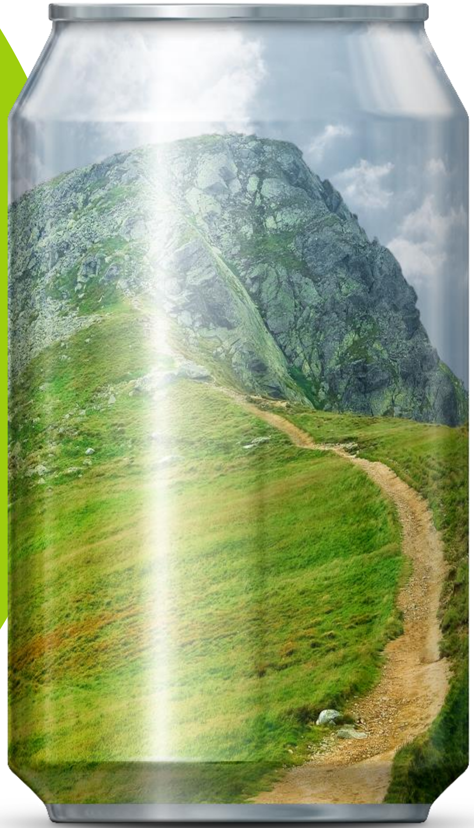
Finance

Financial strength through relative positioning and balanced capital allocation

Eivind Kallevik

Capital Markets Day 2015



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Financial highlights

Underlying EBIT
11.0 BNOK[2]
~3x[1]

Implied all-in primary cost
~1 750 USD/mt[4]
- 6 %[1]

FCF
~ 10 BNOK[6]
~ 10x[1]

Realized all-in price
~17 700 NOK/mt[3]
+ 28 %[1]

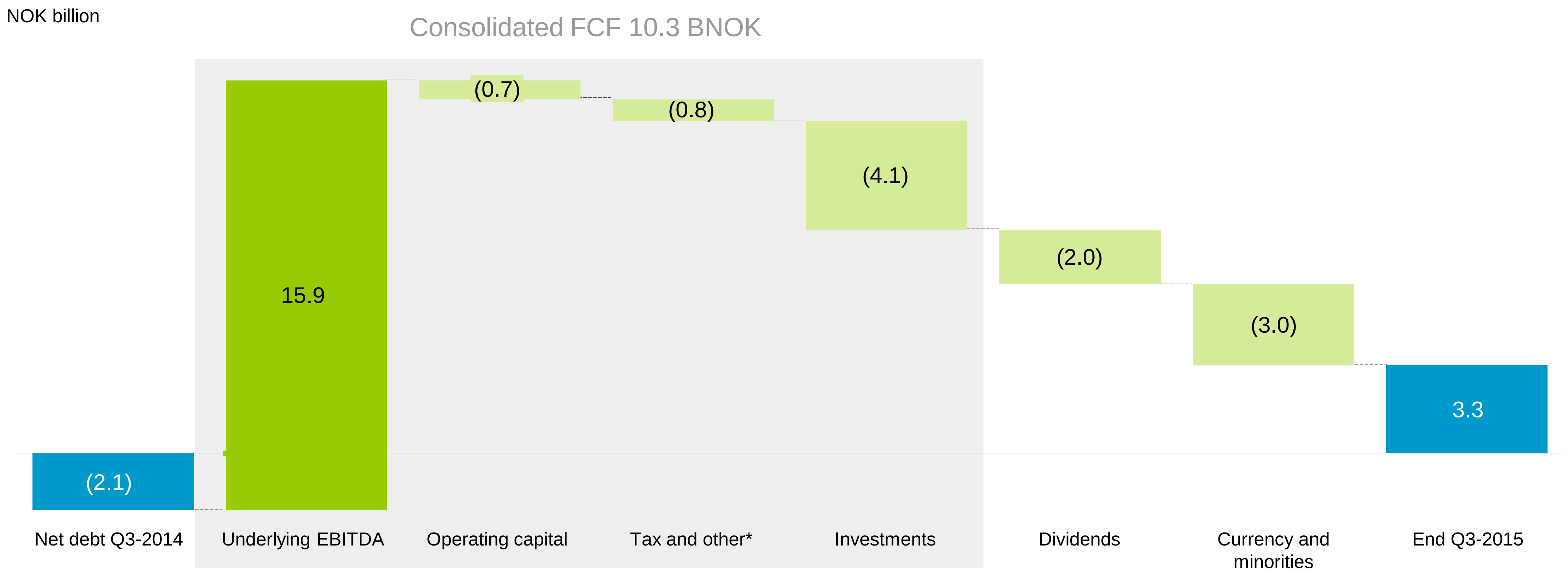
Implied alumina cost
~ 225 USD/mt[5]
- 12 %[1]

TSR
~ (18) %[7]
~ (7)[7] NOK per share

1) Q4 2014 – Q3 2015 compared to Q4 2013 – Q3 2014
2) Underlying EBIT. Sum 12 months rolling Q4 2014 – Q3 2015
3) (Realized aluminium price + realized premium above LME)*realized USD/NOK. Average 12 months rolling Q4 2014 – Q3 2015
4) Realized all-in price minus Underlying EBITDA margin (incl. Qatalum) per mt primary aluminium sold. Includes net earnings from primary casthouses. Average 12 months rolling Q4 2014 – Q3 2015
5) Realized alumina price minus underlying EBITDA for B&A, per mt alumina sales. Average 12 months rolling Q4 2014 – Q3 2015
6) Free cash flow (consolidated) = Net cash flow from operations - investments. Sum 12 months rolling Q4 2014 – Q3 2015
7) Hydro share priced development + dividend paid. End Q3-2014 – end Q3-2015

Robust free cash flow generation and net cash position

At realized all-in price of ~2 400 USD/mt



* Including ~1.5 BNOK in VAT reimbursement in Brazil

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Prudent financial framework

Relative positioning and reliable dividend in cyclical industry

Operating and commercial excellence

Improving efficiency, strengthening margins

Improvement efforts
- 3.7 BNOK 2011-2014 [1]
- 0.8 BNOK 2015
- 2.9 BNOK 2016-2019

Managing working capital

Financial strength and flexibility

Investment grade credit rating
- > BBB Stable

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

Strong liquidity

Disciplined capital allocation

Long-term sustaining capex below depreciation
- 3.5-4.0 BNOK per year

Total capex incl. growth
- 2015 BNOK 5.8
- 2016 BNOK 8.6 [4]
- Average 2016-2018 BNOK 6.6 [4]

