Norsk Hydro
Update January 2000

Executive Vice President Eivind Reiten

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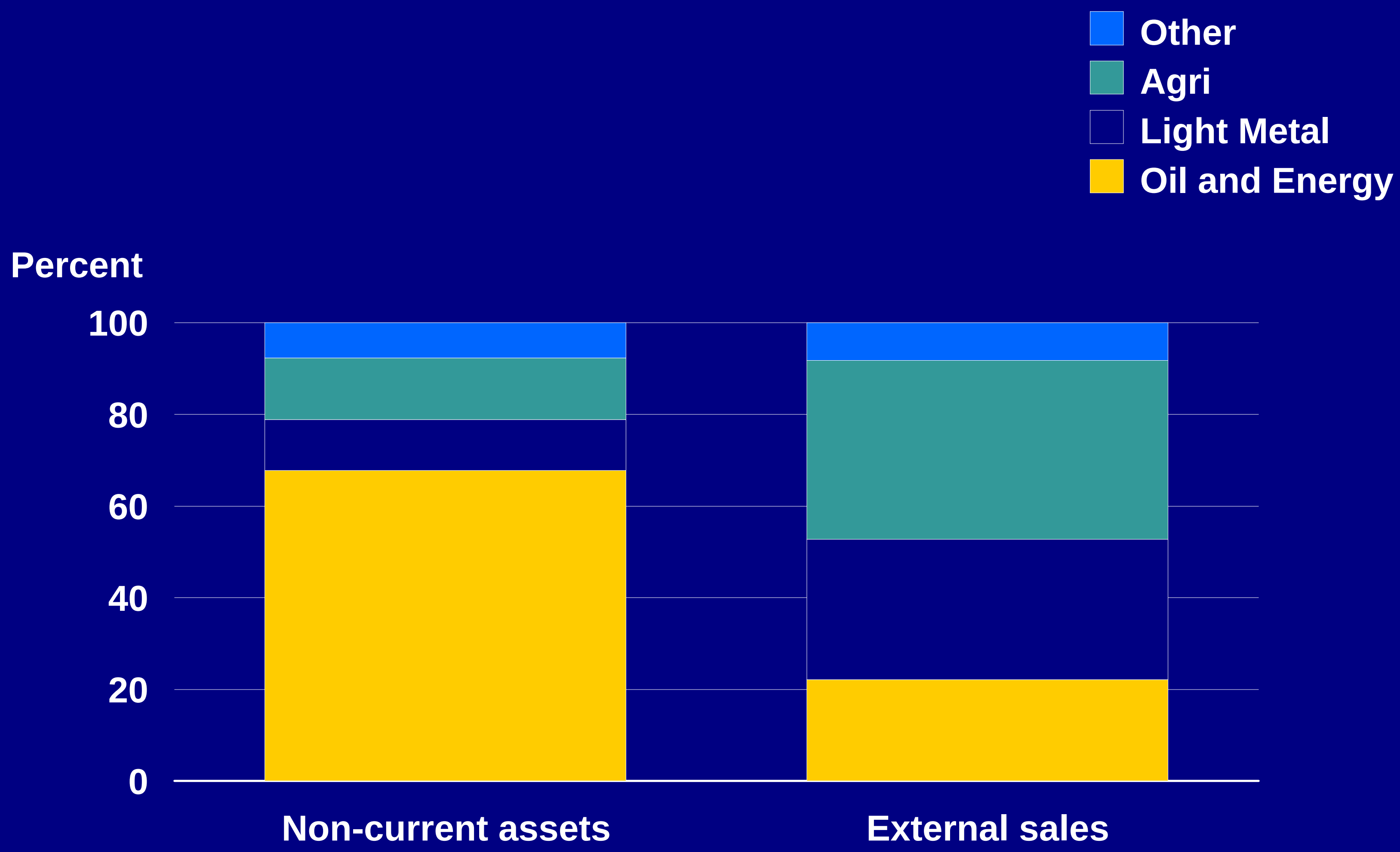
Key areas Norsk Hydro

Relative size of core areas



The organization

CORPORATE MANAGEMENT

CORPORATE STAFFS

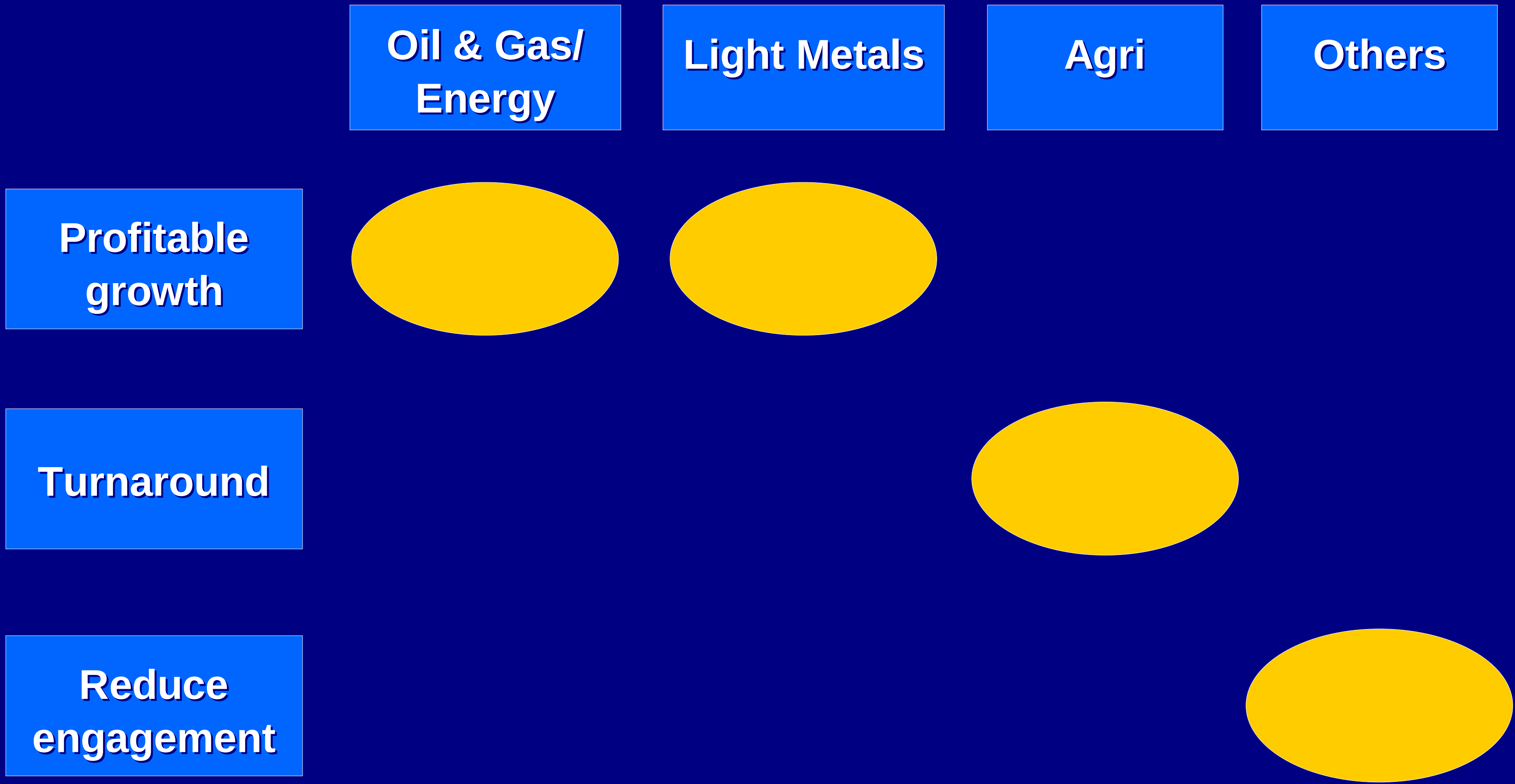
OIL AND ENERGY
- Exploration and Production Norway
- Exploration and Production International
- Refining and Marketing
- Hydro Energy

AGRI
- Hydro Agri Production
- Hydro Agri Markets
- Gases and Chemicals
- KFK

LIGHT METALS
- Hydro Aluminium Metal Products
- Hydro Aluminium Extrusion
- Hydro Aluminium Rolled Products
- Hydro Raufoss Automotive
- Hydro Magnesium

OTHER ACTIVITIES
- Petrochemicals
- Hydro Seafood
- Pronova
- Industrial Insurance
- Technology and Projects

Focused portfolio - selected growth



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Divestment of Non-core Businesses

- NOK 2.6 billion realized so far* in 1999, total gains NOK 1.4 billion
- Main transactions:
  - Pronova Biopolymers
  - Mabo
  - Hydro Coatings
- Divestment target: NOK 10 billion over the next two-three years

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Share price performance

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Main Financial Targets

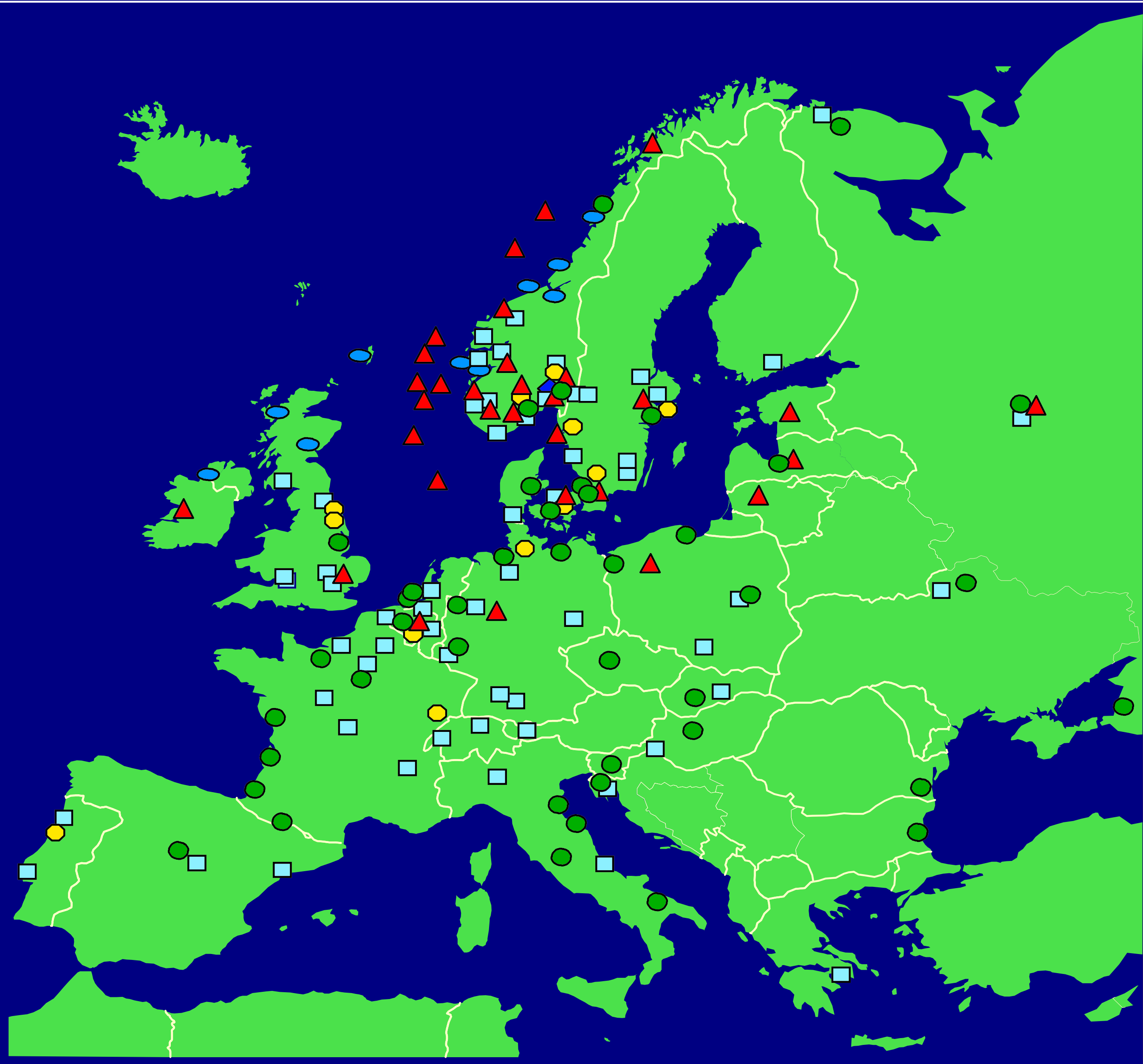
	1999	1996
Profitability:		
Return on Capital Employed		15%
Total shareholder returns*	15-20%	
Debt/equity ratio**	0.5	0.5
Internal rate of return for investment projects (real, after tax)	10%	10%
Dividends, pay-out ratio	30%	30%

* Annual average over the long term

** Long-term debt/equity plus minorities

Hydro - European network

- Agriculture
- Oil and Energy
- Light Metals
- Petrochemicals
- Hydro Seafood
- Head office



