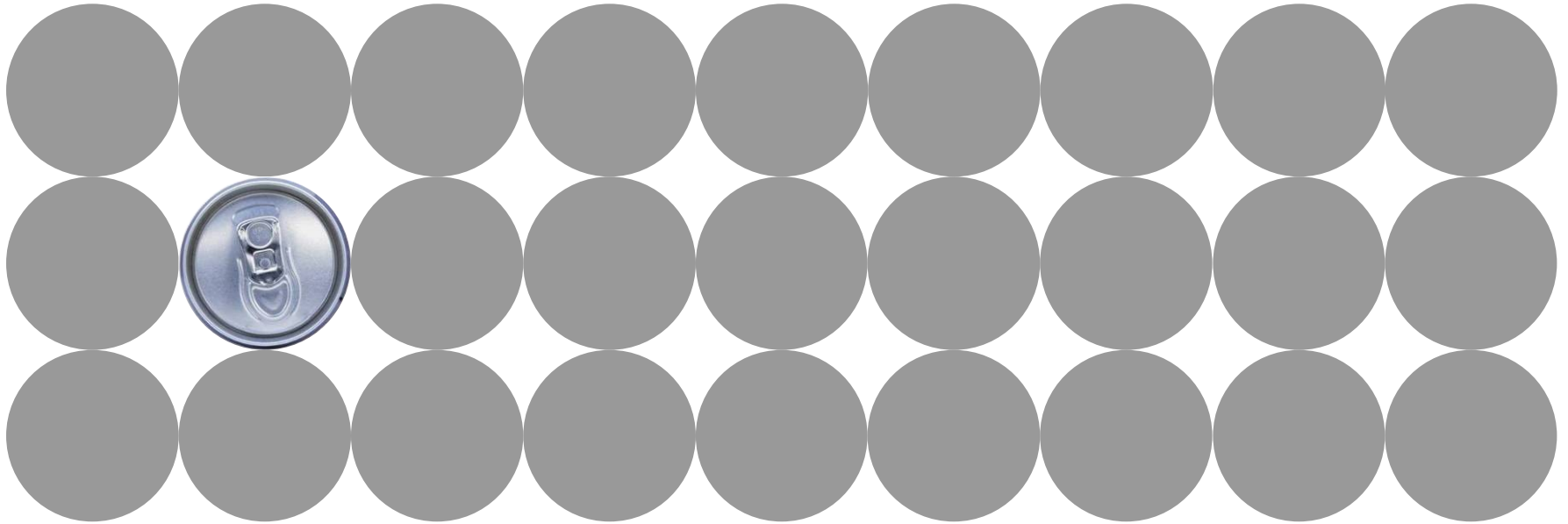


Financial policy in a volatile environment



John O. Ottestad, Executive Vice President and CFO
September 25, 2008



Financial priorities

- Solid financial position
- Shareholder returns
- World-class investment projects
- Managing volatility

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Financial policy

Solid financial position

Maintain investment-grade rating

- Currently: BBB (S&P), Baa1 (Moody's)
- Important for securing financing and other commercial transactions

Financial ratios over the business cycle

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

Flexibility to pursue business opportunities in an uncertain financial environment

NOK billion	December 31, 2007	June 30, 2008
Cash and cash equivalents	9.3	8.0
Short-term investments	2.7	2.1
Short-term bank loans and other interest-bearing debt	(1.0)	(1.1)
Long-term debt	(0.3)	(0.3)
Net cash/(debt)	10.8	8.7
Cash and short-term investments in captive insurance company	(2.0)	(1.7)
Net pension liability at fair value, net of expected tax benefit	(5.2)	(4.9)
Operating lease commitments, net of expected tax benefit	(1.5)	(1.5)
Net interest-bearing debt in equity accounted investments	(2.7)	(2.0)
Other financial obligations, net of expected tax benefit	(0.8)	(0.7)
Net adjusted cash/(debt)	(1.3)	(2.1)

Shareholder policy

Hydro aims to give its shareholders competitive returns compared to alternative investments in peers

Dividend payout ratio¹⁾ will average 30% over the cycle

Buyback of shares and extraordinary dividends

- When earnings, liquidity position and capital structure allow
- Share buyback authorization ~NOK 4 billion