Attractive organic growth prospects for the future

M&A optionality

Reliable shareholder remuneration policy

Sector competitive TSR

Revised dividend policy
- 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

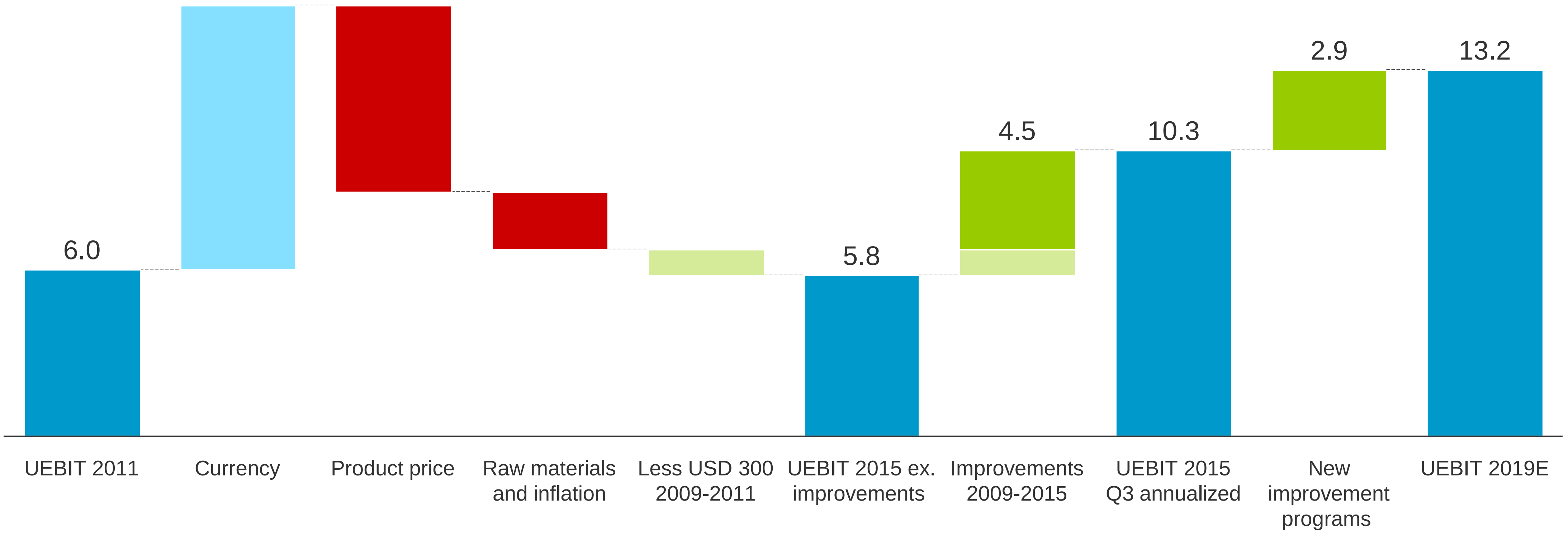
Hedging policy
- Operational LME and currency hedging
- Limited financial hedging
- Long-term debt in USD

Diversified business

1) USD 300 program from 2009
2) Funds from operations / net adjusted debt
3) Net adjusted debt / Equity
4) With Karmøy Technology Pilot gross investment, before ENOVA support

Lifting earnings potential with industry-leading improvement ambitions

NOK billion

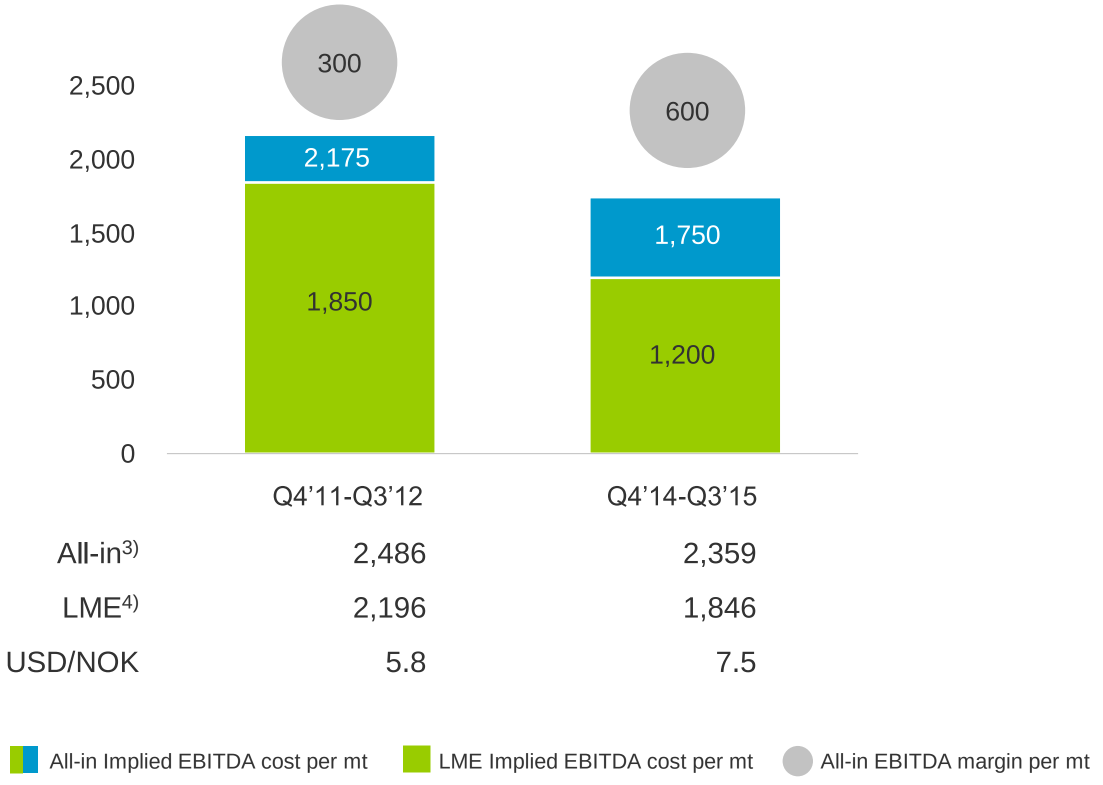


Hydro UEBIT excluding Extruded Products before 2013 and Sapa after 2013. Improvements exclude Sapa

Structurally improved cost position

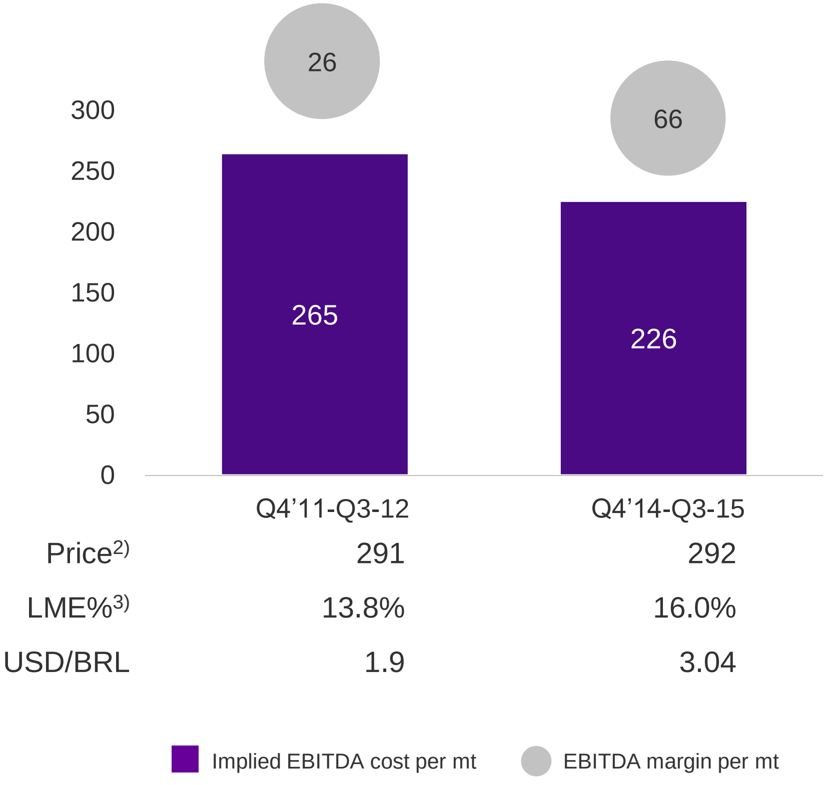
Productivity gains supported by currency

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



	Q4'11-Q3'12	Q4'14-Q3'15
All-in[3]	2,486	2,359
LME[4]	2,196	1,846
USD/NOK	5.8	7.5

Implied alumina cost and margin, USD/mt [1]



	Q4'11-Q3-12	Q4'14-Q3-15
Price[2]	291	292
LME%[3]	13.8%	16.0%
USD/BRL	1.9	3.04

1) Realized all-in aluminium price minus underlying EBITDA margin, including Qatalum, per mt aluminium sold
2) Realized LME aluminium price minus underlying EBITDA margin, including Qatalum, per mt primary aluminium produced
3) Realized LME plus realized premiums, including Qatalum
4) Realized LME, including Qatalum

1) Realized alumina price minus underlying EBITDA for B&A, per mt alumina sales
2) Realized alumina price
3) Realized alumina price as % of three month LME price with one month lag

