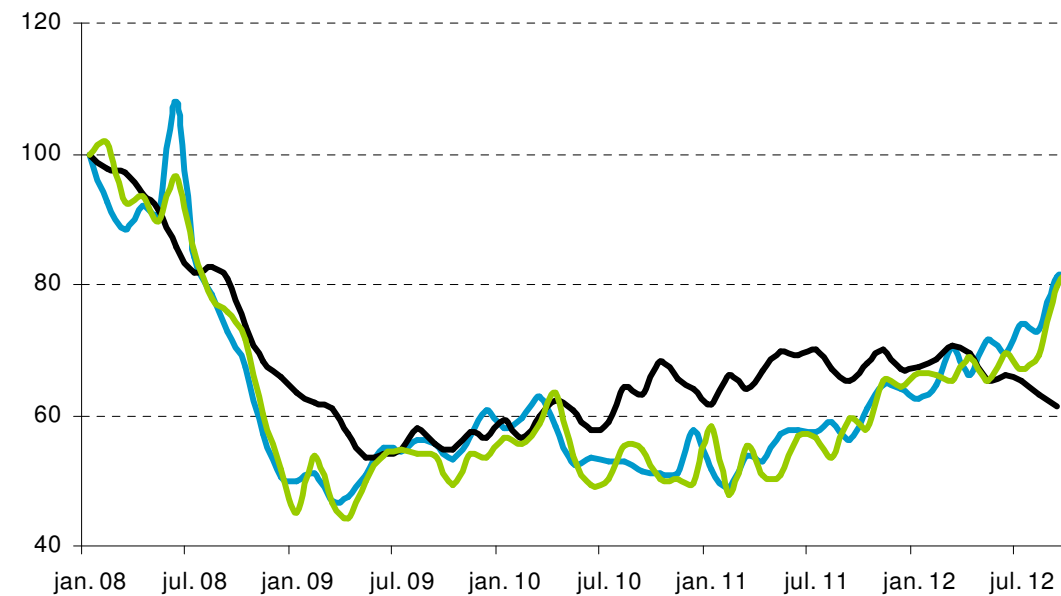
January 2008=100



- US car sales
- Eurozone cars registration
- German export motor vehicles, new orders

Construction indicators

January 2008=100



- US Building Permits
- EU order book construction
- US new private housing starts

Source: US Department of Commerce, Deutsche Bundesbank, ECB, Directorate General for Economic and Financial Affairs

Global megatrends favor continued rise in aluminium demand

Megatrends



Millions climb out of poverty



Increasing demand for energy



Climate challenge

Impact

- Industrialization
- Infrastructure
- Transport
- Construction
- Consumer products

- CO₂/GHG legislation
- Renewable energy
- Energy efficiency
- New transport trends

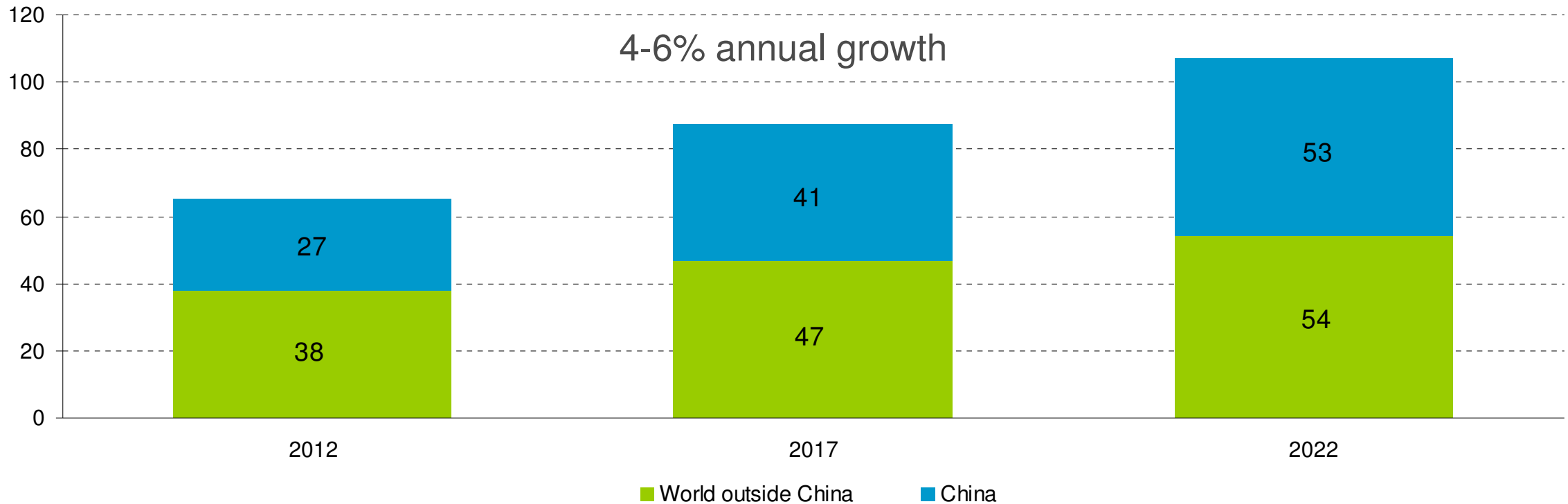
Aluminium industry effect

- Automotive, rail and aerospace
- Electrical cables
- Consumer goods
- Packaging
- Construction

- Smelter efficiency
- Energy-efficient buildings
- Stronger recycling focus
- Automotive light-weighting
- Materials substitution

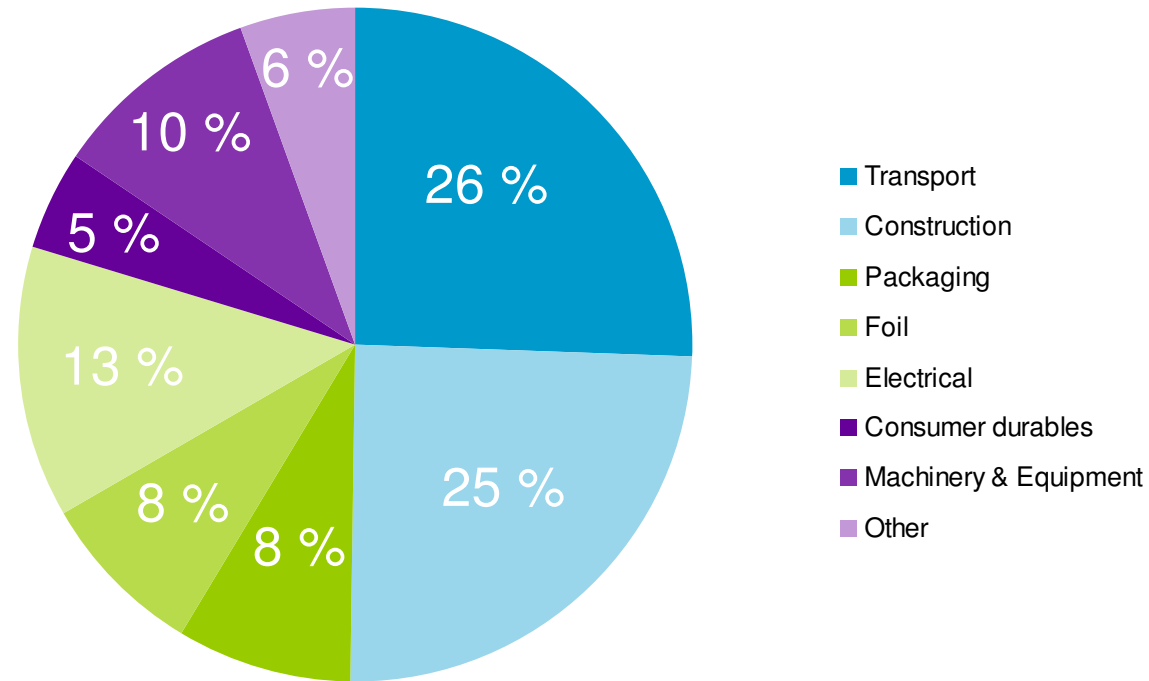
Positive long-term outlook for growth in aluminium demand

Demand for semis in million mt



Source: CRU

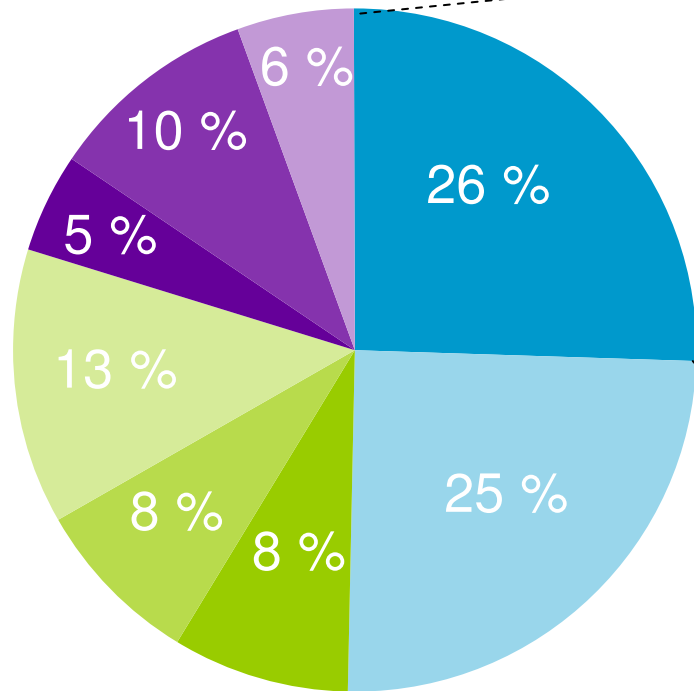
Highly versatile metal, broad range of applications



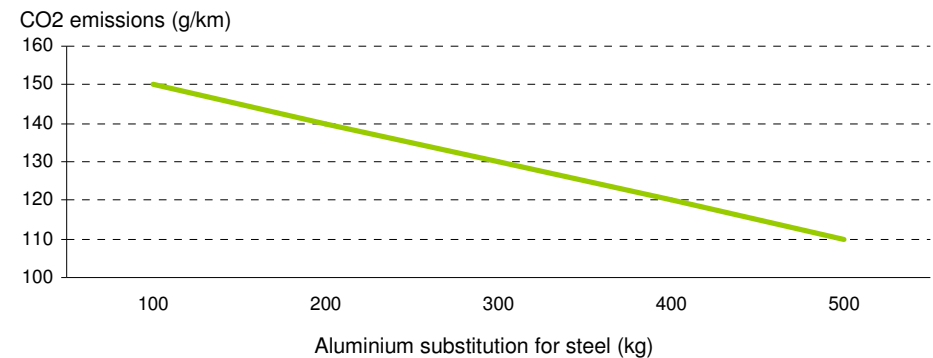
Source: CRU. Global demand per segment demand, 2011.

Strong trend in automotive light-weighting

Gaining ground in high-volume segments

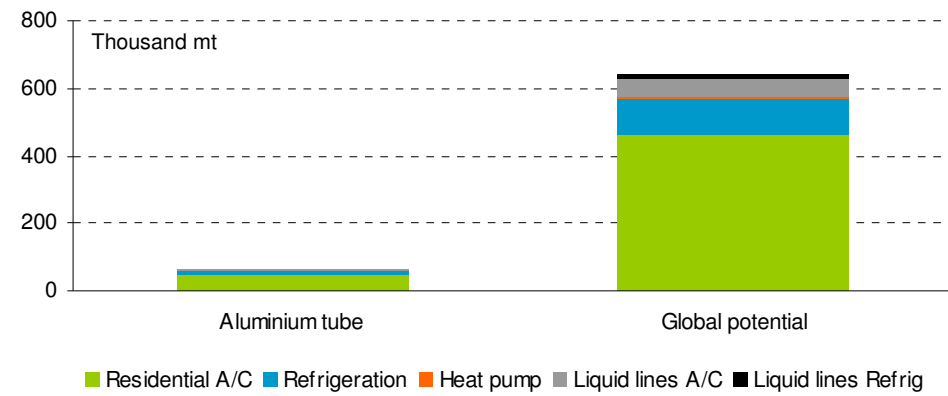
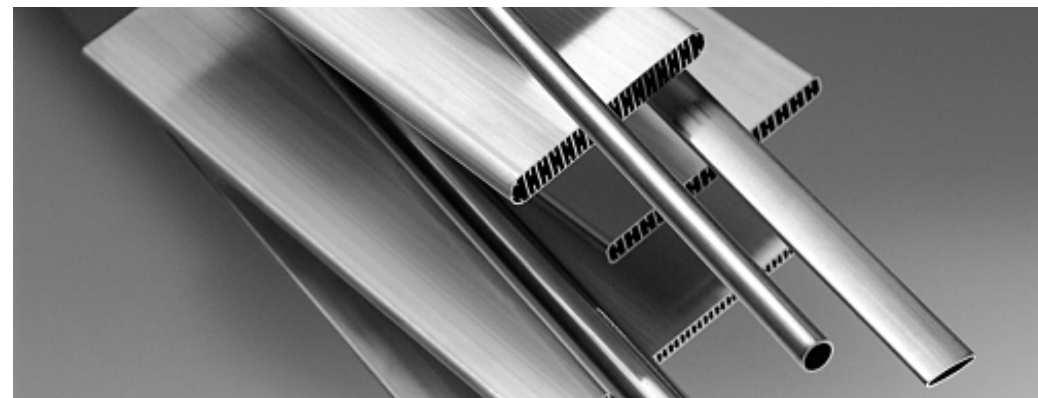
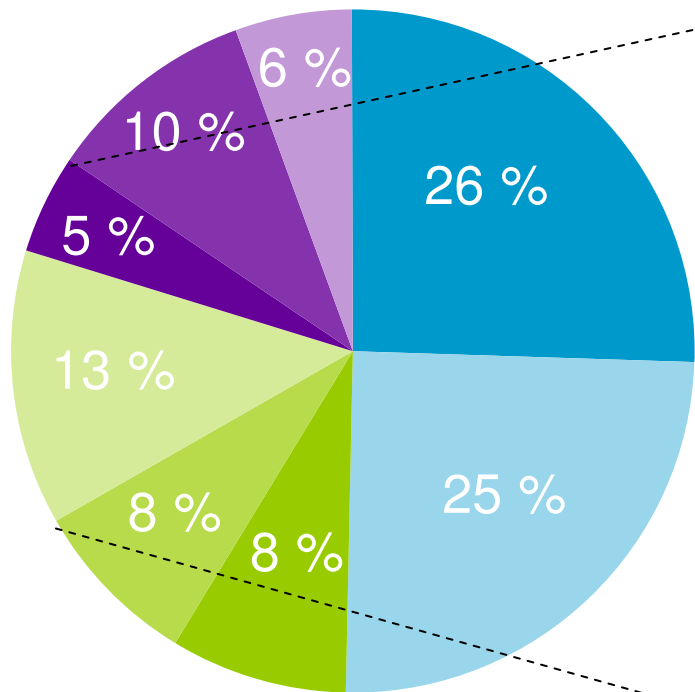