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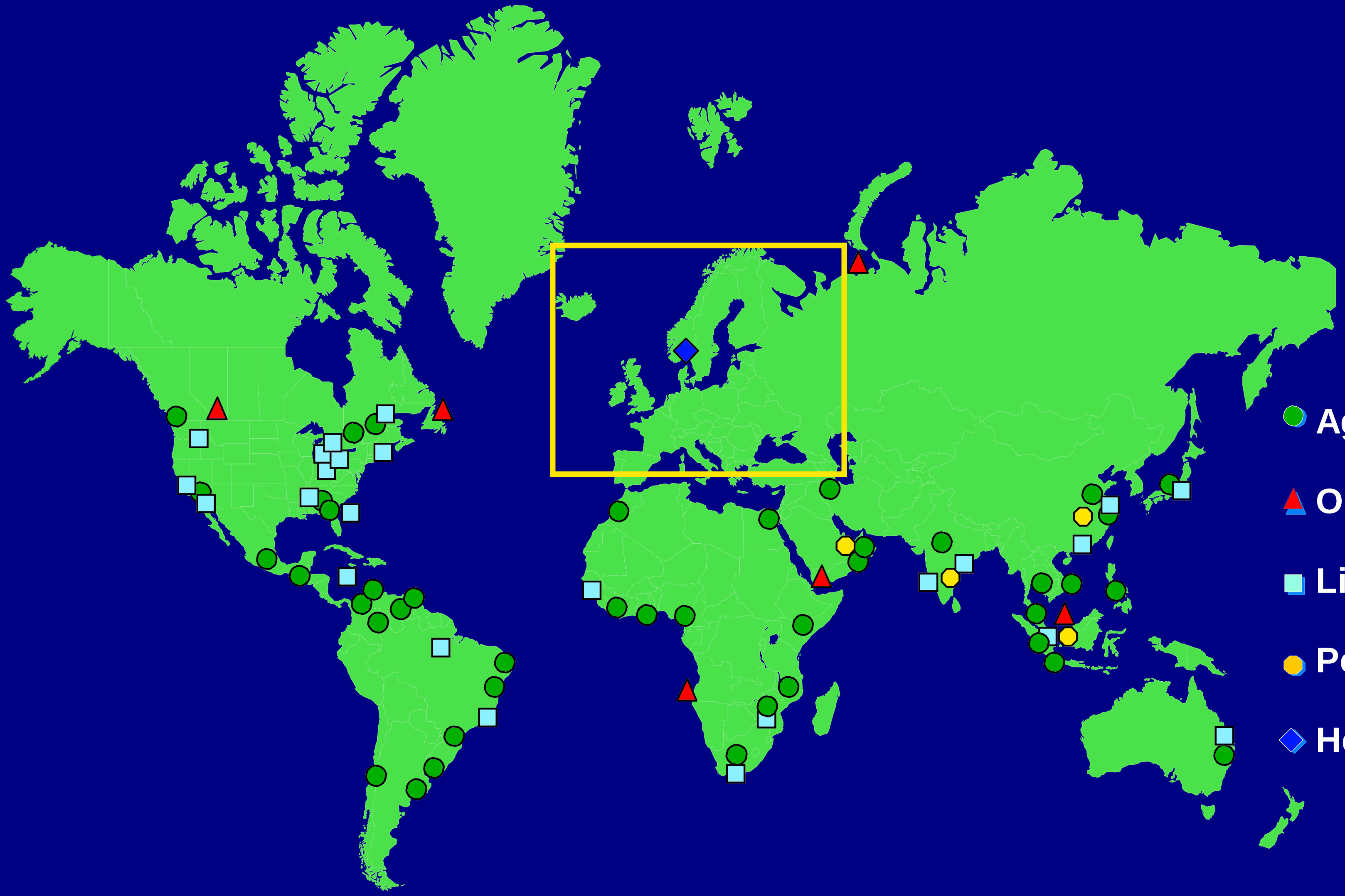
Hydro - Global network



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New improvement target

- Close Agenda 99 "gap" of NOK 5 billion
  - NOK 1 billion improvement realized in 1999
  - Additional NOK 4 billion improvement by the end of 2001
- Realize synergies from Saga integration of NOK 500 million

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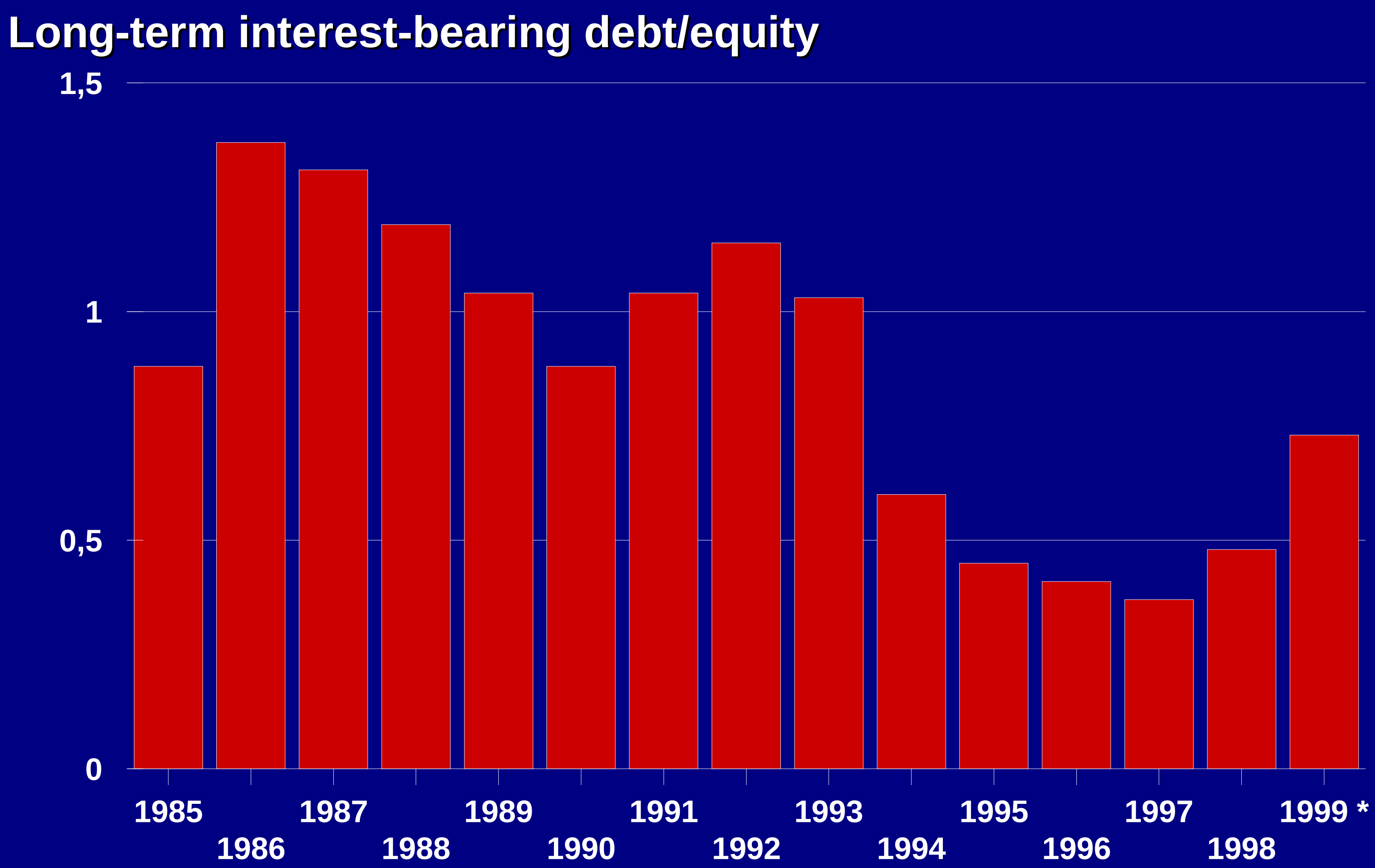
Hydro – strong financial position



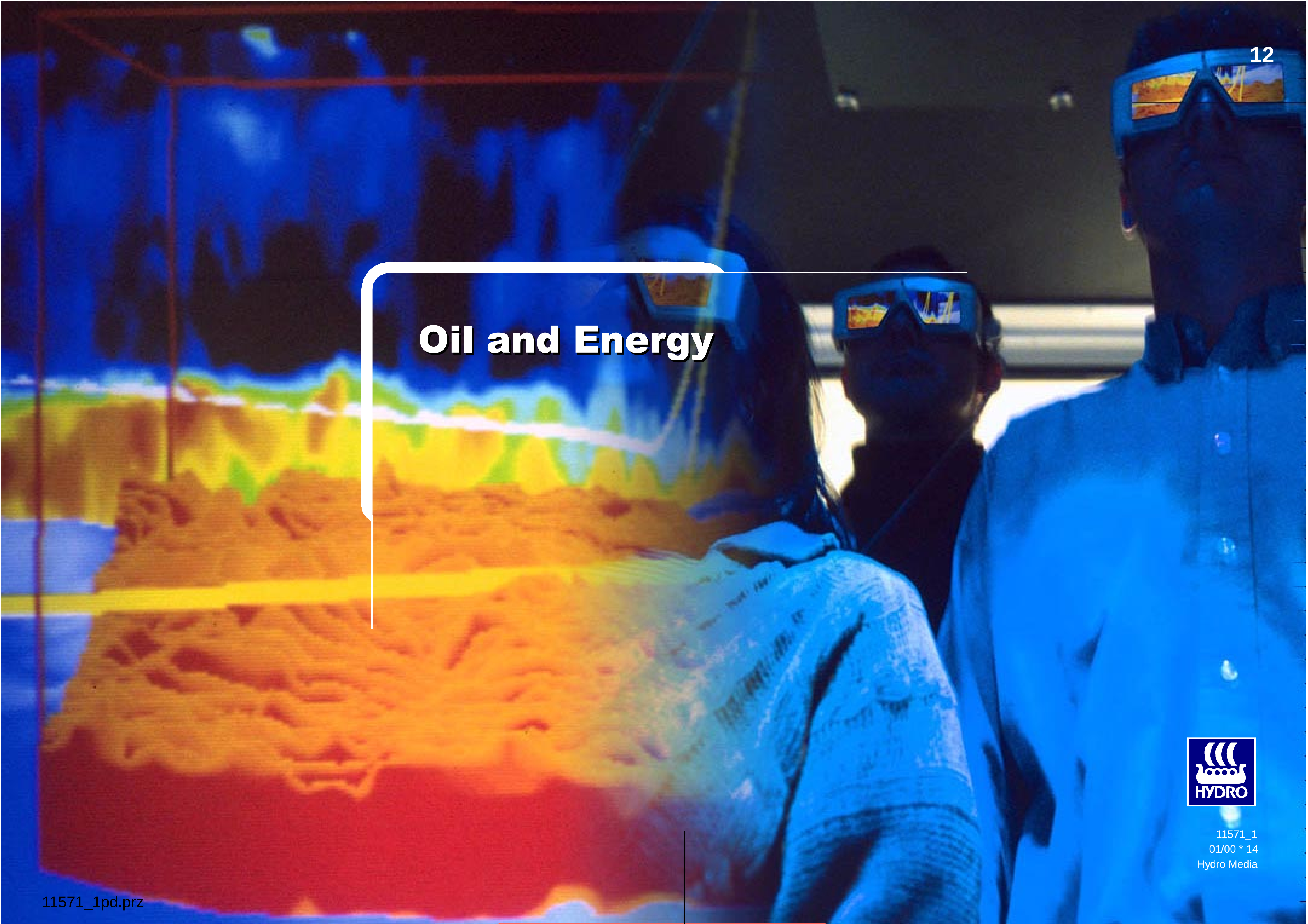
Long-term interest-bearing debt divided by equity plus minority interests

* as per 30.9.99

1999 - a year of change

- ✓ Acquisition of Saga Petroleum
- ✓ Brazilian aluminium agreements
- ✓ Restructuring og the Agri business initiated
- ✓ Agenda '99 targets being reached
- ✓ Value Based Management concept introduced

Oil and Energy



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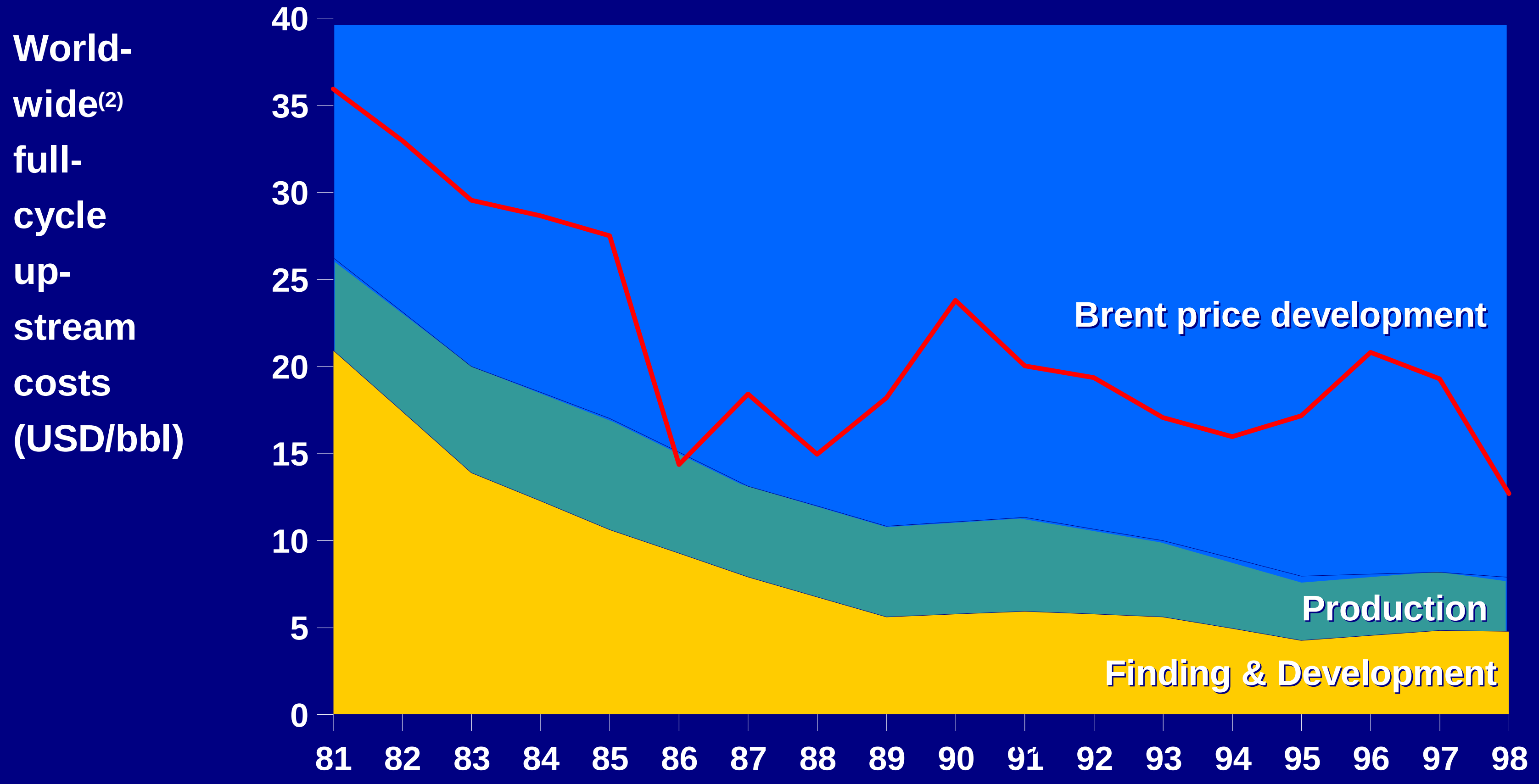
Historical price- and cost reductions in the oil industry



