

# Presentation of Norsk Hydro ASA

President & CEO, Eivind Reiten  
at the Norwegian Society of Financial Analysts  
Oslo, March 7, 2002





## Hydro's competitive position improved

- **VAW acquisition - a transforming step for aluminium**
- **Attractive international upstream positions established for Oil and Energy**
- **Agri Turnaround successfully completed, Light Metals improvement program underway**
- **Strong improvement in financial capacity (debt/equity 0.27)**
- **Challenging to meet 2002 return target**

# Creating a world class aluminium company



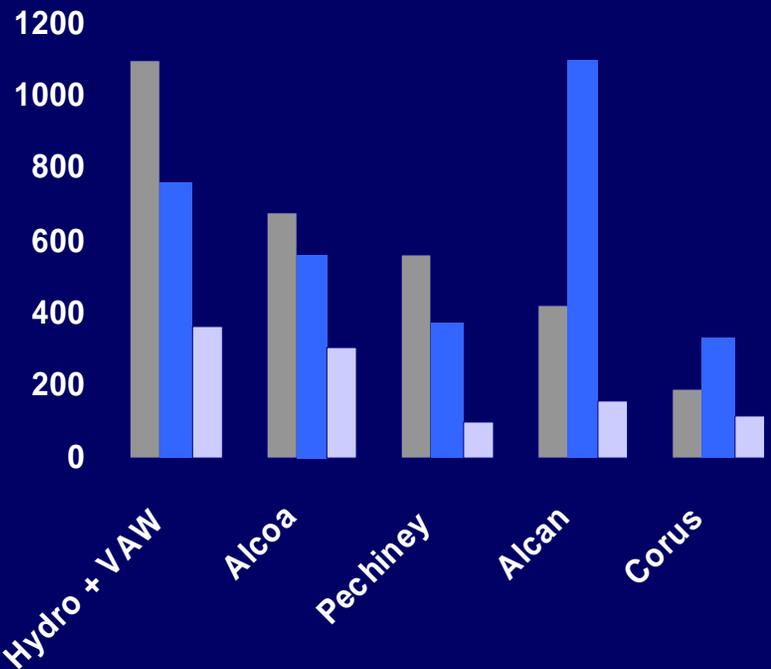
- **Establishing Europe's no. 1 aluminium company**
- **An excellent strategic fit — new company well positioned**
- **Accretive to EPS already in 2002**
- **Successful integration the main short term priority**
- **Ambitious programme to realise synergies and improve Hydro's existing aluminium business**
  - **Improvement target NOK 1.6 billion by end 2003**
  - **Manning to be reduced by 1100 persons**



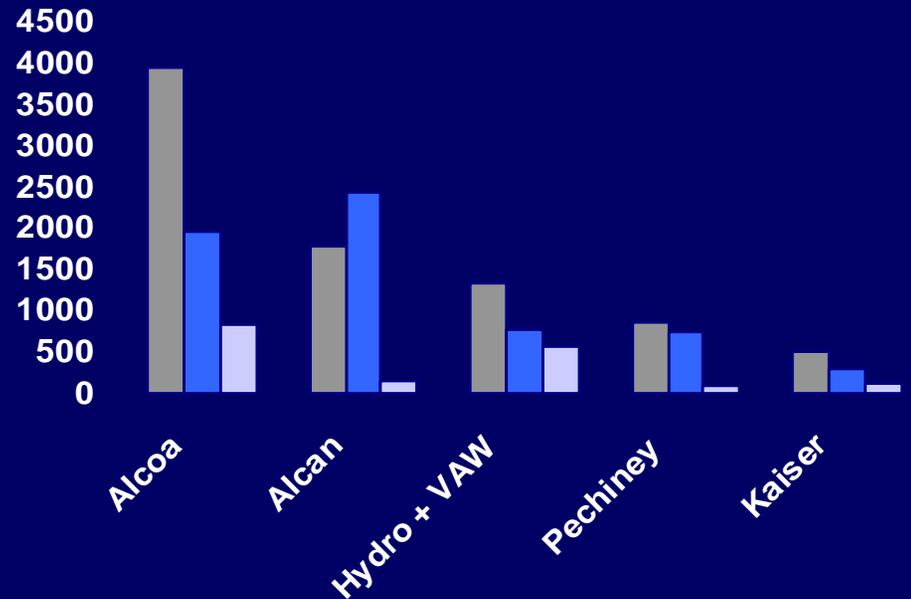
# Creating a "top-tier" aluminium company

## Total production, thousand tonnes, 2000

### Europe



### Global: World Integrated Aluminium Companies



■ Primary      ■ Rolled products      ■ Extrusion

*Note: VAW's Kurri Kurri-smelter in Australia and HAL's Wells extrusion system in the US included full-year*

# Agri — potential for significant value creation



- **Successful turnaround exceeds original targets:**
  - **Greatly improved market balance in Europe**
  - **Annual costs and manning reduced by over 30%\***
  - **Platform for sustainable competitive earnings**
- **Strengthened positions outside of Europe**
- **Strong performance by Gas and Chemicals**

\* Compared to 1998 level

## Oil and Energy — positive growth outlook



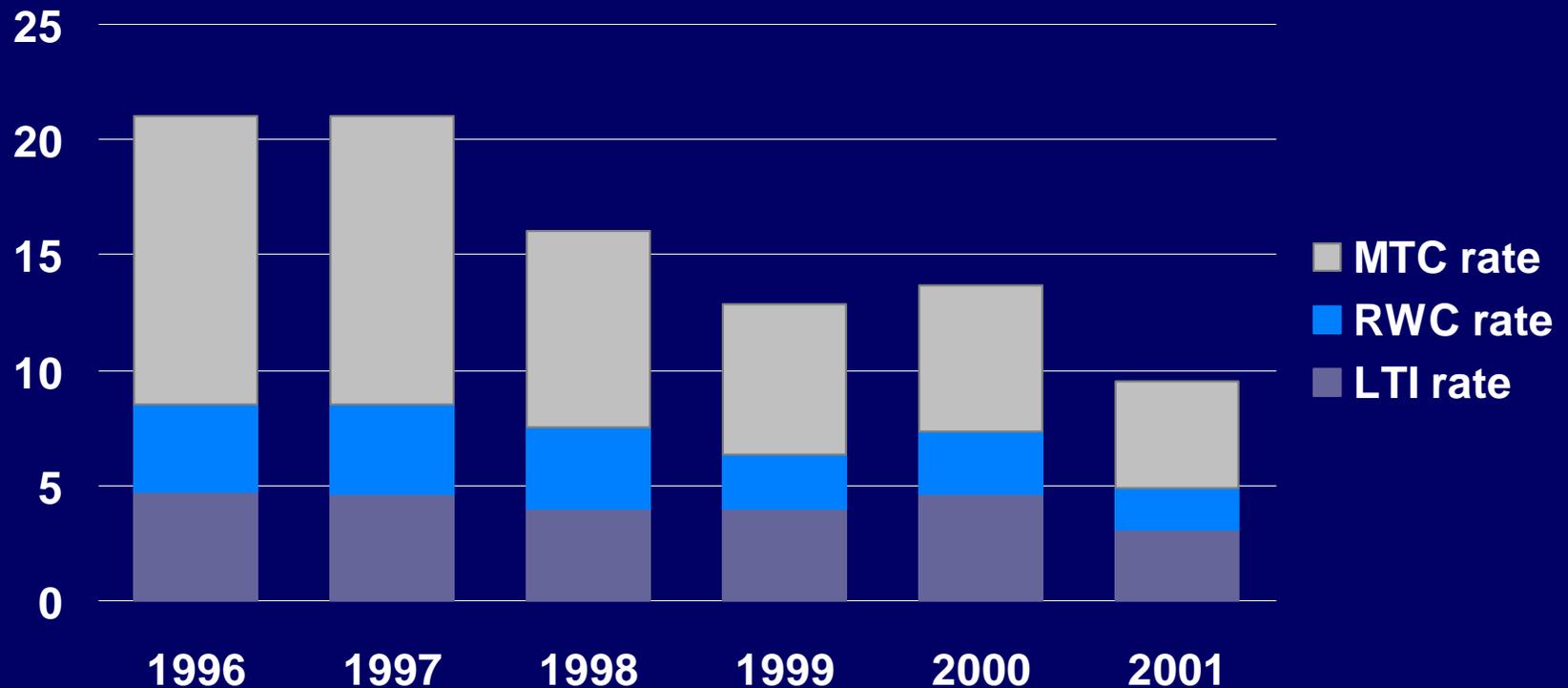
- **2001 production target of 415,000 boe/d. reached, average annual production growth to 2005 of 5 - 6%**
- **Growing natural gas sales and adding value through commercial activities**
- **Exciting exploration acreage secured**
- **Finding and development costs on track to reach \$5 target by 2003**



# Safety performance

## Total Recordable Injury Rate, Employees 12 month rolling average

Total recordable injuries/million hours worked



MTC: Medical treatment cases

RWC: Restricted work cases

LTI: Lost time injuries



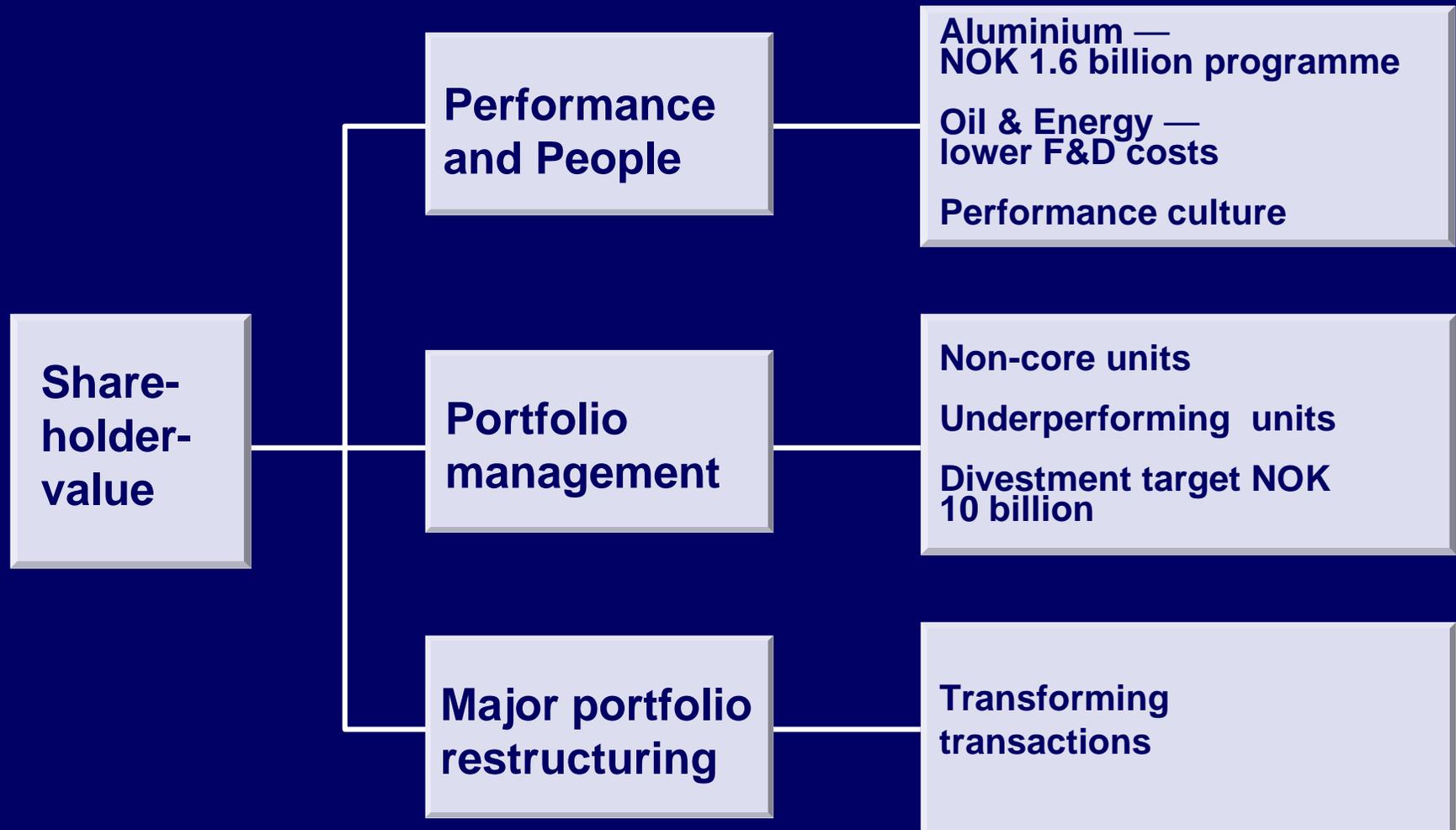
# Share price performance — a major challenge

## NHY OSE





# Creating shareholder value

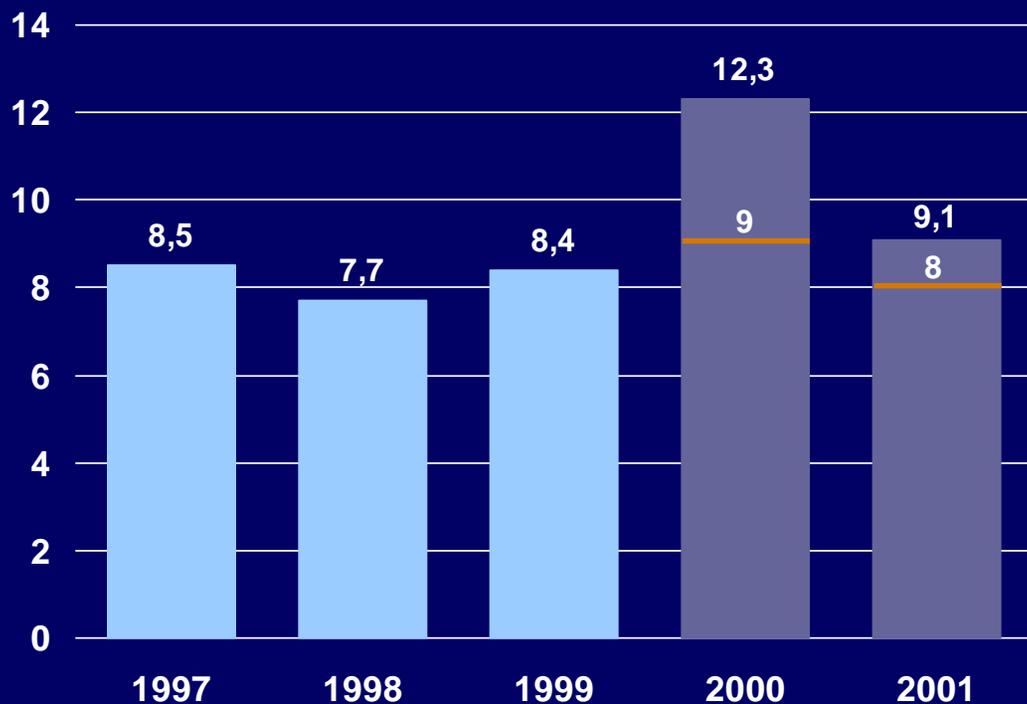




# CROGI – development

## Actual and normalized prices

### CROGI %



— Normalized CROGI

- **Normalized prices:**
  - NOK/USD: 8.00
  - Brent Blend (USD/bbl): 18
  - CAN27 (USD/t): 113
  - LME 3M (USD/t): 1 500
- **Target: 10% over the cycle**



## Challenging to reach 2002 CROGI target

- **Current plans imply an expected normalised CROGI level of between 8 and 9% in 2002**
- **Challenge being met by continued drive for better performance**
  - **Implementing an aggressive restructuring and improvement programme in Aluminium**
  - **Developing an attractive exploration portfolio in Oil and Energy**
  - **New measures to bring further improvements in Agri**
  - **Active portfolio management and divestment of non-core assets**
  - **More efficient shared services**



# Strategic Priorities

- **Forceful Light Metals improvement program and VAW integration**
- **Continued Agri improvements from strong base**
- **Promising international E&P positions to be explored**
- **Fast return to solid financials after VAW acquisition**
- **Proactive approach towards industrial solutions, including alternatives which may require changes in the corporate structure**