Body-In-White – 16% CAGR estimated



Aluminium gaining from materials substitution

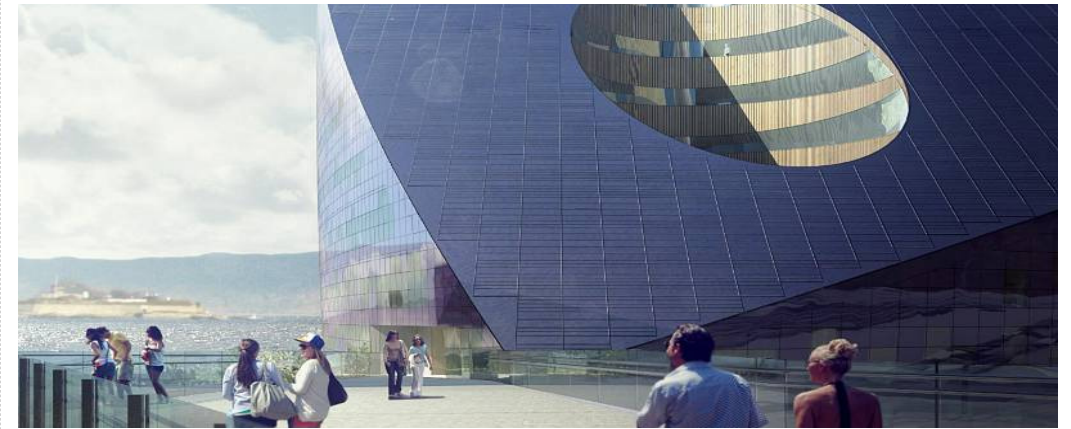
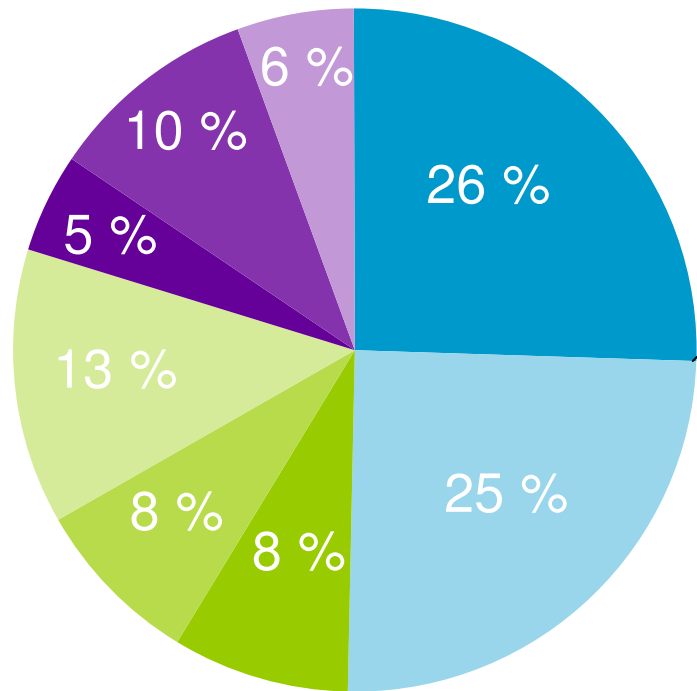
Strong potential in HVACR market



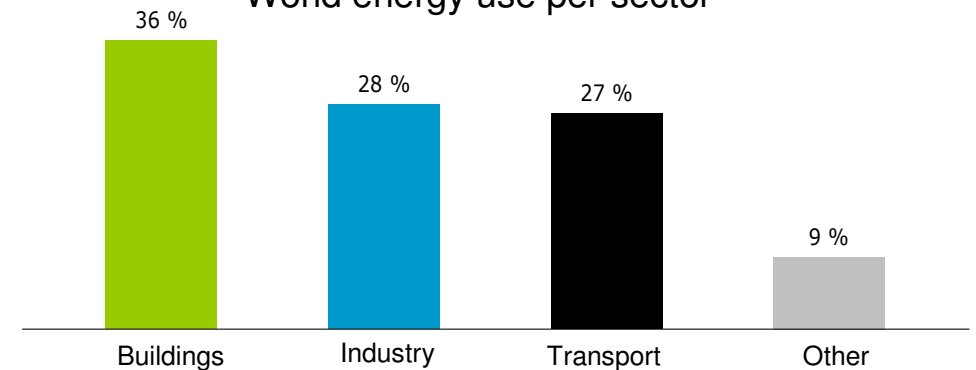
HVACR= Heating, Ventilation, Air Conditioning, Refrigeration. 2010 figures

Construction turns to aluminium to create energy-efficient solutions

Considerable global potential



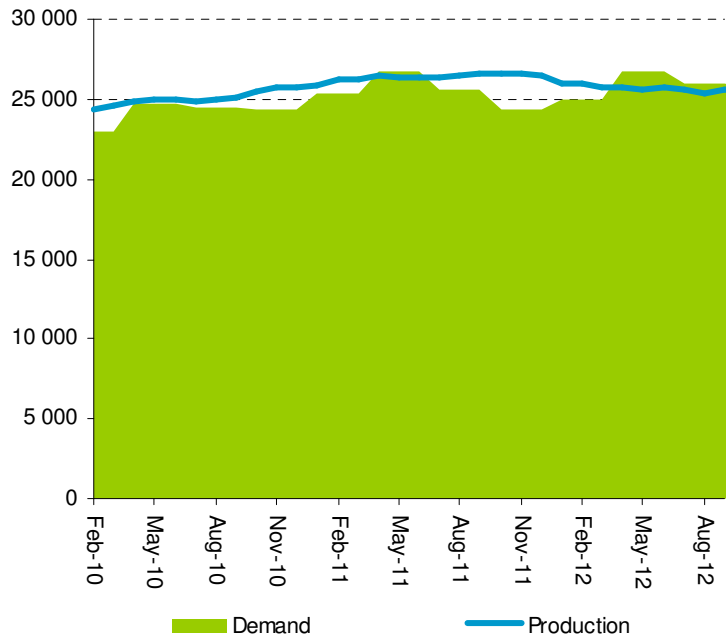
World energy use per sector



Source: IEA, 2010

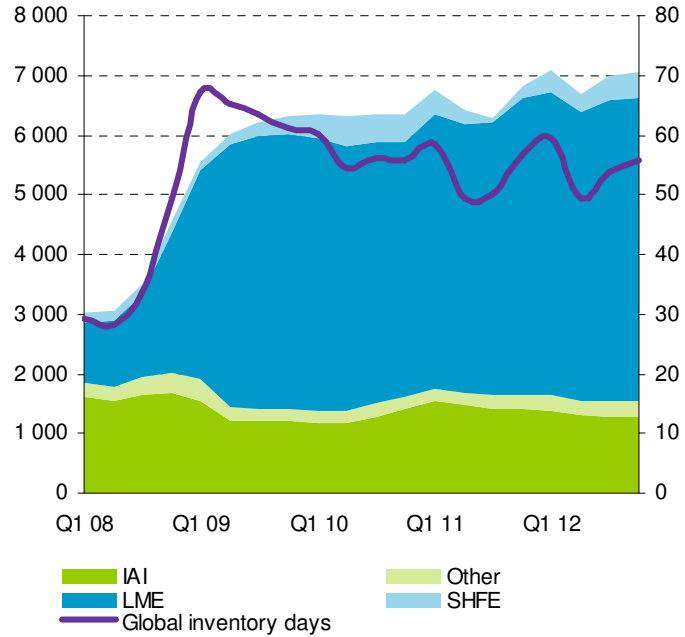
Low prices despite balanced primary metal market

Balanced market



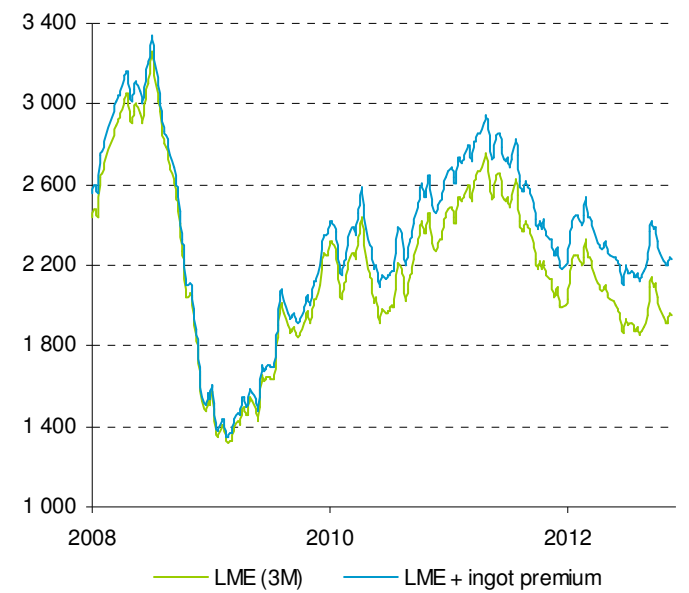
Primary Metal, world outside China in million mt

Large inventories



Registered inventories in million mt

Low and volatile LME

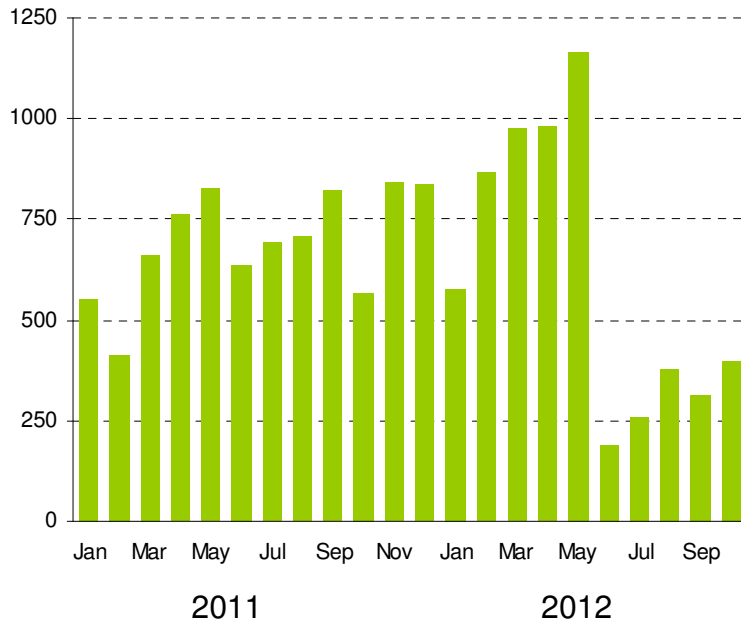


3-month LME, EU duty-paid ingot premium

Source: CRU/Ecowin/MB

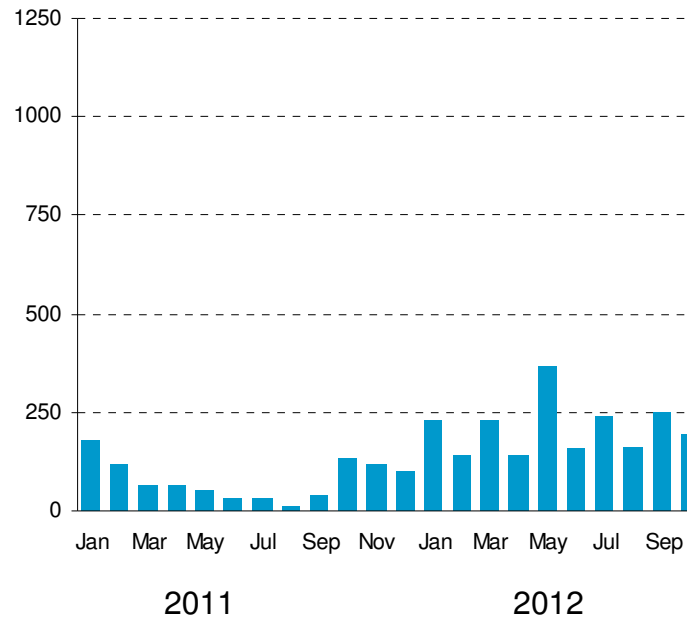
Bauxite and alumina market in transition

China bauxite import



Bauxite imports to China,
thousand tonnes (aluminium equivalents)

China alumina import



Alumina imports to China,
thousand tonnes (aluminium equivalents)