(1) BCG estimate
(2) Excluding Middle East and FSU, nominal prices

Source: Cambridge Energy Research Associates, DOE, BP/Amoco

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Hydro Oil and Energy

- Oil and Energy central in Hydro's strategy
- Oil and Energy Strategy geared towards
  - Future growth
  - Improved profitability

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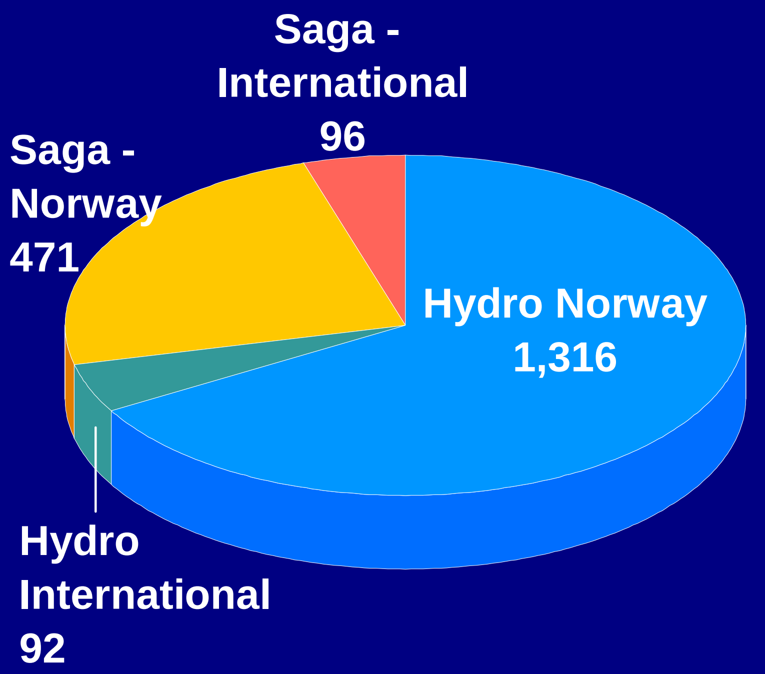
Saga integration:

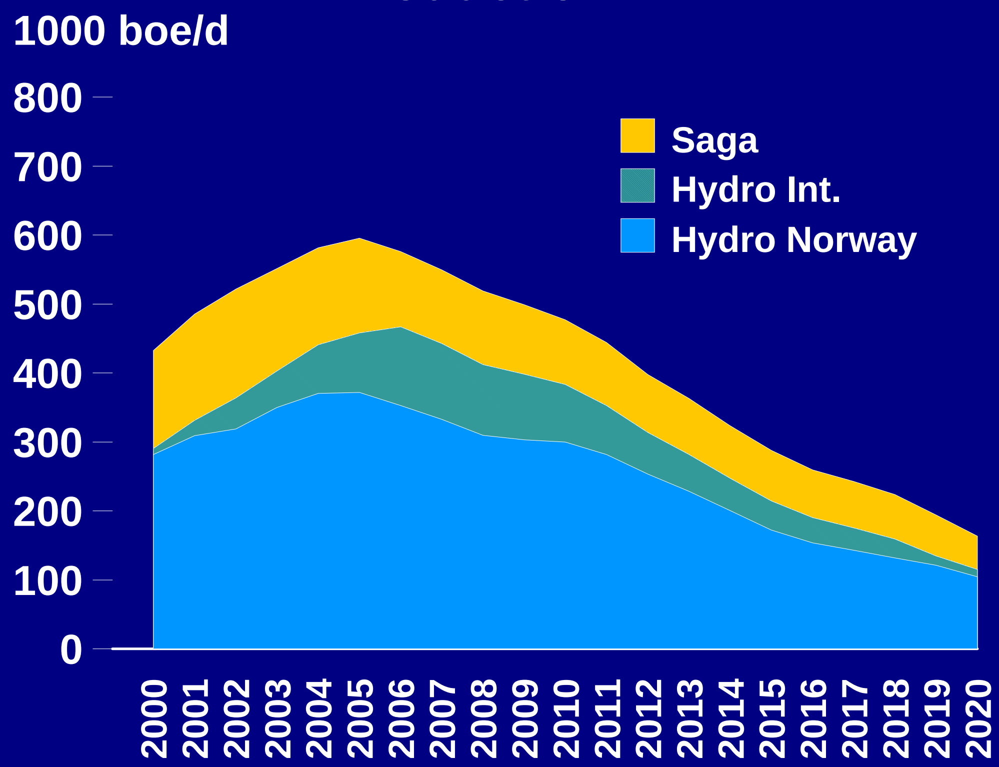
A first step of a growth strategy

Proven reserves 1998



Total reserves 1,975 mill. bbl oe

Production



- ✓ 40 percent increase in reserves
- ✓ 45 percent production increase in year 2000

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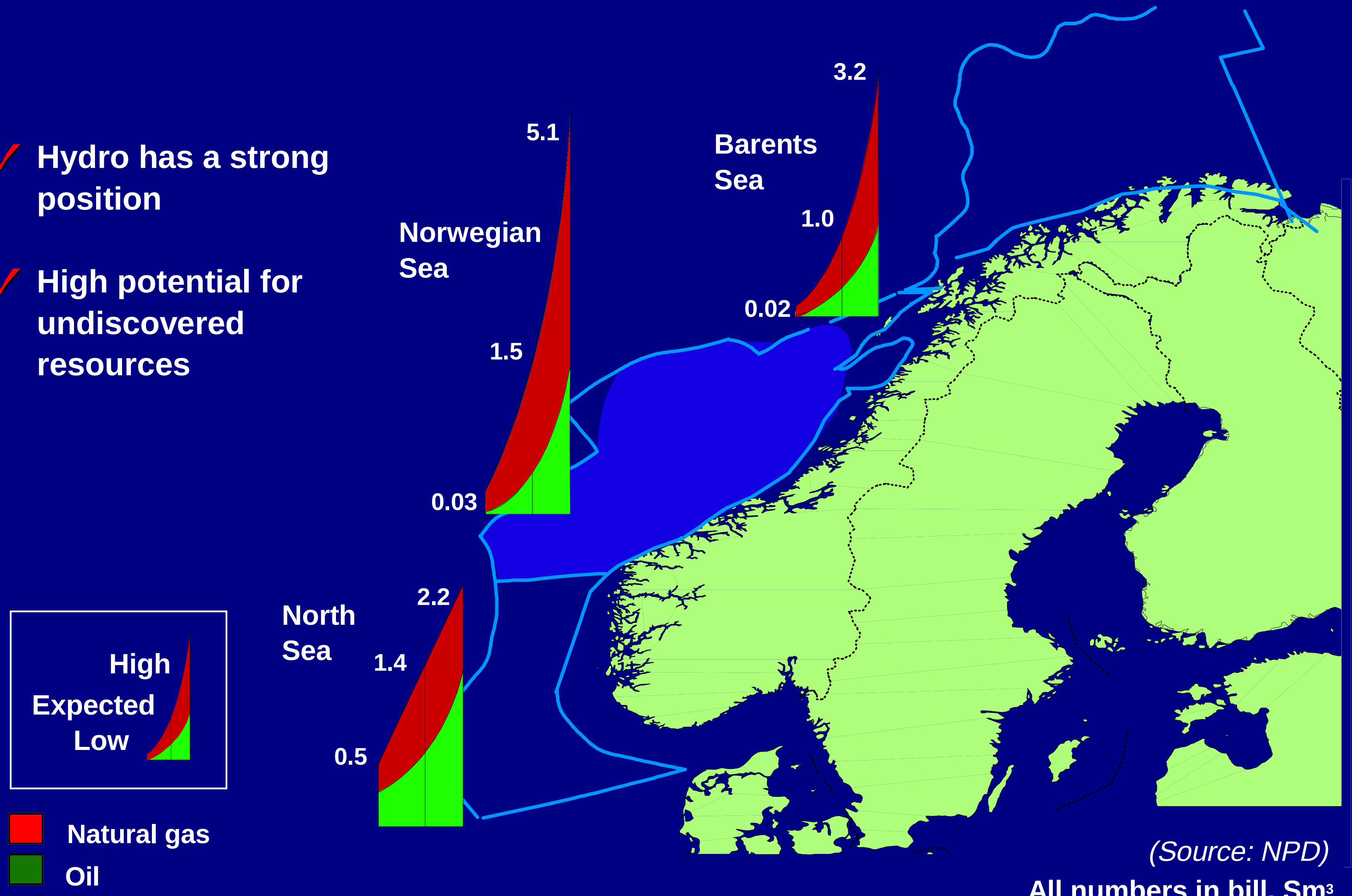
Growth strategy:

Estimated undiscovered Norwegian Continental Shelf

- ✓ Hydro has a strong position
- ✓ High potential for undiscovered resources



(Source: NPD)

All numbers in bill. Sm^3

Norwegian Continental Shelf

competence as basis for international growth

A major player..

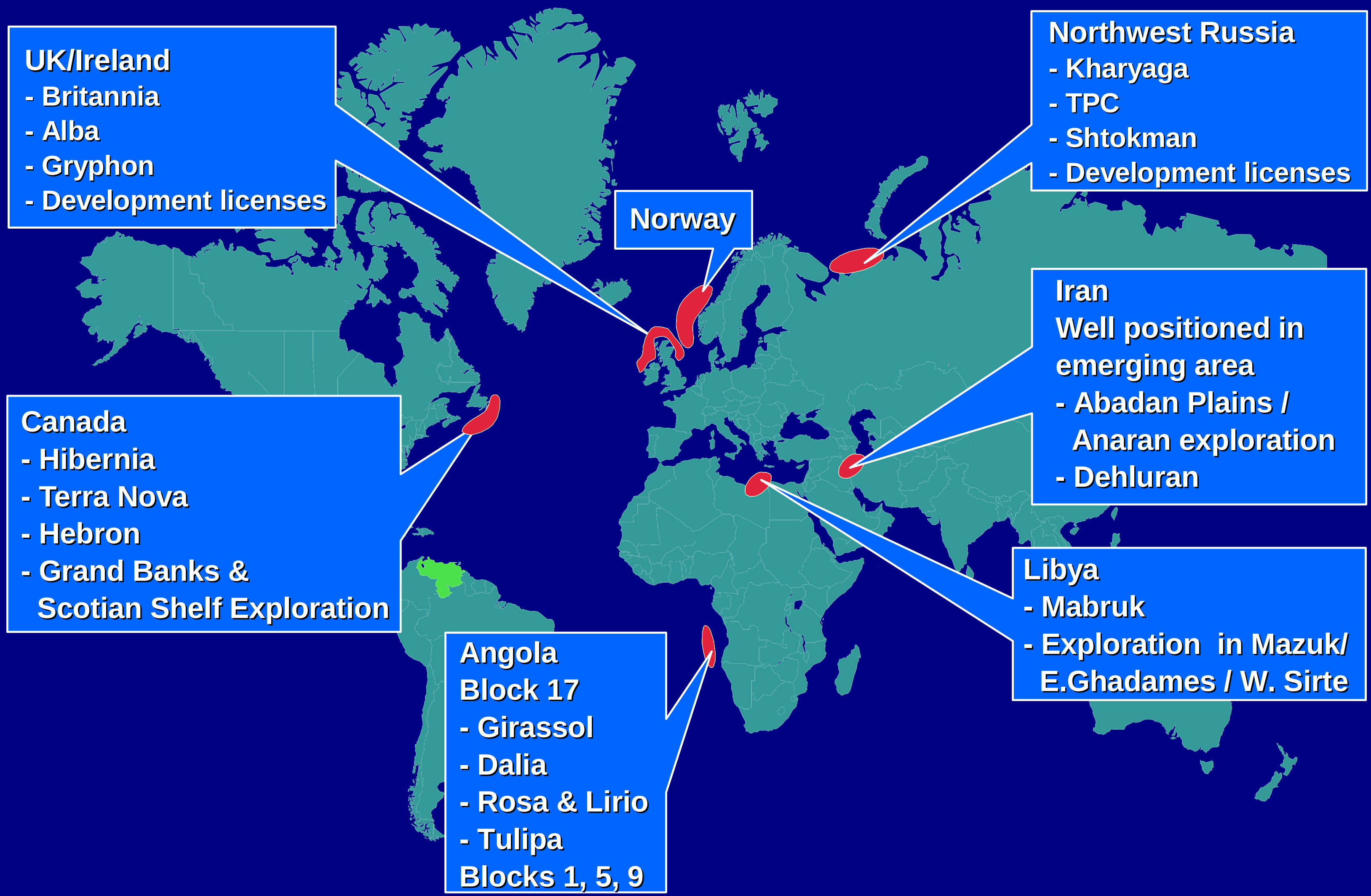
- Substantial offshore operated production with 900,000 boed
- Global Presence
  - Activities in 36 countries,

.. with a "high tech" reputation

- NCS
  - Large operator presence
  - Premium explorer
  - High tech development skills
  - Low cost operator

Hydro's international petroleum activities

Increased international focus



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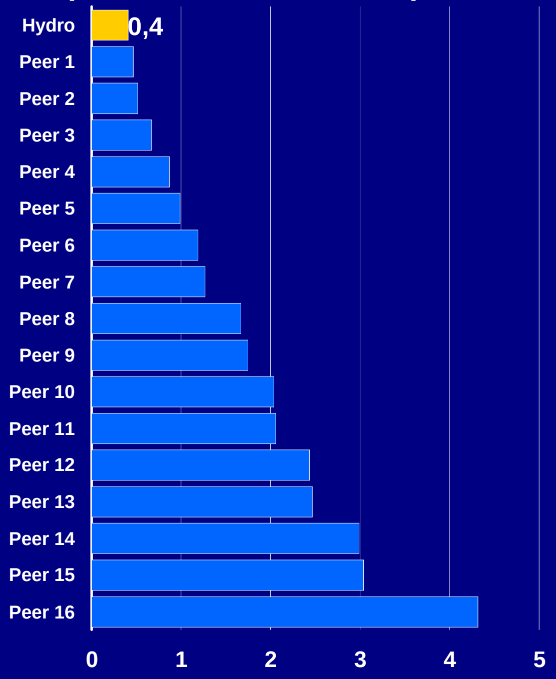
Increased profitability