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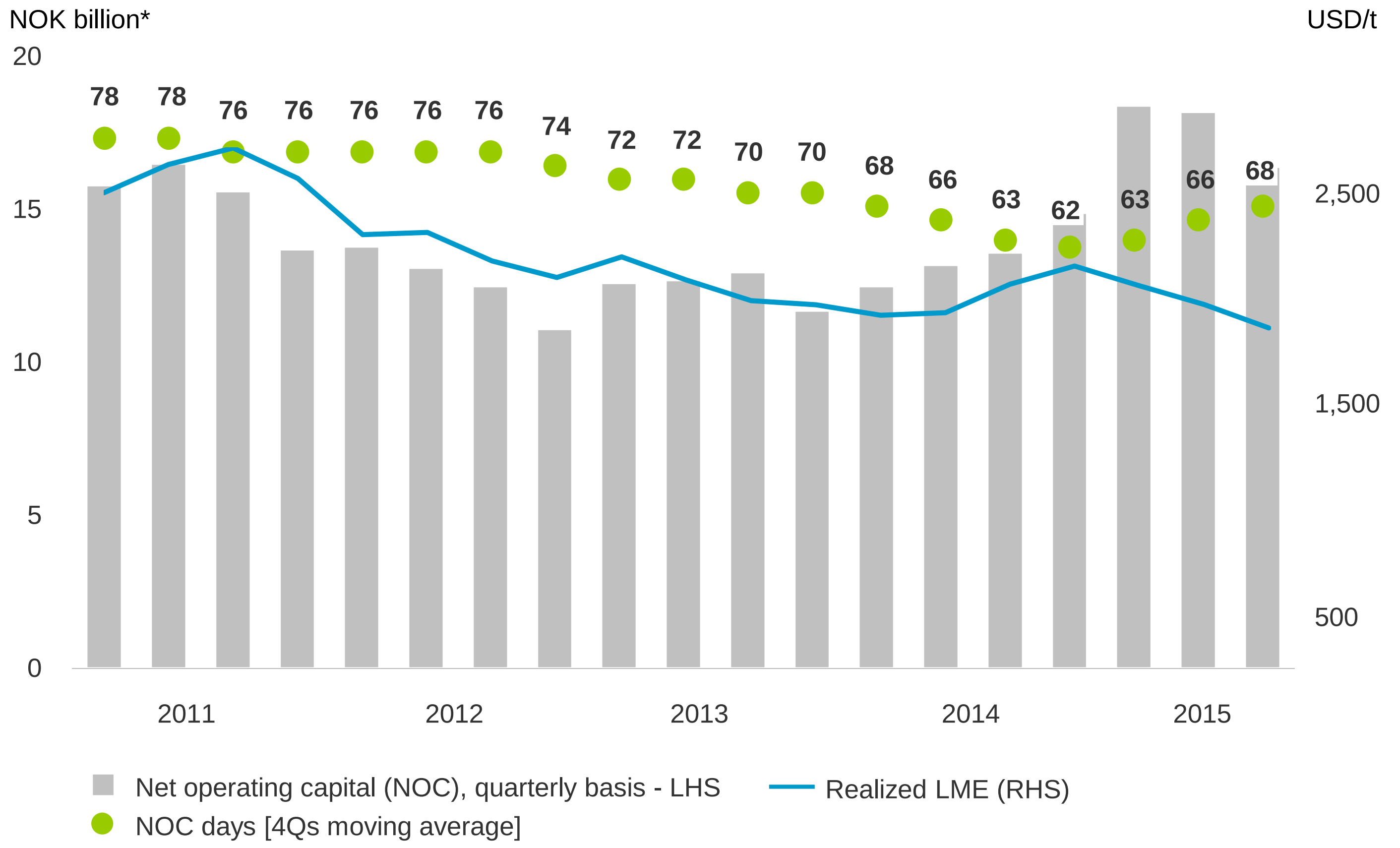
Optimizing working capital remains key priority

Release in Q3 following the above-average build-up earlier in the year

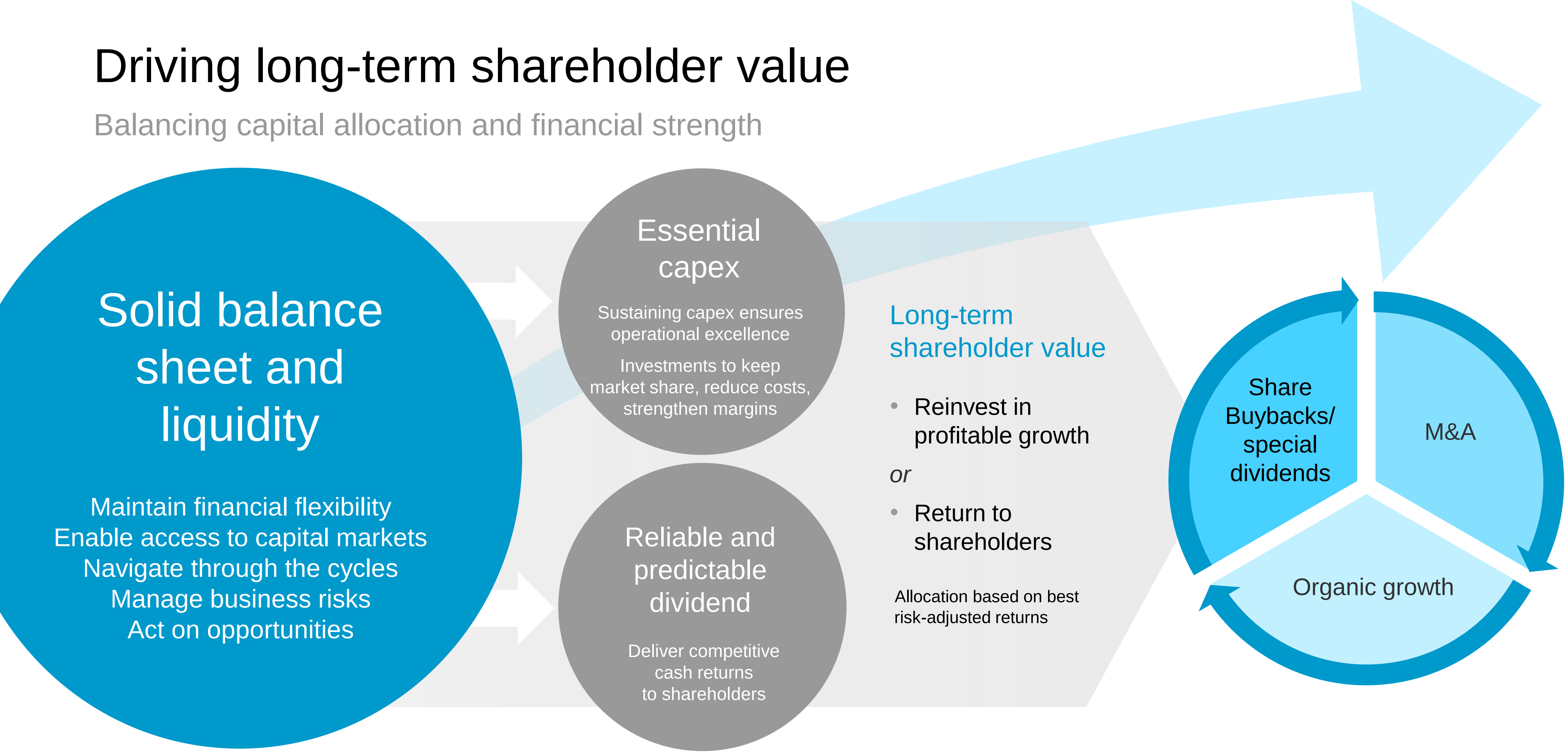


- Net operating capital generally moves with LME development
- Inventory build-up start of 2015
  - Intensified business activity on the back of tighter markets and higher all-in prices in 2014
  - Replaced by supply overhang and subsequent collapse in premiums in early 2015
- NOC release in Q3-15 driven by
  - Lower all-in prices
  - Inventory reductions in Rolled Products and Primary Metal
- Falling LME indicates potential for further NOC release