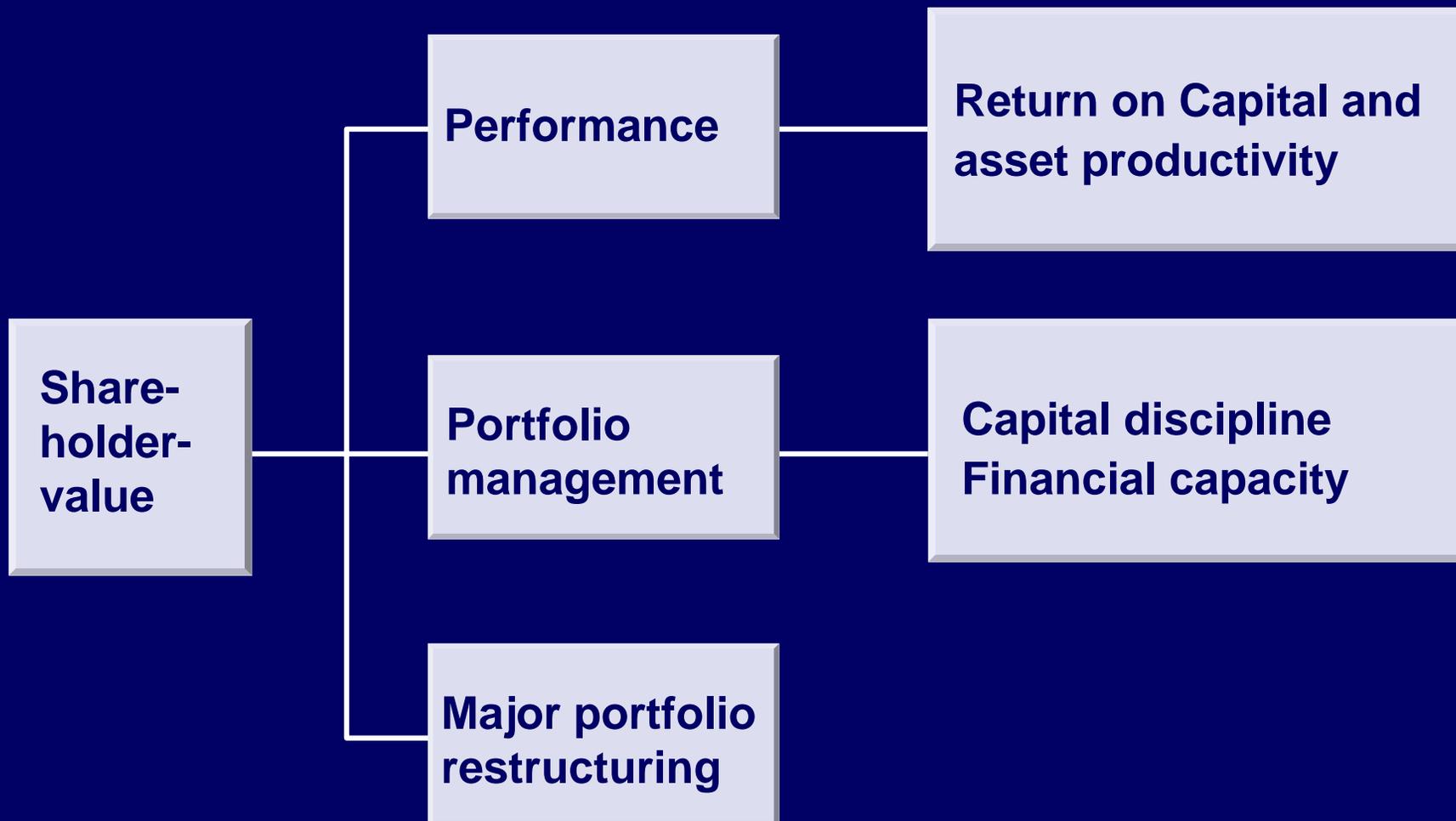
# Performance and Financial Strength

Executive Vice President and CFO John O. Ottestad  
Norsk Hydro ASA





# Creating shareholder value





## VAW Transaction

- **Total consideration is 2,645 mill Euro (21.2 Bn NOK\* including net interest bearing debt of 757 mill Euro (NOK 6.1 bn)**
- **In addition Norsk Hydro takes over 450 mill. Euro (3.6 bn NOK) unfunded pension obligations**
- **Acquisition financed through cash and debt**
- **Subject to approval by regulatory authorities**
- **Expected closing by Q1 2002**

*\* All figures are estimates as per 1.1.2002 except where noted. Assumed exchange rate of 8,00 NOK/Euro*



# VAW Financial impact on Norsk Hydro

- **Pro forma 2001**

<b>EBITDA:</b>	<b>+ 8%</b>
<b>EPS:</b>	<b>+ 1.30 NOK/share</b>

- **Estimated\* debt/equity: 0.7**
- **Hydro maintains emphasis on keeping A/A2 rating**

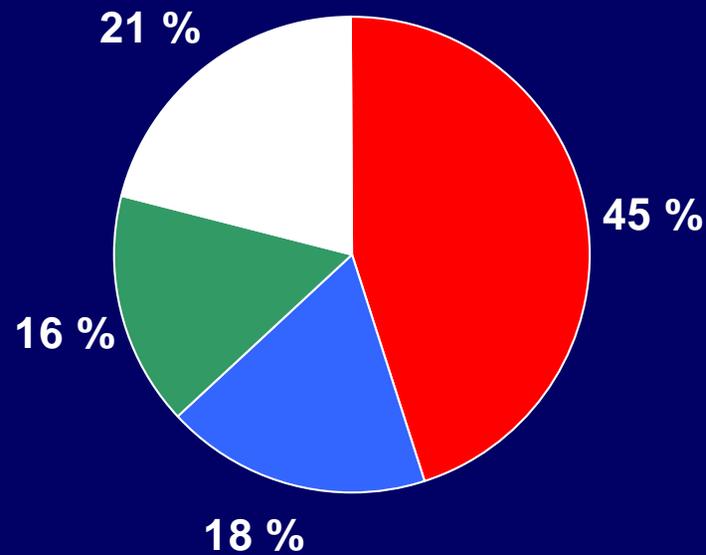
*\* Estimated after transaction*



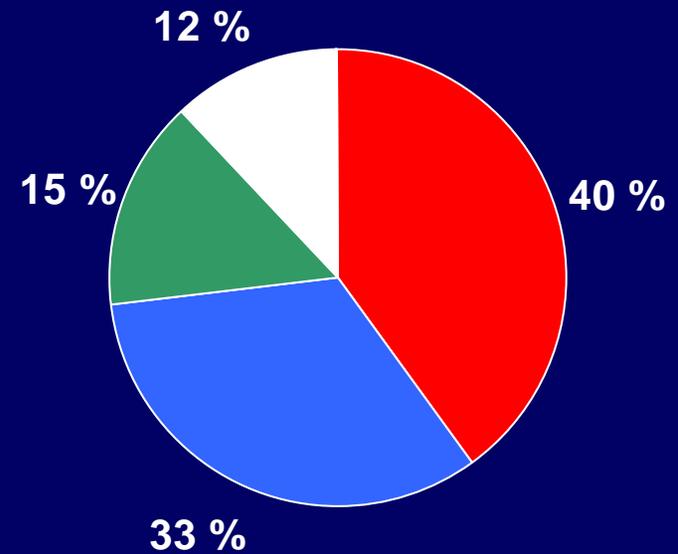
# Norsk Hydro and VAW combined

Pro Forma Total assets 31 Dec. 2001

Total assets  
Norsk Hydro



Norsk Hydro + VAW



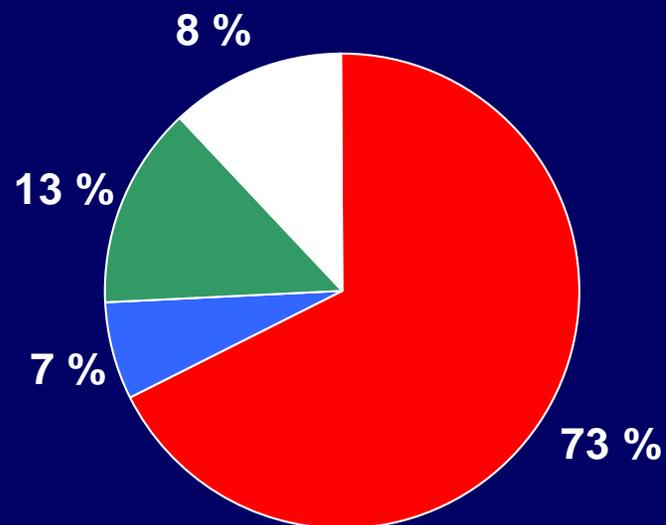
Oil and Energy Aluminium Agri Other



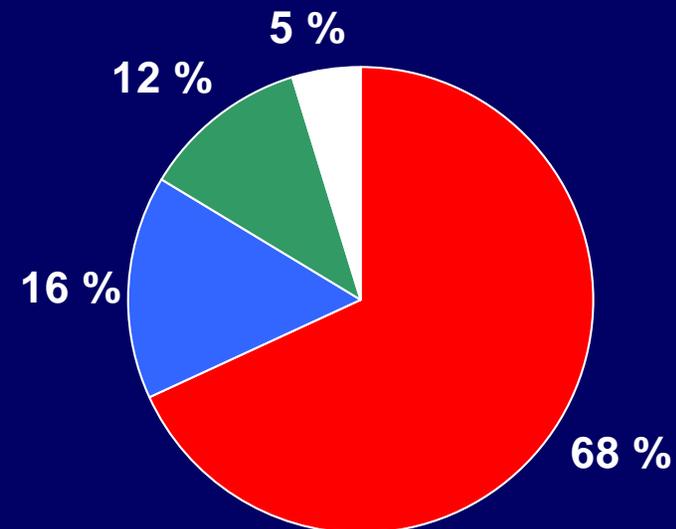
# Norsk Hydro and VAW combined

Pro Forma EBITDA 2001

Norsk Hydro



Norsk Hydro + VAW

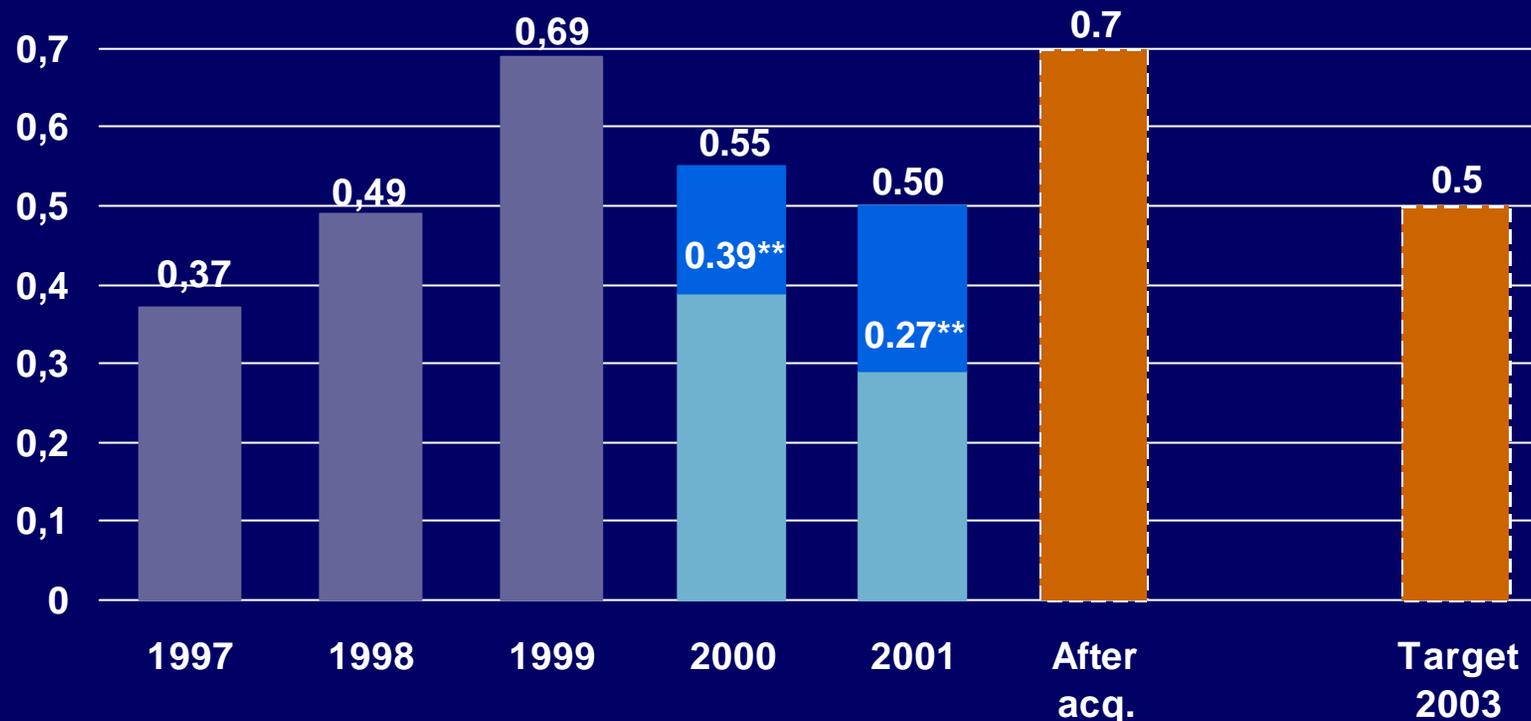


Oil and Energy Aluminium Agri Other



# Speedy return to strong financial position

Long-term debt/equity\* illustrating expected effect of VAW acquisition



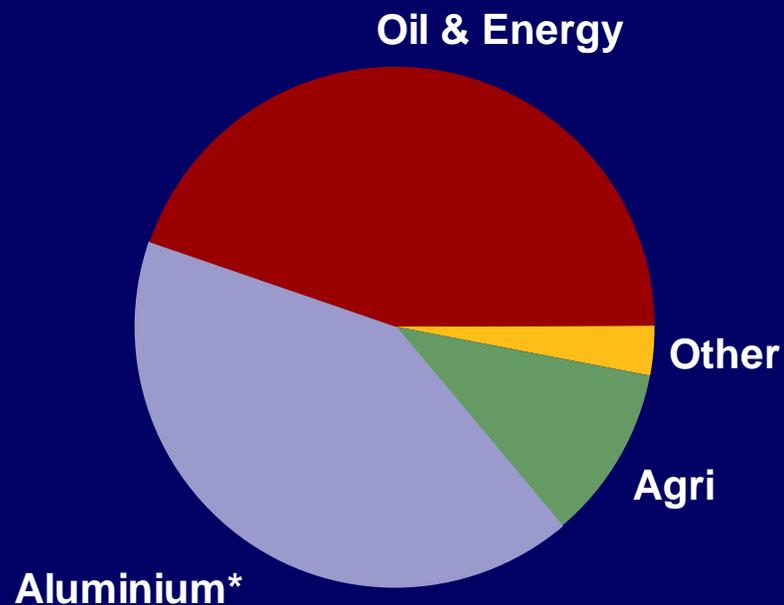
\* Long-term debt divided by shareholders' equity plus minority interest

\*\* Adjusted ratio if current cash position had been reduced to NOK 10 billion



# Planned capital allocation 2002

## Capital expenditures by business area



<b>Oil and Energy*</b>	<b>8.5 bn. NOK</b>
<b>Aluminium</b>	<b>8.0 bn. NOK</b>
<b>Agri</b>	<b>2.0 bn. NOK</b>
<b>Others</b>	<b>0.5 bn. NOK</b>
<b>Total</b>	<b>19.0 bn. NOK</b>

\*Excl. exploration budget of 2.4 bn. NOK

\* 2002 VAW investments included. (VAW acquisition cost and potential SDFI acquisition not included )



# Active divestment program

- **New divestment target of NOK 10 billion by end 2003**
  - **Larger non-core candidates for divestment include:**
    - Petrochemicals
    - KFK shareholding
    - VAW Flexible Packaging
  
- **Continued divestments within core areas**
  - **Recent examples:**
    - Pelican, non-core NCS licenses, Oleochemicals business
  
- **Fix, sell or close underperforming units**



# CROGI — our key measure of return

- **CROGI - Cash Return on Gross Investments:**

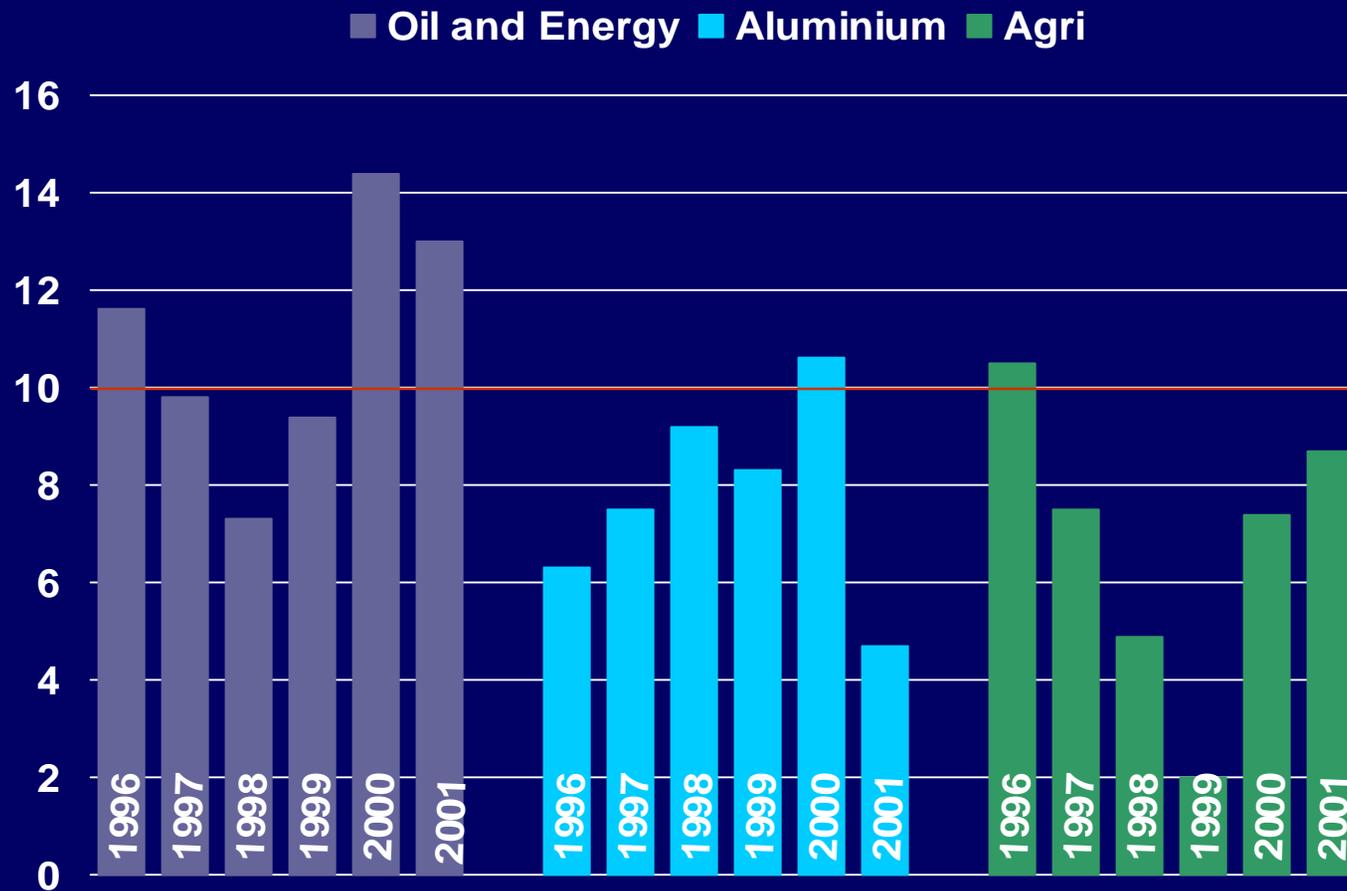
$$\frac{\text{EBITDA less tax}}{\text{Gross invested capital}}$$