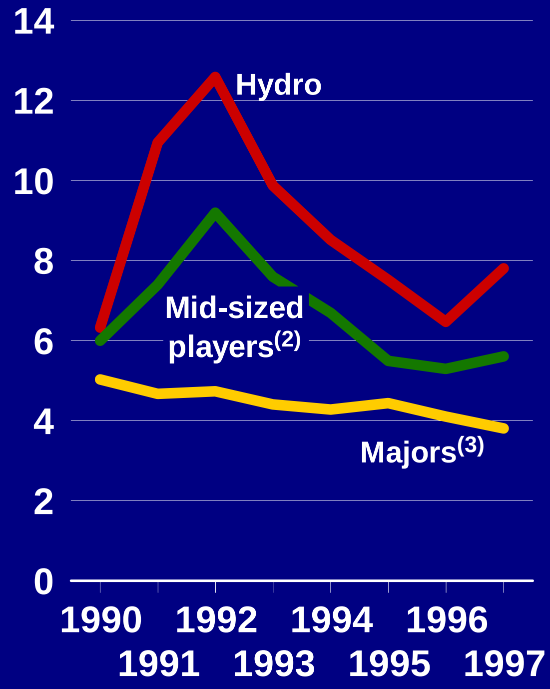
through improvements reach target in finding and development of USD 5 per barrel

Good → **Poor** → **Good**

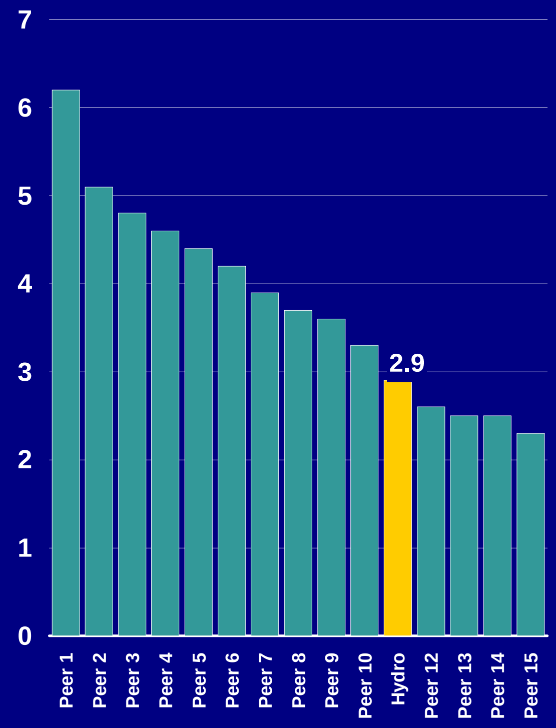
NCS finding cost 1991-1997 1)
($/boe of tech. resource)



$/boe 1)



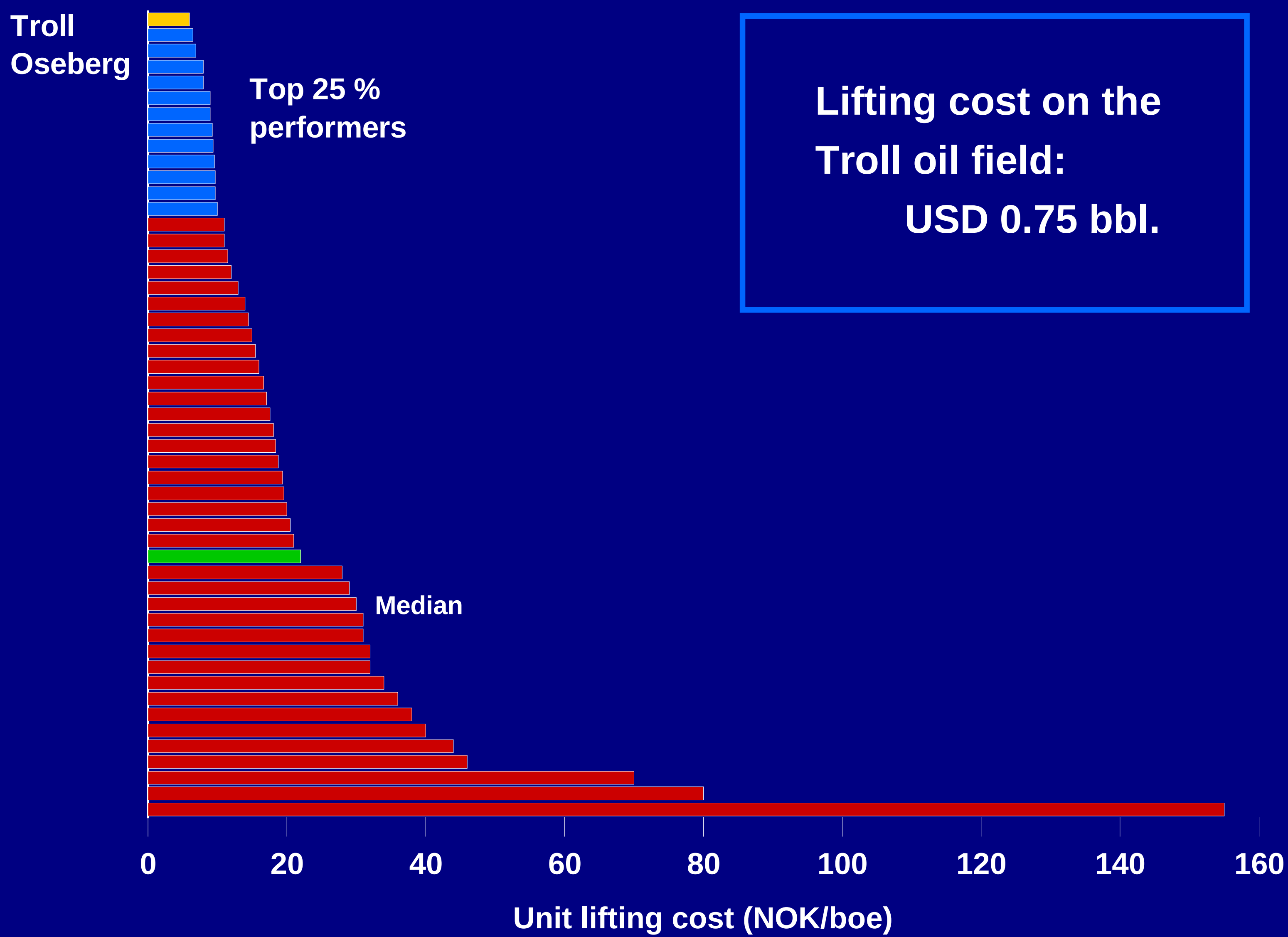
World wide production costs (USD/bbl), 1997



1) 5 year total costs (exploration + development + acquisition costs) /reserve addition (extensions and discoveries, revisions to estimates, improved recovery and purchases)
2) Elf, ENI, Norsk Hydro, DMV, Petrofina, Repsol, Total, Enterprise, Saga, Lasmo
3) Defined as: Amoco, BP, Chevron, Exxon, Mobil, RD/Shell and Texaco

Source: Schroder, Paras, Petrocompanies, WDR

Unit lifting cost Norway 1998



Lifting cost on the Troll oil field: USD 0.75 bbl.

Source: McKinsey

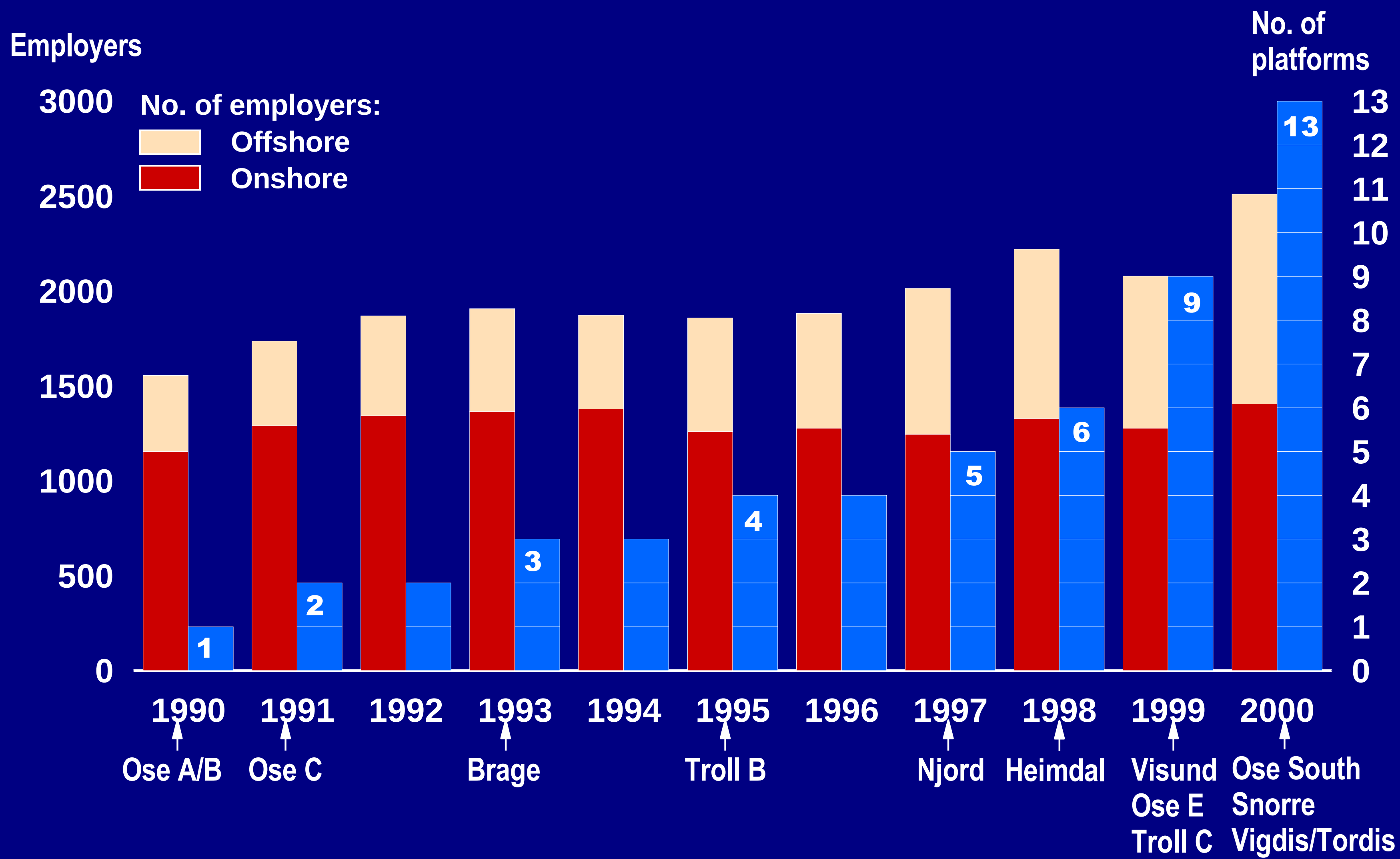
Saga integration:

Cost efficiencies and synergies

	Employees	Total synergies cost efficiencies
Expected May 1999	- 800	NOK 1.0 bill
To be realised (June 1999 - Jan. 2000)	-1,050	NOK 1.4 bill

Saga integration:

An illustration of Hydro's scale effiency



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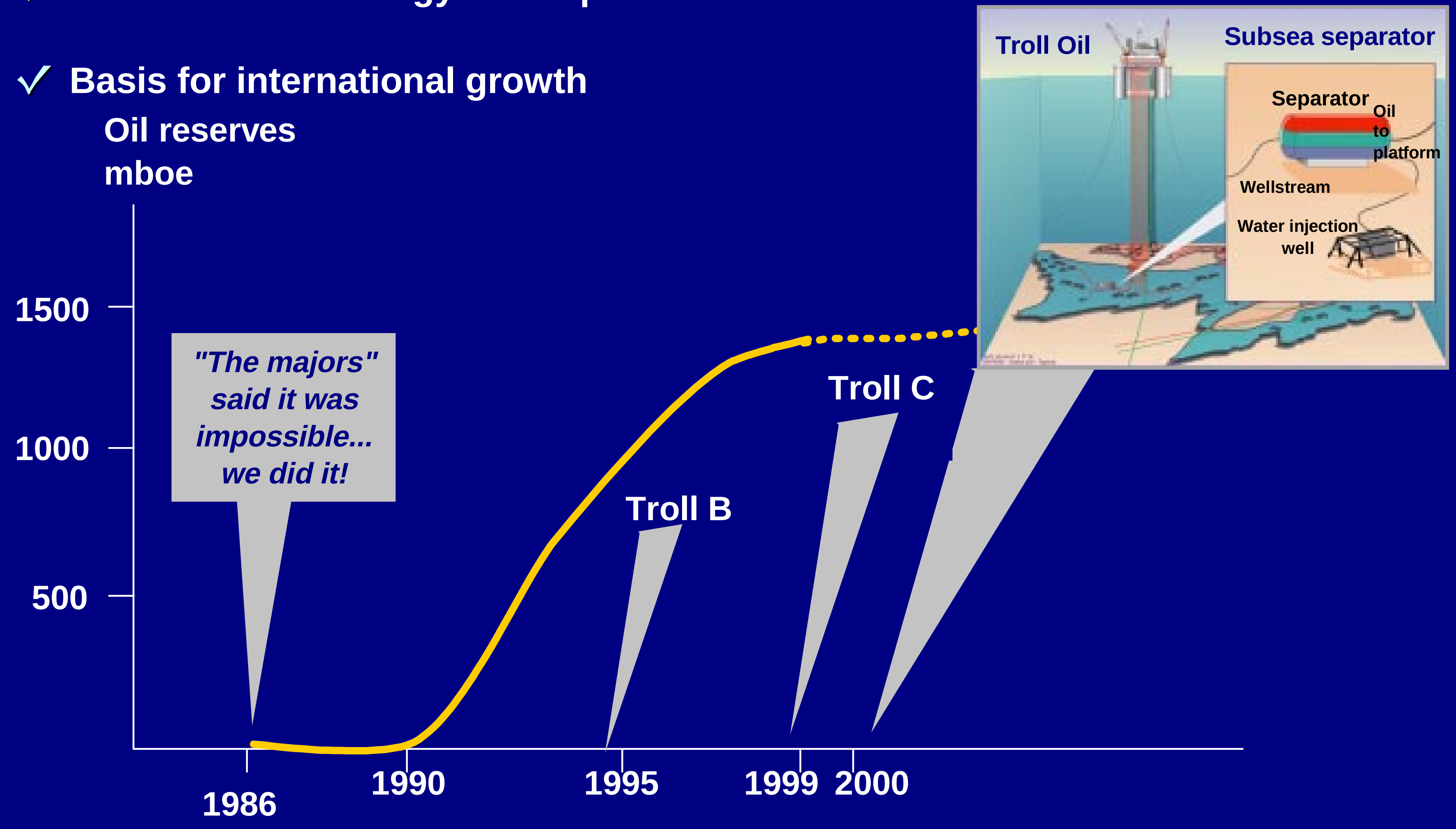
Technological innovation record