Commercialization



Platts alumina index

Source: Chinese customs/Platts



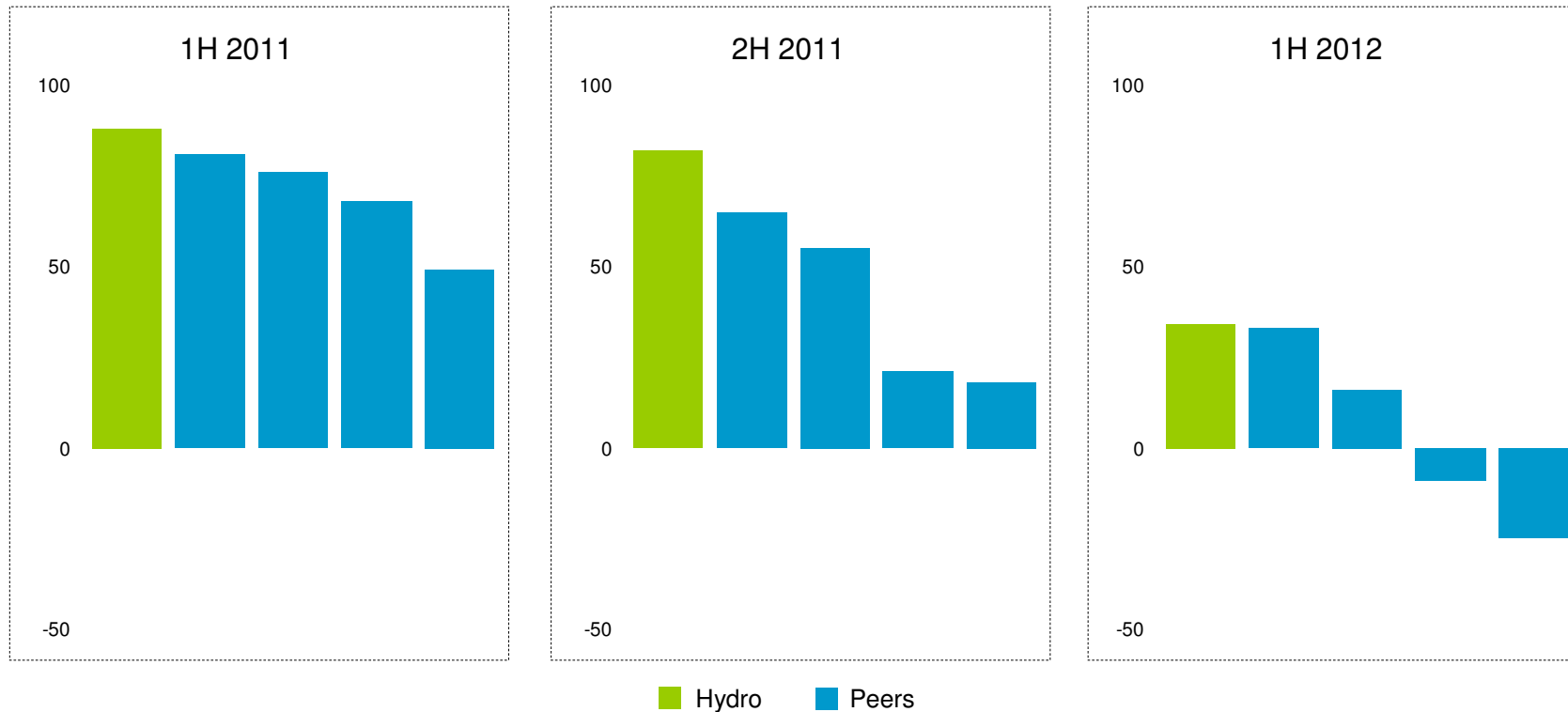
Aiming to become the
industry benchmark



Highly attractive bauxite and alumina position

Despite lower LME and weak EBITDA

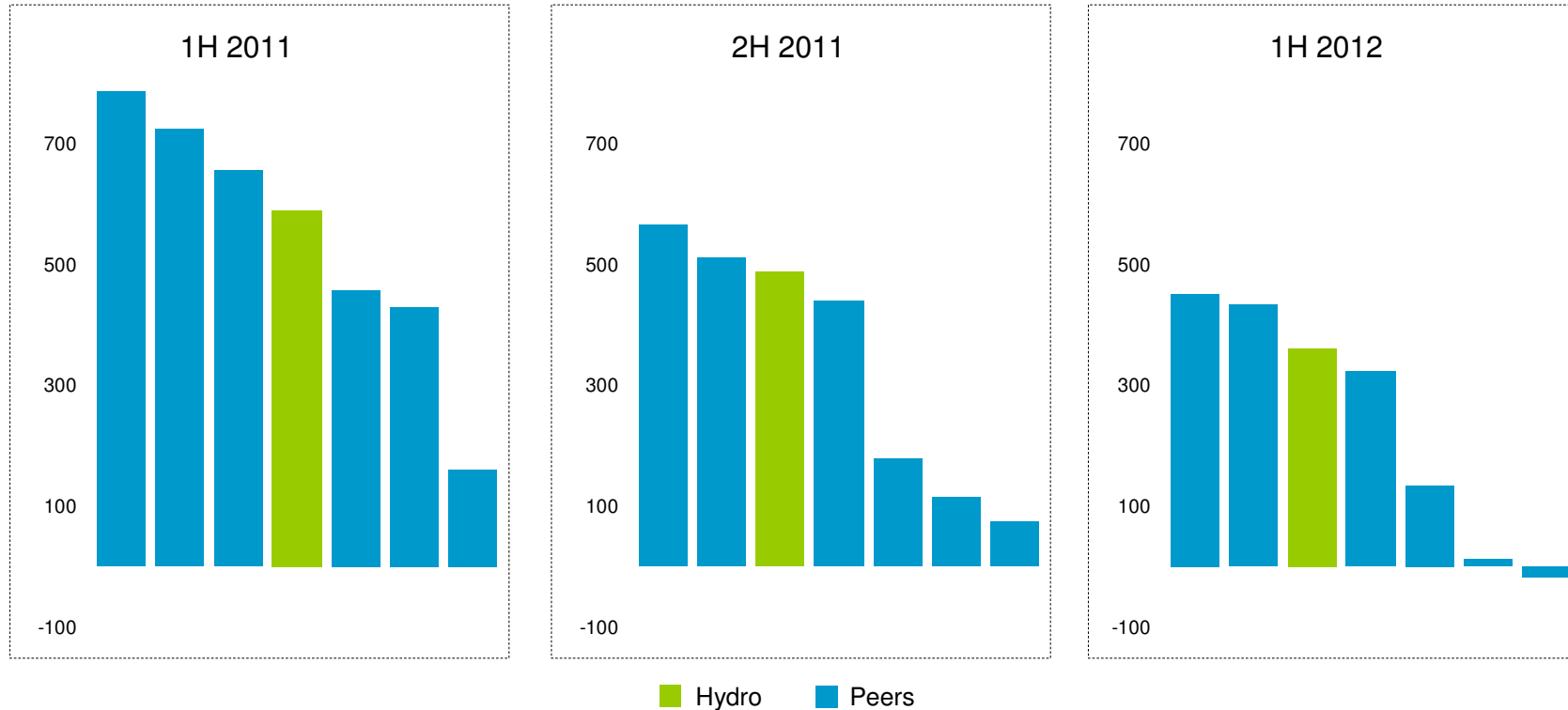
Underlying EBITDA per mt in USD for respective bauxite and alumina divisions



All figures based on public accounting data, not verified by Hydro. Data not adjusted for different accounting principles and non-specified underlying items. Hydro makes no representation as to the accuracy or completeness of such information. The analyses are based on assumptions subject to uncertainty and therefore intended only for general comparisons across companies and should not be used to support any individual investment decision. All results are provided for informational purposes only.

Improvement drive yields results in primary production

Underlying EBITDA per mt in USD for respective primary aluminium divisions

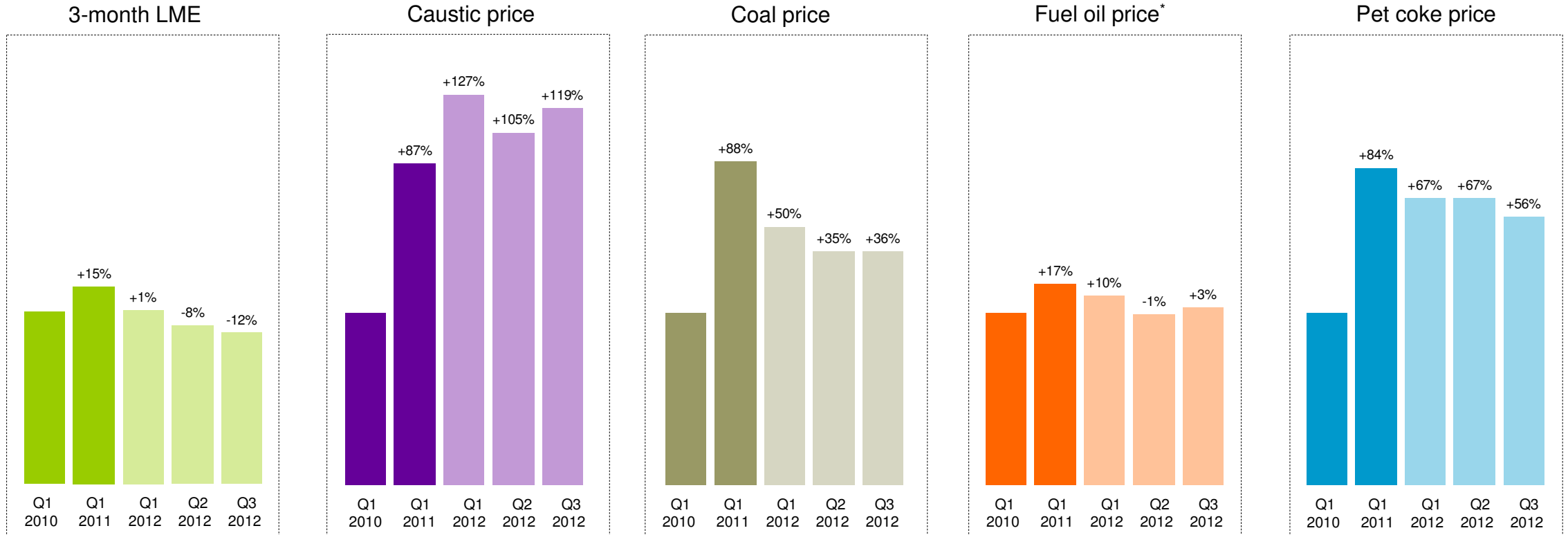


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Upstream raw material cost challenge

LME continues to lag key raw material prices

Indexed (Q1 2010=100)



Source: EcoWin (LME), CMAI/Harriman (Caustic soda), Platts Bolivar Index (Coal), ANP (Fuel oil) * ICMS effect not included in graph for 2012

Strengthening the competitiveness of Bauxite & Alumina

From B to A

Alunorte

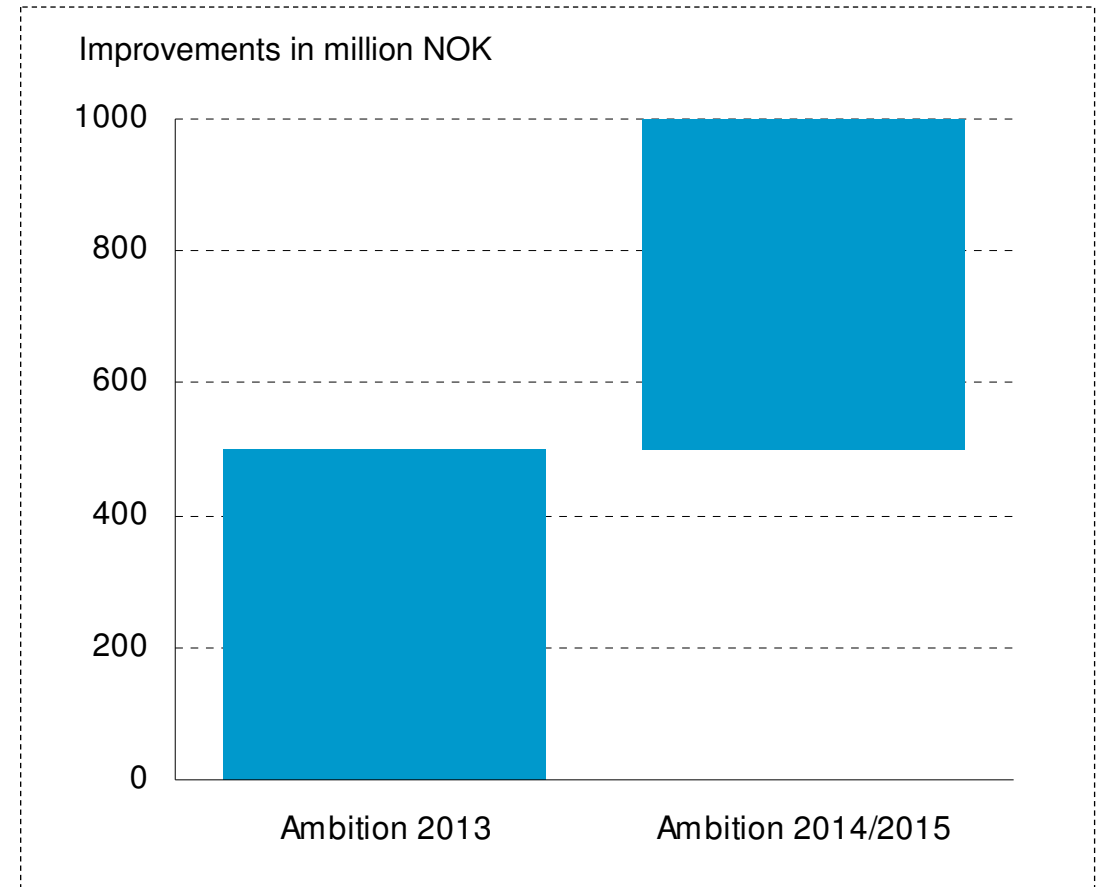
- Increase productivity and rightsize organization
- Stabilize performance at nameplate capacity
- Improve logistics efficiency

Paragominas

- Increase productivity and rightsize organization
- New methods to support production at nameplate capacity
- Improve product flow and minimize tailings

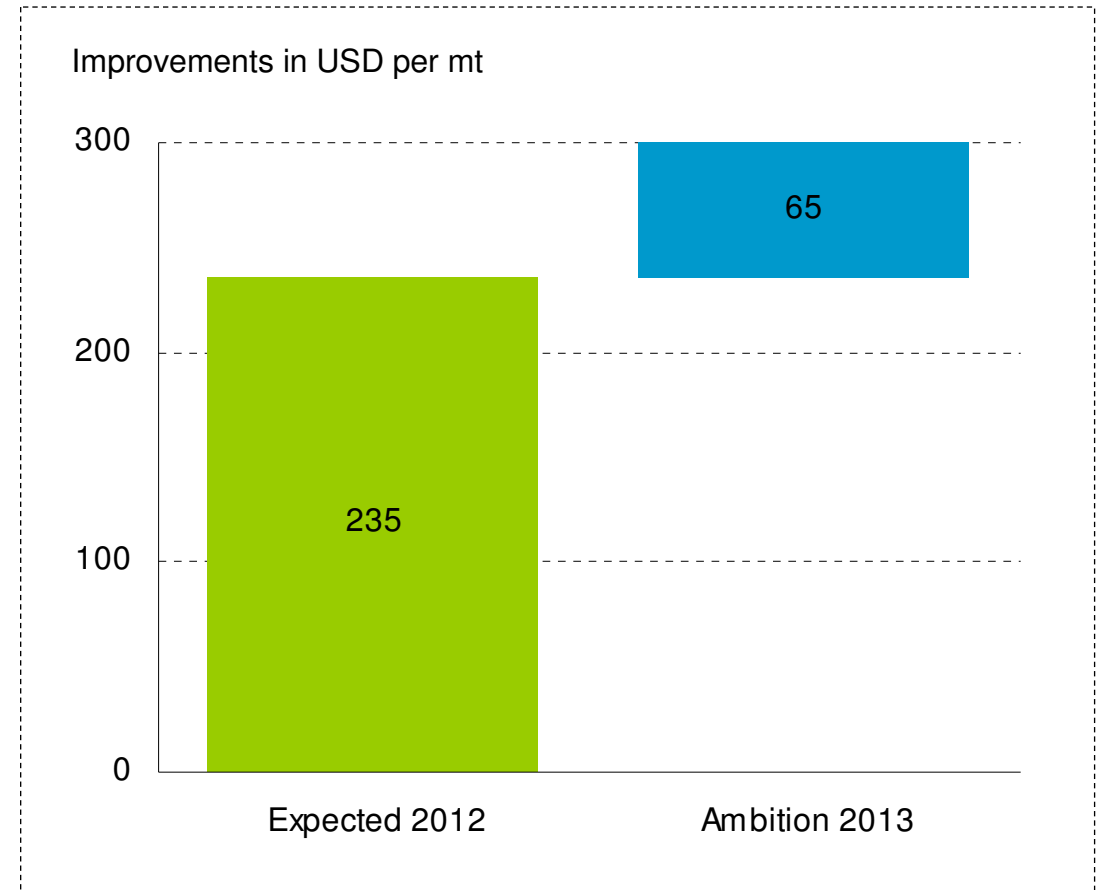
Commercial

- Base bauxite and alumina pricing on fundamentals
- Increase logistical flexibility and optimize scheduling