- **CROGI at "normalised" prices — good indicator for:**
  - Average over the cycle performance
  - Effects of internal improvement efforts
- **CROGI at actual prices — good profitability indicator for investors**  
**Should reach 10% as an average over the cycle**



# CROGI performance

## Actual prices





## Medium term CROGI outlook (normalised)

- **Agri — well positioned to show levels above 10% in coming years**
- **Aluminium — programs initiated to bring normalised CROGI to 10% by 2004**
- **Oil and Energy — currently around 9%. Build-up of international production takes time**
- **Asset productivity improvements**
  - **Implement divestment program**
  - **Reduce operating capital**



## Main financial targets

- **Cash Return on Gross Investment (CROGI\*), nominal after tax** **10%**
- **Return on new investments, real rate after tax** **10%**
- **Dividend:**  
**Share of net income, average over the cycle** **30%**
- **Solidity:**  
**Long term interest-bearing debt/equity** **0.5**

\* Based on "normalised" price set to reflect average over the cycle performance



# Consolidated income statements

NOK million	2001	2000
Operating revenues	152 835	156 861
Operating income	21 083	28 466
Equity in net income of non-consolidated investees	566	672
Interest income and other financial income	2 847	1 747
Other income	578	3 161
Earnings before interest expense and tax (EBIT)	25 074	34 046
Interest expense and foreign currency gain/loss	(3 609)	(3 905)
Income before tax and minority interest	21 465	30 141
Tax (payable and deferred)	(13 750)	(16 178)
Minority interest	177	18
Net income	7 892	13 981
Earnings per share* - NOK	30.50	53.40

\*) For calculation of EPS, 2001: 258,434,202 shares, 2000: 261,620,982 shares

# Hydro Oil & Energy

Senior Vice President David Nunn  
Norsk Hydro ASA





# Hydro Oil and Energy

## Competitive edge:

- Large operator
- Strong and innovative technology
- Commercial track record



# Oil and Energy 2001 delivery

## Objectives CMD December 2000

Production growth



- Snorre B, Girassol and Terra Nova
- 2001 production in line with revised forecast
- 5-6% CAGR\* 2001 - 2005

International build up



- 30% awarded in Angolan block 34
- Farm-in Gulf of Mexico and Angolan block 25

Positioning for liberalised  
European gas market



- Implementation of company based sales from NCS
- Continued build up of commercial activities

Reduced F&D cost



- New projects confirm direction

SDFI positioning



- Application deadline 10. January

\* CAGR: Compound annual growth rate



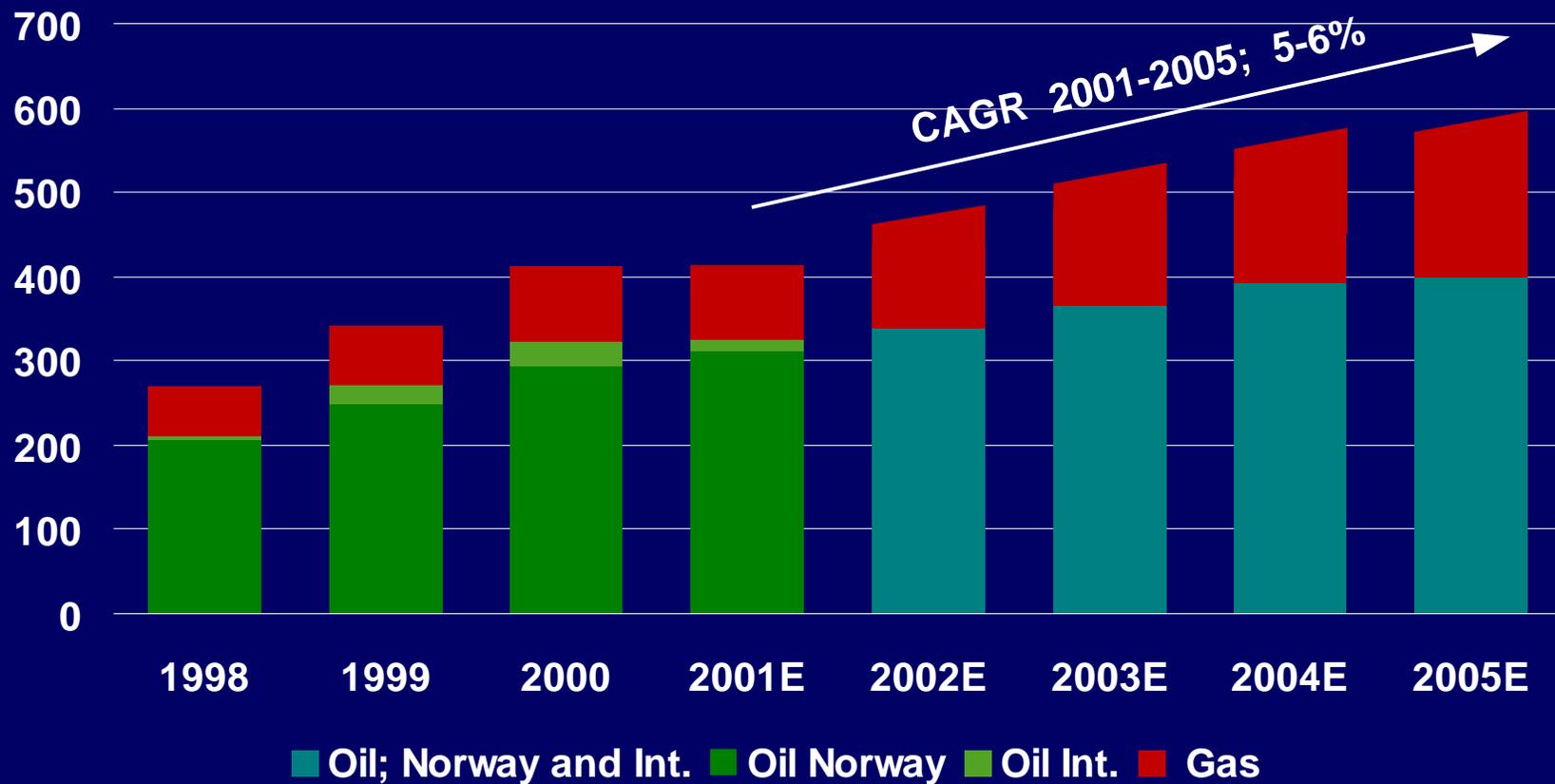
## Improving performance in 2001

- **Maintain positive safety trend**
- **Maintain operating performance in first quartile**
- **Delivering projects on cost and schedule**
- **High-grading of global exploration portfolio**
- **Divestment of non-core licences**
- **Capital discipline**



# Strong production growth

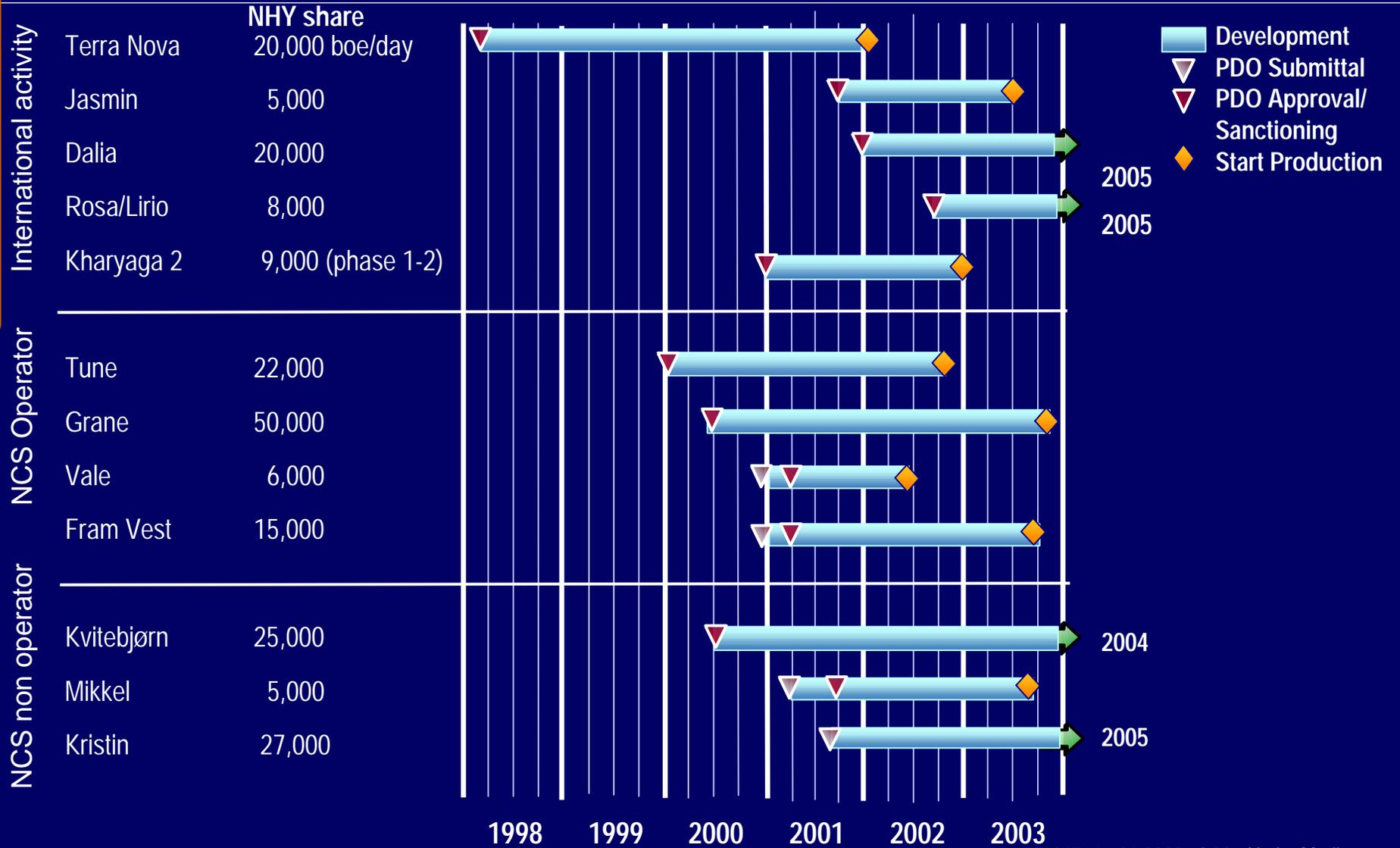
1,000 boe/day



NCS production cut first half 2002 included



# New fields on stream 2002 - 2005





# Reserve replacement E&P

## mill boe proven reserves

<b>Reserves 2000</b>	<b>2 040</b>
<b>Reserve upgrades</b>	<b>99*</b>
<b>New reserves</b>	<b>89</b>
<b>Sales, purchase and swaps</b>	<b>(1)</b>
<b>Production</b>	<b>(153)</b>
<b>Reserves 31.12.2001</b>	<b>2 073</b>
<b>Reserve replacement**</b>	<b>122%</b>
<b>Reserve life oil</b>	<b>8 years</b>
<b>Reserve life gas</b>	<b>30 years</b>

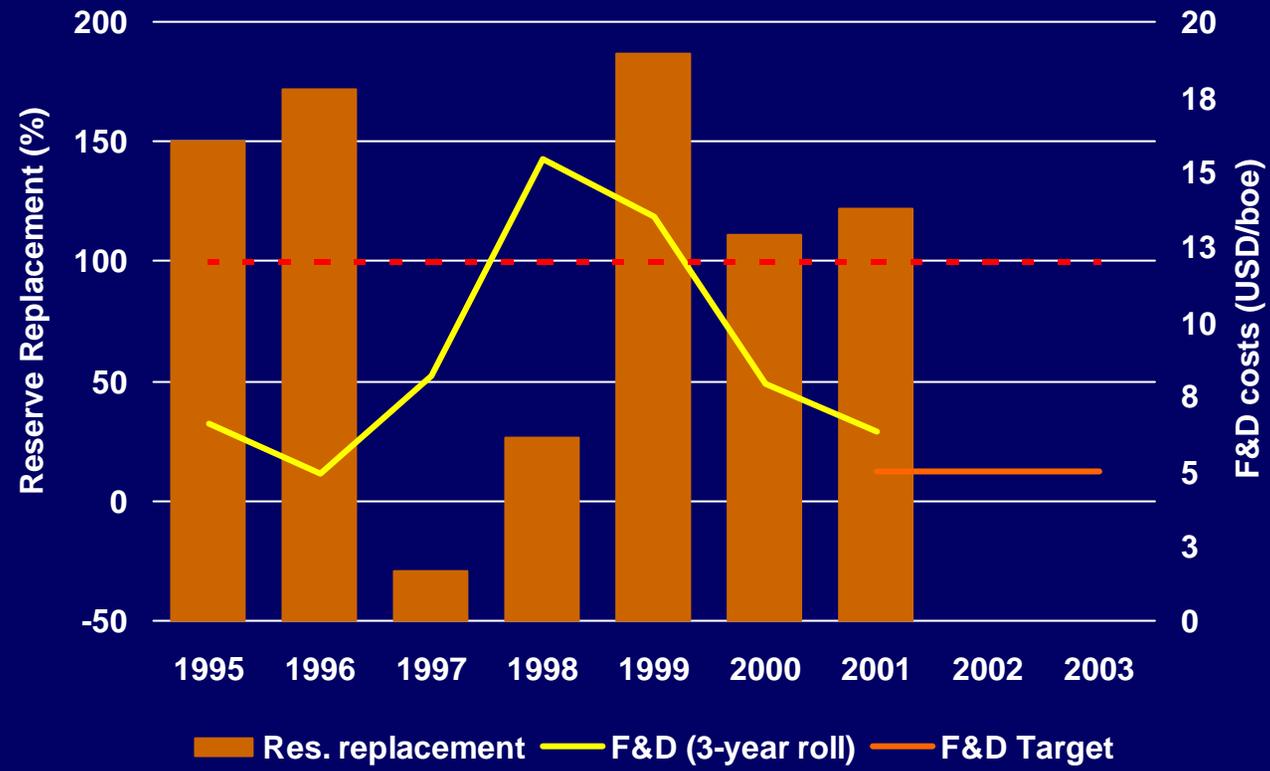
\* Of which 19 is new conversion factor for NGL

\*\* Excl. sales, purch. and swaps



# F&D costs

## F&D costs excl. sale & purchase



Year	Fields booked
2001	Kristin, Mikkell, Sigyn, Rosa Lirio, Jasmin
2002*	Snøhvit, Murzuk A, Mabruk East
2003*	Ormen Lange, Tyrihans, Kharyaga ph. 3