Dividend payout for 2007

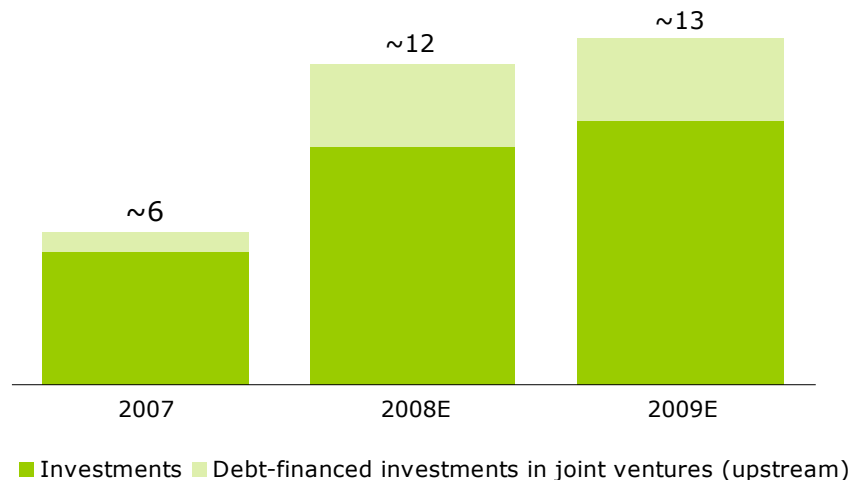
- Ordinary NOK 1.50 per share
- Extraordinary NOK 3.50 per share
- Total NOK 5.00 per share

1) Dividend divided by net income



World-class investment projects

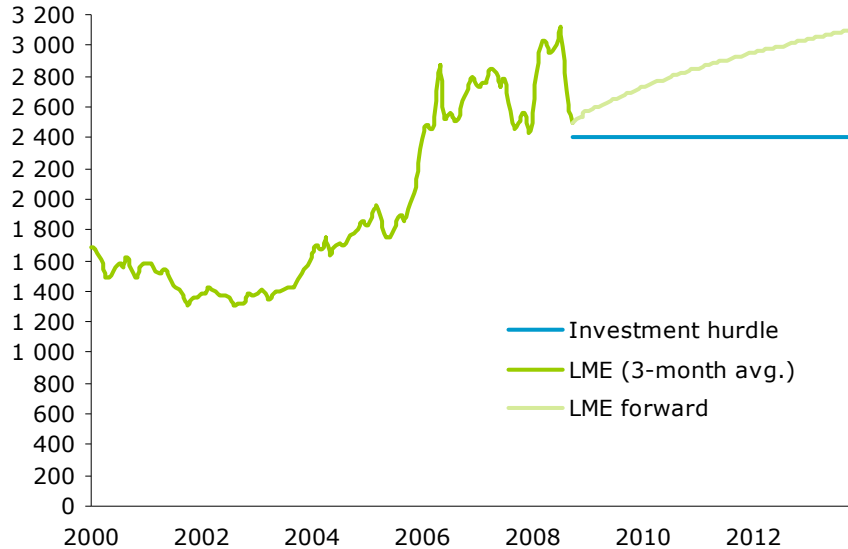
NOK billion



- ~75% of 2008-2009 investments upstream
- Aluminium Metal
 - Qatalum: USD 2.8 billion
 - Agreement with Vale for new alumina refinery
- Aluminium Products
 - Selective growth in Extrusion and Building Systems
- Energy
 - Solar growth
- Sustaining capex NOK 3 billion annually

Investment hurdles

USD per tonne



Source: Reuters Ecowin / Bloomberg, forward curve as of September 19, 2008

- LME 2 400 USD/tonne
- NOK/USD 6.0
- NOK/EUR 8.0
- Market prices for evaluations of potential short-term cash flows
- 8-10% IRR real after tax
 - IRR after tax above Hydro's cost of capital when risk is accounted for in cash flows

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Managing volatility

Hedging policy

Hydro to remain exposed to LME prices

- Partly natural hedge through alumina contracts and power contracts

Operational LME hedging

- Three months forward
- Managing customers' pricing
- Marked-to-market valuations of positions result in unrealized gain/losses

Currency exposure, mainly USD

- Policy of maintaining long-term debt in USD
- Use of currency forwards and swaps

No plan to hedge Qatalum



Revenue impact of aluminum price

Bauxite & Alumina

Alumina price to Primary Aluminium

- ~13% of 3-month LME price per tonne alumina
- ~One month lag
- Alunorte results impacted by LME hedging through 2008