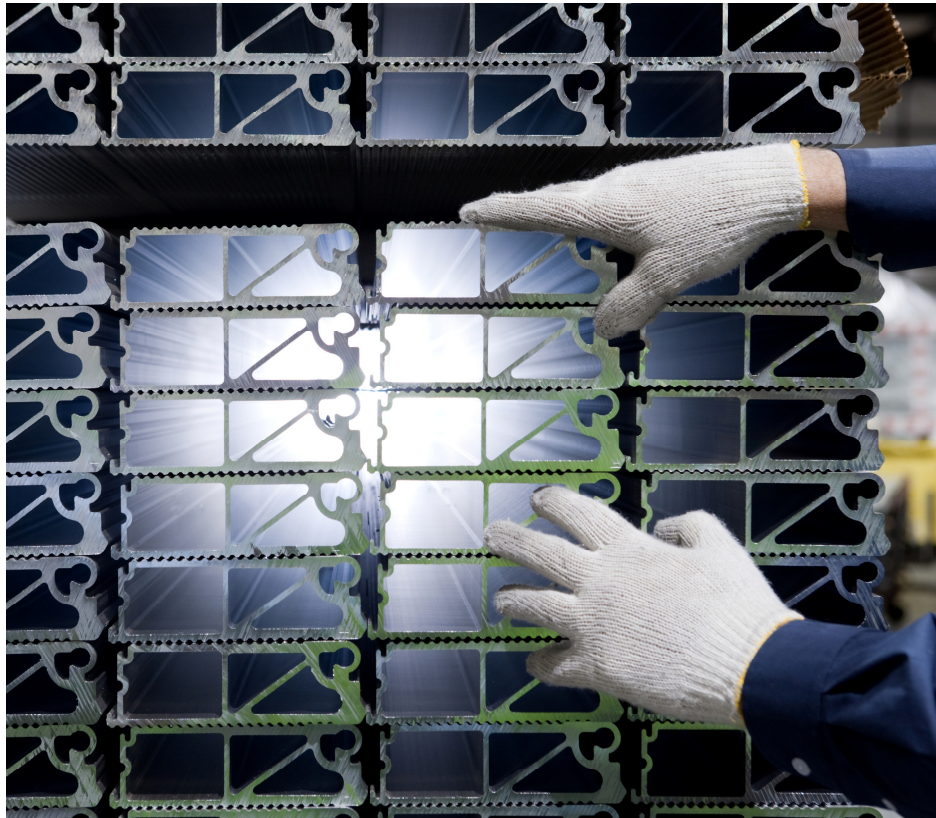


Primary Metal to complete USD 300 improvement program in 2013

- Estimated to deliver according to target for 2012
 - USD 235 per mt improvements by end-2012
 - Challenging markets put pressure on margin above standard ingot premium
 - Outperforming on cost reductions and operational improvements
- Target to deliver remaining USD 65 per mt in 2013



Extruded Products improvement program continues



Completed

- Sale of Portalex
- Closure of ~50 sites
- 3 presses idled / 2 presses closed
- Manning reduced by ~900

Under execution

- Closure of Monett extrusion plant in US
- Closure of Guaymas fabrication site in Mexico

Targeted

- Further rightsizing of organization
- Iberia and Italy logistics restructuring in Building Systems

Sapa JV

- Sapa joint venture, pending regulatory approvals, expected to close in first half 2013

Enhancing performance in Rolled Products

- Portfolio optimization
- High-grading product portfolio
- Cost programs and margin management
- Capital discipline



No. 1 flat rolled products producer in Europe



- World leader in high-end products
foil and litho
- Focus production system on core assets
 - Alunorf (50%) – world's largest rolling mill
 - Grevenbroich plant – world's largest finishing mill
- Technology leadership and innovation
 - Developing new products and applications

Energy: optimization of equity hydropower production

- First-class hydropower assets in Norway
 - 9.5 TWh normal annual production
 - Highly competitive cost position
 - Stable operations
- Focus on optimization
 - Commercial activities
 - Production
- Solid cash-flow generation



Securing energy across the value chain and growing equity portfolio

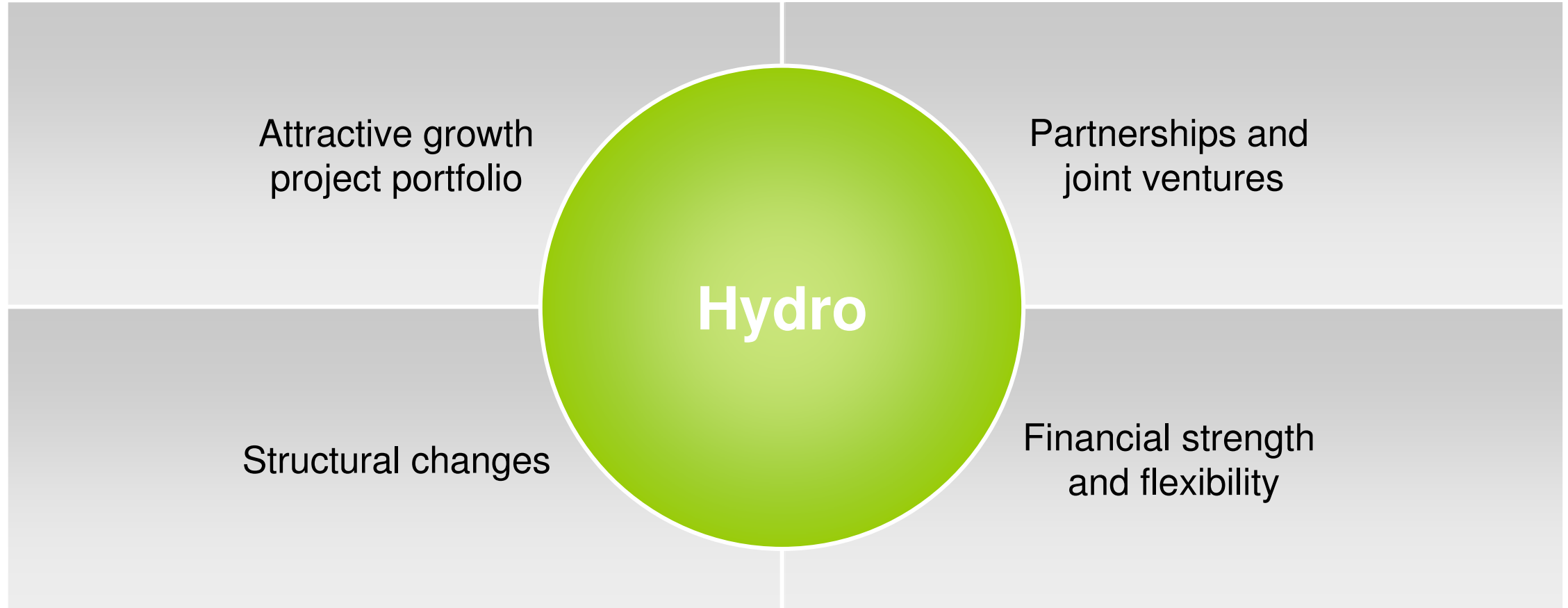
- Sourcing energy across the value chain
 - 2012 achievements: competitive power secured for Neuss and Søral
 - 2013 focus: new contract for Slovalco and improved framework for Albras
- Growing and upgrading portfolio
 - Expansions completed: Holsbru, Vasstøl
 - Successful Rjukan upgrade (first stage)
 - Target: lifting normal production to 10 TWh/year



HSE, CSR and compliance are key components in a performance culture



Ideally positioned for growth





Our value
proposition





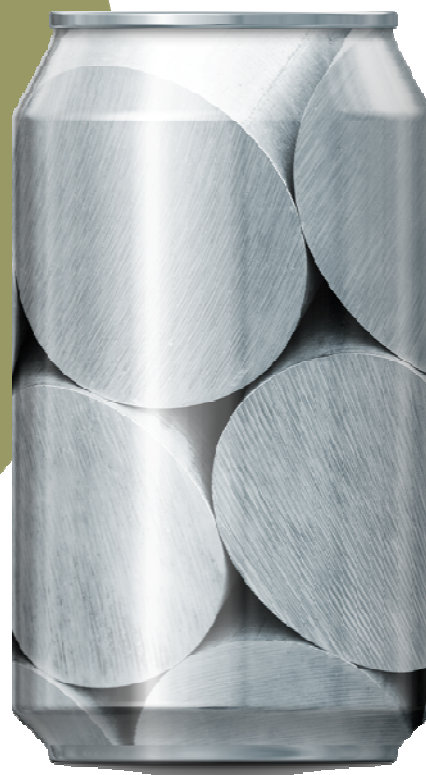
- Improve relative industry position
- Capitalize on raw material positions
- Maintain financial strength and flexibility
- Ensure competitive shareholder return



Primary Metal Improving robustness

Hilde M. Aasheim

Capital Markets Day 2012



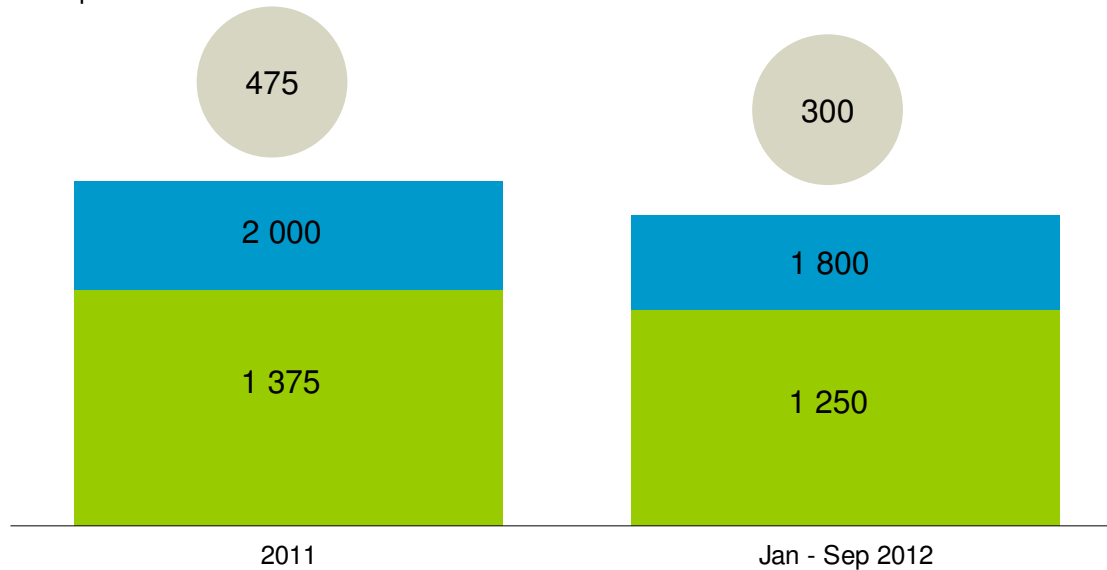
Primary Metal's smelter portfolio



Consolidated capacity: 2.2 million mt - Svalco and Albras are fully consolidated, Qatalum and Sørval are equity accounted. 300.000 tons of capacity currently curtailed in Kurri-Kurri, Sunndal and Sørval

Primary Metal main agenda – repositioning

Estimated primary aluminium cash cost and margin
USD per mt ¹⁾



- Estimated cash cost excluding LME-linked alumina cost ²⁾
- Estimated LME-linked alumina cost ²⁾
- Estimated EBITDA margin

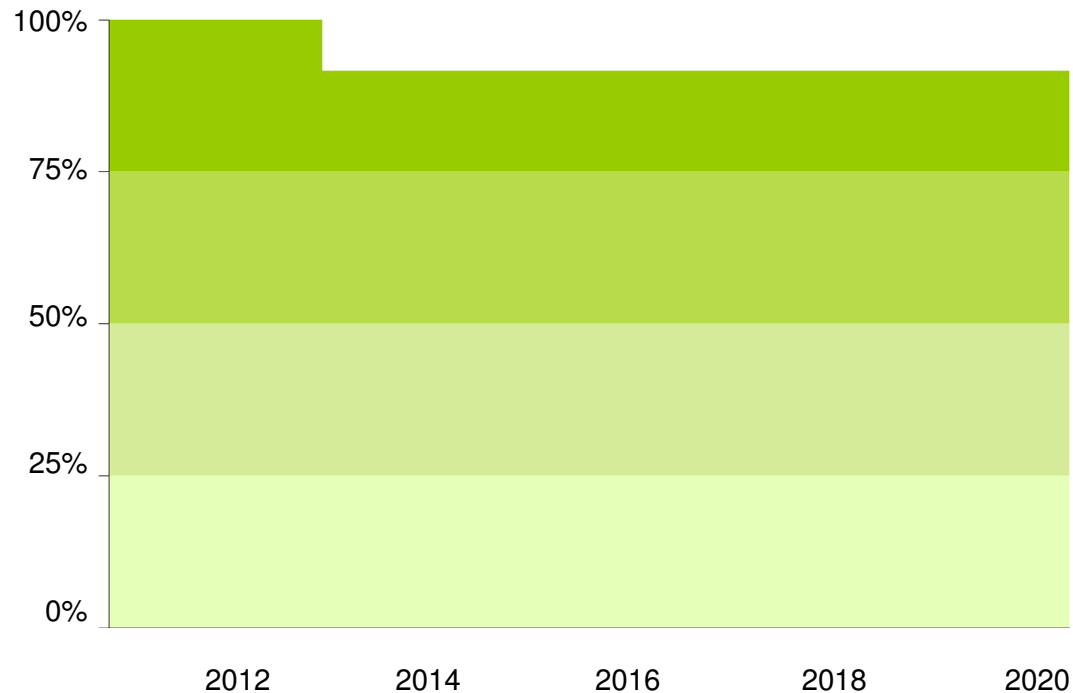
1) Realized aluminium price minus EBITDA margin per mt primary aluminium. Includes net earnings from primary casthouses. Qatalum EBITDA and production included from 2012.