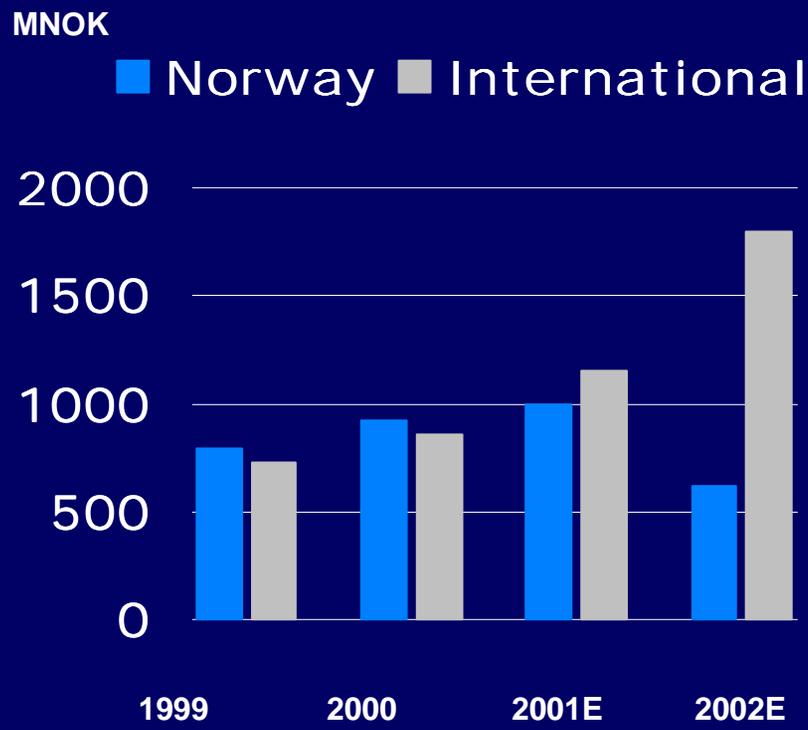
\* Planned

# International activities — 2001 main events

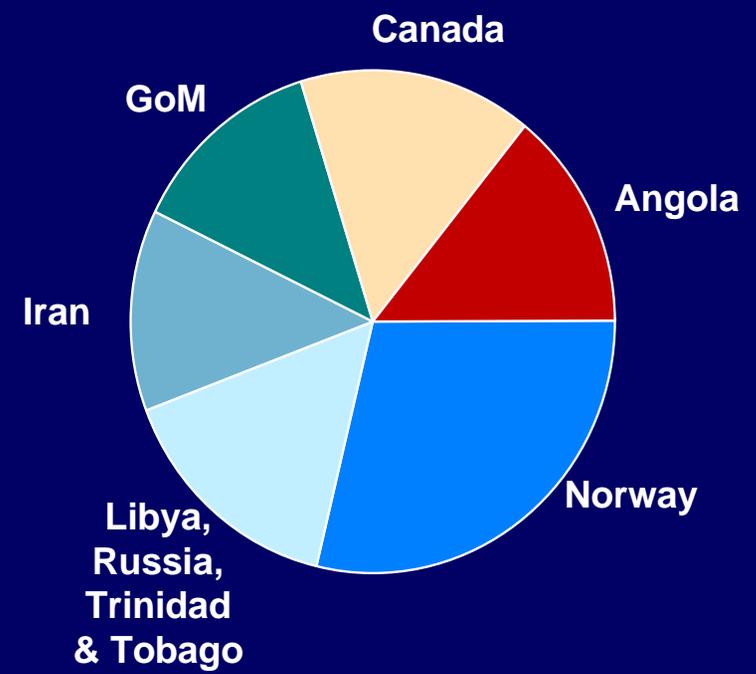




# 2002 — shift in exploration focus



### Exploration - 2002E





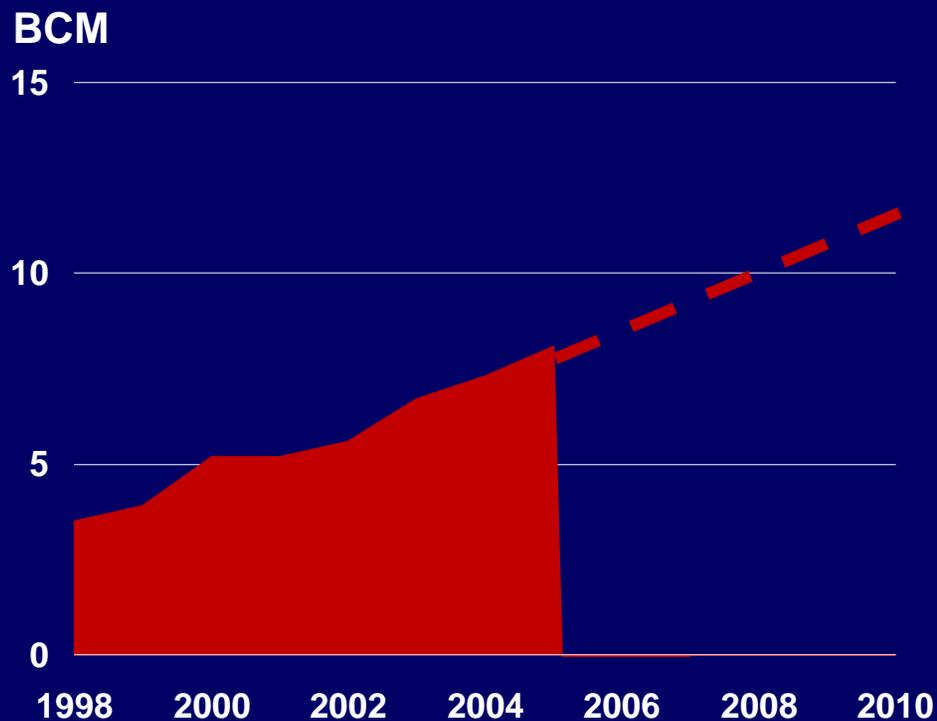
## Exploration 2002 — significant wells

Location	Norsk Hydro share	Well expec. finalised
NCS Solsikke	50%	3Q 2002
Canada - Anapolis	25%	1Q 2002
Canada - Flemish pass	30%	3Q 2002
Trinidad Tobago - Catfish	19%	1Q 2002
Angola Block 34	30%	3Q 2002
GoM - 3 wells	25%	2002
Iran - Anaran	100%	3Q 2002



## Third largest gas producer on the NCS

### Norsk Hydro expected natural gas production

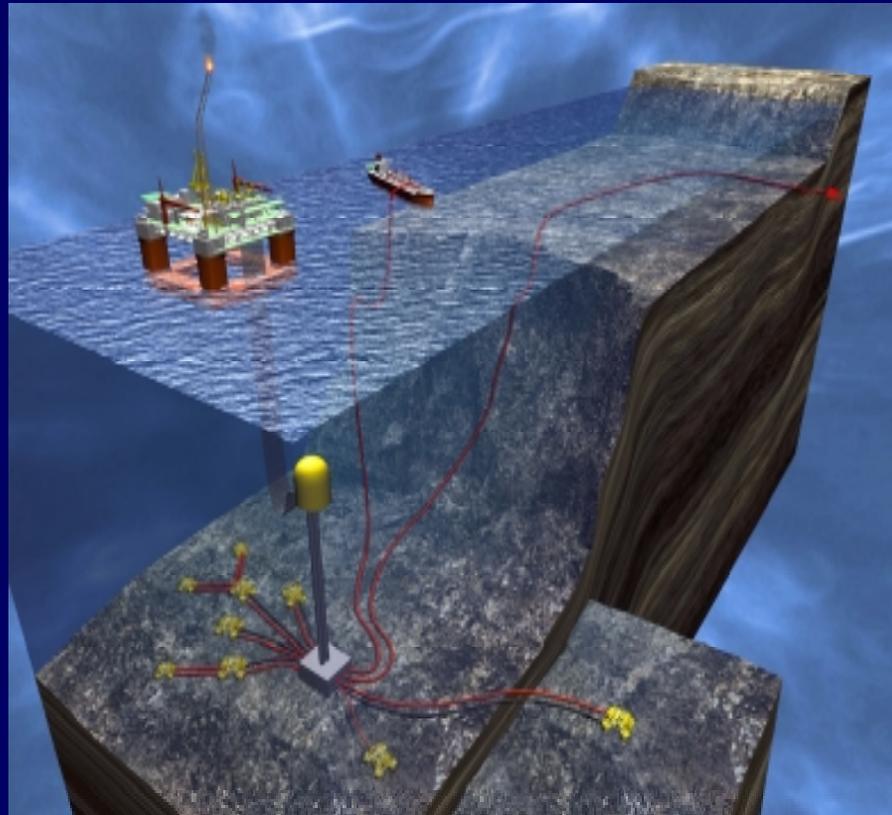


- Total Norwegian gas export 2010 approx. 110 BCM
- Company based sales introduced
- Market development
  - Continental market driven by gas to power needs
  - UK - need for imports
  - New markets; Scandinavia and Poland

# Ormen Lange — the most important gas discovery since Troll

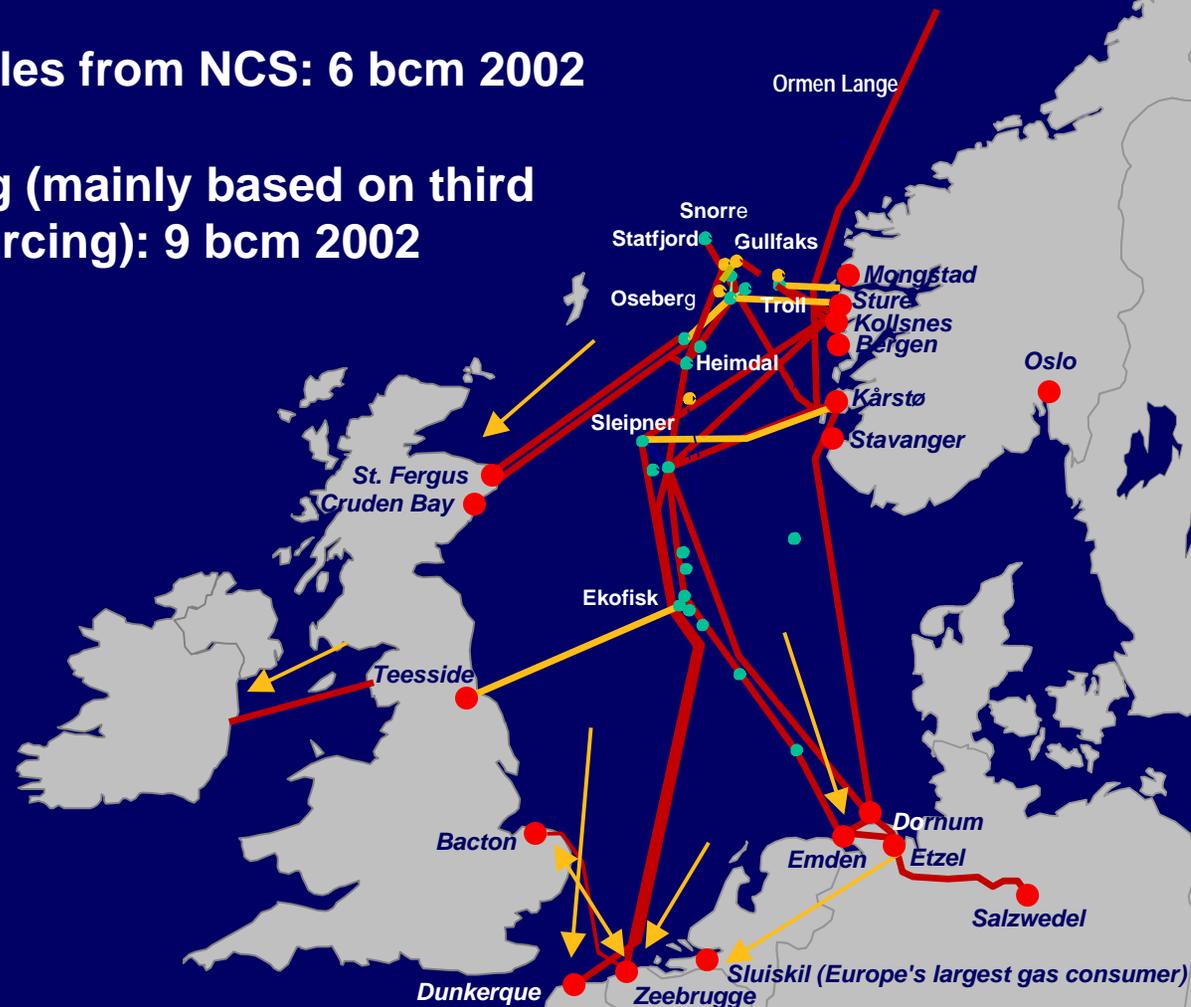


- **Reserves: 400 bcm**
- **Hydro operator for the most challenging development on NCS**
- **Market gas at competitive costs; Target; 2 USD/mill. BTU**
- **Plan for development 4Q 2003**
- **Production start 2007**



# Flexibility gives value creation

- Equity sales from NCS: 6 bcm 2002
- Marketing (mainly based on third party sourcing): 9 bcm 2002



# Norsk Hydro has the ability to commercialise gas in a liberalising market



## Targeted Dutch end user sales in 2002:

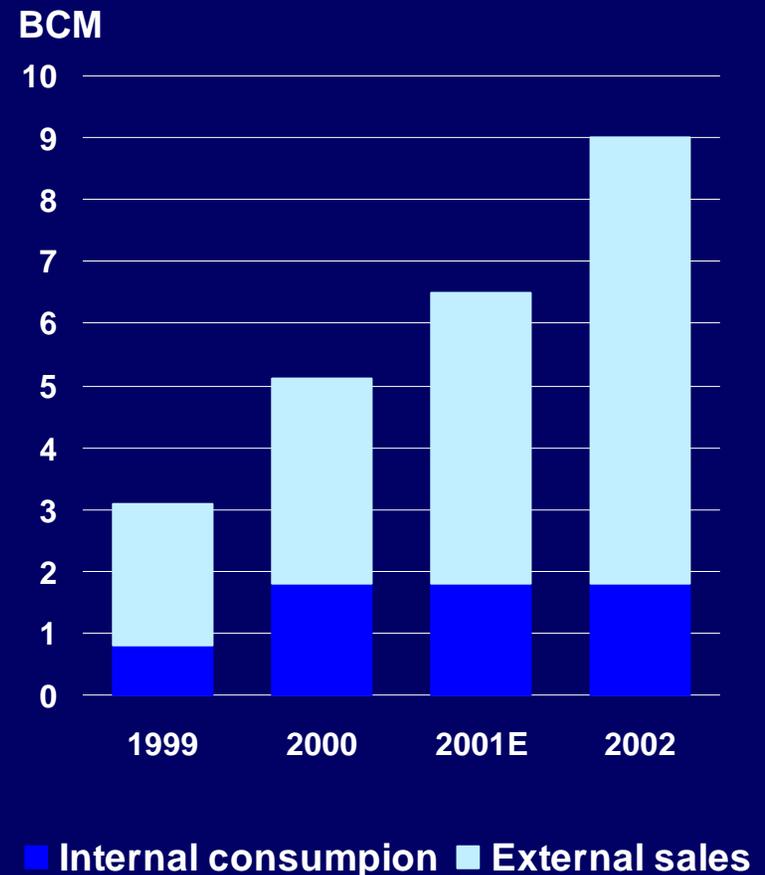
- 300 end-users
- 4.7 bill. sm<sup>3</sup> (incl. portfolio management)
- Approx. 20% of Dutch industrial market

**Hydro Sluiskil - Europe's largest consumer of natural gas**



# Commercial innovation

- **Norsk Hydro natural gas sales mainly based on third party sourcing**
- **Low capital requirement**
  - Trading
  - Good margins: EBITDA of 100 MNOK 1- 3Q 2001
- **Customers**
  - Industrial customers
  - Internal consumption
- **Operations based in Brussels**





## Key messages

- **Production growth 2001 - 2005 expected to average 5 - 6%**
  - **2002 production target: 430,000 boed\***
- **Key exploration prospects to be tested in 2002**
- **Using commercial innovation to add value to Norsk Hydro's upstream gas position**
- **F&D costs on track towards USD 5/bbl**

*\*Including NCS cutbacks*

# Norske Finansanalytikers Forening

## Hydro Agri

## Turnaround and Way Forward

Senior Vice President Hallgeir Storvik  
Norsk Hydro ASA  
Oslo, 7 March 2002





# Hydro Agri - highlights

- **Strong earnings improvement**
- **Annual costs and manning reduced by over 30%\***
- **Fertilizer volumes negatively affected by exceptionally wet spring in Europe**
- **Global marketing agreement for speciality fertilizers**
- **KFK: Turnaround in progress**

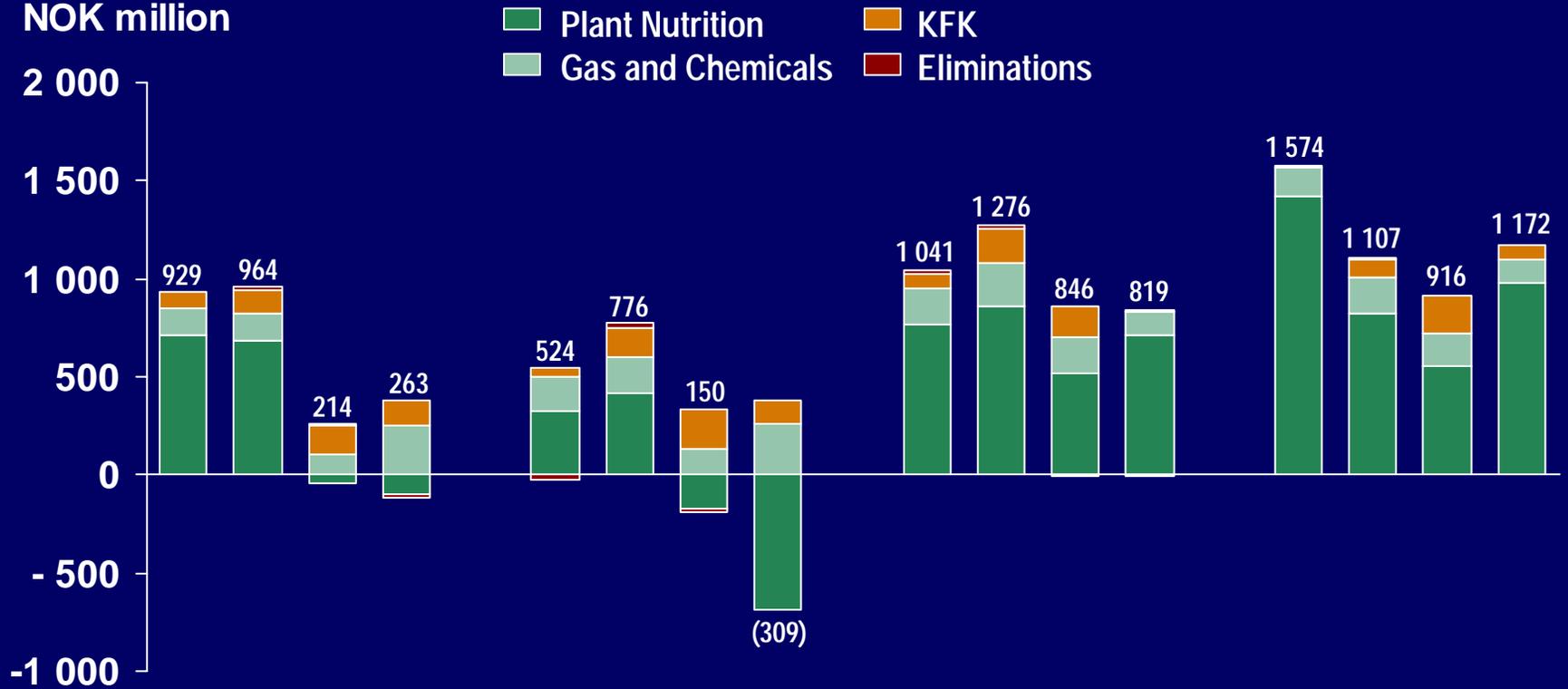
**\*compared to 1998 level**



# Hydro Agri

## EBITDA

NOK million



Accumulated	2 370	1 141	3 982	4 769
-------------	-------	-------	-------	-------



# Hydro Agri Turnaround improvements\*

Operating Income improvement MNOK	Achieved 1999-2000	Achieved 2001	Annual cost savings compared to 1998 level	Agri Turnaround target by 2001
Plant Nutrition Gas and Chemicals	2 065 171	597 47	2 662 218	- -
Hydro Agri total	2 236	644	2 880**	2 400 - 2 700
Manning reduction (incl. temps)	2 635	1 115	3 750	2 700 - 3 000