The Troll story

- ✓ Continued technology development
- ✓ Basis for international growth



Grane under development

- Investment start-up : December 1999
- Total investment estimate : NOK 15 bill
- Production start-up : October 2003
- Oil reserves : 700 mill bbl
- Plateau production : 214 000 bbl/d
- No. of wells : 33

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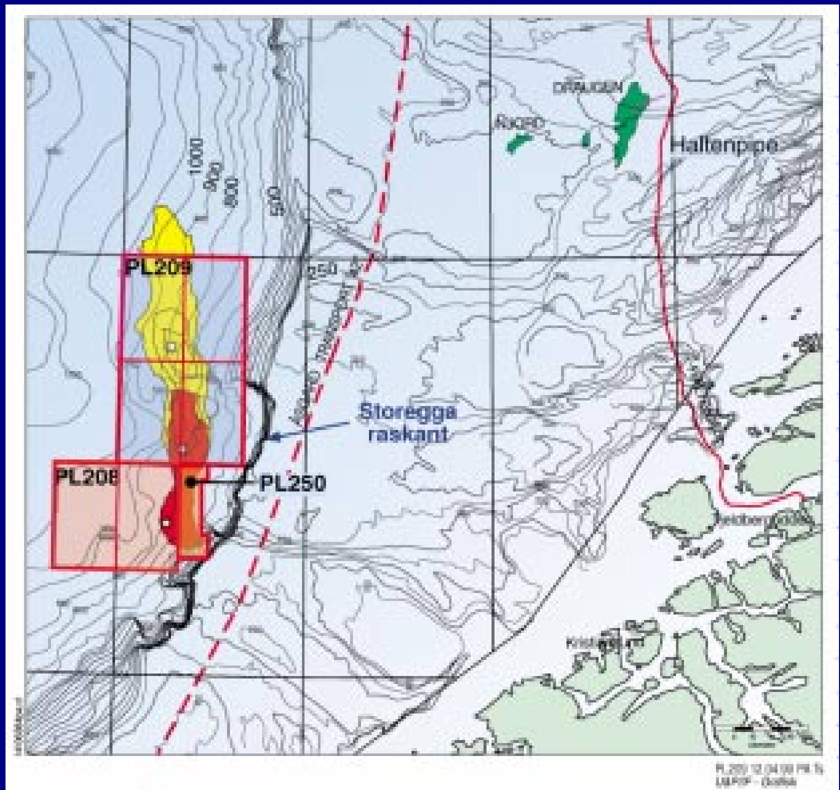
Ormen Lange - Norwegian gas giant

Reserves and ownership



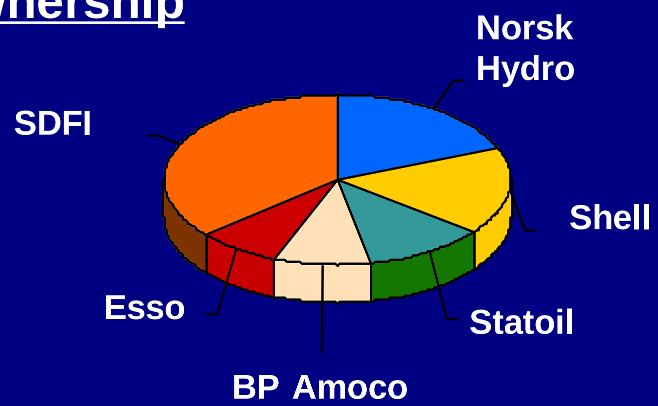
- Estimated reserves: 13 500 bcf
- Proposed operator-development: Hydro
- Poposed operator-operations: Shell
- Investments NOK 30 bill ex. gas pipeline to the European continent
- Production start-up expected 2006

Main reservoir

Possible additional reserves

Wells drilled 1997-98

Ownership



Angola - priorities

- ✓ Portfolio development and exploration
  - ➤ Negotiating strategic alliance Hydro - Sonangol, comprising block 34
  - ➤ Exploration drilling: 9 wells on block 17
  - ➤ Exploration on block 1, 5 and 9
- ✓ Development of block 17
  - ➤ Girassol, production start-up 2001
  - ➤ Dalia - under development
  - ➤ Appraisal of 5 finds block 17
- ✓ Oil reserves
  - ➤ Girassol: 675 mill bbl, Hydro 10%
  - ➤ Dalia: 750 mill bbl, " 10%

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Increased production

Hydro wishes to negotiate acquisition of SDFI[1] shares

- Hydro has as an ambition of continued growth as an oil company
- Hydro seeks a strengthened position in its operating fields
- Hydro's strong financial position gives opportunities for growth in the oil and energy segment through acquisition of SDFI shares

[1] Norwegian - State Direkct Financial Interest

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Effective integration with Saga

- Created a "fit-for-purpose" organization using zero-based dimensioning and benchmarking targets
- Rapid integration process started in August. New organization fully operational from January 2000
- Strong efforts to ensure a smooth staff reduction process
- Going forward, it is important to have focus on how to keep and develop the strong competence retained in the new organization

Canada

A new significant E&P area

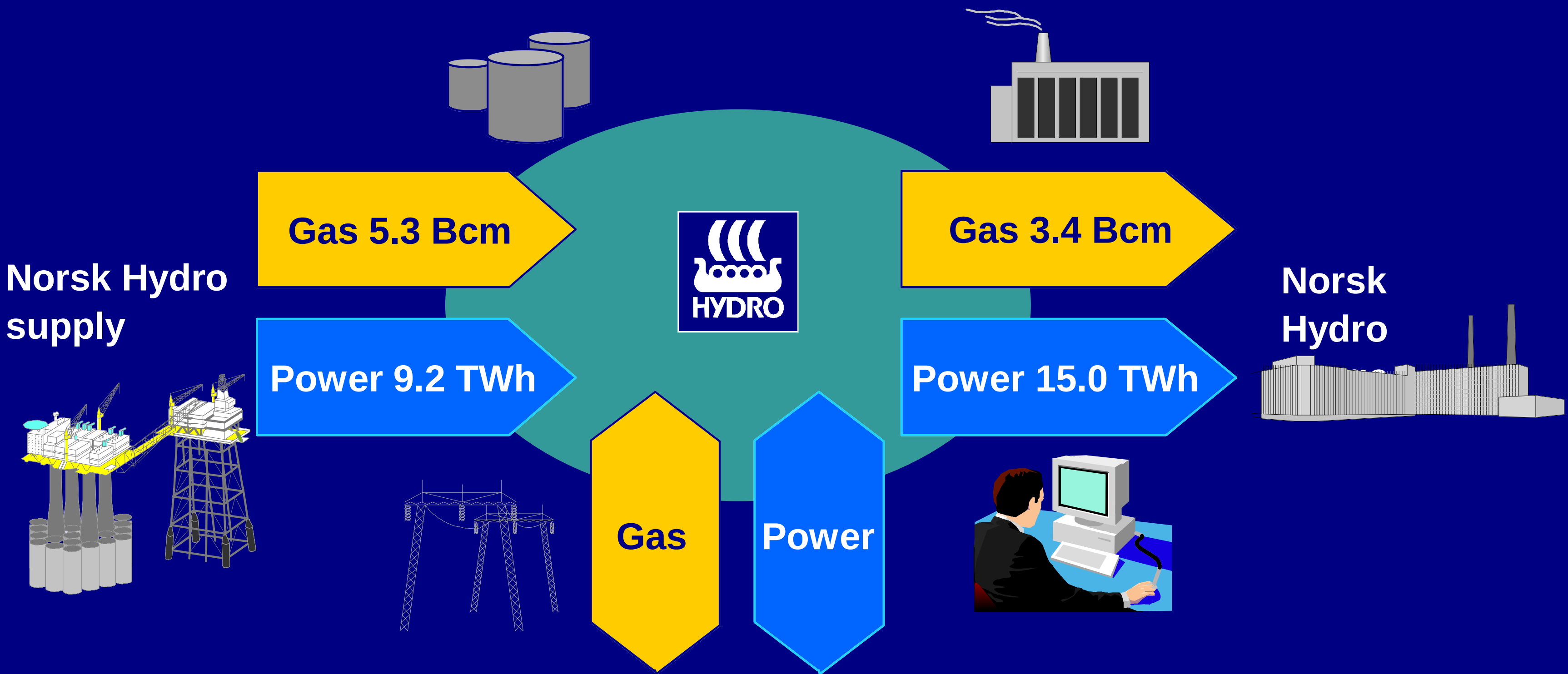
- ✓ **Portfolio development and exploration**
  - ► **Exploration offshore Newfoundland and Nova Scotia**
  - ► **Tendering for participation offshore Newfoundland**

- ✓ **Development and operations**
  - ► **Start-up of Terra Nova (Dec. 2000)**
  - ► **Mature the Hebron and Ben Nevis prospects**
  - ► **Production of 142,000 bbl/d from Hibernia**

- ✓ **Oil reserves**
  - ► **Hibernia: 615 mill bbl, Hydro 5%**
  - ► **Terra Nova: 400 mill bbl, " 15%**

Exploiting energy market opportunities

- ✓ Development of energy market provides new opportunities
- ✓ Hydro is well positioned in converging European power and gas markets
- ✓ Hydro's position as buyer and seller provides arbitrage opportunities

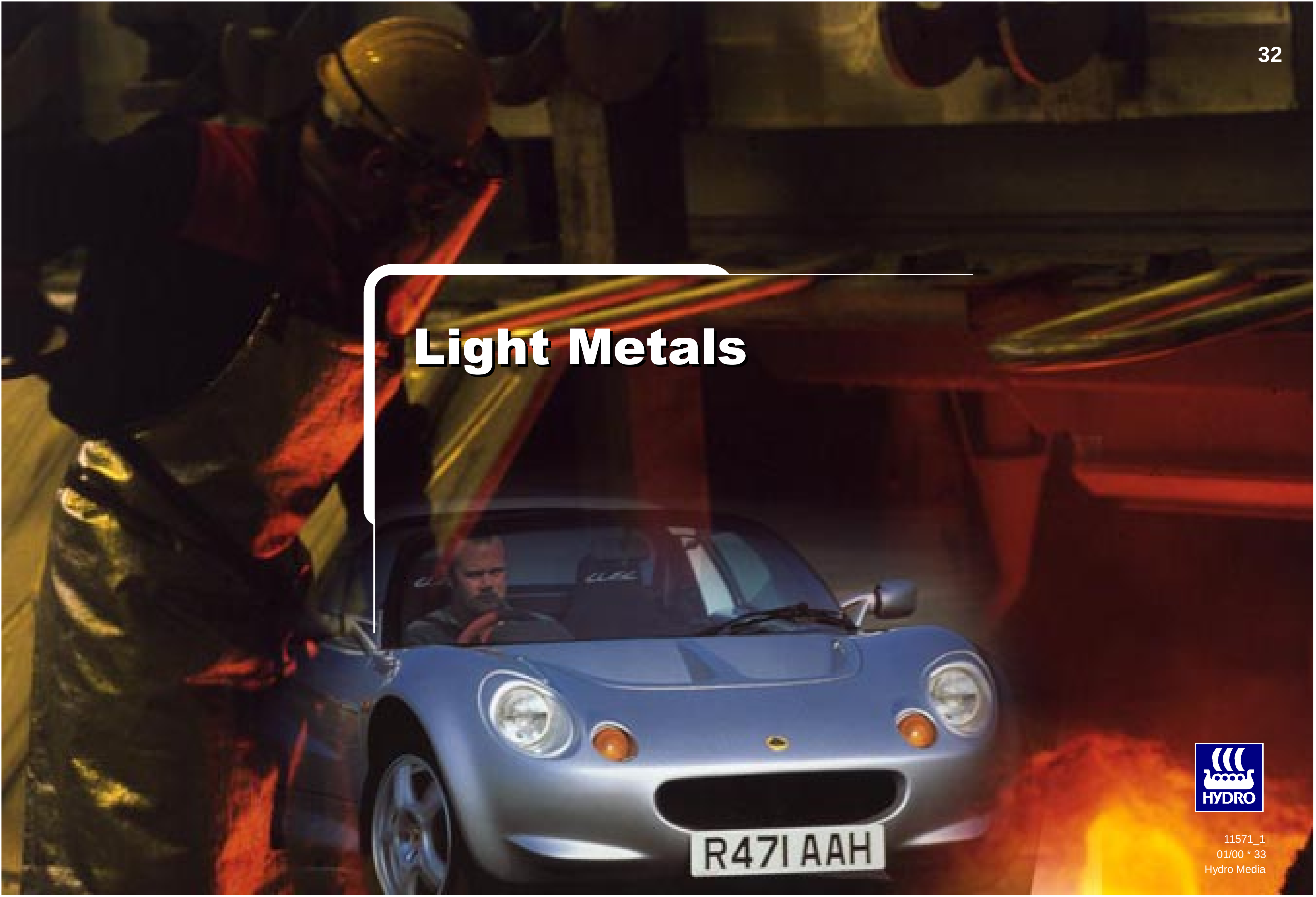


Hydro Oil and Energy

At the start of a new millennium

- ✓ Focus on increased profitability through performance as leading NCS operator and materialize potential resulting from this year's turn-around
- ✓ Realize international E&P ambitions through profitable growth
- ✓ Build on existing position for exploiting European energy market opportunities.