2) ~13.5% of LME 3 month price with 2.5 months delay

- Curtailed high-cost capacity
- Qatalum first-quartile cost position confirmed
- Improvement efforts progressing within all existing assets
- Securing competitive energy supply

Robust power coverage

Power coverage (%), based on consolidated production in 2012, year-end level

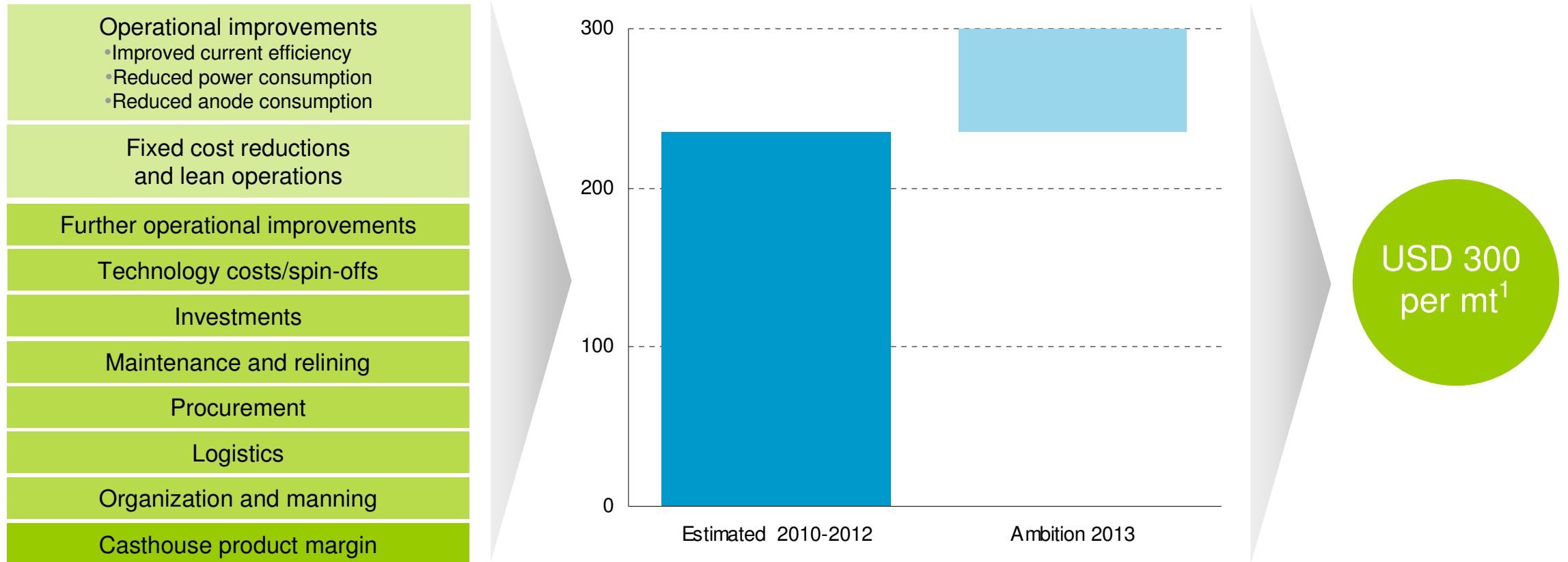


- Alouette power contract extended for current capacity, power for potential expansion secured
- EU CO2 compensation framework in place
 - Norway committed to implement compensation
- Sørøst power contract secured
- Continued effort to secure power for Slovalco and improve power framework for Albras

- ~90% of current production has power coverage until 2020 or beyond
- ~2/3 based on hydropower

Primary Metal delivers on improvement program

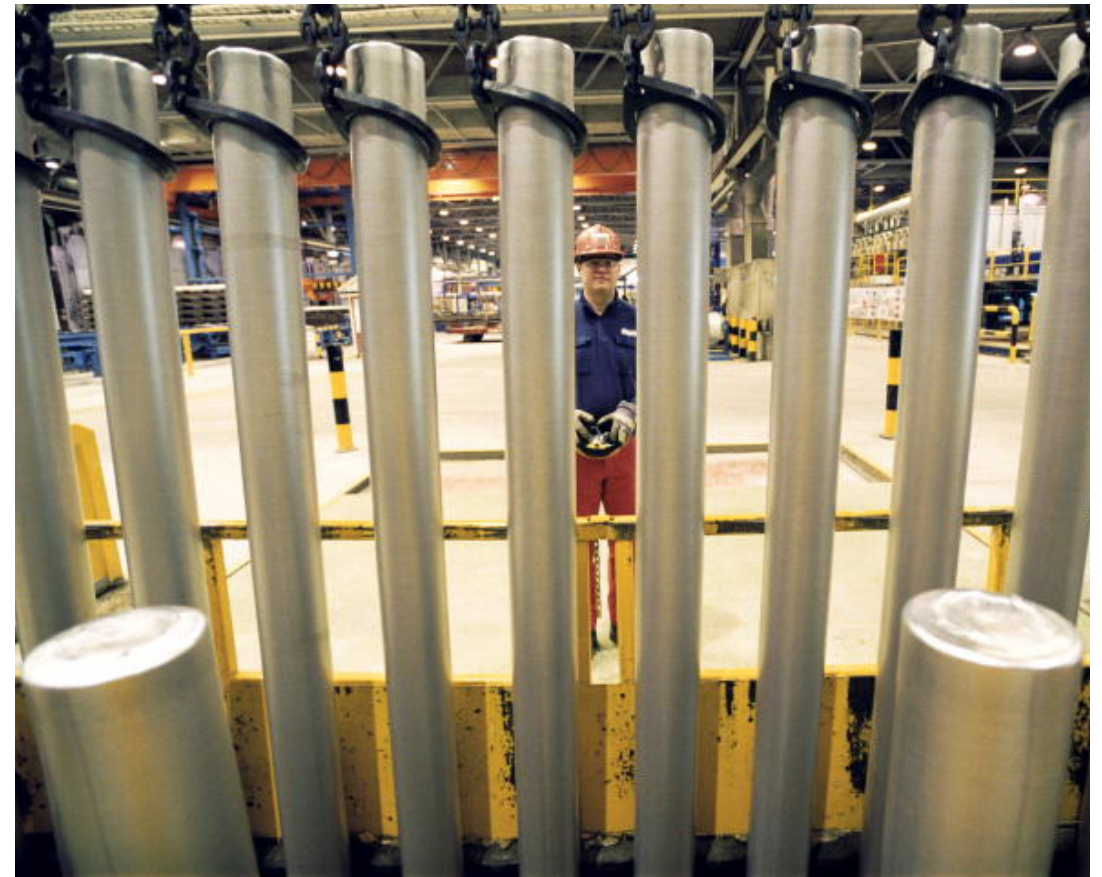
USD 300 to be delivered by end-2013



1) Compared to 2009 cost level. USD 300 per mt real term target for fully owned smelters excluding Neuss with 2009 as baseline. Effect of exchange rates and raw materials cost changes are neutralized

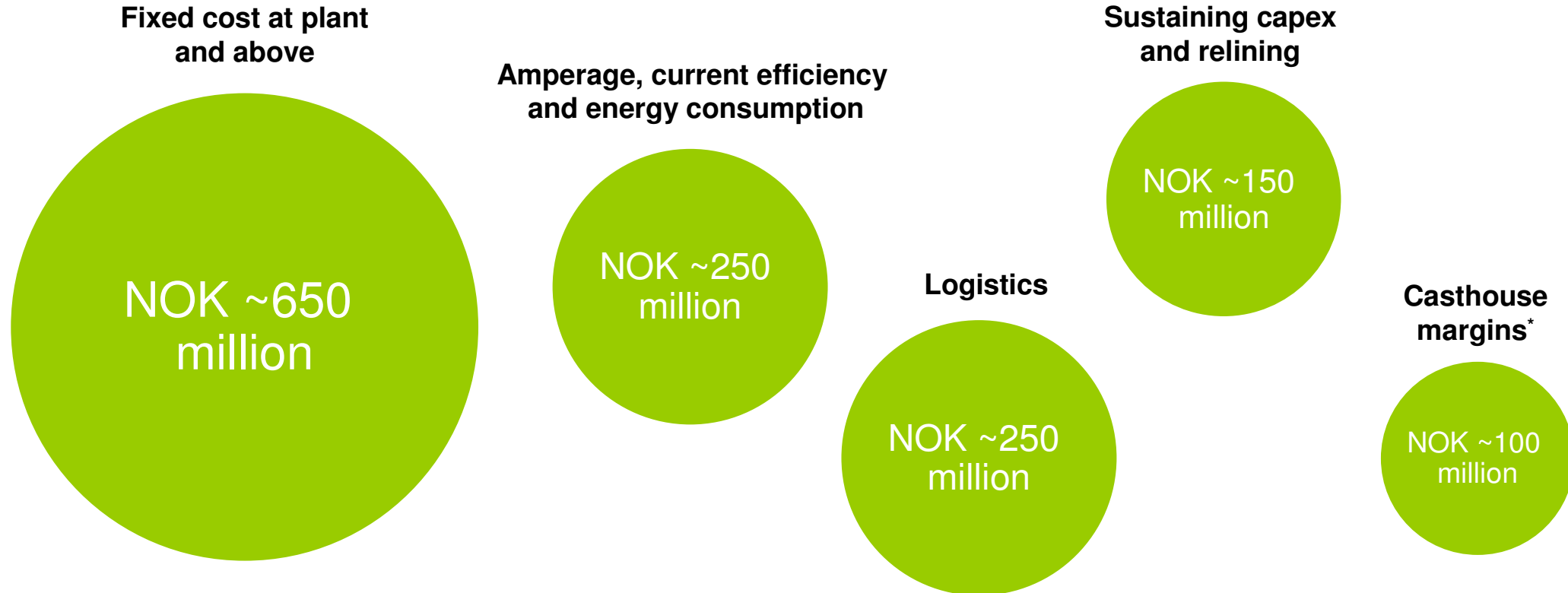
Improvement focus will continue

- Continuing USD 300 improvement program in all areas based on Primary Metal production system (AMPS)
- New areas will be explored
 - Commercial optimization after Primary Metal and Metal Markets combined under one management
 - Black raw materials
 - Using new coke qualities
 - Qualifying new coke and anode suppliers
 - Further effect of technology spin-offs
 - Larger anodes
 - New cathode design



Estimated USD 300 improvement program achievements end-2013

Total annual effects in real terms NOK ~1.4 billion



All figures are annual estimates

*Casthouse margins including fixed cost and process improvements in casthouses

Working with partners for improvements in the six joint venture smelters



Alouette 570 kt (20%)



Sørval 176kt (49.9%)



Slovalco 163 kt (55.3%)



Albras 460 kt (51%)



Qatalum 600 kt (50%)



Tomago 585 kt (12.4%)

Qatalum – world-class smelter

Smelter

- Full electrolysis capacity from 21 September, 2011
- Estimate above 600 000 tonnes liquid metal in 2012
- High-quality anode operation
- Casthouse production >90% value-added products
- Technology verified

Power Plant

- Seawater cooling tower in full operation
- All turbines in operation
- Focus on robustness



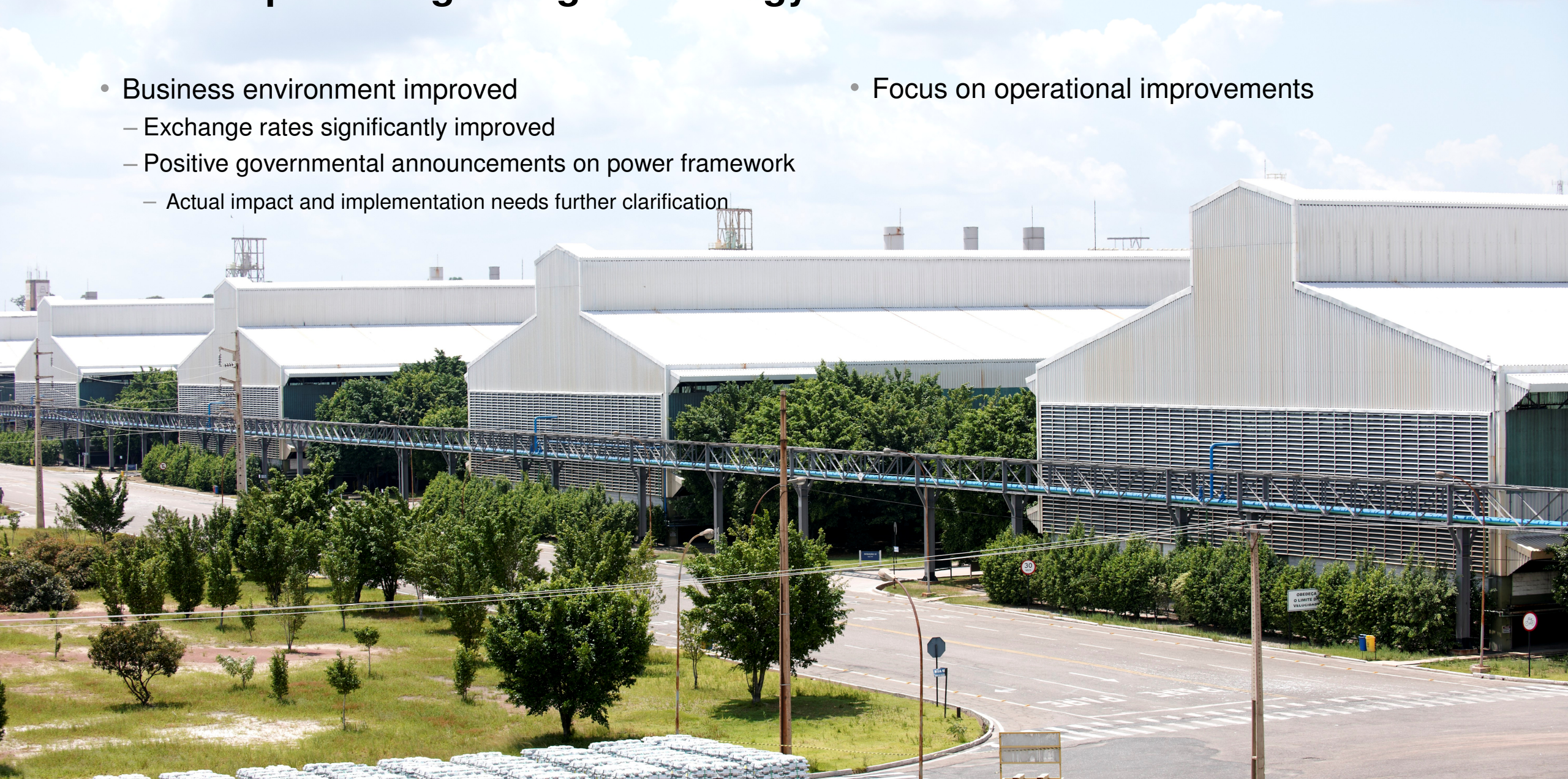
Qatalum – first quartile cost position confirmed



- Business operating cost ~USD 1 450 - 1 500 at current market conditions
- Further operational streamlining and cost optimization
- Further creep potential beyond 2012 level

Albras – promising changes in energy framework

- Business environment improved
 - Exchange rates significantly improved
 - Positive governmental announcements on power framework
 - Actual impact and implementation needs further clarification
- Focus on operational improvements





Primary Metal priorities

- Continued drive to reposition portfolio
- Deliver on USD 300 program by end-2013
- Intensified improvement focus in JVs
- Power sourcing
- Optimizing casthouse operations after combining Primary Metal and Metal Markets



Bauxite & Alumina

Johnny Undeli

Capital Markets Day 2012



Bauxite & Alumina – key priorities

- Deliver on ambitious improvement program
- Strengthen cash generation
- Lift and stabilize production
- Continue commercial focus
- Focus on HSE and CSR