\* Excl. KFK

\*\* Of which fixed cost improvements are 2 388 MNOK

# Many closures and divestments of non-core businesses since 1999



## ● Plants

- Immingham fertilizer production
- Landskrona fertilizer production
- Montoir nitrate production
- Hurel Arc
- Socadour
- Socofer La Pallice
- Oberhausen
- Barletta
- Porsgrunn potassium nitrate production
- Glomfjord REO production
- Vlaardingen (to JV)

## ● Hydro Oleochemicals

## ● Hydelfo

## ● Danish propane business

## ● Swedish non-CO<sub>2</sub> gas business

## ● Hydroship Services

## ● Hydro Shipping Agency Group

## ● Fertilizer marketing organizations

- Hungary
- Ukraine
- Bulgaria
- Slovakia
- Rumania
- Slovenia
- Croatia
- Latvia (51%)

## ● Czech non-fertilizer distributors

## ● Polish non-fertilizer distributors

## ● Agtec

## ● Chafer Machinery

## ● Noru Priroda mill

## ● Burlington River Terminal (to JV)

## ● Hydro Hagebruk (to JV)

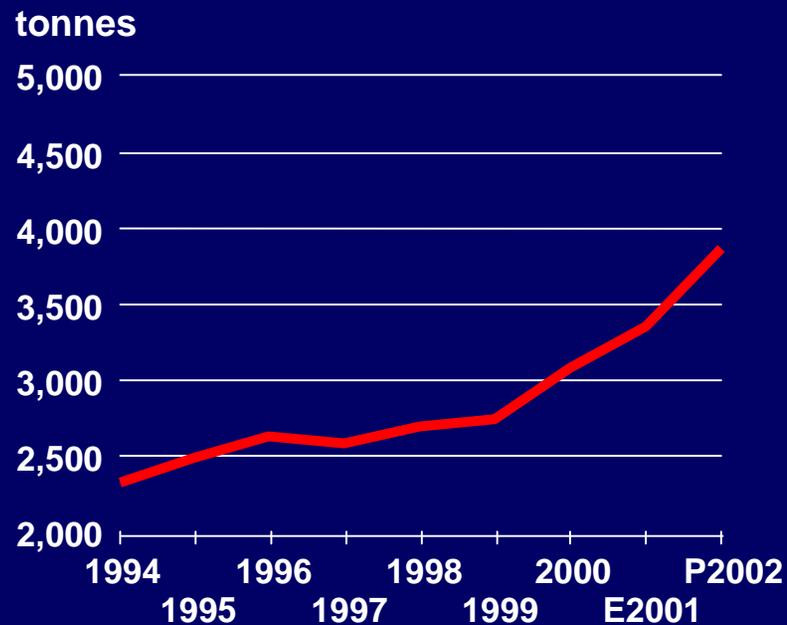
## ● Various ships



# Large productivity improvements

## European plants

### Production per employee



### Fixed costs per tonne\*



\* Excluding non-recurring items

# Seizing business opportunities at the bottom of the business cycle



## Ownership share in parentheses

- **Trevo, Brazil (91%)**
- **Kynoch, South Africa (100%)**
- **Philphos marketing agreement, Philippines (0%)**
- **SQM marketing agreement, Chile (0%)**
- **Qafco IV expansion and marketing agreement (25%)**

# Strong leadership and focus on main value drivers

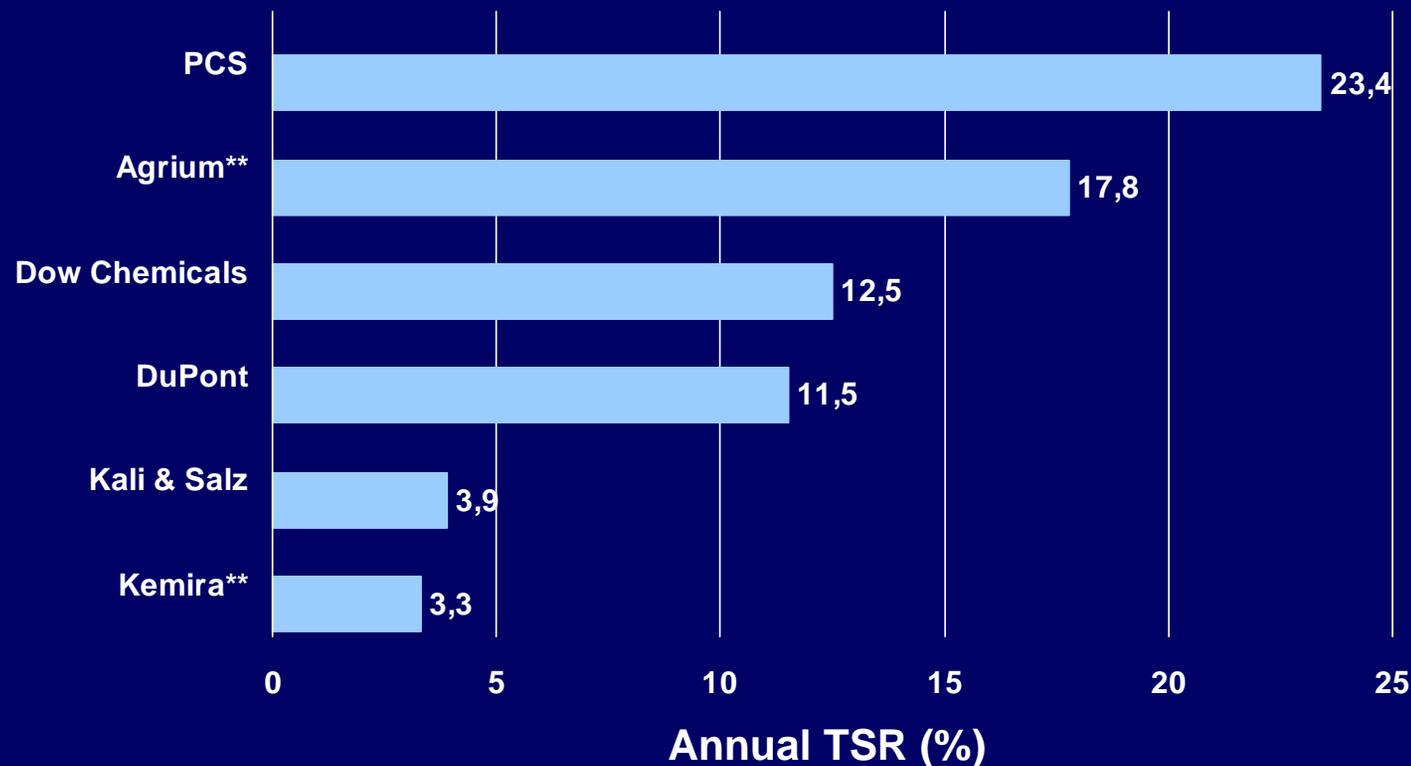


- **Productivity**
  - **Productivity improvements will be our trademark**
- **Portfolio**
  - **We own assets by design, not by default**
- **Growth**
  - **Asset light strategy with focus on supply/demand balance**



# Shareholder value - the best fertilizer performers have done well

**Average annual Total Shareholder Return\* across the business cycle (1991-2000)**



\* TSR = Share price appreciation + dividends to shareholders

\*\* Agrium from merger in 1993 to 2000, Kemira from IPO in 1994 to 2000

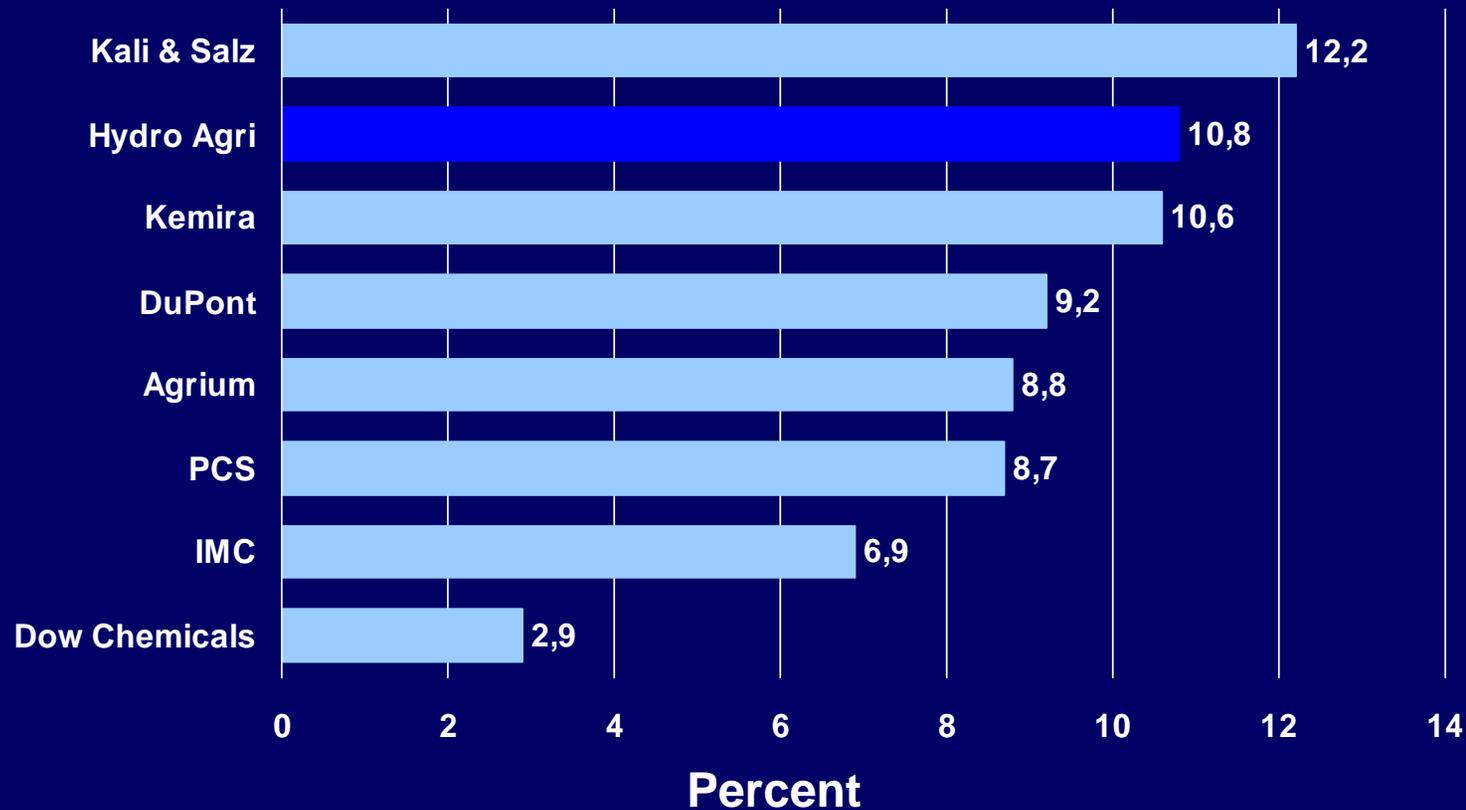
Source: BCG database

33047\_1 - 01.2002 - \* 52 - Hydro Media



# Top quartile Hydro Agri performance in 2001

## Gross return on assets\* Jan. - Sep. 2001



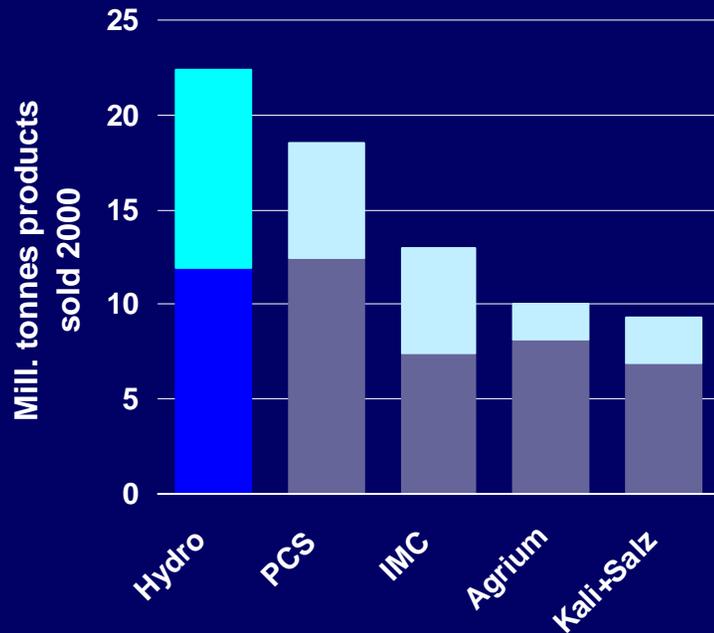
\* Gross return on assets is similar to CROGI and defined as EBITDA divided by Total assets

Source: Company quarterly reports

# Our agri business is a unique combination of size and global presence

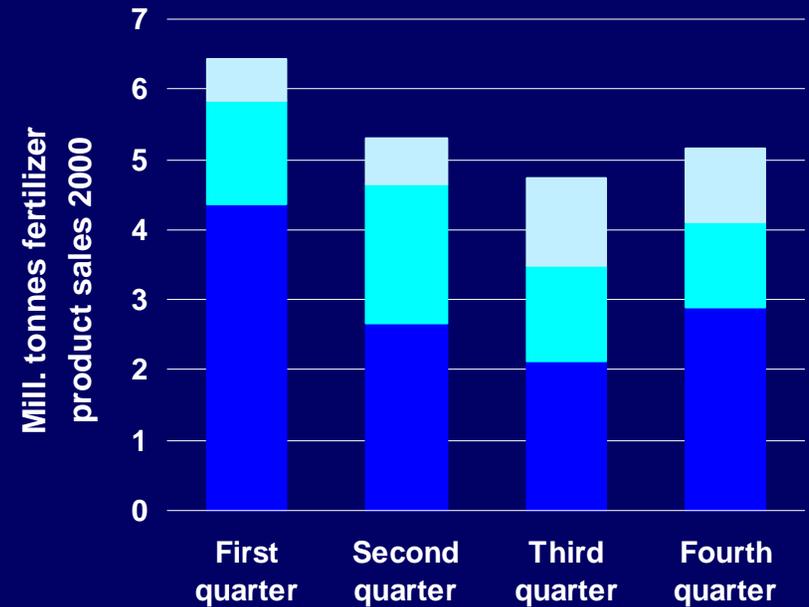


### All fertilizer products



- Hydro Overseas
- Hydro Europe
- Overseas
- Home market

### Hydro Agri Non-European sales reduce seasonality



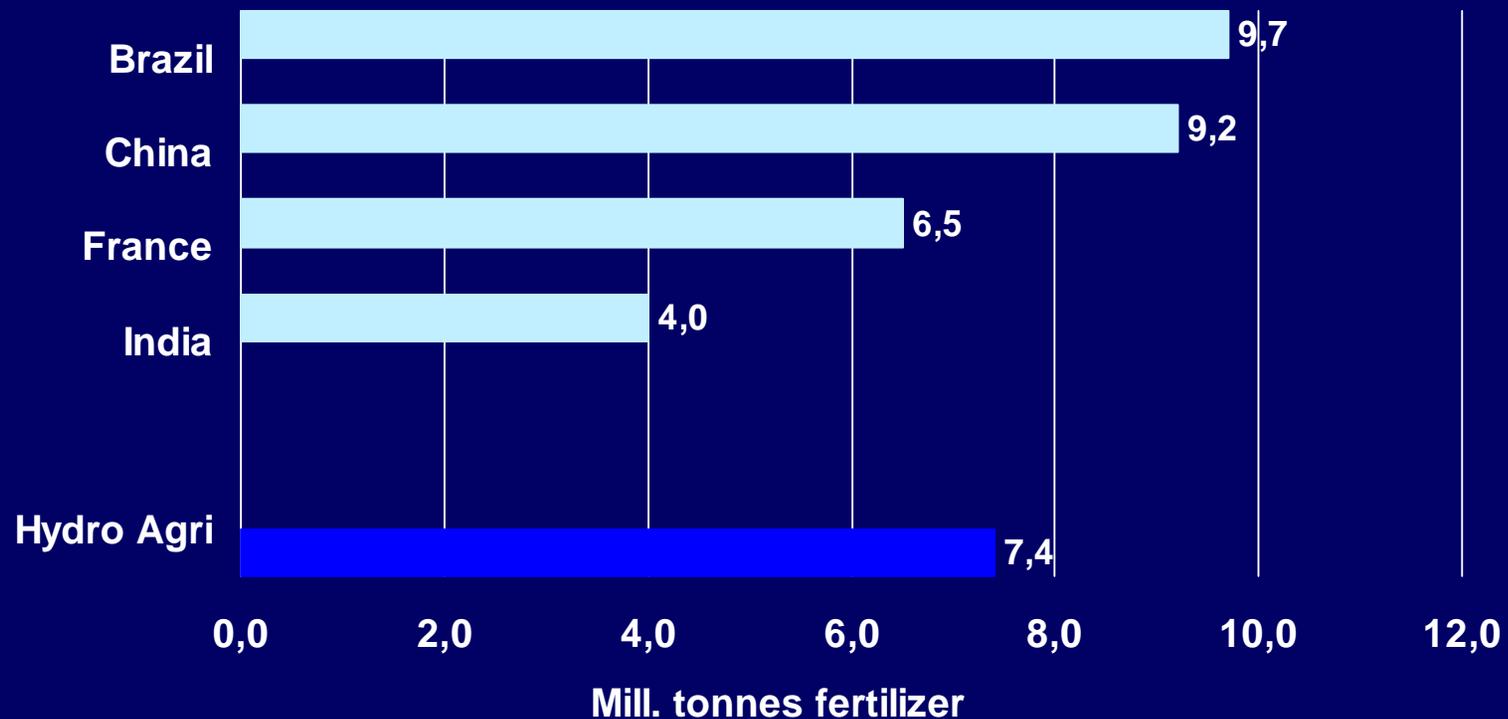
- Europe
- Other Northern hemisphere
- Southern hemisphere