Primary Aluminium

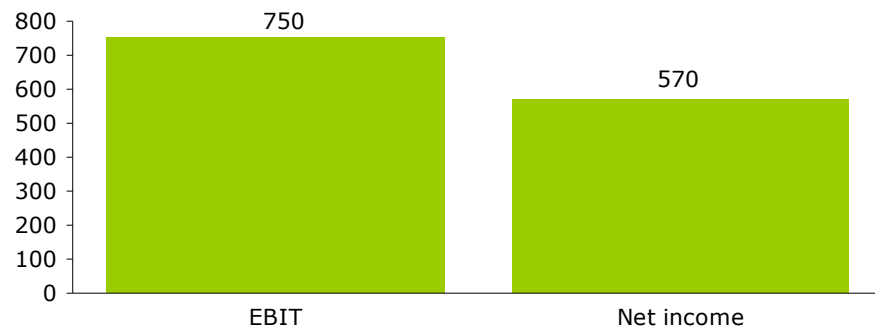
Operational LME hedging

- Realized price lags 3-month LME price by ~3-4 months
- Strategic hedging
 - 2008: 187 000 tonnes at USD 2 230 per tonne
 - 2009: limited impact



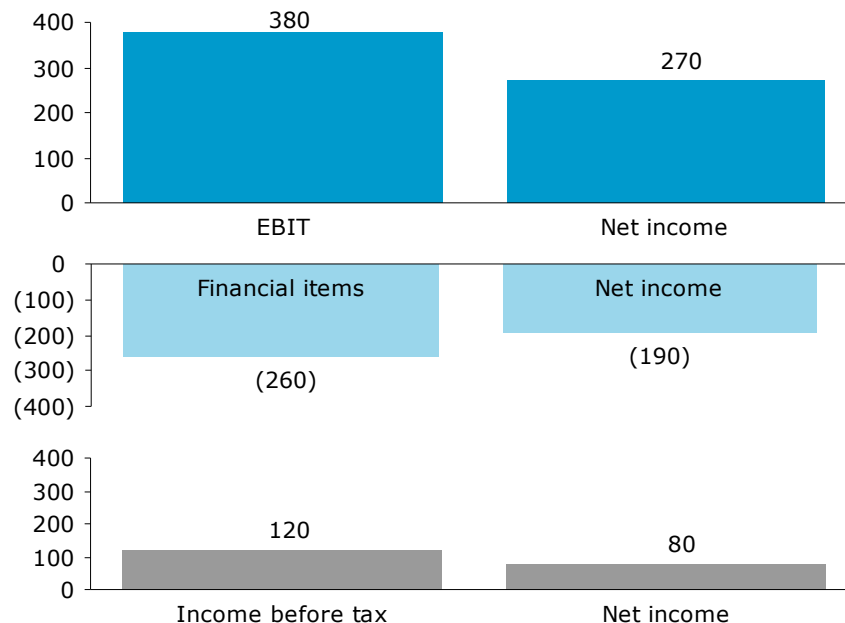
Price and currency sensitivities

Aluminium price sensitivity +/- 100 USD per tonne



- Annual sensitivities
- Aluminium price sensitivity is net of aluminium price indexed costs
- NOK/USD sensitivity includes USD revenues and costs
- Financial items sensitivity is mainly currency derivatives

NOK/USD sensitivity +/- 0.1 NOK



Focus on underlying earnings

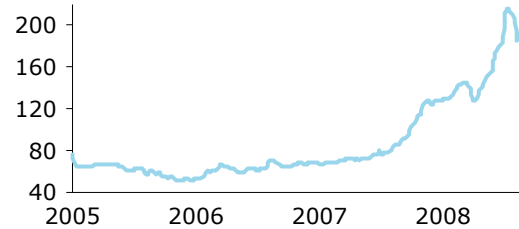
NOK million	Year 2006	Year 2007	First half 2008
Reported EBIT	7 200	9 025	1 887
Unrealized effects power contracts	1 605	928	3 287
Unrealized LME and other derivative effects	81	(229)	(1 000)
Metal effect, Rolled Products	(261)	235	(133)
Significant rationalization charges and closure costs	1 023	224	-
Impairment charges	728	144	-
(Gains)/losses on divestments and other	(211)	(397)	(389)
Underlying EBIT	10 165	9 930	3 651

Volatile commodity prices impact costs

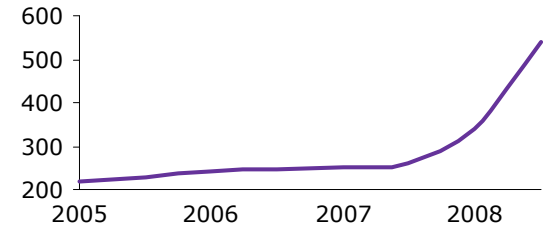
Crude oil – Brent (USD/bbl)



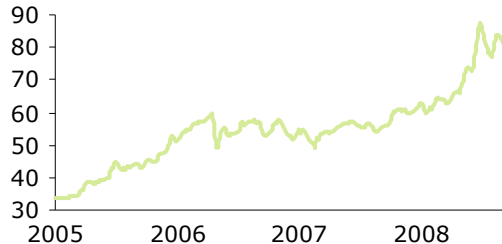
Coal – CIF ARA (USD/mt)