Light Metals



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Strategic direction Light Metals

- √ Building on our position as a leading player in primary metal, extrusions and automotive
- √ Securing Alumina supply
- √ Exploiting opportunities in recycling
- √ Maintaining global leadership in magnesium
- √ Maintaining and further developing attractive niche positions in European rolling

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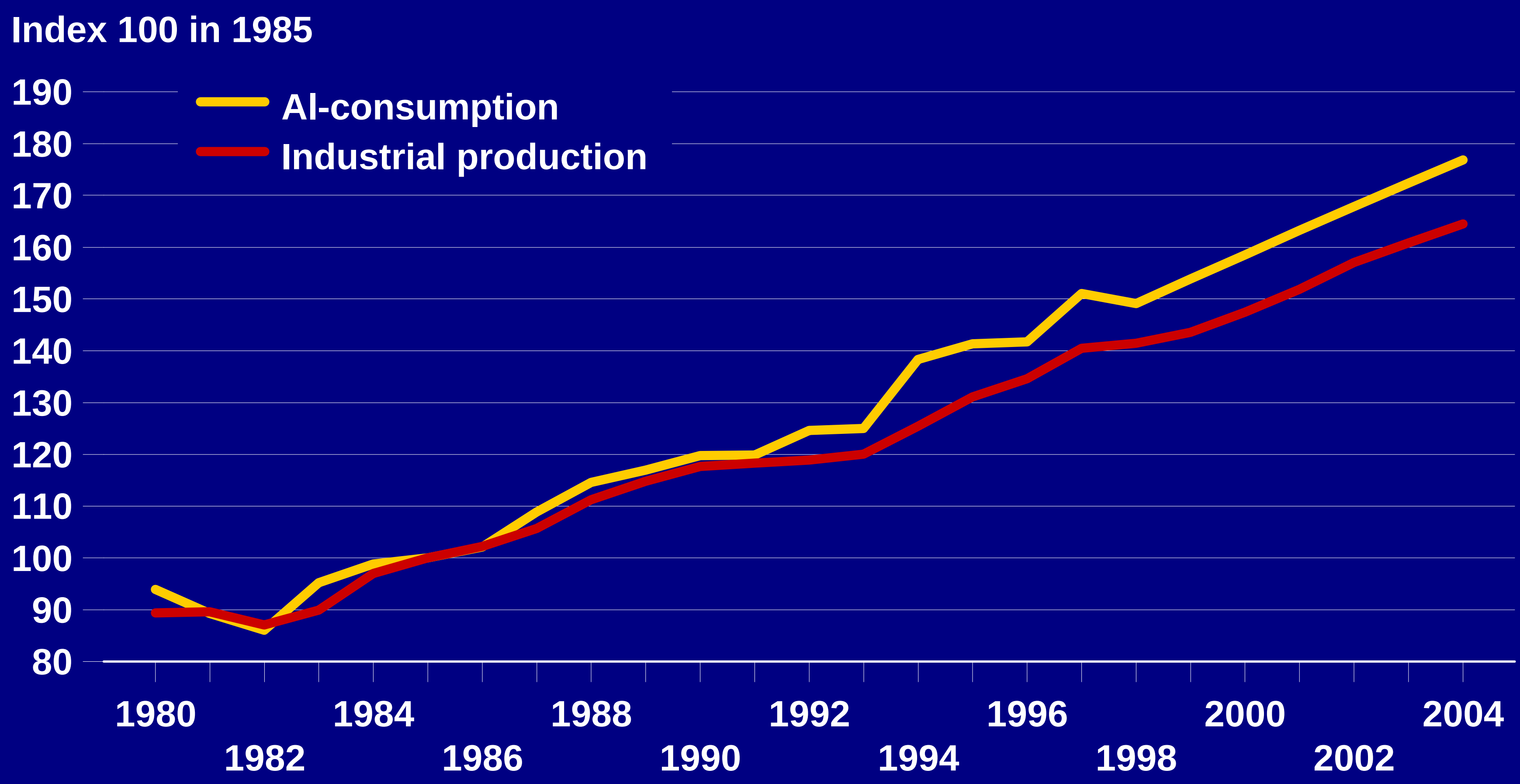
Aluminium growth above the industrial production rate



Aluminum growth expected to continue at 2.5 to 3% p.a.

Source: HAMP, CRU, WBMS
Updated: 16.09.99

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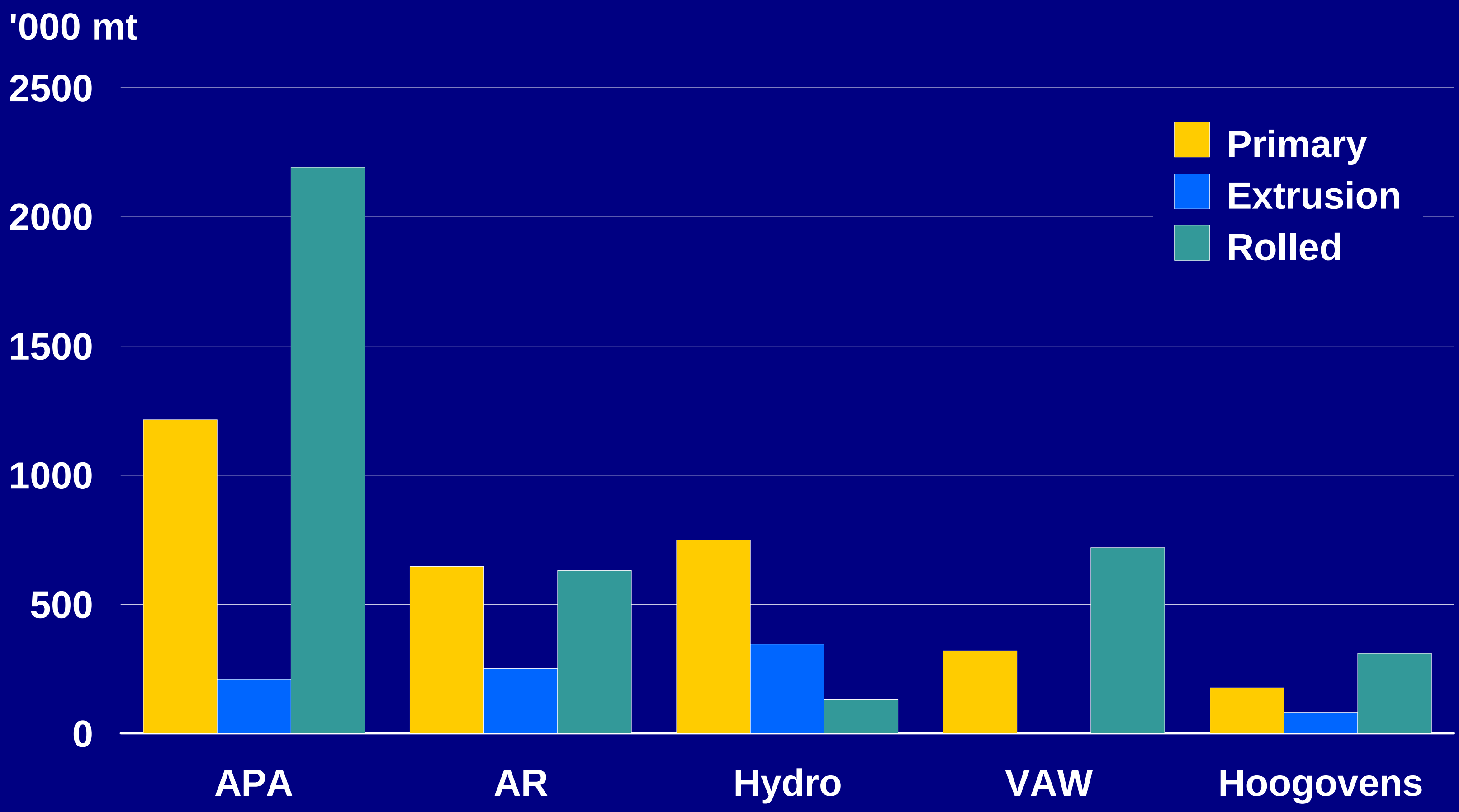
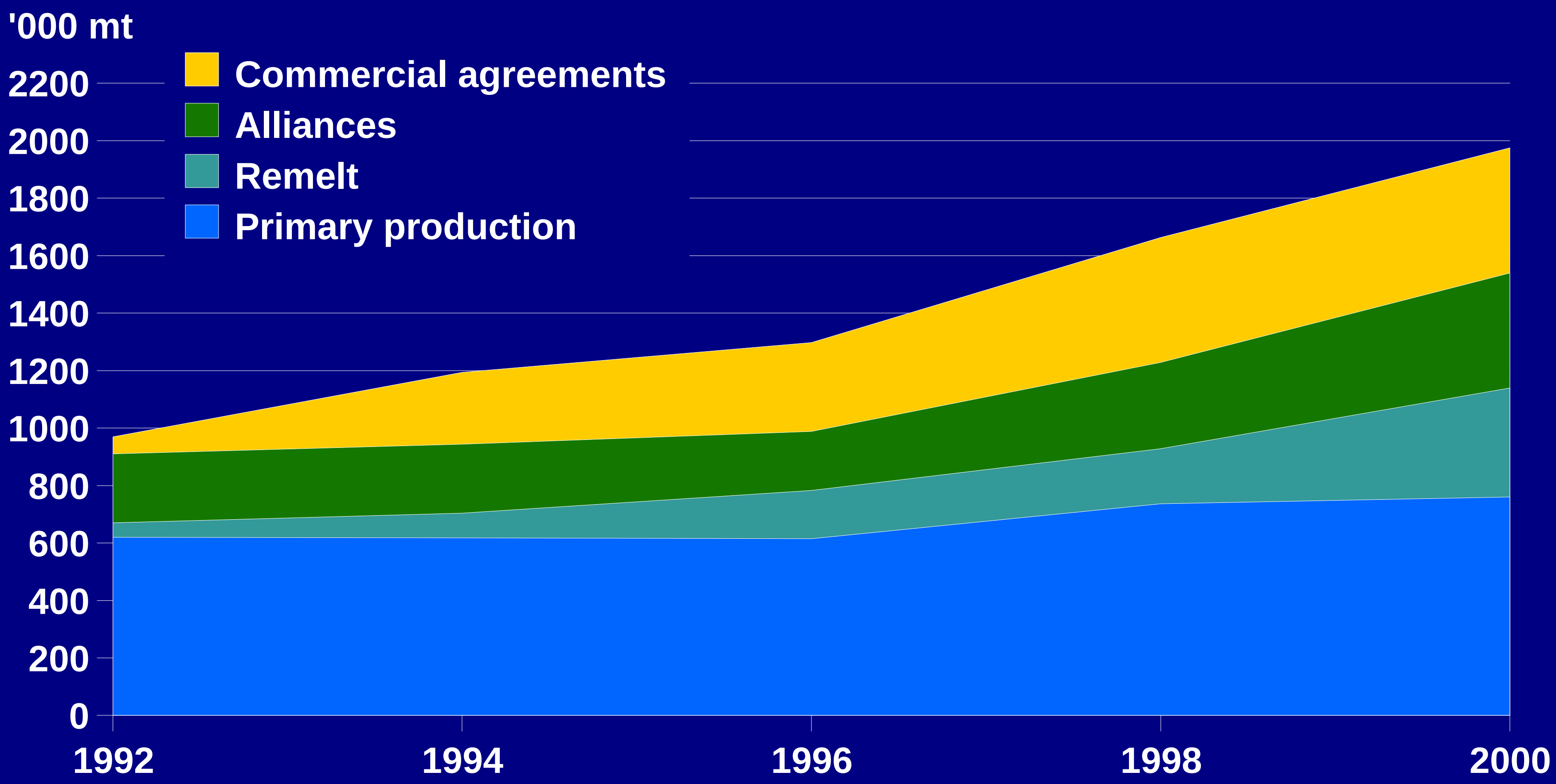
New aluminium industry structure - Europe

Capacity figures 1998



Updated 16.09.99

Hydro: Increased business volume through limited asset investments



From asset-driven to commercially-driven metal supplier

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Business positions in aluminum extrusions

Tons

	Total Extrusion (Worldwide)	Heat Transfer (Worldwide)	Building Systems (Europe)
Alcoa Reynolds	830,000	14,000	53,000
Norsk Hydro	400,000	50,000	45,000
Alcan, Pechiney and Alusuisse	240,000	5,000	7,000