Source: Annual reports



# Strong leverage based on purchasing power

Hydro Agri's fertilizer purchasing is similar to the entire imports of large countries



\* Products included are Urea, AN, CAN, AS, DAP, MAP, TSP, MOP, SOP

Source: IFA



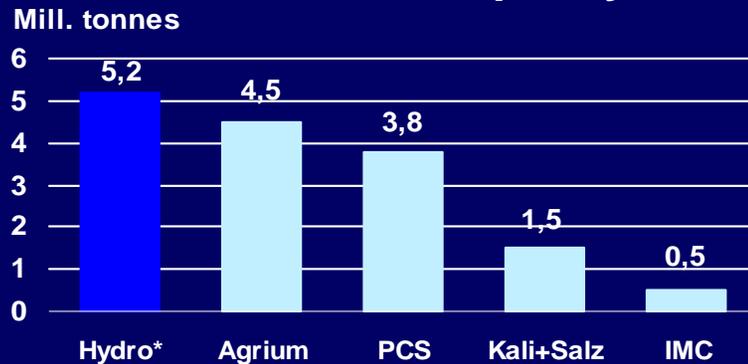
## Hydro Agri, the global leader in

- **Ammonia - the basis for all nitrogen fertilizer**
- **Nitrates - the most important fertilizer in Europe**
- **Balanced fertilization (NPK) - serving value-added segments**
- **Speciality fertilizers - serving high margin cash crop markets**
- **Industrial applications - mainly in Europe**
- **Global marketing network - local activities in more than 60 countries on all continents**

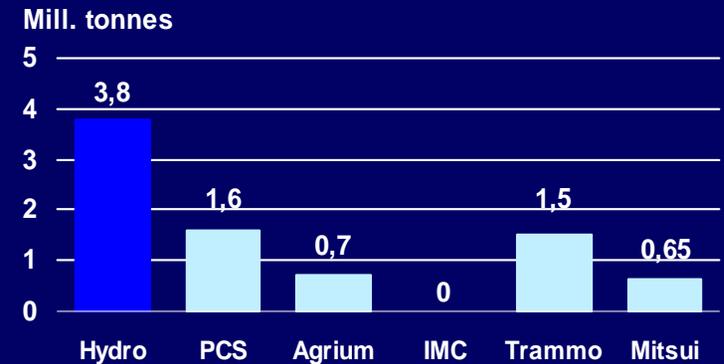


# Hydro is the leading ammonia player

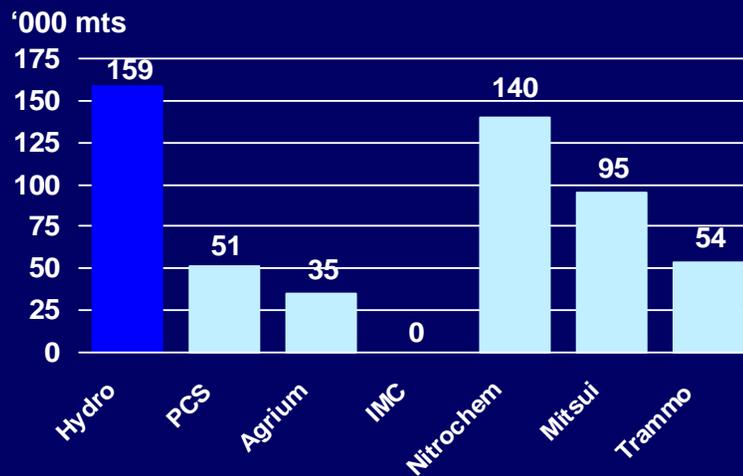
## Production capacity



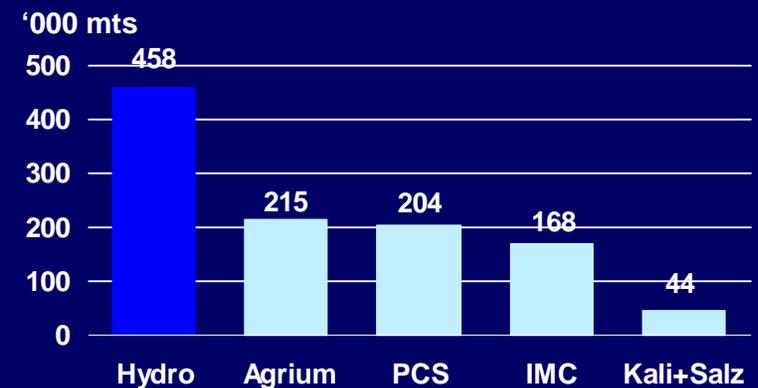
## Trade



## Shipping capacity



## Maritime storage capacity



\* Incl. Hydro share of JVs

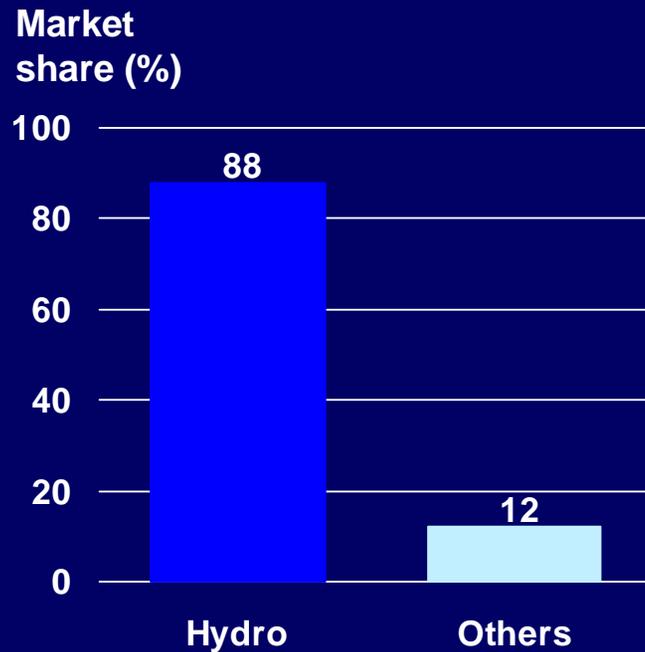
Source: Company info, Blue-Johnson, British Sulphur, Hydro,

33047\_1 - 01.2002 - \* 57 - Hydro Media

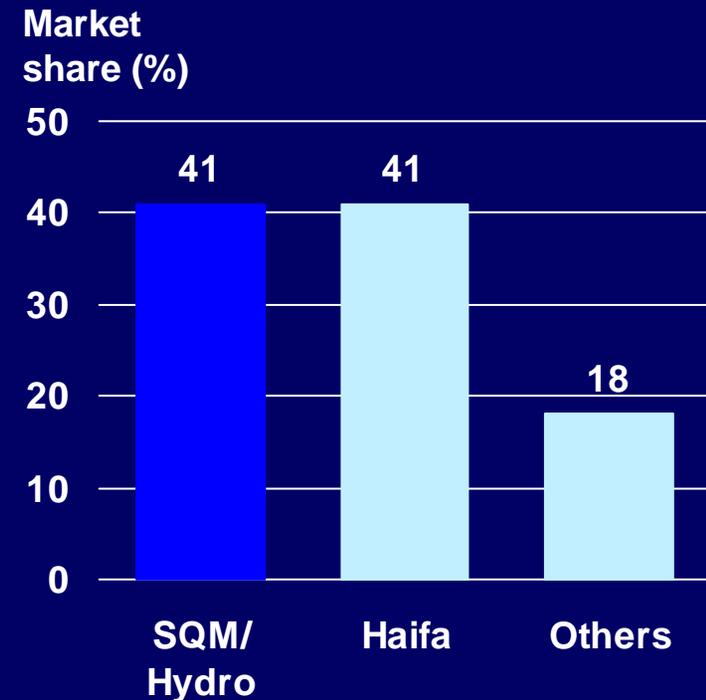
# Leading market position in speciality fertilizers



## Calcium Nitrate (CN)



## Potassium Nitrate (PN)



Calcium Nitrate and Potassium Nitrate constitute approximately 65% of total speciality fertilizer market



# Hydro Agri's global leadership strategies

Ammonia

- **Grow business by playing on strengths**

Nitrates

- **Maintain market share in Europe**

Balanced fertilization  
(NPK)

- **Growth in cash crop market**

Speciality fertilizers

- **Develop alliance with SQM**

Selected industrial  
applications

- **Develop new products and markets**

Marketing network

- **Reach critical size in all chosen markets**



## Hydro Agri: Key messages

- **Agri Turnaround targets exceeded**
- **Unique business model based on global strengths**
- **Strong platform for future value creation**
- **Good industry performers deliver competitive shareholder returns**



# Ambitious financial targets

- **Have an average profitability across the cycle which is**
  - higher than Hydro's general requirement of 10% CROGI
  - in the best quartile of chemical industry peers
  - leading among agri companies
- **Pursue an asset light growth strategy**
- **Make good profits at bottom of business cycle**

- ➔ **Targeted annual EBITDA growth in 2002 and 2003: 10-15%**
- ➔ **Minimum EBITDA at bottom of business cycle: 3 BNOK**

# Hydro Aluminium

Senior Vice President Arvid Moss  
Hydro Aluminium  
Oslo, March 7, 2002





# Milestones 2001

- **VAW -acquisition**
  - **Technal Building Systems**
  - **Magnesium restructuring**
- 
- **Sunndal-expansion**
  - **Expansion Søral, Slovalco, Alunorte**
  - **Remelters in Spain & Texas**
  - **Cost-reduction programmes initiated**

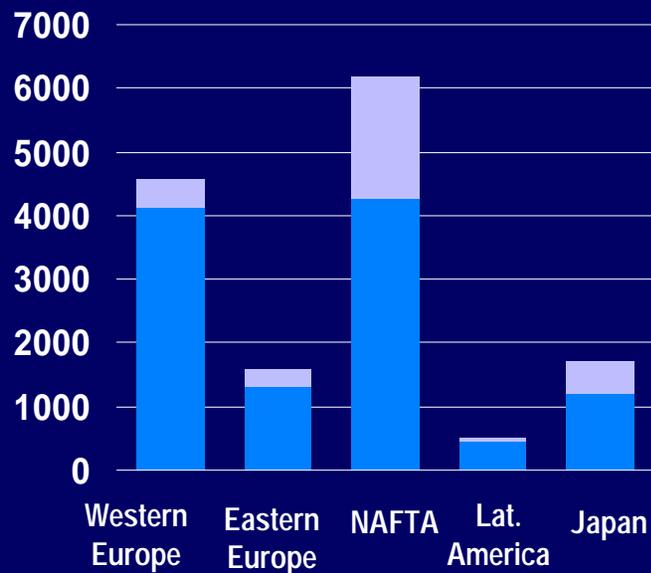


# The industry structure

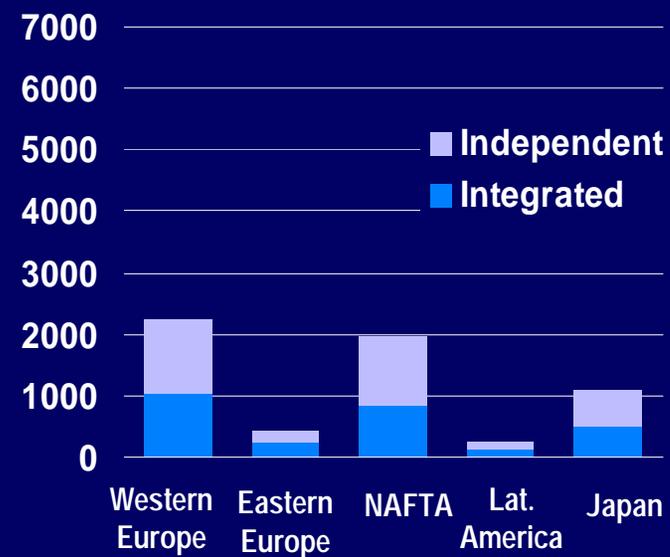
## Total consumption of aluminium, Western World



### 1000 mt Degree of Rolling integration, 80%



### 1000 mt Degree of Extrusion integration, 50%

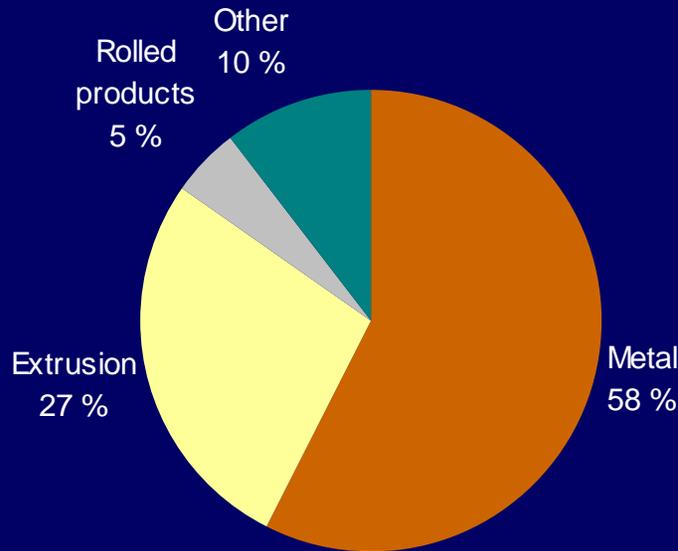




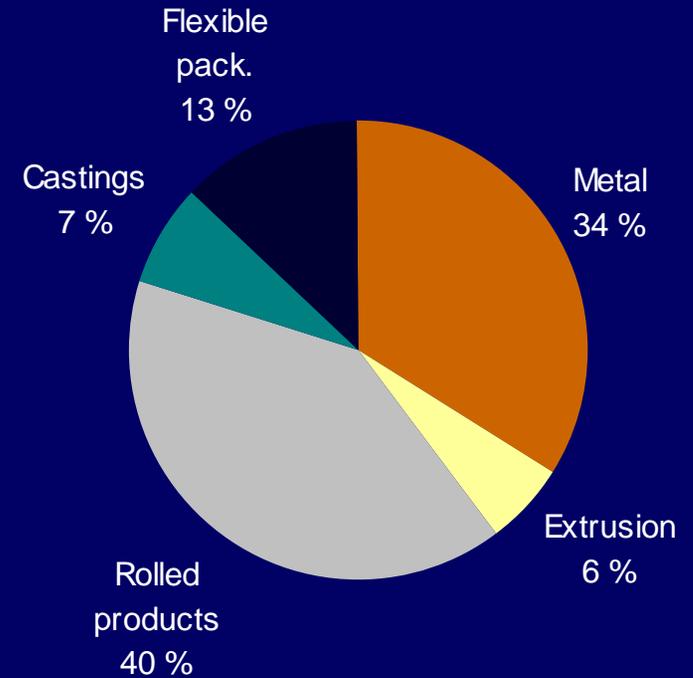
# Hydro Light Metals and VAW (2000 - figures)

**Gross revenues**  
**EBITDA**

Hydro Light Metals  
 6,400 mill Euro  
 680 mill Euro



VAW  
 3,700 mill Euro  
 450 mill Euro



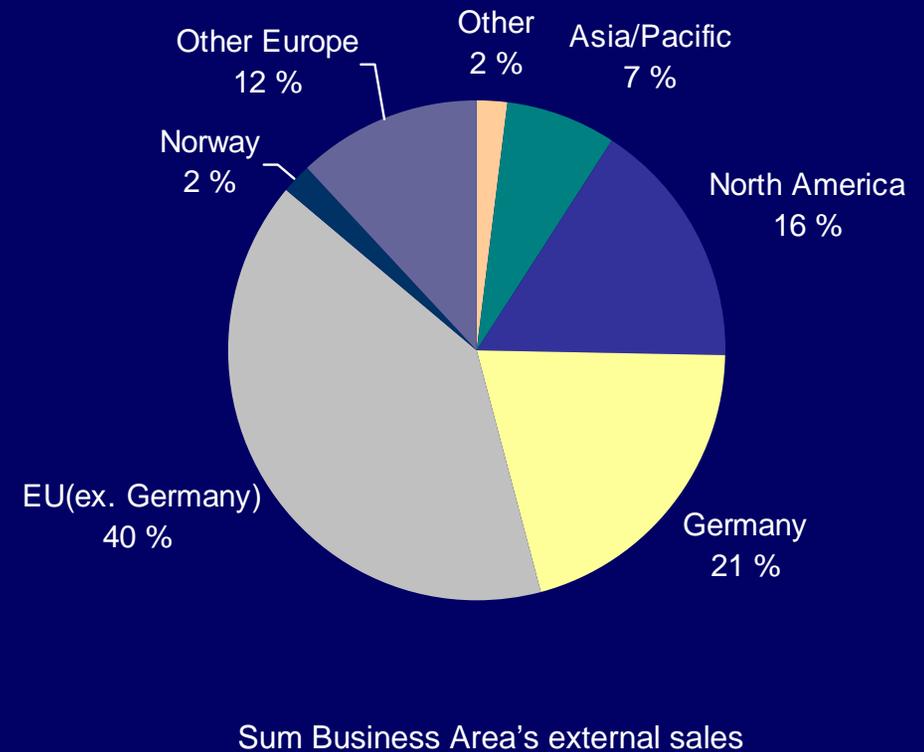
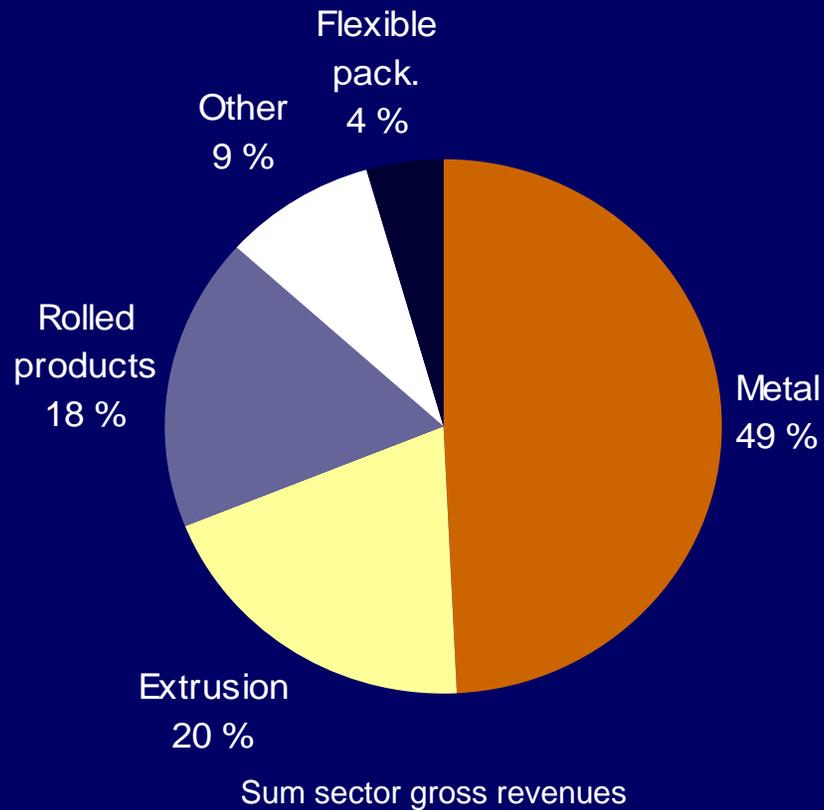
**Employees total**