* Pro-forma, excluding extruded products for Q1 2011 – Q3 2013
LHS = left hand side. RHS = right hand side

Driving long-term shareholder value

Balancing capital allocation and financial strength

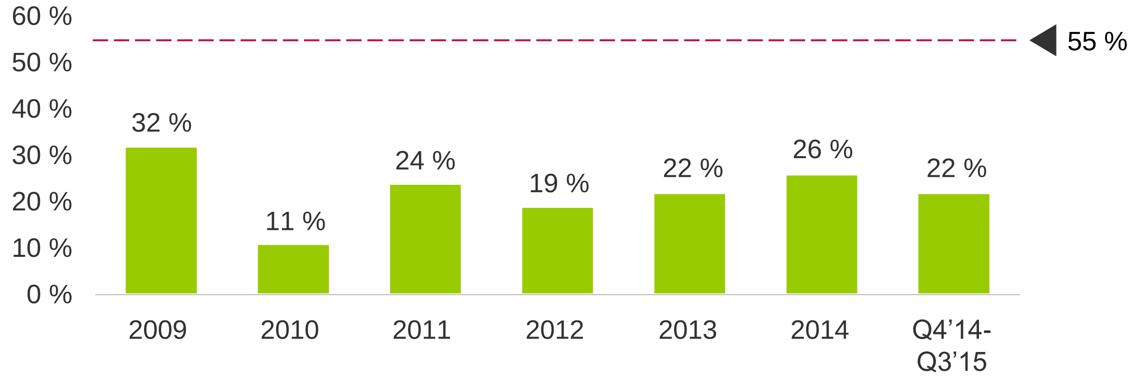


Maintain investment-grade credit rating

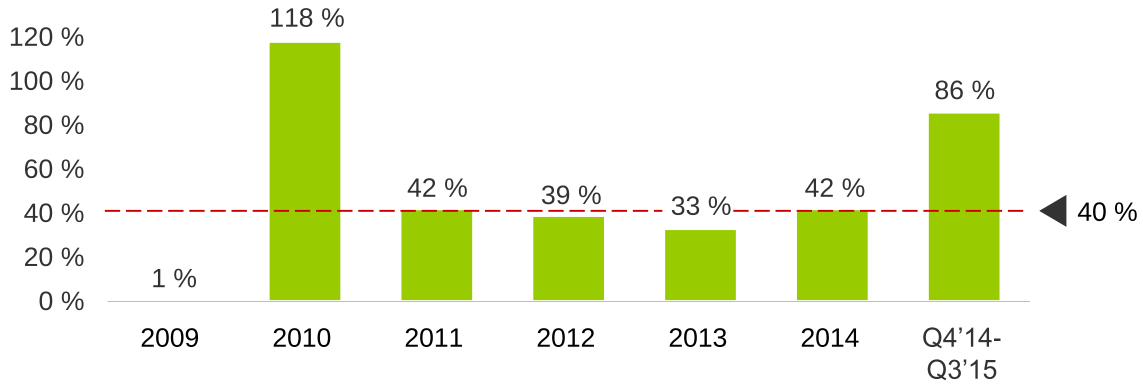
Funds from operations determine the balance sheet structure

- Maintain investment-grade rating
  - At least BBB Stable
  - Currently: BBB (S&P), Baa2 (Moody's), both with stable outlook
- Financial ratio ambitions over business cycle
  - Adjusted funds from operations to net adjusted debt > 40%
  - Net adjusted debt to equity < 55%
- Strong liquidity
  - NOK 9.4 billion in cash and cash equivalents by end-Q3 2015
  - USD 1.7 billion credit facility with maturity 2020, currently undrawn

Net adjusted debt / Equity



Adjusted funds from operations / Net adjusted debt



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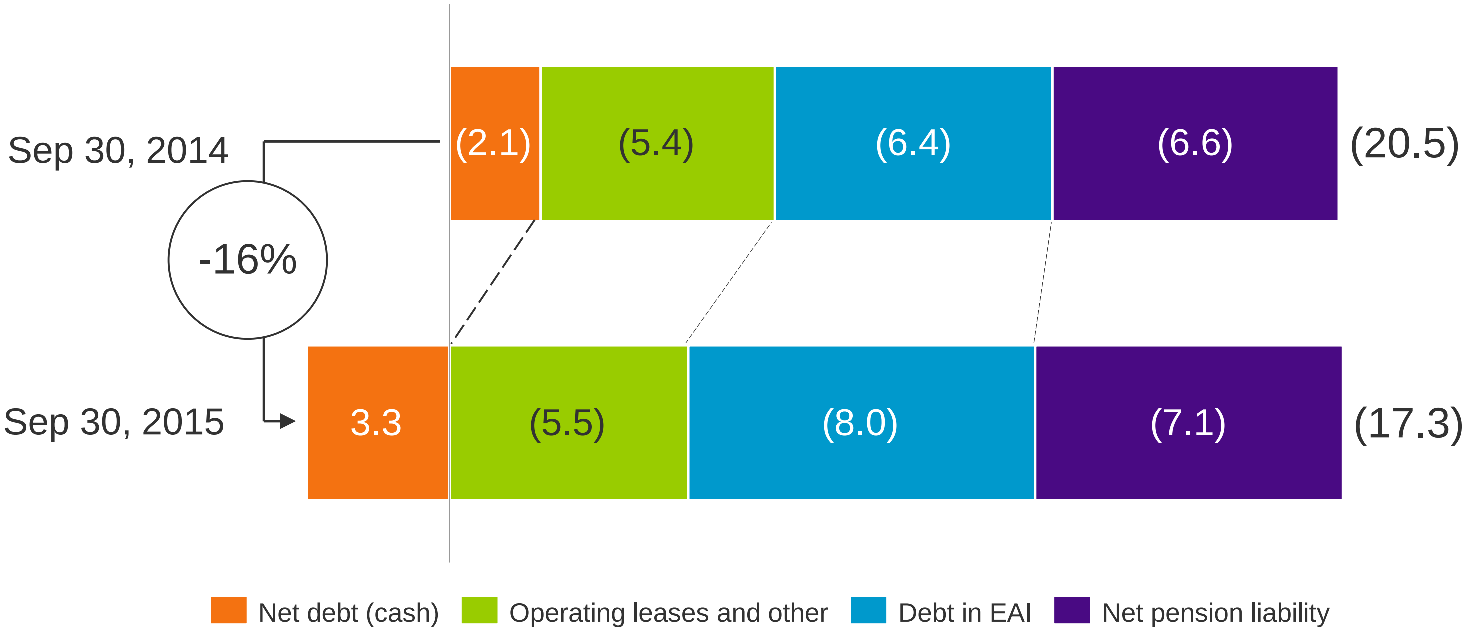
Maintain a solid balance sheet

Net adjusted debt reduced on higher cash position

NOK billion



- Increase in Qatalum and Sapa net debt mainly driven by weaker NOK

MNOK*	Sep. 2015	Sep. 2014
Sapa (50%)	1 250	860
Qatalum (50%)	6 770	5 490

- Increase in net pension liability due to lower discount rates and a weaker NOK

*USD/NOK balance sheet date exchange rates 8.50 in Sept.2015 and 6.45 in Sept 2014