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Hydro Automotive -

High growth area - potential for differentiation

Aluminum

Primary foundry alloys, extrusions & sheet

Structural Components

Heat Transfer products

Magnesium

Die casting alloys

Mg castings

Current turnover

NOK 7 billion

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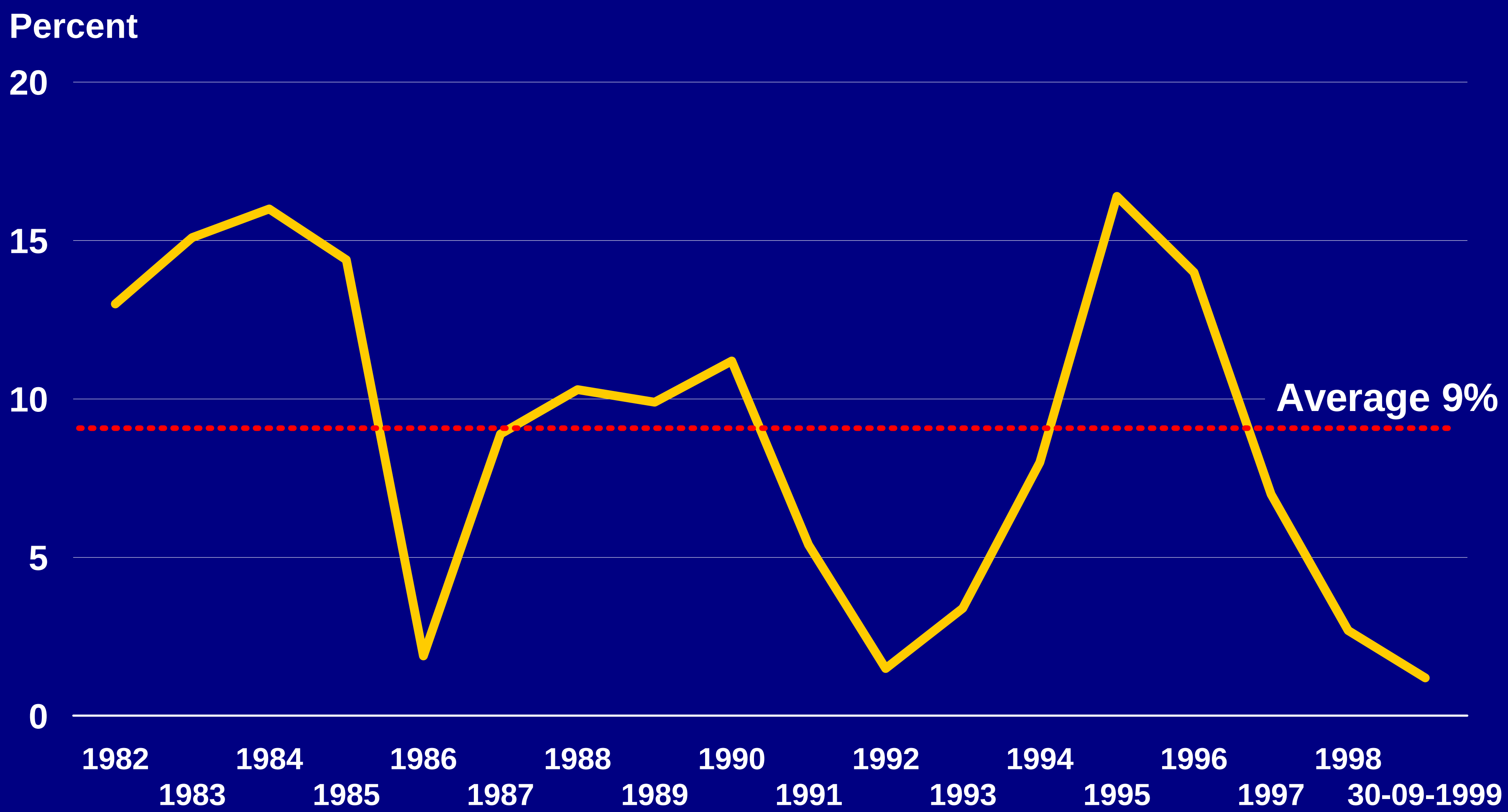
Hydro Agri going forward

Fluctuating ROCE* - Hydro Agri 1982-1999



* ROCE = (Operating income + Share net income in non-cons. investees + Financial income** - Other expenses, net) / (Total assets - Current interest-free liabilities)

** Financial income = Financial income ex. agio - Loss on sale of securities - Unrealized loss on trading-shares - Write-down of shares <20%owned

Agri improvement program: Summary

Next two years

- ✓ Restructuring Europe
  - Nitrate overcapacity
  - NPK phos acid plants
  - Ammonia/urea economics
  - Technical urea/nitrate
- ✓ Cost reduction
  - Overhead and other fixed costs
  - Variable costs
- ✓ Revised investment policy

Longer term

- ✓ Gradual transfer of product sourcing
- ✓ Alliances

Agri improvement targets

- √ General fixed cost reductions
  - ➢ NOK 1,350 million reduction in 2000 compared to 1998
  - ➢ Manning reduction of 1200 employees
- √ 1 million tons of nitrate capacity closures
  - ➢ Additional fixed cost reductions expected
  - ➢ Manning reduction of 500-600 employees
- √ Variable cost reductions of NOK 400 million (excluding movements in market prices)
- √ Divestment of non-core units

1.9 million tons of European nitrate closures recently announced

Time of announcement	Company	Capacity to be closed (tons)
Nov 1999	Fertiberia	260
Nov 1999	BASF	400
Dec 1999	Hydro	1,000
Dec 1999	Grande Paroisse	250
Total as of Jan 1, 2000		1,910

Large share of previously estimated overcapacity of 2.5-3.0 million tons already decided to be closed

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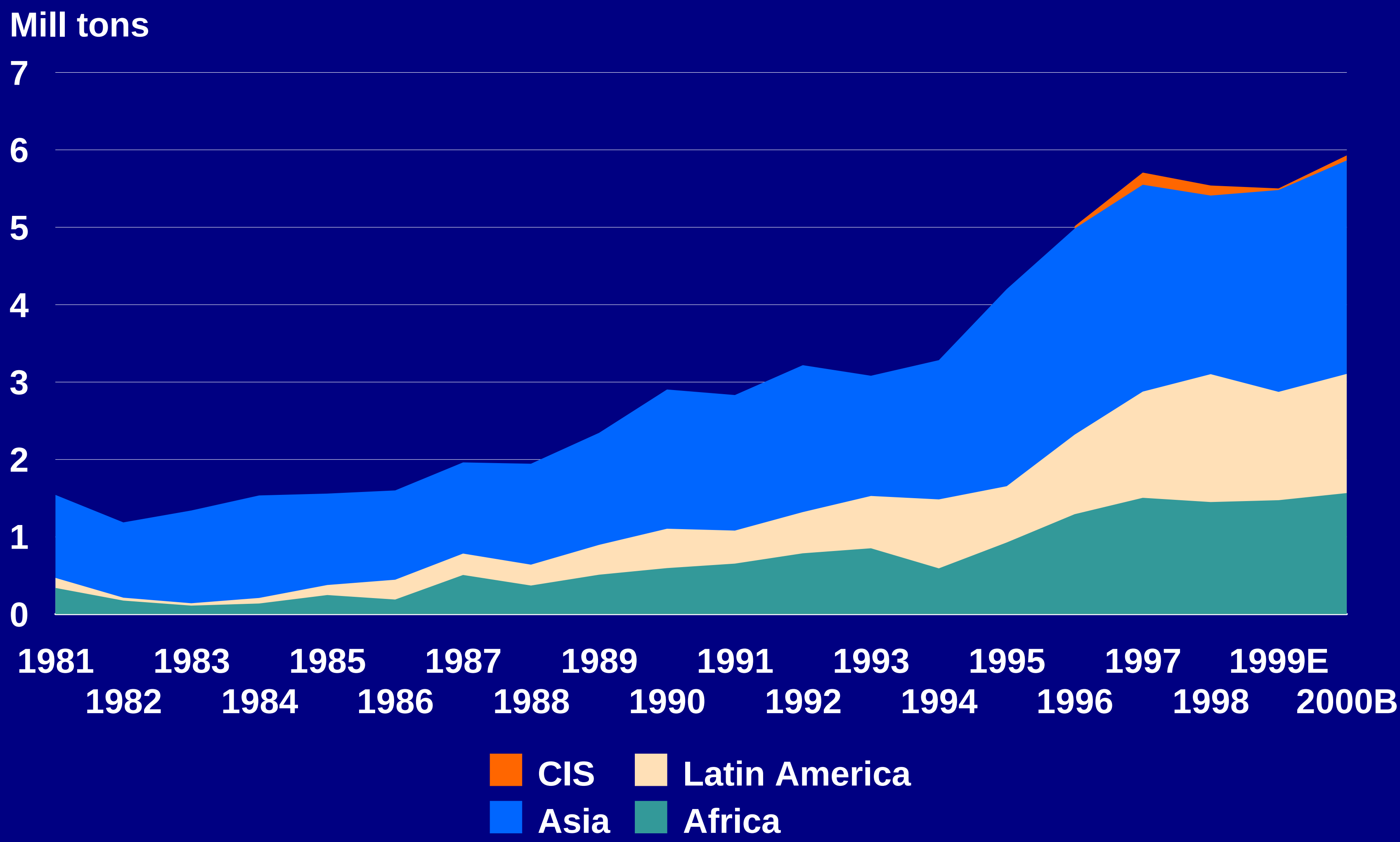
Sales development emerging markets



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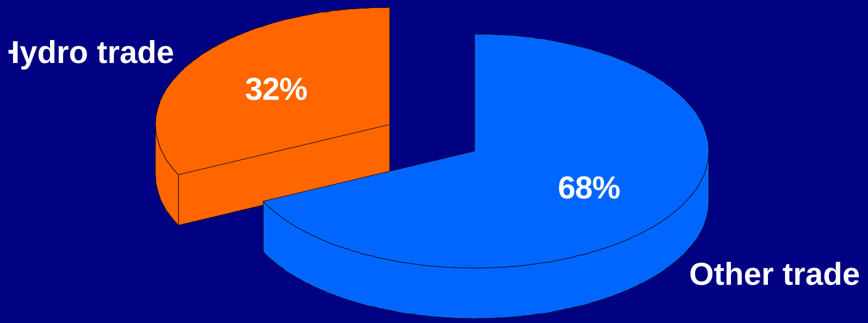
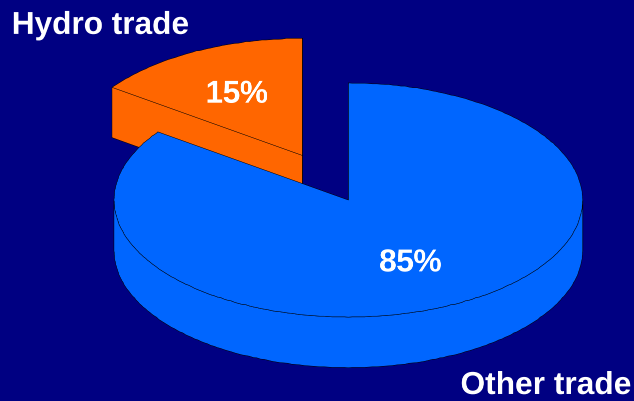
World fertilizer production 1998

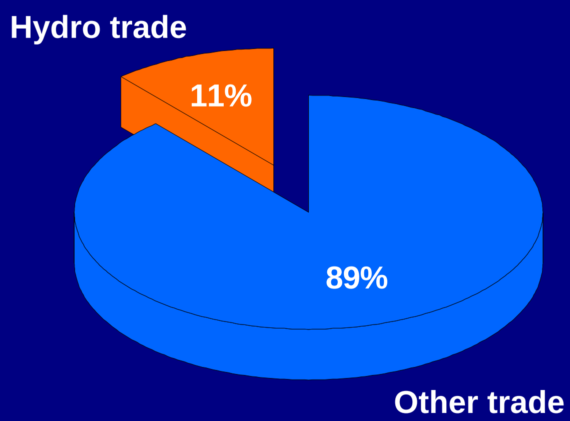
Hydro Agri's share of trade

Ammonia: Total trade 13.1 mill.tons

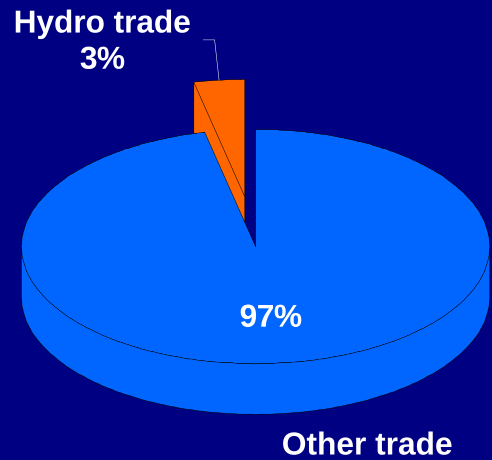


Nitrogen: Total trade 21.2 mill.tons





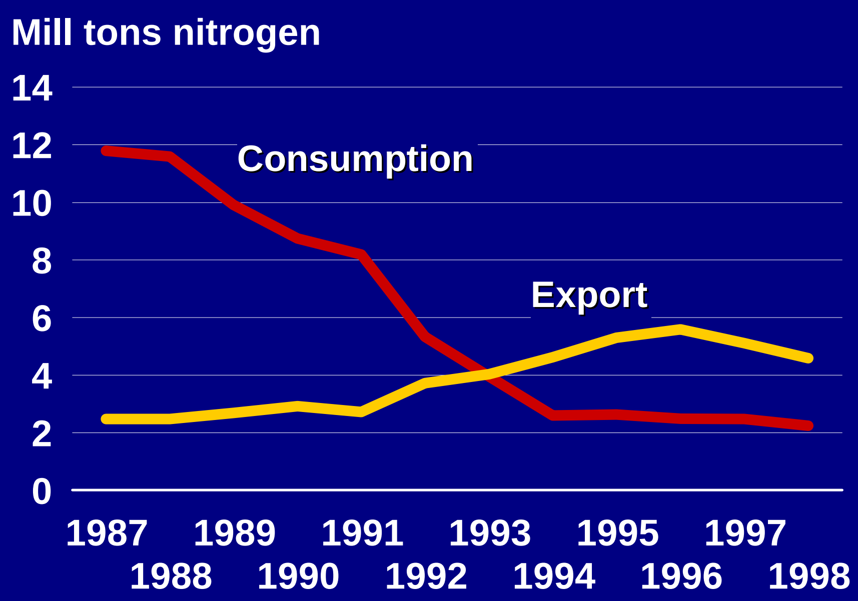
P205: Total trade 12.4 mill.tons



K20: Total trade 23 mill.tons

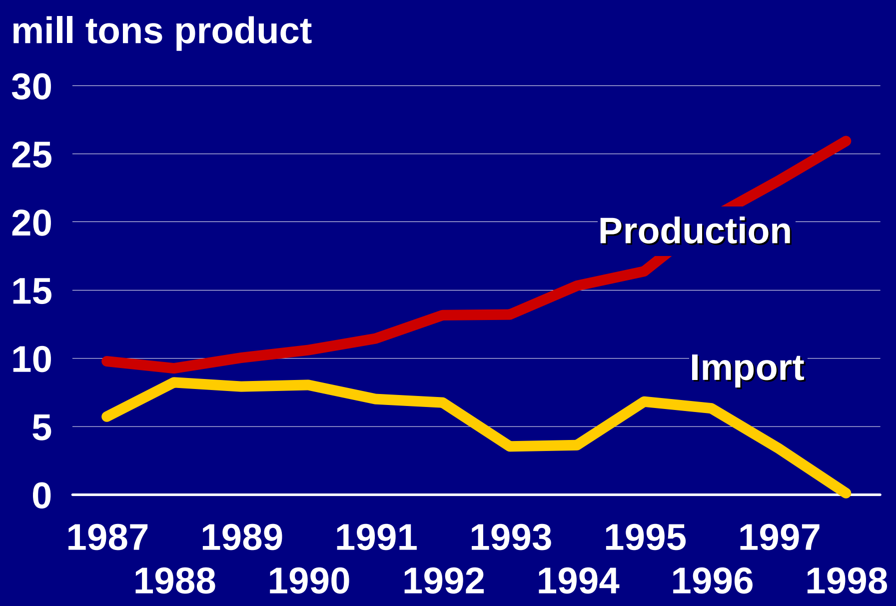
Global fertilizer markets oversupplied

FSU (Former Soviet Union)