Hydro Light Metals  
 17,000  
 - in Germany 1,000  
 - in Norway 6,300

VAW  
 16,000  
 7,600  
 0

Euro/NOK: 8.00

# The new entity: Hydro Aluminium Pro Forma 2000 combined





# Hydro – VAW: An attractive combination

**Attractive financials**

**Innovative global force**

**More value for customers**

**Significant synergies and value creation**

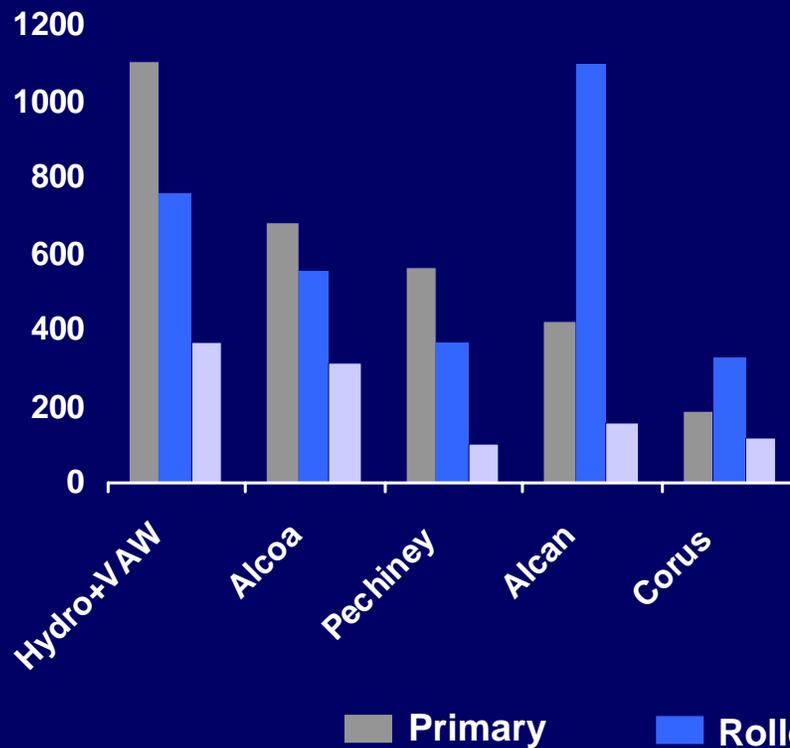
**Rapid integration**



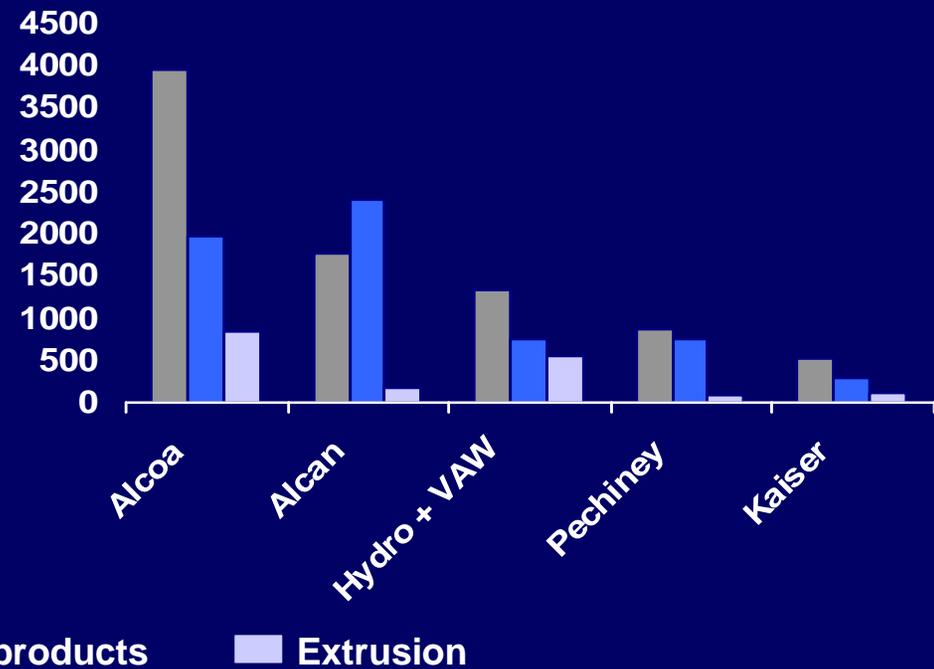
# Creating a "top-tier" company

## Total production, thousand tonnes, 2000

### Europe



### Global: World Integrated Aluminium Companies

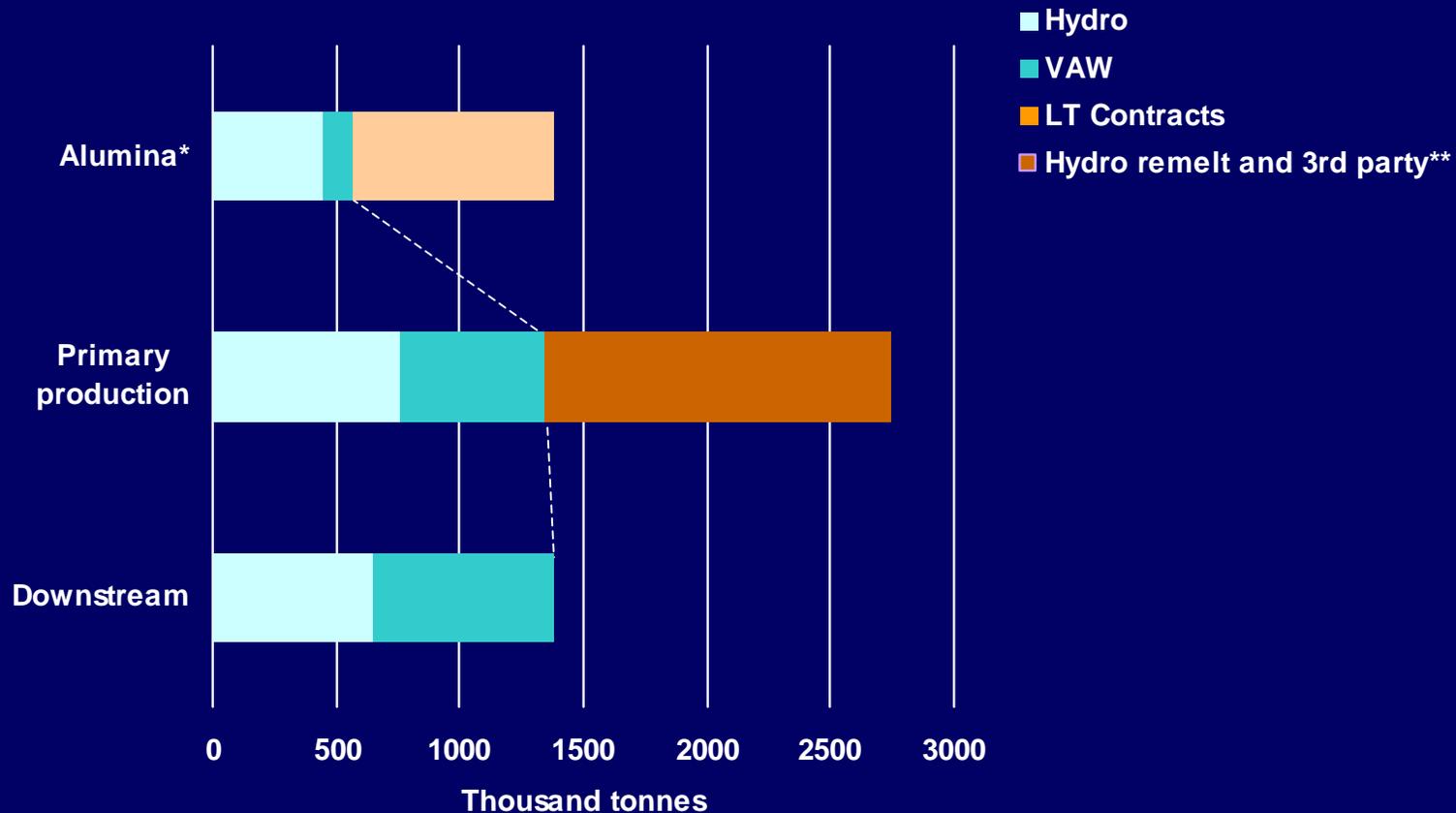


*Note: VAW's Kurri Kurri-smelter in Australia and HAL's Wells extrusion system in the US included full-year Alcoa includes Reynolds, Alcan includes Alusuisse*

# A full range aluminium company



## Global Volumes 2000



\* Aluminium equivalent. VAW metallurgical alumina only

\*\* Remelt + Hydro non-equity primary: Contracts to sell metal from Slovalco, Talum, Pianmeca, Aluvale. Goldendale tolling agreement. Trading.



# Leadership in global market segments

**Foil**



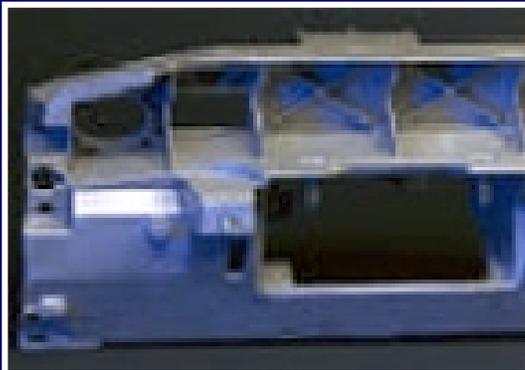
**Litho**



**Building systems**



**Magnesium alloys**



**Structures**



**Heat Transfer Engine castings**





# Strong market positions

## Market shares, per cent

	Hydro	VAW	Hydro VAW	Combined position
Primary metal production (Global)	3*	2.5	5.5	#3
Rolled products Europe	4	19	23	#2
Extrusion Europe**	15	0	15	#1
Extrusion US	6	3	9	#3

\* Not including 3<sup>rd</sup> party sourcing & remelting

\*\* Soft alloys

# Combining positions and competencies within Rolled Products



## ***VAW: Efficient, high volume capacity***

- Positioned in high value and attractive markets
- Has the world benchmark plants in thin foil and litho production, and good margins
- Positioned in automotive sheet

## ***Hydro: Niche focus and differentiating technology***

- Recycling based products
- Continuous casting
- Efficient, small scale operations



# Synergy & cost improvement actions 2002 - 2003

## Effect approx. 1.6 Bn NOK in 2004

	<b>EBITDA impact 2004 Million NOK</b>	<b>Key drivers</b>
<b>Operating synergies</b>	<b>650</b>	<b>Procurement &amp; logistics</b> <b>Best practice sharing operations</b> <b>Utilization of recycling</b> <b>Capacity optimization</b>
<b>Streamlining SG&amp;A Hydro and VAW</b>	<b>950</b>	<b>Cost &amp; manning reductions within support functions</b>
<b>Total impact</b>	<b>1,600</b>	

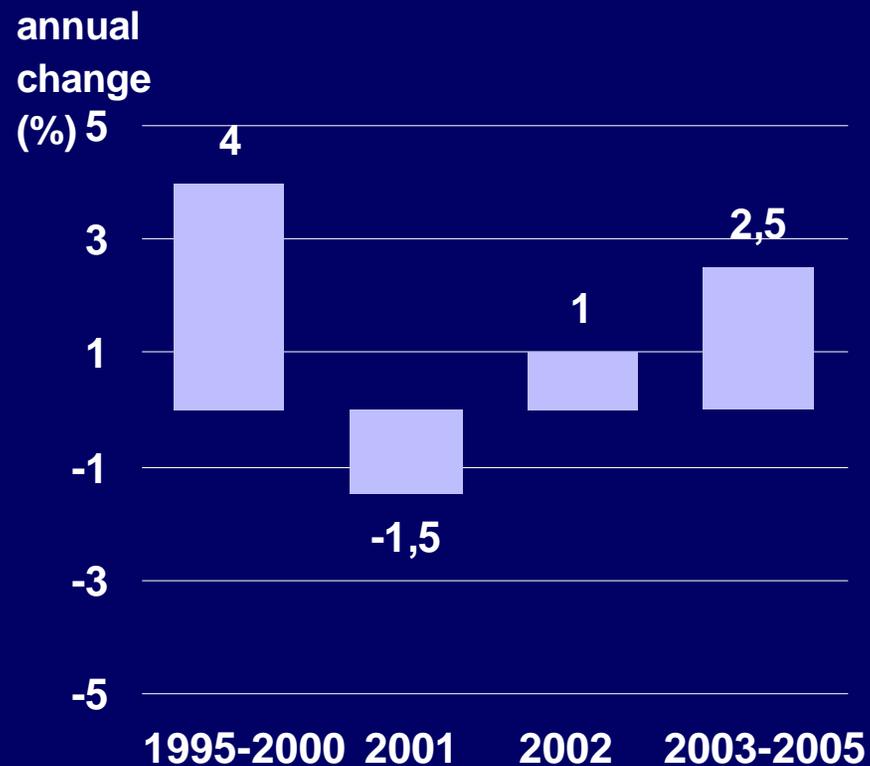
# Going Forward



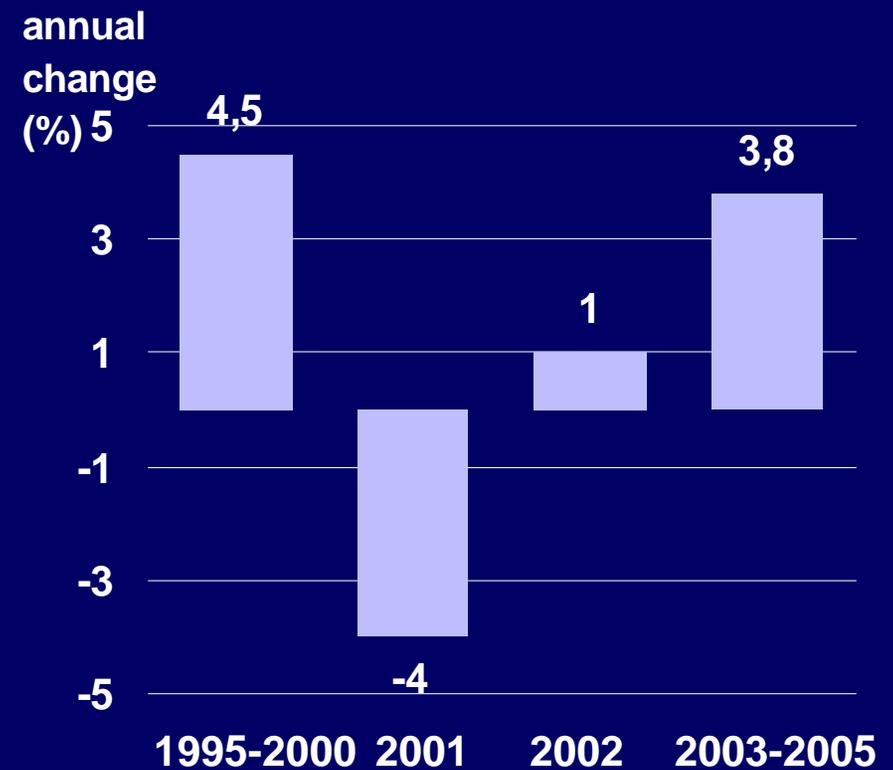
# Recovery in downstream shipments in Europe is expected