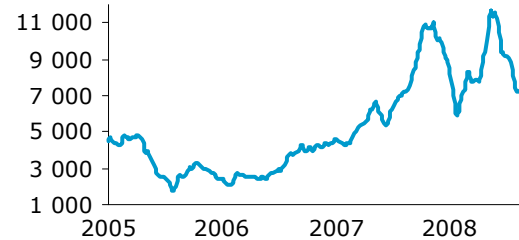
Petroleum coke FOB USG (USD/tonne)



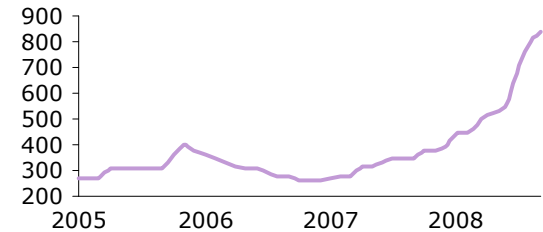
Power – EEX Germany (EUR/MWh)



Freight – Baltic Dry Index



Caustic soda (USD/tonne)

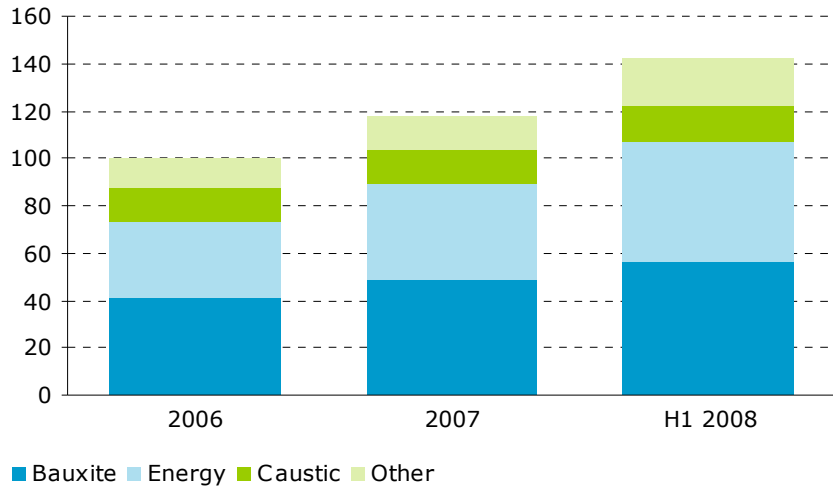


Source: Reuters Ecowin/PACE/CMAI

Commodity prices impact Hydro's costs

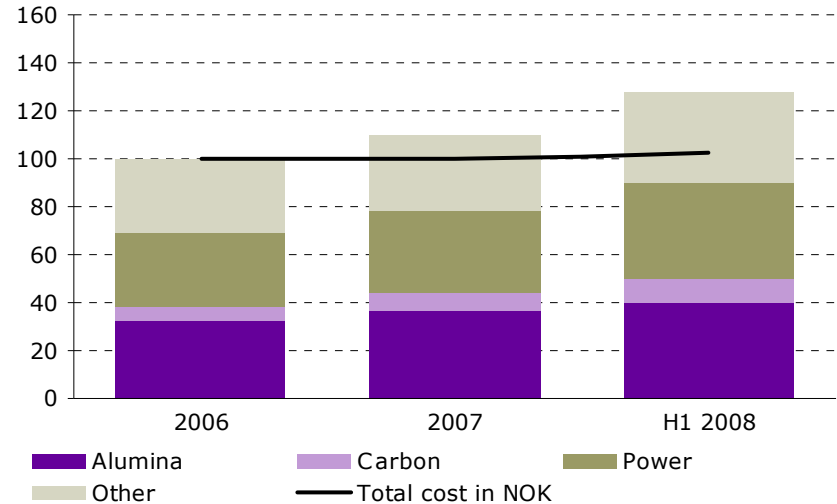
Alumina production cost

Costs in USD per tonne indexed, 2006=100



Smelting production cost*

Costs in USD per tonne indexed, 2006=100



*Including only 100% owned smelters

Bauxite & Alumina input commodities

Bauxite

- ~2.25 tonnes bauxite per tonne alumina
- Coverage
 - ~40% captive for 2008
 - ~60% on long-term evergreen contracts with price partly indexed to LME

Caustic soda

- ~0.12 tonnes per tonne alumina

Energy

- ~0.07 tonnes coal per tonne alumina
- ~0.17 tonnes heavy fuel oil per tonne alumina
- Increased use of coal as energy source in Alunorte