Source: Nitrex-Complex

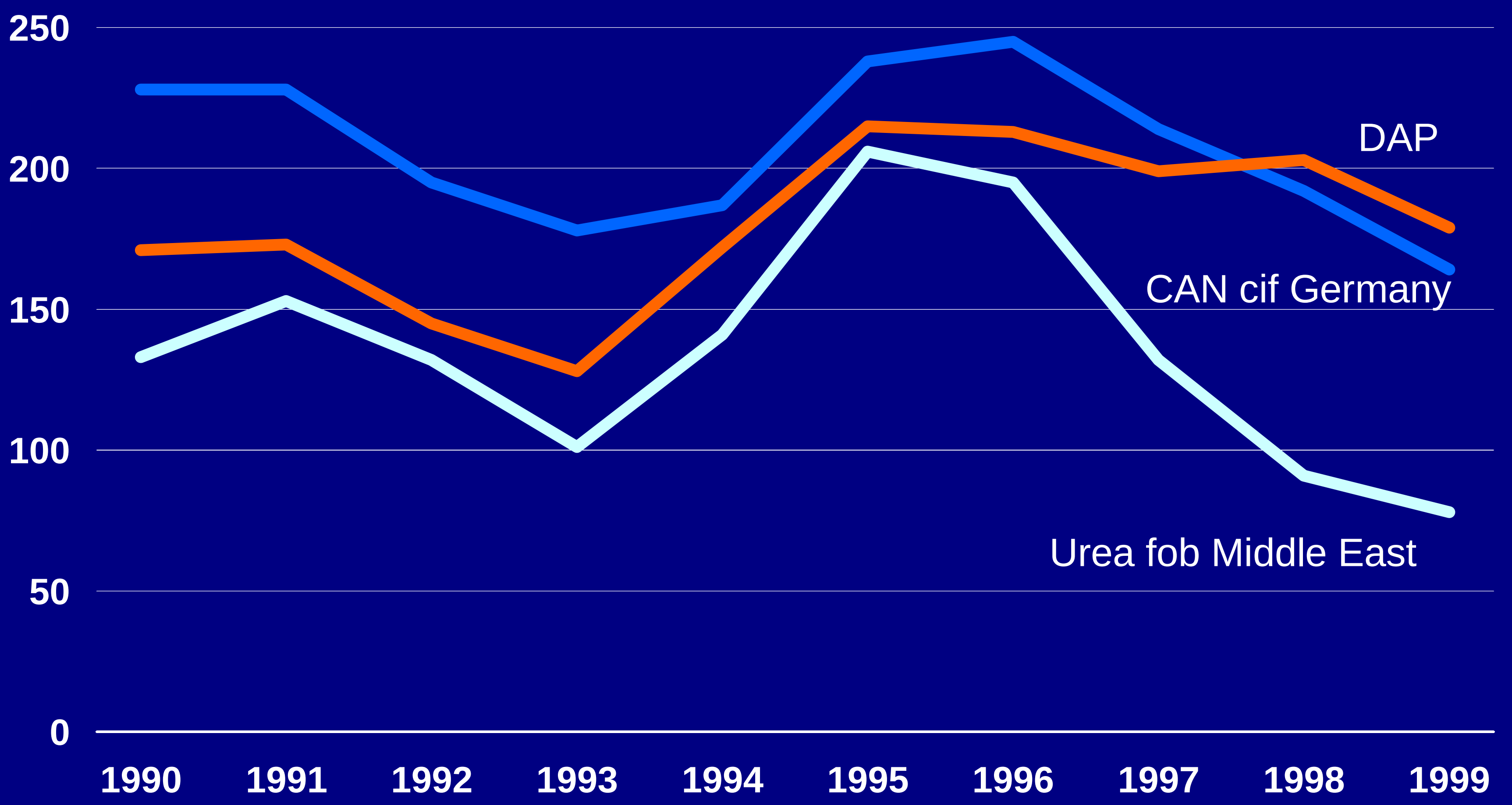
China



Source: Fertecon

Fertilizer prices are now at a historical low

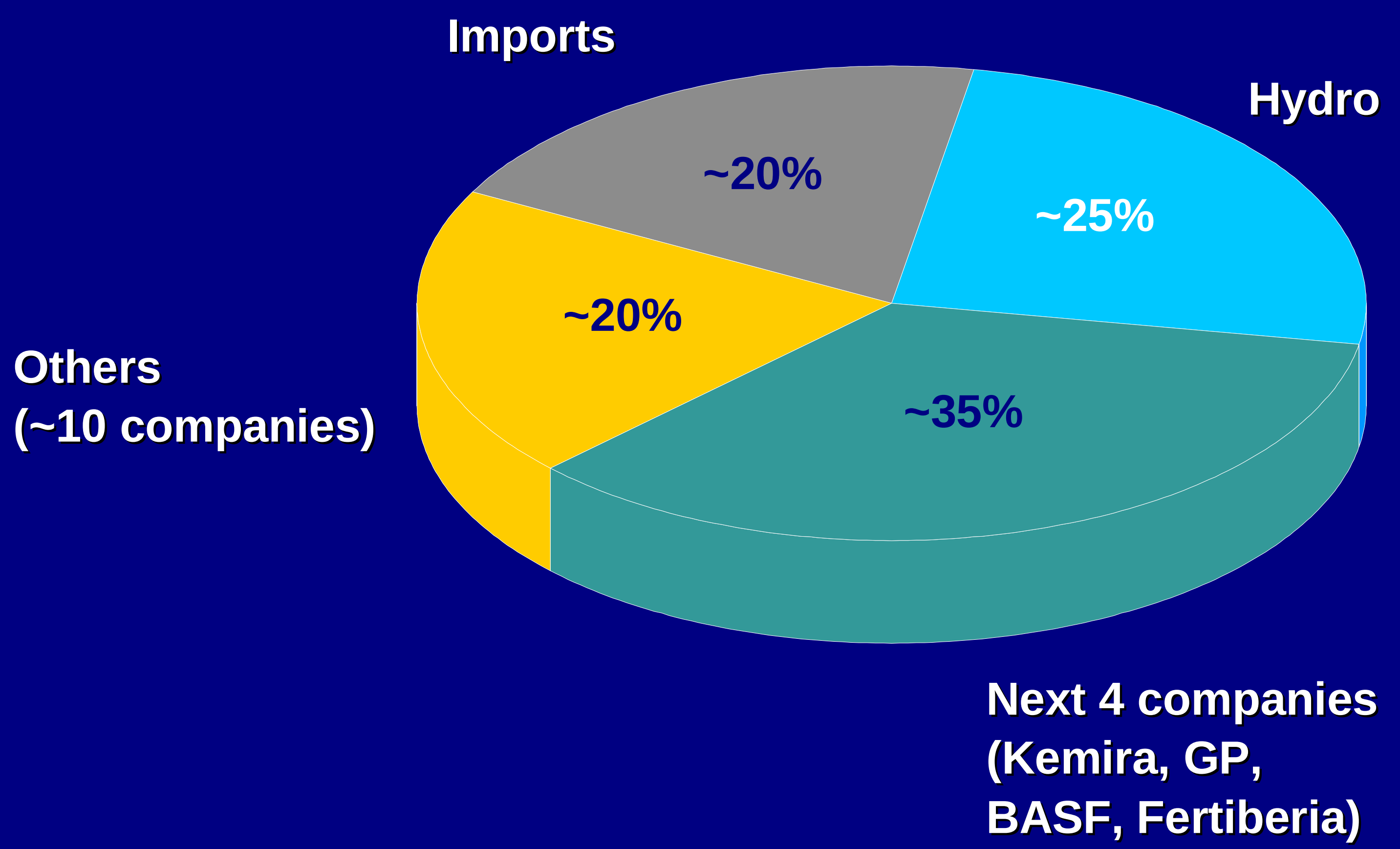
Urea, CAN and DAP prices



Source: Fertecon

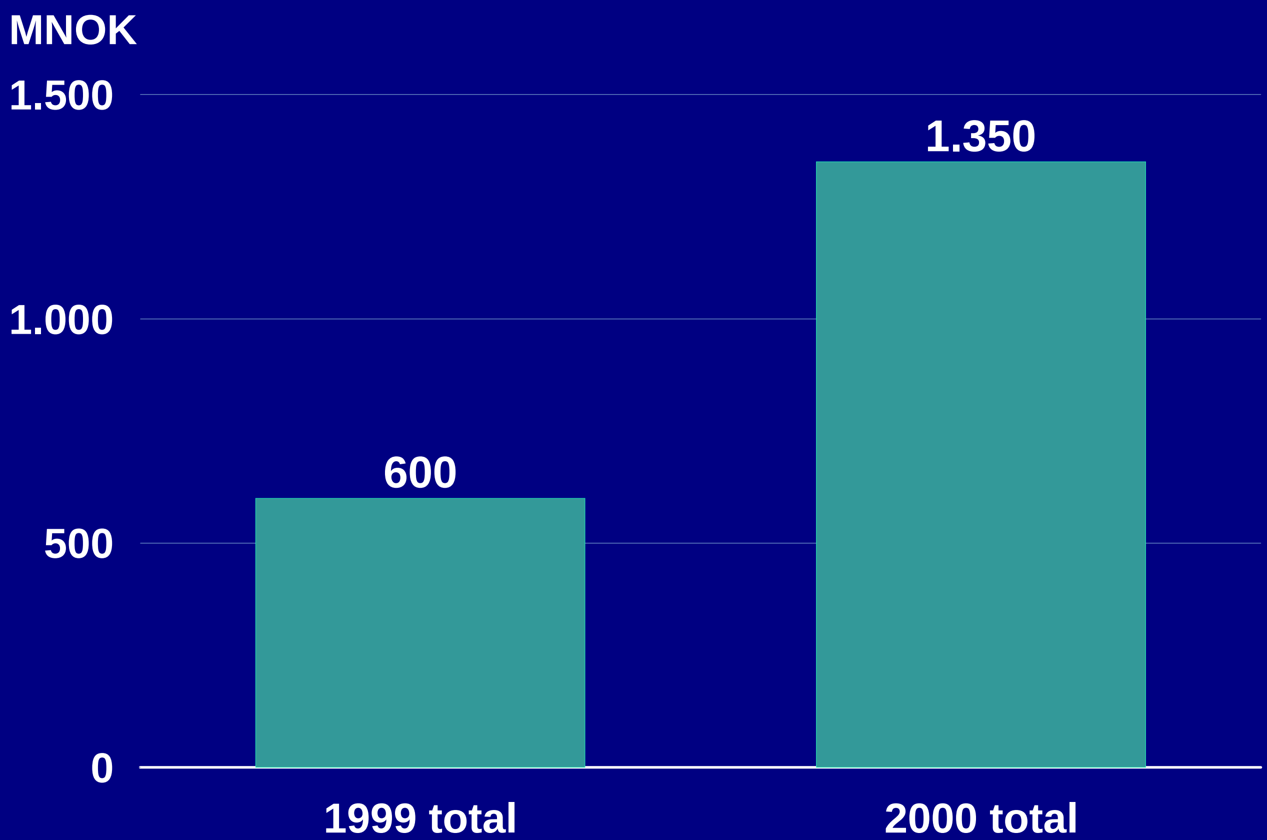
Western European market structure

European nitrogen fertilizer market shares 1998



Accelerated Agri fixed cost improvement program being implemented*

Targets vs. 1998 actual



Manning reduction (all employees) 470 1,200

** Not including potential closures*

Establishing a strong position in important emerging markets

Kynoch - South Africa

- Hydro acquires 50 % + 1 share of South Africa's leading fertilizer company - Kynoch Fertilizer in December 1999
  - ~ 40 % market share
  - USD ~ 200 million revenues
- Kynoch's former nitrogen plants will be closed by the previous owner contributing to a restructuring of the industry
- Hydro will supply Kynoch with approximately 250 tons pa of nitrogen fertilizer

Trevo - Latin America

- Potential acquisition of Brazil's third largest fertilizer company, Trevo
  - ~7% market share
  - USD ~200 million revenues
- Trevo does not have own chemical production, but concentrates on blending and distribution
- Trevo will be partly supplied with fertilizer produced by other Hydro plants

More information...

http://www.hydro.com

..or contact Investor Relations directly

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Norsk Hydro Safe Harbor Statement

- The nature of the Company's operations and the environment in which it operates is subject to changing economic, competitive, regulatory and technological conditions, risks and uncertainty.
- In connection with the United States Private Securities Litigation Reform Act of 1995, Hydro is providing the following factors, which among others, could cause future results to differ materially from the forward looking statements, expectations and assumptions expressed orally or written herein.

  The statements include management aims, objectives, plans as well as targets for long-term debt to equity ratio, dividend pay-out ratio and return to shareholders.

  Management does not anticipate that all targets would necessarily be met in any individual period and targets must be seen over a longer time perspective.

  Factors which could cause results to differ include, but are not limited to: fluctuations in supply and demand affecting product prices and raw materials, changes in governmental laws and regulations, including income taxes and environmental protection control, political developments, adverse effects of fluctuations in exchange rates and changes in market sentiment, evaluation of risk, economic or other conditions affecting the valuation of share price.

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