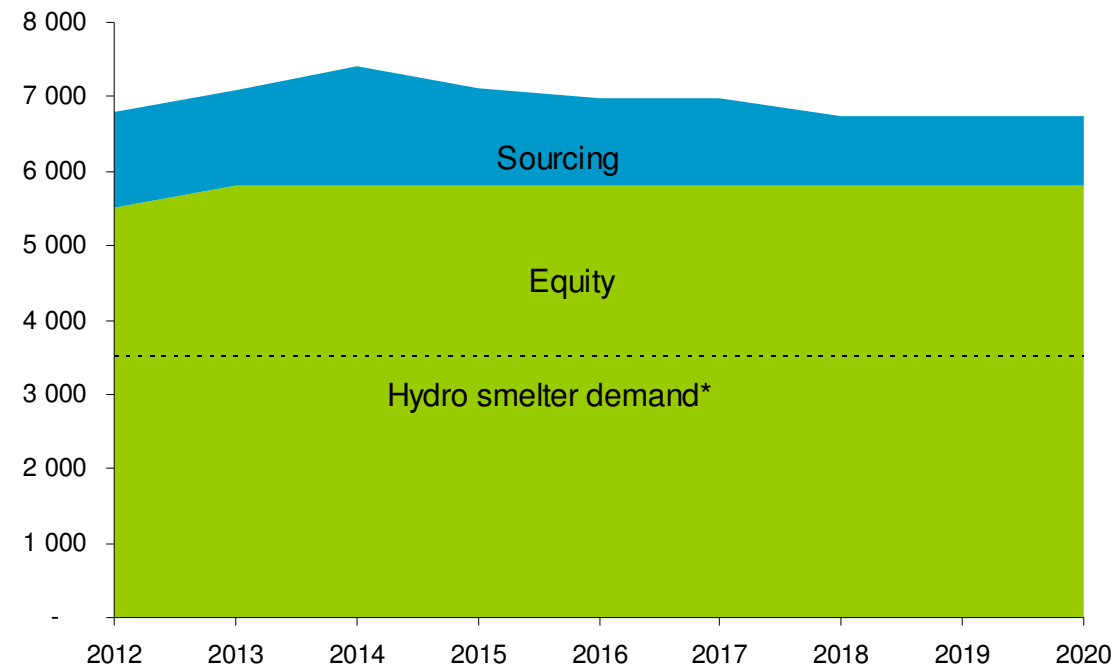
01

Commercial

Attractive alumina portfolio

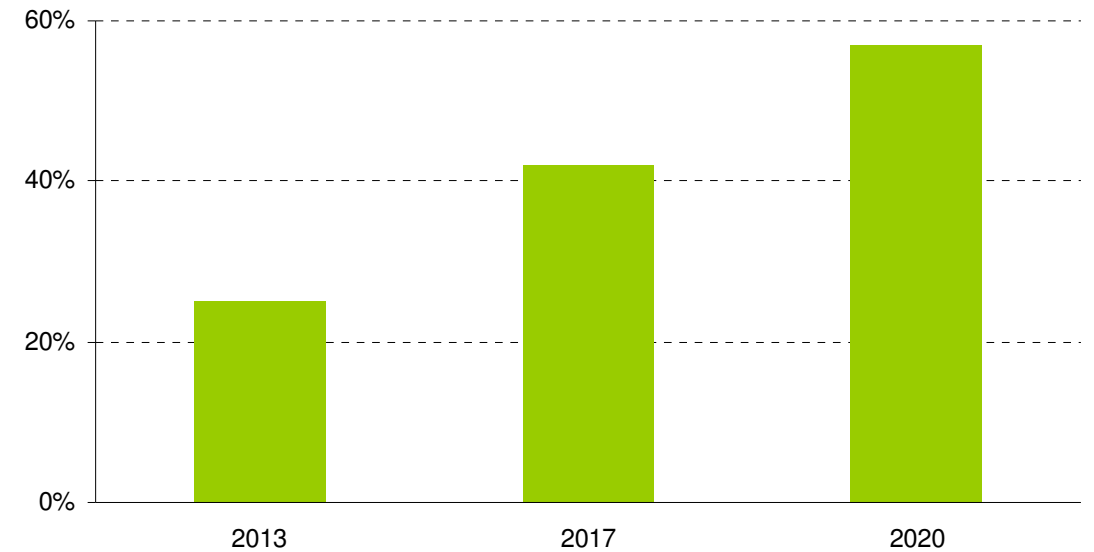
Alumina position

Thousand mt



*Joint ventures treated on a pro-rata basis

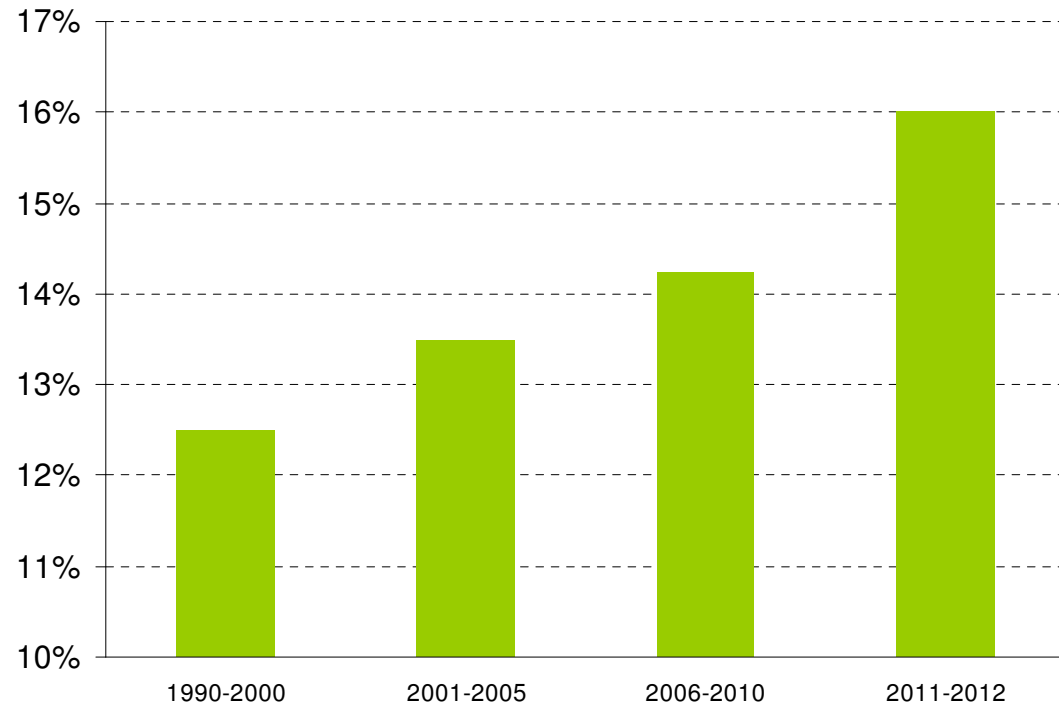
Estimated index exposure in external sales portfolio



- Legacy contracts limiting index exposure next few years
- Increasingly long from 2016

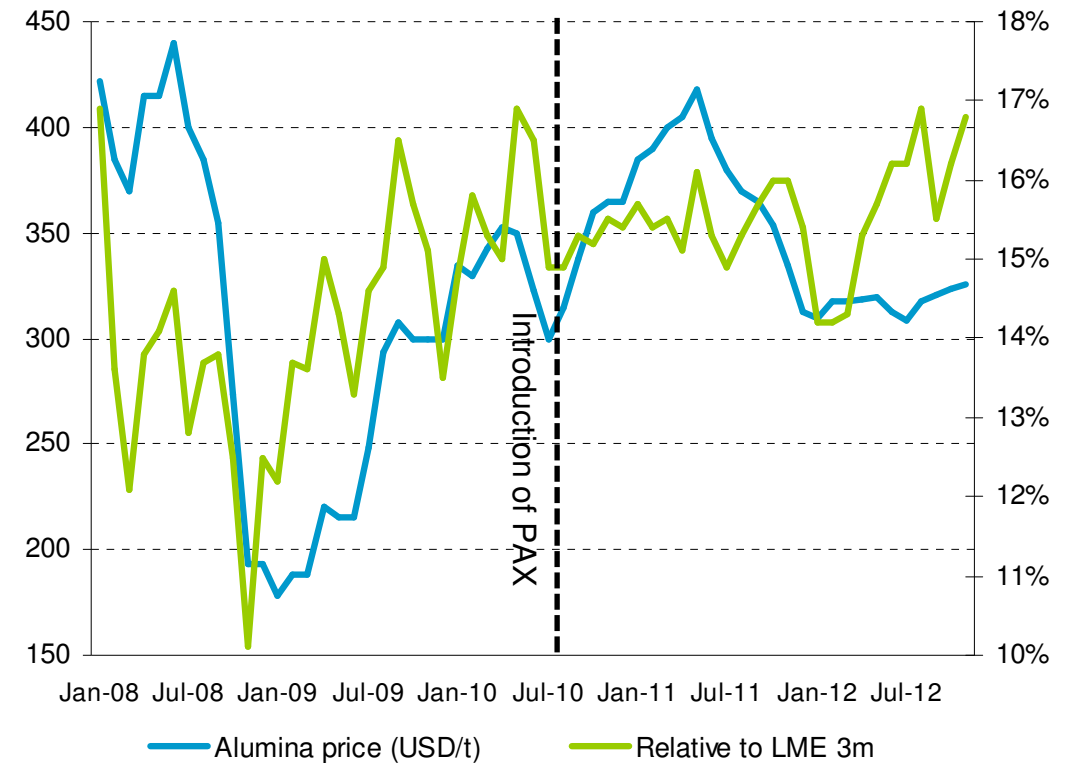
Index pricing gaining ground

Short/medium-term contract prices in % of LME



Source: Platts, CRU, Hydro

Alumina price development



Optimizing global bauxite and alumina positions

Estimated shipments 2012

- 7.3 million mt alumina
- 2.6 million mt bauxite

External sourcing and swapping

- Saving logistical cost and improving margins
- Ensuring global reach
- Enabling market opportunities



Commercial strategy



Increasing alumina index exposure

- All new contracts to be based on index pricing
- Allowing alumina to be priced on own fundamentals

Alumina marketing targets

- Increase sales on CIF* basis
- Establish premium for Alunorte quality

Bauxite marketing targets

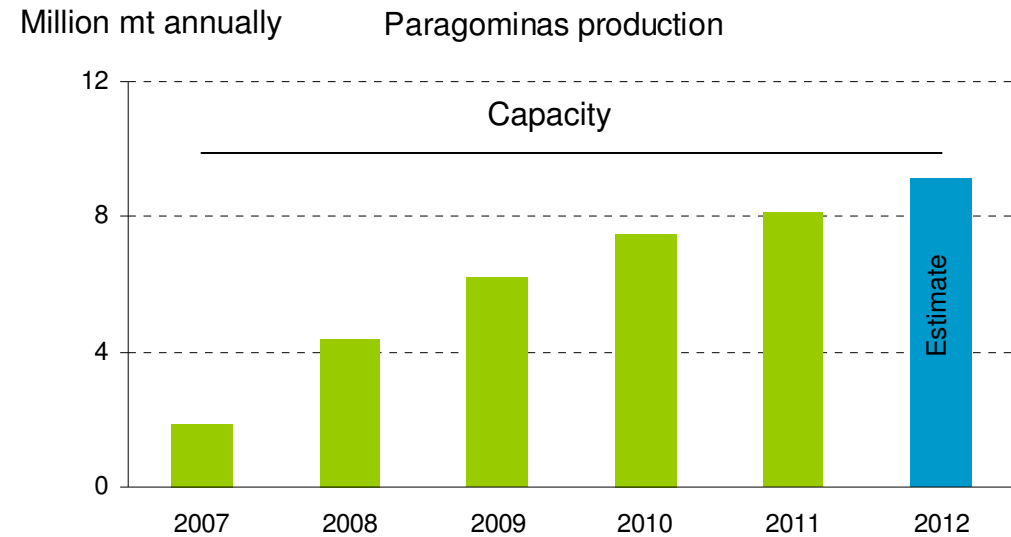
- Improve margins on 2-3 million mt annual sales
- Focus on the Atlantic market, develop China as important alternative

* Cost insurance and freight

02

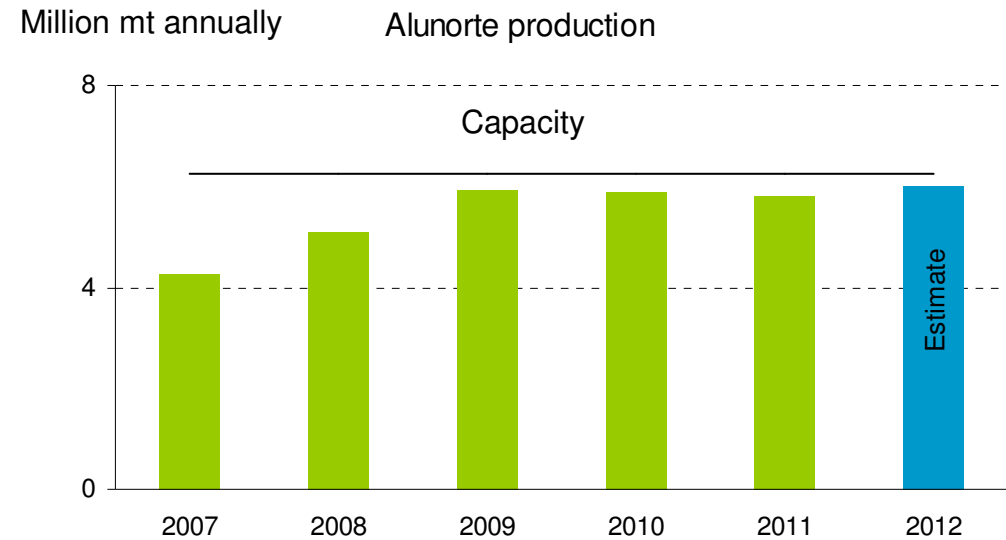
Ambitious improvement
program "From B to A"

Paragominas – one of the world's largest bauxite mines



- High-quality gibbsite bauxite
- Efficient integrated system with mine, pipeline and refinery
- Record production in 2012