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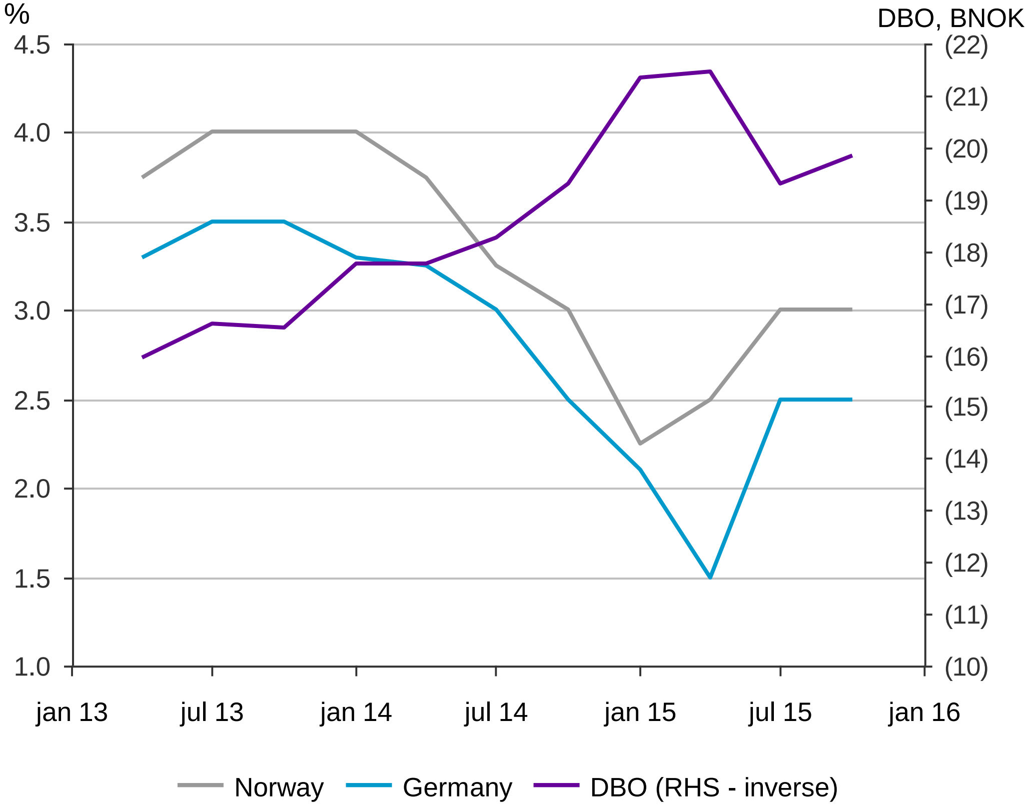
Pension obligations increase with falling discount rates

Discount rates development vs Defined benefit obligation (DBO)**



Defined benefit obligation sensitivity to 0.5 pp change in discount rates*

BNOK

Norway (columns) / Germany (rows)

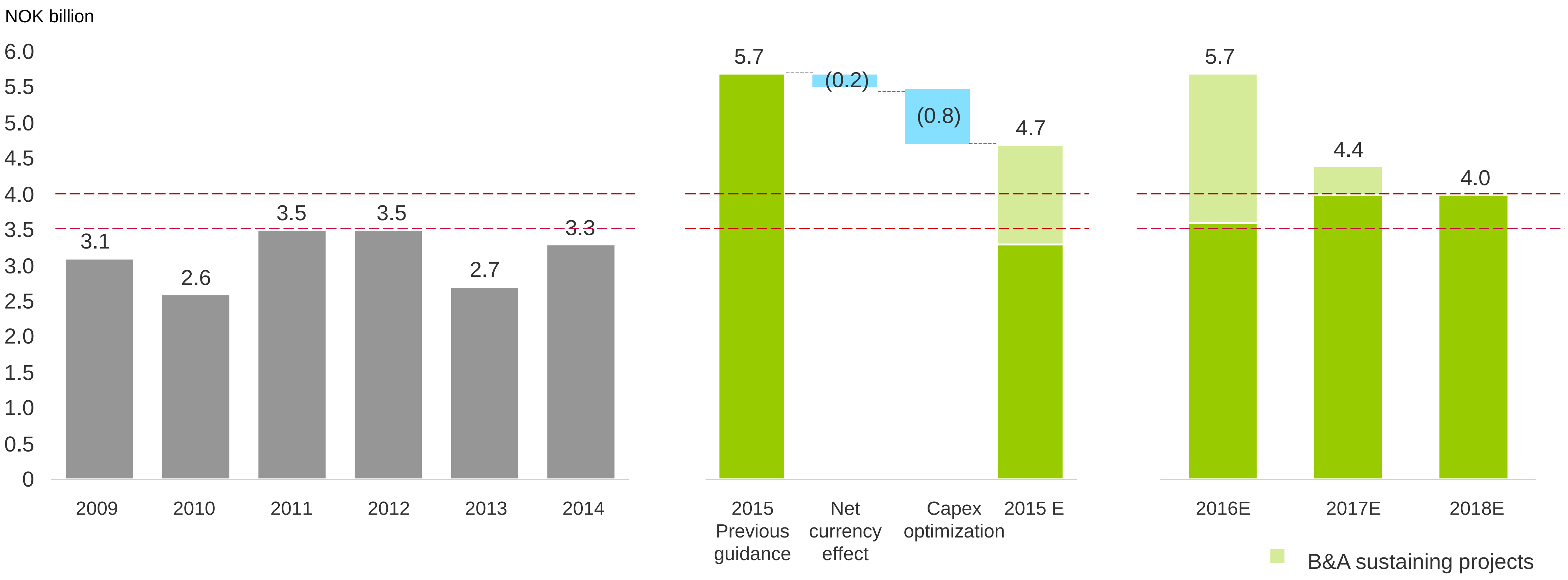
%	2.00	2.50	3.00	3.50	4.00
1.50	(22,8)	(22,0)	(21,2)	(20,6)	(20,0)
2.00	(22,1)	(21,3)	(20,6)	(19,9)	(19,3)
2.50	(21,5)	(20,6)	(19,9)	(19,2)	(18,6)
3.00	(20,8)	(20,0)	(19,2)	(18,6)	(18,0)
3.50	(20,1)	(19,3)	(18,5)	(17,9)	(17,3)

*Sensitivities show the effects of 0.5 percentage point change in discount rates while keeping the other assumptions unchanged, e.g. salary and pension expectations, and the mortality basis. DBO in Germany is subject to a translation effect from changes in EUR/NOK exchange rate. EUR/NOK rate of 9.5 as of Sept 30, 2015 used as a basis.

** Norwegian discount rates are based on the covered bond market as reference, German discount rates are based on the yields of high quality corporate bonds. Maturity of the bonds shall be consistent with the estimated term of the pension obligations.

Long-term sustaining capex NOK 3.5 - 4 billion

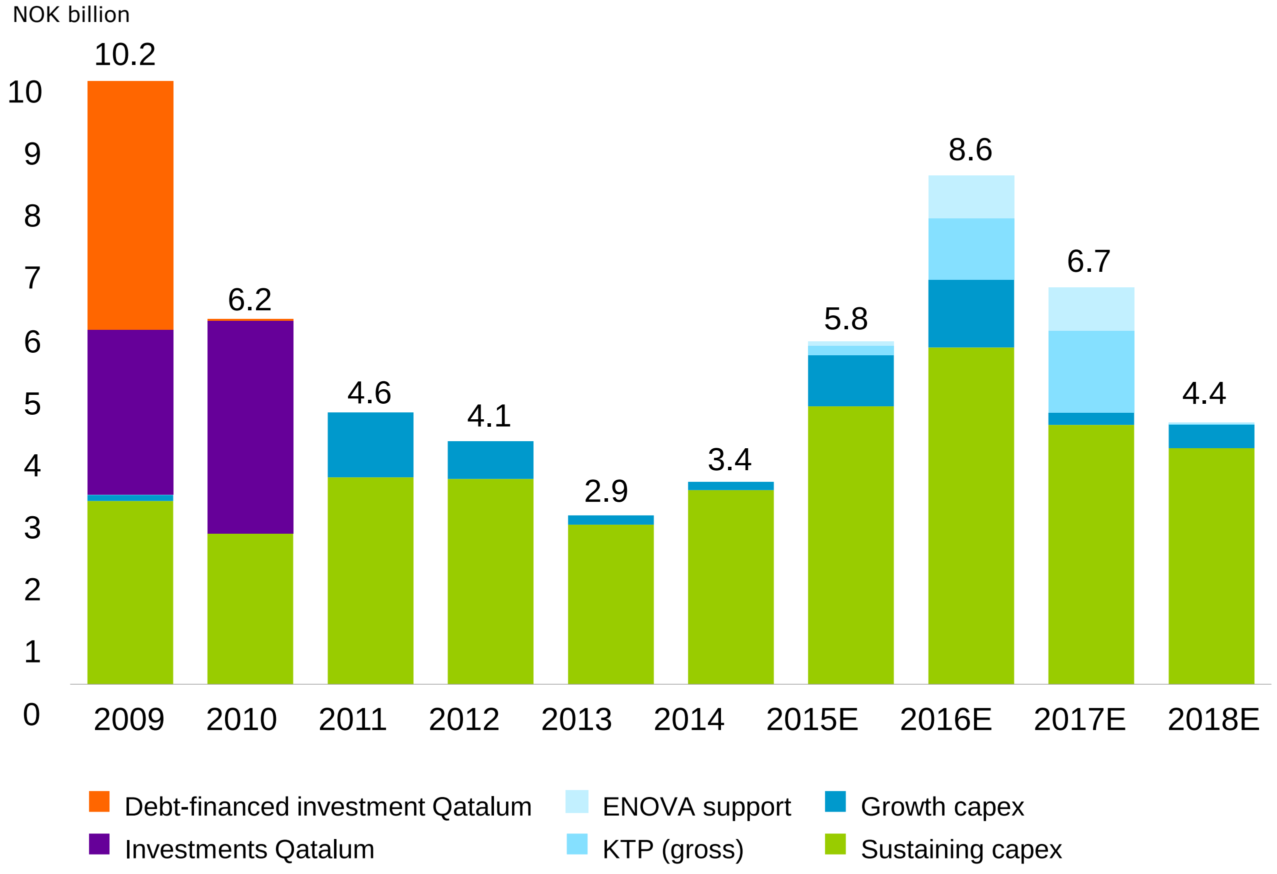
Higher than average sustaining capex driven by long-life investments in Brazil