Est. European rolled products shipments



Est. European extrusion shipments

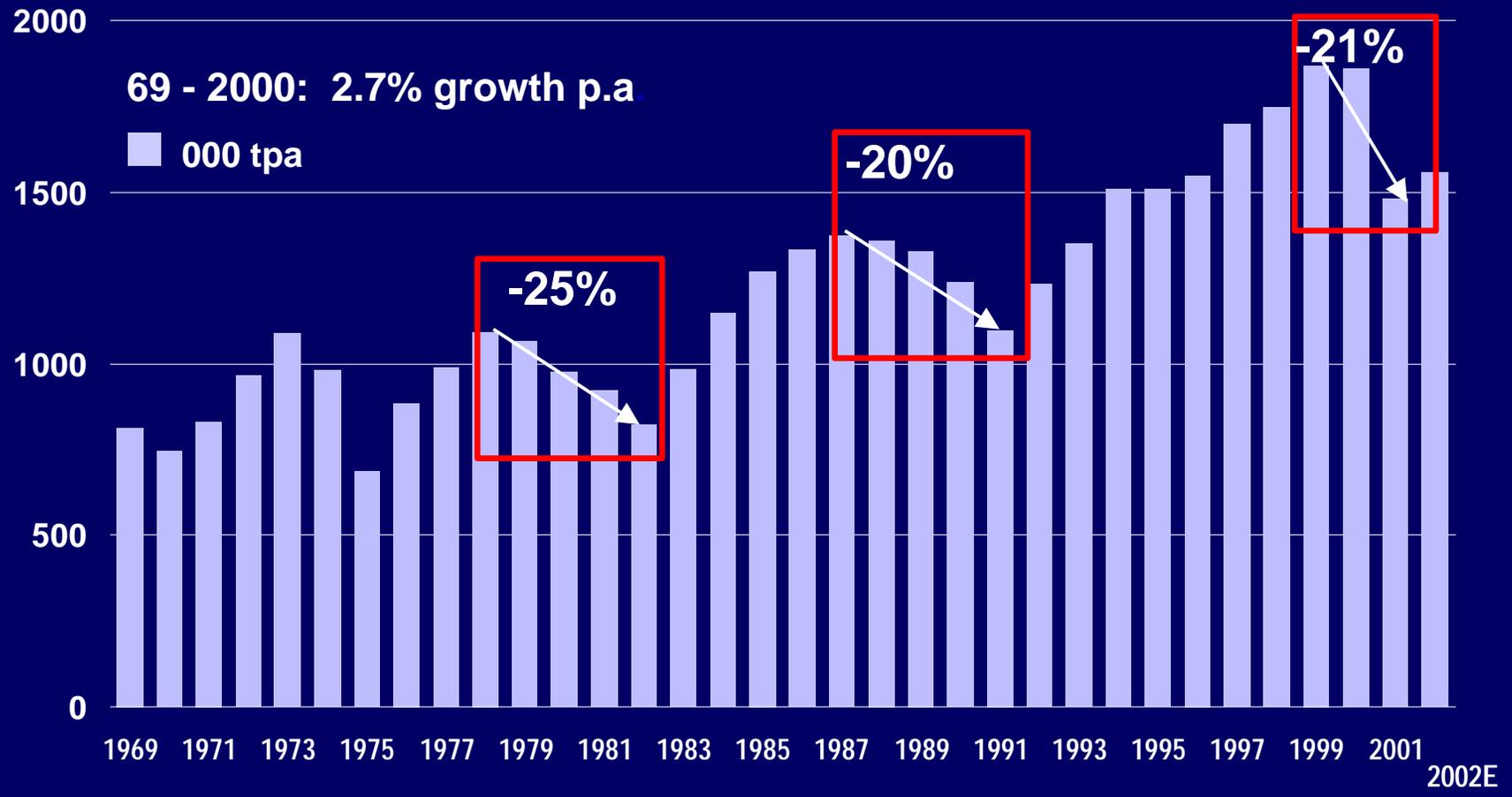


Source: EAA, CRU

# Effect of slowdown in the US has been extreme



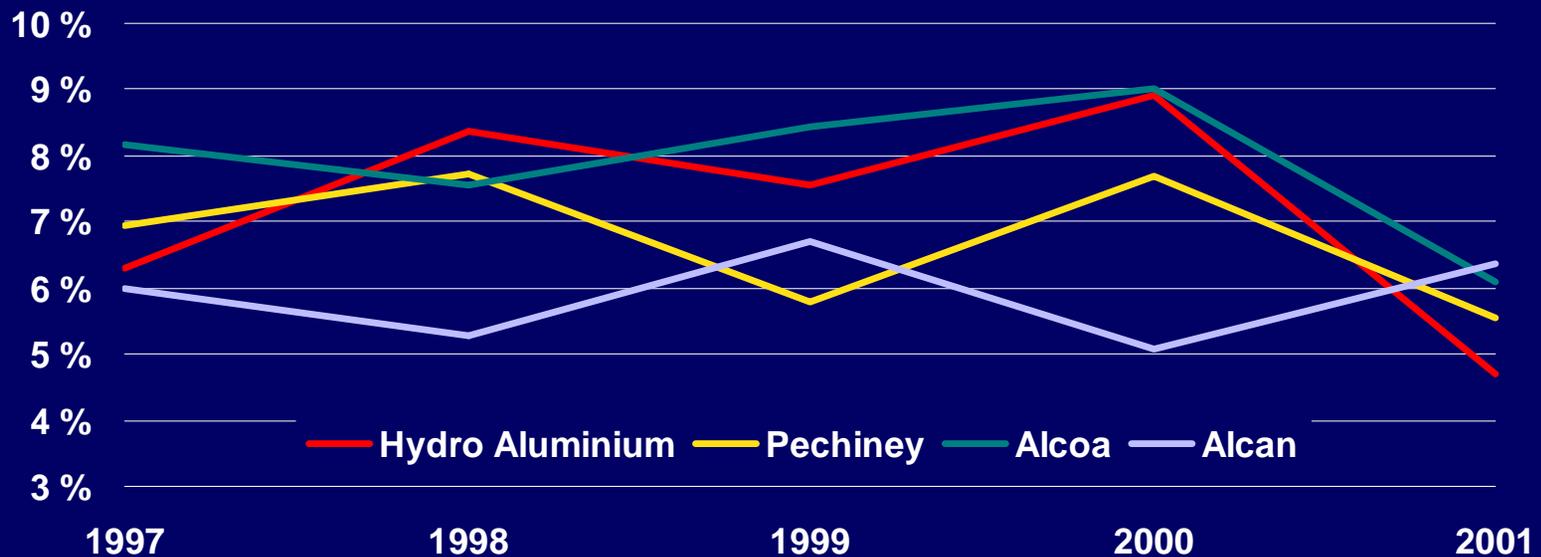
## Extrusion shipments



# Clearly weaker financial performance in 2001



"CROGI"- proxi" % = EBITDA less tax\*/ Gross investment

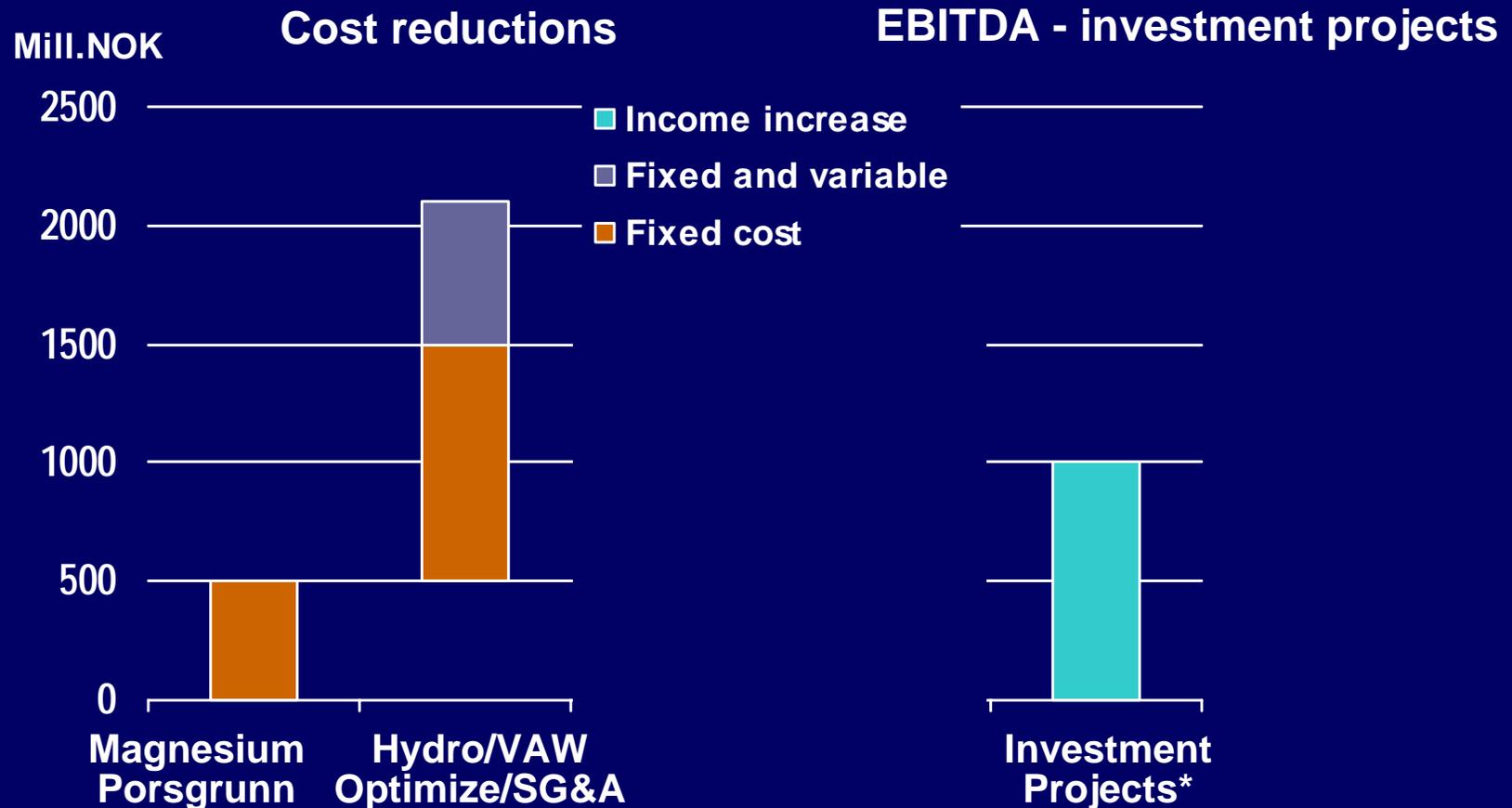


Source : Hydro

\*assumes standard taxrate of 30% for all companies

33047\_1 - 01.2002 - \* 77 - Hydro Media

# Substantial financial effects of main programmes 2002-2003 (full effect 2004)



\* Projects : Including approved projects like SU 4, Alunorte, Slovalco, Søral, Remelters & Aluchemie

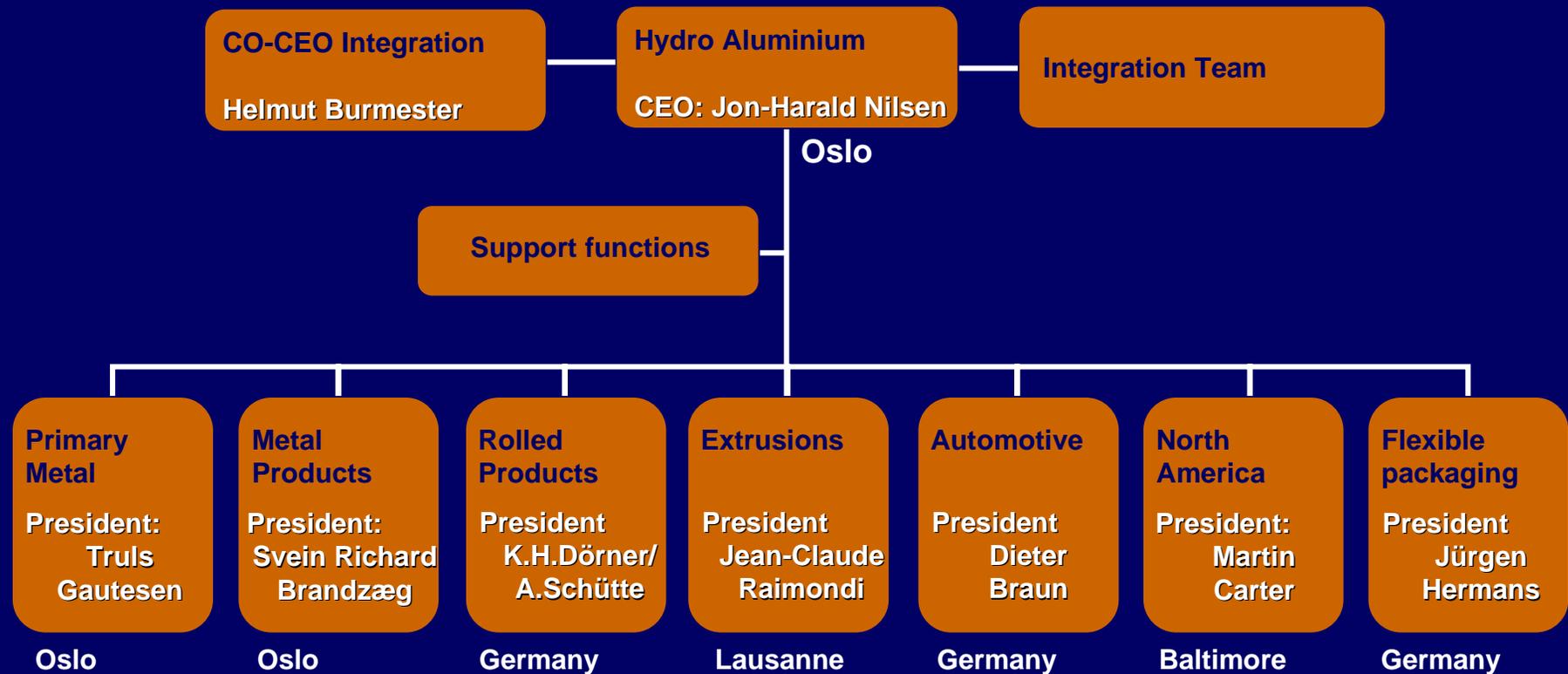


## The way forward

- ✓ **Forceful integration of VAW and Technal**
- ✓ **Realise significant short term improvement potentials**
- ✓ **Successful restructuring of magnesium**
- ✓ **Execution of large projects**

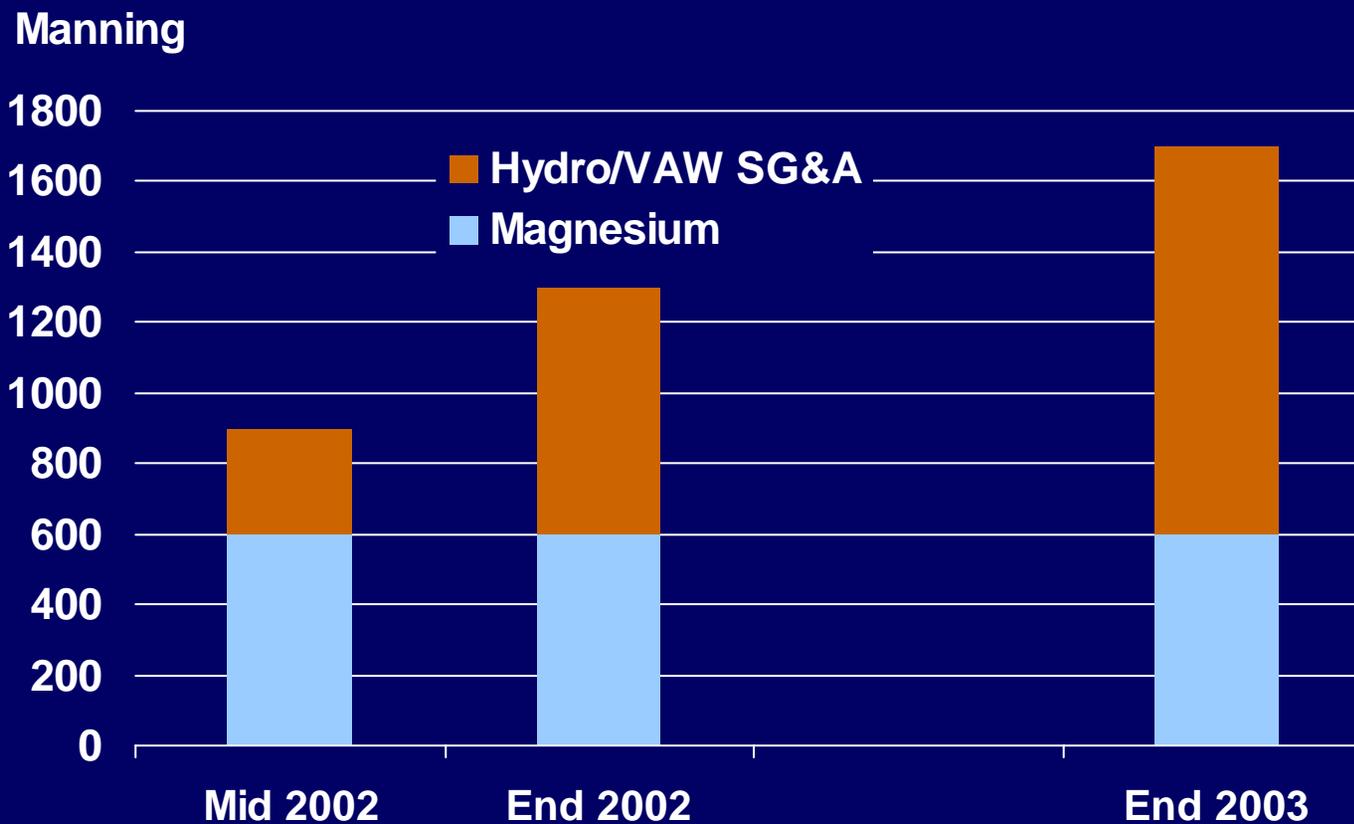
# Organisational structure and first level management identified

(effective from after closing)





# Substantial reduction in manning



*Expected effect approx. 1.2 - 1.4 bn NOK*

*Net financial effect in 2002 will be negative due to upfront restructuring costs*



# Safe harbour statement

**In order to utilize the "Safe Harbor" provisions of the United States Private Securities Litigation Reform Act of 1995, Hydro is providing the following cautionary statement: This presentation contains certain forward-looking statements with respect to the financial condition, results of operations and business of the Company and certain of the plans and objectives of the Company with respect to these items. By the nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. The actual results and developments may differ materially from those expressed or implied in the forward-looking statements due to any number of different factors. These factors include, but are not limited to, changes in costs and prices, changes in economic conditions, and changes in demand for the Company's products. Additional information, including information on factors which may affect Hydro's business, is contained in the Company's 2000 Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission.**