Alunorte – world's largest alumina refinery

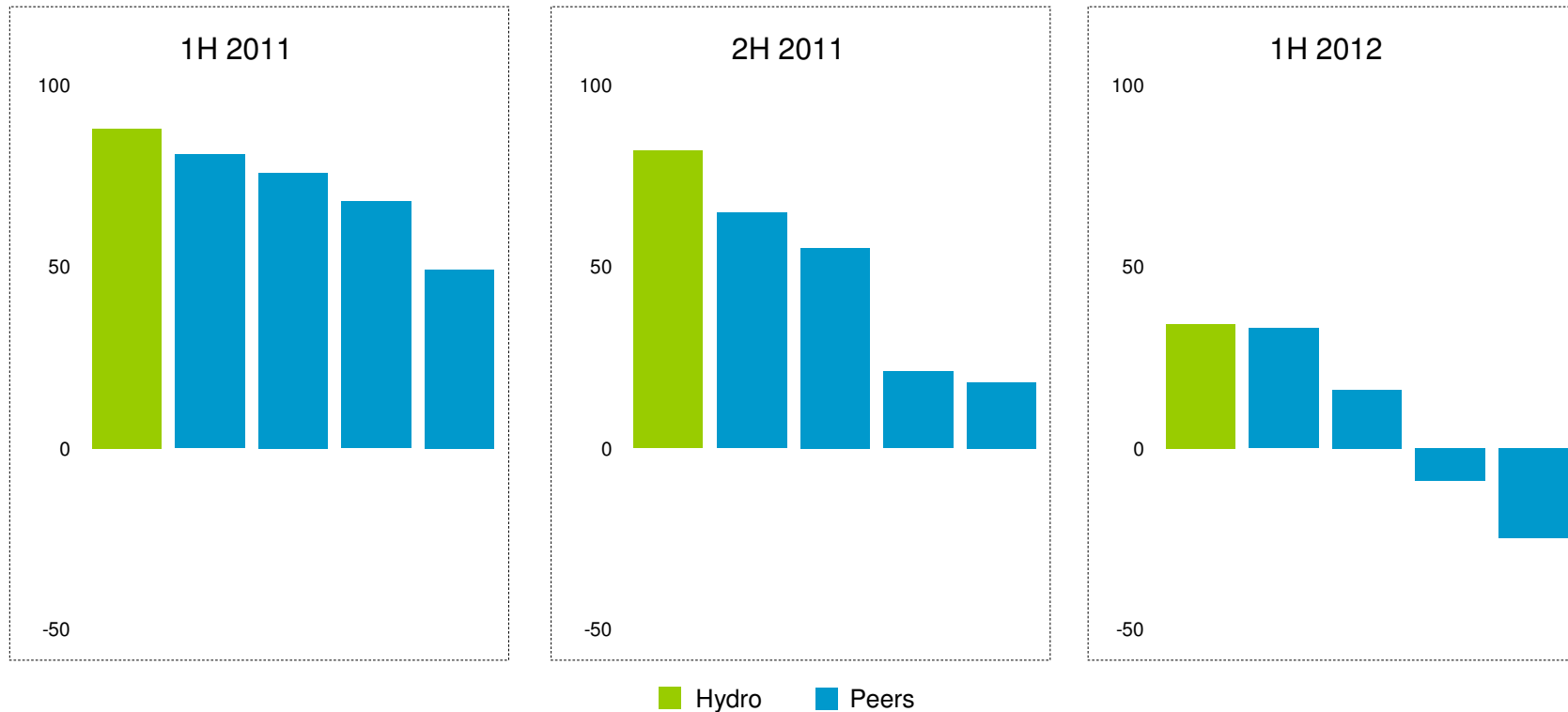


- Premium alumina quality
- Benchmark energy consumption
- Ambition to reach nameplate capacity
- Continue to improve production stability

Hydro's position – competitive compared to peers

Despite lower LME and weak EBITDA

Underlying EBITDA per mt in USD for respective bauxite and alumina divisions



All figures based on public accounting data, not verified by Hydro. Data not adjusted for different accounting principles and non-specified underlying items. Hydro makes no representation as to the accuracy or completeness of such information. The analyses are based on assumptions subject to uncertainty and therefore intended only for general comparisons across companies and should not be used to support any individual investment decision. All results are provided for informational purposes only.

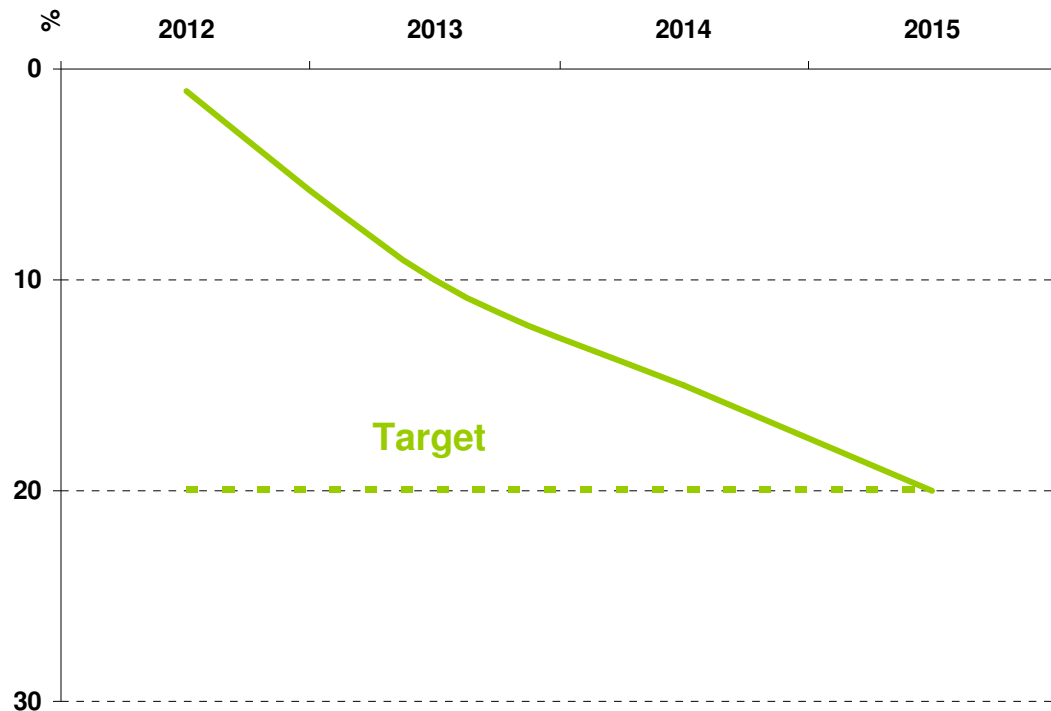
“From B to A”



- Total contribution of NOK 1 billion
 - Full impact in 2015
 - 50% in 2013
- Defined actions in Alunorte, Paragominas and Commercial
- Production stability, volumes and costs
- Focus on underlying performance improvements

Target 20% demanning by end-2015

% demanning versus 2011 headcount

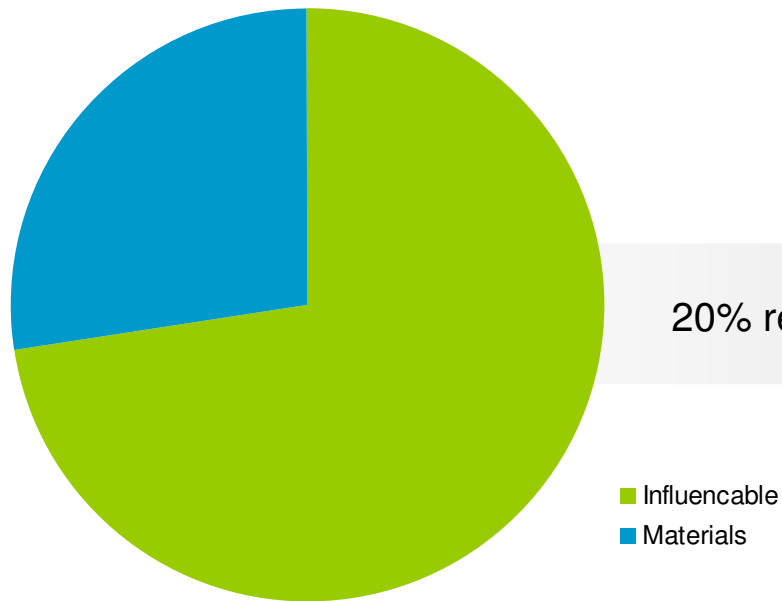


- Baseline 6 000 employees, including contractors
- Target reduction of 1 200, primarily contractors
 - Centralization of contract management
 - Major potentials in the area of transportation, cleaning and maintenance

Paragominas cost ambition

Paragominas production cash costs

% shares of costs



Paragominas influencable costs

% shares of costs



20% reduction of influencable costs

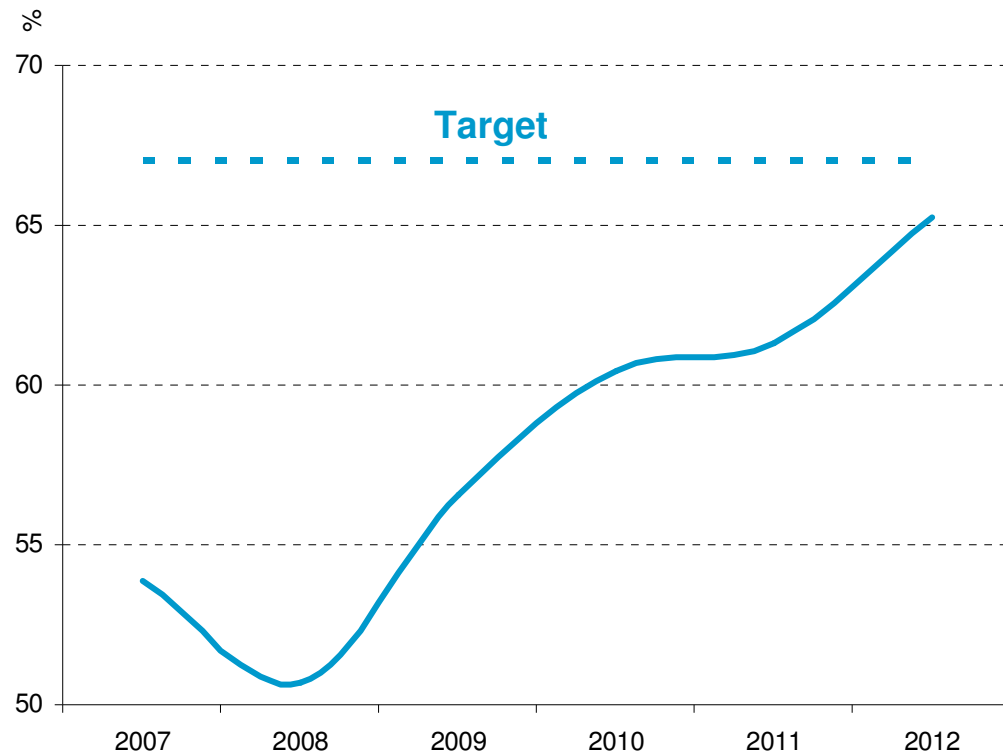
Paragominas – improving productivity with surface miners



- Surface miner increasing productivity and reducing unit costs
 - Increasing productivity in the mining process, from 400 t/h to 800 t/h
 - Operating over wider mining areas
 - Reducing ore losses

Paragominas – increasing mass recovery

Development of mass recovery since start-up



Target

- Increase life of mine
- Increase production
- Decrease tailing volumes and reduce investments

Actions

- Installation of a “crossover”
 - Allowing use of most suitable line
- Increase of fines to Alunorte

Pipeline – installing second pump station

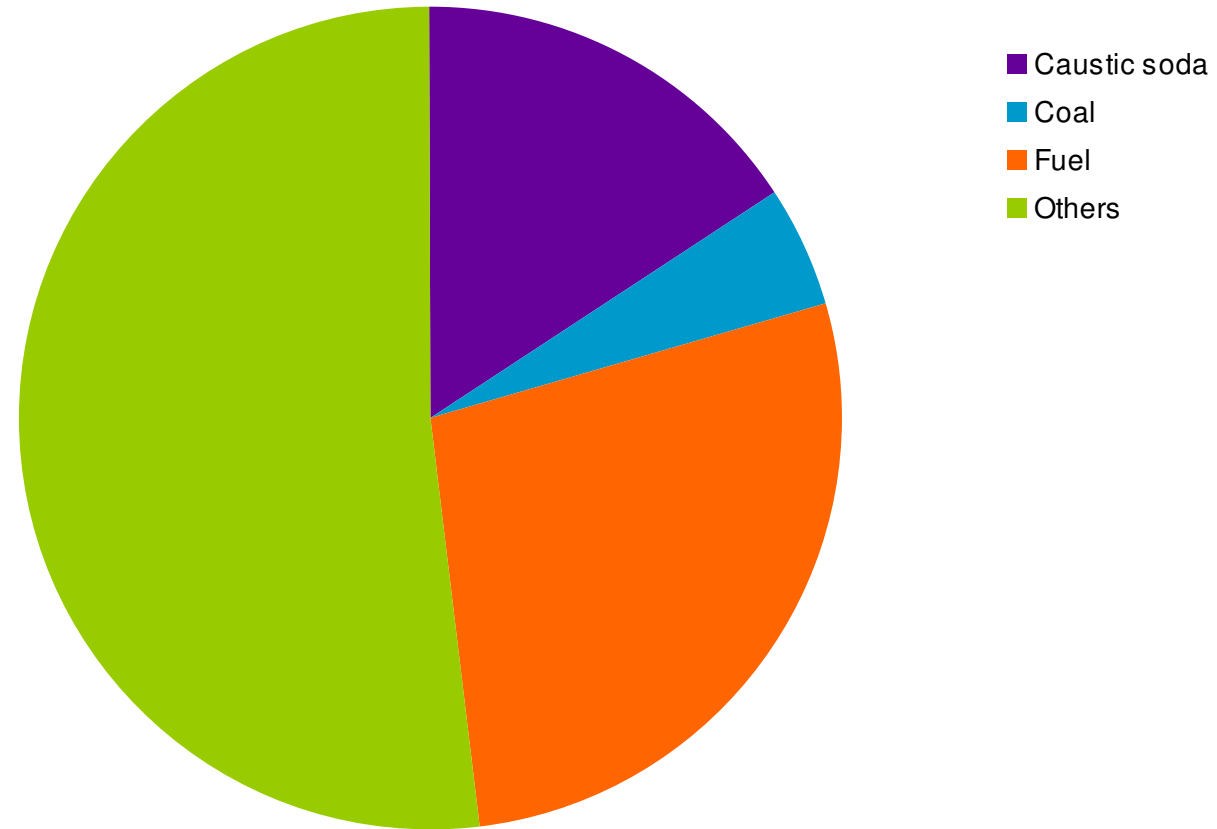


- Bauxite slurry flow currently provided through pump station in Paragominas
- Construction of second pump station halfway to Alunorte
- Improved operations
 - Availability
 - Flexibility
 - Prolonged lifetime
 - Safety and environment

Raw materials represent significant share of total costs

Caustic soda, coal and fuel accounting for ~50%

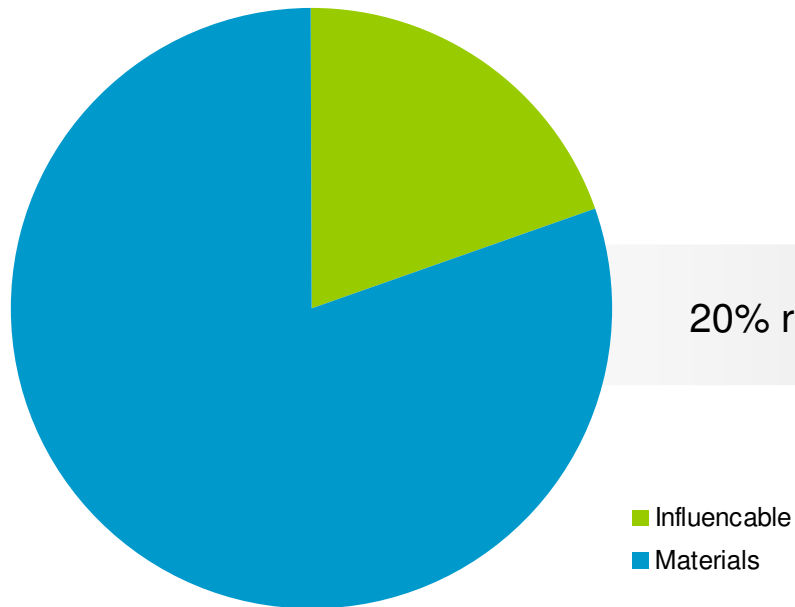
Cost split Bauxite & Alumina
YTD September 2012