Excluding Extruded Products from 2013 onwards

Majority of sustaining capex allocated upstream

High-grading and technology growth investments

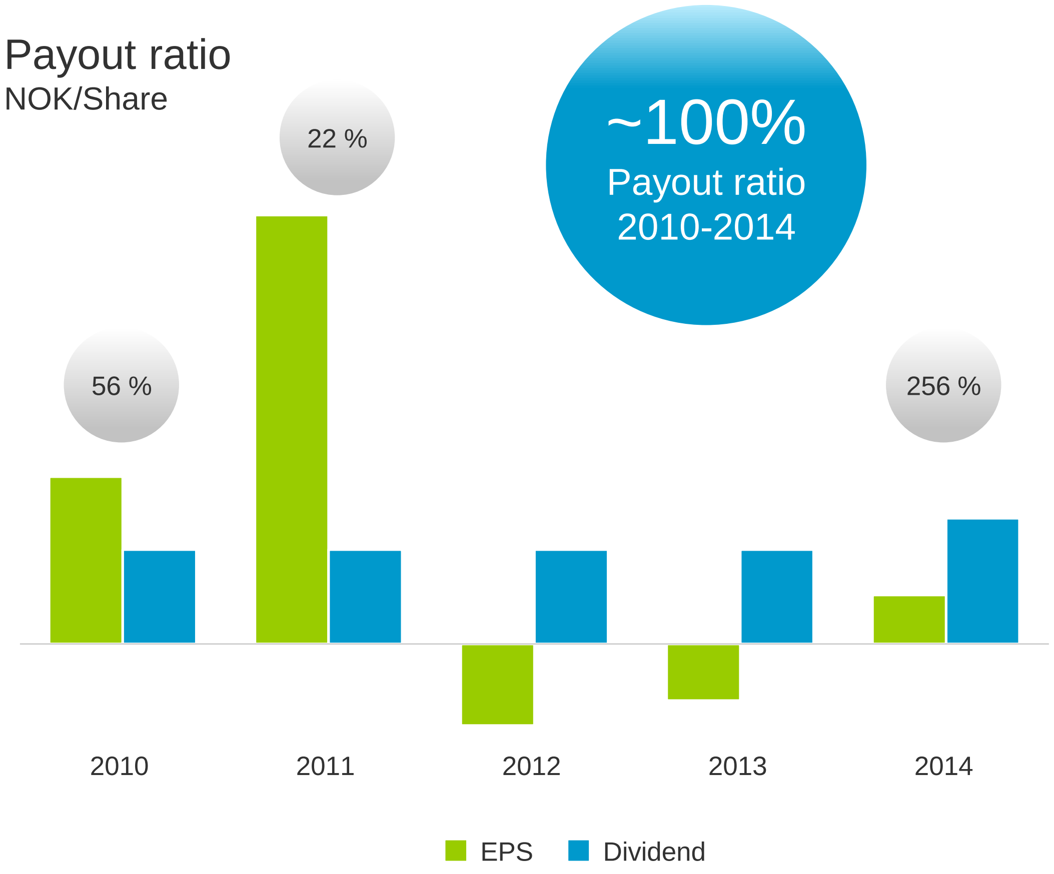


- Sustaining projects for 2014-2016:
  - Red mud disposal area
  - Bauxite tailing dam
  - Smelter relining
  - Energy rehabilitation
- Ongoing organic growth projects:
  - RP Automotive line
  - RP UBC recycling line
  - Clervaux recycling upgrade
  - Alunorf debottlenecking
  - Energy projects
  - AFM technology
- WMR technology acquisition in 2015
- Karmøy technology pilot (KTP) 2015-2018*:
  - Gross investment 3.9 BNOK
  - Of which ENOVA support 1.5 BNOK

2011 excludes Vale assets acquisition
Excluding Extruded Products from 2013 onwards
*Provided a build decision in early 2016

Aiming for stable and competitive cash return to shareholders

- Revised dividend policy at the start of 2015
  - 40% of net income over the cycle
  - Average 2010-2014 payout ratio of ~100% reflects weak earnings in the period
- Committed to a stable and reliable dividend level
  - Current dividend 1 NOK/share since 2014
- Share buybacks and extraordinary dividends considered when liquidity position, capital structure and earnings outlook allow

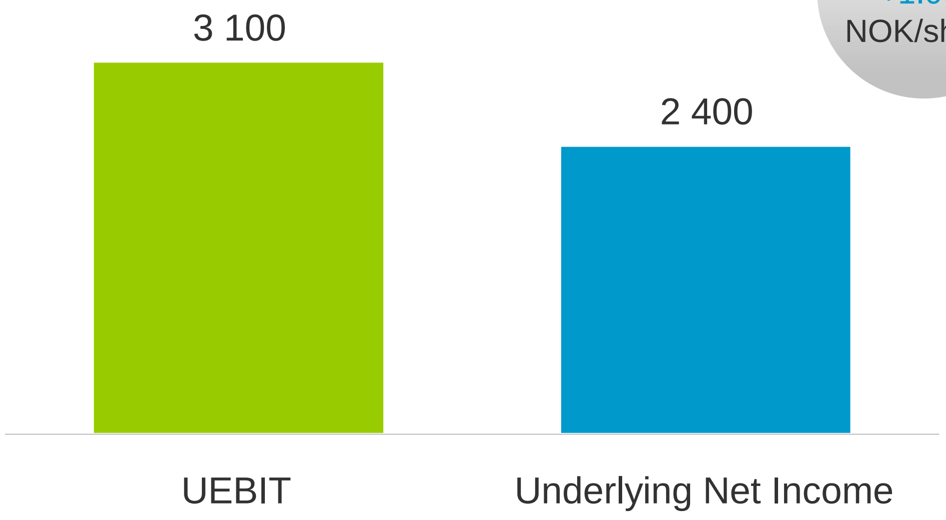


Payout ratio - dividend paid divided by reported EPS from continuing operations
2011 includes Alunorte revaluation gain

Significant exposure to commodity and currency fluctuations

Aluminium price sensitivity +10%*

NOK million



UEPS
+1.06
NOK/share

Aluminium price sensitivity +100 USD/mt:

- UEBIT 1 820 MNOK
- UNI 1 400 MNOK
- UEPS +0.62 NOK/share

Currency sensitivities +10%*

Sustainable effect:

NOK million	USD	BRL	EUR
UEBIT	2 830	(930)	(270)
UEPS	0.92	(0.29)	(0.09)

One-off reevaluation effect:

Financial items	(990)	500	(1 760)

- Annual sensitivities based on normal annual business volumes, LME USD 1 700 per mt, fuel oil USD 360 per mt, petroleum coke USD 350 per mt, caustic soda USD 275 per mt, coal USD 50 per mt, USD/NOK 8.20, BRL/NOK 2.30, EUR/NOK 9.10
- 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
- 2016 Platts alumina index (PAX) exposure used

* Excluding Sapa JV

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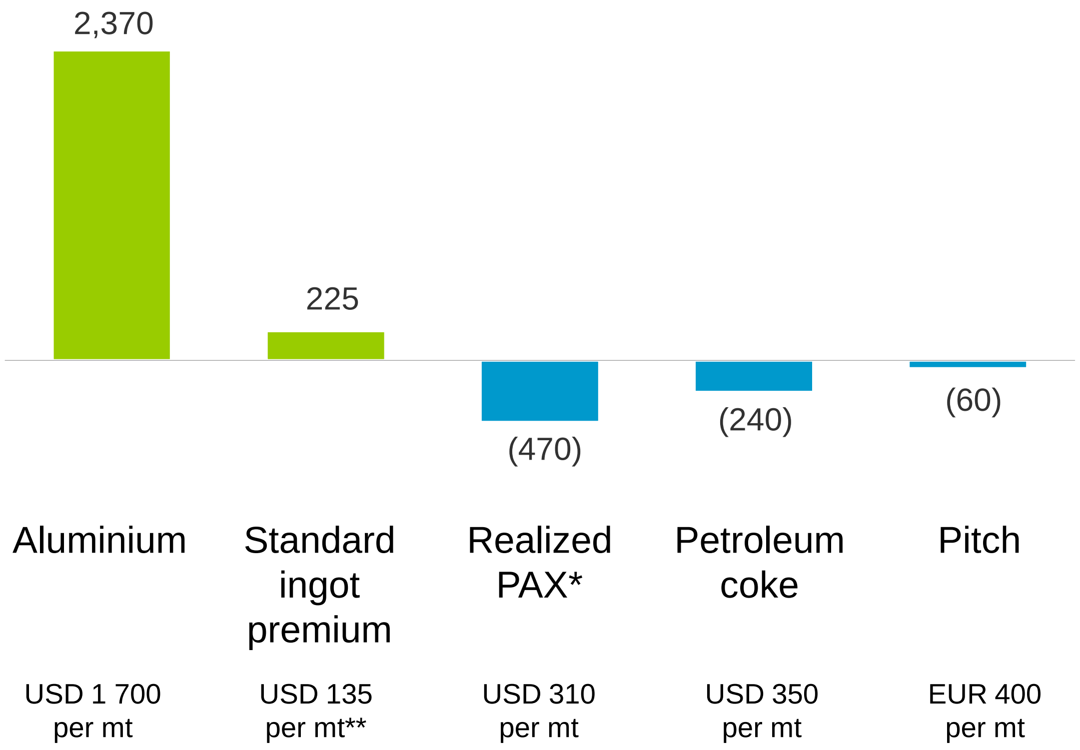
Primary Metal sensitivities

Annual sensitivities on underlying EBIT if +10% in price
NOK million



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
- ~Two 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

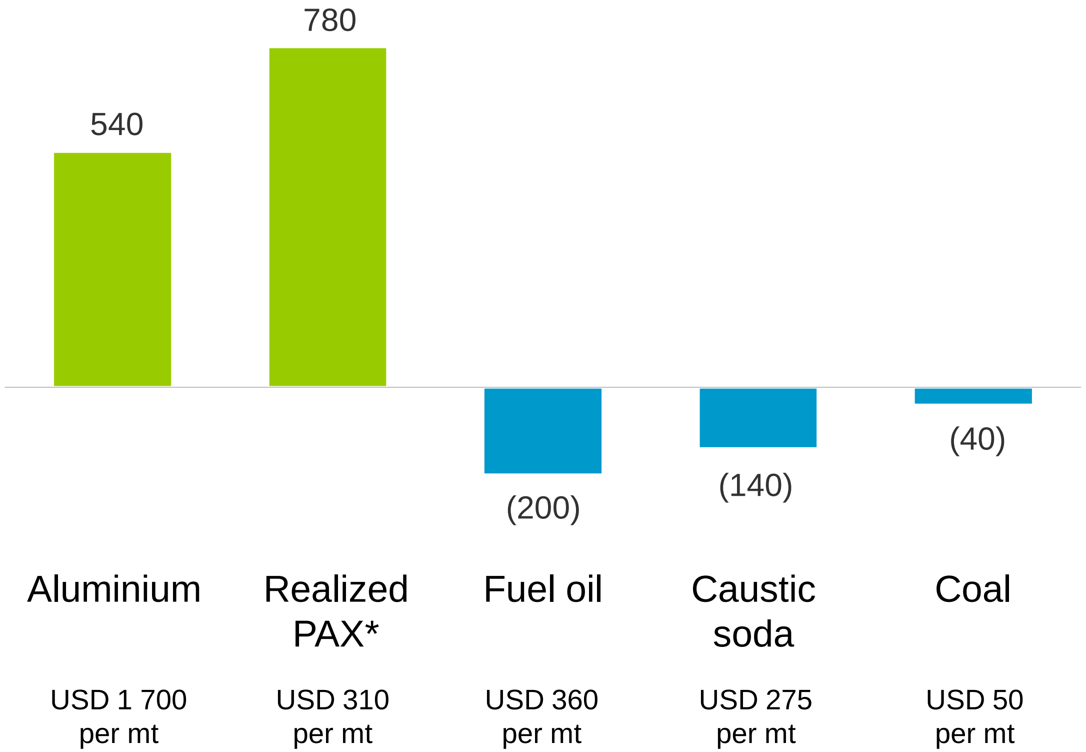
Power

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

* 2016 Platts alumina index exposure
** Europe duty paid. Hydro realized premium USD 342 per mt
Currency rates used: USD/NOK 8.20, BRL/NOK 2.30, EUR/NOK 9.10

Bauxite & Alumina sensitivities

Annual sensitivities on underlying EBIT if +10% in price
NOK million



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

* 2016 Platts alumina index exposure
Currency rates used: USD/NOK 8.20, BRL/NOK 2.30, EUR/NOK 9.10

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Limited financial hedging, flexible business model

- Volatility mitigated by strong balance sheet
- Improving relative position to ensure competitiveness
- Diversified business:
  - Upstream cyclicality balanced with more stable earnings downstream
  - Exposed to different markets and cycles
- Hedging policy:
  - Fluctuating with the market
  - Operational LME hedging in Primary Metal and Bauxite & Alumina
  - Operational LME and currency hedging in Rolled Products and Metal Markets to secure margins
  - Flexibility to hedge LME or currency in certain cases
  - Maintaining long-term debt in the revenue currency (USD)