Alunorte – reduction of influencable costs

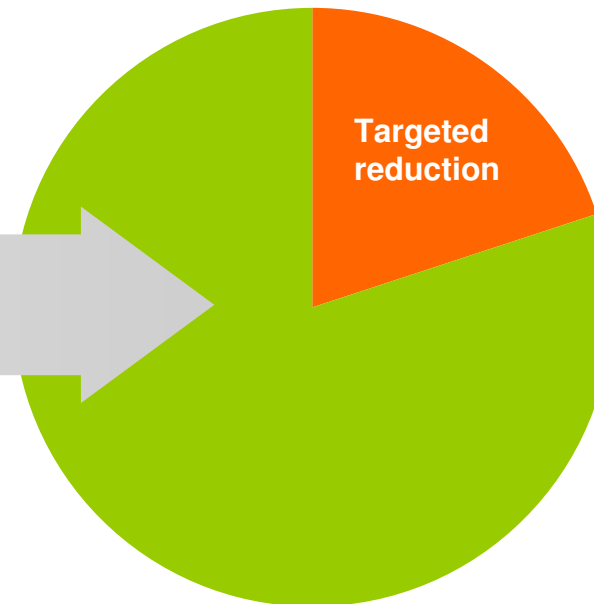
Alunorte production cash costs

% shares of costs



Alunorte influencable costs

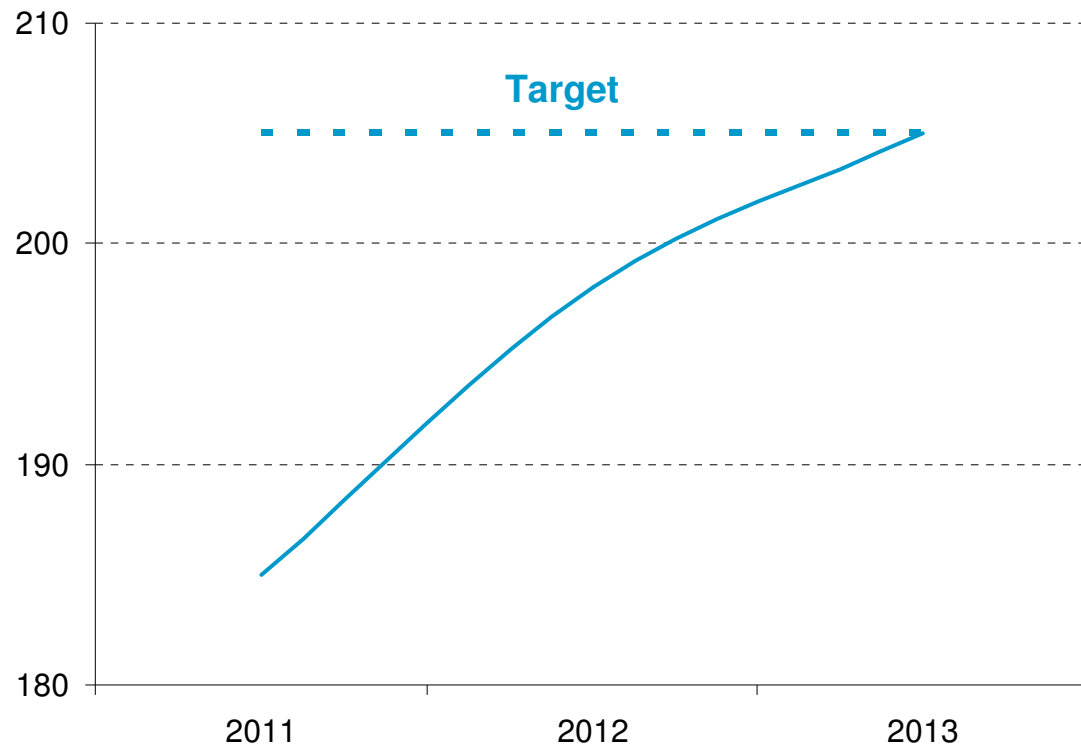
% shares of costs



20% reduction of influencable costs

Alunorte – stabilizing hydrate production lines 1/2/3

Hydrate production in mt per month



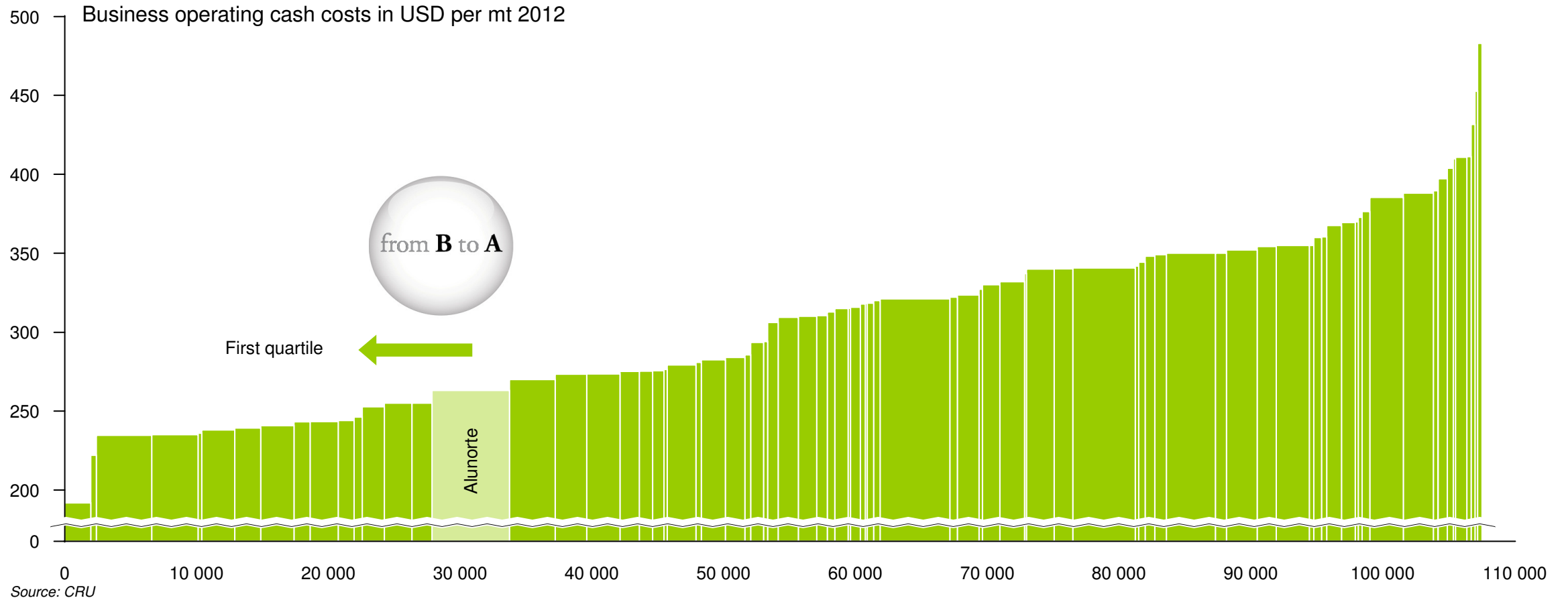
- Alunorte hydrate production lines 1/2/3 with production below design capacity
- Identified actions
 - House-keeping of tanks and digesters
 - Review of critical operational procedures
 - Overhaul of calciners and thickeners

Alunorte – emergency preparedness towards external power outage



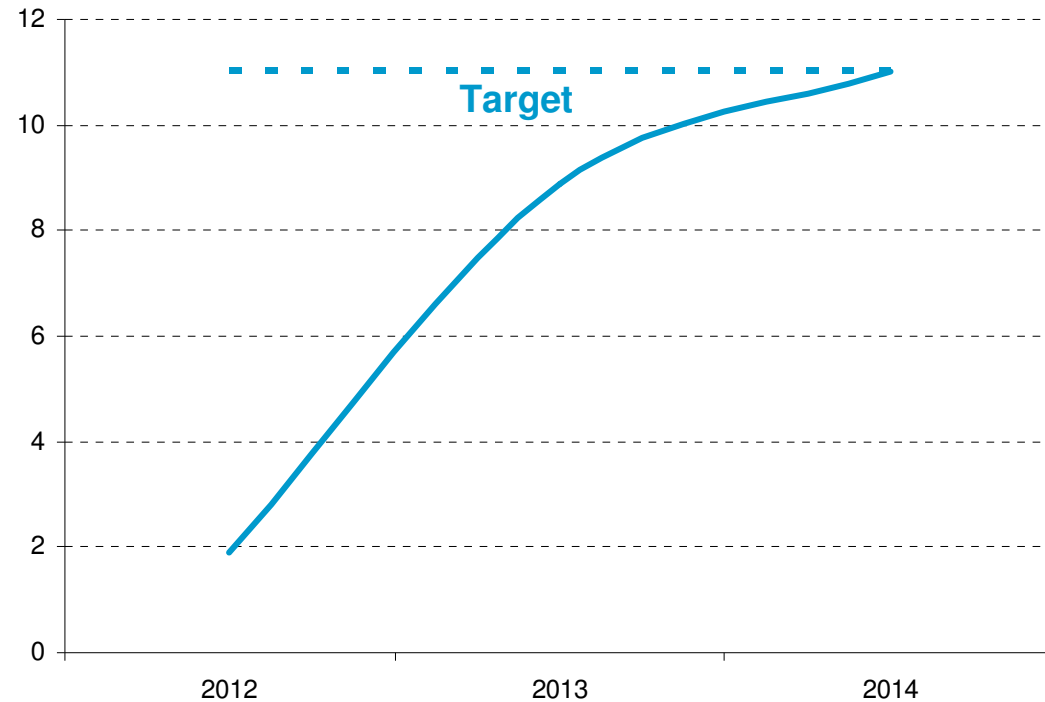
- Ensure 100% energy availability to avoid production losses
- Identified actions
 - Install emergency generation in precipitation area
 - Implement rejection load system to keep operation during power grid system failure
 - Recovery towers of transmission lines to keep reliability of power supply system
 - Preventive maintenance in power distribution systems, substations and emergency generation

Alunorte – improving cost position



Commercial – reducing demurrage costs

Annual demurrage cost savings in USD million

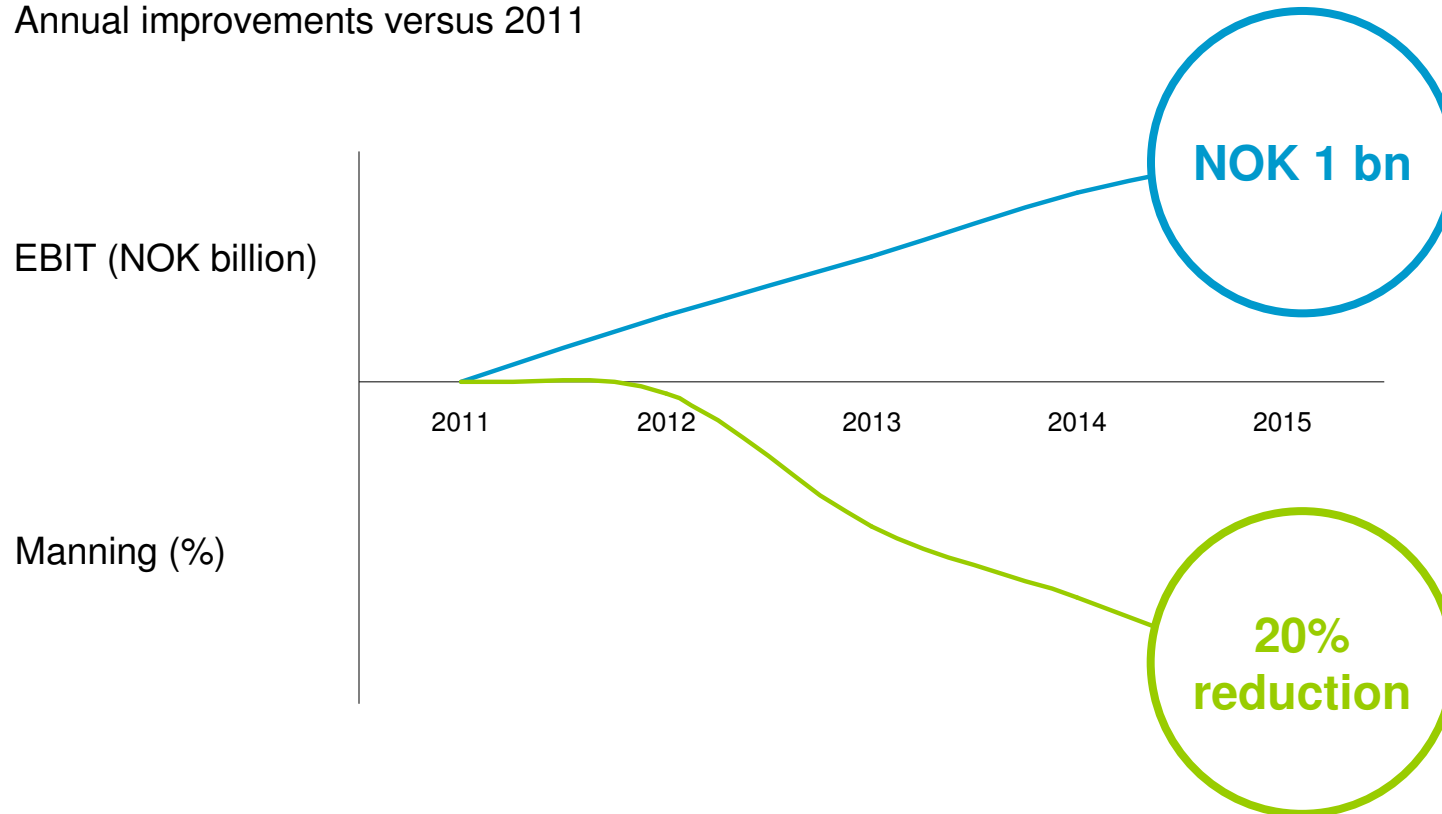


- Identified actions
 - “Bauxiteiro” vessels for transport from MRN to Alunorte
 - Dredging in Alunorte port
 - Upgrade Alunorte port for rainy season
 - Stabilize production volumes

Ambitious improvement program “From B to A”

EBIT improvement of NOK 1 billion and 20% manning reduction

Annual improvements versus 2011



- “From B to A” improving result significantly
- Additional impact from inflationary pressure and exchange rates

03

HSE/CSR

Safety – The Hydro Way



Improved
transparency

Cultural
development

Social and environmental commitment

- Health, safety and environment culture is the foundation for excellent operations
- Environment
 - Mining 1:1 ratio of opening and rehabilitating land in 2017
 - Letter of intent with University of Oslo on biodiversity and climate
 - Supporting Para Green Municipalities program
 - Established environmental network between bauxite mines in Para
- Dialogue established with all key stakeholders



04

Summary

Deliver on "From B to A"



Annual improvement versus 2011