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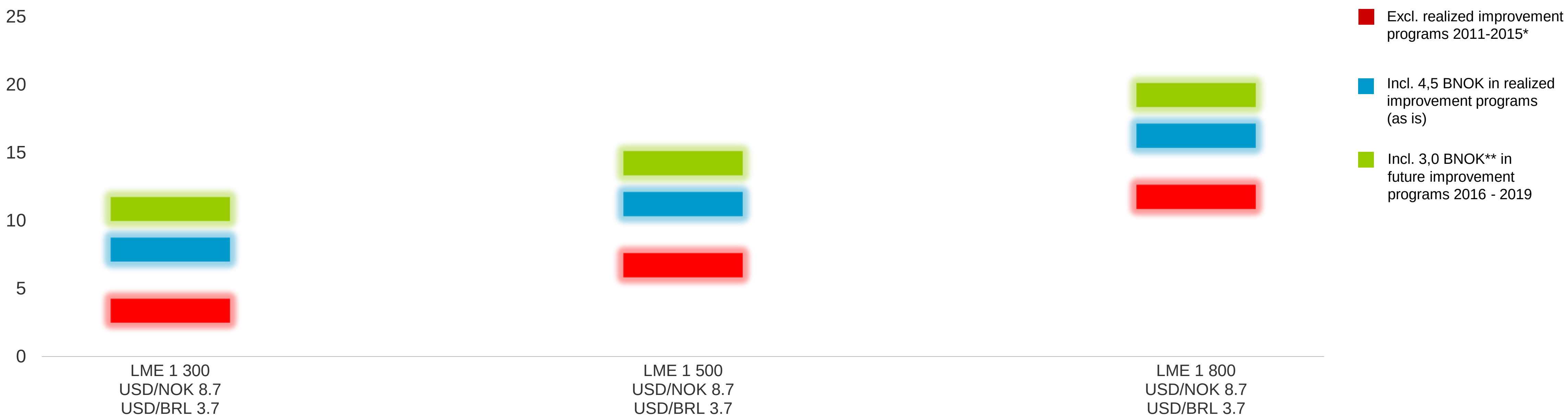
Improvement efforts lift EBITDA potential

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, other

Last 4 quarters underlying EBITDA as basis. Non-LME related revenues/cost and other currencies unchanged.
Improvements used for scenarios exclude Sapa. Hydro realized premium above LME of ~ 275 USD/t.
* USD 300 from 2009
** Future improvement efforts in real 2015 terms, before depreciation.

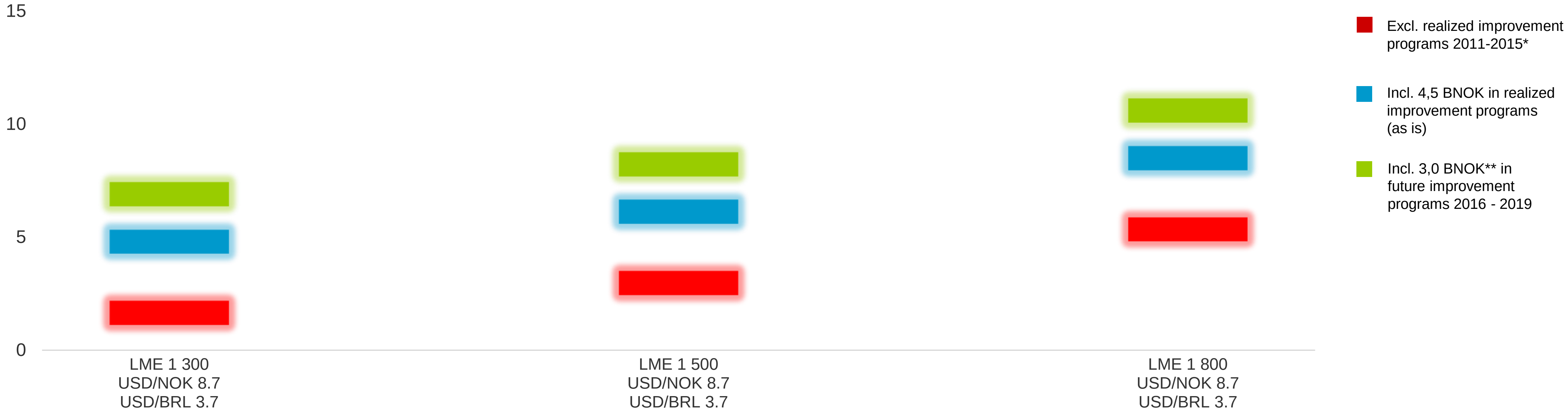
HYDRO

Improvement efforts and capital discipline contribute to FCF growth…

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

Indicative Free cash flow (FCF) range in 3 scenarios

NOK billion



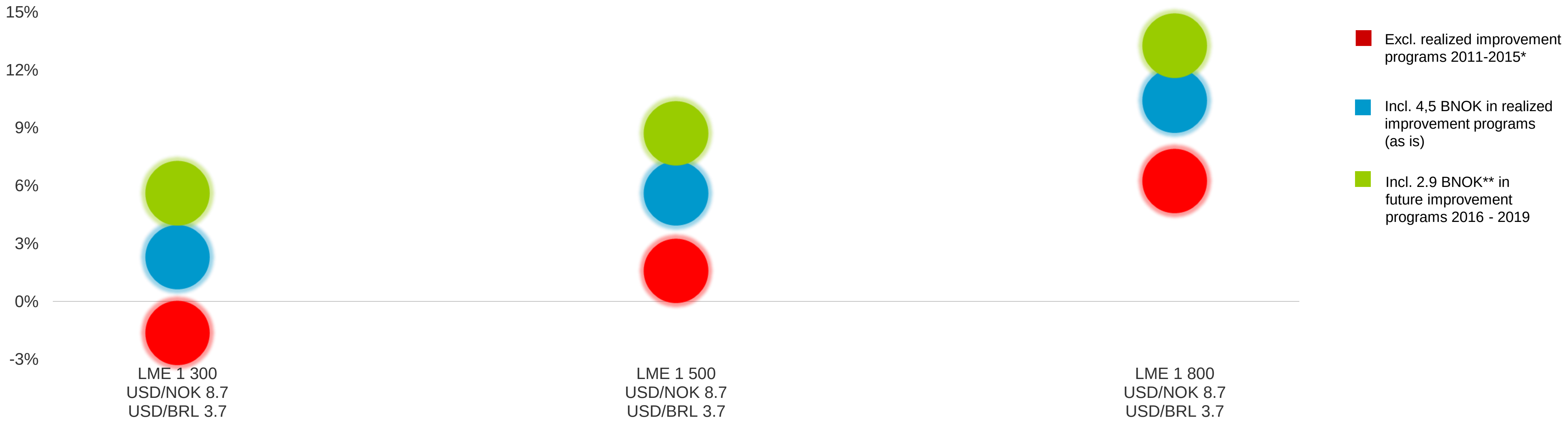
Additional factors influencing earnings (not included in the scenarios):
Production volumes, alumina sales pricing on PAX, energy prices, downstream margin developments, raw material cost development, premiums, inflation, currency, taxes, investments, interest expense, other

Last 4 quarters underlying EBITDA as basis. Non-LME related revenues/cost and other currencies unchanged.
Improvements used for scenarios exclude Sapa. Hydro realized premium above LME of ~ 275 USD/t. Long-term capex 3.5 – 4.0 BNOK per year.
* USD 300 from 2009
** Future improvement efforts in real 2015 terms, before depreciation

…and lift potential for competitive returns

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

Indicative RoaCE range in 3 scenarios



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Production volumes, alumina sales pricing on PAX, energy prices, downstream margin developments, raw material cost development, premiums, inflation, currency, taxes, interest expense, other

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** Future improvement efforts in real 2015 terms, before depreciation

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Hydro's aspiration underpinned by firm financial targets

Medium and long-term

	Ambition	Timeframe	CMD 2015 update
Improvement programs	2.9 BNOK	2016-2019	4.5 BNOK 2009 - 2015E
Sustaining capex	3.5 - 4.0 BNOK	Over the cycle	4.7 BNOK 2015E
Average capex incl. growth	6.6 BNOK*	2016-2018	5.8 BNOK 2015E
Dividend payout ratio	40% of net income	Over the cycle	~100% 2010-2014
FFO/net adjusted debt	> 40%	Over the cycle	86% 4Q'14 – 3Q'15
Net adjusted debt/equity	< 55%	Over the cycle	22% 4Q'14 – 3Q'15
RoACE	Competitive**	Over the cycle	10.3% 4Q'14 – 3Q'15

Better Bigger Greener

*With Karmøy Technology Pilot gross investment, before ENOVA support
** Measured against a relevant peer group

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Financial strength through relative positioning and balanced capital allocation

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